



January 16, 2025

**New Jersey School Boards Association  
NJDOE School Funding Reform Act Outreach  
Respectfully Submitted by Jonathan Pushman, Senior Director of Advocacy**

The New Jersey School Boards Association (NJSBA), a federation of all the state's local boards of education, appreciates the opportunity to provide the NJ Department of Education (NJDOE) with our feedback and recommendations regarding changes to the School Funding Reform Act (SFRA). The proposals that follow are intended to enhance the transparency, predictability and equity of how schools are funded at both the state and local level with the overarching goal of ensuring school districts have the resources necessary to provide students with a thorough and efficient education.

### **Maintain Full SFRA Funding**

The NJSBA applauds the historic accomplishment of achieving full funding of the SFRA. For well over a decade, the state failed to commit the necessary resources to meet its statutory financial obligations to our public schools. With the seven-year transition to full funding per "S-2" now complete, we must remain committed to prioritizing funding for school districts in the budget cycles ahead and avoid returning to a time when we could not rely on the state to fulfill its responsibility. As we consider potential changes to our system of funding public education, we urge the state to, first and foremost, not reverse course and continue to fully fund the SFRA and any future adjustments to the formula.

### **Property Tax Levy Cap Flexibility**

While the SFRA is the primary focus of any discussion surrounding school funding, it cannot be viewed in a vacuum, particularly as funding our schools remains a shared responsibility that relies on both state and local sources of revenue. When the SFRA was enacted, the two-percent property tax levy cap was not yet in place. Moreover, once the cap was instituted, it did not adequately address the obstacles it would impose on school districts' ability to meet their obligations under the SFRA. This hard cap and its limited list of exemptions has severely constrained the ability of many school districts to raise what the SFRA dictates under its local fair share (LFS) provisions.

As budgeting is a zero-sum game, we understand the state cannot hold all school districts harmless and that while some districts will experience aid increases in a given year, others will be subject to cuts. The NJSBA believes that the Legislature should take steps to alleviate the fiscal pressures on school districts by providing flexibility around the two-percent cap, particularly for districts that are generating revenue below their LFS and spending below adequacy, as defined by the SFRA. In the spring of 2024, the Legislature and Governor Murphy approved legislation (*P.L.2024, c.13*) that gave districts the authority to exceed the cap under certain circumstances and only up to the prescribed limit. The Legislature and Murphy Administration can build on that precedent and do so in a manner that does not result in excessively large increases in local property taxes, including maintaining a requirement that districts already raising their local fair share obtain voter approval to exceed any statutory levy cap.

### **Improving Predictability in State Aid**

In recent years, we have witnessed significant year-over-year volatility in the amount of state aid provided to individual districts. Changes in property values and income have a direct impact on a district's LFS calculation, and depending on the direction of that impact, can lead to significant increases or decreases in how much state aid they receive. This dynamic has led to a high level of unpredictability in school districts as they develop their budgets, a process that begins well before they receive their state aid notices. While any loss of state funding can be difficult to absorb, particularly when there is insufficient authority to offset that revenue loss via local sources, this volatility and unpredictability only serves to further exacerbate an already challenging situation. To mitigate this problem, the state should explore moving to multi-year averages in calculating the equalized valuation and district income components of the funding formula that could increase the stability of each district's LFS calculation. Alternatively, other guardrails against significant decreases in state aid could be considered, such as limiting any potential decline in aid from one year to the next to a certain percentage of a district's operating budget and/or state aid allocation from the previous year.

### **Census-Based Special Education Funding**

The SFRA calculates funding of special education utilizing a statewide average classification rate, which essentially assumes all districts have the same percentage of classified students. Currently the rate is set at 15.9%. However, in reality, there are clear differences in the percentages and types of special education students served and the amounts being spent in different districts across the state. The census-based approach funds all districts similarly regardless of size, district type or grouping. Certain special education categories have higher costs than do others, and distribution of students by special education category is not consistent across all districts. We urge the NJDOE, in coordination with interested stakeholders and the Legislature, to explore moving away from the census-based approach to special education funding by: 1) providing aid based on a district's actual special education enrollment, and 2) moving toward an aid distribution method similar to the "tier-based" system under previous funding formulas that accounted for the disparities in costs associated with a student's particular disability.

The NJSBA would support the establishment of a task force or study commission that would convene a panel of special education and school finance experts to evaluate the use of the census-based funding methodology and the effects of potentially employing different methodologies. In that regard, we would also support the creation of a task force to study *all* aspects of the funding formula. Rather than making piecemeal statutory changes, the matter of school funding and any potential adjustments should be approached holistically. We continue to support legislation introduced in recent sessions to establish a School Funding Formula Evaluation Task Force that would, among other things, contemplate changes to the census-based funding method.

### **Extraordinary Special Education Aid**

This critically important funding offsets the costs of providing vital services to our most vulnerable student populations. After several years of increased funding for extraordinary special education aid, for a second consecutive year, the FY2025 state budget kept funding flat at \$420 million. For FY2024, that amount equaled approximately 72% of statewide actual costs eligible for reimbursement. Special education costs, especially those for students placed out-of-district, continue to rise significantly every year, and if we continue to fund this aid category at the same level every year, we will move ourselves even further away from the state meeting its statutory obligation to school districts. At the very least, the state should meet its

current statutory obligation to reimburse districts for a specified percentage of their excess special education costs. Once the existing obligation is met, we encourage the Legislature to increase reimbursement levels so the state absorbs a greater percentage of districts' special education costs. This will allow districts to direct state and local resources to other important educational priorities, reduce the tension between spending on special education or general education programs, and mitigate the need to increase local property taxes to offset these costs.

### **Transportation Funding**

Spending on pupil transportation has far outpaced the rate of both inflation and state funding increases. For example, transportation costs soared 37% between the 2020-21 and 2021-22 school years, with an even greater increase for special education transportation. Any changes to the SFRA should address this dynamic to reflect current and actual expenses. One way to address this would be to enact a new adjustment to the spending growth limitation under the tax levy cap law and allow for increased costs associated with pupil transportation to fall outside the cap. Another approach would be to boost transportation aid to account for the accelerating increases in the costs associated with transporting students to and from school.

### **Improving Transparency**

Finally, the state should make aid calculations more transparent so that districts – and members of the public more broadly – can more easily understand how the SFRA operates. The NJSBA's member-approved policy guide dictates that the aid formula should be “predictable, transparent and capable of being re-calculated at the local district level.” Currently, it is difficult, if not impossible, for districts and their residents to understand the reasoning for their current aid distributions or to anticipate future aid amounts. Increased transparency, along with minimizing year-to-year fluctuations in state aid, would enable districts to better plan their budgets and reduce the need for districts to take drastic measures at the last moment.

Thank you for your time and consideration of our feedback on this critically important issue. The New Jersey School Boards Association stands ready and willing to work with all interested stakeholders to develop a funding formula that is fair, predictable and equitable for all school districts. Please do not hesitate to reach out if we can be of any assistance.

### **Contact Information**

Dr. Timothy Purnell, NJSBA Executive Director and CEO

Email: [executivedirector@njsba.org](mailto:executivedirector@njsba.org)

Cell: (973) 335-7810

Jonathan Pushman, NJSBA Senior Director of Advocacy

Email: [jpushman@njsba.org](mailto:jpushman@njsba.org)

Cell: (609) 529-5154