

P.L. 2023, CHAPTER 112, *approved July 20, 2023*
Senate, No. 3089 (*First Reprint*)

1 **AN ACT** ¹**【**concerning school district reserve accounts and
2 amending P.L.2007, c.62**】** permitting the establishment of a State
3 military impact aid reserve account¹.
4
5 **BE IT ENACTED** *by the Senate and General Assembly of the State*
6 *of New Jersey:*
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8 ¹**【**1. Section 6 of P.L.2007, c.62 (C.18A:7F-41) is amended to
9 read as follows:
10 6. Notwithstanding the provisions of any law or regulation to
11 the contrary:
12 a. A board of education or board of school estimate, as
13 appropriate, may supplement a capital reserve account through a
14 transfer by board resolution at year end of any unanticipated
15 revenue or unexpended line-item appropriation amounts, or both,
16 for withdrawal in subsequent school years.
17 b. A board of education or board of school estimate, as
18 appropriate, may supplement a maintenance reserve account
19 through a transfer by board resolution at year end of any
20 unanticipated revenue or unexpended line-item appropriation
21 amounts, or both, for withdrawal in subsequent school years.
22 c. A board of education or a board of school estimate, as
23 appropriate, may through the adoption of a board resolution
24 establish the following reserve accounts:
25 (1) Current expense emergency reserve account. The funds in
26 the reserve shall be used to finance unanticipated general fund
27 current expense costs required for a thorough and efficient
28 education, or to finance school security improvements, including
29 improvements to school facilities. The account shall not exceed
30 \$250,000 or one percent of the district's general fund budget up to a
31 maximum of \$1,000,000, whichever is greater. A board of
32 education may appropriate funds to establish or supplement the
33 reserve in the district's annual budget or through a transfer by board
34 resolution at year end of any unanticipated revenue and unexpended
35 line-item appropriation amounts. Withdrawals from the reserve
36 may be made at any time and shall require the approval of the
37 commissioner unless the withdrawal is necessary to meet an
38 increase in total health care costs in excess of four percent, or the
39 withdrawal is included in the original budget certified for taxes to

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.
Matter enclosed in superscript numerals has been adopted as follows:
¹Senate SED committee amendments adopted October 27, 2022.

1 finance school security improvements, including improvements to
2 school facilities.

3 As used in this paragraph, "school security improvements"
4 means school security improvements, including improvements to
5 school facilities, which are limited to safety and security measures
6 involving building monitoring and communication technology
7 designed to address school crime and the safety of students, staff,
8 and visitors to school facilities. School security improvements may
9 include, but need not be limited to: security cameras to monitor the
10 school; an electronic notification system that automatically notifies
11 parents in case of a school-wide emergency; an automatic door
12 locking system for access control; and a badge system for school
13 employees.

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

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

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

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

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

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

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

(cf: P.L.2016, c.100, s.1)】¹

¹1. a. Notwithstanding the provisions of any law, rule, or regulation to the contrary, a board of education or board of school estimate, as appropriate, of a school district that received unanticipated State military impact aid revenue in the 2021-2022 school year pursuant to P.L.2022, c.19 may, through board resolution, establish a State military impact aid reserve account. A board may appropriate the unanticipated State military impact aid revenue to establish the reserve account in the district's annual budget, or through transfer by a two-thirds affirmative vote of the authorized membership of the board between June 1 and June 30, for withdrawal in any subsequent school year. Any transfer to the reserve account shall not exceed the total amount of State military impact aid revenue received pursuant to P.L.2022, c.19. The board, at its discretion, may use the funds in the reserve account for general fund expenses.

b. The State military impact aid reserve account shall be established and held in accordance with GAAP and shall be subject to annual audit.¹

2. This act shall take effect immediately.

Permits certain school districts to establish State military impact aid reserve account.