

P U B L I C H E A R I N G
before
ASSEMBLY EDUCATION COMMITTEE
ASSEMBLY BILLS NO. 3743, 4140, 4153, 4185, 4191, 4215
(State Aid for Teacher Pension Costs)

December 14, 1990
Room 424
State House Annex
Trenton, New Jersey

MEMBERS OF COMMITTEE PRESENT:

Assemblyman Gerard S. Naples, Chairman
Assemblyman William J. Pascrell, Jr., Vice Chairman
Assemblyman Anthony J. "Skip" Cimino
Assemblyman Joseph M. Kyrillos, Jr.
Assemblyman John A. Rocco

ALSO PRESENT:

Assemblyman John A. Villapiano
District 11

David J. Rosen
Office of Legislative Services
Aide, Assembly Education Committee

* * * * *

Hearing Recorded and Transcribed by
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CHAIRMAN
WILLIAM J. PASCRELL, JR.
VICE-CHAIRMAN
ANTHONY J. "SKIP" CIMINO
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JOHN A. ROCCO

New Jersey State Legislature
ASSEMBLY EDUCATION COMMITTEE
STATE HOUSE ANNEX, CN-068
TRENTON, NEW JERSEY 08625-0068
(609) 984-6843

NOTICE OF PUBLIC HEARING

The Assembly Education Committee will hold a public hearing on the following legislation:

- | | |
|--|--|
| A-3743
Haytaian/Schuber | Shifts responsibility for paying for teachers' pensions from school districts to the State. |
| A-4140
McEnroe | Provides for per pupil State aid to school districts for pension and social security costs. |
| A-4153
McGreevey/Pelly
(pending intro) | Provides State aid to school districts for teacher pension and social security contributions on per pupil basis. |
| A-4185
Baer/Mazur | Provides for State aid on a per pupil basis to school districts for pension and social security costs. |
| A-4191
Gill
(pending intro) | Provides for per pupil State aid to school districts for certain pension costs. |
| A-4215
Jacobson
/Villapiano
(pending intro) | Shifts responsibility for paying employer's share of teacher pension and social security contributions from school districts to the State. |

The hearing will be held on Friday, December 14, 1990 at 10:00 a.m. in Room 341, State House Annex, Trenton.

The public may address comments and questions to David J. Rosen, Committee Aide and persons wishing to testify should contact Joanne Rafalski, secretary, at (609) 984-6843. Those persons presenting written testimony should provide 10 copies to the committee on the day of the hearing.

ASSEMBLY, No. 3743

STATE OF NEW JERSEY

INTRODUCED SEPTEMBER 10, 1990

By Assemblymen HAYTAIAN, SCHUBER, Shinn, Felice, Franks,
Assemblywoman Farragher, Assemblyman Martin
Assemblywoman Smith, Assemblymen Kamin, Moran, Connors,
Hardwick, Rooney, Littell, Schluter, Shusted, Zecker, Collins,
DeCroce, Russo, Kavanaugh, Penn, Kyrillos, LoBiondo, Kelly,
Assemblywoman Ogden, Assemblymen Roma, Arnone,
Assemblywoman Cooper, Assemblyman Rocco, Assemblywoman Crecco, Assemblyman Colburn and Assemblywoman Randall

1 **AN ACT** concerning State aid for the public schools and revising
2 the statutory law.

3

4 BE IT ENACTED by the Senate and General Assembly of the
5 State of New Jersey:

6 1. Section 6 of P.L. . . . c. . . . (C. . . .) (now pending before
7 the Governor as Senate, No. 2721 (1R) of 1990) is amended to
8 read as follows:

9 6. The district's maximum foundation budget shall be
10 calculated in accordance with the following formula:

11 MB = (F x U) + C

12 where

13 MB is the maximum foundation budget;

14 F is the State foundation amount as defined pursuant to
15 subsection b. of this section;

16 U is the number of foundation aid units for pupils in the
17 district's resident enrollment as calculated pursuant to
18 subsection a. of this section; and

19 C is the facilities component, which shall be determined by
20 multiplying the district's adjusted resident enrollment by the
21 facilities aid amount, as defined in subsection b. of this section.

22 a. For pupils in the district's resident enrollment, the number
23 of foundation aid units shall be determined by adding the products
24 obtained by multiplying the pupils in each grade category or
25 program category by the appropriate foundation weight. For
26 special needs districts, the appropriate foundation weight for
27 each grade category shall be multiplied by the special needs
28 weight, which shall equal 1.05. Pupils counted in a program
29 category shall not also be counted in a grade category.

30

Grade Category	Foundation Weight
Full Day Kindergarten or preschool...	1.00
Half Day Kindergarten or preschool...	0.50
Grades 1-5.....	1.00
Grades 6-8.....	1.10
Grades 9-12.....	1.33

1	Program Category	
3	Special education services pupil.....	1.00
4	Evening school.....	0.50
5	Post-graduate.....	0.50
6	County vocational school.....	1.59

7 b. As used in this section:

9 The State foundation amount for the 1991-92 school year shall
10 equal [~~\$6,835.00~~] \$6,000.00, and thereafter shall equal the
11 product of the State foundation amount for the prebudget year
12 and the sum of 1.0 and the PCI.

13 The facilities aid amount for the 1991-1992 school year shall
14 equal \$110.00, and thereafter shall equal the product of the
15 facilities aid amount for the prebudget year and the sum of 1.0
16 and the PCI.

17 c. For the purposes of calculating foundation aid units pursuant
18 to this section, pupils in ungraded classes shall be assigned to the
19 most appropriate grade category in accordance with procedures
20 to be established by the commissioner.

21 d. The county vocational school program categories shall be
22 applicable to full and part-time post secondary pupils attending
23 county vocational schools, provided that the weight for part-time
24 pupils may be adjusted in accordance with procedures to be
25 established by the commissioner.

26 (cf: P.L. 1990, c. . . . s. 6)

27 2. Section 13 of P.L. . . . c. . . . (C. . . .)(now pending before
28 the Governor as Senate, No. 2721 (1R) of 1990) is amended to
29 read as follows:

30 13. (New section) a. For the purpose of calculating foundation
31 aid for the 1991-92 school year pursuant to section 4 of this
32 amendatory and supplementary act, excess free balances for all
33 districts shall be \$0.00.

34 b. For the purpose of computing the maximum Statewide
35 foundation aid for the 1991-92 school year pursuant to section 3
36 of this amendatory and supplementary act, maximum State school
37 aid shall equal [~~\$4,250,000,000~~] \$3,650,000,000.

38 (cf: P.L. 1990, c. . . . s. 13)

39 3. Section 24 of P.L. . . . c. . . . (C. . . .)(now pending before
40 the Governor as Senate, No. 2721 (1R) of 1990) is amended to
41 read as follows:

42 24. For the purpose of calculating the foundation aid growth
43 limitation in section 23 of this amendatory and supplementary act
44 for the 1991-92 school year, each district's foundation budget for
45 the 1990-91 school year shall equal the balance in the current
46 expense and capital outlay budgets after deducting (1) State aid
47 for handicapped pupils pursuant to section 20 of P.L.1975, c.212
48 (C.18A:7A-20), (2) State aid for approved transportation, (3) all
49 other revenue in the current expense and capital outlay budgets
50 except the amount to be provided by local taxation.

1 equalization support, budgeted capital outlay support, and State
2 support for bilingual education, compensatory education and local
3 vocational education. [This amount shall be increased to include
4 State support paid on the district's behalf in the 1990-1991
5 school year pursuant to N.J.S.18A:66-33 and N.J.S.18A:66-66. In
6 addition, the] The commissioner shall adjust this amount for each
7 district which sent or received pupils during the 1990-91 school
8 year to reflect the change in the definition of resident enrollment
9 contained in this amendatory and supplementary act. All of the
10 expenses of and aid for a county vocational school district or a
11 county special services school district shall be reallocated to the
12 districts of residence on a per pupil basis. [Aid paid on behalf of
13 receiving districts pursuant to N.J.S.18A:66-33 and
14 N.J.S.18A:66-66 shall be reallocated to districts of residence on a
15 per pupil basis. Aid payments pursuant to N.J.S.18A:66-66 shall
16 be estimated for each district].

17 (cf: P.L.1990, c. . . . s.24)

18 4. Section 25 of P.L. . . . c. . . . (C. . . .)(now pending before
19 the Governor as Senate, No. 2721 (1R) of 1990) is amended to
20 read as follows:

21 25. a. State transition aid shall be calculated in accordance
22 with the following formula:

23 $T = F \times (B - A)$

24 where

25 T means transition aid;

26 F means transition aid factor, which shall equal 1.0 for the
27 1991-92 school year, 0.75 for the 1992-93 school year, 0.50 for
28 the 1993-94 school year, 0.25 for the 1994-95 school year, and
29 0.0 thereafter;

30 A means the district State aid amount, which shall equal the
31 sum of State aid received by or paid on behalf of a school district
32 during the 1991-92 school year pursuant to sections 4, 14, 16, 80
33 and 81 of this amendatory and supplementary act; and

34 B means base aid amount, which shall equal the product of
35 1.065 and the sum of State aid received by or paid on behalf of a
36 school district during the 1990-1991 school year pursuant to
37 sections 18, 19, 20 and 24 of P.L.1975, c.212 (C.18A:7A-18,
38 18A:7A-19, 18A:7A-20, 18A:7A-24), N.J.S.18A:46-23, section 16
39 of P.L.1971, c.271 (C.18A:46-44), N.J.S.18A:58-6, and
40 N.J.S.18A:58-7 [, N.J.S.18A:66-33 and N.J.S.18A:66-66], less any
41 debt service aid received by or on behalf of the district. The
42 commissioner shall adjust this amount for each district which
43 sends or receives pupils to reflect the change in the definition of
44 resident enrollment contained in this amendatory and
45 supplementary act. All of the above aid received by a county
46 vocational school district or a county special services school
47 district shall be reallocated to the districts of residence on a per
48 pupil basis. [Aid paid on behalf of receiving districts pursuant to
49 N.J.S.18A:66-33 and N.J.S.18A:66-66 shall be reallocated to

1 districts of residence on a per pupil basis. Aid payments pursuant
2 to N.J.S.18A:66-66 shall be estimated for each district and the
3 commissioner shall adjust the base aid amount when the amount
4 of actual payments are known.]

5 b. If, in any year, the transition aid calculated pursuant to this
6 section for any district is less than zero, the district shall not
7 receive transition aid in that year. Five percent of the
8 appropriation for State transition aid shall be paid on the first
9 and fifteenth of each month from September to June.

10 (cf: P.L. 1990, c. . . . s.25)

11 5. N.J.S.18A:22-8 is amended to read as follows:

12 18A:22-8. The budget shall be prepared in such detail and upon
13 such forms as shall be prescribed by the commissioner and to it
14 shall be annexed a statement so itemized as to make the same
15 readily understandable, in which shall be shown:

16 a. In tabular form there shall be set forth the following:

17 (1) The total expenditure for each item for the preceding
18 school year, the amount appropriated for the current school year
19 adjusted for transfers as of December 1 of the current school
20 year, and the amount estimated to be necessary to be
21 appropriated for the ensuing school year, indicated separately for
22 at least the following items:

- 23 (a) Salaries--administration
24 (b) Salaries--teaching
25 (c) Salaries--for the operation of plant and maintenance
26 (d) Categorical programs
27 (i) Salaries
28 (ii) Other
29 (e) Supplies for the operation of plant--including fuel
30 (f) Textbooks
31 (g) Instructional supplies
32 (h) Other supplies
33 (i) School libraries and audio visual materials
34 (j) Transportation of pupils
35 (k) Insurance
36 (l) Legal fees
37 (m) Consulting fees, including negotiating fees
38 (n) Contracts for maintenance
39 (o) Property
40 (p) Maintenance
41 (q) Evening schools
42 (r) Classes for the foreign born
43 (s) Vocational evening schools and courses
44 (t) Tuition paid to other districts
45 (u) Interest and debt redemption charges, in type II districts
46 (v) [Pension contributions](deleted by amendment P.L..... c.....)
47 (w) [Social Security payments]
48 (x) Any other major purposes including any capital project
49 which the State Board of Education desires to include in the

1 annual budget;

2 (2) The amount of the surplus account available at the
3 beginning of the preceding school year, at the beginning of the
4 current school year and the amount anticipated to be available
5 for the ensuing school year;

6 (3) The amount of revenue available for budget purposes for
7 the preceding school year, the amount available for the current
8 school year as of December 1 of the current school year and the
9 amount anticipated to be available for the ensuing school year in
10 the following categories:

11 (a) Total to be raised by local property taxes

12 (b) Total State aid

13 (i) Foundation aid

14 (ii) Special education aid

15 (iii) Transportation aid

16 (iv) At-risk aid

17 (v) Bilingual aid

18 (vi) Other

19 (vii) Transition aid

20 (c) Total Federal aid

21 (i) Elementary and Secondary Education Act of 1965 (20 U.S.C.
22 §2701 et seq.)

23 (ii) Handicapped

24 (iii) Impact Aid

25 (iv) Vocational

26 (v) Other

27 (d) Other Sources.

28 b. In addition, the commissioner may provide for a program
29 budget system.

30 c. In the event that the total expenditure for any item of
31 appropriation is equal to \$0.00 for: (1) the preceding school year,
32 (2) the current school year, and (3) the amount estimated to be
33 necessary to be appropriated for the ensuing school year, that
34 item shall not be required to be published pursuant to
35 N.J.S.18A:22-11.

36 (cf: P.L.1990, c. , s.43)

37 6. N.J.S. 18A:66-33 is amended to read as follows:

38 18A:66-33. Regular interest charges payable, the creation and
39 maintenance of reserves in the contingent reserve fund and the
40 maintenance of retirement allowances and other benefits granted
41 by the board of trustees under the provisions of this article,
42 except the amounts payable by other employers under the
43 provisions of this section, are hereby made obligations of [each
44 employer] the State. Except as provided in N.J.S.18A:66-27, all
45 income, interest, and dividends derived from deposits and
46 investments authorized by this article shall be used for payment
47 of these obligations of the State.

48 Upon the basis of each actuarial determination and appraisal
49 provided for in this article, the board of trustees shall [annually

1 certify, on or before the date of the Governor's annual budget
2 message, to the Commissioner of Education, the State Treasurer,
3 and to each employer, including the State, the contributions due
4 on behalf of its employees for the ensuing fiscal year and payable
5 by the employer to the contingent reserve fund. The amounts
6 payable into the contingent reserve fund for each employer,
7 including the State, shall be paid by the State Treasurer, upon the
8 certification of the commissioner and the warrant of the Director
9 of the Division of Budget and Accounting, to the contingent
10 reserve fund not later than July 1 of the ensuing fiscal year. The
11 commissioner shall deduct the amount so certified from any State
12 aid payable to the employer. In the event that no State aid is
13 payable to the employer or in the event that the amount deducted
14 is less than the amount certified as due, the commissioner shall
15 certify the net amount due on behalf of the members to the chief
16 fiscal officer of the employer. Each employer shall pay the net
17 amount due, if any, to the State pursuant to a payment schedule
18 established by the commissioner. The payment schedule shall
19 provide for interest penalties for late payments] prepare and
20 submit to the governor in each year an itemized estimate of the
21 amounts necessary to be appropriated by the state to provide for
22 payment in full on July 1 of the ensuing fiscal year of the
23 obligations of the state accruing during the year preceding such
24 payment. The Legislature shall make an appropriation sufficient
25 to provide for such obligations of the state. The amounts so
26 appropriated shall be paid into the contingent reserve fund.

27 (cf: P.L.1990, c. . . . s.78)

28 7. N.J.S.18A: 66-66 is amended to read as follows:

29 18A:66-66. The amount of the employer's share of the social
30 security contributions for members shall be provided from the
31 contingent reserve fund for service from January 1, 1955, to June
32 30, 1956; thereafter the state of New Jersey shall provide such
33 amounts by appropriations upon certification by the state
34 treasurer as to the amounts required; provided, however, that the
35 state's provision for such social security contributions shall be
36 limited to contributions upon compensation upon which members'
37 contributions to the retirement system are based. The employer
38 shall pay the employer's share of social security contribution
39 upon all other wages.

40 (cf: P.L.1990, c. . . . s.79)

41 8. Section 86 of P.L.1990, c. . . (C. . . .) (now pending before the
42 Governor as Senate, No. 2721 (1R) of 1990) is amended to read as
43 follows:

44 86. For the purpose of calculating the budget growth
45 limitation in section 85 of this amendatory and supplementary act
46 for the 1991-92 school year, each district's local levy budget for
47 the 1990-91 school year shall equal the balance in the current
48 expense and capital outlay budgets after deducting (1) State aid
49 for handicapped pupils pursuant to section 20 of P.L.1975, c.212

1 (C.18A:7A-20), (2) State aid for approved transportation, (3) all
2 other revenue in the current expense and capital outlay budgets
3 except the amount to be provided by local taxation, equalization
4 support, budgeted capital outlay support, and State support for
5 bilingual education, compensatory education and local vocational
6 education. [This amount shall be increased to include State
7 support paid on the district's behalf in the 1990-1991 school year
8 pursuant to N.J.S.18A:66-33 and N.J.S.18A:66-66. In addition,
9 the] The commissioner shall adjust this amount for each district
10 which sent or received pupils during the 1990-91 school year to
11 reflect the change in the definition of resident enrollment
12 contained in this amendatory and supplementary act. All of the
13 expenses of and aid for a county vocational school district or a
14 county special services school district shall be reallocated to the
15 districts of residence on a per pupil basis. [Aid paid on behalf of
16 receiving districts pursuant to N.J.S.18A:66-33 and
17 N.J.S.18A:66-66 shall be reallocated to districts of residence on a
18 per pupil basis. Aid payments pursuant to N.J.S.18A:66-66 shall
19 be estimated for each district.]

20 (cf: P.L. 1990, c. . . . s. 86)

21 9. This shall take effect immediately but remain inoperative
22 until the enactment of P.L. . . . c. . (now pending before the
23 Governor as Senate, No. 2721 (1R) of 1990.

24

25

26

STATEMENT

27

28 This bill modifies the Quality Education Act of 1990 by
29 reestablishing the State's responsibility for paying the
30 employer's portion of teacher pension and social security costs.
31 The Quality Education Act would have shifted these costs to the
32 local school districts beginning with the 1991-92 school year.

33

34 The bill adjusts the State foundation amount and the total aid
35 to be paid through the Quality Education Act formulas to reflect
36 the State's assumption of pension and social security costs. The
37 bill also modifies the calculation of the budget caps and
38 transition aid to reflect the removal of these costs from the
districts.

39

40

41

EDUCATION

42

43 Shifts responsibility for paying for teachers' pensions from school
44 districts to the State.

ASSEMBLY, No. 4140

STATE OF NEW JERSEY

INTRODUCED NOVEMBER 19, 1990

By Assemblyman McENROE

1 AN ACT providing State aid for teacher pensions and social
2 security, amending P.L.1990, c.52 and supplementing Title 18A
3 of the New Jersey Statutes.

4

5 BE IT ENACTED by the Senate and General Assembly of the
6 State of New Jersey:

7 1. (New section) Each district's State aid for pensions and
8 social security shall be calculated as follows:

9 A = E x PA

10 where

11 A is the district's aid for pensions and social security;

12 E is the district's resident enrollment; and

13 PA is the per pupil pension and social security aid amount
14 which shall equal \$900 for 1991-92 and for each subsequent
15 school year shall equal the product of the per pupil pension and
16 social security aid amount for the prebudget year and the sum of
17 1.0 and the PCI.

18 2. Section 3 of P.L.1990, c.52 (C.18A:7D-3) is amended to read
19 as follows:

20 3. For the purposes of this act, unless the context clearly
21 requires a different meaning:

22 "Adjusted resident enrollment" means the number of pupils
23 who on the last school day prior to October 16 of the prebudget
24 year are residents of the district and are enrolled in: (1) the
25 public schools of the district, except as a post-graduate or
26 evening school pupil; (2) another school district to which the
27 district of residence pays tuition; (3) a county vocational school
28 district; or (4) a county special services school district.

29 "Bilingual education pupil" means a pupil enrolled in a program
30 of bilingual education approved by the State board.

31 "County vocational school, special education services pupil"
32 means a pupil who is attending a county vocational school and
33 who is receiving specific services pursuant to chapter 46 of Title
34 18A of the New Jersey Statutes.

35 "CPI" means the average annual increase, expressed as a
36 decimal, in the consumer price index for all urban consumers in
37 the New York City and Philadelphia areas during the three fiscal
38 years preceding the prebudget year as reported by the United
39 States Department of Labor.

EXPLANATION—Matter enclosed in bold-faced brackets [thus] in the
above bill is not enacted and is intended to be omitted in the law.

Matter underlined thus is new matter.

1 "Current expense" means all expenses of the school district, as
2 enumerated in N.J.S.18A:22-8, other than those required for
3 interest and debt redemption charges and any budgeted capital
4 outlay.

5 "Debt service" means and includes payments of principal and
6 interest upon school bonds and other obligations issued to finance
7 the acquisition of school sites and the acquisition, construction or
8 reconstruction of school buildings, including furnishings,
9 equipment and the costs of issuance of such obligations and shall
10 include payments of principal and interest upon bonds heretofore
11 issued to fund or refund such obligations, and upon municipal
12 bonds and other obligations which the commissioner approves as
13 having been issued for such purposes. Debt service pursuant to
14 the provisions of P.L.1978, c.74 (C.18A:58-33.22 et seq.),
15 P.L.1971, c.10 (C.18A:58-33.6 et seq.) and P.L.1968, c.177
16 (C.18A:58-33.2 et seq.) is excluded.

17 "District income" means the aggregate income of the residents
18 of the taxing district or taxing districts, based upon data provided
19 by the Bureau of the Census in the United States Department of
20 Commerce for the most recent year prior to the budget year.

21 With respect to regional districts and their constituent
22 districts, however, the district income as described above shall be
23 allocated among the regional and constituent districts in
24 proportion to the number of pupils in each of them.

25 "Equalized valuation" means the equalized valuation of the
26 taxing district or taxing districts as certified by the Director of
27 the Division of Taxation on October 1 of the prebudget year.

28 With respect to regional districts and their constituent
29 districts, however, the equalized valuations as described above
30 shall be allocated among the regional and constituent districts in
31 proportion to the number of pupils in each of them. With respect
32 to certain operating school districts, other than school districts
33 that received funds through a municipal budget in 1989 as
34 determined pursuant to column 1 (c) of Section C of the Abstract
35 of Ratables, that are composed of one or more taxing districts,
36 where 20% or more of the land area of the taxing district is
37 situated within the development district subject to an
38 intermunicipal tax sharing agreement pursuant to P.L.1968, c.404
39 (C.13:17-1 et seq.), the equalized valuation shall equal the
40 product of .70 and the amount of equalized valuation certified by
41 the director.

42 "Evening school pupils" means the equated full-time resident
43 enrollment of pupils enrolled in a public evening school
44 established pursuant to N.J.S.18A:48-1.

45 "Maximum Statewide foundation aid" shall be determined
46 annually by subtracting the total State aid payable pursuant to
47 sections 14, 16, 80 and 81 of this amendatory and supplementary
48 act and section 1 of P.L..... c.... (C.....) (Now pending before
49 the Legislature as this bill) from the maximum State-school aid.

1 "Maximum State school aid" shall be determined for the
2 1992-93 school year and annually thereafter by multiplying the
3 total State school aid calculated pursuant to sections 4, 14, 16, 80
4 and 81 of this amendatory and supplementary act and section 1 of
5 P.L....., c..... (C.....) (Now pending before the Legislature as this
6 bill) for the prebudget year and the sum of 1.01 and the PCI.

7 The calculation of maximum State school aid shall assume that
8 each district receives the maximum aid to which it is entitled.

9 "Net debt service" means the balance after deducting all
10 revenues from the school debt service budget of the school
11 district and the school debt service amount included in the
12 municipal budget, except the amounts to be raised by local
13 taxation and State aid.

14 "Postgraduate pupils" means pupils who have graduated from
15 high school and are enrolled in a secondary school for additional
16 high school level courses.

17 "Prebudget year" means the school year preceding the year in
18 which the school budget will be implemented.

19 "Pupils eligible for free meals or free milk" means those
20 children who have been determined to be eligible to receive a
21 free meal or free milk under the National School Lunch Act, 42
22 U.S.C. §1751 et seq., and the Child Nutrition Act of 1966, 42
23 U.S.C. §1771 et seq., as of October 15 of the prebudget year.

24 "PCI" means the average annual percentage increase,
25 expressed as a decimal, in State per capita personal income over
26 the four fiscal years ending on June 30 prior to the prebudget
27 year. The per capita personal income for each of the four years
28 shall be the average of the per capita personal income for the
29 four quarters in each fiscal year utilizing the quarterly data for
30 State personal income and State population as published by the
31 United States Department of Commerce.

32 "Resident enrollment" means the number of pupils who on the
33 last school day prior to October 16 of the prebudget year are
34 residents of the district and are enrolled in: (1) the public schools
35 of the district, including evening schools; (2) another school
36 district, State college demonstration school or private school to
37 which the district of residence pays tuition; (3) a State facility;
38 (4) a county vocational school district; (5) a county special
39 services school district; or (6) are receiving home instruction.

40 Handicapped children between three and five years of age and
41 receiving programs and services pursuant to N.J.S.18A:46-6 shall
42 be included in the resident enrollment of the district.

43 "School district" means any local or regional school district
44 established pursuant to chapter 8 or chapter 13 of Title 18A of
45 the New Jersey Statutes.

46 "Special education services pupil" means a pupil receiving
47 specific services pursuant to chapter 46 of Title 18A of the New
48 Jersey Statutes.

49 "Special needs district" means any school district, other than a

1 school district in which the equalized valuation per pupil is more
2 than twice the average Statewide equalized valuation per pupil,
3 which, as of June 5, 1990: a. was classified by the Department of
4 Education as an urban school district and was included in the
5 department's district factor group A or B; or b. in which the
6 quotient produced by dividing the number of pupils eligible for
7 AFDC by the resident enrollment, less the number of preschool,
8 evening school and post-graduate pupils, is greater than or equal
9 to 0.15 and the number of pupils eligible for AFDC is greater
10 than 1,000. For this calculation, pupils eligible for AFDC means
11 those children aged 5-17 and resident in the district who are
12 members of families which are eligible for "Aid to Families with
13 Dependent Children" pursuant to P.L.1959, c.86 (C.44:10-1 et
14 seq.), as of September 30 of the prebudget year.

15 "State facility" means a State residential facility for the
16 retarded; a day training center which is operated by or under
17 contract with the State and in which all the children have been
18 placed by the State, including a private school approved by the
19 Department of Education which is operated under contract with
20 the Bureau of Special Residential Services in the Division of
21 Developmental Disabilities in the Department of Human Services;
22 a State residential youth center; a State training school or
23 correctional facility; a State child treatment center or
24 psychiatric hospital.

25 "Statewide equalized valuation" means the equalized valuation
26 of all taxing districts in the State as certified by the Director of
27 the Division of Taxation on October 1 of the prebudget year. In
28 the event that the equalized table certified by the Director of
29 the Division of Taxation shall be revised by the tax court after
30 December 15 of the prebudget year, the revised valuations shall
31 be used in the recomputation of aid for an individual school
32 district filing an appeal, but shall have no effect upon the
33 calculation of the property value multiplier.

34 "Total Statewide income" means the sum of the district incomes
35 of all taxing districts in the State.

36 "Total Statewide local fair share" means the total Statewide
37 local foundation budget minus the maximum Statewide
38 Foundation Aid.

39 "Total Statewide local foundation budget" means the sum of
40 the foundation budgets of all districts in the State, assuming that
41 each district's local levy, as defined in section 5 of this
42 amendatory and supplementary act, equals its local fair share or
43 the largest amount permitted pursuant to the provisions of
44 section 23 of this amendatory and supplementary act.

45 (cf: P.L.1990, c.52, s.3)

46 3. Section 6 of P.L.1990, c.52 (C.18A:7D-6) is amended to read
47 as follows:

48 6. The district's maximum foundation budget shall be
49 calculated in accordance with the following formula:

1 MB = (F x U) + C - (E x PA)

2

3 where

4

5 MB is the maximum foundation budget;

6 F is the State foundation amount as defined pursuant to
7 subsection b. of this section;

8 U is the number of foundation aid units for pupils in the
9 district's resident enrollment as calculated pursuant to
10 subsection a. of this section;

11 C is the facilities component, which shall be determined by
12 multiplying the district's adjusted resident enrollment by the
13 facilities aid amount, as defined in subsection b. of this section;

14 E is the district's resident enrollment;

15 PA is the per pupil pension and social security aid amount as
16 determined pursuant to section 1 of P.L.... c.... (C.....) (now
17 pending before the Legislature as this bill).

18 a. For pupils in the district's resident enrollment, the number
19 of foundation aid units shall be determined by adding the products
20 obtained by multiplying the pupils in each grade category or
21 program category by the appropriate foundation weight. For
22 special needs districts, the appropriate foundation weight for
23 each grade category shall be multiplied by the special needs
24 weight, which shall equal 1.05. Pupils counted in a program
25 category shall not also be counted in a grade category.

26

27 Grade Category	Foundation Weight
29 Full Day Kindergarten or preschool...	1.00
30 Half Day Kindergarten or preschool...	0.50
31 Grades 1-5.....	1.00
32 Grades 6-8.....	1.10
33 Grades 9-12.....	1.33

34

35 Program Category

36	
37	Special education services pupil.....
38	Evening school.....
39	Post-graduate.....
40	County vocational school.....

41 b. As used in this section:

42 The State foundation amount for the 1991-92 school year shall
43 equal \$6,835.00, and thereafter shall equal the product of the
44 State foundation amount for the prebudget year and the sum of
45 1.0 and the PCI.

46 The facilities aid amount for the 1991-1992 school year shall
47 equal \$110.00, and thereafter shall equal the product of the
48 facilities aid amount for the prebudget year and the sum of 1.0
49 and the PCI.

1 c. For the purposes of calculating foundation aid units
2 pursuant to this section, pupils in ungraded classes shall be
3 assigned to the most appropriate grade category in accordance
4 with procedures to be established by the commissioner.

5 d. The county vocational school program categories shall be
6 applicable to full and part-time post secondary pupils attending
7 county vocational schools, provided that the weight for part-time
8 pupils may be adjusted in accordance with procedures to be
9 established by the commissioner.

10 (cf: P.L.1990, c.52, s.6)

11 4. Section 13 of P.L.1990, c.52 (C.18A:7D-15) is amended to
12 read as follows:

13 13. a. For the purpose of calculating foundation aid for the
14 1991-92 school year pursuant to section 4 of this amendatory and
15 supplementary act, excess free balances for all districts shall be
16 \$0.00.

17 b. For the purpose of computing the maximum Statewide
18 foundation aid for the 1991-92 school year pursuant to section 3
19 of this amendatory and supplementary act, maximum State school
20 aid shall equal [\$4,250,000.000] \$4,500,000,000.

21 (cf: P.L.1990, c.52, s.13)

22 5. Section 85 of P.L.1990, c.52 (C.18A:7D-28) is amended to
23 read as follows:

24 85. a. As used in this section "local levy budget" means the
25 sum of the foundation aid and pension and social security aid paid
26 pursuant to section 1 of P.L...., c.... (C.....) (Now pending before
27 the Legislature as this bill), received by a school district and the
28 district's local levy for current expense and capital outlay.

29 b. Whenever a district's local levy budget for the prebudget
30 year exceeds the district's maximum foundation budget, as
31 determined pursuant to section 6 of this amendatory and
32 supplementary act, by more than 50%, the district's local levy
33 budget for the budget year shall not exceed the district's local
34 levy budget for the prebudget year by more than the product of
35 the local levy budget for the prebudget year and the PCI.

36 c. In all other instances, except as provided in subsection d. of
37 this section, the district's local levy budget for the budget year
38 shall not exceed the district's local levy budget for the prebudget
39 year by more than the amount calculated as follows:

40

41
$$LB = PCI \times (4 - (2 \times PBY/MB)) \times PBY$$

42

43 where

44

45 LB means the maximum increase in the local levy budget;

46 PBY means the local levy budget for the prebudget year;

47 MB means the maximum foundation budget for the budget year
48 as determined pursuant to section 6 of this amendatory and
49 supplementary act; and

1 PCI means the average annual increase in per capita income as
2 defined pursuant to section 3 of this amendatory and
3 supplementary act.

4 d. If, for the 1991-92 school year, a district's local levy
5 budget for the prebudget year does not exceed the district's
6 maximum foundation budget, as determined pursuant to section 6
7 of this amendatory and supplementary act or if, in any school
8 year, the district is classified as a special needs district, the
9 provisions of this section are not applicable to the district.

10 e. The commissioner may approve the request of a local board
11 of education for a greater increase, having adjudged that (1) a
12 reallocation of resources or any other action taken within the
13 permissible level of spending would be insufficient to provide a
14 thorough and efficient education, or (2) an increased enrollment
15 may reasonably be anticipated in the district.

16 (cf: P.L.1990, c.52, s.85)

17 6. Section 25 of P.L.1990, c.52 (C.18A:7D-33) is amended to
18 read as follows:

19 25. a. State transition aid shall be calculated in accordance
20 with the following formula:

21

$$T = F \times (B - A)$$

23

24 where

25

26 T means transition aid;

27

28 F means transition aid factor, which shall equal 1.0 for the
29 1991-92 school year, 0.75 for the 1992-93 school year, 0.50 for
30 the 1993-94 school year, 0.25 for the 1994-95 school year, and
31 0.0 thereafter;

32 A means the district State aid amount, which shall equal the
33 sum of State aid received by or paid on behalf of a school district
34 during the 1991-92 school year pursuant to sections 4, 14, 16 .80
35 and 81 of this amendatory and supplementary act and pension and
36 social security aid paid pursuant to section 1 of P.L....., c.....,
37 (C.....) (Now pending before the Legislature as this bill); and

38 B means base aid amount, which shall equal the product of
39 1.065 and the sum of State aid received by or paid on behalf of
40 school district during the 1990-1991 school year pursuant
41 sections 18, 19, 20 and 24 of P.L.1975, c.212 (C.18
42 18A:7A-19, 18A:7A-20, 18 ^ -24), N.J.S.18A:46-2'
43 of P.L.1971, c.271 16-44),

44 N.J.S.18A:58-7, N.J.S.18A:6t

S.18

45 debt service aid received by
46 commissioner shall adjust this
47 sends or receives pupils to reflect
48 resident enrollment contained in a
49 supplementary act. All of the aid received

1 vocational school district or a county special services school
2 district shall be reallocated to the districts of residence on a per
3 pupil basis. Aid paid on behalf of receiving districts pursuant to
4 N.J.S.18A:66-33 and N.J.S.18A:66-66 shall be reallocated to
5 districts of residence on a per pupil basis. Aid payments pursuant
6 to N.J.S.18A:66-66 shall be estimated for each district and the
7 commissioner shall adjust the base aid amount when the amount
8 of actual payments are known.

9 b. If, in any year, the transition aid calculated pursuant to this
10 section for any district is less than zero, the district shall not
11 receive transition aid in that year. Five percent of the
12 appropriation for State transition aid shall be paid on the first
13 and fifteenth of each month from September to June.

14 (cf: P.L.1990, c.52, s.25)

15 7. This act shall take effect immediately and be applicable to
16 State school aid for the 1991-92 school year and thereafter.

17

18

19

STATEMENT

20

21 This bill modifies the "Quality Education Act of 1990" to
22 provide for State aid to school districts for pension and social
23 security costs on a per pupil basis beginning with the 1991-92
24 school year. Under the provisions of this bill, all districts would
25 be eligible to receive pension and social security aid equal to
26 \$900 per pupil in the 1991-92 school year. In subsequent years the
27 level of per pupil aid would vary with the change in Statewide per
28 capita income.

29 The bill modifies other provisions of the Quality Education Act
30 to reflect the payment of pension and social security aid. For the
31 1991-92 school year, each district's foundation budget will be
32 reduced by \$900 per pupil, so that some districts will not receive
33 double aid for pension and social security costs. Similarly
34 maximum State school aid is increased by \$250,000,000 for
35 1991-92 and transition aid is reduced by the net increase in aid
36 resulting from the payment of pension aid.

37

38

39

EDUCATION

40

41 Provides for per pupil State aid to school districts for pension and
42 social security costs.

ASSEMBLY, No. 4153

STATE OF NEW JERSEY

INTRODUCED DECEMBER 3, 1990

By Assemblymen McGREEVEY, PELLY and Spadoro

1 **AN ACT** concerning State aid for teacher pension and social
2 security contributions, supplementing Title 18A of the New
3 Jersey Statutes and amending P.L.1990, c.52.

4

5 BE IT ENACTED by the Senate and General Assembly of the
6 State of New Jersey:

7 1. (New section) a. Each district's State aid for teacher
8 pension and social security contributions shall be calculated by
9 multiplying the district's resident enrollment by the State
10 pension and social security aid amount determined pursuant to
11 paragraph b. of this section.

12 b. The State pension and social security aid amount shall
13 equal: \$0.0 for 1991-92 school year, \$250 for the 1992-93 school
14 year, \$500 for the 1993-94 school year, \$750 for the 1994-95
15 school year, \$1,000 for the 1995-96 school year, and for each
16 subsequent school year shall equal the product of the State
17 pension and social security aid amount for the prebudget year and
18 the sum of 1.0 and the PCI.

19 2. Section 3 of P.L.1990, c.52 (C.18A:7D-3) is amended to read
20 as follows:

21 3. For the purposes of this act, unless the context clearly
22 requires a different meaning:

23 "Adjusted resident enrollment" means the number of pupils
24 who on the last school day prior to October 16 of the prebudget
25 year are residents of the district and are enrolled in: (1) the
26 public schools of the district, except as a post-graduate or
27 evening school pupil; (2) another school district to which the
28 district of residence pays tuition; (3) a county vocational school
29 district; or (4) a county special services school district.

30 "Bilingual education pupil" means a pupil enrolled in a program
31 of bilingual education approved by the State board.

32 "County vocational school, special education services pupil"
33 means a pupil who is attending a county vocational school and
34 who is receiving specific services pursuant to chapter 46 of Title
35 18A of the New Jersey Statutes.

36 "CPI" means the average annual increase, expressed as a
37 decimal, in the consumer price index for all urban consumers in
38 the New York City and Philadelphia areas during the three fiscal
39 years preceding the prebudget year as reported by the United
40 States Department of Labor.

41 "Current expense" means all expenses of the school district, as

EXPLANATION—Matter enclosed in bold-faced brackets [thus] in the
above bill is not enacted and is intended to be omitted in the law.

Matter underlined thus is new matter.

1 enumerated in N.J.S.18A:22-8, other than those required for
2 interest and debt redemption charges and any budgeted capital
3 outlay.

4 "Debt service" means and includes payments of principal and
5 interest upon school bonds and other obligations issued to finance
6 the acquisition of school sites and the acquisition, construction or
7 reconstruction of school buildings, including furnishings,
8 equipment and the costs of issuance of such obligations and shall
9 include payments of principal and interest upon bonds heretofore
10 issued to fund or refund such obligations, and upon municipal
11 bonds and other obligations which the commissioner approves as
12 having been issued for such purposes. Debt service pursuant to
13 the provisions of P.L.1978, c.74 (C.18A:58-33.22 et seq.),
14 P.L.1971, c.10 (C.18A:58-33.6 et seq.) and P.L.1968, c.177
15 (C.18A:58-33.2 et seq.) is excluded.

16 "District income" means the aggregate income of the residents
17 of the taxing district or taxing districts, based upon data provided
18 by the Bureau of the Census in the United States Department of
19 Commerce for the most recent year prior to the budget year.

20 With respect to regional districts and their constituent
21 districts, however, the district income as described above shall be
22 allocated among the regional and constituent districts in
23 proportion to the number of pupils in each of them.

24 "Equalized valuation" means the equalized valuation of the
25 taxing district or taxing districts as certified by the Director of
26 the Division of Taxation on October 1 of the prebudget year.

27 With respect to regional districts and their constituent
28 districts, however, the equalized valuations as described above
29 shall be allocated among the regional and constituent districts in
30 proportion to the number of pupils in each of them. With respect
31 to certain operating school districts, other than school districts
32 that received funds through a municipal budget in 1989 as
33 determined pursuant to column 1 (c) of Section C of the Abstract
34 of Ratables, that are composed of one or more taxing districts,
35 where 20% or more of the land area of the taxing district is
36 situated within the development district subject to an
37 intermunicipal tax sharing agreement pursuant to P.L.1968, c.404
38 (C.13:17-1 et seq.), the equalized valuation shall equal the
39 product of .70 and the amount of equalized valuation certified by
40 the director.

41 "Evening school pupils" means the equated full-time resident
42 enrollment of pupils enrolled in a public evening school
43 established pursuant to N.J.S.18A:48-1.

44 "Maximum Statewide foundation aid" shall be determined
45 annually by subtracting the total State aid payable pursuant to
46 sections 14, 16, 80 and 81 of this amendatory and supplementary
47 act and section 1 of P.L. , c. (C.) (Now pending before
48 the Legislature as this bill) from the maximum State school aid.

49 "Maximum State school aid" shall be determined for the
50 [1992-93] 1996-97 school year and annually thereafter by

1 multiplying the total State school aid calculated pursuant to
2 sections 4, 14, 16, 80 and 81 of this amendatory and
3 supplementary act and section 1 of P.L. , c. (C.) (Now
4 pending before the Legislature as this bill) for the prebudget year
5 and the sum of 1.01 and the PCI.

6 The calculation of maximum State school aid shall assume that
7 each district receives the maximum aid to which it is entitled.

8 "Net debt service" means the balance after deducting all
9 revenues from the school debt service budget of the school
10 district and the school debt service amount included in the
11 municipal budget, except the amounts to be raised by local
12 taxation and State aid.

13 "Postgraduate pupils" means pupils who have graduated from
14 high school and are enrolled in a secondary school for additional
15 high school level courses.

16 "Prebudget year" means the school year preceding the year in
17 which the school budget will be implemented.

18 "Pupils eligible for free meals or free milk" means those
19 children who have been determined to be eligible to receive a
20 free meal or free milk under the National School Lunch Act,
21 42 U.S.C. §1751 et seq., and the Child Nutrition Act of 1966,
22 42 U.S.C. §1771 et seq., as of October 15 of the prebudget year.

23 "PCI" means the average annual percentage increase,
24 expressed as a decimal, in State per capita personal income over
25 the four fiscal years ending on June 30 prior to the prebudget
26 year. The per capita personal income for each of the four years
27 shall be the average of the per capita personal income for the
28 four quarters in each fiscal year utilizing the quarterly data for
29 State personal income and State population as published by the
30 United States Department of Commerce.

31 "Resident enrollment" means the number of pupils who on the
32 last school day prior to October 16 of the prebudget year are
33 residents of the district and are enrolled in: (1) the public schools
34 of the district, including evening schools; (2) another school
35 district, State college demonstration school or private school to
36 which the district of residence pays tuition; (3) a State facility;
37 (4) a county vocational school district; (5) a county special
38 services school district; or (6) are receiving home instruction.

39 Handicapped children between three and five years of age and
40 receiving programs and services pursuant to N.J.S.18A:46-6 shall
41 be included in the resident enrollment of the district.

42 "School district" means any local or regional school district
43 established pursuant to chapter 8 or chapter 13 of Title 18A of
44 the New Jersey Statutes.

45 "Special education services pupil" means a pupil receiving
46 specific services pursuant to chapter 46 of Title 18A of the New
47 Jersey Statutes.

48 "Special needs district" means any school district, other than a
49 school district in which the equalized valuation per pupil is more
50 than twice the average Statewide equalized valuation per pupil,

1 which, as of June 5, 1990: a. was classified by the Department of
2 Education as an urban school district and was included in the
3 department's district factor group A or B; or b. in which the
4 quotient produced by dividing the number of pupils eligible for
5 AFDC by the resident enrollment, less the number of preschool,
6 evening school and post-graduate pupils, is greater than or equal
7 to 0.15 and the number of pupils eligible for AFDC is greater
8 than 1,000. For this calculation, pupils eligible for AFDC means
9 those children aged 5-17 and resident in the district who are
10 members of families which are eligible for "Aid to Families with
11 Dependent Children" pursuant to P.L.1959, c.86 (C.44:10-1
12 et seq.), as of September 30 of the prebudget year.

13 "State facility" means a State residential facility for the
14 retarded; a day training center which is operated by or under
15 contract with the State and in which all the children have been
16 placed by the State, including a private school approved by the
17 Department of Education which is operated under contract with
18 the Bureau of Special Residential Services in the Division of
19 Developmental Disabilities in the Department of Human Services;
20 a State residential youth center; a State training school or
21 correctional facility; a State child treatment center or
22 psychiatric hospital.

23 "Statewide equalized valuation" means the equalized valuation
24 of all taxing districts in the State as certified by the Director of
25 the Division of Taxation on October 1 of the prebudget year. In
26 the event that the equalized table certified by the Director of
27 the Division of Taxation shall be revised by the tax court after
28 December 15 of the prebudget year, the revised valuations shall
29 be used in the recomputation of aid for an individual school
30 district filing an appeal, but shall have no effect upon the
31 calculation of the property value multiplier.

32 "Total Statewide income" means the sum of the district incomes
33 of all taxing districts in the State.

34 "Total Statewide local fair share" means the total Statewide
35 local foundation budget minus the maximum Statewide
36 Foundation Aid.

37 "Total Statewide local foundation budget" means the sum of
38 the foundation budgets of all districts in the State, assuming that
39 each district's local levy, as defined in section 5 of this
40 amendatory and supplementary act, equals its local fair share or
41 the largest amount permitted pursuant to the provisions of
42 section 23 of this amendatory and supplementary act.
43 (cf: P.L.1990, c.52, s.3)

44 3. Section 6 of P.L.1990, c.52 (C.18A:7D-6) is amended to read
45 as follows:

46 6. The district's maximum foundation budget shall be
47 calculated in accordance with the following formula:
48

$$49 MB = (F \times U) + C - PA$$

50 where

1 MB is the maximum foundation budget;
2 F is the State foundation amount as defined pursuant to
3 subsection b. of this section;

4 U is the number of foundation aid units for pupils in the
5 district's resident enrollment as calculated pursuant to
6 subsection a. of this section;

7 C is the facilities component, which shall be determined by
8 multiplying the district's adjusted resident enrollment by the
9 facilities aid amount, as defined in subsection b. of this section;

10 PA is the district's pension and social security aid entitlement
11 determined pursuant to section 1 of P.L. c. (C.) (now
12 pending before the Legislature as this bill) for the budget year.
13 However, for each special needs district this amount shall equal
14 \$0.00.

15 a. For pupils in the district's resident enrollment, the number
16 of foundation aid units shall be determined by adding the products
17 obtained by multiplying the pupils in each grade category or
18 program category by the appropriate foundation weight. For
19 special needs districts, the appropriate foundation weight for
20 each grade category shall be multiplied by the special needs
21 weight, which shall equal 1.05. Pupils counted in a program
22 category shall not also be counted in a grade category.

23

24 Grade Category	Foundation 25 Weight
26 Full Day Kindergarten or preschool...	1.00
27 Half Day Kindergarten or preschool...	0.50
28 Grades 1-5.....	1.00
29 Grades 6-8.....	1.10
30 Grades 9-12.....	1.33

31

32 Program Category

33

34 Special education services pupil.....	1.00
35 Evening school.....	0.50
36 Post-graduate.....	0.50
37 County vocational school.....	1.59

38 b. As used in this section:

39 The State foundation amount for the 1991-92 school year shall
40 equal \$6,835.00, and thereafter shall equal the product of the
41 State foundation amount for the prebudget year and the sum of
42 1.0 and the PCI.

43 The facilities aid amount for the 1991-1992 school year shall
44 equal \$110.00, and thereafter shall equal the product of the
45 facilities aid amount for the prebudget year and the sum of 1.0
46 and the PCI.

47 c. For the purposes of calculating foundation aid units
48 pursuant to this section, pupils in ungraded classes shall be
49 assigned to the most appropriate grade category in accordance
50 with procedures to be established by the commissioner.

1 d. The county vocational school program categories shall be
2 applicable to full and part-time post secondary pupils attending
3 county vocational schools, provided that the weight for part-time
4 pupils may be adjusted in accordance with procedures to be
5 established by the commissioner.

6 (cf: P.L.1990, c.52, s.6)

7 4. Section 13 of P.L.1990, c.52 (C.18A:7D-15) is amended to
8 read as follows:

9 a. For the purpose of calculating foundation aid for the
10 1991-92 school year pursuant to section 4 of this amendatory and
11 supplementary act, excess free balances for all districts shall be
12 \$0.00.

13 b. For the purpose of computing the maximum Statewide
14 foundation aid for the 1991-92 school year pursuant to section 3
15 of this amendatory and supplementary act, maximum State school
16 aid shall equal \$4,250,000,000.

17 c. For the purpose of computing the maximum Statewide
18 foundation aid for the 1992-93 school year through the 1995-96
19 school year pursuant to section 3 of P.L.1990, c.52 (C.18A:7D-3),
20 maximum State school aid shall equal the sum of: (1) the product
21 of the total State school aid calculated pursuant to sections 4,
22 14, 16, 80 and 81 of P.L.1990, c.52 (C.18A:7D-4, C.18A:7D-16,
23 C.18A:7D-18, C.18A:7D-20, C.18A:7D-21) for the 1991-92 school
24 year and the sum of 1.01 and the PCI and (2) the total aid payable
25 pursuant to section 1 of P.L. , c. (C.) (Now pending before
26 the Legislature as this bill) less the Statewide reduction in
27 foundation aid that would result from a reduction in the
28 maximum foundation budget of each district, except for special
29 needs districts, by an amount equal to the product of the
30 district's resident enrollment and the State pension and social
31 security aid amount as determined pursuant to section 1 of
32 P.L. , c. (C.) (Now pending before the Legislature as this
33 bill), assuming that all other values in the equation remain
34 constant.

35 The calculation of maximum State school aid shall assume that
36 each district receives the maximum aid to which it is entitled.

37 (cf: P.L.1990, c.52. s.13)

38 5. Section 85 of P.L.1990, c.52 (C.18A:7D-28) is amended to
39 read as follows:

40 a. As used in this section "local levy budget" means the
41 sum of the foundation aid and pension and social security aid paid
42 pursuant to section 1 of P.L. , c. (C.) (Now pending before
43 the Legislature as this bill), received by a school district and the
44 district's local levy for current expense and capital outlay.

45 b. Whenever a district's local levy budget for the prebudget
46 year exceeds the district's maximum foundation budget, as
47 determined pursuant to section 6 of this amendatory and
48 supplementary act, by more than 50%, the district's local levy
49 budget for the budget year shall not exceed the district's local
50 levy budget for the prebudget year by more than the product of

1 the local levy budget for the prebudget year and the PCI.
2 c. In all other instances, except as provided in subsection d. of
3 this section, the district's local levy budget for the budget year
4 shall not exceed the district's local levy budget for the prebudget
5 year by more than the amount calculated as follows:

6

7
$$LB = PCI \times (4 - (2 \times PBY/MB)) \times PBY$$

8

9 where

10

11 LB means the maximum increase in the local levy budget;
12 PBY means the local levy budget for the prebudget year;
13 MB means the maximum foundation budget for the budget year
14 as determined pursuant to section 6 of this amendatory and
15 supplementary act; and

16 PCI means the average annual increase in per capita income as
17 defined pursuant to section 3 of this amendatory and
18 supplementary act.

19 d. If, for the 1991-92 school year, a district's local levy
20 budget for the prebudget year does not exceed the district's
21 maximum foundation budget, as determined pursuant to section 6
22 of this amendatory and supplementary act or if, in any school
23 year, the district is classified as a special needs district, the
24 provisions of this section are not applicable to the district.

25 e. The commissioner may approve the request of a local board
26 of education for a greater increase, having adjudged that (1) a
27 reallocation of resources or any other action taken within the
28 permissible level of spending would be insufficient to provide a
29 thorough and efficient education, or (2) an increased enrollment
30 may reasonably be anticipated in the district.

31 f. For any school year in which a district's expenses for the
32 employers' contribution for employee pensions and social
33 security exceeds the State pension and social security aid to
34 which the district is entitled pursuant to section 1 of P.L. .c.
35 (C.) (Now pending before the Legislature as this bill), the
36 district's maximum increase in the local levy budget shall be
37 increased by an amount equal to the difference between the
38 district's pension and social security expenses and the State
39 pension and social security aid.

40 (cf: P.L.1990, c.52, s.85)

41 6. This act shall take effect July 1, 1991 and be applicable to
42 State school aid for the 1992-93 school year and thereafter.
43 School aid for the 1991-92 school year shall be paid in accordance
44 with the appropriate laws in effect on June 30, 1991.

45

46

47

STATEMENT

48

49 This bill provides for State aid to school districts for pension
50 and social security contributions on a per pupil basis beginning

1 with the 1992-93 school year. Under the provisions of this bill, all
2 districts would be eligible to receive pension and social security
3 aid equal to \$250 per pupil in the 1992-93 school year, \$500 per
4 pupil for the 1993-94 school year, \$750 per pupil for the 1994-95
5 school year, and \$1,000 per pupil for the 1995-96 school year. In
6 subsequent years the level of per pupil aid would vary with the
7 change in Statewide per capita income.

8 Pension aid is distributed on a per pupil basis under the bill in
9 order to comply with the decision of the New Jersey Supreme
10 Court in Abbott v. Burke which indicated that State aid for
11 teacher's pensions was counter-equalizing because richer
12 districts receive a larger share of the aid.

13 The bill also amends the "Quality Education Act of 1990" to
14 reflect the payment of the pension and social security aid. Each
15 year, each district's foundation budget, except for the special
16 needs districts, will be reduced by the amount of pension aid
17 received, so that these districts will not receive double aid for
18 pension and social security costs. The foundation budgets of the
19 special needs districts will not be adjusted to account for pension
20 aid received under the bill in order for them to be able to
21 maintain spending parity with the non-foundation aid districts as
22 required by the court in Abbott v. Burke. The bill also provides
23 that any local costs for pensions and social security shall be
24 exempt from the cap on school district budget increases.

25

26

27

EDUCATION

28

29 Provides State aid to school districts for teacher pension and
30 social security contributions on a per pupil basis.

ASSEMBLY, No. 4185

STATE OF NEW JERSEY

INTRODUCED NOVEMBER 19, 1990

By Assemblymen BAER, MAZUR, Spadoro, McEnroe, Salmon,
Pelly, Kronick, Gill, Scerni, Duch, Assemblywoman
Ford, and Assemblyman Impreduto

1 AN ACT providing State aid for teacher pensions and social
2 security, amending P.L.1990, c.52 and supplementing Title 18A
3 of the New Jersey Statutes.

4
5 BE IT ENACTED by the Senate and General Assembly of the
6 State of New Jersey:

7 1. (New section) Each district's State aid for pensions and
8 social security shall be calculated as follows:

9 $A = E \times PA \times RC$

10 where

11 A is the district's aid for pensions and social security;
12 E is the district's resident enrollment;
13 PA is the per pupil pension and social security aid amount
14 which shall equal: \$0.0 for 1991-92 and 1992-93 school years,
15 \$300 for the 1993-94 school year, \$650 for the 1994-95 school
16 year, \$1050 for the 1995-96 school year, and for each subsequent
17 school year shall equal the product of the per pupil pension and
18 social security aid amount for the prebudget year and the sum of
19 1.0 and the PCI; and

20 RC is the regional cost factor which shall be a value between
21 1.0 and 1.25, to be determined pursuant to the provisions of
22 section 2 of this amendatory and supplementary act.

23 2. (New section) The Commissioner of Education, in
24 consultation with the Commissioner of the Department of
25 Community Affairs, shall undertake a study to determine whether
26 regional differences in housing costs affect teacher salaries and
27 therefore affect school districts pension and social security costs.
28 If the commissioner finds there is such an effect, the
29 commissioner shall establish, with the approval of the State
30 Board of Education, a formula for determining the value of each
31 school district's regional cost factor for the purpose of
32 determining State aid for pensions and social security pursuant to
33 section 1 of the amendatory and supplementary act. The formula
34 shall accurately reflect that portion of a district's pension and
35 social security costs which is attributable to regional housing
36 costs. In the event that the commissioner does not find an effect
37 or in the event that the State board does not approve the formula
38 proposed by the commissioner, the value of the regional cost

EXPLANATION--Matter enclosed in bold-faced brackets [thus] in the
above bill is not enacted and is intended to be omitted in the law.

Matter underlined thus is new matter.

1 factor shall be 1.0 for all districts.

2 3. Section 3 of P.L.1990, c.52 (C.18A:7D-3) is amended to read
3 as follows:

4 3. For the purposes of this act, unless the context clearly
5 requires a different meaning:

6 "Adjusted resident enrollment" means the number of pupils
7 who on the last school day prior to October 16 of the prebudget
8 year are residents of the district and are enrolled in: (1) the
9 public schools of the district, except as a post-graduate or
10 evening school pupil; (2) another school district to which the
11 district of residence pays tuition; (3) a county vocational school
12 district; or (4) a county special services school district.

13 "Bilingual education pupil" means a pupil enrolled in a program
14 of bilingual education approved by the State board.

15 "County vocational school, special education services pupil"
16 means a pupil who is attending a county vocational school and
17 who is receiving specific services pursuant to chapter 46 of Title
18 18A of the New Jersey Statutes.

19 "CPI" means the average annual increase, expressed as a
20 decimal, in the consumer price index for all urban consumers in
21 the New York City and Philadelphia areas during the three fiscal
22 years preceding the prebudget year as reported by the United
23 States Department of Labor.

24 "Current expense" means all expenses of the school district, as
25 enumerated in N.J.S. 18A:22-8, other than those required for
26 interest and debt redemption charges and any budgeted capital
27 outlay.

28 "Debt service" means and includes payments of principal and
29 interest upon school bonds and other obligations issued to finance
30 the acquisition of school sites and the acquisition, construction or
31 reconstruction of school buildings, including furnishings,
32 equipment and the costs of issuance of such obligations and shall
33 include payments of principal and interest upon bonds heretofore
34 issued to fund or refund such obligations, and upon municipal
35 bonds and other obligations which the commissioner approves as
36 having been issued for such purposes. Debt service pursuant to
37 the provisions of P.L.1978, c.74 (C.18A:58-33.22 et seq.),
38 P.L.1971, c.10 (C.18A:58-33.6 et seq.) and P.L.1968, c.177
39 (C.18A:58-33.2 et seq.) is excluded.

40 "District income" means the aggregate income of the residents
41 of the taxing district or taxing districts, based upon data provided
42 by the Bureau of the Census in the United States Department of
43 Commerce for the most recent year prior to the budget year.

44 With respect to regional districts and their constituent
45 districts, however, the district income as described above shall be
46 allocated among the regional and constituent districts in
47 proportion to the number of pupils in each of them.

48 "Equalized valuation" means the equalized valuation of the

1 taxing district or taxing districts as certified by the Director of
2 the Division of Taxation on October 1 of the prebudget year.

3 With respect to regional districts and their constituent
4 districts, however, the equalized valuations as described above
5 shall be allocated among the regional and constituent districts in
6 proportion to the number of pupils in each of them. With respect
7 to certain operating school districts, other than school districts
8 that received funds through a municipal budget in 1989 as
9 determined pursuant to column 1 (c) of Section C of the Abstract
10 of Ratables, that are composed of one or more taxing districts,
11 where 20% or more of the land area of the taxing district is
12 situated within the development district subject to an
13 intermunicipal tax sharing agreement pursuant to P.L.1968, c.404
14 (C.13:17-1 et seq.), the equalized valuation shall equal the
15 product of .70 and the amount of equalized valuation certified by
16 the director.

17 "Evening school pupils" means the equated full-time resident
18 enrollment of pupils enrolled in a public evening school
19 established pursuant to N.J.S.18A:48-1.

20 "Maximum Statewide foundation aid" shall be determined
21 annually by subtracting the total State aid payable pursuant to
22 sections 14, 16, 80 and 81 of this amendatory and supplementary
23 act and section 1 of P.L....., c... (C.....) (now pending before the
24 Legislature as this bill) from the maximum State school aid.

25 "Maximum State school aid" shall be determined for the
26 [1992-93] 1996-97 school year and annually thereafter by
27 multiplying the total State school aid calculated pursuant to
28 sections 4, 14, 16, 80 and 81 of this amendatory and
29 supplementary act and section 1 of P.L...., c... (C.....) (now
30 pending before the Legislature as this bill) for the prebudget year
31 and the sum of 1.01 and the PCI.

32 The calculation of maximum State school aid shall assume that
33 each district receives the maximum aid to which it is entitled.

34 "Net debt service" means the balance after deducting all
35 revenues from the school debt service budget of the school
36 district and the school debt service amount included in the
37 municipal budget, except the amounts to be raised by local
38 taxation and State aid.

39 "Postgraduate pupils" means pupils who have graduated from
40 high school and are enrolled in a secondary school for additional
41 high school level courses.

42 "Prebudget year" means the school year preceding the year in
43 which the school budget will be implemented.

44 "Pupils eligible for free meals or free milk" means those
45 children who have been determined to be eligible to receive a
46 free meal or free milk under the National School Lunch Act, 42
47 U.S.C. §1751 et seq., and the Child Nutrition Act of 1966, 42
48 U.S.C. §1771 et seq., as of October 15 of the prebudget year.

1 "PCI" means the average annual percentage increase,
2 expressed as a decimal, in State per capita personal income over
3 the four fiscal years ending on June 30 prior to the prebudget
4 year. The per capita personal income for each of the four years
5 shall be the average of the per capita personal income for the
6 four quarters in each fiscal year utilizing the quarterly data for
7 State personal income and State population as published by the
8 United States Department of Commerce.

9 "Resident enrollment" means the number of pupils who on the
10 last school day prior to October 16 of the prebudget year are
11 residents of the district and are enrolled in: (1) the public schools
12 of the district, including evening schools; (2) another school
13 district, State college demonstration school or private school to
14 which the district of residence pays tuition; (3) a State facility;
15 (4) a county vocational school district; (5) a county special
16 services school district; or (6) are receiving home instruction.

17 Handicapped children between three and five years of age and
18 receiving programs and services pursuant to N.J.S.18A:46-6 shall
19 be included in the resident enrollment of the district.

20 "School district" means any local or regional school district
21 established pursuant to chapter 8 or chapter 13 of Title 18A of
22 the New Jersey Statutes.

23 "Special education services pupil" means a pupil receiving
24 specific services pursuant to chapter 46 of Title 18A of the New
25 Jersey Statutes.

26 "Special needs district" means any school district, other than a
27 school district in which the equalized valuation per pupil is more
28 than twice the average Statewide equalized valuation per pupil,
29 which, as of June 5, 1990: a. was classified by the Department of
30 Education as an urban school district and was included in the
31 department's district factor group A or B; or b. in which the
32 quotient produced by dividing the number of pupils eligible for
33 AFDC by the resident enrollment, less the number of preschool,
34 evening school and post-graduate pupils, is greater than or equal
35 to 0.15 and the number of pupils eligible for AFDC is greater
36 than 1,000. For this calculation, pupils eligible for AFDC means
37 those children aged 5-17 and resident in the district who are
38 members of families which are eligible for "Aid to Families with
39 Dependent Children" pursuant to P.L.1959, c.86 (C.44:10-1 et
40 seq.), as of September 30 of the prebudget year.

41 "State facility" means a State residential facility for the
42 retarded; a day training center which is operated by or under
43 contract with the State and in which all the children have been
44 placed by the State, including a private school approved by the
45 Department of Education which is operated under contract with
46 the Bureau of Special Residential Services in the Division of
47 Developmental Disabilities in the Department of Human Services;
48 a State residential youth center; a State training school or

1 correctional facility; a State child treatment center or
2 psychiatric hospital.

3 "Statewide equalized valuation" means the equalized valuation
4 of all taxing districts in the State as certified by the Director of
5 the Division of Taxation on October 1 of the prebudget year. In
6 the event that the equalized table certified by the Director of
7 the Division of Taxation shall be revised by the tax court after
8 December 15 of the prebudget year, the revised valuations shall
9 be used in the recomputation of aid for an individual school
10 district filing an appeal, but shall have no effect upon the
11 calculation of the property value multiplier.

12 "Total Statewide income" means the sum of the district incomes
13 of all taxing districts in the State.

14 "Total Statewide local fair share" means the total Statewide
15 local foundation budget minus the maximum Statewide
16 Foundation Aid.

17 "Total Statewide local foundation budget" means the sum of
18 the foundation budgets of all districts in the State, assuming that
19 each district's local levy, as defined in section 5 of this
20 amendatory and supplementary act, equals its local fair share or
21 the largest amount permitted pursuant to the provisions of
22 section 23 of this amendatory and supplementary act.

23 (cf: P.L.1990, c.52, s.3)

24 4. Section 6 of P.L.1990, c.52 (C.18A:7D-6) is amended to read
25 as follows:

26 6. The district's maximum foundation budget shall be
27 calculated in accordance with the following formula:

28
$$MB = (F \times U) + C - (E \times PA \times RC)$$

29 where

30 MB is the maximum foundation budget;

31 F is the State foundation amount as defined pursuant to
32 subsection b. of this section;

33 U is the number of foundation aid units for pupils in the
34 district's resident enrollment as calculated pursuant to
35 subsection a. of this section;

36 C is the facilities component, which shall be determined by
37 multiplying the district's adjusted resident enrollment by the
38 facilities aid amount, as defined in subsection b. of this section;

39 E is the district's resident enrollment;

40 PA is the per pupil pension and social security aid amount as
41 determined pursuant to section 1 of P.L...., c..... (C.....) (now
42 pending before the Legislature as this bill); and

43 RC is the regional cost factor as determined pursuant to
44 section 2 of P.L...., c..... (C.....) (now pending before the
45 Legislature as this bill).

46 a. For pupils in the district's resident enrollment, the number
47 of foundation aid units shall be determined by adding the products
48 obtained by multiplying the pupils in each grade category or

1 program category by the appropriate foundation weight. For
2 special needs districts, the appropriate foundation weight for
3 each grade category shall be multiplied by the special needs
4 weight, which shall equal 1.05. Pupils counted in a program
5 category shall not also be counted in a grade category.

6

7	Grade Category	Foundation Weight
9	Full Day Kindergarten or preschool...	1.00
10	Half Day Kindergarten or preschool...	0.50
11	Grades 1-5.....	1.00
12	Grades 6-8.....	1.10
13	Grades 9-12.....	1.33

14

15 Program Category

16

17	Special education services pupil.....	1.00
18	Evening school.....	0.50
19	Post-graduate.....	0.50
20	County vocational school.....	1.59

21

22 b. As used in this section:

23 The State foundation amount for the 1991-92 school year shall
24 equal \$6,835.00, and thereafter shall equal the product of the
25 State foundation amount for the prebudget year and the sum of
26 1.0 and the PCI.

27 The facilities aid amount for the 1991-1992 school year shall
28 equal \$110.00, and thereafter shall equal the product of the
29 facilities aid amount for the prebudget year and the sum of 1.0
30 and the PCI.

31 c. For the purposes of calculating foundation aid units
32 pursuant to this section, pupils in ungraded classes shall be
33 assigned to the most appropriate grade category in accordance
34 with procedures to be established by the commissioner.

35 d. The county vocational school program categories shall be
36 applicable to full and part-time post secondary pupils attending
37 county vocational schools, provided that the weight for part-time
38 pupils may be adjusted in accordance with procedures to be
39 established by the commissioner.

40 (cf: P.L.1990, c.52, s.6)

41 5. Section 13 of P.L.1990, c.52 (C.18A:7D-15) is amended to
42 read as follows:

43 13. a. For the purpose of calculating foundation aid for the
44 1991-92 school year pursuant to section 4 of this amendatory and
45 supplementary act, excess free balances for all districts shall be
46 \$0.00.

47 b. For the purpose of computing the maximum Statewide
48 foundation aid for the 1991-92 school year pursuant to section 3

1 of this amendatory and supplementary act, maximum State school
2 aid shall equal \$4,250,000,000.

3 c. For the purpose of computing the maximum Statewide
4 foundation aid for the 1992-93 school year through the 1995-96
5 school year pursuant to section 3 of P.L.1990, c.52 (C.18A:7D-3),
6 maximum State school aid shall equal the sum of: (1) the product
7 of the total State school aid calculated pursuant to sections 4,
8 14, 16, 80 and 81 of P.L.1990, c.52 (C.18A:7D-4, C.18A:7D-16,
9 C.18A:7D-18, C.18A:7D-20, C.18A:7D-21) for the 1991-92 school
10 year and the sum of 1.01 and the PCI and (2) the total aid payable
11 pursuant to section 1 of P.L....., c..... (C.....) (now pending
12 before the Legislature as this bill) less the Statewide reduction in
13 foundation aid that would result from a reduction in each
14 district's maximum foundation budget by an amount equal to the
15 product of the district's resident enrollment, the per pupil
16 pension and social security aid amount as determined pursuant to
17 section 1 of P.L..... c.... (C.....) (now pending before the
18 Legislature as this bill), and the regional cost factor as
19 determined pursuant to section 2 of P.L....., c..... (C.....) (now
20 pending before the Legislature as this bill), assuming that all
21 other values in the equation remain constant.

22 The calculation of maximum State school aid shall assume that
23 each district receives the maximum aid to which it is entitled.
24 (cf: P.L.1990, c.52. s.13)

25 6. Section 85 of P.L.1990, c.52 (C.18A:7D-28) is amended to
26 read as follows:

27 85. a. As used in this section "local levy budget" means the
28 sum of the foundation aid and pension and social security aid paid
29 pursuant to section 1 of P.L..... c..... (C.....) (now pending
30 before the Legislature as this bill), received by a school district
31 and the district's local levy for current expense and capital
32 outlay.

33 b. Whenever a district's local levy budget for the prebudget
34 year exceeds the district's maximum foundation budget, as
35 determined pursuant to section 6 of this amendatory and
36 supplementary act, by more than 50%, the district's local levy
37 budget for the budget year shall not exceed the district's local
38 levy budget for the prebudget year by more than the product of
39 the local levy budget for the prebudget year and the PCI.

40 c. In all other instances, except as provided in subsection d. of
41 this section, the district's local levy budget for the budget year
42 shall not exceed the district's local levy budget for the prebudget
43 year by more than the amount calculated as follows:

44 LB = PCI x (4 - (2 x PBY/MB)) x PBY

45 where

46 LB means the maximum increase in the local levy budget;

47 PBY means the local levy budget for the prebudget year;

48 MB means the maximum foundation budget for the budget year

1 as determined pursuant to section 6 of this amendatory and
2 supplementary act; and

3 PCI means the average annual increase in per capita income as
4 defined pursuant to section 3 of this amendatory and
5 supplementary act.

6 d. If, for the 1991-92 school year, a district's local levy
7 budget for the prebudget year does not exceed the district's
8 maximum foundation budget, as determined pursuant to section 6
9 of this amendatory and supplementary act or if, in any school
10 year, the district is classified as a special needs district, the
11 provisions of this section are not applicable to the district.

12 e. The commissioner may approve the request of a local board
13 of education for a greater increase, having adjudged that (1) a
14 reallocation of resources or any other action taken within the
15 permissible level of spending would be insufficient to provide a
16 thorough and efficient education, or (2) an increased enrollment
17 may reasonably be anticipated in the district.

18 f. For any school year in which a district's expenses for the
19 employers' contribution for employee pensions and social
20 security exceeds the State pension and social security aid to
21 which the district is entitled pursuant to section 1 of P.L.....,
22 c..... (C.....) (now pending before the Legislature as this bill), the
23 district's maximum increase in the local levy budget shall be
24 increased by an amount equal to the difference between the
25 district's pension and social security expenses and the State
26 pension and social security aid.

27 (cf: P.L.1990, c.52, s.85)

28 7. This act shall take effect July 1, 1991 and be applicable to
29 State school aid for the 1992-93 school year and thereafter.
30 School aid for the 1991-92 school year shall be paid in accordance
31 with the appropriate laws in effect on June 30, 1991.

32

33

34

STATEMENT

35

36 This bill modifies the "Quality Education Act of 1990" to
37 provide for State aid to school districts for pension and social
38 security costs on a per pupil basis beginning with the 1993-94
39 school year. Under the provisions of this bill, all districts would
40 be eligible to receive pension and social security aid equal to
41 \$300 per pupil in the 1993-94 school year, \$650 per pupil for the
42 1994-95 school year and \$1050 per pupil for the 1995-96 school
43 year. In subsequent years the level of per pupil aid would vary
44 with the change in Statewide per capita income. The bill also
45 directs the Commissioner of Education, in consultation with the
46 Commissioner of the Department of Community Affairs and with
47 the approval of the State Board of Education, to establish a
48 formula for providing an adjustment in the aid amount for certain

1 districts if the commissioner determines that regional housing
2 costs result in higher pension and social security costs.

3 The bill modifies other provisions of the Quality Education Act
4 to reflect the payment of pension and social security aid. Each
5 year, each district's foundation budget will be reduced by the
6 amount of pension aid received, so that some districts will not
7 receive double aid for pension and social security costs. Any local
8 costs for pensions and social security shall be exempt from the
9 cap on school district budget increases.

10 The New Jersey Supreme Court in its Abbott v. Burke decision,
11 stated that State aid for teacher's pensions was
12 counter-equalizing because richer districts receive a larger share
13 of the aid. Under this bill pension aid would be distributed fairly
14 on a per pupil basis.

15

16

17 EDUCATION

18

19 Provides for State aid on a per pupil basis to school districts for
20 pension and social security costs.

ASSEMBLY, No. 4191

STATE OF NEW JERSEY

INTRODUCED DECEMBER 3, 1990

By Assemblyman GILL

1 **AN ACT** providing State support for certain teacher pension
2 costs, amending P.L.1990, c.52 and supplementing Title 18A of
3 the New Jersey Statutes.

4
5 BE IT ENACTED by the Senate and General Assembly of the
6 State of New Jersey:

7 1. (New section) Each district's State aid for pensions shall be
8 calculated as follows:

9 $A = E \times PA$

10 where

11 A is the district's aid for pensions;

12 E is the district's resident enrollment; and

13 PA is the per pupil pension aid amount which shall equal the
14 total Statewide accrued liability contribution for the prebudget
15 year as certified by the board of trustees of the Teachers'
16 Pension and Annuity Fund of New Jersey divided by the Statewide
17 total public school enrollment in the prebudget year.

18 2. Section 3 of P.L.1990, c.52 (C.18A:7D-3) is amended to read
19 as follows:

20 3. For the purposes of this act, unless the context clearly
21 requires a different meaning:

22 "Adjusted resident enrollment" means the number of pupils
23 who on the last school day prior to October 16 of the prebudget
24 year are residents of the district and are enrolled in: (1) the
25 public schools of the district, except as a post-graduate or
26 evening school pupil; (2) another school district to which the
27 district of residence pays tuition; (3) a county vocational school
28 district; or (4) a county special services school district.

29 "Bilingual education pupil" means a pupil enrolled in a program
30 of bilingual education approved by the State board.

31 "County vocational school, special education services pupil"
32 means a pupil who is attending a county vocational school and
33 who is receiving specific services pursuant to chapter 46 of Title
34 18A of the New Jersey Statutes.

35 "CPI" means the average annual increase, expressed as a
36 decimal, in the consumer price index for all urban consumers in
37 the New York City and Philadelphia areas during the three fiscal
38 years preceding the prebudget year as reported by the United
39 States Department of Labor.

40 "Current expense" means all expenses of the school district, as
41 enumerated in N.J.S.18A:22-8, other than those required for

EXPLANATION--Matter enclosed in bold-faced brackets [thus] in the
above bill is not enacted and is intended to be omitted in the law.

Matter underlined thus is new matter.

1 interest and debt redemption charges and any budgeted capital
2 outlay.

3 "Debt service" means and includes payments of principal and
4 interest upon school bonds and other obligations issued to finance
5 the acquisition of school sites and the acquisition, construction or
6 reconstruction of school buildings, including furnishings,
7 equipment and the costs of issuance of such obligations and shall
8 include payments of principal and interest upon bonds heretofore
9 issued to fund or refund such obligations, and upon municipal
10 bonds and other obligations which the commissioner approves as
11 having been issued for such purposes. Debt service pursuant to
12 the provisions of P.L.1978, c.74 (C.18A:58-33.22 et seq.),
13 P.L.1971, c.10 (C.18A:58-33.6 et seq.) and P.L.1968, c.177
14 (C.18A:58-33.2 et seq.) is excluded.

15 "District income" means the aggregate income of the residents
16 of the taxing district or taxing districts, based upon data provided
17 by the Bureau of the Census in the United States Department of
18 Commerce for the most recent year prior to the budget year.

19 With respect to regional districts and their constituent
20 districts, however, the district income as described above shall be
21 allocated among the regional and constituent districts in
22 proportion to the number of pupils in each of them.

23 "Equalized valuation" means the equalized valuation of the
24 taxing district or taxing districts as certified by the Director of
25 the Division of Taxation on October 1 of the prebudget year.

26 With respect to regional districts and their constituent
27 districts, however, the equalized valuations as described above
28 shall be allocated among the regional and constituent districts in
29 proportion to the number of pupils in each of them. With respect
30 to certain operating school districts, other than school districts
31 that received funds through a municipal budget in 1989 as
32 determined pursuant to column 1 (c) of Section C of the Abstract
33 of Ratables, that are composed of one or more taxing districts,
34 where 20% or more of the land area of the taxing district is
35 situated within the development district subject to an
36 intermunicipal tax sharing agreement pursuant to P.L.1968, c.404
37 (C.13:17-1 et seq.), the equalized valuation shall equal the
38 product of .70 and the amount of equalized valuation certified by
39 the director.

40 "Evening school pupils" means the equated full-time resident
41 enrollment of pupils enrolled in a public evening school
42 established pursuant to N.J.S.18A:48-1.

43 "Maximum Statewide foundation aid" shall be determined
44 annually by subtracting the total State aid payable pursuant to
45 sections 14, 16, 80 and 81 of this amendatory and supplementary
46 act and section 1 of P.L. , c. (C.) (Now pending before the
47 Legislature as this bill) from the maximum State school aid.

48 "Maximum State school aid" shall be determined for the
49 1992-93 school year and annually thereafter by multiplying the
50 total State school aid calculated pursuant to sections 4, 14, 16, 80

1 and 81 of this amendatory and supplementary act for the
2 prebudget year and the sum of 1.01 and the PCI plus the school
3 aid paid pursuant to section 1 of P.L. , c. (C.) (Now
4 pending before the Legislature as this bill) for the prebudget year.

5 The calculation of maximum State school aid shall assume that
6 each district receives the maximum aid to which it is entitled.

7 "Net debt service" means the balance after deducting all
8 revenues from the school debt service budget of the school
9 district and the school debt service amount included in the
10 municipal budget, except the amounts to be raised by local
11 taxation and State aid.

12 "Postgraduate pupils" means pupils who have graduated from
13 high school and are enrolled in a secondary school for additional
14 high school level courses.

15 "Prebudget year" means the school year preceding the year in
16 which the school budget will be implemented.

17 "Pupils eligible for free meals or free milk" means those
18 children who have been determined to be eligible to receive a
19 free meal or free milk under the National School Lunch Act,
20 42 U.S.C. §1751 et seq., and the Child Nutrition Act of 1966,
21 42 U.S.C. §1771 et seq., as of October 15 of the prebudget year.

22 "PCI" means the average annual percentage increase,
23 expressed as a decimal, in State per capita personal income over
24 the four fiscal years ending on June 30 prior to the prebudget
25 year. The per capita personal income for each of the four years
26 shall be the average of the per capita personal income for the
27 four quarters in each fiscal year utilizing the quarterly data for
28 State personal income and State population as published by the
29 United States Department of Commerce.

30 "Resident enrollment" means the number of pupils who on the
31 last school day prior to October 16 of the prebudget year are
32 residents of the district and are enrolled in: (1) the public schools
33 of the district, including evening schools; (2) another school
34 district, State college demonstration school or private school to
35 which the district of residence pays tuition; (3) a State facility;
36 (4) a county vocational school district; (5) a county special
37 services school district; or (6) are receiving home instruction.

38 Handicapped children between three and five years of age and
39 receiving programs and services pursuant to N.J.S.18A:46-6 shall
40 be included in the resident enrollment of the district.

41 "School district" means any local or regional school district
42 established pursuant to chapter 8 or chapter 13 of Title 18A of
43 the New Jersey Statutes.

44 "Special education services pupil" means a pupil receiving
45 specific services pursuant to chapter 46 of Title 18A of the New
46 Jersey Statutes.

47 "Special needs district" means any school district, other than a
48 school district in which the equalized valuation per pupil is more
49 than twice the average Statewide equalized valuation per pupil,
50 which, as of June 5, 1990: a. was classified by the Department of

1 Education as an urban school district and was included in the
2 department's district factor group A or B; or b. in which the
3 quotient produced by dividing the number of pupils eligible for
4 AFDC by the resident enrollment, less the number of preschool,
5 evening school and post-graduate pupils, is greater than or equal
6 to 0.15 and the number of pupils eligible for AFDC is greater
7 than 1,000. For this calculation, pupils eligible for AFDC means
8 those children aged 5-17 and resident in the district who are
9 members of families which are eligible for "Aid to Families with
10 Dependent Children" pursuant to P.L.1959, c.86 (C.44:10-1
11 et seq.), as of September 30 of the prebudget year.

12 "State facility" means a State residential facility for the
13 retarded; a day training center which is operated by or under
14 contract with the State and in which all the children have been
15 placed by the State, including a private school approved by the
16 Department of Education which is operated under contract with
17 the Bureau of Special Residential Services in the Division of
18 Developmental Disabilities in the Department of Human Services;
19 a State residential youth center; a State training school or
20 correctional facility; a State child treatment center or
21 psychiatric hospital.

22 "Statewide equalized valuation" means the equalized valuation
23 of all taxing districts in the State as certified by the Director of
24 the Division of Taxation on October 1 of the prebudget year. In
25 the event that the equalized table certified by the Director of
26 the Division of Taxation shall be revised by the tax court after
27 December 15 of the prebudget year, the revised valuations shall
28 be used in the recomputation of aid for an individual school
29 district filing an appeal, but shall have no effect upon the
30 calculation of the property value multiplier.

31 "Total Statewide income" means the sum of the district
32 incomes of all taxing districts in the State.

33 "Total Statewide local fair share" means the total Statewide
34 local foundation budget minus the maximum Statewide
35 Foundation Aid.

36 "Total Statewide local foundation budget" means the sum of
37 the foundation budgets of all districts in the State, assuming that
38 each district's local levy, as defined in section 5 of this
39 amendatory and supplementary act, equals its local fair share or
40 the largest amount permitted pursuant to the provisions of
41 section 23 of this amendatory and supplementary act.

42 (cf: P.L.1990, c.52, s.3)

43 3. Section 6 of P.L.1990, c.52 (C.18A:7D-6) is amended to read
44 as follows:

45 6. The district's maximum foundation budget shall be
46 calculated in accordance with the following formula:

47
$$MB = (F \times U) + C - (E \times PA)$$

48 where

49

50 MB is the maximum foundation budget;

1 F is the State foundation amount as defined pursuant to
2 subsection b. of this section;

3 U is the number of foundation aid units for pupils in the
4 district's resident enrollment as calculated pursuant to
5 subsection a. of this section;

6 C is the facilities component, which shall be determined by
7 multiplying the district's adjusted resident enrollment by the
8 facilities aid amount, as defined in subsection b. of this section;

9 E is the district's resident enrollment;

10 PA is the per pupil pension aid amount as determined pursuant
11 to section 1 of P.L. , c. (C.) (now pending before the
12 Legislature as this bill).

13 a. For pupils in the district's resident enrollment, the number
14 of foundation aid units shall be determined by adding the products
15 obtained by multiplying the pupils in each grade category or
16 program category by the appropriate foundation weight. For
17 special needs districts, the appropriate foundation weight for
18 each grade category shall be multiplied by the special needs
19 weight, which shall equal 1.05. Pupils counted in a program
20 category shall not also be counted in a grade category.

21

22 Grade Category	Foundation Weight
24 Full Day Kindergarten or preschool...	1.00
25 Half Day Kindergarten or preschool...	0.50
26 Grades 1-5.....	1.00
27 Grades 6-8.....	1.10
28 Grades 9-12.....	1.33

29

30 Program Category

32 Special education services pupil.....	1.00
33 Evening school.....	0.50
34 Post-graduate.....	0.50
35 County vocational school.....	1.59

36 b. As used in this section:

37 The State foundation amount for the 1991-92 school year shall
38 equal \$6,835.00, and thereafter shall equal the product of the
39 State foundation amount for the prebudget year and the sum of
40 1.0 and the PCI.

41 The facilities aid amount for the 1991-1992 school year shall
42 equal \$110.00, and thereafter shall equal the product of the
43 facilities aid amount for the prebudget year and the sum of 1.0
44 and the PCI.

45 c. For the purposes of calculating foundation aid units
46 pursuant to this section, pupils in ungraded classes shall be
47 assigned to the most appropriate grade category in accordance
48 with procedures to be established by the commissioner.

49 d. The county vocational school program categories shall be
50 applicable to full and part-time post secondary pupils attending

1 county vocational schools, provided that the weight for part-time
2 pupils may be adjusted in accordance with procedures to be
3 established by the commissioner.

4 (cf: P.L.1990, c.52, s.6)

5 4. Section 13 of P.L.1990, c.52 (C.18A:7D-15) is amended to
6 read as follows:

7 13. a. For the purpose of calculating foundation aid for the
8 1991-92 school year pursuant to section 4 of this amendatory and
9 supplementary act, excess free balances for all districts shall be
10 \$0.00.

11 b. For the purpose of computing the maximum Statewide
12 foundation aid for the 1991-92 school year pursuant to section 3
13 of this amendatory and supplementary act, maximum State school
14 aid shall equal \$4,250,000,000 plus an amount equal to the total
15 aid payable pursuant to section 1 of P.L. , c. (C.) (Now
16 pending before the Legislature as this bill) less the Statewide
17 reduction in foundation aid that would result from a reduction in
18 the maximum foundation budget of each district by an amount
19 equal to the product of the district's resident enrollment and the
20 State pension aid amount as determined pursuant to section 1 of
21 P.L. , c. (C.) (Now pending before the Legislature as this
22 bill), assuming that all other values in the equation remain
23 constant.

24 (cf: P.L.1990, c.52, s.13)

25 5. Section 85 of P.L.1990, c.52 (C.18A:7D-28) is amended to
26 read as follows:

27 85. a. As used in this section "local levy budget" means the
28 sum of the foundation aid and pension aid paid pursuant to section
29 1 of P.L. , c. (C.) (Now pending before the Legislature as
30 this bill), received by a school district and the district's local
31 levy for current expense and capital outlay.

32 b. Whenever a district's local levy budget for the prebudget
33 year exceeds the district's maximum foundation budget, as
34 determined pursuant to section 6 of this amendatory and
35 supplementary act, by more than 50%, the district's local levy
36 budget for the budget year shall not exceed the district's local
37 levy budget for the prebudget year by more than the product of
38 the local levy budget for the prebudget year and the PCI.

39 c. In all other instances, except as provided in subsection d. of
40 this section, the district's local levy budget for the budget year
41 shall not exceed the district's local levy budget for the prebudget
42 year by more than the amount calculated as follows:

43

$$44 \quad LB = PCI \times (4 - (2 \times PBY/MB)) \times PBY$$

45

46 where

47

48 LB means the maximum increase in the local levy budget;

49 PBY means the local levy budget for the prebudget year;

50 MB means the maximum foundation budget for the budget year

1 as determined pursuant to section 6 of this amendatory and
2 supplementary act; and

3 PCI means the average annual increase in per capita income as
4 defined pursuant to section 3 of this amendatory and
5 supplementary act.

6 d. If, for the 1991-92 school year, a district's local levy
7 budget for the prebudget year does not exceed the district's
8 maximum foundation budget, as determined pursuant to section 6
9 of this amendatory and supplementary act or if, in any school
10 year, the district is classified as a special needs district, the
11 provisions of this section are not applicable to the district.

12 e. The commissioner may approve the request of a local board
13 of education for a greater increase, having adjudged that (1) a
14 reallocation of resources or any other action taken within the
15 permissible level of spending would be insufficient to provide a
16 thorough and efficient education, or (2) an increased enrollment
17 may reasonably be anticipated in the district.

18 (cf: P.L.1990, c.52, s.85)

19 6. Section 25 of P.L.1990, c.52 (C.18A:7D-33) is amended to
20 read as follows:

21 25. a. State transition aid shall be calculated in accordance
22 with the following formula:

23 $T = F \times (B - A)$

24 where

25 T means transition aid;

26 F means transition aid factor, which shall equal 1.0 for the
27 1991-92 school year, 0.75 for the 1992-93 school year, 0.50 for
28 the 1993-94 school year, 0.25 for the 1994-95 school year, and
29 0.0 thereafter;

30 A means the district State aid amount, which shall equal the
31 sum of State aid received by or paid on behalf of a school district
32 during the 1991-92 school year pursuant to sections 4, 14, 16 .80
33 and 81 of this amendatory and supplementary act and pension aid
34 paid pursuant to section 1 of P.L. . c. (C.) (Now pending
35 before the Legislature as this bill); and

36 B means base aid amount, which shall equal the product of
37 1.065 and the sum of State aid received by or paid on behalf of a
38 school district during the 1990-1991 school year pursuant to
39 sections 18, 19, 20 and 24 of P.L.1975, c.212 (C.18A:7A-18,
40 18A:7A-19, 18A:7A-20, 18A:7A-24), N.J.S.18A:46-23, section 16
41 of P.L.1971, c.271 (C.18A:46-44), N.J.S.18A:58-6,
42 N.J.S.18A:58-7, N.J.S.18A:66-33 and N.J.S.18A:66-66, less any
43 debt service aid received by or on behalf of the district. The
44 commissioner shall adjust this amount for each district which
45 sends or receives pupils to reflect the change in the definition of
46 resident enrollment contained in this amendatory and

1 supplementary act. All of the above aid received by a county
2 vocational school district or a county special services school
3 district shall be reallocated to the districts of residence on a per
4 pupil basis. Aid paid on behalf of receiving districts pursuant to
5 N.J.S.18A:66-33 and N.J.S.18A:66-66 shall be reallocated to
6 districts of residence on a per pupil basis. Aid payments pursuant
7 to N.J.S.18A:66-66 shall be estimated for each district and the
8 commissioner shall adjust the base aid amount when the amount
9 of actual payments are known.

10 b. If, in any year, the transition aid calculated pursuant to this
11 section for any district is less than zero, the district shall not
12 receive transition aid in that year. Five percent of the
13 appropriation for State transition aid shall be paid on the first
14 and fifteenth of each month from September to June.

15 (cf: P.L.1990, c.52, s.25)

16 7. This act shall take effect immediately and be applicable to
17 State school aid for the 1991-92 school year and thereafter.

18

19

20 STATEMENT

21

22 This bill modifies the "Quality Education Act of 1990" to
23 provide for State aid to school districts for pension costs on a
24 per pupil basis beginning with the 1991-92 school year. Under the
25 provisions of this bill, all districts would be eligible to receive
26 pension aid equal to the average per pupil cost of the accrued
27 liability contribution to the Teachers' Pension and Annuity Fund.
28 This amount, determined actuarially, will be approximately \$214
29 each year. The accrued liability contribution covers the cost of
30 additional pension and health care benefits which have been
31 accorded to retirees by the State subsequent to retirement.

32 The bill modifies other provisions of the Quality Education Act
33 to reflect the payment of pension aid. Each district's foundation
34 budget will be reduced by the amount of pension aid received, so
35 that some districts will not receive double aid for pension costs.
36 Similarly maximum State school aid is increased and the
37 transition aid is reduced to reflect the payment of pension aid.

38 It is estimated that the net annual cost of this bill will be
39 \$38,000,000. However, for 1991-92 this cost will be completely
40 offset by a reduction in transition aid. After 1991-92, savings on
41 transition aid will partially offset the cost of the bill for at least
42 three years.

43

44

45 EDUCATION

46

47 Provides for per pupil State aid to school districts for certain
48 pension costs.

ASSEMBLY, No. 4215

STATE OF NEW JERSEY

INTRODUCED DECEMBER 3, 1990

By Assemblymen JACOBSON, VILLAPIANO, Duch, Mecca,
Spadoro, Pelly, Foy and Cohen

1 AN ACT concerning State aid for teacher pension and social
2 security contributions and revising the statutory law.

3

4 BE IT ENACTED by the Senate and General Assembly of the
5 State of New Jersey:

6 1. N.J.S. 18A:66-33 is amended to read as follows:

7 18A:66-33. Regular interest charges payable, the creation and
8 maintenance of reserves in the contingent reserve fund and the
9 maintenance of retirement allowances and other benefits granted
10 by the board of trustees under the provisions of this article,
11 except the amounts payable by other employers under the
12 provisions of this section, are hereby made obligations of [each
13 employer] the State. Except as provided in N.J.S.18A:66-27, all
14 income, interest, and dividends derived from deposits and
15 investments authorized by this article shall be used for payment
16 of these obligations of the State.

17 Upon the basis of each actuarial determination and appraisal
18 provided for in this article, the board of trustees shall [annually
19 certify, on or before the date of the Governor's annual budget
20 message, to the Commissioner of Education, the State Treasurer,
21 and to each employer, including the State, the contributions due
22 on behalf of its employees for the ensuing fiscal year and payable
23 by the employer to the contingent reserve fund. The amounts
24 payable into the contingent reserve fund for each employer,
25 including the State, shall be paid by the State Treasurer, upon the
26 certification of the commissioner and the warrant of the Director
27 of the Division of Budget and Accounting, to the contingent
28 reserve fund not later than July 1 of the ensuing fiscal year. The
29 commissioner shall deduct the amount so certified from any State
30 aid payable to the employer. In the event that no State aid is
31 payable to the employer or in the event that the amount deducted
32 is less than the amount certified as due, the commissioner shall
33 certify the net amount due on behalf of the members to the chief
34 fiscal officer of the employer. Each employer shall pay the net
35 amount due, if any, to the State pursuant to a payment schedule
36 established by the commissioner. The payment schedule shall
37 provide for interest penalties for late payments] prepare and
38 submit to the governor in each year an itemized estimate of the

EXPLANATION--Matter enclosed in bold-faced brackets [thus] in the
above bill is not enacted and is intended to be omitted in the law.

Matter underlined thus is new matter.

1 amounts necessary to be appropriated by the State to provide for
2 payment in full on July 1 of the ensuing fiscal year of the
3 obligations of the State accruing during the year preceding the
4 payment. The Legislature shall make an appropriation sufficient
5 to provide for these obligations of the State. The amounts so
6 appropriated shall be paid into the contingent reserve fund .

7 (cf: P.L.1990, c.52, s.78)

8 2. N.J.S.18A:66-66 is amended to read as follows:
9 18A:66-66. The State of New Jersey shall provide the amount
10 of the employer's share of the social security contributions for
11 members by appropriations upon certification by the Treasurer as
12 to the amounts required; however, the State's provision for the
13 social security contributions shall be limited to contributions
14 upon compensation upon which members' contributions to the
15 retirement system are based. The employer shall pay the
16 employer's share of social security contribution upon all other
17 wages.

18 (cf: P.L.1990, c.52, s.79)

19 3. N.J.S.18A:22-8 is amended to read as follows:

20 18A:22-8. The budget shall be prepared in such detail and upon
21 such forms as shall be prescribed by the commissioner and to it
22 shall be annexed a statement so itemized as to make the same
23 readily understandable, in which shall be shown:

- 24 a. In tabular form there shall be set forth the following:
25 (1) The total expenditure for each item for the preceding
26 school year, the amount appropriated for the current school year
27 adjusted for transfers as of December 1 of the current school
28 year, and the amount estimated to be necessary to be
29 appropriated for the ensuing school year, indicated separately for
30 at least the following items:
31 (a) Salaries--administration
32 (b) Salaries--teaching
33 (c) Salaries--for the operation of plant and maintenance
34 (d) Categorical programs
35 (i) Salaries
36 (ii) Other
37 (e) Supplies for the operation of plant--including fuel
38 (f) Textbooks
39 (g) Instructional supplies
40 (h) Other supplies
41 (i) School libraries and audio visual materials
42 (j) Transportation of pupils
43 (k) Insurance
44 (l) Legal fees
45 (m) Consulting fees, including negotiating fees
46 (n) Contracts for maintenance
47 (o) Property
48 (p) Maintenance

- 1 (q) Evening schools
2 (r) Classes for the foreign born
3 (s) Vocational evening schools and courses
4 (t) Tuition paid to other districts
5 (u) Interest and debt redemption charges, in type II districts
6 (v) [Pension contributions
7 (w) Social Security payments
8 (x)] Any other major purposes including any capital project
9 which the State Board of Education desires to include in the
10 annual budget;
- 11 (2) The amount of the surplus account available at the
12 beginning of the preceding school year, at the beginning of the
13 current school year and the amount anticipated to be available
14 for the ensuing school year;
- 15 (3) The amount of revenue available for budget purposes for
16 the preceding school year, the amount available for the current
17 school year as of December 1 of the current school year and the
18 amount anticipated to be available for the ensuing school year in
19 the following categories:
- 20 (a) Total to be raised by local property taxes
21 (b) Total State aid
22 (i) Foundation aid
23 (ii) Special education aid
24 (iii) Transportation aid
25 (iv) At-risk aid
26 (v) Bilingual aid
27 (vi) Other
28 (vii) Transition aid
29 (c) Total Federal aid
30 (i) Elementary and Secondary Education Act of 1965 (20 U.S.C.
31 §2701 et seq.)
32 (ii) Handicapped
33 (iii) Impact Aid
34 (iv) Vocational
35 (v) Other
36 (d) Other Sources.
- 37 b. In addition, the commissioner may provide for a program
38 budget system.
- 39 c. In the event that the total expenditure for any item of
40 appropriation is equal to \$0.00 for: (1) the preceding school year,
41 (2) the current school year, and (3) the amount estimated to be
42 necessary to be appropriated for the ensuing school year, that
43 item shall not be required to be published pursuant to
44 N.J.S.18A:22-11.
- 45 (cf: P.L.1990, c.52, s.43)
- 46 4. (New section) The Treasurer shall, for the 1991-92 school
47 year, adjust the following in order to appropriately reflect the
48 State's payment of pension and social security costs pursuant to

1 N.J.S.18A:66-33 and N.J.S.18A:66-66:

2 a. The maximum foundation budget for each district, as
3 defined in subsection b. of section 6 of P.L.1990, c.52
4 (C.18A:7D-6), shall be decreased by an amount determined as
5 follows:

6

7 A= SS/SE x DE

8

9 where

10

11 A is the amount by which the maximum foundation budget is to
12 be reduced;

13 SS is the amount of total Statewide support paid pursuant to
14 N.J.S.18A:66-33 and N.J.S.18A:66-66 for the 1990-91 school year;

15 SE is the Statewide enrollment for the 1990-91 school year;

16 DE is the district's resident enrollment for the 1990-91 school
17 year.

18 b. The maximum State school aid, as defined in subsection b.
19 of section 13 of P.L.1990, c.52 (C.18A:7D-15), shall be decreased
20 by an amount equal to the total State support which would have
21 been paid to the foundation aid districts under N.J.S.18A:66-33
22 and N.J.S.18A:66-66 if each district's maximum foundation
23 budget had not been adjusted pursuant to subsection a. of this
24 section.

25 c. The base aid amount, as defined in section 25 of P.L.1990,
26 c.52 (C.18A:7D-33), for each district shall not include State
27 support paid pursuant to N.J.S.18A:66-33 and N.J.S.18A:66-66.

28 d. The local levy budget for purposes of calculating the budget
29 growth limitation, as defined in section 86 of P.L.1990, c.52, shall
30 exclude State support paid pursuant to N.J.S.18A:66-33 and
31 N.J.S.18A:66-66;

32 e. The foundation budget for purposes of calculating the
33 foundation aid growth limitation, as defined in section 25 of
34 P.L.1990, c.52 (C.18A:7D-3), shall exclude State support paid
35 pursuant to N.J.S.18A:66-33 and N.J.S.18A:66-66.

36 5. This act shall take effect immediately.

37

38

39 STATEMENT

40

41 This bill modifies the Quality Education Act of 1990 by
42 reestablishing the State's responsibility for paying the
43 employer's share of teacher pension and social security
44 contributions. The Quality Education Act would have shifted
45 these costs to the local school districts beginning with the
46 1991-92 school year.

47 The bill directs the Treasurer to adjust the maximum
48 foundation budget, the maximum State school aid amount, the

1 base aid amount in the transition aid formula, the local levy
2 budget, and the foundation budget to reflect the removal of
3 pension and social security costs from the districts.

4

5

6 **EDUCATION**

7

8 Shifts responsibility for paying employer's share of teacher
9 pension and social security contributions from school districts to
10 the State.

TABLE OF CONTENTS

	<u>Page</u>
Assemblyman Harry A. McEnroe District 27	3
Assemblyman Louis J. Gill District 36	9
Dr. Philip Esbrandt Superintendent of Schools Cherry Hill School District	13
Marilyn Morheuser, Esq. Education Law Center, Inc.	33
Assemblyman Daniel P. Jacobson District 11	46
Betty Kraemer President New Jersey Education Association	58
Dr. James Connerton Executive Director New Jersey Education Association	65
Debbie Cosgrove New Jersey Principals and Supervisors Association	76
Walter Chesner Associate Executive Director New Jersey Principals and Supervisors Association	76
Anna Taliaferro Paterson, New Jersey	80
Jeremiah F. Regan Immediate Past President New Jersey School Boards Association	87
Jeanne Reock New Jersey School Boards Association	91
Raymond A. Peterson New Jersey State Federation of Teachers	101

TABLE OF CONTENTS (continued)

	<u>Page</u>
Dr. Jean Emmons Associate Director Governmental Relations New Jersey Association of School Administrators	105
Philip E. Stern, Esq. New Jersey Association of School Administrators	106
Sandra K. Schwartz President Highland Park Board of Education	110
Gene Keyek Assistant Executive Director New Jersey Association of School Business Officials	117
Judith Cambria Education Director League of Women Voters of New Jersey	124
Dr. Timothy C. Brennan Superintendent of Schools Holmdel Township School District	135
Dr. Eileen J. Smith-Stevens Superintendent of Schools Rumson School District	142
Betty DiGruttila Co-Chairperson Bergen County School Board Association's Coalition to Address the QEA	154
Dr. Theodore Kruse President Piscataway Board of Education	161
Thomas Morton Superintendent of Schools Allendale School District	166
Judith Annette Member Green Brook Board of Education	175

TABLE OF CONTENTS (continued)

	<u>Page</u>
Gary Nardino Chairman Education Committee Passaic Valley High School Regional Board of Education Finance Chairman Little Falls Board of Education	177
Barbara Benson Legislative Chairperson Middlesex Borough Board of Education	186
James Harris Private Citizen	190
APPENDIX:	
Statement, plus attachments, submitted by Dr. Philip Esbrandt	lx
Statement, plus attachments, submitted by Marilyn J. Morheuser, Esq.	16x
Statement submitted by Walter Chesner	27x
Statement submitted by Philip E. Stern, Esq.	31x
Statement submitted by Sandra K. Schwartz	34x
Statement submitted by Judith Cambria	38x
Statement, plus attachments, submitted by Dr. Timothy C. Brennan	43x
Statement submitted by Dr. Eileen J. Smith-Stevens	52x
Statement submitted by Dr. Jamie P. Savedoff Superintendent of Schools Colts Neck Township School District	57x

TABLE OF CONTENTS (continued)

APPENDIX (continued):

	<u>Page</u>
Miscellaneous materials submitted by Betty DiGruttila	63x
Statement submitted by Dr. Theodore Kruse	73x
Statement submitted by Dr. Lawrence S. Feinsod	75x
Statement submitted by Ronald E. Bolandi Assistant Superintendent Middlesex Borough School District	77x
Letter addressed to the Committee from Stella Sadofsky Teacher Mount Laurel School District	78x
Letter addressed to the Committee from Dr. Anthony F. Del Tufo President Livingston Board of Education, and Dr. Robert S. Kish Superintendent of Schools Livingston School District	80x
Letter addressed to Committee Aide from Thomas J. Sellitto Deputy Superintendent of Schools Verona School District	82x
Letter addressed to Committee Aide from Daniel A. Borgo Board Secretary/ School Business Administrator West Essex Regional School District	84x
Statement, plus attachments, submitted by Dr. Gloria Bonilla-Santiago Chairperson Hispanic Women's Task Force of New Jersey	86x

* * * * *

mjz: 1-196

ASSEMBLYMAN GERARD S. NAPLES (Chairman): May I have everyone's attention? I would like to get started within five minutes. We have a rather long, seemingly trying, hopefully not trying day in front of us, and we are going to get started within five minutes. I will make an opening statement, and then indicate the order in which I would like the proceedings to go. We will try to adhere to that as closely as possible. There will be some spontaneity, of course, which we cannot control, but we are going to get going. So, let's settle down. Committee members, let's get up here and we'll get going. Someone asked me if we would take a break for the Super Bowl. I can't guarantee it. (brief pause here)

We are about ready to get going now. Let me tell you the order in which I want to proceed. First, inasmuch as we had a Committee meeting -- I underscore the word "meeting" -- last Thursday, and today we are having a special public hearing -- I underscore the word "hearing" -- members of the Legislature testified-- Several members will lead off today who have not been availed of the opportunity to do so. Inasmuch as those persons -- of the myriad of persons who have signed up -- may touch upon what was said last week, I have taken the liberty of inviting back every legislator who appeared here last week, because if something is said about a legislator's bill, that legislator reserves to himself the right to respond, and we will take it from there.

So, the legislators are not on this list, but whether or not they testify again depends upon what is said. If a legislator is criticized or needs to clarify something which was said about his bill, which was articulated last week, that legislator will be permitted to testify. I had promised that we would go in this order. Last week I walked up-- Poor Harry McEnroe, who waited around for so long-- I told him we would lead off with his bill. Then Assemblyman Gill will go shortly thereafter. Then we will move on, of course, and the Committee

members will have an opportunity to comment or ask questions. That is understood.

But I am going to do something I normally don't like to do. Owing to the fact that we have 25 people who have signed up so far -- and if no one else wants to sign up my feelings won't be hurt at all, I can assure you-- Owing to the fact that so many people wish to speak, I am going to place a limitation of 10 minutes. Now, I am not going to cut anyone off in mid-sentence, but I have to tell you that I want you, if you have a prepared statement, to hand it in to the Committee. It will be entered into the record. This is a public hearing, so verbatim it will be entered into the record. But I don't want any statements read verbatim. Give your statement-- I think you will do a better job if you do something spontaneously. The Committee will question you, and then we will go on. We may run a little over 10 minutes per person, but we have to start out with some, let's say, truncated parameters, at least, in order to obviate our going into the Super Bowl in late January.

Let's get started. Do you want to call the roll, David?

MR. ROSEN (Committee Aide): Assemblyman Rocco?

ASSEMBLYMAN ROCCO: Here.

MR. ROSEN: Assemblyman Kyrillos?

ASSEMBLYMAN KYRILLOS: Here.

MR. ROSEN: Assemblyman Cimino?

ASSEMBLYMAN CIMINO: Here.

MR. ROSEN: Assemblyman Pascrell?

ASSEMBLYMAN PASCRELL: Here.

MR. ROSEN: Assemblyman Naples?

ASSEMBLYMAN NAPLES: Yes.

MR. ROSEN: We have a quorum.

ASSEMBLYMAN NAPLES: By the way, we are in a room in which sound carries. If anyone would like to discuss

something-- I would appreciate it if the individuals who are prone to discuss what goes on here would step outside, so that both the Committee members and those who wish to hear what is going on are not disturbed.

Harry, do you want to come forward -- Assemblyman McEnroe? (Assemblyman McEnroe complies) Go ahead, Harry.

A S S E M B L Y M A N H A R R Y A. M C E N R O E: Mr. Chairman, good morning. I will respond to your plea for truncated parameters.

I am here this morning to ask the consideration of this Committee to include in its deliberations my sponsorship. The bill is A-4140. I understand completely the requirements of the constitutional obligation which -- I think most of us agree -- the requirement that we must redirect funds to certain special districts in the State of New Jersey to guarantee that equal opportunity, educationally, is provided for all.

I think the sense and the redirection of that money should be handled at the State level. I think the genesis of the Governor's tax proposal begins with an effort at tax reform, and I submit to all of you that the imposition of the responsibility of payment of pension and Social Security benefits for teachers being absorbed by local taxpayers is intolerable, particularly in those urban counties where the local real estate property tax is well above the State average. The requirement of this further imposition of heavy taxation, I think, threatens the viability of those communities.

I think this is a major public policy issue. If tax reform is our goal, I think certainly the requirement of these benefits resulting in such a substantial increase in taxation should be borne by broad-based taxation. The State is organized. We are committed to supporting our State taxes based on the ability to pay; the broad-based concept of income tax, and the choice tax, in a sense, of State sales tax.

I would hope that in the deliberations of this Committee this bill will be given complete and careful consideration. I assure you that this is a bill whose concept is being carefully evaluated around the State. I think this is an opportunity for all of us to act on behalf of the league of taxpayers, and in recognition of this burden I would ask that this bill be considered as a part of the overall agenda of the Committee.

I am prepared to answer any questions.

ASSEMBLYMAN NAPLES: Thank you very much, Harry, for a very fine synopsis. You covered the bill very well, without reading it verbatim. Would any member of the Committee like to question the Assemblyman, or make a statement relative to what he said? John?

ASSEMBLYMAN ROCCO: Yes. Harry, you mentioned tax revision. You know, you said, "That is our goal." I am not sure that is our goal. I guess that is the context of your approach to this QEA, but I am not sure that is everyone's goal, at least not my goal. I think the taxpayers have pretty much had it. This is the main concern that I have in regard to your comment that we are looking for tax changes.

ASSEMBLYMAN McENROE: This is an additional burden tax-wise -- the \$250 million. There is no question about that. But I do believe the State has that responsibility. I submit that to you conceptually. But I think there is agreement across the State of New Jersey among taxpayers, among tax experts, that we should base our taxation-- Our whole policy should be generated by the ability to pay.

I submit to you that the income tax, which presently funds most of the statewide programs, is the correct and most equitable way of raising taxation. This would, again, alleviate the burden on real property taxpayers in New Jersey, and resubmit it, I think, where it belongs, and that is on a broad-based basis across the taxpayers of New Jersey, based on the ability to pay concept.

ASSEMBLYMAN ROCCO: Harry, you are indicating that pensions, then, go back to the State? I am in agreement with that, if that is what you are indicating. But, you know, on a broader scale, the entire QEA, I think, has other problems. That is why I think everything has to be handled at one time. I don't think you can do the pensions without doing the rest of the QEA, although I am willing to do that. I think the pensions belong back with the local municipalities -- with the State, and not in the local municipalities.

I am not sure what you are driving at. If that is what you are driving at, I am in agreement with you. If you are talking about restructuring the tax in the State, which has already been done, so to speak, which I disagree with, that is a different story.

ASSEMBLYMAN McENROE: Through the Chair, this bill intends to address a specific issue. It is aimed more at -- as a recognition of the plight of the taxpayer, than it is, in a sense, a commitment to the teaching profession. I am concerned more with the impact of this Quality Education Act than I am with the salvation of teachers' benefits.

What we are doing here is structuring a circumstance where we commit an average amount of State funds to support the pension and Social Security benefits of the average teacher -- and then it can develop conceptually -- of \$900 per pupil across the State. So we're saying that that is the average cost of the teachers' pension and Social Security benefits package. We are submitting that every State -- every district should be compensated by the State for that average conceptual cost of the package. It is based on an average sized class, an average teacher's salary. If a district decides it will pay above the State average and salary, or reduce the class size below the average ratio, it may do so. But the obligation of the State would be to fund that amount of money that would -- an amount equal to what is the average cost of that benefit package.

So, it doesn't dismantle the Quality Education Act, which I commit totally to support. I have done so by my vote. But in this particular area, in recognition of the impact of this portion of the Quality Education Act on the local property tax owner, which I feel is intolerable, particularly, again, in those mostly densely populated, highly urbanized, heavily taxed counties of our State-- I think this is a reasonable and fair solution to a problem that really threatens the viability of these communities.

ASSEMBLYMAN ROCCO: I don't have anything else.

ASSEMBLYMAN NAPLES: Good questions, Assemblyman; good questions. Is that it, John?

ASSEMBLYMAN ROCCO: Yes.

ASSEMBLYMAN NAPLES: Would any other member of the Committee like to pose a question or make a statement relative to what the Assemblyman has stated? Assemblyman Kyrillos?

ASSEMBLYMAN KYRILLOS: Gerry, I would just like to say a couple of things--

ASSEMBLYMAN NAPLES: Sure.

ASSEMBLYMAN KYRILLOS: --not related to Assemblyman McEnroe's statement.

ASSEMBLYMAN NAPLES: That's okay; go ahead.

ASSEMBLYMAN KYRILLOS: Before we get into the bulk of the witnesses, I have a message from the Minority Leader, who wants to say--

ASSEMBLYMAN NAPLES: He was invited.

ASSEMBLYMAN KYRILLOS: Yes, and he is sorry he couldn't be here today. He wanted me to point out for the record that there is a Committee substitute for his bill -- Assembly Bill No. 3743 -- which is available for the Committee's consideration. Assemblyman Haytaian agrees with this proposal. The substitute contains language -- technical changes -- that he referred to last week, that would make the costs of his bill identical to the Jacobson/Villapiano bill.

Those changes also contain the lapsed foundation aid provision, which will provide for significant revenue toward the costs of State resumption of pension and Social Security costs.

Also available for the Committee's perusal are figures -- which I have here if you don't -- which detail the amount of lapsed aid which could be available under the Minority Leader's proposal. Please remember that these figures are based on the assumption that 123 districts will not raise the huge amount of property taxes necessary to qualify for 100% of foundation aid. The figures in Chuck's proposal are based on two budget scenarios -- and I am almost finished, Mr. Chairman--

ASSEMBLYMAN NAPLES: That's all right. Go ahead, Joe.

ASSEMBLYMAN KYRILLOS: --8% and 10% budget growth respectively. The 8% figure is probably a little bit optimistic. Chuck grants that, although--

ASSEMBLYMAN NAPLES: Very, very optimistic.

ASSEMBLYMAN KYRILLOS: --I point out that the administration used an 8.5% budget growth scenario in their criticism of the Senate Republican proposal. The 10% figure may be a pessimistic figure for purposes of determining how much lapsed aid will be available. The true amount of unexpended foundation aid will probably fall somewhere closer to the 8% figure.

So, I hope the Committee will consider this revenue source, and I thank you for your time.

ASSEMBLYMAN NAPLES: First, I just want to say that I am going to look over the bill very carefully. Anytime Committee hearings are held, the possibility of a Committee substitute always looms very large on the horizon.

I am really sorry the Minority Leader didn't show up. I was going to say, "Uh oh, Jack, Chuckie's back." It was going to be my first statement, a little levity there. But I thank him for his statement.

We are going to go on now to--

ASSEMBLYMAN CIMINO: Mr. Chairman?

ASSEMBLYMAN NAPLES: Yes? I'm sorry, Skip. I didn't see you, excuse me. Assemblyman Cimino.

ASSEMBLYMAN CIMINO: Thank you. I don't want to turn this into a contentious affair to begin with this morning. It is a bright, sunny day, and there are a lot of smiles out there in the audience from people whom I just had the opportunity to converse with. But I would not want to sit here and let that particular statement from my good friend Joe Kyrillos go unnoticed, go unanswered, quite frankly.

The Committee substitute that Mr. Kyrilos points to fails to resolve the basic issue that impacts directly upon every taxpayer in this State. It is one of the issues-- I think it is the very cornerstone, or foundation of the Quality Education Act -- the issue of equity. It still does not address that issue. Additionally, I think there are some fallacious assumptions that are being made. Indeed, we do not know what those local districts will do, inasmuch as those local districts do not have a direct amount of money and understand what, in fact, they will be getting from the office. Another assumption is that they will only expend 8.5% when, in fact, district budgets have been leaping forward by greater than that.

I think the Assembly Minority knows that as well as we do. It does not cover the costs as is supposedly substantiated. But aside from all of the cost factors and the fallacious assumptions that the Committee substitute comes forward with, sir, I will continue to sit here and I will continue to talk about the issue of equity, how to resolve that issue. The Committee substitute does not, and will not, address the basic supposition of equity in this State.

ASSEMBLYMAN NAPLES: I take cognizance of Assemblyman Cimino's statement. Let me just say, speaking for myself, I am going to read it thoroughly. I am going to talk to all parties involved.

Assemblyman Kyrillos has asked for the floor for a moment to make a quick response. Joe?

ASSEMBLYMAN KYRILLOS: Just a quick response to my friend Skip Cimino: I would just like to remind him and members of the Committee that it was the Governor who used the 8.5% budget growth as his figure in analyzing other proposals. Assemblyman Cimino is correct that there is no way we can tell exactly how districts will prepare their budgets and what kinds of increases are out there. But I think it is safe to say that many, many districts will not raise taxes to the amount that they would have to to get the full amount of foundation aid. There is some money -- a significant amount of money -- that has been budgeted, or we might anticipate that might be budgeted.

I think that this proposal is equitable, certainly at least as equitable as the many other proposals forwarded by Assemblyman McEnroe, Assemblyman Jacobson, and others who will come before us today.

ASSEMBLYMAN NAPLES: Okay, thank you.

Is that it, Assemblyman? (no response) A very fine presentation; succinct, to the point. I thank you on behalf of the Committee for coming forward.

ASSEMBLYMAN McENROE: It has been my pleasure, Mr. Chairman.

ASSEMBLYMAN NAPLES: Okay, Harry. We can talk basketball tonight maybe, instead of politics.

Assemblyman Gill. Welcome, Lou.

A S S E M B L Y M A N L O U I S J. G I L L: Good morning, Mr. Chairman and members of the Committee. I thank you for the opportunity you have given me to speak concerning Assembly Bill No. 4191.

Under A-4191, all districts would be eligible to receive pension aid equal to the per pupil cost of the accrued liability contribution to the Teachers' Pension Annuity Fund.

This amounts to approximately \$214 per pupil. This accrued liability is approximately \$230 million for health benefits, and cost of living increases for retired teachers. This cost is a direct result of State action, and has little, or nothing, to do directly with actions taken at the local level. Consequently, I feel it is appropriate for the State to pay for this liability. The cost to the State of providing this additional aid is approximately \$33 million, not the \$38 million contained in the statement of the bill.

Mr. Chairman and Committee members, I note from your discussion with the sponsors of other pension bills that you are concerned with the equity issue as it relates to the special needs districts and the I and J districts. I would like to point out that with the exception of the McGreevey/Pelly bill, A-4191 causes the least disparity between these two groups. On the average, this bill gives only \$123 in additional aid per pupil to the I and J districts. In my opinion, this minimal amount would not result in increasing the disparity between these two groups. I can't imagine that this amount of money would be an incentive for the wealthier districts to spend more.

Mr. Chairman, I will conclude by pointing out that the cost of my bill is minimal -- \$33 million. And in the first year, this cost will be completely offset by transition aid. During the three following years, transition aid will at least partially offset the cost of the bill.

I trust you will give this, and all of the bills your undivided attention and due consideration. Thank you, Mr. Chairman, for the opportunity to present this bill.

ASSEMBLYMAN NAPLES: Thank you, Lou. Before going further, Lou, I just want to point out to the Committee members that it is a logistical thing. You have two microphones in front of you. I just want to remind you to put them close together because one is for the P.A. system so that people can

hear, and the other is for the recording. I don't want anything garbled in this transcript, so try to get them together.

Are there any questions up here? Would anyone like to question Lou or make a statement? Assemblyman Pascrell?

ASSEMBLYMAN PASCRELL: Thank you, Mr. Chairman. Assemblyman Gill, after reading your bill I have come to the conclusion that you are on the side of the plaintiffs in this case. You know, when it comes right down to it, you are either on the side of the plaintiffs in the case of Abbott v. Burke, or you are on the side of doing things as usual -- business as usual -- and trying to fight out, as we did in 1975, some innocuous positions.

I am saying to you, Assemblyman, that your legislation comes down very specifically on the side of the plaintiffs, and I commend you for that. There is no demagoguery in that legislation that I could find. You lowered your voice and raised your commitment, and I commend you for that because those of us on this side of the table, many times, have a difficult time doing that, including myself.

Your bill speaks to an investment in education, and that is what we are talking about here, Assemblyman. I think your bill also protects some very fundamental reasons why legislation was mandated by the courts of the State of New Jersey. The State must assure that expenditures for the "regular education of children" in the 30 special needs districts are substantially equivalent to those for children in the 108 affluent suburban districts. The court said that. Your legislation reflects that.

Secondly, additional funds -- that the State would make additional funds available to address the special educational needs of those districts. Your legislation also does that. And it does three other things -- three other things in terms of the 30 urban districts: The court said that

that funding must be a certainty every year. The bill addresses that. It may not depend on the budgeting and the taxing decisions of local officials. Your bill addresses that also. And what the court said -- not what the Governor said, not what any Committee said-- This is what the court said, Mr. Gill. Your bill addresses that. So, we are not going to depend on any whim or any judicious or nonjudicious decision by a local official as to whether or not we are going to meet our constitutional responsibilities. Your bill addresses that.

And thirdly, your bill, I think, takes into consideration something we talked about last Thursday, and that is municipal overburden which the court recognized and very specifically defined and got us out of the jargon -- got us out of the trite cliches when we deal with how tough it is to live in cities and raise taxes. So I think your bill addresses all of those things.

Having said that, I think your bill addresses the very essence of what Abbott v. Burke started in that case, as a 12-year-old Camden school boy who is now in jail. Mr. Gill, this is a serious business. We all have special interests. There is no one who does not have a special interest. Instead of pointing fingers at whose interests are more special, it is time for us to stand back -- the politicians -- and think about the kids of New Jersey first and foremost. Your bill does that.

I am ready -- Mr. Gill, I want you to know this -- to move your bill today, if time necessitates. I thank you for your efforts, and I commend you. Thank you, Mr. Chairman.

ASSEMBLYMAN GILL: Mr. Pascrell, I thank you for looking into the bill and doing all the research you did, all the homework that is required to understand the bill fully. I thank you for your good words, and I thank you for your support of the bill.

ASSEMBLYMAN NAPLES: No one else has indicated a willingness to make a statement or has indicated a desire to

pose a question, so we will go on. Thank you very much, Assemblyman Gill.

I am going to digress here. There are some people from Cherry Hill who are in a hurry, and I am going to move from 23 (referring to list of witnesses) up to, right now, Phil Esbrandt, of the Cherry Hill School District. Would you please come forward, Dr. Esbrandt? Dr. Esbrandt has indicated that he has a very, very pressing problem.

Phil, before you start, remember what I said: Paraphrase, synopsize. This is in the record by virtue of the fact that it has been handed to David and me.

D R. P H I L I P E S B R A N D T: Thank you, Mr. Chairman, members of the Committee. What you have before you is a lengthy presentation I have been using at presentations throughout South Jersey. I have tried to explain how the QEA works. What I found is that there needs to be some kind of change, both in the QEA and how we take a look at it.

The experience we are going to have, and have had in Cherry Hill, has been devastating to our budget planning. This past year we lost \$5.4 million in preparation for the '90-'91 budget. We were worried about the '91-'92 budget. So what we did was put together some programs that analyzed the data which we were given by the Governor's Office. And what I would like to do is draw your attention to the last page of the packet--

ASSEMBLYMAN NAPLES: Did you say, "the last page"?

DR. ESBANDT: The next to the last page, where we did some analysis on how the pension transfer to local districts would affect Cherry Hill, and how we believe it affects other school districts in the State. That page is entitled: Impact of shifting pension costs, etc. on local budget from the 1990-1995 time period, assuming a different PCI growth rate.

As was mentioned here this morning, 8.5% was the figure given to us last spring. Looking at the numbers going down the road, it might be more like 2% that might be necessary in the year 1992-'93.

On this chart, we list our total budget for 1990-1991 as \$83 million. The current planning for the 1991-1992 budget calls for \$9.4 million, which is the pension cost total, we are told, for Cherry Hill, to be added to that budget. So before building the budget for '91-'92, we may be looking at \$92.4 million as a starting point.

We are also told by the Governor's Office that our total foundation aid is estimated at \$26 million, which includes that \$9.4 million. So I have at the bottom of the column for '91-'92, \$9.4 million listed there.

Each of the next three years assumes some information. They assume that pensions will grow at approximately 10% a year and, as indicated, our aid increase is likely to grow at 2%. So just multiplying the aid -- the \$26 million -- times 1.02, the figure grows, in '92-'93 to \$26.5 million. So the pension costs, growing at the 10% rate, increased to \$10.3 million in the '92-'93 year.

What I have listed in the brackets is a difference of \$420,000 which would be required of the local district to raise when pensions get transferred to the local district.

The next year that figure grows to \$503,000, and then almost \$600,000. Obviously, if pensions are growing that significantly, the burden on the local taxpayer to support those would grow significantly. Or, another way to look at this is, the expenditure costs for other items in the budget will have to be reduced in order to accommodate this growing portion of the budget.

This led me to think about, what are the alternatives? Shifting the burden to the local district creates a problem for every district. Also, there are assumptions in the QEA. In looking at the QEA, I made some assumptions that the capping procedure is constitutional.

ASSEMBLYMAN NAPLES: Do you want to repeat that? I didn't pick it all up. I don't know if everybody else did.

DR. ESBANDT: I am assuming that the capping procedure in the QEA is constitutional; that the effort to hold down the expenditures of the wealthy school districts in order to close the level of disparity between wealthy and poor districts is constitutional. If that is true, then something needs to be done which will deal with the pension costs as well. So on the last page, I have a proposal to make this Committee--

I propose that the Education Committee consider a mechanism which retains State support of pensions and related costs at the proposed level for '91-'92, but amends the Quality Education Act to limit the amount of money to be paid as an increase to local districts in subsequent years; that limit to the PCI or some multiple of the PCI. This mechanism would parallel the use of PCI for increases in the foundation aid, and it would serve as a cap to the affluent districts, without restricting special needs districts.

Over a number of years, the special needs districts' expenditures for salaries, and therefore related pension costs would increase, thereby narrowing the gap between the affluent and the special needs districts with regard to the amount of money paid by the State for pensions and Social Security. What this does is use a period of time to implement a capping procedure and balance the costs, something -- an effort that probably should have been done with QEA when it was first formed. I offer this as an amendment to one of the other pieces of legislation.

ASSEMBLYMAN NAPLES: Is that it, Phil?

DR. ESBANDT: The rest of the material I offer to the Committee--

ASSEMBLYMAN NAPLES: Okay.

DR. ESBANDT: --as backup for understanding the proposal.

ASSEMBLYMAN NAPLES: All right. Thanks so much. Remain seated, Phil. Would any member of the Committee wish to question or make a statement? John? Assemblyman Rocco, I didn't see you, excuse me. I am not myopic. I am looking straight ahead.

ASSEMBLYMAN ROCCO: Basically, having lost over \$5 million and potentially continuing to lose millions from the State, I think-- You know, we have heard quite a bit about the special needs districts in these hearings. It may be interesting just to give a perspective as to the impact on taxpayers in Cherry Hill, for instance, under the new proposed QEA.

DR. ESBRANDT: John, I assume that was a question to me?

ASSEMBLYMAN ROCCO: Yes.

DR. ESBRANDT: This past year, the loss of the \$5.4 million, plus the commitment to those contractual agreements made in the district prior to budget construction, resulted in a 46-cent tax increase proposal placed before the taxpayers this past April. We had an enormous campaign, and the community felt that this particular proposal and the loss of money was a direct affront to the type of efforts to provide quality education that the district had provided in the past. The community turned around, after defeating the budget two years in a row, and passed this past year's budget.

The message after the election was over was: "We passed it this time, but you can't expect that kind of support down the road. It is not going to happen." Knowing that the budget year is overlapped by two taxing years, we have to transfer to the local taxpayers the second half of that loss of revenue last year into this year's planning.

The loss of revenue anticipated by switching pensions to the local district, on top of the loss of revenue that we have incurred before, is going to cause us to go back to the

taxpayer again with a healthy increase, or a dismantling of programs. There have been innumEROUS -- just like in other districts -- compromises reached between the community, parents, school board, and taxpayers on what goes on in the schools. What goes on in the schools is not going to continue with the kind of tax changes being forced on local taxpayers. Taxpayers have spoken in many ways, more recently in bond referendums across the State which have caused people not to have their referendums passed. That is going to continue.

ASSEMBLYMAN ROCCO: Cherry Hill having-- Mr. Chairman?

ASSEMBLYMAN NAPLES: Go ahead, John.

ASSEMBLYMAN ROCCO: Having been a principal in Cherry Hill and knowing the quality education that is provided by that district, and as the State moves into this new proposed QEA, especially with the pension shifts, do you think that ultimately, two, three, four years down the line, that the Board will have to make a decision between programs and quality and funding the pensions and requirements of the State?

DR. ESBRANDT: I don't think that is even as far down the road as three years. I think in school districts today, boards and superintendents are working on ways to cut the expenditure programs back, in order to accommodate the loss of revenue they are anticipating. So I see that in planning now. In two or three years I see it as being a much bigger problem. I see class sizes going up. I see the number of opportunities in elective courses at the secondary level being decreased. And I see program opportunities in the area of (indiscernible) and athletic activities dropping dramatically.

ASSEMBLYMAN ROCCO: Basically, the pension shift back to the local district, as part of this proposal that this Legislature has already passed, and now looking hopefully to change to some degree-- The pension shift you feel would -- by putting that back on the local school boards -- have, certainly, a significant impact upon programming and quality

education in those districts that have worked hard and have had merit for so many years.

DR. ESBANDT: Districts that have been successful are going to have a very difficult time keeping that success at the current levels. It will drop off. I think the transition to even the capping procedures is going to result in dramatic changes of morale in school districts between boards and their employees. There is going to be a long period of tension and stress and conflict over those changes.

The proposal that I offer as a compromise tries to indicate that the State continue at the current level, but that future commitments made by local boards be temporized by the capping procedure. I offer that as a compromise to some of the proposals being made. I feel that some of the pieces of legislation on the table wind up changing the relationship very quickly in the amount of money available up-front to local school districts, by reducing the amount coming to the districts from the State for pensions. That is why I offer the compromise today.

ASSEMBLYMAN ROCCO: Just one last question, Phil.

ASSEMBLYMAN NAPLES: Go ahead.

ASSEMBLYMAN ROCCO: It is assumed by some that so-called districts -- many districts that are not special needs districts -- can easily afford to fund this new QEA, and that it will not have a significant bearing either on the quality of the programs in these districts or the ability of the taxpayer to bear the burden in order to meet the requirements of the QEA. Do you have any perspective on that?

DR. ESBANDT: As a member of the 25 superintendents group that put the position paper together and indicated that there are items in the QEA which hurt local school districts, most of those districts being suburban school districts-- The difficulty caused by the funding system in the new QEA drastically removes programs in a short period of time based on

the loss of money. It is easy to put a budget together when revenue grows or stays the same. You can extend what you have. But to take money away from a school district budget and to then pick among priorities, in a short period of time reduces -- creates conflict out of the loss of the agreements, the compromises that were made among members of the school staff and the community. What you have is a difficult time of taking things apart based on what were commitments thought to be mandates and also programs of an elective nature that the community required, and the board made as a mandate.

That is a difficult task. That is not going to be easy. The task involves much discussion with people. Superintendents and boards will be very busy building a dialogue and trying to create a consensus out of doing with less, and that is a different process than school districts have had to follow in New Jersey before. That is why it is going to be difficult.

ASSEMBLYMAN ROCCO: Just the last part of that question: In order to maintain the quality you presently have in so many school districts in the suburban communities, as well as some urban communities, can the taxpayers bear the burden of the QEA and maintain the quality?

DR. ESBRANDT: Taxpayers are telling us that they are not willing to bear that burden. Over a period of time, senior citizens have already told us that the current burden is too great for them. Our community, and many others, contains citizens on a fixed income. They may be in a home that is valued at a great deal today, but their income is low, and that creates a problem for support, especially when taxes which deal with their income have gone up as well.

ASSEMBLYMAN ROCCO: Thank you.

ASSEMBLYMAN NAPLES: Thanks, Assemblyman Rocco. Assemblyman Cimino? Before you start, Assemblyman, what is your position in the Cherry Hill schools, Phil?

DR. ESBRANDT: I am Superintendent of Schools.

ASSEMBLYMAN NAPLES: Okay. I didn't pick that up, I'm sorry. Go ahead, Skip.

ASSEMBLYMAN CIMINO: Doctor, good morning. It is nice to see you here this morning. Let me say to you, as well as to those among your group of the 25, that I found your paper to be very good, as well as I thought there were some key points in there that we ought to consider as refinements to the QEA.

Unfortunately, I do not agree with the suppositions with regard to pensions. Let me ask of you at this point: Can you tell me what the per capita income is in your community?

DR. ESBRANDT: No, I cannot. I do not have those figures.

ASSEMBLYMAN CIMINO: Our data suggests that it is \$73,751 per year.

DR. ESBRANDT: That sounds pretty high. Per capita income?

ASSEMBLYMAN CIMINO: That's household income, household income.

DR. ESBRANDT: Oh, household income. Looking at the number of Chapter I students in our district, which is quite large, and the service we are providing to students with free lunch and free milk programs, we are serving a student population that may not meet the definition that is implied by the figure you gave.

ASSEMBLYMAN CIMINO: Well, do you have any idea what the household income is in Camden City? If I am not mistaken, you border Camden City, do you not?

DR. ESBRANDT: Part of our district borders Camden.

ASSEMBLYMAN CIMINO: Okay. Do you have any idea what the household income is there?

DR. ESBRANDT: I do not. We do not have the statewide figures for the different communities.

ASSEMBLYMAN CIMINO: Okay. It's \$17,606 per year. When we talk about the pension costs in terms of additional property tax to deal with the per pupil pension and Social Security costs in your district according to numbers we have, it would probably mean about \$190 in property tax increase if you were picking up the costs of the pension, as opposed to Camden City, where it is about \$1060. It is roughly about 10 -- a little under 10 times, or thereabouts.

I wanted to ask the aide to the Committee, Mr. Rosen, to deal with the assumptions you have made. You are an equalized district, are you? You are not a minimum aid district?

DR. ESBRANDT: No. We are going to be a foundation aid district hopefully next year.

ASSEMBLYMAN CIMINO: Okay. Does your aid grow next year? It does, does it not?

DR. ESBRANDT: We are told it grows by 6.5% over this year's amount.

ASSEMBLYMAN CIMINO: All right. Mr. Rosen, based on-- David, based on the Superintendent's analysis here, assuming a 2% State aid increase-- What would have to happen for there to be a 2% State aid increase to this district to get down to that level?

MR. ROSEN: As I understood the Superintendent's statement, he was assuming a PCI growth of 2%.

DR. ESBRANDT: The average over the four-year period that would go into effect.

MR. ROSEN: The PCI measure that is used in the Quality Education Act, as you are aware, is a three-year rolling average. So to attain a 2% three-year average for the '92-'93 figures, it would probably require -- and again, I do not have the numbers in front of me; I am doing a very rough calculation -- a double digit negative growth in personal income in the State. In order to drive the three-year average,

which is now somewhere around 8% or 9% -- 7% -- down to 2%, you would need perhaps a 10% or 12% negative decline in personal income in the State in order to hit that in '92. In the other years, you would need less, because you assume several years of negative growth in income.

ASSEMBLYMAN CIMINO: That is suggesting something that borders on disaster.

DR. ESBRANDT: The scenario I gave you also, before we reached that one, included, starting with the 8.5% that the Governor's Office listed last year-- That 8.5% winds up producing a much smaller increase in local taxes for us than this scenario. But, just trying to project what the economic conditions and the change in the income are going to be between last year, this year, and next year-- It winds up giving us little hope that we are going to get 8.5% as an increase in our revenue. So that is why there is a lower figure that is being projected here.

ASSEMBLYMAN CIMINO: Next year you don't lose any money at all in any-- I mean, you're harmless, right? I mean, you're actually going up in terms of aid from the State of New Jersey.

DR. ESBRANDT: Our district is scheduled to go up in aid during the '91-'92 school year, as I indicated to you earlier.

ASSEMBLYMAN CIMINO: Okay. I don't have any further questions of the witness. Thank you.

ASSEMBLYMAN NAPLES: Assemblyman Rocco wants to just make a brief statement. John?

ASSEMBLYMAN ROCCO: Skip, it is obvious what you are attempting to drive at. When you look at the PCI-- The Governor is saying it's 7.5 plus one, or 8.5.

ASSEMBLYMAN CIMINO: I had it changed, though. That's right.

ASSEMBLYMAN ROCCO: So if we look at '88-'89, which were very good years, we have a 6.8 growth PCI, which is under what the Governor had indicated to begin with. As the economy declined and continues to decline, the PCI will continue to go down. It may not go down to 2%, but it will certainly go down significantly, because '88-'89 were better years, and that was a 6.8 factor.

So, if we continue to decline that number-- As I say, it may not go down to 2%, but that average will certainly be significantly below the 8.5 number. The impact ultimately, as the years pass and the pensions increase significantly more, the costs increase significantly more than the PCI, that is where suburban districts get eaten up by the pension growth, as opposed to the PCI growth.

I think that will cost millions and millions ultimately to many, many districts. That is the reason for my support in putting the pensions back to the State, because, as we said before, it wasn't broke. It was a great system. It had tremendous stability. There was absolutely no reason to change the pension system in the State of New Jersey, and we went ahead and did it. The courts didn't require it. As many testified, Republicans and Democrats, it was not required by the courts. Many attorneys -- and I am not an attorney-- It was not required, and we went ahead and did it, and put the pensions back on the local districts.

Now, you know, I don't want to get into the same arguments we had the other day, but, you know, it is necessary to provide strength if we are going to do anything to revise the educational programs in this State, to get the pensions back to the State and off the backs of the local municipalities. You know, it is as simple as that.

ASSEMBLYMAN NAPLES: Thank you, Assemblyman. If there are no further comments-- Assemblyman Cimino?

ASSEMBLYMAN CIMINO: Mr. Chairman, I appreciate Dr. Rocco's comments. I would simply say, once again, what this issue evolves, and revolves around is the whole issue and the whole supposition of equity and disparity.

How many students are in your district?

DR. ESBRANDT: Approximately 10,000.

ASSEMBLYMAN CIMINO: So you would mirror, I would say, my community, Hamilton, relatively speaking in terms of population.

DR. ESBRANDT: I would think so, yes.

ASSEMBLYMAN CIMINO: We had about 10,900 the last time I checked. Even in that instance, John, we like to think of ourselves as a suburban municipality. You're fortunate. I mean, you've got a household income that is \$73,751 per year, in relationship to our community, which is \$39,000.

So, the numbers keep coming out glaringly different, that there is, in fact, a basic inequity here. What the shift, quite frankly, means, is that school districts will have to better manage their resources and how they look at priority costs when we deal with the costs of education in the State. I think that in the course of things, these gentlemen who represent, I guess-- Is that all part of BOSTON/TEA? Is that what you are? You're just 25 superintendents who have gotten together to deal with this issue.

DR. ESBRANDT: To identify some of the concerns of the QEA.

ASSEMBLYMAN CIMINO: I think some of their points are well-taken. I think we ought to talk about refining this Act to have a talent enrichment program. I think you are absolutely right. I think we ought to look at the question of whether it ought to be free milk, or the old compensatory ed rules. I think you are absolutely right. But when we come down to the basic supposition of equity and how we deal with equity in this State, and the disparity that exists out there,

and glaringly-- The reason I didn't use my own community to begin with, quite frankly, Doctor, is because I wanted to use two communities that border each other to see the glaring differences that are there.

When we talk about \$190 as opposed to \$1000 and the disparity in per capita income of -- household income, pardon me -- 17 to 73, that is substantial. I think, in themselves, the facts speak glaringly to the basic inequities that are in the educational system in the State of New Jersey.

DR. ESBANDT: Mr. Chairman, may I respond?

ASSEMBLYMAN NAPLES: Let's wrap it up, because we are going beyond the 10 minutes. Assemblyman Pascrell had his hand up; then we are going to come back to John, and then we will go on. Assemblyman Pascrell?

ASSEMBLYMAN PASCRELL: Dr. Esbrandt, how are you?

DR. ESBANDT: Good morning.

ASSEMBLYMAN PASCRELL: I must say that I found your presentation to be reasonable and well-documented, and I find that refreshing. I don't say that in a patronizing sense, I mean it.

There are a couple of points that I am concerned about: As I understand the principle upon which your data is presented in this document, the principle is that beginning next year the added pensions-- You can see the local districts picking up those added pension costs with increased salaries, but let's not deal with what already is. Am I stating it correctly?

DR. ESBANDT: Almost.

ASSEMBLYMAN PASCRELL: Okay. Help me out.

DR. ESBANDT: What this does is retain what is, in terms of current numbers--

ASSEMBLYMAN PASCRELL: Right.

DR. ESBANDT: --and it says the State and the district will share, in the future, any increases that go beyond the capping system based on PCI.

ASSEMBLYMAN PASCRELL: Okay, so we are pretty close here. I think there is a certain attractiveness to that idea, but we all know that it would be impossible for the State of New Jersey to take back all public employees' pensions. We couldn't afford it.

Now, we have to deal in the reality of what is. Whether it is a policeman or a fireman, whether it is any public employee, much of that pension is picked up by the local system. While this was not an attempt to reinvent the wheel, there are certain glaring things here that had to be addressed. Whether we liked it or not, the Supreme Court said, "You better address them," and this was our response to it.

Let me ask you: How have property taxes increased in your town over the last four years? What would you say the average property tax increase was in 1986, '87, '88, and '89?

DR. ESBRANDT: Probably 6% until this past year, when it was about 13% to 14%.

ASSEMBLYMAN PASCRELL: Why do you think the property tax increased to that degree in your community? What was the primary reason? Was there a primary reason?

DR. ESBRANDT: Well, there were several. Increasing salaries-- The average salary in our district for employees went up; also the cost of benefits. Those taken together plus any changes we made in order to accommodate our objectives, increased the budget.

ASSEMBLYMAN PASCRELL: Are you familiar with A-3743, the bill presented by the Minority Leader which addresses--

DR. ESBRANDT: I think I have seen it. I think I have a copy of it here.

ASSEMBLYMAN PASCRELL: --the question of pensions in a very different way than you have addressed it. Are you familiar with that bill?

DR. ESBRANDT: Not completely. I think I have seen the summary, sir.

ASSEMBLYMAN PASCRELL: I would just like to state some things for the record, Mr. Chairman, if I may, and then I will conclude.

ASSEMBLYMAN NAPLES: Sure, go ahead.

ASSEMBLYMAN PASCRELL: Thank you. Talking about \$900 million of pension money, the Supreme Court found that such payment is counter-equalizing and constitutionally infirm. Mr. Chairman, as of 1991, the State of New Jersey -- meaning all the taxpayers in the State of New Jersey -- will be subsidizing the 108 most affluent districts' pension funds at \$355 more per child than in the 30 urban districts.

ASSEMBLYMAN NAPLES: Yeah, I picked that up.

ASSEMBLYMAN PASCRELL: That is a fact of life. You didn't make it that way, Mr. Chairman. They didn't make it that way, and we didn't make it that way, but it is a fact of life. It's a number. You arrive at that by looking at the data.

This represents, in my estimation, a 41% greater subsidy to the wealthiest districts in the State of New Jersey. Now, that is what I call "inequity." That is what I call "inequity" for children. For instance, the return of the pension to the State of New Jersey has been subscribed by some of these bills that have been before us, both on the Democratic and the Republican side-- There is no monopoly here on where we stand on these issues. It is not a party issue at all.

I took some numbers which are the pillar of the opposition's response to QEA, which speak to the pension issue -- A-3743. We're back to the bill. Assembly Bill No. 3743 requires across-the-board reductions in funding all handicapped conditions in the State of New Jersey. For children who are chronically ill or visually impaired, such reductions would average \$2000 per child. Yet, we are led to think -- on this side of the table -- that there are proposals being put forth before us in order to respond to the great pension dilemma --

which we have created as legislators, first of all -- that these bills are much better than the QEA. Unless we look at the numbers, and unless we look at the facts, we are never going to come to a resolution.

I think, Dr. Esbrandt, you attempted -- and I commend you for it -- to bring us to some reasonable place where we can sit on a platform and discuss modifications, fine-tuning, and what have you. Assemblyman Cimino's numbers are on target in terms of property taxes and in terms of incomes, and these are things that need to be looked at away from the high horses of debate when we resolve-- We are here to resolve; we are here to be part of a solution, aren't we? You want what we want. We want education for all the kids in the State of New Jersey.

So, I commend you. But, when we look at the numbers and the results of these bills that have been placed before us, and look at some of the insidious scalpel wounds they make to the very fiber of education in this State, it is incredible that they have been presented in the first place. You may say, well, you have taken the least -- those who least protect themselves -- those least able to defend themselves, the handicapped, but it is legion--

DR. ESBANDT: With all due respect, sir, that wasn't my proposal. Okay?

ASSEMBLYMAN PASCRELL: I am responding to the proposal. I know it is not your proposal. What I am saying to you--

ASSEMBLYMAN NAPLES: Assemblyman Rocco is next. Assemblyman Pascrell, you may continue.

ASSEMBLYMAN PASCRELL: --is thank you. I am sure we are going to resolve this in some manner, shape, or form.

ASSEMBLYMAN NAPLES: Assemblyman Rocco, and then Assemblyman Kyrillos.

ASSEMBLYMAN ROCCO: Mr. Chairman, it is obvious to me that we are trying to rectify something at this point. The

reason we are doing that is because when the original bill was before our house and before the Legislature, it was rushed through, and it was a slam-dunk. Now we are trying to take care of what we should have taken care of before. Now we're having hearings. Now we are trying to find out how to resolve it.

You are absolutely right, though; that is what we are here to do. This wasn't done necessarily-- I mean, the proposals before you are not just proposals from our side of the aisle. They are proposals from all over the lot; both parties, looking to find something to resolve the pension question before us. Bill, you so often indicated the issue of the special needs districts. But, as we have said so many times before-- I have given 30 years to education. We want to continue to support and subsidize the special needs districts, to whatever degree, to help every single kid in the State of New Jersey.

Camden presently gets almost 95% of its school moneys from State and Federal moneys. We want to continue that, improve it, meet the court requirement that the special 30 districts be taken care of with additional funds. The problem is -- to the taxpayers, to the senior citizens in the suburban communities, to the first-time home buyers, to those looking to improve their position in life, so to speak, who have gone to districts where they feel their children can get the kind of education they want them to get -- you know, the question of whether if you continue to tax at such a rate, those senior citizens and those first-time home buyers in the suburban communities can take the burden. Ultimately, the taxpayers in this State have revolted. As soon as that bill passed, the first thing I told people who asked, the media, was that there would be a taxpayers' revolt in this State, and there was a taxpayers' revolt. And there will continue to be a taxpayers' revolt, unless we do something about minimizing the impact upon

the suburban communities. We are assuming that they can all handle the costs that we want to put on their backs, and they can't. At some point, you have to find relief for those districts.

You can't just quickly do it, suddenly do it. There have to be phase-in programs. You have to find a way to do it, without hurting anyone and making it impossible for many seniors to live in their present homes. It is not, like, "Let's automatically--" I am not sure what the household income is in Cherry Hill, whether it is 73 or not. I'm not sure. I don't think it is. But the fact is, there is a point of no return, where there are a lot of people in Cherry Hill-- I can show you that in other suburban communities they are just making it paycheck to paycheck to paycheck, and they can only stand so much in the way of taxation.

I think this Committee-- You know, all of us -- and I know both sides of the aisle extremely well -- are looking for the same thing. We are not looking to hurt any child. We are looking to better every child in the State of New Jersey. The question is: How can we best do it fairly for all concerned? I don't think anyone is against, you know, continuing to subsidize. Camden is at 95% now and they need 96% or 97%, or whatever it may be. Let's find a way to help those districts. But let's not destroy good systems, you know, the Gifted and Talented, and other programs that make a district unique, different. Providing us with much of what we need in society, as well as providing for every child in the system, is part of every educator's responsibility, and part of our Committee responsibility.

ASSEMBLYMAN NAPLES: Thank you. Let me say this: I have let this discussion go on a little longer for a very, very good reason, but we are going to get back to the 10 minutes. This sort of sets the tone for what is going to come afterward. There are many issues which were couched; they have

been couched heretofore. We are reviewing them, weighed against the backdrop -- I wouldn't say "exchange," but the cross dialogue. The rest of the meeting will be conducted-- If I allow this much latitude, we would not only be dilatory, but we would be here until the Super Bowl.

I am going to call on Assemblyman Kyrillos, Assemblyman Pascrell, and then we will wrap it up and go on to PSA. Assemblyman Kyrilos?

ASSEMBLYMAN KYRILLOS: Just very briefly, Mr. Chairman, in response to my friend Bill Pascrell's earlier comments concerning Assembly Bill No. 3743 -- the Minority Leader's bill -- I would just like to remind him, and those who are here assembled, that the Minority Leader recognized that there were some flaws -- as he termed them -- in his original proposal, and he went to great pains to say so at our last meeting. He said at that time that those flaws -- as he called them -- would be changed, and his Committee substitute reflects those changes in an attempt to prevent double payment of pensions. There were some things that were in that original bill that were inadvertent. I think he has been very clear in recognizing those problems and in correcting them.

Let me further say, Mr. Chairman, I will do all I can to move this meeting along. It is 11:30 now, and it is not really fair to the witnesses who are out there that they not be heard today. Time is at a premium now.

ASSEMBLYMAN NAPLES: Let me just say this: I want to move it along, but I don't want to deny the evincing of any important point of view here. I made a serious mistake. Marilyn Morheuser is next. The Education Law Center previously made that statement. Then next is PSA.

Thank you very much, Phil, for your presentation. Bill, did you want to say something? Go ahead.

ASSEMBLYMAN PASCRELL: Yes, just very briefly. I think Assemblyman Rocco-- I couldn't agree--

ASSEMBLYMAN NAPLES: And this is it.

ASSEMBLYMAN PASCRELL: --more with what you just said, John. I think you've been fair. That is basically what we are looking for. The problem we are all having, it seems to me -- correct me if I am wrong -- is, if minimum aid is unconstitutional, simply by supplying another form of aid and calling it something else does not make it constitutional. How do you deal with that? I mean, we, as legislators, have a dilemma on our hands trying to minimize the pain in the burden. How do we do that and stay within the framework? Some might say -- as they did in '75 -- "Let the courts worry about whether it is legal or not." I think we have decided--

One thing we have agreed upon among the five of us is, we want to do it responsibly, and we want to do it legally, and not shift it off to another branch of government. Correct?

ASSEMBLYMAN ROCCO: Absolutely.

ASSEMBLYMAN PASCRELL: What I am saying to you is, we are not really far from agreeing on a goal. How we get to that point, I think, is very, very critical. So, pain is no less because it is felt by a property owner in suburbia rather than a property owner in a city. Once we have gotten that out of the way, I think we might surprise some people as to what we can come up with. But to just shift the term of what we call this aid is not going to get us anywhere, I don't think. That's all I'm saying. Thank you.

ASSEMBLYMAN NAPLES: Let me say this before going on: Phil, thank you. I would ask the Committee members here to bear in mind that we have pretty much covered a gallery of issues which would pretty much be endemic to what will come subsequently. Bear that in mind, and keep in mind the word "dilatory." We are going to tie everything in together synergistically when this is all over. I want to move this thing along, but not at the expense of abridging substance.

Thank you very much, Phil.

DR. ESBANDT: Thank you, Mr. Chairman and Committee.

ASSEMBLYMAN NAPLES: Marilyn Morheuser, Education Law Center.

M A R I L Y N J. M O R H E U S E R, E S Q . : Mr. Chairman, I don't know if you have noticed, but these mikes are not on.

ASSEMBLYMAN NAPLES: Pardon me?

MS. MORHEUSER: It is very difficult to hear back there. The mikes are not--

ASSEMBLYMAN NAPLES: The question here is: Would those standing by the door-- If you are having difficulty hearing, please raise your hands. (hands raised) Okay. I would appreciate it if the Committee members and those speaking would speak a little more loudly, so that what is being stated will be heard. That is the purpose of speaking, I gather.

Marilyn, thank you for coming up.

MS. MORHEUSER: Thank you. Mr. Chairman, members of the Committee: Because we are now facing a constitutional crisis, I ask the Committee's indulgence today to permit review of the basis for our present situation. I could not be more serious in offering testimony to you today, for we are on the verge of a return to court, which I do not want, which I am sure you do not want, and which this already divided State does not need.

Today I want to remind the Committee of Abbott v. Burke, its genesis. This is the constitutional decision which controls your action. I want to review with you not only what led to Abbott against Burke, but what the court in that unanimous decision provided us in terms of specific constitutional and public policy standards for evaluating the amendments before you. Every amendment that comes before you should be evaluated against the standards established in Abbott, as well as I wish to review with you the warnings the court gave, in the court's words, about failure to meet their decree.

As you know, this is not the first time the Legislature has had a responsibility to construct and assure timely implementation of a constitutional formula. Years of haggling over Chapter 212 back in the '70s produced numerous political compromises. As a result of those compromises, disparities in the allocation of resources for poor and affluent districts doubled, then tripled, then quadrupled.

As we marshaled the facts for the Abbott case, we recognized that in this State, the second richest of all states in terms of income, there has developed a convergence of the most critical and harmful indicia of terrible growing discrimination in the allocation of educational resources. Some current facts are illustrative: Not only are we second richest in income, but within our borders four of the eleven most distressed cities in the nation exist. They are: Paterson, Newark, Trenton, and Camden.

Of the 266,000 children discriminated against as the court found yea these many years in 30 urban districts, 80% are now black or Hispanic, and the court adverted to that racial level of difference making in providing funds. Many of those children are desperately poor. We heard data today about income in Camden.

A 1990 congressional study chose New Jersey to be among the five most disparately funding states in the nation in providing resources for education. In racial segregation we also get very high marks. We are the fourth most segregated State in public schools in terms of black segregation. We are the third most segregated State in terms of Hispanic segregation. It is those children, primarily in the 30 poor districts, where the court says there must be -- absolutely must be a change for.

By 1989-90, the New Jersey Supreme Court, aware of all of these facts, and many, many more, found that funding for the regular education of children in those 30 poor urban districts

was, on average, \$1770 less than funding for the education of children in the 108 most affluent districts, which the court found, ironically, do not depend so much on schools for their education, because they have so many other enriching experiences.

As a result of these funding deficiencies, the court found that these poor districts, and I quote: "offer curricula denuded," not only of advanced academic courses, but of virtually every subject that ties a child, particularly a child with academic problems, to school of art, of music, of drama, of athletics, and even to a substantial degree, of science and social studies.

To go on with the court's language, alongside these basic skills districts -- because that is all they are -- are school systems offering everything parents seriously concerned for their children's future would want, and everything a child needs?

Every year little children beginning school face these two totally divergent New Jerseys as they walk into kindergarten, and as they continue on, until they may be among the 50% dropping out, for instance, of the poorer New Jersey. What they face didn't happen by chance. It was the inevitable result of a lack of commitment to equity and access.

Following Robinson Five, in which the court articulated its expectation that the Legislature would initiate action to ameliorate the problem of municipal overburden, no legislative action was taken. Instead, year after year, the Legislature underfunded the statute, so that contrary to what Dr. Rocco told us this morning, districts like Camden, which should get a very high percentage of State support, had diminishing percentages of State support every single year. Although wealthy districts with a lot of extra benefits from the State could tax more locally to spend, to tap, and beyond, that option was not available to poorer districts. So, the disparities grew and the children suffered.

As to remedy, when the Abbott court looked at these facts, it was also faced with the history of its own past failure. It had deferred to the Legislature following Robinson. "Do a better job." That was the message. For that reason, in 1990, the Supreme Court of New Jersey issued a decree that is unmatched for its specificity in any school finance decision in this nation. It is the very specificity of that decree that provides the primary set of standards which this Committee must use to review any proposed change in legislation.

Listen to the Court's words: "For all of these reasons," the Court said in reviewing the Abbott facts, "the Court found the constitutional failure clear, severe, extensive, and of long duration." The Court decreed, and I quote: "In order to provide a thorough and efficient education in these poorer urban districts, the State must assure that their educational expenditures per pupil are substantially equivalent to those of the more affluent suburban districts; and that in addition, their special disadvantages must be addressed."

Now, just in case you missed the message, the Court defined the verb "assure." This is what the Court said: "Assure means that such funding cannot depend on the budgeting and taxing decisions of local school boards. Funding must be certain every year." It added further: "The design of a funding plan should take into consideration the municipal overburden of poorer urban districts. If the State allows richer suburban districts--"

There was a question this morning about the constitutionality of caps. This language tells you that the Court has no problem with the State capping. "If the State permits richer districts to increase spending disparity, it must increase the funding of poorer urban districts accordingly."

Now, in addition to the bills before you today -- and I am not going to go into great detail on this -- you also have-- I presented you with copies of our proposed amendments. The memo accompanying the proposed amendments, and those amendments, set out what I would characterize as changes needed to fine-tune the Quality Education Act. In contrast to these changes, the bills which you have before you today would dismantle the Quality Education Act; would destroy its underlying principle of fairness.

First, one word about the Quality Education Act: Unquestionably, improvements have been made in the funding scheme for providing education in New Jersey under that Act. Unquestionably, courageous steps have been taken to bring a significant degree of equity into statewide funding, and that for the first time in the history of our great State. I have great respect for the Governor and for the majority of legislators who recognized, as the Supreme Court did, the importance of the standards of equity and fairness in public policy.

As to our amendments: First -- and there has been advertence to this today -- the requirement that the 30 districts reach parity is a critical requirement, and a very specific one. We have no mechanism in the present statute or in any of the statutes proposed today to assure that. I believe for this statute to meet the constitutional requirements, there must be such a mechanism. We have proposed a three-year mechanism for doing so. I won't go into detail, unless you have questions.

Secondly, as to the State assuring the adequacy of funding for the additional needs -- the additional needs of poor children -- we have no assurance that the weightings we now have for the special needs to be met under the at-risk -- the funding for at-risk programs, are sufficient. We ask for a study to determine the costs of the additional programs which poor children need, and then to assign appropriate weightings.

As to a recommendation I heard discussed earlier today concerning the changing of at-risk, I hope that isn't what I heard, but it sounded to me like the changing of funding for at-risk programs back to remediation. I would say that would fly in the face of the Court Order. The Court Order said there has to be money for extra programs, not just remediation, and I think that has to be kept in mind.

As to the local fair share of the 30 districts, I think we are in serious trouble in the Quality Education Act in the requirement of the tax rates that are assigned and the increased revenues we are requiring from 21 of the 30 districts. You should remember that the Court never lost sight in its remedy of where the children live; of the economic status of those districts. The Court tied the remedy of where the money comes from to the remedy of how much money there should be.

Recalling that, you should know-- We have had a lot of discussion today about tax rates for education. The Court defined municipal overburden as a "total tax rate well above average." The Quality Education Act does not consider total tax rates. You have before you today some data we brought. It begins with total tax rates and the percentage those tax rates are of the State average total tax rates for the 30 districts. That is the top sheet. Then we have, for some 134 of the non-foundation districts -- the very wealthy districts in New Jersey -- their total tax rates. They begin at 35 cents. You will find that 28 of the 30 urban districts are above average, many of them well above average. The State average is \$1.71 for total tax rates. The total tax rate of Camden is \$4.25. That is what the Court was talking about. Among the 134 districts that are before you in the second set of data, only 11 exceed the State average.

In talking about any remedy that would advert to taxing capacity, the Court said, "You cannot just change the

present statute that relies so heavily on local taxes for these 30 districts," referring to the guaranteed tax base. "These districts," the Court said, "even assuming the most generous guaranteed tax base, will not be willing, or able to fund what is required for a thorough and efficient education. Their need to conserve their tax dollars, their need not to increase their total tax rate will inevitably persuade them not to spend more, but to tax less. That is inevitable.

Rather than redesign the statute to take into consideration total tax rate, what we recommend is a cap tax rate and an identical tax rate for all 30 districts that would be the lower of either the pre-budget year's average tax rate -- and this year I have been told it is \$1.02 for education -- or the budget year's property wealth multiplier, which when the bill went through was \$1.08 against present wealth. I am not sure what it will be.

Finally, the State aid for the 30 urban districts should be distributed on a current-year basis -- on a current-year-enrollment basis. That is because what the Court expects-- The additional programs within those districts will add to their student numbers, which means that we will get back to the same old game; that in the first year of new programs, the local districts will have to pick up the tab totally. That is contrary to the Court's decision, which says that money for children in these districts cannot depend upon taxing and budgeting decisions. It is absolutely contrary.

Now, I submit that unless or until these changes are made in the Quality Education Act, it does not meet the Abbott constitutional imperative, and plaintiffs much challenge it.

You should know that a return to Court will invite a thorough review of all aspects of the Quality Education Act and of all related funding. The loss experienced by districts which legislators are now concerned about may be much greater than you now envision. Listen to the warning of the Court.

Can the Act, in its system of education, be declared unconstitutional in its entirety, as plaintiffs demand? And you should know that is what we argued for. Certainly the answer is: If the failure is not remedied in accordance with the decree issued by this Court, such a declaration may be the Court's only recourse. The Court warned that its concern for the financing of education will continue. It talked first of all about there being ongoing potential confrontation between the branches of government. That potential confrontation concerns one of the most important functions of government -- education -- and involves substantial public funds, implicates the taxing power, and is potentially of a continuing nature.

ASSEMBLYMAN NAPLES: Excuse me, Marilyn. How many more cards (referring to index cards witness is using for reference) do you have, so I can judge--

MS. MORHEUSER: Not many.

ASSEMBLYMAN NAPLES: Okay.

MS. MORHEUSER: I am really moving quite fast. Some things I am not even going to cover.

ASSEMBLYMAN NAPLES: Go right ahead, please.

MS. MORHEUSER: Now, let me deal with the present phenomenon in New Jersey that has brought before you numerous bills for extensive and drastic changes in the Quality Education Act, whether from BOSTON/TEA or from the 25 districts or, more generically, from Hands Across New Jersey, as to the wealthy districts that are complaining, and there are numbers of them. For years, wealthy suburban communities have been able to finance a high level of public service, including schools, at a low cost to themselves. The pattern in New Jersey is contrary to the national pattern. Nationally, suburbs spend at a higher -- or tax at a higher rate to support education than cities. New Jersey cities tax at a higher rate to support education than suburbs. As Assemblyman Pascrell has noted, for years all of us, including taxpayers from the

cities-- I live in Newark; I pay taxes. A lot of people in Newark pay taxes. We have been supporting, we have been underwriting extra spending for suburban districts. That is the privilege that is being taken away now, and the privileged always believe they should never lose their privileges.

But, I'm sorry. The Court looked at this payment-- First of all, the Court looked at minimum aid, and said, "Do you know about that money? Let me tell you, citizens of New Jersey, it is up to \$163 million. No district gets it that is poor. Only rich districts get it, because they're rich. And do you know the result of it? It simply increases the disparities, so that is unconstitutional." Now, you've got another kind of aid that may well be constitutionally infirm. This is what this Committee must recognize. The only reason the Court did not declare that aid unconstitutional is because the State had continued to argue -- as the Court reminded us it had argued in Robinson -- that this pension fund package could only be administered from the State level.

That was a hostile administration arguing before the Court. This administration has shown us, through legislation it has designed, that the administration of the pension package can still go on at the State level, and it will go on at the State level. So there is no more argument. The Court said that only for that reason would they permit that funding to go on. We must remember that.

Before we examine the bills before you, let us examine the validity of the argument we have heard today that non-foundation districts cannot afford to assume the additional tax burden of the pension package. You have before you another set of data that looks at non-foundation aid districts and some of the 30 urbans that are either in those districts or nearby, and compares the wealth of the non-foundation districts, their '92 school tax rate projected by the State, and what it would cost in terms of an increased tax rate for those non-foundation

aid districts to totally pick up in one year -- not gradually over several years -- the costs of the teacher pension package. Look, for instance, at the 11th Legislative District comparisons. There you see 12 non-foundation aid districts. None of them would have to go up to the State average for tax rates -- not one of them. Most of them would have almost insignificant increases, starting with Allenhurst, no significant increase, Sea Bright, one penny, and so on through these districts.

What you see here is a pattern; a pattern of high wealth versus low wealth, of low tax rates in the wealthy districts versus high tax rates, and a minimal effort required. I submit to you that for these districts to pick up, even in one year -- which the QEA does not require -- the total costs of pensions, does not, in any way, indicate an inability-- None of the data we have looked at indicates an inability. What we have is an unwillingness. And we have a complaint, largely ahead of time, that is looking at the worst possible scenario.

Proposed legislation-- Now let me speak generically to all of the bills. First of all, they reduce -- most of them -- by large and annually increasing amounts, the equalized portion of State aid. That is the most significant effect. Thus they destroy the principle of fairness and equity, and they reduce amounts going to all districts, except for one bill, even the 30 urban districts, for regular education.

Secondly, it has been asserted by the proponents of some of these bills which distribute aid on a uniform basis, that this aid is similar to categorical funding, and therefore might pass constitutional muster. I beg to differ. The Supreme Court defined categorical funding. It was the position of plaintiffs in Abbott that all funding should be examined for its equalization or non-equalization potential, and the Court did that.

This is what the Court said: "In effect, we hold that under the present funding schemes, State aid that is counter-equalizing, that increases funding disparities" -- which most of the bills before you would do because the foundation level would go down, and I will explain that in a minute -- "and that has no arguable educational or administrative justification, is unconstitutional."

Categorial aid-- Here is the definition. You will hear the definition why it cannot apply to the aid proposed in these bills: "Although it is not as equalizing as equalization aid, it is not counter-equalizing. It goes to all districts and, in fact, more of it goes to the poorer districts. Furthermore, it has clear educational justification. It helps meet the costs of educating students with special needs." We cannot say that about the pension package funding. It is not targeted to children with special needs, and that is the Court's definition.

Now, why is there a problem about reducing aid for districts -- for foundation aid districts under these bills? We have two definitions in the bills. One is the maximum State school aid, how it is derived. Each year, we take foundation aid, categorical aid, transportation aid for the pre-budget year and we multiply it by the PCI plus 1.01. Now, that gives us a limited pot. Then we move into maximum State foundation aid, and that is the aid for regular education.

How do we get it? We take off the top everything but foundation aid. That is how we get it. We take off the top categorical aid and transportation aid. If these bills pass, we will take off the top, as we have yea these many years, the Teacher Pension Fund. Absolutely, it will come off the top. What is left will be what we have left for foundation aid. So every one of these bills represents a drastic reduction. The surplus I have heard talked about today would not take care of that reduction, by the way.

Now, as to individual bills -- and I am almost finished, Mr. Chairman--

ASSEMBLYMAN NAPLES: Thank you.

MS. MORHEUSER: As to the Jacobson bill -- A-4215 -- and the Haytaian redo that I hear will be patterned on it, section 4a. of that bill reduces each district's maximum foundation budget by the State average per pupil cost. Now, we have looked at the inequities in the distribution of State aid for the pension, right? This is the average per pupil cost of the pension fund times the district enrollment. Poorer districts have lower than average pension costs because their teachers earn less, and they have relatively fewer teachers. So they are going to be deprived more under this bill just to get the money to pay for the pension fund at the State level. It is the most disequalizing bill before you.

The Baer measure bill has a unique feature. It says we should test the effect of housing costs on teachers' salaries. So what it tells us, in effect, is to perpetuate the status quo. Rich districts pay higher teachers' salaries. That's a given. We established that as a pattern across the State. The Court expects teachers' salaries in poorer districts to increase. That could never happen if we establish this kind of differentiation for the amount of money going to a district for the pension fund.

As to the McGreevey/Pelly bill, which is certainly most sensitive to the Abbott ruling-- I should note that it promises more than it delivers. First of all, under the bill, the potential for the 30 districts reaching parity with the 108 districts is impeded. Why? Because giving the extra money that the bill does to the urban districts is a wash with giving the suburban districts more money.

Secondly, of course, it sets no timetable, or no mechanism for assuring that parity will be reached. Additionally, it lifts the cap for additional local payment of

pension costs, and we already know the cap is more liberal in this bill than it is now.

It creates a whole new class of districts that will suffer terribly. Marginal school districts would suffer greatly with the huge reductions under this and other bills before you. This bill creates the potential for a new constitutional confrontation. This is the last piece of data you have. This lists the number of districts that could certainly be characterized as marginal. They are low wealth; they are high taxing; and they are low-spending foundation districts. You should know that some such districts have already contacted me about the possibility of suing if the bills before you are approved.

Finally, I must say that I agree with those today who say what they have said to me in private, that they would urge more money for education in New Jersey. We could certainly use more money. New Jersey could afford to come up to 50% State funding, which is the national average. The QEA only brings us to 45, and it will be reduced at least by small percentages annually as the categorical moneys grow. But I cannot agree with those who urge to pay the full pension for next year or the year after, and then wait and see what we will do. We will again be getting into a total lack of equity in funding. We will again be getting into the years that will lead to political compromise, as they did in Robinson.

I would disagree with those who say that with 50% State aid then we could pay the pension plan. This State is too diverse. We have such extremes of wealth and poverty that we cannot disequalize in that way without getting into our old pattern of increasing disparities every year.

Thank you. If there are any questions, I will be glad to answer them.

ASSEMBLYMAN NAPLES: Is that it? Marilyn, is that it?

MS. MORHEUSER: That's it.

ASSEMBLYMAN NAPLES: Assemblyman Jacobson was mentioned several times, and at the beginning of the hearing I indicated that those who had testified heretofore would be afforded the opportunity to do so if the circumstances so indicated. Danny?

MR. ROSEN: Assemblyman Jacobson is not seated at a microphone that is tied into the recording system. Come to the witness table, or come up here.

ASSEMBLYMAN NAPLES: Do you want to come over here to one of these mikes, Assemblyman Jacobson? Thank you very much, David. If someone could just give the Assemblyman a microphone, I would appreciate it. Here, take my chair.

ASSEMBLYMAN DANIEL P. JACOBSON: No, no, this is great. (Assemblyman Jacobson settles himself at Committee table at a microphone) Thanks very much, Mr. Chairman, for the opportunity to respond.

ASSEMBLYMAN NAPLES: You're welcome.

ASSEMBLYMAN JACOBSON: I just want to make a couple of points.

ASSEMBLYMAN NAPLES: When you say "respond--" I don't want anything adversarial. Just state your point of view, Daniel, please. Okay?

ASSEMBLYMAN JACOBSON: Okay. Just a few things for the record -- some corrections. Ms. Morheuser, it is good to meet you, too. I made a comment at the last meeting that I had never met you before, and that I didn't know who you were. But you certainly speak loud and clear. It's a pleasure to hear you.

MS. MORHEUSER: I read that comment, Assemblyman. I am also glad to meet you.

ASSEMBLYMAN JACOBSON: First, for the record, on a mistake which is an honest mistake, our bill, which is basically sponsored by four legislators-- There had been some technical drafting problems with it. The Office of Legislative

Services had developed some clarifying amendments which they did their computer runs on. The feature you refer to about the average per pupil was part of the original bill. I would suggest that you get a hold of the amendments, which are what we stand behind. Part of the amendments also have a hold harmless provision, so that no district will lose any aid or would have to raise its local fair share. That is part of the amendments. In addition, it is actually using the actual costs of the pension/Social Security to deduct from foundation aid. So it is basically a wash. No district is going to lose aid. Basically the districts that were losing aid would have their pension and Social Security restored. So it isn't quite what you thought it was. Please feel free to call me, or contact me. We will get you the amendments and the computer runs. We will be happy to do that.

In addition, I just want to make a few other comments, preliminarily. As far as the district-- I represent the 11th District, which you mentioned. The 11th District is truly a microcosm of the State in terms of education funding, in my view. In the district, which I represent with John Villapiano, we have three special needs districts: Long Branch, Asbury Park, and Neptune. We have a very large suburb. My hometown of Ocean Township, which is a foundation district, is getting a very generous increase in aid under the Quality Education Act -- in fact, the increase is approximately 70% -- and we represent, I don't know, about 12 or 14 towns that are supposedly the "rich suburbs" that are losing their aid.

So, for those of you-- So you will know where I am coming from, I have to balance off all the interests, which has to balance off the State at large, by representing my district. I think the problem -- and I have heard it here clearly today -- is-- We are talking about equity and fairness, and we are talking about rich districts. The big problem we have -- and this is what the battle is over, so we

all know what it is -- what is equity, what is fairness, what is rich? I submit to you that when you look at the Quality Education Act, some of the criteria to establish those factors are certainly flawed, because it is based basically on numbers of per pupil property value and per capita income, and there are a lot of problems there. It does not work as neatly as we all seem to talk about it doing.

Also, one other thing: I think part of the characteristic of the debate-- Now, I am one of those legislators, Ms. Morheuser, you are very proud of. I voted for the Quality Education Act. I voted for the income tax to fund it. I obviously, back in June -- and some of my colleagues will remember -- was the last to vote for it. I was up a few nights, held against my will as a prisoner with the house under call, but that is another story. But I did eventually vote for it.

One of the things I find most disturbing in this debate is the characteristic of the debate. I have heard, "You are either for the plaintiff, or you are against the plaintiff." The characteristic of the debate is rich versus poor; suburb versus city. There has been a racial component put in, actually in your testimony. I would submit to you that the battle here, and the conflict here, is between about a third of the school districts -- and I represent some of them -- and about two-thirds of the school districts. I say, two-thirds and one-third; two-thirds of the school districts which are coming out ahead in State aid -- those are the 30 special needs districts, as well as the suburbs -- and the one-third of the school districts that are losing State aid. One of the big misconceptions here is that -- and this is one of the tragic misconceptions of what we did -- people around the State think that all we did was reduce the aid to the cities. Obviously, we didn't. Some of the biggest percentage increases go to the suburbs, such as Ocean Township, such as

Toms River. So really we are taking care of many, many people. So it is not city versus suburb. It is not racial. It is not rich versus poor. Personally, I am very disturbed by that characteristic of the debate.

Now, as far as the quality-- After listening to testimony I am more convinced that my efforts are correct and I feel even more strongly about them. I feel it is my responsibility to make sure that children in this State, as well as taxpayers in this State who live in districts that are property poor get proper State funding. That is the job. We did that. We appropriated about \$400 million to the 30 special needs districts, and we did that. We are basically guaranteeing an opportunity for a child in those districts to have a decent education. In a place like Asbury Park in my district, we boosted the aid significantly so those kids there could go to a decent school, and so the taxpayers there who were getting killed and who were not wealthy people, could get decent State aid so that city could recover socially through its schools and economically through its tax base.

We did that. The problem is, I still don't see, in terms of equality -- and this is the battle, this is the disagreement I had with some of my colleagues last time-- We have done that. After that there is no use then to hurt other districts. The reason I eventually voted for the Act despite my strong objections to the pension provisions, is because I wanted to increase funding to the Asbury Parks and the Ocean Townships. But it doesn't do any good to hurt the other districts.

Now, in terms of are these districts rich, I have heard some figures thrown out here. In my district -- as I said, a microcosm of the State -- it is very interesting. Ocean Township, my hometown-- The last figures I have for a family of four per capita income was about -- and again, this is a town that is getting a 70% increase in State aid, and it

needs that, and I support that-- Its average per capita income is close to \$70,000. A town like Highlands in my district, which is losing aid, whose equalized tax rate in the Henry Hudson school system is about the same as Ocean Township's equalized tax rate, had an average per capita income of \$38,000. So where is the equity there? Where is the logic there?

I will say it again: If you are making \$750,000 and living in Short Hills, you are rich. If you are making \$40,000 with a family of four and you're living in Belmar or Highlands, which are losing aid, you are not. If the goal here is to base the education system on ability to pay, fine, I agree with that goal. The problem is, by using these formulas, it does not work out that neatly. By insisting on this equality -- the various equality-- After we have taken care of the special needs districts, after we have taken care of the suburbs, to insist on equality to come up to the other districts, it is almost, it's-- I am tempted to say, like, a socialized State. It almost is. You're forcing equality. I mean, this is New Jersey. This is not Moscow in 1950. I mean, that is the problem here.

Now, as far as the Supreme Court, one other thing I would caution you about, and I would warn you about-- I take very close to heart your warnings that doing this will have a Supreme Court backlash, and in the end there could be even a greater aid loss. What I would submit to you -- and again, I admire your motives and I agree with a lot of what you are trying to do, and I disagree with a lot -- is that by pushing this far for this equality, you could get an electoral and political backlash that could leave the elected positions in this government held by people who are very hostile to your cause. As you know as a lawyer, there is recourse by those in the executive branch and the legislative branch to curb the power of the Court.

So I would submit to you that a warning is this: If you go this far you can have a backlash, and your objectives might be set back even further. Obviously, the historical reference I use is the 1930s, when Roosevelt wanted to have the New Deal pushed through. He tried to pack the court. It didn't work, but the court knew what was happening politically. They ended up then going along with him. So I caution you also to be very careful, too.

That is basically what I wanted to say. I think the pension/Social Security, to sum up-- We are still taking care of those kids we have a social obligation to take care of. We are still taking care of those taxpayers we have a social obligation to take care of. But we are not turning our backs on a lot of those middle class, and actually lower middle class and lower income -- lower income, not class -- middle income, lower middle income, and lower income taxpayers in those districts that are losing aid. We cannot turn our backs on them.

I appreciate what you are saying about the Court, but I think also that we can take care of that. Again, we have recourse with the Court, too. So, I appreciate what you are doing--

MS. MORHEUSER: Oh, I understand that.

ASSEMBLYMAN JACOBSON: Yeah, and that is the problem.

MS. MORHEUSER: If I may make one point-- I don't know if you have looked at the history of the growth of the pension fund. It grows appreciably every year. So, as the Quality Education Act assigns money, if the pension fund payment is resumed by the State, every year there will be less foundation money left percentage-wise. The Quality Education Act already reduces State percentage of funding and increases local funding every year. This will make that change much more dramatic. If you would like to look at the analysis already done, Dr. Ernest Reock could provide you with that. That is one of the serious problems.

As to what equity really is, there is a very simple definition: Those who can afford to pay, pay, and those who cannot, do not. And by the way, you should know that I hold no brief with the method of determining capacity to pay. As this Committee knows, I objected strenuously to the use of income data, which I believe is terribly flawed. And there are many experts who would argue that it should only be used on an individual level, as a circuit breaker, for instance, in the payment of taxes.

So, do not address me as if I created this bill. I did not.

ASSEMBLYMAN JACOBSON: You had a good role to play in it, though (laughter), which is good, to your credit -- to your credit.

ASSEMBLYMAN NAPLES: Assemblyman Jacobson, is that it?

MS. MORHEUSER: I was never contacted. Mr. Chairman, I was never contacted about this bill as it was being created, and I objected strenuously to it.

ASSEMBLYMAN NAPLES: May I have a little quiet in here, please? Marilyn, go ahead. Pardon me.

MS. MORHEUSER: You should know-- In case you are hinting that I was an architect, members of the Committee -- of the Joint Committee that heard testimony -- were shocked to know that I had never been contacted, and I had not. I read the bill at the same time everyone else read it for the first time, and I had serious problems with it.

ASSEMBLYMAN JACOBSON: I am just saying, it is to your credit. I think you are responsible for the provisions of the bill that boosted the funding that we need for the special needs districts, as well as the suburbs. I was actually complimenting you. To your credit, I think that through your efforts through the Education Law Center, we now have the good parts of this legislation.

MS. MORHEUSER: I think that is what the court did. I think you are right there.

ASSEMBLYMAN JACOBSON: I think your efforts have been very important.

ASSEMBLYMAN NAPLES: Thank you, Assemblyman Jacobson.

Let me just caution everyone here-- I see what is occurring here. We are not here taking the place of the attorneys who argued the case. We do not have legal briefs before us. We have bills before us, and this is a public hearing on bills which have been discussed last week, and to some extent today. Please bear this in mind, because we can get into areas so problematical that we could get totally confused. As Chairperson, I will not permit that.

I am sitting here foregoing myriad questions I have for several reasons. One, they have been answered, having been asked by other members of this Committee. And two, I want to move this hearing along and begin the process of reviewing what has transpired in order to make a recommendation. Committee members, and those who testify, bear this in mind.

Thank you very much, Ms. Morheuser. Oh, excuse me, I'm sorry. Assemblyman Pascrell, or any other members of the Committee, please, if you have a statement, make it brief.

ASSEMBLYMAN CIMINO: Mr. Chairman?

ASSEMBLYMAN NAPLES: Yes, Assemblyman Cimino?

ASSEMBLYMAN CIMINO: Thank you. I just want to say, Ms. Morheuser is not one who represents one of the special needs districts of this State. Indeed, she represents essentially a suburban type district. I think the people of this State owe you and the Education Law Center a great deal of gratitude for bringing the suit, for moving forward to provide the kind of equity that is necessary. When one looks at this State and understands the demographic changes that will occur in this State in the next decade, in point of fact what you have brought forward is an opportunity for this State to right

the dilemma that has existed in education, and indeed to put a foundation in place which will underwrite the educational well-being of every child in this State, well through this decade. So, my compliments to you and the work you have done.

MS. MORHEUSER: Thank you, Assemblyman Cimino.

ASSEMBLYMAN PASCRELL: Mr. Chairman?

ASSEMBLYMAN NAPLES: Yes, Assemblyman Pascrell -- Bill. Go right ahead.

ASSEMBLYMAN PASCRELL: Through the Chair, Ms. Morheuser, those people involved in the mechanism, be it flawed or not, of providing education to the children of this State, did not see fit to move courageously on the very issues that you brought to the Court 10 years ago. The Department of Education did not -- under both Democratic and Republican Governors -- and the Legislature did not, and I would say if it were not for you, the disparities would have to this very day continued to grow. You have not only garnered our attention, I don't think, but the data you have presented--

I know a lot of people don't want to hear that, Ms. Morheuser. You spoke too long, didn't you?

MS. MORHEUSER: Yes, I did, and I'm sure--

ASSEMBLYMAN PASCRELL: I have been listening to you for 10 years, and I will listen to you for another 10 years. You have done a great service to the kids of this State. They can all get lost in the shuffle over debating dollars and cents, but the kids in this State deserve better. It is a State responsibility. The primary responsibility is with the parents. The statutory responsibility beyond the parents is the State of New Jersey to all kids, regardless of where they are born.

MS. MORHEUSER: That's right.

ASSEMBLYMAN PASCRELL: You have said that many times, so you are not an urban theorist. You're certainly not a socialist. You are a person who has brought some very cogent arguments before the Court of New Jersey. It took 10 years.

Who among us would have had the patience of Job? While some were going through the 1980s in relative affluence and business as usual, when things were going fine, when things were wonderful and property taxes were escalating, people didn't mind it so much because they could afford it, and you were there fighting the battle. We can't ever, ever thank you enough for what you have done.

Who knows how this argument will be resolved? I think there has been a good tone today myself. I think we do want -- on both sides of the aisle -- to come to some resolution. But the facts are the facts. Inadequacies, unfairness, and non-parity are the facts, and to resolve them we have to make some tough decisions. They may not always be popular. You are suggesting that there is something more important. What is more important is the education of our children.

Money, it seems, Ms. Morheuser, only becomes important when those who have it lose it. Those who say that money is not important in the process of education, are fools ready to repeat history. We know the teachers of this State are underpaid. I don't have a problem with that -- with saying that. I have voted for every teachers' legislation since I have been here. But I will tell you one thing: I am convinced that the Court was accurate in saying that the present system is not only inadequate, it is unfair, it is disequalizing. I didn't say that, Ms. Morheuser, and you didn't say that either. The Court of this State said that, and unless we want to follow the law of the land for bringing in a new Court, that is still the law of the land.

I thank you personally, and I am sure I speak for the Committee. You have done a great service for the kids unborn yet in this State. We say "thank you" to you.

MS. MORHEUSER: Thank you, Assemblyman Pascrell.

ASSEMBLYMAN NAPLES: I want to thank you also, Marilyn, but I want to indicate that I intend to begin calling

people who, while they may not concur in my thinking, are equally dedicated. However, I want to say just one thing: I do not want to get off on a variable tangent relative to whether pensions were constitutional or unconstitutional. We can discuss to what extent the dictum was obiter, but if we do that we will go on and on ad infinitum.

The Court ruled that minimum aid was unconstitutional and nothing else, and we must stay within those parameters if we are to be effective and if these hearings are to be meaningful.

Thank you, Marilyn.

MS. MORHEUSER: Thank you.

A S S E M B L Y M A N J O H N A. V I L L A P I A N O:
Mr. Chairman?

ASSEMBLYMAN NAPLES: Yes, Assemblyman, very briefly, please. Very briefly, because Assemblyman Jacobson has spoken very eloquently and fully to the issue, and we have many other people who are waiting to testify.

ASSEMBLYMAN VILLAPIANO: Mr. Chairman, I will be brief.

ASSEMBLYMAN NAPLES: Thank you.

ASSEMBLYMAN VILLAPIANO: As a matter of fact, I will probably take under one minute, because--

ASSEMBLYMAN NAPLES: Thank you, sir.

ASSEMBLYMAN VILLAPIANO: --it is a situation that just really can't go without being redressed.

I feel very proud, as I mentioned at the first public hearing, that I was willing to push a green light in favor of the income tax to pay for new educational distribution of moneys throughout the State of New Jersey largely, as my colleague mentioned, due to the fact that you have been pushing, Ms. Morheuser, for so many years along with so many others in the audience who believe in equity and fairness.

However, I must take exception to a point that was made earlier when you were talking about the formulas. One

thing was specifically left out of the foundation aid: that within two-thirds of the districts in the State of New Jersey is considered pension and Social Security still in that foundation. One-third of the districts do not have that benefit. So when we talk about equity, let's talk about equity for everyone.

Now, I believe, as everyone in this room believes, that equity for children in the educational system is sound and should be paid for to the amount of money we are providing now, and maybe more. But there are also people in the State of New Jersey who have to pay the tab, and to say that two-thirds of those people shall have a benefit of pension and Social Security within that foundation and one-third shall not, to me, is inequitable.

So, let's talk about not only the equity of education throughout the State, but let's talk about the equity of those -- all of us who have to pay that, and try to strike-- I'm finished, Mr. Chairman.

ASSEMBLYMAN NAPLES: No, no, go ahead. That was not a signal for you to be quiet. That was a note to Dr. Muller here. Excuse me. Go ahead, I'm sorry.

ASSEMBLYMAN VILLAPIANO: My point, very, very quickly and briefly, Mr. Chairman, was that equity is on many levels. I think what we -- myself, Assemblyman Jacobson, and most of the proponents of this type of legislation -- are trying to strike is an equitable situation as far as the students of the State of New Jersey are concerned, and also the taxpayers.

Thank you, Mr. Chairman.

ASSEMBLYMAN NAPLES: Thanks a lot. You know, I have been told that when I speak and when I write I tear sometimes, but when I tear per se, I never realize it. Okay. Thank you very much, Assemblyman Villapiano. I appreciate the evincing of your sentiments here. We are going to go on.

I want to digress slightly. Let's face it, even though PSA was next, and NJEA was afterward, I am going to call the NJEA up next now to sort of put matters in perspective. While not adversarial, let's just say they will evince a slightly different point of view, and perhaps matters can be put into perspective more readily and quickly. Boy, I sanitized that beautifully, didn't I? Go ahead.

B E T T Y K R A E M E R: Good morning. I am Betty Kraemer, President of the New Jersey Education Association. With me on my right is Dr. James Connerton, the Executive Director of our Association. I just want to thank everyone for the opportunity to testify on the very important question of pension costs that are before the Committee today.

Much has been written and much has been said about the Supreme Court's decision Abbott v. Burke, which happened last June. And while a great deal of interpretation has been applied to what the Court had to say, we believe a simple look at the words the Court used can serve to simplify and truly make clear the tasks the Legislature has before it.

The Court said, and I quote: "We do not require equalized funding statewide." By way of explanation, the Court had earlier said, "On this record -- the Abbott case -- we find a constitutional deficiency only in the poorer urban districts and our remedy is limited to those districts. Our remedy allows expenditure disparity to continue to exist so long as a thorough and efficient education is brought to the poorer urban districts."

The Court's intent, members of the Committee, is very clear. They developed a remedy to deal with funding disparities only in the 28 districts named in the Abbott decision. The Quality Education Act, however, provides remedies far beyond the scope of the Supreme Court.

We believe the extent of those remedies led the State to one of the most complex funding laws ever proposed.

Further, we believe that complexity, combined with the haste in which the bill was passed, led to serious problems being created and perhaps errors being made.

The prime example is the difference between the Court's treatment of the employers' share of Teachers' Pension and Annuity Fund and Social Security costs and the treatment of that issue in the Quality Education Act.

The Court specifically recommended no change in the method of payment and stood by the judgment of the Supreme Court in Robinson v. Cahill in 1975. That decision said: "As to pension contribution aid, we conclude that redistribution thereof at this juncture would be inadvisable."

The Robinson Court talked of confusion about where employers' pension contributions would be raised and cited teacher and pensioner morale as pertinent factors for consideration. In the face of those decisions, the QEA, nonetheless, shifted the responsibility for those costs from the State to the local school districts.

The result has been exactly what Robinson v. Cahill predicted: total confusion about where that money would come from, and serious -- certainly serious -- erosion of the morale of teachers and pensioners. Add to that all the uncertainty that the QEA has caused in our school districts.

In all but the very clear winners under the QEA, people believe that, as one suburban superintendent put it, "The provisions of this Act" -- the QEA -- "will be so devastating to local property taxes, to education, and to the health of our State, that efforts must be made to modify those provisions."

NJEA is very pleased and relieved to see that the administration and the Legislature are beginning to take those steps. This hearing is one of them.

Perhaps the most encouraging step of all, is the Governor's call for a task force to study the QEA and make

recommendations for needed changes. NJEA endorses that task force concept and hopes to play a very active role in the deliberations of the QEA for the future.

The forthcoming task force, we believe, presents the best hope yet of enabling the QEA to become what its name promises: the vehicle that makes quality education possible for every child in every New Jersey public school.

But even before the task force begins its work, we believe one step must be taken to allow school boards of education across our State to construct meaningful budgets based on the needs of their students and a certain financial base. That step is an immediate shift of pension costs back to the State of New Jersey and out of local school budgets.

Those costs should be taken out of the foundation aid formula and subtracted from transition aid. That can be done at no additional cost to the State and with no loss of aid dedicated to the education of our children. Further, those costs should not be included in local school budget calculations.

Let me say for all, for everyone in this room to hear loud and clear and understand, that NJEA supports -- supports the concept of the QEA. It greatly increases funding for our neediest urban districts as the Supreme Court ordered. Those funds should be protected and not cut back. In 1987, it was the NJEA which produced the plan for the revitalization of urban schools, and we called it, "The Urban Challenge." QEA provided the funding to implement many of the 89 recommendations that we came forth with in that report.

But the QEA, which predated the Court's Abbott v. Burke ruling, was conceived in haste and ill-considered before passage. As the members of the Legislature know, questions have emerged concerning just about every aspect of the QEA bill. In fact, the citizens of this State have very little faith that the QEA can work at all in its current form. That

lack of faith is compounded by a lack of information. It is an incredibly complex school funding law, and it has many aspects and formulas that cannot currently be explained or even understood.

Those who would plan for its implementation at the school district level, as well as those who study it here in Trenton, have only assumptions and estimates to go on. There are just too many questions and too few answers.

Controversy surrounds "at risk" aid, compensatory education, transportation aid, support for special services school districts, the concept of "fair share" tax rates, and the escalator on the foundation amount, special education aid to private schools. And the list goes on and on and on, and you have heard it in this room this morning.

Look at what can be accomplished by the simple act of restoring pension and Social Security costs to the State:

First, pensions would not be added to the local school budgets. Eliminating the need for that large and artificial increase in the local budgets will help local boards construct meaningful budgets with a better chance of passage in April's school elections.

Second, shifting the pensions back will relieve the well-founded anxieties of school employees, taxpayers, and school and municipal officials over both the short- and longer-term impact of QEA on local budgets and taxes.

And third, it would begin the process of restoring the credibility of State government's pledge of real property tax reform that is needed and show good faith in allowing that this issue and all of QEA are open for discussion, even if it means correction.

Once the pensions are shifted back, the proposed task force can then begin its work with open minds. The task force should look at the entire QEA and all of the surrounding issues, including the final disposition of the employers' share of pension and Social Security costs.

Shifting the pensions back, as we have proposed, is expense neutral to the State of New Jersey in the first year. It relieves the pressures of the total QEA implementation in an extremely uncertain economic environment, and allows boards of education to make real budgets capable of winning voter approval. Those 1991-1992 school budgets would become, in effect, a laboratory for the QEA task force to use in its quest to make QEA an effective funding mechanism.

Shifting the pensions back corrects the single worst aspect of the new law and takes a giant stride toward ensuring fair treatment of all our school districts and all of our taxpayers as well.

We are not prepared to discuss the pros and cons of any of the specific bills before today's Committee. Instead, we propose, as described earlier, the simple removal of the employers' share of Teachers' Pension and Annuity Fund and Social Security costs from the foundation and transition aid entitlements and the consequent removal of those items from local school budgets as has historically been the case.

I urge the Committee to give that due consideration. Dr. Connerton and I will be most happy to answer any questions.

ASSEMBLYMAN NAPLES: Thank you. It is very difficult for me to sit here and, try as I might, not evince a bias -- I suppose, either intra- or inter-party -- injecting myself in the middle. People know where I stand. But let me ask you this: The confusion of the Act-- You talk about parts which are difficult to understand. Let us contrast that with the previous -- and I am going to editorialize a bit -- onerous system -- previous to QEA. Wouldn't you say many of the things which you stated about QEA and various programs would obtain as far as the previous system was concerned, that which prompted Abbott v. Burke?

MS. KRAEMER: Well, Gerry, the Court found that the previous system was an inadequate system. First of all, it was never funded properly the way it should have been funded.

ASSEMBLYMAN NAPLES: True, true.

MS. KRAEMER: So whether it would have worked or not, I can't say because it was never funded according to what the Constitution had said it should have been funded.

Right now we all understand what the Court has said, and the Court has, you know, ruled the minimum aid unconstitutional. The Court has addressed the needs of the special districts. We understand that and agree thoroughly that something has to be done for the urban -- those special needs districts, those urban schools. We are not opposed to that. We embrace the concept of QEA.

ASSEMBLYMAN NAPLES: I am not going to go on with the list of questions which I have written out. I think the other members will probably cover them anyway. I am going to ask the members of the Committee if they have any questions or would prefer to make any comments?

ASSEMBLYMAN PASCRELL: Mr. Chairman?

ASSEMBLYMAN NAPLES: Assemblyman Pascell, please.

ASSEMBLYMAN PASCRELL: Before we do, isn't it reasonable and fair to ask the people who have been--

ASSEMBLYMAN NAPLES: Yeah. Thank you for reminding me, Assemblyman. Assemblyman Pascrell and my aide previously reminded me that there are a lot of empty seats. I forgot to let those people in the back know that they can come down and fill in the seats. Thanks a lot. I appreciate your letting me know. I can't remember everything up here under these conditions. There are a few people left standing, and I see three or four seats. Please fill them in. I don't think we have to worry about the men in the black robes and the guy with the stentorian voice coming in and announcing somebody-- A little levity there.

Bill, you have the floor.

ASSEMBLYMAN PASCRELL: I just want everybody to sit down. That's all.

ASSEMBLYMAN NAPLES: Thanks a lot. That was easy, Bill, wow!

ASSEMBLYMAN PASCRELL: Before we get to the good part.

ASSEMBLYMAN NAPLES: Okay. Skip?

ASSEMBLYMAN CIMINO: I just want to ask, if I may-- Betty, in your statement you are asking for what? Are you asking for the pensions to be continued to be paid by the State?

MS. KRAEMER: We are asking for the immediate shift back of the pensions -- back to the State -- and then allowing the QEA Commission to take a look at everything. We believe that debate should have taken place -- that talking about the education components and the problems and all of this, should have been talked about and the opportunity given to the entire education community last June. It wasn't. We are asking for that opportunity now. Put the pensions back. Give us that level playing field, so that we can go in to a commission and everything will be on the table. That is what the Governor had said.

ASSEMBLYMAN CIMINO: So you are effectively asking for a moratorium?

MS. KRAEMER: Yes.

ASSEMBLYMAN CIMINO: Are you effectively asking for a moratorium on where the pensions are? Are you asking to go back to--

MS. KRAEMER: No, we want the pensions shifted back, Skip.

ASSEMBLYMAN CIMINO: You are asking them to go back to business as usual, the former status quo in this State?

MS. KRAEMER: That is correct. We want them back to where they were prior to that vote in June, and then let us all take a look in the QEA Commission at the future of the QEA, including the distribution, including the pension, whether or not it is-- We will all have that debate there, and that is where we feel it should take place.

ASSEMBLYMAN CIMINO: How do you address the issue of equity then, not only for the 30, but for the additional districts that are favorably affected by the QEA? How do you address that issue?

MS. KRAEMER: We don't think that the Court really addressed that at all. The Court spoke to the minimum aid districts and the 30 special needs districts. I think I talked about that in my testimony.

ASSEMBLYMAN CIMINO: That is not my question. My question was-- Perhaps you can, Doctor-- Good morning to you as well. How do you address the issue of equity?

ASSEMBLYMAN NAPLES: It should be "good afternoon."

ASSEMBLYMAN CIMINO: Is it afternoon? Okay. How do you address the issue of equity with regard to the districts that have been favorably affected by the QEA?

D R. J A M E S C O N N E R T O N: If you merely move back the costs of the pensions and Social Security, and retain the rest of the QEA in place while it is under study, you will have done nothing to effect equity other than what the QEA did. You will be in the same situation.

ASSEMBLYMAN NAPLES: Excuse me. Jim, is your microphone on?

DR. CONNERTON: Is this better? (witness raises voice)

ASSEMBLYMAN NAPLES: Thank you.

MS. KRAEMER: The first year is cost neutral.

ASSEMBLYMAN CIMINO: That is not what the data shows.

DR. CONNERTON: Yes, it is, Skip.

ASSEMBLYMAN CIMINO: No, I disagree with you wholeheartedly.

DR. CONNERTON: Well, check with your own folks.

ASSEMBLYMAN CIMINO: I'm simply saying that I don't understand how that shows that that really works, because if we get back to Ms. Morheuser's comments with regard to the special needs districts, if you shift the pensions back in the richest

districts, you must then provide an additional pot of money to make those 30 districts whole to the level of funding for the other districts. So, how do we provide equity?

DR. CONNERTON: In the first year, you dealt with transition aid, and in the first year there would be an absolute wash. In the second year, if it took that long for the commission to come up with modifications, there would be some additional costs for the State, but there would be no diminution of aid to any district in the State.

ASSEMBLYMAN CIMINO: Jim, let me go on, if I may. Mr. Chairman, may I continue?

ASSEMBLYMAN NAPLES: Go ahead, sure.

ASSEMBLYMAN CIMINO: You and I have had a lot of discussions over the course of years because of my involvement with pensions on the other committee, and we know full well how the Association feels about pensions. Indeed, we have had some very, very good discussions about it.

Does the Association really believe that pensions will not be protected here? Do you really believe, as the New Jersey Education Association, that there is any dissolution of the Teachers' Pension and Annuity Fund?

DR. CONNERTON: Yes. We don't think that was intended. We don't think you believe it, but we believe it. I think our basis for dealing with that is quite different than yours, Skip.

ASSEMBLYMAN CIMINO: Do you honestly-- You have answered the question, but let me phrase it another way: In what way do you feel there will be a dissolution of the Teachers' Pension and Annuity Fund, if that is your fear? How do you feel it is going to be dissolved?

DR. CONNERTON: Not dissolved. If you are talking about dissolving the system-- I think you will have an impact on the nature of the system if you shift the funding back to local districts. This is the kind of debate that we believe

should have taken place before. We are advocating that it take place in the context of a new forum -- the Quality Education Act Commission that Governor Florio has urged be set up.

I don't want to get into that discourse here and spend the rest of the afternoon. This is not the place to do that, Skip.

ASSEMBLYMAN CIMINO: Well, with all due respect, sir, I think, you know-- I understand what you're saying, but there were a series of hearings, and indeed I heard from a goodly number of your membership -- and was pleased to hear from them -- in advance of the passage of the Act. What is before us is a group of bills, all of which you have chosen -- and I can understand why you have chosen not to comment about them-- But the fact of the matter is, I don't believe that this Legislature may necessarily have the time to wait for that task force.

So, your comments are very, very important and poignant, when you ask me, as a member of this Committee, to seriously consider what you are asking.

MS. KRAEMER: It is our understanding, Skip, that that task force is supposed to act very quickly. And I am reading what was put out by the--

ASSEMBLYMAN CIMINO: Well, it is certainly not going to-- With all due respect, it is certainly not going to act before February 1, when we send out figures for the local levy purposes. That is not going to happen. And while the task force--

MS. KRAEMER: That's right. That is why we're asking that the pensions get shifted back until such time as the task force deals with it.

ASSEMBLYMAN CIMINO: Let me ask you another question: Are you as concerned about-- I mean, what happens when the pensions go to the local districts? What is going to happen now? What is going to happen? I mean--

MS. KRAEMER: At the present time, Skip-- I don't have to educate you on what happens when the pensions go to the local districts. It interferes with the bargaining process, something that the State should not be controlling, or telling the local districts how to deal with the bargaining process. That should come from the locals. That should be the local school district. It should be the municipality. It should be the economy that dictates what happens to the bargaining process, not the State saying, "We know what is best for you."

That is certainly a concern when the pensions get shifted, as is the concern that benefits-- We are not going to want to have to deal with improvement or cost of living when we deal with pensions. It belongs at the State level. That was the covenant that was made with the Teachers' Pension and Annuity Fund. We believe it is the right thing to do, and that is where the pensions should be, and should remain. That is where we are at. We think they ought to go back, and the sooner the better.

ASSEMBLYMAN CIMINO: How do you feel that the State is interfering with the bargaining process? I'm not sure that I understand that. As a former president and member of a local board of education, I always thought that local boards of education negotiated contracts. I am not sure that I understand that analogy.

DR. CONNERTON: What Betty is referring to is the imposition of a cost at the local level that does not belong there; the imposition of the cost of a State-established, State-controlled retirement system on a local board of education, which then has an impact on that board's budget. We describe it in our testimony as an artificial cost. You are taking an obligation of the State of New Jersey and shoving it back on the backs of the local property taxpayers. If you don't understand the impact that that has on local bargaining, I suspect you have your tongue in your cheek.

ASSEMBLYMAN CIMINO: Doctor, I don't have my tongue in my cheek. I can assure you of that. Again, with all due respect, I don't see where the difference here becomes any different than what we do with municipal employees or with pensions that are paid by police and fire insofar as the municipalities picking up and handling those and being part of the negotiated process.

Let me say this to you, sir, in all due respect: I may not be as erudite as you, and I may not have the level of intelligence or understanding about this issue, but that is why I am asking for your input.

MS. KRAEMER: Skip, other than the fact that the police and firemen's salaries, pensions, all of that, are not in a budget that is voted on by the public, and that makes, I think, a tremendous difference. That is a fear that my members have. They are concerned that when that is built into the budget process, and then the public comes out to vote, that that is a serious consideration.

We can sit here and say they shouldn't be concerned about their pensions, but they are.

ASSEMBLYMAN CIMINO: No further questions.

ASSEMBLYMAN NAPLES: Before I recognize Assemblyman Pascrell, I want to say two things: My colleague from the 6th District, Assemblyman Rocco, has indicated that he has to leave. He did not make a concluding statement, but I want to thank him publicly for his interest.

Then I just want to say, Betty and Jim-- I just want to throw this out: The pensions are guaranteed. I want to place that right squarely in focus. Assemblyman Pascrell?

ASSEMBLYMAN PASCRELL: Thank you. I think the statement, Betty, by the NJEA is cogent and reflects your position. It has certainly been consistent in that position. I admire consistency, at times.

Now, when you come right down to the subject, I think we are dealing with fears. You just used the word, Betty, and I think it is real. For me to minimize it would be unfair -- your fears. I heard the fears expressed and communicated last June when we talked about pensions in Committee. People came before the Committee -- teachers, administrators -- and expressed their anxieties about shifting the pensions back -- shifting pensions to the local communities.

There are fears all the way around, though, with this bill. Some people fear -- and you have heard this -- those who have been the enemies of education, or enemies of teachers or bargaining units in this State-- Some people fear that QEA money is simply going to "go to teachers' salaries." You have heard that before. This is not the first time you have heard something like that. It is an easy way to dismiss the QEA. I personally do not feel that that is going to happen. Dr. Ellis doesn't feel that is going to happen either.

But, it is something that we have to deal with, because whether we like it or not, we are dealing with perceptions. Hopefully those perceptions are anchored in reality. The easiest thing for us to do is to say, "Okay, those of us who support the teachers are for keeping the system as it is. Those of us who do not support the teachers of this State, don't believe it and want to change it back to the local districts." I think that is an oversimplification of the argument, a very strong oversimplification of the argument.

I am going to ask you a question that I have asked Assemblyman Jacobson, and I would like to know your honest answer about it. If I didn't think I would get an honest answer, I wouldn't ask you. This is the question: How do you avoid another constitutional confrontation by changing the very term "minimum aid," and having another source of moneys that will reduce the pain that we talked about -- I talked about, Assemblyman Rocco talked about? "A rose is a rose is a rose."

In the final analysis, will not the Court, in your estimation, view that this is simply another form of minimum aid, and we tried to circumvent the law? Do you see it that way?

MS. KRAEMER: I cannot second guess what the Court is going to say ahead of time. All we are asking for is to allow the commission -- the QEA Task Force -- to take a good look at all of these things; all the things that should have been looked at by the education community, by the public, by the parents last June. We are asking for that opportunity now. I know you are holding the open hearings. We do not feel that that is adequate enough. We don't think that putting amendments in and fast bills is the right answer. We want to deal with public education properly. We don't want State aid figures going out, and then something coming out later, as you don't. That can be chaotic. It can be disastrous, and give the wrong message to school boards, which are trying their hardest to work through the morass of what is coming out and what happened last June.

I think we are all asking for the time to sit down and intelligently cover this from end to end with the people who understand and care about children, and they are the legislators, as well as parents, as well as organizations, as well as Marilyn Morheuser.

ASSEMBLYMAN PASCRELL: Do you believe there is substantial review going on of this bill right now?

MS. KRAEMER: I think there are Committee hearings, and I think there are a lot of legislators who are putting in what they feel are needed amendments to the QEA. I am not crazy about the Band-Aid approach, Bill. I see this as perhaps political panic. We want to do the right thing. Now I know the intent -- and Gerry you are saying "No"-- I know the intent, and everybody has the right intention here. I have the right intention, too, after 26 years in the classroom. I care about kids. But I think we want to do it in a setting that

will benefit everyone. I don't want to drag my feet on it either. That's wrong.

ASSEMBLYMAN PASCRELL: I think that putting everything on the table isn't such a bad idea. That there will be change is evident. What that change will be is another thing.

Let me ask you a question, and we are here to be frank: Doesn't it seem to you that by shifting the pensions back to the localities, whether it is done immediately or over a period of time, whether we use a fundamental base, and then have those districts that choose to pay higher salaries pay for extra pensions and Social Security-- As I suggested, if you remember, in hearings last June, don't you think that gives greater responsibility on the local level when we are dealing with salaries and pensions and Social Security issues? I mean, let's look at it in the pure sense, rather than--

MS. KRAEMER: Well, Bill, I hear what you're saying. I heard a lot of-- I went to the Committee hearing the other day and I heard the various bills and the different methods to deal with how to structure it. I think what we are saying is, "Let's just put them back so that we can create an environment that we can work with cooperatively." We want to be able to do that, and then, you know, almost as though it is last June for our Association at that point-- Then we want to come into those hearings with an open mind. I will feel a whole lot more comfortable when I know that my members are untying the hands and saying: "Go in there and be real cooperative and work it out, and stay with it until it is finalized."

ASSEMBLYMAN PASCRELL: I haven't heard anything to change my mind -- although my mind is still open -- that the greatest good, the common good, the public good, is best served if the public is closest to the decision-making.

MS. KRAEMER: Well, I think the public at election time really put out a clear message to everybody. One of the things they were saying was, "We want property tax relief."

All right? When we talked to many of our senior citizens -- and I live in Ocean County, Berkeley Township, which has hundreds and hundreds of seniors -- they were saying to me, "Get those pension costs put back. We don't need an additional burden in our school budgets."

ASSEMBLYMAN PASCRELL: But at the same time they are saying that, Betty, they are also saying that the source of pain for these changes in education have to be clearly defined; and as the Court said, clearly defined over periods of time to guarantee the source.

MS. KRAEMER: Nobody said that would be easy to find.

ASSEMBLYMAN PASCRELL: No one said that would be easy to find. Granted that it is not easy to find, but we had to come up with a decision on a system, Betty, that had to be in place by July 1, 1991. Now, many may say that we rushed through the process, but that is not a long ways off, is it? By July 1 a process must be in place. Are you telling us today, are you suggesting today that what we need to do is put that process off for two more years?

MS. KRAEMER: No, I am not suggesting that.

ASSEMBLYMAN PASCRELL: Okay, then please clarify it, because I misunderstood what you were saying.

MS. KRAEMER: It is my understanding from the Governor's press release that the Commission is going to act relatively fast. So whether that means they are going to be meeting on a regular basis so many times a week, I am not really sure. I have not heard the particulars, other than the fact that it would not be dragging its feet to work out what is going to be worked out with all the concerned groups.

ASSEMBLYMAN PASCRELL: Does the NJEA simply see this as a clear-cut one or an either/or situation?

MS. KRAEMER: No. I want to tell you honestly -- and you said, "Let's put it all out on the table" -- I want to go into that with a very open mind.

ASSEMBLYMAN PASCRELL: Okay. Let me throw out an answer. Let me be Betty Kraemer for a second, and you tell me if I am in the ball park: Would you consider the possibilities during this period of reconciliation -- or whatever you call it -- of accepting a base salary that the State would assume in terms of pensions and Social Security, and the local districts assume the costs of anything above that in terms of pensions and Social Security? Would you deliberate upon that?

MS. KRAEMER: Do you want me to go back and deliberate on that, or do you want me to tell you--

ASSEMBLYMAN PASCRELL: No, no, no, no. I mean, would you consider it?

ASSEMBLYMAN NAPLES: Just answer the question, please.

MS. KRAEMER: I still think you are throwing that into the mix of the school boards to have to deal with that, and I think that is what we are trying to get away from.

ASSEMBLYMAN PASCRELL: Then how do you answer the fact that in the 108 most affluent districts, pension funds are \$355 more per child than in the 30 urban districts? Give me a good answer so I can have an answer.

MS. KRAEMER: This is the debate that needs to take place in that QEA task force.

ASSEMBLYMAN PASCRELL: All right. So those of us who supported, so far up until this point, returning the pensions to the local districts over, you know, a period of time-- We aren't necessarily -- though you disagree with us -- basing that decision on lack of data, are we?

DR. CONNERTON: I think we have grave concerns about some of the data you have been given.

ASSEMBLYMAN PASCRELL: You think that is inaccurate, the figure I used? I checked it all ways to Sunday, and that is what I came up with. Is that inaccurate? If so, I will go back again.

DR. CONNERTON: With whom?

ASSEMBLYMAN PASCRELL: I'm sorry?

DR. CONNERTON: With whom did you check it?

ASSEMBLYMAN PASCRELL: I checked it with OLS. I checked it with those people who presented information and data before the Supreme Court of this State. And the Supreme Court of this State accepted the data. Now, if I have to go back, I will. I am never close-minded about anything, except--

DR. CONNERTON: That is all we're asking, a free, open debate, an examination of the data base.

ASSEMBLYMAN PASCRELL: Do you think that figure is far off from the figure you would come up with?

DR. CONNERTON: I would rather not speculate on that. I am suggesting to you that some of the data on which the decisions this Legislature acted upon in haste, are questionable.

ASSEMBLYMAN PASCRELL: Was the data inaccurate and questionable that I am specifically talking about at this moment in time today?

DR. CONNERTON: We believe there are other ways of looking at that, yes, than the one that was presented to you.

ASSEMBLYMAN PASCRELL: I am prepared to look at anything you can present to me to indicate that my data is inconclusive, and I thank you for your presentation.

DR. CONNERTON: Okay.

ASSEMBLYMAN NAPLES: Let me thank you, Assemblyman Pascrell. During the dialogue I try to avoid the adversarial. I am a nice guy. I like to use the word "dialogue" better. I think it means more.

I want to say, speaking for myself, that these public hearings would have been called on October 6, November 6, or December 6. These are public hearings on a bill. I am speaking for Gerard Naples, Assemblyman from the 15th District. This is not an admission -- "an admission" -- on my part that I acted in haste, and it is not a retreat. The

statement I made is that I did what I felt in my heart was right.

Would anyone else like to ask a question? Assemblyman Cimino? Oh, you already--

ASSEMBLYMAN CIMINO: No, I have had my opportunity. Thank you.

ASSEMBLYMAN NAPLES: Thank you very much, Jim and Betty.

MS. KRAEMER: Thank you.

ASSEMBLYMAN NAPLES: I appreciate it very, very much.

I am now going to call on the PSA, and upon completion of their testimony and any questions and/or statements, we will break for lunch, not paid for by the State.

DEBBIE COSGROVE: Good morning, Mr. Chairman and members of the Committee.

ASSEMBLYMAN NAPLES: All right, let's quiet down, please. If you are going to lunch now, please do so quietly. From the PSA we have Walt Chesner and Debbie Cosgrove. Let's wait for one moment until some people file out, Debbie and Walt. (brief pause) Okay, let's get going, please. Let's have everyone's attention up here, too.

WALTER CHESNER: Good afternoon, now, Mr. Chairman and members of the Committee. Last spring, we witnessed a scenario in which there was a major--

ASSEMBLYMAN NAPLES: Walt, could you please speak up, and make sure your microphone is on? Is the red light on?

MR. CHESNER: The red light is on, yes.

ASSEMBLYMAN NAPLES: Speak up, please.

MR. CHESNER: All right. Last spring, we witnessed a scenario in which there was a major State budget deficit, an increase in the number of school budget defeats, and the announcement of that long-awaited Supreme Court decision in Abbott v. Burke. Against this backdrop, the Legislature enacted its solution to the school funding problem, the QEA.

As we all know, school funding reform has been long overdue. I think that too many children have been sort of lost in the process because of underfunding of many of the school districts.

We believe in the principles espoused in the Abbott decision that educational equity--

ASSEMBLYMAN NAPLES: One of the Assemblymen indicated that you might be talking into the wrong microphone. I thought he was talking about me, but he was referring to you. Please speak into the correct microphone. Thank you.

MR. CHESNER: All right. Will this do it? Is this better?

ASSEMBLYMAN NAPLES: The black one is the correct one. Right.

MR. CHESNER: We know that a lot of kids have suffered because of the inequities that existed. We agree with you and the public that our statewide system of public education is in need of immediate attention. We certainly support the principles espoused in the Abbott decision that educational equity is a mandate of our State Constitution, and perhaps more importantly, a promise and a bond to our children -- to all children.

From the outset, PSA has opposed the shifting of pension and Social Security costs from the State to the local school districts. Our concerns are centered on the financial impact that such a shift in pension costs would undeniably have on school districts. As currently written, apparently over a period of time the difference between the aid and the escalating costs of pensions will not be equal, and districts will begin to suffer. Historically, when that happens, districts make decisions, and all too often the decision is to cut back on programs and to cut back on staff. All of these actions, we believe, hurt children.

We believe there is one viable approach to take, and that is to shift the pension and Social Security costs back to

the State immediately. We feel this is an important action because if we shift those costs back to the State, we are going to achieve two objectives: First, we will calm that storm of public protest concerning this issue and start to rebuild those relationships with all the necessary partners in any educational reform -- the educational community. By neutralizing this situation, we also create that environment to meet the second objective, and that is to have an effective study of QEA through dialogue with parents, the educational community, the Legislature, and the administration.

We feel that this dialogue has been the missing link which perhaps could assure the success and full support from all aspects of the educational community, including the public, for QEA in the future.

We certainly have faith in the positive outcomes of such a dialogue. I also want you to know that we have a great deal of faith in our new Commissioner of Education, John Ellis. We believe he is sincere and capable. We think that if this pension issue is set aside for, say, a year, that he, together with that task force, will be able to go ahead with peace of mind and come up with some solutions that are going to be equitable on all the questions of pension, funding, and QEA.

We support that approach. We want to be part of that dialogue. I also want to indicate that it certainly has taken a lot of courage for the members of this Committee to come up with bills that would suggest changing that funding.

Again, in summary, we think that if the pension funds were shifted back to the State, this would open that dialogue.

I just want to make one comment about some of the discussion we have had, too. For every teacher we have in today's classroom, we probably have two, three, maybe four who are retired. I think that what happened at the Federal level when people became concerned that perhaps Social Security was going to be affected, is probably what is happening here.

There is a perception out there among the retired people, as well as many other people, that a change like this could somehow have a damaging and lasting effect on their pensions. So there is that issue of insecurity out there. I think that needs to be -- even though it is a perception, maybe a misperception -- given consideration in trying to come up with something that is going to meet the general public need.

Thank you.

ASSEMBLYMAN NAPLES: I just want to say one thing: Several people have mentioned the Governor's task force. I don't know whether I am speaking for the members of the Committee or the members of the Senate Committee, but let me just say that I have asked members of the Governor's Office not to ask me to serve on that committee for a very good reason. I intend, as Assembly Education Chairperson, to exercise independent judgment on the results of its thinking. Some people have talked as though that committee is ex cathedra. As far as I am concerned, it is not. We haven't even seen what it is going to say. I just wanted to put that out.

Debbie, would you care to say anything?

MS. COSGROVE: No, thank you.

ASSEMBLYMAN NAPLES: Thank you -- not that I wouldn't want to hear you.

ASSEMBLYMAN KYRILLOS: Mr. Chairman, I would just like to add to your comment about the task force. They are not slated to report back until June.

ASSEMBLYMAN NAPLES: I know.

ASSEMBLYMAN KYRILLOS: That is important for the audience to know.

ASSEMBLYMAN NAPLES: We will get bits and pieces. Bill, do you want to speak?

ASSEMBLYMAN PASCRELL: No.

ASSEMBLYMAN NAPLES: Assemblyman Cimino, would you care to say something?

ASSEMBLYMAN CIMINO: No comment.

ASSEMBLYMAN NAPLES: At the request of my good friend, the Assemblyman and Mayor from the 35th District, I am going to call upon Anna -- a good Italian like me, but I am having difficulty with this name -- Taliaferro. Anna, would you please come forward?

ANNA TALIAFERRO: Thank you. I bring you greetings from Paterson.

ASSEMBLYMAN NAPLES: Use the black microphone. That is the one that puts you on the record.

MS. TALIAFERRO: There we go. I will try to speak up.

ASSEMBLYMAN NAPLES: How about the one next to you, to your right? Is that working?

MS. TALIAFERRO: Good afternoon.

ASSEMBLYMAN NAPLES: Is the red light on?

MS. TALIAFERRO: No.

ASSEMBLYMAN NAPLES: Do the best you can then.

MS. TALIAFERRO: Okay.

ASSEMBLYMAN NAPLES: Sorry.

MS. TALIAFERRO: In spite of my last name sounding like it is Italian, I would like to share with you a bit of African-American history. The name comes from Booker Taliaferro Washington.

ASSEMBLYMAN NAPLES: Thank you for the anthropology lesson. I appreciate it.

MS. TALIAFERRO: That's okay. I would like to bring you our opinion from an urban district and the grass roots vote. Those of us who are in the trenches listened to a lot of statistical data this morning; a lot of information that is so vital to the survival of our children. But I think what you need, perhaps, at a time like this, is to bring you back into perspective from the mind of a woman and the people whom I represent who constantly go through the kind of pain that is in our districts.

As I speak before you today, the facts and the tragedy are that many of our youth in New Jersey remain very much at risk. Through my experiences both as a parent coordinating the City of Paterson and as a parent advocate for children, it becomes disturbingly clear to us that reports are still indicating that our youngsters are very much at risk, and that that figure is well on the rise.

Given these facts, when you take a look at the bills that are before you, does it not behoove you to seek understanding to cure the fundamental, underlying problems of our youth at risk? Or, are we once again going to be very reluctant about it, and ignore the problem? Our at-risk students are perceived and treated as though they are expendable and nonexistent. They are subjected to inferior schools where low standards of expectations exist, and further -- and further -- are programmed to become victims of a prophesy that convinces them that they cannot benefit from the standards and quality of education which are provided for children from a more privileged set of circumstances.

This pattern of inferior education and low expectations exists not only through their early years of learning, but it continues to exist throughout the secondary level. Then it concludes in the all too familiar larger picture which affects us all. Additionally, it continues to invade us socially, racially, institutionally, and politically. It is very difficult for those of us who are in the trenches in these poor urban districts to understand how folks in New Jersey can claim to be concerned about cost-effectiveness, when at the same time we continue to pay a very dear price for producing an ever-increasing number of unproductive youth; youth who show up on the rolls of our penal institutions, whose costs are much, much greater than the cost of effective education.

The unwillingness to nurture is even more damaging, because we then become guilty of mass genicide by abating the will to act on behalf of our less fortunate youngsters. The Abbott II legislation is a magnificent decision handed down in June by our State Supreme Court judges, but this would not have been necessary had we understood and desired to educate those whose only sin in the minds of some was to be born into poverty.

In the past, the shameful attitude of our former Commissioner describing our urban superintendents as the Willie Suttons of New Jersey, and then making the State's major argument in the Abbott II case based on the misuse of moneys -- which the Supreme Court did not buy, by the way -- shows the kind of disrespect and negligence that our former President and present President, who exploited our communities when he portrayed Willie Horton as a message not to do the right thing on behalf of children in the poor urban districts-- Stating you are for education, or you are the education President does not cut it for those of us in the trenches.

Where we come from, you must put your money where your mouth is, because we do not want to "read your lips." Action, to us, speaks much louder than words. We want to see that you are capable and ready and willing to do the right thing. Were it not for people like Marilyn Morheuser -- and I commend her-- That lady has not waivered. She has been as steady as a rock. For that our youngsters and the people of our communities can be ever grateful.

Because of Ms. Morheuser, who presented such an in-depth, committed defense, we know that hope for our children is not just a word at the end of a sentence, and perhaps a fair chance at equal education opportunities would not ever be a reality. The judges on the New Jersey Supreme Court, in their profound wisdom, recognized this and took up the gauntlet on behalf of our poor children. They also took into consideration the remedies needed to dismantle the social insensitivities

which continue to erect excuses for abiding the educational inferiority of less privileged young people.

We personally applaud Governor Jim Florio for the Quality Education Act. It is certainly a step in the right direction. However, be that as it may, it still does not meet the full mandates of the Supreme Court decision in the Abbott II legislation. Therefore, we must continue to strengthen this law to do thus. That is where you play a most significant role by showing your willingness to act to solve the complexity of problems put forth here today.

Finally, gentlemen, in truth, we all bear the burden for action. As parents, community, and businesspeople, we all owe awareness and a willingness to act and resolve the problems we are faced with. Acting for our youth is not a spectator sport. It is not a game of chance. While the burden of proof goes to what happens inside the schools, education -- quality education -- is a community affair. Significant change will not come until all of us -- suburban and urban -- give our support to the youth of our State, whatever our race, gender, age, national origin, or political persuasion.

We further submit to you that the time is long overdue for us to join hands and come together to fight for the equity considerations handed down by the Supreme Court. We must begin educating in a way intended to reach every American youth, instead of only those who are fortunate enough to be in the front rows of society. To do this, I submit to you, to come from behind the takers and go back into your communities -- our urban communities. All you have to do is to look into the eyes of a child and see the future of not only this State, but this nation, to help to remind you of the right thing to do.

On behalf of the children of Paterson -- and I know across the State of New Jersey -- who cry out every day when they enter those school buildings that they are entitled to a fair share of quality education-- I hope we can take a message

to them at the end of your reckoning with the bills and the Quality Education Act and the Abbott II legislation, and can let them know that those who sit and make the decisions, those who have been elected -- not appointed or anointed -- will begin to do the right thing, especially for the children in the poor urban districts.

Gentlemen, we cannot afford -- we just cannot afford -- to relegate a life of unproductiveness to those children, because we will all bear that cross if we continue to do such.

I want to thank you for your indulgence.

ASSEMBLYMAN NAPLES: Anna, thank you. I am going to say something: I am very happy to see somebody from the urban districts come up. I want to say that I concur wholeheartedly with your analysis of the Supreme Court decision, about how far it went. I agree that it could have gone further. I heard from a very high-ranking official when I made that statement on television. But yours was a very, very fine statement. You spoke not just for the kids of Paterson; you spoke for every kid in this State. I do not restrict that statement to the 30 needs districts.

I believe Assemblyman Pascrell would like to have the floor now. Bill?

ASSEMBLYMAN PASCRELL: Yes. I just want to thank Ms. Taliaferro for giving a very specific and intelligent presentation to this Committee. I don't want you to think, in any manner, shape, or form, that anyone who presents anything before this Committee -- and I think I speak for the Chair on this -- is going to be less important or more important than anyone else. All these statements we have received, and will continue to receive, are going to have an effect on policy and might, indeed, have an effect on the very bill itself.

Certainly your adamant, but very, very mild tone presentation -- which didn't make it any less adamant-- Your statement on behalf of not only the children of the Patersons

of this State, but on behalf of all the kids of this State, will be well-taken into consideration. We thank you for taking the time, along with the rest of the parents who came with you, because we ought to listen to kids and parents once in a while, instead of ourselves. Thank you.

ASSEMBLYMAN NAPLES: Sometimes we listen to ourselves talk too much, Assemblyman, on a plethora of issues. I want to thank the people of Paterson who came up. I didn't know they were here.

I just want to say before going on, before breaking for lunch, that we are going to begin with Jerry Regan, the pride of Monmouth County, as we begin the afternoon session.

I want to thank -- I don't like to single out any one member of the Committee; they all do a fine job -- Bill Pascrell, on my left, the very fine Assemblyman from the 35th District, who is also the Mayor of Paterson. He has been under a great deal of strain. I really pushed this Committee hard in the last year. It has been tough for him to get down here, and I want to extend my public gratitude to Mayor and Assemblyman Pascrell for availing us of his knowledge and erudition and help, and hopefully bringing to resolution a very vexing, mettlesome problem.

We are going to break for lunch now. I want to come back here by 2:30, and I would appreciate your cooperation in being here at 2:30. The hearing stands recessed.

(RECESS)

AFTER RECESS:

ASSEMBLYMAN NAPLES: My, the crowd has dwindled. Thank God. And so have the legislators. Thank God. I had lunch with Assemblyman Cimino, and I will stay here until -- as long as I have to -- and I will take testimony. I want to wrap

it up today because I don't want to go into the 18th. We can't go to the 17th. Thank you, David. (speaking to aide)

Before I go on, I just want to say something before I forget: Today, OLS, the very, very fine nonpartisan agency, the finest in this nation, has assigned a fine professional, Dr. David Rosen, to serve the Education Committee. Today is Dave's last day as Education aide. He will be going on to another assignment in State government. We are lucky to have Dave Hespe, who is just walking in. Dave Hespe, Esq. will be our aide. I want to publicly commend Dave Rosen for doing a fine job. He has been a friend to me. He has helped me on a plethora of issues. I have often made the statement that Legislative Services makes some of these guys look incumbent, and they do, whether they are or not.

David, from the very bottom of my heart, I want to thank you for what you have done for this Committee; for what you have done for the State. I am sure that I speak for all 120 members of the Legislature. Would anyone else like to comment?

ASSEMBLYMAN CIMINO: I would, Mr. Chairman.

ASSEMBLYMAN NAPLES: Go ahead, Skip.

ASSEMBLYMAN CIMINO: Thank you very much. I, too, would like to thank you, David, for everything. I think you have been an outstanding assist to this Committee, in my limited time and involvement in the Assembly Education Committee. I am just happy that we are not losing you, and that you are just shifting to another form, probably a form of equally great importance, when you talk about the Revenue, Finance, and Appropriations Committee. Certainly it has been my pleasure to have worked with you in this capacity, and I look forward to others in the future.

MR. ROSEN: Thank you. It has been a pleasure and a privilege to assist the Committee of this term and under the prior Chairman with the important issues you face. I have

enjoyed working with you, and I will continue to work with all of you in the Revenue area.

ASSEMBLYMAN NAPLES: Thank you so very much, David. It is always a pleasure to-- You know, we are sort of the glory guys. We come and go, but these appointed professionals really do a hell of a lot of work. They don't get the credit, but they make us look good. I am not going to say anymore, but, David, good luck. I will see you around from time to time, certainly.

Let's go on with the hearing. The hearing is called back to order. We recessed for lunch. It's not too bad, only five minutes off. Let me get my list here. I said I would take Jerry Regan of the School Boards next. I am going to go out of order then and take Ray Peterson, and then Dr. Emmons of the NJASA. Jean has to go to the ball game in Philadelphia. Jean, you are going to be called on one condition, if we finish early enough you take me with you. Jerry Regan?

J E R E M I A H F. R E G A N: Thank you for the opportunity to testify before your Committee this afternoon. I am Jeremiah Regan, the immediate past President of the New Jersey School Boards Association.

My message today is clear and simple: The State of New Jersey should continue to pay for pension and Social Security benefits.

Imposing these costs on school boards, as the Quality Education Act does, will have serious consequences for a number of school districts in this State. As transition aid is phased out over the next five years, some of our finest districts will be forced to make deep cuts in their educational programs. They will also pass on to their taxpayers substantial increases in local property taxes just to maintain a lesser version of the school system they once had.

We believe -- and we hope you share our belief -- that the new school funding law should mean quality education for

all children. We look for a system in which all districts and all students are winners.

Not only transition aid districts, but many others also, have a deep-seated anxiety over the impact of local assumption of the costs for pensions and Social Security. By the best estimates available, the costs of these benefits will grow more rapidly every year than foundation aid. Over the past five years, these costs have risen an average of almost 9.5% annually. Yet, the basic component of foundation aid, the foundation amount per student, can increase only by the four-year average increase in the statewide per capita income, the PCI. Presently the PCI is estimated at 7.5%. That is less than the increase in pension and Social Security costs by at least two percentage points.

This differential will become even greater if the PCI begins to drop. With the economy in an apparent recession, we can expect a falling off in the PCI to a figure somewhat less than 7.5%. But will the rate of increase in pension and Social Security costs drop? I sincerely doubt it. They certainly have not in the past.

The result is that foundation aid will pay for an ever-decreasing share of pension and Social Security costs. Local property taxes will have to be raised to make up for that decreasing State share. In a State with one of the highest property taxes in the nation, this could be intolerable. The QEA must be changed in some way to prevent this gradual shift of pension and Social Security costs from the State to the local property taxes.

You have before you today a number of bills dealing with pension and Social Security costs. The proposals range from full State payment to various levels of State reimbursement to local boards for paying these costs.

Obviously School Boards would prefer a bill that requires the State to pay pension and Social Security costs as

it has in the past. But we also want to ensure that this would not work to the detriment of any district. In other words, we want the State to pick up pension and Social Security costs without shifting aid away from some districts in order to help others.

Unfortunately, how much this would cost and where the money would come from are not known at this time. We are all working in the dark. Based on the limited information currently available, it is impossible to design a permanent system that is fair, equitable, and fiscally responsible for many years into the future. All we have are estimates, and some of these are based on unsubstantiated assumptions.

Therefore, we propose that the QEA be amended to provide for full State payment of pension and Social Security costs for the 1991-1992 school year, and that the Legislature wait for the complete and detailed information that is necessary in order to make an informed and wise long-term decision. A one-year delay would also give the Legislature the opportunity to study the impact of the Quality Education Act and to benefit from the recommendations of the recently established task force to study the QEA.

It is imperative that the process for amending the QEA be an open one and that all the relevant data be made available to the NJSBA and other concerned parties. We need to know the impact on each district of any amendments that are proposed and we need to have that information for each of the next five years. The only data currently available on the bills before you shows the impact for the 1995-1996 school year only. While that is interesting information, it is not enough.

We also need to know how any future changes will be funded. Some plans look wonderful, but there is no indication of the revenue sources that will support these additional State expenditures. Will the State increase taxes in order to provide additional school aid?

Although NJSBA would like to see the State increase its share of the total statewide cost of education even beyond the QEA level, we believe that any proposal must also speak to the revenue source that will support such an increase. Through bitter experience, we are well aware of the consequences of State aid formulas that cannot be fully funded. We are not interested in returning to the days when State aid formulas were routinely underfunded and boards were forced into a waiting and a guessing game.

To avoid hasty decisions that are based on incomplete or inaccurate information, we urge you to delay permanent amendments to the QEA in regard to pension and Social Security costs for one year. We also urge you to commit to a thorough study of the effect of local payment of pension and Social Security costs and to the development of amendments which would work to the benefit of all school districts. Such action on your part would be an important signal to school boards that you have heard their concerns and that you plan to deal with the issue in a careful and deliberate manner.

It is our understanding that the State would pay pension and Social Security costs for all districts in 1991-1992 without any district suffering a loss and with relatively little, if any, additional State moneys. Basically this would be accomplished by subtracting the State's payment for a district's pension and Social Security costs from the district's foundation aid or transition aid.

Before closing, I must voice one more concern. We have heard that some legislators would force property tax relief on every community, regardless of the current tax rate or the need for additional spending on educational programs, services, and facilities. We urge you to resist any such move. Some districts need property tax relief; others need money for schools.

Except for the 30 special needs districts, each district is free under the QEA to make its own decisions concerning its level of spending and taxation. We support that free choice.

However, I will say that even though half of the special needs districts will evidence considerable tax relief, almost two-thirds will be forced to continue levying school tax rates that are still above the State average. This is not fair and they need relief. We would consider supporting language to limit the equalized school tax rate required by the State to no more than the State average, and the current rate is \$1.08. The Supreme Court has recognized that urban districts suffer from municipal overburden. For this reason alone, they should not be required to tax at a higher rate for their schools than other districts.

Thank you for your consideration. I will be happy to take any questions you may have.

ASSEMBLYMAN NAPLES: Jerry, excuse me. I did not mean to be rude. I was just clarifying something you said. I want to ask you a question, but thank you very much.

Jeanne, do you have something to say? Would you like to testify?

J E A N N E R E O C K: I am just here to help with questions, if necessary.

ASSEMBLYMAN NAPLES: Okay. Let me ask a question: You made a statement which piqued my -- I won't say my imagination, but peaked my interest. You mentioned something about -- and I wrote this down as verbatim as I could -- will the State have to increase the taxes to finance -- something? I wrote it down quickly. What did you say exactly? And then I am going to ask you a question. I am going to paraphrase. I am not going to be a wise guy -- not much, but--

MR. REGAN: The point I was making was, there are some bills in that would, in fact, increase State aid to all districts by some very interesting amounts.

ASSEMBLYMAN NAPLES: All right, I've got it.

MR. REGAN: We say, you know, there is no source of income, so we don't know how real those bills are.

ASSEMBLYMAN NAPLES: I see the same thing here. This is not an overarching, but it is a global question in terms of State budgeting and the State Constitution. Will the State have to increase -- and this is a very rhetorical question-- Will the State have to increase taxes to finance pensions? Where do we get the money?

MR. REGAN: We are asking for a--

ASSEMBLYMAN NAPLES: No, I'm asking you.

MR. REGAN: --delay of only one year -- one year. We figure that in that year--

ASSEMBLYMAN NAPLES: But at the end of a year, Jerry, where are you going to come up with the money?

MR. REGAN: Right now there is so much miscellaneous misinformation out there, it is almost impossible, I think, to draw any kind of reasonable, defendable answer from the data we have.

ASSEMBLYMAN NAPLES: You really believe that?

MR. REGAN: I think if you study it for one year and get the full impact of the recession we are now in -- at least we think we are in a recession -- we will know better how much money we need and how possible it is to do any of the things that the State needs to do, and must do, under the QEA.

ASSEMBLYMAN NAPLES: From what you say, I understand your frustration. You may be right; you may be wrong. Nobody knows what is going to happen in the future. But I do know this: In the interim, kids will have to languish under that previous onerous system. That's my concern.

MR. REGAN: No, that is not what we are proposing. We are proposing everything else in QEA stay the same.

ASSEMBLYMAN NAPLES: No, you are not proposing it, Jerry, but it is going to happen.

MR. REGAN: Everything else in QEA stays the same. Just the pension thing for one year, and for one year only.

ASSEMBLYMAN NAPLES: Yeah, but it is going to cost money, and it is going to cut into something. You have to fund it somehow.

MR. REGAN: Yeah. We would take the money away from the districts that were -- currently that were the transition aid and foundation aid districts that were getting pension funds-- Take it back from them. The State would not pay it. The State would keep that money for the one-year period, and pay it as they have paid in the past.

ASSEMBLYMAN NAPLES: It's a funny thing how history repeats itself. With Matty Feldman sitting here and Gerard Naples sitting there last June, I asked you and the NJEA pretty much the same question, and it is going to remain unanswered for awhile. We are all going to prognosticate on it.

Does any member of the Committee have a question to ask of either Ms. Reock or Mr. Regan? Assemblyman Cimino?

ASSEMBLYMAN CIMINO: Yes, thank you very much. Jerry, let me ask you a question: Do you, in fact, agree with the Abbott I decision?

MR. REGAN: Yes.

ASSEMBLYMAN CIMINO: The Association does? When I say, "you," I don't mean you; I mean as a representative of the Association.

MR. REGAN: I understand. The answer is, "Yes," in both cases.

ASSEMBLYMAN CIMINO: Thank you. How do you-- This may be philosophical, but philosophy is the basis for cognitive thinking in life. How do you deal with the equity issue, when you call for effectively-- What you are effectively calling for is a one-year moratorium?

MR. REGAN: Yes.

ASSEMBLYMAN CIMINO: What you are asking for. How do you deal with that issue?

MR. REGAN: I think perfection is something to be approached and never attained. We are trying to make it in one giant step. The taxpayers out there have been overwhelmed with information, a lot of it miscellaneous misinformation, but it is there, nevertheless. We are putting together budgets now. We've got to go out to the people and ask them to pass some of those school budgets in April. The average taxpayer, I think, is convinced that no matter what the board comes out with, it is going to be a Florio tax increase. That is the title that is on everything.

We had some resolutions go down last Saturday at our delegates' meeting on items we have been fighting for for 10 or 15 years, because someone in the audience got up and said, "This is going to give Florio a tax increase," and they went down. You can kill it.

ASSEMBLYMAN CIMINO: I want to speak to one of those issues at some point, if it is all right.

MR. REGAN: We've got to deal with that issue. That is the real world we live in. We think that if we could get the pension issue, that emotional issue out of the way, and get solid information out there, and you people and us have an opportunity to convince -- to tell the people what the impact really is of this thing, and why you have to do it, then I think we have an opportunity, a chance. We have no chance now. We really don't.

ASSEMBLYMAN CIMINO: So what you are saying then is-- There are nuances in what you are saying that are different than the other groups that have paraded before us. You are not suggesting under the QEA that shifting the pensions back is necessarily bad?

MR. REGAN: We're saying that we do not know enough to know that it is absolutely, positively bad. That's true. We

need more information; we need better information. It may be, but we are not sure.

ASSEMBLYMAN CIMINO: What do you think, as an Association that represents those 30 special needs districts, as well as the minimum aid districts that have been affected-- Forget those in the middle. Let's talk about the two groups that have been affected, one positively, one -- in the perception of some people -- adversely.

What do you think about the fact that there is a possibility-- Or, does the Association think there is a possibility that if, in fact, we were to do this and were not providing the equity-- Is there a possibility that we would be back in Court?

MR. REGAN: I am not too sure. I am not an attorney, and I don't mean to imply that I am. The Court asked for a solution. It didn't ask for the solution. Would they take a solution and have it with the understanding and the knowledge that, in fact, the Legislature is working on a better solution, on a two-step basis, rather than doing everything in one step? I don't know. Can you get to the Supreme Court in one year? It took them seven or eight years the last time. I don't know if--

ASSEMBLYMAN CIMINO: Well, I think this is probably something that would see a great deal of expedition by the Supreme Court of the State of New Jersey, and may very well bypass all the other levels in light of the fact that this case is there, and not unlike Texas, which repaired its formula and found it immediately declared unconstitutional.

So I think that is an issue that needs to be resolved. You know, I appreciate your testimony. I think it was a very reasonable and very rational discourse. I would suggest that the Association could probably be more helpful -- and I am sure that those who work for the Association are attempting this -- as well within the dialogue of the board

members themselves who are delegates to your Association, and that, in fact, they take the opportunity to look at and listen perhaps to some of the dialogue coming from your own -- from the people you employ. Because all I have heard so far, is that this is going to cost school districts money. No one has spoken to the issue of the overwhelming number of districts absent the special 30 which get helped here--

Ms. Morheuser talked about 226,000 students out of New Jersey's 900,000 students who benefit. Nobody argues that point. But nobody from your Association has stood up and said anything to me about the mass of students in the middle, almost like the middle-class kid who gets benefited by this. What I have heard -- the greatest cacophony of noise from the Association -- about is the group that in some way is felt impinged upon.

MR. REGAN: We have run--

ASSEMBLYMAN CIMINO: Do they, in fact, steer the Association?

MR. REGAN: They do not. I hope not, at least.

ASSEMBLYMAN CIMINO: Well, how is your delegate membership based? Is it one man/one vote, or is it based on each district having the same equal value in terms of vote?

MR. REGAN: You have two questions. Let me answer the first one. The first one is: One of the problems you have in explaining to some of the districts how well-off they are -- and some of them are very well-off; no question about it -- is that the disparity between the pension growth, which is documented at 9%, or the 9.5% that I mentioned, and the rate of growth in our aid over the years at 7.5-- They feel that they are losing-- At least the data we have says we are losing 2% per year, even the well-off ones. It does not take too long before they have used up all the State aid, and now they are going back to the taxpayers to make up the difference in the pensions. That is what they are worried about, and we don't have good data on that.

ASSEMBLYMAN CIMINO: I think that is an interesting assumption, because you are assuming a continued rate of pension growth year in and year out every year thereafter, which is not an accurate assumption. What do you do about the fact that--

The NJEA was here this morning and talked about bargaining. That became the foundation of their testimony about the pension shift -- bargaining. It had nothing to do with whether the pension is there or not. It had to do with the issue of bargaining. I have to tell you: I admire Betty Kraemer for saying that, because she was--

ASSEMBLYMAN NAPLES: Honest about it.

ASSEMBLYMAN CIMINO: --honest about it. That is where she is coming from. It has to do with bargaining. So if you talk about bargaining, a portion of the bargaining process that your membership needs to deal with is the increment in salary. And part of that increment in salary is the issue of pensions. So don't you see some-- If, in fact, her assumptions are accurate, is there not some validity to the belief that there would be a suppression of costs in terms of pensions?

MR. REGAN: I believe there is, but I don't think it is going to happen tomorrow or the day after or in the five years that are allocated. I think it is going to be a very, very slow process. The NJEA is very powerful, and local boards do not feel they have that kind of strength. Ultimately I think the cost of education across the State will come down some, but it will not come down as quickly as the State numbers would lead you to believe it will come down.

ASSEMBLYMAN CIMINO: Well, then, do we really get to come back the circle? Do we really get back to what Assemblyman Pascrell said this morning. Unfortunately, he is not here now, but-- Is this an issue of fear for elected local board members, as well as it is an issue of fear and concern for those who are on the other end of receiving the pensions?

MR. REGAN: I haven't heard, and I don't see--

ASSEMBLYMAN CIMINO: Well, you just said something about the board--

MR. REGAN: --any fear for the elected local board members. Do you mean the fact that you are in and you are going to get thrown out, or you are not going to get elected the next time out?

ASSEMBLYMAN CIMINO: No. You just alluded to the NJEA being a powerful organization. I agree with you, and I respect that supposition. They are. You kind of said that the School Boards are not necessarily maybe as powerful as the NJEA, and I agree with that supposition. I sat in your chair. I know exactly what that means. I guess what I am asking you is, is there a fear within the Association itself that it will be incapable -- not from the standpoint of being tossed out of office, but incapable of dealing with the power of the NJEA when it comes to salary negotiations?

MR. REGAN: No, I never heard it put that way at all. I think the fear is more that they will have to-- In order to satisfy the taxpayer -- and everybody is looking at a taxpayer revolt -- they will have to cut programs, and they do not want to cut programs, frankly.

ASSEMBLYMAN CIMINO: But it does--

MR. REGAN: The most affluent and the least affluent district does not want to cut whatever it is they have.

ASSEMBLYMAN CIMINO: But the foundation is fear?

MR. REGAN: I believe it is fear.

MS. REOCK: May I add something to that, Skip? There is a lot of fear and concern that the Legislature will increase the benefits package, as it did not too long ago when it provided retirees with paid health benefits and an increase in COLA, and so forth. Now, boards feel virtually powerless. I mean, they pay the bill, but you provide the benefits. You decide what that level of benefits should be. So, I think it

is a very realistic concern. It is like giving your credit card to somebody. It doesn't feel good.

Another part is the fact that teachers do go on strike in this State, and they do withhold services. We don't seem to have very adequate procedures for dealing with that at the present time. So when teachers have been accustomed to getting increases of probably around 9% -- which is what the average has been -- I think it is going to be difficult to move back from that without some real messy scenes -- teachers walking out. When that happens, the community doesn't care. They just want the teachers back in the classrooms. So it does put boards in a very, very difficult position.

MR. REGAN: It really puts us between a rock and a hard place. There are many of us who are really concerned about the 10%-plus growth in the cost of education per year that we have gone through for the last, I think, 10 or 12 years. I think that is pretty well documented. The problem is, we have in our communities-- We are the day-care centers. We are the educational centers; we are the day-care centers; we are whatever else you want, because we are the only place where you can send kids and both parents go off to work. Now, when that school is closed down, even if it is for a day or two, it is a fantastic disruption in the lives of many of our people.

So, that puts then pressure for a settlement. Then the thought of increased taxes goes out the window. Now the pressure is settled. We will worry about taxes when the budget comes up, and then the budget goes down to defeat. But that is the nature of the game. It is the business we signed up for, and that is the way we are going to have to deal with it. But that adds to this anxiety and fear problem we have.

ASSEMBLYMAN CIMINO: One final question.

ASSEMBLYMAN NAPLES: Sure; go ahead, Skip.

ASSEMBLYMAN CIMINO: Would you say it is the fear of the future that led your delegate assembly Saturday to withdraw its support for \$600 million worth of school building?

MR. REGAN: I watched that happen and I couldn't believe it. It happened because--

ASSEMBLYMAN NAPLES: Neither could I.

MR. REGAN: --the magic words were mentioned -- Florio and taxes. That's what did it. There was no logic to it. Honest to God, it really--

ASSEMBLYMAN NAPLES: I agree with you.

MR. REGAN: We fought for that for years. That same delegate assembly has been telling us to get those moneys.

ASSEMBLYMAN CIMINO: Did anybody try to make any of those districts understand that from the wealthiest districts in the State to the least wealthy districts, that everybody has the opportunity to participate in this?

MR. REGAN: They didn't believe us.

ASSEMBLYMAN CIMINO: They didn't believe you?

MR. REGAN: They did not believe us. They didn't believe the staff, nor did they believe the leadership.

ASSEMBLYMAN CIMINO: They didn't believe their peers?

MR. REGAN: Pardon?

ASSEMBLYMAN CIMINO: They didn't believe their peers?

MR. REGAN: No.

ASSEMBLYMAN CIMINO: Thank you.

ASSEMBLYMAN NAPLES: An excellent line of questioning, Skip. Assemblyman John Villapiano has moved up to the Committee table as a member of the Committee de facto. John, would you like to say anything?

ASSEMBLYMAN VILLAPIANO: Move the bill.

ASSEMBLYMAN NAPLES: I just want to say that that was an excellent line of questioning, Skip. Jerry, you were prepared, as always. But I want to say something that just came up spontaneously: People talk about the Naples/Mecca bill, the monitoring bill, the Doria bill, the QEA bill, but what has gotten lost in the shuffle here, unfortunately, is the Zangari bill -- the facilities bill. That is so crucial. If

that thing languishes without passage and without a gubernatorial signature, that \$600 million is going to be worth a hell of a lot less than \$600 million, and we are at the seven figures already. We've got to get off our royal derrieres and get that thing moving. That is all I have to say on that.

Jerry, Jeanne, thank you for a great presentation, as usual. I appreciate it very much.

MR. REGAN: Thank you, sir.

ASSEMBLYMAN NAPLES: Next, my good friend, Ray Peterson, AFT. Ray, my apologies. I never saw your message asking -- when you asked to speak earlier, so you are speaking later.

RAYMOND A. PETERSON: That's quite all right. Good afternoon, Mr. Chairman and members of the Assembly Education Committee. I am Raymond A. Peterson, and I am here on behalf of the New Jersey State Federation of Teachers, an affiliate of the American Federation of Teachers, which represents more than 11,000 school and college employees in New Jersey.

Most of you know that I have watched and listened to the deliberations of this Committee for more than a decade. In that decade many useful pieces of legislation have worked their way through the Committee, but I have never heard anyone claim that any one of those bills was perfect.

Certainly, the Quality Education Act, although it was the subject of not one, but five Committee hearings last June, was not perfect, but it was timely. It provided the broad outlines of change in an unfair and unconstitutional method of funding education. And it allowed those districts that would benefit most a year to plan for the intelligent use of funds that are intended to reverse the conditions and the outcomes of a system that cries out for a thorough, and perhaps expensive, overhaul.

Last week, and earlier today, you heard the testimony of the sponsors of bills designed to fine-tune this legislation in order to overcome some of the inequities, or perceived inequities, that are contained in the current provisions of the Act. All of these bills are well-intentioned, and all have some provisions that deserve serious consideration. I am also aware of the recommendations of the Education Law Center, and its now-famous director.

We agree with some of the provisions contained in the bills before you, and with most of the recommendations of the Education Law Center. To be more specific, we urge you to amend the law in the following ways:

1) We recognize that the State funding of teachers and administrators' pensions in well-to-do districts does have a counter-equalizing effect on aid to districts with low or moderate fiscal resources. But we also recognize that the subtraction of those pension costs from foundation aid in many districts could lead to property tax increases in some districts several years hence. Therefore, we support the concept of equalized pension aid, as proposed in Assemblyman McGreevey's bill, A-4153. We note that under the provisions of that aid formula, there are no losers, there are many districts that gain, and that this provision should help to close the gap between the special needs districts and the more affluent districts.

2) Other amendments should address the Court's concern for municipal overburden. We agree with the position of the Education Law Center that a mechanism must be found to sever the linkage between property tax increases and school budget adoptions. Although this issue is easier to discuss than it is to resolve, we see it as necessary to implement school aid within the letter and the intent of the Court's decision.

3) The funding must be based upon current year enrollment and not on prior year expenditures or enrollment. And the funding must be certain every year, and not depend on the taxing habits of the individual districts. The Court was explicit on this, and with good reason.

4) We agree with the Education Law Center that more attention needs to be given to the question of the adequacy of funding for special education and bilingual students. A study of these comparative costs should be the basis of further amendments to the QEA.

Thank you for your attention. I would be happy to answer any questions you may have.

ASSEMBLYMAN NAPLES: As usual, Ray, that was a brilliantly written statement, and I marvel at how you can write in three pages what it takes me nine to write. Would any member of the Committee choose to ask Mr. Peterson of the AFT any questions? Assemblyman Cimino?

ASSEMBLYMAN CIMINO: Yes. Thank you very much. Ray, good afternoon.

MR. PETERSON: Good afternoon.

ASSEMBLYMAN CIMINO: Here is a question for you: The Federation feels that pensions, in fact, are a counter-equalizing effect?

MR. PETERSON: A careful reading of the Court's decision proves that beyond a doubt.

ASSEMBLYMAN CIMINO: Do you think the issue-- Is the pension issue the real issue for labor negotiations, or is there an issue with regard to bargaining? Is this more of a bargaining issue than a pension issue?

MR. PETERSON: Are you talking about our perspective or someone else's perspective?

ASSEMBLYMAN CIMINO: Well, I mean, there are two schools of thought here: One labor organization -- which is yours -- says that pensions are counter-equalizing. The other

says they are not. I guess I am trying to understand why there is a difference when both represent teachers.

MR. PETERSON: Well, first of all, the State law -- the PERC law in particular -- provides that pensions are not negotiable. Over the years, I have negotiated a few dozen contracts and I have talked with negotiators who have negotiated contracts. In all of those negotiations, or in none of those negotiations -- I should state it that way -- have pensions become an issue. I would like to point out that in the school area particularly, the State did not pick up the costs of secretaries, custodians, bus drivers, etc. They were always borne by the school board, and never became a topic for negotiations because the law prohibits that from becoming a topic for negotiations.

Now, our position with regard to pensions is that if more money is put on the bargaining table, a certain amount of it will go into teachers' salaries, and that will raise the pension levels in the districts that could not afford to pay good salaries over the years. I think as far as putting money on the table, yes, it is designed to provide programs. But it is also designed to prevent turnover in staff. In the poor paying districts you see such turnover that the kids in those districts rarely have experienced teachers. They go to the better paying districts, and they get better pensions because they do go there.

ASSEMBLYMAN CIMINO: So, in essence, what-- Okay, I understand what you have just said. You say that as well as you support the concept of equalized pensions as proposed in Assemblyman McGreevey's bill-- Assemblyman McGreevey's bill, with all due respect to Jim -- and he is not here -- is probably the richest of all proposals and the best of all worlds, and we don't have a pot of money at this particular time to deal with that. So, are you suggesting that we then look for another pot of money to accomplish that task?

MR. PETERSON: Perhaps the numbers in that bill could be adjusted, but the principle is sound. It does raise the status of perhaps two-thirds of the districts money-wise. It helps the special needs districts get closer-- Now, I am not sure of the schedule on this, but it does make them approach the level of the affluent districts.

ASSEMBLYMAN NAPLES: Skip?

ASSEMBLYMAN CIMINO: I think that is all the questions I have.

ASSEMBLYMAN NAPLES: Okay. Thank you.

MR. PETERSON: Thank you.

ASSEMBLYMAN NAPLES: I have no questions, Ray, except to say that it was a very, very good presentation. It was the type of presentation which prompted the Assemblyman to pursue some fine questions, and in the interchange we got some information I didn't think we would get when I read the statement. Thank you very, very much.

MR. PETERSON: I am given to short statements, and long answers to questions.

ASSEMBLYMAN NAPLES: Okay. Are you trying to tell me something?

I am going to call up Dr. Jean Emmons of the NJASA. It is not just because he appointed me to my first principalship. It is because he showed good judgment in doing so. (laughter)

ASSEMBLYMAN CIMINO: Oh, my. What's that? Not because he appointed you, but because he showed good judgment?

ASSEMBLYMAN NAPLES: Oh, come on, Skip, you're out of order. (laughter)

DR. J E A N E M M O N S: Mr. Chairman and members of the Committee: Mr. Philip Stern, our attorney, is going to deliver our statement today.

ASSEMBLYMAN NAPLES: Welcome, Doctor, and Mr. Stern.

P H I L I P E. S T E R N, ESQ.: Good afternoon. My name is Philip Stern. I am Assistant Counsel for the New Jersey Association of School Administrators. On behalf of the Association, I appreciate this opportunity to address this Committee regarding proposed amendments under the Quality Education Act.

The Association opposes any legislation that undermines Abbott v. Burke's mandate to remedy the constitutional deprivation suffered by the Abbott plaintiffs. While the Association favors State funding of pensions, it cannot support proposed amendments to the Quality Education Act regarding pensions that may reduce constitutionally mandated entitlements to the special needs districts. Moreover, the Association believes that all New Jersey school students should benefit from a restructuring of school funding formula.

On June 12, 1990, in response to Abbott v. Burke, the Association presented the Governor with its position regarding State aid and equalization of educational opportunity for all New Jersey children. Briefly stated, the Association recommends developing a foundation formula that would approach the per-pupil cost existing in New Jersey's wealthiest districts. The Association further recommends a realistic escalator to guarantee the formula's future effectiveness and to guard against further disequalizing disparities.

In order to guarantee the fidelity and integrity of the formula, the Association believes the State Constitution should be amended, establishing a 100% funding requirement, and that the revenue necessary for such full funding should be dedicated, mandated, or both.

Under the Association's formula, pension obligations could be returned to the State without undermining aid required for special needs districts. In short, the Association's formula satisfies the constitutional mandate of Abbott v. Burke and guarantees a thorough and efficient education for all New

Jersey students. A summary of the Association's position is attached to this statement.

Under the present Quality Education Act formula, the proposed amendments concerning pension obligations may compromise the constitutionally mandated aid to the special needs districts. Therefore, the Association cannot endorse the proposed amendments as presented. The Association also opposes any future attempts at amendment that result in diminution of any moneys that would have flowed to any school district in the State under the present QEA law.

Thank you for this opportunity to be heard. I will be happy to entertain any questions.

ASSEMBLYMAN NAPLES: Thank you. Dr. Emmons, would you care to add anything?

DR. EMMONS: No, not at this time. Thank you.

ASSEMBLYMAN NAPLES: Thank you, sir. Would any member of the Committee-- Assemblyman Villapiano?

ASSEMBLYMAN VILLAPIANO: Yes. Thank you for the increase in my status here, from a listener to a member of the Committee.

ASSEMBLYMAN NAPLES: I don't know about that. We have to run on it. (laughter)

ASSEMBLYMAN VILLAPIANO: The signal that you are sending to me seems to be different. I mean, you seem to send two signals. Number one, that you are not in favor of taking any money away from the foundation formula in any respect for the funding of educational systems in the State of New Jersey. Stop me and correct me where I go wrong. Secondly, that you are in favor-- You said that while your Association favors the State payment of the teachers' pensions-- It sounded to me like -- for want of a better phrase -- that you want it both ways.

Are you suggesting that we create a new pot of money to pay the teachers' pensions? If so, maybe we should just say that for the record.

MR. STERN: Well, the Association believes that further discussions should take place, and we would be more than happy to help facilitate and discuss possibilities of generating new moneys in order for that to happen.

ASSEMBLYMAN VILLAPIANO: Thank you very much for that answer.

ASSEMBLYMAN NAPLES: Thank you, Assemblyman.

ASSEMBLYMAN VILLAPIANO: Mr. Chairman, just for the record--

ASSEMBLYMAN NAPLES: Sure, go ahead.

ASSEMBLYMAN VILLAPIANO: I would make the one very quick, concise statement that \$4.8 billion is going to be invested in education in our State Fiscal Year 1991-1992 budget. I believe \$300 million, whether it be from transition of accounts or from payments of unexpended amounts that certain school districts do not spend-- I believe, as one of the former speakers said, that too much is left to chance right now, and that this shift should not be made. I mean, this shift back to the State should be made, and until we really see where the dollars and cents come out, it should stay right here.

ASSEMBLYMAN NAPLES: John, I love you. When I nodded assent, I was nodding that I remembered the statement, and that's all. Assemblyman Cimino, would you care to say anything?

ASSEMBLYMAN CIMINO: Thank you very much. I appreciate that, Mr. Chairman.

Mr. Stern, could you walk me through 100% funding of the foundation? The Association recommends that the State fund the foundation at 100%. Could you walk me through that? What do you mean by that?

MR. STERN: Well, that the State take 100% responsibility for funding, so that all districts would receive what they should -- both constitutionally and otherwise what they should get. Then if there are other pools of money that have to be developed, that creative ways be implemented to do so.

ASSEMBLYMAN CIMINO: Have you done any computer runs on what that would cost?

MR. STERN: No, sir.

ASSEMBLYMAN CIMINO: Does anyone know what we currently levy at the local level for funding? I mean, I think you are talking about a huge -- I think almost an insurmountable increase. (indiscernible comment from Ms. Morheuser from audience; no microphone)

ASSEMBLYMAN NAPLES: Let's cut the talking out back there, whoever it is, and give Assemblyman Cimino your attention.

ASSEMBLYMAN CIMINO: Thank you very much, Marilyn. I'm sorry you got in trouble.

Seriously, though, is that what you're saying: Do away with the property tax as any kind of a component of the funding of education?

MR. STERN: Well, perhaps a broad-based property tax -- a statewide, broad-based tax. Essentially, the Association feels that it cannot, under the present QEA, take anything away without violating the mandate of Abbott v. Burke.

ASSEMBLYMAN CIMINO: I understand.

MR. STERN: The Association is also, as other groups are, looking for creative ways to try to make the provision of quality education in New Jersey a situation where there are no losers. At present, this is-- The Association believes that a dialogue, at least, along these lines might be helpful.

ASSEMBLYMAN CIMINO: Are you suggesting that the striking of a statewide property tax rate would be a source of funding that would be equitable to everybody?

MR. STERN: Perhaps.

ASSEMBLYMAN CIMINO: Thank you very much.

ASSEMBLYMAN NAPLES: Thank you, Asemblyman Cimino. Your comments, again, were very, very well taken. I want to thank you, Doctor. I beg your apology. What is your name again? I'm sorry.

MR. STERN: Philip Stern.

ASSEMBLYMAN NAPLES: My pleasure.

MR. STERN: Thank you.

ASSEMBLYMAN NAPLES: Marilyn, I didn't realize you were the one talking.

MS. MORHEUSER: Oh, yes, you did. (laughter)

ASSEMBLYMAN NAPLES: It's getting to the silly stage now. We're getting to the end, thank God.

I wish somebody would insult somebody, me or somebody else, so I could get into an argument. It doesn't even sound like a hearing after last week. No, never mind.

I am going to go out of order again, and call-- Right now, so many people have left, but I am going to call for Sandra Schwartz, President, Highland Park Board of Education. Sandra Schwartz is not only the Board President -- and she has done a fantastic job -- but she is the wife of one of the most outstanding legislators in this nation, David Schwartz of Middlesex County. I want to tell you, Sandy, I always remember the day that David brought down your charming daughter. She was 11. That would have been a lost day, except that I was afforded the opportunity to have an intelligent conversation when she sat with me. Sandy?

S A N D R A K. S C H W A R T Z: That's very nice, Mr. Chairman. Perhaps I should say at the outset that while I am very proud of my husband and all that he stands for, I don't tell him what to do, and he doesn't tell me what to do. So he shouldn't be blamed for anything that I might say today.

I want to thank you, Mr. Chairman, and the other Assemblymen, for this opportunity to speak to you on behalf of the Highland Park Board of Education. Highland Park is a foundation aid district in Middlesex County and, as such, we are one of those districts Assemblyman Cimino was mentioning earlier and wondering whether you would be hearing from any of us. We are neither a poor district nor a rich district. We

are not a part of the urban 30, nor one of the wealthiest 108. We are not on the blue sheets or the orange sheets that were handed out last week. As a district of intermediate economic status, we believe we are central to the debate before this Committee today.

As you know, the foundation reforms of QEA go beyond the poorest urban districts, which have long been so desperately in need, and which were the focus of Abbott v. Burke, to extend more equitable funding to the majority of districts, districts of low and moderate needs. The major mechanism for accomplishing this reform is found in the pension and Social Security provisions of the Act. Thus, attempts to undo these provisions, either in whole or in part, jeopardize Highland Park and other districts like us.

The first purpose of district assumption of pension and Social Security payments is to provide equitable education funding for children in all districts. In a State notorious for its uneven distribution of wealth across communities, State aid to equalize spending is obviously crucial if children's access to educational opportunities is not to depend on the accident of their place of birth.

Under Chapter 212, less than half of all State education dollars were distributed in accordance with local districts' capacities to raise funds. Under QEA, that percentage has increased to 75%, excluding transition aid. This is a very significant gain in equity, a courageous governmental decision not mandated, and not protected by Abbott v. Burke. It is also relief much needed by the children and the taxpayers of New Jersey's low- and middle-income communities.

This Committee now has before it various proposals to rescind all or part of the QEA's redistribution of State funds, to retreat from the standard of equity set by the QEA, to take money from the districts of middle economic status and use it to provide property tax relief to the richest among us.

ASSEMBLYMAN NAPLES: Excuse me.

MS. SCHWARTZ: Yes?

ASSEMBLYMAN NAPLES: Pardon me, and I mean this sincerely. You are paraphrasing; you are not reading verbatim. I can't find my statement. I'll be honest. I don't want any statements read verbatim at this point.

MS. SCHWARTZ: I appreciate that, Mr. Chairman, and I will do my best to paraphrase. I think I am a bit more succinct if I stick to something fairly close to my text.

ASSEMBLYMAN NAPLES: Okay, thanks a lot. You're doing a great job.

MS. SCHWARTZ: I think we should make no mistake about basic facts. It is not possible to substantially redistribute moneys for the majority of districts in accordance with need unless the pension dollars are used. Pension and Social Security payments, as you know, constitute fully a quarter of all State aid to education in Fiscal Year 1991, and one-fifth in Fiscal Year 1992. For every dollar spent on the now unconstitutional minimum aid, \$6 is spent on pension and Social Security payments. If QEA is to provide fair and equitable taxation for middle-income communities, it must use the pension dollars to accomplish that purpose.

Secondly, the real point of this provision in the bill is equity -- as Assemblyman Cimino has frequently made an issue of himself in his questions -- equity in dollars available to fund education. Equity cannot be achieved without redistribution. Redistribution cannot be achieved without taking from those who have more in order to give to those who have less. That is the mathematics of it. The real issue being debated here is not whether to give property tax relief to the richest districts in the State, but whether to give that relief at the expense of the low- and moderate-income districts of this State.

We understand that most of the bills before this Committee seek to avoid reducing short-term district entitlements under QEA by proposing to add new money to the total. We, ourselves, are skeptical that additional money will be found to add to the QEA funding of education, considering the deepening economic troubles and revenue shortfalls the State faces, and the fact that QEA already represents a 30% increase in the education funding by the State. We also question the wisdom and even the morality, if you will, of adding still further money to education in the face of deep cuts in other areas of governmental service, for the purpose of tax relief for the richest districts.

In any case, even if new money were to be found, equity is not served by holding all districts harmless with respect to QEA funding in the short term. To whatever extent the long-term formula becomes less redistributed than it is at present-- To that extent, equity is harmed. Communities of comparatively lesser means will suffer a proportionate reduction in their share of education aid, and over time, as costs increase, these shortfalls will become more and more significant.

In Highland Park we understand the pain in localities which face the need to absorb significant new costs. We understand that taxpayers rarely think of themselves as rich, and that taxpayers are apt to compare their tax bills with last year's bills and not with an equalized rate in a neighboring town. We also understand that it is not easy to find ways to cut costs without cutting quality. We understand this because in Highland Park we have been grappling with these issues over the last several years under severe shortfalls under Chapter 212. None of these feelings, understandable as they are, change the fact that those communities with the largest wealth per pupil have long enjoyed the hidden subsidy from the rest of the State's taxpayers. Making QEA more redistributive is not

unjust to the children and taxpayers of those communities. Rather, it rights a historic injustice to the majority of children and taxpayers, an injustice which is less and less intolerable as costs escalate and local property taxes rise by unprecedented amounts.

There are those who have defended a retreat from the redistributive nature of the QEA as a necessary protection of excellence. I say to you that this is a dangerous doctrine. Democracy cannot afford to equate equity with mediocrity, nor can it choose between equity and excellence. You must require both.

Nor is it fact that excellence is confined to the richest districts of this State. Highland Park is a good case in point. Our school system has long enjoyed the reputation as one of the finest districts in the State. We typically send 85% or more of our children off to college. Our SAT scores rank in the top 10% in most years. It is interesting to note that we do this with a student body that is one-third minority; one-quarter turnover every single year; and per-pupil spending which ranks 10th out of 25 in the county.

ASSEMBLYMAN NAPLES: Give me that figure again -- per-pupil expenditure.

MS. SCHWARTZ: Ranked 10th out of 25 in Middlesex County. Our taxpayers have been willing to pay, and pay heavily, to achieve this excellence in our schools. We tax above our fair share of local levy. They pay also one of the highest equalized tax rates in the county. I am here today to tell you that they need relief from the State. I believe their case is highly legitimate.

Highland Park welcomes Abbott v. Burke. We are happy to assist those less well-off than we. We are unalterably opposed to subsidizing those better off than we, at the expense of the children entrusted to our care. We ask you please to stand firmly behind the principles of redistribution in these

pension provisions, and not to rely entirely on the courts to provide justice. The courts hear cases; the Legislature makes policy. Democracy cannot afford to rely on the courts for the protection of justice exclusively.

I have spoken thus far of the redistributive purpose of pension and Social Security provisions. There is, and was, another original purpose of these provisions. I think it wise that that second purpose be acknowledged explicitly in these hearings. That provision was cost control. That purpose -- as I think Ms. Kraemer indicated earlier today -- is the reason behind NJEA's opposition to district assumption of pensions. It is, over time, going to create a pressure to flatten out the curve on salary costs in the highest paying districts.

Cost control is a topic that no one concerned with the success of education can afford to ignore. This nation and this State have spent vast sums of money on public education, and still urgent problems remain. So greater sums are required. Resources are finite. Money spent on one purpose is not available to be spent on other options. It is worthwhile pondering the educational consequences if the State abandons a major mechanism of cost control.

For all these reasons then, we in Highland Park urge you to maintain your commitment to equity; to insist that State education funding be redistributed; to stand by the promise of QEA for the 30 special needs districts; and to stand, as well, for equal access to educational opportunity and fair taxation for the 30 first, and all the other districts.

Thank you.

ASSEMBLYMAN NAPLES: I just want to say thanks. I appreciate it, Sandy. I not only appreciate it, but I want to commend you for a very courageous statement. A school board member making that statement has to have a lot of courage, with all due respect to those who proffer a point of view different from yours.

I just want to indicate -- and I should have done this previously -- that Assemblyman Joe Kyrillos had to leave. I asked him to make a concluding statement, but he had to run out. He has done a fine job, but he had to go. Assemblyman Villapiano also had to go. Assemblyman Cimino and I are holding the fort. I'll stay until the end if I have to. I did that at one other hearing. That is no problem.

Skip, do you have any questions to pose to Sandy?

ASSEMBLYMAN CIMINO: No, I do not have any questions for Ms. Schwartz. I just want to say thank you very much for your statement. I think the Assemblyman would be very, very proud and happy to associate his name with yours.

ASSEMBLYMAN NAPLES: Absolutely. You did a beautiful job. Hey, by the way, tell your daughter-- She asked me a question. I think she did, or one of the other students: "How does this place survive, given the way some of these people act?" I still don't have an answer.

MS. SCHWARTZ: I'll tell her you were asking.

ASSEMBLYMAN NAPLES: She's about 14 now, right?

MS. SCHWARTZ: Sixteen.

ASSEMBLYMAN NAPLES: Okay. One precocious youngster.

Let's move on here. I am going to call Gene Keyek, Assistant Executive Director, New Jersey Association of School Business Officials.

I have to tell you something before we start: Gene is a very astute individual, very perceptive. A lot of you have kidded me -- and I have had pictures in the paper going like this (demonstrates)-- That is not the sign of a referee. Gene was in the military. I was a military policeman. You notice that a military policeman, to stop traffic, extends his hands above his head. When he wants to direct traffic-- You will notice that when I want to reach John Rocco, I go like this (demonstrates), and that is how you point to a car and then go in that direction. I will point this way, you want the floor.

I'll point to Skip and go that way. So, as a military police approach, logically, of course, and not a referee approach-- Gene picked it up right away. It is very, very interesting there. Gene, do you want to go ahead?

G E N E K E Y E K: Okay. I thank you for the opportunity to--

ASSEMBLYMAN NAPLES: I don't have my .45 on me. Don't worry about it.

MR. KEYEK: I won't worry about that.

ASSEMBLYMAN NAPLES: I couldn't hit a target anyway.

MR. KEYEK: I thank you for the opportunity to express the concerns of our membership pertaining to the issue of the assumption of pension and Social Security costs. It has always been the position of New Jersey ASBO that pension and Social Security costs are the responsibility of the State of New Jersey. There is extensive historical precedent for this view, and absent any direct stipulation by the courts to do otherwise is an abdication of its responsibilities by the State.

The consideration of any of the proposed legislation in such a short period of time without the opportunity for analysis and input from all of the affected educational organizations, could very well cause further confusion at both the State and local levels.

As an aside, the Committee is under great pressure. February 1 is supposedly going to be the date on which the State aid figures are going to be released. February 1 is not a realistic date, because I am sure there is going to be some preparation time required by the State Department of Education. So if we are looking at a date on which the Committee has to come up with some other alternative--

ASSEMBLYMAN NAPLES: That is being worked on now. There is a slight-- Well, that is being worked on now.

MR. KEYEK: That wouldn't surprise us either. It is suggested that this Committee provide the impetus for the

assumption of pension and Social Security costs for the 1991-1992 school year by the State. These costs have already been factored into the foundation allocations and their removal would have minimal impact on the majority of school districts. Those districts whose costs would have been in excess of the anticipated foundation or transition aid should be "saved harmless" with the required funds coming from those districts which will not budget to the "maximum foundation budget."

This, in turn, would give the task force established by Governor Florio the opportunity to evaluate each of the proposals being considered and solicit input from those organizations impacted by the issue.

ASBO would also like to take this opportunity to request that this Committee review other aspects of the Quality Education Act which may require some adjustments as it is implemented.

We are prepared to provide any technical expertise. A strong suggestion that I would like to make is that each of the educational organizations be provided with the necessary data required for a thorough analysis on a district-by-district basis. What I would like to request, Mr. Chairman, is that through your office you ask the Commissioner of Education to release the State aid figures that have been generated, so that each of the districts may have the opportunity to: 1) review the State aid figures as they currently would be generated by the Quality Education Act; 2) that we have access to the pension figures that would be utilized by the Department to determine allocated costs; and 3) -- and most importantly -- through your office that they identify the source of all the documentation and that all of us be provided with the same documentation so that we are all making the same comparisons.

To use a term that you have used, "There is a plethora of information out there." As I listened to the testimony this morning and this afternoon, we have people quoting a variety of

statistics. I think it is time that somewhere along the line we have one set of statistics with one data base with one source, so that each organization has the opportunity to evaluate all of that data and make the kinds of suggestions they should.

ASSEMBLYMAN NAPLES: Gene, let me interrupt you. One day next week -- the early part of next week -- give me a call, and I will contact the Department. Your point is very well-taken.

MR. KEYEK: I think the figures are supposed to be released -- technically on Monday, because the bill has not passed.

ASSEMBLYMAN NAPLES: No. Well, it was amended, but--

MR. KEYEK: We did approach Dr. Piatt to ask if those figures would be made available to the organizations. He has indicated that they will not be. This puts us in a rather precarious position. You can't effectively evaluate all of the proposed legislation -- and I think the School Boards Association made the same -- or, took the same position -- without the proper data. Without all of us having the same consistent data, there is no way that we can properly evaluate all of the proposals that are being considered now.

So I think the Assembly Education Committee has the opportunity to provide the means for an acceptable solution to a controversial problem by considering these recommendations.

Thank you. Are there any questions?

ASSEMBLYMAN NAPLES: Thank you very much, Gene. I will talk to you about that next week. Last Friday night at this time, I was working on this with Jeanne Oswald of the State Department of Education. We had a concern here but it will be addressed. I can promise you that.

Assemblyman Villapiano has returned from Monmouth County.

ASSEMBLYMAN VILLAPIANO: Thank you, Mr. Chairman. Are you saying that-- I don't want to put words in your mouth, but what are you saying? If we can't get one consistent set of data from one data base-- What is your position on that? I mean, there are numbers all over the place.

MR. KEYEK: The rationale is, how can anyone make a decision, or how can anyone develop a position without having some consistent data base?

ASSEMBLYMAN VILLAPIANO: Is the natural extension of that then to take a "wait and see" attitude?

MR. KEYEK: Well, the purpose in recommending the 1991-1992 assumption of the pension costs by the State-- It really doesn't make any difference. The money is already factored in there. Whether you move it into the district or you move it to the State to assume the payments, you are not going to change the total picture of the amount of dollars available through State aid. There is a minimal impact on those available dollars.

So, the perception is, yes, you are willing to move that back because it is one of the most controversial aspects of the QEA; that you are willing to step back, assume the costs for an additional year; review all of the proposals that are being presented now in a longer span of time. To try to consider all of the proposals, to look at all of the analyses that have to be done on the number of bills -- on seven bills -- in the next six weeks--

ASSEMBLYMAN VILLAPIANO: Would it also be safe to say in that analysis period, find out which school districts use all of their additional aid; which school districts do not use all of their additional aid; what money is available and not available?

MR. KEYEK: That is another part of that whole process, yes. In our membership right now, I would say that I have 50 to 60 people who have indicated to me that there is no

way they can possibly utilize all of the State aid that would be available to them because the kind of tax rate -- tax increase -- that would be required to achieve that is virtually impossible. If you have a district that has to raise its taxes 42 cents to get full State aid, when a 13-cent tax increase was defeated last year, that is an impossible task for them to even consider.

ASSEMBLYMAN VILLAPIANO: Sounds like a very rational approach to me.

ASSEMBLYMAN NAPLES: Is that it, Assemblyman?

ASSEMBLYMAN VILLAPIANO: Yes.

ASSEMBLYMAN NAPLES: Assemblyman Cimino?

ASSEMBLYMAN CIMINO: Gene, what you are advocating is a moratorium for a year?

MR. KEYEK: Yes.

ASSEMBLYMAN CIMINO: That's all?

MR. KEYEK: That's it.

ASSEMBLYMAN CIMINO: Then after the period of a year, what do you think we should do?

MR. KEYEK: Well, not in that period of a year-- You are going to have a task force that is being established right now to review all of the proposals.

ASSEMBLYMAN CIMINO: If, in fact, the task force were to come back and recommend the pension shift, what is the Association of School Business Officials going to do? Are you going to support that?

MR. KEYEK: I don't know. I don't have the data. We don't have the data, Skip, to make that kind of a determination. Each time I meet with my legislative committee, we have different sets of data to work with. People are saying: "How are we going to make a decision? How do I know what this is going to do? How can I even make a conscious decision, if I don't even know how much money I am going to get under the current QEA?"

We have people who are factoring those things in. I know the 25 superintendents-- I am always amused at that because the people who are doing the background work are the business administrators -- who are churning out all of the figures for them. Their data base has got to be the data that was provided by the Governor's Office in July, because there is no other firm data base by which they can make those comparisons and hold up to any scrutiny. So they are using a data base which is an acknowledged soft data base.

ASSEMBLYMAN CIMINO: Do you think that if we hadn't done this in June, and we were here now in almost January, and the assumptions and the suppositions in the Quality Education Act, the basic tenets of the Quality Education Act were as they are, absent the pensions, do you think that the level of concern from those minimum aid districts would be any different?

MR. KEYEK: No. I think they would still be--

ASSEMBLYMAN CIMINO: There wouldn't be a single thing different?

MR. KEYEK: They would still be griping.

ASSEMBLYMAN CIMINO: They would still be upset?

MR. KEYEK: I mean, if you are taking money away, I don't know of any individual who is going to be totally happy about losing an extensive amount of State aid. But the real issue then becomes not only are you taking away the State aid through minimum aid, you are adding an additional burden over that period of time which is difficult to project without pension figures. In talking to people in the Pension Bureau and trying to get them to commit on how they arrived at the distribution of pension figures -- could we have access to the pension figures? -- the answer has been, "We are not prepared at this time to present these to you."

So, you know, the first part my answer would be, if I were a business administrator in a district that was losing

money, I would be upset. If I were a board member, if I were a taxpayer, obviously I would be upset.

But the second part is the imposition of this additional burden on the tax base. As we said, the concept of equity we could argue all day. Equity is not a finite word.

ASSEMBLYMAN NAPLES: Nebulous, nebulous.

MR. KEYEK: If I want to have equity, I would have a single school district, a statewide school district, a single salary guide, a single curriculum, 100% State funding. Perhaps that is where equity starts and then we move down. I don't know.

ASSEMBLYMAN CIMINO: Except that under this proposal, in my-- With all due respect, under this proposal we move closer toward the attainable goal than what we have ever been before in this State. Additionally, we probably move closer to it than most of the other states. I am sure you have probably shared discussions with people from other states, as I have, with regard to the dilemma of impacting in some of those other states in this country that are facing the same basic constitutional problems that have been faced in New Jersey.

MR. KEYEK: I don't think there would be any argument from our Association that there have been inequities.

ASSEMBLYMAN CIMINO: Thank you.

ASSEMBLYMAN NAPLES: Thank you very much, Skip. I just want to say something, Gene: You touched upon something we mentioned over breakfast in Atlantic City one morning about a statewide school district. I don't want to enmesh myself in anymore controversy than I am enmeshed in now--

MR. KEYEK: Nor do I.

ASSEMBLYMAN NAPLES: --but sooner or later, we have to look at the number of jurisdictions and chief executives in this State, not only at the school district level, but at the municipal level as well, if we are going to move forward.

MR. KEYEK: No comment.

ASSEMBLYMAN NAPLES: If somebody wants to write a story about that and follow-up on it I will be glad to give an interview, because sooner or later somebody has to raise that question. Thank you very much.

MR. KEYEK: Gerry, don't quote me on that, because--

ASSEMBLYMAN NAPLES: No, I'm quoting myself.

MR. KEYEK: --my membership is small enough. I don't need to reduce it.

ASSEMBLYMAN NAPLES: No offense. You do a good job.

Oh, where are we? Judy Cambria, League of Women's Voters. Judy, do you want to come forward? Welcome.

J U D I T H C A M B R I A: Thank you. I will bring copies of my testimony up and give them to you right now.

ASSEMBLYMAN NAPLES: Thanks. Bless you.

ASSEMBLYMAN CIMINO: That will give us something to read.

MS. CAMBRIA: I will not read it all.

ASSEMBLYMAN NAPLES: Bless you twice.

MS. CAMBRIA: Thank you for the opportunity to speak to you today on the seven bills which seek to amend the provisions of the Quality Education Act to deal with pensions and Social Security.

I don't like to start on a negative note, but I am going to. I figure that this morning, of the three hours we had in the morning session, one hour was spent of legislators -- Assemblymen -- speaking back and forth to themselves and to each other, rather than responding to the speakers who were here. I came to hear the public; the public came to be heard. I could have been on an hour ago. There are 14 people who are listed behind me. I would ask that the next time this is done, that that kind of back and forth between them that is not directed toward questions to the witnesses not be allowed. I mean, we are going to be here late enough as it is.

Okay, having gotten that off my chest, I would like to present seven principles upon which the League is basing its action today. In other words, we based our statement on principles that we believe in:

1) The League of Women Voters of New Jersey supports the New Jersey Constitution and those mandates of the Supreme Court designed to ensure constitutional rights.

2) The Legislature is responsible for assuring the provision of a thorough and efficient system of education for all New Jersey children, and for ensuring that the Supreme Court mandates in Abbott v. Burke are carried out through the law.

3) The Thorough and Efficient School Aid Law of 1975 actually increased disparities beyond those that existed previously. The Quality Education Act seeks to assure more equal educational opportunity by better equalizing educational resources between the school districts. Changes in QEA must not reintroduce greater levels of inequity!

4) The previous school funding system disadvantaged students in many districts other than the poorer urban districts that were the focus of the Abbott v. Burke case. Therefore, any changes in QEA that provide additional aid to wealthier districts, without similar increases for the more than 300 middle-income districts, must not be allowed.

5) Taxpayers in middle-income and poor districts already paying high rates of school taxes in order to provide quality education should not be expected to pay higher taxes to fund additional State school aid for wealthier districts only.

6) In determining how to allocate additional State education aid, the goal should be to maximize the benefit for New Jersey and our society as a whole. Using this criteria, our best use of additional funds is to increase the quality of education in average and failing districts so that their students are better prepared to be productive citizens. And I

have to agree with some former speakers who said, "Quality and money are not necessarily synonymous." Please do not assume that when I say they have to come up-- I am not saying that. There are very fine quality districts that are not the highest spending.

7) At its highest point, it is projected that QEA will provide only 45% of the total cost of New Jersey's public schools. Many other states provide a greater percentage of the education budget. New Jersey should as well, and it would have an effect on our property taxes, the most regressive tax we have.

Those are our principles. How do the seven bills which are the subject of this hearing measure up? None meet the criteria the League sees as constitutionally necessary, as well as equitable to students and to taxpayers. While New Jersey is faced with school districts that are failing to educate one-quarter of our students, and while the schools in the United States and New Jersey are failing to educate students to achievement levels reached by other industrialized countries, the bills this Committee is reviewing provide tax relief for the districts with the highest personal income and the highest property wealth. These bills call for increased State school aid from \$33 million up to \$520 million. Not a single one addresses any aspect of the crisis in education that we face as a State or a nation.

Every bill, except A-4153 -- that's McGreevey/Pelly -- goes completely counter to the mandate of the New Jersey Supreme Court in Abbott v. Burke by providing additional fiscal resources to the I and J districts, while reducing or keeping the same level of resources provided to the special needs districts. This increases the disparity in per-pupil expenditures between these two groups of districts -- groups which the Supreme Court clearly has told us, has ordered, has mandated must be made substantially equal.

Addressing specific bills: A-3743, Haytaian/Schuber, and A-4215, Jacobson/Villapiano, reinstate, in major portion, the previous system of complete State payment of pension and Social Security costs. They restore the disequalizing effects of that system. They disadvantage every child in every one of the more than 300 school districts in the middle -- our average districts in terms of wealth. They ignore the warning of the Supreme Court that the counter-equalizing effects of the complete State payment of pension and Social Security costs may be "constitutionally infirm." Both should be rejected out of hand by this Committee as moving New Jersey in the wrong direction.

Looking at the other five bills: All of these bills, except the McGreevey bill, suffer from the exact same defect. Every district which is eligible to receive foundation aid loses some of its equalization aid provided from that source to pay for its increased pension and Social Security aid. The sponsors state that this assures that no district receives double payment for pensions and Social Security costs. That is simply not true.

The fallacy which underlies all the flat per-pupil payment bills is the assumption that the complete cost of pensions and Social Security is paid by the State in the great majority of foundation aid districts. The opposite is true. Not a single foundation district receives 100% of these costs. The proportion varies by the wealth of the district. It may be as high as 91%, or as low as 0.6%.

I am not going to go through it, but in our testimony we have picked out and given you three fictitious districts to show the effect and the loss of equalization aid. Foundation aid is partially made up of aid for pensions and Social Security, and is partially made up of aid for the regular education costs. That is equalization aid the same as we had equalization aid under our thorough and efficient. The upshot

of these examples, for instance, in a district which is eligible for 25% foundation support-- They will lose 45% of their equalization aid in order to make up that shift where we gave them with one hand, say, \$1000, and we took away \$1000, or \$1150 in another bill. We gave it with one hand, and we took it away with the other. When we take it away, it is a given that we took it out of equalization aid.

In a 50% district, they lose a little less. They lose about 14%. In a District 3, which is a transition aid district, not eligible for foundation aid-- What happens to them? They get the whole amount. They get \$1150 or \$1000 or \$900 more. The other districts get exactly the same as they had before.

The League opposes the passage of legislation which under the guise of equal treatment increases resource disparities between the great majority of the school districts and the wealthiest districts. We urge you not to endorse any of these bills.

Now, A-4153, McGreevey/Pelly, recognizes the requirements of the Supreme Court by providing the per-pupil increase of, say, \$1000 to the special needs districts, as well as to the transition aid districts. But it does have the same defect in relation to the 300 or better middle-income -- moderate-income districts. They lose equalization aid, and it has to be rejected on this basis. But it does provide us with a way of looking at, if you put money into pensions and Social Security -- any amount -- it has to be at least matched in the special needs districts.

ASSEMBLYMAN NAPLES: Judy--

MS. CAMBRIA: Yes?

ASSEMBLYMAN NAPLES: --could you synopsize, because we have 13 other people to testify?

MS. CAMBRIA: Okay. I have cut down a lot. I know that. I want to go on to some of our suggestions as to where we might begin to look at how to deal with this issue. Okay?

ASSEMBLYMAN NAPLES: I appreciate that.

MS. CAMBRIA: The League of Women Voters shares the concern that quality of education may suffer in some districts that are responsible for assuming both minimum aid and TPAF costs. Therefore, the League would be supportive of appropriate legislation which addresses this problem. We also have to say that the League supports the amendments to QEA which will guarantee that the mandates of the Supreme Court in the Abbott decision are met. Meeting constitutional requirements takes our highest priority, and may require additional funding.

Suggestions -- this is number one: High spending districts with low school tax rates compared to the State average should not, under any circumstances, be provided with additional State aid to help them pay for pension and Social Security costs. Such aid, like minimum aid, will only increase disparities and inequities. Setting a tax rate floor below which no district would be eligible for pension and Social Security aid may provide the means for accomplishing this kind of a goal. In our view, continuation of high quality education is clearly within the capacity of these districts which tax at rates substantially lower than elsewhere. Our concern is loss of quality. There is no need for loss to be there unless they do not have the will to provide it.

Two, if the Legislature is determined to increase pension and Social Security aid to the wealthier districts, payment of an equal per-pupil amount to the special needs districts is the only method which has any chance of passing constitutional muster. That per-pupil amount must be real, not illusory. For the 300 foundation aid districts, there must be no loss of equalization aid.

As we said before, we think some transitional aid districts may need help if they have tax rates substantially above the average. Incidentally, there are other districts

besides them which have extreme tax rates in order to be eligible for the maximum amount of fundation aid. Whatever the cause of these anomalies, they need to be addressed. Perhaps a ceiling on tax rates similar to the floor should be enacted to ensure that no district is subject to an extreme level of school taxation. This proposal is particularly applicable in districts which suffer from municipal overburden, which has been mentioned earlier. Remember the Court said that it assumed the Legislature would take this fact into consideration when designing legislation.

In case anyone asks the question, the League believes there should be a larger amount of State aid. We do not think 45% is enough. We believe we could go higher than that. If we replace local school taxes for the revenue source with State taxes, we think there are very good gains to be made in that. That is our position.

I want to thank you for the opportunity, and I do want to say a couple of things--

ASSEMBLYMAN NAPLES: Go ahead.

MS. CAMBRIA: --in response to other testimony. A number of organizations have called for an immediate shift back to State assumption -- immediate assumption next year of State responsibility for pensions and Social Security. The effect of the loss of this aid does not begin until 1992-1993, and does not end until 1996. Why in the world, when we have made such a substantial increase in equity and prospectively they may have losses or they will-- Why do we need the changes this year that they say we need? Under no circumstances should we do that. If we want to make changes, we can, but we must not go back and replace the inequities that we have taken care of in QEA.

NJEA said that the single worst aspect of QEA is the pension shift. In the eyes of the League of Women Voters of New Jersey it is probably the single best aspect. It better

equalizes the allocation of educational resources between districts. We cannot believe that a system where tax rates ranged from three cents to over \$1.50, and where per-pupil expenditures ranged between \$4000 and \$14,000, can in any way be considered equitable, fair, or anything we want to keep for any amount of time.

Others have said they assume-- They make the assumption that shifting the pensions back to the State will not affect their local budget. That's absurd. If we shift it back to the State, it immediately becomes the top priority and it must be funded before anything else. If anything, T&E has shown us over the past 15 years that only for 13 years were we able to fund the amount going out to the districts. Okay?

ASSEMBLYMAN NAPLES: Excuse me.

MS. CAMBRIA: That's it. That's enough.

ASSEMBLYMAN NAPLES: Judy, you have been on for about a half an hour.

MS. CAMBRIA: Oh, no I haven't.

ASSEMBLYMAN NAPLES: I am going to have to ask you to wrap up.

MS. CAMBRIA: No, I haven't. That was my last point, and I haven't been on for a half an hour I assure you.

ASSEMBLYMAN NAPLES: I thought you had. My watch is fast. Okay. Could you wrap up?

MS. CAMBRIA: I'm finished. That was my last comment.

ASSEMBLYMAN NAPLES: Okay. Let me say I wish to extend my thanks. If any member of the Committee has a question, I will be happy to hear it. John?

ASSEMBLYMAN VILLAPIANO: Mr. Chairman, very quickly-- I understand your position, I understand your paper, and I appreciate it. How do you justify the fact that pensions and Social Security are in the foundation budget in two-thirds of the towns in the State of New Jersey, and are not in one-third? How can you justify that?

MS. CAMBRIA: I find no reason to justify it. I don't think this is-- What we have done is say, the costs of education not only include the costs of the students who are there, but like everyplace else if you have a job, they also include the costs of the pensions of those who have been there before. That is part of the cost of education. It does not fall down from our heaven. It is part of the cost. We're saying it is part of the cost. And then, with that you then go back and say, do you need equalization money because your district has less wealth than other districts? I find that to be eminently fair.

ASSEMBLYMAN VILLAPIANO: I don't agree with that answer.

MS. CAMBRIA: Well, I understand that you don't agree.

ASSEMBLYMAN VILLAPIANO: The second point is, how do you say to a person who lives in a minimum aid town who is on a fixed income and whose property taxes are more than his or her income that they are wealthy because they live in a so-called wealthy town, and their property taxes are going to have to go up to pay pensions and Social Security, when two-thirds of the districts in the State have that benefit?

MS. CAMBRIA: No, they have partial payment of that benefit. First of all, they don't have full payment; they have partial payment of that benefit. The formula is that they get only a part of those costs. If you look at the formula, that is the way it works. They get a percentage that is calculated on their wealth, and that percentage is applied to the-- There are two parts of that formula. Part of that formula, about \$900 next year, will be for pension aid, and the rest is for the regular costs of education.

ASSEMBLYMAN VILLAPIANO: Not to belabor the point, but once again I respectfully disagree with you.

MS. CAMBRIA: No, it is an important point.

ASSEMBLYMAN VILLAPIANO: The third thing is--

MS. CAMBRIA: Excuse me. You said, "What would you say to--" No, no, I didn't answer your question.

ASSEMBLYMAN NAPLES: Judy, wait until the Assemblyman finishes, please.

ASSEMBLYMAN VILLAPIANO: Well, I asked a question.

MS. CAMBRIA: Excuse me, he asked me a question. He asked me a question.

ASSEMBLYMAN NAPLES: You will answer at the conclusion, okay?

ASSEMBLYMAN VILLAPIANO: Go ahead. I want to hear--

MS. CAMBRIA: You asked me what I would say to the senior citizen on a fixed income. I would say that the senior citizens in districts all over this State who have been disadvantaged by previous bills and previous funding systems have had to pay, too. That does not mean-- I am not here today-- I will be here when you have bills that talk about how to deal with this. It is not part of this today. I agree that it is a problem. It is something the League testified about as a problem with this bill back in June. We will be back. It is not part of this hearing today.

ASSEMBLYMAN VILLAPIANO: I would like to make one other comment, please..

ASSEMBLYMAN NAPLES: Go ahead, John.

ASSEMBLYMAN VILLAPIANO: Dollars are dollars. You are providing as many dollars for 30 districts and for the suburban districts that people have talked about -- those middle-income districts. You are providing exactly the amount of money that the Court has said for the 30 minimum districts, and you are providing a multitude of increases in dollars for middle districts. Minimum aid has been taken out, but yet we have seen that there should be a double whammy with the taking out of minimum aid and also pension and Social Security for one-third of those towns.

If you are not taking any of the money that the Supreme Court said is to be allocated for the 30 special needs districts, and you are not taking any money away from those middle-income districts, why -- why then would we be punitive in our actions against one-third of the districts and not provide a benefit that is being provided to two-thirds of the other districts?

MS. CAMBRIA: Because in many of these districts, even with the changes, the districts you are talking about as being harmed by this have higher school spending and lower school taxes. With the bills that are introduced here, you are going to provide them with additional money which will further disadvantage them, further increase the disparities between the districts. Middle-income districts have every right to as much money to provide extra programs as the wealthy districts do.

ASSEMBLYMAN NAPLES: Okay, a good answer. He doesn't agree with you, but it was a well-thought-out answer. Assemblyman Cimino?

ASSEMBLYMAN CIMINO: No, sir, nothing. Thank you.

ASSEMBLYMAN NAPLES: Judy, I want to apologize. For a moment I went back into the other room. I had to confer with the representative of the Governor's Office on another matter. It was not an educational matter, and it certainly was not intended to show disinterest toward your statement. Please understand that. Thank you very much.

MS. CAMBRIA: Thank you for the opportunity to speak today.

ASSEMBLYMAN NAPLES: By the way, when we started I attempted to impose a 10-minute duration on each individual. We adhered to that in many instances. Had we not done that, with the people who have gone over, this hearing would have gone way beyond this -- had we not mentioned the 10 minutes. We will have to adhere a little more closely to the 10 minutes, because at this rate I calculate we won't get out of here until 9:30. We will have to go into Tuesday.

I am going to now call upon Dr. Gloria Bonilla-Santiago.

MR. ROSEN: It is my understanding that she had to leave. Her statement will be placed in the record.

ASSEMBLYMAN NAPLES: Okay. The Doctor's statement will be placed in the record. She is from the New Jersey Hispanic Women's Task Force. We thank her for her interest.

Next will be Dr. Timothy Brennan, Superintendent of Schools, Holmdel Township. I would ask that any statement not be read verbatim, but be distributed to the Committee members and entered into the record. Thank you.

D R. T I M O T H Y C. B R E N N A N: Good afternoon. I am Tim Brennan, Superintendent of Schools in Holmdel Township. I am one of the 25 signers of the position paper, and I am one of the founders of BOSTON/TEA 90. I have received permission from the members of BOSTON/TEA 90 to make the statement I am about to make, and also permission from the 25 superintendents. It should not be interpreted that this is their position. However, this is the position of the Holmdel Board of Education.

I thank you for holding these public hearings. I think you are really doing the right thing. You are going right to the heart of the issue. You've got a big issue, a set of problems -- complex problems -- and if we can solve the pension problem, I think we can take a lot of heat out of the discussion, and then maybe the rest of it can proceed on a more rational basis.

I attended your hearing last Thursday, not so much to hear a review of the bills, but to find out your views on this matter, and to infer the values that you seem to bring to bear on this issue. In fact, I decided to pretend that I was a member of your staff assigned by you to figure out what the issues were and come back with some answers.

From listening to you last week, I decided that the things that you thought most important-- Three questions in order of importance and consecutively would be:

How can we fund pension and Social Security without being "disequalizing" or "constitutionally infirm"?

How can we pay for this now?

How can we pay for it in the future?

My purpose here today is to present you with an idea that we, the Holmdel Board of Education, think has promise. Here is the idea:

Establish a "Constitutional Equality Index" -- after all, we need more initials; this would be the CEI -- and use it as the core of any and all deliberations on how to fund pension and FICA. The rationale for this recommendation is that the State Supreme Court did not strike down the pension, but it did say that it might be disequalizing and might be constitutionally--

ASSEMBLYMAN NAPLES: Counter-equalizing is the correct term.

DR. BRENNAN: Was it counter-equalizing or disequalizing?

ASSEMBLYMAN NAPLES: Counter-equalizing.

DR. BRENNAN: Okay, whichever. Looking at it from the point of view of a school administrator, it seems that if we try to figure out what the Supreme Court meant, they probably meant that to the extent that class size is lower in affluent districts, that is the professional to staff ratio -- the professional to student ratio is lower in affluent districts, then more pension money is flowing into those districts. The other part of that would seem to be that to the extent that average teachers' salaries in affluent districts are higher, then once again pension money is flowing into the more affluent districts at the expense of the less affluent districts.

Unless you solve this problem, I believe any solution you arrive at will be vulnerable to attack in the Supreme Court. I think you have to ask yourselves, about every bill before you and about every suggestion made to you, does this idea move us in the direction of the Supreme Court mandate of spending parity by 1996? I don't believe you have a bill before you that does that in enough of a proactive way to guarantee that the Law Center isn't then forced to go back to court and say, "Look at what is going on here." There is still a piece of this where the affluent districts are getting more than the poorer districts.

If we were to build a Constitutional Equality Index, that would be a move in the right direction because it would definitely be based on the average cost per student in the special needs districts.

Now also in your packet is some data that we began to build in Holmdel. One thing is a list of all the special needs index districts, and one is a list of all the J districts. It is our intent to get all that data sooner or later and figure out what percentage of the pension costs the affluent districts would get; of course the special needs getting 100%.

If we put in the CEI, it would be assumed that we would reimburse pension and Social Security in the special needs districts 100%, and that no district, no matter how high their pension and Social Security costs, would get reimbursed more than that.

Now I think there is another advantage to this, in that it establishes a strong disincentive to the districts that are paying the highest teachers' salaries in the State to move away from the cost of urban education. I think the urban districts would like this because they know that two of the things they have to tackle in order to get the quality of their education up, would be to come up with a competitive salary guide and to get more teachers into the classrooms and cut down

the teacher/student ratio. That is why I agree with people who said earlier that this \$600 million for construction is very, very important. The urban districts don't have anyplace to put the new teachers because they need new buildings. They need clean buildings and buildings that are designed for art, libraries, and computers, things they have long since given up on.

I think this idea sends a strong message to the members of the boards of education in high paying districts that from now on a penny saved is two pennies earned.

I am not reading this. I am just occasionally referring to my written statement.

I also think that if you begin to take a piece out of the salary part of the pie, you are impacting something that accounts for 60% to 80% of a school district's budget. It is a good idea to do that.

So, the answer to question number one -- how do we fund it without being disequalizing? -- is to establish a Constitutional Equality Index. On page 3 of my presentation there is formula for how you would do that. I just won't go into it for the sake of saving time. Besides which, if the formula is found bankrupt or wanting, that is not the important thing. The important thing is to find a way of keeping whatever expenditures you have to deal with over the next year in your deliberations from inadvertently not bringing the urban districts to parity.

The answer to question number two-- I have a personal answer for where the money would come from, and it is nothing new. It is the lapsed foundation aid unclaimed. I would also suggest that the money for the foundation aid districts above a certain percentage of their current budget could be put into an interest-bearing account, and then paid for on a project approval basis that would create float interest. We could use that money.

But I am here to make an offer, and, Mr. Naples, perhaps you can tell me whether the offer is acceptable. At the meeting of the 25 suburban superintendents, I brought up the fact that you needed a way to fund. There was some talk around the table that somebody had come up with some methods of funding this pension/Social Security thing for a total cost of \$25 million. Now, we didn't have the time to put together a proposal, but that certainly is a far cry from \$900 million. If it is the wish of the Committee, I will go back to the 25 superintendents and say that you want us to try to put together the lowest cost method of funding that pension and Social Security. You have only to call on us.

The answer to question number three -- how can you pay for it in the future? -- would be to inflate the cost of it at the per capita income increase or the urban district increase, whichever would be less. Over time, this has the potential to bring the urban and suburban districts in line in terms of teachers' salaries.

Thank you.

ASSEMBLYMAN NAPLES: Thank you, Doctor. I will have to admit that I have not had the time to read this. (referring to Dr. Brennan's prepared statement and attachments) I just got it. And even if I did, I couldn't do it here and now and give it the attention it deserves. It is well-thought-out. It will be entered into the record. I have already indicated that I will -- this Tuesday -- evolve a dialogue about last Thursday and today, and certainly your suggestions will be incorporated. Thank you very much.

Would the Assemblyman from Monmouth care to comment or question?

ASSEMBLYMAN VILLAPIANO: No questions.

ASSEMBLYMAN NAPLES: Assemblyman Cimino, from Mercer County?

ASSEMBLYMAN CIMINO: Doctor, thank you for staying all day. We certainly appreciate that.

Let me get back to a basic supposition, if I may, though. In terms of talking about a Constitutional Equality Index, how do you still arrive at providing parity or equity when, in fact, in the overwhelming -- substantially in most of the special needs districts-- I would think that you would probably agree that in most of those instances, the salaries are significantly depressed from the salaries of those in the wealthiest school districts.

DR. BRENNAN: I am making some basic assumptions that the reason the Supreme Court did not strike down pensions when it struck down minimum aid, is that it does not think it is patently illegal. If we were to go in with middle ground saying, "We are not going to strike down pension aid from the suburbs, but neither are we going to continue to actually pay those people more in dollars," then I could see that a strong counter-- I am not sure that the Law Center would then feel forced to go into court to fight that. But if they did, I think there would be a strong counterargument that the children of the suburban districts should not have to make up, in a period of one or two years, for the inequity and the deplorable inequality of what is going on in the urban districts that has built up over many, many years; and, in fact, the fact that the CEI would be moving us at least in the right direction, and would guarantee us from ever having the problem with minimum aid where the actual disparity increased over the years. It would prevent that.

What's more, it might be that the best thing to do would be to take the advice you heard today: Go with the one-year moratorium and bring in the Education Law Center and New Jersey ASBO and NJEA, and have everybody sit around a table and think win/win. I think we should back up. We are at the point now where we are not talking about why we should make these changes. That is what Marilyn Morheuser talked about. And we are not talking about what changes should be made. That

is what the Supreme Court talked about. We are now talking about how to pay for it, and we are wildly disagreeing, when if we backed up to the why, which is the most compelling question, I think you would find a lot more agreement among all the members of the school community in New Jersey than you think.

ASSEMBLYMAN CIMINO: If the salaries are lower in some of the special needs districts, wouldn't we have to give them a massive infusion of money to bring them -- so that you could make this Equality Index work?

DR. BRENNAN: It is going to be a very important part of bringing quality education in the urban areas up to snuff. I think two good things have come out of the Quality Education Act: Number one, it brought into sharp focus, along with the Education Law Center and Abbott v. Burke, this long-standing ignored problem of the quality of education the kids are getting in the urban areas. I think, too, that it has brought the suburban districts to the point where they are not even saying anymore, "Hey, give us back our minimum aid." They kind of realize that that is gone forever. Now they are saying, "Give us back the pension."

I think if you were to come in with a longer phaseout and some way of helping them not to have to cut programs, you might find less resistance.

ASSEMBLYMAN CIMINO: Just one final question.

ASSEMBLYMAN NAPLES: Sure, go ahead.

ASSEMBLYMAN CIMINO: With regard to the paper that was -- and I take it you speak for the 25 superintendents who did the treatise-- I take it you speak as well for the 25, do you?

DR. BRENNAN: I do not speak for them. I asked their permission to present this idea, and they gave it.

ASSEMBLYMAN CIMINO: Okay.

DR. BRENNAN: But it is not their position.

ASSEMBLYMAN CIMINO: Then maybe my question would be-- I'll hold my question. That's okay. That is not fair to you. Thank you.

ASSEMBLYMAN NAPLES: Okay, Assemblyman. Doctor, thank you. By the way, a question: Did you testify before the Committee when we held hearings on monitoring last year -- or, a few months back? You look familiar.

DR. BRENNAN: No, I did not.

ASSEMBLYMAN NAPLES: Okay. I thought I--

DR. BRENNAN: I was here last week, and I testified last year on phys ed -- or two years ago.

ASSEMBLYMAN NAPLES: No, I'm talking about five or six months ago.

DR. BRENNAN: Okay.

ASSEMBLYMAN NAPLES: Okay, thank you, Doctor.

DR. BRENNAN: Thank you.

ASSEMBLYMAN NAPLES: Dr. Eileen Smith-Stevens. I remember, Doctor, that you did testify. I remember very well. It was a very fine presentation back then. Dr. Smith-Stevens is Superintendent, Rumson Public Schools. Welcome, Doctor.

D R. E I L E E N J. S M I T H - S T E V E N S: Thank you. I will be brief.

ASSEMBLYMAN NAPLES: I'll pass copies of your prepared statement out.

DR. SMITH-STEVENS: These are Dr. Savedoff's, too. He left.

ASSEMBLYMAN NAPLES: All right.

DR. SMITH-STEVENS: Good afternoon, gentlemen. I will truncate my presentation--

ASSEMBLYMAN NAPLES: Thank you.

DR. SMITH-STEVENS: --in the interest of time and everyone's good will. I don't want to stretch it any further than we already have.

I want to thank you, of course, for the courtesy you are extending in conducting these hearings. I appreciate the opportunity to present some input on the effects of the Education Act and the need for amendments. Along with my

primary affiliation with the Rumson School District, I am a leader of a group called "BOSTON/TEA 1990." The acronym is more radical -- or, the title is more radical than what the acronym stands for, which is: Boards of Schools Together Organized and Negotiating The Education Act of 1990. I am also a member of NJASA's Task Force on QEA which, for the first time, is making an effort to bring the urban and suburban superintendents together to try to expand the position paper of the "Suburban 25," again a group with which I have been very active. I cite these affiliations just to indicate the level of my commitment to improvement in the Quality Education Act.

Like you and the framers of the Quality Education Act, I strongly advocate a New Jersey of the future which will realize the dream of schools of excellence for all children, without sacrificing one iota of equity.

An interesting debate, of course for another time and place, would be: How can our schools, which are a reflection of our society, achieve what our society cannot? I would submit, however--

ASSEMBLYMAN NAPLES: Very well phrased.

DR. SMITH-STEVENS: --that to date, the QEA has done nothing to achieve true educational reform. Rather, it has focused the attention and the energies of a disproportionate number of New Jerseyans on the wrong and narrow issue of funding. Granted, everyone cares about what hits him in the pocketbook, and granted the Abbott v. Burke decision stated that such funding in the poorer urban districts cannot be allowed to depend on the ability of the local school district to tax. But if the aim was to achieve property tax relief, then why are we calling it a "Quality Education Act"?

Let us suppose that in the best of all worlds in the perspective of the authors and the dwindling number of supporters of QEA we were to fund New Jersey's education according to this formula. What then? Would the Governor and

the Legislature walk away and congratulate yourselves on saving urban youth and protecting the future of New Jersey? Have we learned nothing from the Great Society?

I will not cite some of the research that I have in my paper, but I went to Edward Bransfield, who wrote "The Unheavenly City Revisited," where he talked about disequalization between urban and suburban schools, what happens when cross cultural effect takes place, and how it is virtually impossible to remedy or to equalize those things. He also cited some research from the "Evaluation of Compensatory Education: A Case Study," in which the Cleveland School in central Newark is used as an example. Assemblyman Pascrell is not here, but it kind of counters a statement he made earlier about money. He said something about, every fool knows that money would solve the situation. History tells us that.

ASSEMBLYMAN NAPLES: He didn't quite say that, Eileen. I will explain in a moment.

DR. SMITH-STEVENS: All right. That study indicated that after six years and a million dollars from the Victoria Foundation poured into one school -- a million dollars over and above their budget, and after six years -- there was relatively no difference in children's ability to deal with education, or to be any better educated.

Does this mean, though, that we should advocate for the QEA or even less than it offers to New Jersey's children? I would say, unequivocally, no. Your intent to entertain testimony on the seven pension bills posted is certainly appreciated as symbolic of your openness to the need for change. If you fix the pension and Social Security payments so that we might, in some people's estimation, reach equity without educational bankruptcy, will we go away? Probably not. But you will at least -- perhaps in some people's estimation again -- have cleared the playing field so that we can go on and address much greater issues.

I would contend that the issues are certainly bigger and broader than how we fund it and how we finance it. What we seem to have lost in the process is what it is that we are talking about funding or financing. What is it that one educator hopes for from the lawmakers of the State of New Jersey? I have a list, and I will be very brief:

I would like, first of all, for you to define "world class education" and then fund it. Secondly, tie the additional funding for the districts in need to grants for action research. Third, do not fund suburban solutions for urban problems. Why is it that we seem to think that schooling that produces educated suburban youngsters when superimposed on an urban setting will magically produce well-fed children from safe homes in drug and crime-free neighborhoods who just love to come to school because they are successful, competitive, and deeply involved with learning? Research abounds to the contrary. Societal problems impact our schools. It is flattering, and yet failure bound, to think that you assume that schools can solve these problems.

I would -- as some of the previous testifiers have -- ask you to maintain the QEA formula for the 1991-1992 year, and mandate Commissioner John Ellis to plan and propose sweeping institutional reform of education in New Jersey, to go into effect in 1993. You need to get the educators in this game.

I would also love to see every child in New Jersey embraced. The present formula, in my estimation, disenfranchises 15% of the children of this State, and is reverse discrimination, potentially severing the relationship between 146 or 108 -- the number varies -- school districts from the State.

There are several ways -- and we talked of these -- which you might go to fund TPAF and Social Security payments being shifted back to the State.

I would like to just conclude by telling you what I think would happen in one district, mine, if we were to fund at the level of the QEA by 1995-1996. I know it is the inclination to discount the Rumsons of New Jersey because you assume that our children are driven to and from school by limousines, and that we serve lobster thermidor for lunch, and our textbooks are etched in gold leaf. But, gentlemen, Jon Bon Jovi, Bruce Springsteen, and the President of AT&T do not send their children to the Rumson School District. We educate the children of policemen, teachers, electricians, and out-of-work stockbrokers. It seems incredible that in the future we would have to tell them that their Governor and their Legislature in 1990 didn't care about their education; didn't care to see that by the time a child comes into the Rumson School District in 1995, he will have -- or she will have -- no library, no computers, no music program, no art program, none of those things that we say every child needs to acquire a good education, because if the Rumson taxpayers have to pay a million dollars more, they are not going to do it. Seventy-eight percent of the taxpayers in Rumson do not have children in the public schools. They do not--

ASSEMBLYMAN NAPLES: What percent was that?

DR. SMITH-STEVENS: Seventy-eight percent do not have children in public schools, so they are not going to see the compelling need for maintaining a free public education in the community of Rumson. That, more than anything, bothers me, because I would hate to think that we are looking at privatization as a solution for one segment of our society. It goes against everything I believe in, as far as the need for a free public education, in order to preserve a democratic society.

Thank you, gentlemen.

ASSEMBLYMAN NAPLES: Let me just say this: Assemblyman Pascrell is not here. I think that with the

best of intentions you listened very intently to what he had to say. But I don't believe-- I know he didn't say it because we have discussed this very concept over lunch. He didn't say that money was the be-all and the cure-all. He was simply saying that there has to be a shift, and he was paraphrasing from the Supreme Court decision -- which I have read so many times I think I have certain portions memorized -- that while money is not the solution, it does not mean in those cases where more money is required that that amount of money should not be forthcoming.

Now, the question poses itself ostensibly, at what point do we take from some to the point wherein taking from some we hurt them or abridge those rights? We try to strike a balance. We could be wrong, but it is certainly not my intention, Assemblyman Pascrell's intention, or any Democrat's or Republican's intention to do so. We want to bridge disparities and at the same time not hurt those students who are in -- I'll come right to the point -- the more wealthy school-- Let's say transition districts, okay? That was Bill's philosophy, and it is mine as well.

Go ahead, Eileen; go ahead.

DR. SMITH-STEVENS: Thank you. No, I understand. I didn't mean to take you on in his absence.

ASSEMBLYMAN NAPLES: I appreciate your coming up here.

DR. SMITH-STEVENS: That is my testimony.

ASSEMBLYMAN NAPLES: All right. Would Assemblyman Cimino or Assemblyman Villapiano like to question Eileen?

ASSEMBLYMAN CIMINO: I would just like to ask Dr. Smith--

ASSEMBLYMAN NAPLES: Skip?

ASSEMBLYMAN CIMINO: --Dr. Smith-Stevens, pardon me-- Seventy-eight percent of the parents in your town do not have children in the Rumson School District?

DR. SMITH-STEVENS: Seventy-eight percent of the taxpayers in my town do not have children in the Rumson School District.

ASSEMBLYMAN CIMINO: Oh, of the taxpayers.

ASSEMBLYMAN NAPLES: A question here: Did you say the whole county, or the district?

DR. SMITH-STEVENS: The Borough of Rumson.

ASSEMBLYMAN NAPLES: I stand corrected, excuse me. Thank you.

ASSEMBLYMAN CIMINO: Seventy-eight percent. Does that mean 78% of them don't have children, or 78% of them don't have them in your school district?

DR. SMITH-STEVENS: There is a mixed reason. I don't have the exact proportion, but many of them do not have children of school age. They are older. They are not exactly senior citizens, but they do not have children of school age. We do have a private school in Rumson, but it services, actually, a small percentage of Rumson students. It draws from other townships.

ASSEMBLYMAN CIMINO: Can you tell me what the per capita or household income is in your community?

DR. SMITH-STEVENS: I don't know the recent figures. In fact, if you have them, I would be interested in what they are.

ASSEMBLYMAN CIMINO: We may very well have them, and we can share them with you. I haven't looked at them. That is why I was asking you.

DR. SMITH-STEVENS: I have the '87 ones, and they don't seem at all realistic from what--

ASSEMBLYMAN CIMINO: I'm sorry.

DR. SMITH-STEVENS: I have the 1987 ones. They didn't seem at all realistic.

ASSEMBLYMAN CIMINO: They didn't seem at all realistic?

DR. SMITH-STEVENS: No. They seemed lower than the figures you had quoted earlier for other districts. It was like \$66,000 per capita. That was what I heard for 1987.

ASSEMBLYMAN CIMINO: For your community?

DR. SMITH-STEVENS: For my community.

ASSEMBLYMAN CIMINO: Do you have any idea-- You said a million dollars. A million dollars is going to be what, your cost of pensions?

DR. SMITH-STEVENS: Yes, on a \$5 million budget.

ASSEMBLYMAN CIMINO: On a \$5 million budget you will be spending a million dollars for pensions. Can you tell me what a tax point is worth in your community?

DR. SMITH-STEVENS: A penny raises about \$80,000.

ASSEMBLYMAN CIMINO: A penny raises about \$80,000, okay.

DR. SMITH-STEVENS: I would like to say that in the elementary district, which I am in charge of, it costs us \$6300 to educate a student.

ASSEMBLYMAN CIMINO: You don't have a very big district then?

DR. SMITH-STEVENS: Seven hundred students.

ASSEMBLYMAN CIMINO: Five million dollars wouldn't be a real big district.

DR. SMITH-STEVENS: Right, but I think we are really cost-effective.

ASSEMBLYMAN CIMINO: Well, I--

DR. SMITH-STEVENS: We are charging \$6300 to educate, and our median teacher salary is about \$34,000. So we are trying our best to keep it in line.

ASSEMBLYMAN CIMINO: I can appreciate that. I guess the only exception I would take with your testimony is the, you know, the whole -- with regard to the equity issue-- In fairness, and for my colleague who is not here, you have made some references to some other things in the course of your

testimony. Quite frankly, there are an awful lot of children out there who do not have any advantages at all in this State. And while you are losing some aid -- you are losing your minimum aid, I would take it--

DR. SMITH-STEVENS: Right.

ASSEMBLYMAN CIMINO: --you are still getting aid.

DR. SMITH-STEVENS: Yes.

ASSEMBLYMAN CIMINO: Am I accurate? I mean, do you have any at-risk children?

DR. SMITH-STEVENS: No.

ASSEMBLYMAN CIMINO: You do not have any at-risk children in the district?

DR. SMITH-STEVENS: No. We will get transportation aid--

ASSEMBLYMAN CIMINO: Transportation aid.

DR. SMITH-STEVENS: --and we will get some categorical aid.

ASSEMBLYMAN CIMINO: And categorical aid as well.

DR. SMITH-STEVENS: Yes. Nowhere in my testimony did I -- I hope -- indicate that I didn't think that every child in New Jersey needs to be funded.

ASSEMBLYMAN CIMINO: Oh, no, I understand that. I mean, you alluded to Assemblyman Pascrell's comments about money. The fact of the matter is, money does help. It helps in a lot of ways. You are looking at a young man whom it helped during the period of the Great Society. And the fact of the matter is, today, ma'am, I probably earn more money than I ever anticipated, and my children have had a far better quality of life because of it.

DR. SMITH-STEVENS: That's great. I would like to think that every kid in New Jersey would have the same experience.

ASSEMBLYMAN CIMINO: And I would like to think that that would happen as well. But from what I can see, in terms

of your testimony, I mean-- I understand where you are coming from, but, with all due respect to you and the other members of the BOSTON/TEA, or what have you, I think you have gone a good way to help to create the diversity and the split in the State of New Jersey. When we talk about pitting one group against the other, and when we--

DR. SMITH-STEVENS: I hope not. I hope what we have done, Assemblyman, is to point out when the emperor didn't have any clothes on. I hope we had the courage to say so, and I hope that we were at least a little responsible for some of the intense interest now that is focusing on the Act.

ASSEMBLYMAN CIMINO: Well, in my opinion -- one who comes from a strictly suburban district and not one of those who gets favorably affected by this aid, and one who has towns, one of which is a member of the 25 superintendents -- I can only tell you that I am very, very disturbed at the level of dialogue that has happened from rational, educated people in the field of education.

What I have witnessed over the course of this past year, I consider to be a tragedy for the entire whole of this State, because what we have done is split this State on the issue of urban versus suburban, on a great deal of misinformation and a great deal of disinformation. Districts are not losing money next year. They are held harmless next year. And districts are going to get-- They are not having all their aid wiped out. They are losing some of the aid and, indeed, in those minimum aid districts such as yours, you are losing aid that you should never have gotten to begin with under the Supreme Court ruling.

So, what we have attempted to do is to eradicate a goodly problem in terms of the constitutionality of what was done years ago. I don't think the people in your community -- with all due respect to them -- or the people in some of the other communities, would want to have to turn around now and

repay all the money to all those areas that should have gotten it, and didn't get it. In fact, you all had gotten it.

So, I understand and I appreciate where you are coming from and I admire your desire to stand up for your school district, but I think it has to be done in the context of what is the overall good for the overall number of young people in this State. The only boundaries that are in this State, are the artificial boundaries that are established by people like ourselves for territorial purposes. Hunger and a lack of education and coming from families that are disparate, and poor-- It doesn't know any kind of boundaries that way.

The problem is, if we fail to do what is right by the other students in this State, people in your community, and indeed those young people who you talk about so fondly, are going to find themselves taking care of those people, because there is no other way. It is a difficult situation out there, but I would only hope that you would weigh that when you come before us and tell us that we are talking about educational bankruptcy -- educational bankruptcy for your students.

Thank you.

ASSEMBLYMAN NAPLES: Do you want to respond, Eileen? You are welcome to.

DR. SMITH-STEVENS: No, thank you. I hold many of the same philosophies.

ASSEMBLYMAN NAPLES: Assemblyman Villapiano, would you care to say anything?

ASSEMBLYMAN VILLAPIANO: I really shouldn't.

ASSEMBLYMAN NAPLES: Go ahead.

ASSEMBLYMAN VILLAPIANO: We were already taken to task by the representative of the League of Women Voters for having interplay among the legislative members, while we should have been listening to the general public. So I don't believe I am going to go too far into this. There are very few things where I disagree with my esteemed colleague, Assemblyman Cimino.

Maybe it is because he and you have been on this Committee for so long and I am just newly donned for one day here, and probably won't be asked to serve again for quite awhile.

ASSEMBLYMAN NAPLES: Oh, don't bet on it. You're doing a fine job, John.

ASSEMBLYMAN VILLAPIANO: But I have to just respond very quickly by saying that any time a taxing policy generates the amount of income that the State of New Jersey has generated and creates as many winners under a situation, but conversely creates almost as many losers, I can't say that that is a good policy. While everything that Assemblyman Cimino said is right about at-risk and special needs children in the State of New Jersey, I still have to go back to the premise that I have been saying all afternoon: When you generate \$4.8 billion for education, there has to be a way not to create so many losers, and there has to be a "wait and see" type attitude when all of this money is either spent or not spent.

I think that maybe we got a little bit off the issue in the last discourse, and were not on the issue of pensions and Social Security and losers within that -- under the present plan.

ASSEMBLYMAN NAPLES: Thanks very much, Assemblyman. Eileen, thank you.

DR. SMITH-STEVENS: Thank you.

ASSEMBLYMAN NAPLES: I am going to make a statement right now. I have to make a choice as Chairperson whether to adjourn in 10 minutes and reconvene on Tuesday morning, or go until-- A little math work is indicated. At the rate we are going, we will be here until 9:15. I am prepared to do that. I am going to make a phone call and cancel my plans for the evening, and we are going to finish up tonight. We are going to take a five-minute break right now so that I can do so.

(RECESS)

AFTER RECESS:

ASSEMBLYMAN NAPLES: Let's be seated. All I have to say is, if I were married, you would all be corespondents in the divorce suit. Who's next?

ASSEMBLYMAN VILLAPIANO: May I be the Vice Chairman?

ASSEMBLYMAN NAPLES: You want to be Vice Chair? Bless you, my son, bless you. Assemblyman Cimino has had to leave, but I extend my thanks to him.

Betty Di-- If I pronounce your name incorrectly, either excuse me or change the pronunciation. Betty DiGruttila?
B E T T Y D i G R U T T I L A: It's "tila," like Attila the Hun.

ASSEMBLYMAN NAPLES: Pardon me. (laughter) I stand corrected. Thank you very much.

MS. DiGRUTTILA: You're welcome.

ASSEMBLYMAN NAPLES: And thanks, Dr. Smith-Stevens, for coming up.

MS. DiGRUTTILA: I don't know whether to say "good afternoon" or "good evening." My name is Betty DiGruttila. I am a board member from the Allendale School District in Bergen County. I serve as Co-Chairperson of the Bergen County School Board Association's Coalition to Address the QEA. I am here to discuss pensions, their impact, and their inequities.

First, a little background. Our board presented a 3.3% budget to our taxpayers this year. It passed. Upper Saddle River, our constituent district at the high school, presented a 10.2% budget. It was defeated. The Northern Highlands Regional High School, our local high school, presented a 4.9% budget. It was defeated. They settled with the town at 3.6%.

With teachers' pensions accelerating at 10% to 11% per year, with school expenses running approximately 8% per year, with a perceived cap of 10.69%, there is absolutely no way that we can maintain our schools. They must be dismantled.

What does that mean? With a 10% rise in our budget each and every year -- and it is doubtful taxpayers will approve this at the polls -- it means doubling class size and putting off improvements to buildings which will only cost more the following year. It means eliminating music, eliminating art, eliminating computers, eliminating all those things that enrich young children's lives.

Together with the increase in income taxes, gentlemen, you are clearly taxing us beyond our ability to pay. Gentlemen, you are hurting our children. Let's take a look at what can be done:

The cost of pensions affects all boards of education. Pensions are administered by boards of trustees and commissions which make the rules, regulations, and decisions under which these pensions operate. At the present time, there is no employer representation on any of these boards of trustees:

1) The Public Employee Retirement System -- PERS -- affects the nonprofessional staff, the secretaries and custodians, and has six employee representatives, two appointed by the Governor and the State Treasurer.

2) The Teachers' Pension and Annuity Fund -- TPAF -- has three employee representatives selected from among the teachers, by the teachers, at the Delegates' Assembly of the NJEA in June. They, in turn, select another teacher, then two persons are appointed by the Governor and the State Treasurer.

3) The State Health Benefits Plan consists of the Commissioner of the Department of Insurance, the Commissioner of Personnel, and the State Treasurer.

ASSEMBLYMAN NAPLES: Betty, excuse me. I don't mean to interrupt you, but we will be here well beyond the projected time--

MS. DiGRUTTILA: I will talk very fast, Gerry.

ASSEMBLYMAN NAPLES: --if you read this verbatim.

MS. DiGRUTTILA: Well, there are a lot of facts in here that are very important. I really can't summarize it. I mean, we waited a long time. Besides that--

ASSEMBLYMAN NAPLES: Let me just say-- Go ahead.

MS. DiGRUTTILA: No, seriously, I will talk very fast, and you will read everything, and that will be the end of that.

ASSEMBLYMAN NAPLES: I just want to indicate one thing: By virtue of the fact that you have handed this to our fine Committee aide--

MS. DiGRUTTILA: This resolution was passed at the December 8 board of directors' meeting -- not the board of directors' meeting, at the December 8 Delegates' Assembly -- overwhelmingly, with only one nay vote.

ASSEMBLYMAN NAPLES: May I interrupt you for a second?

MS. DiGRUTTILA: Yes.

ASSEMBLYMAN NAPLES: By virtue of the fact that you have handed copies of your presentation to us, it is automatically incorporated into the record.

MS. DiGRUTTILA: I understand that, but I don't think that you people have heard it.

ASSEMBLYMAN NAPLES: Do the best you can, please.

MS. DiGRUTTILA: I'll do the best I can, Gerry. Absolutely, right.

This resolution was passed overwhelmingly with the following amended resolved clauses:

1) that the NJSBA seek legislation to provide at least three employer representatives on the Board of Trustees of the Public Employee Retirement System, with at least one employer representative from a local school district;

2) that NJSBA seek legislation to provide that the Teachers' Pension and Annuity Fund Board of Trustees include at least three employer representatives from local school districts and that these school representatives include representation from all districts, including transition and foundation aid districts;

3) that the New Jersey School Boards Association establish a fact-finding committee composed of school board members, business administrators, and superintendents to study and publicize the pension system's procedures, actual and projected costs, to identify management controls and means for cost containment, and to examine and, if indicated, recommend new approaches to providing fiscally sound pension plans for school employees. This committee shall include representation from all school districts, including transition and foundation aid districts; and

4) that NJSBA request that the Legislature establish a committee composed of pension experts, public employers, including boards of education and members of the public to study New Jersey's existing public employee pension system and to report to the Legislature and to the public its findings and its recommendations for cost-effective and efficient means for managing a fiscally sound pension system.

School districts are now being asked to pay for these pensions. Gentlemen, there must be employer representation on these boards. Anything less is, as in days of old, "Taxation without representation." Let's look at these pensions: I have come upon a remarkable book which I am sure would be of interest to all of you legislators. It is called--

ASSEMBLYMAN NAPLES: What do you have up there? Do you want to read off the title?

MS. DiGRUTTILA: Yes. It is called the "50 State Teachers' Retirement Systems: A Comparative Analysis," published by the National Retired Teachers' Association, a division of the American Association of Retired Persons. It lists the basic strengths and weaknesses of each fund, state by state. The identified weaknesses for the State of New Jersey are:

1) There is no formally established pension commission. Major responsibilities are assumed by the Division

of Investments and the New Jersey Education Association rather than by TPAF.

There is limited legislative oversight. May we ask why? The oversight which does exist is conducted primarily on an ad hoc basis. Facts:

1) The teachers' pension in the State of New Jersey as of June 30, 1990 is \$9,473,406,544.42. Gentlemen, this is more than the Federal Deposit Insurance Company has reserved for losses across the entire United States.

2) Membership is mandatory for all full-time and part-time certificated employees and State Department of Education personnel. Will we be asked to fund Commissioner Ellis' pension?

3) In Allendale, we have 74 teachers. In the first full year of implementation of the QEA in our district, we will be charged back over \$1 million for pensions. This is \$13,513 per teacher, or approximately double the cost for a student, and that is only for pensions, not for salary.

4) In New Jersey 15% of the total teachers' payroll is contributed to the Teachers' Pension Fund. In Connecticut it is 11%. In Pennsylvania, the state and the employing school district contribute 8%. Why is ours so high?

5) Pensions have escalated 331% over the past 13 years in the State of New Jersey.

What are some of the perceived inequities?

1) Teachers may borrow up to one-half of their contributions at a 4% rate of interest. In this day and age, borrowing from a local bank can cost a taxpayer up to 10%. This should be adjusted upward.

2) When a teacher joins the plan, he or she is assigned a contributory percentage for life; i.e., at age 23 it is 5.29%. However, there is a Social Security offset of 2%. That means the teacher continues to pay his or her share of Social Security costs, but the pension contribution is reduced

to only 3.29%. Teachers, upon retirement, collect both the pension and the Social Security. Gentlemen, teachers' salaries are not that depressed. It is high time they paid a higher contributory rate.

3) Life insurance is included in the pension costs. The first year it is mandated, but free. The second year, the teachers can choose to drop it or continue with it for a payment of 4/10 of 1% of their salaries. This provides them with three-and-a-half times the amount of life insurance. If he or she should die while actively employed, or upon retirement, they get 7/16 of 1% of their salary in paid-up life insurance. For a person earning \$50,000, that is \$175,000 of life insurance for a minimal fee. Upon retirement, it is \$21,875 in paid-up benefits. As my principal has said, "It is the best buy on the block."

4) We have been told the reason the State Health Benefit Plan is so inexpensive is that the plan enrolls over 800,000 members. However, there is little or no cost containment overview. With health benefits escalating 25% to 30% yearly, this must end and a mechanism for overview must be provided.

5) The NJEA has undue influence over the pension system and the laws that are related to it. They continually come before the Legislature to get added benefits and the Legislature is often responsive. A perfect example is that retired members, plus their spouses and their dependents, of the TPAF receive free health insurance coverage for the rest of their lives. This inflates the cost of the pensions enormously. This benefit was given to them by the Legislature. When these bills came up, the NJSBA opposed them. The legislators told NJSBA, "It doesn't matter. It will not affect you because the State is going to pay it."

Clearly, gentlemen, if you are going to continue these pensions, it must become equitable to the employer -- the boards of education -- as well as to the employee.

In summary:

- 1) The cost of escalating pensions far outweighs the taxpayers' ability to pay them.
- 2) Unless there is change, our children will be hurt.
- 3) There must be employer -- boards of education -- representation on the pension boards of trustees.
- 4) The Legislature should establish a committee composed of pension experts, public employers, including boards of education, and members of the public to study New Jersey's existing public employee pension system and to report to the Legislature and to the public its findings and its recommendations for cost-effective and efficient means of managing a fiscally sound pension system.

Thank you.

ASSEMBLYMAN NAPLES: Betty, thanks very much. Bergen County, I realize, has been hard hit and it loomed very large in the dialogue last June. I understand your frustration. Your fine Assemblyman, Byron Baer, was on the phone earlier this morning. I didn't get a chance to talk to him. He spoke to one of the Committee aides. We are not unmindful. We are going to be taking a look at Bergen County as it pertains not only to what you said, but all other proposals.

Assemblyman Villapiano, do you have any questions you would like to pose?

ASSEMBLYMAN VILLAPIANO: I take it from the testimony that you would be in favor of a shift back to the State?

MS. DiGRUTTILA: I would assume so.

ASSEMBLYMAN VILLAPIANO: But it doesn't really specifically say that.

MS. DiGRUTTILA: But I am also concerned--

ASSEMBLYMAN NAPLES: I would bet it.

MS. DiGRUTTILA: Right.

ASSEMBLYMAN VILLAPIANO: It doesn't specifically say that. I mean, you stated--

MS. DiGRUTTILA: Okay, I'll say it.

ASSEMBLYMAN VILLAPIANO: --that it outweighs the local taxpayers' ability to pay, but you really didn't say where it should be.

MS. DiGRUTTILA: I am concerned primarily with the pensions at the present time in addition to having them returned to the State. But also to take a good look at the pensions, and also to get representation on those boards. There is no way we can legitimately go back to our taxpayers and say that we just have to put up and shut up.

ASSEMBLYMAN VILLAPIANO: Point well stated.

MS. DiGRUTTILA: Thank you.

ASSEMBLYMAN NAPLES: Thanks very much, Betty.

So that I can get an idea of who has left and who has not left, and who will, in fact, be testifying, please raise your hand if you are going to testify. (members of audience comply) All right, one, two, three, four, five, six, seven people. We are going to keep going. John, you may leave, if you choose. I will hold the fort.

ASSEMBLYMAN VILLAPIANO: I am here for the duration, Mr. Chairman.

ASSEMBLYMAN NAPLES: You're a good man, John, one of the best in the west. No, Monmouth is east, excuse me.

ASSEMBLYMAN VILLAPIANO: Maybe I should move the bill.

ASSEMBLYMAN NAPLES: Okay. I don't know who has a problem, who has not, or who has to leave more quickly. Since no one has passed me a note, I am going to do in order. If you have a problem, send a note up and I will certainly consider it. But absent that, I am going to go in order.

Dr. Theodore Kruse, President, Piscataway Board of Education. Doctor?

D R. T H E O D O R E K R U S E: I have a single sheet of paper for you, gentlemen. I don't have to read it. I will elaborate and paraphrase a little bit.

ASSEMBLYMAN NAPLES: Sure, thanks a lot.

DR. KRUSE: Piscataway has 5500 students. That is worth mentioning in one respect, because that means that in the New Jersey School Boards' Delegate Assembly I should have one vote out of about 180. In fact, I have one out of 600. I have the same vote, for instance, as the delegate from Rumson, with 700 students.

We educate a very diverse population. That is the characteristic of the community. We have about 46% or 47% minority, of which about 25% are black, with many Asians, and some Hispanics in increasing percentage. We have had our problems in getting racial balance in the schools, and I have met them. We are still working on them as the demographics and the housing patterns change.

Last year, our high school chemistry team was Science League champion. I mention that because we are not a transition aid district, nor are we a wealthy district. I mention that because I think we have our sort of excellence, by any measure. There are many types of excellence, and the socioeconomic correlate is not an appropriate way in public education to think about excellence.

We have good ratables. That is because we have an interstate highway through the township and are able to attract some ratables. We don't have high income. We were always aware of that. We were amazed when the predictable result of Abbott v. Burke came done. In Abbott v. Burke we supported the plaintiffs. We were amazed and appalled at the way it went through over the last eight years. We expected the result which came. We did not expect the political solution, which was much broader than the mandate of the Court.

When the political solution came out, we were told, "You will get an extra several million dollars." We said, "Wow, what happened?" Well, we found out it was the new 50/50 -- 50% real estate, 50% personal income -- (indiscernible) for

calculating your eligibility for aid. Well, when we thought about it, it didn't surprise us, but it sure surprised us when it happened.

When we thought about it some more, we said, "Wow, maybe we have been paying more than our share all this time." In other words, we got our consciousness raised both by those who voted for the QEA and by those who voted against it, and I think it has been raised in a permanent way. That raised consciousness is the basis of our attitude toward this pension resumption.

We have a situation now which we are well aware of, in which wealthy districts have a privilege which they have come to perceive as a right. There are solutions proposed which are before you. We look at these solutions and we look at some of the statements that are made about them, such as by the New Jersey School Boards' State mandate/State pay, and so on, and we think a little bit as a board and we say, "This is all fake. There is no more money. There is not going to be any more money."

What is going to happen-- What these bills are really about is shifting money around, so we say to ourselves, "Well, how is it going to shift, and how much is it going to be?" Well, we knew it was going to be a lot. That we could tell because pensions are a big item. And we started to be able, in part thanks to the December 6 calculation of the Committee staff, to figure out by how much it will shift. Well, we know we are going to be disadvantaged from this. We are going to be going back in the end to where we were before. As we say, we didn't realize it, but if you look at it in a new way, which seems like a fair way to us, we are subsidizing quite a few other districts, because we are not a high income district.

So, we conclude that these bills are not really pension bills. They are minimum aid bills, with fig leaves. The feature of at least one of them is perverse; the idea that

housing should be subsidized, not housing for the homeless or housing for the poor or housing for the middle income, but high-income housing. That is genuinely grotesque.

We see these bills as the continuation of a trend of the decade, which is to shift the burden to the middle class. We see a large loss because the aid is fixed and these bills just amount to shuffling money around. We see a large amount of aid lost to middle income districts, which are the bulk of the districts.

And finally -- and in this we agree with everybody -- we see a major problem in the disparity between growth rates for pension, Social Security, etc. and any perceivable income. We have figures like 7.5% floating around in the QEA. The only people I think I know personally who have had 7.5% recently are teachers. Certainly that is not going to persist. We could be at 4.5%. This difference is a major threat to property tax relief. It is not the only threat, but it is a major threat. Insurance is another.

We calculate and we take an average figure for some of the bills of something like \$400 million. Not next year, not the year after, but in the fullness of time. The target year was 1996 -- Fiscal Year 1996. If you take \$400 million-- How many kids are going to be paying this out and shipping it to somebody else? We say 400,000. I mean, the special needs district kids are not going to be paying. The wealthy district kids are not going to be paying. So we pick \$400,000. That's \$1000 a kid. It's simple multiplication. It says, "Well, in Fiscal Year 1996 this is going to be \$5.5 million lost to Piscataway, vis-a-vis the QEA.

Well, that wipes out what we thought was our gain. Well, I come back again and I say, "Our consciousness, I think, has been raised forever, and we take tax policy a little more seriously now than we used to." And that is what this is all about.

We have some suggestions. I think there is, as other people have said, a great deal of misinformation floating around. We oppose the bills. We think that wealthy districts understand very well what it is about and what they will gain from it. We think that special needs districts are basically not going to be harmed because the Supreme Court has tied them to the wealthy districts. We think the middle-income districts mostly don't have a clue. This is not the fault of the Committee, but I think the Committee could help.

Our proposal is that you get somebody who is not afraid of his pocket calculator, and that means don't go to the DOE. You get somebody to do a schematic calculation for a model bill. You get one other guy to check it, and you mail it out by next week when you all break for the holidays. Give us three weeks to digest it and talk to our legislators.

What I am saying is, the middle-income districts don't really know what is going on. They are very strongly affected, and you can help on that. So that is our recommendation on this one sheet.

Finally, I would say that there has been what seems like a very disedifying procedure going on, for the past year anyhow, in which a lot of us are saying, "Well, we are more deserving than the other." It comes down to tax policy. The past is not a good guide for who deserves what. The question is fairness. People will disagree. Having thought about it since my eyes were opened a little, 50/50 doesn't seem too unfair to me. I would probably say, if someone asked me, it should probably be more heavily on income and less heavily on real estate. But, nevertheless, it is a big step forward.

I think that passage of any of these bills-- I should except perhaps Assemblyman Gill's bill because it is so different in scale that I think I probably don't really understand it. But the major bills with the large sums-- I think passage of any of those would be a major step backward

and would be unfair to the middle-income districts. And I think whether they know it before something happens, they will find out afterward.

Thank you very much, gentlemen.

ASSEMBLYMAN NAPLES: Thank you, Doctor. John, do you have any statement?

ASSEMBLYMAN VILLAPIANO: No, thank you.

ASSEMBLYMAN NAPLES: Let me just say this: My heart goes out to you, and I mean that sincerely. I would apply that statement to everybody who has testified. It was a rough two weeks last June, and it is a rough time now because there are two words that loom large, and you can pretty much guess what my summation is going to be -- revenue replacement. We have to come up with money. All of these recommendations will be reviewed. All the testimony will be reviewed against that backdrop, and we will proceed accordingly.

But I do thank you for your input. I want to thank all of you for staying until this late hour.

Before I forget, I just want to thank everybody who has been here -- the two Assemblymen, the members of the Committee whom I already introduced; John Villapiano and Danny Jacobson, not members; Larry Hamm of the Democratic staff; Jim Harkness of the Republican staff; Dr. Deena Schorr, whom I have already praised ad infinitum, and justifiably so; and Dr. David Rosen.

I am in possession of 12 statements from the seven people who have problems-- No, seriously, three people have told me they have to leave, and I am going to call them in the order in which I received the statements.

THOMAS MORTON: With all due respect, Assemblyman, I have stayed here all day.

ASSEMBLYMAN NAPLES: Excuse me, please. Are you Lawrence Feinsod?

MR. MORTON: No, I'm not, but I am the next person on the list you have right there.

ASSEMBLYMAN NAPLES: I have to ask you to vacate the seat. I am going to call Lawrence Feinsod, please.

MR. MORTON: Okay, sir. Thank you for your time and consideration.

ASSEMBLYMAN NAPLES: I think I was quite clear when I indicated that if you had a problem, to please pass me--

MR. MORTON: Thank you, sir. (following sentence indiscernible; no microphone; Mr. Morton speaking from audience)

ASSEMBLYMAN NAPLES: Well, I would appreciate-- Thank you for letting me speak in between your lines. Lawrence J. Feinsod?

D R. L A W R E N C E J. F E I N S O D: I am Larry Feinsod. I have a meeting, but I would be willing to defer to Mr. Morton.

ASSEMBLYMAN NAPLES: Come on up then, as long as he is willing to yield. If he is willing to yield, I am willing to let you come up. (several people speaking back and forth in audience; indiscernible; no microphone) Let's get a little order restored here. To put matters in perspective, I was quite clear and explicit when I said, "If anyone has a problem, I will try to accommodate that person." I have three people who sent up notes. I am trying to accommodate those people accordingly. If there is a problem within the aegis of that system, I can appreciate it, but we cannot resolve that problem by acting like a bunch of kids.

I am going to go back to the list. I take it you are Dr. Stokley?

MR. MORTON: No, Dr. Stokley is not here, sir. I am Tom Morton.

ASSEMBLYMAN NAPLES: Okay, you are Dr. Morton?

MR. MORTON: Not yet, hopefully next week.

ASSEMBLYMAN NAPLES: Okay. Mr. Morton, please proceed.

MR. MORTON: I accept your admonition. It was duly received and deserved. It has been a long day for us on the other side of your table.

ASSEMBLYMAN NAPLES: Right, I understand.

MR. MORTON: On top of that, I happen to be a superintendent from a transition J district in northern Bergen County, which is considered one of the wealthy districts. My district is Allendale, and I come to speak to you directly about the plight of my district if, in fact, the local district does assume the costs of the pensions and the Social Security. I will then have a suggestion which speaks directly to a comment that Assemblyman Naples made earlier in the day, I believe.

The district of Allendale, as well as the districts of Upper Saddle River and Northern Highlands, can certainly be described as first-rate districts -- lighthouse districts, if you will. The term has been used frequently in designating our districts. Or if you prefer, another term that is used quite freely is "world-class schools." We graduate highly successful students, and we operate a system that corresponds very closely to the per-pupil expenditure for the foundation figure for the QEA.

In analyzing the impact of this Act, I went to my Assemblyman -- Assemblyman Rooney from the 39th District -- and he provided me with his assessment of the figures. As we talked about earlier today, there are many different sets of data. I am using Assemblyman Rooney's data.

According to Assemblyman Rooney, our district will lose \$4.3 million over a five-year period in aid. Our current budget is less than \$6 million. This loss is devastating to our district.

To put these numbers into some perspective for you, we have 75 teachers in our school system. If we eliminated

one-half of our entire staff, we would save only \$2 million -- not even \$2 million. To carry the previous analogy further, you wouldn't have to worry about the light getting dimmer in our lighthouse; you will have dismantled the lighthouse completely.

I can be as creative and imaginative as our Commissioner suggested we are, but my district will simply not survive unless you modify this law. Against this backdrop, and the aggravation that I exhibited earlier, we have developed some long-range strategies to continue to provide quality education for the students we serve. For the past year-and-a-half we have studied the concept of regionalization. This concept, however, cannot be achieved without providing significant incentives for these potential mergers and modifying the law which would have one town pay a much greater share of the costs than another constituent town.

Before you today were many bills that provide per-pupil aid to school districts. I suggest that you consider changing the laws which tie regionalization effort to assessed valuation, and consider funding on a per-pupil basis for regional school districts. Each town should pay their fair share for the number of students they send to a school system. Without this modification, you will not see very many regionalization agreements.

That is a suggestion and a comment about my district.

ASSEMBLYMAN NAPLES: John, do you have any questions?

ASSEMBLYMAN VILLAPIANO: No, thank you.

ASSEMBLYMAN NAPLES: First, I apologize if I was embarrassing to you in any way. I share your frustration because--

MR. MORTON: You didn't embarrass me at all. You angered me.

ASSEMBLYMAN NAPLES: Because of the length of the day, we are all kind of tired. Let me ask you a question. I'll call you "Doctor." I have a hunch you are going to make it.

What is your current tax rate in Allendale per \$100 of assessed valuation?

MR. MORTON: I don't have that figure in front of me right now, and I wouldn't venture a guess.

ASSEMBLYMAN NAPLES: Would you estimate then that it would have to be increased 50%, or what have you, to bridge that gap?

MR. MORTON: Well, if you quickly take a look at the numbers, if you are going to increase our pension costs by \$1.2 million a year in a \$6 million budget, and that doesn't include any costs for raises or any other increase--

ASSEMBLYMAN NAPLES: Yeah, that is what I was getting at.

MR. MORTON: You're talking significant raises, 25%, 30% raises. No one in this day and age is going to accept that. You and I both know that. Ms. Morheuser talked earlier about denuding students of art and music and other programs.

ASSEMBLYMAN NAPLES: You're talking about your enrichment programs. Yeah, if you cut back on--

MR. MORTON: If you're talking about any program-- If you are going to talk about five successive years of 20% and 30% increases, there is nobody going to fund that. That is my district, and those are as real numbers as I can get right now. They are from Assemblyman Rooney's office. Assemblyman Villapiano speaks directly to that point. That is exactly what he is talking about. Our district is being killed with your new law. It is a tiny K-8, but it provides quality education, and we can no longer exist if this law is put into place. It's as simple as that.

ASSEMBLYMAN NAPLES: Have you had an opportunity to speak to your county superintendent about this?

MR. MORTON: Yes, we have.

ASSEMBLYMAN NAPLES: What did he say?

MR. MORTON: Well, we talked about the possibilities.

ASSEMBLYMAN NAPLES: Or she. I don't know, who is the county superintendent?

MR. MORTON: It is Dr. Raymond Kelly. We have gone to Dr. Kelly and talked about the concepts of regionalizing the school district. We met with Dr. Kelly's office on that issue. To be very frank, the issue will never happen because the constituent district would pay more money than our district would pay, because of assessed value.

ASSEMBLYMAN NAPLES: Okay.

MR. MORTON: We're trying at our end to bring it before you, so you hear from my lips to your ear that this is what we have to deal with.

ASSEMBLYMAN NAPLES: I appreciate it. I can understand your frustration now in waiting so long and wanting to read this statement, which you had every right to read, certainly.

Since the Assemblyman has no questions, and I don't, since I think any question is really self-answering by virtue of your very fine statement, I thank you very much, and good luck with your thesis, by the way.

I am going to go out of order now and take the people who have sent notes up. Mr., or Dr. Lawrence Feinsod. I am calling misters doctor and getting all confused. Dr. Lawrence Feinsod, Superintendent of Schools, Madison Public School District. That is where the former Commissioner came from.

DR. FEINSOD: Yes, sir.

ASSEMBLYMAN NAPLES: My good friend, Saul Cooperman.

DR. FEINSOD: Yes, Saul Cooperman indeed. I will compress my remarks due to the hour, and I do appreciate the fact that the Chair did not change -- or did not conclude our proceedings until Tuesday. Like you, I have been here since early this morning, so I do appreciate it. I should be through in about five minutess.

ASSEMBLYMAN NAPLES: Go ahead. Take your time.

DR. FEINSOD: I would like to also commend -- before I begin my brief remarks -- Assemblyman Villapiano. Sitting back there since 9:30 this morning, I was impressed with what you had to say, and your colleague Assemblyman Jacobson, in terms of your pending legislation.

Obviously, as you can understand, I am a believer, a hoper, and I fervently pray that the State absorbs -- reabsorbs, if you will -- the pension and Social Security.

As a suburban educator, I strongly support the need for our city school districts to receive the necessary resources in order to properly educate their pupils. Improved urban education can only have a positive impact upon the future of this State and nation. The problem with the QEA, simply stated, is that it really does disenfranchise tens of thousands of suburban kids in so many of our suburban communities. By eliminating most funding, in addition to shifting the costs of pension and Social Security and retiree health benefits from the State to the local boards, this disenfranchisement, if you will, does occur. The results will cripple, as the colleague before me indicated, a substantial number of suburban school districts in this State.

Receiving little or no aid and absorbing the enormous costs associated with pensions and Social Security in suburban districts will create an educational desert in school systems that have been fertile places in which to learn.

The QEA, in its present form, will not provide educational quality for many of our State's children; instead, it will provide inequality. My school district is an example. The Madison schools will lose approximately \$2.1 million. Most of this money will be the district's assumption of pension and Social Security. The school system will also lose--

ASSEMBLYMAN NAPLES: Correction. I don't mean to interrupt you, but of the \$2.1 million-- What would constitute, of that \$2.1 million in dollar amounts, the costs of Social Security and pensions? Would it be half, 60%?

DR. FEINSOD: It would be \$1.8 million, to be exact.

ASSEMBLYMAN NAPLES: Phew, 90%.

DR. FEINSOD: Yes, sir, \$1.8 million.

ASSEMBLYMAN NAPLES: Thank you. Continue, please.

DR. FEINSOD: Translated into a real life scenario, which my administrative Council and I quickly worked out, the Madison School District will be forced to cut a substantial number of teaching and staff positions. We are going to have to eliminate several course offerings and programs, some of which have received national recognition. They are going to be gone.

Additional steps will be to eliminate extracurricular activities ranging from clubs to athletic teams; closing buildings at night for community use; and substantially reducing the purchase of textbooks, paper, and supplies. Moreover, serious consideration would have to be given to closing schools, and I use that plural. These draconian measures would have such a dramatic impact upon the lives of our children in Madison, that it really pains me to think of trying to administer the school system under these conditions. My management team and I have often said we really don't know how we can do it. Madison has five operating schools. We may have to close two.

The reality is that kids will be hurt; teaching positions will be eliminated; programs will be cut; and a major leveling down of the educational opportunities will occur. Again, it is my fervent hope that the members of the Assembly Education Committee will move forward and recommend substantial changes in the QEA of 1990.

My testimony goes on. I am not going to continue. I will say, as we have heard earlier, the Department of Education emphasizes world-class schools. I think that in Madison and in many other districts in New Jersey we are on the way to accomplishing world-class schools, and what we are going to see

is a dismantling of those programs and those opportunities for kids that create the realism, if you will, of the approach to a real world-class school situation.

The citizens in Madison are taxed heavily, as they are in most other municipalities in New Jersey. They have let us know, in no uncertain terms, that they just can't take much more. That is why the real-life scenario that I just laid out for you will probably happen. It will bring tears to my eyes, and to many other people's eyes if, in fact, it does happen, unless QEA is amended and at least the pension and Social Security are absorbed.

We probably could live with losing the minimum aid. We can't live--

ASSEMBLYMAN NAPLES: I'm curious. What would you lose in minimum aid, Doctor?

DR. FEINSOD: About \$300,000 or \$400,000. Okay? That would hurt us. Absorbing \$1.8 million would destroy us. There is a significant difference in the opportunities we can offer kids versus the two figures I threw out.

That is basically a compression of what I had to say. Because of the hour I will conclude, and say thank you.

ASSEMBLYMAN NAPLES: Thank you. Assemblyman?

ASSEMBLYMAN VILLAPIANO: I have no comment. Very well put; very well put.

ASSEMBLYMAN NAPLES: It was very well put, yes.

DR. FEINSOD: Thank you.

ASSEMBLYMAN NAPLES: Thank you, Dr. Feinsod. Judy Annette, would you please come forward?

J U D I T H A N N E T T E: Thank you for taking me a little bit ahead of time. My last sitter runs out at 7:00. I didn't expect to be here so long.

I am from Green Brook. I am a resident--

ASSEMBLYMAN NAPLES: Judy, I'm sorry. I wasn't paying attention. Would you please state your name and your position.

MS. ANNETTE: Okay. I am Judy Annette. I am from the town of Green Brook. I am a Green Brook board member, not the president.

ASSEMBLYMAN NAPLES: Okay.

MS. ANNETTE: I am a nonvoting board member on the Watchung Hills Regional Board. I am very much a mother, and a concerned individual.

ASSEMBLYMAN NAPLES: Again, what county is Green Brook in?

MS. ANNETTE: Somerset County.

ASSEMBLYMAN NAPLES: Somerset, okay. Please continue.

MS. ANNETTE: Interestingly enough, as I have listened to the testimony today, it seems to be that a lot of people who have come forward have small districts, although there were some larger ones in the \$5 million to \$6 million budget range. That is where Green Brook is exactly. Most of the people who spoke were going to lose, by 1995-1996, a million dollars -- or absorb a million dollars with the pension and Social Security.

Green Brook has become renown. We were one of the first districts to voluntarily vote to close our high school program. As of June 1990, we had 100 students in our high school, 9 through 12.

ASSEMBLYMAN NAPLES: In your high school-- Let me just stop you there. I am trying to move this along and synopsize. How many students do you have in the district?

MS. ANNETTE: Total 550.

ASSEMBLYMAN NAPLES: Five-hundred-and-fifty. Okay.

MS. ANNETTE: We attempted a regionalization. Interestingly enough, other people are looking into it. The towns that are almost equal ratable-wise do not want to regionalize, and the ones which are less ratable-wise want to regionalize, but the cost is phenominal for the district that has the higher ratables. In a two-year plan of trying to regionalize with a local district in another county, crossing

county lines, it became disproportionate to the cost for us to go through with it. So there was a landslide vote in order not to regionalize. We ended up having to send our high school students out on a tuition basis to Watchung Hills Regional High School.

Right now where we find ourselves is between Watchung Regional-- Their tuition increased significantly per student because they, in turn, have to absorb the pension and Social Security. Our own staff came through the aid of 450 students. It is very expensive to educate with a bare bones program. Now we are going to have this million dollar expense of pensions and Social Security. Now Special Education has told us in Somerset County that for the special ed students there will be a significant tuition increase to our district because they are absorbing their pension and Social Security costs.

So we are, like, in a threefold position here. I came as a board member because people get the feeling that either this isn't going to happen, or it is going to happen but we can't do anything about it. I am the kind of person who believes in my fellowman, and I think that if enough of us speak up, something will be done about it.

Our district, by 1995-1996, will be in big trouble. Regionalization is just not the answer, not the way it is set up. That's it in a nutshell.

ASSEMBLYMAN VILLAPIANO: I have a question.

ASSEMBLYMAN NAPLES: John?

ASSEMBLYMAN VILLAPIANO: What is the tuition now that-- You're in Green Brook? You said Green Brook?

MS. ANNETTE: It's \$8500, and it will be \$9500 as soon as it all kicks in. It will gradually go up.

ASSEMBLYMAN VILLAPIANO: That's pretty close to the QEA average, though.

ASSEMBLYMAN NAPLES: Yeah, yeah.

ASSEMBLYMAN VILLAPIANO: Nine through 12.

MS. ANNETTE: We were at \$11,500 with our own high school, so we are actually saving the difference by going out.

ASSEMBLYMAN VILLAPIANO: And if you were going to regionalize--

MS. ANNETTE: We have two buildings, and we are attempting now to look into consolidation. But now we are at the point where they all won't fit into one building, and everyone is saying, "We can't add on, or go up or go out." So now we are trying to resolve that part of it. But by the time that all kicks in, it is going to be a long time away. In the meantime, I don't know what is going to happen to the program.

ASSEMBLYMAN NAPLES: Any further questions?

ASSEMBLYMAN VILLAPIANO: None, thank you.

ASSEMBLYMAN NAPLES: Has your superintendent testified at any of these hearings, Judy?

MS. ANNETTE: I think, after 23 years and all of the problems we've had, I mean, our district has been in such an uproar for so long, he, like, has just about had it up to here. I asked him, "How can you just give up?" and he said, "I don't think anything is going to change. You can go, you can fight, you can sit there all day. Good for you, but I am just giving up." So that is why I'm here.

ASSEMBLYMAN NAPLES: Thank you, Judy. I just want to confess here: I thought the afternoon would just move along and that the main action was in the morning. But I have been the beneficiary of much edification since 2:30, more than I expected here today, this afternoon, and I am very pleased with that. Thanks very much, Judy.

MS. ANNETTE: You're welcome.

ASSEMBLYMAN NAPLES: Next will be Gary Nardino, from Passaic County. Dr. Nardino, welcome, and thank you.

G A R Y N A R D I N O: Did you say "Doctor?"

ASSEMBLYMAN NAPLES: Yes.

MR. NARDINO: No. I am a board member, that's all, and a businessman. I serve as Chairman of the Education Committee at the Passaic Valley High School Regional Board, and I serve as--

ASSEMBLYMAN NAPLES: Maybe I'm watching too much Bugs Bunny -- "What's up, Doc?" Maybe it is in my subliminal.

MR. NARDINO: It could very well be. I serve as Finance Chairman on the local Board of Education in Little Falls. It has been a long day, sir.

ASSEMBLYMAN NAPLES: Yes.

MR. NARDINO: I'll tell you, listening here--

ASSEMBLYMAN NAPLES: By the way, I have broken the record for hours of public hearings. Someone would have to serve 40 terms to top me. But, go ahead.

MR. NARDINO: Well, it's been educational. Although the day has been long, it was educational. You start out thinking you have all the answers. Then you hear some of the other testimony, and the questions and the dialogue, and you realize that, more often than not, someone has thought of the problem before and it has been discussed.

However, I think something can be said in general. It seems that-- I don't think there are too many -- very many people who disagree with the Abbott v. Burke decision, with the basic decision. I don't think there is too much disagreement. I think what most people object to in education is the cost -- where the cost is taking us, where it has been, and where it is going. I personally think that as a society we are entitled to an education, and it should be provided to us at a reasonable cost.

I would ask you this, sir: If you are experiencing this much difficulty before the implementation of the QEA, how are you ever going to continually fund the increase in foundation aid over the next period of years?

ASSEMBLYMAN NAPLES: Assuming your question is not rhetorical, a writer for The New York Times asked me the same question. He is going to call me later today -- later tonight. I think I might be unavailable, because I just don't have the answer.

MR. NARDINO: Sir, I don't think anyone does. I think in concept it is probably a brilliant idea. In practicality, I think it is doomed to failure, only because our resources are extremely limited. It just cannot go on like this.

To that end, I would like to offer what I think are some inequities and unfair circumstances in our present system, and then offer some solutions that I think are achievable and realistic. However, at times they may seem bold, even radical. I repeat, sir: I am a board member; I am a businessman. My remarks will be absent any political rhetoric. I think I want to take a business approach, and I know that in politics if that is not always impossible, it is extremely difficult.

First, I want to bring to your attention something that I know you are familiar with. It is a statement in the Abbott v. Burke decision. The one statement is-- It held that: "The quality of public education could not continue to be dependent upon the property wealth of the community in which a child lives." Now, that is the second time our courts made that statement in the last 15 years. The last time it led to the passage of an income tax to fund education.

ASSEMBLYMAN NAPLES: Robinson v. Cahill you're talking about, right?

MR. NARDINO: Yes. And here we are in the same boat again. However, your new foundation aid formula relies heavily on property wealth. I would submit to you that those districts which are determined to be property rich by the new formula that the government has established, will now have double taxation or "taxation without representation." They will fund

the full costs of pensions and Social Security in their own districts through higher property taxation, and in the urban districts through a higher income tax.

I would like to bring to your attention some statements I wrote down: Through this new foundation formula in suburban New Jersey, I think you are going to experience more defeated budgets than you will in the urban districts. I also think that through negotiations you will probably experience more strikes in the suburban districts, because the money will not be there to fund their own district, yet we will be asked to fund someone else's district.

I would like to bring to your attention an article written recently about a district in the area I come from -- not in my district, the 34th Legislative District, but in a neighboring district. It said: "What the School Brass Make" -- that was the headline-- "The superintendent receives \$115,000 a year plus." I'll give you the round figures. "Then they have an assistant superintendent -- two of them. Each receive \$86,000. Then they have a suspended board secretary/business administrator, who was suspended with pay, who receives \$83,000. Then they have one to replace that person -- to fill in while he is on suspension -- who receives \$85,000. Then they have an assistant superintendent who receives \$81,000. Then they have a supervisor for physical education who receives \$80,000. Then they have an assistant to the superintendent who receives \$78,000.

"Then they have a director of special services who receives \$75,000, and \$70,000 for an assistant to the director of special services. Then they have a director of personnel at \$72,000, and they have a person who is director of adult education at \$75,000. Then they have a music supervisor, \$70,000; home economics supervisor, \$70,000; industrial art supervisor--

ASSEMBLYMAN NAPLES: Wait, a question here: These people are all at max, I take it, aren't they?

MR. NARDINO: Sir, I don't know, but I will tell you -- and I am right near the end -- that they have a supervisor of social services, \$70,000; a mathematics supervisor at \$70,000; and a supervisor in charge of accounts at \$65,000." I gave you the low figures. They all approach the next thousand increment, like that last was \$65,843.

Sir, this is one of the special needs districts. This district next year stands to receive \$43 million more, bringing their total school budget to \$155 million. I submit to you that the money is not getting to the classrooms.

ASSEMBLYMAN NAPLES: After the meeting, I want to talk to you and procure the name of that district. I am not going to ask you to say it publicly.

MR. NARDINO: That's fine. However, I would also like to bring to your attention, just maybe some of these special needs districts are paying more in salaries than some of the so-called wealthy districts. I know they pay more than where I serve as board member in two districts. We don't even approach these salaries. And, I might add, this district is on the verge of being taken over by the State.

ASSEMBLYMAN NAPLES: I think I know which district you are talking about, but I am going to--

MR. NARDINO: I'm sure you do.

ASSEMBLYMAN NAPLES: --talk to you in a second about it.

MR. NARDINO: I will go on, sir.

ASSEMBLYMAN NAPLES: Go ahead; continue, please.

MR. NARDINO: Since being elected and serving on the board, I have heard time and time again board member statements: "State mandate, State should pay." Now I am hearing the State say, through the pension costs, "Local mandate, local pay." I wish each group would practice what they preach, at some point in the near future.

Having the local districts pay the pension costs may be the only statement in the QEA that is fair and equitable, provided the State does make some adjustments in the law governing the pension system. That is for discussion, and I did say "provided," and I did say, "possibly." I reiterate that because I feel the formula is totally unfair. It cannot work. It is just doomed to failure. But, picking up the pension costs as an employer of that district just may be fair and equitable.

I would like, sir, to now submit some solutions, and I beg your indulgence. They may seem radical--

ASSEMBLYMAN NAPLES: Go ahead.

MR. NARDINO: --and they may seem bold.

ASSEMBLYMAN NAPLES: We are coming to the end anyway. Go ahead.

MR. NARDINO: Yes. I think the biggest atrocity perpetrated against society is the law permitting golden parachutes and buy back of sick days upon retirement. I don't know why we don't realize-- While I am offering money to be saved-- Our resources are limited. We can't just keep taxing. We are going to have to find money that is already there.

ASSEMBLYMAN NAPLES: Let me just say: You are digressing from the bill a little bit, but since--

MR. NARDINO: No, I don't think so.

ASSEMBLYMAN NAPLES: Go ahead; go ahead. All right.

MR. NARDINO: I don't think so, and I want to make the point later. It is going to build up to--

ASSEMBLYMAN NAPLES: Fine, fine. I appreciate that.

MR. NARDINO: Those accumulated sick days are there for a very good purpose. When they get sick at least they will receive a pay. What they are saying now is that if they had the good fortune not to get sick, they should be entitled to compensation at the end. What that means is, those days they

came to work you paid them more per day than the negotiated agreement that covered their salary at the time. That is what it comes back to. And they accumulate sick time at different periods in their longevity. Some days, when they first started, they may have been making \$20 a day.

ASSEMBLYMAN NAPLES: But isn't your--

MR. NARDINO: They get bought out at \$100 a day.

ASSEMBLYMAN NAPLES: A question here: Isn't your attendance up accordingly as a result?

MR. NARDINO: I'm sorry?

ASSEMBLYMAN NAPLES: Accordingly, is not your attendance up by virtue of that fact?

MR. NARDINO: No. The attendance has to be up by one part of the monitoring process, which says: "If you start approaching" -- I think -- "a 5% absentee rate--"

ASSEMBLYMAN NAPLES: But if a lot of days are accumulated--

MR. NARDINO: Well, you can pass--

ASSEMBLYMAN NAPLES: --it has to be as a result of attendance being up over a period of time.

MR. NARDINO: But there can be legislation prohibiting the abuse of attendance, or absenteeism.

ASSEMBLYMAN NAPLES: Okay.

MR. NARDINO: I think the Legislature should pass a law, or pass legislation, prohibiting the buy back of those golden parachutes.

ASSEMBLYMAN NAPLES: Well; let me just interrupt; I will let you continue. It is sort of give and take here. I would suggest that you submit a letter to the Assemblyman or Senator in your district, and make that recommendation. If you want to copy me or Senator Feldman, the respective Chairpersons, you are welcome to do so.

MR. NARDINO: Fine. Equality in education: Why not adopt a statewide salary guide that provides a bare minimum

that teachers should be paid throughout the State? We have a State law that says we must pay them -- start them at \$18,500. Why not guarantee teachers, no matter where they teach, at least the same pay at a certain salary guide level? Maybe eight or nine steps. And maybe the State could pick up that portion of the pension up to that salary guide. And if certain districts want to go beyond that, or the stipends for a master's or a doctorate, they can pay the pension on that.

Again, I offer this only for discussion and deliberation. I do not profess to have this as the only solution. But, if we are forced to start them at \$18,500, why don't we have to make sure we have to pay them, after five years, the same amount -- at least the same amount, to make sure that they don't go from one district to another, or look for the higher pay?

When the pension was started, I think they had a higher rate because the salaries were a lot lower. Would the Legislature consider looking at a lower percentage because the salaries are much higher -- the multiplier is much higher -- so you will not be hurting future employees? I am not asking you to take away from people who have already built and have depended upon certain moneys now, but for the future, because our resources will be limited.

Why not, as a source of revenue, have a statewide education tax, where everyone pays a minimum and then progresses on the ability to pay, and reduce the sales tax and income tax by the amount that is appropriated in your revenue now for education? Why can't we take education out of our general fund and have money just for education, and disperse that throughout the State fairly and equitably through a separate tax that is based on the ability to pay?

ASSEMBLYMAN NAPLES: Are you asking me that question?

MR. NARDINO: Rhetorically, again. If you would like to answer--

ASSEMBLYMAN NAPLES: During the days when the dialogue -- or rather when the controversy surrounding Robinson v. Cahill -- in the aftermath of Robinson v. Cahill, when the controversy was raging, there was some talk about something like that, but the Legislature at that time decided to address property taxation and tax reform as a unit. There has been some talk about-- There are problems inherent in that, and there are benefits. I am not prepared to go into them right now.

MR. NARDINO: All right. I would ask you this: The way the foundation formula is set up now, how many more districts will be driven to aid because of the inequities? In other words, if we have 30 special need districts, what do we do when that number gets to be 35 or 40? And surely there are going to be more districts that are going to have to fall below that line. Working people's income may rise, which in this formula would help to increase the community's fair share levy, but it would have an adverse effect on the people in that same community on fixed incomes. And an increase in assessment of homes does not translate into ability to pay higher taxes. Just ask the senior citizens.

ASSEMBLYMAN NAPLES: I buy that.

MR. NARDINO: And yet that is the gist of the foundation formula, as I understand it.

In conclusion, sir, I think you must, under all costs, have an interim checklist between monitoring if you do go to five or eight years. Some districts should not be permitted to go eight years without any monitoring.

The attitude adjustment that I think is needed-- We have an education Governor; we have an education President, so to speak. And then I look at some of the tax laws. You can go out and buy a boat and get a tax deduction, and you can have one, two, or three kids in college at the same time, like I do, and you don't get a tax credit or a tax deduction. Where are

our priorities? Is that consistent? Do we really want education? Do we want to be able to pay for education?

Last -- and this is not meant to be a disrespectful suggestion -- but if certain people want to have that title -- an education Governor, or an education President, in our case the Governor -- why not make him solely responsible for education through his appointment of the Commissioner, his 21 county superintendents, and the State Board of Education, and just under the watchful eye of the Legislature? Try to get the politics removed, because we all know there were certain deals made throughout the State to get enough votes to pass this last Act, and it was unfair to some of us who do not live in the districts where the deal was cut.

Again, it is a fact of life, and I mean no disrespect. And I certainly thank you for your time.

ASSEMBLYMAN NAPLES: Thank you for a very moving and interesting presentation, which I think makes for much reflection because it provides us, in turn, with much food for thought.

John, do you have any questions?

ASSEMBLYMAN VILLAPIANO: No, I don't.

ASSEMBLYMAN NAPLES: Next we will have Roland Bolandi, an Assistant Superintendent in Middlesex County. The list does not say which district. Is that the county office, or are you talking about a local school district?

B A R B A R A B E N S O N: Middlesex Borough.

ASSEMBLYMAN NAPLES: Oh, Middlesex Borough, okay. It was not indicated. You don't look like a Roland.

MS. BENSON: I was just going to comment on that, but you didn't give me a chance.

ASSEMBLYMAN NAPLES: Thanks a lot. What is your name?

MS. BENSON: Barbara Benson.

ASSEMBLYMAN NAPLES: Welcome, Barbara.

MS. BENSON: Thank you. I am on the Board of Education. I am Legislative Chairperson.

ASSEMBLYMAN NAPLES: All right.

MS. BENSON: It's late, so I am going to be very, very quick. As you will note, I waited all these hours for about two minutes, but I am glad to have the opportunity. It is a pleasure, as a board member, to be here today on behalf of my school district -- Middlesex Borough. I am here merely to present some concerns and views for your consideration in deliberating the merits of existing and pending legislation surrounding QEA.

I am here merely to go on record, not to debate, as I believe much of that debate has already taken place today. We are looking to you to be fair and equitable and evenhanded in your decision making.

There are a number of reasons why the Teachers' Pension and Annuity Fund and FICA costs should be removed from the districts' State aid and school districts' current expense budgets. If the State of New Jersey pays these costs directly to the Division of Pensions, then they will protect the sanctity of the Fund and alleviate educators' concerns about what will happen in future years when many districts will not have the ability, nor the State aid, to fully fund these contributions. Again, I think this addresses everything that was said much earlier today having to do with fears and concerns.

All districts will have an infusion of pension and FICA moneys, which will give the local taxpayers a false sense of increased expenditures and revenues. The reality of school district elections is that most people do not attend public hearings and/or read the extensive literature provided to them in explanation of the budget process. When the majority of voters go to the polls, the only areas that concern them are how much the budget dollar increase is from one year to another and what percentage increase that translates into.

Let's look at Middlesex Borough as an example. We have been informed by the Department of Education -- and again, I think it has been alluded to all day long that the data keeps changing really from minute to minute and is coming from various sources -- that our pension and FICA costs will be approximately \$1,700,000. Our budget for the 1990-1991 school year is \$12,666,000. If our budget increases 8% and you include the pension and FICA costs, you have a 1991-1992 budget of \$15,379,028. The bottom line dollar increase is \$3,713,280, which represents a 21% increase. When the voters go to the polls, regardless of their tax liability the majority will vote, "No," on our budget. This would be, again, for the fourth time. If you think that they will not, then your perception is not based on reality.

My biggest concern is the lack of reliable data that has been released from Trenton in the last six months. I will skip right down to the bottom (referring to what she is reading). Keep in mind every dollar increase in TPAF and FICA costs passed on to local boards of education will mean less money available for students and property tax relief. We believe that was the intended essence of the Quality Education Act of 1990.

Thank you.

ASSEMBLYMAN NAPLES: Barbara, thanks a lot. I just have a question to ask: You mentioned a \$12.6 million budget for your district now, and you indicated that assumption of the costs -- correct me if I am wrong -- of pensions and Social Security would result in approximately another \$3 million, or \$2.5 million. Did you say that?

MS. BENSON: Right, it's \$2,713,000. That would be with the total 8% increase.

ASSEMBLYMAN NAPLES: For pensions and Social Security alone, or--

MS. BENSON: Right, everything added, with the whole 8%.

ASSEMBLYMAN NAPLES: Let me ask you this: Of that -- and you may not have the answer off the top of your head; if you don't, don't worry about it--

MS. BENSON: Right, which I probably won't, but I'll try.

ASSEMBLYMAN NAPLES: But, out of that increase, out of that \$2.7 increase, what dollar amount would be reflective of pensions and Social Security?

MS. BENSON: We believe \$1.5.

ASSEMBLYMAN NAPLES: So approximately a little better than 50% of the increase would be pensions and Social Security. Okay.

John, do you have any questions you would like to pose?

ASSEMBLYMAN VILLAPIANO: Are you considered a transition town, or are you considered a minimum aid?

ASSEMBLYMAN NAPLES: Yeah, good question.

MS. BENSON: Yes, we are.

ASSEMBLYMAN VILLAPIANO: A transition town, okay.

MS. BENSON: Again, this is-- I would like to make one small comment. Ms. Annette had commented-- I think she answered your question having to do with why her superintendent was not involved. I can tell you, legislation was never really an important issue previously with our Board either. I think we are reflective of many. Through the three years that I have been working, I feel that this process does work if you make it work. I think they have finally come around to allowing this for the very first time -- allowing us to be part of this and allowing me to testify on their behalf in this capacity, and I am very pleased.

ASSEMBLYMAN NAPLES: A question, Barbara: How many schools do you have in your district?

MS. BENSON: We have a high school and four elementary schools, approximately 1764 students.

ASSEMBLYMAN NAPLES: I have no further questions. Thank you very much. Thank you for staying so long. I really appreciate it.

MS. BENSON: Thank you. It was worth the wait.

ASSEMBLYMAN NAPLES: Okay, thanks a lot. It was worth the wait both ways.

Next will be George Gretsaf, Vice President, Park Ridge Board of Education. Are you George?

J A M E S H A R R I S: No, I am not. I am James Harris.

ASSEMBLYMAN NAPLES: George Gretsaf has apparently left. You're Jim Harris, right? Jim, would you like to come up, please? James Harris from Montclair. What is your title?

MR. HARRIS: I serve as the Chairman of the Education Task Force of the New Jersey Black Issues Convention. I am also the founding President of the New Jersey Association of Black Educators. However, today I am speaking as a private citizen.

ASSEMBLYMAN NAPLES: Okay, Jim, thank you.

MR. HARRIS: I want to thank the Committee staff for the opportunity to talk about the bills before you. One of the reasons I am here is because I have been very disturbed by the dearth of African-Americans and other folks of color who have addressed this concern, particularly in view of the fact that many of the students who will be in the special needs districts look like me.

I am concerned about the quality of education in the State of New Jersey, and therefore I commend the Governor for the courage and the legislators for the courage that went into passing the Quality Education Act. I think I agree with all of the comments made by Ms. Marilyn Morheuser, that it really is a very, very important piece of legislation, not only for the State of New Jersey, but for the nation. In fact, it puts New Jersey out front.

I hope that as the storm of controversy begins to increase over the equity issue and the real bottom line concern, which is money, that the Governor and the legislators will not abandon the courage that went into passing the Act in the first place.

My position on the bills before this Committee is that the special needs districts need the money that the QEA will provide. There is no doubt about that. If it comes down to having to make a choice between putting the pension back to the State and funding the districts so that educational equity is achieved in the State, I clearly favor the children, because I think that what was lost in this discussion all day was, what happens to the children?

ASSEMBLYMAN VILLAPIANO: Mr. Chairman, a point of order.

ASSEMBLYMAN NAPLES: Go ahead, Mr. Villapiano.

ASSEMBLYMAN VILLAPIANO: That scenario is not in the equation.

MR. HARRIS: I understand. One of the reasons I did not want to advance my place on the agenda was because I was educated today. I never heard so many people saying so many different things about wanting to be fair, and yet not wanting to give up anything. If the issue before us is whether or not one group loses and one group gains-- I hope that is not what it comes down to, but when we are talking about money, we can only spend money once. I hope that what will be kept in mind is that some people have the ability to pay; some people do not. And, in fact, in some of the districts that were represented today, people have the ability to pay. In some of our special needs districts, there is simply not the ability to pay. Some people have the privilege, the opportunity, because of their income and wealth, to send their kids to other types of places for an education. Some parents and some students simply do not have that option.

I think it is the very essence of equity that those who can pay, must pay. Those who cannot, must be provided for by the government, because if I remember the purpose of government, it is to provide for the common good. Most certainly I would not like to see the quality of education in the State of New Jersey diminish, but once again, if it comes down to who should be helped and who should have to pay the freight, if they are capable of paying the freight-- Obviously you can only get money from those who have money. Okay?

Now, one of the things that really needs to be addressed, because it was not mentioned in some of the testimony you heard-- People talk about what will happen if the pensions are shifted onto the local districts -- class sizes and some of the things that will disappear. But understand that in some of our special needs districts, we are talking about teachers who have classes that range from 25 to 40 people. So, if you start talking about the salaries of those-- The gentlemen referred to the salaries in one of the districts that is about to be taken over. Those salaries sound rather high, and they are. But when you compare the per-pupil expenditure and the size of the districts--

I would invite the Committee members to take a look at what the average salary is for the special urban district superintendents, the number of students in those districts, and what the salaries are in the rural -- the property wealth districts -- you will see that there is inequity there.

Finally, one of the things that concerns me a great deal is that a lot of the QEA discussion has taken on the tenor of race. There is an divisive nature about it, and some people are now saying that one of the reasons that we don't want to support this bill is because it is Robin Hood. You are going to take from the wealthy to give to the poor. I think that is very divisive in the State of New Jersey. It does not help the situation at all, particularly as the economy gets worse.

I think what is more important is for people to know the truth. The special needs districts are not the only districts in the State that will be receiving more money, and that is not fully understood and appreciated or very often referred to. The emphasis seems to be on whether or not the money makes a difference. The Supreme Court decision was very clear that money does make the difference. Therefore, the weight of the responsibility of this Committee is to make sure that the moneys are there, so that youngsters in the districts in this State have a fair chance to receive equal educational opportunities.

That briefly summarizes my concerns and my remarks.

ASSEMBLYMAN VILLAPIANO: I have one question: You mentioned the ability to pay. "Those who should pay, or have the ability to pay, should pay." What does that mean? I mean, are you talking about an income tax?

MR. HARRIS: The Quality Education Act sets out on the road of trying to adjust for the inequities between spending within districts. The method that was chosen was a political process. I am not prepared to say whether that was right or wrong, but I am saying that once the choice was made, now we need to make sure that it stays in place.

ASSEMBLYMAN VILLAPIANO: I voted in favor of it. The method was the income tax. It doubled the rate of income tax in the State of New Jersey, and it did exactly what you said. Those who have the ability to pay, are going to pay.

The issue at hand here is the issue now of property taxes. Shifting the costs of pensions and Social Security back to 150 districts and not shifting them back for some 600 districts creates the same inequitable position, an untenable position, and creates the exact divisiveness that you are trying to address.

The cost to continue to help those 185 districts is \$300 million to \$400 million. It is in that area. It is not

\$900 million; it is not \$1.1 billion. I share your exact concerns, and was very happy -- as I mentioned this morning -- to place a green light up when it came time to vote for the tax to pay for the quality education formula. But I don't think it is equitable tax policy to hurt people income tax-wise, and then turn around and bang them again property tax-wise. I just don't think that is equitable. That is what this whole thing is about, in my estimation.

ASSEMBLYMAN NAPLES: Let me say this, and it will be my last comment before I thank everybody: I concur wholeheartedly with what you say. I am a little tired, and if I am stumbling over my words, it has been a long, long day.

Only so much money is available in a State which has a balanced budget plank in the State Constitution. Absent cutting other places, taxes must be raised, and we have done that. We've got to operate within that framework unless we raise taxes again, and I don't believe anybody wants to do that.

I just want to say that the vast majority of districts in this State -- urban, rural, and suburban -- will witness tax -- I'm sorry, revenue increases. What is unfortunate -- and I have to admit it -- is that those who will be hurt somewhat -- and this is one of the reasons why we are having these hearings, to see what can be done-- Where do we go from here? I wish everybody-- Well, I shouldn't say I wish everybody had remained. Doubtless I will be interviewed by a lot of papers, and they will hear what I am going to say now.

The results of this hearing will be brought to the attention of the other Committee members and the Legislature -- the Assembly first. The Governor's Office is monitoring what is going on -- no pun intended -- very carefully. In fact, I have been meeting with the Governor's Office on a rather ongoing basis. While I have no intention of marching in exact lockstep with the Governor's Office, again I intend to work

with the Governor because the Governor would have to sign any legislation.

It is a dilemma. Some people are going to get hurt, and some people are not. I have heard a lot of heartrending tales from suburbia, from urban districts, and from a couple of rural districts. There were not a lot of rural districts which lent testimony today. But, we are going to do the very best we can. I have my bias. I voted strongly for the QEA. I am a Trentonian. I am a professional educator myself, but I have tried to sit here and be as fair as I possibly could to everybody else. It has been difficult. Not that it has been difficult for me to be fair, but it has been trying. It has been a long two days, and I put a lot of planning into this.

What the end result will be, I don't know. Before any solution can be effected, scientific method information must be gathered. We have gathered information, and I want to thank you. I am looking at all those empty chairs. I don't mean that derogatorily. They were all filled by sincere people, both this afternoon and this morning, who took the time to avail us of their sentiments.

So, thank you very much.

MR. HARRIS: Mr. Chairman?

ASSEMBLYMAN NAPLES: Go ahead, sure.

MR. HARRIS: I admire your ability to keep things together--

ASSEMBLYMAN NAPLES: Thank you.

MR. HARRIS: --and to remain attentive. I realize that as the day got longer, it must have been a challenge up there. I really do appreciate the opportunity to speak today, rather than having to come back some other day. Thank you very much.

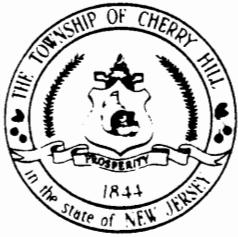
ASSEMBLYMAN NAPLES: Thank you very much, sir. Thank you all very much, especially Assemblyman Villapiano, who is

not a member of the Committee, for staying so long. John,
thanks a lot.

ASSEMBLYMAN VILLAPIANO: You're welcome.

(HEARING CONCLUDED)

APPENDIX



Cherry Hill Public Schools

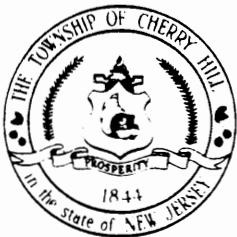
Central Administration — Heritage School
Browning Lane, P.O. Box 5015
Cherry Hill, New Jersey 08034
(609) 429-5600

HOW THE TRANSFER OF PENSION AND RELATED COSTS AFFECTS LOCAL DISTRICTS, AND A PROPOSAL TO ELIMINATE COUNTER-EQUALIZING PRESSURE WHILE RETAINING STATE FUNDING

TO: Chairperson Gerard Naples
and Members of the New Jersey Assembly
Education Committee

FROM: Dr. Philip Esbrandt,
Superintendent of Schools,
Cherry Hill, New Jersey

DATE: Friday, December 14, 1990



Cherry Hill Public Schools

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I am one of the twenty-five school superintendents who were the sponsors and first signers of the October 24th position paper on the Quality Education Act. Yet my involvement, and the Cherry Hill School District's involvement, began last spring, prior to the actual passage of the QEA.

Last year Cherry Hill was informed that our district would suffer the loss of \$5.4 million -- the largest loss of any single district in the state. This loss of revenue was to help make up for the shortfall in state revenue to fund the last year of the Equalization Aid formula. We were also told that this was necessary as a preliminary step to implement the Foundation Aid formula in Cherry Hill next year.

Therefore, we had a strong desire to learn more about the Quality Education Act, while most districts were receiving state reports which described how much additional aid they would receive. We were very fortunate that Assemblyman Bryant, Senator Dalton, and Tom Corcoran and David Del Vecchio of the governor's staff, met with us on June 18th, even before the passing of the QEA, to review our concerns about the financial impact of the QEA on Cherry Hill.

Many of those concerns have not disappeared, but actually loom larger today than in June. Over the last five months, presentations to school board, staff, parents, community members, town council and other public officials, have evolved into the material enclosed for your review today. Although several issues are included in this packet, I want to focus your attention on the next-to-last sheet, which analyzes how the transfer of pension and related costs, from state to local districts, is affecting us in Cherry Hill -- as an example of how it is affecting all local districts.

I will also make a recommendation on how the state can continue to fund these pension and related costs without the risk of the counter-equalizing effect which the New Jersey Supreme Court has warned us about.

2X

SPECIAL PRESENTATION
BOARD OF EDUCATION
NOVEMBER 12, 1990

QUALITY EDUCATION ACT OF 1990

I. OUTGROWTH OF SUPREME COURT LEGAL DECISIONS

A. Robinson vs. Cahill - resulted in an equalization system

- Chapter 212 was designed to create a minimum tax base for all districts ensuring an adequate level of funding for every district regardless of property wealth - the wealthier the district, the less state aid; the poorer the district, the greater the state aid.
- The legislature fully funded Chapter 212 in only 2 years
- Lower wealth school districts also suffered by "municipal overburden"
- Program funding financed by property taxes in current year; state funding a year behind
- Results - Increased reliance on property taxes
 - Growing disparities between property poor urban districts and property rich suburban districts

B. Abbott vs. Burke

- Held that the Public School Education Act of 1975 was unconstitutional as applied to poorer urban districts
- The Supreme Court mandated that funding for poorer urban districts be substantially equivalent to the average of that of property rich suburban districts
- Further, the level of funding for poorer urban districts must be adequate to provide for their special educational needs and redress extreme disadvantages
- Court declared minimum aid unconstitutional and that it must be discontinued
- Court declared that categorical aid - special education, compensatory, bilingual, and transportation aid - were constitutional (did not increase funding disparities)
- Court did not rule unconstitutional the state payment of employer shares of teacher pension costs, but said they might be counter-equalizing

SPECIAL PRESENTATION
BOARD OF EDUCATION
NOVEMBER 12, 1990

QUALITY EDUCATION ACT OF 1990

II. PURPOSES

- A. To increase substantially the state's contribution to education
- B. To correct inequities - to eliminate disparities between rich and poor districts
- C. To fully fund education each year
- D. To move to current year funding
- E. To limit growth in educational costs

III. COMPONENTS OF THE QUALITY EDUCATION ACT OF 1990

A. Funding Components

- 1. Foundation Aid Includes:
 - a. Per pupil
 - b. Facilities aid
- 2. Transition aid - 6.5% more in 91-92 than in 90-91
- 3. Special aids
 - a. Special education
 - b. Bilingual
 - c. At-risk
- 4. Transportation - moved to current year funding
- 5. Debt service

SPECIAL PRESENTATION
BOARD OF EDUCATION
NOVEMBER 12, 1990

QUALITY EDUCATION ACT OF 1990

III. COMPONENTS OF QUALITY EDUCATION ACT OF 1990 (continued)

B. Calculation of Foundation Budget

<u>Grade</u>	<u>Number Of Pupils</u>		<u>Foundation Amount</u>		<u>Weight Factor</u>	
K	10	x	6835	x	.50 =	34,175
1-5	50	x	6835	x	1.00 =	341,750
6-8	30	x	6835	x	1.10 =	225,555
9-12	40	x	6835	x	1.3 ³ =	<u>355,420</u> <u>363,622</u>
	—					
	130			Foundation Budget		956,900 965,102

Number of Pupils x \$110 = Facilities Aid

130 Pupils x \$110 = \$14,300 14,300

Foundation Budget plus Facilities Aid equals

Maximum Foundation Aid \$971,200
 979,402

SPECIAL PRESENTATION
BOARD OF EDUCATION
NOVEMBER 12, 1990

QUALITY EDUCATION ACT OF 1990

III. COMPONENTS OF QUALITY EDUCATION ACT OF 1990 (continued)

B. Calculation of Foundation Budget (continued)

1. Foundation Amount (FA) equals \$6835
2. Multiply F.A. times \$6835 times grade weighting factor
3. Multiply resident pupils times \$110 equals Facilities Aid
4. Foundation Aid plus Facilities Aid equals Maximum Foundation Aid

IV. FOUNDATION AID DISTRIBUTION BASED ON COMMUNITY'S WEALTH

A. Property and income wealth have equal weight

B. State calculates local fair share from community comparisons of property and income wealth levels

C. Maximum Foundation Aid minus Local Fair Share equals Foundation Aid

V. STATE CONTROL OVER EQUITY - support for each student in state

A. Target expenditure per pupil each year - \$6835 for every 1st to 5th grader

B. A district which spends above the foundation budget receives no more Foundation Aid

C. A district which spends below the foundation budget, which reduces local fair share, will have its state aid reduced proportionately

D. The state foundation amount will increase annually based on state-wide growth of per capita income (PCI). PCI determined by averaging over a 4 year period

SPECIAL PRESENTATION
BOARD OF EDUCATION
NOVEMBER 12, 1990

QUALITY EDUCATION ACT OF 1990

v. STATE CONTROL OVER EQUITY - support for each student in state (continued)

E. Local budgets are capped to control growth in property taxes and prevent growing disparities

1. If local budget is more than 1.5 times the maximum foundation budget, local budget growth is limited to the growth in the PCI

Ex.: If PCI is 7.5%, then growth is limited to 7.5%, or, if PCI is 2%, then growth is limited to 2%

2. If local budget is less than 1.5 times the maximum foundation budget and more than the maximum foundation budget, then local budget growth is limited to two times the growth in the PCI

Ex.: If PCI is 7.5%, then growth is limited to 15%, or if PCI is 2%, then growth is limited to 4%

3. Free balance or surplus in local budgets can't exceed 15% or reductions in Foundation Aid occur.

4. Special needs districts are not limited to PCI growth. They are limited to a 30% growth in foundation budget per year

5. Pension fund, social security, and medical retirement benefits for retirees are transferred from state to local district.

Ex.: \$9.4 million in pension and social security costs estimated in Cherry Hill for 91-92 school year. This amount of money will be transferred from state to local districts through Foundation Aid. In subsequent years, the amount of aid for pensions, etc. remains at \$9.4 million while costs are estimated to increase at 10% per year

QUALITY EDUCATION ACT OF 1990

PURPOSES

- A. TO INCREASE SUBSTANTIALLY THE STATE'S CONTRIBUTION TO EDUCATION**
- B. TO CORRECT INEQUITIES – TO ELIMINATE DISPARITIES BETWEEN RICH AND POOR DISTRICTS**
- C. TO FULLY FUND EDUCATION EACH YEAR**
- D. TO MOVE TO CURRENT YEAR FUNDING**
- E. TO LIMIT GROWTH IN EDUCATIONAL COSTS**

QUALITY EDUCATION ACT OF 1990

COMPONENTS OF QUALITY EDUCATION ACT OF 1990

CALCULATION OF FOUNDATION BUDGET

<u>GRADE</u>	<u>NUMBER OF PUPILS</u>		<u>FOUNDATION AMOUNT</u>		<u>WEIGHT FACTOR</u>	
K	10	X	6835	X	.50 =	34,175
1-5	50	X	6835	X	1.00 =	341,750
6-8	30	X	6835	X	1.10 =	225,555
9-12	<u>40</u>	X	6835	X	<u>1.30³ =</u>	<u>355,420</u> 363,622
	130			FOUNDATION BUDGET		956,900 965,102

NUMBER OF PUPILS X \$110 = FACILITIES AID

130 PUPILS X \$110 = \$14,300

14,300

FOUNDATION BUDGET PLUS FACILITIES AID EQUALS
MAXIMUM FOUNDATION AID

\$971,200
~~\$979,402~~

**DISTRIBUTION OF STATE AID BASED ON COMMUNITY'S WEALTH.
A COMBINATION OF PROPERTY AND INCOME WEALTH.**

**PROPERTY AND INCOME WEALTH OF TOWNSHIP COMPARED WITH
EVERY OTHER MUNICIPALITY.**

PROPERTY AND INCOME WEALTH HAVE EQUAL WEIGHT (50%)

**STATE DETERMINES WHAT IS APPROPRIATE EFFORT BY MUNICIPALITY
TO SUPPORT EDUCATION AND CALLS IT LOCAL FAIR SHARE**

**MAXIMUM FOUNDATION AID MINUS LOCAL FAIR SHARE EQUALS
FOUNDATION AID (STATE'S SHARE)**

BUDGET CAPPING SYSTEM AND IMPACT ON LOCAL BUDGET GROWTH FOR THE 1992-93* BUDGET ASSUMING A 2% STATE AID INCREASE RATE IN THE PCI

		PER PUPIL EXPENDITURE	
EXAMPLE DISTRICT		10,835	11,052
			GROWTH LIMITED TO PCI OR 2%
EXAMPLE DISTRICT		9835	9188
		8835	
FOUNDATION LEVEL		7835	
		6835	GROWTH LIMITED TO 2 X PCI OR 4%
SPECIAL NEEDS DISTRICT		5835	
		4835	30% GROWTH MAXIMUM IN ONE YEAR NO RELATIONSHIP TO PCI
		3835	

* ACTUAL IMPACT IN APRIL, 1991 UNKNOWN – 6.5% INCREASE IN AID BUILT IN

FOUNDATION AID SYSTEM AND IMPACT ON LOCAL DISTRICT REVENUE AFTER BUDGET REFERENDUM IN APRIL, 1992*

	DISTRICT EXPENDITURE PLAN ON BALLOT	BALLOT PASSES	BALLOT FAILS		
	----- 6865				
	----- 6850	6850	OK	DEPENDS ON SIZE OF CUT	
XTP/	FOUNDATION LEVEL	6835	6835	OK	ANY CUT REDUCES FOUNDATION AID
	----- 6820	6820	LOSS OF STATE REVENUE	REDUCTION IN FOUNDATION AID	
	6805				

* ACTUAL IMPACT IN APRIL, 1991 UNKNOWN – 6.5% INCREASE IN AID BUILT IN

IMPACT OF SHIFTING PENSION COSTS, ETC. ON LOCAL BUDGET FROM 1990-1995 ASSUMING A 2% STATE AID INCREASE

1990-91	1991-92	1992-93	1993-94	1994-95
TOTAL BUDGET	92,400,000 MINIMUM			
83,000,000	?	?	?	?
TOTAL FOUNDATION AID (EST.)				
\$26,000,000	26,520,000 + 520,000	27,050,400 + 530,400	27,591,408 + 541,008	
		\$420,000	\$503,500	\$596,392
TOTAL PENSION COST	\$9,400,000	10,340,000 + 940,000	11,374,000 +1,034,000	12,511,400 +1,137,400

-- PENSION COSTS ESTIMATED TO GROW AT 10% PER YEAR

- ASSUMING NO OTHER CHANGES IN BUDGET YEAR-TO-YEAR, THE FIXED COST PORTION OF THE BUDGET WILL GROW MORE RAPIDLY THAN ANY OTHER PORTION OF THE BUDGET.

X31

These materials have been the basis of presentations to the Cherry Hill Township Council, Board of Education, school staff, parents and community members, explaining the mechanisms of the Quality Education Act -- what it aims to accomplish, how it works, and how its formula for budget capping works.

I want to focus now on the issue of pension and related costs and their counter-equalizing effect -- and why the shift from state to local district has prompted so much reaction, using Cherry Hill as a representative example.

The New Jersey Supreme Court has not declared the state funding of pensions unconstitutional, but has said it might be counter-equalizing because the state pays more in pension costs to districts with higher salaries. If salaries were to continue to grow more rapidly in more affluent districts, then it would fuel the disparity between wealthier and less affluent school districts.

I propose that the Education Committee consider a mechanism which retains state support of pensions and related costs at the proposed level for 1991-92 school year -- but amends the Quality Education Act to limit the amount of money to be paid as an increase to local districts, in subsequent years, to the PCI or some multiple of the PCI. This mechanism would parallel the use of PCI for increases in Foundation Aid, and would serve as a cap for affluent districts without restricting special needs districts. Over a number of years, the special needs districts' expenditures for salaries (and, therefore, for pension and related costs) would increase, thereby narrowing the gap between affluent and special needs districts with regard to the amount of money paid by the state for pensions, Social Security and retirees' medical benefits.

CHERRY HILL PUBLIC SCHOOLS
Cherry Hill, New Jersey

BIOGRAPHICAL SKETCH

PHILIP ESBRANDT, SUPERINTENDENT

Philip Esbrandt, has been Superintendent of Schools in Cherry Hill, New Jersey, since August 1, 1986.

Prior to his appointment to the Cherry Hill School District, Dr. Esbrandt served the William Penn School District in Yeadon, Delaware County, Pennsylvania, from 1978 to 1982 as Assistant and Deputy Superintendent, and as Superintendent from 1982 to 1986. From 1979 through 1985, the William Penn School District came under the watchful eye of the Pennsylvania Human Relations Commission which required the implementation of a district-wide desegregation plan. The plan resulted in three high schools and three junior high schools being merged into two junior highs and one high school. Several magnet schools were developed at the elementary level.

Dr. Esbrandt has served as a teacher of science in junior high and senior high schools in Rahway and West Orange School Districts in New Jersey; and he has served as high school principal in the Great Valley School District, Chester County, Pennsylvania from 1971-1978.

Dr. Esbrandt earned his Bachelor's degree in Economics/Biology at Rutgers University, Newark, New Jersey, in 1964; his Master's degree in Educational Administration from Montclair State College, Montclair, New Jersey, in 1968; and his Doctorate degree in Educational Administration from Temple University, Philadelphia, Pennsylvania, in 1974.

Dr. Esbrandt has served as a member of many professional and community organizations. He served as Vice President of Board of Trustees and Chairperson of the Development Committee of the National Multiple Sclerosis Society, Greater Delaware Valley Chapter from 1987 to 1990; serves on the Advisory Board of the Dairy Council, Inc.; and serves as a Trustee of the Cherry Hill Free Public Library. From 1986 to 1989 he served as President of the Center for School Study Councils at the University of Pennsylvania which comprises a group of 55 school district superintendents from Pennsylvania and New Jersey organized to provide inservice programs for superintendents. Also, he serves as a board member of the New Jersey Assessment and Development Center.

Dr. Esbrandt resides in Cherry Hill.



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Necessary Amendments To The Quality Education Act Of 1990

submitted by Marilyn J. Morheuser,
Attorney for plaintiff children, Abbott v. Burke

In ruling that the State financing formula was unconstitutional as applied to poorer urban districts, the Abbott Court specified the details of a reform funding structure. A careful analysis of the Abbott decision and of the Quality Education Act of 1990 reveals that the Act fails to conform to the Court decree in four critical areas.

Technical amendments effecting the changes required by the Abbott decree are set out in the attached Appendix. Here we identify the four areas and summarize the constitutional basis for each required change.

I Assuring the achievement of parity by 1995-96

A time certain for achieving parity in spending must be incorporated into the statute. The Supreme Court did not rule that the State should try to provide or should aim at providing substantial parity of spending between poorer urban districts and affluent suburban districts. Rather, the unanimous court decreed:

The State must assure that the poor urban districts' educational expenditures per pupil are substantially equivalent to those of the more affluent suburban districts, and that, in addition, their special disadvantages must be addressed. Abbott v. Burke, 119 N.J. 289, 385 (1990) (emphasis added).

As to the form and time frame for statutory change, the Court stated:

The Legislature may devise any remedy, including one that completely revamps the present system, in terms of funding, organization, and management, so long as it achieves a thorough and efficient education as defined herein for poorer urban districts. It may phase in that new system and phase out the old. Id. at 387.

Under the QEA (§25), the Legislature has assured a specific (and generous)

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phasing-out of part of the prior funding structure by 1995-96. However, the statute does not assure a similar phasing-in of the Court-required remedy by 1995-96 or by any time certain.

While the amended special needs weighting is designed to assure some additional growth in special needs district funding, the weighting does not assure the achievement of parity. The prediction that it will provide parity is based on various assumptions, including the assumption that spending by the affluent districts, although not tightly capped, will nevertheless grow slowly. This assumption may or may not be accurate. Here it should be noted that 25 superintendents of affluent districts recently have urged an increase in the caps on local spending. The prediction of parity, therefore, is not based on fact, on real growth in affluent districts. We submit that the Court decree requires assurance of parity, and that within a time certain.

II Assuring the adequacy of funding for bilingual education and programs for at-risk students

The Court decree requires that, in addition to the provision of substantially equal spending for regular education between the poorer urban and affluent suburban districts, the special needs of poor urban children "must be addressed," and "[t]he level of funding must also be adequate to provide for the special educational needs of these poorer urban districts and address their extreme disadvantages." Abbott, 119 N.J. at 385 (emphasis added).

A study is needed to establish the full excess costs of both bilingual education and programs for at-risk students to assure that funding provided for these programs is "adequate" as required by the Court.

III Prohibiting increased tax burdens in special needs districts and establishing certainty in the local effort required of those districts

Municipal overburden was a critical issue in the litigation of Abbott v. Burke. In the words of the N.J. Supreme Court, it was one of the bases for the conclusion that "the funding mechanism of the Act will never achieve a thorough and efficient education because it relies so heavily on a local tax base already over-taxed to exhaustion." Id. at 357.

The measure of municipal overburden used by the Court is total municipal tax rate. Under the QEA, however, the total tax burden of a municipality is not taken into

account. Not only does the QEA fail to consider municipal overburden, State data estimates for 1991-92 indicate that the Act actually increases the local revenues which must be raised in 21 of the 30 districts with which the Court is concerned. Indeed, State projections show 17 of the 30 districts assigned tax rates for 1991-92 which exceed that year's property value multiplier (the statewide average school tax rate if all districts tax to the maximum assigned level).¹ This result is contrary to the Court's assumption that "the design of any new funding plan will consider the problem of municipal overburden in these poorer urban districts," (*id.* at 388) and will provide funding which is certain every year. *Id.* at 385.

It might well be preferable that the legislation directly address the concern of the Court by providing a measure of municipal overburden to determine required local effort. Consistent with our limiting recommended changes to technical amendments, however, we urge that the Legislature assure that special needs districts will never be expected to levy a school tax which exceeds the statewide average tax rate. To comply with the Abbott decree, therefore, we recommend an adaptation of the QEA formula which annually assigns as the special needs tax rate either the property value multiplier of the budget year or the statewide average school tax rate of the pre-budget year, whichever is lower.

A further problem arises under Sections 83.a. and 87. of the Act, which permit and mandate, respectively, expenditures at less than the maximum foundation budget level. Once again, this reliance on local tax rates for expenditure levels is directly contrary to the Court decree that "funding in poorer urban districts cannot depend on the budgeting and taxing decisions of local school boards" (*id.* at 388), and that "[f]unding must be certain, every year." *Id.* at 385. As the unanimous Abbott Court stated unequivocally:

We hold that the Act must be amended to assure funding of education in poorer urban districts at the level of property-rich districts; that such funding cannot be allowed to depend on the ability of local school districts to tax; that such funding must be guaranteed and mandated by the State; and that the level of funding must also be adequate to provide for the special educational needs of these poorer urban districts in order to address their extreme disadvantages. *Id.* at 295.

¹ One factor which contributes to the assignment of increased local responsibility to special needs districts is the QEA's use of an income factor in measuring fair share. New Jersey's two school finance experts as well as Abbott plaintiffs have criticized this as inappropriate and counter-equalizing. See pp. 11-12 of Education Law Center's analysis of Abbott v. Burke and the QEA.

IV Basing State aid for special needs districts on current year enrollment

Under the Abbott decision, the special needs districts must be afforded such programs as preschool classes, full-day kindergarten, and outreach programs for dropouts. See, e.g., Abbott, N.J. 119 at 372-3. These programs will necessarily involve children not heretofore enrolled in the programs. Because State aid is based upon prior year enrollment, however, these programs must be financed during the first year totally with local revenues.

Such a requirement does not comport with the Abbott decree. In Abbott, the Court declared that:

[U]rban districts' educational funding...must be certain, every year....The funding mechanism...cannot depend on how much a poorer urban school district is willing to tax. Id. at 385-86.

Additionally, the poorer urban districts are plagued by high rates of pupil mobility. This problem, which is not found in affluent districts, is compounded by an influx of new children, including immigrant children and homeless children, throughout the school year. Again, however, because State aid is based upon prior year enrollment, the educational needs of newly arrived children must be financed entirely with local funds for one year or longer.

Under Abbott, because the availability of funding for programs which disadvantaged children need may not depend on either the ability or willingness of local taxpayers, the Act must be amended to provide that all State aid for special needs districts be allocated on the basis of current year enrollment.

EXHIBIT I

note: calculations based on projected state data

1991-92 Projected Data

	proj. enroll	loc fair share	st. foundation aid	total foundation	foundation/pupil
Hoboken	3,522	20,351,437	7,924,580	28,276,017	8,028
Pleasantville	2,710	5,880,791	15,340,482	21,221,273	7,831
Garfield	2,412	14,835,539	4,013,555	18,849,094	7,815
Keansburg	1,696	4,217,401	8,959,701	13,177,102	7,770
Long Branch	3,694	17,426,780	11,122,720	28,549,500	7,729
Paterson	22,547	44,166,289	129,426,170	173,592,459	7,699
Newark	48,985	91,275,673	285,049,207	376,324,880	7,682
Neptune Township	3,743	17,566,173	11,168,437	28,734,610	7,677
Burlington City	1,411	4,791,294	6,007,271	10,798,565	7,653
Jersey City	28,682	100,600,570	118,552,393	219,152,963	7,641
Trenton	13,039	26,592,349	72,439,794	99,032,143	7,595
Perth Amboy	6,679	19,502,109	31,197,947	50,700,056	7,591
West New York	5,615	15,272,963	27,258,597	42,531,560	7,575
Orange	3,973	9,101,648	20,389,234	29,490,882	7,423
Plainfield	6,803	18,973,222	30,964,958	49,938,180	7,341
East Orange	11,571	17,498,696	67,074,844	84,573,540	7,309
Passaic City	8,828	16,464,440	47,853,038	64,317,478	7,286
Phillipsburg	2,520	6,329,189	11,985,211	18,314,400	7,268
X Irvington	8,696	16,294,531	46,344,511	62,639,042	7,203
New Brunswick	4,292	17,159,185	13,514,672	30,673,857	7,147
Asbury Park	2,952	5,551,306	15,493,105	21,044,411	7,129
Elizabeth	15,088	36,737,440	69,530,392	106,267,832	7,043
Union City	7,944	17,898,124	37,611,348	55,509,472	6,988
Vineland	9,049	17,755,124	45,128,845	62,883,969	6,949
Camden	19,972	12,455,752	125,926,982	138,382,734	6,929
Gloucester City	2,262	3,628,257	11,403,921	15,032,178	6,646
Harrison(H)	1,669	5,540,435	5,251,764	10,792,199	6,466
Bridgeton	3,881	3,615,687	21,323,855	24,939,542	6,426
Pemberton Township	7,232	9,292,667	36,780,162	46,072,829	6,371
Millville	4,892	7,425,976	23,260,917	30,686,893	6,273

I & J FOUNDATION/PUPIL:

\$8,912

EXHIBIT II

SPECIAL NEEDS DISTRICTS RANKED BY DIFFERENCE BETWEEN 1991-92 AND 1990-91 LOCAL FAIR SHARE

	90-91 fair share	91/92 fair share	difference	% diff
Pemberton Twp	13,062,490	9,292,667	(3,769,823)	(29)
Camden	16,034,549	12,455,752	(3,578,797)	(22)
Hoboken	22,612,469	20,351,437	(2,261,032)	(10)
Long Branch	19,616,649	17,426,780	(2,189,869)	(11)
New Brunswick	18,967,669	17,159,185	(1,808,484)	(10)
Keansburg	5,795,065	4,217,401	(1,577,664)	(27)
Bridgeton	3,964,183	3,615,687	(348,496)	(9)
Perth Amboy	19,768,277	19,502,109	(266,168)	(1)
Harrison(H)	5,721,564	5,540,435	(181,129)	(3)
Plsntville	5,817,111	5,880,791	63,680	1
Burlington City	4,462,292	4,791,294	329,002	7
Asbury Park	5,193,821	5,551,306	357,485	7
Gloucester City	3,267,108	3,628,257	361,149	11
Neptune Twp	17,118,473	17,566,173	447,700	3
Orange	8,643,948	9,101,648	457,700	5
Millville	6,655,325	7,425,976	770,651	12
Vineland	16,747,795	17,755,124	1,007,329	6
Phillipsburg	5,232,150	6,329,189	1,097,039	21
Elizabeth	35,104,652	36,737,440	1,632,788	5
Garfield	13,149,500	14,835,539	1,686,039	13
Plainfield	17,229,906	18,973,222	1,743,316	10
West New York	12,923,016	15,272,963	2,349,947	18
Passaic City	14,076,650	16,464,440	2,387,790	17
East Orange	14,942,937	17,498,696	2,555,759	17
Union City	15,207,366	17,898,124	2,690,758	18
Trenton	23,588,725	26,592,349	3,003,624	13
Paterson	38,764,566	44,166,289	5,401,723	14
Irvington	10,154,343	16,294,531	6,140,188	60
Newark	85,032,568	91,275,673	6,243,105	7
Jersey City	88,493,944	100,600,570	12,106,626	14

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APPENDIX

Technical Amendments to the Quality Education Act of 1990¹

I Assuring the achievement of parity by 1995-96

SUMMARY: The following amendments establish a mechanism for assuring elimination of disparities between expenditures for regular education in each of the special needs districts and the average expenditure in the wealthy suburban districts by the 1995-96 school year and thereafter. Beginning with the third year of QEA implementation, the elimination of disparity will be phased in over a three-year period, with a 30% reduction in each of the first two years and the remaining disparity eliminated in the third year and in all subsequent years. The language used in amending §11 is adapted from §§21 and 24 of the QEA.

A. Section 2

Page 2

line 18, after "expenditures" insert "for regular education"; after "in" insert "each of"

line 19, replace "those" with "the average expenditure"

B. Section 3

Page 3

line 36, insert the following definition:

"Expenditure for regular education' means the sum of the local fair share minus the local share of capital outlay and debt service expenditures; plus State foundation aid, if any, minus facilities aid; plus State transition aid, if any, minus facilities aid."

C. Section 11

Page 9

line 40, change "11." to "11.a."

line 44, delete ", including..." through "supplementary act" (page 10, line 3)

Page 10

after line 15, insert the following:

"b. On or before December 15, 1992, and on or before December 15, 1993, the Commissioner shall determine for each poorer urban district the disparity between its per pupil expenditure for regular education and the average expenditure in the wealthy suburban districts. The Commissioner shall adjust the special needs weighting for each poorer urban district to reduce its disparity by

¹ Page citations refer to the first reprint of Senate, No.2721

30% during the 1993-94 and 1994-95 school years, respectively. On or before December 15, 1994, the Commissioner shall adjust the special needs weight for each poorer urban district to eliminate any remaining disparity between per pupil expenditures for regular education in that district and the average expenditure in wealthy suburban districts during the 1995-96 school year. On or before December 15 of each succeeding year, the Commissioner shall set the special needs weighting for each poorer urban district at a level to maintain the parity between its per pupil expenditures for regular education and the average expenditure in the wealthy suburban districts."

D. Section 84.b.

Page 55

line 43, replace "1995" with "1993 and not later than July 1 of each subsequent year,"

line 46, after "report" insert "for 1993 and 1994 the Commissioner shall indicate the extent to which the disparities between the per pupil expenditures for regular education in each poorer urban district and the average of those expenditures in the wealthy suburban districts are being eliminated and the extent to which the special disadvantages in the poorer urban districts are being addressed adequately. In this report for 1995 and subsequent years"

line 47, replace "indicate whether" with "certify that"

line 48, after "in" insert "each"; replace "districts" with "district"; after "to" insert "the average of"

Page 56

line 1, replace "whether" with "that"

line 3, after "that" insert ", by July 1, 1995,"

line 4, replace "has" with "will"; replace "been" with "be"

line 5, replace "are" with "will"; replace "being" with "be"

II Assuring the adequacy of funding for bilingual education and programs for at-risk students

SUMMARY: These amendments require the Commissioner to study the costs of providing bilingual education and programs for at-risk students and to propose appropriate weightings. The amendments establish a mechanism by which the proposed weightings can be enacted into law.

A. Section 12

Page 10

line 27, after "1.59." insert "The Commissioner also shall undertake, in conjunction with superintendents of urban districts and appropriate program

specialists, a study of the cost of providing bilingual education and programs for at-risk students and shall propose, based upon the results of that study, weights for these programs based upon the average cost of providing the programs."

line 31, after "programs" insert "and the weights for bilingual education and programs for at-risk students"

line 42, after "programs" insert "and the weights of .18 for bilingual education and of .18, .20, and .24 for programs for at-risk students."

line 47, after "programs" insert "and any revision in the weights of bilingual education and programs for at-risk students"

III Prohibiting increased tax burdens in special needs districts and establishing certainty in the local effort required of those districts

SUMMARY: Beginning with the second year of QEA implementation, this amendment establishes a uniform method for determining special needs districts' fair share and tax rate. The tax rate for all special needs districts shall be either the property value multiplier of the budget year or the state average school tax rate of the pre-budget year, whichever is lower. Each district's fair share shall be the product of the district's total property value and the appropriate tax rate.

A. Section 7

Page 7

line 49, after "section)" insert "a. For all districts in the 1991-92 school year and for all districts other than special needs districts in subsequent years,"; replace "Each" with "each"

Page 8

line 13, after "supplementary act," insert the following:

"b. For the 1992-93 school year and for all subsequent years, each special needs district's local fair share shall be calculated as follows:

$$FS = V \times VM$$

or

$$FS = V \times ATR, \text{ whichever is lower,}$$

where

ATR is the statewide average school property tax rate of the pre-budget year."

B. Section 83

Page 55

lines 19-25, delete

line 26, delete "b." and insert "83. (New section)"

C. Section 87

Page 57

lines 26-48, delete

Page 58

lines 1-8, delete

Renumber subsequent sections accordingly

IV Basing State aid for special needs districts on current year enrollment

SUMMARY: Under the following amendments, State aid will no longer be allocated to the special needs districts on the basis of prior year enrollment. Rather, it will be allocated on the basis of current year enrollment. Pursuant to Section 34.a., however, State aid for children enrolled in State facilities continues to be distributed on the basis of prior year enrollment.

A. Section 3

Page 2

line 22, after "enrollment" insert "in other than special needs districts"

line 28, after "school district." insert "In special needs districts, before October 20 of the current budget year, the term means the projected number of pupils who on the last school day prior to October 16 of the current budget year will be residents of the district and enrolled in: (1) the public schools of the district, except as a post-graduate or evening school pupil; (2) another school district to which the district of residence pays tuition; (3) a county vocational school district; or (4) a county special services school district. The districts shall determine the projected number of pupils based on criteria and pursuant to a timetable established by the State Board of Education. In special needs districts, after October 20 of the current budget year, the term means the number of pupils who on the last school day prior to October 16 of the current budget year are residents of the district and are enrolled in: (1) the public schools of the district, except as a post-graduate or evening school pupil; (2) another school district to which the district of residence pays tuition; (3) a county vocational school district; or (4) a county special services school district. After October 20 of the current budget year, the Commissioner shall make any necessary adjustments in State aid amounts payable on the basis of actual enrollment."

line 40, insert the following definition:

"Current budget year" means the school year in which the school budget will be implemented."

Page 4

line 22, after "enrollment" insert "in other than special needs districts"

line 29, after "instruction." insert "In special needs districts, before October 20 of the current budget year, the term means the projected number of pupils who on the last school day prior to October 16 of the current budget year will be residents of the district and enrolled in: (1) the public schools of the district, including evening schools; (2) another school district, State college demonstration school or private school to which the district of residence pays tuition; (3) a county vocational school district; (4) a county special services school district; or (5) are receiving home instruction. The districts shall determine the projected number of pupils based on criteria and pursuant to a timetable established by the State Board of Education. In special needs districts, after October 20 of the current budget year, the term means the number of pupils who on the last school day prior to October 16 of the current budget year are residents of the district and are enrolled in : (1) the public schools of the district, including evening schools; (2) another school district, State college demonstration school or private school to which the district of residence pays tuition; (3) a county vocational school district; (4) a county special services school district; or (5) are receiving home instruction. After October 20 of the current budget year, the Commissioner shall make any necessary adjustments in State aid amounts payable on the basis of actual enrollment. In special needs districts, "resident enrollment means the number of pupils who on the last school day prior to October 16 of the prebudget year are residents of the district and are enrolled in a State facility."

B. Section 14

Page 12

line 7, after "pupils", insert "in other than special needs districts"

line 10, after "year" insert "; 0.18 based on the number of pupils in special needs districts actually receiving such instruction in the current school year"

line 13, after "determined" insert "in other than special needs districts"

line 15, after "0.0025." insert "The number of special education aid units for home instruction shall be determined in special needs districts by multiplying the number of hours of instruction actually provided in the current school year by 0.0025."



New Jersey
Principals and Supervisors Association

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ASSEMBLY EDUCATION COMMITTEE

DECEMBER 14, 1990

A-3743, A-4140, A-4153, A-4185, A-4191, A-4215, A-4260

Good morning Mr. Chairman and members of the Committee. I am Walter Chesner, Associate Executive Director of the NJ Principals and Supervisors Association.

Last spring, we witnessed a scenario in which there was a major state budget deficit, an increase in the number of school budget defeats, and announcement of the long awaited Supreme Court decision in Abbott v. Burke. Against this backdrop the Legislature enacted its solution to the school funding problem, the Quality Education Act. As we all know, school funding reform has been long over due. Several generations of our children attending school systems characterized by inadequate resources, limited educational programs and crumbling school facilities have been denied a quality education. The New Jersey Principals and Supervisors Association agrees with you and the public that our statewide system of public education is in need of immediate attention. We strongly believe in the principles espoused in the Abbott decision that educational equity is a mandate of our state Constitution, and perhaps more importantly, a promise and bond to our children.

In this context, we appear before you today to discuss our concerns with the pension provisions of the Quality Education Act. From the outset, NJPSA has opposed the shifting of pension and social security costs from the state to local school districts. Our concerns are centered on the financial impact such a shift of pension costs will undeniably have on school districts. As currently written, the QEA shifts pension and social security costs to districts, but fails to provide adequate school funding to many districts to absorb the cost. Within a few short years, many school districts in New Jersey will be faced with inadequate funding and escalating pension costs which far outstrip any cost of living adjustments or escalator provisions currently contained in the QEA law.

The impact on schools is historically clear. Faced with rising costs and inadequate funding, some school boards will be forced to reduce programs, resources, and staff, ignore needed repairs to school facilities and equipment, and increase class size. All of these actions hurt children. We know this and that is why we are meeting to discuss the QEA and try to make it work.

NJPSA believes that there is only one viable approach to take at this time; shift the pension and social security costs back to the state immediately. Not only does common sense, and educational quality demand such action, the morale of the educational professionals of this state is

at stake. By shifting the pension costs back to where they belong, we achieve two objectives right from the start. First, we calm the storm of public protest concerning the issue and begin to rebuild relationships with all necessary partners to any educational reform, the educational community. Further, neutralizing this volatile situation, we create the necessary environment for the second objective, to launch a major study of QEA through dialogue with the parents, the educational community, the Legislature and the Florio Administration. Such dialogue has been the missing link which could assure success for the QEA.

Not only do we have faith in the positive outcome from such dialogue, we also have faith in the motives, efforts and integrity of our new Commissioner of Education, John Ellis. We believe John Ellis is sincerely interested in and capable of achieving meaningful educational reform in New Jersey. We believe that if the pension issue is temporarily resolved by returning those costs to the State for at least one year the Commissioner, through the QEA Task Force, will be able to meet with all the necessary partners, the school administrators, supervisors, teachers, parents and legislators to find an equitable approach to pensions, school funding and the QEA. The New Jersey Principals and Supervisors Association strongly supports this approach and wishes to participate in this process. Such an open dialogue will lead to a stronger and sounder approach to education and educational funding.

In closing, NJPSA wishes to thank this Committee and all of the sponsors of the various bills being considered today for attending to this critical issue. We applaud your interest and courage in addressing this issue regardless of the specific approach taken. Thank you for the opportunity to share our views regarding this important matter.

Submitted by: Walter Chesner

30X

NEW JERSEY ASSOCIATION OF SCHOOL ADMINISTRATORS
POSITION
RELATIVE TO STATE AID
AND
EQUALIZATION OF EDUCATIONAL OPPORTUNITY
FOR ALL NEW JERSEY CHILDREN

June 12, 1990

The position set forth herein was developed after careful review of the decision of the Supreme Court in the matter of *Abbott vs. Burke*. For at least the past twenty years, a state of legal turmoil has existed surrounding the appropriate way to fund New Jersey schools. The Supreme Court decision, although well-intentioned, does not render clarity to this important matter; but, instead, delegates that responsibility to the state Legislature.

The New Jersey Association of School Administrators, after careful analysis of the decision, and the projected ramifications of the decision, makes the following recommendations relative to a future state aid formula:

Foundation Formula:

The Court criticizes the disparity in funding between the 28 poorest districts and the 200+ wealthiest districts in our state. It suggests that a foundation formula sufficient to provide for curriculum offerings similar to those existing in our wealthiest districts should be available to all students.

The Association recommends, based on the Court's commentary, a foundation formula substantially in excess of that proposed by Governor Florio - a formula that would approach the per pupil cost existing in our wealthiest districts. The Association further suggests that a realistic escalator be built into the foundation formula to guarantee the formula's future effectiveness and to guard against further disequalization disparities.

100% Funding:

The Court cautions that its decision, although applicable only to the 28 poorest districts, could serve as a direction to the next poorest districts to sue for equalization should the state not solve the problem of equalization of educational funding.

The Association recommends that the state fund the foundation program at 100%. All foundation moneys should be distributed to all districts on a per pupil basis.

Categorical Aid:

The Court notes the need to fund special education, transportation, and other categorical aid.

The Association agrees with the Court; however, such aid should be clearly outside of, and in addition to, the foundation program.

Historically Disadvantaged Districts:

The Court speaks to the historical disadvantages existing in some school districts, and a societal imperative to correct such disadvantages.

The Association agrees with the Court and suggests that such moneys be provided above and beyond the foundation program, where such need is demonstrated, in a manner satisfactory to the state.

Local Leeway:

The Court speaks to the issue of local leeway, and suggests that, insofar as such leeway is not permitted to reach excessive proportions in reference to the basic foundation program, local leeway should exist.

The Association concurs, if it has correctly interpreted the Court statement, unless such limitation is excessively stringent. "Lighthouse" districts are an imperative, and the residents of a community should be permitted to vote on local leeway.

Pension Fund Obligations:

The Court indicates that the current method of paying for the pension fund is dis-equalizing and, in fact, counter-equalizing; however, the complexity involved in tampering with the current method of paying the pension fund obligations is noted.

The Association believes that the pension fund obligations must be kept separate from any other area of state aid, and should continue to be funded in the current manner. We further believe that the variables involved in establishing a new method of pension funding could be destabilizing to the fund itself, and could eventually cause the integrity of the fund to be violated. The integrity of the pension fund must be upheld. Local school districts should not have to balance the quality of education for students with the fiscal integrity of the pension fund for employees.

Funding Mechanism:

Obviously, it would be inappropriate for the Association to make the above recommendations if it were not prepared to suggest how these recommendations could be funded. First and foremost, and in order to guarantee the fidelity and integrity of the formula, we believe the Constitution should be amended, establishing a full-funding requirement, and that the revenue necessary for such full funding should be dedicated, or mandated, or both.

The 100% funding of the state aid obligation should constitute a non-rescissionable lien against the present and future revenue base of the state (including sales tax, income tax, corporate taxes, etc.). The state should consider the need to establish a broad-based, state-wide property tax for schools; and, except for local leeway, eliminate local property taxes as a means of funding the public schools of our state. This proposal would eliminate voting on school budgets except as a mechanism for funding local leeway and/or to accommodate geographical disparities in cost of living.

Clearly, the Association does NOT endorse current administrative bills designed to establish a foundation formula, in that we believe the bills fall far short of doing the job; they do not guarantee the required aid nor do they provide an escalator sufficient to keep the formula effective. Further, the bills tend to totally eliminate state aid (except for transportation and special education aid) to approximately 230 of our school districts – a condition we find wholly and totally unacceptable and contrary to the interests of a unified system of public education. Such legislation will not reach the ultimate goal of providing a thorough and efficient system of public education for all New Jersey children.

TESTIMONY BEFORE THE ASSEMBLY EDUCATION COMMITTEE, 12/14/90
by
Sandra K. Schwartz, President, Highland Park Board of Education

I wish to thank you, Mr. Chairman and members of the Committee, for the opportunity to testify before you today on behalf of the Highland Park Board of Education.

Highland Park is a foundation aid district in Middlesex County, and it is therefore very appropriate that we be heard today. We are neither a poor nor a rich district, not a part of the "urban thirty" nor one of the wealthiest 108. As a district of intermediate economic status, we are central to the issue before this Committee today.

As you know, the funding reforms of QEA go beyond the poorest urban districts (which have long been so desparately in need and which were the focus of *Abbott v. Burke*) to extend more equitable funding to the majority of districts, districts of low and moderate means. The major mechanism for accomplishing this reform is found in the pension and social security provisions of the Act. Thus, attempts to undo these provisions, either in whole or in part, jeopardize Highland Park and other districts like us.

The first purpose of district assumption of pension and social security payments is to provide equitable education funding for children in all districts. In a state notorious for its uneven distribution of wealth across communities, State aid to equalize spending is obviously crucial if children's access to educational opportunities is not to depend on the accident of their place of birth. Under Chapter 212, less than half of all State education dollars were distributed in accordance with local districts' capacity to raise funds. Under QEA, that percentage has increased to 75 percent (excluding transition aid). This is a very significant gain in equity, a courageous governmental decision not mandated (and not protected) by *Abbott v. Burke*. It is also relief much needed by the children and taxpayers of New Jersey's low and middle income communities.

This Committee now has before it various proposals to rescind all or part of the QEA's redistribution of State funds, to retreat from the standard of equity set by the QEA, to take money from the districts of middle economic status and use it to provide property tax relief to the richest among us!

Let us make no mistake about the basic facts. It is impossible to achieve a substantial redistribution of monies in accordance with need without using pension dollars. Pension and social security payments account for one quarter of all State education money in FY91 and one fifth in FY92. For every dollar which was spent on minimum aid, \$6 is spent on pensions and social security. If the QEA is to provide fair and equitable taxation for middle income communities, it must use the pension dollars to do so.

Secondly, the point at issue is equity -- equity in dollars available to fund education. Equity cannot be achieved without redistribution. Redistribution cannot be achieved without taking from those who have more in order to give to those who have less. The real issue being debated here is not whether to give property tax relief to the richest districts in the State, but whether to give that relief at the expense of low and moderate means districts.

We understand that most of the bills before this Committee seek to avoid reducing short term district entitlements under QEA by proposing to add new money to the total. We confess to what is surely a pardonable skepticism that additional education money, over and above the 30 percent increase already embodied in the Act, will in fact prove possible in these times of deepening economic trouble and revenue shortfalls. And, in view of the severe cuts in other areas of State government, we question the wisdom and even the morality of adding to education aid for the purpose of tax relief for the least needy communities.

In any case, equity is not served by holding all districts "harmless" with respect to QEA funding in the short term. To whatever extent the long term formula becomes less redistributive, communities of comparatively lesser means will suffer a proportionate reduction in their share of education aid. Over time, as costs increase, this shortfall in aid over what they would receive under QEA's current pension and social security provisions becomes ever more significant.

We understand the pain in localities which face the need to absorb significant new costs. We understand that taxpayers are more apt to compare their tax bill to last year's bill than to an equalized rate in other communities. We understand that it is not easy to find ways to cut costs without cutting quality. We understand, because Highland Park grapples with these issues. But none of these understandable feelings change the fact that those communities with the largest wealth per pupil have long enjoyed a hidden subsidy from the rest of the State's taxpayers. Making QEA more redistributive is not unjust to the children and taxpayers of those communities. Rather it rights an historic injustice to the majority of children and taxpayers, an injustice which becomes less and less tolerable as costs escalate and local property taxes rise by unprecedented amounts.

There are those who have defended a retreat from the redistributive nature of the QEA as a necessary protection of excellence. This is a dangerous doctrine. Democracy cannot settle for a choice between equity and excellence. We require both, and cannot allow ourselves to oppose equity on the mistaken idea that equity is somehow synonymous with mediocrity.

Nor is it fact that excellence is confined to the richest districts. Highland Park is a good case in point. Our school system has long been known as one of the best in New Jersey. For example, we send 85 percent of our graduates to college, and our SAT scores usually rank among the top 10 percent of the state. These achievements are all the more impressive when one realizes one third of our students are minorities, one quarter of the student body turns over each year, and our per pupil spending ranked 10th of 25 in Middlesex County last year. Our taxpayers have been willing to fund the schools' excellence: despite our cost control efforts, they pay one of the highest equalized tax rates in the county. Do not they and their counterparts elsewhere in New Jersey have a legitimate claim for relief from the State?

Highland Park welcomes *Abbott v. Burke*. We are happy to assist those less well off than are we, but we are unalterably opposed to shortchanging the children entrusted to our care in order to subsidize those better off than are we! We appeal to you, the legislature, to treat us and those like us fairly, to give us a level playing field, to stand fast for the principle of fair taxation and not force us to turn for protection to the courts as our colleagues in the poorest cities have had to do. The public interest is not well served when the legislature abdicates a passion for justice to the courts, for courts, by their very nature, are ill equipped to develop policy.

Thus far I have spoken of the redistributive purpose of the pension and social security provisions of the QEA and the importance of legislative protection for those many communities not now judicially protected under *Abbott v. Burke*. There was, however, a second purpose of these provisions, and that purpose was cost control. It is, surely, this purpose, this pressure to flatten out the curve of salary costs in the future, which underlies the strong opposition mounted by NJEA to this aspect of the Act. And yet, cost control is a topic no one concerned with the success of education can afford to ignore. This nation, and particularly this State, spend vast sums of money on public education, and still urgent problems remain and still greater sums are needed. Yet, it is well to remember that resources are finite, and resources devoted to one purpose foreclose other options. It is worth while pondering the educational consequences if the State abandons a major mechanism of cost control.

For all these reasons, then, we of the Highland Park Board of Education urge you to maintain your commitment to equity; to insist State education funding be redistributive; to stand by the promise of QEA for the thirty special needs districts; and to stand, as well, for equal access to educational opportunity and fair taxation for the 31st district and all other districts in this State.

• Thank you for your attention and your consideration.

112 North 7th Avenue
Highland Park, New Jersey 08904
(201) 572-5526

THE LEAGUE
OF WOMEN VOTERS
OF NEW JERSEY



TESTIMONY BEFORE THE ASSEMBLY EDUCATION COMMITTEE
December 14, 1990

Judith Cambria, Education Director
League of Women Voters of New Jersey

I am Judith Cambria, Education Director of the League of Women Voters of New Jersey. I am representing the state League and 66 local New Jersey Leagues. Thank you for the opportunity to testify before the Assembly Education Committee on the seven bills which seek to amend those provisions of the Quality Education Act dealing with the payment of costs of pensions and social security. Over a period of many years, through indepth study and consensus, League members have reached positions in both education and fiscal policy which impact the bills under consideration today.

I would like to present seven principles upon which the League bases its action today.

- 1) The League of Women Voters of New Jersey supports the New Jersey Constitution and those mandates of the Supreme Court designed to ensure constitutional rights. The League believes that the N.J. Legislature is the only governmental institution that can assure that constitutional rights are provided since it makes the laws and responds to decisions of the court in constitutional matters.
- 2) The legislature is responsible for assuring the provision of a thorough and efficient system of education for all N.J. children, and for insuring that the Supreme Court mandates in Abbott v. Burke are carried out through the law. These requirements include elimination of minimum aid; increasing per pupil expenditures in the special needs districts to the average level in the I and J districts; and providing additional aid to meet the greater educational needs of students from the poorer urban districts.
- 3) The Thorough and Efficient school aid law of 1975 not only failed to equalize educational resources to remedy unconstitutional conditions under the earlier school aid law, it actually increased disparities beyond those that existed previously. The Quality Education Act seeks to assure more equal educational opportunity by better equalizing educational resources between school districts. Changes in QEA must not reintroduce greater levels of inequity!

- continued -

4) The previous school funding system disadvantaged students in many districts other than the poorer urban districts that were the focus of the Abbott v. Burke case. Therefore, any changes in QEA that provide additional aid to wealthier districts without similar increases for the more than 300 middle-income districts must not be allowed. Balanced increases will enable those 300 or better districts to increase educational excellence to levels closer to that in our highest quality districts.

5) Taxpayers in middle-income and poor districts already paying high rates of school taxes in order to provide quality education should not be expected to pay higher taxes to fund additional state school aid only for wealthier districts.

6) In determining how to allocate additional state education aid, the goal should be to maximize the benefit for New Jersey and our society as a whole. Using this criteria, our best use of additional funds is to increase the quality of education in average and failing districts so that their students are better prepared to be productive citizens. Future costs for police, courts, jails, welfare, unemployment and medical care all can be reduced by effective use of any increase in educational dollars now.

7) At its highest point, it is projected that QEA will provide only 45% of the total cost of N.J.'s public schools. Many other states provide a greater percentage of the education budget. The more limited state role in New Jersey limits the amount of property tax relief that can be provided.

How do the seven bills which are the subject of this public hearing measure up to these principles? None meets the criteria the League sees as constitutionally necessary, as well as equitable to students and taxpayers. While New Jersey is faced with school districts which are failing to educate one quarter of our students -- while schools in the United States, and New Jersey, are failing to educate students to achievement levels reached by other industrialized countries -- the bills this committee is reviewing provide tax relief for the districts with the highest personal income and highest property wealth. These bills call for increased state school aid from \$33 million up to \$520 million dollars, but not a single one addresses any aspect of the crisis in education we face as a state or nation.

Every bill, except A.4153, McGreevey/Pelly, goes completely counter to the mandate of the N.J. Supreme court in Abbott v. Burke by providing additional fiscal resources to the I and J districts while reducing or keeping the same level of resources provided to the special needs districts. This increases the disparity in per pupil expenditures between these two groups of districts — groups which the Supreme Court has ordered must be made substantially equal.

Addressing specific bills, A.3743, Haytaian/Schuber, and A.4215, Jacobson/Villapiano, reinstate the previous system of complete state payment of pension and social security costs. They restore the disequalizing effects of that system; a 1992 projection shows the 108 I and J districts will receive an average of \$365 more per pupil for those costs than the special needs districts. They disadvantage every child in every one of the more than 300 school districts in the middle -- our average districts -- by increasing the expenditure gap between them and the districts with higher incomes and higher property values. They ignore the warning of the Supreme Court that the counter-equalizing effects of the complete state payment of pension and social security costs may be "constitutionally infirm." These bills increase total

state aid in wealthier districts by 100, 200, even 300 percent or better, while actually reducing aid in special needs districts, and providing token increases in many districts. Both A.3743 and A.4215 should be rejected out of hand by this committee as moving New Jersey in the wrong direction.

A.4140, McEnroe; A.4153, McGreevey/Pelly; A.4191, Gill; A.4185 and A.4260, Baer/Mazur

All these bills except the McGreevey bill suffer from the same defect. Every district which is eligible to receive foundation aid loses some of the equalization aid provided through that source to pay for its increased pension and social security aid. Wealthier transition aid districts receive a real increase in their state aid, while middle-income and poor districts receive the same amount as before the amendment to QEA (or a small increase; the formulas in some bills provide some additional aid to some districts). The sponsors state that this assures that no district receives double payment for pensions and social security costs. In fact, the amount that is subtracted from the foundation aid exceeds the dollar amount of the aid actually provided by that formula for payment of pension and social security costs.

The fallacy which underlies all the flat per pupil payment bills is the assumption that the complete cost of pensions and social security is paid by the state in the great majority of foundation aid districts. The opposite is true. Not a single foundation district receives 100 percent of these costs. The proportion varies by the wealth of the district; it may be as high as 91% or as low as 0.6%.

The following figures for three fictitious districts show what happens under QEA and A.4260, which is used as an example. For demonstration purposes we are using a \$9,000 foundation budget per pupil and a \$1,250 average state cost per pupil for pensions and social security (approximate figures for 1996).

District 1 - eligible for 25% foundation support

Under QEA as enacted

$$\$9,000 \times 25\% = \$2,225 \text{ total per pupil foundation state aid}$$

$$\$1,250 \times 25\% = \$312.50 \text{ state share of cost of pensions and social security}$$

$$\$2,225 - \$312.50 = \$1,937.50 \text{ equalization aid for education portion of foundation budget.}$$

Under A.4620

district receives \$1,150 for pensions and social security under A.4620

$$\$2,225 - \$1,150 = \$1,075 \text{ equalization aid from state foundation aid}$$

The shift of \$1,150 is comprised of \$312.50 attributable to aid for pensions and social security and \$837.50 in equalization aid for costs of education

Total aid per student has remained at \$2,225. However, equalization aid has been reduced from \$1,937.50 to \$1,075. This represents a loss of 45 percent of the district's equalization aid in order to make up the \$1,150 payment for pensions and social security.

District 2 - eligible for 50% foundation support

Under QEA as enacted

$$\$9,000 \times 50\% = \$4,500 \text{ total per pupil foundation state aid}$$

$$\$1,250 \times 50\% = \$625 \text{ state share of cost of pensions and social security}$$

$$\$4,500 - \$625 = \$3,875 \text{ equalization aid for education portion of budget}$$

Under A.4620

district receives \$1,150 for pensions and social security under A.4620

$$\$4,500 - \$1,150 = \$3,350 \text{ equalization aid from state foundation aid}$$

The shift of \$1,150 is comprised of \$625 attributable to aid for pensions and social security and \$525 in equalization aid for costs of education. Total aid has remained the same at \$4,500. However, equalization aid has been reduced from \$3,875 to \$3,350. This represents a loss of 14 percent of the district's equalization aid in order to make up the \$1,150 payment for pensions and social security.

District 3 - not eligible for foundation aid

Under QEA as enacted

\$0 per pupil

Under A.4620

District receives \$1,150 per pupil for pensions and social security
State aid increased by \$1,150.

The League opposes passage of legislation which under the guise of equal treatment increases resource disparities between the great majority of the school districts and the wealthiest districts. We urge you not to endorse A.4620, or A.4185, Baer/Mazur, or A.4140, McEnroe or A.4191, Gill.

A.4153, McGreevey/Pelly, recognizes the requirements of the Supreme Court by providing the per pupil increase of \$1,000 to the special needs districts as well as the transition aid districts. While it is heartening that one proposal for amending QEA pays heed to the requirements set by the N.J. Supreme Court in Abbott v. Burke, A.4153 has the same defect in relation to the 300 middle-income districts, and should be rejected on this basis. It does provide a reasonable way to assure that any increase to wealthy districts does not increase the expenditure disparity between the two groups of districts.

None of the bills being considered today deserve the support of the Assembly Education Committee, or the legislature. We urge you not to vote to release them for floor action.

LWVNJ shares the concern that the quality of education may suffer in some districts which will be responsible for assuming the loss of both minimum aid and TPAF funds. Therefore, the League will be supportive of appropriate legislation which addresses this problem.

The League also supports amendments to QEA which will guarantee that the mandates of the Supreme Court in the Abbott decision are met. Meeting constitutional requirements must take highest priority, and may require additional funding.

We would like to make the following suggestions in the hope they will assist the Education Committee and concerned legislators to develop a rational, defensible and constitutional method of allocating additional state aid. The goal of any new allocations should be to enhance quality or insure against loss of quality.

1) High spending districts with low school tax rates compared to the state average should not be provided with additional state aid to help them pay for pension and social security costs. Such aid, like minimum aid, will increase disparities and inequities between both students and taxpayers and has no justification. Setting a tax rate floor below which no district would be eligible for pension and social security aid may provide the means for accomplishing such a goal. In 1989-90, more than 100 school districts had

school tax rates of 75c or less at a time when the state average was 88c. Continuation of high quality education is clearly within the capacity of these districts which tax at rates substantially lower than elsewhere.

2) If the legislature is determined to increase pension and social security aid to wealthier districts, payment of an equal per pupil amount to the special needs districts is the only method which is likely to pass constitutional muster. That per pupil amount must be real, not illusory; sufficient additional funding must be provided to pay the additional cost. For the more than 300 other foundation aid districts, there must be no loss of equalization aid.

3) Some transitional aid districts may need assistance in meeting the costs of pensions and social security if continuation of quality education is at risk because the district already is making a strong local commitment indicated through tax rates substantially above the average.

4) Having said that some transitional districts may require help because of high tax rates, the League must note that other districts are subject to extreme tax rates in order to be eligible for the maximum amount of foundation aid. Whatever the cause of these anomalies, they need to be addressed. Perhaps a ceiling on tax rates, similar to the floor, should be enacted to insure no district is subject to an extreme level of school taxation. This proposal is particularly applicable in districts which suffer from municipal overburden. The Supreme Court spent considerable time discussing municipal overburden, recognizing its effect on raising revenues for education. The court said that it assumed the legislature would take this factor into consideration when designing legislation.

The League recognizes that anti-tax sentiment is seen by the legislature as a constraint to its action. We would like to point out, however, that replacement of local school tax revenue by statewide tax revenue through increased school aid does not increase spending and can provide real property tax relief. One of the shortcomings of QEA is the limited amount of tax relief it is able to provide because the foundation level for spending is higher than that which presently exists in many districts. Since the state will pick up only 45% of the costs, the local taxpayer must pick up 50% or better of these increases. As mentioned earlier, many states provide a higher level of state support than New Jersey. The League believes there are significant advantages to greater state funding and less reliance on local property taxes.

The League of Women Voters of New Jersey appreciates the opportunity to share our thoughts with you on the issue of pension and social security costs and hope they will be helpful in your deliberations.

NEW JERSEY ASSEMBLY EDUCATION COMMITTEE
PUBLIC HEARINGS
DECEMBER 14, 1990

Timothy C. Brennan
Superintendent of Schools
Holmdel Township Public Schools

Gentlemen:

Thank you for allowing me this opportunity to represent the Holmdel Board of Education at your hearings.

You have a most difficult and most important task ahead of you. You have chosen to tackle a problem that is emotion-laden and central, I believe, to moving education forward in our state. The issue of Pension and Social Security has generated much discussion. You are to be commended for bringing it to a head and putting the issues on the table. Solve this issue and you remove the heat from the discussion of education in our state. Then, one would hope, we can proceed with the rest of the discussion in rational terms.

I attended your hearings last Thursday, to hear your views and to infer the underlying values which you bring to bear on this issue. From listening to you I conclude that in order to solve our problem, we need to answer three questions in sequence and in order of importance. They are:

- 1. How can we fund pension and social security without being "disequalizing" or "constitutionally infirm?"**
- 2. How can we pay for this now?**
- 3. How can we pay for it in the future?**

My purpose here today is to present you with an idea for your consideration. We believe this idea has the potential to serve as the basis for an equal way of the state's retaining responsibility for Pension/Social Security benefits payments without running the risk of further litigation at the Supreme Court level on the basis of disequalization or constitutional infirmity. Here's the idea:

Establish a "Constitutional Equality Index," and use it as the core of any and all deliberations of how to fund the pension and FICA.

Rationale: The Supreme Court has stated that the Pension payments tend to be disequalizing and may be constitutionally infirm. Analyzing this statement, it would appear that the Court is referring to the fact that:

- to the extent that average teacher salaries in affluent districts are higher than those in special needs districts, state pension contribution is going disproportionately to the affluent districts.
- to the extent that the professional/student ratio in the special needs districts is higher than the ratio in the affluent districts, the state pension contribution is going disproportionately to the affluent districts.

Unless you first solve this problem, any solution you arrive at will be vulnerable to attack in the Supreme Court. I would suggest that as you evaluate each proposal, each bill, you ask yourself this question:

"Does this idea move us in the direction of the Supreme Court mandate of spending parity by 1996?"

The building of a Constitutional Equality Index does move in the right direction because it would be based on the **average cost per student in the special needs districts**. No district, no matter how high their cost per student, would be reimbursed at a higher level.

What's more, using the idea above, one establishes a disincentive to raise salaries in districts which are paying more than the special needs districts. This is not a cap. Boards of Education are still allowed to steer their own ship, but with a strong disincentive. It's a message from the legislature to the people paying the highest teacher salaries in the state that starting now a penny saved is two pennies earned.

The urban districts would be helped by this idea. They know that key to improving education in their districts is improvement in their professional/student ratio and the structuring of a competitive salary guide.

In a typical school district budget, 60-80% of the expenditures go for salary/fringe benefits. If the legislature can find a way of impacting salary/fringe benefit account, they will have stepped forward toward the Supreme Court's goal of parity in spending by 1996.

**Answer to Question #1 Above
Constitutional Equality Index**

To find the Constitutional Equality Index :

1. Calculate the average pension/FICA cost per student in the special needs districts as follows:
professional/student ratio times median teacher salary
divided by total students on roll
2. Perform the same calculation for the J districts
3. Divide #1 by #2.
4. Result is the percentage of Pension and FICA to be paid to J districts

On the attached sheets we have begun to assemble the data needed for this calculation. We are now awaiting data from Trenton. When our data is complete we will send you the completed worksheets.

Answer to question #2 Above

1. Pay whatever you can afford within the above index. No matter how much or little, you will pay it in confidence that you are working within the bounds of the Abbott vs Burke decision.

Some suggestions:

1. Place unclaimed foundation aid in an interest-bearing account.
2. Distribute foundation aid on a project approval basis, using the interest on the money as it awaits disbursement.

Answer to question #3 Above

Annually, inflate the contribution at the PCI or the increase in the Special Needs Districts calculations, whichever is less.

At your request, the Holmdel Board of Education would be happy to adduce other data or to refine this data. You have only to call on us. We wish you the best in your efforts.

**NEW JERSEY ASSEMBLY EDUCATION COMMITTEE
HEARING DECEMBER 14, 1990 T.C. BRENNAN**

J DISTRICTS

COUNTY	DISTRICT	No. of Full Time Teachers	Professional/Student Ratio	Median Salary
Bergen	Allendale	63		\$45,100.00
	Alpine	15		\$33,300.00
	Demarest	43		\$35,100.00
	Englewood Cliffs	39		\$46,900.00
	Franklin Lakes	83		\$42,500.00
	Glen Rock	128		\$45,700.00
	Harrington Park	43		\$42,500.00
	Haworth	26		\$37,100.00
	Ho-Ho-Kus	29		\$40,900.00
	Northern Highlands Reg	65		\$51,100.00
	Oradell	39		\$33,500.00
	Ramapo Indian Hills Reg	143		\$52,300.00
	Ridgewood Village	310		\$45,300.00
	River Vale	74		\$43,100.00
	Saddle River	24		\$37,900.00
	Tenafly	172		\$47,900.00
	Upper Saddle River	76		\$45,100.00
	Woodcliff Lake	47		\$47,900.00
	Wyckoff Township	112		\$42,900.00
Burlington	Medford Lakes	36		\$37,500.00
Camden	Haddonfield Borough	133		\$29,500.00

X64

**NEW JERSEY ASSEMBLY EDUCATION COMMITTEE
HEARING DECEMBER 14, 1990 T.C. BRENNAN**

J DISTRICTS

COUNTY	DISTRICT	No. of Full Time Teachers	Professional/Student Ratio	Median Salary
Essex	Essex Fells	10		\$33,100.00
	Glen Ridge	89		\$38,900.00
	Livingston	300		\$45,100.00
	Millburn Township	192		\$41,700.00
	North Caldwell	31		\$36,900.00
Hunterdon	Tewksbury Township	42		\$34,500.00
Mercer	Princeton Regional	179		\$43,900.00
	West Windsor-Plainsboro Reg	300		\$31,900.00
Monmouth	Holmdel	165	12.4	\$34,100.00
	Little Silver Borough	41		\$32,700.00
	Rumson Borough	47		\$38,300.00
	Rumson-Fair Haven Reg	59	9.2	NA
Morris	Chathams	168		\$42,900.00
	Florham Park	83		\$39,700.00
	Harding Township	19		\$34,700.00
	Kinnelon Borough	107		\$39,300.00
	Mendham Borough	42		\$31,300.00
	Mountain Lakes	86		\$38,300.00
	West Morris Regional	152		\$40,300.00

X84

**NEW JERSEY ASSEMBLY EDUCATION COMMITTEE
HEARING DECEMBER 14, 1990 T.C. BRENNAN**

J DISTRICTS

COUNTY	DISTRICT	No. of Full Time Teachers	Professional/Student Ratio	Median Salary
Somerset	Bernards Township	173		\$37,900.00
	Bernardsville Borough	107		\$37,500.00
	Montgomery Township	101		\$38,100.00
	Watchung Borough	34		\$45,500.00
	Watchung Hills Regional	84		\$40,900.00
Union	Berkeley Heights	88		\$43,700.00
	Mountainside	38		\$38,300.00
	New Providence	109		\$45,500.00
	Summit City	181		\$41,500.00
	Westfield	316		\$44,300.00

X64

**NEW JERSEY ASSEMBLY EDUCATION COMMITTEE
HEARING DECEMBER 14, 1990 T.C. BRENNAN**

SPECIAL NEED DISTRICTS

COUNTY	DISTRICT	No. of Full Time Teachers	Professional/Student Ratio	Median Salary
Atlantic	Pleasantville	189		\$27,500.00
Bergen	Garfield	164		\$42,300.00
Burlington	Burlington City	129		\$34,500.00
	Pemberton Township	443		\$27,700.00
Camden	Camden	1274		\$26,500.00
	Gloucester City	126		\$29,500.00
Cumberland	Bridgeton	276		\$27,700.00
	Millville	326		\$33,300.00
	Vineland	651		\$31,500.00
Essex	East Orange	714		\$31,100.00
	Irvington	555		\$29,900.00
	Newark	3520		\$41,900.00
	Orange	262		\$34,700.00
Hudson	Harrison	105		\$41,100.00
	Hoboken	304		\$46,100.00
	Jersey City	2184		\$34,700.00
	Union City	486		\$43,700.00
	West New York	391		\$34,300.00

X25

**NEW JERSEY ASSEMBLY EDUCATION COMMITTEE
HEARING DECEMBER 14, 1990 T.C. BRENNAN**

SPECIAL NEED DISTRICTS

COUNTY	DISTRICT	No. of Full Time Teachers	Professional/Student Ratio	Median Salary
Mercer	Trenton	962		\$30,300.00
Middlesex	New Burnswick	302		\$42,300.00
	Perth Amboy	429		\$39,500.00
Monmouth	Asbury Park	220	8.7	\$35,500.00
	Keansburg Borough	120	12.3	\$30,700.00
	Long Branch	356	8.8	\$30,100.00
	Neptune Township	283	10.2	\$37,300.00
Passaic	Passaic City	551		\$45,300.00
	Paterson	1840		\$34,900.00
Union	Elizabeth	1098		\$28,300.00
	Plainfield	463		\$32,700.00
Warren	Phillipsburg	208		\$31,100.00

X/S

Testimony Before the
Assembly Education Committee

On Legislation to Amend the QE Act of 1990

Dr. Eileen J. Smith-Stevens
Superintendent of Schools
Rumson, New Jersey

December 14, 1990

I am here today to appeal to your good will, intellect and common sense.

Gentlemen, first I want to thank you for the courtesy extended by your committee in conducting these hearings. I appreciate the opportunity to present input on the deleterious effects of the Education Act and the absolute need for amendments. Along with my primary affiliation with the Rumson School District, I am a leader of a group called BOSTON/TEA 1990, the acronym stands for Boards of Schools Together Organized and Negotiating The Education Act of 1990, I am a member of N.J.A.S.A.'s QEA Task Force and an active participant in the "Suburban 25". I cite these affiliations to indicate the level of commitment in my time and energy to the improvement of the QEA.

Like you and the framers of the QEA, I strongly advocate a New Jersey of the future which will realize the dream of schools of excellence for all children without sacrificing one iota of equity. An interesting debate for another time and place would be: How can schools, which are a reflection of society, achieve what the society can not? I would submit that the QEA has done nothing to achieve true educational reform, rather it has focused the attention and energies of a disproportionate number of New Jerseyans on the wrong and narrow issue of funding. Granted, everyone cares most about

52X

what hits them in the pocketbook; and granted the decision of Abbott versus Burke stated "that such funding (in poorer urban districts) cannot be allowed to depend on the ability of local school districts to tax." (Abbott, p. 4), but if the aim was to achieve property tax relief then let's not be hypocritical about promoting quality education.

Let us suppose that in the best of all world's perspective of the authors and a dwindling number of supporters of QEA, we were to re-fund eduction in New Jersey according to this formula, what, then? Would the Governor and the Legislature walk away and congratulate yourselves on saving the urban youth and protecting the future of New Jersey? Have we learned nothing from the Great Society?

In 1974 Edward C. Bransfiled, the Harvard urban affairs expert, contended that class-cultural factors largely account for the conspicuous difference between the urban and suburban school. The implication of this is one that reformers find difficult to accept - "to wit, that no matter how able dedicated and hardworking the teachers, no matter how ample the facilities of the school or how well designed the curriculum, no matter how free the atmosphere of the school from racial or other prejudice, the performance of pupils at the lower end of the class-cultural scale will always fall short not only of that of pupils at the upper end of the scale, but also of what is necessary to make them educated workers." (The Unheavenly City Revisited, E.C. Bransfield, p. 159)

In the same research, Bransfield cites the data from an Evaluation of Compensatory Education: A Case Study published in 1972 in which the Cleveland School in Central Newark is used as an example. The Victoria Foundation contributed one million dollars more to the school's regular

budget funding a wide variety of student instruction and support programs. After six years, an evaluation revealed that "the children were doing little if any better than before." (*ibid*, p. 160)

Does this mean we should advocate for the QEA or even less than it offers to New Jersey's children, no, emphatically we should advocate for more. Your intent to entertain testimony on the seven pension and social security based bills posted is certainly appreciated as symbolic of your openness to the need for change. If you fix the pension and social security payments so that we can reach equity without educational bankruptcy, will we go away? Probably not. But you will have cleared the playing field of the bodies from the first half of the game, enabling us to work together on much greater issues.

You will entertain testimony today that will specifically point out the flaws of the Act from each person's perspective. Since I am first of all an educator, I can not hope to address the Act or the proposed amendments as an economist, lawyer, or legislator. But what does one educator hope for from the lawmakers of the State of New Jersey? I hope you would:

1. Define "World Class Education" first and then fund it.
2. Tie the additional funding for the districts in need to grants for action research.
3. Do not fund suburban solutions for urban problems.

We seem to think that the schooling that produces educated suburban youngsters when superimposed on an urban setting will somehow

magically produce well fed children from safe homes in drug and crime free neighborhoods who love to come to school because they are successful, competitive and deeply involved with learning. Research abounds to the contrary. Societal problems impact our schools and it is flattering, and yet failure bound, to think that you assume schools alone can solve society's problems.

4. Maintain the QEA formula for 1991-1992 and mandate Commissioner John Ellis to plan and propose sweeping institutional reform of education in New Jersey to go into effect in 1993 with an equitable funding formula.
5. Embrace every child in New Jersey. The present formula which disenfranchises 15% of the children of the state is reverse discrimination and potentially severs the relationship and responsibility of 146 school districts from the state.

There are several ways in which the burden for the cost of the TPAF and Social Security payments could become a shared fiscal responsibility without jeopardizing the future of any school district. Let me conclude with a scenario from my own school district - and I know the inclination is to discount the Rumsons of New Jersey because you assume that our children are driven to and from school by limousine, that we serve lobster thermidor for lunch and that our textbooks are etched in gold leaf. Gentleman, Jon Bon Jovi, Bruce Springsteen and the President of AT&T do not send their children to the Rumson School District, we educate the children of policemen, teachers, electricians, and out of work stockbrokers. Should we tell the future fibre of our country that the Governor and Legislature of 1990 don't care about their future - a future, which under the QEA's shifting of the payment

of pensions and social security to the taxpayers, will cost the Rumson taxpayers an additional million dollars by 1995-96. Let me tell you what a child entering the Rumson school system in 1995 can look forward to without raising any budget at all from 1989-1990 standard of spending, without recognizing that health care costs, salaries, and energy costs alone will have to increase, I will have to recommend the elimination of every non-mandated program: library, art, music, computers, industrial arts, home economics, extended day kindergarten and 1/2 of the staff. Why keep up the pretense of a school when all of our students will have exercised their option to attend private or parochial schools by the late '90s.

Is this the legacy that you as legislators want to leave the children of this State. Do you want to be responsible for and be held accountable for the destruction of the suburban schools in the state of New Jersey.

If you pursue the present course, you may have the dubious distinction of destroying quality education in our suburban schools without significantly altering the current state of the urban schools. As men and women of good will, I'm sure that is not a legacy that any of us wishes to leave.

QUALITY EDUCATION ACT
PENSION AND SOCIAL SECURITY

Testimony

Jamie P. Savedoff, Ph.D.
Superintendent

Colts Neck Township Schools
Colts Neck, New Jersey

Thank you for the opportunity to speak to you today regarding the impact of the Quality Education Act on suburban districts and more specifically on the Colts Neck Township Schools. My name is Jamie Savedoff and I have worked as a teacher in the New York City Public Schools; an administrative intern in the inner city of Seattle, Washington; as an administrator in rural communities in both Alaska and Michigan; and as an administrator in the Upper Freehold Regional, Englewood Cliffs and currently Colts Neck Township Schools in New Jersey.

The Quality Education Act seeks to address the inequities found in our public schools and meet the mandates of the Supreme Court Decision in Abbott v. Burke. I am not here today to debate the merits of the legislation that was enacted as it pertains to improving the quality of education across our State. All children, and I emphasize all, should be provided with a quality education and have the educational opportunities that will lead to successful academic, social and personal development. Their education should set the stage for a productive, meaningful and successful life. My concern with

the Quality Education Act as it is now enacted is the effect that it will have on the so called "wealthiest" districts in the State. There is something fundamentally wrong with an education act that can be characterized as having "winners and losers", terms that have been used by legislators, government and education officials when speaking about the "Act". I believe that many of the assumptions underlying the "Act" have not been fully explored or explained and that the students who reside in these so called "wealthy" districts will be the ones who ultimately are the "losers" in this process.

The school board members, superintendents, teaching staff and community members of the so called "wealthy" districts have been accused of prematurely acting like "Chicken Little" with exaggerated statements of doom. We have been told that we must allow the "Act" to be implemented for several years to see what its effects will be. I liken this to a patient who has a disease that can be treated in its early stages with a great chance of a successful cure being told that he/she should wait for a few years to see if the disease fully develops. By the time treatment is provided, the patient is terminal. We, who are in our communities on a daily basis, are already having to deal with the effects of the Quality Education Act and the local district's assumption of the social security and pension costs for our employees. We are seeing the formation of anti-tax groups, watchdog groups and advisory committees to discuss how school expenditures can be reduced to make up for the funds that will need to be diverted to

social security and pension payments. The question arises "if these communities are so wealthy why are they complaining about additional taxes?" Is it just merely greed? I think not. What the analysis of community wealth fails to consider is the distribution of wealth that exists in any community. Every so called "wealthy community" has a diversity of people with varying income levels. There are many retirees, senior citizens and two wage earner families who struggle each year to continue to live in their community. The current economic condition of the State is having an effect on our communities as well, reductions in force and wage freezes are being felt by our residents. Many of these people purchased their homes twenty, thirty or forty years ago when these communities were rural and the cost of owning a home was reasonable, if not cheap. Many people have moved into these communities for the school system and the promise of a good quality of life for their children. They work hard and sacrifice to continue to provide educational opportunities for their children. Senior citizens and retirees have raised their children, and have roots, in these communities. They also value the quality of the schools but struggle to afford the existing tax burden, let alone the impact of the new tax burden under the QEA. School boards will be hard pressed to continue to provide the present level of quality educational programs if they are forced to pass on the increased taxes necessary to fund pension and social security payments. In fact, the electorate will not permit it!

An urban superintendent was recently quoted in Education Week, he said, "we will use our extra \$14 million for elementary school guidance counselors, a school building addition, computer labs in all 10 schools and a reduction in the student:teacher ratio from 25-to-1 to 17-or 18-to-1. This district should be able to take off like a rocket", he said.

These are excellent goals and I hope he and his district meet those goals. He would achieve what we in suburban school districts are also striving to achieve. However, under the present structure of the QEA and the diversion of educational funds to social security and pension payments we will be unable to provide those kinds of services and opportunities for our children.

It is for this reason that I earlier emphasized the term all children. We must improve education in this State for all children, but we must achieve this in a manner that does not disenfranchise students in 150 - 200 school districts. We are not prematurely portending doom, we are dealing with significant community concerns at this very moment and you can be assured of a high number of budget defeats if school boards do not greatly reduce expenditures to make up for the local assumption of pension and social security costs. Given the structure of school budgets, significant reductions can only be made in staffing, which then translates to significant curtailment of program. Successful programs and educational opportunities in the arts,

computer science, health and substance abuse, guidance counseling, student body activities, foreign language, humanities and team teaching for students with special needs, a program that is being advocated under the new pilot special education regulations, will be sacrificed. Many of these programs have been implemented in my school district. We have a computer lab in each school, a guidance counselor K-8, and programs to meet the individual needs of our students, such as, alternative hands-on science, humanities, an interdisciplinary approach to curriculum, literature-based reading, cross-graded math and science programs and class sizes that meet the individual needs of our students. It is these programs that will have to be curtailed and/or eliminated and it is the students whom I serve who will no longer receive the benefit of these programs and teaching strategies. Many of the programs in the communities who will be hardest hit by the QEA have provided model programs that have been shared willingly with urban, suburban and rural school districts alike. The success experienced in these school districts should be replicated not eliminated.

The reinstatement of State paid pension and social security will benefit all school districts and all children. Even though the thirty special needs and non-transition aid districts will be funded initially for the full pension and social security costs, there will eventually be a discrepancy between the amount of aid received and the district's pension and social security liability. If aid to fund educational programs increases at the

three year average of the p.c.i. and pensions continue to increase at the current 9.5% to 11%, educational aid will need to diverted to cover the discrepancy between the growth of pension costs and the growth of the per capita income. Therefore, State assumption of pension and social security payments will provide an additional opportunity for improved education in the thirty special needs and non-transition aided districts as well as insuring continued opportunities and excellence in the transition aid districts.

I do not envy the task that the legislature now faces. However, I have learned from experience that when you make a mistake it is always better in the long run to correct that mistake at the earliest possible opportunity and move in a different and better direction. I urge you to find a way to improve education State-wide that will provide educational opportunities for all children, but don't do it by eliminating the already successful and high quality education that is offered in so many of our school districts. Let us work to develop a Quality Education Act that is not characterized as having "winners and losers" but only "winners."

Thank you.



New Jersey School Boards Association

Headquarters: 413 West State Street, P.O. Box 909, Trenton, New Jersey 08605
Telephone (609) 695-7600 FAX: 609-695-0413

December 12, 1990

To Whom It May Concern:

Resolution No. 6 from the Allendale Board of Education was overwhelmingly approved with an amendment by the delegates at the Semiannual Delegate Assembly on December 8, 1990. The resolution called upon the New Jersey School Boards Association to seek legislation to modify the current statutorily defined structure of the boards of trustees of the Public Employee Retirement System, the Teachers' Pension and Annuity Fund, and the State Health Benefits Plan.

The resolution was approved with the following amended resolved clauses:

1. that the NJSBA seek legislation to provide at least three employer representatives on the board of trustees of the Public Employee Retirement System, with at least one employer representative from a local school district.
2. that NJSBA seek legislation to provide that the Teachers' Pension and Annuity Fund Board of Trustees include at least three employer representatives from local school districts and that school representatives include representation from all districts including transition and foundation aid districts.
3. that NJSBA establish a factfinding committee, composed of school board members, business administrators and superintendents, to study and publicize the pension systems' procedures, actual and projected costs, to identify effective management controls and means for cost containment, and to examine and, if indicated, recommend new approaches to providing fiscally sound pension plans for school employees. This committee shall include representation from all districts including transition and foundation aid districts.
4. that NJSBA request that the Legislature establish a committee composed of pension experts, public employers, including boards of education and members of the public to study New Jersey's existing public employee pension system and to report to the Legislature and to the public its findings and its recommendations for cost-effective and efficient means of managing a fiscally sound pension system.

Sincerely,

Patricia M. Bates

Patricia M. Bates
Office Manager

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Allendale Board of Education

Brookside Avenue
Allendale, N.J. 07401
Phone 825-6535-6

WHEREAS, the Quality Education Act holds Boards of Education, to a varying degree, responsible for the payment of teachers' pensions, FICA costs and health benefit costs for retired teachers; and

WHEREAS, the Division of Pensions administers the laws governing employee benefits plans subject to the rules, regulations and decisions of the respective boards of trustees of these systems; and

WHEREAS, the respective boards of trustees and Commissioners make rules, regulations and decisions that impact monetarily on Boards of Education, i.e., employer may not provide incentives for non-enrollment in State Health Benefits Plan; and

WHEREAS, ^{boards of} the boards of trustees of the various agencies and funds affecting teachers' pensions consist of employee representatives, persons appointed by the Governor, and the State Treasurer, but no employer representatives;

i.e., Public Employee Retirement System (PERS) Board of Trustees consists of 6 employee representatives, 2 persons appointed by the Governor and the State Treasurer; Teachers Pension & Annuity Fund (TPAF) Board of Trustees consists of 3 employee representatives, 2 persons appointed by the Governor, 1 person appointed by other members and the State Treasurer; State Health Benefits Program Commission consists of the Commissioner of the Department of Insurance, the Commissioner of Personnel and the State Treasurer (Chairperson); and

WHEREAS, the teacher pension costs account for a majority of all pension costs administered by the Division of Pensions; and

WHEREAS, the funds diverted from the children to pay these overwhelming costs will severely level down the delivery of education in these districts; now, therefore, be it

RESOLVED, NJSBA shall appoint a fact-finding committee consisting of members of the affected districts across the state to study the identified pension costs and projected pension costs on education; and

RESOLVED, NJSBA shall seek legislation to provide employer representation on the Boards of Trustees and commissions who make the rules, regulations and decisions by which the Division of Pensions administers and employee benefits from the affected Boards of Education, directly proportionate to the percentage of those funds directed to the Teachers Pension costs, the Teacher FICA costs and the State Health Benefit costs for retired teachers.

Adopted at a regular meeting
of the Allendale Board of Education
on September 17, 1990.

Edward J. Deptula
Board Secretary/School Business Administrator

New Jersey

General Characteristics

The Teachers' Pension and Annuity Fund of New Jersey (TPAF-NJ) is predominantly a teachers' retirement plan established in 1896. TPAF-NJ covers 110,000 active vested and non-vested plan members of whom nearly all are teachers. Other plan participants include 11,000 inactive members and 28,100 retirees and beneficiaries. TPAF-NJ, which is the oldest state teachers' retirement system, is 1 of 5 major New Jersey systems.

There is no formally established pension commission. Legislative oversight is conducted primarily on an ad hoc basis, but especially by the Government and Civil Service, Pensions and Veterans' Affairs Committee.

TPAF-NJ has received notice from IRS that the plan is an automatically qualified plan, without any application required. This IRS qualification means that income earned by TPAF-NJ is not subject to federal income taxation.

There are no explicit statutory or constitutional provisions that contractual or property rights are conferred on pension benefits, or that those benefits cannot be diminished or impaired.

Recent changes in the plan include: (1972) benefit formula was changed; (1979) contribution rates were changed; (1983) governor appointed task force to study the pension system; (1985) complete divestiture of investments in South Africa, COLA formula was changed, employer pickup considered.

Administrative Structure and Operations

The Board of Trustees consists of seven members: the state treasurer or deputy treasurer, two public members appointed by the governor, three members elected by the active members of the plan at a delegate convention (and effectively controlled by the New Jersey Education Association), and one member chosen by the others excluding the treasurer. The board meets monthly and has full policy-making authority except for investments; most decisions deal with administration of the benefits program. From 1982 to 1985, the board chairperson served as chair of the NJEA retirement committee and a member of the investment council. Board members are not paid a stipend.

A 10-person State Investment Council (SIC) formulates investment policy and procedures to be followed by the Director of the Division of Investment. The SIC nominates candidates for that position, with final selection made by the state treasurer. The director prepares a monthly transaction report which is provided to the legislature, state officials and the public. Half of SIC is appointed by the governor; 3 members must be experts in investment and finance. The other five members are appointed by the five state-wide pension systems. The meetings of the SIC are open to the public under the state's "sunshine" law which requires that public business be conducted openly. Reports from the division of investment are available to the public under the state's freedom of information act, as is the formal statement of investment policy from the SIC.

The senior staff of TPAF-NJ is headed by an appointed executive director who manages the daily operations of the plan. On a consultant basis on behalf of TPAF-NJ, an actuary, an independent CPA, two investment advisors, and an investment performance evaluation service to monitor investment activities are employed by the division of investment. Medical advisors are also hired on a consultant basis.

Fiduciary responsibilities have been established for the council and governmental officials relating to TPAF-NJ. SIC members may not profit from their services on the council. Strong conflict-of-interest laws plus prohibitions against profiting from TPAF-NJ investments apply to the division of investment and employees of the board; the director of investment is bonded. Any falsification of TPAF-NJ records for purposes of fraud is punishable as a misdemeanor.

Financing

TPAF-NJ is a contributory system with members contributing between 5% to 9% of their salaries depending upon their age at the time of enrollment. Employer contributions are 15% of payroll. In 1984 contributions were \$431.6 million and \$235.3 million was paid out in benefits. The interest rate paid on members' contributions is 6.5%. Annual accounting audits of the division of investment are performed by an independent CPA and the state auditor.

Investments are guided by the prudent man rule and the following restrictions: investments in common stock are not to exceed 25% of all investment funds, mortgages generally must be guaranteed by the federal government, and complete divestiture of South Africa investments. In 1983, corporate

stocks and bonds were 65% and U.S. government securities were 15% of all investments, 8% was held in cash or cash equivalents, and 12% in mortgages.

TPAF-NJ assets have demonstrated strong growth since 1979 when they totaled \$2.49 billion. In 1981, assets rose to \$2.8 billion, to \$3.8 billion in 1983, and to \$6.9 billion in 1985. In 1983, the rate of return was 7.3%.

Funding

The funding policy is set by statute and is based on actuarial recommendations. Actuarial valuations are conducted annually. TPAF-NJ has chosen to pay off its unfunded liability (or pension "debt" not covered by assets) over a 40-year period. Major economic assumptions used to pay off the unfunded liability of \$3.53 billion include a 6.5% assumption rate of the pension debt. The funded ratio (or proportion of plan assets to total plan obligations) is 77.9%.

Membership

Qualifying for membership begins upon employment.

Membership is mandatory for full-time and part-time certificated employees and state department of education personnel.

Voluntary membership is not offered.

Ineligible for membership are all full-time and part-time non-certificated school personnel and substitute teachers, all employees of public institutions of higher education, and state and local education association personnel. Also ineligible are all private school employees and all state and local employees including judges, legislators, and public safety employees.

Service Credit

Vesting for retirement benefits occurs after 10 years of eligible service at the age of 60. Members cannot purchase credits for years of out-of-state employment for vesting. Vesting for disability retirement benefits occurs after 10 years of service. Intrastate portability is permitted.

For employees who previously terminated covered employment, withdrew their contributions, and subsequently rejoin TPAF-NJ, repurchase of withdrawn service credit requires a lump sum

deposit of all withdrawn funds prior to retirement with an actuarially determined interest rate for the time period from the date withdrawn to the date redeposited.

When a member is not has not been in employment covered by TPAF-NJ, service credit may be purchased by paying both the employee and employer shares for military service preceding employment, up to a maximum of 60 months. The following situations are eligible for purchase of service credit by paying only the employee share: medical and parenting leaves up to a maximum of 24 months, maternity leave up to 3 months, and out-of-state public school employment not requiring reciprocity, up to a maximum of 120 months.

The following situations are ineligible for purchase of service credits: educational leave, military service interrupting employment, out-of-state employment requiring reciprocity and association leave.

Retirement Benefits

Normal retirement eligibility: age 60, with 10 years of credited service. Formula: final average salary of 3 highest years times years of service times 1.67%. No nonsalary forms of compensation (e.g., unused vacation leave) are included in the formula. TPAF-NJ has not set a maximum or minimum benefit.

Early retirement eligibility: age 55, with 25 years of credited service; reduction of normal formula by .25% per month for each month the member's age is under 60.

Joint and survivor options: full (100%) benefit to survivor; half (50%) benefit to survivor; lump sum payment.

Disability retirement benefits are available to permanently disabled members. Eligibility: up to age 60, with 10 years of credited service. Formula: final average salary times years of service projected to normal retirement age times 1.5%, with an adjustment made for accidental disability. Maximum limit is 90% of normal service retirement. Annual re-examination may be required. Automatic COLAs.

Other Benefits

Health benefits after retirement: health plan with optional participation, partial cost to retiree. Social Security/Medicare coverage. Dental insurance is also available.

Deferred compensation plan permits active employees to put aside additional retirement income while reducing their current federal income tax payments.

Social Security benefits: coverage provided. TPAF-NJ and Social Security benefits are not integrated.

Death benefits: 1) Pre-retirement: lump sum paid of contributions and interest; survivor option is available. 2) Post-retirement: survivor benefits will be paid if an option was selected at the time of retirement.

Life insurance program is available.

Post-Retirement Adjustments

COLAs: automatic increases of 60% of the increase in the Consumer Price Index (CPI) with a 6% cap.

Taxes: if the taxpayer is age 62 and over, private or public benefits may be excluded, up to \$7,500 for an individual and \$10,000 for a couple filing jointly.

Post-retirement employment for an employer covered by TPAF-NJ: retiree cannot be employed and still receive pension benefits.

Communications/Services

On average, one piece of information is sent to active TPAF-NJ members annually. Summary plan descriptions are available on request and are updated on a variable basis depending upon the magnitude of changes. Major plan modifications affecting active members are sent to employers for availability to members; retired members are notified via regular benefit payments.

Special brochures are published on specific topics: dental, life and health benefits, and deferred compensation. In general, the New Jersey Education Association plays a major role in providing information and counseling to members about TPAF-NJ.

An annual member account statement is provided automatically to active members; account statements are not sent to inactive members. A retiring member receives a statement of monthly benefits, life insurance, etc.

Newsletters are not provided.

No separate operations reports are published by TPAF-NJ. The division of investments publishes an investment report which is available on request.

An annual report is provided to employers both automatically and on request for availability to members, and directly to members on request. No annual summary fiscal report is provided; information about the funded ratio is available upon request.

Both pre-retirement and post-retirement counseling are available.

Strengths

1. Strong fiduciary standards.
2. Annual audits and valuations.
3. Use of prudent man rule, investment performance service, strong growth of assets, good rate of return.
4. Strong funded ratio.
5. Intrastate portability.
6. Service credit purchase permitted for out-of-state employment, and medical, maternity, and parenting leaves.
7. Liberal maximum benefit for disability retirement.
8. Health plan with partial cost to members, broad benefit package.
9. Automatic COLAs with a high ceiling.
10. Broad retirement counseling program.
11. Open meetings and records.
12. TPAF-NJ benefits are supplemental to Social Security. They are not integrated.

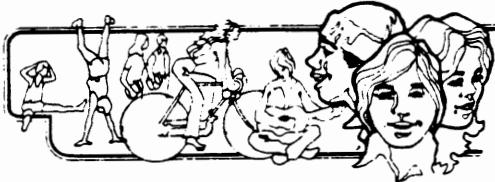
Areas for Improvement

1. Pension benefit security needs to be specifically guaranteed.

2. Actuarial studies of actual plan experience should be conducted at least every five years.
3. Substitute teachers should be eligible for voluntary membership.
4. Service credit purchase should be extended to educational leave.
5. Retirees should be represented on the board.
6. Restrictions on post-retirement employment should be liberalized to permit some part-time work.
7. Communications program needs to be expanded by TPAF-NJ rather than relying on teachers' union.
8. Falsification of records with intent to defraud should be classified as a felony.

Weaknesses

1. No pension commission and limited legislative oversight.
2. Major responsibilities are assumed by the division of investments and the New Jersey Educational Association rather than by TPAF-NJ, often due to fiscal constraints.



PISCATAWAY BOARD OF EDUCATION
ADMINISTRATION BUILDING
WILLOW AVENUE and SCOTT ST.
PISCATAWAY, N.J. 08854

Assembly Hearing on QEA Pension Resumption Bills December 14, 1990

The Piscataway K-12 public school district educates about 5500 students. Our offering is unusually broad, including a vocational component. Our high school Chemistry II team was state champion last year in the Science League competition.

Piscataway has **good ratables**, thanks in large part to the transit of interstate highway 287 thru the Township. However, it is far from a high income community, containing a mixture of blue and white collar residents. The Rutgers Busch Campus married student housing sends uncompensated children to our schools. We became a minimum aid district several years ago, under the T & E law, which necessitated reductions in force.

Piscataway was a strong supporter of the rights of children in poor districts as expressed in the **Abbott v. Burke** suit, although we anticipated losing aid in a plaintiff's victory. We were surprised and pleased to find that our relatively low income would lead to substantially increased state aid under the QEA of 1990. Our consciousness regarding **fairness in tax policy** has been permanently raised. We support both **Excellence and Equity in Education**. We find all of the state pension resumption bills fail to promote these fundamental goals. We believe that

- > These are minimum aid bills, with fig leaves.
- > Some have **perverse features**, such as subsidy for expensive housing in a time of growing homelessness and of need for low and moderate income housing.
- > These bills propose yet another shift of burden to middle income **taxpayers** from those wealthier.
- > A very large loss of total state aid to individual middle income districts such as Piscataway* would occur, thru reduction of foundation aid.
- > These bills project a large future growth of local real estate taxes by underfunding of future growth in costs.

We therefore:

- >> **Oppose** all such bills.
- >> **Request** that all public school districts and legislators in the state receive within a week a simple model calculation containing specified essential features of these bills, and indicating the approximate net change in district state aid when fully implemented.
- >> **Request** that no committee action be taken for at least three weeks after districts receive this model calculation, to allow time for consultation between Boards and legislators.



Theodore Kruse

President

* From the December 6 Summary of Certain Pension Aid Bills distributed by the Assembly Education Committee, a typical estimated FY '96 excess cost is around \$400,000,000 funded, we believe, thru reduction in foundation district aid. This represents an average subsidy to wealthier districts of \$1,000 per middle income child, if spread over 400,000 "donor" children. For Piscataway, the extra tax burden (FY '96) would then be about \$5,500,000 annually.

Madison Public School District

OFFICE OF THE SUPERINTENDENT
359 WOODLAND ROAD
MADISON, NEW JERSEY 07940



LAWRENCE S. FEINSOD, Ed. D.
SUPERINTENDENT OF SCHOOLS

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DECEMBER 14, 1990

DEAR MEMBERS OF THE ASSEMBLY EDUCATION COMMITTEE:

I WOULD LIKE TO BEGIN MY REMARKS BY THANKING THE ASSEMBLY EDUCATION COMMITTEE FOR HOLDING THESE HEARINGS IN ORDER TO PROVIDE A FORUM FOR INPUT CONCERNING STATE RESUMPTION OF TEACHERS' PENSION AND SOCIAL SECURITY COSTS AS RELATED TO THE QUALITY EDUCATION ACT OF 1990. I AM PARTICULARLY GRATEFUL SINCE THE ORIGINAL INTRODUCTION OF THIS ACT ON MAY 24, 1990, DID NOT PROVIDE FOR MUCH REACTION AND/OR DIALOGUE WITH THE EDUCATION COMMUNITY.

DIogenes, the famous Greek philosopher said, "THE FOUNDATION OF EVERY STATE IS THE EDUCATION OF ITS YOUTH." HE DIDN'T SAY, CERTAIN YOUTH, HE MEANT ALL CHILDREN!

AS ELECTED OFFICIALS, I AM SURE YOU AGREE THAT THE VERY FOUNDATION OF A HEALTHY STATE IS AN EDUCATED CITIZENRY. EDUCATED CHILDREN BECOME PRODUCTIVE, LAW-ABIDING CITIZENS. THEY INSURE THE SUCCESS OF OUR FUTURE. THE VERY FIBER OF OUR STATE AND COUNTRY DEPENDS UPON PROVIDING AN APPROPRIATE EDUCATIONAL ENVIRONMENT FOR OUR CHILDREN.

AS A SUBURBAN EDUCATOR, I STRONGLY SUPPORT THE NEED FOR OUR CITY SCHOOL DISTRICTS TO RECEIVE THE NECESSARY RESOURCES IN ORDER TO PROPERLY EDUCATE THEIR PUPILS. IMPROVED URBAN EDUCATION CAN ONLY HAVE A POSITIVE IMPACT UPON THE FUTURE OF THIS STATE AND NATION. THE PROBLEM WITH THE QEA IS, SIMPLY STATED, IT DISENFRANCHISES TENS OF THOUSANDS OF PUPILS IN NEW JERSEY'S SUBURBAN COMMUNITIES BY ELIMINATING MOST FUNDING, IN ADDITION TO SHIFTING THE COSTS OF PENSION, SOCIAL SECURITY AND RETIREE HEALTH BENEFITS FROM THE STATE TO THE LOCAL BOARDS OF EDUCATION. THE RESULTS WILL CRIPPLE A SUBSTANTIAL NUMBER OF SCHOOL DISTRICTS IN THIS STATE.

SINCE 1955, THE STATE HAS ALWAYS PAID PENSION AND SOCIAL SECURITY COSTS. I MIGHT ADD THAT THE SUPREME COURT DECISION IN ABBOTT VS. BURKE PERMITS THE STATE TO CONTINUE TO PAY THESE COSTS. MOREOVER, THE SHIFT TO THE LOCAL LEVEL OF THESE EXPENSES WILL MEAN INCREASED PROPERTY TAXES IN MANY, MANY COMMUNITIES THROUGHOUT THE STATE. INDEED, MY UNDERSTANDING OF THE QEA AS IT IS CURRENTLY WRITTEN WILL MEAN, EVEN IN THE URBAN DISTRICTS, THAT THE PENSION, SOCIAL SECURITY AND RETIREE HEALTH BENEFITS COSTS EVENTUALLY WILL OUT-PACE THE AID GIVEN TO CITY DISTRICTS AND ONCE AGAIN REQUIRE SUBSTANTIAL PROPERTY TAX INCREASES FOR THESE RESIDENTS.

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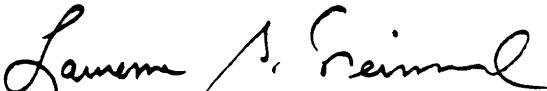
RECEIVING LITTLE OR NO AID AND ABSORBING THE ENORMOUS COSTS ASSOCIATED WITH PENSION AND SOCIAL SECURITY IN SUBURBAN DISTRICTS WILL CREATE AN EDUCATIONAL DESERT IN SCHOOL SYSTEMS THAT HAVE BEEN FERTILE PLACES IN WHICH TO LEARN.

THE QEA, IN ITS PRESENT FORM, WILL NOT PROVIDE EDUCATIONAL QUALITY FOR MANY OF OUR STATE'S CHILDREN; INSTEAD, IT WILL PROVIDE INEQUALITY. THE MADISON PUBLIC SCHOOLS WILL LOSE APPROXIMATELY 2.1 MILLION DOLLARS BY JULY 1, 1995. MOST OF THIS MONEY WILL BE THE DISTRICT'S ASSUMPTION OF SOCIAL SECURITY, PENSION AND RETIREMENT HEALTH COSTS. THE SCHOOL SYSTEM WILL ALSO LOSE APPROXIMATELY \$400,000 IN OVERALL STATE AID. TRANSLATED INTO A REAL-LIFE SCENARIO, THE MADISON SCHOOL DISTRICT WILL BE FORCED TO CUT A SUBSTANTIAL NUMBER OF TEACHING AND STAFF POSITIONS, ELIMINATE COURSE OFFERINGS AND PROGRAMS; SOME OF WHICH HAVE RECEIVED NATIONAL RECOGNITION. ADDITIONAL STEPS WILL BE TO ELIMINATE EXTRA-CURRICULAR ACTIVITIES RANGING FROM CLUBS TO ATHLETIC TEAMS, CLOSE BUILDINGS AT NIGHT FOR COMMUNITY USE, AND SUBSTANTIALLY REDUCE THE PURCHASE OF TEXTBOOKS, PAPER, AND SUPPLIES. MOREOVER, SERIOUS CONSIDERATION WOULD HAVE TO BE GIVEN TO CLOSING SCHOOLS! THESE DRACONIAN MEASURES WOULD HAVE SUCH A DRAMATIC IMPACT UPON THE LIVES OF OUR CHILDREN THAT IT PAINS ME TO THINK OF TRYING TO ADMINISTER THE SCHOOL SYSTEM UNDER SUCH CONDITIONS.

I WOULD ALSO LIKE TO STATE THAT THE CITIZENS OF MADISON HAVE ALWAYS SUPPORTED AND TAKEN GREAT PRIDE IN THEIR SCHOOLS. HOWEVER, THEY CANNOT SUSTAIN A 2.1 MILLION DOLLAR TAX INCREASE. OUR RESIDENTS, LIKE MOST OTHER CITIZENS, ARE ALREADY SHOULDERING SUBSTANTIAL TAXES IN ORDER TO SUPPORT, DIRECTLY, OR INDIRECTLY, LOCAL, COUNTY AND STATE SERVICES.

THE REALITY IS THAT KIDS WILL BE HURT, TEACHING POSITIONS WILL BE ELIMINATED, PROGRAMS WILL BE CUT, AND A MAJOR LEVELING-DOWN OF EDUCATIONAL OPPORTUNITIES WILL OCCUR. IT IS MY FERVENT HOPE THAT THE MEMBERS OF THE ASSEMBLY EDUCATION COMMITTEE WILL MOVE FORWARD AND RECOMMEND SUBSTANTIAL CHANGES IN THE QEA OF 1990...CHANGES THAT WILL MAKE ALL SCHOOL DISTRICTS AND ALL CHILDREN RECIPIENTS OF A QUALITY EDUCATIONAL PROGRAM...CHANGES THAT WILL NOT PLACE UNDUE BURDEN ON THE TAXPAYERS...CHANGES THAT SUPPORT SCHOOL DISTRICTS THAT ARE ON THE ROAD TO DEVELOPING, AS THE DEPARTMENT OF EDUCATION ESPOUSES, WORLD-CLASS SCHOOLS...CHANGES THAT RESTORE GREATLY NEEDED FUNDING AND ENSURE STATE RESUMPTION OF THE COSTS OF PENSION, SOCIAL SECURITY AND RETIREES' HEALTH BENEFITS...CHANGES THAT WILL NOT LEAD TO MASS TEACHER UNEMPLOYMENT AND SCHOOL SHUTDOWNS...CHANGES THAT WILL ENCOURAGE, NOT DISCOURAGE, SCHOOL DISTRICTS TO SEEK AND MAINTAIN EDUCATIONAL EXCELLENCE...CHANGES THAT WILL ENCOURAGE SUBURBAN PARENTS TO KEEP THEIR CHILDREN IN THE PUBLIC SCHOOLS...CHANGES THAT RECOGNIZE "THE FOUNDATION OF EVERY STATE IS THE EDUCATION OF ITS YOUTH"...ALL OF ITS YOUTH!

RESPECTFULLY SUBMITTED,



DR. LAWRENCE S. FEINSOO
Superintendent of Schools

Past President, Morris County Association of School Administrators
Past President, Board of Education, Morris-Union Jointure Commission

Middlesex — **Public Schools**

300 Kennedy Drive
Middlesex, N.J. 08846
(908) 968-2442
Fax # (908) 968-7954

RONALD E. BOLANDI
Assistant Superintendent

December 14, 1990

Legislators of the State of New Jersey
State House, West State Street
Trenton, NJ 08625

Dear Legislators:

There are a number of reasons why the Teacher Pension and Annuity Fund and FICA costs should be removed from districts' State Aid and school districts' current expense budget. If the State of New Jersey pay these costs directly to the Division of Pensions then they will protect the sanctity of the fund and alleviate educators' concerns about what will happen in future years when many districts will not have the ability, nor the State Aid, to fully fund these contributions.

All districts will have an infusion of Pension and FICA monies which will give the local tax payers a false sense of increased expenditures and revenues. The reality of school district elections are that most people do not attend public hearings and/or read the extensive literature provided to them in explanation of the budget process. When the majority of voters go to the polls the only areas that concern them are how much the budget dollar increase is from one year to another and what percentage increase that translates into.

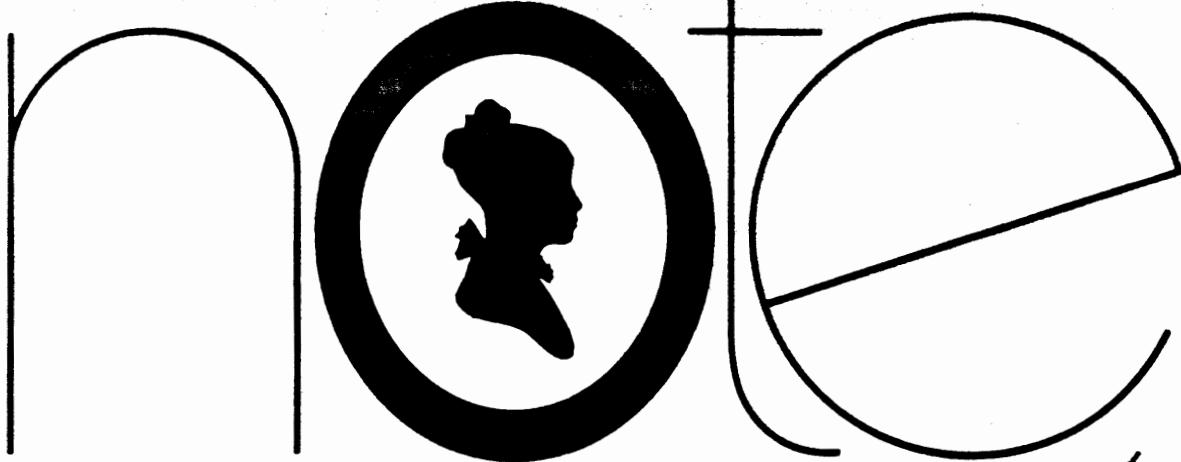
Let's look at Middlesex Borough as an example. We have been informed by the Department of Education that our pension and FICA costs will be approximately 1,700,000.00. Our budget for the 1990-91 school year is \$12,666,000.00. If our budget increases 8% and you include the pension and FICA costs, you have a 1991-92 budget of \$15,379,028.00. Bottom line dollar increase is \$2,713,280.00, and a 21% increase from 1990-91 to 1991-92. When the voters go to the polls, regardless of their tax liability, the majority will vote "No" on our budget. If you think that they will not, then your perception is not based in reality. My biggest concern is the lack of reliable data that has been released from Trenton in the last six months. One month we are told that QEA will reduce property taxes and then a few months later we are told that it might increase property taxes. Keep in mind every dollar increase in TPAF and FICA costs passed on to local Boards of Education will mean less money available for students and property tax relief, the purported essence of the Quality Education Act of 1990.

Thank you for your time and consideration.

Sincerely,

Ronald E. Bolandi
Assistant Superintendent

79X



Education Committee of the
General Assembly. 12/8/90

Please put "fairness back into
the quality education act.
The pension flight is highly
unfair and will affect
Districts like Mt. Laurel
negatively. As a teacher in
Mt. Laurel urge you to
gently push for Bills A 3743
1/S 2807 and A 37718
We depend on you to act so
78X

that districts will not have
to cut good programs and
cheat children out of what
they deserve. It is unreasonable
for the districts to assume the
cost of pensions and Soc Sec.
payments -

Sincerely -
Sletta Sandofsky
Mt. Laurel School
District -
Mt. Laurel, N.J. -

LIVINGSTON BOARD OF EDUCATION

11 FOXCROFT DRIVE

LIVINGSTON, NEW JERSEY 07039

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CHARLES AUGUST

SHEILA GOLDKLANG

RONNIE F. KONNER

DR. ROBERT S. KISH
SUPERINTENDENT

TELEPHONE
201-535-8008

December 10, 1990

Members of Assembly Education Committee
c/o Section Secretary Joanne Rafalski
Room 343 State House Annex
CN-068
Trenton, N. J. 08625

Gentlemen:

It is our understanding that the Assembly Education Committee will be conducting hearings regarding the possible transfer of pension, social security, and retirees' health benefits costs from local tax levies back to the state budget. Please be aware that the Livingston School District feels strongly that those programs are the responsibility of the state in that they were established and are administered by the state. The same is true for the payment of health benefits which was established by state law in 1988. To pass this fiscal burden on to the local property tax payers is not only unfair and illogical, but also generates a serious threat to the well-being of school districts that must rely on community approved budgets in order to continue our programs.

Abbott vs. Burke did not require the transfer of this fiscal responsibility. This facet of the Quality Education Act significantly increases school budgets and therefore increases property taxes throughout the state. Many of our districts will be forced to shift local resources from educational programs to fund the state's pension program. In that it is widely predicted that pension costs will increase more quickly than foundation aid, every school district will eventually be forced to face the same reallocation of funding. This requirement of QEA contributes nothing to the quality of education in the state of New Jersey and will eventually diminish each district's ability to maintain its current programs.

86X

Assembly Education Committee
Page 2.

Your consideration of these issues and, hopefully, your support for the reassignment of those funds to the state budget and away from local school districts is deeply appreciated and will contribute greatly to the well-being of public education in the state of New Jersey.

Sincerely,



Anthony F. Del Tufo, President
Livingston Board of Education



Robert S. Kish, Superintendent

BOARD OF EDUCATION

30 GOULD STREET
VERONA, NEW JERSEY 07044

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THOMAS J. SELLITTO, Secretary
Deputy Superintendent of Schools

December 11, 1990

Mr. David Rosen, Committee Aide
NJ Assembly Education Committee
State House Annex
CN 068
Trenton, NJ 08625

Dear Mr. Rosen:

I am writing to the Assembly Education Committee to request that the payment of pension and social security taxes be immediately transferred back to the State of New Jersey where it has always been.

The effect on our school district of having to assume these costs would be DEVASTATING to our community.

The cost of pension and social security payments will be more than 2.5 million dollars per year. This represents more than 20% of our current budget. Verona citizens could not possibly absorb this cost as they are already over-taxed.

If the state does not transfer the pension and social security payments back to the State, the following will happen to the community of Verona:

1. Local property taxes will increase by more than \$1,200.00 per home
2. Property values will fall
3. Senior citizens will be hard hit and unable to sell their homes
4. Working citizens will be double and triple taxed with increases in property taxes, state income taxes, state sales taxes, and federal taxes
5. There will be severe reductions and cutbacks in educational programs in our schools
6. There will be a serious leveling down of educational opportunity for our children
7. Many employees will be laid off, thereby, become a burden on the state unemployment system

THE COST THAT VERONA HAS TO PAY FOR THE PAYMENT OF PENSION AND SOCIAL SECURITY PAYMENTS IS TOO HIGH.

82X

New Jersey State Library

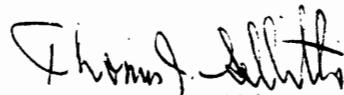
Verona is a middle class community with a fine school system. We are not a rich community. Most of our families have both parents working in order to meet present day costs. The state should not penalize these hard-working people by transferring the payment of pension and social security costs onto their backs.

Transferring of pension and social security costs to local school districts will be a financial disaster for Verona and many other communities. If we were a private company, we would have to declare BANKRUPTCY.

DO NOT LET THIS HAPPEN. RETURN THE PENSION AND SOCIAL SECURITY COSTS BACK TO THE STATE. THAT IS WHERE THEY BELONG. DO NOT DESTROY MANY FINE COMMUNITIES IN NEW JERSEY.

Thank you for your consideration.

Very truly yours,



Thomas J. Sellitto
Deputy Superintendent of Schools

TJS:jl

c: Matthew Feldman, Chairman of Senate Education Committee
Governor James Florio
Gerald Naples, Chairman of Assembly Education Committee
John Kelly, Assemblyman
Marion Crecco, Assemblywoman

PS: Mr. Rosen, I am sending you 10 copies of my letter in order that you can distribute these to the Assembly Education committee before your meeting on December 14, 1990.

83X

BOARD OF EDUCATION
THE WEST ESSEX REGIONAL SCHOOL DISTRICT
West Greenbrook Road, North Caldwell, New Jersey 07006
201-228-1200

Office of Secretary

Daniel A. Borgo
Business Administrator

December 13, 1990

Mr. David Rosen, Committee Aide
NJ Assembly Education Committee
State House Annex
CN 068
Trenton, NJ 08625

Dear Mr. Rosen:

I am writing to the Assembly Education Committee to request that the payment of pension and social security taxes be immediately transferred back to the State of New Jersey where it has always been.

The effect on our school district of having to assume these costs would be DEVASTATING to our community.

The cost of pension and social security payments will be more than 2.0 million dollars per year. This represents more than 15% of our current budget. The West Essex community could not possibly absorb this cost as they are already over-taxed.

If the State does not transfer the pension and social security payments back to the State, the following will happen to the community of West Essex Regional:

1. Local property taxes will increase by more than \$1,200.00 per home
2. Property values will fall
3. Senior citizens will be hard hit and unable to sell their homes
4. Working citizens will be double and triple taxed with increases in property taxes, state income taxes, state sales taxes, and federal taxes
5. There will be severe reductions and cutbacks in educational programs in our schools
6. There will be a serious leveling down of educational opportunity for our children
7. Many employees will be laid off, thereby, become a burden on the state unemployment system.

THE COST THAT WEST ESSEX REGIONAL HAS TO PAY FOR THE PAYMENT OF PENSION AND SOCIAL SECURITY PAYMENTS IS TOO HIGH.

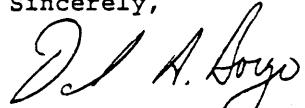
West Essex Regional School District is an upper-middle class community with a fine school system. We are not a rich community. Most of our families have both parents working in order to meet present day costs. The State should not penalize these hard-working people by transferring the payment of pension and social security costs onto their backs.

Transferring of pension and social security costs to local school districts will be a financial disaster for West Essex and many other communities. If we were a private company, we would have to declare BANKRUPTCY.

DO NOT LET THIS HAPPEN. RETURN THE PENSION AND SOCIAL SECURITY COSTS BACK TO THE STATE. THAT IS WHERE THEY BELONG. DO NOT DESTROY MANY FINE COMMUNITIES IN NEW JERSEY.

Thank you for your consideration.

Sincerely,



Daniel A. Borgo, Board Secretary/
School Business Administrator

DAB*jm

c.c. Matthew Feldman, Chairman of Senate Education Committee
Governor James Florio
Gerald Naples, Chairman of Assembly Education Committee

PS: Mr. Rosen, I am sending you 10 copies of my letter in order that you can distribute these to the Assembly Education committee before your meeting on December 14, 1990.

85X

December 12, 1990

**Testimony presented to the members of
the New Jersey Education Committee**

**submitted by Dr. Gloria Bonilla-Santiago - Chairperson
Hispanic Women's Task Force of New Jersey**

Good morning. My name is Dr. Gloria Bonilla-Santiago and I am hereby presenting written testimony on behalf of the Hispanic Women's Task Force of New Jersey and the Hispanic Education Task Force.

I want to thank you for the opportunity to share with you our concerns about the Quality Education Act and its impact and importance for our Urban children and the entire state community.

Current demographic information indicates that by the year 2,000, one third of all pupils in American schools will be members of minority groups living in urban areas. School achievement of our urban students is a growing concern among our nation's leaders in government, academia, and industry, as they recognize the serious social and economic implications connected to deficiencies in education and skills of urban students. There is a strong correlation between educational achievement, social class, and urban populations. This relationship is based on the overrepresentation of people of color in lower working class and underclass populations, which are more likely to be locked into an ongoing cycle of poverty and social disorganization.

Increased funding is certainly a beginning to accomplishing urban school reform, but cannot suffice without substantial effort to establish effective curriculum changes based on reliable research models. Some research suggests that diverse groups of students may accomplish more if the curriculum were focused on central ideas and themes, where students develop skills within a conceptual framework, as opposed to mastering sequentially presented skills that rely on learning speed of the student. Classroom instruction can also be modified to include varied tasks and rewards, student interaction, and evaluation procedures, which are more beneficial in heterogeneous settings.

In order to address the massive problems associated with urban schools and our children, there must be an organized effort to bring about reforms in both curriculum and classroom instruction. The primary enabler for this is money. There is a marked disparity between the financial assets of urban schools

86X

and those in more affluent suburban districts.

We therefore would like to introduce testimony which provides technical amendments to the Quality Education Act of 1990, and rejects the proposed Assembly Bills 3743, A4140, A4153, A4191, A4215, and A4260. We endorsed the following constitutional arguments submitted by Marilyn J. Morheuser, attorney for plaintiff children, Abbott v. Burke.

In ruling that the State financing formula was unconstitutional as applied to poorer urban districts, the Abbott Court specified the details of a reform funding structure. A careful analysis of the Abbott decision and of the Quality Education Act of 1990 reveals that the Act fails to conform to the Court decree in four critical areas.

Technical amendments affecting the changes required by the Abbott decree are set out in the attached Appendix. Here we identify the four areas and summarize the constitutional basis for each required change.

I Assuring the achievement of parity by 1995-96

A time certain for achieving parity in spending must be incorporated into the statute. The Supreme Court did not rule that the State should try to provide or should aim at providing substantial parity of spending between poorer urban districts and affluent suburban districts. Rather the unanimous court decreed:

The State must assure that the poor urban districts' educational expenditures per pupil are substantially equivalent to those of the more affluent suburban districts, and that, in addition, their special disadvantages must be addressed. Abbott v. Burke, 119 N.J. 289, 385 (1990) (emphasis added).

As to the form and time frame for statutory change, the Court stated:

The Legislature may devise any remedy, including one that completely revamps the present system, in term of funding, organization, and management, so long as it achieves a thorough and efficient education as defined herein for poorer urban district. It may phase in that new system and phase out the old. Id. at 387.

Under the QEA (Section 25), the Legislature has assured a specific (and generous) phasing-out part of the prior funding structure by 1995-96. However, the statute does not assure a similar phasing-in of the Court-required remedy b 1995-96 or by

any time certain.

While the amended special needs weighing is designed to assure the achievements of parity. The prediction that it will provide parity is based on several assumptions, including the assumption that spending by the affluent districts, although not tightly capped, will nevertheless grow slowly. This assumption may or may not be accurate. Here it should be noted that 25 superintendents of affluent districts recently have urged an increase in the caps on local spending. The prediction of parity, therefore, is not based on fact, on real growth in affluent districts. We submit that the Court decree requires assurance of parity, and that within a time certain.

II Assuring the adequacy of funding for bilingual education and programs for at-risk students

The Court decree requires that, in addition to the provision of substantially equal spending for regular education between the poorer urban and affluent suburban districts, the special needs of the poor urban children "must be addressed," and "[t]he level of funding must also be adequate to provide for the special educational needs of these poorer urban districts and address their extreme disadvantages." Abbott, 119 N.J. at 385 (emphasis added).

A study is needed to establish the full excess costs of both bilingual education and programs for at-risk students to assure that funding provided for these programs is "adequate" as required by the Court.

III Prohibiting increased tax burdens in special needs districts and establishing certainty in the local effort required of those districts

Municipal overburden was a critical issue in the litigation of Abbott v. Burke. In the words of the N.J. Supreme Court, it was one of the bases for the conclusion that "the funding mechanism of the Act will never achieve a thorough and efficient education because it relies so heavily on a local tax base already over-taxed to exhaustion." Id at 357.

The measure of municipal overburden used by the Court is total municipal tax rate. Under the QEA, however, the total tax burden of a municipality is not taken into account. Not only does the QEA fail to consider municipal overburden, State data estimates for 1991-92 indicate that the Act actually increases the local revenues which must be raised in 21 of the 30 districts with which the Court is concerned. Indeed, State projections show 17 of the 30 districts assigned tax rates for 1991-92 which

exceed that year's property value multiplier (the statewide average school tax rate if all districts tax to the maximum assigned level)¹. This result is contrary to the Court's assumption that "the design of any new funding plan will consider the problem of municipal overburden in these poorer urban districts," (*id.* at 388) and will provide funding which is certain every year. *Id.* at 385.

It might well be preferable that the legislation directly address the concern of the Court by providing a measure of municipal overburden to determine required local effort. Consistent with our limiting recommended changes to technical amendments, however, we urge that the Legislature assure that special needs districts will never be expected to levy a school tax which exceeds the statewide average tax rate. To comply with the Abbott decree, therefore, we recommend an adaptation of the QEA formula which annually assigns the special needs tax rate either the property value multiplier of the budget year or the statewide average school tax rate of the pre-budget year, whichever is lower.

A further problem arises under Sections 83.a and 87. of the Act, which permit and mandate, respectively, expenditures at less than the maximum foundation budget level. Once again, this reliance on local tax rates for expenditure levels is directly contrary to the Court decree that "funding in poorer districts cannot depend on budgeting and taxing decisions of local school boards" (*id.* at 388), and that "[f]unding must be certain, every year." *Id.* at 385. As the unanimous Abbott Court stated unequivocally:

We hold that the Act must be amended to assure funding of education in poorer urban districts at the level of property-rich districts; that such funding cannot be allowed to depend on the ability of local school districts to tax; that such funding must be guaranteed and mandated by the State; and that the level of funding must also be adequate to provide for the special educational needs of these poorer urban districts in order to address their extreme disadvantages. *Id.* at 295.

IV Basing State aid for special needs districts on current year enrollment

Under the Abbott decision, the special needs districts must be afforded such programs as preschool classes, full-day kindergarten, and outreach programs for dropouts. See, e.g.,

¹ One factor which contributes to the assignment of increased local responsibility to special needs districts is the QEA's use of an income factor in measuring fair share. New Jersey's two school finance experts as well as Abbott plaintiffs have criticized this as inappropriate and counter-equilizing. See pp. 11-12 of Education Law Center's analysis of Abbott v. Burke and the QEA.

Abbott, N.J. 119 at 372-3. These programs will necessarily involve children not heretofore enrolled in the programs. Because State aid is based upon prior year enrollment, however, these programs must be financed during the first year totally with local revenues.

Such a requirement does not comport with the Abbott decree. In Abbott, the Court declared that:

[U]rban districts' educational funding...must be certain, every year....The funding mechanism...cannot depend on how much a poorer urban school district is willing to tax. Id. at 385-86.

Additionally, the poorer urban districts are plagued by high rates of pupil mobility. This problem, which is not found in affluent districts, is compounded by an influx of new children, including immigrant children and homeless children, throughout the school year. Again, however, because the State aid is based upon prior year enrollment, the educational needs of newly arrived children must be financed entirely with local funds for one year or longer.

Under Abbott, because of the availability of funding for programs which disadvantaged children need may not depend on either the ability or willingness of local taxpayers, the Act must be amended to provide that all State aid for special needs districts be allocated on the basis of current year enrollment.

APPENDIX

Technical Amendments to the Quality Education Act of 1990¹

I Assuring the achievement of parity by 1995-96

SUMMARY: The following amendments establish a mechanism for assuring elimination of disparities between expenditures for regular education in each of the special needs districts and the average expenditure in the wealthy suburban districts by the 1995-96 school year and thereafter. Beginning with the third year of QEA implementation, the elimination of disparity will be phased in over a three-year period, with a 30% reduction in each of the first two years and the remaining disparity eliminated in the third year and in all subsequent years. The language used in amending §11 is adapted from §§21 and 24 of the QEA.

A. Section 2

Page 2

line 18, after "expenditures" insert "for regular education"; after "in" insert "each of"

line 19, replace "those" with "the average expenditure"

B. Section 3

Page 3

line 36, insert the following definition:

"Expenditure for regular education' means the sum of the local fair share minus the local share of capital outlay and debt service expenditures; plus State foundation aid, if any, minus facilities aid; plus State transition aid, if any, minus facilities aid."

C. Section 11

Page 9

line 40, change "11." to "11.a."

line 44, delete ", including..." through "supplementary act" (page 10, line 3)

Page 10

after line 15, insert the following:

"b. On or before December 15, 1992, and on or before December 15, 1993, the Commissioner shall determine for each poorer urban district

¹ Page citations refer to the first reprint of Senate, No.2721

the disparity between its per pupil expenditure for regular education and the average expenditure in the wealthy suburban districts. The Commissioner shall adjust the special needs weighting for each poorer urban district to reduce its disparity by 30% during the 1993-94 and 1994-95 school years, respectively. On or before December 15, 1994, the Commissioner shall adjust the special needs weight for each poorer urban district to eliminate any remaining disparity between per pupil expenditures for regular education in that district and the average expenditure in wealthy suburban districts during the 1995-96 school year. On or before December 15 of each succeeding year, the Commissioner shall set the special needs weighting for each poorer urban district at a level to maintain the parity between its per pupil expenditures for regular education and the average expenditure in the wealthy suburban districts."

D. Section 84.b.

Page 55

line 43, replace "1995" with "1993 and not later than July 1 of each subsequent year,"

line 46, after "report" insert "for 1993 and 1994 the Commissioner shall indicate the extent to which the disparities between the per pupil expenditures for regular education in each poorer urban district and the average of those expenditures in the wealthy suburban districts are being eliminated and the extent to which the special disadvantages in the poorer urban districts are being addressed adequately. In this report for 1995 and subsequent years"

line 47, replace "indicate whether" with "certify that"

line 48, after "in" insert "each"; replace "districts" with "district"; after "to" insert "the average of"

Page 56

line 1, replace "whether" with "that"

line 3, after "that" insert ", by July 1, 1995,"

line 4, replace "has" with "will"; replace "been" with "be"

line 5, replace "are" with "will"; replace "being" with "be"

II Assuring the adequacy of funding for bilingual education and programs for at-risk students

SUMMARY: These amendments require the Commissioner to study the costs of providing bilingual education and programs for at-risk students and to propose appropriate weightings. The amendments establish a mechanism by which the proposed weightings can be enacted into law.

A. Section 12

Page 10

line 27, after "1.59." insert "The Commissioner also shall undertake, in conjunction with superintendents of urban districts and appropriate program specialists, a study of the cost of providing bilingual education and programs for at-risk students and shall propose, based upon the results of that study, weights for these programs based upon the average cost of providing the programs."

line 31, after "programs" insert "and the weights for bilingual education and programs for at-risk students"

line 42, after "programs" insert "and the weights of .18 for bilingual education and of .18, .20, and .24 for programs for at-risk students."

line 47, after "programs" insert "and any revision in the weights of bilingual education and programs for at-risk students"

III Prohibiting increased tax burdens in special needs districts and establishing certainty in the local effort required of those districts

SUMMARY: Beginning with the second year of QEA implementation, this amendment establishes a uniform method for determining special needs districts' fair share and tax rate. The tax rate for all special needs districts shall be either the property value multiplier of the budget year or the state average school tax rate of the pre-budget year, whichever is lower. Each district's fair share shall be the product of the district's total property value and the appropriate tax rate.

A. Section 7

Page 7

line 49, after "section)" insert "a. For all districts in the 1991-92 school year and for all districts other than special needs districts in subsequent years,; replace "Each" with "each"

line 13, after "supplementary act," insert the following:

"b. For the 1992-93 school year and for all subsequent years, each special needs district's local fair share shall be calculated as follows:

$$FS = V \times VM$$

or

$$FS = V \times ATR, \text{ whichever is lower,}$$

where

ATR is the statewide average school property tax rate of the pre-budget year."

B. Section 83

line 19-25, delete

line 26, delete "b." and insert "83. (New section)"

IV Basing State aid for special needs districts on current year enrollment data

SUMMARY: Under the following amendments, State aid will no longer be allocated to the special needs districts on the basis of prior year enrollment data. Rather, it will be allocated on the basis of current year enrollment data. Pursuant to Section 34.a., however, State aid for children enrolled in State facilities continues to be distributed on the basis of prior year enrollment.

A. Section 3

line 22, after "enrollment" insert "in other than special needs districts"

line 28, after "school district." insert "In special needs districts, before October 20 of the current budget year, the term means the projected number of pupils who on the last school day prior to October 16 of the current budget year will be residents of the district and enrolled in: (1) the public schools of the district, except as a post-graduate or evening school pupil; (2) another school district to which the district of residence pays tuition; (3) a county vocational school district; or (4) a county special services school district. The districts shall determine the projected

F-18610

number of pupils based on criteria and pursuant to a timetable established by the State Board of Education. In special needs districts, after October 20 of the current budget year, the term means the number of pupils who on the last school day prior to October 16 of the current budget year are residents of the district and are enrolled in : (1) the public schools of the district, except as a post-graduate or evening school pupil; (2) another school district to which the district of residence pays tuition; (3) a county vocational school district; or (4) a county special services school district. After October 20 of the current budget year, the Commissioner shall make any necessary adjustments in State aid amounts payable on the basis of actual enrollment."

line 40, insert the following definition:

"Current budget year" means the school year in which the school budget will be implemented."

Page 4

line 22, after "enrollment" insert "in other than special needs districts"

line 29, after "instruction." insert "In special needs districts, before October 20 of the current budget year, the term means the projected number of pupils who on the last school day prior to October 16 of the current budget year will be residents of the district and enrolled in: (1) the public schools of the district, including evening schools; (2) another school district, State college demonstration school or private school to which the district of residence pays tuition; (3) a county vocational school district; (4) a county special services school district; or (5) are receiving home instruction. The districts shall determine the projected number of pupils based on criteria and pursuant to a timetable established by the State Board of Education. In special needs districts, after October 20 of the current budget year, the term means the number of pupils who on the last school day prior to October 16 of the current budget year are residents of the district and are enrolled in : (1) the public schools of the district, including evening schools; (2) another school district, State college demonstration school or private school to which the district of residence pays tuition; (3) a county vocational school district; (4) a county special services school district; or (5) are receiving home instruction. After October 20 of the current budget year, the Commissioner shall make any necessary adjustments in State aid amounts payable on the basis of actual enrollment. In special needs districts, "resident enrollment means the number of pupils who on the last school day prior to October 16 of the prebudget year are residents of the district and are enrolled in a State facility."

B. Section 14

Page 12

line 7, after "pupils", insert "in other than special needs districts"

line 10, after "year" insert "; 0.18 based on the number of pupils in special
needs districts actually receiving such instruction in the current school
year"

line 13, after "determined" insert "in other than special needs districts"

line 15, after "0.0025." insert "The number of special education aid units for
home instruction shall be determined in special needs districts by
multiplying the number of hours of instruction actually provided in the
current school year by 0.0025."

Total 1989 Municipal Tax rates for Special Needs Districts

		Total tax rate *	%state average
Camden		4.25	249
East Orange		4.17	244
Orange		3.40	199
Asbury Park		3.34	195
Irvington		3.20	187
Bridgeton		3.09	181
Passaic City		2.87	168
West New York		2.85	167
Paterson		2.84	166
Trenton		2.83	166
Millville		2.78	163
Pleasantville		2.74	160
Newark		2.73	160
Union City		2.64	154
Jersey City		2.50	146
Vineland		2.47	144
Gloucester City		2.46	144
Plainfield		2.32	136
New Brunswick		2.30	135
Phillipsburg		2.11	123
Long Branch		2.07	121
Elizabeth		2.02	118
Keansburg		2.02	118
Harrison(H)		1.98	116
Perth Amboy		1.94	113
Hoboken		1.93	113
Neptune Twp		1.84	108
Pemberton Twp		1.74	102
Garfield		1.63	95

* These equal school + municipal + county tax rates.
 Total tax rate which very high = municipal overburden.

Wealthy Districts scheduled for no foundation aid for 1991-92

		1989-90 *total mun tax rate	% of state average
Rockleigh		0.35	20
Alpine		0.54	32
Saddle River		0.60	35
Mantoloking		0.64	37
Harding		0.66	39
Deal		0.68	40
Cape May Point		0.72	42
Englewood Cliffs		0.72	42
East Rutherford		0.76	44
Stone Harbor		0.77	45
Long Beach Ild		0.82	48
Longport		0.85	50
Avalon		0.86	50
Bedminster		0.86	50
Carlstadt		0.89	52
Franklin Lakes		0.91	53
Lavallette		0.91	53
Peapack-Glad		0.91	53
Bay Head		0.91	53
Sea Girt		0.92	54
Spring Lake		0.92	54
Interlaken		0.96	56
Teterboro		1.01	59
Florham Pk		1.03	60
Allenhurst		1.03	60

* Total Tax rates = municipal + county + school tax rates

98X

Edgewater		1.04	61
Beach Haven		1.04	61
Far Hills		1.06	62
Saddle Brook		1.07	63
Boonton Twp		1.12	66
Old Tappan		1.12	66
Warren		1.13	66
Berkeley		1.13	66
East Hanover		1.15	67
Paramus		1.16	68
Mahwah		1.16	68
Little Falls		1.16	68
Ho-Ho-Kus		1.16	68
<u>Watchung</u>		1.17	68
Fort Lee		1.17	68
Norwood		1.17	68
Hanover Twp		1.20	70
<u>Upper Sad Riv</u>		1.20	70
<u>Bernardsville</u>		1.20	70
Colts Neck		1.21	71
Rocky Hill		1.22	71
Montvale		1.22	71
<u>Woodcliff Lake</u>		1.23	72
Sea Isle		1.23	72
Point Pl Beach		1.25	73
<u>Essex Fells</u>		1.25	73
Moonachie		1.26	74
Brielle		1.26	74
Cape May City		1.26	74

<u>Monmouth Bch</u>	1.27	74
Cliffside Park	1.27	74
Elmwood Park	1.28	75
Riverdale	1.28	75
Monroe(MI)	1.29	75
Tewksbury	1.29	75
Seaside Park	1.29	75
Spring Lk Hts	1.29	75
Chathams	1.30	76
Rochelle Park	1.30	76
Union(H)	1.30	76
Totowa	1.31	77
<u>Bernards Twp</u>	1.31	77
Mendham Twp	1.32	77
Wyckoff	1.32	77
Ocean City	1.33	78
Millburn	1.34	78
<u>Mountainside</u>	1.35	79
Washington(ME)	1.37	80
Franklin(SOM)	1.38	81
<u>Roseland</u>	1.38	81
Rumson Borough	1.38	81
Pars-Troy	1.39	81
<u>Summit</u>	1.40	82
Morris	1.40	82
<u>Madison</u>	1.40	82
<u>Mendham Boro</u>	1.40	82
Haworth	1.41	82
Palisades Park	1.41	82

100X

<u>Tenafly</u>		1.41	82
Oradell		1.41	82
West Paterson		1.42	83
Maywood		1.42	83
<u>Princeton</u>		1.43	84
Allamuchy		1.44	84
Fairfield(E)		1.44	84
Wood-Ridge		1.45	85
<u>Cresskill</u>		1.45	85
Green Brook		1.45	85
Westwood Reg		1.46	85
<u>Demarest</u>		1.46	85
Margate City		1.47	86
Wildwood Crest		1.48	87
<u>Kinnelon</u>		1.48	87
<u>Cedar Grove</u>		1.50	88
Park Ridge		1.51	88
Avon		1.52	89
Hasbrook Hts		1.53	89
<u>Morris Plains</u>		1.54	90
West Cape May		1.55	91
<u>Allendale</u>		1.55	91
Clifton		1.55	91
<u>Passaic Twp</u>		1.56	91
Kenilworth		1.57	92
Brigantine City		1.58	92
Ventnor City		1.61	94
Wayne		1.61	94
<u>River Edge</u>		1.61	94

101K

Sea Bright		1.63	95
Hawthorne		1.63	95
West Wildwood		1.63	95
Hillsdale		1.64	96
Lawrence(M)		1.65	96
North Haledon		1.66	97
North Caldwell		1.66	97
Shrewsbury Boro		1.70	99
Englewood City		1.70	99
Livingston		1.70	99
New Providence		1.70	99
Little Silver		1.72	101
Secaucus		1.77	104
Springfield(U)		1.77	104
Hackensack		1.78	104
South Hack		1.79	105
Belmar		1.81	106
Verona		1.88	110
Atlantic City		1.89	111
North Wildwood		1.91	112
Highlands		1.95	114
West Orange		2.11	123

102X

Local Tax Rate Increase Required to Replace Pension & SS Aid for 1991-92
Non-Foundation Aid Districts

90 equalized value is treasury data certified as of October 1, 1990

91/92 pen/ss aid is calculated by adding 10% to 90/91 data published by the State on the District Financial Estimate sheets

hyp. tax inc. is the hypothetical local tax increase required to raise the pen/ss funds locally

proj. sch. tax is the 91/92 local school tax projected by the State in current estimates

found/pupil is the estimated local fair share + transition aid (taken from District Financial Estimate sheets) divided by projected enrollment

	90 equalized value	91/92 pen/ss	hyp. tax inc.	91/92 sch.tax	found/pupil
Rockleigh	269,359,578	11,743	0.00	.03	16,125
Allenhurst	123,004,072	4,067	0.00	.07	9,944
Mantoloking	446,159,748	13,253	0.00	.03	12,022
Interlaken	113,617,614	5,317	0.00	.11	48,170
Teterboro	216,599,804	639	0.00	.00	6,484
Cape May Point	132,029,221	5,274	0.00	.06	6,721
Deal	647,921,165	51,405	0.01	.16	14,033
Stone Harbor	961,101,811	96,176	0.01	.09	10,379
Sea Bright	226,128,369	32,620	0.01	.20	6,568
Avalon	1,541,199,118	184,354	0.01	.09	9,535
Longport	517,472,048	35,932	0.01	.10	8,687
Long Beach Ild	2,391,752,417	374,716	0.02	.13	11,091
Beach Haven	592,413,360	96,076	0.02	.23	6,998
Far Hills	164,574,435	39,374	0.02	.31	7,418
Seaside Park	478,862,798	95,080	0.02	.27	5,606
Cape May City	759,856,481	192,922	0.03	.33	6,036
Bay Head	427,286,423	138,145	0.03	.23	8,871
Carlstadt	1,660,723,297	507,773	0.03	.28	7,288
Saddle River	1,119,278,038	335,247	0.03	.23	10,587

103X

Harding	1,022,075,909	331,516	0.03	.32	12,641
Sea Isle	893,330,559	274,133	0.03	.24	9,464
<u>Roseland</u>	<u>960,112,912</u>	297,600	0.03	.40	8,792
Lavallette	665,375,522	174,857	0.03	.24	6,972
Englewood Clfs	1,485,171,634	644,932	0.04	.29	11,749
Spring Lake	804,225,693	296,917	0.04	.26	10,136
<u>Essex Fells</u>	<u>393,252,689</u>	143,423	0.04	.39	8,735
Alpine	738,636,447	291,447	0.04	.26	11,915
Peapack-Glad	524,507,146	194,014	0.04	.33	8,620
Bedminster	1,109,282,366	436,084	0.04	.43	10,058
Fairfield(E)	1,676,703,644	630,625	0.04	.57	9,708
Sea Girt	<u>540,353,447</u>	230,217	0.04	.30	6,495
Edgewater	689,269,064	353,428	0.05	.40	6,971
West Wildwood	53,778,251	28,502	0.05	.50	6,722
<u>Watchung</u>	<u>962,504,972</u>	492,737	0.05	.61	9,965
<u>Warren</u>	<u>1,803,708,674</u>	970,548	0.05	.64	9,321
Berkeley	2,460,168,472	1,241,948	0.05	.61	6,381
Wildwood Crest	765,933,847	355,571	0.05	.47	7,433
West Cape May	95,636,791	51,915	0.05	1.08	10,790
Florham Pk	1,499,558,008	799,418	0.05	.54	9,581
Oradell	946,566,956	464,556	0.05	.77	8,754
<u>Mountainside</u>	<u>873,140,345</u>	458,051	0.05	.51	8,500
Franklin Ls	2,291,055,323	1,099,608	0.05	.53	9,542
<u>Mon Beach</u>	<u>416,012,693</u>	211,796	0.05	.43	8,000
Secaucus	2,674,733,869	1,440,919	0.05	.50	9,448
Highlands	309,724,463	191,678	0.06	.89	7,574
Hanover Twp	<u>1,922,151,908</u>	1,189,123	0.06	.73	10,967
Brigantine City	1,175,342,587	731,439	0.06	.51	6,900
Ocean City	3,105,071,439	1,728,772	0.06	.39	8,365

1044

Fort Lee	4,896,016,411	2,938,260	0.06	.54	9,658
<u>Mendham Twp</u>	<u>805,894,571</u>	466,456	0.06	.68	11,985
Montvale	1,296,115,437	810,882	0.06	.65	9,752
Ventnor City	1,056,548,347	637,854	0.06	.46	6,268
<u>North Caldwell</u>	<u>745,716,395</u>	474,010	0.06	.84	8,212
Margate City	1,226,625,408	704,544	0.06	.41	9,100
East Ruth	913,484,343	580,137	0.06	.52	7,980
Moonachie	570,989,530	320,918	0.06	.39	6,399
<u>Rumson Boro</u>	<u>1,193,018,152</u>	671,565	0.06	.58	8,642
<u>Tewksbury</u>	<u>733,917,219</u>	462,666	0.06	.66	8,205
Totowa	1,213,628,045	688,684	0.06	.60	7,226
Little Falls	991,187,507	587,479	0.06	.54	6,790
Haworth	444,123,028	332,033	0.07	.84	7,622
East Hanove	1,518,307,909	1,074,191	0.07	.76	8,828
Atlantic City	7,090,855,680	5,154,207	0.07	.41	5,599
Rocky Hill	56,228,456	41,166	0.07	.65	6,075
<u>Norwood</u>	<u>618,628,033</u>	436,651	0.07	.77	8,874
Springfield(U)	1,407,734,263	1,050,412	0.07	.76	10,709
<u>Woodcliff Lake</u>	<u>929,801,166</u>	651,953	0.07	.67	9,794
River Edge	850,565,958	632,460	0.07	.83	6,947
Shrewsbury	413,468,879	284,064	0.07	.79	7,755
N. Wildwood	666,992,057	465,692	0.07	.58	8,325
North Haledon	574,067,392	387,709	0.07	.62	6,008
South Hacken	381,678,456	261,245	0.07	.57	7,613
Avon	238,116,780	165,926	0.07	.51	6,889
<u>Bernardsville</u>	<u>1,131,496,710</u>	935,531	0.08	.66	11,629
<u>Upper Sad Riv</u>	<u>1,301,567,879</u>	1,081,806	0.08	.79	10,103
West Paterson	875,839,771	736,081	0.08	.85	9,372
Berkeley Hts.	1,624,130,864	1,276,370	0.08	.88	9,825

105X

Summit	2,640,025,478	2,683,447	0.10	.70	9,894
Allamuchy	286,506,198	326,344	0.11	.97	7,713
Monroe(MI)	1,906,279,332	2,119,408	0.11	.85	7,773
Elmwood Park	1,242,490,571	1,376,151	0.11	.70	6,995
<u>Allendale</u>	<u>751,946,058</u>	<u>810,835</u>	0.11	1.06	9,720
Englewood City	2,347,908,505	2,667,460	0.11	.83	8,896
<u>Morris Plains</u>	<u>755,967,752</u>	<u>848,200</u>	0.11	.93	11,704
Lawrence	2,588,624,594	2,783,004	0.11	.93	8,743
Clifton	5,301,864,269	5,578,036	0.11	.76	6,923
Riverdale	249,804,102	298,894	0.12	.81	9,423
Tenafly	<u>1,929,441,281</u>	2,254,239	0.12	.88	8,814
Maywood	738,575,355	892,912	0.12	.79	7,474
Hillsdale	870,221,496	1,069,406	0.12	1.03	8,737
Palisades Park	1,014,019,196	1,235,175	0.12	.77	7,729
Green Brook	508,241,013	646,734	0.13	.97	11,605
Hasbrook Hts	962,811,559	1,263,409	0.13	.87	9,691
Chathams	1,936,940,097	2,456,391	0.13	.90	9,790
Cedar Grove	1,013,876,207	1,292,942	0.13	.82	8,755
<u>Madison</u>	<u>1,494,151,132</u>	1,894,150	0.13	.88	10,577
Franklin(SOM)	3,501,056,570	4,510,555	0.13	1.05	10,328
Wayne	5,306,776,376	6,674,842	0.13	.94	9,354
<u>Cresskill</u>	<u>926,040,547</u>	1,265,420	0.14	.95	9,265
Pars-Troy	4,764,919,607	6,839,847	0.14	.99	10,372
Livingston	3,251,181,579	4,764,526	0.15	1.03	10,673
Hackensack	2,878,458,174	4,259,553	0.15	.91	9,870
<u>Verona</u>	<u>1,141,302,896</u>	1,663,957	0.15	.97	9,190
<u>Park Ridge</u>	<u>838,718,049</u>	1,309,902	0.16	.93	9,778
<u>Kinnelon</u>	<u>986,764,117</u>	1,623,510	0.16	1.08	10,151
West Orange	2,930,535,493	4,943,569	0.17	1.18	10,201

Kenilworth	779,062,120	594,622	0.08	.71	7,622
Union(H)	359,470,715	303,558	0.08	.90	7,594
<u>Demarest</u>	<u>601,425,315</u>	509,894	0.08	.95	8,884
Colts Neck	942,334,696	720,973	0.08	.69	9,565
<u>Millburn</u>	<u>3,418,766,488</u>	2,611,262	0.08	.55	9,872
<u>Mendham Boro</u>	<u>602,092,877</u>	506,985	0.08	.92	10,742
Ho-Ho-Kus	566,656,860	507,508	0.09	.61	8,385
Washington(ME)	402,002,326	346,223	0.09	.83	8,166
<u>Passaic Twp</u>	<u>721,995,693</u>	642,804	0.09	1.07	9,759
Mahwah	2,306,865,066	2,074,285	0.09	.73	9,201
Rochelle Park	568,599,666	484,468	0.09	.66	8,926
<u>Wvckoff</u>	<u>1,843,432,961</u>	1,596,971	0.09	.98	9,579
<u>Old Tappan</u>	<u>605,149,999</u>	528,957	0.09	.83	8,114
Point Pl Beach	711,598,312	660,928	0.09	.63	7,754
Little Silver	588,934,847	546,242	0.09	.94	7,782
Spring Lk Hts	444,095,615	385,107	0.09	.61	7,881
Belmar	458,599,950	434,192	0.09	.60	7,695
Hawthorne	1,328,956,556	1,245,153	0.09	.94	9,119
<u>New Providence</u>	<u>1,886,334,918</u>	1,646,854	0.09	.96	10,720
Brielle	555,970,242	485,122	0.09	.59	7,653
<u>Bernards Twp</u>	<u>2,350,379,706</u>	2,314,363	0.10	.70	9,291
Wood-Ridge	630,148,542	658,086	0.10	.80	8,242
Clark	1,223,867,715	1,207,171	0.10	.98	8,383
Princeton	2,714,287,797	2,668,607	0.10	.76	11,123
Saddle Brook	1,431,486,509	1,487,876	0.10	.69	10,739
Paramus	3,744,212,464	3,754,346	0.10	.72	10,233
Morris	4,391,670,441	4,537,957	0.10	.78	10,754
Cliffside Park	1,585,566,249	1,651,783	0.10	.71	8,335
Boonton Twp	386,506,761	367,594	0.10	.81	10,135

107X

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196

