Calculating Equalization Aid with Caps on Aid Changes

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1 Introduction

Equalization aid is calculated as the difference between the budget estimated to be required to educate the district student population and the capacity of the district to raise local funds. The budget required to educate the district's student population is known as the Adequacy Budget, AB. The town's capacity to raise local funds is known as the Local Fair Share, LFS. The formula for Equalization Aid, EA, is

$$EA = ReLU(AB - LFS) \tag{1}$$

where $ReLU$ is the Rectified Linear Unit function, a function which returns 0 if given any value below 0, and the input for any non-negative value. This is the mathematical statement that Equalization Aid is never negative.

2 Adequacy Budget

The Adequacy Budget is the cost of educating a district's students. It is composed of two parts. The first is the cost of educating all students. This is composed of a base cost per student, BPA, multiplied by the weighted enrollment, $WENR$ of students in the district. Weighted enrollment accounts for the different cost of educating general education students. Middle and high school students have additional weights, as do students who are not native English speakers or who come from low income households (below 185% of the federal poverty threshold) or both.

The second component is a portion of the cost of educating special education students in the district. Two-thirds of the cost of special education is allocated to the adequacy budget, while the final third is funded directly by the state through categorical special education aid.

3 Local Fair Share

The Local Fair Share is nominally the amount of money a district is expected to raise locally to fund its schools. It is important to note that it is not *actually* the amount a district can raise locally. Many other factors impact the tax levy besides the property values and income of a district. Most importantly, the 2% cap on raising the tax levy constrains the amount of revenue raised, indepedently of changes in district wealth. In addition, it might not be necessary for a district to raise the full amount of the Local Fair Share, if the district is wealthy enough that fully funding its schools does not require raising the full amount of the Local Fair Share.

The Local Fair Share, LFS, is calculated from two measures. First, the sum of all equalized property values within the district, EQV, and second the aggregate household income in the district,

INC. Each of these is multiplied by one of the two rate factors, the property value rate, PVR, and the income value rate, INR, and then averaged to form the LFS.

$$LFS = \frac{1}{2}\left(PVR \cdot EQV + INR \cdot INC\right) \tag{2}$$

If the rate factors were specified independently, then the calculation would be simple. Take each district's Adequacy Budget, AB, then apply the rate factors to EQV and INC, to calculate the LFS. Then, subtract LFS from AB, and get the Equalization Aid. If the Equalization Aid is negative, it is set to zero. The total of all Equalization Aid would then be appropriated by the legislature and distributed.

However, this is not how budgeting is done. In fact, most of the time the governor specifies the amount of money to be budgeted, and the legislature appropriates that money. Only then can the value rates be determined in order to get the total distributed equalization aid to match the appropriated value. Before getting into the mathematics of calculating the rate factors, it is important to understand how this changes the meaning of Local Fair Share.

3.1 The Meaning of Local Fair Share

The key idea is Local Fair Share depends on the rate factors, and the rate factors depend on the amount of money available for Equalization Aid. So, Local Fair Share depends on the amount of money available for Equalization Aid. The amount of money available for Equalization Aid is a policy decision at the state level, it is *not* a reflection of the local districts ability to raise funds. The fact that Local Fair Share changes depending on a state budget decision. That means it is not purely a measure of how much the district can raise locally.

In plain English, Local Fair Share is intended to be a reflection of what a town can afford to pay. It's not. It's a reflection of what the state appropriates, weighted by what the town can afford to pay relative to other towns.

This idea can be understood in looking at WEST ORANGE TOWN's Local Fair Share calculaiton for FY27, shown in Figure 1. As the allocated aid increases, the rate factors decrease, and so does the Local Fair Share. Nothing about the wealth of the district changes, but the Local Fair Share does. Local Fair Share cannot be the amount a district can raise locally if it changes independently of the district's wealth.

Local Fair Share is instead, a measure of how much aid is available, and what share of that aid the district gets, by measuring its wealth relative to other towns. It is only meaningful relative to the Local Fair Share of other districts.

3.2 Procedure for Calculating the Rate Factors

Since there is one piece of specified information, and two unknown rate factors, this is not enough to determine the rate factors unambiguously. The procedure is specified as follows:

1. Calculate the Property Value Rate as if only equalized valuation is used to determine equalization aid

$$TEA = \sum_{i=1}^{N} ReLU(AB_i - PVR \cdot EQV_i) \tag{3}$$

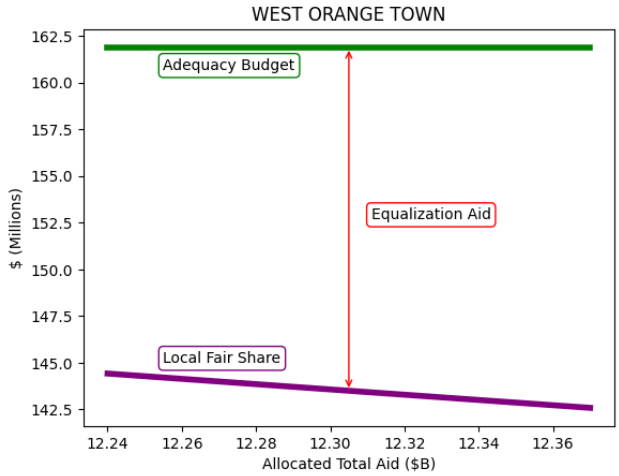


Figure 1: The Equalization Aid calculation for WEST ORANGE TOWN for FY27, depending on how much money is appropriated for overall state aid. The green line is the Adequacy Budget, which does not change no matter how much aid is appopriated. The purple line is the Local Fair Share. As the allocated aid increases, the rate factors decrease, and so does the Local Fair Share. Nothing about the wealth of the district changes, but the Local Fair Share does. The Equalization Aid is the difference between the Adequacy Budget and the Local Fair Share, denoted by the red arrow.

where TEA is the total equalization aid, N is the number of districts, and i indexes the districts.

2. Calculate the Income Rate as if only income is used to determine equalization aid

$$TEA = \sum_{i=1}^{N} ReLU(AB_i - INR \cdot INC_i) \tag{4}$$

3. Adjust both rate factors equally to make sure that the total equalization aid matches the amount specified by the governor and appropriated by the legislature.

$$TEA = \sum_{i=1}^{N} ReLU\left(AB_i - \frac{1}{2}\left(PVR \cdot EQV_i - INR \cdot INC_i\right)\right) \tag{5}$$

Newton's method can be used to solve steps 1 and 2 numerically. The equation to be solved is finding the root of

$$f(PVR) = \sum_{i=1}^{N} ReLU(AB_i - PVR \cdot EQV_i) - TEA = 0 \tag{6}$$

Starting with an initial guess for PVR, PVR_0,the method iteratively updates the guess. The update is given by approximating the function with a linear function at the current guess, and then solving that linear equation for a new guess. The processs is repeated until the fucntion value at

the guess is close enough to the to zero. The linear approximation is given by finding the derivative of the function at the value for the guess, PVR_k,

$$f'(PVR) = -\sum_{i=1}^{N} EQV_i \cdot ReLU(AB_i - PVR \cdot EQVAL_i) \tag{7}$$

Update the value for the guess using a linear approximation for the function:

$$f(PVR_{k+1}) \approx f(PVR_k) + f'(PVR_k)(PVR_{k+1} - PVR_k) \tag{8}$$

Solve for an updated guess by setting the approximation to 0:

$$f(PVR_{k+1}) = 0 \tag{9}$$

$$f(PVR_k) + f'(PVR_k)(PVR_{k+1} - PVR_k) = 0 \tag{10}$$

$$PVR_{k+1} = PVR_k - \frac{f(PVR_k)}{f'(PVR_k)} \tag{11}$$

So, the first update is given by

$$PVR_1 = PVR_0 - \frac{\sum_{i=1}^{N} ReLU\left(AB_i - PVR \cdot EQV_i\right) - TEA}{-\sum_{i=1}^{N} EQV_i \cdot ReLU(AB_i - PVR_0 \cdot EQV_i)} \tag{12}$$

The process is continued until the $f(PVR_k)$ is close enough to zero. The same process is used to find INR.

Once the two rate factor values are found, the final step is to adjust both rate factors equally to make sure that the total equalization aid matches the amount specified, TEA. The same procedure is performed solving for a rate factor adjustment, ΔR that will be added to the two rate factors. However, the goal is not to adjust the rate factors by an identical amount, but to adjust them by an amount that has an equal effect on Local Fair Share for each of the two components. Therefore, the income rate factor is adjusted by an amount equal to the ratio of total equalized property value to total income times the adjustment to the property value rate factor.

$$f(\Delta R) = \sum_{i=1}^{N} ReLU\left(AB_i - \tfrac{1}{2} * ((PVR + \Delta R) \cdot EQV_i - (INR + \alpha \cdot \Delta R) \cdot INC_i)\right) - TEA \tag{13}$$

$$\alpha = \frac{\sum_{i=1}^{N} EQV_i}{\sum_{i=1}^{N} INC_i} \tag{14}$$

The derivative of the function with respect to ΔR is

$$\begin{aligned} f'(\Delta R) = &-\sum_{i=1}^{N} EQV_i \cdot ReLU\left(AB_i - (PVR + \Delta R) \cdot EQV_i\right) \\ &-\sum_{i=1}^{N} \alpha \cdot INC_i \cdot ReLU\left(AB_i - (INR + \alpha \cdot \Delta R) \cdot INC_i\right) \end{aligned} \tag{15}$$

Similarly, the update for ΔR is given by

$$\Delta R_{k+1} = \Delta R_k - \frac{f(\Delta R_k)}{f'(\Delta R_k)} \tag{16}$$

This process is repeated until $f(\Delta R_k)$ is close enough to zero.

4 Validation

The following table shows the results of using this procedure for FY24 and FY25, using only each district's equalized valuation, aggregate income, adequacy budget and the total amount of equalization aid to find the rate factors.

Fiscal Year	Total Equalization Aid	Model PVR	Actual PVR	Model INR	Actual INR
FY24	$8,564,165,004	1.281%	1.281%	5.108%	5.107%
FY25	$9,022,515,555	1.271%	1.271%	5.062%	5.060%

For reference the modeled rate factors for FY26 and FY27 are as follows:

Fiscal Year	Total Equalization Aid	Model PVR	Actual PVR	Model INR	Actual INR
FY26	$9,339,265,430	1.493%	1.494%	5.994%	5.996%
FY27	$9,673,105,763	1.365%	1.368%	5.589%	5.559%

5 Accounting for Caps on Year over Year Changes in State Aid

The algorithm described above does not work when caps are applied to changes in total state aid from year for individual districts. In FY26 Governor Murphy limited districts to no more than a 6% increase from the previous year for the sum of categorical and equalization aid. In addition, districts could decrease no more than 3% from the previous year. Gov. Sherill has recommended continuing these caps for FY27. The procedure for calculating aid with these caps is described below.

5.1 How the Caps are Applied

The caps are applied by first calculating the categorical aid and equalization aid owed to each district. This is then compared to the previous year's aid, which is the sum of adjustment aid, categortical aid and equalization aid *actually distributed* for FY26. $AIDC_{27}$ represents the total calculated aid for the district in FY27, $EQAC_{27}$ is the **calculated** equalization aid for FY27, $SECC_{27}$ is the calculated categorical security aid for FY27, $SPEDC_{27}$ is the calculated categorical aid for special education for FY27, and $TRNC_{27}$ is the calculated categorical aid for transportation in FY27. $AIDA_{26}$ represents the total aid **actually distributed** to the district in FY26, $EQAA_{26}$ is the equalization aid actually distributed in FY26, $SECA_{26}$ is the categorical aid for security actually distributed in FY26, $SPEDA_{26}$ is the categorical aid for special education actually distributed in FY26, and $TRNA_{26}$ is the categorical aid for transportation actually distributed in FY26.

$$AIDC_{27} = EQAC_{27} + SECC_{27} + SPEDC_{27} + TRNC_{27} \tag{17}$$

$$AIDA_{26} = EQAA_{26} + SECA_{26} + SPEDA_{26} + TRNA_{26} \tag{18}$$

The difference between these two numbers is the year over year change in aid, ΔAID.

$$\Delta AID = AIDC_{27} - AIDA_{26} \tag{19}$$

The difference is compared to the aid change caps

$$\Delta_{MAX} = .06 \cdot AIDA_{26} \tag{20}$$

$$\Delta_{MIN} = -.03 \cdot AIDA_{26} \tag{21}$$

If ΔAID is greater than Δ_{MAX}, then the actual aid for FY27, $AIDA_{27}$ is set to the maximum allowable aid $AIDA_{26} + \Delta_{MAX}$. If ΔAID is less than Δ_{MIN}, then $AIDA_{27}$ is set to $AIDA_{26} + \Delta_{MIN}$. Otherwise, $AIDA_{27}$ is set to $AIDC_{27}$.

Next, the limit ratio, LR_{27} is calculated

$$LR_{27} = \frac{AIDA_{27}}{AIDC_{27}} \tag{22}$$

and then applied to each of the four aid categories to find the actual aid to be distributed, $EQAA_{27}$, $SECA_{27}$, $SPEDA_{27}$ and $TRNA_{27}$.

$$\begin{aligned} EQAA_{27} &= LR_{27} \cdot EQAC_{27} && (23)\\ SECA_{27} &= LR_{27} \cdot SECC_{27} && (24)\\ SPEDA_{27} &= LR_{27} \cdot SPEDC_{27} && (25)\\ TRNA_{27} &= LR_{27} \cdot TRNC_{27} && (26) \end{aligned}$$

5.2 Adjusting the Rate Factors to Account for the Caps

Applying the procedure above to adjust the aid allocation to each district would result in either more aid than budgeted or less aid than budgeted being distributed overall. This is because some districts will have their aid reduced by the caps, if aid would have increased by more than 6% from the previous year. Some will have their aid increased by the caps, if their aid would have decreased by more than 3% from the previous year. The total amount of aid distributed will not be equal to the amount budgeted for categorical and equalization aid, because there is no reason to expect that the amount of decreased aid is equal to the amount of incresaed aid. So, an adjustment must be made to ensure the budgeted amount of aid is distributed.

5.2.1 FY27

Consider the allocation of aid for FY27. Total aid of $12,420M was allocated for FY27. $178M was allocated for military aid, school choice aid, vocational expansion stabilization aid and educational adequacy aid, which are not subject to the caps. This leaves $12,242M for the capped aid categories. Calculating the Categorical Aid for each district, a total of $2,700M should be distributed. Therefore, the total amount of equalization aid that can be distributed is $9,267M, as shown in Table 1.

Description	($M)
Total FY27 Aid	12,420
Uncapped Aid	178
Capped Aid	12,242
Categorical Aid	2,700
Available Equalization Aid	9,542

Table 1: Breakdown of FY27 Aid

If the rate factors are then calculated using the procedure described above, some districts will not be able to receive the full amount of aid that was calculated, because they will be over the 6%

increase cap. Other districts will need to receive more aid than calculated, because they will be below the 3% decrease target. The total aid distributed will not be equal to the $12,242M that is allocated. The rate factors must be adjusted so that after the caps are applied, the total categorical and equalization aid distributed is equal to the allocated amount. This is done by increasing the amount of allocated equalization aid and then recalculating the rate factors, equalization aid, and the limit ratios until the total equalization and categorical aid distributed after the caps are applied, is equal to $12,242M.

EQA Allocated	PVR	INR	EQA Actual	CAT Aid Actual	Capped Aid Actual
9,542	1.386%	5.665%	9,489	2,730	12,219
9,671	1.368%	5.593%	9,567	2,702	12,269
129	-0.018%	-0.072%	78	-28	50

Table 2: Calculation of FY27 Aid with Caps on Year over Year Changes ($M). The final row shows the difference between the initial allocation and the final allocation.

The process begins with $9,542M of Equalization Aid, determined by the calculation in Table 1. This is intended to lead to the distribution of $12,242M in capped aid. However, after calculating the rate factors and Equalization Aid,and then applying the caps per Section 5.1, only $12,219M would be distributed. This is too little. More aid has been budgeted, and it is necessary to figure out which districts should get it. To do this, more Equalization Aid is allocated, and the rate factors are recalculated. With more Equalization Aid allocated, the rate factors decrease, the Local Fair Share for each district decreases, and each district eligible to receive Equalization Aid will receive more than before. The caps are then applied again, and the amount of capped aid to be distributed is again compared with the amount budgeted. This is repeated until the budgeted amount of aid is distributed. In FY27, the amount of Equalization Aid allocated is $9,671M, $129M more than the amount the process began with, in order to distribute $12,269M in Equalization and Categorical Aid. Note that $12,269M is only $50M more than the $12,219M that would have been distributed without increasing the Equalization Aid allocation. However, the amount of Equalization Aid allocated had to be increased by $129M in order to distribute that additional $50M. This is because most of those additional dollars get assigned to districts that are already above the 6% increase cap by the equalization aid formula. Those extra dollars are completely ficticious, because they were never going to be distributed. They are only assigned to districts above the cap to make sure that the total amount distributed is equal to the amount allocated, and to assign the aid to districts as determined by their relative adequacy budgets, equalized valuations and aggregate income.

This is shown in Figure 2. Note that as allocated Equalization Aid increasesmore and more districts hit the 6% increase cap, and it becomes harder to distribute more capped aid. The total capped aid then increases more slowly as the allocated Equalization Aid increases.

Finally, the goal was to distribute $12,242M in capped aid, but the process resulted in distributing $12,269M. The $25M difference is likely due to some slight inaccuricies in the data used to determine the caps. A few districts seem to have different values of FY25 aid in the data files received from NJDOE compared to their actual FY25 allocations. So, while this discrepancy is notable, it is not large enough to justify going through and editing all of these small data discrepancies.

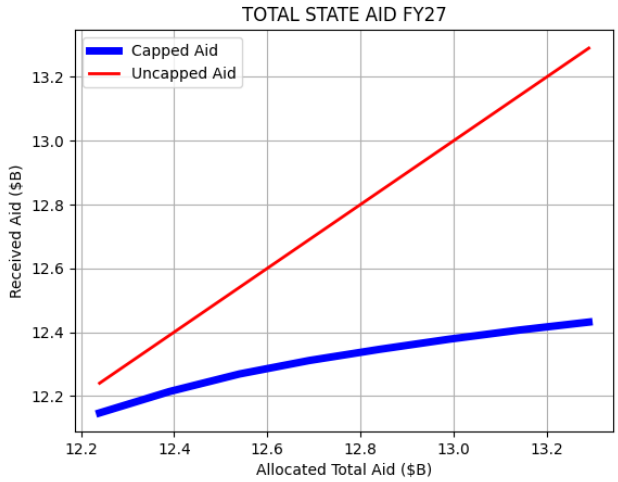


Figure 2: Increasing the amount allocated to categorical and equalization aid increases the total capped funding (Blue line). The red line shows the amount of funding which would be distributed if there were no caps. Funding is increased until the blue line reaches the start point of the red line.

5.2.2 FY26

The analysis is similar for FY26. Total aid of $12,055M was allocated for FY26. $181M was allocated for military aid, school choice aid, vocational expansion stabilization aid and educational adequacy aid, which are not subject to the caps. This leaves $11,874M for the capped aid categories. Calculating the Categorical Aid for each district, a total of $2,619M should be distributed. Therefore, the total amount of Equalization Aid that can be distributed is $9,255M, as shown in Table 3.

Description	($M)
Total FY26 Aid	12,055
Uncapped Aid	181
Capped Aid	11,874
Categorical Aid	2,619
Available Equalization Aid	9,255

Table 3: Breakdown of FY26 Aid

EQA Allocated	PVR	INR	EQA Actual	CAT Aid Actual	Capped Aid Actual
9,255	1.507%	6.048%	9,102	2,730	11,832
9,341	1.492%	5.993%	9,149	2,708	11,857
86	-0.015%	-0.055%	47	-22	25

Table 4: Calculation of FY26 Aid with Caps on Year over Year Changes ($M)

The process for FY26 begins with $9,255M of Equalization Aid, determined by the calculation in Table 3. This is intended to lead to the distribution of $11,874M in capped aid. However, after calculating the rate factors and Equalization Aid, and then applying the caps per Section 5.1, only $11,832M would be distributed. This is too little. More aid has been budgeted, and

it is necessary to figure out which districts should get it. To do this, more Equalization Aid is allocated, and the rate factors are recalculated. With more Equalization Aid allocated, the rate factors decrease, the Local Fair Share for each district decreases, and each district eligible to receive Equalization Aid will receive more than before. The caps are then applied again, and the amount of capped aid to be distributed is again compared with the amount budgeted. This is repeated until the budgeted amount of aid is distributed. In FY26, the amount of Equalization Aid allocated is $9,341M, $86M more than the amount the process began with, in order to distribute $11,857M in Equalization and Categorical Aid. Note that $11,857M is only $25M more than the $11,832M that would have been distributed without increasing the Equalization Aid allocation. However, the amount of Equalization Aid allocated had to be increased by $86M in order to distribute that additional $25M, as can be seen in Figure 3. Again, this is because most of those additional dollars get assigned to districts that are already above the 6% increase cap by the equalization aid formula. Those extra dollars are completely ficticious, because they were never going to be distributed. They are only assigned to districts above the cap to make sure that the total amount distributed is equal to the amount allocated, and to assign the aid to districts as determined by their relative adequacy budgets, equalized valuations and aggregate income.

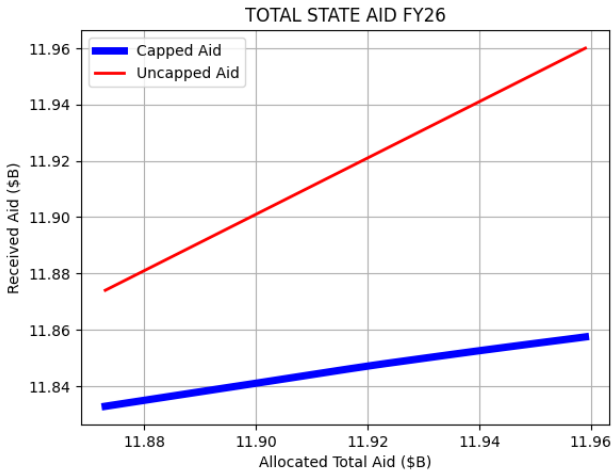


Figure 3: Increasing the amount allocated to categorical and equalization aid increases the total capped funding (Blue line). The red line shows the amount of funding which would be distributed if there were no caps. Funding is increased until the blue line reaches the start point of the red line.

5.3 Overaided and Underaided Districts

The caps on year over year changes in aid result in some districts being "overaided", meaning they receive more aid than the formula would otherwise allocate if there were no caps. Other districts end up being "underaided", meaning they receive less aid than the formula would otherwise allocate if there were no caps. It is; however, important to be careful in figuring out how much each district is "under-" or "over-" aided.

For example, in FY27, after the initial allocation of equalization aid, an additional $129M is added to the equalization aid calculation in order to ensure that the correct total aid is distributed. However, only $50M of that $129M is actually distributed, and the other $79M appears to belong to districts that are already over the 6% increase cap. However, that $79M is only added to the

calculation in order to decide where to distribute the other $50M, as shown in Table 2. Only districts above the 6% increase cap during the initial allocation of equalization aid are actually overaided, and only by the amount above the 6% cap during the initial equalization aid calculation.

5.3.1 Underaided Districts

As an illustration, consider PITTSGROVE TWP for FY27. With an uncapped allocation of funding, PITTSGROVE TWP would receive $15.935M in equalization and categorical aid. This is already above their capped allocation of $15.905M. Therefore, they are underaided by $30K. As more overall funding is allocated, the rate factors decrease. This lowers the Local Fair Share of *every* district, as was shown in Figure 1, and thus reduces PITTSTOWN TWP's Local Fair Share. That increases their calculated equalization aid. But, because this amount is above the 6% increase cap, it is not received. This can be visualized in Figure 4.

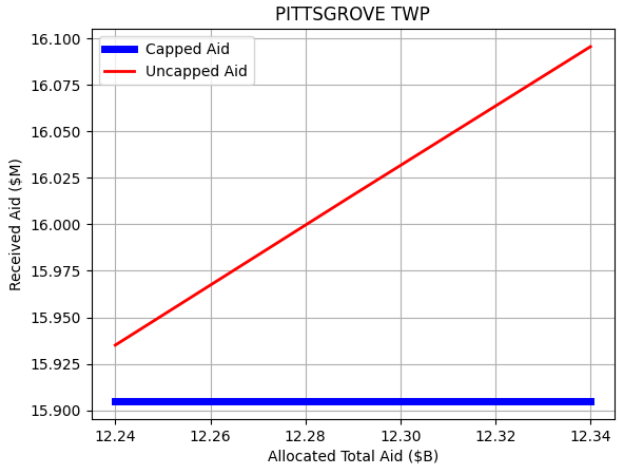


Figure 4: PITTSGROVE TWP Aid for FY27 as total state funding increases. The red line (Uncapped Aid) increases, but the blue line (capped aid) stays flat, because PITTSGROVE TWP is already above the 6% increase cap.

WEST ORANGE is another example of an underaided district, as shown in Figure 5.

5.3.2 Overaided Districts

Consider the case of WOODBINE BORO. With an uncapped allocation of funding, WOODBINE BORO would receive $5.25M in equalization and categorical aid. This would be more than a 3% decrease in aid from the previous year's $5.42M in aid. Therefore, they should receive a capped allocation of $5.26M, which is $10K in extra aid, making them overaided. However, as funding is increased, this increases their uncapped allocation. Initially, this does not change their received aid, because the increased amounts are still below the 3% decrease cap. However, as funding continues to increse, the uncapped allocation catches up to the capped amount, and additional funding is distributed to WOODBINE BORO, making them even more overaided. Ultimately, WOODBINE BORO receives $5.285M, $44K above what would have been their initial uncapped allocation. This can be visualized in Figure 6.

Another type of overaided district is one where the 3% cap applies no matter how much additional equalization aid is allocated. An example of this type of district in FY27 is CHERRY

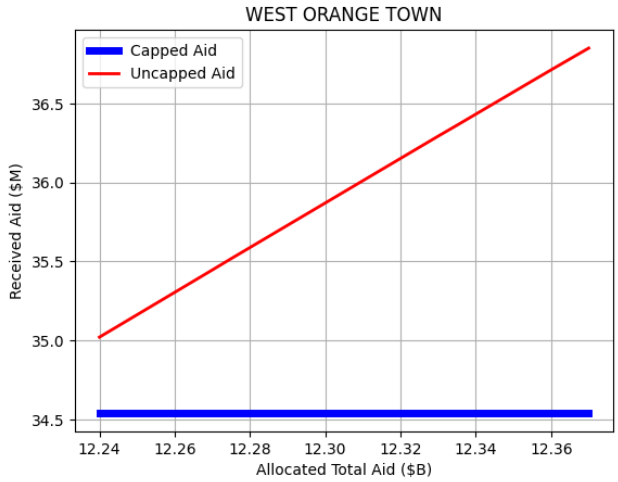


Figure 5: WEST ORANGE Aid for FY27 as total state funding increases. The red line (Uncapped Aid) increases, but the blue line (capped aid) stays flat, because WEST ORANGE is already above the 6% increase cap.

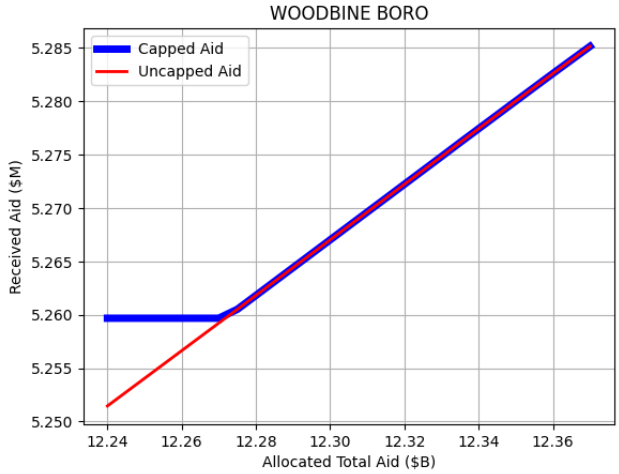


Figure 6: WOODBINE BORO Aid for FY27 as total state funding increases. The red line (Uncapped Aid) increases. The blue line (capped aid) initially stays flat, because WOODBINE BORO is below the 3% decrease cap. Once the uncapped aid exceeeds the capped amount, the blue line increases, because WOODBINE BORO is now above the 3% decrease cap.

HILL. The 3% decrease cap ensures that CHERRY HILL will receive no less than $27.7M in aid. The equalization aid calculation results in a total of $23.4M at the highest level of funding, and less with lower levels, down to $20.7M if there were no caps at the initial level of funding. Therefore, CHERRY HILL is overaided by $7M, as shown in Figure 7

The last type of overaided district is one where the the initial uncapped aid allocation is between the caps, but the district eventually exceeds the 6% increase cap as funding increases. An example of this type of district in FY27 is NEPTUNE TWP. The uncapped allocation at the initial level of funding is $9.2M, which is between the 3% decrease cap and the 6% increase cap. As funding increases, the uncapped allocation increases, and eventually exceeds the 6% increase cap of $9.4M,

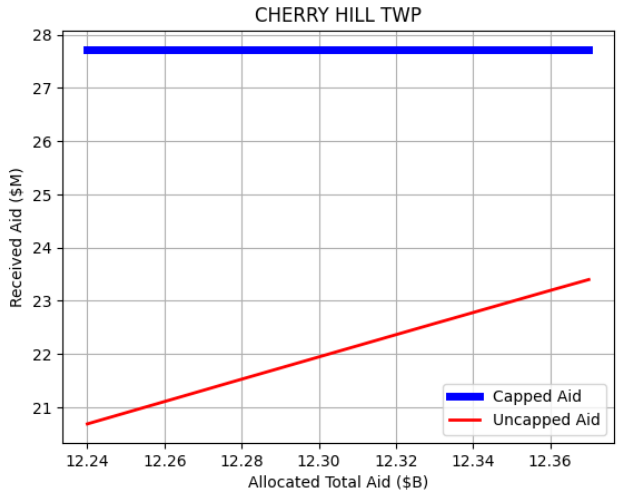


Figure 7: CHERRY HILL Aid for FY27 as total state funding increases. The red line (Uncapped Aid) increases. The blue line (capped aid) stays flat, because CHERRY HILL is below the 3% decrease cap, which it never exceeds.

at which point no more aid can be distributed. It appears that NEPTUNE TWP is underaided, because at the final level of funding it would receive $10.2M if there were no caps. However, this is inaccurate, because if there were no caps, NEPTUNE TWP would have received $9.2M. $10.4M was never available at the level of overall funding provided by the state. This is shown in Figure 8.

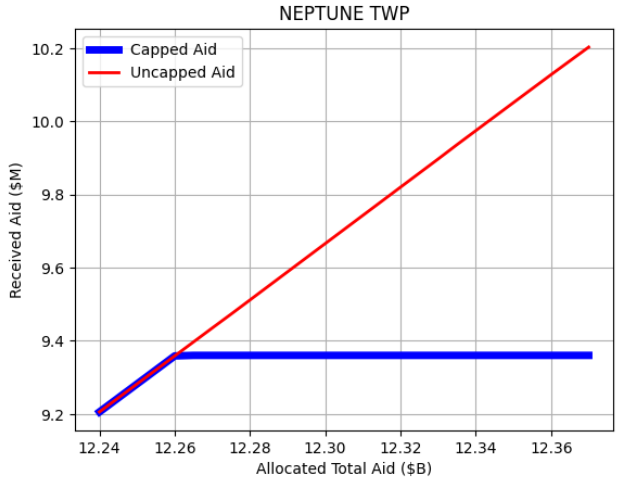


Figure 8: NEPTUNE TWP Aid for FY27 as total state funding increases. The red line (Uncapped Aid) increases. The blue line (capped aid) initially increases, until reaching the 6% cap of $9.36M.

Finally, there are overaided districts that are not directly impacted by the caps in the range of funding levels considered. It appears that the uncapped and capped aid are identical at all funding levels, and therefore the districts are correctly funded. However, in an uncapped funding scenario, theese districts would receive the funding level dictated by the initial allocation. Their funding only increases because the caps effectively transfer funding to them from districts that are limited by the 6% increase cap. They are therefore overaided, even though they are not directly impacted by

the caps. An example of this type of district is EAST NEWARK BORO, which receives $6.83M, even though it would receive only $6.79M if there were no caps, as shown in Figure 9.

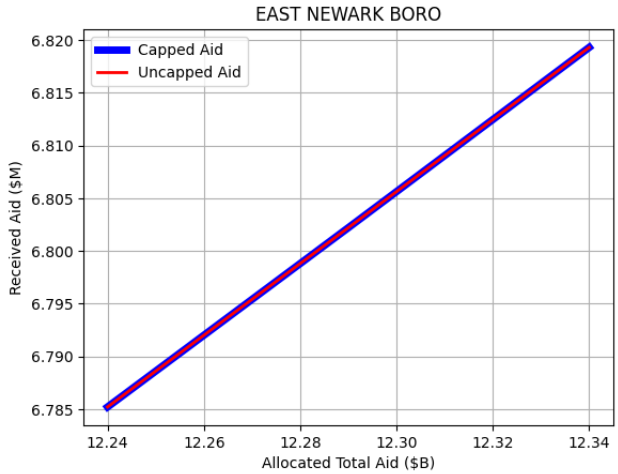


Figure 9: EAST NEWARK BORO Aid for FY27 as total state funding increases. The red line (Uncapped Aid) increases. The blue line (capped aid) also increases, since funding is not directly impacted by the caps.

5.3.3 Correctly Aided Districts

Finally, there are districts that are correctly aided, meaning they receive the amount of aid calculated by the formula. Since any district receiving equalization aid will increase its funding as the total amount of equalization aid allocated is increased, the only districts that are correctly funded are those that do not receive any equalization aid. An example of a district that is not capped and does not receive equalization aid is MORRIS SCHOOL DISTRICT, which receive $10.5M in categorical aid, as shown in Figure 10.

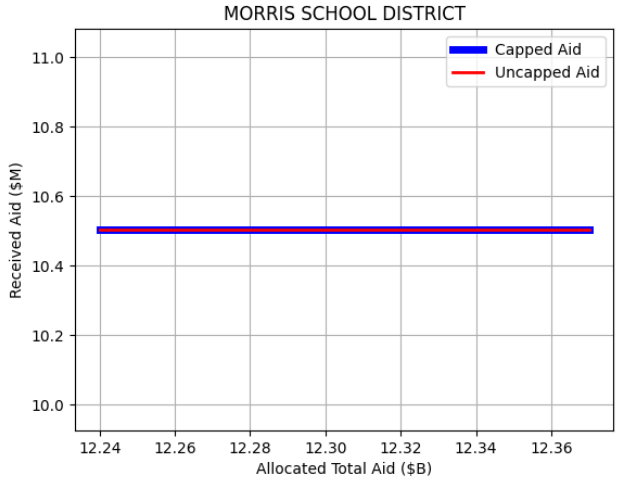


Figure 10: MORRIS SCHOOL DISTRICT Aid for FY27 as total state funding increases. Both lines are flat since MORRIS SCHOOL DISTRICT receives no equalization aid and is not impacted by the caps.

5.3.4 Demonstration of Caps and Funding Levels

A more complete illustration of the caps can be seen in Figure 11. In this illustration, a much wider range of potential funding for FY26 is shown. The left endof the plot covers the actual range of funding explored in FY26. The figure also shows what would happen if considerably more funding were considered. As funding increases, the rate factors decrease, the Local Fair Share decreases, and and the Equalization Aid available to WEST ORANGE TOWN increases. At low funding levels, these increases are insufficient to exceed the 3% decrease cap, and so the aid received does not increase, staying at the 3% cap level. Eventually, the district reaches a level above the 3% cap, and additional funding results in a linear increase in received funding. However as funding continues to increase, the district eventually reaches the 6% increase cap, and no more funding can be received. This is shown in the right end of the plot, where the blue line flattens out at the 6% increase cap level. The vertical yellow line indicates the level of actual FY26 funding.

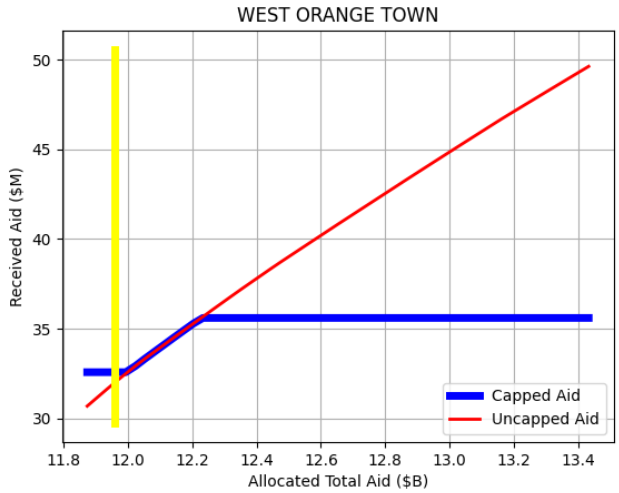


Figure 11: WEST ORANGE TOWN Aid for FY26 as total state funding increases. Both lines are flat since MORRIS SCHOOL DISTRICT receives no equalization aid and is not impacted by the caps.

5.3.5 Interesting Districts for FY26

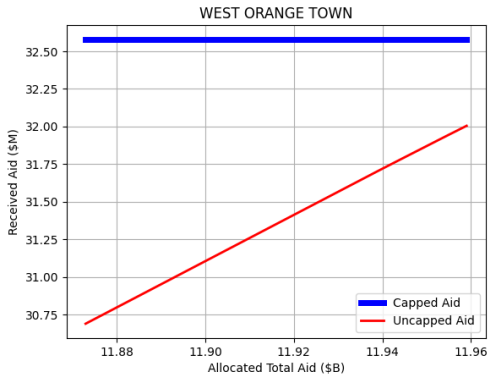
A few districts are shown for FY26 in Figure 12 and Figure 13. The same description of under and overaided districts applies, but because the state was overall less well funded in FY26, districts saw different levels of under and overaidedness in FY26.

5.4 Summary for FY27 Under and Overaided Districts

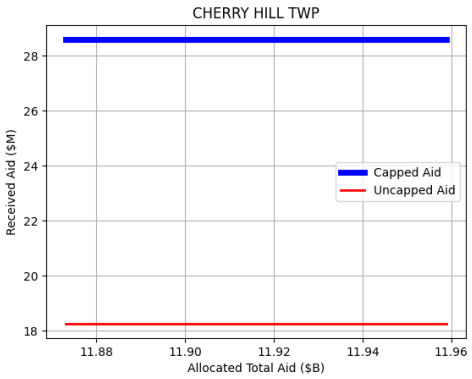
Aid Type	Number of Districts	Total Aid ($M)
Underaided	253	-$227
Overaided	224	$256
Correctly Aided	97	$0

Table 5: Summary of Under and Overaided Districts for FY27

5.4.1 Summary for FY26 Under and Overaided Districts

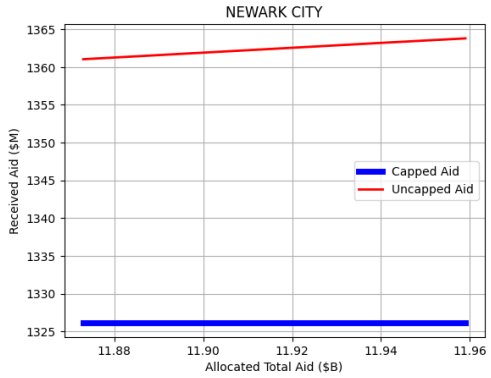


(a) FY26 aid change for WEST ORANGE TOWN due to the aid caps. WEST ORANGE TOWN was overaided but only because the entire state was given a low allocation of aid, raising LFS statewide.

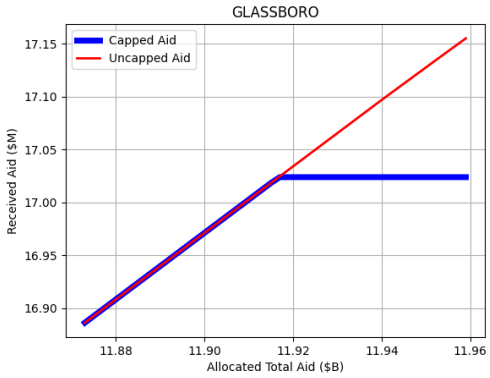


(b) FY26 aid change for CHERRY HILL TWP.

Figure 12: Interesting FY26 Districts



(a) FY26 aid change for NEWARK due to the aid caps.



(b) FY26 aid change for GLASSBORO.

Figure 13: Additional Interesting FY26 Districts

Aid Type	Number of Districts	Total Aid ($M)
Underaided	284	-$372
Overaided	241	$355
Correctly Aided	49	$0

Table 6: Summary of Under and Overaided Districts for FY26