New Jersey

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Summary and Highlights

This snapshot examines the revenue sources and funding equity for district public schools and charter schools in New Jersey and, in particular, Jersey City, Newark, and Trenton, during FY 2006-07 (Figure 1).¹

In the figures, the statewide values show how much per pupil funding districts in the state received compared to how much charter schools received per pupil. The statewide values weighted for charter enrollment adjust these figures to account for the fact that some districts enroll more charter students than others and the district PPR varies between districts. The weighted values estimate how much more or less per pupil funding charter schools received compared to the funding district schools would have received to educate the same students. (See Methodology for details.)

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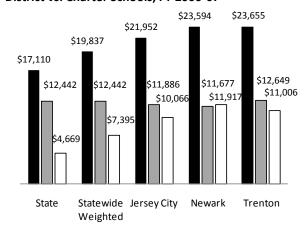
Figure 1: District and Charter School Revenues and Enrollments

New Jersey			Statewide V							
(2006-07)	Statewide		Charter Enrollment		Jersey City		Newark		Trenton	
Per pupil Revenue										
District		\$17,110		\$19,837		\$21,952		\$23,594		\$23,655
Charter		\$12,442		\$12,442		\$11,886		\$11,677		\$12,649
Difference		(\$4,669)		(\$7,395)		(\$10,066)		(\$11,917)		(\$11,006)
		(27.3%)		(37.3%)		(45.9%)		(50.5%)		(46.5%)
Per pupil Revenue by Source	District	Charter	District	Charter	District	Charter	District	Charter	District	Charter
Federal	\$550	\$1,141	\$963	\$1,141	\$1,314	\$1,139	\$1,626	\$1,218	\$1,252	\$1,239
State	\$6,503	\$8,912	\$11,898	\$8,912	\$17,348	\$8,585	\$17,449	\$9,114	\$21,333	\$9,491
Local	\$9,080	\$2,315	\$5,959	\$2,315	\$3,152	\$2,083	\$2,255	\$1,333	\$957	\$1,919
Other	\$541	\$63	\$781	\$63	\$137	\$78	\$2,252	\$13	\$114	\$0
Indeterminate	\$436	\$11	\$236	\$11	\$0	\$0	\$13	\$0	\$0	\$0
Total	\$17,110	\$12,442	\$19,837	\$12,442	\$21,952	\$11,886	\$23,594	\$11,677	\$23,655	\$12,649
Enrollment										
District	1,331,638		N/A		28,910		41,266		12,048	
	98.8%		N/A		90.7%		92.3%		89.4%	
Charter	15,739		N/A		2,947		3,456		1,423	
		1.2%	N,			9.3%	7.7%		10.6%	
Number of Charters		53	N,	/ A		8		11		4
Total Revenue										
District	\$22,784,614,225		N/A		\$634,619,678		\$973,632,249		\$284,986,624	
	99.1%		N/A		94.8%		96.0%		94.1%	
Charter	\$195,816,131		N/A		\$35,028,218		\$40,360,300		\$17,992,930	
	0.9%		N/A		5.2%		4.0%		5.9%	
Total	\$22	,980,430,356	N,	/ A		\$669,647,896	\$1,013,992,549		\$302,979,554	
Percentage of Revenue by Source	District	Charter	District	Charter	District	Charter	District	Charter	District	Charter
Federal	3.2%	9.2%	4.9%	9.2%	6.0%	9.6%	6.9%	10.4%	5.3%	9.8%
State	38.0%	71.6%	60.0%	71.6%	79.0%	72.2%	74.0%	78.1%	90.2%	75.0%
Local	53.1%	18.6%	30.0%	18.6%	14.4%	17.5%	9.6%	11.4%	4.0%	15.2%
Other	3.2%	0.5%	3.9%	0.5%	0.6%	0.7%	9.5%	0.1%	0.5%	0.0%
Indeterminate	2.5%	0.1%	1.2%	0.1%	0.0%	0.0%	0.1%	0.0%	0.0%	0.0%
Change in district school funding if subjected to charter funding structure										
	(\$5.9 billion)				(\$360 million)		(\$614 million)		(\$168 million)	

Highlights of Our Findings

- On average, New Jersey's 53 charter schools received \$12,442 per pupil, compared to \$17,110 per pupil in district schools a difference of \$4,669 per pupil or 27.3 percent.
- New Jersey charter schools received \$12,442 per pupil, but district schools would have received an estimated, \$19,837 to educate the same students a difference of \$7,395 or 37.3 percent. Weighting the district PPR for charter enrollment therefore increases the funding disparity by \$2,726 from the statewide difference above.

Figure 2: Per Pupil Total Revenue for New Jersey District vs. Charter Schools, FY 2006-07



- District □ Charter □ Difference
- Jersey City's 8 charter schools received \$11,886 per pupil, compared to \$21,952 per pupil in district schools – a difference of \$10,066 per pupil or 45.9 percent.
- Newark's 11 charter schools received \$11,677 per pupil, compared to \$23,594 per pupil in district schools a difference of \$11,917 per pupil or 50.5 percent.
- Trenton's 4 charters received \$12,649 per pupil, compared to \$23,655 per pupil in district schools
 a difference of \$11,006 per pupil, or 46.5 percent.

Primary Reasons for Funding Disparities

- By law, districts are allowed to forward only 90 percent of the per pupil amount established in the funding formula to charter schools in any given fiscal year.
- Local and state contributions toward district capital and debt service contribute to the funding inequity between districts and charters.
- Special funding for the state's Abbott districts, a revenue stream charters do not receive, is the primary source of the funding disparity, particularly for charters located within Abbott districts.

How New Jersey Funds Its District Schools

New Jersey's constitution requires a "thorough and efficient" education for the state's pupils. The state passed the Comprehensive Education Improvement and Financing Act of 1996 to meet this objective after the state Supreme Court declared an earlier funding mechanism unconstitutional. Since passage of this law, the state produces a biennial report² outlining the costs of providing a thorough and efficient education, which drives the education funding formula.

New Jersey provides per pupil weighted funding to its school districts based on age factors and special needs. In 2006-07, grades one through five served as the base weight while pre-kindergarten and kindergarten pupils received 50 percent of the revenue provided to elementary pupils and middle school and high school pupils received four and eleven percent above the elementary base, respectively. New Jersey adjusts these grade level weights each year based on a Consumer Price Index (CPI) reading. The allocation of these education level funds can vary by as much as five percent between districts.

The state also provides funding to districts for special needs or disadvantaged students. Four funding tiers determine the revenue special education pupils receive, ranging from Tier I and increasing through Tier IV.³ Tier I provides the

smallest funding and compensates districts for have received to cover the thorough and efficient low-level service costs like occupational and mandate, the state provides additional funding physical therapy and counseling. Tier IV compensates districts for more intensive special Additional revenue from this fund assists charter education services.

New Jersey provides additional funding based on court rulings, student need, including student poverty and bilingual services. The amount of additional funding varies so that schools serving students with greater need receive more funds. Abbott funding is provided to the poorest districts in the state to provide them with funding that equals the 17 wealthiest districts in the state - all the cities analyzed in this chapter are considered Abbott Districts. "Stabilization Aid" prevents significant funding swings from one school year to the next, by subsidizing districts so that their revenue in one fiscal year does not fall by more than 10 percent of the revenue received in the previous year. Charter school growth is not considered in calculating Stabilization Aid as charter school funding and their enrollments flow through the district. Finally, district schools receive funding from the state for various operating costs, as well, including transportation, capital expenses, post-retirement medical benefits, social security, and distance learning.

How New Jersey Funds Its Charter Schools

New Jersey charter schools fall under the same criteria for funding as district schools, with a few exceptions. Charters receive any stabilization aid for which they may be eligible, as well as the state post-retirement medical benefits and social security payments. Local and state revenue for the state's charter schools flows through school districts, and districts must provide transportation to charter school pupils that equals the district's transportation effort. However, districts are only required to provide charter schools the lesser of 90 percent of the standard state formula by education level for a thorough and efficient education, or 90 percent of the Program Budget by education level.

When there is a shortfall between the amount the charter receives and the total the charter should (Charter School Aid) in the state budget.4 schools in Abbott districts.

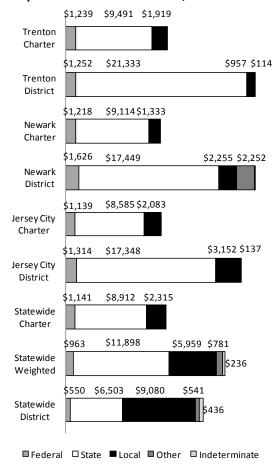
Figure 3: State Charter School Policies

State Policies	Yes	No	Partial
Charter schools receive their funding directly from the state			X ⁵
Charter schools are eligible for local funding	Х		
Cap on funding a charter school can receive		Х	
District public schools receive differential funding (e.g. more funding for 9-12 vs. K-8 schools)	Х		
Charter schools receive differential funding	Х		
State allows district to withhold funding from charter schools for providing administrative services	X ⁶		
State "holds harmless" district funding for charter enrollment		X	
School is considered LEA if authorized by non-district organization	X		
School is considered LEA if authorized by district		X	
Cap on number of charter schools		Х	
Cap on number of charter schools authorized per year		Х	
Cap on number of students attending charter schools		Х	
Charter schools have an open enrollment policy	х		

Charter schools do not receive several revenue lines available to school districts, however. For example, charters do not have access to any state

revenue payments for school construction and renovation or debt service aid. Likewise, New Jersey charter schools do not have access to local capital revenue.

Figure 4: Per Pupil Revenue by Source for New Jersey District vs. Charter Schools, FY 2006-07



Of particular concern, charter schools located within Abbott districts do not receive the additional funding that district schools in Abbott districts receive, even though the state includes charter pupils in enrollment counts when determining the Abbott revenue mandated by law.

Facility Funding

Charter schools do not receive funding for their facilities and cannot access capital funds available to district schools under the New Jersey's Public School Construction Act. For Abbott districts, this

act requires the state to provide 100 percent financing of any approved construction and/or renovation costs. Non-Abbott districts receive a minimum 40 percent guarantee for state revenue for construction projects. However, New Jersey charter schools have access to tax-exempt bonds through the New Jersey Economic Development Authority.

Primary Revenue Sources for New Jersey's Public Schools

On average, New Jersey school districts received \$17,110 per pupil in revenue, compared to \$12,442 per pupil for charter schools, a variance of 27.3 percent (Figure 1). The variance increased significantly in the three cities studied. Jersey City school district received \$21,952 per pupil, while charters in Jersey City received \$11,677 per pupil, a variance of 45.9 percent. The school district of Newark received \$23,594 in revenue per pupil, while charters in that city received \$11,886, a variance of 50.5 percent. In Trenton, the school district reported \$23,655 per pupil in total revenue, while the charter schools reported \$12,649 in total per pupil revenue for a variance of 46.5 percent.

Both on a percentage basis and in dollar terms, charters received more of their revenue from federal sources than the state's districts, 9.2 percent (\$1,141) vs. 3.2 percent (\$550), respectively. The same trend holds true in the three focus districts (Figure 1).

The largest revenue variance between districts and charters in the three cities occurred at the state funding level. Statewide, district schools received \$6,503 per pupil in state revenue, while charter schools received \$8,912 per pupil. In Jersey City, however, district schools received \$17,348 in state revenue, while the city's charter schools received \$8,585. In Newark, the district received \$17,449 in state revenue, while charters received \$9,114. In Trenton, district schools received \$21,333 in state revenue compared to the charter per pupil revenue number of \$9,491. The disparity in state funding for these three cities was so large because Abbott funding is designed

to provide the poorest districts the same level of funding as the wealthiest districts in the state, but there is no requirement for those districts to pass the additional funds to charters.

Local revenue collection favored districts, with the exception of Trenton. Statewide, district schools received \$9,080 in local revenue, compared to \$2,315 for charter schools. The Jersey City district received \$3,152 per pupil in local revenue, including capital contributions, while charters in Jersey City received \$2,083 per pupil. In Newark, the district received \$2,255 in local revenue, compared to \$1,333 for the city's charter schools. In Trenton, charters received \$1,919 in local revenue compared to the district per pupil revenue number of \$957.

Figure 5: School Characteristics

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New Jersey (2006-07)	Statewide District	Statewide Charters		
	District	Charters		
Percentage of students eligible for free or reduced price lunch	26.9%	65.3%		
Percentage of schools eligible for Title I	50.7%	90.6%		
Percentage of				
students by school				
type:				
Primary (K-5)	47.7%	63.4%		
Middle (6-8)	20.4%	11.3%		
High (9-12)	30.3%	11.2%		
Other (K-12, K-8, etc.)	1.6%	14.1%		

Differences in student populations do impact funding for the charter schools but does not account for the majority of variance between districts and charters in New Jersey. Charters in New Jersey enrolled significantly more students eligible for free or reduced lunch than did districts schools and nearly all charters were labeled Title 1 school-wide, two criteria that account for higher per pupil federal funding for the charter schools.

State Scorecard

We have assigned ratings to New Jersey based on the quality of data available, as well as the extent

Figure 6: State Scorecard

Figure	e 6: State Scorecard					
	Findings	NJ				
unding	Charters have access to federal funds according to state statutes (Yes = black, No = white)	Y				
Federal Funding	Percentage of federal revenue is greater than (>; black), equal to (=; black), or is less than (<; white) that of total enrollment for charter schools					
State Funding	Charters have access to state funds according to state statutes (Yes = black, No = white)					
	Percentage of state revenue is <i>greater</i> than (>; black), equal to (=; black), or is less than (<; white) that of total enrollment for charter schools	>				
Local Funding	Charters have access to local funds according to state statutes (Yes = black, No = white)	Y				
	Percentage of local revenue is <i>greater</i> than (>; black), equal to (=; black), or is less than (<; white) that of total enrollment for charter schools	>				
Facilities Funding	Charters have access to facilities funds according to state statutes (Yes = black, No = white)	N				
	Percentage of facilities revenue is greater than (>; black), equal to (=; black), or is less than (<; white) that of total enrollment for charter schools	<				
Data Availability	State provides detailed, public data on federal, state, local, and other revenues for district schools (Yes = black, Partial = grey, No = white)	Y				
	State provides detailed, public data on federal, state, local and other revenues for charter schools (Yes = black, Partial = grey, No = white)					
Funding Formula	Charters are treated as LEAs for funding purposes (Yes = black, Partial = grey, No = white)	Y				
	State funds student (black) or the LEA (grey)	S				
	State funding formula is fair and equitable (Yes = black, No = white)	N				

to which charter schools have access to specific revenue streams (Figure 6).

In Figure 6, we judged "Data Availability" on the ease of access to the information needed for this study and others like it. A rating of "Yes" means that all information was available through web sources or that it was provided upon request by state departments of education. A rating of "Partial" means some but not all of the data for the study were available either through web sources or through state departments of education. A rating of "No" means the data were not available either through web sources or through state departments of education.

Separately, we judged "Funding Formula" based on whether or not charters were considered local education agencies (LEAs) for purposes of funding. "Yes" means that charters in the state are always considered LEAs for all forms of funding "Partial" means that charters are sometimes considered LEAs for specific streams of funding (such as federal revenue) or that only certain charters are considered to be LEAs. "No" means charter schools in the state are never considered LEAs for funding purposes. A state received a rating of fair and equitable funding if charters received fair and equitable revenue in all four revenue streams listed.

Similar methods were applied to ratings for federal funding, state funding, local funding, and facilities funding. Finally, we graded the state based on whether state funds the individual student needs via weighted funding formulas or through block grants to the LEA.

Endnotes

¹ Financial data provided by the New Jersey Department of Education. Enrollment data at (http://www.state.nj.us/njded/data/enr/enr07/. New Jersey uses Average Daily Enrollment to calculate funding for schools and charters and calculates when a student enrolled and disenrolled to determine the total funding an education agency will receive for a particular student.

- The "Biennial Report on the Cost of Providing a Thorough and Efficient Education" was last produced in 2002 due to the state budget crisis. All funding formula categories were frozen at 2001-02 levels except for education level categories. These categories continue to be adjusted based on the CPI each fiscal year.
- Only districts with students who have a speech correction disability do not receive special education funding. Instead, they are funded by the grade level weight and receive no additional cost factors.
- Given that this funding stream exists outside the funding formula, it is subject to the availability of funding during each budget cycle.
- State funding generally flows from the school district to the charter school for any revenue related to core funding. However, charters do receive some revenue directly from the state, such as the Abbott Kindergarten funding provided to charters within Abbott districts that run kindergarten programs.
- ⁶ Districts must provide charters 90 percent of the state mandated per pupil minimum.