

<u>BILL:</u> A-3983/S-2574	<u>SPONSOR(S):</u> Mazzeo/ Burzichelli/Giblin/Sweeney/ Whelan	<u>DATE:</u> 6/25/2015 Christopher Emigholz
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BILL STATUS: Passed Senate

SUMMARY POINTS:

- This discretionary bill would allow the NJDOE to provide additional state school aid to Atlantic City through a new aid category called “commercial valuation stabilization aid”.

VOTING RECORD:

Vote	Tally	Details
Assembly Appropriations Committee	6-3	Assembly Republicans Casagrande, DiMaio and McHose voted “No”
Assembly	42-24-2	Assembly Republican members voted “No,” except Brown CA, Ciattarelli and Wolfe voted “Yes,” Brown CJ, Dancer, McGuckin and Rodriguez-Gregg “Abstained,” Schepisi was recorded as not voting.
Senate Budget & Appropriations Committee	8-5	Bucco (N), O’Toole (N), Oroho (N), Beck (N), Thompson (N)
Senate	25-13	Republican Senators voted “No,” except Senator Allen voted “Yes,” Addiego and Holzapfel were recorded as not voting.

SYNOPSIS: Authorizes supplemental State aid to school districts in municipality with significant decrease in commercial property valuation

CURRENT LAW: There is currently no part of the school funding formula in statute that could have the flexibility to provide additional aid to school districts in distress, but since the State has not been following the statutory formula for years, the aid amounts and budget language presented to the Legislature in the proposed FY16 State Budget in February of 2016 could include special allotments for Atlantic City schools if the Governor or Legislature chooses to do so.

DESCRIPTION: This bill establishes an additional category of State school aid known as commercial valuation stabilization aid. Under the bill’s provisions, a school district may receive this aid, upon the recommendation of the Commissioner of Education, if it is situated in a municipality in which: 1) commercial property accounted for at least 75 percent of the total assessed property valuation in 2008, and 2) between 2008 and 2013, the assessed value of commercial property declined by at least 25 percent. The Atlantic City School District is the only district that meets these criteria. Based on data available on the Department of Community Affairs’s website, commercial property accounted for nearly 78 percent of the

municipality's total assessed property valuation in 2008, and declined by nearly 32 percent, from nearly \$16 billion to less than \$11 billion, between 2008 and 2013.

The Commissioner of Education would be required to perform a needs assessment to determine if the school district will receive the aid. The assessment will include a review of the district's educational program offerings, the efficiency of the district's expenditures, and the district's capacity to raise a general fund tax levy sufficient to support the district's operations. If the commissioner determines that the district should receive the aid, then the commissioner would determine the amount. The commissioner would conduct the needs assessment in each subsequent school year to determine if the district should continue to receive the aid.

In the first school year that a district receives commercial valuation stabilization aid the entire amount of this aid must be used to reduce the school district's general fund tax levy. A district would no longer be eligible to receive this aid when the municipality's total assessed property valuation is greater than or equal to the municipality's assessed property valuation in 2008. For the purpose of determining if the district continues to be eligible to receive the aid, the total assessed property valuation would include the value of any property exempt from taxation under S-2572. The municipal tax assessor would annually determine the value of such property, with the Commissioner of Community Affairs reviewing the assessment for reasonability and completeness.

The bill also gives the Commissioner of Education the authority to take actions deemed necessary and appropriate to ensure the efficiency of expenditures in a school district that receives commercial valuation stabilization aid.

Last, the bill appropriates funds from the General Fund to the Department of Education to provide commercial valuation stabilization aid to a school district, subject to the approval of the Director of the Division of Budget and Accounting.

POLICY CONSIDERATIONS/BACKGROUND: Similar to S-2572, the "Casino Property Taxation Stabilization Act", this bill attempts to stabilize property taxes in Atlantic City by allowing the State to provide additional school aid to the city that would have to reduce the local levy. Casinos cite the high and unstable property taxes in Atlantic City as one of the major impediments to success there.

The Governor vetoed A-3807 (Caputo, Tucker, Eustace, Wagner)/S-2595 (Rice, Gill) in September of 2013, which attempted to do a similar thing for Nutley and other similar towns where a significant commercial rateable left town. The Governor's veto message cited the bill including an appropriation outside of the budget, which he signed on the same day he vetoed A-3807/S-2595. This bill, S-2574, does not include specific appropriation and ultimately is discretionary for the Commissioner of Education to implement, so it could be argued that it could be integrated into the budget and does not have to be outside the budget process

POSITIONS/TESTIMONY: Some public school advocates have quietly expressed concern over this bill's prioritizing school funding in Atlantic City over the rest of the State.

ECONOMIC AND FISCAL ISSUES: The bill has not yet been certified for a fiscal note by OLS, but it presumably will. It could increase the size of the State Budget, or it could just increase aid to Atlantic City to the detriment of other school districts if there is no increase in total school aid in the FY16 State Budget.

Since it is discretionary per the Commissioner, it could have no impact at all, as this could be done through the annual appropriations process regardless of this legislation.

IDENTICAL/PRIOR SESSION BILL: There is no prior session history for this bill.