

LEGISLATIVE FISCAL ESTIMATE
ASSEMBLY COMMITTEE SUBSTITUTE FOR
ASSEMBLY, No. 4161
STATE OF NEW JERSEY
221st LEGISLATURE

DATED: APRIL 18, 2024

SUMMARY

- Synopsis:** Establishes Stabilized School Budget Aid Grant Program to restore certain portions of State school aid reductions; permits certain school districts to exceed tax levy growth limitation in 2024-2025 school year; appropriates \$71.4 million.
- Type of Impact:** Expenditure increase from the Property Tax Relief Fund. Local school district revenue increase.
- Agencies Affected:** Department of Education. Local school districts.

Office of Legislative Services Estimate

Fiscal Impact	<u>2024-2025 School Year</u>
State Expenditure Increase	\$71.4 million
Local Revenue from Increased Property Tax Levies	Up to \$261.8 million

- The Office of Legislative Services (OLS) concludes that this bill will result in a State expenditure increase of \$71.4 million. This increase stems from the appropriation provided under the bill, which is equal to two-thirds of the total amount of State school aid reductions calculated under current law for the 2024-2025 school year.
- The OLS also estimates that, under the bill, a total of 226 school districts may increase their tax levies up to \$261.8 million in the 2024-2025 school year. The OLS notes that the bill does not require school districts to implement any of the authorized tax levy increases laid out in the bill; therefore, the estimated amount of school district tax levy increases is a maximum.

BILL DESCRIPTION

Section 1: Stabilized School Budget Aid Grant Program

Section 1 of this bill establishes in the Department of Education a Stabilized School Budget Aid Grant Program. The purpose of the program is to provide aid grants to eligible school districts

equal to two-thirds of the amount of the districts' State school aid reductions for the 2024-2025 school year. A school district would be eligible to apply for an aid grant under the program if the district is subject to a State school aid reduction in the 2024-2025 school year. The bill appropriates \$71.4 million to fund the program.

Under the program, a school district receiving a grant may apply to the Commissioner of Education to increase its adjusted tax levy, beyond the increases allowed under current law. The maximum increase is up to one-third of the amount of the school district's State school aid reduction for the 2024-2025 school year. The increase, however, could not exceed 9.9 percent of the district's prebudget year tax levy. An SDA district, also known as a former Abbott district, may receive a grant under the Stabilized School Budget Aid Grant Program; however an SDA district is not provided additional taxing authority under the bill.

Section 2: Increases to Adjusted Tax Levy for Prior Year Net Reductions

Section 2 of the bill permits school districts, which experienced net reductions in State school aid during the 2020-2021 through 2024-2025 school years, to adopt budgets that include increases in their adjusted tax levies, beyond the increases that are permitted under current law. In the case of a school district that receives an aid grant under the Stabilized School Budget Aid Grant Program, the increases are to be no more than the amount of the school district's net reduction in State school aid during the 2020-2021 through 2023-2024 school years. This allowable increase is to be in addition to the district's ability to increase its adjusted tax levy up to one-third of the amount of the school district's State school aid reduction in the 2024-2025 school year, as provided under the program. The total adjusted tax levy increase for these school districts, however, is not to exceed 9.9 percent of the prior year's levy.

Section 2 of the bill additionally permits a school district which does not receive an aid grant but experienced net losses in State school aid during the 2020-2021 through 2024-2025 school years to increase its adjusted tax levy by no more than the amount of the school district's net reduction in State school aid during that timeframe. The adjusted tax levy increase for these school districts, however, is not to exceed 9.9 percent compared to the prior year's levy.

The table on the next page of this fiscal estimate summarizes school districts' eligibility under both sections of the bill.

FISCAL ANALYSIS

EXECUTIVE BRANCH

None received.

OFFICE OF LEGISLATIVE SERVICES

The OLS concludes that this bill will result in a State expenditure increase of \$71.4 million. This increase stems from the appropriation provided under the bill, which is equal to two-thirds of the total amount of State school aid reductions calculated under current law for the 2024-2025 school year. According to State school aid data provided by the Department of Education, the total Statewide reduction in State aid for the 2024-2025 school year is expected to be approximately \$107.2 million. The OLS estimates that 152 school districts will receive aid grants under the bill.

The table below summarizes school districts' eligibility under both sections of the bill:

Description	Stabilized School Budget Aid Grant Program Eligibility	Adjusted Tax Levy Increases for Prior Year Net Reductions Eligibility	Maximum Tax Levy Increase
School district experiencing a reduction in State school aid in the 2024-2025 school year but has not experienced a net reduction in aid from the 2020-2021 through 2024-2025 school years.	Yes	No	Allowable increase of up to one-third of the State school aid reduction in the 2024-2025 school year; limited to 9.9 percent of prior year tax levy.
School district experiencing a reduction in State school aid in the 2024-2025 school year and has experienced a net reduction in aid from the 2020-2021 through 2024-2025 school years.	Yes	Yes	Allowable increase of up to the sum of: 1) one-third of the State school aid reduction in the 2024-2025 school year; and 2) the school district's net reduction in State school aid during the 2020-2021 through 2023-2024 school years; limited to 9.9 percent of prior year tax levy.
School district not experiencing a reduction in State school aid in the 2024-2025 school year but has experienced a net reduction in aid from the 2020-2021 through 2024-2025 school years.	No	Yes	Allowable increase of up to the amount of the school district's net reduction in State school aid during the 2020-2021 through 2024-2025 school years; limited to 9.9 percent of the prebudget year adjusted tax levy.
SDA district experiencing State school aid reduction in the 2024-2025 school year, regardless of whether or not the district experienced a net reduction in State school aid from the 2020-2021 through 2024-2025 school years.	Yes (grant only)	No	No additional taxing authority provided for SDA districts.

The OLS also estimates that, under the bill, a total of 226 school districts may increase their tax levies up to \$261.8 million in the 2024-2025 school year. The table on the following page provides a further breakout of the eligible school districts and the estimated maximum tax levies. The OLS notes that the bill does not require any of the authorized tax levy increases laid out in the bill; therefore, the estimated amount of school district tax levy increases is a maximum.

Description	Estimated Number of Affected School Districts	Estimated Amount of Maximum Tax Levy Increases
School district experiencing a reduction in State school aid in the 2024-2025 school year but has not experienced a net reduction in aid from the 2020-2021 through 2024-2025 school years.	51	\$11.0 million
School district experiencing a reduction in State school aid in the 2024-2025 school year and has experienced a net reduction in aid from the 2020-2021 through 2024-2025 school years.	98	\$155.7 million
School district not experiencing a reduction in State school aid in the 2024-2025 school year but has experienced a net reduction in aid from the 2020-2021 through 2024-2025 school years.	77	\$95.0 million

Section: Education

*Analysts: Abigail Chambers
Associate Fiscal Analyst*

*Christopher Myles
Senior Fiscal Analyst*

*Approved: Thomas Koenig
Legislative Budget and Finance Officer*

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.).