

A NEW FORMULA FOR SUCCESS: ALL CHILDREN, ALL COMMUNITIES

INTRODUCTION

- NJ schools are among the best in the country with exemplary educational outcomes. This will continue under the new formula.
- Current spending on education in NJ is the highest in the nation and that will continue under the new formula.
- State aid per pupil is the fifth highest in the nation, behind only Alaska, Delaware, Hawaii, and Vermont. State aid per pupil will increase under the new formula.
- **If the formula is implemented, approximately \$7.8 billion in direct aid for K-12 education will be distributed for FY 2009, an increase of about \$530 million.** This does not include the state benefit payments on behalf of the districts, which totaled about \$2.8 billion in FY 2008 (TPAF, FICA, PRM, debt service).

FACTS AT A GLANCE

- **Purpose of a new funding formula** is to replace the current unpredictable, ad-hoc system of distributing state aid. The new formula collapses 26 aid categories into 10.
- **A unified, Constitutionally appropriate approach to school funding** will be taken; similarly situated students are assumed to need the same resources, regardless of zip code. (49% of all low-income students in NJ live outside of the Abbott districts.)
- **Adequacy formula:** Building blocks of the new model include current data: enrollment, income, property value, at-risk students, English proficiency, special education, and will reflect grade level. (This data has not been updated for aid distribution since FY 2002.)
- **Hold Harmless:** No district will see a decrease in total state aid from FY 2008 for the first three years of the new formula. In fact, all districts will receive at least a 2% increase in state aid in the first year. After three years, decreases in hold harmless aid may occur if a district experiences a significant decline in enrollment.
- **Formula Outcomes:** In general, the formula benefits districts that are currently spending under adequacy, districts that are covering more than their local fair share, and districts that have experienced increases in enrollment.
- **Aid Caps:** For districts spending below adequacy, increases in aid will be capped at 20%; for districts above adequacy, increases in aid will be capped at 10%. This is to ensure efficient and effective decisions regarding the increase in aid.
- **Property Tax Relief:** For districts that are spending over their adequacy budgets, some portion of their aid increase will be required to be used as property tax relief.
- **Special Education:** Under this formula, the state recognizes the true statewide costs of special education services, unlike prior formulas. The total categorical funding for special education under the new formula will be \$809 million, and the total wealth-equalized special education funding under the new formula will be \$643 million. This represents about a \$470 million increase.
- **Categorical extraordinary special education aid:** The state will now fund 75% of

per-pupil special education costs that exceed \$40,000 per pupil for in-district placements and \$55,000 per pupil for out-of-district placements.

- **Accountability:** The new formula will be used in conjunction with QSAC to ensure that districts are held accountable for their decisions and practices. Other accountability tools include Executive County Superintendents and fiscal monitors.
- **Full-Day Kindergarten:** The formula encourages districts to provide full-day kindergarten by funding the second half of full-day kindergarten as a part of the adequacy budget.
- **Preschool:** Another essential component of the formula is an expansion of high quality preschool to (1) all three- and four-year-olds in the A and B DFG districts, (2) to all three- and four-year-olds in C and D DFG districts with 40% or greater low-income students, and (3) all other low-income three- and four-year-olds in the remaining school districts. This expansion will be phased-in over time.
- **Timeline:** The formula must be adopted and implemented in time for districts to utilize the funds for their 2008-09 school year budget.

Summary of Adequacy Budget Amounts

	Elementary	Middle School	High School
Base Amount	\$9,649	\$10,035	\$11,289
At-Risk	\$14,184-\$15,149	\$14,751-\$15,755	\$16,595-\$17,724
LEP	\$14,474	\$15,052	\$16,934
At-Risk/LEP	\$15,390-\$16,355	\$16,006-\$17,009	\$18,006-\$19,135
Spec. Ed.	\$20,546	\$20,932	\$22,186
Speech	\$10,731	\$11,117	\$12,371
Voc. Ed.	n/a	n/a	\$14,789