

## APPENDIX



**TESTIMONY OF EDUCATION LAW CENTER**

**ON SCHOOL FUNDING**

**ASSEMBLY EDUCATION COMMITTEE**

**JANUARY 18, 2017**

Thank you Assemblywoman Caride and members of the Assembly Education Committee for the invitation to testify on public school funding. I am David Sciarra, Executive Director of Education Law Center (ELC). I also serve as counsel to the school children in the landmark Abbott v. Burke school funding litigation.

New Jersey leads the nation by funding our public schools not on available dollars or raw political considerations, but on the needs of students and schools. The School Funding Reform Act (SFRA) was rigorously and painstakingly developed over five years, and, when enacted in 2008, secured bipartisan support in the Legislature.

The SFRA provides school children with state aid based on research and the professional judgment of NJ educators of the actual cost of educating them. The SFRA's base cost represents the resources all students require. This cost is enhanced by the cost of additional resources allocated for students living in poverty and English language learners, expressed as a "weight" based on the base cost. This is why the SFRA is a "weighted student funding formula," a model that ensures school districts have the funding necessary to provide all students a thorough and efficient education, as defined by the Core Curriculum Content Standards.

We have the most fair and equitable funding formula of any state, and the SFRA remains intact. It is also the only formula enacted in 50 years which has been upheld by the Supreme Court as delivering the funding needed for all students to achieve state academic standards.

Let's get right to the heart of why we're here today.

The problem with school funding is not our formula but the fact that Governor Christie, since he took office in 2010, has steadfastly refused to fund it, even at reduced levels. He also cut \$1.1 billion from the formula in his first budget, an aid cut yet to be restored in many districts across the state. NJ school districts should be – but are not – receiving an additional \$1 billion in state aid in the current school year.

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60 PARK PLACE • SUITE 300 • NEWARK, NEW JERSEY • 07102

PHONE: 973.624.1815 • FAX: 973.624.7339 • TTY: 973.624.4618 • WWW.EDLAWCENTER.ORG

Another consequence of the Governor's failure to fund the SFRA is that more school districts are now "below adequacy," and the gap between "adequacy" and the state and local revenue in district budgets has grown. Each district's "adequacy budget" is at the heart of the SFRA; it represents the level of spending, based on weighted student enrollment, districts must have to provide a thorough and efficient education.

Most importantly, the SFRA's chronic underfunding is taking its toll on the availability of teachers, support staff and programs in district schools. Many districts have no alternative but to cut essential resources, increase class sizes, and reduce or eliminate after-school, summer school and other interventions for at-risk students.

Unfortunately, it does not appear we'll be able to get the SFRA back on track in the FY18 State Budget. There is no indication that the Governor will, in his last budget, embrace the formula and work with legislators to begin appropriating additional state aid to districts that are far below adequacy.

Instead, the Governor has spent the past six months pitching his so-called "fairness formula" funding proposal, a radical plan to give every student the same amount of state aid, regardless of student, school and district need.

Even more troubling, there is talk that the Governor will attempt to foist his funding proposal on school districts in his proposed FY18 State Budget, bypassing the Legislature altogether. This unprecedented – and unconstitutional – step would cause immeasurable havoc on school districts, as they would be forced to put together budgets based on a monumental reallocation of state aid.

Let's consider the Governor's plan. Unlike the SFRA, it has no basis in research, best practice or the assessment of student and school need. Many districts – 143 to be exact – would see their state aid cut, with the poorest districts bearing the overwhelming brunt of the cuts. These low-wealth districts (78) would lose, on average, a staggering \$7,417 per pupil, or 40% of their operating budgets. In addition, state aid would drop in 56 middle-wealth districts by an average of \$1,494 per pupil, or 8% of their operating budgets.

In sharp contrast, 129 higher-wealth, higher spending districts with low student need would receive a huge influx of state aid transferred from the poorer districts. But these higher-wealth districts can't use this funding to educate their students. The Governor's plan earmarks this aid for property tax relief. The bottom line is this: the Governor wants to cut property taxes in more affluent communities, paid for with state aid taken from poor schools.

The Governor's plan would trigger educational chaos across the state. Higher poverty schools would experience enormous cuts in teachers and staff and a massive downsizing of their educational program. Districts adjacent to or near the impacted districts would be overwhelmed with families fleeing cities and towns devastated by the plan. The entire state would suffer massive layoffs, impacting our economy.

It gets even worse. The Governor's plan would be the death knell of Abbott preschool, the nation's most successful early education program. And the proposal would nullify the SFRA's mandate to expand Abbott preschool to over 80 additional poor communities and all 3- and 4-year-old at-risk children in the state.

Make no mistake. The Governor's plan would turn the clock back 50 years, when educational opportunity was determined by a child's household income and the wealth of her community. Thankfully, we've come a long way in reducing educational disparities and inequities. We simply can't let the Governor reverse that progress.

So let's keep our focus on the SFRA and what we can do to get districts on a path to adequacy through the formula. We can start with three simple steps:

- Beginning with the FY18 State Budget, implement a multi-year phase-in of new state aid through the SFRA formula, targeting the aid to districts that are most under adequacy and/or experiencing significant increases in student population.
- Gradually phase out hold harmless aid to districts that are over their SFRA adequacy budgets and to charter schools. Charter schools should also be required to adhere to the same 2% cap on excess fund balance as districts.
- Raise the 2% cap on increases in local property taxes for school budgets in districts under their adequacy budgets and where there is a sizeable gap between their local revenue level (local levy) and the local fair share under the SFRA.

ELC has stood at the forefront of the fight to secure education equity and fair school funding in NJ for over 40 years. We stand ready to work with this Committee to ensure a return to full implementation of the SFRA so the Garden State can retain its place as a national leader on high quality education and excellent outcomes for our 1.2 million public school children.



**Testimony of Rocco G. Tomazic, Ed.D.**  
**Superintendent of the Freehold Borough Public Schools**  
**to the**  
**New Jersey Assembly Education Committee**  
**Wednesday, January 18, 2017**

Madam Chairperson, thank you for allowing me this opportunity to speak on school funding. I have two goals this morning. First, I want to share my perspective on the challenges of leading the Freehold Borough schools, the third most underfunded district in the state (Attachment 1). Second, I want to show how our situation could be improved, firstly without one more dollar being spent on state aid, and secondly, the improvements that could be realized if new dollars were made available that would be strategically and precisely applied to specific areas of need.

My board of education believes that resolving our chronic underfunding is one of its highest priorities and has said so via formal resolution. That is why I'm here before you today. The shortage of operating funds impacts everything we do. If the School Funding Reform Act of 2008 were fully implemented in Freehold Borough, uncapped and as originally intended, we would have \$13,333,837 more dollars than we do now. What does this mean?

Today, in order to fully operate my district to the requirements of law and regulation, I need minimally fifty more teachers. The details that back this up are appalling, but for brevity I will summarize. Right now my class sizes are above required levels, I cannot provide the full level of service to my special education students, my English Language Learner instruction periods are shorter than the state establishes, I have no teachers to provide a basic skills math program, technology is restrained and the median salary of my teaching force is the lowest in the state for our category (Attachment 2). We in Freehold Borough were fortunate to finally get resolution on our tremendous overcrowding. But when the doors open in September 2018, if I continue to receive the same levels of state aid as I get now, I won't be able to afford to put teachers in those new classrooms.

Who is responsible for this? Well, I know it is not our local Freehold Borough taxpayers. They are already being taxed \$2,365,855 above their fair share (Attachment 3). We have taken every tax dollar we were allowed to take since 2011. There is no banked cap. The reason we are in

such a dire situation is no mystery: our state aid has been held essentially flat since 2010, while our student population has exploded. Even taking into account our excessive local taxing, the district remains under adequate by \$9,567,909 (Attachment 4).

Sadly this situation is not uncommon around the state, even if Freehold Borough is the extreme example. But one wonders why this imbalance is allowed to continue at all. The School Funding Reform Act of 2008 was realistic and anticipated that there might come a point where full funding might not be possible. In the law, I cite here specifically NJSA 18A:7F-52, it contains a provision to proportionally divide available equalization aid between the districts if full funding is not possible. This has not been done.

In our state today there are winners and losers. Some districts are overfunded in state aid, others underfunded. Some districts are given large infusions of hold harmless aid, while others get nothing. Some local taxpayers are below their fair share, others are way above. The law that was to have managed all this is not being funded, but most amazingly, is not even being followed to divide fairly what funds are available. Why? That is what I'm being asked in my district. I've yet to be able to give a good answer.

I think every Superintendent would be delighted if the SFRA were fully funded. But if that can't be done, many of us would advocate that the available funds should be divided proportionally per the formula. That way everyone would share the pain of the missing funding, proportional to what they should have received. But if even that is too hard, for whatever reason, then the only alternative is to take new money and direct it towards eliminating the most extreme cases of underfunding. Sadly, even here the efforts have been tepid. The amount of money directed to Freehold Borough, and underfunded districts like us, totals only \$16,763,431 statewide, which is only two tenths of one percent of the total distribution in state school aid. One has to ask: how hard are we really trying to fix this?

Next month the Governor will outline the FY18 budget plan and school districts will be required to use the state aid numbers that are provided. We in Freehold Borough have formally expressed our concerns to the Commissioner of Education and to the Governor. Today we express our

concerns to you. We hope that a better understanding of the issue will, in the end, yield a better result. We want FY18 to be the year this situation finally starts getting fixed.

We are comforted to know that our students are protected by the New Jersey State Constitution which entitles them to a thorough and efficient system of free public schools. We are satisfied that there exists on the books appropriate laws and regulations to carry out that constitutional mandate. But we remain unsettled that the past distribution of state aid funds has not adhered to the guidance contained in those laws and regulations, and that the obvious asymmetrical distribution of aid has not been successfully challenged and reversed. It is our hope that this body, and other state leaders, will take the necessary steps to finally resolve this disparity. Our students are depending on it.

Thank you.

Attachments:

- 1.) Funding per Weighted Pupil
- 2.) Median Teacher Pay List
- 3.) School Aid
- 4.) Under Adequacy

## Funding per Weighted Pupil: Statewide Data

District	County	Enrollment	Weighted Enroll	% At Risk Only	% LEP & At Risk	% LEP only	% Special Education	Funding per Pupil	Funding per Weighted Pupil
<b>State Total</b>		1,316,783	1,973,019	35%	4%	1%	17%	\$16,497	\$11,010
Fairview Boro	Bergen	1,801	3,234	71%	9%	2%	19%	\$11,776	\$6,558
East Newark ..	Hudson	405	708	74%	13%	3%	12%	\$11,903	\$6,809
Freehold Boro	Monmouth	1,656	2,842	63%	17%	0%	19%	\$12,204	\$7,111
Prospect Par..	Passaic	834	1,412	74%	2%	2%	18%	\$12,561	\$7,419
Guttenberg T..	Hudson	1,286	2,125	71%	10%	1%	9%	\$12,376	\$7,490
Hammononton ..	Atlantic	2,756	4,230	39%	6%	0%	17%	\$11,531	\$7,513
South River B..	Middlesex	2,315	3,604	44%	4%	2%	18%	\$11,827	\$7,597
Bound Brook ..	Somerset	1,691	2,828	65%	11%	1%	13%	\$12,741	\$7,619
Bayonne City	Hudson	9,264	14,997	61%	3%	0%	15%	\$12,381	\$7,648
Fairfield Twp	Cumberland	531	856	76%	3%	0%	12%	\$12,783	\$7,929
Red Bank Boro	Monmouth	1,392	2,326	51%	32%	1%	13%	\$13,286	\$7,951
Clayton Boro	Gloucester	1,355	2,237	53%	3%	1%	21%	\$13,140	\$7,959



Median Teacher Pay List  
Extract from NJ Taxpayer Guide to Efficient Spending 2016 Indicator 16  
(Attachment 2)

	County	District	2015-2016	
			Median Teacher Salary	Salary Ranking Within Group
D. K-8 / 751 +	MONMOUTH	FREEHOLD BORO	\$50,915	1
D. K-8 / 751 +	MONMOUTH	TINTON FALLS	\$52,484	2
D. K-8 / 751 +	MONMOUTH	RED BANK BORO	\$53,678	3
D. K-8 / 751 +	HUDSON	GUTTENBERG TOWN	\$53,790	4
D. K-8 / 751 +	HUNTERDON	CLINTON TWP	\$53,892	5
D. K-8 / 751 +	ATLANTIC	NORTHFIELD CITY	\$54,134	6
D. K-8 / 751 +	CAMDEN	RUNNEMEDE BORO	\$54,718	7
D. K-8 / 751 +	BURLINGTON	MOUNT HOLLY TWP	\$54,804	8
D. K-8 / 751 +	MONMOUTH	FAIR HAVEN BORO	\$55,283	9
D. K-8 / 751 +	ATLANTIC	HAMILTON TWP	\$55,611	10
D. K-8 / 751 +	SOMERSET	GREEN BROOK TWP	\$56,430	11
D. K-8 / 751 +	MONMOUTH	FREEHOLD TWP	\$56,555	12
D. K-8 / 751 +	BURLINGTON	SHAMONG TWP	\$56,896	13
D. K-8 / 751 +	BURLINGTON	EDGEWATER PARK TWP	\$56,920	14
D. K-8 / 751 +	CAMDEN	STRATFORD BORO	\$56,951	15
D. K-8 / 751 +	PASSAIC	HALEDON BORO	\$57,295	16
D. K-8 / 751 +	BERGEN	FAIRVIEW BORO	\$57,405	17
D. K-8 / 751 +	ATLANTIC	SOMERS POINT CITY	\$57,561	18
D. K-8 / 751 +	PASSAIC	RINGWOOD BORO	\$57,765	19
D. K-8 / 751 +	MORRIS	FLORHAM PARK BORO	\$57,854	20
D. K-8 / 751 +	WARREN	GREENWICH TWP	\$57,961	21
D. K-8 / 751 +	CAMDEN	BERLIN BORO	\$58,040	22
D. K-8 / 751 +	MORRIS	CHESTER TWP	\$58,870	23
D. K-8 / 751 +	MORRIS	DENVILLE TWP	\$59,033	24
D. K-8 / 751 +	MONMOUTH	EATONTOWN BORO	\$60,043	25
D. K-8 / 751 +	BURLINGTON	WESTAMPTON	\$60,063	26
D. K-8 / 751 +	BERGEN	UPPER SADDLE RIVER B	\$60,425	27
D. K-8 / 751 +	MORRIS	LINCOLN PARK BORO	\$60,825	28
D. K-8 / 751 +	MONMOUTH	MILLSTONE TWP	\$61,000	29
D. K-8 / 751 +	MONMOUTH	LITTLE SILVER BORO	\$61,045	30
D. K-8 / 751 +	MORRIS	LONG HILL TWP	\$61,300	31
D. K-8 / 751 +	CUMBERLAND	UPPER DEERFIELD TWP	\$61,416	32
D. K-8 / 751 +	CAMDEN	BELLMAWR BORO	\$62,010	33
D. K-8 / 751 +	BERGEN	MAYWOOD BORO	\$62,100	34
D. K-8 / 751 +	GLOUCESTER	LOGAN TWP	\$62,341	35
D. K-8 / 751 +	MORRIS	EAST HANOVER TWP	\$62,413	36
D. K-8 / 751 +	BERGEN	WOODCLIFF LAKE BORO	\$62,480	37
D. K-8 / 751 +	MORRIS	WHARTON BORO	\$62,575	38
D. K-8 / 751 +	MORRIS	WASHINGTON TWP	\$62,630	39
D. K-8 / 751 +	CAPE MAY	UPPER TWP	\$62,665	40
D. K-8 / 751 +	HUNTERDON	READINGTON TWP	\$62,670	41
D. K-8 / 751 +	SUSSEX	BYRAM TWP	\$62,724	42
D. K-8 / 751 +	PASSAIC	WOODLAND PARK	\$63,020	43
D. K-8 / 751 +	SOMERSET	BRANCHBURG TWP	\$63,445	44
D. K-8 / 751 +	MONMOUTH	MANALAPAN-ENGLISHTO	\$63,569	45
D. K-8 / 751 +	HUNTERDON	FLEMINGTON-RARITAN R	\$63,610	46
D. K-8 / 751 +	SUSSEX	SUSSEX-WANTAGE REGI	\$64,498	47
D. K-8 / 751 +	PASSAIC	TOTOWA BORO	\$64,883	48
D. K-8 / 751 +	MORRIS	ROCKAWAY TWP	\$65,095	49
D. K-8 / 751 +	PASSAIC	PROSPECT PARK BORO	\$65,100	50
D. K-8 / 751 +	PASSAIC	LITTLE FALLS TWP	\$65,210	51
D. K-8 / 751 +	ATLANTIC	ABSECON CITY	\$65,453	52
D. K-8 / 751 +	CAMDEN	VOORHEES TWP	\$65,646	53
D. K-8 / 751 +	BURLINGTON	EVESHAM TWP	\$65,754	54
D. K-8 / 751 +	MONMOUTH	COLTS NECK TWP	\$65,916	55
D. K-8 / 751 +	ATLANTIC	LINWOOD CITY	\$66,108	56
D. K-8 / 751 +	PASSAIC	WANAQUE BORO	\$66,245	57
D. K-8 / 751 +	CAMDEN	GLOUCESTER TWP	\$66,475	58
D. K-8 / 751 +	BERGEN	HILLSDALE BORO	\$66,728	59
D. K-8 / 751 +	BERGEN	WYCKOFF TWP	\$66,838	60
D. K-8 / 751 +	MONMOUTH	RUMSON BORO	\$66,970	61
D. K-8 / 751 +	WARREN	LOPATCONG TWP	\$67,002	62
D. K-8 / 751 +	MONMOUTH	HOWELL TWP	\$67,500	63
D. K-8 / 751 +	BERGEN	MONTVALE BORO	\$67,572	64
D. K-8 / 751 +	MORRIS	HANOVER TWP	\$67,594	65
D. K-8 / 751 +	ATLANTIC	GALLOWAY TWP	\$68,623	66
D. K-8 / 751 +	BERGEN	FRANKLIN LAKES BORO	\$69,022	67
D. K-8 / 751 +	BERGEN	LITTLE FERRY BORO	\$69,112	68
D. K-8 / 751 +	MONMOUTH	MARLBORO TWP	\$69,320	69
D. K-8 / 751 +	BURLINGTON	LUMBERTON TWP	\$70,250	70
D. K-8 / 751 +	BURLINGTON	MEDFORD TWP	\$70,384	71
D. K-8 / 751 +	BURLINGTON	MOUNT LAUREL TWP	\$71,590	72
D. K-8 / 751 +	SOMERSET	WARREN TWP	\$72,140	73
D. K-8 / 751 +	BERGEN	OAKLAND BORO	\$73,275	74
D. K-8 / 751 +	BERGEN	ALLENDALE BORO	\$75,030	75
D. K-8 / 751 +	BERGEN	RIVER VALE TWP	\$78,270	76
D. K-8 / 751 +	ATLANTIC	VENTNOR CITY	\$82,196	77
D. K-8 / 751 +	BERGEN	CLOSTER BORO	\$87,377	78
D. K-8 / 751 +	BERGEN	EAST RUTHERFORD BO	\$90,600	79



Extract from Freehold Boro 2016-17 State School Aid Notice

STATE OF NEW JERSEY - DEPARTMENT OF EDUCATION  
DIVISION OF FIELD SERVICES  
OFFICE OF SCHOOL FINANCE  
2016-17 STATE SCHOOL AID  
EQUALIZATION AID

02/16/2016 3

Page EOA

COUNTY: 25-MONMOUTH  
DISTRICT: 1640-FREEHOLD BORO  
BUDGET: K-8

ADEQUACY BUDGET CALCULATION: \*\*\*\*\*  
REGULAR EDUCATION \*\*\*\*\*

Projected Weighted Base Enrollment	
Total Base Cost	

- @ \$11009 per pupil  
times GCA 0.99530

Projected Weighted At-Risk Only Enrollment
Total At-Risk Only Cost

- ⑩ \$11009 per pupil times GCA 0.99530

Projected Weighted LEP Only Enrollment	100
Total LEP Only Cost	100

- @ \$11009 per pupil  
times GCA 0.99530

Projected Weighted combined LEP &amp; Low Income Enrollment

Total Combined LEP & Low Income Cost  
- @ \$11009 per pupil

times GCA 0.99530

SPECIAL EDUCATION

Special Education Enrollment  
- FTE Resident Enrollment @ 14.92%

al Education Cost  
- - @ \$17,034 per pupil  
times GCA 0.99530  
times Item (I) times 2

Speech Only Enrollment

- FTE Resident Enrollment @ 1.630%

Total Speech Only Cost

- @ \$1,159 per pupil  
times GCA 0.99530  
times Item (K)

ADEQUACY BUDGET -

Item (B) + (D) + (F) + (H) + (J) + (L)

LOCAL SHARE CALCULATION - REGULAR DISTRICT

Equalized Valuation (10/1/2015)

1,712 (A) District Income (2013)

Equalized Val.	x	0.013156218 / 2
19.758.825 (B) District Income	x	0.046185507 / 2

$$\text{Local Fair Share} : \text{Item(P-1)} + \text{Item(P-2)}$$

LOCAL SHARE - COUNTY VOCATIONAL SCHOOL DISTRICT

5,040,339 (D) County Local Shares  
County Adequacy Budgets  
5 (E) Item(Q) / Item(R)

Local Share  
54,786 (F) Item(S) x Item(M) - for Vocs Only

## EQUALIZATION AID CALCULATION

	Adequacy Budget (Item(M))	Local Fair Share (Item (P) or (T))
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2,038,050 (H) EQUALIZATION AID

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(Item(U) less Item(V))
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\$20,083,449 (W)

District Performed Calculations (Not a Part of Notice)	
Underfunded in State Aid	
Equalization Aid	\$20,083,449 From W Above
Due from State	
Equalization Aid	8,149,685
Received	
	<u>\$11,933,764</u> Amount Underfunded in State Aid
Over Fair Share of Tax Levy	
Local Fair Share	\$ 8,689,112 From V above
Actual Tax Levy	<u>11,054,967</u>
	<u>\$ (2,365,855)</u> Amount Paid Over Local Fair Share

Attachment 4

Extract from FY 17 NJ Department of Education Calculation of District Status

## District Status Above, At, or Below Expected Local Levy

Line	Name	Amount	Description
A	2016-17 General Fund Levy	11,054,967	
B	Equalization Aid	8,149,685	
C	Total Budgeted Adequacy Spending (A + B)	19,204,652	
D	District Adequacy Budget	28,772,561	
E	Excess Amount (C - D)	-9,567,909	
	Status		The proposed budget is at or below the expected local levy
	Explanation (only if Line E is positive)		

10x



# Funding Fairness?

*The effects of underfunding and inequitable distribution of state aid on New Jersey taxpayers and school district budgets*

Presentation to the Assembly Education Committee  
January 18, 2017

Patrick J. Fletcher, Chief Education Officer, River Dell Regional School District  
G. Kennedy Greene, Chief Education Officer, Newton Public Schools





# Background

In 2008, the New Jersey Legislature enacted a new school funding formula called the School Funding Reform Act (SFRA).

The formula is driven by determinations of the cost of resources for all students to achieve the state's academic standards.

The formula delivers extra funding to school districts based on the number of economically disadvantaged students, limited English proficient students, and students with disabilities enrolled in the district.



*Education Law Center (July 2014), Shortchanging New Jersey Students.*

# Background

The formula establishes an “adequacy budget” for each school district that reflects the size, grade configuration, and demographic characteristics of the student population based on weighted enrollment.

The adequacy budget is the cost of delivering academic standards to all district students based on the formula’s parameters.

The adequacy budget is funded through a combination of local taxes and state aid, based on calculations of a municipality’s ability to pay.



*Education Law Center (July 2014), Shortchanging New Jersey Students.*

# Background

Unfortunately, the SFRA has been consistently underfunded.

In 2010, the Governor proposed, and the Legislature adopted, a budget for FY11 that cut over \$1.1 billion (nearly 15%) in state aid from the SFRA formula.

Subsequent budgets have failed to properly implement the school funding formula, providing minimal and unpredictable state aid increases that do not comply with the law.



*Education Law Center (July 2014), Shortchanging New Jersey Students.*



# Two problems = \$2 billion

- ▶ The Underfunding Problem – SFRA, which is legislatively derived and judicially constitutional, is underfunded by approximately **\$1.4 billion**.
- ▶ The Inequitable Distribution Problem – About **\$600 million** was removed from SFRA funding to provide state aid outside the formula to keep every district at FY08 aid levels. *This overfunds some districts at the expense of others, largely in the form of Adjustment Aid.*



# The Extent of Underfunding

- ▶ The State has never fully funded the formula, presently averaging about 85%.
- ▶ The cumulative effect is almost **\$10 billion** since the enactment of SFRA.
- ▶ A large percentage of state aid is devoted to non-instructional expenses like social security and debt service, thus limiting direct aid to the classroom.



# The Effects of Underfunding

- ▶ It forces unfair decisions to meet ever-increasing statutory and regulatory mandates.
- ▶ Combined with growing income disparities, these **unfunded mandates** negatively impact students' readiness to learn.
- ▶ Student achievement stagnates, with pockets of improvement dependent upon where a child lives.





# More Effects of Underfunding

- ▶ Districts are forced to look for efficiencies in their budgets, which is a good thing.
- ▶ However, there is a limit to the ability to find those efficiencies.
- ▶ After many years of underfunding, many districts have reached that limit and are forced to **cannibalize existing programs.**



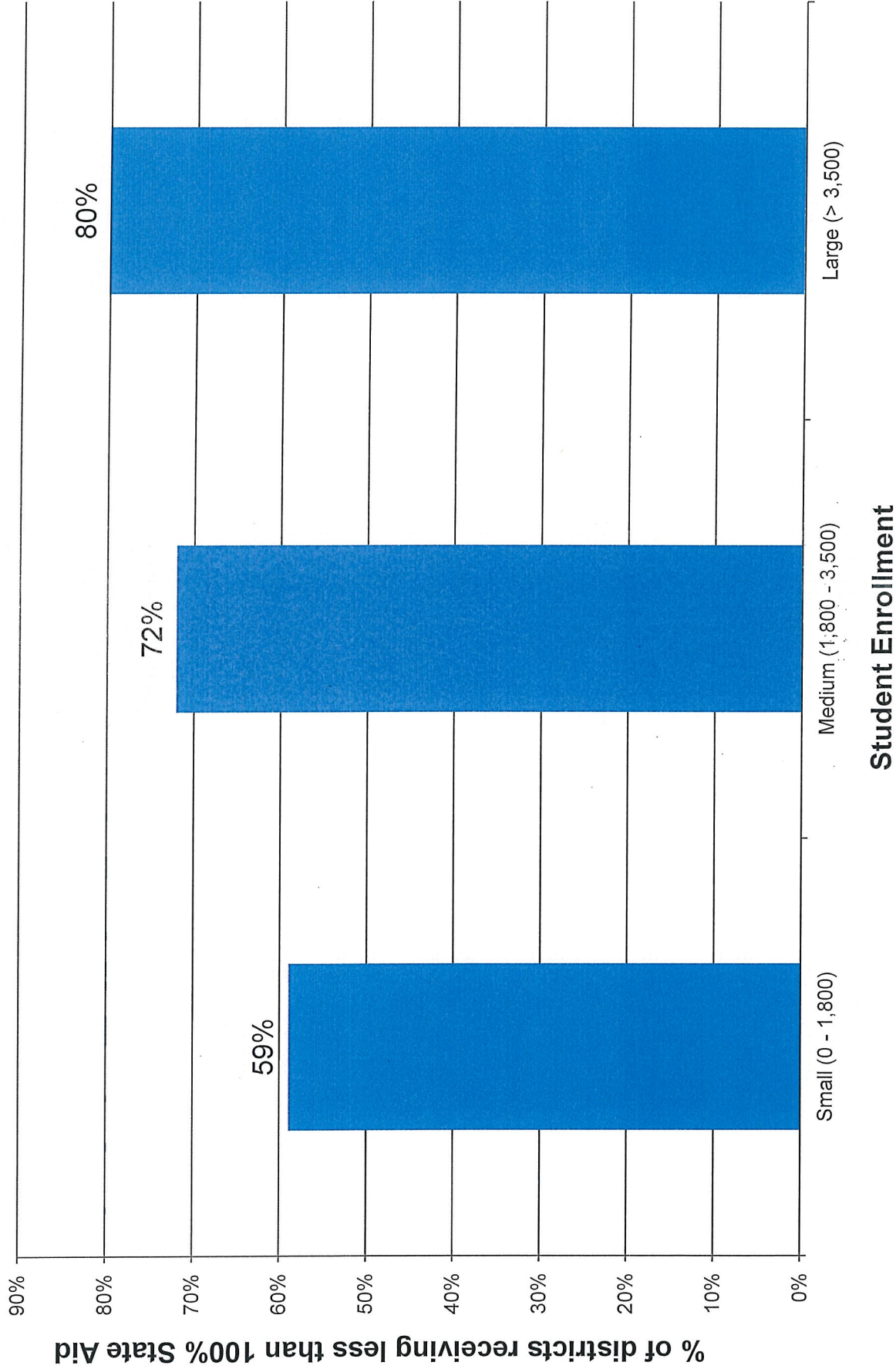
# The Future Impact of Underfunding

- ▶ Districts will face a widening gap between revenues and costs.
- ▶ State underfunding coupled with the 2% tax cap prevents districts from addressing increased costs due to wages, benefits, special education, etc.
- ▶ In short, **the cost curve is exceeding the revenue curve.**

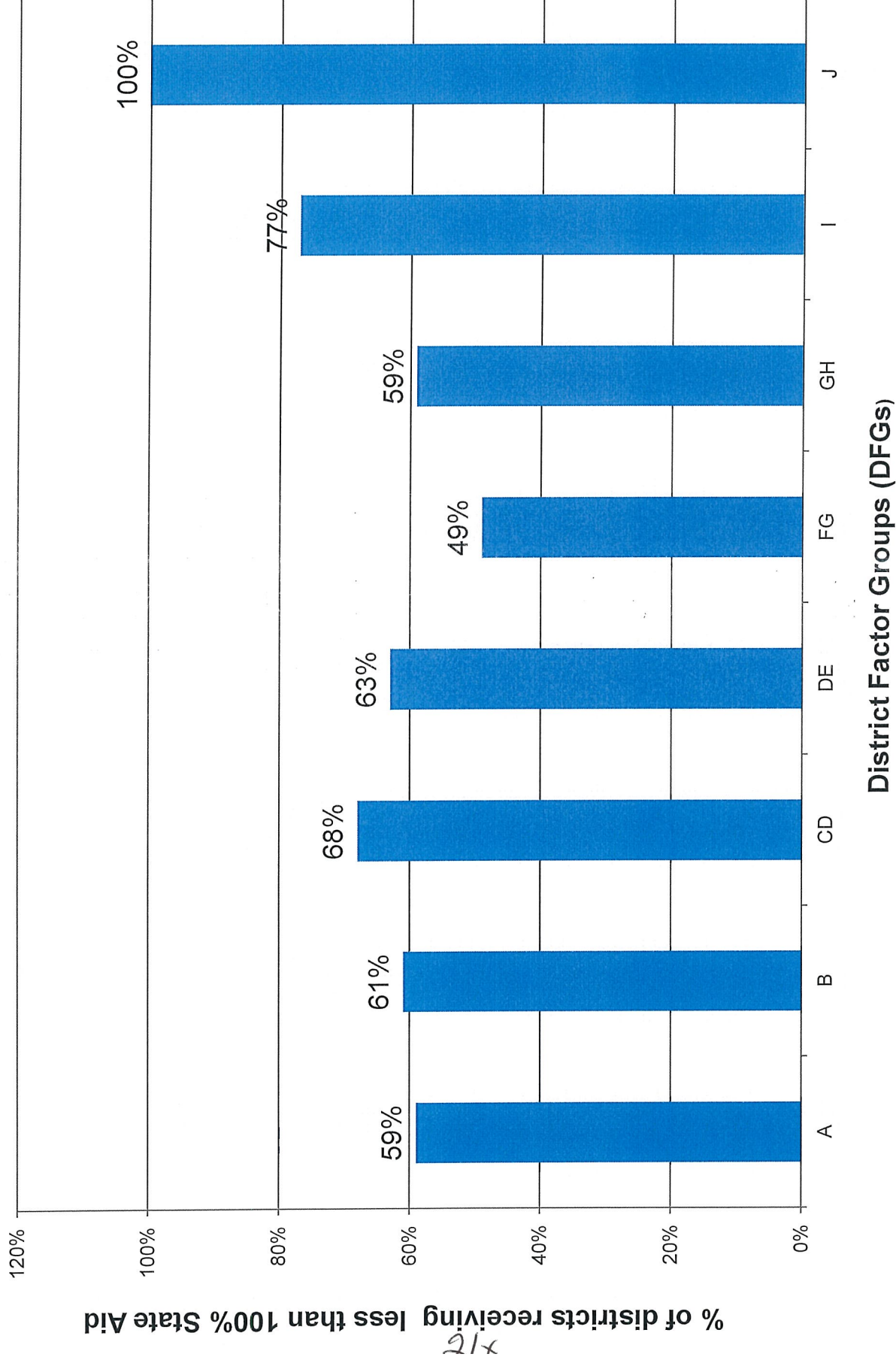




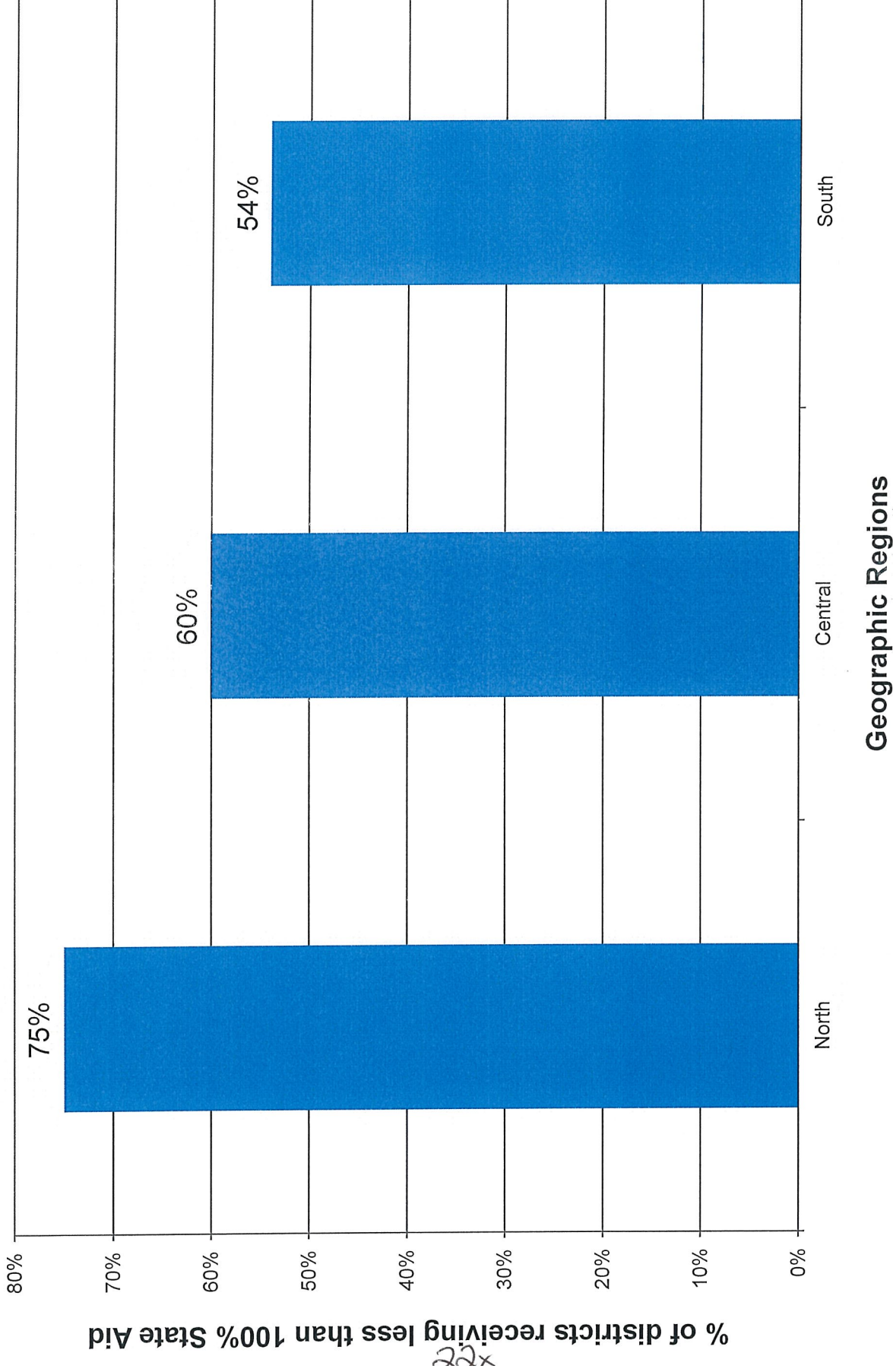
# Underfunding is found at All Enrollment Levels



# Underfunding is found in all Income Groups



# Underfunding is found in all Geographic Regions





# The Distribution Problem: Overfunding for Some

- ▶ Approximately \$600 million is removed every year from the formula to provide Adjustment Aid.
- ▶ In FY17, 212 districts receive more than 100% of their calculated state aid.
- ▶ This Adjustment Aid has continued the same way for 9 years with no adjustment to the state's economic realities or to changing demographic circumstances.



# The Distribution Problem: Inequity for Others

- ▶ 379 school districts (64%) receive less than 100% of their formula funding.
- ▶ 239 school districts receive less than 70%...a useful definition of **severe underfunding**.
- ▶ The consequences for many districts is that they are forced to try to make up the difference by **raising local taxes well above their fair share**.





# How does underfunded and inequitably distributed state aid impact on local taxes?

Grade	Percentage of local fair share contributed in FY17	Number of Districts
A+++++	> 130%	39
A++++	124-130%	24
A+++	116-123%	52
A++	108-115%	74
A+	100-107%	67
	Above 100%	256
A	93-100%	59
B	85-92%	69
C	77-84%	51
D	70-76%	33
F	<70%	123
	Below 100%	335

state median = 96%

## How does underfunded and inequitably distributed state aid impact on budget adequacy?

Grade	Percentage of budget adequacy spent in FY17	Number of Districts
A+++++	> 130%	121
A++++	124-130%	52
A+++	116-123%	54
A++	108-115%	72
A+	100-107%	87
	Above 100%	386
A	93-100%	64
B	85-92%	66
C	77-84%	32
D	70-76%	17
F	< 70%	26
	Below 100%	205

state median = 108%



## How should New Jersey be graded for its funding and distribution of state aid?

Grade	Percentage of state aid received in FY17	Number of Districts
<b>A+++++</b>	<b>&gt; 130%</b>	<b>138</b>
<b>A++++</b>	124-130%	17
<b>A+++</b>	116-123%	19
<b>A++</b>	108-115%	15
<b>A+</b>	100-107%	23
	<b>Above 100%</b>	<b>212</b>
<b>A</b>	93-100%	34
<b>B</b>	85-92%	30
<b>C</b>	77-84%	45
<b>D</b>	70-76%	31
<b>F</b>	<b>&lt;70%</b>	<b>239</b>
	<b>Below 100%</b>	<b>379</b>

state median = 81%





# Five myths and truths

## about state aid to schools in New Jersey

28x



**MYTH #1: This is mostly an issue in smaller districts, or ones with high poverty, or those in a particular region of the state.**

**TRUTH: State aid inequity affects districts in all enrollment levels, all income groups, and all geographic regions of the state.**



**MYTH #2: The funding inequities are simply about the former Abbott districts vs. everyone else.**

**TRUTH: 17 of the 31 former Abbotts do not receive their full state aid.**

Bridgeton	Elizabeth	Garfield
Harrison	Irvington	Long Branch
Neptune	New Brunswick	Newark
Orange	Passaic	Paterson
Perth Amboy	Plainfield	Trenton
Union City	West New York	





## **MYTH #3: State aid inequity is a result of the Economic Recession in 2008.**

It is true that a slow recovery has made it difficult to get to full SFRA funding for all districts, but ...

## **TRUTH: Inequity has been a major issue in NJ school finance for over 40 years.**

3/4

School funding was inequitable before the 1976 income tax and hasn't been corrected despite multiple formulas. Most underfunded districts have been forced to deal with their situations for **decades**.



**MYTH #4: Funding inequities are bound to exist given the variety of student needs, unique communities, and local control in our state.**

Local school districts do have discretion in terms of budget adequacy and local tax levies, but ...

**TRUTH: The State can help local districts greatly by distributing aid to schools more equitably than it does now.**

The percentage of SFRA aid the State distributes to school districts ranges from a low of **10%** to a high of **1,033%**.





**MYTH #5: If state aid is redistributed to some districts, other districts would become losers.**

**TRUTH: No district that receives 100% of its SFRA aid can be considered a loser.**

33x

**212 NJ districts receive more than 100% of the aid they should according to the funding formula.**

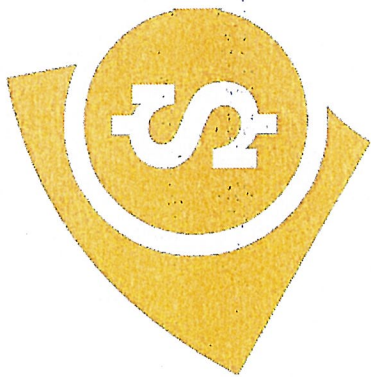
**239 other districts receive less than 70% of their funding formula aid.**



# Key Takeaways

1. There are 2 major problems with state aid to schools in New Jersey: \$1.4 billion in **underfunding** and \$600 million in **inequitable distribution**.
2. Both of these problems impact **budget adequacy** and **local tax fairness**.
3. 212 school districts receive more than 100% of their state aid.  
**Why?**
4. 379 others receive less than 100% of their state aid ... 239 of them get less than 70%. **We can do better!**





# Questions?

A statewide funding database for FY17 can be found at  
<http://newton.innersync.com/superintendent/School-Funding.cfm>





**Testimony of**  
**Sean M. Spiller, NJEA Secretary Treasurer**  
**Assembly Education Committee**  
**January 18, 2017**

Good morning. I am Sean Spiller and I am the Secretary Treasurer of the New Jersey Education Association. I am proud to represent over 200,000 active and retired school employees in New Jersey – school employees who are getting tired of doing more with less.

In 2008, Republicans and Democrats came together to pass the School Funding Reform Act. This funding formula not only had bi-partisan support, but was the product of informed input from education stakeholder groups and upheld by the New Jersey Supreme Court.

After the initial year of implementation in 2009, SFRA has been underfunded by approximately \$1 billion each year. This refusal to run the funding formula for seven years has led to gross inequities in school aid.

In the event of a budget shortfall, the state should prorate school aid to all districts. But instead of actually following the law and fully funding SFRA, we are hearing about “fixes,” and substitutions, and a re-examination of every aspect of the SFRA.

The first comes from the governor. In addition to underfunding school districts by a billion dollars every year, the governor is promoting his so-called “Fairness Formula” which would further reduce aid to about 414,000 schoolchildren. Gov. Christie’s plan would do nothing more than provide tax breaks for our wealthiest residents at the expense of middle and lower income families and students. The foundation of Christie’s proposal is that as a State we should support students equally, regardless of need. He wants to create a system of winners and losers which reduces school funding to the students who need it the most.

And while Senator Sweeney says he is concerned about school funding, his proposal would reduce aid to about 715,000 students by almost \$685 million, or around \$960 per pupil on average. At the core of Senator Sweeney’s proposal is the mistaken conclusion that Adjustment Aid EQUALS overfunding, which could not be further from the truth. However this faulty argument has lead Senator Sweeney to propose eliminating \$600 million of adjustment aid he has determined districts don’t need as he tours the State to promote a proposal with no factual foundation and a predetermined outcome.

Both of these proposals have one thing in common, they are divisive. Instead of working to remedy the \$1 billion funding gap, they aim to pit communities against each other and ignore the fact that in New Jersey, we have a funding formula that works if we run it and fund it each year.

NJEA has consistently supported the current school funding formula. We believe that considering New Jersey's history with school funding, a formula that was agreed to by both houses of the Legislature and signed into law after extensive discussions with, and input from, education experts and stakeholders and upheld as constitutional by the New Jersey Supreme Court, should be followed each year.

A report from September 2016 by the State Auditor concluded that if the funding formula was used to allocate school aid in FY 2016 without adding even \$1 dollar to the direct aid appropriation, 365 school districts would've received more school aid than they did under the FY 2016 Budget. We are shortchanging our students and it's time to make *all* students a priority, wherever they live and whatever their needs and circumstances.

Eliminating or phasing out adjustment aid is no solution, and counterproductive in many cases. You cannot gauge the adequacy of funding levels until you actually follow the law. A district receiving adjustment aid may still be unable to provide adequate educational resources in accordance with the formula, or may be taxing its residents for more than their statutory "fair share." To blame adjustment aid for today's state aid discrepancies or anomalies are a diversion from the state's failure to follow the school funding law.

Additionally, it's imperative that the financial impact of charter schools on our traditional public schools be taken into account. The New Jersey Charter School Program Act took effect in 1996. Charter schools were intended as locally run operations, created and operated by community members, parents, teachers, and others, who were invested in the success of public education and the community.

This original vision assumed that these "laboratories of innovation" would inform instruction across the public education system. The lessons learned would enhance local school districts and the educational experience of all students.

While NJEA has supported the concept of public charter schools since the original charter law went into effect over 20 years ago it's time to adjust the law to reflect new challenges. The intent of the charter school law was not to create a separate school system. The intent was not to segregate students by race or ability. But in too many communities, that is the reality.

Charter schools must be held accountable to the communities they serve. Charter schools should be transparent in their reporting on the use of state funds, including their revenue, assets, and contract commitments.

Further, NJEA believes that no new charters should be granted until the state fully funds SFRA.

NJEA believes that the process of school funding must be transparent. Any changes to SFRA should be done through a thorough legislative review process, just as the law was created. Funding must also be predictable, because uncertainty over funding forces districts to engage in defensive budgeting and

spending, which runs counter to long-range planning and overall efficiency. That's why NJEA supports Assemblyman Prieto's proposal which would require legislative oversight and stakeholder input for any alterations or adjustments to the existing formula.

Education Week released its schools rankings and once again, New Jersey ranks at the top. Our graduation rate is second in the nation. We are making advances in closing the achievement gap. However we know there are pockets of disparity. Too many students live in communities plagued by poverty, homelessness, and crime. Too many students come to school hungry. Too many students come to school worried and fearful for their families and their futures.

This is not the time to turn our backs on those who need us most. Every child deserves a chance to succeed. NJEA believes that funding SFRA is an important first step in making success a reality.

Thank you.



**Assembly Education Committee**

**Comments on School Aid - 2018**

**January 18, 2017**

Good morning and thank you for this opportunity to make comments relative to school funding for the 2017-18 school year. As the economy goes, so do most state aid formulas. The School Funding Reform Act of 2008 was no exception. After the first year of implementation NJ school districts have not enjoyed the promises of the School Funding Reform Act of 2008.

The purpose of any school funding formula is to equalize the resources available to support a thorough and efficient education for every child regardless as to where they live. It's not surprising then that the main category of support to local school districts is called "equalization" aid. School aid is given to districts based upon a spending model (the adequacy budget) and is driven by enrollment, local ability to pay, and of course available state funds.

No state aid formula can address in one year all of the inequities and unfairness that are the very reasons why a new formula was created in the first place. It takes time! Unfortunately, we never give formulas the time they require to do what they were created to do. Generally, and history tells us, school aid formulas last one year; and typically it is the economy that prevents implementation after the first year. School aid is frozen and tweaked here and there. The Department of Education has addressed, to the extent it could with resources limited by the economy, enrollment increases and below adequacy spending.

State Aid is driven by enrollment and local wealth. A new formula (SFRA) is run and we find that there are winners and losers. The losers are districts where the formula provides less money than what is currently received. This is typically due to the fact that enrollments have fallen or local wealth factors have improved. To gain legislative support, these districts are held harmless which means that a large portion of state aid is set aside to prevent these districts from suffering a loss in state aid. Typically, this form of aid is withdrawn over a period of years.

Now for the winners of a new formula, because of increased enrollment and low economic growth, many districts are entitled to very large increases of state school aid. But if the State fully funded those districts, there would little left for all others. So the State promises that they will move them to their full entitlements over a period of years. That's all well and good if the formula is implemented year after year, but we failed to implement the formula after one year. Therefore, these districts did not receive their second and succeeding installments of what they were entitled. This is where we find the greatest level of unfairness with respect to school funding. They are sometimes referred to as "stabilized" districts.

Recommendation 1: Adjustment Aid: We cannot simply redistribute all adjustment aid. I would recommend an analysis of this form of state aid to determine the impact of eliminating these funds in light of a districts changing demographics and spending with respect to adequacy. Let's not assume that every district that receives adjustment aid should immediately lose this support.

Recommendation 2: The state should identify the districts that have been significantly impacted by the freezing of the formula. These may be the stabilized districts mentioned above or districts that have experience enrollment increases since the first year of SFRA. They should be the main target for any additional or redistributed state aid.

Recommendation 3: A perennial issue for New Jersey school districts is coping with the ever-increasing cost of special education. Although I fully realize that an adjustment to the local levy will only raise property taxes, we must either provide additional categorical state aid in this area or permit adjustments to the 2% levy cap for these costs. Tax levy adjustments must first be approved by the local governing body.

Recommendation 4: Many of our smaller school districts must send their secondary students to another district. These districts are burdened with annual tuition cost increases that overwhelm a district's ability to fund these costs with the limits in place as a result of our tax levy cap. Local boards should have the ability, beyond their respective tax levy limit, to raise additional support for their high school students.

Recommendation 5: Prior to SFRA, capital costs (i.e. repair of roofs, upgrading of mechanical systems, upgrading substandard classrooms, plumbing repairs) were costs in our capital project budget and were outside of any budgetary limits. That is no longer the case and are within our 2% levy cap. The result is that most districts are setting these problems aside and deferred at a future cost yet to be determined. Failing to give boards of education to the right to pass on tax levy increases in this area will create a much heavier tax burden in the future.

Thank you for this opportunity to make comment.

John F. Donahue, Executive Director  
New Jersey Association of School Business Officials



# New Jersey School Boards Association

413 West State Street • Trenton, NJ 08618 • Telephone: 609.695.7600 • Toll-Free: 888.88NJSBA • Fax: 609.695.0413

## **TESTIMONY ON SCHOOL FUNDING**

### **ASSEMBLY EDUCATION COMMITTEE**

**JANUARY 18, 2017**

The New Jersey School Boards Association (NJSBA) is a federation of the state's local boards of education and includes the majority of its charter schools as associate members. NJSBA provides training, advocacy and support to advance public education and promote the achievement of all students through effective governance. The Association's positions on school funding are derived from policies established by our members, who represent local boards of education throughout the state.

The NJSBA believes that New Jersey's system of financing public schools should enable all local school districts to provide equal opportunity for all children in New Jersey to receive a thorough and efficient education. Such a system must take into account two factors: the educational needs of students, and the ability of a community to financially support its schools.

The NJSBA believes that the state revenue raising system should embody the following characteristics:

- Guarantee sufficient revenue to consistently meet the state's constitutional and statutory funding obligations to the public schools;
- Be balanced with respect to the ability to expand and contract in response to economic conditions (elasticity) and the capacity to produce a stable flow of revenue (stability);
- Be balanced with respect to sources of revenue (individuals, businesses, property, sales, etc.); and
- Be designed to consider both an individual's and a community's ability to pay.

Furthermore, NJSBA believes that the state should fund 50 percent of the statewide total cost of providing a thorough and efficient education for all public elementary and secondary students so that pressures on local property taxes can be relieved. This will invariably require the state to rebalance its current funding sources: the income tax and the local property tax.



The Association supported the School Funding Reform Act (SFRA) when it was first enacted in the 2008-2009 school year as a constitutional remedy which met our basic criteria for a statewide funding mechanism to support the state's public school system.

Unfortunately, the Legislature added a provision guaranteeing no loss in aid to districts that had a cumulative enrollment loss in the 6 years preceding the passage of SFRA (P.L. 2007 c. 260). This legislative tinkering required the addition of enrollment caps to allow the state to address districts with significant enrollment growth over the same period. The hold harmless provision, coupled with the enrollment caps, allowed for modified 'full funding' of SFRA in its first year. The severe economic downturn that followed in the next fiscal year (FY 2009-10) resulted in a reduction in aid to every district and the elimination of any further increases for new enrollment, the law was only fully funded in its first year. The hold harmless clause and the continuation of the enrollment caps have remained constant since then. This has served to confound efforts to run the statutory formula as it was intended, resulting in an eight-year windfall for districts with declining enrollment at the expense of districts that experienced steady enrollment growth even prior to the passage of SFRA.

Additionally, the SFRA further reduced aid to districts with special education students by wealth-equalization of a portion of this aid, which was previously disbursed on a categorical basis. This meant that many districts would be forced to use a portion of their local levy to cover a portion base special education costs.

Lastly, the impact of the 2 percent tax levy cap (P.L. 2010 c.44), not anticipated by the SFRA, has further constrained local districts' ability to raise local revenue to offset what would have been provided through SFRA had it not been limited by restrictive budget language.

The inability to fully fund enrollment growth, the wealth equalization of special education costs and the 2% levy cap has mitigated the positive effect of SFRA for many districts, which would have received significant increases in aid because of enrollment growth since the law's inception in FY 2008-09.

Moving into the FY 2017-18 school aid cycle, local school districts will increasingly find themselves looking for cost-saving reductions that limit extra-curricular activities and perhaps even educational programming options, which they can no longer afford.



Giving Every Child A Chance

To: Assemblywoman Marlene Caride, Chairwoman  
Members, Assembly Education Committee  
From: Cecilia Zalkind, President  
Advocates for Children of New Jersey  
Date: January 18, 2017

**RE: Preschool and New Jersey's School Funding Formula**

Thank you for the opportunity to present testimony on the school funding formula. ACNJ's particular interest is the aspect of the formula that supports high-quality preschool for thousands of three- and four-year old children in the poorest communities of our state. Let me sum up ACNJ's position:

- Preschool must remain an essential component of school funding. It has a strong track record of success and is an unparalleled investment in children and the state.
- It must be expanded. The SFRA promised high-quality preschool to thousands more children in low-income communities, but was never funded.
- It must be maintained. Funding has not kept pace with cost and existing programs are struggling to maintain high-quality preschool services.

**High-Quality Preschool Helps Children Succeed**

Since 1999, New Jersey has provided high-quality preschool to children in communities with the highest percentage of low-income children. This nationally recognized preschool program has helped ensure that thousands of young children are ready for school. Through its high-quality mixed delivery system of public preschool, Head Start and child-care provider classrooms, children attain the skills necessary to be successful in kindergarten and beyond.

Our state's high quality preschool standards have the ingredients for success: small class size, well prepared teachers and the implementation of a research-based curriculum. The benefits are clear. A longitudinal study by the National Institute for Early Education Research (NIEER) has shown that children who have had two years of high-quality preschool continue to perform better in language arts, literacy, math and science, impacting both their short- and long-term educational success.

**Thousands More Economically Disadvantaged Children Can Benefit from Preschool**

In 2008, the NJ Legislature acknowledged the importance of preschool by including it as an important provision of the 2008 School Funding Reform Act (SFRA). The law called for preschool

to be expanded to thousands of three- and four-year old children who did not have access to quality preschool because of where they lived. Noting that almost one-half half of children from low-income families lived outside school districts providing state-funded preschool, the SFRA promised to provide all preschoolers living in the next tier of low-income communities with the same quality program being provided to children in our lowest income districts. All other school districts were targeted to receive per pupil funding to provide preschool to their children from low-income families.

High-quality preschool was a key priority of SFRA, and with good reason. It was one of the few areas of the bill that had strong support amongst all of the stakeholders, and data to show that children were benefiting long-term. It was a win-win decision, both for our most vulnerable children who lacked access to quality preschool, and for our state. It was a sound investment in a program with a winning track record.

Unfortunately, NJ has not kept its promise to our youngest citizens. The preschool expansion promised in the SFRA was never funded, denying children the opportunity to start school with a strong foundation. While there is near universal support for high-quality preschool, fiscal constraints over the last several years have continued to move preschool further down our state's list of funding priorities. Except for four districts that received preschool funding soon after the formula became law and recent federal support, preschool continues to remain out of reach for thousands of three- and four-year olds in our state.

As a result, thousands of children have missed out on their opportunity to start school with a greater chance of educational success. Zip code should not determine future success.

### **Existing Programs Need More Support**

These fiscal constraints have made it increasingly difficult to maintain our current state-funded preschool program. Programs have felt the impact of flat or near-flat funding. Current funding does not even begin to cover the rising costs that school districts face in providing quality early education for young learners. Many have had to reduce support staff, supplies and technology and other essentials key to program quality. New Jersey's state-funded preschools are struggling and it is the children who are most affected.

The erosion of funding to existing programs and the lack of promised funding for expansion puts our nationally recognized preschool model, one of New Jersey's most successful educational reform initiatives, at risk. However, this is a problem that can be solved. Ensuring that young children have or continue to have access to quality preschool experiences must become a higher funding priority in our state. It is already the law. What is needed now is real commitment to our children's educational success.





*Statewide Parent  
Advocacy Network*

The Statewide Parent Advocacy Network (SPAN) is the largest statewide, cross-issue, parent-led advocacy organization for families of children and youth, with and without special needs, age birth to 26. Our mission is to empower and support families and inform and involve professionals and others interested in the healthy development and education of children and youth. SPAN houses the federally funded Parent Training Information Center for New Jersey. In addition, we direct the regional (NEPACT) and national (CIPR) Parent Technical Assistance Centers.

Thank you for the opportunity to discuss education funding in New Jersey. SPAN, along with many of the advocates in the room today spent their winter holiday 2008 in this Statehouse, meeting, testifying and then the legislature passing the SFRA. It was a hectic time and one we came away from exhausted by both the whirlwind of those days but also how quickly the legislation passed. For such an extensive bill that held so much impact for the students, families and communities of NJ it seemed to be a less than deliberative process. That being said. No matter the direction, SFRA remaining as is, or some new iteration robust, accessible public hearings for all to contribute to is a positive first step. It will be refreshing for the public to be a partner in this process and to not fill the role of bystander

SPAN had concerns with the SFRA. We remain opposed to the census based formula and lack of any informed date on the real day to day costs of special education for districts. The loss of tiered funding and no targeted aid for special education leads to misinformation on costs to districts and pits general and special education parents against each other when scant resources are being discussed. We also are a member of the Special Education Funding Coalition, who I am sure would be happy to lend their expertise to your future work on funding issues for students. It is also not fair to be wholly critical of a funding system (SFRA) that has never been fully funded and who falls woefully below its adequacy measures still today.

We have very serious concerns about the proposed "fairness formula". The numbers that ELC has run would have devastating effects on school district budgets across the state. Additionally, two areas we focus on that would lose big; preschool aid and weighted supports for students at risk under a blanket formula per student no matter what is just too much to risk.

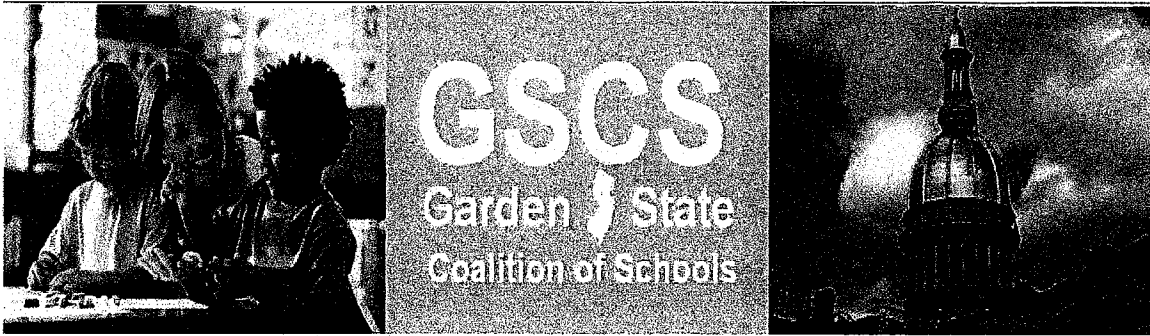
Briefly on the proposed State School Aid Fairness Funding Commission. We can support the commission but believe the membership should include a group that represents families of students, especially those most at risk whether due to their socioeconomic status, disability, special healthcare need, language or immigrant status or involvement in foster or juvenile justice system. As a group committed to parent leadership and community engagement we also would like to make sure there is a commitment for transparency and an avenue for public input as this commission moves forward with their work.

We also believe the agenda for the group is robust but is missing a critical piece, special education funding. That has been a concern for all districts urban, suburban and rural since SFRA drastically changed the way that funding was distributed. We cannot see doing all of this without that being part of the discussion. I have attached a few pages from the Legislative Task Force Report on Special Education and its funding recommendations.

**Peg Kinsell, Institutional Policy Director**  
**Statewide Parent Advocacy Network**  
[www.spanadvocacy.org](http://www.spanadvocacy.org)  
**35 Halsey St, Newark, NJ 07102**

**Director, Military Family Support 360 Project**  
**87th MDG, 3458 Neely Road**  
**JBMDL, NJ 08641**  
**609-754-9242**





160 West State Street, Trenton NJ 08608  
[gscshools@gmail.com](mailto:gscshools@gmail.com)  
 609-394-2828 (office) 732 996 9016 (cell)  
[www.gscschools.org](http://www.gscschools.org)

**Testimony Before the Assembly Education Committee  
 Special Hearing on School Funding  
 Wednesday, January 18, 2017**

GSCS is grateful that the Committee has turned a bright public spotlight on school funding and pleased to have the opportunity to testify this morning. We will address this complex issue in the context of our member districts' experiences.

**SFRA Background: One Formula for Everyone**

Like many of the groups testifying today, GSCS helped with the creation of SFRA. Though the formula was not perfect at its inception, it was conceived as a way to bring the New Jersey public education community together by allocating funding according to student and community need. It was also engineered so that no district would suffer in the transition from the old formula to the new. Unfortunately SFRA arrived in 2008, at the same time as the Great Recession. Many of the subsequent funding issues flowed from that simple collision of circumstances. Our member districts were not immune to the economic hardships of the Great Recession and have not been immune to the hardships caused by the recurrent underfunding of the formula.

**What Happened to the Formula After 2008?**

Simply put, SFRA has only been fully funded once since its inception and it has not been carefully monitored in the intervening years. State revenues have never equaled the amounts needed to fully fund SFRA, resulting in funding categories being frozen, even as districts' costs rose. As time passed and economic and demographic circumstances changed, the formula also was not reviewed and reset to accommodate those changes. In the 2010-2011 school year, all districts faced a disastrous, state-imposed five percent cut in operating expenses. For some GSCS member districts, this meant a loss of most, or even all state aid. Budgets were remade in a period of ten days, resulting in major layoffs and program cut-backs in the majority of our districts. Now, in 2017, the consequences of that five percent cut, coupled with near flat funding

since, have had a multiplier effect on district budgets. Most of us are not back to the aid levels of 2009.

### **The consequences of the Funding Crisis**

Taxes have already gone up in all member districts, as administrators and boards of education raised budgets to the two percent cap and beyond (with the few allowable waivers) to try to maintain programs, comply with an avalanche of new mandates and deal with cost drivers beyond district control, like health care and special education, that continue to rise at rates far in excess of two percent. To minimize the damage, GSCS member districts, like most in the state, have done everything possible to control or offset costs: privatizing services when possible, sharing services, buying cooperatively, imposing athletic/activity fees, pooling resources and generating revenue through various entrepreneurial ventures. We have consistently complied with various imposed spending limits, including administrative spending caps.

As the years since 2008 have passed, we have also worked, both alone and in conjunction with other education advocates, to find innovative solutions to funding issues. The attached material, created by the Somerset County Superintendents Round Table, is typical of that work, offering both analysis and thoughtful suggestions to help reduce costs, strengthen local control of schools and maintain education quality.

As the result of underfunding, class sizes have risen, so that in some member districts 26 first graders now share the same classroom for most of the day. Personnel have been cut, even in the wake of rising enrollments. Library and guidance positions have been eliminated. New, innovative programs, like the International Baccalaureate, have been put on hold because districts simply can't afford them. Capital projects have been deferred as we patch up our aging buildings for yet another year and hope that nothing catastrophic goes wrong. Communities with resources, including some GSCS districts, have turned to private funding for the technology and supplies that will help our students compete with their peers in the nation and world. Communities with fewer resources, a category that also includes some GSCS districts, often "do without".

Teachers--the lifeblood of every school--grow frustrated because districts are limited in the compensation that they can offer. A record number of districts are in mediation because the funding crisis has made it difficult to work out fair labor agreements. This is not the result of greed on anyone's part, but of economic--and sometimes political--circumstances beyond local control. Tight budgets, high taxes, hard choices and public outcry over those choices have made local school board service increasingly difficult, with the result that many qualified people choose not to run.

Each year, an increasing number of districts, including GSCS districts with high levels of community support, find that no candidates are interested in open board of education seats. According to the NJSBA, in 2015, more than half of open school board races in New Jersey were uncontested (805), and in an additional 130 cases, no candidates ran for open seats. When good people do not enter public service, the door is open for those whose commitment to the social contract that binds us all has been superseded by private agendas.

### **Concerns for the Future**

Our member districts are extremely concerned about the prospects for the '17-'18 school budgets and beyond. Right now, as we plan our budgets, some of our districts—even those with enrollment growth—cannot hire new regular education teachers because they must hire special education teachers to fulfill state mandates and the requirements of students' Individual Education Plans (IEP's). Providing the right services for our special needs students is a very important part of public education, and being forced to make these kinds of choices polarizes our communities.

For many of our member districts, the advent of Chapter 78, mandating employee healthcare contributions, helped offset diminished state funding. Now, with districts in Tier 4, those offsets are gone and along with them the fiscal “breathing room” that some districts encountered.

We believe strongly in local elected officials' ability to tailor spending decisions to the economic, demographic and political realities of their individual communities. The current funding crisis, coupled with the restrictions tied to the two percent cap, has hindered that local control. In the absence of realistic school funding, our members will have to continue to raise taxes to the 2% limit, making our towns less affordable, driving out our seniors, limiting the options for young families and lessening the economic, age and cultural diversity of our communities. The property values that are the foundation of many GSCS communities will suffer. School districts everywhere, even in towns perceived as wealthy, are walking a razor's edge in an attempt to balance educational quality with a persistent lack of funds. If people abandon our towns because taxes are too high, educational quality too low and local control almost non-existent, some of New Jersey's brightest educational beacons will be dimmed.

### **GSCS Recommendations**

GSCS continues to support SFRA, and hope that in the future, it will be used as it was designed—as a living, flexible formula that will be subject to regular oversight and changed as circumstances dictate

In a perfect world, the SFRA formula would be fully funded. Realistically, full funding is unlikely in the '17-'18 school year and, most likely, beyond. Until full funding becomes a reality, the formula should be run every year and the available aid pro-rated accordingly.

Special Education should also be reviewed and we recommend abandoning the current census-based approach to special education funding in favor of a more realistic way of apportioning aid. We also hope that a greater proportion of special education aid will be made categorical, rather than wealth determined. (Currently only 1/3 of special education aid is categorical, the other 2/3 is wealth-determined.) Finally, the percentages of extraordinary aid costs borne by the state should return to the levels of several years ago ((2012—77%, 2014—63%, 2016—58%).

After the Great Recession and six years of diminished funding, the desire to find easy solutions is understandable and even tempting. GSCS' position is that we must reject funding remedies that offer quick fixes for some districts while harming others. Formula adjustments should be made in a gradual, defined way, because at the end of the day, no one wants to impoverish innocent children in any district. When one part of the body of public education hurts, we all suffer.

GSCS believes that this hearing is a sign that legislators know that our children can't wait. Educators as a whole are skillful at making more out of less, but at some point reality sets in—even the best and the brightest of our educators can't make something out of nothing. We have a proud tradition of high quality public education in New Jersey, believe that it continues to be one of the hallmarks of a civilized society and understand that it is more necessary now than ever.

We appreciate the opportunity to testify today and will do all that we can to help you and your legislative colleagues find solutions to the funding crisis.

Elisabeth Ginsburg  
Executive Director



## **Somerset County Association of School Administrators**

### **Legislative Roundtable**

*Friday, May 6, 2016*

*2:00 – 3:30 pm*

*Somerset County Vocational and Technical Schools*

Dear Legislators,

On behalf of the superintendents of Somerset County, we wish to express our appreciation for taking time out of your busy schedules to participate in a roundtable discussion concerning educational policy issues that impact the learning of over 52,000 children who attend schools in our county.

The purpose of today's conversation is to discuss how school funding decisions at the state and local levels affect the programs and services for the children of Somerset County. We would like to provide a historical perspective with specific data and evidence to support the fact that direct aid to schools is not being funded at a level that will allow for the sustainability of educational programs for our students (see Charts 1-3). School funding issues are additionally complicated by our local school boards' inability to manage expenses outside of the boards' control that exceed the 2% cap. As costs that are outside of the boards' control increase beyond 2%, superintendents are faced with the difficult task of reducing programs and teachers.

After the 2011 reduction of districts' operating expenses, superintendents have reduced staff, privatized large swaths of non-teaching positions, and created revenue generating programs. We have sought and achieved greater efficiencies and reduced costs in many budgetary areas. Chapter 78 passed insurance costs from the taxpayers to public employees, increasing contributions for the past four years. The additional revenue from our employees' healthcare contributions has now reached the last year of the four year phase-in period; as a result, no additional revenue will be realized to off-set the annual increases in healthcare costs in future years.

Special education costs are increasing throughout the state at a rate of 6-8% per year. As these costs continue to rise beyond the cap, resources will need to be reallocated from general education to special education programs. We have never been a state where we educate one child at the expense of another. We educate all children, regardless of ability or disability.

In sum, special education cost increases, flat state aid, and revenue caps have compromised our ability to sustain the quality of our educational programs for the long run. We are beginning to see a troubling trend in student achievement on the National Assessment of Educational Progress (NAEP) performance that may indicate that New Jersey is beginning to lose its standing as one of the top performing states in the nation (see Chart 4). The future will most likely find increases in property taxes and the reduction of programs for the children in our care unless we begin to consider alternatives to the current status quo.

As a group of superintendents, we appreciate the value of not only identifying a problem, but also providing possible solutions. We have three solutions that will require new legislation, in order to provide a sustainable pathway to protect the quality of the educational experience that the students and community have come to

expect from the public schools of Somerset County:

- Return Greater Control and Decision-Making to Local School Boards  
*Local school board members are publicly elected or appointed officials who represent and live in the communities they serve. They are the best people to determine taxation policy that balance the needs of the students with the community's ability pay. Each township, borough, village, and city is unique and has its own complexity and needs. Broad-brushing, one-size-fits-all policy from Trenton, fails to recognize and appreciate each community's unique situation. Policy-makers in Trenton are not held accountable in the same way that a local school board is held to account by their community. Any costs outside of a board's control that extends beyond the 2% property tax cap should be part of an automatic adjustment process as is done currently with the healthcare adjustment.*
- Recognize Educational Service Commissions as an Alternative to Expensive Out-of-District Placements for Special Needs Children (see Chart 5)  
*Part of the mission of the Somerset County Educational Services Commission is to provide special services that are not available in local districts. Similar services are provided by private schools at a greater cost. It is important that equivalent services are provided in an effective and efficient manner. The attached document illustrates potential cost savings while providing equivalent services for our out-of-district special needs students.*
- Explore the Ability to Require Related Services Expenses for Special Needs Children to be Claimed Against the Parents' Private Insurance Carrier and Have the School District Fund Any Out-of-Pocket Expenses  
*Currently, students who qualify for Medicaid and receive certain special education services qualify for a program (SEMI) that reimburses the local school district for specific special services. Similar to the SEMI program, parents of students with special needs could submit a claim to their private insurance carrier for services that are covered within their private plans. The school district would then cover any out-of-pocket expenses. Protections would need to be put in place to make certain that insurance carriers do not increase premiums for the parents of special needs children.*

It is our hope that you would consider asking the Office of Legislative Services to draft language addressing the solutions listed above. It is our hope that we will be able to increase the boards' decision-making authority and control costs in a manner that allows the public schools in New Jersey to continue to enjoy the status of providing one of the best educational experiences for our students in the country.

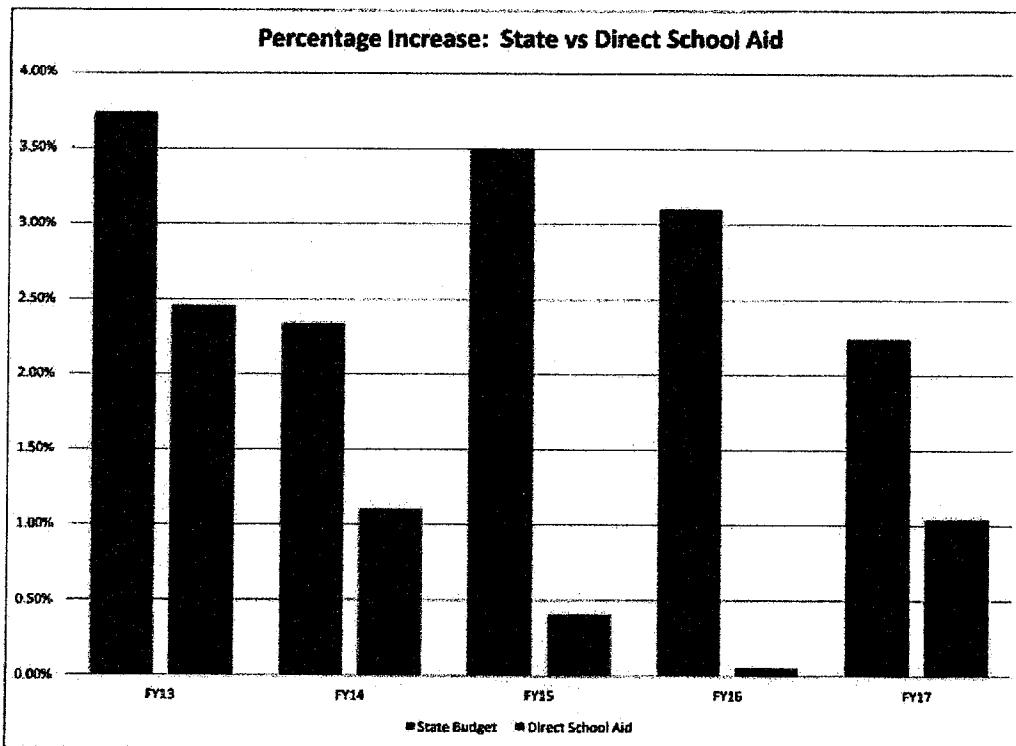
Respectfully, with appreciation and on behalf of the superintendents of Somerset County,

Nick Markarian

President of the Somerset County Association of School Administrators  
Superintendent of Bernards Township Public Schools

Jorden Schiff, Ed.D.

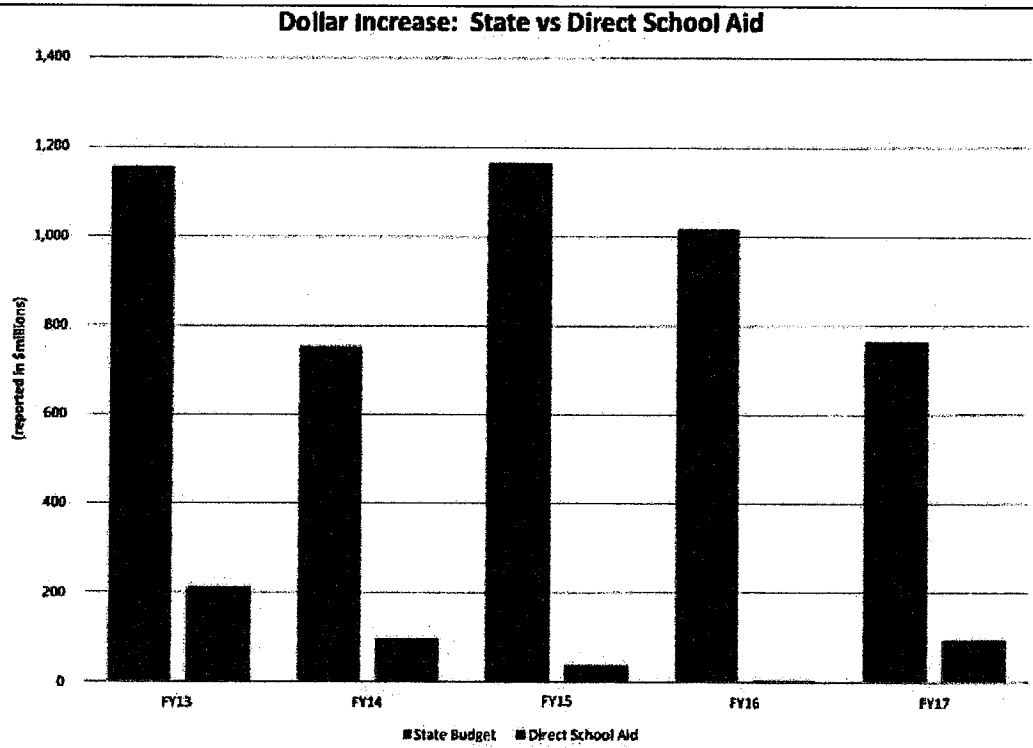
Vice President of the Somerset County Association of School Administrators  
Superintendent of Hillsborough Township Public Schools



**Chart 1**

Percent increases in the State Budget have outpaced the percent increase of Direct School Aid for the past five years.

Data Source: NJ Budget Summaries FY13-FY17



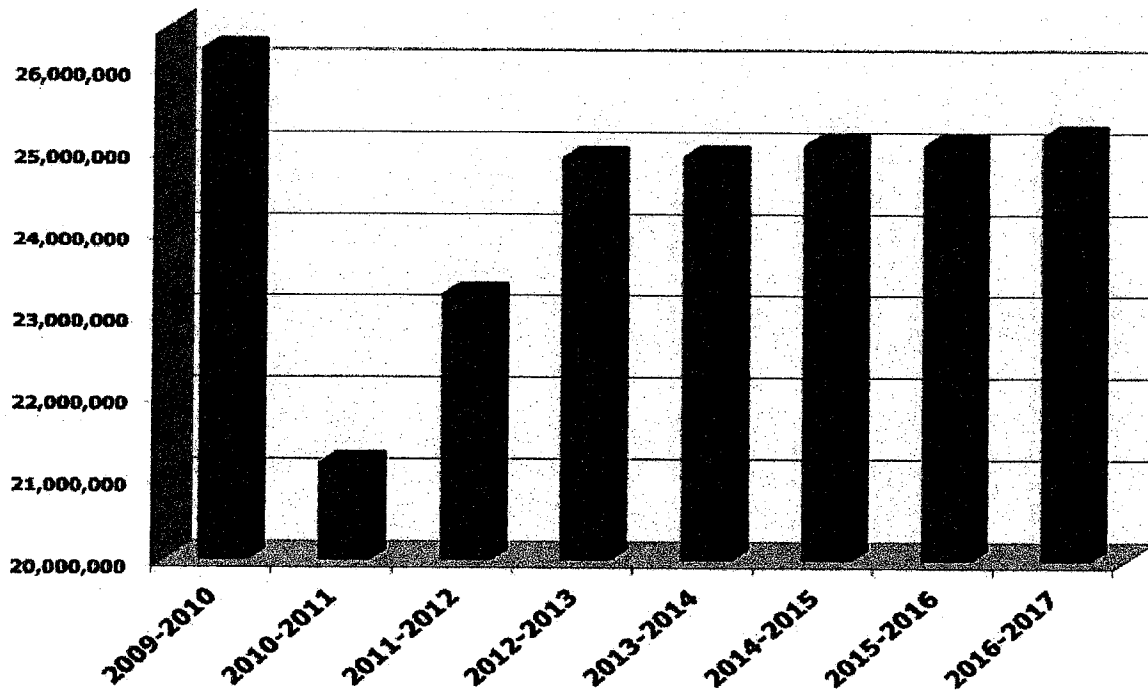
**Chart 2**

New spending in the State Budget for FY13, 15, and 16 were over a \$ billion each year. Direct School Aid was a fraction of those increases. Chart 3 shows the impact of state funding decisions on Hillsborough Public Schools.

Data Source: NJ Budget Summaries FY13-FY17



## State Aid for 2009-2017

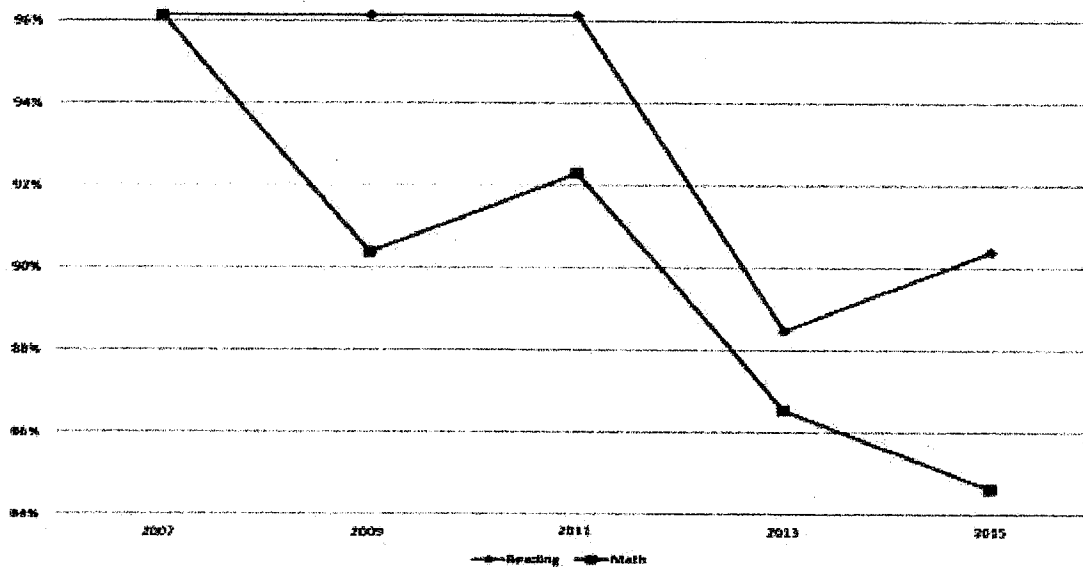


**Chart 3**

Hillsborough state aid allocation from FY10 to FY17 shows flat funding for five consecutive years. The drop in state aid for FY11 was due to the impact of the national recession.

*Data Source: State Aid Summaries for Hillsborough Township Public Schools*

## NAEP Nation Percentile Rankings for NJ 4th Grade



**Chart 4**

The National Assessment of Educational Progress (NAEP) compares state performance across various grades and content areas. NJ 4<sup>th</sup> grade results show a decline in both reading and math since 2011.

*Data Source: Rankings converted to percentiles. <http://nces.ed.gov/nationsreportcard/statecomparisons/>*

# 2016-2017 Tuition Rates- SCESC vs. Private Schools for Students with Disabilities \*Based on Private Schools for Students with Disabilities Tentative Tuition Rates 2016-2017 information from NIDOK.

Private School	County	Their Tuition for 2016-2017	SCESC Tuition for Academy 2016-2017	Cost Difference	SCESC Tuition for Career Center 2016-2017	Cost Difference
Bonnie Brae School	Somerset	\$77,738	\$46,889	(\$30,849)	\$59,150	(\$18,388)
The Center School	Somerset	\$67,038	\$46,889	(\$20,149)	\$59,150	(\$7,888)
East Mountain School	Somerset	\$73,766	\$46,889	(\$26,877)	\$59,150	(\$14,616)
Green Brook Academy	Somerset	\$73,627	\$46,889	(\$26,738)	\$59,150	(\$14,473)
Honor Ridge (formerly Somerset Hills School)	Somerset	\$85,582	\$46,889	(\$38,693)	\$59,150	(\$26,432)
Lord Stirling School	Somerset	\$103,294	\$46,889	(\$56,405)	\$59,150	(\$44,144)
Montgomery School	Somerset	\$66,094	\$46,889	(\$19,205)	\$59,150	(\$6,944)
New Road School	Somerset	\$56,418	\$46,889	(\$9,529)	\$59,150	\$2,732
Rock Brook School	Somerset	\$74,785	\$46,889	(\$27,896)	\$59,150	(\$15,635)
Gateway School	Middlesex	\$62,057	\$46,889	(\$15,168)	\$59,150	(\$2,907)
New Road School	Middlesex	\$60,534	\$46,889	(\$13,645)	\$59,150	(\$1,381)
You and Me School	Middlesex	\$57,002	\$46,889	(\$10,113)	\$59,150	\$2,148
C.P.C. High Point	Monmouth	\$73,795	\$46,889	(\$26,906)	\$59,150	(\$14,615)
Coastal Learning Center	Monmouth	\$59,367	\$46,889	(\$12,478)	\$59,150	(\$217)
Collier	Monmouth	\$65,952	\$46,889	(\$19,063)	\$59,150	(\$6,802)
Hawkeswood School	Monmouth	\$75,301	\$46,889	(\$28,412)	\$59,150	(\$16,151)
Rugby School	Monmouth	\$78,918	\$46,889	(\$32,029)	\$59,150	(\$19,768)
Oakwood School	Monmouth	\$51,618	\$46,889	(\$4,729)	\$59,150	\$7,532
Alpha School	Ocean	\$64,690	\$46,889	(\$17,801)	\$59,150	(\$5,360)
The Education Academy	Ocean	\$60,024	\$46,889	(\$13,135)	\$59,150	(\$874)
Lehmann School	Ocean	\$72,023	\$46,889	(\$25,134)	\$59,150	(\$12,873)
New Road School	Ocean	\$60,051	\$46,889	(\$13,162)	\$59,150	(\$901)
Ocean Academy	Ocean	\$55,931	\$46,889	(\$9,042)	\$59,150	\$3,719
Deron School	Union	\$64,514	\$46,889	(\$17,625)	\$59,150	(\$5,364)
First Children's School	Union	\$80,037	\$46,889	(\$33,148)	\$59,150	(\$20,882)
Newmark High School	Union	\$59,376	\$46,889	(\$12,487)	\$59,150	(\$226)
Newmark School	Union	\$56,247	\$46,889	(\$9,358)	\$59,150	\$2,903

Chart 5

The chart above shows the Somerset County Educational Services Commission's out-of-district tuition rates for special needs students as compared with other private schools providing equivalent services. All costs indicated in red are savings to the local communities.

Data Source: SCESC Office of the Superintendent

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SAVE OUR SCHOOLS NJ TESTIMONY to the  
ASSEMBLY EDUCATION COMMITTEE  
January 18, 2017

Thank you for convening this hearing. Save Our Schools NJ was founded more than 6 years ago because a small group of parents were concerned about the financial health of their public schools. The great recession and this administration's priorities on public education ignited a parent movement that has grown to 31,000 supporters. In addition to advocating for full funding of the School Funding Formula, Save Our Schools NJ also advocates against vouchers and high stakes standardized testing and for increased transparency and accountability for charter schools.

We thank the legislature for its commitment to NJ's public schools, especially during the past 7 years. The state has faced significant financial challenges and we are grateful for your efforts to keep NJ's public schools strong by rejecting the DOE's adequacy reports and the administration's attempts to bring vouchers to NJ.

Our members are parents first and include a number of school board members and teachers. They were able to provide a glimpse of the effects of the drastic cuts in state aid that occurred in FY2011 and the flat funding of public schools that continues today.

As you can imagine, personnel cuts top the list. The result has been increased class size and the loss of electives in some districts. Student activity fees have been implemented for athletics as well as other extracurricular activities. Stipends for extracurricular activities have been cut as have teachers' supplies. Curriculum updates have been delayed or eliminated as have text book purchases. Some districts that planned to implement full-day kindergarten have put those plans on hold. And there is a disparate effect of these cuts, as wealthier districts can turn to parents to fill in some of the gaps in state funding. In my former district, where I served on the board of education, parents raised enough money in 2 weeks to keep our full day kindergarten program.

Our members in Red Bank tell us the district has experienced a 36% growth in enrollment since 2012 and has been unable to fund reading specialists, content-area teachers, and curriculum writing programs. Three years ago, the district cut its orchestra program and is currently unable to fund middle school athletics, after-school programs, or field trips. The district sends half its \$3 million in state aid each year to the Red Bank Charter School. The per-pupil cost of the Red Bank Borough Public Schools is \$2,000 less than the per-pupil cost of the Red Bank Charter School, despite the fact that Red Bank has a greater percentage of disadvantaged students. Red Bank Borough Public School students deserve better. They deserve their fair share.

Taken together, NJ's public schools have lost nearly \$8 billion dollars in state aid since FY11. This is a significant amount, given that state aid to public schools totals about \$9 billion dollars per year. In addition to the unfunded mandates like PARCC and Common Core, increased costs for line items like salaries, insurance, utilities, etc. have added to the financial stress that school districts are experiencing.

The DOE began working on a new school funding formula in 2002 and 4 years later presented the proposal to the legislature. In short, the formula is based on a per pupil adequacy budget,

reflecting the cost to educate a child according to NJs standards. Weights are added to the formula for at risk and limited English proficient students. The School Funding Reform Act, signed into law in 2008, was upheld by the State Supreme court distributes state aid according to each student's specific needs.

Since that time, the formula has been fully funded just once, with help from federal stimulus funds. One year of full funding is hardly enough time to judge whether the formula is achieving its goals. Save Our Schools NJ supports full funding of SFRA. We are also concerned when the administration fails to run the formula, as it sometimes does, because this action hides the magnitude of the underfunding from the public. The administration also fails to follow the formula when it increases state aid equally to districts, as it recently did by giving each district \$10 per student and calling it "PARCC Readiness Aid." In prior years, through the Adequacy Report, the administration has endeavored to change the weights assigned to disadvantaged students without following the proper procedures for making such changes. Each time this has occurred, the legislature had rejected the changes.

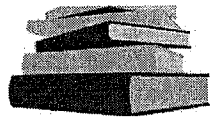
A common concern of our members is the loss of "joy" in classroom. The shock from the huge cuts in 2011 may have lessened, but in its place is an understanding that public education today appears to emphasize standardization over authentic learning. Without going into detail about the problems with PARCC, our members want fewer worksheets and test prep and more projects and creativity in the classroom. The latter, unfortunately, is more costly than the former, so it is easy to see why it may be favored by some school districts. Students deserve teachers who are able to differentiate instruction and support them when and where they need it. Continued underfunding of public education threatens authentic instruction.

Public education is one of the few things New Jersey gets right. Our equitable funding formula is a model for the nation. Research has demonstrated that additional funding for disadvantaged students has made a difference in student achievement. Money does matter.

Please make sure every New Jersey student gets the opportunity to succeed by protecting our school funding formula and funding it to the maximum extent possible.

Respectfully submitted,  
Susan Cauldwell





**TESTIMONY OF RICK PRESSLER  
DIRECTOR OF SCHOOL SERVICES  
NJ CHARTER SCHOOLS ASSOCIATION  
ASSEMBLY EDUCATION COMMITTEE  
HEARING ON SCHOOL FUNDING  
JANUARY 18, 2017**

Good afternoon members of the Education Committee. My name is Rick Pressler, and I am Director of School Services for the NJ Charter Schools Association. I am also a charter school founder, charter school parent, and former school leader, as well as a former member of the Roosevelt, NJ, Board of Education. I appreciate this opportunity to testify on behalf of the 88 public charter schools in New Jersey, the nearly 50,000 students attending those schools, and the many thousands of households currently on waiting lists for public charter schools.

As a charter-focused educational association, we strongly advocate for charter schools, but we do so because we believe charters are one of the best, most efficient, ways to bring new educational opportunities and innovative educational practices to students who desperately need and want them. We see strong charter schools as an essential element in achieving educational equity, especially for historically underserved children.

Also, as both a charter school trustee and a school board member in a small school district, I deeply appreciate the pressures felt on all sides and the sense of urgency in addressing public school funding in a comprehensive, long term way.

**Who Do Charter Schools Serve?**

Charters predominantly serve a group of students who are urban, disadvantaged, and of color. In 2016, 70% of charter school students qualified for free or reduced lunch—about twice the state average. In addition, more than 80% of charter students were Black or Latino. Over 90% of charter school students live in urban school districts previously identified as “Abbott” districts.

Charter schools also serve a growing number of special education students and English Language Learners—the number of special education students in Newark charters has doubled from 5% to 10% since 2009, even as the number in the district is decreasing.

Charter schools are closing the achievement gap between our different demographic groups and parents are noticing—the demand for charter schools in urban districts such as Newark, Camden, Paterson, Plainfield, Jersey City, Trenton, and New Brunswick is unabated. Tens of thousands remain on waiting lists. Many parents see charter schools are transformative for their children—literally a life and death issue.

The growth of charters has been fueled by their successful outcomes—and by parents who see a valuable opportunity for their children.

### **Charter School Funding**

The current method for funding charter schools and distributing those funds can be frustrating and disruptive for a lot of people. For districts struggling for years now with flat funding, managing their sending/receiving relationships with county CTE programs, special placements, regional programs, and charter schools can create a sense of scarcity.

For charters, the situation can feel like a shell game. The statute promises them 90% of the district per pupil aid, and the regulations define, to some extent, what is meant by this, but in the course of interpreting SFRA without fully funding it and developing state budgets that seem to invent new types of state aid on an annual basis, charters often find themselves receiving far less than 90%. In some cases, such as in Jersey City, they receive less than 50% of the per pupil aid received by the district. Statewide, on average, charters receive about 70% of district per pupil aid.

This is especially frustrating for families with students in both district and charter schools—they experience firsthand how disparities in funding arbitrarily and unfairly disadvantage their charter school children. And it is simply not sustainable to continue funding any of our schools—charter or district—at far less than the state-defined adequacy amount.

But the inequities in charter school funding are a reflection of broader inequities in the entire funding system. It is difficult to see how we will treat every student equitably without fully funding the formula and ensuring that state aid is apportioned progressively. As realists, we see the challenge here; it will take unprecedented determination by policymakers and stakeholders to make this work for everyone.

But we have to start somewhere, and perhaps the first place to look is adjustment aid.

### **Adjustment Aid and Moving Towards Full Funding**

Last year's education budget included about \$600 million in adjustment aid that was distributed to school districts according to precedents established back when the School Funding Reform Act was passed. What was intended as a temporary cushion has become an ongoing commitment that further complicates full implementation of the formula. Redirecting these funds towards equalization aid will bring us that much closer to funding SFRA. Because charter schools are funded based on 90% of their sending district's per pupil aid calculation, fuller funding of SFRA translates into more equitable treatment of charters as well.

Other suggestions have emerged to address the state aid shortfall in funding the formula, including revisiting the non-instructional components of state aid, redistributing aid going to districts that are funded at more than 100% of the adequacy amount, and revisiting fair share calculations for school districts, and this should all be part of the conversation. But it's hard to see how any of this adds up to full funding without raising additional revenues.

In spite of all these challenges, New Jersey continues to make progress in better serving our most disadvantaged students and a significant share of that progress comes from the charter school sector. Year after year, charter schools continue to close the achievement gap between economically disadvantaged students and State averages. In districts with Universal Enrollment programs, charter schools continue to be among the top choices of parents; in other districts, the availability of charter seats cannot keep up with demand.

Resolving New Jersey's funding crisis will require an inclusive approach, in which the voices of charter families are allowed to balance other voices of those who habitually oppose charters and the opportunity they represent. As we urgently address New Jersey's education funding crisis, let's not forget the fierce urgency of families who are seeking better opportunities for their children and have found them in New Jersey charter schools.

Thank you for this opportunity to present my testimony, and thank you for your work on behalf of our students.

## **Additional Information**

### **The Whole Picture of School Funding for Different Types of Public Schools**

The issue of public school choice is sometimes inaccurately characterized as charter vs. district. In fact, New Jersey's charter schools are part of a broader system of public education options that includes:

- Open enrollment district schools
- Districtwide magnet or special focus schools
- Interdistrict School Choice Program schools
- County CTE programs, including career academies, STEM schools, and Vo-Techs
- County Educational Services Commission schools
- Charter schools
- Renaissance schools

Each of these types of schools is enrolled and funded in slightly different ways. Charter schools, like county CTE programs, have essentially a sending/receiving relationship with local districts. Students in both cases attend these schools by choice, and districts are obligated to pay tuition or provide aid.

District magnet schools and some of the county programs are highly selective, based on academic or other criteria; some specialized Commission schools serve exclusively special needs students; charter schools, like Interdistrict School Choice Program schools, are enrolled through a lottery process in demand exceeds available seats. Additionally, charter schools must enroll students without regard for a student's academic achievement or special needs.

### **The Growing Collaboration**

There is a growing trend towards collaboration and sharing between charters and district schools. A few notable examples:

- Universal Enrollment in Camden and Newark has provided families with easier access to all district and charter options within their community.
- The Newark Public Schools has contracted with North Star Academy and Great Oaks Legacy to operate district schools, leveraging the innovative and effective programs these schools have pioneered.
- The Camden School District has contracted with North Star Academy and TEAM Charter Schools to replicate their groundbreaking charter school programs in the form of Renaissance schools in Camden.
- Many charter schools purchase services from districts for everything from special education services to lunch programs.
- Charters both offer and benefit from professional development programs shared by districts and charters (most recently at Philip's Academy Charter School).
- This collaboration around professional development is growing: the Association and the New Jersey School Boards Association are currently planning a shared



professional development program in which teachers from district and charter schools will share best practices

## **Charter Schools 20 Years In**

New Jersey's original cohort of charter schools are now in their twentieth year of service, and there is an ample body of data and research to provide insights into their dramatic successes and their positive impacts on the lives of our children. Throughout New Jersey, but particularly in our larger urban centers such as Newark, Camden, Jersey City, Plainfield, Trenton, Paterson, and New Brunswick—cities with our largest concentrations of at-risk students—charters have helped tens of thousands of students rise towards their potential.

New Jersey charters, through their urban focus, overwhelmingly serve disadvantaged students of color. Charters have brought alternative public education opportunities to families and students who have traditionally been denied such choices. But beyond our cities, charters also flourish, in smaller numbers, in rural and suburban settings, offering programs and serving student needs that are not otherwise addressed.

## **Newark, NJ – A National Exemplar**

New Jersey's charter school sector has become a model for the rest of the nation, with Newark's charter schools singled as out as especially strong. A few examples from our Newark charters schools:

- Best in the State: Newark's KIPP and North Star schools are now 2 of the top 4 high schools in the entire state at sending African American students to college—sending 90% or more of their graduates to 4 year colleges.<sup>1</sup>
- Best in the Nation: In a study by Stanford University researchers that looked at the 41 largest cities with charter schools, Newark's charter schools ranked best in the nation at boosting African-American student reading, and #2 in Math.<sup>2</sup> The study compared demographically identical district and charter students using an innovative “virtual twin” method.
- Extraordinary Impact: The same study found that the high performance of Newark's charters was the equivalent of charter students getting 150 additional days of learning in Reading, and 160 additional days of learning in Math.<sup>3</sup>
- Newark's African American Students: From 2006 to 2014, African American students in Newark were three times more likely to attend a school that is beating the state average in math and reading—nearly all of those new opportunities came from charter school expansion.

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<sup>1</sup> Most recent NJ School Performance Report Data, SY 2014-15, available at <http://www.nj.gov/education/pr/1415/database.html>

<sup>2</sup> CREDO Urban Charter School Study (2015), available at <https://urbancharters.stanford.edu/download/Urban%20Charter%20School%20Study%20Report%20on%2041%20Regions.pdf>

<sup>3</sup> CREDO Urban Charter School Study (2015), available at <https://urbancharters.stanford.edu/download/Urban%20Charter%20School%20Study%20Report%20on%2041%20Regions.pdf>

- Charters are Closing the Achievement Gap: African American students in Newark charter schools are now within 4 points of the state average in Reading and Math—a state average that includes some of the best public schools in the country.<sup>4</sup>
- From 2011 to 2016, charter school enrollment in Newark doubled and, contrary to this popular myth, this rapid growth did not result in the concentration of high poverty, high special needs students in the traditional district schools—in fact, the district’s poverty and special education rates fell over that time.<sup>5</sup>
- Serving ALL Students: Newark charters have doubled their enrollment of special education student enrollment since 2009, growing from 5% to 10% of their student body.<sup>6</sup>

## **Beyond Newark – Diverse and Effective**

Charter schools were established with two purposes:

- 1) To provide opportunities to students who need them
- 2) To drive innovation and become laboratories for educational practice

As we look out across the State, it is clear that charter schools have evolved and grown to meet the grassroots demand for new opportunities. New Jersey’s charter networks—Uncommon, KIPP, iLearn, Camden Charter School Network, Philip’s Education Partners, are homegrown, each of them having expanded in response to the extraordinary demands of urban parents and by virtue of their strong outcomes.

Beyond the basic issue of expanding opportunity, there are also many examples of charter school innovation. These are just a few:

- Innovative educational programs at rural schools such as Ridge & Valley Charter School in Blairstown and Sussex Charter School of Technology in Sparta have attracted a high proportion of special needs students, offering parents unique programs in earth literacy and technology that enable their children to succeed in a general education setting.
- LEAP Academy University Charter School in Camden, in partnership with Rutgers Camden, has excelled at parent and community engagement, offering wraparound services to families that enhance the academic success of their students.

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<sup>4</sup> 49% of Newark’s black charter students were proficient in literacy, compared to statewide average of 53%; 41% were proficient in math, compared to statewide average of 44%. Source: NJDOE 2015-16 PARCC reports, available at <http://www.nj.gov/education/schools/achievement/16/parcc/spring/>

<sup>5</sup> District special education rates fell from 18% to 13%, and poverty rates fell from 87% to 78%. See NJDOE ENR Files, available at <http://www.nj.gov/education/data/enr/>; NJDOE Special Education Data, available at <http://www.nj.gov/education/specialed/data/2015.htm>

<sup>6</sup> NJDOE ENR Files, available at <http://www.nj.gov/education/data/enr/>; NJDOE Special Education Data, available at <http://www.nj.gov/education/specialed/data/2015.htm>

- North Star Academy Charter School has long been at the vanguard of data-driven instruction and student engagement techniques; their founders have been instrumental in developing the Relay Graduate School of Education—an accredited and acclaimed graduate program that fosters excellence in instructional practice.
- In New Brunswick, the Greater Brunswick Charter School has implemented a bilingual education program to meet the needs of its growing ELL population. GBCS significantly outperforms the district average in PARCC even while serving a higher percentage of special education and ELL students than the district. It is one of several multi-lingual charters, each of which takes a different approach to language acquisition.
- Charter schools such as METS in Jersey City, STEMCivics in Trenton, and LEAP in Camden are among the State’s high performing STEM charter high schools.
- The Growing Cohort of Environmental Charters – ECO Charter School (one of highest performing in Camden), Unity Charter School (Morristown), Barack Obama Green Charter High School (Plainfield), Thomas Edison Energy Smart Charter Schools (Franklin Township), Ridge & Valley (Blairstown), and Philip’s Academy Charter School (Newark) all provide rigorous programs focused on environmental science and sustainability.
- Charters, such as Compass Charter School (Vineland) have pioneered innovative, research-based approaches to learning that rely on an advanced understanding of the human brain and how different learning strategies map to different learning dispositions.
- CharterTECH Charter High School (Somers Point) provides a unique CTE program that prepares students for careers in the Performing Arts.
- The Camden Charter School Network, which includes Camden’s Pride, Camden’s Promise, Camden Academy, and Katz Charter School has grown organically into a comprehensive K-12 program with a stellar record of guiding students into 4-year universities.



**Testimony on School Funding before the Assembly Education Committee**

**Judy Savage, Executive Director**

**January 18, 2017**

Thank you Chairwoman Caride and members of the committee.

On behalf of the 21 county vocational-technical school districts, I would like to commend the Speaker and the Chairwoman for taking on the difficult task of reviewing the school funding formula. We are encouraged by the increasing focus on school funding by both houses of the Legislature.

Generally, we agree that while some updates should be made to the funding formula, the goal should be to fund the constitutionally approved School Funding Reform Act. However, we recognize that given the limited resources currently available, this may not be possible in the short-term.

There is growing concern in the education community about the short- and long-range outlook for school funding. Districts need reassurance that state aid will be allocated in a fair and predictable manor that recognizes and supports student needs, as well as the ability of communities to support their public schools.

We applaud this committee for inviting testimony from experts, stakeholders, and the public. And we thank the Assembly for taking a deliberative approach that will consider all aspects of the funding formula and carefully weigh the impact of possible changes and potential mechanisms to restore enrollment-driven funding.

The current flat funding situation is unsustainable. The formula was designed to take into account changing variables such as enrollment growth and property values, and the idea that funding should follow the student is a core principle. Because the state has failed to fund the formula, we have moved further and further away from the enrollment and wealth-based funding system enacted by the Legislature in 2008.

As a group, the 21 county vocational-technical school districts are receiving **3.3% less aid** this year than they received in FY 2010, the last year of full SFRA funding.

- 17 of the 21 districts are receiving **less aid** than they did seven years ago, and one received a nominal increase of \$2,000 over the seven-year span. Increases in the other three districts were minimal, ranging from 0.35% to 1.3 percent, over the same period.
- Eight counties are still receiving 5% or more **less aid** in 2017 than they received under SFRA seven years ago.

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- Together, our 21 county vocational-technical school districts have lost almost \$5.9 million in state support since FY 2010.

As you know, there is a growing demand for career and technical education programs throughout the State. The 21 county vocational-technical school districts have experienced an average enrollment increase of over 14% since 2009-10, and one-third of our districts have experienced enrollment growth of 20% or more.

- 20 of 21 counties have experienced an enrollment increase since 2009.
- 11 of those counties have experienced double-digit growth
- One district (Atlantic County Institute of Technology) has increased enrollment by over 150% through a conversion from part-time career programs to a full-time career and technical education high school.
- A similar transition is currently underway in Cumberland County, and it will be critical for the state aid formula to start recognizing those new full-time students.

At yesterday's hearing on school funding, Assemblywoman Jasey wrapped up the proceedings by reminding us of the importance of restoring joy to learning and ensuring that all students are engaged and challenged in the classroom.

Career and technical education addresses that critical goal with a strong focus on career readiness. Students are excited by hands-on learning, especially when they can see how academic and technical skills relate directly to their career interests.

The Legislature has been tremendously supportive of career and technical education, for both educational and economic reasons. For example, the county vocational school grant program sponsored by Speaker Prieto along with Assembly members Jimenez, Caputo and Rible and others, has led to a number of new high quality, high demand programs launched in partnership with colleges, employers and local school districts. But the ability of vocational districts to sustain these exciting new career programs beyond the grant period will require that state aid recognize the additional students along with other enrollment changes.

Similarly, several county vocational schools that have transitioned from part-time to full-time programs have not received additional aid to offset the cost of adding academic programs and teachers, as well as the support services required for a full-time high school.

We are grateful to the Speaker and members of the Legislature for recognizing and addressing this difficulty with the passage of A3340, which provided an aid mechanism to recognize growth when a county vocational-technical school undertakes an expansion to serve more students or converts from shared-time to full-time programs. Unfortunately, despite broad bi-partisan support, the Governor vetoed the legislation citing budgetary concerns.

While all school districts are struggling to address enrollment growth, rising costs and new requirements in an era of flat funding, county vocational schools face the added challenge of keeping career programs aligned with current and emerging workforce needs. This requires sufficient resources to attract talented teachers from industry, and to keep technical equipment

and curricula up to date with industry demands. We simply cannot prepare students for tomorrow's jobs if we are using outdated equipment and technology.

In moving forward, we urge this committee to consider unique needs such as career and technical education, and to carefully weigh the impact of possible changes and potential mechanisms to restore enrollment-driven funding. In particular, the elimination of adjustment aid should be approached carefully, particularly for districts with stable or growing enrollment.

Adjustment aid was a key component of the SFRA, especially for county vocational schools as they transitioned from categorical aid for vocational, adult, and special education programs, to a wealth based formula that eliminated all support for adult education.

Many of our adjustment aid districts are spending below adequacy, so a further reduction in their resources would be harmful to students. The SFRA called for adjustment aid to start being phased out for districts that were **losing enrollment** beginning in 2012. It was understood that for growing districts, the need for adjustment aid would be gradually reduced over an extended period of time, as other enrollment-driven aids increased.

Any reallocation of State aid for FY 18 and beyond must provide a mechanism to allow districts to replace lost funding with other revenue sources, such as an increase in the tax levy cap. However, this will be a complex challenge and must address special situations like county vocational school districts, which do not have the ability to increase their local tax levy.

The tax levy for county vocational-technical school districts comes from the county budget. Counties are subject to their own levy cap, and many vocational schools have received little or no increase in county tax levy support for the past seven years or longer.

- Eight county vocational districts have received flat or reduced county funding since 2009-10
- Six additional districts received a cumulative seven-year increase of only 5% or less – which amounts to under 1% per year of tax levy growth.

The only other funding sources available to county vocational school districts is a local district contribution in the form of tuition. Increasing tuition charged to sending school districts would put an additional strain on districts constrained by their own budget caps. And, shifting more of the cost for career and technical education to local school districts who send us their students would likely result in lower enrollment, at a time when students and employers alike are clamoring for more CTE opportunities.

Recognizing this unique situation, the Legislature may want to consider allocating funding for countywide career and technical education through per pupil aid, rather than the current wealth-based weight. Consideration should also be given to restoring enrollment-based aid for adult vocational programs as part of the formula. Despite the Legislature's continued efforts to fund these programs through the budget, adult training opportunities will be in jeopardy if adjustment aid is eliminated.

Preserving these unique categorical aids was a recommendation<sup>1</sup> of the 2006 Special Session Joint Legislative Commission for Public School Funding Reform, but the SFRA legislation adopted a wealth-based approach instead. Revisiting this recommendation for secondary and adult vocational education would have limited cost impact, since it would affect only the small universe of county-based vocational districts.

Beginning the process of restoring equitable funding is a monumental undertaking, and the Legislature's commitment to careful deliberation is encouraging. We look forward to working closely with all of our legislative representatives to identify appropriate mechanisms to allocate funding fairly and increase local revenues as needed to maintain quality educational programs for all students. Thank you.

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<sup>1</sup> Special Session Joint Legislative Commission for Public School Funding Reform: "Recommendation 9: Continue the current funding method for adult and postsecondary education aid, county vocational school aid, and transportation aid, but update the cost factors to reflect inflation." November 15, 2006, p. 77.



**NJPSA Testimony before the Assembly Education Committee**  
**School Funding Discussion**  
**January 18, 2017**

Good morning Madam Chair and members of the Assembly Education Committee. I am here today representing the perspective of New Jersey's building based leadership, the principals, assistant principals and supervisory employees who lead in our public schools across New Jersey. Our association represents members in all type of school districts – former Abbotts, RIM districts, middle income districts and higher wealth communities. As such, as an organization, we support a funding formula and state budget that will meet the needs of ALL students no matter where they live and what unique educational needs they bring to the schoolhouse door.

I must begin by thanking the Committee for considering a topic that is on the mind of every educator, board of education member, and parent in our state, particularly at this time of year - the state funding of our public schools. As we begin a new calendar year, educational leaders at the school and district level are well underway in their local budget processes and are anxiously awaiting word on their state aid figures for the 2017-18 fiscal year.

As building level leaders, we understand first-hand the critical importance of school funding as the foundational element for the quality and breadth of educational programs and services we can offer our students. Funding impacts all we do - from the attraction and retention of high quality staff, to the breadth of our curriculum and availability of advanced course offerings, to the size of our classes, to our students' access to technology, to the health and wellness options we can offer, and even the array of offered extracurricular activities which often serve as a unique learning setting and the motivation for students to stay in school.

We also understand that funding must be based upon the unique needs of the students we serve. Students who arrive at school not speaking our language require extra instructional supports and services to succeed. Students who live in poverty, similarly, bring a whole host of specialized needs that schools must address to help them succeed at learning. These can include things like the provision of meals or early learning opportunities or focused instructional supports in our classrooms. Students with disabilities also require individualized learning plans which detail their specific instructional supports needed for successful learning.

#### **The SFRA Formula**

Fortunately, New Jersey's school funding formula, the School Funding Reform Act (SFRA) was developed in recognition of this fact. The formula includes both a 'base cost' or the per pupil amount necessary to support the core curriculum program for every student regardless of need as well as extra funding to support programs for poor (at-risk) students, limited-English proficient (LEP) students, and students with disabilities, regardless of where those students live. These extra funds are calculated as a percentage of the base cost, called a "weight." Under the SFRA, every district has a "weighted student enrollment," where students are counted for purposes of generating state and local revenue using the base cost plus the weights reflecting unique student needs. This process helps ensure that every district's state funding is based on the individual needs of its students in conjunction with each local communities' economic status and ability to provide for its students.

The formula also established an "adequacy budget" or level of funding which reflects the core costs of providing the programs and services constitutionally mandated by our State Constitution to meet the educational needs of every student. The SFRA funding levels and weights were wisely developed in consultation with professional educators and experts, including our members, who provided input on exactly what resources and staffing were needed at all school levels to meet constitutional standards. The Court approved SFRA formula was also designed to address funding inequities and the corollary learning gaps that result, by provisions that seek to move all districts



toward an education "adequacy" level over time (statutorily over a five year period.) The impact of these provisions depended on a district's status either above, at or below adequacy.

Specifically, in order to ease the transition for districts that would receive less state aid under the SFRA (because they were over adequacy), the formula included adjustment aid to hold districts harmless at pre-SFRA state aid levels. Under the law, districts receive adjustment aid if their 2008-09 SFRA state aid allocation was less than their state aid level in 2007-08. This was meant to ensure that these districts didn't experience a huge drop off in funding as the State transitioned to the formula. But, adjustment aid was intended to steadily decrease over time (5 year period). Districts receiving adjustment aid would be flat-funded until their adequacy budgets grew to the point where regular/other aid replaced adjustment aid.

### **Funding Reality- SFRA Formula Ignored and Underfunded**

In practice, the goals of the SFRA funding formula have not been met because the State has failed to fund schools according to the formula for the past 7 years. The first year following the Legislature's 2008 enactment of the law is the only year the statute was fully funded. Since that time, schools have faced a \$1 billion cut in funding in 2010-11 (5% cut across all districts) and essentially flat funding in every fiscal year since.

Due to the fact that the formula has not been run or funded over the past 7 years, the SFRA categories through which districts receive traditional aid have been "frozen". Given this issue, the number of districts who receive funding through adjustment aid has actually increased not decreased as intended. Additionally, demographic and enrollment shifts that would have been addressed by running the formula did not occur leaving some districts underfunded for the students they serve and others overfunded.

If the State had funded schools according to the SFRA formula, districts below adequacy would have had their funding levels rise to the adequacy level by now. Similarly, districts who spent above adequacy would have moved toward the adequacy funding level but been protected from dramatic funding drops through a temporary phase-out mechanism (adjustment aid).

### **Impact on Districts**

So, what are the effects of the State's failure to implement the SFRA?

1. Districts have been effectively "frozen in time" when it comes to their State funding levels, and in terms of their status in relationship to their adequacy budgets regardless of student enrollment changes, changes in community wealth, rising costs in nearly all aspects of school budgets and changing student needs. This fact has also led to a rising perception of unfairness among districts. Districts have taken significant steps to reduce costs wherever possible by sharing services, eliminating programs and postponing plans for important instructional programs like full day kindergarten.
2. Due to multiple years of flat funding, districts and local taxpayers have been forced to shoulder the burden of rising costs in education at the local level within the confines of a restricted ability to raise local revenues (the statutory 2 percent tax levy cap). The result has been a narrowing of programs offered and hiring restrictions in some districts, especially low wealth/low spending districts who are trapped by the tax levy cap at below adequacy levels. In about 200 districts, local taxpayers have borne the brunt of the state funding shortfall through higher property taxes in an effort to maintain quality programs. These outcomes have an impact not only on the quality of education we provide, but also on the economic life of New Jersey citizens.
3. If the current practice of underfunding continues, these issues will only grow with the end result a whittling away of school quality in New Jersey schools. In the view of New Jersey's principals and supervisors, such a practice will lead to:

- A narrowing of our curriculum at a time when our world economy demands the best preparation of our students for college and career;
- A significant restriction in the ability of our public schools to attract the best and brightest to teach our students;
- A retraction, not expansion, of research-proven programs like early childhood learning opportunities for students at risk;
- A real reduction of much-needed health counseling and wellness programs in our schools;
- Class size increases; and
- New barriers to our members' ability to meet the unique learning needs of all of the students in their schools.

For these reasons, NJPSA welcomes the Legislature's attention to this critical issue. Although the term 'funding fairness' has been bandied about a lot lately, we know from practical experience that one size (or funding level) does not fit all when it comes to educating our students. NJPSA welcomes the conversations ahead and **supports the development of a plan to begin implementation of the SFRA, even on a phased in basis, to base state aid on the SFRA formula and allow it to work towards its statutory goals.**

We recognize that New Jersey is facing new revenue shortfalls and competing budget concerns. However, the time has come to commit to reliance on the Court-approved SFRA for funding distribution, to seek additional revenue sources, to loosen overly restrictive caps on districts to provide relief and to prioritize our children's education as a State investment in our future.

Thank you for your consideration and ongoing advocacy of behalf of all New Jersey children.