



**New Jersey State Legislature  
Office of Legislative Services  
Office of the State Auditor**

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**EXECUTIVE SUMMARY**

**DEPARTMENT OF EDUCATION**

**STATE AID**

**July 1, 2014 to May 31, 2016**

We found state aid payments to local school districts were calculated in compliance with the applicable Appropriations Acts, and were reported properly in the accounting system. However, since the Appropriations Acts superseded the School Funding Reform Act of 2008 (SFRA), the funding was not calculated in compliance with the SFRA. In making these determinations, we noted K-12 formula aid and Preschool Education Aid were not always commensurate with the districts' student populations and demographics. We also found the department has not resolved significant conditions noted in our prior report regarding Special Education Categorical Aid and Preschool Education Aid.

**AUDIT HIGHLIGHTS**

- The SFRA formula distributes aid based on district enrollment and student demographics (income, special education, language barriers, etc.), as well as other factors such as district wealth and property values. The SFRA formula aid has not been distributed per statute since fiscal year 2009. Starting in fiscal year 2010, the Appropriations Acts began superseding part, or all, of the formula. During fiscal years 2015 and 2016, no data from either year was applied to the formula to determine funding. Consequently, there were significant differences between actual funding and what the SFRA dictates.
- Pursuant to the SFRA, Special Education Aid is provided to school districts to support the costs of providing services to general special education students. As indicated in our prior report, utilizing an average classification rate is only reasonable if districts have an insignificant deviation from the average. Our review of districts with 100 or more special education students in fiscal years 2015 and 2016 found that 234 districts (59 percent) and 258 districts (64 percent), respectively, had an actual classification rate that deviated more than 10 percentage points from the statewide average classification rate of 14.78 percent. As a result, district funding is not commensurate with actual enrollment of classified students in many instances.
- Per the SFRA, Preschool Education Aid is provided only to districts that received Early Childhood Program Aid, Early Launch to Learning Initiative Aid, or Preschool Expansion Aid in fiscal year 2008. As noted in our prior report, these districts annually project their preschool enrollment and receive a fixed amount of aid for each student based on placement. Our review noted that every district overestimated their projected enrollment in fiscal year 2015, resulting in overpayments to 32 districts totaling \$25.7 million. In fiscal year 2016, 33 districts overestimated their projected enrollment, resulting in 30 districts being overpaid a total of \$32.9 million.

**AUDITEE RESPONSE**

The department, in most cases, concurs with our findings and recommendations. They disagreed with our finding related to Special Education Aid.

For the complete audit report, click [here](#).