

**Jennifer Keyes-Maloney Speech to ACNJ
Child Budget and Advocacy Forum
May 24, 2010**

Thank you for the opportunity to speak with you this morning regarding the current state budget and cuts to K-12 education.

On March 16, 2010 Governor Chris Christie delivered his first budget address. He proposed serious cuts in state aid for public schools.

The \$820 million in formula aid, and \$1.072 billion in all aid categories, equate to an across the board cut of up to five (5) percent in the total operating budget for each district.

In total, the governor's \$29.3 billion budget will shave \$2.9 billion off state spending from last year, representing about a 9 percent drop.

The Governor stated that closing a nearly \$11 billion budget gap required the new administration to examine the biggest category of spending in the budget-state aid to school districts.

Governor Christie pointed to a loss of over \$1 billion in one shot federal stimulus money (ARRA funds) in the form of last year's state aid, as the reason why cuts in state aid for schools were unavoidable this year.

The proposed aid cuts threaten to seriously undermine New Jersey's high quality public schools, and a decade of effort to improve schools in high needs communities across the state. The budget proposal gets to a balanced bottom line on the backs of schools and municipalities and ultimately, local property tax payers.

History

To fully understand how devastating the impact that this budget will have on students & schools we have to go back in time to February of this year.

Surplus Cuts

Schools began “sharing the pain” of the state’s budget crisis in February with the State’s decision to withhold \$475 million in this year’s state aid payments by forcing districts with so-called “excess surplus” to use those funds in lieu of anticipated aid. Aid was withheld from over 500 school districts. Districts saw cuts ranging from a couple hundred thousand to \$29.3 million in Union City in particular.

In some cases, districts had to immediately freeze their budgets, cut staff, delay repairs and forego planned purchases of instructional materials/equipment to cope with this sudden unanticipated loss of state funds.

Other districts, such as Vineland, are starting off the upcoming fiscal year with an unanticipated deficit as a result of this heavy loss in state aid.

The Budget Address

The next body blow to school finances came in the days after the Governor’s Budget Address and the release of state aid figures.

In good faith, and in recognition of the State fiscal crisis, local school districts prepared budgets to present to local taxpayers that reflected a potential of 5%, 10% or 15% cuts in state aid.

The Governor and the Commissioner of Education advised districts, in several publicized forums, to plan for this possible range of cuts as a “worst case scenario.”

Imagine our shock upon receiving our actual state aid figures to find that, instead of the anticipated 5% to 15% state aid cuts, districts were in fact facing cuts of 40%, 50% and even 100% cuts in state aid.

60 of 590 school districts in New Jersey lost 100% of their state aid. A clear violation of the state’s approved funding formula for education.

Violation of Funding Formula

Just two years ago, legislators on a bi-partisan basis invested significant time and effort in establishing standards and determining the cost of providing a

constitutionally adequate education to New Jersey students through the School Funding Reform Act (SFRA) formula.

Many hailed the passage of the SFRA, and the Court's decision last May, as ushering in a new era in which all schools will be fairly funded on a predictable and stable basis.

Unfortunately, this budget does not fund that formula. The nonpartisan Office of Legislative Services (OLS) concluded in late April that the proposed budget "departs significantly from the funding provisions of the School Funding Reform Act of 2008."

OLS found that the process used by the Governor to determine district aid amounts for FY11 was flawed in the following ways:

- It set the Consumer Price Index at zero instead of using the true CPI of 1.6%;
- It reduced state aid growth-- the maximum amount by which a district's aid can increase in one year -- to zero rather than 10% for districts spending above adequacy and 20% for districts spending below adequacy;
- It reduced aid by an average of 4.99% of a district's total general fund budget for FY10 by cutting funds from specific SFRA formula categories, including: 1) adjustment aid; 2) transportation aid; 3) security categorical aid; 4) special education categorical aid; and 5) equalization aid;
- It reduced extraordinary special education aid by 15%.

Cuts

Regardless of how the budget departs from the formula, districts must balance their budgets and this year they had far less time than ever before.

Given the tight time constraints of the school budget calendar, districts simply didn't have the time to be creative in their budget approach. Instead, districts were forced to make draconian cuts with little assistance from the State and little time to explore alternatives or discuss the situation with the public. School boards proposed laying off teachers, slashing programs and increasing class sizes. Most (83 percent) also planned to raise property taxes.

Failed School Budgets

Unfortunately, the already difficult situation was made worse just over a month ago when 58 percent of voters rejected budgets - 316 of 514 across all 21 counties.

School elections in New Jersey are usually a low-key event, with voter turnout typically around 15 percent. This year, with weeks of harsh rhetoric and a bare-knuckles political battle, turnout spiked with turnout reported at 27 percent. In many places, the margin of defeat for budgets was razor-thin. 29 percent of all school budgets — 155 out of 539 that went before voters — passed or failed by less than 3 percent, according to the Star-Ledger analysis. In some towns, even one vote made the difference.

The last time voters defeated a majority of school budgets was in 1976 — the year before the state started collecting income taxes to subsidize running schools — when 56 percent failed. Typically, voters approve more than 70 percent of the school budgets.

The defeats meant that municipal governments who rarely deal with education issues had to wrestle with school budgets.

In towns where budgets fail, the budget is presented to the local governing body, which can cut or leave the spending plans as is. School districts can appeal those cuts to the state — but such appeals are rare.

The school board is not obligated to follow the specific recommendations for cuts; it only must comply with the dollar amount.

A few spending plans emerged unscathed after officials spent weeks scouring line items, sometimes meeting on weekends. Last Wednesday was the deadline to act, but some pushed it to the end.

A Star-Ledger analysis of 110 of the 316 districts with defeated budgets showed 102 districts were told to make further cuts. The median cut was 1.4 percent; the total dollar amount cut was \$62.9 million.

Statistics

The cuts, regardless if they occurred before or after a defeated budget, significantly impact the quality of instruction offered in our schools. Some trends include:

- Significant staff cuts including the elimination of building level leaders, including assistant principals and instructional supervisors;
- Dramatic cuts in classroom teachers, particularly in specialized subjects such as world languages, art, music, vocational programs and technology;
- Considerable cuts in non-instructional staff including aides, reading coaches, secretaries, and other positions;
- Program cuts including the loss of art and music programs, gifted and talented programs, advanced placement courses and higher level electives (which open the door to scholarship and higher education opportunity), guidance programs, world language and ESL programs, extracurricular and sports programs and vocational/adult education programs;
- Increased class sizes;
- The reduction or elimination of preschool and full day kindergarten programs, despite New Jersey's lighthouse role in leading the nation in preschool opportunities;
- A retreat on implementing the newly adopted graduation standards and a corollary reduction in local graduation standards to cut costs; and
- The postponement of needed facility repairs to reduce energy bills or meet health and safety needs.

Other Cuts

But cuts aren't just in formula aid as we've outlined above - they also include cuts in:

- **Special Education.** This budget proposes to cut \$306 million in categorical aid designated for special education programs for students with disabilities. The aid category -- Special Education Categorical Aid -- is a component of the State's new school funding formula, the School Funding Reform Act of 2008 (SFRA), and covers 1/3 of the total cost of providing educational programs and services for students classified with disabilities under the federal Individual with Disabilities Education Act (IDEA).

- **Extraordinary Aid.** In addition to the cuts in special education categorical aid, the Governor proposes to cut \$27 million in Extraordinary Aid required by the SFRA formula to pay for tuition and other programs for students with severe disabilities.
- **Transportation.** The budget cuts over 76% of all state aid for transportation, or \$144 million from a total of \$241 million statewide.
- **School Security.** Nearly 60% of SFRA categorical aid for school security will be cut, or \$144 million of the \$241 million in total security aid. High needs districts, where security needs are the greatest, will lose \$61 million, or 44% of their security aid.
- **Transition Aid.** 39%, or \$292 million, in transition aid, known as adjustment aid, will be cut, mostly in high needs districts. This aid is intended to safeguard against steep cuts as districts gradually reduce budgets to the SFRA formula levels.
- **School Nutrition.** The Governor has also proposed slashing \$5.5 million in state aid for school nutrition programs which are subsidized by the federal government. More than half of those receiving breakfast fall in the fee and reduced-price categories.
- **After School Programming.** The cuts also include afterschool programming for kids. The budget cut \$5.3 million in funding for 115 NJ After 3 afterschool programs aimed to enhance student achievement and keep students safe between the hours of 3 and 6 p.m. NJ After 3 is a non-profit organization that partners with community groups to provide after-school programs. The program operates in about 30 towns, including Newark, Vernon, Mount Olive and Morristown, and serves about 12,000 children. The group provides funding, training and other resources to groups such as YMCAs and Boys & Girls Clubs to run after-school programs. The programs are free or charge a sliding fee depending on ability to pay.

Proposition 2 ½

Finally, I must address a budget add on that will affect us in future years if it is enacted.

In addition to state aid cuts and increased fees, the Governor proposes a constitutional amendment that would bar the state and local government, including school districts, from increasing local tax rates by more than 2.5 percent each year.

Unlike the current 4 percent tax levy cap, the new "hard" 2.5 percent cap on municipal, school, and county property tax levies would be all-encompassing, without exceptions for such essentials as rising health insurance or debt payments.

The tax could be raised higher only if local voters grant their approval in referendums. The state also would be constitutionally barred from increasing its own spending on direct state services by more than 2.5 percent per year.

The proposed constitutional amendment-which would have to pass the Legislature and be approved by voters statewide

It is modeled after Proposition 2½, adopted by Massachusetts voters in the 1980s. While the Massachusetts model has succeeded in holding down property taxes there, the law took a harsher toll on lower-income communities and "resulted in cuts to valued services rather than simply calling forth greater efficiency from local governments," according to a 2008 study by the Center on Budget and Policy Priorities in Washington, D.C.

New Jersey's 4 percent limit was imposed in 2007 by then-Governor Corzine and the Legislature. It allows for temporary exemptions for scheduled pension payments and pay raises in existing contracts. Other items, such as health care, are permanently outside the limit. Towns and schools can apply for state permission to break the cap under other dire circumstances.

Governor Christie's proposal would do away with that system, leaving it to local communities to decide by referendum whether to exceed the new cap.

Your Advocacy Needed

As the budget process continues, I urge to remain informed and advocate for the following:

- **Federal Education Funding for FY2011.** Congress is considering a \$23 million education job's bill which may bring New Jersey over \$600 million dollars. The bill has been passed by the House, is being considered in the Senate, and is supported by the Obama Administration as a necessary aid to state's struggling to keep the nation's schools intact. Lawmakers in Washington are also expected to vote soon on a bill increasing federal funding for the National School Lunch Program by \$1 billion annually for 10 years.

Urge our delegation to support this critical legislation.

- **Support restoration of school aid with reinstatement of Income Tax Surcharge on New Jersey's Wealthiest.** As New Jerseyans across the state prepare to "share the pain" of the State's dire finances, our wealthiest citizens should be a part of the group sacrifice. Their businesses benefit from the excellent education system in this state and their contribution is most welcome in these difficult times. With the Governor "finding" revenue to fund PAAD/Senior Gold for our Seniors \$618.74 million may be available for diversion to schools if the Legislature can override the Governor's veto.
- **Flexibility to the School Budget Process.** Since the education communities' desire to move the budget election for districts over cap to November has not been enacted this year, we ask that districts be given the ability to re-strike their tax rates in the event additional aid is provided to schools by the Legislature after school elections take place. Any restored funds should be able to restore necessary programs and staff as well as provide property tax relief.
- **Elasticity in the Cap.** A budget must be flexible to react to changing times. Currently, energy costs and health care costs are rising beyond a school or municipality's control. The proposed hard cap of 2.5% on spending needs to be flexible enough to address these, and other, rising costs beyond district control and to allow for local choices when times improve.
- **Educate about the Long-Term Consequences.** The state's educational system will suffer a massive loss at the leadership and classroom levels that

will take years to recover from. This loss will have a significant impact on New Jersey's ability to win the necessary federal dollars to move our State forward, particularly in light of the newly-released "Blueprint for Reform of the Elementary and Secondary Education Act."

The clear direction of the Blueprint is to restructure the release of federal funds to states, not through the guaranteed formula approaches of the past, but through actual state success in achieving mandatory reforms focused on quality leadership and teaching. Educational expertise will be critical to these efforts. The massive loss of teachers in our classrooms will have a direct deleterious impact on students.

As a state and country, we are struggling through a dark economic time but investing in education is critical to our future success.

According to a recent report by the National Conference of State Legislatures, states are choosing to support education even while addressing tough economic times in recognition of its importance.

New Jersey as a progressive beacon should be doing likewise.

Thank you.