

**Testimony on SFRA Implementation and the Funding Fairness Index**  
**New Jersey Assembly Budget Committee, State House Annex, Trenton, NJ**  
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**INTRODUCTION**

Good afternoon, ladies and gentlemen. My name is Ken Greene, superintendent of the Newton Public Schools in Sussex County, and adjunct professor at Columbia and Lehigh Universities, where I've studied school finance and taught about the impact of resource decisions on student achievement.

I realize you've heard recent testimony from others on the implementation of the School Funding Reform Act. I would like to address this issue with you today from **a fresh perspective**, because I see the inequitable distribution of school aid as **more than just a hindrance** to spending adequacy. In a simpler way, it is a matter of **property tax fairness for thousands of New Jersey residents**.

**TAX FAIRNESS**

Let me provide some examples of the differing experiences in our municipalities.

- Some communities choose to provide resources to their schools above and beyond what adequacy requires by increasing property taxes above the local fair share. And they certainly have the right to do so.
- Other communities choose not to tax up to their local fair share and might accept a less than adequate budget.
- But what is truly unfair is a third group of communities that **are unable to provide an adequate budget** for their students despite the fact that **they choose to overtax themselves**. They do so because the State gives funding they should be receiving to almost 200 districts to boost them above 100% of their calculated formula aid. This is why I am here today.

I'll use my district as an example.

- Newton is a town of about 8,000 residents with an average assessed home value of \$188,000. The school district is in the CD factor group with just over 50% FRL population.
- And the reality is this: the tax levy this year is **34% above the local fair share**. And yet the budget is still 5% below adequacy. **We need to ask ourselves ... how can that be?**
- The answer is fairly simple. Newton has been **grossly underaided** by the State for decades. The district currently receives **only 56% of the aid due to it under the formula**. That amounts to a \$4.5 million dollar shortfall.
- Over time the district has tried to make up the difference, resulting in a tax levy that **overcharges taxpayers by more than \$3 million dollars**. And yet the district remains somewhat over \$1 million short of an adequate budget. There's no way for us to make that up without your help. But this isn't just about my district.

## THE FUNDING FAIRNESS INDEX

I have reviewed data on school funding for all New Jersey districts and will provide you a spreadsheet with that information at the end of my testimony. Here are a few highlights:

- 197 of NJ school districts are **overaided**; that is they **receive more than 100%** of their calculated formula aid, a total of \$598 million. Almost all of that overaiding is done through the category of *Adjustment Aid*.
- On the other side of the issue, **nearly one in three districts (177 of them) receive less than 60% of their formula aid.**
- The most powerful evidence of inequity is found in **the *Funding Fairness Index***. I developed this statistic last year as a way to combine two influential variables of funding equity: **underadequacy spending and over taxation.**
- There are 70 districts in our state that exhibit both conditions. They are found in 16 of the 21 counties in all district factor groups with a variety of enrollment sizes. **More than half of these 70 districts receive less than 60% of their formula aid.**

## SOLUTIONS

So, that frames the problem. What about solutions?

1. *Fully Funding the Formula* for everyone would require nearly **\$1.4 billion in new spending.**
2. *Creating Categorical Funding for Underaided/Overtaxed Districts* would require **\$540 million** to provide adequacy budgets to the 70 districts and bring them back to their local fair share.
3. *Redistributing Adjustment Aid from Districts that are Overaided* would require **no new state funding.** Two weeks ago, the Legislature introduced concurrent resolutions to express objections to the administration's Educational Adequacy Report. A similar report was issued in 2012 and contained a proposal to reduce Adjustment Aid to overaided districts by 50% over 5 years to start "correcting a gross inequality and undoing a political giveaway of the past." **Here we are five years later talking about FY17, and we still have nearly 200 districts that receive more than 100% of their calculated formula aid, and almost 200 others that receive less than 60% of theirs.**

## CLOSING

In closing, I have come to you to make **a case for tax fairness** for those communities who are providing more than their local fair share for their schools. Redistribution is the most cost effective solution. The 70 underaided, overtaxed districts would be **a great place to start** addressing the inequitable distribution of state aid.

Ladies and Gentlemen, I leave you this dataset for your review and welcome the opportunity to meet with your staff to discuss next steps. I will gladly answer any questions you may have.