

CHAPTER 46

AN ACT concerning reserve accounts for school districts receiving federal impact aid, amending P.L.2007, c.62, and supplementing P.L.2007, c.260 (C.18A:7F-43 et al.).

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

1. Section 6 of P.L.2007, c.62 (C.18A:7F-41) is amended to read as follows:

C.18A:7F-41 Supplementation of accounts, establishment of reserve accounts by board of education or board of school estimate.

6. Notwithstanding the provisions of any law or regulation to the contrary:

- a. A board of education or board of school estimate, as appropriate, may supplement a capital reserve account through a transfer by board resolution at year end of any unanticipated revenue or unexpended line-item appropriation amounts, or both, for withdrawal in subsequent school years.

- b. A board of education or board of school estimate, as appropriate, may supplement a maintenance reserve account through a transfer by board resolution at year end of any unanticipated revenue or unexpended line-item appropriation amounts, or both, for withdrawal in subsequent school years.

- c. A board of education or a board of school estimate, as appropriate, may through the adoption of a board resolution establish the following reserve accounts:

- (1) Current expense emergency reserve account. The funds in the reserve shall be used to finance unanticipated general fund current expense costs required for a thorough and efficient education. The account shall not exceed \$250,000 or one percent of the district's general fund budget up to a maximum of \$1,000,000, whichever is greater. A board of education may appropriate funds to establish or supplement the reserve in the district's annual budget or through a transfer by board resolution at year end of any unanticipated revenue and unexpended line-item appropriation amounts. Withdrawals from the reserve shall require the approval of the commissioner unless the withdrawal is necessary to meet an increase in total health care costs in excess of four percent.

- (2) Debt service reserve account in the debt service fund for proceeds from the sale of district property. The funds in the reserve shall be used to retire outstanding debt service obligations of the district. The reserve shall be liquidated within the lesser of five years from its inception or the remaining term on the obligations. Any remaining balance shall be used for tax relief.

- (3) Federal impact aid reserve account in the case of a school district that receives federal impact aid pursuant to section 8002, 8003, 8007, or 8008 of the Elementary and Secondary Education Act of 1965 (20 U.S.C. s.7702, 7703, 7707, or 7708). A board of education may appropriate federal impact aid funds to establish or supplement the reserve account in the district's annual budget, or through a transfer by a two-thirds affirmative vote of the authorized membership of the board between June 1 and June 30, for withdrawal in any subsequent school year. Any transfer to the reserve account shall not exceed the total amount of federal impact aid received in the fiscal year. The board, at its discretion, may use the funds in the reserve account to finance the district's general fund or to finance school facilities projects, in a manner consistent with federal law. The total amount of funds on deposit in the reserve account shall not be limited.

- d. (1) All reserve accounts shall be established and held in accordance with GAAP and shall be subject to annual audit. Any capital gains or interest earned shall become part of the

reserve account. A separate bank account is not required, however, a separate identity for each reserve account shall be maintained.

(2) A board of education that establishes a federal impact aid reserve account shall:

(a) report the amount of federal impact aid received, expended, and on deposit in the federal impact aid reserve account in its annual audit pursuant to N.J.S.18A:23-1, and in the budget made available in a “user-friendly” format using plain language pursuant to N.J.S.18A:22-8;

(b) report the amount of federal impact aid received, expended, and on deposit in the federal impact aid reserve account at each board of education meeting, and shall include the information in the board secretary’s monthly report in a format to be determined by the commissioner; and

(c) provide any additional supporting documentation that may be required by the commissioner pursuant to subsection c. of section 5 of P.L.1996, c.138 (C.18A:7F-5).

C.18A:7F_64 Determination of amount of State school aid.

2. When determining the amount of State school aid that shall be awarded to a school district pursuant to the provisions of P.L.2007, c.260 (C.18A:7F-43 et al.) or any other law, the Commissioner of Education shall not consider a school district’s receipt of federal funds pursuant to section 8002, 8003, 8007, or 8008 of the Elementary and Secondary Education Act of 1965 (20 U.S.C. s.7702, 7703, 7707, or 7708) in any manner that would cause the school district to be awarded less State school aid than the district would have been awarded had the district not received the federal funds. Such funds shall not be considered when calculating the district’s undesignated general fund balance pursuant to section 7 of P.L.1996, c.138 (C.18A:7F-7).

3. This act shall take effect immediately.

Approved May 7, 2015.