

MEMORANDUM

TO: Members of the Authority

FROM: Larry Hanover, Senior Public Information Manager

DATE: July 31, 2008

SUBJECT: New Jersey Schools Development Authority (SDA)
July Progress Report

Introduction:

On July 9, 2008, Governor Jon S. Corzine signed legislation that provides \$3.9 billion in state financing to replace or rebuild dozens of substandard schools across the state.

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

Governor Corzine signed the measure (P.L. 2008, Ch. 39) at the Oliver Street Elementary School in Newark. Built in 1869, the school is an example of one of the most crowded and is among the oldest schools in the city. The governor also toured several other school facilities during the day, including Public School No. 20 School in Jersey City; Fairview Elementary School in Bloomfield and Fetters School in Camden. The Governor was joined by SDA CEO Scott Weiner, Education Commissioner Lucille Davy and other officials on his daylong tour.

The legislation designates \$2.9 billion in funding for the 31 SDA Districts (formerly Abbott districts), and \$1 billion to finance the State share of all other district school facilities projects, including \$50 million for vocational schools.

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

SDA District projects are 100 percent funded by the state and are managed by the SDA, although regulations are being developed to delegate some projects for local

management. Regular Operating Districts, which manage their own projects, will be able to apply for at least 40 percent state funding for eligible costs.

On July 28, Steven Lonagan, executive director of the state chapter of Americans for Prosperity, filed a lawsuit seeking to halt the borrowing, contending the State Constitution requires voter approval.

The Governor's Office issued the following statement: "Governor Corzine believes that there is a legal and moral obligation to ensure every child in New Jersey has a safe, clean, healthy environment to learn in without any further delay. We also believe it is imperative to begin to get shovels in the ground as quickly as possible to create jobs in New Jersey in the face of this national recession."

2008 New Funding Allocation and Capital Plan

One day before the bill signing, on July 8, the SDA Board approved the 2008 New Funding Allocation and Capital Plan for SDA Districts. The plan identified 53 projects to be funded for construction, including 26 new school projects. Twenty-seven projects originally deferred in April 2007 will proceed.

The New Funding Allocation and Capital Plan, developed by the SDA in consultation with the New Jersey Department of Education, was presented by Weiner. Davy described the process used in identifying and prioritizing the new projects, a process that contrasts starkly with the past practice of projects being approved and worked on without prioritization.

Weiner said: "While much needs to be done in what truly will be a multigenerational program, this plan is an important step forward in addressing the critical facilities needs faced by students throughout New Jersey's special-needs districts. I appreciate the hard work and collaboration of DOE in developing a priority plan that identifies the schools most desperately needing replacement or repair."

"Safe, secure facilities are essential if we are to provide students with the kind of education they will need to be successful in the 21st century," Davy said. "This is part of the Governor's commitment to ensuring that every child has access to a quality education."

A presentation on the New Funding Allocation and Capital Plan, including the list of 53 projects, is available at www.njsda.gov.

The process of identifying the highest priority schools began after DOE approved Long Range Facilities Plans (LRFPs) for the 31 SDA districts. The districts listed a total of 351 potential projects.

In June 2007, DOE began a process to identify the most critically needed projects from the LRFPs. In collaboration with the districts and DOE, a list of 112 projects was developed earlier this year. In April 2008, DOE narrowed that list further to the highest priority needs, applying detailed criteria based upon educational adequacy.

The SDA, in consultation with DOE, developed the New Funding Allocation and Capital Plan to apply newly available funding and to achieve programmatic policies and goals. The goals of the plan were to:

- Complete projects that were deferred in April 2007
- Provide full funding for newly identified projects
- Maintain adequate reserves for planning, emergent projects and unforeseen events
- Address other factors, such as equitably distributing limited resources, giving recognition to the state's prior investment in certain projects, and addressing district-specific needs

The April 2007 deferral of 27 projects was due to a structural deficit in the July 2005 Capital Plan developed by the SDA's predecessor, the Schools Construction Corporation (SCC). The deficit was caused by to a lack of accurate cost projections at the time the plan was adopted, and inflation. The SDA's Project Charter Initiative, which requires Board approval of a project's budget, scope and schedule before dollars are spent, was designed to provide the accountability that was lacking in the past and ensure all projects on the New Funding Allocation and Capital Plan are completed.

The new plan provides \$1.7 billion for the 26 new projects and \$970 million to complete the 27 deferred projects. It provides \$305 million for reserves.

Upcoming Event:

- August 14: Beam-Signing Ceremony, **Lincoln Avenue Elementary School**, Orange.

Construction Update:

The SDA currently has **26** active construction projects in SDA (formerly Abbott) Districts, **3** active Demonstration Projects and **9** ongoing projects in Regular Operating Districts (ROD). Overall the SDA has completed **39** new schools; **39** extensive additions, renovations and/or rehabilitations; **20** other rehabilitation projects; **354** health and safety projects; and **3** demonstration projects in SDA Districts. In addition, **14** ROD projects managed by the SDA have been completed. The program also has distributed \$2.2 billion in grants, impacting more than **1,400** suburban ROD schools statewide.

The SDA is forecasting the opening of **12** schools and the completion of **4** school rehabilitations in September 2008.

Contractor Procurement:

A construction bid was advertised in July for general construction services, which would designate a pool of contractors for work required on an emergent basis. (Exhibit A)

Construction Contracts:

As of July 31, 2008, the Authority has entered into construction contracts totaling \$3,413,892,624.17 since the inception of the school construction program in 2002.



Larry Hanover

