

18A:72A-57

LEGISLATIVE HISTORY CHECKLIST
Compiled by the NJ State Law Library

(Higher Ed Trust)

NJSA: 18A:72A-57

LAWS OF: 1995 **CHAPTER:** 146

BILL NO: A65

SPONSOR(S): Haytaian and Rocco

DATE INTRODUCED: February 6, 1995

COMMITTEE: **ASSEMBLY:** Appropriations

SENATE: Education; Budget

AMENDED DURING PASSAGE: Yes Amendments during passage
Second reprint enacted denoted by superscript numbers

DATE OF PASSAGE: **ASSEMBLY:** February 27, 1995

SENATE: June 12, 1995

DATE OF APPROVAL: June 29, 1995

FOLLOWING STATEMENTS ARE ATTACHED IF AVAILABLE:

SPONSOR STATEMENT: Yes

COMMITTEE STATEMENT: **ASSEMBLY:** Yes

SENATE: Yes 3-23-95 & 5-8-95

FISCAL NOTE: Yes

VETO MESSAGE: No

MESSAGE ON SIGNING: No

FOLLOWING WERE PRINTED:

REPORTS: No

HEARINGS: No

KBG:pp

[SECOND REPRINT]

ASSEMBLY, No. 65

STATE OF NEW JERSEY

INTRODUCED FEBRUARY 6, 1995

By Assemblymen HAYTAIAN and ROCCO

1 AN ACT concerning the Higher Education Facilities Trust Fund
2 and amending P.L.1993, c.375.

3

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

6 1. Section 9 of P.L.1993, c.375 (C.18A:72A-57) is amended to
7 read as follows:

8 9. a. The authority shall from time to time issue bonds or
9 notes in an amount sufficient to finance the grants provided
10 under this act and to finance the administrative costs associated
11 with the approval process and the issuance of the bonds or notes,
12 except that the total outstanding principal amount of the bonds
13 or notes shall not exceed \$220,000,000 and the term of any bond
14 issued shall not exceed [10] 15 years. In computing the foregoing
15 limitation as to amount, there shall be excluded all bonds which
16 shall be issued for refunding purposes, provided that the refunding
17 shall be determined by the authority to result in a debt service
18 savings. The authority shall issue the bonds or notes in such
19 manner as it shall determine in accordance with the provisions of
20 P.L.1993, c.375 (C.18A:72A-49 et al.) and the "New Jersey
21 educational facilities authority law," N.J.S.18A:72A-1 et seq.,
22 provided that no bonds or notes shall be issued pursuant to this
23 section without the prior written consent of the State Treasurer.

24 1Notwithstanding any other provision of law to the contrary, the
25 State Treasurer shall not consent to the issuance of any bonds or
26 notes unless the amount scheduled for the annual debt service
27 payments for ²[all] each series of ²bonds or notes, consisting of
28 the payment of interest ²[,] and ²principal ²[, and redemption
29 premium, if any,]² on the bonds or notes, are, as far as may be
30 practicable, ²[equal] level² for each ²fiscal² year that any bonds
31 or notes ²of the series² are outstanding ²,except for a fiscal year
32 in which the first or last payment on a series is the only payment
33 made for that series during that fiscal year^{2,1}

34 b. Bonds or notes issued pursuant to this act shall not be in any
35 way a debt or liability of the State or of any political subdivision
36 thereof other than the authority and shall not create or
37 constitute any indebtedness, liability or obligation of the State or
38 of any political subdivision thereof, or be or constitute a pledge
39 of the faith and credit of the State or of any political subdivision
40 thereof, but all bonds or notes, unless funded or refunded by the
41 bonds or notes of the authority, shall be payable solely from
42 revenues of funds pledged or available for their payment as
43 authorized by this act. Each bond shall contain on its face a

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 Senate SED committee amendments adopted March 30, 1995.

² Senate SBA committee amendments adopted May 8, 1995.

1 statement to the effect that the authority is obligated to pay the
2 principal thereof, redemption premium, if any, or the interest
3 thereon only from revenue or funds of the authority and that
4 neither the State nor any political subdivision thereof is obligated
5 to pay the principal thereof, redemption premium, if any, or
6 interest thereon and that neither the faith and credit nor the
7 taxing power of the State or of any political subdivision thereof is
8 pledged to the payment of the principal of, redemption premium,
9 if any, or the interest on the bonds.

10 c. The State of New Jersey does hereby pledge to and
11 covenant and agree with the holders of any bonds or notes issued
12 pursuant to the authorization of P.L.1993, c.375 (C.18A:72A-49
13 et al.) that the State shall not limit or alter the rights or powers
14 hereby vested in the authority to perform and fulfill the terms of
15 any agreement made with the holders of the bonds or notes, or to
16 fix, establish, charge and collect such rents, fees, rates,
17 payments, or other charges as may be convenient or necessary to
18 produce sufficient revenues to meet all expenses of the authority
19 and to fulfill the terms of any agreement made with the holders
20 of the bonds and notes, together with interest thereon, with
21 interest on any unpaid installments of interest, and all costs and
22 expenses in connection with any action or proceedings by or on
23 behalf of the holders, until the bonds and notes, together with
24 interest thereon, are fully met and discharged or provided for.

25 (cf: P.L.1993, c.375, s.9)

26 2. This act shall take effect immediately.

27

28

29

30

31 Extends the term for repayment of bonds from the Higher
32 Education Facilities Trust Fund.

1 c. The State of New Jersey does hereby pledge to and
2 covenant and agree with the holders of any bonds or notes issued
3 pursuant to the authorization of P.L.1993, c.375 (C.18A:72A-49
4 et al.) that the State shall not limit or alter the rights or powers
5 hereby vested in the authority to perform and fulfill the terms of
6 any agreement made with the holders of the bonds or notes, or to
7 fix, establish, charge and collect such rents, fees, rates,
8 payments, or other charges as may be convenient or necessary to
9 produce sufficient revenues to meet all expenses of the authority
10 and to fulfill the terms of any agreement made with the holders
11 of the bonds and notes, together with interest thereon, with
12 interest on any unpaid installments of interest, and all costs and
13 expenses in connection with any action or proceedings by or on
14 behalf of the holders, until the bonds and notes, together with
15 interest thereon, are fully met and discharged or provided for.
16 (cf:P.L.1993, c.375, s.9)

17 2. This act shall take effect immediately.

18

19

20

STATEMENT

21

22 This bill amends the Higher Education Facilities Trust Fund
23 Act to extend the repayment terms of the bonds. It provides that
24 the total outstanding principal amount of the bonds or notes
25 cannot exceed \$220,000,000 and the term of any bond cannot
26 exceed 15 years.

27

28

29

30

31 Extends the term for repayment of bonds from the Higher
32 Education Facilities Trust Fund.

ASSEMBLY APPROPRIATIONS COMMITTEE

STATEMENT TO

ASSEMBLY, No. 65

STATE OF NEW JERSEY

DATED: FEBRUARY 23, 1995

The Assembly Appropriations Committee reports favorably Assembly Bill No. 65.

Assembly Bill No. 65 amends the Higher Education Facilities Trust Fund Act to extend the repayment terms of certain bonds. The Higher Education Facilities Trust Fund Act provides for the issuance of \$220 million in bonds by the New Jersey Educational Facilities Authority for grants to New Jersey public and private institutions of higher education for the cost of construction, reconstruction, development, extension, and improvement of instructional, laboratory, communication and research facilities. The bill extends the maximum term of these bonds from 10 to 15 years.

FISCAL IMPACT:

The extension of the maximum term of the bonds will increase the total interest paid. Total interest paid depends upon market interest rates at time of issuance; however, the Governor's Budget Recommendation for Fiscal Year 1996 estimates that the first year costs for the issuance will be \$18.8 million.

SENATE EDUCATION COMMITTEE

STATEMENT TO

ASSEMBLY, No. 65

with committee amendments

STATE OF NEW JERSEY

DATED: MARCH 23, 1995

The Senate Education Committee favorably reports Assembly Bill No. 65 with committee amendments.

This bill amends the Higher Education Facilities Trust Fund Act to extend the repayment terms of certain bonds. The Higher Education Facilities Trust Fund Act provides for the issuance of \$220 million in bonds by the New Jersey Educational Facilities Authority for grants to New Jersey public and private institutions of higher education for the cost of construction, reconstruction, development, extension, and improvement of instructional, laboratory, communication and research facilities. The bill extends the maximum term of these bonds from 10 to 15 years and requires that the annual debt service payments are, as far as may be practicable, equal for each year that any bonds or notes are outstanding.

The committee amended the bill to require the equalization of the annual debt service payments.

SENATE BUDGET AND APPROPRIATIONS COMMITTEE

STATEMENT TO

[FIRST REPRINT]

ASSEMBLY, No. 65

with Senate committee amendments

STATE OF NEW JERSEY

DATED: MAY 8, 1995

The Senate Budget and Appropriations Committee reports favorably Assembly Bill No. 65 [1R] with amendments.

Assembly Bill No. 65 [1R], as amended, changes the Higher Education Facilities Trust Fund Act, P.L.1993, c.375, to extend the maximum term of certain bonds to be issued by the authority from 10 to 15 years.

The Higher Education Facilities Trust Fund Act, enacted on January 10, 1994, provides for the issuance of \$220 million in bonds by the New Jersey Educational Facilities Authority for grants to New Jersey public and private institutions of higher education for the cost of construction, reconstruction, development, extension, and improvement of instructional, laboratory, communication and research facilities. The authority has not yet issued any of the bonds authorized.

In addition, the bill requires the schedule for the annual debt service payments for all bonds or notes issued in a series to be as level as practicable for each fiscal year.

COMMITTEE AMENDMENTS

The committee amended the bill to clarify the paragraph added by the Senate Education Committee on March 30, 1995. The paragraph requires debt service payments to be, as far as practicable, level for each fiscal year for each series of bonds or notes issued.

FISCAL IMPACT

The extension authorized by this bill of the maximum term of the bonds issued by the New Jersey Educational Facilities Authority will increase the total interest that will be paid on these bonds; total interest paid will depend upon market interest rates at time of issuance. The Governor's Budget Recommendation for Fiscal Year 1996 estimates that the first year costs for the issuance will be \$18.8 million if the bonds are issued in late spring or early summer of 1995.

LEGISLATIVE FISCAL ESTIMATE TO

[FIRST REPRINT]

ASSEMBLY, No. 65

STATE OF NEW JERSEY

DATED: May 26, 1995

Assembly Bill No. 65 [1R] of 1995 amends the Higher Education Facilities Trust Fund Act to extend the repayment terms of the bonds issued to finance construction projects authorized under the act from 10 years to a maximum of 15 years. In addition, the bill was amended to require that the annual debt service payments be equal for each year that any bonds or notes are outstanding. The Higher Education Facilities Trust Fund Act (P.L.1993, c.375) provides for the issuance of \$220 million in bonds by the Educational Facilities Authority for grants to New Jersey public and private institutions of higher education for the cost of construction, reconstruction, development, extension, and improvement of instructional, laboratory, communication and research facilities.

Based on debt service projections and assumptions run by the Office of Public Finance in the Department of the Treasury, the lengthening of the bond repayment schedule from 10 to 15 years increases total interest payments by approximately \$40 million over the entire payback period. Since the principal repayment remains at \$220 million, total debt service would increase from \$287.2 million to \$327.2 million. This represents current (actual) dollars, not a present value calculation based on discounted future dollars. Because the repayment period is extended by five years, annual debt service payments after year one would be somewhat less than they would be under a 10 year amortization (all other factors being equal), but would be made for a longer time period.

The Governor's FY 1996 budget recommendation is based on the assumption that a 15 year repayment schedule will be enacted for the higher education facilities trust bonds. The budget (page E-31) includes \$18.8 million for the first year of debt service on the bonds. Debt service for each of the remaining 14 years was projected to be \$22.8 million.

Treasury has recently issued a revised debt service schedule for the higher education bonds that incorporates slightly lower interest rate assumptions and a slightly higher first year payment, reflecting the level annual debt service requirement added to A-65 by amendment. Under this schedule, FY 1996 debt service is \$20.9 million, or \$2.1 million higher than the amount contained in the Governor's budget. Debt service for FY 1997 through 2010 is approximately \$21.9 million annually.

The Office of Legislative Services (OLS) notes that precise debt service terms will be established at the time of the bond sale, when actual interest rates will be set. Long term interest rates have been declining in recent months. OLS further notes that the State has the ability to affect the level of FY 1996 debt service, not only by the timing of the sale, but also by structuring the first principal repayment to fall into either FY 1996 or FY 1997. As the bill is presently drafted, however, that determination is likely to be influenced by the requirement for equal annual debt service payments over the life of the bonds.

This legislative fiscal estimate has been produced by the Office of Legislative Services due to the failure of the Executive Branch to respond to a formal request for a fiscal note.

This fiscal estimate has been prepared pursuant to P.L.1980, c.67.