

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)

Co-Sponsored by:

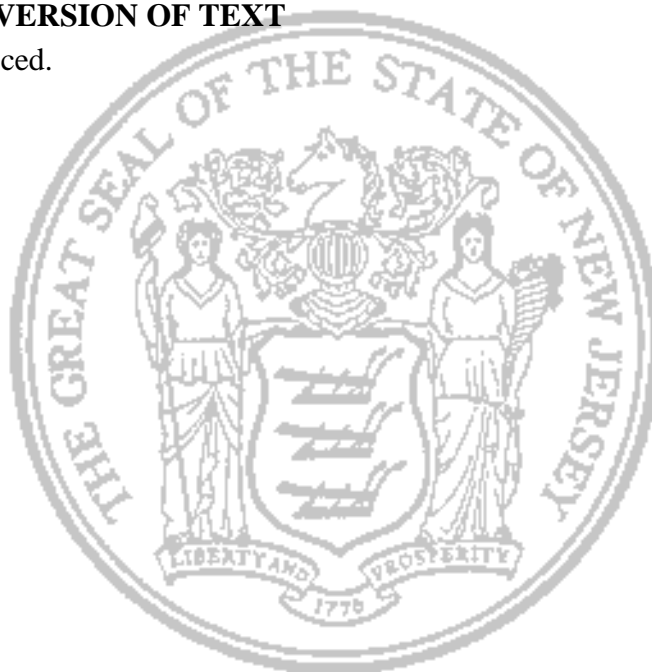
Senators Oroho, Steinhardt, Connors, Holzapfel, Durr, Stanfield, Polistina, Bramnick, Pennacchio, A.M.Bucco, Corrado, Schepisi and Singer

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.



1 AN ACT concerning the "New Jersey Debt Defeasance and
2 Prevention Fund," revising various parts of the statutory law, and
3 making an appropriation.
4

5 **BE IT ENACTED** by the Senate and General Assembly of the State
6 of New Jersey:
7

8 1. (New section) There shall be credited the sum of
9 \$2,350,000,000 from the General Fund to the "New Jersey Debt
10 Defeasance and Prevention Fund," established pursuant to section 1
11 of P.L.2021, c.125 (C.52:9H-2.2).
12

13 2. (New section) a. Notwithstanding the provisions of any other
14 law, rule, or regulation to the contrary, there is appropriated from
15 the "New Jersey Debt Defeasance and Prevention Fund" the sum of
16 \$4,320,000,000 to the Department of the Treasury for the purpose
17 of providing funds to each municipality and each county in the State
18 to be used by the municipalities and counties to retire and defease
19 local debt or to fund capital projects on a pay-as-you-go basis rather
20 than issuing additional local debt.

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

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

29 d. The entirety of funds appropriated pursuant to this section
30 shall be distributed to each municipality and each county within 30
31 days of the enactment of P.L. , c. (pending before the
32 Legislature as this bill).
33

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

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

43 b. Balances in the "New Jersey Debt Defeasance and
44 Prevention Fund" may be appropriated by the Legislature only for
45 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.

1 obligation bonds and appropriations-backed bonds, and the costs
2 thereof; **[and]** funding capital projects on a pay-as-you-go basis
3 rather than issuing additional State debt, including general
4 obligation bonds or appropriations-backed bonds; and distributing
5 funds to local government entities to retire and defease local debt
6 that was previously issued to finance capital projects or
7 improvements or to fund capital projects on a pay-as-you-go basis
8 rather than issuing additional local debt.

9 (cf: P.L.2021, c.125, s.1)

10

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

12

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

25

26 6. This act shall take effect immediately.

27

28

29

STATEMENT

30

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

41 Under the bill, \$3.0 billion would be allocated to each
42 municipality on an equal per capita basis wherein each municipality
43 receives the same dollar amount per resident. The remaining \$1.32
44 billion appropriated by the bill would be allocated to each county
45 on an equal per capita basis. The bill requires that all funds
46 appropriated by the bill be distributed to each municipality and each
47 county within 30 days of enactment.

S3906 O'SCANLON, TESTA

4

1 The State budget has recently benefited from debt reduction and
2 avoidance from prior appropriations to the New Jersey Debt
3 Defeasance and Prevention account, though typically only after
4 funds have remained in the account for inordinately long periods of
5 time while inflation destroys its value. Local governments can
6 frequently have significant debt which can be equally or more
7 expensive for taxpayers than State debt. Local governments have
8 compelling infrastructure and capital needs that include, but are not
9 limited to: water, sewer, parks, flooding, storm water, public safety,
10 emergency medical services, community development, and traffic
11 improvements. The State's budgeting process has frequently
12 provided only small and symbolic amounts of assistance towards
13 local infrastructure and capital improvements and only after
14 burdensome, inefficient, and politicized processes that chose
15 winners and losers based on favoritism. The sponsor believes it is
16 sound public policy to quickly and efficiently direct remaining
17 balances in the New Jersey Debt Defeasance and Prevention Fund
18 towards debt reduction and avoidance that benefits property
19 taxpayers and all residents of the State through a fair and reasonable
20 allocation process.