



New Jersey School Boards Association
New Jersey Education Association
New Jersey Principals and Supervisors Association
New Jersey Association of School Business Officials
New Jersey Association of School Administrators
New Jersey Parent Teachers Association
Garden State Coalition of Schools
Education Law Center

Beginning Discussions on School Funding Reform

Introduction

New Jersey citizens demand and deserve an end to the decades-old battle over the equitable funding of our public schools. For far too long, our citizens, saddled with burgeoning property tax bills, have been forced to limit or abandon their support for our public schools in order to provide for themselves and their families.

Our current practice of school funding pits economically disadvantaged districts against other school districts, sets the needs of our special education students against their non-disabled peers, and fails to meet the needs of growing and middle income communities

Resolving the school funding crisis will be a very daunting task. The educational community as represented by the Leadership for Excellence in Education Group (LEE) which includes the New Jersey School Boards Association (NJSBA), New Jersey Education Association (NJEA), New Jersey Principals and Supervisors Association (NJPSA), New Jersey Association of School Business Officials (NJASBO), New Jersey Association of School Administrators (NJASA), New Jersey State Parent Teachers Association (NJPTA), in cooperation with the Garden State Coalition of Schools (GSCS), and the Education Law Center (ELC) has developed this paper as a starting point for future discussions about the development of an equitable school funding formula that is fair to property taxpayers and provides sufficient resources to school districts.

This paper will explain why a new funding formula is needed, suggest some principles for a fair and equitable formula, and recommend a process that might be used to develop a new school funding formula.

The Need

- New Jersey's current school funding formula, the Comprehensive Educational Improvement and Financing Act (CEIFA), is obsolete. The State has

not funded districts according to CEIFA since 2001-2002. During that time most districts have been flat-funded.

- While state aid has remained stagnant, the cost of educating children in New Jersey has continued to rise, effectively reassigning the costs of our public schools to local communities through property tax increases.
- In the absence of a working school funding formula, some districts have been forced to pursue relief either through special legislation or costly litigation. The result has been a series of one-shot infusions of aid to a handful of districts that has come at the expense of many other districts. In short, the system that has developed in the absence of a working school funding formula is a fragmented one.
- School funding and property tax issues are inextricably linked. The implementation of a well-written school funding formula could go a long way toward reducing property taxes and helping communities plan better to meet their educational expenses.

Timing

Developing and enacting a sound new school funding formula will require building consensus among education stakeholders, lawmakers, and the general public. The effort must also ensure that the new funding formula meets the constitutional standards established by the Supreme Court in order to avoid the legal challenges that followed the enactment of Comprehensive Education Improvement and Financing Act and the Quality Education Act.

Given the time it will take to design such a formula and the fact that there is likely to be a one year delay between enactment of a formula and its implementation, we recommend that the process commence immediately.

Recommended Principles for a Sound New School Funding Formula

Sound public policy and the Supreme Court rulings on a “thorough and efficient” education for New Jersey students establish core values which dictate that a new school funding formula must be:

Adequate—it must provide the amount of resources necessary to enable all students to achieve state content and performance standards so they may graduate from high school ready for citizenship and to compete in the economy. The formula must also allocate resources necessary to provide education and educationally related programs, including preschool, to address the unique needs of low-income, disabled, limited English proficient, and other special needs students.

Equitable—it treats all students equally except where there is sufficient reason to treat them differently.

Fair— it takes into account ability to pay and treats similarly situated communities similarly.

Flexible—it permits a reasonable amount of local control recognizing the norms, mores, and values of individual communities.

Certain—it is driven by a formula that is both understood and implemented. It, thus, provides districts with ample opportunity for long range **planning and budgeting**.

Working together, the coalition offers the following principles to guide the state in meeting its constitutional and moral obligation to educate New Jersey's public school students. We have attempted to group our suggestions by the core value they would further.

I. Adequate and Equitable Funding

A. "Regular" Education

1. Retain and implement the principle that the State has the primary responsibility to fund our public schools and to ensure that every student achieves State content and performance standards.
2. Identify and determine the actual cost of providing an education to K-12 students as defined by State content and performance standards.
3. Provide per pupil funding for a foundational or "regular" education program to enable all students to achieve State content and performance standards.
4. Continue to provide students in districts subject to the Abbott remedies with foundation funding equalized with the "I&J" districts (parity), or an amount lower than parity, but only if the difference between the lower amount and parity represents expenditures not necessary to enable students to achieve State content and performance standards.

B. Support for Students with Special Needs

1. Address the unique needs of low-income, disabled, limited English proficient and other special needs students in all districts by identifying and funding the actual cost of research-based educational programs and services.
2. Assess the need for full-day kindergarten and high quality pre- school programs and develop a funding formula to meet those needs. Full day kindergarten, if provided, should be weighted as 1.0 full-time equivalent in the funding formula.
3. Uphold the integrity of the Abbott decisions by providing full day early childhood education and supplemental programs pursuant to Court rulings.

C. Special education (Students with Disabilities)

1. Perform a statewide systemic analysis to determine the actual costs of providing programs and services, including transportation, to students with disabilities.

2. Develop a funding formula that provides aid to meet actual costs.

3. Provide for full state funding of Extraordinary Special Education costs.

D. School Facilities

1. Ensure sufficient State support for safe and educationally adequate school facilities in all districts.

E. Ongoing Review

1. Provide for periodic review of the funding formula to determine that it properly reflects adequate support for a “thorough and efficient system of free public schools.” This report should be based on historical and current cost data.

2. Require the Senate and Assembly Education Committees to jointly hold an annual hearing to take public comment and review the implementation and effectiveness of the school funding formula.

3. Establish a process for assessing and determining a district's initial and continuing eligibility for the *Abbott* and *Bacon* remedies based upon all relevant factors, including assessments of the district's performance under State content and performance standards.

II. Fairness

A. Require all constituents of the state - individuals, businesses, and communities-- to pay a fair share, but no more than a fair share.

B. Increase the state share of the total cost of public education to at least 50% to reduce the local share of public education costs.

C. Establish and maintain a certain level of State support behind every student.

D. No district should be required to support itself locally in excess of a reasonable established percentage. This excludes provisions that exceed the amount the State has determined is adequate.

E. Include a procedure to define and measure the fiscal capacity and

obligation of each school district and distribute aid in a way that is sensitive to each municipality's own ability to pay for its schools.

F. Ensure that tax dollars are used efficiently and effectively to help all students achieve state content and performance standards.

III.Flexibility

A.Recognize the diversity, unique circumstances and community composition of each local school district.

B.Allow school districts reasonable flexibility to determine how much they want to spend above the amount that the State determines is adequate.

IV.Planning and Budgeting

A.Provide State aid based on predictable statutory formulas so that districts can know (or approximate) how much aid they can expect to receive in future years.

B.Construct a funding formula that mitigates dramatic swings in State aid (ex. for significant wealth and enrollment changes). This will minimize the need for school leaders to use the political process to obtain “out of formula” aid for their districts.

C.Provide aid to stabilize cost factors beyond district control (ex. enrollment, special education, health benefits, energy and utility costs, etc.).

D.Provide current year funding of all State aid updated annually by enrollment growth.

E.Impose a July 1 deadline for the resolution of all budget disputes.

F.Require the amount of allowable surplus to fall within a reasonable range depending on the size and needs of the district. The level of surplus should ensure the capacity of a school district to deliver a thorough and efficient education to its students.

G.Avoid State aid payment delays.

H.Provide State funding for the full cost of all other State mandates.

Recommended Process for Developing A New School Funding Formula

The school funding formula affects students, parents, communities, municipalities, school boards, school administrators, school employees, and taxpayers. To be successful a

school funding formula will need to win acceptance from these stakeholders and others. The process of developing a new formula therefore should be as open and inclusive as possible.

The following are the coalition's recommendations related to process:

I. The Legislature should establish a School Funding Commission comprised of a broad group of stakeholders. The purpose of the Commission would be to develop and recommend a funding formula to the Governor and the Legislature.

II. The Legislature should promptly consider the report of the School Funding Commission and hold regional public hearings on the recommended formula.

III. The Legislature and Governor should enact the new school funding formula.

Conclusion

The education community calls upon Governor Corzine and the Legislature to lead New Jersey's efforts to re-examine its priorities, methodology, and system of funding our public schools. We believe that a new and equitable school funding formula that ends our over-reliance on property taxes to fund education is the first step to achieving real property tax reform.

Fortunately, significant work has already been done by the NJ Department of Education to revise our school funding formula. Several years ago, the NJDOE convened Professional Judgment Panels comprised of educators from all levels of our school systems and a cross-section of school communities. Their task was to evaluate school needs in a funding formula. The Panels met, their input was tabulated and studied, and the NJDOE brought in national experts to evaluate the data. Specific recommendations were developed and further areas of study, including work on property and income valuation, were identified and pursued. This important work, however, has not been shared with education stakeholders, nor has it been continued in the past year.

We welcome the opportunity to work with the Administration and the Legislature to meet the challenges of this noble endeavor.

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