

# SENATE BUDGET AND APPROPRIATIONS COMMITTEE

## STATEMENT TO

### **SENATE, No. 2**

with committee amendments

# **STATE OF NEW JERSEY**

DATED: JUNE 18, 2018

The Senate Budget and Appropriations Committee reports favorably Senate Bill No. 2, with committee amendments.

As amended, this bill provides a mechanism for allocating State school aid from the 2019-2020 through 2024-2025 school years. Under the bill, a State aid differential will be calculated for each school district as the amount of State aid that the district received in the prior school year, not including educational adequacy aid and school choice aid, minus the sum of equalization aid, special education categorical aid, security categorical aid, and transportation aid as calculated under the “School Funding Reform Act of 2008,” P.L.2007, c.260 (C.18A:7F-43 et al.) prior to applying the State aid growth limit. In the case of a school district in which the State aid differential is positive, the differential would be reduced by a certain percentage each school year: 13 percent in the 2019-2020 school year; 23 percent in the 2020-2021 school year; 37 percent in the 2021-2022 school year; 55 percent in the 2022-2023 school year; 76 percent in the 2023-2024 school year; and 100 percent in the 2024-2025 school year.

Three groups of school districts would be exempt from these reductions: 1) county vocational school districts; 2) SDA (former Abbott) districts that spend below adequacy and are located in a municipality in which the equalized total tax rate exceeds the State average; and 3) non-SDA districts that spend below adequacy by at least 10 percent and are located in municipality in which the equalized total tax rate exceeds the State average by more than 10 percent. Additionally, in the case of an SDA district that spends above adequacy and is located in a municipality in which the equalized total tax rate exceeds the State average, the total State aid reduction would be limited to the amount by which the district is spending above adequacy multiplied by the percentage for the corresponding school year.

School districts in which the State aid differential is negative would receive an increase in State aid. Specifically, each district would receive a proportionate share of the sum of the total State aid reduction from districts that have a positive State aid differential and any additional revenue included in the annual appropriations act for the purpose of providing direct State aid to school districts.

The bill also requires that, for school years 2019-2020 through 2024-2025, a school district that is spending below adequacy and experiences a reduction in State school aid must increase its general fund tax levy by two percent over the prior school year. It also permits an SDA district that is taxing below its local share to increase its tax levy in an amount greater than the tax levy growth limitation.

The committee amended the bill to:

- establish the 2019-2020 school year, as opposed to the 2018-2019 school year, as the first year in which the bill would be applicable and make a corresponding change to the bill's effective date;
- annually adjust the base from which State aid is calculated, rather than using the 2017-2018 school year State aid as the base during the full time period;
- provide that the transition period will be the same for the Jersey City School District as other districts;
- minimize or eliminate the State aid decreases for certain school districts located in municipalities in which the equalized total tax rate exceeds the State average equalized total tax rate;
- make corrections to preserve the definition of spending relative to adequacy and to properly calculate State aid to certain county vocational school districts; and
- require school districts that spend below adequacy and experience a reduction in State aid to increase the general fund tax levy by two percent over the prior school year.

FISCAL IMPACT:

The net fiscal impact of the legislation is indeterminate, as State aid increases under the bill would be determined annually in the appropriations act. Based on data from the FY 2017-2018 school year, the Office of Legislative Services estimates that nearly 200 school districts would be subject to State school aid reductions totaling approximately \$600 million through the 2024-2025 school year. However, these figures will likely fluctuate somewhat as the aid calculations are adjusted annually to account for changes in overall enrollment, student demographics, and fiscal capacity.