

LEGISLATIVE FISCAL ESTIMATE

[First Reprint]

SENATE, No. 4312
STATE OF NEW JERSEY
221st LEGISLATURE

DATED: JUNE 12, 2025

SUMMARY

- Synopsis:** Modifies method of allocating State aid for providing auxiliary and remedial services to nonpublic school students.
- Types of Impact:** Annual State cost increase; annual offsetting school district cost and revenue increases.
- Agencies Affected:** Department of Education; local school districts.

Office of Legislative Services Estimate

Fiscal Impact	<u>Annual</u>
State Cost Increase	Indeterminate
Offsetting School District Cost and Revenue Increases	No Net Impact

- The Office of Legislative Services (OLS) finds that this bill would raise annual State expenditures for auxiliary and remedial services for nonpublic school students by increasing service utilization and potentially, on a periodic basis, provider reimbursement rates. The OLS, however, lacks the information necessary to quantify the annual State expenditure growth. While the bill provides a triennial impetus for provider rate increases, the higher rates would not be automatic and would be contingent upon approval by the Governor and the Legislature, which the OLS cannot reasonably anticipate.
- Local school districts deliver the auxiliary and remedial services to nonpublic school students on behalf of the State. Accordingly, higher State program costs would increase the annual expenditures of local school districts, offset by higher reimbursements from the State.
- In the second full year following the bill’s enactment and every third year thereafter, the bill may increase State expenditures from requiring the Department of Education to conduct a provider rate survey. The OLS, however, has no insights into whether the department would rely on existing staff to conduct the survey, hire additional staff, or engage a vendor.

BILL DESCRIPTION

This bill converts the disbursement of State aid to school districts for auxiliary and remedial services for nonpublic school students from an advance payment to a cost reimbursement system, changes the formula for determining benefit amounts from a per-pupil to a per-service unit calculation, and establishes a triennial rate review.

Disbursement Method: Currently, the State advances school districts' annual auxiliary services and remedial services aid for nonpublic school students in ten installments. A true-up occurs after the conclusion of the school year and if a school district did not spend its entire allocation, the unexpended balance is returned to the State. Under the bill, each school district would instead submit cost reimbursement claims to the Department of Education, which would then reimburse school districts quarterly for eligible costs incurred.

Rate Setting: Rates per service unit are currently derived from a per pupil calculation that divides the annual program appropriations by the number of nonpublic school students who were eligible to receive auxiliary and remedial services two fiscal years prior. Under the bill, maximum rates per service unit would be calculated by dividing the annual program appropriation by the average number of documented services delivered in the prior three school years.

Triennial Rate Review: The bill would require the Department of Education to conduct a rate survey in the second full school year following enactment and every third year thereafter. The department would collect from service providers information on the costs of furnishing auxiliary and remedial services to nonpublic school students. The department would use the findings to inform recommendations on the annual appropriations to provide auxiliary and remedial services.

FISCAL ANALYSIS

EXECUTIVE BRANCH

None received.

OFFICE OF LEGISLATIVE SERVICES

The OLS finds that this bill would raise annual State expenditures for auxiliary and remedial services for nonpublic school students by increasing service utilization and potentially, on a periodic basis, provider reimbursement rates. The OLS, however, lacks the information necessary to quantify the annual State expenditure growth. While the bill provides a triennial impetus for provider rate increases, the higher rates would be contingent upon approval by the Governor and the Legislature, which the OLS cannot reasonably anticipate.

Any increase in State aid as a result of the bill would lead to concurrent, offsetting cost and revenue increases for school districts providing auxiliary and remedial services to nonpublic school students.

Service Utilization

The bill would enhance the flexibility of appropriation use, which generally favors increased service utilization, thereby causing higher State costs.

Rigidities in the current allocation method for State aid for auxiliary and remedial services for nonpublic school students contribute to the non-use of available appropriations in most years. For example, in FY 2023, school districts returned to the State about \$19.1 million of the FY 2022

appropriations of \$69.9 million for the two programs, with \$7.2 million ultimately reverting to the State General Fund as unexpended at the end of FY 2023.

Specifically, under current law, the State sets a per pupil amount and advances to each school district in ten installments each district’s allocation of a fiscal year’s program appropriations, as determined by formula. It is not possible to transfer unused amounts among nonpublic school students within a school district or for unused allocations to be transferred among school districts.

The bill would end the rigidities by eliminating the per pupil amount, which effectively functions as a cap on service costs per student, and replacing it with a per service unit maximum amount. In addition, it would shift the State aid disbursement mechanism to a cost reimbursement system, thereby eliminating allocations by school district and their untransferability. Instead, school districts would compete for available appropriations until the latter’s depletion.

Provider Reimbursement Rates

The bill may also impel the State to augment provider reimbursement rates periodically. The impetus for higher rates would be the requirement that the Department of Education conduct a rate survey in the second full school year following enactment and every third year thereafter. The department is then to use the findings from the survey to inform recommendations on the annual appropriations to provide auxiliary and remedial services for nonpublic school students. Higher provider rates, and hence additional State costs, would therefore occur whenever the rate survey causes the department to request an appropriation increase for auxiliary and remedial services for nonpublic school students that is subsequently enacted into law.

The table below shows the FY 2025 per pupil aid amounts as they are set forth in the FY 2025 Appropriations Act. The Department of Education, however, is authorized to – and frequently does – prorate the aid amounts.

Per Pupil Aid Amounts for Nonpublic Handicapped and Auxiliary Services in FY 2025 Appropriations Act (May Be Prorated by Department of Education)	
Nonpublic Handicapped Aid	
Initial evaluation or reevaluation for examination and classification	\$1,326.17
Annual review for examination and classification	\$380.00
Speech correction	\$930.00
Supplementary instruction	\$826.00
Nonpublic Auxiliary Services Aid	
Compensatory education	\$1,070.33
Providing equivalent service to children of limited English-speaking ability	\$1,090.00

Costs of Rate Survey

In the second full year following the bill’s enactment and every third year thereafter, the bill may increase State expenditures from requiring the Department of Education to conduct a provider rate survey. The OLS, however, has no insights into whether the department would rely on existing staff to conduct the survey, hire additional staff, or engage a vendor.

Nonpublic Auxiliary and Handicapped Services Aid Expenditures and Participation

For context, the tables below illustrate spending and student participation trends for the Nonpublic Auxiliary Services Aid and Nonpublic Handicapped Aid programs. Of note, expenditures are primarily a function of available resources as the programs are not open-ended entitlement programs.

Fiscal Year	Nonpublic Auxiliary Services Aid Expenditures	Nonpublic Handicapped Aid Expenditures
FY 2015	\$33,619,808	\$30,943,657
FY 2016	\$33,509,674	\$31,124,337
FY 2017	\$34,450,885	\$31,525,575
FY 2018	\$37,398,866	\$31,487,999
FY 2019	\$38,202,253	\$31,223,421
FY 2020	\$38,972,265	\$31,655,940
FY 2021	\$41,474,998	\$33,314,129
FY 2022	\$51,514,164	\$31,034,079
FY 2023	\$53,175,799	\$30,578,710
FY 2024	\$53,805,437	\$34,646,498
Percent Change, FY 2015 to FY 2024	60%	12%

Fiscal Year	Nonpublic Auxiliary Services Provided	Nonpublic Handicapped Aid Students Served
FY 2015	34,041	33,461
FY 2016	36,679	35,599
FY 2017	34,468	34,698
FY 2018	35,310	34,777
FY 2019	37,330	34,864
FY 2020	40,766	34,210
FY 2021	44,703	34,933
FY 2022	44,950	31,721
FY 2023	45,560	29,495
FY 2024	54,213	30,493
Percent Change, FY 2015 to FY 2024	59%	-9%

Section: *Education*

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This legislative fiscal estimate has been produced by the Office of Legislative Services due to the failure of the Executive Branch to respond to our request for a fiscal note.

This fiscal estimate has been prepared pursuant to P.L.1980, c.67 (C.52:13B-6 et seq.).