

**ASSEMBLY, No. 13**

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**STATE OF NEW JERSEY**

**219th LEGISLATURE**

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INTRODUCED JUNE 21, 2021

**Sponsored by:**

**Assemblyman ROY FREIMAN**

**District 16 (Hunterdon, Mercer, Middlesex and Somerset)**

**Assemblyman JOHN ARMATO**

**District 2 (Atlantic)**

**Assemblywoman ELIANA PINTOR MARIN**

**District 29 (Essex)**

**Assemblyman VINCENT MAZZEO**

**District 2 (Atlantic)**

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**District 11 (Monmouth)**

**Assemblyman CRAIG J. COUGHLIN**

**District 19 (Middlesex)**

**Senator PAUL A. SARLO**

**District 36 (Bergen and Passaic)**

**Senator STEPHEN M. SWEENEY**

**District 3 (Cumberland, Gloucester and Salem)**

**Senator DAWN MARIE ADDIEGO**

**District 8 (Atlantic, Burlington and Camden)**

**Co-Sponsored by:**

**Assemblyman Karabinchak, Assemblywomen Lopez, Downey, Swain,**

**Assemblyman Tully, Senators Singleton, Lagana and Turner**

**SYNOPSIS**

Establishes "New Jersey Debt Defeasance and Prevention Fund," appropriates \$3.7 billion.

**CURRENT VERSION OF TEXT**

As introduced.

(Sponsorship Updated As Of: 6/24/2021)

1 AN ACT establishing the "New Jersey Debt Defeasance and  
2 Prevention Fund," and making an appropriation.

3  
4 **BE IT ENACTED** *by the Senate and General Assembly of the State*  
5 *of New Jersey:*

6  
7 1. a. There is created within the General Fund a restricted  
8 reserve fund to be known as the "New Jersey Debt Defeasance and  
9 Prevention Fund." The "New Jersey Debt Defeasance and  
10 Prevention Fund" shall be credited with the amount appropriated to  
11 the fund pursuant to section 2 of P.L. , c. (C. ) (pending  
12 before the Legislature as this bill) and such funds as the Legislature  
13 may, from time to time, appropriate for the purposes of the fund as  
14 enumerated in subsection b. of this section.

15 b. Balances in the "New Jersey Debt Defeasance and  
16 Prevention Fund" may be appropriated by the Legislature only for  
17 the purposes of: retiring and defeasing State debt, including general  
18 obligation bonds and appropriations-backed bonds, and the costs  
19 thereof; and funding capital projects on a pay-as-you-go basis rather  
20 than issuing additional State debt, including general obligation  
21 bonds or appropriations-backed bonds.

22  
23 2. There shall be credited \$3,700,000,000 from the General  
24 Fund to the "New Jersey Debt Defeasance and Prevention Fund,"  
25 established pursuant to section 1 of P.L. , c. (C. ) (pending  
26 before the Legislature as this bill).

27  
28 3. There is appropriated from the "New Jersey Debt  
29 Defeasance and Prevention Fund" \$2,500,000,000 for the purpose  
30 of retiring and defeasing debts of the State of New Jersey, and the  
31 costs thereof, in such manner and at such times as the State  
32 Treasurer shall direct. If moneys are used for debt retirement or  
33 defeasance, the State Treasurer shall submit to the Joint Budget  
34 Oversight Committee a report describing the manner in which debt  
35 retirement and defeasance has been accomplished, including a  
36 description of amounts to be saved and an attestation that such  
37 savings have been maximized within a ten-year period.

38  
39 4. There is appropriated from the "New Jersey Debt  
40 Defeasance and Prevention Fund" \$1,200,000,000 for the purpose  
41 of funding capital construction projects for which State debt is  
42 already authorized by law, or for which funding would have been  
43 derived from future State bond issuances, thereby constituting debt  
44 avoidance, subject to the approval of the Director of the Division of  
45 Budget and Accounting. The State Treasurer shall submit a list of  
46 proposed capital projects to the Joint Budget Oversight Committee  
47 for approval. Within one business day of receipt of a list, the Joint  
48 Budget Oversight Committee shall schedule a meeting to consider

1 the submitted items, which hearing shall be held within seven days  
2 of receipt of the list.

3

4 5. This act shall take effect immediately.

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STATEMENT

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9 This bill establishes the "New Jersey Debt Defeasance and  
10 Prevention Fund" for the purposes of: retiring and defeasing State  
11 debt, including general obligation bonds and appropriations-backed  
12 bonds, and the costs thereof; and funding capital projects on a pay-  
13 as-you-go basis rather than issuing additional State debt, including  
14 general obligation bonds or appropriations-backed bonds.

15 The bill requires a \$3.7 billion credit from the General Fund to  
16 the "New Jersey Debt Defeasance and Prevention Fund," which is  
17 to be appropriated as follows: \$2.5 billion for the purpose of  
18 retiring and defeasing State debt; and \$1.2 billion for the purpose of  
19 funding certain capital construction projects.

20 The "New Jersey COVID-19 Emergency Bond Act," which was  
21 enacted in July 2020, authorized the State to borrow up to \$9.9  
22 billion to offset anticipated declines in State revenue resulting from  
23 the COVID-19 public health emergency. The State ultimately  
24 borrowed approximately \$3.7 billion for this purpose.

25 The sponsor of this bill notes that, in light of better-than-  
26 anticipated revenue collections leading to an estimated \$6 billion  
27 budget surplus at the close of Fiscal Year 2021, it is critical for the  
28 State to take advantage of its improved fiscal outlook to defease the  
29 debt it has incurred. The fund created by this bill may be used as  
30 part of a long-term strategy to lower the State's debt and may be a  
31 tool the State uses for the foreseeable future.