

RAYMOND ARTHUR ABBOTT, et al.,

Plaintiffs,

v.

FRED G. BURKE, et al.,

Defendants.

SUPREME COURT OF NEW JERSEY  
DOCKET NO. 42,170

CIVIL ACTION

CERTIFICATION OF JOHN D. RUE

I, John D. Rue, of full age, hereby certify that:

1. I am the attorney for the proposed *Amicus Curiae* Disability Rights New Jersey in this matter.
2. Plaintiffs consented to the appearance of proposed *Amici Curiae* Disability Rights New Jersey et al. in this matter. The Defendants have declined to consent to the participation of the proposed *Amici Curiae*.
3. Annexed hereto as Exhibit A is Education Law Center, Governor's Aid Cuts Target Special Education (Mar. 2010), available at [http://www.edlawcenter.org/ELCPublic/elcnews\\_100324\\_GovernorsAidCuts.htm](http://www.edlawcenter.org/ELCPublic/elcnews_100324_GovernorsAidCuts.htm) (last visited July 13, 2010).
4. Annexed hereto as Exhibit B is Office of Legislative Services, Analysis of the New Jersey Budget, Department of Education, Fiscal Year 2010-2011 (Apr. 2010), available at <http://www.njleg.state.nj.us/>

legislativepub/budget\_2011/education11.pdf (last visited July 13, 2010).

5. Annexed hereto as Exhibit C is IDEA Money Watch, New Jersey, available at <http://www.ideamoneywatch.com/main/arp.php> (last visited July 13, 2010).
6. Annexed hereto as Exhibit D is Office of Special Education Programs, Office of Special Education and Rehabilitation Services, U.S. Department of Education, Process and Criteria Used to Evaluate a Request by States to Waive Maintenance of Effort (MOE) Requirements under Part B of the Individuals with Disabilities Education Act (IDEA) (June 2010) available at <http://www2.ed.gov/policy/speced/guid/idea/moe-waivers.pdf> (last visited July 13, 2010).

I certify that the foregoing statements made by me are true. I am aware that if any of the foregoing statements made by me are willfully false, I am subject to punishment.

Date: July 13, 2010

John D. Rue: jnr

John Rue  
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**EXHIBIT A**



## Education Law Center

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### NEWS RELEASE

#### GOVERNOR'S AID CUTS TARGET SPECIAL EDUCATION

Newark, NJ -- March 24, 2010

Over \$300 million, or 42%, of Governor Christopher Christie's massive \$1.06 billion cut in K-12 school funding for FY11 falls on categorical aid designated for special education programs for students with disabilities in NJ's public schools.

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).

An *ELC analysis* shows that, of the \$730 million in special education categorical aid provided to school districts under SFRA in FY10, the Governor is proposing to cut \$306 million. The special education cuts fall hardest on the middle income districts, which would lose 49% of their special education allocation, and wealthy districts, slated to lose 65% of their allocation. The special education cuts are proportionately higher in these districts since special education represents a large portion of their support from the State.

Although the percentage cuts in the low and moderate income districts is smaller, the amount of special education dollars eliminated from their budgets is nonetheless substantial -- a total of \$102 million. Coupled with cuts in other aid categories, the Governor's proposal would deliver a staggering blow to New Jersey's poorest children with disabilities.

In addition to the cuts in special education categorical aid -- the largest of the SFRA aid category cuts -- the Governor is proposing not to fund \$27 million in Extraordinary Aid required by the SFRA formula to pay for tuition and other programs for students with severe disabilities.

In proposing these cuts to special education, the Governor is ignoring a New Jersey Supreme Court ruling last May that requires that state aid be provided in the FY11 State budget at the levels required by the SFRA formula. The SFRA formula does not permit a cut in special education aid. Disability advocates are also deeply concerned that this huge reduction in special education funding will jeopardize New Jersey's compliance with the federal mandate to provide children with disabilities with a Free and Appropriate Public Education.

In addition to the substantial cut in special education aid, the ELC analysis shows:

- Over 76% of all state aid for transportation will be cut, or \$144 million from a total of \$241 million statewide. Wealthy districts lose 97% of their transportation aid.
- 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.
- 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.

The Governor's FY2011 budget proposal now goes to the NJ Legislature for consideration. The Legislature can, of course, reject the proposal and enact a budget that provides state aid consistent with the levels required by the SFRA formula. ELC is urging those concerned about special education programs and the quality of our public schools to let legislators know that they expect the formula to be followed and funded. To that end, Our Children/Our Schools has launched a campaign to press the Legislature to fully fund the formula in FY2011. For more information about the OC/OS campaign, please visit the organization's

[website](#).

Related Stories:

[Supreme Court: New School Formula Must Be Funded And Revisited](#)  
[Governor's 13.6% School Aid Cut Puts All NJ Students At Risk](#)

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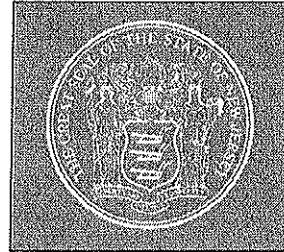
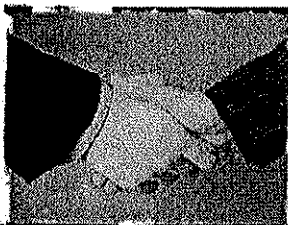
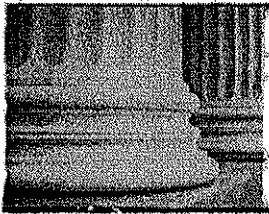
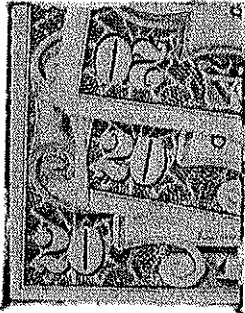
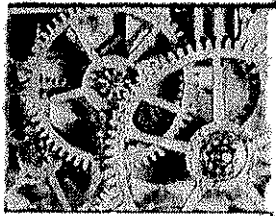
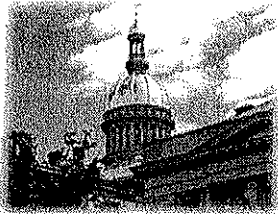
2010-11 K-12 Proposed Formula Aid Cuts By Category (in millions)

	Equalization	Special Educ. Catg.	Transport	Security	Choice	Adjustment	Education Adequacy	State Aid Total
<b>DISTRICT WEALTH*</b>								
<b>Low</b>								
2010-11 Proposed	\$3,789	\$162	\$42	\$77	\$2	\$371	\$25	\$4,468
Cut from 2009-10	-\$22	-\$42	-\$27	-\$53	\$0	-\$184	\$0	-\$328
% of Category	-0.6%	-20.4%	-39.8%	-40.8%	9.7%	-33.2%	0.0%	-6.8%
% of Overall Cut	6.7%	12.6%	8.3%	16.2%	0.0%	56.1%	0.0%	100%
<b>Moderate</b>								
2010-11 Proposed	\$1,061	\$99	\$18	\$9	\$6	\$37	\$0	\$1,230
Cut from 2009-10	-\$16	-\$62	-\$67	-\$38	\$0	-\$37	\$0	-\$220
% of Category	-1.5%	-38.6%	-78.6%	-81.6%	1.6%	-49.9%	0.0%	-15.2%
% of Overall Cut	7.5%	28.1%	30.4%	17.2%	0.0%	16.8%	0.0%	100%
<b>Middle</b>								
2010-11 Proposed	\$632	\$101	\$21	\$8	\$2	\$38	\$0	\$801
Cut from 2009-10	-\$18	-\$96	-\$90	-\$27	\$1	-\$51	\$0	-\$281
% of Category	-2.8%	-48.7%	-81.4%	-77.5%	54.6%	-57.1%	0.0%	-26.0%
% of Overall Cut	6.5%	34.1%	31.9%	9.6%	-0.2%	18.0%	0.0%	100%
<b>Wealthy</b>								
2010-11 Proposed	\$117	\$53	\$2	\$1	\$0	\$1	\$0	\$174
Cut from 2009-10	-\$7	-\$97	-\$77	-\$21	\$0	-\$9	\$0	-\$212
% of Category	-5.4%	-64.6%	-97.4%	-95.5%	0.0%	-93.6%	0.0%	-54.8%
% of Overall Cut	3.2%	45.9%	36.6%	10.1%	0.0%	4.2%	0.0%	100%
<b>HIGH NEEDS DISTRICTS**</b>								
2010-11 Proposed	\$3,937	\$171	\$36	\$80	\$6	\$365	\$25	\$4,620
Cut from 2009-10	-\$24	-\$46	-\$38	-\$61	\$1	-\$181	\$0	-\$349
% of Category	-0.6%	-21.0%	-51.3%	-43.5%	14.4%	-33.2%	0.0%	-7.0%
% of Overall Cut	6.8%	13.1%	10.8%	17.6%	-0.2%	51.8%	0.0%	100%
<b>TOTAL</b>								
2010-11 Proposed	\$5,753	\$424	\$84	\$98	\$10	\$456	\$25	\$6,849
Cut from 2009-10	-\$72	-\$306	-\$268	-\$144	\$1	-\$292	\$0	-\$1,082
% of Category	-1.2%	-42.0%	-76.2%	-59.6%	9.7%	-39.0%	0.0%	-13.6%
% of Overall Cut	6.6%	28.3%	24.8%	13.3%	-0.1%	26.9%	0.0%	100%

\*District Wealth Groups categorized as follows: Low = District Factor Group (DFG) A & B; Moderate = DFG CD & DE; Middle = DFG FG & GH; Wealthy = DFG I & J.

\*\*High Needs Districts have poverty rates over 40% and fail to meet performance benchmarks specified by NJDOE.

**EXHIBIT B**



**ANALYSIS OF THE NEW JERSEY BUDGET**

# **DEPARTMENT OF EDUCATION**

**FISCAL YEAR 2010 - 2011**



# NEW JERSEY STATE LEGISLATURE

## SENATE BUDGET AND APPROPRIATIONS COMMITTEE

**Paul A. Sarlo** (D), 36th District (Parts of Bergen, Essex and Passaic), *Chair*  
**Brian P. Stack** (D), 33rd District (Part of Hudson), *Vice-Chair*  
**James Beach** (D), 6th District (Part of Camden)  
**Anthony R. Bucco** (R), 25th District (Part of Morris)  
**Barbara Buono** (D), 18th District (Part of Middlesex)  
**Sandra B. Cunningham** (D), 31st District (Part of Hudson)  
**Michael J. Doherty** (R), 23rd District (Warren and part of Hunterdon)  
**Steven Oroho** (R), 24th District (Sussex and parts of Hunterdon and Morris)  
**Kevin J. O'Toole** (R), 40th District (Parts of Bergen, Essex and Passaic)  
**Joseph Pennacchio** (R), 26th District (Parts of Morris and Passaic)  
**M. Teresa Ruiz** (D), 29th District (Parts of Essex and Union)  
**Bob Smith** (D), 17th District (Parts of Middlesex and Somerset)  
**Jeff Van Drew** (D), 1st District (Cape May and parts of Atlantic and Cumberland)

## GENERAL ASSEMBLY BUDGET COMMITTEE

**Louis D. Greenwald** (D), 6th District (Part of Camden), *Chairman*  
**Gary S. Schaer** (D), 36th District (Parts of Bergen, Essex and Passaic), *Vice Chairman*  
**Peter J. Barnes, III** (D), 18th District (Part of Middlesex)  
**John J. Burzichelli** (D), 3rd District (Salem and parts of Cumberland and Gloucester)  
**Albert Coutinho** (D), 29th District (Parts of Essex and Union)  
**Gordon M. Johnson** (D), 37th District (Part of Bergen)  
**Joseph R. Malone, III** (R), 30th District (Parts of Burlington, Mercer, Monmouth and Ocean)  
**Declan J. O'Scanlon, Jr.** (R), 12th District (Parts of Mercer and Monmouth)  
**Nellie Pou** (D), 35th District (Parts of Bergen and Passaic)  
**Joan M. Quigley** (D), 32nd District (Parts of Bergen and Hudson)  
**Jay Webber** (R), 26th District (Parts of Morris and Passaic)  
**David W. Wolfe** (R), 10th District (Parts of Monmouth and Ocean)

## OFFICE OF LEGISLATIVE SERVICES

**David J. Rosen**, *Legislative Budget and Finance Officer*  
**Frank W. Haines III**, *Assistant Legislative Budget and Finance Officer*

**Glenn E. Moore, III**, *Director, Central Staff*  
**Kathleen Fazzari**, *Section Chief, Education Section*

This report was prepared by the Education Section of the Office of Legislative Services under the direction of the Legislative Budget and Finance Officer. The primary author was Allen T. Dupree.

Questions or comments may be directed to the OLS Education Section (609-984-6843) or the Legislative Budget and Finance Office (609-292-8030).

# DEPARTMENT OF EDUCATION

Budget Pages..... D-83 to D-107

## Fiscal Summary (\$000)

	Expended FY 2009	Adjusted Appropriation FY 2010	Recommended FY 2011	Percent Change 2010-11
State Budgeted	\$10,405,085	\$10,155,746	\$10,377,484	2.2%
Federal Funds	\$831,272	\$1,965,582	\$852,075	( 56.7%)
<u>Other</u>	<u>\$13,506</u>	<u>\$15,594</u>	<u>\$15,480</u>	<u>( .7%)</u>
Grand Total	\$11,249,863	\$12,136,922	\$11,245,039	( 7.3%)

### TO THE READER

The Office of Legislative Services presents its analysis of the New Jersey Budget for Fiscal Year 2010-2011 in truncated form due to extraordinary time constraints. Unlike those of previous years, this year's analysis is confined to a review of significant changes in appropriations and language provisions, respectively, recommended by the Governor. It also presents one or more background papers on selected topics pertinent to this agency's mission. Discussion points, long a feature of annual OLS budget analyses, will be made available under separate cover and on the Internet, together with agency responses, from time to time as they are received.

Link to Website: <http://www.njleg.state.nj.us/legislativepub/finance.asp>

Office of Legislative Services  
Legislative Budget and Finance Office  
April 2010

**Significant Changes/New Programs (\$000)**

<u>Budget Item</u>	<u>Adj. Approp.</u> <u>FY 2010</u>	<u>Recomm.</u> <u>FY 2011</u>	<u>Dollar</u> <u>Change</u>	<u>Percent</u> <u>Change</u>	<u>Budget</u> <u>Page</u>
<b>Total State Appropriation, Department of Education</b>	<b>\$10,155,746</b>	<b>\$10,377,484</b>	<b>\$221,738</b>	<b>2.2%</b>	<b>D-83</b>

The proposed FY 2011 State appropriation for the Department of Education totals \$10.377 billion, representing an increase of \$221.7 million (2.2 percent) relative to the FY 2010 adjusted appropriation. As the subsequent tables will show, this increase is due to increases in State school aid that is not paid directly to school districts, such as the State's debt service payments for school construction bonds issued by the Economic Development Authority, the employer's share of the Social Security tax that the State pays on behalf of school districts, and post-retirement medical benefits. The recommended State appropriations for direct aid to districts, grants-in-aid, and direct State services declined relative to the FY 2010 adjusted appropriation.

## State Aid

<b>Total State Aid</b>	<b>\$11,130,323</b>	<b>\$10,310,896</b>	<b>(\$819,427)</b>	<b>( 7.4%)</b>	<b>D-85</b>
<b>General Fund</b>	<b>\$856,077</b>	<b>\$835,245</b>	<b>(\$20,832)</b>	<b>( 2.4%)</b>	<b>D-83</b>
<b>Property Tax Relief Fund</b>	<b>\$9,217,326</b>	<b>\$9,475,651</b>	<b>\$258,325</b>	<b>2.8%</b>	<b>D-83</b>
<b>State Fiscal Stabilization Fund</b>	<b>\$1,056,920</b>	<b>\$0</b>	<b>(\$1,056,920)</b>	<b>( 100.0%)</b>	<b>D-89</b>

The proposed FY 2011 budget recommends an appropriation of \$10.311 billion in State school aid. When compared to total State aid for the previous fiscal year, inclusive of the State Fiscal Stabilization Fund (SFSF) awarded pursuant to the American Recovery and Reinvestment Act of 2009, this represents a decrease of \$819.4 million, or 7.4 percent. The decline is caused primarily by the loss of \$1.057 billion in one-time federal revenue. The recommended FY 2011 appropriation of \$835.2 million from the General Fund is \$20.8 million (2.4 percent) less than the adjusted FY 2010 appropriation. The recommended appropriation from the Property Tax Relief Fund, \$9.476 billion, represents an increase of \$258.3 million (2.8 percent) and partially offsets the declines in the other categories.

<b>Total K-12 Education Aid</b>	<b>\$8,035,422</b>	<b>\$7,075,733</b>	<b>(\$959,689)</b>	<b>( 11.9%)</b>	
<b>Equalization Aid</b>	<b>\$5,824,882</b>	<b>\$5,753,248</b>	<b>(\$71,634)</b>	<b>( 1.2%)</b>	<b>D-89</b>

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

<u>Budget Item</u>	<u>Adj. Approp. FY 2010</u>	<u>Recomm. FY 2011</u>	<u>Dollar Change</u>	<u>Percent Change</u>	<u>Budget Page</u>
Special Education Categorical Aid	\$730,144	\$423,650	(\$306,494)	(42.0%)	D-90
Extraordinary Special Education Aid	\$140,095	\$154,982	\$14,887	10.6%	D-90
Transportation Aid	\$363,126	\$93,115	(\$270,011)	(74.4%)	D-101
Security Aid	\$241,998	\$97,664	(\$144,334)	(59.6%)	D-89
Adjustment Aid	\$747,661	\$456,030	(\$291,631)	(39.0%)	D-89
School Choice Aid	\$8,976	\$9,847	\$ 871	9.7%	D-89
Assessment of EDA Debt Service	\$0	-\$21,803	(\$21,803)	—	D-89
Growth Impact -- Payment Changes	-\$21,460	\$109,000	\$130,460	—	D-89

The proposed FY 2011 budget recommends an appropriation of \$7.076 billion in direct aid to school districts to support educational programs in grades kindergarten through 12. This represents a decrease of \$959.7 million relative to the amount of aid appropriated in FY 2010 when one includes the aid supported by the federal State Fiscal Stabilization Fund. When one omits the effect of "Growth Impact – Payment Changes," funding that will support school districts' FY 2010 expenditures, the recommended aid is \$1.091 billion less than the amount of aid districts received in FY 2010. The aid reduction reflects districts' State aid being reduced by nearly five percent of their original FY 2010 general fund budgets. As a result of the reduction, 60 school districts will not receive any direct State school aid in FY 2011. The background paper titled *Impact of State School Aid Reduction on Property Tax Levy Cap* (see pages 27-41 of this analysis) provides a discussion of the proposed aid reductions in the context of school districts' property tax levy caps.

The proposed State aid calculation departs significantly from the funding provisions of the "School Funding Reform Act of 2008" (SFRA) P.L.2007, c.260, (C.18A:7F-43 et al.). The department used a two-stage process to determine districts' aid allocations for FY 2011. First, aid was calculated using a modified version of the school funding law. The modifications included setting the Consumer Price Index to zero (rather than 1.6 percent) and reducing the State aid growth limit, the maximum amount by which a district's State aid can increase in one year, to zero for all districts (as opposed to 10 percent for districts spending above adequacy and 20 percent for districts spending below adequacy).

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

<u>Budget Item</u>	<u>Adj. Approp.</u> <u>FY 2010</u>	<u>Recomm.</u> <u>FY 2011</u>	<u>Dollar</u> <u>Change</u>	<u>Percent</u> <u>Change</u>	<u>Budget</u> <u>Page</u>
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Second, the aid amount resulting from the first stage was reduced by 4.994 percent of the district's total general fund budget for FY 2010. To implement this reduction, the department reduced districts' aid in the individual categories in a particular order: 1) adjustment aid; 2) transportation aid; 3) security categorical aid; 4) special education categorical aid; and 5) equalization aid. This ordering causes the larger percent decreases in adjustment aid, transportation aid, special education categorical aid, and security aid and the smaller decline in equalization aid.

Extraordinary special education aid totals nearly \$155.0 million in the proposed FY 2011 budget. This funding level is \$14.9 million (10.6 percent) higher than the FY 2010 adjusted appropriation. This aid category is used to reimburse school districts for a share of the costs of educating students with disabilities who incur costs in excess of \$40,000 or \$55,000, depending on the setting in which the student is educated. It should be noted that the appropriation is based on using the reimbursement rates (75 and 90 percent) included in SFRA as opposed to the more generous reimbursement rates (85 and 95 percent) used in the FY 2010 Appropriations Act. The aid is then reduced by 15 percent of what the district would have received based on the calculation included in SFRA.

The budget recommends charging school districts that received a grant pursuant to section 15 of the "Educational Facilities Construction and Financing Act," P.L.2000, c.72 (C.18A:7G-15) an amount equal to 15 percent of the debt service payment due in FY 2011 on the school construction bonds issued by the Economic Development Authority that are associated with the districts' school facilities project financed by the grant. Districts' FY 2011 State school aid will be reduced by the amount of this assessment. This provision does not apply to SDA (former Abbott) districts or districts that will not receive any State school aid in FY 2011.

There is a substantial change in the impact of delaying State school aid payments until the subsequent fiscal year. Beginning in FY 2003, the final State school aid payment has been delayed until the following fiscal year; starting in FY 2009, the last two payments have been delayed. The higher monthly payment from the subsequent fiscal year was used to pay the smaller monthly payment amount from the prior year, with the difference representing a savings to the State. Since total school aid is recommended to decrease in FY 2011, the opposite will be true; an additional appropriation will be needed in FY 2011 to support the cost of the final two FY 2010 State school aid payments. The recommended appropriation of \$109.0 million does not impact school districts' FY 2011 revenue.

<b>Charter School Aid</b>	<b>\$7,596</b>	<b>\$8,500</b>	<b>\$ 904</b>	<b>11.9%</b>	<b>D-90</b>
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The proposed budget includes an \$8.5 million appropriation for charter school aid, an increase of \$904,000 (11.9 percent) relative to the previous year. The aid is awarded to charter schools to ensure that total revenue received from the State and resident school districts in FY 2011 is not less than the amount of revenue received during the 2007-2008 school year. The

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

<u>Budget Item</u>	<u>Adj. Approp.</u> <u>FY 2010</u>	<u>Recomm.</u> <u>FY 2011</u>	<u>Dollar</u> <u>Change</u>	<u>Percent</u> <u>Change</u>	<u>Budget</u> <u>Page</u>
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proposed increase likely reflects the fact that districts with students enrolled in charter schools are experiencing decreases in categories of State aid that are transferred to charter schools, thereby requiring State support to maintain the 2007-2008 school year funding level.

<b>Adult Education Aid</b>	<b>\$10,000</b>	<b>\$0</b>	<b>(\$10,000)</b>	<b>( 100.0%)</b>	<b>D-90</b>
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The proposed FY 2011 budget recommends eliminating funding for adult education aid. Unlike the previous school funding law, SFRA does not provide funding for adult education. In the FY 2010 budget, funding for adult education was added to the budget after the Governor's budget recommendations were issued.

<b>Educational Information and Resource Center</b>	<b>\$405</b>	<b>0</b>	<b>(\$ 405)</b>	<b>( 100.0%)</b>	<b>D-90</b>
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The recommended FY 2011 budget eliminates State support for the Educational Information and Resource Center. The center, established pursuant to P.L.1983, c.186 (C.18A:95.1 et al.), provides a range of support services to teachers and others who work with children.

<b>Total Nonpublic School Aid</b>	<b>\$93,533</b>	<b>\$79,503</b>	<b>(\$14,030)</b>	<b>( 15.0%)</b>	<b>D-89</b>
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The FY 2011 recommended budget includes an appropriation of \$79.5 million for nonpublic school aid, representing a decrease of \$14.0 million (15.0 percent) relative to the adjusted FY 2010 appropriation. Based on a statement included on page 40 of the Budget in Brief, this reduction appears to reflect a policy decision rather than changes in factors such as a decline in student enrollment in nonpublic schools.

<b>Total School Facilities Aid</b>	<b>\$565,117</b>	<b>\$684,621</b>	<b>\$119,504</b>	<b>21.1%</b>	<b>D-101</b>
<b>School Construction and Renovation Fund</b>	<b>\$402,986</b>	<b>\$547,233</b>	<b>\$144,247</b>	<b>35.8%</b>	<b>D-101</b>
<b>School Building Aid</b>	<b>\$99,260</b>	<b>\$81,259</b>	<b>(\$18,001)</b>	<b>( 18.1%)</b>	<b>D-101</b>
<b>School Construction Debt Service Aid</b>	<b>\$62,871</b>	<b>\$56,129</b>	<b>(\$6,742)</b>	<b>( 10.7%)</b>	<b>D-101</b>

The total recommended appropriation for school facilities aid, \$684.6 million, represents an increase of \$119.5 million, or 21.1 percent, over the FY 2010 adjusted appropriation. This increase is due to a \$144.2 million (35.8 percent) increase in debt service payments due on school construction bonds issued by the Economic Development Authority pursuant to the "Educational Facilities Construction and Financing Act" (EFCFA), P.L.2000, c.72

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

<u>Budget Item</u>	<u>Adj. Approp.</u> <u>FY 2010</u>	<u>Recomm.</u> <u>FY 2011</u>	<u>Dollar</u> <u>Change</u>	<u>Percent</u> <u>Change</u>	<u>Budget</u> <u>Page</u>
(C.18A:7G-1 et al.). The total recommended appropriation for debt service aid paid directly to school districts, school building aid and school construction debt service aid, is \$24.7 million (15.2 percent) lower than the adjusted appropriation for FY 2010. School building aid supports districts' debt service costs for school facilities projects that predate the enactment of EFCFA, while school construction debt service aid provides funding for the debt service costs for school facilities projects initiated after the enactment of EFCFA. Districts will be required to increase their debt service levy to replace the loss of aid in these two categories of debt service aid; the debt service levy is not subject to voter approval.					
<b>Total Pensions and Benefits on Behalf of School Districts</b>	<b>\$1,757,482</b>	<b>\$1,782,810</b>	<b>\$25,328</b>	<b>1.4%</b>	<b>D-101</b>
<b>Teachers' Pension and Annuity Fund</b>	<b>\$62,122</b>	<b>\$0</b>	<b>(\$62,122)</b>	<b>( 100.0%)</b>	<b>D-101</b>
<b>Social Security Tax</b>	<b>\$764,078</b>	<b>\$791,500</b>	<b>\$27,422</b>	<b>3.6%</b>	<b>D-101</b>
<b>Post-Retirement Medical</b>	<b>\$775,531</b>	<b>\$823,090</b>	<b>\$47,559</b>	<b>6.1%</b>	<b>D-101</b>

The proposed FY 2011 budget recommends an appropriation of \$1.783 billion in total pensions and benefits paid on behalf of school districts, an increase of \$25.3 million (1.4 percent) relative to the FY 2010 adjusted appropriation. Under the proposed budget, the State will not make a contribution to the Teacher's Pension and Annuity Fund. According to the June 30, 2009 Actuarial Valuation Report, the State's contribution for the fiscal year should be \$1.827 billion.

The FY 2011 recommended budget includes an appropriation for reimbursing school districts for the employer's share of the social security tax of \$791.5 million, representing an increase of \$27.4 million, or a 3.6 percent increase relative to the FY 2010 adjusted appropriation. A number of school districts have indicated that personnel reductions will be necessary to address decreases in revenues. If this is the case, the recommended growth in this area may be higher than what will be needed.

**Grants-In-Aid**

<b>Total Grants-In-Aid</b>	<b>\$13,518</b>	<b>\$1,665</b>	<b>(\$11,853)</b>	<b>( 87.7%)</b>	<b>D-83</b>
<b>New Jersey After 3</b>	<b>\$10,480</b>	<b>\$0</b>	<b>(\$10,480)</b>	<b>( 100.0%)</b>	<b>D-101</b>
<b>Liberty Science Center</b>	<b>\$2,700</b>	<b>\$1,350</b>	<b>(\$1,350)</b>	<b>( 50.0%)</b>	<b>D-101</b>

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

<u>Budget Item</u>	<u>Adj. Approp. FY 2010</u>	<u>Recomm. FY 2011</u>	<u>Dollar Change</u>	<u>Percent Change</u>	<u>Budget Page</u>
<b>Teacher Preparation</b>	<b>\$38</b>	<b>\$15</b>	<b>(\$ 23)</b>	<b>( 60.5%)</b>	<b>D-101</b>

The recommended FY 2011 appropriation for grants-in-aid, \$1.7 million, is \$11.9 million (87.7 percent) less than the FY 2010 adjusted appropriation. Most of this reduction, \$10.5 million, is due to the elimination of the State's support of New Jersey After 3. The program was first funded in FY 2005, and established a public-private partnership to raise funds and provide grants for after-school programs for elementary and middle school students. Information provided by the department in response to discussion point 12 from FY 2010 suggests that State support represented the majority of the organization's funding.

The proposed FY 2011 budget provides \$1.4 million for the Liberty Science Center, half of the amount appropriated in FY 2010. The funding is used to provide educational services to districts with high concentrations of low-income students in the science education component of the core curriculum content standards.

The recommended appropriation for Teacher Preparation, \$15,000, is \$23,000 (60.5 percent) less than the FY 2010 adjusted appropriation. The funding is provided to assist teachers in obtaining national certification through the National Board for Professional Teaching Standards Certification Programs. Historically, actual expenditures in this line item have been significantly less than the original appropriation.

**Direct State Services**

<b>Total Direct State Services</b>	<b>\$68,825</b>	<b>\$64,923</b>	<b>(\$3,902)</b>	<b>( 5.7%)</b>	<b>D-83</b>
<b>Statewide Assessment Program</b>	<b>\$20,725</b>	<b>\$18,694</b>	<b>(\$2,031)</b>	<b>( 9.8%)</b>	<b>D-100</b>
<b>Early Childhood Education</b>	<b>\$2,264</b>	<b>\$1,690</b>	<b>(\$ 574)</b>	<b>(25.4%)</b>	<b>D-100</b>
<b>District and School Improvement</b>	<b>\$5,339</b>	<b>\$4,387</b>	<b>(\$ 952)</b>	<b>(17.8%)</b>	<b>D-100</b>
<b>Commission on Italian American Heritage and Cultural Educational Programs</b>	<b>\$110</b>	<b>\$0</b>	<b>(\$ 110)</b>	<b>(100.0%)</b>	<b>D-100</b>
<b>Affirmative Action and Equal Employment</b>	<b>\$68</b>	<b>\$0</b>	<b>(\$ 68)</b>	<b>(100.0%)</b>	<b>D-105</b>



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

<u>Budget Item</u>	<u>Adj. Approp.</u> <u>FY 2010</u>	<u>Recomm.</u> <u>FY 2011</u>	<u>Dollar</u> <u>Change</u>	<u>Percent</u> <u>Change</u>	<u>Budget</u> <u>Page</u>
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**Opportunity Program**

The recommended FY 2011 budget appropriates \$64.9 million for direct state services in the department, a reduction of \$3.9 million, or 5.7 percent. More than half of this reduction is caused by a \$2.0 million (9.8 percent) decrease in the recommended appropriation for the Statewide assessment program. In the February 11, 2010 list of budget reductions for FY 2010, it was noted that the department anticipated lower contract costs and the availability of federal revenue to implement the State assessments.

The recommended FY 2011 appropriation for early childhood education, \$1.7 million is \$574,000 (25.4 percent) less than the FY 2010 adjusted appropriation. The reduction is due to the department's decision to not enter a memorandum of understanding with William Paterson University and Rutgers University to conduct evaluation studies of the State's preschool program.

The recommended FY 2011 appropriation for district and school improvement, \$4.4 million, is \$952,000, or 17.8 percent, less than FY 2010 adjusted appropriation. Most of the reduction is due to a decreased appropriation for services other than personal. In prior years, actual expenditures in this line item have been consistently lower than the initial appropriation.

The proposed FY 2011 budget eliminates funding for the Commission on Italian and Americans of Italian Heritage Cultural and Educational Programs. The commission was established in, but not of, the Department of Education pursuant to P.L.2001, c.343 (C.18A:4-42 et seq.) to provide assistance to public and nonpublic schools on the implementation of cultural and educational programs related to Italians and Americans of Italian heritage. It is not clear if the Executive Branch intends to request legislation to repeal the law that created the commission.

The FY 2011 recommended budget eliminates the appropriation for the affirmative action and equal employment opportunity (AA/EEO) program. This appropriation supported the salary of personnel in the department's AA/EEO office. These costs are to be absorbed within the department's budget for administration. It should be noted that there is no corresponding increase in the recommended appropriation for the personal services line item, the account that includes salaries and wages.

## Significant Language Changes

### Equalization Aid

Addition

2010 Handbook p.  
2011 Budget p. D-90

Of the amount hereinabove appropriated for Equalization Aid, an amount equal to the total earnings of investments of the Fund for the Support of Free Public Schools shall first be charged to such fund.

### Explanation

*The proposed language provides that all earnings of investments of the Fund for the Support of Free Public Schools will be used to support the appropriation of equalization aid in FY 2011. Language included in the FY 2010 Appropriations Act specified that such investment income would be used to support appropriations for debt service payments on school construction bonds issued by the Economic Development Authority. That language is deleted in the proposed FY 2011 budget.*

### Extraordinary Special Education Aid

Revision

2010 Handbook p. B-48  
2011 Budget p. D-91

~~Notwithstanding the provisions of section 13 of P.L.2007, c.260 (C.18A:7F-55) any law or regulation to the contrary, 2008-2009 extraordinary special education costs for an individual classified pupil shall be reimbursed pursuant to paragraph (1) of subsection b. of that section at 95% of the direct instructional and support services costs in excess of \$40,000; pursuant to paragraph (2) of that subsection at 85% of the direct instructional and support services costs in excess of \$40,000; and pursuant to paragraph (3) of that subsection at 85% for tuition costs in excess of \$55,000. A district's 2008-2009 award from allocation of the amount hereinabove appropriated for Extraordinary Special Education Costs Aid will shall be based on a comparison of that calculation to the projected award 85% of the amount calculated in the commissioner's report dated December 12, 2007. If the approved costs amount is greater than the projected amount, the district shall receive the amount of the increased award. If the district received adjustment aid in 2008-09 pursuant to section 16 of P.L.2007, c.260 (C.18A:7F-58), the district's 2008-09 adjustment aid shall be reduced by the amount of any increase in the approved award of Extraordinary Special Education Costs Aid over the projected amount, but by no more than the State aid provided pursuant to section 16 of P.L.2007, c.260 (C.18A:7F-58). If the approved costs amount of Extraordinary Special Education Costs Aid is less than the projected amount, the district's award of this aid shall be~~

EXPLANATION: FY 2010 language not recommended for FY 2011 denoted by strikethrough.  
Recommended FY 2011 language that did not appear in FY 2010 denoted by underlining.

**Significant Language Changes (Cont'd)**

~~adjusted accordingly so that the district shall not receive less State aid than provided pursuant to section 5 of P.L.2007, c.260 (C.18A:7F-47) or section 16 of P.L.2007, c.260 (C.18A:7F-58), as applicable. The commissioner shall direct school districts as to any required appropriate adjustments to 2008-09 other aid categories accordance with section 13 of P.L.2007, c.260 (C.18A:7F-55).~~

**Explanation**

*The FY 2011 budget recommendations include language specifying the calculation of extraordinary special education costs aid. Subsection b. of section 13 of P.L.2007, c.260 (C.18A:7F-55) specifies that the State will provide additional aid to a school district equal to 90 percent of the direct instructional and student support costs in excess of \$40,000 for a special education student who is educated in a public school program with general education students, 75 percent of costs for direct instructional and student support services in excess of \$40,000 for a special education student who is educated in a public school program separate from general education students, and 75 percent of the tuition costs in excess of \$55,000 for a special education student who is educated in a private school for students with disabilities. The FY 2010 Appropriations Act included language that increased the 90 percent and 75 percent reimbursement rates to 95 percent and 85 percent, respectively.*

*The language included in the proposed FY 2011 budget stipulates that extraordinary special education costs aid be calculated based on the lower reimbursement rates included in the school funding law and that the resulting aid amount be reduced by 15 percent. The language effectively reduces the reimbursement rates included in the school funding law from 90 percent and 75 percent to 76.5 percent and 63.75 percent, respectively.*

**State Aid Growth Limit**

Revision

2010 Handbook p. B-48  
2011 Budget p. D-91

~~Notwithstanding the provisions of subsection d. of section 5 of P.L.2007, c.260 (C.18A:7F-47) or any other law or regulation to the contrary, the calculation of a district's allocation of the amounts hereinabove appropriated for Equalization Aid, Special Education Categorical Aid, and Security Aid shall use a State aid growth limit of 0% in the case of a district spending above adequacy and 5% in the case of a district spending below adequacy.~~

EXPLANATION: FY 2010 language not recommended for FY 2011 denoted by strikethrough.  
Recommended FY 2011 language that did not appear in FY 2010 denoted by underlining.

Significant Language Changes (Cont'd)

Explanation

Subsection d. of section 5 of P.L.2007, c.260 (C.18A:7F-47) establishes a State aid growth limit. In the case of a school district that is spending above adequacy as determined by the school funding law, the State aid growth limit (the maximum amount by which State aid can increase in one year) is 10 percent. In the case of a school district that is spending below adequacy, the State aid growth limit is 20 percent. Language included in the FY 2010 Appropriations Act reduced the 10 percent and 20 percent growth limits to 0 percent and 5 percent, respectively. Language included in the proposed FY 2011 budget applies a 0 percent State aid growth limit to all school districts.

In the proposed FY 2011 budget, this language provision applies to the initial State school aid calculation and ensures that no district would receive an increase in aid under this first stage of the calculation. A separate language provision in the budget proposal (see pages 23-24 of this analysis) reduces the aid amount from this initial calculation by 4.994 percent of the district's initial FY 2010 general fund budget.

Educational Adequacy Aid	
Revision:	2010 Handbook p. B-49 2011 Budget p. D-91

~~Notwithstanding the provisions of subsection b. of section 16 of P.L.2007, c.260 (C.18A:7F-58) or any other law or regulation to the contrary, an eligible district's allocation of the amount hereinabove appropriated for Educational Adequacy Aid shall be calculated as  $(AB + CAT - (GFL + PEQAID + PECAT)) \times .50 - ai$ , where: "CAT" is the sum of the district's Special Education Categorical Aid and Security Aid; "PECAT" is the sum of the district's prebudget year Special Education Categorical Aid, Security Aid, and Adjustment Aid; and "ai" is the sum of the increase between 2008-2009 to equal the district's 2009-2010 in the district's aid other than Education Adequacy Aid, Adult Education Aid, and Preschool Education allocation of Educational Adequacy Aid. A qualifying district is defined as a district that meets the eligibility criteria under the provisions of that section.~~

Explanation

*Subsection b. of section 16 of P.L.2007, c.260 (C.18A:7F-58) provides that districts that were previously classified as Abbott districts are eligible to receive educational*

EXPLANATION: FY 2010 language not recommended for FY 2011 denoted by strikethrough.  
Recommended FY 2011 language that did not appear in FY 2010 denoted by underlining.

## Significant Language Changes (Cont'd)

*adequacy aid if the district is spending below adequacy and is either classified as a district in need of improvement pursuant to the federal "No Child Left Behind Act of 2001" and State Board of Education regulations or has municipal or school equalized tax rates above a specified threshold. Under the law, the combination of this aid and required tax levy increases would have raised the districts' expenditures to the adequacy level by FY 2011.*

*The FY 2010 Appropriations Act included language to make technical corrections to the formula by which the aid was determined. The recommended FY 2011 budget provides that the districts will receive the same amount of aid in this category as was received in FY 2010. The combination of this language provision and the reduction in other State aid categories would likely result in these districts continuing to spend below adequacy in FY 2011.*

### Adjustment Aid

Deletion

2010 Handbook, p. B-49  
2011 Budget, p.

~~Notwithstanding the provisions of paragraph (2) of subsection a. of section 16 of P.L. 2007, c. 260 (C.18A:7F-58) to the contrary, the prebudget year total aid used in the calculation of a district's allocation of the amount hereinabove appropriated as Adjustment Aid shall include a district's 2008-2009 allocations of Equalization Aid, Special Education Categorical Aid, Security Aid, Transportation Aid, School Choice Aid, Adjustment Aid, and Charter School Aid.~~

### Explanation

*Language included in the FY 2009 Appropriations Act provided charter school aid to school districts in which the increase in the district's payment to charter schools was greater than the increase in aid for the district relative to the prior year. The FY 2010 Appropriations Act specified that this aid would be included when determining a district's adjustment aid. This language is no longer necessary and is deleted in the proposed FY 2011 budget.*

### Adult Education Aid

EXPLANATION: FY 2010 language not recommended for FY 2011 denoted by strikethrough.  
Recommended FY 2011 language that did not appear in FY 2010 denoted by underlining.

**Significant Language Changes (Cont'd)**

Deletion	2010 Handbook, p. B-49 2011 Budget, p.
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~~The amount hereinabove appropriated as Adult Education Aid shall be distributed at a rate determined by the Commissioner of Education based on the number of pupils enrolled in approved adult high schools and post graduate programs as of October, 2008 as reported in the Application for State School Aid.~~

**Explanation**

*The FY 2010 Appropriations Act included a \$10 million appropriation for adult education programs and language specifying that the aid would be allocated proportionately based on the number of individuals enrolled in approved adult high schools and post-graduate programs. The FY 2011 budget proposal does not recommend such an appropriation, thereby making the language included in the FY 2010 Appropriations Act irrelevant.*

<b>New Jersey After 3</b>	
Deletion	2010 Handbook, p. B-54 2011 Budget, p.

~~The sums provided hereinabove for New Jersey After 3 shall be conditioned upon the State Treasurer and the grant recipient entering into a grant agreement; shall be available for grants awarded by New Jersey After 3, Inc.; and shall be available for funding programs, activities, functions, and facilities consistent with recommendations and proposals of the New Jersey After 3 Advisory Committee.~~

**Explanation**

*New Jersey After 3 is a public-private partnership created in FY 2005 to raise funding and provide grants to organizations operating after school programs that serve elementary and middle school students. The FY 2010 Appropriations Act included language to specify that State funding was to be used for providing grants, as opposed to supporting administrative costs. The proposed FY 2011 budget eliminates State support for New Jersey After 3, thus obviating the need for the language.*

EXPLANATION: FY 2010 language not recommended for FY 2011 denoted by strikethrough.  
Recommended FY 2011 language that did not appear in FY 2010 denoted by underlining.

**Significant Language Changes (Cont'd)**

<b>School Construction and Renovation Fund</b>	
Deletion	2010 Handbook: p. B-54 2011 Budget: p.

~~Of the amount hereinabove appropriated for the School Construction and Renovation Fund, an amount equal to the total earnings of investments of the Fund for the Support of Free Public Schools shall first be charged to such fund.~~

**Explanation**

*The proposed FY 2011 budget eliminates language dedicating the earnings of investments of the Fund for the Support of Free Public Schools to the school construction and renovation fund, which is used for State debt service payments on school construction bonds issued by the Economic Development Authority. The recommended FY 2011 budget adds language that would dedicate the investment earnings of the fund to support equalization aid provided to school districts.*

<b>Transportation Aid</b>	
Deletion	2010 Handbook: p. B-54 2011 Budget: p.

~~Notwithstanding the provisions of section 15 of P.L.2007, c.260 (C.18A:7F-57) to the contrary, a district's allocation of the amount hereinabove appropriated for Transportation Aid shall be based on the amount set forth in the March 11, 2009 State aid notice issued by the Commissioner of Education.~~

**Explanation**

*The FY 2010 Appropriations Act included language that modified a cost factor used to determine transportation aid. The school funding provisions included in the FY 2011 recommended budget have made this language obsolete.*

<b>State Aid Growth Limit</b>	
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EXPLANATION: FY 2010 language not recommended for FY 2011 denoted by strikethrough.  
Recommended FY 2011 language that did not appear in FY 2010 denoted by underlining.

**Significant Language Changes (Cont'd)**

Revision	2010 Handbook: p. B-54 2011 Budget: p. D-102
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Notwithstanding the provisions of subsection d. of section 5 of P.L.2007, c.260 (C.18A:7F-47) or any other law or regulation to the contrary, the calculation of a district's allocation of the amount hereinabove appropriated for Transportation Aid shall use a State aid growth limit of 0% in the case of a district spending above adequacy and 5% ~~in the case of a district spending below adequacy.~~

**Explanation**

*Subsection d. of section 5 of P.L.2007, c.260 (C.18A:7F-47) establishes a State aid growth limit. In the case of a school district that is spending above adequacy as determined by the school funding law, the State aid growth limit (the maximum amount by which State aid can increase in one year) is 10 percent. In the case of a school district that is spending below adequacy, the State aid growth limit is 20 percent. Language included in the FY 2010 Appropriations Act reduced the 10 percent and 20 percent growth limits to 0 percent and 5 percent, respectively. Language included in the proposed FY 2011 budget applies a 0 percent State aid growth limit to all school districts.*

*In the proposed FY 2011 budget, this language provision applies to the initial State school aid calculation and ensures that no district would receive an increase in aid under this first stage of the calculation. A separate language provision in the budget proposal (see pages 23-24 of this analysis) reduces the aid amount from this initial calculation by 4.994 percent of the district's initial FY 2010 general fund budget.*

<b>Debt Service Aid</b>	
Addition	2010 Handbook: p. 2011 Budget: p. D-103

Notwithstanding the provisions of any law or regulation to the contrary, an eligible district's allocation of the amounts appropriated hereinabove for School Construction Debt Service Aid and School Building Aid shall be 85% of the district's approved October 26, 2009 application amount.

**Explanation**

EXPLANATION: FY 2010 language not recommended for FY 2011 denoted by strikethrough.  
Recommended FY 2011 language that did not appear in FY 2010 denoted by underlining.



**Significant Language Changes (Cont'd)**

The proposed FY 2011 budget recommends the addition of language that decreases debt service aid paid to school districts by 15 percent of what would otherwise be paid. School building aid is provided to districts that issued bonds to finance school facilities projects prior to the effective date of the "Educational Facilities Construction and Financing Act" (EFCFA), P.L.2000, c.72 (C.18A:7G-1 et al.). School construction debt service aid supports districts' debt service payments on eligible costs of school facilities projects initiated after the effective date of EFCFA.

<b>Debt Service Aid Maintenance Factor</b>	
Addition	2010 Handbook p. 2011 Budget p. D-103

Notwithstanding the provisions of section 9 of P.L.2000, c.72 (C.18A:7G-9) or any other law or regulation to the contrary, for the purpose of calculating a district's State debt service aid, "M", the maintenance factor, shall equal 1.

**Explanation**

P.L.2000, c.72 requires that a school district that receives debt service aid for a school facilities project initiated after the effective date of the act make a net investment in the maintenance of the facility of at least two percent of the facility's replacement cost. If, in the prior ten year period, a school district did not meet this maintenance obligation, then the maintenance factor would equal zero, thereby eliminating the school district's eligibility to receive debt service aid for that specific school facilities project. Given the effective date of the law, July of 2010 would be the earliest time that a district could have debt service aid eliminated for not meeting the maintenance requirement.

Additionally, for rehabilitation projects, school facilities projects for which the only purpose is for the school building to remain functional, a district is required to make an investment in maintenance of no less than 0.2 percent of the replacement cost each year, starting in the fourth year of occupancy. The maintenance factor is reduced for any district that fails to make the required investment.

The language included in the proposed budget removes the reduction in debt service aid that would otherwise occur for districts that have not made the required expenditures on maintenance.

EXPLANATION: FY 2010 language not recommended for FY 2011 denoted by strikethrough.  
Recommended FY 2011 language that did not appear in FY 2010 denoted by underlining.

**Significant Language Changes (Cont'd)**

Payments Due to the State	
Addition	2010 Handbook p. 2011 Budget p. D-103

Notwithstanding the provisions of any law or regulation to the contrary, of the amounts hereinabove appropriated for Social Security Tax, there is appropriated such amounts, as determined by the Director of the Division of Budget and Accounting, to make payments on behalf of school districts that do not receive sufficient State formula aid payments under this Act, for amounts due and owing to the State including out-of-district placements and such amounts shall be recognized by the school district as State revenue.

**Explanation**

*Under various provisions of law, the State may withhold a portion of a district's State school aid allocation for a particular payment (such as the tuition costs of a resident student who is educated in certain State institutions). The recommended FY 2011 budget provides no State school aid to 60 districts, and an additional 7 districts will receive less than \$10,000 in aid. It is plausible that districts receiving little or no State school aid would be required to forward revenue to the State to make certain payments. In such a situation, the proposed language would "pay" the State out of the recommended appropriation for the social security tax, and the district would recognize this as revenue received from the State.*

*It is not clear why the appropriation for the State's reimbursement for school districts' share of the social security tax would be used to support the cost districts would otherwise incur. A possible reason is that the recommended appropriation for the social security tax reimbursement, an increase of \$27.4 million (3.6 percent), did not account for the personnel reductions that a number of school districts have considered, thereby reducing the State appropriation that is needed.*

Salary Freeze Grant	
Addition	2010 Handbook p. 2011 Budget p. D-103

Notwithstanding the provisions of any law or regulation to the contrary, of the amount hereinabove appropriated for Social Security Tax there is appropriated to each school district,

EXPLANATION: FY 2010 language not recommended for FY 2011 denoted by strikethrough.  
Recommended FY 2011 language that did not appear in FY 2010 denoted by underlining.

### Significant Language Changes (Cont'd)

subject to the approval of the Director of the Division of Budget and Accounting, a grant in a sum equivalent to the amount of the reduction in Social Security Tax as a result of such school district achieving a voluntary wage freeze that results in savings in Social Security Tax contributions during the current fiscal year for such school district, such grant subject to approval by the Commissioner of the Department of Education of an application by the school district to the Commissioner containing documentation of the savings achieved by the school district. Provided however, that if the school district requesting a grant is a school district which does not receive sufficient State formula aid payments during the current fiscal year, the amount of money such school district shall be eligible for from savings as a result of a voluntary wage freeze may be reduced by the amount of payments made by the State on behalf of such school district which have not been reimbursed by the school district, subject to the approval of the Director of the Division of Budget and Accounting. Notwithstanding the provisions of any law or regulation to the contrary, the grant funds shall be appropriated into the district's general fund budget for use in the 2010-2011 school year.

#### Explanation

*The FY 2011 recommended budget includes language that provides a grant to school districts that negotiate a salary freeze with employees. The State reimburses school districts for the employer's share of the payroll tax for social security (6.25 percent of the employee's salary, up to \$106,800 in calendar year 2010) and Medicare (1.4 percent of the employee's total salary).*

*The language provides that a school district that enters an agreement with personnel to forego salary increases due during the 2010-2011 school year will receive additional State school aid equal to the amount of the reimbursement that the State will not have to make as a result of the district's employees not receiving the salary increase.*

*A separate language provision on page D-102 of the budget provides that if a school district does not receive enough State aid to cover the costs of certain charges made by the State, such as tuition for resident students enrolled in State facilities, then the costs will be paid by the State from the appropriation for the Social Security tax reimbursement (see pages 18-19 of this analysis for a discussion of this language provision). In such a situation, the grant associated with the salary freeze may be reduced by the amount paid by the State. It is unclear why the word "may," rather than "shall," is used in this context or how the department will determine if such a reduction will occur.*

#### **Insufficient Appropriation for State Aid**

EXPLANATION: FY 2010 language not recommended for FY 2011 denoted by strikethrough.  
Recommended FY 2011 language that did not appear in FY 2010 denoted by underlining.

**Significant Language Changes (Cont'd)**

Revision:	2010 Handbook p. B-57 2011 Budget p. D-106
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In the event that sufficient funds are not appropriated to fully fund any State Aid item, other than Equalization Aid, Educational Adequacy Aid, Security Aid, Adjustment Aid, School Choice, Special Education Categorical Aid, and Transportation Aid, the Commissioner of Education shall apportion such appropriation among the districts in proportion to the State Aid each district would have been apportioned had the full amount of State Aid been appropriated.

**Explanation**

*In previous years, the Appropriations Act has included language specifying that if an appropriation for State school aid was insufficient to support the total amount of aid due to school districts based on the formulas that determine the allocation, the aid would be distributed proportionately to districts based on the amount of aid that would have been provided pursuant to the formulas. The proposed FY 2011 budget modifies this language to exclude a number of the aid categories awarded pursuant to the "School Funding Reform Act of 2008" (SFRA), P.L.2007, c.260 (C.18A:7F-43 et al.).*

*The intent of this language provision is unclear. The recommended appropriations included in the proposed FY 2011 budget are sufficient to provide the aid allocations to school districts pursuant to the proposed language provisions. One possible explanation is that the Executive Branch considers this language sufficient to provide it with the authority to determine an alternative aid allocation during FY 2011 if actual revenue is lower than projected revenue and State aid to districts is decreased during the fiscal year. Given that the purpose of this language is not clear, additional discussion with the Executive Branch is warranted.*

<b>Enrollment Adjustments</b>	
Addition	2010 Handbook p. 2011 Budget p. D-107

Notwithstanding the provisions of subsection a. of section 5 of P.L.1996, c.138 (C.18A:7F-5) or any other law or regulation to the contrary, no adjustments shall be made to State Aid amounts payable during the 2010 - 2011 school year based on adjustments to the 2009 - 2010 allocations using actual pupil counts.

EXPLANATION: FY 2010 language not recommended for FY 2011 denoted by strikethrough.  
Recommended FY 2011 language that did not appear in FY 2010 denoted by underlining.

## Significant Language Changes (Cont'd)

### Explanation

*Section 5 of P.L.1996, c.138 (C.18A:7F-5) stipulates that a school district's State aid will be determined based on projected enrollment and will subsequently be adjusted based on actual enrollments. The FY 2011 recommended budget includes language that provides that there will be no subsequent adjustment.*

### Consumer Price Index

Addition

2010 Handbook, p.  
2011 Budget, p. D-107

Notwithstanding the provisions of section 3 of P.L.2007, c.260 (C.18A:7F-45) or any other law or regulation to the contrary, "CPI" means the rate of annual percentage increase calculated in accordance with section 2 of P.L. 1999, c. 168 (C.52:27D-442).

### Explanation

*The proposed FY 2011 budget includes language that modifies the definition of CPI as used to determine State school aid. The proposed language has the effect of using a CPI equal to 0 percent rather than the 1.6 percent that would have been utilized under the provisions of the "School Funding Reform Act of 2008" (SFRA), P.L.2007, c.260 (C.18A:7F-43 et al.).*

*As defined under SFRA, CPI equals the change in the annual average consumer price index in the New York City and Philadelphia areas between the fiscal year ending before the prebudget year in which the CPI will be applicable and the preceding fiscal year. The proposed language uses the "index rate" as defined pursuant to section 2 of P.L.1999, c.168 (C.52:27D-442). This index rate is based on the figures published by the federal Bureau of Economic Analysis (BEA). Specifically, BEA calculates a series known as the "Price Indexes for Government Consumption Expenditures and Gross Investment." One price index produced as part of this series is a price index for state and local governments. BEA provides the information on a quarterly basis, and P.L.1999, c.168 (C.52:27D-442) specifies that the index rate will be based on the change in the price level in the second quarter of the calendar year (in this case, April through June of 2009) when*

EXPLANATION: FY 2010 language not recommended for FY 2011 denoted by strikethrough.  
Recommended FY 2011 language that did not appear in FY 2010 denoted by underlining.

**Significant Language Changes (Cont'd)**

*compared to the price level in the second quarter of the previous year. It should be noted that, unlike the CPI, this index reflects the change in price levels nationally.*

*The CPI is used to determine the total amount of equalization aid that will be made available for allocation to school districts and to adjust the various per pupil amounts used to calculate districts' adequacy budgets. Prior to reducing districts' State aid by 4.994 percent of the FY 2010 general fund budget (see discussion of this language provision on page 23 of this analysis), the department calculated districts' aid using the 0 percent CPI and a State aid growth limit of 0 percent for all districts. This had the effect of ensuring that no district would have an aid increase, but allowing the possibility that some districts, such as those with enrollment declines, would have a decrease.*

<b>State Aid Reduction</b>	
Addition	2010 Handbook p. 2011 Budget p. D-107

Notwithstanding the provisions of any law or regulation to the contrary, a district's 2010-2011 allocation of the sum of the following aid categories: Equalization Aid, Educational Adequacy Aid, Security Aid, Adjustment Aid, School Choice, Special Education Categorical Aid, and Transportation Aid shall be reduced by an amount equal to the lesser of 4.994% of the district's total general fund appropriations in the district's adopted 2009-2010 budget or the sum of its 2010-2011 initial allocation of the aforementioned categories of aid. The commissioner shall determine the hierarchy of aid categories for reduction.

**Explanation**

*The proposed FY 2011 State aid for school districts was determined using a two-stage process. The first stage used a modified version of the formulas included in the "School Funding Reform Act of 2008" (SFRA), P.L.2007, c.260, that ensured that no district would receive an increase in State aid, but allowed for a decrease in aid. This proposed language provision decreases the amount of aid due to a district by the lesser of the total amount of aid that would have been allocated under the first stage or 4.994 percent of districts' FY 2010 general fund budgets. This reduction approximates the amount of State Fiscal Stabilization Fund revenue that was available in FY 2010, but will not be available in FY 2011.*

*The language also provides that the Commissioner of Education will determine the order in which the State aid categories are reduced to achieve the 4.994 percent*

EXPLANATION: FY 2010 language not recommended for FY 2011 denoted by strikethrough.  
Recommended FY 2011 language that did not appear in FY 2010 denoted by underlining.

### Significant Language Changes (Cont'd)

*reduction. The order used is as follows: 1) adjustment aid; 2) transportation aid; 3) security categorical aid; 4) special education categorical aid; and 5) equalization aid. As discussed in the background paper titled Proposed School Funding Methodology: Implications for Charter School Funding (pages 42-45), this has the effect of minimizing the impact that the aid reduction will have on the amount of revenue school districts will be required to transfer to charter schools.*

#### **EDA School Construction Bond Assessment**

Addition

2010 Handbook p.  
2011 Budget p. D-107

Notwithstanding the provisions of any law or regulation to the contrary, "non-SDA" districts that received their State support for approved project costs through the Schools Development Authority (SDA) will be assessed an amount that represents 15% of their proportionate share of the required interest and principal payments in fiscal 2011 on the bonds issued by the Economic Development Authority for the program. The district's assessment will be determined by the commissioner based on the district's proportionate share of the amounts expended by the Schools Development Authority from the inception of the program through December 31, 2009, less reimbursements for those costs funded by school districts. District allocations will be withheld from 2010-2011 formula aid payments and the assessment cannot exceed the total of those payments.

#### **Explanation**

*Section 15 of P.L.2000, c.72 (C.18A:7G-1 et al.) provided school districts, other than districts that were classified as Abbott districts, with the opportunity to receive a one-time grant for at least 40 percent of the eligible costs of a school facilities project. The State supported these grants with bonds issued by the Economic Development Authority. The language included in the proposed FY 2011 budget includes an assessment of 15 percent of the State's debt service payment due in the fiscal year for a school facilities project that was supported by a grant awarded pursuant to that section of law. No such assessment was made in prior years.*

EXPLANATION: FY 2010 language not recommended for FY 2011 denoted by strikethrough.  
Recommended FY 2011 language that did not appear in FY 2010 denoted by underlining.

## Background Paper: Potential Use of Salary Freeze and Health Cost Sharing to Cope with State Aid Reduction

The proposed FY 2011 budget reduces direct aid to school districts by \$1.09 billion.<sup>1</sup> The Executive Branch has suggested that school districts can cope with the recommended decrease in aid by entering agreements with personnel to forego scheduled salary increases and contribute 1.5 percent of their salaries to the cost of health insurance premiums. Under language included in the proposed budget, the State would provide additional aid to a district in which the employees agree to a one-year salary freeze. This background paper compares the magnitude of these proposed solutions to the aid reduction. In summary, it is estimated that if all school districts took these actions, they would still have to address a budget shortfall of at least \$849.3 million (77.9 percent of the proposed aid reduction).

This estimated shortfall is substantially greater than what has been discussed. One media report indicated that the Executive Branch has stated that these two actions, "...would save districts enough to make up for nearly all aid cuts."<sup>2</sup> Another report stated that deferring salary increases would amount to \$567.6 million and both actions would amount to \$765.0 million (suggesting that the health care cost sharing would amount to \$197.4 million).<sup>3</sup> The implication appears to be that these actions would greatly reduce the need for districts to make programmatic cuts or increase property taxes in response to the reduction in revenue.

One underlying cause of the difference in this analysis and the various reports is the size of the State aid reduction that is used. The notion that the reduction in aid to school districts approximates \$820 million is based on the fact that total State aid is reduced by this amount. A more appropriate figure for determining the revenue shortfall that a school district is facing is the decrease in revenue that districts actually receive and include in their budgets. When one considers State school aid, other than preschool education aid, that will be provided and takes the \$21.8 million EDA debt service assessment (see pages 23-24 for additional discussion of this assessment) into consideration, the revenue loss that will be experienced by districts is \$1.09 billion. The figure used by the Executive Branch incorporates forms of State aid that are paid on behalf of school districts (e.g., debt service payments on school construction bonds and post-retirement medical benefits). While these are costs borne by the State on behalf of school districts, the costs are not included in school districts' budgets and the year to year increases in such items do not represent revenue to districts that can be included in their budgets.

The second difference is that this analysis recognizes that a salary freeze, while averting a greater level of budget pressure, does not represent a decrease in expenditures that addresses the State aid reduction (the health care cost sharing does represent an actual decrease in expenditures for the district). Table 1 provides an example of a hypothetical school district. In FY 2010, the district's general fund budget totaled \$1.1 million, as shown in Row A (for simplicity, this example assumes \$1 million in salaries and \$100,000 in health care costs). Assuming that salaries are scheduled to increase by four percent in the subsequent year and health care costs remain constant, the total budget would increase to \$1.14 million. State aid for FY 2011 is slated to be \$55,000 less (Row C, based on a five percent reduction), leaving the

<sup>1</sup> This figure omits preschool education aid, as it is special revenue and generally must be expended on a specific program. If one includes preschool, the reduction is \$1.072 billion.

<sup>2</sup> The Philadelphia Inquirer, March 24, 2010.

<sup>3</sup> Asbury Park Press, March 25, 2010.



## Background Paper: Potential Use of Salary Freeze and Health Cost Sharing to Cope with State Aid Reduction (Cont'd)

district with \$1.045 million in revenue (Row D). The budget shortfall, the difference between the district's projected budget (Row B) and projected revenue (Row D), is \$95,000 (Row E).

The bottom portion of the table considers the proposed budget solutions. The salary freeze reduces the projected FY 2011 budget by \$40,000 (Row F).<sup>4</sup> Health care cost sharing would reduce expenditures by \$15,000 (\$1 million \* 0.015, Row G) and the additional State aid would add \$3,060 in revenue (\$40,000 in forgone wage increase multiplied by 0.0765). The combined budget solutions total \$43,060, leaving a budget shortfall of \$36,940 (3.2 percent of the FY 2011 projected budget) that would have to be addressed through revenue increases, personnel reductions, or some other means.

**Table 1**  
**Budget Shortfall and solutions in Hypothetical District**

<b>Budget Shortfall</b>		
(A)	Fiscal Year 2010 Budget	\$1,100,000
(B)	FY 2011 Projected Budget (with salary increases)	\$1,140,000
(C)	State Aid Reduction	\$55,000
(D)	Available Revenue	\$1,045,000
(E)	<b>Budget Shortfall (Row B – Row D)</b>	<b>\$95,000</b>
<b>Budget Solutions</b>		
(F)	Salary Freeze	\$40,000
(G)	Health Care Cost Sharing	\$15,000
(H)	Additional State Aid – Salary Freeze	\$3,060
(I)	Total Budget Solutions	\$43,060
(J)	<b>Remaining Budget Shortfall (Row E – Row H)</b>	<b>\$36,940</b>
	<b>(as percent of FY 2011 projected budget)</b>	<b>3.2%</b>

When one applies similar logic to the FY 2011 State aid reduction, districts would face a budget shortfall of at least \$849.3 million if all districts were able to reach an agreement with employees with respect to a salary freeze and health care costs sharing. Given the initial aid reduction of \$1.09 billion, health care cost sharing would save districts an estimated \$197.4 million while the additional State aid would yield \$43.4 million<sup>5</sup> in additional revenue. While the wage freeze prevents the budget shortfall from getting larger, it does not actually decrease the shortfall created by the aid reduction.

<sup>4</sup> One will note that in the absence of the other two budget solutions, the projected shortfall would be \$55,000, the size of the State aid reduction. This occurs because the savings represented a cost increase that was avoided, not an actual decrease in costs that are incurred.

<sup>5</sup> This figure likely overstates the amount of State aid that would be awarded under the proposal. It was derived by multiplying the estimated salary deferral of \$567.6 million by 7.65 percent, the combined tax rate for Social Security and Medicare. However, Social Security tax, 6.2 percent, is only applicable to the first \$106,800 in earnings. To the extent that the \$567.6 million figure includes individuals earning more than this threshold, the foregone salary increase would yield less aid than assumed in this estimate.

## Background Paper: Impact of State School Aid Reduction on Property Tax Levy Cap

N.J.S.A. 18A:7F-38 stipulates that school districts are authorized to increase the general fund local tax levy by four percent in a given school year. The statute also provides an adjustment to the tax levy growth limitation equal to any reduction in unrestricted State aid from the previous year.<sup>6</sup> The following table shows the proposed decrease in State aid in percentage terms and the authorized percent increase in the tax levy based on the four percent cap plus the adjustment associated with the proposed State aid decreases. The numbers are not a prediction of actual tax levy increases that may occur. It appears that districts have submitted budgets that do not use the entire tax levy growth limit authorized by law.

### Authorized Tax Levy Growth based on Proposed State School Aid Reduction

Legislative District	County	District	% Proposed Aid Reduction	Authorized Tax Levy Increase
1	Atlantic	Atlantic Co Vocational	17.2%	20.9%
1	Atlantic	Buena Regional	7.2%	17.5%
1	Atlantic	Mainland Regional	16.1%	12.0%
1	Atlantic	Somers Point City	11.6%	12.9%
1	Cape May	Avalon Boro	100.0%	7.3%
1	Cape May	Cape May City	29.2%	14.5%
1	Cape May	Cape May Co Vocational	43.5%	14.3%
1	Cape May	Cape May Point	10.1%	14.8%
1	Cape May	Dennis Twp	10.8%	13.6%
1	Cape May	Lower Cape May Regional	13.6%	12.2%
1	Cape May	Lower Twp	11.6%	13.1%
1	Cape May	Middle Twp	13.2%	13.2%
1	Cape May	North Wildwood City	37.0%	11.0%
1	Cape May	Ocean City	88.6%	13.4%
1	Cape May	Sea Isle City	60.1%	10.6%
1	Cape May	Stone Harbor Boro	100.0%	7.1%
1	Cape May	Upper Twp	15.8%	12.0%
1	Cape May	West Cape May Boro	30.3%	10.6%
1	Cape May	West Wildwood	92.4%	10.0%
1	Cape May	Wildwood City	14.7%	13.6%
1	Cape May	Wildwood Crest Boro	40.6%	9.7%
1	Cape May	Woodbine Boro	2.3%	10.0%
1	Cumberland	Cumberland Co Vocational	10.6%	26.2%
1	Cumberland	Maurice River Twp	8.7%	19.4%
1	Cumberland	Millville City	5.8%	47.8%
1	Cumberland	Vineland City	5.8%	45.8%
2	Atlantic	Absecon City	36.2%	10.2%
2	Atlantic	Atlantic City	31.2%	11.1%
2	Atlantic	Atlantic Co Vocational	17.2%	20.9%

<sup>6</sup> There are other adjustments as well as waivers for which districts may submit an application to the Commissioner of Education. These other adjustments and waivers are not considered in this background paper.

### Background Paper: Impact of State School Aid Reduction on Property Tax Levy Cap (Cont'd)

Legislative District	County	District	% Proposed Aid Reduction	Authorized Tax Levy Increase
2	Atlantic	Brigantine City	28.3%	10.3%
2	Atlantic	Corbin City	11.0%	14.6%
2	Atlantic	Egg Harbor City	7.1%	23.7%
2	Atlantic	Egg Harbor Twp	13.2%	12.5%
2	Atlantic	Estell Manor City	10.4%	14.7%
2	Atlantic	Galloway Twp	11.8%	14.2%
2	Atlantic	Greater Egg Harbor Reg	10.0%	16.7%
2	Atlantic	Hamilton Twp	8.8%	16.5%
2	Atlantic	Linwood City	32.4%	10.5%
2	Atlantic	Longport	43.4%	9.7%
2	Atlantic	Mainland Regional	16.1%	12.0%
2	Atlantic	Margate City	73.0%	10.8%
2	Atlantic	Mullica Twp	4.5%	11.8%
2	Atlantic	Northfield City	15.9%	11.6%
2	Atlantic	Pleasantville City	5.4%	61.9%
2	Atlantic	Port Republic City	12.2%	12.5%
2	Atlantic	Ventnor City	37.0%	10.1%
2	Atlantic	Weymouth Twp	8.6%	16.7%
3	Cumberland	Bridgeton City	4.7%	101.8%
3	Cumberland	Commercial Twp	5.7%	43.6%
3	Cumberland	Cumberland Co Vocational	10.6%	26.2%
3	Cumberland	Cumberland Regional	7.6%	16.3%
3	Cumberland	Deerfield Twp	9.2%	15.2%
3	Cumberland	Downe Twp	10.3%	20.1%
3	Cumberland	Fairfield Twp	3.4%	38.1%
3	Cumberland	Greenwich Twp	13.8%	12.2%
3	Cumberland	Hopewell Twp	10.2%	16.9%
3	Cumberland	Lawrence Twp	6.5%	24.6%
3	Cumberland	Stow Creek Twp	11.0%	15.4%
3	Cumberland	Upper Deerfield Twp	9.4%	14.3%
3	Gloucester	Clayton Boro	8.6%	16.6%
3	Gloucester	Clearview Regional	10.5%	14.7%
3	Gloucester	East Greenwich Twp	19.8%	10.9%
3	Gloucester	Elk Twp	10.0%	16.2%
3	Gloucester	Gateway Regional	12.1%	14.2%
3	Gloucester	Gloucester Co Vocational	10.9%	16.1%
3	Gloucester	Greenwich Twp	36.4%	9.9%
3	Gloucester	Harrison Twp	13.7%	12.6%
3	Gloucester	Kingsway Regional	17.8%	14.1%
3	Gloucester	Logan Twp	15.3%	12.0%
3	Gloucester	Mantua Twp	13.5%	12.2%
3	Gloucester	National Park Boro	6.9%	13.6%
3	Gloucester	Paulsboro Boro	7.9%	24.6%
3	Gloucester	South Harrison Twp	17.0%	12.1%
3	Gloucester	Delsea Regional H.S Dist.	9.7%	15.9%

### Background Paper: Impact of State School Aid Reduction on Property Tax Levy Cap (Cont'd)

Legislative District	County	District	% Proposed Aid Reduction	Authorized Tax Levy Increase
3	Gloucester	Swedesboro-Woolwich	15.3%	12.6%
3	Gloucester	Wenonah Boro	24.8%	10.5%
3	Gloucester	West Deptford Twp	16.5%	11.9%
3	Salem	Alloway Twp	14.2%	21.3%
3	Salem	Elmer Boro	9.7%	17.5%
3	Salem	Elsinboro Twp	18.6%	12.3%
3	Salem	Lower Alloways Creek	20.7%	11.2%
3	Salem	Mannington Twp	20.9%	10.8%
3	Salem	Oldmans Twp	12.4%	12.9%
3	Salem	Penns Grv-Carney's Pt Reg	7.4%	22.3%
3	Salem	Pennsville	15.0%	11.9%
3	Salem	Pittsgrove Twp	9.2%	17.9%
3	Salem	Quinton Twp	13.0%	26.2%
3	Salem	Salem City	6.9%	56.8%
3	Salem	Salem County Vocational	8.1%	26.5%
3	Salem	Upper Pittsgrove Twp	10.5%	14.0%
3	Salem	Woodstown-Pilesgrove Reg	18.1%	19.3%
4	Camden	Black Horse Pike Regional	9.5%	15.8%
4	Camden	Camden County Vocational	9.6%	23.3%
4	Camden	Clementon Boro	7.7%	18.0%
4	Camden	Gloucester Twp	10.1%	17.7%
4	Camden	Laurel Springs Boro	12.8%	13.0%
4	Camden	Lindenwold Boro	5.9%	17.2%
4	Gloucester	Franklin Twp	14.3%	20.3%
4	Gloucester	Glassboro	10.0%	14.5%
4	Gloucester	Gloucester Co Vocational	10.9%	16.1%
4	Gloucester	Monroe Twp	10.6%	13.5%
4	Gloucester	Newfield Boro	12.4%	14.7%
4	Gloucester	Pitman Boro	10.7%	14.0%
4	Gloucester	Delsea Regional H.S Dist.	9.7%	15.9%
4	Gloucester	Washington Twp	12.0%	13.4%
5	Camden	Audubon Boro	13.9%	15.4%
5	Camden	Barrington Boro	20.3%	11.6%
5	Camden	Bellmawr Boro	11.3%	12.2%
5	Camden	Black Horse Pike Regional	9.5%	15.8%
5	Camden	Brooklawn Boro	7.6%	34.4%
5	Camden	Camden City	5.0%	208.7%
5	Camden	Camden County Vocational	9.6%	23.3%
5	Camden	Gloucester City	5.9%	67.3%
5	Camden	Haddon Heights Boro	55.7%	14.4%
5	Camden	Hi Nella	9.2%	18.7%
5	Camden	Lawnside Boro	10.9%	14.4%
5	Camden	Magnolia Boro	9.9%	14.3%
5	Camden	Mount Ephraim Boro	12.2%	13.2%
5	Camden	Runnemede Boro	12.8%	14.4%

### Background Paper: Impact of State School Aid Reduction on Property Tax Levy Cap (Cont'd)

Legislative District	County	District	% Proposed Aid Reduction	Authorized Tax Levy Increase
5	Camden	Somerdale Boro	10.7%	13.3%
5	Camden	Sterling High School Dist	12.4%	15.2%
5	Camden	Stratford Boro	12.6%	13.9%
5	Camden	Woodlynne Boro	6.1%	27.7%
5	Gloucester	Deptford Twp	12.0%	12.8%
5	Gloucester	Gateway Regional	12.1%	14.2%
5	Gloucester	Gloucester Co Vocational	10.9%	16.1%
5	Gloucester	Westville Boro	8.9%	17.6%
5	Gloucester	Woodbury City	9.1%	14.5%
5	Gloucester	Woodbury Heights Boro	15.1%	11.9%
6	Camden	Berlin Boro	13.5%	12.3%
6	Camden	Berlin Twp	12.2%	12.8%
6	Camden	Camden County Vocational	9.6%	23.3%
6	Camden	Cherry Hill Twp	51.9%	10.0%
6	Camden	Chesilhurst	7.1%	28.1%
6	Camden	Collingswood Boro	13.5%	15.0%
6	Camden	Eastern Camden County Reg	16.8%	11.9%
6	Camden	Gibbsboro Boro	14.5%	12.7%
6	Camden	Haddon Twp	16.8%	11.5%
6	Camden	Haddonfield	100.0%	9.2%
6	Camden	Oaklyn Boro	15.4%	13.7%
6	Camden	Pine Hill Boro	9.4%	20.7%
6	Camden	Voorhees Twp	36.4%	10.3%
6	Camden	Waterford Twp	10.8%	15.3%
6	Camden	Winslow Twp	9.5%	15.3%
7	Burlington	Beverly City	6.4%	13.3%
7	Burlington	Burlington City	6.0%	17.1%
7	Burlington	Burlington Co Vocational	13.0%	16.2%
7	Burlington	Burlington Twp	14.6%	12.6%
7	Burlington	Cinnaminson Twp	19.9%	11.2%
7	Burlington	Delanco Twp	16.0%	12.3%
7	Burlington	Delran Twp	16.7%	12.3%
7	Burlington	Edgewater Park Twp	11.2%	13.8%
7	Burlington	Florence Twp	12.2%	13.0%
7	Burlington	Maple Shade Twp	16.9%	11.9%
7	Burlington	Mount Holly Twp	8.5%	16.9%
7	Burlington	Palmyra Boro	14.5%	14.1%
7	Burlington	Rancocas Valley Regional	11.3%	16.8%
7	Burlington	Riverside Twp	8.4%	18.4%
7	Burlington	Riverton	37.3%	9.9%
7	Burlington	Westampton	15.8%	11.8%
7	Burlington	Willingboro Twp	8.4%	17.3%
7	Camden	Camden County Vocational	9.6%	23.3%
7	Camden	Merchantville Boro	16.0%	11.4%
7	Camden	Pennsauken Twp	9.2%	17.1%

### Background Paper: Impact of State School Aid Reduction on Property Tax Levy Cap (Cont'd)

Legislative District	County	District	% Proposed Aid Reduction	Authorized Tax Levy Increase
8	Burlington	Burlington Co Vocational	13.0%	16.2%
8	Burlington	Eastampton Twp	13.6%	21.0%
8	Burlington	Evesham Twp	23.8%	11.0%
8	Burlington	Hainesport Twp	27.7%	10.5%
8	Burlington	Lenape Regional	20.9%	11.1%
8	Burlington	Lumberton Twp	12.8%	13.5%
8	Burlington	Mansfield Twp	58.3%	9.7%
8	Burlington	Medford Lakes Boro	26.9%	10.7%
8	Burlington	Medford Twp	39.3%	10.3%
8	Burlington	Moorestown Twp	67.2%	9.9%
8	Burlington	Mount Laurel Twp	51.1%	9.9%
8	Burlington	Pemberton Twp	5.9%	53.4%
8	Burlington	Rancocas Valley Regional	11.3%	16.8%
8	Burlington	Shamong Twp	14.5%	12.1%
8	Burlington	Southampton Twp	24.0%	10.4%
8	Burlington	Springfield Twp	16.9%	11.5%
8	Burlington	Tabernacle Twp	11.2%	14.2%
8	Burlington	Woodland Twp	12.6%	12.6%
9	Atlantic	Atlantic Co Vocational	17.2%	20.9%
9	Atlantic	Folsom Boro	7.1%	30.7%
9	Atlantic	Hammonton Town	14.7%	16.9%
9	Burlington	Bass River Twp	11.4%	13.5%
9	Burlington	Burlington Co Vocational	13.0%	16.2%
9	Burlington	Washington Twp	13.5%	12.0%
9	Ocean	Barneget Twp	11.1%	13.6%
9	Ocean	Beach Haven Boro	100.0%	9.4%
9	Ocean	Berkeley Twp	47.9%	9.8%
9	Ocean	Central Regional	38.0%	10.0%
9	Ocean	Eagleswood Twp	13.7%	11.1%
9	Ocean	Lacey Twp	14.0%	12.6%
9	Ocean	Lakehurst Boro	6.7%	44.2%
9	Ocean	Little Egg Harbor Twp	2.9%	8.0%
9	Ocean	Long Beach Island	60.2%	9.6%
9	Ocean	Manchester Twp	34.3%	10.3%
9	Ocean	Ocean County Vocational	20.7%	11.3%
9	Ocean	Ocean Gate Boro	13.2%	13.7%
9	Ocean	Ocean Twp	12.0%	13.7%
9	Ocean	Pinelands Regional	12.4%	13.2%
9	Ocean	Southern Regional	84.3%	11.1%
9	Ocean	Stafford Twp	16.6%	11.4%
9	Ocean	Toms River Regional	13.6%	12.5%
9	Ocean	Tuckerton Boro	11.6%	11.9%
10	Monmouth	Manasquan Boro	100.0%	12.5%
10	Monmouth	Monmouth Co Vocational	22.7%	16.8%
10	Ocean	Bay Head Boro	100.0%	7.0%

### Background Paper: Impact of State School Aid Reduction on Property Tax Levy Cap (Cont'd)

Legislative District	County	District	% Proposed Aid Reduction	Authorized Tax Levy Increase
10	Ocean	Brick Twp	17.4%	11.5%
10	Ocean	Island Heights Boro	53.6%	10.2%
10	Ocean	Lavallette Boro	64.2%	9.6%
10	Ocean	Ocean County Vocational	20.7%	11.3%
10	Ocean	Point Pleasant Boro	27.3%	11.1%
10	Ocean	Point Pleasant Beach	79.1%	10.7%
10	Ocean	Seaside Heights Boro	17.0%	11.9%
10	Ocean	Seaside Park Boro	32.9%	11.2%
10	Ocean	Toms River Regional	13.6%	12.5%
11	Monmouth	Allenhurst	23.5%	60.0%
11	Monmouth	Asbury Park City	5.2%	59.7%
11	Monmouth	Atlantic Highlands Boro	90.3%	9.9%
11	Monmouth	Avon Boro	72.6%	9.6%
11	Monmouth	Belmar Boro	34.6%	10.5%
11	Monmouth	Bradley Beach Boro	26.8%	11.4%
11	Monmouth	Brielle Boro	85.9%	9.4%
11	Monmouth	Deal Boro	100.0%	11.3%
11	Monmouth	Eatontown Boro	22.7%	11.4%
11	Monmouth	Henry Hudson Regional	40.0%	10.3%
11	Monmouth	Highlands Boro	22.5%	9.8%
11	Monmouth	Interlaken	42.8%	9.7%
11	Monmouth	Long Branch City	5.4%	12.6%
11	Monmouth	Monmouth Beach Boro	91.4%	10.1%
11	Monmouth	Monmouth Co Vocational	22.7%	16.8%
11	Monmouth	Monmouth Regional	28.0%	10.8%
11	Monmouth	Neptune City	18.9%	12.4%
11	Monmouth	Neptune Twp	9.2%	14.9%
11	Monmouth	Ocean Twp	33.1%	10.3%
11	Monmouth	Rumson Boro	99.5%	9.4%
11	Monmouth	Rumson-Fair Haven Reg	100.0%	9.1%
11	Monmouth	Sea Girt Boro	100.0%	8.9%
11	Monmouth	Shore Regional	94.6%	9.4%
11	Monmouth	Lake Como	23.7%	10.5%
11	Monmouth	Spring Lake Boro	100.0%	10.0%
11	Monmouth	Spring Lake Heights Boro	75.8%	9.5%
11	Monmouth	Wall Twp	60.3%	9.5%
11	Monmouth	West Long Branch Boro	100.0%	9.2%
12	Mercer	East Windsor Regional	20.0%	11.1%
12	Mercer	Mercer County Vocational	20.5%	12.9%
12	Monmouth	Colts Neck Twp	71.7%	9.6%
12	Monmouth	Fair Haven Boro	90.3%	9.5%
12	Monmouth	Freehold Boro	9.0%	14.9%
12	Monmouth	Freehold Regional	16.1%	11.6%
12	Monmouth	Freehold Twp	58.7%	9.9%
12	Monmouth	Little Silver Boro	100.0%	9.2%

### Background Paper: Impact of State School Aid Reduction on Property Tax Levy Cap (Cont'd)

Legislative District	County	District	% Proposed Aid Reduction	Authorized Tax Levy Increase
12	Monmouth	Manalapan-Englishtown Reg	16.6%	11.4%
12	Monmouth	Marlboro Twp	29.9%	10.3%
12	Monmouth	Millstone Twp	29.5%	10.3%
12	Monmouth	Monmouth Co Vocational	22.7%	16.8%
12	Monmouth	Monmouth Regional	28.0%	10.8%
12	Monmouth	Oceanport Boro	75.0%	10.8%
12	Monmouth	Red Bank Boro	3.6%	5.4%
12	Monmouth	Red Bank Regional	78.6%	10.8%
12	Monmouth	Rumson-Fair Haven Reg	100.0%	9.1%
12	Monmouth	Shrewsbury Boro	89.9%	9.4%
12	Monmouth	Tinton Falls	31.1%	11.4%
13	Middlesex	Middlesex Co Vocational	14.6%	12.7%
13	Middlesex	Old Bridge Twp	14.6%	12.1%
13	Monmouth	Hazlet Twp	17.3%	11.4%
13	Monmouth	Holmdel Twp	86.5%	9.5%
13	Monmouth	Keansburg Boro	6.9%	55.6%
13	Monmouth	Keyport Boro	14.3%	14.5%
13	Monmouth	Matawan-Aberdeen Regional	22.5%	10.7%
13	Monmouth	Middletown Twp	34.4%	10.0%
13	Monmouth	Monmouth Co Vocational	22.7%	16.8%
13	Monmouth	Union Beach	8.3%	15.8%
14	Mercer	Hamilton Twp	11.7%	13.6%
14	Mercer	Mercer County Vocational	20.5%	12.9%
14	Mercer	W Windsor-Plainsboro Reg	70.7%	9.7%
14	Middlesex	Cranbury Twp	100.0%	9.0%
14	Middlesex	Jamesburg Boro	11.5%	12.6%
14	Middlesex	Middlesex Co Vocational	14.6%	12.7%
14	Middlesex	Monroe Twp	94.9%	10.0%
14	Middlesex	South Brunswick Twp	25.1%	10.6%
15	Mercer	Ewing Twp	26.9%	10.7%
15	Mercer	Hopewell Valley Regional	84.6%	9.6%
15	Mercer	Lawrence Twp	66.3%	9.8%
15	Mercer	Mercer County Vocational	20.5%	12.9%
15	Mercer	Princeton Regional	67.3%	10.4%
15	Mercer	Trenton City	4.9%	62.7%
16	Morris	Mendham Boro	100.0%	8.4%
16	Morris	Morris County Vocational	51.4%	16.8%
16	Morris	West Morris Regional	42.2%	10.1%
16	Somerset	Bedminster Twp	75.5%	9.4%
16	Somerset	Bernards Twp	82.1%	9.5%
16	Somerset	Bound Brook Boro	13.6%	12.7%
16	Somerset	Branchburg Twp	73.0%	9.6%
16	Somerset	Bridgewater-Raritan Reg	55.2%	9.9%
16	Somerset	Hillsborough Twp	19.6%	11.1%
16	Somerset	Manville Boro	16.8%	11.2%



### Background Paper: Impact of State School Aid Reduction on Property Tax Levy Cap (Cont'd)

Legislative District	County	District	% Proposed Aid Reduction	Authorized Tax Levy Increase
16	Somerset	Montgomery Twp	65.4%	9.8%
16	Somerset	Somerset Co Vocational	43.8%	11.3%
16	Somerset	Somerset Hills Regional	100.0%	9.2%
16	Somerset	Somerville Boro	28.4%	13.6%
16	Somerset	South Bound Brook	13.7%	13.1%
17	Middlesex	Highland Park Boro	27.8%	10.2%
17	Middlesex	Middlesex Co Vocational	14.6%	12.7%
17	Middlesex	Milltown Boro	49.0%	9.8%
17	Middlesex	New Brunswick City	6.7%	34.4%
17	Middlesex	North Brunswick Twp	31.3%	10.3%
17	Middlesex	Piscataway Twp	28.0%	10.4%
17	Somerset	Franklin Twp	38.4%	9.8%
17	Somerset	Somerset Co Vocational	43.8%	11.3%
18	Middlesex	East Brunswick Twp	32.4%	10.3%
18	Middlesex	Edison Twp	55.8%	9.6%
18	Middlesex	Metuchen Boro	89.7%	9.4%
18	Middlesex	Middlesex Co Vocational	14.6%	12.7%
18	Middlesex	South Plainfield Boro	27.8%	11.1%
18	Middlesex	South River Boro	10.4%	14.9%
18	Middlesex	Spotswood	22.1%	18.2%
19	Middlesex	Carteret Boro	9.2%	15.3%
19	Middlesex	Middlesex Co Vocational	14.6%	12.7%
19	Middlesex	Perth Amboy City	4.0%	32.9%
19	Middlesex	Sayreville Boro	17.5%	11.4%
19	Middlesex	South Amboy City	8.5%	11.7%
19	Middlesex	Woodbridge Twp	33.2%	9.9%
20	Union	Elizabeth City	4.2%	35.9%
20	Union	Kenilworth Boro	26.3%	10.5%
20	Union	Roselle Boro	10.4%	14.7%
20	Union	Union County Vocational	16.6%	27.4%
20	Union	Union Twp	18.7%	12.2%
21	Essex	Essex Co Voc-Tech	9.5%	48.1%
21	Essex	Millburn Twp	100.0%	8.3%
21	Morris	Sch Dist Of The Chathams	86.3%	9.4%
21	Morris	Harding Township	100.0%	8.3%
21	Morris	Madison Boro	100.0%	9.1%
21	Morris	Morris County Vocational	51.4%	16.8%
21	Morris	Long Hill Twp	74.3%	9.4%
21	Somerset	Somerset Co Vocational	43.8%	11.3%
21	Somerset	Warren Twp	93.3%	9.4%
21	Somerset	Watchung Boro	84.1%	9.8%
21	Somerset	Watchung Hills Regional	100.0%	10.2%
21	Union	Berkeley Heights Twp	100.0%	9.8%
21	Union	Cranford Twp	77.5%	9.8%
21	Union	Garwood Boro	64.1%	10.5%

### Background Paper: Impact of State School Aid Reduction on Property Tax Levy Cap (Cont'd)

Legislative District	County	District	% Proposed Aid Reduction	Authorized Tax Levy Increase
21	Union	Mountainside Boro	92.6%	9.7%
21	Union	New Providence Boro	100.0%	9.0%
21	Union	Roselle Park Boro	13.2%	12.3%
21	Union	Springfield Twp	100.0%	8.8%
21	Union	Summit City	100.0%	8.6%
21	Union	Union County Vocational	16.6%	27.4%
21	Union	Westfield Town	90.4%	9.4%
22	Middlesex	Dunellen Boro	12.8%	12.2%
22	Middlesex	Middlesex Boro	16.3%	11.4%
22	Middlesex	Middlesex Co Vocational	14.6%	12.7%
22	Somerset	Green Brook Twp	75.3%	9.6%
22	Somerset	North Plainfield Boro	10.4%	14.3%
22	Somerset	Somerset Co Vocational	43.8%	11.3%
22	Union	Clark Twp	94.8%	10.1%
22	Union	Linden City	17.6%	9.8%
22	Union	Plainfield City	4.6%	31.0%
22	Union	Rahway City	12.3%	11.8%
22	Union	Scotch Plains-Fanwood Reg	84.4%	9.4%
22	Union	Union County Vocational	16.6%	27.4%
22	Union	Winfield Twp	9.4%	14.9%
23	Hunterdon	Alexandria Twp	24.3%	10.3%
23	Hunterdon	Bethlehem Twp	26.6%	10.3%
23	Hunterdon	Bloomsbury Boro	12.3%	12.8%
23	Hunterdon	Clinton Town	28.8%	13.5%
23	Hunterdon	Clinton Twp	78.6%	9.7%
23	Hunterdon	Delaware Twp	32.9%	10.0%
23	Hunterdon	Delaware Valley Regional	19.5%	10.9%
23	Hunterdon	East Amwell Twp	43.0%	9.9%
23	Hunterdon	Flemington-Raritan Reg	35.9%	10.0%
23	Hunterdon	Franklin Twp	76.4%	9.7%
23	Hunterdon	Frenchtown Boro	18.7%	11.9%
23	Hunterdon	Hampton Boro	14.2%	11.7%
23	Hunterdon	High Bridge Boro	19.9%	10.9%
23	Hunterdon	Holland Twp	25.6%	10.3%
23	Hunterdon	Hunterdon Central Reg	44.5%	10.1%
23	Hunterdon	Hunterdon Co Vocational	22.5%	20.2%
23	Hunterdon	Kingwood Twp	22.7%	10.5%
23	Hunterdon	Lambertville City	62.0%	9.5%
23	Hunterdon	Lebanon Boro	76.2%	9.5%
23	Hunterdon	Lebanon Twp	28.8%	10.5%
23	Hunterdon	Milford Boro	33.4%	10.2%
23	Hunterdon	N Hunt/Voorhees Regional	42.3%	10.3%
23	Hunterdon	Readington Twp	75.5%	9.8%
23	Hunterdon	South Hunterdon Regional	61.6%	9.6%
23	Hunterdon	Stockton Boro	100.0%	6.3%

### Background Paper: Impact of State School Aid Reduction on Property Tax Levy Cap (Cont'd)

Legislative District	County	District	% Proposed Aid Reduction	Authorized Tax Levy Increase
23	Hunterdon	Union Twp	55.9%	9.6%
23	Hunterdon	West Amwell Twp	58.4%	9.8%
23	Warren	Allamuchy Twp	53.9%	9.8%
23	Warren	Alpha Boro	13.2%	13.3%
23	Warren	Belvidere Town	19.2%	22.2%
23	Warren	Blairstown Twp	24.0%	15.1%
23	Warren	Franklin Twp	28.2%	10.4%
23	Warren	Frelinghuysen Twp	18.7%	11.2%
23	Warren	Great Meadows Regional	14.8%	12.1%
23	Warren	Greenwich Twp	11.7%	14.2%
23	Warren	Hackettstown	26.3%	14.2%
23	Warren	Harmony Twp	64.5%	10.3%
23	Warren	Hope Twp	21.2%	11.0%
23	Warren	Knowlton Twp	13.9%	12.2%
23	Warren	Lopatcong Twp	20.4%	10.7%
23	Warren	Mansfield Twp	12.0%	13.3%
23	Warren	North Warren Regional	15.4%	12.3%
23	Warren	Oxford Twp	11.5%	13.0%
23	Warren	Phillipsburg Town	6.3%	41.9%
23	Warren	Pohatcong Twp	19.3%	11.6%
23	Warren	Warren County Vocational	13.7%	15.0%
23	Warren	Warren Hills Regional	14.9%	13.0%
23	Warren	Washington Boro	12.8%	13.5%
23	Warren	Washington Twp	14.0%	12.0%
23	Warren	White Twp	20.5%	10.7%
24	Hunterdon	Califon Boro	36.8%	9.8%
24	Hunterdon	Hunterdon Co Vocational	22.5%	20.2%
24	Hunterdon	N Hunt/Voorhees Regional	42.3%	10.3%
24	Hunterdon	Tewksbury Twp	78.9%	9.6%
24	Morris	Chester Twp	70.1%	9.8%
24	Morris	Morris County Vocational	51.4%	16.8%
24	Morris	Mount Olive Twp	22.3%	10.6%
24	Morris	Netcong Boro	18.0%	11.6%
24	Morris	Washington Twp	23.2%	10.8%
24	Morris	West Morris Regional	42.2%	10.1%
24	Sussex	Andover Reg	25.2%	10.3%
24	Sussex	Byram Twp	18.2%	10.9%
24	Sussex	Frankford Twp	22.4%	12.6%
24	Sussex	Franklin Boro	11.4%	13.3%
24	Sussex	Fredon Twp	39.2%	9.9%
24	Sussex	Green Twp	21.9%	10.9%
24	Sussex	Hamburg Boro	14.3%	11.7%
24	Sussex	Hampton Twp	21.4%	10.6%
24	Sussex	Hardyston Twp	22.3%	10.5%
24	Sussex	High Point Regional	15.8%	11.6%

### Background Paper: Impact of State School Aid Reduction on Property Tax Levy Cap (Cont'd)

Legislative District	County	District	% Proposed Aid Reduction	Authorized Tax Levy Increase
24	Sussex	Hopatcong	13.2%	12.2%
24	Sussex	Kittatinny Regional	15.7%	12.3%
24	Sussex	Lafayette Twp	29.7%	10.0%
24	Sussex	Lenape Valley Regional	15.6%	11.5%
24	Sussex	Montague Twp	14.7%	11.9%
24	Sussex	Newton Town	18.0%	14.6%
24	Sussex	Ogdensburg Boro	10.0%	14.2%
24	Sussex	Sandyston-Walpack Twp	21.6%	12.1%
24	Sussex	Sparta Twp	37.6%	10.1%
24	Sussex	Stanhope Boro	16.6%	12.0%
24	Sussex	Stillwater Twp	14.3%	12.0%
24	Sussex	Sussex-Wantage Regional	13.9%	12.1%
24	Sussex	Sussex County Vocational	13.7%	12.1%
24	Sussex	Vernon Twp	12.5%	12.9%
24	Sussex	Wallkill Valley Regional	14.3%	12.7%
25	Morris	Boonton Town	70.9%	11.5%
25	Morris	Boonton Twp	81.7%	9.5%
25	Morris	Denville Twp	74.8%	9.4%
25	Morris	Dover Town	8.6%	21.5%
25	Morris	Jefferson Twp	15.9%	11.7%
25	Morris	Mendham Twp	99.7%	9.7%
25	Morris	Mine Hill Twp	16.5%	10.9%
25	Morris	Morris County Vocational	51.4%	16.8%
25	Morris	Morris Hills Regional	39.2%	9.9%
25	Morris	Morris School District	56.4%	10.4%
25	Morris	Mount Arlington Boro	64.0%	9.8%
25	Morris	Mountain Lakes Boro	100.0%	9.3%
25	Morris	Randolph Twp	26.1%	10.2%
25	Morris	Rockaway Boro	58.1%	9.6%
25	Morris	Rockaway Twp	62.5%	10.0%
25	Morris	Roxbury Twp	22.4%	11.1%
25	Morris	West Morris Regional	42.2%	10.1%
25	Morris	Wharton Boro	9.0%	8.8%
26	Morris	Butler Boro	39.8%	11.8%
26	Morris	Sch Dist Of The Chathams	86.3%	9.4%
26	Morris	East Hanover Twp	84.3%	9.4%
26	Morris	Florham Park Boro	94.3%	9.4%
26	Morris	Hanover Park Regional	100.0%	9.9%
26	Morris	Hanover Twp	83.6%	9.6%
26	Morris	Kinnelon Boro	74.3%	9.4%
26	Morris	Lincoln Park Boro	46.7%	9.9%
26	Morris	Montville Twp	99.0%	9.5%
26	Morris	Morris County Vocational	51.4%	16.8%
26	Morris	Morris Plains Boro	80.2%	9.6%
26	Morris	Parsippany-Troy Hills Twp	85.4%	9.6%

### Background Paper: Impact of State School Aid Reduction on Property Tax Levy Cap (Cont'd)

Legislative District	County	District	% Proposed Aid Reduction	Authorized Tax Levy Increase
26	Morris	Pequannock Twp	60.7%	9.9%
26	Morris	Riverdale Boro	83.2%	9.5%
26	Passaic	Bloomington Boro	35.7%	10.1%
26	Passaic	Passaic County Vocational	16.0%	50.6%
26	Passaic	Pompton Lakes Boro	32.4%	10.6%
26	Passaic	West Milford Twp	20.2%	10.9%
27	Essex	Caldwell-West Caldwell	100.0%	8.4%
27	Essex	Essex Co Voc-Tech	9.5%	48.1%
27	Essex	Essex Fells Boro	100.0%	8.2%
27	Essex	Fairfield Twp	97.6%	9.5%
27	Essex	Livingston Twp	100.0%	9.1%
27	Essex	Newark City	5.4%	46.6%
27	Essex	North Caldwell Boro	100.0%	6.5%
27	Essex	City Of Orange Twp	5.1%	44.5%
27	Essex	Roseland Boro	85.6%	9.7%
27	Essex	South Orange-Maplewood	80.9%	9.6%
27	Essex	West Essex Regional	89.4%	9.4%
27	Essex	West Orange Town	63.6%	9.5%
28	Essex	Belleville Town	11.3%	13.1%
28	Essex	Bloomfield Twp	18.6%	10.9%
28	Essex	Essex Co Voc-Tech	9.5%	48.1%
28	Essex	Irvington Township	5.8%	45.6%
28	Essex	Newark City	5.4%	46.6%
29	Essex	Essex Co Voc-Tech	9.5%	48.1%
29	Essex	Newark City	5.4%	46.6%
29	Union	Hillside Twp	10.8%	13.4%
29	Union	Union County Vocational	16.6%	27.4%
30	Burlington	Bordentown Regional	20.3%	11.3%
30	Burlington	Burlington Co Vocational	13.0%	16.2%
30	Burlington	Chesterfield Twp	83.5%	9.9%
30	Burlington	New Hanover Twp	10.0%	20.9%
30	Burlington	North Hanover Twp	9.8%	60.9%
30	Burlington	Northern Burlington Reg	12.8%	13.7%
30	Mercer	Mercer County Vocational	20.5%	12.9%
30	Mercer	Robbinsville Twp	58.0%	9.7%
30	Monmouth	Farmingdale Boro	14.5%	12.5%
30	Monmouth	Howell Twp	14.5%	11.9%
30	Monmouth	Monmouth Co Vocational	22.7%	16.8%
30	Monmouth	Roosevelt Boro	15.7%	13.7%
30	Monmouth	Upper Freehold Regional	31.5%	13.8%
30	Ocean	Jackson Twp	12.0%	13.7%
30	Ocean	Lakewood Twp	12.1%	8.8%
30	Ocean	Ocean County Vocational	20.7%	11.3%
30	Ocean	Plumsted Twp	9.7%	16.4%
31	Hudson	Bayonne City	10.3%	14.0%

### Background Paper: Impact of State School Aid Reduction on Property Tax Levy Cap (Cont'd)

Legislative District	County	District	% Proposed Aid Reduction	Authorized Tax Levy Increase
31	Hudson	Hudson County Vocational	10.8%	13.8%
31	Hudson	Jersey City	4.9%	29.1%
32	Bergen	Bergen County Vocational	42.0%	14.4%
32	Bergen	Fairview Boró	13.1%	12.3%
32	Hudson	East Newark Boro	6.9%	23.7%
32	Hudson	Harrison Town	7.2%	25.2%
32	Hudson	Hudson County Vocational	10.8%	13.8%
32	Hudson	Jersey City	4.9%	29.1%
32	Hudson	Kearny Town	12.9%	13.2%
32	Hudson	North Bergen Twp	7.5%	15.6%
32	Hudson	Secaucus Town	100.0%	9.4%
33	Hudson	Guttenberg Town	14.1%	12.0%
33	Hudson	Hoboken City	14.0%	10.3%
33	Hudson	Hudson County Vocational	10.8%	13.8%
33	Hudson	Jersey City	4.9%	29.1%
33	Hudson	Union City	4.7%	58.8%
33	Hudson	Weehawken Twp	26.9%	10.2%
33	Hudson	West New York Town	4.1%	32.6%
34	Essex	East Orange	5.1%	57.9%
34	Essex	Essex Co Voc-Tech	9.5%	48.1%
34	Essex	Glen Ridge Boro	100.0%	9.0%
34	Essex	Montclair Town	60.7%	9.7%
34	Passaic	Clifton City	25.6%	10.3%
34	Passaic	Passaic Valley Regional	74.3%	9.5%
34	Passaic	Passaic County Vocational	16.0%	50.6%
34	Passaic	Woodland Park	67.8%	9.6%
35	Bergen	Bergen County Vocational	42.0%	14.4%
35	Bergen	Glen Rock Boro	100.0%	8.6%
35	Passaic	Haledon Boro	4.1%	9.5%
35	Passaic	Hawthorne Boro	62.0%	9.5%
35	Passaic	North Haledon Boro	77.6%	9.6%
35	Passaic	Passaic Co Manchester Reg	13.3%	11.7%
35	Passaic	Passaic Valley Regional	74.3%	9.5%
35	Passaic	Passaic County Vocational	16.0%	50.6%
35	Passaic	Paterson City	5.2%	61.8%
35	Passaic	Prospect Park Boro	6.8%	26.1%
35	Passaic	Totowa Boro	96.1%	10.0%
36	Bergen	Bergen County Vocational	42.0%	14.4%
36	Bergen	Carlstadt Boro	100.0%	9.3%
36	Bergen	Carlstadt-East Rutherford	100.0%	9.1%
36	Bergen	East Rutherford Boro	71.5%	9.6%
36	Bergen	Garfield City	5.5%	17.7%
36	Bergen	Lyndhurst Twp	60.7%	9.5%
36	Bergen	Moonachie Boro	63.7%	10.2%
36	Bergen	North Arlington Boro	52.2%	10.0%

### Background Paper: Impact of State School Aid Reduction on Property Tax Levy Cap (Cont'd)

Legislative District	County	District	% Proposed Aid Reduction	Authorized Tax Levy Increase
36	Bergen	Rutherford Boro	57.4%	9.5%
36	Bergen	Wallington Boro	24.2%	10.7%
36	Bergen	Wood-Ridge Boro	71.1%	10.0%
36	Essex	Essex Co Voc-Tech	9.5%	48.1%
36	Essex	Nutley Town	34.1%	9.9%
36	Passaic	Passaic City	5.0%	72.7%
36	Passaic	Passaic County Vocational	16.0%	50.6%
37	Bergen	Bergen County Vocational	42.0%	14.4%
37	Bergen	Bergenfield Boro	25.3%	10.7%
37	Bergen	Bogota Boro	16.2%	11.5%
37	Bergen	Englewood City	24.4%	10.1%
37	Bergen	Englewood Cliffs Boro	98.8%	9.5%
37	Bergen	Hackensack City	28.5%	10.9%
37	Bergen	Leonia Boro	32.2%	12.1%
37	Bergen	Maywood Boro	57.4%	10.0%
37	Bergen	Palisades Park	46.3%	9.8%
37	Bergen	Ridgefield Park Twp	28.5%	11.3%
37	Bergen	Rochelle Park Twp	72.5%	9.7%
37	Bergen	Teaneck Twp	59.3%	9.8%
37	Bergen	Tenafly Boro	100.0%	7.8%
38	Bergen	Bergen County Vocational	42.0%	14.4%
38	Bergen	Cliffside Park Boro	39.7%	11.1%
38	Bergen	Edgewater Boro	61.5%	9.3%
38	Bergen	Elmwood Park	48.4%	9.7%
38	Bergen	Fair Lawn Boro	78.4%	9.8%
38	Bergen	Fort Lee Boro	88.0%	9.9%
38	Bergen	Hasbrouck Heights Boro	73.8%	9.5%
38	Bergen	Little Ferry Boro	46.8%	9.8%
38	Bergen	Lodi Borough	16.4%	11.7%
38	Bergen	Paramus Boro	99.8%	9.5%
38	Bergen	Ridgefield Boro	52.4%	14.6%
38	Bergen	Saddle Brook Twp	77.5%	9.5%
38	Bergen	South Hackensack Twp	82.4%	9.6%
38	Bergen	Teterboro	100.0%	5.7%
39	Bergen	Allendale Boro	100.0%	7.2%
39	Bergen	Alpine Boro	100.0%	8.1%
39	Bergen	Bergen County Vocational	42.0%	14.4%
39	Bergen	Closter Boro	100.0%	8.5%
39	Bergen	Cresskill Boro	94.8%	9.5%
39	Bergen	Demarest Boro	100.0%	8.7%
39	Bergen	Dumont Boro	21.1%	10.6%
39	Bergen	Emerson Boro	100.0%	9.4%
39	Bergen	Harrington Park Boro	99.3%	9.4%
39	Bergen	Haworth Boro	98.5%	9.3%
39	Bergen	Hillsdale Boro	75.8%	9.5%

### Background Paper: Impact of State School Aid Reduction on Property Tax Levy Cap (Cont'd)

Legislative District	County	District	% Proposed Aid Reduction	Authorized Tax Levy Increase
39	Bergen	Ho Ho Kus Boro	85.7%	9.7%
39	Bergen	Montvale Boro	89.5%	9.5%
39	Bergen	New Milford Boro	61.9%	9.6%
39	Bergen	Northern Highlands Reg	100.0%	8.6%
39	Bergen	Northern Valley Regional	100.0%	8.4%
39	Bergen	Northvale Boro	100.0%	9.1%
39	Bergen	Norwood Boro	72.4%	9.6%
39	Bergen	Old Tappan Boro	100.0%	9.0%
39	Bergen	Oradell Boro	93.2%	9.6%
39	Bergen	Park Ridge Boro	100.0%	7.8%
39	Bergen	Pascack Valley Regional	100.0%	8.9%
39	Bergen	Ramsey Boro	100.0%	9.1%
39	Bergen	River Dell Regional	100.0%	8.3%
39	Bergen	River Edge Boro	96.2%	9.8%
39	Bergen	River Vale Twp	100.0%	7.7%
39	Bergen	Rockleigh	100.0%	8.4%
39	Bergen	Saddle River Boro	100.0%	8.8%
39	Bergen	Upper Saddle River Boro	100.0%	8.5%
39	Bergen	Waldwick Boro	90.7%	9.5%
39	Bergen	Westwood Regional	83.4%	9.5%
39	Bergen	Woodcliff Lake Boro	100.0%	9.0%
40	Bergen	Bergen County Vocational	42.0%	14.4%
40	Bergen	Franklin Lakes Boro	96.6%	9.8%
40	Bergen	Mahwah Twp	79.0%	9.5%
40	Bergen	Midland Park Boro	92.9%	9.9%
40	Bergen	Oakland Boro	100.0%	8.5%
40	Bergen	Ramapo-Indian Hill Reg	100.0%	9.0%
40	Bergen	Ridgewood Village	100.0%	7.9%
40	Bergen	Wyckoff Twp	100.0%	8.9%
40	Essex	Cedar Grove Twp	95.1%	9.6%
40	Essex	Essex Co Voc-Tech	9.5%	48.1%
40	Essex	Verona Boro	95.1%	9.4%
40	Passaic	Lakeland Regional	21.0%	10.9%
40	Passaic	Little Falls Twp	78.1%	9.5%
40	Passaic	Passaic Valley Regional	74.3%	9.5%
40	Passaic	Ringwood Boro	28.7%	10.6%
40	Passaic	Wanaque Boro	26.4%	10.4%
40	Passaic	Wayne Twp	95.6%	9.5%



## Background Paper: Proposed School Funding Methodology: Implications for Charter School Funding

This background paper discusses how certain decisions made by the department with respect to calculating State school aid minimizes the effect of school aid reductions on charter schools. For the readers' convenience, it begins with a brief summary, which is followed by a more detailed discussion.

### Summary

The proposed FY 2011 budget reduces districts' State school aid allocation by an amount approximately equal to five percent of the original general fund budget for the 2009-2010 school year. To implement this reduction, the department reduced individual categories of State aid in a particular order. The order selected, however, deviates from the ordering used to implement the State aid growth limit and has the effect of minimizing the effect of the State aid reduction on the amount of funding charter schools will receive. It is estimated that districts will be required to transfer an additional \$16.9 million<sup>7</sup> to charter schools than they would have under the approach used for the State aid growth limit. As seen in Table 1, four school districts account for nearly three-quarters of this additional transfer. While this figure would not appear as a State school aid reduction, it represents funding that will be unavailable to districts as part of their operating budgets.

**Table 1**  
**Estimated Additional State School Aid to Be Transferred to Charter Schools as Result of Modified State Aid Reduction Ordering**

District	Additional Transfer to Charter Schools
Camden	\$2.5 million
Jersey City	\$2.6 million
Newark	\$5.1 million
Trenton	\$1.9 million
All other Districts	\$4.8 million

### Technical Discussion

In response to the loss of over \$1 billion in federal revenue that supported State school aid during the 2009-2010 school year, the proposed budget for fiscal year 2010-2011 reduces formula aid to school districts by \$1.09 dollars. To achieve this reduction, the Department of Education calculated State aid for districts using the following two-stage methodology:

- Stage 1:** The department executed a modified version of the school funding formula. The modifications include assuming that the consumer price index equals 0 percent (as opposed to the actual 1.6 percent) and set the State aid growth limit to 0 percent for all school districts (as opposed to the levels included in the school funding law: 10 percent for districts spending above adequacy and 20 percent for districts spending below

<sup>7</sup> For technical reasons, it is not possible to include districts that will not receive certain aid categories in the upcoming school year. These districts, however, generally have few students enrolled in charter schools and this estimate should not be significantly affected by their omission.

**Background Paper: Proposed School Funding Methodology: Implications for Charter School Funding (Cont'd)**

adequacy). This approach guarantees that no district would have an initial increase in formula aid<sup>8</sup>, but a district may have a decrease.

- **Stage 2:** The aid amount that results from the first stage is then reduced by an amount equal to 4.994 percent of the district's general fund budget for the 2009-2010 school year.

To achieve the aid reductions necessary to reach the State aid growth limit of Stage 1 and the budget reduction of Stage 2, the department reduces the district's aid in a specific order until the full reduction has been achieved. If the district's initial allocation of aid in the first category is less than the total reduction needed, then that category of aid is reduced to zero and the next category of aid is reduced. In the budget reductions, the department used a different "pecking order" than was used to implement the State aid growth limit, as shown in Table 2. In a memo to school districts, the department states, "It should be noted that an important goal in our distribution of aid dollars was to minimize the impact of the loss of federal funds on categories of aid that are vital to providing a thorough and efficient education. Thus, aid reductions were applied in an order that made equalization aid the last to be impacted."<sup>9</sup>

**Table 2  
Ordering of State Aid Categories for State Aid Growth Limit and Budget Reductions**

State Aid Growth Limit (Stage 1)	Budget Reduction (Stage 2)
(1) Equalization Aid	Adjustment Aid
(2) Special Education Categorical Aid	Transportation Aid
(3) Security Categorical Aid	Security Categorical Aid
(4) Transportation Aid	Special Education Categorical Aid
(5) N/A <sup>10</sup>	Equalization Aid

The order in which the aid categories are reduced minimizes the effect of the State aid reduction on charter schools. The provisions of N.J.S.A.18A:36A-12 specify that a school district pays equalization aid, special education categorical aid, and security aid to a charter school enrolling any of the district's resident students. By placing two categories of aid that are not passed through to charter schools, adjustment aid and transportation aid, first in the pecking order, the overall reduction to the other categories will be minimized. While the order does not affect the total amount of aid awarded to the school district, it does impact the amount of the aid that the district must forward to charter schools and leaves the district less revenue for its operating expenses.<sup>11</sup>

Table 3 provides district-level estimates of the additional amount that will be required to be transferred to charter schools given the chosen aid reduction order versus the order by which the State aid growth limit was applied (with adjustment aid at the end of the order).

<sup>8</sup> This statement does not consider the effect of preschool education aid and school choice aid.

<sup>9</sup> The underlying reasoning of the statement is unclear. To the extent that the aid categories are general fund revenue and completely fungible, it is unclear why one category of aid would be more "vital to providing a thorough and efficient education" than another.

<sup>10</sup> By definition, a district that receives adjustment aid is not subject to the State aid growth limit.

<sup>11</sup> This does not suggest that there is a "correct" order; the intent is to outline the implications of alternative policy decisions.

## Background Paper: Proposed School Funding Methodology: Implications for Charter School Funding (Cont'd)

Statewide, the different ordering results in an additional \$16.9 million that would be transferred to charter schools.

**Table 3**  
**Estimated Additional State School Aid to Be Transferred to Charter Schools as Result of Modified State Aid Reduction Ordering, All Districts**

County	District	Additional Transfers to Charter Schools
Atlantic	Atlantic City	\$413,832
Atlantic	Brigantine City	\$13,641
Atlantic	Hamilton Twp	\$7,198
Atlantic	Pleasantville City	\$457,877
Atlantic	Ventnor City	\$8,746
Bergen	Englewood City	\$104,336
Bergen	Teaneck Twp	\$245,175
Burlington	Mount Laurel Twp	\$173
Burlington	New Hanover Twp	\$3,742
Burlington	Pemberton Twp	\$118,738
Burlington	Springfield Twp	\$8,195
Camden	Camden City	\$2,532,963
Camden	Chesilhurst	\$2,612
Camden	Collingswood Boro	\$7,380
Camden	Gloucester City	\$4,347
Camden	Winslow Twp	\$133,301
Cape May	Dennis Twp	\$2,413
Cape May	Lower Twp	\$978
Cape May	Middle Twp	\$1,066
Cape May	Upper Twp	\$2,747
Cape May	Wildwood Crest Boro	\$504
Cumberland	Fairfield Twp	\$699
Cumberland	Millville City	\$4,986
Cumberland	Vineland City	\$90,380
Essex	East Orange	\$483,477
Essex	Irvington Township	\$207,013
Essex	Newark City	\$5,121,143
Essex	South Orange-Maplewood	\$297
Gloucester	Franklin Twp	\$1,739
Gloucester	Gateway Regional	\$647
Gloucester	Washington Twp	\$2,051
Hudson	Hoboken City	\$282,900
Hudson	Jersey City	\$2,618,435
Hudson	Weehawken Twp	\$13,004
Hunterdon	Delaware Twp	\$8,776
Hunterdon	East Amwell Twp	\$8,877
Hunterdon	Lebanon Twp	\$732
Mercer	Princeton Regional	\$57,431

### Background Paper: Proposed School Funding Methodology: Implications for Charter School Funding (Cont'd)

County	District	Additional Transfers to Charter Schools
Mercer	Trenton City	\$1,911,278
Mercer	W Windsor-Plainsboro Reg	\$19,695
Middlesex	Metuchen Boro	\$32
Monmouth	Asbury Park City	\$405,839
Monmouth	Belmar Boro	\$574
Monmouth	Bradley Beach Boro	\$24,178
Monmouth	Long Branch City	\$1,518
Monmouth	Neptune Twp	\$21,813
Monmouth	Ocean Twp	\$4,586
Monmouth	Lake Como	\$1,303
Monmouth	Tinton Falls	\$225
Monmouth	Wall Twp	\$3,242
Morris	Denville Twp	\$3,227
Morris	Morris School District	\$22,927
Morris	Mount Arlington Boro	\$3,509
Morris	Parsippany-Troy Hills Twp	\$2,296
Passaic	Passaic Valley Regional	\$227
Passaic	Paterson City	\$874,031
Sussex	Andover Reg	\$65
Sussex	Byram Twp	\$1,023
Sussex	Frankford Twp	\$3,688
Sussex	Franklin Boro	\$4,592
Sussex	Green Twp	\$3,422
Sussex	Hamburg Boro	\$3,201
Sussex	Hampton Twp	\$1,111
Sussex	Hardyston Twp	\$7,312
Sussex	Hopatcong	\$18,541
Sussex	Kittatinny Regional	\$5,914
Sussex	Montague Twp	\$46,527
Sussex	Ogdensburg Boro	\$2,739
Sussex	Sparta Twp	\$6,568
Sussex	Stanhope Boro	\$1,886
Sussex	Stillwater Twp	\$1,753
Sussex	Sussex-Wantage Regional	\$33,071
Sussex	Vernon Twp	\$12,728
Union	Plainfield City	\$406,118
Union	Scotch Plains-Fanwood Reg	\$812
Warren	Blairstown Twp	\$21,558
Warren	Frelinghuysen Twp	\$6,867
Warren	Hope Twp	\$1,785
Warren	Oxford Twp	\$2,074
Warren	Phillipsburg Town	\$2,650
Warren	Washington Twp	\$1,541
<b>Total</b>		<b>\$16,870,597</b>

## OFFICE OF LEGISLATIVE SERVICES

The Office of Legislative Services provides nonpartisan assistance to the State Legislature in the areas of legal, fiscal, research, bill drafting, committee staffing and administrative services. It operates under the jurisdiction of the Legislative Services Commission, a bipartisan body consisting of eight members of each House. The Executive Director supervises and directs the Office of Legislative Services.

The Legislative Budget and Finance Officer is the chief fiscal officer for the Legislature. The Legislative Budget and Finance Officer collects and presents fiscal information for the Legislature; serves as Secretary to the Joint Budget Oversight Committee; attends upon the Appropriations Committees during review of the Governor's Budget recommendations; reports on such matters as the committees or Legislature may direct; administers the fiscal note process and has statutory responsibilities for the review of appropriations transfers and other State fiscal transactions.

The Office of Legislative Services Central Staff provides a variety of legal, fiscal, research and administrative services to individual legislators, legislative officers, legislative committees and commissions, and partisan staff. The central staff is organized under the Central Staff Management Unit into ten subject area sections. Each section, under a section chief, includes legal, fiscal, and research staff for the standing reference committees of the Legislature and, upon request, to special commissions created by the Legislature. The central staff assists the Legislative Budget and Finance Officer in providing services to the Appropriations Committees during the budget review process.

Individuals wishing information and committee schedules on the FY 2011 budget are encouraged to contact:

**Legislative Budget and Finance Office**  
**State House Annex**  
**Room 140 PO Box 068**  
**Trenton, NJ 08625**  
**(609) 292-8030 • Fax (609) 777-2442**

**EXHIBIT C**

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New Jersey

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## New Jersey

<b>Total Student Population</b>	<b>1,395,602</b>
<b>Students Receiving Special Education (Ages 6-21)</b>	<b>230,519</b>
<b>Percent of Students Receiving Special Education Services</b>	<b>16.5%</b>
<b>FY2008 IDEA Part B Grants to States</b>	<b>\$343,527,756</b>
<b>FY2009 IDEA Part B Grants to States</b>	<b>\$359,278,067</b>
<b>IDEA Part B ARRA Grant (FY09)</b>	<b>\$360,691,433</b>
<b>Total FY09 Grants to States</b>	<b>\$719,969,500</b>
<b>Percent Increase FY08 to FY09</b>	<b>110%</b>
<b>ARRA Grant per child</b>	<b>\$1,565</b>
<b>APR Performance Rating 2008 PART B</b>	<b>Needs Assistance (2nd Year)</b>
<b>APR Performance Rating 2009 PART B</b>	<b>Meets Requirements</b>

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**PROCESS AND CRITERIA USED TO EVALUATE A REQUEST BY  
STATES TO WAIVE MAINTENANCE OF EFFORT (MOE)  
REQUIREMENTS UNDER PART B OF THE *INDIVIDUALS WITH  
DISABILITIES EDUCATION ACT (IDEA)***

OFFICE OF SPECIAL EDUCATION PROGRAMS  
OFFICE OF SPECIAL EDUCATION AND REHABILITATION SERVICES  
U.S. DEPARTMENT OF EDUCATION

JUNE 2010

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During the past two years, we have seen an unprecedented federal investment in special education—more than \$25 billion from the regular FY 2009 and 2010 Education Department appropriations and another \$12.2 billion under the *American Recovery and Reinvestment Act (ARRA)*. At the same time, we recognize that the falloff in state revenues has caused hardships for many states.

With this in mind, we have received questions about the process and criteria used to evaluate a request by states to waive Maintenance of Effort (MOE) requirements under Part B of the *Individuals with Disabilities Education Act (IDEA)*.

Based on the statutory language, and in light of the potential impact of a waiver on the education of students with disabilities, the department grants such waivers only when a state demonstrates that it has experienced "exceptional or uncontrollable circumstances."

If a waiver is granted, the statute contains several protections to ensure that appropriate services continue to be provided for children with disabilities. Thus, a state must continue to ensure that a free appropriate public education (FAPE) is made available to all children with disabilities residing in that state. Further, if the department grants a waiver, the amount of financial support required of the state in future years is the same amount that would have been required in the absence of the waiver.

As we have indicated in our preamble to the regulations issued in 2006 under the *IDEA*, the decision to grant or deny a waiver is made on a case-by-case basis; waivers are considered through a very careful process that takes into account the specific facts and circumstances of each situation being reviewed.

When considering a waiver request, the department wants to ensure that any reduction in the level of state support for special education and related services is not greater than the percentage reduction in revenues experienced by the state, and that the state is treating special education equitably when compared to other programs within the state. In part B

of *IDEA*, as of June 1, 2010, the department has received waiver requests regarding maintenance of effort from Kansas, Iowa, South Carolina and West Virginia for the 2009-2010 school year. The department has granted a waiver request from Kansas and from Iowa, and the other requests are currently under review. In reviewing waiver requests under *IDEA*, Part B, the department is considering factors such as the following:

- Whether the state experienced exceptional or uncontrollable circumstances such as a natural disaster or a precipitous and unforeseen decline in the financial resources of the state.
- The state's revenues for the year for which it sought a waiver compared to the prior year and to what extent the decrease was based on exceptional or uncontrollable circumstances.
- The state's total appropriations in the year for which a waiver was sought and the prior year.
- The state's level of financial support for special education and related services provided to children with disabilities in the year for which a waiver was sought and the prior year.
- The state's appropriations for other agencies by category in the year for which a waiver was requested and the prior year, including education as a whole, and broken down by higher education, K-12, and special education.
- The state's compliance and performance record in implementing Part B of *IDEA*—the nature and length of any noncompliance, data in its state Performance Plan and Annual Performance Report, including data on performance and compliance indicators, the state's determination under Section 616 of *IDEA*, whether there are outstanding findings of noncompliance, whether corrective actions are underway, and whether the department has placed special conditions on the state's Part B grant award.
- As general background, the department might also look at financial information on the measures mentioned above from prior years as well. While this information is not directly relevant, it may provide trend data that might be helpful.
- Other sources of revenue used by the state for special education and related services, such as funds provided through Part B of *IDEA* and *ARRA*. While these funds are not considered in the calculation for state support of special education and related services, the existence of these funds may help mitigate the effects of a waiver to the state's MOE. Therefore, we consider these funds when examining the equities of granting or denying a waiver.

In addition, in making a decision about a waiver under *IDEA*, Part B, the department reviews the monitoring it has done of the state and, after granting a waiver, may undertake additional monitoring of the state's implementation of Part B to assess such issues as whether a FAPE is being made available to all children with disabilities residing in the state.

**EXHIBIT D**



# **PROCESS AND CRITERIA USED TO EVALUATE A REQUEST BY STATES TO WAIVE MAINTENANCE OF EFFORT (MOE) REQUIREMENTS UNDER PART B OF THE *INDIVIDUALS WITH DISABILITIES EDUCATION ACT (IDEA)***

OFFICE OF SPECIAL EDUCATION PROGRAMS  
OFFICE OF SPECIAL EDUCATION AND REHABILITATION SERVICES  
U.S. DEPARTMENT OF EDUCATION

JUNE 2010

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During the past two years, we have seen an unprecedented federal investment in special education—more than \$25 billion from the regular FY 2009 and 2010 Education Department appropriations and another \$12.2 billion under the *American Recovery and Reinvestment Act (ARRA)*. At the same time, we recognize that the falloff in state revenues has caused hardships for many states.

With this in mind, we have received questions about the process and criteria used to evaluate a request by states to waive Maintenance of Effort (MOE) requirements under Part B of the *Individuals with Disabilities Education Act (IDEA)*.

Based on the statutory language, and in light of the potential impact of a waiver on the education of students with disabilities, the department grants such waivers only when a state demonstrates that it has experienced "exceptional or uncontrollable circumstances."

If a waiver is granted, the statute contains several protections to ensure that appropriate services continue to be provided for children with disabilities. Thus, a state must continue to ensure that a free appropriate public education (FAPE) is made available to all children with disabilities residing in that state. Further, if the department grants a waiver, the amount of financial support required of the state in future years is the same amount that would have been required in the absence of the waiver.

As we have indicated in our preamble to the regulations issued in 2006 under the *IDEA*, the decision to grant or deny a waiver is made on a case-by-case basis; waivers are considered through a very careful process that takes into account the specific facts and circumstances of each situation being reviewed.

When considering a waiver request, the department wants to ensure that any reduction in the level of state support for special education and related services is not greater than the percentage reduction in revenues experienced by the state, and that the state is treating special education equitably when compared to other programs within the state. In part B

of *IDEA*, as of June 1, 2010, the department has received waiver requests regarding maintenance of effort from Kansas, Iowa, South Carolina and West Virginia for the 2009-2010 school year. The department has granted a waiver request from Kansas and from Iowa, and the other requests are currently under review. In reviewing waiver requests under *IDEA*, Part B, the department is considering factors such as the following:

- Whether the state experienced exceptional or uncontrollable circumstances such as a natural disaster or a precipitous and unforeseen decline in the financial resources of the state.
- The state's revenues for the year for which it sought a waiver compared to the prior year and to what extent the decrease was based on exceptional or uncontrollable circumstances.
- The state's total appropriations in the year for which a waiver was sought and the prior year.
- The state's level of financial support for special education and related services provided to children with disabilities in the year for which a waiver was sought and the prior year.
- The state's appropriations for other agencies by category in the year for which a waiver was requested and the prior year, including education as a whole, and broken down by higher education, K-12, and special education.
- The state's compliance and performance record in implementing Part B of *IDEA*—the nature and length of any noncompliance, data in its state Performance Plan and Annual Performance Report, including data on performance and compliance indicators, the state's determination under Section 616 of *IDEA*, whether there are outstanding findings of noncompliance, whether corrective actions are underway, and whether the department has placed special conditions on the state's Part B grant award.
- As general background, the department might also look at financial information on the measures mentioned above from prior years as well. While this information is not directly relevant, it may provide trend data that might be helpful.
- Other sources of revenue used by the state for special education and related services, such as funds provided through Part B of *IDEA* and *ARRA*. While these funds are not considered in the calculation for state support of special education and related services, the existence of these funds may help mitigate the effects of a waiver to the state's MOE. Therefore, we consider these funds when examining the equities of granting or denying a waiver.

In addition, in making a decision about a waiver under *IDEA*, Part B, the department reviews the monitoring it has done of the state and, after granting a waiver, may undertake additional monitoring of the state's implementation of Part B to assess such issues as whether a FAPE is being made available to all children with disabilities residing in the state.