

# SENATE, No. 2

## STATE OF NEW JERSEY 218th LEGISLATURE

INTRODUCED MAY 31, 2018

**Sponsored by:**

**Senator STEPHEN M. SWEENEY**

**District 3 (Cumberland, Gloucester and Salem)**

**Senator M. TERESA RUIZ**

**District 29 (Essex)**

**Senator LINDA R. GREENSTEIN**

**District 14 (Mercer and Middlesex)**

**SYNOPSIS**

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

**CURRENT VERSION OF TEXT**

As introduced.



**(Sponsorship Updated As Of: 6/19/2018)**

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 1. (New section) As used in P.L. , c. (C. ) (pending before  
9 the Legislature as this bill):

10 “State aid differential” means the difference between the sum of  
11 a school district’s or county vocational school district’s allocations  
12 of equalization aid, special education categorical aid, security  
13 categorical aid, transportation aid, adjustment aid, and non-SFRA  
14 aids in the 2017-2018 school year, and the sum of equalization aid,  
15 special education categorical aid, security categorical aid, and  
16 transportation aid as calculated for that school year in each category  
17 in accordance with the provisions of sections 11, 13, 14, and 15 of  
18 P.L.2007, c.260 (C.18A:7F-53, C.18A:7F-55, C.18A:7F-56, and  
19 C.18A:7F-57), respectively.

20 “Non-SFRA aids” means the sum of supplemental enrollment  
21 growth aid, per pupil growth aid, PARCC readiness aid,  
22 professional learning community aid, under adequacy aid, and host  
23 district support aid received by a school district in the 2017-2018  
24 school year.

25  
26 2. (New section) a. Notwithstanding the provisions of  
27 P.L.2007, c.260 (C.18A:7F-43 et al.) or any other law to the  
28 contrary, in the 2018-2019 through 2024-2025 school years, a  
29 school district or county vocational school district in which the  
30 State aid differential calculated in the 2017-2018 school year is  
31 negative shall receive State school aid in an amount equal to the  
32 sum of the district’s State aid in the prior school year plus the  
33 district’s proportionate share of the sum of any increase in State aid  
34 included in the annual appropriations act for that fiscal year and the  
35 total State aid reduction pursuant to subsection b. of this section  
36 based on the district’s State aid differential as a percent of the  
37 Statewide total State aid differential among all school districts and  
38 county vocational school districts for which the State aid  
39 differential is negative. Any increase in State aid pursuant to this  
40 subsection shall first be allocated to equalization aid, except that a  
41 school district’s or county vocational school district’s equalization  
42 aid shall not exceed the amount calculated pursuant to section 11 of  
43 P.L.2007, c.260 (C.18A:7F-53) for the 2017-2018 school year. As  
44 necessary, any additional increases shall be allocated to special

**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 education categorical aid, security categorical aid, and  
2 transportation aid.

3 b. Except as provided pursuant to subsection c. of this section,  
4 and notwithstanding the provisions of P.L.2007, c.260 (C.18A:7F-  
5 43 et al.) or any other law to the contrary, in the 2018-2019 through  
6 2024-2025 school years, a school district or county vocational  
7 school district in which the State aid differential calculated in the  
8 2017-2018 school year is positive shall receive State school aid in  
9 an amount equal to the district's State aid in the prior school year  
10 minus a percent of the State aid differential in the 2017-2018 school  
11 year according to the following schedule:

- 12 (1) 5 percent in the 2018-2019 school year;
- 13 (2) 13 percent in the 2019-2020 school year;
- 14 (3) 23 percent in the 2020-2021 school year;
- 15 (4) 37 percent in the 2021-2022 school year;
- 16 (5) 55 percent in the 2022-2023 school year;
- 17 (6) 76 percent in the 2023-2024 school year; and
- 18 (7) 100 percent in the 2024-2025 school year.

19 c. Notwithstanding the provisions of P.L.2007, c.260  
20 (C.18A:7F-43 et al.) or any other law to the contrary, in the 2018-  
21 2019 through 2022-2023 school years, a school district in a  
22 municipality that is authorized to impose and collect an employer  
23 payroll tax pursuant to P.L. , c. (C. ) (pending before the  
24 Legislature as Senate Bill No. 2581 of 2018) shall receive State  
25 school aid in an amount equal to the district's State aid in the prior  
26 school year minus a percent of the State aid differential in the 2017-  
27 2018 school year according to the following schedule:

- 28 (1) 5 percent in the 2018-2019 school year;
- 29 (2) 28.75 percent in the 2019-2020 school year;
- 30 (3) 52.5 percent in the 2020-2021 school year;
- 31 (4) 76.25 percent in the 2021-2022 school year; and
- 32 (5) 100 percent in the 2022-2023 school year.

33 d. Any decrease in State aid pursuant subsections b. or c. of  
34 this section shall first be deducted from a school district's or county  
35 vocational school district's allotment of adjustment aid. Any  
36 additional reduction shall be deducted from the school district's or  
37 county vocational school district's allotment of non-SFRA aids,  
38 followed by equalization aid, special education categorical aid,  
39 security aid, and transportation aid.

40 e. In the case of a school district or county vocational school  
41 district that is subject to the provisions of subsections a. or b. of this  
42 section, in the 2024-2025 school year, any remaining adjustment aid  
43 or non-SFRA aids shall be reallocated to other State aid categories  
44 in a manner to be determined by the commissioner. In the case of a  
45 school district that is subject to the provisions of subsection c. of  
46 this section, the reallocation shall occur in the 2022-2023 school  
47 year.

1       3. (New section) In the 2018-2019 school year, and in each  
2 school year thereafter, a county vocational school district shall  
3 receive vocational expansion stabilization aid in such an amount to  
4 ensure that the district receives the greater of the amount of State  
5 aid calculated pursuant to the provisions of P.L.2007, c.260  
6 (C.18A:7F-43 et al.) or the sum of the amount of equalization aid,  
7 special education categorical aid, security categorical aid, and  
8 adjustment aid received in the 2017-2018 school year.

9

10       4. Section 3 of P.L.2007, c.62 (C.18A:7F-38) is amended to  
11 read as follows:

12       3. a. Notwithstanding the provisions of any other law to the  
13 contrary, a school district shall not adopt a budget pursuant to  
14 sections 5 and 6 of P.L.1996, c.138 (C.18A:7F-5 and 18A:7F-6)  
15 with an increase in its adjusted tax levy that exceeds, except as  
16 provided in subsection e. of section 4 of P.L.2007, c.62 (C.18A:7F-  
17 39), the tax levy growth limitation calculated as follows: the sum of  
18 the prebudget year adjusted tax levy and the adjustment for  
19 increases in enrollment multiplied by 2.0 percent, and adjustments  
20 for an increase in health care costs, **[and]** increases in amounts for  
21 certain normal and accrued liability pension contributions set forth  
22 in sections 1 and 2 of P.L.2009, c.19 amending section 24 of  
23 P.L.1954, c.84 (C.43:15A-24) and section 15 of P.L.1944, c.255  
24 (C.43:16A-15) for the year set forth in those sections, and, in the  
25 case of an SDA district as defined pursuant to section 3 of  
26 P.L.2000, c.72 (C.18A:7G-3), during the 2018-2019 through the  
27 2024-2025 school years, increases to raise a general fund tax levy to  
28 an amount that does not exceed its local share.

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

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

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

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

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

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

1 d. (1) The allowable adjustment for increases in health care  
2 costs authorized pursuant to subsection a. of this section shall equal  
3 that portion of the actual increase in total health care costs for the  
4 budget year, less any withdrawals from the current expense  
5 emergency reserve account for increases in total health care costs,  
6 that exceeds 2.0 percent of the total health care costs in the  
7 prebudget year, but that is not in excess of the product of the total  
8 health care costs in the prebudget year multiplied by the average  
9 percentage increase of the State Health Benefits Program, P.L.1961,  
10 c.49 (C.52:14-17.25 et seq.), as annually determined by the  
11 Division of Pensions and Benefits in the Department of the  
12 Treasury.

13 (2) The allowable adjustment for increases in the amount of  
14 normal and accrued liability pension contributions authorized  
15 pursuant to subsection a. of this section shall equal that portion of  
16 the actual increase in total normal and accrued liability pension  
17 contributions for the budget year that exceeds 2.0 percent of the  
18 total normal and accrued liability pension contributions in the  
19 prebudget year.

20 (3) In the case of an SDA district, as defined pursuant to section  
21 3 of P.L.2000, c.72 (C.18A:7G-3), in which the prebudget year  
22 adjusted tax levy is less than the school district's prebudget year  
23 local share as calculated pursuant to section 10 of P.L.2007, c.260  
24 (C.18A:7F-52), the allowable adjustment for increases to raise a tax  
25 levy that does not exceed the school district's local share shall equal  
26 the difference between the prebudget year adjusted tax levy and the  
27 prebudget year local share.

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

29 f. The adjusted tax levy shall be increased or decreased  
30 accordingly whenever the responsibility and associated cost of a  
31 school district activity is transferred to another school district or  
32 governmental entity.

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

34

35 5. Section 16 of P.L.2007, c.260 (C.18A:7F-58) is amended to  
36 read as follows:

37 16. a. (1) For the 2008-2009 school year, each school district  
38 and county vocational school district shall receive adjustment aid in  
39 such amount as to ensure that the district receives the greater of the  
40 amount of State aid calculated for the district pursuant to the  
41 provisions of this act or the State aid received by the district for the  
42 2007-2008 school year multiplied by 102%. The State aid received  
43 by the district for the 2007-2008 school year shall include the  
44 following aid categories: Core Curriculum Standards Aid,  
45 Supplemental Core Curriculum Standards Aid, Education  
46 Opportunity Aid, Above Average Enrollment Growth Aid, High  
47 Expectations for Learning Proficiency Aid, Instructional  
48 Supplement Aid, Demonstrably Effective Program Aid,

1 Stabilization Aid, Supplemental Stabilization Aid, Adult and  
2 Postsecondary Education Grants, Bilingual Education Aid, Special  
3 Education Aid, County Vocational Program Aid, Transportation  
4 Aid, School Choice Aid, Consolidated Aid, Additional Formula  
5 Aid, Full-day Kindergarten Supplemental Aid, Targeted-At-Risk  
6 Aid, Abbott-Bordered District Aid, Nonpreschool ECPA,  
7 Extraordinary Special Education Aid paid in 2006-2007, and Aid  
8 for Enrollment Adjustments, taking into consideration the June  
9 2008 payment made in July 2008.

10 (2) For the 2009-2010 and 2010-2011 school years a school  
11 district or county vocational school district shall receive adjustment  
12 aid in such amount as to ensure that the district receives the greater  
13 of the amount of State aid calculated for the district pursuant to the  
14 provisions of this act or the State aid, other than educational  
15 adequacy aid, received by the district for the 2008-2009 school  
16 year.

17 (3) For the 2011-2012 school year **【and for each school year**  
18 **thereafter】** through the 2017-2018 school year, a school district or  
19 county vocational school district that does not have a decline in its  
20 weighted enrollment, adjusted for bilingual education pupils and at-  
21 risk pupils, between the 2008-2009 school year and the budget year  
22 that is greater than 5% shall receive adjustment aid in such amount  
23 as to ensure that the district receives the greater of the amount of  
24 State aid calculated pursuant to the provisions of this act or the  
25 State aid, other than educational adequacy aid, received by the  
26 district for the 2008-2009 school year.

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

36 b. In the case of a school district that received education  
37 opportunity aid in the 2007-2008 school year and for which the sum  
38 of the district's 2007-2008 State aid under the State aid categories  
39 listed under paragraph (1) of subsection a. of this section and  
40 general fund local levy is less than the sum of the district's  
41 adequacy budget as calculated pursuant to section 9 of this act,  
42 special education categorical aid calculated pursuant to section 13  
43 of this act, and security aid calculated pursuant to section 14 of this  
44 act, the district shall receive educational adequacy aid if it meets the  
45 following criteria:

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

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

4 (3) the district has an equalized school tax rate that is greater  
5 than 110% of the Statewide average equalized school tax rate and is  
6 located in a municipality with an equalized total tax rate that is  
7 greater than 120% of the Statewide average equalized total tax rate;  
8 and

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

12 An eligible district shall receive educational adequacy aid for the  
13 2008-2009 school year in accordance with the following formula:

14  $EA\ aid = ((AB + SE + SA) - (GFL + A08)) \times .33) - Is - SA;$

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

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

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

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

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

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

29 SA is any increase in State aid between the prebudget and budget  
30 years.

31 An eligible district shall receive educational adequacy aid for the  
32 2009-2010 school year in accordance with the following formula:

33  $EA\ aid = ((AB - (GFL + PEQAID)) \times .50) - Is;$  and

34 An eligible district shall receive educational adequacy aid for the  
35 2010-2011 school year in accordance with the following formula:

36  $EA\ aid = (AB - (GFL + PEQAID) - Is)$

37 where

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

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

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

43 Is is the district's prebudget year general fund local levy,  
44 multiplied by 4% in the case of a district which meets the criteria of  
45 paragraph (2) or paragraph (3) of this subsection, or in the case of a  
46 district which does not meet those criteria multiplied by 8% for the  
47 2009-2010 school year and by 10% for the 2010-2011 school year;

1 For the 2011-2012 school year and for each school year  
2 thereafter, the district shall receive the amount of educational  
3 adequacy aid that the district received in the 2010-2011 school year.  
4 (cf: P.L.2007, c.260, s.16)

5  
6 6. Section 5 of P.L.2007, c.260 (C.18A:7F-47) is repealed.

7  
8 7. This act shall take effect immediately and shall first be  
9 applicable to the 2018-2019 school year.

10  
11  
12 STATEMENT

13  
14 The “School Funding Reform Act of 2008” (SFRA), P.L.2007,  
15 c.260, was enacted with the purpose of determining the amount of  
16 State school aid each school district would receive based on the  
17 needs of the student population and local fiscal capacity. However,  
18 the SFRA has not been fully implemented since the 2008-2009  
19 school year, resulting in school districts receiving levels of State  
20 school aid inconsistent with their current circumstances.

21 This bill makes two modifications to the SFRA with the intent of  
22 realigning the amount of State aid provided to school districts with  
23 their current needs. First, under the provisions of the SFRA, a  
24 school district’s State aid may not increase from one year to the  
25 next by more than the State aid growth limit (10 percent for school  
26 districts spending above their adequacy threshold, and 20 percent  
27 for school districts spending below that threshold). The bill  
28 eliminates that cap beginning in the 2018-2019 school year.

29 Second, the bill transitions school districts towards the amount of  
30 State aid that the school district would receive in the absence of the  
31 State aid growth limit and the adjustment aid that the school district  
32 received under the SFRA. In the case of a school district in which  
33 the State aid received in the 2017-2018 school year is less than the  
34 amount that the district would receive in the absence of the State aid  
35 growth limit, the district will receive an increase in aid equal to its  
36 proportionate share of the sum of any additional State aid included  
37 in the annual appropriations act and the amount of any aid reduction  
38 made to other school districts. In the case of a school district that  
39 received a greater amount of State aid in the 2017-2018 school year  
40 than what the district would receive in the absence of the State aid  
41 growth limit and adjustment aid, the excess aid is phased out over a  
42 seven-year period, except that the bill provides a five-year  
43 transition period for a school district in a municipality that is  
44 authorized to impose and collect an employer payroll tax under the  
45 provisions of Senate Bill No.2581. This provision would apply to  
46 the Jersey City School District.