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CL/JA

P.L. 2023, CHAPTER 140, *approved August 16, 2023*
Senate, No. 3950

1 AN ACT concerning State school aid and amending P.L.2018, c.67.

2

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

5

6 1. Section 4 of P.L.2018, c.67 (C.18A:7F-68) is amended to read
7 as follows:

8 4. a. Notwithstanding the provisions of P.L.2007, c.260
9 (C.18A:7F-43 et al.) or any other law to the contrary, in the 2019-
10 2020 through 2024-2025 school years, a school district or county
11 vocational school district in which the State aid differential
12 calculated is negative shall receive State school aid in an amount
13 equal to the sum of the district's State aid in the prior school year
14 plus the district's proportionate share of the sum of any increase in
15 State aid included in the annual appropriations act for that fiscal
16 year and the total State aid reduction pursuant to subsection b. of
17 this section based on the district's State aid differential as a percent
18 of the Statewide total State aid differential among all school
19 districts and county vocational school districts for which the State
20 aid differential is negative. Any increase in State aid pursuant to
21 this subsection shall first be allocated to equalization aid, followed
22 by special education categorical aid, security categorical aid, and
23 transportation aid, except that no category shall exceed the total
24 amount as calculated in accordance with the provisions of sections
25 11, 13, 14, and 15 of P.L.2007, c.260 (C.18A:7F-53, C.18A:7F-55,
26 C.18A:7F-56, and C.18A:7F-57), respectively.

27 b. Except as provided pursuant to subsection c. of this section,
28 and notwithstanding the provisions of P.L.2007, c.260 (C.18A:7F-
29 43 et al.) or any other law to the contrary, in the 2019-2020 through
30 2024-2025 school years, a school district or county vocational
31 school district in which the State aid differential is positive shall
32 receive State school aid in an amount equal to the district's State aid
33 in the prior school year minus a percent of the State aid differential
34 according to the following schedule:

- 35 (1) 13 percent in the 2019-2020 school year;
36 (2) 23 percent in the 2020-2021 school year;
37 (3) 37 percent in the 2021-2022 school year;
38 (4) 55 percent in the 2022-2023 school year;
39 (5) 76 percent in the 2023-2024 school year; and
40 (6) 100 percent in the 2024-2025 school year.

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.

1 c. (1) An SDA district that is located in a municipality in
2 which the equalized total tax rate is greater than the Statewide
3 average equalized total tax rate for the most recent available
4 calendar year and is spending below adequacy as calculated
5 pursuant to section 1 of P.L.2018, c.67 (C.18A:7F-70) shall not be
6 subject to a reduction in State aid pursuant to subsection b. of this
7 section.

8 (2) An SDA district that is located in a municipality in which
9 the equalized total tax rate is greater than the Statewide average
10 equalized total tax rate for the most recent available calendar year
11 and is spending above adequacy as calculated pursuant to section 1
12 of P.L.2018, c.67 (C.18A:7F-70) shall be subject to a reduction not
13 to exceed the amount by which the district is spending above
14 adequacy multiplied by the corresponding percentage included in
15 subsection b. of this section.

16 (3) A school district, other than an SDA district, that is located
17 in a municipality in which the equalized total tax rate is at least 10
18 percent greater than the Statewide average equalized total tax rate
19 for the most recent available calendar year and is spending at least
20 10 percent below adequacy as calculated pursuant to section 1 of
21 P.L.2018, c.67 (C.18A:7F-70) shall not be subject to a reduction in
22 State aid pursuant to subsection b. of this section.

23 (4) A school district that is a participating district under an
24 application that is approved for a grant pursuant to subsection a. of
25 section 4 of P.L.2021, c.402 (C.18A:13-47.4) or a school district
26 that is a participating district under an application that receives
27 preliminary approval pursuant to subsection b. of section 4 of
28 P.L.2021, c.402 (C.18A:13-47.4) and that has a State aid
29 differential that is positive may elect to receive State school aid in
30 an amount equal to the district's State aid in the prior school year
31 minus a percent of the State aid differential according to the
32 following schedule:

- 33 **[(1)]** **(a)** 30 percent in the 2021-2022 school year;
34 **[(2)]** **(b)** 37 percent in the 2022-2023 school year;
35 **[(3)]** **(c)** 46 percent in the 2023-2024 school year;
36 **[(4)]** **(d)** 55 percent in the 2024-2025 school year;
37 **[(5)]** **(e)** 65.5 percent in the 2025-2026 school year;
38 **[(6)]** **(f)** 76 percent in the 2026-2027 school year;
39 **[(7)]** **(g)** 88 percent in the 2027-2028 school year; and
40 **[(8)]** **(h)** 100 percent in the 2028-2029 school year.

41 A school district with a State aid differential that is positive,
42 which is a participating district under an application that is
43 approved for a grant pursuant to subsection a. of section 4 of
44 P.L.2021, c.402 (C.18A:13-47.4) or that receives preliminary
45 approval under subsection b. of section 4 of P.L.2021, c.402
46 (C.18A:13-47.4) but has not created or joined a limited purpose or
47 all purpose regional school district within two years following the

1 grant application approval or preliminary approval shall not be
2 eligible to receive State aid according to the schedule enumerated in
3 this paragraph.

4 As used in this paragraph, "participating district" means a school
5 district whose board of education by resolution certifies a
6 commitment to participate in a feasibility study submitted as part of
7 an application under the grant program established pursuant to
8 section 2 of P.L.2021, c.402 (C.18A:13-47.2).

9 (5) Notwithstanding the provisions of section 32 of P.L.1996,
10 c.138 (C.18A:7F-32) or any other law, rule, or regulation to the
11 contrary, a school district that is a regional school district created
12 following the approval of a grant application pursuant to section 4
13 of P.L.2021, c.402 (C.18A:13-47.4) shall, from the first full school
14 year following the creation of the regional school district through
15 the 2028-2029 school year, receive State school aid in an amount
16 that is the greater of:

17 (a) the amount of State school aid that the newly created
18 regional school district would receive as a regional school district;
19 or

20 (b) the sum of the amount of State school aid received by each
21 school district constituting the newly created regional school
22 district prior to the creation of such regional school district.

23 (6) A school district shall not be not be subject to a reduction in
24 State aid pursuant to this section provided that:

25 (a) the district is a regional school district consisting of at least
26 five constituent school districts;

27 (b) the district has mitigated costs of regionalization, as
28 determined by the Commissioner of Education;

29 (c) for the most recent school year for which data is available,
30 the district's administrative costs per pupil are 15 percent lower
31 than the Statewide average administrative costs per pupil for
32 regional school districts; and

33 (d) the district's general fund tax levy has been increased by the
34 maximum amount permitted pursuant to section 3 of P.L.2007, c.62
35 (C.18A:7F-38) in each of the last five school years.

36 A school district that is exempt from a reduction in State aid
37 pursuant to paragraph (6) of subsection c. of this section shall
38 provide courtesy busing to pupils who reside in the district,
39 provided that the district was providing courtesy busing prior to the
40 school year in which it is exempt from a reduction in State aid.

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

1 e. Any remaining adjustment aid or non-SFRA aids shall be
2 reallocated to other State aid categories in a manner to be
3 determined by the commissioner.

4 (cf: P.L.2021, c.402, s.22)

5

6 2. This act shall take effect immediately.

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STATEMENT

10

11 This bill provides an exemption from reductions in State school
12 aid for certain school districts.

13 Under current law, a school district may experience a reduction
14 in State school aid if the difference between the district's aid from
15 the prior year and the district's aid as calculated by the School
16 Funding Reform Act of 2008 is positive. Current law provides for
17 exemptions for certain school districts.

18 This bill adds an exemption from State school aid reductions for
19 a school district that: is a regional school district comprised of five
20 or more constituent school districts; has mitigated the costs of
21 regionalization as determined by the Commissioner of Education;
22 spends 15 percent less in administrative costs per pupil than the
23 Statewide average for regional school districts; and has increased
24 the district's general fund tax levy by the maximum amount
25 permitted by statute in each of the last five years. As a condition of
26 being exempt from State aid reductions, an eligible district is
27 prohibited from eliminating courtesy busing to students who reside
28 in the district. Courtesy busing is the transporting of students who
29 do not live remote from school, which is defined under State law as
30 being more than two miles from the school of attendance for
31 students enrolled in grades kindergarten through eight and more
32 than 2.5 miles for students enrolled in high school.

33

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37 Establishes exemption from State school aid reductions for
38 certain school districts.

SENATE, No. 3950

STATE OF NEW JERSEY 220th LEGISLATURE

INTRODUCED JUNE 8, 2023

Sponsored by:

Senator VIN GOPAL

District 11 (Monmouth)

Senator DECLAN J. O'SCANLON, JR.

District 13 (Monmouth)

Assemblyman CRAIG J. COUGHLIN

District 19 (Middlesex)

Co-Sponsored by:

Senator Singer, Assemblymen S.Kean and Thomson

SYNOPSIS

Establishes exemption from State school aid reductions for certain school districts.

CURRENT VERSION OF TEXT

As introduced.



(Sponsorship Updated As Of: 6/30/2023)

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15 State aid included in the annual appropriations act for that fiscal
16 year and the total State aid reduction pursuant to subsection b. of
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21 five constituent school districts;

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23 determined by the Commissioner of Education;

24 (c) for the most recent school year for which data is available,
25 the district's administrative costs per pupil are 15 percent lower
26 than the Statewide average administrative costs per pupil for
27 regional school districts; and

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32 pursuant to paragraph (6) of subsection c. of this section shall
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34 provided that the district was providing courtesy busing prior to the
35 school year in which it is exempt from a reduction in State aid.

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

43 e. Any remaining adjustment aid or non-SFRA aids shall be
44 reallocated to other State aid categories in a manner to be
45 determined by the commissioner.

46 (cf: P.L.2021, c.402, s.22)

47

48 2. This act shall take effect immediately.

STATEMENT

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This bill provides an exemption from reductions in State school aid for certain school districts.

Under current law, a school district may experience a reduction in State school aid if the difference between the district's aid from the prior year and the district's aid as calculated by the School Funding Reform Act of 2008 is positive. Current law provides for exemptions for certain school districts.

This bill adds an exemption from State school aid reductions for a school district that: is a regional school district comprised of five or more constituent school districts; has mitigated the costs of regionalization as determined by the Commissioner of Education; spends 15 percent less in administrative costs per pupil than the Statewide average for regional school districts; and has increased the district's general fund tax levy by the maximum amount permitted by statute in each of the last five years. As a condition of being exempt from State aid reductions, an eligible district is prohibited from eliminating courtesy busing to students who reside in the district. Courtesy busing is the transporting of students who do not live remote from school, which is defined under State law as being more than two miles from the school of attendance for students enrolled in grades kindergarten through eight and more than 2.5 miles for students enrolled in high school.

SENATE BUDGET AND APPROPRIATIONS COMMITTEE

STATEMENT TO

SENATE, No. 3950

STATE OF NEW JERSEY

DATED: JUNE 20, 2023

The Senate Budget and Appropriations Committee reports favorably Senate Bill No. 3950.

This bill provides an exemption from reductions in State school aid for certain school districts.

Under current law, a school district may experience a reduction in State school aid if the difference between the district's aid from the prior year and the district's aid as calculated by the School Funding Reform Act of 2008 is positive. Current law provides for exemptions for certain school districts.

This bill adds an exemption from State school aid reductions for a school district that: is a regional school district comprised of five or more constituent school districts; has mitigated the costs of regionalization as determined by the Commissioner of Education; spends 15 percent less in administrative costs per pupil than the Statewide average for regional school districts; and has increased the district's general fund tax levy by the maximum amount permitted by statute in each of the last five years. As a condition of being exempt from State aid reductions, an eligible district is prohibited from eliminating courtesy busing to students who reside in the district. Courtesy busing is the transporting of students who do not live remote from school, which is defined under State law as being more than two miles from the school of attendance for students enrolled in grades kindergarten through eight and more than 2.5 miles for students enrolled in high school.

FISCAL IMPACT:

Fiscal information for this bill is currently unavailable.

LEGISLATIVE FISCAL ESTIMATE
SENATE, No. 3950
STATE OF NEW JERSEY
220th LEGISLATURE

DATED: JUNE 26, 2023

SUMMARY

- Synopsis:** Establishes exemption from State school aid reductions for certain school districts.
- Types of Impact:** State expenditure increases in FY 2024 and FY 2025;
Revenue increases to certain school districts in FY 2024 and FY 2025.
- Agencies Affected:** Department of Education and certain school districts.

Office of Legislative Services Estimate

Fiscal Impact	<u>FY 2024</u>	<u>FY 2025</u>	<u>FY 2026</u>
State Expenditure Increase	\$6,763,723	\$8,900,000	\$0
School District Revenue Increase	\$6,763,723	\$8,900,000	\$0

- The Office of Legislative Services (OLS) projects that the limited exemption from State school aid reductions would increase State expenditures and the revenue of certain school districts by \$6,763,723 in FY 2024 and \$8.9 million in FY 2025. No fiscal impact would occur thereafter. Currently, only the Freehold Regional School District would qualify for the exemption.
- As a caveat, the OLS estimate assumes that the Department of Education would implement the bill relative to the FY 2023 baseline and in addition to P.L.2023, c.32, which offset two-thirds of the FY 2024 State school aid reductions to certain school districts, including the Freehold Regional School District, under pre-existing law.

BILL DESCRIPTION

Under current law, school districts' annual State school aid will be calculated in accordance with the formula stipulated in the School Funding Reform Act of 2008 starting in FY 2026. During the current transitional period, school districts whose State school aid is higher than under the formula in the 2008 law are subject to graduated annual school aid reductions.

This bill would exempt certain school districts from the graduated reductions during the transitional period through FY 2025. The exemption would apply to regional school districts

FE to S3950

comprised of five or more constituent school districts that: have mitigated the costs of regionalization; spend 15 percent less on administration per pupil than the Statewide average for regional school districts; and have increased the district's general fund tax levy by the maximum permitted by statute in each of the last five years. As a condition of being exempt from State aid reductions, eligible districts would be prohibited from eliminating courtesy busing to students who reside in the district.

FISCAL ANALYSIS

EXECUTIVE BRANCH

None received.

OFFICE OF LEGISLATIVE SERVICES

The OLS estimates that the bill would increase State school aid expenditures and the revenue of certain school districts by \$6,763,723 in FY 2024 and \$8.9 million in FY 2025. There would be no fiscal impact thereafter. As a caveat, the OLS assumes that the Department of Education would implement the bill relative to the FY 2023 baseline and in addition to P.L.2023, c.32.

While the OLS cannot ascertain which school districts would meet the criterion of mitigating costs of regionalization, based on the other three criteria for eligibility, the OLS determines that this bill would currently apply only to Freehold Regional School District. However, additional school districts may qualify in FY 2025, resulting in additional concurrent increases in school district revenues and State expenditures.

According to the Department of Education, Freehold Regional School District is to incur a reduction of \$6,763,723, or 22.1 percent, in its FY 2024 State school aid, absent the mitigating effects of P.L.2023, c.32. The district's State aid would fall from \$30.6 million in FY 2023 to \$23.8 million in FY 2024.

The bill would thus increase FY 2024 State school aid expenditures and FY 2024 Freehold Regional School District revenue by \$6,763,723. Because the data to run the FY 2025 school funding formula are not yet available, the OLS estimates that the amount of State aid needed to maintain the district's FY 2023 State aid in FY 2025 would approximate \$8.9 million, based on FY 2024 school aid data. The bill would be without effect starting in FY 2026.

The OLS notes that the bill's fiscal impacts in FY 2024 could decrease to \$2,299,666 if the Department of Education were to interpret the bill in conjunction with P.L.2023, c.32. That law provided Supplemental Stabilization Aid to school districts that were to receive reduced school aid in FY 2024. The one-time payments equaled two-thirds of the FY 2024 State school aid reductions with Freehold Regional School District receiving \$4,464,057. Supplemental Stabilization Aid is not available for FY 2025 under current law.

Section: Education
Analyst: Jessica S. Rueb
Assistant Research Analyst
Approved: Thomas Koenig
Legislative Budget and Finance Officer

This legislative fiscal estimate has been produced by the Office of Legislative Services due to the failure of the Executive Branch to respond to our request for a fiscal note

This fiscal estimate has been prepared pursuant to P.L.1980, c.67 (C.52:13B-6 et seq.).

ASSEMBLY, No. 5575

STATE OF NEW JERSEY 220th LEGISLATURE

INTRODUCED JUNE 5, 2023

Sponsored by:

Assemblyman CRAIG J. COUGHLIN
District 19 (Middlesex)

Co-Sponsored by:

Assemblymen S.Kean and Thomson

SYNOPSIS

Establishes exemption from State school aid reductions for certain school districts.

CURRENT VERSION OF TEXT

As introduced.



(Sponsorship Updated As Of: 6/30/2023)

A5575 COUGHLIN

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39 (5) 76 percent in the 2023-2024 school year; and
40 (6) 100 percent in the 2024-2025 school year.

41 c. (1) An SDA district that is located in a municipality in
42 which the equalized total tax rate is greater than the Statewide
43 average equalized total tax rate for the most recent available
44 calendar year and is spending below adequacy as calculated
45 pursuant to section 1 of P.L.2018, c.67 (C.18A:7F-70) shall not be

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.

1 subject to a reduction in State aid pursuant to subsection b. of this
2 section.

3 (2) An SDA district that is located in a municipality in which
4 the equalized total tax rate is greater than the Statewide average
5 equalized total tax rate for the most recent available calendar year
6 and is spending above adequacy as calculated pursuant to section 1
7 of P.L.2018, c.67 (C.18A:7F-70) shall be subject to a reduction not
8 to exceed the amount by which the district is spending above
9 adequacy multiplied by the corresponding percentage included in
10 subsection b. of this section.

11 (3) A school district, other than an SDA district, that is located
12 in a municipality in which the equalized total tax rate is at least 10
13 percent greater than the Statewide average equalized total tax rate
14 for the most recent available calendar year and is spending at least
15 10 percent below adequacy as calculated pursuant to section 1 of
16 P.L.2018, c.67 (C.18A:7F-70) shall not be subject to a reduction in
17 State aid pursuant to subsection b. of this section.

18 (4) A school district that is a participating district under an
19 application that is approved for a grant pursuant to subsection a. of
20 section 4 of P.L.2021, c.402 (C.18A:13-47.4) or a school district
21 that is a participating district under an application that receives
22 preliminary approval pursuant to subsection b. of section 4 of
23 P.L.2021, c.402 (C.18A:13-47.4) and that has a State aid
24 differential that is positive may elect to receive State school aid in
25 an amount equal to the district's State aid in the prior school year
26 minus a percent of the State aid differential according to the
27 following schedule:

- 28 **[(1)]** **(a)** 30 percent in the 2021-2022 school year;
29 **[(2)]** **(b)** 37 percent in the 2022-2023 school year;
30 **[(3)]** **(c)** 46 percent in the 2023-2024 school year;
31 **[(4)]** **(d)** 55 percent in the 2024-2025 school year;
32 **[(5)]** **(e)** 65.5 percent in the 2025-2026 school year;
33 **[(6)]** **(f)** 76 percent in the 2026-2027 school year;
34 **[(7)]** **(g)** 88 percent in the 2027-2028 school year; and
35 **[(8)]** **(h)** 100 percent in the 2028-2029 school year.

36 A school district with a State aid differential that is positive,
37 which is a participating district under an application that is
38 approved for a grant pursuant to subsection a. of section 4 of
39 P.L.2021, c.402 (C.18A:13-47.4) or that receives preliminary
40 approval under subsection b. of section 4 of P.L.2021, c.402
41 (C.18A:13-47.4) but has not created or joined a limited purpose or
42 all purpose regional school district within two years following the
43 grant application approval or preliminary approval shall not be
44 eligible to receive State aid according to the schedule enumerated in
45 this paragraph.

46 As used in this paragraph, "participating district" means a school
47 district whose board of education by resolution certifies a

1 commitment to participate in a feasibility study submitted as part of
2 an application under the grant program established pursuant to
3 section 2 of P.L.2021, c.402 (C.18A:13-47.2).

4 (5) Notwithstanding the provisions of section 32 of P.L.1996,
5 c.138 (C.18A:7F-32) or any other law, rule, or regulation to the
6 contrary, a school district that is a regional school district created
7 following the approval of a grant application pursuant to section 4
8 of P.L.2021, c.402 (C.18A:13-47.4) shall, from the first full school
9 year following the creation of the regional school district through
10 the 2028-2029 school year, receive State school aid in an amount
11 that is the greater of:

12 (a) the amount of State school aid that the newly created
13 regional school district would receive as a regional school district;
14 or

15 (b) the sum of the amount of State school aid received by each
16 school district constituting the newly created regional school
17 district prior to the creation of such regional school district.

18 (6) A school district shall not be not be subject to a reduction in
19 State aid pursuant to this section provided that:

20 (a) the district is a regional school district consisting of at least
21 five constituent school districts;

22 (b) the district has mitigated costs of regionalization, as
23 determined by the Commissioner of Education;

24 (c) for the most recent school year for which data is available,
25 the district's administrative costs per pupil are 15 percent lower
26 than the Statewide average administrative costs per pupil for
27 regional school districts; and

28 (d) the district's general fund tax levy has been increased by the
29 maximum amount permitted pursuant to section 3 of P.L.2007, c.62
30 (C.18A:7F-38) in each of the last five school years.

31 A school district that is exempt from a reduction in State aid
32 pursuant to paragraph (6) of subsection c. of this section shall
33 provide courtesy busing to pupils who reside in the district,
34 provided that the district was providing courtesy busing prior to the
35 school year in which it is exempt from a reduction in State aid.

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

43 e. Any remaining adjustment aid or non-SFRA aids shall be
44 reallocated to other State aid categories in a manner to be
45 determined by the commissioner.

46 (cf: P.L.2021, c.402, s.22)

47

48 2. This act shall take effect immediately.

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STATEMENT

This bill provides an exemption from reductions in State school aid for certain school districts.

Under current law, a school district may experience a reduction in State school aid if the difference between the district's aid from the prior year and the district's aid as calculated by the School Funding Reform Act of 2008 is positive. Current law provides for exemptions for certain school districts.

This bill adds an exemption from State school aid reductions for a school district that: is a regional school district comprised of five or more constituent school districts; has mitigated the costs of regionalization as determined by the Commissioner of Education; spends 15 percent less in administrative costs per pupil than the Statewide average for regional school districts; and has increased the district's general fund tax levy by the maximum amount permitted by statute in each of the last five years. As a condition of being exempt from State aid reductions, an eligible district is prohibited from eliminating courtesy busing to students who reside in the district. Courtesy busing is the transporting of students who do not live remote from school, which is defined under State law as being more than two miles from the school of attendance for students enrolled in grades kindergarten through eight and more than 2.5 miles for students enrolled in high school.

ASSEMBLY EDUCATION COMMITTEE

STATEMENT TO

ASSEMBLY, No. 5575

STATE OF NEW JERSEY

DATED: JUNE 8, 2023

The Assembly Education committee reports favorably Assembly Bill No. 5575.

This bill provides an exemption from reductions in State school aid for certain school districts.

Under current law, a school district may experience a reduction in State school aid if the difference between the district's aid from the prior year and the district's aid as calculated by the School Funding Reform Act of 2008 is positive. Current law provides for exemptions for certain school districts.

This bill adds an exemption from State school aid reductions for a school district that: is a regional school district comprised of five or more constituent school districts; has mitigated the costs of regionalization as determined by the Commissioner of Education; spends 15 percent less in administrative costs per pupil than the Statewide average for regional school districts; and has increased the district's general fund tax levy by the maximum amount permitted by statute in each of the last five years. As a condition of being exempt from State aid reductions, an eligible district is prohibited from eliminating courtesy busing to students who reside in the district. Courtesy busing is the transporting of students who do not live remote from school, which is defined under State law as being more than two miles from the school of attendance for students enrolled in grades kindergarten through eight and more than 2.5 miles for students enrolled in high school.

ASSEMBLY APPROPRIATIONS COMMITTEE

STATEMENT TO

ASSEMBLY, No. 5575

STATE OF NEW JERSEY

DATED: JUNE 22, 2023

The Assembly Appropriations Committee reports favorably Assembly Bill No. 5575.

This bill provides an exemption from reductions in State school aid for certain school districts.

Under current law, a school district may experience a reduction in State school aid if the difference between the district's aid from the prior year and the district's aid as calculated by the School Funding Reform Act of 2008 is positive. Current law provides for exemptions for certain school districts.

This bill adds an exemption from State school aid reductions for a school district that: is a regional school district comprised of five or more constituent school districts; has mitigated the costs of regionalization as determined by the Commissioner of Education; spends 15 percent less in administrative costs per pupil than the Statewide average for regional school districts; and has increased the district's general fund tax levy by the maximum amount permitted by statute in each of the last five years. As a condition of being exempt from State aid reductions, an eligible district is prohibited from eliminating courtesy busing to students who reside in the district. Courtesy busing is the transporting of students who do not live remote from school, which is defined under State law as being more than two miles from the school of attendance for students enrolled in grades kindergarten through eight and more than 2.5 miles for students enrolled in high school.

FISCAL IMPACT:

The Office of Legislative Services (OLS) projects that the limited exemption from State school aid reductions would increase State expenditures and the revenue of certain school districts by \$6,763,723 in FY 2024 and \$8.9 million in FY 2025. No fiscal impact would occur thereafter. Currently, only the Freehold Regional School District would qualify for the exemption.

As a caveat, the OLS estimate assumes that the Department of Education would implement the bill relative to the FY 2023 baseline and in addition to P.L.2023, c.32, which offset two-thirds of the FY 2024 State school aid reductions to certain school districts, including the Freehold Regional School District, under pre-existing law.

LEGISLATIVE FISCAL ESTIMATE
ASSEMBLY, No. 5575
STATE OF NEW JERSEY
220th LEGISLATURE

DATED: JUNE 26, 2023

SUMMARY

Synopsis: Establishes exemption from State school aid reductions for certain school districts.

Types of Impact: State expenditure increases in FY 2024 and FY 2025;
Revenue increases to certain school districts in FY 2024 and FY 2025.

Agencies Affected: Department of Education and certain school districts.

Office of Legislative Services Estimate

Fiscal Impact	<u>FY 2024</u>	<u>FY 2025</u>	<u>FY 2026</u>
State Expenditure Increase	\$6,763,723	\$8,900,000	\$0
School District Revenue Increase	\$6,763,723	\$8,900,000	\$0

- The Office of Legislative Services (OLS) projects that the limited exemption from State school aid reductions would increase State expenditures and the revenue of certain school districts by \$6,763,723 in FY 2024 and \$8.9 million in FY 2025. No fiscal impact would occur thereafter. Currently, only the Freehold Regional School District would qualify for the exemption.
- As a caveat, the OLS estimate assumes that the Department of Education would implement the bill relative to the FY 2023 baseline and in addition to P.L.2023, c.32, which offset two-thirds of the FY 2024 State school aid reductions to certain school districts, including the Freehold Regional School District, under pre-existing law.

BILL DESCRIPTION

Under current law, school districts' annual State school aid will be calculated in accordance with the formula stipulated in the School Funding Reform Act of 2008 starting in FY 2026. During the current transitional period, school districts whose State school aid is higher than under the formula in the 2008 law are subject to graduated annual school aid reductions.

This bill would exempt certain school districts from the graduated reductions during the transitional period through FY 2025. The exemption would apply to regional school districts comprised of five or more constituent school districts that: have mitigated the costs of

regionalization; spend 15 percent less on administration per pupil than the Statewide average for regional school districts; and have increased the district's general fund tax levy by the maximum permitted by statute in each of the last five years. As a condition of being exempt from State aid reductions, eligible districts would be prohibited from eliminating courtesy busing to students who reside in the district.

FISCAL ANALYSIS

EXECUTIVE BRANCH

None received.

OFFICE OF LEGISLATIVE SERVICES

The OLS estimates that the bill would increase State school aid expenditures and the revenue of certain school districts by \$6,763,723 in FY 2024 and \$8.9 million in FY 2025. There would be no fiscal impact thereafter. As a caveat, the OLS assumes that the Department of Education would implement the bill relative to the FY 2023 baseline and in addition to P.L.2023, c.32.

While the OLS cannot ascertain which school districts would meet the criterion of mitigating costs of regionalization, based on the other three criteria for eligibility, the OLS determines that this bill would currently apply only to Freehold Regional School District. However, additional school districts may qualify in FY 2025, resulting in additional concurrent increases in school district revenues and State expenditures.

According to the Department of Education, Freehold Regional School District is to incur a reduction of \$6,763,723, or 22.1 percent, in its FY 2024 State school aid, absent the mitigating effects of P.L.2023, c.32. The district's State aid would fall from \$30.6 million in FY 2023 to \$23.8 million in FY 2024.

The bill would thus increase FY 2024 State school aid expenditures and FY 2024 Freehold Regional School District revenue by \$6,763,723. Because the data to run the FY 2025 school funding formula are not yet available, the OLS estimates that the amount of State aid needed to maintain the district's FY 2023 State aid in FY 2025 would approximate \$8.9 million, based on FY 2024 school aid data. The bill would be without effect starting in FY 2026.

The OLS notes that the bill's fiscal impacts in FY 2024 could decrease to \$2,299,666 if the Department of Education were to interpret the bill in conjunction with P.L.2023, c.32. That law provided Supplemental Stabilization Aid to school districts that were to receive reduced school aid in FY 2024. The one-time payments equaled two-thirds of the FY 2024 State school aid reductions with Freehold Regional School District receiving \$4,464,057. Supplemental Stabilization Aid is not available for FY 2025 under current law.

Section: Education

Analyst: Jessica S. Rueb
Assistant Research Analyst

Approved: Thomas Koenig
Legislative Budget and Finance Officer

This legislative fiscal estimate has been produced by the Office of Legislative Services due to the failure of the Executive Branch to respond to our request for a fiscal note.

This fiscal estimate has been prepared pursuant to P.L.1980, c.67 (C.52:13B-6 et seq.).

Governor Murphy Takes Action on Legislation

08/16/2023

TRENTON – Today, Governor Phil Murphy signed the following bills into law:

SCS for S-520/A-3847 (Cruz-Perez/Calabrese, Freiman, Spearman) - Exempts shellfish aquaculturists with commercial shellfish aquaculture permit from law prohibiting taking of shellfish on Sunday; requires submission of annual shellfish harvest report

S-1442/A-5345 (Singleton/Thomson, DePhillips, Space) - Requires public works contractor registration and payroll certification for public works projects to be completed online

S-3929/A-5182 (Vitale, Scutari/Lampitt, Mukherji) - Revises certain requirements for involuntary commitment for mental health treatment

[Copy of Statement](#)

S-3950/A-5575 (Gopal, O'Scanlon/Coughlin) - Establishes exemption from State school aid reductions for certain school districts

A-3912/S-2724 (Greenwald, Calabrese/Beach, Cruz-Perez) - Permits alternating proprietorship of certain wineries

A-4192/S-3082 (Greenwald/Beach) - Updates educational and experience requirements to obtain licensure as architect

A-5286/S-3718 (Greenwald, Pintor Marin/Ruiz, Sarlo) - Modifies employee health benefits requirements under certain economic development programs

A-5329/S-3734 (Stanley, Atkins, Moen/Diegnan, Corrado) - Extends useful service life of certain school buses to 20 years; provides temporary one-year extension of service life of Type S school buses