

**Assembly Budget Committee Testimony
Commissioner Lucille E. Davy
New Jersey Department of Education
April 10, 2008**

Good afternoon Chairman Greenwald, Vice Chairman Schaer and members of the Assembly Budget Committee. Thank you for giving us the opportunity to discuss the Department of Education's budget for the next fiscal year.

The FY 2009 budget marks a turning point to help reset state finances and bring true balance to the budget without raising taxes and resorting to short-term fixes. The public's message has been crystal clear: cut government spending and cut spending on government.

The proposed budget includes \$2.7 billion in reductions to bring overall spending more than \$500 million below the current year. While the task is unpleasant, the cuts in this budget are what times demand. The Governor has made his priorities clear – education, public safety and protecting the most vulnerable.

Preserving resources for these priorities means that reductions must be found everywhere else. Each department has been cut and hundreds of programs have been eliminated or trimmed. As we evaluate each proposed reduction and how much we would like to be able to restore it, we must confront the stark reality that any restoration of funding requires a commensurate reduction in spending in another area.

With these efforts, the FY 2009 budget helps to reverse the effects of past decisions that have made present-day budgeting so painful, and move New Jersey closer to eliminating its chronic structural imbalance.

This afternoon, I would like speak about three main topics before I take your questions:

The first topic is the new school funding formula. Mister Chairman, I want to particularly commend you and thank you for your leadership in this effort. You and many of the legislators on this Committee worked hard to get this approved and are familiar with the details, but I think it is important that we re-emphasize today why this new formula will serve districts much more fairly and more equitably than CEIFA.

Second, I want to talk about the new accountability measures that the department now has in place. It is important that you all know what we are doing to ensure that state aid is being used efficiently and invested in the improvement of student academic performance.

Finally, I would like to provide a short overview of some of the department's initiatives that will help our students prepare for life and work in the 21st century.

New Funding Formula

Governor Corzine's goal in developing the new funding formula – and your goal, I know, in enacting it – was to bring greater equity and predictability to state funding while fulfilling our constitutional obligation to provide a “thorough and efficient” education for all students. The central concept around which it has been designed is that districts needing additional resources to educate children at risk should have them, regardless of their zip codes.

We all recognized that the flat-funding of CEIFA coupled with New Jersey's changing demographics over the past decade, had resulted in a state aid system that was very much out of balance.

Enrollments were shifting in many districts. Almost half of the low-income students in the state and the majority of African American and Hispanic students today live in communities other than those districts formerly known as Abbotts. Taxpayers in many communities have been burdened with a disproportionate share of the cost of their children's education through their local fair share.

The new formula has been carefully constructed to ensure that it meets constitutional standards. The per-pupil adequacy cost is adjusted for middle school, high school and vocational school students. Added weights are provided if a student is from a low-income family or if English isn't the child's first language at home. Additional resources are provided to support students who live in districts with high concentrations of poverty.

The aid calculations have been simplified by collapsing 23 aid categories into eight. And each community is also expected to contribute its fair share to support local education; state aid is apportioned after considering the individual district's ability to pay, based on the aggregate income and the property value in the district.

All districts will see an increase of at least two percent during the first year, with the majority (58 percent) receiving an increase greater than the minimum two percent. Twenty-three percent of the districts received increases of 10 percent and 22 percent received increases of 20 percent.

Total state aid for education this year, including the state's contributions to teachers' pensions and benefits is \$11.5 billion. This is an increase of \$614.1 million over FY08, and represents 35 percent of the state's budget. The total amount of formula aid for K-12 education will be about \$7.8 billion, an increase of \$514.6 million over last year.

The budget also provides \$2.3 billion in payments on behalf of districts for teachers' retirement benefits and the employers' share of Social Security payments. This is an increase of \$31.4 million over the fiscal 2008 adjusted appropriation and means that property tax-payers won't have to shoulder these costs.

The budget also includes \$600.9 million for the School Construction and Renovation Program and \$103 million in School Building Aid. This funding will service state school construction debt on new and existing bond issues and provide aid for qualifying local debt issued for school construction.

There are very positive changes for school districts in the areas of special education and the expansion of kindergarten and preschool programs. Unlike prior formulas, the new funding formula recognizes the actual statewide costs of special education and provides significant increases in the reimbursement rates for extraordinary special education costs.

In order to continue our success in preschool education, this budget acknowledges the value of investing in our youngest students by providing funding to expand preschool programs in the Abbott districts and continue the work of our Early Childhood Program Aid (ECPA) and Early Launch to Learning Initiative (ELLI) preschool programs.

New Jersey already leads the nation in the level of resources invested per student in high-quality, full-day preschool programs for three- and four-year-olds. We are now increasing preschool funding for at-risk children by \$26.9 million, bringing the projected total number of children to be served to more than 50,000. This lays the groundwork for the eventual expansion of quality preschool programs to all at-risk students in the state.

Accountability

Now that the new funding formula has provided all districts with additional aid, it is the Department's responsibility to use the accountability tools at its disposal – tools that the Legislature has given us – to ensure that the education dollars you are providing are being well spent.

These tools include:

- NJQSAC, the department's new monitoring process that requires us to evaluate every district on a rotating basis every three years.
- The provisions in the CORE legislation that grant increased powers to the executive county superintendents.
- The fiscal monitors, currently in seven districts, who are authorized under the School District Fiscal Accountability Act of 2006 to provide daily oversight of purchasing and other financial decisions.

The first year of QSAC implementation has been very successful. Approximately 150 districts have undergone the monitoring process, which is a thorough assessment of the five key school district operational areas: program and instruction, governance, operations management, financial management, and personnel.

Districts meeting 80 percent of the indicators in all five areas are deemed to be "high performing" in those areas. If a district meets between 50 and 80 percent of the indicators, the district staff must design a plan to remediate the deficiencies that have

been identified. If a district falls below 50 percent, the department may bring in other intervention strategies to address the problem.

We have received valuable feedback, as have the districts. Even many of those who did not fare as well as they had hoped in the self-evaluation have said that they felt the exercise was valuable in identifying areas that need attention. As we move forward, we expect to refine this collaborative process even further to increase its effectiveness as an accountability and school improvement tool.

We understand the challenges in this year's budget and we are working with school districts to weed out inefficiency while still maintaining high quality. As you know, New Jersey leads the nation in per-pupil spending, and state aid per pupil here is the fifth highest in the country, behind only Alaska, Hawaii, Delaware and Vermont. Those distinctions can only be justified if we know that all of our students are receiving an education that prepares them for the types of post-secondary education and careers needed for the 21st century workplace.

The CORE bill gave the new executive county superintendents unprecedented authority that will add considerably to our ability to hold districts accountable for the expenditure of tax dollars. Administrators' contracts will be scrutinized, shared services and collaborations will be promoted, and budgets will be thoroughly reviewed. The executive county superintendents are also charged with recommending and encouraging regionalization and consolidation among districts, and that analysis is already under way.

I know there are questions about the department's ability, given our current staff levels, to carry out these intensive accountability efforts statewide, along with all of the other work we do to address the many state and federal education mandates. Like most departments this year, our own operating budget is smaller than it has been in the past. We are therefore reprioritizing our work in order to concentrate on the most crucial missions and we have reorganized ourselves to work at maximum efficiency.

Program Priorities

The continuum of education from preschool through high school graduation involves concentrated effort on each of the educational levels.

Every year is important in the education of a student, and our districts must use research to design schools that are successful for the various age groups. At the state level, the department has focused on early childhood preparation for elementary schools, the needs of the middle school students, and high school redesign.

The department has been addressing literacy intensively over the last six years and considerable progress has been made. Third graders in many low-income urban districts are much better readers now than they were in the past. Just last week, the US Department of Education announced that New Jersey eighth graders had the highest scores in the country in the 2007 NAEP writing test. In the new regulations we will be

adopting under the School Funding Reform Act, we will be expanding our early literacy efforts to all districts where students are not meeting proficiency standards.

Our middle school initiatives are aimed at maintaining this early education momentum and mitigating the drop in performance that is often seen when children reach the fifth or sixth grade.

For many of them, this is the point where the work gets harder and expectations are greater. These eleven- and twelve-year-olds are undergoing all kinds of physical and emotional changes. We are providing a bridge to success between the elementary years and our increasingly rigorous high school expectations through our participation in the national Schools to Watch program.

We have launched some very ambitious plans for the redesign of our high schools. Many people have criticized American high schools as being outdated and ill-suited to address current needs. It's been frequently said that if someone fell asleep 50 years ago and woke up in the world of 2008, the only thing that would look exactly the same would be the local high school.

The 21st century global technology and information-based economy presents us with totally new challenges now and in the future. The high school model we have to create must address needs that we can't even imagine now.

Governor Corzine's Economic Growth Strategy calls for the development of a world-class workforce. The goal is to collaborate with the private sector to increase economic growth and opportunities by building on our strengths and minimizing our weaknesses. From DOE's perspective, it means that we have to ensure that students and job seekers are able to obtain the skills and education needed in a competitive global economy.

We have already shown our commitment to preparing all students for the 21st century through the revision of our Core Curriculum Content Standards, our new assessment program currently under construction, our high school redesign, participation in the American Diploma Project, and various programs in the areas of math and science and international education.

I am very proud to announce that New Jersey has been recently accepted into the Partnership for 21st Century Skills, a coalition of corporations and education organizations that are serious about giving education reform a national thrust. We can no longer operate as individual states when we are moving toward preparing our society to position itself in a global economy.

Another important component in the effort to prepare all students is our assessment program. We must be able to measure whether we are, in fact, delivering an education that contains more rigorous content and more concentration on higher level thinking skills.

This is the first year for our revised grade 5-8 tests, which will be administered in May this year instead of in March. We will also be administering an end-of-course biology test to replace the HSPA science test and we will be piloting an end-of-course Algebra II test in approximately 60 districts.

Over the next few years, the department expects to administer high school end-of-course assessments in language arts literacy, mathematics, and science. We are also working to assure a balanced and broader approach to the assessment system by including district-administered performance assessments in addition to state-administered standardized tests. A pilot project to test this is underway now.

Professional development is another crucial part of upgrading the education system to 21st century needs. We have to go beyond our current professional standards for teachers and administrators. We need to teach 21st century skills to students. Obtaining these skills is our new vision of professional development

Making substantive changes to the way we deliver education requires planning and commitment. The department is prioritizing its work to focus on how our education system is meeting the needs of all students from preschool to graduation. We will work with the districts to maintain focus on the same common goals.

In doing more with less, we will need the cooperation of the Legislature so that we can limit increased demands on our time and that of local districts so that we can concentrate on the important work that is already underway, and we are eager to work with the Legislature if any additional new mandates are to be entertained.

At this point, I would be happy to take your questions.