

SENATE, No. 443

STATE OF NEW JERSEY

INTRODUCED JANUARY 18, 1996

By Senator KENNY

1 AN ACT authorizing State short-term borrowing within a fiscal year  
2 for effective cash flow management purposes, supplementing Title  
3 52 of the Revised Statutes and repealing section 32 of P.L.1995,  
4 c.164.

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6 **BE IT ENACTED** by the Senate and General Assembly of the State  
7 of New Jersey:

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9 1. (New section) a. Notwithstanding any other provision of law  
10 to the contrary, the State Treasurer, with the approval of the Joint  
11 Budget Oversight Committee, is authorized to issue in a State fiscal  
12 year tax and revenue anticipation notes including notes in the form of  
13 commercial paper (hereinafter collectively referred to as short-term  
14 notes), which notes shall not constitute a general obligation of the  
15 State or a debt or a liability within the meaning of the State  
16 Constitution. Such short-term notes shall mature and be paid in the  
17 State fiscal year in which they are issued and the State Treasurer is  
18 authorized to pay any costs or obligations relating to the issuance of  
19 such short-term notes or contracts relating thereto.

20 b. Short-term notes authorized pursuant to this section shall be  
21 issued in such amounts and at such times during a State fiscal year as  
22 the State Treasurer shall deem necessary for the purpose of providing  
23 effective cash flow management for revenues and expenditures of the  
24 General Fund and the Property Tax Relief Fund to implement the State  
25 annual appropriations act, and for the payment of related costs, and on  
26 such terms and conditions, sold in such manner and at such prices,  
27 bearing interest at such fixed or variable rate or rates, renewable at  
28 such time or times, and entitled to such security, and using such paying  
29 agents as shall be determined by the State Treasurer.

30 c. The State Treasurer is authorized to enter into such contracts  
31 and to take such other actions, all as determined by the State  
32 Treasurer to be appropriate to carry out the above cash flow  
33 management purposes. The State Treasurer shall give consideration  
34 to New Jersey-based vendors in entering into such contracts during a

**EXPLANATION - Matter enclosed in bold-faced brackets [thus] in the above bill is not enacted and intended to be omitted in the law.**

**Matter underlined thus is new matter.**

1 State fiscal year.

2 d. Upon a decision of the State Treasurer to issue short-term notes  
3 pursuant to this section, and prior to the sale of those notes, the State  
4 Treasurer shall transmit to the Joint Budget Oversight Committee, or  
5 its successor, a report that a decision has been made, reciting the basis  
6 on which the decision was made, including a finance plan for the sale  
7 of notes and the calculations upon which the State Treasurer relied  
8 when making the decision to issue short-term notes.

9 e. The Joint Budget Oversight Committee, or its successor, shall  
10 have authority to approve or disapprove the sale of short-term notes  
11 as included in each report submitted in accordance with subsection d.  
12 of this section. The committee shall approve or disapprove the sale of  
13 short-term notes within 10 business days after physical receipt of the  
14 report. The committee shall notify the State Treasurer in writing of  
15 the approval or disapproval as expeditiously as possible. The failure  
16 of the committee to approve or disapprove of the sale within 10  
17 business days shall be deemed to constitute approval of the sale.

18 f. Whenever the State Treasurer issues short-term notes pursuant  
19 to this section, the State Treasurer shall report on each such issuance  
20 to the Chairman of the Senate Budget and Appropriations Committee  
21 and the Chairman of the Assembly Appropriations Committee, or the  
22 chairmen of successor committees, as the case may be.

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24 2. (New section) In order to provide effective cash flow  
25 management for revenues and expenditures of the General Fund and  
26 the Property Tax Relief Fund to implement the annual appropriations  
27 act, there shall be annually appropriated from the General Fund such  
28 sums as may be required to pay the principal of and interest on  
29 short-term notes, together with any costs or obligations relating to the  
30 issuance thereof or contracts related thereto, according to the terms  
31 set forth herein. Provided further that, to the extent that short-term  
32 notes are issued for cash flow management purposes in connection  
33 with the Property Tax Relief Fund, there shall be annually  
34 appropriated from the Property Tax Relief Fund such sums as may be  
35 required to pay the principal of those short-term notes.

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37 3. Section 32 of P.L.1995, c.164 is repealed.

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39 4. This act shall take effect immediately.

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#### STATEMENT

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44 This bill provides permanent statutory authority for the State  
45 Treasurer to borrow funds through the issuance of short-term notes  
46 during a fiscal year for the purpose of providing effective cash flow

1 management for revenues and expenditures of the General Fund and  
2 the Property Tax Relief Fund to implement the State annual  
3 appropriations act. Since 1992, the State has from time to time issued  
4 short-term tax and revenue anticipation notes for "effective cash flow  
5 management for revenues and expenditures for the General Fund and  
6 the Property Tax Relief Fund" pursuant to authorization contained in  
7 the annual appropriations act for each such year.

8 Prior to fiscal year 1996, these annual provisions required that each  
9 series of notes mature and be paid prior to the end of the fiscal year in  
10 which they were issued. This fiscal year limit serves to ensure that the  
11 borrowings are used to cover a cash flow deficit during the term of a  
12 State budget year and are not used for deficit financing purposes  
13 across State budget years. The Governor's line-item veto enacting the  
14 annual appropriations act for fiscal year 1996 removed this fiscal year  
15 limit. The issuance of cash flow management debt across State fiscal  
16 years would rely upon repayment from appropriations not yet enacted  
17 and upon the expectation of revenues not yet certified by the Governor  
18 or even reasonably estimated in the budget-making process.

19 Also, because the purpose of the short-term borrowing is to assist  
20 in the effective management of the cash flow between revenues and  
21 expenditures as set forth in the annual appropriations act, the  
22 Legislature's approval for such borrowing, as part of the Legislature's  
23 appropriations power, would be maintained under this bill through the  
24 prior approval of short-term borrowing by the Joint Budget Oversight  
25 Committee.

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30 Requires State short-term borrowing for cash flow management  
31 purposes be conducted within a fiscal year and be approved by the  
32 Joint Budget Oversight Committee.