

**TRENTON PUBLIC SCHOOLS:
BUDGET IMPACTS OF UNDERFUNDING AND RAPID CHARTER GROWTH****DANIELLE FARRIE, PHD****Summary and Major Findings**

Trenton Public Schools (TPS) have faced multiple years of fiscal turmoil as the district struggles to provide students with the resources required to meet the State's Core Curriculum Content Standards (CCSS). Under the tenure of Governor Chris Christie, the State failed to provide the state aid needed to support the district's budget, eroding essential resources in district schools and depriving students of the opportunity for a thorough and efficient education.

Trenton last received the increases required by New Jersey's school funding formula – the School Funding Reform Act (SFRA) – in 2011-12, when the State Supreme Court ordered Governor Chris Christie to restore the \$13 million cut from Trenton's budget in 2010-11. Since then, the Governor has refused to fund the formula, resulting in an over \$41 million shortfall in state aid to TPS in 2017-18. At the same time, the Governor's Department of Education (DOE) has approved and allowed charter schools to expand rapidly in Trenton, draining an increasing amount of funds from TPS's already flat budget.

The result: TPS has endured multiple years with significantly less funding to educate students, many of whom have extra educational needs, and to address year-to-year increases in fixed costs, such as salaries, benefits and building maintenance. To balance the school budget in recent years, TPS has had no alternative but to substantially cut spending on teachers, support staff, special education and other programs, shrinking the resources necessary for all students to achieve the State's Core Curriculum Content Standards (CCCS).

In this report we analyze the impact of the TPS budget crisis on per pupil spending and staff levels in district schools. We find that the combined stress of chronic underfunding and rapid charter expansion has significantly lowered spending and reduced staff and programs in district schools:

- Due to underfunding of both the local and state share of required school aid, TPS was \$3,737 per pupil below the amount required under the SFRA in 2017-18.
- In 2008-09, charter schools educated about 14% of Trenton's students, in 2017-18 that grew to 20%.
- Charter schools are educating fewer students with disabilities and English language learners, concentrating those students, and their higher costs, in traditional public schools.

- Total spending dropped 15% between 2008-09 and 2017-18 (adjusted for inflation), a \$2,694 per pupil reduction.
- Spending on regular instruction – teachers, curriculum, books, etc. – was cut 12% or \$537 per pupil.
- Support services were significantly reduced, with especially large cuts in attendance, social work, and guidance.
- Spending for students with disabilities was dramatically reduced.
- TPS spending per pupil has declined rapidly relative to other districts in the state. In 2008-09, TPS spent more per pupil than 72% of districts. By 2017-18, TPS outspent only 5% of districts. (This calculation takes into account the additional spending required to meet the needs of at-risk students and English language learners.)

It is clear Commissioner of Education Dr. Lamont Repollet must take immediate action to prevent further staff, program and service cuts. We recommend the following steps to stabilize the TPS budget over the next few years:

- Restore state formula aid to move TPS to full SFRA funding;
- Increase the City of Trenton’s local contribution, utilizing waivers of the 2% annual property tax cap;
- Temporarily halt the expansion of enrollment in new and existing Trenton charter schools, pending a thorough analysis by the Commissioner and the DOE of the impact of further expansion on the funding and resources available in district schools, as mandated by law and court rulings.

Legal Background: The Resources Required for a Thorough and Efficient Education

Students in Trenton schools, like their peers in other district and charter schools, are entitled to a thorough and efficient education under the New Jersey Constitution. The NJ Supreme Court has defined a thorough and efficient education as the opportunity to meet the CCCS in all subjects, as measured by a student's performance on state assessments. In 2010, the DOE replaced the CCCS standards in language arts and mathematics with the Common Core standards. More recently, the NJDOE has replaced prior state standardized tests (NJASK and HSPA) with the PARCC tests based on the Common Core.

In the 2009 *Abbott v. Burke XX* decision, the Supreme Court accepted New Jersey's new funding formula – the School Funding Reform Act (SFRA) – noting that it presented school districts “with adequate resources to provide the necessary educational programs consistent with” the CCCS. The Court further found that through the SFRA, “the State has constructed a fair and equitable means designed to fund the costs of a thorough and efficient education, measured against the delivery of the CCCS.” The Court also made clear that the SFRA formula “will remain constitutional only if the State is firmly committed to ensuring that the formula provides those resources necessary for the delivery of State educational standards” in school districts across the state.

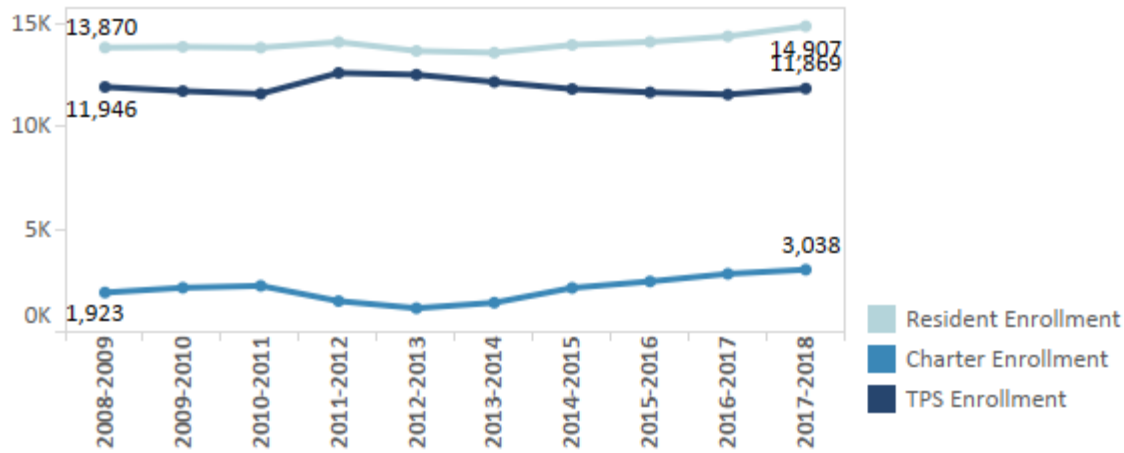
In addition, in a series of rulings, most recently in the 2014 *Quest Academy Charter School of Montclair* decision, the Supreme Court has ruled that the Commissioner of Education, in review of the initial application or expansion of a charter school, “is obligated to evaluate carefully the impact that the loss of funds” from the district to the charter school “would have on the ability of the district of residence to deliver a thorough and efficient education.”

These constitutional core mandates to ensure all students the resources necessary for a thorough and efficient education guide our analysis of the impact of two separate, but interrelated, actions by the State on the TPS budget: 1) successive years in which the state aid increases required under the SFRA were not provided to TPS; and 2) the substantial loss in funds from the TPS budget resulting from the rapid expansion of Trenton charter schools.

TPS Enrollment Trends

The student population in Trenton has remained largely stable since the enactment and implementation of the SFRA formula in 2008. Resident enrollment, which includes students in both district and charter schools, increased by about 7% or around 1,000 students between 2008-09 and 2017-18. Enrollment in the district remained steady over this period, despite a 50% increase in the charter school population.

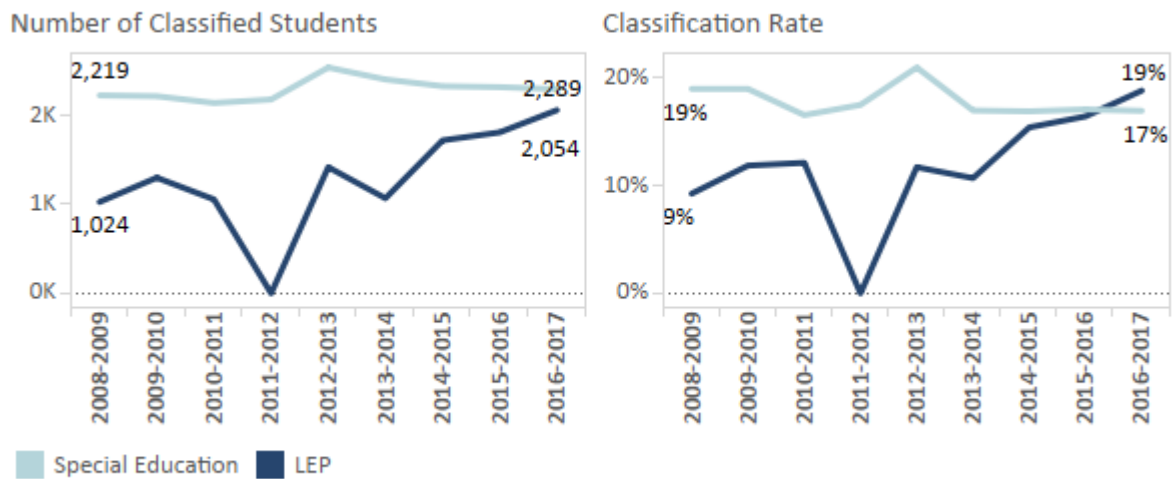
Figure 1. Trenton Enrollment Trends



Source: NJDOE State Aid Notices, Charter Aid Notices

Between 2008-09 and 2016-17, the number of Special Education students remained relatively steady while the number of students classified as Limited English Proficient (LEP) enrolled in TPS doubled.¹ The LEP rate in TPS (19%) is more than four times the statewide LEP classification rate (4.5%).

Figure 2. Special Education and LEP Enrollment



Source: NJDOE Special Education Data Collection, Fall Survey

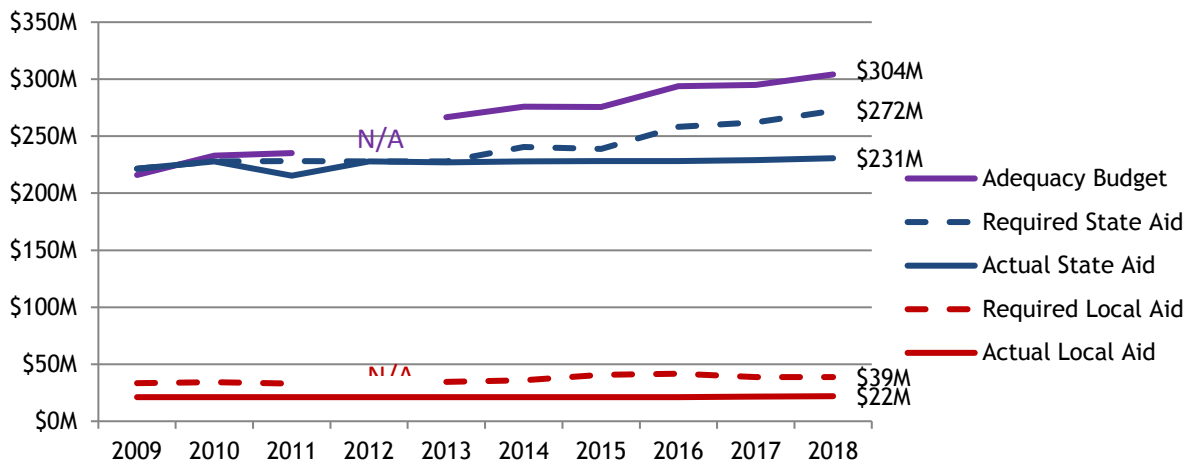
¹ Data for the 2017-18 school year for Special Education and LEP students was not yet available at the time of publication.

TPS Funding Under SFRA

The SFRA is a weighted student formula that determines the unique funding level required for each district to be able to provide all students with the opportunity to meet the CCCS. This funding level, called the “adequacy budget,” is driven by a base cost per pupil and extra funding for students who are poor (at-risk), LEP, and students with disabilities. The formula also determines the appropriate state and local share required to support the adequacy budget based on a district’s wealth and taxing capacity. Between 2008-09 and 2017-18, TPS’s adequacy budget increased by 40%. However, state aid increased by just 4%, with aid essentially flat from 2012-13 on. If the SFRA had been fully funded and took into consideration rising costs and the changing student population described above, TPS would have been entitled to an additional \$41 million in state aid in 2017-18. Since 2008-09, local revenue provided to the Trenton schools has remained flat, only increasing by 2%. It should also be noted that the local contribution to the TPS budget is below the level determined by the SFRA. The district is \$17 million below the level required by SFRA.

The combination of underfunding of state and local aid and the growth in enrollment, especially of high-cost students, leaves TPS far below adequacy. The district’s combined state and local revenues for 2017-18 were \$54 million, or \$3,737 per pupil, below the levels required by the SFRA.

Figure 3. Required vs. Actual State and Local Aid under SFRA²



Source: NJDOE State Aid Notices, State Aid Summaries, User Friendly

² Required state aid estimated by the authors for 2010, provided by NJDOE for 2009, 2011, 2015 - 2018, and estimated by the Office of Legislative Services for 2012, 2013, and 2014. Actual state aid figures are according to NJDOE State Aid Summaries, except 2010 which subtracts the mid-year surplus withholding.

Charter School Payments

Under New Jersey's charter law, Trenton charter schools receive funding through payments from the TPS budget. Charters are funded on a per pupil basis and are entitled to 90% of the sum of the district's local levy and State equalization aid, and the security and special education aid attributed to each student under the SFRA formula. These per pupil payments are calculated using weighted student enrollments to ensure that charters receive additional funds for any at-risk or LEP students they enroll. Charters receive additional aid for enrollment growth even when the district's overall funding does not increase (albeit at a lower per pupil rate). Payments to charter schools have first priority in district spending – they cannot be reduced to address shortfalls in the district budget.

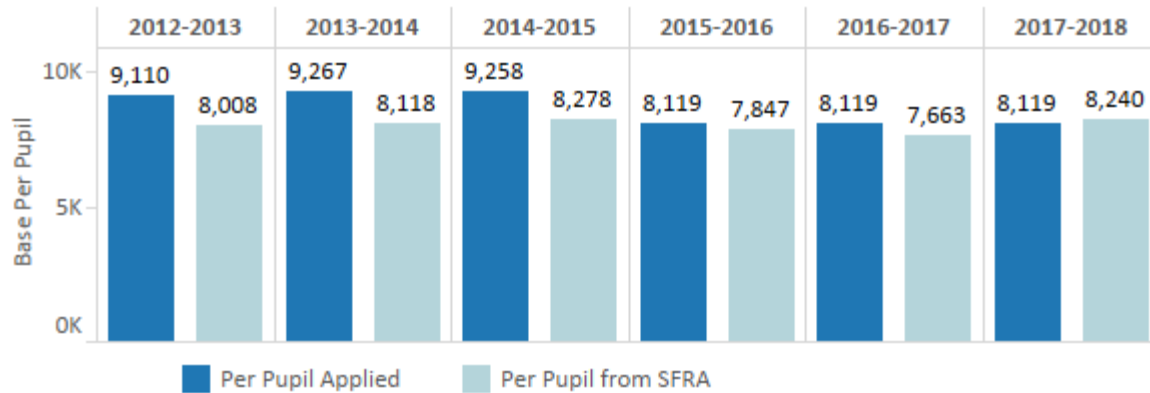
As noted above, state aid received by TPS has been relatively flat since 2012-13. In 2017-18, the district's state aid was underfunded according to the SFRA by \$41 million. However, TPS payments to charter schools have increased rapidly as the DOE has allowed charter enrollment to expand each year. In 2008-09, TPS payments to charter schools totaled \$27 million. By 2017-18, TPS charter school payments increased to \$40 million, representing 15% of the TPS operating budget.

In addition to the increase in payments triggered by charter expansion, policy decisions at the state level have disassociated charter payments from the actual level of resources available in the district. First, beginning in 2012-13, the budget calculations of per pupil payments used modifications to district enrollment counts – lowered weights and attendance adjustments – even though these changes were ultimately rejected by the Legislature. This artificially inflated the resources available in the district and resulted in higher per pupil payments to charters. Second, since 2014-15 Governor Christie used budget language to insulate charters from reductions in the per pupil allocations to districts that would occur under his flat state aid budget.³

Figure 4 below shows how the SFRA determined per pupil rates vary from the rates actually used. TPS paid higher payments that required from 2012-13 through 2016-17, with some years' extra payments exceeding \$1,000 per pupil. These payments above the per pupil amount required under the charter law compounded the impact of growing charter enrollments and flat state aid. Charter schools also received an additional benefit of "hold harmless" aid directly from the State to ensure that they do not receive aid, either in total or per pupil, which is less than they received the prior year. Districts were offered no such protection. The ultimate impact of these changes is a disparate funding system in which the TPS schools have to contend with shrinking resources while the charter schools maintain funding levels from year to year.

³ See background paper in the FY16 New Jersey Office of Legislative Services Analysis of the New Jersey Budget (http://www.njleg.state.nj.us/legislativepub/budget_2016/DOE_analysis_2016.pdf), p. 23-38.

Figure 4. Charter Base Per Pupil Payment



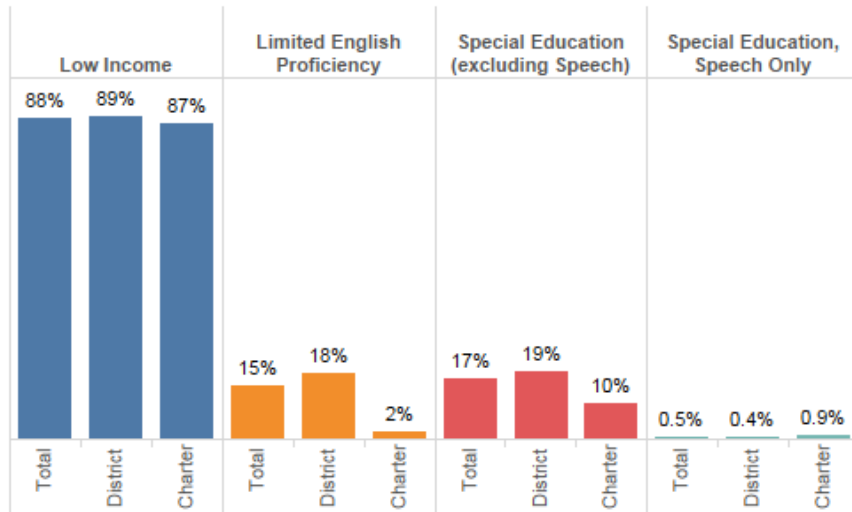
Source: NJDOE Charter Aid Notices, SFRA per pupils are authors' calculations applying original SFRA weights and removing average daily attendance adjustment where applicable.

Charter Demographics

When approving new schools or expansions of existing schools, the Commissioner of Education has a constitutional obligation to assess and determine the financial and demographic impact on the host district. The data presented below clearly indicate that the charter sector is serving a demographically distinct set of students, enrolling fewer students with the greatest educational needs, thus those who are more costly to educate.

DOE data demonstrate that the charter sector in Trenton is serving fewer LEP students and fewer students with disabilities. While 15% of the overall resident enrollment in Trenton are classified as LEP, those students are not evenly divided between charter (2%) and traditional public schools (18%). The same is true for students with disabilities (excluding speech) where the overall population has a classification rate of 17%, but the rate in traditional public schools is 19% compared to 10% in charters. The classification rates for those with a speech disability are similar across sectors.

Figure 5. Student Demographics by Sector, 2017-2018



Source: NJDOE, 2016-17 State Aid Notices (Charter and District)

Not only do charter schools enroll fewer special education students, they are also less likely to enroll students with the most severe, and thus costliest, disabilities. The incidence rates for such disability classifications are much lower in Trenton’s charter schools than in the district schools. For example, special education students in Trenton’s charters were more likely than TPS students to be classified with a Specific Learning Disability (61% v. 45%) or Speech Language Impairment (12% v. 9%), or Other Health Impairment (15% v. 4%), three of the less severe and lowest cost disability classifications. Special education students in Trenton’s charters were less likely than TPS students to be classified with Multiple Disabilities (9% v. 29%), Autism (1.3% v. 3.6%), Emotional Disturbance (0.7% v. 4.9%), and Intellectual Disabilities (0.7% v. 4.1%).⁴

⁴ Data are from the 2013-14 Special Education Data Collection (NJDOE), more recent data are suppressed and do not allow such comparisons. Charter enrollments include all students attending the school, regardless of district of residence.

Table 1. Disability Rates by Eligibility and Sector

Eligibility		Sector		Grand Total
		Charter	Host	
Specific Learning Disability	Num	92	1,004	1,096
	Percent	61.3%	44.7%	45.8%
Multiple Disabilities	Num	14	650	664
	Percent	9.3%	29.0%	27.7%
Speech/Language	Num	18	195	213
	Percent	12.0%	8.7%	8.9%
Emotionally Disturbed	Num	1	109	110
	Percent	0.7%	4.9%	4.6%
Other Health Impairment	Num	22	85	107
	Percent	14.7%	3.8%	4.5%
Intellectual Disability	Num	1	93	94
	Percent	0.7%	4.1%	3.9%
Autism	Num	2	80	82
	Percent	1.3%	3.6%	3.4%
Hearing Impaired	Num	0	16	16
	Percent	0.0%	0.7%	0.7%
Traumatic Brain Injury	Num	0	8	8
	Percent	0.0%	0.4%	0.3%
Deaf-Blind	Num	0	2	2
	Percent	0.0%	0.1%	0.1%
Orthopedic Impairment	Num	0	1	1
	Percent	0.0%	0.0%	0.0%
Visual Impairment	Num	0	1	1
	Percent	0.0%	0.0%	0.0%

Source: NJDOE Special Education Data, 2013-14

The vast majority of students in Trenton are low-income, and those rates do not vary much by sector. However, other analyses have shown that charters in Trenton tend to enroll fewer “free lunch” eligible students, those who are poorest, than the traditional public schools.⁵ Disaggregated enrollments for free verses reduced lunch eligibility were not available in the data sources used here.

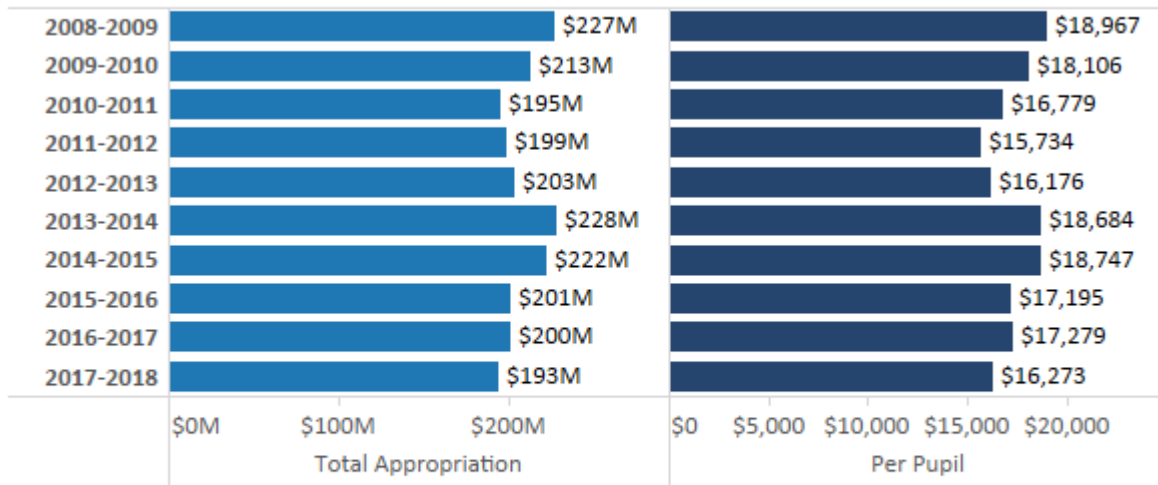
⁵ See http://www.saveourschoolsnj.org/save/corefiles/wp-content/uploads/2014/10/NJ-Charter-School-Report_10.29.2014.pdf

TPS Spending Trends

To examine the impact of TPS’s significant funding shortfall on students in district schools, we analyze the district’s spending as reported in the DOE User Friendly Budget (UFB) and the School-Based Budget files. These files include appropriations of state and local funding in various budget categories. For these analyses we exclude appropriations for preschool, nonpublic schools, and charter payments. Restricted federal funds are excluded except when appropriated through the school-based budgets, where they are blended with state and local revenues. Per pupil spending is calculated using resident enrollments reported in the district’s state aid notices, subtracting charter students. All spending figures in this report are adjusted for inflation and expressed as 2009 dollars.

TPS’s total appropriations between 2008-09 and 2017-18 decreased 15%, when adjusted for inflation, from \$227 million to \$193 million. This translates to a loss of \$2,694 per pupil.

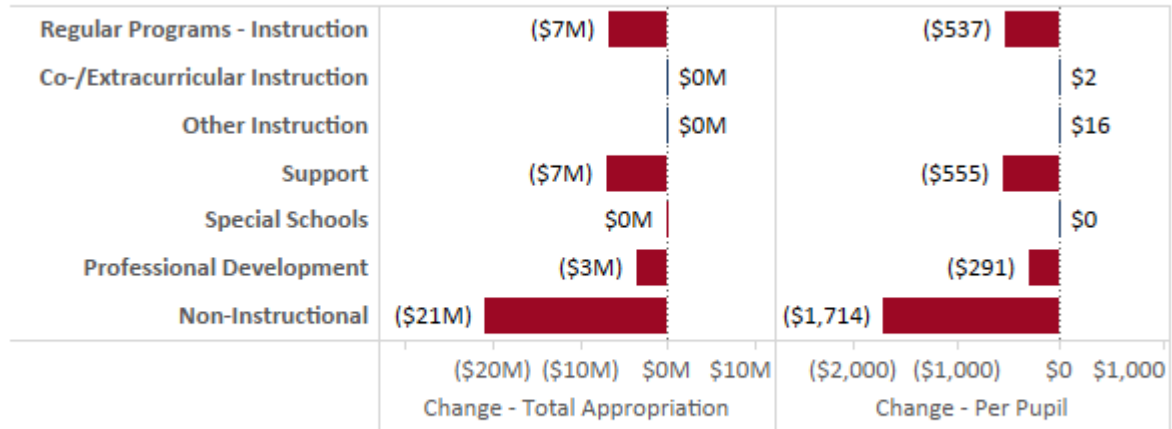
Figure 6. Change in Total Appropriations



Source: NJDOE User Friendly Budget, School Based Budgets

Figure 7 shows how the total and per pupil spending reductions affected broad budget categories (special education and bilingual education are excluded here and discussed below). TPS experienced significant cuts in Instruction (\$7 million or \$437 per pupil) and Support Services (\$7 million, \$555 per pupil), including cuts to Attendance, Social Work and Guidance programs that are especially crucial for Trenton’s at risk population. The largest cuts were to non-Instructional programs (\$21 million or \$1,714 per pupil), including employee benefits and building maintenance.

Figure 7. Change in Appropriations by Category, 2008-09 to 2017-18



Source: NJDOE User Friendly Budget, School Based Budgets

Table 2 illustrates the changes in spending by line item, as reported in the User Friendly Budget. This more detailed table provides information on how specific programs have been affected by reduced spending.

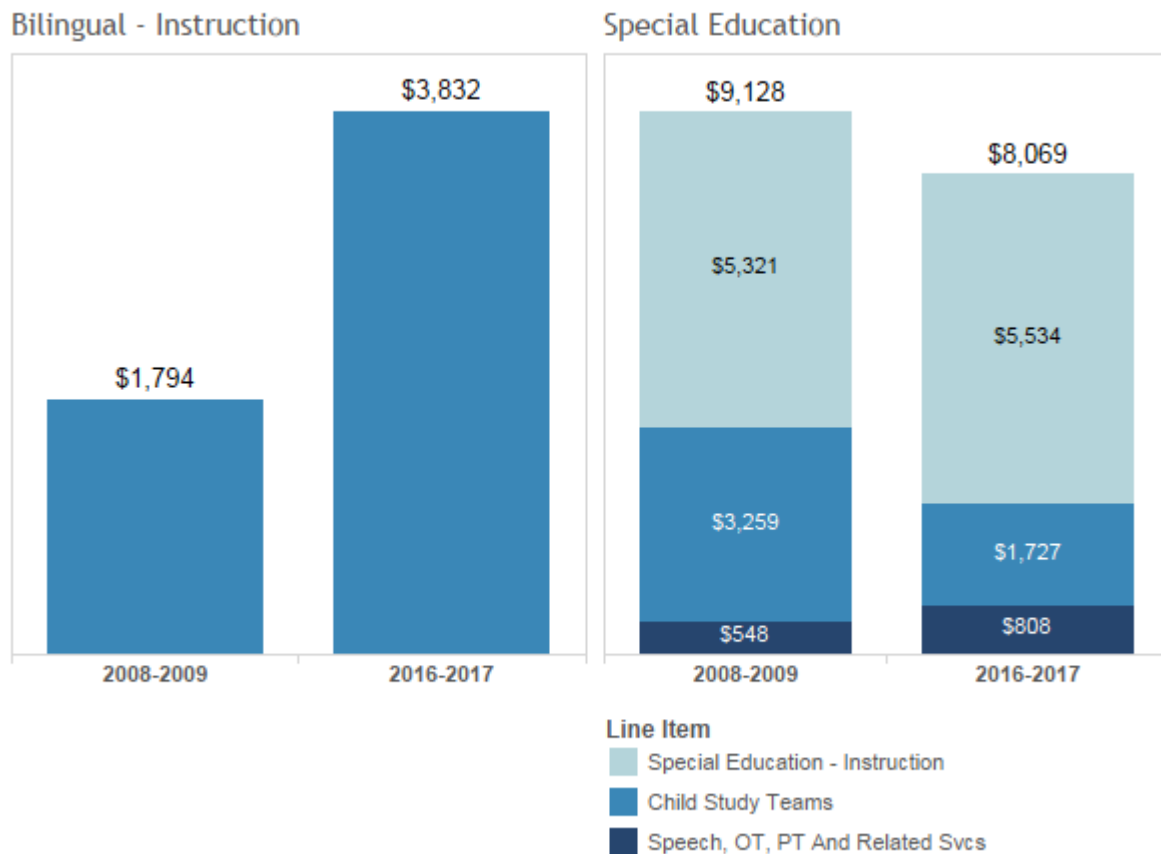
Table 2. Budget Appropriations by Line Item

Line Item	2008-2009		2017-2018		Per Pupil Change	
	Total Approp.	Per Pupil	Total Approp.	Per Pupil	\$	%
Regular Programs - Instruction	\$55.4M	\$4,640	\$48.7M	\$4,103	(\$537)	-12%
Regular Programs - Instruction	\$55.4M	\$4,640	\$48.7M	\$4,103	(\$537)	-12%
Co-/Extracurricular Instruction	\$1.1M	\$95	\$1.2M	\$97	\$2	2%
Before/After School Programs	\$0.0M	\$0	\$0.2M	\$20	\$20	
School-Spon. Co/Extra Curr. Actvts. - Inst	\$0.6M	\$47	\$0.1M	\$12	(\$35)	-75%
School-Sponsored Athletics - Instruction	\$0.6M	\$48	\$0.8M	\$66	\$17	35%
Other Instruction	\$0.0M	\$0	\$0.2M	\$16	\$16	
Instructional Alternative Ed Program	\$0.0M	\$0			\$0	
Other Instructional Programs - Instruction	\$0.0M	\$0	\$0.2M	\$16	\$16	
Other Supplemental/At-Risk Programs	\$0.0M	\$0			\$0	
Support	\$59.8M	\$5,003	\$52.8M	\$4,449	(\$555)	-12%
Oth Supp Serv Std-Extra Serv			\$3.4M	\$289	\$289	
Admin. Info Technology			\$2.0M	\$170	\$170	
Attendance And Social Work	\$2.3M	\$194	\$1.1M	\$90	(\$104)	-54%
Edu. Media Serv./Library	\$1.9M	\$157	\$1.9M	\$157	(\$1)	-1%
Support Serv.-Gen. Admin.	\$2.5M	\$207	\$2.4M	\$204	(\$3)	-2%
Support Serv.-School Admin.	\$7.5M	\$624	\$6.7M	\$563	(\$61)	-10%
Guidance	\$4.4M	\$364	\$3.1M	\$265	(\$99)	-28%
Health Services	\$2.6M	\$219	\$2.8M	\$239	\$20	8%
Instruction (Tuition)	\$38.7M	\$3,238	\$29.3M	\$2,473	(\$766)	-24%
Special Schools	\$0.1M	\$10	\$0.1M	\$10	\$0	0%
Total Accred. Eve./Adult H.S./Post-Grad.	\$0.1M	\$10	\$0.1M	\$10	\$0	0%
Professional Development	\$4.3M	\$356	\$0.8M	\$65	(\$291)	-82%
Improv. Of Inst. Serv.	\$4.2M	\$352	\$0.7M	\$60	(\$292)	-83%
Instr. Staff Training Serv.	\$0.0M	\$4	\$0.1M	\$5	\$2	39%
Non-Instructional	\$83.8M	\$7,013	\$62.9M	\$5,298	(\$1,714)	-25%
Personal Services - Employee Benefits	\$43.0M	\$3,600	\$33.4M	\$2,818	(\$781)	-22%
Total Capital Outlay	\$0.1M	\$8	\$1.1M	\$94	\$86	1033%
Central Services	\$4.4M	\$369	\$2.5M	\$212	(\$157)	-43%
Oper. And Maint. Of Plant Serv.	\$26.2M	\$2,192	\$18.1M	\$1,521	(\$670)	-31%
Student Transportation Serv.	\$7.8M	\$649	\$7.7M	\$652	\$3	0%
Food Services	\$2.3M	\$195			(\$195)	-100%

Source: NJDOE User Friendly Budget, School Based Budget

Spending on bilingual education is one area that saw significant investment, not surprising given the rapid growth of the population of students learning English. In contrast, spending on special education programs declined by over \$1,000 per pupil from \$9,128 per classified pupil to \$8,069 per classified pupil. The cuts were largely confined to Child Study Teams, while Instructional spending was stable and Speech, Occupational Therapy, Speech Therapy and Related Services spending per pupil actually increased.

Figure 8. Spending per Classified Student



Source: NJDOE User Friendly Budget, School Based Budgets, Fall Survey, Special Education Data Collection

Statewide Comparisons

To put TPS spending levels in context, it is helpful to consider where the district falls relative to other districts across the state. However, district to district spending comparisons are complicated. Per pupil spending is significantly affected by the population of students a district serves and the varying levels of academic and social supports that are required to ensure equal opportunity for success, especially for disadvantaged students. The state funding formula recognizes this with additional funding, or weights, provided for at-risk students, English-language learners, and students with disabilities. Here we use the SFRA weighted enrollments, which increase in proportion to the number of at-risk and LEP students in the district, to calculate a measure of spending per weighted pupil. This measure provides a more reasonable

comparison of spending between districts by accounting for the extra funding that is required for certain students.

In 2008-09, TPS spent \$12,061 per weighted pupil, placing it in the 72nd percentile of districts statewide. This means that TPS spending, when adjusted for student need, was higher than 72% of the other districts in the state and lower than 28%. By 2017-18, TPS spending fell to the 5th percentile at \$7,285 per weighted pupil, adjusted for inflation. In the span of nine years, TPS went from being one of the higher spending districts in the state to one of the lowest.

Conclusion

It is clear that the financial stress of successive years of underfunding and the rapid expansion of charter school enrollment have had a significant negative impact on the availability of resources necessary for a thorough and efficient education in Trenton's schools. Overall revenues have been stagnant, even as the TPS budget must support a greater number of students in both district and charter schools. As charter school enrollments have increased, the district has had to transfer significantly more funding from its budget to these schools.

The drastic underfunding of TPS under the SFRA, combined with an increase in payments to charter schools, has left TPS with no alternative but to reduce spending on schools and students, resulting in significant cuts in teachers, support staff, special education and other essential programs and services. It is clear that the TPS budget crisis deprives TPS students of the opportunity to achieve the CCCS, the benchmark for a thorough and efficient education.

Urgent action by the Commissioner, the DOE and the State District Superintendent is required to address this crisis. In order to stabilize the budget for the next few years and enable TPS to restore resources necessary for a thorough and efficient education, we recommend the following:

- Restore state formula aid to move TPS to full SFRA funding;
- Increase the city of Trenton's local contribution, utilizing waivers of the 2% property tax cap where appropriate;
- Temporarily halt the expansion of enrollment in Trenton's charter schools, pending a thorough analysis by the Commissioner and the DOE of the impact of further expansion on the funding and resources available in district schools, as mandated by law and court rulings.