

# ASSEMBLY APPROPRIATIONS COMMITTEE

## STATEMENT TO

[First Reprint]

## **ASSEMBLY, No. 5537**

with committee amendments

# **STATE OF NEW JERSEY**

DATED: JUNE 16, 2021

The Assembly Appropriations Committee reports favorably Assembly Bill No. 5537 (1R), with committee amendments.

As amended, this bill creates a grant program within the Division of Local Government Services in the Department of Community Affairs, the purpose of which is to provide for the reimbursement of eligible costs associated with conducting feasibility studies that support the creation of meaningful and implementable plans to form or expand regional school districts. Under the bill, the division may retain one percent of the amounts appropriated or otherwise made available for the program for the purpose of offsetting the administrative expenses of the program.

In order to be eligible for a grant, applicant boards of education or certain municipal governing bodies are required to meet certain criteria, namely that the proposed regionalization: does not, and is not foreseeably likely to, increase or exacerbate the segregation of students by racial, socioeconomic, disability, or English Language Learner status as determined by the number and percentage of students enrolled in the school districts seeking to consolidate or, as applicable, in the school districts from which a school district is seeking to withdraw; to the maximum extent practicable, will lead to the establishment of a limited purpose or all purpose regional school district; and consolidates school districts that are in close geographic proximity of each other. School districts need not be immediately contiguous as long as the consolidation and any geographic separation is not so large as to contradict the potential for improved efficiency and cost savings; possesses the potential for improved efficiency and cost savings; possesses the potential to advance an enhanced learning environment for participating districts; coordinates curriculum across schools and grades throughout the proposed limited purpose or all purpose regional school district; and reflects a documented commitment from the participating districts to make good faith efforts to implement the recommendations of the feasibility study that promote efficiency and quality of education.

Boards of education or governing bodies whose applications under the grant program are approved would be reimbursed up to an amount or percentage to be annually determined by the division, with 50 percent of the grant award to be distributed upon the division's final approval of the grant application and the remaining 50 percent distributed upon the division's acceptance of the completed feasibility study. The bill also provides for preliminary application approval if the division determines that an application presents sufficient evidence of compliance with the criteria laid out in the bill and the application proposes to form either a countywide school district or an all purpose regional school district through expansion of an existing limited purpose school district.

The bill amends a section of P.L.2018, c.67, commonly referred to as "S-2," to provide financial relief to districts provided approval or preliminary approval under the grant program which have a positive State aid differential and are currently subject to State aid reductions. Under the bill, a school district that is a regional school district created following the approval of a grant application will, from the first full school year following the creation of the regional school district through the 2028-2029 school year, receive State school aid in an amount that is the greater of: the amount of State school aid that the newly created regional school district would receive as a regional school district; or the sum of the amount of State school aid received by each school district constituting the newly created regional school district prior to the creation of the regional school district.

In addition to certain other requirements, the bill generally permits a new regional school district that is formed following an approved application under the bill's grant program to apply the terms and conditions of employment of the largest constituent school district in full after three years following the formation of the regional district or until a successor agreement is negotiated, whichever occurs first. Under current law, the terms and conditions of employment in a new regional school district are required to be that of the constituent district that employs the largest number of teaching staff members prior to regionalization.

The bill provides that whenever a regional district is formed following the approval of a grant application submitted under the provisions of the bill, the newly formed regional district will recognize each majority representative of the existing bargaining units in the largest constituent district as the majority representatives of those separate bargaining units of employees, except that if the largest constituent district does not have a majority representative currently representing a classification of employees, then the majority representative of the next largest constituent district that represents a bargaining unit representing that classification of employees will be recognized by the newly formed regional district as the majority representative of that classification of employees.

Under the bill, a board of education or governing body of any affected, constituent, replaced, displaced, or dissolved district is prohibited from, beginning on the date upon which a school district submits an application for a grant program under the provisions of the bill, entering into a subcontracting agreement which affects the employment of any employees in a collective bargaining unit represented by a majority representative until the date that the newly formed or existing limited purpose or all purpose regional district commences operations following the completion of the dissolution, displacement, merger, regionalization, or consolidation at which time the provisions of P.L.2020, c.79 (C.34:13A-44 et seq.) will control.

Under the bill, whenever the salary guide and terms and conditions of employment of one or more school districts seeking to join a newly formed or existing limited purpose or all purpose regional district will expire upon the formation of the new regional district, that school district may either (1) elect to adopt the expiring salary guide and terms and conditions of employment for a period not to exceed one year or until a successor agreement is negotiated with the majority representative of the new regional district, whichever occurs first; or (2) elect to adopt the salary guide and terms and conditions of employment of the largest comparable district joining the new regional district.

Under the bill, whenever a limited purpose or all purpose regional district is formed or enlarged, the tenure and seniority rights of all employees from the affected, constituent, replaced, displaced, or dissolved districts, except for employees who are superintendents without prior underlying tenure and seniority rights in the affected, constituent, replaced, displaced, or dissolved districts, which form or are part of, or are affected, replaced or displaced by the newly formed or enlarged limited purpose or all purpose regional district, will be recognized and preserved by the newly formed or expanded limited purpose or all purpose regional district and all periods of employment in any of the school districts will count toward acquisition of tenure and seniority in the newly formed or enlarged limited purpose or all purpose regional district. All statutory and contractual rights to accumulated sick leave, leave of absence, and pension of an employee that have been acquired through employment in any of the districts will be recognized by the newly formed or enlarged limited purpose or all purpose regional district under the bill. Under the bill, whenever a limited purpose or all-purpose regional district is formed or enlarged, any employee not covered by statutory seniority rights will be placed on a seniority list in accordance with the employee's years of employment in any of the constituent districts for the purposes of employment.

This bill provides that a board of education of a local school district or of a local school district constituting part of a limited purpose regional district, the board of education or governing body of

a non-operating school district, or the governing body of a municipality constituting a constituent district of a limited purpose regional district, part of an all purpose regional district, or part of a consolidated school district, may by resolution, withdraw from a limited purpose or all purpose regional district or consolidated school district in order to form or enlarge a limited purpose or all purpose regional district. Under the bill, the withdrawing school district is required to pay transitional support to the limited purpose or all purpose regional district or consolidated school district in which it was formerly a member, less the amount paid in tuition dollars under the provisions of the bill, in an amount equal to the difference between the amount to be paid to the limited purpose or all purpose regional district of which the district or municipality will be a member and the amount paid to the former limited purpose or all purpose regional district or consolidated school district during the final year in which the district or municipality had been a member according to the following schedule:

- (1) 100 percent during the first school year following withdrawal;
- (2) 80 percent during the second school year following withdrawal;
- (3) 60 percent during the third school year following withdrawal;
- (4) 40 percent during the fourth school year following withdrawal;
- and
- (5) 20 percent during the fifth school year following withdrawal.

No further transitional payments will be made following the end of the fifth school year following withdrawal. The bill provides that a student residing in the district on the date the district withdraws under these provisions may remain in the school in which the student is enrolled at the time of withdrawal on a tuition basis, with the tuition to be paid by the withdrawing district.

The bill provides that the Commissioner of Education can permit school districts seeking to form or enlarge a regional district to agree to phase-in payment of the amounts each district must pay under the apportionment method adopted by the voters, with such phase-in payment period not to exceed ten years, or to agree to establish a transitional methodology, not to exceed ten years, of the apportionment method adopted by the voters provided that the methodology is agreed to by all participating districts.

The bill provides that when a proposal to form or enlarge a limited purpose or all purpose regional district, or a proposal to convert a limited purpose to an all purpose regional district, is adopted by the voters of the district, a constituent district or board of education, as applicable, must proceed with the regionalization plan in accordance with the provisions of the proposal. Claims that a constituent district or board of education is proceeding with the regionalization plan in a manner inconsistent with the provisions of the plan will be made to the Commissioner of Education. If the commissioner determines that the

constituent district or board of education is acting in a manner inconsistent with the provisions of the proposal, the constituent district or board of education must submit plans to the commissioner detailing the steps to be taken to address such inconsistencies.

Under the bill, a limited purpose regional district can convert to an all purpose regional district by adding additional purposes to the purposes for which the limited purpose regional district was created by a vote of a majority of the voters in a majority of the constituent districts; however, this provision does not prohibit a limited purpose regional district from seeking to add to the purposes for which the limited purpose regional district was created as is permitted under current law. If an all purpose regional district is formed as a result of a vote by the majority of the voters in a majority of the constituent districts, any constituent district that votes not to join the all purpose regional district can continue to send students that were enrolled in the limited purpose regional district to the schools that were established as part of the limited purpose district.

Under the bill, membership of the board of education of the new all purpose regional district formed when only a majority of the voters of the majority of the constituent districts of the limited purpose regional district vote to form an all purpose regional will be calculated and apportioned upon the basis of a proportional number of pupils enrolled from each constituent district that constitutes the limited purpose regional district, with the regional board of education membership to include any district that does not vote to join the all purpose regional district and continues to send students to the schools of the limited purpose regional district, with each district required to have at least one member. A constituent district that does not vote to join the all purpose regional but retains membership on the board of education of the newly formed all purpose regional would be permitted to vote on matters provided for under the provisions of the bill.

The bill provides that when all of the constituent districts of a limited purpose regional district vote to add additional purposes that will convert the limited purpose regional district to an all purpose regional district, the constituent districts can calculate and apportion membership of the board of education of the newly formed regional district based upon their inhabitants, with each constituent district required to have at least one member. For the initial term following the election for the creation of the district, two-thirds of the membership of the board of education of the newly formed all purpose regional district would be selected from among the members of the boards of education or governing bodies of the constituent districts constituting the limited purpose regional district and one-third of the membership of the board of education of the newly formed all purpose regional district would be selected from among the members of the board of education of the limited purpose regional district proposing to form the all purpose regional district. The first elected members of the

board of education of this newly created regional district would be elected at the annual election to be held in the calendar year first succeeding the year in which the election for the creation of the district was held.

The bill also provides school districts seeking to form new regional districts or enlarge currently existing regional districts with additional methods by which to calculate and apportion the membership on the board of education of the newly formed or enlarged regional district.

Lastly, the bill amends current law to permit a special election to consider the creation or enlargement of a regional district to be held pursuant to the provisions of P.L.1995, c.278 (C.19:60-1).

As amended and reported by the committee, this bill is identical to Senate Bill No. 3488 (1R), which was also amended and reported by the committee on this same date.

#### COMMITTEE AMENDMENTS:

The committee amended the bill to:

- stipulate that the Division of Local Government Services in the Department of Community Affairs may retain one percent of funds appropriated or otherwise made available for the grant program established under the bill for administrative expenses;
- require boards of education or municipal governing bodies seeking grant program funds under the bill to demonstrate that a proposed regionalization does not, and is not foreseeably likely to, increase or exacerbate the segregation of students by racial, socioeconomic, disability, or English Language Learner status as determined by the number and percentage of students enrolled in the school districts seeking to consolidate or, as applicable, in the school districts from which a school district is seeking to withdraw;
- require the Commissioner of Education to certify in writing that an applicant's proposal for a newly formed or enlarged regional district will not, and will not be foreseeably likely to, increase or exacerbate segregation among school districts in the surrounding region as determined by the number and percentage of students affected by such consolidations or withdrawals;
- provide that an analysis of the effects of school district consolidations or withdrawals, or both, on the opportunities for students to attend schools that are integrated be included as part of the report concerning the implementation of the grant program which is required to be submitted by the Division of Local Government Services in consultation with the Department of Education; and
- require that the withdrawal of certain boards of education or governing bodies from a limited purpose or all purpose regional district or a consolidated school district:

- be approved by the Director of the Division of Local Government Services, who would work in consultation with the Commissioner of Education; and
- would not, and would not be foreseeably likely to, increase or exacerbate the segregation of students by racial, socioeconomic, disability, or English Language Learner status as determined by the number and percentage of affected students enrolled in the school districts seeking to consolidate or in the regional district or consolidated school district from which a school district is seeking to withdraw.

**FISCAL IMPACT:**

The Office of Legislative Services (OLS) concludes that the grant program established under the bill may result in indeterminate annual State expenditure increases to provide grants to school districts and governing bodies to conduct feasibility studies related to school regionalization and to provide certain financial incentives designed to encourage regionalization efforts. The State will also provide reimbursement to school districts for elections held to establish or enlarge districts. The magnitude and timing of these State expenditure increases are indeterminate because the extent of the financial incentives that will be provided is not known, nor is how many feasibility studies or elections will be undertaken in a given year.

Under the bill, participating school districts will incur increased costs to undertake feasibility studies and hold elections to establish or enlarge a limited purpose or all purpose school district. The timing and magnitude of these cost increases will vary among districts; however, as mentioned, the State will provide reimbursement for the increased expenditures. Certain provisions of the bill would allow participating school districts to spread out cost increases related to regionalization over longer periods of time than what is provided under current law, thereby reducing the budgetary impact on school districts when implementing their regionalization plans.

In addition to the increased revenues that school districts will receive from State reimbursements related to their feasibility studies and election costs, the bill also provides financial relief to districts given approval or preliminary approval under the grant program and have a positive State aid differential and are therefore subject to State aid reductions. Districts with positive State aid differentials would still be subject to State aid reductions under the bill, but they would experience the reductions under a different, less accelerated schedule than what is provided under the provisions of P.L.2018, c.67 (commonly referred to as S-2).