



## CONSORTIUM FOR POLICY RESEARCH IN EDUCATION

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January 18, 2007

Commissioner Lucille Davy  
Department of Education  
P.O Box 500  
Trenton, NJ 08625-0500

Dear Commissioner Davy,

I am writing in response to your request for public comment on the Department of Education's Report on the Cost of Education, released on December 11, 2006. By way of brief background, I am currently a professor of education policy and a co-director of the Consortium for Policy Research in Education at the University of Pennsylvania. I am also a past president of the American Education Finance Association. I have done extensive research on school finance, particularly in New Jersey, since 1975. I have published a book and numerous journal articles on the design and impact of New Jersey's school funding formulas and on the requirements for school funding set forth by the New Jersey Supreme Court in the *Abbott v. Burke* rulings. I have served as an expert witness in several school finance cases, including *Abbott v. Burke*.

In addition to the Report, I have had the opportunity to review various memoranda, data and other documents dating from 2002-03 on the cost study recently released by the Department to the Education Law Center.

Based on this review, I have several concerns about the methods used to conduct the study, and the resulting cost determinations.

1. The methods used to conduct the professional judgment panels (PJP) did not follow accepted practice. Under the PJP method, independent panels of education experts—teachers, pupil personnel professionals and local school district administrators—are convened to identify the instructional components needed to meet the state's educational outcomes. They, not state department of education staff, develop school-level resource models. Often different panels are convened by grade level and/or by region of the state. For example, Augenblick used independent panels of educators in his studies in Maryland and Connecticut, as well as in his forthcoming study in Pennsylvania. James Guthrie also used this approach in his study for the Wyoming legislature. In contrast, it appears from available information that the Department of Education used panels of educators for a limited purpose—obtaining feedback on models developed by the Department—rather than allowing the panels to independently determine the appropriate level and types of resource inputs.

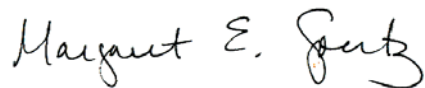
2. The Successful School District (SSD) methodology uses an outdated and inappropriate measure of “success”. The standards for success used in the SSD method were based on proficiency rates set by the State to meet Adequate Yearly Progress (AYP) requirements under the federal No Child Left Behind Law in 2004-05 for both language arts literacy and mathematics.
  - a. As shown in Appendix 4 (p. 11) of the Report, these rates will increase in 2007-08. Under NCLB, all students must be proficient by 2013-14. Therefore, the level of resources identified as sufficient in 2004-05 will not be adequate to reach the higher levels of proficiency next year and six years from now.
  - b. The measure of success used was the percent of all students in a district who met proficiency. Yet, the NCLB Act of 2001 requires that all schools, and specific subgroups of students at each school and district, meet these proficiency requirements. There is no mention of whether any of these districts failed to meet AYP for school-level and/or subgroup reasons.
  - c. It is inappropriate to limit the definition of success to performance on the assessments required under NCLB. Results from tests in mathematics and literacy do not capture the full range of proficiencies that students are expected to achieve in New Jersey. Students must be able to access rigorous content in all the of the areas covered by the Core Curriculum Standards, including science, social studies, world languages, visual and performing arts, comprehensive health and physical education, technological literacy and career education and life skills. This extensive set of Core Curriculum Standards has been accepted by the NJ Supreme Court as the substantive definition of a “thorough” education for all students (Abbott IV, 1997). It was the combination of high performance on state assessments and rigorous and high quality educational programs in the District Factor Group I and J districts that led the NJ Supreme Court to select this group as the benchmark for determining education cost adequacy for the state’s high poverty Abbott schools and districts (Abbott II, 1990; Abbott IV, 1997) .
3. The cost study uses inappropriate measures of salaries and benefits.
  - a. The cost study uses median, rather than average, salaries in the costing-out process. The Report justifies the use of median salaries as “the preferred measure...because it is less likely to be positively or negatively skewed by outlying observations” (footnote 8). Yet cost studies conducted by Augenblick (e.g., CT, MD, KS, ND, NV, TN), expert reviewers Odden and Picus (AR, WA), and other experts in the field, such as Jay Chambers of AIR (AK, NY) all used average salaries. The Report does not provide supporting evidence of “outlying observations,” or of how such outliers among over 100,000 teachers will skew the results.
  - b. The median teacher salary of \$51,000 that is used in the Report is nearly \$6,000 below the average teacher salary of \$56,682 in 2004-05 (NEA Rankings of the States 2006).

- c. The cost study uses an undocumented and unrealistic benefit rate of 20%. In their comments of January 3, 2007, the NJ Association of School Business Administrators report that average medical fringe benefits for 2006-07 fall between \$14,000 and \$15,000 per full-time employee. When applied to the median salary of \$51,000 used in the Report, the benefit rate for teachers would be 28%. This percentage is close to what I have found in my research on NJ school districts.
  - d. If costs for teachers alone were adjusted to reflect average salaries and actual health benefit costs, the real cost of a teacher would be \$71,182 (\$56,682 + \$14,500), rather than the projected cost of \$62,279 (\$51,066 + \$10,213)—a \$9,000 difference. For a hypothetical elementary school of 400 students in a moderate, large or very large K-12 district, with a teaching staff of 27, the cost difference for the classroom teaching staff alone is \$600 per student.
  - e. The use of median salaries in the cost study contradicts state policy. To calculate the base foundation amount for CEIFA, the Department of Education applied state average audited expenditures to the instructional elements of the model school district (NJDOE, Comprehensive Plan for Educational Improvement and Financing, May 1996). Similarly, the Department's Illustrative School-based Budgets for whole school reforms adopted in Abbott schools used average salaries. The average salary at that time, school year 1999-2000, was \$51,000, the same as the median salary used in the Report for 2004-05.
4. The per pupil base cost in the Report is significantly lower than actual school district expenditures and below the projected CEIFA foundation amount for 2005-06.
- a. Assuming a 2.5% increase, the per pupil base cost reported in the Report for K-12 districts (average of about \$8120—Table 6) would be \$8323 for 2005-06. This figure is \$2,870, or 25%, below the state average per pupil regular education budget for that year (\$11,193). It is \$1000 per pupil less than the average regular education budget in the poor non-Abbott districts and \$1700 per pupil less than the average spending in middle wealth school districts.
  - b. The CEIFA “T&E amount,” which was found by the NJ Supreme Court to be inadequate for Abbott districts (Abbott IV, 1997), has not been increased since 2001-02. Adjusting for inflation, and weighting the separate grade level T&E amounts by current enrollment patterns, the average “T&E amount” for a K-12 district would be approximately \$9,100 in 2005-06, or nearly \$800 per pupil more than the base amount adjusted for inflation. And this adjusted CEIFA amount does not reflect actual changes in teacher salaries, or the rapidly rising cost of health benefits.
5. Resources for at-risk education do not reflect current policy. It does not appear that the cost study took into account many of the programs for at-risk students, and for schools serving high concentrations of those students, that have either been mandated by the NJ Supreme Court (Abbott V, 1998) or have been supported by current Department policy and programs. The models do not appear to include a literacy coordinator/instructional facilitator

(previously part of the WSR model budget, now part of the state's early literacy initiative), sufficient security staff or on-site social services. The elementary school models also cap the number of reading specialists allocated to schools whose poverty rate exceeds 40% at eight specialists. Thus, higher poverty schools, which include most Abbott schools, will not receive sufficient reading services. For example, schools with poverty rates of 40% or less are allocated one reading specialist for every 20 students in poverty. Schools with poverty rates of 60%, however, are allocated only one teacher for every 30 students.

In summary, I find that the cost study presented in the Report is significantly flawed and should not be used as the basis for developing a new school funding formula. Speaking as a researcher, a public school parent, and a long-time resident of New Jersey, I feel that it would be a disservice to the children of New Jersey and to the citizens of our state to base policy on this study. I urge you to commission a new cost study that follows established research methodologies, is performed by independent experts, and allows for the direct participation of educators, business people and other citizens of New Jersey.

Sincerely,



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cc: Heather Howard, Governor's Chief of Policy and Planning  
Kenneth Zimmerman, Governor's Counsel  
Robert Gilson, Director, Division of Law  
Members of the Joint Legislative Committee on School Funding Reform  
Craig Stanley, Chair, Assembly Education Committee  
Shirley Turner, Chair, Senate Education Committee  
David Sciarra, Executive Director Education Law Center