

**TESTIMONY OF EDUCATION LAW CENTER ON
GOVERNOR MURPHY'S FY23 STATE BUDGET**

SENATE BUDGET AND APPROPRIATIONS COMMITTEE

March 29, 2022

Education Law Center (ELC) thanks Chairman Sarlo and members of the Senate Budget and Appropriations Committee for the opportunity to submit testimony on Governor Murphy's proposed FY23 State Budget.

We express our overall support for the Governor's proposal to increase public school funding by \$718 million dedicated to K-12 formula aid and preschool expansion.

The infusion of state formula aid will close 56% of the existing \$1.5 billion gap and maintain the path to full funding of the School Funding Reform Act (SFRA) by FY25. The proposed aid levels will provide significant aid boosts to districts that have been underfunded for over a decade. It will also move the state closer to constitutional compliance with the Supreme Court's 2008 *Abbott v. Burke* ruling that the SFRA formula is adequate to deliver a thorough and efficient education to students only when fully funded.

By following the formula, the largest aid increases are directed where the need is the greatest – closing the persistent state aid gaps that disproportionately affect Black and Latino students. As new ELC research demonstrates, New Jersey's Black and Latino students are far more likely to attend schools spending well below the formula's adequacy level, while white and Asian students typically attend schools that are at or even above the constitutional level.

We also endorse the Governor's proposal to create almost 3000 new preschool seats in expansion districts with an additional \$40 million from the \$68 million earmarked for high quality, full-day preschool for 3- and 4-year-olds. This expansion will help move us closer to the goal established by the Legislature in the SFRA: providing "Abbott Preschool" – a national model – in every high need district and to children in poverty elsewhere across the state.

But the Governor's proposal falls short on several fronts.

First, along with the proposed budget, the Murphy Administration has recommended to the Legislature the base per pupil amounts, pupil weights and aid amounts to govern implementation of the SFRA over the next three years through transmission of the Educational Adequacy Report (EAR), the statutorily mandated periodic review of the SFRA formula.

The Administration's recommendations in the EAR repeat the minimal approach taken in past reports. The base cost in the formula is increased by just 2.25%, slightly higher than the CPI adjustment of 1.908%. The EAR does not analyze the SFRA's costs, weights, and aid amounts to reflect the substantial changes in curricula, course requirements, assessments, staffing, policies and practices in our public schools that significantly impact the cost of educating all New Jersey students to achieve the state's academic standards. The cursory review in this EAR does not comply with the express condition for the SFRA's continuing constitutionality imposed by the 2008 *Abbott* ruling, which directs that a thorough review of the formula's operative parts and instituting adjustments "are necessary to keep SFRA operating at its optimal level."

Accordingly, we strongly urge the Legislature, pursuant to N.J.S.A. 18A:7F-46, to adopt a concurrent resolution objecting to the EAR and directing the Acting Commissioner of Education to submit a new EAR that analyzes the significant changes in education costs over the last 15 years. We stand ready to work with the Legislature on sending the EAR back to the drawing board.

Second, the Governor's proposal includes over \$100 million in reductions in state aid to 26 districts spending below adequacy in the formula. The Governor's budget contains \$20 million in stabilization aid for districts losing funding under Senate Bill 2, but this sum is not nearly enough to forestall budget cuts in districts that do not have a constitutional level of funding and resources under the SFRA and which are still facing serious challenges as a result of the pandemic.

Third, on school construction, the Governor is proposing \$350 million to the Schools Development Authority (SDA). While funding is urgently needed, and constitutionally mandated, for school construction in SDA districts, the budget language indicates that these funds will be used to pay for current construction projects and to "help SDA move forward" on approximately two dozen priority projects listed in the 2019 Statewide Strategic Plan for SDA districts.

It is important to note that the full cost of current construction projects is covered by the SDA's remaining bond authorization. By contrast, the priority projects in the 2019 strategic plan are almost entirely unfunded, and the Administration has provided no information as to how much of the \$350 million will go to these projects and over what period of time. We strongly urge you to require the SDA to dedicate the entire \$350 million allocation to fund the new construction projects in the 2019 Strategic Plan.

Additionally, on February 28, the State Treasurer submitted a formal request to the Joint Budget Oversight Committee seeking approval for a \$150 million allocation to the

SDA to fund school facilities projects instead of issuing state debt. However, the request is deficient because it does not provide a specific list of projects the funding will support as required by the statute. And, like the \$350 million budget allocation for the SDA, there is no information about whether the money will be used to fund current projects or those in the SDA's 2019 Strategic Plan.

Lastly, the proposed budget also includes a \$1.3 billion allocation to the Debt Defeasance and Prevention Fund but does not indicate how that money will be divided between the two prongs of the program: retiring existing debt and pay-as-you-go capital construction. We urge the Legislature to earmark the entire \$1.3 billion to support new capital projects. That funding would then be available to cover urgently needed school facilities projects in both SDA and regular-operating school districts.

Thank you again for your consideration. ELC looks forward to working with you to provide New Jersey students with the resources they need for school success.