

RESOLUTION NO. 1

SYNOPSIS

Resolution No. 1 from the Weymouth Board of Education (Atlantic) proposes additional NJSBA policy on issues related to school funding: (a) The impact of state aid reductions on educational programming and taxpayers, and (b) the method used to determine a school district's local share, which is a factor in the calculation of state aid.

NJSBA received an identical resolution from the Middle Township Board of Education in Cape May County.

BACKGROUND

The School Funding Reform Act (SFRA), enacted in 2008, established a method for distributing state aid to local school districts. At its most basic, the SFRA funding formula determines the following:

- 1) A district's adequacy budget, that is, the expenditure necessary to provide state-identified components of an "adequate" education for each student, multiplied by enrollment, with "weights" added for grade level, special needs, poverty and other factors;
- 2) The amount of money ("local share"), based on community wealth, that a district contributes toward the adequate budget; and
- 3) State aid equal to the difference between (1) and (2) above.

The components used to calculate a district's local share are its property valuation, equalized to provide a comparison against the state as a whole, and its residents' income. Each make up half of the local share.

The Great Recession and other political considerations led to the SFRA formula being superseded by language in the annual state budget for nearly a decade. Therefore, during this period, enrollment growth or decline and changes in community wealth were not reflected in annual state aid allotments, resulting in the underfunding of approximately two-thirds of the state's school districts.

Legislation enacted last year (Senate Bill 2) required the administration to begin applying the SFRA formula. Under the statute, districts previously receiving less aid than that called for by the SFRA will see increases phased in over six years. Conversely, those that received more than the amount resulting from the formula will experience reductions over the same period.

In addition, the proposed FY2020 state budget reflects the second year of a phase-out of "adjustment aid," a hold-harmless application established at the time of the SFRA's enactment to ease in reductions in aid levels during the early years of the 2008 formula. Senate Bill 2 also repealed enrollment caps, which were part of the original SFRA, but intended to be phased out. The caps limited enrollment-based increases in funding to a certain percentage annually, preventing the application of true enrollment in the distribution of state aid.

Weymouth is one of 197 districts that would see a state aid reduction in FY2020 under the recommended state budget. The K-8 district would experience a 9.98% decrease in state funding. Three hundred sixty-nine (369) school districts will receive increases in aid.

Several school districts facing state aid cuts have testified before the Legislature, stating that the aid reductions would result in hardships to their students' education by necessitating staff layoffs and program reductions, while at the same time placing an additional burden on property taxpayers. Weymouth is asking NJSBA to adopt policy calling for maintaining state aid at the levels that were in place prior to the effective date of Senate Bill 2 and to advocate for the state to hold harmless districts where losses of aid would present hardships to students and citizens.

Along with other school districts marked for state aid cuts, Weymouth also questions the accuracy of data used in the SFRA formulas, particularly those that determine a school district's local share contribution. The district believes that the application of these factors has resulted in inequities in the distribution of state aid for FY2020. They have been seeking information from the state Department of Education about the methodology used to determine the local share and other aspects of the funding formula.

Weymouth Township also faces an unusual situation because a substantial amount of its land, one quarter of its residential property, consists of manufactured housing. Under state tax law, the township cannot collect property taxes on such non-permanent structures. Therefore, it must tax at a higher rate in order to raise the district's local share as required by the SFRA.

The board contends that this, and other exceptional circumstances, should be addressed in the state's school funding formula.

RELEVANT NJSBA POLICY

File Code 3100

Timelines for School Budget Process

Q. The NJSBA believes that it is detrimental to students, school programs, and taxpayers to have the state reduce projected school aid figures to school districts after the Commissioner of Education notifies school districts of their state aid entitlements by the statutory date of notification.

File Code 3220

State School Finance System

B. The NJSBA believes that New Jersey's school finance system should:

- Define the elements of and the resources necessary to provide a thorough and efficient education;
- Provide funds to support and guarantee a thorough and efficient level of education to all public school children;
- Provide that all constituents of the state—individuals, businesses and communities—be required to pay a fair share, but that no one would be required to pay more than a fair share;
- Provide state aid based on predictable statutory formulas which is predictable, transparent and capable of being re-calculated at the local district level;
- Provide current-year funding of all state aid;
- Include a system of evaluation to ensure accountability in the allocation of state aid;

- Be sensitive to legitimate variations in school districts' capabilities to meet student needs, including, but not limited to, proficiency levels, demographics, socioeconomic status, geographical location and physical abilities.

C. NJSBA believes that the School Finance Committee should, as needed or as requested by the NJSBA Board of Directors, review the equity of distribution for construction state aid in view of socio-economic factors, wealth, geographic characteristics, equalized school tax rate and other financial conditions.

State Revenue Raising System

- A. The NJSBA believes that the state revenue raising system should embody the following characteristics:
- Guarantee sufficient revenues to consistently meet the state's constitutional and statutory funding obligations to school districts;
 - Be balanced with respect to the ability to expand and contract in response to economic conditions (elasticity) and the capacity to produce a stable flow of revenue (stability);
 - Be balanced with respect to sources of revenue (individuals, businesses, property, sales, etc.);
 - Be designed to consider both an individual's and community's ability to pay.

State Aid to School Districts

- A. The NJSBA believes in an equitable distribution of education aid and related support payments which ensure that all school districts have an opportunity to benefit from governmental financial assistance.
- B. The NJSBA believes that as long as aggregate-income is used as a measure of local ability to pay for school costs, school districts and municipalities should have the benefit of a formal appeal process to challenge the assignment of income, similar to the formal appeal process available to challenge property values assigned to a municipality.
- H. The NJSBA believes that school districts should receive state aid based on the school funding formula in current New Jersey statute, without predetermined growth limits, and calculated based on the most recent and available student population statistics.

DISCUSSION

Senate Bill 2, enacted last year, intends to recalibrate state aid by requiring the operation of the SFRA formula after nearly a decade of dormancy. The 2018 law also repealed the SFRA enrollment caps that restricted enrollment-based increases in state aid to a certain percentage annually. Over a six-year period, underfunded districts will be ramped up to full funding. Conversely, districts that have been receiving more aid than the SFRA formula produces would see their aid reduced.

Last year, NJSBA supported legislative efforts to restore underfunded school districts to their full entitlements under the SFRA. This position is consistent with policy, approved by the Association's May 2018 Delegate Assembly with the support of 95% of the delegates in attendance. The policy states the following:

“...school districts should receive state aid based on the school funding formula in current New Jersey statute, without predetermined growth limits, and calculated based on the most recent and available student population statistics.” FC/3220

On another funding-related issue, NJSBA policy, approved by the November 2017 Delegate Assembly, states the following:

“...it is detrimental to students, school programs, and taxpayers to have the state reduce projected school aid figures to school districts after the Commissioner of Education notifies school districts of their state aid entitlements by the statutory date of notification.” FC/3100

Under the latter policy, NJSBA opposed reductions in funding to the so-called *over-aided* districts in 2018-2019. And this same policy would direct NJSBA to oppose any reductions in the prospective state aid increases for the *under-aided* districts in 2019-2020.

Restoring aid to underfunded school districts, however, should not create a scenario in which drastic cuts in funding damage the education of children, a situation described by several districts during recent testimony on the FY2020 state budget.

Affirmative Policy Statement

The first resolved clause in Weymouth’s resolution addresses the negative impact of state aid cuts, but it does so by directing NJSBA to assume a specific lobbying strategy. A policy should instead express a belief that enables the Association to pursue a variety of strategies and evaluate the effectiveness of any legislative proposal consistent with that belief. NJSBA implemented this approach in 2001 to ensure that policy advances, rather than restricts, its advocacy efforts.

An affirmative policy statement, for example, would express a belief in full funding for all districts through the use of accurate data in the school finance formula while ensuring that no child’s education is harmed by adjustments in state aid allocations. Such a statement would enable the NJSBA to support a variety of proposed remedies, ranging from hold harmless application of state aid if necessary, to emergency relief funds, to reform of other aid categories such as special education.

Ability to Pay/Accuracy of Data/Exceptional Circumstances

Current NJSBA policy states that New Jersey’s revenue-raising system should be based on a community’s ability to pay. Therefore, the accuracy of factors used to determine a school district’s local share is critical. Support of the use of *accurate* data should be stated in the Association’s policies on state aid to education.

By extension, such policy should also state a belief that a school district’s exceptional circumstances—for example, Weymouth’s high proportion of manufactured housing—should be considered in determining community wealth and the distribution of state aid.

Further Study

Concerns among some districts about the validity of data that determine community wealth, local share and ability to pay should be studied. The SFRA is more than 10 years old. Therefore, the methodology used to allocate state aid, specifically the derivation of each district’s local share and the determination of the multipliers used in the formula, should be reviewed to guarantee accuracy and transparency.

Under *NJSBA Bylaws*, Article X, Section 9, the Association’s School Finance Committee is authorized to “monitor the school funding law in New Jersey and its impact on all types of school districts,” “study issues relating to school finance,” and “recommend additions, modifications, or deletions to policy as needed.”

The New Jersey School Boards Association represents all of the state’s local boards of education in their pursuit of quality education for all students. School districts need a guarantee that the state school funding methodology fairly, appropriately and adequately addresses the educational requirements of all students in all our districts. A study by the School Finance Committee could provide such assurance and/or recommend necessary changes.

STATEMENT OF REASONS

1. The New Jersey School Boards Association represents all local boards of education.
2. Restoring underfunded school districts to their full state aid entitlements must stay on course, but it should not create a scenario in which drastic cuts in funding damage the education of children. Conversely, relief for districts facing state aid cuts should not impact restoration of funding to the under-aided districts.
3. The FY2020 state budget will result in aid reductions for 197 school districts, with many of these districts testifying that the cuts in funding will result in hardship for students’ education.
4. NJSBA policy should enable the Association to advocate for a wide range of remedies to assist districts in school funding matters.
5. A school district’s contribution to the education program (“local share”) should reflect only revenue that the local taxing authority can truly capture.
6. The state’s school finance system should recognize exceptional circumstances that impede an accurate calculation of community wealth.
7. *NJSBA Bylaws* authorize the Association’s School Finance Committee to monitor the school funding law and study issues related to school finance.

RECOMMENDATION

The Resolutions Subcommittee recommended approval of this resolution with the following substitute resolve clauses to create **additional** policy language to be included in *NJSBA’s Manual of Positions and Policies on Education*:

The NJSBA believes in a fair, equitable and adequate allotment of state aid based upon the most recent enrollment and financial data, including adjustments to ensure full funding under the statutory formula, but that no school district and no student should experience hardship as a result of reductions or other adjustments in state funding.

The NJSBA further believes that the state’s school funding formula should address the financial needs of school districts in which exceptional circumstances involving the community’s tax base prevent the calculation of a fair and accurate local contribution to the education program.

17 Further, it is recommended that NJSBA's School Finance Committee conduct a review of the
18 School Funding Reform Act of 2008, particularly the data and methodology used to calculate a
19 district's local share, and report the progress of the study, along with any policy
20 recommendations, to the November 2019 Delegate Assembly.