

SENATE BUDGET AND APPROPRIATIONS COMMITTEE

STATEMENT TO

[Third Reprint]

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

with committee amendments

STATE OF NEW JERSEY

DATED: JANUARY 4, 2024

The Senate Budget and Appropriations Committee reports favorably and with committee amendments Assembly Bill No. 4496 ACS (3R).

As amended, 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 bill 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 bill requires all projects in SDA districts to conform to the standards of the model school design program.

SDA Finances and Operations

The bill 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 generally not support the costs of either agency related to the issuance of the bonds. Bonds issued after the effective date of the bill will not support the administrative (other than retained professional services related to bond issuances), non-project insurance, operating and other expenses of the EDA to issue the bonds. Under the bill, the costs related to the SDA's undertaking of school facilities projects will also not be supported by bonds issued after the bill's effective date. These costs would instead be annually supported by State appropriations, in the event that the SDA requests State support following the issuance of school construction bonds by the EDA.

The bill 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 bill 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.

The bill 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.

Other Provisions

The bill also 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. Under the bill, a municipality in this case is required to receive the approval of the Local Finance Board and the school district is required to receive the approval of the Commissioner of Education.

Additionally, the bill 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 bill 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 bill 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.

As amended and reported by the committee, Assembly Bill No. 4496 (ACS/3R) is identical to the Senate Committee Substitute for

Senate Bill No. 3247, which was also reported by the committee on this date.

COMMITTEE AMENDMENTS:

The committee amended the bill to:

- Remove provisions of the bill requiring school districts to include capital improvement plans in their long-range facilities plans;
- Provide that the SDA may permit the project design of an SDA school district school facilities project to include features that are considered excess costs provided that the design features do not exceed the lesser of 15 percent of total estimated project costs or \$4 million;
- Require a municipality, which is seeking to enter into a contract with a school district to pledge a portion of its payments in lieu of taxes to the school district under certain circumstances enumerated in the bill, to obtain the approval of the Local Finance Board prior to the adoption of an ordinance or resolution, as applicable, authorizing the municipality to enter into the contract;
- Provide that the proceeds of school construction bonds issued by the EDA may be used to pay for retained professional services related to the issuance of the bonds;
- Provide that, in the event that bonds are issued by the EDA to finance school facilities project costs and to provide funding to the SDA to undertake school facilities projects, the SDA may submit a request to the Division of Budget and Accounting in the Department of the Treasury for additional State support for its operations in carrying out the school construction program;
- Provide that the Governor will appoint certain public members to the SDA board, and may suspend or remove those members, with the recommendation of the Senate President and Speaker of the General Assembly;
- Include a definition of “title” in connection with provisions of the bill related to the “Charter School and Renaissance School Project Facilities Loan Program” established by the bill;
- Provide that the EDA will work in consultation with the Department of Education in considering the critical need of school facilities project applications submitted under the loan program established by the bill;
- Specify that the title of a charter school or renaissance school project, which receives loan financing under the bill and ceases to operate, may revert to the Department of the Treasury, rather than the State, in certain circumstances;
- Specify that the Department of the Treasury, rather than the State, would assume any outstanding debt of certain charter

schools and renaissance school projects that receive loan financing under the bill and cease to operate;

- Specify that the Department of the Treasury, rather than the State, may sell the property of certain closed charter schools or renaissance school projects to another charter or renaissance school, or to another eligible borrower, in certain circumstances;
- Require the Economic Development Authority to promulgate regulations concerning the loan program established by the bill within 12 months of the bill's enactment, rather than in 180 days; and
- Make technical corrections to certain citations in the bill.

FISCAL IMPACT:

Fiscal information for this bill is currently unavailable.