



Basic Fairness

a closer look at the real impact of New
Jersey's funding formula on school
districts and taxpayers



Background*

- In 2008, the New Jersey Legislature enacted a statewide, weighted, school funding formula: the School Funding Reform Act (SFRA).
- The formula is driven by determinations of the cost of resources for all students to achieve the state's academic standards.
- The formula delivers **extra funding** to school districts based on the number of students living in economic disadvantage, limited-English proficient (LEP) students, and students with disabilities enrolled in the district.

** Education Law Center (July 2014), Shortchanging New Jersey Students.*

Adequacy Budgets*

- The formula establishes an “adequacy budget” for each school district that reflects the size, grade configuration, and demographic characteristics of the student population based on weighted enrollment.
- The adequacy budget is **the cost of delivering academic standards** to all district students based on the formula’s parameters.
- The adequacy budget is funded through a combination of local revenue and state aid, based on calculations of a municipality’s ability to pay.

** Education Law Center (July 2014), Shortchanging New Jersey Students.*

Economic Realities*

- Unfortunately, **the SFRA has been consistently underfunded**. In 2010, the Governor proposed, and the Legislature adopted, a budget for FY11 that cut over \$1.1 billion, or almost 15%, in state aid from the SFRA formula.
- **Subsequent budgets have failed to properly implement the school funding formula**, providing minimal and unpredictable state aid increases that do not comply with the law.
- The Education Law Center estimates that New Jersey's schools suffered an accumulated funding deficit of almost \$4.5 billion from 2010 through 2013.

** Education Law Center (July 2014), Shortchanging New Jersey Students.*

Districts need relief

- While no districts are receiving the state aid that SFRA promises, districts who are spending below their state-determined adequacy budgets are in most need of relief.
- Within that group of districts spending below adequacy are those who also have tax levies that exceed what the state calculates as “local fair share.”

*This is a basic fairness issue for **70 districts** of all sizes from every region and every district factor group !*

Who are we talking about?

- 70 school districts that spend ***below adequacy levels*** and have a ***tax levy above the local fair share*** as defined by the state;
- Do not receive Adjustment Aid; and
- Do not have a special state aid category to bridge the gap.

Example of the Funding Fairness Index: Newton Public Schools*

1. Spending as defined is 95% of the state adequacy budget (shortfall of \$1,045,652).
2. Tax levy is 34% above “local fair share”.
3. Funding Fairness Index = 5% below adequacy (100% - 95%) plus 34% above local fair share for a rating of **39**, reflecting the size of the problem.

** See full spreadsheet for data on all NJ districts*

Closing the Gap

- ★ One solution is to create **a new state aid category** to cover the shortfall in the adequacy budgets of these districts.
- ★ An alternative would be to begin **transferring state funding away from overfunded districts** (those that are over adequacy and under local fair share), and create a waiver to allow them to exceed the 2% tax cap to make up the difference.
- ★ We are working with the Commissioner of Education's Office, Legislative Committee Chairs, NJASA, and NJSBA on these proposals.