



STATE OF NEW JERSEY  
**DEPARTMENT OF EDUCATION**

A Memo from the New Jersey Department of Education

Date: March 17, 2021  
To: Chief School Administrators  
Route To: School Business Officials  
From: Kevin Dehmer, Assistant Commissioner  
Division of Finance

### **Changes to Allowable Surplus Percentage Pursuant to Senate Bill 2691**

Senate Bill [2691](#), signed into law by Governor Phil Murphy on March 15, 2021, changes the percentage of unassigned surplus allowable under [N.J.S.A. 18A:7F-7](#) for the 2020-2021 and 2021-2022 fiscal years. A school district, other than a county vocational school district, may now maintain an unassigned surplus of 4 percent, increased from 2 percent, for fiscal years 2020-2021 and 2021-2022.

Following the recent signing of the law, programming of the budget software calculation for "Appropriation of Excess Surplus" was not able to be completed for all districts to meet the statutory budget submission deadlines. To facilitate the new calculation of budgeted unassigned surplus (now, in excess of 4 percent) please note the following changes to the budget software:

- On the "Appropriation of Excess Surplus" screen line A4, districts may enter the amount from line C. This will adjust the fund balance used in the calculation for the additional 2 percent allowable.
- Edit number 198 has been changed from a fatal edit to a warning edit. This will prompt county office personnel to review the amount entered on line A4 of the "Appropriation of Excess Surplus" screen to ensure that it is related to the additional 2 percent of unassigned surplus allowable under this statutory change.
- New edit number 321 has been added to test that the amount entered on "Appropriation of Excess Surplus" screen line A4 is not greater than the amount on line C. This ensures that the unassigned surplus used in the calculations is not in excess of 4 percent in total. Line A4 adjusts for 2 percent, and the calculation at line D uses line C which adjusts for the additional 2 percent, totaling a 4 percent allowable unassigned surplus.
- Districts that have advertised the budget prior to the date of this memo (for a public hearing between March 22, 2021 and March 29, 2021) and reflected anticipated transfers of surplus on line 7 of the Recapitulation of Balances may simply forgo preparation of the board resolution between June 1, 2021 and June 30, 2021 and allow the amount to fall to surplus. If the district intends to change the amount budgeted on Recapitulation of Balances line 7, the district must discuss the change at the public hearing.

Districts that have advertised the budget prior to the date of this memo, for a public hearing between March 22, 2021 and March 29, 2021, must discuss the change at the public hearing if intending to revise the budgeted fund balance pursuant to this change in statute. Districts may still choose to budget the use of unassigned surplus that results in an estimated balance below 4 percent. The surplus requirement is a maximum amount of unassigned surplus to be maintained. Districts have not in the past, and are not now, prevented from budgeting additional amounts.

The Excess Surplus calculation to be used in the annual audit for years ended June 30, 2021 and June 30, 2022 will be adjusted to reflect the 4 percent allowable unassigned surplus.

Please contact your [County Office of Education](#) with questions.

c: Members, State Board of Education

Angelica Allen-McMillan, Ed.D., Acting Commissioner of Education

NJDOE Staff

Statewide Parent Advocacy Network

Garden State Coalition of Schools

NJ LEE Group