

SENATE BUDGET AND APPROPRIATIONS COMMITTEE

STATEMENT TO

[First Reprint]

SENATE, No. 838

STATE OF NEW JERSEY

DATED: MAY 25, 2000

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

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

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

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

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

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

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

FISCAL IMPACT:

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