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***Quality Public Education for All New Jersey Students***

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**BUDGET TESTIMONY**

**ASSEMBLY BUDGET COMMITTEE**

**MARCH 27, 2023**

Good morning Chairwoman Pintor Marin, Vice-Chairman Wimberly and members of the Committee. Thank you for giving the Garden State Coalition of Schools the opportunity to testify on the FY ’24 Budget.

As you know, school communities, including educators, students and families, are still working to counteract the educational and social/emotional consequences of the COVID pandemic. We are making progress—this year is better than last year—but the job is not finished. We believe that by acting on the following recommendations, you will be giving districts the tools and resources they need to continue rebuilding our education communities.

**Mental Health**

There is no true school security without mental health security. Student mental health issues have repeatedly factored in school shootings, and have also been implicated in high rates of school violence and vandalism.

Many districts have used Federal COVID relief funds to add mental health services and/or personnel.  The mental health-related needs of our students are ongoing, but without additional funding, many districts will not be able to afford to continue those efforts. We suggest that you consider mental health programs and services as components of the “Security Aid” category, with increases in districts’ allocations to accommodate current high needs. We further suggest that districts be allowed the flexibility to exceed the two percent cap in order to address additional Mental Health and School Security costs.

 **Special Education**

The post-COVID environment has also resulted in significant increases in special education costs, which should be addressed by increasing categorical aid for special education and fully funding Extraordinary Aid. Since transportation costs for special education students often exceed actual tuition costs, we would suggest adding those transportation costs into the calculation for Extraordinary Aid.

**Soaring Transportation Costs**

The cost of transportation, including fuel, payments to contractors (for districts without their own bus fleets), and drivers’ salaries have all increased with the rate of inflation. As mentioned above, Special Education transportation costs have skyrocketed, despite districts’ ongoing efforts to consolidate routes with nearby districts and make transportation arrangements with educational services commissions. The two percent tax levy cap does not allow districts to meet current transportation costs without cuts to personnel, programs and services. Many districts have eliminated all “courtesy” bussing, even in cases where students have to cross busy highways. Given those factors, we encourage the Committee to consider increased funding of the Transportation Aid Category.

An alternative would be to cr**eate a Spending Growth Limitation Adjustment (SGLA)** for transportation supported by two fixed data points, as follows, with examples.

* **(1) CPI for transportation:** This is determined based upon an 18 month look-back period (six months back and then a 12 month window). Established by code (18A:7F-45) “CPI means the increase , expressed as a decimal, in the average annualized consumer price index for New York City and Philadelphia areas in the fiscal year preceding the prebudget year relative to the previous fiscal year as reported by the United States Department of Labor.”
* (2) **Districts’ Prior Year Transportation Budgets:** For a second data point we recommend utilizing the prior year’s budgeted Transportation budget as a fixed point. For example, the BOE-approved Budget for the 22-23 school year would be the basis for the SGLA calculation for the 23-24 transportation line.
	+ - Example 1: CPI below 2%. No SGLA
		- Example 2: CPI over 2%. The formula for the SGLA allowance would be as follows: the amount of the cost increase resulting from the increased CPI percentage, minus two percent of the set CPI for 23-24 – (2% x 22-23 Transportation Budget)=SGLA allowance
		- Sample Scenario:
			* CPI 6.7% (.067)
			* Transportation Budget 22-23 $12 million
			* Formula would be
				+ (.067x 12 million) – (.02 x 12 million) = $564,000 SGLA available

**Relief for S2 Districts**

It goes without saying that we support the **S3732/A5328**, the bill that provides one-time relief for S2 districts, including those that received much larger than anticipated cuts to their ’23-’24 state aid amounts. We look forward to final passage in the Assembly and a signature from the Governor. We are mindful of the fact that while this essential help will relieve the most immediate burdens on these districts, only a thorough re-examination of the SFRA formula will ensure the fair, equitable and predictable funding that all New Jersey districts need. Our districts have not survived the COVID pandemic only to be crippled by a flawed funding system.

**In the Longer Term**

The ideas that follow are probably beyond the scope of today’s discussion, but are worth considering for more sustainable school funding solutions in the longer term

**Special Education Reserves**

Special education costs are a major factor in district budgeting and actual expenditures are sometimes hard to predict, because they are predicated on factors including changes in students’ Individual Education Plans, or the movement of families into or out of school districts. We encourage legislators to consider allowing districts to create Special Education Tuition Reserve Funds (similar to existing Capital Reserve Funds) to help counteract the inevitable swings in Special Education costs from year to year.

**Facilities**

* **Debt Relief—**Many New Jersey districts carry debt from facility referendums that total approximately $8.5 billion dollars. If the Governor and Legislature appropriated $1 billion of surplus (or some portion of that surplus) to NJ school districts’ debt it would assist in eliminating a portion of liability on affected school districts and could serve to improve the fiscal outlook for New Jersey districts. The following considerations would be necessary in order for the district debt reduction to take place.
	+ The elimination of a percentage of debt would have to be considered in two different budgetary cycles: state and school district. If appropriated in the state’s budget for FY ’24, for example, the reduction would miss school districts’ deadline of April 23, for the 23-24 school year. Therefore, debt reduction funds could be held in districts’ Fund 40 (Reserve Accounts) for application in their 24-25 budgets.
	+ This structured timeframe will be necessary, as districts will need to work with bond councils and auditors regarding applying funds to one-time payments for short term fiscal relief, paying off existing bonds, or restructuring debt.
	+ An additional option would be to allow districts to utilize a one-time Spending Growth Limitation Adjustment (SGLA) to increase local taxing authority at the same rate as the additional one-time debt relief payment. This would allow the tax payers to not exceed the two percent-plus debt payment that would have been made and give districts the option of using a tool to fight inflationary prices.

**Special Education**

* **Pass A4396/S2827 ((Lampit, Jasey, Caputo/Codey)** The bill, which has already been passed by the Assembly and awaits hearing in the Senate Budget and Appropriations Committee, “provides a timeline within which the Commissioner of Education must issue any adverse finding, adjustment, or penalty regarding an audit submitted by an APSSD.” The bill also provides a 7-year period for those, and mentions that it is “not uncommon” for the Commissioner’s review to take 20 years. *{N.B.: Approved Private Schools for Students with Disabilities (APSSD) adjust their tuition eight months after-the-fact and one year after districts set their budgets. One of our member districts has received nearly $50K of “adjusted” tuition rates for these schools in the past several months. The APSSD’s provide critical services, but have no cap, and can change their tuition after contracts go out.]*