

## CHAPTER 147

**AN ACT** concerning State aid for districts with concentrations of low-income pupils and amending P.L.1996, c.138.

**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:

C.18A:7F-5 Notification of districts of aid payable; budget submissions.

5. a. Biennially, within 30 days following the approval of the Report on the Cost of Providing a Thorough and Efficient Education, the commissioner shall notify each district of the T&E amount, the T&E flexible amount, the T&E range, early childhood program amount, demonstrably effective program amount, instructional supplement amount, and categorical amounts per pupil for the subsequent two fiscal years.

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 commissioner shall notify each district of the maximum amount of aid payable to the district in the succeeding school year pursuant to the provisions of this act, and shall notify each district of the district's T&E budget, maximum T&E budget, and minimum permissible T&E budget for the succeeding school year.

Beginning in the 1998-99 school year, unless otherwise specified within this act, aid amounts 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 1997-98 school year, with the exception of transportation and facilities aids pursuant to sections 25, 26, and 27 of this act, shall be based on simulations employing the various formulas and State aid amounts contained in this act using projections based on the October 1995 pupil counts, December 1995 special education census data and October 1995 equalized valuations. Transportation aid shall be calculated based on the provisions of this act using pupil data used for the 1996-97 school year and adjusted to reflect the total amount of State aid disbursed in the 1996-97 school year. The commissioner shall prepare a report dated December 19, 1996 reflecting the State aid amounts payable by category for each district and shall submit the report to the Legislature prior to the adoption of this act. The amounts contained in the commissioner's report shall be the final amounts payable and shall not be subsequently adjusted because of changes in pupil counts or equalized valuations. The projected pupil counts and equalized valuations used for the calculation of State aid shall also be used for the calculation of maximum T&E budget, minimum T&E budget, local share, required local share, and spending growth limitation. State aid notification of debt service aid pursuant to section 27 of this act shall include a statement that debt service aid shall be determined in the budget.

Any school district which enrolls students who reside on federal property which were not included in the calculation of core curriculum standards aid for 1997-98 shall have its core curriculum standards aid recalculated for these additional enrollments through the 1997-98 school year using the property value multiplier, income value multiplier, equalized valuation, and district income which were used in the original Statewide calculation of core curriculum standards aid. The additional aid resulting from the recalculations shall be divided by 20 and the product shall be added to each of the remaining core curriculum standards aid payments for the 1997-98 school year. Additionally, the core curriculum standards aid calculation and payment schedule for 1998-99 shall be adjusted for such enrollments arriving after the last school day prior to October 16, 1997.

b. Each district shall have a required local share. For Abbott districts, the required local share for the purpose of determining its estimated minimum equalized tax rate and supplemental core curriculum standards aid shall equal the district's local share calculated at the middle of the T&E range (T&E amount x WENR, where WENR is the district's weighted enrollment pursuant to section 13 of this act).

Notwithstanding the above provision, no Abbott district shall raise a general fund tax levy which is less than the prior year general fund tax levy unless the sum of the levy and the other components of the T&E program budget equals or exceeds its maximum T&E budget calculated pursuant to section 13 of this act.

For district factor group A districts, the required local share shall equal the district's local share calculated at its minimum T&E budget pursuant to section 13 of this act.

For all other districts, the required local share shall equal the lesser of the local share calculated at the district's minimum T&E budget pursuant to section 13 of this act, 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, when added to the general fund balance designated for the budget year, miscellaneous local general fund revenues estimated consistent with GAAP to be realized during the budget year, supplemental core curriculum standards aid calculated pursuant to section 17 of this act and stabilization aid and supplemental school tax reduction aid calculated pursuant to section 10 of this act, equals its required local share or, for Abbott districts, the amount required when the calculation of required local share would result in a general fund tax levy which is less than the general fund tax levy of the prebudget year. For 1997-98, the budgeted local share for the prebudget year shall be the district's general fund tax levy.

For the 1997-98 school year, any tax increase which would be required of an Abbott district or district factor group A district to meet its required local share, after consideration of supplemental core curriculum standards aid, stabilization aid, and supplemental school tax reduction aid shall be fully funded by the State and recorded as supplemental core curriculum standards aid. The commissioner, in consultation with the Commissioner of the Department of Community Affairs and the Director of the Division of Local Government Services in the Department of Community Affairs, shall examine the fiscal ability of the Abbott districts and the district factor group A districts eligible for supplemental core curriculum standards aid to absorb any reduction in such aid and shall make recommendations to the Legislature and the Governor regarding the continuation of supplemental core curriculum standards aid to those districts. In making those recommendations, the commissioner shall consider the ratable base of the municipality or municipalities in which the district is located, the tax burden placed upon the local community due to other required municipal services, and the fiscal ability of the school district to raise its required local share. The commissioner shall not implement any of those recommendations until the recommendations are enacted into law.

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, 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 no less than the minimum permissible T&E budget, plus categorical amounts required for a thorough and efficient education as established pursuant to the report, special revenue funds and debt service funds.

d. (1) A district proposing a budget which includes spending which exceeds the maximum T&E budget established pursuant to section 13 of this act shall submit, as appropriate, to the board of school estimate or to the voters of the district at the annual school budget election conducted pursuant to the provisions of P.L.1995, c.278 (C.19:60-1 et seq.), a general fund tax levy which when added to the other components of its net budget does not exceed the prebudget year net budget by more than the spending growth limitation calculated as follows: the sum of three percent or the CPI, whichever is greater, multiplied by the prebudget year net budget, and adjustments for changes in enrollment, certain capital outlay expenditures, expenditures for pupil transportation services provided pursuant to N.J.S.18A:39-1.1, and special education costs per pupil in excess of \$40,000. The adjustment for special education costs shall equal any increase in the sum of per pupil amounts in excess of \$40,000 for the budget year less the sum of per pupil amounts in excess of \$40,000 for the prebudget year indexed by the CPI or three percent, whichever is greater. The adjustment for enrollments shall equal the increase in unweighted resident enrollments between the prebudget year and budget year multiplied by the per pupil

general fund tax levy amount for the prebudget year indexed by the CPI or three percent, whichever is greater. The adjustment for capital outlay shall equal any increase between the capital outlay portion of the general fund budget for the budget year less any withdrawals from the capital reserve account and the capital outlay portion of the general fund budget for the prebudget year indexed by the CPI or three percent, whichever is greater. Any district with a capital outlay adjustment to its spending growth limitation shall be restricted from transferring any funds from capital outlay accounts to current expense accounts. The adjustment for capital outlay shall not become part of the prebudget year net budget for purposes of calculating the spending growth limitation of the subsequent year. The adjustment for pupil transportation costs provided pursuant to N.J.S.18A:39-1.1 shall equal the cost of providing such pupil transportation services for the budget year.

(2) A district proposing a budget set at or below the minimum T&E budget established pursuant to section 13 of this act shall submit, as appropriate, to the board of school estimate or to the voters of the district at the annual school budget election conducted pursuant to the provisions of P.L.1995, c.278 (C.19:60-1 et seq.), a general fund tax levy which when added to the other components of the net T&E budget shall not exceed the prebudget year net T&E budget or in 1997-98 the prebudget year net budget by more than the spending growth limitation calculated as follows: the sum of three percent or the CPI, whichever is greater, multiplied by the prebudget year net budget, and adjustments for changes in enrollment, certain capital outlay expenditures, expenditures for pupil transportation services provided pursuant to N.J.S.18A:39-1.1, and special education costs per pupil in excess of \$40,000. The enrollment adjustment shall equal the increase in weighted resident enrollment between the prebudget year and the budget year multiplied by the T&E amount less the T&E flexible amount. The adjustments for special education costs, pupil transportation services, and capital outlay expenditures shall be calculated pursuant to the provisions of paragraph (1) of this subsection.

Notwithstanding the provisions of this paragraph, no district shall raise a net budget which is less than the local share required under the required local share provisions of this act plus the other components of its net budget.

(3) A district proposing a budget set at or below the maximum T&E budget, but including amounts in excess of the minimum T&E budget established pursuant to section 13 of this act, shall submit, as appropriate, to the board of school estimate or to the voters at the annual school budget election conducted pursuant to the provisions of P.L.1995, c.278 (C.19:60-1 et seq.), a general fund tax levy which when added to the other components of its net T&E budget does not exceed the prebudget year net T&E budget or in 1997-98 the prebudget year net budget by more than the spending growth limitation calculated as follows: the sum of three percent or the CPI, whichever is greater, multiplied by the prebudget year net budget, and adjustments for changes in enrollment, certain capital outlay expenditures, expenditures for pupil transportation services provided pursuant to N.J.S.18A:39-1.1, and special education costs per pupil in excess of \$40,000 per pupil. The enrollment adjustment shall equal the increase in the unweighted resident enrollment between the prebudget year and the budget year multiplied by the prebudget year T&E program budget per pupil indexed by the CPI or three percent, whichever is greater. For the 1997-98 school year, the T&E program budget for the prebudget year shall equal the sum of the general fund tax levy, foundation aid, and transition aid. The adjustment for special education costs, pupil transportation services, and capital outlay expenditures shall be made pursuant to the provisions of paragraph (1) of this subsection.

(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 spending growth limitation.

(5) For the 1997-98 school year, a district's spending growth limitation shall be increased by the excess of county special services school district tuition over prebudget year county special services school district tuition indexed by the CPI or three percent, whichever is greater.

(6) For the purpose of determining a district's spending growth limitation for the 1997-98 school year, a district may apply to the commissioner to add all or a part of the district's original designated general fund balance for 1996-97 to the spending growth limitation if it can demonstrate through current accounting records and historical trend data that the fund balance will actually be spent in the budget year.

(7) If the use of early childhood program aid for the provision of full-day kindergarten and preschool classes and other early childhood programs and services or the use of demonstrably effective program aid for the provision of instructional, school governance, and health and social service programs will cause the district to exceed its spending growth limitation, the district may apply to the commissioner for an adjustment to that limitation.

(8) If an increase in tuition for the budget year charged to a sending district by the receiving district pursuant to the provisions of N.J.S.18A:38-19 would reduce the sending district's per pupil net budget amount below the prior year's per pupil net budget amount in order to comply with the district's spending growth limitation, the district may apply to the commissioner for an adjustment to that limitation.

(9) Any district may submit at the annual school budget election 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 rejected by the voters shall be submitted to the municipal governing body or bodies for a determination as to the amount, if any, that should be expended notwithstanding voter rejection. The decision of the municipal governing body or bodies or board of school estimate, as appropriate, shall be final and no appeals shall be made to the commissioner.

(10) Notwithstanding any provision of law to the contrary, if a district proposes a budget which exceeds the maximum T&E 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."

e. (1) Any general fund tax levy rejected by the voters for a proposed budget in excess of the maximum T&E 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, 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 net 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 at or below the maximum T&E 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, 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 the case of a school district in which the proposed budget is below, or after a reduction made by the municipal governing body or board of school estimate is below, the minimum T&E budget calculated pursuant to section 13 of this act, any reductions made by the municipal governing body or board of school estimate shall be automatically reviewed by the commissioner.

In reviewing the budget, 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, 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 action of the voters or municipal governing body or bodies, whichever is later, or of the board of school estimate as the case may be.

f. Any district which is not an Abbott district but which was classified as a special needs district under the "Quality Education Act of 1990," P.L.1990, c.52 (C.18A:7D-1 et al.), may appeal any budget reduction made by the municipal governing body or board of school estimate, as appropriate, to the commissioner.

g. The commissioner shall annually review the budget of any district which was classified as a special needs district under the "Quality Education Act of 1990," P.L.1990, c.52 (C.18A:7D-1 et al.), to determine if any educationally meritorious program or service established through State resources provided as a result of that funding law is proposed to be reduced or eliminated. If the commissioner determines that the program or service is in jeopardy and that a reallocation of resources is possible without jeopardizing other educationally meritorious programs or services, he may require the school board to fund the program or service through a reallocation of resources.

2. Section 16 of P.L.1996, c.138 (C.18A:7F-16) is amended to read as follows:

C.18A:7F-16 Distribution of early childhood program aid.

16. a. Early childhood program aid shall be distributed to all school districts with high concentrations of low-income pupils, for the purpose of providing full-day kindergarten and preschool classes and other early childhood programs and services.

For districts in which the concentration of low income pupils is equal to or greater than 20% and less than 40%, aid shall be distributed according to the following formula:

Aid = A1 x Modified District Enrollment.

For districts in which the concentration of low income pupils is equal to or greater than 40%, aid shall be distributed according to the following formula for the purpose of expanding instructional services previously specified to three year olds, or of providing, in addition to the instructional services previously specified, transition and social services to primary grade students:

Aid = A2 X Modified District Enrollment where

A1 = \$465; and

A2 = \$750.

For the 1998-1999 school year, the per pupil funding amounts shall be these amounts multiplied by the CPI. For subsequent years, the amounts shall be established biennially in the Report on the Cost of Providing a Thorough and Efficient Education and shall be derived from cost analyses of appropriate programmatic applications of these funds as identified in the report. The amounts shall be adjusted for inflation by the CPI in the second year of the period to which the report applies.

County vocational school districts and limited purpose regional high school districts meeting the eligibility criteria of this section shall receive aid payable under this section as demonstrably effective program aid in addition to amounts received pursuant to section 18 of this act.

Each district which receives early childhood program aid shall submit to the commissioner for approval an operational plan that shall be a subset of the district's comprehensive strategic plan, to establish preschool and full-day kindergarten for all four and five year olds by the 2001-2002

school year and to maintain them thereafter. Districts shall appropriate the aid in a special revenue fund for expenditure, but may place all or a portion of the aid in a capital reserve account during the first four years to establish facilities for these purposes. During the first four school years following enactment of this act, districts may use early childhood program aid for educationally meritorious programs or for the purpose of constructing new school facilities or enlarging existing school facilities for use by pupils other than those enrolled in early childhood programs, provided the new or enlarged facilities are used for and are adequate to house the planned early childhood programs. Districts which maintain progress consistent with the implementation plan may also use the funds for demonstrably effective programs pursuant to section 18 prior to establishing the programs required pursuant to this section. The commissioner shall establish guidelines to track the specific purposes of expenditures under this section.

b. A district which qualifies for early childhood program aid pursuant to subsection a. of this section shall be eligible to receive the aid for a minimum of two school years from the time of initial determination of eligibility even if the district's concentration of low-income pupils falls below the 20 % or 40% concentration required for receipt of the early childhood program per pupil aid amounts under subsection a. If a district's concentration of low-income pupils falls below the 20% or 40% thresholds, the amount of the early childhood program aid received by the district in the prebudget year, hereinafter referred to as the eligibility year, shall be reduced in the subsequent budget year by the percentage decline between the ratios of the number of low-income pupils to modified district enrollment used in the calculation of aid in the eligibility and budget year. Notwithstanding the provisions of this subsection, if a district is eligible for a greater amount of aid pursuant to subsection a. of this section, it shall receive that amount.

A district which receives early childhood program aid pursuant to this subsection shall not be eligible to receive instructional supplement aid pursuant to subsection c. of section 18 of P.L.1996, c.138 (C.18A:7F-18c).

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

C.18A:7F-18. Calculation of demonstrably effective program aid.

18. a. Demonstrably effective program aid shall be generated by individual schools and distributed to districts for the purpose of providing instructional, school governance, and health and social service programs to students enrolled in the generating school according to the following formulas:

Aid shall be distributed to districts with schools in which the concentration of low-income pupils is equal to or greater than 20% and less than 40% as follows:

$$\text{Aid} = \text{B1} \times \text{SENR1}$$

where

SENR1 is the sum of school enrollments for all schools in the district enrolling low-income pupils at rates equal to or greater than 20% but less than 40%.

Aid shall be distributed to districts with schools in which the concentration of low-income pupils is equal to or greater than 40% as follows:

$$\text{Aid} = \text{B2} \times \text{SENR2}$$

where

SENR2 is the sum of the school enrollments for all schools in the district enrolling low-income pupils at rates equal to or greater than 40%;

where

$$\text{B1} = \$300; \text{ and}$$

$$\text{B2} = \$425.$$

For the 1998-1999 school year, the per pupil funding amounts shall be these amounts multiplied by the CPI. For subsequent years, the amounts shall be established biennially in the Report on the Cost of Providing a Thorough and Efficient Education and be derived from cost analyses of appropriate programmatic applications as identified in the report. The amounts shall be adjusted for inflation by the CPI in the second year of the period to which the report applies.

b. The State Board of Education, upon the recommendation of the commissioner, shall

adopt regulations governing the use of demonstrably effective program aid and an accounting mechanism to ensure that use. The rules shall provide for:

(1) Programs. A definition as recommended by the commissioner shall be established of the demonstrably effective programs and services which shall qualify for aid. The definition shall include for 1997-98, but not be limited to: alternative schools; community schools; class size reduction programs; parent education programs; job training programs; training institutes to improve homework response; telephone tutorial programs; teleconference and video tutoring programs; and HSPT/Early Warning test before school/after school preparation programs. The commissioner shall establish the per-pupil cost of providing these effective programs and services in the Report on the Cost of Providing a Thorough and Efficient Education.

(2) Accountability. A recipient district shall be required to obtain the approval of the Department of Education for the planned uses of demonstrably effective program funds. A periodic public process shall be established by which specific programmatic uses for the funds shall be identified and approved. A district failing to use the funds in the prescribed manner shall be subject to rescission of aid and additional monetary penalties as established by the commissioner.

(3) Monitoring. To facilitate State monitoring of the uses of the funds, districts shall be required to maintain separate program and service accounts in the special revenue section of district budgets and financial records in accordance with GAAP and specifications prescribed by the commissioner.

c. Instructional supplement aid shall be generated by school districts and county vocational school districts and distributed to districts for the purposes of providing supplemental services for students from low-income families. Aid shall be distributed to districts in which the concentration of low-income pupils is equal to or greater than 5% and less than 20%. Districts will receive \$339 for each pupil from low-income families. For the 1998-99 school year, the per pupil funding amount shall be this amount multiplied by the CPI. For subsequent years, the amount shall be established biennially in the Report on the Cost of Providing a Thorough and Efficient Education and be derived from cost analyses of appropriate programmatic applications as identified in the report. The amount shall be adjusted for inflation by the CPI in the second year of the period to which the report applies. Instructional supplement aid shall be accounted for in a special revenue fund.

d. The Department of Education shall develop, in collaboration with the Departments of Human Services and Health and Senior Services, as well as other appropriate State departments and agencies, mechanisms necessary to coordinate the provision of programs and services at the local level.

e. An individual school within a district which qualifies for demonstrably effective program aid pursuant to subsection a. of this section shall be eligible to generate the aid for a minimum of two school years from the time of initial determination of eligibility even if the school's concentration of low-income pupils falls below the 20% or 40% concentration required for receipt of the demonstrably effective program per pupil aid amounts under subsection a. If a school's concentration of low-income pupils falls below the 20% or 40% thresholds, the amount of demonstrably effective program aid generated by the school in the prebudget year, hereinafter referred to as the eligibility year, shall be reduced in the subsequent budget year by the percentage decline between the ratios of the number of low-income pupils enrolled in the school to total school enrollment used in the calculation of aid in the eligibility and budget year. Notwithstanding the provisions of this subsection, if a school generates a greater amount of aid pursuant to subsection a. of this section, it shall generate that amount.

4. This act shall take effect immediately and shall first apply to the calculation of aid for the 2001-2002 school year.

Approved November 9, 2000.