

Alternative Funding Sources

In New Jersey and across the country, special education is funded primarily through local taxes that are generally assessed on property, and state-level taxes, most commonly assessed against income. In an effort to supplement tax-based revenue, some states have developed alternative sources.

Non-Tax Revenue Nationwide In 2013, NJSBA conducted a nationwide survey to ascertain the extent to which non-tax-based revenue is used to support special education.⁵ The results below are based on responses from 20 states.⁶

Findings

- 11 of the 20 respondents provided information on their states’ special education budgets. Amounts ranged from approximately \$200 million (Idaho) to \$12 billion (New York).
- 13 respondents (65%) reported that their states did not use non-tax revenues to fund special education; five (25%) indicated that their states used non-tax revenue, while 15% said they did not know.
- A majority (55%) reported that their state was not investigating or planning to use non-tax-based revenue sources to fund special education in the future. Only one respondent indicated that his or her state was investigating or planning the use of non-tax revenue.
- Among the respondents who reported the use of non-tax-based revenue to fund special education, the most frequently cited source was a lottery.

| <u>Non-Tax Revenue Sources</u> <i>In order of frequency</i> |
|---|
| Lottery |
| Foundation Grant |
| Other Grant |
| Other Sources (including state land lease, motor vehicle fines, and racing regulatory licensing fees) |
| Business Fees |
| <i>Some respondents reported multiple non-tax-based revenues.</i> |

⁵ The questionnaire is Appendix B of this report. On April 9, 2013, the questionnaire was sent by email to the school boards associations of 49 states, the Hawaii State Board of Education, and the District of Columbia Public Schools. It was subsequently emailed to the senior staff member responsible for special education in the departments of education of each state that did not respond to the initial mailing.

⁶ The states represented in the survey are Alaska, California, Colorado, Georgia, Idaho, Kentucky, Maine, Maryland, Michigan, Missouri, New Hampshire, Nevada, New York, North Carolina, South Dakota, Tennessee, Texas, Utah, Vermont and Washington.

Respondents' comments about the use of lottery proceeds for special education follow:

Lotteries were used to help support education, not specifically special education. Special education receives a proportion of the lottery revenue...

All proceeds from our state lotteries, after expenses and awards, are dedicated to education, and used as a source of revenue to fund our state "adequate education" aid formula, which awards additional per pupil stipends for special education students.

Lottery proceeds must, by law, be used exclusively for public education.

Approximately \$4.5 billion of the \$21 billion in state aid comes from the lottery. New York State spends about \$59 billion in total on public education, of which \$12.26 billion is spent on special education. So about 20%, or a little over \$1 billion of the lottery money (by proportion), would be allocated to special education.

Lottery funds are distributed to school districts and charter schools as part of their state-aid payments. Each LEA determines how the state-aid is used.

Texas State Lottery helps with funding for education.

Approximately \$17 million of \$1.214 billion in state-aid payments was lottery dollars

Non-Tax Revenue in New Jersey A limited amount of New Jersey Lottery proceeds goes toward the support of K-12 education. None is earmarked specifically for special education. The New Jersey Department of Education receives \$91.5 million from the state lottery. Below are individual programs that receive lottery revenue through the NJDOE. (N.J. State Lottery website http://www.state.nj.us/lottery/where/4-0_where.htm, last accessed February 10, 2014)

- Marie Katzenbach School for the Deaf – \$1.85 million
- Non-Public School Aid – \$41,973
- Statewide Assessment Program (Grades 4, 8, 11) – \$8.848 million
- School Construction and Renovations – \$38.915 million

Additionally, New Jersey's School Nutrition Program, administered through the Department of Agriculture, receives \$2.66 million in state lottery proceeds.

While no lottery funds are specifically earmarked for special education programs, it is reasonable to infer that special education students receive at least some indirect benefit from these non-tax revenues.