

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 | | | |
| | | | | |
| Vocational Education | <u>Weight</u> = 1.31 plus high school weight <u>Amount</u> = \$14,789 | | Special Education Census | Assume 14.69% classification rate, pay \$10,897 average excess cost of special ed students 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 | Assume 1.9% of students require services, pay \$1,082 per student |

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

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

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

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

Adequacy Budget

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

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

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

Special

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

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.