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ABSTRACT

Questions about inequities in educational funding were raised in New Jersey when the legislature enacted the state's second major education-finance-reform law, the Quality Education Act of 1990 (QEA). This paper describes changes in revenues, expenditures, and programs in 11 diverse New Jersey school districts during the first year of implementation of the QEA, the school year 1991-92. The sample included three types of school districts--special needs, transition aid, and foundation aid. District-level data were collected through document analysis and interviews. Site-level data were obtained through visits to at least four schools in each district, interviews with the principal and staff, and a teacher questionnaire that yielded a 60 percent response rate. Findings indicate that the QEA helped poor urban districts make significant but incremental changes in their educational programs. In contrast, the reduction of state aid to wealthy suburban districts did not undermine educational quality. Although the QEA had a modest impact on equalizing expenditures between rich and poor districts, it did produce noticeable increases in revenues and expenditures for special-needs districts. However, substantial disparities in expenditures remain between the special-needs and transition-aid districts. Finally, increased aid given to special-needs districts did not appear to be misspent. Eleven tables and five endnotes are included. (Contains 16 references.) (LMI)

WHERE THE MONEY WENT: REVENUE, EXPENDITURE, AND PROGRAMMATIC CHANGES IN THE FIRST YEAR OF NEW JERSEY'S QUALITY EDUCATION ACT

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WHERE THE MONEY WENT: REVENUE, EXPENDITURE, AND PROGRAMMATIC CHANGES IN THE FIRST YEAR OF NEW JERSEY'S QUALITY EDUCATION ACT

Between 1971 and 1991, the constitutionality of twenty-seven state school finance systems were challenged because of the inequities in educational funding created between rich and poor school districts (Hickrod, 1991). State school finance systems were overturned in thirteen states. When legislation is passed to equalize education funding, three questions often arise. First, does the new school finance system actually equalize revenues? Second, where revenues are more equalized, do the districts that receive large increases in aid spend the funds in ways that improve the education of their students? Third, are poor districts helped at the expense of wealthier districts, and, if so, what are the consequences of those changes?

These questions were raised in New Jersey in 1990 when the Legislature enacted the State's second major education finance reform law, The Quality Education Act of 1990 (QEA). To answer them, we traced changes in revenues, expenditures, and programs in eleven diverse New Jersey school districts. This paper reports on changes in these areas in the *first year* of implementation of the QEA, the school year 1991-92. Separate sections describe the recent history of school finance reform in New Jersey, present the study's methodology, analyze revenue and expenditure changes in the study sample, and delineate the programmatic changes that resulted.

Our study shows that the QEA enabled poor urban districts to make significant but incremental changes in their educational programs. These changes appeared intended to

narrow the programmatic gap between these districts and wealthier ones or to respond to the special issues raised by serving large numbers of poor students. In contrast, wealthy suburban districts generally held the line. In all of the districts in our study, fiscal and programmatic decisions reflected the interaction of provisions of the QEA, non-fiscal state policies, local taxing decisions, changing school demographics, and local priorities. More specifically,

- In the first year of implementation, the QEA led to a spending increase of about $1000 per pupil or about 18 percent in the poor urban ("special needs") districts in our study. This compares to an average annual growth rate of eight percent in the preceding four years.

- The poor urban districts used part of this increase to support existing staff and programs and part to improve programs and the material environment for education. These changes included the restoration of academic programs cut previously, and the addition and expansion of health and social services, staff development, curricular and extra-curricular enrichment programs, and early childhood programs. A major constraint facing the urban districts was a lack of decent facilities. Some districts used QEA funds to expand and refurbish facilities but at the expense of funding other improvements.

- In our average wealth ("foundation aid") districts, state aid increased nearly 25 percent under the QEA. Increases in education revenues in these districts were driven largely by changes in state aid.

- Budget defeats and taxpayer pressure, rather than provisions of the QEA (e.g., tighter expenditure caps) restricted spending in three of our four high wealth ("transition aid") districts. Spending growth dropped from an average of eight percent to three percent. The combination of small state increases, small local increases, and enrollment changes led to some reduction of services, deferred maintenance, and transfer of costs to parents. However, district informants were more worried about anticipated cuts than current reductions.

- The QEA narrowed the spending gap between the special needs districts and the transition aid districts in our sample slightly, but large disparities remain. After the first year of QEA, the transition aid districts in the study spent 50 percent more on direct educational expenses and 30 percent more on plant operation and maintenance than the special needs districts. Both types of districts spent comparable amounts of money on fixed charges.

In the paragraphs that follow, we first review the recent history of school finance reform in New Jersey and then describe the methodology of this study. Succeeding sections provide baseline information on the districts in the study, describe changes in revenues and expenditures, and then report on changes in personnel, materials, and programs.

RECENT EDUCATIONAL FINANCE REFORM IN NEW JERSEY[1]

In 1973, the New Jersey State Supreme Court was the second state court in the nation to overturn a state school finance law and require that a more equitable school funding formula be implemented. In response to that decision, Robinson v. Cahill, the New Jersey Legislature enacted The Public School Education Act of 1975. This law increased the state's share of educational revenues from 28 to 40 percent and improved fiscal equity in the short run. However, starting in the late 1970s, inequities increased again. Expenditure disparities between the top and bottom five percent of districts grew from $900 in 1975-76 to $2122 in 1984-85 and nearly $3500 in 1988-89.

In 1981, the Education Law Center, a public interest law firm representing 20 children in four of New Jersey's poorest cities, filed a new lawsuit, Abbot v. Burke. The plaintiffs contended that the state's education finance system caused significant expenditure and program disparities between the poor urban and wealthy suburban districts in the state, leaving poor urban districts unable to meet the educational needs of their students. In June 1990, the New Jersey Supreme Court ruled in favor of the plaintiffs, stating that "under the present system...the poorer the district and the greater its need, the less the money available and the worse the education." The thrust of the decision was an order to equalize programs and expenditures between rich and poor districts. However, the court also recognized that

students in poorer urban districts require *more* resources than those in wealthy communities:

> It is clear...that in order to achieve the constitutional standard for the student from these poorer urban districts..., the totality of the district's educational offering must contain elements over and above those found in the affluent suburban district. If the educational fare of the seriously disadvantaged student is the same as the "regular education" given to the advantaged student, those serious disadvantages will not be addressed, and students in the poorer urban districts will simply not be able to compete. (*Abbott II* at 374)

The Court did not invalidate the entire state school finance system, but it did find the effects on twenty-eight poor urban districts unconstitutional and required changes to eliminate disparities between those districts and the wealthiest districts in the state. More specifically, it ordered the legislature to create a funding system that would:

- equalize spending for the regular educational program between poor urban and property rich districts,
- provide additional funds to meet the special educational needs of urban districts to redress their disadvantages,
- assure funding certainty so poor urban districts are not subject to the vagaries of local taxing or budgeting decisions,
- eliminate minimum state aid to property-rich districts, and
- be implemented starting in 1991-92.

One month before the Court issued its decision, the new Florio administration introduced the first version of the Quality Education Act (QEA I) into the Legislature. This bill was one part of a four-part, $2.8 billion tax package designed to address a projected budget deficit, income tax reform, and rapidly rising property taxes, as well as education finance reform.[2]

With little discussion outside the State House and little opposition within his party, Governor Florio and the state Democratic leadership pushed both the tax package and the

school finance reform bill through the Legislature by early July 1990. While the QEA I was intended to increase overall support for education, a major purpose was to reduce expenditure disparities between 30 "special needs districts" -- the poorest urban communities in the state which educate about 25 percent of the state's students -- and the 108 wealthiest school districts. Among other things, the school funding bill:

- increased state education aid by $1.15 billion;
- changed the state education aid formula from a guaranteed tax base to a foundation formula and set the foundation level at $6835 per pupil (including the cost of teacher retirement and social security);
- added an income factor to the wealth measure used to allocate state aid;
- replaced categorical compensatory education aid with aid for at-risk students, allocated according to the number of students eligible for the federal free lunch or free milk program;
- the distribution of minimum aid phased out over four years;
- made teacher pension and social security costs the responsibility of local districts; and
- set no caps on district expenditures, but limited overall growth in state aid to growth in per capita income in the state.

Opposition to the tax and school funding bills was immense, and formed even before the QEA I was signed. Motorcades converged on the state capitol. The Governor's approval rating dropped 19 points after these bills were passed, from 42 to 23 percent. Those who ranked his performance as poor more than doubled from 14 to 32 percent ("Tax Hikes," 1990). The depth of this opposition became apparent in Fall 1990 when Bill Bradley, a very popular United States senator, almost lost re-election to an unknown Republican challenger.

Most of this opposition was to the tax hikes, but a good deal was directed at the

QEA. A poll taken shortly after the bill passed found that 56 percent opposed it while 35 percent supported it ("Most Jerseyans," 1990). The public's short term concern was that the QEA would raise taxes. However, two more specific fears fed into this general concern. The first was that money would be wasted in the urban districts. Newspaper commentary shows various forms of this concern:

> The state of New Jersey has a program of compensatory education. The federal government has its Title 1 funding. These programs have poured millions upon millions of dollars into various school systems with little, if any, effect. ("New Methods," 1991).
>
> But much of [Senator Lynch's] criticism of school professionals who seem to be more concerned about their own financial well-being than the welfare of children will strike a responsive chord in citizens overburdened by school taxes and deeply concerned about the lack of satisfactory results. ("The Right Questions," 1991).
>
> The conclusion here might well be different if every leap in expenditures brought an increase in achievement. This has not been the case. In 1976, we were promised the state income tax and the "thorough and efficient" regulatory system would improve schools; in 1990, we were told conditions had only deteriorated for all the money that had been spent...to succeed in school, poor children need more than better-paid teachers and expensive improvement plans that guarantee the jobs of the superfluous. ("More Dollars," 1991).
>
> Taxpayers and educators are talking about a new book by...John E. Chubb and Terry M. Moe calling for a radical solution to the problem of public schools that don't teach. "Politics, Markets and America's Schools"...concludes that educational bureaucracy is not just a problem; its *the* problem...Governor Florio is driving the Legislature in an Alice in Wonderland direction: Sentence first--verdict afterwards. Enact a new school funding formula (and new taxes) now--worry about educational reforms later. It flies in the face of common sense. (Italics in original.) ("The Debate That Isn't," 1990).

The second fear was that increased aid to poor school districts would come at the expense of richer ones. This fear was voiced by suburban superintendents, state legislators and, somewhat later, by a potential gubernatorial candidate:

> The problem with the funding formula passed by the Legislature, the superintendents

found, is that it goes beyond the mandate of the court decision. And the dolorous result is that it could create serious problems for suburban schools by diluting the quality of education in those districts...While it was the intent of both the Supreme Court and the Legislature to redress the funding of urban schools, it surely was not intended by either branch of government to do so by seriously undermining the viable continuity of delivering quality schooling for suburban children. ("Viewpoint," 1990).

Democratic Assemblyman Daniel P. Jacobson of Monmouth County..., summed up the situation by saying that the legislature had to "strike a balance between the middle-class taxpayers--the struggling taxpayers--and the kid who through no fault of his own has to go to an [urban] school that nobody wants him to do to"...Jacobson complained that the law seemed to be "punitive" in withdrawing state money from his Shore district's affluent schools. ("School Debate," 1990).

Cutting state aid to wealthier districts, as envisioned under the Florio formula, will unfairly tax people within those districts who are living on fixed incomes, [potential gubernatorial candidate] Whitman said. Even in affluent Somerset County, "not everybody's rich," she added. ("Whitman Criticizes," 1991).

The Democratic legislative leadership soon distanced itself from Florio's original proposals and amended the QEA in March 1991, four months before the original law was to take effect. The new bill, dubbed the QEA II:

- reduced the increase in state education aid from $1.15 billion to $800 million and allocated the difference to property tax relief;
- reduced the base foundation level by nearly $200 per pupil to $6640;
- delayed local assumption of teacher pension and social security costs for two years;
- changed the local "fair share" calculation for the special needs districts;
- removed a provision requiring districts to tax to their "fair share" level to receive full foundation aid;
- cut funds for at-risk aid and created a hold harmless provision so no district would get less at-risk aid than the compensatory education money received the previous year;
- reduced annual increases in total state education aid by 20 percent; and
- set more restrictive budget caps on districts' total budgets.

The public perception is that most of the new state aid dollars went to New Jersey's urban school districts. However, as shown in Table 1, the 30 special needs districts received only $287 million of the additional $800 million in the law's first year. Sixty percent of the new funding went to the other 570+ districts in the state, including poor rural, middle-income suburban and high wealth communities. The special needs districts' share of total

Table 1
State Education Aid to the Special Needs Districts
and All Other Districts, 1990-91 and 1991-92
(in millions)

	30 Special Needs Districts			All Other Districts		
Category	1990-91	1991-92	Change	1990-91	1991-92	Change
Foundation Aid[1]	$861.0	$983.7	$122.7	$799.7	$1077.9	$278.2
Teacher Retirement	198.3	209.1	10.8	727.1	732.9	5.8
Special Education	83.0	139.4	56.4	264.3	389.3	125.0
Bilingual Education	28.0	33.7	5.7	13.6	19.0	5.4
At-risk Aid[2]	79.0	153.8	74.8	71.5	92.0	20.5
Transport. Aid	30.0	44.3	14.3	170.2	203.7	33.5
TOTAL[3]	1,282.0	1569.6	287.6	2191.7	2636.9	445.2

Source: New Jersey State Department of Education state aid printouts, March 1991 and January 1992.

[1] For 1990-91, includes equalization aid and local vocational aid, but not capital outlay or minimum aid. For 1991-92, includes facilities aid.

[2] Distributed as compensatory education aid in 1990-91.

[3] Includes minimum aid in 1990-91 and transition aid in 1991-92.

state aid did not increase between 1990-91 and 1991-92; the percentage of state aid going to these 30 districts remained at 37 percent.

Concerns about waste and misuse of new money going to poorer districts created demands that "the Legislature must build a strong monitoring and review system into the formula that will finance the venture." ("Uncharted Territory", 1990) The Governor made the avoidance of waste an important part of his defense of spending increases:

> Let me make it very, very clear what this money is not for: It's not for anyone to build up flabby, lethargic bureaucracies. It's not for empire-building by administrators. It's not for business-as-usual in systems that have been producing poor results. [It's] not for anyone's patronage. [It's] not for anyone's personal agenda. It's for one thing and one thing only: our children...Education today will be more than the three "R's." It also needs a "Big A": accountability. (Florio, 1990)

This kind of thinking led the Legislature to include a set of accountability measures in the QEA. First, the law limits the annual growth in education spending through an "equity cap." The cap for the special needs districts ranged from 8 percent to 20 percent in 1991-92. In most districts, increases in state aid were greater than permitted increases in spending, forcing the special needs districts to use $82 million of the new $287 million in state aid for property tax relief. Second, the QEA required the State Department of Education to appoint "external review teams" to examine the educational programs, governance, management and finance of the special needs districts. These teams, composed of staff from the State Department of Education and other state agencies, educators and school board members from other local school districts, social service providers and advocates, visited the districts during the fall of 1990.

Third, each special needs district was required to develop and submit an Education Improvement Plan (EIP) to the Commissioner of Education which incorporated the

recommendations of the external review teams. The EIPs, which were developed with the assistance of State Department of Education staff, identified educational goals for each district, strategies for achieving these goals, and how new QEA dollars would be used to implement the strategies. The first set of EIPs, which were to be implemented in the 1991-92 school year, were developed assuming the districts would receive their QEA I allocation. When the legislature reduced the proposed funding increases to the urban districts in March 1991, the districts were forced to revise their plans accordingly.

The non-special needs districts are also subjected to spending caps under the QEA. These caps, which ranged from 7.5 percent to 9 percent in 1991-92, were designed to limit the growth of rapidly rising local school district budgets.

Two other changes in state policy were initiated at about the same time as the QEA. First, the state modified the High School Proficiency Test (HSPT) which students have to pass to graduate from high school. The current test is given in ninth grade which gives students who fail three additional times to pass it. The test includes sections on reading, mathematics, and writing. The new test is designed to move away from the multiple-choice format that characterized all but the writing section of the old test and to stress higher order thinking skills. It will be given in the eleventh grade, reflecting better what graduating seniors should know, and is accompanied by an Early Warning Test (EWT) given in eighth grade to identify students at risk of not passing the HSPT. Districts were giving the new HSPT during 1991-92 while field work was being conducted, but it would count first for the class of 1995.

Second, the state education monitoring system, in effect since the late 1970s, was

partially suspended in 1991 while a new system was developed. Under the old system, districts were monitored every five years on 51 process and performance standards, including the percent of students meeting state minimum proficiency standards in reading and mathematics at grades three, six and nine. Districts that passed this Level I monitoring were certified for five years. Those that did not pass Level I monitoring went through two increasingly rigorous remediation steps (Level II and Level III monitoring). Districts that did not pass Level III monitoring could face state takeover, as in the case of Jersey City and Paterson. With the passage of a new monitoring law in 1991, Level I monitoring was suspended until the 1993-94 school year. Districts undergoing Level II and Level III monitoring--as were most special needs districts--still had to gain certification. These districts were thus subject to two state reviews: one from the Department of Urban Education to ensure that new QEA funds were being used to improve education and one from the county office to pass monitoring and become certified.

STUDY METHODS

To examine the fiscal and programmatic consequences of the QEA in detail, we initiated a three-year study of eleven school districts in New Jersey. Covering the period 1990-91 through 1993-94, this study was designed to examine the impact of the QEA on poor urban, middle wealth suburban, and wealthy suburban school districts in New Jersey. How much money did the poor urban districts receive under the QEA and how did they spend it? How did state oversight affect that spending? Did a school finance formula designed to level-up poor, low spending school districts force high wealth, high spending districts to level-down their education programs? What happened to the districts that fall in

between and were not subject to the Court mandate?

DISTRICT SAMPLE

The major criterion in selecting districts was the projected impact of the QEA. While a major focus of the QEA was on poor urban school districts, policy discussion in New Jersey suggested that the QEA would affect the richest districts and middle income districts rather differently. Our sample therefore includes three types of school districts: (1) "special needs" districts--the poor urban school districts that are the target of the Court's mandate for expenditure equalization; (2) "transition aid" districts--the state's wealthiest school districts that will lose their minimum aid over a four-year period; and (3) "foundation aid" districts--non-special needs districts that qualify for equalization aid and generally fall between the special needs and transition aid districts in per pupil wealth.

Table 2 provides descriptive information on the districts in the sample. These ranges reflect differences that are common in the state. As "special needs" districts are, by definition, urban and low SES, they tend to have larger enrollments and a much higher concentration of minority students than the other districts. For the most part, special needs districts are also poorer than others in the state, although Table 2 shows some overlap between our special needs and foundation aid districts in per pupil property valuations. The "transition aid" districts are smaller, wealthier and higher spending than either the special needs or foundation aid districts in our sample.

Table 2

The QEA Case Study Sample

	Special Needs	Foundation Aid	Transition Aid
Number of Districts	5	2	4
Size	4,000 - 29,000	8,000 - 11,000	2,000 - 5,000
Percent Minority	71 - 98%	10 - 15%	13 - 20%
Equalized Valuation per Pupil, 1989 (in $1,000s)	$ 47 - 290	$192 - 356	$627- 1,136
Per Pupil Expenditure, 1990-91	$5000 - 6700	$5600 - 7400	$7500 - 9300

DATA COLLECTION

Because we were interested in tracing the impact of the QEA and related state policies down to the school level, we collected data at both the district and school level. At the district level, we collected district budgets for the period 1986-87 through 1991-92, demographic information, plans for categorical programs (special education, compensatory education, ESL/bilingual education) and the Education Improvement Plans for the special needs districts. In each district we also interviewed the superintendent, business manager, curriculum director, directors of categorical programs, a union leader, and the board president. In most districts a reporter and/or a representative of the city government was also visited. Interviews were structured by an interview guide (Patton, 1990) that specified all topics to be covered, but gave interviewers some leeway to phrase questions in a manner

appropriate to the respondent. Topics included the previous programmatic and fiscal history of the district, the nature of the student clientele and the basic program as it preceded the QEA, the process of developing the 1991-92 budget (for the first year of the QEA implementation), and changes that resulted in response to those budgetary changes.

To trace programmatic changes to the classroom level, we also visited at least four schools -- two elementary, one middle, and one high school -- in each district.[3] In each district an effort was made to select elementary schools that varied in student wealth and ethnicity. In each school all of the following that were present were interviewed: the principal, the most senior people responsible for the compensatory education and ESL/bilingual education programs, the head counselor, and individuals responsible for any programs for special needs students. These interviews covered roughly the same topics as the district interviews with an emphasis on events and changes in the schools.. However, because school personnel were often poorly informed about changes in school finance policies, questions generally focused on changes the school experienced between 1990-91 and 1991-92. In addition, all teachers were asked to fill out a questionnaire asking about changes in the last year in availability of various supplies and other forms of support; the overall response rate was about 60 percent.

STATUS IN 1990-91

When the QEA was enacted in 1990, sizeable disparities existed between the highest and lowest spending districts in the state. Many of the low spending districts were special needs districts. Table 3A shows the average current expenditure per pupil in 1990-91 for each district in our sample, and how districts allocated these expenditures across five major

budget categories. The special needs (SN) districts in our sample spent, on average, considerably less than the transition aid (TR) districts. For example, the lowest spending special needs district in our sample (SN4) spent $4,323 per pupil less than the highest spending transition aid district (TR1) in our sample. The lowest spending transition aid district (TR3) outspent the highest spending special needs district (SN5) by $1,103 per pupil. The two foundation aid districts (FN1 and FN2) in our sample have substantially different levels of spending, in part reflecting differences in their tax base.

In spite of wide spending disparities, districts allocated their education dollars in similar ways. For example, half of the districts in our sample allocated 62 percent to 63 percent of their budget to direct education expenditures (the sum of instruction, attendance and health services, student body activities, special education, and other special needs programs). Most spent between 11 percent and 14 percent of their budgets on the operation and maintenance of their facilities and three to four percent on the "other" category which largely reflects the cost of central administration. The two areas in which the districts differed were transportation and fixed charges. The geographically larger foundation aid and transition aid districts spent a larger portion of their budgets on transportation, while the special needs districts spent relatively more of their budgets on fixed charges.

Table 3A
Total Current Expenditures, by Category, 1990-91

District	Current Expense/ Pupil[1]	Percent of Expenditures Allocated to Each Category				
		Direct Educ. Expense[2]	Operat/ Mainten	Transport-ation	Fixed Charges[3]	Other[4]
SN 1	$6,363	56%	9%	3%	27%	4%
SN 2	5,853	63%	9%	3%	23%	3%
SN 3	5,549	60%	14%	4%	19%	4%
SN 4	5,001	63%	12%	3%	18%	4%
SN 5	6,377	63%	14%	4%	16%	4%
FN 1	5,585	58%	13%	6%	20%	3%
FN 2	7,357	62%	11%	5%	18%	3%
TR 1	9,324	62%	15%	7%	13%	3%
TR 2	9,048	65%	14%	1%	17%	4%
TR 3	7,480	60%	14%	6%	14%	5%
TR 4[5]	8,798					

Source: School district Advertised Budgets, Spring 1992. Figures are based on actual expenditures.

[1] Defined as J-1 Current Expenditures. It excludes teacher retirement and social security costs.

[2] Direct Educational Expenses are defined as the sum of the following budget line items: instruction, attendance and health services, student body activities, special education and other special needs programs.

[3] Fixed Charges includes insurance costs and tuition paid to other school districts. It excludes teacher retirement and social security costs.

[4] The "Other" category is the sum of budget line items for administration, community services, sundry accounts and special projects (local).

[5] Comparable figures were not available for this district because it uses program, rather than line item, budgeting.

Similar percentages do not translate into similar dollars, however. For example, while SN2 and TR1 both spent 62 percent of their budgets on direct education expenditures in 1990-91, in dollar terms, SN2 spent $2,140 less on this category than TR1 (Table 3B). While allocating comparable shares of their budgets to operation and maintenance, the special needs districts spent, on average, $550 per pupil less than the transition aid districts. This table also shows that special needs districts have to allocate larger shares of their budgets to fixed charges in order to generate the same level of spending as the non-special needs districts.

As the Direct Education Expense category includes expenditures on special needs programs (special education, bilingual/ESL, compensatory education), we developed a second measure of spending on educational programs which adjusts for differences in the number and mix of special needs students in each district. This measure, Education Expense per Weighted Pupil, "weights" students with special education needs by some measure of additional resources needed beyond those allocated to the average student.[4] Table 3B shows that spending disparities widen when direct education expenditures are adjusted to reflect differences in student need: SN2 spent $2,388 per weighted pupil less than TR1. On average, the two higher spending transition aid districts (TR1 and TR2) spent nearly $2,500 per weighted pupil more on direct education expenses than the special needs districts in our sample.

While the fiscal data provide an overview of initial revenue and expenditure patterns in these districts, they do not describe how teaching and learning conditions varied. Interviews provide some feel for these differences. The special needs districts faced a wide

Table 3B
Total Current Expenditures, by Category, 1990-91

District	Current Expense/ Pupil[1]	Expenditures per Pupil by Category					
		Direct Educ. Expense[2]	Educ. Expense per Wtd. Pupil	Operat/ Mainten	Trans-portation	Fixed Charges[3]	Other[4]
SN 1	$6,363	$3586	$3081	$586	$ 217	$1743	$ 232
SN 2	5,853	3664	3025	551	157	1333	149
SN 3	5,549	3305	2744	778	219	1030	215
SN 4	5,001	3146	2707	581	170	893	211
SN 5	6,377	4027	3425	861	227	1035	272
FN 1	5,585	3255	3057	704	341	1097	187
FN 2	7,357	4537	4138	844	402	1350	223
TR 1	9,324	5804	5413	1369	611	1255	285
TR 2	9,048	5853	5464	1267	90	1496	342
TR 3	7,480	4473	4297	1056	485	1084	382
TR 4[5]	8,798						

Source: School district Advertised Budgets, Spring 1992. Figures are based on actual expenditures.

[1] Defined as J-1 Current Expenditures. It excludes teacher retirement and social security costs.

[2] Direct Educational Expenses are defined as the sum of the following budget line items: instruction, attendance and health services, student body activities, special education and other special needs programs.

[3] Fixed Charges includes insurance costs and tuition paid to other school districts. It excludes teacher retirement and social security costs.

[4] The "Other" category is the sum of budget line items for administration, community services, sundry accounts and special projects (local).

[5] Comparable figures were not available for this district because it uses program, rather than line item, budgeting.

range of problems stemming from urban and (in southern New Jersey) rural poverty. These included family instability, drug use, homelessness, and risks of violence and abuse from the surrounding neighborhood. These problems often invaded the schools, and staff believed that these problems were getting worse. According to one principal,

> The students in 1971, their presence emanated violence, but there was no violence. Students are now much more violent, and they are apathetic politically, socially, and academically. They don't believe in the system . . . The violence is astounding, and not just with the boys. There are knives, razors, and guns in the school.

A high school in another special needs district recently made the newspapers because of violent unrest there. Members of rival gangs were arrested for fighting, some with knives and mace; other students instigated a mob when they attempted to remove a friend from policy custody. City police are now stationed outside the school at the end of each day. Even when violence was not an issue, staff saw their students as facing numerous problems. The concept that *all* students in the special needs districts were at-risk, for one reason or another, surfaced commonly in the interviews.

In contrast, field notes in one of the transition aid districts was described as follows:

> Employees of Bell Labs...Prudential Insurance, and other small technical-industrial companies live in this elegant suburban/rural town along with CEO's from Manhattan ...The children of these scientists and executives live in luxurious homes and are pressured by their successful parents to work hard in school. Ninety-six percent of the students go on to college. The average IQ of their students is 116.

While this description fits many of the most wealthy districts in New Jersey, it does not apply to those in the middle. One of the foundation aid districts in the study presents a very different setting:

> A suburb of [a small city, the district] is described as diverse. The areas abutting [the city] are like neighborhoods of the city, and there are farms and new suburbs in the outer fringe. Still, the bulk of the district tends to be lower middle class, and the

> district is not known for its high achievement levels...For 20 years, residents would not pass a bond issue for schools in spite of serious continual growth.

While property values and expenditures in foundation aid districts are sometimes close to those in the "more wealthy" special needs districts, the former systems have fewer poor and low achieving students so the educational problems they face are usually much less extreme.

The differences between districts suggested two ways that special needs districts could use substantial revenue increases. First, they could use them for what special needs district staff called "catch up" -- i.e., to help their districts offer the multitude of activities and support that more affluent districts do. For example, one non-special needs district was described in the following manner:

> Many of the students are doing college level work in numerous A.P. courses... There is a large number of co-curricular and extracurricular activities with high participation. There is a program with county technical school to study on state of the art equipment, a cooperative course at 6:30 a.m. Also, there are Saturday morning convocations that are open to anyone at various grade levels who wishes to work on problem solving skills, and enrichment programs in the earlier years.

"Catch up" implies obtaining for students in special needs districts that which is available elsewhere, but students in these districts often have special needs that are much more extreme than those in wealthier locations. As one district administrator in a special needs district explained, "You can't educate a child who has to go home to cook for a parent dying of AIDS. [You] can't send home homework when parents can't read English or Spanish." In many urban areas the out-of-school environment is especially hostile. Students often need a place to stay in the early mornings or late afternoons while their parents work. Such services increase the safety and security for these students. As the reporter covering one of the big city districts explained, "the schools in [name of city] are oases. A lot of

neighborhoods are really bad. The schools are orderly, clean, and warm. They provide a respite from dysfunctional homes and neighborhoods." Thus, in addition to responding to academic concerns, people making financial decisions in special needs districts were influenced by both an interest in catching up and in dealing with the special problems created by their surroundings.

CHANGES IN REVENUES AND EXPENDITURES

This section examines the fiscal impact of the QEA on the districts in our sample. How did the QEA affect the level of education revenues available to the districts in 1991-92? How did the districts choose to spend these new dollars? How much money was available to the special needs districts for new and/or expanded programs? How did the transition aid districts respond to the more restrictive spending caps? What was the status of the sample districts one year after the QEA?

CHANGES IN REVENUES, 1990-91 TO 1991-92

The QEA increased state aid for education by $800 million, or nearly 25 percent, between 1990-91 and 1991-92. At this same time, expenditure cap provisions forced some of this new aid into property tax relief. How did these provisions affect our sample districts? Table 4 shows changes in state aid, local revenues, and total revenues between 1990-91 and 1991-92 for the sample districts.

Changes in education revenues in the sample districts between 1990-91 and 1991-92 represented the interaction of the state aid formula, the expenditure caps, and local taxing decisions. While the percentage increases in revenues were generally larger in the special

needs districts, the foundation aid and transition aid districts increased their per pupil spending as much as several of the urban districts where expenditure caps limited spending growth.

Special needs districts. Education revenues increased between $534 and $1,549 per pupil in the five special needs districts. In two of these districts (SN1 and SN3), these

Table 4

Changes in Education Revenues, by Category, 1990-91 to 1991-92

District	Change in State Aid		Change in Local Revs		Change in Total Revenues[1]	
	Per Pupil	Percent Change	Per Pupil	Percent Change	Per Pupil	Percent Change
SN 1	$ 604	14%	$ 275	16%	$ 879	13%
SN 2	1,822	66%	- 682	-22%	1,140	16%
SN 3	1,456	31%	93	10%	1,549	22%
SN 4	1,081	29%	- 244	-17%	837	14%
SN 5	1,279	41%	- 745	-24%	534	8%
FN 1	734	23%	145	6%	880	13%
FN 2	587	24%	19	0%	606	7%
TR 1	61	6%	115	1%	176	2%
TR 2	174	27%	242	3%	416	4%
TR 3	128	15%	431	7%	559	7%
TR 4	37	5%	-82	-1%	-45	-1%

Source: School district Advertised Budgets, Spring 1992. 1990-91 figures are based on actual expenditures; 1991-92 figures are based on revised appropriations.

[1] Total Current Expense Revenues minus federal revenues.

increases reflected growth in both state aid and local revenues. In the other three, districts received moderate to substantial property tax relief when increases in state aid exceeded their capped budgets. In four of the special needs districts, revenues grew 8 to 17 percent from 1990-91. The fifth district (SN3), which voted a large cap waiver, saw its budget grow by 22 percent.

Foundation aid districts. Revenue increases were also substantial in the two foundation aid districts--$880 and $606 per pupil, respectively. Again, revenue increases were driven largely by increases in state aid; both districts had a 23 to 24 percent increase in state aid. The overall change in revenues was affected by local taxing decisions, however. One district (FN2) chose not to increase its tax levy, resulting in only a 7 percent increase in total revenue. In this particular district, educational spending has never had great support. For example, despite considerable student population growth over the last 20 years, residents have refused to support a bond issue for schools. Further, they had not passed the budget for the previous four years. The other district (FN1), which increased its local support of education, had a 13 percent growth in education revenues, a rate comparable to most of the special needs districts in our sample.

Transition aid districts. Revenue increases in the transition aid districts ranged from a high of $559 per pupil to a low of -$45 per pupil. All districts received more state aid. Since state aid provides, on average, only 10 percent of these districts' revenues, the magnitude of change in total revenue reflects local district taxing decisions. Three of the districts (TR1, TR2, and TR4) chose to limit increases in their local taxes, spending below the maximum permitted by the QEA expenditure cap. There are a variety of explanations for

this behavior. In the past, local school budgets in the transition aid districts rarely failed to win voter approval. Yet, in 1991-92, two of the districts spending below cap (TR1 and TR4) did not pass their budgets. Further, one of these districts (TR4) had at least a four year history of spending under cap. Finally, the other district spending below cap (TR2) had developed a ten percent free balance because of a previously expected, but unrealized, rise in special education costs. As a result, total revenues grew at a much lower rate in these three districts than in the other sample districts. TR3 spent up to its budget cap, an increase of seven percent. Although this rate of increase was lower than that of any of the special needs districts in the sample, TR3 increased its per pupil spending by the same amount as SN5, a special needs district that also spent up to its permitted budget cap.

CHANGES IN EXPENDITURES, 1990-91 TO 1991-92

We have chosen three ways of analyzing expenditure changes in the first year of the QEA. First, we look at the percent of increased expenditures allocated to each of the five major budget categories. Where did the districts choose to target their spending? Second, we compare the percentage change in spending in three of these categories in the first year of the QEA with the annualized rate of change for the prior four years. Relatively how much more money was spent on education expenses? operation and maintenance? fixed charges? Finally, what do these changes mean in dollar terms? On a per pupil basis, how much more money did the special needs districts have to spend on education than the foundation and/or transition aid districts in the sample?

Allocation of new dollars. Regardless of district type, most of the increased funds were used for direct educational expenditures and fixed charges (Table 5). Four of the five

special needs districts spent about half of their increase on direct educational expenditures; the fifth spent about 30 percent. Increases in fixed charges represented another 18 to 44 percent of increased revenues. The foundation aid districts also used 40 percent to 56 percent of their increased revenues on direct educational expenditures, and another 24 to 54 percent on fixed charges. Increases in direct educational expenditures and fixed charges in the transition aid districts were made possible mostly through reductions in other areas of expenditures (primarily operation and maintenance). The exact proportion of new dollars allocated to the budget categories varied across districts, however, reflecting district decisions on where to target new or expanded programs or where to protect ongoing services.

Relative rates of change. Table 6 compares the annual rate of change in expenditure for total current expenditures, direct educational expenditures, operation and maintenance and fixed charges in the first year of the QEA (1990-91 to 1991-92) with the annualized rate of change for the preceding four years (1986-87 to 1990-91). Prior to the QEA, growth in expenditures in the special needs districts in our study averaged about eight percent a year. In the first year of the QEA, expenditures grew an average of 18 percent. However, there were considerable variations across the five districts. For example, the QEA provided relatively little more revenue in SN1 and SN5, while the rate of spending increases grew four-fold in SN3.

Table 5
Changes in Current Expenditures, by Category, 1990-91 to 1991-92

District	Changes in Current Expense/ Pupil[1]	Percent of Increased Expenditures Allocated to Each Category				
		Direct Educ. Expense[2]	Operat/ Mainten	Transport-ation	Fixed Charges[3]	Other[4]
SN 1	826	28%	17%	3%	31%	20%
SN 2	1,197	44%	33%	2%	18%	2%
SN 3	1,542	53%	18%	2%	19%	8%
SN 4	966	53%	9%	6%	33%	-1%
SN 5	645	46%	5%	3%	44%	0%
FN 1	909	56%	12%	5%	24%	1%
FN 2	677	39%	0%	7%	54%	0%
TR 1	265	99%	-17%	4%	15%	-1%
TR 2	340	125%	-58%	8%	27%	0%
TR 3	420	44%	4%	- 4%	70%	-15%
TR 4[5]						

Source: School district Advertised Budgets, Spring 1992. 1990-91 figures based on actual expenditures; 1991-92 based on revised appropriations.

[1] Defined as J-1 Current Expenditures. It excludes teacher retirement and social security costs.

[2] Direct Educational Expenses are defined as the sum of the following budget line items: instruction, attendance and health services, student body activities, special education and other special needs programs.

[3] Fixed Charges includes insurance costs and tuition paid to other school districts. It excludes teacher retirement and social security costs.

[4] The "Other" category is the sum of budget line items for administration, community services, sundry accounts and special projects (local).

[5] Comparable figures were not available for this district because it uses program, rather than line item, budgeting.

The QEA did enable the special needs districts to spend relatively more in the three major budget categories. For example, prior to the QEA, the special needs districts in our sample increased their spending on direct educational expenses by five to seven percent a year. In the first year of the QEA, their spending in this category increased, on average, by about 15 percent, although there was considerable variation across the special needs districts in the sample. Similarly, spending on plant operation and maintenance jumped from an average increase of about four percent to about 30 percent across the five districts (again with considerable variation within the sample). Spending on fixed charges in our sample doubled, going from an average annual increase of about 14 percent to about 28 percent.

Two of the transition aid districts (TR1 and TR2) maintained their rate of spending on direct educational expenses, an increase of about six percent a year. Since these districts limited the growth in their education revenues to only two to four percent, respectively (see Table 4), they had to limit spending growth in other areas. Thus, they chose to cut expenditures on plant operation and maintenance and to reduce the rate of growth in fixed charges. The third district (TR3), which spent up to cap, put relatively more resources into fixed charges, and less into direct education expenses and plant operation and maintenance than in previous years.

Table 6

Annual Rate of Change in Expenditures, by Category

District	Annual Rate of Change in Expenditures, by Category							
	Total Current Expense[1]		Direct Educ. Expense[2]		Operation and Maintenance		Fixed Charges[3]	
	FY87-FY91	FY91-FY92	FY87-FY91	FY91-FY92	FY87-FY91	FY91-FY92	FY87-FY91	FY91-FY92
SN 1	11%[4]	14%	11%[4]	7%	-1%[4]	26%	17%[4]	16%
SN 2	10%	21%	7%	15%	8%	74%	21%	16%
SN 3	6%	28%	7%	25%	-2%	36%	12%	29%
SN 4	6%	20%	5%	17%	2%	15%	13%	36%
SN 5	6%	10%	5%	8%	6%	4%	9%	28%
FN 1	13%	17%	11%	16%	12%	16%	23%	23%
FN 2	9%	9%	8%	6%	5%	0%	19%	28%
TR 1	8%	3%	6%	5%	10%	-3%	15%	3%
TR 2	7%	4%	6%	7%	6%	-16%	12%	6%
TR 3	11%	6%	9%	4%	11%	2%	17%	28%
TR 4[5]	8%	-1%						

Source: School district Advertised Budgets, 1989-1992. FY87-FY91 figures are based on actual expenditures; FY92 figures are based on revised appropriations.

[1] Defined as J-1 Current Expenditures. It excludes teacher retirement and social security costs.

[2] Direct Educational Expenses are defined as the sum of the following budget line items: instruction, attendance and health services, student body activities, special education and other special needs programs.

[3] Fixed Charges includes insurance costs and tuition paid to other school districts. It excludes teacher retirement and social security costs.

[4] Annual rate of change for FY89 to FY91. Data for FY87 and FY88 were not available.

[5] Shows changes in Current Expense Revenues rather than Current Expense Budget. Comparable figures were not available for this district because it uses program, rather than line item, budgeting.

Changes in per pupil expenditures. While the rate of change differed across the districts, many of the districts in the sample showed similar per pupil changes in direct education expenses and fixed charges (Table 7). For example, all but two of the transition aid districts spent about $250 to $300 more per pupil on fixed charges. Thus, regardless of expenditure level, wealth, or amount of new education revenues, districts were faced with comparable bills for health insurance, special education tuition, etc. Increased spending on direct educational expenditures ranged from $235 to $817 per pupil in the special needs districts, $261 to $508 in the foundation aid districts and $186 to $425 per pupil in the transition aid districts in our sample. The special needs districts did increase their spending on plant operation and maintenance more than the other districts in the sample. Two of the special needs districts increased their "other" costs by over $100 per pupil, but in both cases less than half of that increase was in administrative costs.

WHERE THE DISTRICTS STAND IN 1991-92

How did these changes affect the districts' status in 1991-92? To what extent did the QEA enable the special needs districts to catch up with the wealthier communities in the state? Table 8 shows current expenditures per pupil for each of the sample districts in 1991-92. The QEA narrowed the spending gap between the special needs districts and the transition aid districts in the sample, but large disparities remain. For example, the five

Table 7
Changes in Current Expenditures, by Category, 1990-91 to 1991-92

District	Changes in Current Expense/ Pupil[1]	Change in Expenditures per Pupil, by Category				
		Direct Educ. Expense[2]	Operat./ Mainten.	Transport-ation	Fixed Charges[3]	Other[4]
SN 1	$826	$235	$142	$28	$256	$165
SN 2	1,197	530	399	29	212	27
SN 3	1,542	817	279	33	294	119
SN 4	966	517	87	58	315	-10
SN 5	645	298	32	18	280	6
FN 1	909	508	106	44	242	10
FN 2	677	261	- 2	48	366	4
TR 1	265	262	- 46	11	40	- 3
TR 2	340	425	-199	28	89	- 3
TR 3	420	186	19	-17	295	-62
TR 4[5]	-45					

Source: School district Advertised Budgets, Spring 1992. 1990-91 figures are based on actual expenditures; 1991-92 figures are based on revised appropriations.

[1] Defined as J-1 Current Expenditures. It excludes teacher retirement and social security costs.

[2] Direct Educational Expenses are defined as the sum of the following budget line items: instruction, attendance and health services, student body activities, special education and other special needs programs.

[3] Fixed Charges includes insurance costs and tuition paid to other school districts. It excludes teacher retirement and social security costs.

[4] The "Other" category is the sum of budget line items for administration, community services, sundry accounts and special projects (local).

[5] Comparable figures were not available for this district because it uses program, rather than line item, budgeting.

special needs districts spent, on average, about $4000 per pupil on direct educational expenditures in 1991-92, compared to $6,000 per pupil in two of the transition aid districts (TR1 and TR2). This $2,000 disparity is $300 lower than the previous year (See Table 3B). When these expenditures are adjusted to account for student needs (educational expense per weighted pupil), we find that these two transition aid districts still spend about $2,300 more than the special needs districts. Although several of the special needs districts used their QEA dollars to increase spending on plant operation and maintenance, their average per pupil spending in this category is still about $300 per pupil, or 30 percent, lower than that of the transition aid districts.

While the special needs districts have fewer resources for direct educational programs and plant operation and maintenance, they still spend about the same on fixed charges as do the foundation aid and transition aid districts.

PERSONNEL, PROGRAM, AND MATERIAL CHANGES

The districts in our study made two kinds of non-fiscal changes in the first year of the QEA: 1) changes in personnel, materials, equipment, and facilities; and 2) changes in programs.

PERSONNEL AND MATERIAL CHANGES

Non-programmatic changes took several forms, including personnel, materials and equipment, and space. Three of the five special needs districts increased the number of staff by four to nine percent. The patterns of hiring differed substantially among districts, however. For instance, the district that hired the fewest personnel cut teaching staff by two percent at the high school level, but increased maintenance and secretarial staff enough to

Table 8
Total Current Expenditures, by Category, 1991-92

District	Current Expense/ Pupil[1]	Expenditures per Pupil by Category					
		Direct Educ. Expense[2]	Educ Expense per Wtd Pupil	Operat/ Mainten	Trans-portat-ion	Fixed Charges[3]	Other[4]
SN 1	$6,792	$3597	$3104	$692	$ 232	$1890	$ 382
SN 2	6,917	4111	3350	938	182	1514	172
SN 3	7,041	4093	3381	1051	250	1315	332
SN 4	5,881	3608	3077	658	225	1192	198
SN 5	6,889	4191	3562	865	237	1280	269
FN 1	6,242	3616	3401	779	370	1289	189
FN 2	7,881	4703	4327	825	442	1688	223
TR 1	9,354	5920	5547	1289	606	1264	275
TR 2	9,180	6143	5750	1039	115	1550	331
TR 3	7,644	4505	4327	1038	451	1342	308
TR 4[5]	8,594						

Source: School district Advertised Budgets, Spring 1992. Figures are based on actual expenditures.

[1] Defined as J-1 Current Expenditures. It excludes teacher retirement and social security costs.

[2] Direct Educational Expenses are defined as the sum of the following budget line items: instruction, attendance and health services, student body activities, special education and other special needs programs.

[3] Fixed Charges includes insurance costs and tuition paid to other school districts. It excludes teacher retirement and social security costs.

[4] The "Other" category is the sum of budget line items for administration, community services, sundry accounts and special projects (local).

[5] Comparable figures were not available for this district because it uses program, rather than line item, budgeting.

have a net gain. Another district, whose staff increased overall by four percent (including aides), concentrated growth in the elementary schools where enrollments were growing. Another used funds to replace five teachers who had been cut during a recent period of fiscal stringency thereby allowing the high school to return to a nine-period day. The district found this schedule helpful for serving the many students taking mandated remedial courses. The district also reinstated two curriculum supervisors who had been let go earlier. These examples indicate that a substantial portion of "new" hiring was used to address enrollment growth or to reinstate good programs that had been cut in recent years.

Overall, the non-special needs districts experienced little change in staff. Five of the six districts experienced both growth and decline, but not more than three percent in either direction. The sixth district reduced staff by six percent and moved other teachers to the elementary level because it consolidated two high schools. While administrators in these districts felt that the fiscal changes in the first year of the QEA did not jeopardize programs, they were concerned about the future. As one guidance director asserted,

> The emphasis [will now be] on prudent management, not on quality educational experiences...A lot of people in this district think of themselves as part of a high quality operation and there is a general sadness that we are going to drift downward slowly over the next four or five years.

Regardless of district type, one of the main reasons districts concern themselves with teaching staff size is because of its effect on class size. Teachers' perceptions, as reported in the survey, suggest that class sizes were increasing across the board. This is apparent in Table 9 where in all three types of districts more teachers report that class sizes were increasing from 1990-91 to 1991-92. These perceptions are in part a reflection of the growing enrollments in all eleven districts. From 1990-91 to 1991-92, enrollment increases

in the special needs districts ranged from one to six percent, with an average increase of 2.7 percent. Increases in the non-special needs districts ranged from two to 4.5 percent, also with an average increase of 2.7 percent. However, in the survey, the percentage of teachers reporting increases in class sizes was larger in the non-special needs districts than in the special needs districts.

Respondents in the special needs districts reported small increases in materials, equipment, and facilities, often intended to "play catch up" with other districts. As one high school teacher in a special needs district said, "There is such a disparity between urban and suburban districts. We don't have QEA here. I'd like to see [this school] become like [one of the state's best known high schools located less than ten miles away]. It would take dramatic changes in funding to get us there." In responses to the survey (Table 9), most teachers in the special needs districts did not note a dramatic change. However, of those who reported a change, more teachers said the amount of materials and resources declined than increased, although the difference was very small.

Table 9
Percent of Teachers Reporting Various Forms of Support
had Increased or Decreased

	SPECIAL NEEDS		FOUNDATION AID		TRANSITION AID	
CHANGES IN	Incrsd	Decrsd	Incrsd	Decrsd	Incrsd	Decrsd
Class sizes	35	14	44	7	48	5
Availability of materials	15	21	4	32	7	26
Resource availability	14	18	7	24	8	26
Preparation and planning time	17	12	10	15	5	14

According to the interviews, changes in materials purchased in the non-special needs districts were rather minor, although they were definitely in the direction of reducing availability. Some districts delayed purchasing new equipment for a year, and one began salvaging dysfunctional computers for parts to use on those that still worked. Several districts reported that their supply purchases were more limited than in the past, but most noted that they had enough stockpiled from past years to avoid problems during 1991-92. This pattern of reduction is somewhat born out by the survey (Table 9). In fact, the large majority of teachers report that the availability of resources and materials remained the same.

Yet of those who had seen a change, most reported availability declined during the first year of the QEA. In fact the proportion reporting declines is larger in the foundation and transition aid districts than in the special needs districts. When one subtracts the percent reporting material decreases from the percent reporting increases in the special needs districts, the difference is -6 percent. That difference is -28 percent in the foundation aid districts and -19 percent in the transition aid districts. The pattern is similar for resource availability.

In a perverse way then, the gap between the special needs districts and the others in resources and materials was declining. Yet, special needs districts still had some way to go to catch up with the other districts. Table 10 uses survey data to illustrate the differences in materials between the three categories of districts. Whatever materials teachers might need were most adequately provided in the transition aid districts and least well provided in the special needs districts with the foundation aid districts typically falling closer to the wealthier ones.

The most striking problem in the special needs districts concerned space. None of the districts had adequate space, and what was available had often suffered from hard use and years of delayed maintenance. A typical comment from both principals and central office administrators -- when asked about class size -- was that even if they could hire more teachers, they had no place to put them. The QEA did not directly increase funding for facilities; proposals for a state bond issue to fund new schools languished in the Legislature. Several of the special needs districts used current expense funds to address facilities problems. One district (SN2) decided to make facilities its top priority, building at least two

Table 10
Reported Adequacy of Conditions in Different Types of Districts

	SPECIAL NEEDS	FOUNDATION AID	TRANSITION AID
Textbooks	2.87	3.11	3.30
Computers	1.97	2.32	2.63
Notebooks and paper	2.72	3.15	3.30
Pens and pencils	2.59	3.05	3.11
Workbooks	2.48	2.88	3.04
Lab equipment and calculators	1.88	2.35	2.88
1 = very inadequate 4 = very adequate			

new structures (through a lease-purchase agreement) and renovating several others to get more space. This district minimized increases in other budget areas to support this priority. Two other districts undertook efforts to refurbish existing buildings, sometimes on what was a rather substantial scale. A fourth district expanded science laboratories in several secondary schools and installed new computer laboratories.

PROGRAMMATIC CHANGES

The pattern of programmatic change in these eleven districts includes moderate increases in some areas in special needs districts, and very small contractions which in some cases may have been a reduction of waste or excess in some transition aid districts. These changes are summarized in Table 11; boldface type is used to note cells where the largest change occurred.

The biggest changes in the special needs districts were intended to help students

prepare for school and stay in school, and/or support the efforts of teachers inside the classroom. The largest areas of program development was in health and social services. All special needs districts undertook change in this area, but their specific programs differed substantially. The two other areas with the high levels of activity were after school programs (including summer and Saturday programs) and staff development.

Many changes affected health and social services in the special needs districts. To begin, three districts expanded or created parent programs. Most of the programs were designed in the form of small workshops, which met either on Saturday mornings, during the day, or after school. These programs usually included a mixture of peer support, GED courses, and open discussions of topics such as parenting skills, nutrition, mental and physical health, and problem solving. Sometimes the programs were parent-run and occasionally, day care was provided to make the services more accessible. In one district, although all parents were welcome, many classes showed low participation rates. Still, some schools did report regular attendance of 12 to 15 parents. Other types of programs were large lectures or open houses. The reported goals of these programs included improving parental trust in the schools, increasing parental involvement in the educational lives of their children, and making the schools more "available to the parents" and more "family-oriented."

Two districts made major investments in school-based health/social services centers in their secondary schools. In one of these districts, both the high school and middle school centers were funded by another state agency. The other district piloted and then permanently established a clinic in one high school with funding from other sources. The clinic's success

Table 11
Illustrative Programmatic Changes

	SPECIAL NEEDS DISTRICTS	OTHER DISTRICTS
HEALTH AND SOCIAL SERVICES	**INCREASED COUNSELOR STAFF** **3 DISTRICTS INCREASED PARENT PROGRAMS** **2 CREATED OR EXPANDED TEEN CENTERS/HEALTH CLINICS** **2 INCREASED COORDINATION WITH SOCIAL SERVICE AGENCIES**	SMALL REDUCTIONS IN STAFF
AFTER SCHOOL/ SUMMER PROGRAMS	**4 DISTRICTS ADDED NEW AFTER SCHOOL PROGRAMS** **2 ADDED OR EXPANDED SUMMER PROGRAMS**	1 DISTRICT CUT SUMMER SCHOOL
STAFF DEVELOPMENT	**INCREASED FUNDS FOR CONFERENCES AND IN-SERVICE TRAINING**	FEWER CONFERENCES AND WORKSHOPS
CURRICULAR ENRICHMENT PROGRAMS	2 DISTRICTS MADE SMALL ADDITIONS IN GIFTED AND TALENTED	1 DISTRICT SHIFTED SOME COSTS TO PARENTS
EXTRA-CURRICULAR ENRICHMENT PROGRAMS	2 DISTRICTS ADDED NEW SPORTS, BAND, STORYTELLING, DANCE 2 ADDED ENRICHMENT PROGRAMS FOR CHILDREN OF WORKING PARENTS	SMALL CUTS IN SPORTS, COACHES, INTRAMURALS
ALTERNATIVE SCHOOLS	1 DISTRICT ADDED PROGRAM 1 DISTRICT REINSTATED PROGRAM	
EARLY CHILDHOOD PROGRAMS	2 DISTRICTS ADDED CLASSROOMS FOR PRESCHOOL AND FULL DAY KINDERGARTEN	
ELECTIVES/ "SPECIALS"	SMALL INCREASES AT ELEMENTARY LEVEL IN 2 DISTRICTS AT HIGH SCHOOL LEVEL IN 1 DISTRICT	SMALL CUTS MADE OR ANTICIPATED
ACADEMIC PROGRAM	NEW STATE TESTS CAUSED CHANGES IN BSIP	NEW STATE TESTS CAUSED MODEST CHANGES IN BSIP IN 2 DISTRICTS

so impressed the district that it decided to use the QEA funds to start such a program in another high school.[5]

Three special needs districts have hired additional counselors, and the other two have redeployed staff in order to make more counseling services available in what are seen as critical areas. Often these are substance abuse counselors. In addition, at least two districts made active efforts to work with social service agencies to coordinate services for students. Sometimes these efforts take the form of task forces to bring health, job placement, and criminal justice workers together with educators. In other cases, new program and space designs are being developed to incorporate these staff as regular parts of school operations.

Because the out-of-school environments in the non-special needs districts are more hospitable than those in the special needs districts, the need for social and health services is less pressing. These districts generally have the typical cadre of counselors, nurses, child study teams and the like found in most American schools. The foundation aid and transition aid districts in the sample made very few changes in these areas. The only noticeable change was a small reduction in counseling staff, sometimes because people left and were not replaced, sometimes because special support for substance abuse counselors not in the regular budget was discontinued, and occasionally because full-time counselors were asked to teach a few classes to help with the student load.

In addition to the major focus on social and health services, all special needs districts extended the school day through voluntary after school, Saturday, or summer programs. These took various forms. One district sponsored after school homework centers in all its schools. These centers were open three days a week from 3:00 to 5:00 p.m. to help students

do homework. They were staffed by two teachers, two aides, and an administrator, all paid extra for their work in the center. The programs provide incentives to get students to come, ranging from snacks to tee shirts to a field trip for regular attendees. Another district which had planned to hold a massive summer school, including both remedial and enrichment activities, was constrained by lack of funds.

Two non-special needs districts had voluntary extended day programs that were affected by the QEA. One chose to eliminate a K-12 summer school which had emphasized skills maintenance and enrichment activities. Another district decided not to eliminate a Saturday academic enrichment program, instituting instead a fee for participation.

Finally, the amount of staff development offered to teachers in special needs districts expanded considerably in many schools. Districts focused this expansion in two main areas. First, new funds were used to augment and improve traditional workshop settings -- during the school day and Saturdays. States one teacher, "these [in-service workshops] are really worth going to. In the past you just sat through them, but these are helpful." Second, new funds created in-service training to support other new programs and reforms, such as cooperative learning, whole language, Comer Schools, site-based management, and the new high school graduation test. For example, one counselor asserted that her extended training in site-based management "has developed into something fantastic." To support these types of changes, one district has hired a full time staff development coordinator to maintain a regular schedule of events for teachers.

Teachers in transition aid districts experienced either no changes in staff development opportunities or very small reductions. For the most part, these did not appear severe. A

principal in one school said the district would no longer support "extras" when teachers traveled to workshops. In another district, a principal reported that for the first time in memory, there would be a spending cap on the amount spent on staff development. Still, where there was a need, staff development took place. Another transition aid district that introduced whole language instruction actually increased staff development spending to support the effort.

Changes in staff development were also born out by the teacher survey data. When asked about opportunities to develop new skills, twice as many teachers from special needs districts responded that their chances had increased (29 percent) as said they had decreased (12 percent). Approximately as many teachers from the other districts replied that their opportunities had increased as decreased (21 percent versus 20 percent in foundation aid districts and 21 percent versus 21 percent in transition aid districts). In the related area of preparation and planning, differences were similar, although teachers were generally less positive about this area. A few more of those from special needs districts reported increases as opposed to decreases (17 percent versus 12 percent). However, more teachers from the foundation aid districts reported reductions (15 percent) than increases (10 percent). The difference was even greater in the transition aid districts where five percent reported increases and 14 percent reported decreases.

Outside these three areas of focused attention (social/health services, after school programs, and staff development), the special needs districts had great expectations, but were not able to mount substantial changes. One area where developments were planned, but moved slowly, was in academic enrichment programs operating during the regular school

day. Two districts made small additions to their gifted and talented program. One hired a coordinator who was still largely planning new programs at the end of the year. Another piloted a grant-funded program which expanded the definition of gifted and talented to include students who are gifted creatively as well as academically. It was designed to replace the more exclusionary pullout program. A third district did not change its gifted and talented program, but did add a few additional Advanced Placement courses.

All the non-special needs districts had some form of academic enrichment programs for academically talented students. These gifted and talented programs are very popular and considered quite important, especially where the proportion of students going to competitive colleges is high. One transition aid district had to cut staff in this area so the program was reduced, but not eliminated. Another planned to make a similar cut, but did not have to do so yet. The transition aid districts also had a variety of small special programs for students not meeting district achievement standards. These students could be seen as at-risk in the context of these highly competitive districts, although they probably would not have been in the special needs districts. Two districts had to cut staff working with these students.

In addition to the gifted and talented programs during the regular day, three special needs districts expanded their extracurricular offerings. In two districts, this expansion was in non-academic areas. Some of these were in traditional high school activities; districts added more sports and clubs and expanded their bands and cheerleading teams. There were also some more novel developments like a storytelling program for younger children. Two districts also created extracurricular programs with a more academic bent. For example, one principal noted, "There is a Saturday morning enrichment program for students in grades one

to five to encourage them to think about staying at [name of district] High School for high school, to prevent the best students from opting for private or Catholic school." The principal also reported that many of these extracurricular and enrichment programs preceded the QEA, but because of new funds they "were able to almost double everything."

Non-special needs districts had to reduce their extensive extracurricular programs. Three of the transition aid districts reduced their coaching staffs. These changes affected minor sports, junior varsities, and intramurals, but left the major sports essentially intact. One of these districts also reduced the amount of non-sports programming, including those for younger students, and shifted the cost of other activities to parents by charging a fee.

For students who need even more help than extra programs can provide, two special needs districts also added alternative programs. In one case, the program was not new, but the reinstatement of an operation that had recently been cut out of the budget for lack of funds. One district developed its alternative school to help alleviate discipline problems in its middle schools. The new school was geared to middle school students who were two or three years older than their peers, some of whom had recently been released from jail. These students were described as not fitting into the regular school, but "not classifiable", i.e., not eligible for special education. In the first year, new funds paid tuition to send fifteen of them to a special facility outside the district. However, an old elementary school, now too small to serve that purpose was being refurbished to house 200 of these students in the future.

Early childhood education services was yet another area where development was anticipated but forestalled. Four of five districts hoped to initiate or expand services in this

area, but all faced space constraints. One district tried to overcome this problem by obtaining space in non-school facilities. The two largest districts in the study did manage to expand their pre-kindergarten and full-day kindergarten services, but only by a few classrooms. In one district, some private foundation money supported part of this development.

Two kinds of changes were apparent in the regular academic program. First, three districts expanded elective offerings. One district hired three new high school teachers to expand home economics, industrial arts, and physical education offerings. To support this change the high school reinstated its nine period day which had been cut previously due to budget tightening. Thus, students with heavy remedial course loads could still take elective courses. Two other districts added elementary art, music, and physical education specialists so more specialized instruction could be offered in these areas.

The non-special needs districts experienced minor shrinkage in electives. All four transition aid districts laid off some staff in this area. One district reduced the staff in a K-12 music program that some people thought had become overdeveloped, and in a small program for academically talented minority students. The other three transition aid districts reduced high school art/music and foreign language staff. Such changes were not noted in the foundation aid districts.

The most significant change in the core curriculum in the special needs districts was not so much a response to the QEA as to the state's shift to the new high school graduation test. This test will be more challenging than that used previously. Although the graduating class of 1995 will be the first affected, districts are already changing both regular and

remedial curriculum. Teachers are finding these changes challenging, as shown by the following statements of two high school teachers:

> The problem is that the test is in flux. They are not sure how to train us...We've been spoon feeding students in mathematics before. Now, we have to teach them how to think. If you ask them a question, they can think it through, but they can't put it on paper.
>
> [The new test's] focus is different. The interaction of reading and writing. There is less teaching in isolation...In English we have to teach more drawing conclusions from an entire package. In math there is more critical thinking, more "what if" questions, and more open-ended questions.

These changes did not require special funds although they did (or would) entail a substantial amount of staff development and the purchase of textbooks better aligned with the new tests. However, they were already absorbing a great deal of staff attention.

Two non-special needs districts anticipated that the new state graduation tests would create additional academic challenges for their students, but these challenges were not expected to be as grave as in the special needs districts. The typical anticipated effect was a slight increase in the size of remedial high school classes.

STATE VS. LOCAL INITIATIVE

Because of the widespread perception that special needs districts were getting large increases of funds that would be wasted and mismanaged, state oversight of program change focused on the special needs districts. Both the county monitoring system that preceded QEA and the new Division of Urban Education devoted a substantial part of their energies to controlling the actions of these districts. Yet, considerable past research suggests that a variety of local contextual factors can overwhelm policy initiatives (Fullan, 1991) and that state policy leads to the most constructive change when it is accompanied by supportive local

initiative (Firestone, 1989). When one looks at the reasons for the changes special needs districts made in 1991-92, several forms of state influence were quite apparent, but local factors also played a major role.

One clear state influence was the Education Improvement Plan procedures established by the Department of Education. As described earlier in this paper, the special needs districts were required to prepare EIPs in response to recommendations generated by the external review teams. The plan format required cost itemization and justification for proposed items in terms of the External Review Team reports.

Clearly, this process had a great deal of impact on the districts. Although staff found the process particularly frustrating because state aid allocations were reduced in mid-planning, one superintendent reflected that the EIP was very useful because it encouraged the district to take a longer term view when planning. Nevertheless, there were limits to the usefulness of this process for getting special needs districts to make specific changes. For instance, one improvement the Department of Education encouraged districts to adopt was early childhood education, a special concern to the Governor. Yet, steps in these directions were extremely slow. Because of space constraints, only two of the five districts added even a few early childhood classrooms. There was also an interest in encouraging site-based management. While we looked for evidence of this change, the main sign we found was training on that topic listed in EIPs for all five districts. Interviews with teachers and principals revealed no substantial delegation of authority to schools in what appeared to be rather centralized districts.

There were some other problems with the state directed planning process itself. For instance, the state impeded the implementation of some recommendations. One theme in the state's recommendations was that districts engage in more long-term planning. Yet, during the planning year, one of the major obstacles to such planning was the state's inability to set and stick with a figure for state aid for the coming year. Since most of the districts' income came from the state, considerable instability resulted.

The other state policies that noticeably affected district efforts were state testing and monitoring requirements. Districts' success at escaping Level II and Level III monitoring and avoiding takeover depended in part on student test achievement in grades three, six, and nine (HSPT). In the short run, two districts were especially concerned about the achievement tests. One, which was undergoing Level III monitoring, had been told it would be certified if it could slightly raise average scores on one test in one grade and maintain scores in other areas. Another was at risk of being placed in Level III monitoring again because scores in one grade in one subject had fallen too low. In the longer run, district administrators remembered earlier times when they underwent monitoring and public opprobrium because their graduation test scores were so far behind those in wealthier districts. Special needs administrators feared that if graduation test scores fell dramatically when the new, more challenging test was implemented, their districts would again be at risk for state takeover at worst, or increased humiliation and loss of public support at best. While concerns about testing and monitoring were most pressing in the special needs districts, they were also apparent, although to a lesser extent, in other districts.

At the same time, local concerns played a major role in local planning. The

bifurcation in state and local influences is quite apparent in one district where two local themes ran through many initiatives in the EIP. One theme championed internally by an associate superintendent was a series of workshops, text purchases, and other developments intended to respond to state testing mandates. The other theme, advocated by the superintendent, stressed expanding social services to shore up the child and its family. This theme was apparent in efforts in some schools to integrate social services into their operations through the introduction of health clinics with social service components, after school programs for parents and students, and other programs. Moreover, several of what were portrayed as new programs in the district's plans had their roots in pilot efforts or related smaller scale programs from previous years.

More generally, five local influences affected district planning. The first was local improvement agendas. Four of the five special needs districts had improvement goals that preceded the QEA. These varied in their coherence. Moreover, sometimes an "improvement agenda" included reintroducing what were locally perceived as good programs that had been cut earlier, rather than creating truly new programs. Still, these districts also had their own ideas that they were trying to implement. Often these ideas included responding in varying ways to the difficult environment the schools were in and that students faced in the rest of their lives.

The second influence was the strength of the local administration. The one district that did not have its own agenda stood out from the others in its general lack of internal coherence. There appeared to be two major reasons for this limited unity. First, the district had an acting superintendent, and more than one central office administrator was

campaigning for the top position. Second, the administration was divided formally because the business manager reported directly to the board rather than to the superintendent. As a result, program people often did not know how much money they had to spend. In this climate, mid-level administrators were generally loath to take any initiative.

The third influence was contract requirements. The two districts that added elementary music, art, and physical education taught by specialists did so primarily in response to contract settlements giving elementary teachers preparation time each week. Also, a certain percent of increased aid was obligated to contracted increases in teacher salaries. In one special needs district, where teacher salaries are among the lowest in the state, salary increases absorbed about half of the district's new revenues.

The fourth influence was the need to restore, repair, and replace equipment or the urge to "catch up" by getting things for students in poor districts that appeared more regularly in other districts. Part of the catch up problem was in the facilities area where creating enough space to house valuable programs was a major problem. Another part was making the space more useable and inviting to potentially alienated students (and staff). Some of these districts had years of backlog of deferred maintenance (and sometimes hard use). One member of the study team visited two high schools with nearly identical facades and of nearly identical age. One was in a very tough neighborhood in a special needs district, the other in a blue collar neighborhood in a transition aid district. The first building was grimy and had graffiti in the halls and holes in the walls on the upper floors. It was depressing and looked unsafe. The second, while showing its age was clean and relatively cheery. One dimension of "catch up" rarely mentioned was getting buildings like the first in

similar shape to those like the second.

In addition to facilities problems, equipment was extremely old and sometimes items like science labs, that more affluent districts took for granted, were simply not present. Restoration and "catch up" were a major concern in decisions to buy science equipment, computers, and other equipment and supplies.

Finally, all of the districts experienced demographic changes. All eleven districts reported increases in student enrollment between 1988 and 1992. As one respondent in a foundation aid district noted, from Fall 1990 to Fall 1991:

> total enrollment rose by nearly 400 students...The number of students eligible for free and reduced lunches rose by over 150, more than what might be expected as a result of the rise in overall enrollment. The number of special education students increased by 29, an increase somewhat higher than might be predicted given the proportion of special education [students] in 1990.

Besides growth, the interviews also show another type of change in the special needs districts. At least two of the districts reported large increases in the number of Hispanic students, requiring an expansion of bilingual/ESL services. In the non-special needs districts, the interviews did not contain much discussion of rising population growth. However, one district is experiencing a "bulge at the K-three level" where the average class size has increased between two and four students per class.

CONCLUSION

Two caveats should be offered to the findings reported here. First, while the intensive analysis of a few districts helps to understand the links between changing fiscal patterns and educational practice, it is difficult to generalize from eleven school districts to the state as a whole. Thus, findings should be interpreted with caution.

The second caveat should be that since we only examined the first year of implementation of QEA things could turn out to be very different in subsequent years. While that is true, the history of QEA is proving to be very short. Early in the second year of its implementation (1992-93) and well before any systematic assessment had been done, perceptions of problems with the law had become so strong that the Republican Legislature began acting to change it. Because the Republican proposal would have seriously reduced funding for education overall, a coalition representing the major education associations in the state and both rich and poor districts (and in substantial collaboration with the plaintiffs in the Abbott v. Burke case who are still contesting the QEA II in court) proposed an alternative measure. After several weeks of discussion, all sides agreed that the QEA could not be revised again in time to affect funding for the 1993-94 school year. As a compromise, a one-year interim funding bill was passed and a commission was formed to recommend a new school finance bill to replace the QEA. Thus, the observation that findings from the first year of a new policy should be judged with caution is more than normally appropriate because it is likely that the policy itself will be modified.

Still, a few observations on New Jersey's efforts to equalize educational expenditure between rich and poor school districts are in order. The first is that while the contribution of the QEA to equalizing expenditures between rich and poor school districts was rather modest, it did lead to noticeable increases in revenues and expenditures for the special needs districts, especially in light of the small expansion in previous years. Growth in foundation aid districts was more or less what had been experienced in the past. Increases in the wealthier transition aid districts were smaller, but not because of reductions in state aid. The

failure of transition aid districts to keep pace with past growth must be attributed in large measure to the slow growth in local tax revenues. In fact, three of those four districts failed to tax themselves up to the state permitted cap. However, substantial disparities in education expenditures remain between the special needs and transition aid districts.

The second point is that the public expectation that increases given to special needs districts would be misspent did not seem to materialize. Expenditures generally went for three purposes. Two of these, equalizing services and facilities between special needs and other districts, euphemistically referred to as "catch up," and responding to the special needs of disadvantaged students, reflect concerns raised in *Abbott II* and by school administrators. The third, responding to increased costs forced on all school districts, was not specific to urban areas.

Much of the cost of "catch up" appeared in the direct educational expenses category, the one that grew most during the first year of QEA. "Catch up" funds began to give children in poor school districts the staff, extracurricular activities, and other programs that their counterparts in richer districts take for granted and that may help entice them to stay in school. "Catch up" also included increased supply budgets, although the survey data suggest that a substantial gap among districts still remained in this area. With the exception of one district that decided to take on its serious facilities problems, most districts did not make large increases in operations and maintenance, although they did begin to cut into years of deferred maintenance.

The poorer districts also increased the special services that their disadvantaged clientele require. A good deal of money went for special programs to provide students with

after-school homework centers, access to a wider array of social services, more counseling, and alternative services, and additional direct services to parents. Special efforts to help students pass the HSPT may also fit in this category, since this test has a greater impact on urban than suburban children. Small efforts were made to increase early childhood programs, but space limits as much as fiscal constraints inhibited this development.

Finally, the special needs districts, like their more affluent counterparts, had to devote a substantial part of their budgets to health benefits and other costs that fall in the category of fixed charges.

While the special needs districts began to improve their operations, the other districts more or less maintained the status quo. Changes in the foundation aid districts were small. Increased revenues in the transition aid districts often did not fully keep up with costs, but most administrators did not see a *short run* problem. For the most part, they were able to maintain their core programs by trimming at the edges, deferring maintenance, and in one case charging a fee for services. Thus, public fears that loss of state aid would substantially undermine programs proved unfounded in 1991-92. Moreover, in several cases, the fiscal constraints experienced would have been overcome if local taxpayers had been willing to tax themselves up to cap.

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ENDNOTES

1. The material in this section is abridged from Goertz (November 1992).

2. The 1990-91 State budget was paired with a one-cent increase in the state sales tax and increases in several excise taxes, A $1.3 billion income tax increase provided additional funds for aid to elementary and secondary education, for restructured property tax rebates, and for the State assumption of several county social services costs.

3. Additional schools were visited in the two largest districts. Because the very largest district had K-8 schools and no middle schools, we visited six of these and two high schools. In the second largest district, we visited one of two high schools, two middle schools, and five elementary schools.

4. Weighted enrollments are calculated as follows: the number of students in each educational need category (special education, bilingual/ESL education, "at-risk" students) was multiplied by that category's additional cost factor as embodied in the QEA. The sum of these products is that district's total "educational need units." Weighted enrollment is equal to total educational need units and total enrollment in a district. Thus, a district with 1000 students and 200 educational need units would have a weighted enrollment of 1200.

5. Actual start-up was delayed because the state was slow in approving space changes needed.