
Committee Meeting

of

JOINT LEGISLATIVE COMMITTEE ON PUBLIC SCHOOL FUNDING REFORM

*"The Committee will meet to organize and receive
a presentation by the Office of Legislative Services"*

LOCATION: Committee Room 4
State House Annex
Trenton, New Jersey

DATE: August 10, 2006
10:00 a.m.

MEMBERS OF JOINT COMMITTEE PRESENT:

Senator John H. Adler, Co-Chair
Assemblyman Herb Conaway Jr., Co-Chair
Senator Joseph V. Doria Jr.
Senator Gerald Cardinale
Assemblyman Brian P. Stack
Assemblyman David W. Wolfe



ALSO PRESENT:

Theodore C. Settle
*Office of Legislative Services
Committee Aide*

Jacqueline Burke
*Senate Majority
Mary Alice Messenger-Gault
Assembly Majority
Committee Aides*

Brian Alpert
Christine Shipley
*Senate Republican
Thomas Neff
Assembly Republican
Committee Aides*

***Meeting Recorded and Transcribed by
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Hearing Unit, State House Annex, PO 068, Trenton, New Jersey***

SENATOR JOHN H. ADLER (Co-Chair): Ladies and gentlemen, good morning. Welcome to the first meeting of the Joint Legislative Committee on Public School Funding Reform.

My name is John Adler. I have the privilege, along with the wonderful Assemblyman Herb Conaway, to be the Co-Chair of this very significant Committee, with a very important mandate for the children and the taxpayers of the State of New Jersey.

We are going to hold a number of hearings starting today. And I'm hoping that the people who come and attend, and the people who are looking at us later on the Web or on Cable TV, can pay attention, as we plan to pay attention, to the important issues we face in this Committee.

For those who are here today, I ask you to spend just a moment looking at your cell phones, or beeper, or other devices that might make noise, and to turn them off or turn them to vibrate mode so that Herb and I don't hear them. I'll take a minute while you all do that. (pause)

Thanks so much.

(phone rings) That's a pretty sound.

Mr. Settle, if you would be kind enough just to have a roll call and to have all the members be recorded as here.

MR. SETTLE (OLS Committee Aide): Okay.

Senator Adler.

SENATOR ADLER: Here.

MR. SETTLE: Assemblyman Conaway.

ASSEMBLYMAN CONAWAY: Here.

MR. SETTLE: Senator Doria.

SENATOR DORIA: Here.

MR. SETTLE: Senator Cardinale.

SENATOR CARDINALE: Here.

MR. SETTLE: Assemblyman Stack.

ASSEMBLYMAN STACK: Here.

MR. SETTLE: Assemblyman Wolfe.

ASSEMBLYMAN WOLFE: Here.

SENATOR ADLER: Members of the Committee, I welcome each and every one of you. I know you chose to be on this Committee, and wanted to be on this Committee, for the important work for your district and for our state. And I welcome you, and I know Herb joins me in that welcome. I'm very eager to work closely with each of you, as Herb is, to achieve great things for taxpayers and for children, for New Jersey. This is exciting -- well overdue endeavor on our part. The fact that you're willing to spend some time doing this is to your credit. It's an obligation we've owed the people of New Jersey, and we're going to make good on the obligation. I think we all know our Constitution requires us, the Legislature, and the people of New Jersey to provide a thorough and efficient education to every child. And a primary goal of this Committee will be to fulfill that promise. We will work to improve the chance that every child in New Jersey, regardless of where that child lives, receives a quality education; and work to ensure that there's a predictable school budget tax levy that we can guarantee, through meaningful spending controls on school districts. These are daunting tasks we're setting for ourselves.

It's my hope -- I think it's Herb's hope -- that we conduct a thoughtful, methodical, and open process. It's my hope, at least, after

today, I spend more time listening and learning than speaking and telling answers, at least for the first few weeks. We'll have experts come in from our state, from different perspectives on education and tax, and maybe experts around the country to tell us how it's done elsewhere. I don't think any of us believes that we have done it perfectly in this State. And the fact that we may have other states to look at for lessons, be it lessons where they have done worse, or hopefully lessons where they have done better-- And we can take from them some steps to make our system better. I think that's our goal.

We're going to have lots of public meetings. And we hope to have honest, constructive input from the public, but also from experts along the way. I'm hopeful -- in fact, Herb and I were joking about this -- I'm hopeful that, other than the members of this Committee, we don't hear that often from legislators in a public process. I'm sure that every other member of the Legislature wants this to go well and wants to be heard on behalf of his or her district. But I'm sort of -- I'm inviting the legislators not to testify in the next few weeks, so that we can actually listen to people, and then work with our fellow legislators to craft an answer to the problem. So with the greatest respect for all the other 114 members of the Legislature, I'm hoping they don't come, except to be here as witnesses in the back rather than testifying witnesses up in the front.

We're going to have a pretty tough schedule. I think at the end of this session today, we'll try to set a schedule -- future meeting dates. So I'm hopeful that after this meeting adjourns that we have some discussion about availabilities, going forward, so that we can meet Governor Corzine's expectation, the Senate President's expectation, the Speaker's expectation,

but I think more importantly, the taxpayers expectation; and the expectation of the residents of New Jersey that this year -- not next year, not with this fiscal year -- but this year, we report to the Legislature a funding formula, and whatever other measures we think are appropriate, to actually improve education and improve predictability for property taxpayers, for years to come.

We have a system that is not just flawed, but failed in so many ways. And I think our Supreme Court has been telling us for a number of years to get it right. And I'm hopeful that, at the end of this process, we've gotten it sufficiently right that we're not back in court, that we have answered the constitutional obligations to meet the needs of every child; and we've done it in a way that's eliminated some of the artificial distinction among communities and between communities that's really divided us and pitted us against other parts of our society, in a way that I think is not healthy for one New Jersey and a stronger New Jersey.

It's not an easy charge, and I understand that there'll be temptations for all of us to be rhetorical and political and partisan. But I know the people on this Committee, and I think they would represent, in some way, the best and the brightest. And while assuming that at one point or other we will all be rhetorical and political and partisan, I'm hopeful that we put aside much of those instincts most of the time, so we can actually get down to the real business of reporting something that a majority of us, or all of us, see as a better process for education funding and for cost controls, going forward, that meets the children's needs and meets the taxpayers needs.

Finally, I wanted to thank Senate President Codey for putting me on this Committee. I wanted to be on this very, very much, and he was very gracious to allow me to be a part of this process. I am truly honored to be working for kids, and for taxpayers, and for New Jersey's betterment for a generation to come.

So thank you.

ASSEMBLYMAN CONAWAY: Thank you, Senator Adler, for your comments.

For our side, we'll start with Mr. Wolfe, if you have comments for us this morning.

ASSEMBLYMAN WOLFE: Thank you, Assemblyman.

I welcome this opportunity for all of the legislators to meet and deal with this issue that's been hanging over all of us for years. I know all the members of this Committee, and I believe they have a definite commitment to seeing that things have changed. And I am not the Chairman, or the Co-Chairman, but I think it's very important that, as we go forward, the people and the State begin to expect some real change in the way that things have been occurring or will occur in terms of education.

I don't really have a prepared statement, but there are a couple of issues that I think are very, very important. Number one, I'm very impressed by what the Chairman had just said in terms of equity, in terms of fairness for all the students. Whether we're going to pay based on money going for a specific child or changing that particular formula, I think is very, very important.

I don't want to really belabor the issue of the Abbott districts, because I'm sure that's going to be a very important task that we're going to

have to look at. The fairness of how that is spent, as to whether it's a State average; or for the high-spending districts, school transportation costs, special ed, out-of-district placements, administrative costs -- I think everything, obviously, is on the table, and things we really have to look at. And I'm sure that many of the things that we do will be looked at by the Regionalization Committee. I'm sure we're going to be working with them very, very carefully, because there certainly are some inequities in the way in which the districts are formed, in the way that -- whether they're the sending or the receiving district. There's a lot of problems, I think, we have to look at very carefully.

But something that I think affects many communities, not all, is the issue of tax abatements, where certain individuals or property owners do not pay any tax. This specifically goes to the school. They pay a sum of money that goes to the municipality, but never sees the school. Those communities have kids moving into those houses, and yet none of that money goes for education. And I think that's something that the Legislature has to look at very carefully. Not so much past practice, but in terms of really what we should do.

Whatever we come up with in terms of changing the formula, having a new formula, I think there has to be some type of poison pill included in the legislation that, if it's not funded, then certain consequences will occur, either statewide or districtwide. Because we cannot continue the financial madness that we've had.

Right now, in some towns -- in Oakland, for example -- it's like almost \$8,800 to educate a child. In Asbury Park, in Monmouth County, it's \$18,000 to educate a child. They're getting the same education. The

question is, why is that happening? And we have to make sure that we are very fair in our deliberations.

And the last thing I think we have to look at in terms of equity and fairness is that everybody, every individual in the state, be required to participate and to pay something of their child's education or their grandchildren's education. We just cannot expect certain people to have that responsibility.

Again, I thank you very much, Mr. Chairmen -- Co-Chair folks -- and I look forward to listening, not so much to speak.

Thank you very much.

SENATOR ADLER: Gerry, Joe, any thoughts to share?

SENATOR DORIA: Thank you very much, Mr. Chairman.

I want to begin by thanking you and Co-Chairman Conaway for taking this task upon yourselves. And I, obviously, commend the leadership of the Governor -- who has led us in the desire to move forward in dealing with the issues of property taxes, but also in dealing with the issues of education, which are extremely important -- and the leadership of the Senate, Senator Codey; and Assembly Speaker Roberts.

Obviously, our priority here is to deal with the children of the state, to guarantee that all children in the state get a fair and equitable education, and that the resources that exist in all districts are adequate to the needs of the students. And I think that I would begin by saying that we should be talking about educational adequacy -- that there's a need to understand that what is provided is adequate and necessary for the betterment of the children of the state and all those who are within the public school system -- but all those students within the State of New

Jersey, all those children between the ages of 3 and 21. Because we cover them, especially those that need additional help because of developmental disabilities.

We need to understand that the funding formula that's been in existence is not really in existence, that it has not been funded. We need to understand that almost no funding formula in the last 20-some-odd years, that I'm aware of, gets funded more than one or two years, and then disappears. We need to put together a formula that will continue to exist, and if it does not exist, we need to, as I agree with Assemblyman Wolfe, then say that we should not be funding. We need to have a commitment to a formula and stay with that formula. And every administration should be forced to do that.

We need to understand that equity and fairness are an important part of the process, and that, in the end, we need to provide that equity and fairness not only to the children of the state, but the property taxpayers of the state; and there's a reasonable expectation on the part of all the people of this state that the cost of education is reasonable, and that the education provided is a quality education. And this should be whether it's in the poorest of communities or the wealthiest of communities. And the differentiation should not be based upon the wealth of the parents, but rather upon the wealth of the State. And we need to understand that we cannot spend, even if we are wealthy, as much as we want, but rather we need to come up with a system that creates equity across the board.

There are many issues, Mr. Chairman, Mr. Co-Chairman, that we have to deal with besides educational adequacy and the funding formula. We need to look at the governance and organization of school systems; we

need to see how those school systems operate. We need to understand how regional districts operate -- not only sending/receiving, as Assemblyman Wolfe said, but all districts -- and need to see how we reorganize those regional districts, or do they need to be reorganized, and how we fund them. Because the question of funding for regional districts, I think, is one of the reasons why we don't have more regionalization. And the question of governance in regional districts is one of the reasons why we don't have more regionalization in those areas of the state where there are smaller school districts.

We need to determine what the optimum size of a school district should be, or is there an optimum size? Should a school district be 500, 1,000? Should it be 30,000? What is the optimum size, or do we decide there is no optimum size, that what we have is what we need and that there is no one size fits all?

We need to look at some technical questions. For example, the way the property tax bill is presently structured, the school budget is actually within two budget years, which creates confusion for taxpayers at all times. And most elected officials, now in fact, do not understand that that exists. And we need to solve that problem. In 1990, we allowed municipalities to go to fiscal years, because we wanted to put everything together -- the school district and the municipality. Except -- and I have to take some blame for this, as being the Speaker in those years -- except we didn't look and see that the school districts had a split year. So the end result is that, at the present time, your budget, as you send out your third and fourth quarter tax bills, are not based upon the budget that was implemented July 1 of 2006, but rather the second half of the budget that

was implemented on July 1, 2005. So a technical issue like that needs to be looked at, and we need to understand technical issues, as well as funding issues, as well as education issues.

I'm not going to continue, because there are so many issues we need to look at. I think we're here to do three things. There's three L's in my purpose here today. We're here to listen -- to listen to the public. And I agree with Chairman Adler. We're here to listen. We're here to learn -- to learn what the public wants and feels they need, to learn what the education community feels they want, they need; and what we can provide, reasonably. And we're here, then, to lead -- to lead the way on solutions to the problems that exist within the education system; and the governance, and operation, and funding of education; as well as, then, to lead in trying to deal with property taxes. Because in most communities, the education portion of the property tax bill is always the largest portion of the property tax bill.

And the property tax bills are made of three parts: The municipal portion, the county portion, and the educational portion, in most instances. In some places, there's fire districts, but that's only in a few areas of the state. The majority are those three. We need to understand that we have to deal with education, education funding, educational adequacy; to guarantee that we can deal with the problem of property taxes.

And Mr. Chairmen, I look forward to working with the distinguished members of this Committee -- everyone of whom I know is committed to doing the job on behalf of the people of the state and the children of the state. And everyone brings unique expertise to the process.

So I thank you, Mr. Chairman, Mr. Co-Chairman, and I look forward to the opportunity over the next few months.

ASSEMBLYMAN CONAWAY: Thank you, Senator Doria.

Mr. Stack.

ASSEMBLYMAN STACK: Good morning.

Thank you, Co-Chairmen Adler and Conaway, for allowing me to make some opening remarks. It's a real privilege to serve with so many lawmakers who care so passionately about public education of our state's young people. I want to thank Speaker Roberts for giving me the opportunity to be part of this property tax reform process.

As a mayor of an urban community, Union City, in an Abbott district, I want to say from the outset that I probably have a different perspective on public education than most others. But I wanted to assure everyone that I recognize the mission here is more of a statewide nature. Our goal is to craft reforms that will help children and taxpayers across the State of New Jersey. It's incumbent upon all of us, myself included, to think and act in a manner that is less parochial and more global. I look forward to that challenge.

With that said, there are some children in the state who are left by the wayside for decades in terms of educational funding. These children are largely of minority backgrounds, and it took a series of precedent-setting court decisions to bring them educational justice. While I recognize that the current system of educational funding in this state is out of whack, I have no interest in turning back the clock to a time when minority communities were deprived of educational opportunities. That's something I wanted to make clear from the outset. I fully intend to look out for these

children's interests. In my mind, all the children of the state need to be winners when we complete our work here at this Committee.

The problem with our current funding system is it makes for winners and losers. New Jersey spends the most per pupil on education of any state in the nation. On average, it cost New Jersey an average of \$14,184 to educate each of its students in the last school year. This cost may be acceptable if the outcomes were as lofty as the price tag, but they are not. Despite the admiral efforts of New Jersey's dedicated educational community, some of our school systems continue to encounter poor student outcomes, glaring achievement gaps, and areas of funding inequities. The fact is, we don't fund education as effectively as we should. And when we do provide, it doesn't always get used as efficiently as it should.

On another hand, we've seen in Abbott districts, such as in Union City, West New York, and so many others that we probably represent -- West New York and Union City, to name a few -- when we provide the financial resources that are necessary, the results have been magnificent. We can and we must do better.

I firmly intend to commit myself to the broad objectives of this Committee. I look forward to working with all the distinguished legislators on this Committee in an attempt to craft new funding formulas and other formulas that will make our schools run even better. Additionally, I stand ready to work with any of the other Joint Committees who our respective reform missions overlap.

We have a once-in-a-lifetime opportunity to implement a fair and efficient funding system, one that can further transform urban education, while strengthening our suburban and rural schools.

Commissioner Davy reportedly has been working hard on this objective for months. I am anxious to hear her insights and recommendations. We have thousands of dedicated teachers and school administrators who know firsthand the challenges of turning tax dollars into educational gold for our children. We need to get their perspectives. And there are millions of property taxpayers who want assurances that the billions that they have annually provided for education will not be wasted. We are obligated to get their input as well.

We have lots of work to do and only a short time to get it done. We must now work together and create a set of funding formulas and reforms that put New Jersey's public schools at the front of the class.

Thank you, Co-Chairmen.

SENATOR ADLER: Thank you, Assemblyman.

Our next speaker is Senator Cardinale. We had the privilege, nine years ago, serving together on the last joint legislative committee on a real issue. At the time, it was auto insurance. Actually, it was eight years ago -- 1998. We served with, then, the speaker and, then, the Senate President, and we did some reforms which actually took hold and leveled off prices for premium payers throughout the state. I'm hopeful that the same sense of bipartisanship and camaraderie that we had in that set of hearings, that were long and difficult on what was then an explosive issue facing the State -- I hope we now can, through that same sort of process, yield good results in this very, very important issue.

Senator Cardinale.

SENATOR CARDINALE: Thank you for reminding me of that, Mr. Chairman. We certainly worked hard and we worked together.

And I think we accomplished something that the people of the state have seen work for their benefit. And I hope that the same thing happens here.

I want to thank Senator Codey and Senator Lance for the confidence that they expressed in putting me on this Committee. I'm looking forward to working with all the members of this Committee -- distinguished members. And I want to thank you for giving me some time to make an opening statement. And I'm going to try to be as brief as possible.

The task we have this Summer is to fix the system of funding our public schools, and it's been dysfunctional for decades. We're charged with doing this in 90 days. That's a formidable task. In order to accomplish this duty, we must investigate, in my mind, every possible solution, no matter how ludicrous or simplistic it may seem to be on the surface.

UNIDENTIFIED PERSON: Can you speak closer to your mike? (referring to PA microphone)

SENATOR CARDINALE: Surely.

The wire on the mike is a little short. (referring to PA microphone) Okay.

For more than 40 years, New Jersey has been grappling with the problem of high property taxes. Their effect on the quality of life for our residents and the economic vitality of the State is indisputable. In that time, we've tried several times, unsuccessfully, to moderate or lessen the increase of property tax rates, which, as we are all aware, are the highest in the nation by a large margin. The upside, if there is one, of this failed, 40-

year quest is that we are now pretty sure what does not work. Tax shifts and court-mandated funding formulas have been discredited.

It's a fundamental truth that raising one tax to supplement another does not lower the total tax burden. In fact, the total tax burden, in most cases, increases. Similarly, seven political appointees with lifetime tenure and no background in education policy cannot define a fair or reasonable school funding formula. Sadly, the preconceived notions of activist judges have brought us to this point -- the brink of bankruptcy.

We, the Legislature, who are elected by a plurality of the voters in our districts, are constitutionally charged with the duty of establishing and maintaining the public schools. Article VIII, Section 4, Paragraph 1 states: "The Legislature shall provide the maintenance and support of a thorough and efficient system of free public schools for the instruction of all children in the state between the ages of 5 and 18 years." Our constitutional mandate is clear. Unfortunately for our taxpayers, the State's system of free education has been anything but efficient.

One of the primary drivers of school costs are payroll costs. The staff-to-student ratio is critical in controlling these costs, and needs to be closely inspected. Let me be clear: I'm not suggesting that the numbers of classroom teachers are necessarily a problem. There may be too many, there may be too few. There may be other aspects of employee ratios that we need to examine. Let me tell you why I mention this. I served for six years on a local board of education in the Borough of Demarest. It was unique in that while we had expected the enrollment to go up, in fact the enrollment decreased dramatically. And so 10 years after I had been off the board, in a conversation with the local superintendent, I became aware that,

10 years later, we had 2.5 times the number of employees we had while I was on the board, and we had half the students. We had a great system of education while I was on the board, and we continued to have a great system of education later. But we had increased the ratio of total employees to total students by a measure of five times.

I don't think Demarest is unique. It may be an extreme example, but I don't think it's unique, and that's the kind of thing I would hope that we address.

We have 615 separate school districts in this state. Many of them don't even have a school. Of course, they have students, but the multiple layers of bureaucracy, duplicate superintendents, staffs, and budgets certainly increase the cost of operations. These districts must consider the option of consolidating with other districts to take advantage of the economies of scale.

Consolidation -- we talk about it an awful lot. We'd better be careful about exactly how we go about encouraging it. Because if one looks at the numbers -- and I think I saw someone quoting those numbers at one of the other meetings, one of the other committees -- the regional school districts are the most expensive per pupil districts in the State of New Jersey. I believe that regionalization can work, but it has to be done well and it has to be done carefully so that, in fact, it does provide benefits for the taxpayers while not hurting the educational opportunity for our students.

I believe that State aid to education should follow the student. There's no logical reason why the same student in a different geographical locality should receive a different amount of aid. It's a question of basic

fairness. Of course, all State aid should be carefully accounted for, and we must implement proper safeguards to ensure that State aid is spent in the classroom, not on wasteful and redundant bureaucracies or patronage. We must be very diligent in rooting out waste, inefficiency, fraud, and corruption.

Just this week, a major newspaper reported that a Camden school board secretary was paid an extra \$103,127 in overtime for over three years, some of it obtained by using falsified records. Camden, an Abbott district, which receives the vast majority of its operating budget from the State, is currently the subject of a criminal probe of its financial practices, while it continues to fail its students. We're fooling ourselves if we think abuse of this type doesn't go on in many other venues and in many other forms.

We must think of our decisions now, and reform the system of funding our public schools. To quote that great president, Harry Truman, "The buck stops here." There's a tough row to hoe. If we focus on the end result of reducing property taxes and minimizing the impact on the classroom, we will be successful. To do otherwise would be beyond the responsible, and would be an indictment of the entire legislative process.

I want to close with a quote -- a few quotes -- from an article that appeared last year, and in the *Bergen Record*, which is not my favorite newspaper, but-- (laughter) The column is by Mary Ellen Shoonmaker. And she comments about having seen a program on Public Television, "Making Schools Work." It showcased schools in urban and rural settings around the country where low-income students are succeeding. The theme of the program was *there are no excuses*. Even troubled kids and failing

students can turn their lives around. Test scores can go up and learning can take place. The strategy to success in the various districts were different. They were not all the same strategies.

However, when William Librera resigned as Education Commissioner -- that was a month before this article was written -- he resigned without fulfilling his high hopes of turning New Jersey Education around. He noted on leaving that the positive examples of achievement in poor schools have been the exception and not the rule

And there isn't a whole lot of reassurance from the front lines of some of the most troubled districts. Paterson was involved in a huge corruption scandal which forced the resignation of its superintendent. Marion Bolden, then the Newark School Superintendent, was then making \$235,000 a year. She defended her high salary to *The Star-Ledger* by citing the difficulties: "I would like someone to come in here and do the job. Given the struggle that you have in urban districts, I don't know what people expect from us anyway."

What they expect, according to Mary Ellen, is some success. With all the money going into the Abbott districts, they expect kids to learn. I share the expectation, as I know everyone on this Committee does. We need to have success for all of the kids in New Jersey. She goes on to say, to watch a program like "Making Schools Work," and see what can be done, is heartbreaking in New Jersey. Our troubled schools already have all the money they need, but the kids continue to fail. I think there is a certain circle of hell reserved for those who deny children a future.

I prepared, on the way down here -- so I don't have it to distribute, but I will -- a few things that, from just my own experience and

my own exposure to both the Legislature -- for 25, or so -- 26 years now -- and my experiences in local government, including the board of education -- some of the things I think we ought to really focus on. And I'm sure there are many more that I haven't thought of that others are going to present. But there are 14 of them; I can read them rather quickly.

I think we need to eliminate most mandates. We had a commission that was looking into that. It expired. It made some recommendations. A few of those have been implemented. But if we decide that we're going to keep a mandate, other than the basic educational mandate, I think we ought to pay for it, put it under our already existing State Mandate, State Pay program.

We ought to have school elections take place in November. Turnout is terrible any other time of the year. It's been recommended time and again, and the Governor even recommended it recently in his talk setting this up. I think we ought to finally do it.

We ought to take the negotiations process and do it on either a statewide or regional, or, at the very least, a countywide basis. It's unconscionable that individual school districts all have to pay negotiators separately. We ought to at least control that expense, and then have the very professional negotiators available to match the very professional negotiators on the other side of the table.

We ought to have some sort of control or recommendation with respect to employee-student ratios. They may have to be different where there are different needs, but they have to be similar, and they can't be as aberrant as what I described happening in Demarest.

We got to have State aid on a per pupil basis. And there ought to be, and I've heard some others say this, a basic minimum local contribution, so that no residential occupant of a home in any town escapes with no contribution to the education of their children or the children of that community.

Special ed is a big problem. We need a better issues resolution process on special ed. And where you have the exceptional student moving into a particular community, it can create an enormous burden and an enormous out-of-proportion effect on the tax rate in an individual community. I represent all small communities. And one or two special ed kids who have very special needs, while those needs need to be attended to -- we have to have some better way in imposing that cost on the taxpayers of that local district.

I think we are going to get, and we'd be getting already -- I'm inundated with it -- advice from a lot of stakeholders. Let's look at it very carefully, but very quickly understanding that the stakeholders may have a different objective than the general population.

I'd like to suggest, from my experience on the board -- what we used to do is, we'd take a look at how much money we had available and then (indiscernible) our spending into that amount of money. I think you ought to encourage boards to do their budgeting differently. I think we ought to encourage them to say, "What do we need to provide a thorough and efficient education for the children in our district?" Not necessarily an ideal of education, because ideal has no limits, but the right education for our children, to give them the right opportunity. And if we encourage budgets to be creative that way, we'll have more logic and more sense.

We used to have a member of our board who said there were three ways he could run an educational system. I want you to know he was the most far-to-the-left guy on our board, and I was probably as far to the right, which would be no surprise to you, but we agreed more than we disagreed on the individual issues that came before the board. And he would say, “You know, you can run this educational system to benefit the students, you can run it to benefit the taxpayers, or you can run it to benefit,” and he said, “the teachers.” I will change that to “the education statute.” It shouldn’t be run for any one of those. But if you’re going to have one predominant element for which you’re going to run it, it ought to be the kids.

I think board members traveling out of state is an abomination. I mentioned that in my opening statement, but-- I think we ought to establish, for board members, something like we have established to the legislators. If you want to take a trip, clear it with the educational commissioner if it’s going to be a trip that’s out of the state. And if you’re not 75 miles away from your home, don’t charge the board for an overnight stay. If you want to stay overnight, great, do it on your own time.

I think we need to get the court out of funding. I criticize the court pretty solidly in my opening statement, but they don’t belong here because they haven’t got the talent that’s necessary to really examine educational issues and say what works and doesn’t work, and whether money or other things are needed in individual schools. Obviously, they were wrong.

We need to simplify reporting. From before I became a legislator, I had been hearing we have duplication and unnecessary reporting causing a lot of expense. We've got to address that.

I sponsored a bill some years ago to encourage regionalization. It hasn't done much to encourage regionalization. But one of the big bugaboos -- we've got one more -- one of the big bugaboos in regionalization is that there's a winner and a loser. If towns get together, one is going to pay more and the other is going to pay less per pupil. We ought to do something that takes the existing regional districts and encourages regionalization in more districts, by saying everyone can do it completely and fully with no court interference on a per pupil basis, so that while there still may be winners and losers, it will be a fair winner and loser situation. And this is not going to be popular with a lot of members of the education establishment, but this is my final, Mr. Chairman.

I am struck by the fact that there are many superintendents and other administrators -- let me just not pick on superintendents -- whose remuneration is greater than the remuneration of the Governor of the State of New Jersey. The school superintendents have an important and difficult job. The Governor has an important and difficult job. Every member of his Cabinet has an important and difficult job. They should not be paid more than the Governor of the State of New Jersey. When you allow that to occur, it creates a pattern of less diligence with respect to other things. It filters up or it filters down. We ought to establish a control. I'm not a big government guy. I don't like government mandates; I don't like government control. But individual school boards are whipsawed by the process. There are a limited number of people available and they compete

for their services. We have to have some sort of control. And it certainly has to be somehow tied in with the size of the school district. But there are small school districts that are paying a superintendent an enormous sum of money, and there are big school districts that are paying a superintendent an enormous salary. We have to do something about that, because that just creates the whole system.

I thank you for your patience in listening to my remarks. And I look forward with great, almost glee, to serving on this Committee.

Thank you, Mr. Chairman.

ASSEMBLYMAN CONAWAY: Looking forward with glee.
(laughter)

Well, thank you for your comments, Senator Cardinale.

Good morning, everyone.

Thank you, Senator Adler, for taking on the challenge of co-chairing this Committee; and for outlining the mission, the challenges, and the promise of the work product of this Committee. I'd like to thank Speaker Roberts for his confidence in appointing me to co-chair this panel. I also want to take the opportunity to recognize my colleagues on this Committee. They are distinguished men -- as it turns out -- in their own right, who will bring their thoughtful consideration to these very important and weighty issues.

I look forward to the months ahead and the great -- I hope great work that we do as part of this Committee.

I want to thank the -- for going further -- the Office of Legislative Services for getting all the Joint Committees that are working this Summer up and running so quickly, and for arranging for the research

materials which will assist us in our deliberations; and for the public access, the Web sites, the television coverage, the other -- the transcripts -- that will allow the widest number of people in this state to involve themselves in the work that we are assigned to do.

Our goal, of course, is to advance legislation which would overhaul the manner in which taxpayers finance the State's public education system. The need for action is, I think, all too clear. Nearly half of all school budgets in the past -- this past April's elections were defeated. And if you look at the tax bill for the average New Jerseyan, it also underscores the impetus for reform. On average, 55 percent of a homeowner's property taxes go to funding schools, a figure nearly 40 percent higher than the national average. The urgency is even more exaggerated in our state's suburban communities, which are finding themselves squeezed as a result of the virtual flatlining of State aid for education these past four or five years.

Governor Corzine was right to address this issue some weeks ago, when he called our current formula outdated and ineffective. As a matter of fact, we, in the government, have been -- as has been pointed out by Senate Doria and others -- distributing aid across the state in a way which defies reasonableness, defies any sense that there is an organized way for this money to be distributed across the state; and it has been, as I say, largely arbitrary.

We now have a system where we have wealthy communities on the one hand, Abbott districts on the other -- who seem to have sufficient funds for the education of their children. But in the middle, and in other areas, there seems to be a squeeze, where it is arguable that there is not

enough funds to meet the expectations of parents and taxpayers for the education of the children who happen to reside outside of the wealthiest districts and outside of Abbott districts. The system is unbalanced and needs to be changed.

It's no surprise, when you're talking about one's children, that there is intense interest in the work of this Committee. It's evident by the people in the audience, it's evident by the mail, letters that have come into our offices. And it's not surprising, therefore, that a number of organizations, parents' groups, the educational establishment has been called; and others who are concerned about our state's future are preparing to involve themselves in this Committee's deliberations. This is all welcome, and it will be important to our success.

Our task must be to produce a means to fund our schools in a manner which does not undermine the ability of our children to obtain a quality education. And when you-- In my view, for adults, for government leaders, for a generation, it is the most important mission to make sure that all children, regardless of where they live, have access to a first-rate, high-quality education. It really is job one.

And I suppose it's trite to say, but our future is secured in the education of our children. We want to make sure that kids get the tools they need to exceed in a world which is increasingly complex, increasingly intertwined, and where the skill set that will be required for success is getting greater. It is a job we must do, and, I think -- I'm confident -- that we will do.

We don't want to set an either-or proposition where the dreams and hopes of children are pitted against one another in the drive to lower

the property tax burden. But we must make sure that whatever we produce here, by way of an education funding formula, that it is equitable and that seeks to advance the hopes and dreams of all children across the state.

No one has yet to quantify how much it truly costs for students to learn. We have a chance to do that through our work here on this Committee. No one has ever conducted broad-based research into the best practices in this state and across the nation, which have a chance of improving the educational outcome and attainment of our children. We have a chance to do that on this Committee. Nobody's created a system that, as the Governor put it, recognizes the needs of every child, regardless of zip code. We have a chance to do that.

Our mission is to reduce this State's reliance on property taxes to fund schools, while maintaining a first-rate education for our children. Fairness must be our watchword in its broadest sense; equity must be the rule; and comprehensive, of course, must be the reach of the work product of this Committee.

Through shared perseverance, commitment, and cooperation on a bipartisan basis, I am certain that this Committee will move forward in its deliberations aggressively, working hard to pave a new path for the funding of our public education. And in that, I wish all the members of this Committee the best of luck in the work we have to do. And I pledge myself to working with you, as well as I can, to make sure that we do the job for the people that we're privileged to represent.

Thank you, and good morning, Senator Adler.

SENATOR ADLER: Chairman, thank you very much.

Ladies and gentlemen in the audience, I apologize to you. We're going to now go to school up here. And part of that is going to be a lesson -- or a lecture from Mr. Settle about, sort of, the history of education funding and the Legislature's responsibility, some of which will be presented on the screen up there. You probably won't be able to see. You're welcome to stay, and listen, and hear. But we don't have the capacity-- I don't know if there is--

Is there a screen facing all of you, too? (affirmative response)

Oh, good. Withdraw that apology. The hell with all of you.
(laughter)

Mr. Settle, if you would, please educate us. Thank you very much.

MR. SETTLE: Thank you, Chairmen, and members of the Joint Legislative Committee on Public School Funding Reform.

I am Ted Settle, of the Office of Legislative Services, the nonpartisan staff agency of the Legislature. The Office has been asked by the leadership of the two Houses of the Legislature to provide research and technical services to the four Joint Committees established for the special legislative session on property tax reform.

I am here today, at leadership's request, to provide a factual introduction of the subject which this Joint Committee is directed to settle.

You've already been read this section of the Constitution. The Legislature is charged, through the Constitution, with the responsibility to ensure a thorough and efficient -- I'm sorry, to provide a -- the support of a thorough and efficient system of free public schools for the instruction of all the children in the state between the ages of 5 and 18 years.

This presentation will focus on the efforts of the Legislature, over the past 30 years, to discharge that responsibility through the enactment of three distinct statutes: the Public School Education Act, 1975, also known as Chapter 212; the Quality Education Act of 1990, known as QEA; and the Comprehensive Educational Improvement and Financing Act of 1996, also known as CEIFA.

In each of these statutes, the Legislature defined the thorough and efficient system of free public schools, and provided funding formulas which detailed the local and State share of funding necessary to support the public education system. During this same time period, and in response to the law regarding education funding in existence at that time, a series of court actions were taken on behalf of pupils in the urban school districts, complaining that the law was unconstitutional. As a result of these complaints, and the Supreme Court's review of the statutes that provided for the system and funding of education in the State, each statute, in turn, has been ruled unconstitutional: Chapter 212, in 1990, under Abbott II; the QEA, in 1994, under Abbott III; and CEIFA, in 1997, under Abbott IV.

The Legislature enacted the Public School Education Act of 1975, commonly known as Chapter 212, in September of 1975. Chapter 212 defined the overall goal of providing a thorough and efficient education as follows: To provide to all children in New Jersey, regardless of socioeconomic status or geographic location, the educational opportunity which will prepare them to function politically, economically, and socially in a democratic society. It provided for the establishment of educational goals at both the State and local levels. It established a system of accountability in attaining these goals by establishing school district

monitoring systems to evaluate the performance of each school, including the annual testing for achievement in basic skill areas, known as the minimum basic skills tests; and a means of corrective action, when necessary, to ensure progress toward the achievement of goals and objectives.

In order to fund this system, Chapter 212 established a guaranteed tax base formula designed to equalize the capacity of school districts to raise money for education, but leave them free to determine how much of that capacity they wish to tap. It enables all school districts to raise funds as if their tax base were 134 percent of the average school district tax base. In this case, tax base means the district's equalized property value per pupil. The school district sets the tax rate as if the real property of the district equaled the guaranteed tax base. The local revenues generated by the tax from the district's actual tax base are then supplemented by State aid, called *equalization aid* in an amount that, when added to the local revenues, equals what the tax rate would have produced if applied to the guaranteed tax base.

The State provided equalization support for a district's current expenses by using a formula that, in essence, provided greater support for those districts whose equalized property value per pupil was least. Under Chapter 212, also, no district would receive less than 10 percent support for its current expenses budget.

This new funding law sought to address earlier court findings: The concerns raised by the Supreme Court in its 1973 Robinson I ruling, on complaints concerning the constitutionality of the current education funding system for pupils in the cities of New Jersey -- Plainfield, Paterson,

and East Orange. The Court's ruling invalidated the State's prior method of financing public schools and ordered the Legislature to design a new system.

In *Robinson I*, the Court had found that the State must assure the delivery of the constitutionally required educational programs and facilities if any school district could not provide sufficient educational opportunity. The constitutional guarantee requires equal educational opportunity for all children, which must be understood to embrace that educational opportunity which is needed in the contemporary setting to equip a child for his role as a citizen and as a competitor in the labor market; that there was a significant connection between the sums expended in the school district and the quality of educational opportunity experienced by students in that district; and that New Jersey's system resulted in significant -- these disparities in per pupil expenditures between school districts.

Following the passage of Chapter 212, Governor Byrne requested the New Jersey Supreme Court to find the law constitutional if fully funded. In 1976 -- the *Robinson V* case -- the Court ruled that Chapter 212 was in (indiscernible) compliance with the Constitution's thorough and efficient clause if fully funded. The Court noted that, for the first time, it had before it a plan or a statute which was intended to meet all aspects of thorough and efficient education.

In *Robinson I*, the Court could only focus on the issue of per pupil spending levels between the districts because of the limitations of the data before it. However, in considering the constitutionality of Chapter 212, the Court stated that it was examining a legislative proposal that at

once seeks to define the constitutional promise of a thorough and efficient education, identify the components of such an education, establish a procedural mechanism for its implementation, and afford the financial means for its fulfillment.

The Court further noted that all -- up until that point, it had only been asked to examine the adequacy of the educational system in financial terms. It had been constantly mindful that money is only one of a number of elements that must be studied in giving definition and content to the constitutional promise of a thorough and efficient education.

Two other changes were taking place in the early 1970s that would have an impact on the ability of the courts to evaluate the quality of education taking place in the State school districts. And that would eventually be used as a basis for establishing what we know -- now know as *Abbott v. Burke* remedy aid.

In the early 1970s, the first statewide performance assessments were established, called *Minimum Basic Skills Tests*. And the Department of Education, in an effort to provide a means to interpret the considerable variations between districts and the results of their students on these achievement tests, developed, in 1975, a measure of school district socioeconomic status called *District Factor Groups*. The districts were distributed in roughly equal numbers among 10 different groupings, based on the socioeconomic measure, from District Factor Group A, the lowest socioeconomic status, to District Factor Group J, the highest socioeconomic status. When applied to the Minimum Basic Skills Test results, after placing each district into its District Factor Group and comparing between districts in the same District Factor Group, the variations in students' scores

between districts largely disappeared. The wide variation between districts was explained by the difference in the socioeconomic status of its students.

The Supreme Court, responding to a class action suit initially filed on behalf of the 28 urban districts in 1981 -- and subsequent to its ruling in *Abbott I* -- ruled, in 1990, *Abbott II*, that the funding system of Chapter 212 had failed to provide both a minimum substantive education to students in the poorer urban districts, as well as the educational programs necessary to provide those students with the ability to compete with their peers from the affluent suburban districts or to function effectively in the same society.

The Court contrasted the chronic disparities and expenditures between the poor and richer districts. The Court concluded that, to have a constitutionally adequate educational system in the poorer urban districts, the State's public school funding formula had to ensure the per pupil expenditures in the poorer urban districts were substantially equal to the per pupil expenditures in the property-rich districts, and that such funding could not depend on the budgeting and taxing decisions of local school districts, but must be guaranteed and mandated by the State; and must be sufficient to provide for the special educational needs of students in those districts to address the disadvantages associated with poverty.

In addition, the Court found that any funding which is counter-equalizing, increasing funding disparities, and which has no arguable educational or administrative justification is unconstitutional. The minimum basic aid of 10 percent was also ruled unconstitutional.

The Court did uphold Chapter 212's distribution of categorical aid. The Supreme Court did not specify the provision of a new funding

scheme, but left it to the Legislature to determine how to meet the Court's mandate, including having a new funding mechanism in place for the 1991-92 school year.

The Quality Education Act established a foundation formula system of school funding, which sought to ensure that each student's education was supported by similar educational resources, regardless of the fiscal capacity of the district. QEA relied on a spending calculation, the equity spending cap; and the funding calculation, the maximum foundation budget, which determines foundation aid, to assist the special needs districts in attaining parity -- which was a stated objective of the Act -- to provide, by the 1995-96 school year, that the per pupil expenditures in the poorer urban districts will be substantially equal to those in the wealthy suburban districts.

The equity spending cap was applied to the special needs districts -- permitted greater per pupil spending each successive year than was permitted to other districts, to get to parity in per pupil spending with the wealthy districts by the 1995 school year. A district's maximum foundation budget was calculated using different per pupil amounts for different grade levels, times the number of students in those grade levels. The amount of foundation aid a district was to receive was determined in relation to the calculation of that district's local share, reflecting the district's fiscal capacity, a calculation based on the relative wealth of the district as measured by the district's equalized property value in aggregate income.

The QEA also created special needs districts which received extra aid, special needs weights, which increased by 5 percent, the

foundation per pupil amounts for those districts. And the QEA also established at-risk aid, a new aid program initiated to address the special needs and disadvantages of low-income students, and awarded to districts based on the number of students who qualify for free meals.

Litigation brought on behalf of children in 28 special needs districts, established in the Quality Education Act, brought about the Supreme Court's review of that Act. In Abbott III, the Court held that under the QEA the achievement of parity depended fundamentally on the discretionary action of the Executive and Legislative branches to increase the special needs weight, which was never done. Thus, the statute did not comply with the mandate of Abbott II, that the required level of funding for the special needs districts cannot be allowed to depend on the ability of local school districts to tax, and must be guaranteed and mandated by the State; that QEA did not adequately address the special education needs of the special needs districts. Although the QEA included a formula for calculating aid for programs for at-risk pupils, there had been no study conducted of the programs and services needed to aid at-risk students. And funding under QEA was not based on any study of actual cost associated with providing services to those students. The Court also expressed its concern about the lack of supervision of the uses of additional funding provided to the special needs districts.

The next Act -- the Comprehensive Educational Improvement and Financing Act of 1996 -- established core curriculum content standards to define a thorough education, and established new statewide assessments to test student proficiency against those standards. Using a model district, and the programs and services needed to deliver the content standards, a

different per-pupil T&E amount -- similar to the foundation amounts under QEA -- was set for the elementary, middle, and high school levels. That served as the basis for determining the amount of funding needed to provide a thorough and efficient education.

The Abbott districts' per-pupil amounts were multiplied by 1.05, in essence providing Abbott districts an added 5 percent in calculating their total T&E amount. Using a district's wealth, equalized property value, and aggregate income -- as under QEA -- a district's local share was determined. If the local share was less than the amount of funding needed to provide a thorough and efficient education -- the T&E amount -- a district would receive core curriculum standards aid or a foundation aid. Similar to QEA, the poorer the district, relative to all other districts, the more likely it was to receive core curriculum standards aid.

In an attempt to address the issue of municipal overburden, CEIFA established the category of Supplemental Core Curriculum Standards Aid. Districts which had a low-income concentration rate of 40 percent or greater, and an equalized school tax rate which exceeds the statewide average equalized school tax rate by more than 10 percent, are eligible for this aid category.

And to address the special educational needs of low-income students, CEIFA established the categories of Early Childhood Program Aid and Demonstrably Effective Program Aid. Early Childhood Program Aid is provided to school districts with the concentration of 20 percent or more of low-income students for the purpose of providing full-day Kindergarten and preschool classes, and other early childhood programs and services. And Demonstrably Effective Program Aid is generated by individual schools with

a concentration of low-income students of 20 percent or more, for the purpose of providing instructional school governance, and health and social services programs to students enrolled in the schools that generate this additional aid.

Litigation brought on behalf of children attending public schools in the various poorer urban school districts -- the so-called *special needs* or *Abbott districts* -- resulted in the Supreme Court's review of CEIFA. In May of 1997, the New Jersey Supreme Court issued its ruling on CEIFA. The Court held that the content standards were consistent with the educational clause of the Constitution. However, the Court found CEIFA unconstitutional as applied to the Abbott districts, because the statute failed to guarantee sufficient funds to enable students in those districts to achieve the content standards.

The funding provisions in the statute purported to achieve the efficiency component of the constitutionally mandated thorough and efficient education. The Court held that the efficiency standards that formed the basis for the statute's funding provisions were derived from a model district that have few, if any, characteristics of any of the State's successful districts or any of the Abbott districts.

The Court also held that although CEIFA purported to address the special educational needs of the Abbott districts, CEIFA did not provide for the remediation that would be necessary to overcome the constitutional deprivation that had previously been identified by the Court. CEIFA attempted to provide for the deprivation through two programs: Demonstrably Effective Program Aid and Early Childhood Program Aid. The Court found fault with the fact that the amount of aid provided under

these programs was not based on any actual study of the needs of these students or the cost of supplying the necessary programs to address those needs.

The Court mandated an interim remedy, still in effect: increased funding to ensure parity in per-pupil expenditures for regular education between each Abbott district and the average, per-pupil, regular education expenditures of the District Factor Groups I and J districts -- the wealthiest districts -- by the beginning of the 1997-98 school year. In explaining the reasons for using the I and J districts, the Court stated, "The District Factor Group I and J districts are achieving and, undoubtedly, will continue to achieve at high levels. And it is thus eminently reasonable that the Court continue to focus on their recipe for success until experience under the new standards dictates otherwise."

Further Court decisions required additional programs and more funding for the Abbott districts -- required the Abbott districts to adopt a whole school reform model and evaluation program, to implement full-day Kindergarten, implement half-day preschool programs for 3- and 4-year-olds -- which became full-day programs -- and implement a variety of supplemental programs; and directed the Commissioner to approve additional Abbott aid as needed. This became known as additional Abbott v. Burke State Aid. The other part of this aid also became known as Abbott Preschool Expansion Aid.

You've already heard about the relationship between property tax and school property tax. This chart -- or this graph shows the relationship between the two, since 1975 to the current 2005 tax year. As can be seen, both move upward. Everybody knows that. Total property

taxes increased to just under \$20 billion in 2005. And school taxes increased to just over \$10 billion in 2005.

The next chart traces the relationship of school taxes as a percent of total property taxes over the same time period. The percent is fairly constant, varying from just over 55 percent in 1975, down to 50 percent in the early '90s, and then back up to 55 percent currently. And this is the average -- statewide average of school property and property taxes.

This shows average total property taxes, and then shows the average of those averages for municipalities, which is \$5,826. The median of the municipal averages is \$5,374. And the relationship between the median and the average shows that the averages are skewed toward a higher amount of property taxes. The median, just as the name implies, represents the middle value, so that 50 percent of municipalities have an average property tax greater than the \$5,374, and 50 percent have an average property tax below that amount. The use of the 25th and 75th percentiles shows that 50 percent of municipalities have an average property tax between \$4,140 and \$7,008.

This is a similar chart showing school taxes. The relationship between the 25th percentile and the 75th percentile shows that 50 percent of municipalities have an average school tax between \$1,744 and \$3,759. And, remember, these are municipal averages. So individual property taxes vary around that average.

The next chart shows the relationship between average school taxes and property taxes, showing them as a percent -- average school taxes as a percent of the average total property tax. The median here is 57.7

percent, meaning that, obviously, 50 percent of the municipalities have an average school tax that's greater than the 50 percent of the--

Sorry.

The median of 57.7 percent means that 50 percent of the municipalities have an average school tax which is greater than 57.7 percent of its total property taxes, and 50 percent have one that's less than that. But I think, interestingly enough, 50 percent of all municipalities have an average school tax that's at least 50.4 percent, and up to 64.1 percent.

This chart indicates the relationship, over time, between the State budget and the State support for education. The State budget, around \$5 billion in 1980; State support for education, around a little less than \$2 billion. And the increasing for the State budget, over \$30 billion, currently; and for the support for education, over \$10 billion, currently.

And this just represents the constant percent that the State support for education has been with the State budget, over these same periods of time, going from a high, which is the current value, of about 34 percent, below 28 percent. There's a variation of about 80 percent over that period of time.

The next chart shows the support, per pupil, in the State over a period of time. This is in dollar amounts per pupil, beginning around 10 -- a little over \$10 billion -- \$10,000 per pupil in 1998, and increasing, for Fiscal Year 2007, to close to \$16,000 per pupil. The colors represent the share of local, State, and Federal; with Federal, obviously, being the smallest -- but increase -- showing some increase over time.

The next chart shows the same distribution between the local, and State share, and Federal share as percents. And you can see from this

chart that the percent of State and local shares have remained fairly constant. The State share has actually shown a slight increase over this time period. And part of that reason for the State share showing an increase is the fact that -- the large amount of Court-ordered aid to the Abbott districts.

Where we are today: CEIFA is considered in compliance with the Constitution, with respect to its formulation of what constitutes a thorough education -- the Core Curriculum Content Standards. However, CEIFA's funding formula, as the basis for providing support for public education, is unconstitutional. With respect to the Abbott districts, it does not offer the support necessary to provide the students in the Abbott districts with an educational opportunity equal and comparable to those students in the I and J districts; and with respect to 16 rural districts, pursuant to a recent decision of the New Jersey Supreme -- New Jersey Board of Education, January 4, 2008.

As a result of the Court decisions regarding CEIFA, we currently have two funding streams: aid as provided under CEIFA up to the 2001-2002 school year, and under budget language since then; and Court-ordered aid -- initially known as Abbott v. Burke Parity Remedy Aid, and additional Abbott v. Burke State Aid -- now known as Education Opportunity Aid and Abbott Preschool Expansion Aid. These Court-ordered aids together, for the 2006-2007 school year, will total over \$1.8 billion, or 50 percent of the -- 58 percent of the total for Core Curriculum Standards Aid.

In the 1997-98 school year, when the Court-ordered aid was first introduced, it amounted to 9.5 percent of Core Curriculum Standards

Aid. As indicated, the formula for CEIFA has not been used to distribute State aid to school districts since the 2001-2002 school year. Instead, budget language in the Annual Appropriations Act has provided the distribution of State aid. In essence, we do not have a currently operating school funding formula.

The next charts just show you dollar amount distribution between -- that has resulted from these two streams of funding. Abbott districts received \$3.186 billion in FY 2002, up to \$4.235 billion in FY 2007 -- an average rate of growth over that time period of 6 percent. Non-Abbotts received \$2.9 billion, increased to a little over \$3 billion in FY 2007 -- an average rate of growth of 1 percent. The total State aid growth rate -- average rate of growth basically reflects the impact of the Court-ordered aid.

The next chart shows the same, in terms of percent distribution of total State aid. In FY 2002, Abbott districts receive 52.1 percent of total State aid, increased to 57.6 percent in 2007. Enrollment over that time period has remained fairly constant, with the Abbott districts having 23.1 percent of this total State's enrollment. The non-Abbotts -- 76, 77 percent of the total statewide enrollment.

The consistencies in the Court decisions: the funding formulas and the study of the cost of providing educational opportunity. The per-pupil foundation amounts and, therefore, funding formulas have not resulted from studies of actual costs, but provide an equal and comparative educational opportunity for all students.

Another similar theme throughout the Court decisions: that the funding to attend to the special education needs of the students coming

from the poor urban areas has, likewise, not been based on those studies -- on studies of those needs and the cost of providing supplemental services addressing those needs.

The Supreme Court has also consistently stated the need for a formal evaluation of the implementation of the additional aid provided to the Abbott districts, to determine how effectively and efficiently these funds are being used in these districts to implement a thorough and efficient education. The Court has emphasized over and over again that, while it is concerned about equal, per-pupil spending, it is primarily concerned about how this spending contributes to an equal and comparative educational opportunity for the students in the Abbott districts.

In its most recent decision, the Court has ordered the Department of Education to complete comprehensive fiscal audits of the four pilot districts -- Newark, Jersey City, Paterson, and Camden -- by November 2006; and complete all remaining fiscal audits, as well as programmatic evaluations of the Abbott districts, timely for the FY 2008 budget year.

I would like to close my presentation with two quotes and a few comments on this meeting. In the Supreme Court's decision, now known as Abbott II, where it held that the Public School Education Act was unconstitutional as applied to 28 special needs districts, the Court recognized the limitations on its powers to provide the kind of equity needed with respect to the poorer urban districts and, more broadly, with respect to other districts that share some of the characteristics of the special needs districts.

They stated, “The kind of equity that can be done in this area by the Legislature cannot be accomplished by judicial order. 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 the new system and phase out the old. It may chose, for instance, to equalize expenditures per pupil for all districts in this state at any level it believes will achieve a thorough and efficient education. And that level need not necessarily be today’s average of the affluent suburban districts. The most significant aspect of that average today is not its absolute level, but its disparity with the average of 28 poorer urban districts. It may determine the division between State and local obligation-- It may determine the division between State aid and local funding, and allow school districts such leeway as is consistent with the constitutional obligation, or it may mandate the local share. Again, however, funding in poorer urban districts cannot depend on the budgeting and taxing decisions of local school boards.”

And from the Assembly Concurrent Resolution: “There is created a Joint Legislative Committee on Public School Funding Reform. It shall be the duty of the Committee to review and formulate proposals that address the manner in which government provides for the maintenance and support of a system of free public schools for the instruction of the children of this state. The Committee may consider proposals to provide State support based on student needs, rather than geographic location; eliminate disincentives to the regionalization of school districts; control school district spending, particularly administrative spending; and improve the

effectiveness of the current law, limiting increases in school district spending; as well as such other proposals as the Committee deems appropriate.”

In addition to the presentation, the Office has put together, for your use, the information contained in the binders, which you have -- which have been placed before you. If you have need of additional research information or other services, please make that wish known, and we will do our best to assist you.

I would like to acknowledge the assistance of the members of the Education Section of the Office of Legislative Services, particularly Kathy Fazzari, our Section Chief; Sarah Haimowitz, Anita Saynisch, and Osomo Thomas; and the secretaries who spent many hours copying documents for you.

And as Assemblyman Conaway mentioned in thanking OLS, I think it’s important to understand that this has been a joint effort, not just with OLS -- but the partisan staff members have participated very effectively and well with us in making these -- this meeting and the other meetings that have taken place this week possible. And I think that’s indicative of the kind of support you can expect to receive from the staff members in your challenge and task.

Now, if you have any questions for clarification, I’d be happy to answer those.

ASSEMBLYMAN CONAWAY: Two questions from Assemblyman Wolfe.

ASSEMBLYMAN WOLFE: Great job, Ted and staff.

It's a very complicated topic that you've gone through, and I really appreciate the effort that you've provided. But I have a request for additional information that you can provide to me and the Committee.

First of all, I would like to know if it's possible to determine, since 2002, the amount of CEIFA moneys that have not been included in the budget. I know it's been flat, but were -- was it-- If the CEIFA formula was followed, how much would have been spent?

Second--

MR. SETTLE: I brought a note just for that purpose.

ASSEMBLYMAN WOLFE: Oh, good. Okay.

MR. SETTLE: But I'll just-- Do you want me to say something about it, or just give it to you?

ASSEMBLYMAN WOLFE: If you could share with the Committee, I'd appreciate it. Sure.

MR. SETTLE: Okay. Well, if you remember, in 2001-2002 -- right toward the end of the budget season, the Legislature decided that it would hold all school districts harmless and added \$11 million to the budget so that no school district lost any school aid, even though they may have deserved to have lost it based on decline in enrollment.

So it depends upon how you move forward from that time -- whether you hold harmless all the districts from that time and ask what they would have gotten under the CEIFA -- holding them harmless -- as opposed to what they got under the State aid; whether you operate with CEIFA, as originally enacted, where a district could lose up to 10 percent each year; or, as Legislature quickly moved, to allow them only to lose 2 percent of aid a year if they had declining enrollment or other reasons.

The data I have basically held them harmless each year. And I have data through the 2004-2005 school year. Up to that time, if CEIFA had been run, the estimates from the Department of Education are that the net additional amount to school districts would have been \$700 million. In that net amount, there's \$728 million -- closer to \$729 million -- that districts receiving greater aid would have received. And certain districts would have lost \$28 million. This is in comparison to the aid they actually got in the budget.

Based on that, there was about, close to, a \$200 million change -- or difference each year. So if you carried that forward -- if you assumed you could in a linear fashion -- the total amount by 2007 would be close to \$1.1 billion.

ASSEMBLYMAN WOLFE: You just had that right up your sleeve. That was very good.

Thank you very much, Ted.

I have another question, which I don't know if you have prepared, but if you could-- If you could provide, for the Committee, the amount of moneys that have been not paid in property taxes, due to tax abatements, on an annual basis--

MR. SETTLE: Through the tax abatements.

ASSEMBLYMAN WOLFE: Yes.

MR. SETTLE: Okay. I don't have that.

ASSEMBLYMAN WOLFE: Okay. I know, but--

MR. SETTLE: I know that's one of Tom's issues. (laughter)

ASSEMBLYMAN WOLFE: Get that later.

Thank you very much, Mr. Chairman, for the opportunity to ask those questions.

Thank you.

ASSEMBLYMAN CONAWAY: Thank you, Mr. Wolfe, for your questions.

Thank you, Mr. Settle, for answering those questions.

You'll agree, however, that those determinations -- this billion dollars -- there's a whole lot of assumptions that--

MR. SETTLE: Right.

ASSEMBLYMAN CONAWAY: --need to be considered in coming up with that figure. And that it's unlikely to have-- Well, I wonder if it's unlikely to have a useful figure, given the number of variables and assumptions that have to be made in coming up with a number like, say, \$1 billion. Is that a-- Have I said something unfair, do you think?

MR. SETTLE: No, I think the further you get away from 2001-2002, the more assumptions you have to make to even do the calculations. And it bears less resemblance to reality the further you get from 2001-2002.

ASSEMBLYMAN CONAWAY: Very good.

MR. SETTLE: It may be something, though, that the Committee would want to have some understanding of, when you move forward to figuring what districts are going to get in the future. Because they'll be asking the question, "What would we have gotten under CEIFA?"

ASSEMBLYMAN CONAWAY: Very good.

Thank you for your very cogent and thorough presentation. It was helpful to this Committee in the deliberations that we must undertake.

With that -- the Co-Chair's agreement -- I will adjourn into executive session.

Thank you all for coming.

(MEETING CONCLUDED)