## 18A:7F-67 to 18A:7F-70 et al.

LEGISLATIVE HISTORY CHECKLIST

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|--|---|---|-----------|-------------------|-----------|-----|--|
| LAWS OF:   | 2018  | CHAP  | TER:      | 67                |           |     |  |
| NJSA:  |   | 18A:7F-67 to 18A:7F-70 et al. (Modifies school funding law to eliminate adjustment aid and State aid growth limit; allows adjustment to tax levy growth limitation for certain school districts.) |           |                   |           |     |  |
| BILL NO:   | S2  | (Substi   | tuted for | <sup>-</sup> A2)  |           |     |  |
| SPONSOR(S)   | <b>DR(S)</b> Sweeney, Stephen M. and others |   |           |                   |           |     |  |
| DATE INTRODUCED: 5/31/2018   |   |   |           |                   |           |     |  |
| COMMITTEE:   | ASSE  | <b>IBLY</b> :   |           |                   |           |     |  |
|  | SENA  | ſE:   | Budge     | t & Appropriation | s         |     |  |
| AMENDED DU   | AMENDED DURING PASSAGE:                     |   |           |                   |           |     |  |
| DATE OF PASSAGE: ASSEM   |   | MBLY:   | 6/21/2018 |                   |           |     |  |
|  |   | SENA  | ſE:       | 6/21/2018         |           |     |  |
| DATE OF APPROVAL: 7/24/20  |   | )18   |           |                   |           |     |  |
|  | FOLLOWING ARE ATTACHED IF AVAILABLE:        |   |           |                   |           |     |  |
| FINAL TEXT OF BILL (First Reprint enacted) Yes   |   |   |           |                   | Yes       |     |  |
| S2<br>SPONSOR'S STATEMENT: (Begins on page 8 of introduced bill) Yes   |   |   |           |                   |           |     |  |
|  | COMMITTEE S                                 | TATEM   | ENT:      |                   | ASSEMBLY: | No  |  |
|  |   |   |           |                   | SENATE:   | Yes |  |
| (Audio archived recordings of the committee meetings, corresponding to the date of the committee statement, <i>may possibly</i> be found at www.njleg.state.nj.us) |   |   |           |                   |           |     |  |
| FLOOR AMENDMENT STATEMENT:   |   |   |           |                   | No        |     |  |
| LEGISLATIVE FISCAL ESTIMATE:   |   |   |           |                   | No        |     |  |

A2

SPONSOR'S STATEMENT: (Begins on page 7 of introduced bill) Yes

| COMMITTEE STATEMENT: | ASSEMBLY: |    |
|----------------------|-----------|----|
|                      | SENATE:   | No |

(Audio archived recordings of the committee meetings, corresponding to the date of the committee statement, *may possibly* be found at www.njleg.state.nj.us)

| FLOOR AMENDMENT STATEMENT:   | No |
|------------------------------|----|
| LEGISLATIVE FISCAL ESTIMATE: | No |

(continued)

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#### **HEARINGS:**

Committee meeting of Assembly Education Committee : the Committee will receive testimony from invited guests regarding the "School Funding Reform Act of 2008," P.L.2007, c.260, and other matters related to education funding in the State [January 18, 2017, Trenton, New Jersey]. Call number 974.90 E24, 2017a

Available online at https://dspace.njstatelib.org//handle/10929/41832

Committee meeting of Assembly Education Committee : the Committee will receive testimony from members of the public regarding the "School Funding Reform Act of 2008," P.L.2007, c.260, and other matters related to education funding in the State [February 1, 2017, Hackensack, New Jersev]. Call number 974.90 E24, 2017

Available online at https://dspace.njstatelib.org//handle/10929/41891

Committee meeting of Assembly Education Committee : the Committee will receive testimony from members of the public regarding the "School Funding Reform Act of 2008," P.L.2007, c.260, and other matters related to education funding in the State [February 7, 2017, Sicklerville, New Jersey]. Call number 974.90 E24, 2017c

Available online at https://dspace.njstatelib.org//handle/10929/41894

Committee meeting of Assembly Education Committee : the Committee will receive testimony from invited guests regarding the "School Funding Reform Act of 2008." P.L.2007, c.260, and other matters related to education funding in the State [February 23, 2017, Trenton, New Jersey]. Call number 974.90 E24, 2017f Available online at https://dspace.njstatelib.org//handle/10929/42016

Other hearings:

Committee meeting of Joint Committee on the Public Schools : the Committee will receive testimony from invited guests on the topic of school funding [January 17, 2017, Trenton, New Jersey]. 974.90 S372. 2017 Available online at https://dspace.njstatelib.org//handle/10929/41831

Public hearing before Senate Select Committee on School Funding Fairness : the Committee will receive testimony from invited guests and members of the public on inequities in school funding in New Jersey [January 27, 2017, Woolwich Township, New Jersey]. Call number 974.90 S372, 2017b Available online at https://dspace.njstatelib.org//handle/10929/41833

Public hearing before Senate Select Committee on School Funding Fairness : the Committee will receive testimony from invited guests and members of the public on inequities in school funding in New Jersey [February 2, 2017]. Call number 974.90 E24, 2017a Available online at https://dspace.njstatelib.org//handle/10929/41892

Public hearing before Senate Select Committee on School Funding Fairness : the Committee will receive testimony from invited guests and from members of the public on inequities in school funding in New Jersey [February 14, 2017, Cliffside Park, New Jersey]. Call number 974.90 E24, 2017b

Available online at https://dspace.njstatelib.org//handle/10929/41893

No

No

Yes

Yes

Public hearing before Senate Select Committee on School Funding Fairness : the Committee will receive testimony from invited guests and from members of the public on inequities in school funding in New Jersey [February 22, 2017, Newark, New Jersey].

Call number 974.90 E24, 2017d

Available online at <a href="https://dspace.njstatelib.org//handle/10929/41901">https://dspace.njstatelib.org//handle/10929/41901</a>

Committee meeting of Joint Committee on the Public Schools : the Committee will receive testimony from invited guests about issues including, but not limited to cost and funding, policy and regulations, accommodations and modifications, and early intervention as it relates to special education [March 22, 2017, Trenton, New Jersey. Call number 974.90 E24, 2017e

Available online at https://dspace.njstatelib.org//handle/10929/42015

#### **NEWSPAPER ARTICLES:**

Yes

"Property tax break? Sweeping change in how NJ pays for schools is now law," northjersey.com, July 24, 2018 "Murphy signs measure overhauling state's school funding law," Associated Press State Wire: New Jersey, July 24,

2018"

"Murphy signs Sweeney's school funding reform law - Gov. Murphy signs Sweeney school funding reform law," The Press or Atlantic City, July 25, 2018

"Murphy signs school funding fix - Law aims to address funding discrepancies in the state's nearly 600 school districts," Burlington County Times, July 25, 2018

"Law aims to address funding discrepancies in the state's nearly 600 school districts," Burlington County Times, July 25, 2018

"SCHOOL FUNDING OVERHAUL NOW LAW - SHIFTS IN AID MAY SEND LOCAL TAXES UP OR DOWN," The Record, July 25, 2018

"Murphy increase in school aid around the state doesn't include more money for West Milford – State aid cut for West Milford schools Murphy increases money around the state but reduces funds to West Milford for 2018-19," The West Milford Messenger, July 25, 2018

"Gov signs tax to fund Jersey City schools, now it's in council's hands," The Jersey Journal, July 25, 2018 "School-funding bill touted as 'big win' for kids gets Murphy's OK Funding," The Star-Ledger, July 25, 2018 "As retiree health costs squeeze budget, Phil Murphy advocates baby steps," northjersey.com, July 26, 2018 "School funding OK'd in 'big win,' but taxes to rise Funding," Hunterdon County Democrat, July 26, 2018

RWH

§§3-5, 1 C.18A:7F-67 to
18A:7F-70
§2 - C.18A:7F-5d
§8 - Repealer

#### P.L. 2018, CHAPTER 67, approved July 24, 2018 Senate, No. 2 (First Reprint)

AN ACT concerning State and local financing of school districts, 1 supplementing and amending P.L.2007, c.260, amending 2 3 P.L.2007, c.62, and repealing section 5 of P.L.2007, c.260. 4 5 **BE IT ENACTED** by the Senate and General Assembly of the State 6 of New Jersey: 7 8 <sup>1</sup>1. (New section) For the purpose of determining whether a 9 school district or county vocational school district is spending 10 above or below adequacy, the commissioner shall compare the sum 11 from the prebudget year its equalization aid calculated pursuant to 12 section 11 of P.L.2007, c.260 (C.18A:7F-53), special education 13 categorical aid as calculated pursuant to section 13 of P.L.2007, 14 c.260 (C.18A:7F-55), security categorical aid as calculated pursuant 15 to section 14 of P.L.2007, c.260 (C.18A:7F-56), and the general fund tax levy with the district's adequacy budget, as calculated 16 pursuant to section 9 of P.L.2007, c.260 (C.18A:7F-51), special 17 18 education categorical aid as calculated pursuant to section 13 of 19 P.L.2007, c.260 (C.18A:7F-55), and security categorical aid as calculated pursuant to section 14 of P.L.2007, c.260 (C.18A:7F-20 56).<sup>1</sup> 21 22 <sup>1</sup>2. (New section) Notwithstanding the provisions of subsection 23 24 b. of section 5 of P.L.1996, c.138 (C.18A:7F-5) or any other law to 25 the contrary, in the 2019-2020 through 2024-2025 school years, a 26 school district's required local share shall equal 102% of the 27 budgeted local share for the prebudget year in any school year in 28 which the school district experiences a reduction in State school aid 29 pursuant to the provisions of P.L., c. (C.) (pending before the Legislature as this bill) and is spending below adequacy, as 30 calculated pursuant to section 1 of P.L., c. (C.) (pending before 31 32 the Legislature as this bill).<sup>1</sup> 33 <sup>1</sup>[1.] <u>3.</u><sup>1</sup> (New section) As used in P.L. , c. (C. ) (pending 34 before the Legislature as this bill): 35 "State aid differential" means the difference between the sum of 36 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 <u>thus</u> is new matter. Matter enclosed in superscript numerals has been adopted as follows: <sup>1</sup>Senate SBA committee amendments adopted June 18, 2018.

1 a school district's or county vocational school district's allocations 2 of equalization aid, special education categorical aid, security 3 categorical aid, transportation aid, adjustment aid, and non-SFRA 4 aids in the <sup>1</sup>[2017-2018 school] <u>prebudget</u><sup>1</sup> year, and the sum of 5 equalization aid, special education categorical aid, security 6 categorical aid, and transportation aid as calculated for <sup>1</sup>[that school] the budget<sup>1</sup> year in each category in accordance with the 7 provisions of sections 11, 13, 14, and 15 of P.L.2007, c.260 8 9 (C.18A:7F-53, C.18A:7F-55, C.18A:7F-56, and C.18A:7F-57), 10 respectively.

"Non-SFRA aids" means the sum of supplemental enrollment growth aid, per pupil growth aid, PARCC readiness aid, professional learning community aid, under adequacy aid, and host district support aid received by a school district in the <sup>1</sup>[2017-2018 school] prebudget<sup>1</sup> year.

16

17 <sup>1</sup>[2.] <u>4.</u><sup>1</sup> (New section) a. Notwithstanding the provisions of P.L.2007, c.260 (C.18A:7F-43 et al.) or any other law to the 18 contrary, in the '[2018-2019] <u>2019-2020</u><sup>1</sup> through 2024-2025 19 school years, a school district or county vocational school district in 20 21 which the State aid differential calculated <sup>1</sup>[in the 2017-2018 school year]<sup>1</sup> is negative shall receive State school aid in an 22 amount equal to the sum of the district's State aid in the prior 23 24 school year plus the district's proportionate share of the sum of any increase in State aid included in the annual appropriations act for 25 26 that fiscal year and the total State aid reduction pursuant to 27 subsection b. of this section based on the district's State aid 28 differential as a percent of the Statewide total State aid differential 29 among all school districts and county vocational school districts for 30 which the State aid differential is negative. Any increase in State 31 aid pursuant to this subsection shall first be allocated to 32 equalization aid, <sup>1</sup>[except that a school district's or county 33 vocational school district's equalization aid shall not exceed the amount calculated pursuant to section 11 of P.L.2007, c.260 34 35 (C.18A:7F-53) for the 2017-2018 school year. As necessary, any additional increases shall be allocated to <u><u>followed</u> by<sup>1</sup> special</u> 36 37 education categorical aid, security categorical aid, and transportation aid <sup>1</sup>, except that no category shall exceed the total 38 39 amount as calculated in accordance with the provisions of sections 40 11, 13, 14, and 15 of P.L.2007, c.260 (C.18A:7F-53, C.18A:7F-55, 41 <u>C.18A:7F-56, and C.18A:7F-57), respectively</u><sup>1</sup>.

b. Except as provided pursuant to subsection c. of this section,
and notwithstanding the provisions of P.L.2007, c.260 (C.18A:7F43 et al.) or any other law to the contrary, in the <sup>1</sup>[2018-2019]
<u>2019-2020</u><sup>1</sup> through 2024-2025 school years, a school district or
county vocational school district in which the State aid differential

<sup>1</sup>[calculated in the 2017-2018 school year]<sup>1</sup> is positive shall 1 receive State school aid in an amount equal to the district's State 2 aid in the prior school year minus a percent of the State aid 3 differential <sup>1</sup>[in the 2017-2018 school year]<sup>1</sup> according to the 4 5 following schedule: (1) <sup>1</sup>[5 percent in the 2018-2019 school year; 6 7 (2)]<sup>1</sup> 13 percent in the 2019-2020 school year; 8  $[(3)] (2)^{1} 23$  percent in the 2020-2021 school year;  $[(4)] (3)^{1} 37$  percent in the 2021-2022 school year; 9  $[(5)] (4)^{1} 55$  percent in the 2022-2023 school year; 10  $[(6)] (5)^{1}$  76 percent in the 2023-2024 school year; and 11  $[(7)] (6)^{1} 100$  percent in the 2024-2025 school year. 12 <sup>1</sup>[Notwithstanding the provisions of P.L.2007, c.260] 13 c. 14 (C.18A:7F-43 et al.) or any other law to the contrary, in the 2018-2019 through 2022-2023 school years, a school district in a 15 16 municipality that is authorized to impose and collect an employer 17 payroll tax pursuant to P.L. , c. (C.) (pending before the Legislature as Senate Bill No. 2581 of 2018) shall receive State 18 19 school aid in an amount equal to the district's State aid in the prior 20 school year minus a percent of the State aid differential in the 2017-21 2018 school year according to the following schedule: 22 (1) 5 percent in the 2018-2019 school year; 23 (2) 28.75 percent in the 2019-2020 school year; 24 (3) 52.5 percent in the 2020-2021 school year; 25 (4) 76.25 percent in the 2021-2022 school year; and (5) 100 percent in the 2022-2023 school year.] (1) An SDA 26 district that is located in a municipality in which the equalized total 27 28 tax rate is greater than the Statewide average equalized total tax rate 29 for the most recent available calendar year and is spending below 30 adequacy as calculated pursuant to section 1 of P.L., c. (C.) (pending before the Legislature as this bill) shall not be subject to a 31 32 reduction in State aid pursuant to subsection b. of this section. 33 (2) An SDA district that is located in a municipality in which the 34 equalized total tax rate is greater than the Statewide average 35 equalized total tax rate for the most recent available calendar year and is spending above adequacy as calculated pursuant to section 1 36 37 of P.L., c. (C.) (pending before the Legislature as this bill) shall 38 be subject to a reduction not to exceed the amount by which the 39 district is spending above adequacy multiplied by the corresponding 40 percentage included in subsection b. of this section. 41 (3) A school district, other than an SDA district, that is located 42 in a municipality in which the equalized total tax rate is at least 10 43 percent greater than the Statewide average equalized total tax rate 44 for the most recent available calendar year and is spending at least 45 10 percent below adequacy as calculated pursuant to section 1 of 46 P.L., c. (C.) (pending before the Legislature as this bill) shall

1 not be subject to a reduction in State aid pursuant to subsection b. of this section.<sup>1</sup> 2 d. Any decrease in State aid pursuant  $^{1}\underline{to}^{1}$  subsections b. or c. 3 of this section shall first be deducted from a school district's or 4 5 county vocational school district's allotment of adjustment aid. 6 Any additional reduction shall be deducted from the school 7 district's or county vocational school district's allotment of non-8 SFRA aids, followed by equalization aid, special education 9 categorical aid, security aid, and transportation aid. 10 <sup>1</sup>[In the case of a school district or county vocational school e. district that is subject to the provisions of subsections a. or b. of this 11 section, in the 2024-2025 school year, any] Any<sup>1</sup> remaining 12 adjustment aid or non-SFRA aids shall be reallocated to other State 13 aid categories in a manner to be determined by the commissioner. 14 15 <sup>1</sup> In the case of a school district that is subject to the provisions of subsection c. of this section, the reallocation shall occur in the 16 2022-2023 school year.]<sup>1</sup> 17 18 19 <sup>1</sup>[3.] <u>5.</u><sup>1</sup> (New section) In the <sup>1</sup>[2018-2019]  $2019-2020^{1}$  school year, and in each school year thereafter, a county vocational school 20 21 district shall receive vocational expansion stabilization aid in such 22 an amount to ensure that the district receives the greater of the 23 amount of State aid calculated pursuant to the provisions of 24 <sup>1</sup>[P.L.2007, c.260 (C.18A:7F-43 et al.)] <u>P.L.</u>, c. (C.) (pending before the Legislature as this bill)<sup>1</sup> or the sum of the <sup>1</sup>[amount of 25 equalization aid, special education categorical aid, security 26 27 categorical aid, and adjustment aid district's State aid<sup>1</sup> received in the 2017-2018 school year. 28 29 30 <sup>1</sup>[4.] 6.<sup>1</sup> Section 3 of P.L.2007, c.62 (C.18A:7F-38) is 31 amended to read as follows: 32 3. a. Notwithstanding the provisions of any other law to the 33 contrary, a school district shall not adopt a budget pursuant to 34 sections 5 and 6 of P.L.1996, c.138 (C.18A:7F-5 and 18A:7F-6) 35 with an increase in its adjusted tax levy that exceeds, except as provided in subsection e. of section 4 of P.L.2007, c.62 (C.18A:7F-36 37 39), the tax levy growth limitation calculated as follows: the sum of 38 the prebudget year adjusted tax levy and the adjustment for 39 increases in enrollment multiplied by 2.0 percent, and adjustments 40 for an increase in health care costs, [and] increases in amounts for 41 certain normal and accrued liability pension contributions set forth in sections 1 and 2 of P.L.2009, c.19 amending section 24 of 42 43 P.L.1954, c.84 (C.43:15A-24) and section 15 of P.L.1944, c.255 (C.43:16A-15) for the year set forth in those sections , and, in the 44

45 case of an SDA district as defined pursuant to section 3 of

46 P.L.2000, c.72 (C.18A:7G-3), during the 2018-2019 through the

1 2024-2025 school years, increases to raise a general fund tax levy to 2 an amount that does not exceed its local share. 3 b. (1) The allowable adjustment for increases in enrollment 4 authorized pursuant to subsection a. of this section shall equal the 5 per pupil prebudget year adjusted tax levy multiplied by EP, where 6 EP equals the sum of: 7 (a) 0.50 for each unit of weighted resident enrollment that 8 constitutes an increase from the prebudget year over 1%, but not 9 more than 2.5%; 10 (b) 0.75 for each unit of weighted resident enrollment that 11 constitutes an increase from the prebudget year over 2.5%, but not 12 more than 4%; and (c) 1.00 for each unit of weighted resident enrollment that 13 14 constitutes an increase from the prebudget year over 4%. 15 (2) A school district may request approval from the 16 commissioner to calculate EP equal to 1.00 for any increase in 17 weighted resident enrollment if it can demonstrate that the 18 calculation pursuant to paragraph (1) of this subsection would result 19 in an average class size that exceeds 10% above the facilities 20 efficiency standards established pursuant to P.L.2000, c.72 21 (C.18A:7G-1 et al.). 22 c. (Deleted by amendment, P.L.2010, c.44) 23 d. (1) The allowable adjustment for increases in health care 24 costs authorized pursuant to subsection a. of this section shall equal 25 that portion of the actual increase in total health care costs for the 26 budget year, less any withdrawals from the current expense 27 emergency reserve account for increases in total health care costs, that exceeds 2.0 percent of the total health care costs in the 28 29 prebudget year, but that is not in excess of the product of the total 30 health care costs in the prebudget year multiplied by the average 31 percentage increase of the State Health Benefits Program, P.L.1961, 32 c.49 (C.52:14-17.25 et seq.), as annually determined by the 33 Division of Pensions and Benefits in the Department of the 34 Treasury. 35 (2) The allowable adjustment for increases in the amount of 36 normal and accrued liability pension contributions authorized 37 pursuant to subsection a. of this section shall equal that portion of the actual increase in total normal and accrued liability pension 38 39 contributions for the budget year that exceeds 2.0 percent of the 40 total normal and accrued liability pension contributions in the 41 prebudget year. 42 (3) In the case of an SDA district, as defined pursuant to section 43 3 of P.L.2000, c.72 (C.18A:7G-3), in which the prebudget year 44 adjusted tax levy is less than the school district's prebudget year 45 local share as calculated pursuant to section 10 of P.L.2007, c.260 46 (C.18A:7F-52), the allowable adjustment for increases to raise a tax

47 <u>levy that does not exceed the school district's local share shall equal</u>

**S2** [1R] 6

1 the difference between the prebudget year adjusted tax levy and the 2 prebudget year local share. 3 e. (Deleted by amendment, P.L.2010, c.44) The adjusted tax levy shall be increased or decreased 4 f. 5 accordingly whenever the responsibility and associated cost of a 6 school district activity is transferred to another school district or 7 governmental entity. 8 (cf: P.L.2010, c.44, s.4) 9 <sup>1</sup>[5.] 7.<sup>1</sup> Section 16 of P.L.2007, c.260 (C.18A:7F-58) is 10 amended to read as follows: 11 12 16. a. (1) For the 2008-2009 school year, each school district 13 and county vocational school district shall receive adjustment aid in 14 such amount as to ensure that the district receives the greater of the 15 amount of State aid calculated for the district pursuant to the 16 provisions of this act or the State aid received by the district for the 17 2007-2008 school year multiplied by 102%. The State aid received 18 by the district for the 2007-2008 school year shall include the 19 following aid categories: Core Curriculum Standards Aid, 20 Supplemental Core Curriculum Standards Aid, Education 21 Opportunity Aid, Above Average Enrollment Growth Aid, High 22 for Learning Proficiency Expectations Aid, Instructional 23 Supplement Aid, Demonstrably Effective Program Aid, 24 Stabilization Aid, Supplemental Stabilization Aid, Adult and 25 Postsecondary Education Grants, Bilingual Education Aid, Special 26 Education Aid, County Vocational Program Aid, Transportation 27 Aid, School Choice Aid, Consolidated Aid, Additional Formula 28 Aid, Full-day Kindergarten Supplemental Aid, Targeted-At-Risk 29 Abbott-Bordered District Aid, Aid, Nonpreschool ECPA, 30 Extraordinary Special Education Aid paid in 2006-2007, and Aid 31 for Enrollment Adjustments, taking into consideration the June 32 2008 payment made in July 2008. 33 (2) For the 2009-2010 and 2010-2011 school years a school 34 district or county vocational school district shall receive adjustment aid in such amount as to ensure that the district receives the greater 35 36 of the amount of State aid calculated for the district pursuant to the 37 provisions of this act or the State aid, other than educational 38 adequacy aid, received by the district for the 2008-2009 school 39 year. 40 (3) For the 2011-2012 school year **[**and for each school year

thereafter] through the 2017-2018 school year [and for each school year] thereafter] through the 2017-2018 school year, a school district or county vocational school district that does not have a decline in its weighted enrollment, adjusted for bilingual education pupils and atrisk pupils, between the 2008-2009 school year and the budget year that is greater than 5% shall receive adjustment aid in such amount as to ensure that the district receives the greater of the amount of State aid calculated pursuant to the provisions of this act or the

1 State aid, other than educational adequacy aid, received by the 2 district for the 2008-2009 school year. 3 (4) For the 2011-2012 school year and for each school year 4 thereafter] through the 2017-2018 school year, a school district or 5 county vocational school district that has a decline in its weighted 6 enrollment, adjusted for bilingual education pupils and at-risk 7 pupils, between the 2008-2009 school year and the budget year that 8 is greater than 5% shall have its adjustment aid reduced in an 9 amount equal to the district's 2008-2009 per pupil adjustment aid 10 amount multiplied by the decline in its resident enrollment that is 11 greater than 5%. 12 b. In the case of a school district that received education 13 opportunity aid in the 2007-2008 school year and for which the sum 14 of the district's 2007-2008 State aid under the State aid categories 15 listed under paragraph (1) of subsection a. of this section and general fund local levy is less than the sum of the district's 16 17 adequacy budget as calculated pursuant to section 9 of this act, 18 special education categorical aid calculated pursuant to section 13 19 of this act, and security aid calculated pursuant to section 14 of this 20 act, the district shall receive educational adequacy aid if it meets the 21 following criteria: 22 (1) the district fails to meet educational adequacy standards as 23 determined by the commissioner; or 24 (2) the district is located in a municipality with an equalized 25 total tax rate that is greater than 130% of the Statewide average 26 equalized total tax rate; or 27 (3) the district has an equalized school tax rate that is greater 28 than 110% of the Statewide average equalized school tax rate and is 29 located in a municipality with an equalized total tax rate that is 30 greater than 120% of the Statewide average equalized total tax rate; 31 and 32 (4) the district will not meet adequacy in the 2008-2009 school 33 year based on the State aid increase received by the district for that 34 school year. 35 An eligible district shall receive educational adequacy aid for the 36 2008-2009 school year in accordance with the following formula: 37  $EA aid = ((AB + SE + SA) - (GFL + A08)) \times .33) - ls - SA;$ 38 where AB is the district's adequacy budget as calculated pursuant 39 to section 9 of this act; 40 SE is the district's special education categorical aid calculated 41 pursuant to section 13 of this act; 42 SA is the district's security categorical aid calculated pursuant to section 14 of this act; 43 44 GFL is the district's prebudget year general fund local levy; 45 A08 is the sum of the district's 2007-2008 State aid under the 46 State aid categories listed under paragraph (1) of subsection a. of 47 this section;

1 Is is the district's prebudget year general fund local levy, 2 multiplied by 4% in the case of a district which meets the criteria of 3 paragraph (2) or paragraph (3) of this subsection, or in the case of a 4 district which does not meet those criteria multiplied by 6%; and 5 SA is any increase in State aid between the prebudget and budget 6 years. 7 An eligible district shall receive educational adequacy aid for the 8 2009-2010 school year in accordance with the following formula: 9 EA aid =  $((AB - (GFL + PEQAID)) \times .50)$  -ls; and 10 An eligible district shall receive educational adequacy aid for the 11 2010-2011 school year in accordance with the following formula: 12 EA aid = (AB - (GFL + PEQAID) - ls)13 where 14 AB is the district's adequacy budget as calculated pursuant to 15 section 9 of this act; 16 GFL is the district's prebudget year general fund local levy; 17 PEQAID is the district's prebudget year equalization aid 18 calculated pursuant to section 11 of this act; and 19 Is is the district's prebudget year general fund local levy, 20 multiplied by 4% in the case of a district which meets the criteria of 21 paragraph (2) or paragraph (3) of this subsection, or in the case of a 22 district which does not meet those criteria multiplied by 8% for the 23 2009-2010 school year and by 10% for the 2010-2011 school year; 24 For the 2011-2012 school year and for each school year 25 thereafter, the district shall receive the amount of educational 26 adequacy aid that the district received in the 2010-2011 school year. 27 (cf: P.L.2007, c.260, s.16) 28 29 <sup>1</sup>[6.] <u>8.</u><sup>1</sup> Section 5 of P.L.2007, c.260 (C.18A:7F-47) is 30 repealed. 31 <sup>1</sup>[7.] 9.<sup>1</sup> This act shall take effect immediately <sup>1</sup>[and shall first 32 be applicable to the 2018-2019 school year **]**<sup>1</sup>. 33 34 35 36 37 38 Modifies school funding law to eliminate adjustment aid and 39 State aid growth limit; allows adjustment to tax levy growth

40 limitation for certain school districts.

# **SENATE, No. 2**

# STATE OF NEW JERSEY 218th LEGISLATURE

INTRODUCED MAY 31, 2018

Sponsored by: Senator STEPHEN M. SWEENEY District 3 (Cumberland, Gloucester and Salem) Senator M. TERESA RUIZ District 29 (Essex) Senator LINDA R. GREENSTEIN District 14 (Mercer and Middlesex)

#### **SYNOPSIS**

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

#### **CURRENT VERSION OF TEXT**

As introduced.



(Sponsorship Updated As Of: 6/19/2018)

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

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

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8 1. (New section) As used in P.L., c. (C.) (pending before9 the Legislature as this bill):

10 "State aid differential" means the difference between the sum of 11 a school district's or county vocational school district's allocations 12 of equalization aid, special education categorical aid, security categorical aid, transportation aid, adjustment aid, and non-SFRA 13 14 aids in the 2017-2018 school year, and the sum of equalization aid, 15 special education categorical aid, security categorical aid, and 16 transportation aid as calculated for that school year in each category 17 in accordance with the provisions of sections 11, 13, 14, and 15 of 18 P.L.2007, c.260 (C.18A:7F-53, C.18A:7F-55, C.18A:7F-56, and 19 C.18A:7F-57), respectively.

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

25

26 2. (New section) a. Notwithstanding the provisions of 27 P.L.2007, c.260 (C.18A:7F-43 et al.) or any other law to the contrary, in the 2018-2019 through 2024-2025 school years, a 28 29 school district or county vocational school district in which the 30 State aid differential calculated in the 2017-2018 school year is 31 negative shall receive State school aid in an amount equal to the 32 sum of the district's State aid in the prior school year plus the 33 district's proportionate share of the sum of any increase in State aid 34 included in the annual appropriations act for that fiscal year and the 35 total State aid reduction pursuant to subsection b. of this section 36 based on the district's State aid differential as a percent of the 37 Statewide total State aid differential among all school districts and county vocational school districts for which the State aid 38 39 differential is negative. Any increase in State aid pursuant to this 40 subsection shall first be allocated to equalization aid, except that a 41 school district's or county vocational school district's equalization 42 aid shall not exceed the amount calculated pursuant to section 11 of P.L.2007, c.260 (C.18A:7F-53) for the 2017-2018 school year. As 43 44 necessary, any additional increases shall be allocated to special

Matter underlined <u>thus</u> is new matter.

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

1 education categorical aid, security categorical aid, and 2 transportation aid. 3 b. Except as provided pursuant to subsection c. of this section, 4 and notwithstanding the provisions of P.L.2007, c.260 (C.18A:7F-5 43 et al.) or any other law to the contrary, in the 2018-2019 through 6 2024-2025 school years, a school district or county vocational 7 school district in which the State aid differential calculated in the 8 2017-2018 school year is positive shall receive State school aid in 9 an amount equal to the district's State aid in the prior school year 10 minus a percent of the State aid differential in the 2017-2018 school year according to the following schedule: 11 12 (1) 5 percent in the 2018-2019 school year; 13 (2) 13 percent in the 2019-2020 school year; 14 (3) 23 percent in the 2020-2021 school year; (4) 37 percent in the 2021-2022 school year; 15 (5) 55 percent in the 2022-2023 school year; 16 17 (6) 76 percent in the 2023-2024 school year; and (7) 100 percent in the 2024-2025 school year. 18 19 c. Notwithstanding the provisions of P.L.2007, c.260 20 (C.18A:7F-43 et al.) or any other law to the contrary, in the 2018-21 2019 through 2022-2023 school years, a school district in a 22 municipality that is authorized to impose and collect an employer 23 payroll tax pursuant to P.L. (C.) (pending before the , c. 24 Legislature as Senate Bill No. 2581 of 2018) shall receive State 25 school aid in an amount equal to the district's State aid in the prior 26 school year minus a percent of the State aid differential in the 2017-27 2018 school year according to the following schedule: 28 (1) 5 percent in the 2018-2019 school year; 29 (2) 28.75 percent in the 2019-2020 school year; 30 (3) 52.5 percent in the 2020-2021 school year; 31 (4) 76.25 percent in the 2021-2022 school year; and 32 (5) 100 percent in the 2022-2023 school year. 33 d. Any decrease in State aid pursuant subsections b. or c. of 34 this section shall first be deducted from a school district's or county vocational school district's allotment of adjustment aid. 35 Any additional reduction shall be deducted from the school district's or 36 37 county vocational school district's allotment of non-SFRA aids, 38 followed by equalization aid, special education categorical aid, 39 security aid, and transportation aid. 40 In the case of a school district or county vocational school e. 41 district that is subject to the provisions of subsections a. or b. of this 42 section, in the 2024-2025 school year, any remaining adjustment aid 43 or non-SFRA aids shall be reallocated to other State aid categories 44 in a manner to be determined by the commissioner. In the case of a 45 school district that is subject to the provisions of subsection c. of 46 this section, the reallocation shall occur in the 2022-2023 school 47 year.

1 3. (New section) In the 2018-2019 school year, and in each 2 school year thereafter, a county vocational school district shall 3 receive vocational expansion stabilization aid in such an amount to 4 ensure that the district receives the greater of the amount of State 5 aid calculated pursuant to the provisions of P.L.2007, c.260 6 (C.18A:7F-43 et al.) or the sum of the amount of equalization aid, 7 special education categorical aid, security categorical aid, and 8 adjustment aid received in the 2017-2018 school year.

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10 4. Section 3 of P.L.2007, c.62 (C.18A:7F-38) is amended to 11 read as follows:

12 3. a. Notwithstanding the provisions of any other law to the contrary, a school district shall not adopt a budget pursuant to 13 sections 5 and 6 of P.L.1996, c.138 (C.18A:7F-5 and 18A:7F-6) 14 15 with an increase in its adjusted tax levy that exceeds, except as 16 provided in subsection e. of section 4 of P.L.2007, c.62 (C.18A:7F-17 39), the tax levy growth limitation calculated as follows: the sum of 18 the prebudget year adjusted tax levy and the adjustment for 19 increases in enrollment multiplied by 2.0 percent, and adjustments 20 for an increase in health care costs, [and] increases in amounts for 21 certain normal and accrued liability pension contributions set forth 22 in sections 1 and 2 of P.L.2009, c.19 amending section 24 of 23 P.L.1954, c.84 (C.43:15A-24) and section 15 of P.L.1944, c.255 24 (C.43:16A-15) for the year set forth in those sections , and, in the 25 case of an SDA district as defined pursuant to section 3 of P.L.2000, c.72 (C.18A:7G-3), during the 2018-2019 through the 26 27 2024-2025 school years, increases to raise a general fund tax levy to 28 an amount that does not exceed its local share.

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

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

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

39 (c) 1.00 for each unit of weighted resident enrollment that40 constitutes an increase from the prebudget year over 4%.

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

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

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1 d. (1) The allowable adjustment for increases in health care 2 costs authorized pursuant to subsection a. of this section shall equal 3 that portion of the actual increase in total health care costs for the budget year, less any withdrawals from the current expense 4 5 emergency reserve account for increases in total health care costs, that exceeds 2.0 percent of the total health care costs in the 6 7 prebudget year, but that is not in excess of the product of the total 8 health care costs in the prebudget year multiplied by the average 9 percentage increase of the State Health Benefits Program, P.L.1961, 10 c.49 (C.52:14-17.25 et seq.), as annually determined by the 11 Division of Pensions and Benefits in the Department of the 12 Treasury.

13 (2) The allowable adjustment for increases in the amount of 14 normal and accrued liability pension contributions authorized 15 pursuant to subsection a. of this section shall equal that portion of 16 the actual increase in total normal and accrued liability pension 17 contributions for the budget year that exceeds 2.0 percent of the 18 total normal and accrued liability pension contributions in the 19 prebudget year.

20 (3) In the case of an SDA district, as defined pursuant to section 3 of P.L.2000, c.72 (C.18A:7G-3), in which the prebudget year 21 22 adjusted tax levy is less than the school district's prebudget year 23 local share as calculated pursuant to section 10 of P.L.2007, c.260 24 (C.18A:7F-52), the allowable adjustment for increases to raise a tax 25 levy that does not exceed the school district's local share shall equal 26 the difference between the prebudget year adjusted tax levy and the 27 prebudget year local share.

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

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

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

37 16. a. (1) For the 2008-2009 school year, each school district 38 and county vocational school district shall receive adjustment aid in 39 such amount as to ensure that the district receives the greater of the 40 amount of State aid calculated for the district pursuant to the 41 provisions of this act or the State aid received by the district for the 42 2007-2008 school year multiplied by 102%. The State aid received 43 by the district for the 2007-2008 school year shall include the 44 following aid categories: Core Curriculum Standards Aid, 45 Supplemental Core Curriculum Standards Aid, Education Opportunity Aid, Above Average Enrollment Growth Aid, High 46 47 Proficiency Expectations for Learning Aid, Instructional 48 Supplement Aid, Demonstrably Effective Program Aid,

<sup>33 (</sup>cf: P.L.2010, c.44, s.4)

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1 Stabilization Aid, Supplemental Stabilization Aid, Adult and 2 Postsecondary Education Grants, Bilingual Education Aid, Special 3 Education Aid, County Vocational Program Aid, Transportation 4 Aid, School Choice Aid, Consolidated Aid, Additional Formula 5 Aid, Full-day Kindergarten Supplemental Aid, Targeted-At-Risk 6 Abbott-Bordered District Aid, Nonpreschool ECPA, Aid, 7 Extraordinary Special Education Aid paid in 2006-2007, and Aid 8 for Enrollment Adjustments, taking into consideration the June 9 2008 payment made in July 2008.

10 (2) For the 2009-2010 and 2010-2011 school years a school 11 district or county vocational school district shall receive adjustment 12 aid in such amount as to ensure that the district receives the greater 13 of the amount of State aid calculated for the district pursuant to the 14 provisions of this act or the State aid, other than educational 15 adequacy aid, received by the district for the 2008-2009 school 16 year.

17 (3) For the 2011-2012 school year and for each school year 18 thereafter] through the 2017-2018 school year, a school district or 19 county vocational school district that does not have a decline in its 20 weighted enrollment, adjusted for bilingual education pupils and at-21 risk pupils, between the 2008-2009 school year and the budget year 22 that is greater than 5% shall receive adjustment aid in such amount 23 as to ensure that the district receives the greater of the amount of 24 State aid calculated pursuant to the provisions of this act or the 25 State aid, other than educational adequacy aid, received by the 26 district for the 2008-2009 school year.

27 (4) For the 2011-2012 school year and for each school year 28 thereafter] through the 2017-2018 school year, a school district or 29 county vocational school district that has a decline in its weighted 30 enrollment, adjusted for bilingual education pupils and at-risk 31 pupils, between the 2008-2009 school year and the budget year that 32 is greater than 5% shall have its adjustment aid reduced in an 33 amount equal to the district's 2008-2009 per pupil adjustment aid 34 amount multiplied by the decline in its resident enrollment that is 35 greater than 5%.

36 b. In the case of a school district that received education 37 opportunity aid in the 2007-2008 school year and for which the sum 38 of the district's 2007-2008 State aid under the State aid categories 39 listed under paragraph (1) of subsection a. of this section and 40 general fund local levy is less than the sum of the district's 41 adequacy budget as calculated pursuant to section 9 of this act, 42 special education categorical aid calculated pursuant to section 13 43 of this act, and security aid calculated pursuant to section 14 of this 44 act, the district shall receive educational adequacy aid if it meets the 45 following criteria:

46 (1) the district fails to meet educational adequacy standards as47 determined by the commissioner; or

## S2 SWEENEY, RUIZ

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1 (2) the district is located in a municipality with an equalized 2 total tax rate that is greater than 130% of the Statewide average 3 equalized total tax rate; or 4 (3) the district has an equalized school tax rate that is greater 5 than 110% of the Statewide average equalized school tax rate and is 6 located in a municipality with an equalized total tax rate that is 7 greater than 120% of the Statewide average equalized total tax rate; 8 and 9 (4) the district will not meet adequacy in the 2008-2009 school 10 year based on the State aid increase received by the district for that 11 school year. 12 An eligible district shall receive educational adequacy aid for the 2008-2009 school year in accordance with the following formula: 13 14  $EA aid = ((AB + SE + SA) - (GFL + A08)) \times .33) - ls - SA;$ 15 where AB is the district's adequacy budget as calculated pursuant 16 to section 9 of this act; 17 SE is the district's special education categorical aid calculated 18 pursuant to section 13 of this act; 19 SA is the district's security categorical aid calculated pursuant to 20 section 14 of this act; 21 GFL is the district's prebudget year general fund local levy; 22 A08 is the sum of the district's 2007-2008 State aid under the 23 State aid categories listed under paragraph (1) of subsection a. of 24 this section; 25 Is is the district's prebudget year general fund local levy, 26 multiplied by 4% in the case of a district which meets the criteria of 27 paragraph (2) or paragraph (3) of this subsection, or in the case of a district which does not meet those criteria multiplied by 6%; and 28 29 SA is any increase in State aid between the prebudget and budget 30 years. 31 An eligible district shall receive educational adequacy aid for the 32 2009-2010 school year in accordance with the following formula: 33 EA aid =  $((AB - (GFL + PEQAID)) \times .50)$  -ls; and 34 An eligible district shall receive educational adequacy aid for the 35 2010-2011 school year in accordance with the following formula: 36 EA aid = (AB - (GFL + PEQAID) - ls)37 where 38 AB is the district's adequacy budget as calculated pursuant to 39 section 9 of this act: 40 GFL is the district's prebudget year general fund local levy; 41 PEQAID is the district's prebudget year equalization aid 42 calculated pursuant to section 11 of this act; and 43 Is is the district's prebudget year general fund local levy, 44 multiplied by 4% in the case of a district which meets the criteria of 45 paragraph (2) or paragraph (3) of this subsection, or in the case of a 46 district which does not meet those criteria multiplied by 8% for the 47 2009-2010 school year and by 10% for the 2010-2011 school year;

# S2 SWEENEY, RUIZ

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For the 2011-2012 school year and for each school year thereafter, the district shall receive the amount of educational adequacy aid that the district received in the 2010-2011 school year. (cf: P.L.2007, c.260, s.16)

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

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

#### STATEMENT

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

21 This bill makes two modifications to the SFRA with the intent of 22 realigning the amount of State aid provided to school districts with 23 their current needs. First, under the provisions of the SFRA, a 24 school district's State aid may not increase from one year to the 25 next by more than the State aid growth limit (10 percent for school 26 districts spending above their adequacy threshold, and 20 percent 27 for school districts spending below that threshold). The bill 28 eliminates that cap beginning in the 2018-2019 school year.

29 Second, the bill transitions school districts towards the amount of 30 State aid that the school district would receive in the absence of the 31 State aid growth limit and the adjustment aid that the school district 32 received under the SFRA. In the case of a school district in which 33 the State aid received in the 2017-2018 school year is less than the 34 amount that the district would receive in the absence of the State aid 35 growth limit, the district will receive an increase in aid equal to its 36 proportionate share of the sum of any additional State aid included 37 in the annual appropriations act and the amount of any aid reduction made to other school districts. In the case of a school district that 38 39 received a greater amount of State aid in the 2017-2018 school year 40 than what the district would receive in the absence of the State aid 41 growth limit and adjustment aid, the excess aid is phased out over a 42 seven-year period, except that the bill provides a five-year 43 transition period for a school district in a municipality that is 44 authorized to impose and collect an employer payroll tax under the 45 provisions of Senate Bill No.2581. This provision would apply to 46 the Jersey City School District.

### SENATE BUDGET AND APPROPRIATIONS COMMITTEE

#### STATEMENT TO

## SENATE, No. 2

with committee amendments

# **STATE OF NEW JERSEY**

#### DATED: JUNE 18, 2018

The Senate Budget and Appropriations Committee reports favorably Senate Bill No. 2, with committee amendments.

As amended, this bill provides a mechanism for allocating State school aid from the 2019-2020 through 2024-2025 school years. Under the bill, a State aid differential will be calculated for each school district as the amount of State aid that the district received in the prior school year, not including educational adequacy aid and school choice aid, minus the sum of equalization aid, special education categorical aid, security categorical aid, and transportation aid as calculated under the "School Funding Reform Act of 2008," P.L.2007, c.260 (C.18A:7F-43 et al.) prior to applying the State aid growth limit. In the case of a school district in which the State aid differential is positive, the differential would be reduced by a certain percentage each school year: 13 percent in the 2019-2020 school year; 23 percent in the 2020-2021 school year; 37 percent in the 2021-2022 school year; 55 percent in the 2022-2023 school year; 76 percent in the 2023-2024 school year; and 100 percent in the 2024-2025 school year.

Three groups of school districts would be exempt from these reductions: 1) county vocational school districts; 2) SDA (former Abbott) districts that spend below adequacy and are located in a municipality in which the equalized total tax rate exceeds the State average; and 3) non-SDA districts that spend below adequacy by at least 10 percent and are located in municipality in which the equalized total tax rate exceeds the State average by more than 10 percent. Additionally, in the case of an SDA district that spends above adequacy and is located in a municipality in which the equalized total tax rate exceeds the State average, the total State aid reduction would be limited to the amount by which the district is spending above adequacy multiplied by the percentage for the corresponding school year.

School districts in which the State aid differential is negative would receive an increase in State aid. Specifically, each district would receive a proportionate share of the sum of the total State aid reduction from districts that have a positive State aid differential and any additional revenue included in the annual appropriations act for the purpose of providing direct State aid to school districts. The bill also requires that, for school years 2019-2020 through 2024-2025, a school district that is spending below adequacy and experiences a reduction in State school aid must increase its general fund tax levy by two percent over the prior school year. It also permits an SDA district that is taxing below its local share to increase its tax levy in an amount greater than the tax levy growth limitation.

The committee amended the bill to:

- establish the 2019-2020 school year, as opposed to the 2018-2019 school year, as the first year in which the bill would be applicable and make a corresponding change to the bill's effective date;
- annually adjust the base from which State aid is calculated, rather than using the 2017-2018 school year State aid as the base during the full time period;
- provide that the transition period will be the same for the Jersey City School District as other districts;
- minimize or eliminate the State aid decreases for certain school districts located in municipalities in which the equalized total tax rate exceeds the State average equalized total tax rate;
- make corrections to preserve the definition of spending relative to adequacy and to properly calculate State aid to certain county vocational school districts; and
- require school districts that spend below adequacy and experience a reduction in State aid to increase the general fund tax levy by two percent over the prior school year.

#### FISCAL IMPACT:

The net fiscal impact of the legislation is indeterminate, as State aid increases under the bill would be determined annually in the appropriations act. Based on data from the FY 2017-2018 school year, the Office of Legislative Services estimates that nearly 200 school districts would be subject to State school aid reductions totaling approximately \$600 million through the 2024-2025 school year. However, these figures will likely fluctuate somewhat as the aid calculations are adjusted annually to account for changes in overall enrollment, student demographics, and fiscal capacity.

# ASSEMBLY, No. 2 **STATE OF NEW JERSEY** 218th LEGISLATURE

INTRODUCED JUNE 14, 2018

Sponsored by: Assemblyman CRAIG J. COUGHLIN District 19 (Middlesex) Assemblyman LOUIS D. GREENWALD District 6 (Burlington and Camden)

Co-Sponsored by: Assemblywoman Jasey and Assemblyman McKeon

#### SYNOPSIS

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

#### **CURRENT VERSION OF TEXT**

As introduced.



(Sponsorship Updated As Of: 6/19/2018)

2

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

4 5

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

6 7

8 1. (New section) As used in P.L., c. (C.) (pending before9 the Legislature as this bill):

10 "State aid differential" means the difference between the sum of 11 a school district's or county vocational school district's allocations 12 of equalization aid, special education categorical aid, security categorical aid, transportation aid, adjustment aid, and non-SFRA 13 14 aids in the 2017-2018 school year, and the sum of equalization aid, 15 special education categorical aid, security categorical aid, and 16 transportation aid as calculated for that school year in each category 17 in accordance with the provisions of sections 11, 13, 14, and 15 of P.L.2007, c.260 (C.18A:7F-53, C.18A:7F-55, C.18A:7F-56, and 18 19 C.18A:7F-57), respectively.

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

25

26 2. (New section) a. Notwithstanding the provisions of 27 P.L.2007, c.260 (C.18A:7F-43 et al.) or any other law to the contrary, in the 2018-2019 through 2024-2025 school years, a 28 29 school district or county vocational school district in which the 30 State aid differential calculated in the 2017-2018 school year is 31 negative shall receive State school aid in an amount equal to the 32 sum of the district's State aid in the prior school year plus the 33 district's proportionate share of the sum of any increase in State aid 34 included in the annual appropriations act for that fiscal year and the 35 total State aid reduction pursuant to subsection b. of this section 36 based on the district's State aid differential as a percent of the 37 Statewide total State aid differential among all school districts and county vocational school districts for which the State aid 38 39 differential is negative. Any increase in State aid pursuant to this 40 subsection shall first be allocated to equalization aid, except that a 41 school district's or county vocational school district's equalization 42 aid shall not exceed the amount calculated pursuant to section 11 of P.L.2007, c.260 (C.18A:7F-53) for the 2017-2018 school year. As 43 44 necessary, any additional increases shall be allocated to special

Matter underlined <u>thus</u> is new matter.

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

1 education categorical aid, security categorical aid, and 2 transportation aid. 3 b. Notwithstanding the provisions of P.L.2007, c.260 (C.18A:7F-43 et al.) or any other law to the contrary, in the 2018-4 5 2019 through 2024-2025 school years, a school district or county vocational school district in which the State aid differential 6 7 calculated in the 2017-2018 school year is positive shall receive 8 State school aid in an amount equal to the district's State aid in the 9 prior school year minus a percent of the State aid differential in the 10 2017-2018 school year according to the following schedule: 11 (1) 5 percent in the 2018-2019 school year; 12 (2) 13 percent in the 2019-2020 school year; (3) 23 percent in the 2020-2021 school year; 13 14 (4) 37 percent in the 2021-2022 school year; 15 (5) 55 percent in the 2022-2023 school year; 16 (6) 76 percent in the 2023-2024 school year; and 17 (7) 100 percent in the 2024-2025 school year. Any decrease in State aid pursuant subsection b. of this 18 c. 19 section shall first be deducted from a school district's or county vocational school district's allotment of adjustment aid. 20 Any additional reduction shall be deducted from the school district's or 21 22 county vocational school district's allotment of non-SFRA aids, 23 followed by equalization aid, special education categorical aid, 24 security aid, and transportation aid. 25 d. Any remaining adjustment aid or non-SFRA aids shall be 26 reallocated to other State aid categories in a manner to be 27 determined by the commissioner. 28 29 3. (New section) In the 2018-2019 school year, and in each 30 school year thereafter, a county vocational school district shall receive vocational expansion stabilization aid in such an amount to 31 ensure that the district receives the greater of the amount of State 32 33 aid calculated pursuant to the provisions of P.L.2007, c.260 34 (C.18A:7F-43 et al.) or the sum of the amount of equalization aid, 35 special education categorical aid, security categorical aid, and 36 adjustment aid received in the 2017-2018 school year. 37 4. Section 3 of P.L.2007, c.62 (C.18A:7F-38) is amended to 38 39 read as follows: 40 3. a. Notwithstanding the provisions of any other law to the 41 contrary, a school district shall not adopt a budget pursuant to 42 sections 5 and 6 of P.L.1996, c.138 (C.18A:7F-5 and 18A:7F-6) 43 with an increase in its adjusted tax levy that exceeds, except as 44 provided in subsection e. of section 4 of P.L.2007, c.62 (C.18A:7F-45 39), the tax levy growth limitation calculated as follows: the sum of 46 the prebudget year adjusted tax levy and the adjustment for increases in enrollment multiplied by 2.0 percent, and adjustments 47 for an increase in health care costs, [and] increases in amounts for 48

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1 certain normal and accrued liability pension contributions set forth 2 in sections 1 and 2 of P.L.2009, c.19 amending section 24 of 3 P.L.1954, c.84 (C.43:15A-24) and section 15 of P.L.1944, c.255 4 (C.43:16A-15) for the year set forth in those sections , and, in the 5 case of an SDA district as defined pursuant to section 3 of 6 P.L.2000, c.72 (C.18A:7G-3), during the 2018-2019 through the 7 2024-2025 school years, increases to raise a general fund tax levy to 8 an amount that does not exceed its local share.

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

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

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

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

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

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

28

29 (1) The allowable adjustment for increases in health care d. 30 costs authorized pursuant to subsection a. of this section shall equal 31 that portion of the actual increase in total health care costs for the 32 budget year, less any withdrawals from the current expense 33 emergency reserve account for increases in total health care costs, 34 that exceeds 2.0 percent of the total health care costs in the 35 prebudget year, but that is not in excess of the product of the total 36 health care costs in the prebudget year multiplied by the average 37 percentage increase of the State Health Benefits Program, P.L.1961, 38 c.49 (C.52:14-17.25 et seq.), as annually determined by the 39 Division of Pensions and Benefits in the Department of the 40 Treasury.

41 (2) The allowable adjustment for increases in the amount of 42 normal and accrued liability pension contributions authorized 43 pursuant to subsection a. of this section shall equal that portion of 44 the actual increase in total normal and accrued liability pension 45 contributions for the budget year that exceeds 2.0 percent of the 46 total normal and accrued liability pension contributions in the 47 prebudget year.

1 (3) In the case of an SDA district, as defined pursuant to section 2 3 of P.L.2000, c.72 (C.18A:7G-3), in which the prebudget year 3 adjusted tax levy is less than the school district's prebudget year local share as calculated pursuant to section 10 of P.L.2007, c.260 4 5 (C.18A:7F-52), the allowable adjustment for increases to raise a tax levy that does not exceed the school district's local share shall equal 6 7 the difference between the prebudget year adjusted tax levy and the 8 prebudget year local share. 9 e. (Deleted by amendment, P.L.2010, c.44) 10 The adjusted tax levy shall be increased or decreased f. 11 accordingly whenever the responsibility and associated cost of a 12 school district activity is transferred to another school district or 13 governmental entity. 14 (cf: P.L.2010, c.44, s.4) 15 16 5. Section 16 of P.L.2007, c.260 (C.18A:7F-58) is amended to 17 read as follows: 18 16. a. (1) For the 2008-2009 school year, each school district 19 and county vocational school district shall receive adjustment aid in 20 such amount as to ensure that the district receives the greater of the amount of State aid calculated for the district pursuant to the 21 provisions of this act or the State aid received by the district for the 22 23 2007-2008 school year multiplied by 102%. The State aid received 24 by the district for the 2007-2008 school year shall include the 25 following aid categories: Core Curriculum Standards Aid, 26 Supplemental Core Curriculum Standards Aid, Education 27 Opportunity Aid, Above Average Enrollment Growth Aid, High Learning Proficiency Aid, 28 Expectations for Instructional 29 Supplement Aid, Demonstrably Effective Program Aid, 30 Stabilization Aid, Supplemental Stabilization Aid, Adult and 31 Postsecondary Education Grants, Bilingual Education Aid, Special 32 Education Aid, County Vocational Program Aid, Transportation 33 Aid, School Choice Aid, Consolidated Aid, Additional Formula 34 Aid, Full-day Kindergarten Supplemental Aid, Targeted-At-Risk 35 Aid, Abbott-Bordered District Aid, Nonpreschool ECPA, 36 Extraordinary Special Education Aid paid in 2006-2007, and Aid for Enrollment Adjustments, taking into consideration the June 37 38 2008 payment made in July 2008. 39 (2) For the 2009-2010 and 2010-2011 school years a school district or county vocational school district shall receive adjustment 40 aid in such amount as to ensure that the district receives the greater 41 42 of the amount of State aid calculated for the district pursuant to the 43 provisions of this act or the State aid, other than educational 44 adequacy aid, received by the district for the 2008-2009 school 45 year. 46 (3) For the 2011-2012 school year **[**and for each school year 47 thereafter] through the 2017-2018 school year, a school district or

48 county vocational school district that does not have a decline in its

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weighted enrollment, adjusted for bilingual education pupils and atrisk pupils, between the 2008-2009 school year and the budget year that is greater than 5% shall receive adjustment aid in such amount as to ensure that the district receives the greater of the amount of State aid calculated pursuant to the provisions of this act or the State aid, other than educational adequacy aid, received by the district for the 2008-2009 school year.

8 (4) For the 2011-2012 school year and for each school year 9 thereafter] through the 2017-2018 school year, a school district or 10 county vocational school district that has a decline in its weighted 11 enrollment, adjusted for bilingual education pupils and at-risk 12 pupils, between the 2008-2009 school year and the budget year that 13 is greater than 5% shall have its adjustment aid reduced in an amount equal to the district's 2008-2009 per pupil adjustment aid 14 15 amount multiplied by the decline in its resident enrollment that is 16 greater than 5%.

17 b. In the case of a school district that received education 18 opportunity aid in the 2007-2008 school year and for which the sum 19 of the district's 2007-2008 State aid under the State aid categories 20 listed under paragraph (1) of subsection a. of this section and 21 general fund local levy is less than the sum of the district's 22 adequacy budget as calculated pursuant to section 9 of this act, 23 special education categorical aid calculated pursuant to section 13 24 of this act, and security aid calculated pursuant to section 14 of this 25 act, the district shall receive educational adequacy aid if it meets the 26 following criteria:

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

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

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

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

40 An eligible district shall receive educational adequacy aid for the
41 2008-2009 school year in accordance with the following formula:

42 EA aid =  $((AB + SE + SA) - (GFL + A08)) \times .33) - 1s - SA;$ 

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

45 SE is the district's special education categorical aid calculated 46 pursuant to section 13 of this act;

47 SA is the district's security categorical aid calculated pursuant to48 section 14 of this act;

1 GFL is the district's prebudget year general fund local levy; 2 A08 is the sum of the district's 2007-2008 State aid under the 3 State aid categories listed under paragraph (1) of subsection a. of this section; 4 5 Is is the district's prebudget year general fund local levy, multiplied by 4% in the case of a district which meets the criteria of 6 7 paragraph (2) or paragraph (3) of this subsection, or in the case of a 8 district which does not meet those criteria multiplied by 6%; and 9 SA is any increase in State aid between the prebudget and budget 10 years. An eligible district shall receive educational adequacy aid for the 11 12 2009-2010 school year in accordance with the following formula: EA aid =  $((AB - (GFL + PEQAID)) \times .50)$  -ls; and 13 14 An eligible district shall receive educational adequacy aid for the 15 2010-2011 school year in accordance with the following formula: 16 EA aid = (AB - (GFL + PEQAID) - ls)17 where 18 AB is the district's adequacy budget as calculated pursuant to 19 section 9 of this act; 20 GFL is the district's prebudget year general fund local levy; PEQAID is the district's prebudget year equalization aid 21 22 calculated pursuant to section 11 of this act; and 23 ls is the district's prebudget year general fund local levy, 24 multiplied by 4% in the case of a district which meets the criteria of 25 paragraph (2) or paragraph (3) of this subsection, or in the case of a 26 district which does not meet those criteria multiplied by 8% for the 2009-2010 school year and by 10% for the 2010-2011 school year; 27 For the 2011-2012 school year and for each school year 28 29 thereafter, the district shall receive the amount of educational 30 adequacy aid that the district received in the 2010-2011 school year. 31 (cf: P.L.2007, c.260, s.16) 32 33 6. Section 5 of P.L.2007, c.260 (C.18A:7F-47) is repealed. 34 35 7. This act shall take effect immediately and shall first be applicable to the 2018-2019 school year. 36 37 38 39 **STATEMENT** 40 The "School Funding Reform Act of 2008" (SFRA), P.L.2007, 41 c.260, was enacted with the purpose of determining the amount of 42 43 State school aid each school district would receive based on the 44 needs of the student population and local fiscal capacity. However, 45 the SFRA has not been fully implemented since the 2008-2009 46 school year, resulting in school districts receiving levels of State school aid inconsistent with their current circumstances. 47

#### A2 COUGHLIN, GREENWALD

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1 This bill makes two modifications to the SFRA with the intent of 2 realigning the amount of State aid provided to school districts with 3 their current needs. First, under the provisions of the SFRA, a school district's State aid may not increase from one year to the 4 5 next by more than the State aid growth limit (10 percent for school districts spending above their adequacy threshold, and 20 percent 6 7 for school districts spending below that threshold). The bill 8 eliminates that cap beginning in the 2018-2019 school year.

9 Second, the bill transitions school districts towards the amount of 10 State aid that the school district would receive in the absence of the 11 State aid growth limit and the adjustment aid that the school district 12 received under the SFRA. In the case of a school district in which the State aid received in the 2017-2018 school year is less than the 13 14 amount that the district would receive in the absence of the State aid 15 growth limit, the district will receive an increase in aid equal to its 16 proportionate share of the sum of any additional State aid included 17 in the annual appropriations act and the amount of any aid reduction 18 made to other school districts. In the case of a school district that 19 received a greater amount of State aid in the 2017-2018 school year 20 than what the district would receive in the absence of the State aid 21 growth limit and adjustment aid, the excess aid is phased out over a 22 seven-year period.

## ASSEMBLY BUDGET COMMITTEE

#### STATEMENT TO

## ASSEMBLY, No. 2

with committee amendments

# **STATE OF NEW JERSEY**

#### DATED: JUNE 18, 2018

The Assembly Budget Committee reports favorably Assembly Bill No. 2, with committee amendments.

This bill amends and supplements the "School Funding Reform Act of 2008" (SFRA) P.L.2007, c.260 to provide a mechanism for allocating State school aid from the 2019-2020 through 2024-2025 school years. Under the bill, a State aid differential will be calculated for each school district as the amount of State aid that the district received in the prior school year, not including educational adequacy aid and school choice aid, minus the sum of equalization aid, special education categorical aid, security categorical aid, and transportation aid as calculated under the "School Funding Reform Act of 2008," P.L.2007, c.260 (C.18A:7F-43 et al.) prior to applying the State aid growth limit. In the case of a school district in which the State aid differential is positive, the differential would be reduced by a certain percentage each school year: 13 percent in the 2019-2020 school year; 23 percent in the 2020-2021 school year; 37 percent in the 2021-2022 school year; 55 percent in the 2022-2023 school year; 76 percent in the 2023-2024 school year; and 100 percent in the 2024-2025 school year.

Three groups of school districts would be exempt from these reductions: 1) county vocational school districts; 2) SDA (former Abbott) districts that spend below adequacy and are located in a municipality in which the equalized total tax rate exceeds the State average; and 3) non-SDA districts that spend below adequacy by at least 10 percent and are located in municipality in which the equalized total tax rate exceeds the State average by more than 10 percent. Additionally, in the case of an SDA district that spends above adequacy and is located in a municipality in which the equalized total tax rate exceeds the State average, the total State aid reduction would be limited to the amount by which the district is spending above adequacy multiplied by the percentage for the corresponding school year.

School districts in which the State aid differential is negative would receive an increase in State aid. Specifically, each district would receive a proportionate share of the sum of the total State aid reduction from districts that have a positive State aid differential and any additional revenue included in the annual appropriations act for the purpose of providing direct State aid to school districts.

The bill also requires that, for school years 2019-2020 through 2024-2025, a school district that is spending below adequacy and experiences a reduction in State school aid must increase its general fund tax levy by two percent over the prior school year. It also permits an SDA district that is taxing below its local share to increase its tax levy in an amount greater than the tax levy growth limitation.

#### COMMITTEE AMENDMENTS:

The committee amended the bill to:

- establish the 2019-2020 school year, as opposed to the 2018-2019 school year, as the first year in which the bill would be applicable and make a corresponding change to the bill's effective date;
- annually adjust the base from which State aid is calculated, rather than using the 2017-2018 school year State aid as the base during the full time period;
- minimize or eliminate the State aid decreases for certain school districts located in municipalities in which the equalized total tax rate exceeds the State average equalized total tax rate;
- make corrections to preserve the definition of spending relative to adequacy and to properly calculate State aid to certain county vocational school districts; and
- require school districts that spend below adequacy and experience a reduction in State aid to increase the general fund tax levy by two percent over the prior school year.

#### FISCAL IMPACT:

The net fiscal impact of the legislation is indeterminate, as State aid increases under the bill would be determined annually in the appropriations act. Based on data from the FY 2017-2018 school year, the Office of Legislative Services estimates that nearly 200 school districts would be subject to State school aid reductions totaling approximately \$600 million through the 2024-2025 school year. However, these figures will likely fluctuate somewhat as the aid calculations are adjusted annually to account for changes in overall enrollment, student demographics, and fiscal capacity. Office of the Governor | Governor Phil Murphy Signs Historic Legislation to Modernize and Equitably Distribute School Funding in New Jersey



# Governor Phil Murphy Signs Historic Legislation to Modernize and Equitably Distribute School Funding in New Jersey

07/24/2018

**CLIFFSIDE PARK** – Making a historic investment in the education of New Jersey's school children, Governor Phil Murphy today signed landmark legislation to fully and fairly fund public school districts in the Garden State. The bill, S-2, modernizes the State's school funding formula for the first time in ten years.

"New Jersey's education system experienced eight years of neglect during the previous administration, which underfunded our public schools by \$9 billion," **said Governor Murphy**. "This legislation is long overdue and I thank Senate President Steve Sweeney and Speaker Craig Coughlin for their commitment to modernize the State's school funding system. The necessary adjustments we are making today will bring fairness to the system and ensure our school children receive the quality education they deserve."

The legislation, which takes effect in Fiscal Year 2020, modifies the current school funding law to eliminate adjustment aid as well as State aid growth caps and allows adjustments to tax growth limitations for certain school districts. The balanced approach will provide more equitable funding distribution through the school funding formula.

Over the course of seven years, aid to overfunded districts will be reduced and aid to underfunded districts will be increased so that all public school districts achieve their appropriate levels of assistance under the formula contained in the School Funding Reform Act (SFRA) by Fiscal Year 2025.

Any district that loses aid and underspends will be required to increase their prior year school tax levy by 2 percent until Fiscal Year 2025. Abbott districts that underspend but have significantly higher tax rates than the statewide average, will be held harmless from aid losses through Fiscal Year 2025. In addition, county vocational school districts will not see any decrease in state aid.

Underfunded districts will see aid increases based on funding made available from aid reductions, and additional funding provided through the annual appropriations act with the goal of full funding by Fiscal Year 2025.

The bill also permits any Abbott district to exceed the 2 percent tax cap without voter approval to increase their local levy up to the expected local levy determined by the funding formula. This provision will last only until Fiscal Year 2025. Non-Abbott districts are still subject to the 2 percent tax cap.

In addition, Governor Murphy signed A-4163, which allows municipalities that have a population over 200,000 to impose an employer payroll tax. These payroll tax revenues are then disbursed to the respective school districts. The measure is intended to allow the City of Jersey City to make up for any decreases in state aid.

S-2 sponsors include Senate President Steve Sweeney, Senator Teresa Ruiz, Senator Linda Greenstein, Assembly Speaker Craig Coughlin and Assemblyman Louis Greenwald.

Office of the Governor | Governor Phil Murphy Signs Historic Legislation to Modernize and Equitably Distribute School Funding in New Jersey

A-4163 sponsors include Assemblymen Nicholas Chiaravalloti and Raj Mukerji, Assemblywoman Angela McKnight as well as Senators Sandra Cunningham and Brian Stack.

#### Back to Top

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# **Governor Phil Murphy**

| Home                 | Key Initiatives        | Social              | NJ Home<br>Services A to Z |
|----------------------|------------------------|---------------------|----------------------------|
| Administration       | Economy & Jobs         | Facebook            | Departments/Agencies       |
| Governor Phil Murphy | Education              | Twitter             | FAQs                       |
| Lt. Governor Sheila  | Environment            | Instagram           | Contact Us                 |
|                      | Health                 | Snapchat            | Privacy Notice             |
| Oliver               | Law & Justice          | YouTube             | Legal Statement &          |
| First Lady Tammy     | Transportation         |                     | Disclaimers                |
| Snyder Murphy        |                        | Contact Us          |                            |
| Cabinet              | News & Events          | Scheduling Requests | Accessibility              |
| Boards, Commissions  | Press Releases         | Contact Us          | Statement                  |
| & Authorities        | Public Addresses       |                     |                            |
| Internship           | Executive Orders       |                     |                            |
| Opportunities        | Statements on          |                     |                            |
| Governor's Residence | Legislation            |                     |                            |
| - Drumthwacket       | Administration Reports |                     |                            |
|                      | Transition Reports     |                     |                            |
|                      | Press Kits             |                     |                            |



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