



Governor Christie Announces Plan To Provide Additional State Aid To Districts That Adopt Salary Freeze

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Trenton, NJ - Governor Chris Christie today announced a proposal to provide additional state aid to school districts that negotiate salary freezes as part of their fiscal year 2011 budgets. The additional aid would help offset reductions in state aid as part of the Governor's proposed FY2011 Budget by providing aid dollars in an amount equal to the Social Security and Medicare payroll deductions that would have been paid on the salary increase were a freeze not adopted.

"In these difficult economic times, when fewer resources are available and difficult choices are required, local school districts and education associations are being asked to share in the sacrifices needed to protect our educational priorities," said Governor Christie. "It is our obligation to provide every possible incentive to assist those districts who are doing the right thing, making concessions to achieve savings in their schools, and joining together to avoid program and staff cuts.

"The additional dollars that result will be provided to help offset state aid reductions and give additional help to keep another teacher position, music or sports program, or help offset other areas that would otherwise be cut," the Governor said.

The State of New Jersey pays Social Security payroll taxes in the amount of 6.2 percent on employee earnings up to \$106,800 and Medicare payroll taxes in the amount of 1.45 percent with no cap. Therefore, the total payroll levy from these two taxes is a combined 7.65 percent on employee earnings.

The Governor's proposed FY2011 budget includes expenditures for these anticipated Social Security and Medicare payroll taxes. By reducing payroll expenses via a salary freeze, the state would experience savings on these tax levies and apply those funds in the form of additional aid in the districts where those savings occur. As a result, this proposed aid would not come at any additional cost to the state.

As an example, a school district that saves \$1 million through a one-year salary freeze would receive additional state aid of \$76,500 as result of these savings. Statewide, if \$500 million of savings were achieved through salary freezes, additional aid would total \$38,250,000.

The proposal will require legislative approval through language in the state budget, including a provision allowing school districts to appropriate the additional funds following the adoption of local school district budgets occurring prior to the passage of the state budget.

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