

18A:7F-5

LEGISLATIVE HISTORY CHECKLIST

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LAWS OF: 2004 **CHAPTER:** 73

NJSA: 18A:7F-5 (Revises calculation of budget caps-allowable surplus for public schools)

BILL NO: S1701 (Substituted for A99)

SPONSOR(S): Lesniak and Bryant

DATE INTRODUCED: June 10, 2004

COMMITTEE: **ASSEMBLY:**
SENATE: Budget and Appropriations

AMENDED DURING PASSAGE: No

DATE OF PASSAGE: **ASSEMBLY:** June 24, 2004

SENATE: June 24, 2004

DATE OF APPROVAL: July 1, 2004

FOLLOWING ARE ATTACHED IF AVAILABLE:

[FINAL TEXT OF BILL](#) Senate Committee Substitute (1R) enacted

S1701

[SPONSOR'S STATEMENT:](#) (Begins on page 15 of original bill) [Yes](#)

COMMITTEE STATEMENT: **ASSEMBLY:** No

[SENATE:](#) [Yes](#)

[FLOOR AMENDMENT STATEMENT:](#) [Yes](#)

LEGISLATIVE FISCAL ESTIMATE: No

A99

[SPONSOR'S STATEMENT:](#) (Begins on page 14 of original bill) [Yes](#)

COMMITTEE STATEMENT: [ASSEMBLY:](#) [Yes](#)

SENATE: No

[FLOOR AMENDMENT STATEMENT:](#) [Yes](#)

LEGISLATIVE FISCAL ESTIMATE: No

VETO MESSAGE: No

GOVERNOR'S PRESS RELEASE ON SIGNING: No

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:

Yes

"NJ puts caps on spending by towns, schools," 7-2-2004 Asbury Park Press, p.A1

"School districts spending capped," 7-2-2004 Home News Tribune, p.A1

"McGreevey signs laws that cap spending," 7-2-2004 Courier News, p.A3

P.L. 2004, CHAPTER 73, *approved July 1, 2004*
Senate Committee Substitute (*First Reprint*) for
Senate, No. 1701

1 **AN ACT** concerning school district budget caps and amending and
2 supplementing parts of the statutory law.

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. As used in this section, "cost of living" means the CPI as
10 defined in section 3 of P.L.1996, c.138 (C.18A:7F-3).

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

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

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

34 Notwithstanding any other provision of this act to the contrary,
35 each district's State aid payable for the 1997-98 school year, with the
36 exception of transportation and facilities aids pursuant to sections 25,
37 26, and 27 of this act, shall be based on simulations employing the
38 various formulas and State aid amounts contained in this act using

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:

¹ Senate floor amendments adopted June 21, 2004.

1 projections based on the October 1995 pupil counts, December 1995
2 special education census data and October 1995 equalized valuations.
3 Transportation aid shall be calculated based on the provisions of this
4 act using pupil data used for the 1996-97 school year and adjusted to
5 reflect the total amount of State aid disbursed in the 1996-97 school
6 year. The commissioner shall prepare a report dated December 19,
7 1996 reflecting the State aid amounts payable by category for each
8 district and shall submit the report to the Legislature prior to the
9 adoption of this act. The amounts contained in the commissioner's
10 report shall be the final amounts payable and shall not be subsequently
11 adjusted because of changes in pupil counts or equalized valuations.
12 The projected pupil counts and equalized valuations used for the
13 calculation of State aid shall also be used for the calculation of
14 maximum T&E budget, minimum T&E budget, local share, required
15 local share, and spending growth limitation. State aid notification of
16 debt service aid pursuant to section 27 of this act shall include a
17 statement that debt service aid shall be determined in the budget.

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

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

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

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

45 For all other districts, the required local share shall equal the lesser
46 of the local share calculated at the district's minimum T&E budget

1 pursuant to section 13 of this act, or the district's budgeted local share
2 for the prebudget year.

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

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

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

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

1 Notwithstanding any provision of this section to the contrary, for
2 the 2005-2006 school year each district board of education shall
3 submit a proposed budget in which the advertised per pupil
4 administrative costs do not exceed the lower of the following:

5 (1) the district's advertised per pupil administrative costs for the
6 2004-2005 school year inflated by the cost of living or 2.5 percent,
7 whichever is ¹[less] greater¹; or

8 (2) the per pupil administrative cost limits for the district's region
9 as determined by the commissioner based on audited expenditures for
10 the 2003-2004 school year.

11 The county superintendent of schools may disapprove the school
12 district's 2005-2006 proposed budget if he determines that the district
13 has not implemented all potential efficiencies in the administrative
14 operations of the district. The county superintendent shall work with
15 each school district in the county during the 2004-2005 school year to
16 identify administrative inefficiencies in the operations of the district
17 that might cause the superintendent to reject the district's proposed
18 2005-2006 school year budget.

19 For the 2006-2007 school year and each school year thereafter,
20 each district board of education shall submit a proposed budget in
21 which the advertised per pupil administrative costs do not exceed the
22 lower of the following:

23 (1) the district's prior year per pupil administrative costs; except
24 that the district may submit a request to the commissioner for approval
25 to exceed the district's prior year per pupil administrative costs due to
26 increases in enrollment, administrative positions necessary as a result
27 of mandated programs, administrative vacancies, nondiscretionary
28 fixed costs, and such other items as defined in accordance with
29 regulations adopted pursuant to section 7 of P.L. , c. (C.) (now
30 pending before the Legislature as this bill). In the event that the
31 commissioner approves a district's request to exceed its prior year per
32 pupil administrative costs, the increase authorized by the commissioner
33 shall not exceed the cost of living or 2.5 percent, whichever is ¹[less]
34 greater¹; or

35 (2) the prior year per pupil ¹[administrative] administrative¹ cost
36 limits for the district's region inflated by the cost of living or 2.5
37 percent, whichever is ¹[less] greater¹.

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

1 whichever is greater] the cost of living or 2.5 percent, whichever is
2 ¹[less] greater¹, multiplied by the prebudget year net budget, and
3 adjustments for changes in enrollment, certain capital outlay
4 expenditures, expenditures for pupil transportation services provided
5 pursuant to N.J.S.18A:39-1.1, expenditures incurred in connection
6 with the opening of a new school facility during the budget year, and
7 special education costs per pupil in excess of \$40,000. The adjustment
8 for special education costs shall equal any increase in the sum of per
9 pupil amounts in excess of \$40,000 for the budget year less the sum of
10 per pupil amounts in excess of \$40,000 for the prebudget year indexed
11 by the [CPI or three percent, whichever is greater] cost of living or
12 2.5 percent, whichever is ¹[less] greater¹. The adjustment for
13 enrollments shall equal the increase in unweighted resident enrollments
14 between the prebudget year and budget year multiplied by the per
15 pupil general fund tax levy amount for the prebudget year indexed by
16 the [CPI or three percent, whichever is greater] cost of living or 2.5
17 percent, whichever is ¹[less] greater¹. The adjustment for capital
18 outlay shall equal any increase between the capital outlay portion of
19 the general fund budget for the budget year less any withdrawals from
20 the capital reserve account and the capital outlay portion of the
21 general fund budget for the prebudget year indexed by the [CPI or
22 three percent, whichever is greater] cost of living or 2.5 percent,
23 whichever is ¹[less] greater¹. 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 any increase between the cost of providing such pupil transportation
31 services for the budget year and the cost of providing such pupil
32 transportation services for the prebudget year indexed by the cost of
33 living or 2.5 percent, whichever is ¹[less] greater¹. The adjustment for
34 the opening of a new school facility shall include costs associated with
35 the new facility related to new teaching staff members, support staff,
36 materials and equipment, custodial and maintenance expenditures, and
37 such other required costs as determined by the commissioner.

38 (2) A district proposing a budget set at or below the minimum
39 T&E budget established pursuant to section 13 of this act shall submit,
40 as appropriate, to the board of school estimate or to the voters of the
41 district at the annual school budget election conducted pursuant to the
42 provisions of P.L.1995, c.278 (C.19:60-1 et seq.), a general fund tax
43 levy which when added to the other components of the net T&E
44 budget shall not exceed the prebudget year net T&E budget or in
45 1997-98 the prebudget year net budget by more than the spending

1 growth limitation calculated as follows: the sum of [three percent or
2 the CPI, whichever is greater] the cost of living or 2.5 percent,
3 whichever is ¹[less] greater¹, multiplied by the prebudget year net
4 budget, and adjustments for changes in enrollment, certain capital
5 outlay expenditures, expenditures for pupil transportation services
6 provided pursuant to N.J.S.18A:39-1.1, expenditures incurred in
7 connection with the opening of a new school facility during the budget
8 year, and special education costs per pupil in excess of \$40,000. The
9 enrollment adjustment shall equal the increase in weighted resident
10 enrollment between the prebudget year and the budget year multiplied
11 by the T&E amount less the T&E flexible amount. The adjustments
12 for special education costs, pupil transportation services, and capital
13 outlay expenditures shall be calculated pursuant to the provisions of
14 paragraph (1) of this subsection. The adjustment for the opening of a
15 new school facility shall include costs associated with the new facility
16 related to new teaching staff members, support staff, materials and
17 equipment, custodial and maintenance expenditures, and such other
18 required costs as determined by the commissioner.

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

23 (3) A district proposing a budget set at or below the maximum
24 T&E budget, but including amounts in excess of the minimum T&E
25 budget established pursuant to section 13 of this act, shall submit, as
26 appropriate, to the board of school estimate or to the voters at the
27 annual school budget election conducted pursuant to the provisions of
28 P.L.1995, c.278 (C.19:60-1 et seq.), a general fund tax levy which
29 when added to the other components of its net T&E budget does not
30 exceed the prebudget year net T&E budget or in 1997-98 the
31 prebudget year net budget by more than the spending growth
32 limitation calculated as follows: the sum of [three percent or the CPI,
33 whichever is greater] the cost of living or 2.5 percent, whichever is
34 ¹[less] greater¹, multiplied by the prebudget year net budget, and
35 adjustments for changes in enrollment, certain capital outlay
36 expenditures, expenditures for pupil transportation services provided
37 pursuant to N.J.S.18A:39-1.1, expenditures incurred in connection
38 with the opening of a new school facility during the budget year, and
39 special education costs per pupil in excess of \$40,000 per pupil. The
40 enrollment adjustment shall equal the increase in the unweighted
41 resident enrollment between the prebudget year and the budget year
42 multiplied by the prebudget year T&E program budget per pupil
43 indexed by the [CPI or three percent, whichever is greater] cost of
44 living or 2.5 percent, whichever is ¹[less] greater¹. For the 1997-98
45 school year, the T&E program budget for the prebudget year shall
46 equal the sum of the general fund tax levy, foundation aid, and

1 transition aid. The adjustment for special education costs, pupil
2 transportation services, and capital outlay expenditures shall be made
3 pursuant to the provisions of paragraph (1) of this subsection. The
4 adjustment for the opening of a new school facility shall include costs
5 associated with the new facility related to new teaching staff members,
6 support staff, materials and equipment, custodial and maintenance
7 expenditures, and such other required costs as determined by the
8 commissioner.

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

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

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

24 (7) ~~【If the use of early childhood program aid for the provision of
25 full-day kindergarten and preschool classes and other early childhood
26 programs and services or the use of demonstrably effective program
27 aid for the provision of instructional, school governance, and health
28 and social service programs will cause the district to exceed its
29 spending growth limitation, the district may apply to the commissioner
30 for an adjustment to that limitation.】 (Deleted by amendment, P.L. ____,
31 c. __) (now pending before the Legislature as this bill).~~

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

39 (9) Any district may submit at the annual school budget election
40 a separate proposal or proposals for additional funds, including
41 interpretive statements, specifically identifying the program purposes
42 for which the proposed funds shall be used, to the voters, who may, by
43 voter approval, authorize the raising of an additional general fund tax
44 levy for such purposes. In the case of a district with a board of school
45 estimate, one proposal for the additional spending shall be submitted
46 to the board of school estimate. Any proposal or proposals submitted

1 to the voters or the board of school estimate shall not: include any
2 programs and services that were included in the district's prebudget
3 year net budget unless the proposal is approved by the commissioner
4 upon submission by the district of sufficient reason for an exemption
5 to this requirement; or include any new programs and services
6 necessary for students to achieve the thoroughness standards
7 established pursuant to subsection a. of section 4 of P.L.1996, c.138
8 (C.18A:7F-4).

9 The county superintendent of schools may prohibit the submission
10 of a separate proposal or proposals to the voters or board of school
11 estimate if he determines that the district has not implemented all
12 potential efficiencies in the administrative operations of the district,
13 which efficiencies would eliminate the need for the raising of
14 additional general fund tax levy.

15 Any proposal or proposals rejected by the voters shall be submitted
16 to the municipal governing body or bodies for a determination as to
17 the amount, if any, that should be expended notwithstanding voter
18 rejection. The decision of the municipal governing body or bodies or
19 board of school estimate, as appropriate, shall be final and no appeals
20 shall be made to the commissioner.

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

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

32 (11) Any reduction that may be required to be made to programs
33 and services included in a district's prebudget year net budget in order
34 for the district to limit the growth in its budget between the prebudget
35 and budget years by its spending growth limitation as calculated
36 pursuant to this subsection, shall only include reductions to excessive
37 administration or programs and services that are inefficient or
38 ineffective.

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

1 days of the action of the voters or municipal governing body or bodies,
2 whichever is later, or of the board of school estimate as the case may
3 be.

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

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

20 (cf: P.L.2001, c.43)

21

22 2. Section 36 of P.L.2000, c.126 (C.18A:7F-5a) is amended to
23 read as follows:

24 36. a. Notwithstanding any provision of P.L.1996, c.138
25 (C.18A:7F-1 et seq.) to the contrary and except as otherwise provided
26 pursuant to subsection b. of this section, any school district which
27 increases its net budget between the prebudget and budget years in an
28 amount less than that authorized pursuant to subsection d. of section
29 5 of P.L.1996, c.138 (C.18A:7F-5), shall be permitted to include the
30 amount of the difference between its actual net budget and its
31 permitted net budget in either of the next two succeeding budget
32 years; except that beginning with any difference in the 2004-2005
33 budget year and any difference in a subsequent budget year, only 50%
34 of the difference may be included in either of the next two succeeding
35 budget years.

36 b. For the 2005-2006 school year and thereafter, the county
37 superintendent of schools may disapprove a school district's proposed
38 budget which includes the amount of any difference authorized
39 pursuant to subsection a. of this section if the county superintendent
40 determines that the district has not implemented all potential
41 efficiencies in the administrative operations of the district, which
42 efficiencies would eliminate the need for the inclusion of the
43 differential amount. The county superintendent shall work with each
44 school district in the county during the 2004-2005 school year and
45 each subsequent school year to identify administrative inefficiencies in
46 the operations of the district that might cause the county

1 superintendent to reject the district's proposed budget.

2 (cf: P.L.2000, c.126, s.36)

3

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

6 7. a. [If the amount of the budgeted general fund for the
7 prebudget year is \$100 million or less] For the 2004-2005 school year,
8 an undesignated general fund balance in excess of [6% of that amount
9 or \$75,000] 3% of the budgeted general fund for the prebudget year
10 or \$100,000, whichever is greater, shall be appropriated by a school
11 district [or county vocational school district for the purpose of] based
12 on surplus as anticipated pursuant to paragraph (2) of subsection a. of
13 N.J.S.18A:22-8 and included in the budget prepared pursuant to
14 section 5 of this act. [If the amount of the budgeted general fund for
15 the prebudget year exceeds \$100 million] In the event that the
16 district's 2004-2005 budget is not approved by the voters of the
17 district or the board of school estimate, the district may use the
18 undesignated general fund balance which exceeds 3% to meet the
19 reduction in tax levy certified by the municipal governing body or
20 bodies or board of school estimate following review of the defeated
21 budget. Any appropriation of the undesignated general fund balance
22 made by board resolution following the April 2004 school budget
23 election and prior to the effective date of P.L. , c. (C.) (now
24 pending before the Legislature as this bill) to the capital reserve
25 account or maintenance reserve account or to increase spending for
26 the 2003-2004 school year shall be null and void unless, upon written
27 application to the commissioner, the district demonstrates that the
28 appropriation was necessary for use in the 2003-2004 school year to
29 meet the thoroughness standards established pursuant to subsection a.
30 of section 4 of P.L.1996, c.138 (C.18A:7F-4) and no other line item
31 account balances were available.

32 In the 2005-2006 school year and thereafter, an undesignated
33 general fund balance in excess of [6% of the first \$100 million and in
34 excess of 3% of the amount which exceeds \$100 million] 2% of the
35 budgeted general fund for the prebudget year or \$100,000, whichever
36 is greater, shall be appropriated by a school district [or county
37 vocational school district] for the purpose of the budget prepared
38 pursuant to section 5 of this act.

39 The amount of any funds made available for appropriation as a
40 result of the reduction in the percentage of authorized undesignated
41 general fund balance pursuant to P.L. , c. (C.) (now pending
42 before the Legislature as this bill) shall be used to reduce the general
43 fund tax levy required for the budget year.

44 In the case of a county vocational school district, if the amount of
45 the budgeted general fund for the prebudget year is \$100 million or

1 less, an undesignated general fund balance in excess of 6% of that
2 amount or \$100,000, whichever is greater, shall be appropriated by the
3 county vocational school district for the purpose of the budget
4 prepared pursuant to section 5 of P.L.1996, c.138 (C.18A:7F-5). If
5 the amount of the budgeted general fund for the prebudget year
6 exceeds \$100 million, an undesignated general fund balance in excess
7 of 6% of the first \$100 million and in excess of 3% of the amount
8 which exceeds \$100 million shall be appropriated by a county
9 vocational school district for the purpose of the budget prepared
10 pursuant to section 5 of P.L.1996, c.138 (C.18A:7F-5).

11 b. Notwithstanding the provisions of subsection a. of this section,
12 if the district has a formal plan to expand, renovate or construct school
13 facilities, join a distance learning network, or make a major
14 replacement or acquisition of instructional equipment within the
15 subsequent five years, the district may, with the approval of the
16 commissioner, transfer the excess undesignated general fund balance
17 to the capital reserve account established pursuant to N.J.S.18A:21-3
18 for that purpose.

19 c. If it is determined that the undesignated general fund balances
20 at [December 31, 1996 or] June 30 of any school year exceed those
21 permitted under subsection a. of this section, the excess undesignated
22 general fund balances shall be reserved and designated in the
23 subsequent year's budget submitted to the commissioner pursuant to
24 subsection c. of section 5 of this act.

25 d. The commissioner may withhold State aid in an amount not to
26 exceed the excess undesignated general fund balances for failure to
27 comply with subsection c. of this section.

28 e. Proceeds from the sale and lease-back of textbooks and
29 non-consumable instructional materials shall not be included in the
30 calculation of excess undesignated general fund balance during the
31 budget year in which they are realized.

32 (cf: P.L.1998, c.55, s.3)

33

34 4. Section 13 of P.L.2000, c.72 (C.18A:7G-13) is amended to
35 read as follows:

36 13. a. The authority shall be responsible for the financing,
37 planning, design, construction management, acquisition, construction,
38 and completion of school facilities projects. Upon submission to the
39 authority of a final project report, the authority shall undertake the
40 acquisition, construction, and all other appropriate actions necessary
41 to complete the project. When the final eligible costs of a school
42 facilities project are less than or equal to \$500,000, the authority may,
43 in its discretion, authorize a district to undertake the acquisition,
44 construction and all other appropriate actions necessary to complete
45 the project and enter into a grant agreement with the district for the
46 payment of the State share.

1 b. The authority shall undertake the financing of school facilities
2 projects pursuant to the provisions of this act. The authority may, in
3 its discretion and upon consultation with the district, finance only the
4 State share of the school facilities project or the State share and the
5 local share of the project. In the event that the authority finances only
6 the State share of a project, the authority shall not commence
7 acquisition or construction of the project until the authority receives
8 the local share from the district.

9 c. In order to implement the arrangements established for school
10 facilities projects which are to be constructed by the authority and
11 financed pursuant to this section, a district shall enter into an
12 agreement with the authority and the commissioner containing the
13 terms and conditions determined by the parties to be necessary to
14 effectuate the project.

15 d. Upon completion by the authority of a school facilities project,
16 the district shall enter into an agreement with the authority to provide
17 for the maintenance of the project by the district. In the event that the
18 school facilities project is constructed by a district, upon the
19 completion of the project, the district shall submit to the commissioner
20 a plan to provide for the maintenance of the project by the district.
21 Any agreement or plan shall contain, in addition to any other terms and
22 provisions, a requirement for the establishment of a maintenance
23 reserve fund consistent with the appropriation and withdrawal
24 requirements for capital reserve accounts established pursuant to
25 section 57 of P.L.2000, c.72 (C.18A:7G-31), the funding levels of
26 which shall be as set forth in regulations adopted by the commissioner
27 pursuant to section 26 of this act.

28 (cf: P.L.2000, c.72, s.13)

29
30 5. Section 57 of P.L.2000, c.72 (C.18A:7G-31) is amended to
31 read as follows:

32 57. a. Notwithstanding any provision of this act or any other law
33 or regulation to the contrary, [within 90 days of the effective date of
34 this act,] a board of education or a board of school estimate, as
35 appropriate, may, through the adoption of a board resolution, establish
36 a capital reserve account. The account shall be established and held
37 in accordance with GAAP and shall be subject to annual audit. The
38 funds in the capital reserve account shall be used to finance the
39 district's long-range facilities plan required pursuant to subsection a.
40 of section 4 of this act and the amount in the account shall not exceed
41 the total amount of local funds required to implement the plan [as
42 indicated on the annual QAAR report].

43 b. A board of education or a board of school estimate, as
44 appropriate, may appropriate funds in the district's annual budget for
45 the establishment of the capital reserve account pursuant to subsection
46 a. of this section or to supplement the funds in the account as required

1 to meet the needs of the long-range facilities plan. [The district's
2 spending growth limitation as established pursuant to section 5 of
3 P.L.1996, c.138 (C.18A:7F-5) shall be adjusted by the amount of
4 funds appropriated in the budget year to the capital reserve account.]

5 c. A board of education may, by resolution of the board: [transfer
6 undesignated general fund balance or excess undesignated general fund
7 balance to the capital reserve account at any time during the budget
8 year;] transfer funds from the capital reserve account to the
9 appropriate line item account for the funding of capital projects as
10 contained in the district's long-range facilities plan; and transfer funds
11 from the capital reserve account to the debt service account for the
12 purpose of offsetting principal and interest payments for bonded
13 projects which are included in the district's long-range facilities plan.
14 (cf: P.L.2000, c.72, s.57)

15

16 6. Section 2 of P.L. 1979, c.294 (C.18A:22-8.1) is amended to
17 read as follows:

18 2. [Whenever] Except as otherwise provided pursuant to this
19 section, whenever a school district desires to transfer amounts among
20 line items and program categories, the transfers shall be by resolution
21 of the board of education approved by a two-thirds affirmative vote of
22 the authorized membership of the board; however, a board may, by
23 resolution, designate the chief school administrator to approve such
24 transfers as are necessary between meetings of the board. Transfers
25 approved by the chief school administrator shall be reported to the
26 board, ratified and duly recorded in the minutes at a subsequent
27 meeting of the board, but not less than monthly. Transfers of surplus
28 amounts or any other unbudgeted or underbudgeted revenue to line
29 items and program categories shall require the approval of the
30 Commissioner of Education and shall only be approved between April
31 1 and June 30 for line items and program categories necessary to
32 achieve the thoroughness standards established pursuant to subsection
33 a. of section 4 of P.L.1996, c.138 (C18A:7F-4); except that upon a
34 two-thirds affirmative vote of the authorized membership of a board
35 of education, the board may petition the commissioner for authority to
36 transfer such revenue prior to April 1 due to an emergent circumstance
37 and the commissioner may authorize the transfer if he determines that
38 the transfer is necessary to meet such emergency. Transfers from any
39 general fund appropriation account that, on a cumulative basis, exceed
40 10% of the amount of the account included in the school district's
41 budget as certified for taxes shall require the approval of the
42 commissioner. In a school district wherein the Commissioner of
43 Education has directed a comprehensive compliance investigation
44 pursuant to section 14 of P.L.1975, c.212 (C.18A:7A-14), the board
45 of education shall obtain the written approval of the county
46 superintendent of [school] schools prior to implementing any board

1 authorized transfer of funds.

2 (cf: P.L.1987, c.398, s.4)

3

4 7. (New section) Notwithstanding any provision of P.L.1968,
5 c.410 (C.52:14B-1 et seq.) to the contrary, the commissioner may
6 adopt, immediately upon filing with the Office of Administrative Law,
7 such rules and regulations as the commissioner deems necessary to
8 implement the provisions of P.L. , c. (C.) (now pending before
9 the Legislature as this bill) which shall be effective for a period not to
10 exceed 12 months. Determinations made by the commissioner
11 pursuant to P.L. , c. (C.) (now pending before the Legislature
12 as this bill) and the rules and regulations adopted by the commissioner
13 to implement that act shall be considered to be final agency action and
14 appeal of that action shall be directly to the Appellate Division of the
15 Superior Court. The regulations shall thereafter be amended, adopted
16 or readopted by the State Board of Education in accordance with the
17 provisions of P.L.1968, c.410 (C.52:14B-1 et seq.).

18

19 8. This act shall take effect upon the enactment into law of P.L.,
20 c. (C.), P.L. , c. (C.), and P.L. , c. (C.)
21 (now pending before the Legislature as Senate Bill No. 1678 or
22 Assembly Bill No. 100 of 2004, Senate Bill No. 1702 or Assembly
23 Bill No. 98 of 2004, and Senate Bill No. 1787 or Assembly Bill No. 97
24 of 2004).

25

26

27

28

29 _____
30 Revises calculation of budget caps and reduces allowable surplus for
public school districts.

SENATE, No. 1701

STATE OF NEW JERSEY
211th LEGISLATURE

INTRODUCED JUNE 10, 2004

Sponsored by:

Senator RAYMOND J. LESNIAK

District 20 (Union)

Senator WAYNE R. BRYANT

District 5 (Camden and Gloucester)

SYNOPSIS

Revises calculation of budget caps and reduces allowable surplus for public school districts.

CURRENT VERSION OF TEXT

As introduced.



1 AN ACT concerning school district budget caps and amending and
2 supplementing parts of the statutory law.

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
34 education shall adopt, and submit to the commissioner for approval,
35 together 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 Notwithstanding any provision of this section to the contrary, for
41 the 2005-2006 school year each district board of education shall
42 submit a proposed budget in which the advertised per pupil
43 administrative costs do not exceed the administrative cost limits for
44 the district's region as determined by the commissioner based on
45 audited expenditures for the 2003-2004 school year. For the 2006-
46 2007 school year and each school year thereafter, each district board

1 of education shall submit a proposed budget in which the advertised
2 per pupil administrative costs do not exceed the prior year
3 administrative cost limits for the district's region inflated by 2.5
4 percent or the CPI, whichever is greater. The commissioner may
5 withhold a district's State aid for failure to comply with this
6 requirement in an amount not to exceed the amount in excess of the
7 administrative cost limits as calculated pursuant to this section.

8 d. (1) A district proposing a budget which includes spending which
9 exceeds the maximum T&E budget established pursuant to section 13
10 of this act shall submit, as appropriate, to the board of school estimate
11 or to the voters of the district at the annual school budget election
12 conducted pursuant to the provisions of P.L.1995, c.278 (C.19:60-1
13 et seq.), a general fund tax levy which when added to the other
14 components of its net budget does not exceed the prebudget year net
15 budget by more than the spending growth limitation calculated as
16 follows: the sum of [three] 2.5 percent or the CPI, whichever is
17 greater, multiplied by the prebudget year net budget, and adjustments
18 for changes in enrollment, certain capital outlay expenditures,
19 expenditures for pupil transportation services provided pursuant to
20 N.J.S.18A:39-1.1, [expenditures incurred in connection with the
21 opening of a new school facility during the budget year,] and special
22 education costs per pupil in excess of \$40,000. The adjustment for
23 special education costs shall equal any increase in the sum of per pupil
24 amounts in excess of \$40,000 for the budget year less the sum of per
25 pupil amounts in excess of \$40,000 for the prebudget year indexed by
26 the CPI or [three] 2.5 percent, whichever is greater. The adjustment
27 for enrollments shall equal the increase in unweighted resident
28 enrollments between the prebudget year and budget year multiplied by
29 the per pupil general fund tax levy amount for the prebudget year
30 indexed by the CPI or [three] 2.5 percent, whichever is greater. The
31 adjustment for capital outlay shall equal any increase between the
32 capital outlay portion of the general fund budget for the budget year
33 less any withdrawals from the capital reserve account and the capital
34 outlay portion of the general fund budget for the prebudget year
35 indexed by the CPI or [three] 2.5 percent, whichever is greater. Any
36 district with a capital outlay adjustment to its spending growth
37 limitation shall be restricted from transferring any funds from capital
38 outlay accounts to current expense accounts. The adjustment for
39 capital outlay shall not become part of the prebudget year net budget
40 for purposes of calculating the spending growth limitation of the
41 subsequent year. The adjustment for pupil transportation costs
42 provided pursuant to N.J.S.18A:39-1.1 shall equal the cost of
43 providing such pupil transportation services for the budget year. [The
44 adjustment for the opening of a new school facility shall include costs
45 associated with the new facility related to new teaching staff members,
46 support staff, materials and equipment, custodial and maintenance

1 expenditures, and such other required costs as determined by the
2 commissioner.]

3 (2) A district proposing a budget set at or below the minimum
4 T&E budget established pursuant to section 13 of this act shall submit,
5 as appropriate, to the board of school estimate or to the voters of the
6 district at the annual school budget election conducted pursuant to the
7 provisions of P.L.1995, c.278 (C.19:60-1 et seq.), a general fund tax
8 levy which when added to the other components of the net T&E
9 budget shall not exceed the prebudget year net T&E budget or in
10 1997-98 the prebudget year net budget by more than the spending
11 growth limitation calculated as follows: the sum of [three] 2.5 percent
12 or the CPI, whichever is greater, multiplied by the prebudget year net
13 budget, and adjustments for changes in enrollment, certain capital
14 outlay expenditures, expenditures for pupil transportation services
15 provided pursuant to N.J.S.18A:39-1.1, [expenditures incurred in
16 connection with the opening of a new school facility during the budget
17 year,] and special education costs per pupil in excess of \$40,000. The
18 enrollment adjustment shall equal the increase in weighted resident
19 enrollment between the prebudget year and the budget year multiplied
20 by the T&E amount less the T&E flexible amount. The adjustments
21 for special education costs, pupil transportation services, and capital
22 outlay expenditures shall be calculated pursuant to the provisions of
23 paragraph (1) of this subsection. [The adjustment for the opening of
24 a new school facility shall include costs associated with the new
25 facility related to new teaching staff members, support staff, materials
26 and equipment, custodial and maintenance expenditures, and such
27 other required costs as determined by the commissioner.]

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

32 (3) A district proposing a budget set at or below the maximum
33 T&E budget, but including amounts in excess of the minimum T&E
34 budget established pursuant to section 13 of this act, shall submit, as
35 appropriate, to the board of school estimate or to the voters at the
36 annual school budget election conducted pursuant to the provisions of
37 P.L.1995, c.278 (C.19:60-1 et seq.), a general fund tax levy which
38 when added to the other components of its net T&E budget does not
39 exceed the prebudget year net T&E budget or in 1997-98 the
40 prebudget year net budget by more than the spending growth
41 limitation calculated as follows: the sum of [three] 2.5 percent or the
42 CPI, whichever is greater, multiplied by the prebudget year net budget,
43 and adjustments for changes in enrollment, certain capital outlay
44 expenditures, expenditures for pupil transportation services provided
45 pursuant to N.J.S.18A:39-1.1, [expenditures incurred in connection

1 with the opening of a new school facility during the budget year,] and
2 special education costs per pupil in excess of \$40,000 per pupil. The
3 enrollment adjustment shall equal the increase in the unweighted
4 resident enrollment between the prebudget year and the budget year
5 multiplied by the prebudget year T&E program budget per pupil
6 indexed by the CPI or [three] 2.5 percent, whichever is greater. For
7 the 1997-98 school year, the T&E program budget for the prebudget
8 year shall equal the sum of the general fund tax levy, foundation aid,
9 and transition aid. The adjustment for special education costs, pupil
10 transportation services, and capital outlay expenditures shall be made
11 pursuant to the provisions of paragraph (1) of this subsection. [The
12 adjustment for the opening of a new school facility shall include costs
13 associated with the new facility related to new teaching staff members,
14 support staff, materials and equipment, custodial and maintenance
15 expenditures, and such other required costs as determined by the
16 commissioner.]

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

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

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

32 (7) [If the use of early childhood program aid for the provision of
33 full-day kindergarten and preschool classes and other early childhood
34 programs and services or the use of demonstrably effective program
35 aid for the provision of instructional, school governance, and health
36 and social service programs will cause the district to exceed its
37 spending growth limitation, the district may apply to the commissioner
38 for an adjustment to that limitation.] (Deleted by amendment, P.L. ____,
39 c. __) (now pending before the Legislature as this bill).

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

1 (9) Any district may submit at the annual school budget election a
2 separate proposal or proposals for additional funds, including
3 interpretive statements, specifically identifying the program purposes
4 for which the proposed funds shall be used, to the voters, who may, by
5 voter approval, authorize the raising of an additional general fund tax
6 levy for such purposes. In the case of a district with a board of school
7 estimate, one proposal for the additional spending shall be submitted
8 to the board of school estimate. Any proposal or proposals submitted
9 to the voters or the board of school estimate shall not: include any
10 programs and services that were included in the district's prebudget
11 year net budget unless the proposal is approved by the commissioner
12 upon submission by the district of sufficient reason for an exemption
13 to this requirement; or include any new programs and services
14 necessary for students to achieve the thoroughness standards
15 established pursuant to subsection a. of section 4 of P.L.1996, c.138
16 (C.18A:7F-4).

17 Any proposal or proposals rejected by the voters shall be submitted
18 to the municipal governing body or bodies for a determination as to
19 the amount, if any, that should be expended notwithstanding voter
20 rejection. The decision of the municipal governing body or bodies or
21 board of school estimate, as appropriate, shall be final and no appeals
22 shall be made to the commissioner.

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

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

34 (11) Any reduction that may be required to be made to programs
35 and services included in a district's prebudget year net budget in order
36 for the district to limit the growth in its budget between the prebudget
37 and budget years by its spending growth limitation as calculated
38 pursuant to this subsection, shall only include reductions to excessive
39 administration or programs and services that are inefficient or
40 ineffective.

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

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

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

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

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

46 (4) When the voters, municipal governing body or bodies, or the

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

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

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

22 (cf: P.L.2001, c.43)

23

24 2. Section 36 of P.L.2000, c.126 (C.18A:7F-5a) is amended to
25 read as follows:

26 36. Notwithstanding any provision of P.L.1996, c.138 (C.18A:7F-1
27 et seq.) to the contrary any school district which increases its net
28 budget between the prebudget and budget years in an amount less than
29 that authorized pursuant to subsection d. of section 5 of P.L.1996,
30 c.138 (C.18A:7F-5), shall be permitted to include the amount of the
31 difference between its actual net budget and its permitted net budget
32 in either of the next two succeeding budget years; except that
33 beginning with any difference in the 2004-2005 budget year and any
34 difference in a subsequent budget year, only 50% of the difference
35 may be included in either of the next two succeeding budget years.

36 (cf: P.L.2000, c.126, s.36)

37

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

40 7. a. [If the amount of the budgeted general fund for the prebudget
41 year is \$100 million or less] For the 2004-2005 school year, an
42 undesignated general fund balance in excess of [6% of that amount]
43 3% of the budgeted general fund for the prebudget year or \$75,000,
44 whichever is greater, shall be appropriated by a school district or
45 county vocational school district [for the purpose of] based on surplus
46 as anticipated pursuant to paragraph (2) of subsection a. of

1 N.J.S.18A:22-8 and included in the budget prepared pursuant to
2 section 5 of this act. [If the amount of the budgeted general fund for
3 the prebudget year exceeds \$100 million] In the event that the
4 district's 2004-2005 budget is not approved by the voters of the
5 district or the board of school estimate, the district may use the
6 undesignated general fund balance which exceeds 3% to meet the
7 reduction in tax levy certified by the municipal governing body or
8 bodies or board of school estimate following review of the defeated
9 budget. Any appropriation of the undesignated general fund balance
10 made by board resolution following the April 2004 school budget
11 election and prior to the effective date of P.L. , c. (C.) (now
12 pending before the Legislature as this bill) to the capital reserve
13 account or maintenance reserve account or to increase spending for
14 the 2003-2004 school year shall be null and void unless, upon written
15 application to the commissioner, the district demonstrates that the
16 appropriation was necessary for use in the 2003-2004 school year to
17 meet the thoroughness standards established pursuant to subsection a.
18 of section 4 of P.L.1996, c.138 (C.18A:7F-4) and no other line item
19 account balances were available.

20 In the 2005-2006 school year and thereafter, an undesignated
21 general fund balance in excess of [6% of the first \$100 million and in
22 excess of 3% of the amount which exceeds \$100 million] 2% of the
23 budgeted general fund for the prebudget year or \$75,000, whichever
24 is greater, shall be appropriated by a school district or county
25 vocational school district for the purpose of the budget prepared
26 pursuant to section 5 of this act.

27 b. Notwithstanding the provisions of subsection a. of this section,
28 if the district has a formal plan to expand, renovate or construct school
29 facilities, join a distance learning network, or make a major
30 replacement or acquisition of instructional equipment within the
31 subsequent five years, the district may, with the approval of the
32 commissioner, transfer the excess undesignated general fund balance
33 to the capital reserve account established pursuant to N.J.S.18A:21-3
34 for that purpose.

35 c. If it is determined that the undesignated general fund balances
36 at [December 31, 1996 or] June 30 of any school year exceed those
37 permitted under subsection a. of this section, the excess undesignated
38 general fund balances shall be reserved and designated in the
39 subsequent year's budget submitted to the commissioner pursuant to
40 subsection c. of section 5 of this act.

41 d. The commissioner may withhold State aid in an amount not to
42 exceed the excess undesignated general fund balances for failure to
43 comply with subsection c. of this section.

44 e. Proceeds from the sale and lease-back of textbooks and
45 non-consumable instructional materials shall not be included in the
46 calculation of excess undesignated general fund balance during the

1 budget year in which they are realized.

2 (cf: P.L.1998, c.55, s.3)

3

4 4. Section 13 of P.L.2000, c.72 (C.18A:7G-13) is amended to read
5 as follows:

6 13. a. The authority shall be responsible for the financing, planning,
7 design, construction management, acquisition, construction, and
8 completion of school facilities projects. Upon submission to the
9 authority of a final project report, the authority shall undertake the
10 acquisition, construction, and all other appropriate actions necessary
11 to complete the project. When the final eligible costs of a school
12 facilities project are less than or equal to \$500,000, the authority may,
13 in its discretion, authorize a district to undertake the acquisition,
14 construction and all other appropriate actions necessary to complete
15 the project and enter into a grant agreement with the district for the
16 payment of the State share.

17 b. The authority shall undertake the financing of school facilities
18 projects pursuant to the provisions of this act. The authority may, in
19 its discretion and upon consultation with the district, finance only the
20 State share of the school facilities project or the State share and the
21 local share of the project. In the event that the authority finances only
22 the State share of a project, the authority shall not commence
23 acquisition or construction of the project until the authority receives
24 the local share from the district.

25 c. In order to implement the arrangements established for school
26 facilities projects which are to be constructed by the authority and
27 financed pursuant to this section, a district shall enter into an
28 agreement with the authority and the commissioner containing the
29 terms and conditions determined by the parties to be necessary to
30 effectuate the project.

31 d. Upon completion by the authority of a school facilities project,
32 the district shall enter into an agreement with the authority to provide
33 for the maintenance of the project by the district. In the event that the
34 school facilities project is constructed by a district, upon the
35 completion of the project, the district shall submit to the commissioner
36 a plan to provide for the maintenance of the project by the district.
37 Any agreement or plan shall contain, in addition to any other terms and
38 provisions, a requirement for the establishment of a maintenance
39 reserve fund consistent with the appropriation and withdrawal
40 requirements for capital reserve accounts established pursuant to
41 section 57 of P.L.2000, c.72 (C.18A:7G-31), the funding levels of
42 which shall be as set forth in regulations adopted by the commissioner
43 pursuant to section 26 of this act.

44 (cf: P.L.2000, c.72, s.13)

45

46 5. Section 57 of P.L.2000, c.72 (C.18A:7G-31) is amended to read

1 as follows:

2 57. a. Notwithstanding any provision of this act or any other law or
3 regulation to the contrary, [within 90 days of the effective date of this
4 act,] a board of education or a board of school estimate, as
5 appropriate, may, through the adoption of a board resolution, establish
6 a capital reserve account. The account shall be established and held
7 in accordance with GAAP and shall be subject to annual audit. The
8 funds in the capital reserve account shall be used to finance the
9 district's long-range facilities plan required pursuant to subsection a.
10 of section 4 of this act and the amount in the account shall not exceed
11 the total amount of local funds required to implement the plan [as
12 indicated on the annual QAAR report].

13 b. A board of education or a board of school estimate, as
14 appropriate, may appropriate funds in the district's annual budget for
15 the establishment of the capital reserve account pursuant to subsection
16 a. of this section or to supplement the funds in the account as required
17 to meet the needs of the long-range facilities plan. [The district's
18 spending growth limitation as established pursuant to section 5 of
19 P.L.1996, c.138 (C.18A:7F-5) shall be adjusted by the amount of
20 funds appropriated in the budget year to the capital reserve account.]

21 c. A board of education may, by resolution of the board: [transfer
22 undesignated general fund balance or excess undesignated general fund
23 balance to the capital reserve account at any time during the budget
24 year;] transfer funds from the capital reserve account to the
25 appropriate line item account for the funding of capital projects as
26 contained in the district's long-range facilities plan; and transfer funds
27 from the capital reserve account to the debt service account for the
28 purpose of offsetting principal and interest payments for bonded
29 projects which are included in the district's long-range facilities plan.
30 (cf: P.L.2000, c.72, s.57)

31

32 6. Section 2 of P.L. 1979, c.294 (C.18A:22-8.1) is amended to
33 read as follows:

34 2. [Whenever] Except as otherwise provided pursuant to this
35 section, whenever a school district desires to transfer amounts among
36 line items and program categories, the transfers shall be by resolution
37 of the board of education; however, a board may, by resolution,
38 designate the chief school administrator to approve such transfers as
39 are necessary between meetings of the board. Transfers approved by
40 the chief school administrator shall be reported to the board, ratified
41 and duly recorded in the minutes at a subsequent meeting of the board,
42 but not less than monthly. Transfers of surplus amounts or any other
43 unbudgeted or underbudgeted revenue to line item and program
44 categories shall require the approval of the Commissioner of
45 Education and shall only be approved between October 1 and June 30

1 for line items and program categories necessary to achieve the
2 thoroughness standards established pursuant to subsection a. of
3 section 4 of P.L.1996, c.138 (C18A:7F-4). In a school district
4 wherein the Commissioner of Education has directed a comprehensive
5 compliance investigation pursuant to section 14 of P.L.1975, c.212
6 (C.18A:7A-14), the board of education shall obtain the written
7 approval of the county superintendent of [school] schools prior to
8 implementing any board authorized transfer of funds.
9 (cf: P.L.1987, c.398, s.4)

10

11 7. (New section) a. The commissioner shall designate, for a
12 minimum of two years and a maximum of four years, up to three
13 counties to participate in a pilot program to explore efficiencies
14 through consolidation and shared services.

15 b. Notwithstanding any provisions of chapter 7 of Title 18A of the
16 New Jersey Statutes or any other law to the contrary, the
17 commissioner may, for any of the counties selected to participate in
18 the pilot program, appoint an individual or contract with a public
19 entity to assume the duties and responsibilities of the county
20 superintendent of schools if a vacancy exists in the position of county
21 superintendent in that county. The term of the appointment or
22 contract shall be for a minimum of two years and a maximum of four
23 years.

24 c. The allocation of fiscal responsibility for the offices of the
25 county superintendent in the counties that participate in the pilot
26 program shall be as provided pursuant to chapter 7 of Title 18A of the
27 New Jersey Statutes; except that if the commissioner contracts with a
28 public entity pursuant to this section the State shall be responsible for
29 any payments required under the contract.

30

31 8. (New section) Notwithstanding any provision of P.L.1968,
32 c.410 (C.52:14B-1 et seq.) to the contrary, the commissioner may
33 adopt, immediately upon filing with the Office of Administrative Law,
34 such rules and regulations as the commissioner deems necessary to
35 implement the provisions of P.L. , c. (C.) (now pending before
36 the Legislature as this bill) which shall be effective for a period not to
37 exceed 12 months. Determinations made by the commissioner
38 pursuant to P.L. , c. (C.) (now pending before the Legislature
39 as this bill) and the rules and regulations adopted by the commissioner
40 to implement that act shall be considered to be final agency action and
41 appeal of that action shall be directly to the Appellate Division of the
42 Superior Court. The regulations shall thereafter be amended, adopted
43 or readopted by the State Board of Education in accordance with the
44 provisions of P.L.1968, c.410 (C.52:14B-1 et seq.).

45

46 9. This act shall take effect immediately.

STATEMENT

1

2

3 This bill revises the calculation of school district budget caps to
4 reduce allowable increases in spending. Under current law, a district
5 may increase its spending over the prior year by 3% or the CPI,
6 whichever is greater, plus additional adjustments for particular
7 spending items. Under this bill, a district would only be able to
8 increase its spending over the prior year by 2.5% or the CPI,
9 whichever is greater. While the bill also maintains additional
10 adjustments for particular spending items, it eliminates the adjustment
11 currently available to school districts for the costs associated with the
12 opening of a new school facility during the budget year as well as
13 adjustments for the receipt of early childhood program aid and
14 demonstrably effective program aid. In addition, the bill reduces by
15 50%, beginning with the 2004-2005 budget year, the amount that a
16 school district may "bank" and then use to increase its budget cap in
17 the succeeding two school years.

18 The bill also requires that a proposed budget submitted to the
19 Commissioner of Education for approval include advertised per pupil
20 administrative costs which do not exceed the administrative cost limits
21 established for the region in which the district is located. For the
22 2005-2006 school year, the commissioner will establish the
23 administrative cost limits based on audited school district expenditures
24 for the 2003-2004 school year. For the 2006-2007 school year and
25 each subsequent school year, the administrative limit for each region
26 will increase over the prior year limits by 2.5% or the CPI, whichever
27 is greater. If any district fails to comply with this provision, the
28 commissioner may withhold the district's State aid in an amount up to
29 the amount of the excess.

30 The bill also stipulates that if any district submits a proposal to the
31 voters or board of school estimate for authority to exceed its budget
32 cap, the proposal may not contain any programs and services that were
33 included in the district's prior year budget unless the proposal is
34 approved by the commissioner. A proposal may also not contain any
35 new programs and services which are necessary for students to achieve
36 the core curriculum content standards. Also, if a district needs to
37 make spending reductions in order to stay within its cap, the district
38 may only make reductions to excessive administration and programs
39 and services that are inefficient or ineffective.

40 The bill reduces the amount of allowable surplus that may be
41 maintained by a school district. For the 2004-2005 school budget
42 year, any undesignated general fund balance in excess of 3% or
43 \$75,000, whichever is greater, must be appropriated. Also, any
44 appropriation of surplus made, following the April 2004 school budget
45 election and prior to the bill's effective date, to a district's capital
46 reserve account or maintenance reserve account or to increase

S1701 LESNIAK, BRYANT

16

1 spending for the 2003-2004 school year will be null and void unless
2 the district can demonstrate to the commissioner that the appropriation
3 was necessary to meet the core curriculum content standards. In the
4 2005-2006 school year and thereafter, any undesignated general fund
5 balance in excess of 2% or \$75,000, whichever is greater, will be
6 required to be appropriated.

7 Finally, the bill prohibits transfers of surplus during the first three
8 months of the school budget year and requires the approval of the
9 commissioner for such transfers which may occur during the remainder
10 of the school year. The commissioner will only approve the transfer
11 of surplus funds if the transfer is necessary to implement the core
12 curriculum content standards.

SENATE BUDGET AND APPROPRIATIONS COMMITTEE

STATEMENT TO

SENATE COMMITTEE SUBSTITUTE FOR **SENATE, No. 1701**

STATE OF NEW JERSEY

DATED: JUNE 17, 2004

The Senate Budget and Appropriations Committee reports favorably a committee substitute for Senate Bill No. 1701.

This committee substitute revises the calculation of school district budget caps to reduce allowable increases in spending. The intent of the substitute is to freeze, with certain limited exceptions, the amount of annual increase in school district budgets to the cost of living or 2.5%, whichever is less.

Under current law, a district may increase its spending over the prior year by 3% or the cost of living (CPI), whichever is greater, plus additional adjustments for particular spending items. Under this substitute, a district would only be able to increase its spending over the prior year by the cost of living (CPI) or 2.5%, whichever is less. While the substitute also maintains additional adjustments for particular spending items, it eliminates the adjustment currently available to certain school districts for the receipt of early childhood program aid and demonstrably effective program aid, and limits the adjustment for courtesy busing services to the increase between the prebudget and budget years in the cost of providing those services.

The substitute also requires that a district's proposed budget for the 2005-2006 school year include advertised per pupil administrative costs which do not exceed the lower of the following: 1) the district's per pupil administrative costs for the 2004-2005 school year inflated by the cost of living or 2.5 percent, whichever is less; or 2) the per pupil administrative cost limits for the district's region as determined by the commissioner based on audited expenditures for the 2003-2004 school year. The substitute authorizes the county superintendent of schools to disapprove a school district's 2005-2006 budget if he determines that the district has not implemented all potential efficiencies in the administrative operations of the district. The county superintendent is directed to work with each school district in the county during the 2004-2005 school year to identify administrative inefficiencies in the operations of the district that might cause the superintendent to reject the district's proposed 2005-2006 budget.

For the 2006-2007 school year and for each subsequent school year, each school district must submit a proposed budget in which the

advertised per pupil administrative costs do not exceed the lower of the following: 1) the district's prior year per pupil administrative costs; or, 2) the prior year per pupil administrative cost limits for the district's region inflated by the cost of living or 2.5 percent, whichever is less. In the case of a district which is subject to its prior year per pupil administrative cost, the substitute permits a school district to submit a request to the commissioner for approval to exceed the district's prior year per pupil administrative costs due to increases in enrollment, administrative positions necessary as a result of mandated programs, administrative vacancies, nondiscretionary fixed costs, and such other items as defined by regulation. If the commissioner approves a district's request to exceed its prior year per pupil administrative costs, the increase authorized by the commissioner may not exceed the cost of living or 2.5 percent, whichever is less.

The substitute also stipulates that if any district submits a proposal to the voters or board of school estimate for authority to exceed its budget cap, the proposal may not contain any programs and services that were included in the district's prior year budget unless the proposal is approved by the commissioner. A proposal may also not contain any new programs and services which are necessary for students to achieve the core curriculum content standards. The county superintendent of schools may prohibit the submission of a separate proposal if he determines that the district has not implemented all potential efficiencies in the administrative operations of the district. Also, if a district needs to make spending reductions in order to stay within its cap, the district may only make reductions to excessive administration and programs and services that are inefficient or ineffective.

The substitute reduces by 50%, beginning with the 2004-2005 budget year, the amount that a school district may "bank" and then use to increase its budget cap in the succeeding two school years. The county superintendent may disapprove a district's proposed budget which includes "banked" amounts if he determines that the district has not implemented all potential efficiencies in the administrative operations of the district. Again, the county superintendent is to work with each school district in the 2004-2005 and subsequent school years to identify administrative inefficiencies that might cause the county superintendent to reject the district's proposed budget.

The committee substitute reduces the amount of allowable surplus that may be maintained by a school district, other than a county vocational school district. For the 2004-2005 school budget year, any undesignated general fund balance in excess of 3% or \$100,000, whichever is greater, must be appropriated. Also, any appropriation of surplus made, following the April 2004 school budget election and prior to the substitute's effective date, to a district's capital reserve account or maintenance reserve account or to increase spending for the 2003-2004 school year will be null and void unless the district can demonstrate to the commissioner that the appropriation was necessary

to meet the core curriculum content standards. In the 2005-2006 school year and thereafter, any undesignated general fund balance in excess of 2% or \$100,000, whichever is greater, will be required to be appropriated. Funds made available as a result of the reduction in allowable surplus contained in the substitute must be used to reduce the tax levy. Allowable surplus for county vocational schools under the substitute will be 6% or \$100,000, whichever is greater.

Finally, the substitute prohibits transfers of surplus during the first nine months of the school budget year and requires the approval of the commissioner for such transfers which may occur during the remainder of the school year. The commissioner will only approve the transfer of surplus funds if the transfer is necessary to implement the core curriculum content standards. The substitute provides that a school district could petition the commissioner for authority to transfer revenue prior to April 1 due to an emergent circumstance and the commissioner may authorize the transfer if he determines it to be necessary to meet that emergency. Transfers from any appropriation account that, on a cumulative basis, exceed 10% of the budget as certified for taxes will also require the approval of the commissioner.

FISCAL IMPACT

This bill has not been certified as having a fiscal impact.

STATEMENT TO
SENATE COMMITTEE SUBSTITUTE FOR
SENATE, No. 1701

with Senate Floor Amendments
(Proposed By Senator BRYANT)

ADOPTED: JUNE 21, 2004

This amendment revises the percentage by which a school district may increase its base budget from the "cost of living or 2.5 percent, whichever is less" to the "cost of living or 2.5 percent, whichever is greater." This same language in the bill is revised as it applies to the calculation of adjustments to the base cap as well as allowable increases in per pupil administrative costs.

ASSEMBLY, No. 99

STATE OF NEW JERSEY 211th LEGISLATURE

INTRODUCED JUNE 14, 2004

Sponsored by:

Assemblyman JOSEPH J. ROBERTS, JR.

District 5 (Camden and Gloucester)

SYNOPSIS

Revises calculation of budget caps and reduces allowable surplus for public school districts.

CURRENT VERSION OF TEXT

As introduced.



1 AN ACT concerning school district budget caps and amending and
2 supplementing parts of the statutory law.

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 Notwithstanding any provision of this section to the contrary, for
41 the 2005-2006 school year each district board of education shall
42 submit a proposed budget in which the advertised per pupil
43 administrative costs do not exceed the administrative cost limits for
44 the district's region as determined by the commissioner based on
45 audited expenditures for the 2003-2004 school year. For the 2006-
46 2007 school year and each school year thereafter, each district board

1 of education shall submit a proposed budget in which the advertised
2 per pupil administrative costs do not exceed the prior year
3 administrative cost limits for the district's region inflated by 2.5
4 percent or the CPI, whichever is greater. The commissioner may
5 withhold a district's State aid for failure to comply with this
6 requirement in an amount not to exceed the amount in excess of the
7 administrative cost limits as calculated pursuant to this section.

8 d. (1) A district proposing a budget which includes spending
9 which exceeds the maximum T&E budget established pursuant to
10 section 13 of this act shall submit, as appropriate, to the board of
11 school estimate or to the voters of the district at the annual school
12 budget election conducted pursuant to the provisions of P.L.1995,
13 c.278 (C.19:60-1 et seq.), a general fund tax levy which when added
14 to the other components of its net budget does not exceed the
15 prebudget year net budget by more than the spending growth
16 limitation calculated as follows: the sum of [three] 2.5 percent or the
17 CPI, whichever is greater, multiplied by the prebudget year net budget,
18 and 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, [expenditures incurred in connection
21 with the opening of a new school facility during the budget year,] and
22 special education costs per pupil in excess of \$40,000. The adjustment
23 for special education costs shall equal any increase in the sum of per
24 pupil amounts in excess of \$40,000 for the budget year less the sum of
25 per pupil amounts in excess of \$40,000 for the prebudget year indexed
26 by the CPI or [three] 2.5 percent, whichever is greater. The
27 adjustment for enrollments shall equal the increase in unweighted
28 resident enrollments between the prebudget year and budget year
29 multiplied by the per pupil general fund tax levy amount for the
30 prebudget year indexed by the CPI or [three] 2.5 percent, whichever
31 is greater. The adjustment for capital outlay shall equal any increase
32 between the capital outlay portion of the general fund budget for the
33 budget year less any withdrawals from the capital reserve account and
34 the capital outlay portion of the general fund budget for the prebudget
35 year indexed by the CPI or [three] 2.5 percent, whichever is greater.
36 Any district with a capital outlay adjustment to its spending growth
37 limitation shall be restricted from transferring any funds from capital
38 outlay accounts to current expense accounts. The adjustment for
39 capital outlay shall not become part of the prebudget year net budget
40 for purposes of calculating the spending growth limitation of the
41 subsequent year. The adjustment for pupil transportation costs
42 provided pursuant to N.J.S.18A:39-1.1 shall equal the cost of
43 providing such pupil transportation services for the budget year. [The
44 adjustment for the opening of a new school facility shall include costs
45 associated with the new facility related to new teaching staff members,
46 support staff, materials and equipment, custodial and maintenance

1 expenditures, and such other required costs as determined by the
2 commissioner.]

3 (2) A district proposing a budget set at or below the minimum
4 T&E budget established pursuant to section 13 of this act shall submit,
5 as appropriate, to the board of school estimate or to the voters of the
6 district at the annual school budget election conducted pursuant to the
7 provisions of P.L.1995, c.278 (C.19:60-1 et seq.), a general fund tax
8 levy which when added to the other components of the net T&E
9 budget shall not exceed the prebudget year net T&E budget or in
10 1997-98 the prebudget year net budget by more than the spending
11 growth limitation calculated as follows: the sum of [three] 2.5 percent
12 or the CPI, whichever is greater, multiplied by the prebudget year net
13 budget, and adjustments for changes in enrollment, certain capital
14 outlay expenditures, expenditures for pupil transportation services
15 provided pursuant to N.J.S.18A:39-1.1, [expenditures incurred in
16 connection with the opening of a new school facility during the budget
17 year,] and special education costs per pupil in excess of \$40,000. The
18 enrollment adjustment shall equal the increase in weighted resident
19 enrollment between the prebudget year and the budget year multiplied
20 by the T&E amount less the T&E flexible amount. The adjustments
21 for special education costs, pupil transportation services, and capital
22 outlay expenditures shall be calculated pursuant to the provisions of
23 paragraph (1) of this subsection. [The adjustment for the opening of
24 a new school facility shall include costs associated with the new
25 facility related to new teaching staff members, support staff, materials
26 and equipment, custodial and maintenance expenditures, and such
27 other required costs as determined by the commissioner.]

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

32 (3) A district proposing a budget set at or below the maximum
33 T&E budget, but including amounts in excess of the minimum T&E
34 budget established pursuant to section 13 of this act, shall submit, as
35 appropriate, to the board of school estimate or to the voters at the
36 annual school budget election conducted pursuant to the provisions of
37 P.L.1995, c.278 (C.19:60-1 et seq.), a general fund tax levy which
38 when added to the other components of its net T&E budget does not
39 exceed the prebudget year net T&E budget or in 1997-98 the
40 prebudget year net budget by more than the spending growth
41 limitation calculated as follows: the sum of [three] 2.5 percent or the
42 CPI, whichever is greater, multiplied by the prebudget year net budget,
43 and adjustments for changes in enrollment, certain capital outlay
44 expenditures, expenditures for pupil transportation services provided
45 pursuant to N.J.S.18A:39-1.1, [expenditures incurred in
46 connectionwith the opening of a new school facility during the budget

1 year,] and special education costs per pupil in excess of \$40,000 per
2 pupil. The enrollment adjustment shall equal the increase in the
3 unweighted resident enrollment between the prebudget year and the
4 budget year multiplied by the prebudget year T&E program budget per
5 pupil indexed by the CPI or [three] 2.5 percent, whichever is greater.
6 For the 1997-98 school year, the T&E program budget for the
7 prebudget year shall equal the sum of the general fund tax levy,
8 foundation aid, and transition aid. The adjustment for special
9 education costs, pupil transportation services, and capital outlay
10 expenditures shall be made pursuant to the provisions of paragraph (1)
11 of this subsection. [The adjustment for the opening of a new school
12 facility shall include costs associated with the new facility related to
13 new teaching staff members, support staff, materials and equipment,
14 custodial and maintenance expenditures, and such other required costs
15 as determined by the commissioner.]

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

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

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

31 (7) [If the use of early childhood program aid for the provision of
32 full-day kindergarten and preschool classes and other early childhood
33 programs and services or the use of demonstrably effective program
34 aid for the provision of instructional, school governance, and health
35 and social service programs will cause the district to exceed its
36 spending growth limitation, the district may apply to the commissioner
37 for an adjustment to that limitation.] (Deleted by amendment, P.L. __, c. __)
38 (now pending before the Legislature as this bill).

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

46 (9) Any district may submit at the annual school budget election a

1 separate proposal or proposals for additional funds, including
2 interpretive statements, specifically identifying the program purposes
3 for which the proposed funds shall be used, to the voters, who may, by
4 voter approval, authorize the raising of an additional general fund tax
5 levy for such purposes. In the case of a district with a board of school
6 estimate, one proposal for the additional spending shall be submitted
7 to the board of school estimate. Any proposal or proposals submitted
8 to the voters or the board of school estimate shall not: include any
9 programs and services that were included in the district's prebudget
10 year net budget unless the proposal is approved by the commissioner
11 upon submission by the district of sufficient reason for an exemption
12 to this requirement; or include any new programs and services
13 necessary for students to achieve the thoroughness standards
14 established pursuant to subsection a. of section 4 of P.L.1996, c.138
15 (C.18A:7F-4).

16 Any proposal or proposals rejected by the voters shall be submitted
17 to the municipal governing body or bodies for a determination as to
18 the amount, if any, that should be expended notwithstanding voter
19 rejection. The decision of the municipal governing body or bodies or
20 board of school estimate, as appropriate, shall be final and no appeals
21 shall be made to the commissioner.

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

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

33 (11) Any reduction that may be required to be made to programs
34 and services included in a district's prebudget year net budget in order
35 for the district to limit the growth in its budget between the prebudget
36 and budget years by its spending growth limitation as calculated
37 pursuant to this subsection, shall only include reductions to excessive
38 administration or programs and services that are inefficient or
39 ineffective.

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 15
2 days of the action of the voters or municipal governing body or bodies,
3 whichever is later, or of the board of school estimate as the case may
4 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.2001, c.43)

22

23 2. Section 36 of P.L.2000, c.126 (C.18A:7F-5a) is amended to
24 read as follows:

25 36. Notwithstanding any provision of P.L.1996, c.138 (C.18A:7F-1
26 et seq.) to the contrary, any school district which increases its net
27 budget between the prebudget and budget years in an amount less than
28 that authorized pursuant to subsection d. of section 5 of P.L.1996,
29 c.138 (C.18A:7F-5), shall be permitted to include the amount of the
30 difference between its actual net budget and its permitted net budget
31 in either of the next two succeeding budget years; except that
32 beginning with any difference in the 2004-2005 budget year and any
33 difference in a subsequent budget year, only 50% of the difference
34 may be included in either of the next two succeeding budget years.

35 (cf: P.L.2000, c.126, s.36)

36

37 3 Section 7 of P.L.1996, c.138 (C.18A:7F-7) is amended to read
38 as follows:

39 7. a. [If the amount of the budgeted general fund for the
40 prebudget year is \$100 million or less] For the 2004-2005 school year,
41 an undesignated general fund balance in excess of [6% of that
42 amount] 3% of the budgeted general fund for the prebudget year or
43 \$75,000, whichever is greater, shall be appropriated by a school
44 district or county vocational school district [for the purpose of] based
45 on surplus as anticipated pursuant to paragraph (2) of subsection a. of
46 N.J.S.18A:22-8 and included in the budget prepared pursuant to

1 section 5 of this act. [If the amount of the budgeted general fund for
2 the prebudget year exceeds \$100 million] In the event that the
3 district's 2004-2005 budget is not approved by the voters of the
4 district or the board of school estimate, the district may use the
5 undesignated general fund balance which exceeds 3% to meet the
6 reduction in tax levy certified by the municipal governing body or
7 bodies or board of school estimate following review of the defeated
8 budget. Any appropriation of the undesignated general fund balance
9 made by board resolution following the April 2004 school budget
10 election and prior to the effective date of P.L. , c. (C.) (now
11 pending before the Legislature as this bill) to the capital reserve
12 account or maintenance reserve account or to increase spending for
13 the 2003-2004 school year shall be null and void unless, upon written
14 application to the commissioner, the district demonstrates that the
15 appropriation was necessary for use in the 2003-2004 school year to
16 meet the thoroughness standards established pursuant to subsection a.
17 of section 4 of P.L.1996, c.138 (C.18A:7F-4) and no other line item
18 account balances were available.

19 In the 2005-2006 school year and thereafter, an undesignated
20 general fund balance in excess of [6% of the first \$100 million and in
21 excess of 3% of the amount which exceeds \$100 million] 2% of the
22 budgeted general fund for the prebudget year or \$75,000, whichever
23 is greater, shall be appropriated by a school district or county
24 vocational school district for the purpose of the budget prepared
25 pursuant to section 5 of this act.

26 b. Notwithstanding the provisions of subsection a. of this section,
27 if the district has a formal plan to expand, renovate or construct school
28 facilities, join a distance learning network, or make a major
29 replacement or acquisition of instructional equipment within the
30 subsequent five years, the district may, with the approval of the
31 commissioner, transfer the excess undesignated general fund balance
32 to the capital reserve account established pursuant to N.J.S.18A:21-3
33 for that purpose.

34 c. If it is determined that the undesignated general fund balances
35 at [December 31, 1996 or] June 30 of any school year exceed those
36 permitted under subsection a. of this section, the excess undesignated
37 general fund balances shall be reserved and designated in the
38 subsequent year's budget submitted to the commissioner pursuant to
39 subsection c. of section 5 of this act.

40 d. The commissioner may withhold State aid in an amount not to
41 exceed the excess undesignated general fund balances for failure to
42 comply with subsection c. of this section.

43 e. Proceeds from the sale and lease-back of textbooks and
44 non-consumable instructional materials shall not be included in the
45 calculation of excess undesignated general fund balance during the
46 budget year in which they are realized.

47 (cf: P.L.1998, c.55, s.3)

1 4. Section 13 of P.L.2000, c.72 (C.18A:7G-13) is amended to read
2 as follows:

3 13. a. The authority shall be responsible for the financing,
4 planning, design, construction management, acquisition, construction,
5 and completion of school facilities projects. Upon submission to the
6 authority of a final project report, the authority shall undertake the
7 acquisition, construction, and all other appropriate actions necessary
8 to complete the project. When the final eligible costs of a school
9 facilities project are less than or equal to \$500,000, the authority may,
10 in its discretion, authorize a district to undertake the acquisition,
11 construction and all other appropriate actions necessary to complete
12 the project and enter into a grant agreement with the district for the
13 payment of the State share.

14 b. The authority shall undertake the financing of school facilities
15 projects pursuant to the provisions of this act. The authority may, in
16 its discretion and upon consultation with the district, finance only the
17 State share of the school facilities project or the State share and the
18 local share of the project. In the event that the authority finances only
19 the State share of a project, the authority shall not commence
20 acquisition or construction of the project until the authority receives
21 the local share from the district.

22 c. In order to implement the arrangements established for school
23 facilities projects which are to be constructed by the authority and
24 financed pursuant to this section, a district shall enter into an
25 agreement with the authority and the commissioner containing the
26 terms and conditions determined by the parties to be necessary to
27 effectuate the project.

28 d. Upon completion by the authority of a school facilities project,
29 the district shall enter into an agreement with the authority to provide
30 for the maintenance of the project by the district. In the event that the
31 school facilities project is constructed by a district, upon the
32 completion of the project, the district shall submit to the commissioner
33 a plan to provide for the maintenance of the project by the district.
34 Any agreement or plan shall contain, in addition to any other terms and
35 provisions, a requirement for the establishment of a maintenance
36 reserve fund consistent with the appropriation and withdrawal
37 requirements for capital reserve accounts established pursuant to
38 section 57 of P.L.2000, c.72 (C.18A:7G-31), the funding levels of
39 which shall be as set forth in regulations adopted by the commissioner
40 pursuant to section 26 of this act.

41 (cf: P.L.2000, c.72, s.13)

42

43 5. Section 57 of P.L.2000, c.72 (C.18A:7G-31) is amended to read
44 as follows:

45 57. a. Notwithstanding any provision of this act or any other law
46 or regulation to the contrary, [within 90 days of the effective date of
47 this act,] a board of education or a board of school estimate, as

1 appropriate, may, through the adoption of a board resolution, establish
2 a capital reserve account. The account shall be established and held
3 in accordance with GAAP and shall be subject to annual audit. The
4 funds in the capital reserve account shall be used to finance the
5 district's long-range facilities plan required pursuant to subsection a.
6 of section 4 of this act and the amount in the account shall not exceed
7 the total amount of local funds required to implement the plan [as
8 indicated on the annual QAAR report].

9 b. A board of education or a board of school estimate, as
10 appropriate, may appropriate funds in the district's annual budget for
11 the establishment of the capital reserve account pursuant to subsection
12 a. of this section or to supplement the funds in the account as required
13 to meet the needs of the long-range facilities plan. [The district's
14 spending growth limitation as established pursuant to section 5 of
15 P.L.1996, c.138 (C.18A:7F-5) shall be adjusted by the amount of
16 funds appropriated in the budget year to the capital reserve account.]

17 c. A board of education may, by resolution of the board: [transfer
18 undesignated general fund balance or excess undesignated general fund
19 balance to the capital reserve account at any time during the budget
20 year;] transfer funds from the capital reserve account to the
21 appropriate line item account for the funding of capital projects as
22 contained in the district's long-range facilities plan; and transfer funds
23 from the capital reserve account to the debt service account for the
24 purpose of offsetting principal and interest payments for bonded
25 projects which are included in the district's long-range facilities plan.
26 (cf: P.L.2000, c.72, s.57)

27

28 6. Section 2 of P.L.1979, c.294 (C.18A:22-8.1) is amended to read
29 as follows:

30 2. [Whenever] Except as otherwise provided pursuant to this
31 section, whenever a school district desires to transfer amounts among
32 line items and program categories, the transfers shall be by resolution
33 of the board of education; however, a board may, by resolution,
34 designate the chief school administrator to approve such transfers as
35 are necessary between meetings of the board. Transfers approved by
36 the chief school administrator shall be reported to the board, ratified
37 and duly recorded in the minutes at a subsequent meeting of the board,
38 but not less than monthly. Transfers of surplus amounts or any other
39 unbudgeted or underbudgeted revenue to line item and program
40 categories shall require the approval of the Commissioner of
41 Education and shall only be approved between October 1 and June 30
42 for line items and program categories necessary to achieve the
43 thoroughness standards established pursuant to subsection a. of
44 section 4 of P.L.1996, c.138 (C18A:7F-4). In a school district
45 wherein the Commissioner of Education has directed a comprehensive
46 compliance investigation pursuant to section 14 of P.L. 1975, c. 212

1 (C. 18A:7A-14), the board of education shall obtain the written
2 approval of the county superintendent of [school] schools prior to
3 implementing any board authorized transfer of funds.

4 (cf: P.L.1987, c.398, s.4)

5
6 7. (New section) a. The commissioner shall designate, for a
7 minimum of two years and a maximum of four years, up to three
8 counties to participate in a pilot program to explore efficiencies
9 through consolidation and shared services.

10 b. Notwithstanding any provisions of chapter 7 of Title 18A of the
11 New Jersey Statutes or any other law to the contrary, the
12 commissioner may, for any of the counties selected to participate in
13 the pilot program, appoint an individual or contract with a public
14 entity to assume the duties and responsibilities of the county
15 superintendent of schools if a vacancy exists in the position of county
16 superintendent in that county. The term of the appointment or
17 contract shall be for a minimum of two years and a maximum of four
18 years.

19 c. The allocation of fiscal responsibility for the offices of the
20 county superintendent in the counties that participate in the pilot
21 program shall be as provided pursuant to chapter 7 of Title 18A of the
22 New Jersey Statutes; except that if the commissioner contracts with a
23 public entity pursuant to this section the State shall be responsible for
24 any payments required under the contract.

25
26 8. (New section) Notwithstanding any provision of P.L.1968,
27 c.410 (C.52:14B-1 et seq.) to the contrary, the commissioner may
28 adopt, immediately upon filing with the Office of Administrative Law,
29 such rules and regulations as the commissioner deems necessary to
30 implement the provisions of P.L. , c. (C.) (now pending before
31 the Legislature as this bill) which shall be effective for a period not to
32 exceed 12 months. Determinations made by the commissioner
33 pursuant to P.L. , c. (C.) (now pending before the Legislature
34 as this bill) and the rules and regulations adopted by the commissioner
35 to implement that act shall be considered to be final agency action and
36 appeal of that action shall be directly to the Appellate Division of the
37 Superior Court. The regulations shall thereafter be amended, adopted
38 or readopted by the State Board of Education in accordance with the
39 provisions of P.L.1968, c.410 (C.52:14B-1 et seq.).

40
41 9. This act shall take effect immediately.

42
43
44 STATEMENT

45
46 This bill revises the calculation of school district budget caps to
47 reduce allowable increases in spending. Under current law, a district

1 may increase its spending over the prior year by 3% or the CPI,
2 whichever is greater, plus additional adjustments for particular
3 spending items. Under this bill, a district would only be able to
4 increase its spending over the prior year by 2.5% or the CPI,
5 whichever is greater. While the bill also maintains additional
6 adjustments for particular spending items, it eliminates the adjustment
7 currently available to school districts for the costs associated with the
8 opening of a new school facility during the budget year as well as
9 adjustments for the receipt of early childhood program aid and
10 demonstrably effective program aid. In addition, the bill reduces by
11 50%, beginning with the 2004-2005 budget year, the amount that a
12 school district may "bank" and then use to increase its budget cap in
13 the succeeding two school years.

14 The bill also requires that a proposed budget submitted to the
15 Commissioner of Education for approval include advertised per pupil
16 administrative costs which do not exceed the administrative cost limits
17 established for the region in which the district is located. For the
18 2005-2006 school year, the commissioner will establish the
19 administrative cost limits based on audited school district expenditures
20 for the 2003-2004 school year. For the 2006-2007 school year and
21 each subsequent school year, the administrative limit for each region
22 will increase over the prior year limits by 2.5% or the CPI, whichever
23 is greater. If any district fails to comply with this provision, the
24 commissioner may withhold the district's State aid in an amount up to
25 the amount of the excess.

26 The bill also stipulates that if any district submits a proposal to the
27 voters or board of school estimate for authority to exceed its budget
28 cap, the proposal may not contain any programs and services that were
29 included in the district's prior year budget unless the proposal is
30 approved by the commissioner. A proposal may also not contain any
31 new programs and services which are necessary for students to achieve
32 the core curriculum content standards. Also, if a district needs to
33 make spending reductions in order to stay within its cap, the district
34 may only make reductions to excessive administration and programs
35 and services that are inefficient or ineffective.

36 The bill reduces the amount of allowable surplus that may be
37 maintained by a school district. For the 2004-2005 school budget
38 year, any undesignated general fund balance in excess of 3% or
39 \$75,000, whichever is greater, must be appropriated. Also, any
40 appropriation of surplus made, following the April 2004 school budget
41 election and prior to the bill's effective date, to a district's capital
42 reserve account or maintenance reserve account or to increase
43 spending for the 2003-2004 school year will be null and void unless
44 the district can demonstrate to the commissioner that the appropriation
45 was necessary to meet the core curriculum content standards. In the
46 2005-2006 school year and thereafter, any undesignated general fund
47 balance in excess of 2% or \$75,000, whichever is greater, will be

1 required to be appropriated.

2 Finally, the bill prohibits transfers of surplus during the first three
3 months of the school budget year and requires the approval of the
4 commissioner for such transfers which may occur during the remainder
5 of the school year. The commissioner will only approve the transfer
6 of surplus funds if the transfer is necessary to implement the core
7 curriculum content standards.

ASSEMBLY APPROPRIATIONS COMMITTEE

STATEMENT TO

ASSEMBLY COMMITTEE SUBSTITUTE FOR **ASSEMBLY, No. 99**

STATE OF NEW JERSEY

DATED: JUNE 17, 2004

The Assembly Appropriations Committee reports favorably an Assembly Committee Substitute for Assembly Bill No. 99.

The Assembly Committee Substitute for Assembly Bill No. 99 revises the calculation of school district budget caps to reduce allowable increases in spending. Under current law, a district may increase its spending over the prior year by 3% or the cost of living (CPI), whichever is greater, plus additional adjustments for particular spending items. Under this substitute, a district will only be able to increase its spending over the prior year by the cost of living (CPI) or 2.5%, whichever is less. While the substitute also maintains additional adjustments for particular spending items, it eliminates the adjustment currently available to certain school districts for the receipt of early childhood program aid and demonstrably effective program aid, and limits the adjustment for courtesy busing services to the increase between the prebudget and budget years in the cost of providing those services.

The substitute requires that a district's proposed budget for the 2005-2006 school year include advertised per pupil administrative costs that do not exceed the lower of the following: 1) the district's per pupil administrative costs for the 2004-2005 school year inflated by the cost of living or 2.5 percent, whichever is less; or 2) the per pupil administrative cost limits for the district's region as determined by the commissioner based on audited expenditures for the 2003-2004 school year. The substitute authorizes the county superintendent of schools to disapprove a school district's 2005-2006 budget if he determines that the district has not implemented all potential efficiencies in the administrative operations of the district. The county superintendent is directed to work with each school district in the county during the 2004-2005 school year to identify administrative inefficiencies in the operations of the district that might cause the superintendent to reject the district's proposed 2005-2006 budget.

For the 2006-2007 school year and for each subsequent school year, each school district must submit a proposed budget in which the advertised per pupil administrative costs do not exceed the lower of the following: 1) the district's prior year per pupil administrative costs;

or, 2) the prior year per pupil administrative cost limits for the district's region inflated by the cost of living or 2.5 percent, whichever is less. In the case of a district which is subject to its prior year per pupil administrative cost, the substitute permits a school district to submit a request to the commissioner for approval to exceed the district's prior year per pupil administrative costs due to increases in enrollment, administrative positions necessary as a result of mandated programs, administrative vacancies, nondiscretionary fixed costs, and such other items as defined by regulation. If the commissioner approves a district's request to exceed its prior year per pupil administrative costs, the increase authorized by the commissioner may not exceed the cost of living or 2.5 percent, whichever is less.

The substitute also stipulates that if any district submits a proposal to the voters or board of school estimate for authority to exceed its budget cap, the proposal may not contain any programs and services that were included in the district's prior year budget unless the proposal is approved by the commissioner. A proposal may also not contain any new programs and services which are necessary for students to achieve the core curriculum content standards. The county superintendent of schools may prohibit the submission of a separate proposal if he determines that the district has not implemented all potential efficiencies in the administrative operations of the district. Also, if a district needs to make spending reductions in order to stay within its cap, the district may only make reductions to excessive administration and programs and services that are inefficient or ineffective.

The substitute reduces by 50%, beginning with the 2004-2005 budget year, the amount that a school district may "bank" and then use to increase its budget cap in the succeeding two school years. The county superintendent may disapprove a district's proposed budget which includes "banked" amounts if he determines that the district has not implemented all potential efficiencies in the administrative operations of the district. Again, the county superintendent is to work with each school district in the 2004-2005 and subsequent school years to identify administrative inefficiencies that might cause the county superintendent to reject the district's proposed budget.

The substitute reduces the amount of allowable surplus that may be maintained by a school district, other than a county vocational school district. For the 2004-2005 school budget year, any undesignated general fund balance in excess of 3% or \$100,000, whichever is greater, must be appropriated. Also, any appropriation of surplus made, following the April 2004 school budget election and prior to the substitute's effective date, to a district's capital reserve account or maintenance reserve account or to increase spending for the 2003-2004 school year will be null and void unless the district can demonstrate to the commissioner that the appropriation was necessary to meet the core curriculum content standards. In the 2005-2006 school year and thereafter, any undesignated general fund balance in

excess of 2% or \$100,000, whichever is greater, will be required to be appropriated. Funds made available as a result of the reduction in allowable surplus contained in the substitute must be used to reduce the tax levy. Allowable surplus for county vocational schools under the substitute will be 6% or \$100,000, whichever is greater.

Finally, the substitute prohibits transfers of surplus during the first nine months of the school budget year and requires the approval of the commissioner for such transfers which may occur during the remainder of the school year. The commissioner will only approve the transfer of surplus funds if the transfer is necessary to implement the core curriculum content standards. The substitute provides that a school district could petition the commissioner for authority to transfer revenue prior to April 1 due to an emergent circumstance and the commissioner may authorize the transfer if he determines it to be necessary to meet that emergency. Transfers from any appropriation account that, on a cumulative basis, exceed 10% of the budget as certified for taxes will also require the approval of the commissioner.

FISCAL IMPACT:

This substitute has no impact on State revenues or expenditures. At this time, the Executive branch has not provided any information concerning the fiscal impact of the provisions of this bill on school districts.

STATEMENT TO
ASSEMBLY COMMITTEE SUBSTITUTE FOR
ASSEMBLY, No. 99

with Assembly Floor Amendments
(Proposed By Assemblywoman VOSS)

ADOPTED: JUNE 21, 2004

This amendment revises the percentage by which a school district may increase its base budget from the "cost of living or 2.5 percent, whichever is less" to the "cost of living or 2.5 percent, whichever is greater." This same language in the bill is revised as it applies to the calculation of adjustments to the base cap as well as allowable increases in per pupil administrative costs.