

ASSEMBLY, No. 4404

STATE OF NEW JERSEY

221st LEGISLATURE

INTRODUCED MAY 16, 2024

Sponsored by:

Assemblywoman VICTORIA A. FLYNN

District 13 (Monmouth)

Assemblyman GERRY SCHARFENBERGER

District 13 (Monmouth)

SYNOPSIS

Establishes State school aid reduction cap.

CURRENT VERSION OF TEXT

As introduced.



1 AN ACT concerning State school aid, supplementing P.L.2007,
2 c.260 (C.18A:7F-43 et al.), and amending P.L.2018, c.67
3 (C.18A:7F-67 et al.).

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

7
8 1. (New section) Notwithstanding the provisions of any other
9 law, rule, or regulation to the contrary, the amount of State school
10 aid provided to a school district shall be subject to a State aid
11 reduction cap equal to five percent of the district's net budget for
12 the prebudget year. For the purposes of this section, State school aid
13 shall include equalization aid, special education categorical aid,
14 security aid, and transportation aid. The State aid reduction cap
15 shall ensure that no district receives a reduction in State school aid
16 compared to the prebudget year that is greater than five percent of
17 the district's net budget for the prebudget year.

18
19 2. Section 4 of P.L.2018, c.67 (C.18A:7F-68) is amended to read
20 as follows:

21 4. a. Notwithstanding the provisions of P.L.2007, c.260
22 (C.18A:7F-43 et al.) or any other law to the contrary, in the 2019-
23 2020 through 2024-2025 school years, a school district or county
24 vocational school district in which the State aid differential
25 calculated is negative shall receive State school aid in an amount
26 equal to the sum of the district's State aid in the prior school year
27 plus the district's proportionate share of the sum of any increase in
28 State aid included in the annual appropriations act for that fiscal
29 year and the total State aid reduction pursuant to subsection b. of
30 this section based on the district's State aid differential as a percent
31 of the Statewide total State aid differential among all school
32 districts and county vocational school districts for which the State
33 aid differential is negative. Any increase in State aid pursuant to
34 this subsection shall first be allocated to equalization aid, followed
35 by special education categorical aid, security categorical aid, and
36 transportation aid, except that no category shall exceed the total
37 amount as calculated in accordance with the provisions of sections
38 11, 13, 14, and 15 of P.L.2007, c.260 (C.18A:7F-53, C.18A:7F-55,
39 C.18A:7F-56, and C.18A:7F-57), respectively.

40 b. Except as provided pursuant to subsection c. of this section
41 and section 1 of P.L. _____, c. _____ (C. _____) (pending before the
42 Legislature as this bill), and notwithstanding the provisions of
43 P.L.2007, c.260 (C.18A:7F-43 et al.) or any other law to the
44 contrary, in the 2019-2020 through 2024-2025 school years, a
45 school district or county vocational school district in which the

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 State aid differential is positive shall receive State school aid in an
2 amount equal to the district's State aid in the prior school year
3 minus a percent of the State aid differential according to the
4 following schedule:

- 5 (1) 13 percent in the 2019-2020 school year;
- 6 (2) 23 percent in the 2020-2021 school year;
- 7 (3) 37 percent in the 2021-2022 school year;
- 8 (4) 55 percent in the 2022-2023 school year;
- 9 (5) 76 percent in the 2023-2024 school year; and
- 10 (6) 100 percent in the 2024-2025 school year.

11 c. (1) An SDA district that is located in a municipality in
12 which the equalized total tax rate is greater than the Statewide
13 average equalized total tax rate for the most recent available
14 calendar year and is spending below adequacy as calculated
15 pursuant to section 1 of P.L.2018, c.67 (C.18A:7F-70) shall not be
16 subject to a reduction in State aid pursuant to subsection b. of this
17 section.

18 (2) An SDA district that is located in a municipality in which
19 the equalized total tax rate is greater than the Statewide average
20 equalized total tax rate for the most recent available calendar year
21 and is spending above adequacy as calculated pursuant to section 1
22 of P.L.2018, c.67 (C.18A:7F-70) shall be subject to a reduction not
23 to exceed the amount by which the district is spending above
24 adequacy multiplied by the corresponding percentage included in
25 subsection b. of this section.

26 (3) A school district, other than an SDA district, that is located
27 in a municipality in which the equalized total tax rate is at least 10
28 percent greater than the Statewide average equalized total tax rate
29 for the most recent available calendar year and is spending at least
30 10 percent below adequacy as calculated pursuant to section 1 of
31 P.L.2018, c.67 (C.18A:7F-70) shall not be subject to a reduction in
32 State aid pursuant to subsection b. of this section.

33 (4) **[A]** Except as provided in section 1 of P.L. , c. (C.)
34 (pending before the Legislature as this bill), a school district that is
35 a participating district under an application that is approved for a
36 grant pursuant to subsection a. of section 4 of P.L.2021, c.402
37 (C.18A:13-47.4) or a school district that is a participating district
38 under an application that receives preliminary approval pursuant to
39 subsection b. of section 4 of P.L.2021, c.402 (C.18A:13-47.4) and
40 that has a State aid differential that is positive may elect to receive
41 State school aid in an amount equal to the district's State aid in the
42 prior school year minus a percent of the State aid differential
43 according to the following schedule:

- 44 (a) 30 percent in the 2021-2022 school year;
- 45 (b) 37 percent in the 2022-2023 school year;
- 46 (c) 46 percent in the 2023-2024 school year;
- 47 (d) 55 percent in the 2024-2025 school year;
- 48 (e) 65.5 percent in the 2025-2026 school year;

- 1 (f) 76 percent in the 2026-2027 school year;
- 2 (g) 88 percent in the 2027-2028 school year; and
- 3 (h) 100 percent in the 2028-2029 school year.

4 A school district with a State aid differential that is positive,
5 which is a participating district under an application that is
6 approved for a grant pursuant to subsection a. of section 4 of
7 P.L.2021, c.402 (C.18A:13-47.4) or that receives preliminary
8 approval under subsection b. of section 4 of P.L.2021, c.402
9 (C.18A:13-47.4) but has not created or joined a limited purpose or
10 all purpose regional school district within two years following the
11 grant application approval or preliminary approval shall not be
12 eligible to receive State aid according to the schedule enumerated in
13 this paragraph.

14 As used in this paragraph, "participating district" means a school
15 district whose board of education by resolution certifies a
16 commitment to participate in a feasibility study submitted as part of
17 an application under the grant program established pursuant to
18 section 2 of P.L.2021, c.402 (C.18A:13-47.2).

19 (5) Notwithstanding the provisions of section 32 of P.L.1996,
20 c.138 (C.18A:7F-32) or any other law, rule, or regulation to the
21 contrary, a school district that is a regional school district created
22 following the approval of a grant application pursuant to section 4
23 of P.L.2021, c.402 (C.18A:13-47.4) shall, from the first full school
24 year following the creation of the regional school district through
25 the 2028-2029 school year, receive State school aid in an amount
26 that is the greater of:

27 (a) the amount of State school aid that the newly created
28 regional school district would receive as a regional school district;
29 or

30 (b) the sum of the amount of State school aid received by each
31 school district constituting the newly created regional school
32 district prior to the creation of such regional school district.

33 (6) A school district shall not be **[not be]** subject to a reduction
34 in State aid pursuant to this section provided that:

35 (a) the district is a regional school district consisting of at least
36 five constituent school districts;

37 (b) the district has mitigated costs of regionalization, as
38 determined by the Commissioner of Education;

39 (c) for the most recent school year for which data is available,
40 the district's administrative costs per pupil are 15 percent lower
41 than the Statewide average administrative costs per pupil for
42 regional school districts; and

43 (d) the district's general fund tax levy has been increased by the
44 maximum amount permitted pursuant to section 3 of P.L.2007, c.62
45 (C.18A:7F-38) in each of the last five school years.

46 A school district that is exempt from a reduction in State aid
47 pursuant to paragraph (6) of subsection c. of this section shall
48 provide courtesy busing to pupils who reside in the district,

1 provided that the district was providing courtesy busing prior to the
2 school year in which it is exempt from a reduction in State aid.

3 d. Any decrease in State aid pursuant to subsection b. or c. of
4 this section shall first be deducted from a school district's or county
5 vocational school district's allotment of adjustment aid. Any
6 additional reduction shall be deducted from the school district's or
7 county vocational school district's allotment of non-SFRA aids,
8 followed by equalization aid, special education categorical aid,
9 security aid, and transportation aid.

10 e. Any remaining adjustment aid or non-SFRA aids shall be
11 reallocated to other State aid categories in a manner to be
12 determined by the commissioner.

13 (cf: P.L.2023, c.140, s.1)

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15 3. This act shall take effect immediately.

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STATEMENT

19

20 This bill establishes a State aid reduction cap to ensure that the
21 amount of State school aid disbursed to a school district in any
22 given school year is not reduced from the prior year's amount of aid
23 by an amount greater than the cap.

24 Under the bill, the State aid reduction cap for a school district is
25 equal to five percent of the district's net budget for the prior year. A
26 district's net budget is defined under current law as the sum of the
27 district's general fund tax levy, State aid other than preschool
28 education aid, miscellaneous revenue, and designated general fund
29 balance. Under current law, there is no limitation on the size of a
30 district's State aid reduction.