



**A ROADMAP FOR IMPROVING NEW JERSEY'S
SCHOOL FUNDING FORMULA:
THE FY2026 EDUCATIONAL
ADEQUACY REPORT**

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About the Author

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About Education Law Center

[Education Law Center](#) pursues justice and equity for public school students by enforcing their right to a high-quality education in safe, equitable, non-discriminatory, integrated, and well-funded learning environments. We seek to support and improve public schools as the center of communities and the foundation of a multicultural and multiracial democratic society. We strive to secure and protect the rights of students who are underserved, experience inadequate learning opportunities, or face discrimination based on race, ethnicity, socioeconomic status, language, religion, sex, sexual orientation, gender identity, immigrant or migrant status, or disability. To achieve these goals, we engage in litigation, research and data analysis, policy advocacy, communications, and strategic partnerships and collaborations.



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. These reports 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.

The Court Mandate for Reviewing the SFRA

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). The Supreme Court reaffirmed that mandate in 2011 when ordering the State to restore aid cuts made to the 31 Abbott school districts, concluding that “the State nevertheless must undertake a look-back analysis that is meaningful and relevant for the Abbott districts so that SFRA continues to operate optimally and as intended in future years for pupils in those districts.” *Abbott v. Burke*, 206 N.J. 332, 376 (2011).

What is the EAR?

The SFRA requires the Governor and Commissioner of Education to issue a report to the Legislature every three years with recommendations for updating certain elements of the school funding formula. This provision for regular review of the sufficiency of the formula's key components was central to the New Jersey Supreme Court's decision to declare the SFRA constitutional and giving the state the green light to implement the formula in the 2008-09 school year.

The SFRA law directs the Commissioner to "develop and establish, through the report..., efficiency standards which define the types of programs, services, activities, and materials necessary to achieve a thorough and efficient education."¹ The following components are outlined in the law:

1. The base per pupil amount based on the core curriculum content standards;
2. Per pupil amounts for preschool;
3. Weights for grade level, county vocational school districts, at-risk students, bilingual students, and combination students;
4. Cost coefficients for security aid and transportation aid;
5. State average classification rate for general special education and speech only students;
6. Excess costs for general special education and speech only students;
7. Extraordinary special education thresholds.

Unless disputed by the Legislature, the recommendations of the EAR remain in effect for the state's next three fiscal years.

Since the SFRA was adopted, EARs have been issued to update the formula in the following fiscal years: 2014, 2017, 2020, and 2023. Both the 2014 and 2017 EARs were rejected by the Legislature through concurrent resolutions because they recommended lowering the weights for at-risk, bilingual, and combination students without any research or analyses justifying the changes.² The 2020 and 2023 reports adjusted the costs of the components of the formula but did not assess whether the components themselves were sufficient to deliver an adequate education under New

¹ [NJ Rev Stat § 18A:7F-46 \(2022\)](#).

² [Assembly Concurrent Resolution No. 131](#), New Jersey, 217th Legislature.

Jersey’s evolving educational standards. The FY2026 EAR, due to the Legislature in early 2025, provides the long overdue opportunity to do a thorough analysis of the formula and its components to ensure it is calibrated to the resources needed to provide all students with an adequate education aligned with New Jersey’s current standards and curriculum.

Brief Overview of the SFRA

The SFRA, New Jersey’s weighted student formula, was primarily developed through a costing-out methodology called “Professional Judgement Panels” (PJP).³ In the early 2000’s, under the auspices of the NJDOE, school finance experts convened panels of professionals to identify the resources (personnel, programs, and equipment) that would be sufficient to educate all students in model school districts. Panelists were asked to define the resources needed by type of school (elementary, middle, high school, Vocational-Technical) and school size, and to identify the additional resources needed for students with special needs (at-risk, English learners, and students with disabilities). Crucially, panelists were asked to identify the resources necessary to enable students to meet the state’s Core Curriculum Content Standards, now called the New Jersey Student Learning Standards (NJSLS). Once the list of inputs and resources was finalized by the panels, actual cost data was applied to personnel positions, and school finance experts developed formulas to estimate a base cost and formula weights for particular student populations. The recommendations of the original PJPs were subsequently revised after consultation with additional school finance experts and through the legislative process.⁴

Adequacy Budget

The SFRA formula centers around the “adequacy budget,” the amount required by law to provide all students with a constitutionally required “thorough and efficient” education. The adequacy budget defines the per-pupil base cost associated with the general education program, and “weights,” which represent the additional costs of educating students from particular subgroups (grade level, Vo-Tech, at-risk, and English learners). Every year the SFRA determines a unique adequacy budget for each school district by applying the base cost and weights to the district’s student population.

The base cost in the SFRA, developed through the PJP, represents the costs of the staffing, programs, and equipment needed to deliver New Jersey’s content standards to all students.

³ For a more detailed description of the costing out process and formula development, see NJDOE. 2007. [A Formula for Success: All Children, All Communities](#).

⁴ For more detail on the development and enactment of the SFRA, see Education Law Center. 2014. [Linking Standards to Resources – New Jersey’s School Funding Reform Act of 2008](#).

The base cost includes school level resources, such as classroom teachers, librarians, counselors, nurses, substitutes, lunchroom aids, and supplies, as well as districtwide resources, such as superintendents, coordinators, business administrators, custodians, and maintenance staff.⁵

The weights in the formula are calculated as a percentage of the base cost, depending on the student subgroup. For example, elementary students have a weight of 1, and a high school student has a weight of 1.15. In 2023-24, the cost of an elementary student is \$13,181, and the cost of a high school student is \$15,158 (\$13,181 + \$1,977). Similar calculations are applied to each school district’s count of at-risk, English learner, and “combination students” (those who are both at-risk and English learners).

Special education is treated differently in the formula and funded through what is known as the census method, which provides a per-pupil excess cost applied to the statewide classification rate rather than indexed to each district’s actual special education population. Special education costs are split into general and speech only. Two-thirds of general special education is funded through the adequacy budget, and one-third is funded as a categorical aid (see more about categorial aids below). Speech is 100% funded through the adequacy budget. **Table 1** outlines the components, costs and weights of the adequacy budget as of the 2023-24 school year.

Table 1. The SFRA Adequacy Budget

Adequacy Budget	Cost in 2023-24	Method to Determine Costs
Base Cost	\$13,181	PJP
Weights		
Grade Level	Elem = 1.0, Middle=1.04, HS=1.15, Vocational=1.27	PJP
At-Risk	Less than 20% At-Risk = .47, 20% to 60% At-Risk = .47 to .57, More than 60% At-Risk = .57	PJP
English Learners (EL)	.5	PJP
Combination (At Risk & EL)	At-risk weight + 0.125	PJP
Special Education (2/3)	15.9% Classification Rate, \$20,668 Excess Cost	Actual Expenditures
Speech Only	1.61% Classification Rate, \$1,344 Excess Cost	PJP

⁵ See Appendix B of the [2023 Educational Adequacy Report](#) for tables showing the full list of resources included.

The adequacy budget is “wealth-equalized,” meaning that responsibility for funding is shared between state and local revenue sources. School districts located in municipalities with less wealth receive a greater share of funding from the state, and school districts in municipalities with greater wealth receive a smaller share of their funding from the state. A secondary formula within the SFRA, the Local Fair Share formula, uses property values and personal income to determine how much of the adequacy budget should be funded through state aid versus local revenue in each district. The state share is provided through Equalization Aid, and the local share is provided through the local property tax levy.

Categorical Aids

The SFRA also includes categorical aids which, unlike the adequacy budget, are fully state funded. In contrast to typical categorical funding streams in other state formulas, New Jersey’s formula spending is not restricted to these categories and can be moved to cover other line items in the budget, except in the case of Preschool Aid. [Table 2](#) identifies the categorical elements of the SFRA.

Table 2. SFRA Categorical Aids

Categorical Aid	Cost in 2023-24	Method to Determine Costs
Special Education (1/3)	15.9% Classification Rate, \$20,668 Excess Cost	Actual Expenditures
Extraordinary Special Education Aid	90% of costs above \$40,000 for in-district placements; 75% of costs above \$40,000 for separate public placements; 75% for costs above \$55,000 private placements	Actual Expenditures (Reimbursement model)
Preschool Education Aid	\$14,738 for in-district; \$16,565 for private providers; \$9,153 for Head Start	Actual Expenditures
Security Aid	\$91 per pupil + sliding scale per pupil funding for at-risk students (max of \$549 per pupil in districts with 40% or more at-risk)	PJP
Transportation	\$509.58 + \$13.94 per avg. mile \$3,551.93 + \$6.78 per avg. mile	Carryover formula
Choice Aid	Local Share per pupil of receiving districts	Legislation (not subject to EAR)

Improving the SFRA through the EAR

1) Adequacy Budget

In 2024, the Adequacy Budget is still based on PJP models that were constructed with specific instructions to consider the resources needed to meet state curricular standards from the early 2000's. But New Jersey's learning standards have undergone significant revision since that time (the standards are revised every five years).

Previous EARs used the original 2002 PJP models to update the base costs and weights by adjusting the cost of the components but not by analyzing whether the components themselves are sufficient. For example, personnel costs have been updated with more recent salary and benefits data, and non-personnel costs have been indexed to inflation. But prior EARs have not asked whether the staffing levels are sufficient, or whether there are new or different non-personnel costs necessary to meet current learning standards. For example, the state's new learning standards have expanded and integrated technology and computer science learning across the curriculum. The PJP recommendation for staffing of technology specialists and equipment costs may no longer be sufficient.

Recommendation: The Commissioner of Education must consult with school finance and content-area experts to determine what changes should be made to the SFRA so that it better reflects the needs of students, faculty and communities. Multiple methodologies could be utilized to analyze various components of the formula. One option is to convene limited PJP panels to update recommendations in light of the new learning standards. These PJPs could be limited to specific areas, such as updating the base cost or weights for at-risk or English learners. Another option is to use the evidence-based (EB) approach to rely on advancements in the field and documented best practices and include the costs of those programs or resources in the formula. A third option is to combine the PJP and EB approaches so that an initial set of costs are developed based on research evidence and those costs are subsequently reviewed by panels of experts.

Below we provide additional context for how and why the components of the adequacy budget should be updated:

a. Base Cost

It is imperative that the base cost in the formula reflect the resources needed to deliver the state's current learning standards, something that has not been addressed in prior EARs. Prior versions have only updated the base cost based on updated salary and benefit data and inflation.



Recommendation: An in-depth analysis of the base cost should consider, for example:

- Do changes to New Jersey’s Student Learning Standards require additional staff or professional development costs to implement, including, for example, new requirements around diversity, equity and inclusion; climate change; technological literacy; etc.?
- Do increasing demands around student mental health require additional support staff positions?
- Do schools need additional staff to help students recover from the learning disruptions and ongoing academic challenges related to the Covid-19 pandemic?
- Have staff and equipment needs changed given the increasing use of technology in schools for both instruction and assessment?
- Is the use of mean salary data to identify personnel costs sufficient given the ongoing teacher shortage and need to grow the teacher workforce?

b. At-Risk

The additional resources identified for at-risk students should also consider how New Jersey’s updated learning standards apply to the needs of these students.

Recommendation: Additional resources for research-based interventions, such as intensive tutoring, extended day, extended year, or other academic recovery programs, should be considered, especially given widening income-based achievement gaps stemming from Covid-19.^{6,7} Research might also support including additional resources for community school models and restorative justice programs.^{8,9,10}

6 McKillip, M. and Luhm, T. 2020. [Investing Additional Resources in Schools Serving Low Income Students](#). Education Law Center.

7 Miller, C.C, Mervosh S. & Paris, F. 2024. [Students Are Making a ‘Surprising’ Rebound From Pandemic Closures. But Some May Never Catch Up](#). New York Times.

8 Fronius, T. et al. 2019. [Restorative justice in U.S. Schools: An Updated Research Review](#).

9 Maier, A, Daniel, J., & Oakes, J. (2017). [Community schools as an effective school improvement strategy: A review of the evidence \(research brief\)](#). Palo Alto, CA: Learning Policy Institute.

10 Maier, A., & Rivera-Rodriguez, A. (2023). [State strategies for investing in community schools](#). Learning Policy Institute.

c. English Learners

The number of English Learners in New Jersey schools has doubled since the SFRA was first implemented, from 4% of the student population in 2008-09, to 8% in 2022-23. Yet a recent report from multiple advocacy organizations highlighted numerous ways in which English learners are being underserved in school districts where their rights are not being enforced.¹¹ The report highlights the need for language accommodations, professional development, translation services to support communication with families, and access to bilingual mental health and counseling services.

In the two decades since the PJP models were developed, empirical research on effective programs for English learners has grown significantly leading to new insights as to “what works, for whom, and under what circumstances.”¹²

Recommendation: It is crucial that New Jersey’s school funding system consider the resources necessary to support new 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.¹³ Specifically, the educational and socio-emotional needs of the growing number of students arriving in the state with interrupted formal learning due to the recent migrant crisis is currently unaccounted for in New Jersey’s single English learner weight. Any changes to the English learner weight should also consider the impact on the combination weight for students who are both English learners and low-income.

d. Special Education

Prior EARs updated general special education costs using the most recently available, audited, statewide expenditure data for special education services. Speech costs, however, are based on the PJP’s resources for “mild” classification services. Earlier EARs updated speech costs in the same manner as the base cost and other weights: by indexing the positions identified in the model to more recent salary data and updating other costs for inflation. The differences resulting from these two methods are notable: the general special education excess cost increased by 90% between 2009 and 2024, while the speech excess cost increased by a mere 24%.

Recommendation: Advocates have long been critical of the SFRA’s census methodology, which replaced a system based on differentiated funding tiers and actual special education enrollment. In fact, the funding law itself required an independent review of the census methodology after the

11 The New Jersey Consortium for Immigrant Children. 2021. [English Learners in New Jersey, Exposing Inequities and Expanding Opportunities in the Wake of the Pandemic](#).

12 Williams, R. 2023. [English Learners: Analyzing What Works, For Whom, and Under What Conditions](#). Inside IES Research.

13 Villegas, Leslie. 2023. [English Learner Funding Equity and Adequacy in K-12 Education](#). New America.



first years of implementation. A review completed in 2011 was inconclusive because of the brief period of formula implementation, the lack of full SFRA funding, and limitations in the data collected by the state.¹⁴ Changing the method through which special education funding is delivered is beyond the scope of the EAR but should be considered separately. A follow-up independent study should be commissioned by the Legislature to improve the delivery of special education funding.

2) Categorical Aids

a. Preschool

New Jersey's preschool per pupil costs were not developed through a PJP or other costing out methodology but were based instead on actual expenditure data for the high-quality Abbott preschool program. Because the estimates did not identify a list of inputs and their associated costs, prior EARS only adjusted the original costs by inflation. But inflation costs may not fully account for the current costs of running preschool programs.

Preschool program costs have changed considerably as teachers moved up the salary schedule earning higher wages.¹⁵ This changing nature of the workforce is not reflected in prior cost updates. And a change in policy around wraparound funding has threatened the funding structure in private provider settings.¹⁶

Recommendation: These significant changes suggest that preschool costs should be reevaluated through a full cost study. In fact, a 2022 strategic plan developed by the NJDOE and the National Institute for Early Education Research (NIEER) at Rutgers University highlights the need for estimates of adequate preschool funding levels as the state moves towards the goal of universal enrollment.¹⁷

14 Augenblick, Palaich and Associates. 2011. [Analysis of New Jersey's Census-Based Special Education Funding System](#).

15 For example, full-time preschool teachers in the in-district Abbott program had an average of just 6 years' experience in 2008-09 but an average of 12 years in 2022-23. Average salaries increased by 44% (from about \$57,000 to \$82,000). At the same time, per-pupil preschool funding increased by only 21%.

16 In 2011, the state changed eligibility for Department of Human Services (DHS) vouchers for wraparound care so that families above the poverty threshold were required to contribute co-pays. These vouchers helped cover certain overhead costs for providers, and when the new eligibility requirements reduced participation and revenue, providers had difficulty covering expenses.

17 Garver, K. A., Frede, E., Barnett, W. S., Gardiner, B. A., Hodges, K. S., Sandelier, N. 2022. [New Jersey Strategic Plan for Preschool Expansion Phase I: The Foundation](#). National Institute for Early Education Research.

b. Security

Security costs were pulled out of the adequacy budget and funded as a categorical aid but were initially considered as part of the PJP process. Safety and security costs were generated for the typical school and additional funding was added for security guards at higher poverty schools. Prior EARs updated these costs using the same method employed for other elements of the adequacy budget, namely using updated salary and benefits data.

Security is another area that has undergone significant changes since the original PJP. First, an increasing body of evidence shows the value of “counselors, not cops” and demonstrates that reframing school discipline can disrupt the school-to-prison pipeline and improve school climate.^{18,19}

At the same time, districts are facing increasing costs for building security as they respond to potential outside threats. Costs for preventative technologies are expected to grow annually.²⁰ Public schools are also facing an increasing need for cybersecurity. Without proper safeguards in place, ransomware and phishing attacks can disrupt instruction and saddle districts with extensive IT costs while also threatening the privacy of student and employee data.²¹

Recommendation: As championed by advocates, it’s time for security funds to be used on evidence-based, effective practices that support students’ mental health and foster an inclusive school climate, rather than on the law-enforcement model outlined in the PJP.²² Districts’ building and cybersecurity needs must also be addressed.

c. Transportation

Transportation was not included in the PJP. Instead, the funding method used in CEIFA, the funding formula in place prior to the SFRA, was carried over. The rationale for not updating transportation costs was to build on new initiatives in the so-called CORE legislation that was designed to encourage shared services to achieve cost efficiencies.²³ Transportation costs were never revisited, and prior EARs only updated the per-pupil costs for transportation of general and special education students by the CPI inflation rate.



18 Dignity in Schools Campaign. 2018. [Why Counselors, Not Cops?](#)

19 Klevan, S. 2021. [Building a Positive School Climate Through Restorative Practices](#). Learning Policy Institute.

20 Caffrey, M. 2022. [Spending on Security Tops \\$1 Billion, With Focus on New Surveillance and Tech](#). EdWeek Market Brief.

21 U.S. Government Accountability Office. 2022. [As Cyberattacks Increase on K-12 Schools, Here is What’s Being Done](#).

22 Education Law Center. 2022. [NJ Groups Petition State for Rules on District Use of School Security Aid](#).

23 NJDOE. 2007. [A Formula for Success: All Children, All Communities](#).

Actual data on transportation expenditures suggests that costs are rising for districts much faster than the CPI adjustment. Between 2009-10 and 2021-22, transportation aid calculated through the SFRA increased 13% statewide, while audited expenditures show transportation spending increased 42%.²⁴

Recommendation: Transportation costs are wreaking havoc on school district budgets. As part of the EAR analysis the cost coefficients for both public and nonpublic transportation should be updated to better reflect districts' actual costs.

What the EAR Cannot Do

While the allowable changes to the SFRA are limited to the seven main components outlined above, some other areas could be explored to improve the operation of the formula. Because these are outside the scope of the EAR, they would require additional legislation to amend the formula. As described above, the census method for distributing special education funding is one area that could be examined and amended. Other areas include:

- Improving the Local Fair Share calculation to ensure equity and predictability;
- Updating the geographic cost adjustment, which is applied to the formula to account for cost differences among counties, to better reflect labor market variation;
- Improving the identification of at-risk students using multiple measures of family income or other indicators of student need (e.g., foster youth, homelessness).

Community Engagement

One crucial missing piece of prior EARs and, in fact, the development of the SFRA itself, was a meaningful community engagement process. Stakeholders did have opportunities for input into the design of the SFRA, but engagement, especially of traditionally marginalized groups, could have been much better. And none of the EARs issued since the formula's implementation have included any stakeholder engagement at all.

Public input is a key component of formula development and should occur at multiple points throughout the process. These meetings should include opportunities for finance experts to hear from stakeholder communities and school professionals at the outset of the research and analysis stage and again at the end to communicate their findings.

²⁴ Because the formula has not been fully funded, not all districts have received their full entitlement of transportation funding during this period.

In addition to providing opportunities for input among traditional stakeholders, the NJDOE should gain insights from those for whom these funding decisions are most consequential. That means providing opportunities for students, families, staff, and community groups to share their views on what resources are needed so all students can succeed in school. Bringing in these underutilized and underrepresented voices will provide the state with a needed diversity of perspectives to ensure the formula is working optimally for all.²⁵

The FY2026 EAR

As documented above, the SFRA is long overdue for an in-depth evaluation to ensure that the formula is operating at its optimal level. Education Law Center recommends the following steps for the Legislature and the NJDOE to undertake so that the FY2026 EAR, due in early 2025, addresses the concerns outlined above through a meaningful 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 engagements efforts;
2. Coordinate a statewide listening tour aimed at gathering perspectives and recommendations from a diverse and representative group of students, families, school staff, and community groups;
3. Coordinate stakeholder meetings with school district leadership and professional associations to gather feedback on SFRA implementation;
4. Coordinate stakeholder meetings with school finance and content area experts to identify advancements in policy and practice not addressed by the SFRA;
5. Commission cost studies as needed to update formula components;
6. 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.

²⁵ See Jiménez-Castellanos O., Farrie D., and Quinn D.M. 2023. Toward Transformative Justice in School Finance. In *Our Children Can't Wait*. Ed. J.P. Bishop, Teachers College Press.

It is imperative that the NJDOE undertake this review. As the Supreme Court cautioned in 2009, “although we do not have the ability to see ahead and to know with certainty that SFRA will work as well as it is designed to work, we trust that the State will not allow our school districts to regress to the former problems that necessitated judicial intervention in the first place. Indeed, our finding of constitutionality is based, in no small part, on the expectation that the Legislature and Executive will not permit that deplorable state of affairs to recur in our school districts.”²⁶

²⁶ *Abbott v. Burke* 199 N.J. 140, 172 (2009).