

# SENATE BUDGET AND APPROPRIATIONS COMMITTEE

## STATEMENT TO

### **SENATE, No. 3173**

with committee amendments

# **STATE OF NEW JERSEY**

DATED: JANUARY 5, 2012

The Senate Budget and Appropriations Committee reports favorably Senate Bill No. 3173, with committee amendments.

The bill, as amended, is entitled the “Urban Hope Act.” The bill, as amended, authorizes the designation of three failing school districts as renaissance school districts. A “failing district” is defined in the bill as: (1) in the case of a school district located in a city of the first class, a school district in which at least 40% of the students scored in the partially proficient range in the language arts and mathematics sections of each State assessment administered in the 2009-2010 school year; and (2) in the case of a school district located in a city of the second class, a school district in which at least 45% of the students scored in the partially proficient range in the language arts and mathematics sections of each State assessment administered in the 2009-2010 school year. Under this definition, the Newark School District, the Trenton School District, and the Camden School District would be “failing districts.”

Under the provisions of the bill, one or more nonprofit entities, with the approval of the school district, may apply to the commissioner to create up to a total of four renaissance school projects in a renaissance school district, provided that the application is submitted no later than three years following the effective date of the bill. A renaissance school project is defined as a newly-constructed school, or group of schools in a common campus setting, that provides an educational program for students enrolled in grades K through 12 or in a grade range less than K through 12, that is agreed to by the school district, and is operated and managed by a nonprofit entity in a renaissance school district.

The bill provides that the costs of a renaissance school project, including the costs of land acquisition, site remediation, site development, design, construction, and any other costs required to place into service the school facility or facilities constituting the renaissance school projects, would be the sole expense of the nonprofit entity. However, the nonprofit entity may use State funds to pay for a lease, debt service, or mortgage for any facility constructed or otherwise acquired.

If an entity seeks to build a school facility on land owned by the Schools Development Authority, the bill provides that the authority may convey the land to either the renaissance school district or the entity. The conveyance must (1) contain a restriction that the land must be used solely for a school or it will revert to the authority; and (2) be for such consideration and on such terms as the authority determines to be in the best interests of the State.

Under the provisions of the bill, whenever a board of education determines that any tract of land is no longer desirable or necessary for school purposes it may authorize the conveyance, for a nominal consideration, to a renaissance school project. If the property ceases to be used for school purposes by the renaissance school project, the property would revert to the board of education.

Under the provisions of the bill, the renaissance school district would pay annually to the nonprofit entity an amount per pupil equal to 95% of the district's per pupil total expenditure. "Per pupil expenditure" is defined as the sum of the budget year equalization aid per pupil, budget year adjustment aid per pupil, and the prebudget year general fund tax levy per pupil inflated by the CPI rate most recent to the calculation. The renaissance school district would also pay to the renaissance school project the security categorical aid attributable to the student, a percentage of the district's special education categorical aid equal to the percentage of the district's special education students enrolled in the renaissance school project, and if applicable 100% of preschool education aid. The district would also pay directly to the renaissance school project any federal funds attributable to the student.

All principals, administrators, classroom teachers, and professional support staff must hold the appropriate certifications.

The bill states that a renaissance school project is a public school. The bill further provides that nothing contained in the bill, however, would restrict a for-profit entity from constructing a renaissance school project, or a renaissance school project from being located on land owned by a for-profit entity. The bill also provides that the renaissance school project is authorized to retain any business entity whose primary purpose is the staffing, operation, and management of schools in the United States, except as it relates to instructional services.

Under the provisions of the bill, a nonprofit entity or any entity acting in cooperation with the renaissance school project is not subject to the public bidding requirements for goods and services and any contract entered into by the nonprofit entity is deemed not to be a public contract or a public work. The bill states, however, that a contract entered into by the nonprofit entity or any entity acting in cooperation with the renaissance school project is a public work for the purposes of the "New Jersey Prevailing Wage Act" and subject to the applicable provisions of that act.

A renaissance school project approved under the provisions of the bill would be initially authorized for 10 years, and renewed subsequently for five-year periods. The commissioner must annually assess whether each renaissance school project is meeting certain goals and improving student achievement. In order to facilitate this assessment, each renaissance school project, through its nonprofit entity, must submit an annual report to the commissioner.

Five years following the date of the opening of the third renaissance school project, or 10 years after the opening of the first project, whichever occurs first, a review of the efficacy of the program must be conducted by an independent education researcher or research organization. The costs of the independent review will be borne by the department. The commissioner must report the results of the review. He must also report on the efficacy of the schools in educating students and whether additional renaissance school districts should be authorized and, if so, how many.

COMMITTEE AMENDMENTS:

The committee amended the bill to:

- revise the definition of “failing district” to include Trenton and remove Jersey City;
- clarify that renaissance school projects are newly-constructed schools;
- provide that all applications to create a renaissance school project must be submitted to the commissioner no later than three years following the effective date of the bill;
- provide that in the case of a district under full or partial State intervention with an advisory board of education, the application will include evidence that the State district superintendent or the superintendent, as applicable, has convened at least three public meetings to discuss the merits of the renaissance school project. The application must also include a resolution from the advisory board of education reflecting the board’s approval or disapproval of the project;
- provide that the application to create a renaissance school project must include a description of the process used by the renaissance school district to identify the nonprofit entity;
- establish criteria for the organizational document that sets forth certain information regarding the nonprofit entity creating the renaissance school project; and
- eliminate the authority of the board of education of a Type II school district, the municipality in the case of a Type I school district, a county, or a county improvement authority to issue bonds to finance the construction of a renaissance school project.

FISCAL IMPACT:

The bill has two potential fiscal implications for State and local governments. First, the bill may lead to an increase in State expenditures in the form of contributions to the Teachers' Pension and Annuity Fund (TPAF) and reimbursements made for the employer's share of the social security tax. Most employees of a renaissance school project (e.g., teachers, administrators, and support staff) would be enrolled in the TPAF and, all else being equal, increase the State's required contribution into the pension fund. The State would also reimburse employers for any social security tax payment made pursuant to federal law for these employees. To the extent that the school districts reduce their existing staffing levels, and the associated salaries, by an amount less than the increase caused by the presence of the renaissance school projects, then there would be a net increase in the State's total expenditure in this area.

Second, if students who are currently enrolled in a nonpublic school choose to attend a renaissance school project, the affected school districts would experience an expenditure increase in the form of the payments that the district must make to the renaissance school project. In the first year of the nonpublic students' enrollment, the district would not receive any additional State school aid, and would be required to support the new expenditure out of existing financial resources. These students would be accounted for in the State school aid calculations in subsequent years and may lead to an increase in aid provided to the districts (to the extent that two of the affected districts, Camden and Trenton, receive a significant amount of adjustment aid, an enrollment increase may not lead to a net increase in State aid in the subsequent years).