

# ASSEMBLY APPROPRIATIONS COMMITTEE

## STATEMENT TO

[Second Reprint]

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

with committee amendments

# STATE OF NEW JERSEY

DATED: DECEMBER 18, 2023

The Assembly Appropriations Committee reports favorably and with committee amendments Assembly Bill No. 4496 (2R) ACS.

As amended, this committee substitute 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*

As amended, 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.

### *Non-SDA Projects*

As amended, the committee substitute also makes several changes to the laws governing the construction of school facilities projects in non-SDA school districts.

The amended substitute 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 a portion of the payments in lieu of taxes received from one or more designated properties that is to be sufficient for the full repayment of the bonds, 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*

As amended, 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, non-project 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.

As amended, the substitute also requires the SDA to establish three 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 three funds are as follows: (1) the SDA District Project Fund; (2) the Regular Operating District Construction and Maintenance Grants Fund; and (3) the SDA District Emergent Project Fund.

The committee substitute stipulates that no less than 70 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 disbursed to the Regular Operating District Construction and Maintenance Grant Fund.

#### *School Facilities Projects of Charter Schools and Renaissance School Projects in SDA Districts and the Charter School and Renaissance School Project Facilities Loan Program.*

As amended, the committee substitute establishes the "Charter School and Renaissance School Project Facilities Loan Program," which would provide eligible borrowers with a loan including but not limited to, subordinate loans, to undertake or facilitate school facilities projects for non-profit charter schools and non-profit renaissance school projects located in an SDA district.

COMMITTEE AMENDMENTS:

The committee amended the committee substitute to:

- clarify certain terminology in the provisions of the “Charter School and Renaissance School Project Facilities Loan Program” relating to title reversion of a charter school or renaissance school project;
- provide that, in the event that the aggregate amount of a loan provided under the committee substitute exceeds \$5 million for a school facilities project, the Economic Development Authority is to require that the school facilities project be subject to a project labor agreement rather than the provisions of the SDA’s project labor agreement;
- remove a provision concerning renaissance school projects’ use of public funds to construct school facilities projects under the provisions of the committee substitute;
- update the synopsis and title of the committee substitute.

FISCAL IMPACT:

The Office of Legislative Services (OLS) finds that this bill will primarily lead to an increase in State expenditures due to several notable provisions included in the bill.

The OLS finds that expenditures related to providing State appropriations for the administrative, non-project insurance, operating, and other expenses of the New Jersey Schools Development Authority will lead to an increase in State expenditures of at least \$15 million. This figure is a minimum estimate of cost based on the authority’s budgeted amounts and expenditures on salaries and benefits charged to school facilities projects in recent years.

The OLS expects the bill to increase annual State expenditures associated with the establishment and operation of the Charter School and Renaissance School Project Facilities Loan Program. These cost increases would be borne by the New Jersey Economic Development Authority and would primarily stem from providing program loans and the ongoing administration of the program.

The bill’s establishment of the loan program would also increase expenditures and revenues for eligible borrowers who qualify for loans, including non-profit charter schools and renaissance school projects in Schools Development Authority districts.

The OLS notes that indeterminate State debt service aid cost increases will occur as a result of providing State aid incentives for non-Schools Development Authority districts (also known as “regular operating districts”) to undertake school facilities projects that implement energy efficiency features.