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P U B L I C H E A R I N G

before

ASSEMBLY EDUCATION COMMITTEE

ASSEMBLY CONCURRENT RESOLUTION NO. 20

(Proposed Constitutional Amendment to
Permit Use of Public School Fund
as Loans to Local School Districts
for School Construction)

March 7, 1988
Room 334
State House Annex
Trenton, New Jersey

MEMBERS OF COMMITTEE PRESENT:

Assemblyman Joseph A. Palaia, Chairman
Assemblyman Joseph M. Kyrillos, Jr.
Assemblyman Gerard S. Naples
Assemblyman William J. Pascrell, Jr.

ALSO PRESENT:

David J. Rosen
Office of Legislative Services
Aide, Assembly Education Committee

New Jersey State Library

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Hearing Recorded and Transcribed by
Office of Legislative Services
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Hearing Unit
State House Annex
CN 068
Trenton, New Jersey 08625



JOSEPH A. PALAIA

Chairman

Elizabeth E. Randall

Vice-Chairman

Joseph M. Kyrillos, Jr.

Gerard S. Naples

William J. Pascrell, Jr.

New Jersey State Legislature

ASSEMBLY EDUCATION COMMITTEE

STATE HOUSE ANNEX, CN-068

TRENTON, NEW JERSEY 08625

TELEPHONE: (609) 984-6843

March 1, 1988

NOTICE OF PUBLIC HEARING

ASSEMBLY CONCURRENT RESOLUTION, NO. 20

(Constitutional amendment to permit use of public school fund
as loans to local school districts for school construction.)

The Assembly Education Committee will hold a public hearing on March 7, 1988, at 11:00 A.M., in Room 334 of the State House Annex, Trenton, New Jersey.

Anyone wishing to testify should contact David J. Rosen, aide to the committee at (609) 984-6843 and should submit copies of their testimony to the committee on the day of the hearing.

[CORRECTED COPY]
ASSEMBLY CONCURRENT RESOLUTION No. 20
STATE OF NEW JERSEY

PRE-FILED FOR INTRODUCTION IN THE 1988 SESSION

By Assemblyman PALAIA

1 **A CONCURRENT RESOLUTION** proposing to amend Article
 VIII, Section IV, paragraph 2 of the Constitution of the State
3 of New Jersey.

5 BE IT RESOLVED *by the General Assembly of the State of*
 New Jersey (the Senate concurring):

7 1. The following proposed amendment to the Constitution of
 the State of New Jersey is agreed to:

9

PROPOSED AMENDMENT

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 Amend Article VIII, Section IV, paragraph 2, to read as
13 follows:

15 2. The fund for the support of free public schools, and all
 money, stock and other property, which may hereafter be
17 appropriated for that purpose, or received into the treasury
 under the provisions of any law heretofore passed to augment
 the said fund, shall be securely invested, and remain a perpetual
19 fund; and the income thereof, except so much as it may be
 judged expedient to apply to an increase of the capital, shall be
21 annually appropriated to the support of free public schools, and
 for the equal benefit of all the people of the State; and it shall
23 not be competent, except as hereinafter provided, for the
 Legislature to borrow, appropriate or use the said fund or any
25 part thereof for any other purpose, under any pretense
 whatever. The bonds of any school district of this State, issued
27 according to law, shall be proper and secure investments for the
 said fund and, in addition, said fund, including the income
29 therefrom and any other moneys duly appropriated to the
 support of free public schools may be used in such manner as the
31 Legislature may provide by law to secure the payment of the
 principal of or interest on bonds or notes issued for school

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 purposes by counties, municipalities or school districts or for the
2 payment or purchase of any such bonds or notes or any claims
3 for interest thereon. The fund may also be used to effect loans
4 to school districts for the construction, renovation, repair or
5 alteration of public school buildings upon such terms and
6 conditions as may be established by the Legislature.

7 (cf: Article VIII, Section IV, paragraph 2; amended 1958)

8 2. When the proposed amendment to the Constitution is
9 finally agreed to, pursuant to Article IX, paragraph I of the
10 Constitution, it shall be submitted to the people at the next
11 general election occurring more than three months after the
12 final agreement and shall be published at least once in at least
13 one newspaper of each county designated by the President of the
14 Senate and the Speaker of the General Assembly and the
15 Secretary of State, not less than three months prior to the
16 general election.

17 3. This proposed amendment to the Constitution shall be
18 submitted to the people at the election in the following manner
19 and form:

20 There shall be printed on each official ballot to be used at the
21 general election, the following:

22 a. In every municipality in which voting machines are not
23 used, a legend which shall immediately precede the question, as
24 follows:

25 If you favor the proposition printed below make a cross (X),
26 plus (+) or check (✓) in the square opposite the word "Yes." If
27 you are opposed thereto make a cross (X), plus (+) or check (✓) in
the square opposite the word "No."

1 b. In every municipality the following question:

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		<p style="text-align: center;">SCHOOL CONSTRUCTION LOAN FUND</p> <p>YES. Shall the amendment of Article VIII, Section IV, paragraph 2 of the Constitution of the State of New Jersey, providing that the fund for the support of free public schools may be used to effect loans to school districts for the construction, renovation, repair or alteration of public school buildings upon such terms and conditions as may be established by the Legislature, be approved?</p>
		<p style="text-align: center;">INTERPRETIVE STATEMENT</p> <p>NO. This constitutional amendment would allow the use of the fund for the support of free public schools as a revolving loan fund for the construction, renovation, repair or alteration of public school buildings.</p>

29

EDUCATION

31

Education-Finance and State Aid

33

Constitutional amendment to permit use of public school fund as loans to local school districts for school construction.

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Associate Director
Governmental Relations
New Jersey School Boards Association 1x

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pmp: 1-7

ASSEMBLYMAN JOSEPH A. PALAIA (Chairman): The members of the Education Committee don't have to stay if they have other things that they must do. But we must run through ACR-20 which is my bill dealing with the riparian rights money. We have a whole series of things because it's a Constitutional change. In order to do that -- we've had this thing twice already -- but we've got to go through a public hearing now which finishes everything we have to do and then it can go on the floor on the Assembly for a vote. We shouldn't be too long.

ASSEMBLYMAN NAPLES: It's just ten minutes.

ASSEMBLYMAN PALAIA: Will the members please sign on the line to show that you were present, starting with Gerry over there. Is the equipment ready? (affirmative response) We're being recorded because that's what the law tells us has to be done. Do you want to start?

MR. ROSEN (Committee Aide): This is a public hearing on Assembly Concurrent Resolution No. 20. This Concurrent Resolution proposes an amendment to the Constitution of the State of New Jersey which would permit the use of the fund for support of free public schools; to effect loans to school districts for the construction, renovation, repair, or alteration of public school buildings upon such terms and conditions as may be established by the Legislature.

This is currently under the New Jersey Constitution. The fund for support of free public schools is a perpetual fund dedicated to the support of public schools for equal benefit of all citizens of the State. The trustees of the fund are authorized to invest the funds in bonds of local school districts and use the fund to secure the payment of interest and principal on bonds or notes issued for school purposes.

Under law, all riparian lands belonging to the State are dedicated to the fund. In 1980, the Legislature established a school bond reserve fund within this fund for support of free public schools in the amount equal to 1.5% of

the aggregate issue of outstanding bond indebtedness. Apart from this reserve fund, the balance in the fund for the free public schools is approximately \$26 million. And that's the money that can be tapped with this amendment.

This resolution is identical to Assembly Concurrent Resolution No. 112 of 1986 which was also approved by this Committee.

ASSMEBLYMAN PALAIA: Okay. Our first individual who wishes to testify is Wayne Dibofsky. I would ask him to spell his name and tell us who he represents.

W A Y N E D I B O F S K Y: Thank you, Mr. Chairman, members of the Committee. My name is Wayne Dibofsky, Associate Director of Government Relations for the New Jersey Education Association. I'm speaking today on behalf of the 124,000 members of the New Jersey Education Association on an issue of urgent concern to all of our members, and that being inadequate school facilities.

We enthusiastically support ACR-20, legislation which would permit the use of the fund for the support of free public schools, to effect loans to school districts for the construction, repair, renovation, or alteration of public school buildings.

Since 1980, the State has conducted a lengthy study of facility needs and now estimates that it would cost approximately \$1.3 billion if all the facilities were brought up to current standards. In addition, the recent passage of Chapter 373 of the Public Laws of 1983 has severely limited school districts' use of substandard classrooms. Now many districts are finding themselves struggling to meet the mandates of this very law. Current State school building aid which is provided under the equalization aid formula is too limited to provide the dollars necessary to undertake construction on the scale on which it is needed.

NJEA, therefore, believes, that ACR-20 is legislation which is long overdue. This legislation, while not fully meeting the cost estimates as projected by the Department of Education, is nonetheless a positive undertaking. The revolving fund concept of the bill provides a very sound use of State funding. It will recycle dollars and the resources in an estimated fund, thus making appropriation of additional funds unnecessary.

This is an obvious advantage to the taxpayers, allowing them to provide needed educational facilities within their district. Seeded by the availability of the riparian funds, it allows for a school fund of approximately \$26 million to be invested in or used as collateral for bonds by local school districts in order to construct, renovate, and repair or alter public school buildings.

The right to a thorough and efficient education is part of our State Constitution. This makes the provision of a system of providing for T & E, a State responsibility. The people of the State of New Jersey must ensure that local schools districts have clean, safe, and well-equipped facilities for all our students.

NJEA believes that the State government should take the initiative in seeing that all our students have access to such facilities. The State should not only embrace the positive direction of ACR-20, but should also look prospectively to the future in providing the needed repairs and new construction that financially choke our urban school districts as well.

As Senator Wynona Lipman put it in her testimony before the NJEA Urban Challenge hearings recently in Jersey City, and I quote, "If the students and teachers are consistently forced together in substandard facilities, they will be constantly distracted from teaching and learning. How do we convince a child that he or she must apply their best

efforts in an atmosphere where those responsible don't seem to be applying theirs?"

NJEA endorses the efforts of Assemblyman Palaia in moving ACR-20 through the legislative process, and we only hope that it is a beginning step to the revitalization of facility infrastructure needs in our public school system statewide. Thank you for the opportunity to testify. If there are any questions, I'll gladly address them.

ASSMEBLYMAN PALAIA: Thank you Wayne. Our next presenter will be John Henderson. John?

J O H N M. H E N D E R S O N: Mr. Chairman, members of the Committee, this such a wise bill, but there's very little that we could add to what the sponsor has proposed. And whatever we could add to what the sponsor has proposed by way of testimony has been stated by our colleague from NJEA, Mr. Dibofsky. We would say, with all respect to the Chairman, this is a drop in the bucket. And in fact, even if the far more ambitious legislation of Assemblyman Zangari passed last term-- It did pass, but was vetoed by the Governor-- If that had been signed, by our calculations, even that several hundred million dollar bill would have meant less than 5% of the needs for school construction. So, we simply would urge the support in passage of the release of this bill, and hope that there is more legislation like it which would help school districts meet this most crucial problem.

A little known fact -- not only is facilities the biggest reason why school districts fail certification, it is the first three biggest reasons that districts fail certification. There are three facility indicators and each of those indicators score higher than any other reason that districts fail certification. It scores higher than basic skills, it scores higher than curriculum. That gives some idea as to the scope of the problem. Thank you.

ASSMEBLYMAN PALAIA: Thank you, John. Assemblyman Pascrell.

ASSEMBLYMAN PASCRELL: Mr. Chairman. John, I'm glad you mentioned in your statement some facts that are very relevant to the whole picture of capital expenditures in New Jersey. We're particularly interested in your second paragraph. One of the single most commonly cited indicators causing districts to fail Department of Education marking is facilities. Are you aware that the Department of Education is considering us having other studies so that we have further information about facilities?

MR. HENDERSON: No. This is the first I'm hearing it.

ASSEMBLYMAN PASCRELL: Wouldn't you agree, John, that this thing has been studied to death and we have enough data on hand to make all kinds of recommendations, not only in the area as loans, but also in the area of grants?

MR. HENDERSON: Absolutely, Assemblyman. In fact, I wanted to slightly correct my colleague, Mr. Dibofsky. He paints somewhat rosy of a picture by saying \$1.3 billion. The original Department Uniplan Report was a three billion dollar need. They've since backed off that, and are now saying \$1.3 billion. But that \$1.3 billion was what it would take to bring classrooms up to-- It was to get rid of substandard facilities.

The \$3 billion figure was what it would take to bring classrooms up to the current building code. Now the Department has recently passed and is set to implement a code which would require districts contemplating renovation or even change of use of classrooms to meet the new building code, the national BOCA Code higher standard requirement. So therefore, the \$3 billion figure originally cited, which is 1980 numbers without inflation for the past eight years, we believe is a far more appropriate number.

The second piece of evidence that I would submit to you on this is that North Carolina did an assessment of its building needs statewide, and magically came up with the \$3 billion number. Also however, they have set in motion a way

for State funding for those repairs. New Jersey simply hasn't. Like we said, the Zangari bill which itself was a drop in the bucket at several hundred million was vetoed. So, it's a crunching issue.

The Governor's veto message was rather firm. We don't see much hope.

ASSEMBLYMAN PASCRELL: I think I see a lot of hope, because I understand that the Treasury has taken a second look at that and some other considerations have been made. I think it's critical. I think that it was originally \$150 million, wasn't it, Mr. Chairman? I think it's going to go up to \$200 million in the new piece of legislation. Mr. Chairman, what is the general timetable?

ASSMEBLYMAN PALAIA: The timetable, Assemblyman, is basically in order to get on the ballot in November, I think everything has to be in place probably by the end of July. Somewhere around there. I'm not sure. That's about where it should be. We had this bill over in the Senate before, but it died for lack of action over there the last time. I think we have a much better chance of getting it through that Senate and on the ballot in time to be one of the items on the referendum.

ASSEMBLYMAN PASCRELL: Will we be voting on this today?

ASSMEBLYMAN PALAIA: No. By signing the sheet that came around before, you are in effect saying that a hearing has taken place. You will be voting on it on the floor of the Assembly. I would think that the Committee, if they wish to become co-sponsors of the bill -- I really believe they should -- I don't mind that at all. In fact, I would encourage it. I will take, I think--

MR. ROSEN: The Committee released this bill (inaudible) January 1. It's going through Appropriations.

ASSMEBLYMAN PASCRELL: It's before the Appropriations Committee right now?

MR. ROSEN: It's out of Appropriations.

ASSMEBLYMAN PALAIA: We're out of everything now except--

MR. ROSEN: It will now be in position. After this hearing, it will be in position for a floor vote.

ASSEMBLYMAN PASCRELL: What do we need to get it on the floor?

ASSMEBLYMAN PALAIA: Oh, that won't be the problem. It's just that we had to go through the steps, and we've concurred with everything along the way. So, we're in line and we're ahead of our timetable from last time when we couldn't get it up. So, I would look forward to move rather quickly. Thank you, John, for your testimony. Is there anybody else who cares to be heard? (negative response) I would ask that this public hearing be adjourned at this time and I thank everybody for their cooperation.

(HEARING CONCLUDED)

APPENDIX



New Jersey School Boards Association

Headquarters: 413 West State Street, P.O. Box 909, Trenton, New Jersey 08605
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TESTIMONY PRESENTED BEFORE THE ASSEMBLY EDUCATION COMMITTEE

BY

JOHN M. HENDERSON
ASSOCIATE DIRECTOR OF GOVERNMENTAL RELATIONS
NEW JERSEY SCHOOL BOARDS ASSOCIATION

MARCH 7, 1988

THANK YOU FOR THE OPPORTUNITY TO APPEAR BEFORE YOU TODAY. I AM JOHN HENDERSON, ASSOCIATE DIRECTOR OF THE GOVERNMENTAL RELATIONS DEPARTMENT OF THE NEW JERSEY SCHOOL BOARDS ASSOCIATION. I AM SPEAKING TODAY FOR THE 612 SCHOOL BOARDS IN NEW JERSEY ON AN ISSUE OF URGENT CONCERN TO LOCAL DISTRICTS. WE ENTHUSIASTICALLY SUPPORT ACR-20, WHICH WOULD PERMIT THE USE OF THE FUND FOR SUPPORT OF FREE PUBLIC SCHOOLS FOR LOANS TO SCHOOL DISTRICTS FOR THE CONSTRUCTION, RENOVATION, REPAIR OR ALTERATION OF PUBLIC SCHOOL BUILDINGS.

LADIES AND GENTLEMEN OF THE COMMITTEE, ONE OF THE SINGLE MOST COMMONLY CITED INDICATORS CAUSING DISTRICTS TO FAIL DEPARTMENT OF EDUCATION MONITORING IS FACILITIES. NOWHERE IS THIS MORE APPARENT THAN IN THE SPONSOR OF THIS RESOLUTION'S DISTRICT OF ASBURY PARK AND NOWHERE IS THE CATCH-22 SITUATION MORE APPARENT THAN IN ASBURY PARK AND OTHER SCHOOL DISTRICTS WHERE THE FACILITIES ARE THE WORST AND THE TAXPAYERS OF THE LOCAL DISTRICT LEAST ABLE TO PAY. CURRENT STATE SCHOOL BUILDING AID, WHICH IS PROVIDED UNDER THE EQUALIZATION AID FORMULA, IS TOO LIMITED TO PROVIDE THE DOLLARS NECESSARY TO UNDERTAKE CONSTRUCTION ON THE SCALE ON WHICH IT IS NEEDED.

IN 1980, THE STATE OF NEW JERSEY CONDUCTED A LENGTHY STUDY OF FACILITY NEEDS KNOWN AS THE UNIPLAN REPORT, WHICH ESTIMATED THAT IT WOULD COST \$3 BILLION IF ALL FACILITIES IN NEW JERSEY WERE BROUGHT UP TO CURRENT STANDARDS. NORMAL INFLATION WOULD MAKE THAT COST MUCH HIGHER IN 1986. IN ADDITION, THE STATE HAS GROWN LESS TOLERANT OF POOR FACILITIES AS WITNESSED BY THE PASSAGE OF CHAPTER 373 OF THE PUBLIC LAWS OF 1983, WHICH SEVERELY LIMITED THE USE OF SUBSTANDARD CLASSROOMS. MANY DISTRICTS ARE NOW STRUGGLING TO MEET THE REQUIREMENTS OF THIS LAW.

MISSING FROM COMMISSIONER COOPERMAN'S OTHERWISE TOUGH APPROACH TO SCHOOL DISTRICT OPERATIONS IS ONE OBVIOUS ELEMENT: THE USE OF HIS POWER TO ORDER SCHOOL BUILDING CONSTRUCTION; HE HAS BEEN TOO RELUCTANT TO ORDER NEW CONSTRUCTION TO ALLEVIATE THE PROBLEM OF INADEQUATE FACILITIES. FOR EXAMPLE, IT TOOK TEN YEARS, FIVE OF THEM UNDER THIS ADMINISTRATION, TO APPROVE THE WEST DEPTFORD BOARD OF EDUCATION'S PLEA THAT THE COMMISSIONER ORDER BUILDING CONSTRUCTION WHEN THE DISTRICT'S VOTERS REPEATEDLY TURNED DOWN BUILDING REFERENDA.

IN CONCLUSION, THIS LEGISLATION IS BADLY NEEDED. IF SCHOOL DISTRICTS ARE GOING TO SHAPE UP ACCORDING TO THE GOVERNOR'S AND COMMISSIONER'S WISHES, THEY MUST BE GIVEN THE WHEREWITHALL TO DO IT. FACILITIES WILL BE THE SINGLE BIGGEST EXPENSE, BUT AN ABSOLUTELY NECESSARY ONE. IF STUDENTS ARE TO PERFORM TO LEVELS OF RAISED EXPECTATIONS, THEN THE BUILDINGS IN WHICH THEY ARE ASKED TO PERFORM IN SHOULD MEET AT LEAST MINIMUM STANDARDS. TO THIS END, ACR-20 MAKES A CONTRIBUTION -- HOWEVER MODEST.