



## State of New Jersey

DEPARTMENT OF EDUCATION

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May 27, 2015

Software Vendors,

The 2015-16 school year budget that will be adopted by school districts includes changes to the revenue, appropriation and balance sheet lines. For detailed revenues and appropriations grids for the district-wide budget, please refer to the exhibits on pages 30 to 31 and pages 40 to 71 of the 2015-16 Budget Guidelines and Electronic Data Collection Manual posted on the department's website at <http://www.state.nj.us/education/finance/fp/dwb.shtml>. The grids provide information about the status of accounts included in the 2015-16 budget, as well as the applicability of account numbers for the three budget types - regular (reg), vocational (voc) and county special services (cssd) school districts.

Enclosed for your reference is a file named "Attachment 1 – Line item changes 15-16," which is a district-wide summary of the changes to the 2015-16 revenue, expense and balance sheet lines/accounts for each budget type. Attachment 1 indicates placement for new lines into the applicable board secretary reports. Also enclosed is a file named "Attachment 2 – line item," which lists all the revenue, expenditure and fund balance lines in Excel format, indicating applicability by district operating type. Summarized below are the changes for the 2015-16 school year.

### REVENUES

Revenue Changes – see attachment 1 for line details.

New line 495 entitled "DOE Loan Against State Aid", account number 10-3199, was created in 2015-16. This line is only used by districts that receive advance loans of state aid pursuant to N.J.S.A. 18A:7A-56.

The lines for ARRA Equalization Aid have been removed in 2015-16 budget. Line number 550 "Equalization Aid – ARRA ESF", account 16-4520, and line number 551 "Equalization Aid – ARRA GSF", account 17-4521, will no longer be used. These funding sources were not continued.

Existing revenue line number 530, account 10-4100 "IMPACT Aid" has been discontinued and will be replaced with two separate revenue lines. New line number 531, account 10-4101 for "Impact Aid – 8002 or 8003 General" will be used to record federal Impact Aid received under sections 8002 or 8003 of the Elementary and Secondary Education Act of

1965. New line number 532, account 10-4102, for “Impact Aid – 8007 or 8008 Capital” will be used to record federal Impact Aid received under sections 8007 or 8008 of the Elementary and Secondary Education Act of 1965.

Line 795 entitled “Title V”, account number 20-4495 to 4499, has been removed from the 2015-16 budget software. This revenue source is no longer funded.

New line 818, account 20-4527, will be used to budget the revenue provided under the terms of a four year federal “Preschool Development Expansion” grant. This line is used to record the revenue awarded to participating districts based upon the projected number of regular education 4-year-old students at or below 200% of the poverty level. Participating districts have been notified of the award. Additional information on this grant can be found at: <http://www2.ed.gov/programs/preschooldevelopmentgrants/index.html>.

School-Based Revenue Changes – none in 2015-16.

## **EXPENDITURES**

Expenditure Changes – see attachment 1 for line details.

Unused Vacation Payments to Terminated/Retired Staff :

Prior to 2015-16, payments made to terminated or retired employees for unused vacation time made pursuant to contractual terms were budgeted and recorded in existing salary lines. Normal severance costs are payments (but not accruals) to separating employees for termination benefits and/or unused leave associated with normal turnover. Beginning with 2015-16, payments for unused vacation time under normal severance will be budgeted and recorded in new salary lines using new object code 199. To facilitate the new coding, new lines have been added into all cost centers in the 2015-16 budget software for the appropriation of these payments when the amount to actually be paid during the fiscal year is known, or reasonably estimable, at budget time. Actual payments made during the year are to be posted to the new object code, 199. The addition of the new lines facilitates greater transparency in budgeting and reporting. The new lines are also necessary for the department to comply with directives issued by the USDOE regarding the computation of Indirect Cost rates.

Please be aware that for 2015-16 budget software, the new object 199 lines in the administrative cost centers (general administration, school administration, central services, and administrative information technology) were blocked from use in the original 2015-16 budget. For 2015-16 budget, districts were directed to use the salary accounts for appropriations into the administrative cost centers. These new lines should be available in 2015-16 for recording actual costs, and will be activated in the 2016-17 budget software when the programming necessary to include those lines in the administrative cost limit calculation will be complete.

Note that if the unused vacation time payments are made as part of a mass severance package offered to a group of employees under certain programs approved by the State, those

payments are budgeted and recorded on new line number 71226, account 11-000-291-298; not on the individual program lines. Abnormal or mass severance costs are payments associated with “mass or abnormal severance” e.g. ERIP (Early Retirement Incentive Programs) and are posted (in accordance with the NJ Minimum Chart of Accounts) as ERIP payments - an employee benefit cost – ERIP contribution.

#### Unused Sick Payments to Terminated/Retired Staff:

Prior to 2015-16, payments made to terminated or retired employees for unused sick time made pursuant to contractual terms were budgeted and recorded in the existing unallocated/allocated “Other Benefits” lines, using object code 290. Normal severance costs are payments (but not accruals) to separating employees for termination benefits and/or unused leave associated with normal turnover. Beginning with 2015-16, payments for unused sick time under normal separation will be budgeted and recorded in new unallocated/allocated lines, “Unused Sick Payment to Terminated/Retired Staff” in new object code 299. To facilitate the new coding, new lines have been added into the unallocated/allocated employee benefits cost centers in the 2015-16 budget software for the appropriation of these payments when known or reasonably estimable. Actual payments made during the year are to be posted to the new object code, 299. The addition of the new lines facilitates greater transparency in budgeting and reporting. The new lines are also necessary for the department to comply with directives issued by the USDOE regarding the computation of Indirect Cost rates.

Please be aware that for 2015-16 budget software, the new objet 299 lines in the administrative cost centers (general administration, school administration, central services, and administrative information technology) were blocked from use in the original 2015-16 budget. For 2015-16, districts were directed to use the unallocated account 11-000-291-290 for appropriations into the administrative cost centers. These new lines should be available in 2015-16 for recording actual costs, and will be activated in the 2016-17 software when the programming necessary to include those lines in the administrative cost limit calculation will be complete.

Note that if the unused sick time payments are made as part of a mass severance package offered to a group of employees under certain programs approved by the State, those payments are budgeted and recorded on new line 71225, account 11-000-291-297; not on the individual program lines in object code 299. Abnormal or mass severance costs are payments associated with “mass or abnormal severance” e.g. ERIP (Early Retirement Incentive Programs) and are posted (in accordance with the NJ Minimum Chart of Accounts) as ERIP payments - an employee benefit cost – ERIP contribution.

#### Preschool Development Expansion Grant:

New in 2015-16 fund 20 is program code 220, for Preschool Development Expansion Grants. New lines 88300 through 88395, accounts 20-220-XXX-XXX as detailed in attachment number 1, have been added to record the budgeted amounts for this new federal grant which is based on the number of regular education 4-year-old students at or below 200% of the poverty level. Planning budgets for this grant are approved by the Division of Early Childhood.

Additional information on this grant can be found on the web at <http://www2.ed.gov/programs/preschooldevelopmentgrants/index.html>.

#### Renaissance Schools:

New lines have been added in order to record expenses in regular school districts related to transfers and tuition paid to Renaissance Schools. The Renaissance schools were created under the Urban Hope Act (N.J.S.A. 18A:36C-1 et seq.). These schools are treated as separate entities similarly to Charter schools. New lines have been added for amounts transferred to Renaissance schools:

- Line 29165, account 11-000-100-570, “Tuition to non-resident Renaissance School”;
- Line 52245, account 11-000-270-506, “Contracted Services – Aid in Lieu Payments to Renaissance Schools”;
- Line 84005, account 10-000-100-571, “Transfer for Funds to Resident Renaissance Schools”, for general fund transfers; and
- Line 87065, account 20-218-100-571, “Transfer for Funds to Resident Renaissance Schools”, for preschool education aid transfers.

#### Items related to Indirect Cost Rate calculations:

Two new administrative lines have been created in order to track expenditures needed for the department’s calculation of indirect cost rates for the districts. Line 45025, account 11-000-230-109, entitled “Salaries-Governance Staff (BOE Direct Reports Only)” is used to record salaries of any employees that directly report to the Board of Education. Line 47025, account 11-000-251-335, entitled “Purchased Professional Services – Public Relations Costs” is used to record public relations costs.

#### Hurricane Sandy – Community Development Loans (CDL):

Two new lines have been added to appropriations to record the payments made to FEMA for repayment of the CDL. These lines are for school districts that have determined it to be fiscally prudent to make a payment to FEMA to reduce/eliminate to district’s CDL liability. To be eligible for a reduction of the district’s CDL liability, the district must have been awarded a CDL, and completed a drawdown of funds against the CDL. In addition, the district must obtain an advance written agreement from their municipality to make a payment to FEMA and/or to budget payment(s) towards the reduction of the district’s CDL liability. Line 89586, account number 40-701-510-912, is used to record principal payments on the CDL. Line 89585, account 40-701-510-837, is used to record interest payments on the CDL. **This guidance anticipates that the district will remit payment from the debt service fund to FEMA during the fiscal year for which payment has been budgeted. This guidance doesn’t authorize a district to establish a sinking fund.**

#### Food Services – Cost of Sales:

The Healthy Hunger Free Kids Act of 2010 established the requirements for school district food revenues and costs when non-program foods are sold. A memo was sent to school districts on May 7, 2015 from the Division of Food and Nutrition, regarding maintenance of accounts for the cost of sales for non-program foods separate from program foods. To record

these costs separately, existing line 92160, account 60-910-310-870, entitled “cost of sales” will be discontinued, and replaced by two new lines:

- line 92161, account 60-910-310-871 entitled “cost of sales – reimbursable programs”, and
- line 92162, account 60-910-310-872 entitled “cost of sales – non-reimbursable programs”.

**Other Appropriation Lines:**

Line 88580 entitled “Title V”, account numbers 20-XXX-XXX-XXX, has been removed from the 2015-16 budget software. The Title V revenue source is no longer funded.

The title for line 45030, account number 11-000-230-180, has been updated to “Salaries of State Monitors”.

Line 76385, account 12-000-400-937, entitled “Impact Aid Reserve (Capital) – Transfer to Capital Projects” has been added. This line is used to record the transfer of funds withdrawn from the Impact Aid Reserve (Capital) into the capital projects fund. See the balance sheet section later in this letter for more details regarding the Impact Aid reserves.

School-Based Expenditures Changes – see attachment 1 for line details.

The changes in the school-based expenditures are all related to the new unused vacation and unused sick lines. See the Expenditures section above for a full description of the new “Unused Vacation Payments to Terminated/Retired Staff” and “Unused Sick Payments to Terminated/Retired Staff”.

**BALANCE SHEET**

Balance Sheet Changes – see attachment 1 for line details.

P.L. 2015, c.46, approved on May 7, 2015, amended N.J.S.A. 18A:7F-41 to include a new reserve for federal impact aid. This law is effective immediately. It allows a board of education to appropriate into a reserve federal impact aid funds under sections 8002, 8003, 8007 or 8008 of the Elementary and Secondary Education Act of 1965. Reserve deposits may be established in the district’s original budget or by a transfer by two-thirds affirmative vote of the board membership between June 1 and June 30. Withdrawals may be in any subsequent year. Transfers to the reserve account shall not exceed the total amount of the federal impact aid received in the fiscal year. The board may use the funds in the reserve for general fund or to finance school facilities projects, in a manner consistent with federal law. The total amount of funds on deposit in the reserve shall not be limited.

Boards of education that establish a federal impact aid reserve must report the amount of the federal impact aid received, expended and on deposit in the federal impact aid reserve account in the annual audit, in the annual user-friendly budget posting. The board must also

report the amount of the federal impact aid received, expended and on deposit in the federal impact aid reserve account at each board of education meeting, and in the board secretary report.

Due to the timing of the approval of the new statute, the new lines related to this reserve were not included in the 2015-16 budget. These new lines will be added in the 2014-15 Audsum program for use in recording actual 2014-15 reserves. Two new reserves have been added. The Impact Aid Reserve (General) will be used to record reserved federal Impact Aid which was received under sections 8002 or 8003 of the Elementary and Secondary Education Act of 1965. The Impact Aid Reserve (Capital) will be used to record reserved federal Impact Aid which was received under sections 8007 or 8008 of the Elementary and Secondary Education Act of 1965.

New investment accounts for the Current Assets section of the balance sheet have been created for the two new reserves. Asset account 10-108 for “Investment – Impact Aid Reserve (General)”, for amounts under sections 8002 and 8003 deposited to reserve; and account 10-109 “Investment – Impact Aid Reserve (Capital)” for amounts under sections 8007 and 8008 deposited to reserve.

The General Fund Interim Balance Sheet should also include the following new sections under Fund Balance – Reserved Fund Balance and Recapitulation of Fund Balance:

Fund Balance

Reserved Fund Balance:

756	Federal Impact Aid Reserve (General) – July 1, 20__	\$ _____	
611	Add: Increase in Federal Impact Aid Reserve (General)	_____	
318	Less: Withdrawal from Federal Impact Aid Reserve (General)	_____	\$ _____
757	Federal Impact Aid Reserve (Capital) – July 1, 20__	\$ _____	
612	Add: Increase in Federal Impact Aid Reserve (Capital)	_____	
319	Less: Withdrawal from Federal Impact Aid Reserve (Capital)	_____	\$ _____

Recapitulation of Fund Balance

Insert this section prior to the “Adjustment for Prior Year Encumbrances” line. Without these changes, the final amount calculated for budgeted fund balance will not agree with the amount shown in the interim balance sheet in account 303 – budgeted fund balance.

Change in Federal Impact Aid Reserve (General):

611	Plus: Increase in Reserve	\$ _____	\$ _____	\$ _____
318	Less: Withdrawal from Reserve	_____	_____	_____

Change in Federal Impact Aid Reserve (Capital):

612	Plus: Increase in Reserve	\$ _____	\$ _____	\$ _____
319	Less: Withdrawal from Reserve	_____	_____	_____

## OTHER UPDATES

Administrative code section N.J.A.C. 6A:23A-3.2(h) has been adopted for Family Crisis Transportation Aid. Revenue line 441, account 10-3133, was created in 2014-15 to record this aid. A memo on the new requirements related to this aid was released to districts in the May 12, 2015 department broadcast. Please see the memo posted on the department's website at: <http://education.state.nj.us/broadcasts/2015/MAY/12/13584/Family%20Crisis%20Laws%20New%20Requirement.pdf>.

The National Center for Education Statistics (NCES) released an updated "Financial Accounting for Local and State School Systems" publication on April 20, 2015. Due to the timing of the release, any updates needed to the New Jersey accounts to align with NCES updates will be included in the 2016-17 accounts. The NCES update can be found on the web at <http://nces.ed.gov/pubsearch/pubsinfo.asp?pubid=2015347>.

If you have any questions or need additional information please feel free to contact me at (609) 341-5297 or by email at [Stephanie.Gorman@doe.state.nj.us](mailto:Stephanie.Gorman@doe.state.nj.us).

Sincerely,



Stephanie J. Gorman  
Planning Associate  
Office of School Finance

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Enclosures

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