**GARDEN STATE COALITION OF SCHOOLS/GSCS**

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**Senate Budget Committee Hearing March 19, 2014: State Budget FY 2014-2015**

Good morning Chairman Sarlo and members of the Committee. My name is Lynne Strickland, and I am the Executive Director of the Garden State Coalition of Schools.  GSCS appreciates the opportunity to provide input to the legislature on the proposed State Budget for Fiscal Year 2014-2015. Thank you for your time.

GSCS’ overarching purpose is to see quality education programs to continue to be available so that student learning continues to grow. Thank you for the opportunity to provide brief comments before you today on the State Budget for FY’15.

As is GSCS tradition, we offer you insight into what local GSCS member districts are struggling with in terms of the balancing act for fiscal support for their schools, via a few examples from a typical GSCS member district immediately below. Also, attached here are a few charts and tables that demonstrate clearly some key statewide trends.

GSCS member district example (3.5K students, spends $1,100 less than average school district in its category)

**Health Care Costs, e.g.**

Even though negotiations with staff resulted in staff contributing more to their plan, overall health insurance increases are above 15% and a Health Care Waiver is required to exceed the cap by $482K

Local Revenue Generation, e.g.

$1M - Transportation savings: Middle School opened 30 minutes earlier thus facilitating coordination and consolidation of busing.

$250 K - Special Education savings: Instituted a new program for special education students “Effective School Solutions” (provides therapy and mental health support) which resulted in 7 special needs students returning to district and 6 more students staying in district that would have been sent out of district

$27 K - Sharing telephone services with municipality brought in a savings of $27K

$500 K (in past 3 years) - Instituting a full day Kindergarten program where the additional half day costs are supported by tuition

**Managing Costs Locally, e.g.**

$700 K - Privatize night time staffing, reduce 35 positions

$250 K - Carry Long Term Substitute teachers on a per diem basis, rather than contractual

**The prior example shows that efforts are being made, but**…Overall, while local districts are struggling and working hard to maintain and seek to improve their delivery of their education programs to our students, they are getting stuck in a vice of diminishing dollars at the state and local level. In addition, because revenue growth is flat or quite low , a number of GSCS members are reporting that their overall budget growth is less than 2%, even  with the maximum allowable tax levy included.

**The squeeze** - The 2% cap on local levy remains in place, yet State Aid is not increasing at 2%. Major cost drivers are exceeding the cap at much higher rates, such as Health Insurance -  a 15% increase is common this year  - and special education costs. It is notable that special needs student classifications continue to grow at more than twice the percentage rates of student enrollment in general (see Table 1, Increase in Number of Pupils Classified 0708-1213). Special education categorical aid (SECA) has not kept pace with enrollment cost increases in recent years. In fact, SECA was cut back dramatically due to the implementation of SFRA which reduced SECA by two-thirds in FY’09 (the remainder of the two-thirds SECA pot prior to SFRA was shifted to increase the Equalization Aid pot under SFRA). Today nearly 1/3 of districts statewide are considered too wealthy to receive equalization aid.  Further complicating the special education aid support picture is that 544 districts (out of the 581 that are on the state aid summaries) receive less that 50% equalized aid to support their general fund budgets.

Categorical aid is distributed directly to districts because that’s where the special education students reside. It is ironic that the main selling point of SFRA was that the money follows the child. That held true under SFRA except for the special education student when categorical aid to those students was cut back.

Special education programs are required for our neediest students by state and federal law, and understandably so.  Because of the needs and because of the tight revenue constraints at the state and local level, over time there has been less funding support for regular education programs. In recent years statewide spending for regular education instructional costs have decreased by more than 5%. If special education categorical aid were given a greater priority, New Jersey’s commitment to regular education programs would not be caught in a crossfire of shrinking support in the Peter versus Paul syndrome that pits students and families against one another.  *We ask that you consider increasing the percent of special education funds distributed to all districts via categorical aid*.

**Concern is growing for the sustainability of quality education** - Unsustainable effects are occurring in our schools due the fiscal conditions at the state level, and also at the local level. Districts have very little flexibility in their budgets now. To repeat, in addition to special education cost drivers, another major stress that keeps cutting into education program dollars – and that requires being addressed - is the rising cost of health care. Energy costs loom large as well, among others, including PARCC.

There is reason to be very concerned about the downward spiral of school revenues and the need to address the increasing cost drivers that impact support for our schools and our students.

How long can schools adequately provide a quality education for New Jersey’s public school student? The reality seems to be that time is not on our side.

**Attached : 1) Table: Pupils Classified in Local Districts v. Local District Statewide Enrollment**

**2) Chart: Comparing Three State Aid Categories FY 07-08 to FY 14-15/Total Aid; Equalization Aid; SECA**

**3) Distribution of Equalization/Wealth-based Aid: by percentiles and # of Districts in each grouping**