

ASSEMBLY, No. 613

STATE OF NEW JERSEY

Introduced Pending Technical Review by Legislative Counsel

PRE-FILED FOR INTRODUCTION IN THE 1996 SESSION

By Assemblyman LUSTBADER

1 AN ACT concerning State school aid for certain school districts and
2 revising various parts of the statutory law.

3

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

6

7 1. Section 3 of P.L.1990, c.52 (C.18A:7D-3) is amended to read
8 as follows:

9 3. For the purposes of this act, unless the context clearly requires
10 a different meaning:

11 "Adjusted resident enrollment" means the number of pupils who, on
12 the last school day prior to October 16 of the prebudget year, are
13 residents of the district and are enrolled in: (1) the public schools of
14 the district, except as a post-graduate or evening school pupil; or (2)
15 another school district to which the district of residence pays tuition
16 other than a county vocational school district in the same county or
17 county special services school district; provided that a district shall
18 count pupils in a shared-time vocational program who are regularly
19 attending both the schools of the district and of a county vocational
20 school district on an equated full-time basis in accordance with
21 procedures to be established by the commissioner. For purposes of
22 this section, resident enrollment shall include, beginning in the 1992-93
23 school year and thereafter, regardless of nonresidence, the enrolled
24 children of teaching staff members of the school district who are
25 permitted, by contract or local district policy, to enroll their children
26 in the educational program of the school district without payment of
27 tuition.

28 "Bilingual education pupil" means a pupil enrolled in a program of
29 bilingual education approved by the State board.

30 "County vocational school, special education services pupil" means
31 a pupil who is attending a county vocational school and who is
32 receiving specific services pursuant to chapter 46 of Title 18A of the

EXPLANATION - Matter enclosed in bold-faced brackets [thus] in the above bill is not enacted and intended to be omitted in the law.

Matter underlined thus is new matter.

1 New Jersey Statutes in special class programs when the pupil is
2 enrolled in a special class register.

3 "CPI" means the average annual increase, expressed as a decimal,
4 in the consumer price index for all urban consumers in the New York
5 City and Philadelphia areas during the three fiscal years preceding the
6 prebudget year as reported by the United States Department of Labor.

7 "Current expense" means all expenses of the school district, as
8 enumerated in N.J.S.18A:22-8, other than those required for interest
9 and debt redemption charges and any budgeted capital outlay.

10 "Debt service" means and includes payments of principal and
11 interest upon school bonds and other obligations issued to finance the
12 acquisition of school sites and the acquisition, construction or
13 reconstruction of school buildings, including furnishings, equipment
14 and the costs of issuance of such obligations and shall include
15 payments of principal and interest upon bonds heretofore issued to
16 fund or refund such obligations, and upon municipal bonds and other
17 obligations which the commissioner approves as having been issued for
18 such purposes. Debt service pursuant to the provisions of P.L.1978,
19 c.74 (C.18A:58-33.22 et seq.), P.L.1971, c.10 (C.18A:58-33.6 et seq.)
20 and P.L.1968, c.177 (C.18A:58-33.2 et seq.) is excluded.

21 "District income" means the aggregate income of the residents of
22 the taxing district or taxing districts, based upon data provided by the
23 Bureau of the Census in the United States Department of Commerce
24 for the most recent year prior to the budget year.

25 With respect to regional districts and their constituent districts,
26 however, the district income as described above shall be allocated
27 among the regional and constituent districts in proportion to the
28 number of pupils in each of them. For the 1991-92 school year,
29 regional and constituent pupils shall include pupils attending the
30 schools of a county vocational school or a county special services
31 school district. Part-time post-secondary vocational pupils are to be
32 excluded from this calculation.

33 "Equalized valuation" means the equalized valuation of the taxing
34 district or taxing districts as certified by the Director of the Division
35 of Taxation on October 1 of the prebudget year.

36 With respect to regional districts and their constituent districts,
37 however, the equalized valuations as described above shall be
38 allocated among the regional and constituent districts in proportion to
39 the number of pupils in each of them. For the 1991-92 school year,
40 regional and constituent pupils shall include pupils attending the
41 schools of a county vocational school or a county special services
42 school district. Part-time post-secondary vocational pupils are to be
43 excluded from this calculation. With respect to certain operating
44 school districts, other than school districts that received funds through
45 a municipal budget in 1989 as determined pursuant to column 1 (c) of
46 Section C of the Abstract of Ratables, that are composed of one or

1 more taxing districts, where 20% or more of the land area of the
2 taxing district is situated within the development district subject to an
3 intermunicipal tax sharing agreement pursuant to P.L.1968, c.404
4 (C.13:17-1 et seq.), the equalized valuation shall equal the product of
5 .70 and the amount of equalized valuation certified by the director.

6 "Evening school pupils" means the equated full-time resident
7 enrollment of pupils enrolled in a public evening school established
8 pursuant to N.J.S.18A:48-1.

9 "Local levy budget" means the sum of the foundation aid and
10 transition aid received by a school district and the district's local levies
11 for current expense and capital outlay.

12 "Maximum Statewide foundation aid" shall be determined annually
13 by subtracting the total State aid payable pursuant to sections 14, 16,
14 80 and 81 of P.L.1990, c.52 (C.18A:7D-16, 18A:7D-18, 18A:7D-20
15 and 18A:7D-21) and sections 26, 29, 30 and 31 of P.L.1991, c.62
16 (C.18A:7D-21.1 et al.) from the maximum State school aid, by
17 subtracting the funds appropriated pursuant to section 38 of P.L.1991,
18 c.62 (C.18A:7D-28.2), and by adding any additional State aid which
19 results from the provisions of section 27 of P.L.1991, c.62.

20 "Maximum State school aid" shall be determined for the 1992-93
21 school year and annually thereafter by adding 80% of the increase in
22 the State school aid inflator and the maximum State school aid for the
23 prebudget year. However, beginning in the 1993-94 school year, the
24 Governor may increase the maximum State school aid to an amount
25 not to exceed the value of the State school aid inflator.

26 The State school aid inflator shall be determined for the [1992-93]
27 1993-94 school year and annually thereafter by multiplying the value
28 of the school aid inflator for the prebudget year by the sum of 1.01 and
29 the PCI. For the [1991-92] 1993-94 school year, the value of the
30 school aid inflator in the 1992-93 school year is[\$4,250,000,000]
31 \$4,569,425,000.

32 "Net budget" means the sum of the foundation aid received by a
33 school district and the State aid received pursuant to sections 14, 16,
34 25, 80, and 81 of P.L.1990, c.52 (C.18A:7D-16, 18A:7D-18,
35 18A:7D-33, 18A:7D-20, and 18A:7D-21) and sections 26 and 31 of
36 P.L.1991, c.62 (C.18A:7D-21.1 et al.) and the district's local levies for
37 current expense and capital outlay. For a county special services
38 school district, the net budget shall also include tuition received by the
39 district to provide services pursuant to chapter 46 of Title 18A of the
40 New Jersey Statutes.

41 "Net debt service" means the balance after deducting all revenues
42 from the school debt service budget of the school district and the
43 school debt service amount included in the municipal budget, except
44 the amounts to be raised by local taxation and State aid.

45 "Postgraduate pupils" means pupils who have graduated from high
46 school and are enrolled in a secondary school for additional high

1 school level courses.

2 "Prebudget year" means the school year preceding the year in which
3 the school budget will be implemented.

4 "Pupils eligible for free meals or free milk" means those children
5 who have been determined to be eligible to receive a free meal or free
6 milk under the National School Lunch Act, 42 U.S.C. §1751 et seq.,
7 and the Child Nutrition Act of 1966, 42 U.S.C. §1771 et seq., as of
8 October 15 of the prebudget year.

9 "PCI" means the average annual percentage increase, expressed as
10 a decimal, in State per capita personal income over the four fiscal
11 years ending on June 30 prior to the prebudget year. The per capita
12 personal income for each of the four years shall be the average of the
13 per capita personal income for the four quarters in each fiscal year
14 utilizing the quarterly data for State personal income and State
15 population as published by the United States Department of
16 Commerce.

17 "Resident enrollment" means the number of pupils who, on the last
18 school day prior to October 16 of the prebudget year, are residents of
19 the district and are enrolled in: (1) the public schools of the district,
20 including evening schools; (2) another school district, other than a
21 county vocational school district in the same county or county special
22 services school district on a full-time basis, State college
23 demonstration school or private school to which the district of
24 residence pays tuition; (3) a State facility; (4) are receiving home
25 instruction; or (5) are in a shared-time vocational program and are
26 regularly attending a school in the district and a county vocational
27 school district. Pupils in a shared-time vocational program shall be
28 counted on an equated full-time basis in accordance with procedures
29 to be established by the commissioner. For purposes of this section,
30 resident enrollment shall include, beginning in the 1992-93 school year
31 and thereafter, regardless of nonresidence, the enrolled children of
32 teaching staff members of the school district who are permitted, by
33 contract or local district policy, to enroll their children in the
34 educational program of the school district without payment of tuition.

35 Handicapped children between three and five years of age and
36 receiving programs and services pursuant to N.J.S.18A:46-6 shall be
37 included in the resident enrollment of the district.

38 "School district" means any local or regional school district
39 established pursuant to chapter 8 or chapter 13 of Title 18A of the
40 New Jersey Statutes and any county special services or county
41 vocational school districts established pursuant to chapter 46 or
42 chapter 54 of Title 18A of the New Jersey Statutes.

43 "Special education services pupil" means a pupil receiving specific
44 services pursuant to chapter 46 of Title 18A of the New Jersey
45 Statutes in special class programs when the pupil is enrolled in a
46 special class register.

1 "Special needs district" means any school district, other than a
2 school district in which the equalized valuation per pupil is more than
3 twice the average Statewide equalized valuation per pupil, which, as
4 of June 5, 1990: a. was classified by the Department of Education as
5 an urban school district and was included in the department's district
6 factor group A or B; or b. in which the quotient produced by dividing
7 the number of pupils eligible for AFDC by the resident enrollment, less
8 the number of preschool, evening school and post-graduate pupils, is
9 greater than or equal to 0.15 and the number of pupils eligible for
10 AFDC is greater than 1,000. For this calculation, pupils eligible for
11 AFDC means those children aged 5-17 and resident in the district who
12 are members of families which are eligible for "Aid to Families with
13 Dependent Children" pursuant to P.L.1959, c.86 (C.44:10-1 et seq.),
14 as of September 30 of the prebudget year.

15 "State facility" means a State residential facility for the retarded; a
16 day training center which is operated by or under contract with the
17 State and in which all the children have been placed by the State,
18 including a private school approved by the Department of Education
19 which is operated under contract with the Bureau of Special
20 Residential Services in the Division of Developmental Disabilities in
21 the Department of Human Services; a State residential youth center;
22 a State training school or correctional facility; a State child treatment
23 center or psychiatric hospital.

24 "Statewide average equalized school tax rate" means the amount
25 calculated by dividing the sum of the current expense and capital
26 outlay tax levies for all school districts, other than county vocational
27 school and county special services school districts, in the State for the
28 pre-budget year by the equalized valuations of all taxing districts in the
29 State except taxing districts for which there are no school tax levies.

30 "Statewide equalized valuation" means the equalized valuation of
31 all taxing districts in the State as certified by the Director of the
32 Division of Taxation on October 1 of the prebudget year. In the event
33 that the equalized table certified by the Director of the Division of
34 Taxation shall be revised by the tax court after December 15 of the
35 prebudget year, the revised valuations shall be used in the
36 recomputation of aid for an individual school district filing an appeal,
37 but shall have no effect upon the calculation of the property value
38 multiplier.

39 "Total Statewide income" means the sum of the district incomes of
40 all taxing districts in the State.

41 (cf: P.L.1991, c.62, s.1)

42

43 2. Section 9 of P.L.1990, c.52 (C.18A:7D-9) is amended to read
44 as follows:

45 9. Each district's adjusted income shall equal the district income,

1 unless the district meets the conditions in subsection a. or c, whichever
2 is greater.

3 a. If for any school district:

4 $RV < 0.5$ and $RI/RV > 1.5$; then the district's adjusted income shall
5 equal the greater of:

6 (1) $P - (\$15,000 \times E)$; or

7 (2) $1.5 \times RV \times SI \times E$ where

8 P is the district income;

9 SI is the State average income per pupil, calculated by dividing total
10 Statewide income by the Statewide resident enrollment;

11 RV is the ratio of district equalized valuation per pupil to the State
12 average equalized valuation per pupil, calculated by dividing the
13 district's equalized valuation per pupil by the Statewide equalized
14 valuation per pupil;

15 RI is the ratio of district income per pupil to the Statewide average
16 income per pupil, calculated by dividing the district's income per pupil
17 by the State average income per pupil; and

18 E is resident enrollment.

19 b. As used in this section:

20 "District income per pupil" equals the district income divided by the
21 resident enrollment;

22 "Equalized valuation per pupil" equals the district's equalized
23 valuation divided by the resident enrollment;

24 "State average equalized valuation per pupil" equals the Statewide
25 equalized valuation divided by the resident enrollment of all school
26 districts in the State.

27 c. Any school district that received foundation aid in the prebudget
28 year and which is not a special needs district, a county vocational
29 school district, or a county special services school district and which
30 is a high tax district, shall have its adjusted income equal the greater
31 of:

32 (1) $P \times (1 - ((TR - 1.25)/1.88155773))$; or

33 (2) $P \times 0.5$ where

34 P is the district income; and

35 TR is the ratio, expressed as a decimal, of the district's equalized
36 school tax rate necessary to fund its maximum permitted net budget in
37 the prebudget year to the State average equalized school tax rate
38 necessary to fund all districts at their maximum permitted net budget
39 in the prebudget year.

40 As used in this subsection, "a high tax district" is a school district
41 which had an equalized school tax rate in the prebudget year, based
42 upon the amount of local tax revenue necessary to fund its maximum
43 permitted net budget in the prebudget year, that exceeded by 25
44 percent or more the State average equalized school tax rate necessary
45 to fund all districts at their maximum permitted net budget in the

1 prebudget year.

2 (cf: P.L.1991, c.62, s.6)

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4 3. Section 13 of P.L.1990, c.52 (C.18A:7D-15) is amended to read
5 as follows:

6 13. a. [For the purpose of calculating foundation aid for the
7 1991-92 school year pursuant to section 4 of P.L.1990, c.52
8 (C.18A:7D-4), excess surplus for all districts shall be \$0.00.] (Deleted
9 by amendment, P.L. , c.)(now pending before the Legislature as
10 this bill).

11 b. For the purpose of computing the maximum Statewide
12 foundation aid for the [1991-92] 1993-94 school year pursuant to
13 section 3 of P.L.1990, c.52 (C.18A:7D-3), maximum State school aid
14 in the 1992-93 school year shall equal[\$4,100,000,000]
15 \$4,361,540,000.

16 c. For purposes other than for the computation of foundation aid
17 pursuant to section 4 of P.L.1990, c.52 (C.18A:7D-4), the State
18 foundation amount for the 1991-92 school year shall equal \$6,835.00
19 and for the 1992-93 school year shall equal the product of \$6,835.00
20 and the sum of 1.0 and the PCI.

21 (cf: P.L.1991, c.62, s.9)

22

23 4. (New section) a. Any school district that will receive
24 foundation aid in the 1992-93 school year and which is not a special
25 needs district, a county vocational school district, or a county special
26 services school district and which is a high tax district, shall receive
27 additional State aid in the 1992-93 school year as provided in
28 subsection b. of this section.

29 For the purposes of this section, "a high tax district" shall mean a
30 school district in the 1992-93 school year which has an equalized
31 school tax rate, based upon the amount of local tax revenue necessary
32 to fund its maximum permitted net budget, that exceeds by 25 percent
33 or more the State average equalized school tax rate necessary to fund
34 all districts at their maximum permitted net budget.

35 b. A district's additional State aid shall equal the difference
36 between the district's adjusted foundation aid as calculated pursuant
37 to subsection c. of this section and its actual foundation aid for the
38 1992-93 school year.

39 c. A district's adjusted foundation aid shall be determined by
40 recalculating the district's foundation aid as if its adjusted income used
41 in calculating local fair share, pursuant to section 7 of P.L.1990, c.52
42 (C.18A:7D-7), were to equal the greater of:

43 (1) $P \times (1 - ((TR - 1.25)/1.88155773))$; or

44 (2) $P \times 0.5$ where

45 P is the district income; and

46 TR is the ratio, expressed as a decimal, of the district's equalized

1 school tax rate necessary to fund its maximum permitted net budget to
2 the State average equalized school tax rate necessary to fund all
3 districts at their maximum permitted net budget.

4 No district shall receive any additional aid as a result of this section
5 which would cause the district's equalized tax rate, based on the
6 amount of local tax revenue necessary to fund its maximum permitted
7 net budget, to be less than the State average equalized school tax rate
8 necessary to fund all districts at their maximum permitted net budget.

9 Nothing in this section shall permit a school district to exceed its
10 maximum permitted net budget, unless the district has received
11 approval from the voters or the commissioner.

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13 5. Sections 4, 5, 6, 7, and 8 of P.L.1991, c.63 (C.52:27D-118.35
14 through 118.39) is repealed.

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16 6. This act shall take effect immediately, except that sections 1, 2,
17 and 3 shall first be applicable to the 1993-94 school year.

18
19
20 STATEMENT

21
22 This bill provides additional State school aid to foundation aid
23 districts which have school tax rates which are 25 percent above the
24 State average.

25 For the 1992-93 school year only, the bill would allocate
26 approximately \$30 million to some 100 foundation aid school districts
27 which face equalized property tax rates, if they spend at their net
28 budget cap level, of 25 percent or more above the State average
29 equalized tax rate, assuming all districts spend at their net budget cap
30 level. No district, however, would receive aid that would bring this
31 tax rate below the State average, and the additional aid could not be
32 used to spend above cap unless the district has approval from the
33 voters or the commissioner for a cap waiver.

34 The bill also amends the Quality Education Act of 1990 to provide
35 additional foundation aid, beginning in 1993-94, to foundation aid
36 districts which face high equalized school tax rates. Foundation
37 districts which, when spending at cap, had equalized tax rates in the
38 prior year of 25 percent or more above the State average equalized tax
39 rate, when all districts spend at cap, would have the income factor in
40 the foundation aid formula reduced. This could reduce the district's
41 local fair share, and thereby increase its foundation aid.

42 County vocational school districts, special service school districts,
43 and special needs school districts would not be eligible for these aid
44 programs.

45 To finance the increase in foundation aid to high taxing districts
46 beginning in 1993-94, without redistributing foundation aid from other

1 school districts, the bill increases the amount of maximum State school
2 aid by \$30 million.

3 The bill funds the additional State aid for 1992-93 and the increased
4 foundation aid for 1993-94 and thereafter, by repealing the \$30 million
5 discretionary aid program in the "Supplemental Municipal Property
6 Tax Relief Act." The impact upon any particular municipality of this
7 repeal should be small, while the additional State aid to school districts
8 could result in substantial relief to taxpayers in the high taxing
9 foundation aid districts.

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14 Provides additional State aid to certain high taxing foundation aid
15 school districts.