

LEGISLATIVE HISTORY CHECKLIST
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"Comprehensive Educational Improvement and
Financing Act of 1996"

NJSA: 18A:7F-1 to 34

LAWS OF: 1996 CHAPTER: 138

BILL NO: S40

SPONSOR(S): Martin & Ewing

DATE INTRODUCED: June 27, 1996

COMMITTEE: ASSEMBLY: ---
SENATE: Education; Budget & Appropriations

AMENDED DURING PASSAGE: No. Senate Committee Substitute for Senate
Committee Substitute Enacted

DATE OF PASSAGE: ASSEMBLY: December 19, 1996
SENATE: December 19, 1996

DATE OF APPROVAL: December 20, 1996

FOLLOWING STATEMENTS ARE ATTACHED IF AVAILABLE:

SPONSOR STATEMENT: Yes

COMMITTEE STATEMENT: ASSEMBLY: No
SENATE: Yes 11-21-96 & 12-16-96

FISCAL NOTE: No

VETO MESSAGE: No

MESSAGE ON SIGNING: Yes

FOLLOWING WERE PRINTED:

REPORTS: No

HEARINGS: Yes

974.90 New Jersey. Legislature. Senate. Education Committee.
E24 Public hearing on S40 and A20 held 7-17-96, 7-25-96 & 7-29-96
1996g Morris Plains, Trenton, Voorhees, NJ, 1996.
[Public hearing on 11-15-96 was not recorded]

See newspaper clippings--

"Whitman plan to standardize school spending becomes law," 12-21-96, New York Times.

"Whitman inks school funding bill," 12-21-96, Trenton Times.

"School funding debate to visit high court," 12-23-96, Courier-News.

1 average budgeted textbook expense for the prebudget year per pupil
2 in resident enrollment. Nothing contained herein shall prohibit a board
3 of education in any district from purchasing textbooks in excess of the
4 amounts provided pursuant to this act.
5 (cf: P.L.1990, c.52, s.77)
6

7 72. (New section) The State Board of Education shall adopt,
8 pursuant to the "Administrative Procedure Act," P.L.1968, c.410
9 (C.52:14B-1 et seq.), rules and regulations necessary to effectuate the
10 provisions of this act.
11

12 73. The following sections are hereby repealed:

13 Sections 1, 2, 4 through 9, 12 and 48 of P.L.1975, c.212
14 (C.18A:7A-1, 18A:7A-2, 18A:7A-4 through 18A:7A-9, 18A:7A-12
15 and 18A:7A-31);

16 Section 5 of P.L.1991, c.3 (C.18A:7A-6.1);

17 Section 6 of P.L.1991, c.3 (C.18A:7A-14.2);

18 Sections 1 through 4, 6 through 10, 11 through 17, 80, 81, 18, 84,
19 19 through 22, 85, 23, 24, 87, 89, and 25 through 28 of P.L.1990,
20 c.52 (C. 18A:7D-1 through 18A:7D-4, 18A:7D-6 through 18A:7D-10
21 and 18A:7D-13 through 18A:7D-36);

22 Section 26 of P.L.1991, c.62 (C.18A:7D-21.1);

23 Section 3 of P.L.1993, c.80 (C.18A:7D-27.1); and

24 Sections 33, 38, 34 and 36 of P.L.1991, c.62 (C.18A:7D-28.1
25 through 18A:7D-28.4).
26

27 74. This act shall take effect immediately and shall first apply to the
28 1997-98 school year.
29
30

31 STATEMENT 32

33 This bill provides for the establishment of a thorough and efficient
34 system of free public education (T&E) as guaranteed by the State
35 Constitution. It provides for the establishment of standards of
36 thoroughness and efficiency and a new system for funding public
37 education through a combination of State aid and local support. The
38 proposed law supersedes those portions of P.L.1975, c.212
39 (C.18A:7A-1 et seq.) which address goals and standards and replaces
40 the funding provisions established by the "Quality Education Act of
41 1990," P.L. 1990, c.52 (C.18A:7D-1 et al.), which is repealed in its
42 entirety.

43 The bill directs the State Board of Education to adopt and update
44 every five years, core curriculum content standards which shall define
45 for all students in the State the substance of a thorough education.
46 The commissioner is directed to develop and establish efficiency

1 standards which shall define the types of programs, services, activities
2 and materials necessary to achieve an efficient education. Together
3 these standards will define what is required to provide a thorough and
4 efficient education and will serve as the basis for determining the
5 amount of funding necessary to do so.

6 Under the bill's provisions, the Governor is required to issue
7 biennially in each even numbered year, the Report on the Cost of
8 Providing a Thorough and Efficient Education. The report will
9 establish the per pupil amount necessary to provide a thorough and
10 efficient regular education at the elementary, middle, and high school
11 levels and the acceptable range of deviation from that amount in order
12 to recognize and accommodate the need for local flexibility. In
13 addition the report will establish per pupil amounts for early childhood
14 and demonstrably effective program aids, and additional per pupil
15 categorical amounts. These amounts will apply to the two successive
16 fiscal years beginning one year from the subsequent July 1 and will be
17 adjusted for inflation by the CPI in the second year.

18 The per pupil amounts established in the report will in turn serve as
19 the basis for determining a school district's T&E budget, or the total
20 amount of funding needed to provide a thorough and efficient
21 education consistent with the curriculum content and efficiency
22 standards issued by the State board and commissioner. The T&E
23 budget will be determined by multiplying the per pupil amount for a
24 thorough and efficient regular education at the elementary level by the
25 district's resident enrollment, weighted based on the ~~relative~~
26 proportion of kindergarten, elementary, middle, and high school pupils
27 included in the enrollment. Each school district is required to fund its
28 T&E budget through local tax revenues up to a level based on district
29 property wealth and district income. Any difference between the
30 district's T&E budget and the required local share will be funded
31 through State aid, with supplemental aid being available for certain
32 districts where the impact of the new standards on local taxes would
33 be excessive. Also, stabilization factors have been included within the
34 State aid formula so as to prevent dramatic increases or decreases in
35 a district's State aid as a result of the permanent part of the formula.
36 For each district, a maximum and minimum permissible budget level
37 is calculated within the established T&E range.

38 Every two years, the commissioner is required to notify each
39 district of the T&E amount, T&E flexible amount, T&E range, and
40 amounts per pupil for early childhood program aid, demonstrably
41 effective program aid, and the categorical programs for the subsequent
42 two fiscal years. Annually, within seven days following transmittal of
43 the State budget message to the Legislature by the Governor, the
44 commissioner shall notify each district of the maximum amount of aid
45 payable to the district in the succeeding school year and shall notify
46 each district of its T&E budget, maximum T&E budget, and minimum

1 permissible T&E budget for the succeeding school year. Annually, on
2 or before March 4, each district board of education is to adopt and
3 forward to the commissioner for approval, a budget that provides no
4 less than the minimum permissible T&E amount per pupil plus
5 categorical amounts required for a thorough and efficient education
6 and no greater than the maximum T&E budget, except as subject to
7 approval by the voters. Before approving the budgets, the
8 commissioner must determine that they properly implement the core
9 curriculum content standards, and in instances where they do not, the
10 commissioner may make such fiscal or programmatic adjustments as
11 he deems necessary, including directing additional spending up to the
12 district's maximum T&E budget level.

13 Districts seeking to budget beyond the maximum permissible T&E
14 level must submit a separate proposal or proposals to the local voters
15 for additional spending. If rejected by the local voters and not
16 restored by the municipal governing body, these amounts may not be
17 appealed to the commissioner. Districts with budgets below the
18 maximum T&E level and falling within the district's permissible T&E
19 budget need not submit the budget to the voters for approval.
20 Districts with budgets below the maximum T&E level, but in excess
21 of the district's permissible T&E budget must submit a separate
22 proposal or proposals to the local voters for additional spending up to
23 the maximum T&E amount. If rejected by the local voters and not
24 restored by the municipal governing body, these amounts may be
25 appealed to the commissioner.

26 Under the bill, special education including extraordinary costs, pupil
27 transportation, bilingual education, adult and post secondary
28 education, distance learning network, and county vocational aid are to
29 be paid to all school districts as categorical aid. Also, the department
30 is to determine programmatic definitions and establish appropriate per
31 pupil amounts for adult high school programs and post secondary
32 vocational educational programs.

33 The T&E budget is designed to give districts resources to provide
34 a thorough and efficient education. However, additional early
35 childhood education program aid and demonstrably effective program
36 aid is provided for districts that have a high number of
37 socioeconomically disadvantaged children living in conditions of
38 poverty. Early childhood aid is provided for those districts having
39 20% or more low-income pupils, and is to be used for pre-
40 kindergarten, full-day kindergarten and other early childhood
41 programs. Additional aid is provided for concentrations of low-
42 income pupils of 40% or more for transition and social services to
43 primary grade students. Demonstrably effective program aid is to be
44 distributed based on school-based concentrations of low income pupils
45 in order to provide instructional, school governance, health and social
46 services aimed at addressing the socioeconomic disadvantages of these

1 pupils. The bill also makes provision for technological advancements
2 through the establishment and funding of a distance learning network,
3 which, while available to all districts, will be especially helpful to
4 disadvantaged districts as a means of providing quality programs at
5 low cost.

6 The bill also establishes an Academic Achievement Reward
7 Program to provide rewards to districts having one or more schools
8 that meet criteria for absolute success or significant progress towards
9 high student academic achievement. Schools are to be ranked into
10 three groupings by enrollment for the High School Proficiency Test,
11 the Early Warning Test, and the Fourth Grade Test which then
12 determines reward eligibility for both the absolute success and the
13 significant progress reward. Schools with 90% of student enrollment
14 performing at or above the passing scores are eligible for the absolute
15 success reward. Schools that do not qualify for the absolute success
16 reward are eligible for the significant progress reward. The schools
17 will be grouped together in five bands and the top 10% in each band
18 with the highest level of improvement will be eligible for the significant
19 progress reward. Schools located in districts that have been penalized
20 under the "School Efficiency Program Act," P.L. 1995, c. 236, will not
21 eligible for either reward. The reward appropriation will be equally
22 divided among all districts with schools determined to be eligible for
23 a reward.

24 The pupil transportation formula established under the bill is
25 designed to encourage operational efficiency and includes two
26 principal components: a base aid amount and an efficiency factor.
27 Base aid represents a level of funding to reimburse districts for the
28 cost of efficiently transporting eligible pupils based on regular or
29 specialized modes of transportation, eligible pupils transported,
30 average miles per eligible pupil, and cost factors representative of
31 school districts in the top two quartiles of efficient performance. The
32 efficiency factor will be applied to the regular component of base aid
33 and will be based on the district's average regular vehicle utilization,
34 defined as the total number of eligible regular and special education
35 pupils transported on regular buses. Using the efficiency factor, a
36 district's aid is calculated based on the use of vehicle capacity relative
37 to all other districts.

38 State aid for school facilities shall be paid to districts toward
39 principal and interest payments on both debt service and lease
40 purchase agreement payments for the fiscal year, at the percentage of
41 State support in the district's T&E budget. The base to which this
42 percentage shall be applied shall be the full debt service and lease
43 purchase agreement payment for all debt service issuances authorized
44 and lease purchase agreements approved prior to July 1, 1997. For all
45 debt service authorized and lease purchase agreements approved after
46 July 1, 1997, the aidable base shall be that percentage of the debt

1 service or lease purchase payment equivalent to the ratio of approved
2 costs to the original issuance principal, with the ratio never to exceed
3 one, and shall be reduced for districts that fail to meet maintenance
4 requirements on aided facilities. Beginning ten years from the date of
5 enactment of the bill, districts shall be required to demonstrate a net
6 investment within the previous ten years of 2% of what the facility's
7 replacement cost was ten years prior in order to receive aid on an
8 improvement to the facility. Aid for new construction approved or
9 authorized after July 1, 1997 shall be reduced, beginning in the fourth
10 year after occupancy, for districts that fail to demonstrate in the prior
11 fiscal year an investment in maintenance of the facility of at least two-
12 tenths of one percent of the facility's replacement cost.

13 Approved costs for new construction and additions shall be the
14 product of an approved square footage of construction, derived from
15 school models developed by the department for each school level; a
16 cost allowance per square foot of construction; and percentage
17 allowances for equipment and furnishings, architect and engineering
18 fees, and issuance costs. The approved area shall be based on the
19 number of unhoused students the district shows as a result of a five-
20 year cohort survival enrollment projection. The area construction cost
21 allowance shall be determined based on a five-city historical cost index
22 for construction in New Jersey. Other allowances shall be based on
23 industry standards. Approved costs for renovations shall be the
24 product of the replacement cost of the facility, determined by
25 multiplying the gross area of the facility by the construction cost and
26 other allowances, and a factor less than one that decreases as building
27 age increases. Renovations on buildings fewer than twenty years of
28 age shall not be aided. Approved costs for new construction done in
29 lieu of renovations shall be determined as for new construction only
30 when the age of the facility is 50 years or greater or when the
31 commissioner determines that extraordinary circumstances warrant
32 differential treatment. Approved costs for new construction done in
33 lieu of renovations for facilities less than fifty years old shall be
34 determined as for renovations. For purchase of an existing facility,
35 total approved costs for both the purchase of the facility and any
36 renovations made to the facility within five years of purchase shall be
37 that amount determined as for new construction.

38 Under the bill, the commissioner is empowered to ensure that all
39 districts are meeting established standards through a variety of means.
40 In addition to his general powers of supervision, this bill requires the
41 commissioner to review annual budgets to ensure compliance with
42 core curriculum content standards, continues the existing system of
43 monitoring with a new emphasis on meeting standards, and authorizes
44 the commissioner to summarily take extraordinary measures when he
45 determines, as the result of a district or school's performance on State
46 assessments or through State evaluation, that established standards of

SENATE EDUCATION COMMITTEE

STATEMENT TO

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SENATE COMMITTEE SUBSTITUTE FOR
SENATE, No. 40

STATE OF NEW JERSEY

DATED: NOVEMBER 21, 1996

The Senate Education Committee reports favorably a Senate Committee Substitute for Senate Bill No. 40.

This committee substitute provides for the establishment of a thorough and efficient system of free public education (T&E) as guaranteed by the State Constitution. It establishes standards of thoroughness and efficiency and a new system for funding public education through a combination of State aid and local support. The proposed law supersedes those portions of P.L.1975, c.212 (C.18A:7A-1 et seq.) which address goals and standards and replaces the funding provisions established by the "Quality Education Act of 1990," P.L.1990, c.52 (C.18A:7D-1 et al.), which is repealed in its entirety.

The substitute directs the State Board of Education to review the new core curriculum content standards within three years after their implementation and thereafter to review and update the standards every five years. The core curriculum content standards shall define for all students in the State the substance of a thorough education. The commissioner is directed to develop and establish efficiency standards which shall define the types of programs, services, activities and materials necessary to achieve an efficient education. In establishing the efficiency standards, the commissioner is directed to utilize the cost benchmarks for non-instructional services in similarly situated school districts which will be developed by the Commission on Business Efficiency in the Public Schools. Together these standards will define what is required to provide a thorough and efficient education and will serve as the basis for determining the amount of funding necessary to do so.

Under the substitute's provisions, the Governor is required to issue biennially in each even numbered year, the Report on the Cost of Providing a Thorough and Efficient Education. The report will establish the per pupil amount necessary to provide a thorough and efficient regular education at the elementary, middle, and high school levels and the acceptable range of deviation from that amount in order to recognize and accommodate the need for local flexibility. In addition the report will establish per pupil amounts for early childhood

and demonstrably effective program aids, instructional supplement aid, and additional per pupil categorical amounts. These amounts will apply to the two successive fiscal years beginning one year from the subsequent July 1 and will be adjusted for inflation by the CPI in the second year.

The per pupil amounts established in the report will in turn serve as the basis for determining a school district's T&E budget, or the total amount of funding needed to provide a thorough and efficient education consistent with the curriculum content and efficiency standards issued by the State board and commissioner. The T&E budget will be determined by multiplying the per pupil amount for a thorough and efficient regular education at the elementary level by the district's resident enrollment, weighted based on the relative proportion of kindergarten, elementary, middle, and high school pupils included in the enrollment. Each school district is required to fund its T&E budget through local tax revenues up to a level based on district property wealth and district income. Any difference between the district's T&E budget and the required local share will be funded through State aid, with supplemental aid being available for certain districts where the impact of the new standards on local taxes would be excessive. Also, stabilization factors have been included within the State aid formula so as to prevent dramatic increases or decreases in a district's State aid as a result of the permanent part of the formula. For each district, a maximum and minimum permissible budget level is calculated within the established T&E range.

Every two years, the commissioner is required to notify each district of the T&E amount, T&E flexible amount, T&E range, and amounts per pupil for early childhood program aid, demonstrably effective program aid, instructional supplement aid, and the categorical programs for the subsequent two fiscal years. Annually, within two days following transmittal of the State budget message to the Legislature by the Governor, the commissioner shall notify each district of the maximum amount of aid payable to the district in the succeeding school year and shall notify each district of its T&E budget, maximum T&E budget, and minimum permissible T&E budget for the succeeding school year. Annually, on or before March 4, each district board of education is to adopt and forward to the commissioner for approval, a budget that provides no less than the minimum permissible T&E budget plus categorical amounts required for a thorough and efficient education. Before approving the budgets, the commissioner must determine that they properly implement the core curriculum content standards, and in instances where they do not, the commissioner may make such fiscal or programmatic adjustments as he deems necessary, including directing additional spending up to the district's maximum T&E budget level.

Under the substitute's provisions, a district proposing a budget which includes spending which exceeds the maximum T&E budget must submit a general fund tax levy to the board of school estimate,

or the voters, as appropriate, which when added to the other components of its net budget does not exceed its prior year net budget by more than the spending growth limitation. For such a district, the spending growth limitation equals the sum of three percent or the CPI, whichever is greater, with adjustments for changes in enrollment, certain capital outlay expenditures, and special education costs per pupil in excess of \$50,000. The enrollment adjustment will equal the increase in unweighted resident enrollments between the prebudget and budget years multiplied by the per pupil general fund tax levy amount for the prebudget year indexed by the CPI or three percent, whichever is greater. The adjustment for capital outlay expenditures will equal the difference between the capital outlay portion of the general fund budget for the budget year and the capital outlay portion of the general fund budget for the prebudget year indexed by the CPI or three percent, whichever is greater. The adjustment for special education costs shall equal the sum of per pupil amounts in excess of \$50,000 for the budget year less the sum of per pupil amounts in excess of \$50,000 for the prebudget year indexed by the CPI or three percent, whichever is greater.

A district proposing a budget set at or below the minimum T&E budget is to submit to the board of school estimate or voters, a general fund tax levy which when added to the other components of the net T&E budget does not exceed the prebudget year net T&E budget by more than the spending growth limitation. This limitation will be calculated as described above except that the enrollment adjustment is to equal the increase in weighted resident enrollment between the prebudget and budget years multiplied by the T&E amount less the T&E flexible amount.

A district proposing a budget set at or below the maximum T&E budget, but including amounts in excess of the minimum T&E budget, is to submit to the board of school estimate or voters, a general fund tax levy which when added to the other components of its net T&E budget does not exceed the spending growth limitation. This limitation will be calculated as previously described except that the enrollment adjustment is to equal the increase in the unweighted resident enrollment between the prebudget and budget years multiplied by the prebudget T&E program budget per pupil indexed by the CPI or three percent, whichever is greater.

The substitute also establishes a procedure for cap waiver proposals to be submitted to the board of school estimate, or the voters of the district in the case of a district whose budget does not exceed the maximum T&E budget. Any cap proposal which is rejected will be submitted to the municipal governing body or board of school estimate for a determination of the amount, if any, which should be expended. The decision of the municipal governing body or board of school estimate will be final.

Any general fund tax levy which is rejected by the voters for a proposed budget in excess of the maximum T&E budget is to be

submitted to the governing body of the municipality or the board of school estimate as appropriate for a determination of the amount that should be expended notwithstanding voter rejection. There would be no appeal from the determination of the governing body or the board of school estimate. However, the governing body or board of school estimate could not certify a general fund tax levy in an amount which is less than 98 percent of the prebudget year general fund tax levy with adjustments up and down for enrollment increases or decreases.

Any reduction made to a proposed budget which is at or below the maximum T&E budget may be appealed to the commissioner on the grounds that the amount is necessary for a thorough and efficient education. Any reduction made to a proposed budget which is below, or after reductions by the municipal governing body or board of school estimate is below, the minimum T&E budget shall be automatically reviewed by the commissioner. In addition, the municipal governing body or board of school estimate will be required to demonstrate clearly to the commissioner that the proposed budget reductions will not adversely affect the ability of the school district to provide a thorough and efficient education.

Under the substitute, special education including extraordinary costs, pupil transportation, bilingual education, adult and post-secondary education, distance learning network, and county vocational aid are to be paid to all school districts as categorical aid. Also, the department is to determine programmatic definitions and establish appropriate per pupil amounts for adult high school programs and post-secondary vocational educational programs.

State aid for special education will be distributed for the 1997-98 school year on the basis of classifications under four tiers, with an increasing amount of per pupil aid for each tier: Tier I includes related services; Tier II includes perceptually impaired, neurologically impaired, educable mentally retarded and preschool handicapped; Tier III includes pupils in categories other than speech correction and the Tier II categories, who do not meet the criteria of Tier IV, intensive services; Tier IV services are defined for 1997-98 as those services provided in a county special services school district and services provided for pupils who meet the classification definitions for autistic, chronically ill, day training eligible, or visually handicapped, or are provided for pupils who meet the classification definition for multiply handicapped and are in a private school for the handicapped placement in the 1996-97 school year. Additional aid may be provided to a district in which the costs for an individual classified pupil exceeds \$50,000; in which the district must educate an extraordinary number of classified pupils; or in which the district is ordered to make a high cost placement by a tribunal of competent jurisdiction.

The T&E budget is designed to give districts resources to provide a thorough and efficient regular education. However, additional early childhood education program aid, demonstrably effective program aid, and instructional supplement aid are provided for districts that have

socioeconomically disadvantaged children living in conditions of poverty. Early childhood aid is provided for those districts having 20% or more low-income pupils, and is to be used for preschool, full-day kindergarten and other early childhood programs. Additional aid is provided for concentrations of low-income pupils of 40% or more for transition and social services to primary grade students. Demonstrably effective program aid is to be distributed based on school-based concentrations of low income pupils in order to provide instructional, school governance, health and social services aimed at addressing the socioeconomic disadvantages of these pupils. Instructional supplement aid is to be provided to districts with concentrations of low-income pupils of 5% or more but which do not qualify for early childhood aid. The substitute also makes provision for technological advancements through the establishment and funding of a distance learning network, which, while available to all districts, will be especially helpful to disadvantaged districts as a means of providing quality programs at low cost.

The substitute also establishes an Academic Achievement Reward Program to provide rewards to districts having one or more schools that meet criteria for absolute success or significant progress towards high student academic achievement. Schools are to be ranked into three groupings by enrollment for the High School Proficiency Test, the Early Warning Test, and the Fourth Grade Test which then determine reward eligibility for both the absolute success and the significant progress reward. Schools with 90% of student enrollment performing at or above the passing scores qualify for the absolute success reward. Schools that do not qualify for the absolute success reward are eligible for the significant progress reward. The schools will be grouped together in five bands and the top 10% in each band with the highest level of improvement will qualify for the significant progress reward. Schools located in districts that have been penalized under the "School Efficiency Program Act," P.L. 1995, c.236, will not be eligible for either reward. The reward appropriation will be equally divided among all districts with schools determined to be eligible for a reward.

Under the substitute, the commissioner is directed to establish a Consolidation of Services Grant Program which will utilize the county special services school districts to promote shared services and regionalization of services. In addition, a Regionalization Advisory Panel consisting of 12 members will be created in order to study and to develop recommendations regarding ways to encourage school districts to regionalize or share services.

The pupil transportation formula established under the substitute is designed to encourage operational efficiency and includes two principal components: a base aid amount and an efficiency factor. Base aid represents a level of funding to reimburse districts for the cost of efficiently transporting eligible pupils based on regular or specialized modes of transportation, eligible pupils transported,

average miles per eligible pupil, and cost factors representative of school districts in the top two quartiles of efficient performance. The substitute provides that for the 1997-98 school year, each district's base aid will be prorated so that the overall distribution of base aid does not exceed that distributed Statewide in the 1996-97 school year. Also, the Governor is to submit to the Legislature at least sixty days prior to the 1998 budget address proposed transportation incentive factors applicable to the 1998-99 school year and thereafter.

State aid for school facilities shall be paid to districts toward principal and interest payments on both debt service and lease purchase agreement payments for the fiscal year, at the percentage of State support in the district's T&E budget. The base to which this percentage shall be applied shall be the full debt service and lease purchase agreement payments for all debt service issuances authorized and lease purchase agreements approved prior to July 1, 1997. For all debt service authorized and lease purchase agreements approved after July 1, 1997, the aidable base shall be that percentage of the debt service or lease purchase payment equivalent to the ratio of approved costs to the original issuance principal, with the ratio never to exceed one, and shall be reduced for districts that fail to meet maintenance requirements on aided facilities. Beginning ten years from the date of enactment of the substitute, districts shall be required to demonstrate a net investment within the previous ten years of 2% of what the facility's replacement cost was ten years prior in order to receive aid on an improvement to the facility. Aid for new construction approved or authorized after July 1, 1997 shall be reduced, beginning in the fourth year after occupancy, for districts that fail to demonstrate in the prior fiscal year an investment in maintenance of the facility of at least two-tenths of one percent of the facility's replacement cost.

Approved costs for new construction and additions shall be the product of an approved square footage of construction, derived from school models developed by the department for each school level; a cost allowance per square foot of construction; and percentage allowances for equipment and furnishings, architect and engineering fees, and issuance costs. The approved area shall be based on the number of unhoused students the district shows as a result of a five-year cohort survival enrollment projection. The area construction cost allowance shall be determined based on a five-city historical cost index for construction in New Jersey. Other allowances shall be based on industry standards. Approved costs for renovations shall be the product of the replacement cost of the facility, determined by multiplying the gross area of the facility by the construction cost and other allowances, and a factor less than one that decreases as building age increases. Renovations on buildings fewer than twenty years of age shall not be aided. Approved costs for new construction done in lieu of renovations shall be determined as for new construction only when the age of the facility is 50 years or greater or when the commissioner determines that extraordinary circumstances warrant

differential treatment. Approved costs for new construction done in lieu of renovations for facilities less than fifty years old shall be determined as for renovations. For purchase of an existing facility, total approved costs for both the purchase of the facility and any renovations made to the facility within five years of purchase shall be that amount determined as for new construction.

Under the substitute, the commissioner is empowered to ensure that all districts are meeting established standards through a variety of means. In addition to his general powers of supervision, this substitute requires the commissioner to review annual budgets to ensure compliance with core curriculum content standards, continues the existing system of monitoring with a new emphasis on meeting standards, and authorizes the commissioner to summarily take extraordinary measures when he determines, as the result of a district or school's performance on State assessments or through State evaluation, that established standards of thoroughness and efficiency are not being met.

Finally, in the event the commissioner establishes an interdistrict school choice program at a subsequent date, the substitute includes language that would allow nonresident students enrolled in such a program to be included within a district's resident enrollment count.

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SENATE BUDGET AND APPROPRIATIONS COMMITTEE

STATEMENT TO

SENATE COMMITTEE SUBSTITUTE FOR

SENATE COMMITTEE SUBSTITUTE FOR

SENATE, No. 40

STATE OF NEW JERSEY

DATED: DECEMBER 16, 1996

The Senate Budget and Appropriations Committee reports favorably a Senate Committee Substitute for Senate Bill No. 40 SCS.

This committee substitute provides for the establishment of a thorough and efficient system of free public education (T&E) as guaranteed by the State Constitution. It establishes standards of thoroughness and efficiency and a new system for funding public education through a combination of State aid and local support. The proposed law supersedes those portions of P.L.1975, c.212 (C.18A:7A-1 et seq.) which address goals and standards and replaces the funding provisions established by the "Quality Education Act of 1990," P.L. 1990, c.52 (C.18A:7D-1 et al.), which is repealed in its entirety.

The substitute directs the State Board of Education to review the new core curriculum content standards within three years after their implementation and thereafter to review and update the standards every five years. The core curriculum content standards shall define for all students in the State the substance of a thorough education. The commissioner is directed to develop and establish efficiency standards which shall define the types of programs, services, activities and materials necessary to achieve an efficient education. In establishing the efficiency standards, the commissioner is directed to consider the cost benchmarks for non-instructional services in similarly situated school districts which will be developed by the Commission on Business Efficiency in the Public Schools. Together these standards will define what is required to provide a thorough and efficient education and will serve as the basis for determining the amount of funding necessary to do so.

Under the substitute's provisions, the Governor is required to issue biennially in each even numbered year, the Report on the Cost of Providing a Thorough and Efficient Education. The report will establish the per pupil amount necessary to provide a thorough and efficient regular education at the elementary, middle, and high school levels and the acceptable range of deviation from that amount in

levels and the acceptable range of deviation from that amount in order to recognize and accommodate the need for local flexibility. In addition the report will establish per pupil amounts for early childhood and demonstrably effective program aids, instructional supplement aid, and additional per pupil categorical amounts. These amounts will apply to the two successive fiscal years beginning one year from the subsequent July 1 and will be adjusted for inflation by the CPI in the second year.

The per pupil amounts established in the report will in turn serve as the basis for determining a school district's T&E budget, or the total amount of funding needed to provide a thorough and efficient education consistent with the curriculum content and efficiency standards issued by the State board and commissioner. The T&E budget will be determined by multiplying the per pupil amount for a thorough and efficient regular education at the elementary level by the district's resident enrollment, weighted based on the relative proportion of kindergarten, elementary, middle, and high school pupils included in the enrollment. Each school district is required to fund its T&E budget through local tax revenues up to a level based on district property wealth and district income. Any difference between the district's T&E budget and the required local share will be funded through State aid, with supplemental aid being available for certain districts where the impact of the new standards on local taxes would be excessive. Also, stabilization factors have been included within the State aid formula so as to prevent dramatic increases or decreases in a district's State aid as a result of the permanent part of the formula. For each district, a maximum and minimum permissible budget level is calculated within the established T&E range.

Every two years, the commissioner is required to notify each district of the T&E amount, T&E flexible amount, T&E range, and amounts per pupil for early childhood program aid, demonstrably effective program aid, instructional supplement aid, and the categorical programs for the subsequent two fiscal years. Annually, within two days following transmittal of the State budget message to the Legislature by the Governor, the commissioner shall notify each district of the maximum amount of aid payable to the district in the succeeding school year and shall notify each district of its T&E budget, maximum T&E budget, and minimum permissible T&E budget for the succeeding school year. Annually, on or before March 4, each district board of education is to adopt and forward to the commissioner for approval, a budget that provides no less than the minimum permissible T&E budget plus categorical amounts required for a thorough and efficient education. Before approving the budgets, the commissioner must determine that they properly implement the core curriculum content standards, and in instances where they do not, the commissioner may make such fiscal or programmatic adjustments as he deems necessary, including directing additional spending up to the district's maximum T&E budget level.

Under the substitute's provisions, a district proposing a budget

which includes spending which exceeds the maximum T&E budget must submit a general fund tax levy to the board of school estimate, or the voters, as appropriate, which when added to the other components of its net budget does not exceed its prior year net budget by more than the spending growth limitation. For such a district, the spending growth limitation equals the sum of three percent or the CPI, whichever is greater, with adjustments for changes in enrollment, certain capital outlay expenditures, pupil transportation costs provided pursuant to N.J.S.18A:39-1.1, and special education costs per pupil in excess of \$40,000. The enrollment adjustment will equal the increase in unweighted resident enrollments between the prebudget and budget years multiplied by the per pupil general fund tax levy amount for the prebudget year indexed by the CPI or three percent, whichever is greater. The adjustment for capital outlay expenditures will equal the difference between the capital outlay portion of the general fund budget for the budget year and the capital outlay portion of the general fund budget for the prebudget year indexed by the CPI or three percent, whichever is greater. The adjustment for special education costs shall equal the sum of per pupil amounts in excess of \$40,000 for the budget year less the sum of per pupil amounts in excess of \$40,000 for the prebudget year indexed by the CPI or three percent, whichever is greater. The adjustment for pupil transportation costs provided pursuant to N.J.S.18A:39-1.1 shall equal the cost of providing such pupil transportation services for the budget year. For the purpose of determining a district's spending growth limitation for the 1997-98 school year, the substitute authorizes a district to apply to the commissioner to add all or a part of the district's original designated general fund balance ~~for~~ 1996-97 to the spending growth limitation if the district can demonstrate through current accounting records and historical trend data that the fund balance will actually be spent in the budget year. The issue of the inclusion of designated general fund balances within the calculation of the spending growth limitation and the calculation of T&E budgets is addressed in future budget years by the inclusion of these amounts within the substitute's definition of T&E program budget.

A district proposing a budget set at or below the minimum T&E budget is to submit to the board of school estimate or voters, a general fund tax levy which when added to the other components of the net T&E budget does not exceed the prebudget year net T&E budget by more than the spending growth limitation. This limitation will be calculated as described above except that the enrollment adjustment is to equal the increase in weighted resident enrollment between the prebudget and budget years multiplied by the T&E amount less the T&E flexible amount.

A district proposing a budget set at or below the maximum T&E budget, but including amounts in excess of the minimum T&E budget, is to submit to the board of school estimate or voters, a general fund tax levy which when added to the other components of

its net T&E budget does not exceed the spending growth limitation. This limitation will be calculated as previously described except that the enrollment adjustment is to equal the increase in the unweighted resident enrollment between the prebudget and budget years multiplied by the prebudget T&E program budget per pupil indexed by the CPI or three percent, whichever is greater.

The substitute also establishes a procedure for cap waiver proposals to be submitted to the board of school estimate, or the voters of the district. Any cap waiver proposal which is rejected will be submitted to the municipal governing body or board of school estimate for a determination of the amount, if any, which should be expended. The decision of the municipal governing body or board of school estimate will be final.

Any general fund tax levy which is rejected by the voters for a proposed budget in excess of the maximum T&E budget is to be submitted to the governing body of the municipality or the board of school estimate as appropriate for a determination of the amount that should be expended notwithstanding voter rejection. If the governing body or board of school estimate reduces the district's proposed budget, the district may appeal to the commissioner any reduction on the grounds that the reductions will negatively impact on the stability of the district given the need for long term planning and budgeting. In considering the appeal, the commissioner shall consider enrollment increases or decreases within the district; the history of voter approval or rejection of district budgets; the impact on the local levy; and whether the reductions will impact on the ability of the district to fulfill its contractual obligations. Such a district may not appeal any reductions on the grounds that the amount is necessary for a thorough and efficient education.

Any reduction made to a proposed budget which is at or below the maximum T&E budget may be appealed to the commissioner on the grounds that the amount is necessary for a thorough and efficient education or that the reductions will negatively impact on the stability of the district given the need for long term planning and budgeting. Any reduction made to a proposed budget which is below, or after reductions by the municipal governing body or board of school estimate is below, the minimum T&E budget shall be automatically reviewed by the commissioner. In addition, the municipal governing body or board of school estimate will be required to demonstrate clearly to the commissioner that the proposed budget reductions will not adversely affect the ability of the school district to provide a thorough and efficient education or the stability of the district given the need for long term planning and budgeting.

Under the substitute, special education including extraordinary costs, pupil transportation, bilingual education, adult and post-secondary education, distance learning network, and county vocational aid are to be paid to all school districts as categorical aid. Also, the department is to determine programmatic definitions and establish appropriate per pupil amounts for adult high school

programs and post-secondary vocational educational programs.

State aid for special education will be distributed for the 1997-98 school year on the basis of classifications under four tiers, with an increasing amount of per pupil aid for each tier: Tier I includes related services; Tier II includes perceptually impaired, neurologically impaired, educable mentally retarded and preschool handicapped; Tier III includes pupils in categories other than speech correction and the Tier II categories, who do not meet the criteria of Tier IV, intensive services; Tier IV services are defined for 1997-98 as those services provided in a county special services school district and services provided for pupils who meet the classification definitions for autistic, chronically ill, day training eligible, or visually handicapped, or are provided for pupils who meet the classification definition for multiply handicapped and are in a private school for the handicapped, educational services commission, or jointure commission placement in the 1996-97 school year. The cost of speech correction services for students who are classified to receive only those services will be supported within the T&E program budget.

Also, additional special education aid may be provided to a district in which the costs for an individual classified pupil exceeds \$40,000; in which the district must educate an extraordinary number of classified pupils; or in which the district is ordered to make a high cost placement by a tribunal of competent jurisdiction. The substitute also establishes a procedure whereby a school district may apply to the commissioner to receive emergency special education aid for any classified pupil who enrolls in the district after the calculation of State aid for the budget year, but prior to March of the budget year, and who is in a placement with a cost in excess of \$40,000. The commissioner may debit from the student's former district of residence any special education aid which was paid to that district on behalf of the student.

The T&E budget is designed to give districts resources to provide a thorough and efficient regular education. However, additional early childhood program aid, demonstrably effective program aid, and instructional supplement aid are provided for districts that have socioeconomically disadvantaged children living in conditions of poverty. Early childhood aid is provided for those districts having 20% or more low-income pupils, and is to be used for preschool, full-day kindergarten and other early childhood programs. Additional aid is provided for concentrations of low-income pupils of 40% or more for transition and social services to primary grade students. Demonstrably effective program aid is to be distributed based on school-based concentrations of low income pupils in order to provide instructional, school governance, health and social services aimed at addressing the socioeconomic disadvantages of these pupils. Instructional supplement aid is to be provided to districts with concentrations of low-income pupils of 5% or more but which do not qualify for early childhood program aid. The substitute also makes

provision for technological advancements through the establishment and funding of distance learning networks, which, while available to all districts, will be especially helpful to disadvantaged districts as a means of providing quality programs at low cost.

The substitute also establishes an Academic Achievement Reward Program to provide rewards to districts having one or more schools that meet criteria for absolute success or significant progress towards high student academic achievement. Schools are to be ranked into three groupings by enrollment for the High School Proficiency Test, the Early Warning Test, and the Fourth Grade Test which then determine reward eligibility for both the absolute success and the significant progress reward. Schools with 90% of student enrollment performing at or above the passing scores qualify for the absolute success reward. Schools that do not qualify for the absolute success reward are eligible for the significant progress reward. The schools will be grouped together in five bands and the top 10% in each band with the highest level of improvement will qualify for the significant progress reward. The reward appropriation will be equally divided among all districts with schools determined to be eligible for a reward.

Under the substitute, the commissioner is directed to establish a Consolidation of Services Grant Program which will utilize the county special services school districts to promote shared services and regionalization of services. Also, a Regionalization Advisory Panel consisting of 12 members will be created in order to study and to develop recommendations regarding ways to encourage school districts to regionalize or share services. In addition, the substitute establishes a five year sending-receiving school district tuition calculation pilot project which will provide for the calculation of such tuition rates in accordance with a district's maximum T&E budget.

The pupil transportation formula established under the substitute is designed to encourage operational efficiency and includes two principal components: a base aid amount and an efficiency factor. For the 1997-98 school year, the efficiency factor is to equal one. Base aid represents a level of funding to reimburse districts for the cost of efficiently transporting eligible pupils based on regular or specialized modes of transportation, eligible pupils transported, average miles per eligible pupil, and cost factors representative of school districts in the top two quartiles of efficient performance. The substitute provides that for the 1997-98 school year, each district's base aid will be prorated so that the overall distribution of base aid does not exceed that distributed Statewide in the 1996-97 school year. Also, the Governor is to submit to the Legislature at least sixty days prior to the 1998 budget address proposed transportation incentive factors applicable to the 1998-99 school year and thereafter.

The substitute provides that beginning in the 1998-99 school year, State aid for school facilities shall be paid to districts toward principal and interest payments on both debt service and lease

purchase agreement payments. The aidable base for State aid shall be that percentage of debt service and lease purchase payments equal to the ratio of approved costs to the original issuance amount and shall be reduced for districts which fail to meet maintenance requirements on aided facilities. The Governor is to submit to the Legislature at least 60 days prior to the 1998 budget address, criteria for determining approved costs, State support levels, and maintenance incentives applicable to the 1998-99 school year and thereafter. For the 1997-98 school year, the amount and allocation of debt service aid shall be determined in the budget.

The substitute also establishes a program of supplemental school tax reduction aid for districts which are spending less than 115% of the State average net budget per pupil in 1996-97; in which the district's 1996-97 equalized school tax rate is greater than 130% of the Statewide average equalized school tax rate; and which meet certain other criteria. The funds available under this program must be applied to the district's required local share under the formula and therefore will provide tax relief for the residents of the municipality in which the district is located.

Other aid programs included within the substitute are a program which provides additional aid for school districts with a projected 1997-98 resident enrollment which exceeds 10,000 pupils, in which the T&E budget is not supported through core curriculum standards aid in an amount greater than 50%, and which was not originally notified of a penalty for administrative cost inefficiency in the 1996-97 school year; a program which provides aid to school districts to assist in the transition to funding county special services school district students through the district of residence; and a program which provides funding for districts located in municipalities which have concentrations of senior citizens of more than 45%.

FISCAL IMPACT

The estimated additional cost of this legislation is approximately \$286 million for the school year 1997-98 over 1996-97.

LEGISLATIVE FISCAL ESTIMATE TO
SENATE COMMITTEE SUBSTITUTE FOR
SENATE COMMITTEE SUBSTITUTE FOR
SENATE, No. 40

STATE OF NEW JERSEY

DATED: DECEMBER 30, 1996

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BILL SUMMARY

The Senate Committee Substitute for Senate Bill No. 40 SCS of 1996 changes the method of allocating school aid to local districts beginning in the 1997-98 school year. The bill establishes: (1) an amount to be used in the calculation of the cost of maintaining and supporting a thorough and efficient system of free public schools for each pupil; (2) wealth criteria for the allocation of the wealth-based portion of the school aid formula; (3) per pupil aid amounts for various other categories of State aid; (4) limits on aid growth; (4) limits on aid loss; (5) limits on district budget growth; and (6) a requirement that the Governor, in consultation with the Commissioner of Education, issue a biennial *Report on the Cost of Providing a Thorough and Efficient Education* containing recommendations concerning changes in the school aid formula.

AGENCY COMMENTS

The Department of Education (DOE) did not respond to a formal request for a fiscal note on the original Senate Bill No. 40. The DOE has at various times released computer generated funding simulations of the legislation, the most recent of which is noted below.

OFFICE OF LEGISLATIVE SERVICES COMMENTS

FISCAL IMPACT:

This bill provides that all aid entitlements paid in fiscal year 1998, except those for school facilities and transportation, shall be based on a Department of Education simulation. Based on the most recent DOE printout, adjusted for transportation aid, the Office of Legislative Services (OLS) estimates the State cost of this bill at \$4,293 million in fiscal year 1998, \$286 million more than in fiscal year 1997. The OLS estimates that the State cost will increase by an additional \$103 million in fiscal year 1999, and \$346 million in fiscal year 2000.

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ESTIMATED STATE COST OF SCS FOR S-40 SCS
(Millions)

	FY 1998	FY 1999	FY 2000
1. Core Curriculum Standards	\$2,620.2	\$2,751.2	\$2,888.8
2. Special Education	\$585.6	\$610.3	\$636.7
3. Early Childhood	\$287.6	\$295.4	\$303.9
4. Demonstrably Effective Program	\$175.4	\$184.2	\$193.4
5. Bilingual	\$57.4	\$61.5	\$65.9
6. Vocational	\$22.6	\$23.7	\$24.8
7. Distance Learning	\$50.4	\$53.0	\$55.7
8. Adult Education	\$25.0	\$26.5	\$28.0
9. Instructional Supplemental	\$17.0	\$17.9	\$18.8
10. Supplemental CCS (Regular)	\$208.7	\$221.3	\$234.6
11. Supplemental CCS (Additional)	\$33.0		
12. Transportation	\$243.9	\$243.9	\$243.9
13. Rewards and Recognition	\$10.0	\$10.0	\$10.0
14. Stabilization (listed by section)			
A 10% Aid Growth Cap	(\$173.8)	(\$152.5)	
B 10% Aid Decrease Limit	\$52.7	\$34.3	\$21.5
C 99% of 1991 Enrollment	\$51.5		
D High Enrollment	\$3.0	\$3.0	\$3.0
E Pupils in Special Svs. Dists.	\$11.0		
F Tax Rates & Budget Levels	\$10.7	\$10.7	\$10.7
G 45% Senior Citizens	\$0.9	\$0.9	\$0.9
TOTAL	\$4,292.8	\$4,395.1	\$4,740.6
<i>Increase From Prior Year</i>	<i>\$285.5</i>	<i>\$102.4</i>	<i>\$345.5</i>

Other Items:

Debt service and facilities aid amounts are not included in this fiscal estimate because the Senate Committee Substitute does not establish aid amounts for these programs. Rather, the substitute directs that "debt service aid shall be determined in the budget" for fiscal year 1998, and that facilities aid, beginning in fiscal year 1999, shall be distributed through a new formula, which the "Governor shall submit to the Legislature at least 60 days prior to the 1998 budget address." The bill does not alter the payment of teacher pension and social security costs. Therefore, these costs, which can also be expected to increase, are not included in the fiscal estimate. The fiscal year 1997 base amount includes \$22 million in municipal aid for the State operated school districts, which is paid pursuant to a section of law that would be repealed under this bill.

The Senate Committee Substitute authorizes the transfer to the State's General Fund of current and future loan repayment balances in two revolving school facilities funds operated by the New Jersey Economic Development Authority. It appears these funds are intended to finance distance learning network aid and, if so, would reduce the net State cost of the Senate Committee Substitute by approximately \$11 million annually.

ASSUMPTIONS FOR GROWTH IN AID:

In the presentation of the fiscal impact on the State budget for fiscal years 1998, 1999 and 2000, the proposed State aid program amounts, listed in the table on the previous page, are organized into the following categories: (1) aid programs with specified growth factors; (2) aid programs for which growth factors are unspecified; and (3) stabilization aid programs.

Aid Programs With Specified Growth Factors:

The aid programs with specified growth factors in the bill include the following nine State aid programs: core curriculum standards; special education; early childhood; demonstrably effective program; bilingual; county vocational; distance learning; adult education; and instructional supplemental. In fiscal year 1998, the projected cost of these programs is \$3,840 million, 89 percent of the total cost of the bill. Under the provisions of the bill, the annual growth in these programs is determined by the Consumer Price Index (CPI) and the number of pupils eligible for the various aid categories.

The amounts for fiscal years 1999 and 2000 are estimated using a simulation of the school aid formulas which assumes the following: CPI equals 3.0 percent; district enrollment growth equals the growth used by the DOE in calculating fiscal year 1998 data; district income and property wealth remain constant; and to the extent that spending affects aid amounts, districts spend at their cap levels. The OLS notes that in even numbered years the *Report On the Cost of Providing a Thorough and Efficient Education* may recommend adjustments to the per pupil amounts which may differ from the CPI growth.

Aid Programs With Unspecified Growth Factors:

The aid programs for which the growth factors are unspecified include the following three programs: transportation aid; rewards and recognition aid; and the two components of supplemental core curriculum standards aid.

The bill establishes that the total amount of transportation aid for fiscal year 1998 shall not exceed the total in fiscal year 1997. The bill directs that the Governor submit proposed transportation incentive factors and supporting data to the Legislature for fiscal year 1999 and thereafter. Accordingly, the OLS assumes that transportation aid

costs for fiscal years 1998, 1999, and 2000 will remain at the fiscal year 1997 level of \$244 million. The actual cost may vary, depending on the interplay between the data and the policy determinations resulting from the proposed transportation incentive factors.

The aid amounts under the rewards and recognition program are not based on a formula and are to be determined by the annual legislative appropriation. The OLS does not assume a change from the fiscal year 1998 amount.

Aid amounts for the supplemental core curriculum standards program will be affected by annual changes in district and Statewide equalized tax rates. The OLS aid estimates for this program are based on the aid simulation and assumptions discussed above.

A second component of supplemental core curriculum standards aid affects the 28 Abbott districts and those school districts in district factor group A. Subsection b. of section 5 of the bill provides additional aid to these districts, in fiscal year 1998, if those districts would be required to increase local property taxes to meet the required local share. These districts receive \$33 million in fiscal year 1998. The bill requires the commissioners of the Department of Education and the Department of Community Affairs to make recommendations regarding the continuation of this aid in subsequent years. Those recommendations shall not be implemented without legislation. This fiscal estimate does not assume the continuation of this aid beyond fiscal year 1998.

Stabilization Aid Programs:

Stabilization aid, pursuant to section 10 of the bill, limits large increases or decreases in the annual State aid allocation to individual school districts, and provides additional aid for certain districts. Subsection a. establishes a limit on a school district's annual State aid increase over the prior year of 10 percent (eight percent for fiscal year 1998) or the growth rate in a district's resident enrollment, whichever is greater. Subsection b. establishes a limit, or floor, on a school district's annual State aid decreases from the prior year of 10 percent. According to Department of Education data, subsection a. results in a State expenditure of \$174 million less than what would otherwise be generated by the formula. Subsection b. results in an increased State expenditure of \$53 million in fiscal year 1998.

The State aid impact of stabilization will decline after fiscal year 1998. The OLS aid estimates for this program are based on the aid simulation and assumptions discussed above. However, the OLS assumes that the effect of the stabilization aid growth cap in subsection a. will end in fiscal year 2000. Language in that subsection instructs the commissioner to ensure that "any district with a stabilization reduction in 1997-98" shall have its total stabilized aid reflect "the actual pupil counts of the district" by that year. This

should end the stabilization cap for those districts, since all aid must reflect actual pupil counts. Small effects of the stabilization limits on other districts should continue beyond that date.

Subsection c. of section 10 limits aid reductions for certain districts for fiscal year 1998. According to DOE data, 192 districts will receive \$52 million of supplemental stabilization aid in fiscal year 1998. In subsequent years the bill requires legislative approval for the continuation of this aid. Subsection e. provides aid in fiscal year 1998 for districts with pupils in county special services districts. This fiscal estimate does not assume the continuation of these two stabilization aid categories beyond fiscal year 1998. However, if continued supplemental stabilization aid were to be approved by the Legislature for the fiscal years 1999 and 2000, the State costs reported in this fiscal estimate for the fiscal years 1999 and 2000 would increase by the value of continued supplemental stabilization aid.

Subsection d. provides aid for certain districts with high enrollment levels. Subsection f. provides aid for certain districts with high equalized tax rates. Subsection g. provides aid for certain districts with high proportions of senior citizens age 65 or older. This fiscal estimate assumes the \$14.6 million in aid for these three components of stabilization aid will continue in future fiscal years.

GENERAL FUND REVENUES:

Section 22 of the bill authorizes the transfer to the State's General Fund of current and future loan repayment balances in two revolving school facilities funds operated by the New Jersey Economic Development Authority (EDA). The two funds - the \$125 million Public School Facilities Loan Assistance Fund and the \$25 million Public School Facilities Code Compliance Loan Fund - make low interest loans to school districts for construction, renovation and safety projects. They were created in 1993 and capitalized by State appropriations and the sale of EDA bonds.

As of July 1996, the two funds had been completely committed to school district projects. The \$150 million lent by the EDA has and is producing repayments (with 1.5 percent interest) of approximately \$171 million through fiscal year 2014. An amount of \$20.5 million has already been transferred from the EDA fund balances to the State's General Fund pursuant to language in the fiscal year 1997 appropriations act. Loan repayments over the next several years will total slightly more than \$11 million annually, after which they will taper down gradually (assuming no further recommitment of balances by the EDA). Under the provisions of P.L.1996, c.48 and this Senate Committee Substitute, the repayments will be redirected for deposit in the General Fund and dedicated for school district technology capital projects related to distance learning networks. It appears these funds are intended to finance distance learning network aid and, if so, would

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reduce the net State cost of the Senate Committee Substitute by the amounts annually transferred from the EDA loan funds to the State's General Fund.

This fiscal estimate has been prepared pursuant to P.L.1980, c.67.

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OFFICE OF THE GOVERNOR NEWS RELEASE

CN-004

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TRENTON, NJ 08625

RELEASE: Dec. 20, 1996

Governor Whitman today signed legislation establishing a new system of school funding that will guarantee a quality education to every student in New Jersey.

The bill (S-40/A-20), sponsored by Senators Robert Martin (R-Essex/Morris/Passaic) and John Ewing (R-Morris/Somerset) and Assemblymen Gary Stuhltrager (R-Salem/Cumberland/Gloucester) and John Rocco (R-Camden), increases state aid to education by nearly \$286 million, the third largest increase in the last twenty-five years. It will be implemented in the 1997-98 school year.

"This is an historic day for New Jersey's school children," said Governor Whitman. "For the first time, we have a state education funding system that ties state aid directly to the achievement of rigorous Core Curriculum Content Standards in seven subject areas at all grade levels. Our plan, for the first time, takes into account what a thorough education really is, determines what needs to be spent to provide it and distributes state education aid in a manner that assures that students in all districts will be able to achieve those standards.

"I believe we have responded in an appropriate way to the order of the State Supreme Court which was issued in July 1994. We have addressed the court's concern by defining the 'thorough and efficient' education required for all students in our State Constitution, we have devised a funding formula that assures an equal opportunity for all students to achieve the rigorous standards that define the 'thorough and efficient' education, and we have provided large amounts of state aid to provide educational programs to address the conditions of poverty in our poorest districts. I believe that the court will react favorably to this legislation," Gov. Whitman said.

The new school funding law also provides more than \$2 billion dollars in state aid to the state's 28 poorest school districts as described in the Abbott v. Burke lawsuit; nearly half of the \$4.3 billion in education aid that will be provided for the entire state. In addition, the new law creates several new programs that are designed to ameliorate the effects of poverty on New Jersey's poorest children.

Core Curriculum Standards Aid will provide urban districts with funds to improve their educational programs to enable them to meet the new Core Curriculum Content Standards. Early Childhood Aid in the amount of \$288 million will guarantee preschool and full-day kindergarten to children in districts with high concentrations of disadvantaged pupils. Demonstrably Effective Program Aid in the amount of \$175 million will be provided to address the special needs of children attending schools with the highest levels of poverty and will fund programs proven to get positive educational results. More than \$50 million dollars will be provided to all school districts to create a statewide Distance Learning Network via technology that will enable students in one district to take courses offered in other districts and will provide unlimited access to information and ideas for all of our students.

"Poor, urban school children will benefit greatly from this new law, as the court intended," said Commissioner of Education Leo Klagholz. "We have earmarked significant resources for the poorest districts in the state and have, for the first time in history, put in place systems that will guarantee that these resources are focused on education and are used wisely.

"This funding legislation is not focused only on poor districts," said Commissioner Klagholz. "Because it is based on the new rigorous Core Curriculum Content Standards, it will assure that all students in all districts will have the opportunity to achieve at the highest levels."

The new funding law also contains a program designed to keep tax rates low in middle wealth communities. This provision will provide more than \$10 million in aid to 55 communities in 17 counties. Also, included in the new law is a program that rewards school districts for academic achievement and for improving their academic performance.

"The process by which we arrived at a funding solution has also been the most open in state history," said Governor Whitman. "This funding system was discussed at more than 100 public hearings, including 70 held by my administration before its passage last night by both houses of the legislature. This unprecedented public input has improved the plan I originally submitted to the legislature and has resulted in an outstanding school funding law. I congratulate and thank Senate President Donald DiFrancesco and Assembly

Speaker Jack Collins for the extraordinary leadership they have shown in bringing this legislation to fruition.

"The new funding law is only the first step," said Governor Whitman. "We now have to implement our law and make sure that every child in our state is meeting the Core Curriculum Content Standards. I take pride in the fact that we have finally been able to succeed where other administrations have failed--that we are providing all of the children of New Jersey the high quality education the Constitution guarantees."

REMARKS OF GOVERNOR CHRISTINE TODD WHITMAN
BILL SIGNING FOR SCHOOL FUNDING PLAN
FRIDAY, DECEMBER 20, 1996
STATE HOUSE

A couple of days ago, Senator Bill Haines passed away. He will be remembered as a strong advocate for agriculture and transportation in the State of New Jersey. I ask everyone to pause for a moment of silence in memory of Bill Haines.

Thank you. Eleven months ago, in my State of the State address, I promised to change the way we define and deliver education in the State of New Jersey.

I promised all children that they would be taught the knowledge and skills they need to reach their full potential.

I promised all parents that their schools would have the tools and resources to give their children a world-class education, regardless of where they live.

And I promised all the taxpayers accountability that their dollars would be spent wisely.

Today, I am proud to say that we have delivered on our promises.

We have spelled out the knowledge and skills that all New Jersey students need to compete in the increasingly complex, high-tech, global economy of the 21st century.

We have devised a funding formula that ensures that every child --- every child --- will receive a superior education.

And we will hold every school district accountable for the expanded investment we are making in public education in New Jersey.

The school funding plan that I will sign in a moment deepens our State's \$4 billion commitment to public education by \$285 million --- the third highest state aid increase in 25 years.

Our plan gives 518 districts more aid, while only about 19 will receive less, and even then only because their enrollments have declined. In other words, nothing in this plan will cause property taxes to rise.

But our plan is not just about dollars. It has never been about dollars. Dollars alone do not convert into high, measurable student achievement.

For the first time, we are putting children first. This bill ties State aid directly to the efficient achievement of rigorous core curriculum standards in seven subjects at all grade levels.

Our plan for the first time defines a thorough education, and determines how to deliver that education to every child in New Jersey.

Under our plan, it's not enough to require students to attend classes in math, science, and history. It's not enough for them to take a year or two of a foreign language.

Education is not about just showing up. It's not about setting the bar low enough for every child to clear.

It's about learning and mastering knowledge and skills at internationally competitive levels.

Under our plan, we will make sure every student knows how to apply the measurement techniques of algebra, geometry, and trigonometry. We will make sure that every graduate can explain the relationships between an object's mass, a force exerted on it, and the resulting acceleration. We will make sure that every graduate can explain the origins and key principles of the United States Constitution. And we will make sure that every graduate can hold conversations in a language other than English.

For a quarter century, the State Supreme Court has challenged Governors and Legislatures to come up with standards for a thorough and efficient education. At the same time, the Court has made it quite clear that without these standards, it has had no other choice but to use money as the sole criterion for judging compliance with the decree to equalize educational opportunity.

Now we have met the Court's challenge in a big way. In fact, our plan includes not just more dollars for special-needs districts but new programs as well -- programs like preschool and full-day kindergarten for children from the poorest neighborhoods; health and social service programs and special remedial help; and a statewide distance learning network that will allow students in one district to take courses offered in another district.

Our plan makes sure that all disadvantaged children receive the services they need --- regardless of where they live.

Let me assure the taxpayers: We will hold every single school district --- suburban and urban --- accountable for using funds to enable every child to achieve our high standards. We will intervene wherever the children are not learning what they need to know, and wherever money is being wasted.

I want to thank all the people who helped turn the vision of educational excellence for every student into a reality. I can't possibly single every one out, but I would like to acknowledge Commissioner Leo Klagholz and his staff.

Senate President Don DiFrancesco, Assembly Speaker Jack Collins, Senator Bob Martin, Assemblyman Gary Stuhltrager, and the two Education chairmen, Jack Ewing and John Rocco

--- all of you did a tremendous job improving our plan.

Most of all, I want to thank all the citizens who contributed their ideas, perspectives --- and criticism --- to our proposal. Unlike the previous administration, we sought and received valuable input from parents, educators, business leaders, and the Legislature. Their participation truly makes this the people's plan for education reform in New Jersey.

Thanks to all of you, we have a bottom line. It's not the \$285 million we are adding. The bottom line isn't even the total of nearly \$4.3 billion in State aid we will commit in 1997 under our plan.

The bottom line is excellence. Rigorous, world-class standards. A full curriculum. Every grade level. Every school. Every student.

Thank you.