

ASSEMBLY, No. 4577

STATE OF NEW JERSEY 219th LEGISLATURE

INTRODUCED AUGUST 25, 2020

Sponsored by:

Assemblyman ROY FREIMAN

District 16 (Hunterdon, Mercer, Middlesex and Somerset)

SYNOPSIS

Establishes State Debt Reduction Fund.

CURRENT VERSION OF TEXT

As introduced.



1 AN ACT establishing the State Debt Reduction Fund, amending
2 P.L.1990, c.44, and supplementing Title 52 of the New Jersey
3 Statutes.

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

7
8 1. (New section) The Legislature finds and declares that:

9 a. The Legislature of the State of New Jersey has a
10 responsibility to maintain the fiscal health of the State, and by
11 extension, the economic well-being of the citizens of the State;

12 b. Despite the Legislature's efforts in recent years to fulfill this
13 responsibility, the coronavirus 2019 (COVID-19) pandemic has
14 compromised the State's fiscal health and ability to preserve the
15 economic well-being of its citizens;

16 c. To repair the fiscal health of the State, the Legislature has
17 authorized the issuance of nearly \$10 billion in debt that would not
18 mature for 35 years;

19 d. The above amount, authorized for debt issuance, is based on
20 forecasted revenue shortfalls in Fiscal Years 2020 and 2021, as laid
21 out in a report released by the State Treasurer in May 2020;

22 e. This amount does not account for any future events that may
23 improve the State's fiscal position, such as a rebound in revenues or
24 the receipt of federal aid; and

25 f. The issuance of this debt through the establishment of a
26 State Debt Reduction Fund is necessary to improve the State's
27 fiscal health and safeguard the economic well-being of the citizens
28 of the State.

29
30 2. (New section) There is hereby created within the General
31 Fund a restricted reserve fund to be known as the State Debt
32 Reduction Fund. The State Treasurer shall credit to the State Debt
33 Reduction Fund, on or before December 31 of each year, and in
34 addition to any sums appropriated to the State Debt Reduction
35 Fund, the amounts determined pursuant to section 3 of
36 P.L. , c. (C.) (pending before the Legislature as this bill).
37 The State Treasurer shall provide a report of the status of the State
38 Debt Reduction Fund to the Governor and to the Legislature
39 pursuant to section 2 of P.L.1991, c.164 (C.52:14-19.1)
40 periodically, but not less often than annually on or before January
41 15.

42
43 3. (New section) The amount to be annually credited to the
44 State Debt Reduction Fund shall be made in up to four credits in the
45 following manners:

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 thus is new matter.

1 a. The amount of the credit to the State Debt Reduction Fund
2 attributable to surplus revenue shall be an amount equivalent to 30
3 percent of the excess, if there be any, of the amount determined in
4 subsection b. over the amount determined in subsection a. of section
5 3 of P.L.1990, c.44 (C.52:9H-16). If actual revenue collections
6 pursuant to the "New Jersey Gross Income Tax Act," N.J.S.54A:1-1
7 et seq., for the fiscal year immediately preceding the fiscal year in
8 which a credit to the State Debt Reduction Fund is required are less
9 than the amount of revenue collections pursuant to that act as
10 certified by the Governor upon approval of the annual appropriation
11 act for that fiscal year, the amount of the credit to the State Debt
12 Reduction Fund attributable to surplus revenue shall exclude the
13 difference between the amount so certified and the actual
14 collections.

15 b. The amount of the credit to the State Debt Reduction Fund
16 attributable to undesignated fund balance shall be an amount equal
17 to 30 percent of the amount of undesignated fund balance at the
18 close of the fiscal year immediately preceding the fiscal year in
19 which a credit to the State Debt Reduction Fund is required,
20 according to the annual financial report of the General Fund for that
21 fiscal year.

22 c. The amount of the credit to the State Debt Reduction Fund
23 attributable to unexpended appropriations shall be an amount equal
24 to 30 percent of any unexpended appropriations that would
25 otherwise lapse into the State Treasury at the close of the fiscal
26 year.

27 d. The amount of the credit to the State Debt Reduction Fund
28 attributable to federal COVID-19 relief funding shall be an amount
29 equal to 30 percent of any grant of money received by the State
30 from the federal government that is intended to provide aid to the
31 State to respond to the public health or economic emergency caused
32 by the COVID-19 pandemic, and that was not appropriated or
33 anticipated by the State on the effective date of this act. If the State
34 is not allowed to use a federal grant in the manner required under
35 this act, the credit required by this subsection shall be paid from the
36 General Fund from amounts that would otherwise have been
37 expended for purposes allowable under the federal grant.

38
39 4. (New section) The Governor shall include in the
40 Governor's annual budget message to the Legislature an estimate of
41 the credit to be made to the State Debt Reduction Fund as a
42 reduction of the estimated undesignated fund balance in the General
43 Fund as of July 1 of the fiscal year for which the Governor is
44 making the Governor's budget recommendations.

45
46 5. (New section) Balances in the State Debt Reduction Fund
47 may be appropriated by the Legislature only for the purpose of
48 retiring and defeasing the State's bonded debt and the costs thereof.

1 6. Section 3 of P.L.1990, c.44 (C.52:9H-16) is amended to read
2 as follows:

3 3. The amount to be annually credited to the Surplus Revenue
4 Fund shall be determined by the State Treasurer in the following
5 manner:

6 a. **【He】** The State Treasurer shall identify the amount of
7 General Fund anticipated revenue certified by the Governor upon
8 approval of the annual appropriation act for the fiscal year
9 immediately preceding the fiscal year in which a credit to the
10 "Surplus Revenue Fund" is required.

11 b. **【He】** The State Treasurer shall determine, from the annual
12 financial report of the General Fund for the fiscal year immediately
13 preceding the fiscal year in which a credit to the "Surplus Revenue
14 Fund" is required, the amount of revenue actually deposited in the
15 General Fund in that fiscal year. If in any preceding fiscal year for
16 which a determination under this subsection is to be made, there is a
17 law enacted which will increase the revenue to the General Fund,
18 the yield from that increase for that preceding fiscal year in which
19 the increase is in effect shall be disregarded in determining the
20 amount to be credited to the "Surplus Revenue Fund."

21 c. The amount of the credit to the "Surplus Revenue Fund"
22 shall be an amount equivalent to **【50%】** 30% of the excess, if there
23 be any, of the amount determined in subsection b. of this section
24 over the amount determined in subsection a. of this section. If
25 actual revenue collections pursuant to the "New Jersey Gross
26 Income Tax Act," N.J.S.54A:1-1 et seq., for the fiscal year
27 immediately preceding the fiscal year in which a credit to the
28 "Surplus Revenue Fund" is required are less than the amount of
29 revenue collections pursuant to that act as certified by the Governor
30 upon approval of the annual appropriation act for that fiscal year,
31 the amount of the credit to the "Surplus Revenue Fund" otherwise
32 calculated pursuant to this section shall be reduced by the difference
33 between the amount so certified and the actual collections.

34 (cf: P.L.1990, c.44, s.3)

35

36 7. Section 4 of P.L.1990, c.44 (C.52:9H-17) is amended to read
37 as follows:

38 4. The Governor shall include in **【his】** the Governor's annual
39 budget message to the Legislature an estimate of the credit to be
40 made to the "Surplus Revenue Fund" as a reduction of the estimated
41 undesignated fund balance in the General Fund as of July 1 of the
42 fiscal year for which **【he】** the Governor is making **【his】** the
43 Governor's budget recommendations. The amount estimated by the
44 Governor for this purpose shall not be less than **【50%】** 30% of the
45 difference between the amount certified by **【him】** the Governor
46 upon approval of the annual appropriation act for the fiscal year
47 immediately preceding the fiscal year for which **【his】** the

1 Governor's budget recommendations are being made and the
2 amount of revenue anticipated for that preceding fiscal year as
3 reflected in the annual budget message for that preceding fiscal
4 year.

5 (cf: P.L.1990, c.44, s.4)

6
7 8. This act shall take effect immediately.
8
9

10 STATEMENT
11

12 This bill establishes within the General Fund a restricted reserve
13 fund to be known as the State Debt Reduction Fund. Balances in
14 the State Debt Reduction Fund may be appropriated by the
15 Legislature for the purpose of reducing the State's bonded debt.
16 The State Treasurer is to credit to the State Debt Reduction Fund,
17 on or before December 31 of each year, and in addition to any sums
18 appropriated to the State Debt Reduction Fund, the amounts
19 determined pursuant to this bill. The State Treasurer is to provide a
20 report of the status of the State Debt Reduction Fund to the
21 Governor and to the Legislature periodically, but not less often than
22 annually on or before January 15.

23 The amount to be annually credited to the State Debt Reduction
24 Fund is to be made in up to four credits as follows: (1) a credit in an
25 amount equal to 30 percent of any surplus revenue, calculated in the
26 same way as deposits to the Surplus Revenue Fund; (2) a credit in
27 an amount equal to 30 percent of the amount of undesignated fund
28 balance at the close of the preceding fiscal year; and (3) a credit in
29 an amount equal to 30 percent of any unexpended appropriations
30 that would otherwise lapse into the State Treasury at the close of the
31 preceding fiscal year; and (4) a credit in an amount equal to 30
32 percent of any grant of money received by the State from the
33 federal government that is intended to provide aid to the State to
34 respond to the public health or economic emergency caused by the
35 COVID-19 pandemic, and that was not appropriated or anticipated
36 by the State on the effective date of this act.

37 This bill also reduces, from 50 percent to 30 percent, the amount
38 of surplus revenue that must be deposited in the Surplus Revenue
39 Fund. Accounting for the required deposit into the State Debt
40 Reduction Fund, the amount of surplus revenue available for
41 appropriation is reduced from 50 percent to 40 percent.

42 The coronavirus 2019 (COVID-19) pandemic has compromised
43 the State of New Jersey's fiscal health and ability to preserve the
44 economic well-being of its citizens. To repair the fiscal health of
45 the State, the Legislature has authorized the issuance of nearly \$10
46 billion in debt that would not mature for 35 years. This amount is
47 based on forecasted revenue shortfalls in Fiscal Years 2020 and

1 2021, as laid out in a report released by the State Treasurer in May
2 2020. This amount does not account for any future events that may
3 improve the State's fiscal position, such as a rebound in revenues or
4 the receipt of federal aid. The issuance of this debt through the
5 establishment of a State Debt Reduction Fund is necessary to
6 improve the State's fiscal health and safeguard the economic well-
7 being of the State's citizens.