

# 18A:7F-5

## LEGISLATIVE HISTORY CHECKLIST

Compiled by the NJ State Law Library

**LAWS OF:** 2000 **CHAPTER:** 147  
**NJSA:** 18A:7F-5 (Eligibility for early childhood education programs)  
**BILL NO:** S838 (Substituted for A581)

**SPONSOR(S):** Martin and Allen

**DATE INTRODUCED:** January 31, 2000

**COMMITTEE:** **ASSEMBLY:** ----  
**SENATE:** Education; Budget

### AMENDED DURING PASSAGE:

**DATE OF PASSAGE:** **ASSEMBLY:** June 29, 2000 Re-enacted October 30, 2000  
**SENATE:** June 26, 2000 Re-enacted October 2, 2000

**DATE OF APPROVAL:** November 9, 2000

### FOLLOWING ARE ATTACHED IF AVAILABLE:

**FINAL TEXT OF BILL:** 2<sup>nd</sup> Reprint  
(Amendments during passage denoted by superscript numbers)

#### S838

**SPONSORS STATEMENT:** (Begins on page 13 of original bill) Yes  
**COMMITTEE STATEMENT:** **ASSEMBLY:** No  
**SENATE:** Yes 2-10-2000 (Education)  
5-25-2000 (Budget)  
**FLOOR AMENDMENT STATEMENTS:** No  
**LEGISLATIVE FISCAL ESTIMATE:** Yes

#### A581

**SPONSORS STATEMENT:** (Begins on page 13 of original bill) Yes  
**COMMITTEE STATEMENT:** **ASSEMBLY:** Yes 5-8-00 (Education)  
6-8-00 (Approp.)  
**SENATE:** No  
**FLOOR AMENDMENT STATEMENTS:** No  
**LEGISLATIVE FISCAL ESTIMATE:** Yes

**VETO MESSAGE:** Yes

**GOVERNOR'S PRESS RELEASE ON SIGNING:** Yes

**FOLLOWING WERE PRINTED:**

To check for circulating copies, contact New Jersey State Government Publications at the State Library (609) 278-2640 ext.103 or <mailto:refdesk@njstatelib.org>

**REPORTS:** No

**HEARINGS:** No

**NEWSPAPER ARTICLES:** No

**SENATE, No. 838**

---

**STATE OF NEW JERSEY**  
**209th LEGISLATURE**

---

INTRODUCED JANUARY 31, 2000

**Sponsored by:**

**Senator ROBERT J. MARTIN**

**District 26 (Essex, Morris and Passaic)**

**SYNOPSIS**

Establishes a minimum period of school district eligibility for early childhood and demonstrably effective program aids and provides budget cap exclusion for demonstrably effective program aid.

**CURRENT VERSION OF TEXT**

As introduced.



1 AN ACT concerning State aid for districts with concentrations of low-  
2 income pupils and amending P.L.1996, c.138.

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

6  
7 1. Section 5 of P.L. 1996, c.138 (C.18A:7F-5) is amended to read  
8 as follows:

9 5. a. Biennially, within 30 days following the approval of the  
10 Report on the Cost of Providing a Thorough and Efficient Education,  
11 the commissioner shall notify each district of the T&E amount, the  
12 T&E flexible amount, the T&E range, early childhood program  
13 amount, demonstrably effective program amount, instructional  
14 supplement amount, and categorical amounts per pupil for the  
15 subsequent two fiscal years.

16 Annually, within two days following the transmittal of the State  
17 budget message to the Legislature by the Governor pursuant to section  
18 11 of P.L.1944, c.112 (C.52:27B-20), the commissioner shall notify  
19 each district of the maximum amount of aid payable to the district in  
20 the succeeding school year pursuant to the provisions of this act, and  
21 shall notify each district of the district's T&E budget, maximum T&E  
22 budget, and minimum permissible T&E budget for the succeeding  
23 school year.

24 Beginning in the 1998-99 school year, unless otherwise specified  
25 within this act, aid amounts payable for the budget year shall be based  
26 on budget year pupil counts, which shall be projected by the  
27 commissioner using data from prior years. Adjustments for the actual  
28 pupil counts of the budget year shall be made to State aid amounts  
29 payable during the school year succeeding the budget year. Additional  
30 amounts payable shall be reflected as revenue and an account  
31 receivable for the budget year.

32 Notwithstanding any other provision of this act to the contrary,  
33 each district's State aid payable for the 1997-98 school year, with the  
34 exception of transportation and facilities aids pursuant to sections 25,  
35 26, and 27 of this act, shall be based on simulations employing the  
36 various formulas and State aid amounts contained in this act using  
37 projections based on the October 1995 pupil counts, December 1995  
38 special education census data and October 1995 equalized valuations.  
39 Transportation aid shall be calculated based on the provisions of this  
40 act using pupil data used for the 1996-97 school year and adjusted to  
41 reflect the total amount of State aid disbursed in the 1996-97 school  
42 year. The commissioner shall prepare a report dated December 19,  
43 1996 reflecting the State aid amounts payable by category for each

**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 district and shall submit the report to the Legislature prior to the  
2 adoption of this act. The amounts contained in the commissioner's  
3 report shall be the final amounts payable and shall not be subsequently  
4 adjusted because of changes in pupil counts or equalized valuations.  
5 The projected pupil counts and equalized valuations used for the  
6 calculation of State aid shall also be used for the calculation of  
7 maximum T&E budget, minimum T&E budget, local share, required  
8 local share, and spending growth limitation. State aid notification of  
9 debt service aid pursuant to section 27 of this act shall include a  
10 statement that debt service aid shall be determined in the budget.

11 Any school district which enrolls students who reside on federal  
12 property which were not included in the calculation of core curriculum  
13 standards aid for 1997-98 shall have its core curriculum standards aid  
14 recalculated for these additional enrollments through the 1997-98  
15 school year using the property value multiplier, income value  
16 multiplier, equalized valuation, and district income which were used  
17 in the original Statewide calculation of core curriculum standards aid.  
18 The additional aid resulting from the recalculations shall be divided by  
19 20 and the product shall be added to each of the remaining core  
20 curriculum standards aid payments for the 1997-98 school year.  
21 Additionally, the core curriculum standards aid calculation and  
22 payment schedule for 1998-99 shall be adjusted for such enrollments  
23 arriving after the last school day prior to October 16, 1997.

24 b. Each district shall have a required local share. For Abbott  
25 districts, the required local share for the purpose of determining its  
26 estimated minimum equalized tax rate and supplemental core  
27 curriculum standards aid shall equal the district's local share calculated  
28 at the middle of the T&E range (T&E amount x WENR, where WENR  
29 is the district's weighted enrollment pursuant to section 13 of this act).

30 Notwithstanding the above provision, no Abbott district shall raise  
31 a general fund tax levy which is less than the prior year general fund  
32 tax levy unless the sum of the levy and the other components of the  
33 T&E program budget equals or exceeds its maximum T&E budget  
34 calculated pursuant to section 13 of this act.

35 For district factor group A districts, the required local share shall  
36 equal the district's local share calculated at its minimum T&E budget  
37 pursuant to section 13 of this act.

38 For all other districts, the required local share shall equal the lesser  
39 of the local share calculated at the district's minimum T&E budget  
40 pursuant to section 13 of this act, or the district's budgeted local share  
41 for the prebudget year.

42 In order to meet this requirement, each district shall raise a general  
43 fund tax levy which, when added to the general fund balance  
44 designated for the budget year, miscellaneous local general fund  
45 revenues estimated consistent with GAAP to be realized during the  
46 budget year, supplemental core curriculum standards aid calculated

1 pursuant to section 17 of this act and stabilization aid and  
2 supplemental school tax reduction aid calculated pursuant to section  
3 10 of this act, equals its required local share or, for Abbott districts,  
4 the amount required when the calculation of required local share  
5 would result in a general fund tax levy which is less than the general  
6 fund tax levy of the prebudget year. For 1997-98, the budgeted local  
7 share for the prebudget year shall be the district's general fund tax  
8 levy.

9 For the 1997-98 school year, any tax increase which would be  
10 required of an Abbott district or district factor group A district to  
11 meet its required local share, after consideration of supplemental core  
12 curriculum standards aid, stabilization aid, and supplemental school tax  
13 reduction aid shall be fully funded by the State and recorded as  
14 supplemental core curriculum standards aid. The commissioner, in  
15 consultation with the Commissioner of the Department of Community  
16 Affairs and the Director of the Division of Local Government Services  
17 in the Department of Community Affairs, shall examine the fiscal  
18 ability of the Abbott districts and the district factor group A districts  
19 eligible for supplemental core curriculum standards aid to absorb any  
20 reduction in such aid and shall make recommendations to the  
21 Legislature and the Governor regarding the continuation of  
22 supplemental core curriculum standards aid to those districts. In  
23 making those recommendations, the commissioner shall consider the  
24 ratable base of the municipality or municipalities in which the district  
25 is located, the tax burden placed upon the local community due to  
26 other required municipal services, and the fiscal ability of the school  
27 district to raise its required local share. The commissioner shall not  
28 implement any of those recommendations until the recommendations  
29 are enacted into law.

30 No municipal governing body or bodies or board of school  
31 estimate, as appropriate, shall certify a general fund tax levy which  
32 does not meet the required local share provisions of this section.

33 c. Annually, on or before March 4, each district board of education  
34 shall adopt, and submit to the commissioner for approval, together  
35 with such supporting documentation as the commissioner may  
36 prescribe, a budget that provides no less than the minimum permissible  
37 T&E budget, plus categorical amounts required for a thorough and  
38 efficient education as established pursuant to the report, special  
39 revenue funds and debt service funds.

40 d. (1) A district proposing a budget which includes spending  
41 which exceeds the maximum T&E budget established pursuant to  
42 section 13 of this act shall submit, as appropriate, to the board of  
43 school estimate or to the voters of the district at the annual school  
44 budget election conducted pursuant to the provisions of P.L.1995,  
45 c.278 (C.19:60-1 et seq.), a general fund tax levy which when added  
46 to the other components of its net budget does not exceed the

1 prebudget year net budget by more than the spending growth  
2 limitation calculated as follows: the sum of three percent or the CPI,  
3 whichever is greater, multiplied by the prebudget year net budget, and  
4 adjustments for changes in enrollment, certain capital outlay  
5 expenditures, expenditures for pupil transportation services provided  
6 pursuant to N.J.S.18A:39-1.1, and special education costs per pupil  
7 in excess of \$40,000. The adjustment for special education costs shall  
8 equal any increase in the sum of per pupil amounts in excess of  
9 \$40,000 for the budget year less the sum of per pupil amounts in  
10 excess of \$40,000 for the prebudget year indexed by the CPI or three  
11 percent, whichever is greater. The adjustment for enrollments shall  
12 equal the increase in unweighted resident enrollments between the  
13 prebudget year and budget year multiplied by the per pupil general  
14 fund tax levy amount for the prebudget year indexed by the CPI or  
15 three percent, whichever is greater. The adjustment for capital outlay  
16 shall equal any increase between the capital outlay portion of the  
17 general fund budget for the budget year less any withdrawals from the  
18 capital reserve account and the capital outlay portion of the general  
19 fund budget for the prebudget year indexed by the CPI or three  
20 percent, whichever is greater. Any district with a capital outlay  
21 adjustment to its spending growth limitation shall be restricted from  
22 transferring any funds from capital outlay accounts to current expense  
23 accounts. The adjustment for capital outlay shall not become part of  
24 the prebudget year net budget for purposes of calculating the spending  
25 growth limitation of the subsequent year. The adjustment for pupil  
26 transportation costs provided pursuant to N.J.S.18A:39-1.1 shall equal  
27 the cost of providing such pupil transportation services for the budget  
28 year.

29 (2) A district proposing a budget set at or below the minimum  
30 T&E budget established pursuant to section 13 of this act shall submit,  
31 as appropriate, to the board of school estimate or to the voters of the  
32 district at the annual school budget election conducted pursuant to the  
33 provisions of P.L.1995, c.278 (C.19:60-1 et seq.), a general fund tax  
34 levy which when added to the other components of the net T&E  
35 budget shall not exceed the prebudget year net T&E budget or in  
36 1997-98 the prebudget year net budget by more than the spending  
37 growth limitation calculated as follows: the sum of three percent or the  
38 CPI, whichever is greater, multiplied by the prebudget year net budget,  
39 and adjustments for changes in enrollment, certain capital outlay  
40 expenditures, expenditures for pupil transportation services provided  
41 pursuant to N.J.S.18A:39-1.1, and special education costs per pupil in  
42 excess of \$40,000. The enrollment adjustment shall equal the increase  
43 in weighted resident enrollment between the prebudget year and the  
44 budget year multiplied by the T&E amount less the T&E flexible  
45 amount. The adjustments for special education costs, pupil  
46 transportation services, and capital outlay expenditures shall be

1 calculated pursuant to the provisions of paragraph (1) of this  
2 subsection.

3 Notwithstanding the provisions of this paragraph, no district shall  
4 raise a net budget which is less than the local share required under the  
5 required local share provisions of this act plus the other components  
6 of its net budget.

7 (3) A district proposing a budget set at or below the maximum  
8 T&E budget, but including amounts in excess of the minimum T&E  
9 budget established pursuant to section 13 of this act, shall submit, as  
10 appropriate, to the board of school estimate or to the voters at the  
11 annual school budget election conducted pursuant to the provisions of  
12 P.L.1995, c.278 (C.19:60-1 et seq.), a general fund tax levy which  
13 when added to the other components of its net T&E budget does not  
14 exceed the prebudget year net T&E budget or in 1997-98 the  
15 prebudget year net budget by more than the spending growth  
16 limitation calculated as follows: the sum of three percent or the CPI,  
17 whichever is greater, multiplied by the prebudget year net budget, and  
18 adjustments for changes in enrollment, certain capital outlay  
19 expenditures, expenditures for pupil transportation services provided  
20 pursuant to N.J.S.18A:39-1.1, and special education costs per pupil in  
21 excess of \$40,000 per pupil. The enrollment adjustment shall equal  
22 the increase in the unweighted resident enrollment between the  
23 prebudget year and the budget year multiplied by the prebudget year  
24 T&E program budget per pupil indexed by the CPI or three percent,  
25 whichever is greater. For the 1997-98 school year, the T&E program  
26 budget for the prebudget year shall equal the sum of the general fund  
27 tax levy, foundation aid, and transition aid. The adjustment for special  
28 education costs, pupil transportation services, and capital outlay  
29 expenditures shall be made pursuant to the provisions of paragraph (1)  
30 of this subsection.

31 (4) Any debt service payment made by a school district during the  
32 budget year shall not be included in the calculation of the district's  
33 spending growth limitation.

34 (5) For the 1997-98 school year, a district's spending growth  
35 limitation shall be increased by the excess of county special services  
36 school district tuition over prebudget year county special services  
37 school district tuition indexed by the CPI or three percent, whichever  
38 is greater.

39 (6) For the purpose of determining a district's spending growth  
40 limitation for the 1997-98 school year, a district may apply to the  
41 commissioner to add all or a part of the district's original designated  
42 general fund balance for 1996-97 to the spending growth limitation if  
43 it can demonstrate through current accounting records and historical  
44 trend data that the fund balance will actually be spent in the budget  
45 year.

46 (7) If the use of early childhood program aid for the provision of



1 full-day kindergarten and preschool classes and other early childhood  
2 programs and services or the use of demonstrably effective program  
3 aid for the provision of instructional, school governance, and health  
4 and social service programs will cause the district to exceed its  
5 spending growth limitation, the district may apply to the commissioner  
6 for an adjustment to that limitation.

7 (8) If an increase in tuition for the budget year charged to a  
8 sending district by the receiving district pursuant to the provisions of  
9 N.J.S.18A:38-19 would reduce the sending district's per pupil net  
10 budget amount below the prior year's per pupil net budget amount in  
11 order to comply with the district's spending growth limitation, the  
12 district may apply to the commissioner for an adjustment to that  
13 limitation.

14 (9) Any district may submit at the annual school budget election a  
15 separate proposal or proposals for additional funds, including  
16 interpretive statements, specifically identifying the program purposes  
17 for which the proposed funds shall be used, to the voters, who may, by  
18 voter approval, authorize the raising of an additional general fund tax  
19 levy for such purposes. In the case of a district with a board of school  
20 estimate, one proposal for the additional spending shall be submitted  
21 to the board of school estimate. Any proposal or proposals rejected by  
22 the voters shall be submitted to the municipal governing body or  
23 bodies for a determination as to the amount, if any, that should be  
24 expended notwithstanding voter rejection. The decision of the  
25 municipal governing body or bodies or board of school estimate, as  
26 appropriate, shall be final and no appeals shall be made to the  
27 commissioner.

28 (10) Notwithstanding any provision of law to the contrary, if a  
29 district proposes a budget which exceeds the maximum T&E budget,  
30 the following statement shall be published in the legal notice of public  
31 hearing on the budget pursuant to N.J.S.18A:22-28, posted at the  
32 public hearing held on the budget pursuant to N.J.S.18A:22-29, and  
33 printed on the sample ballot required pursuant to section 10 of  
34 P.L.1995, c.278 (C.19:60-10):

35 "Your school district has proposed programs and services in  
36 addition to the core curriculum content standards adopted by the State  
37 Board of Education. Information on this budget and the programs and  
38 services it provides is available from your local school district."

39 e. (1) Any general fund tax levy rejected by the voters for a  
40 proposed budget in excess of the maximum T&E budget shall be  
41 submitted to the governing body of each of the municipalities included  
42 within the district for determination of the amount that should be  
43 expended notwithstanding voter rejection. In the case of a district  
44 having a board of school estimate, the general fund tax levy shall be  
45 submitted to the board for determination of the amount that should be  
46 expended. If the governing body or bodies or board of school

1 estimate, as appropriate, reduce the district's proposed net budget, the  
2 district may appeal any of the reductions to the commissioner on the  
3 grounds that the reductions will negatively impact on the stability of  
4 the district given the need for long term planning and budgeting. In  
5 considering the appeal, the commissioner shall consider enrollment  
6 increases or decreases within the district; the history of voter approval  
7 or rejection of district budgets; the impact on the local levy; and  
8 whether the reductions will impact on the ability of the district to fulfill  
9 its contractual obligations. A district may not appeal any reductions  
10 on the grounds that the amount is necessary for a thorough and  
11 efficient education.

12 (2) Any general fund tax levy rejected by the voters for a proposed  
13 budget at or below the maximum T&E budget shall be submitted to  
14 the governing body of each of the municipalities included within the  
15 district for determination of the amount that should be expended  
16 notwithstanding voter rejection. In the case of a district having a  
17 board of school estimate, the general fund tax levy shall be submitted  
18 to the board for determination. Any reductions may be appealed to the  
19 commissioner on the grounds that the amount is necessary for a  
20 thorough and efficient education or that the reductions will negatively  
21 impact on the stability of the district given the need for long term  
22 planning and budgeting. In considering the appeal, the commissioner  
23 shall also consider the factors outlined in paragraph (1) of this  
24 subsection.

25 In the case of a school district in which the proposed budget is  
26 below, or after a reduction made by the municipal governing body or  
27 board of school estimate is below, the minimum T&E budget  
28 calculated pursuant to section 13 of this act, any reductions made by  
29 the municipal governing body or board of school estimate shall be  
30 automatically reviewed by the commissioner. In reviewing the budget,  
31 the commissioner shall also consider the factors outlined in paragraph  
32 (1) of this subsection. In addition, the municipal governing body or  
33 board of school estimate shall be required to demonstrate clearly to the  
34 commissioner that the proposed budget reductions shall not adversely  
35 affect the ability of the school district to provide a thorough and  
36 efficient education or the stability of the district given the need for  
37 long term planning and budgeting.

38 (3) In lieu of any budget reduction appeal provided for pursuant to  
39 paragraphs (1) and (2) of this subsection, the State board may  
40 establish pursuant to the "Administrative Procedure Act," P.L.1968,  
41 c.410 (C.52:14B-1 et seq.), an expedited budget review process based  
42 on a district's application to the commissioner for an order to restore  
43 a budget reduction.

44 (4) When the voters, municipal governing body or bodies, or the  
45 board of school estimate authorize the general fund tax levy, the

1 district shall submit the resulting budget to the commissioner within  
 2 15 days of the action of the voters or municipal governing body or  
 3 bodies, whichever is later, or of the board of school estimate as the  
 4 case may be.

5 f. Any district which is not an Abbott district but which was  
 6 classified as a special needs district under the "Quality Education Act  
 7 of 1990," P.L.1990, c.52 (C.18A:7D-1 et al.), may appeal any budget  
 8 reduction made by the municipal governing body or board of school  
 9 estimate, as appropriate, to the commissioner.

10 g. The commissioner shall annually review the budget of any  
 11 district which was classified as a special needs district under the  
 12 "Quality Education Act of 1990," P.L.1990, c.52 (C.18A:7D-1 et al.),  
 13 to determine if any educationally meritorious program or service  
 14 established through State resources provided as a result of that  
 15 funding law is proposed to be reduced or eliminated. If the  
 16 commissioner determines that the program or service is in jeopardy  
 17 and that a reallocation of resources is possible without jeopardizing  
 18 other educationally meritorious programs or services, he may require  
 19 the school board to fund the program or service through a reallocation  
 20 of resources.

21 (cf: P.L.1996, c.138, s.5)

22

23 2. Section 16 of P.L.1996, c.138 (C.18A:7F-16) is amended to  
 24 read as follows:

25 16. a. Early childhood program aid shall be distributed to all  
 26 school districts with high concentrations of low-income pupils, for the  
 27 purpose of providing full-day kindergarten and preschool classes and  
 28 other early childhood programs and services.

29 For districts in which the concentration of low income pupils is  
 30 equal to or greater than 20% and less than 40%, aid shall be  
 31 distributed according to the following formula:

32 
$$\text{Aid} = A1 \times \text{Modified District Enrollment.}$$

33 For districts in which the concentration of low income pupils is  
 34 equal to or greater than 40%, aid shall be distributed according to the  
 35 following formula for the purpose of expanding instructional services  
 36 previously specified to three year olds, or of providing, in addition to  
 37 the instructional services previously specified, transition and social  
 38 services to primary grade students:

39 
$$\text{Aid} = A2 \times \text{Modified District Enrollment where}$$

40 
$$A1 = \$465; \text{ and}$$

41 
$$A2 = \$750.$$

42 For the 1998-1999 school year, the per pupil funding amounts shall  
 43 be these amounts multiplied by the CPI. For subsequent years, the  
 44 amounts shall be established biennially in the Report on the Cost of  
 45 Providing a Thorough and Efficient Education and shall be derived  
 46 from cost analyses of appropriate programmatic applications of these

1 funds as identified in the report. The amounts shall be adjusted for  
2 inflation by the CPI in the second year of the period to which the  
3 report applies.

4 County vocational school districts and limited purpose regional high  
5 school districts meeting the eligibility criteria of this section shall  
6 receive aid payable under this section as demonstrably effective  
7 program aid in addition to amounts received pursuant to section 18 of  
8 this act.

9 Each district which receives early childhood program aid shall  
10 submit to the commissioner for approval an operational plan that shall  
11 be a subset of the district's comprehensive strategic plan, to establish  
12 preschool and full-day kindergarten for all four and five year olds by  
13 the 2001-2002 school year and to maintain them thereafter. Districts  
14 shall appropriate the aid in a special revenue fund for expenditure, but  
15 may place all or a portion of the aid in a capital reserve account during  
16 the first four years to establish facilities for these purposes. During  
17 the first four school years following enactment of this act, districts  
18 may use early childhood program aid for educationally meritorious  
19 programs or for the purpose of constructing new school facilities or  
20 enlarging existing school facilities for use by pupils other than those  
21 enrolled in early childhood programs, provided the new or enlarged  
22 facilities are used for and are adequate to house the planned early  
23 childhood programs. Districts which maintain progress consistent with  
24 the implementation plan may also use the funds for demonstrably  
25 effective programs pursuant to section 18 prior to establishing the  
26 programs required pursuant to this section. The commissioner shall  
27 establish guidelines to track the specific purposes of expenditures  
28 under this section.

29 b. A district which qualifies for early childhood program aid  
30 pursuant to subsection a. of this section shall be eligible to receive the  
31 aid for a minimum of four school years from the time of initial  
32 determination of eligibility even if the district's concentration of low-  
33 income pupils falls below the 20 % or 40% concentration required for  
34 receipt of the early childhood program per pupil aid amounts under  
35 subsection a. If a district's concentration of low-income pupils falls  
36 below the 20% or 40% thresholds, the amount of the early childhood  
37 program aid received by the district in the prebudget year shall be  
38 reduced in the budget year by the percentage decline in the ratio of the  
39 number of low-income pupils to modified district enrollment used in  
40 the calculation of aid in the prebudget and budget years; except that  
41 if a district is eligible for a greater amount of aid pursuant to  
42 subsection a. of this section, it shall receive that amount. If at the end  
43 of the four-year period the district's concentration of low-income  
44 pupils is below the thresholds required for receipt of the early  
45 childhood program per pupil aid amounts, then the district shall lose  
46 its eligibility for receipt of aid pursuant to the provisions of subsection

1 a. of this section. If at any time during the four-year period the  
 2 concentration of low-income pupils increases to the 20% or 40%  
 3 thresholds, then the district's aid shall be calculated pursuant to  
 4 subsection a. of this section and the minimum four-year period of  
 5 eligibility shall be determined from that school year.

6 A district which receives early childhood program aid pursuant to  
 7 this subsection shall not be eligible to receive instructional supplement  
 8 aid pursuant to subsection c. of section 18 of P.L.1996, c.138  
 9 (C.18A:7F-18c).

10 (cf: P.L.1996, c.138, s.16)

11

12 3. Section 18 of P.L.1996, c.138 (C.18A:7F-18) is amended to  
 13 read as follows:

14 18. a. Demonstrably effective program aid shall be generated by  
 15 individual schools and distributed to districts for the purpose of  
 16 providing instructional, school governance, and health and social  
 17 service programs to students enrolled in the generating school  
 18 according to the following formulas:

19 Aid shall be distributed to districts with schools in which the  
 20 concentration of low-income pupils is equal to or greater than 20%  
 21 and less than 40% as follows:

22 
$$\text{Aid} = \text{B1} \times \text{SENR1}$$

23 where

24 SENR1 is the sum of school enrollments for all schools in the  
 25 district enrolling low-income pupils at rates equal to or greater than  
 26 20% but less than 40%.

27 Aid shall be distributed to districts with schools in which the  
 28 concentration of low-income pupils is equal to or greater than 40% as  
 29 follows:

30 
$$\text{Aid} = \text{B2} \times \text{SENR2}$$

31 where

32 SENR2 is the sum of the school enrollments for all schools in the  
 33 district enrolling low-income pupils at rates equal to or greater than  
 34 40%;

35 where

36 
$$\text{B1} = \$300; \text{ and}$$

37 
$$\text{B2} = \$425.$$

38 For the 1998-1999 school year, the per pupil funding amounts shall  
 39 be these amounts multiplied by the CPI. For subsequent years, the  
 40 amounts shall be established biennially in the Report on the Cost of  
 41 Providing a Thorough and Efficient Education and be derived from  
 42 cost analyses of appropriate programmatic applications as identified in  
 43 the report. The amounts shall be adjusted for inflation by the CPI in  
 44 the second year of the period to which the report applies.

45 b. The State Board of Education, upon the recommendation of the  
 46 commissioner, shall adopt regulations governing the use of

1 demonstrably effective program aid and an accounting mechanism to  
2 ensure that use. The rules shall provide for:

3 (1) Programs. A definition as recommended by the commissioner  
4 shall be established of the demonstrably effective programs and  
5 services which shall qualify for aid. The definition shall include for  
6 1997-98, but not be limited to: alternative schools; community  
7 schools; class size reduction programs; parent education programs; job  
8 training programs; training institutes to improve homework response;  
9 telephone tutorial programs; teleconference and video tutoring  
10 programs; and HSPT/Early Warning test before school/after school  
11 preparation programs. The commissioner shall establish the per-pupil  
12 cost of providing these effective programs and services in the Report  
13 on the Cost of Providing a Thorough and Efficient Education.

14 (2) Accountability. A recipient district shall be required to obtain  
15 the approval of the Department of Education for the planned uses of  
16 demonstrably effective program funds. A periodic public process shall  
17 be established by which specific programmatic uses for the funds shall  
18 be identified and approved. A district failing to use the funds in the  
19 prescribed manner shall be subject to rescission of aid and additional  
20 monetary penalties as established by the commissioner.

21 (3) Monitoring. To facilitate State monitoring of the uses of the  
22 funds, districts shall be required to maintain separate program and  
23 service accounts in the special revenue section of district budgets and  
24 financial records in accordance with GAAP and specifications  
25 prescribed by the commissioner.

26 c. Instructional supplement aid shall be generated by school  
27 districts and county vocational school districts and distributed to  
28 districts for the purposes of providing supplemental services for  
29 students from low-income families. Aid shall be distributed to districts  
30 in which the concentration of low-income pupils is equal to or greater  
31 than 5% and less than 20%. Districts will receive \$339 for each pupil  
32 from low-income families. For the 1998-99 school year, the per pupil  
33 funding amount shall be this amount multiplied by the CPI. For  
34 subsequent years, the amount shall be established biennially in the  
35 Report on the Cost of Providing a Thorough and Efficient Education  
36 and be derived from cost analyses of appropriate programmatic  
37 applications as identified in the report. The amount shall be adjusted  
38 for inflation by the CPI in the second year of the period to which the  
39 report applies. Instructional supplement aid shall be accounted for in  
40 a special revenue fund.

41 d. The Department of Education shall develop, in collaboration  
42 with the Departments of Human Services and Health and Senior  
43 Services, as well as other appropriate State departments and agencies,  
44 mechanisms necessary to coordinate the provision of programs and  
45 services at the local level.

46 e. An individual school within a district which qualifies for

1 demonstrably effective program aid pursuant to subsection a. of this  
2 section shall be eligible to generate the aid for a minimum of four  
3 school years from the time of initial determination of eligibility even  
4 if the school's concentration of low-income pupils falls below the 20%  
5 or 40% concentration required for receipt of the demonstrably  
6 effective program per pupil aid amounts under subsection a. If a  
7 school's concentration of low-income pupils falls below the 20% or  
8 40% thresholds, the amount of demonstrably effective program aid  
9 generated by the school in the prebudget year shall be reduced in the  
10 budget year by the percentage decline in the ratio of the number of  
11 low-income pupils enrolled in the school to total school enrollment  
12 used in the calculation of aid in the prebudget and budget years; except  
13 that if a school generates a greater amount of aid pursuant to  
14 subsection a. of this section, it shall generate that amount. If at the end  
15 of the four-year period the school's concentration of low-income  
16 pupils is below the thresholds required for receipt of the demonstrably  
17 effective program per pupil aid amounts, then the school shall lose its  
18 eligibility for receipt of aid pursuant to the provisions of subsection a.  
19 of this section. If at any time during the four-year period the  
20 concentration of low-income pupils increases to the 20% or 40%  
21 thresholds, then the aid generated by the school shall be calculated  
22 pursuant to subsection a. of this section and the minimum four-year  
23 period of eligibility shall be determined from that school year.

24 (cf: P.L.1996, c.138, s.18)

25

26 4. This act shall take effect immediately and shall first apply to the  
27 calculation of aid for the 1998-99 school year.

28

29

30

#### STATEMENT

31

32 This bill amends the "Comprehensive Educational Improvement and  
33 Financing Act of 1996" (CEIFA), P.L.1996, c.138, to provide to a  
34 school district a minimum four-year period of eligibility for receipt of  
35 early childhood program aid and demonstrably effective program aid  
36 even if the district ceases to have the concentration of low-income  
37 pupils required for receipt of such aid. The intent of the bill is to  
38 address difficulties that have arisen for particular school districts as  
39 those districts worked to establish the programs that the State requires  
40 to be implemented with early childhood and demonstrably effective  
41 aid, when the funding source for these programs is eliminated or  
42 substantially reduced due to a decline in the concentration of low-  
43 income students within the district.

44 Under the bill's provisions, a district that qualifies for early  
45 childhood program aid under CEIFA's original provisions would  
46 receive such aid for a minimum period of four years even if the

1 district's concentration of low-income pupils falls below the 20% or  
2 40% concentration levels required for receipt of the per pupil aid  
3 amounts. If the district's concentration of low-income pupils falls  
4 below the 20% or 40% thresholds, the amount of early childhood  
5 program aid received by the district in the prebudget year would be  
6 reduced in the budget year by the percentage decline in the ratio of the  
7 number of low-income pupils to total modified district enrollment used  
8 in the calculation of aid in the prebudget and budget years. If,  
9 however, a district would receive more early childhood program aid  
10 under CEIFA's original provisions, then the district would receive that  
11 greater amount. If at the end of the four-year period, the district's  
12 concentration of low-income pupils is below the thresholds required  
13 for receipt of the early childhood program per pupil aid amounts, the  
14 district would lose its eligibility for receipt of the aid in accordance  
15 with the provisions of existing law. However, if at any time during the  
16 four-year period, the concentration of low-income pupils increases to  
17 the 20% or 40% thresholds, the district's aid would be calculated  
18 under CEIFA's original provisions, and the minimum four-year period  
19 of eligibility would be determined from that school year.

20 The bill includes a similar provision for the demonstrably effective  
21 program aid category, except that it is based on the concentration of  
22 low-income pupils in individual schools within the district since that  
23 is the basis on which the aid is generated.

24 In addition, the bill amends CEIFA to allow a school district to  
25 apply to the Commissioner of Education for an adjustment to its  
26 budget cap if the use of demonstrably effective program aid will cause  
27 the district to exceed its cap. This provision will ensure that the  
28 establishment of demonstrably effective programs in schools with high  
29 concentrations of low-income students that generated the aid will not  
30 cause reductions in programs and services in other schools in the  
31 district due to the spending limitation.



# SENATE EDUCATION COMMITTEE

## STATEMENT TO

### **SENATE, No. 838**

with committee amendments

# **STATE OF NEW JERSEY**

DATED: FEBRUARY 10, 2000

The Senate Education Committee reports favorably and with committee amendments Senate Bill No. 838.

As amended by committee, this bill amends the "Comprehensive Educational Improvement and Financing Act of 1996" (CEIFA), P.L.1996, c.138, to provide to a school district a minimum four-year period of eligibility for receipt of early childhood program aid and demonstrably effective program aid even if the district ceases to have the concentration of low-income pupils required for receipt of such aid. The intent of the bill is to address difficulties that have arisen for particular school districts as those districts worked to establish the programs that the State requires to be implemented with early childhood and demonstrably effective aid, when the funding source for these programs is eliminated or substantially reduced due to a decline in the concentration of low-income students within the district.

Under the bill's provisions, a district that qualifies for early childhood program aid under CEIFA's original provisions would receive such aid for a minimum period of four years even if the district's concentration of low-income pupils falls below the 20% or 40% concentration levels required for receipt of the per pupil aid amounts. If the district's concentration of low-income pupils falls below the 20% or 40% thresholds, the amount of early childhood program aid received by the district in the prebudget year would be reduced in the budget year by the percentage decline between the ratios of the number of low-income pupils to total modified district enrollment used in the calculation of aid in the last year in which the district met the required low-income concentration level (eligibility year) and the budget years. If, however, a district would receive more early childhood program aid under CEIFA's original provisions, then the district would receive that greater amount. If at the end of the four-year period, the district's concentration of low-income pupils is below the thresholds required for receipt of the early childhood program per pupil aid amounts, the district would lose its eligibility for receipt of the aid in accordance with the provisions of existing law. However, if at any time during the four-year period, the concentration of low-income pupils again increases to the 20% or 40% thresholds,

the district's aid would be calculated under CEIFA's original provisions, and the minimum four-year period of eligibility would be determined from that school year.

The bill includes a similar provision for the demonstrably effective program aid category, except that it is based on the concentration of low-income pupils in individual schools within the district since that is the basis on which the aid is generated.

In addition, the bill amends CEIFA to allow a school district to apply to the Commissioner of Education for an adjustment to its budget cap if the use of demonstrably effective program aid will cause the district to exceed its cap. This provision will ensure that the establishment of demonstrably effective programs in schools with high concentrations of low-income students that generated the aid will not cause reductions in programs and services in other schools in the district due to the spending limitation.

The committee amended the bill to clarify the manner in which a district's aid under the bill would be calculated.

[First Reprint]

**SENATE, No. 838**

---

**STATE OF NEW JERSEY**  
**209th LEGISLATURE**

---

INTRODUCED JANUARY 31, 2000

**Sponsored by:**

**Senator ROBERT J. MARTIN**

**District 26 (Essex, Morris and Passaic)**

**Senator DIANE ALLEN**

**District 7 (Burlington and Camden)**

**Co-Sponsored by:**

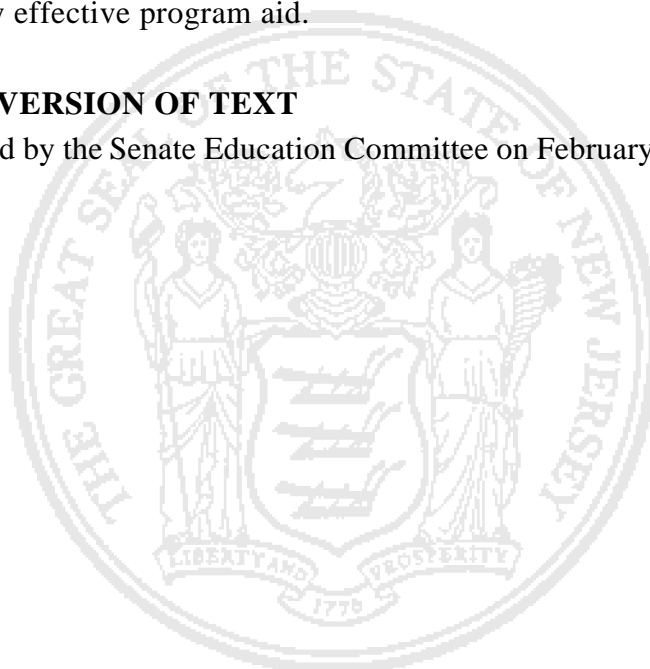
**Senator Matheussen, Assemblywoman Buono, Assemblymen Barnes, Zecker, Assemblywoman Gill, Assemblymen Conaway and Connors**

**SYNOPSIS**

Establishes a minimum period of school district eligibility for early childhood and demonstrably effective program aids and provides budget cap exclusion for demonstrably effective program aid.

**CURRENT VERSION OF TEXT**

As reported by the Senate Education Committee on February 10, 2000, with amendments.



**(Sponsorship Updated As Of: 6/30/2000)**

1 AN ACT concerning State aid for districts with concentrations of low-  
2 income pupils and amending P.L.1996, c.138.

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

6  
7 1. Section 5 of P.L.1996, c.138 (C.18A:7F-5) is amended to read  
8 as follows:

9 5. a. Biennially, within 30 days following the approval of the  
10 Report on the Cost of Providing a Thorough and Efficient Education,  
11 the commissioner shall notify each district of the T&E amount, the  
12 T&E flexible amount, the T&E range, early childhood program  
13 amount, demonstrably effective program amount, instructional  
14 supplement amount, and categorical amounts per pupil for the  
15 subsequent two fiscal years.

16 Annually, within two days following the transmittal of the State  
17 budget message to the Legislature by the Governor pursuant to section  
18 11 of P.L.1944, c.112 (C.52:27B-20), the commissioner shall notify  
19 each district of the maximum amount of aid payable to the district in  
20 the succeeding school year pursuant to the provisions of this act, and  
21 shall notify each district of the district's T&E budget, maximum T&E  
22 budget, and minimum permissible T&E budget for the succeeding  
23 school year.

24 Beginning in the 1998-99 school year, unless otherwise specified  
25 within this act, aid amounts payable for the budget year shall be based  
26 on budget year pupil counts, which shall be projected by the  
27 commissioner using data from prior years. Adjustments for the actual  
28 pupil counts of the budget year shall be made to State aid amounts  
29 payable during the school year succeeding the budget year. Additional  
30 amounts payable shall be reflected as revenue and an account  
31 receivable for the budget year.

32 Notwithstanding any other provision of this act to the contrary,  
33 each district's State aid payable for the 1997-98 school year, with the  
34 exception of transportation and facilities aids pursuant to sections 25,  
35 26, and 27 of this act, shall be based on simulations employing the  
36 various formulas and State aid amounts contained in this act using  
37 projections based on the October 1995 pupil counts, December 1995  
38 special education census data and October 1995 equalized valuations.  
39 Transportation aid shall be calculated based on the provisions of this  
40 act using pupil data used for the 1996-97 school year and adjusted to  
41 reflect the total amount of State aid disbursed in the 1996-97 school  
42 year. The commissioner shall prepare a report dated December 19,

**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.**

**Matter enclosed in superscript numerals has been adopted as follows:**

<sup>1</sup> Senate SED committee amendments adopted February 10, 2000.

1 1996 reflecting the State aid amounts payable by category for each  
2 district and shall submit the report to the Legislature prior to the  
3 adoption of this act. The amounts contained in the commissioner's  
4 report shall be the final amounts payable and shall not be subsequently  
5 adjusted because of changes in pupil counts or equalized valuations.  
6 The projected pupil counts and equalized valuations used for the  
7 calculation of State aid shall also be used for the calculation of  
8 maximum T&E budget, minimum T&E budget, local share, required  
9 local share, and spending growth limitation. State aid notification of  
10 debt service aid pursuant to section 27 of this act shall include a  
11 statement that debt service aid shall be determined in the budget.

12 Any school district which enrolls students who reside on federal  
13 property which were not included in the calculation of core curriculum  
14 standards aid for 1997-98 shall have its core curriculum standards aid  
15 recalculated for these additional enrollments through the 1997-98  
16 school year using the property value multiplier, income value  
17 multiplier, equalized valuation, and district income which were used  
18 in the original Statewide calculation of core curriculum standards aid.  
19 The additional aid resulting from the recalculations shall be divided by  
20 20 and the product shall be added to each of the remaining core  
21 curriculum standards aid payments for the 1997-98 school year.  
22 Additionally, the core curriculum standards aid calculation and  
23 payment schedule for 1998-99 shall be adjusted for such enrollments  
24 arriving after the last school day prior to October 16, 1997.

25 b. Each district shall have a required local share. For Abbott  
26 districts, the required local share for the purpose of determining its  
27 estimated minimum equalized tax rate and supplemental core  
28 curriculum standards aid shall equal the district's local share calculated  
29 at the middle of the T&E range (T&E amount x WENR, where WENR  
30 is the district's weighted enrollment pursuant to section 13 of this act).

31 Notwithstanding the above provision, no Abbott district shall raise  
32 a general fund tax levy which is less than the prior year general fund  
33 tax levy unless the sum of the levy and the other components of the  
34 T&E program budget equals or exceeds its maximum T&E budget  
35 calculated pursuant to section 13 of this act.

36 For district factor group A districts, the required local share shall  
37 equal the district's local share calculated at its minimum T&E budget  
38 pursuant to section 13 of this act.

39 For all other districts, the required local share shall equal the lesser  
40 of the local share calculated at the district's minimum T&E budget  
41 pursuant to section 13 of this act, or the district's budgeted local share  
42 for the prebudget year.

43 In order to meet this requirement, each district shall raise a general  
44 fund tax levy which, when added to the general fund balance  
45 designated for the budget year, miscellaneous local general fund  
46 revenues estimated consistent with GAAP to be realized during the

1 budget year, supplemental core curriculum standards aid calculated  
2 pursuant to section 17 of this act and stabilization aid and  
3 supplemental school tax reduction aid calculated pursuant to section  
4 10 of this act, equals its required local share or, for Abbott districts,  
5 the amount required when the calculation of required local share  
6 would result in a general fund tax levy which is less than the general  
7 fund tax levy of the prebudget year. For 1997-98, the budgeted local  
8 share for the prebudget year shall be the district's general fund tax  
9 levy.

10 For the 1997-98 school year, any tax increase which would be  
11 required of an Abbott district or district factor group A district to  
12 meet its required local share, after consideration of supplemental core  
13 curriculum standards aid, stabilization aid, and supplemental school tax  
14 reduction aid shall be fully funded by the State and recorded as  
15 supplemental core curriculum standards aid. The commissioner, in  
16 consultation with the Commissioner of the Department of Community  
17 Affairs and the Director of the Division of Local Government Services  
18 in the Department of Community Affairs, shall examine the fiscal  
19 ability of the Abbott districts and the district factor group A districts  
20 eligible for supplemental core curriculum standards aid to absorb any  
21 reduction in such aid and shall make recommendations to the  
22 Legislature and the Governor regarding the continuation of  
23 supplemental core curriculum standards aid to those districts. In  
24 making those recommendations, the commissioner shall consider the  
25 ratable base of the municipality or municipalities in which the district  
26 is located, the tax burden placed upon the local community due to  
27 other required municipal services, and the fiscal ability of the school  
28 district to raise its required local share. The commissioner shall not  
29 implement any of those recommendations until the recommendations  
30 are enacted into law.

31 No municipal governing body or bodies or board of school  
32 estimate, as appropriate, shall certify a general fund tax levy which  
33 does not meet the required local share provisions of this section.

34 c. Annually, on or before March 4, each district board of education  
35 shall adopt, and submit to the commissioner for approval, together  
36 with such supporting documentation as the commissioner may  
37 prescribe, a budget that provides no less than the minimum permissible  
38 T&E budget, plus categorical amounts required for a thorough and  
39 efficient education as established pursuant to the report, special  
40 revenue funds and debt service funds.

41 d. (1) A district proposing a budget which includes spending  
42 which exceeds the maximum T&E budget established pursuant to  
43 section 13 of this act shall submit, as appropriate, to the board of  
44 school estimate or to the voters of the district at the annual school  
45 budget election conducted pursuant to the provisions of P.L.1995,  
46 c.278 (C.19:60-1 et seq.), a general fund tax levy which when added

1 to the other components of its net budget does not exceed the  
2 prebudget year net budget by more than the spending growth  
3 limitation calculated as follows: the sum of three percent or the CPI,  
4 whichever is greater, multiplied by the prebudget year net budget, and  
5 adjustments for changes in enrollment, certain capital outlay  
6 expenditures, expenditures for pupil transportation services provided  
7 pursuant to N.J.S.18A:39-1.1, and special education costs per pupil  
8 in excess of \$40,000. The adjustment for special education costs shall  
9 equal any increase in the sum of per pupil amounts in excess of  
10 \$40,000 for the budget year less the sum of per pupil amounts in  
11 excess of \$40,000 for the prebudget year indexed by the CPI or three  
12 percent, whichever is greater. The adjustment for enrollments shall  
13 equal the increase in unweighted resident enrollments between the  
14 prebudget year and budget year multiplied by the per pupil general  
15 fund tax levy amount for the prebudget year indexed by the CPI or  
16 three percent, whichever is greater. The adjustment for capital outlay  
17 shall equal any increase between the capital outlay portion of the  
18 general fund budget for the budget year less any withdrawals from the  
19 capital reserve account and the capital outlay portion of the general  
20 fund budget for the prebudget year indexed by the CPI or three  
21 percent, whichever is greater. Any district with a capital outlay  
22 adjustment to its spending growth limitation shall be restricted from  
23 transferring any funds from capital outlay accounts to current expense  
24 accounts. The adjustment for capital outlay shall not become part of  
25 the prebudget year net budget for purposes of calculating the spending  
26 growth limitation of the subsequent year. The adjustment for pupil  
27 transportation costs provided pursuant to N.J.S.18A:39-1.1 shall equal  
28 the cost of providing such pupil transportation services for the budget  
29 year.

30 (2) A district proposing a budget set at or below the minimum  
31 T&E budget established pursuant to section 13 of this act shall submit,  
32 as appropriate, to the board of school estimate or to the voters of the  
33 district at the annual school budget election conducted pursuant to the  
34 provisions of P.L.1995, c.278 (C.19:60-1 et seq.), a general fund tax  
35 levy which when added to the other components of the net T&E  
36 budget shall not exceed the prebudget year net T&E budget or in  
37 1997-98 the prebudget year net budget by more than the spending  
38 growth limitation calculated as follows: the sum of three percent or the  
39 CPI, whichever is greater, multiplied by the prebudget year net budget,  
40 and adjustments for changes in enrollment, certain capital outlay  
41 expenditures, expenditures for pupil transportation services provided  
42 pursuant to N.J.S.18A:39-1.1, and special education costs per pupil in  
43 excess of \$40,000. The enrollment adjustment shall equal the increase  
44 in weighted resident enrollment between the prebudget year and the  
45 budget year multiplied by the T&E amount less the T&E flexible  
46 amount. The adjustments for special education costs, pupil

1 transportation services, and capital outlay expenditures shall be  
2 calculated pursuant to the provisions of paragraph (1) of this  
3 subsection.

4 Notwithstanding the provisions of this paragraph, no district shall  
5 raise a net budget which is less than the local share required under the  
6 required local share provisions of this act plus the other components  
7 of its net budget.

8 (3) A district proposing a budget set at or below the maximum  
9 T&E budget, but including amounts in excess of the minimum T&E  
10 budget established pursuant to section 13 of this act, shall submit, as  
11 appropriate, to the board of school estimate or to the voters at the  
12 annual school budget election conducted pursuant to the provisions of  
13 P.L.1995, c.278 (C.19:60-1 et seq.), a general fund tax levy which  
14 when added to the other components of its net T&E budget does not  
15 exceed the prebudget year net T&E budget or in 1997-98 the  
16 prebudget year net budget by more than the spending growth  
17 limitation calculated as follows: the sum of three percent or the CPI,  
18 whichever is greater, multiplied by the prebudget year net budget, and  
19 adjustments for changes in enrollment, certain capital outlay  
20 expenditures, expenditures for pupil transportation services provided  
21 pursuant to N.J.S.18A:39-1.1, and special education costs per pupil in  
22 excess of \$40,000 per pupil. The enrollment adjustment shall equal  
23 the increase in the unweighted resident enrollment between the  
24 prebudget year and the budget year multiplied by the prebudget year  
25 T&E program budget per pupil indexed by the CPI or three percent,  
26 whichever is greater. For the 1997-98 school year, the T&E program  
27 budget for the prebudget year shall equal the sum of the general fund  
28 tax levy, foundation aid, and transition aid. The adjustment for special  
29 education costs, pupil transportation services, and capital outlay  
30 expenditures shall be made pursuant to the provisions of paragraph (1)  
31 of this subsection.

32 (4) Any debt service payment made by a school district during the  
33 budget year shall not be included in the calculation of the district's  
34 spending growth limitation.

35 (5) For the 1997-98 school year, a district's spending growth  
36 limitation shall be increased by the excess of county special services  
37 school district tuition over prebudget year county special services  
38 school district tuition indexed by the CPI or three percent, whichever  
39 is greater.

40 (6) For the purpose of determining a district's spending growth  
41 limitation for the 1997-98 school year, a district may apply to the  
42 commissioner to add all or a part of the district's original designated  
43 general fund balance for 1996-97 to the spending growth limitation if  
44 it can demonstrate through current accounting records and historical  
45 trend data that the fund balance will actually be spent in the budget  
46 year.



1 (7) If the use of early childhood program aid for the provision of  
2 full-day kindergarten and preschool classes and other early childhood  
3 programs and services or the use of demonstrably effective program  
4 aid for the provision of instructional, school governance, and health  
5 and social service programs will cause the district to exceed its  
6 spending growth limitation, the district may apply to the commissioner  
7 for an adjustment to that limitation.

8 (8) If an increase in tuition for the budget year charged to a  
9 sending district by the receiving district pursuant to the provisions of  
10 N.J.S.18A:38-19 would reduce the sending district's per pupil net  
11 budget amount below the prior year's per pupil net budget amount in  
12 order to comply with the district's spending growth limitation, the  
13 district may apply to the commissioner for an adjustment to that  
14 limitation.

15 (9) Any district may submit at the annual school budget election a  
16 separate proposal or proposals for additional funds, including  
17 interpretive statements, specifically identifying the program purposes  
18 for which the proposed funds shall be used, to the voters, who may, by  
19 voter approval, authorize the raising of an additional general fund tax  
20 levy for such purposes. In the case of a district with a board of school  
21 estimate, one proposal for the additional spending shall be submitted  
22 to the board of school estimate. Any proposal or proposals rejected by  
23 the voters shall be submitted to the municipal governing body or  
24 bodies for a determination as to the amount, if any, that should be  
25 expended notwithstanding voter rejection. The decision of the  
26 municipal governing body or bodies or board of school estimate, as  
27 appropriate, shall be final and no appeals shall be made to the  
28 commissioner.

29 (10) Notwithstanding any provision of law to the contrary, if a  
30 district proposes a budget which exceeds the maximum T&E budget,  
31 the following statement shall be published in the legal notice of public  
32 hearing on the budget pursuant to N.J.S.18A:22-28, posted at the  
33 public hearing held on the budget pursuant to N.J.S.18A:22-29, and  
34 printed on the sample ballot required pursuant to section 10 of  
35 P.L.1995, c.278 (C.19:60-10):

36 "Your school district has proposed programs and services in  
37 addition to the core curriculum content standards adopted by the State  
38 Board of Education. Information on this budget and the programs and  
39 services it provides is available from your local school district."

40 e. (1) Any general fund tax levy rejected by the voters for a  
41 proposed budget in excess of the maximum T&E budget shall be  
42 submitted to the governing body of each of the municipalities included  
43 within the district for determination of the amount that should be  
44 expended notwithstanding voter rejection. In the case of a district  
45 having a board of school estimate, the general fund tax levy shall be  
46 submitted to the board for determination of the amount that should be

1 expended. If the governing body or bodies or board of school  
2 estimate, as appropriate, reduce the district's proposed net budget, the  
3 district may appeal any of the reductions to the commissioner on the  
4 grounds that the reductions will negatively impact on the stability of  
5 the district given the need for long term planning and budgeting. In  
6 considering the appeal, the commissioner shall consider enrollment  
7 increases or decreases within the district; the history of voter approval  
8 or rejection of district budgets; the impact on the local levy; and  
9 whether the reductions will impact on the ability of the district to fulfill  
10 its contractual obligations. A district may not appeal any reductions  
11 on the grounds that the amount is necessary for a thorough and  
12 efficient education.

13 (2) Any general fund tax levy rejected by the voters for a proposed  
14 budget at or below the maximum T&E budget shall be submitted to  
15 the governing body of each of the municipalities included within the  
16 district for determination of the amount that should be expended  
17 notwithstanding voter rejection. In the case of a district having a  
18 board of school estimate, the general fund tax levy shall be submitted  
19 to the board for determination. Any reductions may be appealed to the  
20 commissioner on the grounds that the amount is necessary for a  
21 thorough and efficient education or that the reductions will negatively  
22 impact on the stability of the district given the need for long term  
23 planning and budgeting. In considering the appeal, the commissioner  
24 shall also consider the factors outlined in paragraph (1) of this  
25 subsection.

26 In the case of a school district in which the proposed budget is  
27 below, or after a reduction made by the municipal governing body or  
28 board of school estimate is below, the minimum T&E budget  
29 calculated pursuant to section 13 of this act, any reductions made by  
30 the municipal governing body or board of school estimate shall be  
31 automatically reviewed by the commissioner. In reviewing the budget,  
32 the commissioner shall also consider the factors outlined in paragraph  
33 (1) of this subsection. In addition, the municipal governing body or  
34 board of school estimate shall be required to demonstrate clearly to the  
35 commissioner that the proposed budget reductions shall not adversely  
36 affect the ability of the school district to provide a thorough and  
37 efficient education or the stability of the district given the need for  
38 long term planning and budgeting.

39 (3) In lieu of any budget reduction appeal provided for pursuant to  
40 paragraphs (1) and (2) of this subsection, the State board may  
41 establish pursuant to the "Administrative Procedure Act," P.L.1968,  
42 c.410 (C.52:14B-1 et seq.), an expedited budget review process based  
43 on a district's application to the commissioner for an order to restore  
44 a budget reduction.

45 (4) When the voters, municipal governing body or bodies, or the  
46 board of school estimate authorize the general fund tax levy, the

1 district shall submit the resulting budget to the commissioner within  
 2 15 days of the action of the voters or municipal governing body or  
 3 bodies, whichever is later, or of the board of school estimate as the  
 4 case may be.

5 f. Any district which is not an Abbott district but which was  
 6 classified as a special needs district under the "Quality Education Act  
 7 of 1990," P.L.1990, c.52 (C.18A:7D-1 et al.), may appeal any budget  
 8 reduction made by the municipal governing body or board of school  
 9 estimate, as appropriate, to the commissioner.

10 g. The commissioner shall annually review the budget of any  
 11 district which was classified as a special needs district under the  
 12 "Quality Education Act of 1990," P.L.1990, c.52 (C.18A:7D-1 et al.),  
 13 to determine if any educationally meritorious program or service  
 14 established through State resources provided as a result of that  
 15 funding law is proposed to be reduced or eliminated. If the  
 16 commissioner determines that the program or service is in jeopardy  
 17 and that a reallocation of resources is possible without jeopardizing  
 18 other educationally meritorious programs or services, he may require  
 19 the school board to fund the program or service through a reallocation  
 20 of resources.

21 (cf: P.L.1996, c.138, s.5)

22

23 2. Section 16 of P.L.1996, c.138 (C.18A:7F-16) is amended to  
 24 read as follows:

25 16. a. Early childhood program aid shall be distributed to all  
 26 school districts with high concentrations of low-income pupils, for the  
 27 purpose of providing full-day kindergarten and preschool classes and  
 28 other early childhood programs and services.

29 For districts in which the concentration of low income pupils is  
 30 equal to or greater than 20% and less than 40%, aid shall be  
 31 distributed according to the following formula:

32 
$$\text{Aid} = A1 \times \text{Modified District Enrollment.}$$

33 For districts in which the concentration of low income pupils is  
 34 equal to or greater than 40%, aid shall be distributed according to the  
 35 following formula for the purpose of expanding instructional services  
 36 previously specified to three year olds, or of providing, in addition to  
 37 the instructional services previously specified, transition and social  
 38 services to primary grade students:

39 
$$\text{Aid} = A2 \times \text{Modified District Enrollment where}$$

40 
$$A1 = \$465; \text{ and}$$

41 
$$A2 = \$750.$$

42 For the 1998-1999 school year, the per pupil funding amounts shall  
 43 be these amounts multiplied by the CPI. For subsequent years, the  
 44 amounts shall be established biennially in the Report on the Cost of  
 45 Providing a Thorough and Efficient Education and shall be derived  
 46 from cost analyses of appropriate programmatic applications of these

1 funds as identified in the report. The amounts shall be adjusted for  
2 inflation by the CPI in the second year of the period to which the  
3 report applies.

4 County vocational school districts and limited purpose regional high  
5 school districts meeting the eligibility criteria of this section shall  
6 receive aid payable under this section as demonstrably effective  
7 program aid in addition to amounts received pursuant to section 18 of  
8 this act.

9 Each district which receives early childhood program aid shall  
10 submit to the commissioner for approval an operational plan that shall  
11 be a subset of the district's comprehensive strategic plan, to establish  
12 preschool and full-day kindergarten for all four and five year olds by  
13 the 2001-2002 school year and to maintain them thereafter. Districts  
14 shall appropriate the aid in a special revenue fund for expenditure, but  
15 may place all or a portion of the aid in a capital reserve account during  
16 the first four years to establish facilities for these purposes. During  
17 the first four school years following enactment of this act, districts  
18 may use early childhood program aid for educationally meritorious  
19 programs or for the purpose of constructing new school facilities or  
20 enlarging existing school facilities for use by pupils other than those  
21 enrolled in early childhood programs, provided the new or enlarged  
22 facilities are used for and are adequate to house the planned early  
23 childhood programs. Districts which maintain progress consistent with  
24 the implementation plan may also use the funds for demonstrably  
25 effective programs pursuant to section 18 prior to establishing the  
26 programs required pursuant to this section. The commissioner shall  
27 establish guidelines to track the specific purposes of expenditures  
28 under this section.

29 b. A district which qualifies for early childhood program aid  
30 pursuant to subsection a. of this section shall be eligible to receive the  
31 aid for a minimum of four school years from the time of initial  
32 determination of eligibility even if the district's concentration of low-  
33 income pupils falls below the 20 % or 40% concentration required for  
34 receipt of the early childhood program per pupil aid amounts under  
35 subsection a. If a district's concentration of low-income pupils falls  
36 below the 20% or 40% thresholds, the amount of the early childhood  
37 program aid received by the district in the prebudget year  
38 <sup>1</sup>hereinafter referred to as the eligibility year,<sup>1</sup> shall be reduced in the  
39 <sup>1</sup>subsequent<sup>1</sup> budget year by the percentage decline <sup>1</sup>[ in the ratio]  
40 between the ratios<sup>1</sup> of the number of low-income pupils to modified  
41 district enrollment used in the calculation of aid in the <sup>1</sup>[prebudget]  
42 eligibility<sup>1</sup> and budget years <sup>1</sup>[; except that] . In the second and third  
43 budget years following the eligibility year, the amount of early  
44 childhood program aid received by the district in the eligibility year  
45 shall be reduced in the budget year by the percentage decline between  
46 the ratios of the number of low-income pupils to modified district

1 enrollment used in the calculation of aid in the eligibility and budget  
 2 years. Notwithstanding the provisions of this subsection,<sup>1</sup> if a district  
 3 is eligible for a greater amount of aid pursuant to subsection a. of this  
 4 section, it shall receive that amount. If at the end of the four-year  
 5 period the district's concentration of low-income pupils is below the  
 6 thresholds required for receipt of the early childhood program per  
 7 pupil aid amounts, then the district shall lose its eligibility for receipt  
 8 of aid pursuant to the provisions of subsection a. of this section. If  
 9 at any time during the four-year period the concentration of low-  
 10 income pupils increases to the 20% or 40% thresholds, then the  
 11 district's aid shall be calculated pursuant to subsection a. of this  
 12 section and the minimum four-year period of eligibility shall be  
 13 determined from that school year.

14 A district which receives early childhood program aid pursuant to  
 15 this subsection shall not be eligible to receive instructional supplement  
 16 aid pursuant to subsection c. of section 18 of P.L.1996, c.138  
 17 (C.18A:7F-18c).

18 (cf: P.L.1996, c.138, s.16)

19

20 3. Section 18 of P.L.1996, c.138 (C.18A:7F-18) is amended to  
 21 read as follows:

22 18. a. Demonstrably effective program aid shall be generated by  
 23 individual schools and distributed to districts for the purpose of  
 24 providing instructional, school governance, and health and social  
 25 service programs to students enrolled in the generating school  
 26 according to the following formulas:

27 Aid shall be distributed to districts with schools in which the  
 28 concentration of low-income pupils is equal to or greater than 20%  
 29 and less than 40% as follows:

30  $Aid = B1 \times SENR1$

31 where

32 SENR1 is the sum of school enrollments for all schools in the  
 33 district enrolling low-income pupils at rates equal to or greater than  
 34 20% but less than 40%.

35 Aid shall be distributed to districts with schools in which the  
 36 concentration of low-income pupils is equal to or greater than 40% as  
 37 follows:

38  $Aid = B2 \times SENR2$

39 where

40 SENR2 is the sum of the school enrollments for all schools in the  
 41 district enrolling low-income pupils at rates equal to or greater than  
 42 40%;

43 where

44  $B1 = \$300$ ; and

45  $B2 = \$425$ .

46 For the 1998-1999 school year, the per pupil funding amounts shall

1 be these amounts multiplied by the CPI. For subsequent years, the  
2 amounts shall be established biennially in the Report on the Cost of  
3 Providing a Thorough and Efficient Education and be derived from  
4 cost analyses of appropriate programmatic applications as identified in  
5 the report. The amounts shall be adjusted for inflation by the CPI in  
6 the second year of the period to which the report applies.

7 b. The State Board of Education, upon the recommendation of the  
8 commissioner, shall adopt regulations governing the use of  
9 demonstrably effective program aid and an accounting mechanism to  
10 ensure that use. The rules shall provide for:

11 (1) Programs. A definition as recommended by the commissioner  
12 shall be established of the demonstrably effective programs and  
13 services which shall qualify for aid. The definition shall include for  
14 1997-98, but not be limited to: alternative schools; community  
15 schools; class size reduction programs; parent education programs; job  
16 training programs; training institutes to improve homework response;  
17 telephone tutorial programs; teleconference and video tutoring  
18 programs; and HSPT/Early Warning test before school/after school  
19 preparation programs. The commissioner shall establish the per-pupil  
20 cost of providing these effective programs and services in the Report  
21 on the Cost of Providing a Thorough and Efficient Education.

22 (2) Accountability. A recipient district shall be required to obtain  
23 the approval of the Department of Education for the planned uses of  
24 demonstrably effective program funds. A periodic public process shall  
25 be established by which specific programmatic uses for the funds shall  
26 be identified and approved. A district failing to use the funds in the  
27 prescribed manner shall be subject to rescission of aid and additional  
28 monetary penalties as established by the commissioner.

29 (3) Monitoring. To facilitate State monitoring of the uses of the  
30 funds, districts shall be required to maintain separate program and  
31 service accounts in the special revenue section of district budgets and  
32 financial records in accordance with GAAP and specifications  
33 prescribed by the commissioner.

34 c. Instructional supplement aid shall be generated by school  
35 districts and county vocational school districts and distributed to  
36 districts for the purposes of providing supplemental services for  
37 students from low-income families. Aid shall be distributed to districts  
38 in which the concentration of low-income pupils is equal to or greater  
39 than 5% and less than 20%. Districts will receive \$339 for each pupil  
40 from low-income families. For the 1998-99 school year, the per pupil  
41 funding amount shall be this amount multiplied by the CPI. For  
42 subsequent years, the amount shall be established biennially in the  
43 Report on the Cost of Providing a Thorough and Efficient Education  
44 and be derived from cost analyses of appropriate programmatic  
45 applications as identified in the report. The amount shall be adjusted  
46 for inflation by the CPI in the second year of the period to which the

1 report applies. Instructional supplement aid shall be accounted for in  
2 a special revenue fund.

3 d. The Department of Education shall develop, in collaboration  
4 with the Departments of Human Services and Health and Senior  
5 Services, as well as other appropriate State departments and agencies,  
6 mechanisms necessary to coordinate the provision of programs and  
7 services at the local level.

8 e. An individual school within a district which qualifies for  
9 demonstrably effective program aid pursuant to subsection a. of this  
10 section shall be eligible to generate the aid for a minimum of four  
11 school years from the time of initial determination of eligibility even  
12 if the school's concentration of low-income pupils falls below the 20%  
13 or 40% concentration required for receipt of the demonstrably  
14 effective program per pupil aid amounts under subsection a. If a  
15 school's concentration of low-income pupils falls below the 20% or  
16 40% thresholds, the amount of demonstrably effective program aid  
17 generated by the school in the prebudget year<sup>1</sup>, hereinafter referred  
18 to as the eligibility year,<sup>1</sup> shall be reduced in the<sup>1</sup> subsequent<sup>1</sup> budget  
19 year by the percentage decline<sup>1</sup> [in the ratio] between the ratios<sup>1</sup> of  
20 the number of low-income pupils enrolled in the school to total  
21 school enrollment used in the calculation of aid in the<sup>1</sup> [prebudget]  
22 eligibility<sup>1</sup> and budget years<sup>1</sup> [; except that] . In the second and third  
23 budget years following the eligibility year, the amount of demonstrably  
24 effective program aid received by the district in the eligibility year shall  
25 be reduced in the budget year by the percentage decline between the  
26 ratios of the number of low-income pupils enrolled in the school to  
27 total school enrollment used in the calculation of aid in the eligibility  
28 and budget years. Notwithstanding the provisions of this subsection,<sup>1</sup>  
29 if a school generates a greater amount of aid pursuant to subsection a.  
30 of this section, it shall generate that amount. If at the end of the four-  
31 year period the school's concentration of low-income pupils is below  
32 the thresholds required for receipt of the demonstrably effective  
33 program per pupil aid amounts, then the school shall lose its eligibility  
34 for receipt of aid pursuant to the provisions of subsection a. of this  
35 section. If at any time during the four-year period the concentration  
36 of low-income pupils increases to the 20% or 40% thresholds, then the  
37 aid generated by the school shall be calculated pursuant to subsection  
38 a. of this section and the minimum four-year period of eligibility shall  
39 be determined from that school year.

40 (cf: P.L.1996, c.138, s.18)

41

42 4. This act shall take effect immediately and shall first apply to the  
43 calculation of aid for the<sup>1</sup> [1998-99] 2000-2001<sup>1</sup> school year.

# SENATE BUDGET AND APPROPRIATIONS COMMITTEE

## STATEMENT TO

[First Reprint]

**SENATE, No. 838**

# STATE OF NEW JERSEY

DATED: MAY 25, 2000

The Senate Budget and Appropriations Committee reports favorably Senate Bill No. 838 (1R).

This bill amends the "Comprehensive Educational Improvement and Financing Act of 1996" (CEIFA), P.L.1996, c.138, to provide to a school district that qualifies for early childhood program aid and demonstrably effective program aid a minimum four-year period of aid eligibility, even if the district ceases to have the concentration of low-income pupils otherwise required for receipt of such aid.

Under CEIFA, early childhood program aid and demonstrably effective program aid are distributed to school districts in which low-income pupils comprise at least 20% of (a) the district-wide student enrollment (in determining eligibility for early childhood program aid), or (b) student enrollment at one or more schools within the district (in determining eligibility for demonstrably effective program aid). *Early childhood program aid* is distributed to districts for district-wide use to provide full-day kindergarten and preschool classes and other early childhood programs and services; in the case of districts in which the low-income pupil concentration exceeds 40%, the aid may also be used to provide transition and social services to primary grade students. *Demonstrably effective program aid* is distributed for the purpose of providing instructional, school governance, and health and social service programs. Both types of aid are computed on the basis of a per-pupil dollar figure (higher for "early childhood" aid than for "demonstrably effective" aid) that is annually adjusted for inflation; for both types of aid, if the concentration of low-income students in the relevant enrollment population is 40% or more, the dollar figure used in the aid calculation is higher than the figure used if the concentration is at least 20% but less than 40%.

Under the bill, a district that qualifies in a particular budget year for early childhood program aid under CEIFA's original provisions would continue to receive such aid in the three subsequent budget years even if the district's concentration of low-income pupils falls below the 20% or 40% concentration levels during that three-year period. The amount of early childhood program aid to the district in



any of those years of non-qualification would be equal to the amount of aid received in the year of qualification (the "eligibility year"), reduced by the proportional decline, in the percentage of low-income pupils, from the eligibility year to the particular budget year for which the aid is being computed. (A district that would receive more early childhood program aid under CEIFA's original provisions than under the bill would receive that greater amount.) If, at the end of the four-year period, the district's concentration of low-income pupils remains below the threshold required for receipt of the full amount of early childhood program aid, the district would lose its eligibility for such aid in accordance with the provisions of existing law. However, if in any year during the four-year period, the concentration of low-income pupils increases sufficiently to exceed once more the 20% or 40% thresholds, the district's aid would again be calculated under CEIFA's original provisions, and a new four-year period of eligibility would begin.

The bill includes a similar provision for the demonstrably effective program aid category, except that it is based on the concentration of low-income pupils in individual schools within the district, since (as noted above) that is the basis on which the aid is generated.

In addition, the bill amends CEIFA to allow a school district to apply to the Commissioner of Education for an adjustment to its budget cap if the use of demonstrably effective program aid will cause the district to exceed its cap. This provision will ensure that the establishment of demonstrably effective programs in schools with high concentrations of low-income students that generated the aid will not cause reductions in programs and services in other schools in the district due to the spending limitation.

**FISCAL IMPACT:**

The Office of Legislative Services (OLS) has estimated, on the basis of currently available information, that the additional cost to the State of this legislation in the first year (FY2001) will be \$6.966 million, but believes that the actual figure will be somewhat lower due to the expected impact that additional categorical aid will have on the Department of Education's calculation of a district's T & E budget amount. Estimates for the succeeding years are not possible due to two uncertainties: (1) for FY2002 and beyond, additional districts or schools within a district may have low-income percentages that drop below the thresholds required for aid under the provisions of section 16 or 18, or both, of CEIFA, and these districts would therefore be eligible for continued aid under the provisions of this bill; and (2) the districts that are eligible for continued aid under the legislation will have the aid amount recalculated based on the percentage of low-income pupils projected for each subsequent year of eligibility.

**FISCAL NOTE**  
 [First Reprint]  
**SENATE, No. 838**  
**STATE OF NEW JERSEY**  
**209th LEGISLATURE**

DATED: JUNE 9, 2000

**SUMMARY**

- Synopsis:** Establishes a minimum period of school district eligibility for early childhood and demonstrably effective program aids and provides budget cap exclusion for demonstrably effective program aid.
- Type of Impact:** Expenditure increase from the Property Tax Relief Fund/General Fund.
- Agencies Affected:** Department of Education/local boards of education.

**Executive Estimate**

Fiscal Impact	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>
<b>State Cost</b>	\$8,730,000	indeterminate	indeterminate

**Office of Legislative Services Estimate**

Fiscal Impact	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>
<b>State Cost</b>	\$6,966,234	indeterminate	indeterminate

- ! This bill provides that once a local district qualifies for early childhood program aid, demonstrably effective program aid, or both, the local district will continue to receive the aid for which it has qualified for a period of four years including the year of qualification, even if in the three years subsequent to the year of qualification, the percent that low-income pupils make up of the local district pupils or school pupils, as appropriate to the type of aid being considered, drops below the threshold percent required to qualify for the aid.
- ! The Office of Legislative Services agrees with the Department of Education that the impact of this bill will be to increase State costs, but disagrees as to the amount. The department estimates the cost to be \$8.73 million in the first year (FY2001). OLS estimates the cost to be \$6.966 million in the first year. The total amount for each successive year cannot be determined as discussed below.

## **BILL DESCRIPTION**

Under the provisions of Senate, No. 838 (1R), a district that qualifies for early childhood program aid under the original provisions of the "Comprehensive Educational Improvement and Financing Act of 1996," (CEIFA) P.L., c.138, would receive that aid for a minimum period of four years, including the year it qualifies, even if the district's concentration of low-income pupils falls below the 20 percent or 40 percent concentration levels required for receipt of the per pupil aid amounts. If the district's concentration of low-income pupils falls below the 20 percent or 40 percent thresholds, the amount of early childhood program aid received by the district in the prebudget year would be reduced in the budget year by the percentage decline between the ratios of the number of low-income pupils to total modified district enrollment used in the calculation of aid in the last year in which the district met the required low-income concentration level (eligibility year) and the budget years. If, however, a district would receive more early childhood program aid under CEIFA's original provisions, then the district would receive that greater amount. If at the end of the four-year period, the district's concentration of low-income pupils is below the thresholds required for receipt of the early childhood program per pupil aid amounts, the district would lose its eligibility for receipt of the aid in accordance with the provisions of existing law. However, if at any time during the four-year period, the concentration of low-income pupils again increases to the 20 percent or 40 percent thresholds, the district's aid would be calculated under the original provisions, and the minimum four-year period of eligibility would be determined from that school year.

The bill includes a similar provision for the demonstrably effective program aid category, except that it is based on the concentration of low-income pupils in individual schools within the district since that is the basis on which the aid is generated.

## **FISCAL ANALYSIS**

### ***EXECUTIVE BRANCH***

The Department of Education estimates that the additional cost to the State in the first year, FY2001, will be \$8.73 million.

### ***OFFICE OF LEGISLATIVE SERVICES***

The Office of Legislative Services (OLS) estimates that the additional cost to the State in the first year, FY2001, will be \$6.966 million. Estimates for the succeeding years are not possible due to two uncertainties: for FY 2002 and beyond, additional districts or schools within a district may have low-income percentages which drop below the thresholds required for aid under the provisions of section 16 or 18, or both, of CEIFA and these districts would therefore be eligible for continued aid under the provisions of this bill; and the districts which are eligible for continued aid under the provisions of Senate, No. 838 (1R) will have the aid amount recalculated based on the percentage of low-income pupils projected for each subsequent year the districts are eligible.

Section: *Education*

Analyst: *Theodore C. Settle*  
*Lead Research Analyst*

Approved: *Alan R. Kooney*  
*Legislative Budget and Finance Officer*

This fiscal note has been prepared pursuant to P.L.1980, c.67.

[Second Reprint]

**SENATE, No. 838**

---

**STATE OF NEW JERSEY**  
**209th LEGISLATURE**

---

INTRODUCED JANUARY 31, 2000

**Sponsored by:**

**Senator ROBERT J. MARTIN**

**District 26 (Essex, Morris and Passaic)**

**Senator DIANE ALLEN**

**District 7 (Burlington and Camden)**

**Co-Sponsored by:**

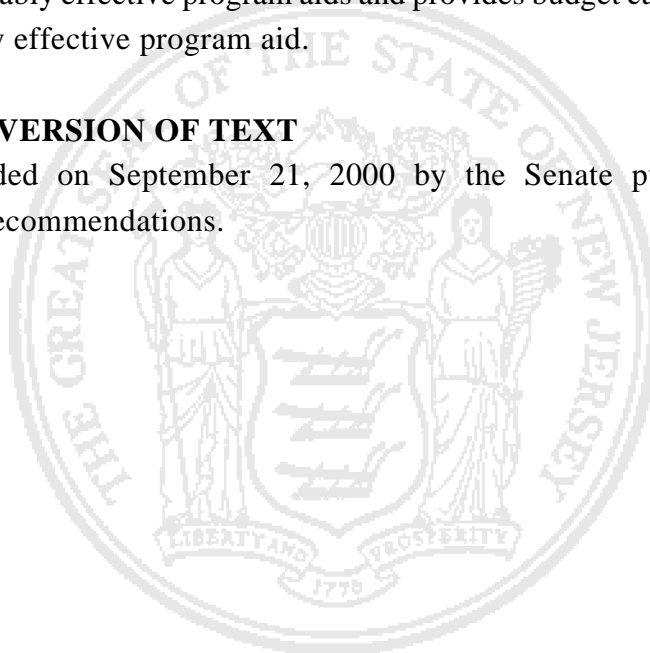
**Senator Matheussen, Assemblywoman Buono, Assemblymen Barnes, Zecker, Assemblywoman Gill, Assemblymen Conaway, Connors and Gormley**

**SYNOPSIS**

Establishes a minimum period of school district eligibility for early childhood and demonstrably effective program aids and provides budget cap exclusion for demonstrably effective program aid.

**CURRENT VERSION OF TEXT**

As amended on September 21, 2000 by the Senate pursuant to the Governor's recommendations.



**(Sponsorship Updated As Of: 10/3/2000)**

1 AN ACT concerning State aid for districts with concentrations of low-  
2 income pupils and amending P.L.1996, c.138.

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

6  
7 1. Section 5 of P.L.1996, c.138 (C.18A:7F-5) is amended to read  
8 as follows:

9 5. a. Biennially, within 30 days following the approval of the  
10 Report on the Cost of Providing a Thorough and Efficient Education,  
11 the commissioner shall notify each district of the T&E amount, the  
12 T&E flexible amount, the T&E range, early childhood program  
13 amount, demonstrably effective program amount, instructional  
14 supplement amount, and categorical amounts per pupil for the  
15 subsequent two fiscal years.

16 Annually, within two days following the transmittal of the State  
17 budget message to the Legislature by the Governor pursuant to section  
18 11 of P.L.1944, c.112 (C.52:27B-20), the commissioner shall notify  
19 each district of the maximum amount of aid payable to the district in  
20 the succeeding school year pursuant to the provisions of this act, and  
21 shall notify each district of the district's T&E budget, maximum T&E  
22 budget, and minimum permissible T&E budget for the succeeding  
23 school year.

24 Beginning in the 1998-99 school year, unless otherwise specified  
25 within this act, aid amounts payable for the budget year shall be based  
26 on budget year pupil counts, which shall be projected by the  
27 commissioner using data from prior years. Adjustments for the actual  
28 pupil counts of the budget year shall be made to State aid amounts  
29 payable during the school year succeeding the budget year. Additional  
30 amounts payable shall be reflected as revenue and an account  
31 receivable for the budget year.

32 Notwithstanding any other provision of this act to the contrary,  
33 each district's State aid payable for the 1997-98 school year, with the  
34 exception of transportation and facilities aids pursuant to sections 25,  
35 26, and 27 of this act, shall be based on simulations employing the  
36 various formulas and State aid amounts contained in this act using  
37 projections based on the October 1995 pupil counts, December 1995  
38 special education census data and October 1995 equalized valuations.  
39 Transportation aid shall be calculated based on the provisions of this  
40 act using pupil data used for the 1996-97 school year and adjusted to

**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.**

**Matter enclosed in superscript numerals has been adopted as follows:**

<sup>1</sup> **Senate SED committee amendments adopted February 10, 2000.**

<sup>2</sup> **Senate amendments adopted in accordance with Governor's recommendations September 21, 2000.**

1 reflect the total amount of State aid disbursed in the 1996-97 school  
2 year. The commissioner shall prepare a report dated December 19,  
3 1996 reflecting the State aid amounts payable by category for each  
4 district and shall submit the report to the Legislature prior to the  
5 adoption of this act. The amounts contained in the commissioner's  
6 report shall be the final amounts payable and shall not be subsequently  
7 adjusted because of changes in pupil counts or equalized valuations.  
8 The projected pupil counts and equalized valuations used for the  
9 calculation of State aid shall also be used for the calculation of  
10 maximum T&E budget, minimum T&E budget, local share, required  
11 local share, and spending growth limitation. State aid notification of  
12 debt service aid pursuant to section 27 of this act shall include a  
13 statement that debt service aid shall be determined in the budget.

14 Any school district which enrolls students who reside on federal  
15 property which were not included in the calculation of core curriculum  
16 standards aid for 1997-98 shall have its core curriculum standards aid  
17 recalculated for these additional enrollments through the 1997-98  
18 school year using the property value multiplier, income value  
19 multiplier, equalized valuation, and district income which were used  
20 in the original Statewide calculation of core curriculum standards aid.  
21 The additional aid resulting from the recalculations shall be divided by  
22 20 and the product shall be added to each of the remaining core  
23 curriculum standards aid payments for the 1997-98 school year.  
24 Additionally, the core curriculum standards aid calculation and  
25 payment schedule for 1998-99 shall be adjusted for such enrollments  
26 arriving after the last school day prior to October 16, 1997.

27 b. Each district shall have a required local share. For Abbott  
28 districts, the required local share for the purpose of determining its  
29 estimated minimum equalized tax rate and supplemental core  
30 curriculum standards aid shall equal the district's local share calculated  
31 at the middle of the T&E range (T&E amount x WENR, where WENR  
32 is the district's weighted enrollment pursuant to section 13 of this act).

33 Notwithstanding the above provision, no Abbott district shall raise  
34 a general fund tax levy which is less than the prior year general fund  
35 tax levy unless the sum of the levy and the other components of the  
36 T&E program budget equals or exceeds its maximum T&E budget  
37 calculated pursuant to section 13 of this act.

38 For district factor group A districts, the required local share shall  
39 equal the district's local share calculated at its minimum T&E budget  
40 pursuant to section 13 of this act.

41 For all other districts, the required local share shall equal the lesser  
42 of the local share calculated at the district's minimum T&E budget  
43 pursuant to section 13 of this act, or the district's budgeted local share  
44 for the prebudget year.

45 In order to meet this requirement, each district shall raise a general  
46 fund tax levy which, when added to the general fund balance

1 designated for the budget year, miscellaneous local general fund  
2 revenues estimated consistent with GAAP to be realized during the  
3 budget year, supplemental core curriculum standards aid calculated  
4 pursuant to section 17 of this act and stabilization aid and  
5 supplemental school tax reduction aid calculated pursuant to section  
6 10 of this act, equals its required local share or, for Abbott districts,  
7 the amount required when the calculation of required local share  
8 would result in a general fund tax levy which is less than the general  
9 fund tax levy of the prebudget year. For 1997-98, the budgeted local  
10 share for the prebudget year shall be the district's general fund tax  
11 levy.

12 For the 1997-98 school year, any tax increase which would be  
13 required of an Abbott district or district factor group A district to  
14 meet its required local share, after consideration of supplemental core  
15 curriculum standards aid, stabilization aid, and supplemental school tax  
16 reduction aid shall be fully funded by the State and recorded as  
17 supplemental core curriculum standards aid. The commissioner, in  
18 consultation with the Commissioner of the Department of Community  
19 Affairs and the Director of the Division of Local Government Services  
20 in the Department of Community Affairs, shall examine the fiscal  
21 ability of the Abbott districts and the district factor group A districts  
22 eligible for supplemental core curriculum standards aid to absorb any  
23 reduction in such aid and shall make recommendations to the  
24 Legislature and the Governor regarding the continuation of  
25 supplemental core curriculum standards aid to those districts. In  
26 making those recommendations, the commissioner shall consider the  
27 ratable base of the municipality or municipalities in which the district  
28 is located, the tax burden placed upon the local community due to  
29 other required municipal services, and the fiscal ability of the school  
30 district to raise its required local share. The commissioner shall not  
31 implement any of those recommendations until the recommendations  
32 are enacted into law.

33 No municipal governing body or bodies or board of school  
34 estimate, as appropriate, shall certify a general fund tax levy which  
35 does not meet the required local share provisions of this section.

36 c. Annually, on or before March 4, each district board of education  
37 shall adopt, and submit to the commissioner for approval, together  
38 with such supporting documentation as the commissioner may  
39 prescribe, a budget that provides no less than the minimum permissible  
40 T&E budget, plus categorical amounts required for a thorough and  
41 efficient education as established pursuant to the report, special  
42 revenue funds and debt service funds.

43 d. (1) A district proposing a budget which includes spending  
44 which exceeds the maximum T&E budget established pursuant to  
45 section 13 of this act shall submit, as appropriate, to the board of  
46 school estimate or to the voters of the district at the annual school



1 budget election conducted pursuant to the provisions of P.L.1995,  
2 c.278 (C.19:60-1 et seq.), a general fund tax levy which when added  
3 to the other components of its net budget does not exceed the  
4 prebudget year net budget by more than the spending growth  
5 limitation calculated as follows: the sum of three percent or the CPI,  
6 whichever is greater, multiplied by the prebudget year net budget, and  
7 adjustments for changes in enrollment, certain capital outlay  
8 expenditures, expenditures for pupil transportation services provided  
9 pursuant to N.J.S.18A:39-1.1, and special education costs per pupil  
10 in excess of \$40,000. The adjustment for special education costs shall  
11 equal any increase in the sum of per pupil amounts in excess of  
12 \$40,000 for the budget year less the sum of per pupil amounts in  
13 excess of \$40,000 for the prebudget year indexed by the CPI or three  
14 percent, whichever is greater. The adjustment for enrollments shall  
15 equal the increase in unweighted resident enrollments between the  
16 prebudget year and budget year multiplied by the per pupil general  
17 fund tax levy amount for the prebudget year indexed by the CPI or  
18 three percent, whichever is greater. The adjustment for capital outlay  
19 shall equal any increase between the capital outlay portion of the  
20 general fund budget for the budget year less any withdrawals from the  
21 capital reserve account and the capital outlay portion of the general  
22 fund budget for the prebudget year indexed by the CPI or three  
23 percent, whichever is greater. Any district with a capital outlay  
24 adjustment to its spending growth limitation shall be restricted from  
25 transferring any funds from capital outlay accounts to current expense  
26 accounts. The adjustment for capital outlay shall not become part of  
27 the prebudget year net budget for purposes of calculating the spending  
28 growth limitation of the subsequent year. The adjustment for pupil  
29 transportation costs provided pursuant to N.J.S.18A:39-1.1 shall equal  
30 the cost of providing such pupil transportation services for the budget  
31 year.

32 (2) A district proposing a budget set at or below the minimum  
33 T&E budget established pursuant to section 13 of this act shall submit,  
34 as appropriate, to the board of school estimate or to the voters of the  
35 district at the annual school budget election conducted pursuant to the  
36 provisions of P.L.1995, c.278 (C.19:60-1 et seq.), a general fund tax  
37 levy which when added to the other components of the net T&E  
38 budget shall not exceed the prebudget year net T&E budget or in  
39 1997-98 the prebudget year net budget by more than the spending  
40 growth limitation calculated as follows: the sum of three percent or the  
41 CPI, whichever is greater, multiplied by the prebudget year net budget,  
42 and adjustments for changes in enrollment, certain capital outlay  
43 expenditures, expenditures for pupil transportation services provided  
44 pursuant to N.J.S.18A:39-1.1, and special education costs per pupil in  
45 excess of \$40,000. The enrollment adjustment shall equal the increase  
46 in weighted resident enrollment between the prebudget year and the

1 budget year multiplied by the T&E amount less the T&E flexible  
2 amount. The adjustments for special education costs, pupil  
3 transportation services, and capital outlay expenditures shall be  
4 calculated pursuant to the provisions of paragraph (1) of this  
5 subsection.

6 Notwithstanding the provisions of this paragraph, no district shall  
7 raise a net budget which is less than the local share required under the  
8 required local share provisions of this act plus the other components  
9 of its net budget.

10 (3) A district proposing a budget set at or below the maximum  
11 T&E budget, but including amounts in excess of the minimum T&E  
12 budget established pursuant to section 13 of this act, shall submit, as  
13 appropriate, to the board of school estimate or to the voters at the  
14 annual school budget election conducted pursuant to the provisions of  
15 P.L.1995, c.278 (C.19:60-1 et seq.), a general fund tax levy which  
16 when added to the other components of its net T&E budget does not  
17 exceed the prebudget year net T&E budget or in 1997-98 the  
18 prebudget year net budget by more than the spending growth  
19 limitation calculated as follows: the sum of three percent or the CPI,  
20 whichever is greater, multiplied by the prebudget year net budget, and  
21 adjustments for changes in enrollment, certain capital outlay  
22 expenditures, expenditures for pupil transportation services provided  
23 pursuant to N.J.S.18A:39-1.1, and special education costs per pupil in  
24 excess of \$40,000 per pupil. The enrollment adjustment shall equal  
25 the increase in the unweighted resident enrollment between the  
26 prebudget year and the budget year multiplied by the prebudget year  
27 T&E program budget per pupil indexed by the CPI or three percent,  
28 whichever is greater. For the 1997-98 school year, the T&E program  
29 budget for the prebudget year shall equal the sum of the general fund  
30 tax levy, foundation aid, and transition aid. The adjustment for special  
31 education costs, pupil transportation services, and capital outlay  
32 expenditures shall be made pursuant to the provisions of paragraph (1)  
33 of this subsection.

34 (4) Any debt service payment made by a school district during the  
35 budget year shall not be included in the calculation of the district's  
36 spending growth limitation.

37 (5) For the 1997-98 school year, a district's spending growth  
38 limitation shall be increased by the excess of county special services  
39 school district tuition over prebudget year county special services  
40 school district tuition indexed by the CPI or three percent, whichever  
41 is greater.

42 (6) For the purpose of determining a district's spending growth  
43 limitation for the 1997-98 school year, a district may apply to the  
44 commissioner to add all or a part of the district's original designated  
45 general fund balance for 1996-97 to the spending growth limitation if  
46 it can demonstrate through current accounting records and historical

1 trend data that the fund balance will actually be spent in the budget  
2 year.

3 (7) If the use of early childhood program aid for the provision of  
4 full-day kindergarten and preschool classes and other early childhood  
5 programs and services or the use of demonstrably effective program  
6 aid for the provision of instructional, school governance, and health  
7 and social service programs will cause the district to exceed its  
8 spending growth limitation, the district may apply to the commissioner  
9 for an adjustment to that limitation.

10 (8) If an increase in tuition for the budget year charged to a  
11 sending district by the receiving district pursuant to the provisions of  
12 N.J.S.18A:38-19 would reduce the sending district's per pupil net  
13 budget amount below the prior year's per pupil net budget amount in  
14 order to comply with the district's spending growth limitation, the  
15 district may apply to the commissioner for an adjustment to that  
16 limitation.

17 (9) Any district may submit at the annual school budget election a  
18 separate proposal or proposals for additional funds, including  
19 interpretive statements, specifically identifying the program purposes  
20 for which the proposed funds shall be used, to the voters, who may, by  
21 voter approval, authorize the raising of an additional general fund tax  
22 levy for such purposes. In the case of a district with a board of school  
23 estimate, one proposal for the additional spending shall be submitted  
24 to the board of school estimate. Any proposal or proposals rejected by  
25 the voters shall be submitted to the municipal governing body or  
26 bodies for a determination as to the amount, if any, that should be  
27 expended notwithstanding voter rejection. The decision of the  
28 municipal governing body or bodies or board of school estimate, as  
29 appropriate, shall be final and no appeals shall be made to the  
30 commissioner.

31 (10) Notwithstanding any provision of law to the contrary, if a  
32 district proposes a budget which exceeds the maximum T&E budget,  
33 the following statement shall be published in the legal notice of public  
34 hearing on the budget pursuant to N.J.S.18A:22-28, posted at the  
35 public hearing held on the budget pursuant to N.J.S.18A:22-29, and  
36 printed on the sample ballot required pursuant to section 10 of  
37 P.L.1995, c.278 (C.19:60-10):

38 "Your school district has proposed programs and services in  
39 addition to the core curriculum content standards adopted by the State  
40 Board of Education. Information on this budget and the programs and  
41 services it provides is available from your local school district."

42 e. (1) Any general fund tax levy rejected by the voters for a  
43 proposed budget in excess of the maximum T&E budget shall be  
44 submitted to the governing body of each of the municipalities included  
45 within the district for determination of the amount that should be  
46 expended notwithstanding voter rejection. In the case of a district

1 having a board of school estimate, the general fund tax levy shall be  
2 submitted to the board for determination of the amount that should be  
3 expended. If the governing body or bodies or board of school  
4 estimate, as appropriate, reduce the district's proposed net budget, the  
5 district may appeal any of the reductions to the commissioner on the  
6 grounds that the reductions will negatively impact on the stability of  
7 the district given the need for long term planning and budgeting. In  
8 considering the appeal, the commissioner shall consider enrollment  
9 increases or decreases within the district; the history of voter approval  
10 or rejection of district budgets; the impact on the local levy; and  
11 whether the reductions will impact on the ability of the district to fulfill  
12 its contractual obligations. A district may not appeal any reductions  
13 on the grounds that the amount is necessary for a thorough and  
14 efficient education.

15 (2) Any general fund tax levy rejected by the voters for a proposed  
16 budget at or below the maximum T&E budget shall be submitted to  
17 the governing body of each of the municipalities included within the  
18 district for determination of the amount that should be expended  
19 notwithstanding voter rejection. In the case of a district having a  
20 board of school estimate, the general fund tax levy shall be submitted  
21 to the board for determination. Any reductions may be appealed to the  
22 commissioner on the grounds that the amount is necessary for a  
23 thorough and efficient education or that the reductions will negatively  
24 impact on the stability of the district given the need for long term  
25 planning and budgeting. In considering the appeal, the commissioner  
26 shall also consider the factors outlined in paragraph (1) of this  
27 subsection.

28 In the case of a school district in which the proposed budget is  
29 below, or after a reduction made by the municipal governing body or  
30 board of school estimate is below, the minimum T&E budget  
31 calculated pursuant to section 13 of this act, any reductions made by  
32 the municipal governing body or board of school estimate shall be  
33 automatically reviewed by the commissioner. In reviewing the budget,  
34 the commissioner shall also consider the factors outlined in paragraph  
35 (1) of this subsection. In addition, the municipal governing body or  
36 board of school estimate shall be required to demonstrate clearly to the  
37 commissioner that the proposed budget reductions shall not adversely  
38 affect the ability of the school district to provide a thorough and  
39 efficient education or the stability of the district given the need for  
40 long term planning and budgeting.

41 (3) In lieu of any budget reduction appeal provided for pursuant to  
42 paragraphs (1) and (2) of this subsection, the State board may  
43 establish pursuant to the "Administrative Procedure Act," P.L.1968,  
44 c.410 (C.52:14B-1 et seq.), an expedited budget review process based  
45 on a district's application to the commissioner for an order to restore  
46 a budget reduction.

1 (4) When the voters, municipal governing body or bodies, or the  
 2 board of school estimate authorize the general fund tax levy, the  
 3 district shall submit the resulting budget to the commissioner within  
 4 15 days of the action of the voters or municipal governing body or  
 5 bodies, whichever is later, or of the board of school estimate as the  
 6 case may be.

7 f. Any district which is not an Abbott district but which was  
 8 classified as a special needs district under the "Quality Education Act  
 9 of 1990," P.L.1990, c.52 (C.18A:7D-1 et al.), may appeal any budget  
 10 reduction made by the municipal governing body or board of school  
 11 estimate, as appropriate, to the commissioner.

12 g. The commissioner shall annually review the budget of any  
 13 district which was classified as a special needs district under the  
 14 "Quality Education Act of 1990," P.L.1990, c.52 (C.18A:7D-1 et al.),  
 15 to determine if any educationally meritorious program or service  
 16 established through State resources provided as a result of that  
 17 funding law is proposed to be reduced or eliminated. If the  
 18 commissioner determines that the program or service is in jeopardy  
 19 and that a reallocation of resources is possible without jeopardizing  
 20 other educationally meritorious programs or services, he may require  
 21 the school board to fund the program or service through a reallocation  
 22 of resources.

23 (cf: P.L.1996, c.138, s.5)

24

25 2. Section 16 of P.L.1996, c.138 (C.18A:7F-16) is amended to  
 26 read as follows:

27 16. a. Early childhood program aid shall be distributed to all  
 28 school districts with high concentrations of low-income pupils, for the  
 29 purpose of providing full-day kindergarten and preschool classes and  
 30 other early childhood programs and services.

31 For districts in which the concentration of low income pupils is  
 32 equal to or greater than 20% and less than 40%, aid shall be  
 33 distributed according to the following formula:

34 
$$\text{Aid} = A1 \times \text{Modified District Enrollment.}$$

35 For districts in which the concentration of low income pupils is  
 36 equal to or greater than 40%, aid shall be distributed according to the  
 37 following formula for the purpose of expanding instructional services  
 38 previously specified to three year olds, or of providing, in addition to  
 39 the instructional services previously specified, transition and social  
 40 services to primary grade students:

41 
$$\text{Aid} = A2 \times \text{Modified District Enrollment where}$$

42 
$$A1 = \$465; \text{ and}$$

43 
$$A2 = \$750.$$

44 For the 1998-1999 school year, the per pupil funding amounts shall  
 45 be these amounts multiplied by the CPI. For subsequent years, the  
 46 amounts shall be established biennially in the Report on the Cost of

1 Providing a Thorough and Efficient Education and shall be derived  
2 from cost analyses of appropriate programmatic applications of these  
3 funds as identified in the report. The amounts shall be adjusted for  
4 inflation by the CPI in the second year of the period to which the  
5 report applies.

6 County vocational school districts and limited purpose regional high  
7 school districts meeting the eligibility criteria of this section shall  
8 receive aid payable under this section as demonstrably effective  
9 program aid in addition to amounts received pursuant to section 18 of  
10 this act.

11 Each district which receives early childhood program aid shall  
12 submit to the commissioner for approval an operational plan that shall  
13 be a subset of the district's comprehensive strategic plan, to establish  
14 preschool and full-day kindergarten for all four and five year olds by  
15 the 2001-2002 school year and to maintain them thereafter. Districts  
16 shall appropriate the aid in a special revenue fund for expenditure, but  
17 may place all or a portion of the aid in a capital reserve account during  
18 the first four years to establish facilities for these purposes. During  
19 the first four school years following enactment of this act, districts  
20 may use early childhood program aid for educationally meritorious  
21 programs or for the purpose of constructing new school facilities or  
22 enlarging existing school facilities for use by pupils other than those  
23 enrolled in early childhood programs, provided the new or enlarged  
24 facilities are used for and are adequate to house the planned early  
25 childhood programs. Districts which maintain progress consistent with  
26 the implementation plan may also use the funds for demonstrably  
27 effective programs pursuant to section 18 prior to establishing the  
28 programs required pursuant to this section. The commissioner shall  
29 establish guidelines to track the specific purposes of expenditures  
30 under this section.

31 b. A district which qualifies for early childhood program aid  
32 pursuant to subsection a. of this section shall be eligible to receive the  
33 aid for a minimum of <sup>2</sup>[four] <sup>2</sup>two<sup>2</sup> school years from the time of  
34 initial determination of eligibility even if the district's concentration of  
35 low-income pupils falls below the 20 % or 40% concentration required  
36 for receipt of the early childhood program per pupil aid amounts under  
37 subsection a. If a district's concentration of low-income pupils falls  
38 below the 20% or 40% thresholds, the amount of the early childhood  
39 program aid received by the district in the prebudget year  
40 <sup>1</sup>hereinafter referred to as the eligibility year,<sup>1</sup> shall be reduced in the  
41 <sup>1</sup>subsequent<sup>1</sup> budget year by the percentage decline <sup>1</sup>[ in the ratio]  
42 between the ratios<sup>1</sup> of the number of low-income pupils to modified  
43 district enrollment used in the calculation of aid in the <sup>1</sup>[prebudget]  
44 eligibility<sup>1</sup> and budget <sup>2</sup>[years ] year<sup>2</sup> <sup>1</sup>[: except that]. <sup>2</sup>[In the  
45 second and third budget years following the eligibility year, the amount  
46 of early childhood program aid received by the district in the eligibility

1 year shall be reduced in the budget year by the percentage decline  
 2 between the ratios of the number of low-income pupils to modified  
 3 district enrollment used in the calculation of aid in the eligibility and  
 4 budget years.]]<sup>2</sup> Notwithstanding the provisions of this subsection,<sup>1</sup>  
 5 if a district is eligible for a greater amount of aid pursuant to  
 6 subsection a. of this section, it shall receive that amount. <sup>2</sup>[If at the  
 7 end of the four-year period the district's concentration of low-income  
 8 pupils is below the thresholds required for receipt of the early  
 9 childhood program per pupil aid amounts, then the district shall lose  
 10 its eligibility for receipt of aid pursuant to the provisions of subsection  
 11 a. of this section. If at any time during the four-year period the  
 12 concentration of low-income pupils increases to the 20% or 40%  
 13 thresholds, then the district's aid shall be calculated pursuant to  
 14 subsection a. of this section and the minimum four-year period of  
 15 eligibility shall be determined from that school year.]]<sup>2</sup>

16 A district which receives early childhood program aid pursuant to  
 17 this subsection shall not be eligible to receive instructional supplement  
 18 aid pursuant to subsection c. of section 18 of P.L.1996, c.138  
 19 (C.18A:7F-18c).

20 (cf: P.L.1996, c.138, s.16)

21

22 3. Section 18 of P.L.1996, c.138 (C.18A:7F-18) is amended to  
 23 read as follows:

24 18. a. Demonstrably effective program aid shall be generated by  
 25 individual schools and distributed to districts for the purpose of  
 26 providing instructional, school governance, and health and social  
 27 service programs to students enrolled in the generating school  
 28 according to the following formulas:

29 Aid shall be distributed to districts with schools in which the  
 30 concentration of low-income pupils is equal to or greater than 20%  
 31 and less than 40% as follows:

32 
$$\text{Aid} = \text{B1} \times \text{SENR1}$$

33 where

34 SENR1 is the sum of school enrollments for all schools in the  
 35 district enrolling low-income pupils at rates equal to or greater than  
 36 20% but less than 40%.

37 Aid shall be distributed to districts with schools in which the  
 38 concentration of low-income pupils is equal to or greater than 40% as  
 39 follows:

40 
$$\text{Aid} = \text{B2} \times \text{SENR2}$$

41 where

42 SENR2 is the sum of the school enrollments for all schools in the  
 43 district enrolling low-income pupils at rates equal to or greater than  
 44 40%;

45 where

46 
$$\text{B1} = \$300; \text{ and}$$

1       B2 =       \$425.

2       For the 1998-1999 school year, the per pupil funding amounts shall  
3 be these amounts multiplied by the CPI. For subsequent years, the  
4 amounts shall be established biennially in the Report on the Cost of  
5 Providing a Thorough and Efficient Education and be derived from  
6 cost analyses of appropriate programmatic applications as identified in  
7 the report. The amounts shall be adjusted for inflation by the CPI in  
8 the second year of the period to which the report applies.

9       b. The State Board of Education, upon the recommendation of the  
10 commissioner, shall adopt regulations governing the use of  
11 demonstrably effective program aid and an accounting mechanism to  
12 ensure that use. The rules shall provide for:

13       (1) Programs. A definition as recommended by the commissioner  
14 shall be established of the demonstrably effective programs and  
15 services which shall qualify for aid. The definition shall include for  
16 1997-98, but not be limited to: alternative schools; community  
17 schools; class size reduction programs; parent education programs; job  
18 training programs; training institutes to improve homework response;  
19 telephone tutorial programs; teleconference and video tutoring  
20 programs; and HSPT/Early Warning test before school/after school  
21 preparation programs. The commissioner shall establish the per-pupil  
22 cost of providing these effective programs and services in the Report  
23 on the Cost of Providing a Thorough and Efficient Education.

24       (2) Accountability. A recipient district shall be required to obtain  
25 the approval of the Department of Education for the planned uses of  
26 demonstrably effective program funds. A periodic public process shall  
27 be established by which specific programmatic uses for the funds shall  
28 be identified and approved. A district failing to use the funds in the  
29 prescribed manner shall be subject to rescission of aid and additional  
30 monetary penalties as established by the commissioner.

31       (3) Monitoring. To facilitate State monitoring of the uses of the  
32 funds, districts shall be required to maintain separate program and  
33 service accounts in the special revenue section of district budgets and  
34 financial records in accordance with GAAP and specifications  
35 prescribed by the commissioner.

36       c. Instructional supplement aid shall be generated by school  
37 districts and county vocational school districts and distributed to  
38 districts for the purposes of providing supplemental services for  
39 students from low-income families. Aid shall be distributed to districts  
40 in which the concentration of low-income pupils is equal to or greater  
41 than 5% and less than 20%. Districts will receive \$339 for each pupil  
42 from low-income families. For the 1998-99 school year, the per pupil  
43 funding amount shall be this amount multiplied by the CPI. For  
44 subsequent years, the amount shall be established biennially in the  
45 Report on the Cost of Providing a Thorough and Efficient Education  
46 and be derived from cost analyses of appropriate programmatic



1 applications as identified in the report. The amount shall be adjusted  
 2 for inflation by the CPI in the second year of the period to which the  
 3 report applies. Instructional supplement aid shall be accounted for in  
 4 a special revenue fund.

5 d. The Department of Education shall develop, in collaboration  
 6 with the Departments of Human Services and Health and Senior  
 7 Services, as well as other appropriate State departments and agencies,  
 8 mechanisms necessary to coordinate the provision of programs and  
 9 services at the local level.

10 e. An individual school within a district which qualifies for  
 11 demonstrably effective program aid pursuant to subsection a. of this  
 12 section shall be eligible to generate the aid for a minimum of <sup>2</sup>[four]  
 13 two<sup>2</sup> school years from the time of initial determination of eligibility  
 14 even if the school's concentration of low-income pupils falls below the  
 15 20% or 40% concentration required for receipt of the demonstrably  
 16 effective program per pupil aid amounts under subsection a. If a  
 17 school's concentration of low-income pupils falls below the 20% or  
 18 40% thresholds, the amount of demonstrably effective program aid  
 19 generated by the school in the prebudget year <sup>1</sup>hereinafter referred  
 20 to as the eligibility year,<sup>1</sup> shall be reduced in the <sup>1</sup>subsequent<sup>1</sup> budget  
 21 year by the percentage decline <sup>1</sup>[in the ratio] between the ratios<sup>1</sup> of  
 22 the number of low-income pupils enrolled in the school to total  
 23 school enrollment used in the calculation of aid in the <sup>1</sup>[prebudget]  
 24 eligibility<sup>1</sup> and budget <sup>2</sup>[years] year<sup>2</sup> <sup>1</sup>[: except that]. <sup>2</sup>[In the  
 25 second and third budget years following the eligibility year, the amount  
 26 of demonstrably effective program aid received by the district in the  
 27 eligibility year shall be reduced in the budget year by the percentage  
 28 decline between the ratios of the number of low-income pupils  
 29 enrolled in the school to total school enrollment used in the calculation  
 30 of aid in the eligibility and budget years.]<sup>2</sup> Notwithstanding the  
 31 provisions of this subsection,<sup>1</sup> if a school generates a greater amount  
 32 of aid pursuant to subsection a. of this section, it shall generate  
 33 that amount. <sup>2</sup>[If at the end of the four-year period the school's  
 34 concentration of low-income pupils is below the thresholds required  
 35 for receipt of the demonstrably effective program per pupil aid  
 36 amounts, then the school shall lose its eligibility for receipt of aid  
 37 pursuant to the provisions of subsection a. of this section. If at any  
 38 time during the four-year period the concentration of low-income  
 39 pupils increases to the 20% or 40% thresholds, then the aid generated  
 40 by the school shall be calculated pursuant to subsection a. of this  
 41 section and the minimum four-year period of eligibility shall be  
 42 determined from that school year.]<sup>2</sup>

43 (cf: P.L.1996, c.138, s.18)

44

45 4. This act shall take effect immediately and shall first apply to the  
 46 calculation of aid for the <sup>1</sup>[1998-99] <sup>2</sup>[2000-2001<sup>1</sup>] 2001-2002<sup>2</sup>  
 47 school year.

**SENATE BILL NO. 838**  
(FIRST REPRINT)

To the Senate:

Pursuant to Article V, Section I, Paragraph 14 of the New Jersey Constitution, I am returning Senate Bill No. 838 (First Reprint) with my recommendations for reconsideration.

A. Summary of Bill

Under current law, early childhood and demonstrably effective program aid is provided if a district's concentration of low-income pupils is 20 percent or above its total student population and is increased if the concentration of low-income pupils is 40 percent or above.

This bill addresses the difficulties that have arisen when school districts establish State required early childhood and demonstrably effective programs but then lose all of their State aid because of a variation in the concentration of low-income pupils in the district. In certain instances, the enrollment of low-income pupils rises again in the following year and the programs have to be reinitiated.

To remedy the problem, this bill would provide early childhood and demonstrably effective program aid to qualified districts, for a minimum of four years, even if the concentration of low-income pupils fell below the 20 percent or 40 percent thresholds. The amount of aid received by these districts, however, would be reduced proportionately. If at the end of four years, the district's concentration of low-income students remains below 20 percent or 40 percent, then the district would no longer be eligible to receive aid.

B. Recommended Action

While I applaud the efforts of the sponsors to ensure the continuity of funding for early childhood and demonstrably effective program aid, I believe this bill fails to effectively identify those districts and schools truly in need of aid due to a temporary decline in the number of low income students. To address this deficiency, I recommend that qualified districts receive this aid for a minimum of two years, not four years. I believe that extending the eligibility period to a minimum of two years is sufficient to address the concerns of districts and schools which experience isolated, temporary declines in low-income student enrollments.

Finally, I believe that a bill with a significant fiscal impact such as this should be considered as part of the budget process. Thus, I recommend that the bill first apply to the

calculation of aid for the 2001-2002 school year and that its fiscal impact be incorporated into the FY 2002 budget process.

Therefore, I herewith return Senate Bill No. 838 (First Reprint) and recommend that it be amended as follows:

<u>Page 10, Section 2, Line 31:</u>	Delete "four" Insert "two".
<u>Page 10, Section 2, Line 42:</u>	Delete "years" Insert "year" Delete "In the second and third".
<u>Page 10, Section 2, Lines 43-46:</u>	Delete in their entirety.
<u>Page 11, Section 2, Line 1:</u>	Delete in its entirety.
<u>Page 11, Section 2, Line 2:</u>	Delete "years."
<u>Page 11, Section 2, Line 4:</u>	Delete "If at the end of the four-year".
<u>Page 11, Section 2, Lines 5-13:</u>	Delete in their entirety.
<u>Page 13, Section 3, Line 10:</u>	Delete "four" Insert "two".
<u>Page 13, Section 3, Line 22:</u>	Delete "years" Insert "year" Delete "In the second and third".
<u>Page 13, Section 3, Lines 23-27:</u>	Delete in their entirety.
<u>Page 13, Section 3, Line 28:</u>	Delete "and budget years."
<u>Page 13, Section 3, Line 30:</u>	Delete "If at the end of the four-".
<u>Page 13, Section 3, Lines 31-39:</u>	Delete in their entirety.
<u>Page 13, Section 4, Line 43:</u>	Delete "2000-2001" Insert "2001-2002".

Respectfully,

/s/ Christine Todd Whitman

Governor

[seal]

Attest:

/s/ Robert E. Fabricant

Chief Counsel to the Governor

P.L. 2000, CHAPTER 147, *approved November 9, 2000*  
Senate, No. 838 (*Second Reprint*)

1 **AN ACT** concerning State aid for districts with concentrations of low-  
2 income pupils and amending P.L.1996, c.138.

3

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

6

7 1. Section 5 of P.L.1996, c.138 (C.18A:7F-5) is amended to read  
8 as follows:

9 5. a. Biennially, within 30 days following the approval of the  
10 Report on the Cost of Providing a Thorough and Efficient Education,  
11 the commissioner shall notify each district of the T&E amount, the  
12 T&E flexible amount, the T&E range, early childhood program  
13 amount, demonstrably effective program amount, instructional  
14 supplement amount, and categorical amounts per pupil for the  
15 subsequent two fiscal years.

16 Annually, within two days following the transmittal of the State  
17 budget message to the Legislature by the Governor pursuant to section  
18 11 of P.L.1944, c.112 (C.52:27B-20), the commissioner shall notify  
19 each district of the maximum amount of aid payable to the district in  
20 the succeeding school year pursuant to the provisions of this act, and  
21 shall notify each district of the district's T&E budget, maximum T&E  
22 budget, and minimum permissible T&E budget for the succeeding  
23 school year.

24 Beginning in the 1998-99 school year, unless otherwise specified  
25 within this act, aid amounts payable for the budget year shall be based  
26 on budget year pupil counts, which shall be projected by the  
27 commissioner using data from prior years. Adjustments for the actual  
28 pupil counts of the budget year shall be made to State aid amounts  
29 payable during the school year succeeding the budget year. Additional  
30 amounts payable shall be reflected as revenue and an account  
31 receivable for the budget year.

32 Notwithstanding any other provision of this act to the contrary,  
33 each district's State aid payable for the 1997-98 school year, with the  
34 exception of transportation and facilities aids pursuant to sections 25,  
35 26, and 27 of this act, shall be based on simulations employing the  
36 various formulas and State aid amounts contained in this act using  
37 projections based on the October 1995 pupil counts, December 1995  
38 special education census data and October 1995 equalized valuations.  
39 Transportation aid shall be calculated based on the provisions of this

**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.**

**Matter enclosed in superscript numerals has been adopted as follows:**

<sup>1</sup> **Senate SED committee amendments adopted February 10, 2000.**

<sup>2</sup> **Senate amendments adopted in accordance with Governor's recommendations September 21, 2000.**

1 act using pupil data used for the 1996-97 school year and adjusted to  
2 reflect the total amount of State aid disbursed in the 1996-97 school  
3 year. The commissioner shall prepare a report dated December 19,  
4 1996 reflecting the State aid amounts payable by category for each  
5 district and shall submit the report to the Legislature prior to the  
6 adoption of this act. The amounts contained in the commissioner's  
7 report shall be the final amounts payable and shall not be subsequently  
8 adjusted because of changes in pupil counts or equalized valuations.  
9 The projected pupil counts and equalized valuations used for the  
10 calculation of State aid shall also be used for the calculation of  
11 maximum T&E budget, minimum T&E budget, local share, required  
12 local share, and spending growth limitation. State aid notification of  
13 debt service aid pursuant to section 27 of this act shall include a  
14 statement that debt service aid shall be determined in the budget.

15 Any school district which enrolls students who reside on federal  
16 property which were not included in the calculation of core curriculum  
17 standards aid for 1997-98 shall have its core curriculum standards aid  
18 recalculated for these additional enrollments through the 1997-98  
19 school year using the property value multiplier, income value  
20 multiplier, equalized valuation, and district income which were used  
21 in the original Statewide calculation of core curriculum standards aid.  
22 The additional aid resulting from the recalculations shall be divided by  
23 20 and the product shall be added to each of the remaining core  
24 curriculum standards aid payments for the 1997-98 school year.  
25 Additionally, the core curriculum standards aid calculation and  
26 payment schedule for 1998-99 shall be adjusted for such enrollments  
27 arriving after the last school day prior to October 16, 1997.

28 b. Each district shall have a required local share. For Abbott  
29 districts, the required local share for the purpose of determining its  
30 estimated minimum equalized tax rate and supplemental core  
31 curriculum standards aid shall equal the district's local share calculated  
32 at the middle of the T&E range (T&E amount x WENR, where WENR  
33 is the district's weighted enrollment pursuant to section 13 of this act).

34 Notwithstanding the above provision, no Abbott district shall raise  
35 a general fund tax levy which is less than the prior year general fund  
36 tax levy unless the sum of the levy and the other components of the  
37 T&E program budget equals or exceeds its maximum T&E budget  
38 calculated pursuant to section 13 of this act.

39 For district factor group A districts, the required local share shall  
40 equal the district's local share calculated at its minimum T&E budget  
41 pursuant to section 13 of this act.

42 For all other districts, the required local share shall equal the lesser  
43 of the local share calculated at the district's minimum T&E budget  
44 pursuant to section 13 of this act, or the district's budgeted local share  
45 for the prebudget year.

46 In order to meet this requirement, each district shall raise a general  
47 fund tax levy which, when added to the general fund balance

1 designated for the budget year, miscellaneous local general fund  
2 revenues estimated consistent with GAAP to be realized during the  
3 budget year, supplemental core curriculum standards aid calculated  
4 pursuant to section 17 of this act and stabilization aid and  
5 supplemental school tax reduction aid calculated pursuant to section  
6 10 of this act, equals its required local share or, for Abbott districts,  
7 the amount required when the calculation of required local share  
8 would result in a general fund tax levy which is less than the general  
9 fund tax levy of the prebudget year. For 1997-98, the budgeted local  
10 share for the prebudget year shall be the district's general fund tax  
11 levy.

12 For the 1997-98 school year, any tax increase which would be  
13 required of an Abbott district or district factor group A district to  
14 meet its required local share, after consideration of supplemental core  
15 curriculum standards aid, stabilization aid, and supplemental school tax  
16 reduction aid shall be fully funded by the State and recorded as  
17 supplemental core curriculum standards aid. The commissioner, in  
18 consultation with the Commissioner of the Department of Community  
19 Affairs and the Director of the Division of Local Government Services  
20 in the Department of Community Affairs, shall examine the fiscal  
21 ability of the Abbott districts and the district factor group A districts  
22 eligible for supplemental core curriculum standards aid to absorb any  
23 reduction in such aid and shall make recommendations to the  
24 Legislature and the Governor regarding the continuation of  
25 supplemental core curriculum standards aid to those districts. In  
26 making those recommendations, the commissioner shall consider the  
27 ratable base of the municipality or municipalities in which the district  
28 is located, the tax burden placed upon the local community due to  
29 other required municipal services, and the fiscal ability of the school  
30 district to raise its required local share. The commissioner shall not  
31 implement any of those recommendations until the recommendations  
32 are enacted into law.

33 No municipal governing body or bodies or board of school  
34 estimate, as appropriate, shall certify a general fund tax levy which  
35 does not meet the required local share provisions of this section.

36 c. Annually, on or before March 4, each district board of education  
37 shall adopt, and submit to the commissioner for approval, together  
38 with such supporting documentation as the commissioner may  
39 prescribe, a budget that provides no less than the minimum permissible  
40 T&E budget, plus categorical amounts required for a thorough and  
41 efficient education as established pursuant to the report, special  
42 revenue funds and debt service funds.

43 d. (1) A district proposing a budget which includes spending  
44 which exceeds the maximum T&E budget established pursuant to  
45 section 13 of this act shall submit, as appropriate, to the board of  
46 school estimate or to the voters of the district at the annual school  
47 budget election conducted pursuant to the provisions of P.L.1995,

1 c.278 (C.19:60-1 et seq.), a general fund tax levy which when added  
2 to the other components of its net budget does not exceed the  
3 prebudget year net budget by more than the spending growth  
4 limitation calculated as follows: the sum of three percent or the CPI,  
5 whichever is greater, multiplied by the prebudget year net budget, and  
6 adjustments for changes in enrollment, certain capital outlay  
7 expenditures, expenditures for pupil transportation services provided  
8 pursuant to N.J.S.18A:39-1.1, and special education costs per pupil  
9 in excess of \$40,000. The adjustment for special education costs shall  
10 equal any increase in the sum of per pupil amounts in excess of  
11 \$40,000 for the budget year less the sum of per pupil amounts in  
12 excess of \$40,000 for the prebudget year indexed by the CPI or three  
13 percent, whichever is greater. The adjustment for enrollments shall  
14 equal the increase in unweighted resident enrollments between the  
15 prebudget year and budget year multiplied by the per pupil general  
16 fund tax levy amount for the prebudget year indexed by the CPI or  
17 three percent, whichever is greater. The adjustment for capital outlay  
18 shall equal any increase between the capital outlay portion of the  
19 general fund budget for the budget year less any withdrawals from the  
20 capital reserve account and the capital outlay portion of the general  
21 fund budget for the prebudget year indexed by the CPI or three  
22 percent, whichever is greater. Any district with a capital outlay  
23 adjustment to its spending growth limitation shall be restricted from  
24 transferring any funds from capital outlay accounts to current expense  
25 accounts. The adjustment for capital outlay shall not become part of  
26 the prebudget year net budget for purposes of calculating the spending  
27 growth limitation of the subsequent year. The adjustment for pupil  
28 transportation costs provided pursuant to N.J.S.18A:39-1.1 shall equal  
29 the cost of providing such pupil transportation services for the budget  
30 year.

31 (2) A district proposing a budget set at or below the minimum  
32 T&E budget established pursuant to section 13 of this act shall submit,  
33 as appropriate, to the board of school estimate or to the voters of the  
34 district at the annual school budget election conducted pursuant to the  
35 provisions of P.L.1995, c.278 (C.19:60-1 et seq.), a general fund tax  
36 levy which when added to the other components of the net T&E  
37 budget shall not exceed the prebudget year net T&E budget or in  
38 1997-98 the prebudget year net budget by more than the spending  
39 growth limitation calculated as follows: the sum of three percent or the  
40 CPI, whichever is greater, multiplied by the prebudget year net budget,  
41 and adjustments for changes in enrollment, certain capital outlay  
42 expenditures, expenditures for pupil transportation services provided  
43 pursuant to N.J.S.18A:39-1.1, and special education costs per pupil in  
44 excess of \$40,000. The enrollment adjustment shall equal the increase  
45 in weighted resident enrollment between the prebudget year and the  
46 budget year multiplied by the T&E amount less the T&E flexible  
47 amount. The adjustments for special education costs, pupil

1 transportation services, and capital outlay expenditures shall be  
2 calculated pursuant to the provisions of paragraph (1) of this  
3 subsection.

4 Notwithstanding the provisions of this paragraph, no district shall  
5 raise a net budget which is less than the local share required under the  
6 required local share provisions of this act plus the other components  
7 of its net budget.

8 (3) A district proposing a budget set at or below the maximum  
9 T&E budget, but including amounts in excess of the minimum T&E  
10 budget established pursuant to section 13 of this act, shall submit, as  
11 appropriate, to the board of school estimate or to the voters at the  
12 annual school budget election conducted pursuant to the provisions of  
13 P.L.1995, c.278 (C.19:60-1 et seq.), a general fund tax levy which  
14 when added to the other components of its net T&E budget does not  
15 exceed the prebudget year net T&E budget or in 1997-98 the  
16 prebudget year net budget by more than the spending growth  
17 limitation calculated as follows: the sum of three percent or the CPI,  
18 whichever is greater, multiplied by the prebudget year net budget, and  
19 adjustments for changes in enrollment, certain capital outlay  
20 expenditures, expenditures for pupil transportation services provided  
21 pursuant to N.J.S.18A:39-1.1, and special education costs per pupil in  
22 excess of \$40,000 per pupil. The enrollment adjustment shall equal  
23 the increase in the unweighted resident enrollment between the  
24 prebudget year and the budget year multiplied by the prebudget year  
25 T&E program budget per pupil indexed by the CPI or three percent,  
26 whichever is greater. For the 1997-98 school year, the T&E program  
27 budget for the prebudget year shall equal the sum of the general fund  
28 tax levy, foundation aid, and transition aid. The adjustment for special  
29 education costs, pupil transportation services, and capital outlay  
30 expenditures shall be made pursuant to the provisions of paragraph (1)  
31 of this subsection.

32 (4) Any debt service payment made by a school district during the  
33 budget year shall not be included in the calculation of the district's  
34 spending growth limitation.

35 (5) For the 1997-98 school year, a district's spending growth  
36 limitation shall be increased by the excess of county special services  
37 school district tuition over prebudget year county special services  
38 school district tuition indexed by the CPI or three percent, whichever  
39 is greater.

40 (6) For the purpose of determining a district's spending growth  
41 limitation for the 1997-98 school year, a district may apply to the  
42 commissioner to add all or a part of the district's original designated  
43 general fund balance for 1996-97 to the spending growth limitation if  
44 it can demonstrate through current accounting records and historical  
45 trend data that the fund balance will actually be spent in the budget  
46 year.

47 (7) If the use of early childhood program aid for the provision of



1 full-day kindergarten and preschool classes and other early childhood  
2 programs and services or the use of demonstrably effective program  
3 aid for the provision of instructional, school governance, and health  
4 and social service programs will cause the district to exceed its  
5 spending growth limitation, the district may apply to the commissioner  
6 for an adjustment to that limitation.

7 (8) If an increase in tuition for the budget year charged to a  
8 sending district by the receiving district pursuant to the provisions of  
9 N.J.S.18A:38-19 would reduce the sending district's per pupil net  
10 budget amount below the prior year's per pupil net budget amount in  
11 order to comply with the district's spending growth limitation, the  
12 district may apply to the commissioner for an adjustment to that  
13 limitation.

14 (9) Any district may submit at the annual school budget election a  
15 separate proposal or proposals for additional funds, including  
16 interpretive statements, specifically identifying the program purposes  
17 for which the proposed funds shall be used, to the voters, who may, by  
18 voter approval, authorize the raising of an additional general fund tax  
19 levy for such purposes. In the case of a district with a board of school  
20 estimate, one proposal for the additional spending shall be submitted  
21 to the board of school estimate. Any proposal or proposals rejected by  
22 the voters shall be submitted to the municipal governing body or  
23 bodies for a determination as to the amount, if any, that should be  
24 expended notwithstanding voter rejection. The decision of the  
25 municipal governing body or bodies or board of school estimate, as  
26 appropriate, shall be final and no appeals shall be made to the  
27 commissioner.

28 (10) Notwithstanding any provision of law to the contrary, if a  
29 district proposes a budget which exceeds the maximum T&E budget,  
30 the following statement shall be published in the legal notice of public  
31 hearing on the budget pursuant to N.J.S.18A:22-28, posted at the  
32 public hearing held on the budget pursuant to N.J.S.18A:22-29, and  
33 printed on the sample ballot required pursuant to section 10 of  
34 P.L.1995, c.278 (C.19:60-10):

35 "Your school district has proposed programs and services in  
36 addition to the core curriculum content standards adopted by the State  
37 Board of Education. Information on this budget and the programs and  
38 services it provides is available from your local school district."

39 e. (1) Any general fund tax levy rejected by the voters for a  
40 proposed budget in excess of the maximum T&E budget shall be  
41 submitted to the governing body of each of the municipalities included  
42 within the district for determination of the amount that should be  
43 expended notwithstanding voter rejection. In the case of a district  
44 having a board of school estimate, the general fund tax levy shall be  
45 submitted to the board for determination of the amount that should be  
46 expended. If the governing body or bodies or board of school  
47 estimate, as appropriate, reduce the district's proposed net budget, the

1 district may appeal any of the reductions to the commissioner on the  
2 grounds that the reductions will negatively impact on the stability of  
3 the district given the need for long term planning and budgeting. In  
4 considering the appeal, the commissioner shall consider enrollment  
5 increases or decreases within the district; the history of voter approval  
6 or rejection of district budgets; the impact on the local levy; and  
7 whether the reductions will impact on the ability of the district to fulfill  
8 its contractual obligations. A district may not appeal any reductions  
9 on the grounds that the amount is necessary for a thorough and  
10 efficient education.

11 (2) Any general fund tax levy rejected by the voters for a proposed  
12 budget at or below the maximum T&E budget shall be submitted to  
13 the governing body of each of the municipalities included within the  
14 district for determination of the amount that should be expended  
15 notwithstanding voter rejection. In the case of a district having a  
16 board of school estimate, the general fund tax levy shall be submitted  
17 to the board for determination. Any reductions may be appealed to the  
18 commissioner on the grounds that the amount is necessary for a  
19 thorough and efficient education or that the reductions will negatively  
20 impact on the stability of the district given the need for long term  
21 planning and budgeting. In considering the appeal, the commissioner  
22 shall also consider the factors outlined in paragraph (1) of this  
23 subsection.

24 In the case of a school district in which the proposed budget is  
25 below, or after a reduction made by the municipal governing body or  
26 board of school estimate is below, the minimum T&E budget  
27 calculated pursuant to section 13 of this act, any reductions made by  
28 the municipal governing body or board of school estimate shall be  
29 automatically reviewed by the commissioner. In reviewing the budget,  
30 the commissioner shall also consider the factors outlined in paragraph  
31 (1) of this subsection. In addition, the municipal governing body or  
32 board of school estimate shall be required to demonstrate clearly to the  
33 commissioner that the proposed budget reductions shall not adversely  
34 affect the ability of the school district to provide a thorough and  
35 efficient education or the stability of the district given the need for  
36 long term planning and budgeting.

37 (3) In lieu of any budget reduction appeal provided for pursuant to  
38 paragraphs (1) and (2) of this subsection, the State board may  
39 establish pursuant to the "Administrative Procedure Act," P.L.1968,  
40 c.410 (C.52:14B-1 et seq.), an expedited budget review process based  
41 on a district's application to the commissioner for an order to restore  
42 a budget reduction.

43 (4) When the voters, municipal governing body or bodies, or the  
44 board of school estimate authorize the general fund tax levy, the  
45 district shall submit the resulting budget to the commissioner within  
46 15 days of the action of the voters or municipal governing body or  
47 bodies, whichever is later, or of the board of school estimate as the

1 case may be.

2 f. Any district which is not an Abbott district but which was  
3 classified as a special needs district under the "Quality Education Act  
4 of 1990," P.L.1990, c.52 (C.18A:7D-1 et al.), may appeal any budget  
5 reduction made by the municipal governing body or board of school  
6 estimate, as appropriate, to the commissioner.

7 g. The commissioner shall annually review the budget of any  
8 district which was classified as a special needs district under the  
9 "Quality Education Act of 1990," P.L.1990, c.52 (C.18A:7D-1 et al.),  
10 to determine if any educationally meritorious program or service  
11 established through State resources provided as a result of that  
12 funding law is proposed to be reduced or eliminated. If the  
13 commissioner determines that the program or service is in jeopardy  
14 and that a reallocation of resources is possible without jeopardizing  
15 other educationally meritorious programs or services, he may require  
16 the school board to fund the program or service through a reallocation  
17 of resources.

18 (cf: P.L.1996, c.138, s.5)

19

20 2. Section 16 of P.L.1996, c.138 (C.18A:7F-16) is amended to  
21 read as follows:

22 16. a. Early childhood program aid shall be distributed to all  
23 school districts with high concentrations of low-income pupils, for the  
24 purpose of providing full-day kindergarten and preschool classes and  
25 other early childhood programs and services.

26 For districts in which the concentration of low income pupils is  
27 equal to or greater than 20% and less than 40%, aid shall be  
28 distributed according to the following formula:

29 
$$\text{Aid} = A1 \times \text{Modified District Enrollment.}$$

30 For districts in which the concentration of low income pupils is  
31 equal to or greater than 40%, aid shall be distributed according to the  
32 following formula for the purpose of expanding instructional services  
33 previously specified to three year olds, or of providing, in addition to  
34 the instructional services previously specified, transition and social  
35 services to primary grade students:

36 
$$\text{Aid} = A2 \times \text{Modified District Enrollment where}$$

37 
$$A1 = \$465; \text{ and}$$

38 
$$A2 = \$750.$$

39 For the 1998-1999 school year, the per pupil funding amounts shall  
40 be these amounts multiplied by the CPI. For subsequent years, the  
41 amounts shall be established biennially in the Report on the Cost of  
42 Providing a Thorough and Efficient Education and shall be derived  
43 from cost analyses of appropriate programmatic applications of these  
44 funds as identified in the report. The amounts shall be adjusted for  
45 inflation by the CPI in the second year of the period to which the  
46 report applies.

47 County vocational school districts and limited purpose regional high

1 school districts meeting the eligibility criteria of this section shall  
2 receive aid payable under this section as demonstrably effective  
3 program aid in addition to amounts received pursuant to section 18 of  
4 this act.

5 Each district which receives early childhood program aid shall  
6 submit to the commissioner for approval an operational plan that shall  
7 be a subset of the district's comprehensive strategic plan, to establish  
8 preschool and full-day kindergarten for all four and five year olds by  
9 the 2001-2002 school year and to maintain them thereafter. Districts  
10 shall appropriate the aid in a special revenue fund for expenditure, but  
11 may place all or a portion of the aid in a capital reserve account during  
12 the first four years to establish facilities for these purposes. During  
13 the first four school years following enactment of this act, districts  
14 may use early childhood program aid for educationally meritorious  
15 programs or for the purpose of constructing new school facilities or  
16 enlarging existing school facilities for use by pupils other than those  
17 enrolled in early childhood programs, provided the new or enlarged  
18 facilities are used for and are adequate to house the planned early  
19 childhood programs. Districts which maintain progress consistent with  
20 the implementation plan may also use the funds for demonstrably  
21 effective programs pursuant to section 18 prior to establishing the  
22 programs required pursuant to this section. The commissioner shall  
23 establish guidelines to track the specific purposes of expenditures  
24 under this section.

25 b. A district which qualifies for early childhood program aid  
26 pursuant to subsection a. of this section shall be eligible to receive the  
27 aid for a minimum of <sup>2</sup>[four] two<sup>2</sup> school years from the time of  
28 initial determination of eligibility even if the district's concentration of  
29 low-income pupils falls below the 20 % or 40% concentration required  
30 for receipt of the early childhood program per pupil aid amounts under  
31 subsection a. If a district's concentration of low-income pupils falls  
32 below the 20% or 40% thresholds, the amount of the early childhood  
33 program aid received by the district in the prebudget year  
34 <sup>1</sup>hereinafter referred to as the eligibility year,<sup>1</sup> shall be reduced in the  
35 <sup>1</sup>subsequent<sup>1</sup> budget year by the percentage decline <sup>1</sup>[ in the ratio]  
36 between the ratios<sup>1</sup> of the number of low-income pupils to modified  
37 district enrollment used in the calculation of aid in the <sup>1</sup>[prebudget]  
38 eligibility<sup>1</sup> and budget <sup>2</sup>[years ] year<sup>2</sup> <sup>1</sup>[; except that]. <sup>2</sup>[In the  
39 second and third budget years following the eligibility year, the amount  
40 of early childhood program aid received by the district in the eligibility  
41 year shall be reduced in the budget year by the percentage decline  
42 between the ratios of the number of low-income pupils to modified  
43 district enrollment used in the calculation of aid in the eligibility and  
44 budget years.]<sup>2</sup> Notwithstanding the provisions of this subsection,<sup>1</sup>  
45 if a district is eligible for a greater amount of aid pursuant to  
46 subsection a. of this section, it shall receive that amount. <sup>2</sup>[If at the  
47 end of the four-year period the district's concentration of low-income

1 pupils is below the thresholds required for receipt of the early  
 2 childhood program per pupil aid amounts, then the district shall lose  
 3 its eligibility for receipt of aid pursuant to the provisions of subsection  
 4 a. of this section. If at any time during the four-year period the  
 5 concentration of low-income pupils increases to the 20% or 40%  
 6 thresholds, then the district's aid shall be calculated pursuant to  
 7 subsection a. of this section and the minimum four-year period of  
 8 eligibility shall be determined from that school year.]<sup>2</sup>

9 A district which receives early childhood program aid pursuant to  
 10 this subsection shall not be eligible to receive instructional supplement  
 11 aid pursuant to subsection c. of section 18 of P.L.1996, c.138  
 12 (C.18A:7F-18c).

13 (cf: P.L.1996, c.138, s.16)

14  
 15 3. Section 18 of P.L.1996, c.138 (C.18A:7F-18) is amended to  
 16 read as follows:

17 18. a. Demonstrably effective program aid shall be generated by  
 18 individual schools and distributed to districts for the purpose of  
 19 providing instructional, school governance, and health and social  
 20 service programs to students enrolled in the generating school  
 21 according to the following formulas:

22 Aid shall be distributed to districts with schools in which the  
 23 concentration of low-income pupils is equal to or greater than 20%  
 24 and less than 40% as follows:

$$25 \quad \text{Aid} = \quad B1 \quad X \quad \text{SENR1}$$

26 where

27 SENR1 is the sum of school enrollments for all schools in the  
 28 district enrolling low-income pupils at rates equal to or greater than  
 29 20% but less than 40%.

30 Aid shall be distributed to districts with schools in which the  
 31 concentration of low-income pupils is equal to or greater than 40% as  
 32 follows:

$$33 \quad \text{Aid} = B2X \text{ SENR2}$$

34 where

35 SENR2 is the sum of the school enrollments for all schools in the  
 36 district enrolling low-income pupils at rates equal to or greater than  
 37 40%;

38 where

$$39 \quad B1 = \quad \$300; \text{ and}$$

$$40 \quad B2 = \quad \$425.$$

41 For the 1998-1999 school year, the per pupil funding amounts shall  
 42 be these amounts multiplied by the CPI. For subsequent years, the  
 43 amounts shall be established biennially in the Report on the Cost of  
 44 Providing a Thorough and Efficient Education and be derived from  
 45 cost analyses of appropriate programmatic applications as identified in  
 46 the report. The amounts shall be adjusted for inflation by the CPI in  
 47 the second year of the period to which the report applies.

1       b. The State Board of Education, upon the recommendation of the  
2 commissioner, shall adopt regulations governing the use of  
3 demonstrably effective program aid and an accounting mechanism to  
4 ensure that use. The rules shall provide for:

5       (1) Programs. A definition as recommended by the commissioner  
6 shall be established of the demonstrably effective programs and  
7 services which shall qualify for aid. The definition shall include for  
8 1997-98, but not be limited to: alternative schools; community  
9 schools; class size reduction programs; parent education programs; job  
10 training programs; training institutes to improve homework response;  
11 telephone tutorial programs; teleconference and video tutoring  
12 programs; and HSPT/Early Warning test before school/after school  
13 preparation programs. The commissioner shall establish the per-pupil  
14 cost of providing these effective programs and services in the Report  
15 on the Cost of Providing a Thorough and Efficient Education.

16       (2) Accountability. A recipient district shall be required to obtain  
17 the approval of the Department of Education for the planned uses of  
18 demonstrably effective program funds. A periodic public process shall  
19 be established by which specific programmatic uses for the funds shall  
20 be identified and approved. A district failing to use the funds in the  
21 prescribed manner shall be subject to rescission of aid and additional  
22 monetary penalties as established by the commissioner.

23       (3) Monitoring. To facilitate State monitoring of the uses of the  
24 funds, districts shall be required to maintain separate program and  
25 service accounts in the special revenue section of district budgets and  
26 financial records in accordance with GAAP and specifications  
27 prescribed by the commissioner.

28       c. Instructional supplement aid shall be generated by school  
29 districts and county vocational school districts and distributed to  
30 districts for the purposes of providing supplemental services for  
31 students from low-income families. Aid shall be distributed to districts  
32 in which the concentration of low-income pupils is equal to or greater  
33 than 5% and less than 20%. Districts will receive \$339 for each pupil  
34 from low-income families. For the 1998-99 school year, the per pupil  
35 funding amount shall be this amount multiplied by the CPI. For  
36 subsequent years, the amount shall be established biennially in the  
37 Report on the Cost of Providing a Thorough and Efficient Education  
38 and be derived from cost analyses of appropriate programmatic  
39 applications as identified in the report. The amount shall be adjusted  
40 for inflation by the CPI in the second year of the period to which the  
41 report applies. Instructional supplement aid shall be accounted for in  
42 a special revenue fund.

43       d. The Department of Education shall develop, in collaboration  
44 with the Departments of Human Services and Health and Senior  
45 Services, as well as other appropriate State departments and agencies,  
46 mechanisms necessary to coordinate the provision of programs and  
47 services at the local level.

1     e. An individual school within a district which qualifies for  
2 demonstrably effective program aid pursuant to subsection a. of this  
3 section shall be eligible to generate the aid for a minimum of <sup>2</sup>[four]  
4 two<sup>2</sup> school years from the time of initial determination of eligibility  
5 even if the school's concentration of low-income pupils falls below the  
6 20% or 40% concentration required for receipt of the demonstrably  
7 effective program per pupil aid amounts under subsection a. If a  
8 school's concentration of low-income pupils falls below the 20% or  
9 40% thresholds, the amount of demonstrably effective program aid  
10 generated by the school in the prebudget year <sup>1</sup> hereinafter referred  
11 to as the eligibility year,<sup>1</sup>  shall be reduced in the <sup>1</sup>subsequent<sup>1</sup>  budget  
12 year by the percentage decline <sup>1</sup>[in the ratio] between the ratios<sup>1</sup>  of  
13 the number of low-income pupils enrolled in the school to total  
14 school enrollment used in the calculation of aid in the <sup>1</sup>[prebudget]  
15 eligibility<sup>1</sup>  and budget <sup>2</sup>[years] year<sup>2</sup> <sup>1</sup>[: except that]. <sup>2</sup>[In the  
16 second and third budget years following the eligibility year, the amount  
17 of demonstrably effective program aid received by the district in the  
18 eligibility year shall be reduced in the budget year by the percentage  
19 decline between the ratios of the number of low-income pupils  
20 enrolled in the school to total school enrollment used in the calculation  
21 of aid in the eligibility and budget years.]<sup>2</sup> Notwithstanding the  
22 provisions of this subsection,<sup>1</sup>  if a school generates a greater amount  
23 of aid pursuant to subsection a. of this section, it shall generate  
24 that amount. <sup>2</sup>[If at the end of the four-year period the school's  
25 concentration of low-income pupils is below the thresholds required  
26 for receipt of the demonstrably effective program per pupil aid  
27 amounts, then the school shall lose its eligibility for receipt of aid  
28 pursuant to the provisions of subsection a. of this section. If at any  
29 time during the four-year period the concentration of low-income  
30 pupils increases to the 20% or 40% thresholds, then the aid generated  
31 by the school shall be calculated pursuant to subsection a. of this  
32 section and the minimum four-year period of eligibility shall be  
33 determined from that school year.]<sup>2</sup>

34 (cf: P.L.1996, c.138, s.18)

35

36     4. This act shall take effect immediately and shall first apply to the  
37 calculation of aid for the <sup>1</sup>[1998-99] <sup>2</sup>[2000-2001<sup>1</sup>] 2001-2002<sup>2</sup>  
38 school year.

39

40

41

42

43 Establishes a minimum period of school district eligibility for early  
44 childhood and demonstrably effective program aids and provides  
45 budget cap exclusion for demonstrably effective program aid.

## CHAPTER 147

**AN ACT** concerning State aid for districts with concentrations of low-income pupils and amending P.L.1996, c.138.

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

1. Section 5 of P.L.1996, c.138 (C.18A:7F-5) is amended to read as follows:

C.18A:7F-5 Notification of districts of aid payable; budget submissions.

5. a. Biennially, within 30 days following the approval of the Report on the Cost of Providing a Thorough and Efficient Education, the commissioner shall notify each district of the T&E amount, the T&E flexible amount, the T&E range, early childhood program amount, demonstrably effective program amount, instructional supplement amount, and categorical amounts per pupil for the subsequent two fiscal years.

Annually, within two days following the transmittal of the State budget message to the Legislature by the Governor pursuant to section 11 of P.L.1944, c.112 (C.52:27B-20), the commissioner shall notify each district of the maximum amount of aid payable to the district in the succeeding school year pursuant to the provisions of this act, and shall notify each district of the district's T&E budget, maximum T&E budget, and minimum permissible T&E budget for the succeeding school year.

Beginning in the 1998-99 school year, unless otherwise specified within this act, aid amounts payable for the budget year shall be based on budget year pupil counts, which shall be projected by the commissioner using data from prior years. Adjustments for the actual pupil counts of the budget year shall be made to State aid amounts payable during the school year succeeding the budget year. Additional amounts payable shall be reflected as revenue and an account receivable for the budget year.

Notwithstanding any other provision of this act to the contrary, each district's State aid payable for the 1997-98 school year, with the exception of transportation and facilities aids pursuant to sections 25, 26, and 27 of this act, shall be based on simulations employing the various formulas and State aid amounts contained in this act using projections based on the October 1995 pupil counts, December 1995 special education census data and October 1995 equalized valuations. Transportation aid shall be calculated based on the provisions of this act using pupil data used for the 1996-97 school year and adjusted to reflect the total amount of State aid disbursed in the 1996-97 school year. The commissioner shall prepare a report dated December 19, 1996 reflecting the State aid amounts payable by category for each district and shall submit the report to the Legislature prior to the adoption of this act. The amounts contained in the commissioner's report shall be the final amounts payable and shall not be subsequently adjusted because of changes in pupil counts or equalized valuations. The projected pupil counts and equalized valuations used for the calculation of State aid shall also be used for the calculation of maximum T&E budget, minimum T&E budget, local share, required local share, and spending growth limitation. State aid notification of debt service aid pursuant to section 27 of this act shall include a statement that debt service aid shall be determined in the budget.

Any school district which enrolls students who reside on federal property which were not included in the calculation of core curriculum standards aid for 1997-98 shall have its core curriculum standards aid recalculated for these additional enrollments through the 1997-98 school year using the property value multiplier, income value multiplier, equalized valuation, and district income which were used in the original Statewide calculation of core curriculum standards aid. The additional aid resulting from the recalculations shall be divided by 20 and the product shall be added to each of the remaining core curriculum standards aid payments for the 1997-98 school year. Additionally, the core curriculum standards aid calculation and payment schedule for 1998-99 shall be adjusted for such enrollments arriving after the last school day prior to October 16, 1997.

b. Each district shall have a required local share. For Abbott districts, the required local share for the purpose of determining its estimated minimum equalized tax rate and supplemental core curriculum standards aid shall equal the district's local share calculated at the middle of the T&E range (T&E amount x WENR, where WENR is the district's weighted enrollment pursuant to section 13 of this act).



Notwithstanding the above provision, no Abbott district shall raise a general fund tax levy which is less than the prior year general fund tax levy unless the sum of the levy and the other components of the T&E program budget equals or exceeds its maximum T&E budget calculated pursuant to section 13 of this act.

For district factor group A districts, the required local share shall equal the district's local share calculated at its minimum T&E budget pursuant to section 13 of this act.

For all other districts, the required local share shall equal the lesser of the local share calculated at the district's minimum T&E budget pursuant to section 13 of this act, or the district's budgeted local share for the prebudget year.

In order to meet this requirement, each district shall raise a general fund tax levy which, when added to the general fund balance designated for the budget year, miscellaneous local general fund revenues estimated consistent with GAAP to be realized during the budget year, supplemental core curriculum standards aid calculated pursuant to section 17 of this act and stabilization aid and supplemental school tax reduction aid calculated pursuant to section 10 of this act, equals its required local share or, for Abbott districts, the amount required when the calculation of required local share would result in a general fund tax levy which is less than the general fund tax levy of the prebudget year. For 1997-98, the budgeted local share for the prebudget year shall be the district's general fund tax levy.

For the 1997-98 school year, any tax increase which would be required of an Abbott district or district factor group A district to meet its required local share, after consideration of supplemental core curriculum standards aid, stabilization aid, and supplemental school tax reduction aid shall be fully funded by the State and recorded as supplemental core curriculum standards aid. The commissioner, in consultation with the Commissioner of the Department of Community Affairs and the Director of the Division of Local Government Services in the Department of Community Affairs, shall examine the fiscal ability of the Abbott districts and the district factor group A districts eligible for supplemental core curriculum standards aid to absorb any reduction in such aid and shall make recommendations to the Legislature and the Governor regarding the continuation of supplemental core curriculum standards aid to those districts. In making those recommendations, the commissioner shall consider the ratable base of the municipality or municipalities in which the district is located, the tax burden placed upon the local community due to other required municipal services, and the fiscal ability of the school district to raise its required local share. The commissioner shall not implement any of those recommendations until the recommendations are enacted into law.

No municipal governing body or bodies or board of school estimate, as appropriate, shall certify a general fund tax levy which does not meet the required local share provisions of this section.

c. Annually, on or before March 4, each district board of education shall adopt, and submit to the commissioner for approval, together with such supporting documentation as the commissioner may prescribe, a budget that provides no less than the minimum permissible T&E budget, plus categorical amounts required for a thorough and efficient education as established pursuant to the report, special revenue funds and debt service funds.

d. (1) A district proposing a budget which includes spending which exceeds the maximum T&E budget established pursuant to section 13 of this act shall submit, as appropriate, to the board of school estimate or to the voters of the district at the annual school budget election conducted pursuant to the provisions of P.L.1995, c.278 (C.19:60-1 et seq.), a general fund tax levy which when added to the other components of its net budget does not exceed the prebudget year net budget by more than the spending growth limitation calculated as follows: the sum of three percent or the CPI, whichever is greater, multiplied by the prebudget year net budget, and adjustments for changes in enrollment, certain capital outlay expenditures, expenditures for pupil transportation services provided pursuant to N.J.S.18A:39-1.1, and special education costs per pupil in excess of \$40,000. The adjustment for special education costs shall equal any increase in the sum of per pupil amounts in excess of \$40,000 for the budget year less the sum of per pupil amounts in excess of \$40,000 for the prebudget year indexed by the CPI or three percent, whichever is greater. The adjustment for enrollments shall equal the increase in unweighted resident enrollments between the prebudget year and budget year multiplied by the per pupil

general fund tax levy amount for the prebudget year indexed by the CPI or three percent, whichever is greater. The adjustment for capital outlay shall equal any increase between the capital outlay portion of the general fund budget for the budget year less any withdrawals from the capital reserve account and the capital outlay portion of the general fund budget for the prebudget year indexed by the CPI or three percent, whichever is greater. Any district with a capital outlay adjustment to its spending growth limitation shall be restricted from transferring any funds from capital outlay accounts to current expense accounts. The adjustment for capital outlay shall not become part of the prebudget year net budget for purposes of calculating the spending growth limitation of the subsequent year. The adjustment for pupil transportation costs provided pursuant to N.J.S.18A:39-1.1 shall equal the cost of providing such pupil transportation services for the budget year.

(2) A district proposing a budget set at or below the minimum T&E budget established pursuant to section 13 of this act shall submit, as appropriate, to the board of school estimate or to the voters of the district at the annual school budget election conducted pursuant to the provisions of P.L.1995, c.278 (C.19:60-1 et seq.), a general fund tax levy which when added to the other components of the net T&E budget shall not exceed the prebudget year net T&E budget or in 1997-98 the prebudget year net budget by more than the spending growth limitation calculated as follows: the sum of three percent or the CPI, whichever is greater, multiplied by the prebudget year net budget, and adjustments for changes in enrollment, certain capital outlay expenditures, expenditures for pupil transportation services provided pursuant to N.J.S.18A:39-1.1, and special education costs per pupil in excess of \$40,000. The enrollment adjustment shall equal the increase in weighted resident enrollment between the prebudget year and the budget year multiplied by the T&E amount less the T&E flexible amount. The adjustments for special education costs, pupil transportation services, and capital outlay expenditures shall be calculated pursuant to the provisions of paragraph (1) of this subsection.

Notwithstanding the provisions of this paragraph, no district shall raise a net budget which is less than the local share required under the required local share provisions of this act plus the other components of its net budget.

(3) A district proposing a budget set at or below the maximum T&E budget, but including amounts in excess of the minimum T&E budget established pursuant to section 13 of this act, shall submit, as appropriate, to the board of school estimate or to the voters at the annual school budget election conducted pursuant to the provisions of P.L.1995, c.278 (C.19:60-1 et seq.), a general fund tax levy which when added to the other components of its net T&E budget does not exceed the prebudget year net T&E budget or in 1997-98 the prebudget year net budget by more than the spending growth limitation calculated as follows: the sum of three percent or the CPI, whichever is greater, multiplied by the prebudget year net budget, and adjustments for changes in enrollment, certain capital outlay expenditures, expenditures for pupil transportation services provided pursuant to N.J.S.18A:39-1.1, and special education costs per pupil in excess of \$40,000 per pupil. The enrollment adjustment shall equal the increase in the unweighted resident enrollment between the prebudget year and the budget year multiplied by the prebudget year T&E program budget per pupil indexed by the CPI or three percent, whichever is greater. For the 1997-98 school year, the T&E program budget for the prebudget year shall equal the sum of the general fund tax levy, foundation aid, and transition aid. The adjustment for special education costs, pupil transportation services, and capital outlay expenditures shall be made pursuant to the provisions of paragraph (1) of this subsection.

(4) Any debt service payment made by a school district during the budget year shall not be included in the calculation of the district's spending growth limitation.

(5) For the 1997-98 school year, a district's spending growth limitation shall be increased by the excess of county special services school district tuition over prebudget year county special services school district tuition indexed by the CPI or three percent, whichever is greater.

(6) For the purpose of determining a district's spending growth limitation for the 1997-98 school year, a district may apply to the commissioner to add all or a part of the district's original designated general fund balance for 1996-97 to the spending growth limitation if it can demonstrate through current accounting records and historical trend data that the fund balance will actually be spent in the budget year.

(7) If the use of early childhood program aid for the provision of full-day kindergarten and preschool classes and other early childhood programs and services or the use of demonstrably effective program aid for the provision of instructional, school governance, and health and social service programs will cause the district to exceed its spending growth limitation, the district may apply to the commissioner for an adjustment to that limitation.

(8) If an increase in tuition for the budget year charged to a sending district by the receiving district pursuant to the provisions of N.J.S.18A:38-19 would reduce the sending district's per pupil net budget amount below the prior year's per pupil net budget amount in order to comply with the district's spending growth limitation, the district may apply to the commissioner for an adjustment to that limitation.

(9) Any district may submit at the annual school budget election a separate proposal or proposals for additional funds, including interpretive statements, specifically identifying the program purposes for which the proposed funds shall be used, to the voters, who may, by voter approval, authorize the raising of an additional general fund tax levy for such purposes. In the case of a district with a board of school estimate, one proposal for the additional spending shall be submitted to the board of school estimate. Any proposal or proposals rejected by the voters shall be submitted to the municipal governing body or bodies for a determination as to the amount, if any, that should be expended notwithstanding voter rejection. The decision of the municipal governing body or bodies or board of school estimate, as appropriate, shall be final and no appeals shall be made to the commissioner.

(10) Notwithstanding any provision of law to the contrary, if a district proposes a budget which exceeds the maximum T&E budget, the following statement shall be published in the legal notice of public hearing on the budget pursuant to N.J.S.18A:22-28, posted at the public hearing held on the budget pursuant to N.J.S.18A:22-29, and printed on the sample ballot required pursuant to section 10 of P.L.1995, c.278 (C.19:60-10):

"Your school district has proposed programs and services in addition to the core curriculum content standards adopted by the State Board of Education. Information on this budget and the programs and services it provides is available from your local school district."

e. (1) Any general fund tax levy rejected by the voters for a proposed budget in excess of the maximum T&E budget shall be submitted to the governing body of each of the municipalities included within the district for determination of the amount that should be expended notwithstanding voter rejection. In the case of a district having a board of school estimate, the general fund tax levy shall be submitted to the board for determination of the amount that should be expended. If the governing body or bodies or board of school estimate, as appropriate, reduce the district's proposed net budget, the district may appeal any of the reductions to the commissioner on the grounds that the reductions will negatively impact on the stability of the district given the need for long term planning and budgeting. In considering the appeal, the commissioner shall consider enrollment increases or decreases within the district; the history of voter approval or rejection of district budgets; the impact on the local levy; and whether the reductions will impact on the ability of the district to fulfill its contractual obligations. A district may not appeal any reductions on the grounds that the amount is necessary for a thorough and efficient education.

(2) Any general fund tax levy rejected by the voters for a proposed budget at or below the maximum T&E budget shall be submitted to the governing body of each of the municipalities included within the district for determination of the amount that should be expended notwithstanding voter rejection. In the case of a district having a board of school estimate, the general fund tax levy shall be submitted to the board for determination. Any reductions may be appealed to the commissioner on the grounds that the amount is necessary for a thorough and efficient education or that the reductions will negatively impact on the stability of the district given the need for long term planning and budgeting. In considering the appeal, the commissioner shall also consider the factors outlined in paragraph (1) of this subsection.

In the case of a school district in which the proposed budget is below, or after a reduction made by the municipal governing body or board of school estimate is below, the minimum T&E budget calculated pursuant to section 13 of this act, any reductions made by the municipal governing body or board of school estimate shall be automatically reviewed by the commissioner.

In reviewing the budget, the commissioner shall also consider the factors outlined in paragraph (1) of this subsection. In addition, the municipal governing body or board of school estimate shall be required to demonstrate clearly to the commissioner that the proposed budget reductions shall not adversely affect the ability of the school district to provide a thorough and efficient education or the stability of the district given the need for long term planning and budgeting.

(3) In lieu of any budget reduction appeal provided for pursuant to paragraphs (1) and (2) of this subsection, the State board may establish pursuant to the "Administrative Procedure Act," P.L.1968, c.410 (C.52:14B-1 et seq.), an expedited budget review process based on a district's application to the commissioner for an order to restore a budget reduction.

(4) When the voters, municipal governing body or bodies, or the board of school estimate authorize the general fund tax levy, the district shall submit the resulting budget to the commissioner within 15 days of the action of the voters or municipal governing body or bodies, whichever is later, or of the board of school estimate as the case may be.

f. Any district which is not an Abbott district but which was classified as a special needs district under the "Quality Education Act of 1990," P.L.1990, c.52 (C.18A:7D-1 et al.), may appeal any budget reduction made by the municipal governing body or board of school estimate, as appropriate, to the commissioner.

g. The commissioner shall annually review the budget of any district which was classified as a special needs district under the "Quality Education Act of 1990," P.L.1990, c.52 (C.18A:7D-1 et al.), to determine if any educationally meritorious program or service established through State resources provided as a result of that funding law is proposed to be reduced or eliminated. If the commissioner determines that the program or service is in jeopardy and that a reallocation of resources is possible without jeopardizing other educationally meritorious programs or services, he may require the school board to fund the program or service through a reallocation of resources.

2. Section 16 of P.L.1996, c.138 (C.18A:7F-16) is amended to read as follows:

C.18A:7F-16 Distribution of early childhood program aid.

16. a. Early childhood program aid shall be distributed to all school districts with high concentrations of low-income pupils, for the purpose of providing full-day kindergarten and preschool classes and other early childhood programs and services.

For districts in which the concentration of low income pupils is equal to or greater than 20% and less than 40%, aid shall be distributed according to the following formula:

Aid = A1 x Modified District Enrollment.

For districts in which the concentration of low income pupils is equal to or greater than 40%, aid shall be distributed according to the following formula for the purpose of expanding instructional services previously specified to three year olds, or of providing, in addition to the instructional services previously specified, transition and social services to primary grade students:

Aid = A2 X Modified District Enrollment where

A1 = \$465; and

A2 = \$750.

For the 1998-1999 school year, the per pupil funding amounts shall be these amounts multiplied by the CPI. For subsequent years, the amounts shall be established biennially in the Report on the Cost of Providing a Thorough and Efficient Education and shall be derived from cost analyses of appropriate programmatic applications of these funds as identified in the report. The amounts shall be adjusted for inflation by the CPI in the second year of the period to which the report applies.

County vocational school districts and limited purpose regional high school districts meeting the eligibility criteria of this section shall receive aid payable under this section as demonstrably effective program aid in addition to amounts received pursuant to section 18 of this act.

Each district which receives early childhood program aid shall submit to the commissioner for approval an operational plan that shall be a subset of the district's comprehensive strategic plan, to establish preschool and full-day kindergarten for all four and five year olds by the 2001-2002

school year and to maintain them thereafter. Districts shall appropriate the aid in a special revenue fund for expenditure, but may place all or a portion of the aid in a capital reserve account during the first four years to establish facilities for these purposes. During the first four school years following enactment of this act, districts may use early childhood program aid for educationally meritorious programs or for the purpose of constructing new school facilities or enlarging existing school facilities for use by pupils other than those enrolled in early childhood programs, provided the new or enlarged facilities are used for and are adequate to house the planned early childhood programs. Districts which maintain progress consistent with the implementation plan may also use the funds for demonstrably effective programs pursuant to section 18 prior to establishing the programs required pursuant to this section. The commissioner shall establish guidelines to track the specific purposes of expenditures under this section.

b. A district which qualifies for early childhood program aid pursuant to subsection a. of this section shall be eligible to receive the aid for a minimum of two school years from the time of initial determination of eligibility even if the district's concentration of low-income pupils falls below the 20 % or 40% concentration required for receipt of the early childhood program per pupil aid amounts under subsection a. If a district's concentration of low-income pupils falls below the 20% or 40% thresholds, the amount of the early childhood program aid received by the district in the prebudget year, hereinafter referred to as the eligibility year, shall be reduced in the subsequent budget year by the percentage decline between the ratios of the number of low-income pupils to modified district enrollment used in the calculation of aid in the eligibility and budget year. Notwithstanding the provisions of this subsection, if a district is eligible for a greater amount of aid pursuant to subsection a. of this section, it shall receive that amount.

A district which receives early childhood program aid pursuant to this subsection shall not be eligible to receive instructional supplement aid pursuant to subsection c. of section 18 of P.L.1996, c.138 (C.18A:7F-18c).

3. Section 18 of P.L.1996, c.138 (C.18A:7F-18) is amended to read as follows:

C.18A:7F-18. Calculation of demonstrably effective program aid.

18. a. Demonstrably effective program aid shall be generated by individual schools and distributed to districts for the purpose of providing instructional, school governance, and health and social service programs to students enrolled in the generating school according to the following formulas:

Aid shall be distributed to districts with schools in which the concentration of low-income pupils is equal to or greater than 20% and less than 40% as follows:

$$\text{Aid} = \text{B1} \times \text{SENR1}$$

where

SENR1 is the sum of school enrollments for all schools in the district enrolling low-income pupils at rates equal to or greater than 20% but less than 40%.

Aid shall be distributed to districts with schools in which the concentration of low-income pupils is equal to or greater than 40% as follows:

$$\text{Aid} = \text{B2} \times \text{SENR2}$$

where

SENR2 is the sum of the school enrollments for all schools in the district enrolling low-income pupils at rates equal to or greater than 40%;

where

$$\text{B1} = \$300; \text{ and}$$

$$\text{B2} = \$425.$$

For the 1998-1999 school year, the per pupil funding amounts shall be these amounts multiplied by the CPI. For subsequent years, the amounts shall be established biennially in the Report on the Cost of Providing a Thorough and Efficient Education and be derived from cost analyses of appropriate programmatic applications as identified in the report. The amounts shall be adjusted for inflation by the CPI in the second year of the period to which the report applies.

b. The State Board of Education, upon the recommendation of the commissioner, shall

adopt regulations governing the use of demonstrably effective program aid and an accounting mechanism to ensure that use. The rules shall provide for:

(1) Programs. A definition as recommended by the commissioner shall be established of the demonstrably effective programs and services which shall qualify for aid. The definition shall include for 1997-98, but not be limited to: alternative schools; community schools; class size reduction programs; parent education programs; job training programs; training institutes to improve homework response; telephone tutorial programs; teleconference and video tutoring programs; and HSPT/Early Warning test before school/after school preparation programs. The commissioner shall establish the per-pupil cost of providing these effective programs and services in the Report on the Cost of Providing a Thorough and Efficient Education.

(2) Accountability. A recipient district shall be required to obtain the approval of the Department of Education for the planned uses of demonstrably effective program funds. A periodic public process shall be established by which specific programmatic uses for the funds shall be identified and approved. A district failing to use the funds in the prescribed manner shall be subject to rescission of aid and additional monetary penalties as established by the commissioner.

(3) Monitoring. To facilitate State monitoring of the uses of the funds, districts shall be required to maintain separate program and service accounts in the special revenue section of district budgets and financial records in accordance with GAAP and specifications prescribed by the commissioner.

c. Instructional supplement aid shall be generated by school districts and county vocational school districts and distributed to districts for the purposes of providing supplemental services for students from low-income families. Aid shall be distributed to districts in which the concentration of low-income pupils is equal to or greater than 5% and less than 20%. Districts will receive \$339 for each pupil from low-income families. For the 1998-99 school year, the per pupil funding amount shall be this amount multiplied by the CPI. For subsequent years, the amount shall be established biennially in the Report on the Cost of Providing a Thorough and Efficient Education and be derived from cost analyses of appropriate programmatic applications as identified in the report. The amount shall be adjusted for inflation by the CPI in the second year of the period to which the report applies. Instructional supplement aid shall be accounted for in a special revenue fund.

d. The Department of Education shall develop, in collaboration with the Departments of Human Services and Health and Senior Services, as well as other appropriate State departments and agencies, mechanisms necessary to coordinate the provision of programs and services at the local level.

e. An individual school within a district which qualifies for demonstrably effective program aid pursuant to subsection a. of this section shall be eligible to generate the aid for a minimum of two school years from the time of initial determination of eligibility even if the school's concentration of low-income pupils falls below the 20% or 40% concentration required for receipt of the demonstrably effective program per pupil aid amounts under subsection a. If a school's concentration of low-income pupils falls below the 20% or 40% thresholds, the amount of demonstrably effective program aid generated by the school in the prebudget year, hereinafter referred to as the eligibility year, shall be reduced in the subsequent budget year by the percentage decline between the ratios of the number of low-income pupils enrolled in the school to total school enrollment used in the calculation of aid in the eligibility and budget year. Notwithstanding the provisions of this subsection, if a school generates a greater amount of aid pursuant to subsection a. of this section, it shall generate that amount.

4. This act shall take effect immediately and shall first apply to the calculation of aid for the 2001-2002 school year.

Approved November 9, 2000.

PO BOX 004  
TRENTON, NJ 08625

*Office of the Governor*  
**NEWS RELEASE**

CONTACT: Jayne O'Connor  
Laura Otterbourg  
609-777-2600

RELEASE: November 9, 2000

Governor today signed the following legislation:

**A-1162**, sponsored by Assemblyman Arnone (R-Monmouth) and Senator Ciesla (R-Monmouth/Ocean), exempts private marinas from the requirement to have first aid and lifeguard personnel on duty.

**A-343**, sponsored by Assembly Members Barnes (D-Middlesex) and Buono (D-Middlesex) and Senators Inverso (R-Mercer/Middlesex) and Bark (R-Atlantic/Burlington/ Camden), allows ratepayers to designate third parties to receive public utility service termination notices.

**A-517**, sponsored by Assemblyman Bodine (R-Atlantic/Burlington/Camden), updates the law governing the New Jersey Firemen's Home.

**A-853**, sponsored by Assembly Members Bagger (R-Middlesex/Morris/Somerset/Union) and Augustine (R-Middlesex/Morris/Somerset/Union), authorizes appointment of four alternates to combined planning and zoning boards.

**S-838**, sponsored by Senators Martin (R-Essex/Morris/Passaic) and Allen (R-Burlington/ Camden) and Assembly Members Buono (D-Middlesex) and Barnes (D-Middlesex), establishes a minimum period of school district eligibility for early childhood and demonstrably effective program aids and provides a budget cap exclusion for such aids. The bill incorporates recommendations made by the Governor in a conditional veto.

**S-676**, sponsored by Senators Robertson (R-Essex/Passaic) and Connors (R-Atlantic/ Burlington/Ocean) and Assembly Members Myers (R-Warren/Hunterdon/Mercer), extends the civil service veterans' preference to certain persons who served in Operation Uphold Democracy in Haiti. The bill incorporates recommendations made by the Governor in a conditional veto.