



State of New Jersey

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Commissioner

March 19, 2010

TO: Chief School Administrator
School Business Administrator

FROM: Bret Schundler
Commissioner

SUBJECT: 2010-2011 State Aid

Your state school aid notices for the 2011 school year can now be found on the DOE's homepage. In addition, the department has posted the 2011 state aid summaries at <http://www.state.nj.us/education/stateaid/1011/>.

The fiscal crisis that caused the administration to reserve some of your 2010 state aid last month has not ended. We have had to implement significant cuts in every department to balance this year's budget. But, highlighting how seriously New Jersey takes its commitment to Pre-K to 12 education, the state resources devoted to school district aid have not been cut. They have been increased in this proposed budget. Two important aid categories that were increased include preschool education aid and extraordinary special education aid.

Achieving this increase in state funding for school aid was not easily accomplished. State aid to school districts is a huge share of total state spending. To close the State's budget gap without reducing state funding for school aid required extra large reductions in spending for non-school aid purposes. Here in the Department of Education, we reduced staffing for the third year in a row and eliminated funding for many valuable, but ultimately non-core programs – all so we could maximize the dollars available for school district aid.

We feel this is critical because the federal funding available for school districts will be dramatically reduced in FY'11. The \$1.057 billion in federal stimulus money that school districts received this year will not again be available in the year ahead. As a consequence, even with the aforementioned increase in state funded aid, the total of federal and state dollars available to our school districts in the year ahead will be down by approximately 7.4%.

The School Funding Reform Act was used to apportion the distribution of aid with the following modifications: aid increases were capped at 0% for all districts and education adequacy aid was held at fiscal 2010 levels. Given the absence of federal stimulus funding, and the consequent reduction in the total of funds available for distribution, each district's aid amount under the above calculation was then reduced by an amount equal to 4.994% of the district's original fiscal 2010 general fund budget. In comparison with FY'10, some districts will see their total aid for FY'11 reduced by slightly more than this 4.994% of budget amount because of enrollment losses or other formula factors affecting aid distribution. Differing amounts of non-formula aid also affect aid distribution.

As regards non-formula aid, debt service aid, nonpublic aid (chapters 192, 193, nursing, and textbooks), nonpublic transportation aid, and extraordinary special services aid were each reduced by 15%. Finally, those districts that received state grants and other Economic Development Authority (EDA) assistance instead of debt service aid for their facilities projects will be assessed a charge against their aid payments. This charge will be equivalent to 15% of their proportionate share of the required interest and principal payments in fiscal 2011 on the bonds issued by the EDA for their benefit.

It should be noted that an important goal in our distribution of aid dollars was to minimize the impact of the loss of federal funds on categories of aid that are vital to providing a thorough and efficient education. Thus, aid reductions were applied in an order that made equalization aid among the last to be impacted.

It should also be noted that all districts, even districts that have lost 100% of formula-derived aid, continue to receive other financial support from the state. This "Other Aid" – broken down for districts in an accompanying table – includes the financial burdens shouldered by the state for pension liabilities, Social Security contributions, debt service aid and extraordinary special education aid. Additionally, not shown in the "Other Aid" column, the State also pays the post-retirement medical expenses of each district's former employees. This year, the state expects to pay \$823 million for post-retirement medical expenses for its school districts – an increase of \$48 million from FY'10 – highlighting the substantial financial assistance all school districts receive from the State of New Jersey.

In the weeks ahead, you will be faced with many difficult decisions as you put together your 2011 budget and weigh the importance of multiple competing programs. I recognize that a compressed timeline for finalizing your budgets presents you with a further challenge. But I want you to know that the reforms the Governor proposed this week will get our districts through these trying times, and will make possible dramatic improvements in New Jersey's public education system.

Indeed, if you carefully review the reforms proposed by the Governor (see attachment), you will see that they could eliminate the need for school districts to implement staff layoffs this year, and could soon make it possible for districts both to increase staff and lower property taxes at the same time.

That is the Governor's ultimate goal. He is working to balance the State's budget because it is his constitutional obligation. But beyond fulfilling that duty, the Governor is striving via his proposed reforms to dramatically improve public education in our state. Like me, the Governor is a product of New Jersey's public schools, and for the sake of all our state's children, he wants them to become the best in America.

Department staffers in the county offices and in Trenton stand ready to answer questions and assist you in the budget submission process. Questions about the data used in the state aid calculations should be directed to the Office of School Funding at (609)984-4949, or e-mailed to staid@doe.state.nj.us.

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Attachment

c: State Board Members
Willa Spicer
Senior Staff
County Superintendents
County School Business Administrators
LEE Group