

Little Silver School District - Budget Challenges Q & A

Q1: How is the budget funded?

A1: The **2017-18 budget** *was funded* with a proportion of:

- a. 94.3% Property taxes
- b. 2.4% State Aid
- a. 3.3% Miscellaneous (includes interest, tuition and fund balance, extraordinary aid)

The **2018-19 budget** will be funded with a proportion of:

- a. 93.8% Property taxes
- b. 2.8% State Aid
- c. 3.4% Miscellaneous (includes interest, tuition and fund balance, extraordinary aid)

Q2: Why does Little Silver receive such a small amount of State Aid?

A2: The New Jersey School Funding Reform Act of 2008 (SFRA) is used for funding districts in NJ. The formula creates an **adequacy budget** which is an annual base per pupil amount set by the State which is multiplied by the weighted resident enrollment (i.e. half-day kindergarten = 0.50; full-day K through grade 5 = 1; grades 6 through 8 = 1.04; grades 9 through 12 = 1.16). Then the State looks at a district's ability to fund education. A community's **local fair share** is the local community's ability to pay for its own education as measured by two wealth indicators: **equalized property value** and **income**. Once the **adequacy budget** has been established by the State, the State determines if school districts are "over adequacy" or "under adequacy." Districts like ours are deemed to be "**over adequacy**" because we are viewed as a district whose *local fair share* is enough to pay for the cost of educating our students. Districts that cannot afford the full cost of educating the children in their communities are considered **under adequacy**. Those districts who cannot fund their budget on their own receive **equalization aid** in proportion to their ability to pay. This is a wealth-equalized aid given to school districts with the intent of ensuring that districts have sufficient resources to provide a "thorough and efficient" education. Finally, the State created **adjustment aid**, sometimes called "hold harmless aid", to make sure districts would not see big drops in their state aid when SFRA went into effect in 2008. We receive very little State Aid, and the small amount that we receive has remained *relatively* consistent.

Q3: What are the categories of State Aid (School Funding Formula Aid) for which school districts can qualify?

A3: The "categories" for State Aid can change slightly from year to year. During the 2017-18 school year (FY18), State Aid categories included:

1. Equalization Aid
2. Educational Adequacy Aid
3. Choice Aid
- 4. *Transportation Aid***
- 5. *Special Education Categorical Aid***
- 6. *Security Aid***
7. Under Adequacy Aid
8. Supplemental Enrollment Growth Aid
- 9. *PARCC Readiness Aid***
- 10. *Per Pupil Growth Aid***
11. Adjustment Aid
- 12. *Professional Learning Community Aid***
13. Host District Support Aid

(Categories in *italics* are those categories for which Little Silver qualified).

The “categories” for State Aid for the 2018-19 school year (FY19) were compressed and include:

1. Equalization Aid
2. Educational Adequacy Aid
3. Choice Aid
4. *Transportation Aid*
5. *Special Education Aid*
6. *Security Aid*
7. Adjustment Aid

(Categories in *italics* are those categories for which Little Silver *expects* to qualify).

Q4: For Fiscal Year 19 (FY19), did the State of New Jersey propose increases to School Formula Aid to Schools?

A4: Yes. See <http://www.nj.gov/treasury/omb/publications/19bib/BIB.pdf> for Fiscal Year 2019 State of New Jersey Budget in Brief, page 29. The State plans to increase Formula Aid by \$283 million of which Little Silver is projected to receive \$398,966. This will be a \$41,112 increase from Fiscal Year (FY18).

Q5: Will the anticipated increase in State Aid for the 2018-19 school year help Little Silver’s Budget?

A5: Not significantly. Historically, the total State Aid realized in Little Silver for **all categorical aid** for which we qualified has been nominal. As a J district, Little Silver’s *local fair share* is sizeable (\$17,846,459). *Local fair share* is the amount of money the State believes Little Silver *can afford to spend* on education. This means that the State believes that our budget *could reach* that \$17,846,459 threshold. The State also sets a minimum amount that Little Silver *should be* paying for education. That is called the *adequacy budget*. For Little Silver, the State believes we should be spending at least \$10,835,838. We spend more, as our 2018-19 budget is \$15,133,444. Therefore, we are *over adequacy*, and we receive no *adjustment aid* or *equalization aid* or *adequacy aid*. While we realized an 11.25% increase in State Aid between the 2016-17 school year (\$321,655) and 2017-18 school year (\$357,854), that \$36,199 increase was a result of increased special education enrollment. While any State Aid increase is welcomed, Little Silver’s State Aid income represented 2.4% of our total 2017-18 budget (\$14,805,151). The increase of \$36,199 represents .002% of our total budget. Therefore, while an 11.25% increase looks sizable, it is relative to the base amount of the increase. For the 2018-19 school year, Little Silver is *projected* to receive \$398,966 for all categorical aid for which we qualify. Again, should we receive the \$41,112 increase, we will welcome it. It does not, however, have a significant impact on our overall budget.

Q6: What does the school budget encompass?

A6: The school budget finances every aspect of our elementary and middle school students’ education from the building upkeep, utilities, and all school materials to staffing expenses, etc. The FY19 budget decreased staff which represented 87% of the 2017-18 budget to 84.3% in 2018-19. The remaining 15.7% of the budget is *everything else* (student program requirements, instructional supplies and materials, transportation, technology requirements, facility upkeep, athletics and extracurricular activities, professional services including attorney & auditor, etc.).

Q7: Why did the 2018-19 budget result in decreasing staff?

A7: For many years, Little Silver has had a very lean budget. We have worked to combine services with other districts and the municipality whenever possible to heighten fiscal efficiencies and substantially reduce expenses. Utilization of joint insurance funds, purchasing cooperatives, shared teacher training, shared energy agreements and transportation jointures all combine to increase the cost savings management the administration strives to achieve. That said, the cost of the largest part of our budget (staff, healthcare, special education programming, online subscriptions and other resources), all *increase at a percentage greater than the 2% property tax cap*. For the 2017-18 school year, staff affiliated costs were 87% of the total budget. The remaining 13% of the budget that includes everything other than staff had little room to cut. Therefore, the only way to create a budget within the 2% cap for the 2018-19 school year was to decrease the content of the 87% of the budget – hence decrease staff.

Q8: Has Little Silver’s Budget been efficient over the years?

A8: Yes. If you look at the [Tax Payer’s Guide to Education Spending](#), you will see that Little Silver’s cost per pupil is lower than most other *similar* districts with approximately the same number of students.

Q9: Is the Special Education Categorical Aid part of the State Aid figure the same as Extraordinary Aid?

A9: No. Special Education line items encompass many different things such as: Special Education teachers, Instructional Assistants, Tuition for out-of-district placements, Speech Therapists, Occupational Therapist, Physical Therapist, Behaviorist, Out-of-district therapeutic services, Transportation for out-of-district placements, Special Education program materials, Special Education equipment, Building modification costs, etc. **Special Education Categorical Aid** is one of the State Aid categories for which Little Silver qualifies. It helps to offset the aforementioned expenditures. Out of the *projected* State Aid total for 2018-19 (\$398,966), \$306,548 is Special Education Categorical Aid. That \$306,548 will minimally offset the cost of expenses associated with educating our special education students. **Special Education Extraordinary Aid** is not part of the School Funding “Formula Aid.” Rather, it is a separate line item called **Extraordinary Special Education Aid**. Extraordinary Aid is that aid given to districts whose program costs *exceeds* a cost of \$40,000 in a public school placement or \$55,000 in a private school placement. The *eligible reimbursable amount* is the amount of money that exceeds those thresholds. Therefore, if the program costs associated with educating a public school child is \$50,000, then \$10,000 is *eligible* for reimbursement. The average percentage of actual reimbursement has been around 50%. In the scenario described, that means the district would expend \$50,000 and receive \$5,000 back, resulting in a tuition cost of \$45,000. All transportation expenses, regardless of whether the child is in a public school placement other than their home district or in a private school for students with disabilities on the State approved list (<https://homerom5.doe.state.nj.us/apssd/>), are *excluded* from the *eligible reimbursable amount*. Transportation costs for out-of-district students can exceed that of the actual tuition. During the 2017-18 school year, Little Silver paid \$185,952 to transport a few students. While Senator Sweeney has proposed “fully funding” Extraordinary Aid, this does not offer a complete resolve. School districts are still responsible for a base amount (\$40,000 public or \$55,000 private) that far exceeds any of our average per-pupil costs, as well as the transportation costs.

Q10: Does Little Silver qualify for any waiver provisions to extend the property tax cap beyond 2%?

A10: No. The current 2% property tax cap is a one-size-fits all model. We don’t qualify for any of the “banked cap” provisions and therefore cannot extend our budget beyond 2% *as a result of waivers*. The waiver provisions that exist include:

1. Enrollment Adjustment (District realized an overall increase in enrollment)
2. Healthcare Waiver (% of healthcare increase with our healthcare plan is more than the % of the State Health benefit plan increase)
3. Deferred Pension (The districts can’t contribute to their fair share of employee pension contribution)
4. Shifting to and from (The district accepts “School Choice” students and has a Revenue Gain/Revenue loss)

None of the aforementioned provisions are applicable to Little Silver.

Q11: For Fiscal Year 19 (FY19), did the State of New Jersey propose increases to Extraordinary Aid to Schools?

A11: No. See <http://www.nj.gov/treasury/omb/publications/19bib/BIB.pdf> for Fiscal Year 2019 State of New Jersey Budget in Brief, page 29. The State proposed a **0% increase to Extraordinary Special Education Aid** for the 2018-2019 school year.

Q12: Are there any legislative provisions that would allow Little Silver to extend the tax levy beyond 2%?

A12: Yes. School districts can place referendum questions on a ballot. A bond referendum seeks voter approval for the financing of items that are unable to be placed in the Board’s regular operating budget. These items

are typically one-time capital improvements. Placing a question regarding a staff member would be fiscally irresponsible. First, it would be a recurring cost, so a vote would have to go to the tax payers annually. Second, the timeline for approving a bond referendum for a staff member is tricky. A referendum question can be placed on the ballot during the regular November election. Therefore, with this timeline, the district has to *either* hire staff with the hope that the referendum will pass, or wait until after the November election to hire staff. With either of these scenarios, if the referendum was designed to hire classroom teachers, then the classes have to be created with the anticipation that the referendum will pass, or classes will have to be redistributed afterwards if the referendum is successfully passed. This could disrupt students' class assignment either way. There is an option to hold a special school election. Legislatively, these can only be held on the fourth Tuesday in January, the second Tuesday in March, the last Tuesday in September or the second Tuesday in December. There is a cost associated with holding a special election. Some of the dates would provide more flexibility for hiring for the 2019-20 school year. That said, placing a referendum question on a ballot is irresponsible as it is a model that would need to be re-addressed annually.

Q13: Could a district propose a bond referendum to support special education expenses?

A13: This would also be fiscally irresponsible. The laws governing special education class size is specific. It would be financially irresponsible to place a question on a ballot that needs to be sustained long-term.

Q14: Are there any options for financial relief for districts like Little Silver?

A14: While the Little Silver Board of Education and Little Silver Town Council are currently working collaboratively on an ad hoc committee to seek avenues for financial relief, legislative change is desperately needed to address our concerns. The following has been proposed to our legislative representatives:

Long Term Relief:

1. In order to have a fair and equitable impact on all New Jersey School districts, consider restructuring Extraordinary Aid to lower the threshold for the eligible reimbursable amount of money to expenses that exceed the actual State *average* per-pupil cost of approximately \$20,000-\$21,000, and **include** the cost of transportation. See the New Jersey Department of Education Taxpayers' Guide to Education Spending 2017 - [State averages/medians](#) – to better understand the average of total per pupil spending in the State. This is always a “look back” to ensure actual dollars spent as opposed to “proposed spending.” The 2015-16 Average Cost Per Pupil was \$20,385.
2. Consider reversing N.J.S.A. 18A:46-1.1 to place the burden of proof regarding whether or not a child's individualized education plan (I.E.P.) is not appropriate for the child to fall back on the plaintiff. New Jersey is one of two States in the nation where the burden of proof falls on the school district. This causes a financial burden on districts in defending lawsuits.

Short-Term Relief:

1. Consider granting a waiver of the two percent tax levy to allow Boards of Education an option to expand the tax levy to encompass the total unfunded Extraordinary Aid PLUS the cost of transportation.
2. Consider granting a waiver of the two percent tax levy to allow Boards of Education an option to expand the tax levy to encompass special education expenses at a threshold that exceeds the *State Averages/Medians Actual Cost Per Pupil*, according to the Tax Payers Guide to Education spending. While *Actual Budgetary Cost Per Pupil* varies between school districts (Little Silver is approximately \$15,000) the current State average is about \$20,000-\$21,000.