



Ridgewood Public Schools
49 Cottage Place
Ridgewood, NJ 07450

**School Funding in New Jersey:
A 42-year history of legal cases, legislation, and school funding formulas**
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“The Legislature shall provide for the maintenance and support of a thorough and efficient system of free public schools for the instruction of all children in the state between the ages of five and eighteen years.” New Jersey Constitution, as amended effective September 28, 1875

1970 Governor William Cahill served one term as governor from 1970 to 1974.

Robinson vs. Cahill – law suit on behalf of a 12-year-old, African American boy from Jersey City (Kenneth Robinson). This was one of the first lawsuits of its kind regarding the inequity in school funding between rich and poor districts. The case was based on the over-reliance on the property tax to fund education and how this ensured that poor districts could not spend as much on education as rich districts. The result of this inequity in funding was a significant achievement gap between students in the urban districts and wealthy suburban districts. A NJ Supreme Court decision in favor of Robinson was released in a 1973 ruling that the state’s financing of public education was unconstitutional. It required that the legislature take action by December 31, 1974 to establish a formula to equalize funding and that the formula be implemented by July 1, 1975. The Court said in its ruling, “if the local government cannot carry the burden [of adequately funding education], the state must itself meet its continuing obligation.” It is interesting to note that in the early 1970s the state was funding only 28% of the cost for public education.

1974 Brendan Byrne elected Governor and served two terms, 1974 to 1982.

1975 The Public School Education Act was enacted, stating that the state should ensure that all students be educated to function successfully in society. The law was amended and the uniform standards of minimum achievement and a graduation test were established. The state failed to provide adequate funding for public schools.

1976 A series of court cases found the state’s system of financing public schools failed to meet the standard set by the constitution for a “thorough and efficient” (T and E) system of education. Plaintiff filed for an injunction against the Public School Education Act when the legislature failed to fund it. On July 1, public schools were ordered closed by the NJ Supreme Court. Summer school was closed to 100,000 students while the court waited for the legislature to take action. On July 8, the income tax bill was enacted and the legislature funded public schools and the injunction



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was lifted. The income tax law required that income tax revenues be used to provide property tax relief. Since property taxes were used to fund the schools, increasing aid for public schools would provide property tax relief. At first property taxes fell and then over the next six years the disparity between the spending in rich and poor districts grew.

1981 Abbott vs. Burke – the court required the case to be heard before an administrative law judge. In the early 1980s a Brookings Institute study found that NJ was home to four of the nation's most distressed cities with extremely high poverty rates.

1981 Thomas Kean elected governor and served two terms, 1982-1990.

During Kean's term, NJ became the first state to mandate a minimum starting salary for teachers of \$18,500 and to establish the alternate route certificate program for teachers. These initiatives were aimed at recruiting more teachers and eliminating the teacher shortage in the urban areas.

1988 ALJ ruled in favor of Abbott. The Public School Education Act was declared unconstitutional by the court as it applied to the 29 poor urban districts, known as Abbott or special needs districts, and directed that new legislation or amended legislation be passed that would ensure equity in funding between the poor and wealthy districts. The decision referred in the case to a T and E education as "one that will enable students to function effectively in the same society with their richer peers both as citizens and as competitors in the labor market... an education that is the substantial equivalent of that afforded in the richer districts." In effect, the court ordered parity in education spending between poor and wealthy districts. The state initiated standardized tests for 8th grade (Early Warning Test) and Grade 11 (High School Proficiency Test).

1989 The state took over the Jersey City School District.

1989 James Florio elected governor, one term, 1990 to 1994.

Quality Education Act (QEA I) enacted under Governor Florio. Its goal was to guarantee adequate state aid for all public schools, providing \$4.2 billion for education and an additional \$25 million in supplemental aid. The Act established foundation aid, essentially determining the basic cost to provide a T and E education. State aid would be determined by the amount of money a district needed to provide a T and E education minus what they could raise through the property tax (fair share). For the urban districts, the legislature had the **discretion** to increase aid to the special needs districts allowing for parity between rich and poor districts. State aid was redistributed to the poor districts and aid cut to wealthy districts. Districts were required to pay a portion of the teacher pension costs. With Florio's support the legislature approved a tax increase.



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1991 The state took over the Paterson School District.

Examples of base amounts in 1991 under QEA were \$6,640 for a first grader and \$8,831 for a high school student. The state had to provide aid to districts that could not raise in property taxes the required spending (base amount per student). Money was added to these base amounts for special education and English as a second language students. **QEA was amended (QEA II)** and some state aid was cut from the urban districts and used for property tax relief. The Teachers' Union battled the legislature against the requirement that districts pay pension costs and won. The state resumed paying pension costs. Taxpayers were upset by the tax increase. Wealthy districts were unhappy with cuts in state aid and in the fall legislative election Democrats were defeated at the polls.

1992 -1994 Abbott vs. Burke challenged QEA II based on the fact that the amount of state aid to the urban districts would be based on the legislature's discretion. The court declared the formula unconstitutional, as there was no guarantee of adequate funding for the special needs districts.

1994 Christie Whitman was elected governor and served from 1994 to 2001, when President Bush offered her a position with the EPA in Washington.

1995 The state took over the Newark School District.

1996 The Comprehensive Educational Improvement and Financing Act (CEIFA) was enacted under Governor Whitman. Core Curriculum Content Standards (CCCS) were identified and adopted for all NJ public schools. CEIFA funding was based on a hypothetical school model defining the T and E standards and costs needed to provide T and E education for all students. The law required the Commissioner, every two years, to cost out the base amount needed per student to meet the thorough requirement. Districts had the option to spend more than the base amount. Wealthy districts were free to raise property taxes to fund their public schools. Under CEIFA, parity between the rich and poor districts could not be achieved. The Elementary School Proficiency Assessments (ESPA) were developed and piloted. ESPAs were used from 1997-2002.

1997 Abbott vs. Burke IV. The NJ Supreme Court ruled that the CCCS is constitutional, but that the law as it applied to the Abbott districts failed to guarantee sufficient funds to meet the standards and failed to address facility problems. Schools in the Abbott districts were unsafe and in disrepair. Money was needed for school construction.



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1998 There were further court decisions this year. One required the state to pay 100% of the costs for school construction in the special needs districts. Also, certain academic and social service programs were identified and required to be implemented in the special needs districts and funding for these programs was ordered. The Court recommended half-day preschool, all-day kindergarten, whole school reform, and Success for All. Ridgewood's superintendent worked closely with the Education Law Center to identify these "required" programs that were approved by the Court. Grade Eight Proficiency Assessments (GEPA) replaced the 8th grade EWT and was used through 2007-08.

2000 Abbott vs. Burke VI and VII – re: implementation of preschool programs. Educational Facilities Construction and Financing Act approved in July allocating \$6 billion for the Abbott districts and \$2.5 billion for the non-Abbott districts.

2001 Governor Whitman resigned and Senate President Donald DiFrancesco became governor from 2001 to early 2002.

The High School Proficiency Assessment (HSPA) replaced the High School Proficiency Test.

2002 Jim McGreevey was elected governor and served until he resigned in 2004.

Abbott vs. Burke VIII and XI – more cases filed about school funding parity for the special needs districts

2002-03 State froze aid at 2001-02 levels. The CEIFA formula was not run. This contributed to property tax increases. Districts cut programs/staff and/or raised property taxes to make up for the state aid freeze. Abbott districts sought additional aid. These districts asked for more state aid because of the high number of low-income students being educated in their schools. Rural districts in the Bacon case sought additional money.

2004 CEIFA was not fully funded for all but the special needs districts. More lawsuits, Abbott vs. Burke XII and XIII, were argued before the court. The legislature enacted S1701 in July. The costs for the Abbott districts were growing due to parity requirement and supplemental aid. The problem to be solved was how to control education spending in the wealthy districts because the spending between the Abbott and the wealthy districts had to be equal. If the state could control the spending in the wealthy districts and slow their spending growth, then the state could slow growth of Abbott district funding. In 2004, 31 districts (Abbott districts had grown from 29 to 31) were



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receiving close to 50% of the state aid. The other 580 districts shared the remaining 50%. Middle-income districts were having a difficult time. They were not receiving enough state aid and could not raise enough money in property taxes to adequately fund their schools. Abbot rim and rural districts clamored for more state education aid.

2004 Governor McGreevey resigned and Senate President Richard Codey became Governor from 2004 to 2006.

The NJASK tests become fully operational in grades 3 and 4.

S1701 – capped school budgets at 2.5% or CPI. Required surplus to be no more than 3% for the 2004-05 school year and 2% for the 2005-06 school year and subsequent school years. Restricted administrative spending to the lesser of the regional benchmark or the previous year's administrative costs plus an increase of 2.5% or the cost of living. Reduced spending growth limitations adjustments, restricted spending over cap. Required state approval for budgetary transfers of line items above 10% and from surplus without state approval. Required a 60% voter approval for second questions and second questions could only fund new programs or initiatives.

2006 Jon Corzine was elected governor and served one term from 2006 to 2010.

More lawsuits, Abbott vs. Burke XV and XVI, were filed. Now Abbott districts were receiving 57% of the state aid and were educating 23% of the state's public school students. The legislature met in special sessions from August through October to examine the Property Tax Problem. Four legislative committees were established and one committee examined school funding issues. A report was issued in November. Ninety-six recommendations came out of the hearings focusing on controlling and limiting municipal and school spending, encouraging shared services and consolidation, increasing accountability and monitoring school districts, and establishing greater oversight of school districts by the county superintendent. Major recommendations that were identified included the following:

- the need for a new school funding formula that would control the taxing and spending behaviors of school districts and promote greater efficiencies in delivering education that would result in meaningful property tax relief
- School aid would be based on student characteristics and a district's ability to pay.
- a need for a weighted formula where student needs (special education, limited English proficiency, low income) and geographical cost differences would be costed out
- strict budget caps



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- eliminating the budget vote for school budgets that are below or at cap
- moving the School Board Elections to November
- establishing a consistent tuition structure for private special education schools
- increasing the retirement age to 62
- requiring public employees in the State Health Plans to pay higher contributions for health insurance

In December 2006 the Senate and the Assembly approved A4, Core Reform, and other legislation increasing the authority of the County Superintendent and decreasing the authority of School Boards.

NJASK tests expanded into grades 5 through 7.

2007 Abbott vs. Burke XVII. Governor Corzine proposed a new school funding formula, **School Funding Reform Act (SFRA)**. The first outline of SFRA was seen in November of 2007. NOTE: A school cost model for NJ was developed by a consultant named Augenblick and reviewed by a professional judgment panel in 2002 and 2003. The model was completed in 2003 and shelved by Governor McGreevey, calling it too expensive. Corzine examined the model again after his election and brought Augenblick back to review it.

Some of the realities in 2007 that concerned educators and Board members were as follows:

- Non-discretionary costs such as health insurance premiums, energy, and out of district tuition for special education students rose at a rate greater than the 4% cap every year.
- Districts were feeling the pressure of NCLB and the state standards.
- The NJ Department of Education was more interested in regulating school districts than in providing assistance and guidance.
- The property tax burden was growing and dissatisfaction among taxpayers was increasing.
- The CEIFA formula was not fully funded and state aid had been flat for five years.
- Estimates put under-funding of CEIFA at \$1 to \$1.5 billion.

Problems driving the need for a new formula:

- The growth in education spending and the fact that Abbott districts were receiving 50%+ of the state aid allocated for direct aid
- The growth in special education and the belief in Trenton (DOE) that too many districts were over classifying students



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- Calculations indicated that wealthy districts were spending \$1.6 billion more than necessary to provide a T and E education.
- Abbott districts were spending \$600 million more than needed to provide T and E education
- Some believed that reducing aid to school districts would force a realignment of budget, resulting in far more efficiencies.

2008 SFRA enacted January 7, 2008 and many non-Abbott districts received an increase of 10 to 20% in state aid in the first year (2008-09) of implementation. Note: This increase was significant after five years of minimum aid increases or flat funding. Increased aid was announced the day before the legislature met to consider the new formula. The increased aid silenced some critics. SFRA changed how the state aid would be distributed, funding for special education, and defined a district's "fair share" as how much taxpayers in the district could contribute to funding their schools through the property tax. Abbott districts saw flat funding and went to court. Corzine argued that the funding followed the child and was not restricted by the zip code. Middle-income districts saw some relief. Abbott XVIII asked the court to declare the new funding law unconstitutional. Some non-Abbott districts supported the case against SFRA.

SFRA (106-page bill) added \$400 to \$500 million in direct aid to the \$8 billion earmarked for public schools. The Governor wanted to commit to a two-year hold-harmless provision so that no district would lose state aid (essentially no district would receive less than they did in the previous year). After two years, it was predicted that 200 districts would see a decrease in their aid. Special Education aid was wealth equalized and wealthy districts received less categorical aid for special education. Extraordinary aid, the aid paid for expensive out-of-district and in-district special education costs would be funded at 75% of the costs. In 2007, extraordinary costs were being funded at 23% of costs. SFRA eliminated Abbott distinction and parity requirement. It established an adequacy amount for each district, defining the necessary staffing and resources to provide T and E and distributed money to districts based on student population – enrollment, special education, poverty levels, and English as a second language. Districts having costs above the adequacy level would have to use state aid for tax relief. Eliminated the 60% vote on second questions in second year of formula. Second questions would just require a majority vote.

2009 The court decides that *if* SFRA is fully funded than it is constitutional.

2009 Governor Christie is elected and takes office January 2010.

The state cut aid in 2009-2010 during the school year once Governor Christie took office. The state announced zero state aid for 2010-2011 for some districts and cuts



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in state aid for all other districts. Ridgewood received a \$3 million cut in state aid. Budgets were restricted to a 2% cap on the amount the property taxes could increase. Education Law Center went back to court and asked the court to find that under-funding of SFRA violates the constitutional guarantee of a thorough and efficient education.

2011 Court decided in Abbott XXI that under-funding SFRA is unconstitutional for the 31 Abbott districts and ordered the state to increase aid to the 31 Abbott districts by \$500 million. Senator Doherty announced his idea, Fair School Funding Resolution, which would divide the state aid evenly among all students (approximately \$7,500 per student). The legislature took no action on Doherty's resolution. The legislature did pass a law requiring that public employees, including teachers, pay a greater percentage of the cost for their health benefits. This increase in contributions from school and public employees would be phased in over four years, starting with the 2011-2012 school year.

2012 Governor Christie to announce revisions to how school aid would be distributed within the FY 2013 budget and states he will nominate new Supreme Court Judges as vacancies occur. Governor Christie feels strongly that the NJ Supreme Court overstepped its authority with their school funding decisions.

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