

SENATE, No. 916

STATE OF NEW JERSEY 219th LEGISLATURE

INTRODUCED JANUARY 27, 2020

Sponsored by:

Senator TROY SINGLETON

District 7 (Burlington)

SYNOPSIS

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

CURRENT VERSION OF TEXT

As introduced.



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

3

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

6

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

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

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

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

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

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

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

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

41 (7) A report on the State's overall debt. This report shall
42 include information on the outstanding State general obligation
43 debt, all forms of State tax-supported debt outstanding, including,
44 but not limited to, appropriations-backed contract bonds issued by
45 State independent authorities, other debt issued by a State conduit

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 bond-issuer, debt and obligations issued by the New Jersey
2 Transportation Trust Fund Authority, the New Jersey Transit
3 Corporation, any other transportation authority established by State
4 law and debt service costs thereon for the prior fiscal year, the
5 current fiscal year, and the estimated amount for the subsequent
6 five fiscal years. In addition, the report shall provide similar
7 information on capital leases and installment obligations. In
8 addition, the report shall provide similar information on the
9 following long-term obligations: all items comprising long-term
10 liabilities as recorded in a schedule of long-term debt changes
11 (bonded and non-bonded) in the State's annual comprehensive
12 financial report prepared pursuant to section 37 of article 3 of
13 P.L.1944, c.112 (C.52:27B-46), the unfunded actuarial accrued
14 liability for State administered retirement systems, and the
15 unfunded actuarial accrued liabilities for post-retirement medical
16 and other benefits;

17 (8) **【An assessment】** The report on all forms of the State's
18 overall debt and liabilities included in paragraph (7) of this
19 subsection shall include a detailed metric-based analysis and written
20 narrative discussion of the State's ability and the ability of other
21 debt and obligation issuers included in paragraph (7) to afford an
22 increase in each of the forms of its overall debt by incurring
23 additional debt and 【a recommendation】 recommendations on the
24 affordability of the amount of any such increase for purposes of
25 providing a framework for the Legislature to evaluate and establish
26 priorities for legislation that may impact the amount of State debt
27 and other debt and liabilities included in paragraph (7) during future
28 State fiscal years. The metric-based analysis and written narrative
29 discussion shall present in plain language an explanation of the
30 significance of the quantitative measures included in this paragraph
31 (8) and the significance of the state debt ratio comparisons required
32 by subparagraph (f) of this paragraph (8). In developing 【this
33 assessment】 the analysis, discussion and recommendations, the
34 **【commission】** report shall 【consider those】 include:

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

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

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

1 (d) The calculations and listing of pertinent debt ratios,
2 including, but not limited to, debt service to State revenues
3 available to pay debt service, State debt per capita, debt as a
4 percentage of Statewide personal income, debt as a percentage of
5 the valuation of assessed property, debt as a percentage of State
6 gross domestic product, and debt per capita for the State's net tax-
7 supported debt;

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

11 (f) A comparison of the debt ratios prepared for subparagraph
12 (d) of this paragraph with the comparable debt ratios for the 10
13 most populous states, 10 states with comparable economic
14 conditions, 10 states with the most similar debt management
15 characteristics, 10 states with the most similar state tax structures,
16 and for states receiving the highest general obligation credit ratings
17 by at least three major credit rating agencies;

18 (g) An overview of the State's general obligation credit rating
19 and the credit ratings of all debt and obligation issuers included in
20 this debt report and a review of the criteria used by municipal
21 securities rating services in rating governmental obligations; and

22 **[(9)]** (h) Such other information as the commission deems
23 relevant to the foregoing matters.

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

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

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

44 (2) Forecasts as to the requirements for capital projects of such
45 agency for the four fiscal years next following such three fiscal
46 years and for such additional periods, if any, as may be necessary or
47 desirable for adequate presentation of particular capital projects,

1 and a schedule for the planning and implementation or construction
2 of such capital projects;

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

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

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

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

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

19 d. A copy of the plan shall also be forwarded to the Governor,
20 the Legislature pursuant to section 2 of P.L.1991, c.164 (C.52:14-
21 19.1), and to the Division of Budget and Accounting each year upon
22 its completion, and the portion of the plan relating to the first fiscal
23 year thereof shall, to the extent it treats of capital appropriations in
24 the annual budget, constitute the recommendations of the
25 commission with respect to such capital appropriations in the
26 budget for the next fiscal year.

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

28

29 2. This act shall take effect immediately.

30

31

32

STATEMENT

33

34 This bill requires the State Debt Report to include an
35 affordability analysis to provide executive and legislative
36 policymakers a clear, data-driven framework for evaluating and
37 establishing future State debt management and issuance priorities.
38 The purpose of the bill is to enable a more fully informed fiscal
39 policy discussion on the State's long-term debt portfolio to ensure
40 sufficient financial capacity for essential capital projects. The
41 annual State Debt Report includes all forms of debt including
42 general obligation debt, all forms of State tax-supported debt
43 outstanding, including, but not limited to, appropriations-backed
44 contract bonds issued by State independent authorities, other debt
45 issued by a State conduit bond-issuer, debt and obligations issued
46 by the New Jersey Transportation Trust Fund Authority, the New
47 Jersey Transit Corporation, any other transportation authority
48 established by State law, capital leases and installment obligations,

1 all items comprising long-term liabilities as recorded in a schedule
2 of long-term debt changes (bonded and non-bonded) in the State's
3 comprehensive annual financial report, the unfunded actuarial
4 accrued liability for State administered retirement systems, and the
5 unfunded actuarial accrued liabilities for post-retirement medical
6 and other benefits.

7 The bill requires the State Debt Report to include a detailed
8 metric-based analysis and written narrative discussion of the State's
9 ability to afford an increase in each form of its overall debt and the
10 affordability of the amount of any such increase. The affordability
11 analysis that will apply to each form of State debt will include:

- 12 • An estimate of revenues generally or specifically available for
13 the next 10 fiscal years to pay debt service;
- 14 • An estimate of additional debt issuance for the next 10 fiscal
15 years for the State's existing borrowing programs;
- 16 • A schedule of the annual debt service requirements, including
17 principal and interest allocation, on outstanding State debt and an
18 estimate of the annual debt service requirements on the additional
19 debt projected for existing borrowing programs for each of the next
20 10 fiscal years;
- 21 • The calculations and listing of pertinent debt ratios, including,
22 but not limited to, debt service to State revenues available to pay
23 debt service, State debt per capita, debt as a percentage of Statewide
24 personal income, debt as a percentage of the valuation of assessed
25 property, debt as a percentage of State gross domestic product, and
26 debt per capita for the State's net tax-supported debt;
- 27 • The estimated debt capacity available over the next 10 fiscal
28 years benchmarked to various debt ratios of debt service to State
29 revenue exceeding current actual percentages;
- 30 • A comparison of the State's debt ratios with the comparable debt
31 ratios for the 10 most populous states, 10 states with comparable
32 economic conditions, 10 states with the most similar debt
33 management characteristics, 10 states with the most similar state tax
34 structures, and for states receiving the highest general obligation
35 credit ratings by at least three major credit rating agencies;
- 36 • An overview of the State's general obligation credit rating and
37 the credit ratings of all debt and obligation issuers included in this
38 debt report and a review of the criteria used by municipal securities
39 rating services in rating governmental obligations; and
- 40 • Such other information as the Commission on Capital Budgeting
41 and Planning deems relevant to the foregoing matters.

42 The bill requires State agencies, independent authorities, and
43 other entities issuing debt secured by State revenue, or assisting in
44 the issuing of that debt, or included in this debt report to provide all
45 information determined necessary by the commission to complete
46 the debt affordability analysis.

47 In an effort to finance essential capital projects for the benefit of
48 State residents at favorable borrowing terms, the State must strive

1 to establish a stable and improved credit standing with investors.
2 Authorizations of state debt must take into account the ability of the
3 State to meet its total debt service requirements in light of other
4 demands on the State's fiscal resources. This bill will assist the
5 Executive and the Legislative branches to exercise a long view of
6 full, fiscally relevant and future-looking analysis of debt
7 affordability to exercise prudence in undertaking the authorization
8 and issuance of debt.

9 The bill also requires the commission to transmit to the Governor
10 and the Legislature its annual detailed capital project plan that it
11 submits to the Division of Budget and Accounting in the
12 Department of the Treasury.