



NEW JERSEY

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 the “adequacy budget.” Districts that cannot fund the adequacy budget through their local levy 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 2015, funding for most state aid categories was held constant from FY 2014 when the per pupil foundation amount was \$11,009. The foundation amount is adjusted for grade level differences as follows: half-day Kindergarten = 0.50; full-day K through grade 5 = 1; grades 6 through 8 = 1.04; grades 9 through 12 = 1.16. In addition, the formula applies a higher weight for county vocational students (1.26), for low-income students (using the income thresholds for free and reduced-price lunches), and for students with limited English proficiency. The low-income (at-risk) and LEP weights are described in more detail below.

The SFRA was fully funded in FY 2009. Since then, the state’s ability to implement the new formula has been impaired by fiscal constraints. While the state has continued to use the formula, aid allocations have been appropriated according to available revenues.

District-Based Components

Density/Sparsity of Small Schools

Does not apply.

Declining Enrollment or Growth

Adjustment Aid was provided to transition districts to 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 was designed to prevent districts from receiving less aid than they received in FY 2008 plus 2%. Beginning in FY 2012, the formula requires a phase-out of adjustment aid where districts that experience enrollment declines greater than 5% below the FY 2009 enrollment would have their adjustment aid reduced proportionately with the amount of the decrease that exceeds 5% (i.e. A 7% decline in enrollment from FY 2009 would yield a 2% reduction in adjustment aid). In FY 2013 and FY 2014, the state accelerated the reductions for districts spending over adequacy. These reductions were maintained (but not accelerated) for FY 2015 state aid allocations, and many districts continue to receive 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.¹ 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 2015 formula aid amounts equaled \$426.65 per transported student plus \$11.67 per mile the student was transported. The corresponding figures for students with special transportation needs were \$2,973.90 per student and \$5.67 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 1.16.

¹ For debt issued prior to FY 2000, the state share percentage from 2002 is applied.

English Language Learner (ELL/LEP)/Bilingual Education

Aid for LEP students is provided through equalization aid, where students enrolled in qualifying programs are given an additional weight in determining the adequacy budget. For a student that is LEP, but not low-income, the weight is 0.50 (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 2015 the amount was \$75. 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 \$428 in FY 2015, at a threshold of 40% or more at-risk students.

Special Education

The State uses a census-based method for funding 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. The term "excess cost" refers to the costs in addition to the base cost for educating all students. In addition to allocating the costs for special education expenditure lines, a portion of the general education budget was included to account for special education costs for students who are mainstreamed for at least some portion of the day. The apportionment was based on the percentage of time special education students spent in regular classrooms according to data submitted by districts for 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-price 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 2015, the maximum security aid per pupil was \$428 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 budgetary constraints resulting from the recession, the plan to expand the preschool program as defined in the SFRA has not been fully realized. 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 is currently 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 1.26 in addition to the grade level, at-risk, and LEP weights within the adequacy budget. In fiscal year 2015, this weight translated to \$16,090 for each high school student resident in the vocational district (not including any additional weight for at-risk or LEP). 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 aid categories are then provided in the same manner as for all other LEAs.

^[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>

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 Choice program has increased significantly since the pilot program was made permanent in 2010.

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 2015, school districts were limited to a 2% increase in the pre-budget year adjusted tax levy, including weighted increases for enrollment. There are adjustments for increases in enrollment, health care costs, and certain pension contributions. Districts are permitted 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 either an April or November election, as determined by individual School Boards. 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 nonpublic schools including the following:

- Textbook aid;
- Handicapped aid;

- Auxiliary services aid;
- Auxiliary services/handicapped transportation aid; and
- Nursing services aid.

The State also provides aid-in-lieu of transportation for nonpublic transportation expenditures. In FY 2015 the amount was \$884 per pupil.