

## **An alternative to Corzine's dying fiscal plan**

*The Star Ledger*

Tuesday, February 19, 2008

By PAUL TRACTENBERG

It's extremely disconcerting to watch the main elements of Gov. Jon Corzine's vaunted plan to cure New Jersey's long-standing fiscal problems crumble before our eyes. After all, this is a governor who came to public office from a fabled Wall Street career, and he's surrounded himself with former Goldman Sachs colleagues. We had reason to hope that our embarrassingly inept state finances would be set right.

The signs are not good, though. A mainstay of Corzine's plan to control state spending -- the hastily passed and jerry-built School Funding Reform Act -- is headed back to court on a shaky legal foundation and with growing public concern about its effects on the education of all our children.

A mainstay of Corzine's plan to increase state revenues -- the repeated doubling of toll revenues -- is already on life support. Sophisticated Wall Street types may perceive the ingenious underpinnings of this plan, but to most of us it seems peculiar to reduce our state debt by having a "public benefit" corporation borrow another \$38 billion to \$40 billion on our behalf.

Still, the governor has said one thing that's undeniably true: If we don't like his plan, we should be helping to come up with alternatives. In that spirit, let me try to get the ball rolling.

A new plan should be based on three core elements.

First, we should be striving for a world-class education for every New Jersey student, not settling for an "adequate" one. That's precisely what the Abbott decisions require in the name of a "thorough" education for all. Yet the assumption underlying the new statute seems to be that we've cured the problems of our poor urban school districts -- or have given up trying -- and we can return to what the law labels an "adequacy budget" approach to state aid.

I'm not willing to settle for my children getting an "adequate" education. I want them to get a world-class education -- all of them, urban as well as suburban and rural, black and brown as well as white, girls as well as boys, disabled as well as nondisabled.

Recently released state test scores suggest that none of our children is

doing as well as we would like, especially at the high school level, and that the achievement gaps between the haves and have-nots are still there. This is not a time to settle for reduced aspirations and funding to match -- something below the current state average in spending and far below what the state's wealthiest districts and some Abbott districts are spending.

The Abbott reforms and the funding to support them are beginning to bear fruit. We should be redoubling our efforts, not reducing them. Think of the Abbott funding as a kind of Marshall Plan for the least advantaged 20 to 25 percent of our children. Are we really ready to abandon it? Are we really ready to declare victory and withdraw?

Don't be misled by the governor's sound bite that under his education funding plan, all districts will receive at least a 2 percent increase over this year's state aid. For more than 240 districts, more than 40 percent of all districts and for most of the special-needs districts, that will happen only if the state funds an \$860 million category called "adjustment aid."

According to a hastily drafted legal opinion from the attorney general, the new school funding law is constitutional because the adequacy budget is sufficient to provide every student in New Jersey with a thorough and efficient education. Her letter doesn't even mention adjustment aid, suggesting that the state doesn't consider it constitutionally necessary.

Imagine that we reach state budget crunch time in June and there's still a large gap to be closed -- say a gap of about \$860 million. Could the governor possibly tell us that the only way to close the gap is by jettisoning adjustment aid, a nice but not necessary line item?

Given this doomsday scenario, it's entirely understandable why not only those with children in poor urban districts but a wide range of others, including many in wealthy districts and the disability community, are expressing escalating concern and even outrage as they learn more about the impact of the new law.

Second, we should be focusing on the other part of our state education clause requiring an "efficient system of free public schools." I doubt anyone could argue with a straight face that education in New Jersey is characterized by efficiency or that we have a meaningful unitary system of public schools.

And efficiency is not just about reducing spending; it's also about ensuring that we get more educational bang for the buck, that what we spend gets effectively translated into educational outcomes -- ultimately, a well-equipped workforce for all levels of the economy and a thoughtful, informed and engaged citizenry. It wouldn't be so bad if, along the way,

students acquired a lifelong love of learning and the ability to get along with one another.

Third, we need to begin shifting a substantial part of the fiscal burdens of government, and especially education, off the backs of local property taxpayers and onto the broader backs of state taxpayers, not the reverse, which seems the inevitable result of the governor's plan.

As to the last element, there's no effective way to sugarcoat the pill -- it will mean higher state taxes as a quid pro quo for reduced local property taxes.

In justifying his borrow-against- future-toll-increases plan, Corzine treated state tax increases as an absolutely unthinkable alternative, in common New Jersey parlance as a "political third rail."

One third rail the governor mentioned in his State of the State address was a 20 percent across- the-board increase in the state income tax. That got me thinking. Wasn't it Gov. Christie Whitman's 30 percent decrease in that tax that started us down the road to fiscal disaster, to a world where, since we couldn't raise revenue by increasing taxes, we had to exploit the one-time budget fixes that, as a new governor, Corzine properly criticized?

My mathematician friends tell me that to restore a 30 percent cut takes a 40 percent increase. So the governor is telling us an increase in income tax rates that would get us only halfway back to where we were in 1994 (when, incidentally, our economic situation was very good) is now politically unacceptable.

If we're going to seriously address alternatives to the governor's dying plan, we have to get beyond this third-rail thinking. We also can't wish away the hard problems. This is not a problem we can solve by budget cuts alone. We need to start devising approaches that can accomplish what we want and deserve, even if they're not pain-free.

*Paul Tractenberg, a professor at Rutgers School of Law in Newark, is founder, first director and board chairman of the Education Law Center. He has argued before the New Jersey Supreme Court 14 times in school funding-related cases.*