# ASSEMBLY CONCURRENT RESOLUTION No. 71

# STATE OF NEW JERSEY

## 219th LEGISLATURE

PRE-FILED FOR INTRODUCTION IN THE 2020 SESSION

**Sponsored by:**
**Assemblyman ERIK PETERSON**
**District 23 (Hunterdon, Somerset and Warren)**

**SYNOPSIS**

Proposes constitutional amendment requiring voter approval of State bond refundings that increase principal amount of total State bonded indebtedness.

**CURRENT VERSION OF TEXT**

Introduced Pending Technical Review by Legislative Counsel.

**A CONCURRENT RESOLUTION** proposing to amend paragraph 3 of Article VIII, Section II, of the Constitution of the State of New Jersey.

**BE IT RESOLVED** *by the General Assembly of the State of New Jersey (the Senate concurring):*

1. The following proposed amendment to the Constitution of the State of New Jersey is agreed to:

PROPOSED AMENDMENT

Amend Article VIII, Section II, paragraph 3 to read as follows:

3. The Legislature shall not, in any manner, create in any fiscal year a debt or debts, liability or liabilities of the State, which together with any previous debts or liabilities shall exceed at any time one per centum of the total amount appropriated by the general appropriation law for that fiscal year, unless the same shall be authorized by a law for some single object or work distinctly specified therein. Regardless of any limitation relating to taxation in this Constitution, such law shall provide the ways and means, exclusive of loans, to pay the interest of such debt or liability as it falls due, and also to pay and discharge the principal thereof within thirty-five years from the time it is contracted; and the law shall not be repealed until such debt or liability and the interest thereon are fully paid and discharged.

Except as hereinafter provided, no such law shall take effect until it shall have been submitted to the people at a general election and approved by a majority of the legally qualified voters of the State voting thereon. No voter approval shall be required for any such law authorizing the creation of a debt or debts in a specified amount or an amount to be determined in accordance with such law for the refinancing of all or a portion of any outstanding debts or liabilities of the State heretofore or hereafter created, so long as such law shall require that <u>the principal amount of the debt or debts authorized to be created does not exceed the sum of the</u> principal amount of the outstanding debts or liabilities to be refinanced <u>plus all costs specifically necessary to accomplish the refinancing, that</u> the refinancing provide a debt service savings determined in a manner to be provided in such law and that the proceeds of such debt or debts and any investment income therefrom shall be applied to the payment of the principal of, any redemption premium on, and interest due and to become due on such debts or liabilities being refinanced on or prior to the redemption date or maturity date thereof, together with the costs associated with such refinancing.

**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.**

All money to be raised by the authority of such law shall be applied only to the specific object stated therein, and to the payment of the debt thereby created. This paragraph shall not be construed to refer to any money that has been or may be deposited with this State by the government of the United States. Nor shall anything in this paragraph contained apply to the creation of any debts or liabilities for purposes of war, or to repel invasion, or to suppress insurrection or to meet an emergency caused by disaster or act of God.
(cf: Article VIII, Section II, paragraph 3, effective December 8, 1983)

2. When this proposed amendment to the Constitution is finally agreed to, pursuant to Article IX, paragraph 1 of the Constitution, it shall be submitted to the people at the next general election occurring more than three months after such final agreement and shall be published at least once in at least one newspaper of each county designated by the President of the Senate and the Speaker of the General Assembly and the Secretary of State, not less than three months prior to said general election.

3. This proposed amendment to the Constitution shall be submitted to the people at said election in the following manner and form:

There shall be printed on each official ballot to be used at such general election, the following:

a. In every municipality in which voting machines are not used, a legend which shall immediately precede the question, as follows:

If you favor the proposition printed below make a cross (X), plus (+) or check (T) in the square opposite the word "Yes." If you are opposed thereto make a cross (X), plus (+) or check (T) in the square opposite the word "No."

b. In every municipality the following question:

| | | |
|---|---|---|
| | YES | Do you approve of the amendment to paragraph 3 of Article VIII, Section II of the State Constitution agreed to by the Legislature, providing that the refinancing of State general obligation bonds that may be undertaken pursuant to law by the issuance of State refunding bonds without the requirement of voter approval shall be limited to the issuance of refunding bonds in a principal amount not in excess of the sum of the principal amount of the outstanding State general obligation bonds to be refinanced and all costs specifically necessary to accomplish the refunding? |
| | | INTERPRETIVE STATEMENT |
| | NO | The purpose of this proposed constitutional amendment is to limit the issuance of State refunding bonds without voter approval to those refundings in which the principal amount of refunding bonds to be issued does not exceed the sum of the principal amount of the outstanding bonds to be refunded and all costs specifically necessary to accomplish the refunding. |

SCHEDULE

This constitutional amendment shall, if approved, be applicable to refunding bonds issued after its approval under the authority of any law or any bond act whether enacted before or after such approval.

STATEMENT

This Assembly Concurrent Resolution amends the State Constitution to require that a State refunding bond issue that proposes to increase the principal amount of outstanding debt beyond the costs of the refunding must be approved by the voters.

Under the State Constitution, the issuance of State bonds must be approved by the voters. Under amendments made to the Constitution in 1983, no voter approval is required to issue new debt for refinancing of previously issued bonds if the new debt will provide a debt service savings to the State after the new debt is used to pay off the old debt. The act implementing the 1983 amendment permits debt service savings to be determined on the basis of the present value savings of the refunding (a present value savings

means that in terms of today's dollars the value of the stream of principal and interest payments due and payable over the term of the refunding bonds must be less than today's value of the stream of principal and interest payments due and payable over the term of the outstanding bonds).

Currently neither the Constitution nor the implementing act restrict the principal amount of the refunding bonds that may be issued except to require generally that the principal amount not exceed an amount necessary to refinance the outstanding bonds.

The extent of the present value savings to be achieved through a refunding and how that savings may impact on the State budget are not currently stated in the Constitution or in the refunding act but are left to the discretion of the issuing officials with the approval of the Joint Budget Oversight Committee. Under this amendment those issues would still be discretionary, but a refunding that proposed to increase the principal amount of debt outstanding beyond the costs of the refunding would require the approval of a majority of the voters at a general election, the same requirement as for an original State bond act.