



by Chris Emigholz  
Director, Education Policy

# At Issue

## Business Needs a Balance In School Funding Formula

As of this writing, the Legislature is debating a new formula for funding public schools that would change how \$7.8 billion in state funding is shared among 618 school districts. What do New Jersey businesses need out of this? The answer is balance.

NJBIA cares about school funding because the business community has a vested interest in education. Business pays about 30 percent of the property taxes that fund schools, pays significant additional taxes to help fund state aid to schools, and ultimately hires the students when they join the workforce.

Yet, for all of the money that businesses invest in their operations, they often have difficulty finding the skilled workforce they need. Employee skills frequently need to be upgraded, and New Jersey employers spend tens of millions of dollars annually on employment searches and remedial training.

NJBIA is committed to improving education quality and controlling education costs, a delicate but important balance. Quality needs to be addressed to better prepare the future workforce, while costs are critical to protect the New Jersey taxpayer. A formula that is all about quality and ignores costs could be devastating for taxpayers, while a formula that is all about costs and ignores quality could be detrimental to the workforce. NJBIA believes that the new formula under discussion, which would apportion funding according to the needs of each student, could be a step in the right direction.

NJBIA has developed five points that should be part of any new school funding formula. They will help to achieve funding balance, improve quality and control costs. 1) There should be a fundamental change in the state's school funding formula that satisfies the needs of the future workforce and the taxpayer. 2) There should be more accountability built into the formula to protect the taxpayer and ensure that additional funding is used for education improvements. 3) There should

be only one funding formula for all students regardless of their location and an end to the multiple streams of funding that lack education rationale. 4) There needs to be a consideration of the state's taxpayers and limited funds. 5) The formula needs to be more student-centered, with money targeting students' individual needs, regardless of zip code.

Based on these five points, NJBIA believes the proposed 2008-2009 school funding formula is headed in the right direction, although there remains the big question of how to pay for it.

The new formula would: 1) bring substantive and positive changes in how the state will distribute school aid, 2) create one formula for all districts with an end to separate funding streams, 3) create new accountability mechanisms to encourage education efficiency and effectiveness, and 4) let money follow the student to a greater degree, with more state aid flowing to high-enrollment-growth school districts, middle-income communities with low-income students, and charter schools and vocational schools in low-income communities. This should help many suburban districts.

The formula provides each school district with a minimum funding increase of 2 percent even though many would not otherwise qualify for an increase under the new formula. This will cost approximately \$800 million. This part of the aid package is supposed to end after three years, after which the formula should save the state taxpayers hundreds of millions of dollars each year over what they would pay under the current funding system (which resulted from the NJ Supreme Court Abbott decisions and favors 31 of the state's poorest school districts).

Where the additional funding will come from is a major issue. While the long-term impact of the new formula should be positive, there will be extra costs in the short term. Ultimately, however, improved quality, a more equitable distribution of aid, and reduced costs should be the end result of the new school funding formula.