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STATEMENT ON SCHOOL CONSTRUCTION

JOINT COMMITTEE ON THE PUBLIC SCHOOLS

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Thank you for the opportunity to address the current challenges we face with New Jersey's school construction program. I will discuss today the critical and urgent need to authorize additional school construction fund, and to deepen the effort to improve implementation of the program by the Department of Education and School Construction Corporation.

Additional Funding

As everyone is well aware, the \$8.6 billion in school construction funding for districts statewide is now committed, leaving substantial numbers of projects in both Abbott and other districts at a standstill. This should come as no surprise to the Legislature since we all knew, when debating the Education Facilities Construction and Financing Act (EFCFA) in 2000, that this initial allocation would fall far short of what is needed to modernize this State's K-12 school facilities infrastructure, and that the Legislature would have to authorize additional in the future.

The future has arrived. According to data made public for the first time by SCC in the State's filing with the Supreme Court, there are a substantial number of projects already under development in the Abbott districts that did not make the list of 59 to be completed with the remaining \$1.4 billion in funds. Specifically, SCC has begun design work on 110 Abbott projects; has performed preliminary development work on another 97 projects; and has an additional 134 projects approved by DOE and ready for development work. All of these projects, on which the State has already invested millions of dollars in development work, are now at standstill because of the Legislature's failure to allocate additional construction funds to the program.

And the problem is the same outside the Abbott districts. Many locally approved projects will not get their promised share from the State, and many other projects were shelved when the SCC announced in July that the fund had run dry.

You will hear much testimony today from educators, parents and community leaders about the tremendous problems caused by the shut down of the school

construction program to the efforts underway to improve education opportunities for our children, and to improve the quality of life in our communities.

This dire situation has left ELC with no alternative but to return to the Supreme Court to enforce the Abbott mandate requiring the State to fully fund all facilities improvements in the Abbott districts. That mandate is crystal clear, and we expect the Court to take up our request for relief soon.

But this program is so important, and the consequences from a continuing shutdown so negative, especially in terms of the waste in investments in projects under development already made by the SCC, that you must not wait for the Court to act. Senate Bill 2294 would authorize an additional \$2 billion for Abbott projects, and an additional \$1 billion for projects statewide, as stop gap funding to keep the projects already in the pipeline moving forward, while giving the new Legislature and administration time to consider permanent financing solutions and program reforms.

We urge you to enact on S. 2294 now.

Program Reforms

SCC Chairman Alfred Koeppel is to be commended for stepping into a very difficult situation and instituting some of the basic fiscal and other organization reforms in response to the important, but limited, findings in the Inspector General's report.

SCC must, however, go further to ensure the Legislature and the public that it is capable and ready to handle additional funds in an effective and efficient manner. Specifically, the SCC should promptly submit to the Legislature a list of all Abbott projects in the development pipeline, but stalled for lack of funding. In addition to identifying the project, the SCC should provide a breakdown of all development work completed to date, and an estimate of the cost for completing the project. These projects should be ranked in order of priority. It is essential that SCC have a strategic plan and budget for moving forward these pipeline projects upon receipt of additional funds from the Legislature.

In addition, SCC must promptly provide a detailed breakdown of its current management structure, expenditures and costs, so that the Legislature and the public can get an understanding of the funds spent on so called "soft" costs. There is anecdotal evidence that SCC management costs for the Abbott projects greatly exceed the industry standard, and the amounts spent by non-Abbott districts on their projects. It is essential that we gain a deeper understanding of this issue, so that we can begin to debate meaningful changes.

Beyond these immediate steps, the Legislature must prepare for an in-depth analysis of the entire program, leading to debate next session about permanent reforms and improvements in the EFCFA statute. While we are heartened that the School Construction Review Commission will soon be established, we are disappointed that it has taken the Legislature and Governor almost a full year to get the process started.

The Commission needs to be ready to grapple with a number of critical issues:

- Why is the SCC allowed to function only by Executive Order? Should the Legislature assume direct control over the SCC by authorizing the agency under separate legislation? What governance, management and oversight provisions over SCC should be included in such legislation?
- Why has the oversight and watchdog functions given to the Attorney General in EFCFA failed miserably? Why is the Attorney General also sitting on the SCC board, while at the same time, serving as counsel for the SCC through the Division of Law, billing the agency for its services? When will the Attorney General be removed of its conflicting functions as independent watchdog and counsel to the agency?
- Aren't there certain functions -- notably land acquisition and building planning and design -- that can be more effectively and efficiently performed by the Abbott districts, and not SCC from Trenton? If all other districts perform these functions faster and at a lower cost than SCC, why not delegate these responsibilities to Abbott districts under state oversight with strict cost controls?
- How do we re-engage local Abbott communities to become involved in the planning and design of schools, especially since they have been almost entirely shut out of the process by the SCC?
- How do we ensure we build schools as centers of communities, with community use features and as joint use projects with housing, commercial and other development projects? How can the State leverage its school construction funds into facilitating neighborhood projects, something the SCC has been unable to do? How can we correct the serious failure of SCC to maximize energy efficiency and other "green" features in its buildings?
- How can we prioritize construction in Abbott districts to ensure projects are not build to a "first come, first served" basis, but rather based on need and equity?
- How can we ensure that other needy districts statewide, that have been unable to pass bond referenda for their local share, can access school construction grants from the State? In other words, were more wealth districts able to access the grants for their projects, while rural, older suburban, industrial and other communities shut out? How can we prioritize access to the non-Abbott funds based on need?
- And what does the Legislature itself need to do to ensure it has the capacity to discharge its oversight responsibilities in a meaningful way? What reforms are needed to ensure that the Legislature doesn't fall asleep at the wheel, as it has over the last four years?

Quite frankly, we're tired of all the unsubstantiated rhetoric flying around Trenton about "waste, fraud and mismanagement" at SCC. It's now time to move past that rhetoric, roll up our sleeves, and work to identify real problems and real solutions.