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COMMITTEE NOTICE

TO: MEMBERS, SUBCOMMITTEE ON SCHOOL FINANCE
JOINT COMMITTEE ON PUBLIC SCHOOLS
FROM: SENATOR GERALD R. STOCKMAN, CHAIRMAN
SUBJECT: SUBCOMMITTEE MEETING - March 7, 1990

The public may address comments and questions to David C. Hesse, or make scheduling inquiries to Mary C. Lutz, secretary, at (609) 984-6843.

The Subcommittee on School Finance will meet on Wednesday, March 7, 1990 at 10:00 a.m. in the State House Annex, Trenton, Room 341.

Subcommittee guest speakers will include Dr. Ernest Reock, who will continue his testimony regarding the "Public School Education Act of 1975" and provisions for the constitutionally mandated "thorough and efficient system of free public schools" and Dr. Philip Burch who will discuss measures of educational attainment with emphasis on drop-out rates.

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TABLE OF CONTENTS

	<u>Page</u>
Dr. Ernest C. Reock, Jr. Director Bureau of Government Research Rutgers, The State University	3
Dr. Philip Burch Research Professor Bureau of Government Research Rutgers, The State University	48
 APPENDIX:	
Charts submitted by Dr. Ernest C. Reock, Jr.	1x
Charts submitted by Dr. Philip Burch	4x

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SENATOR GERALD R. STOCKMAN (Chairman): I'd like to get started. I apologize for a couple of delays. We'll try to get closer and closer to our regular starting time with this Committee, although I see we're a little later than I wanted to be.

My name is Jerry Stockman. I'm Chairman of the Special Subcommittee of the Joint Committee on Public Schools, with the responsibility to look into the question of public education funding; in particular the T&E funding formula, in no small part, although not solely as a consequence of a major litigation, Abbott v. Burke, which we all suspect may be decided by the New Jersey Supreme Court in the not too distant future.

Our first hearing we were very fortunate -- I thought, and I think my colleagues on this Committee would agree -- to have two of the architects of the T&E bill, as it made its way through the Legislature and into law in the mid-'70s: Al Burstein and Steve Wiley. They shared with us some ideas about what they were trying to do at that time, how they went about it, and what, perhaps, some of the reasons for the fact that they agree that the formula is not working. And the disparity between districts with greater property wealth and less, is as great or greater today as it was in the late '70s. Certainly, part of the reason is the fact that the Legislature did not fully fund. Why that occurred and how that fits into our responsibility to children in public schools is something that, obviously, is open to debate.

But clearly, there is a growing sense in the Legislature, and I think on this Committee, that we must do something about it. Of course, the Court may mandate that we do something about it. I, for one, and I think my colleagues on the Committee would agree that the Legislature ought not abdicate its responsibilities to the Courts. These hearings hopefully will develop more of a legislative record, more of a

legislative insight into where we are, why we're where we are, and hopefully some insights into where we may go to better deal with the rarest, the most uncopyable, the most important part of civilization, I guess, our possessions, which is our children.

I want to re-welcome my friend and colleague in the Senate, Senator Ewing, who has been very much involved in education policy issues in the Senate for as long as he's been here, and probably brings more experience and background knowledge to the subject than anyone else on the Committee. I'm also very happy that Assemblyman Impreveduto-- (Chairman mispronounces name)

ASSEMBLYMAN IMPREVEDUTO: Very good, Jerry. (laughter)

SENATOR STOCKMAN: -- Impreveduto -- I'm very tempted to say, "Tony," but I don't want to -- is here and that the Assemblyman, obviously, is very interested in this subject; has come a long distance to be here, and has repeatedly made clear to me that he is very interested in the subject of school funding and trying to come up with some better answers to it.

So, some other of my colleagues may arrive later. Senator Lipman asked me to say, very frankly, that as interested -- and she is deeply interested in this subject -- she had a commitment that was longstanding that she couldn't get out of this morning.

So, with that long preamble, I'd like to ask Dr. Ernie Reock to come on back up and join us. Those of you who were here at the first hearing know that Dr. Reock began his testimony, and unfortunately we ran out of time. And we certainly didn't want to rush him.

Dr. Reock is probably the foremost authority on statistics and data and factual information concerning revenue and the public school system in New Jersey. He very recently, through the Rutgers University publications, put out a table of State Aid for Schools in New Jersey 1976 to 1989; a very timely

document which, I think, my colleagues all have a copy of and which I have a copy of here in front of me. And in it he outlines the trends and statistics on what we've done with school finances over that important span of time.

He was, obviously, very much on the scene when the original T&E legislation was fashioned and was sought, and gave counsel, I'm sure, in terms of the numbers, as it was put together. So we're really pleased that he has agreed to come back. I know he has a great interest in this area. I know he's always cautious of trying not to get too deeply in the policy. We may try to pull him more into that; some give and takes we'll have here. But I would invite you, Dr. Reock, to again, maybe, almost start. And I'm also am happy that there is a good deal of growing attention of the media to the subject and the issues that we're talking about here today.

So, if you would like, I will open up to you this hearing.

D R. E R N E S T C. R E O C K, JR.: Thank you very much, Senator. Good morning. I pretty well completed my presentation at the last meeting of this Committee. So really, my purpose this morning, I think, is to try to respond to any questions that you have concerning my presentation or anything else on school finance where I might be able to help.

SENATOR STOCKMAN: All right, you want to put the ball back in our court to really start asking some questions. I'll defer if Senator Ewing would like to begin.

SENATOR EWING: No, no, no.

SENATOR STOCKMAN: Jack?

SENATOR EWING: You start.

SENATOR STOCKMAN: All right. One of the most striking aspects of your testimony last week was that the poor districts continue to spend less on educating their children, while having to tax their citizens at a higher rate. In fact, while the relative expenditure per pupil remained at about the

same low level, the tax rate effort made by these poor districts increased significantly. These numbers would seem to dispel the myth that the poor communities are not trying to do their share about educational needs. Could you give us some specific examples of districts that reflect this kind of inequity?

DR. REOCK: I have prepared some examples, and I'll give them to you in just a moment. Before I do though, I'd like to urge caution in using the results in any individual district to generalize. One of the things I've learned over the years in working in school finances is, while we have 600 school districts, they're all different. They all have their idiosyncrasies. And so, it's always a little dangerous to try and generalize from specific districts to the whole State, or conversely, to use a generalization for the whole State and say, "This is going to be the result in a specific district."

I do have three as examples that I'll show to you. (witness refers to charts throughout his testimony) I have them over here on the flip chart. These are on the poorer districts in the State. I've just picked three to illustrate the situation where a school has a high tax rate -- higher than average tax rate, but a lower than average budget. And the ones I've picked are Camden, Glassboro, and Paterson.

The State average school tax rate-- And this is for the year 1988. Let's put that up here; the tax year 1988 and the school budget year 1988-89. The State average tax rate was 88 cents for schools; 88 cents per \$100 of true property value.

SENATOR STOCKMAN: Let me stop you just to be sure. Which means, that if you have a house that fair market value is, let's say, \$100,000, the tax rate on that house would be 88 cents per \$100 of value.

DR. REOCK: That's right, per \$100.

SENATOR STOCKMAN: And--

DR. REOCK: That would be a tax bill of \$880, if I have my decimals in the right place.

SENATOR STOCKMAN: Yes. Yes, Senator Ewing?

SENATOR EWING: No, no.

SENATOR STOCKMAN: Oh, I'm sorry. And we know different tax rates abide, obviously, very much so, in different communities. But there is a way that government tries to adjust, so that they're taxing fair market value; correct?

DR. REOCK: That's right. In calculating the tax rate we used equalized valuation, which is a term put together by the State Division of Taxation to kind of--

SENATOR EWING: Excuse me, excuse me, Mr. Chairman. The stenotypist is having a problem picking up Ernie's voice, so-- There's no microphone there. So maybe if--

SENATOR STOCKMAN: Okay. Maybe you can take one of those out, Ernie, as you talk, so we can record you. (referring to microphone)

SENATOR EWING: That will help her.

DR. REOCK: Is this all right? The term equalized valuation is a term that was really invented for the purposes of State school aid back in the 1950s. And it's prepared each year by the State Division of Taxation through a process of recording the sales price and assessments on all of the properties which are sold during the year. And then they go through a rather involved statistical process of using that data to come up with an estimate of the true value of all the property in the community.

ASSEMBLYMAN IMPREVEDUTO: First, Doctor, could I interrupt you?

DR. REOCK: Sure.

ASSEMBLYMAN IMPREVEDUTO: A quick question would be: If the State is already doing that, does that mean it is not

necessary, or it isn't as important for the local municipality to do revaluations often to keep them at that 100% value. If the State's already doing it--

DR. REOCK: I think you could come to that conclusion. The purpose of a revaluation is not to determine the true value of property in one community versus another community, which is what we need for school aid purposes.

ASSEMBLYMAN IMPREVEDUTO: Okay.

DR. REOCK: The purpose of a revaluation is to make sure that the--

ASSEMBLYMAN IMPREVEDUTO: The value--

DR. REOCK: --tax levy is spread evenly among all the taxpayers--

ASSEMBLYMAN IMPREVEDUTO: In the community.

DR. REOCK: --within the community.

SENATOR STOCKMAN: Really, a revaluation shouldn't get to this issue, because theoretically this 88 cent figure, State average, is done taking into account that disparity of revaluations of various towns. Right?

DR. REOCK: That's right. The purpose of calculating equalized valuation is to find what the tax base is in one community versus another community, primarily for the purposes of school aid. Now, that data is also used because it's available. It's used for spreading the cost of county government among the communities, also.

SENATOR STOCKMAN: Ernie, just to follow you so we can understand: That typical \$100,000 house -- if there is one -- would pay \$880 a year then in taxes, on the average, for school taxes. And so everybody understands: School taxes vary, but they tend to be roughly in the range of a third of the total tax bill. Is that a--

DR. REOCK: Well, statewide they're more than half the tax bill. The school taxes are the heaviest of the-- Property tax has three components: county government, municipal government, and schools.

SENATOR STOCKMAN: Right.

DR. REOCK: In the suburban and rural areas, school taxes tend to be the largest of those three.

SENATOR STOCKMAN: Right.

DR. REOCK: Substantially larger than the others. In urban areas, you'll find your municipal government and your county government rates larger.

SENATOR STOCKMAN: So, that in many suburban districts that would translate to mean that this would constitute, perhaps, as much as half or more than half of their total tax bill -- the school bill.

DR. REOCK: That's right.

SENATOR STOCKMAN: And the rest of it would be for the county government, that they run in their county--

DR. REOCK: Their share of the county government.

SENATOR STOCKMAN: --and for the local government itself; police and fire, and that sort of thing.

DR. REOCK: Right.

SENATOR STOCKMAN: So, a typical wealthier town would have \$880 of taxes on a \$100,000 house, and their total tax bill might be \$1600, \$1500?

DR. REOCK: That could be a typical situation, yes.

SENATOR STOCKMAN: In an urban area where a \$100,000 house wouldn't be all that common, you would have the \$880 being the smaller part of the total tax bill.

DR. REOCK: That's right.

SENATOR STOCKMAN: And the county and, particularly, the city government cost would be more. So your total tax bill, instead of being perhaps 1500, 1600, would be more like 2500, 3000, or more.

DR. REOCK: That's right.

SENATOR STOCKMAN: That's that overburden. That's the point you're trying to make. The same \$100,000 house in a

Trenton, or a Newark, or a Camden, or Gloucester is going to be paying appreciably higher overall taxes on that house than in a suburban wealthy community.

DR. REOCK: That's right.

SENATOR STOCKMAN: All right. I just want to be clear in my own mind. Thank you. Go ahead.

DR. REOCK: So, the average State-- The State average school tax rate in this year was 88 cents. In Camden the school tax rate was \$1.62. In Glassboro it was \$1.26. In Paterson it was \$1.36. Now, I put Glassboro in there purposely because I'd like to emphasize that the problems we have with the school finance formulas are not just the problems of the big urban centers in the State. They're also the problems of poor communities, generally, wherever they're found in the State. And you may find some other places that are in South Jersey that are very similar to Glassboro, particularly South Jersey.

SENATOR STOCKMAN: So, what you're telling us is that a Glassboro homeowner, with that \$100,000 house, would pay \$1260 of taxes for that part of his total tax, as compared to a typical \$100,000 homeowner in many other communities around them would only pay \$880 of taxes. Right?

DR. REOCK: That's correct.

SENATOR STOCKMAN: And it would be \$1360 in Paterson. And it would be \$1620 in Camden.

DR. REOCK: That's right.

SENATOR STOCKMAN: So, that if you live in Camden, your property taxes on your home for educational cost, in that sense, would be double, almost, what is the average in the State.

DR. REOCK: That's correct, assuming that you have equality within Camden, so that homeowners are paying the same as business and other types of property owners.

SENATOR STOCKMAN: Right.

DR. REOCK: This is an average figure for all of the property owners.

SENATOR STOCKMAN: I understand. It's still a pretty dramatic difference and disparity. I think, you'd agree with me.

DR. REOCK: Overall, yes.

SENATOR EWING: And also, in the urban city you've got that huge municipal overload. Their taxes are tremendous. What is the full tax rate in Camden? Do you have that down, Ernie? The school part was \$1.62 and--

DR. REOCK: I think I can give that to you in just a minute. In Camden the school tax rate was the \$1.62. The municipal tax rate was \$1.04. No, the county government tax rate was \$1.04. The municipal tax rate was \$2.32. So you would add those three up.

Just to compare those: The State average county government tax rate was 42 cents versus the \$1.04 that Camden is paying. The municipal government State average tax rate was 47 cents versus the \$2.32 that you have in Camden.

SENATOR STOCKMAN: So, that \$100,000 house, fair market value, in Camden would be paying close to \$5000 in taxes.

DR. REOCK: Right.

SENATOR STOCKMAN: And a similar house, on the average, might be paying a couple of thousand dollars.

DR. REOCK: That's true, except there's the qualification that I mentioned before: That's assuming that all properties within Camden are assessed equitably. Now, what is the situation in a good number of the older communities is that there is a differential assessment rate applied to different kinds of properties. And what has happened, I think, over the years has been that there's been some attempt to protect the homeowner from this burden, this extremely heavy burden, by keeping assessments lower on homes than they are on other types of property within the community. So, you can't, for sure--

SENATOR STOCKMAN: You can't generally--

DR. REOCK: --make the assumption that the Camden homeowner would pay that high tax.

ASSEMBLYMAN IMPREVEDUTO: Can they do that? That's illegal. You can't--

DR. REOCK: It's illegal.

ASSEMBLYMAN IMPREVEDUTO: Yes, it's illegal.

DR. REOCK: It's illegal and unconstitutional.

SENATOR STOCKMAN: That's the whole--

DR. REOCK: That's why you have pressure on communities of that sort to go through a revaluation program, and that's also why those communities resist going through a revaluation program because--

ASSEMBLYMAN IMPREVEDUTO: Because the shift--

DR. REOCK: --it would shift the tax burden.

SENATOR STOCKMAN: And that just is another evidence of the nexus, the inner relationship between property taxes, property tax reform needs, and the school funding problem.

DR. REOCK: That's right.

SENATOR STOCKMAN: I'm sorry. Go ahead.

DR. REOCK: Now, with those tax rates we can take a look at how much those communities can spend for schools. The State average for 1988-89 was \$6495 per pupil. This is the total budget. This is a little different from the figures I gave you last week, or two weeks ago. This is the total budget: current expenses, debt service, capital outlay, and including Federal aid, the State average expenditure was \$6495 per pupil. The reason I used that was I wanted to give you a total figure, but also, that's the figure which is contained here in the Legislative District Data Book that we put out, so that you could compare that figure with any other community in the State if you want to. So, you can go beyond the three that I have here.

The State average in that year, '88-'89, was \$6495. Camden, with its high tax rate, was spending \$4987, including all of these types of local expenditures. Glassboro was spending \$5595; Paterson \$6176.

So in all three cases, these are school districts which have budgets below the State average and tax rates substantially above the State average.

SENATOR STOCKMAN: And that says nothing about the profile of youngsters in the Camden, Glassboro, Paterson school as far as their other needs, their special needs. It doesn't get into the question of equality; equal commitment of resources for equal needs.

DR. REOCK: I think that's true, yes. Now, I can put a couple of other figures up here. At the last hearing there was a question of how much does Federal aid play a role in here? So, we can take-- Instead of the total budget per pupil, we can show what the total State local budget is. In other words, the difference between the figures that are here now and what I will put up, is merely taking Federal aid out of the picture.

And the figure for the State average, if you take budgeted Federal aid out, it drops from \$6495 to \$6325 per pupil. To show the comparison, let me just put another set of figures up here for the budgets that I have shown you. Camden-- This total budget per pupil, \$4987 is actually 77% of the State average; 4987 is 77% of 6495. Camden was spending only 77% of the State average.

If you take Federal aid out, Camden's figure drops to 4714 which is 75% of the State average. So, by taking Federal aid out of the picture you find that Camden is spending 75% of the State average.

The figures for the other communities here: Glassboro would drop to 5390 and Paterson would drop to 5847. And if you want the percentages to complete that; this was 86% of the

State average (referring to Glassboro) and by taking Federal aid out it drops to 85% of the State average. And in Paterson they were spending 92% of the State average. If you take Federal aid out-- No, I'm sorry, that's 95%. If you take Federal aid out it drops to 92%. So the Federal aid is not a big factor in the picture.

Now, you can go one step further than that and you can take a look at what's called NCEB per pupil. This is a term which is used in the State aid formula; it's the Net Current Expense Budget per pupil. It's the total current expense budget minus deductions, which in large part consist of special aid programs for children with special problems. It's taking out all of the State aid that goes for special education, for compensatory education, for bilingual education, and a whole variety of smaller aid programs.

SENATOR EWING: Transportation?

DR. REOCK: Transportation is out, yes. If you take a lot of these things which are there for a special purpose, for a child with a special need, with transportation being considered a special need. So that you could describe the NCEB as the normal budget for the normal child.

SENATOR STOCKMAN: How about, for instance, security costs, costs for operating a security system?

DR. REOCK: Not the full-- Not necessarily the full security cost, but the State aid for security would be taken out when you get to that. This is not a perfect measure, but it's as close as we can come, I think, right now to what I call the normal expenditures for the normal child. The State average, if you do that, is 5075. You can see if we take more and more things out of the budget, we get down to a lower figure.

For Camden the figure is \$3538. And that figure, instead of being 77%, as for the total budget, and 75% for the budget without Federal aid, you take out all these other

factors, it comes down to 70%. Because Camden has a lot of special aid for programs for children with special needs.

So, you get down to sort of the bottom line in terms of expenditures for educating the average child, the normal child. You find that Camden is spending only 70% of the State average with a tax rate which is substantially above the State average.

Just to complete the table here in case you want the other figures: For Glassboro it's 4494, which is 89% of the State average. You see that actually moves Glassboro up a little bit because they don't qualify for a lot of these other special aid programs. But Paterson does. Their figure comes out to \$4422 per pupil, which is 87% of the State average.

So, while Paterson looked pretty good, very close to the State average in their total budget, when you take out all these other special aid programs, they drop down to 87%. They don't look quite as good in terms of meeting the State average.

SENATOR STOCKMAN: Ernie, do you have-- These comparisons are, as you point out, on State average. Do you have the figures to compare the dramatic difference between the Camdens, the Glassboros, the Patersons, and places like that with the wealthiest -- say the top 20% districts?

DR. REOCK: Well, they could be developed. I don't have them here.

SENATOR STOCKMAN: You don't have them. But, am I correct in my assumption that if we were looking at our top 20% of our school districts in New Jersey as far as commitment of resources -- I'll stay away for a moment from output, the result -- but--

DR. REOCK: You mean top 20 in terms of their wealth, their property wealth?

SENATOR STOCKMAN: Right, exactly. That, in across the line, instead of Camden spending 70% of theirs, it would probably drop down to 60% or 50%?

DR. REOCK: No, the wealthier districts would be spending much higher than the State average.

SENATOR STOCKMAN: Right.

DR. REOCK: And their tax rate would be much lower than the State average.

SENATOR STOCKMAN: Right. But the percentage differential that you've reflected of Camden against the State average, instead of it being 70%, if it was juxtaposition against the wealthier districts, that 70% would go down to maybe 60% or 50% wouldn't it?

DR. REOCK: You're thinking, I think, about the drop-off between 77 and 70?

SENATOR STOCKMAN: Yes. No, no, I'm thinking, if the State average spending is \$5000 in round numbers for this Net Current Expense Budget for one of the wealthier districts in that top 20%, it's probably, what, \$6000?

DR. REOCK: Six, seven, eight thousand.

SENATOR STOCKMAN: All right. So, if it's six, seven, or eight then--

DR. REOCK: This figure--

SENATOR STOCKMAN: --the figure to the right would be more like 50% or 60%, right?

DR. REOCK: No, it would be over 100%, because they would be spending higher than the State average.

SENATOR STOCKMAN: I'm sorry, it's going the other way. All right, it just shows-- All right. So, Camden-- No, I want to quarrel with you. I want to quarrel with you. This is-- If the Net Current Expense Budget for a wealthier district, the top 20%, is \$6000, can't we agree that if Camden stays the same, which it would, 3500, that it is only 50%--

DR. REOCK: Oh, if you were measuring Camden against the wealthy district?

SENATOR STOCKMAN: Yes.

DR. REOCK: Oh, yeah.

SENATOR STOCKMAN: That's what--

DR. REOCK: Camden would be that much further below the wealthier district than it is below the State average.

SENATOR STOCKMAN: Okay. The average wealthy district would probably be spending at least \$6000 on this basic profile; the average cost, taking out special needs, would be at least \$6000. Camden is spending 3500, so it's more like Camden is spending only 60%--

DR. REOCK: Of the wealthier district.

SENATOR STOCKMAN: --as much as a wealthier district--

DR. REOCK: That's right.

SENATOR STOCKMAN: --to educate its average children; non special ed.

DR. REOCK: That's right. This whole chart sort of really just shows the bottom half of the distribution. It shows the districts that are below average wealth.

SENATOR STOCKMAN: Am I being over political; am I being overdramatic, in saying that that is outrageous?

ASSEMBLYMAN IMPREVEDUTO: I think you're not being dramatic enough, because quite honestly most of the wealthier districts -- if you want to talk about the Ridgewoods, and the Saddle Rivers, and the wealthier districts -- are probably spending closer to 8000.

SENATOR STOCKMAN: On the Net Current Expense Budget?

ASSEMBLYMAN IMPREVEDUTO: Yeah, or-- Actually, it would probably be the total State per pupil budget.

DR. REOCK: Well, it would depend on where you cut the line on what is a wealthy district.

ASSEMBLYMAN IMPREVEDUTO: Yeah.

DR. REOCK: The range-- There probably are some districts that are spending, I'd say, 9000.

ASSEMBLYMAN IMPREVEDUTO: Yeah.

DR. REOCK: That would probably be just about the top.

ASSEMBLYMAN IMPREVEDUTO: So, if you take the very top, and you look here, which is the very bottom, you're talking, not 70 or 50, but quite a bit lower than that.

SENATOR STOCKMAN: Doctor, the figures in '75 and '76, if you were in hearings, struggling with fashioning the bill then, would be comparable wouldn't it -- roughly? Or different numbers, but percentages; the disparity would be--

DR. REOCK: Well, let me switch to another chart, and I can show you that.

SENATOR STOCKMAN: All right. I was hoping I could give the right question.

DR. REOCK: On this chart we're taking the same three districts, and instead of showing actual dollar figures, we've shown the budget per pupil -- this is total budget per pupil now -- school tax rate and the overburden tax rate as percentages of the State average.

Camden, for example, in 1976 had a budget -- total budget -- which was 94% of the State average total budget. Camden was spending very close to the State average in--

SENATOR STOCKMAN: Now you're not talking about just education, or are you?

DR. REOCK: Just education.

SENATOR STOCKMAN: All right, I'm sorry.

DR. REOCK: This is all schools, just schools.

SENATOR STOCKMAN: So, this is all schools now.

DR. REOCK: That's right.

SENATOR STOCKMAN: Okay.

DR. REOCK: School budget per pupil, school tax rate, and then down here on overburden we throw in the municipal and the county.

SENATOR STOCKMAN: Okay.

DR. REOCK: Camden was spending very close to the State average; 94% of the budget per pupil. Their tax rate was somewhat over the State average; 123%. Their overburden --

this is back in 1976 -- the county government and the municipal government tax rate was 254% of the State average. Now--

SENATOR STOCKMAN: So they were spending total taxes, 254% higher than the average municipality in New Jersey?

SENATOR EWING: No.

DR. REOCK: No, county and municipal government taxes were 254%.

SENATOR EWING: It's the overburden.

DR. REOCK: School tax rate was 123% of the State average.

SENATOR STOCKMAN: Oh, you didn't combine all three at the bottom?

DR. REOCK: That's right.

SENATOR STOCKMAN: All right.

DR. REOCK: The overburden is just the municipal government and the county government.

SENATOR STOCKMAN: Which is to say, that if you came from a far-off place to New Jersey and happened to pick Camden as the town that you were going to live and raise your family and survive in and you owned a home, you would fortuitously by that choice be paying 254% more in property taxes than the average property tax for a home in New Jersey?

DR. REOCK: For county government and municipal government.

SENATOR STOCKMAN: For county government. And you'd be paying 123% of the average property tax rate for your school cost?

DR. REOCK: That's correct.

SENATOR STOCKMAN: The cost of your school children?

DR. REOCK: That's correct.

SENATOR STOCKMAN: Okay, go ahead.

DR. REOCK: Now, that was 1976. In 1988, what happened in Camden, their budget per pupil now -- and this is -- I'm just pulling the figures from the other now -- their

budget now is 77% of the State average. In other words, they were spending close to the average. Now they've dropped substantially below the State average in budget per pupil.

In order to do that, in order to hold that much, their school tax rate is now up to 184% of the State average. In other words, their budget has dropped below the State average even further than it was before. Their taxes have gone further above the State average than it was before, and their overburden which was 254%, is now 378%.

SENATOR STOCKMAN: So, if you came from a far off place to New Jersey and didn't know any better, and you picked a \$100,000 house in Camden to buy, to pay a mortgage on, and pay taxes on, the taxes for the school portion of Camden's tax burden would be 184% of what it would be if you could take that \$100,000 and put it in dozens and dozens of other communities in the State?

DR. REOCK: In the average community, yes.

SENATOR STOCKMAN: And correspondingly, that house, you'd pay 378% taxes as compared to the average county and local government cost for that same \$100,000 house?

DR. REOCK: That's correct.

SENATOR EWING: Ernie?

DR. REOCK: Yes.

SENATOR EWING: What's happened to the population between those two years -- those years?

DR. REOCK: The population in Camden, I think, has declined slowly.

SENATOR EWING: I mean, it's an interesting indication, the population goes down and yet their overburden is going up.

SENATOR STOCKMAN: But Senator -- and again, I think we're on the same track on this -- for that typical person who buys a house in Camden, for whatever reason, it's 100,000. It doesn't make much difference to him whether the population is

going down or up. When he gets that annual tax bill, and for-- On the average, probably if you average in the school tax and the other taxes, Ernie, you're probably talking about a 300% rate as compared to the average tax for that same house in dozens of other communities throughout the State.

SENATOR EWING: There's no question of that, Jerry, but also it's a question of why does the overburden go up so tremendously? I mean, are they spending the money wisely? That's all I'm saying in the overburden part.

ASSEMBLYMAN IMPREVEDUTO: Well, I think one of the things you've got to consider too is, you know, we've got the graying of these communities. Their infrastructure is probably collapsing. The buildings are old. Their tax base is probably very low, as far as commercial goes.

SENATOR EWING: There's no question about it. I'm just saying, how do they spend the money, though?

ASSEMBLYMAN IMPREVEDUTO: Yeah.

SENATOR EWING: How many people do they have doing one job in municipal and county government, come on?

ASSEMBLYMAN IMPREVEDUTO: We don't know that.

SENATOR EWING: No, that's--

ASSEMBLYMAN IMPREVEDUTO: But what-- You need to take into consideration the fact that in, certainly, our suburban areas we have brand new schools, and get infrastructure. You look at the Camdens and the Jersey Citys--

SENATOR EWING: Then it comes down to a lot of the pressures from the local government as to whether they're going to go ahead with the school board and spend money on that or go do something else that their freeholders or the municipal government wants to do.

ASSEMBLYMAN IMPREVEDUTO: Yeah, but the problem is they're already spending more as it is.

SENATOR EWING: What?

ASSEMBLYMAN IMPREVEDUTO: They're already spending more dollars.

DR. REOCK: Now, you have to be careful here now. Remember all of these--

ASSEMBLYMAN IMPREVEDUTO: All right-- I think-- Higher percentages--

DR. REOCK: This is all relative to the State average. As a matter of fact, this is something, I think, most people don't realize. Property taxes as a percentage of the true value of property have been coming down steadily through this period. As a percentage of property value, the property tax rate has been dropping, and of course, at the same time, school costs in dollars have been going up throughout this period.

ASSEMBLYMAN IMPREVEDUTO: That's the period of inflation where house prices were increasing.

DR. REOCK: That's right.

ASSEMBLYMAN IMPREVEDUTO: However, we're looking at something quite different today.

DR. REOCK: We have just--

ASSEMBLYMAN IMPREVEDUTO: The possibility of different areas--

DR. REOCK: We have just passed the threshold, yes, when things--

ASSEMBLYMAN IMPREVEDUTO: For deflation.

DR. REOCK: You're beginning to get into a deflation.

ASSEMBLYMAN IMPREVEDUTO: Real estate deflation period.

DR. REOCK: Or at least a stable -- a plateau.

SENATOR STOCKMAN: Ernie?

ASSEMBLYMAN IMPREVEDUTO: Obviously, it has not been reflected in the formula.

SENATOR STOCKMAN: If you were to, again, look at the wealthiest -- property wealthiest communities, the top 20%, as opposed to these figures being a play-off, a comparison, with the average; those numbers would go even higher, wouldn't they?

DR. REOCK: I'm not sure whether the-- Let's say if you took the wealthy communities, and let's say we had a wealthier here, and they were spending, let's say, 120% of the State average, and you came down to see what's going on right now. I can't give you a figure, but my guess would be that typically it would be still at about 120% of the State average.

Their school tax rate, again, may have been fairly stable. We can dig the figures out, but I don't have them readily available here.

SENATOR STOCKMAN: Okay. How about the rest of your story there? Glassboro?

DR. REOCK: Okay, just to fill in the others because we do have somewhat different patterns here. Glassboro in 1976 was spending slightly above the State average, and they were taxing above the State average, and their overburden was below the State average. They were making up, to some extent, for this high school tax rate by lower tax rates for county and municipal purposes.

Now, or at least in 1988, they are still spending-- Now they've dropped from an above average budget situation to a somewhat below average budget situation. They're spending 86% of the State average in 1988. In order to do that, their school tax rate has gone up. They've lost ground against the State average. It's now 143%. In other words, they've had to tax themselves more heavily than before in order to hold some ground in terms of expenditures. And their overburden has gone from 79% of the State average to 184% of the State average. In the case of Glassboro, to a considerable extent that's county expenditures, but municipal was in there too.

Paterson, which was a low spender-- Traditionally Paterson was a low spender in terms of school costs. They have raised their spending. This is another pattern really. They've gone up to 95% of the State average. But to do that, they've had to-- Before they were a low spender, and they were

also a low taxpayer. They were a little below the State average on school taxes. But they've gone from 94% of the State average up to 155% of the State average, so in order to raise their spending level, they've really had to tax themselves heavily for schools.

And you get the same general pattern on overburden that you find in the other communities. They were at 175% for county and municipal costs. They're now up to 198%.

So you have three different patterns. You have Camden which has lost ground throughout here. Their budget has dropped off and their taxes have gone up. For Glassboro, their budget has dropped off and they've moved from a somewhat above average spender to a below average spender, at a cost to themselves, and in Paterson has raised their spending level, but they've done it at a substantial cost in terms of the school tax rate.

SENATOR STOCKMAN: Okay. Ernie, do you have another chart that you want to go through?

DR. REOCK: No, that's it.

SENATOR STOCKMAN: Those are the main charts, okay. Why don't you sit down? I have a couple questions, and perhaps my colleagues do. Senator Ewing, do you want to--

SENATOR EWING: No, thank you.

SENATOR STOCKMAN: These figures, Dr. Reock, as I understand it, don't adjust for the problem of large numbers of children at risk in our poor districts with regard to special education needs and--

DR. REOCK: Well, the first chart did to some extent, when I used the NCEB--

SENATOR STOCKMAN: Okay.

SENATOR STOCKMAN: --because that makes some adjustment for children with special needs.

SENATOR STOCKMAN: I guess I could just put it this way: What went wrong, in terms of what you hoped for in '75 to '77 or '78 and where we are today?

DR. REOCK: I suppose there's a lot of detail that we could throw in there. But basically, I think the things that went wrong were: First of all, there are basic deficiencies in the guaranteed tax base system; the problem of municipal overburden. That's the big flaw in a guaranteed tax base system because it puts the decision making at the local level in terms of what the school budget should be, and if the local people have to worry about municipal overburden as we see here for these three communities anyway, then there's a tendency not to put everything into the school budget that might be justified.

So that that's a basic deficiency of the type of formula that we have.

SENATOR STOCKMAN: How do you deal with that? As a matter of fact, we heard some interesting testimony and you may have been in on this. I gather there was some effort by the crafters of that legislation in the late '70s to deal with this concept of municipal overburden. I thought that Al Burstein suggested that there was some proposal that got scrapped in the struggle?

DR. REOCK: Well, the way you can deal with it, and the way they tried to deal with it in this law was through the monitoring and budget review part of the law. In other words, if you do give the State substantial power to force districts to raise their budgets to an adequate level and you use that power aggressively, then you may be able to plug up this hole in a guaranteed tax base system. That's what the law relies on to do that. However, I think there has been a good bit of hesitation in terms of using the powers that are available to the State to do that.

SENATOR STOCKMAN: How much debate was there over that in the late '70s? In other words, what you're saying is if I understand it, that at that time the notion was-- Well, look, if the local school board authorities -- I guess it would be --

and superintendent in Camden, let's say, started to lag -- started to not make a commitment of resources equal at least, to the average in the State for their youngsters, putting aside the question of whether their youngsters because of their peculiar problems or difficulties, needed an even higher sum. But let's just take average; that if that lag started, then a Commissioner of Education could call up the local authorities of Camden and say increase your spending, which, of course, would be an indirect way of telling the Mayor of Camden, and the Council of Camden, increase your taxing, right?

DR. REOCK: The assumption at the time the law was written was that adequate powers were given in the law to the Commissioner and the Department of Education to do that. The indications are that that power was not used very aggressively until just the last few years.

SENATOR STOCKMAN: Was there much debate over whether that would work, or did everybody think it would work? In other words, was it a matter of saying, "We'll give the Commissioner that power. It's here and that should--"

DR. REOCK: I think the people who drafted the law thought that it would be used aggressively.

ASSEMBLYMAN IMPREVEDUTO: Mr. Chairman, if I could--

SENATOR STOCKMAN: Yes, sure.

ASSEMBLYMAN IMPREVEDUTO: Dr. Reock, I guess the problem seems to be, particularly when we're looking at municipalities of this sort -- the inner city, the urban area -- the problem is we have a shrinking tax base. The people that do own the homes are paying probably more than it could afford to pay. What we're saying to them now is, "Mr. Mayor of that city, I don't care that your people can't afford to pay the taxes that you have now. You've got to put more money into education."

At the same time you've got fix your streets, and you've got to properly light them, and you've got to make sure

you've got a new sewage plant that's treating at a secondary level, and your cops want a raise and your firemen want-- Where does the money come from? How do we do it? There aren't mirrors here. I just don't know how you do that?

DR. REOCK: You're reflecting the municipal overburden argument--

ASSEMBLYMAN IMPREVEDUTO: Absolutely.

DR. REOCK: --that that pressure is not just on the Mayor; it's on the members of the school board, it's on the school administration, the superintendent in preparing a budget for the school board to review, and if it's a district where the budget goes to the voters, it's on the voters too because they have to weigh the needs of the schools against taxes that are levied for other purposes. The only way you can make it work is to have a lot of political will to override the decisions of the local people.

ASSEMBLYMAN IMPREVEDUTO: Unfortunately, it's beyond-- It's come down to dollars and cents. I mean, you can be the greatest politician in the world and say, "Look, our schools need the money, and I don't care what our tax rate goes to. We're going to do the schools."

DR. REOCK: But, look at Paterson. Paterson, apparently, in the last couple of years they have done it. They have raised their spending level, and they've swallowed the cost.

ASSEMBLYMAN IMPREVEDUTO: But at what point do the people then say, "Hey, time out, I can no longer afford to live here. I'm leaving"?

DR. REOCK: It will vary in every community probably.

SENATOR STOCKMAN: How much--

DR. REOCK: How high is too high in terms of property taxes?

ASSEMBLYMAN IMPREVEDUTO: But, you know-- Yeah, what point is the straw that breaks the camel's back?

SENATOR STOCKMAN: Doctor, how much mischief do you think has been done by this natural conflict? I mean, I suppose the drafters at the time recognized there would be a conflict between local authorities over dealing with this issue. Have you seen and sensed mischief in many of these municipalities between the educational community; that is the school board and the superintendent versus the Mayor and Council, and, perhaps, sort of both of them being a little too harsh on the other? Have you seen evidence of that?

DR. REOCK: I haven't really tried to watch it across-the-board throughout the State, although it becomes obvious from time to time that there is that sort of conflict. It's not always publicly apparent, because that pressure can take place during the budget preparation process. Sometimes it will come to an open conflict where the school board will approve a budget which is then reduced by the board of school estimate or by the municipal governing body after a defeat at the polls. Then you can see it more clearly, but I think it's a set of pressures which is operating all the time.

SENATOR STOCKMAN: In a community like mine-- I've lived in Trenton all my life, and I represented it; my family and my parents before me. And I've seen, what strikes me as growing evidence of this struggle, and frequently a harshness imposed each on the other that serves neither well. I'm not saying that there may not be evidences of spending that shouldn't be, stopping short of the merits of some of these questions that I know are concerns, and have to be to all of us: waste, corruption, nepotism, and so on. Those things have to be ferreted out; they have to be challenged. But I've seen evidence which strikes me as being a harshness and frequently damage each other's credibility in the community that transcends and goes beyond that.

Simply, it's sort of analogous to me, in a way, to putting a couple of people in a boat and out, you know, in a

desperate situation with a limited amount of water or food, or what have you. People start-- I mean, the problems grow. And I think that part of the mischief of this whole drama that we're trying to get at is really, an undercutting of leadership in these communities at a time when it is so difficult to find leadership. I just wondered whether you sensed that too?

DR. REOCK: I can't quarrel with any of that. I think that's true, as a generalization.

Could I just hit a third point in terms of responding to your question about what went wrong: One thing was the basic weakness in this type of formula, and secondly, was the hesitation in using the device which was intended to backstop that weakness and remedy it. The third one is some basic flaws in the formula itself as it was put together, and I think the major one there is the use of prior year funding; the fact that, the way the formula operates, the State pays a percentage of the local school budget -- a higher percentage for poor communities and a lower percentage for wealthier communities. However, that percentage is a percentage of the prior year's budget, so that if any community wants to increase their budget from one year to the next, that entire increase has to be raised with their own local taxing power, rather than having any State aid to help them do that.

SENATOR STOCKMAN: Was the design of that more a matter of getting up and getting started, and therefore wanting to use a prior year, or was it by specific design with some purpose?

DR. REOCK: First of all, I think the drafters of the legislation didn't realize the extent of the negative impact that would occur. There was a lot of concern at that time when a substantial amount of new money was going into the local school budgets from rather large increases in State aid. There was a concern that some districts might increase their budgets too fast, and the idea that the formula would operate on the

prior year -- a percentage of the prior budget -- was regarded as a desirable thing in terms of acting as a brake on increases in the budget which would take place so fast that they would be inefficient; they'd be a wastage of money.

ASSEMBLYMAN IMPREVEDUTO: Dr. Reock, part of the 32nd District, which I represent, is part of Jersey City. As I understand it, this year, Jersey City is going to go on to current year funding. How will this affect Jersey City?

DR. REOCK: I must admit I'm not familiar in detail with the State takeover legislation which was applied in Jersey City. I know that there is a current year funding aspect there. If it operates over the entire budget, I would think that it would--

ASSEMBLYMAN IMPREVEDUTO: Favorably.

DR. REOCK: --act favorably, and it would remedy this particular flaw in the formula for Jersey City.

ASSEMBLYMAN IMPREVEDUTO: Do you see that as beginning to happen throughout the State? I mean, there are other districts that are in as much trouble -- more. Do you see current year funding as something that's going to happen?

DR. REOCK: I don't know how fast we're going to move in terms of the State taking over other districts. I suspect it's going to be rather slow. So, that that particular method of current year funding would only happen if that law were revoked.

ASSEMBLYMAN IMPREVEDUTO: Do you think that it's-- Well, I guess my other question is: In your expertise, is current year funding -- set aside the takeover-- Is current year funding the way we should be going?

DR. REOCK: Current year funding, I think, is the biggest single improvement you could make in the mechanics of the present formula. You'd get the biggest bang for the buck there. The money that you would have to spend to go to current year funding would make a substantial improvement in the

present formula, particularly in terms of tax equity; that is, getting a good correlation between the amount spent per pupil and the tax level in that community. Current year funding would go a long way toward that.

In terms of raising the spending level toward the State average -- budget per pupil -- current year funding would help. It would make it easier for the school boards to present an adequate budget. It would not-- It would, to some extent, ameliorate the overburden problem, but it wouldn't solve that problem. You still would have to have an aggressive monitoring and budget review process in order to make sure that the budgets were proposed at the right level.

ASSEMBLYMAN IMPREVEDUTO: But you are suggesting that we should certainly look at-- One of our recommendations would be current year funding--

DR. REOCK: If you stay with this sort of system, yes. One of the things that ought to be done with it-- And this has been recommended year, after year, after year. One of the things you definitely should do is try to go to current year funding.

SENATOR EWING: Yeah, but the cost during the year. I mean--

DR. REOCK: The cost is not terribly excessive. I haven't done a--

SENATOR EWING: I thought it was \$200 million or \$300 million?

DR. REOCK: I think it's probably between 100 and 200 now, but it will vary from year to year. Of course, that's the cost the first time you do it, and then every future year you'd be up on another trend line. So, it would be-- Every year the cost would be that much higher.

ASSEMBLYMAN IMPREVEDUTO: So the State looks at the same problem that the municipality looks at: We've got a \$750 million -- billion deficit -- a million difference, or other,

and where do we spend our money? Does it go to education, does it go to the Turnpike, does it go the Parkway? So, I guess we've got the same problems as some of the municipalities have.

SENATOR STOCKMAN: Dr. Reock, let me come for a minute to this question of the adequacy of district budgets as looked at by a Commissioner. What standards did the drafters expect that the Commissioner would use? Do you think that's a mechanism that can survive and be improved and work? You say it seems to be-- The Commissioner seems to be looking more carefully or utilizing it more now. Do you think it was just a matter of a particular Commissioner shying away because of preoccupation with other aspects of public education, or do you think there is a flaw in the expectation of a Commissioner getting into this kind of a struggle which has such sensitive potential political implications?

DR. REOCK: I think you have to face the fact that this is a very political State, and no matter how much power you give on paper to any State administrative officer, they are -- that person, and I'm not thinking just specifically of Commissioners of Education -- but a State administrative officer has to be conscious of what the political kickback could be if he lowers the boom on local people and forces their taxes up.

And I think that-- You have to try to stiffen any sort of administrative officer who is given power to impose something on local officials.

SENATOR STOCKMAN: How much of the mischief of all of this is traceable to the peculiar design of school districts in New Jersey; the historical factor? As I understand it, we have over 600 school districts in this State, and there have been some efforts, I gather -- although with little success -- at consolidation. How much of this could be improved if you could break up some school districts and rearrange them?

DR. REOCK: I would not expect to get much mileage out of breaking up school districts, in terms of these tax and expenditure statistics. I think you might get some considerable improvement if you were able to consolidate some districts; make them larger so they have a larger tax base. And this goes beyond just schools. This goes into the whole structure of State and local government in New Jersey. We have an awful lot of small jurisdictions. Really what we--

SENATOR STOCKMAN: Five-hundred-and-sixty-seven of them, right?

DR. REOCK: Five-hundred-and-sixty-seven taxing jurisdictions. And then you have-- In schools, you have overlapping jurisdictions.

But what we have done is taken a State with a tremendous amount of taxable property -- property values -- and we have, in a sense, dropped a honeycomb of jurisdictions over that wealthy State. And one of the major functions of State government today is to move money from one part of the State to another part of the State, because each cell of that honeycomb has its own characteristics. Some cells will be very poor, and some will be wealthy, and the State government has the power to tax wherever the wealth is, bring the money to Trenton, and then send it back to overcome the problems that are caused by splitting the State up into so many jurisdictions. And that's accentuated by the fact that we rely on the property tax so much.

SENATOR STOCKMAN: And when you have that anomaly, that historic accident of that honeycomb of 600 school districts, 567 separate taxing property districts, and you bring in people in politics -- politicians, representing those districts -- you have the natural instinct for those with less resources to fight to get more resources. You have the competitiveness of a colleague: If you're going to get more resources, wanting something more for his-- And really out of

all of this, the citizens of New Jersey are probably caused to spend more money in public education because of that complexity, putting aside whether in a peculiar place they ought to be spending more money. Do you agree with that? Am I right about that?

DR. REOCK: I think there's merit to that, yes.

SENATOR STOCKMAN: In other words, we spend \$7.5 billion as I understand it, roughly, as a State. We, New Jerseyans, spend \$7.5 billion -- I think it is -- and 40%, or a little more of that, comes from this aid that we're talking about -- that comes in to Trenton and goes out from Trenton to this honeycomb of 600-plus districts, and then the rest of it is made up by those local communities.

It may be that that \$7.5 billion, essentially, is enough to do a credible job; a job that we could be satisfied is doing right by the children of New Jersey. But perhaps part of the problem of why we're uncomfortable and why a court may be about to speak to the Constitution on it, is that it's getting distorted, and we are spending more than we would have to if those districts were better designed and better organized.

DR. REOCK: I would hope that would be the case. It's hard, you know, to look at it and prove that that would happen.

SENATOR STOCKMAN: Well, let's redesign them. We have NJEA here, we have School Boards here, we have you, we have leadership. Let's do it. I'm kidding. And I'll probably hear about that tomorrow. (laughter)

But I am saying -- I am saying for myself, and I only speak for myself on this -- that as we get into dealing with this subject, as the court forces us to, I think we ought not to leave out of the discussion as a very real part of the discussion, the question of consolidation and design of school districts, as painful or difficult as that might be, if it really is denying us resources that the youngsters in this State really are so desperately in need of in some quarters.

DR. REOCK: Along that line, you might want to take a look at some of the work that was done by the Governor's Management Improvement Program back in the early '80s, where they compared the size of jurisdictions, particularly school districts, I think, in New Jersey with those in surrounding states. As I remember, one conclusion was that the larger school districts in some of the surrounding states were able to capitalize on declining enrollment by reducing their expenditures more readily than we were able to do it in New Jersey where we were locked into so many small school districts.

SENATOR STOCKMAN: Okay. I want to move to some other areas, but I particularly wanted to know-- Senator Ewing, unfortunately, had a long-standing commitment and isn't going to be able to stay. I didn't know if there was anything, Jack, you wanted, in particular--

SENATOR EWING: No. Thank you.

SENATOR STOCKMAN: Okay, we'll move on. Let's turn, if we can, Doctor, a bit to this question of underfunding. We all know currently that an added reason that this formula, perhaps, hasn't worked out as well as you and others had hoped, was the underfunding. Can you discuss that with us, and maybe, to the extent that you can, why you think that happened?

DR. REOCK: Why it happened?

SENATOR STOCKMAN: Well, maybe, the happening of it and some of the figures, and the impact it's had, and then the why.

DR. REOCK: Well, I'd call your attention to the report that you mentioned earlier on State aid for schools in New Jersey. We do have tables in here on each type of State aid; about six major types. And for most of them, we have a table which shows the amount that was requested for the budget, presumably for 100% funding of the formulas, and then the amount that was actually appropriated.

And we could add it up. I did that last night. The total underfunding over the full period, 1976 to 1989, is about \$657 million, 237 of that, I think, coming last year or the year we're in right now.

I think until this last year, the degree of underfunding statewide was probably not terribly detrimental to the equity of the school finance system. The appropriations process last year for the 1989-90 budgets was much more drastic than had been the case in the past, and the problem was accentuated by the way in which the underfunding was apportioned among the school districts. The method that was used for this current year is the same one that has been used all through the 1980s for spreading the pain, really, of the underfunding. It was a method which -- probably not by design, I can't really say for sure -- but the method that was used was extremely detrimental to the poorest districts. It was a flat percentage cut in most areas, where if a district was due to receive \$100,000 for a particular purpose, they would receive only \$92,000.

Now, a cut like that, particularly when some of these special purposes are aimed at districts with a lot of children needing special aid-- A cut like that is much more heavily loaded on poor school districts, so the result of the impact on this year's school budget was much higher in the poorest districts of the State than it was in the wealthier districts in the State.

SENATOR STOCKMAN: You sent me some literature and, I think, other members in the Legislature on that. I sent it on to Dr. Cooperman and I think he responded that he had tried, or argued that point, perhaps, last year. I can't speak for him; he'll speak for himself.

DR. REOCK: That was his response to me also.

SENATOR STOCKMAN: Right. I think I sent you a copy of his correspondence to me.

I think that is an extremely important point for the people in the education community who are concerned about equality and equity. Let me try it this way-- Let me try this out on you, someone who has been deeply involved in State government in all of these issues. What probably happens in the dynamics of budgets is, at some point, close to the Governor himself, comes an appreciation that "X" dollars of shortfall -- 300 million, 500 million, a billion, this year we hear ominous language about what it might be -- that is a number of dollars that have to be saved within the design and crafting of an overall State budget, and at some point, someone makes the point that a clear significant share of it has to come out of the education part. So someone -- probably not an education expert -- says, "Well, we've got to save, at least, maybe, try to save \$300 million or \$400 million or \$200 million of this problem we have out of the education part of the budget."

And then, without the sensitivity to what is a complex -- I think you'd agree with me-- I mean, it would be a lot easier for all of us -- and I speak only for myself -- but I have to suspect that my colleagues in the Legislature would feel the same way, or do, that these formulas and this appreciation of the dynamics of school funding is no easy task to undertake -- and to the extent you don't have a grasp, and a comfortable grasp of it, but are looking to save a chunk of money, the easiest way is to say, "Well, take a percentage down the line." Therefore, someone very close to the Governor makes the fundamental determination that 200 million has to be saved out of this education component of the overall budget, and here's the way it's going to go.

Not reaching out to the people in the field, saying, "Well, if we have to save something in that range, is there a way that we can do it artfully, sensitively, thoughtfully, with an idea towards children, not as an abstract average?" Not as

a youngster who we can say, we in New Jersey contribute, on the average, one of the highest per capita, too, but rather children's needs.

That has probably not happened, which, incidentally, leads me to a point, I guess: That must be a very, very serious issue for Governor Florio to look at, as he and those around him try to reconcile and deal with shortfalls fiscally in a budget; that is, to the extent that they are going to have to tighten even the educational belt, if they do -- that there would seem to be a great deal of importance in their appreciating the possibility of accomplishing that through a more thoughtful procedure than historically has been done. Do you agree with me?

DR. REOCK: I think that scenario--

SENATOR STOCKMAN: That's a long question, isn't it?

DR. REOCK: I think the scenario you described is probably what happened in the early 1980s, starting probably in 1982. And it wasn't as disastrous then, because the overall cut was smaller. But if you'll check the appropriations act every year since then, it always says, we will make the cut the same way we did last year. And it goes on, last year, last year, last year, last year.

Now that became disastrous when the overall cut became much larger. There are ways, I think, of making the reduction in a more equitable way. The way I've suggested, is to take the total amount of reduction from the entitlement down to what can actually be appropriated; take that total amount, divide it by the total equalized valuation of the State -- total value of property, because presumably if a school district has its State aid cut, it's faced with the-- And it feels that a certain amount has to be spent, and it can make up that cut by levying additional property taxes. So if you divide the total cut by the total equalized valuation, in effect, you come up with something like a State tax rate, and then you use that State

tax rate to apportion the cut among all of the districts so that each district carries a proportional amount of the reduction in proportion to its own property tax base. That, I think, would spread the pain equally if we do have to spread pain.

SENATOR STOCKMAN: Okay. Senator Brown has arrived. We're happy that you're here.

SENATOR BROWN: Thank you. Sorry to have been late, but I was up at the Stony Brook School in Kinnelon participating in a one year celebration of their local media news program. So, it was nice to have the fifth graders eventually being trained to challenge our commentators on CBS and wherever.

Speaking about the tax rate and so on, are you at all concerned as we look in the '90s, with the amount of taxes -- amount of land that is off the tax roll? Obviously this is more true in some of our urban areas, than in some of our other areas, but is not that a part of this problem that we are facing?

DR. REOCK: I'm sure it's a factor. When you look at the total amount of exempt property, it looks tremendous. But then when you begin to look a little beyond the gross figures, you begin to find that a lot of the great amount of property, which is off the tax rolls, is off because it's owned by a public agency, and if you try to provide some sort of in lieu payment for that, you find you're taking money from one pocket and putting it in another pocket.

SENATOR BROWN: But is that not just the key if we're going to try to get some handle on local autonomy, and so on? I mean, I don't see how you can necessarily hold a local system to any sort of accountability if they're not given some sort of fairness as far as the tools at their disposal?

DR. REOCK: The only situation in which I think a payment in lieu of taxes would appropriate is when the local

government provides services to that property which is exempt. Otherwise, in my opinion, it doesn't matter whether the property is exempt or not. You take a community and you say, this community has \$500 million worth of property which is exempt; it isn't on their tax rolls. Well, unless they're spending money to provide some service to that property, what's the difference? It's not a burden on them. It's only by chance that it's within their boundary. You could redefine their municipal boundaries, and it would be in the community next door. As long as it doesn't cost them money to do something with that property, I'm not sure that a payment in lieu of taxes is necessary.

SENATOR STOCKMAN: Doctor, I'm not sure if this is in your area or not, but it's a question that I keep bringing up in my own mind: Do you have any views or opinions about the question of whether we are overall spending enough, committing enough of our resources to public education in this State? We know that the figures are that the State is providing roughly 42% of it, and local municipalities are providing 58% of it. We know that the number has reached, roughly, \$7.5 billion, or a little bit over. We know that the population-- I want to be sure of these things too. We know that the school population of youngsters in New Jersey in the public school system, as I understand it, is around a million; that that figure had been dropping, but now has started to raise itself -- rise again.

Incidentally, as an aside, what will an increasing population as it's increasing the way it is in New Jersey mean for all of this if we stood back, if we did nothing? Do you follow my question? In other words, one thing is happening if it stays level, or drops. What will it mean to all of this? Will it become an even greater inequity, or will it start to balance itself more, or what?

DR. REOCK: You mean with the rising enrollment?

SENATOR STOCKMAN: Yes.

DR. REOCK: It depends on where the enrollment takes place.

SENATOR STOCKMAN: We can probably agree that it's going to-- And I may be wrong on this, and other panel members may have views, but I would suspect that it's going to increase in the poorer districts at a little more rapid rate than in the wealthy districts.

DR. REOCK: That has been the historical pattern.

SENATOR STOCKMAN: If we assume that, what can you tell us about the likely consequences of that?

DR. REOCK: If that pattern continues, then that will make the situation worse, because the resources per pupil, the equalized valuation per pupil, will continue to go down, or not rise very much in the poor places, whereas in the wealthier places it will go up more rapidly. That has been the pattern all through the late '70s and the '80s; that the places that have property wealth and are spending relatively high levels per pupil have been losing enrollment faster than those places that are poorer.

SENATOR BROWN: May I just interject, because, again, I think it's terribly important, Mr. Chairman, that this Committee hopefully will get out to a couple of schools in the process of doing it. I was astounded this morning at how this fifth grade, in this elementary school, was bursting at the seams, which just, you know, debunks everything you say as far as enrollments are not rising at the local levels in suburbia. And I would like to challenge that having come from the one consolidated district that's out there at this moment in time. The Chathams, are, you know-- Kindergartens are absolutely burgeoning. Children are back in vogue, whether they're in Trenton, or in Newark, or in Kinnelon, or in Chatham. And I just think this is the 1990s. We've got to get out there and see, Mr. Chairman, what's going on. And, you know, it's only-- There are new challenges. The importance of these

kids, knowing how to deal with computers and media and all this stuff that wasn't relevant maybe in the '60s, is absolutely crucial at this moment.

SENATOR STOCKMAN: Senator Brown, let me--

DR. REOCK: I suspect if you went to Chatham High School instead of to the elementary school you'd find that the enrollment is going down. But for the district as a whole, it has probably stabilized.

The enrollment is beginning to reverse now. The enrollment trend is beginning to reverse, but it's not much past, I think, the third or fourth grade in most parts of the State.

SENATOR STOCKMAN: In other words, you're not quarreling with Senator Brown's very vivid, real observation today, but putting it in the total context, I think, Senator, let me add something. I have no objection, and I am interested in getting out and doing some looking elsewhere. I think that can be very valuable to this Committee. In fact, I will tell you that I have urged Senator Weiss, Chairman of the Joint Appropriations Committee for two of his hearings to get out to a wealthier school district and a poor school district in this State, because I think the dramatic impact, the evidence of what is seen, and felt, and heard, and recognized in doing that would be a very sobering and a very valuable experience for the members of the Appropriations Committee.

And we can talk further about some other school locations that you think would be helpful for us to get to. I have no quarrel with that. Nor do I have a quarrel -- I can't speak for the rest of the Committee -- with the notion that there are suburban school districts where this population explosion in the lower grades is a very severe problem. I hear about it in my own school district.

SENATOR BROWN: Trailers in the parking lot this morning; five trailers. I couldn't believe it.

SENATOR STOCKMAN: And how we shape a response to that, again, within a formula structure so that we don't aggravate our problems, I think, is a very challenging question. But--

ASSEMBLYMAN IMPREVEDUTO: Mr. Chairman, if I can--

SENATOR STOCKMAN: Yes, Assemblyman.

ASSEMBLYMAN IMPREVEDUTO: Dr. Reock, one of the questions we began to touch on before is how, in fact, our decreasing property value is going to affect us in this particular situation. As we know, the formulas are all based on a three-year average which we haven't gotten to yet. Okay, and the funding is always a year behind anyway, so where in fact are we going to be when the full impact of the decrease in property value begins to hit us?

DR. REOCK: Well, the way in which decreasing property values statewide will hit the system is through the budget caps. The budget cap is based on the growth rate of property statewide, and if that growth rate begins to decline -- and it is declining -- at least, it's not going up as rapidly as it did before; we don't have an absolute decline yet -- but as that growth rate tapers off, we'll find that the school budget caps will become tighter than they were in the past, and that will be reflected in the next year in lower budgets for the schools. And as budgets cease to grow as rapidly as they have in the past, then in the following year State aid will cease to grow as rapidly as it has in the past.

There's a, as you said, a two year -- at least a two-year time lag; maybe more than that if you want to trace it all the way back to the time when properties are sold -- they are sold at a point in time. They get into the table of equalized valuations, roughly a year later. That's reflected in the budget cap a year after that, and the State aid is one year further down the line. So, there is this long time lag between lower property values and impact on State aid.

ASSEMBLYMAN IMPREVEDUTO: So we could be looking at some additional problems a year or two down the road from now--

DR. REOCK: In terms of funding for the schools, yeah.

ASSEMBLYMAN IMPREVEDUTO: --if we currently stay the way we are.

DR. REOCK: The system will-- If property values do not grow very rapidly in the future then the system will begin to tighten up where it has been very loose in the last five years.

ASSEMBLYMAN IMPREVEDUTO: Could I ask another question, Mr. Chairman? Let's talk about the cap for a second. We know what the caps are. We've dealt with them. If you're in municipal government or you're a member of the board of education, you know the caps and you know they'll cause you some problems. Maybe you want to explain to some of the people out here what are the caps, why are there caps, and why don't they work?

DR. REOCK: Well, I'll go back here for another chart -- the third and last that I've prepared. This is a rather simplified version of the school budget caps. The way they work -- the way I'll show it here-- You have a basic growth rate which is based on the growth of true value, equalized valuation, statewide, and the basic percentage growth rate is three-quarters of the growth in State equalized valuation. For example, if property values in the State grew 10% in a year, you would use 7-1/2% here for the basic growth rate.

Once you have the basic State growth rate, there is a second factor called an equalization factor that is in the calculation of the school budget caps. The reason that was put in was because the budget caps were planned-- One reason for the budget caps was to try to bring the spending level of high spending districts and low spending districts closer together. So, you have an equalization factor in which the numerator is

the State net current expense budget per pupil, and the denominator is the district net current expense budget per pupil.

Now, if you want to show how that would actually work in practice: Let's say that the basic growth rate for the State was 10%. That's three-quarters of the growth of property values; 10%. And let's say in a low spending district -- for a low spending district you had the State average NCEB per pupil in the prior year was \$6000. And a particular district spent \$4000 per pupil. If you put those together and multiply them out, this particular low spending district -- they're spending on 4000 per pupil -- would have a budget cap of 15%.

Whereas, in a high spending district, again, if they use the same basic growth rate for the district, it's 10%. Now this district, the State average is still 6000, but this district is spending \$8000 per pupil. Their growth rate, if you multiply that out, then would be 7-1/2%.

So, if the low spender can increase its budget 15%, and the higher spender can increase at 7-1/2%, the thought was that this would gradually bring things closer together.

The problem that has happened-- Two problems have happened with the budget caps. First of all, we've had tremendous growth in equalized valuation in the last five, six years, so that three-quarters of that growth comes out to a figure much larger than 10% that I have here. In fact, it was up to 18% a couple of years ago. So that the caps became very, very liberal. Secondly, the other thing we find comes back to this enrollment problem. We find that the wealthier districts down here have been losing enrollment much faster than the poorer districts. This has been the case through the '80s anyway.

So, that even though you get this difference between 15% and 7-1/2%, if this district kept its enrollment and could raise its budget 15%, whereas this district lost 10% of its

enrollment. Even though it could go up 7-1/2, you would add the 10% to it roughly, and you'd come out with a budget cap here of 17.5% for the wealthy district which has lost enrollment, whereas the poorer district which didn't lose enrollment would not be able to increase its budget as much.

SENATOR STOCKMAN: Real experience doesn't necessarily follow the formulas that are crafted by mankind.

DR. REOCK: I think nobody thought of that back at that time. Certainly, I didn't think of it.

ASSEMBLYMAN IMPREVEDUTO: Ernie, was the cap put in place to entice spending by poor districts, or to limit spending by richer districts, or--

DR. REOCK: It was put in there to permit spending by poorer districts -- or low spending districts -- and to hold back the increase in spending by higher spending districts.

ASSEMBLYMAN IMPREVEDUTO: But in fact, as I understand it, in a higher spending district, if you lowered the amount of your budget then your cap went down the following year -- the amount you could spend.

DR. REOCK: But, that--

ASSEMBLYMAN IMPREVEDUTO: So that, in fact, was telling you, "I've got to spend more."

DR. REOCK: That's a problem, sure, because the budget caps for schools, just the same as municipal and county, use as a base what you're spending in the prior year, and they all say you can increase your spending by a certain percentage.

ASSEMBLYMAN IMPREVEDUTO: But if you don't--

DR. REOCK: You may sacrifice some of that.

ASSEMBLYMAN IMPREVEDUTO: Absolutely. So, if you want to be economical, and you want to be efficient, you're going to be punished.

DR. REOCK: Yeah. Now, on the municipal caps, after the caps had been in effect for a while, they wrote a banking provision into the law, so that if you didn't use all your cap

in one year you could make some use of the unused part of it in the next year. That's never been put into the school caps.

ASSEMBLYMAN IMPREVEDUTO: I know in municipal caps, I'm not sure about the school caps, but maybe it is and you can answer my question: If you're limited to spend 7.5% as this richer district is, and you really want to spend more-- I mean, there are ways around that. You can circumvent that 7.5% by bonding. Now is--

DR. REOCK: On the municipal cap.

ASSEMBLYMAN IMPREVEDUTO: Municipal. Now--

DR. REOCK: Municipal caps are like Swiss cheese. There are sorts of holes in them.

ASSEMBLYMAN IMPREVEDUTO: But the educational--

DR. REOCK: The school caps have pretty well held as they were originally designed; very minor modifications in the school caps.

ASSEMBLYMAN IMPREVEDUTO: So, I couldn't--

DR. REOCK: Now, there is a waiver provision.

SENATOR BROWN: Because there was no pressure. That's why.

SENATOR STOCKMAN: They didn't have to, because they've been so high.

DR. REOCK: They have been more liberal, although you can make a case for saying that in the-- Again, coming into sort of a bottom line analysis of it, that the school caps have been just as tight, and maybe even tighter than the municipal caps when you take into account of all these--

SENATOR STOCKMAN: Legislative Swiss cheese holes.

DR. REOCK: That's right.

SENATOR STOCKMAN: Right.

DR. REOCK: These exceptions-- That's the word which is generally used; for all the exceptions from the municipal caps.

ASSEMBLYMAN IMPREVEDUTO: I guess the bottom line is, as you said, that really neither of them are working or have worked.

DR. REOCK: For example, the municipal caps applied to the budget as the governing body adopts it. The school caps apply to the budget before it goes to the voters and the Board of School Estimate. There are a lot of variations here which make what looked like a liberal school cap not quite as liberal as it looks in comparison with the municipal and county caps.

ASSEMBLYMAN IMPREVEDUTO: How should we change that? What should be done?

DR. REOCK: The caps? Well, there's two things that I think ought to-- I mentioned two particular problems with the school caps: One, has been the very liberal basic growth rate, because we've had such tremendous increase in property values. The SLERP Commission had a recommendation for calculating the basic growth rate in a different way. It's largely a matter of stabilizing-- Let me just try to sketch up--

SENATOR STOCKMAN: Ernie, let me interrupt you for this problem. I think it's an important issue, but I do want to get to Mr. Burch, and I want to finish this hearing by 12:30, which gives us about 40 minutes. I do want your advice and suggestions to the extent you feel comfortable in giving it to us about directions -- broad directions you think we ought to be looking at. And I think you're into one.

I take it the SLERP formula would more circumscribe the upper numbers of this cap?

DR. REOCK: That's right.

SENATOR BROWN: Could I just add a third option here? You know, how would we change it? I would like to also address the point, you know, is the whole concept of caps relevant to the '90s?

DR. REOCK: To answer the second question first, I think, yes. I think caps are a useful feature-- In particular, if you keep a guaranteed tax base system.

SENATOR BROWN: And can you show me any State where caps have really worked in the educational field?

DR. REOCK: New Jersey. They've worked; not as well as we hoped, but they've worked. The evidence that I think I could point out is that your property taxes for schools statewide have come down. With all the problems that we have, your overall school tax rate for schools has dropped substantially since 1976 in relation to property values. And that's because the basic cap rate is only three-quarters of the growth of property values. That right there. You don't have to say any more. Just say, our basic cap rate is going to be only three-quarters of the growth of property values. You're bound to get some reduction in terms of school tax rates.

Now, the school caps have gone something like this: They've varied considerably, and in the last few years they went up like that. (witness pointing to chart) The SLERP proposal would give you a cap rate which would go something like this. It would stabilize the basic cap rate at a lower level and get rid of the problems of tremendous property value growths which have made the caps very liberal. That's one thing that I think you ought to consider doing with the caps.

The other thing, in order to make the caps -- to take care of the enrollment problem is to take this fraction you have right here, this equalization factor, and you might take that and square it. And that skew-- The factor as it's there right now skews the caps; higher for low spenders and lower for high spenders. By squaring that factor you would just increase the skewing, and it would make the high caps higher and the low caps lower.

There may be various other ways to do that, but those are -- the way you might plug up both of those problems in terms of the budget caps.

SENATOR STOCKMAN: I wonder if we could ask you to let Mr. Burch join you and talk to us a little bit about this dropout question--

DR. REOCK: Sure.

SENATOR STOCKMAN: --which I know he spent a great deal of time and effort on. And then, Doctor, what I'd like to do in the last few minutes is really ask you for any further response as to the directions you think we ought to be looking. One is this question of tightening up the caps, as you've just touched on. There may be others.

And the fundamental question which maybe should have preceded it, but I want to ask you it after we hear from Mr. Burch, is, of course, whether we ought to be looking to a foundation system or whether we ought to continue to work with and try and modify the guaranteed tax base system.

Mr. Burch, do you want to come on up? I'd like, because of some practical time constraints, if in a 15 minute period, roughly, we can get into, some of your study and some of the information you gathered on this very troublesome question of school dropouts, school losses, and I think you may want to refine that term or explain for us the differences. And I understand there have been some differences with the Department of Education as to who has a better handle on this area?

D R. P H I L I P B U R C H: Okay. Thank you very much, Senator. It's a pleasure to be here. I would like to follow the format that your staff prepared in terms of questions, and I'll do it within 15 minutes, if I can.

In terms of the first one, about the shocking or poly nature of the dropout problem in New Jersey and elsewhere: Yes, I think it's true, and I think it's much truer than it was back in the mid-'70s because of the changing nature of the job market in this country and the State of New Jersey. I would also add that with the thaw in international relations, the opportunities for young males, in particular, to go into the armed forces, I think, are going to be decreasing in the future. I will just cite a couple of things: There's a study

recently on Hispanic youth and it's dated 1989, but 70% of the young Hispanics lack the skills necessary to secure stable employment that pays a living wage.

I would like to make one other observation by the way of general background. And that is, there's been a question as to whether it makes that much difference, because lots of people like my father dropped out of school years ago at the end of eighth grade.

But there's a study in "The American Sociological Review" with an interesting title: "For Whom the School Bell Tolls." And it presents data based on 30,000 students and 1000 high schools around the country, showing the difference -- about a two to one difference -- between the scores of graduates, high school graduates, as contrasted with the dropouts, including vocabulary to math, science, including civics.

And one more thing on that score: In terms of the question about dropouts returning, yes, they do or they go the GED route. It's a minority of those who do so, and within that minority there's a skew -- considerably higher percentage, about 41% of the whites go back and take either one of those options, only about 30% to 32% black or Hispanic. Enough on that score because of time constraints.

I'd like to go to the package of material that I've prepared for the Subcommittee. It consists of Tables A, B, and then two special tables that are unlettered or unnumbered dealing with Paterson and the special academic schools in Newark. Let's go with Table A: It consists of in the right hand column the 1987, 1988 dropout rates listed in the school report card that was recently prepared by the Department of Education. If you look down that column and contrast it with all the other columns to the left which are drop-off rates from ninth grade to graduation, you'll see a marked, marked difference.

Now, there are two reasons for this: One is that the dropout rate have as their denominator the total secondary school enrollment, and that makes it a misleading figure because in the eleventh and twelfth grade you have a pretty small dropout rate. And the State actually says in their school report card, that these figures should be multiplied by roughly 3.3. Even so, if you multiply those figures, the different urban districts, by 3.3 you do not come up with anything like the percentages in the other columns which are drop-off rates unadjusted.

The other factor is that in certain districts there appears to be a significant undercounting or underreporting of dropouts. I'll just mention one, and that's Camden. The percentage recorded for Woodrow Wilson High School appears to be, to me, right on target. You can't tell that from this table. It's another one I have. But it comes out pretty close if you multiply it by 3.3 to the drop-off rate, about 55%.

In Camden High School itself the dropout rate is listed at 3.5%, 3.6%, but the drop-off rate is about 55%. Now--

SENATOR STOCKMAN: Dr. Burch, let me stop you because I don't want to get too far into figures, but I also very much want to follow the message, I think, that you're trying to give to us. Let's take-- And Camden may be an extreme case, but this question of dropout or drop-off, I'd like to get a little clearer handle on it. I would think if we were to take a school and we were to be able on the first day of school -- figuratively not literally; somebody might have a cold that first day, they'd be in the second day -- but on the first effective few days of school in a public high school in a New Jersey community, you'd have a population. Maybe in the tenth grade, of all the tenth grades in a particular system, let's say if you had 500 students that were enrolled. Now, if you follow those students, there arguably would be a way to find

out how many of them graduate that school system. The lesser number, whatever it is, would be the percentage dropout. Am I correct in that understanding of the concept?

DR. BURCH: I would call it at least the drop-off figure. Yes, sir.

SENATOR STOCKMAN: Now, we could agree that some of those youngsters would go to other school systems in the State of New Jersey.

DR. BURCH: Right.

SENATOR STOCKMAN: And some of them would go to other school systems outside the State of New Jersey, and essentially, the rest of them would not go back to formal school, and among that rest, you just touched on the fact that some of them, in time, might get a GED diploma, and others might not. That's pretty much the total picture, I think, isn't it?

DR. BURCH: Yes, I'd agree with that.

SENATOR STOCKMAN: How much of a handle do we have on the question-- I guess, for instance, the dropout, or the difference in numbers between tenth and twelfth grade ought to be pretty easily gettable. I would think we could get that figure, and maybe we have it. That's one figure: How many less of those students graduate? What do we have in the way of a handle on how many of them go to other systems, to be able to be sure that we're not overdramatizing this societal problem? Because I think you'd agree with me that, if they, for personal reasons, move from a Trenton system to a Princeton system or vice versa or somewhere else, that's not a serious educational issue, but if they drop out, it is.

What do we have in the way of hard evidence as to what's happening in our school systems in New Jersey?

DR. BURCH: Okay, the Department of Education does not at the State level collect data as to net in and out transfers, unfortunately, which would give us a good handle on that. In

fact, maybe that should be something -- that kind of tracking system should be implemented. I would advocate that.

In the absence of that, when I did a study earlier, back in 1985 on dropouts, I tried to get a handle on this looking at the -- going the cohort route; from ninth grade on through tenth, eleventh, twelfth to graduation, by computing the rate of change in the elementary years, where I assume it was reflecting the population shifts, and making an adjustment from grade to grade; second to third, third to fourth, assuming that also held for the secondary school years. And I made additions -- or deductions in most cases, in that earlier study of mine taking up 5% or 10% from New Brunswick's or Perth Amboy's, ninth grade enrollments on the assumption that that number or percentage had moved out, and so my denominator in my calculation, in that earlier study, was based on that premise.

Now, the figures I presented to you here, sir, are unadjusted. They do not have that because we don't have that kind of tracking system in place. But let me say this on that score: True, they don't reflect net in or out transfers. But I have looked at the elementary parochial schools -- parochial school enrollments by grade and capacity, too, in terms of portions of students in parochial secondary schools as contrasted with elementary schools, and there does not appear to be any significant shift over to most of the parochial schools. The only schools where I see an interest from ninth to tenth, tenth to eleventh are in the prep schools like Lawrenceville.

SENATOR STOCKMAN: Well, I don't want to take issue with you-- Let me put it this way: Senator Brown brought to us a specific illustration of something that sounded in conflict with Dr. Reock's notion about school population changes. I think we refine that when we look at the total picture within a district. I can tell you of a personal school district that my wife was involved in -- and I'm a little more

familiar with parochial schools in my town -- where there does seem to be a trend towards a significant increase in population in tenth, eleventh, and twelfth grade. It's a shift of minorities, particularly, out of the public school into the parochial, in lieu of entering a public high school.

Now, that may be an aberration. That may be one parochial school in one community in this State. I have a feeling that that is something that does happen with a little more frequency; that is, a trend of some parents at the high school level, because of some peculiar problems in some of our poorer urban high schools to make that shift. That factor, I would think, would -- if it is there; if it's a reality -- have to temper a little bit your statistics. Am I right on that?

DR. BURCH: Yes, to the extent that it exists. Now I went to some special directories that have enrollment by grade for many of the parochial schools.

SENATOR STOCKMAN: Right.

DR. BURCH: And let me just go to Hudson County.

SENATOR STOCKMAN: Well, let me stop you. As I understand, you're not buying into that thesis. I think today, as a practical matter because of the time constraints, what we ought to do is this. I'm not, I don't think, going to convince you, and maybe you'll convince me or not. I don't think that's important. But can you give us, in broad terms, Doctor, the rough -- the picture, the figures, without great detail, but the basic figures as to drop-off in these poorer districts as compared with what even the Department of Education says? I mean, I think the Department acknowledges it, as I understand -- a problem. It's a question of degree, and I understand you feel it's an even more serious problem than is being projected by the Department. We're less, I think, as a Committee, concerned with that dispute, per se, than the broad picture that perhaps all of us could agree on. Could you do that for us?

ASSEMBLYMAN IMPREVEDUTO: Mr. Chairman, if I could just--

SENATOR STOCKMAN: Yeah, sure.

ASSEMBLYMAN IMPREVEDUTO: If you're looking at the numbers, whether we're talking about a 40% dropout rate -- drop-off rate of a 64%, it makes no difference. I don't think the number is as important as the problem.

DR. BURCH: Yeah.

ASSEMBLYMAN IMPREVEDUTO: And I think, quite obviously, whether we use your numbers or somebody else's numbers, there seems to be a major problem. And I think we should be concerning ourselves to why is there that problem; what has created that problem? Do we have a T&E program that works, or don't we?

Quite obviously, if we're looking at this, we don't. And I think that's, Mr. Chairman--

DR. BURCH: Yeah, I would agree that there's no point in getting, particularly at this session, into a detailed discussion as to particular figures. If you multiply the State figures by 3.3, you come up with figures that are considerably higher than this and the report card, but they're still significantly lower than the drop-off rates that are listed here, just using ninth grade cohort on down to graduation in many of the urban school districts.

ASSEMBLYMAN IMPREVEDUTO: But again, 40 or 60, what difference does it make?

DR. BURCH: I would agree, I would agree. Now, I will also add to that, when you look at my Table A you will see that the percentages for the early '80s, and it's a two year average -- they have actually risen in the last couple of years. And I find that trend-- It's not true of all urban-- Some have held high but steady -- a few down. But a good number, like Atlantic City, have gone up from the 40%, 42% range up to 54%, 58%.

A disturbing trend-- I think the Legislature under T&E should take a look at that because I don't see any way schools of this sort can be considered thorough and efficient. They have major problems, and they need to be addressed, and I think we need a better handle on the nature of the dropout problem.

SENATOR STOCKMAN: Is your thesis, Doctor, that over 50% of the youngsters in the Atlantic City school system between the beginning of high school and graduation are dropping out?

DR. BURCH: I would say that it is on the order of probably about 50% -- no lower than 45.

SENATOR STOCKMAN: And is it your thesis that this 45% to 50% dropout, that these youngsters-- What percentage of them do you think go to other schools as part of that? Or what percentage do you suggest to this Committee are simply dropping out, literally, of formal public education?

DR. BURCH: The figure of 55% and 58%-- When I said 45 to 50 I was making an allowance for net; transferred to other schools, or moving out of the district. My figures in one sense, or two senses, are understated in that my denominator, ninth grade, does not include the number of children who are enrolled in separate special ed.

SENATOR STOCKMAN: I'm not going to-- I may be being tough, we're going to let you put all this into the record, this formal-- And I know you've done tremendous work, but I'm not going to let you, at this point-- Unfortunately I can't let you get into numerators, denominators, and so on, but I want to be sure of one basic thing: Is it your thesis in contention that over 40% of the youngsters in the Atlantic City school system are permanently dropping out of school between tenth grade and graduation and not going to some other school system, public or private, elsewhere in New Jersey or in this country? Is that your thesis?

DR. BURCH: Yes, and not only Atlantic City, but most of the big urban districts.

SENATOR STOCKMAN: And, if anything, that number is on the rise?

DR. BURCH: In a good number--

SENATOR STOCKMAN: And I gather your thesis is that if we're presenting a public school system in which 40% of the youngsters are, for whatever reason, finding it unappealing, unattractive, irrelevant, uncomfortable, worthless, that as a society we are really getting into a dangerous position of being able to claim that we are educating our children. Is that your--

DR. BURCH: I agree with you completely.

SENATOR STOCKMAN: And there is a degree of difference between you-- What do you think the Department -- and they are welcome to be heard at some other hearing on this subject -- what are they saying that figure is, roughly? I guess if I look here, 33%?

DR. BURCH: If you took the percentages they list in the school report card, the list in my right hand column and multiply by 3.3 you would come out with the rate--

SENATOR STOCKMAN: About 35%.

DR. BURCH: Thirty-- For Atlantic City, 35%, 38%.

SENATOR STOCKMAN: It-- I'm sorry. Go ahead.

SENATOR BROWN: Just for the record, you maintain that as far as the tragedy of dropout in the society of the '90s versus when your father dropped out, that it is much more tragic today than it was for your father, and you gave an example of how the dropouts scored on tests versus those that didn't. I'm not sure that I find that a terribly compelling concern as far as how people will adjust in life and so on. Would you just spell out for the Committee why you feel that it is, you know, more detrimental to drop out in the '90s than 50 years ago, as far as job opportunity and that sort of thing?

DR. BURCH: In brief--

SENATOR BROWN: I mean, I find coming down to Trenton -- one of the wonderful things about Trenton, is that we all come down here with very different educational backgrounds, and it doesn't seem to make too much difference where people are coming from as far as their effectiveness in the system.

DR. BURCH: The youth, teenagers--

SENATOR STOCKMAN: Well, Senator Brown-- Just a moment. I think this is a very important issue, and I'm happy you brought it up because I wanted to try and get at that a little bit too. But I do want to rejoin with you on the issue of whether the suggestion that what we -- and particularly if you're talking about legislators -- life experience, educationally -- bring down here and the thesis about youngsters dropping out of the public school system in these urban, particular, areas of New Jersey, and the consequences to them. I don't really see the relevance. I mean, if you're arguing to me, and therefore to the public, that there isn't much difference--

SENATOR BROWN: Well, it's just-- Let's just stick with the young people in the '90s that are dropping -- you know, that today are not in school in Paterson. You know, the odds are that that person is not going to have a job two years from now; that he or she may be working at McDonald's today, but five years from now is going to be, you know, on welfare--

DR. BURCH: Just let me give you two figures on that score. There was an article in the "New Jersey Reporter" on the dropout problem a year or two ago that said minority youths are experiencing a 65% unemployment rate. Other studies indicate that the rate of unemployment was much lower for teenagers years ago, and that the gap in terms of unemployment has really opened up tremendously by the 1980s.

ASSEMBLYMAN IMPREVEDUTO: If I can, Mr. Chairman?

SENATOR STOCKMAN: Yes, Assemblyman.

ASSEMBLYMAN IMPREVEDUTO: We have the numbers. They're horrendous. We see that. Why?

DR. BURCH: There are a whole host of reasons for that, sir. It goes to socioeconomic conditions, to broken families, poor health early on, and-- Let me say this: Many people think that it's a kind of racial, ethnic matter. I don't think so. The ethnic part in terms of Hispanics, I think, is a language problem more than anything else.

ASSEMBLYMAN IMPREVEDUTO: Even considering the fact that we're spending "X" amount of dollars -- both Federal government -- into the bilingual programs. They haven't worked. Is that--

DR. BURCH: They seem to have worked much more for Hispanic girls. I have data that would indicate that Hispanic girls are completing high schools at a much higher rate than the boys, and going on to college at higher rates. This is also true in male/female, generally, and that means to me that it is not a racial thing; that white boys are not doing as well as white girls, and black boys are not doing as well as black girls.

ASSEMBLYMAN IMPREVEDUTO: Do you think then-- Currently we have a monetary process. It's in the law. And one of the things we look at are the test results; how many of your kids are passing minimum basic skills. One of the things we're not looking at is how many of your kids are graduating. Should we be looking at how many of your kids are graduating? Should that be part of the monetary process, if, in fact, the monetary process is worth anything at all?

DR. BURCH: I think there should be some numerical goal or standard. Now, it's difficult to attain, and maybe that 90% figure that's used by the National Governor's Association at the present is unrealistic, but there should be some kind of standard as to relative improvement over time. Chancellor Fernandez of New York City achieved a reduction in

the Miami school system from 29 to 24. One idea would be to have a standard to call for a reduction -- in districts of over, say, 15%, 20% -- of half by the year 2000, or something like that, with special aid being provided by the State to help achieve that goal.

SENATOR STOCKMAN: Dr. Burch, I'm going to have to sort of turn back to Dr. Reock, but I appreciate all the work you've done in this area. I know you've communicated some of it to me. I want it in the record. I'd make this point, or ask you if you would agree with this point, that when we think about the shocking drop-off statistic, whether it's consistent with the Department of Education's estimate of 33% or yours of more like 50 or more percent drop-off of youngsters who begin high school and don't end it, that even-- You have to look beyond that for a message, and that is, what about that youngster, the last youngster who doesn't drop out? He almost does, but he gets through. Isn't the number and the quality of the experience of the dropouts reflected almost in a way in him, in that probably the quality of his experience, what he puts into the system, what he gets out of it is not nearly what it should be? See the point I'm asking you? Do you think that's a fair--

DR. BURCH: Yes, I would agree.

SENATOR STOCKMAN: So that this dropout -- the drama of dropout and the tragedy of it, not only is relevant to those very youngsters we are losing in this, that society is losing in terms of their ability to hold jobs and compete in the national and international market, their burden on society as statistics into the penal system, the correction system, their dysfunctional behaviors and impact on the health system, and mental health and other health needs, and all of those factors, but those people just beyond them, who manage to get through, probably come close to reflecting some of those problems themselves.

DR. BURCH: Yes, I would agree with that.

SENATOR STOCKMAN: I wish we could spend more time. I do not want Dr. Reock to get away without telling us what to do. (laughter)

DR. REOCK: I think there's two roads that the Legislature could follow in terms of making the system work. And the decision on those roads may be yours to make or may not be, depending on what the court says in Abbott v. Burke.

One approach, one road, is to take the present system and identify the weaknesses in it and try to patch it up. And I think I've got a list of five things that I think you ought to do -- consider doing to patch up the present system if you want to go that road.

First of all, there's current year funding. I think that's essential. Secondly, I think there has to be a more effective monitoring and budget review process, because that is what really backs up the major weakness of the guaranteed tax base system. Third, really as part of that I think you need some stiffeners in the law to give political will to whoever is going to enforce this budget review process. Give them some support of withstanding any political backlash that might come from using those powers. And what I mean by a stiffener is, something in the way of an automatic response to a deficiency. And there you--

The sort of thing I have in mind is what's in the SLERP proposal on school aid. That is, if a district fails monitoring, fails to become certified, then they must raise their budget automatically. There's no judgment involved, but automatically they would have to raise their budget to the average for all the other districts.

Now, that may not be the best kind of stiffener. Maybe there are other factors -- but something that would serve as a trigger where it would not just be the judgment of the

Commissioner of Education that a district had to raise their spending, but something that would be more automatic to provide that sort of impact.

Fourth, I think there ought to be revision of the budget caps. And I talked about two ways in which I think they could be revised: One, is the SLERP proposal for changing the basic budget cap percentage, and the other is by increasing the skewing of that equalization factor so that the caps become tighter on the higher spenders, and lower on the -- more liberal for the low spenders than they are now, to make sure that the enrollment changes don't negate the effect of the budget caps.

And fifth, there has to be-- You have to give some thought, I think, to how do you insure full funding of the formulas in the future. There may not be any way, but that's the fifth thing, I think, you ought to look at.

If you could put all those together, you might be able to patch up the guaranteed tax base system. The real key to it is whether you think you can develop a monitoring and budget review system which will be effective. If you can't do that, if you don't have confidence in that, then the guaranteed tax base system is pretty weak.

That's one road to take: Take what you have now and patch it up. The other road is to go to a different kind of school funding system. And the other basic kind is what's called a foundation, a high foundation State aid system. This is the kind of system-- We had a foundation system, not necessarily a high foundation, but we had a foundation system in effect in New Jersey from 1954 through the late 1960s. So it's not something completely new to New Jersey. This is the sort of system which Judge Lefelt said he thought was the only practical solution for New Jersey in his decision at the Administrative Law Court level. And the plaintiffs in the case of Abbott v. Burke have urged the Supreme Court to rule out the

guaranteed tax base approach. So, it may be that that avenue of patching up the present system will be foreclosed to the Legislature. If the Supreme Court does not do that, then you have these two alternatives available to you.

The foundation program is a fine sort of school aid formula. The main problem with it as I see it, is who sets this high foundation program, and how do you set it? In other words, whom do you trust? Some people may say whoever you give that power to may set the foundation too high, and it will bankrupt us. Other people may say that person may set it too low, and we won't get an adequate school system. So, if you're going to a foundation program, you have to devise some method for setting the high foundation, and this is a minimum. We haven't talked foundation program much at all, but the foundation program there is a minimum budget per pupil which is set at the State level by somebody, and then each district has to spend at least that much. And you see, that gets away from the municipal overburden problem because it doesn't matter what's happening in terms of the pressures on the decision makers locally because the local decision makers won't be making the decision.

SENATOR STOCKMAN: We may have to bring you back another day; not the next hearing, but another day down the road, Doctor. Let me ask you this: What about the question-- You emphasized here last hearing, as brief as it was, that the concept of thorough and efficient education is something that is an evolving concept. It always has to be reexamined. And certainly our society, and the people that sit in this room have experienced a more dramatic change in their lives, their life-style and behavior, than any people in the history of civilization. So, there are always going to have to be relooks at that. You sort of implied, and maybe you'd agree, that whatever system we put into place in 1990 or '91 or thereabout

is probably going to have to be looked at 10 or 15 years from now anyway. Would you tend to buy that thesis?

DR. REOCK: I think you need something in the system in terms of process, in terms of a new look on a certain schedule.

SENATOR STOCKMAN: We probably ought to be looking for a way to say that that wouldn't happen at the threat of a court gun at the Legislature and Governor's head, if we could do that.

DR. REOCK: Especially given the chronology of the present gun which has taken nine years to get from the beginning of review.

SENATOR STOCKMAN: Yeah, Mr. Abbott isn't going to be too much helped by it all. I absolutely agree with you.

Let me ask you this on the other states, for just a moment: Some other states have a high foundation system, or foundation system; others have a system similar to ours. Is there a trend are you familiar with, or move of them moving in one direction or another?

DR. REOCK: I'm sorry, I can't really give you a very good picture on that.

SENATOR STOCKMAN: We ought to have somebody on staff looking into that. And I would ask that that be done as part of our work. That is, what are other states doing, what are they learning?

And the other question superimposed that I would ask to you and based on your answer it will be a rhetorical question that: Is the design of our State with the heavy emphasis on home rule and with the 567 independent honeycomb-like municipalities and the 600-plus school districts, is the reality of that such that probably we would be better off with a high foundation system put in place, and then have to struggle 10 or 15 years from now to bring it up, or with a guaranteed tax base system, and then in time have to bring it up? That's a question, I think, that ought to be debated.

DR. REOCK: I think the inclination of most people probably in the Legislature and at the local level will be toward a guaranteed tax base system because it puts the decision making at the local level, and that fits in with our concept of home rule in New Jersey. Even though it may not be a legal concept, it's certainly a psychology in New Jersey.

SENATOR STOCKMAN: The problem is the mischief of that concept is that the greater the number of municipalities that you have to work with that and the more distorted the property values of those are, the more troublesome and arbitrary, and therefore inequitable, is the potential outcome. I mean, taking it to an extreme, I guess-- Well, let me put it this way. It would seem to me if there were only two towns in all of New Jersey, two communities, two municipalities, that in this system one would have a very low -- would have real problems and a real deficient school system, and one would have a very real high system based on this. That would not survive. That would be war of the north and the south, or the east and west, and we'd have probably two new states that would come out of an argument.

It's because we have this historically, and through nobody's fault, but we have this complexity of 567 municipalities that gets us into the heartrending mischief that we are really dealing with here, isn't it?

DR. REOCK: I think it is.

SENATOR STOCKMAN: And really, one of the steps forward, it would seem that we might well make if we could make it, if we had the political will to make it, would be to redesign those districts, or if we wanted to get really idealistic and really run out of office, redesign those 567 municipalities, do you think? (laughter)

DR. REOCK: That's a worthy goal.

SENATOR STOCKMAN: Do you have any further questions?

SENATOR BROWN: Just a couple of observations, Mr. Chairman. I've been interested in your use of the word "mischief" several times. I don't know whether that's a particular favorite word of yours? I would just like to say, that I think we've got enough challenges here in the school system without being too much distracted by the word mischief. But let me just say, that when we look at where we're going and so on, one of the things, I think, that has come out on these two hearings is that whatever we do as a Legislature, I do think that we have a responsibility to not just do something and then let our involvement lapse, as we did after the last major tension; and if staff could really star this in the report, because we will tend to go into other aspects of this problem-- But certainly, whatever our final recommendations, Mr. Chairman, I would hope it would really say in concrete that our responsibility is not just to hear and legislate, and then walk away.

SENATOR STOCKMAN: I couldn't agree more.

SENATOR BROWN: Certainly, with your wonderful contributions with the Oversight Committee, that would not happen, but it seems to have happened too much, whether it was with the JUA or whatever. That we should really underscore it. And I think Dr. Reock has called that to our attention graciously.

SENATOR STOCKMAN: Senator Brown, I couldn't agree with you more. I've been a sharp critic of the Commissioner over these years of his administration, but I have tried to make clear that I think we as a body -- the Legislature -- has not attended to the issues that we're talking about here today and to the subject of good educational policy. And I think we have to share responsibility for the fact that we are looking at -- in a moment's time -- a Supreme Court decision talking about fundamental fairness and constitutional obligations with

regard to our children. I think that is one of the most troublesome parts of having been in the Legislature in the '80s.

So, I agree with you. We ought to try to find ways to be sure that the Legislature doesn't opt out of this area at all. Assemblyman?

ASSEMBLYMAN IMPREVEDUTO: Yeah, I just find it rather interesting that we seem to have gone full circle. In the '50s, as you said, we used a foundation system. And we said, that doesn't work, let's go to this other great system that we're going to design, and it's going to be a thorough and efficient education, and we're going to use this guaranteed tax base, and that's going to be the way to go. And here we are, almost 15 or 18 years later saying, well, hey, that foundation system may not have been a bad idea. You know, maybe we should go back to where we were, which all comes back to full circle by saying, maybe we shouldn't have played with it in the first place.

I have some problems, and the problem I have is, we know that we need in many areas to spend more to educate our children, to give them the proper education that they deserve to have. However, we can't neglect the fact that many of our cities -- in fact, all of our cities -- and suburbs have another basic responsibility, and that is to treat their sewerage at levels that will keep our rivers and streams clean, to dispose of their garbage in a way that is ecologically sound, and where 30 or 40 years ago all this stuff was cheap, it isn't cheap any longer.

We, in Hudson County, are looking at a problem that you discussed. Jersey City is in my district. And we're looking at a situation where the overburden of our taxes, garbage disposal rate of \$27.50 a ton this year, which next year is going to \$120 a ton. Somebody has got to pay the tab. Unfortunately, it's the person who owns the home and the businesses that are moving in. And without those businesses

moving in, the homeowner could no longer afford to own his home. I don't know what the answer is. I honestly don't. But I can't--

You know, I just have a problem by saying that we can't worry about the taxpayer: You're going to pay this much in school aid, and then over and above that you're going to pay for tertiary level sewage which you're going to have to go to in a few years, and you're going to have to pay for more garbage, and you're going to have to pay for this, and you're going to have to pay for that. The problem all comes back to one thing: The man has only got so much money, or the woman has only got so much money in her pocket. How much of it goes to her property tax?

DR. REOCK: If I could respond just briefly. We haven't talked about alleviating the overburden problem directly.

ASSEMBLYMAN IMPREVEDUTO: I know.

SENATOR STOCKMAN: You want to get into the income tax pitch, oh. (laughter) No, I'm only kidding. I'm only kidding.

DR. REOCK: Maybe. And maybe this-- I don't know whether this Committee would consider that within your jurisdiction. But certainly as legislators it's within your jurisdiction to take a look at municipal overburden problem.

ASSEMBLYMAN IMPREVEDUTO: We take our direction from our Chairman.

DR. REOCK: And I'd call your attention to the SLERP proposal for a municipal equalization aid program comparable to the school equalization aid program, which might help considerably in that direction. The only problem is, you've got to find some money for it.

SENATOR STOCKMAN: All right. Well, thank you.

SENATOR BROWN: Could I just ask Ernie--

SENATOR STOCKMAN: Surely.

SENATOR BROWN: Do you feel that the municipalities and the school boards generally are working together well to make sure that local taxpayer's dollars are stretched as far in the educational field as possible? You are given, you know, examples of playing fields being shared in public works departments in Trenton helping out-- You know, cleaning up a little.

DR. REOCK: I think it's all over the place. I would find it difficult to generalize and say, yes they are, or no they aren't. Some places are doing a lot in that direction. Other places you'll find that the municipal governing body and the school board are at sword points.

SENATOR STOCKMAN: Thank you very much good Doctors from Rutgers. I know I can speak for the Committee in saying it's been a very educational and informative session. I appreciate you taking your time. We'd just like to thank you and say we may have you back another time before this is all over. But you certainly have been very helpful to us. Thank you.

DR. REOCK: Thank you.

DR. BURCH: Thank you.

SENATOR STOCKMAN: The Committee hearing is adjourned. I want to thank the audience for being so quiet and attentive and interested, and I think that's very helpful.

(MEETING CONCLUDED)

APPENDIX

1988 DATA

	STATE AVERAGE	CAMDEN	GLASSBORO	PATERSON
SCHOOL TAX RATE	.88	1.62	1.26	1.36
TOTAL BUDGET PER PUPIL	\$6,495	\$4,987 (77%)	\$5,595 (86%)	\$6,176 (95%)
TOTAL STATE/ LOCAL BUDGET PER PUPIL	\$6,325	\$4,714 (75%)	\$5,390 (85%)	\$5,847 (92%)
NCEB PER PUPIL	\$5,075	\$3,538 (70%)	\$4,494 (89%)	\$4,422 (87%)

CHART A

1976 DATA

PERCENTAGE OF STATE AVERAGE

	<u>CAMDEN</u>	<u>GLASSBORO</u>	<u>PATERSON</u>
TOTAL BUDGET PER PUPIL	94%	105%	67%
SCHOOL TAX RATE	123%	126%	94%
OVERBURDEN TAX RATE	254%	79%	175%

1988 DATA

PERCENTAGE OF STATE AVERAGE

	<u>CAMDEN</u>	<u>GLASSBORO</u>	<u>PATERSON</u>
TOTAL BUDGET PER PUPIL	77%	86%	95%
SCHOOL TAX RATE	184%	143%	155%
OVERBURDEN TAX RATE	378%	184%	198%

CHART B

2x

SCHOOL BUDGET CAPS

BASIC GROWTH RATE x EQUALIZATION FACTOR

3/4 of State Equalized Valuation Growth x $\frac{\text{State NCEB Per Pupil}}{\text{District NCEB Per Pupil}}$

CHART C

BUREAU OF GOVERNMENT RESEARCH, RUTGERS UNIVERSITY
March 6, 1990

TABLE A Dropoff between Number of Students Enrolled in 9th Grade (excluding Special Ed, non-mainstreamed) and HS Graduates 4 years later 1987-88 Dropout Rate^a as presented in N. J. School Report Card (1989)

	<u>1982 &*</u> <u>1983</u>	<u>1984 &*</u> <u>1985</u>	<u>1986 &*</u> <u>1987</u>	<u>1988</u>	<u>1989</u>	
Atlantic City	39.0%	42.2%	45.7%	54.8%	54.6%	11.6%
Pleasantville	46.4	49.7	53.5	61.8	60.5	17.4
Englewood	18.4	29.9(?)	19.9	24.7	22.3**	4.7
Hackensack	26.7	12.3()	25.9	29.9	25.2	7.2
Pemberton Tp.	30.7	25.5	21.1	21.3	29.7	4.8
Camden (city)	50.2	47.8	56.3	54.5	56.5	+10.7 (average)
Bridgeton	33.9	34.9	31.2	25.5	21.8	8.9
Vineland	22.7	20.2	21.1	21.1	27.7	7.7
East Orange	61.2	58.3	60.4	59.2	59.2	+8.6 (average)
Irvington	41.3	43.8	42.8	47.2	55.3	8.9
Newark	53.2	52.5	56.5	49.9	53.6	+11.7 (average)
Orange	56.2	47.7(?)	57.7	65.7(?)	55.7	8.0
Bayonne	29.5	24.6	36.3(?)	29.7	26.3	5.0
Hoboken	37.9(?)	47.8	46.8	48.5	39.5	8.0
Jersey City	<u>52.7</u>	<u>52.4</u>	56.8	<u>61.4</u>	<u>64.0</u>	+14.5 (average)
Union City	19.8	20.5	25.3	30.7	37.8	+ 6.0 (average)
West New York	29.5	33.2	36.0	37.5	36.2	6.1
Trenton	56.9	49.8	51.9	58.2	58.3**	34.6**
New Brunswick	57.5(?)	52.8	49.3	51.7	47.2	12.6
Perth Amboy	37.8	30.2**	31.3**	43.3(?)	36.2**	13.4
Asbury Park	39.7	35.9	48.2	60.7	64.5	14.7
Long Branch	34.4	48.3(?)	41.8	41.8	38.7	14.9
Neptune Tp.	27.4	27.5	29.5	33.9**	40.7(?)**	8.5
Red Bank Reg.	12.6	10.7	13.3	19.5**	20.7**	4.9
Lakewood	29.1	30.5	32.5	38.4	37.9	11.6
Passaic (city)	32.7	44.9	46.7	34.8(?)	32.2(?)	13.6
Paterson	<u>40.3</u>	<u>43.1</u>	41.5	<u>51.1</u>	<u>55.2</u>	+20.9 (average)
Franklin Tp.	39.3(?)	32.7	25.0	22.7	29.7	4.3
Somerville	18.7	19.7	19.2	18.9	29.8(?)	3.0
Elizabeth	24.5	26.4	26.1	30.7**	28.0	8.1
Plainfield	47.8	42.6	37.9(?)	55.7	55.5	14.4

a--Reported Dropouts (excluding pre-secondary) divided by Total Secondary School Enrollment

*--two-year averages

**--computed on basis of 10th grade-to-graduation denominator (where higher than the 9th

Question mark indicates a figure which may be atypically high or low.
The ± sign represents an unweighted average.

BUREAU OF GOVERNMENT RESEARCH, RUTGERS UNIVERSITY
March, 1990

Table B. Enrollments, Dropoff Rates, and Report Card Dropout Selected Rates and Percentages for Big Urban School Districts

School District	Class Entering H.S. in:	Enrollment in:				Number of H.S. Graduates (June)	Percent ^a Dropoff Rate (9th Grade to Graduation)	N.J. School Report Card Dropout Rate
		9th Grade (Sept.)	10th Grade (Sept.)	11th Grade (Sept.)	12th Grade (Sept.)			
Atlantic City	1980	695	587	523	386	458(1984)	34.1% (?)	
	1981	807	588	551	364	411(1985)	49.1% (?)	
	1982	698	555	533	454	395(1986)	43.3%	
	1983	672	539	460	402	350(1987)	47.9%	
	1984	676	549	408	360	305(1988)	54.8%	11.6%
	1985	714	563	408	337	324(1989)	54.6%	
Camden	1980	1,210	908	772	674	623(1984)	48.6%	
	1981	1,187	824	712	646	626(1985)	47.3%	
	1982	1,342	878	755	643	593(1986)	55.8%	
	1983	1,271	834	697	584	547(1987)	57.0%	
	1984	1,221	870	699	595	555(1988)	54.5%	+ 10.7%
	1985	1,190	761	631	534	518(1989)	56.5%	(average)
Elizabeth	1980	1,267	1,255	1,148	1,040	956(1984)	24.6%	
	1981	1,184	<u>1,251</u>	1,087	938	847(1985)	32.3%*	
	1982	1,177	<u>1,171</u>	1,060	967	856(1986)	27.2%	
	1983	1,190	1,183	1,075	936	893(1987)	25.0%	
	1984	1,119	<u>1,144</u>	949	877	792(1988)	30.7%*	8.1%
	1985	1,190	<u>1,148</u>	920	946	858(1989)	28.0%	
Jersey City	1980	2,778	2,121	1,616	1,331	1,296(1984)	53.8%	
	1981	2,699	2,078	1,682	1,314	1,310(1985)	51.4%	
	1982	2,556	2,009	1,560	1,230	1,231(1986)	51.8%	
	1983	2,606	1,773	1,361	1,101	1,043(1987)	60.0%	
	1984	2,760	1,792	1,471	1,156	1,068(1988)	61.4%	+ 14.5%
	1985	2,752	1,931	1,409	1,064	992(1989)	64.0%	(average)

* Dropoff percentage computed on basis of a 10th grade denominator, a figure which in these cases is larger than the preceding 9th grade enrollment.

a--These figures do not include net "in and out" school district transfers during the above (9th grade to graduation) time periods. However, they also do not include the number of pre-secondary school dropouts and the number of students placed in separate special education classes, a significant number of whom do graduate with their classes but are not included in the above 9th grade dropoff denominators.

b--Computed using the overall secondary school enrollment as the dropout denominator. The + sign was used in four cases to indicate an unweighted average for the high school dropout rate in that district.

Table B.

School District	Class Entering H.S. in:	Enrollment in:				Number of H.S. Graduates (June)	Percent Dropoff Rate (9th Grade to Graduation)	N.J. School Report Card Dropout Rate
		9th Grade (Sept.)	10th Grade (Sept.)	11th Grade (Sept.)	12th Grade (Sept.)			
Newark	1980	5,132	3,973	3,073	2,734	2,472(1984)	51.8%	
	1981	4,967	3,592	3,182	2,644	2,344(1985)	52.8%	
	1982	5,132	3,492	2,812	2,538	2,101(1986)	58.9%(?)	
	1983	4,892	3,388	2,922	2,624	2,233(1987)	54.3%	
	1984	4,262	3,195	2,738	2,461	2,138(1988)	49.9%	
	1985	4,101	3,087	2,462	2,305	1,908(1989)	53.6%	+ 11.7% (average)
Paterson	1980	1,544	1,443	1,254	1,010	961(1984)	38.7%	
	1981	1,626	1,482	1,323	1,063	844(1985)	48.2%(?)	
	1982	1,560	1,433	1,430	1,063	911(1986)	41.6%	
	1983	1,480	1,457	1,319	983	864(1987)	41.7%	
	1984	1,501	1,361	1,224	975	735(1988)	51.1%	+ 20.9% (average)
	1985	1,513	1,316	1,109	931	679(1989)	55.2%	
Plainfield	1980	758	676	462	502(?)	435(1984)	42.6%	
	1981	670	612	436	394	387(1985)	42.3%	
	1982	606	601	469	493	347(1986)	42.8%	
	1983	546	496	447	377	368(1987)	32.8%(?)	
	1984	646	559	443	346	303(1988)	55.7%	8.1%
	1985	620	476	309	266	276(1989)	55.5%	
Trenton	1980	1,201	1,120	810	624	589(1984)	51.1%	
	1981	1,130	<u>1,235</u>	796	654	581(1985)	52.9%*	
	1982	1,010	<u>1,038</u>	745	564	492(1986)	52.7%*	
	1983	1,002	958	711	529	477(1987)	52.3%	
	1984	984	871	653	477	412(1988)	58.2%	34.6%
	1985	953	<u>971</u>	661	571	406(1989)	58.3%*	

*Dropoff percentage computed on basis of 10th grade enrollment three years earlier.

Enrollment, Dropoff, and Dropout Data--Paterson's Two High Schools and County Vocational HS

<u>Enrollment</u>	<u>Sept. 1982</u>	<u>Sept. 1983</u>	<u>Sept. 1984</u>	<u>Sept. 1985</u>	<u>Sept. 1986</u>	<u>Sept. 1987</u>	<u>Sept. 1988</u>	<u>Dropout Rate, N. J. School Report Card</u>
<u>East Side High School</u>								
Number of HS Students in Self Contained Special Ed Classes (9-12)	131	128	<u>145</u>	148	155	84	71	
9th grade	749	849	<u>995</u>	804	697	703	623	
10th grade	716	713	<u>876</u>	<u>866</u>	686	618	661	
11th grade	568	649	727	699	<u>699</u>	598	538	
12th grade	<u>549</u>	<u>530</u>	<u>634</u>	<u>634</u>	<u>600</u>	<u>603</u>	<u>504</u>	
June HS Grads	461	484	418	468	485	<u>429</u>	309	
Dropoff or dropout rate				37.5%	42.8%	<u>56.3%</u>	61.5%	<u>23.8%</u>
Rate if 1/3rd SE added in				<u>40.9%</u>	<u>45.6%</u>	<u>58.7%</u>	<u>63.7%</u>	
<u>J. F. Kennedy High School</u>								
Number of HS Students in Self Contained Special Ed Classes (9-12)	85	68	<u>65</u>	79	89	88	67	
9th grade	811	631	<u>506</u>	709	573	517	536	
10th grade	766	725	<u>581</u>	<u>495</u>	630	490	463	
11th grade	686	675	703	620	<u>525</u>	513	419	
12th grade	<u>554</u>	<u>480</u>	<u>429</u>	<u>429</u>	<u>383</u>	<u>372</u>	<u>427</u>	
June HS Grads	525	477	426	443	379	<u>306</u>	370	
Dropoff or dropout rate				45.2%	39.9%	<u>39.5%</u>	47.8%	<u>19.2%</u>
Rate if 1/3 SE added in				<u>47.2%</u>	<u>42.1%</u>	<u>42.0%</u>	<u>49.7%</u>	
<u>Passaic County Voc-Tech HS</u>								
No. Self-Contained SE Students (9-12)	522	538	<u>533</u>	516	481	450	382	
9th grade	341	500	<u>722</u>	519	545	435	418	
10th grade	387	374	<u>469</u>	<u>601</u>	472	485	389	
11th grade	441	374	314	401	<u>507</u>	399	413	
12th grade	<u>376</u>	<u>412</u>	<u>321</u>	<u>261</u>	<u>333</u>	<u>394</u>	<u>336</u>	
June HS Grads						<u>455</u>	394	
Dropoff or Dropout Rate						<u>36.9%</u>	24.1%	<u>2.5%</u>
Rate if 1/3 SE added in						<u>49.3%</u>	<u>43.1%</u>	

TABLE Enrollment, Dropout, and Dropoff data -- Selected Newark High Schools

<u>Enrollment</u>	<u>Sept.</u> <u>1982</u>	<u>Sept.</u> <u>1983</u>	<u>Sept.</u> <u>1984</u>	<u>Sept.</u> <u>1985</u>	<u>Sept.</u> <u>1986</u>	<u>Sept.</u> <u>1987</u>	<u>Sept.</u> <u>1988</u>	<u>Dropout Rate</u> <u>N. J. School</u> <u>Report Card</u>
<u>Arts High School, Newark</u>								
No Special Ed students in HS	-----	-----	-----	-----	-----	-----	-----	
9th grade	213	228	<u>230</u>	226	188	177	172	
10th grade	162	163	158	179	163	152	133	
11th grade	157	141	140	137	150	130	124	
<u>12th grade</u>	<u>158</u>	<u>145</u>	<u>133</u>	<u>128</u>	<u>127</u>	<u>134</u>	<u>119</u>	
June HS Grads	158	150	129	128	128	<u>125</u>	116	
Dropoff or dropout rate				39.9%	43.8%	<u>45.7%</u>	48.7%	---(no entry)
<u>Science HS, Newark</u>								
No special Ed students in HS	-----	-----	-----	-----	-----	-----	-----	
9th grade	172	152	<u>144</u>	159	141	118	138	
10th grade	162	168	126	121	140	131	104	
11th grade	160	148	146	108	95	112	118	
<u>12th grade</u>	<u>115</u>	<u>147</u>	<u>122</u>	<u>133</u>	<u>99</u>	<u>84</u>	<u>99</u>	
June HS Grads	111	142	121	131	97	<u>84</u>	99	
Dropoff or dropout rate				23.9%	34.2%	<u>41.7%</u>	37.7%	---(none)
<u>University HS, Newark</u>								
Number of HS Students in Self-Contained Special Ed Classes (9-12)	-----	21	<u>45</u>	50	89	94	95	
9th grade	116	123	<u>121</u>	104	110	93	102	
10th grade	115	73	88	39	73	83	89	
11th grade	108	78	68	79	78	61	74	
<u>12th grade</u>	<u>107</u>	<u>95</u>	<u>74</u>	<u>59</u>	<u>76</u>	<u>66</u>	<u>56</u>	
June HS Grads	107	95	73	59	76	<u>59</u>	57	
Dropoff or Dropout Rate				49.2%	38.3%	<u>51.2%</u>	45.2%	0.7%
						<u>+41.4%?*</u>	<u>+56.7%?*</u>	<u>+32.8%?*</u>

*--computed on assumption that one-third of the HS students enrolled in (self-contained Special Ed classes 4 years earlier would, if mainstreamed, have been included in the 9th grade enrollment total.

8x