



***New Jersey School Boards Association
Testimony on the FY27 Proposed State Budget
Respectfully Submitted by Harrison Silver, NJSBA Legislative Advocate
March 2026***

The New Jersey School Boards Association (NJSBA), a federation of all the state’s local boards of education, appreciates the opportunity to provide testimony on Governor Sherrill’s fiscal year 2027 budget proposal.

Big Picture

We applaud the administration and Legislature for continuing to prioritize funding for public education. The proposed FY27 spending plan includes a record amount of education funding, increasing K-12 formula aid by \$372 million to a total of \$12.4 billion. When combined with all the other categories of aid to schools (e.g., 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 to \$22.5 billion, which would constitute more than 37% of the state budget.

Increasing school aid to this degree given the current fiscal climate in New Jersey is no small feat. We applaud the Sherrill Administration for this commitment to public education; it is urgently needed in light of the mounting fiscal pressures school districts face amid skyrocketing costs for health benefits, special education, and transportation. We hope the Legislature will only build on it during their budget deliberations.

The remainder of this testimony identifies specific areas of the proposed budget NJSBA supports and makes three requests that are **cost-neutral to the State** to better tailor state support to school districts’ evolving needs.

Support SFRA Revisions

The budget proposal would make - for the second consecutive fiscal year - a series of one-year changes to how school aid is calculated. These changes once again incorporate suggestions based on years of stakeholder feedback, including public hearings held by the New Jersey Department of Education (NJDOE) in 2024 and 2025 and the NJDOE’s Dec. 2025 report that was initiated through FY26 budget language. While we continue to advocate for permanent legislative changes to the formula, we thank the administration for including the following provisions that work together to stabilize state aid:

Maintaining guardrails to reduce aid volatility by capping districts’ reductions at 3% and increases at 6%: According to the NJDOE, some districts would face aid reductions of up to 60% absent reduction floors. Such staggering one-year changes are not tenable; they would likely necessitate deep, harmful cuts to the detriment of student programs. The proposed cap on decreases is sound policy to prevent this volatility. The NJSBA further understands that capping increases in turn is an unfortunate but necessary cost control provision to offset those reduction limits, especially in what is a difficult budget year statewide.

Utilizing multi-year averages of local income and property wealth for the purpose of calculating a district's local fair share: This approach decreases volatility in state aid by lessening the impact of a one-year change in local wealth measures. We hope that the use of multi-year averages will be made permanent through separate legislation.

Calculating special education aid using each district's special education enrollment, rather than the statewide average classification rate: With changing enrollment and evolving special education classification trends, the statewide average (or "census") method established through the School Funding Reform Act (SFRA) does not always reflect the circumstances of individual districts. Switching to a funding model based on special education enrollment better tailors special education funding to district needs. We hope this change to the SFRA will be made permanent through separate legislation.

We hope that FY27 marks the final year of one-year SFRA changes via budget language. Once the dust settles on this appropriations act, we urge the Legislature to continue its efforts to tweak the SFRA to better align it to district needs. Ideally, any changes will be codified far before the next budget cycle begins, as districts start their budget planning well in advance of the governor's budget address and delivery of state aid notices. To that end, we are encouraged by the governor's recent statements outlining her administration's commitment to modernizing the school funding formula, and we are eager to work with her and the Legislature, on behalf of our members, to better serve New Jersey's students.

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:

Preschool funding: The proposed budget would increase Preschool Education Aid by 9.3% (\$118.1 million), with a portion (\$4.5 million) dedicated to expanding programs into new districts.

Academics: The administration is committing to doubling funding for high-impact tutoring and plans to focus on improving third-grade literacy, both of which will move us closer to our shared vision of ensuring that every student has an opportunity to succeed, regardless of zip code.

School climate and student mental health: The plan to reinvest funds previously dedicated to the New Jersey Statewide Student Support Services (NJ4S) program into School-based Partnerships for Access and Resilience for Kids (SPARK) will provide opportunities to expand mental health services in schools and help students with complex, high-acuity needs. We look forward to working with our members to evaluate this new model as it rolls out in schools. Additionally, the governor's focus on online and social media safety through the Office of Youth Online Mental Health, a dedicated Social Media Research Center, and continuing to fund expanded eligibility for free school meals will further improve school climates and combat the growing youth mental health crisis.

Budget planning and transparency: The proposed budget includes several tools to help our members plan for future budget cycles. For example, the NJDOE will develop user-friendly, publicly available dashboards that explain how school funding works and how state aid allocations change annually, and the state will increase resources for NJDOE oversight, technical assistance, and early detection of financial distress in districts.

Facilities funding: The budget proposal would keep projects within the purview of the Schools Development Authority (SDA) on pace and would include \$50 million for capital grants and emergent projects. The NJSBA looks forward to working with the Legislature on enacting separate legislation to increase the state’s bonding limits for school facilities projects.

Reining in costs: Finally, the governor and NJDOE have made clear that they intend to renew the state’s focus on helping districts rein in major cost centers of their budgets, including special education and health care. We appreciate this commitment to confronting the root causes of so many districts’ budget difficulties.

Budget Requests

While this budget proposal continues to move New Jersey towards a more equitable, predictable, and transparent system of school funding, there are areas in which it could be strengthened to further benefit students. Specifically, we make the following requests that are **cost-neutral to the State**.

Tax levy cap flexibility: The school district tax levy growth cap is perhaps the greatest vulnerability in New Jersey’s entire school funding scheme. The threats it poses to the continuity of school district programs and operations are severe and structural. For example, the cap defies the logic of the SFRA by preventing many districts from raising the “local share” on which state aid is based. And while the law attempts to provide flexibilities for certain major cost drivers, those flexibilities have not kept pace with today’s rising costs.

Health care costs provide a powerful example. Under current law (*N.J.S.A. 18A:7F-38*), the maximum allowable health care levy adjustment is based on the average percentage increase of the School Employees’ Health Benefits Program (SEHBP) in the most recent plan year. But because SEHBP plan years run January through December - while school years run July through June - a district’s budget period spans two plan years. Its permitted tax levy increase is based on the earlier plan year, but in January it must begin paying rates on the later plan year. When SEHBP rate increases were relatively stable, this did not pose a significant problem. But they are far from stable now.

An example may clarify. In late 2024, the School Employees’ Health Benefits Commission (SEHBC) adopted SEHBP rate increases for plan year 2025. The average percentage change of the SEHBP was an increase of 14.0%. That figure determined the permitted health care-related tax levy increase for FY26 school district budgets. Then, in the middle of FY26, the SEHBC adopted SEHBP rate increases for plan year 2026, when the average percentage change skyrocketed to 31.9%. Districts had to begin paying those higher rates mid-budget year, with no additional revenue to support them. The tax levy flexibility designed to address these costs was simply inadequate in the face of sharply rising premiums.

We expect these trends to continue, and they demand additional tax levy flexibility. We do not say this lightly - the affordability concerns raised by this governor and legislature are not lost on us. That is why we request narrowly tailored flexibilities: permitting only under-adequacy districts to raise a levy up to their local share. We believe this is the most appropriate balance. It considers affordability by only permitting tax increases up to what the formula says communities can contribute, and it limits flexibility to those districts most in need - those spending below the law’s measure of educating students to the state’s academic standards.

The current budget climate and funding laws leave districts with no choice but to reduce staff and cut services and programming. If current statewide economic conditions are too tight for additional state support, then we believe our members need the authority to make necessary, albeit difficult, decisions to ensure continuity of critical education and support programs.

Extraordinary special education aid: The administration proposes to keep funding for extraordinary special education flat, at \$420 million, for the fifth straight year. This amount only covered reimbursement for 51.6% of eligible costs in FY26, shortchanging districts approximately \$394 million in relation to the state's statutory obligation. Assuming special education costs continue to rise, the FY27 reimbursement rate will fall below 50%. The average cost for special education is also nearing the \$40,000 public threshold for extraordinary special education, further signaling that the thresholds currently in place to determine "extraordinary" costs need to be increased. Simply put, what this program defines as "extraordinary" costs - and has defined as "extraordinary" costs for years - are no longer extraordinary; they are average. When the thresholds first went into effect, the median tuition rate at Approved Private Schools for Students with Disabilities (APSSDs) was \$48,190, and only 30% of APSSDs had tuition rates above the extraordinary aid threshold. In FY25, the median tuition rate was \$87,049 - higher than the extraordinary aid threshold - and all but one APSSD had tuition rates above the threshold.

These data illustrate that the program is no longer meeting its intended goal of reimbursing districts for *extraordinary* special education costs. This goal is an important part of the SFRA framework: since special education aid is pegged to the *average* excess cost of special education, extraordinary aid plays the important role of ensuring that the most vulnerable special education students - who require the costliest interventions - do not blow up districts' budgets. We cannot rely on extraordinary aid to fulfill this purpose if its thresholds are not tied to those high costs. We hope the Legislature and administration will explore and implement ways to restore this program to its intended purpose. Increasing the thresholds to be more consistent with the program's intentions may be one way to ensure that every dollar appropriated goes towards reimbursing truly extraordinary costs.

Dedicating LEAP (shared services) increase to school districts: Opportunities to lower costs and improve affordability exist through shared services. We are pleased with the proposed increase of \$1 million for grants through the Local Efficiency Achievement Program (LEAP), which encourages local governments, including school districts, to explore cost savings through shared services. We further appreciate that a focus is being placed on shared services rather than district consolidation, which is not guaranteed to lower costs for districts or for taxpayers. To improve the effectiveness of LEAP grants, we believe that a portion of these funds should be dedicated specifically to limited purpose regional school districts to assist them in working with their member districts on reducing costs through greater sharing of special education, transportation, behavioral support, and other district programs.

Conclusion

Thank you for your consideration of the NJSBA's feedback on the FY27 proposed budget. We look forward to working with the Legislature, Sherrill Administration, and all interested stakeholders to ensure every school district has the resources needed to support the achievement of all students.

Please do not hesitate to contact me at hsilver@njsba.org or 609-278-5285 if we can be of any additional assistance.