

A Little Secret About State Aid New Jersey Association Of School Business Officials

I don't write this to be critical but to help explain the dynamics of New Jersey's school funding formula. As you all know, state aid (principally equalization aid) is distributed based upon the calculation of your adequacy budget (Page EQA). The state recognized the increase cost of providing an adequate publication by increasing the amount per pupil from \$11,209 in 18-19 to \$11,775 or \$566 (See Item A on your 19-20 EQA page).

The adequacy budget (Item M, Page EQA) represents the constitutional mandate for a thorough and efficient education for every New Jersey Child. The State must guarantee that financial resources are available in every community to support a district's adequacy budget. How? By providing state aid and requiring districts to contribute their "local fair share" to make up the difference; the two together equal your adequacy budget.

LFS is calculated by multiplying tax rates on district income and equalized property valuations basing half of the LFS on property and the other half on income. You can see your LFS by looking at Page EQA item (P). If you take Page EQA Item M (Adequacy Budget total) and subtract item (P) your, district local fair share, you will see exactly your equalization entitlement, Item (W). *Note: This is your entitlement and you may not get there until Chapter 67 is fully implemented).*

Among other things (and I stress "other" things) the state adjusts the tax rates on income and property to calculate your local fair share which, in turn, guarantees the resources necessary to support the adequacy budget. Below, you can see how the state increased these rates reducing the amount of equalization aid they must provide.

These rates can be seen on Page EQA top right for 18/19 and 19/20.

Multiplier (Tax Rates) for Equalized Valuations and income

	19/20	18/19	Change	Percent Change
Property 5.03%	0.014523912	0.013828828	0.000695	
Income 7.93%	0.049819447	0.046200477	.0003619	

Not only does an increase or decrease in enrollment impact your state aid, your local fair share which *increased 5.03% and 7.93% respectively* on your property and income values significantly reducing your eligibility for equalization aid. The state shifted the increased adequacy cost (see above \$11,775-\$11,209 = **\$566**) to local fair share. *Use the 18/19 rates to calculate your LFS and see how much your equalization aid would have increased if the rates remained the same.* The little secret...