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Yes

"Corzine OKs borrowing \$3.9B for school construction," Asbury Park Press, 7-10-08, p.A1

"Gov. signs \$3.9B plan for school borrowing," Courier News, 7-10-08, p.A3

"Corzine signs bill for school upgrades," The Star Ledger, 7-10-08, p.25

"Corzine signs borrowing for school construction," The Times, 7-10-08, p.A13

"Obligated to spend \$7B," The Trentonian, 7-10-08, p.10

"Corzine signs school borrowing plan," The Press, 7-10-08, p.A4

"Corzine signs school borrowing measure," The Daily Record, 7-10-08, p.news 02

LAW

§8 –  
C.18A:7G-14.1  
§9 –  
C.18A:7G-13.1  
§10 - T&E &  
Note to  
C.18A:7G-24  
§11 –  
C.18A:7G-15.1

P.L. 2008, CHAPTER 39, *approved July 9, 2008*  
Assembly Committee Substitute for  
Assembly, No. 2873

1 **AN ACT** concerning State support for school facilities projects and  
2 amending and supplementing P.L.2000, c.72.

3

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

6

7 1. Section 1 of P.L.2000, c.72 (C.18A:7G-1) is amended to  
8 read as follows:

9 1. Sections 1 through 30 and 57 through 71 of **[this act]**  
10 P.L.2000, c.72 (C.18A:7G-1 et al.), sections 14 through 17 of  
11 P.L.2007, c.137 (C.18A:7G-45 through C.18A:7G-48), and sections  
12 8 through 11 of P.L. , c. (C. through C. ) (pending before  
13 the Legislature as this bill) shall be known and may be cited as the  
14 "Educational Facilities Construction and Financing Act."  
15 (cf: P.L.2000, c.72, s.1)

16

17 2. Section 5 of P.L.2000, c.72 (C.18A:7G-5) is amended to  
18 read as follows:

19 5. a. The development authority shall undertake and the  
20 financing authority shall finance the school facilities projects of  
21 SDA districts.

22 b. In the case of a district other than an SDA district, State  
23 support for the project shall be determined pursuant to section 9 or  
24 section 15 of P.L.2000, c.72 (C.18A:7G-9 or C.18A:7G-15), as  
25 applicable.

26 c. Notwithstanding any provision of N.J.S.18A:18A-16 to the  
27 contrary, the procedures for obtaining approval of a school facilities  
28 project shall be as set forth in this act; provided that any district  
29 whose school facilities project is not constructed by the  
30 development authority shall also be required to comply with the  
31 provisions of N.J.S.18A:18A-16.

**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. (1) Any district seeking to initiate a school facilities project  
2 shall apply to the commissioner for approval of the project. The  
3 application may include, but not be limited to: a description of the  
4 school facilities project; a schematic drawing of the project or, at  
5 the option of the district, preliminary plans and specifications; a  
6 delineation and description of each of the functional components of  
7 the project; educational specifications detailing the programmatic  
8 needs of each proposed space; the number of unhoused students to  
9 be housed in the project; the area allowances per FTE student as  
10 calculated pursuant to section 8 of P.L.2000, c.72 (C.18A:7G-8);  
11 and the estimated cost to complete the project as determined by the  
12 district.

13 (2) In the case of an SDA district school facilities project, based  
14 upon its educational priority ranking and the Statewide strategic  
15 plan established pursuant to subsection m. of this section, the  
16 commissioner may authorize the development authority to  
17 undertake preconstruction activities which may include, but need  
18 not be limited to, site identification, investigation, and acquisition,  
19 feasibility studies, land-related design work, design work, site  
20 remediation, demolition, and acquisition of temporary facilities.  
21 Upon receipt of the authorization, the development authority may  
22 initiate the preconstruction activities required to prepare the  
23 application for commissioner approval of the school facilities  
24 project.

25 e. The commissioner shall review each proposed school  
26 facilities project to determine whether it is consistent with the  
27 district's long-range facilities plan and whether it complies with the  
28 facilities efficiency standards and the area allowances per FTE  
29 student derived from those standards; and in the case of an SDA  
30 district the commissioner shall also review the project's educational  
31 priority ranking and the Statewide strategic plan developed pursuant  
32 to paragraphs (2) and (3) of subsection m. of this section; and in the  
33 case of a district other than an SDA district the commissioner shall  
34 also review the project's priority pursuant to paragraph (4) of  
35 subsection m. of this section. The commissioner shall make a  
36 decision on a district's application within 90 days from the date he  
37 determines that the application is fully and accurately completed  
38 and that all information necessary for a decision has been filed by  
39 the district, or from the date of the last revision made by the district.  
40 If the commissioner is not able to make a decision within 90 days,  
41 he shall notify the district in writing explaining the reason for the  
42 delay and indicating the date on which a decision on the project will  
43 be made, provided that the date shall not be later than 60 days from  
44 the expiration of the original 90 days set forth in this subsection. If  
45 the decision is not made by the subsequent date indicated by the  
46 commissioner, then the project shall be deemed approved and the  
47 preliminary eligible costs for new construction shall be calculated

1 by using the proposed square footage of the building as the  
2 approved area for unhoused students.

3 f. If the commissioner determines that the school facilities  
4 project complies with the facilities efficiency standards and the  
5 district's long-range facilities plan and does not exceed the area  
6 allowance per FTE student derived from those standards, the  
7 commissioner shall calculate the preliminary eligible costs of the  
8 project pursuant to the formulas set forth in section 7 of P.L.2000,  
9 c.72 (C.18A:7G-7); except that (1) in the case of a county special  
10 services school district or a county vocational school district, the  
11 commissioner shall calculate the preliminary eligible costs to equal  
12 the amount determined by the board of school estimate and  
13 approved by the board of chosen freeholders pursuant to section 14  
14 of P.L.1971, c.271 (C.18A:46-42) or N.J.S.18A:54-31 as  
15 appropriate, and (2) in the case of an SDA district, the  
16 commissioner shall calculate the preliminary eligible costs to equal  
17 the estimated cost as determined by the development authority.

18 g. If the commissioner determines that the school facilities  
19 project is inconsistent with the facilities efficiency standards or  
20 exceeds the area allowances per FTE student derived from those  
21 standards, the commissioner shall notify the district.

22 (1) The commissioner shall approve area allowances in excess  
23 of the area allowances per FTE student derived from the facilities  
24 efficiency standards if the board of education or State district  
25 superintendent, as appropriate, demonstrates that school facilities  
26 needs related to required programs cannot be addressed within the  
27 facilities efficiency standards and that all other proposed spaces are  
28 consistent with those standards. The commissioner shall approve  
29 area allowances in excess of the area allowances per FTE student  
30 derived from the facilities efficiency standards if the additional area  
31 allowances are necessary to accommodate centralized facilities to  
32 be shared among two or more school buildings within the district  
33 and the centralized facilities represent a more cost effective  
34 alternative.

35 (2) The commissioner may waive a facilities efficiency standard  
36 if the board of education or State district superintendent, as  
37 appropriate, demonstrates to the commissioner's satisfaction that the  
38 waiver will not adversely affect the educational adequacy of the  
39 school facility, including the ability to deliver the programs and  
40 services necessary to enable all students to achieve the core  
41 curriculum content standards.

42 (3) To house the district's central administration, a district may  
43 request an adjustment to the approved areas for unhoused students  
44 of 2.17 square feet for each FTE student in the projected total  
45 district school enrollment if the proposed administrative offices will  
46 be housed in a school facility and the district demonstrates either  
47 that the existing central administrative offices are obsolete or that it

1 is more practical to convert those offices to instructional space. To  
2 the extent that existing administrative space will continue to be used  
3 for administrative purposes, the space shall be included in the  
4 formulas set forth in section 7 of P.L.2000, c.72 (C.18A:7G-7).

5 If the commissioner approves excess facilities efficiency  
6 standards or additional area allowances pursuant to paragraph (1),  
7 (2), or (3) of this subsection, the commissioner shall calculate the  
8 preliminary eligible costs based upon the additional area allowances  
9 or excess facilities efficiency standards pursuant to the formulas set  
10 forth in section 7 of P.L.2000, c.72 (C.18A:7G-7). In the event that  
11 the commissioner does not approve the excess facilities efficiency  
12 standards or additional area allowances, the district may either:  
13 modify its submission so that the school facilities project meets the  
14 facilities efficiency standards; or pay for the excess costs.

15 (4) The commissioner shall approve spaces in excess of, or  
16 inconsistent with, the facilities efficiency standards, hereinafter  
17 referred to as nonconforming spaces, upon a determination by the  
18 district that the spaces are necessary to comply with State or federal  
19 law concerning individuals with disabilities, including that the  
20 spaces are necessary to provide in-district programs and services for  
21 current disabled pupils who are being served in out-of-district  
22 placements or in-district programs and services for the projected  
23 disabled pupil population. A district may apply for additional State  
24 aid for nonconforming spaces that will permit pupils with  
25 disabilities to be educated to the greatest extent possible in the same  
26 buildings or classes with their nondisabled peers. The  
27 nonconforming spaces may: (a) allow for the return of pupils with  
28 disabilities from private facilities; (b) permit the retention of pupils  
29 with disabilities who would otherwise be placed in private facilities;  
30 (c) provide space for regional programs in a host school building  
31 that houses both disabled and nondisabled pupils; and (d) provide  
32 space for the coordination of regional programs by a county special  
33 services school district, educational services commission, jointure  
34 commission, or other agency authorized by law to provide regional  
35 educational services in a school building that houses both disabled  
36 and nondisabled pupils. A district's State support ratio shall be  
37 adjusted to equal the lesser of the sum of its district aid percentage  
38 as defined in section 3 of P.L.2000, c.72 (C.18A:7G-3) plus 0.25, or  
39 100% for any nonconforming spaces approved by the commissioner  
40 pursuant to this paragraph.

41 h. Upon approval of a school facilities project and  
42 determination of the preliminary eligible costs:

43 (1) In the case of a district other than an SDA district, the  
44 commissioner shall notify the district whether the school facilities  
45 project is approved and, if so approved, the preliminary eligible  
46 costs and the excess costs, if any. Following the determination of  
47 preliminary eligible costs and the notification of project approval,

1 the district may appeal to the commissioner for an increase in those  
2 costs if the detailed plans and specifications completed by a design  
3 professional for the school facilities project indicate that the cost of  
4 constructing that portion of the project which is consistent with the  
5 facilities efficiency standards and does not exceed the area  
6 allowances per FTE student exceeds the preliminary eligible costs  
7 as determined by the commissioner for the project by 10% or more.  
8 The district shall file its appeal within 30 days of the preparation of  
9 the plans and specifications. If the district chooses not to file an  
10 appeal, then the final eligible costs shall equal the preliminary  
11 eligible costs.

12 The appeal shall outline the reasons why the preliminary eligible  
13 costs calculated for the project are inadequate and estimate the  
14 amount of the adjustment which needs to be made to the  
15 preliminary eligible costs. The commissioner shall forward the  
16 appeal information to the development authority for its review and  
17 recommendation. If the additional costs are the result of factors  
18 that are within the control of the district or are the result of design  
19 factors that are not required to meet the facilities efficiency  
20 standards, the development authority shall recommend to the  
21 commissioner that the preliminary eligible costs be accepted as the  
22 final eligible costs. If the development authority determines the  
23 additional costs are not within the control of the district or are the  
24 result of design factors required to meet the facilities efficiency  
25 standards, the development authority shall recommend to the  
26 commissioner a final eligible cost based on its experience for  
27 districts with similar characteristics, provided that, notwithstanding  
28 anything to the contrary, the commissioner shall not approve an  
29 adjustment to the preliminary eligible costs which exceeds 10% of  
30 the preliminary eligible costs. The commissioner shall make a  
31 determination on the appeal within 30 days of its receipt. If the  
32 commissioner does not approve an adjustment to the school  
33 facilities project's preliminary eligible costs, the commissioner shall  
34 issue his findings in writing on the reasons for the denial and on  
35 why the preliminary eligible costs as originally calculated are  
36 sufficient.

37 (2) In the case of an SDA district, the commissioner shall  
38 promptly prepare and submit to the development authority a  
39 preliminary project report which shall consist, at a minimum, of the  
40 following information: a complete description of the school  
41 facilities project; the actual location of the project; the total square  
42 footage of the project together with a breakdown of total square  
43 footage by functional component; the preliminary eligible costs of  
44 the project; the project's priority ranking determined pursuant to  
45 subsection m. of this section; any other factors to be considered by  
46 the development authority in undertaking the project; and the name

1 and address of the person from the district to contact in regard to  
2 the project.

3 i. Upon receipt by the development authority of the  
4 preliminary project report, the development authority, upon  
5 consultation with the district, shall prepare detailed plans and  
6 specifications and schedules which contain the development  
7 authority's estimated cost and schedule to complete the school  
8 facilities project. The development authority shall transmit to the  
9 commissioner its recommendations in regard to the project which  
10 shall, at a minimum, contain the detailed plans and specifications;  
11 whether the school facilities project can be completed within the  
12 preliminary eligible costs; and any other factors which the  
13 development authority determines should be considered by the  
14 commissioner.

15 (1) In the event that the development authority determines that  
16 the school facilities project can be completed within the preliminary  
17 eligible costs: the final eligible costs shall be deemed to equal the  
18 preliminary eligible costs; the commissioner shall be deemed to  
19 have given final approval to the project; and the preliminary project  
20 report shall be deemed to be the final project report delivered to the  
21 development authority pursuant to subsection j. of this section.

22 (2) In the event that the development authority determines that  
23 the school facilities project cannot be completed within the  
24 preliminary eligible costs, prior to the submission of its  
25 recommendations to the commissioner, the development authority  
26 shall, in consultation with the district and the commissioner,  
27 determine whether changes can be made in the project which will  
28 result in a reduction in costs while at the same time meeting the  
29 facilities efficiency standards approved by the commissioner.

30 (a) If the development authority determines that changes in the  
31 school facilities project are possible so that the project can be  
32 accomplished within the scope of the preliminary eligible costs  
33 while still meeting the facilities efficiency standards, the  
34 development authority shall so advise the commissioner, whereupon  
35 the commissioner shall: calculate the final eligible costs to equal the  
36 preliminary eligible costs; give final approval to the project with the  
37 changes noted; and issue a final project report to the development  
38 authority pursuant to subsection j. of this section.

39 (b) If the development authority determines that it is not  
40 possible to make changes in the school facilities project so that it  
41 can be completed within the preliminary eligible costs either  
42 because the additional costs are the result of factors outside the  
43 control of the district or the additional costs are required to meet the  
44 facilities efficiency standards, the development authority shall  
45 recommend to the commissioner that the preliminary eligible costs  
46 be increased accordingly, whereupon the commissioner shall:  
47 calculate the final eligible costs to equal the sum of the preliminary



1 eligible costs plus the increase recommended by the development  
2 authority; give final approval to the project; and issue a final project  
3 report to the development authority pursuant to subsection j. of this  
4 section.

5 (c) If the additional costs are the result of factors that are within  
6 the control of the district or are the result of design factors that are  
7 not required to meet the facilities efficiency standards or approved  
8 pursuant to paragraph (1) of subsection g. of this section, the  
9 development authority shall recommend to the commissioner that  
10 the preliminary eligible costs be accepted, whereupon the  
11 commissioner shall: calculate the final eligible costs to equal the  
12 preliminary eligible costs and specify the excess costs which are to  
13 be borne by the district; give final approval to the school facilities  
14 project; and issue a final project report to the development authority  
15 pursuant to subsection j. of this section; provided that the  
16 commissioner may approve final eligible costs which are in excess  
17 of the preliminary eligible costs if, in his judgment, the action is  
18 necessary to meet the educational needs of the district.

19 (d) For a school facilities project undertaken by the  
20 development authority, the development authority shall be  
21 responsible for any costs of construction, but only from the  
22 proceeds of bonds issued by the financing authority pursuant to  
23 P.L.2000, c.72 (C.18A:7G-1 et al.) and P.L.2007, c.137 (C.52:18A-  
24 235 et al.), which exceed the amount originally projected by the  
25 development authority and approved for financing by the  
26 development authority, provided that the excess is the result of an  
27 underestimate of labor or materials costs by the development  
28 authority. After receipt by the development authority of the final  
29 project report, the district shall be responsible only for the costs  
30 associated with changes, if any, made at the request of the district to  
31 the scope of the school facilities project.

32 j. The development authority shall not commence the  
33 construction of a school facilities project unless the commissioner  
34 transmits to the development authority a final project report and the  
35 district complies with the approval requirements for the local share,  
36 if any, pursuant to section 11 of P.L.2000, c.72 (C.18A:7G-11).  
37 The final project report shall contain all of the information  
38 contained in the preliminary project report and, in addition, shall  
39 contain: the final eligible costs; the excess costs, if any; the total  
40 costs which equals the final eligible costs plus excess costs, if any;  
41 the State share; and the local share.

42 k. For the SDA districts, the State share shall be 100% of the  
43 final eligible costs. For all other districts, the State share shall be  
44 an amount equal to **[115% of]** the district aid percentage; except  
45 that the State share shall not be less than 40% of the final eligible  
46 costs.

1 If any district which is included in district factor group A or B,  
2 other than an SDA district, is having difficulty financing the local  
3 share of a school facilities project, the district may apply to the  
4 commissioner to receive 100% State support for the project and the  
5 commissioner may request the approval of the Legislature to  
6 increase the State share of the project to 100%.

7 l. The local share for school facilities projects constructed by  
8 the authority or a redevelopment entity shall equal the final eligible  
9 costs plus any excess costs less the State share.

10 m. (1) Within 90 days of the effective date of P.L.2007, c.137  
11 (C.52:18A-235 et al.), the commissioner shall develop an  
12 educational facilities needs assessment for each SDA district. The  
13 assessment shall be updated periodically by the commissioner in  
14 accordance with the schedule the commissioner deems appropriate  
15 for the district; except that each assessment shall at a minimum be  
16 updated within five years of the development of the district's most  
17 recent prior educational facilities needs assessment. The  
18 assessment shall be transmitted to the development authority to be  
19 used to initiate the planning activities required prior to the  
20 establishment of the educational priority ranking of school facilities  
21 projects pursuant to paragraph (2) of this subsection.

22 (2) Following the approval of an SDA district's long-range  
23 facilities plan or of an amendment to that plan, but prior to  
24 authorization of preconstruction activities for a school facilities  
25 project included in the plan or amendment, the commissioner shall  
26 establish, in consultation with the SDA district, an educational  
27 priority ranking of all school facilities projects in the SDA district  
28 based upon the commissioner's determination of critical need in  
29 accordance with priority project categories developed by the  
30 commissioner. The priority project categories shall include, but not  
31 be limited to, health and safety, overcrowding in the early  
32 childhood, elementary, middle, and high school grade levels, spaces  
33 necessary to provide in-district programs and services for current  
34 disabled students who are being served in out-of-district placements  
35 or in-district programs and services for the projected disabled  
36 student population, rehabilitation, and educational adequacy.

37 (3) Upon the commissioner's determination of the educational  
38 priority ranking of school facilities projects in SDA districts  
39 pursuant to paragraph (2) of this subsection, the development  
40 authority, in consultation with the commissioner, the SDA districts,  
41 and the governing bodies of the municipalities in which the SDA  
42 districts are situate, shall establish a Statewide strategic plan to be  
43 used in the sequencing of SDA district school facilities projects  
44 based upon the projects' educational priority rankings and issues  
45 which impact the development authority's ability to complete the  
46 projects including, but not limited to, the construction schedule and  
47 other appropriate factors. The development authority shall revise

1 the Statewide strategic plan and the sequencing of SDA district  
2 school facilities projects in accordance with that plan no less than  
3 once every five years.

4 Any amendment to an SDA district's long-range facilities plan  
5 that is submitted to the commissioner in the period between the  
6 five-year updates of the long-range facilities plan shall be  
7 considered by the development authority, in consultation with the  
8 commissioner, for incorporation into the Statewide strategic plan.  
9 In making a determination on whether or not to amend the  
10 Statewide strategic plan, the development authority shall consider  
11 the cost of the amendment, the impact of the amendment upon the  
12 school development plans for other districts, and other appropriate  
13 factors.

14 (4) In the case of a district other than an SDA district, the  
15 commissioner shall establish a priority process for the financing of  
16 school facilities projects based upon the commissioner's  
17 determination of critical need in accordance with priority project  
18 categories developed by the commissioner. The priority project  
19 categories shall include, but not be limited to, health and safety,  
20 overcrowding in the elementary, middle, and high school grade  
21 levels, spaces necessary to provide in-district programs and services  
22 for current disabled students who are being served in out-of-district  
23 placements or in-district programs and services for the projected  
24 disabled student population, and full-day kindergarten facilities in  
25 the case of school districts required to provide full-day preschool  
26 pursuant to section 12 of P.L.2007, c.260 (C.18A:7F-54).

27 n. The provisions of the "Public School Contracts Law,"  
28 N.J.S.18A:18A-1 et seq., shall be applicable to any school facilities  
29 project constructed by a district but shall not be applicable to  
30 projects constructed by the development authority or a  
31 redevelopment entity pursuant to the provisions of this act.

32 o. In the case of a school facilities project of a district other  
33 than an SDA district, any proceeds of school bonds issued by the  
34 district for the purpose of funding the project which remain unspent  
35 upon completion of the project shall be used by the district to  
36 reduce the outstanding principal amount of the school bonds.

37 p. Upon completion by the development authority of a school  
38 facilities project, if the cost of construction and completion of the  
39 project is less than the total costs, the district shall be entitled to  
40 receive a portion of the local share based on a pro rata share of the  
41 difference based on the ratio of the State share to the local share.

42 q. The development authority shall determine the cause of any  
43 costs of construction which exceed the amount originally projected  
44 by the development authority and approved for financing by the  
45 financing authority.

46 r. (Deleted by amendment, P.L.2007, c.137).

1 s. (Deleted by amendment, P.L.2007, c.137).  
2 (cf: P.L.2007, c.260, s.41)

3

4 3. Section 9 of P.L.2000, c.72 (C.18A:7G-9) is amended to  
5 read as follows:

6 9. a. State debt service aid for capital investment in school  
7 facilities for a district other than an SDA district which elects not to  
8 finance the project under section 15 of P.L.2000, c.72 (C.18A:7G-  
9 15), shall be distributed upon a determination of preliminary  
10 eligible costs by the commissioner, according to the following  
11 formula:

12 Aid is the sum of A for each issuance of school bonds issued for  
13 a school facilities project approved by the commissioner after the  
14 effective date of P.L.2000, c.72 (C.18A:7G-1 et al.)

15 where

16  $A = B \times AC/P \times [(DAP \times 1.15)] \underline{DAP} \times M$ , with  $AC/P = 1$

17 whenever  $AC/P$  would otherwise yield a number greater than one,  
18 and where:

19 B is the district's debt service for the individual issuance for the  
20 fiscal year;

21 AC is the preliminary eligible costs determined pursuant to  
22 section 7 of P.L.2000, c.72 (C.18A:7G-7);

23 P is the principal of the individual issuance plus any other  
24 funding sources approved for the school facilities project;

25 DAP is the district's district aid percentage as defined pursuant to  
26 section 3 of P.L.2000, c.72 (C.18A:7G-3) and where  $[(DAP \times$   
27  $1.15)] \underline{DAP}$  shall not be less than 40%; and

28 M is a factor representing the degree to which a district has  
29 fulfilled maintenance requirements for a school facilities project  
30 determined pursuant to subsection b. of this section.

31 For county special services school districts, DAP shall be that of  
32 the county vocational school district in the same county.

33 b. The maintenance factor (M) shall be 1.0 except when one of  
34 the following conditions applies, in which case the maintenance  
35 factor shall be as specified:

36 (1) Effective ten years from the date of the enactment of  
37 P.L.2000, c.72 (C.18A:7G-1 et al.), the maintenance factor for aid  
38 for reconstruction, remodeling, alteration, modernization,  
39 renovation or repair, or for an addition to a school facility, shall be  
40 zero for all school facilities projects for which the district fails to  
41 demonstrate over the ten years preceding issuance a net investment  
42 in maintenance of the related school facility of at least 2% of the  
43 replacement cost of the school facility, determined pursuant to  
44 subsection b. of section 7 of P.L.2000, c.72 (C.18A:7G-7) using the  
45 area cost allowance of the year ten years preceding the year in  
46 which the school bonds are issued.

1 (2) For new construction, additions, and school facilities aided  
 2 under subsection b. of section 7 of P.L.2000, c.72 (C.18A:7G-7)  
 3 supported by financing issued for projects approved by the  
 4 commissioner after the effective date of P.L.2000, c.72 (C.18A:7G-  
 5 1 et al.), beginning in the fourth year after occupancy of the school  
 6 facility, the maintenance factor shall be reduced according to the  
 7 following schedule for all school facilities projects for which the  
 8 district fails to demonstrate in the prior fiscal year an investment in  
 9 maintenance of the related school facility of at least two-tenths of  
 10 1% of the replacement cost of the school facility, determined  
 11 pursuant to subsection b. of section 7 of P.L.2000, c.72 (C.18A:7G-  
 12 7).

13 Maintenance Percentage	Maintenance Factor (M)
14 .199% - .151%	75%
15 .150% - .100%	50%
16 Less than .100%	Zero

17 (3) Within one year of the enactment of P.L.2000, c.72  
 18 (C.18A:7G-1 et al.), the commissioner shall promulgate rules  
 19 requiring districts to develop a long-range maintenance plan and  
 20 specifying the expenditures that qualify as an appropriate  
 21 investment in maintenance for the purposes of this subsection.

22 c. Any district which obtained approval from the commissioner  
 23 since September 1, 1998 and prior to the effective date of P.L.2000,  
 24 c.72 (C.18A:7G-1 et al.) of the educational specifications for a  
 25 school facilities project or obtained approval from the Department  
 26 of Community Affairs or the appropriately licensed municipal code  
 27 official since September 1, 1998 of the final construction plans and  
 28 specifications, and the district has issued debt, may elect to have the  
 29 final eligible costs of the project determined pursuant to section 5 of  
 30 P.L.2000, c.72 (C.18A:7G-5) and to receive debt service aid under  
 31 this section or under section 10 of P.L.2000, c.72 (C.18A:7G-10).

32 Any district which received approval from the commissioner for  
 33 a school facilities project at any time prior to the effective date of  
 34 P.L.2000, c.72 (C.18A:7G-1 et al.), and has not issued debt, other  
 35 than short term notes, may submit an application pursuant to section  
 36 5 of P.L.2000, c.72 (C.18A:7G-5) to have the final eligible costs of  
 37 the project determined pursuant to that section and to have the New  
 38 Jersey Economic Development Authority construct the project; or,  
 39 at its discretion, the district may choose to receive debt service aid  
 40 under this section or under section 10 of P.L.2000, c.72 (C.18A:7G-  
 41 10) or to receive a grant under section 15 of P.L.2000, c.72  
 42 (C.18A:7G-15).

43 For the purposes of this subsection, the "issuance of debt" shall  
 44 include lease purchase agreements in excess of five years.

45 d. For school bonds issued for a school facilities project after the  
 46 effective date of P.L.2000, c.72 (C.18A:7G-1 et al.) and prior to the  
 47 effective date of P.L. , c. (C. ) (pending before the Legislature

1 as this bill), State debt service aid shall be calculated in accordance  
2 with the provisions of this section as the same read before the  
3 effective date of P.L. , c. (C. ) (pending before the Legislature as  
4 this bill).

5 (cf: P.L.2007, c.260, s.42)

6  
7 4. Section 14 of P.L.2000, c.72 (C.18A:7G-14) is amended to  
8 read as follows:

9 14. Notwithstanding any other provisions of law to the contrary:

10 a. The financing authority shall have the power, pursuant to the  
11 provisions of P.L.2000, c.72 (C.18A:7G-1 et al.), P.L.1974, c.80  
12 (C.34:1B-1 et seq.) and P.L.2007, c.137 (C.52:18A-235 et al.), to  
13 issue bonds and refunding bonds, incur indebtedness and borrow  
14 money secured, in whole or in part, by moneys received pursuant to  
15 sections 17, 18 and 19 of P.L.2000, c.72 (C.18A:7G-17, C.18A:7G-  
16 18 and C.18A:7G-19) for the purposes of: financing all or a portion  
17 of the costs of school facilities projects and any costs related to the  
18 issuance thereof, including, but not limited to, the administrative,  
19 insurance, operating and other expenses of the financing authority  
20 to undertake the financing, and the development authority to  
21 undertake the planning, design, and construction of school facilities  
22 projects; lending moneys to local units to pay the costs of all or a  
23 portion of school facilities projects and any costs related to the  
24 issuance thereof; funding the grants to be made pursuant to section  
25 15 of P.L.2000, c.72 (C.18A:7G-15); and financing the acquisition  
26 of school facilities projects to permit the refinancing of debt by the  
27 district pursuant to section 16 of P.L.2000, c.72 (C.18A:7G-16).  
28 The aggregate principal amount of the bonds, notes or other  
29 obligations issued by the financing authority as authorized pursuant  
30 to P.L.2000, c.72 (C.18A:7G-1 et al.) shall not exceed:  
31 \$100,000,000 for the State share of costs for county vocational  
32 school district school facilities projects; \$6,000,000,000 for the  
33 State share of costs for Abbott district school facilities projects; and  
34 \$2,500,000,000 for the State share of costs for school facilities  
35 projects in all other districts. The aggregate principal amount of the  
36 bonds, notes or other obligations issued by the financing authority  
37 as authorized pursuant to P.L. , c. (C. ) (pending before the  
38 Legislature as this bill) shall not exceed: \$2,900,000,000 for the  
39 State share of costs of SDA district school facilities projects; and  
40 \$1,000,000,000 for the State share of costs for school facilities  
41 projects in all other districts, \$50,000,000 of which shall be  
42 allocated for the State share of costs for county vocational school  
43 district school facilities projects. This limitation shall not include  
44 any bonds, notes or other obligations issued for refunding purposes.

45 The financing authority may establish reserve funds to further  
46 secure bonds and refunding bonds issued pursuant to this section  
47 and may issue bonds to pay for the administrative, insurance and

1 operating costs of the financing authority and the development  
2 authority in carrying out the provisions of this act. In addition to its  
3 bonds and refunding bonds, the financing authority shall have the  
4 power to issue subordinated indebtedness, which shall be  
5 subordinate in lien to the lien of any or all of its bonds or refunding  
6 bonds as the financing authority may determine.

7 b. The financing authority shall issue the bonds or refunding  
8 bonds in such manner as it shall determine in accordance with the  
9 provisions of P.L.2000, c.72 (C.18A:7G-1 et al.), P.L.1974, c.80  
10 (C.34:1B-1 et seq.), and P.L.2007, c.137 (C.52:18A-235 et al.);  
11 provided that notwithstanding any other law to the contrary, no  
12 resolution adopted by the financing authority authorizing the  
13 issuance of bonds or refunding bonds pursuant to this section shall  
14 be adopted or otherwise made effective without the approval in  
15 writing of the State Treasurer; and refunding bonds issued to refund  
16 bonds issued pursuant to this section shall be issued on such terms  
17 and conditions as may be determined by the financing authority and  
18 the State Treasurer. The financing authority may, in any resolution  
19 authorizing the issuance of bonds or refunding bonds issued  
20 pursuant to this section, pledge the contract with the State Treasurer  
21 provided for pursuant to section 18 of P.L.2000, c.72 (C.18A:7G-  
22 18), or any part thereof, or may pledge all or any part of the  
23 repayments of loans made to local units pursuant to section 19 of  
24 P.L.2000, c.72 (C.18A:7G-19) for the payment or redemption of the  
25 bonds or refunding bonds, and covenant as to the use and  
26 disposition of money available to the financing authority for  
27 payment of the bonds and refunding bonds. All costs associated  
28 with the issuance of bonds and refunding bonds by the financing  
29 authority for the purposes set forth in this act may be paid by the  
30 financing authority from amounts it receives from the proceeds of  
31 the bonds or refunding bonds, and from amounts it receives  
32 pursuant to sections 17, 18, and 19 of P.L.2000, c.72 (C.18A:7G-  
33 17, C.18A:7G-18 and C.18A:7G-19). The costs may include, but  
34 shall not be limited to, any costs relating to the issuance of the  
35 bonds or refunding bonds, administrative costs of the financing  
36 authority attributable to the making and administering of loans and  
37 grants to fund school facilities projects, and costs attributable to the  
38 agreements entered into pursuant to subsection d. of this section.

39 c. Each issue of bonds or refunding bonds of the financing  
40 authority shall be special obligations of the financing authority  
41 payable out of particular revenues, receipts or funds, subject only to  
42 any agreements with the holders of bonds or refunding bonds, and  
43 may be secured by other sources of revenue, including, but not  
44 limited to, one or more of the following:

45 (1) Pledge of the revenues and other receipts to be derived from  
46 the payment of local unit obligations and any other payment made  
47 to the financing authority pursuant to agreements with any local

- 1 unit, or a pledge or assignment of any local unit obligations, and the  
2 rights and interest of the financing authority therein;
- 3 (2) Pledge of rentals, receipts and other revenues to be derived  
4 from leases or other contractual arrangements with any person or  
5 entity, public or private, including one or more local units, or a  
6 pledge or assignment of those leases or other contractual  
7 arrangements and the rights and interests of the financing authority  
8 therein;
- 9 (3) Pledge of all moneys, funds, accounts, securities and other  
10 funds, including the proceeds of the bonds;
- 11 (4) Pledge of the receipts to be derived from payments of State  
12 aid to the financing authority pursuant to section 21 of P.L.2000,  
13 c.72 (C.18A:7G-21);
- 14 (5) Pledge of the contract or contracts with the State Treasurer  
15 pursuant to section 18 of P.L.2000, c.72 (C.18A:7G-18);
- 16 (6) Pledge of any sums remitted to the local unit by donation  
17 from any person or entity, public or private, subject to the approval  
18 of the State Treasurer;
- 19 (7) A mortgage on all or any part of the property, real or  
20 personal, comprising a school facilities project then owned or  
21 thereafter to be acquired, or a pledge or assignment of mortgages  
22 made to the financing authority by any person or entity, public or  
23 private, including one or more local units and rights and interests of  
24 the financing authority therein; and
- 25 (8) The receipt of any grants, reimbursements or other payments  
26 from the federal government.
- 27 d. The resolution authorizing the issuance of bonds or  
28 refunding bonds pursuant to this section may also provide for the  
29 financing authority to enter into any revolving credit agreement,  
30 agreement establishing a line of credit or letter of credit,  
31 reimbursement agreement, interest rate exchange agreement,  
32 currency exchange agreement, interest rate floor or cap, options,  
33 puts or calls to hedge payment, currency, rate, spread or similar  
34 exposure or similar agreements, float agreements, forward  
35 agreements, insurance contracts, surety bonds, commitments to  
36 purchase or sell bonds, purchase or sale agreements, or  
37 commitments or other contracts or agreements and other security  
38 agreements approved by the financing authority in connection with  
39 the issuance of the bonds or refunding bonds pursuant to this  
40 section. In addition, the financing authority may, in anticipation of  
41 the issuance of the bonds or the receipt of appropriations, grants,  
42 reimbursements or other funds, including, without limitation, grants  
43 from the federal government for school facilities projects, issue  
44 notes, the principal of or interest on which, or both, shall be payable  
45 out of the proceeds of notes, bonds or other obligations of the  
46 financing authority or appropriations, grants, reimbursements or  
47 other funds or revenues of the financing authority.



1 e. The financing authority is authorized to engage, subject to  
2 the approval of the State Treasurer and in such manner as the State  
3 Treasurer shall determine, the services of financial advisors and  
4 experts, placement agents, underwriters, appraisers, and other  
5 advisors, consultants and agents as may be necessary to effectuate  
6 the financing of school facilities projects.

7 f. Bonds and refunding bonds issued by the financing authority  
8 pursuant to this section shall be special and limited obligations of  
9 the financing authority payable from, and secured by, funds and  
10 moneys determined by the financing authority in accordance with  
11 this section. Notwithstanding any other provision of law or  
12 agreement to the contrary, any bonds and refunding bonds issued by  
13 the financing authority pursuant to this section shall not be secured  
14 by the same property as bonds and refunding bonds issued by the  
15 financing authority to finance projects other than school facilities  
16 projects. Neither the members of the financing authority nor any  
17 other person executing the bonds or refunding bonds shall be  
18 personally liable with respect to payment of interest and principal  
19 on these bonds or refunding bonds. Bonds or refunding bonds  
20 issued pursuant to this section shall not be a debt or liability of the  
21 State or any agency or instrumentality thereof, except as otherwise  
22 provided by this subsection, either legal, moral or otherwise, and  
23 nothing contained in this act shall be construed to authorize the  
24 financing authority to incur any indebtedness on behalf of or in any  
25 way to obligate the State or any political subdivision thereof, and  
26 all bonds and refunding bonds issued by the financing authority  
27 shall contain a statement to that effect on their face.

28 g. The State hereby pledges and covenants with the holders of  
29 any bonds or refunding bonds issued pursuant to this act that it will  
30 not limit or alter the rights or powers vested in the financing  
31 authority by this act, nor limit or alter the rights or powers of the  
32 State Treasurer in any manner which would jeopardize the interest  
33 of the holders or any trustee of the holders, or inhibit or prevent  
34 performance or fulfillment by the financing authority or the State  
35 Treasurer with respect to the terms of any agreement made with the  
36 holders of the bonds or refunding bonds or agreements made  
37 pursuant to subsection d. of this section; except that the failure of  
38 the Legislature to appropriate moneys for any purpose of this act  
39 shall not be deemed a violation of this section.

40 h. The financing authority and the development authority may  
41 charge to and collect from local units, districts, the State and any  
42 other person, any fees and charges in connection with the financing  
43 authority's or development authority's actions undertaken with  
44 respect to school facilities projects, including, but not limited to,  
45 fees and charges for the financing authority's administrative,  
46 organization, insurance, operating and other expenses incident to  
47 the financing of school facilities projects, and the development

1 authority's administrative, organization, insurance, operating,  
2 planning, design, construction management, acquisition,  
3 construction, completion and placing into service and maintenance  
4 of school facilities projects. Notwithstanding any provision of this  
5 act to the contrary, no SDA district shall be responsible for the  
6 payment of any fees and charges related to the development  
7 authority's operating expenses.

8 i. Upon the issuance by the financing authority of bonds  
9 pursuant to this section, other than refunding bonds, the net  
10 proceeds of the bonds shall be transferred to the development  
11 authority.

12 (cf: P.L. 2007, c.260, s.45)

13  
14 5. Section 15 of P.L.2000, c.72 (C.18A:7G-15) is amended to  
15 read as follows:

16 15. a. In the case of a district other than an SDA district, for any  
17 project approved by the commissioner after the effective date of this  
18 act, the district may elect to receive a one-time grant for the State  
19 share of the project in accordance with the provisions of subsection  
20 b. of this section rather than annual debt service aid under section 9  
21 of P.L.2000, c.72 (C.18A:7G-9). The State share payable to the  
22 district shall equal the product of the project's final eligible costs  
23 and **[115% of]** the district aid percentage or 40%, whichever is  
24 greater.

25 b. The commissioner shall establish a process for the annual  
26 allocation of grant funding. Under that process, the commissioner  
27 shall annually notify districts of the date on which the  
28 commissioner shall begin to receive applications for grant funding.  
29 A district shall have 90 days from that date to submit an application  
30 to the commissioner. The commissioner shall make a decision on a  
31 district's application within 90 days of the submission of all such  
32 applications and shall allocate the grant funding in accordance with  
33 the priority process established pursuant to paragraph (4) of  
34 subsection m. of section 5 of P.L.2000, c.72 (C.18A:7G-5).

35 c. The development authority shall provide grant funding for the  
36 State's share of the final eligible costs of a school facilities project  
37 pursuant to an agreement between the district and the development  
38 authority which shall, in addition to other terms and conditions, set  
39 forth the terms of disbursement of the State share. The funding of  
40 the State share shall not commence until the district secures  
41 financing for the local share.

42 (cf: P.L. 2007, c.260, s.46)

43  
44 6. Section 17 of P.L.2000, c.72 (C.18A:7G-17) is amended to  
45 read as follows:

46 17. In each fiscal year the State Treasurer shall pay from the  
47 General Fund to the financing authority, in accordance with a

1 contract between the State Treasurer and the financing authority as  
2 authorized pursuant to section 18 of P.L.2000, c.72 (C.18A:7G-18),  
3 an amount equal to the debt service amount due to be paid in the  
4 State fiscal year on the bonds or refunding bonds of the financing  
5 authority issued or incurred pursuant to section 14 of P.L.2000, c.72  
6 (C.18A:7G-14) and any additional costs authorized pursuant to that  
7 section; provided that all such payments from the General Fund  
8 shall be subject to and dependent upon appropriations being made  
9 from time to time by the Legislature for those purposes, and  
10 provided further that all payments shall be used only to pay for the  
11 costs of school facilities projects and the costs of financing those  
12 projects.

13 In regard to the increase in the amount of bonds authorized to be  
14 issued by the financing authority pursuant to P.L. , c. (pending  
15 before the Legislature as this bill) for the State share of costs for  
16 school facilities projects, debt service on the bonds or refunding  
17 bonds issued or incurred by the financing authority pursuant to  
18 section 14 of P.L.2000, c.72 (C.18A:7G-14) and any additional  
19 costs authorized pursuant to that section shall first be payable from  
20 revenues received from the gross income tax pursuant to the "New  
21 Jersey Gross Income Tax Act," P.L.1976, c.47 (C.54A:1-1 et seq.),  
22 except for debt service and additional costs for the administrative,  
23 insurance, operating, and other expenses of the financing authority  
24 and the development authority incurred in connection with school  
25 facilities projects.

26 (cf: P.L.2007, c.137, s.28)

27

28 7. Section 54 of P.L.2000, c.72 (C.34:1B-5.9) is amended to  
29 read as follows:

30 54. Notwithstanding the provisions of any law to the contrary,  
31 any bonds issued pursuant to P.L.2000, c.72 (C.18A:7G-1 et al.) or  
32 P.L.2007, c.137 (C.52:18A-235 et al.) or P.L. , c. (C. )  
33 (pending before the Legislature as this bill) shall be fully negotiable  
34 within the meaning and for all purposes of Title 12A of the New  
35 Jersey Statutes, and each holder or owner of such a bond or other  
36 obligation, or of any coupon appurtenant thereto, by accepting the  
37 bond or coupon shall be conclusively deemed to have agreed that  
38 the bond or coupon is and shall be fully negotiable within the  
39 meaning and for all purposes of Title 12A.

40 (cf: P.L. 2007, c.137, s.57)

41

42 8. (New section) The school facilities projects of a county  
43 vocational school district that did not receive State support for its  
44 projects from the \$100,000,000 of bond proceeds originally  
45 allocated for the State share of county vocational school district  
46 school facilities projects pursuant to section 14 of P.L.2000, c.72  
47 (C.18A:7G-14) shall receive priority in the allocation of the bond

1 proceeds authorized for the State share of county vocational school  
2 district school facilities projects pursuant to P.L. , c. (C. )  
3 (pending before the Legislature as this bill) provided that the county  
4 vocational school district demonstrates to the commissioner the  
5 need for the school facilities projects.

6  
7 9. (New section) The development authority, in consultation  
8 with the State Comptroller, shall cause an audit to be conducted of a  
9 school facilities project financed pursuant to P.L.2000, c.72  
10 (C.18A:7G-1 et al.) which has a State share that exceeds  
11 \$10,000,000. This provision shall not be construed to limit the  
12 authority of the development authority or the State Comptroller to  
13 conduct audits of other school facilities projects as provided by law.

14  
15 10. (New section) The development authority, in consultation  
16 with the commissioner and program stakeholders, shall conduct a  
17 study on the potential cost savings in the school construction  
18 program in SDA and other school districts that could be realized  
19 through the use of standardized design elements, components, and  
20 construction materials. The study shall include, but not be limited  
21 to, consideration of the opportunities to save design time, facilitate  
22 construction inspections, and ensure maintenance protocol ease  
23 through:

24 a. utilization of standard building details including, but not  
25 limited to, gymnasias, media centers, and cafeterias;

26 b. use of bulk supply agreements with original manufacturers;  
27 and,

28 c. use of consistent preventive maintenance protocols to ensure  
29 maximum efficiency and lifespan of building components and  
30 systems.

31 The development authority shall submit the report on or before  
32 April 1, 2009 to the Governor, the Joint Budget Oversight  
33 Committee, the President of the Senate, the Speaker of the General  
34 Assembly, and the commissioner.

35  
36 11. (New section) Notwithstanding any provision of P.L.1968,  
37 c.410 (C.52:14B-1 et seq.) to the contrary, the commissioner may  
38 adopt, immediately upon filing with the Office of Administrative  
39 Law, such rules and regulations as the commissioner deems  
40 necessary to implement the process for the allocation of grant  
41 funding as established pursuant to subsection b. of section 15 of  
42 P.L.2000, c.72 (C.18A:7G-15) which shall be effective for a period  
43 not to exceed 12 months. The regulations shall thereafter be  
44 amended, adopted, or readopted by the State Board of Education in  
45 accordance with the provisions of P.L.1968, c.410 (C.52:14B-1 et  
46 seq.).

1       12. This act shall take effect immediately.

2

3

4

\_\_\_\_\_

5

6       Increases EDA bonding limit for State share of school facilities  
7 projects; specifies debt service for these bonds will first be payable  
8 from revenues received from gross income tax; establishes priority  
9 categories for non-SDA district projects.

# ASSEMBLY, No. 2873

## STATE OF NEW JERSEY 213th LEGISLATURE

INTRODUCED MAY 22, 2008

**Sponsored by:**

**Assemblyman ALBERT COUTINHO**

**District 29 (Essex and Union)**

**Assemblywoman L. GRACE SPENCER**

**District 29 (Essex and Union)**

**Assemblywoman ELEASE EVANS**

**District 35 (Bergen and Passaic)**

**Assemblywoman MILA M. JASEY**

**District 27 (Essex)**

**Assemblywoman CLEOPATRA G. TUCKER**

**District 28 (Essex)**

**Co-Sponsored by:**

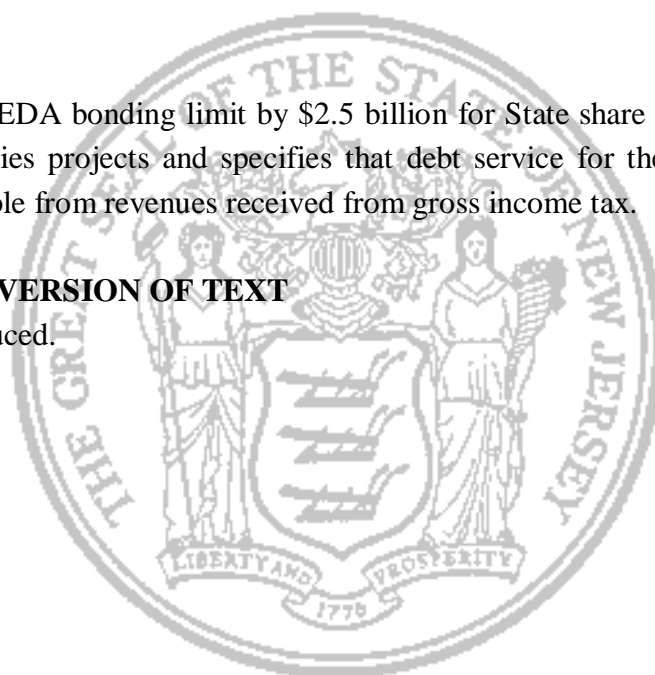
**Assemblyman Giblin**

**SYNOPSIS**

Increases EDA bonding limit by \$2.5 billion for State share of SDA district school facilities projects and specifies that debt service for these bonds shall first be payable from revenues received from gross income tax.

**CURRENT VERSION OF TEXT**

As introduced.



**(Sponsorship Updated As Of: 6/20/2008)**

1 AN ACT concerning State support for school facilities projects and  
2 amending P.L.2000, c.72.

3

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

6

7 1. Section 14 of P.L.2000, c.72 (C.18A:7G-14) is amended to  
8 read as follows:

9 14. Notwithstanding any other provisions of law to the contrary:

10 a. The financing authority shall have the power, pursuant to the  
11 provisions of P.L.2000, c.72 (C.18A:7G-1 et al.), P.L.1974, c.80  
12 (C.34:1B-1 et seq.) and P.L.2007, c.137 (C.52:18A-235 et al.), to  
13 issue bonds and refunding bonds, incur indebtedness and borrow  
14 money secured, in whole or in part, by moneys received pursuant to  
15 sections 17, 18 and 19 of P.L.2000, c.72 (C.18A:7G-17, C.18A:7G-  
16 18 and C.18A:7G-19) for the purposes of: financing all or a portion  
17 of the costs of school facilities projects and any costs related to the  
18 issuance thereof, including, but not limited to, the administrative,  
19 insurance, operating and other expenses of the financing authority  
20 to undertake the financing, and the development authority to  
21 undertake the planning, design, and construction of school facilities  
22 projects; lending moneys to local units to pay the costs of all or a  
23 portion of school facilities projects and any costs related to the  
24 issuance thereof; funding the grants to be made pursuant to section  
25 15 of P.L.2000, c.72 (C.18A:7G-15); and financing the acquisition  
26 of school facilities projects to permit the refinancing of debt by the  
27 district pursuant to section 16 of P.L.2000, c.72 (C.18A:7G-16).  
28 The aggregate principal amount of the bonds, notes or other  
29 obligations issued by the financing authority shall not exceed:  
30 \$100,000,000 for the State share of costs for county vocational  
31 school district school facilities projects; **[\$6,000,000,000]**  
32 \$8,500,000,000 for the State share of costs for **[Abbott]** SDA  
33 district school facilities projects; and \$2,500,000,000 for the State  
34 share of costs for school facilities projects in all other districts.  
35 This limitation shall not include any bonds, notes or other  
36 obligations issued for refunding purposes.

37 The financing authority may establish reserve funds to further  
38 secure bonds and refunding bonds issued pursuant to this section  
39 and may issue bonds to pay for the administrative, insurance and  
40 operating costs of the financing authority and the development  
41 authority in carrying out the provisions of this act. In addition to its  
42 bonds and refunding bonds, the financing authority shall have the  
43 power to issue subordinated indebtedness, which shall be  
44 subordinate in lien to the lien of any or all of its bonds or as the

**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 financing authority may determine.

2 b. The financing authority shall issue the bonds or refunding  
3 bonds in such manner as it shall determine in accordance with the  
4 provisions of P.L.2000, c.72 (C.18A:7G-1 et al.), P.L.1974, c.80  
5 (C.34:1B-1 et seq.), and P.L.2007, c.137 (C.52:18A-235 et al.);  
6 provided that notwithstanding any other law to the contrary, no  
7 resolution adopted by the financing authority authorizing the  
8 issuance of bonds or refunding bonds pursuant to this section shall  
9 be adopted or otherwise made effective without the approval in  
10 writing of the State Treasurer; and refunding bonds issued to refund  
11 bonds issued pursuant to this section shall be issued on such terms  
12 and conditions as may be determined by the financing authority and  
13 the State Treasurer. The financing authority may, in any resolution  
14 authorizing the issuance of bonds or refunding bonds issued  
15 pursuant to this section, pledge the contract with the State Treasurer  
16 provided for pursuant to section 18 of P.L.2000, c.72 (C.18A:7G-  
17 18), or any part thereof, or may pledge all or any part of the  
18 repayments of loans made to local units pursuant to section 19 of  
19 P.L.2000, c.72 (C.18A:7G-19) for the payment or redemption of the  
20 bonds or refunding bonds, and covenant as to the use and  
21 disposition of money available to the financing authority for  
22 payment of the bonds and refunding bonds. All costs associated  
23 with the issuance of bonds and refunding bonds by the financing  
24 authority for the purposes set forth in this act may be paid by the  
25 financing authority from amounts it receives from the proceeds of  
26 the bonds or refunding bonds, and from amounts it receives  
27 pursuant to sections 17, 18, and 19 of P.L.2000, c.72 (C.18A:7G-  
28 17, C.18A:7G-18 and C.18A:7G-19). The costs may include, but  
29 shall not be limited to, any costs relating to the issuance of the  
30 bonds or refunding bonds, administrative costs of the financing  
31 authority attributable to the making and administering of loans and  
32 grants to fund school facilities projects, and costs attributable to the  
33 agreements entered into pursuant to subsection d. of this section.

34 c. Each issue of bonds or refunding bonds of the financing  
35 authority shall be special obligations of the financing authority  
36 payable out of particular revenues, receipts or funds, subject only to  
37 any agreements with the holders of bonds or refunding bonds, and  
38 may be secured by other sources of revenue, including, but not  
39 limited to, one or more of the following:

40 (1) Pledge of the revenues and other receipts to be derived from  
41 the payment of local unit obligations and any other payment made  
42 to the financing authority pursuant to agreements with any local  
43 unit, or a pledge or assignment of any local unit obligations, and the  
44 rights and interest of the financing authority therein;

45 (2) Pledge of rentals, receipts and other revenues to be derived  
46 from leases or other contractual arrangements with any person or  
47 entity, public or private, including one or more local units, or a  
48 pledge or assignment of those leases or other contractual



1 arrangements and the rights and interests of the financing authority  
2 therein;

3 (3) Pledge of all moneys, funds, accounts, securities and other  
4 funds, including the proceeds of the bonds;

5 (4) Pledge of the receipts to be derived from payments of State  
6 aid to the financing authority pursuant to section 21 of P.L.2000,  
7 c.72 (C.18A:7G-21);

8 (5) Pledge of the contract or contracts with the State Treasurer  
9 pursuant to section 18 of P.L.2000, c.72 (C.18A:7G-18);

10 (6) Pledge of any sums remitted to the local unit by donation  
11 from any person or entity, public or private, subject to the approval  
12 of the State Treasurer;

13 (7) A mortgage on all or any part of the property, real or  
14 personal, comprising a school facilities project then owned or  
15 thereafter to be acquired, or a pledge or assignment of mortgages  
16 made to the financing authority by any person or entity, public or  
17 private, including one or more local units and rights and interests of  
18 the financing authority therein; and

19 (8) The receipt of any grants, reimbursements or other payments  
20 from the federal government.

21 d. The resolution authorizing the issuance of bonds or  
22 refunding bonds pursuant to this section may also provide for the  
23 financing authority to enter into any revolving credit agreement,  
24 agreement establishing a line of credit or letter of credit,  
25 reimbursement agreement, interest rate exchange agreement,  
26 currency exchange agreement, interest rate floor or cap, options,  
27 puts or calls to hedge payment, currency, rate, spread or similar  
28 exposure or similar agreements, float agreements, forward  
29 agreements, insurance contracts, surety bonds, commitments to  
30 purchase or sell bonds, purchase or sale agreements, or  
31 commitments or other contracts or agreements and other security  
32 agreements approved by the financing authority in connection with  
33 the issuance of the bonds or refunding bonds pursuant to this  
34 section. In addition, the financing authority may, in anticipation of  
35 the issuance of the bonds or the receipt of appropriations, grants,  
36 reimbursements or other funds, including, without limitation, grants  
37 from the federal government for school facilities projects, issue  
38 notes, the principal of or interest on which, or both, shall be payable  
39 out of the proceeds of notes, bonds or other obligations of the  
40 financing authority or appropriations, grants, reimbursements or  
41 other funds or revenues of the financing authority.

42 e. The financing authority is authorized to engage, subject to  
43 the approval of the State Treasurer and in such manner as the State  
44 Treasurer shall determine, the services of financial advisors and  
45 experts, placement agents, underwriters, appraisers, and other  
46 advisors, consultants and agents as may be necessary to effectuate  
47 the financing of school facilities projects.

1 f. Bonds and refunding bonds issued by the financing authority  
2 pursuant to this section shall be special and limited obligations of  
3 the financing authority payable from, and secured by, funds and  
4 moneys determined by the financing authority in accordance with  
5 this section. Notwithstanding any other provision of law or  
6 agreement to the contrary, any bonds and refunding bonds issued by  
7 the financing authority pursuant to this section shall not be secured  
8 by the same property as bonds and refunding bonds issued by the  
9 financing authority to finance projects other than school facilities  
10 projects. Neither the members of the financing authority nor any  
11 other person executing the bonds or refunding bonds shall be  
12 personally liable with respect to payment of interest and principal  
13 on these bonds or refunding bonds. Bonds or refunding bonds  
14 issued pursuant to this section shall not be a debt or liability of the  
15 State or any agency or instrumentality thereof, except as otherwise  
16 provided by this subsection, either legal, moral or otherwise, and  
17 nothing contained in this act shall be construed to authorize the  
18 financing authority to incur any indebtedness on behalf of or in any  
19 way to obligate the State or any political subdivision thereof, and  
20 all bonds and refunding bonds issued by the financing authority  
21 shall contain a statement to that effect on their face.

22 g. The State hereby pledges and covenants with the holders of  
23 any bonds or refunding bonds issued pursuant to this act that it will  
24 not limit or alter the rights or powers vested in the financing  
25 authority by this act, nor limit or alter the rights or powers of the  
26 State Treasurer in any manner which would jeopardize the interest  
27 of the holders or any trustee of the holders, or inhibit or prevent  
28 performance or fulfillment by the financing authority or the State  
29 Treasurer with respect to the terms of any agreement made with the  
30 holders of the bonds or refunding bonds or agreements made  
31 pursuant to subsection d. of this section; except that the failure of  
32 the Legislature to appropriate moneys for any purpose of this act  
33 shall not be deemed a violation of this section.

34 h. The financing authority and the development authority may  
35 charge to and collect from local units, districts, the State and any  
36 other person, any fees and charges in connection with the financing  
37 authority's or development authority's actions undertaken with  
38 respect to school facilities projects, including, but not limited to,  
39 fees and charges for the financing authority's administrative,  
40 organization, insurance, operating and other expenses incident to  
41 the financing of school facilities projects, and the development  
42 authority's administrative, organization, insurance, operating,  
43 planning, design, construction management, acquisition,  
44 construction, completion and placing into service and maintenance  
45 of school facilities projects. Notwithstanding any provision of this  
46 act to the contrary, no SDA district shall be responsible for the  
47 payment of any fees and charges related to the development  
48 authority's operating expenses.

1 i. Upon the issuance by the financing authority of bonds  
2 pursuant to this section, other than refunding bonds, the net  
3 proceeds of the bonds shall be transferred to the development  
4 authority.

5 (cf: P.L.2007, c.260, s.45)

6

7 2. Section 17 of P.L.2000, c.72 (C.18A:7G-17) is amended to  
8 read as follows:

9 17. In each fiscal year the State Treasurer shall pay from the  
10 General Fund to the financing authority, in accordance with a  
11 contract between the State Treasurer and the financing authority as  
12 authorized pursuant to section 18 of P.L.2000, c.72 (C.18A:7G-18),  
13 an amount equal to the debt service amount due to be paid in the  
14 State fiscal year on the bonds or refunding bonds of the financing  
15 authority issued or incurred pursuant to section 14 of P.L.2000, c.72  
16 (C.18A:7G-14) and any additional costs authorized pursuant to that  
17 section; provided that all such payments from the General Fund  
18 shall be subject to and dependent upon appropriations being made  
19 from time to time by the Legislature for those purposes, and  
20 provided further that all payments shall be used only to pay for the  
21 costs of school facilities projects and the costs of financing those  
22 projects.

23 In regard to the increase in the amount of bonds authorized to be  
24 issued by the financing authority pursuant to P.L. , c. (pending  
25 before the Legislature as this bill) for the State share of costs for  
26 SDA district school facilities projects, debt service on the bonds or  
27 refunding bonds issued or incurred by the financing authority  
28 pursuant to section 14 of P.L.2000, c.72 (C.18A:7G-14) and any  
29 additional costs authorized pursuant to that section shall first be  
30 payable from revenues received from the gross income tax pursuant  
31 to the "New Jersey Gross Income Tax Act," P.L.1976, c.47  
32 (C.54A:1-1 et seq.), except for debt service and additional costs for  
33 the administrative, insurance, operating, and other expenses of the  
34 financing authority and the development authority incurred in  
35 connection with school facilities projects.

36 (cf: P.L.2007, c.137, s.28)

37

38 3. This act shall take effect immediately.

39

40

41

#### STATEMENT

42

43 This bill amends the "Educational Facilities Construction and  
44 Financing Act," (EFCFA) P.L.2000, c.72, to increase by \$2.5  
45 billion the amount of bonds authorized to be issued by the New  
46 Jersey Economic Development Authority to finance the State share  
47 of school facilities projects in SDA districts (formerly Abbott  
48 districts). In regard to this \$2.5 billion increase in bond

**A2873 COUTINHO, SPENCER**

7

1 authorization, the bill provides that debt service on these bonds and  
2 refunding bonds and any additional authorized costs must first be  
3 payable from revenues received from the gross income tax pursuant  
4 to the "New Jersey Gross Income Tax Act," except for debt service  
5 and additional costs for the administrative, insurance, operating,  
6 and other expenses of the New Jersey Economic Development  
7 Authority and the New Jersey Schools Development Authority  
8 incurred in connection with school facilities projects.

# ASSEMBLY BUDGET COMMITTEE

## STATEMENT TO

### ASSEMBLY COMMITTEE SUBSTITUTE FOR ASSEMBLY, No. 2873

# STATE OF NEW JERSEY

DATED: JUNE 19, 2008

The Assembly Budget Committee reports favorably an Assembly Committee Substitute for Assembly Bill No. 2873.

This Assembly Committee Substitute for Assembly Bill No. 2873 amends the "Educational Facilities Construction and Financing Act," (EFCFA) P.L.2000, c.72, to increase the amount of bonds authorized to be issued by the New Jersey Economic Development Authority to finance the State share of school facilities projects. The substitute authorizes an additional \$2.9 billion to finance the State share of SDA district school facilities projects (former Abbott districts), and \$1 billion to finance the State share of all other district school facilities projects with \$50 million of that \$1 billion set aside for the State share of county vocational school district projects. The substitute specifies that the school facilities projects of those county vocational school districts that did not receive State support for their projects under the allocation made under the original law will receive priority in the allocation of the additional bond proceeds, provided that the district demonstrates to the commissioner the need for its school facilities projects.

The substitute directs the Commissioner of Education to establish a priority process for the financing of school facilities projects in non-SDA districts in accordance with priority project categories developed by the commissioner. Under P.L.2007, c.137, which became effective in August of 2007, priority project categories were established for the SDA districts. Under the substitute, the priority project categories for non-SDA districts will include, but not be limited to, health and safety, overcrowding in the elementary, middle, and high school grade levels, spaces necessary to provide in-district programs for disabled students who are currently being served in out-of-district programs or in-district programs for the projected disabled student population, and full-day kindergarten facilities in the case of a school district that is required to provide full-day preschool under the provisions of the State's school funding law, the "School Funding Reform Act of 2008," P.L.2007, c.260.

The substitute eliminates the current provision of the school construction law that increases a school district's district aid percentage by 15% for the purposes of the calculation of the State share of a school facilities project, but maintains the current minimum State share of 40%.

The substitute directs the Commissioner of Education to establish a process for the annual allocation of school facilities project grant funding available to non-SDA districts. Under that process, the commissioner will annually notify districts of the date on which the commissioner will begin to receive applications for grant funding. A district will have 90 days from that date to submit an application. The commissioner will make a decision on a district's application within 90 days of the submission of all such applications and will allocate the grant funding in accordance with the priority process established by the commissioner.

The substitute directs the New Jersey Schools Development Authority, in consultation with the Commissioner of Education and program stakeholders, to conduct a study on the potential cost savings in the school construction program in SDA and other school districts that could be realized through the use of standardized design elements, components, and construction materials. The study must be submitted to the Governor, the Joint Budget Oversight Committee, the President of the Senate, and the Speaker of the General Assembly by April 1, 2009.

Finally, the substitute directs the development authority, in consultation with the State Comptroller, to cause an audit to be conducted of any school facilities project that has a State share that exceeds \$10 million.

The Legislature enacted P.L.2007, c.137, effective in August of 2007, which implemented a number of changes to the school construction program considered to be essential in the September 2006 Third Report to the Governor by the Interagency Working Group for School Construction. Those changes included the establishment of the New Jersey Schools Development Authority (SDA) with an enhanced governance structure to focus solely on the construction of schools. The changes made to the school construction program in the 2007 legislation, as well the initiatives undertaken by the SDA, have increased efficiency and heightened the accountability in the school construction program. SDA changes such as the development of the project charter initiative, improvements to project management, claims mitigation and proactive initiation of cost recovery action, and SDA reforms such as ending the unacceptable practices of beginning construction before design is complete, starting design before land is acquired, and failing to prioritize projects based upon funding availability and educational need, have enhanced the ability of the SDA to safeguard the interests of the State's taxpayers. In light of these program improvements and the State's obligation and critical

interest in ensuring that its children are educated in school facilities that are safe, healthy, and conducive to learning, it is appropriate that the Legislature act to authorize additional funds for the school construction program.

FISCAL IMPACT:

The Office of Legislative Services (OLS) cannot predict the terms of the envisioned issuance of \$3.9 billion in additional school construction bonds. Nonetheless, after making certain plausible assumptions, it projects that the State Property Tax Relief Fund would incur a total debt service cost ranging from \$6.33 billion to \$7.14 billion spread over fiscal years 2011 through 2044. The lower bound represents a 3.5 percent annual interest rate and the higher bound a 4.5 percent annual interest rate. If the assumptions hold, annual debt service payments would peak from fiscal years 2015 through 2040, ranging from \$211.0 million at a 3.5 percent interest rate to \$238.2 million at a 4.5 percent interest rate.

**LEGISLATIVE FISCAL ESTIMATE**  
**ASSEMBLY COMMITTEE SUBSTITUTE FOR**  
**ASSEMBLY, No. 2873**  
**STATE OF NEW JERSEY**  
**213th LEGISLATURE**

DATED: JUNE 26, 2008

**SUMMARY**

- Synopsis:** Increases EDA bonding limit for State share of school facilities projects; specifies debt service for these bonds will first be payable from revenues received from gross income tax; establishes priority categories for non-SDA district projects.
- Type of Impact:** Increased State debt service payments from Property Tax Relief Fund.
- Agencies Affected:** Department of Education, Department of the Treasury, New Jersey Economic Development Authority, School Development Authority.

**Office of Legislative Services Estimate**

<b>Fiscal Impact</b>	<b><u>Fiscal Year 2011 through Fiscal Year 2044</u></b>
<b>Total State Debt Service Cost</b>	\$6,330,000,000 to \$7,140,000,000

- The Office of Legislative Services (OLS) cannot predict the terms of the envisioned issuance of \$3.9 billion in additional school construction bonds. Nonetheless, after making certain plausible assumptions, it projects that the State Property Tax Relief Fund would incur a total debt service cost ranging from \$6.33 billion to \$7.14 billion spread over fiscal year 2011 through 2044. The lower bound represents a 3.5 percent annual interest rate and the higher bond a 4.5 percent annual interest rate. If the assumptions hold, annual debt service payments would peak from fiscal years 2015 through 2040, ranging from \$211.0 million at a 3.5 percent interest rate to \$238.2 million at a 4.5 percent interest rate.

**BILL DESCRIPTION**

Assembly Committee Substitute for Assembly Bill No. 2873 of 2008 authorizes the New Jersey Economic Development Authority to issue an additional \$3.9 billion in bonds to finance the State share of school facilities projects. School Development Authority (SDA) district school facilities projects (former Abbott districts) receive no more than \$2.9 billion of the \$3.9 billion, and other district school facilities projects no more than \$1.0 billion with county vocational



school district school facilities projects receiving at least \$50 million of the \$1.0 billion.

## **FISCAL ANALYSIS**

### ***EXECUTIVE BRANCH***

The Department of the Treasury has not submitted an estimate for Assembly Committee Substitute for Assembly Bill No. 2873 of 2008. But it has projected the cost of a similar bill, Senate Bill No. 1457 of 2008, which authorized the issuance of \$3.5 billion in bonds to finance the State share of school facilities projects.

The Office of Public Finance in the Department of the Treasury estimated that the \$3.5 billion bonding authorization would have caused the State to incur \$6.3 billion in total debt service costs from fiscal year 2011 through fiscal year 2044, or approximately \$30 million per year for every \$500 million issued. The office arrived at that projection by assuming that \$500 million in bonds would have been issued every six months for three and a half years beginning on September 1, 2010 and ending on September 1, 2013. It also assumed that the bonds would have had maturities of 30 years with constant annual debt service payments at a four percent average interest rate, which reflected market conditions at the time of the estimate.

### ***OFFICE OF LEGISLATIVE SERVICES***

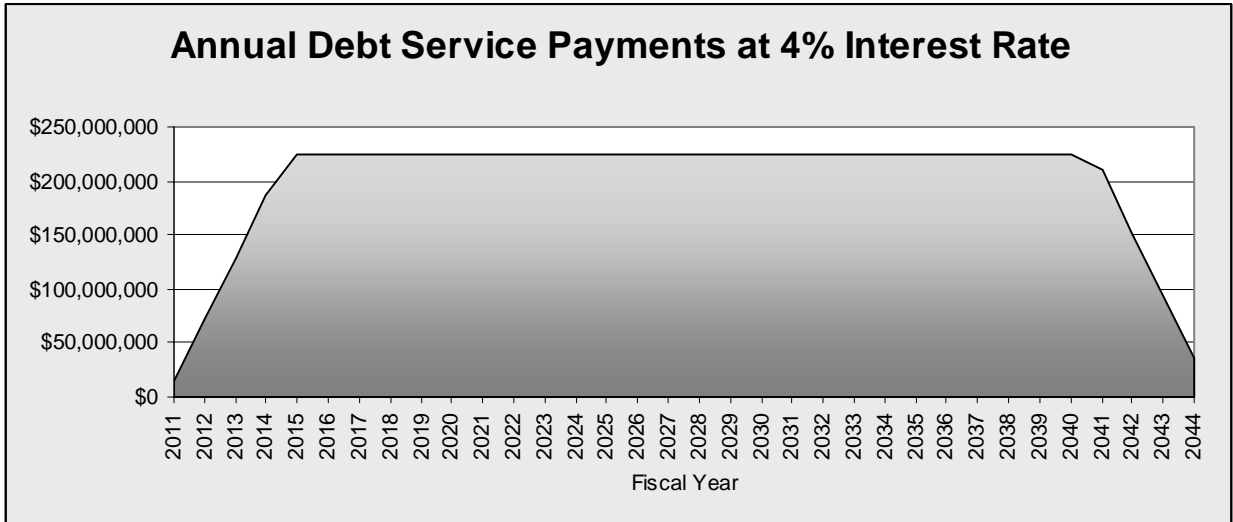
The OLS cannot predict the terms of the envisioned issuance of \$3.9 billion in additional school construction bonds. Nonetheless, after making certain plausible assumptions, it projects that the State Property Tax Relief Fund would incur a total debt service cost ranging from \$6.33 billion to \$7.14 billion spread over fiscal year 2011 through 2044. The lower bound represents a 3.5 percent annual interest rate and the higher bound a 4.5 percent annual interest rate, all other factors being equal. If the assumptions hold, annual debt service payments would peak from fiscal years 2015 through 2040, ranging from \$211.0 million at a 3.5 percent interest rate to \$238.2 million at a 4.5 percent interest rate.

To gauge the cost of the legislation, the OLS entered data into a loan amortization model in accordance with several premises that reflect those made by the Office of Public Finance when it analyzed Senate Bill No. 1457 of 2008. First, the OLS hypothesized that \$500 million in bonds would be issued every six months for three and a half years beginning on September 1, 2010 and ending on September 1, 2013 and that an additional \$400 million in bonds would be issued on March 1, 2014. Second, the agency assumed that all bonds would have a maturity of 30 years and that the State would make semiannual debt payments. Third, it conjectured that the Office of Public Finance would structure annual debt service payments so that they would be constant.

Lastly, given that the Office of Public Finance assumed an interest rate of 4.0 percent based on market conditions prevailing at the time it prepared its estimate, the OLS placed a band around the 4.0 percent interest rate to indicate the sensitivity of the analysis to changes in the interest rate. As the table on the next page indicates, total debt service payments for a \$3.9 billion bond issuance at a 4.0 percent interest rate would be \$6.73 billion. If the interest rate was 3.5 percent, total payments would be \$6.33 billion, or \$401 million less than at four percent. If the interest rate was 4.5 percent, total payments would be \$7.14 billion, or \$413 million more than at four percent. The OLS notes that the payment stream could vary substantially from the amounts shown in the table if the estimate's assumptions did not apply.

<b>Debt Service Payments for Issuance of \$3.9 Billion in Bonds at Select Interest Rates</b>			
<b>Fiscal Year</b>	<b>3.5% Interest Rate</b>	<b>4.0% Interest Rate</b>	<b>4.5% Interest Rate</b>
2011	\$13,526,680	\$14,383,983	\$15,267,634
2012	\$67,633,400	\$71,919,915	\$76,338,169
2013	\$121,740,119	\$129,455,846	\$137,408,704
2014	\$175,846,839	\$186,991,778	\$198,479,239
2015	\$211,016,206	\$224,390,133	\$238,175,134
2016	\$211,016,206	\$224,390,133	\$238,175,134
2017	\$211,016,206	\$224,390,133	\$238,175,134
2018	\$211,016,206	\$224,390,133	\$238,175,134
2019	\$211,016,206	\$224,390,133	\$238,175,134
2020	\$211,016,206	\$224,390,133	\$238,175,134
2021	\$211,016,206	\$224,390,133	\$238,175,134
2022	\$211,016,206	\$224,390,133	\$238,175,134
2023	\$211,016,206	\$224,390,133	\$238,175,134
2024	\$211,016,206	\$224,390,133	\$238,175,134
2025	\$211,016,206	\$224,390,133	\$238,175,134
2026	\$211,016,206	\$224,390,133	\$238,175,134
2027	\$211,016,206	\$224,390,133	\$238,175,134
2028	\$211,016,206	\$224,390,133	\$238,175,134
2029	\$211,016,206	\$224,390,133	\$238,175,134
2030	\$211,016,206	\$224,390,133	\$238,175,134
2031	\$211,016,206	\$224,390,133	\$238,175,134
2032	\$211,016,206	\$224,390,133	\$238,175,134
2033	\$211,016,206	\$224,390,133	\$238,175,134
2034	\$211,016,206	\$224,390,133	\$238,175,134
2035	\$211,016,206	\$224,390,133	\$238,175,134
2036	\$211,016,206	\$224,390,133	\$238,175,134
2037	\$211,016,206	\$224,390,133	\$238,175,134
2038	\$211,016,206	\$224,390,133	\$238,175,134
2039	\$211,016,206	\$224,390,133	\$238,175,134
2040	\$211,016,206	\$224,390,133	\$238,175,134
2041	\$197,024,235	\$209,442,073	\$222,235,634
2042	\$142,917,516	\$151,906,141	\$161,165,099
2043	\$88,810,796	\$94,370,209	\$100,094,564
2044	<u>\$34,750,606</u>	<u>\$36,890,686</u>	<u>\$39,091,192</u>
<b>TOTAL</b>	<b>\$6,328,671,547</b>	<b>\$6,729,504,089</b>	<b>\$7,142,633,719</b>

Annual debt service payments would peak in fiscal years 2015 through 2040, as all bonds would be issued in those years under the estimate’s assumptions. Annual debt service payments would thus equal \$224.4 million for a \$3.9 billion bond issuance at a 4.0 percent interest rate. If the interest rate was 3.5 percent, they would be \$211.0 million, or \$13.4 million less than at four percent. If the interest rate was 4.5 percent, annual debt service payments would attain \$238.2 million, or \$13.8 million more than at four percent. The graph on the next page illustrates annual debt service requirements at an annual interest rate of 4.0 percent.



*Section: Revenue, Finance and Appropriations*

*Analyst: Thomas Koenig  
Senior Fiscal Analyst*

*Approved: David J. Rosen  
Legislative Budget and Finance Officer*

This fiscal estimate has been prepared pursuant to P.L.1980, c.67 (C.52:13B-1 et seq.).

# SENATE, No. 1457

## STATE OF NEW JERSEY 213th LEGISLATURE

INTRODUCED MARCH 6, 2008

**Sponsored by:**

**Senator RONALD L. RICE**

**District 28 (Essex)**

**Senator SHIRLEY K. TURNER**

**District 15 (Mercer)**

**Co-Sponsored by:**

**Senators Cunningham, Ruiz, Girgenti and Redd**

**SYNOPSIS**

Increases EDA bonding limit for the State share of school facilities projects.

**CURRENT VERSION OF TEXT**

As introduced.



**(Sponsorship Updated As Of: 4/8/2008)**

1 AN ACT concerning State support for school facilities projects and  
2 amending P.L.2000, c.72.

3

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

6

7 1. Section 14 of P.L.2000, c.72 (C.18A:7G-14) is amended to  
8 read as follows:

9 14. Notwithstanding any other provisions of law to the contrary:

10 a. The financing authority shall have the power, pursuant to the  
11 provisions of P.L.2000, c.72 (C.18A:7G-1 et al.), P.L.1974, c.80  
12 (C.34:1B-1 et seq.) and P.L.2007, c.137 (C.52:18A-235 et al.), to  
13 issue bonds and refunding bonds, incur indebtedness and borrow  
14 money secured, in whole or in part, by moneys received pursuant to  
15 sections 17, 18 and 19 of P.L.2000, c.72 (C.18A:7G-17, C.18A:7G-  
16 18 and C.18A:7G-19) for the purposes of: financing all or a portion  
17 of the costs of school facilities projects and any costs related to the  
18 issuance thereof, including, but not limited to, the administrative,  
19 insurance, operating and other expenses of the financing authority  
20 to undertake the financing, and the development authority to  
21 undertake the planning, design, and construction of school facilities  
22 projects; lending moneys to local units to pay the costs of all or a  
23 portion of school facilities projects and any costs related to the  
24 issuance thereof; funding the grants to be made pursuant to section  
25 15 of P.L.2000, c.72 (C.18A:7G-15); and financing the acquisition  
26 of school facilities projects to permit the refinancing of debt by the  
27 district pursuant to section 16 of P.L.2000, c.72 (C.18A:7G-16).  
28 The aggregate principal amount of the bonds, notes or other  
29 obligations issued by the financing authority prior to the effective  
30 date of P.L. , c. (pending before the Legislature as this bill) shall  
31 not exceed: \$100,000,000 for the State share of costs for county  
32 vocational school district school facilities projects; \$6,000,000,000  
33 for the State share of costs for Abbott district school facilities  
34 projects; and \$2,500,000,000 for the State share of costs for school  
35 facilities projects in all other districts. The aggregate principal  
36 amount of bonds, notes or other obligations issued by the financing  
37 authority following the effective date of P.L. , c. (pending  
38 before the Legislature as this bill) shall not exceed \$250,000,000 for  
39 the State share of costs for county vocational school district school  
40 facilities projects, \$2,500,000,000 for the State share of costs for  
41 SDA district school facilities projects, and \$750,000,000 for the  
42 State share of costs for school facilities projects in all other  
43 districts. This limitation shall not include any bonds, notes or other  
44 obligations issued for refunding purposes.

**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       The financing authority may establish reserve funds to further  
2 secure bonds and refunding bonds issued pursuant to this section  
3 and may issue bonds to pay for the administrative, insurance and  
4 operating costs of the financing authority and the development  
5 authority in carrying out the provisions of this act. In addition to its  
6 bonds and refunding bonds, the financing authority shall have the  
7 power to issue subordinated indebtedness, which shall be  
8 subordinate in lien to the lien of any or all of its bonds or refunding  
9 bonds as the financing authority may determine.

10       b. The financing authority shall issue the bonds or refunding  
11 bonds in such manner as it shall determine in accordance with the  
12 provisions of P.L.2000, c.72 (C.18A:7G-1 et al.), P.L.1974, c.80  
13 (C.34:1B-1 et seq.), and P.L.2007, c.137 (C.52:18A-235 et al.);  
14 provided that notwithstanding any other law to the contrary, no  
15 resolution adopted by the financing authority authorizing the  
16 issuance of bonds or refunding bonds pursuant to this section shall  
17 be adopted or otherwise made effective without the approval in  
18 writing of the State Treasurer; and refunding bonds issued to refund  
19 bonds issued pursuant to this section shall be issued on such terms  
20 and conditions as may be determined by the financing authority and  
21 the State Treasurer. The financing authority may, in any resolution  
22 authorizing the issuance of bonds or refunding bonds issued  
23 pursuant to this section, pledge the contract with the State Treasurer  
24 provided for pursuant to section 18 of P.L.2000, c.72 (C.18A:7G-  
25 18), or any part thereof, or may pledge all or any part of the  
26 repayments of loans made to local units pursuant to section 19 of  
27 P.L.2000, c.72 (C.18A:7G-19) for the payment or redemption of the  
28 bonds or refunding bonds, and covenant as to the use and  
29 disposition of money available to the financing authority for  
30 payment of the bonds and refunding bonds. All costs associated  
31 with the issuance of bonds and refunding bonds by the financing  
32 authority for the purposes set forth in this act may be paid by the  
33 financing authority from amounts it receives from the proceeds of  
34 the bonds or refunding bonds, and from amounts it receives  
35 pursuant to sections 17, 18, and 19 of P.L.2000, c.72 (C.18A:7G-  
36 17, C.18A:7G-18 and C.18A:7G-19). The costs may include, but  
37 shall not be limited to, any costs relating to the issuance of the  
38 bonds or refunding bonds, administrative costs of the financing  
39 authority attributable to the making and administering of loans and  
40 grants to fund school facilities projects, and costs attributable to the  
41 agreements entered into pursuant to subsection d. of this section.

42       c. Each issue of bonds or refunding bonds of the financing  
43 authority shall be special obligations of the financing authority  
44 payable out of particular revenues, receipts or funds, subject only to  
45 any agreements with the holders of bonds or refunding bonds, and  
46 may be secured by other sources of revenue, including, but not  
47 limited to, one or more of the following:

**S1457 RICE, TURNER**

- 1 (1) Pledge of the revenues and other receipts to be derived from  
2 the payment of local unit obligations and any other payment made  
3 to the financing authority pursuant to agreements with any local  
4 unit, or a pledge or assignment of any local unit obligations, and the  
5 rights and interest of the financing authority therein;
  - 6 (2) Pledge of rentals, receipts and other revenues to be derived  
7 from leases or other contractual arrangements with any person or  
8 entity, public or private, including one or more local units, or a  
9 pledge or assignment of those leases or other contractual  
10 arrangements and the rights and interests of the financing authority  
11 therein;
  - 12 (3) Pledge of all moneys, funds, accounts, securities and other  
13 funds, including the proceeds of the bonds;
  - 14 (4) Pledge of the receipts to be derived from payments of State  
15 aid to the financing authority pursuant to section 21 of P.L.2000,  
16 c.72 (C.18A:7G-21);
  - 17 (5) Pledge of the contract or contracts with the State Treasurer  
18 pursuant to section 18 of P.L.2000, c.72 (C.18A:7G-18);
  - 19 (6) Pledge of any sums remitted to the local unit by donation  
20 from any person or entity, public or private, subject to the approval  
21 of the State Treasurer;
  - 22 (7) A mortgage on all or any part of the property, real or  
23 personal, comprising a school facilities project then owned or  
24 thereafter to be acquired, or a pledge or assignment of mortgages  
25 made to the financing authority by any person or entity, public or  
26 private, including one or more local units and rights and interests of  
27 the financing authority therein; and
  - 28 (8) The receipt of any grants, reimbursements or other payments  
29 from the federal government.
- 30 d. The resolution authorizing the issuance of bonds or  
31 refunding bonds pursuant to this section may also provide for the  
32 financing authority to enter into any revolving credit agreement,  
33 agreement establishing a line of credit or letter of credit,  
34 reimbursement agreement, interest rate exchange agreement,  
35 currency exchange agreement, interest rate floor or cap, options,  
36 puts or calls to hedge payment, currency, rate, spread or similar  
37 exposure or similar agreements, float agreements, forward  
38 agreements, insurance contracts, surety bonds, commitments to  
39 purchase or sell bonds, purchase or sale agreements, or  
40 commitments or other contracts or agreements and other security  
41 agreements approved by the financing authority in connection with  
42 the issuance of the bonds or refunding bonds pursuant to this  
43 section. In addition, the financing authority may, in anticipation of  
44 the issuance of the bonds or the receipt of appropriations, grants,  
45 reimbursements or other funds, including, without limitation, grants  
46 from the federal government for school facilities projects, issue  
47 notes, the principal of or interest on which, or both, shall be payable  
48 out of the proceeds of notes, bonds or other obligations of the

1 financing authority or appropriations, grants, reimbursements or  
2 other funds or revenues of the financing authority.

3 e. The financing authority is authorized to engage, subject to  
4 the approval of the State Treasurer and in such manner as the State  
5 Treasurer shall determine, the services of financial advisors and  
6 experts, placement agents, underwriters, appraisers, and other  
7 advisors, consultants and agents as may be necessary to effectuate  
8 the financing of school facilities projects.

9 f. Bonds and refunding bonds issued by the financing authority  
10 pursuant to this section shall be special and limited obligations of  
11 the financing authority payable from, and secured by, funds and  
12 moneys determined by the financing authority in accordance with  
13 this section. Notwithstanding any other provision of law or  
14 agreement to the contrary, any bonds and refunding bonds issued by  
15 the financing authority pursuant to this section shall not be secured  
16 by the same property as bonds and refunding bonds issued by the  
17 financing authority to finance projects other than school facilities  
18 projects. Neither the members of the financing authority nor any  
19 other person executing the bonds or refunding bonds shall be  
20 personally liable with respect to payment of interest and principal  
21 on these bonds or refunding bonds. Bonds or refunding bonds  
22 issued pursuant to this section shall not be a debt or liability of the  
23 State or any agency or instrumentality thereof, except as otherwise  
24 provided by this subsection, either legal, moral or otherwise, and  
25 nothing contained in this act shall be construed to authorize the  
26 financing authority to incur any indebtedness on behalf of or in any  
27 way to obligate the State or any political subdivision thereof, and  
28 all bonds and refunding bonds issued by the financing authority  
29 shall contain a statement to that effect on their face.

30 g. The State hereby pledges and covenants with the holders of  
31 any bonds or refunding bonds issued pursuant to this act that it will  
32 not limit or alter the rights or powers vested in the financing  
33 authority by this act, nor limit or alter the rights or powers of the  
34 State Treasurer in any manner which would jeopardize the interest  
35 of the holders or any trustee of the holders, or inhibit or prevent  
36 performance or fulfillment by the financing authority or the State  
37 Treasurer with respect to the terms of any agreement made with the  
38 holders of the bonds or refunding bonds or agreements made  
39 pursuant to subsection d. of this section; except that the failure of  
40 the Legislature to appropriate moneys for any purpose of this act  
41 shall not be deemed a violation of this section.

42 h. The financing authority and the development authority may  
43 charge to and collect from local units, districts, the State and any  
44 other person, any fees and charges in connection with the financing  
45 authority's or development authority's actions undertaken with  
46 respect to school facilities projects, including, but not limited to,  
47 fees and charges for the financing authority's administrative,  
48 organization, insurance, operating and other expenses incident to



1 the financing of school facilities projects, and the development  
2 authority's administrative, organization, insurance, operating,  
3 planning, design, construction management, acquisition,  
4 construction, completion and placing into service and maintenance  
5 of school facilities projects. Notwithstanding any provision of this  
6 act to the contrary, no SDA district shall be responsible for the  
7 payment of any fees and charges related to the development  
8 authority's operating expenses.

9 i. Upon the issuance by the financing authority of bonds  
10 pursuant to this section, other than refunding bonds, the net  
11 proceeds of the bonds shall be transferred to the development  
12 authority.

13 (cf: P.L. 2007, c.260, s.45)

14

15 2. This act shall take effect immediately.

16

17

18

STATEMENT

19

20 This bill amends the "Educational Facilities Construction and  
21 Financing Act," (EFCFA) P.L.2000, c.72, to increase the amount of  
22 bonds authorized to be issued by the New Jersey Economic  
23 Development Authority to finance the State share of school  
24 facilities projects. The bill provides an additional \$3.5 billion in  
25 bonding authorization allocated as follows: \$2.5 billion is  
26 authorized to finance the State share of SDA district school  
27 facilities projects (former Abbott districts); \$250 million is  
28 authorized to finance the State share of county vocational school  
29 district school facilities projects; and \$750 million is authorized to  
30 finance the State share of all other district school facilities projects.

# SENATE BUDGET AND APPROPRIATIONS COMMITTEE

## STATEMENT TO

### SENATE COMMITTEE SUBSTITUTE FOR **SENATE, No. 1457**

# **STATE OF NEW JERSEY**

DATED: JUNE 19, 2008

The Senate Budget and Appropriations Committee reports favorably the Senate Committee Substitute to Senate Bill No. 1457.

This committee substitute amends the "Educational Facilities Construction and Financing Act," (EFCFA) P.L.2000, c.72, to increase the amount of bonds authorized to be issued by the New Jersey Economic Development Authority to finance the State share of school facilities projects. The substitute authorizes an additional \$2.9 billion to finance the State share of SDA district school facilities projects (former Abbott districts), and \$1 billion to finance the State share of all other district school facilities projects with \$50 million of that \$1 billion set aside for the State share of county vocational school district projects. The substitute specifies that the school facilities projects of those county vocational school districts that did not receive State support for their projects under the allocation made under the original law will receive priority in the allocation of the additional bond proceeds, provided that the district demonstrates to the commissioner the need for its school facilities projects.

The substitute directs the Commissioner of Education to establish a priority process for the financing of school facilities projects in non-SDA districts in accordance with priority project categories developed by the commissioner. Under P.L.2007, c.137, which became effective in August of 2007, priority project categories were established for the SDA districts. Under the substitute, the priority project categories for non-SDA districts will include, but not be limited to, health and safety, overcrowding in the elementary, middle, and high school grade levels, spaces necessary to provide in-district programs for disabled students who are currently being served in out-of-district programs or in-district programs for the projected disabled student population, and full-day kindergarten facilities in the case of a school district that is required to provide full-day preschool under the provisions of the State's school funding law, the "School Funding Reform Act of 2008," P.L.2007, c.260.

The substitute eliminates the current provision of the school construction law that increases a school district's district aid percentage by 15% for the purposes of the calculation of the State

share of a school facilities project, but maintains the current minimum State share of 40%.

The substitute directs the Commissioner of Education to establish a process for the annual allocation of school facilities project grant funding available to non-SDA districts. Under that process, the commissioner will annually notify districts of the date on which the commissioner will begin to receive applications for grant funding. A district will have 90 days from that date to submit an application. The commissioner will make a decision on a district's application within 90 days of the submission of all such applications and will allocate the grant funding in accordance with the priority process established by the commissioner.

The substitute directs the New Jersey Schools Development Authority, in consultation with the Commissioner of Education and program stakeholders, to conduct a study on the potential cost savings in the school construction program in SDA and other school districts that could be realized through the use of standardized design elements, components, and construction materials. The study must be submitted to the Governor, the Joint Budget Oversight Committee, the President of the Senate, and the Speaker of the General Assembly by April 1, 2009.

Finally, the substitute directs the development authority, in consultation with the State Comptroller, to cause an audit to be conducted of any school facilities project that has a State share that exceeds \$10 million.

The Legislature enacted P.L.2007, c.137, effective in August of 2007, which implemented a number of changes to the school construction program considered to be essential in the September 2006 Third Report to the Governor by the Interagency Working Group for School Construction. Those changes included the establishment of the New Jersey Schools Development Authority (SDA) with an enhanced governance structure to focus solely on the construction of schools. The changes made to the school construction program in the 2007 legislation, as well the initiatives undertaken by the SDA, have increased efficiency and heightened the accountability in the school construction program. SDA changes such as the development of the project charter initiative, improvements to project management, claims mitigation and proactive initiation of cost recovery action, and SDA reforms such as ending the unacceptable practices of beginning construction before design is complete, starting design before land is acquired, and failing to prioritize projects based upon funding availability and educational need, have enhanced the ability of the SDA to safeguard the interests of the State's taxpayers. In light of these program improvements and the State's obligation and critical interest in ensuring that its children are educated in school facilities that are safe, healthy, and conducive to learning, it is appropriate that

the Legislature act to authorize additional funds for the school construction program.

As reported by the committee, the substitute bill is identical to Assembly Bill No. 2873 (ACS).

FISCAL IMPACT:

The Office of Legislative Services (OLS) cannot predict the terms of the envisioned issuance of \$3.9 billion in additional school construction bonds. Nonetheless, after making certain plausible assumptions, it projects that the State Property Tax Relief Fund would incur a total debt service cost ranging from \$6.33 billion to \$7.14 billion spread over fiscal years 2011 through 2044. The lower bound represents a 3.5 percent annual interest rate and the higher bound a 4.5 percent annual interest rate. If the assumptions hold, annual debt service payments would peak from fiscal years 2015 through 2040, ranging from \$211.0 million at a 3.5 percent interest rate to \$238.2 million at a 4.5 percent interest rate.

**LEGISLATIVE FISCAL ESTIMATE**  
**SENATE COMMITTEE SUBSTITUTE FOR**  
**SENATE, No. 1457**  
**STATE OF NEW JERSEY**  
**213th LEGISLATURE**

DATED: JUNE 30, 2008

**SUMMARY**

- Synopsis:** Increases EDA bonding limit for State share of school facilities projects; specifies debt service for these bonds will first be payable from revenues received from gross income tax; establishes priority categories for non-SDA district projects.
- Type of Impact:** Increased State debt service payments from Property Tax Relief Fund.
- Agencies Affected:** Department of Education, Department of the Treasury, New Jersey Economic Development Authority, School Development Authority.

**Office of Legislative Services Estimate**

<b>Fiscal Impact</b>	<b><u>Fiscal Year 2011 through Fiscal Year 2044</u></b>
<b>Total State Debt Service Cost</b>	\$6,330,000,000 to \$7,140,000,000

- The Office of Legislative Services (OLS) cannot predict the terms of the envisioned issuance of \$3.9 billion in additional school construction bonds. Nonetheless, after making certain plausible assumptions, it projects that the State Property Tax Relief Fund would incur a total debt service cost ranging from \$6.33 billion to \$7.14 billion spread over fiscal year 2011 through 2044. The lower bound represents a 3.5 percent annual interest rate and the higher bound a 4.5 percent annual interest rate. If the assumptions hold, annual debt service payments would peak from fiscal years 2015 through 2040, ranging from \$211.0 million at a 3.5 percent interest rate to \$238.2 million at a 4.5 percent interest rate.

**BILL DESCRIPTION**

Senate Committee Substitute for Senate Bill No. 1457 of 2008 authorizes the New Jersey Economic Development Authority to issue an additional \$3.9 billion in bonds to finance the State share of school facilities projects. School Development Authority (SDA) district school facilities projects (former Abbott districts) receive no more than \$2.9 billion of the \$3.9 billion, and other district school facilities projects no more than \$1.0 billion with county vocational school district school facilities projects receiving at least \$50 million of the \$1.0 billion.

## FISCAL ANALYSIS

### *EXECUTIVE BRANCH*

The Department of the Treasury has not submitted an estimate for the Senate Committee Substitute for Senate Bill No. 1457 of 2008. But it has projected the cost of the original version of the bill, Senate Bill No. 1457 of 2008, which authorized the issuance of \$3.5 billion in bonds.

The Office of Public Finance in the Department of the Treasury estimated that the \$3.5 billion bonding authorization would have caused the State to incur \$6.3 billion in total debt service costs from fiscal year 2011 through fiscal year 2044, or approximately \$30 million per year for every \$500 million issued. The office arrived at that projection by assuming that \$500 million in bonds would have been issued every six months for three and a half years beginning on September 1, 2010 and ending on September 1, 2013. It also assumed that the bonds would have had maturities of 30 years with constant annual debt service payments at a four percent average interest rate, which reflected market conditions at the time of the estimate.

### *OFFICE OF LEGISLATIVE SERVICES*

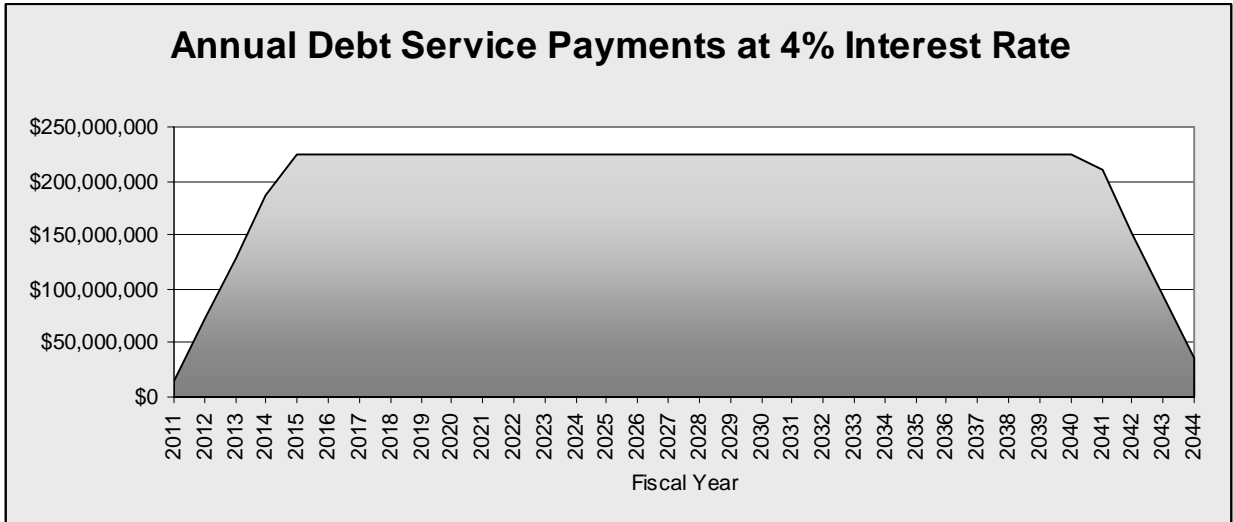
The OLS cannot predict the terms of the envisioned issuance of \$3.9 billion in additional school construction bonds. Nonetheless, after making certain plausible assumptions, it projects that the State Property Tax Relief Fund would incur a total debt service cost ranging from \$6.33 billion to \$7.14 billion spread over fiscal year 2011 through 2044. The lower bound represents a 3.5 percent annual interest rate and the higher bound a 4.5 percent annual interest rate, all other factors being equal. If the assumptions hold, annual debt service payments would peak from fiscal years 2015 through 2040, ranging from \$211.0 million at a 3.5 percent interest rate to \$238.2 million at a 4.5 percent interest rate.

To gauge the cost of the legislation, the OLS entered data into a loan amortization model in accordance with several premises that reflect those made by the Office of Public Finance when it analyzed Senate Bill No. 1457 of 2008. First, the OLS hypothesized that \$500 million in bonds would be issued every six months for three and a half years beginning on September 1, 2010 and ending on September 1, 2013 and that an additional \$400 million in bonds would be issued on March 1, 2014. Second, the agency assumed that all bonds would have a maturity of 30 years and that the State would make semiannual debt payments. Third, it conjectured that the Office of Public Finance would structure annual debt service payments so that they would be constant.

Lastly, given that the Office of Public Finance assumed an interest rate of 4.0 percent based on market conditions prevailing at the time it prepared its estimate, the OLS placed a band around the 4.0 percent interest rate to indicate the sensitivity of the analysis to changes in the interest rate. As the table on the next page indicates, total debt service payments for a \$3.9 billion bond issuance at a 4.0 percent interest rate would be \$6.73 billion. If the interest rate was 3.5 percent, total payments would be \$6.33 billion, or \$401 million less than at four percent. If the interest rate was 4.5 percent, total payments would be \$7.14 billion, or \$413 million more than at four percent. The OLS notes that the payment stream could vary substantially from the amounts shown in the table if the estimate's assumptions did not apply.

<b>Debt Service Payments for Issuance of \$3.9 Billion in Bonds at Select Interest Rates</b>			
<b>Fiscal Year</b>	<b>3.5% Interest Rate</b>	<b>4.0% Interest Rate</b>	<b>4.5% Interest Rate</b>
2011	\$13,526,680	\$14,383,983	\$15,267,634
2012	\$67,633,400	\$71,919,915	\$76,338,169
2013	\$121,740,119	\$129,455,846	\$137,408,704
2014	\$175,846,839	\$186,991,778	\$198,479,239
2015	\$211,016,206	\$224,390,133	\$238,175,134
2016	\$211,016,206	\$224,390,133	\$238,175,134
2017	\$211,016,206	\$224,390,133	\$238,175,134
2018	\$211,016,206	\$224,390,133	\$238,175,134
2019	\$211,016,206	\$224,390,133	\$238,175,134
2020	\$211,016,206	\$224,390,133	\$238,175,134
2021	\$211,016,206	\$224,390,133	\$238,175,134
2022	\$211,016,206	\$224,390,133	\$238,175,134
2023	\$211,016,206	\$224,390,133	\$238,175,134
2024	\$211,016,206	\$224,390,133	\$238,175,134
2025	\$211,016,206	\$224,390,133	\$238,175,134
2026	\$211,016,206	\$224,390,133	\$238,175,134
2027	\$211,016,206	\$224,390,133	\$238,175,134
2028	\$211,016,206	\$224,390,133	\$238,175,134
2029	\$211,016,206	\$224,390,133	\$238,175,134
2030	\$211,016,206	\$224,390,133	\$238,175,134
2031	\$211,016,206	\$224,390,133	\$238,175,134
2032	\$211,016,206	\$224,390,133	\$238,175,134
2033	\$211,016,206	\$224,390,133	\$238,175,134
2034	\$211,016,206	\$224,390,133	\$238,175,134
2035	\$211,016,206	\$224,390,133	\$238,175,134
2036	\$211,016,206	\$224,390,133	\$238,175,134
2037	\$211,016,206	\$224,390,133	\$238,175,134
2038	\$211,016,206	\$224,390,133	\$238,175,134
2039	\$211,016,206	\$224,390,133	\$238,175,134
2040	\$211,016,206	\$224,390,133	\$238,175,134
2041	\$197,024,235	\$209,442,073	\$222,235,634
2042	\$142,917,516	\$151,906,141	\$161,165,099
2043	\$88,810,796	\$94,370,209	\$100,094,564
2044	<u>\$34,750,606</u>	<u>\$36,890,686</u>	<u>\$39,091,192</u>
<b>TOTAL</b>	<b>\$6,328,671,547</b>	<b>\$6,729,504,089</b>	<b>\$7,142,633,719</b>

Annual debt service payments would peak in fiscal years 2015 through 2040, as all bonds would be issued in those years under the estimate's assumptions. Annual debt service payments would thus equal \$224.4 million for a \$3.9 billion bond issuance at a 4.0 percent interest rate. If the interest rate was 3.5 percent, they would be \$211.0 million, or \$13.4 million less than at four percent. If the interest rate was 4.5 percent, annual debt service payments would attain \$238.2 million, or \$13.8 million more than at four percent. The graph on the next page illustrates annual debt service requirements at an annual interest rate of 4.0 percent.



*Section: Revenue, Finance and Appropriations*

*Analyst: Thomas Koenig  
Senior Fiscal Analyst*

*Approved: David J. Rosen  
Legislative Budget and Finance Officer*

This fiscal estimate has been prepared pursuant to P.L. 1980, c.67 (C. 52:13B-1 et seq.).





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Facilities Projects

JON S. CORZINE  
*Governor*

For Kids

### Immediate Release:

**Date:** July 09, 2008

### For More Information:

Sean Darcy  
Jim Gardner

**Phone:** 609-777-2600

## Governor Signs Legislation Approving Funding for School Facilities Projects

**NEWARK** – Governor Jon S. Corzine today signed legislation that provides \$3.9 billion in state financing to replace or rebuild dozens of substandard schools across the state.

“Today, we fulfill an important obligation to our children by making a down payment on the future of their education,” Governor Corzine said. “Every student deserves to attend school in a safe and healthy building. This legislation recognizes that there are needs in both the SDA districts and in the suburban and rural districts.”

Governor Corzine signed the bill (S1457/A2873) at the Oliver Street Elementary School in Newark. Built in 1869, the school is an example of one of the most crowded and is among the oldest schools in the city. The governor also toured several other school facilities during the day, including the PS 20 School in Jersey City; Fairview Elementary School in Bloomfield and Fetters School in Camden.

The legislation designates \$2.9 billion for SDA district school facilities projects (Abbott districts) and \$1 billion to finance the State share of all other district school facilities projects. Of the total, \$50 million has also been directed toward county vocational school district projects.

"I am extremely happy to see that the children in need will finally be able to receive the school projects that they were promised years ago," said Senator Ron Rice, (D-Essex). "The State Supreme Court has made it clear that children in Abbott school districts must have their educational needs met. I am pleased that my colleagues in the Legislature as well as the Governor recognized the importance of providing safe schools for our children, and supported this measure."

"These funds will meet a critical need for countless New Jersey students who are forced to learn in ancient and often crumbling school buildings," said Senator Shirley Turner (D-Mercer). "It's our duty to make sure that not a single penny is wasted as we strive to provide a safe and modern educational environment for all students."

The Schools Development Authority has completed 576 projects in the SDA Districts, including 81 major projects encompassing 39 new schools; 39 extensive additions, renovations and/or rehabilitations; and three demonstration projects.

Yesterday, the Schools Development Authority (SDA) Board approved the 2008 New Funding Allocation and Capital Plan for SDA Districts. The plan identified 53 schools to be funded for construction, including 26 new school projects. An additional 27 projects originally deferred in April 2007 will proceed.

"Today's bill signing renews New Jersey's commitment to providing access to a thorough and efficient education for every school-aged child," said Assemblyman Albert Coutinho (D-Essex). "Good schools are not something that cities simply want, they are something that every community desperately needs."

"This is a long-term investment in the educational future of New Jersey," said Assemblywoman L. Grace Spencer (D-Essex).

"Building state-of-the-art schools now will provide tens of thousands of children with world class educations for years to come."

To address projects in non-SDA districts, the new legislation calls for the Education Commissioner to institute a process that prioritizes financing for school facilities projects in those districts and to set-up a process for the annual allocation of school facilities project grant funding available to them.

In addition, the Schools Development Authority (SDA) will conduct a study to determine potential cost savings in the school construction program through the possible use of standardized design elements, components, and construction materials. Any school facilities project that has a State share that exceeds \$10 million will be subject to an audit as determined by the SDA and State Comptroller.

"Today we have provided \$2.9 billion in school funding that is necessary and essential to the future of New Jersey's educational excellence," said Assemblywoman Nellie Pou (D-Passaic). "In addition, at a time when our economy is sluggish and the nation is in the midst of a recession, this funding promises to generate thousands of good-paying jobs for New Jerseyans."

"We are funding desperately needed repairs to our state's educational infrastructure," said Assemblywoman Elease Evans (D-Passaic). "We would not tolerate crumbling roads and bridges. And we should not tolerate our children being taught in dilapidated, unsafe schools."

"The funding authorized today will help put New Jersey's educational priorities back on solid foundations," said Assemblywoman Mila M. Jasey (D-Essex). "We have a responsibility to ensure that every generation of children is given every educational opportunity available."

"Today we make a commitment to getting school children in our neediest communities the educational facilities they deserve," said Assemblywoman Cleopatra G. Tucker (D-Essex). "We should never have to resort to - or stand for - educating our children in converted closets, old boiler rooms, and other make-shift facilities."

"Today we resume our efforts to restore educational parity in every corner of New Jersey," said Assembly Majority Leader Bonnie Watson Coleman (D-Mercer). "With dedication, vigilance, support, and funding we will ensure that every child has the opportunity to achieve educational excellence."

The bill was sponsored in the Senate by Senators Ronald L. Rice (D-Essex) and Shirley K. Turner (D-Mercer). Assembly sponsors were Albert Coutinho (D-Essex and Union), Grace L. Spencer (D-Essex and Union), Nellie Pou (D-Bergen and

Passaic), Elease Evans (D-Passaic), Mila M. Jasey (D-Essex ), Cleopatra G. Tucker (D-Essex ) and Bonnie Watson Coleman (D-Mercer).

###

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