

A Roadmap for Improving New Jersey's School Funding Formula: The FY2026 Educational Adequacy Report

Policy Brief

March 2024

The School Funding Reform Act (SFRA), New Jersey's school finance law, requires the Governor, in consultation with the Commissioner of Education, to review certain components of the school funding formula every three years. The New Jersey Department of Education (NJDOE) issued four Educational Adequacy Reports (EAR) between 2013 and 2022, but none provided the in-depth analysis that is required to ensure the formula is delivering adequate resources to all students.

Prior EARs updated the underlying costs of the formula while failing to consider whether the inputs themselves are adequate for delivering the state's evolving learning standards. These surface-level reviews have left the SFRA out of step with current thinking on the resources needed to meet the state's academic and social-emotional standards.

To ensure New Jersey students are receiving a constitutional "thorough and efficient" education, it is time for the NJDOE to conduct a much more thorough analysis.

Below are recommendations for how this review should proceed:

1. The Commissioner of Education must **consult with school finance and content-area experts** to update the SFRA so that it better reflects the needs of students, faculty and communities.
2. An in-depth analysis must **use reputable costing-out methods** to update the components of the SFRA to reflect the resources needed to deliver the state's current learning standards and educational best practices, something that has not been addressed in prior EARs.
3. The analysis should update the "weights" for **at-risk students** to consider the additional resources needed to address widening income-based achievement gaps stemming from Covid-19 and to identify the resources needed to implement community schools and restorative justice models.
4. New Jersey's rapidly growing **English learner** population makes it crucial for the SFRA to include the resources necessary to support promising programs and interventions for English learners. Experts should consider differentiating weights for English learners to recognize variations in the intensity of interventions required among the multilingual population.

5. **Preschool** per-pupil costs must be updated through a costing-out study. The expansion of state-funded preschool to students across New Jersey requires an analysis of the cost required to meet the program's high-quality standards with a mixed-delivery environment utilizing district-run programs, private providers, and Head Start settings.
6. **Security aid** must be revised to reflect the cost of evidence-based, effective practices that support students' mental health and foster an inclusive school climate, rather than the law enforcement model that informs current costs. Security aid must also reflect the growing costs of building security to protect against outside threats and cybersecurity needs.
7. The cost coefficients for both public and nonpublic **transportation** must be updated to better reflect districts' actual costs.
8. Advocates have long been critical of the SFRA's "census" methodology for funding **special education**, which funds every district through a single excess cost per pupil and funds every district at the state average classification rate, not based on their actual enrollment. Though changing this system is beyond the scope of the EAR, the NJDOE should commission a study to consider a system that funds districts based on their actual enrollment, differentiated to address the varying costs of providing the services and programs required by the student's individualized education plan.

Education Law Center recommends that the Legislature and the NJDOE immediately take the steps below so that the FY2026 EAR, expected in early 2025, addresses the concerns outlined above. This must include a process informed by high-quality research, input from school finance experts, and meaningful stakeholder and community engagement:

1. **Allocate** \$1-2 million in the FY25 budget for the NJDOE to fund an in-depth EAR. This funding is critical to support additional NJDOE staff, outside consultants, cost studies, and community engagement efforts;
2. **Coordinate** a statewide listening tour aimed at gathering perspectives and recommendations from a diverse and representative group of students, families, school staff, community groups, school district leadership and professional associations.
3. **Establish** a school funding task force to consider formula improvements beyond the scope of the EAR, for example: the special education funding method, the Local Fair Share formula, geographic cost adjustments, and identification of at-risk students.

It is imperative that the NJDOE undertake this review now. In 2009, when the New Jersey Supreme Court signed-off on the constitutionality of the SFRA, the Justices cautioned that their acceptance of the formula was "tethered to the State's commitment diligently to review the formula after its initial years of implementation and to adjust the formula as necessary based on the results of that review." *Abbott v. Burke*, 199 N.J. 140, 146 (2009). After 15 years, it is long past time for the state to take this obligation seriously.