Description of the Formula

The current school funding formula was established with the passage of the School Funding Reform Act of 2008 (SFRA) and was first used for funding districts in the 2008-2009 school year. It is a foundation formula based on projected weighted enrollment.

Equalization Aid provides wealth-equalized foundation aid to school districts with the intent of ensuring that districts have sufficient resources to provide a “thorough and efficient” education. The State sets an annual uniform per pupil foundation amount, which is multiplied by the weighted resident enrollment for each district to determine their “adequacy budget.” Districts that cannot fund their adequacy budget on their own receive equalization aid in proportion to their ability to pay. The latter is determined based on districts’ per pupil equalized property value and per pupil income.

In fiscal year 2011, the per pupil foundation amount (for all students) was $9,971. The following grade level adjustments are made: half-day kindergarten = 0.50; full-day K through grade 5 = 1; grades 6 through 8 = 1.04; grades 9 through 12 = 1.17. In addition, the new formula applies a higher weight for county vocational students (1.31), for students eligible for free and reduced priced lunches through the federal school lunch program, and for students with limited English proficiency. (The at-risk and LEP weights will be described in more detail below.)

The SFRA was fully funded in FY 2009. However, due to recent budgetary constraints, increases in aid for FY 2010 and FY 2011 were limited. In addition, the aid allocations for FY 2011 were reduced for all districts (subsequent to running the formula) by the same proportion of their respective budgets (4.994%).

District-Based Components

Density/Sparsity of Small Schools

Does not apply.
Declining Enrollment or Growth
Adjustment Aid was provided to transition districts through the new funding formula. Since the prior formula had not been recalculated to account for changes in enrollment in many years, it was necessary to mitigate potential losses in aid. Adjustment aid is provided to prevent districts from receiving less aid than they received in FY 2009. Beginning in FY 2012, districts that experience enrollment declines greater than 5% below the FY 2009 enrollment will have their adjustment aid reduced proportionately with the amount of the decrease that exceeds 5% (i.e. 7% decline in enrollment from FY 2009 will lead to a 2% reduction in adjustment aid).

Capital Outlay and/or Debt Service
Debt service is available to any district with qualifying outstanding debt from school construction or renovation projects. The SFRA defines the debt service state share percentage as the ratio of Equalization Aid to the Adequacy Budget. In addition, with the enactment of the Education Facilities Construction and Financing Act (EFCFA) in fiscal year 2000, districts could choose to receive grants of no less than 40% of department approved eligible construction costs, or their debt service state share described above.

Transportation
Districts receive transportation aid for students who are transported more than a specified distance between home and school (2 miles for students in preschool through grade 8, 2.5 miles for students in grades 9 through 12). A greater level of support is provided for special education students who have special transportation needs. In addition, children whose special education programs require transportation are provided transportation regardless of their distance from school.

For regular transportation needs, the fiscal year 2011 formula aid amounts (prior to the reduction) equaled $396.70 per transported student plus $10.85 per mile the student was transported. The corresponding figures for students with special transportation needs were $2,675.14 per student and $5.27 per mile transported.

The SFRA requires the state to examine the funding for transportation, and to present new cost factors to the Legislature by way of the Educational Adequacy Report (due every three years).

Student-Based Components

Grade Level Differences
As noted above, students at different grade levels are given varying weights when determining Equalization Aid. Half-day Kindergarten is 0.5; grades K through 5 are 1; grades 6 through 8 are 1.04, and grades 9 through 12 are 1.17.

---

1 For FY 2011, the state aid reductions were applied after the formula was run. As a result of the necessary reductions, many districts’ aid allocations for FY 2011 were lower than their FY 2009 aid amounts.
2 While the SFRA includes the above calculation, the state has actually used the same state share percentage for debt service aid for every district since FY 2002.
**English Language Learner (ELL/LEP)/Bilingual Education**

Aid for LEP students is provided through equalization aid. Students that are enrolled in qualifying programs are given an additional weight when determining the adequacy budget. For a student that is LEP, but not low-income, the weight is 0.5 (in addition to the base cost and grade level weights). For a student that is both LEP and low-income, the weight is 0.125 (reduced to account for duplicative resources provided through the at-risk weight).

**Security Aid**

Security Aid is provided to all districts as a categorical aid (regardless of wealth). Each district receives a specified amount per pupil. In FY 2011 the amount was $72. Districts receive an additional amount for each at-risk student, where the amount received increases along a sliding scale proportionate with the district’s low-income concentration. The highest amount districts could receive for each at-risk student was $412 in FY 2011, at a threshold of 40% or more at-risk students.

**Special Education**

Through the new funding formula, the State has adopted a census-based method of funding for Special Education. This approach bases the aid allocation on each district’s total enrollment. Using this method, special education needs are projected by multiplying the excess cost of educating special education students by the statewide average classification rate, which is then multiplied by the district’s total enrollment. Two-thirds of this cost is included in the district’s adequacy budget, where it is funded through equalization aid. One-third of this cost is provided as categorical aid to the district (regardless of district wealth). This ensures that all districts receive some amount of special education aid.

In determining the actual “excess” cost for special education, the Department used audited expenditure data from fiscal year 2006. The term “excess cost” refers to the costs in addition to the base cost for education for all pupils. In addition to allocating the costs for special education expenditure lines, a portion of the general education budget was also attributed to special education to account for the special education costs for students that are mainstreamed for at least some portion of the day. This adjustment was based on the percentage of time special education students spent in regular classrooms according to the data collected from districts pursuant to federal reporting requirements.

**Compensatory Education**

The following 3 categories of aid are based on measures of district and student wealth. For aid purposes, low-income (“at-risk”) counts are based on the number of students eligible for the federal free and reduced priced lunch programs.

**At-Risk Equalization Aid**

Aid for low-income students is primarily provided through equalization aid. As noted above, low-income students generate an additional weight (ranging from 0.47 to 0.57) when determining the adequacy budget. In districts with a low-income concentration lower than 20%, each at-risk student receives a weight of 0.47. This weight gradually increases as the at-risk concentration increases to a maximum weight of 0.57 for districts with an at-risk concentration greater than or equal to 60%.
At-Risk Security Aid
As described in the security aid section above, each at-risk student generates an additional categorical allocation for a district, where the per pupil amount received increases with the district’s at-risk concentration. In FY 2011, the maximum security aid per pupil was $412 per at-risk student in a district with an at-risk concentration of at least 40%.

Preschool
The SFRA includes full State funding for all at-risk 3- and 4-year olds to attend full-day preschool programs in every district. In districts with the DFG designations “A” or “B” or those in “CD” districts that also have an at-risk concentration of at least 40%, funding is intended for all resident 3- and 4-year olds, regardless of income.[1] In all other districts, funding is intended for all at-risk resident 3- and 4-year olds.

Due to recent budgetary constraints, the State’s plan to expand the preschool program as defined in the SFRA was not realized in FY 2011. While some amount of Preschool Education Aid (PEA) was provided to each district that received early childhood aid under the previous funding law, the SFRA calculation was only applied to about 20% of those receiving aid. Other districts’ aid allocations were based on prior year aid allocations, with some adjustments.

Gifted and Talented Education
Resources for gifted and talented students are included in the state’s model district that is used to calculate each district’s adequacy budget. While there is no additional aid category, it should be assumed that the costs for gifted and talented students are included in districts’ adequacy budgets, which are funded through equalization aid.

Other
County Vocational District Aid is dispersed to the 21 county vocational school districts in accordance with the formula. Specifically, students that are recorded in the resident enrollment for county vocational schools generate a weight of 1.31 in addition to the grade level, at-risk, and LEP weights within the adequacy budget. In fiscal year 2011, this weight translated to $15,283 for the base cost for these students (not including high school or other additional weights). For each county vocational district, the adequacy budget is funded according to the county’s average local fair share. This is calculated as the sum of the county districts’ local shares over the sum of districts’ adequacy budgets within the county, multiplied by the vocational district’s adequacy budget. Equalization and other aids are then provided in the same manner as for all other LEAs.

School Choice Aid provides revenue to districts that receive students from other school districts as part of the Inter-district Public School Choice Program. Choice aid ensures that each receiving district receives its average adequacy amount per pupil for each participating choice student. The

[1] District Factor Groups (DFGs) are based on a socio-economic index of each school district’s community characteristics. The index is grouped into the following 8 categories, listed from lowest to highest: A, B, CD, DE, FG, GH, I, J. For more information about the DFGs and the factors that are used to calculate the index, please go to the following website: [http://www.state.nj.us/education/finance/sf/dfg.shtml](http://www.state.nj.us/education/finance/sf/dfg.shtml)
state recently passed legislation that will significantly expand the state’s choice program (the pilot program had limited participation to one choice district per county).

_Teachers’ Pension and Annuity Fund & Post Retirement Medical Social Security Tax_ – The State makes a contribution to the Teachers’ Pension and Annuity Fund and supports the cost of post-retirement medical benefits for retired certified staff.

_Social Security Tax_ – The State reimburses school districts for the employer’s share of the Social Security tax paid for certified staff.

**Revenue and Expenditure Information**

**State Mandates Restricting Revenue or Expenditure Increases**

New Jersey limits districts’ general fund tax levy. For FY 2011, school districts were limited to a 4% increase in their prebudget year adjusted tax levies, including weighted increases for enrollment. Districts can apply to the Commissioner for a waiver in order to increase beyond this levy limit for certain purposes. There are also automatic adjustments allowed for increases in health care costs, state formula aid reductions and various other conditions.

During a special session in the summer of 2010, the Legislature passed P.L. 2010, c.44, which subsequently was signed into law by Gov. Chris Christie. This law will limit the adjusted levy increase to 2%, beginning in FY 2012. This law contains fewer adjustments – an adjustment for increases in enrollment, health care costs, and certain pension contributions, as described in the law – and allows districts to “bank” the cap for future years if they do not use it (for up to three years).

**Property Assessment Ratios Used/Legal Standards for Property Assessment**

Taxable value is 100 percent of the true value as established by the county board of taxation.

**Measure of Local Ability to Support Schools**

A community’s fiscal capacity is measured by a combination of equalized property valuation and aggregate income (as reported on the State’s income tax returns).

**School District Budget and Tax Rate Procedures/Sources of Local Revenue**

All districts are fiscally independent. There are two types of districts. Type I districts have a school board that is appointed by the municipality and a Board of School Estimates that must approve the proposed budget annually. Type II districts have an elected school board and present the budget proposal to the voters in the April election. Type II districts are also permitted to raise revenue during four special elections in a given fiscal year.

**State Support for Nonpublic Schools**

The State provides several categories of aid to students enrolled in non-public schools including the following:

- Textbook aid;
- Handicapped aid;
• Auxiliary services aid;
• Auxiliary services / handicapped transportation aid;
• Nursing services aid

The State also provides aid-in-lieu of transportation for nonpublic transportation expenditures. In FY 2011 the amount was $884 per pupil.