

[First Reprint]  
**SENATE, No. 2**

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**STATE OF NEW JERSEY**  
**218th LEGISLATURE**

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INTRODUCED MAY 31, 2018

**Sponsored by:**

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**District 3 (Cumberland, Gloucester and Salem)**  
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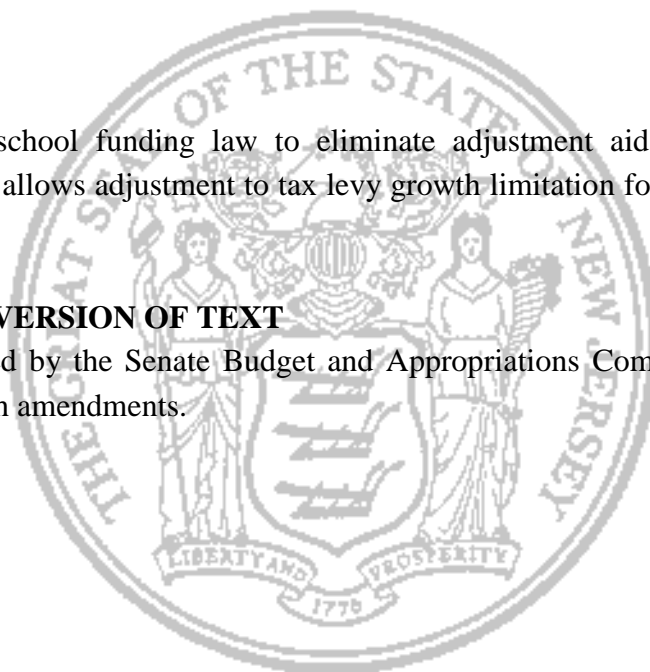
**Senators Lagana, Pou, Assemblywoman Jasey, Assemblymen McKeon and DeAngelo**

**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 reported by the Senate Budget and Appropriations Committee on June 18, 2018, with amendments.



**(Sponsorship Updated As Of: 6/22/2018)**

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 <sup>1</sup>1. (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).<sup>1</sup>

22  
 23 <sup>1</sup>2. (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).<sup>1</sup>

33  
 34 **<sup>1</sup>[1.] 3.<sup>1</sup>** (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  
 37 a school district's or county vocational school district's allocations  
 38 of equalization aid, special education categorical aid, security  
 39 categorical aid, transportation aid, adjustment aid, and non-SFRA  
 40 aids in the <sup>1</sup>**[2017-2018 school]** prebudget<sup>1</sup> year, and the sum of  
 41 equalization aid, special education categorical aid, security  
 42 categorical aid, and transportation aid as calculated for <sup>1</sup>**[that**  
 43 **school]** the budget<sup>1</sup> year in each category in accordance with the  
 44 provisions of sections 11, 13, 14, and 15 of P.L.2007, c.260

**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:**

<sup>1</sup>Senate SBA committee amendments adopted June 18, 2018.

1 (C.18A:7F-53, C.18A:7F-55, C.18A:7F-56, and C.18A:7F-57),  
2 respectively.

3 “Non-SFRA aids” means the sum of supplemental enrollment  
4 growth aid, per pupil growth aid, PARCC readiness aid,  
5 professional learning community aid, under adequacy aid, and host  
6 district support aid received by a school district in the <sup>1</sup>[2017-2018  
7 school] prebudget<sup>1</sup> year.

8  
9 <sup>1</sup>[2.] 4.<sup>1</sup> (New section) a. Notwithstanding the provisions of  
10 P.L.2007, c.260 (C.18A:7F-43 et al.) or any other law to the  
11 contrary, in the <sup>1</sup>[2018-2019] 2019-2020<sup>1</sup> through 2024-2025  
12 school years, a school district or county vocational school district in  
13 which the State aid differential calculated <sup>1</sup>[in the 2017-2018  
14 school year]<sup>1</sup> is negative shall receive State school aid in an  
15 amount equal to the sum of the district’s State aid in the prior  
16 school year plus the district’s proportionate share of the sum of any  
17 increase in State aid included in the annual appropriations act for  
18 that fiscal year and the total State aid reduction pursuant to  
19 subsection b. of this section based on the district’s State aid  
20 differential as a percent of the Statewide total State aid differential  
21 among all school districts and county vocational school districts for  
22 which the State aid differential is negative. Any increase in State  
23 aid pursuant to this subsection shall first be allocated to  
24 equalization aid, <sup>1</sup>[except that a school district’s or county  
25 vocational school district’s equalization aid shall not exceed the  
26 amount calculated pursuant to section 11 of P.L.2007, c.260  
27 (C.18A:7F-53) for the 2017-2018 school year. As necessary, any  
28 additional increases shall be allocated to] followed by<sup>1</sup> special  
29 education categorical aid, security categorical aid, and  
30 transportation aid <sup>1</sup>, except that no category shall exceed the total  
31 amount as calculated in accordance with the provisions of sections  
32 11, 13, 14, and 15 of P.L.2007, c.260 (C.18A:7F-53, C.18A:7F-55,  
33 C.18A:7F-56, and C.18A:7F-57), respectively<sup>1</sup>.

34 b. Except as provided pursuant to subsection c. of this section,  
35 and notwithstanding the provisions of P.L.2007, c.260 (C.18A:7F-  
36 43 et al.) or any other law to the contrary, in the <sup>1</sup>[2018-2019]  
37 2019-2020<sup>1</sup> through 2024-2025 school years, a school district or  
38 county vocational school district in which the State aid differential  
39 <sup>1</sup>[calculated in the 2017-2018 school year]<sup>1</sup> is positive shall  
40 receive State school aid in an amount equal to the district’s State  
41 aid in the prior school year minus a percent of the State aid  
42 differential <sup>1</sup>[in the 2017-2018 school year]<sup>1</sup> according to the  
43 following schedule:

- 44 (1) <sup>1</sup>[5 percent in the 2018-2019 school year;
- 45 (2)]<sup>1</sup> 13 percent in the 2019-2020 school year;
- 46 <sup>1</sup>[(3)] (2)<sup>1</sup> 23 percent in the 2020-2021 school year;

- 1       <sup>1</sup>[(4)] (3)<sup>1</sup> 37 percent in the 2021-2022 school year;  
2       <sup>1</sup>[(5)] (4)<sup>1</sup> 55 percent in the 2022-2023 school year;  
3       <sup>1</sup>[(6)] (5)<sup>1</sup> 76 percent in the 2023-2024 school year; and  
4       <sup>1</sup>[(7)] (6)<sup>1</sup> 100 percent in the 2024-2025 school year.

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

- 14       (1) 5 percent in the 2018-2019 school year;  
15       (2) 28.75 percent in the 2019-2020 school year;  
16       (3) 52.5 percent in the 2020-2021 school year;  
17       (4) 76.25 percent in the 2021-2022 school year; and  
18       (5) 100 percent in the 2022-2023 school year.]

19       (1) An SDA district that is located in a municipality in which the equalized total tax rate is greater than the Statewide average equalized total tax rate for the most recent available calendar year and is spending below adequacy as calculated pursuant to section 1 of P.L. , c. (C. ) (pending before the Legislature as this bill) shall not be subject to a reduction in State aid pursuant to subsection b. of this section.

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

33       (3) A school district, other than an SDA district, that is located in a municipality in which the equalized total tax rate is at least 10 percent greater than the Statewide average equalized total tax rate for the most recent available calendar year and is spending at least 10 percent below adequacy as calculated pursuant to section 1 of P.L. , c. (C. ) (pending before the Legislature as this bill) shall not be subject to a reduction in State aid pursuant to subsection b. of this section.<sup>1</sup>

41       d. Any decrease in State aid pursuant <sup>1</sup>to<sup>1</sup> subsections b. or c. of this section shall first be deducted from a school district's or county vocational school district's allotment of adjustment aid. Any additional reduction shall be deducted from the school district's or county vocational school district's allotment of non-SFRA aids, followed by equalization aid, special education categorical aid, security aid, and transportation aid.

1 e. <sup>1</sup>~~【In the case of a school district or county vocational school~~  
2 ~~district that is subject to the provisions of subsections a. or b. of this~~  
3 ~~section, in the 2024-2025 school year, any】~~ Any<sup>1</sup> remaining  
4 adjustment aid or non-SFRA aids shall be reallocated to other State  
5 aid categories in a manner to be determined by the commissioner.  
6 <sup>1</sup>~~【In the case of a school district that is subject to the provisions of~~  
7 ~~subsection c. of this section, the reallocation shall occur in the~~  
8 ~~2022-2023 school year.】~~<sup>1</sup>

9  
10 <sup>1</sup>~~【3.】~~ 5.<sup>1</sup> (New section) In the <sup>1</sup>~~【2018-2019】~~ 2019-2020<sup>1</sup> school  
11 year, and in each school year thereafter, a county vocational school  
12 district shall receive vocational expansion stabilization aid in such  
13 an amount to ensure that the district receives the greater of the  
14 amount of State aid calculated pursuant to the provisions of  
15 <sup>1</sup>~~【P.L.2007, c.260 (C.18A:7F-43 et al.)】~~ P.L. , c. (C. ) (pending  
16 before the Legislature as this bill)<sup>1</sup> or the sum of the <sup>1</sup>~~【amount of~~  
17 ~~equalization aid, special education categorical aid, security~~  
18 ~~categorical aid, and adjustment aid】~~ district's State aid<sup>1</sup> received in  
19 the 2017-2018 school year.

20  
21 <sup>1</sup>~~【4.】~~ 6.<sup>1</sup> Section 3 of P.L.2007, c.62 (C.18A:7F-38) is  
22 amended to read as follows:

23 3. a. Notwithstanding the provisions of any other law to the  
24 contrary, a school district shall not adopt a budget pursuant to  
25 sections 5 and 6 of P.L.1996, c.138 (C.18A:7F-5 and 18A:7F-6)  
26 with an increase in its adjusted tax levy that exceeds, except as  
27 provided in subsection e. of section 4 of P.L.2007, c.62 (C.18A:7F-  
28 39), the tax levy growth limitation calculated as follows: the sum of  
29 the prebudget year adjusted tax levy and the adjustment for  
30 increases in enrollment multiplied by 2.0 percent, and adjustments  
31 for an increase in health care costs, ~~【and】~~ increases in amounts for  
32 certain normal and accrued liability pension contributions set forth  
33 in sections 1 and 2 of P.L.2009, c.19 amending section 24 of  
34 P.L.1954, c.84 (C.43:15A-24) and section 15 of P.L.1944, c.255  
35 (C.43:16A-15) for the year set forth in those sections, and, in the  
36 case of an SDA district as defined pursuant to section 3 of  
37 P.L.2000, c.72 (C.18A:7G-3), during the 2018-2019 through the  
38 2024-2025 school years, increases to raise a general fund tax levy to  
39 an amount that does not exceed its local share.

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

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

- 1 (b) 0.75 for each unit of weighted resident enrollment that  
2 constitutes an increase from the prebudget year over 2.5%, but not  
3 more than 4%; and
- 4 (c) 1.00 for each unit of weighted resident enrollment that  
5 constitutes an increase from the prebudget year over 4%.
- 6 (2) A school district may request approval from the  
7 commissioner to calculate EP equal to 1.00 for any increase in  
8 weighted resident enrollment if it can demonstrate that the  
9 calculation pursuant to paragraph (1) of this subsection would result  
10 in an average class size that exceeds 10% above the facilities  
11 efficiency standards established pursuant to P.L.2000, c.72  
12 (C.18A:7G-1 et al.).
- 13 c. (Deleted by amendment, P.L.2010, c.44)
- 14 d. (1) The allowable adjustment for increases in health care  
15 costs authorized pursuant to subsection a. of this section shall equal  
16 that portion of the actual increase in total health care costs for the  
17 budget year, less any withdrawals from the current expense  
18 emergency reserve account for increases in total health care costs,  
19 that exceeds 2.0 percent of the total health care costs in the  
20 prebudget year, but that is not in excess of the product of the total  
21 health care costs in the prebudget year multiplied by the average  
22 percentage increase of the State Health Benefits Program, P.L.1961,  
23 c.49 (C.52:14-17.25 et seq.), as annually determined by the  
24 Division of Pensions and Benefits in the Department of the  
25 Treasury.
- 26 (2) The allowable adjustment for increases in the amount of  
27 normal and accrued liability pension contributions authorized  
28 pursuant to subsection a. of this section shall equal that portion of  
29 the actual increase in total normal and accrued liability pension  
30 contributions for the budget year that exceeds 2.0 percent of the  
31 total normal and accrued liability pension contributions in the  
32 prebudget year.
- 33 (3) In the case of an SDA district, as defined pursuant to section  
34 3 of P.L.2000, c.72 (C.18A:7G-3), in which the prebudget year  
35 adjusted tax levy is less than the school district's prebudget year  
36 local share as calculated pursuant to section 10 of P.L.2007, c.260  
37 (C.18A:7F-52), the allowable adjustment for increases to raise a tax  
38 levy that does not exceed the school district's local share shall equal  
39 the difference between the prebudget year adjusted tax levy and the  
40 prebudget year local share.
- 41 e. (Deleted by amendment, P.L.2010, c.44)
- 42 f. The adjusted tax levy shall be increased or decreased  
43 accordingly whenever the responsibility and associated cost of a  
44 school district activity is transferred to another school district or  
45 governmental entity.
- 46 (cf: P.L.2010, c.44, s.4)

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

3       16. a. (1) For the 2008-2009 school year, each school district  
4 and county vocational school district shall receive adjustment aid in  
5 such amount as to ensure that the district receives the greater of the  
6 amount of State aid calculated for the district pursuant to the  
7 provisions of this act or the State aid received by the district for the  
8 2007-2008 school year multiplied by 102%. The State aid received  
9 by the district for the 2007-2008 school year shall include the  
10 following aid categories: Core Curriculum Standards Aid,  
11 Supplemental Core Curriculum Standards Aid, Education  
12 Opportunity Aid, Above Average Enrollment Growth Aid, High  
13 Expectations for Learning Proficiency Aid, Instructional  
14 Supplement Aid, Demonstrably Effective Program Aid,  
15 Stabilization Aid, Supplemental Stabilization Aid, Adult and  
16 Postsecondary Education Grants, Bilingual Education Aid, Special  
17 Education Aid, County Vocational Program Aid, Transportation  
18 Aid, School Choice Aid, Consolidated Aid, Additional Formula  
19 Aid, Full-day Kindergarten Supplemental Aid, Targeted-At-Risk  
20 Aid, Abbott-Bordered District Aid, Nonpreschool ECPA,  
21 Extraordinary Special Education Aid paid in 2006-2007, and Aid  
22 for Enrollment Adjustments, taking into consideration the June  
23 2008 payment made in July 2008.

24       (2) For the 2009-2010 and 2010-2011 school years a school  
25 district or county vocational school district shall receive adjustment  
26 aid in such amount as to ensure that the district receives the greater  
27 of the amount of State aid calculated for the district pursuant to the  
28 provisions of this act or the State aid, other than educational  
29 adequacy aid, received by the district for the 2008-2009 school  
30 year.

31       (3) For the 2011-2012 school year **[and for each school year**  
32 **thereafter]** through the 2017-2018 school year, a school district or  
33 county vocational school district that does not have a decline in its  
34 weighted enrollment, adjusted for bilingual education pupils and at-  
35 risk pupils, between the 2008-2009 school year and the budget year  
36 that is greater than 5% shall receive adjustment aid in such amount  
37 as to ensure that the district receives the greater of the amount of  
38 State aid calculated pursuant to the provisions of this act or the  
39 State aid, other than educational adequacy aid, received by the  
40 district for the 2008-2009 school year.

41       (4) For the 2011-2012 school year **[and for each school year**  
42 **thereafter]** through the 2017-2018 school year, a school district or  
43 county vocational school district that has a decline in its weighted  
44 enrollment, adjusted for bilingual education pupils and at-risk  
45 pupils, between the 2008-2009 school year and the budget year that  
46 is greater than 5% shall have its adjustment aid reduced in an  
47 amount equal to the district's 2008-2009 per pupil adjustment aid

1 amount multiplied by the decline in its resident enrollment that is  
2 greater than 5%.

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

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

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

18 (3) the district has an equalized school tax rate that is greater  
19 than 110% of the Statewide average equalized school tax rate and is  
20 located in a municipality with an equalized total tax rate that is  
21 greater than 120% of the Statewide average equalized total tax rate;  
22 and

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

26 An eligible district shall receive educational adequacy aid for the  
27 2008-2009 school year in accordance with the following formula:

28 
$$EA \text{ aid} = ((AB + SE + SA) - (GFL + A08)) \times .33 - ls - SA;$$

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

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

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

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

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

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

43 SA is any increase in State aid between the prebudget and budget  
44 years.

45 An eligible district shall receive educational adequacy aid for the  
46 2009-2010 school year in accordance with the following formula:

47 
$$EA \text{ aid} = ((AB - (GFL + PEQAID)) \times .50) - ls; \text{ and}$$



1 An eligible district shall receive educational adequacy aid for the  
2 2010-2011 school year in accordance with the following formula:

3  $EA\ aid = (AB - (GFL + PEQAID) - ls)$

4 where

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

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

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

10 ls is the district's prebudget year general fund local levy,  
11 multiplied by 4% in the case of a district which meets the criteria of  
12 paragraph (2) or paragraph (3) of this subsection, or in the case of a  
13 district which does not meet those criteria multiplied by 8% for the  
14 2009-2010 school year and by 10% for the 2010-2011 school year;

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

19

20 **1[6.] 8.**<sup>1</sup> Section 5 of P.L.2007, c.260 (C.18A:7F-47) is  
21 repealed.

22

23 **1[7.] 9.**<sup>1</sup> This act shall take effect immediately **1[and shall first**  
24 **be applicable to the 2018-2019 school year]**<sup>1</sup>.