



New Jersey Policy Institute

Unlocking Opportunity: A Fiscal Analysis of New Jersey's Interdistrict School Choice Program

Prepared by the New Jersey Policy Institute and Real World Education Solutions, LLC

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New Jersey Policy Institute

LETTER FROM THE EXECUTIVE DIRECTOR

Dear Colleague,

At the New Jersey Policy Institute (NJPI), we believe that no child's educational future should be limited by their zip code. That belief drives our support for the Interdistrict School Choice (IDSC) Program—a proven public policy that expands opportunity by allowing students to attend the public school that best fits their needs, regardless of district boundaries.

This moment presents a critical opportunity for policymakers. In the ongoing *Latino Action Network v. New Jersey* litigation, the plaintiffs allege unconstitutional levels of racial and socioeconomic segregation in the state's public schools. While the courts deliberate, the Legislature can act decisively—on its own terms—by scaling programs that are already working. Expanding the IDSC program is a proactive, practical solution that addresses concerns raised in the lawsuit while preserving local control and demonstrating the state's commitment to equity.

To inform and strengthen the policy conversation around this program, NJPI commissioned Real World Education Solutions, LLC to conduct an independent fiscal analysis of the IDSC program. This study evaluates the program's current cost and models potential expansions under New Jersey's School Funding Reform Act (SFRA), offering the first comprehensive financial impact analysis of its kind. The analysis finds that while the program requires an investment through School Choice Aid, a significant portion of those costs are offset by Equalization Aid savings—particularly when student placement is strategic.

This is more than a fiscal analysis—it is a roadmap for delivering educational justice through policy that works. Rather than wait for court orders to mandate change, New Jersey's leaders have the chance to shape the solution now—guided by data, rooted in fairness, and focused on the future of every student in the state.

Looking ahead, NJPI is exploring a blueprint for budget-neutral expansion by targeting districts with no current participation, particularly in Essex and Middlesex counties. Our goal is to ensure equitable access while minimizing the financial impact of expansion on the State's budget.

We welcome your partnership in advancing this conversation.

Sincerely,

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Wells Winegar

Executive Director

New Jersey Policy Institute



Key Findings

This report presents a comprehensive financial analysis of New Jersey's Interdistrict School Choice Program, specifically examining the net cost implications to the State of New Jersey within the context of the New Jersey's School Funding Reform Act (SFRA). Conducted by Real World Education Solutions, LLC on behalf of the New Jersey Policy Institute (NJPI), this study evaluates how the program affects state expenditures through two critical SFRA components: Equalization Aid and School Choice Aid. Three distinct scenarios were analyzed to provide clarity on current costs and potential expansions of the program:

- **Scenario 1** assessed the net cost of operating the Interdistrict School Choice Program for fiscal years 2024–2025 and 2025–2026. Utilizing data from state aid notices and student enrollment records, the analysis determined a total School Choice Aid cost of approximately \$63.7 million (FY 25) and \$73.8 million (FY 26). After accounting for Equalization Aid savings through the Local Fair Share Threshold Method, the net cost was estimated at approximately \$44.6 million (FY 25) and 51.0 million (FY 26).
- **Scenario 2** evaluated the financial impact of funding students currently on waiting lists for fiscal years 2024–2025 and 2025–2026 (approximately 1,200 students based on responsive OPRA requests; previous NJDOE estimates have had the full IDSC waitlist in excess of 2,000 students). For 2024–25 the analysis projected an additional School Choice Aid cost of approximately \$11.8 million, partially offset by approximately \$1.7 million in Equalization Aid savings, resulting in a net cost of approximately \$10.1 million. For 2025–26 the analysis projected an additional School Choice Aid cost of approximately \$14.0 million, partially offset by approximately \$2.0 million in Equalization Aid savings, resulting in a net cost of approximately \$11.9 million.
- **Scenario 3** examined financial implications associated with relocating roughly 5% (approximately 4,230) of students in alleged highly segregated districts (East Orange, Irvington, Newark City, Orange City, New Brunswick, and Perth Amboy) into new choice districts within Middlesex and Essex counties. Two distribution models were analyzed:
 - **Scenario A (even distribution)** resulted in a net state aid cost of approximately \$9.7 million in fiscal year 2025 and 11.2 million in fiscal year 2026.
 - **Scenario B (geographically adjacent distribution)** resulted in a higher net state aid cost of approximately \$25.4 million in fiscal year 2025 and \$31.2 million in Fiscal year 2026.

The study highlights significant variations in financial outcomes based on student distribution patterns and district-specific eligibility for Equalization Aid. Specifically, relocating students to districts that do not qualify for Equalization Aid substantially reduces overall state costs. Under optimal conditions—where approximately 63% or more of relocated students enroll in districts without Equalization Aid eligibility—the program could potentially approach a net-neutral or even generate savings.

Overall, this analysis demonstrates that while New Jersey's Interdistrict School Choice Program incurs substantial upfront costs through School Choice Aid funding, these expenditures are partially mitigated by corresponding reductions in Equalization Aid allocations to sending districts. On average, Equalization Aid savings currently offset approximately 30–31% of total School Choice Aid expenditures. These findings provide critical insights to policymakers considering future expansions or modifications to New Jersey's school choice initiative.

Study Overview

The New Jersey Policy Institute (NJPI) commissioned Real World Education Solutions, LLC, represented by Dr. Mark Silverstein (Owner) and Darren Harris (Consultant), to conduct a comprehensive financial analysis of New Jersey's Interdistrict School Choice Program. Darren Harris, an experienced School Business Administrator, led the financial analysis component of this study.

The primary objective of this report is to determine the true net cost of the Interdistrict School Choice Program by thoroughly examining its impact on two critical components of the School Funding Reform Act (SFRA) state aid formula: Equalization Aid and School Choice Aid. Specifically, this study evaluates how shifts in student enrollment from resident districts to choice districts affect state aid allocations under the SFRA formula.

To provide policymakers with clear insights into the financial implications of the school choice program, the study addresses three distinct scenarios:

Scenario 1: Fiscal Year 2025 and Fiscal Year 2026 Cost Analysis

- Calculate the net cost of operating the existing Interdistrict School Choice Program for fiscal year 2024–2025 and 2025–2026.
- Analyze how differences in Equalization Aid between sending (resident) districts and receiving (choice) districts impact overall program costs.

Scenario 2: Waitlist Funding Analysis for Fiscal Years 2025 and 2026

- Estimate the financial implications of expanding the program to accommodate students currently on waiting lists for fiscal years 2024–2025 and 2025–2026 (based on available waitlist data).
- Project increases in state expenditures, factoring in Equalization Aid adjustments.
- Evaluate how expanded enrollment would affect state aid allocations for both sending and receiving districts.

Scenario 3: Expansion into Middlesex and Essex Counties

- Evaluate financial impacts associated with expanding school choice programs into Middlesex and Essex counties. Currently, there are no existing choice districts within these two counties.
- Project anticipated increases in state expenditures, incorporating Equalization Aid differentials.
- Present multiple distribution scenarios ("Scenario A" and "Scenario B") illustrating potential outcomes from relocating approximately 5% of students (roughly 4,230 students) from alleged highly segregated districts (East Orange, Irvington, Newark City, Orange City, New Brunswick, and Perth Amboy) into new choice districts within these counties.

By examining these scenarios through detailed calculations—including both Average Equalization Aid and Local Fair Share Threshold methods—this report provides policymakers with a clear understanding of how student distribution patterns and funding methodologies influence the overall financial outcomes of New Jersey's Interdistrict School Choice Program.

Results

Scenario 1: Net Cost of Current Interdistrict School Choice Program (Including Equalization Aid Differential)

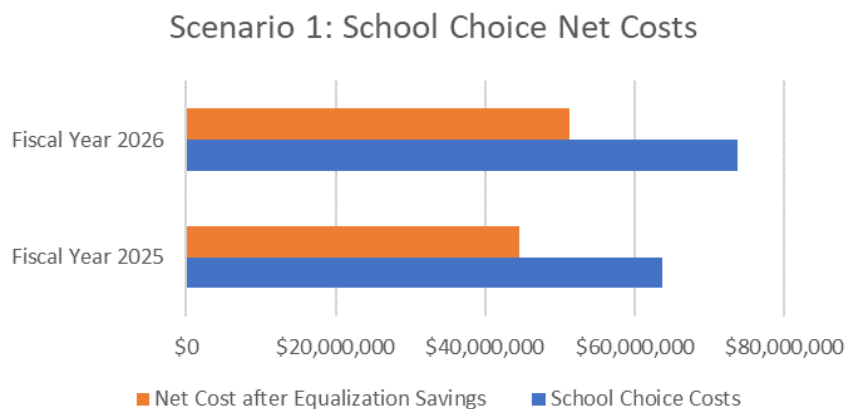
For the 2024–2025 school year, the total cost of School Choice Aid, as reported by the New Jersey Department of Education's K–12 State School Aid report, is **\$63,740,743** for Fiscal Year 2025 and **\$73,778,788** for Fiscal Year 2026.

Using data collected from approximately 54% of the school choice student population and extrapolating to represent the full population, we calculated the following results for Equalization Aid savings:

- **Average Equalization Aid Method:** Estimated savings of **\$13,673,000 (FY 25)** and **\$16,247,000 (FY 26)**
- **Local Fair Share Threshold Method:** Estimated savings of **\$19,227,000 (FY 25)** and **\$22,757,000 (FY 26)**

Therefore, applying the more accurate Local Fair Share Threshold Method, the net cost of operating New Jersey's Interdistrict School Choice Program—including both School Choice Aid and Equalization Aid adjustments—is approximately **\$44,571,000 (FY 25)** and **\$51,022,000 (FY 26)**.

The reason there is such a large increase in the cost of school choice funding in fiscal 2026 (**15.7%**) largely has to do with the increase in the calculated adequacy budget (**10%**) and increase in calculated local fair share (**16%**) in fiscal year 2026. Since the School Choice Aid is tied to both the adequacy budget and local fair share, when these numbers increase, so does School Choice Aid.



Scenario 2: Estimated Cost or Savings of Funding Waitlisted Students (Fiscal Years 2025 and 2026)

For Fiscal Year 2025, funding an estimated **1,228 waitlisted students** would require approximately **\$11,816,000** in additional School Choice Aid. The estimated savings in Equalization Aid are as follows:

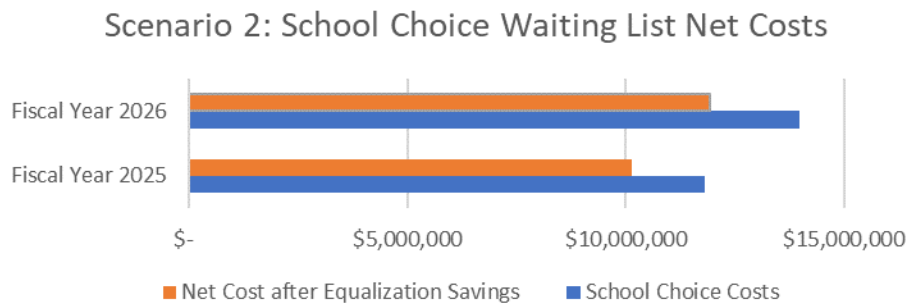
- ***Average Equalization Aid Method: Savings of approximately \$3,005,000.***
- ***Local Fair Share Threshold Method: Savings of approximately \$1,670,000.***

Thus, utilizing the Local Fair Share Threshold Method for accuracy, the net cost to fund all waitlisted students—including both School Choice Aid and Equalization Aid adjustments—is approximately **\$10.1 million**.

For Fiscal Year 2026, funding an estimated **1,177 waitlisted students** would require approximately **\$13,965,000** in additional School Choice Aid. The estimated savings in Equalization Aid are as follows:

- ***Average Equalization Aid Method: Savings of approximately \$3,116,000.***
- ***Local Fair Share Threshold Method: Savings of approximately \$2,046,000.***

Thus, utilizing the Local Fair Share Threshold Method for accuracy, the net cost to fund all waitlisted students—including both School Choice Aid and Equalization Aid adjustments—is approximately **\$11.9 million**.



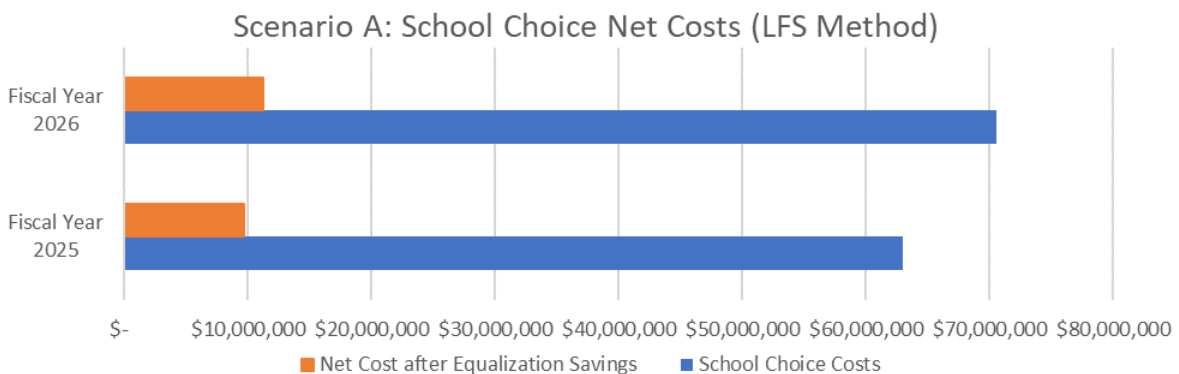
Scenario 3: Cost of the Voluntary Relocation of Approximately 5% (4,233 Students) of Students in Alleged Highly Segregated Districts within Middlesex and Essex Counties

This scenario analyzed two distinct distribution methods (Scenario A and Scenario B) for the voluntary relocation of students from alleged highly segregated districts (**East Orange, Irvington, Newark City, Orange City, New Brunswick, and Perth Amboy**) to other new choice districts within Middlesex and Essex counties. Currently no districts within Middlesex Essex counties. This scenario assumes that these districts would join the Interdistrict School Choice Program.

Scenario A: Even Distribution Across Counties

In Scenario A (equal distribution across remaining districts in each county), **voluntarily relocating 4,233 students** would result in:

- School Choice Aid cost: approximately **\$62,987,000 (FY 25)** and **\$70,578,000 (FY 26)**
- Equalization Aid savings:
 - **Average Equalization Aid Method:**
2025: approximately **\$71,786,000**, resulting in a net state aid **savings** of approximately **\$8.5 million**.
2026: approximately **\$78,332,000**, resulting in a net state aid **savings** of approximately **\$7.8 million**.
 - **Local Fair Share Threshold Method:**
2025: approximately **\$53,266,000**, resulting in a net state aid **cost** of approximately **\$9.7 million**.
2026: approximately **\$59,391,000**, resulting in a net state aid **cost** of approximately **\$11.2 million**.

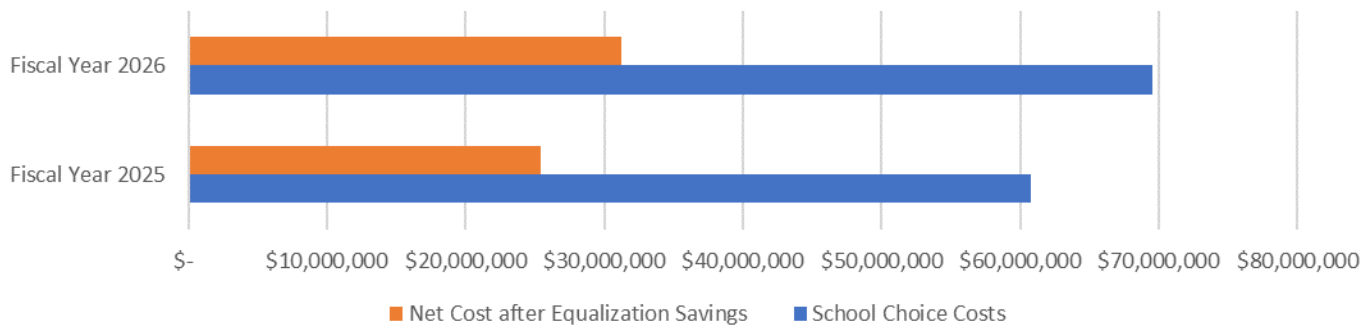


B: Distribution to Geographically Adjacent Districts

In Scenario B (distribution only to geographically adjacent districts), voluntarily relocating the same number **(4,233 students)** would result in:

- School Choice Aid cost: approximately **\$60,793,000 (FY 25)** and **\$69,522,000 (FY 26)**
- Equalization Aid savings:
 - ***Average Equalization Aid Method:***
2025: approximately **\$65,534,000**, resulting in a net state aid **savings** of approximately **\$4.7 million**.
2026: approximately **\$72,878,000**, resulting in a net state aid **savings** of approximately **\$3.4 million**.
 - ***Local Fair Share Threshold Method:***
2025: approximately **\$35,365,000**, resulting in a net state aid **cost** of approximately **\$25.4 million**.
2026: approximately **\$38,291,000**, resulting in a net state aid **cost** of approximately **\$31.2 million**.

Scenario B: School Choice Net Costs (LFS Method)



Analysis of Results for Scenario 3

Based on these analyses using the Local Fair Share Threshold Method (the more precise calculation), the net cost to the state for Scenario 3 ranges between approximately **\$11.2 million (Scenario A)** and **\$31.2 million (Scenario B)**.

The significant variance between these two scenarios is primarily due to how Equalization Aid savings are realized under the Local Fair Share Threshold Method. Specifically:

- In Essex County under Scenario A:
 - Savings were realized only when students are voluntarily relocated to districts that receive no Equalization Aid (**Millburn, South Orange-Maplewood, Essex Fells Borough, North Caldwell Borough, Glen Ridge Borough, Verona Borough, Fairfield Township, Roseland Borough, Montclair Township, Caldwell-West Caldwell, Livingston, West Essex Regional, and Cedar Grove**).
- In Middlesex County under Scenario A:
 - Savings were realized only when students are voluntarily relocated to districts receiving no Equalization Aid (**Spotswood, Metuchen Borough, South Brunswick Township, Monroe Township, Cranbury Township, and Old Bridge Township (FY 2026 only)**).

In total for Scenario A:

- Approximately 2,200 students (about 52% of voluntarily relocated students) generated Equalization Aid savings.

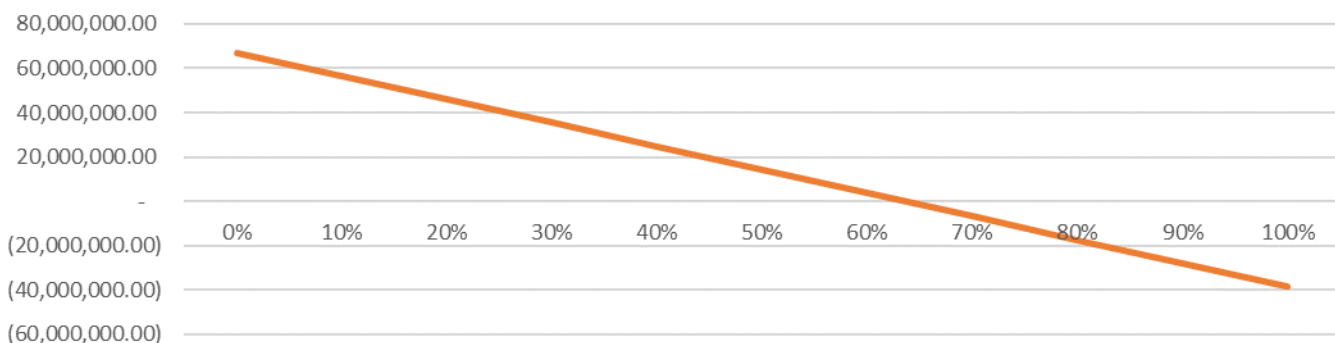
In total for Scenario B:

- Savings were realized only when students are voluntarily relocated to three Essex County districts (**South Orange-Maplewood, Glen Ridge Borough, and Montclair Township**) representing about 1,440 students (approximately 34% of relocated students).

The analysis indicates that greater financial savings occur when a higher proportion of voluntarily relocated students attend districts that do not qualify for Equalization Aid. For instance:

- If approximately **63%** (around 2,670) of voluntarily relocated students attended districts receiving no Equalization Aid under either scenario above, the net state aid cost would approach zero.
- Any proportion above this threshold would result in a net financial savings for the state when combining School Choice and Equalization Aid impacts.

Scenario 3: Estimate Net Cost (Savings) to State Based on Percentage of Students Attending a School Choice District that Recieves No Equalization Aid



Discussion

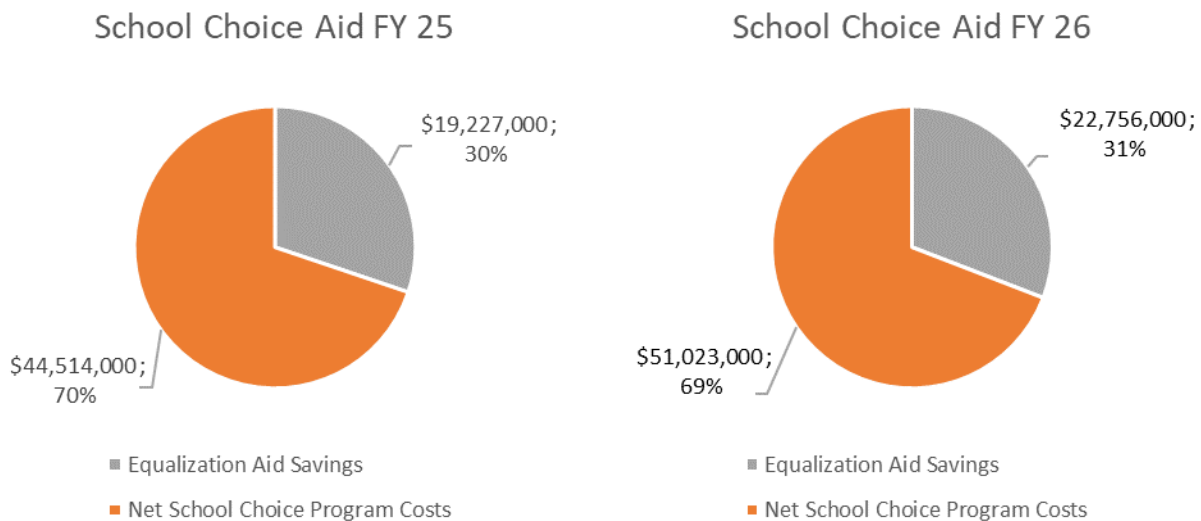
The analysis highlights that the calculation method used for determining Equalization Aid has a substantial impact on assessing overall program costs or savings. Specifically, employing average Equalization Aid per student can yield misleading results due to its reliance on district-wide averages rather than actual funding mechanisms. The Local Fair Share Threshold Method provides a more accurate representation by reflecting actual state funding practices under SFRA guidelines, where districts only receive Equalization Aid after surpassing their local fair share threshold.

Furthermore, our analysis indicates that strategic geographic placement of choice students into districts not receiving Equalization Aid can substantially reduce overall state costs associated with the program. For instance, Scenario A demonstrated lower net costs compared to Scenario B due to a higher proportion of students attending districts without Equalization Aid eligibility.

Conclusion

In conclusion, while New Jersey's Interdistrict School Choice Program incurs significant upfront costs through School Choice Aid funding, these expenses are partially mitigated by corresponding reductions in Equalization Aid allocations to sending districts. Our analysis demonstrates that these offsetting savings currently cover approximately 30-31% of total School Choice Aid expenditures on average. The precise net financial impact depends heavily upon both student distribution patterns across districts and the method employed to calculate Equalization Aid adjustments.

Policymakers should carefully consider these factors when evaluating future expansions or modifications to New Jersey's Interdistrict School Choice Program.



About the Authors

Darren Harris is a financial consultant at Real World Education Solutions, LLC and a highly regarded educational administrator with a distinguished career in school finance and district operations. Since 2017, he has served as the School Business Administrator and Board Secretary for Pittsgrove Township Schools, where he oversees all aspects of district financial planning, budgeting, compliance, and governance. Mr. Harris has a proven track record of improving fiscal health across multiple districts, including successfully guiding the Woodbine School District from a deficit position to achieving its maximum allowable fund balance. He is known for his innovative leadership in implementing shared services and has played a central role in securing voter approval for bond referendums in both Pittsgrove and Commercial Township.

Mr. Harris holds an MBA with an accounting concentration from Rowan University and a BS in Finance from Taylor University. He is certified in both School Business Administration and Mathematics Education. In addition to his current role, he serves as Treasurer of School Monies for Glassboro Public Schools and has held leadership positions in several professional organizations, including President of the Salem County Association of School Business Officials and Co-Chair of the NJASBO Purchasing Committee. His deep expertise in public school finance, coupled with a strong commitment to operational efficiency and educational equity, makes him a trusted voice in New Jersey's school business community.

Dr. Mark Silverstein is a co-Principal at Real World Education Solutions, LLC and has served as Superintendent of the Glassboro School District since 2009, where he has earned a reputation as a visionary leader dedicated to data-driven instruction, community engagement, and responsible financial stewardship. Under his leadership, Glassboro has expanded opportunities for South Jersey students by establishing school choice pathways through specialized academies in Performing Arts, Business, and STEM. The STEM Academy, including a biomedical track, allows students—both from Glassboro and through the Interdistrict School Choice Program—to receive advanced coursework and college credit through partnerships with Rowan University.

Beyond his administrative accomplishments, Dr. Silverstein is a committed public servant and community leader. He serves on the Board of Directors for the NJ Interdistrict Public School Choice Association and has been honored with the Kitchen of Hope Community Service and Leadership Award. A dedicated mentor to aspiring administrators, he teaches graduate-level education courses at Rowan and Fairleigh Dickinson Universities and has previously taught at Rutgers University's Undergraduate School of Business. Dr. Silverstein holds Doctor and Master of Education degrees from Widener University and both an MBA and BA from Rutgers University. His extensive background in educational leadership spans roles as superintendent, principal, and assistant principal in districts across South Jersey.