

18A:11-1

LEGISLATIVE HISTORY CHECKLIST
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NJSA: 18A:11-1

('Garden State
Savings Act')

LAWS OF: 1991

CHAPTER: 272

Bill No: A4672

Sponsor(s): Pascrell and others

Date Introduced: April 8, 1991

Committee: Assembly: Higher Education; Appropriations

Senate: Revenue, Finance & Appropriations

Amended during passage: Yes Amendments during passage
denoted by asterisks.

Date of Passage: Assembly: June 13, 1991

Senate: July 15, 1991

Date of Approval: September 5, 1991

Following statements are attached if available:

Sponsor statement: Yes

Committee Statement: Assembly: Yes 4-29-91 & 6-10-91

Senate: Yes

Fiscal Note: No

Veto Message: No

Message on signing: Yes

Following were printed:

Reports: No

Hearings: No

See newspaper clippings--attached:
KBG/SLJ

[SECOND REPRINT]
ASSEMBLY, No. 4672

STATE OF NEW JERSEY

INTRODUCED APRIL 8, 1991

By Assemblymen PASCRELL, DORIA, Cimino, Mattison,
Duch, Mecca, Naples, Smith, Assemblywoman Ford,
Assemblymen Moran, Schwartz, McGreevey, Otlowski,
Patero, Watson, Kronick, Martin, Zecker, Rocco
and Bryant

1 AN ACT concerning student financial assistance and providing for
2 the sale of Garden State Savings Bonds.

3

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

6 1. This act shall be known as the "Garden State Savings Act of
7 1991."

8 2. The Legislature finds and declares that:

9 a. The general welfare, health and prosperity of the people of
10 the State of New Jersey would be promoted and enhanced by
11 making higher education available to the greatest number of
12 students possible.

13 b. The State can make higher education more affordable to
14 New Jersey families. This can be done by, among other means,
15 providing the families of future students with investment
16 alternatives and financial assistance.

17 3. As used in this act:

18 a. "Garden State Savings Bonds" means bonds of the State of
19 New Jersey and its authorities issued pursuant to the provisions
20 of this act.

21 b. "Institution of higher education" means any public
22 institution of higher education as defined in N.J.S.18A:62-1 and
23 any independent institution of higher education which is an
24 "eligible institution" as defined in section 3 of P.L.1979, c.132
25 (C.18A:72B-17).

26 c. "Issuing officials" means the Governor, the State Treasurer,
27 the Director of the Division of Budget and Accounting in the
28 Department of the Treasury and the issuing authority or agency.

29 4. a. In furtherance of the public policy of this act, the State
30 shall set aside, from the bonds of the State of New Jersey
31 authorized to be issued or from the bonds of any authority or
32 agency authorized to be issued, an amount to be determined by
33 the Treasurer of the total aggregate original principal amount of
34 such bonds. These bonds shall be issued as determined by the
35 ¹[Treasurer] issuing

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.

Matter enclosed in superscript numerals has been adopted as follows:

¹ Assembly AAP committee amendments adopted June 10, 1991.

² Senate SRF committee amendments adopted June 27, 1991.

1 officials and shall be known as "Garden State Savings Bonds," in
2 addition to any other name they may be known as¹.

3 b. ¹Garden State Savings¹ Bonds ¹[issued in accordance with
4 the provisions of this act]¹ may be issued in low denominations
5 and in the form or forms, whether coupon, fully-registered or
6 book entry, and with or without provisions for interchangeability
7 thereof, as may be determined by the ¹[State Board of Higher
8 Education and the Treasurer] issuing officials, and¹ in such
9 amounts as will allow a large number of New Jersey families to
10 participate in the program, and with the maturity dates which
11 will make funds available to purchasers at the time when such
12 funds are needed for educational purposes.

13 c. When ¹[the bonds issued in accordance with the provisions
14 of this act] Garden State Savings Bonds¹ are issued from time to
15 time, the bonds of each issue shall constitute a separate series to
16 be designated by the ¹[Treasurer] issuing officials¹. Each series
17 of bonds ¹so designated¹ shall bear the rate or rates of interest
18 as may be determined by the issuing officials, which interest shall
19 be payable as may be determined by the issuing officials.

20 5. ²a.² The Treasurer, in consultation with the Board of Higher
21 Education, shall also provide for additional financial incentives to
22 be provided to holders of Garden State Savings Bonds to
23 encourage the enrollment of students at institutions of higher
24 education located in the State of New Jersey. These financial
25 incentives shall be in such forms as determined by the Treasurer
26 in consultation with issuing officials at the time of the
27 authorization of the Garden State Savings Bonds ²and shall at a
28 minimum provide that each participating institution shall
29 guarantee that the value of Garden State Savings Bonds redeemed
30 for the purposes of the payment of tuition, fees, and other
31 educational costs at the institution, shall, at the time of
32 matriculation of the student, be increased by not less than six
33 percent of the face value of the bonds at the time of redemption.
34 Two percent of the incentive amount shall be paid by the State,
35 and four percent by participating institutions.

36 b. Every public institution of higher education in New Jersey
37 shall participate in the financial incentive program. Independent
38 institutions of higher education in New Jersey may elect to
39 participate in the program. Each independent institution which
40 elects to participate shall enter into a contract with the State
41 Board of Higher Education which shall, at a minimum, define the
42 terms of participation and establish conditions under which an
43 institution may withdraw from the program. Any independent
44 institution that withdraws from the program shall guarantee to
45 provide the financial incentives in effect for all bonds purchased
46 during the period in which the institution was a participant in the
47 program.

48 c. The original purchaser and any member of the immediate
49 family of the original purchaser of a Garden State Savings Bond

1 shall be eligible for the financial incentive program established
 2 pursuant to this section.²

3 6. Annually, the Student Assistance Board, created pursuant to
 4 P.L.1977, c.330 (C.18A:71-15.1), shall determine a dollar amount
 5 of Garden State Savings Bonds or accumulated bonds, interest or
 6 supplemental payment, which shall not be less than \$25,000.00,
 7 which shall not be considered in evaluating the financial needs of
 8 a student enrolled at an institution of higher education located in
 9 the State of New Jersey, or be deemed a financial resource of or
 10 a form of financial aid or assistance to each student, for purposes
 11 of determining the eligibility of a student for any scholarship,
 12 grant, or monetary assistance awarded by the State; nor shall the
 13 amount of any such bonds, interest or supplemental payment as
 14 determined by the Student Assistance Board provided for a
 15 qualified student under this act reduce the amount of any
 16 scholarship, grant or monetary assistance which such student is
 17 entitled to be awarded by the State.

18 7. ¹[The Department of Treasury will be responsible for all
 19 bond issuance activities under the Garden State Savings Bond
 20 Program created pursuant to this act.]¹ The Treasurer ¹or the
 21 issuing authority or agency¹ shall submit a report after each bond
 22 issuance to the Board of Higher Education detailing the results of
 23 each separate sale of Garden State Savings Bonds.

24 8. The Treasurer shall, with the concurrence of the Board of
 25 Higher Education, approve the following:

- 26 a. Additional financial incentives as provided in this act;
- 27 b. Limits that may be imposed on the amount of Garden State
- 28 Savings Bonds that may be purchased by individual households;
- 29 c. Minimum denominations to market the Garden State Savings
- 30 Bonds so that they are affordable by individuals ²; however, each
 31 issue shall be offered with sufficient bonds at a purchase price of
 32 \$100 to satisfy demand²;

33 ²[d. The] In addition, the Treasurer shall evaluate the²
 34 feasibility of staggered or periodic forms of payments for Garden
 35 State Savings Bonds, and to advise the issuing officials regarding
 36 such evaluation.

37 9. The Board of Higher Education and the Treasurer shall
 38 assess the effectiveness of the program and recommend any
 39 necessary changes to the issuing officials regarding future bond
 40 sales after the initial sale of Garden State Savings Bonds.

41 10. This act shall take effect immediately.

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HIGHER EDUCATION

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46 The "Garden State Savings Act of 1991," providing for the sale of
 47 Garden State Savings Bonds and other student financial assistance.

1 regarding such evaluation.

2 9. The Board of Higher Education and the Treasurer shall
3 assess the effectiveness of the program and recommend any
4 necessary changes to the issuing officials regarding future bond
5 sales after the initial sale of Garden State Savings Bonds.

6 10. This act shall take effect immediately.

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STATEMENT

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11 This bill, the "Garden State Savings Act of 1991," provides for
12 the sale of Garden State Savings Bonds. The bonds will be
13 offered in low denominations to enable a large number of New
14 Jersey families to participate in the program. Persons who use
15 the earnings on these bonds to finance part of a student's cost at
16 a public or private institution of higher education in New Jersey
17 may also be eligible for additional financial incentives. The
18 Garden State Savings Bonds shall be a percentage of any bonds
19 which have been authorized for issuance by State authorities as
20 identified by the Treasurer.

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HIGHER EDUCATION

24

25 The "Garden State Savings Act of 1991," providing for the sale of
26 Garden State Savings Bonds and other student financial assistance.

ASSEMBLY HIGHER EDUCATION COMMITTEE

STATEMENT TO

ASSEMBLY, No. 4672

STATE OF NEW JERSEY

DATED: APRIL 29, 1991

The Assembly Higher Education Committee favorably reports Assembly Bill No. 4672.

This bill, named the "Garden State Savings Act of 1991," provides for the sale of Garden State Savings Bonds. The purpose of the program is to assist those persons trying to save for a college education by offering State and federally tax-free bonds for sale to the public. The bonds will be offered in low denominations to enable a large number of New Jersey families to participate in the program. Persons who use the earnings on these bonds to finance part of a student's cost at a public or private institution of higher education in New Jersey may also be eligible for additional financial incentives to be determined by the Treasurer. The Garden State Savings Bonds may be a percentage of any bonds which have been authorized for issuance by State authorities as identified by the Treasurer, and shall bear that rate of interest.

Under the bill, the Student Assistance Board, created pursuant to P.L.1977, c.330 (C.18A:71-15.1), will exclude an amount of Garden State Savings Bonds or accumulated bonds, interest or supplemental payment, which shall not be less than \$25,000.00, from consideration as assets or income when evaluating the financial needs of a student enrolled at an institution of higher education located in the State of New Jersey.

The Department of Treasury will be responsible for all bond issuance activities under the bill and the Treasurer is required to submit a report after each bond issuance to the Board of Higher Education detailing the results of each separate sale of Garden State Savings Bonds. In addition, the Treasurer, with the concurrence of the Board of Higher Education, must determine the following:

Additional financial incentives for use of the bonds for higher education; limits that may be imposed on the amount of Garden State Savings Bonds that may be purchased by individual households; minimum denominations to market the Garden State Savings Bonds so that they are affordable by individuals; and the feasibility of staggered or periodic forms of payments for Garden State Savings Bonds, and to advise the issuing officials regarding such evaluation.

The Chancellor of the Department of Higher Education testified in support of the bill. The chief executive officer of the College Savings Bank in Princeton, New Jersey, offered testimony in opposition to the bill.

ASSEMBLY APPROPRIATIONS COMMITTEE

STATEMENT TO

ASSEMBLY, No. 4672

with Assembly committee amendments

STATE OF NEW JERSEY

DATED: JUNE 10, 1991

The Assembly Appropriations Committee reports favorably Assembly Bill No. 4672 with committee amendments.

Assembly Bill No. 4672, as amended, the "Garden State Savings Act of 1991," provides for the sale of Garden State Savings Bonds. The purpose of the program is to assist persons trying to save for a college education by offering State and federally tax-free bonds for sale to the public, and to offer these bonds in low denominations to enable a large number of New Jersey families to participate.

The Garden State Savings Bonds will be a portion, determined by the Treasurer, of the aggregate principal amount of bonds which have been authorized for issuance by State agencies or authorities. The bill provides that the issuing officials shall determine the rate of interest of the bonds, and when such interest shall be payable. It is the committee's understanding that the bonds may be a portion of previously-authorized bond issues, which generally require semiannual interest payments, or of future bond issues which may provide for a single interest payment upon maturity ("zero-coupon" bonds).

Under the bill, as amended, persons who use the earnings on these bonds to finance part of a student's cost at a public or private institution of higher education in New Jersey may also be eligible for additional financial incentives to be determined by the Treasurer, with the concurrence of the Board of Higher Education. The bill also provides that the Student Assistance Board will exclude at least \$25,000 of Garden State Savings Bonds or accumulated bonds, interest or supplemental payment from consideration as assets or income when evaluating the financial needs of a student.

The Treasurer, or the issuing authority or agency, is required to submit a report to the Board of Higher Education after each bond issuance detailing the results of each separate sale. In addition, the Treasurer must determine such factors as whether limits should be imposed on the amount of bonds that may be purchased by individual households, the minimum bond denominations, and the feasibility of staggered or periodic forms of payments for bonds.

FISCAL IMPACT

This bill has no direct fiscal impact on the State. Any financial incentives provided to bond purchasers under the bill may involve State costs.

COMMITTEE AMENDMENTS

The committee amendments are technical and clarifying in nature.

SENATE REVENUE, FINANCE AND
APPROPRIATIONS COMMITTEE
STATEMENT TO

[FIRST REPRINT]

ASSEMBLY, No. 4672

with committee amendments

STATE OF NEW JERSEY

DATED: JUNE 27, 1991

The Senate Revenue, Finance and Appropriations Committee reports favorably Assembly Bill No. 4672 [1R] with committee amendments.

Assembly Bill No. 4672 [1R], as amended, the "Garden State Savings Act of 1991," provides for the sale of Garden State Savings Bonds. The purpose of the program is to assist persons trying to save for a college education by offering State and federal tax-free bonds for sale to the public, and to offer these bonds in low denominations to enable a large number of New Jersey families to participate. Toward this end, the bill specifies that each issue is to be offered with sufficient bonds at a purchase price of \$100 to satisfy demand.

The Garden State Savings Bonds will be a portion, determined by the Treasurer, of the aggregate principal amount of bonds which have been authorized for issuance by State agencies or authorities. The bill provides that the issuing officials shall determine the rate of interest of the bonds, and when such interest shall be payable. These bonds may be a portion of previously-authorized bond issues, which generally require semiannual interest payments, or of future bond issues which may provide for a single interest payment upon maturity ("zero-coupon" bonds).

Under the bill, persons who use the earnings on these bonds to finance part of a student's cost at a public or private institution of higher education in New Jersey will also be eligible for additional financial incentives to be determined by the Treasurer, with the concurrence of the Board of Higher Education. These incentives must, at a minimum include an additional six percent of the face value of the bonds held, of which two percent will be paid by the State and four percent by the institutions. The bill also provides that the Student Assistance Board will exclude at least \$25,000 of Garden State Savings Bonds or accumulated bonds, interest or supplemental payment from consideration as assets or income when evaluating the financial needs of a student.

The Treasurer, or the issuing authority or agency, is required to submit a report to the Board of Higher Education after each bond issuance detailing the results of each separate sale. In addition, the Treasurer must determine such factors as whether limits should be imposed on the amount of bonds that may be purchased by individual households, the minimum bond denominations, and the feasibility of staggered or periodic forms of payments for bonds.

As reported, this bill is identical to Senate Bill No. 3525 (SCS) with committee amendments, also reported favorably.

COMMITTEE AMENDMENTS:

The committee amendments provide that the incentive for use of Garden State Bonds to finance an education at participating institution shall be at least 6%, with the State paying 2% and the institution 4%. The amendments also require that all State institutions participate, while independent institutions are permitted to participate. The amendments limit the availability of the financial incentives associated with attendance at a New Jersey institution of higher education to the original purchaser of a Garden State Savings Bond and the purchaser's immediate family. The amendments also specify that each issue is to be offered with sufficient bonds at a purchase price of \$100 to satisfy the demand for bonds that are affordable by individuals.

FISCAL IMPACT:

No fiscal note had been prepared for this bill. The bill provides that when a Garden State Savings Bond is used to finance an education at a public or private institution of higher education in New Jersey, the State shall pay an additional amount equal to at least 2% of the face value of the bond and the institution must pay an additional amount equal to at least 4% of the face value of the bond. The cost to the State, directly and indirectly (through the public institutions), from these incentives will depend on the aggregate value of the bonds which qualify for the incentive. No data are available to determine the aggregate value of the bonds that will be purchased, what proportion of those purchased bonds will be used at qualifying institutions and in what year they will be used.

The bill also excludes at least \$25,000 of Garden State Savings Bonds or accumulated bonds, interest or supplemental payment from consideration as assets or income when evaluating the financial needs of a student. Depending on the extent of the use of Garden State Bonds, this provision could result in a modest increase in the State's obligation under the tuition assistance grant program in future years.



OFFICE OF THE GOVERNOR

NEWS RELEASE

CN-001
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TRENTON, N.J. 08625

Release: Thursday
Sept. 5, 1991

GOVERNOR FLORIO SIGNS BILL CREATING COLLEGE SAVINGS BOND PROGRAM

HAWTHORNE -- Buying a tax-free savings bond can help a family pay for college under legislation signed today by Governor Jim Florio creating the \$75 million Garden State Savings Bond Program which will help parents to invest today for their children's college education.

"One of the most important steps you'll take in education is college. But today, getting a college education isn't as easy as it used to be. Not only do you need good grades; you have to be able to pay for it," said Governor Florio, during a bill signing ceremony at the Washington Elementary School. "We've got an answer that's going to help. The Garden State Savings Bond program is going to make it a lot easier for parents and grandparents to put away some money. These bonds are a great way to invest in the future and let parents start to plan for tomorrow."

The Governor credited the bill's sponsors, Assembly Speaker Joe Doria, Assemblyman William Pascrell, and Senator Dan Dalton, along with Senate President John Lynch, for swift passage of the legislation.

Garden State Savings Bonds (GSSB) are the second component of the Governor's initiative to make higher education more affordable and accessible for middle-class families as outlined in his State of the State address last January. Earlier this week, the Governor presented the first \$5,000 student loan check under the state's new \$50 million N.J. CLASS program -- New Jersey College Loans to Assist State Students. The program is aimed at providing loans to families earning up to \$85,000 and previously locked out of federal student loan programs.

The new savings bond initiative will encourage parents to purchase tax-free, low-cost savings bonds for college education. The bonds will be offered in small denominations. Maturity dates will vary according to purchase, but a \$1,000 bond could cost as little as \$280 for 20-year maturity or \$600 at a 10-year maturity.

The first issue of GSSB will be offered through the New Jersey Building Authority as zero coupon capital appreciation bonds. Interest on the bonds, which

is compounded semi-annually at a fixed rate, will be paid only at maturity. Maturities will range from 8 to 20 years, and bonds may not be redeemed before maturity.

Although the bonds are designed to offer a way for people to save for college, money received at maturity may be used for any purpose. If the bond money is used to pay for an immediate member of the family to attend college in New Jersey, however, the purchaser will receive a 6 percent bonus on the maturity amount from the college.

Higher Education Chancellor Edward D. Goldberg said: "This program will be very useful to New Jersey families and I commend the Governor and the Legislature for recognizing its value and supporting it so strongly. Garden State Savings Bonds are an excellent way to save for college -- and especially college in New Jersey."

State Board of Higher Education chair Albert W. Merck commented: "Saving for college is not always easy; it takes foresight and smart money management, plain and simple. The Garden State Savings Bond program brings together those two important concepts by offering almost all New Jerseyans a very attractive means of planning for and financing a college education for their children."

Bonds may be purchased only through licensed brokers. For additional information and to place an order for a GSSB, people are encouraged to contact any of the following companies:

First Fidelity Bank	800-FFB-MUNI
Dean Witter Reynolds, Inc.	800-488-4486
Butcher & Singer	800-722-2059
J.B. Hanauer & Co.	800-631-1094
PaineWebber Inc.	800-932-0093
Prudential Securities, Inc.	800-628-2487
Pryor, McClenden, Counts & Co.	800-275-7769
Tucker, Anthony, Inc.	800-847-0056

People can also call the state Department of Higher Education's referral line at 1-800-257-4772.

"We're doing this because we want to keep New Jersey a great place to live. And the best way to make sure that happens is to keep our best and brightest students here in New Jersey," said Governor Florio, who plans to purchase two bonds for his grandchildren, Matthew and Chelsea. "And we're going to work to make sure that when they graduate, they'll have good jobs waiting for them, too."

"I said that education is just another word for opportunity. So are the Garden State Savings Bonds. It's my hope that parents will take advantage of this opportunity to make an important investment in their children and in a better New Jersey."

#



NEW JERSEY COLLEGE LOANS ASSISTING STATE STUDENTS (NJ CLASS)

New Jersey College Loans Assisting State Student (NJ CLASS), provides \$50 million in college loans up to \$5,000 per year for students whose family incomes are not low enough to qualify for federal student loan assistance.

Students from families earning more than \$45,000 currently have no direct financial assistance available to them. Middle-class families -- some with more than one child in college -- are often left to resort to personal or home-equity loans as a means of paying for a college education. Families with incomes up to \$85,000 are eligible for the new loan program.

The New Jersey Higher Education Assistance Authority (HEAA), for the first time, will sell \$50 million in bonds to fund the loans offered under NJ CLASS. The authority currently administers the Tuition Aid Grant (TAG) program, New Jersey's principal assistance program, as well as federal student loan assistance programs.

Under NJ CLASS:

- All borrowers must be New Jersey residents and have a family income less than \$85,000 or twice the state median income.
- Students are eligible for loans up to \$5,000 per year (\$25,000 cumulative) and funds can be used for all college costs. TAG grants, for example, are limited to tuition only.
- Loans will be offered at fixed interest rate of 8.95 percent. Interest only will be paid while the student is in school; full repayment begins upon graduation. Students who choose to defer interest payments until graduation will receive a rate of 9.25 percent.



GARDEN STATE SAVINGS BOND PROGRAM

The Garden State Savings Bond program is a \$75 million initiative in which parents are encouraged to purchase tax-free, low-cost savings bonds for college education.

Under the Garden State Savings Bonds program:

- Tax-free bonds will be offered in small denominations starting at \$1,000.
- Maturity dates will range from 8 to 20 year and interest will be compounded at a semi-annual rate. A \$1,000 bond could cost as little as \$275 for 20-year maturity or \$600 at a 10-year maturity.
- Bondholders redeeming bonds for tuition payment will receive a financial bonus from the state public institution the student enrolls in.