

18A:22-8 to 18A:22-8.3

LEGISLATIVE HISTORY CHECKLIST

WJSA 18A:22-8 to 18A:22-8.3 (School district budgets--prescribe format)

LAWS OF 1979 CHAPTER 294

Bill No. A1840

Sponsor(s) Bornheimer and Hollenbeck

Date Introduced Nov. 22, 1978

Committee: Assembly Education

Senate Education

Amended during passage Yes  Amendments during passage denoted by asterisks

Date of Passage: Assembly April 23, 1979

Senate Dec. 3, 1979

Date of approval Jan. 14, 1980

Following statements are attached if available:

Sponsor statement	Yes	<input checked="" type="checkbox"/>	Also attached: Senate amendment adopted 11-13-79 (with statement)
Committee Statement: Assembly	Yes	<input checked="" type="checkbox"/>	
Senate	<del>Yes</del>	No	
Fiscal Note	<del>Yes</del>	No	
Veto message	<del>Yes</del>	No	
Message on signing	<del>Yes</del>	No	

Following were printed:

Reports	<del>Yes</del>	No
Hearings	<del>Yes</del>	No

Report cited in Assembly Committee statement:

974.90 NJ. Department of Education. Division of Administration and Finance.  
S372 Budget preparation guide, 1976. Trenton, 1976  
1976e

9/1/78

EJ

[SECOND OFFICIAL COPY REPRINT]

ASSEMBLY, No. 1840

STATE OF NEW JERSEY

INTRODUCED NOVEMBER 22, 1978

By Assemblymen BORNHEIMER and HOLLENBECK

Referred to Committee on Education

AN ACT concerning school district budgets and appropriations, amending N. J. S. 18A:22-8 and supplementing chapter 22 of Title 18A of the New Jersey Statutes.

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

1 1. N. J. S. 18A:22-8 is amended to read as follows:

2 1. The budget shall be prepared in such detail and upon such  
3 forms as shall be prescribed by the commissioner and to it shall be  
4 annexed a statement so itemized as to make the same readily under-  
5 standable, in which shall be shown:

6 [a. The amounts of moneys estimated to be necessary to be  
7 appropriated for such ensuing school year, indicating separately  
8 those required for—

9 1. Current expenses of the school including vocational  
10 evening schools and courses, evening schools or classes for  
11 foreign-born residents, the salaries of the secretary of the  
12 board of education, the custodian of school moneys, principals,  
13 teachers, janitors, medical inspectors and truant officers; fuel,  
14 textbooks, school supplies, flags, transportation of pupils, tui-  
15 tion of pupils attending schools in other districts with the con-  
16 sent of the board, school libraries, truant schools, insurance,  
17 repairs and renewals to buildings, furniture, equipment or  
18 apparatus, and other incidental expenses of the schools,

19 2. Deleted by amendment.

20 3. Deleted by amendment.

21 4. Interest and debt redemption charges, in type II districts  
22 only.

23 5. Appropriations to the capital reserve fund,

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

24           6. Any other major purposes including any capital project  
25           which it is desired to include in the annual budget;

26       b. The amount appropriated for each of said items for the cur-  
27 rent school year;

28       c. The anticipated revenues intended to be used for said items  
29 and purposes and the respective sources and amounts of the same;

30       d. The anticipated revenues for similar items and purposes for  
31 the current school year and the respective sources and amounts  
32 of the same;

33       e. The amount of the surplus account available at the beginning  
34 of the current school year; and

35       f. The amount of money which shall have been apportioned to  
36 the district by the commissioner and authorized by law to be used  
37 to meet the expenses of such district for such ensuing year.】

38       *a. In tabular form there shall be set forth the following:*

39       *(1) The amount of appropriation for the preceding school*  
40 *\*\*year\*\*, the amount transferred into or out of the item of*  
41 *appropriation for the preceding school year, the total expenditure*  
42 *for such item for the preceding school year, the amount appropri-*  
43 *ated for the current school year, the amount estimated to be*  
44 *necessary to be appropriated for the ensuing school year, indicated*  
45 *separately for at least the following items:*

46       *(a) Salaries—administration*

47       *(b) Salaries—teaching*

48       *(c) Salaries—custodial and maintenance*

49       *(d) Categorical programs*

50           *(i) Salaries*

51           *(ii) Other*

52       *(e) Utilities—including fuel*

53       *(f) Textbooks*

54       *(g) School supplies—educational*

55       *(h) School supplies—maintenance and other*

56       *(i) Libraries*

57       *(j) Transportation of pupils*

58       *(k) Insurance*

59       *(l) Furniture and equipment*

60       *(m) Repairs and renewals*

61       *(n) Evening schools*

62       *(o) Classes for the foreign born*

63       *(p) Vocational evening schools and courses*

64       *(q) Tuition paid to other districts*

65       *(r) Interest and debt redemption charges, in type II districts.*

66 (s) *Any other major purposes including any capital project*  
 67 *which it is desired to include in the annual budget;*

68 (2) *The amount of the surplus account available at the beginning*  
 69 *of the preceding school year, at the beginning of the current school*  
 70 *year and the amount anticipated to be available for the ensuing*  
 71 *school year;*

72 (3) *The amount of revenue available for budget purposes for*  
 73 *the preceding school year, the amount available for the current*  
 74 *school year and the amount anticipated to be available for the*  
 75 *ensuing school year in the following categories:*

76 (a) *Total to be raised by local property taxes*

77 (b) *Total State aid*

78 (i) *Equalization aid*

79 (ii) *Categorical aid*

80 (iii) *Transportation aid*

81 (iv) *Other*

82 (c) *Total Federal aid*

83 (i) *E.S.E.A. (P. L. 89-10)*

84 (ii) *Manpower development*

85 (iii) *Other*

86 (iv) *Other sources.*

87 **\*\*[(4)]\*\*** *In addition, the commissioner may provide for*  
 88 *a program budget system.*

1 **\*[2.** (New section) No board of education or any officer or em-  
 2 ployee thereof shall, during any school year, expend any money  
 3 (except to pay notes, bonds or interest thereon), incur any liability,  
 4 or enter into any contract which by its terms involves the expendi-  
 5 ture of money for any purpose for which no appropriation is  
 6 provided, or in excess, of the amount appropriated for such pur-  
 7 pose. Violations of this section shall be punishable under the civil  
 8 statutes of New Jersey. Nothing contained in this section, however,  
 9 shall prevent the making of contracts or the spending of money for:

10 a. Capital projects to be financed in whole or in part by the  
 11 issuance of notes or bonds;

12 b. The making of contracts of lease, or for services, for a period  
 13 exceeding the school year in which such contract is made, when  
 14 otherwise provided by law.]\*

1 **\*[3.** (New section) The board of education may, by resolution,  
 2 transfer amounts among line items and program categories between  
 3 July 1 and December 1, and between May 1 and June 30.

4 The commissioner may approve the request of a board of educa-  
 5 tion for a specific transfer between December 1 and May 1 having  
 6 determined that no other action would be sufficient to meet the

7 district's goals, objectives and standards established pursuant to  
8 P. L. 1975, c. 212 (C. 18A:7A-1 et seq.)】\*

1 \*2. (New section) Whenever a school district desires to transfer  
2 amounts among line items and program categories, or change the  
3 purpose for which funds were appropriated within line items and  
4 program categories such transfers and changes of purpose shall  
5 not be made except by a resolution of the board of education.\*

1 \*【4. (New section) a. If during the first 3 months of any school  
2 year, the amount of any appropriation reserve for the immediately  
3 preceding school year is insufficient to pay the claims authorized  
4 or incurred during said preceding year which were chargeable to  
5 said appropriation and there shall be an excess in any appropria-  
6 tion reserves over and above the amount deemed to be necessary to  
7 fulfill its purpose, the board of education may, by resolution adopted  
8 by a recorded roll call majority vote of its full membership, transfer  
9 the amount of such excess to an appropriation reserve or an  
10 appropriation in the prior budget deemed to be insufficient to fulfill  
11 its purpose or for which no reserve was provided.】\*

1 \*【b.】\* \*3.\* No transfer may be made under this section from  
2 appropriations for:

3 \*【(1)】\* \*a.\* Interest and debt redemption charges;

4 \*【(2)】\* \*b.\* Capital reserve fund;

5 \*【(3)】\* \*c.\* Items classified as current expenses except to other  
6 items so classified;

7 \*【(4)】\* \*d.\* Items classified as capital projects except to other  
8 items so classified.

1 \*【5.】\* \*\*\*【4.\* (New section) After the amount to be raised  
2 through taxation for school purposes has been determined, all  
3 further adjustments in State aid entitlements shall be made in the  
4 State aid to be paid in the *next fiscal* year **【following the**  
5 **year for which the adjustment was made】\*\*.**\*\*\* \*4. (New  
6 section) On or after December 1 of each school year, all adjust-  
7 ments to State aid amounts payable for the succeeding school year,  
8 pursuant to P. L. 1975, c. 212 (C. 18A:7A-1 et seq.), shall be made to  
9 the State aid amounts payable during the school year following the  
10 succeeding school year.\*\*\*

1 \*【6.】\* \*5.\* This act shall take effect immediately and be applica-  
2 ble to the school year 1980-81 and thereafter.

1 4. (New section) a. If during the first 3 months of any school  
 2 year, the amount of any appropriation reserve for the immediately  
 3 preceding school year is insufficient to pay the claims authorized  
 4 or incurred during said preceding year which were chargeable to  
 5 said appropriation and there shall be an excess in any appropria-  
 6 tion reserves over and above the amount deemed to be necessary to  
 7 fulfill its purpose, the board of education may, by resolution adopted  
 8 by a recorded roll call majority vote of its full membership, transfer  
 9 the amount of such excess to an appropriation reserve or an  
 10 appropriation in the prior budget deemed to be insufficient to fulfill  
 11 its purpose or for which no reserve was provided.

12 b. No transfer may be made under this section from appropria-  
 13 tions for:

14 (1) Interest and debt redemption charges;

15 (2) Capital reserve fund;

16 (3) Items classified as current expenses except to other items so  
 17 classified;

18 (4) Items classified as capital projects except to other items so  
 19 classified.

1 5. (New section) After the amount to be raised through taxation  
 2 for school purposes has been determined, all further adjustments  
 3 in State aid entitlements shall be made in the State aid to be paid  
 4 in the year following the year for which the adjustment was made.

1 6. This act shall take effect immediately and be applicable to the  
 2 school year 1980-81 and thereafter.

---

#### STATEMENT

This bill requires complete disclosure of school budgets so that the public is able to understand the elements of the budget. It further proposes to control the transfer of funds between accounts in accordance with good budgetary practices, it details the circumstances under which emergency appropriations may be made, and it prohibits boards from incurring any liability in excess of money appropriated for a particular purpose and prescribes a procedure for the transfer of funds.

A. 1840 (1979)

ASSEMBLY EDUCATION COMMITTEE

STATEMENT TO

**ASSEMBLY, No. 1840**

with Assembly committee amendments

**STATE OF NEW JERSEY**

DATED: FEBRUARY 22, 1979

PROVISIONS:

Assembly Bill No. 1840 amends Title 18A in the following ways:

1. Prescribes the manner in which school districts may make budgetary transfers among and within line item and program categories;
2. Imposes a civil penalty upon boards of education and their officers in the event that an over-expenditure occurs in a line item account;
3. Prescribes the manner in which the school budgets are prepared and advertised; and
4. Requires adjustments in State aid to be paid in the year following the year for which the adjustments are made.

BACKGROUND AND PROBLEM ADDRESSED:

There are several major points of difference in the manner in which schools govern themselves and municipalities govern themselves. This is especially evident with respect to the budget process. Besides not having to submit their budget to a referendum one of the most striking differences between schools and municipalities is in the number of restrictions placed upon the manner in which funds may be transferred between line items during the fiscal year.

Currently, municipalities do not have the kinds of latitude to transfer funds between line items that is currently available to school officials. School districts may make such transfers at any time during the year, while municipalities may only make such transfers between line items during the last two months of their fiscal year, November and December. Further, in school districts such transfers between line item accounts can be made by the superintendent or business manager without the approval of the board of education. However, such transfers by a municipal official cannot be made without the approval of two-thirds of the full council.

Differences in the budget planning process have frequently been cited by school officials as the underlying reason for permitting school officials to have greater latitude and discretion in the "budget transfer"

process. School districts plan their budget 9 months in advance of implementation while municipalities begin putting their budget together during the first 3 months of the fiscal year in which the budget is to go into effect. Thus, municipalities operate on a temporary budget for the first 3 months of each fiscal year. After beginning with a temporary budget, municipalities set their budget during the third month (March) of their fiscal year. School officials feel that such flexibility is necessary because of the amount of time between budget determination and budget implementation.

One of the problems has been that such flexibility has often led to incomplete disclosure of expenditures. The provisions of Assembly Bill No. 1840 require that any transfers among line items and program categories, and any change of purpose of funds within line items and program categories be subject to the approval of the board of education.

Further, Assembly Bill No. 1840 proposes that the statutory requirements governing the preparation of the budget be set forth in greater detail than currently is required by law. With respect to budget preparation and advertisement the Department of Education "Budget Preparation Guide" requires much greater detail than the law or even the statutory proposal contained in Assembly Bill No. 1840 requires.

In addition, Assembly Bill No. 1840 proposes that an adjustment in State aid be made in the year following the year for which the adjustments are made. Currently, if a district overestimates the number of children to be enrolled in the Fall, the district must return a portion of the State aid. On the other hand, if there is an underestimate of the number of children to be enrolled, the State does not make up the difference until the following year. The proposal contained in Section 5 of Assembly Bill No. 1840 would not permit any adjustments to be made until the following year.

#### ASSEMBLY COMMITTEE AMENDMENTS:

The Assembly Education Committee made four major amendments to Assembly Bill No. 1840. First, the December to April prohibition against budget transfers was removed on the grounds that such a restriction ignored the fact, that, in a budget planned as far in advance as school budgets, if adjustments are needed, the period between December and April is the time when budgetary adjustments become increasingly critical.

Second, the Assembly Education Committee added the restriction that prohibits administrators from altering the purposes for which funds were appropriated within a line item or program category within the budget, without the approval of the board of education. For example, currently, if \$10,000.00 is appropriated for books, school officials may



make internal adjustments so that a portion or all of that \$10,000.00 may be spent on other kinds of curriculum materials, a purpose that was not originally agreed upon by the board members. If this bill is enacted such internal adjustments will require board approval.

Third, the Assembly Education Committee removed a provision that established a civil penalty for board members who permit accounts to be over-expended. The committee felt that the current criminal penalties, set forth in New Jersey statutes, are sufficient.

Fourth, the Assembly Education Committee removed a provision that permitted school districts in the first 3 months of a budget year, to transfer funds to the previous year's budget to cover unpaid balances in the event that there are insufficient funds. However, under school district budgeting procedures, such a liberal procedure is not necessary since school districts are not permitted to over-expend any line item or program category.

---

SENATE AMENDMENT TO  
**ASSEMBLY, No. 1840**

[SENATE REPRINT]

[OFFICIAL COPY REPRINT]

**STATE OF NEW JERSEY**

ADOPTED NOVEMBER 13, 1979

Amend page 4, section 4, lines 1-5, omit in entirety and insert new section 4 as follows:

“4. (New section) On or after December 1 of each school year, all adjustments to State aid amounts payable for the succeeding school year, pursuant to P. L. 1975, c. 212 (C. 18A:7A-1 et seq.), shall be made to the State aid amounts payable during the school year following the succeeding school year.”

---

STATEMENT

This amendment simply clarifies language in this bill to direct that adjustments in State aid amounts found necessary on or after December 1 of any year will apply to the school year after the succeeding school year.

JUN 5 1990

DATE: \_\_\_\_\_

- Asbury Park Press  
 Courier-Post  
 Home News  
 New York Times

- Philadelphia Inquirer  
 The Press  
 The Record

- Star-Ledger  
 Trenton Times  
 The Trentonian

# Court ruling due today on school funds

## Florio action plan held up

By MARLENE MONFILETTO  
Press Education Writer

TRENTON — Just as state legislators were arguing whether to continue their hearings on Gov. Florio's school funding bills or wait for direction from the state Supreme Court, the court sent word a decision in a landmark school funding case would be released today.

During hearings yesterday and last Wednesday, education advocates urged the Joint Senate and Assembly Education Committee not to rush through Florio's proposal for redistributing state school aid.

Legislators complained the court was procrastinating in deciding the Abbott vs. Burke case and insisted they must approve a new formula before the June 30 budget deadline.

"To wait for the courts would be the political way out," said Sen. Matthew

Feldman, D-Bergen, who chairs the Senate committee. He said delaying acting until the decision came would allow lawmakers to tell voters the high court forced them to raise income taxes for school funding.

"We have been waiting since 1982 for some court decision. The court has had it long enough," he added. "My God, they've acted on issues as thorny as this and took much less time."

But two hours into the hearing, lawyer Marilyn Morheuser, who had testified before the committee, announced word of the court's decision.

"The court has decided!" Ms. Morheuser said, interrupting Assemblyman Gerard Naples, D-Mercer and Assembly committee chairman. The crowd in the committee room gasped and then cheered.

Ms. Morheuser, executive director of the Newark-based Education Law Center, testified yesterday the governor's proposed formula, which would include residents' income as well as property values in deciding how much a district should contribute toward schooling, doesn't satisfy the plaintiffs in the Abbott vs. Burke case. And Ms. Morheuser said she would take the state to court once more if Florio's "Quality Education Act of 1990" becomes law.

"Let me urge you in the strongest terms possible to reject his bill as a failing attempt to second-guess the Supreme Court of New Jersey," Ms. Morheuser said. "... My plea is that you refrain from enacting into law that which will have to be challenged. Further litigation will only delay the remedy needed. We cannot afford another lost generation of urban children."

Later, Feldman and Naples, who already were preparing amendments to the Florio plan, said they would study the court decision before taking any further actions in their committees.

Sen. Joseph A. Palaia, R-Monmouth, and Sen. John H. Ewing, R-Somerset, both said they would be happy to see the committee slow down "the hasty review" of the governor's proposals.

"There is a tremendous rush to push this plan through the Legislature," Ewing said. "Fortunately, the court decision may slow it down a bit. It's not likely the ruling will require that a new plan be implemented in just two weeks."

Ms. Morheuser filed suit nearly a decade ago on behalf of 20 schoolchildren in Camden, Jersey City, East Orange and Irvington. She argues that the state's "thorough and efficient" formula, based on property tax revenues and state aid, has created an educational system so disparate that poor and mostly minority children are left with minimal resources, decaying school buildings and lack of services.

In 1988, Administrative Law Judge Steven L. Lefelt ruled in favor of the plaintiffs. But Education Commissioner Saul F. Cooperman and the state Board of Education both rejected Lefelt's decision, blaming the urban districts' problems on local mismanagement and corruption.

The state Supreme Court heard arguments in the case Sept. 25, and the state has been awaiting the court's decision.

"The court's decision has been anticipated for months. Everyone who cares about quality education in New Jersey expects the court's decision will reflect the need to offer the same high level of education to all of our children wherever they live in our state. I look forward to their action," said Florio in a prepared statement released after hearing the decision would be rendered today.

DATE: JUN 21 1990

- Asbury Park Press
- Courier-Post
- Home News
- New York Times

- Philadelphia Inquirer
- The Press
- The Record

- Star-Ledger
- Trenton Times
- The Trentonian

# N.J. Senate passes new school aid

By FRED PIERETTI  
Home News Trenton bureau

**TRENTON** — Gov. Jim Florio's controversial plan to revamp how the state funds its public schools and boost aid to the poorer districts received final approval from the state Senate yesterday and was poised to overcome its last hurdle in the Assembly late last night.

Despite two defections and no help from Republicans, Senate Democrats held on to pass the measure with the barest majority, 21-17. Two seriously ill Democratic senators made the trip to the capital to assure passage of the bill.

The measure went to the Assembly, which did not convene until about 11 p.m. yesterday. Democrats have a slim majority, 44-36, in the lower house. Assembly Speaker Joseph Doria, D-Hudson, said late last night before the Assembly went into session that he would have the votes necessary to pass the bill.

The education reform bill, which was sparked by a state Supreme Court decision, has two primary goals. It provides an extra \$1.1 billion in aid — for a total of \$4.5 billion — for schools in 1991-92. More important for the long term, the bill also overhauls the state's school-funding formula to shift the burden off local property taxes in many

communities.

"This bill for the first time would give all children, no matter where they live, the opportunity to go to schools with sufficient art supplies, computers, science equipment and sports programs," said Senate Majority Leader Daniel Dalton, D-Camden, who sponsored the bill.

Senate President John A. Lynch, D-Middlesex, who had his hands full keeping the Democratic majority together, also praised the plan.

"What we have been trying to do is produce fairness," Lynch said the afternoon after the vote. "We want to put this thing in place and do it right the first time. This is about as fair a formula as we can find."

Lynch expected the Assembly to approve the measure sometime late last night or early today. The two ailing Democratic senators were Chris Jackman, D-Hudson, and Walter Rand, D-Camden.

The two Democrats who defected were Paul Contillo, D-Bergen, and Raymond Zane, D-Salem.

Once it clears the Assembly, the bill will go to Gov. Florio for signing.

Republican senators roundly criticized the plan as discriminating against wealthier school districts. They also excoriated the Democrats for rushing through the vote to appease Florio's timetable. The Supreme Court, in its *Abbott vs. Burke* decision on June 5, gave the Legislature one year to formulate a plan on how public education should be funded in New Jersey.

"Throwing money at education is not the right way," said Sen. Jack Ewing, R-Somerset, whose district will not gain under the measure. "It's tragic that the bill has been pushed through at this speed. And it's tragic that the other side of the aisle does not have the stamina to stand up to the governor."

Sen. Gerald Cardinale, R-Bergen, whose district stands to lose state aid under the plan, assailed the proposal as detrimental to the better school districts.

"You propose making the schools that have been good mediocre," said Cardinale.

Florio's original plan had to be amended to increase aid to districts in parts of Bergen County to appease certain Democratic legislators there, such as Sen. Gabe Ambrosio, D-Bergen, and Sen. Matthew Feldman, D-Bergen. Feldman chaired the Senate Education Committee, which narrowly approved the measure on June 15 and paved the way for a full Senate vote.

Under the legislation, each of the 611 school districts would be required to spend a certain amount per pupil, which is called the "foundation level." The bill sets the 1991-1992 per pupil level at \$6,835 for elementary, \$7,519 for middle, and \$9,091 for high schools.

A district's ability to meet all or part of its foundation levels would be determined by measuring their collective property wealth against the income of the residents. Poor and middle-class districts unable to meet the foundation level would receive state aid. But the wealthier districts would most likely have to contribute more toward their school budgets.

All districts, however, would receive 6.5 percent more in state aid in 1992 than in 1991 before the districts ineligible for foundation aid have their state funding eliminated.

The Florio administration has said that the reform plan would cause tax rates to drop in approximately 350 communities. But it could force tax rates up in 60 low-tax, low-spending school districts.

Money for the massive infusion of state aid to school districts would come from increases in the state income tax, which has also been approved by both houses of the Legislature.

DATE: JUN 21 1990

Asbury Park Press

Courier-Post

Home News

Philadelphia Inquirer

The Press

The Record

Star-Ledger

Trenton Times

The Trentonian

# School-aid bill clears Senate

## Squeaks by despite fight from teachers

By CLYDE LEIB  
Senior Writer

TRENTON — Gov. Jim Florio's controversial school aid bill — aimed at pumping an additional \$1 billion a year into middle-class and poor urban school districts — limped successfully through the state Senate yesterday afternoon and was headed for a showdown vote in the Assembly early today.

The Democrat-dominated Senate approved the bill, despite determined opposition from the powerful state teachers union, by a 21-17 party-line vote, but only after two ailing members of the upper house left their sickbeds to cast the decisive votes.

Only one Democrat voted against the measure and another abstained.

Florio's "Quality Education Act of 1990," which not only drastically changes the way the state finances its public school system but shifts the cost of teacher pensions from the state to the school districts, was approved in the Senate and immediately sent to the Assembly after a two-hour debate that saw Republican members charge that the mea-

sure was being ramrodded through the Legislature by the administration.

**TO LOUD APPLAUSE** from the New Jersey Education Association members who packed the Senate visitors' gallery, Sen. Donald DiFrancesco, R-Union, derided the Democrats for "falling in line like a lot of little sheep."

Sen. Louis Bassano, R-Union, said the bill, which will cut off all state

aid formula funds for more than 140 of the state's richest school districts over a four-year period, will have a "devastating effect on many school and municipal budgets."

Sen. Joseph Palaia, R-Monmouth, claimed the shift in pension costs will "bankrupt some small districts in five or six years." Palaia and other GOP senators called for a delay in consideration of the measure.

They noted that the state Supreme Court, which earlier this month declared parts of the existing state-aid formula unconstitutional, gave the Legislature more than a year to come up with a new funding scheme that would bring education spending in 28 of the state's poorest urban districts up to the level of the state's highest-spending districts.

The Florio measure adds two more poor urban districts to the Supreme Court's list and also would provide increases in state aid for the state's middle-income districts, such as Hamilton.

Sen. Gerald Stockman, D-Trenton, responded to the pleas to move more slowly on the measure by noting the spending gap between rich and poor school districts has been growing steadily since the present school-aid formula went into effect in 1975.

**"FOR THOSE** people who say we're rushing, I say look at the history of the past 15 years. The inequities keep growing."

Stockman, who is the sponsor of the state income tax increase that will add some \$1.1 billion to the state's current \$3.5 billion school fund, also lashed out at critics of the Florio plan who contend that more money isn't going to improve education in the poor, urban districts.

"On the question of money," Stockman declared, "I'm not giving up on those kids" in the poor districts.

The bill's sponsor, Sen. Daniel Dalton, D-Camden, added that the legislation "says the opportunity to obtain a quality education no longer has to depend on where a student lives. This bill will give New Jersey children a chance at the best possible education and the brightest possible future."

The final vote in the Senate came after Democrats turned back a Republican-led bid to send the bill back to committee for further amendments.

To secure enough votes for passage, Senate President John Lynch, D-Middlesex, had to bring two seriously ill Democratic legislators to Trenton — Sen. Chris Jackman of Hudson, and Sen. Walter Rand of Camden.

Jackman is being treated for cancer and Rand underwent exploratory abdominal surgery last week. Both lawmakers stayed out of the Senate chamber until moments before the bill came to a vote.

**THE QUALITY** Education Act of 1990 will send huge amounts of new money into about two-thirds of the school districts in the state, which the NJEA and other educational groups have been urging for several years. But Florio's proposal has severely rankled the teachers union because the shift of pension costs from the state to local districts is likely to cause school boards in the wealthiest districts to get tougher at the bargaining table.

The New Jersey School Boards Association also has opposed the pension cost shift because it is likely to result in property tax increases in some 140 of the state's wealthiest districts, including Princeton Regional, Hopewell Valley Regional, and Lawrence in Mercer County.

Those wealthiest districts will continue to receive state aid for transportation costs and categorical aid for special education and disadvantaged students.

Although the Assembly was scheduled to go into a voting session at 9 p.m., by midnight it had not convened. Late last night, Assembly Speaker Joseph Doria, D-Hudson, said he was confident he had the votes to get the bill passed.

Asbury Park Press  
 Courier-Post  
 Home News

Philadelphia Inquirer  
 The Press  
 The Record

Star-Ledger  
 Trenton Times  
 The Trentonian

# School funding formula cleared by the Senate

By MATTHEW REILLY

The Senate yesterday approved a drastically different public school financing system—one that would pump hundreds of millions of dollars into the poorest city schools—and a doubling of the state income tax on New Jersey's most affluent residents to cover the program's \$1.1 billion cost.

Both bills earned the bare minimum of 21 votes necessary for passage in the 40-member Senate. Sen. Walter Rand (D-Camden) left a hospital bed in Camden to come to Trenton and give the Democrats the vote they needed for passage.

The school funding bill was passed 21-17 and the income tax hike was approved 21-18. No Republicans supported either measure.

The income tax hike was approved by the Senate yesterday and now goes to Gov. Jim Florio for his signature. The bill (A-3609) changes the rate scale from the current 2 to 3.5 percent to a range of 2 to 7 percent. The highest rate would be charged on earnings over \$75,000 for individuals and \$150,000 on joint returns.

The measure would raise the deductions for dependents from \$1,000 to \$1,500.

The Assembly was meeting last night to take up the companion school funding bill, the final legislative action needed to give the Florio administration its latest, and perhaps most resounding, policy victory.

Passage of the school funding proposal in the Assembly appeared to be the toughest leg of the legislative odyssey, as 10 Democrats wavered in their support of the bill.

Florio's plan was introduced, reviewed, amended and approved by four legislative committees and the Senate in less than a month, a pace Republican critics have said was too fast.

Some GOP lawmakers said they had been given insufficient time to read and understand the lengthy and complex bill, its dozens of pages of amendments and numerous revisions of formulas, tables and charts by administration personnel to show its impact on individual school districts.

Sen. Donald DiFrancesco (R-Union) said that when the Legislature approved the school funding system and the

state income tax to support it in the mid-1970s, it had the endorsement of the state teachers' union, the school boards and residents. He said the New Jersey Education Association (NJEAA) and the New Jersey School Boards Association are not supporting the new formula and the tax hikes.

DiFrancesco said the Democrats approved the plan because of pressure from the administration.

"Here you are today, falling in line with Gov. Florio," DiFrancesco told Senate Democrats. "You're like a lot of little sheep following his lead. You may not think it's true, but that's the way the people feel about you."

Sen. John Ewing (R-Somerset) who sat on the Senate Education Committee which studied the plan and who was a constant critic of the speed with which it was passed, reiterated his concern that the bill had not been given a thorough review.

"There is no question there are some districts that need our help, but the bill is too much too soon," Ewing

said. "It's completely wrong that the Education Committee moved this out so quickly."

Senate Majority Leader Daniel Dalton (D-Camden), sponsor of the bill (S-2721), said that despite the concerns raised by opponents, the goal of the measure is simple:

"This bill says that opportunity to get a quality education should not be dependent on where a person lives," Dalton said. "It remedies inequities in all poor districts, not just the poor urban districts. This is the largest infusion ever of state funds into school districts. The bill will provide property tax relief for poor and working-class communities."

Senate President John Lynch (D-Middlesex) said Florio should be commended for his leadership in proposing the overhaul of the school funding system. He said Democrats would be remembered for displaying "uncommon courage" in voting for the bills.

"Some of my colleagues are making a great personal sacrifice just to be here for the vote today," Lynch said.

Rand, who has been a patient at Our Lady of Lourdes Hospital in Camden undergoing treatment for a kidney problem, was driven by a state trooper to the Statehouse Annex for the vote. He was accompanied by a legislative aide and a visiting nurse.

Arriving in the Senate chamber, Rand, looking wan, was embraced by Sen. Christopher Jackman (D-Hudson), who is suffering from cancer.

"My doctor tried to discourage me

from coming today, but I told him I considered it a responsibility that I wanted to fulfill," Rand said.

"I feel fine and I don't want to make a big deal out of my being here. I believe in keeping commitments, and if I'm well enough to walk in the door, I think I should be here."

The amended version of the education funding bill would steer the bulk of state aid to poor urban school districts, while setting aside a portion of money to temporarily soften the blow to wealthier suburban districts, which will lose hundreds of millions of dollars in state aid over a four-year period.

The bill was also rewritten to provide more money exclusively for Bergen County, home of Sen. Matthew Feldman, Democratic chairman of the Senate Education Committee.

The Florio administration calls the new plan a "foundation" formula because it establishes a minimum level of money that should be spent on every public school child's education.

The state would measure each school district's ability to pay for education by calculating its property value and personal income. Districts that cannot reach the foundation level on their own would get state aid; districts judged capable of raising enough

money on their own would lose all or most of their state aid over four years.

Some 350 districts would be unable to meet the foundation and thus be eligible for foundation aid from the state, according to the administration. The remaining 250, mostly suburban districts, would lose most or all of their state aid within four years and face tax increases or program cuts to offset the loss.

Since its introduction, the bill has undergone substantial changes, many of them made to respond to the state Supreme Court's June 5 ruling in the Abbott vs. Burke case in which the court found the current school funding formula unconstitutional as applied to the poorest urban districts in the state.

The amended bill would set up a group of 30 "special needs" districts, the poorest urban districts, which would have their foundation levels set 5 percent higher than the rest of the state, adding \$65 million to the total cost of the school funding package.

The 30 special needs districts getting additional aid would be subject to more intensive monitoring by the state Education Department.

Another change in the bill, aimed at allowing the level of state funding to rise from year to year, would require that the increases be based on the rate

CONTINUED

DATE: JUN 21 1990

- Asbury Park Press  
 Courier-Post  
 Home News  
 New York Times

- Philadelphia Inquirer  
 The Press  
 The Record

- Star-Ledger  
 Trenton Times  
 The Trentonian

of increase in per capita income. The PCI rate of increase is currently averaging 7.5 percent, and aid would increase at the PCI rate, plus 1 percent, or 8.5 percent annually.

The amended bill would also cap the amount of money local school districts can raise and spend on their own. The cap would be based on a sliding scale: The wealthiest districts could increase spending by the PCI rate of increase. Poorer districts at the foundation level could increase spending by twice the PCI rate of increase.

The changes also remove two types of state aid—money for bilingual education and at-risk students who need special educational programs—from the foundation formula. The \$42 million for the two programs would be distributed as categorical aid, available to all school districts, regardless of wealth.

A change in the way aid for transportation is distributed would send \$5 million more to Bergen County, the only county where transportation costs are at least 85 percent higher than the state average.

The amendments would also increase the size of the "transition aid" pot from \$277 million to \$293 million. Transition aid will be given to all districts that will lose all or part of their

state aid, and the additional money will raise the amount by 6.5 percent in the first year. After that, the transition aid will be phased out by reducing the amount of money by 25 percent annually for four years.

All districts would have to spend up to the foundation level within five years unless they can prove to the state education commissioner that they can provide a thorough and efficient education without spending as much.

Another major provision of the bill would shift the responsibility for pension fund payments from the state to local school districts. The NJEA is fighting the change, saying it will jeopardize the pensions of its members. Florio has consistently maintained that his bill will not endanger the pension fund in any way.

The NJEA has said the funds will be in danger because the limit on annual increases in state aid will not rise fast enough to keep up with pension increases. The amendment linking the state cap to the consumer price index will allow state aid to rise more quickly than it would have under the original bill and was added to address concerns about pensions.

Marilyn Morheuser, executive director of the Education Law Center in Newark, said the amendments included in the bill have improved it, but she would like to have seen even more changes. It was Morheuser who sued the state nine years ago in the case that came to be known as *Abbott vs. Burke*, challenging the constitutionality of the way the state distributes aid to public schools.

The state income tax increase would double the top rates for the wealthiest New Jerseyans.

Beginning on July 1, 1991, the start of fiscal 1992, the \$1.3 billion the new income tax rates are expected to raise annually will be used to fund a massive increase in state education spending, the new homestead rebate program and the state takeover of welfare costs and social service programs currently paid out of local tax revenues.

But the Florio administration will begin collecting taxes under the higher rates on Jan. 1, halfway through fiscal 1991. The \$700 million collected during the first six months would be used to fund the transition aid portion of the new school aid formula.

Sen. Gerald Cardinale (R-Bergen), who opposed both the school funding bill and the income tax hike, said the bill will destroy New Jersey's competitive advantage with neighboring states and with the rest of the world.

"Smart parasites don't kill the hosts, so they can be parasitic for a long time," Cardinale said. "What we're doing with this package of bills is punishing people for being successful."

The new homestead rebate program measure, merged with the income tax bill, would send rebate checks in the fall of 1991, just prior to the legislative elections.

Homeowners with incomes under \$70,000 would get a minimum check of \$150 but could get up to \$500 if they pay more than 5 percent of their income in property taxes. The revised rebate program would guarantee checks of \$100 to those earning \$70,000 to \$100,000. Persons with incomes exceeding \$100,000 would not be eligible for a rebate.

Florio's original version called for no minimum check and no rebate checks to persons with incomes over \$70,000.

The income tax revenues would also be used to pay 90 percent of the cost of operating county psychiatric hospitals in Essex, Bergen, Hudson, Camden and Burlington counties—a total of \$72 million.

Beginning on July 1, 1991, the takeover of the county hospital costs is part of a plan to have the state assume the costs of welfare and social services to contain or reduce the local property taxes now used to pay those costs. The takeover of welfare and social services would cost the state \$217 million.

Questions were raised during the Senate debate about whether the new school formula would treat all districts with equal fairness. Following the Senate session, Lynch and Dalton held a press conference and said lawmakers would remain open to amending the school aid formula should legitimate issues arise.

Dalton mentioned Atlantic City, specifically, citing its high property tax base but fairly moderate to low income levels that might lead to the city being treated less than fairly under the new formula.

"We're totally open-minded to correcting any inequities that appear," Lynch agreed.

Asked why they had to rush the bill through without first correcting any problems, Dalton replied that for the past nine years many people have acknowledged the inequity of the system. Both the courts and Governor have addressed the issue, he added. "We had the vehicle; I think it's an excellent one," he said.

Questioned whether Democrats were worried about losing their majority after having voted for more than \$2.8 billion worth of new taxes this week, Lynch said, "We take absolutely nothing for granted... But history has shown when you try to do the right thing, the public understands."

"Those people who say 'no new taxes' are the reason why we have seen property taxes increase by \$3.5 billion," he added.