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AN ACT concerning State and local financing of school districts, supplementing and amending P.L.2007, c.260, amending P.L.2007, c.62, and repealing section 5 of P.L.2007, c.260.

Modifies school funding law to eliminate adjustment aid and State aid growth limit; allows adjustment to tax levy growth limitation to certain school districts.

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Same as _____ 16/17

Same as _____ 18/19

Suggested allocation:

AN ACT concerning State and local financing of school districts, supplementing and amending P.L.2007, c.260, amending P.L.2007, c.62, and repealing section 5 of P.L.2007, c.260.

BE IT ENACTED by the Senate and General Assembly of the State of New Jersey:

1. (New section) As used in P.L. , c. (C.) (pending before the Legislature as this bill):

“State aid differential” means the difference between the sum of a school district’s or county vocational school district’s allocations of equalization aid, special education categorical aid, security categorical aid, transportation aid, adjustment aid, and non-SFRA aids in the 2017-2018 school year, and the sum of equalization aid, special education categorical aid, security categorical aid, and transportation aid as calculated pursuant to for that school year in each category in accordance with the provisions of sections 11, 13, 14, and 15 of P.L.2007, c.260 (C.18A:7F-53, C.18A:7F-55, C.18A:7F-56, and C.18A:7F-57), respectively.

“Non-SFRA aids” means the sum of supplemental enrollment growth aid, per pupil growth aid, PARCC readiness aid, professional learning community aid, under adequacy aid, and host district support aid received by a school district in the 2017-2018 school year.

2. (New section) a. Notwithstanding the provisions of P.L.2007, c.260 (C.18A:7F-43 et al.) or any other law to the contrary, in the 2018-2019 through 2023-2025 school years, a school district or county vocational school district in which the State aid differential calculated in the 2017-2018 school year is negative shall receive State school aid in an amount equal to the sum of the district’s State aid in the prior school year plus the district’s proportionate share of the sum of any increase in State aid included in the annual appropriations act for that fiscal year and the total State aid reduction pursuant to subsection b. of this section based on the district’s State aid differential as a percent of the Statewide total State aid differential among all school districts and county vocational school districts for which the State aid differential is negative. Any increase in State aid pursuant to this subsection shall first be allocated to equalization aid, except that a school district’s or county vocational school district’s equalization aid shall not exceed the amount calculated pursuant to section 10 of P.L.2007, c.260 (C.18A:7F-52) for the 2017-2018 school year. As necessary, any additional increases shall be allocated to special education categorical aid, security categorical aid, and transportation aid.

b. Except as provided pursuant to subsection c. of this section, and notwithstanding the provisions of P.L.2007, c.260 (C.18A:7F-

EXPLANATION – Matter enclosed in bold-faced brackets [thus] in the above bill is not enacted and is intended to be omitted in the law.

Matter underlined thus is new matter.

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43 et al.) or any other law to the contrary, in the 2018-2019 through 2023-2025 school years, a school district or county vocational school district in which the State aid differential calculated in the 2017-2018 school year is positive shall receive State school aid in an amount equal to the district's State aid in the prior school year minus a percent of the State aid differential in the 2017-2018 school year according to the following schedule:

- (1) 5 percent in the 2018-2019 school year;
- (2) 13 percent in the 2019-2020 school year;
- (3) 23 percent in the 2020-2021 school year;
- (4) 37 percent in the 2021-2022 school year;
- (5) 55 percent in the 2022-2023 school year;
- (6) 76 percent in the 2023-2024 school year; and
- (7) 100 percent in the 2024-2025 school year.

c. Notwithstanding the provisions of P.L.2007, c.260 (C.18A:7F-43 et al.) or any other law to the contrary, in the 2018-2019 through 2022-2023 school years, a school district in a municipality that is authorized to impose and collect an employer payroll tax pursuant to P.L. , c. (C.) (pending before the Legislature as Senate Bill No. 2581) shall receive State school aid in an amount equal to the district's State aid in the prior school year minus a percent of the State aid differential in the 2017-2018 school year according to the following schedule:

- (1) 5 percent in the 2018-2019 school year;
- (2) 28.75 percent in the 2019-2020 school year;
- (3) 52.5 percent in the 2020-2021 school year;
- (4) 76.25 percent in the 2021-2022 school year; and
- (5) 100 percent in the 2022-2023 school year.

d. Any decrease in State aid pursuant subsections b. or c. of this section shall first be deducted from a school district's or county vocational school district's allotment of adjustment aid. Any additional reduction shall be deducted from the school district's or county vocational school district's allotment of non-SFRA aids, followed by equalization aid, special education categorical aid, security aid, and transportation aid.

e. In the case of a school district or county vocational school district that is subject to the provisions of subsections a. or b. of this section, in the 2024-2025 school year, any remaining adjustment aid or non-SFRA aids shall be reallocated to other State aid categories in a manner to be determined by the commissioner. In the case of a school district that is subject to the provisions of subsection c. of this section, the reallocation shall occur in the 2022-2023 school year.

3. (New section) In the 2018-2019 school year, and in each school year thereafter, a county vocational school district shall receive vocational expansion stabilization aid in such an amount to ensure that the district receives the greater of the amount of State aid calculated pursuant to the provisions of P.L.2007, c.260

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(C.18A:7F-43 et al.) or the sum of the amount of equalization aid, special education categorical aid, security categorical aid, and adjustment aid received in the 2017-2018 school year.

4. Section 3 of P.L.2007, c.62 (C.18A:7F-38) is amended to read as follows:

3. a. Notwithstanding the provisions of any other law to the contrary, a school district shall not adopt a budget pursuant to sections 5 and 6 of P.L.1996, c.138 (C.18A:7F-5 and 18A:7F-6) with an increase in its adjusted tax levy that exceeds, except as provided in subsection e. of section 4 of P.L.2007, c.62 (C.18A:7F-39), the tax levy growth limitation calculated as follows: the sum of the prebudget year adjusted tax levy and the adjustment for increases in enrollment multiplied by 2.0 percent, and adjustments for an increase in health care costs, [and] increases in amounts for certain normal and accrued liability pension contributions set forth in sections 1 and 2 of P.L.2009, c.19 amending section 24 of P.L.1954, c.84 (C.43:15A-24) and section 15 of P.L.1944, c.255 (C.43:16A-15) for the year set forth in those sections, and, in the case of an SDA district as defined pursuant to section 3 of P.L.2000, c.72 (C.18A:7G-3), during the 2018-2019 through the 2023-2024 school years, increases to raise a general fund tax levy to an amount that does not exceed its local share.

b. (1) The allowable adjustment for increases in enrollment authorized pursuant to subsection a. of this section shall equal the per pupil prebudget year adjusted tax levy multiplied by EP, where EP equals the sum of:

(a) 0.50 for each unit of weighted resident enrollment that constitutes an increase from the prebudget year over 1%, but not more than 2.5%;

(b) 0.75 for each unit of weighted resident enrollment that constitutes an increase from the prebudget year over 2.5%, but not more than 4%; and

(c) 1.00 for each unit of weighted resident enrollment that constitutes an increase from the prebudget year over 4%.

(2) A school district may request approval from the commissioner to calculate EP equal to 1.00 for any increase in weighted resident enrollment if it can demonstrate that the calculation pursuant to paragraph (1) of this subsection would result in an average class size that exceeds 10% above the facilities efficiency standards established pursuant to P.L.2000, c.72 (C.18A:7G-1 et al.).

c. (Deleted by amendment, P.L.2010, c.44)

d. (1) The allowable adjustment for increases in health care costs authorized pursuant to subsection a. of this section shall equal that portion of the actual increase in total health care costs for the budget year, less any withdrawals from the current expense emergency reserve account for increases in total health care costs, that exceeds 2.0 percent of the total health care costs in the

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prebudget year, but that is not in excess of the product of the total health care costs in the prebudget year multiplied by the average percentage increase of the State Health Benefits Program, P.L.1961, c.49 (C.52:14-17.25 et seq.), as annually determined by the Division of Pensions and Benefits in the Department of the Treasury.

(2) The allowable adjustment for increases in the amount of normal and accrued liability pension contributions authorized pursuant to subsection a. of this section shall equal that portion of the actual increase in total normal and accrued liability pension contributions for the budget year that exceeds 2.0 percent of the total normal and accrued liability pension contributions in the prebudget year.

(3) In the case of an SDA, district, as defined pursuant to section 3 of P.L.2000, c.72 (C.18A:7G-3), in which the prebudget year adjusted tax levy is less than the school district's prebudget year local share as calculated pursuant to section 10 of P.L.2007, c.260 (C.18A:7F-52), the allowable adjustment for increases to raise a tax levy that does not exceed the school district's local share shall equal the difference between the prebudget year adjusted tax levy and the prebudget year local share.

e. (Deleted by amendment, P.L.2010, c.44)

f. The adjusted tax levy shall be increased or decreased accordingly whenever the responsibility and associated cost of a school district activity is transferred to another school district or governmental entity.

(cf: P.L.2010, c.44, s.4)

5. Section 16 of P.L.2007, c.260 (C.18A:7F-58) is amended to read as follows:

16. a. (1) For the 2008-2009 school year, each school district and county vocational school district shall receive adjustment aid in such amount as to ensure that the district receives the greater of the amount of State aid calculated for the district pursuant to the provisions of this act or the State aid received by the district for the 2007-2008 school year multiplied by 102%. The State aid received by the district for the 2007-2008 school year shall include the following aid categories: Core Curriculum Standards Aid, Supplemental Core Curriculum Standards Aid, Education Opportunity Aid, Above Average Enrollment Growth Aid, High Expectations for Learning Proficiency Aid, Instructional Supplement Aid, Demonstrably Effective Program Aid, Stabilization Aid, Supplemental Stabilization Aid, Adult and Postsecondary Education Grants, Bilingual Education Aid, Special Education Aid, County Vocational Program Aid, Transportation Aid, School Choice Aid, Consolidated Aid, Additional Formula Aid, Full-day Kindergarten Supplemental Aid, Targeted-At-Risk Aid, Abbott-Bordered District Aid, Nonpreschool ECPA, Extraordinary Special Education Aid paid in 2006-2007, and Aid

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for Enrollment Adjustments, taking into consideration the June 2008 payment made in July 2008.

(2) For the 2009-2010 and 2010-2011 school years a school district or county vocational school district shall receive adjustment aid in such amount as to ensure that the district receives the greater of the amount of State aid calculated for the district pursuant to the provisions of this act or the State aid, other than educational adequacy aid, received by the district for the 2008-2009 school year.

(3) For the 2011-2012 school year [and for each school year thereafter] through the 2017-2018 school year, a school district or county vocational school district that does not have a decline in its weighted enrollment, adjusted for bilingual education pupils and at-risk pupils, between the 2008-2009 school year and the budget year that is greater than 5% shall receive adjustment aid in such amount as to ensure that the district receives the greater of the amount of State aid calculated pursuant to the provisions of this act or the State aid, other than educational adequacy aid, received by the district for the 2008-2009 school year.

(4) For the 2011-2012 school year [and for each school year thereafter] through the 2017-2018 school year, a school district or county vocational school district that has a decline in its weighted enrollment, adjusted for bilingual education pupils and at-risk pupils, between the 2008-2009 school year and the budget year that is greater than 5% shall have its adjustment aid reduced in an amount equal to the district's 2008-2009 per pupil adjustment aid amount multiplied by the decline in its resident enrollment that is greater than 5%.

b. In the case of a school district that received education opportunity aid in the 2007-2008 school year and for which the sum of the district's 2007-2008 State aid under the State aid categories listed under paragraph (1) of subsection a. of this section and general fund local levy is less than the sum of the district's adequacy budget as calculated pursuant to section 9 of this act, special education categorical aid calculated pursuant to section 13 of this act, and security aid calculated pursuant to section 14 of this act, the district shall receive educational adequacy aid if it meets the following criteria:

(1) the district fails to meet educational adequacy standards as determined by the commissioner; or

(2) the district is located in a municipality with an equalized total tax rate that is greater than 130% of the Statewide average equalized total tax rate; or

(3) the district has an equalized school tax rate that is greater than 110% of the Statewide average equalized school tax rate and is located in a municipality with an equalized total tax rate that is greater than 120% of the Statewide average equalized total tax rate; and

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(4) the district will not meet adequacy in the 2008-2009 school year based on the State aid increase received by the district for that school year.

An eligible district shall receive educational adequacy aid for the 2008-2009 school year in accordance with the following formula:

$$\text{EA aid} = ((\text{AB} + \text{SE} + \text{SA}) - (\text{GFL} + \text{A08})) \times .33) - \text{ls} - \text{SA};$$

where AB is the district's adequacy budget as calculated pursuant to section 9 of this act;

SE is the district's special education categorical aid calculated pursuant to section 13 of this act;

SA is the district's security categorical aid calculated pursuant to section 14 of this act;

GFL is the district's prebudget year general fund local levy;

A08 is the sum of the district's 2007-2008 State aid under the State aid categories listed under paragraph (1) of subsection a. of this section;

ls is the district's prebudget year general fund local levy, multiplied by 4% in the case of a district which meets the criteria of paragraph (2) or paragraph (3) of this subsection, or in the case of a district which does not meet those criteria multiplied by 6%; and

SA is any increase in State aid between the prebudget and budget years.

An eligible district shall receive educational adequacy aid for the 2009-2010 school year in accordance with the following formula:

$$\text{EA aid} = ((\text{AB} - (\text{GFL} + \text{PEQAID})) \times .50) - \text{ls}; \text{ and}$$

An eligible district shall receive educational adequacy aid for the 2010-2011 school year in accordance with the following formula:

$$\text{EA aid} = (\text{AB} - (\text{GFL} + \text{PEQAID}) - \text{ls})$$

where

AB is the district's adequacy budget as calculated pursuant to section 9 of this act;

GFL is the district's prebudget year general fund local levy;

PEQAID is the district's prebudget year equalization aid calculated pursuant to section 11 of this act; and

ls is the district's prebudget year general fund local levy, multiplied by 4% in the case of a district which meets the criteria of paragraph (2) or paragraph (3) of this subsection, or in the case of a district which does not meet those criteria multiplied by 8% for the 2009-2010 school year and by 10% for the 2010-2011 school year;

For the 2011-2012 school year and for each school year thereafter, the district shall receive the amount of educational adequacy aid that the district received in the 2010-2011 school year.

(cf: P.L.2007, c.260, s.16)

6. Section 5 of P.L.2007, c.260 (C.18A:7F-47) is repealed.

7. This act shall take effect immediately and shall first be applicable to the 2018-2019 school year.

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STATEMENT

The “School Funding Reform Act of 2008” (SFRA), P.L.2007, c.260 was enacted with the purpose of determining the amount of State school aid each school district would receive based on the needs of the student population and local fiscal capacity. However, the SFRA has not been fully implemented since the 2008-2009 school year, resulting in school districts receiving levels of State school aid inconsistent with their current circumstances.

This bill makes two modifications to the SFRA with the intent of realigning the amount of State aid provided to school districts with their current needs. First, under the provisions of the SFRA, a school district’s State aid may not increase from one year to the next by more than the State aid growth limit (10 percent for school districts spending above their adequacy threshold, and 20 percent for school districts spending below that threshold). The bill eliminates that cap in the 2018-2019 school year.

Second, the bill transitions school districts towards the amount of State aid that the school district would receive in the absence of the State aid growth limit and adjustment aid that school district received under the SFRA. In the case of a school district in which the State aid received in the 2017-2018 school year is less than the amount that district would receive in the absence of the State aid growth limit, the district would receive an increase in aid equal to its proportionate share of any additional State aid included in the annual appropriations act and any aid reduction made to other school districts. In the case of a school district that received a greater amount of State aid in the 2017-2018 school year than what the district would receive in the absence of the State aid growth limit and adjustment aid, the excess aid is phased out over a seven-year period, except that the bill includes a five-year transition period for a school district in a municipality that is authorized to impose and collect an employer payroll tax under the provisions of Senate Bill No.2581. This provision would apply to the Jersey City School District.

Modifies school funding law to eliminate adjustment aid and State aid growth limit; allows adjustment to tax levy growth limitation for certain school districts.

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