

LEGISLATIVE FISCAL ESTIMATE
SENATE, No. 859
STATE OF NEW JERSEY
219th LEGISLATURE

DATED: OCTOBER 22, 2020

SUMMARY

Synopsis: Eliminates NJ Schools Development Authority and transfers its school construction responsibilities to EDA.

Type of Impact: Multi-Year Increased State Cost.

Agencies Affected: Economic Development Authority, Schools Development Authority.

Office of Legislative Services Estimate

Fiscal Impact	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>
State Cost Increase		Indeterminate	

- The Office of Legislative Services (OLS) finds that the bill will result in an indeterminate increase in State costs, possibly over multiple years, to reorganize the Schools Development Authority (SDA) into the Economic Development Authority (EDA).
- The bill does not change the scope or scale of statutory school construction activities, limiting the long run fiscal impacts, except to the extent that the EDA is able to more or less efficiently engage in school construction activity.
- The reorganization of school construction activities under the EDA and the dissolution of the SDA will likely result in costs during the transition period which could take multiple years to complete.

BILL DESCRIPTION

This bill revises the school construction program established under the Educational Facilities Construction and Financing Act and abolishes the SDA, which was created pursuant to P.L.2007, c.137 (C.52:18A-235 et al.) as a new State authority responsible for the construction of schools in the former Abbott districts. Under P.L.2007, c.137, the EDA retained its responsibility for the financing of school construction projects. This bill transfers all the functions, powers, duties, and

employees of the SDA to the EDA. The bill thereby consolidates all the construction and financing authority for school facilities projects in a single State authority.

FISCAL ANALYSIS

EXECUTIVE BRANCH

None received.

OFFICE OF LEGISLATIVE SERVICES

The OLS finds that the bill will result in an indeterminate increase in State costs to reorganize the SDA into the EDA. Those costs will likely be concentrated in the first few years after enactment when the State may face fixed costs in dissolving the SDA, and transferring its functions over to the EDA.

Those costs may include employment shifts between agencies, new materials, equipment, and office space at the EDA, and costs to repurpose SDA buildings, equipment, and assets for other State uses. There may also be a variety of contract and service related costs due to the change in authority responsibilities. The scale and scope of these changes cannot be determined at this point because they will largely be dependent upon future operational decisions to be made once the bill is enacted. Decisions that minimize costs by retaining SDA staff, contracts, and operating practices will also likely limit the extent to which long-term costs of school construction will be impacted. More expensive short-term decisions to reorganize staffing, contracts, and operations will be more likely to change the long-term costs of school construction activity, which may be more or less efficient, depending upon the effectiveness of those choices. Also, the SDA has relied upon the proceeds of State-supported bonding activity to support its school construction activity. Presumably the EDA will similarly rely on bond revenues where State appropriations are used to repay the debt, which this bill would not directly impact.

Section: Authorities, Utilities, Transportation and Communications

*Analyst: Patrick Brennan
Principal Fiscal Analyst*

*Approved: Frank W. Haines III
Legislative Budget and Finance Officer*

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.).