



# Defeated Budget Process 2021-22 Budgets

April 2021



# Defeated Budget Process 2021-22

## Information to Be Covered:

- Defeated Budget Packet
- Election Day
- Consultation Phase
- District and Municipal Roles
- Tax Certification Options
- Post-Certification and Next Steps



# Defeated Budget Packet

- [Information outlining the process](http://www.nj.gov/education/finance/fp/dwb/defeated/) is posted at *www.nj.gov/education/finance/fp/dwb/defeated/*
- Memo from the district to the municipality includes two attachments:
  - Attachment 1 - List of required budget items every district with defeated budgets **must** send to municipal governing body(ies);
  - Attachment 2 - Sample Memo for Districts to use when sending out Attachment 1 required items.



# Key Dates and Responsibilities

Date	County Office	School District	Municipal Governing Body(ies)
Thursday, April 15, 2021	Distribute notice to all districts that Defeated Budget Package is posted on the Web	n/a	n/a
Tuesday, April 20, 2021	n/a	Election Day	n/a
Wednesday April 21, 2021  By 9:00 am  By Noon	n/a  Create/Mail Letters (municipal letters) to Governing Body(ies) of Districts with Defeated Budgets (municipal letter attachment)	Report Election Results to County Office  n/a	n/a  n/a
By May 5, 2021 (2 days following Certification of election results)		Mail Budget and Defeated Budget Info (attachment 1) using Sample Cover (attachment 2) to Muni Clerk	Send Receipt of Budget and Defeated Budget Info
April 21 – May 19, 2021	Contact District/Muni Officials Consultation Phase	Schedule Meeting with Municipal Officials and Notify County	Meeting(s) to discuss/set general fund tax levy
By May 19, 2021	n/a	n/a	Certify Tax Levy Resolution with required line-item reductions & justifications/statements.



# Election Day

*Tuesday April 20, 2021*

District Reports Election Results to the  
County Office by 9:00 a.m. on April 21,  
2021



# Consultation Phase

*April 21, 2021 – May 19, 2021*

- By April 21, 2021 County Office prepares a letter to the Municipal Clerk which outlines the defeated budget process.
- Consultation period begins between Board of Education (BOE) and municipal governing body(ies) with Executive County Superintendent guidance



# District Responsibilities

*By May 5, 2021*

Two days after certification of election results (but encouraged to send 2 days after election—April 22, 2021), BOE sends to the municipality:

- Defeated Budget Info per *N.J.A.C. 6A:23A-9.7(a)1* (attachment 1 of the defeated budget packet), and
- Letter of Transmittal (attachment 2 of the defeated budget packet)

***Required for all defeated budgets***



# District Responsibilities (2 of 5)

Defeated Budget Information (attachment 1) includes:

1. Proposed Budget for 2021-22;
2. Separate proposals passed by voters;
3. Salary (Position Control Roster) schedules for all employees (2020-21 and 2021-22) reconciled to budgeted salary amounts;
4. Pupil enrollment by grade as of 6/30/20, 10/15/20 and projected 10/15/21;
5. Number of schools and classrooms in each, including pupil capacity in each classroom;
6. Detailed tuition analysis (sent and/or received);





# District Responsibilities (3 of 5)

Defeated Budget Information (attachment 1) continued:

7. Analysis of professional and nonprofessional staff, 2020-21 and projected for 2021-22 (including list of retirees);
8. Proposed capital projects and/or deposits into capital reserve;
9. Copies of BOE's most recent annual report, annual audit, taxpayers guide to education spending, and school performance report; and
10. Any other information deemed appropriate by the Executive County Superintendent for a specific BOE.



# District Responsibilities (4 of 5)

## **Defeated Budget Information – Salary Information (Support Doc):**

Pursuant to *N.J.S.A.* 18A:7F-5.3, districts must prepare supporting documents for salary and benefit information for certain employees:

- Superintendent;
- Assistant Superintendent;
- Business Administrator; and
- Any employee not a member of a collective bargaining unit, with a salary that exceeds \$75,000



## District Responsibilities (5 of 5)

As soon as possible, the district administration should establish a meeting date with municipal officials to review defeated budget information.

- Executive County Superintendent should be notified of the date
- Open Public Meetings Act applies if either the BOE or municipal governing body, or both, have a majority present at the meeting



# Municipal Governing Body Responsibilities

***By Wednesday, May 19, 2021***

Municipality must certify the General Fund Tax Levy (not the entire general fund budget) to the County Board of Taxation

***The Municipality cannot certify a tax levy below the minimum levy required by N.J.S.A. 18A:7F-5***



# Municipal Governing Body Responsibilities (2 of 6)

Municipality will certify the general fund levy, by resolution, for the sum of the base budget amount and any passed separate proposal(s).

Municipality has no authority to change the debt service levy.



# Municipal Governing Body Responsibilities (3 of 6)

If certifying a decrease from the proposed base budget levy, the municipality must also provide the BOE:

- A statement of the specific line-item reductions and revenue increases to offset the levy reduction; and
- A certification attesting the revised budget is sufficient for provision of a thorough and efficient (T&E) system of education.



# Municipal Governing Body Responsibilities (4 of 6)

If certifying a decrease from proposed levy **below** the adequacy budget, the municipality **must** also provide a specific written explanation and document by clear and convincing evidence for each line-item reduced that it either will not adversely affect T&E or the BOE's overall operations given the need for long term planning and budgeting.



# Municipal Governing Body Responsibilities (5 of 6)

And remember for certifications below the adequacy budget:

**The burden of proof is on the municipality that the reduced levy is sustainable for T&E.**





# Municipal Governing Body Responsibilities (6 of 6)

**For defeated separate proposal(s):**

Restoration by the municipality is not allowed.

Decision of the voters is final.



# Governing Body Options for Certifying a Reduced Levy

## **Acceptable Line-Item Recommendations**



# Proposed Budget $>$ Minimum Levy

1. Reduce general fund appropriations for an amount equal to or less than the difference between the proposed tax levy and minimum tax levy;
2. Increase other general fund revenues (budgeted fund balance or miscellaneous revenues) for an amount equal to or less than the difference between proposed tax levy and minimum tax levy.



# Proposed Budget $>$ Minimum Levy Appropriation of Surplus less than 2%

A municipality cannot increase budgeted fund balance (surplus) to reduce tax levy if the increase results in the BOE's remaining surplus balance to be less than \$250,000 or the minimum amount necessary based on district circumstances and needs, whichever is higher.



# Proposed Budget = Minimum Levy

If the proposed budget is **at the minimum levy**, the municipality must certify the minimum levy. There are no options to reduce below the statutory minimum levy.



# Use of Capital / Maintenance / Emergency Reserves

- Neither the municipality nor BOE has the legal authority to appropriate capital reserve to offset current expense funded by tax levy.
  - The only legal appropriation would be to offset capital outlay funded by tax levy, **but** appropriation must fund projects that **do not** require voter approval (projects without excess costs).
- Withdrawal from maintenance reserve is permissible if for required maintenance projects in the comprehensive maintenance plan that were included in the original budget.
- Withdrawal from Emergency Reserve requires approval of the Commissioner, therefore not an option for reducing levy, unless for health care cost increases in excess of 4%, or for security costs in the original budget.



# Capital / Maintenance / Emergency Reserves (continued)

- Reducing a Capital Reserve withdrawal **does not** impact general fund levy and therefore, it is not a viable option.
- Reducing a Capital Reserve deposit **does impact** general fund levy and therefore, it is a viable option, even if included in LRFP.
- Increasing a Maintenance Reserve withdrawal **may** impact general fund levy and therefore, it is a viable option.
- Reducing an Emergency Reserve deposit **does impact** general fund levy and therefore, it is a viable option.



# Post Certification – BOE Revises Budget

- BOE is **not** bound by municipality specific line-item reductions; BOE is only bound by the total amount of the reduction in tax levy.
- District must submit revised budget including all supporting documentation items and SFRA calculations updated as appropriate.
- Districts should **not** change projected 2021-22 enrollment in the revised budget.





# Revised Budget

- If BOE does **not** dispute reductions, the Executive County Superintendent will ascertain whether the revised budget is sufficient for T&E and maintains stability for final budget approval.
- If BOE **disputes** reductions, the Executive County Superintendent will schedule a combined meeting with BOE and governing body(ies) to reach agreement. If revised tax levy is agreed upon, the county board of taxation is notified.



# Failure to Certify Failure to Agree

If no tax levy is certified by May 19, 2021 (“failure to certify”) or regional constituents certify different amounts (“failure to agree”) then the Commissioner must certify the amount under the law, **even if dispute resolution continues.**



# Application for Restoration

If a tax levy is certified but no agreement is reached, BOE can file an Application for Restoration for some or all reductions, **within 10 working days of the tax levy certification.**

Municipality then has 10 working days after receipt of the application to submit comments.



## Application for Restoration (2 of 3)

- If an application for restoration has been filed, negotiations can still continue toward agreement.
- As long as the municipality certified a levy by May 19, 2021 then the municipality can recertify with a **lesser cut** (cannot certify a greater cut) after May 19, 2021 and before a Commissioner decision is completed on the application.



# Application for Restoration (3 of 3)

There is no requirement under law or regulation that Commissioner decisions on Applications for Restoration will be finalized before tax bills are mailed.

**Generally, decisions are completed by the end of August**



# Type I Districts

- Levy was to be certified by Board of School Estimate by April 8, 2021.
- District has 10 working days after Board of School Estimate certification to apply for restoration of cuts.



# Questions on Defeated Budgets?



# Budget Approval by BOE – April Election Districts

- The board of education must approve the proposed budget after the public hearing and no later than 18 days before the date of the April election.
- Boards of Education must have approved budgets by April 1, 2021.

*(N.J.S.A. 18A:22-32)*





# Certification of Levy for Districts with November Election

- The board of education must approve the proposed budget, including separate proposals, after the public hearing no later than May 14, 2021 (*N.J.S.A. 18A:22-32*)
- In a district holding school elections in November, the Secretary of the Board must certify the levy to the county board of taxation by May 19, 2021 (without separate proposals) (*N.J.S.A. 18A:22-33*)