SENATE, No. 3906

STATE OF NEW JERSEY
220th LEGISLATURE

INTRODUCED JUNE 1, 2023

Sponsored by:
Senator DECLAN J. O'SCANLON, JR.
District 13 (Monmouth)
Senator MICHAEL L. TESTA, JR.
District 1 (Atlantic, Cape May and Cumberland)

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Senators Oroho, Steinhardt, Connors, Holzapfel, Durr, Stanfield, Polistina, Bramnick, Pennacchio, A.M.Bucco, Corrado, Schepisi and Singer

SYNOPSIS
Credits $2.35 billion to “New Jersey Debt Defeasance and Prevention Fund”; appropriates $4.32 billion to Department of Treasury to provide funds to municipalities and counties for debt retirement and avoidance.

CURRENT VERSION OF TEXT
As introduced.
AN ACT concerning the “New Jersey Debt Defeasance and Prevention Fund,” revising various parts of the statutory law, and making an appropriation.

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

1. (New section) There shall be credited the sum of $2,350,000,000 from the General Fund to the “New Jersey Debt Defeasance and Prevention Fund,” established pursuant to section 1 of P.L.2021, c.125 (C.52:9H-2.2).

2. (New section) a. Notwithstanding the provisions of any other law, rule, or regulation to the contrary, there is appropriated from the “New Jersey Debt Defeasance and Prevention Fund” the sum of $4,320,000,000 to the Department of the Treasury for the purpose of providing funds to each municipality and each county in the State to be used by the municipalities and counties to retire and defense local debt or to fund capital projects on a pay-as-you-go basis rather than issuing additional local debt.

b. Of the amount appropriated pursuant to subsection a. of this section, $3,000,000,000 shall be allocated to each municipality on an equal per capita basis wherein each municipality shall receive the same dollar amount per resident.

c. Of the amount appropriated pursuant to subsection a. of this section, $1,320,000,000 shall be allocated to each county on an equal per capita basis wherein each county shall receive the same dollar amount per resident.

d. The entirety of funds appropriated pursuant to this section shall be distributed to each municipality and each county within 30 days of the enactment of P.L. , c. (pending before the Legislature as this bill).

3. Section 1 of P.L.2021, c.125 (C.52:9H-2.2) is amended to read as follows:

1. a. There is created within the General Fund a restricted reserve fund to be known as the "New Jersey Debt Defeasance and Prevention Fund." The "New Jersey Debt Defeasance and Prevention Fund" shall be credited with the amount appropriated to the fund pursuant to section 2 of P.L.2021, c.125 and such funds as the Legislature may, from time to time, appropriate for the purposes of the fund as enumerated in subsection b. of this section.

b. Balances in the "New Jersey Debt Defeasance and Prevention Fund" may be appropriated by the Legislature only for the purposes of: retiring and defeasing State debt, including general

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.
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; and distributing funds to local government entities to retire and defease local debt that was previously issued to finance capital projects or improvements or to fund capital projects on a pay-as-you-go basis rather than issuing additional local debt. (cf: P.L.2021, c.125, s.1)

4. Section 5 of P.L.2022, c.18 is repealed.

5. Notwithstanding the repeal of section 5 of P.L.2022, c.18, the repeal shall not affect any prior obligation, allocation, or expenditure of funds under that section for the purpose of retiring and defeasing debts of the State of New Jersey, and the costs thereof, or for the purpose of funding capital construction projects for which State debt is already authorized by law, or for which funding would have been derived from future State bond issuances. Only unallocated balances remaining in the “New Jersey Debt Defeasance and Prevention Fund,” in addition to funds deposited into the fund pursuant to section 1 of P.L. , c. (pending before the Legislature as this bill), shall be used to effectuate the purposes of P.L. , c. (pending before the Legislature as this bill).

6. This act shall take effect immediately.

STATEMENT

This bill adds $2.35 billion from the General Fund to the “New Jersey Debt Defeasance and Prevention Fund,” and appropriates a total of $4.32 billion from the fund to the Department of the Treasury for the purpose of providing funds to each municipality and county in the State to be used by the municipality or county to retire and defease local debt or to fund capital projects on a pay-as-you-go basis rather than issuing additional local debt. The total amount of funds appropriated by the bill includes $1.97 billion in currently unallocated balances in the New Jersey Debt Defeasance and Prevention Fund.

Under the bill, $3.0 billion would be allocated to each municipality on an equal per capita basis wherein each municipality receives the same dollar amount per resident. The remaining $1.32 billion appropriated by the bill would be allocated to each county on an equal per capita basis. The bill requires that all funds appropriated by the bill be distributed to each municipality and each county within 30 days of enactment.
The State budget has recently benefited from debt reduction and avoidance from prior appropriations to the New Jersey Debt Defeasance and Prevention account, though typically only after funds have remained in the account for inordinately long periods of time while inflation destroys its value. Local governments can frequently have significant debt which can be equally or more expensive for taxpayers than State debt. Local governments have compelling infrastructure and capital needs that include, but are not limited to: water, sewer, parks, flooding, storm water, public safety, emergency medical services, community development, and traffic improvements. The State’s budgeting process has frequently provided only small and symbolic amounts of assistance towards local infrastructure and capital improvements and only after burdensome, inefficient, and politicized processes that chose winners and losers based on favoritism. The sponsor believes it is sound public policy to quickly and efficiently direct remaining balances in the New Jersey Debt Defeasance and Prevention Fund towards debt reduction and avoidance that benefits property taxpayers and all residents of the State through a fair and reasonable allocation process.