**NJPSA Testimony on FY 2027 State Budget Proposal**
**Before the Senate and Assembly Budget Committees**
**March 31, 2026**

Thank you for the opportunity to share the perspective of the NJ Principals and Supervisors Association on Governor Sherrill's proposed budget for fiscal year 2027.NJPSA represents over 9,000 school leaders across New Jersey serving in the positions of principal, assistant principal, director, and supervisor.

**Our Thanks**

We begin by expressing our deep appreciation to this Legislature for your ongoing investment and support of our students, our public schools and educators. We appreciate your consistent investment in our educational system, which we believe is the key to success for New Jersey citizens and our state as a whole. Our members are deeply grateful for the continued full state contributions to public employee pension systems, including TPAF, and encourage your continued, full payment support for fiscal year 2027. We, along with our educational colleagues, other public servants, taxpayers, and credit ratings agencies, recognize the importance of honoring New Jersey's commitment to its public workforce and reducing the long-term system costs of our public pension systems.

**Support for FY 27 Education Budget Proposals**

At a time of difficult statewide budget challenges, we are truly thankful for Governor Sherrill's proposed FY 2027 budget, which continues to prioritize the education, safety and welfare of New Jersey students. In recognition of the rising costs facing school districts, we strongly support the much-needed $372 million increase in state formula aid through continued full funding of the School Funding Reform Act (SFRA) as positively modified in FY 26 and proposed FY 27. This overall $12.4 billion investment in state formula aid to schools, along with additional programmatic increases in critical education areas, exemplifies the saying, "A budget is a true statement of one's priorities."

Last budget season, Governor Murphy and the State Legislature considered significant stakeholder input concerning the SFRA, its need for updates to reflect the breadth of current educational costs, and the need for formula modifications to address recurring issues that rendered the formula unpredictable and unstable for a significant number of school districts. Although there was significant movement on legislation to permanently address these issues, the final FY 2026 budget included one-year modifications for the fiscal year to address these concerns, instead of a permanent legislative solution.
NJPSA supported and continues to support key FY 26 formula changes enacted through budget language **which are included again in the development of the FY 27 budget proposal.** These include :

- The use of updated cost factors adopted in the Education Adequacy Report developed by the NJDOE and endorsed by the Legislature that recognized, to some extent, increased educational costs. We do recommend that a broader funding study of the SFRA be conducted to proactively address ongoing formula issues before the FY 28 budget cycle.

- The establishment of "guardrails" on state aid gains and losses by capping districts' aid reductions at 3% and districts' aid gains at 6% of the prior year. Although this is an imperfect and **short-term** solution, it is appropriate to continue these guardrails in FY 27 to ensure statewide funding stability until a funding study is completed and **long-term** legislative changes adopted. It is unwise to repeat the mistakes of the past of moving away from the formula itself with an end result of funding no longer following the student.

- The continued adoption of formula "stability factors" that address the volatility and unpredictability of state aid distributions including the use of multi-year averages in the calculation of local wealth and local fair share requirements.

- The utilization of actual student enrollments, not the artificial, census-based methodology contained in the SFRA, to fund the excess costs of special education. Funding should be based upon actual students and their needs, not a state average classification rate.

- Continued funding of the "extraordinary special education costs" that can devastate local district budgets in every type of school district across the state. The FY 27 budget however, flat funds this important source of funding for districts at $420 million, an amount that only funds half of the extraordinary aid reimbursements that districts are eligible to receive.

- The adoption of budget transparency tools that are timely, user-friendly and comprehensive.

- Continued commitment to New Jersey's core educational and student welfare goals including investments in preschool expansion, food security for all students, mental health services, literacy initiatives and high impact tutoring programs that are speeding the academic recovery of many students.

**Programmatic Priorities**

In addition to our support of the formula modifications noted above, NJPSA fully supports the programmatic priorities for education contained in the Governor's FY 27 Budget Proposal. Specifically, we endorse the proposed 9.3% proposed increase to Preschool Education Aid which will continue to support existing programs, but also expand this life-changing learning opportunity to students in new school districts.

NJPSA further supports proposed increases to high impact tutoring programs that double the state's investment in providing academic support to students statewide. As we work to implement new statewide literacy frameworks, these high impact tutoring grants will reinforce district work and provide individualized assistance meeting students where they are in their learning.

A core concern of NJPSA members is addressing student mental health challenges that impact student well being and their academic goals. We appreciate Governor Sherrill's immediate efforts to address internet safety issues through the creation of the Office of Youth Online Mental Health within the Department of Health

and her heightened focus on social media impacts on students through a dedicated Social Media Research Center. Our members grapple with the high rates of student anxiety, depression, substance abuse, absenteeism, bullying/cyberbullying and ongoing behavioral challenges at school. We fully endorse all student mental health and internet safety efforts supported by the budget and offer our expertise as a continuum of solutions to these challenges is considered.

A particular budget proposal that interests our members is the proposed shift from the current NJ4S (NJ Statewide Student Support Services) student welfare system in the Department of Children and Families to a new program, SPARKS (School-based Partnerships for Access and Resilience for Kids), to be based in the NJDOE. As we await more details, NJPSA is currently surveying our members for their experiences with NJ4S, the level and type of mental health services needed, and their recommendations for the development of SPARKS. One point that is already evident in member survey responses is the need to maintain the NJ4S services available to districts until a new program is clearly developed, funded and ready for use. We agree that there is a need to expand the range of student mental health services; we agree that there is a resource gap for complex, high-acuity student needs; and we recommend that the services be focused on school premises wherever possible to meet student needs in all areas of the state. We look forward to sharing our full survey results with you to further define the opening focus of the SPARKS program.

**Related Issues and Recommendations**

1. **The Need for Cap Flexibility**

All New Jersey school districts, regardless of state aid levels, must live within a two percent tax levy cap, with some adjustments permitted by law, including adjustments for certain health care costs, pension contributions, enrollment increases and state aid reductions. Yet, all districts are grappling with cost increases that far outstrip formula increases, the cost-of-living index, and current permissible adjustments. A key example is the astronomical increase in employee health care costs which increased over 31% in FY 26 with another double digit increase projected for FY 27. Similarly, transportation costs have skyrocketed and that is even before factoring in the high cost of fuel we are now experiencing as a result of the Iran War.

Additionally, the current tax levy cap structure serves as a barrier to school districts spending below the “adequacy level” defined by SFRA, for their local fair share to fund local schools at the level the SFRA has determined is needed to provide a thorough and efficient system of education.

As a result, NJPSA recommends the inclusion of budget language to enhance local budget cap flexibility so districts can raise taxes to meet student needs, maintain programs, staffing and services, and assist districts in “funding up” to their local fair share levels.

2. **The Need for Long-Term Formula Modifications**

The SFRA distributions of state aid to New Jersey districts in the FY 27 Budget Proposal will result in 400 school districts receiving an increase in state aid, 167 districts seeing cuts in state aid, and 7 districts experiencing level funding. As budget testimony has demonstrated, many of the districts losing funding have

been losing funding for several years. This means that these districts are no longer cutting out the “extras” in a school program, but are now cutting the core program. With the state’s strong investment in our schools, this cannot continue.

For this reason, NJPSA joins our education colleagues in proposing an intensive study of the funding formula and its distribution of aid across districts. We believe that the formula needs further updating to include cost factors that did not exist in 2008 when the formula was developed. These include technology costs, curriculum costs after the expansion of NJ Learning Standards and subjects, security costs, specialized transportation costs and more. We further believe that the formula, while fundamentally sound, does require some modifications, as evident by the FY 26 and FY 27 budget language, to meet school district needs in 2026 and beyond.

Additionally, an issue of particular concern, that potentially impacts all school districts, is extraordinary aid for high cost special education needs. This specialized funding provides reimbursement to school districts experiencing “extraordinary” special education costs at a level determined by statutory thresholds. However, in practice, the funding levels of this pot of money included in each annual budget determine actual district levels of reimbursement that are pro-rated. In FY 26, reimbursement covered only 51% of eligible costs. Extraordinary Special Education Aid has been flat funded at $420 million over the past four years while district costs in this area grow disproportionately. As part of the funding review, the current eligibility thresholds for this form of aid should be reviewed and updated.

A related area that requires broad stakeholder engagement is the ever rising cost of health insurance in both the public and private sectors. These costs and our current system of health care need deep study and creative solutions, or school districts and the students we serve will continue to be compromised by the massive health care increases that go unchecked in our state.

3. **Unmet School Facilities Needs**

The FY 27 Budget Proposal maintains funding for current Schools Development Authority (SDA) projects that are underway with an additional $50 million for emergent projects. The unmet need for school facilities construction, repairs, modernization and emergent projects is significantly higher in cost and scope than what is proposed in the budget. NJPSA supports current legislation (S-3382 (Ruiz) to address the school facilities crisis through the authorization of a $10 billion bond referendum to fund school construction, repair, renovation to meet the needs of both SDA districts and non-SDA districts across the state.

**Conclusion**

Thank you for your consideration of NJPSA’s perspective and recommendations on the FY 2027 Budget Proposal. We look forward to working with this Legislature, the Sherrill Administration and all stakeholders to develop a budget that will meet the needs of New Jersey students and taxpayers.

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