

ASSEMBLY, No. 318

STATE OF NEW JERSEY

219th LEGISLATURE

PRE-FILED FOR INTRODUCTION IN THE 2020 SESSION

Sponsored by:

Assemblyman JOE DANIELSEN

District 17 (Middlesex and Somerset)

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SYNOPSIS

Authorizes establishment of charter school payment reserve account in school districts.

CURRENT VERSION OF TEXT

Introduced Pending Technical Review by Legislative Counsel.



1 **AN ACT** authorizing the establishment of a charter school payment
2 reserve account in school districts and amending P.L.2007, c.62.

3

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

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

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

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

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

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

24 (1) Current expense emergency reserve account. The funds in
25 the reserve shall be used to finance unanticipated general fund
26 current expense costs required for a thorough and efficient
27 education, or to finance school security improvements, including
28 improvements to school facilities. The account shall not exceed
29 \$250,000 or one percent of the district's general fund budget up to a
30 maximum of \$1,000,000, whichever is greater. A board of
31 education may appropriate funds to establish or supplement the
32 reserve in the district's annual budget or through a transfer by board
33 resolution at year end of any unanticipated revenue and unexpended
34 line-item appropriation amounts. Withdrawals from the reserve may
35 be made at any time and shall require the approval of the
36 commissioner unless the withdrawal is necessary to meet an
37 increase in total health care costs in excess of four percent, or the
38 withdrawal is included in the original budget certified for taxes to
39 finance school security improvements, including improvements to
40 school facilities.

41 As used in this paragraph, "school security improvements"
42 means school security improvements, including improvements to
43 school facilities, which are limited to safety and security measures
44 involving building monitoring and communication technology
45 designed to address school crime and the safety of students, staff,

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 and visitors to school facilities. School security improvements may
2 include, but need not be limited to: security cameras to monitor the
3 school; an electronic notification system that automatically notifies
4 parents in case of a school-wide emergency; an automatic door
5 locking system for access control; and a badge system for school
6 employees.

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

13 (3) Federal impact aid reserve account in the case of a school
14 district that receives federal impact aid pursuant to section 8002,
15 8003, 8007, or 8008 of the Elementary and Secondary Education
16 Act of 1965 (20 U.S.C. s.7702, 7703, 7707, or 7708). A board of
17 education may appropriate federal impact aid funds to establish or
18 supplement the reserve account in the district's annual budget, or
19 through a transfer by a two-thirds affirmative vote of the authorized
20 membership of the board between June 1 and June 30, for
21 withdrawal in any subsequent school year. Any transfer to the
22 reserve account shall not exceed the total amount of federal impact
23 aid received in the fiscal year. The board, at its discretion, may use
24 the funds in the reserve account to finance the district's general fund
25 or to finance school facilities projects, in a manner consistent with
26 federal law. The total amount of funds on deposit in the reserve
27 account shall not be limited.

28 (4) Charter school payment reserve account. In the case of a
29 school district that has received authorization to budget an amount
30 for charter school payments for the school year that is less than the
31 projected payment determined by the department, the funds in the
32 reserve account shall be used to finance any increase in payments
33 due to charter schools between the projected payment determined
34 by the department and the revised payment based on the charter
35 schools' average daily enrollment as of October 15 of the school
36 year. A board of education may appropriate funds to establish or
37 supplement the reserve account in the district's annual budget or
38 through a transfer by board resolution at year end of any
39 unanticipated revenue and unexpended line-item appropriation
40 amounts. The account shall not exceed 15 percent of the total
41 projected payments to charter schools for the school year.

42 d. (1) All reserve accounts shall be established and held in
43 accordance with GAAP and shall be subject to annual audit. Any
44 capital gains or interest earned shall become part of the reserve
45 account; except that in the case of a charter school payment reserve
46 account, a school district may annually or more frequently, by the
47 adoption of a resolution by the board of education, transfer any
48 interest earned on the investments in the account to the general

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

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

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

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

15 (c) provide any additional supporting documentation that may
16 be required by the commissioner pursuant to subsection c. of
17 section 5 of P.L.1996, c.138 (C.18A:7F-5).
18 (cf: P.L.2016, c.100, s.1)

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20 2. This act shall take effect immediately.

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STATEMENT

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25 This bill grants school districts the authority to establish a
26 charter school payment reserve account. Under current law, a
27 school district is required to make payments to charter schools for
28 each resident student who enrolls in the charter school. The total
29 payment is initially determined by the Department of Education
30 based on the projected charter school enrollment prior to the
31 beginning of the school. The payments due to charter schools are
32 subsequently adjusted based on charter schools' actual enrollment
33 as of October 15.

34 When developing its budget for the upcoming school year, a
35 school district may receive authorization from the department to
36 budget an amount for charter school payments that is less than the
37 projected total payment determined by the department. Under this
38 bill, a district in this circumstance would be allowed to use funds on
39 deposit in the charter school payment reserve account to make
40 payments to charter schools if the revised payment based on the
41 October 15 enrollment is greater than the amount that the district
42 budgeted. Funds in the reserve may not exceed 15 percent of the
43 total projected payments to charter schools. Similar to the tuition
44 reserve currently authorized by State Board of Education
45 regulations, a school district board of education would be allowed
46 to transfer interest earned on investments in the reserve account to
47 the district's general fund.