

LEGISLATIVE FISCAL ESTIMATE
ASSEMBLY, No. 5575
STATE OF NEW JERSEY
220th LEGISLATURE

DATED: JUNE 26, 2023

SUMMARY

Synopsis: Establishes exemption from State school aid reductions for certain school districts.

Types of Impact: State expenditure increases in FY 2024 and FY 2025;
Revenue increases to certain school districts in FY 2024 and FY 2025.

Agencies Affected: Department of Education and certain school districts.

Office of Legislative Services Estimate

Fiscal Impact	<u>FY 2024</u>	<u>FY 2025</u>	<u>FY 2026</u>
State Expenditure Increase	\$6,763,723	\$8,900,000	\$0
School District Revenue Increase	\$6,763,723	\$8,900,000	\$0

- The Office of Legislative Services (OLS) projects that the limited exemption from State school aid reductions would increase State expenditures and the revenue of certain school districts by \$6,763,723 in FY 2024 and \$8.9 million in FY 2025. No fiscal impact would occur thereafter. Currently, only the Freehold Regional School District would qualify for the exemption.
- As a caveat, the OLS estimate assumes that the Department of Education would implement the bill relative to the FY 2023 baseline and in addition to P.L.2023, c.32, which offset two-thirds of the FY 2024 State school aid reductions to certain school districts, including the Freehold Regional School District, under pre-existing law.

BILL DESCRIPTION

Under current law, school districts' annual State school aid will be calculated in accordance with the formula stipulated in the School Funding Reform Act of 2008 starting in FY 2026. During the current transitional period, school districts whose State school aid is higher than under the formula in the 2008 law are subject to graduated annual school aid reductions.

This bill would exempt certain school districts from the graduated reductions during the transitional period through FY 2025. The exemption would apply to regional school districts comprised of five or more constituent school districts that: have mitigated the costs of

regionalization; spend 15 percent less on administration per pupil than the Statewide average for regional school districts; and have increased the district's general fund tax levy by the maximum permitted by statute in each of the last five years. As a condition of being exempt from State aid reductions, eligible districts would be prohibited from eliminating courtesy busing to students who reside in the district.

FISCAL ANALYSIS

EXECUTIVE BRANCH

None received.

OFFICE OF LEGISLATIVE SERVICES

The OLS estimates that the bill would increase State school aid expenditures and the revenue of certain school districts by \$6,763,723 in FY 2024 and \$8.9 million in FY 2025. There would be no fiscal impact thereafter. As a caveat, the OLS assumes that the Department of Education would implement the bill relative to the FY 2023 baseline and in addition to P.L.2023, c.32.

While the OLS cannot ascertain which school districts would meet the criterion of mitigating costs of regionalization, based on the other three criteria for eligibility, the OLS determines that this bill would currently apply only to Freehold Regional School District. However, additional school districts may qualify in FY 2025, resulting in additional concurrent increases in school district revenues and State expenditures.

According to the Department of Education, Freehold Regional School District is to incur a reduction of \$6,763,723, or 22.1 percent, in its FY 2024 State school aid, absent the mitigating effects of P.L.2023, c.32. The district's State aid would fall from \$30.6 million in FY 2023 to \$23.8 million in FY 2024.

The bill would thus increase FY 2024 State school aid expenditures and FY 2024 Freehold Regional School District revenue by \$6,763,723. Because the data to run the FY 2025 school funding formula are not yet available, the OLS estimates that the amount of State aid needed to maintain the district's FY 2023 State aid in FY 2025 would approximate \$8.9 million, based on FY 2024 school aid data. The bill would be without effect starting in FY 2026.

The OLS notes that the bill's fiscal impacts in FY 2024 could decrease to \$2,299,666 if the Department of Education were to interpret the bill in conjunction with P.L.2023, c.32. That law provided Supplemental Stabilization Aid to school districts that were to receive reduced school aid in FY 2024. The one-time payments equaled two-thirds of the FY 2024 State school aid reductions with Freehold Regional School District receiving \$4,464,057. Supplemental Stabilization Aid is not available for FY 2025 under current law.

Section: Education

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This legislative fiscal estimate has been produced by the Office of Legislative Services due to the failure of the Executive Branch to respond to our request for a fiscal note.

This fiscal estimate has been prepared pursuant to P.L.1980, c.67 (C.52:13B-6 et seq.).