

SENATE BUDGET AND APPROPRIATIONS COMMITTEE

STATEMENT TO ASSEMBLY, No. 4175

with committee amendments

STATE OF NEW JERSEY

DATED: JULY 14, 2020

The Senate Budget and Appropriations Committee reports favorably Assembly Bill No. 4175, with committee amendments.

As amended, this bill authorizes the issuance of up to \$9,900,000,000 in State general obligation bonds to address the State's financial problems that have arisen as a consequence of the COVID-19 Pandemic. Included in the total is authorization to borrow from the federal government through federal stimulus loans. The bill also authorizes the State to refund those bonds.

The bonds authorized pursuant to the bill are split between two periods. For the period beginning July 1, 2019 through September 30, 2020, the bill authorizes issuance of State bonds totaling \$2,700,000,000, and for the period that begins October 1, 2020 and ends June 30, 2021, the bill authorizes issuance of State bonds totaling \$7,200,000,000, for a combined amount of up to \$9,900,000,000 issued over the two periods.

Prior to the issuance of any amount of bonds pursuant to the bill, the issuing officials must obtain approval of the proposal to issue bonds from the Select Commission on Emergency COVID-19 Borrowing. The Commission will be comprised of two members of the Senate selected by the Senate President and two members of the General Assembly selected by the Speaker of the General Assembly. Approval by three or more members of the Commission will constitute approval of the proposal to issue bonds, and the issuing officials may then issue bonds pursuant to the proposal. If the Commission fails to approve the proposal, the proposal will be considered disapproved by the Commission, and no bonds pursuant to the disapproved proposal will be allowed to be issued.

COMMITTEE AMENDMENTS:

The committee amended the bill to:

1) limit bond authorization to a total of \$9.9 billion, instead of \$5 billion plus whatever amount the State borrows from the federal government;

2) limit the bond authorization to the fiscal periods between July 1, 2019 and June 30, 2021, instead of allowing issuance of bonds over an indefinite period;

3) require approval from the Legislature's Select Commission on Emergency COVID-19 Borrowing prior to issuing any bonds;

4) explicitly allow bond proceeds to be deposited in the State's General Fund or Property Tax Relief Fund to support the FY21 budget, and explicitly make the balance of proceeds subject to Legislative appropriation; and

5) eliminate the authority to borrow from the federal government on behalf of local governments.

FISCAL IMPACT:

The Office of Legislative Services cannot project the total debt service cost the State would incur from issuing different forms of indebtedness to address State government funding needs related to the COVID-19 pandemic. This is so because the final debt service cost would be a function of the amounts, structures, and terms of the authorized debt instruments, of which many elements remain to be determined.

In addition, annual State revenues would increase by an indeterminate amount over several years from interest earned on unexpended borrowed funds. Any State revenue gain, however, would be widely outpaced by the increase in State debt service payment obligations.