SENATE, No. 2434

STATE OF NEW JERSEY

221st LEGISLATURE

INTRODUCED JANUARY 29, 2024

Sponsored by:
Senator ANDREW ZWICKER
District 16 (Hunterdon, Mercer, Middlesex and Somerset)

Senator VIN GOPAL
District 11 (Monmouth)

SYNOPSIS
Provides tax levy cap adjustment for certain school districts experiencing reductions in State school aid.

CURRENT VERSION OF TEXT
As introduced.

(Sponsorship Updated As Of: 2/22/2024)
AN ACT concerning the tax levy growth limitation for school

BE IT ENACTED by the Senate and General Assembly of the State
of New Jersey:

1. Section 5 of P.L.1996, c.138 (C.18A:7F-5) is amended to read
as follows:

5. As used in this section, "cost of living" means the CPI as

a. Within 30 days following the approval of the Educational
Adequacy Report, the commissioner shall notify each district of the
base per pupil amount, the per pupil amounts for full-day preschool,
the weights for grade level, county vocational school districts, at-
risk pupils, bilingual pupils, and combination pupils, the cost
coefficients for security aid and for transportation aid, the State
average classification rate and the excess cost for general special
education services pupils, the State average classification rate and
the excess cost for speech-only pupils, and the geographic cost
adjustment for each of the school years to which the report is
applicable.

Annually, within two days following the transmittal of the State
budget message to the Legislature by the Governor pursuant to
section 11 of P.L.1944, c.112 (C.52:27B-20), the commis-

sioner shall notify each district of the maximum amount of aid payable to
the district in the succeeding school year pursuant to the provisions
of P.L.2007, c.260 (C.18A:7F-43 et al.), and shall notify each
district of the district's adequacy budget for the succeeding school
year.

For the 2008-2009 school year and thereafter, unless otherwise
payable for the budget year shall be based on budget year pupil
counts, which shall be projected by the commissioner using data
from prior years. Adjustments for the actual pupil counts of the
budget year shall be made to State aid amounts payable during the
school year succeeding the budget year. Additional amounts
payable shall be reflected as revenue and an account receivable for
the budget year.

Notwithstanding any other provision of this act to the contrary,
each district's State aid payable for the 2008-2009 school year, with
the exception of aid for school facilities projects, shall be based on
simulations employing the various formulas and State aid amounts
commissioner shall prepare a report dated December 12, 2007
reflecting the State aid amounts payable by category for each

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.
district and shall submit the report to the Legislature prior to the adoption of P.L.2007, c.260 (C.18A:7F-43 et al.). Except as otherwise provided pursuant to this subsection and paragraph (3) of subsection d. of section 5 of P.L.2007, c.260 (C.18A:7F-47), the amounts contained in the commissioner's report shall be the final amounts payable and shall not be subsequently adjusted other than to reflect the phase-in of the required general fund local levy pursuant to paragraph (4) of subsection b. of section 16 of P.L.2007, c.260 (C.18A:7F-58) and to reflect school choice aid to which a district may be entitled pursuant to section 20 of that act.

The projected pupil counts and equalized valuations used for the calculation of State aid shall also be used for the calculation of adequacy budget, local share, and required local share. For 2008-2009, extraordinary special education State aid shall be included as a projected amount in the commissioner's report dated December 12, 2007 pending the final approval of applications for the aid. If the actual award of extraordinary special education State aid is greater than the projected amount, the district shall receive the increase in the aid payable in the subsequent school year pursuant to the provisions of subsection c. of section 13 of P.L.2007, c.260 (C.18A:7F-55). If the actual award of extraordinary special education State aid is less than the projected amount, other State aid categories shall be adjusted accordingly so that the district shall not receive less State aid than as provided in accordance with the provisions of sections 5 and 16 of P.L.2007, c.260 (C.18A:7F-47 and C.18A:7F-58).

In the event that the commissioner determines, following the enactment of P.L.2007, c.260 (C.18A:7F-43 et al.) but prior to the issuance of State aid notices for the 2008-2009 school year, that a significant district-specific change in data warrants an increase in State aid for that district, the commissioner may adjust the State aid amount provided for the district in the December 12, 2007 report to reflect the increase.

b. Each district shall have a required local share. For districts that receive educational adequacy aid pursuant to subsection b. of section 16 of P.L.2007, c.260 (C.18A:7F-58), the required local share shall be calculated in accordance with the provisions of that subsection.

For all other districts, the required local share shall equal the lesser of the local share calculated at the district's adequacy budget pursuant to section 9 of P.L.2007, c.260 (C.18A:7F-51), or the district's budgeted local share for the prebudget year.

In order to meet this requirement, each district shall raise a general fund tax levy which equals its required local share.

No municipal governing body or bodies or board of school estimate, as appropriate, shall certify a general fund tax levy which does not meet the required local share provisions of this section.
c. Annually, on or before March 4, or on or before March 20 in the case of a school district with an annual school election in November, each district board of education shall adopt, and submit to the commissioner for approval, together with such supporting documentation as the commissioner may prescribe, a budget that provides for a thorough and efficient education. Notwithstanding the provisions of this subsection to the contrary, the commissioner may adjust the date for the submission of district budgets if the commissioner determines that the availability of preliminary aid numbers for the subsequent school year warrants such adjustment.

Notwithstanding any provision of this section to the contrary, for the 2005-2006 school year each district board of education shall submit a proposed budget in which the advertised per pupil administrative costs do not exceed the lower of the following:

(1) the district's advertised per pupil administrative costs for the 2004-2005 school year inflated by the cost of living or 2.5 percent, whichever is greater; or

(2) the per pupil administrative cost limits for the district's region as determined by the commissioner based on audited expenditures for the 2003-2004 school year.

The executive county superintendent of schools may disapprove the school district's 2005-2006 proposed budget if he determines that the district has not implemented all potential efficiencies in the administrative operations of the district. The executive county superintendent shall work with each school district in the county during the 2004-2005 school year to identify administrative inefficiencies in the operations of the district that might cause the superintendent to reject the district's proposed 2005-2006 school year budget.

For the 2006-2007 school year and each school year thereafter, each district board of education shall submit a proposed budget in which the advertised per pupil administrative costs do not exceed the lower of the following:

(1) the district's prior year per pupil administrative costs; except that the district may submit a request to the commissioner for approval to exceed the district's prior year per pupil administrative costs due to increases in enrollment, administrative positions necessary as a result of mandated programs, administrative vacancies, nondiscretionary fixed costs, and such other items as defined in accordance with regulations adopted pursuant to section 7 of P.L.2004, c.73. In the event that the commissioner approves a district's request to exceed its prior year per pupil administrative costs, the increase authorized by the commissioner shall not exceed the cost of living or 2.5 percent, whichever is greater; or

(2) the prior year per pupil administrative cost limits for the district's region inflated by the cost of living or 2.5 percent, whichever is greater.

(2) (Deleted by amendment, P.L.2007, c.260).

(3) (Deleted by amendment, P.L.2007, c.260).

(4) Any debt service payment made by a school district during the budget year shall not be included in the calculation of the district's adjusted tax levy.


(7) (Deleted by amendment, P.L.2004, c.73).

(8) (Deleted by amendment, P.L.2010, c.44)

(9) Any district may submit at the annual school budget election, in accordance with subsection c. of section 4 of P.L.2007, c.62 (C.18A:7F-39), a separate proposal or proposals for additional funds, including interpretive statements, specifically identifying the program purposes for which the proposed funds shall be used, to the voters, who may, by voter approval, authorize the raising of an additional general fund tax levy for such purposes. In the case of a district with a board of school estimate, one proposal for the additional spending shall be submitted to the board of school estimate. Any proposal or proposals submitted to the voters or the board of school estimate shall not: include any programs and services that were included in the district’s prebudget year net budget unless the proposal is approved by the commissioner upon submission by the district of sufficient reason for an exemption to this requirement; or include any new programs and services necessary for students to achieve the thoroughness standards established pursuant to subsection a. of section 4 of P.L.2007, c.260 (C.18A:7F-46).

The executive county superintendent of schools may prohibit the submission of a separate proposal or proposals to the voters or board of school estimate if he determines that the district has not implemented all potential efficiencies in the administrative operations of the district, which efficiencies would eliminate the need for the raising of an additional general fund tax levy.

(10) Notwithstanding any provision of law to the contrary, if a district proposes a budget with a general fund tax levy and equalization aid which exceed the adequacy budget, the following statement shall be published in the legal notice of public hearing on the budget pursuant to N.J.S.18A:22-28, posted at the public hearing held on the budget pursuant to N.J.S.18A:22-29, and printed on the sample ballot required pursuant to section 10 of P.L.1995, c.278 (C.19:60-10):

"Your school district has proposed programs and services in addition to the core curriculum content standards adopted by the State Board of Education. Information on this budget and the
programs and services it provides is available from your local school district.”

(11) Any reduction that may be required to be made to programs
and services included in a district’s prebudget year net budget in
order for the district to limit the growth in its budget between the
prebudget and budget years by its tax levy growth limitation as
calculated pursuant to sections 3 and 4 of P.L.2007, c.62
(C.18A:7F-38 and 18A:7F-39), shall only include reductions to
excessive administration or programs and services that are
inefficient or ineffective.

(12) A district that increases its tax levy pursuant to the
provisions of section 3 of P.L.2007, c.62 (C.18A:7F-38) because
the district experienced a reduction in State school aid in the 2023-
2024 school year or the 2024-2025 school year pursuant to the
provisions of subsection b. of section 4 of P.L.2018, c.67
(C.18A:7F-68), or because it experienced a reduction in State
school aid and is spending below adequacy pursuant to section 1 of
P.L.2018, c.67 (C.18A:7F-70) in any school year after the 2024-
2025 school year, shall not, in the budget year, reduce the:

(a) total number of teachers employed by the school district
compared to the total number of teachers employed by the district in
the prebudget year; or

(b) total amount of general fund appropriations for either
instruction or support services compared to the same amounts
appropriated in the prebudget year.

Notwithstanding the provisions of this paragraph to the contrary,
a district may reduce either the total number of teachers employed
by the district or the total amount of general fund appropriations for
either instruction or support services if the commissioner approves
the applicable reductions in the district’s proposed budget. The
commissioner may approve a reduction in a district’s total number
of teachers pursuant to this paragraph if the reduction is being made
due to an anticipated decline in enrollment from the prebudget year.
The commissioner may approve a reduction in a district’s total
amount of general fund appropriations for either instruction or
support services if the reductions are deemed to not be detrimental
to the provision of a thorough and efficient education.

e. (1) Any general fund tax levy rejected by the voters for a
proposed budget that includes a general fund tax levy and
equalization aid in excess of the adequacy budget shall be submitted
to the governing body of each of the municipalities included within
the district for determination of the amount that should be expended
notwithstanding voter rejection. In the case of a district having a
board of school estimate, other than a Type II district with a board
of school estimate in which the annual election is in November, the
general fund tax levy shall be submitted to the board for
determination of the amount that should be expended. If the
governing body or bodies or board of school estimate, as
appropriate, reduce the district’s proposed budget, the district may
appeal any of the reductions to the commissioner on the grounds
that the reductions will negatively impact on the stability of the
district given the need for long term planning and budgeting. In
considering the appeal, the commissioner shall consider enrollment
increases or decreases within the district; the history of voter
approval or rejection of district budgets; the impact on the local
levy; and whether the reductions will impact on the ability of the
district to fulfill its contractual obligations. A district may not
appeal any reductions on the grounds that the amount is necessary
for a thorough and efficient education.

(2) Any general fund tax levy rejected by the voters for a
proposed budget that includes a general fund tax levy and
equalization aid at or below the adequacy budget shall be submitted
to the governing body of each of the municipalities included within
the district for determination of the amount that should be expended
notwithstanding voter rejection. In the case of a district having a
board of school estimate, other than a Type II district with a board
of school estimate in which the annual election is in November, the
general fund tax levy shall be submitted to the board for
determination. Any reductions may be appealed to the
commissioner on the grounds that the amount is necessary for a
thorough and efficient education or that the reductions will
negatively impact on the stability of the district given the need for
long term planning and budgeting. In considering the appeal, the
commissioner shall also consider the factors outlined in paragraph
(1) of this subsection.

In addition, the municipal governing body or board of school
estimate shall be required to demonstrate clearly to the
commissioner that the proposed budget reductions shall not
adversely affect the ability of the school district to provide a
thorough and efficient education or the stability of the district given
the need for long term planning and budgeting.

(3) In lieu of any budget reduction appeal provided for pursuant
to paragraphs (1) and (2) of this subsection, the State board may
establish pursuant to the "Administrative Procedure Act," P.L.1968,
c.410 (C.52:14B-1 et seq.), an expedited budget review process
based on a district’s application to the commissioner for an order to
restore a budget reduction.

(4) When the voters, municipal governing body or bodies, board
of education in the case of a school district in which the annual
school election has been moved to November pursuant to subsection
a. of section 1 of P.L.2011, c.202 (C.19:60-1.1), or the board of
school estimate authorize the general fund tax levy, the district shall
submit the resulting budget to the commissioner within 15 days of
the authorization.
2. Section 3 of P.L.2007, c.62 (C.18A:7F-38) is amended to read as follows:

3. a. Notwithstanding the provisions of any other law to the contrary, a school district shall not adopt a budget pursuant to sections 5 and 6 of P.L.1996, c.138 (C.18A:7F-5 and 18A:7F-6) with an increase in its adjusted tax levy that exceeds, except as provided in subsection e. of section 4 of P.L.2007, c.62 (C.18A:7F-39), the tax levy growth limitation calculated as follows: the sum of the prebudget year adjusted tax levy and the adjustment for increases in enrollment multiplied by 2.0 percent, and adjustments for an increase in health care costs, increases in amounts for certain normal and accrued liability pension contributions set forth in sections 1 and 2 of P.L.2009, c.19 amending section 24 of P.L.1954, c.84 (C.43:15A-24) and section 15 of P.L.1944, c.255 (C.43:16A-15) for the year set forth in those sections, [and,] in the case of an SDA district as defined pursuant to section 3 of P.L.2000, c.72 (C.18A:7G-3), during the 2018-2019 through the 2024-2025 school years, increases to raise a general fund tax levy to an amount that does not exceed its local share, in the case of a school district experiencing a reduction in State school aid in the 2023-2024 school year or the 2024-2025 school year pursuant to the provisions of subsection b. of section 4 of P.L.2018, c.67 (C.18A:7F-68), increases to raise a general fund tax levy in an amount equal to the school district’s loss in State aid from the prebudget year, and, in the case of a school district that is experiencing a reduction in State school aid and is spending below adequacy pursuant to section 1 of P.L.2018, c.67 (C.18A:7F-70) in any school year after the 2024-2025 school year, increases to raise a general fund tax levy up to the amount necessary for the district to be spending at adequacy.

b. (1) The allowable adjustment for increases in enrollment authorized pursuant to subsection a. of this section shall equal the per pupil prebudget year adjusted tax levy multiplied by EP, where EP equals the sum of:

(a) 0.50 for each unit of weighted resident enrollment that constitutes an increase from the prebudget year over 1%, but not more than 2.5%;

(b) 0.75 for each unit of weighted resident enrollment that constitutes an increase from the prebudget year over 2.5%, but not more than 4%; and

(c) 1.00 for each unit of weighted resident enrollment that constitutes an increase from the prebudget year over 4%.

(2) A school district may request approval from the commissioner to calculate EP equal to 1.00 for any increase in
weighted resident enrollment if it can demonstrate that the
calculation pursuant to paragraph (1) of this subsection would result
in an average class size that exceeds 10% above the facilities
efficiency standards established pursuant to P.L.2000, c.72
(C.18A:7G-1 et al.).

c. (Deleted by amendment, P.L.2010, c.44)
d. (1) The allowable adjustment for increases in health care costs
authorized pursuant to subsection a. of this section shall equal that
portion of the actual increase in total health care costs for the
budget year, less any withdrawals from the current expense
emergency reserve account for increases in total health care costs,
that exceeds 2.0 percent of the total health care costs in the
prebudget year, but that is not in excess of the product of the total
health care costs in the prebudget year multiplied by the average
percentage increase of the State Health Benefits Program, P.L.1961,
c.49 (C.52:14-17.25 et seq.), as annually determined by the
Division of Pensions and Benefits in the Department of the
Treasury.

(2) The allowable adjustment for increases in the amount of
normal and accrued liability pension contributions authorized
pursuant to subsection a. of this section shall equal that portion of
the actual increase in total normal and accrued liability pension
contributions for the budget year that exceeds 2.0 percent of the
total normal and accrued liability pension contributions in the
prebudget year.

(3) In the case of an SDA district, as defined pursuant to section
3 of P.L.2000, c.72 (C.18A:7G-3), in which the prebudget year
adjusted tax levy is less than the school district's prebudget year
local share as calculated pursuant to section 10 of P.L.2007, c.260
(C.18A:7F-52), the allowable adjustment for increases to raise a tax
levy that does not exceed the school district's local share shall equal
the difference between the prebudget year adjusted tax levy and the
prebudget year local share.

(4) In the case of a school district that experiences a reduction in
State school aid in the 2023-2024 school year or the 2024-2025
school year pursuant to the provisions of subsection b. of section 4
of P.L.2018, c.67 (C.18A:7F-68), the allowable adjustment for
increases to raise a tax levy in an amount equal to the school
district’s loss in State aid pursuant to subsection b. of section 4 of
P.L.2018, c.67 (C.18A:7F-68) shall equal the difference between
the amount of State aid received by the school district in the
prebudget year and the amount of State aid received by the school
district in the budget year.

(5) In the case of a school district that is experiencing a
reduction in State school aid and is spending below adequacy
pursuant to section 1 of P.L.2018, c.67 (C.18A:7F-70) in any school
year after the 2024-2025 school year, the allowable adjustment for
increases to raise a tax levy up to the amount necessary for the
district to be spending at adequacy shall not exceed the difference
between the sum from the budget year of the district’s adequacy
budget, as calculated pursuant to section 9 of P.L.2007, c.260
(C.18A:7F-51), special education categorical aid as calculated
pursuant to section 13 of P.L.2007, c.260 (C.18A:7F-55), and
security categorical aid as calculated pursuant to section 14 of
P.L.2007, c.260 (C.18A:7F-56), and the sum from the prebudget
year of the district’s equalization aid calculated pursuant to section
aid as calculated pursuant to section 13 of P.L.2007, c.260
(C.18A:7F-55), security categorical aid as calculated pursuant to
section 14 of P.L.2007, c.260 (C.18A:7F-56), and the general fund
tax levy.
e. (Deleted by amendment, P.L.2010, c.44)
f. The adjusted tax levy shall be increased or decreased
accordingly whenever the responsibility and associated cost of a
school district activity is transferred to another school district or
governmental entity.
(cf: P.L.2018, c.67, s.6)
3. This act shall take effect immediately.

STATEMENT

This bill provides a tax levy cap adjustment for certain school
districts that are experiencing State school aid reductions.

Under current law, a school district is generally prohibited from
increasing its property tax levy by more than two percent compared
to the previous school year. This limited increase is often referred
to as a “tax levy growth limitation” or a “property tax cap.”
However, State law authorizes certain allowable adjustments to the
general two percent limitation, thereby permitting a district to
account for certain increases in items such as enrollment, health
care costs, and certain normal and accrued liability pension
contributions.

This bill would provide for an allowable adjustment to the tax
levy growth limitation for a school district that experiences a
reduction in State school aid in the 2023-2024 school year or the
2024-2025 school year pursuant to the provisions of P.L.2018, c.67,
which is commonly referred to as “S2.” The amount of the
allowable adjustment equals the difference between the amount of
State aid received by the school district in the previous school year
and the amount of State aid received by the school district in the
2023-2024 school year or the 2024-2025 school year.

The bill would provide for another allowable adjustment for a
school district that is experiencing a reduction in State school aid
and is spending below adequacy in any school year after the 2024-
2025 school year. Under current law, a school district is considered to be spending below adequacy if its prebudget year spending (defined as the sum from the prior school year of equalization aid, special education categorical aid, security categorical aid, and the school district’s tax levy) is below its projected adequacy spending (defined as the sum for the school year in which the budget will be implemented of its adequacy budget, special education categorical aid, and security categorical aid). For these districts, the allowable adjustment to the tax levy would be the amount necessary for the district to be spending at adequacy.

Finally, the bill prohibits any school district that increases its tax levy using the allowable adjustments established by the bill from reducing its teacher workforce or decreasing appropriations for instruction or support services. However, a district may reduce either its total number of teachers or the total amount of general fund appropriations for instruction or support services if the Commissioner of Education approves the applicable reductions in the district’s proposed budget.