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**TESTIMONY OF EDUCATION LAW CENTER ON  
GOVERNOR SHERRILL'S PROPOSED FY27 STATE BUDGET**

**ASSEMBLY BUDGET COMMITTEE**

**March 24, 2026**

Education Law Center (ELC) thanks Chair Pintor Marin and members of the Assembly Budget Committee for the opportunity to submit testimony on Governor Sherrill's proposed FY27 State Budget.

We strongly support the Governor's proposal to increase K-12 public school funding by over \$370 million compared to FY26 and provide the necessary increases in Preschool Education Aid.

The Governor's proposal also carries over some effective budget language changes that were first implemented last year. 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 bigger challenges remain.

An adequate and equitable school funding formula must address two key questions:

- 1) How much does it cost to educate students to meet state standards? A fair formula will determine the cost of providing adequate resources that allow students to achieve the state's standards, while acknowledging that some students cost more to educate than others.
- 2) Who should be responsible for raising the revenue to cover those costs, the state or local taxpayers? A fair formula will acknowledge that the ability of the local community

to support school costs is dependent on that community's property and personal wealth, and that low-wealth communities need greater state support.

While the core structure of the formula is sound, and follows the school finance principles noted above, we need to reconsider whether the SFRA needs additional modifications that would improve both adequacy and equity.

First, though the budget language changes are important, the SFRA needs a deeper review to ensure the formula is accurately capturing the cost of an adequate education. The FY26 Educational Adequacy Report (EAR) took some important steps forward by acknowledging increasing costs associated with mental health and school security, but there is more work to be done.

After more than two decades, we need a significant reexamination of the resources that are necessary for districts to deliver a "thorough and efficient" (T&E) education today, given the myriad ways that the education system, and society more broadly, has changed in the last quarter century. It is not too early to begin planning for the FY29 EAR, which gives the Commissioner and Governor the responsibility for making sure that the formula costs are updated. An appropriation in this budget would allow the Department to begin engaging with outside experts to ensure that the next EAR updates the resource models to fully account for districts' resource needs and incorporates updated educational practices that are known to improve opportunity and outcomes.

Second, the question of who is responsible for funding the costs associated with the formula is increasingly an issue. School districts are facing incredible pressure to increase local taxes to pay for their schools, especially when state aid increases are capped. We know that about half of school districts across the state are not raising the "fair share" that the formula requires of them, which leaves most of those districts spending below adequacy. And yet, every year, the formula requires local communities to bear a larger share of the funding burden.

In 2009, the first year of the formula, the state was required to pay for 38% of a district's adequacy budget – the amount of money the formula says is necessary to provide T&E based on student enrollment and demographics. In 2026, that share declined to 31%. The effect of this declining state effort is clear – the number of districts that are expected to fully support their adequacy budget through local taxes with no state equalization aid has more than doubled from 169 to 369. If the adequacy budget in 2026 was funded at the same state share as in 2009, the property tax burden in school districts across the state would be significantly reduced, allowing property tax relief while also ensuring that more schools have the resources they need to reach adequacy.

New Jersey must develop a plan to increase the state's support for K-12 education as a means to improve equity and affordability, especially for the state's low- and middle-income

families. At the same time, the state must work on improving the SFRA's Local Fair Share calculation to improve year-to-year predictability and to ensure that it results in realistic expectations of local taxpayers.

The Governor's proposed budget also leaves a few other areas that could be improved:

- 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 52% of districts' eligible costs. With expenses increasing and no increase in funding, this will push districts even farther behind.
- While we appreciate the commitment to preschool expansion, not enough attention is being paid to the quality and reach of our existing preschool programs. We cannot continue to expand preschool without a significant investment in the Division of Early Childhood Education to ensure that programs are operating effectively, efficiently, are adequately funded, and are reaching the low-income students who most benefit from high-quality preschool.
- We are disappointed that the budget does not include any new funding for capital projects in the SDA districts and only includes \$50 million for emergent projects and capital maintenance. Recently, the state admitted that there was at least \$7 billion needed just to complete the remaining priority projects in the 2024 Strategic Plan. We are grateful to Senator Ruiz for introducing legislation to increase the amount of bonds authorized by the Economic Development Authority to finance the state share of school facilities projects (S3382). We are hopeful this legislation will advance and enable the State to meet its long-standing constitutional obligations, thereby forestalling the need for additional court intervention to ensure that students in SDA districts receive the safe, modern facilities to which they are entitled.
- It is not clear if the proposed budget includes any property tax cap relief for school districts that are raising less than their Local Fair Share – the amount of local funding that is required to meet adequacy targets. The property tax cap prevents most below adequacy districts from raising the additional revenue needed to meet their LFS. 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.

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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