

SENATE BUDGET AND APPROPRIATIONS COMMITTEE

STATEMENT TO

SENATE, No. 4000

STATE OF NEW JERSEY

DATED: JUNE 22, 2021

The Senate Budget and Appropriations Committee reports favorably Senate Bill No. 4000.

This bill establishes the "New Jersey Debt Defeasance and Prevention Fund" for the purposes of: retiring and defeasing State debt, including general obligation bonds and appropriations-backed bonds, and the costs thereof; and funding capital projects on a pay-as-you-go basis rather than issuing additional State debt, including general obligation bonds or appropriations-backed bonds.

The bill requires a \$3.7 billion credit from the General Fund to the "New Jersey Debt Defeasance and Prevention Fund," which is to be appropriated as follows: \$2.5 billion for the purpose of retiring and defeasing State debt; and \$1.2 billion for the purpose of funding certain capital construction projects.

The "New Jersey COVID-19 Emergency Bond Act," which was enacted in July 2020, authorized the State to borrow up to \$9.9 billion to offset anticipated declines in State revenue resulting from the COVID-19 public health emergency. The State ultimately borrowed approximately \$3.7 billion for this purpose.

The sponsor of this bill notes that, in light of better-than-anticipated revenue collections leading to an estimated \$6 billion budget surplus at the close of Fiscal Year 2021, it is critical for the State to take advantage of its improved fiscal outlook to defease the debt it has incurred. The fund created by this bill may be used as part of a long-term strategy to lower the State's debt and may be a tool the State uses for the foreseeable future.

FISCAL IMPACT:

Fiscal information is currently unavailable for this bill.