

# SENATE, No. 3089

## STATE OF NEW JERSEY 220th LEGISLATURE

INTRODUCED SEPTEMBER 29, 2022

**Sponsored by:**  
**Senator VIN GOPAL**  
**District 11 (Monmouth)**

### **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.



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,

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

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

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

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

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

44 (a) report the amount of federal impact aid received, expended,  
45 and on deposit in the federal impact aid reserve account in its  
46 annual audit pursuant to N.J.S.18A:23-1, and in the budget made  
47 available in a "user-friendly" format using plain language pursuant  
48 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.

12  
13  
14 STATEMENT

15  
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.