SENATE BUDGET AND APPROPRIATIONS COMMITTEE

STATEMENT TO

SENATE, No. 2697

STATE OF NEW JERSEY

DATED: JULY 14, 2020

The Senate Budget and Appropriations Committee reports favorably Senate Bill No. 2697.

This bill, entitled the "New Jersey COVID-19 Emergency Bond Act," 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.

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.