



**TESTIMONY OF EDUCATION LAW CENTER ON
GOVERNOR MURPHY'S PROPOSED FY26 STATE BUDGET**

ASSEMBLY BUDGET COMMITTEE

March 19, 2025

Education Law Center (ELC) thanks Chairwoman Pintor Marin and members of the Assembly Budget Committee for the opportunity to submit testimony on Governor Murphy's proposed FY26 State Budget.

We strongly support the Governor's proposal to increase K-12 public school funding by over \$400 million compared to FY25, while also continuing to fund preschool expansion.

The FY26 budget implements necessary updates to the School Funding Reform Act through the Educational Adequacy Report (EAR). This year's EAR proposes significant changes, such as increases to the base cost to account for student mental health, updated special education per-pupil costs, and updated security resources.

We also endorse the Governor's proposal to create new preschool seats in expansion districts with an additional \$10 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.

The Governor's proposal also includes some significant changes through budget language. ELC strongly supports the proposed caps that limit the annual state aid reduction to no more than 3% of a school district's state aid. This change will limit volatility and improve school districts' ability to respond to proposed cuts without compromising educational opportunities.

We also support providing special education funding based on the actual count of students with disabilities instead of the statewide average, and averaging three years of property and income data for the Local Fair Share calculation instead of using a single year.

These changes reflect concerns voiced by district leaders and advocates. We urge the Legislature to take the additional steps necessary to make permanent these one-year budget language changes by enacting legislation to amend the SFRA.

But the Governor's proposal still leaves room for improvement:

First, the proposed budget does not include any property tax cap relief for school districts that are raising less than their Local Fair Share. The property tax cap prevents the vast majority of below adequacy districts from raising the additional revenue needed to meet their local fair share. These districts face the political hurdle of going to referendum to increase their levy, with no guarantee that these referenda will pass. For most districts, this means making further cuts to programs and services when they are already spending below the constitutional minimum.

Second, though we are pleased that the FY26 EAR made more than just cursory adjustments to the components of the SFRA, the formula is still in need of a more thorough and in-depth analysis, conducted in partnership with school finance experts, school district leaders, parents, students, and other stakeholders.

Third, special education funding remains a challenge for school districts across the state. The Governor's proposed budget includes no increase in Extraordinary Aid, funding that is used to reimburse school districts for high-cost special education placements. The funding available last year only covered about 62% of districts' eligible costs. With expenses increasing and no increase in funding, this will push districts even farther behind.

Fourth, on school construction, the Governor's proposal includes no new money for major capital construction with only a small amount of funding available to cover emergent projects and capital maintenance needs statewide. This is unacceptable. Despite the school facilities funding allocated in the FY22 and FY23 state budgets – the first new money added to the program since 2008 – tremendous need remains in the SDA districts. In recent litigation over construction funding before the Supreme Court, the Attorney General's office filed documents indicating that a minimum of \$7.128 billion is needed just to complete the remaining priority projects identified in the SDA's 2022 Strategic Plan.

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.

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