

34:1B-7.26 to 34:1B-7.27

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(Public schools -- construction)

NJSA: 34:1B-7.20 to 34:1B-7.27

LAWS OF: 1993 **CHAPTER:** 102

BILL NO: S1561

SPONSOR(S) Gormley and DiFrancesco

DATE INTRODUCED: February 19, 1993

COMMITTEE: **ASSEMBLY:** ---
SENATE: Joint Committee on Economic Recovery

AMENDED DURING PASSAGE: Yes Amendments during passage
First reprint enacted denoted by superscript numbers

DATE OF PASSAGE: **ASSEMBLY:** March 29, 1993
SENATE: March 22, 1992

DATE OF APPROVAL: April 8, 1993

FOLLOWING STATEMENTS ARE ATTACHED IF AVAILABLE:

SPONSOR STATEMENT: Yes Also attached: Joint Legislative
Committee on Economic Recovery
statement--dated 3-12-93

COMMITTEE STATEMENT: **ASSEMBLY:** No
SENATE: ~~No~~ No

FISCAL NOTE: No

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MESSAGE ON SIGNING: Yes

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HEARINGS: No

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[FIRST REPRINT]
SENATE, No. 1561

STATE OF NEW JERSEY

INTRODUCED FEBRUARY 18, 1993

By Senators GORMLEY, DiFRANCESCO and Inverso

1 AN ACT concerning the construction, renovation, repair,
2 alteration and conversion of public school buildings, and
3 amending and supplementing various parts of the statutory law.
4

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

7 1. (New section) Sections 1 through 10 of this 1993
8 amendatory and supplementary act shall be known and may be
9 cited as the "Public School Capital Finance Assistance Act."

10 2 (New section) The Legislature finds and declares that the
11 northeastern region of the country and New Jersey, in particular,
12 continues to be seriously affected by the national economic
13 downturn; that public sector involvement to finance urgently
14 needed projects through the Economic Recovery Fund,
15 established pursuant to section 4 of P.L.1992, c.16
16 (C.34:1B-7.13), is necessary to stimulate growth and provide
17 employment during this ongoing recessionary economy; that, as
18 part of this program to boost economic growth in the State, it is
19 essential to address the current estimated unmet need of two
20 billion dollars for the renovation, repair, conversion, alteration
21 and construction of school buildings in the State in order to
22 provide safe and adequate public school buildings; that the
23 limitations on the availability of funds from other sources has
24 impaired the ability of school districts to go forward with
25 financing necessary to complete repairs, renovations, alterations,
26 conversions and construction of school buildings; that the lack of
27 adequate buildings and facilities has seriously impeded the ability
28 of school districts to provide a thorough and efficient system of
29 education to all pupils as required by the State Constitution; and
30 that the State cannot ignore its obligation to remedy conditions
31 which jeopardize the health, safety and general welfare of our
32 children.

33 3. (New section) As used in this act:

34 "Authority" means the New Jersey Economic Development
35 Authority established by section 4 of P.L.1974, c.80 (C.34:1B-4);

36 "Commissioner" means the Commissioner of the Department
37 of Education;

38 "Cost or costs" means the expenses incurred in connection
39 with: the renovation, repair, alteration, construction, or
40 conversion of any school building or any other project authorized
41 under this 1993 amendatory and supplementary act; the
42 acquisition and development of any real or personal property for

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.

Matter enclosed in superscript numerals has been adopted as follows:

¹ JCER committee amendments adopted March 15, 1993.

1 use in connection with any project authorized under this 1993
2 amendatory and supplementary act, including any rights or
3 interests therein; the execution of any agreements and franchises
4 deemed by the authority to be necessary or useful and convenient
5 in connection with any project authorized under this 1993
6 amendatory and supplementary act; the procurement of
7 engineering, inspection, planning, legal, financial or other
8 professional services, including the services of a bond registrar or
9 an authenticating agent; the cost of issuance of bonds, including
10 any interest or discount thereon; the administrative,
11 organizational, operating or other expenses incident to the
12 financing, completion and placing into service of projects
13 authorized under this 1993 amendatory and supplementary act;
14 the establishment of a reserve fund or funds for working capital,
15 operating, maintenance or replacement expenses and for the
16 payment or security of principal or interest on bonds, as the
17 authority may determine; and reimbursement to any fund of the
18 State of moneys which may have been transferred or advanced
19 therefrom to any fund created by this act, or of any moneys
20 which may have been expended therefrom for or in connection
21 with any project authorized under this 1993 amendatory and
22 supplementary act;

23 "Department" means the Department of Education;

24 "Project" means any work which is necessary for the
25 construction, renovation, repair, alteration or conversion of a
26 public school building by the school district;

27 "Public school" means a school, under collegiate grade, which
28 is operated by a school district;

29 "School building" means any structure, building, or facility
30 used wholly or in part for academic purposes by a school district;
31 and

32 "School district" means any local or regional school district
33 established pursuant to chapter 8 or chapter 13 of Title 18A of
34 the New Jersey Statutes and any county special services or
35 county vocational school districts established pursuant to chapter
36 46 or chapter 54 of Title 18A of the New Jersey Statutes.

37 4. a. (New Section) The authority shall establish and maintain
38 a special nonlapsing revolving fund to be known as the "Public
39 School Facilities Code Compliance Loan Fund," hereinafter the
40 "compliance fund," which shall be credited with: (1) the \$25
41 million allocated from the Economic Recovery Fund pursuant to
42 paragraph (1) of subsection d. of section 4 of P.L.1992, c.16
43 (C.34:1B-7:13); (2) any moneys that shall be received by the
44 authority from the repayment of loans made from the compliance
45 fund and interest thereon; and (3) any other moneys which the
46 authority determines to deposit therein.

47 b. The authority may use the moneys in the compliance fund to
48 finance not less than 25%, and not more than 50%, of the total
49 cost of any project, in accordance with the criteria set forth in
50 this section, for the purpose of providing low-interest loans to
51 school districts, to finance the renovation, repair or other
52 alteration of existing school buildings, the construction of new
53 school buildings or the conversion of existing school buildings to
54 other instructional purposes, if such renovation, repair,

1 alteration, construction or conversion is required to bring
2 buildings that, at the time of application^{1,1} do not meet State
3 health and safety code requirements, into compliance with those
4 requirements.

5 c. Upon application by a school district for a low-interest
6 loan, the commissioner is authorized and empowered to
7 determine whether the renovations, repairs, alterations,
8 conversion or construction are necessary to meet State health
9 and safety code requirements. If the commissioner determines
10 that such work is necessary, the commissioner shall certify that
11 the school district is eligible for ¹a¹ low-interest loan pursuant
12 to this section to finance the renovation, repair, alteration,
13 conversion or construction described in the application.

14 d. (1) Upon certification, the commissioner shall waive the
15 holding of a referendum or the requirement for approval by a
16 board of school estimate pursuant to subsection (d) of
17 N.J.S.18A:20-4.2 or N.J.S.18A:24-5 et seq., as the case may be,
18 or the requirement for approval of the project by a capital
19 projects control board pursuant to P.L.1991, c.139
20 (C.18A:7A-46.1 et seq.), as appropriate, and the school district
21 may, upon receiving the certification and waiver, apply to the
22 authority for a loan pursuant to this section. The terms of the
23 loan and the repayment schedule shall be established by the
24 authority. The repayments to the authority by the school
25 districts shall be treated as net debt service by the school
26 districts for school aid purposes. In addition to the amount of
27 taxes determined by the legal voters of the district at the annual
28 school election, the secretary of the board of education shall
29 certify the amount required for the repayment of the interest and
30 principal of the loan in the same manner required for interest and
31 debt redemption charges pursuant to N.J.S.18A:22-33, and the
32 amount so certified shall be included in the taxes assessed, levied
33 and collected in the municipality or municipalities comprising the
34 school district for such purposes.

35 (2) All repayments, and interest thereon, shall be deposited by
36 the authority in the compliance fund, for use in the manner
37 provided for in this section¹, except insofar as the authority may
38 direct that such amounts be deposited in the small projects fund
39 established pursuant to section 7 of this 1993 amendatory and
40 supplementary act¹.

41 e. The authority, in consultation with the commissioner shall,
42 in determining whether to grant approval of any loan application
43 pursuant to this section, take into consideration the severity of
44 the need for the particular project, the ability of the school
45 district to begin and complete the project in an expeditious
46 manner, the ability of the school district to proceed with the
47 funding of the balance of the funds for the project, and the
48 extent to which the approval of the project contributes to the
49 equitable distribution of monies in the compliance fund.

50 f. The balance of the moneys needed for a project for which an
51 application for a loan is made pursuant to this section may be
52 funded by the school district by: (1) the issuance of bonds, or
53 other borrowing, excluding lease-purchase agreements, pursuant
54 to the provisions of subsection (d) of N.J.S.18A:20-4.2,

1 N.J.S.18A:24-5 et seq., or P.L.1991, c.139 (C.18A:7A-46.1 et
2 seq.), as appropriate; except that the commissioner shall waive
3 the holding of a referendum or the requirement for approval by a
4 board of school estimate pursuant to subsection (d) of
5 N.J.S.18A:20-4.2, or N.J.S.18A:24-5 et seq., as the case may be,
6 or the requirement for approval of the project by a capital
7 projects control board pursuant to P.L.1991, c.139
8 (C.18A:7A-46.1 et seq.), as appropriate; (2) borrowing from the
9 "Public Schools Small Projects Loan Assistance Fund" established
10 pursuant to section 7 of this 1993 amendatory and supplementary
11 act, if the total cost of the project does not exceed \$5,000,000,
12 and in any such case the commissioner shall waive the holding of
13 a referendum or the requirement for approval by a board of
14 school estimate pursuant to subsection (d) of N.J.S.18A:20-4.2 or
15 N.J.S.18A:24-5 et seq., as the case may be, or approval of the
16 project by a capital projects control board pursuant to P.L.1991,
17 c.139, (C.18A:7A-46.1 et seq.), as appropriate; (3) monies of the
18 school district not necessary for the completion of any other
19 specific projects; and (4) any other lawful source; except that no
20 project funded or approved to be funded by school district bonds
21 authorized, pursuant to law, prior to December 31, 1992 shall be
22 funded pursuant to this 1993 amendatory and supplementary act.

23 g. Any school district shall be eligible to receive additional
24 loans pursuant to this section even if the district has received a
25 previous loan; provided that those additional loans are in
26 conformity with the selection criteria established pursuant to this
27 section.

28 h. Net earnings received from the investment or deposit of
29 monies in the compliance fund by the authority shall be
30 redeposited in the fund for use for the purposes of this section.

31 5. (New section) a. The authority shall establish and maintain
32 a special nonlapsing revolving fund to be known as the "Public
33 School Facilities Loan Assistance Fund," hereinafter the
34 "facilities fund," which shall be credited with: (1) not less than
35 \$105,000,000 from the amount of capital funding appropriated for
36 school facilities pursuant to the annual appropriations act for the
37 State fiscal year ending June 30, 1994, P.L. c. ; (2) the
38 \$20,000,000 allocated from the Economic Recovery Fund
39 pursuant to paragraph (2) of subsection d. of section 4 of
40 P.L.1992, c.16 (C.34:1B-7.13); (3) any monies that shall be
41 received by the authority from the repayment of loans made from
42 the facilities fund and interest thereon; and (4) any other moneys
43 which the authority determines to deposit therein.

44 b. The authority may use the moneys in the facilities fund to
45 provide for low interest loans to finance not less than 25%, and
46 not more than 50%, of the total cost of any project, in
47 accordance with the criteria set forth in this section, for the
48 purpose of renovation, repair or other alteration of existing
49 school buildings, for construction of new school buildings or for
50 the conversion of existing school buildings to other instructional
51 purposes, whether or not that renovation, repair, alteration,
52 construction or conversion is required to bring buildings that, at
53 the time of application do not meet State health and safety code
54 requirements, into compliance with those requirements.

1 c. Upon application by any school district to the authority for
2 a loan to be made pursuant to subsection b. of this section, the
3 authority shall, in consultation with the commissioner, determine
4 whether to grant approval for the loan based upon the appropriate
5 authorization for the loan pursuant to subsection (d) of
6 N.J.S.18A:20-4.2, or the project pursuant to P.L.1991, c.139
7 (C.18A:7A-46.1 et seq.), as the case may be, the relationship of
8 the project to the enhancement of the school's academic
9 programs, the ability of the school district to begin and complete
10 the project in an expeditious manner, the ability of the school
11 district to proceed with the funding of the balance of the moneys
12 needed for the project, and the extent to which approval of the
13 project would contribute to the equitable distribution of monies in
14 the facilities fund.

15 d. The balance of the moneys needed for a project for which
16 an application for a loan is made pursuant to subsection b. of this
17 section may be funded by the school district by: (1) the issuance
18 of bonds, or other borrowing, excluding lease-purchase
19 agreements, pursuant to the provisions of subsection (d) of
20 N.J.S.18A:20-4.2, N.J.S.18A:24-5 et seq., or P.L.1991, c.139
21 (C.18A:7A-46.1 et seq.) as appropriate; (2) if the borrowing of
22 money or the issuance of bonds is authorized pursuant to
23 subsection (d) of N.J.S.18A:20-4.2 or N.J.S.18A:24-5 et seq., as
24 the case may be, or if the project is approved pursuant to
25 P.L.1991, c.139 (C.18A:7A-46.1 et seq.), as appropriate,
26 borrowing from the "Public Schools Small Projects Loan
27 Assistance Fund" established pursuant to section 7 of this 1993
28 amendatory and supplementary act, if the total cost of the
29 project does not exceed \$5,000,000; (3) monies of the school
30 district not necessary for the completion of any other specific
31 projects; and (4) any other lawful source; except that no project
32 funded or approved to be funded by school district bonds
33 authorized, pursuant to law, prior to December 31, 1992 shall be
34 funded pursuant to this 1993 amendatory and supplementary act.

35 e. (1) The authority shall establish the terms of the loan which
36 shall include, but not be limited to, the rate of interest, a
37 schedule for drawing down loan funds, and a repayment schedule.
38 The repayments shall be treated by the school district as net debt
39 service for school aid purposes. In addition to the amount of
40 taxes determined by the legal voters of the district at the annual
41 school election, the secretary of the board of education shall
42 certify the amount required for the repayment of the interest and
43 principal of the loan in the same manner required for interest and
44 debt redemption charges pursuant to N.J.S.18A:22-33, and the
45 amount so certified shall be included in the taxes assessed, levied
46 and collected in the municipality or municipalities comprising the
47 school district for such purposes.

48 (2) All repayments, and interest thereon, shall be deposited by
49 the authority in the facilities fund for use in the manner provided
50 for in this section¹, except insofar as the authority may direct
51 that such amounts be deposited in the small projects fund
52 established pursuant to section 7 of this 1993 amendatory and
53 supplementary act¹.

54 f. Net earnings received from the investment or deposit of

1 monies in the facilities fund by the authority shall be redeposited
2 in the fund for use for the purposes of this section.

3 6. (New section) a. There is hereby established within the
4 fund for the support of free public schools a school facilities
5 financing reserve, to which shall be credited an amount necessary
6 to secure the principal of and interest on school bonds issued to
7 represent the loans that secure the bonds issued by the New
8 Jersey Economic Development Authority pursuant to section 7 of
9 this 1993 amendatory and supplementary act. The amount of the
10 reserve so established shall not exceed the moneys available in
11 the fund or include those amounts in the fund that are obligated
12 for the purposes of the school bond reserve fund established
13 pursuant to section 7 of P.L.1980, c.72 (C.18A:56-19). The
14 reserve shall be pledged as security for prompt payment to the
15 authority by the school districts of the principal and interest on
16 the school bonds issued to represent the loans made under section
17 7 of this 1993 amendatory and supplementary act in the event of
18 the inability of the school districts to make timely payment.
19 These amounts shall be used by the authority for payment to
20 holders of bonds issued pursuant to section 7 of this 1993
21 amendatory and supplementary act. The school facilities
22 financing reserve shall be composed entirely of direct obligations
23 of the United States Government or obligations guaranteed by the
24 full faith and credit of the United States Government. Securities
25 representing at least one-third of the minimum market value to
26 be held in the school facilities financing bond reserve shall be due
27 to mature within one year of the date of issuance or purchase.

28 b. It shall be the duty of the trustees of the fund to determine
29 that the school facilities financing bond reserve is established at
30 the proper level, based on the market value of the obligations to
31 be held therein on the effective date of this 1993 amendatory and
32 supplementary act, to ascertain annually on or before September
33 15 of each year the aggregate amount of bonds issued by the New
34 Jersey Economic Development Authority pursuant to section 7 of
35 this 1993 amendatory and supplementary act and the amount
36 outstanding, and to maintain the school facilities financing bond
37 reserve at an appropriate level for the ensuing year based on
38 annual market valuations of the obligations. The State Treasurer,
39 acting as agent of the trustees, is authorized to retain as much of
40 the income earned by the fund in the preceding year as he may
41 determine to be required to maintain the school facilities
42 financing bond reserve at the level herein specified.

43 c. Bonds issued by the New Jersey Economic Development
44 Authority pursuant to section 7 of this 1993 amendatory and
45 supplementary act shall contain, in addition to any other language
46 required to issue the bonds, a statement, in bold print, that the
47 loans that secure the bonds are secured by monies reserved in the
48 fund for the support of free public schools pursuant to the
49 provision of the "Public School Capital Finance Assistance Act."

50 7. (New section) a. The New Jersey Economic Development
51 Authority is authorized to issue bonds, in an aggregate amount
52 not exceeding \$100,000,000, the proceeds from which shall be
53 used to provide matching funds to assist in the financing of school
54 district projects in accordance with the provisions of this

1 section. The bonds so issued shall be secured by the repayment
2 by school districts of loans made pursuant to this 1993
3 amendatory and supplementary act, or, in the case of default on
4 any such loan repayment, by the school facilities financing bond
5 reserve established pursuant to section 6 of this 1993 amendatory
6 and supplementary act.

7 b. The authority shall establish and maintain a special
8 nonlapsing revolving fund to be known as the "Public Schools
9 Small Projects Loan Assistance Fund," hereinafter the "small
10 projects fund," which shall be credited with: (1) the proceeds of
11 the sale of bonds pursuant to subsection a. of this section; (2) any
12 moneys that shall be received by the authority from the
13 repayment of loans made from the small projects fund and
14 interest thereon; and (3) any other moneys which the authority
15 determines to deposit therein.

16 c. The authority shall use the monies in the small projects fund
17 exclusively for¹: (1)¹ matching funds to provide market rate loans
18 to school districts to finance an amount up to the remaining
19 balance of the cost of a project approved for funding from the
20 compliance fund pursuant to section 4 of this 1993 amendatory
21 and supplementary act or from the facilities fund pursuant to
22 section 5 of this 1993 amendatory and supplementary act,
23 whether or not the project is required to bring the buildings that,
24 at the time of application do not meet State health and safety
25 code requirements, into compliance with those requirements;
26 provided that the total cost of the project, including moneys
27 received from the compliance fund or the facilities fund, does not
28 exceed \$5,000,000¹; and (2) payment of any principal, interest,
29 premium and expenses incurred in connection with the bonds
30 issued pursuant to subsection a of this section¹.

31 d. (1) The authority shall establish the terms of the market
32 rate loans which shall include, but not be limited to, the actual
33 rate of interest, a schedule for drawing down loan funds, and the
34 repayment schedule for the loans. The repayments shall be
35 treated by the school district as net debt service for school aid
36 purposes. In addition to the amount of taxes determined by the
37 legal voters of the district at the annual school election, the
38 secretary of the board of education shall certify the amount
39 required for the repayment of the interest and principal of the
40 loan in the same manner required for interest and debt
41 redemption charges pursuant to N.J.S.18A:22-33, and the amount
42 so certified shall be included in the taxes assessed, levied and
43 collected in the municipality or municipalities comprising the
44 school district for such purposes.

45 (2) All repayments, and interest thereon, shall be deposited by
46 the authority in the small projects fund for use in the manner
47 provided for in this section.

48 e. Net earnings received from the investment or deposit of
49 monies in the small projects fund by the authority shall be
50 redeposited in the fund for use for the purposes of this section.

51 8. (New section) In the case of a school district that has
52 applied for any loan pursuant to this 1993 amendatory and
53 supplementary act, and that is required to seek authorization for
54 the issuance of bonds, or for other borrowing, or for a project

1 involving the issuance of bonds or other borrowing pursuant to the
2 provisions of subsection (d) of N.J.S.18A:20-4.2, N.J.S.18A:24-5
3 et seq., or P.L.1991, c.139 (C.18A:7A-46.1 et seq.), as the case
4 may be, or a waiver of any such requirement, as appropriate, the
5 authority may grant preliminary approval of that application,
6 provided that final approval of the application shall be
7 conditioned upon the granting of the appropriate approval to the
8 school district, or the waiver thereof, within a time period to be
9 determined by the authority and stated, in writing, as part of the
10 preliminary approval. No monies shall be disbursed for any
11 project under this 1993 amendatory and supplementary act until
12 final approval of the pertinent application is granted.

13 9. (New section) The commissioner or the Director of ¹the
14 Division of¹ Local Government Services, in the Department of
15 Community Affairs, as appropriate, ¹[shall]is authorized¹, for
16 those school districts issuing bonds pursuant to this 1993
17 amendatory and supplementary act, ¹to¹ waive the requirement
18 imposed pursuant to N.J.S.18A:24-46 or N.J.S.40A:2-29, as the
19 case may be, that school districts issue those bonds at not less
20 than par value.

21 10. (New section) The authority is hereby empowered and
22 directed to adopt summarily any rule, and to take any
23 administrative action whatsoever, necessary to effectuate the
24 purposes of this 1993 amendatory and supplementary act without
25 being subject to the provisions or requirements of the
26 "Administrative Procedure Act," P.L.1968, c.410 (C.52:14B-1 et
27 seq.), except that any rules and regulations so adopted shall be
28 filed with the Secretary of State and shall provide for the prompt
29 publication of the rules and regulations after the filing of same.

30 11. Section 4 of P.L.1992, c.16 (C.34:1B-7.13) is amended to
31 read as follows:

32 4. The authority may use the moneys in the fund to pay
33 principal of, premium, if any, and interest on bonds or notes,
34 which shall be entitled "Economic Recovery Fund Bonds or
35 Notes," as appropriate, the proceeds, or net proceeds, of which
36 shall be deposited into the fund, or used for purposes of the fund,
37 and moneys in the fund, including money received from the sale
38 of bonds shall, in such manner as is determined by the authority,
39 and pursuant to subsections d. and f. of this section, be used for
40 the financing of projects as set forth in section 3 of P.L.1974,
41 c.80 (C.34:1B-3) and to establish:

42 a. An economic growth account for business programs, which
43 will invest in small and medium-size businesses that have the
44 greatest potential for creating jobs and stimulating economic
45 growth through such elements as a Statewide lending pool for
46 small business, a business composite bond guarantee, a fund to
47 further supplement the export finance program of the authority
48 to provide direct loans and working capital necessary for New
49 Jersey businesses to compete in the global market, real estate
50 partnerships, a Statewide composite bond pool to assist
51 municipalities in acquiring needed financing for capital
52 expenditures, community-based assistance to assist
53 municipalities in establishing local development corporations to
54 stimulate economic development, a venture capital fund for

1 start-up costs for businesses developing new concepts and
2 inventions, and a fund to assist businesses with expansion in such
3 areas as manufacturing retooling to improve quality, to reduce
4 production costs and to train employees to apply the latest
5 technology;

6 b. An economic development infrastructure program account,
7 which shall provide for the financing and development of
8 infrastructure and transportation projects, including but not
9 limited to ports, terminal and transit facilities, roads and
10 airports, parking facilities used in connection with transit
11 facilities, and related facilities, including public-private
12 partnerships, that are integral to economic growth;

13 c. An account for a cultural, recreational, fine and performing
14 arts, military and veterans memorial, historic preservation
15 project and tourism facilities and improvements program, which
16 shall provide for the financing and development of cultural,
17 recreational, fine and performing arts, military and veterans
18 memorial, historic preservation and tourism projects, including
19 partnerships with public, private and nonprofit entities;

20 d. An account, into which shall be deposited an amount not
21 less than \$45,000,000, out of the total amounts deposited or
22 credited to the fund from the proceeds of the sale of Economic
23 Recovery Fund Bonds or Notes, for the financing of capital
24 facilities for primary and secondary schools in the State [, to
25 make direct loans to school districts] for the purpose of the
26 renovation, repair or alteration of existing school buildings, the
27 construction of new school buildings or the conversion of existing
28 school buildings to other instructional purposes.

29 [(1) In order to ensure the most effective utilization of the
30 moneys in the account, the Commissioner of Education shall
31 review all of the public school facilities throughout the State to
32 determine the extent to which school districts are able to provide
33 suitable educational facilities as required pursuant to
34 N.J.S.18A:33-1. Upon completion of that review, the
35 commissioner shall establish a list of selection criteria for school
36 districts applying for a loan from the account, taking into
37 consideration all of the factors which impact on the ability of
38 each school district to provide suitable facilities, including the
39 number of unhoused pupils, the number of years on split or
40 curtailed sessions, the rate of pupil population increase, the
41 adequacy of existing or proposed facilities, the school tax rate of
42 the district, the equalized valuations per pupil of the district, and
43 any other factors which the State Board of Education deems
44 necessary or appropriate. Any school district shall be eligible to
45 receive an additional loan pursuant to this subsection even if the
46 district has received a previous loan if that additional loan is in
47 conformity with the selection criteria established pursuant to this
48 paragraph.]

49 (1) Of the amount deposited in the account, not less than
50 \$25,000,000 shall be deposited in the "Public School Facilities
51 Code Compliance Loan Fund" established pursuant to section 4 of
52 P.L. , c. (C.) (now before the Legislature as this bill).

53 (2) Of the amount deposited in the account, not less than
54 \$20,000,000 shall be deposited in the "Public School Facilities

1 Loan Assistance Fund" established pursuant to section 5 of
2 P.L. , c. (C.) (now before the Legislature as this bill).

3 [(2) Any local board of education may determine, by
4 resolution, to apply for a loan from the account. Upon adoption
5 of that resolution, the local board of education shall file an
6 application with the Commissioner of Education, which
7 application shall include a complete description of the project,
8 and shall indicate the manner in which the school district shall
9 repay the loan. Upon receipt of the application, the
10 commissioner shall investigate the conditions in the district in
11 the context of the selection criteria established pursuant to
12 paragraph (1) of this subsection. The commissioner shall report
13 his findings to the State Board of Education, and may include in
14 his report a recommendation as to the amount, if any, of the loan
15 proposed with respect to the school district.

16 (3) The State Board of Education shall review the
17 commissioner's reports, and, by resolution, shall approve or
18 disapprove a district's eligibility for funding. Upon determining
19 the districts eligible for loans from the account, the board shall
20 forward a copy of the resolution to the authority which shall
21 determine:

22 the amount of the loan for each district;
23 the repayment schedule for the loan which shall in no event be
24 in excess of 15 years; and

25 the interest rate to be charged for each loan, which shall be no
26 more than 50% of the yearly average of the weekly Treasury Bill
27 Index.

28 (4) Provided; if funds for school capital construction become
29 available through the adoption of any State bond act or State
30 authority or agency bond resolution authorizing the issuance of
31 bonds for the funding of such capital construction facilities, the
32 fund will be reimbursed or credited from those sources for any
33 amounts expended or obligated from the fund for school capital
34 construction purposes and the amounts so reimbursed or credited
35 shall be used for any other purpose of this act];

36 e. An environmental cleanup business assistance pilot program
37 account which will provide assistance to businesses which are
38 conducting or may be required to conduct an environmental
39 cleanup pursuant to the provisions of the "Environmental Cleanup
40 Responsibility Act," P.L.1983, c.330 (C.13:1K-6 et seq.), or which
41 have discovered a hazardous discharge on a property owned by
42 that business and are seeking to voluntarily initiate a cleanup
43 process in accordance with law. In determining eligibility for
44 assistance, the authority shall consider, in consultation with the
45 Department of Environmental Protection, the compliance history
46 of any applicant; and

47 f. An account, into which shall be deposited an amount not less
48 than \$15,000,000, out of the total amounts deposited or credited
49 to the fund from the proceeds of the sale of Economic Recovery
50 Fund Bonds or Notes, for the financing of shore restoration,
51 maintenance, monitoring, protection and preservation projects
52 pursuant to the shore protection master plan prepared by the
53 Department of Environmental Protection pursuant to P.L.1978,
54 c.157.

55 (cf: P.L.1992, c.16, s.4)

1 12. This act shall take effect immediately.

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6 Authorizes a \$250 million program administered by the EDA to
7 help school districts finance certain capital projects.

1 the context of the selection criteria established pursuant to
2 paragraph (1) of this subsection. The commissioner shall report
3 his findings to the State Board of Education, and may include in
4 his report a recommendation as to the amount, if any, of the loan
5 proposed with respect to the school district.

6 (3) The State Board of Education shall review the
7 commissioner's reports, and, by resolution, shall approve or
8 disapprove a district's eligibility for funding. Upon determining
9 the districts eligible for loans from the account, the board shall
10 forward a copy of the resolution to the authority which shall
11 determine:

12 the amount of the loan for each district;

13 the repayment schedule for the loan which shall in no event be
14 in excess of 15 years; and

15 the interest rate to be charged for each loan, which shall be no
16 more than 50% of the yearly average of the weekly Treasury Bill
17 Index.

18 (4) Provided; if funds for school capital construction become
19 available through the adoption of any State bond act or State
20 authority or agency bond resolution authorizing the issuance of
21 bonds for the funding of such capital construction facilities, the
22 fund will be reimbursed or credited from those sources for any
23 amounts expended or obligated from the fund for school capital
24 construction purposes and the amounts so reimbursed or credited
25 shall be used for any other purpose of this act];

26 e. An environmental cleanup business assistance pilot program
27 account which will provide assistance to businesses which are
28 conducting or may be required to conduct an environmental
29 cleanup pursuant to the provisions of the "Environmental Cleanup
30 Responsibility Act," P.L.1983, c.330 (C.13:1K-6 et seq.), or which
31 have discovered a hazardous discharge on a property owned by
32 that business and are seeking to voluntarily initiate a cleanup
33 process in accordance with law. In determining eligibility for
34 assistance, the authority shall consider, in consultation with the
35 Department of Environmental Protection, the compliance history
36 of any applicant; and

37 f. An account, into which shall be deposited an amount not less
38 than \$15,000,000, out of the total amounts deposited or credited
39 to the fund from the proceeds of the sale of Economic Recovery
40 Fund Bonds or Notes, for the financing of shore restoration,
41 maintenance, monitoring, protection and preservation projects
42 pursuant to the shore protection master plan prepared by the
43 Department of Environmental Protection pursuant to P.L.1978,
44 c.157.

45 (cf: P.L.1992, c.16, s.4)

46 12. This act shall take effect immediately.

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SPONSORS STATEMENT

51 This bill would authorize the Economic Development Authority
52 to administer a \$250,000,000 program for the purpose of
53 providing financial aid to school districts for projects involving
54 the construction, renovation, repair, alteration or conversion of

1 public school buildings. The funds shall be allocated by the
2 authority, in conjunction with the Commissioner of Education, in
3 accordance with the following criteria:

4 \$25,000,000 from the account established in the Economic
5 Recovery Fund pursuant to subsection d. of section 4 of P.L.1992,
6 c.16 (C.34:1B-7.13) would be used to provide the principal for a
7 special nonlapsing, revolving fund entitled the "Public School
8 Facilities Code Compliance Loan Fund", for the provision of
9 low-interest loans to finance between 25% and 50% of the total
10 cost of projects required to bring the buildings that, at the time
11 of application do not meet State health and safety code
12 requirements, into compliance with those requirements; and
13 \$20,000,000 would be allocated from the account established
14 pursuant to subsection d. of section 4 of P.L.1992, c.16
15 (C.34:1B-7.13), together with \$105,000,000 from capital
16 appropriations for school facilities, to provide the principal for a
17 special nonlapsing revolving fund, entitled the "Public School
18 Facilities Loan Assistance Fund," to provide low-interest loans to
19 finance between 25% and 50% of the total cost of school district
20 projects, whether or not they are required to bring the buildings
21 that, at the time of application do not meet State health and
22 safety code requirements, into compliance with those
23 requirements.

24 An amount of not more than \$100,000,000 in bonds would be
25 issued by the authority to provide the principal for a special
26 nonlapsing revolving fund, entitled the "Public School Small
27 Projects Loan Assistance Fund," for the purpose of providing
28 market rate loans to school districts as matching funds to finance
29 amounts up to the balance of the cost of any project, the total
30 cost of which does not exceed \$5,000,000 and which has received
31 approval for funding from one of the other funds created pursuant
32 to this act. The bonds would be secured by repayments of school
33 district loans made by the authority, represented by school
34 district bonds issued to the authority. In the case of default by a
35 school district, the loan would be paid from a reserve fund
36 composed of obligations in U.S. government securities, derived
37 from the unobligated balance in the State fund for the support of
38 free public schools, established pursuant to P.L.1967, c.271
39 (C.18A:56-1 et seq.). Loans could be made for any project
40 regardless of whether or not the project is required to bring the
41 buildings that, at the time of application do not meet State
42 health and safety code requirements, into compliance with those
43 requirements. School districts would be permitted to use their
44 own bond funds, grants or funds from any other lawful source to
45 supplement the loans, except that no project which has been
46 approved for funding with school district bonds authorized prior
47 to December 31, 1992 may be funded under this act.

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52 Authorizes a \$250 million program administered by the EDA to
53 help school districts finance certain capital projects.

JOINT LEGISLATIVE COMMITTEE
ON ECONOMIC RECOVERY

STATEMENT TO

SENATE, No. 1561

with joint committee amendments (Senate)

STATE OF NEW JERSEY

DATED: MARCH 12, 1993

The Joint Legislative Committee on Economic Recovery reports favorably Senate Bill No. 1561 with committee amendments.

As amended, this bill authorizes the Economic Development Authority to administer a \$250,000,000 program for the purpose of providing financial aid to school districts for projects involving the construction, renovation, repair, alteration or conversion of public school buildings. The funds shall be allocated by the authority, in conjunction with the Commissioner of Education, in accordance with the following criteria:

a. \$25,000,000 from the account established in the Economic Recovery Fund pursuant to subsection d. of section 4 of P.L.1992, c.16 (C.34:1B-7.13) will be used to provide the principal for a special nonlapsing, revolving fund entitled the "Public School Facilities Code Compliance Loan Fund" (the "compliance fund"), for the provision of low-interest loans to finance between 25% and 50% of the total cost of projects required to bring buildings that, at the time of application, do not meet State health and safety code requirements, into compliance with those requirements;

b. \$20,000,000 will be allocated from the account established pursuant to subsection d. of section 4 of P.L.1992, c.16 (C.34:1B-7.13), together with \$105,000,000 from capital appropriations for school facilities, to provide the principal for a special nonlapsing revolving fund, entitled the "Public School Facilities Loan Assistance Fund," (the "facilities fund") to provide low-interest loans to finance between 25% and 50% of the total cost of school district projects, whether or not they are required to bring the buildings that, at the time of application do not meet State health and safety code requirements, into compliance with those requirements; and

c. An amount of not more than \$100,000,000 in bonds would be issued by the authority to provide the principal for a special nonlapsing revolving fund, entitled the "Public School Small Projects Loan Assistance Fund," (the "small projects fund") for the purpose of providing market rate loans to school districts as matching funds to finance amounts up to the balance of the cost of any project, the total cost of which does not exceed \$5,000,000 and which has received approval for funding from one of the other funds created pursuant to this act. Loans may be made for any project regardless of whether or not the project is required to bring the buildings that, at the time of application, do not meet State health and safety code requirements, into compliance with those requirements. School districts are not required to use these specific matching funds, but will be permitted to use their own bond funds, grants or funds from any other lawful source to supplement

the loans. However, no project which has been approved for funding with school district bonds authorized prior to December 31, 1992 may be funded under this act.

The committee adopted technical amendments to strengthen the EDA bonds to be issued pursuant to this legislation by permitting EDA to deposit, where necessary, school district loan repayments on loans made from both the compliance fund and the facilities fund into the small projects fund. The committee amendments also clarify that moneys in the small projects fund may be used by EDA for both matching loan funds and payment of the principal, interest, premium and expenses associated with the issuance of the EDA bonds. Finally, the committee amendments authorize the Commissioner of Education and the Director of the Division of Local Government Services in the Department of Community Affairs, as appropriate, to waive the requirement that school district bonds be issued at par value, for the purposes of this act.



OFFICE OF THE GOVERNOR

NEWS RELEASE

CN-001
Contact:

Jon Shure
609/777-2600

TRENTON, N.J. 08625

Release:

Thursday
April 8, 1993

GOVERNOR SIGNS "NEW JERSEY WORKS FOR SCHOOLS" BILL *Rebuilds Schools and Classrooms, and Creates 11,000 Jobs*

New Jersey public schools in need of repairs and renovations received a much-needed boost today as Governor Jim Florio signed legislation completing a new \$300 million financing program which is also expected to create 11,000 construction jobs.

"The New Jersey Works for Schools Bond Act is the most ambitious program of its kind in a long time. And it's long overdue," said Governor Florio. "We cannot hope to put our educational house in order while our schoolhouses themselves are crumbling and overcrowded."

"This program will provide our communities with \$250 million in affordable loans for badly needed school construction projects. Just as important, we'll create 11,000 construction jobs right now for hard-working men and women all across New Jersey," he said.

The \$300 million New Jersey Works for School program consists of the \$250 million bond act, which was signed today, and an additional \$50 million designated for grants to Special Needs Districts, which will be allocated to the formula aid program.

The \$250 million component, which will be administered by the New Jersey Economic Development Authority, consists of a:

- **School Facilities Loan Fund:** a \$125 million fund to provide low-interest loans for up to 50 percent of the costs of renovating, repairing or altering existing buildings, constructing new buildings or converting existing structures to other instructional purposes.
- **Small Projects Loan Fund:** a \$100 million fund to provide market rate loans to school districts to finance up to 75 percent of the cost of projects whose total costs do not exceed \$5 million.
- **Safe Schools Loan Fund:** a \$25 million fund to provide low interest loans for up to 50 percent of the total cost of projects needed to comply with state health and safety code requirements.

Loans will be awarded to the first districts that submit solid voter-approved construction plans.

Governor Florio noted that many schools in New Jersey are obsolete and overcrowded. In some older communities, children attend schools that have no libraries, science labs, cafeterias or gyms. In some newer suburbs, rapid enrollment increases mean that some classes are taught in trailers or converted storage rooms.

"Even in communities that care deeply about their children's schools, years of tight budgets and deferred maintenance have taken a toll. For years, the school facilities problem in New Jersey was like the weather. Everybody talked about it, but nobody did anything about it. Meanwhile, schools got more crowded. The problems got worse and the price tag for fixing them grew bigger," said Governor Florio.

"This act obviously won't fill the need entirely, but it's a big step in the right direction. Now is the time to take it," he said.

S 1561/A 8 was sponsored by Senators Donald DiFrancesco and William Gormley, and Assemblypersons Priscilla Anderson and Tom Smith.

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New Jersey WORKS for Schools

NEW JERSEY'S PUBLIC SCHOOL FACILITIES

LOAN ASSISTANCE PROGRAM

The New Jersey Public School Facilities Loan Assistance Program offers three types of financing assistance with total available funds of \$250 million. These financing tools are available to qualified school districts with a demonstrated need for facilities upgrade, expansion and/or new construction. All projects must be new, and may not have been approved by referendum (or other final financing approval) prior to December 31, 1992. The following loan programs will be administered by the New Jersey Economic Development Authority, in consultation with the Commissioner of Education:

- **SCHOOL FACILITIES LOAN FUND**

- **SAFE SCHOOLS LOAN FUND**

- **SMALL PROJECTS LOAN FUND**

SCHOOL FACILITIES LOAN FUND

The \$125 million School Facilities Loan Fund has been established to provide low interest loans to finance school facilities construction projects.

Which Schools/Projects are eligible for Assistance?

To be considered for assistance, a school district must:

- 1) Have developed or propose to develop a project for the purpose of renovation, repair or other alteration of existing school facilities, construction of new facilities, or the conversion of existing school facilities to other instructional purposes;
- 2) Demonstrate that the school district is able to begin and complete the project in an expeditious manner;
- 3) Obtain approval of project and associated costs by public referendum (Type I districts must obtain approval from their Board of School Estimate);
- 4) Demonstrate that the project enhances the school's academic programs; and
- 5) Identify and secure the balance of the moneys needed for the project (Projects costing less than \$5 million may obtain the balance of the loan from the Small Projects Loan Fund).

What Type of Financing is Available?

For qualified projects, school districts may receive up to 50% (but not less than 25%) of the total cost of that project. The terms of the loans shall be for a maximum of 20 years, with a fixed interest rate of 1 1/2%. The repayments shall be treated by the school district as net debt service for school aid purposes.

SAFE SCHOOLS LOAN FUND

The \$25 million Safe Schools Loan Fund has been established to provide low interest loans to finance projects needed for compliance with State health and safety code requirements.

What Schools/Projects are Eligible for Assistance?

To be considered for assistance, a school district must:

- 1) Have developed or propose to develop a project for the purpose of renovation, repair, alteration or construction necessary to meet State health and safety code requirements. Determination of whether a project meets these criteria shall be made by the Commissioner of Education. Upon certification, the Commissioner shall waive the need to obtain appropriate financing approvals associated with the total funding of the project;
- 2) Demonstrate that the school district is able to begin and complete the project in an expeditious manner;
- 3) Demonstrate to the EDA, in conjunction with the Commissioner of Education, the severity of the need for the particular project; and
- 4) Identify and secure the balance of the moneys needed for the project (Projects costing less than \$5 million may obtain the balance from the Small Projects Loan Fund).

What Type of Funding is Available?

For qualified projects, school districts may receive up to 50% of the total cost of that project. The terms shall be for a maximum of 20 years with a fixed interest rate of 1 1/2%. The repayments to the EDA shall be treated as a net debt service by the school districts for school aid purposes.

SMALL PROJECTS LOAN FUND

The \$100 million Small Projects Loan Fund for schools has been established as a low-cost loan pool to provide loans to finance the local matching share for small construction projects (not exceeding \$5 million in total cost).

What Schools/Projects are Eligible for Assistance?

To be considered for assistance, a school district must be eligible for a loan from the School Facilities Loan Fund or the Safe Schools Loan Fund. The total cost of the project shall not exceed \$5 million.

What Type of Financing is Available?

For qualified projects, school districts may receive up to 75% (but not less than 50%) of the cost of that project, the total cost of which may not exceed \$5 million. The terms shall be fixed market rate loans for a maximum of 20 years. The repayments shall be treated by the school district as net debt service for school aid purposes.

HOW DO YOU APPLY FOR ASSISTANCE UNDER THESE PROGRAMS?

School Districts interested in applying for assistance under one or more of the above-mentioned loan funds should fill out the one-page preliminary application, including the required information to process the loan. You may obtain an application or additional information about these loans by contacting the New Jersey Economic Development Authority at (609) 292-1800.

New Jersey WORKS for Schools

The State of New Jersey is making a total of \$300 million available to school districts for the purpose of making renovations and new construction to school facilities. This money will be made available both in the form of grants and of low-cost loans, thereby allowing schools to undertake greatly needed upgrades to their facilities. This investment in our public schools has a two-fold benefit, allowing not only for the improvement of our schools, but also in the creation of additional construction jobs, an essential component needed in rebuilding our economy.

The \$300 million program will be divided into the following two pools of funding:

- **Public School Facilities Loan Assistance Program (\$250 million) -** This Program has been divided into 3 specific loan funds, each of which will target a different type of need for funding for schools. (Please refer to the summary of the program that is enclosed in this packet.)
- **Assistance for Special Needs Districts (\$50 million) -** These grant funds will be made available to Special Needs Districts in the proportion in which they receive their school aid money. These school districts will be contacted directly with regard to the availability of these funds.

New Jersey WORKS for Schools

SCHOOL FACILITIES FINANCING PROGRAM

