

18A:7D-4

LEGISLATIVE HISTORY CHECKLIST
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(School funds -- unanticipated
free balances)

NJSA: 18A:7D-4

LAWS OF: 1993 **CHAPTER:** 80

BILL NO: S830

SPONSOR(S) Ewing

DATE INTRODUCED: May 14, 1992

COMMITTEE: **ASSEMBLY:** ---
SENATE: Education

AMENDED DURING PASSAGE: No Senate Committee substitute
enacted

DATE OF PASSAGE: **ASSEMBLY:** February 25, 1993
SENATE: January 12, 1993

DATE OF APPROVAL: March 17, 1993

FOLLOWING STATEMENTS ARE ATTACHED IF AVAILABLE:

SPONSOR STATEMENT: Yes

COMMITTEE STATEMENT: **ASSEMBLY:** No
SENATE: Yes

FISCAL NOTE: Yes

VETO MESSAGE: No

MESSAGE ON SIGNING: No

FOLLOWING WERE PRINTED:

REPORTS: No

HEARINGS: No

KBG:pp

P.L.1993, CHAPTER 80, approved March 17, 1993
Senate Committee Substitute for
1992 Senate No. 830 and Assembly No. 1092

1 AN ACT concerning free balances in public schools, amending
2 P.L.1990, c.52, and N.J.S.18A:21-3 and supplementing
3 P.L.1990, c.52 (C.18A:7D-1 et seq.).
4

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

7 1. Section 4 of P.L.1990, c.52 (C.18A:7D-4) is amended to read
8 as follows:

9 4. a. Each district's foundation aid for current expense and
10 capital outlay purposes shall be determined as follows:

11 A - MB - FS [- S] where

12 A is the foundation aid;

13 MB is the maximum foundation budget determined pursuant to
14 section 6 of P.L.1990, c.52 (C.18A:7D-6);

15 FS is the district's local fair share determined pursuant to
16 section 7 of P.L.1990, c.52 (C.18A:7D-7);

17 S is the excess surplus, equal to any beginning general fund free
18 balance for the prebudget year which exceeds 7.5% of the
19 district's net budget for the prebudget year, after deducting
20 from the balance any federal funds provided to a district pursuant
21 to Pub.L.81-874, 20 U.S.C. §236 et seq. However, for any
22 district that has an approved surplus reduction plan in accordance
23 with the provisions of subsection d. of section 23 of P.L.1990,
24 c.52 (C.18A:7D-29), excess surplus shall be any amount that
25 exceeds the amount specified in the plan].

26 b. Each district's foundation aid for current expense and
27 capital outlay shall be expended to provide a thorough and
28 efficient system of education and may be used for preschool
29 programs, full day kindergarten, school libraries, school security
30 and other educational purposes and functions.

31 (cf: P.L.1991, c.52, s.2)

32 2. N.J.S.18A:21-3 is amended to read as follows:

33 18A:21-3. Such account shall be established by resolution of
34 the board of school estimate or the board of education, as the
35 case may be, in such form as shall be prescribed by the
36 commissioner, a true copy of which shall be filed with the
37 department. For any school year an amount not to exceed the
38 amount of foundation aid anticipated in the capital outlay budget,
39 as calculated pursuant to section 10 of P.L.1990, c.52
40 (C.18A:7D-10), plus any additional sum expressly approved by the

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 voters of the district or the board of school estimate, and any
2 free balance amount, authorized under section 3 of P.L. ,c.
3 (C.)(now pending before the Legislature as this bill), may be
4 appropriated to the account. The account shall also include the
5 earnings attributable to the investment of the assets of the
6 account.

7 (cf: P.L.1990, c.52, s.39)

8 3. (New section) a. General fund free balances in excess of
9 7.5% of the budgeted general fund appropriations for the
10 prebudget year shall be appropriated by a school district for the
11 purpose of the budget prepared pursuant to section 22 of
12 P.L.1990, c.52 (C.18A:7D-27).

13 b. If the appropriation of excess free balances pursuant to
14 subsection a. of this section will create a hardship for the district
15 in the 1993-94 school year, the district may apply to the county
16 superintendent and receive approval of a schedule for the
17 appropriation of the free balance in excess of 7.5% that will
18 enable the district to meet this requirement no later than the
19 beginning of the 1996-97 school year. The schedule may include
20 approval to transfer the general fund free balance to the capital
21 reserve account established pursuant to N.J.S.18A:21-3.

22 c. If the appropriation of excess free balances pursuant to
23 subsection a. of this section will create a hardship for the district
24 in a school year subsequent to 1993-94, the district may transfer
25 the general fund free balance to the capital reserve account
26 established pursuant to N.J.S.18A:21-3.

27 4. This act shall take effect immediately and shall be first
28 applicable to State aid beginning with the 1993-94 school year.

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33 Provides that free balances in excess of 7.5% of budgeted
34 appropriations be appropriated by school district for purpose of
35 budget; allows phase-in if hardship.

SENATE COMMITTEE SUBSTITUTE FOR
SENATE, No. 830 and ASSEMBLY, No. 1092

STATE OF NEW JERSEY

ADOPTED OCTOBER 22, 1992

Sponsored by Senator EWING, Assemblywoman WEBER
and Assemblyman ROCCO

1 AN ACT concerning free balances in public schools, amending
2 P.L.1990, c.52, and N.J.S.18A:21-3 and supplementing
3 P.L.1990, c.52 (C.18A:7D-1 et seq.).
4

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

7 1. Section 4 of P.L.1990, c.52 (C.18A:7D-4) is amended to read
8 as follows:

9 4. a. Each district's foundation aid for current expense and
10 capital outlay purposes shall be determined as follows:

11 $A = MB - FS [- S]$ where

12 A is the foundation aid;

13 MB is the maximum foundation budget determined pursuant to
14 section 6 of P.L.1990, c.52 (C.18A:7D-6);

15 FS is the district's local fair share determined pursuant to
16 section 7 of P.L.1990, c.52 (C.18A:7D-7)[;

17 S is the excess surplus, equal to any beginning general fund free
18 balance for the prebudget year which exceeds 7.5% of the
19 district's net budget for the prebudget year, after deducting
20 from the balance any federal funds provided to a district pursuant
21 to Pub.L.81-874, 20 U.S.C. §236 et seq. However, for any
22 district that has an approved surplus reduction plan in accordance
23 with the provisions of subsection d. of section 23 of P.L.1990,
24 c.52 (C.18A:7D-29), excess surplus shall be any amount that
25 exceeds the amount specified in the plan].

26 b. Each district's foundation aid for current expense and
27 capital outlay shall be expended to provide a thorough and
28 efficient system of education and may be used for preschool
29 programs, full day kindergarten, school libraries, school security
30 and other educational purposes and functions.

31 (cf: P.L.1991, c.62, s.2)

32 2. N.J.S.18A:21-3 is amended to read as follows:

33 18A:21-3. Such account shall be established by resolution of
34 the board of school estimate or the board of education, as the
35 case may be, in such form as shall be prescribed by the
36 commissioner, a true copy of which shall be filed with the
37 department. For any school year an amount not to exceed the
38 amount of foundation aid anticipated in the capital outlay budget,
39 as calculated pursuant to section 10 of P.L.1990, c.52
40 (C.18A:7D-10), plus any additional sum expressly approved by the

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 voters of the district or the board of school estimate, and any
2 free balance amount, authorized under section 3 of P.L. ,c.
3 (C.)(now pending before the Legislature as this bill), may be
4 appropriated to the account. The account shall also include the
5 earnings attributable to the investment of the assets of the
6 account.

7 (cf: P.L.1990, c.52, s.39)

8 3. (New section) a. General fund free balances in excess of
9 7.5% of the budgeted general fund appropriations for the
10 prebudget year shall be appropriated by a school district for the
11 purpose of the budget prepared pursuant to section 22 of
12 P.L.1990, c.52 (C.18A:7D-27).

13 b. If the appropriation of excess free balances pursuant to
14 subsection a. of this section will create a hardship for the district
15 in the 1993-94 school year, the district may apply to the county
16 superintendent and receive approval of a schedule for the
17 appropriation of the free balance in excess of 7.5% that will
18 enable the district to meet this requirement no later than the
19 beginning of the 1996-97 school year. The schedule may include
20 approval to transfer the general fund free balance to the capital
21 reserve account established pursuant to N.J.S.18A:21-3.

22 c. If the appropriation of excess free balances pursuant to
23 subsection a. of this section will create a hardship for the district
24 in a school year subsequent to 1993-94, the district may transfer
25 the general fund free balance to the capital reserve account
26 established pursuant to N.J.S.18A:21-3.

27 4. This act shall take effect immediately and shall be first
28 applicable to State aid beginning with the 1993-94 school year.

29

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31

32

33 Provides that free balances in excess of 7.5% of budgeted
34 appropriations be appropriated by school district for purpose of
35 budget; allows phase-in if hardship.

SENATE, No. 830

STATE OF NEW JERSEY

INTRODUCED MAY 14, 1992

By Senator EWING

1 AN ACT concerning unanticipated free balances in public schools
2 and amending P.L.1990, c.52, and N.J.S.18A:21-3.

3

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

6 1. Section 4 of P.L.1990, c.52 (C.18A:7D-4) is amended to read
7 as follows:

8 4. a. Each district's foundation aid for current expense and
9 capital outlay purposes shall be determined as follows:

10 A = MB - FS - S where

11 A is the foundation aid;

12 B is the maximum foundation budget determined pursuant to
13 section 6 of P.L.1990, c.52 (C.18A:7D-6);

14 FS is the district's local fair share determined pursuant to
15 section 7 of P.L.1990, c.52 (C.18A:7D-7);

16 S is the excess surplus, equal to any beginning general fund free
17 balance for the prebudget year which exceeds 7.5% of the
18 district's net budget for the prebudget year, after deducting
19 from the balance any federal funds provided to a district pursuant
20 to Pub.L.81-874, 20 U.S.C. §236 et seq. , and after deducting the
21 excludable unanticipated free balance amount pursuant to
22 subsection c. However, for any district that has an approved
23 surplus reduction plan in accordance with the provisions of
24 subsection d. of section 23 of P.L.1990, c.52 (C.18A:7D-29),
25 excess surplus shall be any amount that exceeds the amount
26 specified in the plan.

27 b. Each district's foundation aid for current expense and
28 capital outlay shall be expended to provide a thorough and
29 efficient system of education and may be used for preschool
30 programs, full day kindergarten, school libraries, school security
31 and other educational purposes and functions.

32 c. Each school district's excludable unanticipated free balance
33 amount shall equal the product of an unanticipated free balance
34 amount, approved by the commissioner, which has not been
35 deposited into the capital reserve account pursuant to
36 N.J.S.18A:21-3, and .80 for each of the first five years after the
37 district has received the unanticipated free balance amount.

38 For the purposes of this act, an unanticipated free balance
39 amount shall include but not be limited to revenues from a court
40 case, revenues from funds appropriated for a project which has
41 been delayed, or some other unanticipated source approved by the
42 commissioner.

43 (cf: P.L.1991,c.62,s.2)

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 2. N.J.S.18A:21-3 is amended to read as follows:

2 18A:21-3. Such account shall be established by resolution of
3 the board of school estimate or the board of education, as the
4 case may be, in such form as shall be prescribed by the
5 commissioner, a true copy of which shall be filed with the
6 department. For any school year an amount not to exceed the
7 amount of foundation aid anticipated in the capital outlay budget,
8 as calculated pursuant to section 10 of P.L.1990, c.52
9 (C.18A:7D-10), plus any additional sum expressly approved by the
10 voters of the district or the board of school estimate, and any
11 unanticipated free balance amount, approved by the
12 commissioner, may be appropriated to the account. The account
13 shall also include the earnings attributable to the investment of
14 the assets of the account.
15 (cf: P.L.1990,c.52,s.39)

16 3. This act shall take effect immediately and shall be first
17 applicable to State aid beginning with the 1993-94 school year.

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20 STATEMENT

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22 This bill would allow school districts to either phase in the
23 allocation of an unanticipated free balance amount over a five
24 year period or appropriate the unanticipated free balance amount
25 to its capital reserve account.

26 The unanticipated free balance amount, which would have to be
27 approved by the Commissioner of Education, may involve
28 unanticipated revenues such as, for example, an award from a
29 court case. The bill would protect school districts from having to
30 either appropriate the entire unanticipated free balance or use all
31 of these funds for property tax relief in one year.

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37 Allows a school district to phase in the allocation of an
38 unanticipated free balance or appropriate it into its capital
reserve account.

ASSEMBLY, No. 1092
STATE OF NEW JERSEY

INTRODUCED MARCH 16, 1992

By Assemblywoman WEBER, Assemblymen ROCCO,
Nickles and Wolfe

1 AN ACT concerning State aid to school districts.

2

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

5 1. Notwithstanding the provisions of any law to the contrary,
6 for the purpose of calculating a district's foundation aid pursuant
7 to section 4 of P.L.1990, c.52 (C.18A:7D-4) for the 1992-93
8 school year, no deduction shall be made for excess surplus.

9 2. This act shall take effect immediately.

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12 STATEMENT

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14 This bill suspends for the 1992-93 school year the provision in
15 the Quality Education Act which deducted excess surplus from a
16 district's foundation aid.

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21 Removes foundation aid penalty for excess surplus for the
22 1992-93 school year.

SENATE EDUCATION COMMITTEE
STATEMENT TO
SENATE COMMITTEE SUBSTITUTE FOR
SENATE, No. 830 and ASSEMBLY, No. 1092
STATE OF NEW JERSEY

DATED: OCTOBER 22, 1992

The Senate Education Committee favorably reports this bill as a Senate Committee Substitute.

This committee substitute provides that general fund free balances in excess of 7.5% of budgeted appropriations shall be appropriated by a school district for the purpose of the budget. If that appropriation creates a hardship in the 1993-94 school year, however, the district may apply to the county superintendent and receive approval of a schedule for the appropriation of the excess free balance, including approval to transfer the balance to the capital reserve account, that will enable the district to meet this requirement no later than the beginning of the 1996-97 school year. If the appropriation will create a hardship for a district in a school year subsequent to 1993-94, the district may transfer the balance to the capital reserve account.

The substitute removes a provision of the current law which requires a school district to subtract any beginning general fund free balance which exceeds 7.5% of the district's net budget from the maximum foundation budget in determining the amount of foundation aid.

LEGISLATIVE FISCAL ESTIMATE TO
SENATE COMMITTEE SUBSTITUTE FOR
SENATE, No. 830 and ASSEMBLY, No. 1092

STATE OF NEW JERSEY

DATED: March 11, 1993

Senate Committee Substitute for Senate Bill No. 830 and Assembly Bill No. 1092 of 1992 provides that general fund free balances in excess of 7.5 percent of budgeted appropriations shall be appropriated by a school district for the purpose of the budget. If that appropriation creates a hardship in the 1993-1994 school year, however, the district may apply to the county superintendent and receive approval of a schedule for the appropriation of the excess free balance, including approval to transfer the balance to the capital reserve account, that will enable the district to meet this requirement no later than the beginning of the 1996-1997 school year. If the appropriation will create a hardship for a district in a school year subsequent to 1993-1994, the district may transfer the balance to the capital reserve account. Also, this substitute removes a provision of the current law which requires a school district to subtract any beginning general fund free balance which exceeds 7.5 percent of the district's net budget from the maximum foundation budget in determining the amount of foundation aid.

The Office of Legislative Services (OLS) notes that the enactment of this substitute will not have any fiscal impact on the State. The removal of the deduction of excess surplus from a district's maximum foundation budget in determining the foundation aid calculation provided in this substitute has been accomplished through footnote language in the FY 1993 Appropriations Act. For FY 1994, the foundation aid distribution will be based on the FY 1993 entitlements.

Also, based upon a fiscal note worksheet prepared by the Department of Education for Senate Bill No. 830 of 1992, OLS notes that the dollar amount and the number of districts that would accrue an excess fund free balance or the number of districts that would experience hardship as a result of budgeting that excess surplus cannot be estimated. The appropriation of general fund free balance by a school district would reduce the local school tax levy if the funds are used as revenue for current expense or capital outlay. There would be no local tax impact if the surplus is appropriated to a district's capital reserve account.

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

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