

**ASSEMBLY, No. 4533**

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**STATE OF NEW JERSEY**

**221st LEGISLATURE**

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INTRODUCED JUNE 6, 2024

**Sponsored by:**

**Assemblyman CRAIG J. COUGHLIN**

**District 19 (Middlesex)**

**Assemblyman BENJIE E. WIMBERLY**

**District 35 (Bergen and Passaic)**

**Assemblywoman SHANIQUE SPEIGHT**

**District 29 (Essex and Hudson)**

**Senator ANDREW ZWICKER**

**District 16 (Hunterdon, Mercer, Middlesex and Somerset)**

**Senator GORDON M. JOHNSON**

**District 37 (Bergen)**

**Co-Sponsored by:**

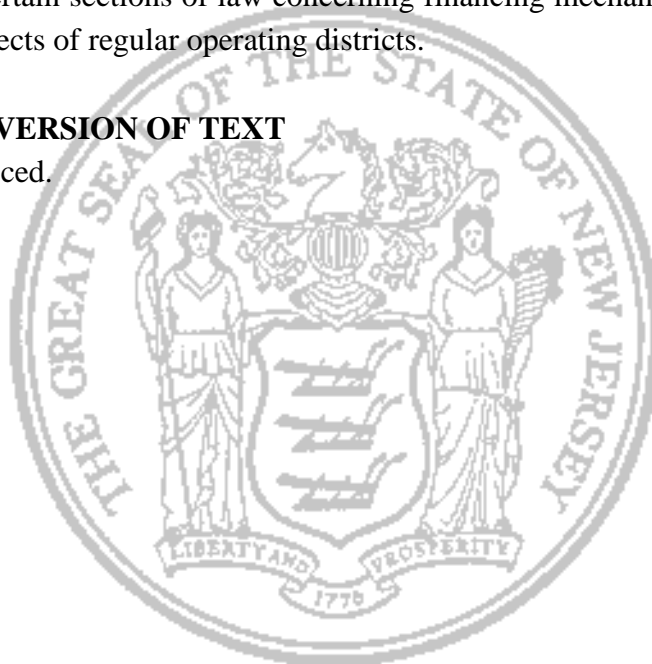
**Assemblyman Atkins, Assemblywomen Bagolie and Sumter**

**SYNOPSIS**

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

**CURRENT VERSION OF TEXT**

As introduced.



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

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

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

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

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

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

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

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

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

**Matter underlined thus is new matter.**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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45 3. This act shall take effect immediately.

STATEMENT

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

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

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

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

**A4533 COUGHLIN, WIMBERLY**

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