



ANALYSIS OF THE NEW JERSEY BUDGET

**DEPARTMENT
OF EDUCATION**

FISCAL YEAR

2008 - 2009

NEW JERSEY STATE LEGISLATURE

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DEPARTMENT OF EDUCATION

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Fiscal Summary (\$000)

| | Expended FY 2007 | Adjusted Appropriation FY 2008 | Recommended FY 2009 | Percent Change 2008-09 |
|----------------|---------------------|--------------------------------------|------------------------|------------------------------|
| State Budgeted | \$10,335,830 | \$11,043,116 | \$11,637,762 | 5.4% |
| Federal Funds | \$832,047 | \$796,823 | \$846,099 | 6.2% |
| <u>Other</u> | <u>\$14,569</u> | <u>\$16,407</u> | <u>\$17,634</u> | <u>7.5%</u> |
| Grand Total | \$11,182,446 | \$11,856,346 | \$12,501,495 | 5.4% |

Personnel Summary - Positions By Funding Source

| | Actual FY 2007 | Revised FY 2008 | Funded FY 2009 | Percent Change 2008-09 |
|-----------------|-------------------|--------------------|-------------------|------------------------------|
| State | 443 | 443 | 451 | 1.8% |
| Federal | 224 | 204 | 216 | 5.9% |
| <u>Other</u> | <u>256</u> | <u>234</u> | <u>233</u> | <u>(.4%)</u> |
| Total Positions | 923 | 881 | 900 | 2.2% |

FY 2007 (as of December) and revised FY 2008 (as of January) personnel data reflect actual payroll counts. FY 2009 data reflect the number of positions funded.

Key Points

- The total recommended State appropriation for the Department of Education in FY 2009 is \$11.638 billion. This is an increase of \$595 million, or 5.4 percent, over the total adjusted appropriation for FY 2008. The proposed appropriation for the department represents a larger share of the total State budget relative to FY 2008. The proposed FY 2009 budget accounts for 35.3 percent of the total proposed State budget for FY 2009, an increase over the FY 2008 share of 32.8 percent of adjusted appropriations.
- The total recommended appropriation for the department, including federal and other funds, is \$12.501 billion. This is an increase of 5.4 percent over the adjusted appropriation for FY 2008.

Key Points (Cont'd)

- The proposed growth in State appropriations in the department is driven by increases in State school aid pursuant to the "School Funding Reform Act of 2008" (SFRA), P.L.2007, c.260, and language included in the proposed budget. The proposed State aid appropriation for FY 2009 is \$11.544 billion. This figure is \$614.1 million, or 5.6 percent, more than the adjusted FY 2008 appropriation of \$10.930 billion.
 - The proposed FY 2009 budget includes an appropriation of \$7.299 billion for General Formula Aid, an increase of \$1.065 billion (17.1 percent) over the FY 2008 adjusted appropriation that is due to growth in State aid under the provisions of SFRA as well as the consolidation of a number of State aid categories. As a result of this consolidation, it is not possible to compare the change between the adjusted appropriation in FY 2008 to the proposed appropriation in FY 2009 for many aid categories. Equalization aid is the single largest State aid category within General Formula Aid, accounting for \$5.666 billion, or 77.6 percent of the total. Adjustment aid, with a proposed allocation of \$849.1 million, is the second largest aid category and represents 11.6 percent of the General Formula Aid total. Preschool education aid, with a total proposed appropriation of \$543.8 million (7.5 percent of total General Formula Aid) is the only other category to account for at least 5 percent of the total.
 - The proposed FY 2009 budget includes a recommended appropriation of \$73.5 million for Miscellaneous Grants-In-Aid; this amount is \$40.4 million (35.5 percent) less than the FY 2008 adjusted appropriation. This proposed reduction results from the elimination of three programs: 1) Evening School for the Foreign Born (\$211,000), 2) Charter School – Council on Local Mandates (\$13.3 million), and 3) Adult and Postsecondary Education Grants (\$28.7 million). The recommended FY 2009 budget includes an appropriation of \$24.5 million for Charter School Aid, an increase of \$1.8 million (8.1 percent) over the adjusted FY 2008 appropriation. Pursuant to proposed language on page D-104, a portion of this appropriation will be used to provide additional aid to school districts. See the department's response to Discussion Point 17 for a listing of school districts that will receive Charter School Aid.
 - As a result of the implementation of SFRA, three forms of State aid are eliminated in the proposed budget and consolidated into General Formula Aid. All State support for Bilingual Education, Programs for Disadvantaged Youth, and General Vocational Education is provided on a wealth-equalized basis as part of equalization aid.
 - The recommended FY 2009 budget allocates \$770.1 million for Special Education. This is a decrease of \$178.3 million (18.8 percent) from the FY 2008 adjusted appropriation. It is important to note, however, that a portion of State support for special education is now included on a wealth-equalized basis as part of equalization aid. The recommended appropriation for one component, Extraordinary Special Education Aid, \$52 million, is unchanged from the adjusted appropriation for FY 2008. Based on the December 12, 2007 report provided by the department pursuant to SFRA, an appropriation of \$91.2 million would be necessary to provide the full amount of aid to districts in FY 2009. This \$52 million proposed appropriation would provide 57 percent of the funding. See the department's response to Discussion Point 9 and the

Key Points (Cont'd)

background paper titled *Extraordinary Special Education Aid* for additional discussions.

- Language included on page D-104 of the proposed budget would authorize additional appropriations, not to exceed \$15 million, to be allocated as SDA New Facilities Transition Aid; this aid is not included in the total proposed department appropriation. The language notes that the funding would be distributed based on criteria to be developed by the commissioner. See the department's response to Discussion Point 14 for additional discussion of this provision.
- The total proposed FY 2009 appropriation for Facilities Planning and School Building Aid is \$703.9 million, an increase of \$48.5 million (7.4 percent) over the FY 2008 adjusted appropriation. This overall proposed increase is the result of additional appropriations in two areas. The appropriation for School Construction and Debt Service Aid, \$58.1 million, is an increase of \$12.7 million (28.1 percent) over the FY 2008 adjusted appropriation. The School Construction and Renovation Fund recommended appropriation is \$542.7 million, \$45.7 million (9.2 percent) more than the FY 2008 adjusted appropriation. These proposed increases are offset by a decrease in School Building Aid; the proposed appropriation of \$103.1 million is \$9.9 million (8.8 percent) less than the FY 2008 adjusted appropriation.
- The recommended FY 2009 appropriation for Teachers' Pension and Annuity Assistance, \$2.295 billion, is \$31.4 million (1.4 percent) more than the FY 2008 adjusted appropriation. The proposed appropriation for Social Security Tax is \$739.6 million, an increase of \$22.4 million (3.1 percent) over the FY 2008 adjusted appropriation. Additionally, the recommended FY 2009 appropriation for Debt Service on Pension Obligation Bonds is \$112.5 million, an increase of \$9.0 million (8.7 percent) over FY 2008. The recommended appropriation for the State's contribution of the Teachers' Pension and Annuity Fund, \$661.4 million is the same as the appropriations made in FY 2007 and FY 2008; this appropriation represents approximately 49 percent of the actuarially determined amount needed to fully fund the State's obligation for FY 2009.
- The FY 2009 proposed budget recommends a total Direct State Services appropriation of \$75.0 million. This figure is \$3.4 million (4.4 percent) lower than the FY 2008 adjusted appropriation. Many of the proposed decreases appear to be in areas responsible for implementing certain department and legislative priorities.
 - The recommended FY 2009 appropriation for Early Childhood Education, \$2.4 million, is \$219,000 (8.3 percent) less than the FY 2008 adjusted appropriation. This program area will be responsible for assisting districts in planning for the expansion of preschool education opportunities as required in SFRA.
 - The FY 2009 proposed budget includes an appropriation of \$2.5 million for Facilities Planning and School Building Aid, a reduction of \$274,000 (9.9 percent) from the FY 2008 adjusted appropriation. This decrease is proposed at the same time that the Executive Branch has indicated that it will request legislation to increase the Economic Development Authority's bonding limit to

Key Points (Cont'd)

resume the construction of school facilities projects in the SDA (former Abbott) districts.

- The proposed appropriation in the FY 2009 budget for District and School Improvement, totals \$8.5 million. This funding level is \$246,000 (2.8 percent) below the FY 2008 adjusted appropriation. This programmatic area is responsible for assisting districts and schools in which deficiencies have been identified through the New Jersey Quality Single Accountability Continuum (NJ QSAC) or the Collaborative Assessment and Planning for Achievement process.
- The recommended FY 2009 budget includes an appropriation of nearly \$7.0 million for Service to Local Districts, a decrease of \$73,000 (1.0 percent) from the FY 2008 adjusted appropriation. This programmatic area, which includes the executive county superintendents' offices, is responsible for implementing NJ QSAC and additional school district oversight pursuant to P.L.2007, c.63.
- The proposed FY 2009 budget recommends an appropriation of \$18.5 million for Grants-In-Aid, a decrease of \$13.2 million (41.8 percent) from the FY 2008 adjusted appropriation.
 - Most of this reduction is due to the elimination of the Preschool Expansion and Enhancement Grants program, for which \$10 million were appropriated in FY 2008.
 - The recommended appropriation for FY 2009 to Liberty Science Center – Educational Services is \$3 million, a \$2.8 million (47.8 percent) reduction from the FY 2008 adjusted appropriation. The proposed FY 2009 appropriation for Teacher Preparation, \$103,000, is \$85,000, or 45.2 percent, less than the FY 2008 adjusted appropriation.
- The FY 2009 budget proposal eliminates all capital construction appropriations, which totaled \$2.8 million in FY 2008, from the department's budget. Language included on page F-7 of the FY 2009 proposed budget would appropriate \$2.6 million for similar capital projects from a proposed Long Term Obligation and Capital Expenditure Reserve.
- Evaluation data provided on page D-100 project a continuing decrease in the total student population in the State. The projected resident enrollment in FY 2009 of 1,429,092 is approximately 4,400 students (0.3 percent) less than the revised FY 2008 estimate and more than 19,000 (1.3 percent) less than the FY 2006 enrollment.
- The projected average spending per pupil in FY 2009 is \$17,719; this is a \$655 (3.8 percent) increase relative to FY 2008 average spending per pupil.
 - Local revenue accounts for \$9,182, or 51.8 percent, of the total estimated FY 2009 average per pupil expenditure. This is an increase of \$208 per pupil, or 2.3 percent, over the previous year. While local revenue per pupil has increased on a consistent basis, local revenue as a share of total revenue has declined each year since FY 2006 when 53.9 percent of all education revenue was generated locally.

Key Points (Cont'd)

- Proposed State aid totals \$7,984 per pupil in FY 2009, or 45.1 percent of the projected average education spending. The proposed per pupil aid represents an increase of \$449, or 6.0 percent over State aid per pupil in FY 2008. As a share of average per pupil spending, State aid has steadily increased since FY 2006 when State revenue accounted for 42.4 percent of the average education funding.
- Projected federal revenue per pupil for FY 2009, \$553, is not substantively different from the FY 2008 level of \$555. This figure represents 3.1 percent of the average education funding in the upcoming fiscal year and continues a steady decline since FY 2006.

Background papers:

- School Funding Reform Act of 2008p. 46-56
- Extraordinary Special Education Aidp. 57-62
- Special Education Census-Based Funding.....p. 63-67
- Geographic Cost Adjustment.....p. 68-72
- Preschool Education Aid..... p. 73-77
- Additional State School Aid Awards.....p. 78-79

Fiscal and Personnel Summary

AGENCY FUNDING BY SOURCE OF FUNDS (\$000)

| | Expended FY 2007 | Adj. Approp. FY 2008 | Recom. FY 2009 | Percent Change | |
|---------------------------------|---------------------|----------------------------|---------------------|----------------|-------------|
| | | | | 2007-09 | 2008-09 |
| General Fund | | | | | |
| Direct State Services | \$85,346 | \$78,410 | \$74,998 | (12.1%) | (4.4%) |
| Grants-In-Aid | 36,054 | 31,688 | 18,453 | (48.8%) | (41.8%) |
| State Aid | 802,205 | 916,206 | 1,015,495 | 26.6% | 10.8% |
| Capital Construction | 1,168 | 2,800 | 0 | (100.0%) | (100.0%) |
| Debt Service | 0 | 0 | 0 | 0.0% | 0.0% |
| Sub-Total | \$924,773 | \$1,029,104 | \$1,108,946 | 19.9% | 7.8% |
| Property Tax Relief Fund | | | | | |
| Direct State Services | \$0 | \$0 | \$0 | 0.0% | 0.0% |
| Grants-In-Aid | 0 | 0 | 0 | 0.0% | 0.0% |
| State Aid | 9,411,057 | 10,014,012 | 10,528,816 | 11.9% | 5.1% |
| Sub-Total | \$9,411,057 | \$10,014,012 | \$10,528,816 | 11.9% | 5.1% |
| Casino Revenue Fund | \$0 | \$0 | \$0 | 0.0% | 0.0% |
| Casino Control Fund | \$0 | \$0 | \$0 | 0.0% | 0.0% |
| State Total | \$10,335,830 | \$11,043,116 | \$11,637,762 | 12.6% | 5.4% |
| Federal Funds | \$832,047 | \$796,823 | \$846,099 | 1.7% | 6.2% |
| Other Funds | \$14,569 | \$16,407 | \$17,634 | 21.0% | 7.5% |
| Grand Total | \$11,182,446 | \$11,856,346 | \$12,501,495 | 11.8% | 5.4% |

PERSONNEL SUMMARY - POSITIONS BY FUNDING SOURCE

| | Actual FY 2007 | Revised FY 2008 | Funded FY 2009 | Percent Change | |
|------------------------|-------------------|--------------------|-------------------|----------------|-------------|
| | | | | 2007-09 | 2008-09 |
| State | 443 | 443 | 451 | 1.8% | 1.8% |
| Federal | 224 | 204 | 216 | (3.6%) | 5.9% |
| All Other | 256 | 234 | 233 | (9.0%) | (0.4%) |
| Total Positions | 923 | 881 | 900 | (2.5%) | 2.2% |

FY 2007 (as of December) and revised FY 2008 (as of January) personnel data reflect actual payroll counts. FY 2009 data reflect the number of positions funded.

AFFIRMATIVE ACTION DATA

| | | | | | |
|------------------------|-------|-------|-------|-----|-----|
| Total Minority Percent | 28.5% | 27.9% | 28.7% | --- | --- |
|------------------------|-------|-------|-------|-----|-----|

Significant Changes/New Programs (\$000)

| <u>Budget Item</u> | <u>Adj. Approp.</u> <u>FY 2008</u> | <u>Recomm.</u> <u>FY 2009</u> | <u>Dollar</u> <u>Change</u> | <u>Percent</u> <u>Change</u> | <u>Budget</u> <u>Page</u> |
|---|---------------------------------------|----------------------------------|--------------------------------|---------------------------------|------------------------------|
| Total Appropriation, Department of Education | \$11,043,116 | \$11,637,762 | \$594,646 | 5.4% | D-95 |

The proposed FY 2009 State appropriation for the Department of Education totals \$11.638 billion, representing an increase of \$594.6 million (or 5.4 percent) over the adjusted FY 2008 appropriation of \$11.043 billion. This growth rate is identical to the percent change between FY 2007 and FY 2008. As the following tables and discussion will demonstrate, the overall increase is driven exclusively by the growth in State aid; the proposed appropriations for Direct State Services, Grants-In-Aid, and Capital Construction are lower in the proposed budget than the corresponding FY 2008 adjusted appropriation.

Direct State Services

| | | | | | |
|--|-----------------|-----------------|------------------|-----------------|-------------|
| Total Direct State Services | \$78,410 | \$74,998 | (\$3,412) | (4.4%) | D-96 |
| Educational Programs and Assessment | \$28,215 | 26,615 | (\$1,600) | (5.7%) | D-96 |
| Grants Management | \$469 | \$371 | (\$ 98) | (20.9%) | D-96 |
| Service to Local Districts | \$7,036 | \$6,963 | (\$ 73) | (1.0%) | D-96 |
| Early Childhood Education | \$2,625 | \$2,406 | (\$ 219) | (8.3%) | D-96 |
| District and School Improvement | \$8,758 | \$8,512 | (\$ 246) | (2.8%) | D-96 |
| Facilities Planning and School Building Aid | \$2,758 | \$2,484 | (\$ 274) | (9.9%) | D-96 |
| School Finance | \$4,979 | \$4,478 | (\$ 501) | (10.1%) | D-96 |
| Compliance and Auditing | \$3,103 | \$3,007 | (\$ 96) | (3.1%) | D-96 |
| Administration and Support Services | \$11,587 | \$11,282 | (\$ 305) | (2.6%) | D-96 |

Significant Changes/New Programs (\$000) (Cont'd)

| <u>Budget Item</u> | <u>Adj. Approp. FY 2008</u> | <u>Recomm. FY 2009</u> | <u>Dollar Change</u> | <u>Percent Change</u> | <u>Budget Page</u> |
|--------------------|---------------------------------|----------------------------|--------------------------|---------------------------|------------------------|
|--------------------|---------------------------------|----------------------------|--------------------------|---------------------------|------------------------|

The recommended FY 2009 appropriation for Direct State Services is \$74.998 million, a \$3.412 million (4.4 percent) decrease from FY 2008. As the above tables show, most program areas within the department would be subject to a reduction, although the budget recommendation proposes FY 2009 funding equal to the FY 2008 adjusted appropriation in three areas (Professional Development and Licensure, Student Transportation, and Student Services). Nearly half of the total proposed reduction to Direct State Services occurs in Educational Programs and Assessment. This program is reduced by \$1.6 million, or 5.7 percent. A total of \$1.088 million of the overall reduction in Educational Programs and Assessment is in the General Education Development (GED) program; this reduction represents 73.8 percent of the FY 2008 adjusted appropriation for that program. School Finance is reduced by \$501,000 (10.1 percent). It should be noted that most of this reduction reflects a one-time appropriation in FY 2008 of \$500,000 for the purpose of developing a new school funding formula.

Certain reductions are notable given key department and legislative initiatives. There is a proposed reduction of \$219,000 (8.3 percent) to Early Childhood Education as the department is to begin assisting districts plan for the significant expansion of required preschool programs. Service to Local Districts, which includes the executive county superintendent offices responsible for oversight of districts required under the New Jersey Quality Single Accountability Continuum (NJ QSAC) and the implementation of additional responsibilities under P.L.2007, c.63, is reduced by \$73,000 (1.0 percent). District and School Improvement, responsible for addressing deficiencies identified through the implementation of NJ QSAC and the Collaborative Assessment and Planning for Achievement process, is decreased by \$246,000 (2.8 percent). Finally, the recommended FY 2009 budget includes a reduction of \$274,000 (9.9 percent) to Facilities Planning and School Building Aid despite the stated intent of the Executive Branch to request legislation to increase the Economic Development Authority's bonding limit in order to continue school facilities projects in the SDA (former Abbott) districts.

Grants-In-Aid

| | | | | | |
|--|-----------------|-----------------|-------------------|------------------|--------------|
| Total Grants-In-Aid | \$31,688 | \$18,453 | (\$13,235) | (41.8%) | D-96 |
| Preschool Expansion and Enhancement Grants | \$10,000 | \$0 | (\$10,000) | (100.0%) | D-101 |
| Liberty Science Center – Educational Services | \$5,750 | \$3,000 | (\$2,750) | (47.8%) | D-114 |
| Teacher Preparation | \$188 | \$103 | (\$ 85) | (45.2%) | D-114 |

The proposed total FY 2009 appropriation for Grants-In-Aid, \$18.453 million, is a \$13.235 million (41.8 percent) reduction from the adjusted appropriation for FY 2008. The majority of the decrease, \$10.0 million, is the result of the elimination of the Preschool

Significant Changes/New Programs (\$000) (Cont'd)

| <u>Budget Item</u> | <u>Adj. Approp. FY 2008</u> | <u>Recomm. FY 2009</u> | <u>Dollar Change</u> | <u>Percent Change</u> | <u>Budget Page</u> |
|--------------------|---------------------------------|----------------------------|--------------------------|---------------------------|------------------------|
|--------------------|---------------------------------|----------------------------|--------------------------|---------------------------|------------------------|

Expansion and Enhancement Grants program which is no longer necessary due to the inclusion of preschool education aid in the "School Funding Reform Act of 2008" (SFRA), P.L.2007, c.260. The proposed grant to Liberty Science Center – Educational Services is reduced by \$2.75 million (47.8 percent) to \$3 million. The proposed funding for Teacher Preparation is decreased to \$103,000, a reduction of \$85,000 or 45.2 percent.

State Aid

| | | | | | |
|---------------------------------|---------------------|---------------------|------------------|--------------|-------------|
| Total State Aid | \$10,930,218 | \$11,544,311 | \$614,093 | 5.6% | D-97 |
| General Fund | \$916,206 | \$1,015,495 | \$99,289 | 10.8% | D-97 |
| Property Tax Relief Fund | \$10,014,012 | \$10,528,816 | \$514,804 | 5.1% | D-97 |

The FY 2009 recommended budget proposes an appropriation for State Aid of \$11.544 billion, increasing the appropriation over FY 2008 by \$614.1 million, or 5.6 percent. A slightly greater share of State Aid (8.8 percent) is supported by the General Fund than in FY 2008 (8.4 percent). The overall increase in State Aid is a result of the implementation of SFRA.

| | | | | | |
|----------------------------------|--------------------|--------------------|--------------------|----------------|--------------|
| Total General Formula Aid | \$6,233,785 | \$7,298,955 | \$1,065,170 | 17.1% | D-101 |
| School Choice | \$8,306 | \$7,851 | (\$ 455) | (5.5%) | D-102 |

The FY 2009 budget recommendation includes significant growth in General Formula Aid. The increase of nearly \$1.1 billion to \$7.299 billion is 17.1 percent above the adjusted appropriation in FY 2008. As an examination of other tables will show, this increase is partly due to the consolidation of various State aid categories into equalization aid, the State aid category that provides support for educational services on a wealth-equalized basis. The 5.5 percent decline in School Choice Aid reflects the fact that the Interdistrict Public School Choice Program has expired and new students are not enrolling in participating choice districts. In the absence of new legislation, it is expected that the appropriation for School Choice Aid will continue to decline as the students graduate or cease to enroll in the choice districts for other reasons.

| | | | | | |
|--|------------------|-----------------|-------------------|------------------|--------------|
| Total Miscellaneous Grants-In-Aid | \$113,900 | \$73,504 | (\$40,396) | (35.5%) | D-101 |
| Evening School for the Foreign Born | \$211 | \$0 | (\$ 211) | (100.0%) | D-102 |
| Charter School Aid | \$22,643 | \$24,478 | \$ 1,835 | 8.1% | D-102 |

Significant Changes/New Programs (\$000) (Cont'd)

| <u>Budget Item</u> | <u>Adj. Approp.</u> <u>FY 2008</u> | <u>Recomm.</u> <u>FY 2009</u> | <u>Dollar</u> <u>Change</u> | <u>Percent</u> <u>Change</u> | <u>Budget</u> <u>Page</u> |
|---|---------------------------------------|----------------------------------|--------------------------------|---------------------------------|------------------------------|
| Charter School – Council on Local Mandates | \$13,335 | \$0 | (\$13,335) | (100.0%) | D-103 |
| Adult and Postsecondary Education Grants | \$28,721 | \$0 | (\$28,721) | (100.0%) | D-103 |

The recommended FY 2009 appropriation for all Miscellaneous Grants-In-Aid, \$73.504 million, is a reduction of \$40.396 million (35.5 percent) from FY 2008. The majority of the reduction is due to the elimination of Adult and Postsecondary Education Grants (\$28.721 million) and Charter School – Council on Local Mandates (\$13.335 million). The appropriation for Evening School for the Foreign Born, which provides grants to school districts that operate evening classes in English and citizenship, is also eliminated (\$211,000).

The proposed FY 2009 budget would appropriate \$24.478 million for Charter School Aid. This is an increase of \$1.835 million, or 8.1 percent, over the FY 2008 adjusted appropriation. It should be noted the purposes for which these funds are appropriated are different from previous years. In FY 2009, Charter School Aid will be provided to charter schools to ensure that the total amount of revenue received from resident districts and the State is no less than the amount received in FY 2008. Additionally, a portion of Charter School Aid will be allocated to districts in which the increase in the payment due to charter schools is greater than the increase in the districts' State aid for FY 2009. Please see the department's response to Discussion Point 17 for a listing of charter schools and districts that will receive this aid.

| | | | | | |
|--------------------------------------|-----------------|------------|-------------------|------------------|--------------|
| Total Bilingual Education | \$65,578 | \$0 | (\$65,578) | (100.0%) | D-101 |
|--------------------------------------|-----------------|------------|-------------------|------------------|--------------|

The separate appropriation for Bilingual Education is eliminated in the proposed FY 2009 budget. Under the provisions of SFRA, State aid for students possessing limited English proficiency is included in equalization aid. Bilingual Education is an example of an appropriation that has been consolidated and accounts for a portion of the increase in General Formula Aid.

| | | | | | |
|---|------------------|------------|--------------------|------------------|--------------|
| Total Programs for Disadvantaged Youth | \$266,310 | \$0 | (\$266,310) | (100.0%) | D-101 |
|---|------------------|------------|--------------------|------------------|--------------|

In FY 2008, Programs for Disadvantaged Youth included the appropriations for demonstrably effective program aid and targeted at-risk aid. State aid for at-risk students is included in equalization aid under SFRA; as a result, the FY 2009 budget does not include an appropriation under this program class.

Significant Changes/New Programs (\$000) (Cont'd)

| <u>Budget Item</u> | <u>Adj. Approp.</u> <u>FY 2008</u> | <u>Recomm.</u> <u>FY 2009</u> | <u>Dollar</u> <u>Change</u> | <u>Percent</u> <u>Change</u> | <u>Budget</u> <u>Page</u> |
|--|---------------------------------------|----------------------------------|--------------------------------|---------------------------------|------------------------------|
| Total Special Education | \$948,420 | \$770,131 | (\$178,289) | (18.8%) | D-101 |
| Special Education Categorical Aid | \$0 | \$718,131 | \$718,131 | — | D-103 |
| Special Education Aid | \$896,420 | \$0 | (\$896,420) | (100.0%) | D-103 |
| Extraordinary Special Education Aid | \$52,000 | \$52,000 | 0 | — | D-103 |

The proposed FY 2009 budget appropriates \$770.131 million for Special Education. Relative to the FY 2008 adjusted appropriation, this is a decrease of \$178.289 million (18.8 percent). This decrease in Special Education, however, is due to the fact the SFRA provides some special education aid as categorical aid (as seen in the item titled Special Education Categorical Aid, for which \$718.131 million would be appropriated under the recommendation) and some special education aid on a wealth-equalized basis. The wealth-equalized component of special education is included in equalization aid and would appear in the General Formula Aid table above.

The recommended FY 2009 appropriation for Extraordinary Special Education Aid, \$52 million, is equal to the FY 2008 adjusted appropriation. Under the provisions of SFRA, the amount of State aid payable to districts in the 2008-2009 school year is determined by a report prepared by the commissioner dated December 12, 2007, with certain exceptions for specific circumstances requiring an increase in aid. An appropriation of \$91.2 million would be necessary to fully fund the extraordinary aid figures shown in that report. Based on the proposed appropriation of \$52 million, school districts would receive approximately 57 percent of the extraordinary special education aid shown in that report. Please see the background paper titled *Extraordinary Special Education Aid* for a further discussion.

| | | | | | |
|--------------------------------------|----------|-----|------------|-----------|-------|
| County Vocational Program Aid | \$38,948 | \$0 | (\$38,948) | (100.0%) | D-109 |
|--------------------------------------|----------|-----|------------|-----------|-------|

County Vocational Program Aid is provided to support the higher costs associated with operating vocational programs. Under SFRA, funding for these educational services is wealth-equalized and provided as part of equalization aid.

| | | | | | |
|-------------------------------|-----------|-----------|------------|---------|-------|
| Student Transportation | \$316,247 | \$296,774 | (\$19,473) | (6.2%) | D-114 |
|-------------------------------|-----------|-----------|------------|---------|-------|

SFRA did not revise the method by which transportation aid is awarded to districts. State aid is calculated based on the number of students transported and the average distance traveled between home and school. SFRA stipulates that, for FY 2009, districts will receive approximately 81 percent of the transportation aid to which they would have been entitled under the formulas included in SFRA; this proration holds the total amount of transportation aid

Significant Changes/New Programs (\$000) (Cont'd)

| <u>Budget Item</u> | <u>Adj. Approp.</u> <u>FY 2008</u> | <u>Recomm.</u> <u>FY 2009</u> | <u>Dollar</u> <u>Change</u> | <u>Percent</u> <u>Change</u> | <u>Budget</u> <u>Page</u> |
|--|---------------------------------------|----------------------------------|--------------------------------|---------------------------------|------------------------------|
| Total Facilities | | | | | |
| Planning and School Building Aid | \$655,436 | \$703,923 | \$48,487 | 7.4% | D-114 |
| School Building Aid | \$112,997 | \$103,050 | (\$9,947) | (8.8%) | D-114 |
| School Construction Debt Service Aid | \$45,394 | \$58,137 | \$12,743 | 28.1% | D-114 |
| School Construction and Renovation Fund | \$497,045 | \$542,736 | \$45,691 | 9.2% | D-114 |

The recommended FY 2009 appropriation for Facilities Planning and School Building Aid, \$703.923 million, represents an increase of \$48.487 million (7.4 percent) over the FY 2008 adjusted appropriation. The largest component of this program class is the School Construction and Renovation Fund, with a recommended appropriation of \$542.736 million in FY 2009, an increase of \$45,691 (9.2 percent). This appropriation provides funding for debt service of bonds issued by the Economic Development Authority under the provisions of the "Educational Facilities Construction and Financing Act" (EFCFA), P.L.2000, c.72. School Construction and Debt Service Aid, which assists districts in paying the debt service of locally issued bonds for school facilities projects pursuant to EFCFA, has a proposed increase of \$12.743 million (28.1 percent) to a total of \$58.137 million (see the department's response to Discussion Point 16). These two increases are offset by a recommended decrease for School Building Aid of \$9.947 million (8.8 percent) from the FY 2008 adjusted appropriation. School Building Aid supports debt service of locally issued bonds for school facilities projects that were initiated before the effective date of EFCFA.

| | | | | | |
|---|-------------|-------------|----------|------|-------|
| Total Teachers' | | | | | |
| Pension and Annuity Assistance | \$2,264,096 | \$2,295,460 | \$31,364 | 1.4% | D-114 |
| Social Security Tax | \$717,150 | \$739,550 | \$22,400 | 3.1% | D-114 |
| Debt Service on Pension Obligation Bonds | \$103,472 | \$112,510 | \$ 9,038 | 8.7% | D-115 |
| Teachers' Pension and Annuity Fund | \$661,383 | \$661,383 | 0 | — | D-114 |

Significant Changes/New Programs (\$000) (Cont'd)

| <u>Budget Item</u> | <u>Adj. Approp. FY 2008</u> | <u>Recomm. FY 2009</u> | <u>Dollar Change</u> | <u>Percent Change</u> | <u>Budget Page</u> |
|--------------------|---------------------------------|----------------------------|--------------------------|---------------------------|------------------------|
|--------------------|---------------------------------|----------------------------|--------------------------|---------------------------|------------------------|

The Teachers' Pension and Annuity Assistance program class includes appropriations that provide for the employer's share of contributions into the Teachers' Pension and Annuity Fund (TPAF) as well as the employer's share of the Social Security Tax. The recommended FY 2009 appropriation, \$2.295 billion, is an increase of \$31.364 million (1.4 percent) over the FY 2008 adjusted appropriation. There is a projected \$22.400 million (3.1 percent) increase in the FY 2009 recommended appropriation to reimburse school districts for the cost of the employer's share of the Social Security Tax.

The recommended FY 2009 appropriation for the State's contribution to the Teachers' Pension and Annuity Fund (TPAF) is \$661.383 million, the same as the FY 2008 adjusted appropriation. This proposed appropriation will provide approximately 49 percent of the actuarially determined amount for full funding of the TPAF in FY 2009. The proposed FY 2009 appropriation for Debt Service on Pension Obligation Bonds is \$112.510 million; this is an increase of \$9.038 million (8.7 percent) over FY 2008.

Capital Construction

| | | | | | |
|--|----------------|------------|------------------|------------------|--------------|
| Total Capital Construction | \$2,800 | \$0 | (\$2,800) | (100.0%) | D-98 |
| Fire Protection – Marie H. Katzenbach School for the Deaf | \$2,400 | \$0 | (\$2,400) | (100.0%) | D-106 |
| Fire Sprinkler Systems, Various Regional Day Schools | \$400 | \$0 | (\$ 400) | (100.0%) | D-118 |

The FY 2009 recommended budget eliminates the line item appropriations within the Capital Construction program class. However, language included in the budget (page F-7) appropriates a total of \$2.560 million from the Long Term Obligation and Capital Expenditure Reserve to the department for similar capital projects. This total includes a recommended appropriation of \$560,000 for Fire Protection - Marie H. Katzenbach School for the Deaf and \$2 million for Fire Sprinkler Systems, Various Regional Day Schools.

Language Provisions

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Of the amount appropriated hereinabove for Preschool Expansion and Enhancement Grants, such sums as are necessary for the purpose of paying the cost of an independent needs assessment of existing "non-Abbott" preschool programs shall be transferred to the Office of Early Childhood Education in Direct State Services, subject to the approval of the Director of the Division of Budget and Accounting.

No comparable language.

Explanation

The FY 2008 budget included a \$10 million appropriation for Preschool Expansion and Enhancement Grants to provide additional funding to preschool providers that enrolled a significant share of low-income students and were located in nonAbbott communities. The FY 2008 language provided that the Department of Education could allocate a portion of the funding for the purpose of conducting an independent needs assessment of preschool programs in nonAbbott districts. According to a press release dated February 4, 2008, the department awarded grants totaling \$8.5 million and retained the balance for the needs assessment. The proposed FY 2009 budget does not continue this funding. See the department's response to Discussion Point 5 for additional information regarding the needs assessment.

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Notwithstanding the provisions of section 9 of P.L.1977, c.192 (C.18A:46A-9), the per pupil amount for compensatory education for the **[2007-2008]** school year for the purposes of computing Nonpublic Auxiliary Services Aid shall equal **[\$908.80]**, provided however, that the commissioner may adjust the per pupil amounts based upon the nonpublic pupil population and the need for services.

p. D-104

Notwithstanding the provisions of section 9 of P.L.1977, c.192 (C.18A:46A-9), the per pupil amount for compensatory education for the 2008-2009 school year for the purposes of computing Nonpublic Auxiliary Services Aid shall equal \$995.33 and the per pupil amount for providing the equivalent service to children of limited English-speaking ability shall be \$1,015, provided however, that the commissioner may adjust the per pupil amounts based upon the nonpublic pupil population and the need for services.

Explanation

Language Provisions (Cont'd)

Both the FY 2008 and proposed FY 2009 language address the per pupil amount of aid for compensatory education services for nonpublic school pupils. The proposed FY 2009 language impacts two components of the calculation that determines the amount of Nonpublic Auxiliary Services Aid that will be awarded in FY 2009. Under this language provision, the per pupil amount for compensatory education will increase to \$995.33 per pupil, 9.5 percent more than the amount included in the FY 2008 Appropriations Act. Per pupil aid for students with limited-English speaking ability is reduced to \$1,015 per pupil; this is approximately 20 percent less than the per pupil support provided last year pursuant to the provisions of section 9 of P.L.1977, c.192 (C.18A:46A-9).

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No comparable language.

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p. D-104

From the amount hereinabove appropriated for Integration Assistance Aid, there is appropriated \$4,000,000 for Englewood City School District, \$500,000 for Teaneck Township School District, and \$500,000 for Montclair Town School District to assist with the implementation of integration programs, subject to the approval of the Director of the Division of Budget and Accounting.

Explanation

The FY 2008 Appropriations Act included \$4 million in funding for the Englewood City School District to continue implementing its school integration program. Previous budgets included similar funding for the Montclair School District; however, a \$1 million appropriation for Montclair included by the Legislature in the FY 2008 Appropriations Act was eliminated by the Governor in a line-item veto. The proposed FY 2009 budget increases funding to \$5 million and provides this language for Integration Assistance Aid which combines the grants that had been provided to these two districts in prior fiscal years and also recommends providing an allocation to the Teaneck School District for similar purposes.

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No comparable language.

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p. D-104

Notwithstanding the provisions of P.L.1999, c.12 (C.54A:9-25.12 et seq.), there is appropriated from the Drug Abuse Education Fund, the sum of \$50,000, to be used for the

Language Provisions (Cont'd)**2008 Appropriations Handbook****2009 Budget Recommendations****p. D-104**

NJSIAA Steroid Testing program.

Explanation

The FY 2008 budget included a \$50,000 appropriation to fund a student athlete steroid testing program conducted by the New Jersey State Interscholastic Athletic Association. In lieu of continuing this appropriation, the FY 2009 recommended budget language allocates the same sum of money for the same purpose from the Drug Abuse Education Fund.

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No comparable language.

Notwithstanding the provisions of section 13 of P.L.2007, c.260 (C.18A:7F-55) to the contrary, for the purposes of approving an 2008-09 application for reimbursement of extraordinary special education costs, an individual classified pupil shall be reimbursed: pursuant to paragraph (1) of subsection b. of that section at 95% of the direct instructional and support services costs in excess of \$40,000, pursuant to paragraph (2) of that subsection at 85% of the direct instructional and support services costs in excess of \$40,000, and pursuant to paragraph (3) of that subsection at 85% for tuition costs in excess of \$55,000. The reimbursement will occur in 2009-10, subject to appropriation.

Explanation

The "School Funding Reform Act of 2008" (SFRA), P.L.2007, c.260, modified the method by which extraordinary special education aid is to be distributed to districts. Under the previous formula, districts were entitled to received 100 percent reimbursement of certain costs in excess of \$40,000 for an individual special education student (although sufficient funding was never appropriated for the 100 percent reimbursement). SFRA decreased the reimbursement rate to: 1) 75 percent of tuition costs above \$55,000 for students enrolled in private schools for students with disabilities, 2) 75 percent of instructional and student support costs over \$40,000 for students who are educated in public schools separate from their non-disabled peers, and 3) 90 percent of the instructional and student support costs in excess of \$40,000 for students who are educated in public school programs with their non-disabled peers.

Language Provisions (Cont'd)

The proposed FY 2009 language states that the reimbursement rates for extraordinary costs incurred during the 2008-2009 school year will be increased from 75 percent to 85 percent and from 90 percent to 95 percent, subject to sufficient appropriation in the FY 2010 Appropriations Act. The proposed language does not relate to any specific appropriation in the recommended FY 2009 budget.

The proposed budget recommends keeping the appropriation for extraordinary special education aid at the FY 2008 level of \$52 million. This amount of funding will again require a significant proration of State aid relative to the actual entitlement (see the department's response to Discussion Point 9 and the background paper titled *Extraordinary Special Education Aid*).

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Notwithstanding any provision of law or regulation to the contrary, \$2,911,152 of the amount appropriated hereinabove for Core Curriculum Standards Aid shall be distributed to a school district, other than an "Abbott district" or a county vocational school district, with a 2006-2007 per pupil budgeted regular spending amount that is below \$8,656 and that is defined as a "district in need of improvement" or a district with one or more "schools in need of improvement" under the provisions of the federal "No Child Left Behind Act of 2001" and has a 2006-2007 equalized school tax rate of at least 75% of the 2006-2007 State average equalized school tax rate. A qualifying district shall receive 50% of the product of the district's 2006-2007 projected weighted enrollment times the amount calculated as the difference between \$8,656 and the district's 2006-2007 per pupil budgeted regular spending, and shall be used for programs to improve student outcomes. For the purposes of this section, 2006-2007 projected weighted enrollment and 2006-2007 per pupil budgeted regular spending amounts are based on approved budget data transmitted to the Department of Education.

No comparable language.

Language Provisions (Cont'd)**Explanation**

The FY 2008 budget language provided an increase in core curriculum standards aid to certain school districts that were spending below the minimum T&E amount pursuant to the "Comprehensive Educational Improvement and Financing Act of 1996" (CEIFA), P.L.1996, c.138. The implementation of the new school funding law, SFRA, has obviated the need for this language and it is not recommended for continuation in FY 2009.

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Notwithstanding the provisions of any law or regulation to the contrary, the amount hereinabove appropriated for Additional Formula Aid shall be distributed to school districts that are not recipients of Education Opportunity Aid. An eligible district's allocation shall be the sum of the amount allocated in 2006--2007 school year and an amount that equals 3 percent of the total State aid amount payable for the 2006--2007 school year for the following aid categories: Core Curriculum Standards Aid, Supplemental Core Curriculum Standards Aid, Early Childhood Program Aid, Additional Formula Aid, Instructional Supplement Aid, Demonstrably Effective Program Aid, Stabilization Aid, Stabilization Aid 2, Stabilization Aid 3, Large Efficient District Aid, Aid for Districts with High Senior Citizen Populations, Regionalization Incentive Aid, Adult and Postsecondary Education Grants, Bilingual Education Aid, Special Education Aid, County Vocational Program Aid, Transportation Aid, School Choice, Aid for Enrollment Adjustments, Consolidated Aid, and Above Average Enrollment Growth.

No comparable language.

Explanation

The FY 2008 budget language provided a minimum 3 percent increase in State school aid to all nonAbbott school districts through the provision of Additional Formula Aid. The implementation of the new school funding law, SFRA, has obviated the need for this language and it is not recommended for continuation in FY 2009.

Language Provisions (Cont'd)

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The Commissioner of Education shall not authorize the disbursement of funds to any "Abbott district" until the commissioner is satisfied that all educational expenditures in the district will be spent effectively and efficiently in order to enable those students to achieve the core curriculum content standards. The commissioner shall be authorized to take any affirmative action as is necessary to ensure the effective and efficient expenditure of funds for the implementation of all of the Abbott v. Burke programs, reforms and remedies. In addition, in fulfilling this responsibility, the commissioner shall promulgate regulations to govern the receipt and expenditure of State aid by the Abbott districts and the programs, positions and services supported thereby. Notwithstanding the provisions of P.L.1968, c.410 (C.52:14B-1 et seq.) to the contrary, any such regulations adopted by the commissioner shall be deemed adopted immediately upon filing with the Office of Administrative Law, except that any such regulations related to the submission of district budgets shall be adopted in accordance with the "Administrative Procedure Act," P.L.1968, c.410 (C.52:14B-1 et seq.), and such regulations shall remain in effect for a minimum of two years, as provided in the May 9, 2006 order in Abbott v. Burke. In order to expeditiously fulfill the responsibilities of the commissioner under Abbott v. Burke, determinations by the commissioner hereunder shall be considered to be final agency action and appeal of that action shall be directly to the Appellate Division of the Superior Court.

No comparable language.

Explanation

The FY 2008 budget language required the Commissioner of Education to withhold State school aid to any Abbott district until the commissioner was satisfied that the funds would be

Language Provisions (Cont'd)

spent appropriately by the district to implement the core curriculum content standards. The new school funding law, SFRA, eliminates the category of Abbott districts and includes similar language (N.J.S.A. 18A:7F-60) that is applicable to all districts.

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The amount appropriated hereinabove for Education Opportunity Aid shall provide resources to equalize spending between "I" and "J" districts and "Abbott districts," and provide aid to fund additional needs of "Abbott districts." Notwithstanding the provisions of any law or regulation to the contrary, Education Opportunity Aid shall be provided to each "Abbott district" whose per pupil regular education expenditure for 2007-2008 under P.L.1996, c.138 is below the estimated per pupil average regular education expenditure of districts in district factor groups "I" and "J" for 2007-2008. The minimum amount of aid shall be determined as follows: funds shall be allocated in the amount of the difference between each "Abbott district's" per pupil regular education expenditure for 2007-2008 and the actual per pupil average regular education expenditure of districts in district factor groups "I" and "J" for 2006-2007 indexed by the actual percentage increase in the per pupil average regular education expenditure of districts in district factor groups "I" and "J" for 2006-2007 over the per pupil average regular education expenditure of districts in district factor groups "I" and "J" for 2005-2006. In calculating the per pupil regular education expenditure of each "Abbott district" for 2007-2008, regular education expenditure shall equal the sum of the general fund tax levy for 2006-2007, Core Curriculum Standards Aid, Supplemental Core Curriculum Standards Aid and all forms of stabilization aid pursuant to section 10 of P.L.1996, c.138 (C.18A:7F-10); enrollments shall initially be those resident enrollments

No comparable language.

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for preschool through grade 12 contained on the Application for State School Aid for 2007–2008 indexed by the district's enrollment growth rate used to determine the estimated enrollments of October 2007; enrollments shall be calculated at their full-time equivalent and reduced by preschool and one half of full-day kindergarten enrollments. State aid shall be adjusted upon receipt of resident enrollment for the "Abbott districts" as of October 15, 2007 as reflected on the Application for State School Aid for 2008–2009. In calculating the actual per pupil regular education expenditure of each "Abbott district" for 2007–2008, regular education expenditure shall equal the sum of the actual general fund tax levy for 2007–2008, Core Curriculum Standards Aid, Supplemental Core Curriculum Standards Aid and all forms of stabilization aid pursuant to section 10 of P.L.1996, c.138 (C.18A:7F–10). State aid shall also be adjusted based on the actual per pupil average regular education expenditure of districts in district factor groups "I" and "J" for 2007–2008. In calculating the actual per pupil average regular education expenditure of districts in district factor groups "I" and "J" for 2007–2008, regular education expenditure shall equal the sum of the general fund tax levy for 2007–2008, Core Curriculum Standards Aid, Supplemental Core Curriculum Standards Aid and all forms of stabilization aid pursuant to section 10 of P.L.1996, c.138 (C.18A:7F–10); enrollments shall be the resident enrollment for preschool through grade 12 as of October 15, 2007 as reflected on the Application for State School Aid for 2008–2009; enrollments shall be calculated at their full-time equivalent and reduced by preschool and one half of full-day kindergarten enrollments in districts receiving Early Childhood Program Aid.

Explanation

Language Provisions (Cont'd)

The FY 2008 budget language provided for the allocation of Education Opportunity Aid for the 2007-2008 school year. Abbott v. Burke Parity Remedy Aid (subsequently called Education Opportunity Aid) has been provided pursuant to language included in the annual Appropriations Act since FY 1999 to fund the Abbott districts at the average regular education spending per pupil level of districts classified in District Factor Groups (DFG) "I" and "J" as required by the New Jersey Supreme Court. As a result of the enactment of the new school funding law, SFRA, the proposed FY 2009 budget does not include this aid category and similar language is not necessary.

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Of the amount hereinabove appropriated for Education Opportunity Aid, each "Abbott district's" initial allocation shall be the greater of the amount calculated in accordance with the provisions hereinabove for equalized spending or the district's final adjusted 2006--2007 Education Opportunity Aid, including any supplemental award. The district's Education Opportunity Aid allocation shall be reduced by an amount equal to any general fund tax levy increase required by the commissioner. After calculating the "Abbott district's" actual regular education expenditure, State aid shall be reduced by the difference between the required general fund tax levy increase and the total general fund tax levy increase from 2006--2007 to 2007--2008.

No comparable language.

Explanation

The language included in the FY 2008 budget provided that Education Opportunity Aid (EOA) will be provided in the 2007-2008 school year in an amount equal to the greater of: 1) the amount of EOA received in FY 2007, or 2) the amount needed to maintain parity with the DFG "I" and "J" districts. The language further provided that EOA would be reduced by any increase in the school tax levy required under separate FY 2008 budget language.

As a result of the enactment of the new school funding law, SFRA, the proposed FY 2009 budget does not provide for EOA and similar language is not necessary. It should be noted that a condition of receiving educational adequacy aid under SFRA is that certain former Abbott districts are required to increase the school tax levy by either 4 percent or 6 percent in the 2008-2009 school year.

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The amount hereinabove appropriated for Education Opportunity Aid shall also be used to ensure that every "Abbott district" is at parity and for any additional aid amount awarded by the commissioner as part of the department's budget review process. Any "Abbott district" that fails to submit any required documentation or fails to submit its annual audit by November 15, 2007 may have its State aid withheld upon the commissioner's request to the Director of the Division of Budget and Accounting. The additional award may be adjusted by a reallocation of the district's undesignated fund balance in excess of two percent based on the annual audit filed pursuant to N.J.S.18A:23-1.

No comparable language.

Explanation

The FY 2008 budget language provided for the withholding of Education Opportunity Aid (EOA) from an Abbott district for failing to submit certain documentation. The new school funding law, SFRA, has eliminated the category of Abbott districts and the proposed FY 2009 budget language does not provide EOA to such districts. Consequently, the language is no longer necessary.

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Notwithstanding the provisions of any law or regulation to the contrary, as a condition of receiving Education Opportunity Aid, an "Abbott district" shall examine all available group options for every insurance policy held by the district, including any self-insurance plan administered by the New Jersey School Boards Association Insurance Group on behalf of districts, and shall participate in the most cost-effective plans.

No comparable language.

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As a further condition, all "Abbott districts" shall take steps to maximize the district's participation in the federal Universal Service Program (E-rate) and the ACT telecommunications program offered through the New Jersey Association of School Business Administrators, shall participate in the ACES energy program offered through the New Jersey School Boards Association unless a district can demonstrate that it receives the goods or services at a cost less than or equal to the cost achieved by participants, shall take appropriate steps to maximize the district's participation in the Special Education Medicaid Initiative (SEMI) program, with maximum participation defined by the Commissioner of Education, and shall refinance all outstanding debt for which a three percent net present value savings threshold is achievable. An "Abbott district" that fails to meet any of these requirements may have payment of Education Opportunity Aid withheld until such time as these requirements are met. The commissioner is authorized to establish any additional condition on the disbursement of Education Opportunity Aid that the commissioner deems appropriate to ensure effective and efficient spending in the "Abbott districts."

Explanation

The FY 2008 budget language required the Abbott districts to make certain cost-saving efforts as a condition of receiving Education Opportunity Aid. P.L.2007, c.53, applied these requirements to all school districts as a condition of receiving State school aid and, therefore, this language is no longer necessary.

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Notwithstanding the provisions of any law or No comparable language.

Language Provisions (Cont'd)**2008 Appropriations Handbook****2009 Budget Recommendations****p. B-51**

regulation to the contrary, as a condition of receiving Education Opportunity Aid, an "Abbott district" shall raise a general fund tax levy which shall be no less than the sum of the general fund tax levy raised in 2006--2007 and the increase in the levy from 2006--2007 to 2007--2008 that may be required by the commissioner. The required levy increase shall be such that an "Abbott district's" total equalized tax rate shall not be below 120 percent of the State average total equalized tax rate unless such increase would result in an increase in the average household's tax liability of more than \$125 when using the 2006 tax data as published by the Department of Community Affairs. The required increase would be further limited by the cap on district tax levy increases pursuant to P.L.2007, c.62.

Explanation

The FY 2008 budget language required that Abbott districts with a total equalized property tax rate below a certain threshold increase the school tax levy from the previous year as a condition of receiving Education Opportunity Aid (EOA). The new school funding law, SFRA, eliminated the category of Abbott districts as well as the category of EOA. It should be noted that SFRA requires that former Abbott districts receiving educational adequacy aid increase the school tax levy by either 4 percent or 6 percent in the 2008-2009 school year (depending on the current school and total equalized property tax rates relative to the State average school and total equalized property tax rates).

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The amount appropriated hereinabove as Abbott Preschool Expansion Aid is for the purpose of funding the increase in the approved budgeted costs from 2001--2002 to 2007--2008 for the projected expansion of preschool programs in "Abbott districts" with "Abbott" status in 2001--2002. For any

No comparable language.

Language Provisions (Cont'd)

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district receiving "Abbott" status after 2001--2002, the increase in approved budgeted costs for the purpose of funding will be based on the year "Abbott" status was obtained. Payments of Abbott Preschool Expansion Aid shall be based on documented expansion of the preschool program. Upon the Commissioner of Education's request, "Abbott districts" will be required to provide such supporting documentation as deemed necessary to verify that the actual expansion in the preschool program has occurred in the 2007-2008 fiscal year. Such documentation may include expenditure, enrollment, and attendance data that may be subject to an audit. Appropriate adjustments to a district's Abbott Preschool Expansion Aid amount may be made by the commissioner based on actual need.

Explanation

The FY 2008 budget language provided for the allocation of Preschool Expansion Aid to Abbott districts. The aid was provided to support the increased enrollment and quality improvements in full-day preschool programs for three- and four-year old children. This language is no longer needed as a result of the elimination of the category of Abbott school districts and the inclusion of Preschool Education Aid in the new school funding law, SFRA.

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From the amount appropriated hereinabove for the Early Launch to Learning Initiative, an amount not to exceed \$325,000 shall be transferred to the Office of Early Childhood Education in Direct State Services for the support of two staff persons and related operational costs to administer the program, subject to the approval of the Director of the Division of Budget and Accounting.

No comparable language.

Language Provisions (Cont'd)**Explanation**

The FY 2008 Appropriations Act included \$3 million for the Early Launch to Learning Initiative (ELLI), which provided grants for early childhood education programs in non-Abbott districts. The FY 2008 budget language allowed the Department of Education to transfer a maximum of \$325,000 to Direct State Services for two personnel to administer ELLI. This grant program and the language are no longer necessary as a result of the implementation of the new school funding law, SFRA, and the establishment of a preschool education program under that law.

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The amount hereinabove appropriated for Full-Day Kindergarten Supplemental Aid shall be distributed to "non-Abbott" school districts with October 2006 resident enrollments that include full-day kindergarten students. Eligible "non-Abbott" district allocations shall be calculated by applying the ratio of the district's Core Curriculum Standards Aid calculated pursuant to section 15 of P.L.1996, c.138 (C.18A:7F-15) for fiscal 2002 and the district's T&E budget calculated pursuant to subsection d. of section 13 of P.L.1996, c.138 (C.18A:7F-13) for fiscal 2002 to the product of the district's October 2006 resident full-day kindergarten enrollment and the amount calculated for PW for fiscal 2002 in accordance with subsection a. of section 13 of P.L.1996, c.138 (C.18A:7F-13). For the purposes of this provision, the October 2006 resident enrollment figures refer to the actual resident enrollments as reported to the department on the Application for State School Aid.

No comparable language.

Explanation

The FY 2008 budget language provided full-day kindergarten supplemental aid, an aid category designed to provide wealth-equalized State aid to districts operating full-day kindergarten programs during the 2006-2007 school year. SFRA funds full-day kindergarten on a wealth-equalized basis to all districts operating such programs; as such, this language is not necessary in the proposed FY 2009 budget.

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Notwithstanding the provisions of any law or regulation to the contrary, amounts **【appropriated】** hereinabove for Charter School aid shall be used **【to distribute aid to any charter school which operates a full-day kindergarten program and which is located in an "Abbott district" in accordance with the formula contained in section 1 of P.L.1999, c.385, except that "KPP" which is defined therein as the amount paid by the district to the charter school for each kindergarten pupil pursuant to section 12 of P.L.1995, c.426 (C.18A:36A-12), shall be the sum of the amount paid by the district and the State to the charter school for each kindergarten pupil; when a charter school is located in an "Abbott district," to distribute an amount equal to the difference between the per pupil T&E amount for a given grade level and the program budget of an "Abbott district" when that "Abbott district's" program budget is below the T&E amount; to distribute \$40 for each student enrolled in the charter school; and to distribute aid to charter schools pursuant to the provisions of subsection d. of section 12 of P.L.1995, c.426 (C.18A:36A-12)】**.

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Notwithstanding the provisions of any law or regulation to the contrary, amounts hereinabove appropriated for Charter School aid shall be used for such sums as are necessary: 1) to provide that in the 2008-2009 school year, a charter school receives no less total support from the State and the resident district than the sum of the total 2007-2008 payments from the resident district and the 2007-2008 payments of Charter School aid and Charter Schools - Council on Local Mandates aid; 2) to provide that a resident district will receive State support in the amount of any increase in the required payments to charter schools from 2007-2008 to 2008-2009 in excess of the 2008-09 District State Aid Profile; and 3) to provide amounts pursuant to section 12 of P.L.1995, c.426 (C.18A:36A-12).

Explanation

The language included in the FY 2008 budget provided that Charter School Aid would be used for four purposes: 1) to provide additional funding to charter schools located in Abbott districts and operating a full-day kindergarten program, 2) to fund the difference between the resident district's program budget and the maximum T&E budget for charter schools located in Abbott districts (known as T&E gap aid), 3) to provide technology aid on a per pupil basis, and 4) to provide aid for the cost of a charter school student not included in the resident district's projected resident enrollment pursuant to subsection d. of section 12 of P.L.1995, c.426 (C.18A:36A-12).

The proposed FY 2009 language modifies the purposes for which this funding is used as follows: 1) to provide hold harmless aid to charter schools such that the total funding received from school districts and the State in FY 2009 is no less than the amount of funding received from the two sources in FY 2008, and 2) to provide hold harmless aid to school districts in

Language Provisions (Cont'd)

which the projected increase in payments to charter schools is greater than the increase in State aid to the school district. The proposed FY 2009 language also continues to provide funding for charter school students not included in the resident district's projected resident enrollment. The proposed FY 2009 budget language does not provide for technology or T&E gap aid.

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Notwithstanding the provisions of section 12 of P.L.1995, c.426 (C.18A:36A-12), or any law or regulation to the contrary, the State shall pay on behalf of a resident district an amount not to exceed the difference between the district's 2007--2008 total actual charter school payment and the estimated appropriations used in completing the school district's 2006--2007 budget as stated in the 2006--2007 Potential Charter School Aid notification letter based on actual documented needs.

No comparable language.

Explanation

The above (or substantively similar) FY 2008 language has been included in the Appropriations Act since FY 2003 to provide additional assistance to districts that were required to make increased payments to charter schools during the time when the State did not provide aid increases pursuant to the provisions of the previous school funding law. The implementation of the new school funding formula, SFRA, makes this language provision unnecessary in the recommended FY 2009 budget.

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Notwithstanding the provisions of any law or regulation to the contrary, \$5,700,000 of the amount appropriated hereinabove for Charter School aid shall be used to distribute targeted at-risk aid to charter schools with concentrations of low-income pupils greater than or equal to 15%, based on actual 2007-2008 enrollment. A charter school with a

No comparable language.

Language Provisions (Cont'd)**2008 Appropriations Handbook****2009 Budget Recommendations****p. B-52**

concentration rate equal to or greater than 15% but less than 20% will receive an allocation equal to \$250 per low-income pupil. A charter school with a concentration rate equal to or greater than 20% will receive an allocation equal to \$500 per low-income pupil. For the purposes of this provision, low-income pupils means pupils from households with a household income that meets the most recent federal poverty guidelines for free milk or free or reduced meals and low-income concentration rate means the percentage of the low-income pupils to total enrollment.

Explanation

The FY 2008 Appropriations Act included separate language specifying criteria for school districts to receive targeted at-risk aid (TARA). The language shown above established identical criteria for the receipt of TARA by charter schools. As a result of the enactment of the new school funding formula, SFRA, the proposed FY 2009 budget does not include language to provide TARA to districts or charter schools.

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The amount **[appropriated]** hereinabove as Adult Education Aid shall be distributed at a rate of **[\$1,110]** per pupil for pupils enrolled in approved adult high schools and post-graduate programs as of October, **[2006]** as reported in the Application for State School Aid.

p. D-104

The amount hereinabove appropriated as Adult Education Aid shall be distributed at a rate of \$1,116 per pupil for pupils enrolled in approved adult high schools and post-graduate programs as of October, 2007 as reported in the Application for State School Aid.

Explanation

The FY 2009 proposed budget language increases the per-pupil aid amount for Adult Education Aid by \$6, or 0.5 percent.

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The amount hereinabove appropriated for Targeted At-Risk Aid shall be distributed to "non-Abbott" districts with concentrations of low-income pupils greater than or equal to 15 percent as of October 2006 based on data reported to the department on the October 2006 Application for State School Aid (ASSA). A "non-Abbott" district with a concentration rate equal to or greater than 15 percent but less than 20 percent will receive an allocation equal to \$250 per low-income pupil. A "non-Abbott" district with a concentration rate equal to or greater than 20 percent will receive an allocation equal to \$500 per low-income pupil. A recipient district shall be required to obtain the approval of the department for the planned uses of targeted at-risk funds. To facilitate monitoring of the uses of the funds, districts shall be required to maintain separate program and service accounts in the special revenue section of the district's budget and financial records in accordance with GAAP and specifications prescribed by the Commissioner of Education. If a district successfully demonstrates to the department that it is already providing high-quality programs to address the needs of low-income students, Targeted At-Risk Aid may be transferred from the special revenue section of the district's budget to the general revenue section. For the purposes of this section, a low-income pupil is defined as a pupil included in the calculation of modified district enrollment and reported as low-income free or low-income reduced in the ASSA, and low-income concentration rate is defined as the percentage of the low-income pupils to the modified district enrollment as defined in section 3 of P.L.1996, c.138 (C.18A:7F-3).

No comparable language.

Explanation

The FY 2008 budget language provided Targeted At-Risk Aid to school districts in which the concentration of low-income students exceeded 15 percent and established a formula for the

Language Provisions (Cont'd)

calculation of that aid. This aid category is no longer necessary due to the implementation of the new school funding law, SFRA, and the language is not recommended for continuation in FY 2009.

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No comparable language.

p. D-104

Notwithstanding the provisions of any law or regulation to the contrary, there are appropriated as SDA New Facilities Transition Aid such additional sums as may be required, not to exceed \$15,000,000, to be distributed based on criteria established by the Commissioner of Education, subject to the approval of the Director of the Division of Budget and Accounting.

Explanation

The proposed FY 2009 budget language authorizes the Commissioner of Education to award SDA New Facilities Transition Aid, up to a total of \$15 million, to districts based on criteria that would be developed at a later date. It is not known if any district with a new facility would be eligible to receive the aid or if it would be limited to the former Abbott districts (known as SDA districts pursuant to the new school funding law, SFRA). See the department's response to Discussion Point 14.

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No comparable language.

p. D-104

Notwithstanding the provisions of any law or regulation to the contrary, the preschool per pupil amounts set forth in subsection d. of section 12 of P.L.2007, c.260 (C.18A:7F-54) shall be adjusted by the geographic cost adjustment developed by the commissioner pursuant to P.L.2007, c.260.

Explanation

Under SFRA, a geographic cost adjustment (GCA) is applied to a school district's adequacy budget, special education categorical aid, and security aid. The GCA is designed to reflect differences in salaries and wages paid in different parts of the State and to make an adjustment

Language Provisions (Cont'd)

for cost factors beyond a district's control. This proposed FY 2009 language would apply the same GCA to the per pupil amounts used to determine Preschool Education Aid.

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The unexpended balance at the end of the preceding fiscal year in the Statewide Assessment Program account is appropriated for the same purpose.

No comparable language.

Explanation

The language included in the FY 2008 Appropriations Act allowed the Department of Education to appropriate unexpended funds from FY 2007 from the Statewide Assessment Program for the same purposes in FY 2008. The proposed FY 2009 budget does not include similar language and any unused funds will lapse.

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The amount hereinabove appropriated for the Liberty Science Center—Educational Services shall be used to provide educational services to **【students in the "Abbott districts"】** in the science education component of the core curriculum content standards as established by law.

p. D-115

The amount hereinabove appropriated for the Liberty Science Center—Educational Services shall be used to provide educational services to districts with high concentrations of at-risk students in the science education component of the core curriculum content standards as established by law.

Explanation

The FY 2008 budget language provided that certain appropriations to the Liberty Science Center would be used for the purpose of providing educational services to students enrolled in Abbott districts. The proposed FY 2009 budget language directs the use of these funds to the provision of education services to students in districts with a high concentration of at-risk students. This change recognizes the fact that the new school funding law, SFRA, eliminated Abbott districts as a separate group. The proposed FY 2009 budget language does not specify what threshold will be used to identify districts, "with high concentrations of at-risk students."

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The amount hereinabove appropriated for the Governor's Literacy Initiative shall be used to provide grants to districts to improve instruction in language arts literacy and mathematics. In awarding such grants, the Commissioner of Education shall use criteria including the School Improvement Status based upon the federal No Child Left Behind Act and student performance on the New Jersey Assessment of Skills and Knowledge.

The amount hereinabove appropriated for the Governor's Literacy Initiative shall be used to provide grants to districts to improve instruction in language arts literacy, science, and mathematics. In awarding such grants, the Commissioner of Education shall use criteria including the School Improvement Status based upon the federal No Child Left Behind Act and student performance on the New Jersey Assessment of Skills and Knowledge.

Explanation

Both the FY 2008 and proposed FY 2009 budget language allow the Commissioner of Education to award grants to school districts to improve instruction in language arts literacy and mathematics. The proposed FY 2009 language would also authorize such grants to improve instruction in science.

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p. B-58

Notwithstanding the provisions of section 2 of P.L.1996, c.96 (C.39:3B-1.2) and section 3 of P.L.1996, c.96 (C.39:3B-1.3), or any law or regulation to the contrary, the amount appropriated hereinabove for School Bus Crossing Arms shall be provided to the owners of newly manufactured vehicles equipped with a crossing control arm upon submission to the Department of Education of a complete application for reimbursement within one year of the vehicle purchase date.

No comparable language.

Explanation

The FY 2008 budget language provided for the reimbursement of school districts, nonpublic schools, and school bus contractors for the costs associated with the crossing control arms in newly manufactured school buses upon submission of an application within one year of the vehicle purchase date. The proposed FY 2009 budget eliminates the \$100,000 appropriation for this purpose (see page D-114 of the FY 2009 proposed budget), and the above language is not recommended for continuation.

Language Provisions (Cont'd)

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p. B-58

Notwithstanding the provisions of section 9 of P.L.2000, c.72 (C.18A:7G-9), for the purpose of calculating a district's State debt service aid, "DAP x 1.15" shall not be less than 40 percent. Notwithstanding the provisions of section 10 of P.L.2000, c.72 (C.18A:7G-10), for the purposes of calculating aid, CCSAID will be equal to the district's Core Curriculum Standards Aid calculated pursuant to section 15 of P.L.1996, c.138 (C.18A:7F-15) for fiscal 2002 and TEBUD shall be equal to the district's T&E budget calculated pursuant to subsection d. of section 13 of P.L.1996, c.138 (C.18A:7F-13) for fiscal 2002.

No comparable language.

Explanation

The language included in the FY 2008 Appropriations Act provided that a school district's debt service aid would be determined using the district aid percentage calculated for the 2001-2002 school year under the previous school funding formula, the "Comprehensive Educational Improvement and Financing Act of 1996" (CEIFA). The calculation of district aid percentage is now aligned with the district's equalization aid and adequacy budget as calculated under the provisions of the new school funding law, SFRA.

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p. B-60

Such additional sums as may be necessary are appropriated for implementation of the recommendations of the reorganization study performed in accordance with P.L.2007, JR-3, subject to the approval of the Director of the Division of Budget and Accounting.

No comparable language.

Language Provisions (Cont'd)**Explanation**

The FY 2008 budget included language that authorized additional appropriations for the Department of Education to implement recommendations of the external assessment performed pursuant to P.L.2007, J.R. No. 3. The assessment was conducted by KPMG and the final report was made public by the department on August 17, 2007. The FY 2009 proposed budget does not recommend the continuation of this language. See Discussion Point 7 for additional information regarding the department's response to the assessment.

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Additional sums as may be necessary for the Department of Education for additional oversight costs as required by P.L.2007, c.53 (C.18A:55-3 et al.), sections 2 through 7 and section 44 of P.L.2007, c.62 (C.18A:7F-37 through 18A:7F-42, 18A:16-19.1) and sections 42 through 58 of P.L.2007, c.63 (C.18A:7-1 through 18A:7-16 and 18A:13-52) for financial oversight of schools and the costs for development of a school funding formula for the consideration of the Governor and the Legislature are appropriated, subject to the approval of the Director of the Division of Budget and Accounting. Provided however, the amount appropriated for costs for the development of a school funding formula shall not exceed \$750,000.

No comparable language.

Explanation

The FY 2008 budget included language that authorized an additional appropriation for the Department of Education, not to exceed \$750,000, for the purpose of developing recommendations for a new school funding formula and for the enhanced departmental school district oversight responsibilities established under then-recently enacted legislation. The department used an additional \$500,000 pursuant to this language (please see the department's response to Discussion Point 1 for additional information regarding how these funds were used). The "School Funding Reform Act of 2008," P.L.2007, c.260, has subsequently been enacted and this language is not recommended for continuation in FY 2009.

Language Provisions (Cont'd)

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Upon notification to the Legislative Budget and Finance Officer, the Director of the Division of Budget and Accounting is authorized to adjust the Direct State Services appropriations accounts in the Department of Education to reflect the reorganization of the department, as approved by the State Board of Education in March, 2007. In the case of further reorganization of the department adopted pursuant to P.L.2007, J.R. No. 3, the Legislative Budget and Finance Officer shall be notified at least 10 days in advance of the adjustment made by the Director of the Division of Budget and Accounting. The Director of the Division of Budget and Accounting shall have the authority to create such new accounts as may be necessary to carry out the intent of the reorganization.

No comparable language.

Explanation

The FY 2008 budget language authorized the Department of Education to make adjustments to the Direct State Services appropriations accounts to reflect the department's March, 2007 reorganization. A December 4, 2007 memo from the Office of Management and Budget notified the Legislative Budget and Finance Officer of transfers within the department to reflect the reorganization approved by the State Board of Education. No additional notification has been provided to reflect changes made based on recommendations included in the external audit conducted by KPMG pursuant to P.L.2007, J.R. No. 3. This language is not recommended for continuation for FY 2009.

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p. B-61

Notwithstanding the provisions of any law or regulation to the contrary, each district shall receive no less of a total State aid amount payable for the 2007--2008 school year than the sum of the district's total State aid amount payable for the 2006--2007 school year for the following aid categories: Core Curriculum Standards Aid, Supplemental

No comparable language.

Language Provisions (Cont'd)**2008 Appropriations Handbook****2009 Budget Recommendations****p. B-61**

Core Curriculum Standards Aid, Early Childhood Program Aid, Instructional Supplement Aid, Demonstrably Effective Program Aid, Stabilization Aid, Stabilization Aid 2, Stabilization Aid 3, Large Efficient District Aid, Aid for Districts with High Senior Citizen Populations, Regionalization Incentive Aid, Adult and Postsecondary Education Grants, Bilingual Education Aid, Special Education Aid, County Vocational Program Aid, Transportation Aid, High Expectations for Learning Proficiency, Consolidated Aid, School Choice, Abbott-Bordered District Aid, Above Average Enrollment Growth, and Aid for Enrollment Adjustments, taking into consideration the June 2007 payment made in July 2007.

Explanation

The FY 2008 Appropriations Act language provided that, for certain State aid categories, districts would receive the same amount of funding in the 2007-2008 school year as the district received in the 2006-2007 school year. As a result of the enactment of the "School Funding Reform Act of 2008" P.L.2007, c.260, this language is no longer necessary.

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Notwithstanding the provisions of section 8 of P.L.1996, c.138 (C.18A:7F-8), [five percent of the total payments to local districts for Education Opportunity Aid, Core Curriculum Standards Aid, Supplemental Core Curriculum Standards Aid, Special Education, Transportation, Early Childhood programs, Demonstrably Effective programs, Instructional Supplement, Bilingual, County Vocational Educational program, other aid pursuant to P.L.1996, c.138, School Choice, Consolidated Aid, Abbott-Bordered District Aid and Additional Formula Aid, as provided by the Department of Education to the local school districts for the 2007-2008 school

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Notwithstanding the provisions of section 8 of P.L.1996, c.138 (C.18A:7F-8), the June 22nd school aid payment is subject to the approval of the State Treasurer.

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year in the 2007–08 General Fund and Special Revenue Fund State Aid Payments Schedule, shall be paid on the 8th and 22nd of each month from September through June, with the last school aid payment being] subject to the approval of the State Treasurer.

Explanation

The FY 2008 Appropriations Act language shifted the days on which State school aid payments were due to districts from the 1st and 15th to the 8th and 22nd of each month from September to June. The "School Funding Reform Act of 2008," P.L.2007, c.260, codified the 8th and 22nd in the permanent statutes and this part of the FY 2008 language is not recommended for continuation in FY 2009.

The FY 2008 language also specified that the final school aid payment was subject to the approval of the State Treasurer and this language is continued in the FY 2009 recommended budget. Similar language has been included in each Appropriations Act since FY 2003. Each subsequent year's Appropriations Act included language authorizing the final payment from the previous fiscal year.

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Notwithstanding the provisions of any law or regulation to the contrary, the Commissioner of Education may reduce State aid payments to any district by any amounts found to be in violation of restrictions placed on travel expenditures in accordance with regulations adopted by the commissioner.

No comparable language.

Explanation

Language included in the FY 2008 Appropriations Act gave the Commissioner of Education the authority to reduce State school aid to a district that violated regulations regarding the travel of school district personnel. The permanent statutes, subsection r. of section 15 of P.L.2007, c.53 (N.J.S.A. 18A:11-12) provide for the reduction of State aid to a district that does not comply with the travel limitations included in that section of law. Consequently, this language is not recommended in FY 2009.

Language Provisions (Cont'd)**2008 Appropriations Handbook**

No comparable language.

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Notwithstanding the provisions of section 28 of P.L.2007, c.260 (C.18A:7F--5), where the 2008--09 District State Aid Profile differs from a district's State Aid amounts payable in the December 12, 2007 report of the commissioner, the 2008--09 District State Aid Profile shall govern the State Aid amounts payable to the district, except as otherwise provided in P.L.2007, c.260.

Explanation

Pursuant to section 28 of the "School Funding Reform Act of 2008" (SFRA), P.L.2007, c.260, the Commissioner of Education released a report dated December 12, 2007 that detailed State aid payable to districts during the 2008-2009 school year. The law stipulated that the amount of aid shown in this report would not be adjusted except for certain specific situations including: 1) significant changes in district-specific data, 2) the provision of school choice aid, 3) the recalculation of extraordinary special education aid upon the receipt of applications from districts, 4) adjustments to the educational adequacy aid formula, and 5) increases in the State aid growth limit for certain county vocational school districts. The proposed FY 2009 budget language would override this provision of SFRA and rely on State aid figures included in the "2008-09 District State Aid Profile" released by the department.

Discussion Points

1. In response to Discussion point 3 in FY 2008, the department outlined a plan for pursuing additional study to develop recommendations for a new school funding formula. The three-part plan was to be comprised of: 1) a successful/unsuccessful school resource allocation study, 2) engagement of consultants to provide ongoing services to the department, and 3) regular, ongoing meetings with legislators and stakeholders to discuss ideas as they were developed. To support these efforts, the FY 2008 budget included language authorizing the appropriation of up to \$750,000 for the development of a new school funding formula. A total of \$500,000 was appropriated for this purpose.

- **Question:** Please provide a summary of how the additional appropriation was used in the development of the new school funding law. Please include a copy of all requests for proposals that were issued, contracts or any other agreements that were entered, and deliverables submitted pursuant to the agreements.

2. Subsection e. of section 3 of P.L.2007, c.62 (C.18A:7F-38) provided school districts the opportunity to apply to the commissioner for an adjustment to the school districts' tax levy growth limitation in the 2007-2008 school year for 1) special education costs over \$40,000 per pupil, 2) increases in tuition, 3) capital outlay increases, and 4) incremental increases associated with opening a new school facility.

- **Question:** Please provide a table showing for each district: 1) the adjustment requested in each category, and 2) the approved adjustment amount for each category. Additionally, please show the school tax levy growth rate relative to the previous year excluding and including any approved adjustments.

3. In response to Discussion point 8 from FY 2008, the department cautioned against comparing students' performance on the NJ ASK3 in one year to the performance on the NJ ASK4 exam in the subsequent year because the two tests, "may not necessarily equate to each other." In its response to Discussion point 17, the department stated, "Data from the state assessments will be integrated into the NJ SMART data warehouse system, currently in development, and due for implementation later this year. Eventually, this warehouse will make possible much more sophisticated means for tracking and analyzing student and school performance in New Jersey."

- **Question:** The department contracted with Measurement, Inc. to develop a new Statewide assessment system for grades three through eight. Has the department taken steps to ensure that the new elementary and middle school assessments will equate across all years? If not, please describe how the department and districts will account for this when conducting student-level longitudinal analysis.
- **Question:** Please provide information regarding the department's plans to administer end-of-course exams in Algebra II and Biology. What percentage of New Jersey high school students currently enroll in these classes prior to graduation?

4. In its performance audit of the department, KPMG noted that a significant number of personnel in the Office of Fiscal Accountability and Compliance were "per diem" employees working on a contractual basis. The report noted that such a situation creates the possibility that certain work would not be completed if the funding necessary to compensate such employees is unavailable.

Discussion Points (Cont'd)

- **Question:** Please provide a list of all per diem employees who worked for the department during FY 2008. Please include information regarding the individuals' work responsibilities, the per diem rate at which the individuals were compensated, the number of funded vacancies in the organizational unit in which the per diem employees were assigned, a notation if funding is included in the FY 2009 proposed budget for the per diem employee, and a notation if the per diem employee was converted to a full-time employee.

5. The FY 2008 Appropriations Act included a \$10 million appropriation for preschool education and enhancement grants and included language authorizing the transfer of such sums as are necessary for the purpose of paying the cost of an independent needs assessment of the existing nonAbbott preschool programs. The department's February 4, 2008 press release identified grant awards totaling \$8.5 million.

- **Question:** Please provide information regarding the independent needs assessment including all requests for proposals that were issued, contracts and any other agreements entered, and deliverables submitted to the department pursuant to the agreements.

6. In response to a question raised during the March 29, 2007 Assembly Budget Committee hearing, the department stated that it would provide the Legislature with copies of the audit of Abbott districts performed by KPMG once they were available.

- **Question:** Please provide copies of the Abbott district audits that have been completed. Additionally, please provide a list detailing the districts for which the audit has not been completed and an anticipated completion date.

7. Discussion point 2 from FY 2008 inquired about the department's progress with respect to implementing Senate Joint Resolution No. 1 (P.L.2007, JR-3) requiring an independent study to assess the department's capacity to provide effective oversight of districts. In response to this Discussion point, the department stated, "Upon receipt of the audit recommendations, the DOE will make them public and solicit comments from stakeholders and other members of the public over a two week period. The commissioner will then issue a report that will consist of a summary of the audit recommendations, comments received from the public and stakeholders, and the commissioner's response to the audit recommendations and comments." On August 17, 2007, the department released the KPMG Performance Audit Final Report and provided the public the opportunity to comment on the findings by September 14.

- **Question:** Please provide information regarding the status of the commissioner's report that is to include a summary of the KPMG audit report and recommendations, public comments, and the commissioner's responses to the audit recommendations and public comments.

8. During the Senate Budget and Appropriations Committee hearing on April 26, 2007, a question was raised regarding how a new school funding formula might create an incentive for school districts to regionalize. In response to this question, the department stated, "A new approach under consideration would count students in their home district's resident enrollment for the purpose of calculating local share and aid, with the cost attributed from the total cost at

Discussion Points (Cont'd)

the regional district. Under this option, the cost per pupil for the regional district will be determined as it is for any district, and it is only that cost that will be borne by each constituent district. If this option is pursued in conjunction with a new formula, districts would benefit from a more equitable distribution of the costs of educating their students, removing one of the disincentives to regionalization." The new funding formula, as proposed by the department, did not recommend changing the mechanism by which the costs of operating a regional school district are apportioned among the constituent municipalities.

- **Question:** Please discuss the department's rationale for not proposing the aforementioned change when developing the new school funding formula embodied in the "School Funding Reform Act of 2008," P.L.2007, c.260. Additionally, given that any plan proposed by the executive county superintendent to regionalize districts that do not operate grades prekindergarten or kindergarten to 12 must be approved by a public vote, please describe alternative policy options that will remove the disincentives that have inhibited regionalization to date.

9. Pursuant to section 28 of the "School Funding Reform Act of 2008," P.L.2007, c.260 (C.18A:7F-5), the commissioner prepared a report dated December 12, 2007, identifying the amount of State aid payable to school districts in the 2008-2009 school year. The report included approximately \$91.2 million for extraordinary special education aid. While the proposed budget includes recommendations to fully fund all other State aid categories included in the report, the recommended appropriation for extraordinary special education aid is only \$52 million. This would provide districts with approximately 57 percent of the aid in this category relative to the December 12, 2007 report.

- **Question:** Please explain the department's decision to recommend an appropriation of only \$52 million for extraordinary special education aid?

10. The new school funding law amended N.J.S.A. 18A:38-19 by deleting language that had the effect of reducing the maximum tuition rate the former Abbott districts could charge to districts as part of sending-receiving relationships. The FY 2009 Budget Guidelines released by the department stipulate that the resulting tuition increases will be phased in over a five-year period.

- **Question:** Please provide a table showing the estimated tuition rate per pupil for the 2007-2008 and 2008-2009 school years for each former Abbott district. Include a column that shows the percent change in the estimated tuition rate between the two years and the total projected tuition revenue in both years for each former Abbott district.

11. To address concerns raised by stakeholders with respect to the adoption of census-based funding of special education, the department revised its proposal for a new school funding law to include language authorizing the commissioner to provide additional special education categorical aid to districts with, "an unusually higher rate of low-incidence disabilities."

- **Question:** What threshold will be used to identify an unusually high classification rate of such disabilities? Please provide a listing of any additional State aid that has

Discussion Points (Cont'd)

been awarded to date pursuant to subsection g. of section 13 of the "School Funding Reform Act of 2008," P.L.2007, c.260 (C.18A:7F-55).

12. Paragraph 3 of subsection c. of section 12 of the "School Funding Reform Act of 2008," (SFRA) P.L.2007, c.260 (C.18A:7F-54), provides that certain districts may receive preschool education aid based on the newly established per pupil amounts included in the SFRA in the 2008-2009 school year if the five-year plan demonstrates the district's ability to offer a full-day preschool program for three- and four-year-old children in that school year.

- **Question:** What is the anticipated timeline for districts to provide the five-year preschool plan to the department and for the department to inform the district of its eligibility to receive preschool education aid based on the per pupil allocations included in SFRA? Based on this timeline, is it likely that any districts will receive aid in FY 2009 based on such allocations?

13. In its proposal for a new school funding law, the department recommended a weight of 0.50 for limited English proficiency (LEP) students. For students who are both at-risk and LEP (referred to as "combination" students), the additional weight is the sum of the applicable at-risk weight plus 0.125 rather than 0.50. In the report titled *A Formula for Success: All Children, All Communities*, the department states that the reduced weight is included to address the resources that do not overlap between at-risk and LEP students. A comparison of Tables 3 and 4 from Appendix E of the report suggests that three resources overlap the at-risk and LEP students: 1) supplies and materials, 2) after school programs, and 3) summer school programs. The total cost of these overlapping resources (\$194,779) represents approximately 12.6 percent of the total districtwide cost of the resources for LEP students (\$1,550,502). The remaining 87.4 percent of LEP costs do not appear to be duplicative of at-risk resources.

- **Question:** Please clarify how the 75 percent reduction in the LEP component of the weight for combination students was determined. Specifically, using Tables 3 and 4 from Appendix E of the report, identify the LEP resources that the department considered to overlap with at-risk resources, the total costs of these overlapping resources, the cost of these resources as a percent of the total cost of LEP resources, and how these, or any other data, were used to calculate the reduced LEP weight for combination students.

14. Language included in the proposed budget (page D-104) authorizes additional appropriations, not to exceed \$15 million, for SDA New Facilities Transition Aid based on criteria established by the commissioner.

- **Question:** Please provide additional information regarding this new category of State school aid. Specifically, will eligibility be limited to SDA (former Abbott) school districts? Is the purpose to support one-time costs associated with opening a new school (e.g., purchasing educational equipment) or increased recurring costs (such as hiring new administrative personnel)? Assuming this aid is used to support a recurring cost, is it reasonable to assume that the department would recommend similar appropriations in future years? If not, would the district have an increase in its tax levy growth limit as a result of the decrease in unrestricted State aid pursuant to section 3 of P.L.2007, c.62 (C.18A:7F-38)?

Discussion Points (Cont'd)

15. The New Jersey Quality Single Accountability Continuum (NJ QSAC) made significant changes to the process by which the department conducts oversight of school districts. The executive county superintendent offices are primarily responsible for administering the assessment. Additionally, P.L.2007, c.63 expanded the responsibilities of the county offices.

- **Question:** The proposed budget recommends a 1 percent decrease in the appropriation for Services to Local Districts (page D-113). The entire decrease is attributable to a reduction in salaries and wages. However, the personnel data shown on page D-112 shows an increase from FY 2008 to FY 2009 of 12 positions (22.2 percent). Please reconcile the decrease in the appropriation with the increased staffing.
- **Question:** The FY 2009 proposed budget reduces the number of State employees through an early retirement incentive package (the effect of which is not included in the personnel summaries), continued attrition, and, in some cases, layoffs. Please provide a listing, by program class, of the number of employees who would be eligible for the early retirement plan that has been reported. How will any resulting reduction in staff impact the department's ability to perform its oversight of districts and other programs and responsibilities?

16. The recommended budget for FY 2009 proposes an appropriation of \$58.137 million for School Construction Debt Service Aid, an increase of 28.1 percent over FY 2008 and nearly 75 percent more than FY 2007. This aid is provided to districts to support debt service costs for school facilities projects initiated pursuant to the "Educational Facilities Construction and Financing Act," (EFCFA) P.L.2000, c.72). The bonds to finance these projects are issued locally rather than by the New Jersey Economic Development Authority.

- **Question:** Please provide information regarding the total number of school facilities projects and total principal for which debt service aid has been or will be provided pursuant to section 9 of EFCFA between FY 2005 and FY 2009.
- **Question:** Please provide a table for each district that will receive debt service aid pursuant to section 9 of EFCFA that displays the new district aid percentage as calculated in accordance with the provisions of the "School Funding Reform Act of 2008," P.L.2007, c.260, and the district aid percentage from FY 2002 that was used to calculate debt service aid between FY 2005 and FY 2008.
- **Question:** What is the projected amount of State aid needed annually between FY 2010 and FY 2012 to fully fund debt service aid pursuant to section 9 of EFCFA?

17. Language included in the recommended budget provides for the allocation of charter school aid (page D-104) to charter schools such that the total funding in FY 2009 is no less than the total funding the charter school received from resident school districts and the State in FY 2008. The language also authorizes funding to school districts in which the increase in the payment to charter schools in FY 2009 is greater than the increase in State aid.

- **Question:** Please provide one table that displays the amount of aid each charter school will receive pursuant to this language. Additionally, provide a second table detailing the amount of aid school districts will receive pursuant to this language.

Background Paper: School Funding Reform Act of 2008

| | |
|------------------|--|
| Budget Pages.... | B-2 to B-4; B-24 to B-25; B-27; B-29 to B-32; B-46; B-51; B-53; B-55; B-64 to B-66; B-69 to B-71 B-75; D-94 to D-95; D-97 to D-99; D-101 to D-104; D-108 to D-109; D-111; D-114; D-119 |
|------------------|--|

The "School Funding Reform Act of 2008" (SFRA) P.L.2007, c.260, established a mechanism for providing school districts with State education aid. The implementation of SFRA provides an increase of \$543 million¹ in State aid for K through 12 education programs in the 2008-2009 school year. The purpose of this background paper is to summarize the law's key provisions regarding State support for K through 12 education programs including:

- how "adequacy" is calculated for school districts;
- the formula used to determine a school district's local share;
- how the adequacy budget and local share are used to calculate equalization aid for a district;
- a brief explanation of the other State aid categories included in the law;
- the distribution of K through 12 State aid under the provisions of the law; and
- patterns of school district spending relative to adequacy.

A separate background titled *Preschool Education Aid* contains a discussion of funding that will be provided for early childhood education programs under SFRA.

Adequacy Calculation

The first step in determining the amount of State aid a school district will receive is to calculate its *adequacy budget*. The adequacy budget represents the portion of costs that a school district must incur to provide a thorough and efficient education that will be supported by the State on a wealth equalized basis.² A "base per pupil amount" of \$9,649 was established for the 2008-2009 school year as the amount needed to provide an elementary school student with an education consistent with the core curriculum content standards. This dollar amount is adjusted to account for other educational costs including educating students in higher grade levels, those attending county vocational school districts, at-risk students (as measured by the student's eligibility to receive free or reduced priced lunch), limited English proficiency (LEP) students, and those who are both at-risk and LEP (referred to as "combination" students). The corresponding weights for each are shown in Table 1. Additionally, SFRA adopted census-based funding of special education (see the background paper titled *Special Education Census-Based Funding* for a further discussion of this method). SFRA established an excess cost of \$10,898 for educating a special education student in the 2008-2009 school year; two-thirds of the excess cost is added to the adequacy budget for 14.69 percent of the student enrollment. An additional \$1,082 is added to the adequacy budget for 1.897 percent of the

¹ This figure includes additional State aid amounts included in the State aid notices. Preschool education and adult education aids are omitted. The figure also assumes that extraordinary special education aid is funded at the level shown in the department's December 12, 2007 report.

² As will be discussed later, there are other necessary educational costs that are not included in the adequacy budget because the State provides support for these costs through categorical aid.

Background Paper: School Funding Reform Act of 2008 (Cont'd)

student enrollment to support the cost of students who only receive corrective speech services. The census-based special education funding included in the adequacy budget is analogous to adding approximately \$1,088 per pupil to the adequacy budget for the entire student population.

Table 1
Weights Applied to Base per Pupil Amount in Adequacy Budget Calculation

| Student Characteristic | Applicable Weight |
|-----------------------------|--|
| Middle School | 0.04 |
| High School | 0.17 |
| County Vocational District | 0.31 |
| At-Risk | 0.47 – 0.57, depending on district's at-risk concentration |
| Limited English Proficiency | 0.50 |
| Combination Students | At-risk weight plus 0.125 |

Note: County vocational, at-risk, LEP, and combination student weights are in addition to the grade level weights.

The final stage in calculating the adequacy budget is to apply the Geographic Cost Adjustment (GCA). This index (which is discussed in further detail in the background paper titled *Geographic Cost Adjustment*) increases or decreases the adequacy budgets of school districts to reflect the estimated differences in wages that exist in different areas of the State.

Local Share Calculation

A district's local share represents the amount of revenue that the formula determines the district can afford to raise locally to support the adequacy budget described above. Similar to the State's previous two funding formulas, SFRA measures local fiscal capacity using total equalized property valuation and aggregate income of residents. These measures are multiplied by a specified property value and income rate, respectively, and the resulting products are summed and divided by 2.

$$LocalShare = \frac{(PropertyVal * PropertyRate) + (Income * IncomeRate)}{2}$$

For the 2008-2009 school year, SFRA specifies that the property and income rates used to determine a district's local share will equal 0.0092690802 and 0.04546684, respectively. These values may be thought of as representing a property tax rate of 92.7 cents per \$100 of equalized property valuation and an income tax rate of 4.5 percent that are used to support education.³ In subsequent years, the rates will be determined based on calculating values that will fully utilize the amount of revenue available for equalization aid.

Equalization Aid

Equalization aid is calculated as the difference between the district's adequacy budget and local share. To the extent that the adequacy budget exceeds the local share, equalization aid is provided to fund the difference. In the event that the local share is greater than the

³ Note, however, that the local share is raised through property taxes as localities are not authorized to collect income taxes.

Background Paper: School Funding Reform Act of 2008 (Cont'd)

adequacy budget, the district will not receive any equalization aid. Based on simulations using data provided by the Department of Education⁴, prior to implementation of the State aid growth limit (which is discussed in more detail in a later section), 29 percent of all districts have sufficient wealth to support the entire cost of their adequacy budgets.

Other State Aid Categories

Unlike equalization aid, the other seven State aid categories included in SFRA are categorical; this means aid is distributed to school districts on a basis other than some measure of their fiscal capacity. The additional State aid categories include:

- 1) **Special Education Categorical Aid:** As previously noted, two-thirds of the excess cost of special education services for 14.69 percent of the student population is included in the adequacy budget and, therefore, is supported on a wealth equalized basis. The remaining one-third is provided as categorical aid. This categorical aid is equivalent to providing approximately \$534 per pupil to each district. This aid is adjusted by the GCA.
- 2) **Extraordinary Special Education Aid:** Districts may apply for reimbursement for certain costs of educating special education students when the costs exceed \$40,000 (if the student is educated in a public school program) or \$55,000 (if the student attends a private school for students with disabilities). The reimbursement rates included in SFRA are 90 percent of the cost above the threshold for students educated in a public school program with their nondisabled peers and 75 percent for other students.
- 3) **Security Aid:** Security aid is provided to all districts as categorical aid. Each district receives \$70 per pupil plus an additional amount per at-risk pupil that increases to a maximum of \$406 per pupil when the at-risk concentration equals or exceeds 40 percent. This category is also adjusted by the GCA.
- 4) **Transportation Aid:** The costs of transporting students between home and school are supported by accounting for the number of students transported and the average distance. The total amount of aid that would be yielded pursuant to the formulas included in the law is prorated by 81.4876 percent in FY 2009.
- 5) **School Choice Aid:** This category is provided to school districts that continue to serve students who enrolled as participants in the interdistrict public school choice program. Qualifying districts receive the difference between the adequacy budget and equalization aid on a per pupil basis for each school choice student.
- 6) **Adjustment Aid:** After summing equalization aid and the five categorical aids listed above, adjustment aid is added if necessary to ensure that a district receives at least a 2 percent increase in State aid in the 2008-2009 school year relative to the 2007-2008 school year. This category is sometimes referred to as the "hold harmless" aid.

⁴ Some differences may be observed between figures included in this background paper and those that would be obtained from the department due to rounding, minor differences in the enrollment data, and differences in the methods used to estimate extraordinary special education aid. The variation is minor and does not affect the overall patterns observed.

Background Paper: School Funding Reform Act of 2008 (Cont'd)

- 7) **Educational Adequacy Aid:** This aid category provides additional assistance to districts that received education opportunity aid in FY 2008, have expenditures below adequacy, and either fail to meet educational adequacy standards established by the commissioner or have equalized property tax rates significantly above the State average. The purpose of this category is to close the difference between qualifying districts' expenditures and adequacy in three years via the provision of additional State aid and required increases in the school tax levy.

While the term "State aid entitlement" does not appear in the law, one may consider this to be the amount of aid a district would receive in the absence of any adjustment and equals the sum of equalization aid, special education categorical aid, extraordinary special education aid, security aid, school choice aid, and transportation aid. The receipt of adjustment aid represents one instance in which a district's actual aid deviates from the entitlement. Another circumstance occurs when the State aid entitlement represents an increase in excess of the State aid growth limit (discussed in the next section). After accounting for districts that either receive adjustment aid or are impacted by the State aid growth limit, approximately 10 percent of districts actually receive the State aid entitlement.

State Aid Growth Limit

SFRA includes a provision limiting the amount by which a district's total State aid can increase in one year. Districts in which expenditures are below adequacy⁵ can receive a maximum 20 percent increase in one year. This threshold is reduced to 10 percent for districts in which spending exceeds the adequacy threshold. Statewide, nearly half of all districts had a State aid entitlement in excess of the aid growth limit and will receive an amount of aid below the entitlement. As Figure 1 shows, there is a correlation between the probability that a district reached the limit and its District Factor Group (DFG) classification.

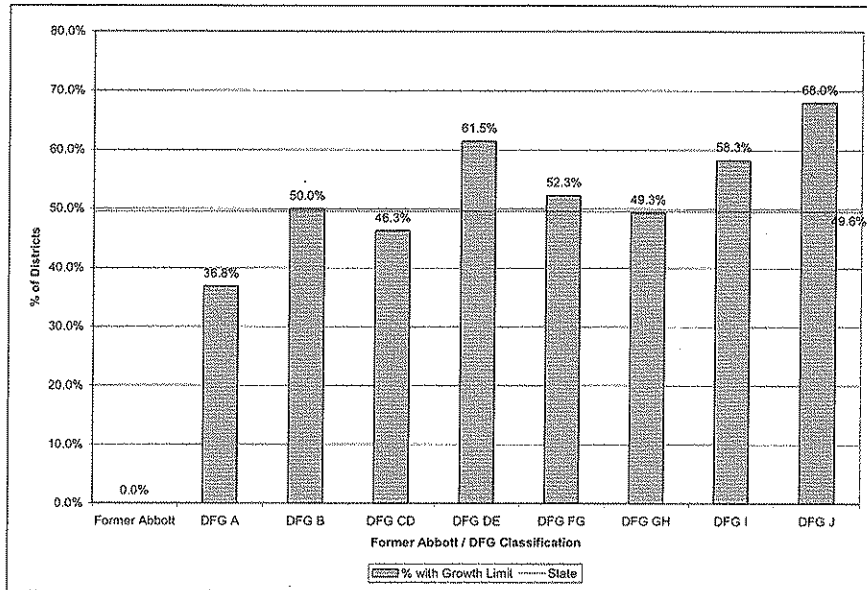
Districts that were categorized as Abbott districts under the "Comprehensive Educational Improvement and Financing Act of 1996" (CEIFA), P.L.1996, c.138, represent the only group in which no district reached the State aid growth limit. Among the remaining districts, districts classified as DFG A (the lowest socioeconomic ranking within the DFG classification), approximately one-third of the districts reached the applicable State aid growth limit. The percent of districts classified as DFG B and CD reaching the growth limit are 50.0 and 46.3 percent, respectively. These figures are close to the State average of 49.6 percent. With the exception of DFG GH, districts classified in higher DFG categories exceed the State average. Districts categorized in DFG J, the highest socioeconomic group) are most likely to reach the State aid growth limit; more than two-thirds of these districts reached the limit.

The most likely explanation for the pattern displayed in Figure 1 is the fact that the amount of State aid a district receives is highly correlated with (although, not directly determined by) the DFG classification. Since districts in the higher DFG classes typically receive a smaller amount of State aid, a relatively small increase will bring the district to the 10 or 20 percent State aid growth limit. Conversely, a district that already receives a significant amount of State support may be able to receive a larger increase without reaching the State aid growth limit.

⁵ In this context, "adequacy" is defined more broadly than the adequacy budget used to calculate equalization aid. The details of the adequacy definition are explained in more detail in the section titled "Spending Relative to Adequacy".

Background Paper: School Funding Reform Act of 2008 (Cont'd)

Figure 1
Percent of Districts Reaching State Aid Growth Limit



Note: DFG groupings do not include the former Abbott districts.

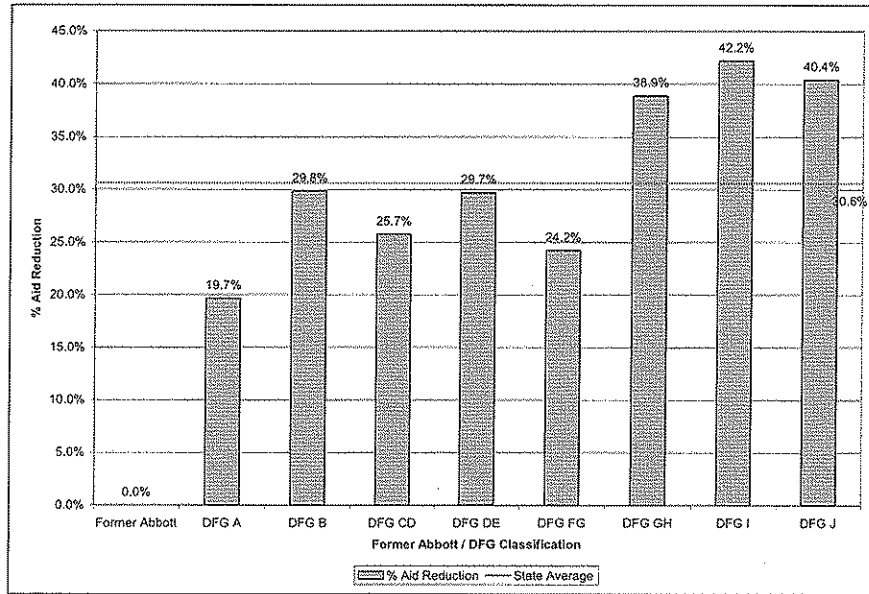
The State aid growth limit is set at 10 or 20 percent based on whether or not a district spends above adequacy. This fixed threshold means that districts that would have received the largest State aid increases in percentage terms are most impacted by the aid growth limit. For example, consider three hypothetical school districts that are spending below adequacy and would, therefore, be subject to a growth limit of 20 percent. Further assume that in the absence of the growth limit, one district would receive a 15 percent increase in State aid; the second would receive a 25 percent increase, and the third would receive a 40 percent increase. The use of a fixed 20 percent growth limit has a different impact on each district with respect to the degree to which State aid will be reduced to keep the aid growth within the limit. The first district would not be impacted and will receive 100 percent of the State aid determined by the formula before the limit is applied. The second district would receive 80 percent of the increase, while third district would only receive 50 percent of its increase. To the extent that the formula, before the application of the growth limit, is determined based on the students' needs and the communities' ability to pay, the use of a fixed State aid growth limit threshold would have the greatest impact on what the formula has determined to be the districts that require (in percentage terms) the largest State aid increases. This would tend to include districts that have experienced significant enrollment growth or loss of wealth since FY 2002 (the last year State school aid was determined through a formula) or districts that would receive large increases under SFRA in FY 2009 because they received relatively little State aid in the previous year.

Among the districts in which State aid was reduced due to the application of the State aid growth limit, the aid was decreased by 30.6 percent Statewide. Figure 2 displays the percent reductions by DFG. Districts in the three highest DFG classifications exceed the State average in terms the percent by which State aid was reduced in order to remain within the

Background Paper: School Funding Reform Act of 2008 (Cont'd)

required growth limit. This is likely the result of the fact that districts in the higher DFGs are more likely to exceed adequacy and therefore be subject to the lower 10 percent State aid growth limit.

Figure 2
Percent Reduction in State Aid Entitlement Pursuant to State Aid Growth Limit
Among Districts with a Reduction



Note: DFG groupings do not include the former Abbott districts.

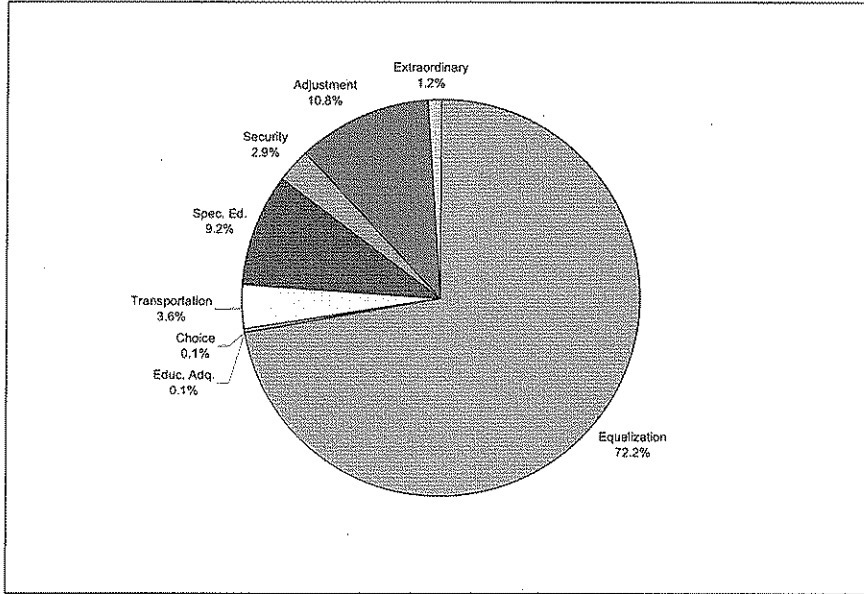
State Aid Distribution

Figure 3 shows the components of State aid after applying the State aid growth limit. The figure demonstrates that equalization aid is the most significant State aid category, representing approximately 72 percent of the total. Adjustment aid and the combination of special education categorical aid and extraordinary special education aid are each slightly less than 11 percent of the total. The remaining aid categories account for small shares of the total aid.

Adjustment aid represents a category of particular interest. In FY 2009, districts will receive this aid in an amount sufficient to provide districts with a 2 percent increase in State aid if such an increase was not attained with the other State aid categories (not including educational adequacy aid). During the 2009-2010 and 2010-2011 school years, adjustment aid will be calculated to ensure that all school districts receive at least the same amount of total State aid as was received during the 2008-2009 school year. In future school years, districts will continue to receive adjustment aid sufficient to remain at the 2008-2009 school year's State aid level *unless the district's weighted enrollment, after adjusting for the number of at-risk and LEP students, falls at least 5 percent relative to the 2008-2009 school year enrollment.* In

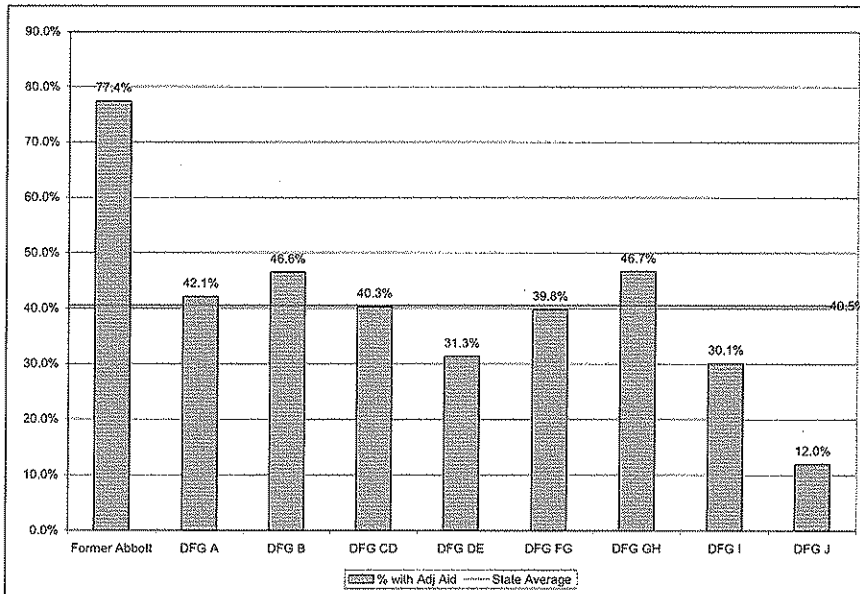
Background Paper: School Funding Reform Act of 2008 (Cont'd)

Figure 3
State Aid Categories under the School Funding Reform Act of 2008



this situation, the district's adjustment aid will be reduced in an amount equal to the 2008-2009 adjustment aid per pupil multiplied by the enrollment decline relative to the 2008-2009 enrollment in excess of 5 percent.

Figure 4
Percent of Districts Receiving Adjustment Aid in the 2008-2009 School Year



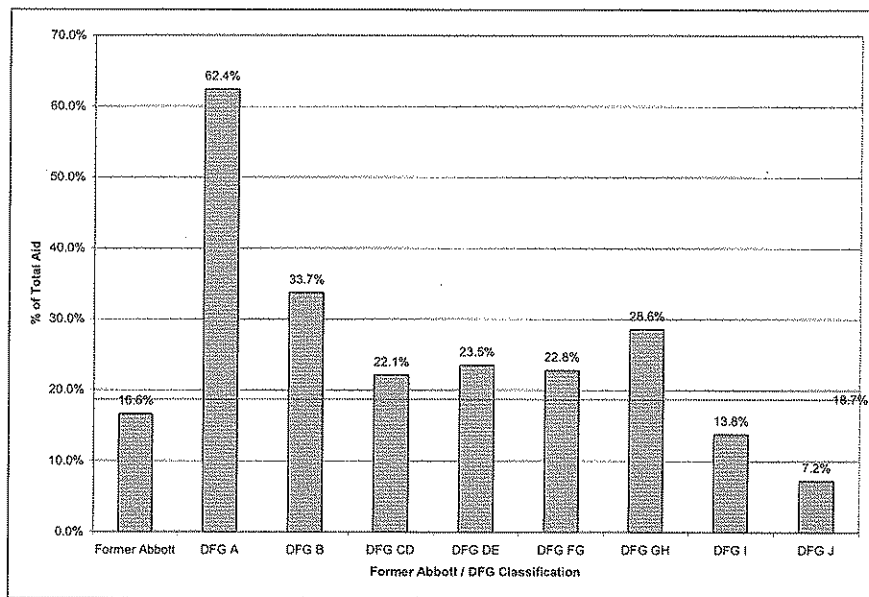
Note: DFG groupings do not include the former Abbott districts.

Background Paper: School Funding Reform Act of 2008 (Cont'd)

The receipt of adjustment aid signifies that a school district would have experienced a reduction in State aid (or an increase of less than 2 percent) relative to the 2007-2008 school year. Statewide, nearly 41 percent of all districts received this aid; Figure 4 displays this information by socioeconomic group. The former Abbott districts are significantly more likely to receive adjustment aid than any other group.

In addition to whether or not a district receives adjustment aid, the amount of adjustment aid as a percent of total aid received is also of interest. While there is some uncertainty in projecting the amount of State aid a district may receive in future years, a district that receives a greater share of its aid in the form of adjustment aid is more likely to continue to receive funding at the 2008-2009 school year level than a district that received less adjustment aid. Figure 5 shows the amount of adjustment aid districts receive as a percent of total State aid; the graphic is limited to districts that received this category of funding.

Figure 5
Adjustment Aid as a Percent of Total State Aid in the 2008-2009 School Year
Among Districts Receiving Adjustment Aid

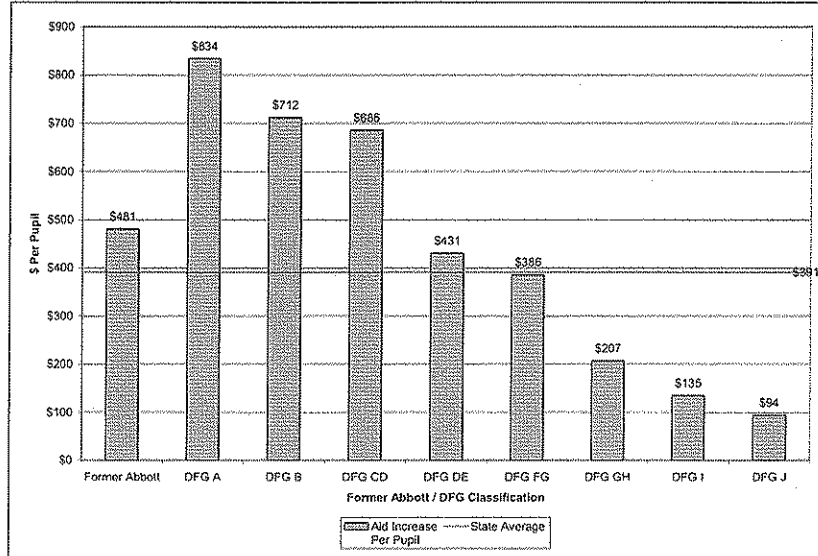


Note: DFG groupings do not include the former Abbott districts.

Figure 6 shows the distribution of the State aid increases in the first year of implementing SFRA. On average, State aid increases by \$391 per student; Figure 6 demonstrates that the additional funding is targeted to districts in lower DFG classifications. For example, DFG A districts that were not classified as Abbott districts will receive, on average, a State aid increase of \$834 per pupil; this is more than twice as high as the State average increase per pupil. The per pupil increases in State aid get progressively smaller and districts classified as DFG FG represent the first group in which the average increase is less than the State average per pupil increase. The per pupil increase in State aid for DFG J districts, \$91, is less than one-quarter of the State average.

Background Paper: School Funding Reform Act of 2008 (Cont'd)

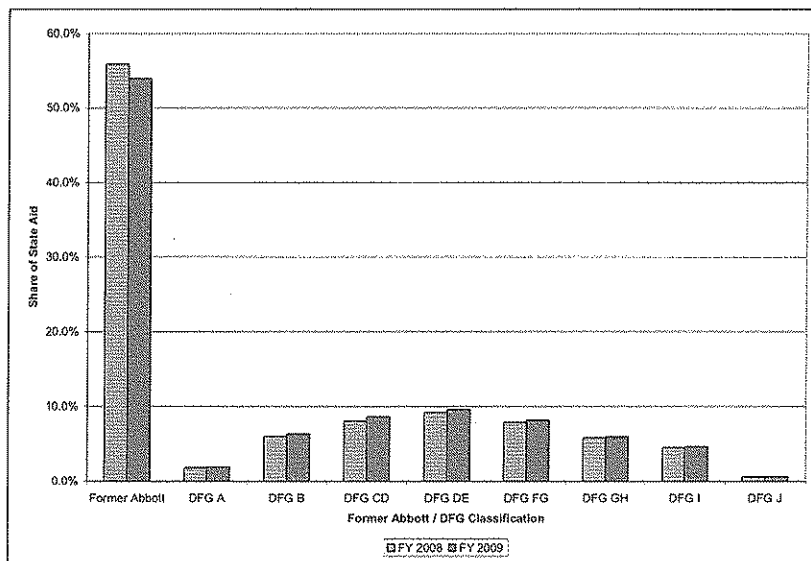
Figure 6
State Aid Increase per Pupil in the 2008-2009 School Year



Note: DFG groupings do not include the former Abbott districts.

Notwithstanding the changes in State aid per pupil shown in the above graphic, the overall distribution of State aid does not substantially change. As shown in Figure 7, the share of State aid allocated to the former Abbott districts decreases by two percentage points (from 56 percent to 54 percent). While all of the DFG classifications received a greater share of State aid in the 2008-2009 school year than in the prior year, the largest increase (DFG CD) was only 0.6 percentage points.

Figure 7
Change in the Share of State Education Aid



Note: DFG groupings do not include the former Abbott districts.

Background Paper: School Funding Reform Act of 2008 (Cont'd)

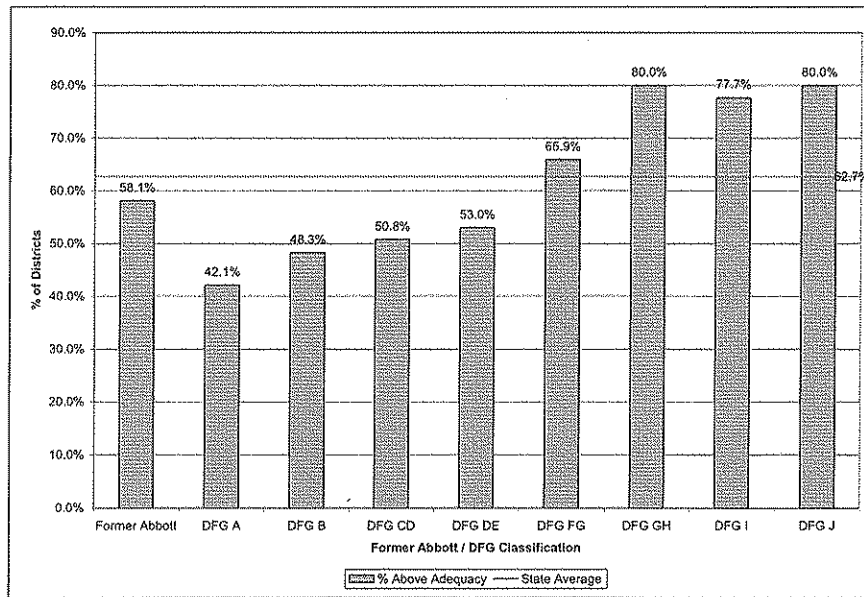
Spending Relative to Adequacy

As previously discussed, districts' spending relative to adequacy is used to determine the maximum amount by which State aid can increase in a given year. Furthermore, spending below adequacy is a prerequisite to receiving educational adequacy aid. Additionally, certain districts with expenditures greater than adequacy are subject to a more stringent tax levy growth limit pursuant to P.L.2007, c.62.

Because of the use of the word "adequacy" in this context, one may assume that a district's expenditures are compared to the adequacy budget that is used to calculate equalization aid. However, this is not the case since this figure does not include security and some special education costs. For the 2008-2009 school year, SFRA determines whether districts are spending above or below "adequacy" by comparing the FY 2008 general fund tax levy and State aid (excluding transportation aid) to the sum of the FY 2009 adequacy calculation and State aid (excluding transportation aid, adjustment aid, school choice aid, and educational adequacy aid).⁶

Statewide, nearly two-thirds of all districts have expenditures in excess of the defined adequacy level. As Figure 8 shows, the variation in school district spending relative to adequacy is linked to socioeconomic status.

Figure 8
Percent of Districts Spending Above Adequacy in the 2008-2009 School Year



Note: DFG groupings do not include the former Abbott districts.

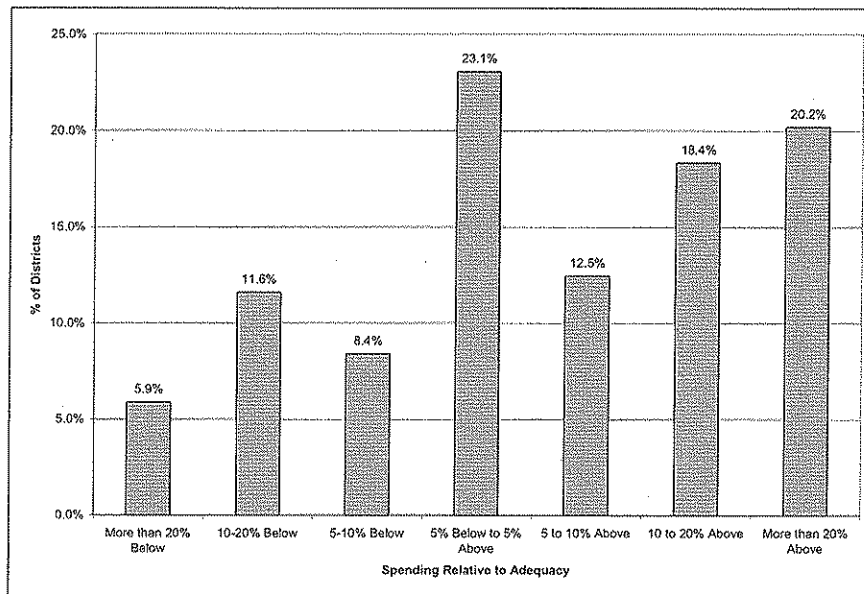
The amount by which districts' spending deviates from the adequacy level is also of interest. Figure 9 displays the percent of districts that have spending relative to adequacy in

⁶ In subsequent school years, the sum of the general fund tax levy, equalization aid, special education and security categorical aids will be used to make the comparison.

Background Paper: School Funding Reform Act of 2008 (Cont'd)

various ranges. The middle range, those spending between 5 percent below and 5 percent above adequacy, includes nearly one-quarter of all school districts. Because of the proximity of their spending to the adequacy level, this group is most likely to be impacted by analytic or policy decisions that, in the aggregate, may appear to only have a nominal impact. An example of this point is presented in the background paper titled *Geographic Cost Adjustment*.

Figure 9
District Spending Relative to Adequacy in the 2008-2009 School Year



Note: DFG groupings do not include the former Abbott districts.

Background Paper: Extraordinary Special Education Aid

Budget Pages.... D-97; D-99; D-101; D-103 to D-104

Extraordinary special education aid provides school districts with a reimbursement of special education costs for individual students that exceed a specified threshold. As shown in Table 1, the "School Funding Reform Act of 2008" (SFRA), P.L.2007, c.260, modified these statutory provisions; the reimbursement rate was lowered from 100 percent to 75 percent or 90 percent (depending on whether or not the special education student is educated with nondisabled peers) and, for students enrolled in private schools for students with disabilities, the threshold at which reimbursement begins was increased. It is important to note, however, that the State has never appropriated sufficient funding to support the reimbursement at the 100 percent level that was established under the State's previous school funding law.

Table 1
Changes in Extraordinary Special Education Aid

| | Prior School Funding Law | Current School Funding Law |
|--------------------|--------------------------|---|
| Reimbursement Rate | 100% | 75% for students educated in separate placements, 90% for students educated with nondisabled peers |
| Cost Threshold | \$40,000 | \$40,000 for students enrolled in public school programs, \$55,000 for students enrolled in private schools for students with disabilities |

An analysis of extraordinary aid application data from the 2005-2006 school year demonstrates that the increased threshold for students enrolled in private schools for students with disabilities will deem a significant share of students ineligible for any cost reimbursement. Of the more than 13,000 applications for extraordinary aid reimbursement, nearly 42 percent were for students enrolled in private schools for students with disabilities for which the tuition costs were below the higher \$55,000 threshold. As a result, the number of students who would qualify for reimbursement declines to approximately 7,800 under the provisions of SFRA.

Under SFRA, the 2008-2009 school year State aid payable to districts is to be determined by a report prepared by the commissioner dated December 12, 2007. This report projected that extraordinary aid would total \$91.2 million in FY 2009. It should be noted that this estimate was based on the department's initial proposal which included a reimbursement rate of 75 percent of costs for all qualifying students and was to be updated upon the receipt of current data and to reflect the reimbursement rates shown in Table 1. The recommended FY 2009 budget includes a proposed appropriation of \$52 million for extraordinary aid (page D-103) and pursuant to language on page D-119, the amount of aid will be prorated; districts will receive approximately 57 percent of the aid to which it would have been entitled based on the December 12, 2007 report.

Background Paper: Extraordinary Special Education Aid (Cont'd)

The Department of Education included the projected extraordinary special education aid when determining whether or not a district would require adjustment aid in order to receive the minimum 2 percent increase in State school aid in the 2008-2009 school year (see the background paper titled *School Funding Reform Act of 2008* for a description of adjustment aid). If one replaces the projected extraordinary special education aid award listed in the December 12, 2007 report with the estimated prorated amount based on an appropriation of \$52 million, it is estimated that 198 districts will receive an increase in State aid of less than 2 percent in the 2008-2009 school year relative to the amount of funding received in the 2007-2008 school year. This figure includes 72 districts that would receive a decrease in total State aid. Table 2 provides a list of districts that would receive less than a 2 percent increase in State aid after accounting for the prorated amount of extraordinary special education aid.

Table 2
School Districts Receiving Less than 2 Percent State School Aid Increase with Extraordinary Special Education Aid Proration

| County | District | Percent Increase in State School Aid | |
|----------|---------------------------|--|--|
| | | 100% Extraordinary Special Education Aid | Prorated Extraordinary Special Education Aid |
| Atlantic | Absecon City | 2.0% | 1.8% |
| Atlantic | Atlantic City | 2.2% | 1.2% |
| Atlantic | Estell Manor City | 2.0% | 1.9% |
| Atlantic | Linwood City | 2.0% | 1.2% |
| Atlantic | Margate City | 2.0% | 1.5% |
| Atlantic | Ventnor City | 2.0% | 1.9% |
| Bergen | Allendale Boro | 10.0% | -14.5% |
| Bergen | Alpine Boro | 10.0% | -7.4% |
| Bergen | Carlstadt Boro | 2.0% | 0.8% |
| Bergen | Carlstadt-East Rutherford | 2.0% | -0.8% |
| Bergen | Cliffside Park Boro | 2.0% | 0.4% |
| Bergen | Demarest Boro | 2.0% | -4.7% |
| Bergen | East Rutherford Boro | 2.0% | 0.3% |
| Bergen | Edgewater Boro | 2.0% | -9.2% |
| Bergen | Emerson Boro | 10.0% | -1.3% |
| Bergen | Englewood City | 2.0% | -0.1% |
| Bergen | Englewood Cliffs Boro | 2.0% | -7.3% |
| Bergen | Fair Lawn Boro | 10.0% | -0.5% |
| Bergen | Fort Lee Boro | 2.0% | -1.0% |
| Bergen | Franklin Lakes Boro | 2.0% | -1.4% |
| Bergen | Glen Rock Boro | 10.0% | 1.3% |
| Bergen | Mahwah Twp | 2.0% | -2.8% |
| Bergen | Midland Park Boro | 10.0% | 1.9% |
| Bergen | Montvale Boro | 3.9% | 0.7% |
| Bergen | Moonachie Boro | 2.0% | 0.3% |
| Bergen | Northern Highlands Reg | 10.0% | 0.8% |
| Bergen | Northern Valley Regional | 10.0% | 1.4% |
| Bergen | Northvale Boro | 10.0% | -3.0% |
| Bergen | Norwood Boro | 2.0% | -6.1% |
| Bergen | Oakland Boro | 10.0% | 0.9% |
| Bergen | Old Tappan Boro | 10.0% | 1.1% |

Background Paper: Extraordinary Special Education Aid (Cont'd)

| County | District | Percent Increase in State School Aid | |
|------------|---------------------------|---|---|
| | | 100% Extraordinary Special Education Aid | Prorated Extraordinary Special Education Aid |
| Bergen | Oradell Boro | 2.0% | -1.9% |
| Bergen | Paramus Boro | 3.1% | 0.4% |
| Bergen | Park Ridge Boro | 10.0% | 0.9% |
| Bergen | Ramsey Boro | 10.0% | 1.0% |
| Bergen | Ridgewood Village | 10.0% | -2.1% |
| Bergen | River Dell Regional | 10.0% | 1.3% |
| Bergen | River Vale Twp | 10.0% | -0.2% |
| Bergen | Rochelle Park Twp | 2.0% | -2.7% |
| Bergen | Rockleigh | 10.0% | -13.8% |
| Bergen | Saddle Brook Twp | 10.0% | 0.0% |
| Bergen | Saddle River Boro | 10.0% | -2.0% |
| Bergen | South Hackensack Twp | 2.0% | -4.7% |
| Bergen | Teaneck Twp | 2.0% | -2.5% |
| Bergen | Tenafly Boro | 10.0% | -5.7% |
| Bergen | Upper Saddle River Boro | 10.0% | 0.3% |
| Bergen | Westwood Regional | 2.0% | -3.7% |
| Bergen | Woodcliff Lake Boro | 2.0% | -6.4% |
| Burlington | Burlington City | 2.0% | 1.9% |
| Burlington | Evesham Twp | 2.0% | 1.6% |
| Burlington | Hainesport Twp | 2.0% | 1.0% |
| Burlington | Moorestown Twp | 2.0% | -2.0% |
| Burlington | Mount Holly Twp | 2.0% | 1.8% |
| Burlington | Mount Laurel Twp | 3.3% | 1.5% |
| Burlington | New Hanover Twp | 2.0% | 1.8% |
| Burlington | North Hanover Twp | 2.0% | 1.9% |
| Burlington | Pemberton Twp | 2.0% | 1.9% |
| Burlington | Riverton | 2.0% | 1.4% |
| Burlington | Shamong Twp | 2.0% | 1.6% |
| Burlington | Southampton Twp | 2.0% | 1.9% |
| Burlington | Westampton | 2.0% | 1.9% |
| Camden | Audubon Boro | 2.0% | 1.9% |
| Camden | Eastern Camden County Reg | 2.0% | 1.2% |
| Camden | Haddon Heights Boro | 2.0% | 1.6% |
| Camden | Haddonfield Boro | 2.1% | -2.6% |
| Camden | Voorhees Twp | 2.0% | -0.3% |
| Cape May | Dennis Twp | 2.0% | 1.6% |
| Cape May | Lower Cape May Regional | 2.0% | 1.9% |
| Cape May | Middle Twp | 2.0% | 1.8% |
| Cape May | Ocean City | 2.0% | 1.6% |
| Cape May | Sea Isle City | 2.0% | -14.9% |
| Cape May | Wildwood Crest Boro | 2.0% | 1.9% |
| Cumberland | Downe Twp | 2.0% | 1.8% |
| Cumberland | Maurice River Twp | 2.0% | 1.9% |
| Cumberland | Millville City | 2.0% | 1.9% |
| Cumberland | Vineland City | 2.1% | 1.9% |
| Essex | Caldwell-West Caldwell | 10.0% | -0.2% |
| Essex | Cedar Grove Twp | 5.1% | -4.2% |
| Essex | East Orange | 2.0% | 1.8% |

Background Paper: Extraordinary Special Education Aid (Cont'd)

| County | District | Percent Increase in State School Aid | |
|------------|---------------------------|---|---|
| | | 100% Extraordinary Special Education Aid | Prorated Extraordinary Special Education Aid |
| Essex | Livingston Twp | 5.1% | -1.0% |
| Essex | Millburn Twp | 10.0% | -1.5% |
| Essex | Montclair Town | 2.0% | -0.5% |
| Essex | Newark City | 2.0% | 1.9% |
| Essex | North Caldwell Boro | 10.0% | -11.7% |
| Essex | Roseland Boro | 2.0% | -3.4% |
| Essex | Verona Boro | 2.0% | -4.1% |
| Gloucester | Elk Twp | 2.0% | 0.6% |
| Gloucester | Greenwich Twp | 2.0% | 0.8% |
| Gloucester | National Park Boro | 2.0% | 1.9% |
| Gloucester | Pitman Boro | 2.0% | 1.9% |
| Gloucester | Delsea Regional H.S Dist. | 2.0% | 1.5% |
| Gloucester | Washington Twp | 2.0% | 1.3% |
| Gloucester | Westville Boro | 2.0% | 1.9% |
| Gloucester | Woodbury Heights Boro | 2.0% | 1.5% |
| Hudson | Hoboken City | 2.0% | 1.7% |
| Hudson | Jersey City | 2.0% | 1.9% |
| Hudson | Weehawken Twp | 2.0% | -0.7% |
| Hudson | West New York Town | 2.0% | 1.9% |
| Hunterdon | Alexandria Twp | 2.0% | 1.6% |
| Hunterdon | Franklin Twp | 2.0% | 0.3% |
| Hunterdon | Glen Gardner Boro | 2.0% | 1.3% |
| Hunterdon | High Bridge Boro | 2.0% | -0.3% |
| Hunterdon | Kingwood Twp | 2.0% | 1.3% |
| Hunterdon | Readington Twp | 3.7% | -0.9% |
| Hunterdon | South Hunterdon Regional | 2.0% | 1.4% |
| Hunterdon | West Amwell Twp | 2.0% | 0.7% |
| Mercer | Hopewell Valley Regional | 2.0% | -3.2% |
| Mercer | Lawrence Twp | 2.0% | 0.0% |
| Mercer | Princeton Regional | 2.0% | -3.9% |
| Monmouth | Atlantic Highlands Boro | 2.0% | -4.6% |
| Monmouth | Avon Boro | 2.0% | -6.5% |
| Monmouth | Belmar Boro | 2.0% | 0.3% |
| Monmouth | Colts Neck Twp | 2.0% | -2.0% |
| Monmouth | Deal Boro | 2.0% | -1.9% |
| Monmouth | Eatontown Boro | 2.0% | 1.9% |
| Monmouth | Fair Haven Boro | 2.0% | 0.0% |
| Monmouth | Farmingdale Boro | 2.0% | 0.7% |
| Monmouth | Henry Hudson Regional | 2.0% | 1.5% |
| Monmouth | Keansburg Boro | 2.0% | 1.8% |
| Monmouth | Little Silver Boro | 2.1% | 0.2% |
| Monmouth | Manasquan Boro | 2.0% | 1.1% |
| Monmouth | Middletown Twp | 2.1% | 1.3% |
| Monmouth | Monmouth Beach Boro | 2.0% | -0.9% |
| Monmouth | Neptune Twp | 2.2% | 1.7% |
| Monmouth | Ocean Twp | 2.5% | 1.9% |
| Monmouth | Oceanport Boro | 2.0% | -0.7% |
| Monmouth | Red Bank Regional | 2.0% | 1.9% |

Background Paper: Extraordinary Special Education Aid (Cont'd)

| County | District | Percent Increase in State School Aid | |
|----------|---------------------------|--|--|
| | | 100% Extraordinary Special Education Aid | Prorated Extraordinary Special Education Aid |
| Monmouth | Sea Bright Boro | 2.0% | -12.1% |
| Monmouth | Sea Girt Boro | 2.0% | -0.2% |
| Monmouth | Shore Regional | 2.0% | 1.0% |
| Monmouth | South Belmar | 2.0% | 1.6% |
| Monmouth | Spring Lake Boro | 2.0% | -14.1% |
| Monmouth | Tinton Falls | 2.0% | 1.0% |
| Monmouth | Wall Twp | 2.0% | 0.3% |
| Monmouth | West Long Branch Boro | 3.8% | -4.2% |
| Morris | Sch Dist Of The Chathams | 4.9% | 0.2% |
| Morris | Denville Twp | 2.0% | -1.6% |
| Morris | East Hanover Twp | 2.0% | -6.3% |
| Morris | Florham Park Boro | 7.5% | -1.8% |
| Morris | Hanover Twp | 2.0% | 0.5% |
| Morris | Harding Township | 10.0% | -5.7% |
| Morris | Lincoln Park Boro | 2.0% | 1.5% |
| Morris | Morris Plains Boro | 2.0% | -1.9% |
| Morris | Morris School District | 2.0% | 0.3% |
| Morris | Mount Arlington Boro | 2.0% | -2.4% |
| Morris | Mountain Lakes Boro | 2.0% | 0.7% |
| Morris | Long Hill Twp | 2.0% | 0.4% |
| Morris | Riverdale Boro | 2.0% | -1.2% |
| Morris | West Morris Regional | 2.0% | -0.5% |
| Ocean | Barnegat Twp | 2.0% | 1.5% |
| Ocean | Bay Head Boro | 2.0% | -5.8% |
| Ocean | Berkeley Twp | 2.0% | 1.0% |
| Ocean | Brick Twp | 2.0% | 1.1% |
| Ocean | Central Regional | 2.0% | 1.4% |
| Ocean | Eagleswood Twp | 2.0% | 1.3% |
| Ocean | Lavallette Boro | 2.0% | -1.0% |
| Ocean | Little Egg Harbor Twp | 2.0% | 0.8% |
| Ocean | Long Beach Island | 2.0% | 0.4% |
| Ocean | Manchester Twp | 2.0% | 1.7% |
| Ocean | Ocean Twp | 2.0% | 1.9% |
| Ocean | Pinelands Regional | 2.0% | 1.8% |
| Ocean | Point Pleasant Beach Boro | 2.0% | 1.8% |
| Ocean | Toms River Regional | 2.0% | 1.9% |
| Ocean | Tuckerton Boro | 2.0% | 1.7% |
| Passaic | Bloomington Boro | 2.5% | 0.6% |
| Passaic | Passaic Valley Regional | 2.0% | 1.0% |
| Passaic | Ringwood Boro | 2.0% | 0.5% |
| Passaic | Totowa Boro | 2.0% | -2.1% |
| Passaic | Wayne Twp | 2.0% | -0.9% |
| Salem | Elsinboro Twp | 2.0% | 0.1% |
| Salem | Salem City | 2.0% | 1.9% |
| Somerset | Somerset Hills Regional | 10.0% | -1.5% |
| Somerset | Warren Twp | 2.0% | -2.0% |
| Sussex | Andover Reg | 2.0% | 1.5% |
| Sussex | Frankford Twp | 2.0% | 1.6% |

Background Paper: Extraordinary Special Education Aid (Cont'd)

| County | District | Percent Increase in State School Aid | |
|--------|--------------------------|---|---|
| | | 100% Extraordinary Special Education Aid | Prorated Extraordinary Special Education Aid |
| Sussex | Green Twp | 2.0% | 1.4% |
| Sussex | Hamburg Boro | 2.0% | 0.8% |
| Sussex | Hampton Twp | 2.0% | -0.4% |
| Sussex | Hardyston Twp | 2.0% | 1.2% |
| Sussex | Hopatcong | 2.0% | 1.2% |
| Sussex | Kittatinny Regional | 2.0% | 1.2% |
| Sussex | Montague Twp | 2.0% | 0.7% |
| Sussex | Stanhope Boro | 2.0% | 1.7% |
| Sussex | Sussex-Wantage Regional | 2.0% | 1.9% |
| Sussex | Vernon Twp | 2.0% | 1.2% |
| Sussex | Wallkill Valley Regional | 2.0% | 1.5% |
| Union | Plainfield City | 2.0% | 1.9% |
| Union | Springfield Twp | 3.4% | -3.4% |
| Union | Summit City | 2.0% | -0.2% |
| Union | Westfield Town | 2.0% | -1.3% |
| Union | Winfield Twp | 2.0% | 1.8% |
| Warren | Allamuchy Twp | 2.0% | -1.3% |
| Warren | Great Meadows Regional | 2.0% | 1.8% |
| Warren | Harmony Twp | 2.0% | -1.4% |
| Warren | Hope Twp | 2.0% | 0.5% |
| Warren | Washington Boro | 2.0% | 1.7% |
| Warren | Washington Twp | 2.0% | 0.7% |
| Warren | White Twp | 2.0% | 1.2% |

Note: The table includes adjustments included in the State aid notices provided by the department to school districts. Preschool education aid is not included.

Background Paper: Special Education Census-Based Funding

Budget Pages.... D-99; D-101; D-103

The "School Funding Reform Act of 2008" (SFRA), P.L.2007, c.260, made a number of significant changes to the manner in which the State provides special education funding to school districts. This background paper discusses the law's adoption of census-based funding (CBF) for providing special education aid.

Under previous school funding laws, special education aid was provided based on the actual number of special education students enrolled in a district. CBF is an alternative approach in which aid is determined by the district's total enrollment rather than the number of students with disabilities, the nature of the disabilities, or the types of services provided. SFRA assumes that 14.69 percent of all students in a district require special education services and an additional 1.897 percent of the total enrollment need corrective speech services only.

Proponents of CBF frequently cite three benefits of this funding method:

- 1) ***Eliminates the incentive for school districts to over-classify students:*** In theory, providing aid based on the number of special education students creates an incentive for school districts to classify more students (thereby receiving more aid). Under the CBF approach, aid is determined independent of the number of special education students or any other factor over which school districts may have control.
- 2) ***Stabilizes the state's cost of providing special education aid:*** Special education enrollment generally increases at a faster rate than overall enrollment. By severing the link between special education enrollment and aid, CBF avoids rapid increases in aid provided to districts.
- 3) ***Increases school districts' flexibility:*** The funding approach sometimes allows school districts to spend the additional revenue on a broader range of educational services. This particular benefit is less relevant in New Jersey since special education aid is general fund revenue and can be spent in any manner by a district.

There are also at least two often cited concerns with CBF:

- 1) ***Creates an incentive to under-classify students:*** Since districts will only receive aid for a fixed share of their students, districts may avoid classifying students beyond the threshold even if classification is warranted.
- 2) ***Severs the connection between aid and students' needs:*** When CBF is utilized, all districts receive aid under the assumption that a certain percent of students require special education services irrespective of the actual classification rate. Using the State average classification rate to establish the funding threshold ensures that approximately half of all districts will receive aid for students who do not receive special education services while the other half will not receive funding for all of their classified students.

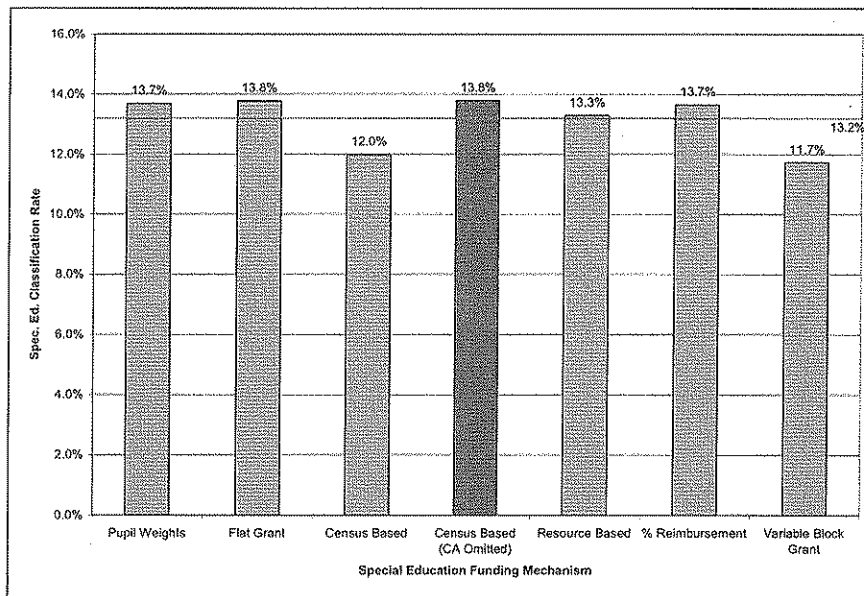
Background Paper: Special Education Census-Based Funding (Cont'd)

The Relationship Between Funding Mechanism and Classification Rates

The stated benefit of avoiding over-classifying students (and the converse concern of not classifying students who do require special education services) implies that districts' classification practices are linked to special education aid funding policies. There are at least two ways one can test this hypothesis. First, one can compare the classification rates in states with different special education funding methods. If the hypothesis is true, one would generally expect to see states that have adopted CBF to have lower classification rates. Second, the trend in classification rates can be compared in states that have adopted CBF. A decrease in the classification rate (or at least a slower increase than what is observed overall) after the state adopts CBF would also provide support for this hypothesis.

A report issued by the Center for Special Education Finance⁷ (CSEF) classifies most states' special education finance policies into one of six groups. This information is combined with state level classification rate data⁸ and is summarized in Figure 1.

Figure 1
Special Education Classification Rate,
by State Special Education Funding Mechanism, 1999-2000⁹



⁷ Thomas Parrish, Jenifer Harr, Jennifer Anthony, Amy Merickel, and Phil Esra, "State Special Education Finance Systems, 1999-2000: Part I" May 2003.

⁸ The data table is available at <http://www.ideadata.org/docs/PartBTrendData/B1.xls> and was last accessed on November 27, 2007.

⁹ The special education classification rates from the 1999-2000 school year are displayed in this chart as this is the last year for which the funding mechanism survey was conducted and no definitive information source has been identified to determine if any states have adopted or stopped using CBF in a subsequent year. It should be noted that similar patterns are observed when data from later school years are used.

Background Paper: Special Education Census-Based Funding (Cont'd)

The CSEF report identified nine states¹⁰ that utilized the CBF approach during the 1999-2000 school year.¹¹ When comparing the average classification rate of these states to states that utilize other means for determining special education aid, one may be inclined to conclude that CBF does generally lead to lower classification rates; the average classification rate (12.0 percent) is lower than the national average (13.2 percent) and the average classification rates in all except one of the other funding categories. However, a closer examination of the data shows that the average classification rate for states using CBF is skewed downwards by California – a state that accounts for over half of the enrollment in these nine states and has a particularly low classification rate (even before adopting CBF). When the average is recalculated without California, the classification rate among states using CBF is somewhat higher than the national average and equal to or greater than the average seen in all other categories.

One may cite a study released by the Manhattan Institute (MI) in 2002¹² that reached the opposite conclusion. The MI report categorized states into two groups. States in which the special education enrollment does not determine the amount of aid received are classified as “lump sum” states whereas states in which aid is based on special education enrollment in some way are categorized as “bounty” states. The analysis compares classification rates between 1991 and 2000 and shows that the rate in “bounty” states exceeded the rate in “lump sum” states between 1998 and 2000. In a critique of the analysis¹³, Dr. Thomas Parrish noted that this finding was due to California’s adoption of CBF in 1998 (and its subsequent classification as a “lump sum” state). Parrish states, “a more objective analysis of the data provided by Greene/Forster appears to show stronger evidence for a relationship between lump-sum funding systems and greater identification (the opposite of their findings).”

As previously stated, a second method for assessing the connection between special education finance policy and school districts’ classification practices is to observe the change in the states’ classification rates after adoption of CBF. If local decision-making is responsive to state funding policies, one would expect to see a decrease in the classification rate (or, at minimum, a smaller increase than is observed nationwide).

Table 1 shows the percentage point change in each CBF state’s classification rate between the first year that the state began using this method and 2004. For comparison purposes, the percentage point change in the national average during the same time period is also shown.¹⁴ If state finance policies impact districts’ decisions, one would expect to see positive values in the final column that shows the difference between the change in the national average and the change in the specific state’s classification rate.

¹⁰ The states are Alabama, Alaska, California, Connecticut, Idaho, Massachusetts, Montana, North Dakota, and Pennsylvania.

¹¹ This count does not include states that were identified as using a combination of multiple funding methods.

¹² Jay P. Greene and Greg Forster, “Effects of Funding Incentives on Special Education Enrollment” December 2002.

¹³ Thomas Parrish, “Analysis faulty in ‘bounty funding’ report” December 19, 2002.

¹⁴ For example, Alabama’s classification rate in 1995, the first year it adopted census based funding, was 13.35 percent. This figure decreased to 12.79 percent in 2004. This yields a decrease of 0.56 percentage points. During the same time period, the national average increased by 1.28 percentage points.

Background Paper: Special Education Census-Based Funding (Cont'd)

Table 1
Changes in Census Based States' Classification Rates

| State and First Year of Census Based Aid | | Percentage Point Change in Classification Rate Between First Year of Census Based Funding and 2004 | | |
|---|--------|--|-------|------------|
| | | National Average | State | Difference |
| Alabama | (1995) | 1.28 | -0.56 | 1.84 |
| Alaska | (1998) | 0.72 | 0.46 | 0.26 |
| California | (1998) | 0.72 | -0.21 | 0.93 |
| Connecticut | (1995) | 1.28 | -2.14 | 3.42 |
| Idaho | (1994) | 1.55 | 1.77 | -0.22 |
| Massachusetts | (1994) | 1.55 | -0.85 | 2.40 |
| Montana | (1994) | 1.55 | 2.54 | -0.99 |
| North Dakota | (1995) | 1.28 | 4.27 | -2.99 |
| Pennsylvania | (1992) | 1.83 | 3.58 | -1.75 |

The results do not support the contention that there is a systematic relationship between the implementation of CBF and decreases in a state's classification rate. In four cases (Idaho, Montana, North Dakota, and Pennsylvania) the state's classification rate increased more than the national average (as shown by negative values in the last column). A fifth state, Alaska, also experienced an increase in its classification rate; however, it was a smaller change than the nation overall. The remaining four states saw decreases in the classification rates.

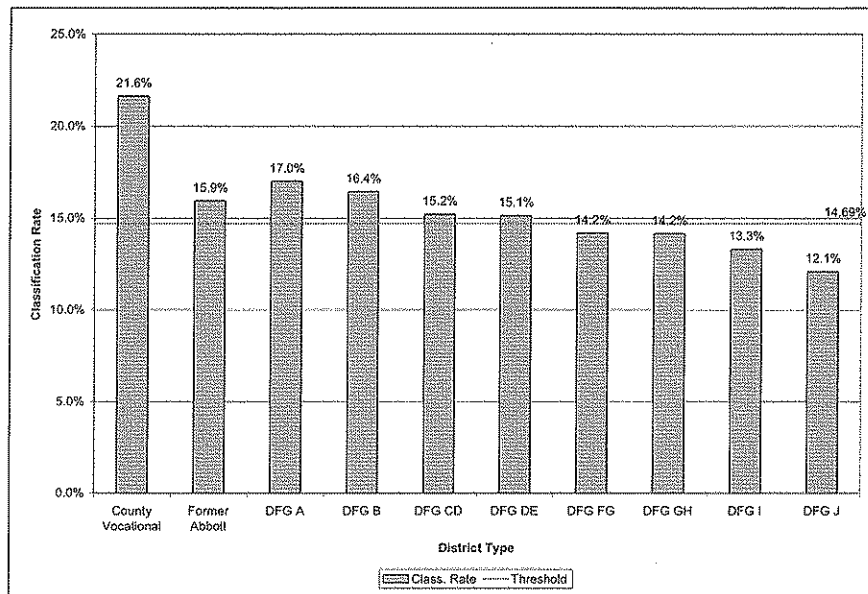
New Jersey Special Education Classification Patterns

The available data from states that have implemented CBF suggests that there is no systemic relationship between the adoption of this funding mechanism and special education classification patterns in districts. Figure 2 displays the classification rates in New Jersey districts (based on the October 2007 Application for State School Aid) relative to the CBF threshold established in SFRA. On average, county vocational school districts, districts that were identified as Abbott districts under the "Comprehensive Educational Improvement and Financing Act of 1996," (CEIFA), P.L.1996, c.138, and districts in lower District Factor Group (DFG) designations have classification rates in excess of the CBF threshold.

There are at least two implications for districts in which the actual classification rate exceeds the CBF threshold. First, the cost of providing services to special education students in excess of the threshold will be supported primarily through local property taxes. In light of the school tax levy growth limit included under the provisions of section 3 of P.L.2007, c.62, it is possible that the cost of educating special education students who do not receive State aid may lead to a "crowding out" effect of general education programs. Second, as noted in the background paper titled "The School Funding Reform Act of 2008," the CBF is incorporated into the calculation that determines whether or not a school district is spending above or below adequacy. This distinction has implications for whether a district is subject to a State aid growth limit of 10 or 20 percent. Additionally, districts exceeding the adequacy threshold may be subject to a reduction of their tax levy growth limit. All else being equal, a district in which the special education classification rate exceeds the CBF threshold is more like to exceed adequacy and become subject to these provisions of SFRA.

Background Paper: Special Education Census-Based Funding (Cont'd)

Figure 2
 Special Education Classification Rates in New Jersey
 2007 – 2008 School Year



Note: DFG groupings do not include the former Abbott districts.

Background Paper: Geographic Cost Adjustment

Budget Pages.... D-96 to D-97; D-104

The "School Funding Reform Act of 2008" (SFRA), P.L.2007, c.260, is the first school funding formula in New Jersey to adjust the amount of aid a school district receives based on its geographic location in the State. This background paper will describe the methodology used by the Department of Education in developing the Geographic Cost Adjustment (GCA) and explore the implications of specific methodological choices. It should be noted that the department's method is largely based on an index developed by Dr. Lori Taylor and Dr. William Fowler on behalf of the National Center for Education Statistics.¹⁵

Cost Adjustments in Education Finance

The argument for utilizing cost adjustments in education finance is that school districts inherently face certain cost pressures beyond their control. The purpose of an adjustment index is to quantify the impact of such factors and modify the relevant financial data to reflect the magnitude of the cost pressures. There is not necessarily a consensus on which factors are truly beyond a district's control, but factors that have been considered in research on this topic include wages typically offered in the local labor market, housing prices, availability (or unavailability) of amenities in the surrounding area, and challenges teachers may face in specific schools or districts.

Any given cost adjustment index can be used in two manners. Most commonly, such an index is used in school finance research to create an "apples to apples" comparison of expenditures in jurisdictions that face different costs. Second, it may be incorporated in a school funding formula to provide school districts with differing amounts of aid based on geography. A small number of states have adopted such policies.¹⁶ The SFRA applies the GCA to each district's adequacy budget (which is the basis on which equalization aid is calculated) as well as special education categorical and security aids.¹⁷

Geographic Cost Adjustment – Data and Methodology

In constructing the GCA, the department utilized a method known as a comparable wage approach. The premise is that one can measure the geographic differences in wages by looking at individuals who work in different parts of the State, but hold similar jobs in similar industries and have similar demographics (e.g., educational background, years of work experience, etc.). If otherwise similar employees in different parts of the State have different salaries, then the differential is presumed to be due to geography.

The department combined two publicly available data sets to determine wages and other demographic information for individuals working in New Jersey, the 5-percent sample from the 2000 Decennial Census and the 1-percent sample from the American Community

¹⁵ "A Comparable Wage Approach to Geographic Cost Adjustment," May 2006. Available at <http://www.nces.ed.gov/pubs2006/2006321.pdf>.

¹⁶ "A Primer for Making Cost Adjustments in Education" by William Fowler and David Monk provides brief summaries of indices used in funding formulas in Alaska, Colorado, Florida, Massachusetts, Ohio, Texas, and Virginia.

¹⁷ See the background paper titled *School Funding Reform Act of 2008* for a more detailed discussion of how State aid is determined under SFRA.

Background Paper: Geographic Cost Adjustment (Cont'd)

Survey for 2005.¹⁸ For the purpose of its analysis, the department used the data for individuals who work in New Jersey in non-teaching professions who have (at minimum) a bachelors degree and earned at least \$20,000.¹⁹ The salary information from the 2000 Decennial Census was increased by 15.56 percent to account for inflation.

Next, the department utilized a statistical technique known as regression analysis. This procedure allows an analyst to simulate the impact of one factor (an independent variable) on another (a dependent variable) assuming a series of other independent variables are held constant. In this specific analysis, the individual's salary is the dependent variable and the independent variables include the county in which the person works, occupation, industry, number of hours and weeks worked, and a series of demographic characteristics (age, race, gender, and educational attainment).

For technical reasons²⁰, one county must be used as the point of reference. Burlington County was selected as it was the county that had approximately the median salary level in the State. As such, the regression results will show the percent difference in salaries for people working in each of the other 20 counties²¹ and those working in Burlington County, assuming all of the other factors included in the regression are fixed.

The results from the regression could be used as the basis for the GCA. However, the department made two additional adjustments before finalizing the index. The first adjustment relates to enrollment. The department calculated a weighted enrollment for each county by multiplying the total enrollment by the unadjusted GCA. Next, the Statewide weighted enrollment is divided by the Statewide unweighted enrollment (for simplicity, this is referred to as the adjustment ratio). Last, each county's unadjusted GCA is divided by the adjustment ratio to complete the first adjustment. The effect of this process is that each county's GCA is reduced by approximately 4.3 percent.

A second adjustment is made to account for the fact that non-personnel costs (such as equipment and supplies and materials) do not vary by geography and do not require an adjustment. The department estimated that 90 percent of the costs included in the models that determined the base per pupil cost under SFRA were salaries. The second adjustment was made by reducing the difference between the adjusted GCA and 1 by 10 percent. The effect of this second adjustment is that all counties' GCA will be closer to 1. This adjustment, which is mathematically identical to applying the GCA to 90 percent of a district's budget and aid, benefits those counties in which the GCA is less than 1. Table 1 shows the GCA for each county at each stage.

¹⁸ Both surveys are administered by the Census Bureau and collect similar information for individuals included in the samples.

¹⁹ Other data restrictions included requiring that the individual worked at least 20 hours per week, omitting individuals working in one of three occupations (farming, extraction, or military), and omitting people working in one of three industries (agriculture, mining, or military).

²⁰ The dataset contains 21 county variables. If a person works in a particular county, then the corresponding indicator variable for that county equals 1 and the indicator variables for the other 20 counties will equal 0. When performing regression analysis with indicator variables, at least one must be omitted from the regression equation.

²¹ The data for Gloucester and Salem Counties were combined in the analysis.

Background Paper: Geographic Cost Adjustment (Cont'd)

Table 1
Geographic Cost Adjustment

| | Unadjusted GCA | Enrollment Adjusted GCA | Enrollment and Salary Adjusted GCA (Version included in law) |
|------------|----------------|----------------------------|--|
| Atlantic | 0.9812 | 0.9391 | 0.9452 |
| Bergen | 1.0812 | 1.0347 | 1.0312 |
| Burlington | 1.0000 | 0.9570 | 0.9613 |
| Camden | 0.9825 | 0.9403 | 0.9463 |
| Cape May | 0.9012 | 0.8624 | 0.8762 |
| Cumberland | 0.9077 | 0.8687 | 0.8818 |
| Essex | 1.0951 | 1.0480 | 1.0432 |
| Gloucester | 0.9507 | 0.9099 | 0.9189 |
| Hudson | 1.0905 | 1.0436 | 1.0393 |
| Hunterdon | 1.0630 | 1.0173 | 1.0156 |
| Mercer | 1.0550 | 1.0097 | 1.0087 |
| Middlesex | 1.0658 | 1.0200 | 1.0180 |
| Monmouth | 1.0646 | 1.0189 | 1.0170 |
| Morris | 1.1184 | 1.0704 | 1.0633 |
| Ocean | 0.9780 | 0.9360 | 0.9424 |
| Passaic | 1.0433 | 0.9985 | 0.9987 |
| Salem | 0.9507 | 0.9099 | 0.9189 |
| Somerset | 1.1155 | 1.0676 | 1.0608 |
| Sussex | 0.9249 | 0.8852 | 0.8966 |
| Union | 1.0795 | 1.0331 | 1.0298 |
| Warren | 0.9830 | 0.9408 | 0.9467 |

Additional Analysis of the Enrollment Adjustment

As Table 1 shows, the enrollment adjustment has the effect of reducing the GCA for all counties (and, therefore, all districts) in the State. As a result, all districts' adequacy budgets and special education categorical and security aids are less than what they would have been in the absence of the enrollment adjustment. The effect in Passaic County is particularly notable since the enrollment adjustment yields a GCA that is less than 1 while the unadjusted version is greater than 1. Given the effect of this adjustment, additional analysis is warranted.

When an unadjusted GCA is applied to the district's adequacy budget, the Statewide total of the adequacy budgets is somewhat higher than the Statewide total of the unadjusted adequacy budgets. Based on discussions with the department, this was considered to be an indication that Burlington County was an imprecise reference point. The enrollment adjustment rescales all districts downwards to make the GCA's impact on the total Statewide adequacy budgets neutral.

The premise that the GCA should not change the Statewide total of the adequacy budgets rests on the assumption that the increases (that is, counties with a GCA greater than 1) will be directly offset by decreases (counties with an GCA of less than 1). For this assumption to be correct, counties with a GCA greater than 1 would need to have adequacy budgets

Background Paper: Geographic Cost Adjustment (Cont'd)

approximately equal to those with a GCA less than 1. If counties with higher GCA values also tend to have larger budgets, then applying the GCA will yield a net increase. Table 2 provides two hypothetical examples to demonstrate this point. Under Scenario 1, both entities have a budget equal to \$1 million. The positive 5 percent adjustment is offset by the negative 5 percent adjustment and there is no net change. Under Scenario 2, the entity with a positive 5 percent adjustment has a larger budget. As a result, its change of \$100,000 after applying the GCA cannot be fully offset by the change in the smaller budget and there is a net increase of \$50,000.

Table 2
Hypothetical Geographic Cost Adjustments

| GCA | Scenario 1 | | | Scenario 2 | | Net Change |
|------|-------------------|-----------------|------------|-------------------|-----------------|-----------------|
| | Unadjusted Budget | Adjusted Budget | Change | Unadjusted Budget | Adjusted Budget | |
| 1.05 | \$1,000,000 | \$1,050,000 | \$50,000 | \$2,000,000 | \$2,100,000 | \$100,000 |
| 0.95 | \$1,000,000 | \$950,000 | -\$50,000 | \$1,000,000 | \$950,000 | -\$50,000 |
| | | | \$0 | | | \$50,000 |

An examination of the data used to make the enrollment adjustment suggests that counties with an unadjusted GCA greater than 1 tend to have more students (which would tend to lead to larger adequacy budgets). The 11 counties with an unadjusted GCA greater than 1 account for 69 percent of the enrollment. As a result, the net change to the adequacy budgets after applying the GCA (without the enrollment adjustment) would be positive. It is unlikely that the observed change in the Statewide total adequacy budgets is the result of the use of an imprecise reference point. Rather, it is more likely the result of the fact that counties with a positive adjustment educate more students.

In the short run, the practical effect of using the enrollment adjustment is limited. As noted in the background paper titled *School Funding Reform Act of 2008*, nearly half of all school districts have reached the State aid growth limit in the 2008-2009 school year. The use of the higher GCA that does not include the enrollment adjustment would not yield additional State aid in FY 2009 to those districts. Similarly, districts that will receive adjustment aid in the 2008-2009 school year (approximately 41 percent of all districts) would not be likely to see a change in State aid in FY 2009 if the unadjusted GCA had been used; any resulting change in State aid would be offset by a decrease in adjustment aid.²² There would be greater implications in future years as an increasing number of districts do not reach the State aid growth limit and begin to receive the full amount of aid that would be paid in the absence of the limit.

The use of the enrollment adjustment in calculating the GCA may have an impact in the 2008-2009 school year for districts spending above adequacy by a small margin. Under the provisions of SFRA, districts spending above adequacy by any amount are subject to a 10 percent State aid growth limit (as opposed to the 20 percent limit applied to districts spending below adequacy). Using the GCA that omits the enrollment adjustment would lead to a higher

²² This may not be true for a district that will receive a small amount of adjustment aid in the 2008-2009 school year. In this circumstance, using the unadjusted GCA may yield a change in aid sufficient to bring the district above the minimum 2 percent increase.

Background Paper: Geographic Cost Adjustment (Cont'd)

adequacy budget for all districts and may cause some districts' spending to fall below the adequacy threshold.

Table 2 compares the GCA used in SFRA to a version that omits the enrollment adjustment but continues to incorporate the salary adjustment used by the department. Simulations based on the Application for State School Aid data as of December 10, 2007 that incorporate the alternative GCA identify 32 districts in which the district would be subject to the 20 percent State aid growth limit if the alternative GCA is used instead of the lower 10 percent cap actually applied for FY 2009.²³

Table 3
Comparison of GCA With and Without Enrollment Adjustment

| County | GCA with Enrollment Adjustment | GCA without Enrollment Adjustment |
|------------|--------------------------------|-----------------------------------|
| Atlantic | 0.9452 | 0.9831 |
| Bergen | 1.0312 | 1.0731 |
| Burlington | 0.9613 | 1.0000 |
| Camden | 0.9463 | 0.9843 |
| Cape May | 0.8762 | 0.9111 |
| Cumberland | 0.8818 | 0.9169 |
| Essex | 1.0432 | 1.0856 |
| Gloucester | 0.9189 | 0.9556 |
| Hudson | 1.0393 | 1.0814 |
| Hunterdon | 1.0156 | 1.0567 |
| Mercer | 1.0087 | 1.0495 |
| Middlesex | 1.0180 | 1.0592 |
| Monmouth | 1.0170 | 1.0582 |
| Morris | 1.0633 | 1.1066 |
| Ocean | 0.9424 | 0.9802 |
| Passaic | 0.9987 | 1.0390 |
| Salem | 0.9189 | 0.9556 |
| Somerset | 1.0608 | 1.1040 |
| Sussex | 0.8966 | 0.9324 |
| Union | 1.0298 | 1.0715 |
| Warren | 0.9467 | 0.9847 |

²³ The simulated results may differ slightly from results that would be produced by the department due to rounding, minor differences in the enrollment data, and differences in the methods used to estimate extraordinary special education aid.

Background Paper: Preschool Education Aid

Budget Pages.... B-31; D-98 to D-99; D-102

The "School Funding Reform Act of 2008" (SFRA), P.L.2007, c.260, provides for a significant expansion of preschool education availability in districts throughout the State. As noted on page B-31 of the proposed FY 2009 budget, the intent is to provide three- and four-year old children in all communities access to preschool programs comparable to the programs provided in the former Abbott school districts. This background paper summarizes the preschool education requirements and aid included in SFRA. Additionally, results from a five-state study will be summarized to compare New Jersey's preschool costs and outcomes to those in four other states.

Summary of Preschool Education Requirements and State Aid

Under the provisions of SFRA, all districts classified as District Factor Group (DFG) A or B and those classified as DFG CD with an at-risk concentration²⁴ of at least 40 percent are required to make full-day preschool available to all three- and four-year old children living in the district. All other districts are required to provide similar preschool opportunities to the at-risk children living in the community. Full implementation, defined as serving 90 percent of the eligible preschool population, will be phased-in over a six-year period. It should be noted, however, that there is no requirement for parents or guardians of eligible children to enroll them in the preschool program.

The State will provide Preschool Education Aid (PEA) on a per pupil basis for eligible students who enroll in the program. As shown in Table 1, the aid amount varies based on the setting in which the students are educated. These amounts will be adjusted by the inflation rate in the 2009-2010 and 2010-2011 school years. Future aid amounts will be established in the Educational Adequacy Report required by the law and adjusted by the inflation rate for the two subsequent school years.

Table 1
Preschool Education Aid Amounts for 2008-2009 School Year²⁵

| Educational Setting | Per-Pupil Aid Amount |
|-----------------------------|----------------------|
| In-District Program | \$11,506 |
| Child Care Provider Program | \$12,934 |
| Head Start Program | \$7,146 |

While the aid amounts are included in the law for the 2008-2009 school year, most districts will not receive PEA based on the amounts. Rather, in FY 2009, most districts will receive aid based on their classification in one of four groups:

- 1) Former Abbott Districts:** The 31 former Abbott school districts will receive PEA equal to the total preschool budget approved by the department.

²⁴ The at-risk concentration is measured by the percent of students who are eligible to receive free or reduced priced lunch.

²⁵ Language included on page D-104 of the proposed FY 2009 budget would adjust these aid amounts by the Geographic Cost Adjustment developed by the Commissioner of Education.

Background Paper: Preschool Education Aid (Cont'd)

- 2) **Districts Receiving Early Childhood Program Aid (ECPA) other than Former Abbott Districts:** Districts that received ECPA in the 2007-2008 school year will receive the greater of the per pupil amount of ECPA funding that supported the district's preschool program, adjusted for inflation, multiplied by the projected 2008-2009 preschool enrollment or the total preschool ECPA aid provided in FY 2008.
- 3) **Districts Receiving an Early Launch to Learning Initiative (ELLI) grant:** Districts that received an ELLI grant during the 2007-2008 school year will receive an equal amount in FY 2009 as preschool education aid.
- 4) **Districts Receiving No Preschool Aid:** No preschool education aid will be awarded in FY 2009 to a district that did not receive any form of preschool funding during the 2007-2008 school year.

SFRA did grant the commissioner the authority to provide PEA to a district that received ECPA based on the per pupil aid amounts shown in Table 1 if the district demonstrates the ability to offer full-day preschool opportunities to three- and four-year old children in the 2008-2009 school year.

Relative Costs and Outcomes in Preschool Education Programs

A report²⁶ prepared by researchers from Northwestern University and the National Institute for Early Education Research at Rutgers University allows one to compare differences in costs and short-term student outcomes of students who enrolled in Abbott district preschool programs to their counterparts in four other states: Michigan, Oklahoma, South Carolina, and West Virginia. These five states were not selected at random; rather, the analysts report that they were selected specifically because of the quality of their preschool programs. As Table 2 shows, the programmatic standards, such as class size and the length of the school day, are higher in New Jersey than in the other states.

**Table 2
State Preschool Program Standards**

| | Class Size | Children per Adult | Length of School Day |
|----------------|------------|--------------------|----------------------|
| Michigan | 18 | 8.0 | Half Day |
| New Jersey | 15 | 7.5 | Full Day |
| Oklahoma | 20 | 10.0 | Varied |
| South Carolina | 20 | 10.0 | Half Day |
| West Virginia | 20 | 10.0 | Varied |

A description of the methodological details underlying the preschool study is beyond the scope of this report. In broad, simplified terms, the analysts administered three assessments to measure the differences in performance between children who enrolled in the State's preschool program and those who did not. The three tools used to measure the academic benefits of students enrolled in the preschool programs are as follows:

²⁶ Vivian C. Wong, Thomas D. Cook, W. Steven Barnett, and Kwanghee Jung, "An Effectiveness-based Evaluation of Five State Pre-Kindergarten Programs using Regression-Discontinuity," June 2007, <http://nieer.org/resources/research/EvaluationFiveStates.pdf>, last accessed November 14, 2007.

Background Paper: Preschool Education Aid (Cont'd)

- **Peabody Picture Vocabulary Test, 3rd Edition (PPVT-III):** This is a test in which children are asked to point to the one of four pictures that matches a given word. It is a measure of the child's vocabulary size and is considered to be an indicator of general cognitive ability.
- **Woodcock-Johnson Tests of Achievement:** A specific subtest of the Woodcock-Johnson Tests of Achievement, 3rd Edition, was administered to measure the children's math proficiency.
- **Preschool Comprehensive Test of Phonological and Print Processing:** The children's awareness of print was measured using a subtest of the Preschool Comprehensive Test of Phonological and Print Processing. The test assesses children's ability to, among other things, recognize letters and letter-sound correspondences.

Figures 1 through 3 compare each State's performance on the three assessments²⁷ and the estimated per pupil expenditure (the Woodcock-Johnson test, shown in Figure 2, was not administered in South Carolina). One will note that the student performance is presented in a unit called an "effect size" (ES). For the purposes of this discussion, a technical understanding of ES is not necessary. The key to interpreting the figures is to recognize that the ES in each state measures the difference in performance on the various assessments between the children in the given State who attended the preschool program and those who did not. For example, Figure 1 shows that on the PPVT-III, students enrolled in Abbott preschool programs outperformed their New Jersey counterparts who did not attend by a wider margin than preschool children in the other four states.²⁸

²⁷ The report presented two sets of results, one for all children included in the analysis and one that omits children who were enrolled in the preschool programs despite being age-ineligible (referred to as "fuzzy cases" in the report). Figures 1 through 3 show the results that omit the fuzzy cases.

²⁸ The report did not calculate the statistical significance of the differences between states.

Background Paper: Preschool Education Aid (Cont'd)

Figure 1
Peabody Picture Vocabulary Test

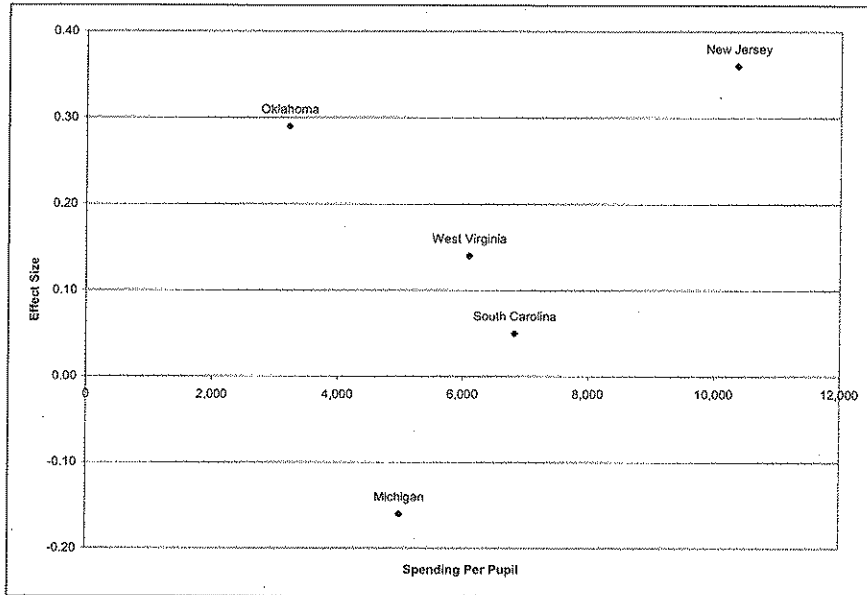
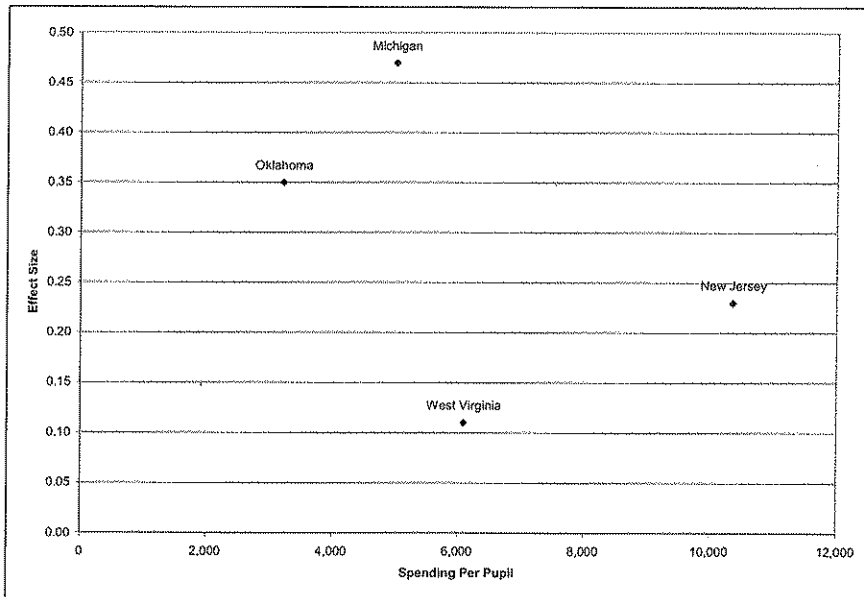
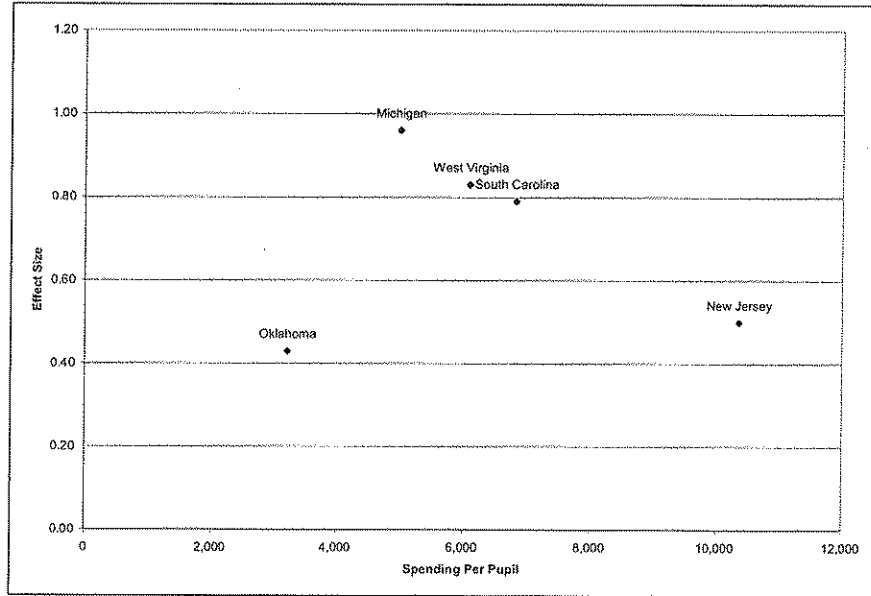


Figure 2
Woodcock-Johnson Tests of Achievement (Math)



Background Paper: Preschool Education Aid (Cont'd)

Figure 3
Phonological and Print Processing (Print Awareness)



Background Paper: Additional State School Aid Awards

Budget Pages.... D-101 to D-102

The new school funding law, the "School Funding Reform Act of 2008" (SFRA), P.L.2007, c.260, provides that, "The commissioner shall prepare a report dated December 12, 2007 reflecting State aid amounts payable by category for each district..." Additionally, the law stipulates that, "...the amounts contained in the commissioner's report shall be the final amounts payable and shall not be subsequently adjusted..." However, the law authorizes the commissioner to provide districts with a greater amount of State aid under certain circumstances, including:

- 1) **The provision of school choice aid:** SFRA included school choice aid for districts that continue to have students participating in the Interdistrict Public School Choice Program established in 1999. This aid category was not included in the December 12 report.
- 2) **Modification of the educational adequacy aid formula:** The department's initial proposal included educational adequacy aid for certain former Abbott districts and required that recipient districts increase the school tax levy by 4 or 10 percent (depending on the community's equalized property tax rate relative to the State average equalized property tax rate). As enacted, SFRA reduced the required tax levy increase from 10 percent to 6 percent in the 2008-2009 school year, yielding a corresponding increase in aid relative to the December 12, 2007 report.
- 3) **Revisions to the State aid growth limit for certain county vocational school districts:** The law provided that the commissioner could increase the State aid growth limit for county vocational school districts that have transitioned from shared-time to full-time programs since the 2001-2002 school year or are scheduled to do so during the 2008-2009 school year.
- 4) **Significant changes in school districts' data:** The commissioner was authorized to increase the amount of State school aid due to a district in the 2008-2009 school year as a result of significant changes in the data used to calculate the district's aid.

Table 1 identifies the 23 districts in which the amount of aid payable was increased between the commissioner's December 12, 2007 report and the State aid notices.

Background Paper: Additional State School Aid Awards (Cont'd)

Table 1
State School Aid Increases Since December 12, 2007

| County | District | State Aid Change Since 12/12/2007 Report |
|---|-------------------------|---|
| <i>School Choice Aid</i> | | |
| Atlantic | Folsom Borough | 739,049 |
| Camden | Brooklawn Borough | 291,642 |
| Cumberland | Cumberland Regional | 432,795 |
| Gloucester | Harrison Township | 7,770 |
| Hunterdon | Bloomsbury Borough | 150,043 |
| Monmouth | Upper Freehold Regional | 199,458 |
| Morris | Mine Hill Township | 449,022 |
| Ocean | Stafford Township | 11,288 |
| Passaic | Manchester Regional | 216,200 |
| Union | Kenilworth Borough | 1,181,874 |
| Warren | Belvidere | 23,172 |
| <i>School Choice Subtotal</i> | | 3,702,313 |
| <i>Educational Adequacy Aid</i> | | |
| Cumberland | Bridgeton | 1,000 |
| Passaic | Passaic City | 555,000 |
| Union | Elizabeth | 1,545,000 |
| <i>Educational Adequacy Aid Subtotal</i> | | 2,101,000 |
| <i>County Vocational School Districts</i> | | |
| Cumberland | Cumberland Co. Voc. | 699,068 |
| Gloucester | Gloucester Co. Voc. | 1,353,902 |
| Union | Union Co. Voc. | 1,117,387 |
| <i>County Vocational School Districts Subtotal</i> | | 3,170,357 |
| <i>Data Changes</i> | | |
| Burlington | Beverly City | 86,114 |
| Burlington | Willingboro Township | 732,882 |
| Cumberland | Commercial Township | 944,293 |
| Cumberland | Lawrence Township | 102,394 |
| Morris | Florham Park | 107 |
| Passaic | Bloomington Borough | 12,567 |
| <i>Data Changes Subtotal</i> | | 1,878,357 |
| Total Additional Aid | | 10,852,027 |

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