

FY2003	FY2007	FY2011
F	F	F
Grade based on % of Weighted Funding Disparity		

New Jersey

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Introduction

This chapter compares district and charter school revenues statewide, and for Jersey City, Newark and Trenton, for

fiscal year 2011 (FY11).¹ Comparisons are made to previous research for FY03 and FY07, based on the same methodology. Funding disparities between districts and charter schools for the same matched geographic area are explored. The per pupil funding values in the analysis are weighted to compare district and charter schools as though they served the same proportions of urban and suburban students (see Methodology for details). Additional research and insights not included in this chapter appear in the monograph at the beginning of this report. Also included in the monograph is a state-by-state Return on Investment (ROI) analysis, which combines the analysis of revenues with student performance data.

Highlights of the FY11 Analysis

- New Jersey’s 72 charter schools received 19.3 percent less funding than district schools: \$15,043 vs. \$18,648 per pupil, respectively, a difference of \$3,605 per pupil (Figures 1 & 3).
- The seven Jersey City charter schools received 43.3 percent less funding than district schools: \$13,138 vs. \$23,154 per pupil, a difference of \$10,016 per pupil (Figure 3).
- Newark’s 15 charter schools received 41.0 percent less funding than the city’s district: \$16,719 per pupil vs. \$28,321 per pupil, a difference of \$11,602 per pupil (Figure 3).
- In Trenton, the city’s four charter schools received 48.5 percent less funding than district schools: \$16,183 per pupil vs. \$31,412 per pupil, a difference of \$15,229 per pupil (Figure 3).
- New Jersey’s charter schools received \$15,043 per pupil, but district schools would have received more money to educate the same students, an estimated \$22,056 – a difference of \$7,013 or 31.8 percent. The weighted district per pupil revenue therefore increases the funding disparity by \$3,408 per pupil from the unweighted statewide difference above (Figure 3).
- Charter schools in New Jersey educate 1.8 percent of the state’s public school students but receive 1.4 percent of total revenue (Figures 2 & 3).
- Magnitude of Disparity: If all New Jersey districts received the same level of per pupil funding as charter schools, districts would have received \$4,686,211,010 less in total funding (Figure 3).

Probable Causes of the 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.
- Charter schools do not receive state Adjustment Aid.

Figure 1

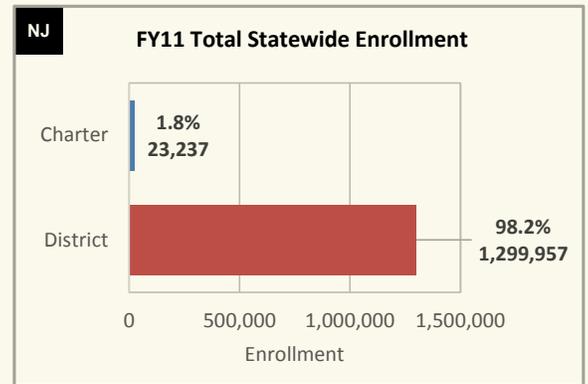


Figure 2

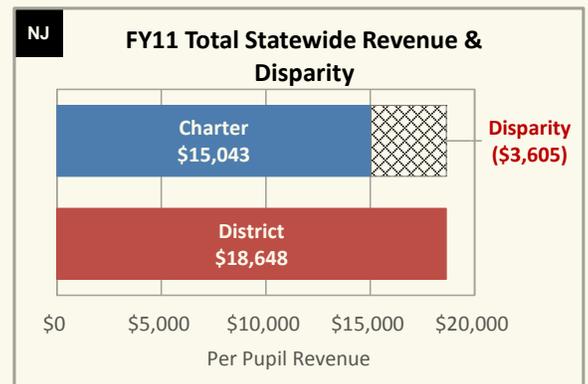


Figure 4

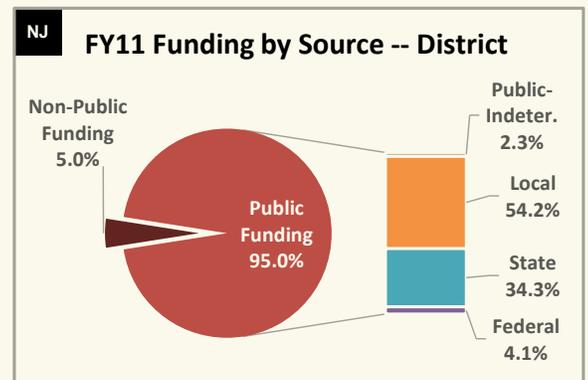


Figure 5

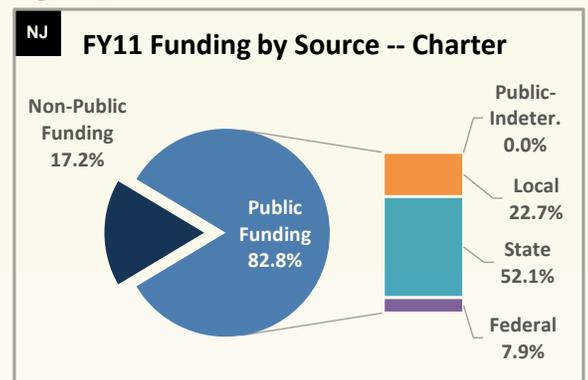


Figure 3

NJ Summary Data Table										
FY2010-11	Statewide		Statewide Weighted by Charter Enrollment		Jersey City		Newark		Trenton	
Per Pupil Revenue										
District	\$18,648		\$22,056		\$23,154		\$28,321		\$31,412	
Charter	\$15,043		\$15,043		\$13,138		\$16,719		\$16,183	
Difference	(\$3,605)		(\$7,013)		(\$10,016)		(\$11,602)		(\$15,229)	
% of District	(19.3%)		(31.8%)		(43.3%)		(41.0%)		(48.5%)	
Per Pupil Revenue by Source	District	Charter	District	Charter	District	Charter	District	Charter	District	Charter
Federal	\$809	\$1,196	\$1,325	\$1,196	\$1,930	\$1,254	\$2,214	\$1,321	\$1,957	\$1,222
State	\$6,718	\$7,837	\$12,589	\$7,837	\$17,072	\$6,809	\$22,669	\$6,757	\$26,751	\$13,419
Local	\$10,608	\$3,422	\$7,819	\$3,422	\$4,120	\$2,556	\$3,407	\$2,021	\$2,667	\$1,522
Other	\$360	\$156	\$222	\$156	\$28	\$35	\$0	\$241	\$38	\$20
Public-Indeter.	(\$460)	\$0	(\$279)	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Indeterminate	\$612	\$2,433	\$380	\$2,433	\$3	\$2,484	\$31	\$6,379	\$0	\$0
Total	\$18,648	\$15,043	\$22,056	\$15,043	\$23,154	\$13,138	\$28,321	\$16,719	\$31,412	\$16,183
Enrollment										
District	1,299,957 98.2%		Focus Area Districts Educate 5.1% of District Students		25,310 90.8%		32,701 83.6%		8,613 90.4%	
Charter	23,237 1.8%		Focus Area Charters Educate 42.5% of Charter Students		2,553 9.2%		6,400 16.4%		912 9.6%	
Total Enrollment	1,323,194		N/A		27,863		39,101		9,525	
Charter Schools	72		N/A		7		15		4	
Revenue										
District	\$24,240,950,785 98.6%		N/A		\$586,022,489 94.6%		\$926,141,252 89.6%		\$270,555,148 94.8%	
Charter	\$349,537,493 1.4%		N/A		\$33,540,939 5.4%		\$107,001,710 10.4%		\$14,759,278 5.2%	
Total Revenue	\$24,590,488,278		N/A		\$619,563,428		\$1,033,142,962		\$285,314,426	
Percentage of Revenue by Source	District	Charter	District	Charter	District	Charter	District	Charter	District	Charter
Federal	4.3%	7.9%	6.0%	7.9%	8.3%	9.5%	7.8%	7.9%	6.2%	7.6%
State	36.0%	52.1%	57.1%	52.1%	73.7%	51.8%	80.0%	40.4%	85.2%	82.9%
Local	56.9%	22.7%	35.4%	22.7%	17.8%	19.5%	12.0%	12.1%	8.5%	9.4%
Other	1.9%	1.0%	1.0%	1.0%	0.1%	0.3%	0.0%	1.4%	0.1%	0.1%
Public-Indeter.	-2.5%	0.0%	-1.3%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Indeterminate	3.3%	16.2%	1.7%	16.2%	0.0%	18.9%	0.1%	38.2%	0.0%	0.0%
Magnitude of Disparity = Total funding Difference x District enrollment (see above)										
	\$ (4,686,211,010)				\$ (253,503,427)		\$ (379,412,671)		\$ (131,167,361)	

* The 72 charter schools included in Figure 3 are the number of charter schools for which revenue and enrollment data could be acquired and analyzed. The state reported enrollment and revenue for all charters in the state; therefore, all charters are included in this analysis.

Where the Money Comes From

Funding for public education in New Jersey originates from local and state sources, including the state lottery. Other funds come from the federal government, and a small percentage originates from non-public sources, such as investments and philanthropy.

How New Jersey Funds Its Districts²

The New Jersey Legislature passed the School Funding Reform Act in 2008, which included a funding formula based on projected student enrollment. The formula design attempts to meet the state constitution's requirement for a thorough and efficient education for the state's students. Professional Judgment Panels determined the base per student foundation amount, which is based in part on annual collections of salary and benefit data. The panel set the base per student foundation amount at \$9,971 for FY11.

The formula includes additional weights depending on the student's grade in school and whether the student has any special needs. Students in half-day kindergarten receive a weight of 0.50, while students in full-day kindergarten through fifth grade receive a weight of 1.0. Students in sixth and eighth grades receive a weight of 1.04, while students in ninth through twelfth grades receive a weight of 1.17. Students eligible for free or reduced price lunch qualify for weights that vary depending on the concentration of low income students in a district, ranging from additional weights of 0.47 to 0.57 for districts with a free or reduced lunch student population of 60 percent or greater. Additional funds are available to districts with high at-risk concentrations. The new formula also provides funding for preschool programs, bilingual and vocational students, as well as transportation.

For special education, the new formula relies on a census method that ensures all districts receive special education funding. The census method counts all students within the district and projects special education needs by multiplying any excess costs related to special education services by the statewide classification rate. That calculation is then multiplied by the district's total enrollment.

The new formula also includes Adjustment Aid so that districts that would receive less funding under the new formula continue to receive the same level of funding prior to passage of the School Funding Reform Act. Also, the state makes contributions outside the funding formula to teacher pension plans for districts and charters alike.

The new funding formula has been designed to augment the additional funding received by the former "Abbott" districts in the state by using weights that provide additional funding to students with additional needs, as well as funding for districts that cannot generate their portion of funding through their local tax structure. Based on the extensive involvement of New Jersey's Supreme Court in education funding, the court approved the new funding formula under the condition that it be fully funded in its first three years. The state, however, cut public education funding in 2011 by 15 percent, causing the court to declare that the state had violated its ruling, thus requiring the state to provide \$500 million in additional funding to the poorest districts in the state.

How New Jersey Funds Its Charter Schools

New Jersey charter schools receive funding based on the School Funding Reform Act. However, they do not qualify for the Adjustment Aid described above. Additionally, charter schools do not receive school building aid, nor school construction debt service aid. Charters also receive no state funding for transportation. Districts, however, must either provide transportation for charter school pupils or provide transportation funding to charter schools.

Funding for Public School Facilities

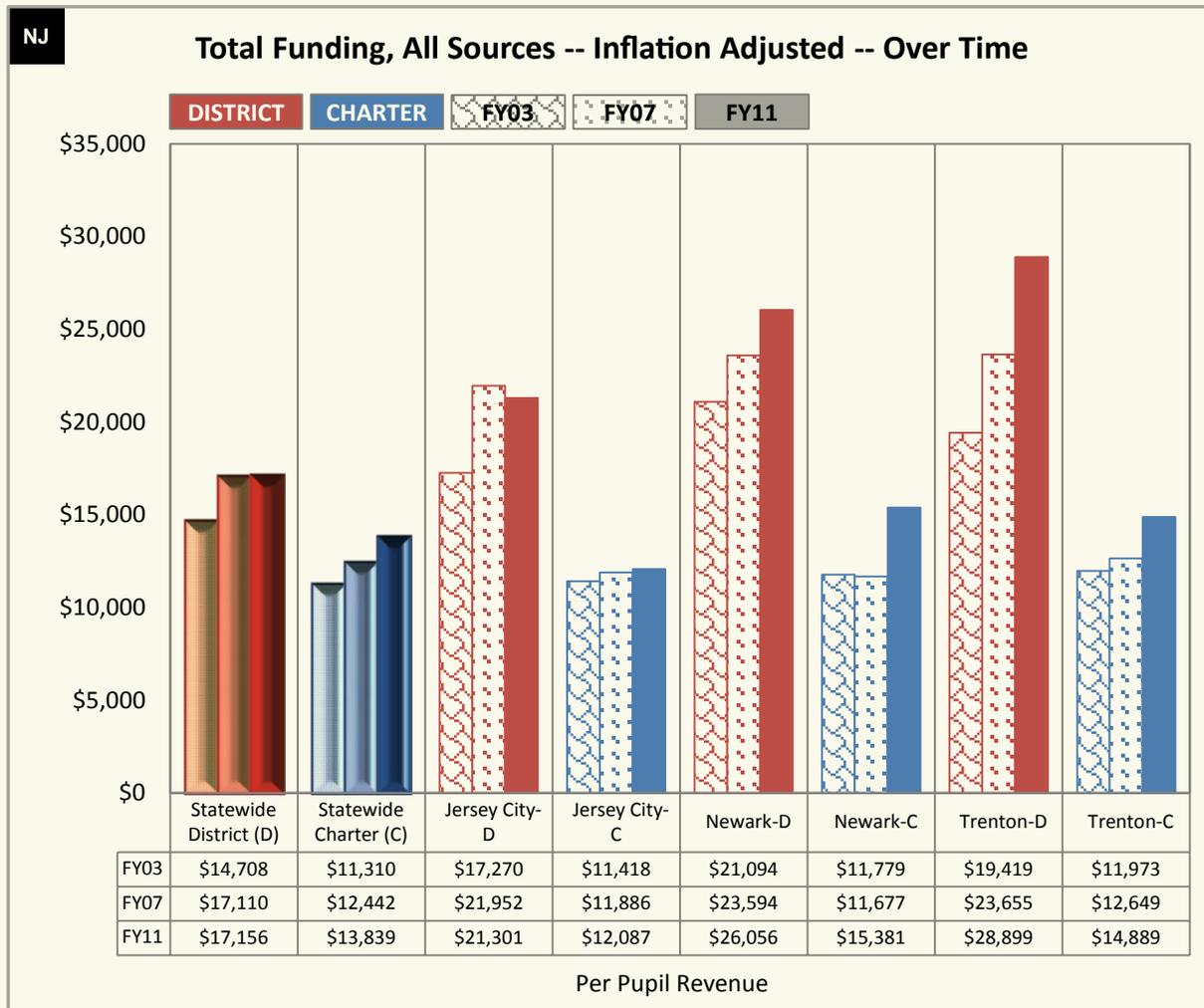
State statutes in New Jersey have not addressed facilities needs of charter schools. Charters do not have access to available public school facilities, nor does the state provide assistance with facilities financing.

Long-Term Funding Patterns

For New Jersey, we now have three point-in-time snapshots of public education funding for FY03, FY07, and FY11.³ Please note that in the presentation and discussion of longitudinal data that follows, the figures used are inflation adjusted to 2007 dollars and differ from figures presented in Figure 3, which includes actual and weighted per pupil revenues representing FY11 only. The inflation adjusted per pupil revenues in Figures 6 – 8 are for comparative purposes only. Refer to the Methodology section for more on inflation adjustments.

Total Funding

Figure 6



Public education funding for New Jersey districts grew 16.6 percent between FY03 and FY11, growing from \$14,708 to \$17,156 per pupil in FY11 (Figure 6). The majority of the increase occurred between FY03 and FY07, when funding grew 16.3 percent, but funding flatlined between FY07 and FY11, when districts recorded an increase of 0.3 percent, or \$46 per pupil. Statewide, funding for New Jersey’s charter schools grew by 22.4 percent, rising from \$11,310 to \$13,839 per pupil. Total funding for the state’s charter schools grew moderately between FY07 and FY11, increasing by \$1,397 per pupil, or 11.2 percent.

Jersey City's districts fared well from FY03 to FY11 with total revenues increasing by 23.3 percent, from \$17,270 per pupil to \$21,301 per pupil. However, funding for districts turned negative during the downturn in the economy, falling \$651 per pupil between FY07 and FY11, or 3.0 percent. The city's charter schools recorded a modest increase in total funding between FY03 and FY11, from \$11,418 per pupil to \$12,087 per pupil, or an increase of 5.9 percent. Charters recorded a more modest increase in funding during the period of the financial crisis, when Jersey City charter schools recorded a 1.7 percent increase in funding between FY07 and FY11, only \$201 per pupil (Figure 6).

Newark's districts also recorded increases in funding from FY03 to FY11 with total revenues increasing by 23.5 percent, from \$21,094 per pupil to \$26,056 per pupil. Newark's district recorded more modest funding increases during the downturn in the economy, rising \$2,462 per pupil between FY07 and FY11, or 10.4 percent. The city's charter schools also recorded a robust increase in total funding between FY03 and FY11, from \$11,779 per pupil to \$15,381 per pupil, or an increase of 30.6 percent. The majority of Newark's charters funding growth occurred during the period of the financial crisis with charter school total funding increasing \$3,704 per pupil between FY07 and FY11, or 31.7 percent.

Trenton's district schools recorded the highest increases of any of the focus areas and far exceeded the state average with total funding increasing \$9,480 per pupil between FY03 to FY11, with total revenues increasing by 48.8 percent, from \$19,419 per pupil to \$28,899 per pupil (Figure 6). Increases in funding remained strong during the economic downturn, rising \$5,244 per pupil between FY07 and FY11, or 22.2 percent. The city's charter schools also recorded positive growth in revenues but not as significant as the gains by the district. Total funding rose \$2,916 per pupil between FY03 and FY11, rising from \$11,973 per pupil to \$14,889 per pupil, or 24.3 percent. Charter funding continued to grow during the period of the financial crisis, where funding rose by \$2,240 per pupil between FY07 and FY11, or 17.7 percent.

Total Funding Less Other

Our study includes total funding whether the funds originate from public or private sources. Other is comprised primarily of philanthropic dollars, which can play a significant role in the financing of charter schools. Therefore, we have removed Other dollars from this level of analysis to determine if funding from public sources is distributed equitably to districts and to charter schools. Public includes Local, State, Federal, Indeterminate-Public, and where we cannot determine the source, Indeterminate.

Public education funding from Local, State and Federal sources for New Jersey's school districts rose by \$2,117 per pupil between FY03 (\$14,708) and FY11 (\$16,825), or 14.4 percent (Figure 7). Public funding for districts statewide remained static during the economic crisis from FY07 to FY11, rising only \$256 per pupil over a four-year period, or 1.5 percent. Statewide charter schools also recorded an increase in their funding between FY03 and FY11 of \$2,386 per pupil, or 21.1 percent. Public funding for charters statewide increased during the economic crisis, as well, by \$1,317 per pupil, or 10.6 percent.

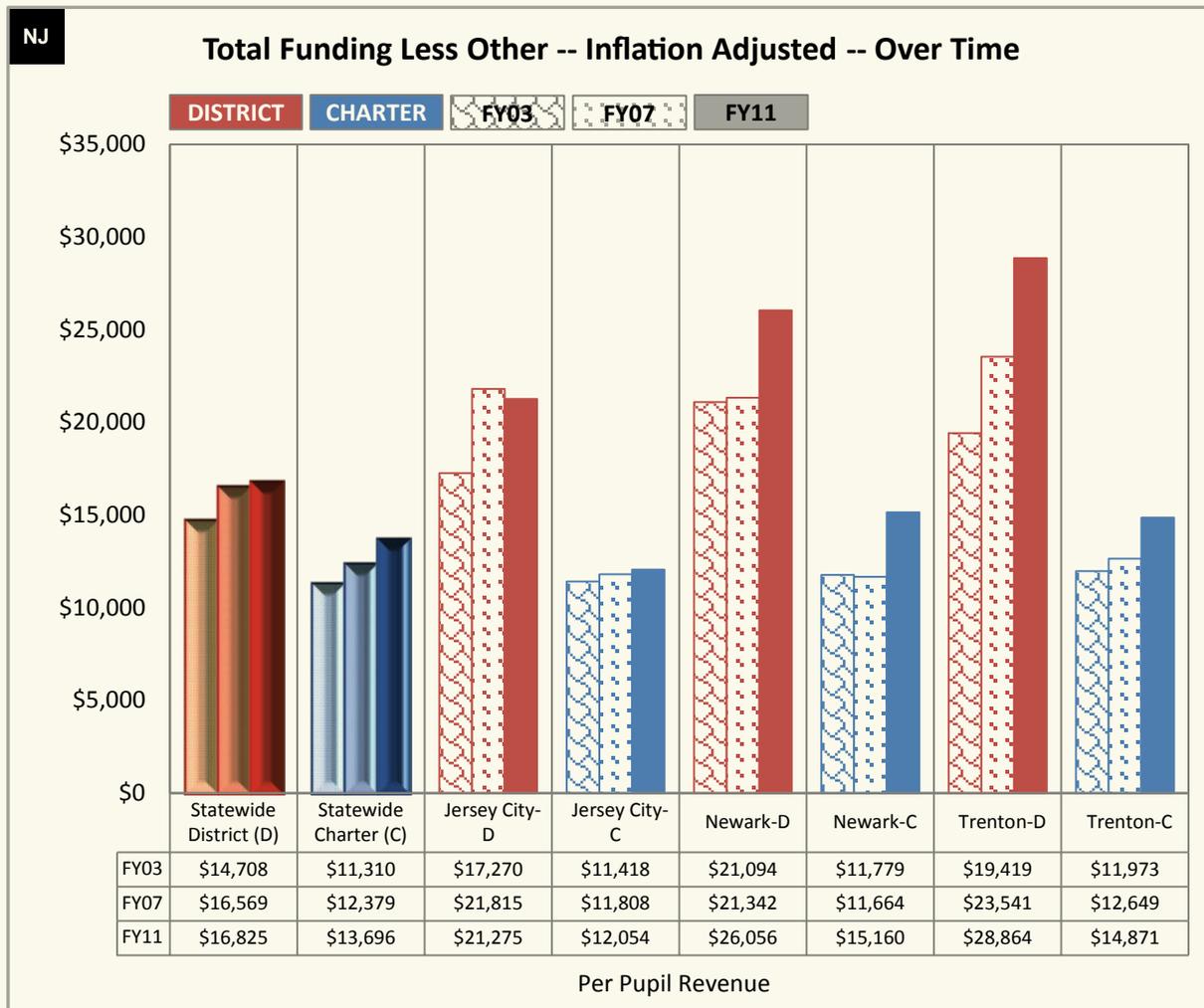
Jersey City's district recorded growth in public funding between FY03 and FY11 – 23.2 percent, rising from \$17,270 in FY03 to \$21,275 in FY11. However, district funding from public sources declined with the downturn in economic prosperity, falling 2.5 percent between FY07 and FY11, or \$540 per pupil. Charters in Jersey City recorded a modest increase in public funding between FY03 and FY11, rising from \$11,418 per pupil to \$12,054 per pupil. During the recession, public funding for the charters in the city grew slightly, rising 2.1 percent between FY07 (\$11,808) and FY11 (\$12,054).

Newark's district recorded public revenue growth similar to Jersey City's district with a 23.5 percent increase between FY03 and FY11 – rising from \$21,094 in FY03 to \$26,056 in FY11. Most of the district's gain in funding occurred during the downturn in the economy when public funding rose 22.1 percent, or \$4,714 per pupil. Newark charters recorded similar patterns to the district with 28.7 percent growth in public funding between FY03

and FY11, rising from \$11,779 per pupil to \$15,160 per pupil. The majority of increase for the charters actually occurred during the economic slump when public funding for the charters rose 30.0 percent, or \$3,496 per pupil between FY07 and FY11.

Trenton’s district schools recorded robust growth in public funding between FY03 and FY11 – 48.6 percent, rising from \$19,419 in FY03 to \$28,864 in FY11. Funding during the downturn in the economy grew at a slower rate, 22.6 percent, rising from \$23,541 per pupil to \$28,864 per pupil. Charters in Trenton also experienced an increase in public funding between FY03 and FY11, rising from \$11,973 per pupil to \$14,871 per pupil, or 24.2 percent. During the recession, public funding for Trenton charters rose 17.6 percent, or \$2,222 per pupil between FY07 and FY11.

Figure 7



In Newark, the district recorded significant Other revenues for districts in FY07 of \$2,252 per pupil but \$0 in FY11. Distribution of funds from Mark Zuckerberg’s \$100 million gift to the city for public education had not yet commenced in FY11. Newark charters, however, recorded gains in Other revenue for the same period, from \$13 per pupil in FY07 to \$222 per pupil in FY11, or an increase of 1,604.9 percent.

Trenton’s district recorded declines in Other revenues during the economic downturn, falling from \$114 per pupil in FY07 to \$35 per pupil in FY11, a decline of 69.3 percent. Trenton’s charters recorded Other revenue for the first time in FY11 at \$18 per pupil.

Changes in Funding Results

Figure 9 shows the percentage increase/decrease in funding between FY03 and FY11 by each type of revenue stream. Because of the complications and changes in data availability and reporting quality for many states in this study for charter schools, the data reported in this figure may be somewhat misleading. The large percentile increases in federal funding represent the attempt by the federal government to compensate for the decline in Local and State funding during the downturn in the economy. New Jersey’s districts recorded a 37.8 percent increase in Federal funding between FY03 and FY11, while charters in the state recorded a 17.2 percent increase. New Jersey school districts also recorded gains in State funding with higher percentages recorded by the focus area districts. However, while State funding increased for charters statewide, charters in Jersey City and Newark recorded double digit declines of 18.3 and 26.6 percent, respectively. Finally, districts recorded increases in Local funding from FY03 to FY11, ranging from 20.8 percent statewide to a 108.3 percent increase in Trenton. Local funding for charter schools, however, recorded declines ranging from 16.9 percent statewide to 73.0 percent in Trenton.

Figure 9

NJ Per Pupil Revenue -- Inflation Adjusted -- Over Time Percentage Increase / Decrease (black shading)						
From/To:	FY2003 / FY2011	Federal	State	Local	Other	Total
Statewide District (D)		37.8%	1.5%	20.8%	N/A	16.6%
Statewide Charter (C)		17.2%	9.5%	-16.9%	N/A	22.4%
Jersey City-D		69.7%	14.4%	52.3%	N/A	23.3%
Jersey City-C		24.8%	-18.3%	-16.8%	N/A	5.9%
Newark-D		40.9%	20.3%	35.4%	N/A	23.5%
Newark-C		30.8%	-26.6%	-21.9%	N/A	30.6%
Trenton-D		69.6%	43.3%	108.3%	N/A	48.8%
Trenton-C		-13.6%	124.8%	-73.0%	N/A	24.3%

Finally, Figure 10 shows changes to the variance in funding between New Jersey’s districts and charter schools for FY03, FY07 and FY11. The variance represents the difference in funding between a district and the charters located within the boundaries of the district. When the percentage nears or is at zero, the district and the charters are being funded equitably. Statewide, the variance has narrowed from 23.1 percent in FY03 to 19.3 percent in FY11. The disparity in most of the focus areas, however, has widened. For Jersey City, the funding disparity between districts and charters has widened from 33.9 percent to 43.3 percent. In Newark, the disparity has narrowed from 44.2 percent to 41.0 percent. In Trenton, the disparity has broadened 38.3 percent in FY03 to 48.5 percent in FY11.

Figure 10

NJ Disparity as Percent of District -- Over Time			
Negative Disparities Mean Districts Receive More (red text)			
Focus Area	FY2003	FY2007	FY2011
Statewide	-23.1%	-27.3%	-19.3%
Jersey City	-33.9%	-45.9%	-43.3%
Newark	-44.2%	-50.5%	-41.0%
Trenton	-38.3%	-46.5%	-48.5%

Select Enrollment Characteristics⁴

Figure 11 below shows data for both charter and district select student enrollments that often result in additional revenue. We include this data, if available, to look at possible differences in the types of students served to discern if high need student populations may be resulting in higher levels of funding for either charters or district schools.

At the statewide level, fewer New Jersey district schools were Title I eligible than New Jersey charter schools, 57.4 percent versus 94.4 percent, respectively. The differences in the number of free or reduced-price lunch students also indicates a higher percentage of those students attending charter schools, 32.1 percent to 69.4 percent, respectively. However, districts in the state serve a higher percentage of special education students than do the state’s charter schools, 16.2 percent versus 9.1 percent, which could explain a portion of the variance in funding.

Figure 11

NJ Select Enrollment Characteristics									
Student Group >>>	Percentage of Total Enrollment								
	Free & Reduced Lunch			Title I			Special Education		
	Year >>>	FY03	FY07	FY11	FY03	FY07	FY11	FY03	FY07
Statewide District	26.9%	26.9%	32.1%	N/A	50.7%	57.4%	N/A	N/A	16.2%
Statewide Charter	62.9%	65.3%	69.4%	N/A	90.6%	94.4%	N/A	N/A	9.1%

Funding Practices Summary

Figure 12

NJ Funding Practices Summary									
PURPOSE	GRADE			FUNDING				REF	
	FY2003	FY2007	FY2011	Federal Source	State Source	Local Source	Facilities Source		
<i>This table summarizes answers to key funding mechanism questions in context with a grade based on actual funding results.</i>	F	F	F						
	Grade based on % of Weighted Funding Disparity								
ACCESS TO FUNDING SOURCES									
Do charter schools have access to this funding source according to state statutes?				Y	Y	Y	N		
In practice, do charter schools have at least as much access to this funding source as districts have?				Y	Y	N	N		
Do charter school students receive at least 95% as much per pupil in revenue for this source as district students?				Y	Y	N	N		
DATA AVAILABILITY									
Does the state provide reasonable access to detailed public data on federal, state, local, and other revenues for district schools?							Y		
Does the state provide reasonable access to detailed public data on federal, state, local, and other revenues for charter schools?							Y		
FUNDING FORMULA									
Are charter schools treated as LEAs for funding purposes?							Y		
Does the state provide funding for charter schools and districts based primarily on student enrollment?							Y		

Endnotes

- 1 The New Jersey Department of Education provided the 2010-11 district and charter revenue data used for this study.
- 2 Education Commission of the States. <http://schoolfinancesdav.files.wordpress.com/2013/08/50-state-survey-vol-ii-irevfinalbu.pdf>
- 3 Data for FY03 compiled by the authors for the Thomas B. Fordham Institute report, *Charter School Funding: Inequity's Next Frontier*, 2005. Data for FY07 compiled by the authors for the Ball State University Report, *Charter School Funding: Inequity Persists*, 2010.
- 4 National Center for Educational Statistics (NCES). Common Core of Data, Table Generator, FY11: <http://nces.ed.gov/ccd/elsi/>. NCES had no Title I or free or reduced price lunch data entered for 1 charter school or 5.0% of all charter schools. Likewise, the file had no Title I or F&RPL data entered for 10 district schools or 5.0% of all district schools statewide. These schools were omitted from the tally.