

ASSEMBLY, No. 4722

STATE OF NEW JERSEY

220th LEGISLATURE

INTRODUCED OCTOBER 11, 2022

Sponsored by:

Assemblyman JOHN F. MCKEON

District 27 (Essex and Morris)

Co-Sponsored by:

Assemblymen Sauickie, Umba and Torrissi

SYNOPSIS

Permits unanticipated revenue and unexpended line-item appropriation amounts to be transferred to certain school district reserve accounts.

CURRENT VERSION OF TEXT

As introduced.



(Sponsorship Updated As Of: 3/16/2023)

1 AN ACT concerning school district reserve accounts and amending
2 P.L.2007, c.62.

3
4 **BE IT ENACTED** *by the Senate and General Assembly of the State*
5 *of New Jersey:*

6
7 1. Section 6 of P.L.2007, c.62 (C.18A:7F-41) is amended to read
8 as follows:

9 6. Notwithstanding the provisions of any law or regulation to
10 the contrary:

11 a. A board of education or board of school estimate, as
12 appropriate, may supplement a capital reserve account through a
13 transfer by board resolution at year end of any unanticipated
14 revenue or unexpended line-item appropriation amounts, or both,
15 for withdrawal in subsequent school years.

16 b. A board of education or board of school estimate, as
17 appropriate, may supplement a maintenance reserve account
18 through a transfer by board resolution at year end of any
19 unanticipated revenue or unexpended line-item appropriation
20 amounts, or both, for withdrawal in subsequent school years.

21 c. A board of education or a board of school estimate, as
22 appropriate, may through the adoption of a board resolution
23 establish the following reserve accounts:

24 (1) Current expense emergency reserve account. The funds in
25 the reserve shall be used to finance unanticipated general fund
26 current expense costs required for a thorough and efficient
27 education, or to finance school security improvements, including
28 improvements to school facilities. The account shall not exceed
29 \$250,000 or one percent of the district's general fund budget up to a
30 maximum of \$1,000,000, whichever is greater. A board of
31 education may appropriate funds to establish or supplement the
32 reserve in the district's annual budget or through a transfer by board
33 resolution at year end of any unanticipated revenue and unexpended
34 line-item appropriation amounts. Withdrawals from the reserve
35 may be made at any time and shall require the approval of the
36 commissioner unless the withdrawal is necessary to meet an
37 increase in total health care costs in excess of four percent, or the
38 withdrawal is included in the original budget certified for taxes to
39 finance school security improvements, including improvements to
40 school facilities.

41 As used in this paragraph, "school security improvements"
42 means school security improvements, including improvements to
43 school facilities, which are limited to safety and security measures
44 involving building monitoring and communication technology
45 designed to address school crime and the safety of students, staff,
46 and visitors to school facilities. School security improvements may

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 include, but need not be limited to: security cameras to monitor the
2 school; an electronic notification system that automatically notifies
3 parents in case of a school-wide emergency; an automatic door
4 locking system for access control; and a badge system for school
5 employees.

6 (2) Debt service reserve account in the debt service fund for
7 proceeds from the sale of district property. Notwithstanding the
8 provisions of any law or regulation to the contrary, the debt service
9 reserve account may be supplemented through a transfer by board
10 resolution at year end of any unanticipated revenue or unexpended
11 line-item appropriation amounts, or both. The funds in the reserve
12 shall be used to retire outstanding debt service obligations of the
13 district. The reserve shall be liquidated within the lesser of five
14 years from its inception or the remaining term on the obligations.
15 Any remaining balance shall be used for tax relief.

16 (3) Federal impact aid reserve account in the case of a school
17 district that receives federal impact aid pursuant to section 8002,
18 8003, 8007, or 8008 of the Elementary and Secondary Education
19 Act of 1965 (20 U.S.C. s.7702, 7703, 7707, or 7708). A board of
20 education may appropriate federal impact aid funds to establish or
21 supplement the reserve account in the district's annual budget, or
22 through a transfer by a two-thirds affirmative vote of the authorized
23 membership of the board between June 1 and June 30, for
24 withdrawal in any subsequent school year. Notwithstanding the
25 provisions of any law or regulation to the contrary, the federal
26 impact aid reserve account may also be supplemented through a
27 transfer by board resolution at year end of any unanticipated
28 revenue or unexpended line-item appropriation amounts, or both,
29 for withdrawal in any subsequent school year. Any transfer to the
30 reserve account shall not exceed the total amount of federal impact
31 aid received in the fiscal year. The board, at its discretion, may use
32 the funds in the reserve account to finance the district's general fund
33 or to finance school facilities projects, in a manner consistent with
34 federal law. The total amount of funds on deposit in the reserve
35 account shall not be limited.

36 d. (1) All reserve accounts shall be established and held in
37 accordance with GAAP and shall be subject to annual audit. Any
38 capital gains or interest earned shall become part of the reserve
39 account. A separate bank account is not required, however, a
40 separate identity for each reserve account shall be maintained.

41 (2) A board of education that establishes a federal impact aid
42 reserve account shall:

43 (a) report the amount of federal impact aid received, expended,
44 and on deposit in the federal impact aid reserve account in its
45 annual audit pursuant to N.J.S.18A:23-1, and in the budget made
46 available in a "user-friendly" format using plain language pursuant
47 to N.J.S.18A:22-8;

1 (b) report the amount of federal impact aid received, expended,
2 and on deposit in the federal impact aid reserve account at each
3 board of education meeting, and shall include the information in the
4 board secretary's monthly report in a format to be determined by the
5 commissioner; and

6 (c) provide any additional supporting documentation that may
7 be required by the commissioner pursuant to subsection c. of
8 section 5 of P.L.1996, c.138 (C.18A:7F-5).

9 (cf: P.L.2016, c.100, s.1)

10
11 2. This act shall take effect immediately.

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14 STATEMENT

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16 This bill permits boards of education to use unanticipated
17 revenue and unexpended line-item appropriation amounts to
18 supplement a school district's debt service reserve account and its
19 federal impact aid reserve account.

20 Under current law, a board of education may establish a debt
21 service reserve account in the debt service fund for proceeds from
22 the sale of district property. The funds in the reserve are generally
23 used to retire outstanding debt service obligations of the district.
24 Current law also permits a board of education to establish a federal
25 impact aid reserve account if it receives federal impact aid. Federal
26 impact aid is awarded to school districts in which federal ownership
27 of property reduces the ability to levy property taxes for educational
28 purposes, or when certain federal activity increases a community's
29 population, resulting in an increase in the number of school-aged
30 children. Currently, a board of education may appropriate federal
31 impact aid funds to the federal impact aid reserve account to finance
32 the school district's general fund or to finance school facilities
33 projects.

34 This bill would expand the allowable moneys that can be
35 transferred into these reserve accounts to include unanticipated
36 revenue and unexpended line-item appropriation amounts.