

TECHNICAL REVIEW:	No		
COMMITTEE STATEMENT:	ASSEMBLY:	No	
	SENATE:	Yes	Budget & Appropriations

(Audio archived recordings of the committee meetings, corresponding to the date of the committee statement, *may possibly* be found at www.njleg.state.nj.us)

FLOOR AMENDMENT STATEMENT:	No
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LEGISLATIVE FISCAL ESTIMATE:	Yes
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VETO MESSAGE:	No
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GOVERNOR'S PRESS RELEASE ON SIGNING:	Yes
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REPORTS:	No
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HEARINGS:	No
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NEWSPAPER ARTICLES:	No
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CL/MM

P.L. 2024, CHAPTER 79, *approved September 12, 2024*
Assembly, No. 4533

1 AN ACT concerning the financing of school facilities projects and
2 amending P.L.2023, c.311.

3
4 **BE IT ENACTED** by the Senate and General Assembly of the State
5 of New Jersey:

6
7 1. Section 5 of P.L.2023, c.311 (C.18A:7G-5b) is amended to
8 read as follows:

9 5. a. Notwithstanding the provisions of P.L.2000, c.72
10 (C.18A:7G-1 et al.) or any other section of law to the contrary, the
11 board of education of a district other than an SDA district may enter
12 into an agreement with a county improvement authority to construct
13 a school facilities project and to issue its bonds to finance the local
14 share of a project that is to be financed pursuant to section 15 of
15 P.L.2000, c.72 (18A:7G-15), or to finance the total costs of a
16 project that is not to be financed pursuant to section 15 of P.L.2000,
17 c.72 (C.18A:7G-15). The bonds of a county improvement authority
18 issued to finance the total costs of a school facilities project that is
19 not to be financed pursuant to section 15 of P.L.2000, c.72
20 (C.18A:7G-15) shall be eligible for State debt service aid in
21 accordance with the formula established pursuant to section 9 of
22 P.L.2000, c.72 (C.18A:7G-9).

23 b. A district other than an SDA district may lease its lands or
24 facilities to the county improvement authority, which may construct
25 the school facilities project. Whenever a school facilities project is
26 constructed by a county improvement authority pursuant to the
27 provisions of this section, the improvement authority shall follow
28 the applicable public bidding procedures or requirements under the
29 “Public School Contracts Law,” N.J.S.18A:18A-1 et seq., section 2
30 of P.L.2018, c.90 (C.18A:18A-60), or sections 34 through 41 of
31 P.L.2021, c.71 (C.18A:18A-61 through C.18A:18A-68).

32 c. The county improvement authority **[shall]** may lease the
33 school facilities project to the county, which shall then lease it **[for**
34 **nominal consideration]** to the district for as long as the county
35 improvement authority bonds or refunding bonds are outstanding.
36 **[Nothing in this section shall be construed to authorize a county to**
37 **require the district to bear any portion of the cost of the debt service**
38 **on the county improvement authority bonds issued to fund the**
39 **school facilities project or any refunding bonds]** The leases
40 executed pursuant to this subsection shall be valid and binding on
41 the county and the district.

EXPLANATION – Matter enclosed in bold-faced brackets **[thus]** in the above bill is
not enacted and is intended to be omitted in the law.

Matter underlined thus is new matter.

1 d. **【The】** In the event that leases of a school facilities project
2 are executed pursuant to subsection c. of this section, the district
3 lease payments made to the county and the county lease payments
4 made to the county improvement authority **【pursuant to subsection**
5 **c. of this section】** shall not be subject to any cap on appropriations
6 or on spending or to any tax levy cap. The **【county】** district lease
7 payments shall be sufficient to pay all debt service on the county
8 improvement authority bonds issued to fund the school facilities
9 project, or any refunding bonds, that remains after the application of
10 any State debt service aid paid on those bonds pursuant to section 9
11 of P.L.2000, c.72 (C.18A:7G-9). The **【county】** district lease
12 payments shall be binding, and the full amount of annual district
13 lease payment obligations shall be included in each school budget
14 adopted over the life of the bonds. All lease payments pursuant to
15 this section shall be payable over the life of the bonds.

16 e. When the bonds issued by a county improvement authority
17 are no longer outstanding, **【the】** any leases and liens of the county
18 and the county improvement authority that are executed pursuant to
19 subsection c. of this section shall expire and the school facilities
20 project shall be solely vested in the school district. The school
21 district shall be responsible for the operation, maintenance, and
22 improvement of the school facility upon the completion of the
23 school facilities project.
24 (cf: P.L.2023, c.311, s.5)

25
26 2. Section 7 of P.L.2023, c.311 (C.18A:7G-15.1a) is amended to
27 read as follows:

28 7. a. Notwithstanding any provision of law to the contrary, when
29 the board of education of a district determines that it is not financing a
30 school facilities project under section 15 of P.L.2000, c.72 (C.18A:7G-
31 15) and that it is necessary to sell bonds to raise money for the total
32 costs of a school facilities project, the board of education may issue
33 such bonds as are necessary to fund the project without the approval of
34 the voters of the district, provided that before issuing the bonds:

35 (1) the board of education has entered into a written contract with
36 one or more municipalities, wherein the municipality shall annually
37 remit to the board of education a portion of the payments in lieu of
38 taxes received by the municipality from one or more designated
39 properties, which portion shall be sufficient for the **【full】** repayment
40 of the **【bonds】** amount of debt service on the school facilities project
41 bonds that remains after the application of any State debt service aid
42 paid on the bonds in accordance with the formula established under
43 section 9 of P.L.2000, c.72 (C.18A:7G-9), and the board of education
44 shall pledge all remittances to the **【full】** repayment of the bonds; and

45 (2) the bond issuance and contract has been approved by the Local
46 Finance Board pursuant to subsection b. of this section and the
47 commissioner pursuant to subsection c. of this section.

1 b. A municipality intending to enter into a contract to pledge a
2 portion of the payments in lieu of taxes received by the municipality
3 from one or more designated properties pursuant to this section shall
4 obtain the approval of the Local Finance Board prior to the adoption of
5 an ordinance or resolution, as applicable, authorizing the municipality
6 to enter into the contract. The board shall be entitled to receive from
7 the applicant an amount sufficient to provide for all reasonable
8 professional and other fees and expenses incurred by it for the review,
9 analysis, and determination with respect thereto. As part of the
10 board's review and approval, the board shall consider whether the
11 proposed contract will adversely impact the financial stability of the
12 municipality.

13 c. (1) If a board of education elects to issue bonds pursuant to this
14 section, the board of education shall apply to the commissioner for
15 approval of the bond issuance. The commissioner shall be entitled to
16 receive from the applicant an amount sufficient to provide for all
17 reasonable professional and other fees and expenses incurred for the
18 review, analysis, and determination with respect thereto. In addition to
19 any other information that the commissioner may deem appropriate,
20 the application shall include: a description of the school facilities
21 project; a certification of the amount to be raised by the bonds; a
22 description of the anticipated annual debt service costs, including the
23 amounts to be supported by municipal remittances; and a copy of the
24 contract.

25 (2) Within 30 days of receiving the application, the commissioner
26 shall approve, conditionally approve, or reject the application. If the
27 application is conditionally approved, the commissioner shall state, in
28 writing, the revisions that shall be made to the contract in order for the
29 application to be approved. If the commissioner does not approve,
30 conditionally approve, or reject the application within 30 days of the
31 date of receipt, the commissioner shall be deemed to have approved
32 the application.

33 d. Any debt service on a bond issued by a school district pursuant
34 to this section **【that is not supported by municipal remittances**
35 **authorized under this section and is paid by the board of education】**
36 shall be eligible for State debt service aid in accordance with the
37 formula established under section 9 of P.L.2000, c.72 (C.18A:7G-9).

38 e. The commissioner, in consultation with the Local Finance
39 Board, and the Local Finance Board, in consultation with the
40 commissioner, shall promulgate, pursuant to "Administrative
41 Procedure Act," P.L.1968, c.410 (C.52:14B-1 et seq.), such rules and
42 regulations as may be necessary to implement the provisions of this
43 section. At a minimum, the rules and regulations shall establish
44 requirements and procedures concerning the process by which
45 municipalities and districts may enter into contracts pursuant to this
46 section.

47 (cf: P.L.2023, c.311, s.7)

1 3. This act shall take effect immediately.

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STATEMENT

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6 This bill modifies certain sections of law concerning financing
7 mechanisms for school facilities projects that are constructed by
8 districts other than SDA districts. These districts are often referred
9 to as “regular operating districts.”

10 Pursuant to current State law, a regular operating district may
11 enter into an agreement with a county improvement authority to
12 construct a school facilities project and to issue bonds to finance the
13 project. In this case, the county improvement authority is required
14 to lease the school facilities project to the county, which then leases
15 it for nominal consideration to the school district for as long as the
16 county improvement authority bonds are outstanding. The law
17 stipulates that a county is not authorized to require a district to bear
18 any portion of the cost of the bonds issued by a county
19 improvement authority to fund the school facilities project. County
20 lease payments made to the county improvement authority are not
21 subject to any cap on appropriations or on spending or to any tax
22 levy cap. This bill would modify this section of law to:

- 23 • permit, rather than require, a county improvement authority
24 to lease the school facilities project to the county;
- 25 • remove the requirement that the lease of a school facilities
26 project from a county to a district be for nominal
27 consideration;
- 28 • remove language that prohibits a county from requiring a
29 district to bear any portion of the debt service costs for
30 bonds issued by a county improvement authority to fund a
31 school facilities project;
- 32 • require that district lease payments pursuant to the bill be
33 sufficient to pay all debt service on county improvement
34 authority bonds that remain after the application of State
35 debt service aid; and
- 36 • provide that school district lease payments to a county for a
37 school facilities project are not subject to any cap on
38 appropriations or on spending or to any tax levy cap.

39 Current State law also permits a regular operating district to raise
40 bonds for a school facilities project without the approval of the
41 voters of the district if: 1) the school district enters into a contract
42 with one or more municipalities under which the municipality
43 remits a portion of the payments in lieu of taxes received from one
44 or more designated properties; and 2) the amounts remitted from the
45 municipality to the school district are used for the full repayment of
46 the bonds raised for the school facilities project. This bill modifies
47 the law to provide that municipal remittances to school districts are
48 to be sufficient to cover only the portion of bond proceeds that are

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1 not supported by debt service aid provided by the State. The bill
2 further clarifies that bonds, which are supported by municipal
3 remittances of payments in lieu of taxes to a school district for a
4 school facilities project, are eligible for State debt service aid.

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9 Revises certain sections of law concerning financing mechanisms
10 for school facilities projects of regular operating districts.

CHAPTER 79

AN ACT concerning the financing of school facilities projects and amending P.L.2023, c.311.

BE IT ENACTED by the Senate and General Assembly of the State of New Jersey:

1. Section 5 of P.L.2023, c.311 (C.18A:7G-5b) is amended to read as follows:

C.18A:7G-5b County improvement authority, agreement, school facilities project construction, issue bonds, financing.

5. a. Notwithstanding the provisions of P.L.2000, c.72 (C.18A:7G-1 et al.) or any other section of law to the contrary, the board of education of a district other than an SDA district may enter into an agreement with a county improvement authority to construct a school facilities project and to issue its bonds to finance the local share of a project that is to be financed pursuant to section 15 of P.L.2000, c.72 (18A:7G-15), or to finance the total costs of a project that is not to be financed pursuant to section 15 of P.L.2000, c.72 (C.18A:7G-15). The bonds of a county improvement authority issued to finance the total costs of a school facilities project that is not to be financed pursuant to section 15 of P.L.2000, c.72 (C.18A:7G-15) shall be eligible for State debt service aid in accordance with the formula established pursuant to section 9 of P.L.2000, c.72 (C.18A:7G-9).

b. A district other than an SDA district may lease its lands or facilities to the county improvement authority, which may construct the school facilities project. Whenever a school facilities project is constructed by a county improvement authority pursuant to the provisions of this section, the improvement authority shall follow the applicable public bidding procedures or requirements under the "Public School Contracts Law," N.J.S.18A:18A-1 et seq., section 2 of P.L.2018, c.90 (C.18A:18A-60), or sections 34 through 41 of P.L.2021, c.71 (C.18A:18A-61 through C.18A:18A-68).

c. The county improvement authority may lease the school facilities project to the county, which shall then lease it to the district for as long as the county improvement authority bonds or refunding bonds are outstanding. The leases executed pursuant to this subsection shall be valid and binding on the county and the district.

d. In the event that leases of a school facilities project are executed pursuant to subsection c. of this section, the district lease payments made to the county and the county lease payments made to the county improvement authority shall not be subject to any cap on appropriations or on spending or to any tax levy cap. The district lease payments shall be sufficient to pay all debt service on the county improvement authority bonds issued to fund the school facilities project, or any refunding bonds, that remains after the application of any State debt service aid paid on those bonds pursuant to section 9 of P.L.2000, c.72 (C.18A:7G-9). The district lease payments shall be binding, and the full amount of annual district lease payment obligations shall be included in each school budget adopted over the life of the bonds. All lease payments pursuant to this section shall be payable over the life of the bonds.

e. When the bonds issued by a county improvement authority are no longer outstanding, any leases and liens of the county and the county improvement authority that are executed pursuant to subsection c. of this section shall expire and the school facilities project shall be solely vested in the school district. The school district shall be responsible for the operation, maintenance, and improvement of the school facility upon the completion of the school facilities project.

2. Section 7 of P.L.2023, c.311 (C.18A:7G-15.1a) is amended to read as follows:

C.18A:7G-15.1a School facilities projects, sell bonds, without voter approval, requirements.

7. a. Notwithstanding any provision of law to the contrary, when the board of education of a district determines that it is not financing a school facilities project under section 15 of P.L.2000, c.72 (C.18A:7G-15) and that it is necessary to sell bonds to raise money for the total costs of a school facilities project, the board of education may issue such bonds as are necessary to fund the project without the approval of the voters of the district, provided that before issuing the bonds:

(1) the board of education has entered into a written contract with one or more municipalities, wherein the municipality shall annually remit to the board of education a portion of the payments in lieu of taxes received by the municipality from one or more designated properties, which portion shall be sufficient for the repayment of the amount of debt service on the school facilities project bonds that remains after the application of any State debt service aid paid on the bonds in accordance with the formula established under section 9 of P.L.2000, c.72 (C.18A:7G-9), and the board of education shall pledge all remittances to the repayment of the bonds; and

(2) the bond issuance and contract has been approved by the Local Finance Board pursuant to subsection b. of this section and the commissioner pursuant to subsection c. of this section.

b. A municipality intending to enter into a contract to pledge a portion of the payments in lieu of taxes received by the municipality from one or more designated properties pursuant to this section shall 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. The board shall be entitled to receive from the applicant an amount sufficient to provide for all reasonable professional and other fees and expenses incurred by it for the review, analysis, and determination with respect thereto. As part of the board's review and approval, the board shall consider whether the proposed contract will adversely impact the financial stability of the municipality.

c. (1) If a board of education elects to issue bonds pursuant to this section, the board of education shall apply to the commissioner for approval of the bond issuance. The commissioner shall be entitled to receive from the applicant an amount sufficient to provide for all reasonable professional and other fees and expenses incurred for the review, analysis, and determination with respect thereto. In addition to any other information that the commissioner may deem appropriate, the application shall include: a description of the school facilities project; a certification of the amount to be raised by the bonds; a description of the anticipated annual debt service costs, including the amounts to be supported by municipal remittances; and a copy of the contract.

(2) Within 30 days of receiving the application, the commissioner shall approve, conditionally approve, or reject the application. If the application is conditionally approved, the commissioner shall state, in writing, the revisions that shall be made to the contract in order for the application to be approved. If the commissioner does not approve, conditionally approve, or reject the application within 30 days of the date of receipt, the commissioner shall be deemed to have approved the application.

d. Any debt service on a bond issued by a school district pursuant to this section shall be eligible for State debt service aid in accordance with the formula established under section 9 of P.L.2000, c.72 (C.18A:7G-9).

e. The commissioner, in consultation with the Local Finance Board, and the Local Finance Board, in consultation with the commissioner, shall promulgate, pursuant to "Administrative

Procedure Act," P.L.1968, c.410 (C.52:14B-1 et seq.), such rules and regulations as may be necessary to implement the provisions of this section. At a minimum, the rules and regulations shall establish requirements and procedures concerning the process by which municipalities and districts may enter into contracts pursuant to this section.

3. This act shall take effect immediately.

Approved September 12, 2024.

ASSEMBLY, No. 4533

STATE OF NEW JERSEY

221st LEGISLATURE

INTRODUCED JUNE 6, 2024

Sponsored by:

Assemblyman CRAIG J. COUGHLIN

District 19 (Middlesex)

Assemblyman BENJIE E. WIMBERLY

District 35 (Bergen and Passaic)

Assemblywoman SHANIQUE SPEIGHT

District 29 (Essex and Hudson)

Senator ANDREW ZWICKER

District 16 (Hunterdon, Mercer, Middlesex and Somerset)

Senator GORDON M. JOHNSON

District 37 (Bergen)

Co-Sponsored by:

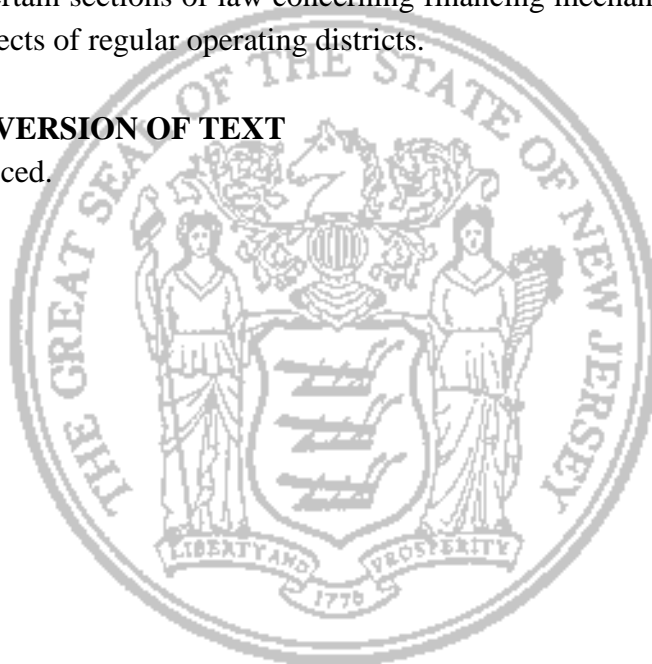
Assemblyman Atkins, Assemblywomen Bagolie and Sumter

SYNOPSIS

Revises certain sections of law concerning financing mechanisms for school facilities projects of regular operating districts.

CURRENT VERSION OF TEXT

As introduced.



(Sponsorship Updated As Of: 6/28/2024)

1 AN ACT concerning the financing of school facilities projects and
2 amending P.L.2023, c.311.

3

4 **BE IT ENACTED** by the Senate and General Assembly of the State
5 of New Jersey:

6

7 1. Section 5 of P.L.2023, c.311 (C.18A:7G-5b) is amended to
8 read as follows:

9 5. a. Notwithstanding the provisions of P.L.2000, c.72
10 (C.18A:7G-1 et al.) or any other section of law to the contrary, the
11 board of education of a district other than an SDA district may enter
12 into an agreement with a county improvement authority to construct
13 a school facilities project and to issue its bonds to finance the local
14 share of a project that is to be financed pursuant to section 15 of
15 P.L.2000, c.72 (18A:7G-15), or to finance the total costs of a
16 project that is not to be financed pursuant to section 15 of P.L.2000,
17 c.72 (C.18A:7G-15). The bonds of a county improvement authority
18 issued to finance the total costs of a school facilities project that is
19 not to be financed pursuant to section 15 of P.L.2000, c.72
20 (C.18A:7G-15) shall be eligible for State debt service aid in
21 accordance with the formula established pursuant to section 9 of
22 P.L.2000, c.72 (C.18A:7G-9).

23 b. A district other than an SDA district may lease its lands or
24 facilities to the county improvement authority, which may construct
25 the school facilities project. Whenever a school facilities project is
26 constructed by a county improvement authority pursuant to the
27 provisions of this section, the improvement authority shall follow
28 the applicable public bidding procedures or requirements under the
29 “Public School Contracts Law,” N.J.S.18A:18A-1 et seq., section 2
30 of P.L.2018, c.90 (C.18A:18A-60), or sections 34 through 41 of
31 P.L.2021, c.71 (C.18A:18A-61 through C.18A:18A-68).

32 c. The county improvement authority **[shall]** may lease the
33 school facilities project to the county, which shall then lease it **[for**
34 **nominal consideration]** to the district for as long as the county
35 improvement authority bonds or refunding bonds are outstanding.
36 **[Nothing in this section shall be construed to authorize a county to**
37 **require the district to bear any portion of the cost of the debt service**
38 **on the county improvement authority bonds issued to fund the**
39 **school facilities project or any refunding bonds]** The leases
40 executed pursuant to this subsection shall be valid and binding on
41 the county and the district.

42 d. **[The]** In the event that leases of a school facilities project
43 are executed pursuant to subsection c. of this section, the district
44 lease payments made to the county and the county lease payments
45 made to the county improvement authority [pursuant to subsection

EXPLANATION – Matter enclosed in bold-faced brackets [thus] in the above bill is not enacted and is intended to be omitted in the law.

Matter underlined thus is new matter.

1 c. of this section] shall not be subject to any cap on appropriations
2 or on spending or to any tax levy cap. The [county] district lease
3 payments shall be sufficient to pay all debt service on the county
4 improvement authority bonds issued to fund the school facilities
5 project, or any refunding bonds, that remains after the application of
6 any State debt service aid paid on those bonds pursuant to section 9
7 of P.L.2000, c.72 (C.18A:7G-9). The [county] district lease
8 payments shall be binding, and the full amount of annual district
9 lease payment obligations shall be included in each school budget
10 adopted over the life of the bonds. All lease payments pursuant to
11 this section shall be payable over the life of the bonds.

12 e. When the bonds issued by a county improvement authority
13 are no longer outstanding, [the] any leases and liens of the county
14 and the county improvement authority that are executed pursuant to
15 subsection c. of this section shall expire and the school facilities
16 project shall be solely vested in the school district. The school
17 district shall be responsible for the operation, maintenance, and
18 improvement of the school facility upon the completion of the
19 school facilities project.

20 (cf: P.L.2023, c.311, s.5)

21

22 2. Section 7 of P.L.2023, c.311 (C.18A:7G-15.1a) is amended to
23 read as follows:

24 7. a. Notwithstanding any provision of law to the contrary, when
25 the board of education of a district determines that it is not financing a
26 school facilities project under section 15 of P.L.2000, c.72 (C.18A:7G-
27 15) and that it is necessary to sell bonds to raise money for the total
28 costs of a school facilities project, the board of education may issue
29 such bonds as are necessary to fund the project without the approval of
30 the voters of the district, provided that before issuing the bonds:

31 (1) the board of education has entered into a written contract with
32 one or more municipalities, wherein the municipality shall annually
33 remit to the board of education a portion of the payments in lieu of
34 taxes received by the municipality from one or more designated
35 properties, which portion shall be sufficient for the [full] repayment
36 of the [bonds] amount of debt service on the school facilities project
37 bonds that remains after the application of any State debt service aid
38 paid on the bonds in accordance with the formula established under
39 section 9 of P.L.2000, c.72 (C.18A:7G-9), and the board of education
40 shall pledge all remittances to the [full] repayment of the bonds; and

41 (2) the bond issuance and contract has been approved by the Local
42 Finance Board pursuant to subsection b. of this section and the
43 commissioner pursuant to subsection c. of this section.

44 b. A municipality intending to enter into a contract to pledge a
45 portion of the payments in lieu of taxes received by the municipality
46 from one or more designated properties pursuant to this section shall
47 obtain the approval of the Local Finance Board prior to the adoption of

1 an ordinance or resolution, as applicable, authorizing the municipality
2 to enter into the contract. The board shall be entitled to receive from
3 the applicant an amount sufficient to provide for all reasonable
4 professional and other fees and expenses incurred by it for the review,
5 analysis, and determination with respect thereto. As part of the
6 board's review and approval, the board shall consider whether the
7 proposed contract will adversely impact the financial stability of the
8 municipality.

9 c. (1) If a board of education elects to issue bonds pursuant to this
10 section, the board of education shall apply to the commissioner for
11 approval of the bond issuance. The commissioner shall be entitled to
12 receive from the applicant an amount sufficient to provide for all
13 reasonable professional and other fees and expenses incurred for the
14 review, analysis, and determination with respect thereto. In addition to
15 any other information that the commissioner may deem appropriate,
16 the application shall include: a description of the school facilities
17 project; a certification of the amount to be raised by the bonds; a
18 description of the anticipated annual debt service costs, including the
19 amounts to be supported by municipal remittances; and a copy of the
20 contract.

21 (2) Within 30 days of receiving the application, the commissioner
22 shall approve, conditionally approve, or reject the application. If the
23 application is conditionally approved, the commissioner shall state, in
24 writing, the revisions that shall be made to the contract in order for the
25 application to be approved. If the commissioner does not approve,
26 conditionally approve, or reject the application within 30 days of the
27 date of receipt, the commissioner shall be deemed to have approved
28 the application.

29 d. Any debt service on a bond issued by a school district pursuant
30 to this section **【that is not supported by municipal remittances**
31 **authorized under this section and is paid by the board of education】**
32 shall be eligible for State debt service aid in accordance with the
33 formula established under section 9 of P.L.2000, c.72 (C.18A:7G-9).

34 e. The commissioner, in consultation with the Local Finance
35 Board, and the Local Finance Board, in consultation with the
36 commissioner, shall promulgate, pursuant to "Administrative
37 Procedure Act," P.L.1968, c.410 (C.52:14B-1 et seq.), such rules and
38 regulations as may be necessary to implement the provisions of this
39 section. At a minimum, the rules and regulations shall establish
40 requirements and procedures concerning the process by which
41 municipalities and districts may enter into contracts pursuant to this
42 section.

43 (cf: P.L.2023, c.311, s.7)

44
45 3. This act shall take effect immediately.

STATEMENT

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This bill modifies certain sections of law concerning financing mechanisms for school facilities projects that are constructed by districts other than SDA districts. These districts are often referred to as “regular operating districts.”

Pursuant to current State law, a regular operating district may enter into an agreement with a county improvement authority to construct a school facilities project and to issue bonds to finance the project. In this case, the county improvement authority is required to lease the school facilities project to the county, which then leases it for nominal consideration to the school district for as long as the county improvement authority bonds are outstanding. The law stipulates that a county is not authorized to require a district to bear any portion of the cost of the bonds issued by a county improvement authority to fund the school facilities project. County lease payments made to the county improvement authority are not subject to any cap on appropriations or on spending or to any tax levy cap. This bill would modify this section of law to:

- permit, rather than require, a county improvement authority to lease the school facilities project to the county;
- remove the requirement that the lease of a school facilities project from a county to a district be for nominal consideration;
- remove language that prohibits a county from requiring a district to bear any portion of the debt service costs for bonds issued by a county improvement authority to fund a school facilities project;
- require that district lease payments pursuant to the bill be sufficient to pay all debt service on county improvement authority bonds that remain after the application of State debt service aid; and
- provide that school district lease payments to a county for a school facilities project are not subject to any cap on appropriations or on spending or to any tax levy cap.

Current State law also permits a regular operating district to raise bonds for a school facilities project without the approval of the voters of the district if: 1) the school district enters into a contract with one or more municipalities under which the municipality remits a portion of the payments in lieu of taxes received from one or more designated properties; and 2) the amounts remitted from the municipality to the school district are used for the full repayment of the bonds raised for the school facilities project. This bill modifies the law to provide that municipal remittances to school districts are to be sufficient to cover only the portion of bond proceeds that are not supported by debt service aid provided by the State. The bill further clarifies that bonds, which are supported by municipal

A4533 COUGHLIN, WIMBERLY

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- 1 remittances of payments in lieu of taxes to a school district for a
- 2 school facilities project, are eligible for State debt service aid.

ASSEMBLY STATE AND LOCAL GOVERNMENT
COMMITTEE

STATEMENT TO

ASSEMBLY, No. 4533

STATE OF NEW JERSEY

DATED: JUNE 24, 2024

The Assembly State and Local Government Committee reports favorably Assembly Bill No. 4533.

This bill modifies certain sections of law concerning financing mechanisms for school facilities projects that are constructed by districts other than SDA districts. These districts are often referred to as “regular operating districts.”

Pursuant to current State law, a regular operating district may enter into an agreement with a county improvement authority to construct a school facilities project and to issue bonds to finance the project. In this case, the county improvement authority is required to lease the school facilities project to the county, which then leases it for nominal consideration to the school district for as long as the county improvement authority bonds are outstanding. The law stipulates that a county is not authorized to require a district to bear any portion of the cost of the bonds issued by a county improvement authority to fund the school facilities project. County lease payments made to the county improvement authority are not subject to any cap on appropriations or on spending or to any tax levy cap. This bill would modify this section of law to:

- permit, rather than require, a county improvement authority to lease the school facilities project to the county;
- remove the requirement that the lease of a school facilities project from a county to a district be for nominal consideration;
- remove language that prohibits a county from requiring a district to bear any portion of the debt service costs for bonds issued by a county improvement authority to fund a school facilities project;
- require that district lease payments pursuant to the bill be sufficient to pay all debt service on county improvement authority bonds that remain after the application of State debt service aid; and
- provide that school district lease payments to a county for a school facilities project are not subject to any cap on appropriations or on spending or to any tax levy cap.

Current State law also permits a regular operating district to raise bonds for a school facilities project without the approval of the voters of the district if: 1) the school district enters into a contract with one or more municipalities under which the municipality remits a portion of the payments in lieu of taxes received from one or more designated properties; and 2) the amounts remitted from the municipality to the school district are used for the full repayment of the bonds raised for the school facilities project. This bill modifies the law to provide that municipal remittances to school districts are to be sufficient to cover only the portion of bond proceeds that are not supported by debt service aid provided by the State. The bill further clarifies that bonds, which are supported by municipal remittances of payments in lieu of taxes to a school district for a school facilities project, are eligible for State debt service aid.

ASSEMBLY APPROPRIATIONS COMMITTEE

STATEMENT TO

ASSEMBLY, No. 4533

STATE OF NEW JERSEY

DATED: JUNE 24, 2024

The Assembly Appropriations Committee reports favorably Assembly Bill No. 4533.

This bill modifies certain sections of law concerning financing mechanisms for school facilities projects that are constructed by districts other than SDA districts. These districts are often referred to as “regular operating districts.”

Pursuant to current State law, a regular operating district may enter into an agreement with a county improvement authority to construct a school facilities project and to issue bonds to finance the project. In this case, the county improvement authority is required to lease the school facilities project to the county, which then leases it for nominal consideration to the school district for as long as the county improvement authority bonds are outstanding. The law stipulates that a county is not authorized to require a district to bear any portion of the cost of the bonds issued by a county improvement authority to fund the school facilities project. County lease payments made to the county improvement authority are not subject to any cap on appropriations or on spending or to any tax levy cap. This bill would modify this section of law to:

- permit, rather than require, a county improvement authority to lease the school facilities project to the county;
- remove the requirement that the lease of a school facilities project from a county to a district be for nominal consideration;
- remove language that prohibits a county from requiring a district to bear any portion of the debt service costs for bonds issued by a county improvement authority to fund a school facilities project;
- require that district lease payments pursuant to the bill be sufficient to pay all debt service on county improvement authority bonds that remain after the application of State debt service aid; and
- provide that school district lease payments to a county for a school facilities project are not subject to any cap on appropriations or on spending or to any tax levy cap.

Current State law also permits a regular operating district to raise bonds for a school facilities project without the approval of the voters of the district if: 1) the school district enters into a contract

with one or more municipalities under which the municipality remits a portion of the payments in lieu of taxes received from one or more designated properties; and 2) the amounts remitted from the municipality to the school district are used for the full repayment of the bonds raised for the school facilities project. This bill modifies the law to provide that municipal remittances to school districts are to be sufficient to cover only the portion of bond proceeds that are not supported by debt service aid provided by the State. The bill further clarifies that bonds, which are supported by municipal remittances of payments in lieu of taxes to a school district for a school facilities project, are eligible for State debt service aid.

FISCAL IMPACT:

The Office of Legislative Services (OLS) concludes that this bill will lead to an indeterminate increase in debt service expenditures for regular operating school districts that enter into agreements with county improvement authorities to construct and finance a school facilities project on the district's behalf. The increase in school district expenditures would coincide with a decrease in county debt service expenditures.

The OLS also determines that the bill will lead to an indeterminate decrease in revenue for regular operating districts that enter into agreements with municipalities in which the municipality remits payments in lieu of taxes to the districts to pay for debt service on school facilities project bonds. This decrease in revenue for regular operating districts would lead to municipalities being able to retain more revenue than is the case pursuant to current law, leading to a municipal payments in lieu of taxes revenue increase.

Given that the sections of law authorizing regular operating districts to enter into agreements with county improvement authorities for the financing and construction of school facilities projects and to enter into agreements with municipalities for the remittance of payments in lieu of taxes were only recently codified into State law, the extent to which these financing mechanisms are currently utilized across the State remains unclear.

LEGISLATIVE FISCAL ESTIMATE
ASSEMBLY, No. 4533
STATE OF NEW JERSEY
221st LEGISLATURE

DATED: JUNE 26, 2024

SUMMARY

- Synopsis:** Revises certain sections of law concerning financing mechanisms for school facilities projects of regular operating districts.
- Type of Impact:** Local school district expenditure increase. County expenditure decrease. Local school district revenue decrease. Municipal payment in lieu of taxes revenue increase.
- Agencies Affected:** Local school districts. Counties. County Improvement Authorities.

Office of Legislative Services Estimate

Fiscal Impact	<u>Annual</u>
Local School District Expenditure Increase	Indeterminate
County Expenditure Decrease	Indeterminate
Local School District Revenue Decrease	Indeterminate
Municipal PILOT Revenue Increase	Indeterminate

- The Office of Legislative Services (OLS) concludes that this bill will lead to an indeterminate increase in debt service expenditures for regular operating school districts that enter into agreements with county improvement authorities to construct and finance a school facilities project on the district’s behalf. The increase in school district expenditures would coincide with a decrease in county debt service expenditures.
- The OLS also determines that the bill will lead to an indeterminate decrease in revenue for regular operating districts that enter into agreements with municipalities in which the municipality remits payments in lieu of taxes to the districts to pay for debt service on school facilities project bonds. This decrease in revenue for regular operating districts would lead to municipalities being able to retain more revenue than is the case pursuant to current law, leading to a municipal payments in lieu of taxes revenue increase.
- Given that the sections of law authorizing regular operating districts to enter into agreements with county improvement authorities for the financing and construction of school facilities projects and to enter into agreements with municipalities for the remittance of payments in lieu

of taxes were only recently codified into State law, the extent to which these financing mechanisms are currently utilized across the State remains unclear.

BILL DESCRIPTION

This bill modifies certain sections of law concerning financing mechanisms for school facilities projects that are constructed by districts other than Schools Development Authority districts. These districts are often referred to as “regular operating districts.”

Pursuant to current State law, a regular operating district may enter into an agreement with a county improvement authority to construct a school facilities project and to issue bonds to finance the project. In this case, the county improvement authority is required to lease the school facilities project to the county, which then leases it for nominal consideration to the school district for as long as the county improvement authority bonds are outstanding. The law stipulates that a county is not authorized to require a district to bear any portion of the cost of the bonds issued by a county improvement authority to fund the school facilities project. County lease payments made to the county improvement authority are to be sufficient to pay debt service on the county improvement bonds that remains after the application of State debt service aid. This bill modifies this section of law to remove the language that prohibits a county from requiring a district to bear any portion of the debt service costs on county improvement authority bonds. The bill additionally requires that district lease payments pursuant to the bill are to be sufficient to pay all debt service on county improvement authority bonds that remain after the application of State debt service aid. The district lease payments are not subject to any cap on appropriations or on spending or to any tax levy cap.

Current State law also permits a regular operating district to raise bonds for a school facilities project without the approval of the voters of the district if: 1) the school district enters into a contract with one or more municipalities under which the municipality remits a portion of the payments in lieu of taxes received from one or more designated properties; and 2) the amounts remitted from the municipality to the school district are used for the full repayment of the bonds raised for the school facilities project. This bill modifies the law to provide that municipal remittances to school districts are to be sufficient to cover only the portion of bond proceeds that are not supported by debt service aid provided by the State. The bill further clarifies that the total amount of bonds, which are supported by municipal remittances of payments in lieu of taxes to a school district for a school facilities project, are eligible for State debt service aid.

FISCAL ANALYSIS

EXECUTIVE BRANCH

None received.

OFFICE OF LEGISLATIVE SERVICES

The OLS concludes that this bill will lead to an indeterminate increase in debt service expenditures for school districts that enter into agreements with county improvement authorities to construct and finance school facilities projects on the districts’ behalves. The increase in school district expenditures would coincide with a decrease in county debt service expenditures.

Recently enacted law, P.L.2023, c.311, provides that school districts entering into the agreements with county improvement authorities are not required to bear any portion of the cost of debt service on the county improvement authority bonds issued to fund the school facilities project. Following the lease of the school facilities project from the county improvement authority to the county, the county is responsible for providing lease payments to the county improvement authority. Lease payments provided by the county to the county improvement authority are required to be sufficient to pay debt service on the amount of bonds that remains after the application of State debt service aid. State debt service aid permits a regular operating district to receive State support for a minimum of 40 percent of approved school facilities project costs.

This bill, however, requires regular operating districts (rather than counties) to pay all debt service on the county improvement authority bonds that remains after the application of State debt service aid. This proposed change would lead to an increase in spending for these school districts compared to current law and a concurrent decrease in spending for counties. Given that authorization for school districts to enter into these agreements with county improvement authorities was only recently codified into State law, the extent to which this financing mechanism is currently utilized across the State remains unclear.

The OLS also determines that this bill will lead to an indeterminate decrease in revenue for regular operating districts that enter into agreements with municipalities in which the municipality remits payments in lieu of taxes to regular operating districts to pay for debt service on school facilities project bonds. This decrease in revenue for regular operating districts would lead to municipalities being able to retain more revenue than is the case pursuant to current law, leading to a municipal payments in lieu of taxes revenue increase.

Pursuant to current law regarding these agreements, municipalities are required to provide enough funds for the full repayment of the school facilities project bonds. This bill, however, provides that the payment in lieu of taxes remittances from municipalities are to be sufficient to pay for the amount of debt service that remains after the application of State debt service aid. This would lead to municipalities having to remit a reduced amount of revenue to the school districts with which they enter into agreements. Given that authorization for school districts to enter into these agreements with municipalities was only recently codified into State law pursuant to P.L.2023, c.311, the extent to which this financing mechanism is currently utilized across the State remains unclear. The OLS notes that it is likely that this provision would not have widespread applicability across the State as approximately 46.1 percent of municipalities have payment in lieu of taxes agreements according to data included in the Department of Community Affairs' PILOT Database and Viewer for calendar year 2023.

Section: Education

*Analyst: Christopher Myles
Senior Fiscal Analyst*

*Approved: Thomas Koenig
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.).

SENATE, No. 3421

STATE OF NEW JERSEY

221st LEGISLATURE

INTRODUCED JUNE 10, 2024

Sponsored by:

Senator ANDREW ZWICKER

District 16 (Hunterdon, Mercer, Middlesex and Somerset)

Senator GORDON M. JOHNSON

District 37 (Bergen)

SYNOPSIS

Revises certain sections of law concerning financing mechanisms for school facilities projects of regular operating districts.

CURRENT VERSION OF TEXT

As introduced.



(Sponsorship Updated As Of: 6/26/2024)

1 AN ACT concerning the financing of school facilities projects and
2 amending P.L.2023, c.311.

3

4 **BE IT ENACTED** by the Senate and General Assembly of the State
5 of New Jersey:

6

7 1. Section 5 of P.L.2023, c.311 (C.18A:7G-5b) is amended to
8 read as follows:

9 5. a. Notwithstanding the provisions of P.L.2000, c.72
10 (C.18A:7G-1 et al.) or any other section of law to the contrary, the
11 board of education of a district other than an SDA district may enter
12 into an agreement with a county improvement authority to construct
13 a school facilities project and to issue its bonds to finance the local
14 share of a project that is to be financed pursuant to section 15 of
15 P.L.2000, c.72 (18A:7G-15), or to finance the total costs of a
16 project that is not to be financed pursuant to section 15 of P.L.2000,
17 c.72 (C.18A:7G-15). The bonds of a county improvement authority
18 issued to finance the total costs of a school facilities project that is
19 not to be financed pursuant to section 15 of P.L.2000, c.72
20 (C.18A:7G-15) shall be eligible for State debt service aid in
21 accordance with the formula established pursuant to section 9 of
22 P.L.2000, c.72 (C.18A:7G-9).

23 b. A district other than an SDA district may lease its lands or
24 facilities to the county improvement authority, which may construct
25 the school facilities project. Whenever a school facilities project is
26 constructed by a county improvement authority pursuant to the
27 provisions of this section, the improvement authority shall follow
28 the applicable public bidding procedures or requirements under the
29 “Public School Contracts Law,” N.J.S.18A:18A-1 et seq., section 2
30 of P.L.2018, c.90 (C.18A:18A-60), or sections 34 through 41 of
31 P.L.2021, c.71 (C.18A:18A-61 through C.18A:18A-68).

32 c. The county improvement authority **[shall]** may lease the
33 school facilities project to the county, which shall then lease it **[for**
34 **nominal consideration]** to the district for as long as the county
35 improvement authority bonds or refunding bonds are outstanding.
36 **[Nothing in this section shall be construed to authorize a county to**
37 **require the district to bear any portion of the cost of the debt service**
38 **on the county improvement authority bonds issued to fund the**
39 **school facilities project or any refunding bonds]** The leases
40 executed pursuant to this subsection shall be valid and binding on
41 the county and the district.

42 d. **[The]** In the event that leases of a school facilities project
43 are executed pursuant to subsection c. of this section, the district
44 lease payments made to the county and the county lease payments
45 made to the county improvement authority [pursuant to subsection

EXPLANATION – Matter enclosed in bold-faced brackets [thus] in the above bill is not enacted and is intended to be omitted in the law.

Matter underlined thus is new matter.

1 c. of this section] shall not be subject to any cap on appropriations
2 or on spending or to any tax levy cap. The [county] district lease
3 payments shall be sufficient to pay all debt service on the county
4 improvement authority bonds issued to fund the school facilities
5 project, or any refunding bonds, that remains after the application of
6 any State debt service aid paid on those bonds pursuant to section 9
7 of P.L.2000, c.72 (C.18A:7G-9). The [county] district lease
8 payments shall be binding, and the full amount of annual district
9 lease payment obligations shall be included in each school budget
10 adopted over the life of the bonds. All lease payments pursuant to
11 this section shall be payable over the life of the bonds.

12 e. When the bonds issued by a county improvement authority
13 are no longer outstanding, [the] any leases and liens of the county
14 and the county improvement authority that are executed pursuant to
15 subsection c. of this section shall expire and the school facilities
16 project shall be solely vested in the school district. The school
17 district shall be responsible for the operation, maintenance, and
18 improvement of the school facility upon the completion of the
19 school facilities project.

20 (cf: P.L.2023, c.311, s.5)

21

22 2. Section 7 of P.L.2023, c.311 (C.18A:7G-15.1a) is amended to
23 read as follows:

24 7. a. Notwithstanding any provision of law to the contrary, when
25 the board of education of a district determines that it is not financing a
26 school facilities project under section 15 of P.L.2000, c.72 (C.18A:7G-
27 15) and that it is necessary to sell bonds to raise money for the total
28 costs of a school facilities project, the board of education may issue
29 such bonds as are necessary to fund the project without the approval of
30 the voters of the district, provided that before issuing the bonds:

31 (1) the board of education has entered into a written contract with
32 one or more municipalities, wherein the municipality shall annually
33 remit to the board of education a portion of the payments in lieu of
34 taxes received by the municipality from one or more designated
35 properties, which portion shall be sufficient for the [full] repayment
36 of the [bonds] amount of debt service on the school facilities project
37 bonds that remains after the application of any State debt service aid
38 paid on the bonds in accordance with the formula established under
39 section 9 of P.L.2000, c.72 (C.18A:7G-9), and the board of education
40 shall pledge all remittances to the [full] repayment of the bonds; and

41 (2) the bond issuance and contract has been approved by the Local
42 Finance Board pursuant to subsection b. of this section and the
43 commissioner pursuant to subsection c. of this section.

44 b. A municipality intending to enter into a contract to pledge a
45 portion of the payments in lieu of taxes received by the municipality
46 from one or more designated properties pursuant to this section shall

1 obtain the approval of the Local Finance Board prior to the adoption of
2 an ordinance or resolution, as applicable, authorizing the municipality
3 to enter into the contract. The board shall be entitled to receive from
4 the applicant an amount sufficient to provide for all reasonable
5 professional and other fees and expenses incurred by it for the review,
6 analysis, and determination with respect thereto. As part of the
7 board's review and approval, the board shall consider whether the
8 proposed contract will adversely impact the financial stability of the
9 municipality.

10 c. (1) If a board of education elects to issue bonds pursuant to this
11 section, the board of education shall apply to the commissioner for
12 approval of the bond issuance. The commissioner shall be entitled to
13 receive from the applicant an amount sufficient to provide for all
14 reasonable professional and other fees and expenses incurred for the
15 review, analysis, and determination with respect thereto. In addition to
16 any other information that the commissioner may deem appropriate,
17 the application shall include: a description of the school facilities
18 project; a certification of the amount to be raised by the bonds; a
19 description of the anticipated annual debt service costs, including the
20 amounts to be supported by municipal remittances; and a copy of the
21 contract.

22 (2) Within 30 days of receiving the application, the commissioner
23 shall approve, conditionally approve, or reject the application. If the
24 application is conditionally approved, the commissioner shall state, in
25 writing, the revisions that shall be made to the contract in order for the
26 application to be approved. If the commissioner does not approve,
27 conditionally approve, or reject the application within 30 days of the
28 date of receipt, the commissioner shall be deemed to have approved
29 the application.

30 d. Any debt service on a bond issued by a school district pursuant
31 to this section **【that is not supported by municipal remittances**
32 **authorized under this section and is paid by the board of education】**
33 shall be eligible for State debt service aid in accordance with the
34 formula established under section 9 of P.L.2000, c.72 (C.18A:7G-9).

35 e. The commissioner, in consultation with the Local Finance
36 Board, and the Local Finance Board, in consultation with the
37 commissioner, shall promulgate, pursuant to "Administrative
38 Procedure Act," P.L.1968, c.410 (C.52:14B-1 et seq.), such rules and
39 regulations as may be necessary to implement the provisions of this
40 section. At a minimum, the rules and regulations shall establish
41 requirements and procedures concerning the process by which
42 municipalities and districts may enter into contracts pursuant to this
43 section.

44 (cf: P.L.2023, c.311, s.7)

45

46 3. This act shall take effect immediately.

STATEMENT

1
2
3 This bill modifies certain sections of law concerning financing
4 mechanisms for school facilities projects that are constructed by
5 districts other than SDA districts. These districts are often referred
6 to as “regular operating districts.”

7 Pursuant to current State law, a regular operating district may
8 enter into an agreement with a county improvement authority to
9 construct a school facilities project and to issue bonds to finance the
10 project. In this case, the county improvement authority is required
11 to lease the school facilities project to the county, which then leases
12 it for nominal consideration to the school district for as long as the
13 county improvement authority bonds are outstanding. The law
14 stipulates that a county is not authorized to require a district to bear
15 any portion of the cost of the bonds issued by a county
16 improvement authority to fund the school facilities project. County
17 lease payments made to the county improvement authority are not
18 subject to any cap on appropriations or on spending or to any tax
19 levy cap. This bill would modify this section of law to:

- 20 • permit, rather than require, a county improvement authority
21 to lease the school facilities project to the county;
- 22 • remove the requirement that the lease of a school facilities
23 project from a county to a district be for nominal
24 consideration;
- 25 • remove language that prohibits a county from requiring a
26 district to bear any portion of the debt service costs for
27 bonds issued by a county improvement authority to fund a
28 school facilities project;
- 29 • require that district lease payments pursuant to the bill be
30 sufficient to pay all debt service on county improvement
31 authority bonds that remain after the application of State
32 debt service aid; and
- 33 • provide that school district lease payments to a county for a
34 school facilities project are not subject to any cap on
35 appropriations or on spending or to any tax levy cap.

36 Current State law also permits a regular operating district to raise
37 bonds for a school facilities project without the approval of the
38 voters of the district if: 1) the school district enters into a contract
39 with one or more municipalities under which the municipality
40 remits a portion of the payments in lieu of taxes received from one
41 or more designated properties; and 2) the amounts remitted from the
42 municipality to the school district are used for the full repayment of
43 the bonds raised for the school facilities project. This bill modifies
44 the law to provide that municipal remittances to school districts are
45 to be sufficient to cover only the portion of bond proceeds that are
46 not supported by debt service aid provided by the State. The bill
47 further clarifies that bonds, which are supported by municipal
48 remittances of payments in lieu of taxes to a school district for a
49 school facilities project, are eligible for State debt service aid.

SENATE BUDGET AND APPROPRIATIONS COMMITTEE

STATEMENT TO

SENATE, No. 3421

STATE OF NEW JERSEY

DATED: JUNE 26, 2024

The Senate Budget and Appropriations Committee reports favorably Senate Bill No. 3421.

This bill modifies certain sections of law concerning financing mechanisms for school facilities projects that are constructed by districts other than SDA districts. These districts are often referred to as “regular operating districts.”

Pursuant to current State law, a regular operating district may enter into an agreement with a county improvement authority to construct a school facilities project and to issue bonds to finance the project. In this case, the county improvement authority is required to lease the school facilities project to the county, which then leases it for nominal consideration to the school district for as long as the county improvement authority bonds are outstanding. The law stipulates that a county is not authorized to require a district to bear any portion of the cost of the bonds issued by a county improvement authority to fund the school facilities project. County lease payments made to the county improvement authority are not subject to any cap on appropriations or on spending or to any tax levy cap. This bill would modify this section of law to:

- permit, rather than require, a county improvement authority to lease the school facilities project to the county;
- remove the requirement that the lease of a school facilities project from a county to a district be for nominal consideration;
- remove language that prohibits a county from requiring a district to bear any portion of the debt service costs for bonds issued by a county improvement authority to fund a school facilities project;
- require that district lease payments pursuant to the bill be sufficient to pay all debt service on county improvement authority bonds that remain after the application of State debt service aid; and
- provide that school district lease payments to a county for a school facilities project are not subject to any cap on appropriations or on spending or to any tax levy cap.

Current State law also permits a regular operating district to raise bonds for a school facilities project without the approval of the voters of the district if: 1) the school district enters into a contract

with one or more municipalities under which the municipality remits a portion of the payments in lieu of taxes received from one or more designated properties; and 2) the amounts remitted from the municipality to the school district are used for the full repayment of the bonds raised for the school facilities project. This bill modifies the law to provide that municipal remittances to school districts are to be sufficient to cover only the portion of bond proceeds that are not supported by debt service aid provided by the State. The bill further clarifies that bonds, which are supported by municipal remittances of payments in lieu of taxes to a school district for a school facilities project, are eligible for State debt service aid.

FISCAL IMPACT:

The Office of Legislative Services (OLS) concludes that this bill will lead to an indeterminate increase in debt service expenditures for regular operating school districts that enter into agreements with county improvement authorities to construct and finance a school facilities project on the district's behalf. The increase in school district expenditures would coincide with a decrease in county debt service expenditures.

The OLS also determines that the bill will lead to an indeterminate decrease in revenue for regular operating districts that enter into agreements with municipalities in which the municipality remits payments in lieu of taxes to the districts to pay for debt service on school facilities project bonds. This decrease in revenue for regular operating districts would lead to municipalities being able to retain more revenue than is the case pursuant to current law, leading to a municipal payments in lieu of taxes revenue increase.

Given that the sections of law authorizing regular operating districts to enter into agreements with county improvement authorities for the financing and construction of school facilities projects and to enter into agreements with municipalities for the remittance of payments in lieu of taxes were only recently codified into State law, the extent to which these financing mechanisms are currently utilized across the State remains unclear.

LEGISLATIVE FISCAL ESTIMATE
SENATE, No. 3421
STATE OF NEW JERSEY
221st LEGISLATURE

DATED: JULY 1, 2024

SUMMARY

- Synopsis:** Revises certain sections of law concerning financing mechanisms for school facilities projects of regular operating districts.
- Type of Impact:** Local school district expenditure increase. County expenditure decrease. Local school district revenue decrease. Municipal payment in lieu of taxes revenue increase.
- Agencies Affected:** Local school districts. Counties. County Improvement Authorities.

Office of Legislative Services Estimate

Fiscal Impact	<u>Annual</u>
Local School District Expenditure Increase	Indeterminate
County Expenditure Decrease	Indeterminate
Local School District Revenue Decrease	Indeterminate
Municipal PILOT Revenue Increase	Indeterminate

- The Office of Legislative Services (OLS) concludes that this bill will lead to an indeterminate increase in debt service expenditures for regular operating school districts that enter into agreements with county improvement authorities to construct and finance a school facilities project on the district’s behalf. The increase in school district expenditures would coincide with a decrease in county debt service expenditures.
- The OLS also determines that the bill will lead to an indeterminate decrease in revenue for regular operating districts that enter into agreements with municipalities in which the municipality remits payments in lieu of taxes to the districts to pay for debt service on school facilities project bonds. This decrease in revenue for regular operating districts would lead to municipalities being able to retain more revenue than is the case pursuant to current law, leading to a municipal payments in lieu of taxes revenue increase.
- Given that the sections of law authorizing regular operating districts to enter into agreements with county improvement authorities for the financing and construction of school facilities projects and to enter into agreements with municipalities for the remittance of payments in lieu



of taxes were only recently codified into State law, the extent to which these financing mechanisms are currently utilized across the State remains unclear.

BILL DESCRIPTION

This bill modifies certain sections of law concerning financing mechanisms for school facilities projects that are constructed by districts other than Schools Development Authority districts. These districts are often referred to as “regular operating districts.”

Pursuant to current State law, a regular operating district may enter into an agreement with a county improvement authority to construct a school facilities project and to issue bonds to finance the project. In this case, the county improvement authority is required to lease the school facilities project to the county, which then leases it for nominal consideration to the school district for as long as the county improvement authority bonds are outstanding. The law stipulates that a county is not authorized to require a district to bear any portion of the cost of the bonds issued by a county improvement authority to fund the school facilities project. County lease payments made to the county improvement authority are to be sufficient to pay debt service on the county improvement bonds that remains after the application of State debt service aid. This bill modifies this section of law to remove the language that prohibits a county from requiring a district to bear any portion of the debt service costs on county improvement authority bonds. The bill additionally requires that district lease payments pursuant to the bill are to be sufficient to pay all debt service on county improvement authority bonds that remain after the application of State debt service aid. The district lease payments are not subject to any cap on appropriations or on spending or to any tax levy cap.

Current State law also permits a regular operating district to raise bonds for a school facilities project without the approval of the voters of the district if: 1) the school district enters into a contract with one or more municipalities under which the municipality remits a portion of the payments in lieu of taxes received from one or more designated properties; and 2) the amounts remitted from the municipality to the school district are used for the full repayment of the bonds raised for the school facilities project. This bill modifies the law to provide that municipal remittances to school districts are to be sufficient to cover only the portion of bond proceeds that are not supported by debt service aid provided by the State. The bill further clarifies that the total amount of bonds, which are supported by municipal remittances of payments in lieu of taxes to a school district for a school facilities project, are eligible for State debt service aid.

FISCAL ANALYSIS

EXECUTIVE BRANCH

None received.

OFFICE OF LEGISLATIVE SERVICES

The OLS concludes that this bill will lead to an indeterminate increase in debt service expenditures for school districts that enter into agreements with county improvement authorities to construct and finance school facilities projects on the districts’ behalves. The increase in school district expenditures would coincide with a decrease in county debt service expenditures.

Recently enacted law, P.L.2023, c.311, provides that school districts entering into the agreements with county improvement authorities are not required to bear any portion of the cost of debt service on the county improvement authority bonds issued to fund the school facilities project. Following the lease of the school facilities project from the county improvement authority to the county, the county is responsible for providing lease payments to the county improvement authority. Lease payments provided by the county to the county improvement authority are required to be sufficient to pay debt service on the amount of bonds that remains after the application of State debt service aid. State debt service aid permits a regular operating district to receive State support for a minimum of 40 percent of approved school facilities project costs.

This bill, however, requires regular operating districts (rather than counties) to pay all debt service on the county improvement authority bonds that remains after the application of State debt service aid. This proposed change would lead to an increase in spending for these school districts compared to current law and a concurrent decrease in spending for counties. Given that authorization for school districts to enter into these agreements with county improvement authorities was only recently codified into State law, the extent to which this financing mechanism is currently utilized across the State remains unclear.

The OLS also determines that this bill will lead to an indeterminate decrease in revenue for regular operating districts that enter into agreements with municipalities in which the municipality remits payments in lieu of taxes to regular operating districts to pay for debt service on school facilities project bonds. This decrease in revenue for regular operating districts would lead to municipalities being able to retain more revenue than is the case pursuant to current law, leading to a municipal payments in lieu of taxes revenue increase.

Pursuant to current law regarding these agreements, municipalities are required to provide enough funds for the full repayment of the school facilities project bonds. This bill, however, provides that the payment in lieu of taxes remittances from municipalities are to be sufficient to pay for the amount of debt service that remains after the application of State debt service aid. This would lead to municipalities having to remit a reduced amount of revenue to the school districts with which they enter into agreements. Given that authorization for school districts to enter into these agreements with municipalities was only recently codified into State law pursuant to P.L.2023, c.311, the extent to which this financing mechanism is currently utilized across the State remains unclear. The OLS notes that it is likely that this provision would not have widespread applicability across the State as approximately 46.1 percent of municipalities have payment in lieu of taxes agreements according to data included in the Department of Community Affairs' PILOT Database and Viewer for calendar year 2023.

Section: Education

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Senior Fiscal Analyst*

*Approved: Thomas Koenig
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.).

Governor Murphy Takes Action on Legislation

09/12/2024

TRENTON – Today, Governor Murphy signed the following bills into law:

S-721/A-2812 (Steinhardt, Sarlo/Greenwald, Swain, Egan) - Exempts sales of investment metal bullion and investment coins from sales and use tax

S-741/A-2608 (Diegnan/Karabinchak) - Authorizes State Treasurer to sell as surplus certain real property and improvements in City of Jersey City in Hudson County

SCS for S-2188/ACS for A-1970 (Ruiz, Greenstein/Speight, Karabinchak, Verrelli) – Requires DEP, DOH, owners or operators of certain public community water systems, and owners or operators of certain buildings or facilities to take certain actions to prevent and control cases of Legionnaires' disease

S-2311/A-1128 (Singleton, Singer/DiMaio, Matsikoudis) - Requires criminal history background check for individuals seeking licensure issued by boards regulating certain health care professions

S-2435/A-3537 (Greenstein, Mukherji/Stanley, McCoy, Murphy) - Revises certain requirements concerning eligibility for reimbursement from "Emergency Medical Technician Training Fund"

S-2607/A-3872 (Ruiz, McKnight/Pintor Marin, Calabrese, Speight) - Requires private bus operators to provide notice and hold public meetings for certain service changes

S-2810/A-3779 (Diegnan/DeAngelo, Karabinchak, Bagolie) - Changes membership of board of trustees of SPRS to remove requirement that two members be private citizens

S-3097/A-4226 (Pou, Sarlo/Wimberly, Sumter) - Modifies requirements for certain projects under Economic Redevelopment and Growth Grant program

S-3134/A-4192 (Diegnan, Moriarty/Calabrese, Carter) - Requires MVC to take certain action concerning commercial driver licenses and commercial learner's permits

S-3235/A-4461 (Ruiz, Moriarty/Conaway, Miller, Sampson) – Regulates production and sale of certain intoxicating hemp products

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S-3368/A-4623 (Ruiz, McKnight/Calabrese, Stanley, Reynolds-Jackson) - Concerns law protecting residential tenants from lead-based paint hazards

S-3407/A-4540 (Lagana/Verrelli) - Requires payment of prevailing wage for projects financed through commercial property assessed clean energy program

A-2610/S-3203 (Karabinchak, Calabrese, Sauickie/Gopal) - Extends annual horse racing purse subsidies through State fiscal year 2029

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A-2890/S-3231 (Verrelli, Reynolds-Jackson, Quijano/Cryan) - Permits temporary appointment of additional members to the Board of Review in the Division of Employment Security

A-4035/S-2809 (Dunn, Speight/Bucco, Pennacchio) - Requires State to sell as surplus property certain land and improvements in Morris County known as Central Park School

A-4533/S-3421 (Coughlin, Wimberly, Speight/Zwicker, Johnson) - Revises certain sections of law concerning financing mechanisms for school facilities projects of regular operating districts

A-4534/S-3439 (Coughlin, Wimberly, Schnall/Vitale, Mukherji) - Revises definition of qualified assistance fund expenses under UEZ program to include costs of transportation infrastructure projects and related debt service

Governor Murphy conditionally vetoed the following bills:

S-2864/A-4061 (Lagana/Verrelli, Swain, Venezia) – CONDITIONAL - Establishes working hours for certain minors employed as professional athletes

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S-3455/A-4597 (Sarlo, Burzichelli/Calabrese, Moen, Stanley) – CONDITIONAL - Provides for automatic renewal of off-track wagering licenses

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A-2180/S-3000 (Moen, Wimberly, Murphy/Beach, Polistina) – CONDITIONAL - Permits certain persons to operate Type S school buses

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A-2294/S-1443 (Lopez, Freiman, Tully/Singleton, Johnson) – CONDITIONAL - Establishes mortgage payment relief and foreclosure protection for certain homeowners impacted by the remnants of Hurricane Ida

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A-2607/S-360 (Karabinchak, Calabrese, Inganamort/Diegnan, Mukherji) – CONDITIONAL - Authorizes taxicabs, limousines, and transportation network companies to provide paratransit services for two-year period

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