
Committee Meeting

of

JOINT LEGISLATIVE COMMITTEE ON PUBLIC SCHOOL FUNDING REFORM

"Testimony presented by Commissioner Lucille E. Davy and Allen Dupree, from the Department of Education, to provide background information to determine a per-pupil cost of education; and Dr. John G. Augenblick will provide background information on his work to assist the Department"

LOCATION: Committee Room 11
State House Annex
Trenton, New Jersey

DATE: October 24, 2006
1:00 p.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:

Kathleen Fazzari
Theodore C. Settle
Office of Legislative Services
Committee Aides

Mary Alice Messenger-Gault
Keith White
Assembly Majority
Committee Aides

Brian Alpert
Christine Shipley
Senate Republican
Beth Schermerhorn
Thomas Neff
Assembly Republican
Committee Aides

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ASSEMBLYMAN HERB CONAWAY Jr., (Co-Chair): Good afternoon, everyone.

We're fortunate to have in attendance the newly confirmed Commissioner of Education, Lucille Davy; joined by Allen Dupree, who is Manager of Policy and Research. We will also have a presentation today from Dr. John G. Augenblick, who is President of Augenblick, Palaich and Associates, who has provided valuable service to the Department regarding school funding issues and costing of education.

As always, we remind people -- perhaps admonish people -- to be careful about their cell phones. Please turn them off or to vibrate so that we won't be interrupted by the important calls that you receive.

We look forward to the testimony today. And unless there are comments from the Committee, and I don't see any, I invite Commissioner Davy to make a presentation.

Ms. Davy.

COMMISSIONER LUCILLE E. DAVY: Thank you, Assemblyman Conaway.

We are here today, and we have a little PowerPoint presentation which I think you all have. I'm going to start, and then Dr. Augenblick will come in, in the middle, and then Allen will finish up.

I want to start out by providing you with a little bit of background. Some of you may already be familiar with this, but the Department decided that there was a need for a new school funding formula back a few years ago. The current school finance law, CEIFA, has already been deemed unconstitutional by the Supreme Court as it applied to the Abbott districts. Several stakeholders, in addition, felt that CEIFA provided

insufficient educational resources, and that therefore the local property taxpayers were left to fill that shortfall.

The Department entered into a contract with Augenblick, Palaich and Associates, which was formerly known as Augenblick & Myers, back in 2002. And there were two primary objectives to their work: The first was to develop a reasonable estimate of the total cost of education; and the second was to find a reasonable division of these costs between the State and local school districts.

Our purpose here today is to discuss the first phase of that work, and that is identifying the cost of providing quality educational services to all the children in New Jersey. We chose to use two methods to estimate the cost of education. And I believe, in previous hearings, you heard Dr. Yinger and Dr. Chambers describe that there are various methods for determining education costs, so I won't spend a lot of time discussing that. But I will give you a quick summary of the two methods that the Department used to determine the cost of providing educational services.

The first is the "successful school districts" model. And this is a data-driven model that requires four basic steps: The first is to establish measurable criteria by which districts are deemed successful. And that is typically defined using test scores, but any measure for which data already is readily available can also be used.

The second step is to identify districts that actually meet those established criteria. And that's a very straight-forward process that involves analyzing the requisite data to see which districts, in fact, have met the established objectives.

Third, we calculate the general education expenditures for districts that meet the criteria. And districts, as you probably know, report their enrollment and expenditures to us annually; and then these data are used to determine the general education expenditures in districts that meet the success criteria.

The last thing that I would point out is that the method cannot or should not be used to determine the cost of students with special needs. And again, I believe Dr. Yinger and Dr. Chambers both noted in earlier testimony that successful school districts cannot be used to identify the additional costs of certain student populations, such as special education, limited English proficient, or low-income students. And Dr. Augenblick actually provided to the Department similar advice based on his experience in doing this same kind of work.

The second method that we looked at to determine educational expenditures was the “professional judgment panel” method. And that is focused on developing educational goals, establishing those goals, and then constructing prototype school districts. And then you bring together educational professionals to identify the resources that are needed to meet those educational goals, and then determine the cost of the specified resources that are required. And then you apply those costs to all school districts and calculate various weights for special needs students.

Now, I’m going to set forth a brief outline of the way the discussion will unfold as we move forward this afternoon. We’ll have a discussion of Dr. Augenblick’s work with the Department of Education. And Dr. Augenblick will begin shortly by providing the Committee with a description of his work that he did with the Department. And then we will

provide a briefing of the final PJP resources determinations. Dr. Augenblick is going to provide a general summary of the types of resources and programs that were specified by the members who participated in the professional judgment panels. Then we'll have an explanation of how the cost of PJP resources were determined. And we will then discuss how the cost of PJP-specified resources were calculated by the Department. Additionally, we'll discuss how DOE accounted for other factors that were not considered by the panelists, including adjustments for school districts that only serve higher grades or county vocational districts, and how we accounted for geographical cost differences throughout the state.

We will also provide a summary of the successful school districts analysis. And that will really be the end of our discussion this afternoon, providing a comparison as well of the results from the two methods -- the successful school district and the professional judgment panel. And then finally, we'll respond to questions from the Committee.

So at this point, I'd like to turn the discussion over to Dr. John Augenblick and Robert Palaich, from Denver, Colorado, who are going to discuss their organization's role in this process.

J O H N G. A U G E N B L I C K, Ed.D.: Thank you, Commissioner Davy.

I hope everybody can hear me. Am I coming through okay?

ASSEMBLYMAN CONAWAY: Yes.

DR. AUGENBLICK: Okay.

Now, just so you know the ground rules here, I can't see you, although you can see me, so I will go slowly through this and try to make sure that you're following where I am.

Bob Palaich is not here with me today, but Justin Silverstein is. You can't see him perhaps, but he's just off to the side. And he was actually involved in doing the work of a couple of years ago when we were working for the Department. So even though you can't see him, he may chime in now and then when I forget something or he needs to say something.

Let me just start off by saying that we were asked to provide assistance to DOE and to support their effort to do this work. They really wanted to maintain control over it, to undertake the work themselves, to deal with the data, and so on, but they wanted some help in thinking about how to go about doing the work and, as we move forward, in understanding the kind of information they were coming up with. And that's really what we were asked to do.

I should tell you that we have done that kind of work all over the country. There are a lot more states now that are looking at this question of: How much does it cost to fulfill the standards and the expectations that states have? A few years ago that wasn't really going on at all. But as you probably heard from some of the other people who have spoken to you, that is now much more common. And actually, the Legislature, as well as the Department, and certain education interest groups are really the ones doing that.

One of the other things you might want to know is that the two approaches that the Department chose to pursue are both approaches that were used in Maryland just a couple of years prior to when we were working in New Jersey. And Maryland's new finance system, which is just about fully implemented, is based on the work that was done there, looking at both the professional judgment panels and the successful school district

approach. So it's nothing new. It was nothing specifically designed only for New Jersey. These methodologies have been used around the country and actually implemented in a couple of different states.

Now, I do want to tell you that I was providing advice, but again the Department really was responsible for gathering the data and analyzing the data. I would ask them occasionally to review that information, and to provide advice as they needed it. And I worked very closely with Allen and others in the Department as we were doing that. We both helped them understand what the successful school district approach was about. That's an approach that was originally developed in Ohio several years before, and we have actually been working on doing that. As the Commissioner had indicated, it's limited in what it can provide you, but it does provide you with an important parameter that you would need in terms of allocating money to school districts. And that is what we refer to as the *base cost* -- the cost of serving kids with no special need.

We also facilitated the meetings of the professional judgment panels, and that involved several steps. That involved actually collecting information about the school districts and developing a standard, working with the people when they're meeting to make sure that the work gets done, and then translating some of the information that they provide back to the Department so that they could cost it out.

We also had been working with the Department when they took that information and applied it to individual school districts, to determine what the costs would be in each and every school district in the state. We've also done that (indiscernible). A part of that involves creating formulas that allow you to take the information that you're getting based

on a few places, and creating the procedures that would allow you to apply them to any place. And of course, that's ultimately what any state needs to do -- is to figure out what the cost is in all school districts in the state, which have different characteristics, and different size and proportions of at-risk kids and other things. And the methodologies that we're talking about here are designed to allow you to do that, ultimately.

I'm going to move to the next slide -- I can't see it, so I hope you can. There were five steps that we followed in terms of implementing the professional judgment panel, the PJP approach:

The first thing is that you have to have a set of standards and goals that you're working against. Almost every state now has an accountability system -- much of it stimulated by NCLB, in which they are holding school districts accountable for a variety of things, but certainly the performance of students. And in your state, there are other things you hold people accountable for, including the provision of certain course opportunities, graduation expectation, and so on. We had to create something that we could show to the people who were going to participate in those panels so that they would have some idea what it was that needed to be accomplished.

Then we defined what are called here *prototype districts*; and that's language that we used to use. We found that it's better to think of them as *hypothetical districts*, and not prototypes in the sense that districts should look that way in order to provide the best service. What we're doing is actually looking at districts that reflect the actual characteristics of districts in the state, and so we refer to them now as hypothetical districts.

But back when we did this work, they were called prototype districts, and that's the language you'll see here.

We also convened the panel and actually had people from our staff meet with those panels. We always had a couple of people in the room when they were meeting, to answer questions and to make sure that the work got done.

When it got done, we provided DOE with the information that they would need in order to cost it out. So we would tell them the services, and the programs, and so on that the panels had reported, and they could use that as the base for costing it out.

I should tell you that all of the information was based on the work that the panels did. This is not information that we brought to the table or that we modified in any way. Our job was to facilitate their work, and not to particularly put forward our views on this. This is all reflecting what people in New Jersey think is necessary in order to reach standards.

And finally, when it all got done and once the Department had actually costed it out, we were able to use that information to create those formulas and procedures so that the Department could then apply them to each and every school district in the state. So that's the summary of what we were doing in terms of the PJP.

Now Step 1, if you go to the next slide, is that you have to have this system of identifying the goals and objectives. You know that you have expectations and requirements for every school district in the state, and that you evaluate them. You expect them to tell to the State what they're doing, and you evaluate how well they're doing it. And it generally involves three different kinds of things: One is the Core Curriculum Content Standards,

which are a requirement in the state; the second, of course, is the No Child Left Behind AYP, the annual yearly progress requirements, which you have agreed to fulfill or else there are consequences associated with not fulfilling it; and finally, there are certain states that provide graduation requirements. And all of those things (indiscernible) the school districts need to be able to do if they're going to meet your expectation. And I should say that that kind of thing is what is going on all around the country, and I hope you heard about that.

Step 2 is really to define those prototype or hypothetical districts. In that case, we gathered a lot of information about the school districts in the state -- and you know you've got a lot of them. They vary dramatically in their size, their characteristics-- And our job, because we couldn't set up hypotheticals for every school district in the state -- that would have taken a huge amount of time and money. What we were trying to do was to identify a few that would reflect as best we could, generally, what was happening in the state. And so, based on reviewing that information, we created six, what's called, *hypothetical districts*. Two of them were K-8, because you have a lot of K-8 districts, as some other states do; and four of them were K-12. They primarily differed in terms of their size. And one of the things we were concerned about was understanding how the base cost might change depending upon the size of the district.

The work we've done in other states suggested that certainly is true. If you go to Kansas, or in my state, Colorado, or a lot of the states out West, you'll find enormous size differences. And those size differences have implications for that base cost. But what's true out here is also true in New Jersey. You've got districts that differ dramatically in size, and we

wondered whether their costs also differed; and if they did, we needed to develop a procedure to take that into consideration.

We also were concerned about the cost associated with kids coming from low-income families and LEP, or Limited English Proficiency students. And what we did was to set up a variety of ways of dealing with that: One was, in those hypothetical districts we actually set up a percentage for LEP students that was different depending upon the average, which was related to the size of the district. And in terms of low-income students, we actually looked at different -- several different levels of the presence of those students and asked people to tell us what kind of resources might be needed depending upon the level of those kids who were present. And what you find is that when there is only 10 percent of kids (indiscernible) from families you might need one kind of resource, and when there's 20 percent you might need another kind; and as that increases, you need different resources. And we've put the panels through a procedure that allowed them to tell us that information.

We also looked at special education in terms of, kind of, low, moderate, and high costs of special ed, because that also-- While it doesn't vary dramatically, we know that there's a significant cost associated with serving kids. And our job was to figure out what the cost would be to try to get those kids, as well as everybody else, up to the standards that we were talking about. And that's really the principle behind this, is that you're looking for those programs and services that people believe are necessary in order to help all children ultimately become proficient. And that really is what this is all about.

The third step -- I'm looking at a new slide, I hope. The third step was to hold those panel meetings. And those panel meetings were fairly significant in terms of they took quite a bit of time and they involved quite a few people. In the case of-- The situation we were facing in New Jersey, we actually did it a little bit differently than we've done in other states. We started with panels that were made up of DOE staff. Those panels generally had six to eight people on them, and we specifically asked for people who had experience of being a superintendent, or a school business administrator, or a teacher -- particularly people who were dealing with at-risk kids, and so on. And of course it turns out that the Department has lots of people on its staff that had had those experiences all around the State of New Jersey. And so we asked them to pick for us seven people with those kinds of backgrounds and experiences, and those people were actually asked to look at every one of the different prototypes, and for each of them -- or the hypotheticals -- for each of them to specify what kind of resources would be needed.

We first asked them what kind of resources would be needed if kids had no special needs. Then we said, "Well, what if kids did have special needs? What kind of resources might you have to add?" And we spent, actually, three days working with those folks in order to cover all of that ground. It takes a lot of time to effectively build a school -- to build a hypothetical school that you believe will have the resources necessary so that kids can actually meet the standards that you've set up.

We told the State that while it was interesting to have the Department doing that work, we really would feel comfortable if that work was reviewed by other people around the state, and so we set up additional

panels. Some of them were just based on the size of the districts. And there were about 40 people that were selected from around the state. They were coming to us based on their being selected by a variety of folks around the state, an organization. And we had nothing to do with selecting them or we had no idea who they were. They were simply there based on the role that they played in the school districts. We asked for superintendents, or business managers, or teachers -- and particularly teachers of special ed -- curriculum supervisors, and so on. And we asked for people that had a wide range of experience, that had been there for quite some time, and that had worked in perhaps more than one school district.

Well, those 40 people, organized into small panels, met and their job was to review all of the information which the Department had put together. The Department had been looking at how many people needed to be involved in the schools, what personnel there needed to be, what student/teacher ratios there ought to be in place, what supplies and materials, what technology -- all sorts of things that they were looking at. And all the information was reviewed and modified, in some cases, by people who were serving on those other panels -- the panels that we operated and actually met throughout the state.

But even that wasn't enough to (video malfunction) comfortable about it. What we did was to have yet another panel -- a panel of eight people meet and review all of that information. In some cases, you get inconsistencies that you'd like to correct in certain things, and in some cases it's just helpful to have yet another set of eyes to look at that and say either "there's too much of this" or "there's too little of that," and to make sure that when you're done you feel comfortable that you've got the

resources that you really think can do the job. And in this case, that we think that the people in New Jersey believe can do the job, so that those kids meet your standards.

Well, when you get all done, of course, you have all sorts of information, and it's an enormous amount of information to deal with. And it ultimately is designed to produce just a few numbers. It's really designed to produce information about the cost -- the base cost that we talked about before, and the added cost of serving kids with special needs -- either LEP, or at-risk, or special ed in the three different levels. But in order to get there, what we had to do was to specify to the Department what programs and services were actually desired by people in New Jersey in order to accomplish--

Let me just try to summarize real quickly some of the things that we found, because we don't have time to go into every deal of it, and I don't have it in front of me. But for example, people concluded that average class sizes of about 18 would be appropriate in order to assure that kids could ultimately all reach this level of proficiency. They don't mean that it's 18 in every class, that it's every grade, in every school. What they mean is that, on average, 18 is the number, and that means it can be significantly smaller, typically in the early grades; and perhaps a little bigger in certain courses that are offered, let's say, at the junior high or high school level. It just depends. But we also asked them about librarians and guidance counselors and school nurses and technology specialists. And they told us, for each of the different sized schools at each of the two levels -- the K-8 and the K-12 -- they told us what kind of people, how many people were needed. We also asked them about administration. What kind of

principals or assistant principals or superintendents or central staff people might be needed to make that kind of system work. And they gave us information about that, including business officers, including people who would be maintaining buildings and so on. And we also included in that information about gifted and talented programs and vocational education.

So what they were doing was -- picture yourself in one of those towns. You were given a standard and you were asked what kind of resource, what kind of program, services, people would be necessary in order to feel comfortable that the kids could reach the standards that fit what's in front of us. And having gone through those three different levels of review, we then passed that information on to the Department.

One of the things that you should remember about this is, we're trying to translate all of this into money. Because ultimately it's money that the Legislature will be giving to school districts. The Legislature doesn't hand out principals, and hand out teachers, or hand out programs -- it hands out money. And the idea, particularly in a situation like yours, where you're holding people accountable, is to give the districts as much flexibility as possible in how they spend that money, because we're going to hold them accountable for performance, not for how they spend their money. But what we want to hold them accountable for is getting kids to certain levels of proficiency, or we want to hold them accountable for providing certain programs and services as required by the State, or we want to hold them accountable for graduating at a particular rate that's specified. We don't want to hold them accountable simply for how they spend their money, because our experience in other places is they certainly will spend the money the way you tell them to, but then they won't feel necessarily

accountable for actually producing performance. In fact, they may blame you, or me, for not reaching performance simply because they followed every step and rule that we had put in place.

So really, you think of the PJP as producing costs. And the job of the formula is to make sure that that money gets to the school district. Once it does, we really want them to figure out what to do with it. The theory is that there are all those school districts out there for a reason. They've all got superintendents, they've all got school boards. Those people are responsible for deciding and should best know what to do locally. And no one at the State level probably knows what would work best in all school districts, that differ dramatically as they do in the state. So this is designed to produce the dollar amount, but not to specify precisely the resources that are used. We use the resources as a way of getting at the dollars. And this whole procedure ultimately, once we were done with our part of it, we turned it over to Allen and others at the DOE, and they then costed it out and came up with those dollar values. That's a very important thing to remember about the way this thing works -- the theory of it and the use of it once it gets (indiscernible).

Now, ultimately, we gave that information that -- and I'm now on the Step 4, the costing out -- we gave that information to the DOE, and they became responsible at that point, actually attaching prices to each of those resources. So we would say to them, "Well, here's how many computers people think are needed, or here is how many principals, or how much time for professional development," or whatever it was. And the Department then costed that out and gave back to us some of the

information that we needed to create those formulas or those figures so we can apply it to every district in the state.

We also, during that time, provided some help to the Department as they went through that process. So we talked about any number of issues related to costing this out, but ultimately the Department was responsible.

Finally, there was Step 5 -- and a new slide -- where we created that base-cost figure and the weight. I hope all of you have heard about the concept of student weight. It's something that many states use. It's just a procedure that tells you the relative cost of serving students with special needs relative to that base cost. The idea is that if we can know that, then we can apply that to the actual count of students in each district. That's one thing we have very good information about. And to the extent that we've created formulas, we can actually apply it to different places that have different (indiscernible). So we took all that information -- Allen took it -- and created the six base-per-student costs, and we used that to translate it into a set of equations that would say how those costs vary depending upon the size of the district. And then Allen gave us information about the relative cost of serving kids with special needs. He gave us, literally, cost numbers, and we translated those into formulas that would allow him to apply that to districts regardless of what percentage of special needs they have.

Now, having gone through that long process in terms of a speedier process, let me turn it over to Allen and have him tell you how he took that information and actually used it to cost out in each district and to compare it to the spending of the district.

Thank you.

A L L E N D U P R E E: I'll take a second just to catch up to this slide that I'm going to describe right now.

Dr. Augenblick has already outlined for you -- given you a basic summary of the types of resources that the professional judgment panel has included in their recommendations -- teachers, superintendents, librarians, so on and so forth. What I'm going to describe first is the analysis we did internally in the Department to figure out what are the costs associated with actually purchasing those business services.

School districts basically utilize two types of resources: personnel -- their staff; and nonpersonnel, so supply and materials, equipment, purchased services. And the costing-out process for those two items are somewhat different, so I'll describe both of them for you. The panel is to specify the staffs in terms of full-time equivalents, or FTEs. So you need one superintendent, five principals, 20 teachers, things of that nature.

The personnel come in really two sorts in education: your certificated staff and your noncertificated staff. And we use different data sources to figure out the salaries of each. Your certificated staff are essential people who hold positions in school districts that require certification from the State. For these types of individuals, the Department actually collects detailed salary information on an annual basis, so we -- the certificated staff survey. We use the data from the certificated staff survey to determine the median salary for the individuals in those various positions. So the median salary for superintendents, teachers, school business administrators, all of the certified staff positions included by the panelists.

In addition to that median salary that we calculated, Dr. Augenblick did some supplemental analysis with the school and staffing survey, which is done by the National Center for Education Statistics. He compared New Jersey's teacher salaries to the average salaries for surrounding states and saw that there was a slight difference -- New Jersey was slightly lower, on average, whereas you take into account years of experience. So his recommendation was that we increase that median salary that was calculated by 1.5 percent. So the salaries for the certificated staff are based on the median, adjusted by that 1.5 percent.

You also have the noncertificated staff -- these are people in the districts who work in the districts in positions that do not require the certification. These will be your clerical support staff, custodial staff, maybe a lot of less important personnel in the business office. The Department does not collect that type of salary information, so we had to rely on an external source. For this purpose, we used information provided by the Bureau of Labor Statistics. Twice a year they release what's called the Occupational Employment and Wage Estimate (indiscernible). And that provides median salary information for a wide range of positions at the state level. So we were able to use the New Jersey data provided by the Federal Government to attach a salary to clerical support staff, other positions for which the Department does not currently collect information.

In addition to salaries, there is the cost of benefits that also feeds into your personnel costs. As to review of the financial data reported to the school districts, we use a benefit rate equal to 20 percent of salaries as an estimate for the costs of benefits in New Jersey. At first blush, that may sound like a little bit of a low number relative to other industry. You

have to keep in mind that in New Jersey a number of the other benefits, the cost of these benefits are actually born totally by the State. So that would include your post-retirement medical benefits for teachers, teacher pensions, and the employer's share of Social Security taxes. So we wind up seeing a benefit rate in New Jersey education lower than what you would wind up seeing in other industries where the employer is picking up those costs of those benefits.

In addition, you have the nonpersonnel resources that were included by the panel -- as their supplies and materials, professional development, things of that nature. Typically, the panelists specified those resources in terms of a cost per pupil or a cost per teacher. So for example, they may say -- they didn't go into the detail and say we need *X* reams of paper, *Y* cases of pencils. That would be far more detailed than necessary. Instead, they would say to me \$300 per pupil, for example, for instructional supplies and materials; we need \$1,500 per teacher for professional development. And so we already have a cost specified by the panelists, simply multiply it by the number of students or the number of teachers.

There are some additional cost adjustments that were necessary that were not considered directly by the panelists. And I want to discuss two of them right now: The first is identifying the additional costs for sorting grade spans. As Dr. Augenblick has already mentioned, the panelists reviewed two of the six hypothetical districts; two of them were K-8, four of them were K-12. As you all are aware, we have some additional grade spans in New Jersey, specifically districts that operate grades 7-12 and grades 9-12.

We already had six hypothetical districts. To add more districts, more prototypes to account for those grade spans would have proven to be too burdensome for the panelists. And as an alternative, we basically relied on the fact that within the K-12 prototype districts you have elementary schools, middle schools, or high schools built separately. And so we can identify the costs specifically for the middle schools and high schools, and compare that to the overall base cost to find the additional adjustment that would be needed for these two grade spans that only serve the higher grades.

Additionally, a separate cost analysis was done to determine the additional cost of county vocational school districts. The current funding formula included an additional State aid category for county vocational districts. In fact, they share the fact that they often have programs -- they offer programs that typically cost more because they have more intensive supply needs or they have to have some smaller classes. This analysis basically compared expenditure data in general education in your county vocational districts to that of a high school district, and that differential was deemed -- accounted for the additional weight for county vocational districts.

Given that, we have a summary of the costing-out process. I wanted to show you this table that actually includes the per-pupil analyses that were included for these six prototype or hypothetical school districts. I want to first mention to everybody that these numbers are based on Fiscal Year 2005. So the Department has to do some additional analysis to update them using the more recent 2005-2006 Fiscal Year data.

But you see in the first row, these show the base costs derived directly from the professional judgment panel's resources, and these are the results that were sent back to Dr. Augenblick so he can develop a system of equations that would define the basic per-pupil cost for other school districts in the state.

One thing you'll note, and I'll point out shortly, is that -- briefly, is that as you have larger districts, there tends to be economies of scale that drives the cost down. This is particularly true when you go from your very small school districts, and becomes less true as districts get larger. So for example, the moderate school district, which had about -- the prototype had about 8,000 students -- the difference between that prototype and the very large district, which has 13,000 students -- there's a \$200 per-pupil difference, which is smaller than you'd get when you have a school district of about a thousand -- a K-12 district with about 1,000 students where there is a more than a \$700 difference between that and the very large K-12 district.

The other thing I would like to point out is this is only covering the base cost of education. This does not include the additional cost for special education, at-risk, LEP. So I would encourage people to avoid making a comparison of these numbers, to say the average expenditure per pupil that you often see in things like the comparative spending guide, because those are not comparable numbers. Note the average expenditure would include those other things such as special education or (indiscernible) proficiency.

If you look at the second row here, you will see that there's an adjustment for these costs for the two small K-8 districts. The very small K-

8 district had 225 students. The very small had 225; the small had 495. When we did a costing-out process, we noticed that an incredibly large share of the resources here were targeted towards administration. About 25 percent of that base cost you saw on the first row are administrative costs. Now, there are questions as to whether or not one would want to encourage that level of cost targeted towards administration. So we did some supplemental analysis to revise the cost downwards to make the share of administrative costs similar to the share that you -- that we observed in the K-12 districts.

This next slide shows the special needs weights for the various groups that were included -- considered by the professional judgment panel: special education, at-risk, and LEP. You'll notice that there are two sets of weights, one for the K-8 districts and one for the K-12 districts. In all cases, the K-8 weights are higher than the K-12 weights, sometimes by a small margin, sometimes by a relatively significant margin.

This is-- That differential really is a result of, again, the lack of economies of scale that you have in very small school districts. This is not going to-- One thing we did not do with that adjustment, that you saw on the previous slide, is we did not adjust for the lack of economies of scale outside of administration. So to the extent that there are diseconomies of scale for instructional services or student support services, that is still in that adjusted base number. And you also see that in the weights here.

This slide shows the additional weight -- the additional adjustments made for certain types of school districts. We did not see any need to make an adjustment for the K-6 school districts that exist in New Jersey, because their grade spans overlap so much with the K-8 districts, we

figured you could use the same numbers for the K-8 districts, as well as K-6 districts.

For the 7-12 and 9-12 school districts, we have the additional adjustment, based on the different costs from -- between elementary school, middle school, and high school that we saw when we did the professional judgment panel costing-out process -- an 8 percent weight for the 7-12 district and 13 percent weight for your 9-12 districts. Additionally, when we looked at the cost differential between county vocational districts and other high school districts, we saw about a 20 percent difference between the two.

Based on the information I just provided for you, you can take a school district's enrollment data and basically come up with a total professional judgment budget. So the dollar amount to educate all of its kids, based on those results that we've just seen -- making the base cost, as well as the adjustments for the special needs students, or the grade span that the districts serve--

One additional adjustment that we've included in our analysis, that has not been used in the past in New Jersey, is an adjustment for the -- geographic adjustment for the cost of education. As many people recognize, different areas of the state have different costs of doing business, essentially based on local conditions. To account for this, we used the Cost of Education Index that was developed by Dr. Jay Chambers -- one of the previous presenters to this Committee. He developed a Cost of Education Index for all school districts in the country, on behalf of the National Center for Education Statistics. So what we were able to do was extract the data specifically for the New Jersey districts and apply it to the costs that

had already been determined, based on the other information that has already been presented.

Just to give you an understanding of what type of adjustment he is making, he basically accounts for various factors that would impact the cost of hiring comparably skilled professionals in different areas. Two of the main things he took into consideration are differences in housing costs -- because if it costs more to live in the given area, then you may demand a higher salary to account for that -- as well as the working environment. To the extent that you have a more challenging working environment -- more disruptive classrooms, for example -- a teacher may require a higher salary to address those needs, as well.

That is, essentially, the professional judgment analysis in this total. I do want to have a brief discussion of the successful school districts analysis, as well.

Before I get into that particular discussion, the Department -- given the relative merits of professional judgment versus successful school districts, we do have a preference for the professional judgment panel process, especially because it does provide the additional weights for your special needs population, something that, as we mentioned earlier, we really cannot do with the successful school districts. But you can use successful schools for identifying that base cost of doing education -- providing educational services.

In doing this analysis, we limited the analysis to K-8 and K-12 districts, just so that we could make a very clear, direct comparison to the K-8 and K-12 prototype districts included in the professional judgment. The success criteria was basically defined using the districts performance on

statewide assessments, relative to statewide, adequate yearly progress requirements. We also did some supplemental analysis, where we expanded the criteria to include factors such as student attendance rates, dropout rates, graduation rates. However, a review of that data did not substantially change the list of districts that were classified as successful, and did not substantially modify the per-pupil amount that was -- of these successful school districts.

To give you a quick summary of the results from the successful school districts analysis, we identified 305 districts -- again, just K-8 and K-12 districts -- that met the success criteria based on test scores. Seventy-five percent of all K-8 districts and about just less than two-thirds of the K-12 districts satisfied the criteria. Based on these individual school, based on these school districts, we calculated their general education expenditures per-pupil, and looked at the median expenditure for -- of these school districts as the per-pupil cost for general education, consistent with meeting the State's standards.

When we did the comparison of that median district, to the median districts for the professional judgment analysis, we actually found relative consistent results. Among the K-8 population -- K-8 districts, the per-pupil amount came to just over \$8,000. And that is about 9 percent higher than the median professional judgment panel base-per-pupil cost. Again, we're only talking about the base cost in this particular situation.

We believe that part of the primary reason that the successful school district number came out higher in this case is that we made that particular adjustment for the K-8 districts that pulled back -- that reduced some of the administrative expenditures. For K-12 districts, the two

numbers were almost identical. The median successful K-12 districts have costs of about \$8,500. This was within about \$5 of the median professional judgment panel district.

That's the presentation and the overview of the costing-out process. And I believe Dr. Augenblick is still available to -- as well as the Commissioner and myself -- to answer questions from the Committee.

ASSEMBLYMAN CONAWAY: Thank you very much for your presentation. It was very thorough and helpful.

We'll start with Senator Doria.

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

Can I ask-- It seems like we're using, in everything, the median rather than the average. What was the logic or the reasoning behind just using the median rather than the average?

MR. DUPREE: In theory, the median (*sic*) is a variable that tends to be skewed by outliers in one direction or the other. So if you have, for example, a very high salary or a very low salary, the average would not be typical of what people actually make. The median, as a figure, is much less prone to being skewed by outliers in one direction or the other.

SENATOR DORIA: So, in your analysis, you feel the median is a much more accurate predictor of what the costs would be.

MR. DUPREE: That's correct.

SENATOR DORIA: Have you actually done the average and seen that the outliers had that much of an impact upon--

MR. DUPREE: They do not have much of an impact, no.

SENATOR DORIA: They don't.

MR. DUPREE: No.

SENATOR DORIA: So in the end, the average is about the same?

MR. DUPREE: Exactly, yes.

SENATOR DORIA: So the median or average would not be so significantly difficult.

Obviously here, when you developed the cost of education -- whether you use the professional judgment panel or the successful school model -- the numbers come out to be about the same. And the numbers all seem to fall within the \$8,000 to \$9,000 range. Obviously, the cost of education is higher than that. What is not included in these models that would otherwise have to be included, as it relates to the actual cost of educating a student?

Are we not including here supplies or operation of buildings? Are we-- None of that is being included, right? This is just basic cost of education, or are any of those other elements included?

MR. DUPREE: Good question. There are a couple of things: First, the base per-pupil cost does not include the additional cost of providing special education services, which tend to be very expensive; educating at-risk students or limited English proficiency students. So that roughly \$8,000 figure you saw would have to be adjusted by these additional weights that were in one of the other slides.

Additionally, the professional judgment panel results do not include the cost of transportation services, nor does it include the cost of facilities, debt service, things of that nature. It does include your basic operations and maintenance of custodial services, things of that nature. But it does not include capital construction or transportation costs.

SENATOR DORIA: So it doesn't include debt service, obviously.

MR. DUPREE: No, it does not include debt service.

SENATOR DORIA: And it does include educational materials, and books, and those types of things.

MR. DUPREE: Yes, it does. Yes, textbooks.

SENATOR DORIA: Those are included.

But those other expenses that might be considered extraordinary, like transportation, are not included?

MR. DUPREE: That is not included, correct.

SENATOR DORIA: When you apply the weights for the special needs students, do you apply that weight only to the number of students, or do you apply that weight to the totality of the number of students in the district?

MR. DUPREE: You apply that weight to the number of -- for example, special education students or low-income students -- to the specific students with those specific characteristics and additional needs.

SENATOR DORIA: With those specific needs.

MR. DUPREE: That's correct.

SENATOR DORIA: So that you would apply-- If there were 15 autistic students, then you would take that category with the weight and then apply -- multiply that--

MR. DUPREE: That's right.

SENATOR DORIA: --for those students. So that's how you would get the actual cost.

MR. DUPREE: That's correct.

SENATOR DORIA: Okay.

As you put this all together-- This is, obviously, based on 2005 figures.

MR. DUPREE: Yes.

SENATOR DORIA: And so there would be-- Would you use the CPI then to calculate the increase, or would you use another multiplier to determine what the increase would be, per year?

MR. DUPREE: At this particular point in time, if the Committee were interested in using this particular set of results, we would probably -- essentially redo the costing-out process -- so use the most recent certificate of staff data, use the most recent data from the Bureau of Labor Statistics, as opposed to using purely inflationary adjustment.

In future years, once you have a policy established, you would probably make the adjustment based on some type of CPI or some similar indicator.

SENATOR DORIA: You just presented an interesting question to me and to, I think, the panel. Right now, we're looking at these two methodologies -- professional judgment panel and successful school model. Are you suggesting that, given all the work that's been done on this, that we look at another model, or are you suggesting that we go through a different process?

MR. DUPREE: I don't-- No, I was not suggesting either. I was suggesting using the data provided by the panel (indiscernible) and updating the costs associated with purchasing those resources, based on more recent data.

SENATOR DORIA: So it's your belief, as an expert in this field-- And I have to say-- Let me just begin by saying this: Allen, I think, is one of the best people we've ever had working on formulas. And I just want to say that very, very, very loudly. We're very fortunate he is with us. And he's done an excellent job in meetings I've had with him in the past. We're very fortunate that he is with us and is staying with us. So I want to emphasize that.

But in your professional judgment, you feel that the methodology used here, working with Dr. Augenblick and, obviously, all the work that's been put together up to this point, is the best possible methodology that we could be using, if we were to develop a new formula?

MR. DUPREE: That would be my assessment, yes.

SENATOR DORIA: At this point, there are a number of other questions I have. But I will let other questions take place. I'll come back.

Thank you.

Thank you very much.

And I want to thank the Commissioner for being here and for helping us on this. Because this is, to my mind, the most important thing we've dealt with so far.

ASSEMBLYMAN CONAWAY: Thank you, Senator Doria.

Assemblyman Wolfe.

ASSEMBLYMAN WOLFE: Thank you, Mr. Chairman.

That was an excellent presentation. And I struggled to get through statistics in graduate school, but I think I understood what you were saying.

I have several questions. Assuming that a district is spending below what the model shows, will they be required to spend up to that level?

COMMISSIONER DAVY: They would not be required to spend up to that level, particularly if their outcomes are good.

ASSEMBLYMAN WOLFE: Okay. Again, I want to say this very carefully. And I don't know if this is part of your study, but how would this impact on the 31 Abbott districts -- this formula? Would the spending be based on -- as it currently is -- on the highest spending districts, State average, or the adequacy of the models?

MR. DUPREE: The idea would be that you would, for all school districts, have one unified system for determining the cost. So the cost for the Abbott districts would be determined in the same manner for all other school districts, based on the results of the professional judgment panel.

ASSEMBLYMAN WOLFE: Okay. Do these models assume that each district would be required to make a contribution toward the cost of education?

MR. DUPREE: At this point, this is just looking at what's the total cost of education, without respect -- without taking into consideration what are going to be the resources that would yield the revenue to support those costs.

ASSEMBLYMAN WOLFE: And I just have two more questions, very quickly.

ASSEMBLYMAN CONAWAY: Go right ahead, Assemblywoman Wolfe.

ASSEMBLYMAN WOLFE: The special education costs -- are that -- include both in-district and out-of-district?

MR. DUPREE: Yes.

ASSEMBLYMAN WOLFE: Okay. And, finally, I think Mr. Augenblick mentioned, in Maryland -- used a combination of both approaches. Is that correct?

MR. DUPREE: That's correct. In Maryland, if I'm recalling their results correctly-- Unlike New Jersey, there was a significant difference -- I think about a 10 percent difference -- between the base per-pupil-cost divide, by the successful school district analysis and the professional judgment panel analysis. So they implemented their policy -- and maybe Dr. Augenblick can correct me if I'm mistaken -- basically using the successful school districts as a minimum, and the professional judgment panel amount as a maximum.

DR. AUGENBLICK: Allen, I don't know whether you can--

Can you still hear me? (affirmative responses)

Okay. We're not sure. We have something wrong with the video here, so we're not sure what's happening. But I can hear you.

And the answer to the question is exactly as Allen stated. There was a bigger difference between those two numbers in that state. And they chose to start at the successful school district number -- the lower number -- and, over time, to work toward the higher number, which was the professional judgment number, which is where they are right about now.

ASSEMBLYMAN WOLFE: Thank you very much.

ASSEMBLYMAN CONAWAY: Senator Cardinale.

SENATOR CARDINALE: Thank you, Mr. Chairman.

I'm concerned with whether there might not be, with this methodology, an inherent bias toward increasing cost.

And I understand that Dr. Augenblick has done studies in many states. Is that correct?

DR. AUGENBLICK: Yes, it is.

SENATOR CARDINALE: And the result of the studies in those states is generally that more money needs to be spent?

DR. AUGENBLICK: The amount does differ from place to place, but, in general, what we found is that in order to get all kids to the level of proficiency required by No Child Left Behind, it would require more spending.

SENATOR CARDINALE: And have you ever found one where it required less spending?

DR. AUGENBLICK: Some of the approaches-- Now, there are examples of places where using one or the other approach -- particularly the successful school district approach -- it's possible that you can come up with a number that is lower than the current average, or that there are many, many districts whose spending is actually higher than the number you come up with using the successful school district approach. It's just-- That's not the way it turned out here.

SENATOR CARDINALE: Now, let me see if I completely understand your method. And I want to just get to the basic heart of what it is that your methodology is all about.

From your presentation, what I got is that you, essentially, ask educators, whether they're employed by the Department or they're

employed elsewhere, to create a wish list. And then you take that wish list and determine what it would cost to produce that wish list. Is that--

DR. AUGENBLICK: I probably wouldn't describe it in those terms. In fact, if you looked at the instructions--

SENATOR CARDINALE: I know you wouldn't. But those are my terms. I don't expect you to like them. (laughter) Am I accurate?

DR. AUGENBLICK: At some point, maybe Allen will share with you the instructions that we actually gave people. We talk about *dream school*. And one of the things that we caution people not to do is to build a dream school. That's not the purpose of this, or the point of this. The point of it is to build a school that will deliver the results that the State wants, and nothing more. So if there are things--

One of the reasons that we sit there with those people is to -- should they come up with something that they cannot explain, in terms of producing those results, then we remind them that it should not go in there. I mean, they're free to put it in if they want. But we are there to remind them that that's really not what this is all about.

And I have to tell you that our experience in other places is that educators are incredibly parsimonious. I mean, they actually don't overdo it. They're worried that the money won't be available. They're worried that they'll be judged by the results, even though at the time that they do the work, they don't know what the results are, and obviously we don't know what the results are. Nobody knew until Allen got done. But they are concerned. And in fact, if anything, we would argue that those folks are constantly thinking about this and trying to keep it low. I don't have any proof of that, but it's just a feeling we get working the folks.

SENATOR CARDINALE: I really wish you could find some proof of that, because it's not been my experience. (laughter)

However, I would like to, first, make an observation and ask you one more question. I would observe that if you took that similar methodology and applied it to any area of human endeavor, you would invariably come up with more money needs to be spent. I don't care what area of human endeavor you might apply it to.

I'm in receipt of a report -- a critique -- of the work that you did in Kansas. And it's very interesting. One part-- It's a very lengthy report. I'm not going to burden the Committee with all of it, but I will provide copies of it to the Committee.

SENATOR JOHN H. ADLER (Co-Chair): That would be great.

SENATOR CARDINALE: A conclusion that is reached by the critic is that the professional judgment approach is deeply flawed. It confirms that educators and education activists think a great deal of additional money is needed for virtually every component of school spending. This esoteric exercise yielded little or no usable information.

Now, this is the part that I really would like to have your comment on. This method showed that successful schools -- if one applies this method to successful schools -- need 56 to 87 percent more money to accomplish exactly the same results they are already achieving.

Now, is this critic wrong, or is he basing his 56 and 87 percent numbers on some sound basis?

DR. AUGENBLICK: Let me try to answer-- You've asked a couple of things there.

SENATOR CARDINALE: I realize this only applies to Kansas. He's only writing about Kansas.

DR. AUGENBLICK: Let me just tell you about Kansas a little bit.

We did our work, at the legislature's request, several years ago. And as you might know, that information was used by some people to argue that the State was in violation of its constitutional responsibility. And, in fact, the court upheld that on the basis of our report, and said that they were not provided with as much money as was necessary.

The court gave the legislature an out by saying that the only reason they were relying on our report, by my firm, was because we were the only ones that had a report at that time. And should the legislature have another source of information, they would consider that. Until the legislature asked, a year ago, its legislative audit committee to do a study -- and their study was completed maybe six months ago -- I think it was in January or maybe later than that. And it concluded, in fact, that the amount of money that we had specified was actually somewhat lower. So the legislative audit committee went out and did their own study, used -- in some cases -- a similar methodology, and then added other methodologies. But the conclusion they drew was that, in fact, our estimates were pretty good. And, if anything, they were slightly low.

So we didn't see where that suggested that we were off the mark. We have never seen figures of the sort you just mentioned -- the 56 to 87 percent. In fact, we are used to seeing figures in the order of 10 percent or 15 percent. That's a possibility. We've never seen figures of the sort you're talking about.

SENATOR CARDINALE: What I'm reading from is titled "School Funding Study of Suspect Value (Full Report)," by Kenneth Daniel. Are you familiar with that?

DR. AUGENBLICK: No, we haven't seen that one.

ASSEMBLYMAN CONAWAY: Kenneth Daniel represents what organization, please?

SENATOR DORIA: Who is he? What's his credentials?

SENATOR CARDINALE: I'm going to give you this. You can look at it.

SENATOR DORIA: Does it have his credentials on it?

SENATOR CARDINALE: He's got a lot of--

Kenneth Daniel is a publisher of KSSmallBiz.com. He's CEO of Midway Wholesale of Topeka, a small business he founded in 1970; an advocate for small business. And he did this report for, I believe, the Montana Rural Education Association, February 2002.

DR. AUGENBLICK: I'm sorry, we're not familiar with it. I would suggest you go get a hold of the legislative audit committee report if you want to see somebody evaluating our work.

ASSEMBLYMAN CONAWAY: Senator Cardinale--

SENATOR CARDINALE: I have no further questions. It's just that I spent some time on a board of education. And I'm somewhat familiar with how educational budgets are derived. And it strikes me that there is a great deal of elective material that can or cannot be included in that budget, depending on the subjective determinations that are made by the folks who are involved in creating the budget. And that's true of all budgets.

And if one is relying on one aspect of the field, and not on all aspects of the field, it would give you an unbalanced or a tilted-end approach. And it seems to me that this approach -- if you just ask educators what they think is necessary, that's not really going to give you a rounded approach toward-- I think it's important to consider, but I don't think it should be the determining factor in your entire report.

And in light of our charge on this Committee-- It is amazing to me that with the charge that we have, which is -- and this Committee was born out of the fact that property taxes are considered to be too high by the general population in New Jersey -- that we have centered ourselves on hearing from witnesses who have almost universally -- those from the educational community -- told us we're not spending enough money. And if my boss, the people who elected me, heard that I was only going to listen to those who think my boss is wrong, I would hope that maybe we could hear from some others who think that maybe there is a way, hear from the successful school districts who are producing a quality result at lower costs.

We've heard precious little from that area. And I think that's our responsibility. I think any fool can create a greater and more perfect system if he has unlimited funds. There's no trick to that. I think our charge is to try to do it in a way that answers the public demand for some degree of economy.

I am not -- and I want to make that very clear -- suggesting that we want to -- anyone in New Jersey -- I haven't heard from anybody who wants us to sacrifice the educational opportunity of our kids to save money. But is there some way that we can do it -- and maybe there isn't a way. But I think we should at least hear from that side of the question.

ASSEMBLYMAN CONAWAY: Senator Adler.

SENATOR ADLER: Thank you, Chairman.

I share Senator Cardinale's concern that we maintain all that's good about public education and find ways to improve all that's not working well enough to meet the needs of children, consistent with our constitutional and moral obligations to society.

I'm a little surprised, hearing some of his comments about testimony that we've heard from the witnesses today, and the characterization of previous hearings. Because I think we've heard from a broad spectrum of people who have some legitimate concern about reducing costs and reducing the growth of components of our school district budgets.

And I guess I shared his concern, initially, about the PJP approach versus the SSD approach, until I looked at the last couple of lines of the last slide that was shown by Allen and Lucille, in which -- I guess it indicates roughly the same costs -- cost average arose with the SSD models and with the PJP model.

I don't think I was hearing testimony from Dr. Augenblick or Mr. Dupree that we were trying to create the dream prototype. And I think a couple different speakers -- Dr. Augenblick initially -- hastened to change the terminology from *prototype* to *hypothetical model* so we weren't talking about the dream vehicle for public education, but instead a realistic model for public education based on the current parameters.

And if we look at successful school districts, and the costs about what this professional judgment panel model suggests it should cost, then maybe they actually got it right. Maybe, by chance, and maybe inherently the PJP model invites the opportunity for mischief. But, statistically, it

looks like they kind of got it right. And so I get comforted, as I look at the last couple of lines of that last slide, in which it looks like it costs about the same under each model.

I wonder if the Commissioner, or Mr. Dupree, or Dr. Augenblick would comment about the two different approaches, and what New Jersey yielded from the two different approaches in terms of its base figures.

DR. AUGENBLICK: Well, let me -- just because I can't see you, let me throw in a comment, and then I'll let the others go ahead.

Our experience, really, is somewhat different in different states. It is typical that you would get a lower number out of the successful school district than you would out of the PJP. To me that suggests, as the speaker just suggested, that perhaps the folks that we were working with did get it right.

Again, they didn't know what was right and what was wrong. And neither did we, sitting with them. We had no idea what we were coming up with, other than a set of resources designed to produce a particular result. And that's really what we are all concerned about.

You're trying to hold people accountable, and you should, and you do. But you have to give them the resources to assure that they can actually meet your expectations. And all we were trying to do was to figure out what that was. The fact that the two numbers are as close as they are suggests that, as I said before, the educators are fairly parsimonious. They were coming up with what they thought would work. And as it turns out, the cost of doing that matches what does work. That is unusual in this

work. And you should, I think, be comforted by that fact. It's very unusual to get that result.

MR. DUPREE: I would just reiterate what Dr. Augenblick just said. The fact that we have used two different methodologies -- one that included the stakeholders, one that's purely data driven, with people at DOE at their computers crunching numbers -- yielded very similar results, really does lead to a certain level of comfort that the methodologies used for -- or the resources specified by the professional judgment panels were reasonable and consistent with what one would expect in this particular context.

COMMISSIONER DAVY: I would just like to take us back to one of the reasons why we really started this work. And that was the fact that we didn't have a funding formula that could be used for all of New Jersey's school districts. And we knew that there was inequity being created by having, really, two different ways of funding schools.

And the other piece I think we have to keep in mind is the fact that we need to make sure that what we move forward with is constitutional and will pass the New Jersey Supreme Court's review. And I would just add that into your conversations, as you move this forward.

SENATOR ADLER: I can tell I'm around smart educators, because I'm using words like "get it right," and you're saying inequity, and methodology, and parsimonious. (laughter) So I'm very impressed to be around smart people.

Dr. Augenblick, if I could ask you a question about methodology-- You talked earlier about how, in many states where you've served in this sort of capacity, you've done the process yourself. You've set

up the panels, and you've set all the parameters, and you've done it, and you've analyzed the data, and you've essentially cranked out a formula. And, here, you described earlier how you were acting as-- You said the Department of Education wanted to maintain control, and you were giving guidance, you were facilitating, you were translating, you were applying info, but the Department was doing it.

Can you tell me, based on that difference, whether you think if you would have done it all yourself, as you've done in some other states, you would have yielded a different result?

DR. AUGENBLICK: Well, I can tell you this -- and somebody mentioned before -- not every state has Allen Dupree. And that makes a difference.

We felt very comfortable with the work that was being done. And Allen stayed in close contact with us so that, as there were problems or issues or things that we all wondered about, we really resolved them together.

We offer this opportunity to any state we work with -- that they maintain control -- because they have the data and the numbers. And sometimes it's cheaper and easier. Sometimes -- and in most cases -- they choose not to do that. And in your case, they did. We feel very comfortable, and we're very glad that Allen and others in the Department were involved. And we have no question about the accuracy of the information, the legitimacy, or anything else.

SENATOR ADLER: I'm done.

ASSEMBLYMAN CONAWAY: Assemblyman Stack.

ASSEMBLYMAN STACK: Thank you, Mr. Chairman.

Thank you, Commissioner; thank you, Allen, for your testimony today.

I just have a quick question for Dr. Augenblick. Looking at the comparison, and getting it off the Education Law Center Web site -- I was able to get a print out.

I'd like to thank them, also, for all the work they've done to bring us to light.

When you look at the Abbott districts, I think it would be fair to say -- this is a question, again for Dr. Augenblick -- that the Abbott districts pretty much have it right on the spending that's been done so far. If you look at any of the districts, and you make the comparison, would it be fair to say that they pretty much have it right?

DR. AUGENBLICK: That I don't know. I mean, I have not seen all of the comparative work that Allen did. What we believe is that the methodology produces results that are as applicable in Abbott districts as non-Abbott districts. And there's no reason, from our perspective, to draw distinction between the two. Any district that is large, or small, or has a high proportion of at-risk kids, or low proportion of-- You need to understand what the fiscal implications of those things are. And we think that the work that's been done does that.

To the extent that an Abbott district has a higher proportion of at-risk kids, or a higher proportion of special ed, or a higher proportion of LEP, or is bigger or smaller than another district -- we think we have been able to accurately estimate what the cost would be of providing the materials, and programs, and supplies, and so on, and services to raise those kids up to the level that you expect them to be at. And we don't see any

reason to distinguish between those districts and any other district any more than we do between K-8, and K-12, or big and small, other than for those factors that we have been able to calculate.

ASSEMBLYMAN STACK: Thank you.

Just one question for the Commissioner. This Committee, obviously, has been charged with coming up with a new school formula. Why has it taken so long? And, to date, we still don't have a copy of Dr. Augenblick's report. Why is that?

COMMISSIONER DAVY: Well, first of all, Dr. Augenblick never prepared a report. That's a myth, I guess, that's developed over time. And I think you can ask him that. I think he'll tell you the same thing.

This work was started back in 2002, and I guess--
2002 or 2003?

MR. DUPREE: 2002.

COMMISSIONER DAVY: And the Department did some work on it. And, again, that was before my time as the Commissioner. But the work, really, never moved forward. It kind of got put on a shelf, frankly, temporarily. When there's obviously a movement to address creating a new school funding formula, it made sense to go back to this work, because it was considerable work that had been done.

The one concern that we had was, initially, all that work was old numbers, and all that stuff had to be brought up-to-date. And as you know, you're still really working from numbers that are from Fiscal 2005 and not 2006. We still have to do that to get it up to last year's figures.

So I think that there has certainly been an interest in creating a more equitable and a single, unified formula. I spoke about it in the budget

hearings when I testified earlier this year, and we were underway, working on that. As you can probably tell, this isn't stuff you do overnight. This is, obviously, a big step. And I think it was tried twice in the '90s, and both times it wasn't found to be constitutional. So I think the real goal here is to do it right and in a way that will be found constitutional.

ASSEMBLYMAN STACK: Commissioner, just so I understand this correctly, there was no report given, there was no letter given, there was no paper done on all the work that was done by Dr. Augenblick to the Department of Education?

COMMISSIONER DAVY: Not to my knowledge.

DR. AUGENBLICK: And I can reiterate, just to support the Commissioner.

We never wrote a report. We were asked to provide technical assistance, in many of the ways that Allen described and that I described to you. We were asked to run those tests, and we were asked to help on the calculations. But we never prepared a report. There was never a report from us to the State on this particular model.

ASSEMBLYMAN STACK: And how much was exactly spent on this whole entire study?

DR. AUGENBLICK: That's a good question.

ASSEMBLYMAN STACK: On Dr. Augenblick's work.

COMMISSIONER DAVY: I don't know the answer to that. We can get that for you.

DR. AUGENBLICK: I don't know either, I'm afraid. That was a while back, and we'd have to look. But there are contracts, and you certainly can find those.

ASSEMBLYMAN STACK: Okay. Thank you.

ASSEMBLYMAN CONAWAY: Very good.

Before some are going to go for a second time, I did want to ask a few questions.

And, I guess, testing Senator Cardinale's premise-- As you've looked at these formulas and run some of these numbers, presumably, there has been a comparison done against the current or recently -- recent spending. Did you find that the numbers were very divergent or, as I suspect has happened, that there are some districts that might be doing better, some districts doing worse; and that there's not a lot of variation, moving forward, suggesting that folks sort of sat down and sort of whisked themselves up a Wizard of Oz kind of school?

Thoughts on that?

MR. DUPREE: The analysis we did internally, comparing the professional judgment results, with all the adjustments included, to the actual expenditures really suggested that, in the aggregate-- On average, districts spend an amount very close to the professional judgment panel amount. I believe there was about, on average, a -- the professional judgment was about 2 percent, 3 percent, maybe 5 percent higher.

That being said, there is considerable variation around that average. So you had some districts that were substantially below, some districts that were substantially above.

ASSEMBLYMAN CONAWAY: Dr. Augenblick, you mentioned, as you were doing your work for New Jersey, that you provided certain data to the Department as they went to develop a costing analysis. I was wondering, generally, what that data was, or perhaps you can suggest

what they were in specific. I noticed that you suggested that our teachers here, in the state, are somewhat underpaid. And I know that those things are sort of done by negotiation. I wondered why you thought -- and the Department can answer this, as well -- why we should adjust up, when, through negotiations, we might be getting a decent deal -- at least by 1.5 percent -- on what we're paying for teachers.

And I wondered, also, as you did your analysis -- this is a correlated question -- are there things that New Jersey needs to do to improve this process of costing? Is there certain data that we, in the government, need to make sure is being collected by districts? Are there gaps there that we need to fill in? I'd appreciate any thoughts you have on that point.

DR. AUGENBLICK: Let me answer each of those.

In the first one, we did provide some information to the Department about the relative salary position of one state versus another. We do what a lot of people do when they look at that. We looked at the average salary. But then we felt we should adjust for differences that might exist between your state and your neighboring states in things like the number of years of experience, or the proportion of people that had higher degrees -- master's degrees and above -- and, certainly, in the cost-of-living differences that exist from one state to another.

And so we did that adjusting. And once we did, among the states -- and I don't have this in front of me -- but among the states, there were probably some that were higher, and there were probably some that were lower. But, on average, your state was just slightly lower -- just a little bit lower -- than the average of those other states. And we suggested that it

might be important to think about whether you needed to pay more money in order to attract the people that needed to be there and to keep them there. This is primarily because it's going to get more and more difficult to get those kids to the levels of proficiency that we're talking about, and you want the very best people that you can get. And since you're competing, we assume, with people that are surrounding you, that information just tells you the extent to which -- how well you're competing. If you think you've got the people that you need and they're qualified the way they need to be, then you don't have to do anything about it. But the data suggests that perhaps a small adjustment might be necessary.

As far as the data goes, your state, like many states, only can collect so much information without putting an undue burden on people. One of the things that most states have a difficult time doing is telling you exactly how much they're spending on at-risk kids. They can tell you how much money they're receiving from the State or they can tell how much they're receiving from the Federal Government, but they often can't tell you how much to spend. And one of the things that we would wish that all states do, and I think it's true in New Jersey, is to be able to get that information. It's not easy to get.

The other thing -- and this is for the long-term solution, and you should think about it -- the question is whether or not you're interested in getting information at the school level. You've got a lot of districts, and that's hard enough to deal with. But the question is whether or not you'd be better informed if you had information at the school level. Most states don't have that. A couple of states have undertaken to try to get it. And it turns out to be useful if you can look at it. And so, both in terms of getting

it -- data on how people are spending money, how much they're spending for at-risk too, and getting school level data -- and perhaps you have this and I just haven't seen it. Those are the areas that I would suggest you might want to improve your data collection.

ASSEMBLYMAN CONAWAY: Just to follow up, can you explain why -- and I want to get to the Commissioner to ask about this school-level data -- but why is it hard to collect this spending data on at-risk kids? What's the-- I know that there might be issues of trying to calculate the cost of sending someone to an outplacement, whether you count going to a special services school as an outplacement of a private school; but are you talking about the fact that there are a lot of alternative educational models applied to these children, or is there something else that makes this data collection so difficult? Because, of course, a lot of money is being spent there and certainly one of our charges is on the accountability end. So what do you see is the big barrier there, the problem?

DR. AUGENBLICK: Now, were you asking me in Denver, or were you asking--

ASSEMBLYMAN CONAWAY: I'm asking you in Denver. I mean, you mentioned that it's difficult to get this data, and it just struck me as odd that we can't get data from something that we're doing.

DR. AUGENBLICK: Well, it's very difficult because you've got lots -- you don't track data by students. That's really the real problem here. So it's not as if you ask people, "Well, how much time is being spent on this student, or how much time is being spent on that student?" All -- it's just not the way we do things. A way to do it might be to -- when people are assigned to different tasks, they can actually code what they're doing, so

that you know this person is spending most of their time in a regular classroom, but they're spending this much time on another situation. Even that, the problem is you've got, let's say, smaller class sizes that are at-risk. And oftentimes they're not separated out; they're embedded in the regular classroom. And it just becomes -- unless you're tracking things by student, it becomes almost impossible to separate it out.

Now, they have been able to do it for special education, because that's been a Federal requirement for a long time. And it used to be fairly easy to deal with those kids who are oftentimes taken out of the classroom and dealt with separately. And then it's relatively easy to track it. But much more difficult, today, is when you have both students in special ed who are actually in regular classrooms, which is the new theory of dealing with (indiscernible). Then it becomes difficult even to know how much money is being spent on special education. It sounds like a simple question, but it turns out to be a difficult thing for districts to provide without overburdening them to provide it.

ASSEMBLYMAN CONAWAY: Commissioner Davy?

COMMISSIONER DAVY: Well, I would say that we're in the process of creating a student-level database, so we will be able to track individual students. Although in all honesty, I don't think, at least not in the first year or so, that we'll know how children are spending 15-minute increments of their time. I would assume over time we might be able to make the database robust enough to count that kind of information. But I don't think we would, in honesty, be able to do that right away.

ASSEMBLYMAN CONAWAY: Mr. Dupree, you mentioned this 1.5 percent cost adjustment on teachers' salaries. Were there other inflationary adjustments that you included in this model?

MR. DUPREE: Well, based on the analysis--

ASSEMBLYMAN CONAWAY: I mean, I assume -- maybe inflationary adjustment is the wrong thing. You might say a leveling adjustment against teachers. But other upward adjustments -- I'd be curious to know how they might have worked their way into these models.

MR. DUPREE: I mean, we essentially applied that 1.5 percent adjustment to all certificated staff, since there tends to be this stacking, if you will, of a salary; so teachers make this, or supervisory personnel will make X amount more, versus superintendents making a certain amount more. We applied the 1.5 percent across the board to all certificated staff, but that was the only adjustment to the salaries.

ASSEMBLYMAN CONAWAY: Assemblyman Wolfe.

ASSEMBLYMAN WOLFE: Yes.

Dr. Augenblick, you may not be familiar with this term, but in New Jersey we used to talk about *inside the box* and *outside the box* in terms of how much money was being spent for an adequate education in New Jersey. And I am very concerned, based on what you and Commissioner Davy responded to Assemblyman Stack's question about the cost of the study. There is no study. And now we're talking about the prototypical districts. I would like to request that the Committee be given information or data that would let us see what were the criteria and what were these prototypical districts. Because basically, the Department can't tell us how much they spent on "no" study, and you can't tell us how much you received for a

“no” study. So we have to come up, obviously, with a funding formula. And I’m very concerned. As a legislator, as I think Senator Cardinale said, we are responsible to a large groups of people for really what we come up with. And I certainly am not going to endorse something that I really don’t know, number one, what it’s based on; and number two, what really was spent for the outcome of the product. You don’t have to respond to that. I’m just really saying that as a statement. I think it’s very-- To me, it’s mind-boggling. We’ve come this far. I mean, I know there’s been a court case seeking to get a copy of “the study.” And I have heard that the State had paid for “the study” in 2002 and 2003. And for us, today, to find out there is no study, and we don’t know what was paid or how much we received-- So that’s basically my comment.

ASSEMBLYMAN CONAWAY: I know that you’ll want to clarify that. And we’re talking about two separate processes, I think. There was a process in ’03, and we’re talking about a process that we’re using now. And you already committed to looking up the contract cost and things like that, providing them to the Committee, but go ahead and clarify.

COMMISSIONER DAVY: We’ll be very transparent about that. I just said that I don’t know the number sitting here today. But we’ll produce the number for you. That’s not a secret, and it’s something that will be in our records. We’ll tell you how much we spent on it. What I said was, he did not produce an actual report. As he, I think, explained, the Department did a good deal of the work itself. He provided guidance, he provided expertise, and answered a lot of questions, and helped move this thing along. But he never did a report, “Here’s what New Jersey should do for school funding formula.” That was done within the Department. And

we would be very happy to produce for you the backup for all of these conclusions -- what the professional judgment panels concluded, what Allen took -- the inputs that he took to produce the resource amounts. This is-- We're not trying to hide anything. We'd be very happy to provide all that information to you so you can consider that, as you decide whether or not this is the best way to move forward.

ASSEMBLYMAN CONAWAY: Very good.

Now, Commissioner, you mentioned that there are going to be questions -- that you're concerned about the constitutionality of what we do. And there have been a number of suggestions out there that we provide some sort of base level of funding across districts, or that a formula should account for some base level of funding -- across districts, regardless of the characteristics of the students therein. What's your assessment, based on what you know, of the likelihood of that kind of formulation passing constitutional muster?

COMMISSIONER DAVY: I don't feel qualified to answer that right now. I know that that's been raised, but I'd rather leave that to the lawyers. And frankly, they have not given us an opinion one way or the other at this point.

ASSEMBLYMAN CONAWAY: Senator Doria had a question.

SENATOR DORIA: Yes. I have a number of questions as it relates to maybe methodology, but obviously the issue of adequacy is an important issue -- as we discussed the relationship to the court approval, and also as it relates to any development of the formula. When you selected those 300-and-some-odd successful school districts, what was the basis of that selection?

MR. DUPREE: They were based on the review of the 2004-2005 student performance on the 2004-2005 statewide assessments, being consistent with the AYP requirement included in New Jersey administration code.

SENATOR DORIA: Okay. One of the issues would be that -- at least as it relates to the courts-- Traditionally, the I and J districts in the State of New Jersey are the most successful districts and are the highest performing. Am I correct in saying that?

MR. DUPREE: Yes.

SENATOR DORIA: Were all those districts included in the successful school district model, or the majority of those districts?

MR. DUPREE: If you look at, across the spectrum, the majority of districts from DEFG, about F -- DE on up were included in that model. In other words, the majority of school districts in all of these categories -- except for, probably, the three lowest categories -- were deemed successful in this analysis.

SENATOR DORIA: The reason why I asked that is, that when you look at the base cost for those I and J districts, we're talking about an expenditure of in excess of \$11,000 on a traditional basis, that base cost. So I'm wondering how we got now -- since the majority of those districts, the I and J districts, their base cost would be 11,000, and we did 300 districts -- and many of those 100-and-some-odd I and Js would be in that 300, since you said that we went basically above F on the district factor grouping. That how do we come up with, under the successful school district model, the \$8,300, \$8,400 base figure?

MR. DUPREE: The \$11,000 figure you're referring to includes expenditures for things like special education, at-risk, LEP, expenditures that are included in the I and J districts. I do not readily know what the per-pupil amount would be among the I and J districts if you were to strip those additional parts out.

SENATOR DORIA: So that's important to understand, and I think it's important for everybody. So we're talking about a base figure here that doesn't include the special ed.

MR. DUPREE: That's correct, yes.

SENATOR DORIA: And we said that earlier -- doesn't include transportation.

MR. DUPREE: That's right.

SENATOR DORIA: Does it include a lot of the things that might otherwise be considered to be base in a traditional, definitional process?

MR. DUPREE: In the absent-- That's correct, yes.

SENATOR DORIA: Now, what we would traditionally define as base in this instance, special ed usually is just included in the base. Here, it's not included, for example, in the base.

MR. DUPREE: It's not in the base. There's the additional weight for -- that base is adjusted based on the additional weight of special education students. That's correct.

SENATOR DORIA: Okay. So that would be one of the mitigating factors as it relates to what the base figure should be?

MR. DUPREE: Well, the base-- Just to clarify, the base figure is -- at least as we're discussing in this particular context -- the cost of educating a kid who has no additional special needs.

SENATOR DORIA: Who has no other additional needs.

MR. DUPREE: Right.

SENATOR DORIA: So what we're saying here -- that the figure that we're using as the base figure, whether it be for the successful school district model or the professional judgment panel model, is basically the same in New Jersey -- from what Dr. Augenblick said and what you and the Commissioner have said.

MR. DUPREE: That's correct.

SENATOR DORIA: The next question relates to the issue of this base figure being the adequate education. Would you consider that this is sufficient for an adequate education, the adequacy issue?

MR. DUPREE: The purpose of the analysis is to come to some -- is to identify some of the resources and the cost of those resources that would provide sufficient resources for districts to meet the standard. It's possible that, when we take a closer look at the data, there may be districts who spend less who do fine, districts who spend more who still have educational problems. But this is an estimate of a reasonable cost for providing the educational services.

SENATOR DORIA: One of the things that you said, which is interesting, is that there are successful schools, obviously, that fall into the district factor grouping below F. But most of them were not included in that successful school district model.

MR. DUPREE: No. If they were successful in terms of their student performance on the 2004-2005 school year assessments, they were included in the successful school district analysis.

SENATOR DORIA: There was a much smaller number percentage wise than there would be of anything above that. Am I correct in saying that or not?

MR. DUPREE: It's not a much smaller percentage. I don't know the exact numbers off the top of my head. But once you get beyond a certain point, you see 80 or 90 percent of the districts in those groupings.

SENATOR DORIA: So it is a smaller percentage model. Because if you see 89 to 90 percent of those above district factor grouping F, then there's going to be -- then you're only doing about half the districts in the state in the successful school district model. Then it's going to have to be a much smaller percentage of those who are below district factor grouping F, logically.

ASSEMBLYMAN CONAWAY: But isn't there-- I'm sorry. I and J districts, they're not as nearly-- We're not talking about hundreds of I and J districts. They're relatively--

SENATOR DORIA: There's over 100 I and J districts.

ASSEMBLYMAN CONAWAY: I and J districts and--

SENATOR DORIA: There are over 100 I and J districts.

MR. DUPREE: There are about 120-something I and J districts.

SENATOR DORIA: So about -- easily 20 percent of the school districts in the state are I and Js.

MR. DUPREE: However, just to clarify, the successful school district analysis was limited to K-8 and K-12 districts. So of those 125, for example, I and J districts, some of them may only be K-6 districts or 7-12, 9-12 districts. So we have to be a little bit careful in making that comparison. I don't have the data in my head, exactly.

SENATOR DORIA: Okay. I'm just trying-- I understand you don't, Allen, and I'm not trying to catch you up. I'm just trying to get an understanding for everybody here of where we are. So what I'm trying to get across, really, is that the attempt here is -- between the two models that were used -- is to come up with a figure that is probably the most rational, reasonable figure for what the base cost of education is, understanding that it doesn't include things like special education, or debt service, or a number of other items. And that the successful school model which was used, was basically used in most instances -- and I say this, and you don't have to agree at this point -- but seemingly more than 50 percent of those would be districts that are above the D -- FG -- F.

MR. DUPREE: That's the course that I should -- can go back and answer.

SENATOR DORIA: And it would be interesting to get back to us on that, because that would be helpful, I think--

MR. DUPREE: Of course.

SENATOR DORIA: --just to know where we are on that. No?

ASSEMBLYMAN CONAWAY: Can I follow on that point?

SENATOR DORIA: Sure.

ASSEMBLYMAN CONAWAY: But this is-- I don't believe that just because one is spending a lot of money, I and J -- that's money well

spent. And I think that there's a real question about-- And if you've got somebody spending up there, doesn't mean that's money well spent. And indeed, you might get the same educational outcome spending a lot less, and we certainly see districts that spend a lot less and get very high outcomes. So I don't know that we-- I mean, and this is the whole problem we have. We're trying to make this unity across-- You jump from I and J, and across the whole state there is a -- that drives a lot of spending. And I guess--

SENATOR DORIA: That's not what I'm trying to say.

ASSEMBLYMAN CONAWAY: But following on what the Senator has mentioned, aren't there enough districts in there to account for-- Because we're trying to hit in an average, so we can ply it across all of the folks in there. Are there enough lower-spending efficient districts -- somebody might say, although that might not be a good term either -- but districts that are achieving high outcomes that spend considerably less, that are not I and J, that are in there perhaps to decrease the impact of I and J when you look at the overall number? I mean, and then that -- what you're trying to do when you put that together.

MR. DUPREE: Among the-- The expenditures among the successful school districts did vary considerably from the low end to the high end. So without looking at the numbers at this exact moment, I think we have over 300 districts included in the analysis, and there is a wide difference in their expenditure level. So you do get, when you look at that median, something that is probably substantially larger than the lowest spending district, but still substantially lower than the highest spending district.

Just to be clear, this particular analysis does not get into what a successful school district is spending its money on. So there is that possibility that a district could be successful without spending quite as much, but it's not something that gets looked at in this particular analysis.

SENATOR DORIA: And that's an important issue. Because I think that was the next point I was going to make, is that this analysis doesn't really define what a successful district is. You're using the AYP standards, but you don't go into the total definitions of how the money is being spent and why the district may be successful. For example, just like you don't include special ed in the base cost. You're not including at-risk student aid either. Right?

MR. DUPREE: Right. That's correct, yes.

SENATOR DORIA: So that's another element. So that when the I and J districts are doing better, they may be spending it on other things, but they're not spending it, let's say, on at-risk students, for sure. Because the at-risk is not within the base cost.

MR. DUPREE: Right. That's an accurate characterization.

SENATOR DORIA: As well as the special ed, as well as the debt service. So that's important to understand that. The next question relates, because it ties to what Senator Cardinale said. All of this deals with the cost factor. It doesn't deal at all with the distribution of State aid to districts. Am I correct?

COMMISSIONER DAVY: Yes.

MR. DUPREE: That's correct, yes.

SENATOR DORIA: That it's important to understand that this is the first step in development of a formula that determines what the

need is. Then to determine, based upon the other factors that go into a formula -- based upon equalized value of land, income of citizens, and all of those various issues. Then how the money is distributed, and creating equity in State funding for education. That's the next step. And that would be the next step in the creation of a formula, which we really have not gotten into as of yet. Because the issue becomes, and I know -- just to take and follow up a little bit on Senator Cardinale -- the issue here becomes -- and my constituents are looking at this and saying, not necessarily, are we going to spend less money, but are we going to give more money to some school districts that are getting not adequate amounts of money in funding. And so they're paying an inordinate amount of their property taxes for school aid to run the schools; when they should be maybe getting more money in State aid to run those schools, which would have a positive impact on property taxes.

So that's another part of how property taxes decrease. And that is, more equitable funding through a formula that uses this kind of information as the first step, to then distribute the money more equitably across the board in the state, which would have a positive impact upon property taxes. And so that's really where we are, and what the next step in the process would be. So we've been, up to this point, discussing what is adequate funding, the creation of adequate funding base cost. We're now going to have to move, at some point, to the next step -- is, how do we adequately distribute them in an equitable matter to school districts throughout the state. That's the next issue. And it may mean we spend less, but most of all, it means that the amount of money -- distribution system has to be changed, and that's what the formula basically is.

Thank you, Mr. Chairman.

ASSEMBLYMAN CONAWAY: Thank you.

Senator Cardinale.

SENATOR CARDINALE: Senator Doria has gone over a great deal of what I was going to ask. But I want to reemphasize something. You see, when Senator Adler called our attention to these SSD results on the last page of this study, which is not a report, or whatever this is, I jumped to the conclusion that of these 305 school districts, in order for these numbers to make any kind of sense, the very high spending of the I and J districts would have to be skewing this number to the upside. There is no -- it's counterintuitive that wish-list based funding would otherwise be equivalent to the successful school district model, unless you had a number of very high-spending districts skewing that overall model.

Therefore, what I would like to ask you, when you produce this information for us, is to give us a complete breakdown of what those 305 school districts are spending per pupil and what their categories are. Are they I, J, right on down the line. Because Senator Adler is right to question my conclusion, if these are all average school districts. But these are not average school districts -- it's impossible.

ASSEMBLYMAN CONAWAY: Well, let me just follow up and ask this question. Now, I -- and I'll repeat it, because I think I asked it before. The analysis that you've conducted and the numbers that you have therefore produced across these districts, are they very divergent from what is currently being spent? That is, if you're making the argument that some fanciful district has been used to drive numbers -- which I guess in some folk's mind are askew or very much higher -- then I would expect that there

be a great discordance between what we're actually spending and what's going to be predicted by a new spending formula. Do we have that? Do we have this great discordance which would call into question the very work that you've done? Have we created by -- through your process, some mythical, sort of fairyland kind of district?

MR. DUPREE: Using the professional judgment approach, on average the districts are spending very-- The professional judgment panel resources costs are very similar to -- within 5 percent of what districts are currently spending. There is wide variation around that. So you have districts that spend more, you have districts that spend less. I think a little more than half of all districts are within plus-or-minus 10 percent of their professional judgment number. But in the aggregate, the numbers are very close, but there is that variation across districts.

ASSEMBLYMAN CONAWAY: And let me also get to this point. Now, we don't have a spending formula, a school funding formula that the court recognizes as being consistent with our Constitution. And my understanding is -- and if you don't have the answer to this, you don't have to answer, it's for somebody else. But we're, in the Abbotts, as I understand it -- the court has looked at the I and J and said, "They're spending this over here. Because you don't have a formula," -- and that's the important thing -- "because you don't have a formula, they're spending this in the I and J, and therefore you have to spend this in the Abbotts." Is that what's happening?

SENATOR DORIA: Yes.

ASSEMBLYMAN CONAWAY: Senator Doria says, "Yes." What's your thought about it? I mean, if you don't have the answer,

that's fine. Senator Doria has an opinion, and I sort of agree with that, but what's your thought? (laughter)

COMMISSIONER DAVY: Well, if I understand the question, I think the court, in absence of a formula, said, "Here's what you ought to do." But I think they left open the opportunity for the Legislature to put in place a formula that would be constitutional. I'm not sure if that's your question. But I think, absent having a formula, that's how we got where we are.

ASSEMBLYMAN CONAWAY: I guess we'll have to clarify. Because we don't have a formula, the court is falling back on this construct. We've heard this in other testimony that we're going to -- and other folks that have come -- that we're going to look at what they spend in the I and J, and we're going to spend this in the Abbott districts. And whatever you have left, you spend elsewhere. That's the bind that we're in.

COMMISSIONER DAVY: Yes. And that's really the reason why we wanted to create a methodology to determine adequate resources that would get beyond that, so that we didn't have that problem.

ASSEMBLYMAN CONAWAY: Assemblyman Wolfe.

ASSEMBLYMAN WOLFE: Yes. I want to jump into the bind here.

Commissioner, the bind I'm in is these figures that we have on the basic education costs of a hypothetical district -- I'm looking at the very large K-12. I'm looking where I live. This says \$8,000 is the average, I guess, the base, but does not include special ed, all those extra things. The report card says the district where I live spends \$6,600 per pupil, which does include transportation and all those other things. So definitely they're

going to be behind the eight ball, I would assume, when it comes to funding, if this does not include--

COMMISSIONER DAVY: You know what? I don't know if that's an apples-to-apples comparison.

ASSEMBLYMAN WOLFE: Well--

COMMISSIONER DAVY: It definitely doesn't-- The weights on the next page are the -- kind of what I would call the multipliers--

ASSEMBLYMAN WOLFE: Okay.

COMMISSIONER DAVY: --for the regular education amounts, which are on the previous page for students that are in these various categories. If they're spending 6,600 and that's including special ed and everything else, that's seems like a very low figure. I mean, that's got to be one of the lowest in the state.

ASSEMBLYMAN WOLFE: And transportation.

The report that comes out on all schools in the state on the spending, does that reflect transportation, does that reflect special ed?

COMMISSIONER DAVY: Do you mean the one we put on out in the newspaper?

ASSEMBLYMAN WOLFE: Yes.

MR. DUPREE: The school report card includes two, per-pupil amounts. One is the comparative cost, which does not include transportation, and then there's the total cost, which does include transportation, as well as other expenditures.

ASSEMBLYMAN WOLFE: Okay. So I'm still pretty low.

MR. DUPREE: Well, we'll have to take a look at that, David.

ASSEMBLYMAN WOLFE: I'm only saying that as--

Beg your pardon, guys?

SENATOR ADLER: I was whispering to Herbert. I think your numbers are wrong.

ASSEMBLYMAN WOLFE: No, no. Pardon?

SENATOR ADLER: Respectfully, I think your numbers are wrong. I don't think it's \$6,600 a pupil in Dover Township. I could be wrong.

ASSEMBLYMAN WOLFE: No, Brick Township.

SENATOR ADLER: Brick Township. No, I don't think it's right.

ASSEMBLYMAN WOLFE: But Dover is a little bit higher.

SENATOR ADLER: I'll bet you're off by several thousand dollars. Now, I don't know your district that well, but I'm just thinking you're off substantially.

ASSEMBLYMAN WOLFE: Well, okay. I'm only saying that because we're looking -- I'm looking at this in a tax frame, and I'm looking at one district -- how is it going to impact on the rest of the districts that may be in similar situations? Because when I hear districts talking about how much money their getting, they're talking about the average cost that they're spending. The *Asbury Park Press* talks about how much money is being spent on the Abbott districts or the other districts in their circulation area. So they're coming up with a cost factor that's about the same for the average district, that I would assume includes transportation. I don't know. No one is here from the *Asbury Park Press*.

ASSEMBLYMAN CONAWAY: I don't think you have the data at your hand to answer that question. And of course, when we're

done, every legislator is going to be looking very carefully to see what happens in their particular districts, I am certain.

ASSEMBLYMAN WOLFE: Yes, we will.

COMMISSIONER DAVY: Yes. And if we can provide additional information when we have that kind of data available-- My staff actually did get the information on Dr. Augenblick's contract, so if you don't mind, I'll just present that. Since the contract, to date, \$130,000 has been authorized, although it is not all expended. It was -- phase one was \$45,000; phase two was \$85,000. I apologize, I don't have the breakdown of what that means, but that was the total, although the 130 has not yet been completely spent.

ASSEMBLYMAN CONAWAY: And you said the contract date of--

COMMISSIONER DAVY: Well, this says January 10 of '03. I'm guessing that, by the time we did all the paperwork and got it through all the hoops and jumps, that it was probably January of '03 before it was actually signed. But that's what our budget office has given me.

ASSEMBLYMAN CONAWAY: Great.

Are there other questions?

Senator Cardinale.

SENATOR CARDINALE: We've received these sheets that were prepared by the Education Law Center. You're familiar with these? They were in, I think, one of the newspapers, and I guess that's how we got them. It lists a column--

COMMISSIONER DAVY: I've seen the tables in the newspaper. I've not seen whatever the Law Center may be distributing.

SENATOR CARDINALE: Well, I don't know if this is something that exists in your database and has simply been copied, or is this something that the Education Law Center just created as a chart from some other database which they received from you.

COMMISSIONER DAVY: I think it's created from other information that they got from us. Certainly whatever appeared in the newspaper was not what we released.

SENATOR CARDINALE: Okay.

COMMISSIONER DAVY: I mean, we didn't provide that.

SENATOR CARDINALE: I think it would be very useful to all of us on this Committee if you took these materials and you added a little -- two other columns to them, so that we can make an evaluation. They give you the name of the town; they give you the category of the school, whether it's a CDI, whatever; the total actual spending. And then what it says is your DOE adequacy level. They make a couple of other calculations, mathematical calculations. But if you would give us the number of pupils; and where that school falls in terms of your determination of whether it's a successful school or not a successful school, and any gradations that you have in terms of the success of the school -- I think that would be very meaningful to us as we look at these numbers and try to make some kind of sense out of them.

COMMISSIONER DAVY: We'll provide that with the one--

ASSEMBLYMAN CONAWAY: The other thing, those numbers -- those are old numbers. Now we're producing new numbers.

COMMISSIONER DAVY: That's what I was going to tell you.

ASSEMBLYMAN CONAWAY: New numbers are going to be produced, and it would seem to me that to spend a large deal of time with numbers that are already obsolete and not going to be used would probably not be the best use of one's time. But I'm only in charge, I guess, of my time. But we've got new numbers coming, and we'll await those as this process moves forward.

Anybody else with questions? (no response)

Let me just say this: I agree very much with the stated goal of the Governor and a number of us on this Committee that we need to move to a new era in how we fund schools. Now, there are a lot of people who are committed to this old, broken process that has been in and out of the court, and has left us with funding headaches that are unbelievable, and a property tax system that fails those who pay for it; and indeed, I think also fails those whose education depends on it. So we've got a tough row to hoe here -- a lot of vested interests that want failure. But I know, speaking for myself, and I think a lot of others on this Committee and the Legislature, that we understand how important it is that we move to a funding formula that looks at students as an individual, so that we can get away from the geographic basis on which we fund schools and actually have a school funding formula that actually meets constitutional muster. Wouldn't that be nice?

So keep up the good work. Thank you for your presentation; it's been excellent. And we will be there with you, a shoulder, in trying to get this process done.

COMMISSIONER DAVY: Thank you very much.

MR. DUPREE: Thank you.

(MEETING CONCLUDED)