

ASSEMBLY, No. 1286

STATE OF NEW JERSEY 216th LEGISLATURE

PRE-FILED FOR INTRODUCTION IN THE 2014 SESSION

Sponsored by:

Assemblyman RONALD S. DANCER

District 12 (Burlington, Middlesex, Monmouth and Ocean)

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District 1 (Atlantic, Cape May and Cumberland)

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District 7 (Burlington)

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SYNOPSIS

Authorizes the establishment of federal impact aid reserve account.

CURRENT VERSION OF TEXT

Introduced Pending Technical Review by Legislative Counsel



(Sponsorship Updated As Of: 9/12/2014)

1 AN ACT concerning reserve accounts for school districts receiving
2 federal impact aid, amending P.L.2007, c.62, and supplementing
3 P.L.2007, c.260 (C.18A:7F-43 et al.).
4

5 **BE IT ENACTED** by the Senate and General Assembly of the State
6 of New Jersey:
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8 1. Section 6 of P.L.2007, c.62 (C.18A:7F-41) is amended to
9 read as follows:

10 6. Notwithstanding the provisions of any law or regulation to
11 the contrary:

12 a. A board of education or board of school estimate, as
13 appropriate, may supplement a capital reserve account through a
14 transfer by board resolution at year end of any unanticipated
15 revenue or unexpended line-item appropriation amounts, or both,
16 for withdrawal in subsequent school years.

17 b. A board of education or board of school estimate, as
18 appropriate, may supplement a maintenance reserve account
19 through a transfer by board resolution at year end of any
20 unanticipated revenue or unexpended line-item appropriation
21 amounts, or both, for withdrawal in subsequent school years.

22 c. A board of education or a board of school estimate, as
23 appropriate, may through the adoption of a board resolution
24 establish the following reserve accounts:

25 (1) Current expense emergency reserve account. The funds in
26 the reserve shall be used to finance unanticipated general fund
27 current expense costs required for a thorough and efficient
28 education. The account shall not exceed \$250,000 or one percent of
29 the district's general fund budget up to a maximum of \$1,000,000,
30 whichever is greater. A board of education may appropriate funds
31 to establish or supplement the reserve in the district's annual budget
32 or through a transfer by board resolution at year end of any
33 unanticipated revenue and unexpended line-item appropriation
34 amounts. Withdrawals from the reserve shall require the approval
35 of the commissioner unless the withdrawal is necessary to meet an
36 increase in total health care costs in excess of four percent.

37 (2) Debt service reserve account in the debt service fund for
38 proceeds from the sale of district property. The funds in the reserve
39 shall be used to retire outstanding debt service obligations of the
40 district. The reserve shall be liquidated within the lesser of five
41 years from its inception or the remaining term on the obligations.
42 Any remaining balance shall be used for tax relief.

43 (3) Federal impact aid reserve account in the case of a school
44 district that receives federal impact aid pursuant to sections 8002,
45 8003, 8007, or 8008 of the Elementary and Secondary Education

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 Act of 1965 (20 U.S.C. ss.7702, 7703, 7707, and 7708). A board of
2 education may appropriate federal impact aid funds to establish or
3 supplement the reserve account in the district's annual budget or
4 through a transfer by board resolution at year end for withdrawal in
5 any subsequent school year. The board, at its discretion, may use
6 the funds in the reserve account to finance the district's general
7 fund or to finance school facilities projects, in a manner consistent
8 with federal law. The total amount of funds on deposit in the
9 reserve account shall not be limited.

10 d. All reserve accounts shall be established and held in
11 accordance with GAAP and shall be subject to annual audit. Any
12 capital gains or interest earned shall become part of the reserve
13 account. A separate bank account is not required, however, a
14 separate identity for each reserve account shall be maintained.
15 (cf: P.L.2007, c.62, s.6)

16
17 2. (New section) When determining the amount of State school
18 aid that shall be awarded to a school district pursuant to the
19 provisions of P.L.2007, c.260 (C.18A:7F-43 et al.) or any other law,
20 the Commissioner of Education shall not consider a school district's
21 receipt of federal funds pursuant to sections 8002, 8003, 8007, or
22 8008 of the Elementary and Secondary Education Act of 1965 (20
23 U.S.C. ss.7702, 7703, 7707, and 7708) in any manner that would
24 cause the school district to be awarded less State school aid than the
25 district would have been awarded had the district not received the
26 federal funds. Such funds shall not be considered when calculating
27 the district's undesignated general fund balance pursuant to section
28 7 of P.L.1996, c.138 (C.18A:7F-7).

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30 3. This act shall take effect immediately.

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33 STATEMENT

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35 This bill authorizes a school district that receives federal impact
36 aid to establish a federal impact aid reserve account. Federal
37 impact aid is awarded to school districts in which federal ownership
38 of property reduces the ability to levy property taxes for educational
39 purposes, or when certain federal activity increases a community's
40 population, resulting in an increase in the number of school-aged
41 children. School districts in which military bases or federal public
42 housing are located are likely to receive federal impact aid.

43 Under the bill, the board of education may appropriate federal
44 impact aid funds to the reserve account in the district's annual
45 budget or through a transfer by board resolution at year end, for
46 withdrawal in any subsequent school year. The board may use the
47 funds in the reserve account to finance the district's general fund

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1 budget or school facilities projects, in a manner consistent with
2 federal law. There is no limit on the amount of funds that may be
3 on deposit in the reserve account. The bill also specifies, consistent
4 with current federal law, that the Commissioner of Education may
5 not award less State school aid to a school district based on the fact
6 that the district receives federal impact aid. Additionally, the funds
7 may not be considered when calculating the district's undesignated
8 general fund balance.