

LEGISLATIVE FISCAL ESTIMATE

ASSEMBLY, No. 2425

STATE OF NEW JERSEY

222nd LEGISLATURE

DATED: JULY 1, 2026

SUMMARY

- Synopsis:** Establishes educational service agencies for procuring custodial and food services in schools and ensures certain employee rights for affected employees.
- Type of Impact:** Potential annual impact on State expenditures and local school district expenditures and revenues.
- Agencies Affected:** Department of Education; certain school districts.

Office of Legislative Services Estimate

Fiscal Impact	Annual
State Cost Impact	Indeterminate
Local Cost Impact	Indeterminate
Local Revenue Impact	Indeterminate

- The Office of Legislative Services (OLS) determines that school districts that join educational service agencies will experience an indeterminate impact on the annual cost of delivering those services. The objective of the educational service agencies would be to facilitate cost savings for the provision of food and custodial services; however, the extent of any savings is dependent on contract parameters as well as educational service agency expenses.
- The OLS also finds the bill could lead to a potential increase in State expenditures and an equal revenue increase for certain school districts. The bill stipulates that school districts are not required to undertake any additional expenditures as a result of implementing the provisions of this bill. If the savings achieved through the master contracts are not sufficient to offset the increase in administrative costs of the educational service agency, the State is required to fund the difference for a five-year transitional period.



BILL DESCRIPTION

This bill mandates the consolidation of procurement of food and custodial services through educational service agencies established at the county level. The objective of these educational service agencies would be to facilitate cost savings through economies of scale, while preserving school district control over core school district functions.

The bill establishes an educational service agency in each county, which will serve as a cooperative of school districts to contract for custodial and food services. Membership in an agency will be automatic for each school district in that county that uses a private contractor with respect to a covered service, except that in cases in which the district has chosen to contract for only one type of covered service its membership will be automatic only for that specific covered service. A member school district may acquire a contracted service only through the master contract of the educational service agency. Under the bill, the agency will operate as a cooperative pricing system.

The bill establishes a representative assembly for the educational service agency that is comprised of one representative from each member school district. The bill requires the representative assembly to annually adopt a budget for the ensuing fiscal year, which contains the estimated cost of providing each service, and submit the budget to the board of directors for approval. The members of the board of directors would serve without compensation; however, the members are entitled to reimbursement for all reasonable and necessary expenses. The board is required to appoint a secretary and may employ such other persons as are necessary to perform its administrative duties.

Member school districts are required to pay a fee to the educational service agency which is proportionate to the district's share of the total student enrollment of all member districts. The educational service agency may also contract with nonpublic schools for the provision of covered services, and each nonpublic school is required to pay a fee to the educational service agency which is not less than the fee that would be charged to an equivalently sized member school district.

A school district is not required to undertake any additional expenditures to implement the provisions of this bill, and if the savings in contract and administrative costs are not sufficient to offset any additional expenditures, the executive county superintendent will estimate the difference between the school district's relevant direct expenditures, adjusted for inflation, prior to its adhesion to the master contract, and its direct expenditures as a member school district. The State will pay the difference during a five-year transition period.

FISCAL ANALYSIS

EXECUTIVE BRANCH

None received.

OFFICE OF LEGISLATIVE SERVICES

The OLS estimates that the enactment of this bill would have indeterminate annual impacts on local school district and State expenditures. By requiring the consolidation of the provision of covered services through master contracts awarded by county educational service agencies, the bill aims to reduce the costs to school districts associated with providing those services. Whether the cost savings achieved through the master contracts negotiated by an educational service agency would be sufficient to offset additional expenditures needed for the operation of the agency would

be dependent on a number of factors and would vary from district to district. The bill would impact an indeterminate number of school districts which already use a private contractor to provide the covered services, or districts that choose to join the educational service agency and use the master contracts negotiated by the agency.

The objective of the bill is to achieve a decrease in cost to school districts associated with providing food and custodial services. Any school district that contracts with a private provider for these services at the time of enactment would be required to join the educational service agency of the district's county and adhere to the master contracts negotiated by the educational service agency. By utilizing a cooperative pricing system, the educational service agency would seek to operate as an economy of scale, wherein a larger unit, in this case the educational service agency, is able to obtain cost advantages over a smaller unit, such as an individual school district. However, the size of the advantage, and therefore the amount of savings, would vary from district to district based on the size of the districts, the number of districts and nonpublic schools comprising the educational service agency, the prior contracts entered into by each district for the provision of covered services, the terms of newly negotiated master contracts entered into by the educational service agency, and any administrative expenditures associated with forming and maintaining an educational service agency.

The fee owed by each school district and nonpublic school to the educational service agency would be dependent on the size of the district or school as well as the cost of providing the covered services as determined by the master contracts awarded by the educational service agency. The fees owed to an educational service agency by a member district will be determined by the agency and as such cannot be estimated by the OLS.

The board of directors of the educational service agency is required to employ an individual as its secretary, and may employ any additional persons as are necessary to perform the administrative duties of the agency. All such persons are entitled to compensation and the same rights and benefits as a person holding office, position, or employment under a school district board of education. In addition to the annual costs associated with the function of the agency, there may be one-time costs associated with the formation of the educational service agency. Under the bill, any administrative employee whose position is eliminated due to the implementation of the bill is entitled to terminal leave compensation. An educational service agency will determine the rate of compensation for any employees of the agency and any additional expenses of the agency will be determined by the agency, and as such cannot be estimated by the OLS.

The OLS also finds the bill could lead to a potential increase in State expenditures and an equal revenue increase for certain school districts. The bill stipulates that school districts are not required to undertake any additional expenditures as a result of implementing the provisions of this bill. If the savings achieved through the master contracts are not sufficient to offset the increase in administrative costs of the educational service agency, the State is required to fund the difference for a five-year transitional period. The amount received by a district would be determined by the executive county superintendent by estimating the difference between the district's relevant direct expenditures prior to adhesion to the master contracts, adjusted for inflation, and its direct expenditures as a member school district. The size of the potential increase in State expenditures would be dependent on the number of districts requiring additional State funding and the amount of funding needed by each district.

Section: Education

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This legislative fiscal estimate has been produced by the Office of Legislative Services due to the failure of the Executive Branch to respond to our request for a fiscal note.

This fiscal estimate has been prepared pursuant to P.L.1980, c.67 (C.52:13B-6 et seq.).