

To: South Orange-Maplewood Board of Education members

From: Jeffrey Bennett and Beth Daugherty

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Re: Distribution of State Aid

New Jersey's K-12 School Aid is supposed to be distributed according to the School Funding Reform Act of 2008 (SFRA). SFRA uses a resources model to determine the cost of providing a thorough and efficient education in an average school district. The model formula is then adjusted for each district based on size, number and percentage of students receiving free & reduced lunch, number of students with limited English proficiency, geographical location, and other factors, including a district's ability to pay based on wealth and property value calculations. SFRA formulas are also used to distribute aid for special education, out of district tuition, security, and transportation. Stabilization adjustments are supposed to be in place to make sure that no district experiences a drastic reduction in state aid in any given year.

Using property wealth to calculate aid itself would boost rural and exurban aid because land values are lower there, however, even in terms of SFRA's recommended aids, exurban and rural districts are favored. Some districts – usually exurban and rural - receive more aid than they should get according to SFRA, while other districts – almost always suburban - get less than half of the aid that they should get.

Suburban districts tend to be underfunded. Exurban districts of the same wealth often get many times as much per student aid.

These examples are random, but representative.

- Hamilton Township (DFG FG, 11,000 students) in Mercer county gets 90% of its SFRA funding, which works out to **\$73** million in state aid. Clark, Bergenfield, Dumont, Fort Lee, Hasbrouck Heights, Maywood, New Milford, Northvale, Rochelle Park, Wood Ridge, Nutley (all DFG FG, 24,000 students) get 40-70% of their SFRA aid, which works out to **\$27.5** million.

- Marlboro gets (DFG I, 5200 students) gets 92% of its SFRA funding, which works out to **\$11.5** million in state aid. Berkeley Heights, Springfield, Scotch Plains-Fanwood, Cranford, Mountainside, and Westfield (DFG FG-I, 21,000 students) get 42-63% of their SFRA aid, which works to a total of **\$10.8** million.

- Hillsborough (DFG I, 7,200 students) gets 75% of its SFRA funding, which works out to **\$24.9** million. South Orange-Maplewood, West Orange, and Edison (DFG GH-I 28,000 students) get 52-59% of their SFRA aid, which works out to **\$26.8** million.

Exurban districts even get double the per student funding of districts that are 2-3 Factor Groups below them.

- Old Bridge (DFG FG, 9,000 students) gets 91% of its SFRA aid, which works out to **\$44.5** million. Clifton and Bloomfield (DFG CD and DE, 18,000 students) get less than 70% of their SFRA aid, which works out to **\$46.7** million.

The state aid distribution does not effectively keep up with changes in a town's wealth. Hoboken provides a clear example of this:

- In 1998 Hoboken only had \$1.8 billion in valuation. That was the fifth most in Hudson County and well below the \$2.4 billion SOMA had at the time. A large aid package for Hoboken at that time was justified.

- Today Hoboken has a property valuation of **\$11.1** billion, which is the second most in Hudson County and nearly double SOMA's \$5.8 billion. Hoboken only has 2,638 students, so Hoboken has **\$4.17** million per student. That is over double the per student valuation wealthy towns like Millburn have and double what big retail towns like Paramus have.

- Despite having that gargantuan property wealth, Hoboken gets **\$10,712,191** in total aid, or **\$4,120** per student.

-Because it has so few students and it gets so much aid, Hoboken's local tax levy is only \$37.95 million. South Orange and Maplewood have a local tax levy of \$104.47 million.

Most well-aided districts get their aid windfalls through Equalization Aid, but often there are disparities in Categorical Aids too. For instance, the SOMSD gets \$162,000 in Security Aid, Marlboro gets \$350,000, Montclair gets \$747,000 (nearly as much as Clifton), Princeton gets \$300,000, Bridgewater-Raritan gets \$681,000. Bridgewater-Raritan gets more money in Security Aid than South Orange-Maplewood and West Orange combined.

The above examples are meant to emphasize the need for the DOE to review the distribution of state aid based on the SFRA formulas, and the negative consequences for many suburban districts when funding is distributed off-formula in vastly different percentages across the state.