SENATE BUDGET AND APPROPRIATIONS COMMITTEE

STATEMENT TO

[First Reprint]
ASSEMBLY, No. 222

STATE OF NEW JERSEY

DATED: JUNE 29, 2017

The Senate Budget and Appropriations Committee reports favorably Assembly Bill No. 222 (1R).

This bill entitled the "New Jersey Library Construction Bond Act," authorizes the issuance of $125,000,000 in State general obligation bonds to provide grants for the construction, expansion, and equipping of New Jersey's public libraries.

The bill directs the State Librarian, in consultation with the President of Thomas Edison State University, to establish eligibility criteria for the receipt of grants. The State Librarian, with the approval of the president, will prepare a list of eligible projects.

Under the bill, for any approved project financed by bond proceeds, the grant award will support 50% of the cost of the project, and the appropriate local governing entity in the area served by the public library will support 50% of the cost of the project. The bill authorizes the local governing entity to solicit and receive grants and other funds from any private source to support its required share of the project.

The bill provides that the bond act is to be submitted to the people for approval at the general election to be held at least 70 days after enactment and appropriates $5,000 to the Department of State for expenses in connection with the publication of the public question.

As reported, this bill is identical to Senate Bill No. 2171 (1R), as amended and reported by the committee.

FISCAL IMPACT:

The Office of Legislative Services (OLS) cannot conclusively project the total debt service cost the State will incur from issuing $125 million in general obligation bonds to provide grants for capital projects at public libraries. This is so because the final debt service cost will hinge upon the specific structure and terms of the authorized bond issuance. Both will be a function of bond market conditions and the Executive Branch's financial management preferences prevailing at the time of the bonds' initial offering.

Nonetheless, after making certain plausible assumptions, the OLS estimates that under this bill the State might incur total debt service costs ranging from $233 million to $300 million spread over 35 years, which includes total interest payments ranging from $108 million (87 percent of the $125 million borrowed) to $175 million (140 percent of the $125 million borrowed). The lower bound represents a 4.0 percent annual interest rate and the upper bound a 6.0 percent annual interest rate. If the assumptions hold, annual debt service payments could be as low as $6.7 million at a 4.0 percent interest rate and as high as $8.6 million at a 6.0 percent interest rate.