

Spending Targets Under the School Funding Reform Act

By Danielle Farrie, Ph.D.

Discussions of public school spending in New Jersey often focus on simple comparisons of per pupil levels that fail to accurately reflect the complexity of factors driving the cost of education and the variations among school districts. The NJ Department of Education (NJDOE) [Taxpayer's Guide to Education Spending](#) "Total Spending per Pupil" lumps in costs that are not connected to student instruction, such as transportation, debt, capital spending, and pension payments. None of these have any educational component and can vary widely among districts. But even if those costs are removed, as in the NJDOE's "Budgetary Per Pupil Cost," there is still no recognition that differences in district student populations contribute to differences in spending. In other words, while "Budgetary Per Pupil Cost" shows how much each district spends, it does not consider the demographic differences that require dramatically different levels of resources and spending.

A much more accurate way to examine funding levels across New Jersey school districts is to compare actual spending to the levels determined to be adequate in the state's school funding formula, the School Funding Reform Act (SFRA). This is known as the SFRA Adequacy Spending Target. The formula defines an "adequacy budget" for each district, that is, how much funding is needed to deliver a constitutionally required "thorough and efficient" education to all students. This adequacy budget is a district's minimum spending target to deliver the state's required curricular content standards to students.

*View an interactive version
of this report [online](#).*

HOW THE SFRA WORKS

New Jersey's SFRA is known as a "weighted student" formula because it defines adequate funding levels based on each district's unique student composition. An adequacy budget is calculated for each district by attributing a "base" level of per pupil funding for each resident student and the additional funding needed for students who require greater resources: students in higher grades, students from low-income families, English learners (EL), and students with disabilities.

The additional funds for grade level, low-income and ELs, are expressed as "weights," or a fraction of the base cost (see Figure 1). Figure 2 shows the funding levels associated with these weights for the 2020-21 school year. For example, a high schooler (.17), from a low-income family in a high poverty district (.57) would count as 1.74 ($1 + .17 + .57$) students. This student would generate \$20,836 ($\$11,975 * 1.74$) in funding in the district's adequacy budget.

FIGURE 1. SFRA WEIGHTS

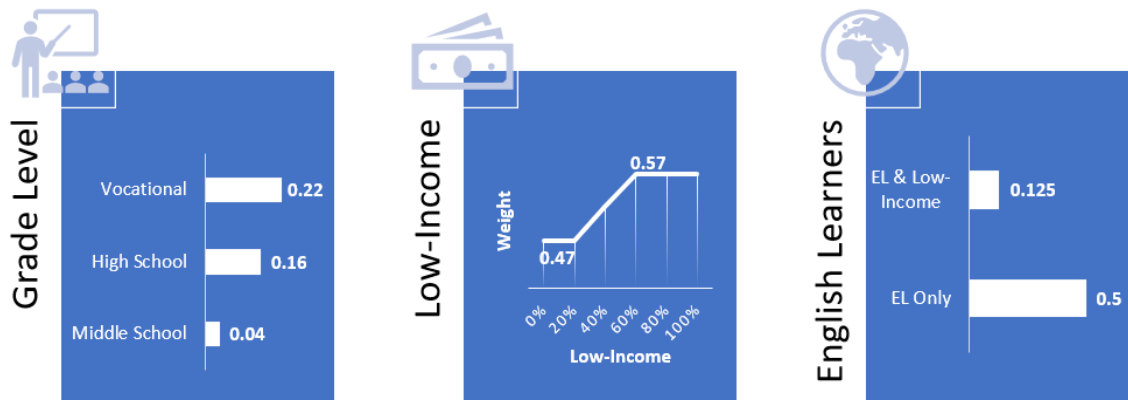
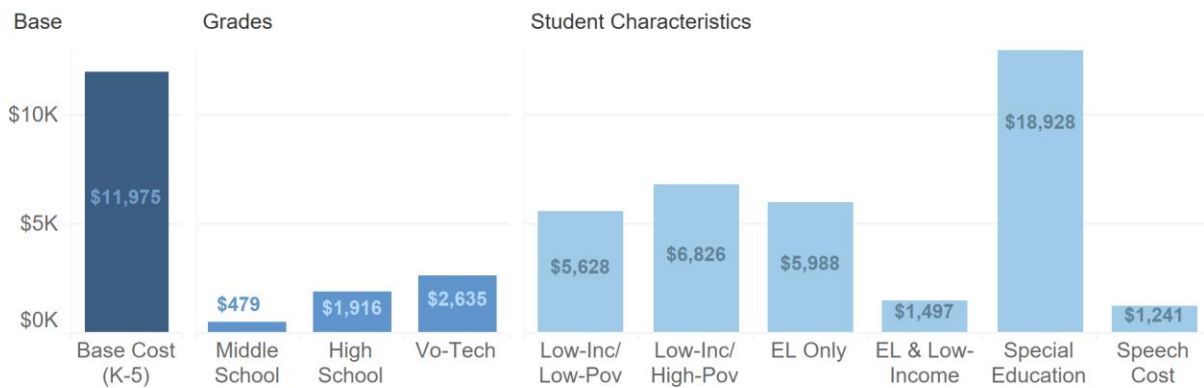


FIGURE 2. SFRA PER PUPIL RESOURCES, 2021-21



Note: Low Inc/Low Pov = Low Income Student in Low-Poverty District (below 20%); Low-Inc/High-Pov = Low Income Student in High-Poverty District (60% or higher)

Funding for special education and speech services is not based on weights but rather applies a “Census method” where all districts receive funding at the state average classification rate, regardless of whether a district’s actual classification rate is higher or lower. The statewide average classification rate was 15.4% in 2020-21. All districts receive a categorical aid for security expenses on a per pupil basis (\$84), with a higher allocation (up to \$503) for low-income students based on the district’s overall student poverty rate. Districts also receive aid for transportation, which is excluded from this spending analysis since it is not an education expenditure.

Table 1 presents a hypothetical example of how the SFRA Adequacy Spending Target differs for two districts with the same number of students but with very different student compositions. District A is 5% low-income with no EL students. District B is 75% low-income and 10% English learners. These different population characteristics generate spending targets in District B that are over \$7.5 million, or nearly \$6,000 per pupil, higher than in district A.

TABLE 1. HYPOTHETICAL SPENDING TARGETS

	District A		District B	
	Enrollment	Funding	Enrollment	Funding
Resident Enrollment	1300	\$15,567,500	1300	\$15,567,500
K-5	600	\$0	600	\$0
6-8	300	\$143,700	300	\$143,700
9-12	400	\$766,400	400	\$766,400
Low-Income	65	\$365,820	975	\$6,655,350
English Learner	0	\$0	130	\$778,440
Special Education	200	\$3,785,600	200	\$3,785,600
Speech	20	\$25,329	20	\$25,329
Security	1300	\$109,200	1300	\$109,200
Low-Income Security	65	\$4,087	975	\$490,425
SFRA Spending Target		\$20,767,636		\$28,321,944
Per Pupil		\$15,975		\$21,786

DEFINITIONS

SFRA Adequacy Spending Target: Includes all PK-12 SFRA elements, except categorical Transportation Aid, from the 2020-21 NJDOE State Aid Notices. Per pupil figures are calculated using projected Resident Enrollment plus funded PreK students.

Actual Spending: All state and local PK-12 expenditures from 2019-20 User Friendly Budget reports, except Transportation and Tuition. Per pupil figures are calculated using the district’s reported “On Roll” count plus students sent to contracted PreK programs.

SFRA Adequacy Spending Gap: In dollar terms, the difference between a district’s Actual Spending and its SFRA Adequacy Spending Target. In percentage terms, the district’s Actual Spending divided by the SFRA Spending Target.

For a more detailed description of all calculations, see the [Appendix](#).

If districts received the local and state funding required by the SFRA Adequacy Target, the formula would create a progressive funding system where high-poverty districts receive substantially greater resources.

On average, a fully funded SFRA would provide high-poverty districts an extra \$5,113 per pupil compared to low-poverty districts.

FIGURE 3. SFRA ADEQUACY SPENDING TARGETS

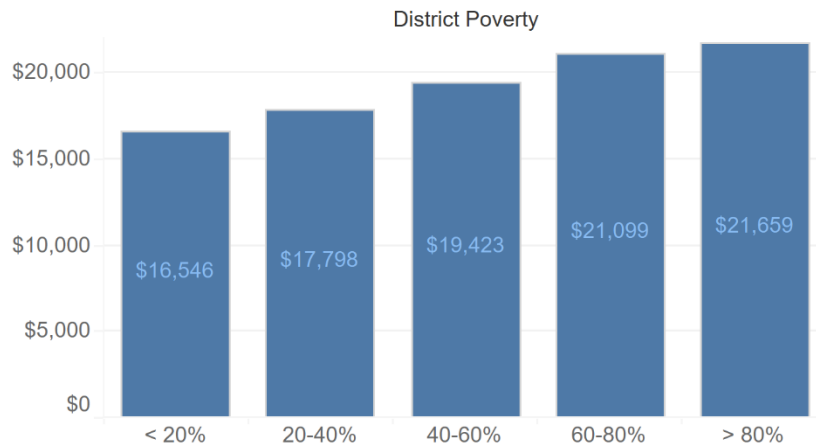
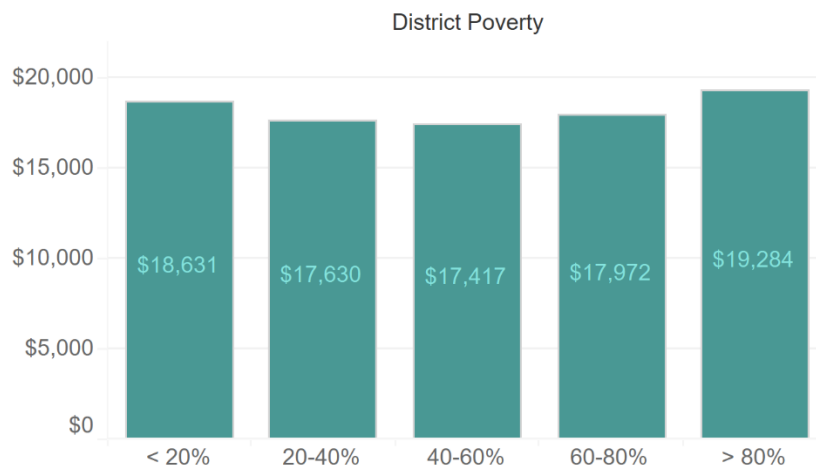


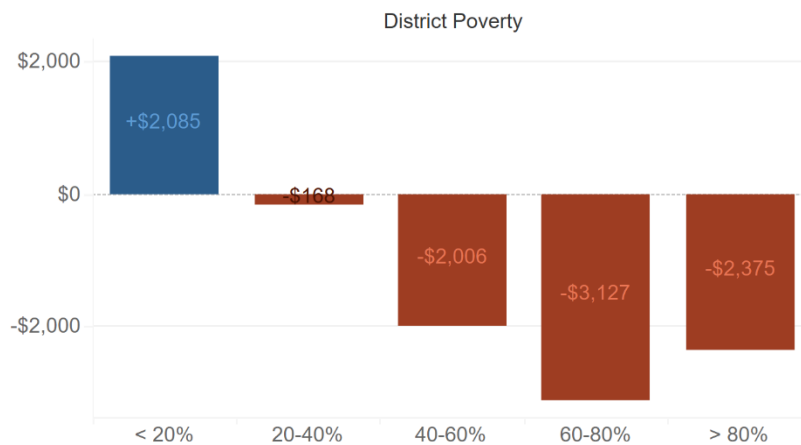
FIGURE 4. ACTUAL SPENDING



But because of state and local funding gaps, some districts receive *more* and others *less* than the SFRA Adequacy Spending Target. As a result, there is little differentiation in district spending by poverty. In fact, the distribution is u-shaped, with the highest and lowest poverty districts spending slightly more than the middle-income districts, contrary to the design of the SFRA.

On average, the wealthiest districts are spending over \$2,000 per pupil more than the SFRA Adequacy Spending Target, while the poorest districts are spending more than \$2,000 less.

FIGURE 5. SFRA ADEQUACY SPENDING GAPS

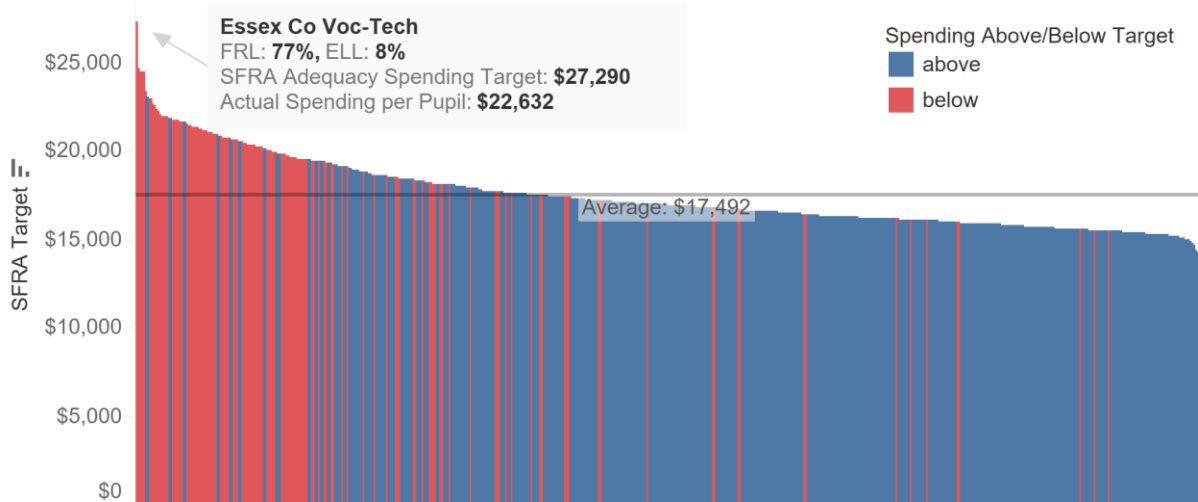


COMPARING SPENDING AMONG DISTRICTS

SFRA Adequacy Spending Targets vary from a high of \$27,290 for Essex County Vocational Schools to a low of \$14,116 in Avalon. With that degree of variation in how much districts **should** spend, it does not make sense to compare how much districts **do** spend without taking these targets into account.

FIGURE 6. SFRA ADEQUACY SPENDING TARGET RANGE, 2020-21

(Height of bar indicates SFRA Adequacy Spending Target, color depicts whether actual spending is **above** or **below** target)



But data published by the NJDOE in its “Taxpayers Guide to Education Spending” encourage users to do just that. By merely grouping districts by grade configuration and enrollment size, they ignore the student demographics that drive SFRA Adequacy Spending Targets. The Taxpayers Guide ignores the fundamental and foundational SFRA principle that certain student populations are more expensive to educate. This leads to misinformed and misleading comparisons of spending among districts that have very different resource needs. The NJDOE presentation encourages fishing for which district is spending “the most” on education and often leads to misguided conclusions about “waste and abuse” in particular districts, with low-income districts often called out for particularly high spending levels.

Instead, a more accurate and complete approach is to compare how much each district is spending relative to its SFRA Adequacy Spending Target. SFRA Adequacy Spending Gaps are calculated by comparing a district’s actual spending (state and local funds) to their SFRA Adequacy Spending Targets, expressed either in percentages or per pupil dollars. (See the [appendix](#) for a full explanation of how the targets and gaps are calculated.) This method shows whether districts are spending more or less than what the state's formula defines as adequate for a “thorough and efficient” education.

View the report [online](#) for interactive graphics of districts’ SFRA Adequacy Spending Gaps.

DISTRICT SPENDING COMPARISONS

District comparisons that do not take SFRA Adequacy Spending Targets into account can lead to inaccurate claims about district spending, as demonstrated by the example below focusing on two Essex County districts that both spend about the state per pupil average: Newark and Cedar Grove Township.

These districts serve two very different student populations. Newark serves far more low-income and English learner students, which the SFRA recognizes as generating higher costs in adequacy calculations.

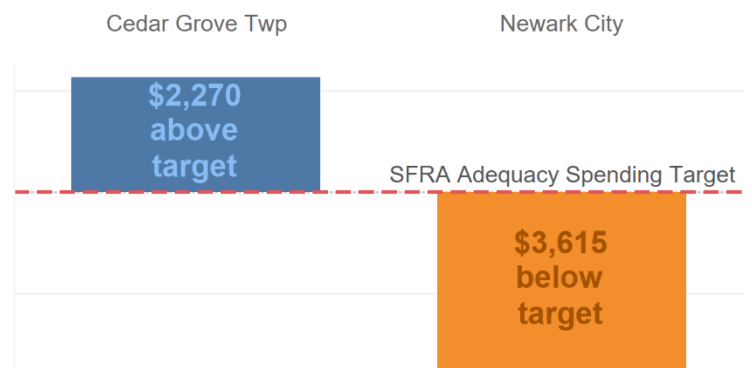
District(Co)	Resident Enrollment	ELL %	FRL %
Cedar Grove Twp	1,569	2%	1%
Newark City	54,229	12%	84%



The SFRA Adequacy Spending Target for Newark is much higher than for Cedar Grove, primarily to account for the extra resources needed for low-income students and English learners.

Despite different SFRA Adequacy Spending Targets, both districts spend about the same amount per pupil.

Instead of focusing on the similarity of the two districts' spending levels, a more complete picture of district spending highlights the fact that Newark is spending \$3,615 per pupil *below* its target, while Cedar Grove is spending \$2,270 *above* its target.



View the report [online](#) to create your own district comparisons.

THE RIGHT WAY TO COMPARE SPENDING

The core principle of the SFRA is that New Jersey districts require varying levels of school funding to meet the needs of their diverse student populations. It makes little sense to compare funding levels among districts without accounting for student differences. Instead, funding comparisons should be anchored to the definition of adequate spending provided by the formula itself: the SFRA Adequacy Spending Targets. By comparing a district's actual spending to its SFRA target, and then comparing multiple school districts and their proximity or distance from their targets, it's possible to answer the question: Are New Jersey's school districts receiving the funding they are entitled to under the state's school funding formula so they can provide students with a thorough and efficient education as required by the state constitution?

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APPENDIX

SFRA ADEQUACY SPENDING TARGET

The per pupil funding allocated to each school district under the state's school funding formula – the School Funding Reform Act. The district's adequacy budget is calculated as a base cost per pupil and additional funding for students who require greater resources: students in higher grades, students from low-income families, English learners, and students with disabilities. Districts also receive security aid, preschool aid, and a portion of special education aid as categorical grants. Transportation funding is excluded. Data sourced from NJ Department of Education's (NJDOE) annual state aid notices.

$$\frac{\text{Adequacy Budget} + \text{Special Education Categorical} + \text{Security} + \text{Preschool}}{\text{Projected Resident Enrollment} + \text{Funded Preschool Students}}$$

ACTUAL SPENDING

Per pupil state and local expenditures on PK-12 education. Tuition costs for send/receive relationships, out-of-district placements and transportation costs are excluded, as these costs are outside of the district's adequacy calculation. Enrollment is the number of "on roll" students, which excludes tuition students and out-of-district placements but includes charter and Renaissance students. Data sourced from NJDOE's annual User Friendly Budget reports. Analysis is limited to the most recent school year with actual, not estimated, expenditure and enrollment data.

$$\frac{\begin{aligned} &\text{General Current Expense} + \text{Summer School} + \text{Other Special Schools} \\ &+ \text{Transfers to Charters} + \text{Transfers to Renaissance Schools} \\ &+ \text{General Fund Contribution to School Based Budget (SBB)} \\ &- \text{Student Transportation Services (inc. SBB)} - \text{Tuition} \end{aligned}}{\begin{aligned} &\text{On Roll Full Time (FT)} + \text{Special Education FT} + (\text{On Roll Shared Time (ST)} \times 0.5) \\ &+ (\text{Special Education ST} \times 0.5) + \text{Sent to Contracted PreK} \end{aligned}}$$

SFRA ADEQUACY SPENDING GAP

A comparison of a district's Actual Spending and its SFRA Adequacy Spending Target. In dollar terms, positive values mean spending is above adequacy, negative values mean spending is below adequacy. In percentage terms, values above 100% mean spending is above adequacy, values below 100% mean spending is below adequacy.

In dollars:

$$\text{Actual Spending} - \text{SFRA Adequacy Spending Target}$$

In percentages:

$$\frac{\text{Actual Spending}}{\text{SFRA Adequacy Spending Target}}$$