



**NJPSA Statement on the FY2018 Budget
Before The
Assembly Budget Committee
March 22, 2017**

Thank you for the opportunity to share the thoughts of the NJ Principals and Supervisors Association and its statewide membership on the FY2018 Budget. Our members are the principals, assistant principals and supervisory employees at the school building level who are responsible for: developing the educational vision of a school; ensuring a safe and secure learning environment for students and staff; implementing curriculum and assessment; and, leading teachers and school staff.

NJPSA understands the magnitude of your task – we recognize the difficult fiscal situation our State continues to face - the choices you must make in the coming weeks are often difficult and will have a lasting effect on New Jersey and its citizens. **But, as we have said in years past, and will continue to reiterate today - your investment in our 1.3 million students statewide is an invaluable one that shows dividends today and for the foreseeable future.**

Recognizing the Fiscal Climate But Worrying About the Future

We recognize the State's continued precarious fiscal situation, and we appreciate that districts will receive at least the same amount of aid under the proposed FY2018 budget as the FY2017 approved budget. We do not take for granted that ensuring at least level funding helps sustain districts as they provide instruction to our youth.

However, as we have now said for over 7 years, this choice comes with the reality that as a State we drift further and further from the funding formula this Legislature enacted in 2008, the School Funding Reform Act of 2008 (SFRA). That departure equates to \$1 billion dollar loss in aid to schools. **This year, that equates to a mere 0.2 percent increase for schools this year - far below the true cost increases that schools are experiencing around the State.**

What has that meant to students and schools?

Due to multiple years of flat funding, districts and local taxpayers have been forced to shoulder the burden of rising costs in education at the local level within the confines of a restricted ability to raise local revenues (the statutory 2 percent tax levy cap). The result has been a narrowing of programs offered and hiring restrictions in some districts, especially low wealth/low spending districts who are trapped by the tax levy cap at below adequacy levels. In about 200 districts, local taxpayers have borne the brunt of the state funding shortfall through higher property taxes in an effort to maintain quality programs. **These outcomes have an impact not only on the quality of education we provide, but also on the economic life of New Jersey citizens.**

If the current practice of underfunding continues, these issues will only grow with the end result a whittling away of school quality in New Jersey schools. In the view of New Jersey's principals and supervisors, such a practice has led to:

- A narrowing of our curriculum at a time when our world economy demands the best preparation of our students for college and career;
- A significant restriction in the ability of our public schools to attract the best and brightest to teach our students;

- A retraction, not expansion, of research-proven programs like early childhood learning opportunities for students at risk;
- A real reduction of much-needed health counseling and wellness programs in our schools;
- Class size increases; and
- New barriers to our members' ability to meet the unique learning needs of all of the students in their schools.

This reality must inform any budget deliberations and future changes to school funding.

It is also why, given these tight fiscal times, we are pleased to see several small funding categories established over the last few years retained as at least a small source of funding for districts. These include:

- 'Per Pupil Growth' aid which helps ensure that all districts receive more aid than last year;
- 'PARCC Readiness' funds which increase and strengthen school technological infrastructure not just for PARCC, but also ensure our students have access to, and regularly utilize, technology in the instructional process; and
- 'Professional Learning Community Aid' aid which invests in professional development for educators on the use of student data, by using existing professional learning collaborative structures (professional learning communities) as the means to deliver critical training to educators.

As schools continue to implement the New Jersey learning standards (formerly New Jersey Core Curriculum standards), launch new standards in science, and continue to address challenges related to the State's assessment system – schools need support to address key initiatives. **These small pockets of funding support those goals and NJPSA supports their inclusion.**

Examining Any Changes To School Funding Carefully & With Deference

Beyond the current year funding amounts, however, the Governor during his budgetary address called on the Legislature to enact a new funding formula in the next 100 days. **NJPSA urges the Legislature to examine any request very cautiously and with the recognition that the State's current funding formula - SFRA - recognizes the unique needs of the students we serve.**

There are students: who arrive at school not speaking our language and requiring extra instructional supports and services to succeed; who live in poverty and may have specialized needs that schools must address to help these students succeed at learning (e.g. focused instructional supports in our classrooms); and who may require individualized learning plans which detail their specific instructional supports needed for successful learning. **SFRA was developed in recognition of these realities.**

SFRA includes both a 'base cost' or the per pupil amount necessary to support the core curriculum program for every student regardless of need as well as extra funding to support programs for poor (at-risk) students, limited-English proficient (LEP) students, and students with disabilities, regardless of where those students live. These extra funds are calculated as a percentage of the base cost, called a "weight." Under SFRA, every district has a "weighted student enrollment," where students are counted for purposes of generating state and local revenue using the base cost plus the weights reflecting unique student needs. **This process helps ensure that every district's state funding is based on the individual needs of its students in conjunction with each local communities' economic status and ability to provide for its students.**

The formula also established an “adequacy budget” or level of funding which reflect the core costs of providing the programs and services constitutionally mandated by our State Constitution to meet the educational needs of every student. The Court approved SFRA formula seeks to move all districts toward this educational “adequacy” level over time (statutorily over a five year period). **These levels and weights were developed in consultation with professional educators, including our members, school finance experts, and community leaders, who provided input on exactly what resources and staffing were needed at all school levels to meet student needs.**

In order to ease the transition for districts that would receive less state aid under the SFRA (because they were over adequacy), the formula also included adjustment aid to hold districts harmless at pre-SFRA state aid levels. Under the law, districts receive adjustment aid if their 2008-09 SFRA state aid allocation was less than their state aid level in 2007-08. This was meant to ensure that these districts didn’t experience a huge drop off in funding as the State transitioned to the formula. But, adjustment aid was intended to steadily decrease over time (5 year period). Districts receiving adjustment aid would be flat-funded until their adequacy budgets grew to the point where regular/other aid replaced adjustment aid. Unfortunately, SFRA has been severely underfunded over the last seven years and SFRA categories through which districts receive traditional aid have been “frozen”. Given this, the number of districts who receive funding through adjustment aid has actually increased not decreased as intended. Additionally, demographic and enrollment shifts that would have been addressed by running the formula did not occur leaving some districts underfunded for the students they serve and others overfunded. **However, if the State had funded schools according to the SFRA formula, districts below adequacy would have had their funding levels rise to the adequacy level by now. Similarly, districts who spent above adequacy would have moved toward the adequacy funding level but been protected from dramatic funding drops through a temporary phase- out mechanism called adjustment aid.**

So, what to do about it - NJPSA would urge the body to:

1. Recognize that SFRA is a research based formula that supports students and schools; and
2. Run and fund SFRA and, if we lack the funds to do so adequately, pro rate the funds available;

Don’t walk away from a formula that provides the supports students and schools need. NJPSA supports the development of a plan to begin implementation of the SFRA, even on a phased in basis, to base state aid on the SFRA formula and allow it to work towards its statutory goals.

Loosening Restrictive Caps

NJPSA would also urge this body to recognize and address additional changes that can assist districts in this time of fiscal constraint. We implore this body to reinvigorate the work you completed last session to address the budgetary constraints that strangle districts ability to operate efficiently. This concern is particularly acute in small districts that are compressed by the “administrative cap” or “cap within the cap” that restrains local districts funding and staffing options. School level “administrative costs” include not only the compensation of principals, assistant principals and supervisors, but also include legal costs, postage and communication costs, administrative support staff and even some school security costs. The Legislature proactively addressed this issue in the closing days of the last legislative session. Unfortunately, the legislation was pocket vetoed and so we turn to you again to once again champion this critical change.

Under current law, *N.J.S.A. 18A:7F-5*, a proposed budget submitted by a school district to the Commissioner of Education for approval may not include per pupil administrative costs which exceed a “per pupil administrative cost limit.” This limit is the lower of:

1. the district's prior year per pupil administrative costs; or
2. the prior year per pupil administrative cost limits for the district's region inflated by the cost of living or 2.5 percent, whichever is greater.

In essence, this limit is a double cap on a particular set of school costs. It exists in addition to the current 2 percent tax levy cap that local government, including school districts, operate under that contain taxpayer costs. See P.L.2010, c.44. The "cap within the cap" unnecessarily restricts budget flexibility for districts and limits the ability of many districts – particularly smaller ones - to hire the necessary staff they need to meet the new evaluation reform requirements, among other challenges.

New Jersey's administrative costs are among the lowest in the nation, below that of 42 other states and our spending on instructional costs and student support services exceeds the national average. Eliminating this unnecessary barrier for districts is vital to education reform efforts at the building level. **Legislation, A-2169 (Johnson, Jasey) / S-4152 (Ruiz, Sarlo), would eliminate this limit giving districts the budgetary flexibility they need - particularly in the area of personnel – to meet the new evaluation and curricular requirements. We implore you to support this vital legislation again this year.**

Special Education

Similarly, we would urge this body to examine how special education is funded and how we address extraordinary special education costs. Currently, how the formula addresses special education funding does not tie to the realities districts are experiencing on the ground in addressing the needs of the students they serve with the funding they receive. The percentage of current funding (16 percent) does not adequately support costs, and since the number is derived without recognition of the particular student needs in a school, it often inadequately addresses student needs. Districts are forced to "rob" from other accounts to ensure that the needs of the students are met.

This is exacerbated by flat funding of extraordinary special education under the budget. To address some local challenges, we would urge this body to consider modifying the existing tax levy cap to allow for special education placement costs. Under both federal and State law, a school district is required to provide a special education student with the educational programs and services necessary to address his educational disabilities. **We urge this committee to consider legislation which provides an adjustment to school district tax levy 2 percent cap for increases in special education costs per pupil which exceed \$40,000.**

The Dividends of Early Education

Further, research shows that investment in early childhood education – including pre-school and full-day kindergarten – leads to significant learning gains. See Heckman, James, et. al, "Understanding the Mechanisms Through Which an Influential Early Childhood Program Boosted Adult Outcomes," American Economic Review (November 2012) available at https://my.vanderbilt.edu/petersavelyev/files/2012/11/0_PerryFactorPaper_wp_2012-11-23a_Peter1.pdf.

But, learning gains are not the only benefit - research shows that investing in students in the early years leads to more independent learning, classroom involvement, successful employment, family stability and even positive health outcomes. Id. (Study analyzed participants from the 1960's HighScope Perry Preschool experiment tracking attendees through age 40). **Unfortunately, the FY2018 budget includes no new dollars for New Jersey's state-funded preschool.**

This lack of investment not only chips away at programming in existing programs, but it also moves us even further from the goal of preschool expansion; and, further erodes the hope of making full-day kindergarten a reality for every New Jersey student - this, despite SFRA's mandate to expand high quality, full-day preschool to disadvantaged students across New Jersey. We urge this body to address this critical need as State investment in New Jersey's high-quality early child programs reaps huge rewards for New Jersey.

Legislative Proposals Via the Budget

Additionally, the proposed budget includes \$2 million for the "Opportunity Scholarship Demonstration Program." NJPSA has historically opposed "voucher legislation" but this proposal, as incorporated within the budget, leads to a myriad of questions unrelated to the merits of the proposal.

Regardless of how you feel about the value of such a program, utilizing the budgetary process to effectuate a legislative proposal is potentially impermissible under the "one object provision" of the New Jersey Constitution and, at a minimum, sets a dangerous precedent. See N.J. Const. (1947), Art. IV, Sec. VII, par. 4. Since the annual Appropriations Act constitutes a law, it is subject to the one object requirement. The New Jersey Supreme Court has stated that, "the standard by which compliance with the single object rule is measured...[is] the relatedness vel non of the various matters embraced within one enactment." *Correction v. Lan*, 80 N.J. 199, 206 (1979). As such, the establishment of the "Opportunity Scholarships," may violate the Constitution. **Moreover, allowing the program to be authorized via the budgetary process may set a dangerous precedent for the future inclusion of both popular and unpopular legislation within the budget as a mechanism for bypassing the legislative process.** NJPSA believes that state investment must be in our public schools, particularly where a significant number of school districts are experiencing enrollment growth or are under the state funding formula's Adequacy Budget standard. As such, we urge this provision be removed from the budget.

Supporting Our Educators

Further, we want to thank the Legislature for their continued commitment to our pension system. Our members are cognizant of the need for sacrifice, and have made that sacrifice over the last several years via increased pension contributions and contributions to healthcare. **Our hope is that the Legislature will renew its commitment to the agreed-upon payment schedule by making the required statutory payment in the FY2018 budget.**

But, today we ask for a solution to the continued underfunding issue. While we were happy to see the Legislature adopt the requirement that the State make quarterly pension payments, more is needed. See P.L.2016. 83. For the third consecutive year the proposed budget includes tenth increased contribution rather than the seventh increased required under P.L.2011, c.78 (Chapter 78). Moreover, we've seen the budgeted amount agreed upon further reduced as the year progresses when exigencies occur. **It is with background that we advocate for a permanent solution to ensure responsible pension payments that will eventually eliminate the state's accrued unfunded liability.**

A Moratorium on Mandates

Finally, we have one last small request for each of you today. Understand that our plates at the local level are literally over-flowing. Please, no new mandates! We respectfully ask that you give us the necessary time and support to do the work that has already been set before us.

In closing, we thank you for the opportunity to present the concerns and recommendations of the NJ Principals and Supervisors Association. Thank you for your service to the students of New Jersey.