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May 1, 2017

Honorable Jennifer Beck
32 Monmouth St., 3rd Floor
Red Bank, New Jersey 07701

Dear Senator Beck:

I am writing in response to your inquiry regarding certain data related to State school aid. Specifically, you requested information regarding the amount of adjustment aid included in the recommended budget for FY 2018, as well as the number of districts that are spending above and below adequacy, raise a tax levy above or below the local share, and, among districts that raise a tax levy greater than its local share, how many spend above or below adequacy.

The FY 2018 budget proposal includes a recommended appropriation of \$566 million for adjustment aid. If one reviews school districts' State aid notices, this appropriation is split across two State aid categories: adjustment aid, which totals \$550.2 million, and additional adjustment aid, totaling \$15.8 million. This distinction is likely not relevant to school districts, as both aid categories are deposited into a district's general fund. However, a policy proposal might consider these two categories differently, since adjustment aid is part of the statutory law, while additional adjustment aid was added in the annual appropriations acts over the past several years.

With respect to your additional questions regarding the 591 school districts¹ that receive State aid, for FY 2018:

¹ At the beginning of the 2009-2010 school year, 13 non-operating school districts were merged with other districts and ceased to exist. However, current law stipulates that for the purpose of calculating State aid, these districts would be considered separate entities. As such, this analysis counts these former non-operating districts as separate entities.

- ***223 districts spend under adequacy, and 368 spend above adequacy.*** A district's spending relative to adequacy is based on a comparison of the adequacy budget and adequacy spending, as calculated by the Department of Education. The adequacy budget is an estimate of the amount of revenue that a school district requires to provide educational services consistent with the State's standards, and the adequacy spending includes State and local revenue available to the school district for that purpose. Due to the timing of when the data are available, adequacy spending is based on data from the prior fiscal year;
- ***170 districts raise a tax levy less than the local share, and 421 raise a levy greater than the local share.*** The local share is the department's estimate of the amount of revenue a school district can afford to raise locally to support the provision of educational services. This measure is based on the community's total equalized property valuation and aggregate income reported on the State gross income tax returns; and
- ***of the 421 districts that raise a tax levy greater than the local share, 327 spend above adequacy, and 94 spend below adequacy.***

These data are summarized in the attached table. I hope that you have found this information to be useful. If you have any additional questions, please feel free to contact me at (609) 847-3850 or adupree@njleg.org.

Sincerely,



Allen T. Dupree
Principal Fiscal Analyst

SELECTED SCHOOL FINANCE DATA: 2017-2018 SCHOOL YEAR

Adjustment Aid Allocations

| Adjustment Aid | Additional Adjustment Aid | Total |
|----------------|---------------------------|---------------|
| \$550,186,716 | \$15,837,280 | \$566,023,996 |

District Spending Relative to Adequacy

| | Number of Districts |
|-------------------------|---------------------|
| Spending Below Adequacy | 223 |
| Spending Above Adequacy | 368 |

Tax Levy Relative to Local Share

| | Number of Districts |
|--------------------------|---------------------|
| Taxing Below Local Share | 170 |
| Taxing Above Local Share | 421 |

**District Spending Relative to Adequacy
(Among Districts Taxing Above Local Share)**

| | Number of Districts |
|-------------------------|---------------------|
| Spending Below Adequacy | 94 |
| Spending Above Adequacy | 327 |