

SENATE, No. 3917

STATE OF NEW JERSEY

221st LEGISLATURE

INTRODUCED DECEMBER 5, 2024

Sponsored by:

Senator VIN GOPAL

District 11 (Monmouth)

SYNOPSIS

Makes various changes to school funding law; modifies method of determining tax levy growth limitation for school districts; revises components of Educational Adequacy Report.

CURRENT VERSION OF TEXT

As introduced.



S3917 GOPAL

2

1 AN ACT concerning school financing, amending P.L.2007, c.62 and
2 P.L.2018, c.67, and amending and supplementing P.L.2007,
3 c.260.

4

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

7

8 1. (New section) Beginning with the first full school year
9 following the date of enactment of P.L. , c. (C.) (pending
10 before the Legislature as this bill) and each school year thereafter,
11 the Department of Education shall annually, within two days
12 following the transmittal of the State budget message to the
13 Legislature by the Governor pursuant to section 11 of P.L.1944,
14 c.112 (C.52:27B-20), make publicly available on the department's
15 Internet website the calculation of each category of aid payable to
16 each school district in the succeeding year pursuant to the
17 provisions of P.L.2007, c.260 (C.18A:7F-43 et al.). The
18 calculations shall be written in a user-friendly manner and shall
19 include, at a minimum, explanations of the variables used to
20 determine the district's aid.

21

22 2. Section 3 of P.L.2007, c.62 (C.18A:7F-38) is amended to read
23 as follows:

24 3. a. Notwithstanding the provisions of any other law to the
25 contrary, a school district shall not adopt a budget pursuant to
26 sections 5 and 6 of P.L.1996, c.138 (C.18A:7F-5 and 18A:7F-6)
27 with an increase in its adjusted tax levy that exceeds, except as
28 provided in subsection e. of section 4 of P.L.2007, c.62 (C.18A:7F-
29 39), the applicable tax levy growth limitation **[**calculated as
30 follows: the sum of the prebudget year adjusted tax levy and the
31 adjustment for increases in enrollment multiplied by 2.0 percent,
32 and adjustments for an increase in health care costs, increases in
33 amounts for certain normal and accrued liability pension
34 contributions set forth in sections 1 and 2 of P.L.2009, c.19
35 amending section 24 of P.L.1954, c.84 (C.43:15A-24) and section
36 15 of P.L.1944, c.255 (C.43:16A-15) for the year set forth in those
37 sections, and, in the case of an SDA district as defined pursuant to
38 section 3 of P.L.2000, c.72 (C.18A:7G-3), during the 2018-2019
39 through the 2024-2025 school years, increases to raise a general
40 fund tax levy to an amount that does not exceed its local share**]**
41 established pursuant to this section.

42 (1) In the case of a school district for which the prebudget year
43 adjusted tax levy is less than the district's budget year local share as
44 calculated pursuant to section 10 of P.L.2007, c.260 (C.18A:7F-52),
45 the tax levy growth limitation shall be the lesser of:

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 (a) the difference between the district's local share for the
2 budget year and the district's prebudget year adjusted tax levy; or

3 (b) seven percent of the district's prebudget year adjusted tax
4 levy.

5 (2) In the case of a school district for which the prebudget year
6 adjusted tax levy is greater than or equal to the district's budget
7 year local share, the tax levy growth limitation shall be equal to two
8 percent of the district's prebudget year adjusted tax levy.

9 (3) In the case of an SDA district, as defined pursuant to section
10 3 of P.L.2000, c.72 (C.18A:7G-3), for which the prebudget year
11 adjusted tax levy is less than the district's budget year local share,
12 the tax levy growth limitation shall be equal to the difference
13 between the district's local share for the budget year and the
14 district's prebudget year adjusted tax levy.

15 (4) In the case of an SDA district, as defined pursuant to section
16 3 of P.L.2000, c.72 (C.18A:7G-3), for which the prebudget year
17 adjusted tax levy is greater than or equal to the district's budget
18 year local share, the tax levy growth limitation shall be equal to two
19 percent of the district's prebudget year adjusted tax levy.

20 In addition to the tax levy growth limitation, a district shall be
21 permitted to increase the adjusted tax levy to account for increases
22 in enrollment, health care costs, and amounts for certain normal and
23 accrued liability pension contributions set forth in sections 1 and 2
24 of P.L.2009, c.19 amending section 24 of P.L.1954, c.84
25 (C.43:15A-24) and section 15 of P.L.1944, c.255 (C.43:16A-15) for
26 the year set forth in those sections.

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

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

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

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

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

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

47 d. (1) The allowable adjustment for increases in health care costs
48 authorized pursuant to subsection a. of this section shall equal that
49 portion of the actual increase in total health care costs for the

1 budget year, less any withdrawals from the current expense
2 emergency reserve account for increases in total health care costs,
3 that exceeds 2.0 percent of the total health care costs in the
4 prebudget year, but that is not in excess of the product of the total
5 health care costs in the prebudget year multiplied by the average
6 percentage increase of the State Health Benefits Program, P.L.1961,
7 c.49 (C.52:14-17.25 et seq.), as annually determined by the
8 Division of Pensions and Benefits in the Department of the
9 Treasury.

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

17 (3) **【**In the case of an SDA district, as defined pursuant to
18 section 3 of P.L.2000, c.72 (C.18A:7G-3), in which the prebudget
19 year adjusted tax levy is less than the school district's prebudget
20 year local share as calculated pursuant to section 10 of P.L.2007,
21 c.260 (C.18A:7F-52), the allowable adjustment for increases to
22 raise a tax levy that does not exceed the school district's local share
23 shall equal the difference between the prebudget year adjusted tax
24 levy and the prebudget year local share.**】** (Deleted by amendment,
25 P.L. , c.) (pending before the Legislature as this bill)

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

27 f. The adjusted tax levy shall be increased or decreased
28 accordingly whenever the responsibility and associated cost of a
29 school district activity is transferred to another school district or
30 governmental entity.

31 (cf: P.L.2018, c.67, s.6)

32

33 3. Section 4 of P.L.2007, c.62 (C.18A:7F-39) is amended to read
34 as follows:

35 4. a. (Deleted by amendment, P.L.2010, c.44)

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

37 c. A school district may submit to the voters at the annual
38 school election, or on such other date as is set by regulation of the
39 commissioner, a proposal or proposals to increase the adjusted tax
40 levy by more than the allowable amount authorized pursuant to
41 section 3 of P.L.2007, c.62 (C.18A:7F-38). The proposal or
42 proposals to increase the adjusted tax levy shall be approved if a
43 majority of people voting shall vote in the affirmative. In the case
44 of a school district with a board of school estimate, the additional
45 adjusted tax levy shall be authorized only if a quorum is present for
46 the vote and a majority of those board members who are present
47 vote in the affirmative to authorize the additional adjusted tax levy.

48 A school district without a board of school estimate may submit
49 to the voters at a special school election authorized pursuant to

1 section 2 of P.L.1995, c.278 (C.19:60-2), a proposal or proposals to
2 increase the adjusted tax levy for the subsequent school budget year
3 by more than the allowable amount authorized pursuant to section 3
4 of P.L.2007, c.62 (C.18A:7F-38). A proposal submitted at a special
5 election shall comply with the requirements of this subsection and
6 of paragraph (9) of subsection d. of section 5 of P.L.1996, c.138
7 (C.18A:7F-5). A proposal or proposals for additional funds may
8 only be submitted on a date of a special election once during a
9 school year. Nothing in this subsection shall be construed to
10 prohibit the submission to the voters of a question or questions for
11 the approval of a capital project or projects on the same special
12 election date as the submission of a separate proposal or proposals
13 for additional funds.

14 (1) A proposal or proposals submitted to the voters or the board
15 of school estimate to increase the tax levy pursuant to this
16 subsection shall not include any programs or services necessary for
17 students to achieve the core curriculum content standards.

18 (2) All proposals to increase the tax levy submitted pursuant to
19 this subsection shall include interpretive statements specifically
20 identifying the program purposes for which the proposed funds
21 shall be used and a clear statement on whether approval will affect
22 only the current year, or result in a permanent increase in the levy.
23 The proposals shall be submitted and approved pursuant to sections
24 5 and 6 of P.L.1996, c.138 (C.18A:7F-5 and 18A:7F-6).

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

26 e. A school district that has not been granted approval to
27 exceed the cap pursuant to subsection c. of this section, may add to
28 its adjusted tax levy in any one of the next three succeeding budget
29 years, the amount of the difference between the maximum
30 allowable amount to be raised by taxation for the current school
31 budget year and the actual amount to be raised by taxation for the
32 current school budget year provided that the amount to be added in
33 any one budget year pursuant to this subsection does not exceed two
34 percent of the district's prebudget year adjusted tax levy.

35 (cf: P.L.2024, c.60, s.2)

36

37 4. Section 4 of P.L.2007, c.260 (C.18A:7F-46) is amended to
38 read as follows:

39 4. a. The State Board of Education shall review and update the
40 core curriculum content standards every five years. The standards
41 shall ensure that all children are provided the educational
42 opportunity needed to equip them for the role of citizen and labor
43 market competitor.

44 The Commissioner of Education shall develop and establish,
45 through the report issued pursuant to subsection b. of this section,
46 efficiency standards which define the types of programs, services,
47 activities, and materials necessary to achieve a thorough and
48 efficient education.

- 1 b. By September 1 of 2010 and by September 1 every three
2 years thereafter, the Governor, after consultation with the
3 commissioner, shall recommend to the Legislature through the
4 issuance of the Educational Adequacy Report for the three school
5 years to which the report is applicable revisions to:
- 6 (1) the base per pupil amount based upon the core curriculum
7 content standards established pursuant to subsection a. of this
8 section;
- 9 (2) the per pupil amounts for full-day preschool;
- 10 (3) the weights for grade level, county vocational school
11 districts, at-risk pupils, bilingual pupils, and combination pupils;
- 12 (4) the cost coefficients for security aid and transportation aid;
- 13 (5) the State average classification rate for general special
14 education services pupils and for speech-only pupils;
- 15 (6) the excess cost for general special education services pupils
16 and for speech-only pupils; **[and]**
- 17 (7) the extraordinary special education aid thresholds
18 established pursuant to subsection b. of section 13 of P.L.2007,
19 c.260 (C.18A:7F-55);
- 20 (8) the equalized total tax rate and adequacy spending
21 thresholds to be used for the purposes of determining whether a
22 school district shall be exempt from a reduction in State school aid
23 pursuant to section 9 of P.L. , c. (C.) (pending before the
24 Legislature as this bill); and
- 25 (9) if deemed appropriate, the use of inflationary measures,
26 other than the CPI, to adjust the base per pupil amount, the per
27 pupil amounts for full-day preschool, the excess costs for general
28 special education services pupils and for speech-only pupils, or the
29 cost-coefficients for security aid and transportation aid, provided
30 that the recommended inflationary measures are equal to or greater
31 than the CPI, are recognized, evidence-based measures of cost
32 change for the type of good or service, and have been disclosed in
33 the Educational Adequacy Report.
- 34 The base per pupil amount, the per pupil amounts for full-day
35 preschool, the excess costs for general special education services
36 pupils and for speech-only pupils, and the cost-coefficients for
37 security aid and transportation aid shall be adjusted by the CPI, or
38 other inflationary measures disclosed in the most recently issued
39 Educational Adequacy Report, for each of the two school years
40 following the first school year to which the report is applicable.
- 41 The amounts published in the final version of the Educational
42 Adequacy Report issued pursuant to this subsection shall be deemed
43 approved for the three successive fiscal years beginning from the
44 subsequent July 1, unless between the date of transmittal and the
45 subsequent November 30, the Legislature adopts a concurrent
46 resolution stating that the Legislature is not in agreement with all or
47 any specific part of the report. The concurrent resolution shall
48 advise the Governor of the Legislature's specific objections to the

1 report and shall direct the commissioner to submit to the Legislature
2 a revised report which responds to those objections by January 1.

3 c. The Educational Adequacy Report issued pursuant to
4 subsection b. of this section may also include a commissioner-
5 initiated review of any other element, variable, or metric used to
6 determine allocations of State school aid pursuant to P.L.2007,
7 c.260 (C.18A:7F-43 et al.). The commissioner shall publicly
8 announce the intent to conduct a review pursuant to this section at
9 the time that the decision to conduct the review is made and prior to
10 initiating the review. An element, variable, or metric that is the
11 subject of a commissioner-initiated review pursuant to this
12 subsection shall not be decreased pursuant to the review.

13 During a year in which the report required pursuant subsection b.
14 of this section is to be issued, the commissioner shall make a draft
15 of the report available for public comment for a period of no less
16 than 30 days.

17 During the public comment period, the commissioner shall
18 ensure that members of the public are afforded the opportunity to
19 provide remarks on, and recommend revisions to, the draft report at
20 public hearings to be held at various locations across the State, as
21 well as through the submission of written and electronic testimony.

22 After consideration of comments received through the public
23 comment period, the commissioner shall issue a final version of the
24 report.

25 (cf: P.L.2007, c.260, s.4)

26

27 5. Section 13 of P.L.2007, c.260 (C.18A:7F-55) is amended to
28 read as follows:

29 13. a. Special education categorical aid for each school district
30 and county vocational school district shall be calculated as follows:

31
$$SE = (RE \times SEACR \times AEC \times 1/3) \times GCA$$

32 where

33 RE is the resident enrollment of the school district or county
34 vocational school district;

35 SEACR is the State average classification rate for general special
36 education services pupils;

37 AEC is the excess cost for general special education services
38 pupils; and

39 GCA is the geographic cost adjustment as developed by the
40 commissioner.

41 For the 2008-2009 school year the excess cost shall be \$10,898 for
42 general special education services pupils. The excess cost amount
43 shall be adjusted by the CPI in the 2009-2010 and 2010-2011
44 school years as required pursuant to subsection b. of section 4 of
45 **[this act]** P.L.2007, c.260 (C.18A:7F-46). For subsequent school
46 years, the excess cost amount shall be established in the
47 Educational Adequacy Report, with the amount adjusted by the CPI
48 for each of the two school years following the first school year to
49 which the report is applicable.

1 b. Extraordinary special education aid for an individual
2 classified pupil shall be available when the student is educated in a
3 general education classroom, special education program, including
4 but not limited to a resource program or special class program, or
5 any combination of general education and special education
6 programs and services, subject to the requirements and thresholds
7 set forth in this section.

8 (1) In those instances in which a pupil is educated in an in-
9 district public school program with non-disabled peers, whether run
10 by a public school or by a private school for the disabled, and the
11 cost of providing direct instructional and support services for an
12 individual classified pupil exceeds ~~[\$40,000]~~ \$35,000, for those
13 direct instructional and support services costs in excess of
14 ~~[\$40,000]~~ \$35,000 a district shall receive extraordinary special
15 education State aid equal to 90% of the amount of that excess in
16 accordance with the provisions of paragraph (4) of this subsection.

17 (2) In those instances in which a pupil is educated in a separate
18 public school program for students with disabilities and the cost of
19 providing direct instructional and support services for an individual
20 classified pupil exceeds \$40,000, for those direct instructional and
21 support services costs in excess of \$40,000 a district shall receive
22 extraordinary special education State aid equal to 75% of the
23 amount of that excess in accordance with the provisions of
24 paragraph (4) of this subsection.

25 (3) In those instances in which a pupil is educated in a separate
26 private school for students with disabilities and the tuition for an
27 individual classified pupil exceeds \$55,000, for tuition costs in
28 excess of \$55,000 a district shall receive extraordinary special
29 education State aid equal to 75% of the amount of that excess in
30 accordance with the provisions of paragraph (4) of this subsection.

31 (4) Extraordinary special education State aid for an individual
32 classified pupil shall be calculated as follows:

33
$$EA = ((ADC - \del{[\$40,000]} \underline{\$35,000}) \times .90) + (((AIC - \$40,000) +$$

34
$$(ASC - \$55,000)) \times .75)$$

35 where

36 ADC equals the district's actual cost for the direct instructional
37 and support services in an in-district public school program as set
38 forth in paragraph (1) of this subsection;

39 AIC equals the district's actual cost for direct instructional and
40 support services in a separate public school program as set forth in
41 paragraph (2) of this subsection; and

42 ASC equals the district's actual cost for tuition paid to a separate
43 private school as set forth in paragraph (3) of this subsection.

44 (5) The receipt of extraordinary special education State aid for
45 an individual classified pupil shall be conditioned upon a
46 demonstration by the district that the pupil's Individualized
47 Education Plan requires the provision of intensive services,
48 pursuant to factors determined by the commissioner.

1 c. In order to receive funding pursuant to this section, a district
2 shall file an application with the department that details the
3 expenses incurred on behalf of the particular classified pupil for
4 which the district is seeking reimbursement. Additional State aid
5 awarded for extraordinary special education costs shall be recorded
6 by the district as revenue in the current school year and paid to the
7 district in the subsequent school year.

8 d. A school district may apply to the commissioner to receive
9 emergency special education aid for any classified pupil who
10 enrolls in the district prior to March of the budget year and who is
11 in a placement with a cost in excess of ~~【\$40,000 or \$55,000, as~~
12 ~~applicable】~~ the applicable extraordinary special education aid
13 thresholds enumerated in subsection b. of this section. The
14 commissioner may debit from the student's former district of
15 residence any special education aid which was paid to that district
16 on behalf of the student.

17 e. The department shall review expenditures of federal and
18 State special education aid by a district in every instance in which
19 special education monitoring identifies a failure on the part of the
20 district to provide services consistent with a pupil's Individualized
21 Education Plan.

22 f. The commissioner shall commission an independent study of
23 the special education census funding methodology to determine if
24 adjustments in the special education funding formulas are needed in
25 future years to address the variations in incidence of students with
26 severe disabilities requiring high cost programs and to make
27 recommendations for any such adjustments. The study and
28 recommendations shall be completed by June 30, 2010.

29 g. A school district may apply to the commissioner to receive
30 additional special education categorical aid if the district has an
31 unusually high rate of low-incidence disabilities, such as autism,
32 deaf/blindness, severe cognitive impairment, and medically fragile.
33 In applying for the aid the district shall: demonstrate the impact of
34 the unusually high rate of low-incidence disabilities on the school
35 district budget and the extent to which the costs to the district are
36 not sufficiently addressed through special education aid and
37 extraordinary special education aid; and provide details of all
38 special education expenditures, including details on the use of
39 federal funds to support those expenditures.

40 h. Notwithstanding the provisions of any other law to the
41 contrary, a school district's receipt of extraordinary special
42 education aid shall be equal to a percent of the amount calculated
43 pursuant to paragraph (4) of subsection b. of this section according
44 to the following schedule:

45 (1) 80 percent in the first full school year following the effective
46 date of P.L. , c. (C.) (pending before the Legislature as
47 this bill);

1 (2) 85 percent in the second full school year following the
2 effective date of P.L. , c. (C.) (pending before the
3 Legislature as this bill);

4 (3) 90 percent in the third full school year following the effective
5 date of P.L. , c. (C.) (pending before the Legislature as
6 this bill);

7 (4) 95 percent in the fourth full school year following the
8 effective date of P.L. , c. (C.) (pending before the
9 Legislature as this bill);

10 (5) 100 percent in the fifth full school year following the
11 effective date of P.L. , c. (C.) (pending before the
12 Legislature as this bill) and in each school year thereafter.

13 i. Notwithstanding the provisions of any law or regulation to the
14 contrary, the amount of extraordinary special education aid received
15 by a district pursuant to this section shall not be included in the
16 calculation of a district's tax levy growth limitation pursuant to
17 section 3 of P.L.2007, c.62 (C.18A:7F-38) or in the total operating
18 budget as used for the calculation of reduction adjustment aid
19 pursuant to section 8 of P.L. , c. (C.) (pending before the
20 Legislature as this bill).

21 (cf: P.L.2007, c.260, s.13)

22

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

25 4. a. Notwithstanding the provisions of P.L.2007, c.260
26 (C.18A:7F-43 et al.) or any other law to the contrary, in the 2019-
27 2020 through 2024-2025 school years, a school district or county
28 vocational school district in which the State aid differential
29 calculated is negative shall receive State school aid in an amount
30 equal to the sum of the district's State aid in the prior school year
31 plus the district's proportionate share of the sum of any increase in
32 State aid included in the annual appropriations act for that fiscal
33 year and the total State aid reduction pursuant to subsection b. of
34 this section based on the district's State aid differential as a percent
35 of the Statewide total State aid differential among all school
36 districts and county vocational school districts for which the State
37 aid differential is negative. Any increase in State aid pursuant to
38 this subsection shall first be allocated to equalization aid, followed
39 by special education categorical aid, security categorical aid, and
40 transportation aid, except that no category shall exceed the total
41 amount as calculated in accordance with the provisions of sections
42 11, 13, 14, and 15 of P.L.2007, c.260 (C.18A:7F-53, C.18A:7F-55,
43 C.18A:7F-56, and C.18A:7F-57), respectively.

44 b. Except as provided pursuant to subsection c. of this section,
45 and notwithstanding the provisions of P.L.2007, c.260 (C.18A:7F-
46 43 et al.) or any other law to the contrary, in the 2019-2020 through
47 2024-2025 school years, a school district or county vocational
48 school district in which the State aid differential is positive shall
49 receive State school aid in an amount equal to the district's State aid

1 in the prior school year minus a percent of the State aid differential
2 according to the following schedule:

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

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

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

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

30 (4) [A] Except as provided in section 8 of P.L. , c. (C.)
31 (pending before the Legislature as this bill), a school district that is
32 a participating district under an application that is approved for a
33 grant pursuant to subsection a. of section 4 of P.L.2021, c.402
34 (C.18A:13-47.4) or a school district that is a participating district
35 under an application that receives preliminary approval pursuant to
36 subsection b. of section 4 of P.L.2021, c.402 (C.18A:13-47.4) and
37 that has a State aid differential that is positive may elect to receive
38 State school aid in an amount equal to the district's State aid in the
39 prior school year minus a percent of the State aid differential
40 according to the following schedule:

- 41 (a) 30 percent in the 2021-2022 school year;
- 42 (b) 37 percent in the 2022-2023 school year;
- 43 (c) 46 percent in the 2023-2024 school year;
- 44 (d) 55 percent in the 2024-2025 school year;
- 45 (e) 65.5 percent in the 2025-2026 school year;
- 46 (f) 76 percent in the 2026-2027 school year;
- 47 (g) 88 percent in the 2027-2028 school year; and
- 48 (h) 100 percent in the 2028-2029 school year.

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

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

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

24 (a) the amount of State school aid that the newly created regional
25 school district would receive as a regional school district; or

26 (b) the sum of the amount of State school aid received by each
27 school district constituting the newly created regional school
28 district prior to the creation of such regional school district.

29 (6) A school district shall not be not be subject to a reduction in
30 State aid pursuant to this section provided that:

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

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

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

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

42 A school district that is exempt from a reduction in State aid
43 pursuant to paragraph (6) of subsection c. of this section shall
44 provide courtesy busing to pupils who reside in the district,
45 provided that the district was providing courtesy busing prior to the
46 school year in which it is exempt from a reduction in State aid.

47 d. Any decrease in State aid pursuant to subsection b. or c. of
48 this section shall first be deducted from a school district's or county
49 vocational school district's allotment of adjustment aid. Any

1 additional reduction shall be deducted from the school district's or
2 county vocational school district's allotment of non-SFRA aids,
3 followed by equalization aid, special education categorical aid,
4 security aid, and transportation aid.

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

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

9

10 7. Section 5 of P.L.2018, c.67 (C.18A:7F-69) is amended to read
11 as follows:

12 5. a. In the 2019-2020 school year, and in each school year
13 thereafter, a county vocational school district shall receive
14 vocational expansion stabilization aid in such an amount to ensure
15 that the district receives the greater of the amount of State aid
16 calculated pursuant to the provisions of P.L.2018, c.67 (C.18A:7F-
17 67 et al.) or the sum of the district's State aid received in the 2017-
18 2018 school year.

19 b. In the first full school year following the date of enactment of
20 P.L. , c. (C.) (pending before the Legislature as this bill)
21 and each school year thereafter, the amount of vocational expansion
22 stabilization aid (VESA) received by a county vocational school
23 district shall be adjusted to accommodate growth in resident
24 enrollment. Provided that the difference between the resident
25 enrollment in the budget year and the resident enrollment in the
26 prebudget year is positive, the adjustment for resident enrollment
27 shall be calculated as follows:

28 VESA adjustment = ENRG x VA x GCA

29 where

30 ENRG means the difference between the resident enrollment in
31 the budget year and the resident enrollment in the prebudget year;

32 VA means the base per pupil amount established pursuant to
33 section 7 of P.L.2007, c.260 (C.18A:7F-49) multiplied by 0.31; and

34 GCA is the geographic cost adjustment as developed by the
35 commissioner.

36 A county vocational school district for which the difference
37 between the resident enrollment in the budget year and the resident
38 enrollment in the prebudget year is less than or equal to zero shall
39 receive the amount of vocational expansion stabilization aid
40 determined pursuant to subsection a. of this section. Nothing in this
41 section shall be construed as allowing a district's allocation of
42 vocational expansion stabilization aid to be decreased from the
43 amount of vocational expansion stabilization aid received in the
44 prebudget year.

45 (cf: P.L.2018, c.67, s.5)

46

47 8. (New section) a. As used in this section, "total operating
48 budget" means the sum of a district's general fund revenues from
49 local sources, State sources, federal sources, and other sources.

1 Total operating budget shall not include withdrawals made by the
2 district from any reserve account established pursuant to section 6
3 of P.L.2007, c.62 (C.18A:7F-41) or reimbursements paid to the
4 district for extraordinary special education aid pursuant to section
5 13 of P.L.2007, c.260 (C.18A:7F-55).

6 b. Notwithstanding the provisions of P.L.2007, c.260
7 (C.18A:7F-43 et al.), P.L.2018, c.67 (C.18A:7F-67 et al.), or any
8 other provision of law, rule, or regulation to the contrary, and
9 beginning with the first full school year following the date of
10 enactment of P.L. , c. (C.) (pending before the Legislature
11 as this bill) and each school year thereafter, a school district shall
12 receive an allocation of reduction adjustment aid to ensure that the
13 amount of State school aid provided to a school district shall not be
14 decreased by more than two percent of the district's prebudget year
15 total operating budget. In no school year shall a school district
16 receive an amount of State school aid that has been reduced from
17 the amount of aid disbursed in the prebudget year by an amount that
18 exceeds two percent of the district's prebudget year total operating
19 budget.

20

21 9. (New section) a. Notwithstanding the provisions of P.L.2007,
22 c.260 (C.18A:7F-43 et al.), P.L.2018, c.67 (C.18A:7F-67 et al.), or
23 any other law, rule, or regulation to the contrary, a school district,
24 other than a regional school district, shall not be subject to a
25 reduction in State school aid in any school year, beginning with the
26 first full school year following the date of enactment of
27 P.L. , c. (C.) (pending before the Legislature as this bill)
28 and each school year thereafter, if:

29 (1) in the case of an SDA district, the district is located in a
30 municipality in which the equalized total tax rate is greater than the
31 Statewide average equalized total tax rate for the most recent
32 available calendar year and the district is spending below adequacy
33 as calculated pursuant to section 1 of P.L.2018, c.67 (C.18A:7F-
34 70); or

35 (2) in the case of a school district other than an SDA district, the
36 district is located in a municipality in which the equalized total tax
37 rate is at least 10 percent greater than the Statewide average
38 equalized total tax rate for the most recent available calendar year
39 and is spending at least 10 percent below adequacy as calculated
40 pursuant to section 1 of P.L.2018, c.67 (C.18A:7F-70).

41 b. Notwithstanding the provisions of P.L.2007, c.260 (C.18A:7F-
42 43 et al.), P.L.2018, c.67 (C.18A:7F-67 et al.), or any other law,
43 rule, or regulation to the contrary, a regional school district shall
44 not be subject to a reduction in State school aid in any school year,
45 beginning with the first full school year following the date of
46 enactment of P.L. , c. (C.) (pending before the Legislature
47 as this bill) and each school year thereafter, if 50 percent or more of
48 the constituent districts or municipalities of the regional school
49 district meet either of the following criteria:

1 (1) in the case of an SDA district, the district is located in a
2 municipality in which the equalized total tax rate is greater than the
3 Statewide average equalized total tax rate for the most recent
4 available calendar year and the district is spending below adequacy
5 as calculated pursuant to section 1 of P.L.2018, c.67 (C.18A:7F-
6 70); or

7 (2) in the case of a school district other than an SDA district, the
8 district is located in a municipality in which the equalized total tax
9 rate is at least 10 percent greater than the Statewide average
10 equalized total tax rate for the most recent available calendar year
11 and is spending at least 10 percent below adequacy as calculated
12 pursuant to section 1 of P.L.2018, c.67 (C.18A:7F-70).

13 c. Notwithstanding the provisions of P.L.2007, c.260
14 (C.18A:7F-43 et al.), P.L.2018, c.67 (C.18A:7F-67 et al.), or any
15 other law, rule, or regulation to the contrary, an SDA district that is
16 spending above adequacy as calculated pursuant to section 1 of
17 P.L.2018, c.67 (C.18A:7F-70) shall not be subject to a reduction in
18 State aid that exceeds the amount by which the district is spending
19 above adequacy.

20

21 10. (New section) In developing the Educational Adequacy
22 Report to next be issued following the date of enactment of
23 P.L. , c. (C.) (pending before the Legislature as this bill),
24 the Commissioner of Education shall engage a diverse group of
25 stakeholders to review:

26 a. the calculation of local share pursuant to section 10 of
27 P.L.2007, c.260 (C.18A:7F-52) and whether the metrics used in that
28 calculation are best able to estimate a district's ability to pay for the
29 costs of education through local revenue, in addition to ensuring
30 that the calculation of local share accurately assesses a district's
31 ability to levy funds on the basis of residents' purchasing power;

32 b. the impact and feasibility of using multi-year averages in the
33 calculation of local share pursuant to section 10 of P.L.2007, c.260
34 (C.18A:7F-52) in place of single-year values of equalized valuation
35 and district income;

36 c. the feasibility of implementing a tier-based model of funding
37 for determining special education aid pursuant to section 13 of
38 P.L.2007, c.260 (C.18A:7F-55) and whether the census-based
39 model of special education funding is an appropriate methodology;

40 d. the abilities of the Department of Education and school
41 districts to predict and anticipate State school aid amounts from
42 year to year;

43 e. possible methods of improving upon the existing preschool
44 funding methodology; and

45 f. possible adjustments to deadlines pertaining to the
46 development, submission, and adoption of school district budgets.

47 The commissioner shall publish a summary of the findings and
48 recommendations resulting from the reviews in the Educational
49 Adequacy Report.

1 11. Sections 1 and 8 through 10 of this act shall take effect
2 immediately. Sections 2, 3, 5, 6, and 7 of this act shall take effect
3 immediately and shall first apply to the first full school year
4 following the date of enactment. Section 4 of this act shall take
5 effect immediately and shall first apply to the Educational
6 Adequacy Report to next be issued following the date of enactment.
7

8
9 STATEMENT

10
11 This bill makes various changes to State school aid, including the
12 local tax levy cap, extraordinary special education aid, and
13 vocational expansion stabilization aid, and establishes reduction
14 adjustment aid. The bill also includes certain additional
15 requirements for the issuance of the Educational Adequacy Report.

16 The bill requires the Department of Education to make available
17 on the department's Internet website the calculation of aid payable
18 to each school district in the succeeding year in a user-friendly
19 manner, including explanations of the variables used to determine
20 the district's aid.

21 Under current law, a school district is generally limited to a two
22 percent increase in any single year to its local tax levy, plus
23 adjustments for increases in enrollment, health care costs and
24 pension contributions. The bill would amend this tax levy increase
25 cap and allow a district to increase its tax levy up to the lesser of:
26 the district's local share, which is the amount that the current school
27 funding formula determines that a district can afford to raise
28 locally; or a seven percent increase from the prior year tax levy.
29 However, SDA districts would be permitted to increase their tax
30 levies up to the district's local share. Any district, including SDA
31 districts, for which the tax levy is already greater than the local
32 share would be permitted to increase its tax levy by two percent of
33 the prebudget year tax levy.

34 Under current law, a school district is reimbursed for certain
35 special education costs in the form of extraordinary special
36 education aid. Eligible costs are: 90 percent of costs in excess of
37 \$40,000 for students educated in an in-district public school
38 program with non-disabled peers; 75 percent of costs in excess of
39 \$40,000 for students educated in a separate public school program
40 for students with disabilities; and 75 percent of tuition costs in
41 excess of \$55,000 for students educated in a separate private school
42 for students with disabilities. The bill decreases the cost threshold
43 from \$40,000 to \$35,000 for students educated in public school
44 programs that are integrated into the classroom. The bill also
45 provides for a gradual phase-in of full funding of extraordinary
46 special education aid over the span of five years.

47 Additionally, the bill provides that, for a county vocational
48 school district that receives vocational expansion stabilization aid,
49 the amount of vocational expansion stabilization aid received is to

1 be adjusted to allow for increases in resident enrollment. The
2 adjustment is to equal the number of additional students enrolled in
3 the district multiplied by the additional cost per pupil for county
4 vocational school districts and the geographic cost adjustment.

5 The bill also establishes certain municipal overburden
6 protections to prevent a school district from receiving a reduction in
7 State aid. Pursuant to the bill, an SDA district would not be subject
8 to a reduction in State school aid if it is located in a municipality in
9 which the equalized total tax rate is greater than the Statewide
10 average equalized total tax rate for the most recently available
11 calendar year and if the district is spending below adequacy. In the
12 case of a school district other than an SDA district, the district
13 would not be subject to a reduction in State school aid if it is
14 located in a municipality in which the equalized total tax rate is at
15 least 10 percent greater than the Statewide average equalized total
16 tax rate for the most recently available calendar year and is
17 spending at least 10 percent below adequacy. These municipal
18 overburden protections would also apply to a regional school
19 district if 50 percent or more of the district's constituent districts or
20 municipalities met either of the qualifying criteria. An SDA district
21 that is spending above adequacy would not be subject to a reduction
22 in State school aid that exceeds the amount by which the district is
23 spending above adequacy.

24 The bill also establishes reduction adjustment aid to ensure that
25 the amount of State school aid provided to a school district is not to
26 be decreased by more than two percent of the district's prebudget
27 year total operating budget. The total operating budget is defined as
28 the sum of a district's general fund revenues from local sources,
29 State sources, federal sources, and other sources, less any
30 withdrawals from reserve accounts and reimbursements for
31 extraordinary special education aid.

32 Additionally, the bill makes certain changes to the Educational
33 Adequacy Report, which is submitted to the Legislature every three
34 years to update the various parameters used to calculate State aid to
35 school districts. Pursuant to the bill, the Commissioner of
36 Education may initiate a review of certain elements of the school
37 funding formula, including the metrics for adjusting costs in
38 intervening years. Additionally, the bill requires that a draft of the
39 Educational Adequacy Report be made available for public
40 comment for at least 30 days, during which time members of the
41 public may provide remarks on the draft report at public hearings to
42 be held at various locations across the State and through the
43 submission of written and electronic testimony.

44 Finally, during the development of the next Educational
45 Adequacy Report following enactment of this bill, the
46 commissioner is to engage a diverse group of stakeholders to review
47 and make recommendations concerning: the calculation of a
48 district's local share and whether the metrics used are best able to
49 estimate a district's potential adjusted tax levy; the impact and

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1 feasibility of using multi-year averages in the calculation of local
2 share; the feasibility of implementing a tier-based model of funding
3 for determining special education categorical aid; the abilities of the
4 Department of Education and school districts to predict and
5 anticipate State school aid amounts from year to year; and possible
6 methods of improving upon the existing preschool funding
7 methodology.