



New Jersey School Boards Association

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Testimony on the Use of American Rescue Plan State Fiscal Recovery Funds

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Submitted by Jesse Young, Legislative Advocate, NJ School Boards Association

The New Jersey School Boards Association, a federation of all of the state's local boards of education, appreciates the opportunity to provide recommendations on how the state should use the remaining dollars from the American Rescue Plan (ARP) State Fiscal Recovery Fund (SFRF).

We offer the following four suggestions to bolster school districts' COVID-19 recovery and resilience in critical areas: student mental health; special education costs; inflationary pressures and rising costs of critical district operations; and escalating health care costs.

- 1. Student Mental Health.** The NJSBA appreciates the Governor and Legislature's investments in increasing access to mental health care, including the \$50 million in ARP funding allocated in the FY23 budget to strengthen youth mental health supports. To provide additional direct support of mental health capacity in K-12 schools, we suggest doubling-down on the NJDOE's ARP ESSER Tiered System of Supports Mental Health Staffing Grant by dedicating at least \$50 million to grants for school districts for the development and implementation of tiered mental health support interventions. As the Governor has repeatedly recognized, strong mental health and social-emotional well-being are critical to maximizing student achievement, and we look forward to hearing more details on the programs in the budget that leverage federal resources to meet our students' needs.
- 2. Special Education.** To offset rising costs of educating students with disabilities, we suggest dedicating ARP SFRF funds to support instructional and support services for these students. While recent state budgets have increased financial support to help districts meet the educational needs of their most vulnerable students, we are still falling short of the state's statutory requirement to offset local school districts' extraordinary special education costs. If extraordinary costs remained flat from FY21 to FY22, about \$24 million in additional funding in FY23 would have been necessary to achieve 100% of the state's obligation to fund these costs per the School Funding Reform Act. Given economic trends and historical data, costs most likely rose, underlining the critical need for additional investments in extraordinary special education costs.
- 3. Inflation Relief.** Rising inflation and interest rates have placed additional fiscal pressures on school districts. As interest payments on leases and debt rise, districts may have to curtail spending on buses, HVAC, technology, and capital projects. Steep increases in the cost of fuel, food, and other goods and services may force difficult cuts in instructional programming and student services for the upcoming school year. To alleviate these pressures, we suggest dedicating at least \$85 million for school district equipment, transportation, and capital needs. This would effectively double the amount the state is investing in districts' Capital Maintenance and Emergent Needs in the FY23 budget. As school district budgets are constrained by a hard 2% property tax levy cap, and with inflation rising to levels not seen in 40 years, state intervention is absolutely critical to ensure districts have the resources they need to continue providing our students with the exceptional programs and services they deserve.

4. **Rising Health Care Costs.** Finally, after a couple of years of relative stability, health care costs are on the rise once again. To illustrate, premiums in the School Employees Health Benefits Program (SEHBP) are expected to increase by over 15% in 2023. As this appears to be a national phenomenon, districts that do not participate in the SEHBP will likely encounter similar increases in the cost of providing health insurance to their employees. The state must take every action within its power to mitigate these increases and the pain they would inflict on district budgets. While an exact dollar amount is elusive at this point in time, we strongly urge the state to set aside an adequate amount of ARP SFRF funds to bring rising health costs to a more sustainable level for as long as the current trend continues. Without such state support, districts will be faced with the difficult decision to reduce costs in other areas of their budgets, to the potential detriment of students and staff.

Thank you again for this opportunity and for your consideration of the NJSBA's recommendations. Any questions or requests for additional information can be sent via email to jyoung@njsba.org.