



Revising NJ's School Funding Formula

A New Formula for Success:
All Children, All Communities

School Funding in NJ

- CEIFA has not been run since 2001-02.
- Up until last year, state aid had been frozen for most districts at the 01-02 levels.
- Last year, non-Abbott school districts saw the largest school aid increase since 2000
- FY08 was a building block to a new formula; we are now doing the complete formula.
- Goal is to create a fair, equitable, and predictable funding formula for FY09 based on student characteristics, regardless of zip code.

School Spending in NJ

- New Jersey per pupil spending is the highest in the nation (NCES, FY 2005)
 - NJ school spending per pupil in FY05 - \$14,117*
 - US Average in FY05 - \$8,701*
- New Jersey state aid per pupil in FY05 is the 5th highest in the nation
 - Only higher are: VT, HI, AK, and DE.

* Comprises all costs including special education, LEP, at-risk, and state on-behalf payments (e.g. FICA and Pensions).

Two Phases in Developing a School Funding Formula

- Phase I - Determine the cost of providing a thorough and efficient education
 - Professional Judgment Panel (PJP) Process
 - December 2006 Report on the Cost of Education
 - Experts' Review of December Report
 - Advisory Committee to DOE
- Phase II – Allocate the costs between the State and local school districts

Phase I – PJP Process

- In 2002, panels of professionals were formed to identify the resources necessary to ensure adequate provision of NJ's educational standards
 - Panels identified resources for 6 representative districts (based on size)
 - Panels specified resources separately for regular education students and students with special needs (e.g. at-risk, LEP).
- DOE assigned costs to the PJP panel resources using 04-05 cost data.
- Formulas were developed to estimate costs for any district, accounting for demographics, size, and configuration.
 - Costs were adjusted by Chambers' Geographic Cost of Education Index.

December 2006 Report on the Cost of Education

- In December 2006, the Department issued the *Report on the Cost of Education* based on the PJP results.
- After issuance, the Department held several public hearings on the report and hired three school finance experts to review the report - Allan Odden, Lawrence Picus, and Joseph Olchefske.
- Allan Odden's summary of all 3 reviews was completed in February, 2007 and *demonstrated the majority of resources determined by the PJP process were satisfactory when compared with another cost estimate approach - the Evidence-Based model (EB).*

Expert Review of December 2006 Report on the Cost of Education

- Odden's summary specifically found PJP model resources met or exceeded the Evidence-Based Standards in the following areas:
 - Class size and number of teachers;
 - Librarian, media aides and technology specialists;
 - Nurses and additional pupil support staff;
 - School and central office resources;
 - Books, materials, equipment;
 - Student activities;
 - Substitute recommendation; and
 - Resources for English Language Learners.

Expert Review of December 2006 Report on the Cost of Education

- Odden's summary recommended three changes to the PJP resources and/or costing out:
 - Definition of at-risk students should include students eligible for reduced-priced lunches and weight for at-risk students should not decrease as concentration of at-risk students increases.
 - Mean salaries should be applied to cost models.
 - Cost for professional development should be higher.

Work since December 2006

- Between April and August of 2007, DOE hosted stakeholder and legislator meetings on school funding policy areas:
 - Transportation and property tax issues; school choice, charter schools, vocational schools; early childhood education; and special education.
- During the summer of 2007, DOE formed advisory panel to further guide the process –
 - Tom Corcoran from Columbia University;
 - Susanna Loeb from Stanford University, and
 - David Monk from Pennsylvania State University
- DOE, in consultation with the advisory panel, compared the recommendations from all sources and analyzed the additional changes to create a workable, viable formula.

Changes since December

December 2006 Model	Change in Revised Model, 2007	Source of Recommendation
Median teacher salaries were used to cost out model.	Mean salary will now be used	Odden et al, Stakeholders
At-Risk students included only free lunch eligible	Students eligible for free <u>and</u> reduced-priced lunch will qualify for at-risk weights (185% Poverty)	Odden et al, Stakeholders
6 PJP models were used for districts of different size & configuration	One PJP model will be used (large K-12), where middle school and high school students receive higher cost weights.	DOE in consultation with the Advisory Panel
Benefits calculated as flat 20% of salary	Benefits revised to reflect actual costs - medical benefits updated using actual state health benefit cost; % for workers comp added; latest PERS and FICA rates added for non-certificated staff	Odden et al, Stakeholders
Salaries and unit costs were from FY 2005	Salaries and other unit costs updated to reflect current data	Odden et al, Stakeholders

Changes since December (cont.)

December 2006 Model	Change in Revised Model, 2007	Source of Recommendation
One at-risk weight	At-risk weight increases with at-risk concentrations	Odden et al, Stakeholders
100% of Special Education funding included in adequacy budget and equalized	Special Education Funding split between categorical aid and equalized aid. Hybrid census model, reimbursement for extraordinary costs.	Stakeholders, DOE in consultation with the Advisory Panel
Security costs included in adequacy budget	Security is removed from adequacy budget and allocated as categorical aid. Security guards were increased at all school levels for high at-risk concentrations.	Stakeholders, DOE in consultation with the Advisory Panel
Allocated two instructional aides at elementary school for all at-risk concentrations.	Increased instructional aides from two to four at elementary school level for at-risk concentration of 40% or more.	Stakeholders, DOE in consultation with the Advisory Panel.

Changes since December (cont.)

December 2006 Model	Change in Revised Model, 2007	Source of Recommendation
No amount included in the adequacy budget for capital outlay	Adequacy budget includes an additional amount per pupil for capital needs (capital maintenance and other annual capital improvements)	DOE in consultation with the Advisory Panel
Geographic Cost Index using data from the 1980's & 1990s	Created a new county-specific index using the most recent (2000 & 2005 census) data available.	Odden et al, Stakeholders, DOE in consultation with the Advisory Panel
Vocational weight based on FY05 actual expenditures	Updated weight comparing actual FY06 expenditure to PJP amount and then added HS weight.	Stakeholders, DOE in consultation with the Advisory Panel
No specific amount included in the adequacy budget for coaches/facilitators	Adequacy budget includes supplemental professional development of \$20,000 and a coach/facilitator for each school in the district resources.	Odden et al, Stakeholders

FY09 Adequacy Budget – Weights/Amounts

Elementary School	<u>Weight</u> = 1.0 <u>Amount</u> = \$9,649		Limited English Proficiency Weight	<u>Weight</u> = 0.50 <u>Amount</u> = \$4,825 ES to \$5,645 HS
Middle School	<u>Weight</u> = 1.04 <u>Amount</u> = \$10,035		At-Risk/LEP combined students	<u>Weight</u> = at-risk weight plus 1/4 LEP weight <u>Amount</u> = \$5,741 ES/low % to \$7,846 HS/high %
High School	<u>Weight</u> = 1.17 <u>Amount</u> = \$11,289		Special Education Census	Assume 14.69% classification rate, pay \$10,897 average excess cost of special ed students
Vocational Education	<u>Weight</u> = 1.31 plus high school weight <u>Amount</u> = \$14,789			Two-thirds included in the adequacy budget, remainder paid through categorical aid (aid independent of wealth)
At-Risk Weight	<u>Weight</u> = sliding scale from 0.47 to 0.57, based on free and reduced lunch percentage; <u>Amount</u> = range from \$4,535 for ES/low % to \$6,435 for HS/ high %			Speech

Summary of Adequacy Budget Amounts

	Elementary	Middle	High
Regular Ed	\$9,649	\$10,035	\$11,289
At-Risk	\$14,184-\$15,149	\$14,751-\$15,755	\$16,595-\$17,724
LEP	\$14,474	\$15,052	\$16,934
At-Risk/LEP	\$15,390-\$16,355	\$16,006-\$17,009	\$18,006-\$19,135
Spec. Ed.	\$20,546	\$20,932	\$22,186
Speech	\$10,731	\$11,117	\$12,371
Voc. Ed.	n/a	n/a	\$14,789

Adequacy Budget Formula

$$\begin{array}{l}
 \textit{Adequacy} \\
 \textit{Budget}
 \end{array}
 = \begin{array}{l}
 \textit{Geographic} \\
 \textit{Cost} \\
 \textit{Adjustment}
 \end{array}
 \times \left[\begin{array}{l}
 \textit{Base} \\
 \textit{Budget}
 \end{array} \right] + \begin{array}{l}
 \textit{At - Risk,} \\
 \textit{LEP, \&} \\
 \textit{Combination}
 \end{array} + \begin{array}{l}
 \textit{Special} \\
 \textit{Education} \\
 \textit{Census}
 \end{array} \right]$$

$$\text{Base Budget} = 9,649 \times \left[\begin{array}{l}
 \textit{Elem} \\
 \textit{School} \\
 \textit{Students}
 \end{array} \right] + \begin{array}{l}
 \textit{Middle} \\
 \textit{School} \\
 \textit{Students}
 \end{array} \times 1.04 + \begin{array}{l}
 \textit{High} \\
 \textit{School} \\
 \textit{Students}
 \end{array} \times 1.17 \right]$$

Note: County Vocational students receive an additional 1.31 weight on the base budget.

Adequacy Budget

$$\text{At - Risk} = 9,649 \times \left[\begin{pmatrix} \text{Elem} \\ \text{School} \\ \text{AR} \end{pmatrix} + \begin{pmatrix} \text{Middle} \\ \text{School} \times 1.04 \\ \text{AR} \end{pmatrix} + \begin{pmatrix} \text{High} \\ \text{School} \times 1.17 \\ \text{AR} \end{pmatrix} \right] \times \text{AR weight}$$

$$\text{LEP} = 9,649 \times \left[\begin{pmatrix} \text{Elem} \\ \text{School} \\ \text{LEP} \end{pmatrix} + \begin{pmatrix} \text{Middle} \\ \text{School} \times 1.04 \\ \text{LEP} \end{pmatrix} + \begin{pmatrix} \text{High} \\ \text{School} \times 1.17 \\ \text{LEP} \end{pmatrix} \right] \times 0.5$$

$$\text{Comb. AR/LEP} = 9,649 \times \left[\begin{pmatrix} \text{Elem} \\ \text{School} \\ \text{Comb} \end{pmatrix} + \begin{pmatrix} \text{Middle} \\ \text{School} \times 1.04 \\ \text{Comb} \end{pmatrix} + \begin{pmatrix} \text{High} \\ \text{School} \times 1.17 \\ \text{Comb} \end{pmatrix} \right] \times \begin{pmatrix} \text{AR weight} \\ + 0.125 \end{pmatrix}$$

Special

$$\text{Education} = \left(\frac{\text{Total}}{\text{Enrollment}} \times 0.1469 \times 10,897 \times 0.67 \right) + \left(\frac{\text{Total}}{\text{Enrollment}} \times 0.019 \times 1,082 \right)$$

Census

Main Component

Speech Students

Note: At-Risk Weight is 0.47 to 0.57 based on concentration of free and reduced lunch students. Districts with fewer than 40% of students at-risk have weight of 0.47; concentrations above 60% have weight of 0.57. There is a sliding scale weight for concentrations between 40% and 60%.

Combination At-Risk-LEP weight is the at-risk weight plus .125 (one-fourth of the LEP weight).

Equalization Aid

- Aid is distributed by a foundation formula, same as QEA(1991) and CEIFA(1996).
- The concept:
 - Adequacy Budget represents the sufficient level of resources to ensure the provision of NJ's educational standards.
 - Adequacy Budget is supported by both a state and local share.
 - Local Fair Share represents what a community should be able to contribute in local property taxes.
- Equalization Aid = Adequacy Budget - Local Fair Share

Phase II – Determining Local Fair Share and Allocating State Aid

- Local Fair Share is based on property value and income and is the same calculation as under current law
- For half of the local fair share, everyone pays the same equalized tax rate (tax levy divided by market value of property)
- For the other half, everyone pays the same percentage of income

$$\text{Local Fair Share} = \left[\left(\frac{\text{Equalized}}{\text{Valuation}} \right) \times \left(\frac{\text{Property}}{\text{Value}} \right) \right] \times 0.5 + \left[\left(\frac{\text{Aggregate}}{\text{Income}} \right) \times \left(\frac{\text{Income}}{\text{Rate}} \right) \right] \times 0.5$$

Special Education Aid

- Adopt a census approach used by other states - flat amount per student based on average classification and average cost.
- A portion of the aid will be paid through equalization aid as part of the adequacy budget.
- A portion will be paid as categorical aid.
- Supplement census with extraordinary aid that is funded at a greater percentage (75%) and uses updated thresholds, provided as categorical aid.

$$\begin{array}{l} \text{Special} \\ \text{Education} \\ \text{Categorical} \end{array} = \left(\frac{\text{Total}}{\text{Enrollment} \times 0.1469 \times 10,897 \times 0.33} \right) + (\text{Extraordinary Aid})$$

Benefits of NJ Hybrid Census Approach to Special Education Funding

- Approach recognizes lack of correlation between disability category and cost.
- Reduces incentive to over-classify students.
- Increases categorical aid to districts for extraordinary costs and compensates districts that have a higher percentage of children with greater and more expensive needs.
- Provides predictable level of special education funding.
- Minimizes administrative burdens and provides districts with greater discretion and flexibility.

Security Aid

- Paid as categorical aid, i.e., not based on a community's wealth
- \$70 per pupil for every student plus an additional amount per free or reduced lunch student
- The additional allocation will gradually increase to \$406 for districts based on free or reduced concentration.

Charter Schools, Choice and Transportation Aid

- Aid will continue to follow the charter school students (excluding only transportation aid).
- A percentage of aid will continue to remain with the sending district.
- Pending reauthorization of the School Choice Act, existing choice students will receive aid as residents of the choice district.
- Transportation Aid will be provided using updated mileage and enrollment counts.

Pre-Kindergarten

- Expand educational opportunities for all low-income children in NJ
- Expansion will be phased-in to ensure high quality
- Districts will be required to offer full-day pre-K to:
 - All 3 & 4 year olds in districts with DFG "A" or "B", or DFG "CD" with an at-risk concentration of at least 40%
 - All at-risk 3 & 4 year olds
 - At-risk = eligible for free and/or reduced lunch



Timeline for a New Formula

- Goal is to enact legislation so formula is in place in time for the Governor's FY 2009 budget address and so that school aid figures can be provided in a timely manner for preparation of FY2009 school budgets.