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## Reed: Cutting to the core, the story behind the school budget vote

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BY INGRID REED

THE RECORD

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WHEN has spring spawned such energetic activism, competing perspectives, emotional involvement and less optimism about solving public problems close to home — not some national or international issue?



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At this volatile moment when we are in turmoil about how we pay for schools and municipalities, we should take a deep breath and reflect on three areas: How we got to this point of contention, how to talk about the current struggles and how to use this experience to shape the future.

Here's my take on the past influencing the present. When the results of the recent school board elections were analyzed, someone figured out that we have not had so many budgets rejected since 1976. Do you know what else happened in 1976? We were just emerging from a deep recession, the worst since the Great Depression. And it wasn't a very strong recovery; unemployment in March was 10.4 percent, on its way up to a historical high of 10.7 percent in December.

It was also a year of incredible upheaval in New Jersey public policy. Schools were shut down, the Legislature labored into the night, and Gov. Brendan Byrne managed to — finally — get the votes for an income tax.

And in November 1976, the voters overwhelmingly approved an amendment to the state Constitution to confirm that money raised by the income tax would be "designated the Property Tax Relief Fund and be annually appropriated, pursuant to formulas established from time to time by the Legislature, to the several counties, municipalities and school districts of this state exclusively for the purpose of reducing or offsetting

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property taxes.”

That explains why state aid figures are so prominent in our local budget discussions. The state has to raise the money, the Legislature decides ultimately how it is distributed, and the governor signs off on the budget. If the state doesn't have as much money coming in as before, and there is disagreement and changes in how it gets allocated (note the formula part), ultimately municipalities and schools will confront problems.

### Sea change

When the income tax was approved 35 years ago, property taxes were practically the only way local government and schools were paid for. Many municipalities simply did not have revenues to support what is required in the New Jersey Constitution — “a thorough and efficient system of education.” As it is today, the issue of “fairness” was a prominent concept that government was obligated to protect. It wasn't fair to ask people to pay higher property taxes, and it wasn't fair to children to deny them good schools if their towns lacked resources.

In 1976, New Jersey was behind the times. As explained in a fascinating book, “New Jersey Politics and Government: The Suburbs Come of Age” by Barbara G. Salmore and the late Stephen A. Salmore, a former colleague at Eagleton, our state was only one of three in the postwar period

that did not have a sales tax or an income tax to pay for government services whether at the state or local level. We relied on a series of business taxes and the property tax.

Today, in the midst of a national recession and a high jobless rate, the revenues from the sales and income taxes that make up the Property Tax Relief Fund have dropped significantly. An upturn is unlikely in the near future.

### Designing the formulas

Even with limited funds, it is still up to the Legislature to design the formulas for how the money should be spent. And, once again, the issue of what's fair is being debated and will be in the hands of our elected representatives to discuss, compromise on and ultimately decide. That is what we expect of our leaders.

But we also expect them to help us understand why the hard choices need to be made, what the options are and why their decisions are fair and practical.

Voters need to weigh in with their perspectives but also be prepared for seeing different approaches reflecting different values before the deadline of June 30, when the budget for fiscal year 2010-11 must be approved.

What could we do right now to make the volatile discussions more useful in understanding the connections between the difficult state and local government fiscal problems?

My advice is: Don't use just plain numbers such as \$900 million more or \$8 billion less or 20 fewer teachers or elimination of 10 bus routes. Talk in percentages that provide a context for understanding the significance of the changes that face us. Losing 20 teachers in a school system of 1,000 students is very different than eliminating them in a K-8 program of 300 students.

Percentages can create pictures and enhance understanding; they permit comparisons. For example, how do school budget decisions vary if cuts are shown by categories such as instruction, administration and operations? Evaluating choices is hard to do with only dollar figures; percentages convey the impact.

### Managing with less

Finally, we should start learning how we are managing with fewer resources, a situation that is likely to continue. Even if revenues increase, we have even more state obligations besides school and local government aid. The pension fund is one area where no allocation is budgeted for this year. Complaining or

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blaming, while understandable, will not get us out of our fiscal constraints.

Start bringing decision-makers together in groups from counties, municipalities, non-profits, state government departments — you name it. Find out if priorities were set rather than uniform cuts made across budget categories. Were cost savings negotiated and how? Were contracts reopened? Were performance measures put in place to assess impact of budget changes? What experiences can provide guidance for the coming year's cuts? This is not the time to hunker down, but rather to collaborate.

New Jersey can't afford not to make this a time for modern management to move across boundaries that have shaped our governance for too long. The principles of the 1976 constitutional changes still make sense. But they must be adapted to the realities of 2010.



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