

April 22, 2009

TO: Chief School Administrators
Municipal Governing Bodies

FROM: Gerald Vernotica, Division of Field Services

RE: Defeated Budget Review Process for 2009-10 – (Municipal Letter Attachment)

In the interest of conducting the 2009-10 budget application for restoration process, the following information is being provided to boards and governing bodies in districts where general fund budgets have been defeated by the voters. This information reflects the defeated budget process in accordance with N.J.S.A. 18A:7F-5.

1. **Dispute Resolution.** Dispute resolution will continue to be conducted by the Executive County Superintendent pursuant to N.J.A.C. 6A:23A-9.7(c) in instances where a general fund budget has been defeated by the voters and reduced by the governing body(ies).
2. **Application to the Commissioner.** All applications for restoration must be made within 10 working days after the certification of the general fund tax levy by the governing body(ies) and submitted to both the executive county superintendent and the municipal governing body(ies). The application should be submitted in a form that is deemed appropriate by the district and must address each line-item reduction made by the governing body(ies).

For each line-item reduction, it must provide a specific written explanation supported by attached documentation, or specific references to information contained in materials submitted to the executive county superintendent and governing body(ies) following the defeat of the budget as listed below:

DEFEATED BUDGET INFORMATION

It is the responsibility of the board of education pursuant to N.J.A.C. 6A:23A-9.7 to present to the municipal governing body(ies) and the executive county superintendent, within two days of the certification of election results, the proposed School District Budget Statement which was defeated by the voters, along with the following information:

- A complete line-item budget listing each item by code and line description, including actual expenditures for the previous school year, actual budgeted amount for the current school year, proposed budgeted amount for the ensuing school year as proposed to the voters, the advertised budget for the ensuing school year, and all supporting documentation and narrative explanations;
- Copies of additional spending proposals, if any, indicating which were approved and which were rejected by the voters;
- A copy of the annual progress report, if any, submitted to the Commissioner pursuant to N.J.S.A. 18A:7A-11 and N.J.A.C. 6A:30;
- A copy of the district's most recent annual audit;
- An explanation of any action(s) to reallocate, direct additional expenditures, and so forth, taken by the Commissioner, or the executive county superintendent on behalf of the Commissioner, pursuant to N.J.S.A. 18A:7F-5 through 7, 18A:7F-39 or 18A:7-8, or a statement to the effect that no such actions were taken;
- Numbers of professional and nonprofessional staff, during the current school year and projected staff for the ensuing school year, together with reasons for any increase or decrease;
- Pupil enrollment by grade for the district as of the preceding June 30, the last school day prior to the preceding October 16 and as projected for October of the ensuing school year;
- Salary schedules by employee – current and budget year account and salary; for all employees
- Number of schools and classrooms in each school;
- Tuition received or paid during the previous school year, anticipated for the current school year and projected for the ensuing school year;
- A substantiation of need for any proposed capital projects and/or deposits into the capital reserve, including documentation of the projects' inclusion in the LRFP;

- Any information required for budget submission to the executive county superintendent and not specifically enumerated above;
- Applicable portions of The Comparative Spending Guide and School Report Card; and
- Any other documentary materials or records the Commissioner deems appropriate for a specific district board of education.

ADDITIONAL INFORMATION REQUIRED UNDER P.L. 2007, c.53 (N.J.S.A. 18A:7F-5.3)

- Pursuant to P.L. 2007, c.53 (N.J.S.A. 18A:7F-5.3), districts must submit salary and benefit information from the budget to the municipal governing body(ies) and the executive county superintendent along with the information listed above. The required additional information is in regard to the superintendent of schools, the assistant superintendent of schools, the school business administrator, and any employee with an annual salary that exceeds \$75,000 who is not part of a collective bargaining unit. This information is included as Supporting Documentation item number 17 in the budget document. Required information includes:
 - A detailed statement of the employment contract terms for these employees, including, but not limited to, the duration of the contract and all forms of compensation provided for under the contract;
 - The annualized cost of all benefits provided to these employees, including, but not limited to, all allowances, bonuses and stipends, and all contributions made by the school district towards the costs of health, dental, life and other types of insurance, medical and reimbursement plans, and retirement plans which exceed the contributions for the costs of these items made on behalf of a teaching staff member under a collective bargaining agreement with the board;
 - A detailed statement of any benefits provided for in the employment contract with these school employees which are to be conferred after or upon the separation from the school district;
 - A detailed statement of any form of in-kind or other form of remuneration provided to these school employees which is not otherwise included in the employee's salary or benefits

IN ADDITION, IT IS RECOMMENDED THAT THE FOLLOWING MATERIALS BE INCLUDED:

- Rationale for any new positions

- Rationale for any new programs
- Rationale for any new and replacement equipment
- Rationale for any major line item increases or decreases

The executive county superintendent will perform the first level of review and make his or her recommendation to the Commissioner. Applications may be withdrawn if the dispute resolution process results in a settlement which has been approved in writing by the Executive County Superintendent.

3. **Grounds for Application.** Pursuant to N.J.S.A. 18A:7F-5(e), applications for restoration of reductions made by governing body(ies) may be made only to the following extent:

A board which has proposed a general fund tax levy and equalization aid *in excess of the adequacy budget* prescribed by law may file an application for restoration of reductions only on grounds that such reductions will negatively impact on the stability of the district given the need for long term planning and budgeting. No application may be filed on grounds that restorations are necessary for provision of T&E.

A board which has proposed a general fund tax levy and equalization aid *at or below the adequacy budget* prescribed by law may file an application for restoration of reductions on grounds that such reductions are necessary for T&E or negatively impact on the stability of the district given the need for long term planning and budgeting.

“T&E grounds” means that the reduction or reductions would adversely affect the district board of education’s ability to implement programs and services at the level contained in the efficiency standards established pursuant to N.J.S.A. 18A:7F-4b in order to ensure that its students achieve the Core Curriculum Content Standards.

“Stability grounds” mean reductions which would require long term planning or budgeting and cannot be accomplished within the budget year; would adversely affect the district board of education’s ability to operate a school system; and which are not a program, service or other expenditure contained within the efficiency standards or are expenditures for items which are in excess of those contained in the efficiency standards.

Separate proposal(s) for additional spending over and above the general fund tax levy that were defeated by the voters are not eligible for inclusion in an application for restoration of reductions to the Commissioner.

4. **Governing Body Comments.** The governing body(ies) may submit to the executive county superintendent any comments it may wish to make on the board’s application

within 10 working days of receipt of the district board of education's application. A copy of the comments must concurrently be provided to the board of education.

5. **Use of Additional Information.** In addition to the application materials and responsive comments, and the defeated budget materials submitted to the executive county superintendent, the Commissioner is not precluded from considering such additional information as may be available to her through established reporting requirements and the Department of Education data collection processes when assessing applications for restoration. Additionally, should the Commissioner or a designee determine during the course of the review that further information or explanation is required from a district board of education, or a governing body(ies), such information may be requested at any time during the review process.
6. **Application of Surplus Balances.** In directing adjustments to budgets which are the subject of application for restoration, the Commissioner is not precluded from reallocating or sustaining reductions to surplus where such reallocations or reductions do not decrease surplus below \$250,000 or the minimum level necessary based on district specific circumstances and needs, whichever is higher.

Tax certifications for decisions issued prior to submission of the annual audit will be contingent on confirmation through the audit of surplus amounts given in the June 30 financial report and of any prior year financial data relied upon by the Commissioner in rendering her decision.

7. **Commissioner's Review.** In making her decisions, the Commissioner will apply the following standards. Consideration should be given to the standards during the preparation of the comments by the parties.

For applications for restoration of reductions involving budgets including general fund tax levy and equalization aid proposed at or below the adequacy amount, the board must document its need for restoration of each item reduced, demonstrating that it will either adversely affect the board's ability to meet the thoroughness and efficiency standards or will adversely affect the stability of the board's overall operations.

For applications for restoration of reductions involving budgets including general fund tax levy and equalization aid in excess of its adequacy amount, the board must document by clear and convincing evidence its need for restoration of each item reduced on grounds that it will adversely affect the stability of a district board of education's overall operations. In these cases, a board may not argue that reductions will adversely affect T&E.

In judging arguments based on necessity for T&E, the Commissioner will seek to determine whether reduction(s) would adversely affect the board's ability to implement programs and services, within the efficiency standards, that will ensure achievement of Core Curriculum Content Standards.

In judging arguments based on stability, the Commissioner will seek to ascertain whether reduction(s) have been made in areas which require long term planning or budgeting and cannot be accomplished within a budget year; would adversely affect the district board of education's ability to operate a school system; and are not contained within the efficiency standards or are expenditures for items which are in excess of those standards. The Commissioner will consider factors including enrollment increases/decreases, the history of approval/rejection of school budgets, past budgeting practices, impact on the local tax levy, impact on the ability of the district to fulfill contractual obligations, impact on class size, impact on health and safety, nonrecurring costs and such other factors as she deems pertinent. Examples of the areas of consideration are contained in N.J.A.C. 6A:23A-9.9(b)(4).

c: Executive County Superintendent