

ASSEMBLY, No. 3827

STATE OF NEW JERSEY 216th LEGISLATURE

INTRODUCED OCTOBER 16, 2014

Sponsored by:

Assemblyman TROY SINGLETON

District 7 (Burlington)

Assemblyman VINCENT PRIETO

District 32 (Bergen and Hudson)

Assemblyman WAYNE P. DEANGELO

District 14 (Mercer and Middlesex)

Assemblyman JOSEPH A. LAGANA

District 38 (Bergen and Passaic)

SYNOPSIS

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

CURRENT VERSION OF TEXT

As introduced.



(Sponsorship Updated As Of: 11/14/2014)

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:

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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 include
42 information on the outstanding general obligation debt and debt
43 service costs for the prior fiscal year, the current fiscal year, and the
44 estimated amount for the subsequent five fiscal years. In addition,
45 the report shall provide similar information on capital leases and

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 installment obligations. In addition, the report shall provide similar
2 information on the following long-term obligations: all items
3 comprising long-term liabilities as recorded in a schedule of long-
4 term debt changes (bonded and non-bonded) in the State's annual
5 comprehensive financial report prepared pursuant to section 37 of
6 article 3 of P.L.1944, c.112 (C.52:27B-46), the unfunded actuarial
7 accrued liability for State administered retirement systems, and the
8 unfunded actuarial accrued liabilities for post-retirement medical
9 and other benefits;

10 (8) **【An assessment】** The report on the State's overall debt
11 required by paragraph (7) of this subsection shall include a detailed
12 analysis and narrative discussion of the State's ability to afford an
13 increase in its overall debt by incurring additional debt and 【a
14 recommendation】 recommendations on the affordability of the
15 amount of any such increase for purposes of providing a framework
16 for the Legislature to evaluate and establish priorities for legislation
17 that may impact the amount of State debt during future State fiscal
18 years. In developing this **【assessment】** analysis and
19 recommendation, the **【commission】** report shall 【consider those】
20 include:

21 (a) An estimate of revenues available for the next ten fiscal
22 years to pay debt service on the debt listed in the report required by
23 paragraph (7) of subsection a. of this section, including State
24 general revenues plus any revenues specifically pledged to pay debt
25 service;

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

28 (c) A schedule of the annual debt service requirements,
29 including principal and interest allocation, on outstanding State debt
30 and an estimate of the annual debt service requirements on the debt
31 included in subparagraph (b) of this paragraph for each of the next
32 ten fiscal years;

33 (d) The calculations and listing of pertinent debt ratios,
34 including, but not limited to, debt service to State revenues
35 available to pay debt service, debt to State per capita personal
36 income, and debt per capita for the State's net tax-supported debt;

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

40 (f) A comparison of the debt ratios prepared for subparagraph
41 (d) of this paragraph with the comparable debt ratios for the ten
42 most populous states;

43 (g) An overview of the State's general obligation credit rating
44 and a review of the criteria used by municipal securities rating
45 services in rating governmental obligations; and

46 **【(9)】** (h) Such other information as the commission deems
47 relevant to the foregoing matters.

1 Any State agency, independent authority, or other entity issuing
2 debt secured by State revenue, or assisting in the issuing of that
3 debt, shall provide all information determined necessary by the
4 commission in order to complete the debt affordability analysis and
5 recommendations on affordability of additional debt.

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

8 (1) A detailed list of capital projects which each State agency
9 seeks to undertake or continue for its purposes in the next three
10 fiscal years, together with information as to the effect of such
11 capital projects on future operating expenses of the State and the
12 identification of those capital projects that require funding by the
13 issuance of additional State debt, and with such relevant supporting
14 data as the commission requests, which shall include but not be
15 limited to the evaluation of those capital projects on the basis of the
16 debt affordability analysis next previously completed pursuant to
17 paragraph 8 of subsection a. of this section to assist the Governor
18 and the Legislature in setting priorities among capital projects and
19 related appropriations;

20 (2) Forecasts as to the requirements for capital projects of such
21 agency for the four fiscal years next following such three fiscal
22 years and for such additional periods, if any, as may be necessary or
23 desirable for adequate presentation of particular capital projects,
24 and a schedule for the planning and implementation or construction
25 of such capital projects;

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

29 (4) A report on capital projects which have recently been
30 implemented or completed or are in process of implementation or
31 completion;

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

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

35 c. Each State agency shall, when requested, provide the
36 commission with supplemental information in addition to that to be
37 available to the commission under the computerized record keeping
38 of the Department of the Treasury, Division of Property
39 Management and Construction, concerning any real property owned
40 or leased by the agency including its current or future availability
41 for other State uses.

42 d. A copy of the plan shall also be forwarded to the Division of
43 Budget and Accounting each year upon its completion, and the
44 portion of the plan relating to the first fiscal year thereof shall, to
45 the extent it treats of capital appropriations in the annual budget,
46 constitute the recommendations of the commission with respect to
47 such capital appropriations in the budget for the next fiscal year.

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

1 2. This act shall take effect immediately.

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STATEMENT

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6 This bill requires the State Debt Report to include an
7 affordability analysis to provide executive and legislative
8 policymakers a clear, data-driven framework for evaluating and
9 establishing future State debt management and issuance priorities.
10 The purpose of the bill is to enable a more fully informed fiscal
11 policy discussion on the State's long-term debt portfolio to ensure
12 sufficient financial capacity for essential capital projects.

13 The bill requires the State Debt Report to include a detailed
14 analysis and narrative discussion of the State's ability to afford an
15 increase in its overall debt and the affordability of the amount of
16 any such increase. The affordability analysis will include:

- 17 • An estimate of revenues generally or specifically available for
18 the next 10 fiscal years to pay debt service;
- 19 • An estimate of additional debt issuance for the next 10 fiscal
20 years for the State's existing borrowing programs;
- 21 • A schedule of the annual debt service requirements, including
22 principal and interest allocation, on outstanding State debt and
23 an estimate of the annual debt service requirements on the
24 additional debt projected for existing borrowing programs for
25 each of the next 10 fiscal years;
- 26 • The calculations and listing of pertinent debt ratios, including,
27 but not limited to, debt service to State revenues available to pay
28 debt service, debt to State per capita personal income, and debt
29 per capita for the State's net tax-supported debt;
- 30 • The estimated debt capacity available over the next 10 fiscal
31 years benchmarked to various debt ratios of debt service to State
32 revenue exceeding current actual percentages;
- 33 • A comparison of the State's debt ratios with the comparable
34 debt ratios for the 10 most populous states;
- 35 • An overview of the State's general obligation credit rating and a
36 review of the criteria used by municipal securities rating
37 services in rating governmental obligations; and
- 38 • Such other information as the Commission on Capital Budgeting
39 and Planning deems relevant to the foregoing matters.

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

45 In an effort to finance essential capital projects for the benefit of
46 State residents at favorable borrowing terms, the State must strive
47 to establish a stable and improved credit standing with investors.
48 Authorizations of state debt must take into account the ability of the

A3827 SINGLETON, PRIETO

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1 State to meet its total debt service requirements in light of other
2 demands on the State's fiscal resources. Thus, this bill will assist
3 the Executive and the Legislative branches to exercise a long view
4 of full, fiscally relevant and future-looking analysis of debt
5 affordability in order to exercise prudence in undertaking the
6 authorization and issuance of debt.