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February 28, 2019

Dr. Lamont Repollet, Commissioner  
New Jersey Department of Education  
100 River View Plaza  
P.O. Box 500  
Trenton, NJ 08625-0500

Re: FY21 State Aid Notices: Determinations of State Aid Reductions

Dear Commissioner Repollet:

We write bring to your attention a significant error in the FY21 state aid notices issued to New Jersey school districts by the Department of Education on February 27, 2020.

As you may know, the amendments to the School Funding Reform Act enacted in Senate Bill 2, L. 2018, c. 67, include certain exemptions for districts from state aid reductions based on a determination of municipal overburden. N.J.S.A. 18A:7F-68(c) provides for relief in three distinct categories:

- 1) An SDA district that is located in a municipality where the equalized total tax rate is greater than the statewide equalized total tax rate *for the most recent available calendar year* and that is spending below adequacy will be fully exempt for a state aid reduction.
- 2) An SDA district that is located in a municipality where the equalized total tax rate is greater than the statewide equalized total tax rate *for the most recent available calendar year* and that is spending above adequacy may only be reduced by the amount that they are spending above adequacy.
- 3) A non-SDA district that is located in a municipality where the equalized total tax rate is at least 10% higher than the statewide equalized total tax rate *for the most recent available calendar year* and that is spending at least 10% below adequacy will be fully exempt for a state aid reduction.

In FY20, nine districts were exempt from state aid reductions through the relief provided by these provisions using the 2018 total tax rates, the most recent available calendar year.

In the FY21 state aid notices issued on February 27, the Department used the same 2018 total tax rates for municipal overburden in determining district exemptions and relief from state aid reductions under N.J.S.A. 18A:7F-68(c)(1) to (3). While the 2019 tax rate data is the most recent calendar year and is available from the Department of Community Affairs (DCA), the Department failed to apply that data when determining district state aid reductions.

The Department's use of total tax rates from the 2018 calendar year could unfairly impact any district that has reached the municipal overburden threshold in the most recent tax collections. A municipality's tax rate may change from one year to the next either because of an increase or decrease in the municipality's equalized value or an increase or decrease in the municipality's total tax levy. In addition, a district, in response to state school aid reductions in FY20, may have significantly increased its school tax to offset those cuts. This tax increase, in turn, could well have put the district into municipal overburden, as defined above. If tax rates from the most recent calendar year are not used, the district's state aid determinations under N.J.S.A. 18A:7F-68 will not accurately reflect this increased tax burden and will not correctly apply the exemptions and relief from state aid reductions afforded in the law.

For example, Pemberton Township – an SDA district – is subject to state aid reductions under N.J.S.A. 18A:7F-68. In FY20, the district was barely below the threshold for municipal overburden with an equalized tax rate of 99.432% of the 2018 statewide average equalized total tax rate. In anticipation of further aid cuts in FY21, and to move the local contribution to the local fair share, Pemberton increased its school tax in FY20 by 9%. Using 2019 total tax rate data, this local levy increase may result in the district reaching the municipal burden threshold. If so, Pemberton's state aid reduction for FY21 would be \$2.4 million, 54% less than the \$4.4 million set forth in the Department's February 27 state aid notice.

Accordingly, we request the Department recalculate the determinations of state aid reductions for all districts under N.J.S.A. 18A:7F-68 using the 2019 tax rate date, the most recent available calendar year. Please confirm that the Department will promptly take this required corrective action. We are, of course, available to discuss this matter or respond to questions.

Sincerely,

A handwritten signature in black ink, appearing to read "David Sciarra", with a stylized, cursive script.

David G. Sciarra, Esquire  
Executive Director

Encls.

Cc: Laura Console, Governor's Office  
Senate Majority and Minority Offices  
Assembly Majority and Minority Offices