New Jersey School Boards Association
Testimony on the FY2026 Proposed State Budget

The New Jersey School Boards Association, a federation of all the state's local boards of education, appreciates the opportunity to provide testimony on Governor Murphy's fiscal year 2026 budget proposal.

Big Picture Education funding has been, and remains, one of the largest components of the state budget. The FY26 spending plan proposed by Governor Murphy represents a continued commitment to investing in our public school system by increasing education formula aid by $386 million, bringing that amount up to over $12 billion. When combined with all the other categories of aid to schools, including the payments the state makes on behalf of districts, such as for teachers' pensions and post-retirement health benefits, this budget proposes to increase overall support to schools by $444 million. To put that in greater context, the over $22 billion the proposal provides in school aid constitutes more than 38% of the state budget and would be the largest investment in public education in state history.

We would like to express our appreciation to the Governor, this committee and the entire Legislature for continuing to prioritize funding for our schools and the finest education system in the nation.

SFRA Revisions In addition to the overall amount the state will send to our membership, there are other aspects of the proposed budget regarding *how* the funds would be distributed that constitute steps in the right direction.

This budget reflects many of the recommendations that education stakeholders have presented to both the Legislature and the Department of Education as we considered modernizing the School Funding Reform Act (SFRA) upon the full implementation of "S-2." We thank the administration for listening to the field and incorporating various adjustments to the funding formula based on stakeholder feedback. The following themes suggested by stakeholders are embedded in this year's budget proposal.

- Instituting "guardrails" to reduce volatility in the formula by capping at 3% district-level reductions in state school aid. This cap allows districts to avoid the types of difficult budgetary decisions that even deeper cuts would have required. The advance notification NJDOE issued indicating the maximum amount any district could lose in the upcoming school year is also helpful from a planning perspective and is a data point we support being included in future budgets.

  The NJSBA also understands that this adjustment necessitated capping aid increases as well, which will certainly disappoint those districts that would have otherwise been

entitled to more. We sympathize with school districts that would have been able to invest more state resources in educational programs. However, over the long term, these types of protections should serve to enhance predictability and help districts plan budgets from one year to the next, lessening the fear that they will be decimated by a state aid "surprise" in February.

- This budget would utilize multi-year averages of local income and property wealth levels for the purposes of calculating a district's local fair share, which is intended to "smooth out" year-over-year state aid allocations.

- The budget recognizes the importance of mental health and student safety by aligning the cost of educating students with current practices. Through the recently issued Educational Adequacy Report, the base per-pupil amounts have been adjusted to account for additional security personnel and the need of all students to access support from school psychologists and social workers and other mental health resources.

- The budget includes an adjustment that is long overdue: Special education funding will now be based on actual enrollment as opposed to a statewide average that assumes all districts have the same percentage of students with special needs. We appreciate that this budget increases Special Education Categorical Aid by over $400 million, or 30% more than existing levels.

We are also encouraged by the governor's proposal to provide districts with a mechanism for flexibility around the hard 2% property tax levy cap along with a related new line item of $20 million for "Tax Levy Incentive Aid." The tension between the funding formula and the tax levy cap prevents many districts from raising what the formula tells them they should be raising at the local level to achieve adequacy. Raising property taxes in New Jersey is less than ideal. However, we believe our members need the authority to make necessary, albeit difficult, decisions to ensure we continue providing students with the thorough and efficient education to which every child is constitutionally entitled. Board members do not take their obligation to be responsible stewards of taxpayer money lightly, and if the community believes their decisions are misguided, they can be held accountable at the ballot box.

It is important to highlight that the revisions to state aid allocation and the proposed cap relief will only be applicable for FY26. Moving forward, as we get a better sense of the impact of these revisions, we believe the Legislature should consider making these changes permanent, possibly with some modifications. This would mitigate the need for the type of legislative intervention we have witnessed in recent years that restored some of the drastic aid reductions some districts were slated to experience. Codifying these temporary revisions to the SFRA would promote the level of equity, predictability and transparency many school districts desire.

Ideally, any permanent changes will be codified before the next budget cycle begins. Districts start their planning far before the governor delivers his budget, and state aid notices are issued shortly thereafter. Adjustments can always be made through separate legislation or budget

language. However, some assurance that the state will continue to moderate large swings in state aid would be welcome.

Other Areas of Support The NJSBA would also like to take this opportunity to express our support for other budgetary items that fall outside of the formula. These include, but are not limited to:

- Another year-over-year increase ($34.6 million) in Preschool Education Aid, with a portion ($10 million) dedicated to expanding programs into new districts.

- Continued support of the "Working Class Families Anti-Hunger Act" that expanded eligibility for free school meals to low- and middle-class families. With the uncertainty surrounding federal funding for school nutrition programs, it is refreshing to know New Jersey is committed to ensuring our students are well nourished, which helps them focus on their academic achievement.

- A commitment to fund new laws that promote student literacy and require regular screenings of our youngest learners to help identify those who may need additional support.

- $7.5 million to support high-impact tutoring programs that help bridge academic achievement gaps.

- Maintaining $43 million in funding for the Department of Children and Families' New Jersey Statewide Student Support Services (NJ4S) Network, which supports youth mental wellness and promotes prevention initiatives.

Budget Requests The NJSBA does not want to diminish the significant progress we have made toward making our system of funding schools more equitable, predictable and transparent through this proposal, but there are some areas in which the budget could be further strengthened to benefit students. Specifically, we highlight the following:

- ***Extraordinary Special Education Aid*** This critically important funding stream offsets the costs of providing vital services to our most vulnerable student populations. While it remains at the highest level on record at $420 million, the amount proposed for FY26 remains frozen for the third consecutive budget cycle. For FY24, that only covered approximately 62% of a district's excess costs for special education, or more than $250 million less statewide than what the statutory Extraordinary Aid formula dictates. This comes after several years of the state getting closer to realizing what the funding formula requires. Flat funding should be viewed as a cut since special education costs continue to escalate year after year. We urge the Legislature to add to this line item before the final budget is struck.

- ***Staffing Shortage Initiatives*** We encourage the Legislature to consider at least restoring to current levels funding for initiatives designed to mitigate the teacher shortage crisis. The budget proposes reduced funding for worthwhile programs that fund teachers' stipends and loan redemption, bringing the total amount of $15 million for FY25 down to $3.5 million – a more than 75% decrease. Filling our classrooms with qualified educators remains a challenge, and anything we can do to incentivize individuals to enter the profession by reducing the financial burden of doing so would be most welcome. Moreover, state-level investment to strengthen the teacher pipeline must remain a top priority as federal funding for educator preparation programs is under the threat of elimination.

- ***Facility Funding*** The proposed budget includes no new money for capital improvements in school districts. While the budget includes $50 million (flat) for Capital Maintenance and Emergent Projects, that amount is woefully inadequate as districts have growing needs to improve their infrastructure. The NJSBA respectfully urges the Legislature to consider those needs as budget deliberations continue and provide additional financial support to help districts modernize their facilities to protect the health and safety of staff and students.

Thank you for your consideration of the NJSBA's feedback on the FY26 proposed budget. We look forward to working with the Legislature, Murphy administration and all interested stakeholders to ensure every school district has the resources needed to support the achievement of all students.