ASSEMBLY, No. 2612

STATE OF NEW JERSEY

219th LEGISLATURE

INTRODUCED FEBRUARY 13, 2020

Sponsored by:
Assemblywoman CAROL A. MURPHY
District 7 (Burlington)

SYNOPSIS

Requires an annual State debt affordability analysis be included in the State Debt Report.

CURRENT VERSION OF TEXT

As introduced.

AN ACT requiring an annual State debt affordability analysis be included in the State Debt Report, amending P.L.1975, c.208.

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

1. Section 3 of P.L.1975, c.208 (C.52:9S-3) is amended to read as follows:

3. a. The commission shall each year prepare a State Capital Improvement Plan containing its proposals for State spending for capital projects, which shall be consistent with the goals and provisions of the State Development and Redevelopment Plan adopted by the State Planning Commission and shall be prepared after consultation with the New Jersey Council of Economic Advisors, created pursuant to P.L.1993, c.149 (C.52:9H-34 et seq.). Copies of the plan shall be submitted to the Governor and the Legislature no later than December 1 of each year. The plan shall provide:

(1) A detailed list of all capital projects of the State which the commission recommends be undertaken or continued by any State agency in the next three fiscal years, together with information as to the effect of such capital projects on future operating expenses of the State, and with recommendations as to the priority of such capital projects and the means of funding them;

(2) The forecasts of the commission as to the requirements for capital projects of State agencies for the four fiscal years next following such three fiscal years and for such additional periods, if any, as may be necessary or desirable for adequate presentation of particular capital projects, and a schedule for the planning and implementation or construction of such capital projects;

(3) A schedule for the next fiscal year of recommended appropriations of bond funds from issues of bonds previously authorized;

(4) A review of capital projects which have recently been implemented or completed or are in process of implementation or completion;

(5) Recommendations as to the maintenance of physical properties and equipment of State agencies;

(6) Recommendations which the commission deems appropriate as to the use of properties reported in subsection c. of this section;

(7) A report on the State's overall debt. This report shall include information on the outstanding general obligation debt and debt service costs for the prior fiscal year, the current fiscal year, and the estimated amount for the subsequent five fiscal years. In addition, the report shall provide similar information on capital leases and

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

Matter underlined <u>thus</u> is new matter.

installment obligations. In addition, the report shall provide similar information on the following long-term obligations: all items comprising long-term liabilities as recorded in a schedule of long-term debt changes (bonded and non-bonded) in the State's annual comprehensive financial report prepared pursuant to section 37 of article 3 of P.L.1944, c.112 (C.52:27B-46), the unfunded actuarial accrued liability for State administered retirement systems, and the unfunded actuarial accrued liabilities for post-retirement medical and other benefits;

(8) ⟦An assessment⟧ The report on the State's overall debt required by paragraph (7) of this subsection shall include a detailed analysis and narrative discussion of the State's ability to afford an increase in its overall debt by incurring additional debt and ⟦a recommendation⟧ recommendations on the affordability of the amount of any such increase for purposes of providing a framework for the Legislature to evaluate and establish priorities for legislation that may impact the amount of State debt during future State fiscal years. In developing this ⟦assessment⟧ analysis and recommendation, the ⟦commission⟧ report shall ⟦consider those⟧ include:

(a) An estimate of revenues available for the next ten fiscal years to pay debt service on the debt listed in the report required by paragraph (7) of subsection a. of this section, including State general revenues plus any revenues specifically pledged to pay debt service;

(b) An estimate of additional debt issuance for the next ten fiscal years for the State's existing borrowing programs;

(c) A schedule of the annual debt service requirements, including principal and interest allocation, on outstanding State debt and an estimate of the annual debt service requirements on the debt included in subparagraph (b) of this paragraph for each of the next ten fiscal years;

(d) The calculations and listing of pertinent debt ratios, including, but not limited to, debt service to State revenues available to pay debt service, debt to State per capita personal income, and debt per capita for the State's net tax-supported debt;

(e) The estimated debt capacity available over the next ten fiscal years benchmarked to various debt ratios of debt service to State revenue exceeding current actual percentages;

(f) A comparison of the debt ratios prepared for subparagraph (d) of this paragraph with the comparable debt ratios for the ten most populous states;

(g) An overview of the State's general obligation credit rating and a review of the criteria used by municipal securities rating services in rating governmental obligations; and

⟦(9)⟧ (h) Such other information as the commission deems relevant to the foregoing matters.

Any State agency, independent authority, or other entity issuing debt secured by State revenue, or assisting in the issuing of that debt, shall provide all information determined necessary by the commission in order to complete the debt affordability analysis and recommendations on affordability of additional debt.

b. Each State agency shall no later than August 15 of each year provide the commission with:

(1) A detailed list of capital projects which each State agency seeks to undertake or continue for its purposes in the next three fiscal years, together with information as to the effect of such capital projects on future operating expenses of the State and the identification of those capital projects that require funding by the issuance of additional State debt, and with such relevant supporting data as the commission requests, which shall include but not be limited to the evaluation of those capital projects on the basis of the debt affordability analysis next previously completed pursuant to paragraph 8 of subsection a. of this section to assist the Governor and the Legislature in setting priorities among capital projects and related appropriations;

(2) Forecasts as to the requirements for capital projects of such agency for the four fiscal years next following such three fiscal years and for such additional periods, if any, as may be necessary or desirable for adequate presentation of particular capital projects, and a schedule for the planning and implementation or construction of such capital projects;

(3) A schedule for the next fiscal year of requested appropriations of bond funds from issues of bonds previously authorized;

(4) A report on capital projects which have recently been implemented or completed or are in process of implementation or completion;

(5) A report as to the maintenance of its physical properties and capital equipment;

(6) Such other information as the commission may request.

c. Each State agency shall, when requested, provide the commission with supplemental information in addition to that to be available to the commission under the computerized record keeping of the Department of the Treasury, Division of Property Management and Construction, concerning any real property owned or leased by the agency including its current or future availability for other State uses.

d. A copy of the plan shall also be forwarded to the Division of Budget and Accounting each year upon its completion, and the portion of the plan relating to the first fiscal year thereof shall, to the extent it treats of capital appropriations in the annual budget, constitute the recommendations of the commission with respect to such capital appropriations in the budget for the next fiscal year.

(cf: P.L.2009, c.304, s.1)

2. This act shall take effect immediately.

STATEMENT

This bill requires the State Debt Report to include an affordability analysis to provide executive and legislative policymakers a clear, data-driven framework for evaluating and establishing future State debt management and issuance priorities. The purpose of the bill is to enable a more fully informed fiscal policy discussion on the State’s long-term debt portfolio to ensure sufficient financial capacity for essential capital projects.

The bill requires the State Debt Report to include a detailed analysis and narrative discussion of the State's ability to afford an increase in its overall debt and the affordability of the amount of any such increase. The affordability analysis will include:

- An estimate of revenues generally or specifically available for the next 10 fiscal years to pay debt service;
- An estimate of additional debt issuance for the next 10 fiscal years for the State's existing borrowing programs;
- A schedule of the annual debt service requirements, including principal and interest allocation, on outstanding State debt and an estimate of the annual debt service requirements on the additional debt projected for existing borrowing programs for each of the next 10 fiscal years;
- The calculations and listing of pertinent debt ratios, including, but not limited to, debt service to State revenues available to pay debt service, debt to State per capita personal income, and debt per capita for the State's net tax-supported debt;
- The estimated debt capacity available over the next 10 fiscal years benchmarked to various debt ratios of debt service to State revenue exceeding current actual percentages;
- A comparison of the State’s debt ratios with the comparable debt ratios for the 10 most populous states;
- An overview of the State's general obligation credit rating and a review of the criteria used by municipal securities rating services in rating governmental obligations; and
- Such other information as the Commission on Capital Budgeting and Planning deems relevant to the foregoing matters.

The bill requires State agencies, independent authorities, and other entities issuing debt secured by State revenue, or assisting in the issuing of that debt, to provide all information determined necessary by the commission in order to complete the debt affordability analysis.

In an effort to finance essential capital projects for the benefit of State residents at favorable borrowing terms, the State must strive to establish a stable and improved credit standing with investors. Authorizations of state debt must take into account the ability of the

State to meet its total debt service requirements in light of other demands on the State's fiscal resources. Thus, this bill will assist the Executive and the Legislative branches to exercise a long view of full, fiscally relevant and future-looking analysis of debt affordability in order to exercise prudence in undertaking the authorization and issuance of debt.