



South 61 Paramus Road, P.O. Box 768, Paramus , NJ 07653-0768
Phone: 201-368-2100 Fax: 201-368-3438

TO: Members of the Senate Education Committee and Senate Budget and Appropriations Committee

FROM: Paul V. Tyahla, Vice President, Government Affairs and Communications

RE: Proposed New School Funding Formula

DATE: Thursday, December 13, 2007

Thank you for the opportunity to express CIANJ's perspective on the proposed new school funding formula. Both the quality and cost of education in New Jersey are of utmost importance to our members and the broader business community. A high-quality educational system both trains the future workforce and helps attract high-caliber talent to an area. Businesses are also a stakeholder because they pay a large portion of the cost of education – both by virtue of paying about one-third of all property taxes collected and again through higher wages to employees to ensure they can afford the state's cost of living.

CIANJ has long-held principles regarding education and school funding. The most relevant to this formula are:

- ✓ CIANJ supports the utilization of a unified formula resulting in dollar amounts being focused on children. This value should be weighted for circumstances such as Special Education etc, but it must be equitable in that those special needs children in middle class districts are supported to the same extent in which they are supported within Abbott districts.
- ✓ Interrelated is an emphasis that the formula must adhere to a model whereby dollars follow the child. Under the present system, as children move from district to district too often the system they depart continues to receive the same level of funding. Once we have a model that funds children and not systems, the next step must be to account for fluctuations in enrollment by changing levels of funding. Dollars should follow children among traditional public school districts, vocational-technical schools and charter schools. Dollars should also follow students between the public school system and private schools through limited tax-credit scholarships in specific underperforming districts.

- ✓ CIANJ favors increased accountability within school administrations to ensure the maximum amount of education funding is used in the classroom and that it is used as efficiently as possible. We also support a variable in funding to account for educational achievement similar to private sector practices. High-performing districts should be rewarded with additional funding so that they can accomplish even more in the future, and even include modest staff bonuses to reward a job well-done.
- ✓ The formula must be designed with the understanding that state resources are limited, and that the state's taxpayers – both individual and corporate – are overburdened and should not be taxed even further. Increases to education funding must be accounted for by forecasted increases in state tax receipts or reductions in other areas.

The Commerce and Industry Association of New Jersey supports much of what is contained in the new funding proposal, even though it falls short of making the foundational cost-saving mechanisms the Association supports. We find it to be based on more sound educational rationale than the existing ad hoc system and at a dollar amount that can be accomplished within the existing overall budget. The areas of greatest increase, such as early childhood education, can build student achievement and are a worthwhile investment.

CIANJ is most heartened to see a proposal that adopts the basic principles of dollars following a child. Many school districts, most notably Abbott districts, have experienced declining enrollment only to see state funding rise. Conversely, rapidly growing districts – whose high quality school systems are a magnet for population increases - have gotten virtually no increases. Changing that should be welcome news to the state's taxpayers and will allow successful districts to continue to offer effective programs to students.

Districts receiving more aid than necessary and those with falling enrollments must receive less in state aid. We encourage the legislature to make these savings available immediately and not hold districts harmless.

CIANJ supports the Governor for proposing one formula for the state's children and treating special needs children equally regardless of location or other non-education factors.

While CIANJ recognizes the new formula is an improvement over the status quo, there are areas for improvement. Most notably, we are disappointed that there are not more measures of accountability contained within the formula. There is still no correlation between funding and achievement. CIANJ supports the creation of an annual effectiveness-efficiency model, publishing the rankings and then having the funding formula reward schools which perform well. This type of system has been utilized in other states, including our direct competitors.

Rewarding high-performing districts should be coupled with allowing parents of children in the worst performing districts with the choice to transfer to higher-performing schools with space available. With a true dollars follow the child model, less would be spent at our worst performing schools.

As always, CIANJ looks forward to working with members of the legislature on an issue of such great importance to the business community. If you wish to discuss these issues in greater detail, please do not hesitate to contact me at 201.368.2100 or ptyahla@cianj.org. Thank you for your time and consideration.