



New Jersey Senate Democrats

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SWEENEY PROPOSES LANDMARK \$758M SCHOOL FUNDING REFORM UNDERWRITTEN BY RECAPTURING FEDERAL CORPORATE WINDFALL

Senate President's plan would begin to shift responsibility for special education to state level, increase aid to underfunded districts for enrollment growth, and expand preschool funding

TRENTON – Senate President Steve Sweeney today unveiled a landmark \$758 million school funding overhaul that would increase aid to underfunded districts, expand preschool programs and fully fund the state share of special education as part of an overall plan to shift responsibility for special education to the state level.

The Sweeney plan would be the largest increase in state funding for education in more than a quarter-century. It would provide significant property tax relief by recapturing just one sixth of the massive Republican federal corporate tax windfall that is being financed on the backs of taxpayers in New Jersey and other high-cost states, and it continues the shift of state aid from overfunded to underfunded districts.

“This plan keeps our commitment to school funding fairness for taxpayers by providing more money to districts with growing enrollments and phasing out extra funding for students who are no longer there,” said Senator Sweeney. “It keeps our promise to expand preschool education because it is the best investment we can make in the future of our children and our state.

“Best of all, this plan is a fundamental reform that addresses the crisis in special education highlighted last year by our bipartisan Senate Select Committee on School Funding Fairness,” he said. “With this initiative, we fully fund the state share of Extraordinary Special Education Aid, we fully fund Special Education categorical aid, and we will be introducing legislation to shift responsibility and oversight of special education to the state level.”

The Sweeney plan would provide \$431 million for special education aid that will go to every school district in the state, \$277 million in increased aid to underfunded districts, and \$50 million in additional preschool grant funding that will be available on a competitive basis to any school district that wishes to apply.

The program would be paid for a 3% surcharge on the Corporate Business Tax projected to raise \$657 million – of which \$26 million will go to environmental programs as a result of previous constitutional dedication – and by shifting \$127 million from districts that have been getting more than their fair share of state aid in the decade since the School Funding Reform Act was enacted.

“Like the bipartisan plan that Senators Sarlo, Oroho, Bucco and Singleton unveiled yesterday that will save the owners of New Jersey companies a minimum of \$4.8 billion by enabling S Corporation and partnership income to be paid at the entity level, today’s proposal continues our effort to recalibrate our tax structure in a smart way that fully takes into account the impact of the new federal tax law,” Senator Sweeney said.

“The tax plan enacted by the Republican Congress slashed the federal corporate tax rate from 35 percent to 21 percent, while sharply cutting the income tax deduction for state income taxes and local property taxes on which millions of New Jerseyans depended,” he said. “My legislation will recapture about one sixth of that corporate windfall by imposing a 3 percent surcharge only on corporations earning over \$1 million and using that money to improve our schools and reduce our overreliance on property taxes.”

The Sweeney plan would only affect about 2,375 companies – including out-of-state giants like Walmart – who earn over \$1 million in net income. The 42,000 corporations that earn less than \$1 million would pay no increased tax, nor would the S Corporations or partnerships owned by 260,000 individuals and families that make up 80 percent of New Jersey’s small businesses.

Corporations making over \$1 million in New Jersey profits will pay about \$1.97 billion of the projected \$2.375 billion in Corporate Business Tax revenue this year. Under the new federal tax law, New Jersey corporations will be receiving a federal tax cut of over \$2.9 billion on profits made in New Jersey, of which the Sweeney plan would recapture \$657 million.”

“This is smart tax policy because federal tax law gives preferential treatment to corporations over people and still allows businesses to deduct state and local taxes,” Senator Sweeney explained. “That means that the \$657 million paid by corporations making over \$1 million will be fully deductible as a business expense and will actually cost these companies \$520 million – which is one sixth of the \$2.9 billion federal windfall. Furthermore, businesses will benefit because the money is going into school funding, which holds down property taxes. Businesses pay 35 percent of New Jersey property taxes.”

In fact, the \$581 million net increase in state aid just for special education and formula aid -- not including funding shifted from overfunded districts and dedicated to preschool expansion – is almost twice as much as last year’s total \$295.6 million increase in school property taxes. “With the cap law we have in place, we can ensure that much of the increased funding goes directly to property tax relief,” Senator Sweeney said.

Senator Sweeney noted that his school funding plan would provide over twice as much for underfunded districts as last year’s \$130 million increase. Going into this school year, 84 percent

of New Jersey public schoolchildren – 1,095,344 in all – attended school in underfunded districts. Four-fifths of the 472,464 “at risk” schoolchildren lived in districts that gained funding, as did 86 percent of the 70,600 students with Limited English Proficiency.

The \$50 million increase in preschool funding is twice as much as the \$25 million appropriated by the Legislature last year. Sweeney said he agrees with Senate Education Chair Teresa Ruiz (D-Essex) that this year’s preschool expansion should be a competitive grant program open to all districts, including those that do not currently have preschool programs.

“I am especially excited about the major increase in special education funding because of its impact not only on taxpayers, but on children with special needs,” Senator Sweeney said. “Because the state has not been providing its legally required share of special education funding, parents move from district to district and are forced to file lawsuits to get districts to meet the special education needs of their children. School districts waste money on lawsuits and worry that an influx of children with extraordinary special education needs will force budget cuts elsewhere.

“That’s why the best solution is for the state government to take increased responsibility for the funding and oversight of special education,” he said. “We have a better opportunity to ensure a ‘thorough and efficient education’ for special education students – and in a more cost-effective way – by shifting responsibility to the state, and that’s what I am committed to do.”