SENATE, No. 3719

STATE OF NEW JERSEY

219th LEGISLATURE

INTRODUCED MAY 6, 2021

Sponsored by:
Senator STEVEN V. OROHO
District 24 (Morris, Sussex and Warren)

SYNOPSIS

Limits and clarifies use of cap banking by school districts.

CURRENT VERSION OF TEXT

As introduced.

AN ACT concerning increases in the adjusted tax levy of school districts and amending P.L.2007, c.62.

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

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

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

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

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

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

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

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

e. A school district that has not been granted approval to exceed the cap pursuant to subsection c. of this section, may add to its adjusted tax levy in any one of the next three succeeding budget years <u>subject to the provisions of paragraphs (2) and (3) of this subsection</u>, the amount of the difference between the maximum allowable amount to be raised by taxation for the current school budget year and the actual amount to be raised by taxation for the current school budget year.

<u>(1) For the purposes of determining the difference between the maximum allowable amount to be raised by taxation for the current school budget year and the actual amount to be raised by taxation for the current school budget year, a school district may consider in</u>

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 <u>thus</u> is new matter.

its calculations a decrease in the school district's adjusted tax levy for that school budget year. The amount of the difference may be added to the school district's adjusted tax levy in any one of the next three succeeding budget years, subject to the provisions of paragraphs (2) and (3) of this subsection.

(2) A school district that adds an amount to its adjusted tax levy for a school budget year that is more than the allowable amount authorized pursuant to section 3 of P.L.2007, c.62 (C.18A:7F-38), as permitted under the provisions of this subsection, shall not under any circumstance add an amount to its adjusted tax levy that represents an increase of more than six percent as compared the school district's adjusted tax levy in the immediately preceding school budget year.

(3) Notwithstanding any provision of this subsection to the contrary, a school district that adds an amount to its adjusted tax levy for a school budget year that is more than the allowable amount authorized pursuant to section 3 of P.L.2007, c.62 (C.18A:7F-38), as permitted under the provisions of this subsection, and subject to the provisions of paragraph (2) of this subsection, shall not add an amount to its adjusted tax levy that is more than the allowable amount authorized pursuant to section 3 of P.L.2007, c.62 (C.18A:7F-38) in any of the next two succeeding budget years.

(cf: P.L.2011, c.202, s.3)

2. This act shall take effect immediately.

STATEMENT

This bill clarifies current law to provide that a school district may consider in its calculations a decrease in the school district's adjusted tax levy for a school budget year for the purposes of determining the difference between the maximum allowable amount to be raised by taxation for the current school budget year and the actual amount to be raised by taxation for the current school budget year. Under current law, the amount of that difference may be added to the school district's adjusted tax levy above the maximum allowable amount permitted by law in any one of the next three succeeding budget years, which is a practice commonly referred to as "cap banking."

The bill also amends current law, with respect to "cap banking," to provide that that under no circumstances will a school district be permitted to add an amount to its adjusted tax levy that represents an increase of more than six percent as compared to the school district's adjusted tax levy in the immediately preceding school budget year. In other words, this bill will prohibit a school district from using the "cap banking" provision of law to increase its adjusted tax levy more than six percent in any school budget year.

Finally, the bill amends current law to provide that a school district that adds an amount to its adjusted tax levy that is more than the allowable amount permitted by law in a school budget year will not be permitted to do so in any of the next two succeeding school budget years. In other words, the bill will eliminate any amount that remains in the school district's "cap bank" in any year that the school district uses the "cap banking" provision of law, thereby requiring the school district to build up its "cap bank" in order to utilize the "cap banking" provision of law in future school budget years.

The intent of this legislation is to provide school districts with an appropriate amount of flexibility when utilizing the "cap banking" provision of law, but also to prevent school districts from using their "cap bank" to increase the adjusted tax levy by an exorbitant amount in any given school budget year. By placing sensible limitations on the use of "cap banking," this bill provides assurances to New Jersey residents that they will not be subject to burdensome property tax increases due to a school district's use of its "cap bank."