

ASSEMBLY, No. 13

STATE OF NEW JERSEY

219th LEGISLATURE

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)

Assemblyman ERIC HOUGHTALING

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)

A13 FREIMAN, ARMATO

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

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

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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).

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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.

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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.

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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.