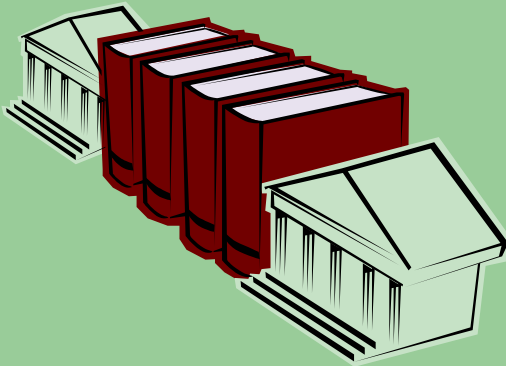


Enactment of S1701

Overview of New Law
and Final Draft
Regulations



Enactment of S1701

- Key Requirements under the Law
- Overview of Final Draft Regulations
- Q&A

→ *First, want to begin with a discussion of some of the common misunderstandings and misstatements of S1701*

Common Misunderstandings and Misstatements of S1701

- S1701 *“takes away a district’s ability to address capital emergencies, e.g. boiler failure”*
- S1701 *“jeopardizes approved referendum projects”*
- S1701 *“eliminates the use of capital reserve and ability to plan for future capital projects”*

Response...

→ *Capital emergencies can and should be addressed in the same manner through...*

reallocation of other line-items, withdrawal from capital reserve, postponement or lease purchase of budgeted equipment, etc; and as last resort, appropriation of surplus (viable petition to commissioner if in first 9 mos).

Response...

→ *S1701 has no impact on approved referendums, on using existing capital reserve, or planning with capital reserve*

Approved referendum projects already have revenue sources identified and approved.

Still able to withdraw cap reserve by board resolution for local share of eligible projects.

Common Misunderstandings and Misstatements of S1701 (cont.)

- S1701 “*disallows transfers for special education or other unplanned T&E requirements*”
- S1701 “*eliminates local approval of separate questions*”
- S1701 “*considers nurses, curriculum supervisors, literacy and other educational consultants, an admin cost subject to limit*”

Response...

- *Transfers to special education or other current year T&E requirements is clearly allowed under S1701*
 - *Any necessary approvals for such line-item transfers will be granted*
- *Separate Qs can still be presented*
 - *Always required county sup approval and could never include programs/services for T&E*

Response...

- *Administrative costs includes only the central office, school admin and business office*
 - *Includes functions 230, 240, 251/252/290*
 - *Does NOT include support services such as guidance counselors, nurses, librarians, curriculum supervisors, and child study team members*

Common Misunderstandings and Misstatements of S1701

- S1701 *“no longer allows districts the ability to fund and pay for hazardous busing”*
- S1701 *“hurts impact aid districts”*
- S1701 *“eliminates a district’s ability to pay for teacher contract settlements of 4 -5 -6 percent”*

Response...

- *S1701 did not alter a district's authority to provide or fund hazardous busing*
 - moreover, districts still get adjustment to enable full budgeted cost for courtesy busing
- *Impact Aid continues to be protected from cap and the excess surplus calculation*
 - final draft regulations specify such exemption
- *Districts have been subject to a 3% base spending cap since CEIFA was enacted*

S1701 Does Require By Law

1. Surplus reduced to 3% in 2004-05 and 2% in 2005-06 and beyond
2. Budgets submitted within the administrative limit
3. Voter or Bd of School Estimate approval for increases to Capital Reserve
4. Line-item transfers before appropriation of surplus
5. Reduction in base spending cap (before SGLAs and use of banked cap) to 2.5% or CPI, whichever is higher

Common Misunderstandings and Misstatements of S1701 (cont.)

Which leads to the final and most common misunderstanding....

- S1701 *“gives the Commissioner Authority to approval higher surpluses; approve budgets over admin limit; approve transfers to capital reserve during the year”*

Response...

- *Regulations cannot change the requirements of law nor include provisions for Commissioner “exemptions” to those requirements, unless such authority is explicitly authorized in that law.*

Response...

- *The final draft regulations for S1701 include flexibility and Commissioner discretion were at all possible within the requirements and parameters provided within the law.*
- *This does not -- nor cannot -- include Commissioner “exemptions” for approval of higher surplus; budgets over the admin limit; or other such exemptions*

S1701 Final Draft Regulations



Definitions

Transfer Processes and Approval

Administrative Spending

Deposits to Capital and

Maintenance Reserves

Final Draft Regulations

- Posted at [www....](#)
- Final draft includes many comments and suggestions received on previous draft circulated
 - Changes made due to comments are noted by “**” in today’s presentation
- Regulations will be filed by December 1

Key DEFINITIONS

- Administrative Cost
- Emergent Circumstance **
- Non-Discretionary Fixed Costs
- Unbudgeted/Underbudgeted revenue **
- Legal Reserve **

Transfers and Required Approvals

Approvals from accounts >10%

*Approvals to increase spending
from unbudgeted/underbudgeted
Revenue – April 1 to June 30*

TRANSFERS – *the law...*

- Revision to *N.J.S.A. 18A:22-8.1*
- Effective July 1, 2004
- Line-item transfers >10%, on cumulative basis require Commissioner approval
- Appropriation of surplus or other unbudgeted or underbudgeted revenue requires Commissioner approval and is restricted to April 1 and June 30
- All require 2/3rds vote of “authorized membership of the board”

LINE-ITEM TRANSFERS – *the regulations...*



- Track at consolidated advertised appropriation accounts further consolidation in draft regs for line-item transfer approvals over 10%
 - Consolidated to about 30 lines from over 1000 in budget **
- May submit approval request to County Superintendent prior to board approval
- Use standard report **
- Approval granted in 10 working days or automatically approved **

LINE-ITEM TRANSFERS – *the regulations...*



- Transfers “TO” Administration over 10% require approval
 - Added exception to enable approval of transfer even if it puts district the limit if such transfer is for a one-time expenditure **
- Transfers “TO” Capital Outlay restricted pursuant to EFCFA
 - Included exception to EFCFA restrictions to enable transfers with County Superintendent approval if for an “emergent circumstance”
 - Requires on-site inspection to verify health and safety concern

UNBUDGETED/UNDERBUDGETED APPROPRIATIONS – *the regulations...*



- Additional state aid, tuition revenue from district-specific program, unrestricted federal aid (impact aid) and surplus generated from revenue excluded from prior year excess surplus calculation do not require approval for appropriation during the year
- YES – must transfer from available balances prior to requesting approval to increase budget
- Approvals granted for programs/services necessary to achieve thoroughness stds in current year

UNBUDGETED/UNDERBUDGETED APPROPRIATIONS – *the regulations...*



- Approvals may be granted through “petition” to Commissioner prior to April 1 for “emergent circumstance”
 - Board must certify necessary for “emergent circumstance”
 - Document additional revenue is necessary or circumstance will “render peril to health and safety of students and staff” or render district into an “operating deficit for required implementation of the thoroughness standards”
 - Latest board secretary report as documentation no other line item balances are or will be available

Administrative Limits

Identification of Administrative Inefficiencies for 05-06

2005-06 Budget Submission

2006-07 and Beyond

ADMINISTRATIVE LIMITS – *the law...*

- Revision to *N.J.S.A. 18A:7F-5*
- For 2005-06, districts cannot submit budget over admin PPC regional limit or 2004-05 advertised admin PPC inflated, whichever is lower
- For 2005-06, districts must implement all potential efficiencies in admin operations identified in 04-05
- For 2006-07 and thereafter, admin PPC increases capped at 2.5% or CPI (whichever higher)
- No authority provided to the Commissioner to approve exceptions

ADMINISTRATIVE LIMITS

– *the regulations...*



- Districts may submit revision to 2004-05 advertised PPC if upon review/recommendation of district auditor, costs were not budgeted consistent with COA
 - Data entry screen and report in districtwide software **
- Excess administrative costs over regional limit may be submitted/approved as a separate proposal
 - Must still comply with separate proposal requirements (Non-T&E and if existing program/service, must demonstrate T&E programs will be harmed if kept in base)

ADMINISTRATIVE LIMITS

– *the regulations...*



- Beginning in 2005-06, budgets must be submitted within the district's applicable limit
- Each district that anticipates 2005-06 admin PPC over the limit shall:
 1. Prior to January 2005, participate with county sup in review of admin operations for areas of inefficiencies
 2. Submit within two weeks prior to 2005-06 budget submission action plan to address inefficiencies **
 3. Submit with 2005-06 budget, statement documenting that all potential efficiencies identified are incorporated into district's operations

ADMINISTRATIVE LIMITS

– *the regulations...*



- Budgets submitted over the limit must be resubmitted within the limit, either through a reduction in administrative costs and/or submission of a separate proposal of the excess costs, no later than three days prior to last day to advertise for public hearing

If not....

ADMINISTRATIVE LIMITS

– *the regulations...*



The Commissioner is required to develop the final administrative budget to be submitted to the voters or board of school estimate.

The Commissioner under the regulations, delegates this authority to the county superintendent who must conduct all budgetary reallocations and reductions to meet the requirements under the law.

Capital and Maintenance Reserve

Deposits

Budgeting Anticipated Excess

Surplus outside of Cap

Using Separate Questions

Capital and Maintenance Reserve

– *the law*

- Revisions to *N.J.S.A. 18A:7G-13 & 31*
- Capital reserve now can be established at any time
- Transfers of surplus into capital and maintenance reserve only at budget time or by special election
- Appropriations at budget time, except for prior year anticipated excess surplus approved by commissioner, are within cap
- No change for withdrawals

Capital and Maintenance Reserve

– *the regulations*



- 50% of current year anticipated excess surplus may be budgeted, outside of cap, as a deposit into capital reserve
 - Must have approved LRFP **
- No separate ballot question required for additional tax levy or designation of specified revenue source **
- Still have option, however, to request approval of surplus and/or misc local revenue via a separate ballot question, outside of cap **
 - Separate question defeated is final and is not subject to municipal review and restoration

Misc Provisions

- Separate Proposal Revision to *N.J.S.A. 18A:7F-5(d)(9)*
 - Cannot include any programs/services included in prebudget year budget unless exemption approved by Commissioner
 - Exemption approvals delegated to county superintendent if district can demonstrate T&E programs will be reduced unless program/service is moved out of base into separate proposal
- Added final section in regulations to cross-reference standard “appeal” process for decisions at the Commissioner & Assistant Commissioner/County Superintendent level **

??? Questions ???

