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OFFICE OF THE GOVERNOR

NEWS RELEASE

CN-001

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Release: IMMEDIATE
APRIL 7, 1994

An Education Task Force appointed by Gov. Christie Whitman last December to examine issues of importance and impact on public education submitted its report to the Governor today.

The 15-member Task Force was co-chaired by former State Education Commissioner Saul Cooperman of Madison, and Sam Thompson of Old Bridge, director of the Clinical Laboratory Improvement Service, Lawrenceville.

The Governor praised the Task Force membership for "the hard work and dedication it brought to its deliberations and for developing a set of recommendations which deserve and will receive close scrutiny."

The Governor said the Task Force report would be "a valuable resource as we address the school funding issue and as we move toward establishing a quality system of public education."

A COPY OF THE TASK FORCE REPORT IS ATTACHED

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THE UNIVERSITY OF CHICAGO

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In addition to Cooperman and Thompson, the Task Force members are:

Barbara Wright Bell of East Orange, President of the Amelior Foundation and former chief executive officer of the Boys' and Girls' Clubs of Newark

Richard DiPatri of Middletown, vice president of Educate America

John Klagholz of Seaside Park, a member of the State Board of Education and a former president of the board

David Rand of Morristown, an attorney who represents a number of school districts

Robert Swissler of Titusville, former Assistant Commissioner of Education for Finance

George Gilmore of Island Heights. counsel to the Task Force

Marie Parnell of East Brunswick, Superintendent of the Sayreville Public Schools

Peter Contini of Pitman, Gloucester County Superintendent of Schools

Donald Warner of Tinton Falls, Superintendent of Schools in Red Bank

Carol Choye of Princeton, Superintendent of Schools in Scotch Plains

Elsa Gomez of Cranford, President of Kean College

Dr. Harold J. Raveche of Hoboken, President of Stevens Institute of Technology

Joanne Kenny of Union, a teacher in the Jersey City School system

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1. The first part of the document is a list of the names of the persons who have been appointed to the various positions of the Board of Directors of the Corporation.

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Education Task Force

co-chairman:

Dr. Saul Cooperman
Dr. Samuel Thompson

(201) 540-1409
(609) 530-6150

March 21, 1994

Governor Christine Todd Whitman
State House
CN 001
Trenton, NJ 08625

Dear Governor Whitman,

The Education Task Force is pleased to present the attached proposal in response to your request for a permanent funding formula.

A central consideration of any school funding plan is the total cost of the proposal in terms of state aid. Our proposal does not identify the specific parameters in a local/state share formula which would determine the total cost of the program. This omission was deliberate in order to allow the Governor, Commissioner and Legislature to set the total state commitment. The state commitment is expressed as a percent of the total annual expenditure for public education. In recent history the state commitment has been in the range of 37% to 41%. However, once the first year obligation is established, the proposal requires that annual growth be adjusted by the change in the aggregate personal income for the state (PCI). This change mechanism is responsive to the significant impact the growth in personal income has on major state revenue sources.

Although it was not your charge to this committee to study issues related to outcomes and accountability, over the course of our deliberations, we repeatedly faced the question of the quality of education in New Jersey. We submit that as a corollary to a formula on how to fund public education there is another central issue: how well are districts doing in the areas critical to a thorough and efficient education? Our concern is that once the dollars have been allocated, that children be assured of a quality education. In this regard, we suggest that the Commissioner

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Governor Christine Todd Whitman
March 21, 1994
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of Education appoint a highly qualified "inspectorate" to evaluate areas critical to a "thorough and efficient education," and to determine by what means the state will address and remediate any district shortcomings.

We have enjoyed the opportunity to consider these matters and to be of service to you in your deliberations about funding education for the children of New Jersey. We are available to discuss our recommendations whenever you wish.

Sincerely,



Saul Cooperman



Sam Thompson

SC/kk
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Attachment

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A SCHOOL FUNDING PROPOSAL

BEGINNING 1995-96

The Education Task Force established by Governor Christie Todd Whitman has developed and is recommending the following education funding program for New Jersey public schools. The design of this school funding proposal is guided by the following principles adopted by the Governor's Education Task Force:

1. The establishment of a cost per pupil (foundation amount) which represents the amount necessary to provide a thorough and efficient (T & E) education for an elementary pupil.
2. The state and local district must share in the cost of the basic education based on the "ability to pay" (wealth) of the district.
3. A funding system that recognizes the need to close the spending differential between special needs districts and wealthier high spending districts (I/J).
4. The establishment of a sliding scale of spending limitations (CAPs) that are based on reasonable increases in operations related to general statewide cost increases and which seek to reduce the disparity in spending between the wealthy and the poor.
5. Districts are required to spend no less than the amount identified as necessary for a basic education but may spend more. The foundation amount has been set at a level which is necessary to provide a T & E education. A moderate foundation amount does not require effective and efficient districts to spend more than necessary.
6. The establishment of state financial support for foundation aid districts which spend above the foundation, and demonstrate local effort above the state average.



Components of the programs are as follows:

GENERAL - FORMULA AID

The cornerstone of our general school aid program will consist of a two-tiered formula which includes a moderate foundation program, and a guaranteed tax base approach to support limited local leeway spending.

A. First Tier Aid

- The foundation amount is established at \$6,750 per pupil, after the phase-in of pension/FICA as described in Section C, which represents the basic expenditure to provide an adequate education to an elementary pupil.

Additional weights have been assigned to account for the additional costs for middle school and secondary school pupils. Thus,

\$6,750 - elementary pupil

$\$6,750 \times 1.10 = \$7,425$ - the amount of a middle school pupil

$\$6,750 \times 1.25 = \$8,438$ - the amount for a secondary school pupil

- All special education pupils and all county vocational pupils will be weighted according to their grade levels.

Required local share: All districts are required to raise from local levy at least their local fair share as determined under the foundation formula. This will assure that districts are spending at the moderate foundation level determined by the state as necessary to provide a thorough and efficient education.

Wealth indices: Calculations of the foundation formula are measured by using two indicators; aggregate property valuations and aggregate personal income. Each of these variables are weighted equally (50%). Income data will be collected from the annual state income tax filings amended for that purpose.

- The foundation amount (\$6,750) will be adjusted annually by the commissioner by applying the annual increase/decrease in the consumer price index (CPI).



Examples of General Formula Aid

Low Wealth School District - At Required Foundation Level

<u>Grades</u>	<u>No. Pupils</u>	<u>Foundation Amount</u>	<u>Foundation Budget</u>
K (half)	150	\$ 3,375	\$ 506,250
1-5	910	6,750	6,142,500
6-8	460	7,425	3,415,500
9-12	480	8,438	4,050,240
Total	2,000		\$14,114,490

Foundation Budget: \$14,114,490

Required Local Share -5,645,796 (40%)

State Support \$ 8,468,694 (60%)

- The \$5,645,796 local share was determined, by formula involving property wealth and income, to be the amount of the foundation budget that the local district is able to afford. The state pays the remaining portion as foundation aid. This type of district is called a foundation aid district.

High Wealth School District - At Required Foundation Level

Data same as above

Foundation Budget \$14,114,490

Local Share -15,645,796 (100%)

State Support -0- (0%)

- The \$15,645,796 local share was determined to be the amount of the foundation budget that this district is able to afford. In this case, the district is very wealthy based on property value and income and can actually afford an amount greater than the foundation budget. Therefore,



the district receives no foundation aid. This type district is referred to as a non-foundation aid district.

B. Second Tier Aid

- This additional level of aid supplements the foundation aid program by providing state aid for local leeway spending above the foundation budget.
- Only Foundation Aid districts whose school tax rates for the foundation budget exceeds the state average (\$1.083) are eligible for this aid program.
- Eligible districts will receive the same state share proportion as has been calculated in the foundation formula.
- Eligible districts may not increase local leeway spending more than a maximum aid limitation of 15% for the foundation budget. Additionally, eligible districts may not increase total spending beyond a state imposed CAP to be described in a later segment of this paper.
- Second tier aid will be based on current year (estimated) budgets not to exceed the spending CAP or maximum aid limitation.

Examples of Second Tier Aid

Low Wealth School District - Eligible for Foundation Level & Second Tier Aid

Foundation Budget	\$14,114,490
Required Local Share	<u>-5,645,796</u> (40%)
State Foundation Support	\$ 8,468,694 (60%)

Second Tier - Local Leeway Spending

- District exceeds \$1.083 equalized school tax rate
- District proposes to spend \$1,411,449 (10%) beyond Foundation Budget
- District state aid percentage support is 60%
- Second Tier State Aid:

$$\$1,411,449 \times .60 = \$846,869$$


$$x_2 = 0 \quad x_3 = 0 \quad x_4 = 0 \quad x_5 = 0 \quad x_6 = 0 \quad x_7 = 0 \quad x_8 = 0 \quad x_9 = 0 \quad x_{10} = 0 \quad x_{11} = 0 \quad x_{12} = 0 \quad x_{13} = 0 \quad x_{14} = 0 \quad x_{15} = 0 \quad x_{16} = 0 \quad x_{17} = 0 \quad x_{18} = 0 \quad x_{19} = 0 \quad x_{20} = 0 \quad x_{21} = 0 \quad x_{22} = 0 \quad x_{23} = 0 \quad x_{24} = 0 \quad x_{25} = 0 \quad x_{26} = 0 \quad x_{27} = 0 \quad x_{28} = 0 \quad x_{29} = 0 \quad x_{30} = 0 \quad x_{31} = 0 \quad x_{32} = 0 \quad x_{33} = 0 \quad x_{34} = 0 \quad x_{35} = 0 \quad x_{36} = 0 \quad x_{37} = 0 \quad x_{38} = 0 \quad x_{39} = 0 \quad x_{40} = 0 \quad x_{41} = 0 \quad x_{42} = 0 \quad x_{43} = 0 \quad x_{44} = 0 \quad x_{45} = 0 \quad x_{46} = 0 \quad x_{47} = 0 \quad x_{48} = 0 \quad x_{49} = 0 \quad x_{50} = 0 \quad x_{51} = 0 \quad x_{52} = 0 \quad x_{53} = 0 \quad x_{54} = 0 \quad x_{55} = 0 \quad x_{56} = 0 \quad x_{57} = 0 \quad x_{58} = 0 \quad x_{59} = 0 \quad x_{60} = 0 \quad x_{61} = 0 \quad x_{62} = 0 \quad x_{63} = 0 \quad x_{64} = 0 \quad x_{65} = 0 \quad x_{66} = 0 \quad x_{67} = 0 \quad x_{68} = 0 \quad x_{69} = 0 \quad x_{70} = 0 \quad x_{71} = 0 \quad x_{72} = 0 \quad x_{73} = 0 \quad x_{74} = 0 \quad x_{75} = 0 \quad x_{76} = 0 \quad x_{77} = 0 \quad x_{78} = 0 \quad x_{79} = 0 \quad x_{80} = 0 \quad x_{81} = 0 \quad x_{82} = 0 \quad x_{83} = 0 \quad x_{84} = 0 \quad x_{85} = 0 \quad x_{86} = 0 \quad x_{87} = 0 \quad x_{88} = 0 \quad x_{89} = 0 \quad x_{90} = 0 \quad x_{91} = 0 \quad x_{92} = 0 \quad x_{93} = 0 \quad x_{94} = 0 \quad x_{95} = 0 \quad x_{96} = 0 \quad x_{97} = 0 \quad x_{98} = 0 \quad x_{99} = 0 \quad x_{100} = 0$$


- Second Tier Required Local Share:

$$\$1,411,449 - \$846,869 = \$564,580$$

Summary:

	<u>Foundation Level</u>	<u>Second Tier</u>	<u>Total</u>
State Support	\$ 8,468,694	\$ 846,869	\$ 9,315,563 (60%)
Required Local Share	<u>5,645,796</u>	<u>564,580</u>	<u>6,210,376 (40%)</u>
Totals	\$14,114,490	\$1,411,349	\$15,525,939

High Wealth School District - Ineligible for Foundation Level & Second Tier Aid

Second Tier - Local Leeway Spending

- District below \$1.083 equalized school tax rate
- District proposes to spend \$1,411,449 (10%) beyond Foundation Budget
- District state aid percentage support is 0%
- Second Tier State Aid:

$$\$1,411,449 \times .00 = 0$$

- Second Tier Required Local Share:

$$\$1,411,449 - 0 = \$1,411,449$$

Summary:

	<u>Foundation Level</u>	<u>Second Tier</u>	<u>Total</u>
State Support	\$ -0-	\$ -0-	\$ -0- (0%)
Required Local Share	<u>14,114,490</u>	<u>1,411,449</u>	<u>15,525,939 (100%)</u>
Totals	\$14,114,490	\$1,411,449	\$15,525,939

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NOTE:

County based school districts (county special services and county vocational) shall be entitled to general formula aid (foundation aid and second tier aid) based on a required local share. This local share shall be determined annually and shall reflect the wealth indices of each county.

C. Pension/FICA

- The TPAF pension obligation will be budgeted by the local district. All school districts will receive a special state aid for this program amounting to 50% of the district's obligation. However, the school district's share of pension costs will be assumed over a four-year period at the rate of 12.5% per year so that in 1998-99 school districts will pay 50% of the pension costs. The local portion (50%) of pension costs will be incrementally included in the foundation amount and will be supported by foundation aid.
- The employers' social security obligation (FICA) will be budgeted and paid for by the local district. However, these costs will be assumed by local districts at the rate of 25% per year over a four-year period so that in 1998-99 school districts will pay 100% of the FICA costs. These costs will be incrementally included in the foundation amount each year by the state and will be supported by foundation aid.
- The foundation budget shall be appropriately adjusted by the phase-in of pensions and FICA until full implementation in the fourth year of the



1. The first part of the document is a list of the names of the members of the committee who have been appointed to study the problem of the



program, as follows:

<u>Year</u>	<u>Elementary Foundation Amount</u>
95-96	\$ 6,562
96-97	\$ 6,625*
97-98	\$ 6,687*
98-99	\$ 6,750*

*Requires annual adjustment by the CPI as described in Section A.

Examples of Pension/FICA Costs Phase-in

	<u>95-96</u>	<u>96-97</u>	<u>97-98</u>	<u>98-99</u>
Pension Total: \$300,000				
Local	\$ 37,500	\$ 75,000	\$112,500	\$150,000
State	\$262,500	\$225,000	\$187,500	\$150,000
Foundation Aid				
Low Wealth (60%)	\$ 22,500	\$ 45,000	\$ 67,500	\$ 90,000
High Wealth (0%)	-0-	-0-	-0-	-0-
FICA Total: \$200,000				
Local	\$ 50,000	\$100,000	\$150,000	\$200,000
State	\$150,000	\$100,000	\$ 50,000	-0-
Foundation Aid				
Low Wealth (60%)	\$ 30,000	\$ 60,000	\$ 90,000	\$120,000
High Wealth (0%)	-0-	-0-	-0-	-0-

D. Special Needs Districts

- In order to respond to the court directives regarding special needs districts, the following additional provisions are included in the aid program.



- Special needs districts will receive a 10% "bump up" in the foundation budget annually until 1998-99 in order to close spending disparities between them and the I/J districts.
- Substantial spending equity between the special needs and I/J districts will be achieved when special needs districts are spending at least 80% of the I/J districts.
- Whenever a special needs school district achieves "substantial spending equity" prior to 1998-99, the subsequent year "bump up" of foundation budget shall be eliminated.
- As previously indicated, all local districts must raise their local share. This requirement will assist special needs districts to achieve substantial spending equity.
- The funding of current year budgets for local leeway spending (as described in section B - Second Tier Aid) will assist the special needs districts to close the spending gap. This is so because districts will receive state aid for both foundation and second tier aid the same year the expenses are incurred.

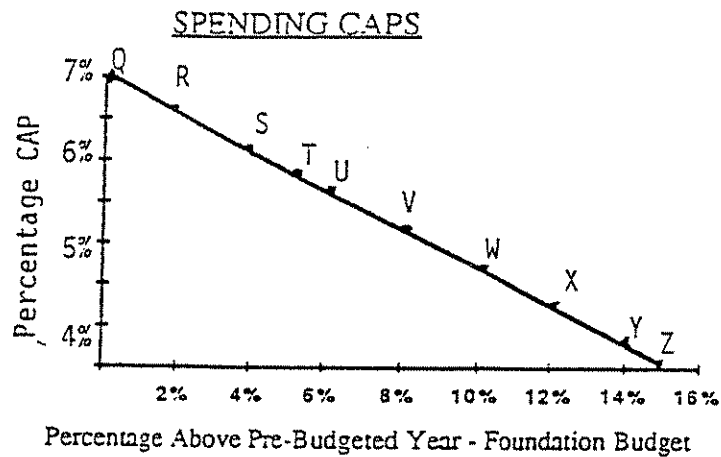
E. Spending CAPS

- Spending increases will be limited by local spending caps on the local levy budget which includes foundation aid, second tier aid and the local tax levy. The caps will range from 4% for wealthy districts to 7% for the poorest districts and will range in inverse proportion to spending above the foundation budget, i.e., the more a district has spent above the foundation, the tighter the CAPs.

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District Q - 7% CAP - Spending at Foundation Budget

District Z - 4% CAP - Spending at 15% above Foundation Budget

- In calculating the annual spending cap, the Commissioner shall adjust the prior year base in order to phase in the incremental steps of the Pension/FICA obligations of local school districts.
- Cap waivers may be granted by the Commissioner only for significant increases in general and special education enrollment. There will be no cap waivers approved by public referendum. As required by the New Jersey Constitution and statutes, the Commissioner will continue to take the necessary steps to assure that all districts budgets provide for a "thorough and efficient" education.
- In no case will the spending limitation (CAP) prevent a district from raising its local fair share of the foundation budget.

F. Categorical Aid Programs

- The at risk aid program has been folded into the foundation amount by substantially increasing the weight for special needs districts to 10%. At risk will, therefore, not be maintained as a discrete program.
- A basic skills aid program should be established to support the remediation of pupils who fall below the minimum level of proficiency in state basic

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skills assessments. This program shall also contain a component which provides funds to districts for schools which have reduced the number of pupils requiring basic skills instruction.

- Special education aid - bilingual education aid, and transportation aid will be level funded for 1995-96 and will be increased by 2% for 1996-97.
- The Governor, upon consultation with the Commissioner of Education, will appoint a study commission in each of the three areas. The three study commissions will submit final reports and recommendations to the Governor and Commissioner no later January 1996.
- The special education study commission and the bilingual education study commission will undertake the following objectives:
 - analyze the pertinent statutes, rules and regulations to determine the minimal program requirements which must be met by local districts.
 - identify the specific additional costs which would be incurred by local districts in meeting these minimum requirements.
 - identify the governance and decision-making authorities in the these areas.
- The transportation study commission will:
 - recommend the minimum local district requirements for transporting pupils in New Jersey.
 - develop strategies for the efficient coordination, consolidation and delivery of transportation on a regional basis.
 - analyze the costs for transportation to be supported by a state aid program.

The Governor's Education Policy Task Force is recommending level funding of these programs and a thorough study of minimal programmatic requirements and costs because it is appalled at the rate of the state aid increases in these areas:

	<u>Special Education</u>	<u>Bilingual Education</u>	<u>Transportation</u>
FY94	\$583 million	\$57 million	\$904 million
FY93	\$582 million	\$57 million	\$887 million
FY92	\$528 million	\$52 million	\$829 million
FY91	\$347 million	\$41 million	\$588 million
FY90	\$341 million	\$36 million	\$578 million

These aid increases are representative of the increase in local and state expenditures in these program areas.

G. Annual Total Aid Increases

- Total school aid available under this state aid proposal will be adjusted from year to year by the change in aggregate personal income for the state (PCI). This increase/decrease recognizes the significant impact the growth in personal income has on major state revenue sources.