



It’s been twenty-two years since New Jersey’s first thirteen charter schools were approved by the state, yet district and charter school funding continues to be misunderstood. Here are the basics:

**What is the biggest misconception about charter school funding?**

It is widely believed that the State of New Jersey provides the funding for the charter schools it approves.

**Who funds public education in New Jersey?**

The state of New Jersey, like most states, relies on local tax dollars to fund the majority of each municipality’s public schools. The people of Hoboken pay for Hoboken’s public schools—both district and charter schools.

**Where do those tax dollars come from?**

Public education in New Jersey is primarily funded by the real estate taxes paid by each town’s property owners. A look at a typical Hoboken property tax bill shows that the largest portion (40%) goes to Hudson County to pay for county roads, county parks and open spaces, the county schools (e.g., County Prep and High Tech), the county sheriff’s department, and so on. The next largest portion (35%) goes to the City of Hoboken to fund municipal services, open space, and the public library. And 25% funds Hoboken public education—the district schools and the city’s three charter schools.

	CITY OF HOBOKEN	HUDSON
	EXPLANATION OF TAXES	
DESCRIPTION	RATE PER \$100	AMOUNT OF TAX
COUNTY TAX	0.630	7149.23
SCHOOL TAX	0.402	4561.90
LOCAL MUNICIPAL TAX	0.482	5469.74
COUNTY OPEN SPACE TAX	0.016	181.57
MUNICIPAL OPEN SPACE	0.020	226.96
MUNICIPAL LIBRARY TAX	0.049	556.05

**Doesn’t the state fund public education?**

The reliance on local property taxes for public education is what led to the New Jersey Supreme Court landmark Abbott ruling in the mid-1980s. The court concluded that tying a town’s real estate to its public education resulted in unequal and, therefore, unconstitutional funding. In other words, children in poor urban districts were not getting the same educational opportunities as children in the more affluent suburbs. And so the court ordered the state to provide *supplemental* funding (called Equalization Aid and, later, Adjustment Aid) to about 30 so-called Abbott Districts\* (of which Hoboken was one) in order to close that funding gap.

In addition to this supplemental aid, the state also provides districts with Categorical Aid—funds to provide specific programs (primarily for special needs students) depending on a district’s specific student population. Also, like all former Abbott districts, Hoboken is required to provide free preschool for its three- and four-year old children—the intent being to give young children of less affluent families the same access to quality preschool that more affluent families can afford. The state provides 100% funding for that preschool program, which the district manages on behalf of the state on a needs-free basis.

In 2018, the state reexamined its policy of supplemental aid. As a result, Hoboken is one of many

\* The former Abbott districts are now called SDA Districts (SDA being short for School Development Authority).

New Jersey districts that will face millions of dollars in reduction of state aid—over \$4 million in the case of Hoboken. Recognizing that one-time reductions of such magnitude would be catastrophic to districts, the reductions will be spread out over seven years and began in 2018. Hoboken lost \$528,000 in the first year, another \$501,000 this year, and five more significant reductions through 2025.

### **Who decides the school tax?**

With a few exceptions, most school districts in New Jersey operate independently of their local municipal governments, with each district having its own publicly elected school board. These local boards of education are authorized by the state to levy taxes on local citizens for the purpose of funding that town's public schools. Although Hoboken's three charter schools, each with its own board, operate independently of the Hoboken district school board, it is the sole responsibility of the Hoboken Board of Education (HBOE) to raise the local taxes necessary to fund all of Hoboken's public schools, which includes the charter schools.

### **How does the HBOE decide what to budget for charter schools?**

It doesn't. The HBOE is told what to budget for charter schools by the state. The state calculates a per-pupil amount and multiplies that by the number of charter school pupils.

### **What is the charter school per-pupil amount?**

The Charter School Program Act of 1995 requires the local district to provide the local charter schools with a per-pupil amount equal to 90% of what the state calculates a district spends to educate its own district students.

But it's more complicated than that. For instance, the state's formula for calculating charter school per-pupil funding assumes that children in primary grades cost less to educate than students in upper elementary and high school. It also factors in student socioeconomic and special education data. That is why the per-pupil amount varies from charter school to school (\$13,285 for Elysian Charter School; \$12,412 for Hoboken Dual Language Charter School; and \$12,343 for Hoboken Charter School).

### **If the charter school gets 90%, does the district get to keep the other 10%?**

No. The state dictates to the HBOE how much it must provide to the charter schools. This amount is then included in the district's overall budget which must then be collected locally through adequate taxation.

### **If Hoboken property owners fund the district and charter schools, why would the Hoboken Board of Education care about an increase in charter school funding?**

First, as the only publicly elected school board in Hoboken, it is the HBOE, not the charter school boards, that faces exposure to voter discontent over tax increases for public education.

But second, and more important: under former Gov. Christie's tax reforms, school districts are limited to a modest 2% increase (a "2% cap") over the previous year's local tax levy. There is no way for a district to raise additional revenue beyond the 2% cap except for specific waivers.

This funding method—the 2% cap plus waivers—is intended to provide New Jersey districts, most of which do not fund charter schools, with a modest but adequate annual budget increase that is fair to local taxpayers.

However, an increase in Hoboken children enrolling in charter schools could result in HBOE costs exceeding the maximum revenue it can raise. In that event, the district would need to cut, curtail or modify its own programs in order to meet its obligation to fund the charter schools. (Such was the case in 2019–2020. The allowable 2% increase totaled \$942,000. However, the charter school increases totaled \$653,000, leaving the Hoboken district with an actual tax increase of only \$289,000.)

