

NEW JERSEY

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I. GENERAL BACKGROUND

The current school finance plan, the “Comprehensive Educational Improvement and Financing Act of 1996,” (N.J. STAT. ANN. § 18a: 1–1 *et seq.* CEIFA), is the third finance plan established subsequent to the New Jersey Supreme Court's decision, *Abbott v. Burke* 575 A.2d 359 (N.J. 1990), that requires the state to ensure that 28 low income, urban school districts spend at a level that is substantially equivalent to the most affluent districts in the state. The 1998–1999 school year is the second year in which the CEIFA plan has been implemented. CEIFA consists of a minimum foundation grant program, and 24 other aid programs including a court-ordered aid program, designated “*Abbott v. Burke* Parity Remedy Aid” (parity aid), that allocates aid to the 28 low-income, urban districts (designated *Abbott* districts in CEIFA) to raise their per pupil spending for “regular education” up to a spending level equal to that of the 119 wealthiest districts in the state. The parity aid was ordered by the court in *Abbott IV* (1997), since both CEIFA and two prior school finance plans failed to achieve spending parity between the *Abbott* districts and the wealthiest districts in the state.

Noteworthy features of the current school finance plan indicated, in addition to the foundation grant program (core curriculum standards aid) and parity aid, include categorical aid programs, eight separate hold harmless aid provisions, and three programs targeting aid to support programs for low-income children in districts with high concentrations of low-income pupils. While generally similar to compensatory education programs, these programs are designated “supplemental programs” in response to the *Abbott II* decision which requires the implementation of “supplemental programs” to redress the educational disadvantages of special needs students (see “Recent/Pending Litigation”).

State

There are 575 fiscally independent school districts in New Jersey in 1998–1999 with eight county special services districts, 21 county vocational-technical schools, and 12 educational services and jointure commissions. The county special services districts and educational services and jointure commissions provide educational services to special populations.

The state provided 41.4% of the revenues for public schools in 1998–1999. This compares with 39.9% in 1997–1998, and 38.3% in 1996–1997.

Local

Local school districts provided 56.5% of the revenues for public schools in 1998–1999. This compares with 58.1% in 1997–1998, and 59.9% in 1996–1997.

Funding Summary 1998–1999

Total State School Aid (All Programs)		\$ 5,906.6 million
Grants in aid	4,981.7 million	
Teacher Retirement Contributions	456.8 million	
FICA	468.1 million	
Total Local School Revenue		\$ 8,091.0 million
Property Tax	7,229.7 million	
Other local source tax revenue	0 million	
Local source non-tax revenue	861.3 million	
Total Combined State and Local School Revenue		\$ 13,997.6 million
State Financed Property Tax Credits		
Attributable to School Taxes		0

II. LOCAL SCHOOL REVENUE

Local Property Tax

Local school revenue in New Jersey is generated from local property taxes, whether for general fund purposes or debt service. The property tax rate (dollars per hundred) is levied against the assessed value of the land, buildings and improvements.

Local Income Tax

There is no local income tax in New Jersey.

Local Sales Tax

There is no local sales tax in New Jersey.

Local Tax Credits and Exemptions

None.

III. TAX AND SPENDING LIMITS

Spending Growth Limitation

All districts are permitted to increase their spending (the net budget) by an amount equal to the greatest of 3%, or the average annual percentage increase in the CPI. In addition, after applying the general growth adjustment to the annual expenditure base (the net budget), there are two types of statutory growth adjustments for which a district may qualify: adjustments requiring the Commissioner of Education's approval and adjustments for which the commissioner's approval is not required. The statutory spending growth limitation adjustments, which the Commissioner of Education must approve, are the use of early childhood program aid and an increase in tuition paid to another district. Statutory spending growth adjustments that are permitted without the commissioner's approval are changes in enrollment, certain capital outlay expenditures, pupil transportation costs, and special education costs in excess of \$40,000 per pupil.

CEIFA has established a limit on a district's annual increase in aid, referred to as the "stabilization aid growth limit." Under this provision, a district's aid growth among certain categories of aid may not exceed the greater of: (1) 10%; (2) the projected percentage increase in enrollment growth compared to the pre-budget year; or, (3) one-half of the projected percentage increase in enrollment growth compared to October 1991. In 1998–1999, a total of \$181.4 million in state aid was withheld from districts as a result of the "stabilization aid growth limit."

Voter Approval of Budgets

In the 21 districts in which local school board members are appointed, the budget is deemed approved after passage of a resolution by the local school board. In 554

school districts, voters must approve the amounts to be raised for school purposes through the local property tax. Further, if a district wishes to spend in excess of the maximum permitted net budget, an additional question must be submitted to the voters that asks whether they wish to approve expenditures “in addition to those necessary to achieve the core curriculum content standards.”

Limits on Fund Balance Accumulations

Districts are not permitted to have a fund balance in excess of 6%. Except for *Abbott* districts, all districts that have a fund balance in excess of 6% must use the excess amount for tax relief. However, since *Abbott* districts are prohibited from reducing their tax levy, any excess fund balances will be deducted from their State aid.

IV. STATE/PROVINCIAL EARMARKED TAX REVENUE

Property Tax Relief Fund

The proceeds of the Gross Income Tax (GIT) are deposited in the Property Tax Relief Fund and must be appropriated for reducing or offsetting property taxes. The Gross Income Tax is a graduated tax levied on gross income earned or received by New Jersey resident and non-resident individuals, estates and trusts. The GIT is estimated to produce approximately \$6.1 billion in revenue during 1998–1999, of which \$5.3 billion has been appropriated for grants to local school districts.

General Fund

In 1998–1999, \$630.8 million in general fund revenues have been appropriated for grants to local school districts.

State Lottery Fund

The net proceeds of the State Lottery Fund are to be used for State institutions and State aid for education. However, revenues from the lottery are deposited in and appropriated from the General Fund unlike the income tax revenues for which a separate fund has been created (PTRF). In 1998–1999 estimated lottery fund revenues support nonpublic school aid (\$74.1 million), the Marie Katzenbach School for the Deaf (\$2.5 million), the Statewide Assessment Program (\$11.3 million), and the Governor's School (\$1.0 million).

Cigarette Tax

A portion of the proceeds of the cigarette excise tax revenues pursuant to P.L. 1997, c.264 is dedicated to a school construction and renovation fund. While the required enabling legislation for the use of these funds has not been enacted, of the \$50 million available in 1998–1999, \$17.8 million was transferred and used to support the school debt service formula in 1998–1999.

V. BASIC PROGRAM SUPPORT

Funding in 1998–1999: \$2,556.0 million.

Percentage of Total State Aid: 52.6%.

Nature of the Program: The CEIFA formula includes a minimum foundation grant program referred to as core curriculum standards aid.

Allocation Units: Weighted pupils.

Local Fiscal Capacity: Local fiscal capacity is based on each district's equalized property valuation, and the aggregate personal income for each district as reported on NJ-1040 of the New Jersey Gross Income Tax.

How the Formula Works:

In New Jersey, 52.6% of the total funds allocated through the school aid formula in 1998–1999 are allocated through the core curriculum standards aid program (CCSA). Annually, the total statewide amount appropriated for core curriculum standards aid (foundation aid) is indexed (increased) by the sum of 1.0 plus the average annual percentage increase in the CPI plus the statewide average percentage increase in enrollment growth.

The amount of core curriculum standards aid to which an individual district is entitled is determined by two factors, the “T&E budget,” and the “local share.”

“T&E budget” (foundation budget)

In New Jersey the foundation expenditure per pupil is designated the “T&E amount,” and the “foundation budget” is designated the “T&E budget.” The acronym “T&E” refers to “thorough and efficient,” New Jersey constitutional language that has been the basis for all challenges to the New Jersey school finance laws for the past 30 years.

The “T&E budget” represents the expenditure level the state has determined is necessary to support a quality education. The “T&E budget” is based on a district's weighted enrollment and the amount per pupil that the state has determined is necessary to provide a quality education for an elementary school pupil, the “T&E amount” (the foundation amount). In New Jersey, the T&E amount per pupil is based upon a published set of efficiency standards as discussed below. For the 1998–1999 school year, the “T&E amount” is \$6,899 for an elementary school pupil. However, since costs vary for educating students in different grades and programs, the enrollment for each grade level is weighted to compensate for the differences.

In 1998–1999 the CEIFA unweighted per pupil “T&E amount” (foundation amount) for elementary school pupils is \$6,899. Each year the “T&E amount” is increased by an amount equal to the annual percentage increase in the Consumer Price Index (CPI). Since CEIFA permits a 5% variation in the “T&E amount,” for 1998–1999 the “T&E amount” may be as low as \$6,554 and as high as \$7,244. The following table indicates the weights for each of four instructional levels and the minimum and maximum per pupil “T&E amount for each level:”

State and Local Share: The amount of state aid a district receives through the core curriculum standards aid formula is the difference between the amount it is required to spend in its “T & E Budget” (foundation budget) and the amount of its local share.

The local share is determined by three factors: (a) the total amount of aid to be allocated through the CCSA formula statewide; (b) the district's income; and, (3) the district's property wealth, with property and income weighted equally.

Calculating the required local share entails generating a district's local property tax based on income (income multiplier) and property wealth (property wealth multiplier). The local share is calculated according to the following equation:

$$\begin{aligned}
 &.5 \text{ X district equalized valuation X property value multiplier} \\
 &+ \\
 &.5 \text{ X district equalized valuation X income value multiplier}
 \end{aligned}$$

Additional adjustments to the CCSA allocation are made for the 28 districts that the New Jersey Supreme Court designated “special needs” districts (designated *Abbott* districts under CEIFA) and the other lowest wealth districts in the state that did not receive court-designated “special needs” status. Core curriculum standards aid for “special needs” or *Abbott* districts must be calculated using the mid-range” T&E amount” per pupil as the basis for local district spending (the T&E budget).

Weighting Procedures:

Per Pupil Weighting Factors

	<u>Weight</u>	<u>T&E Amount</u>	<u>T&E Range</u>
Kindergarten	.50	\$3,450	\$3,278-\$3,623
Elementary School	1.0	\$6,899	\$6,544-\$7,244
Middle School	1.12	\$7,727	\$7,341-\$8,113
High School	1.2	\$8,279	\$7,865-\$8,693

The Department of Education has determined the “T&E amount” by specifying the per pupil costs for a model educational program. Designated as efficiency standards, the model defines the types of programs, services, activities and materials necessary to provide programs that the state has determined will enable students to achieve the core curriculum content standards. The model is based upon Department of Education estimates of expenditure patterns that are typical of a 500 pupil elementary school, a 675 pupil middle school, and a 900 pupil high school.

To ensure that the per pupil “T&E amounts” (foundation amounts) are responsive to local educational program costs, CEIFA requires that a review be conducted of the portions of districts= local levies which are above the districts= maximum “T&E Budgets” (foundation budgets) to assess whether elements included in those portions should be incorporated into the revised efficiency standards and, thus, into the T&E amount.

The CEIFA statute established a two-year process for reviewing and revising the “T&E amounts.” By March 15 of every even-numbered year, the Governor is

required to present to the Legislature the Report on the Cost of Providing a Thorough and Efficient Education (Biennial Report). The Biennial Report must include the Governor=s recommendations for the “T&E amount,” the “T&E amount” range, and the per pupil aid amounts for special education, supplemental education programs and the other categorical aid programs under CEIFA.

The “T&E amounts” are adjusted for inflation (the CPI) and are approved for two successive years beginning one year from the subsequent July 1, unless between the date of transmittal and the subsequent October 15, the legislature is not in agreement with all or any part of the report. If the legislature objects, a revised report responding to the objections must be submitted to the legislature by December 1.

Adjustment for Special Factors:

Supplemental Core Curriculum Standards Aid (\$157.3 million). The total appropriation for Supplemental Core Curriculum Standards Aid (SCCS) is \$157.3 million, an amount equal to 3.2% of the formula aid allocated. SCCS Aid is provided to districts with: (1) a high concentration of low-income pupils; (2) a minimum equalized school tax rate that exceeds the State average by more than 10%; (3) a resident enrollment in excess of 2000 pupils; and, (4) the district's equalized valuation per pupil does not exceed twice the State average. 33 districts received allocations.

Additional Supplemental Core Curriculum Standards Aid (\$32.9 million). This aid is allocated to offset any levy increase to *Abbott* districts and the other low wealth districts that are required to spend at the prescribed “T&E” level and, in 1997–1998, were spending at a level below the minimum “T&E amount” per pupil. *Abbott* districts spending below the mid-range of the foundation level receive aid, while low-wealth, “non-*Abbott*” districts spending below the minimum T&E range receive this aid. Of the 19 districts receiving Additional Supplemental Core Curriculum Standards Aid, 12 are *Abbott* districts.

Abbot v. Burke Parity Remedy Aid (\$249.8 million). This aid category is allocated to the 28 *Abbott* school districts pursuant to the May 14, 1997 order of the New Jersey Supreme Court (*Abbott IV*) (See “Recent/Pending Litigation”). The court required that additional State aid be provided to the *Abbott* districts to increase the per pupil regular education expenditures in each of those districts to the level of the average per pupil regular education expenditure of the 119 highest

wealth districts in the State. In 1998–1999 \$249.8 million is allocated to the 28 *Abbott* districts.

Aid Distribution Schedule: Not reported.

Districts Off Formula: 219 districts.

VI. TRANSPORTATION

Funding in 1998–1999: \$261.1 million.

Percentage of Total State Aid: 4.4%.

Description: Pupil transportation aid is provided to local school districts based on the efficient costs of transporting pupils. Per pupil allocations for pupils with and without special transportation requirements are adjusted for the average distance pupils reside from school and an incentive factor. The transportation aid formula is based on four separate cost factors: (1) regular pupils; (2) regular nonpublic pupils; (3) special education pupils with no special transportation requirements; and, (4) special education pupils with special transportation requirements. In addition, nonpublic pupils that cannot be provided transportation on public school vehicles receive annual in-lieu-of payments to offset the individual's annual transportation costs.

Extent of Participation: 552 Districts.

VII. SPECIAL EDUCATION

Funding in 1998–1999: \$637.9 million.

Percentage of Total State Aid: 10.8%.

Description: Under CEIFA, four separate factors or tiers were established for special education. Tier I provides funding for related services, and Tiers II, III and IV provide funding for special education programs (i.e., special classes and resource rooms). The programs (tiers) with more intensive services and, therefore, higher costs, generate higher cost factors. The four tier system funds the additional costs incurred by districts in providing individualized educational programs to special education pupils in public and private school settings, and to non-classified pupils in certain State facilities. Pupils are aided in their district of

residence. Pupils classified solely for speech correction services are considered in the “T&E amount” and aided through core curriculum standards aid under the general formula aid and thus do not generate special education aid.

Tier I aid (\$154 per pupil) is paid for students receiving related services such as occupational therapy, physical therapy, speech and counseling. A classified pupil may generate aid for up to four services covered by Tier I aid, and classified pupils generating aid under other tiers are eligible for Tier I aid as well.

Tier II pupils (funded at \$3,024 per pupil) are residents in the district not receiving Tier IV intensive services and meeting the criteria for specific learning disability or perceptually impaired, traumatic brain injury or neurologically impaired, cognitive impairment, mild or educable mentally retarded and preschool disabled and all classified pupils receiving services pursuant to Chapter 46 of Title 18A in shared time county vocational programs in a county vocational school which does not have a full child study team.

Tier III pupils (funded at \$6,104 per pupil) are residents in the district not receiving Tier IV intensive services meeting the criteria for cognitive impairment—moderate or trainable mentally retarded, orthopedically impaired, auditorily impaired, communication impaired, emotionally disturbed, multiply disabled, other health impaired or chronically ill, and visually impaired.

Tier IV pupils (funded at \$8,420 per pupil) are the number of pupils classified as eligible for special education resident in the district receiving intensive services. For the 1999–2000 school year, Tier IV pupils are pupils resident in the district meeting the classification definitions for autistic and cognitive impairment—severe or day training eligible and other pupils who receive one or more of the following nine services that must be specified in the pupil’s individualized education program: Individual Instruction, Pupil:Teacher Aide Ratio of 3:1 or Less, High Level Assistive Technology, Extended School Year, Intensive Related Services, Interpreter Services, Personal Aide, Residential Placement for Educational Purposes and Individual Nursing Services.

The per pupil funding amounts for 1998–1999 represent the 1997–1998 amounts increased by the CPI. CEIFA requires that Tier IV be re-examined and directed the commissioner to collect data and conduct a study to determine intensive service criteria and the appropriate per pupil cost factor to be applied to all service settings, beginning in the 1999–2000 school year.

Extent of Participation: 589 Districts.

VIII. COMPENSATORY EDUCATION Demonstrably Effective Program Aid

Funding in 1998–1999: \$187.3 million.

Percentage of Total State Aid: 3.2%.

Description: Demonstrably Effective Program Aid (DEPA) is distributed to districts and used for programs in the individual schools which qualify for such aid. Schools with low-income enrollments equal to or greater than 20% but less than 40% receive \$316 per pupil, while schools with low-income enrollments equal to or greater than 40% receive \$448 per pupil. The supplemental educational services provided under DEPA, a restricted aid program, require prior approval of the commissioner, and require the maintenance of separate program and service accounts in the special revenue section of district budgets for the purpose of monitoring. Demonstrably Effective Program Aid and Early Childhood Program Aid were established in response to *Abbott III* which found that, in disregard of both *Abbott II* and a specific legislative directive, the “supplemental programs” that were needed to assist disadvantaged students were not being provided in the *Abbott* districts (See “Recent/Pending Litigation”). In addition, guidelines for the use of DEPA funds also apply to the use of any early childhood program aid received by county vocational-technical schools (see “Early Childhood Program Aid”).

Extent of Participation: 189 Districts.

Instructional Supplement Aid

Funding in 1998–1999: \$17.4 million.

Percentage of Total State Aid: less than 1%.

Description: Instructional supplement aid supports supplemental programs for low-income pupils in “non-*Abbott*” districts. Instructional supplement aid allocates aid to districts in which the concentration of low-income pupils is equal to or greater than 5% and less than 20%. Since all *Abbott* districts have low-income concentrations greater than 20%, only non-*Abbott* districts are eligible to receive this aid. (Approximately a third of all Early Childhood and Demonstrably

Effective Program aid is allocated to *Abbott* districts.) While the aid is restricted, and is to be accounted for in a special revenue fund, CEIFA does not require local districts to have an approved plan prior to the expenditure of such funds. In 1998–1999 districts will receive an allocation based on the number of pupils from low-income families multiplied by \$348.

Extent of Participation: 234 Districts.

IX. GIFTED AND TALENTED EDUCATION

No state aid provided.

X. BILINGUAL EDUCATION

Funding in 1998–1999: \$53.2 million.

Percentage of Total State Aid: less than 1%.

Description: Bilingual education aid is an unrestricted aid program with aid allocated on the basis of the number of bilingual education pupils enrolled in the district multiplied by the bilingual cost factor of \$1,102.

Extent of Participation: 416 Districts.

XI. EARLY CHILDHOOD EDUCATION

Funding in 1998–1999: \$302.5 million.

Percentage of Total State Aid: 5.1%.

Description: Early childhood program aid is a restricted aid program distributed at two levels. Districts that have a concentration of low-income pupils equal to or greater than 20% but less than 40% receive \$477 per pupil in 1998–1999. The first level funds (between 20 and 40% low-income) are to provide full-day kindergarten and preschool classes and other early childhood programs and services. Districts meeting the criteria for second level funding, those with concentrations of low-income pupils equal to or greater than 40% of the resident enrollment, receive a total amount of aid equal to \$770 per pupil. According to CEIFA, districts receiving second level funding, in addition to the services specified in the first level, may use the funds for providing services to 3 year olds,

or of providing, in addition to the instructional services previously specified, transition and social services to primary grade students.

County vocational schools and limited-purpose regional high schools, which qualify for such aid but serve neither elementary nor preschool children, must use the aid according to the guidelines for demonstrably effective program aid.

Prior to using early childhood funds, a district must have a plan approved by the Commissioner of Education. Under the provisions of CEIFA, in the 1998–1999 school year and the following two years, Adistricts may use early childhood program aid for educationally meritorious programs or for the purpose of constructing new school facilities or enlarging existing school facilities for use by pupils other than those enrolled in early childhood programs, provided the new or enlarged facilities are used for and are adequate for operating early childhood programs.” Further, under the provisions of CEIFA, a district which maintains progress consistent with the approved plan may also use the funds for demonstrably effective program

Extent of Participation: 136 Districts.

XII. OTHER CATEGORICAL PROGRAMS

Adult and Post-Secondary Education Aid

Funding in 1998–1999: \$25 million.

Percentage of Total State Aid: less than 1%.

Description: Adult and post-secondary education aid is an unrestricted aid program based on the number of pupils enrolled in approved adult high schools, post-graduate programs and approved full-time post-secondary programs of county vocational technical schools. Each district will receive an aid amount in 1998–1999 equal to the enrollment in such programs multiplied by \$1,381. According to the recommendations of the Biennial Report, 1998–1999 is the last year in which aid for adult education and post-secondary education aid will be calculated using the same cost factor. In future years, separate cost factors will be used with the post-secondary cost factor adjusted to reflect the higher cost of post-secondary education due to the need for specialized facilities, equipment and supplies.

Extent of Participation: 71 Districts.

County Vocational Program Aid

Funding in 1998–1999: \$32.1 million.

Percentage of Total State Aid: less than 1%.

Description: County vocational technical school aid is an unrestricted aid program with aid allocated on the basis of the number of pupils enrolled in the district multiplied by the cost factor of \$1,706 for 1998–1999. This aid for county vocational-technical schools is in addition to the core curriculum standards aid and categorical program aid which such districts receive.

Extent of Participation: 21 Districts.

Hold Harmless Aid Programs

The aid programs grouped under the hold harmless category include programs that either prevent certain districts from losing aid in 1998–1999 or allocate additional amounts of aid to certain districts.

Stabilization Aid

Funding in 1998–1999: \$47.8 million.

Percentage of Total State Aid: less than 1%.

Description: Stabilization Aid is distributed to districts pursuant to subsection b. of section 10 of CEIFA (N.J. STAT. ANN. § 18a: 7F–10b) to ensure that a district receives no less aid than 90% of the CEIFA formula aid it received in the prior year.

Extent of Participation: 168 Districts.

Supplemental Stabilization Aid

Funding in 1998–1999: \$56.2 million

Percentage of Total State Aid: less than 1%.

Description: This aid program was originally designed for the 1997–1998 school year only. The aid allocations were to ensure that certain districts would not lose aid in the first year of CEIFA. Further, this hold harmless aid was not to be discontinued until a study of the ability of eligible school districts to absorb the aid loss was conducted and the Legislature enacted the recommendations of that study. These actions have not occurred and the aid was continued in 1998–1999.

Extent of Participation: 228 Districts.

Stabilization Aid 2

Funding in 1998–1999: \$30.2 million.

Percentage of Total State Aid: less than 1%.

Description: Stabilization Aid II is hold harmless aid for school districts not experiencing an enrollment decline between 1997–1998 and 1998–1999 as projected by the Department of Education. If a district with stable or increasing enrollment experienced a loss in total aid between 1997–1998 and 1998–1999, this aid was used to offset that loss.

Extent of Participation: 132 Districts.

Supplemental School Tax Reduction Aid

Funding in 1998–1999: \$15.9 million.

Percentage of Total State Aid: less than 1%.

Description: Supplemental School Tax Reduction Aid is allocated to districts with the following characteristics: (1) a 1996–1997 net budget per pupil which was less than 115% of the State average net budget per pupil; (2) a 1996–1997 equalized tax rate in excess of 130% of the Statewide average equalized school tax rate; (3) ineligible to receive Core Curriculum Standards Aid; and, (4) is not a district Factor Group I or J district. Under CEIFA each eligible district was to have received \$300,000 per district. In 1998–1999, budget language in the appropriations act authorized each district to receive \$600,000.

Extent of Participation: 53 Districts.

Large and Efficient District Aid

Funding in 1998–1999: \$6 million.

Percentage of Total State Aid: less than 1%.

Description: The Large and Efficient District Aid Program allocates aid to districts with the following characteristics: (1) an enrollment in excess of 10,000 pupils; (2) expenditures within the T & E range as calculated pursuant to CEIFA; (3) a core curriculum standards aid entitlement less than 50% of its “T & E budget;” (4) not subject to an administrative penalty in the 1996–1997 school year; and, (5) certified as of November 30, 1996. Budget language in the 1998–1999 appropriations act directed that the amount allocated to individual districts for Large and Efficient District Aid be increased from the CEIFA amount of \$500,000 per district to \$1 million per district.

Extent of Participation: 6 Districts.

Other Hold Harmless Aid Programs

Funding in 1998–1999: \$4 million.

Percentage of Total State Aid: less than 1%.

Description: Other hold harmless aid amounts include \$921,000 for districts with high concentrations of senior citizens, \$2.5 million for local districts sending pupils to county special services school districts, and \$600,000 for consolidation of services grants.

Extent of Participation: 52 Districts.

XIII. TEACHER RETIREMENT AND BENEFITS

Funding in 1998–1999: \$924.9 million.

Percentage of Total State Aid: 15.6%.

Description: Teachers= Pension and Annuity Fund (TPAF), Social Security Administration (SSA) Payments and Additional Health Benefits for Retired School Employees in the Public Employee Retirement System (PERS).

The 1998–1999 state aid paid on behalf of local districts for the TPAF, TPAF=s share of the debt service on the pension obligation bonds, SSA, and the additional health benefits program for employees of local districts who are members of the Public Employee Retirement System(PERS) is \$924.9 million, of which \$371.5 million is for TPAF, \$68.3 is paid for debt service on the pension obligation bonds, \$468.1 million is paid for SSA, and \$17.0 million is paid for the PERS additional health benefits program.

Extent of Participation: 594 Districts.

XIV. TECHNOLOGY

Funding in 1998–1999: \$52.3 million.

Percentage of Total State Aid: less than 1%.

Description: Distance Learning Network aid is a restricted aid program to support the acquisition and installation of technology with aid allocated on the basis of the number of pupils enrolled in the district multiplied by the cost factor of \$41 per pupil in 1998–1999. As stated in CEIFA, such aid A may be used for equipment, wiring, access fees, software and supplies, professional development, staffing, maintenance, and other uses that may be necessary for the establishment of effective distance learning networks.” The eight county special service school districts (disabled pupils only) receive \$120,000 of this aid.

Extent of Participation: 596 Districts.

XV. CAPITAL OUTLAY AND DEBT SERVICE

Funding in 1998–1999: \$112.9 million.

Percentage of Total State Aid: 1.9%.

Only districts that are eligible to receive core curriculum standards aid (foundation aid) are eligible to receive School Building Aid. Each district receives a percentage of its debt service costs for school bond and lease purchase agreement

payments for principal and interest. The percentage of each district's debt service cost is equivalent to the district's core curriculum standards aid expressed as a percentage of the district's foundation budget (T&E budget). However, in 1998–1999 districts only received an aid amount equal to 85% of their entitlement.

Extent of Participation: 314 Districts.

XVI. STANDARDS/ACCOUNTABILITY MEASURES

In May 1996 the New Jersey State Board of Education adopted the core curriculum content standards along with the Statewide Assessment Program=s associated schedule for test development, administration and reporting. The Statewide Assessment Program is being reconfigured to measure student progress toward meeting the core curriculum content standards as required under CEIFA (N.J. STAT. ANN. § 18a: 1–1 *et seq.*). In 1998–1999, the \$11.3 million spent for testing represents 26.9% of the direct state services funding of the Department of Education.

The new assessment program, when fully implemented, will consist of a Special Review Assessment to accommodate pupils for whom regular testing is inappropriate, and the following three tests:

4th Grade: The Elementary School Proficiency Assessment (ESPA);
8th Grade: Grade Eight Proficiency Assessment (GEPA); and,
11th Grade: High School Proficiency Test (HSPT).

When fully operational the new tests under the Statewide Assessment Program will assess pupil performance in the seven content areas, and the five workplace readiness areas.

In May 1999 the scheduled phase-in of the new assessment program will begin as the 4th grade test is to be administered in the content areas of science, math, reading, writing and speaking.

The increase in costs for the Statewide Assessment Program is the result of administering three operational tests aligned to the Core Curriculum Content Standards and the development and field testing of new content areas under the High School Proficiency Assessment program (HSPA). Field tests are also being administered in the ESPA and GEPA program during 1998–1999. Also, the current test being administered for high school graduation requirements, the High

School Proficiency Test (HSPT) will continue to be administered until the two year “due notice” provision is satisfied under the new HSPA program. It is difficult to project what increases can be anticipated. The development of tests in content areas that have not been part of the previous state assessment program at any grade level is complex. The potential exists in the new content areas (social studies, arts, health & physical education, world languages) for challenges and experiences not observed in the development and implementation of the more traditionally assessed subjects - i.e. mathematics, science, and language arts.

XVII. REWARDS/SANCTIONS

Funding in 1998–1999: \$10 million.

Percentage of Total State Aid: less than 1%.

The academic achievement reward program under CEIFA provides aid to school districts having one or more schools that meet criteria for attaining “absolute success” in, or “significant progress” toward a specific level of achievement as measured by scores on the statewide assessment tests. “Absolute success” refers to schools in which 90% or more of the student body performs at the state determined passing level on one or more of New Jersey's statewide assessment tests. “Significant progress” refers to schools in which a significant rate of improvement has been demonstrated compared to the prior year. As provided under CEIFA, eligible schools are scored into three groupings by school enrollment for each of the statewide assessments regardless of the difference in grade configurations in eligible schools. Reward recipients receive a specific reward amount according to the enrollment grouping.

Extent of Participation: 282 Districts.

XVIII. FUNDING FOR NON-TRADITIONAL PUBLIC SCHOOLS

The charter school statute requires the sending district of an enrolled pupil to pay the charter school an amount equal to 90% of the regular education expenditure per pupil, plus any categorical aid attributable to the pupil. In the 1998–1999 school year, the second year in which charter schools have been operating in New Jersey, 5,455 pupils are enrolled in 39 charter schools. This represents an increase of 4,055 pupils since the first 13 charter schools, serving nearly 1,400 children, opened in September 1997 under P.L. 1995, c. 426. Currently, there is a 135 school limit placed on the number of charter schools that may be established by

January 2000, and a limit on the number of pupils that may be enrolled in a single charter school within a district - i.e. the lesser of: 500 pupils; or, an enrollment not to exceed 25% of the student body within the district.

Of the total 1998 charter school enrollment, 71.4% (3,897 pupils) are enrolled in charter schools in 12 of the 28 court-protected *Abbott* districts, while 28.6% (1,558 pupils) of the total statewide charter school enrollment is from 71 non *Abbott* districts. Of the 28 *Abbott* districts, Pleasantville and Trenton support the largest percentage of pupils attending charter schools. Of Pleasantville's total enrollment of 3,864, 9.4% (363) attend charter schools. Of Trenton's 13,629 pupils, 7.1% (969) attend charter schools.

As an example of charter school enrollment impact, Trenton's obligation for the support of charter school pupils residing within the district will result in the payment of an estimated \$7.1 million in state aid to the charter schools, an amount equal to 5.8% of the district's total aid for 1998–1999. The 363 pupils from Pleasantville that are enrolled in charter schools (9.4% of a total enrollment of 3,864), will result in an estimated \$2.6 million in State aid being paid to charter schools, an amount equal to 7.6% of Pleasantville's total aid in 1998–1999.

XIX. AID TO PRIVATE SCHOOLS

Funding in 1998–1999: \$82.7 million.

Percentage of Total State Aid: 1.4%.

Nonpublic school aid (N.J. STAT. ANN. § 18a: 1–1 *et seq*) is available to reimburse a public school district's expenses that are incurred on behalf of students who are enrolled in nonpublic schools within the district. Types of assistance include: nonpublic textbook aid auxiliary services aid, compensatory education, English as a second language, home instruction, handicapped aid, auxiliary transportation aid, nursing services, and technology aid.

XX. RECENT/PENDING LITIGATION

The most recent school finance decision of the New Jersey Supreme Court, *Abbott v. Burke*, 153 N.J. 480 (1998) (*Abbott V*), is the fifth in a series of landmark *Abbott v. Burke* decisions which addressed the lack of equity in affording students in 28 poor, urban districts (designated “special needs districts” by the court) the opportunities that would enable them to compete with their more advantaged

peers. Throughout the *Abbott v. Burke* decisions the court recognized that money alone did not guarantee a “thorough and efficient” education and that effective supplemental programs had to be identified and established to enable students in the poorer urban districts to compete both economically and socially with their more advantaged peers. While all of the *Abbott v. Burke* decisions, *I* through *V*, are directly related to each other and form one distinct line of cases, it is noteworthy that the *Abbott V* orders are based upon the results of the *Abbott v. Burke*, 149 N.J. 145 (1997) (*Abbott IV*) remand order which required the superior court to implement judicial relief by making recommendations regarding supplemental programs and facilities. Under the remand order in *Abbott IV*: (1) the Commissioner of Education was required to design and recommend a plan to implement the necessary programs that address the special needs of students in the low income urban districts, after conducting a study and determining the costs of such programs; and, (2) a special master, appointed by the Superior Court, was required to make recommendations to the Supreme Court concerning supplemental programs and facilities needs of the special needs districts.

In *Abbott V*, after receiving the recommendations of the special master, the New Jersey Supreme Court ordered that: (1) whole school reform be implemented in the elementary schools with Robert Slavin’s *Success For All* as the presumptively preferred model; (2) full-day kindergarten be implemented in all *Abbott* (special needs) districts by September 1999; (3) a half-day preschool program for three and four year olds be implemented in all *Abbott* (special needs) districts by September 1999; (4) the Commissioner of Education approve on-site health and social services and secure the necessary funding for such services in individual middle schools, high schools and school districts on the basis of demonstrated need; (5) the commissioner secure funding for necessary summer-school, after-school, security, and school nutrition programs; (6) the commissioner, upon demonstration of need, approve requested art, music and special education programs beyond those provided in the Department of Education’s square footage requirements for school buildings; and, (7) schools complete enrollment projections and five-year facilities plans by January 1999.

Further, the court determined that: (1) the Department of Education’s square footage requirement for school buildings is constitutional; (2) specialized instructional rooms for art, music and science are not universally required at the elementary level; (3) individual *Abbott* schools have a right to request supplemental programs for security and the commissioner must authorize the requested programs that are based on demonstrated need. To implement the above requirements the court ordered that school-site budgeting be implemented in all

Abbott schools and that '*Abbott*' districts use a zero-based budgeting approach to resource allocation.

XXI. SPECIAL TOPICS

None.