

§§3-5, 1 -
C.18A:7F-67 to
18A:7F-70
§2 - C.18A:7F-5d
§8 - Repealer

P.L. 2018, CHAPTER 67, *approved July 24, 2018*
Senate, No. 2 (*First Reprint*)

1 AN ACT concerning State and local financing of school districts,
2 supplementing and amending P.L.2007, c.260, amending
3 P.L.2007, c.62, and repealing section 5 of P.L.2007, c.260.
4

5 **BE IT ENACTED** by the Senate and General Assembly of the State
6 of New Jersey:
7

8 ¹1. (New section) For the purpose of determining whether a
9 school district or county vocational school district is spending
10 above or below adequacy, the commissioner shall compare the sum
11 from the prebudget year its equalization aid calculated pursuant to
12 section 11 of P.L.2007, c.260 (C.18A:7F-53), special education
13 categorical aid as calculated pursuant to section 13 of P.L.2007,
14 c.260 (C.18A:7F-55), security categorical aid as calculated pursuant
15 to section 14 of P.L.2007, c.260 (C.18A:7F-56), and the general
16 fund tax levy with the district's adequacy budget, as calculated
17 pursuant to section 9 of P.L.2007, c.260 (C.18A:7F-51), special
18 education categorical aid as calculated pursuant to section 13 of
19 P.L.2007, c.260 (C.18A:7F-55), and security categorical aid as
20 calculated pursuant to section 14 of P.L.2007, c.260 (C.18A:7F-
21 56).¹
22

23 ¹2. (New section) Notwithstanding the provisions of subsection
24 b. of section 5 of P.L.1996, c.138 (C.18A:7F-5) or any other law to
25 the contrary, in the 2019-2020 through 2024-2025 school years, a
26 school district's required local share shall equal 102% of the
27 budgeted local share for the prebudget year in any school year in
28 which the school district experiences a reduction in State school aid
29 pursuant to the provisions of P.L. , c. (C.) (pending before the
30 Legislature as this bill) and is spending below adequacy, as
31 calculated pursuant to section 1 of P.L. , c. (C.) (pending before
32 the Legislature as this bill).¹
33

34 ¹[1.] ³3. (New section) As used in P.L. , c. (C.) (pending
35 before the Legislature as this bill):

36 "State aid differential" means the difference between the sum of

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.

Matter enclosed in superscript numerals has been adopted as follows:

¹Senate SBA committee amendments adopted June 18, 2018.

1 a school district's or county vocational school district's allocations
2 of equalization aid, special education categorical aid, security
3 categorical aid, transportation aid, adjustment aid, and non-SFRA
4 aids in the ¹["2017-2018 school"] prebudget¹ year, and the sum of
5 equalization aid, special education categorical aid, security
6 categorical aid, and transportation aid as calculated for ¹["that
7 school"] the budget¹ year in each category in accordance with the
8 provisions of sections 11, 13, 14, and 15 of P.L.2007, c.260
9 (C.18A:7F-53, C.18A:7F-55, C.18A:7F-56, and C.18A:7F-57),
10 respectively.

11 "Non-SFRA aids" means the sum of supplemental enrollment
12 growth aid, per pupil growth aid, PARCC readiness aid,
13 professional learning community aid, under adequacy aid, and host
14 district support aid received by a school district in the ¹["2017-2018
15 school"] prebudget¹ year.

16

17 ¹["2."] 4.¹ (New section) a. Notwithstanding the provisions of
18 P.L.2007, c.260 (C.18A:7F-43 et al.) or any other law to the
19 contrary, in the ¹["2018-2019"] 2019-2020¹ through 2024-2025
20 school years, a school district or county vocational school district in
21 which the State aid differential calculated ¹["in the 2017-2018
22 school year"]¹ is negative shall receive State school aid in an
23 amount equal to the sum of the district's State aid in the prior
24 school year plus the district's proportionate share of the sum of any
25 increase in State aid included in the annual appropriations act for
26 that fiscal year and the total State aid reduction pursuant to
27 subsection b. of this section based on the district's State aid
28 differential as a percent of the Statewide total State aid differential
29 among all school districts and county vocational school districts for
30 which the State aid differential is negative. Any increase in State
31 aid pursuant to this subsection shall first be allocated to
32 equalization aid, ¹["except that a school district's or county
33 vocational school district's equalization aid shall not exceed the
34 amount calculated pursuant to section 11 of P.L.2007, c.260
35 (C.18A:7F-53) for the 2017-2018 school year. As necessary, any
36 additional increases shall be allocated to"] followed by¹ special
37 education categorical aid, security categorical aid, and
38 transportation aid ¹, except that no category shall exceed the total
39 amount as calculated in accordance with the provisions of sections
40 11, 13, 14, and 15 of P.L.2007, c.260 (C.18A:7F-53, C.18A:7F-55,
41 C.18A:7F-56, and C.18A:7F-57), respectively¹.

42 b. Except as provided pursuant to subsection c. of this section,
43 and notwithstanding the provisions of P.L.2007, c.260 (C.18A:7F-
44 43 et al.) or any other law to the contrary, in the ¹["2018-2019"]
45 2019-2020¹ through 2024-2025 school years, a school district or
46 county vocational school district in which the State aid differential

1 ~~1~~ [calculated in the 2017-2018 school year]¹ is positive shall
 2 receive State school aid in an amount equal to the district's State
 3 aid in the prior school year minus a percent of the State aid
 4 differential ~~1~~ [in the 2017-2018 school year]¹ according to the
 5 following schedule:

- 6 (1) ~~1~~ [5 percent in the 2018-2019 school year;
- 7 (2)]¹ 13 percent in the 2019-2020 school year;
- 8 ~~1~~ [(3)] (2)¹ 23 percent in the 2020-2021 school year;
- 9 ~~1~~ [(4)] (3)¹ 37 percent in the 2021-2022 school year;
- 10 ~~1~~ [(5)] (4)¹ 55 percent in the 2022-2023 school year;
- 11 ~~1~~ [(6)] (5)¹ 76 percent in the 2023-2024 school year; and
- 12 ~~1~~ [(7)] (6)¹ 100 percent in the 2024-2025 school year.

13 c. ~~1~~ [Notwithstanding the provisions of P.L.2007, c.260
 14 (C.18A:7F-43 et al.) or any other law to the contrary, in the 2018-
 15 2019 through 2022-2023 school years, a school district in a
 16 municipality that is authorized to impose and collect an employer
 17 payroll tax pursuant to P.L. , c. (C.) (pending before the
 18 Legislature as Senate Bill No. 2581 of 2018) shall receive State
 19 school aid in an amount equal to the district's State aid in the prior
 20 school year minus a percent of the State aid differential in the 2017-
 21 2018 school year according to the following schedule:

- 22 (1) 5 percent in the 2018-2019 school year;
- 23 (2) 28.75 percent in the 2019-2020 school year;
- 24 (3) 52.5 percent in the 2020-2021 school year;
- 25 (4) 76.25 percent in the 2021-2022 school year; and
- 26 (5) 100 percent in the 2022-2023 school year.] (1) An SDA
 27 district that is located in a municipality in which the equalized total
 28 tax rate is greater than the Statewide average equalized total tax rate
 29 for the most recent available calendar year and is spending below
 30 adequacy as calculated pursuant to section 1 of P.L. , c. (C.)
 31 (pending before the Legislature as this bill) shall not be subject to a
 32 reduction in State aid pursuant to subsection b. of this section.

33 (2) An SDA district that is located in a municipality in which the
 34 equalized total tax rate is greater than the Statewide average
 35 equalized total tax rate for the most recent available calendar year
 36 and is spending above adequacy as calculated pursuant to section 1
 37 of P.L. , c. (C.) (pending before the Legislature as this bill) shall
 38 be subject to a reduction not to exceed the amount by which the
 39 district is spending above adequacy multiplied by the corresponding
 40 percentage included in subsection b. of this section.

41 (3) A school district, other than an SDA district, that is located
 42 in a municipality in which the equalized total tax rate is at least 10
 43 percent greater than the Statewide average equalized total tax rate
 44 for the most recent available calendar year and is spending at least
 45 10 percent below adequacy as calculated pursuant to section 1 of
 46 P.L. , c. (C.) (pending before the Legislature as this bill) shall

1 not be subject to a reduction in State aid pursuant to subsection b.
2 of this section.¹

3 d. Any decrease in State aid pursuant ¹to¹ subsections b. or c.
4 of this section shall first be deducted from a school district's or
5 county vocational school district's allotment of adjustment aid.
6 Any additional reduction shall be deducted from the school
7 district's or county vocational school district's allotment of non-
8 SFRA aids, followed by equalization aid, special education
9 categorical aid, security aid, and transportation aid.

10 e. ¹**【**In the case of a school district or county vocational school
11 district that is subject to the provisions of subsections a. or b. of this
12 section, in the 2024-2025 school year, any¹ Any¹ remaining
13 adjustment aid or non-SFRA aids shall be reallocated to other State
14 aid categories in a manner to be determined by the commissioner.

15 ¹**【**In the case of a school district that is subject to the provisions of
16 subsection c. of this section, the reallocation shall occur in the
17 2022-2023 school year.¹**】**¹

18

19 ¹**【**3.¹ 5.¹ (New section) In the ¹**【**2018-2019¹ 2019-2020¹ school
20 year, and in each school year thereafter, a county vocational school
21 district shall receive vocational expansion stabilization aid in such
22 an amount to ensure that the district receives the greater of the
23 amount of State aid calculated pursuant to the provisions of
24 ¹**【**P.L.2007, c.260 (C.18A:7F-43 et al.)¹ P.L. , c. (C.) (pending
25 before the Legislature as this bill)¹ or the sum of the ¹**【**amount of
26 equalization aid, special education categorical aid, security
27 categorical aid, and adjustment aid¹ district's State aid¹ received in
28 the 2017-2018 school year.

29

30 ¹**【**4.¹ 6.¹ Section 3 of P.L.2007, c.62 (C.18A:7F-38) is
31 amended to read as follows:

32 3. a. Notwithstanding the provisions of any other law to the
33 contrary, a school district shall not adopt a budget pursuant to
34 sections 5 and 6 of P.L.1996, c.138 (C.18A:7F-5 and 18A:7F-6)
35 with an increase in its adjusted tax levy that exceeds, except as
36 provided in subsection e. of section 4 of P.L.2007, c.62 (C.18A:7F-
37 39), the tax levy growth limitation calculated as follows: the sum of
38 the prebudget year adjusted tax levy and the adjustment for
39 increases in enrollment multiplied by 2.0 percent, and adjustments
40 for an increase in health care costs, **【and】** increases in amounts for
41 certain normal and accrued liability pension contributions set forth
42 in sections 1 and 2 of P.L.2009, c.19 amending section 24 of
43 P.L.1954, c.84 (C.43:15A-24) and section 15 of P.L.1944, c.255
44 (C.43:16A-15) for the year set forth in those sections , and, in the
45 case of an SDA district as defined pursuant to section 3 of
46 P.L.2000, c.72 (C.18A:7G-3), during the 2018-2019 through the

1 2024-2025 school years, increases to raise a general fund tax levy to
2 an amount that does not exceed its local share.

3 b. (1) The allowable adjustment for increases in enrollment
4 authorized pursuant to subsection a. of this section shall equal the
5 per pupil prebudget year adjusted tax levy multiplied by EP, where
6 EP equals the sum of:

7 (a) 0.50 for each unit of weighted resident enrollment that
8 constitutes an increase from the prebudget year over 1%, but not
9 more than 2.5%;

10 (b) 0.75 for each unit of weighted resident enrollment that
11 constitutes an increase from the prebudget year over 2.5%, but not
12 more than 4%; and

13 (c) 1.00 for each unit of weighted resident enrollment that
14 constitutes an increase from the prebudget year over 4%.

15 (2) A school district may request approval from the
16 commissioner to calculate EP equal to 1.00 for any increase in
17 weighted resident enrollment if it can demonstrate that the
18 calculation pursuant to paragraph (1) of this subsection would result
19 in an average class size that exceeds 10% above the facilities
20 efficiency standards established pursuant to P.L.2000, c.72
21 (C.18A:7G-1 et al.).

22 c. (Deleted by amendment, P.L.2010, c.44)

23 d. (1) The allowable adjustment for increases in health care
24 costs authorized pursuant to subsection a. of this section shall equal
25 that portion of the actual increase in total health care costs for the
26 budget year, less any withdrawals from the current expense
27 emergency reserve account for increases in total health care costs,
28 that exceeds 2.0 percent of the total health care costs in the
29 prebudget year, but that is not in excess of the product of the total
30 health care costs in the prebudget year multiplied by the average
31 percentage increase of the State Health Benefits Program, P.L.1961,
32 c.49 (C.52:14-17.25 et seq.), as annually determined by the
33 Division of Pensions and Benefits in the Department of the
34 Treasury.

35 (2) The allowable adjustment for increases in the amount of
36 normal and accrued liability pension contributions authorized
37 pursuant to subsection a. of this section shall equal that portion of
38 the actual increase in total normal and accrued liability pension
39 contributions for the budget year that exceeds 2.0 percent of the
40 total normal and accrued liability pension contributions in the
41 prebudget year.

42 (3) In the case of an SDA district, as defined pursuant to section
43 3 of P.L.2000, c.72 (C.18A:7G-3), in which the prebudget year
44 adjusted tax levy is less than the school district's prebudget year
45 local share as calculated pursuant to section 10 of P.L.2007, c.260
46 (C.18A:7F-52), the allowable adjustment for increases to raise a tax
47 levy that does not exceed the school district's local share shall equal

1 the difference between the prebudget year adjusted tax levy and the
2 prebudget year local share.

3 e. (Deleted by amendment, P.L.2010, c.44)

4 f. The adjusted tax levy shall be increased or decreased
5 accordingly whenever the responsibility and associated cost of a
6 school district activity is transferred to another school district or
7 governmental entity.

8 (cf: P.L.2010, c.44, s.4)

9

10 ¹**[5.] 7.** Section 16 of P.L.2007, c.260 (C.18A:7F-58) is
11 amended to read as follows:

12 16. a. (1) For the 2008-2009 school year, each school district
13 and county vocational school district shall receive adjustment aid in
14 such amount as to ensure that the district receives the greater of the
15 amount of State aid calculated for the district pursuant to the
16 provisions of this act or the State aid received by the district for the
17 2007-2008 school year multiplied by 102%. The State aid received
18 by the district for the 2007-2008 school year shall include the
19 following aid categories: Core Curriculum Standards Aid,
20 Supplemental Core Curriculum Standards Aid, Education
21 Opportunity Aid, Above Average Enrollment Growth Aid, High
22 Expectations for Learning Proficiency Aid, Instructional
23 Supplement Aid, Demonstrably Effective Program Aid,
24 Stabilization Aid, Supplemental Stabilization Aid, Adult and
25 Postsecondary Education Grants, Bilingual Education Aid, Special
26 Education Aid, County Vocational Program Aid, Transportation
27 Aid, School Choice Aid, Consolidated Aid, Additional Formula
28 Aid, Full-day Kindergarten Supplemental Aid, Targeted-At-Risk
29 Aid, Abbott-Bordered District Aid, Nonpreschool ECPA,
30 Extraordinary Special Education Aid paid in 2006-2007, and Aid
31 for Enrollment Adjustments, taking into consideration the June
32 2008 payment made in July 2008.

33 (2) For the 2009-2010 and 2010-2011 school years a school
34 district or county vocational school district shall receive adjustment
35 aid in such amount as to ensure that the district receives the greater
36 of the amount of State aid calculated for the district pursuant to the
37 provisions of this act or the State aid, other than educational
38 adequacy aid, received by the district for the 2008-2009 school
39 year.

40 (3) For the 2011-2012 school year **[and for each school year**
41 **thereafter]** through the 2017-2018 school year, a school district or
42 county vocational school district that does not have a decline in its
43 weighted enrollment, adjusted for bilingual education pupils and at-
44 risk pupils, between the 2008-2009 school year and the budget year
45 that is greater than 5% shall receive adjustment aid in such amount
46 as to ensure that the district receives the greater of the amount of
47 State aid calculated pursuant to the provisions of this act or the

1 State aid, other than educational adequacy aid, received by the
2 district for the 2008-2009 school year.

3 (4) For the 2011-2012 school year **【and for each school year**
4 **thereafter】** through the 2017-2018 school year, a school district or
5 county vocational school district that has a decline in its weighted
6 enrollment, adjusted for bilingual education pupils and at-risk
7 pupils, between the 2008-2009 school year and the budget year that
8 is greater than 5% shall have its adjustment aid reduced in an
9 amount equal to the district's 2008-2009 per pupil adjustment aid
10 amount multiplied by the decline in its resident enrollment that is
11 greater than 5%.

12 b. In the case of a school district that received education
13 opportunity aid in the 2007-2008 school year and for which the sum
14 of the district's 2007-2008 State aid under the State aid categories
15 listed under paragraph (1) of subsection a. of this section and
16 general fund local levy is less than the sum of the district's
17 adequacy budget as calculated pursuant to section 9 of this act,
18 special education categorical aid calculated pursuant to section 13
19 of this act, and security aid calculated pursuant to section 14 of this
20 act, the district shall receive educational adequacy aid if it meets the
21 following criteria:

22 (1) the district fails to meet educational adequacy standards as
23 determined by the commissioner; or

24 (2) the district is located in a municipality with an equalized
25 total tax rate that is greater than 130% of the Statewide average
26 equalized total tax rate; or

27 (3) the district has an equalized school tax rate that is greater
28 than 110% of the Statewide average equalized school tax rate and is
29 located in a municipality with an equalized total tax rate that is
30 greater than 120% of the Statewide average equalized total tax rate;
31 and

32 (4) the district will not meet adequacy in the 2008-2009 school
33 year based on the State aid increase received by the district for that
34 school year.

35 An eligible district shall receive educational adequacy aid for the
36 2008-2009 school year in accordance with the following formula:

37
$$EA \text{ aid} = ((AB + SE + SA) - (GFL + A08)) \times .33) - ls - SA;$$

38 where AB is the district's adequacy budget as calculated pursuant
39 to section 9 of this act;

40 SE is the district's special education categorical aid calculated
41 pursuant to section 13 of this act;

42 SA is the district's security categorical aid calculated pursuant to
43 section 14 of this act;

44 GFL is the district's prebudget year general fund local levy;

45 A08 is the sum of the district's 2007-2008 State aid under the
46 State aid categories listed under paragraph (1) of subsection a. of
47 this section;

1 ls is the district's prebudget year general fund local levy,
2 multiplied by 4% in the case of a district which meets the criteria of
3 paragraph (2) or paragraph (3) of this subsection, or in the case of a
4 district which does not meet those criteria multiplied by 6%; and

5 SA is any increase in State aid between the prebudget and budget
6 years.

7 An eligible district shall receive educational adequacy aid for the
8 2009-2010 school year in accordance with the following formula:

9 EA aid = ((AB - (GFL + PEQAID)) x .50) -ls; and

10 An eligible district shall receive educational adequacy aid for the
11 2010-2011 school year in accordance with the following formula:

12 EA aid = (AB - (GFL + PEQAID) -ls)

13 where

14 AB is the district's adequacy budget as calculated pursuant to
15 section 9 of this act;

16 GFL is the district's prebudget year general fund local levy;

17 PEQAID is the district's prebudget year equalization aid
18 calculated pursuant to section 11 of this act; and

19 ls is the district's prebudget year general fund local levy,
20 multiplied by 4% in the case of a district which meets the criteria of
21 paragraph (2) or paragraph (3) of this subsection, or in the case of a
22 district which does not meet those criteria multiplied by 8% for the
23 2009-2010 school year and by 10% for the 2010-2011 school year;

24 For the 2011-2012 school year and for each school year
25 thereafter, the district shall receive the amount of educational
26 adequacy aid that the district received in the 2010-2011 school year.

27 (cf: P.L.2007, c.260, s.16)

28

29 ~~1[6.] 8.1~~ Section 5 of P.L.2007, c.260 (C.18A:7F-47) is
30 repealed.

31

32 ~~1[7.] 9.1~~ This act shall take effect immediately ~~1[and shall first~~
33 be applicable to the 2018-2019 school year~~1]~~.

34

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36

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38 Modifies school funding law to eliminate adjustment aid and
39 State aid growth limit; allows adjustment to tax levy growth
40 limitation for certain school districts.