

# ASSEMBLY APPROPRIATIONS COMMITTEE

## STATEMENT TO

### ASSEMBLY COMMITTEE SUBSTITUTE FOR ASSEMBLY, No. 4496

# STATE OF NEW JERSEY

DATED: FEBRUARY 23, 2023

The Assembly Appropriations Committee reports favorably Assembly Bill No. 4496 ACS.

This bill provides various changes to the laws governing the construction of school facilities projects and the operations of the New Jersey Schools Development Authority (SDA).

#### *Model School Designs*

The committee substitute requires the SDA, in consultation with the Commissioner of Education, to establish a model school design program that would establish uniform standards for the exterior and interior design of school facilities projects. The bill defines the components of the model school design program.

The committee substitute requires all projects in SDA districts to conform to the standards of the model school design program. In addition, if a non-SDA district constructs a project that conforms to the standards of the model school design program, the district aid percentage, which is used to calculate the district's debt service aid, would be increased by 15 percent.

#### *School Facilities Projects of Charter Schools and Renaissance School Projects in SDA Districts*

The committee substitute provides a State funding mechanism for school facilities projects undertaken by charter schools and renaissance school projects physically located in SDA districts. Under current law, charter schools are prohibited from constructing a facility with public funds other than federal funds and renaissance school projects are required to build a school facility at the sole expense of the nonprofit entity that created the school.

Under the committee substitute, charter schools and renaissance school projects located in SDA districts would be eligible to receive funding for 100 percent of the final eligible costs of the project. To secure the funding, a charter school or renaissance school project would submit an application to the SDA. The SDA, in consultation with the Department of Education, would annually review the applications and thereafter create a Statewide charter school and renaissance school project facilities strategic plan to be used in the

sequencing of school facilities projects of charter schools and renaissance school projects in SDA districts. The Statewide charter school and renaissance school project facilities strategic plan would include a Statewide educational priority ranking of the school facilities projects based upon the SDA's determination of critical need. The committee substitute lists certain priority areas for the determination of critical need in the review of school facilities projects of charter schools and renaissance school projects physically located in SDA districts.

Under the committee substitute, the SDA would authorize a charter school or renaissance school project to undertake a school facilities project following the determination of final eligible costs for the project. A charter school or renaissance school project authorized to undertake a school facilities project under the bill would be subject to the provisions of the "Public School Contracts Law." The committee substitute also includes certain limits on the use of State funds in the event that a school facilities project for which a charter school or renaissance school project is seeking State support is requested for a leased facility in which the school is a lessee.

#### *Non-SDA Projects*

The committee substitute also provides several changes to the laws governing the construction of school facilities projects in non-SDA school districts.

Notably, the amended bill allows a school district to raise bonds for a school facilities project without the approval of the voters of the district if the school district enters into a contract with one or more municipalities, wherein the municipality provides the district with not less than 60 percent of the payments in lieu of taxes received from one or more designated properties, and the district pledges those monies to the repayment of the bonds. However, after entering into the contract, the school district would also be required to submit an application to the commissioner before issuing the bonds without voter approval.

Additionally, the committee substitute permits the board of education of a district other than an SDA district to enter into an agreement with a county improvement authority to construct a school facilities project and to issue bonds to finance certain portions of the project.

The committee substitute also permits a board of education of a school district to draw against its capital reserve account in order to finance a portion of a project for which a school district and private entity enter into a public-private partnership agreement pursuant to current law.

The committee substitute also requires the commissioner, in consultation with the SDA, to promulgate regulations concerning the incorporation of construction contract provisions that encourage the completion of construction projects on schedule.

*SDA Finances and Operations*

The committee substitute provides that bonds issued by the New Jersey Economic Development Authority (EDA) for the State share of school facilities projects, the proceeds of which are transferred to the SDA, will not support the costs of either agency related to the issuance of the bonds. Bonds issued after the effective date of the committee substitute will not support the administrative, insurance, operating and other expenses of the EDA to issue the bonds. Under the committee substitute, the costs related to the undertaking of the planning, design, and construction of school facilities projects will also not be supported by bonds issued after the substitute's effective date. These administrative costs would instead be annually supported by State appropriations.

The substitute also requires the SDA to establish four funds in which the net proceeds of the bonds issued for school facilities projects, and any State appropriations for school facilities projects, would be deposited. The four funds are as follows: (1) the SDA District Project Fund; (2) the Regular Operating District Construction and Maintenance Grants Fund; (3) the SDA District Emergent Project Fund; and (4) the Charter School and Renaissance School Project Construction and Maintenance Fund.

The committee substitute stipulates that no less than 50 percent of any appropriations providing direct funding for school facilities projects would be appropriated for SDA district school facilities projects and SDA district emergent needs. The remaining funds would be utilized in a manner to be determined by the SDA.

FISCAL IMPACT:

The Office of Legislative Services (OLS) finds that this bill will primarily lead to an increase in State expenditures. The OLS estimates that the minimum increase in annual State costs would be \$15 million, solely to cover the salaries and benefits charged to school facilities projects undertaken by the New Jersey Schools Development Authority (SDA). Other provisions of the bill will likely cause State costs to be significantly higher, with perhaps the largest cost driver being the provision of the bill that requires 100 percent State support for certain school facilities projects of charter schools and renaissance school projects physically located in SDA districts. The OLS does not have the information on which to definitively project the costs of funding these school facilities projects. In gauging a sense of the potential magnitude of costs, however, the office notes that a school needs assessment survey conducted by the New Jersey Charter Schools Association and JerseyCAN estimates that, over the next decade, school facilities needs in charter schools and renaissance school projects located in the six largest SDA districts total approximately \$820 million.

The bill would also cause an increase in State expenditures, and a concurrent increase in State aid revenue for local school districts, to provide incentives to non-SDA districts (also known as “regular operating districts”) that undertake school facilities projects adhering to the “model school design program” established under the bill or that implement energy efficiency features. The OLS is unable to quantify the increase in State costs as a result of these provisions of the bill, as the extent to which regular operating districts will adhere to these standards in future school facilities projects is unclear. The increase would primarily affect the appropriation for School Construction Debt Service Aid, which totaled \$120.3 million in fiscal year 2023..