

Remarks of Brian Osborne, Superintendent of South Orange-Maplewood School District, to New Jersey Senate Budget Committee on impact of cuts in state school aid, March 23, 2010

Please accept my thanks for allowing me to be here today. I would like to accomplish three things in my remarks:

- First: Indicate the immediate impact of the loss of \$5.3 million in state aid on our district.
- Second: Describe some of the major cost drivers in our budget over which we have no control.
- Third: Offer you some practical suggestions on how the legislature can help districts reduce costs.

Impact on Our District

The Senate must understand the damage resulting from the magnitude of the state aid reduction. This is not simply about wage freezes and health insurance contributions. These cuts amount to a much deeper assault on public education. Our district is just one example - we are a diverse district of 6,400 students.

We have been working hard to eliminate waste and achieve efficiencies. In prior years, we have already

- outsourced custodians, lunch aides, food services, security and computer repair;
- reduced our enrichment and instrumental music programs;
- trimmed our elementary music and art staff;
- frozen what we spend on athletics and extra-curricular activities;
- reduced our central leadership team and administrative staff;
- driven up average class size to the maximum that our board policy allows – higher than what is deemed acceptable by the Adequacy Model you adopted as part of the School Funding Reform Act of 2008; and
- entered into multiple shared service agreements with the municipalities.

All these efficiencies are already built into our budget.

Our overall budget, including debt service for the coming school year, will be \$108.7 million, a decline of \$3.65 million from our current 2009-10 adopted budget of \$112.3 million. Our spending per student has been near the state average for years. We do not overspend.

In the preliminary budget, which our Board adopted on March 22nd holding our local tax increase to 3.48%, I was forced to reduce our net district staff by 99 people, a little less than one-eighth of our staff. This is on top of years of trimming many of these areas to the bone. Reductions included:

1. elimination of six high school teachers, eight special education teachers, six pre-kindergarten aides, two instructional aides, a supervisor, a maintenance worker, a tech support aide, a librarian;
2. elimination of three pre-school teachers, which means no pre-school for economically disadvantaged regular education students, and reduction of special education pre-school to the minimum mandated two hours per day;
3. a negotiated freeze in all administrative salaries and the assumption that we will negotiate the same for teachers; and
4. an assumption that we will see a savings from the healthcare contribution of 1.5% to be enacted by the legislature.

All these actions, on top of the efficiencies already realized, still did not come close to closing the gap inflicted by the Governor's slashing of state aid. To avoid scores of teacher layoffs and the gutting of our educational program, our budget replaces 76 instructional aides in our district workforce with lower-paid aides from the Essex Regional Educational Services Commission. The replacements will make substantially less and receive no health benefits. Here, the outsourcing concept crosses the line into the classroom. These employees provide direct services to our most vulnerable special education students. They have worked hard and have shown tremendous caring for our students. Many of those paraprofessionals who have associate's degrees and are primary breadwinners for the family will now be forced by our actions to work without health benefits. They will guide and support our special needs children while now living with the fear of someone in their family getting sick and being unable to seek affordable medical attention. This is cruel and unfair. The alternative, which we will have to enact when planning for the next fiscal year if legislative or legal action does not temper the Governor's assault on public education, is the firing of scores of teachers, the gutting of educational programs and the slow dismantling of our schools.

There is no more low-hanging fruit in terms of cost savings. We are very close to the point where we have to dramatically increase class size in our elementary and middle schools, violating the teacher-student ratios in the Adequacy Model that you adopted in the school funding reform of 2008. This will have serious adverse impact on our ability to meet the state's demanding core content standards, especially given the fact that, like many districts in the state, economically disadvantaged students with high educational needs make up nearly 20% of our enrollment. We are supposed to be closing the achievement gap, not widening it.

Major Cost Drivers in School Budgets

Let me say a few words about cost drivers in our budget:

- The structure of our teachers' contract means that young teachers start out at around \$40,000 per year and move up a salary guide for each year of experience. This is how all districts in New Jersey pay teachers. The cost of moving teachers up the guide drives our salary costs up by 2.7% a year. If we freeze salaries for very long, it is unlikely that young teachers will stick around – you can't raise a family on \$40,000. It is not a moral question but one of market economics – what it takes to attract and retain people capable of being effective teachers. A single district is not going to change the contract patterns throughout the state.

- Healthcare premiums went up 23% this year, not atypical for the last ten years. For us, that is \$2.5 million, the equivalent of just under 3% of our local tax levy and what the governor is proposing for a cap on local tax increases. That doesn't leave much to cover even nominal increases in the rest of the budget.
- The costs of tuition by private providers for students that require an out of district placement are negotiated at the state level.
- There are several other cost drivers over which individual districts have no control. I can provide you a fuller account in writing if you wish.

Suggestions for Cost Savings

Here are a few short-term suggestions for significant cost savings that are within your power to provide:

1. Eliminate the unfunded mandate on districts to provide aid-in-lieu of transportation. Savings to our district: about \$750,000, three-quarters of 1% of our General Fund.
2. Act to standardize salary guides and pay rates on a regional basis across the state so that districts are not repeatedly whipsawed by prior recent settlements in other, wealthier districts.
3. Provide a New Jersey Virtual High School which would allow us to maintain important offerings while at the same time scheduling in-house time more efficiently. An increase in average class loadings from 20 to 25 students is a savings of 20% in a high school's staffing costs. Potential savings: 1-2% of each local district's budget.
4. Monitor and control the costs of private bus contractors, eliminating the current monopoly pricing. Transportation represents nearly 5% of our budget. Cut those costs by 20%. Potential savings: 1% of our budget.
5. Extend the range of special education services provided by regional educational services commissions, providing more competition to private providers and availability less distant from local districts.
6. Direct the Office of Legislative Services and DOE to provide comparative data on what teachers are paid - disaggregated by years of experience - and to report on the value of teachers' projected lifetime earnings, including benefits, relative to comparable private-sector professionals. This might tell us what the market rate needs to be.

In the longer term, the state needs to initiate a serious undertaking to innovate in the educational space, capitalizing on technology advances and brokering arrangements to blur the lines between high school and college. We must find creative ways that actually enrich and enhance our students' learning opportunities at a lower cost. This is the 21st century and time for us to grow out of factory-model schoolhouses. No one district can do this alone – it will take concerted and coordinated action.

Thank you for the opportunity to speak. I remain available to members of the committee or your staffs should you have follow-up questions.