

# SENATE ECONOMIC GROWTH COMMITTEE

## STATEMENT TO

### **SENATE, No. 1607**

with committee amendments

# **STATE OF NEW JERSEY**

DATED: MAY 8, 2008

The Senate Economic Growth Committee favorably reports Senate Bill No. 1607 with committee amendments.

As amended by committee, this bill directs the Director of the Division of Taxation, in consultation with the New Jersey Urban Enterprise Zone Authority, to establish a five-year pilot program to provide tax credits to corporations which contribute funding to nonprofit organizations that provide scholarships to help low-income children residing in Camden, Elizabeth, Jersey City, Lakewood, Newark, Orange, Paterson, and Trenton pay tuition at out-of-district public schools or in-district or out-of-district nonpublic schools located in the State. Under the pilot program a tax credit will be equal to 100% of the contribution a corporation makes to a qualified scholarship organization. While there is no limit on the amount that can be contributed for credit, a corporation may not apply the credits to reduce its tax liability to an amount less than the statutory minimum provided in subsection (e) of section 5 of P.L.1945, c.162; and the total tax credit of all participating corporations is capped at \$24,000,000 the first State fiscal year, \$48,000,000 the second State fiscal year, \$72,000,000 the third State fiscal year, \$96,000,000 the fourth State fiscal year, and \$120,000,000 the fifth State fiscal year. If the sum of the amount of tax credits authorized in a State fiscal year exceeds the aggregate annual limits, tax credits will be allowed in the order that contributions are made until the limit is reached.

The bill establishes the Corporate Tax Credit Scholarship Fund to be credited with contributions made by taxpayers to nonprofit scholarship organizations. The bill directs the Urban Enterprise Zone Authority to select one scholarship organization in each of the counties in which the pilot school districts are located to administer the scholarship funds, or the authority may select a scholarship organization to administer the funds in more than one county. The authority, in consultation with the State Treasurer, is to distribute the funds to the selected scholarship organizations.

The scholarship organizations selected under the bill must require that an eligible school which admits a child receiving a scholarship under the pilot program:

(1) accept the scholarship as payment in full for the child's tuition and other costs of attendance;

(2) in the event that more children apply for admission to that school under the pilot program than there are openings, that students will be selected through a lottery;

(3) ensure that a child enrolled in an eligible school who received a scholarship under the program in the prior school year receives a scholarship in each school year of enrollment under the program provided that the child remains eligible; and

(4) in the case of an eligible school that is a nonpublic school, that the school administer an annual test to scholarship students that is aligned to the core curriculum content standards.

The scholarship organization selected in each county will manage the scholarship application process for the pilot school district; review and verify the residence and income of scholarship applicants; compile an inventory of vacancies in eligible schools; conduct necessary student selection lotteries; monitor the enrollment of scholarship students in eligible schools; and prepare an annual report to be submitted to the Treasurer and the authority that provides information on the program for the prior school year.

The bill provides that if by August 1 of any school year scholarship funds available for the pilot school district remain unallocated, then the funds may be used to provide additional scholarships to students enrolled in nonpublic schools on the bill's effective date. If by August 15 of any school year scholarship funds available for a pilot school district remain unallocated, then the unallocated funds must be used to provide scholarships in that school year to low-income children residing in other pilot districts. The authority will determine the apportionment of the unallocated funds to the other pilot districts.

The bill also provides that in the third year of the pilot program, the mayor or the municipal governing body of any urban enterprise zone municipality may apply to the authority for admission to the pilot program with participation effective in the fourth year of the program. The authority may designate additional pilot school districts in those municipalities based on criteria such as the median income of the residents of the municipality, available capacity in eligible schools, the timeliness of the application, and any other relevant factors determined by the authority.

The bill directs the authority to commission an independent study on the implementation of the pilot program in the original pilot school districts by an individual or entity with expertise in the field of urban education. The study will consider issues such as the academic achievement of scholarship recipients, the impact of the pilot program on achieving savings for State taxpayers, the impact of the pilot program on student enrollment patterns, and parental satisfaction with the program.

On or before January 1 of the fifth school year of the pilot program, the authority is directed to submit a report to the Governor

and the Legislature on the implementation and results of the pilot program. The report will include a recommendation on whether the program should be reauthorized on a pilot or Statewide basis.

The committee amended the bill to:

(1) include Jersey City as one of the original pilot school districts;  
(2) provide that the authority may select a scholarship organization to administer scholarship funds in more than one county;

(3) provide that if by August 1 of any school year scholarship funds available for the pilot school district remain unallocated, then the funds may be used to provide additional scholarships for that school year to students enrolled in nonpublic schools on the bill's effective date;

(4) provide that if by August 15 of any school year scholarship funds available for the pilot school district remain unallocated, then the scholarship organization must use the unallocated funds to provide scholarships in that school year for low-income children residing in other pilot districts. The authority will determine the apportionment of the unallocated funds to the other pilot districts;

(5) authorize the mayor or governing board of any urban enterprise zone municipality to apply in the third year of the program for admission as a pilot district effective in the fourth year of the program. The authority may designate additional pilot school districts based on criteria that include the median income of the residents of the municipality, available capacity in eligible schools, timeliness of the application, and other relevant factors as determined by the authority;

(6) provide that in the event that additional pilot school districts are selected, the original pilot districts will not receive less in any given school year than the amount of scholarship funds received in the prior year; and

(7) clarify that the independent study required under the bill will be based on the experience of students in the original pilot school districts.