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NEW JERSEY REPUBLICAN STATE : SUPREME COURT OF NEW JERSEY  
COMMITTEE a/k/a the NJGOP; : DOCKET NO.: M-1291  
DECLAN O'SCANLON; HAL : September Term, 2019  
WIRTHS; LISA NATALE- : 084731  
CONTESSA; and ILEANA : CIVIL ACTION  
SCHIRMER, :  
 :  
 :  
 Plaintiffs, : On Certification from:  
 :  
 v. : SUPERIOR COURT OF NEW JERSEY  
 : MERCER COUNTY, LAW DIVISION  
 : DOCKET NO. MER-L-1263-20  
 PHILIP D. MURPHY, in his :  
 official capacity as the :  
 GOVERNOR of the STATE OF :  
 NEW JERSEY, :  
 :  
 Defendant.

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DEFENDANT'S APPENDIX

VOLUME 2-a OF 6

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# **EXHIBIT N**

# REVENUES, EXPENDITURES & FUND BALANCES

## SCHEDULE 1 STATE REVENUES (thousands of dollars)

	-----Fiscal Year Ending June 30-----		
	2016 Actual	2017 Estimated	2018 Estimated
Prequalification Fees .....	145	---	---
Public Defender Client Receipts .....	3,551	3,750	3,750
Public Finance Activities .....	1,230	---	---
Public Utility Fines .....	2,092	1,050	1,050
Public Utility Gross Receipts and Franchise Taxes (Water/Sewer) .....	124,187	129,000	133,000
Railroad Tax - Class II .....	4,638	5,000	5,000
Railroad Tax - Franchise .....	6,961	7,000	7,000
Rate Counsel .....	6,709	7,000	8,656
Surplus Property .....	1,893	1,800	1,800
Tax Referral Cost Recovery Fee .....	10,960	10,000	10,000
Telephone Assessment .....	122,150	121,304	134,304
Tire Clean-Up Surcharge .....	9,875	9,800	9,800
Tobacco Settlement Financing Corporation - MSA Payments .....	53,344	---	---
<b>Subtotal, Department of the Treasury .....</b>	<b>841,684</b>	<b>762,894</b>	<b>1,122,916</b>
<b>Other Sources:</b>			
Miscellaneous Revenue .....	1,861	1,000	1,000
<b>Interdepartmental Accounts:</b>			
Administration and Investment of Pension and Health Benefit Funds - Recoveries .....	2,511	2,810	2,810
Employee Maintenance Deductions .....	315	300	300
Federal Fringe Benefit Recoveries from School Districts .....	46,527	53,300	58,800
Fringe Benefit Recoveries from Colleges and Universities/University Hospital .....	207,626	245,495	246,074
Fringe Benefit Recoveries from Federal and Other Funds .....	350,783	399,075	384,624
Indirect Cost Recoveries - DEP Other Funds .....	11,745	11,600	11,600
MTF Revenue Fund .....	40,007	17,420	15,230
Miscellaneous Revenue .....	39	---	---
Rent of State Building Space .....	3,492	3,470	3,470
Social Security Recoveries from Federal and Other Funds .....	62,771	64,844	62,363
Standard Offer Payments - Utilities .....	128	---	---
<b>Subtotal, Interdepartmental Accounts .....</b>	<b>725,944</b>	<b>798,314</b>	<b>785,271</b>
<b>The Judiciary:</b>			
Civil Arbitration Program .....	2,136	---	---
Court Fees .....	50,670	49,500	48,000
Miscellaneous Revenue .....	514	---	---
<b>Subtotal, The Judiciary .....</b>	<b>53,320</b>	<b>49,500</b>	<b>48,000</b>
<b>Total Miscellaneous Taxes, Fees, and Revenues .....</b>	<b>3,145,719</b>	<b>2,988,607</b>	<b>3,343,143</b>
<b>Interfund Transfers:</b>			
Beaches and Harbor Fund .....	3	5	5
Building Our Future Fund .....	748	838	1,056
Cultural Centers and Historic Preservation Fund .....	---	2	4
Dam, Lake, Stream and Flood Control Project Fund - 2003 .....	25	38	22
Developmental Disabilities Waiting List Reduction Fund .....	3	4	1
Dredging and Containment Facility Fund .....	430	---	---
Emergency Flood Control Fund .....	1	1	3
Energy Conservation Fund .....	1	1	3
Enterprise Zone Assistance Fund .....	83,450	71,057	66,728
Fund for the Support of Free Public Schools .....	5,022	5,724	6,002
Garden State Farmland Preservation Trust Fund .....	2,025	2,080	2,080
Garden State Green Acres Preservation Trust Fund .....	4,531	5,731	5,731
Garden State Historic Preservation Trust Fund .....	605	84	84
Hazardous Discharge Fund .....	1	1	1
Hazardous Discharge Site Cleanup Fund .....	18,276	19,022	19,022
Housing Assistance Fund .....	13	22	23
Judiciary Bail Fund .....	87	33	33
Judiciary Probation Fund .....	21	9	9
Judiciary Special Civil Fund .....	9	4	4
Judiciary Superior Court Miscellaneous Fund .....	12	3	3
Legal Services Fund .....	9,160	9,150	9,150
Mortgage Assistance Fund .....	2,081	323	346
Motor Vehicle Security Responsibility Fund .....	1	1	1
NJ Bridge Rehab. and Improvement and R.R. Right-of-Way Preservation Fund .....	7	12	13
Natural Resources Fund .....	3	4	5
New Jersey Spill Compensation Fund .....	15,924	16,914	16,914

# ENVIRONMENTAL PROTECTION

Year Ending June 30, 2016					Year Ending June 30, 2018			
Orig. & (S) Supplemental	Reapp. & (R) Recpts.	Transfers & (E) Emergencies	Total Available	Expended	Prog. Class.	2017 Adjusted Approp.	Requested	Recommended
<b>DIRECT STATE SERVICES</b>								
<b>Distribution by Fund and Object</b>								
Personal Services:								
15,333	7,706 <sup>R</sup>	-2,927	20,112	15,629		15,633	15,573	15,573
---	---	---	---	4,483		---	---	---
<u>15,333</u>	<u>7,706</u>	<u>-2,927</u>	<u>20,112</u>	<u>20,112</u>		<u>15,633</u>	<u>15,573</u>	<u>15,573</u>
146	---	7	153	128		146	146	146
3,542	---	-266	3,276	3,082		3,396	3,396	3,396
437	---	8	445	440		437	437	437
Special Purpose:								
9,606	---	---	9,606	9,605				
					19	9,606	9,546	9,546
---	1,542							
---	1,914 <sup>R</sup>	-1,626	1,830	---	23	---	---	---
454	---	---	454	430				
					23	---	---	---
---	---	3,307	3,307	2,771	27	---	---	---
18,903	12,709 <sup>R</sup>	7	32,246	31,621				
---	2,849	-2,849	---	---	27	19,022	19,022	19,022
---	972	-7	965	629	29	---	---	---
---	13	387	400	398	29	---	---	---
<b>CAPITAL CONSTRUCTION</b>								
<b>Distribution by Fund and Program</b>								
27,083	81,927	2,849	111,859	60,628	29	25,128	26,805	26,805
<u>27,083</u>	<u>81,927</u>	<u>2,849</u>	<u>111,859</u>	<u>60,628</u>		<u>25,128</u>	<u>26,805</u>	<u>26,805</u>
<b>Distribution by Fund and Object</b>								
<b>Site Remediation</b>								
5,642	51,920	2,849	60,411	28,926	29	5,027	5,584	5,584
						208 <sup>S</sup>		
10,156	9,696	---	19,852	10,102	29	9,048	10,052	10,052
						375 <sup>S</sup>		
<u>11,285</u>	<u>20,311</u>	<u>---</u>	<u>31,596</u>	<u>21,600</u>	29	10,053	11,169	11,169
						417 <sup>S</sup>		
<u>75,504</u>	<u>110,259</u>	<u>-1,110</u>	<u>184,653</u>	<u>129,844</u>		<u>73,368</u>	<u>74,925</u>	<u>74,925</u>
<b>OTHER RELATED APPROPRIATIONS</b>								
<b>Federal Funds</b>								
5,000	1	---	5,001	1	19	5,000	5,020	5,020
1,400	57	---	1,457	696	23	1,400	1,500	1,500
<u>6,900</u>	<u>3,828</u>	<u>149</u>	<u>10,877</u>	<u>5,018</u>	27	<u>12,650</u>	<u>12,650</u>	<u>12,650</u>
<u>13,300</u>	<u>3,886</u>	<u>149</u>	<u>17,335</u>	<u>5,715</u>		<u>19,050</u>	<u>19,170</u>	<u>19,170</u>
<b>All Other Funds</b>								
---	40	---			23			
---	22,946 <sup>R</sup>	---	22,986	22,870		24,975	24,975	24,975

# EXHIBIT O

**Interfund Transfers**

(thousands of dollars)

Beaches and Harbor Fund .....	5
Building Our Future Fund .....	1,268
Cultural Centers and Historic Preservation Fund .....	4
Dam, Lake, Stream and Flood Control Project Fund - 2003 .....	22
Developmental Disabilities Waiting List Reduction Fund .....	1
Emergency Flood Control Fund .....	3
Energy Conservation Fund .....	3
Enterprise Zone Assistance Fund .....	65,967
Fund for the Support of Free Public Schools .....	6,002
Garden State Farmland Preservation Trust Fund .....	2,080
Garden State Green Acres Preservation Trust Fund .....	5,731
<b>Garden State Historic Preservation Trust Fund .....</b>	<b>84</b>
Hazardous Discharge Fund .....	1
Hazardous Discharge Site Cleanup Fund .....	19,022
Housing Assistance Fund .....	23
Judiciary Bail Fund .....	33
Judiciary Probation Fund .....	9
Judiciary Special Civil Fund .....	4
Judiciary Superior Court Miscellaneous Fund .....	3
Legal Services Fund .....	9,150
Mortgage Assistance Fund .....	346
Motor Vehicle Security Responsibility Fund .....	1
NJ Bridge Rehab. and Improvement and R.R. Right-of-Way Preservation Fund .....	13
Natural Resources Fund .....	5
New Jersey Spill Compensation Fund .....	16,914
New Jersey Workforce Development Partnership Fund .....	32,089
Pollution Prevention Fund .....	1,024
Public Purpose Buildings and Community-Based Facilities Construction Fund .....	1
Safe Drinking Water Fund .....	2,573
Shore Protection Fund .....	31
State Disability Benefit Fund .....	38,490
State Land Acquisition and Development Fund .....	1
State Owned Real Property Trust Fund .....	18,200
State Recycling Fund .....	3,900
State of New Jersey Cash Management Fund .....	1,374
Statewide Transportation and Local Bridge Fund .....	20
Supplemental Workforce Fund for Basic Skills .....	2,000
Unclaimed Insurance Payments on Deposit Accounts Trust Fund .....	57
Unclaimed Personal Property Trust Fund .....	170,000
Unclaimed Utility Deposits Trust Fund .....	43
Unemployment Compensation Auxiliary Fund .....	13,322
Universal Service Fund .....	67,650
Wage and Hour Trust Fund .....	2
Water Conservation Fund .....	4
Water Supply Fund .....	4,436
Worker and Community Right to Know Fund .....	2,798
<b>Total Interfund Transfers .....</b>	<b>484,709</b>
<b>Total Revenues, General Fund .....</b>	<b>19,276,132</b>
<b>Total Resources, General Fund .....</b>	<b>19,710,697</b>

22. COMMUNITY AFFAIRS

70. GOVERNMENT DIRECTION, MANAGEMENT, AND CONTROL
76. MANAGEMENT AND ADMINISTRATION
8049. HISTORIC TRUST
49. HISTORIC TRUST

Table with columns: NICFS Account No., IPB Account No., Direct State Services, (thousands of dollars). Row: 18-100-022-8049-017, 8049-101-491000-5, Historic Trust/Open Space Administrative Costs, ( 654). Total Appropriation, Historic Trust 654.

Language -- Direct State Services - General Fund

18-100-022-8049-017 8049-101-491000-5 The amount hereinabove appropriated for the Historic Trust/Open Space Administrative Costs program is appropriated for all administrative costs and expenses pursuant to the "New Jersey Cultural Trust Act," P.L.2000, c.76 (C.52:16A-72 et seq.); the "Garden State Preservation Trust Act," sections 1 through 42 of P.L.1999, c.152 (C.13:8C-1 et seq.); the "Historic Preservation Revolving Loan Fund," P.L.1991, c.41 (C.13:1B-15.115a et seq.); the "Green Acres, Clean Water, Farmland and Historic Preservation Bond Act of 1992," P.L.1992, c.88; the "Green Acres, Farmland and Historic Preservation, and Blue Acres Bond Act of 1995," P.L.1995, c.204; the "Green Acres, Farmland, Blue Acres, and Historic Preservation Bond Act of 2007," P.L.2007, c.119; the "Green Acres, Water Supply and Floodplain Protection, and Farmland and Historic Preservation Bond Act of 2009," P.L.2009, c.117; and the Preserve New Jersey Historic Preservation Fund, subject to the approval of the Director of the Division of Budget and Accounting.

18-100-022-8049-017 8049-101-491000-5 Notwithstanding the provisions of any law or regulation to the contrary, the amount hereinabove appropriated for the Historic Trust/Open Space Administrative Costs account is transferred from the Garden State Historic Preservation Trust Fund, the 2007 Historic Preservation Fund, the 2009 Historic Preservation Fund, and the Preserve New Jersey Historic Preservation Fund to the General Fund and is appropriated to the Department of Community Affairs for Historic Trust/Open Space Administrative Costs, subject to the approval of the Director of the Division of Budget and Accounting.

8070. DIVISION OF ADMINISTRATION
99. ADMINISTRATION AND SUPPORT SERVICES

Table with columns: NICFS Account No., IPB Account No., Direct State Services, (thousands of dollars). Rows include Personal Services (Salaries and Wages, Materials and Supplies, Services Other Than Personal, Maintenance and Fixed Charges) and Special Purpose (Government Records Council). Totals by Category: Direct State Services 40,744, Grants-In-Aid 57,570, State Aid 739,315. Totals by Fund: General Fund 99,914, Property Tax Relief Fund 737,715.

DEPARTMENT OF COMMUNITY AFFAIRS

All moneys comprising original bond proceeds or the repayment of loans or advances from the Mortgage Assistance Fund established under the "New Jersey Mortgage Assistance Bond Act of 1976," P.L.1976, c.94, are appropriated in accordance with the purposes set forth in section 5 of that act.

Notwithstanding the provisions of any law or regulation to the contrary, deposits of any funds into the Revolving Housing Development and Demonstration Grant Fund are subject to prior approval of the Director of the Division of Budget and Accounting.

# **EXHIBIT P**

STATE OF NEW JERSEY  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
 GENERAL FUND (Continued)  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	2009 Historic Preservation Fund	Historic Preservation Revolving Loan Fund	Housing Assistance Fund
<b>REVENUES</b>			
Taxes	\$ -	\$ -	\$ -
Federal and other grants	-	-	-
Licenses and fees	-	-	-
Services and assessments	-	-	-
Component Units and Port Authority	-	-	-
Investment earnings	51,818	62,042	56,694
Other	-	35	-
<b>Total Revenues</b>	<u>51,818</u>	<u>62,077</u>	<u>56,694</u>
<b>EXPENDITURES</b>			
<b>Current:</b>			
Public safety and criminal justice	-	-	-
Physical and mental health	-	-	-
Educational, cultural, and intellectual development	-	-	-
Community development and environmental management	-	-	-
Economic planning, development, and security	1,119,815	-	-
Transportation programs	-	-	-
Government direction, management, and control	107,312	-	-
Special government services	-	-	-
<b>Capital Outlay</b>	-	-	-
<b>Debt Service:</b>			
Principal	-	-	-
Interest	-	-	-
<b>Total Expenditures</b>	<u>1,227,127</u>	<u>-</u>	<u>-</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>(1,175,309)</u>	<u>62,077</u>	<u>56,694</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Bonds, notes, installment obligations, COPS issued, and capital lease acquisitions	-	-	-
Refunding bonds issued	-	-	-
Premiums/discounts	-	-	-
Payment to bond escrow agents	-	-	-
Transfers from other funds	-	-	-
Transfers to other funds	(82,263)	-	(56,694)
<b>Total Other Financing Sources (Uses)</b>	<u>(82,263)</u>	<u>-</u>	<u>(56,694)</u>
<b>Net Change in Fund Balance</b>	<u>(1,257,572)</u>	<u>62,077</u>	<u>-</u>
<b>Fund Balances - July 1, 2017 (Restated)</b>	<u>4,599,464</u>	<u>4,509,317</u>	<u>6,312,984</u>
<b>Fund Balances - June 30, 2018</b>	<u>\$ 3,341,892</u>	<u>\$ 4,571,394</u>	<u>\$ 6,312,984</u>



# **EXHIBIT Q**

**REVENUES, EXPENDITURES & FUND BALANCES**

**SCHEDULE 1  
STATE REVENUES  
(thousands of dollars)**

	-----Fiscal Year Ending June 30-----		
	2018	2019	2020
	Actual	Estimated	Estimated
NJ Economic Development Authority .....	5,958	---	5,000
NJ Public Records Preservation .....	34,378	30,300	30,300
New Jersey Public Broadcasting Authority .....	2,862	---	---
Nuclear Emergency Response Assessment .....	5,610	5,907	3,608
Office of Information Technology Receipts .....	50,340	---	---
Prequalification Fees .....	135	---	---
Public Defender Client Receipts .....	3,833	3,500	3,500
Public Finance Activities .....	1,025	---	---
Public Utility Fines .....	1,882	2,000	1,800
Public Utility Gross Receipts and Franchise Taxes (Water/Sewer) .....	135,392	140,808	145,032
Railroad Tax - Class II .....	5,016	5,010	4,970
Railroad Tax - Franchise .....	21,812	10,290	10,290
Rate Counsel .....	7,001	7,250	7,500
Ridesharing .....	---	12,000	12,000
Sports Betting .....	194	10,471	12,670
Surplus Property .....	1,738	1,450	1,700
Telephone Assessment .....	122,905	123,044	136,044
Tire Clean-Up Surcharge .....	10,028	10,100	10,100
Tobacco Settlement Financing Corporation .....	265,642	---	---
Subtotal, Department of the Treasury .....	<u>1,440,618</u>	<u>804,601</u>	<u>900,078</u>
Other Sources:			
Miscellaneous Revenue .....	12,191	3,000	3,000
Interdepartmental Accounts:			
Administration and Investment of Pension and Health Benefit Funds - Recoveries .....	2,265	2,810	2,810
Employee Maintenance Deductions .....	300	300	300
Federal Fringe Benefit Recoveries from School Districts .....	66,529	71,759	66,248
Fringe Benefit Recoveries from Colleges and Universities/University Hospital .....	224,074	223,910	212,444
Fringe Benefit Recoveries from Federal and Other Funds .....	375,636	356,533	337,491
Indirect Cost Recoveries - DEP Other Funds .....	13,071	11,600	11,600
MTF Revenue Fund .....	81,880	---	---
Miscellaneous Revenue .....	35	---	---
Rent of State Building Space .....	2,873	2,900	2,900
Social Security Recoveries from Federal and Other Funds .....	64,892	66,576	68,157
Standard Offer Payments - Utilities .....	286	---	---
Subtotal, Interdepartmental Accounts .....	<u>831,841</u>	<u>736,388</u>	<u>701,950</u>
Judicial Branch--			
The Judiciary:			
Civil Arbitration Program .....	2,224	---	---
Court Fees .....	48,670	49,750	49,750
Miscellaneous Revenue .....	438	---	---
Subtotal, The Judiciary .....	<u>51,332</u>	<u>49,750</u>	<u>49,750</u>
<i>Total Miscellaneous Taxes, Fees, and Revenues .....</i>	<u><i>3,924,490</i></u>	<u><i>3,158,352</i></u>	<u><i>3,186,495</i></u>
<b>Interfund Transfers:</b>			
Beaches and Harbor Fund .....	13	19	23
Building Our Future Fund .....	1,513	1,350	780
Clean Energy Fund .....	---	5,000	5,000
Cultural Centers and Historic Preservation Fund .....	1	1	5
Dam, Lake, Stream and Flood Control Project Fund - 2003 .....	96	134	59
Developmental Disabilities Waiting List Reduction Fund .....	17	33	38
Emergency Flood Control Fund .....	4	4	---
Energy Conservation Fund .....	4	6	7
Enterprise Zone Assistance Fund .....	68,985	39,971	32,675
Farmland Preservation Fund - 1989 .....	2	---	---
Fund for the Support of Free Public Schools .....	6,183	8,175	8,923
Garden State Farmland Preservation Trust Fund .....	347	2,125	---
Garden State Green Acres Preservation Trust Fund .....	5,517	5,947	5,947
Garden State Historic Preservation Trust Fund .....	82	265	---
Hazardous Discharge Fund .....	2	4	5
Hazardous Discharge Site Cleanup Fund .....	18,736	19,551	19,551
Housing Assistance Fund .....	57	91	105
Jobs, Education and Competitiveness Fund .....	1	---	---
Judiciary Bail Fund .....	142	126	126

	Actual FY 2017	Actual FY 2018	Revised FY 2019	Budget Estimate FY 2020
<b>PERSONNEL DATA</b>				
Affirmative action data				
Male minority .....	101	109	114	---
Male minority percentage .....	11.5%	12.5%	13.6%	---
Female minority .....	220	221	206	---
Female minority percentage .....	24.9%	25.3%	24.6%	---
Total minority .....	321	330	320	---
Total minority percentage .....	36.4%	37.8%	38.2%	---
<b>Position Data</b>				
Filled positions by funding source				
State supported .....	46	43	44	43
All other .....	20	20	22	22
Total positions .....	66	63	66	65
Filled positions by program class				
Historic Trust .....	6	6	7	7
Administration and Support Services .....	60	57	59	58
Total positions .....	66	63	66	65

**Notes:**

Actual payroll counts are reported for fiscal years 2017 and 2018 as of December and revised fiscal 2019 as of January. The budget estimate for fiscal 2020 reflects the number of positions funded.

**APPROPRIATIONS DATA**  
(thousands of dollars)

Orig. & (S)Supple- mental	Year Ending June 30, 2018				Prog. Class.	2019 Adjusted Approp.	Year Ending June 30, 2020		
	Reapp. & (R)Recpts.	Transfers & (E)Emer- gencies	Total Available	Expended			Requested	Recom- mended	
<b>DIRECT STATE SERVICES</b>									
<b>Distribution by Fund and Program</b>									
654	---	---	654	641	49	659	---	---	
2,578	---	225	2,803	2,783	99	2,704	2,704	2,704	
<b>3,232</b>	<b>---</b>	<b>225</b>	<b>3,457</b>	<b>3,424</b>		<b>3,363</b> (a)	<b>2,704</b>	<b>2,704</b>	
<b>Distribution by Fund and Object</b>									
Personal Services:									
2,016	---	157	2,173	2,169		2,139	2,139	2,139	
2,016	---	157	2,173	2,169		2,139	2,139	2,139	
8	---	4	12	11		8	8	8	
60	---	68	128	118		60	60	60	
16	---	-4	12	9		16	16	16	
Special Purpose:									
654	---	---	654	641					
478	---	---	478	476	99	481	481	481	
<b>GRANTS-IN-AID</b>									
<b>Distribution by Fund and Program</b>									
2,017	---	9	2,026	630	29	1,180	---	---	
<b>2,017</b>	<b>---</b>	<b>9</b>	<b>2,026</b>	<b>630</b>		<b>1,180</b>	<b>---</b>	<b>---</b>	

# **EXHIBIT R**

### Size of State Revenue Shortfalls in Two Recent Economic Recessions

*Total Budgeted Revenues in Millions of Dollars*

	<u>Original GBM Forecast</u>	<u>Certified Forecast Appropriations Act</u>	<u>CAFR Audit</u>	<u>Shortfall from Original GBM</u>	<u>Shortfall from Certified AA</u>
<b>"Dot-Com" Recession of 2001</b>					
FY2002	\$22,874.4	\$22,872.7	\$20,573.3	-\$2,301.1 -10.1%	-\$2,299.4 -10.1%
<b>Great Recession of 2008-2009</b>					
FY2009	\$32,468.6	\$32,368.5	\$28,897.6	-\$3,571.0 -11.0%	-\$3,470.9 -10.7%
FY2010	\$29,641.3	\$28,756.7	\$27,880.0	-\$1,761.3 -5.9%	-\$876.7 -3.0%
Great Recession's Two-Year Shortfalls =				-\$5,332.3	-\$4,347.6

Figures from the annual Governor's Budget Message (GBM) and the Comprehensive Annual Financial Report (CAFR).

### May 22 Report of FY2020 and FY2021 Revenue Shortfalls Due to COVID-19 Pandemic

*Total Budgeted Revenues in Millions of Dollars*

	<u>Feb 25 GBM Forecast</u>	<u>May 22 Report</u>	<u>May 22 Report Shorfall</u>
FY2020	\$39,465.1	\$36,733.2	-\$2,731.9 -6.9%
FY2021	\$41,161.5	\$33,954.5	-\$7,207.0 -17.5%
COVID-19 Two-Year Shortfalls =			-\$9,938.9

Figures from OREA and OMB reports, May 2020.

Revenue forecasts subject to change due to developing economic conditions and receipt of actual revenue collections data.

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NEW JERSEY REPUBLICAN STATE  
COMMITTEE a/k/a the NJGOP; DECLAN  
O'SCANLON; HAL WIRTHS; LISA  
NATALE-CONTESSA; and ILEANA  
SCHIRMER,

Plaintiffs,

vs.

PHILIP D. MURPHY, in his Official  
Capacity as Governor of New  
Jersey,

Defendant.

SUPREME COURT OF NEW JERSEY  
DOCKET NO. 084731

Civil Action

ON CERTIFICATION PURSUANT TO  
R. 2:12-1 FROM THE NEW JERSEY  
SUPERIOR COURT, LAW DIVISION,  
MERCER COUNTY

**CERTIFICATION OF  
MICHAEL B. KANEF IN  
SUPPORT OF THE STATE**

Michael B. Kanef, of full age, upon his oath certifies  
and says:

1. I am the Director of the Office of Public Finance,  
Department of the Treasury.

2. As the Director, I am responsible for overseeing the  
issuance of General Obligation ("GO Bonds") Bonds as well as State  
appropriation backed obligations of various independent State

authority issuers ("State-Contract Bonds") (GO Bonds and State-Contract Bonds, collectively, the "Bonds").

3. With the approval of the State Treasurer, I determine the structures, terms and conditions for all issuance of Bonds and manage a portfolio consisting of approximately \$1.5 billion in GO Bonds and approximately \$31.5 billion in State-Contract Bonds.

4. As the Director of the Office of Public Finance, I have personal knowledge of the material facts of this Certification. In preparing this Certification, I have reviewed the following publications and sources of information: the State of New Jersey Debt Report Fiscal Year 2019, published on April 2, 2020 (a true and correct copy of which is attached hereto as Exhibit A); my Testimony Before the New Jersey Assembly Budget Committee on June 1, 2020 (a true and correct copy of which is attached hereto as Exhibit B); the most recent credit rating reports on the State's GO Bonds as published by Moody's Investors Service on April 24, 2020 ("Moody's") (a true and correct copy of which is attached hereto as Exhibit C), Standard and Poor's Global Ratings on April 29, 2020 ("S&P") (a true and correct copy of which is attached hereto as Exhibit D) (Moody's and S&P, the "Credit Rating Agencies"); UBS Financial Services Inc., The US municipal market in the age of COVID, May 11, 2020, (a true and correct copy of which is attached hereto as Exhibit E), and other reports from various commercial banks and investment banks; the New Jersey

Treasurer's Report on the Financial Condition of the State Budget for Fiscal Years 2020 and 2021 issued on May 22, 2020 (a true and correct copy of which is attached hereto as Exhibit F); the New Jersey COVID-19 Emergency Bond Act (the "Emergency GO Bond Act"), L. 2020, c. 60 (a true and correct copy of which is attached hereto as Exhibit G); the Federal Reserve Bank of New York's ("Federal Reserve") April 27, 2020, Municipal Liquidity Facility term sheet (a true and correct copy of which is attached hereto as Exhibit H), as updated on May 11, 2020 (a true and correct copy of the update is attached hereto as Exhibit I), May 15, 2020 (a true and correct copy of the update is attached hereto as Exhibit J), and June 3, 2020 (a true and correct copy of the update of which is attached hereto as Exhibit K) (collectively, the "MLF Term Sheet"); the Municipal Liquidity Facility Application (as of June 16, 2020) (a true and correct copy of which is attached hereto as Exhibit L); the Federal Reserve's, Periodic Report: Update on Outstanding Lending Facility Authorized by the Board under Section 13(3) of (the Federal Reserve Act, published on May 15, 2020 (a true and correct copy of which is attached hereto as Exhibit M); as updated on June 14, 2020 (a true and correct copy of which is attached hereto as Exhibit N); and as updated on July 9, 2020 (a true and correct copy of which is attached hereto as Exhibit O) (collectively, the "MLF Periodic Updates"); the Federal Reserve's, Municipal Liquidity Facility Sample Purchase Rates, as published



on July 27, 2020 (a true and correct copy of which is attached hereto as Exhibit P); the Certification of Elizabeth Maher Muoio, dated July 31, 2020 (a true and correct copy of which is attached hereto as Exhibit Q).

#### **I. Introduction to Financing.**

5. Bond financing is a type of long-term borrowing that the State uses to fund various projects. Over the years, the State has issued GO Bonds and State-Contract Bonds to finance an array of projects, including: elementary and secondary school buildings, streets and roads, transportation facilities, hospitals, health-care and assisted living facilities, housing for low- and moderate-income families, preservation of open space and historic landmarks and State office and correctional facilities.

6. GO Bonds are issued pursuant to the Debt Limitation Clause of the New Jersey Constitution, Article VIII, section 2, Paragraph 3 ("Debt Limitation Clause") authorized from time to time by acts of the State Legislature ("GO Bond Acts") and are subject to approval by voter referendum except in cases of war, repel invasion, suppress insurrection, or emergency caused by disaster or act of God.

7. GO Bonds are generally issued with a long-term maturity which extends beyond the end of the fiscal year in which they are issued.

8. The purposes for which GO Bonds have been issued include: funding the expenses of the Civil War, unemployment relief during the Great Depression, open space and farmland preservation, water supply protection, transportation, higher education, port development, economic development, hazardous waste remediation, and many other public purposes. These purposes are generally long-term and it is not unusual that these long-term projects require multi-year funding, spanning multiple fiscal years.

9. In fact, it is a hallmark of GO Bonds that the proceeds are expended across multiple fiscal years to meet the intended identified needs of the various GO Bond Acts.

10. The GO Bond Acts also provide that the GO Bonds are direct obligations of the State and that the faith and credit of the State is pledged to the payment of the GO Bonds, and where other sources are insufficient, the State's taxing power is required to be used for repayment of the GO Bonds. The GO Bond Acts all include a provision allowing for revenue, generally derived from sales and use tax to pay the debt service. However, only if necessary, a tax on real and personal property is imposed, to be used for the payment of the principal and interest on the bonds. This provision is unique to GO Bond Acts because these bonds must be repaid, even if the State is unable to make debt service payments on other types of State debt.

11. Because GO Bonds are the direct obligation of the State backed by the State's faith and credit, they carry the highest credit ratings assigned to the State by the Credit Rating Agencies.

12. State-Contract Bonds are issued by independent State authorities (each a "State Authority"). A State Authority is a governmental entity established in the Executive Branch of government and allocated to a department for constitutional purposes, but which operates separate and apart from such department. State-Contract Bonds secured by a contract between the State Treasurer and the State Authority are authorized pursuant to various statutes. State-Contract Bonds can also be issued with a lease-leaseback structure. In both cases, the State, subject to appropriations, agrees to make payments to the State Authority in amounts sufficient to cover the debt service on the State-Contract Bonds.

13. A failure of the State Legislature to appropriate for debt service on State-Contract Bonds does not constitute an event of default under the State-Contract Bonds and the holder of the State-Contract Bonds does not have a remedy in such instance.

14. Because State-Contract Bonds are repaid subject to appropriation, which requires affirmative legislative action, State-Contract Bonds are rated one notch lower by the Credit Rating Agencies than the State's GO Bonds.

**II. While the Private and Public Capital Markets Show Signs of Recovery, Market Volatilities Still Impede State Access to Funding.**

15. Moody's has cautioned that COVID-19 will have a more substantial and lasting fiscal impact on the State compared to other states because of the State's structural budgetary imbalance, liquidity reserves, and combined debt and pensions liabilities, giving it less flexibility to manage the COVID-19-related economic disruptions. See Exhibit C at p. 1.

16. Similarly, S&P noted that the State will suffer sizable and permanent losses of tax revenue that will require structural budget adjustments, absent very strong economic growth for State fiscal year 2021. The State's high debt, high other postemployment benefits ("OPEB"), and a severely underfunded pension system, have created significant structural imbalances and will put pressure on future budgets. See Exhibit D at p. 5.

17. The issuance of GO Bonds and State-Contract Bonds in the public and private capital markets is a normal financing mechanism that the State uses.

18. While the markets show signs of recovery, COVID-19 continues to dislocate the public and private capital markets creating both volatility and pricing uncertainty.

19. Current private and public capital markets may have capacity for borrowing by the State, but even aggregated together, I do not believe that there is currently enough capital market

capacity for the State to make up for its expected revenue losses at rates similar to what the State paid for capital before the COVID-19 Pandemic.

20. At the time of the Treasurer's May 22 Report, the State's combined revenue shortfall for the extended Fiscal Year 2020 and Fiscal Year 2021 was expected to equal approximately \$9.9 billion. See Exhibit F, at p. 8. While revenue projections have improved for extended Fiscal Year 2020, the State faces "serious fiscal and economic challenges" for Fiscal Year 2021. See Exhibit Q at ¶¶65-66, 112-113.

21. As a result, the State will need to have all of its budgetary tools in its toolbox, including decreasing spending, increasing revenues and borrowing to address the remaining need.

22. In order to mitigate the long-term immeasurable pressures to the State's fiscal condition as a result of COVID-19, the Legislature and the State has approved one new "tool" through the New Jersey COVID-19 Emergency Bond Act (the "Emergency GO Bond Act"). See Exhibit G.

23. Given the level of need in Fiscal Year 2021, the State needs the Emergency GO Bond Act to ensure that it can access funds to address the State's financial needs and to adapt to the ongoing effects of the COVID-19 Pandemic.

### **III. The Emergency GO Bond Act Explained.**

#### **A. Issuing General Obligation Bonds.**

24. Section 4(a) of the Emergency GO Bond Act authorizes the State to issue bonds for amounts up to \$2.7 billion for the period that began July 1, 2019 and ends September 30, 2020 and \$7.2 billion for the period that begins October 1, 2020 and ends June 30, 2021, for a total combined aggregate amount of \$9.9 billion (collectively, the "Emergency GO Bonds") issued over the two State fiscal periods to the federal government or at a public or private sale for the purpose of addressing the "State's financial problems that have arisen as a consequence of the COVID-19 Pandemic." See Exhibit G, § 4(a).

25. The State would be authorized, under Section 4(a), to issue the Emergency GO Bonds either to the federal government pursuant to any federal stimulus law or at a public or private sale. Ibid.

26. There are several steps the State must go through before the State can issue any Emergency GO Bonds.

#### **B. Issuing Officials Meetings and Approval from the Commission.**

27. Under Section 4(a), the Issuing Officials - the Governor, the Treasurer, and the Director of the Division of Budget and Accounting - must first decide to issue bonds and authorize their issuance. Id. at § 6.

28. The first step towards doing so is for the Issuing Officials to conduct an open public meeting in accordance with the "Open Public Meetings Act," L. 1975, c. 321 (the "First Issuing Officials' Meeting").

29. At the First Issuing Officials Meeting, the Issuing Officials will need to adopt a resolution authorizing the State to apply for funding pursuant to a federal stimulus law or to sell bonds by accessing the public or private capital markets. The Issuing Officials will also approve any documentation used in support of accessing such funding at that meeting.

30. In addition, at this First Issuing Official Meeting, the Issuing Officials must approve a report that states that a decision to issue bonds has been made, including a description of the proposed bonds and supporting funding documentation (the "Report"). Ibid.

31. The Issuing Officials must then transmit the Report to the Select Commission on Emergency COVID-19 Borrowing (the "Commission") for review. Ibid.

32. The Commission is comprised of two members of the Senate selected by the Senate President and two members of the General Assembly selected by the Speaker of the General Assembly. Ibid.

33. Once the Issuing Officials have submitted the Report, the Commission has six days to approve the Report. Ibid.

34. The State is not authorized to issue any bonds unless the Report is affirmatively approved by the Commission; “[f]ailure of the Commission to meet or act within six days” of the Report’s submission or “to approve the report by affirmative vote of three or more members of the Commission” constitutes a denial. Ibid.

35. If the Commission approves the Report, the Issuing Officials, acting through the State Treasurer, will take the necessary steps to move the bond transaction forward.

36. If the bonds are being issued under a federal stimulus law, the Issuing Officials will submit a Notice of Interest, and if approved, subsequently submit an application. If the bonds are being sold in the public or private capital market, the Issuing Officials will take the necessary steps to finalize the terms of the sale of the bonds.

37. The Issuing Officials will then convene a second meeting, subject to the Open Public Meeting Act. There, they would adopt a resolution accepting the transaction terms and approving the sale to the federal government or to the public or private markets, as applicable (the “Second Issuing Officials’ Meeting”).

38. At that Second Issuing Officials Meeting, the Issuing Officials also would sell and issue the bonds.

39. However, even after the Issuing Officials secure the Commission’s approval to sell and issue the bonds, and complete



their sale and issuance, the Governor may not spend the bond proceeds until the Legislature appropriates them.

**C. Appropriation of Emergency GO Bonds.**

40. The proceeds from the sale of bonds issued under the Emergency GO Bond Act Bonds are paid to the Treasurer to be held in a separate fund, known as the "New Jersey COVID-19 State Emergency Fund" (the "Emergency Fund"). Id. at § 13.

41. Section 14 of the Emergency GO Bond Act provides two mechanisms for spending the Emergency GO Bonds. Id. at § 14.

42. First, "amounts on deposit in the New Jersey Emergency COVID-19 State Emergency Fund shall be withdrawn by the State Treasurer for deposit into the General Fund or the Property Tax Relief Fund as needed to support appropriations made by the Legislature in the Fiscal Year 2021 Appropriations Act, and such amounts shall constitute State revenues." Ibid. These amounts may be appropriated by the annual appropriations act or a supplemental thereto. Once appropriated in this way, these amounts may be transferred by the State Treasurer as needed to support appropriations in the annual appropriations act.

43. Second, Section 14 of the Emergency GO Bond Act further requires that the "balance of amounts on deposit in the New Jersey COVID-19 State Emergency Fund shall be subject to appropriations by the Legislature." Ibid. This provision outlines a mechanism for expending funds known colloquially as a "debt limitation

appropriation." The balance remaining in the Emergency Fund after the transfer to the General Fund or the Property Tax Relief Fund, as outlined in the first sentence of Section 14, may be appropriated by the Legislature - separate and apart from - the annual Appropriations Act or any supplemental act thereto in one or more separate chapter laws.

44. Debt limitation appropriation has been a common feature in GO Bond Acts for decades.

**D. Public or Private Capital Market Procedure.**

45. At this time, it is critical for the State to keep its options open to access federal funding and the public or private markets as permitted by the Emergency GO Bond Act.

46. In the event that the State decides to access the public or private capital markets instead of borrowing pursuant to a federal stimulus law, the State would need to follow the steps and timeline outlined in Paragraphs 28 through 39.

**E. Borrowing through the MLF.**

47. Since the credit market has been severely disrupted as a result of the COVID-19 Pandemic, borrowing funds from the federal government is a valuable tool to help alleviate the financial stress affecting the State.

48. Section 4(a) of the Emergency GO Bond Act authorizes the State to "borrow" from the federal government for the benefit of the State pursuant to the Coronavirus Aid, Relief, and Economic

Security Act, P.L. 116-136 ("CARES Act"), and any other federal stimulus laws.

49. The CARES Act made available funding for the United States Department of Treasury ("Treasury") to make loans, loan guarantees, or investments in programs or facilities in order to support lending to States. See CARES Act §4003(a); §4003(b)(4); §4003(c)(3)(E); §4003(f)(3). The terms and condition of the program or facility are determined by the Treasury Secretary. See CARES Act §4003(c)(1)(A). The program or facility are also subject to continuous Treasury Secretary supervision. See CARES Act §4003(f)(3).

50. On April 9, 2020, Treasury, and the Federal Reserve, jointly announced the creation of the Municipal Liquidity Facility ("MLF").

51. The MLF was established by the Federal Reserve, with approval of the Treasury Secretary, under Section 13(3) of the Federal Reserve Act, 12 U.S.C. § 343 to "help manage the cash flow impact of income tax deferrals resulting from an extension of an income tax filing deadline; deferrals or reductions of tax and other revenues or increases in expenses related to or resulting from the COVID-19 pandemic; and requirements for the payment of principal and interest on obligations of the Eligible Issuer or its political subdivisions or other governmental entities." See Exhibit H at p. 2.

52. In May 2020, the Federal Reserve established the Municipal Liquidity Facility LLC - the special purpose vehicle ("SPV") that will facilitate borrowing through the MLF. See Exhibit J. Treasury, using funds appropriated under section 4027 of the CARES Act, made an initial equity investment of \$35 billion in connection with the Municipal Liquidity Facility LLC. See Exhibit I.

53. Its creation is a novel and aggressive response by the Federal government to stabilize the economy and marks a greater willingness to support the municipal bond market. See Exhibit E at p. 5. It is the first time that the Federal Reserve has been authorized by the Treasury to involve itself in state and local finance by directly purchasing municipal bonds.

54. The Federal Reserve's Term Sheet outlines the following for borrowing under the MLF: the Federal Reserve will commit to lend to the SPV on a recourse basis; the SPV will have the ability to purchase up to \$500 billion of eligible notes; eligible notes consist of tax anticipation notes, tax and revenue anticipation notes, bond anticipation notes and other short-term notes (collectively, the "Eligible Notes"), provided that such Eligible Notes mature no later than thirty-six (36) months from the date of issuance. See Exhibits H, I and K.

55. The MLF is not being administered on a first-come-first-served basis. Each state is allocated a specific amount.

56. The State has been allotted approximately \$9.2 billion for its own needs, exclusive of the needs of counties and municipalities within the State. See Exhibit H, Federal Reserve Municipal Facility Limit per State.

57. The MLF Term Sheet further provides that the source of repayment and security for the Eligible Notes issued by the State must be the "strongest security typically pledged to repay publicly offered obligations" of the State. The State's strongest security is its general obligation credit. The State will issue GO Bonds, as authorized under Section 4(a) of the Emergency GO Bond Act, to support any borrowing from the MLF.

58. Pricing for borrowers who access the MLF will be fixed based upon an underlying interest rate called the Overnight Indexed Swap ("OIS") rate plus a spread which is based upon the borrower's long-term credit rating. The OIS is an interest rate derivative contract in which the parties exchange a payment priced at a fixed rate against a payment priced at an average overnight published reference rate. The MLF will use the fixed OIS rate based on the effective federal funds rate for the maturity that corresponds to the maturity of the Eligible Notes. OIS is currently between 5 basis points and 10 basis points. See Exhibit I at p. 4.

59. Each borrower who accesses the MLF will be charged an additional spread that is based upon the individual borrower's credit ratings. The credit rating-based spread for the State,

based on current GO Bond credit ratings of A- and A3 from S&P and Moody's respectively for a tax-exempt issuance, as of July 27, 2020, is 265 basis points. See Exhibit P. Pricing of the Eligible Notes through the MLF would vary based upon the term of the proposed borrowing and any change in the underlying OIS but would likely be approximately 270 basis points. There is also an additional 10 basis point origination fee payable at issuance to the Federal Reserve. See Exhibit I at p. 4.

60. According to the Federal Reserve, the interest rate on the Eligible Notes is a penalty rate, meaning that it is a premium rate intended to be more expensive than the public capital markets when they are appropriately functioning. The penalty rate is based upon a borrower's credit rating and given the State's relatively low credit ratings, the State will pay a higher interest rate to borrow under the MLF.

61. Here, the State would sell its GO Bonds to the Municipal Liquidity Facility LLC. The Federal Reserve requires the State first submit a Notice of Interest ("NOI"). See Exhibit J. If the Federal Reserve approves the State's NOI, the State will be invited to submit an application for MLF financing. Ibid.

62. The MLF application consists of: the completed Application Form and Checklist; a signed certification; and all attachments requested and referenced in the Application Form and Checklist. See Exhibit L.

63. The Checklist includes a list of documents that must be included in order for the Federal Reserve to start reviewing the State's application. Documents include, for instance: an authorizing resolution; form of note; form of authorization, incumbency and signature certificate for the State; other documents (e.g., authorization documents, documentation evidencing security for the note, and other transaction documents). The State would also be required to provide drafts of an opinion of bond counsel as to the validity, enforceability and binding nature of the note; an opinion exempting the Eligible Notes from federal securities law registration requirements; and federal tax law opinions. Ibid.

64. For direct sales, the MLF requires that the State provide the financial information and operating data provided to the Credit Rating Agencies, as well as Fitch Ratings and Kroll Bond Rating Agency, for rating determination; the State's most recent audited financial statements for the past two years; unaudited fiscal year-to-date financial statements; the State's budget for the current and next succeeding fiscal year; and the State's most recent official statement, to the extent all of the above-referenced documents are available. Ibid.

65. Once the State has submitted all of the required documentation and received confirmation approving the State's

application, the State will be given anticipated pricing and closing dates. Ibid.

66. Assuming that the State decides to move forward with a bond issuance under the Emergency GO Bond Act, and also assuming that all of the steps outlined in Paragraphs 28 through 39 above have been completed, my office will need approximately two weeks to complete the bond issuance for the MLF.

67. While my office can start preparing in advance of borrowing through the MLF, the approval of the Emergency GO Bond Act was only the first step in a series of steps that will need to be taken in order to get the State in the position to even have the Issuing Officials meet to decide whether or not to borrow. To date, no Issuing Officials meeting has been scheduled by the State.

68. The MLF will cease purchasing Eligible Notes on December 31, 2020. The State will not be able to borrow from the MLF after this date, unless the deadline is extended by the Federal Reserve Board and United States Department of the Treasury.

69. In addition to monitoring and reviewing the MLF's policies and procedures, the Federal Reserve also provides periodic updates to the Committee on Banking, Housing, and Urban Affairs of the United States Senate and the Committee on Financial Services of the United States House of Representatives on the operational status and transaction-specific disclosures. See Exhibits M, N, and O.



**F. Refunding.**

70. Section 4(b) of the Emergency GO Bond Act authorizes the State to issue refunding Emergency GO Bonds, but only to refund (i.e., refinance) bonds previously issued under the Emergency GO Bond Act. See Exhibit G, §4 (b).

71. Refunding provisions are common in the State's GO Bond acts. In 1983, the Debt Limitation Clause of the New Jersey Constitution was amended to permit laws that would authorize refinancing of previously issued general obligation bonds without having to go back to the voters to approve such laws, provided the law has a requirement for debt service savings. Two years later, the Refunding Bond Act of 1985, L. 1985, c. 74, was passed, and later amended by L. 1992, c. 182 (the "Refunding Bond Act of 1985"). Since the mid-80s, the State has not had to go back to the voters to issue refunding bonds. The State issues refunding bonds either under the Refunding Bond Act or by including provisions in the new money bond act - as has been done here for the Emergency GO Bond Act.

72. In a refunding, the existing, outstanding bonds are refinanced - similar to refinancing a home mortgage. Refinancing outstanding bonds may allow the State to achieve debt service savings, make changes in the debt service schedule, or otherwise restructure the debt.

73. While refunding bonds are issuances of bonds, they simply replace the bonds already issued and outstanding and do not generate "new money" available to be expended by the State on projects or expenses. In a refunding, the refunding bonds will only be issued in an amount not to exceed the amount necessary to pay the principal of the outstanding Bonds to be refunded, together with any redemption premium on the outstanding Bonds, any accrued interest, and expenses related to paying the costs of issuing the outstanding bonds to be refunded.

74. If the State borrows through the MLF, which has a term limited to three years, the State will need to pay off those bonds, on or before the end of their term, and will do so through using the refunding authority provided in the Emergency GO Bond Act in order to access the public and private capital markets.

75. However, unlike prior bond acts, section 4(b) of the Emergency GO Bond Act authorizes the State to issue refunding bonds "without regard to the 'Refunding Bond Act of 1985.'" This is because the Refunding Bond Act of 1985 has a debt savings requirement. The reason for this is the concern that there is no way to know what interest rates will be three years from now when the MLF borrowing needs to be paid off and therefore it might not be possible to meet the debt service savings test set forth in the Refunding Bond Act of 1985 in order to issue the refunding bonds.

76. In order to avoid the untenable situation where the State might not be able to refund the MLF borrowing, and therefore would have to come up with a lump sum payment to the federal government within three years, the Legislature excepted the Emergency GO Bonds from any debt savings requirement under the Emergency GO Bond Act.

77. The COVID-19 Pandemic has impacted the markets creating volatile conditions. The economic information available to the State is still evolving, creating a number of assumptions that are speculative.

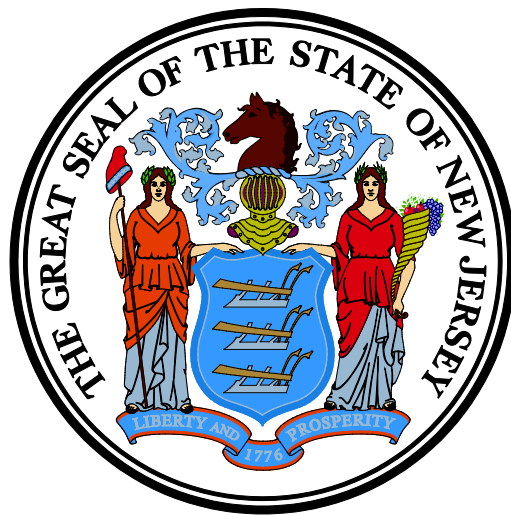
The foregoing statements are true to the best of my knowledge, information, and belief. I am aware that, if any of the statements are willfully false, I may be subject to punishment.

/s/ Michael B. Kanef \_  
MICHAEL B. KANEF  
Director of the Office of Public Finance  
State of New Jersey  
Department of the Treasury

Dated: July 31, 2020

# **EXHIBIT A**

State of New Jersey  
Debt Report  
Fiscal Year 2019



Submitted to:  
New Jersey Commission on Capital  
Budgeting and Planning

April 2, 2020



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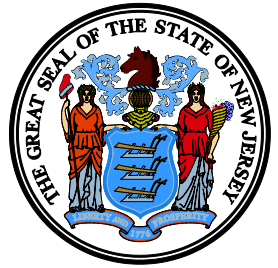






# SECTION 1

## Introduction





## **INTRODUCTION**

The following is an annual report on the debt of the State of New Jersey and the obligations of its various bond-issuing authorities (“Authorities”) for which the State, by contract or other means, provides payments that secure the debt service on such obligations. The Office of Public Finance (“OPF”) in the Department of the Treasury, at the direction of the State Treasurer, manages the issuance of such State-backed bonds for the State.

This report has been prepared annually by OPF since 1996 following enactment of legislation requiring the Commission on Capital Budgeting and Planning to include a report of the State’s debt in its annual State Capital Improvement Plan. A legislative change in 2010 expanded the content of the debt report to include certain non-bonded obligations and other items not typically included in discussions of debt.

It is important to distinguish the State-supported debt from the obligations of the Authorities that are not State-supported. Many of the State’s Authorities provide financing via bonds, notes or other obligations on behalf of their respective client bases. The State plays no role in the security of the bonds or the payment of debt service. Some of those same Authorities and various others issue bonds to fund certain State projects, for which the State does provide security for the bonds and a payment stream to cover the debt service. The following paragraphs define what is, and is not, included in this report:

## **WHAT IS COVERED**

This report primarily concerns the bonded obligations of the State and certain State-created Authorities that issue bonds supported, in whole or in part, by State revenues.

For the “General Obligations” of the State, the full faith and credit of the State is pledged. Debt service is paid from the General Fund of the State.

For “Obligations Subject to Appropriation” that are issued by State Authorities, the State, via lease or other contract, agrees to make payments to the Authority in amounts sufficient to cover the debt service on the Authority’s bonds. All such contractual payments are subject to appropriation by the State Legislature.

In addition to the bonded obligations described above, the State, in its Comprehensive Annual Financial Report (“CAFR”), reports on certain long-term non-bonded obligations which have not been financed with bonds or other publicly traded financial securities. To establish consistency with the “Long-Term Obligations” Footnote to the State’s financial statements as reported in the CAFR, such non-bonded obligations are included in this report.

This report also includes certain data related to the State’s obligation to fund pension benefits and other post-employment benefits (“OPEB”). For financial reporting and disclosure purposes, the pension and OPEB liabilities are determined based on Governmental Accounting Standards Board (“GASB”) requirements. The results of the GASB actuarial valuation reports prepared as of July 1, 2018 are presented in this report. The pension and OPEB liabilities determined by the actuaries based on the July 1, 2018 valuations are recognized by the State in Fiscal Year 2019. Also included in the report are the results of the recently completed GASB valuations for the pension plans as of July 1, 2019. The liabilities based on the 2019 actuarial valuations will be reflected in the State’s audited financial reports in Fiscal Year 2020.

This report also includes certain data related to the State’s Unfunded Actuarial Accrued Liability (“UAAL”) related to the State’s pension plans. Such data is based on actuarial valuation reports prepared as of July 1, 2018 based on



the statutory requirements. These actuarial valuations are prepared to determine the annual employer contribution requirements and financial status of the pension plans based on the statutory funding provisions. The actuarial methods and assumptions used to develop the UAALs are different from those used to develop the GASB pension liabilities. The inclusion of this data complies with the requirement resulting from a legislative amendment enacted in 2010.

Government Accounting Standards Board (“GASB”) Statement No. 67, *Financial Reporting for Pension Plans*, which supersedes financial reporting requirements for pension plans under GASB Statement No. 25, became effective for financial statements for periods beginning after June 15, 2013. The Division of Pensions and Benefits financial statements have been in compliance with this new accounting method since Fiscal Year 2014. GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, replaces GASB Statements No. 27 and No. 50, and revises and establishes new financial reporting requirements for governmental employers that provide their employers with pension benefits. The provisions in the new GASB Statement No. 68 are effective for fiscal years beginning after June 25, 2014. The State notes that GASB statements solely govern financial reporting. These new methods do not cause a change with respect to the calculation of the State’s statutory liabilities or its funding or budgetary requirements.

Beginning in Fiscal Year 2018, the State is required to calculate and disclose its obligation to pay post-retirement medical benefits based on new GASB requirements. GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, and GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, reflect a fundamental overhaul in the standards for accounting and financial reporting for postemployment benefits other than pensions (“OPEB”) and replace the current statements, GASB 43 and 45. GASB 74 is for OPEB plans and is effective for plan fiscal years beginning after June 15, 2016. GASB 75 applies to employers that sponsor OPEB plans and is effective for employer fiscal years beginning after June 15, 2017. For the State and local participating employers who report on a fiscal year basis, the new GASB 75 reporting and disclosure requirements are effective beginning with the issuance of their financial reports for the fiscal year ending June 30, 2018. The new standards do not enforce OPEB funding or impact the State’s current practice of funding retiree health benefits on a pay-as-you-go basis as benefits become due.

### **WHAT IS NOT COVERED**

Only the obligations of the State and certain State-created Authorities are covered by this report. The obligations of New Jersey’s counties, municipalities, school districts, and other locally created authorities and districts are not included in this report.

The New Jersey Economic Development Authority frequently issues bonds on behalf of private companies to promote and foster economic development within the State. Such bonds are payable solely from the private company that benefits from the financing; there is no recourse, legal, moral or otherwise, to the EDA or to the State. Similarly, the New Jersey Educational Facilities Authority issues bonds on behalf of and secured by the public and private colleges and universities in the State, the New Jersey Health Care Facilities Financing Authority issues bonds on behalf of and secured by the State’s hospitals and other medical facilities, etc. In all such cases, the Authority acts as a conduit to provide low-cost financing for its authorized purposes. Since there is no recourse to the State or support from State revenues, such conduit bonds are not included in this report.

Several other State Authorities finance capital projects with bonds that are secured by their operating revenue. The New Jersey Turnpike Authority and South Jersey Transportation Authority are two examples that fall into this



category as their bonds are secured solely by their toll revenues from the roadways they operate and other operating income. Since there is no recourse to the State or support of such debt by State revenues, these bonds are not included in this report.

The State participates by compact in several bi-state authorities that generate revenues from the operation of facilities and issue bonds supported by such revenues for capital needs. The Port Authority of New York and New Jersey, Delaware River Port Authority and Delaware River Joint Toll Bridge Commission are examples of such bi-state agencies. Since there is no recourse to the State or support of such debt by State revenues, these bonds are not included in this report.

The State since 1991 has annually issued its Tax and Revenue Anticipation Notes to fund the timing imbalances in the State’s annual cash flow. All such Notes mature before the end of the fiscal year in which they are issued; therefore the State has never had a balance of Notes payable on its balance sheet at fiscal year end. Such intra-year, short-term obligations are not included in this report.

Ancillary expenses payable in connection with certain series of Authority bonds covered by this report, such as trustee and escrow fees, letter of credit fees, bond remarketing fees and net payments under interest rate exchange agreements, are not included within the debt service tables in this report.

### **MORAL OBLIGATIONS**

Certain Authorities have issued what are referred to as “Moral Obligation” bonds. A moral obligation bond is authorized in limited circumstances by the statutes that govern the New Jersey Housing and Mortgage Finance Agency (“HMFA”), the New Jersey Higher Education Student Assistance Authority (“HESAA”) and the South Jersey Port Corporation (“SJPC”). These statutes provide that if the Authority’s revenues are insufficient to pay debt service and the debt service reserve fund created in connection with the Authority’s revenue bond is drawn upon to pay debt service, the State has a moral obligation to replenish such debt service reserve fund, subject to appropriation by the State Legislature.

The moral obligation bonds of the HMFA are secured by mortgages. Currently, no moral obligation bonds of the HMFA are outstanding. The moral obligation bonds of the HESAA are secured by student loans, the revenues for which have always been sufficient to pay debt service. Thus, the debt service reserve fund has not been drawn upon, and the moral obligation has not been exercised. Since there has been no State assistance provided to date with respect to these bonds, and there is no expectation that such assistance will be needed in the future, they are not included in this report.

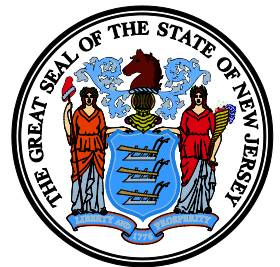
The moral obligation bonds of the SJPC are secured by revenues from the operation of its port facilities. Consistently, a portion of the annual debt service has been paid from the debt service reserve fund due to insufficient operating revenues. The State, in turn, has regularly honored its moral obligation to replenish the SJPC’s debt service reserve fund as needed via appropriation. Therefore, these bonds are included in this report.





# SECTION 2

## Legislative Requirement







**TITLE 52. STATE GOVERNMENT, DEPARTMENTS AND OFFICERS**  
**SUBTITLE 1. GENERAL PROVISIONS**  
**CHAPTER 9S. COMMISSION ON CAPITAL BUDGETING AND PLANNING**

**§ 52:9S-1. Definitions**

As used in this act, the following words and terms shall have the following meanings, unless the context shall indicate another or different meaning or intent:

- a. "Capital project" means any undertaking which is to be financed or funded or is proposed to be financed or funded by the issuance of bonds, notes or other evidences of indebtedness of the State or any public authority thereof; or any undertaking which is to be financed or funded or is requested to be financed or funded by an appropriation in the annual budget, where the expenditure therefor is, by statute, or under standards as they may be prescribed from time to time by the Department of the Treasury, a capital expenditure.
- b. "Commission" means the New Jersey Commission on Capital Budgeting and Planning created by section 2 of this act;
- c. "Plan" means the State Capital Improvement Plan provided for by subsection a. of section 3. of this act.
- d. "State agency" means an executive or administrative department, office, public authority or other instrumentality of State Government.

L.1975, c. 208, s. 1, eff. Sept. 23, 1975.



**TITLE 52. STATE GOVERNMENT, DEPARTMENTS AND OFFICERS**  
**SUBTITLE 1. GENERAL PROVISIONS**  
**CHAPTER 9S. COMMISSION ON CAPITAL BUDGETING AND PLANNING**

**§ 52:9S-2. New Jersey Commission on Capital Budgeting and Planning**

2. There is hereby created a New Jersey Commission on Capital Budgeting and Planning. The commission shall consist of 12 members selected as follows: the State Treasurer and any three other members of the Executive Branch designated by the Governor to so serve at his pleasure, two members of the General Assembly, two members of the Senate and four public members from the State at large.

The members from the General Assembly shall be appointed by the Speaker of the General Assembly. The members of the Senate shall be appointed by the President of the Senate. No more than one of the members appointed by the Speaker or President shall be from the same political party. Legislative members shall serve while members of their respective houses for the term for which they have been elected.

Of the four public members two shall be appointed by the Governor with advice and consent of the Senate, no more than one of whom shall be of the same political party, and two by the Legislature, one each by the President of the Senate and the Speaker of the General Assembly, for a term of six years and until their successors are qualified, provided that the members serving on the effective date of this 1995 amendatory act shall continue to serve until the expiration of their appointments. The President of the Senate shall make the first appointment of a public member upon the expiration of the term of the public member first occurring after the effective date of this 1995 amendatory act, and the Speaker of the General Assembly shall make the second appointment of a public member upon the expiration of the term of the public member next occurring after the effective date of this act. The public members shall be chosen based upon their experience and expertise in public finance and the capital improvement process. Any vacancy among the public members shall be filled in the same manner as the original appointment, but for the unexpired term only. A member shall be eligible for reappointment.

A chairman of the commission shall be selected annually by the membership of the commission from among the public members.

Members of the commission shall serve without compensation, but public members shall be entitled to reimbursement for expenses incurred in the performance of their duties.

L.1975,c.208,s.2; amended 1995,c.398,s.1.



**TITLE 52. STATE GOVERNMENT, DEPARTMENTS AND OFFICERS**  
**SUBTITLE 1. GENERAL PROVISIONS**  
**CHAPTER 9S. COMMISSION ON CAPITAL BUDGETING AND PLANNING**

**§ 52:9S-3 Preparation of State Capital Improvement Plan.**

3. a. The commission shall each year prepare a State Capital Improvement Plan containing its proposals for State spending for capital projects, which shall be consistent with the goals and provisions of the State Development and Redevelopment Plan adopted by the State Planning Commission and shall be prepared after consultation with the New Jersey Council of Economic Advisors, created pursuant to P.L.1993, c.149 (C.52:9H-34 et seq.). Copies of the plan shall be submitted to the Governor and the Legislature no later than December 1 of each year. The plan shall provide:

(1) A detailed list of all capital projects of the State which the commission recommends be undertaken or continued by any State agency in the next three fiscal years, together with information as to the effect of such capital projects on future operating expenses of the State, and with recommendations as to the priority of such capital projects and the means of funding them;

(2) The forecasts of the commission as to the requirements for capital projects of State agencies for the four fiscal years next following such three fiscal years and for such additional periods, if any, as may be necessary or desirable for adequate presentation of particular capital projects, and a schedule for the planning and implementation or construction of such capital projects;

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

(4) A review of capital projects which have recently been implemented or completed or are in process of implementation or completion;

(5) Recommendations as to the maintenance of physical properties and equipment of State agencies;

(6) Recommendations which the commission deems appropriate as to the use of properties reported in subsection c. of this section;

(7) A report on the State's overall debt. This report shall include information on the outstanding general obligation debt and debt service costs for the prior fiscal year, the current fiscal year, and the estimated amount for the subsequent five fiscal years. In addition, the report shall provide similar information on capital leases and installment obligations. In addition, the report shall provide similar information on the following long-term obligations: all items comprising long-term liabilities as recorded in a schedule of long-term debt changes (bonded and non-bonded) in the State's annual comprehensive financial report prepared pursuant to section 37 of article 3 of P.L.1944, c.112 (C.52:27B-46), the unfunded actuarial accrued liability for State administered retirement systems, and the unfunded actuarial accrued liabilities for post-retirement medical and other benefits;

(8) An assessment of the State's ability to increase its overall debt and a recommendation on the amount



of any such increase. In developing this assessment and recommendation, the commission shall consider those criteria used by municipal securities rating services in rating governmental obligations; and

(9) Such other information as the commission deems relevant to the foregoing matters.

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

(1) A detailed list of capital projects which each State agency seeks to undertake or continue for its purposes in the next three fiscal years, together with information as to the effect of such capital projects on future operating expenses of the State, and with such relevant supporting data as the commission requests;

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

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

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

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

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

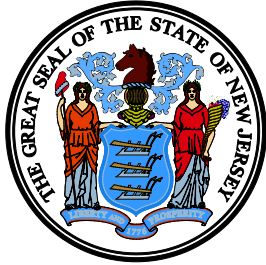
c. Each State agency shall, when requested, provide the commission with supplemental information in addition to that to be available to the commission under the computerized record keeping of the Department of the Treasury, Bureau of Real Property Management, concerning any real property owned or leased by the agency including its current or future availability for other State uses.

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

L.1975, c.208, s.3; amended 1979, c.320, s.1; 1985, c.398, s.13; 1995, c.398, s.2; 2009, c.304.



**SECTION 3**  
**Outstanding Obligations**





### Aggregate Bonded and Non-Bonded Obligations

Category	(in Millions)		Change From Prior Year	Percent of Total June 30, 2019
	as of June 30, 2018	as of June 30, 2019		
	<b>General Obligations (p. 10)</b>	\$1,795.260		
<b>Obligations Subject to Appropriation (p. 11)</b>	32,341.172	32,090.832	(250.340)	14.7%
<b>CAFR Reconciliation (p. 13)</b>	11,028.074	10,770.914	(257.159)	4.9%
<b>Total CAFR Reconciled Bonded Obligations (p. 13)</b>	45,164.506	44,412.436	(752.070)	20.4%
<b>Non-Bonded Obligations (p. 14)</b>	193,876.307	173,268.501	(20,607.806)	79.6%
<b>Report Total:</b>	\$239,040.813	\$217,680.937	(\$21,359.876)	100.0%

### Aggregate Bonded Obligations Supported by State Revenues

Category	(in Millions)		Change From Prior Year	Percent of Total June 30, 2019
	as of June 30, 2018	as of June 30, 2019		
	<b>General Obligations</b>	\$1,795.260		
<b>Obligations Subject to Appropriation</b>	32,341.172	32,090.832	(250.340)	95.4%
<b>Report Total:</b>	\$34,136.432	\$33,641.522	(\$494.910)	100.0%

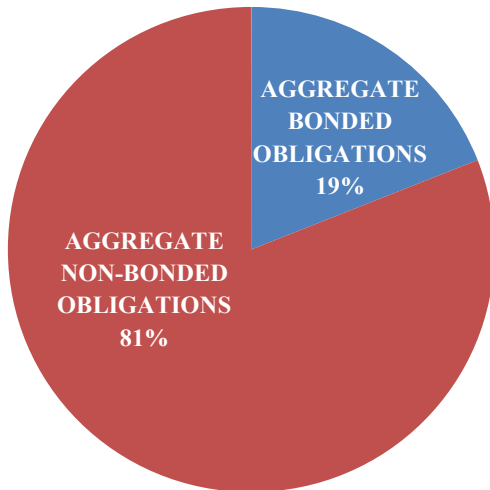
### Aggregate Bonded Obligations by Source of State Support

Category	(in Millions)		Change From Prior Year	Percent of Total June 30, 2019
	as of June 30, 2018	as of June 30, 2019		
	<b>General State Revenues</b>	\$17,452.201		
<b>Dedicated State Revenues</b>	16,684.231	16,616.886	(67.346)	49.4%
<b>Report Total:</b>	\$34,136.432	\$33,641.522	(\$494.910)	100.00%

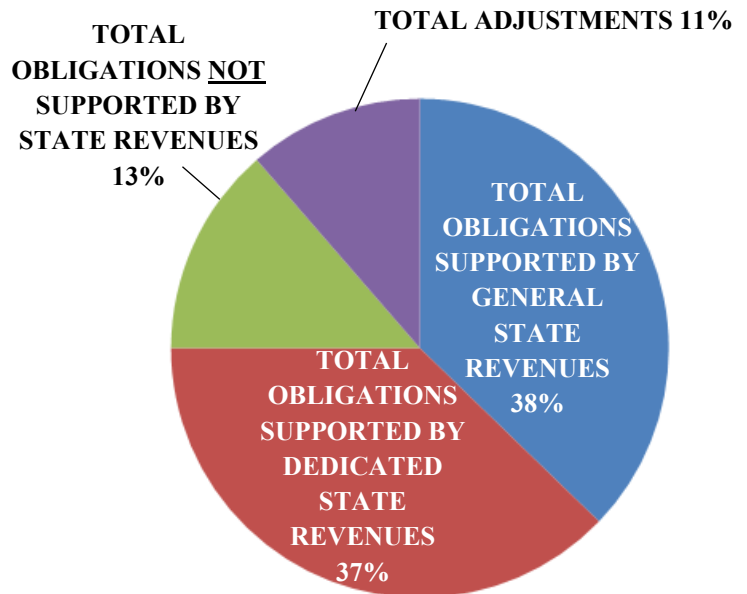


**Outstanding Obligations – Summary Charts**  
**(AS OF JUNE 30, 2019)**

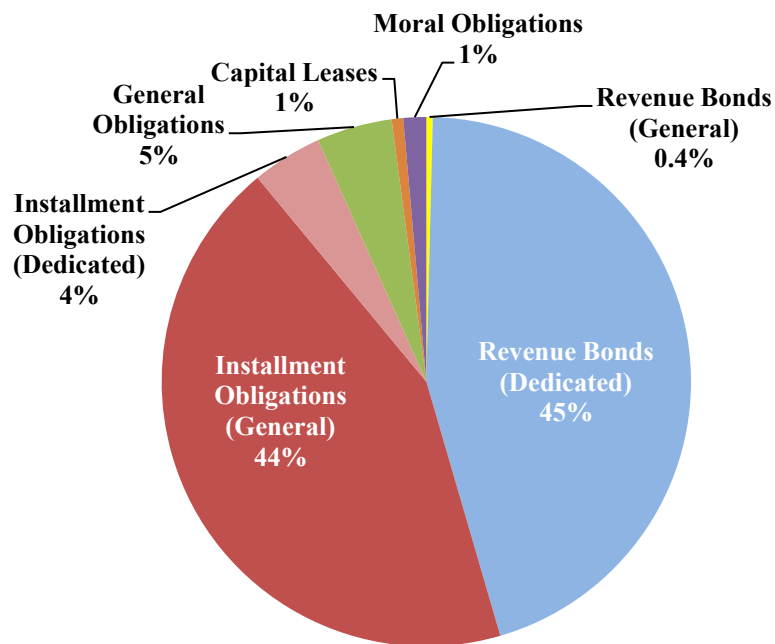
**AGGREGATE BONDED AND NON-BONDED OBLIGATIONS**



**AGGREGATE BONDED OBLIGATIONS BY REVENUE SOURCE**



**AGGREGATE OBLIGATIONS SUPPORTED BY GENERAL AND DEDICATED STATE REVENUES**





## CHANGES IN LONG-TERM OBLIGATIONS

(all amounts \$ in millions)

### BONDED OBLIGATIONS

#### OBLIGATIONS SUPPORTED BY GENERAL STATE REVENUES

#### GENERAL OBLIGATIONS

BOND ACT (year of enactment in parentheses)	Outstanding June 30, 2018	Additions	Deductions	Outstanding June 30, 2019	Change From Prior Year
Building Our Future (2012)	683.315	-	26.395	656.920	(26.395)
Clean Waters (1976)	0.020	-	0.010	0.010	(0.010)
Dam, Lake, Stream, Flood Control, Water Resources, and Wastewater Treatment Project (2003)	5.050	-	1.190	3.860	(1.190)
Green Acres, Farmland, Blue Acres, and Historic Preservation (2007)	53.120	-	8.290	44.830	(8.290)
Green Acres, Farmland and Historic Preservation, and Blue Acres (1995)	2.480	-	0.120	2.360	(0.120)
Green Acres, Water Supply and Floodplain Protection, and Farmland and Historic Preservation (2009)	273.675	-	11.545	262.130	(11.545)
Hazardous Discharge (1986)	8.280	-	0.400	7.880	(0.400)
New Jersey Green Acres, Clean Water, Farmland and Historic Preservation (1992)	1.045	-	0.510	0.535	(0.510)
New Jersey Open Space Preservation (1989)	4.780	-	0.310	4.470	(0.310)
Pinelands Infrastructure Trust (1985)	0.120	-	0.060	0.060	(0.060)
Port of New Jersey Revitalization, Dredging, Environmental Cleanup, Lake Restoration, and Delaware Bay Area Economic Development (1996)	37.535	-	1.790	35.745	(1.790)
Refunding (1985)	720.720	-	192.725	527.995	(192.725)
Stormwater Management and Combined Sewer Overflow Abatement (1989)	3.185	-	0.280	2.905	(0.280)
Water Supply (1981)	1.935	-	0.945	0.990	(0.945)
				-	
<b>TOTAL GENERAL OBLIGATIONS (Subtotal A)</b>	1,795.260	-	244.570	1,550.690	(244.570)



**BONDED OBLIGATIONS (continued)**

**OBLIGATIONS SUPPORTED BY GENERAL STATE REVENUES (continued)**

**OBLIGATIONS SUBJECT TO APPROPRIATION**

	Outstanding June 30, 2018	Additions	Deductions	Outstanding June 30, 2019	Change From Prior Year
<b>REVENUE BONDS</b>					
<b>BUILDING AUTHORITY</b>					
<i>State Building Revenue</i>	196.345	-	65.160	131.185	(65.160)
<b>TOTAL REVENUE BONDS</b>	196.345	-	65.160	131.185	(65.160)
<b>CAPITAL LEASES</b>					
<b>ECONOMIC DEVELOPMENT AUTHORITY</b>					
<i>State Office Buildings Projects</i>	0.790	-	-	0.790	-
<b>HEALTH CARE FACILITIES FINANCING AUTHORITY</b>					
<i>Greystone/ Marlboro Psychiatric Hospital Projects</i>	246.935	-	10.545	236.390	(10.545)
<b>TOTAL CAPITAL LEASES</b>	247.725	-	10.545	237.180	(10.545)
<b>INSTALLMENT OBLIGATIONS</b>					
<b>CHAPTER 12 - COUNTY COLLEGE BONDS</b>					
<i>Various County Bond Issues</i>	178.846	63.350	31.546	210.651	31.805
<b>ECONOMIC DEVELOPMENT AUTHORITY</b>					
<i>Biomedical Research Facilities</i>	46.030	-	1.530	44.500	(1.530)
<i>Department of Human Services Programs</i>	5.210	-	0.742	4.468	(0.742)
<i>Economic Development (Lafayette Yard Hotel)</i>	4.865	-	2.305	2.560	(2.305)
<i>Economic Recovery Fund</i>	66.417	-	18.195	48.223	(18.195)
<i>Liberty State Park Projects</i>	64.735	-	6.680	58.055	(6.680)
<i>Municipal Rehabilitation</i>	107.600	49.020	62.005	94.615	(12.985)
<i>NJ Transit Corporation Projects</i>	667.075	-	53.265	613.810	(53.265)
<i>School Facilities Construction</i>	9,606.050	1,045.373	861.058	9,790.365	184.315
<i>State House Project</i>	342.775	-	7.700	335.075	(7.700)
<i>State Government Buildings</i>	375.680	-	6.385	369.295	(6.385)
<i>State Pension Obligation Bonds</i>	2,077.798	-	66.963	2,010.835	(66.963)
<i>State Police Barracks</i>	4.130	-	0.750	3.380	(0.750)
<b>EDUCATIONAL FACILITIES AUTHORITY</b>					
<i>Capital Improvement Fund</i>	508.265	-	48.820	459.445	(48.820)
<i>Equipment Leasing Fund</i>	39.140	-	12.475	26.665	(12.475)
<i>Facilities Trust Fund</i>	167.620	-	11.835	155.785	(11.835)
<i>Public Library Project Grant Program</i>	16.450	-	2.955	13.495	(2.955)
<i>Technology Infrastructure Fund</i>	30.090	-	2.415	27.675	(2.415)
<b>HEALTH CARE FACILITIES FINANCING AUTHORITY</b>					
<i>Hospital Asset Transformation Program</i>	170.475	-	-	170.475	-
<b>SPORTS AND EXPOSITION AUTHORITY</b>					
<i>State Contract</i>	252.875	99.415	155.185	197.105	(55.770)
<b>TOTAL INSTALLMENT OBLIGATIONS</b>	14,732.126	1,257.158	1,352.808	14,636.476	(95.650)
<b>MORAL OBLIGATIONS</b>					
<b>SOUTH JERSEY PORT CORPORATION</b>					
<i>Marine Terminal Revenue</i>	480.745	-	11.640	469.105	(11.640)
<b>TOTAL MORAL OBLIGATIONS</b>	480.745	-	11.640	469.105	(11.640)
<b>TOTAL OBLIGATIONS SUPPORTED BY GENERAL STATE REVENUES Subject to Appropriation (Subtotal B)</b>					
	15,656.941	1,257.158	1,440.153	15,473.946	(182.995)



**BONDED OBLIGATIONS (continued)**

**OBLIGATIONS SUPPORTED BY DEDICATED STATE REVENUES**

**OBLIGATIONS SUBJECT TO APPROPRIATION (continued)**

	Outstanding June 30, 2018	Additions	Deductions	Outstanding June 30, 2019	Change From Prior Year
<b>REVENUE BONDS</b>					
GARDEN STATE PRESERVATION TRUST					
<i>Open Space Preservation</i>	698.954	-	68.085	630.869	(68.085)
TRANSPORTATION TRUST FUND AUTHORITY					
<i>Transportation Program</i>	3,227.290	750.000	73.525	3,903.765	676.475
<i>Transportation System</i>	11,249.236	1,567.435	2,179.095	10,637.576	(611.660)
<b>TOTAL REVENUE BONDS</b>	15,175.480	2,317.435	2,320.705	15,172.210	(3.270)
<b>INSTALLMENT OBLIGATIONS</b>					
ECONOMIC DEVELOPMENT AUTHORITY					
<i>Cigarette Tax Revenue</i>	626.720	-	64.075	562.645	(64.075)
<i>Motor Vehicle Surcharges Revenue</i>	702.268	-	-	702.268	-
<i>Motor Vehicle Surcharges Revenue - Special Needs</i>					
<i>Housing</i>	179.763	-	-	179.763	-
<b>TOTAL INSTALLMENT OBLIGATIONS</b>	1,508.751	-	64.075	1,444.676	(64.075)
<b>TOTAL OBLIGATIONS SUPPORTED BY DEDICATED STATE REVENUES Subject to Appropriation (Subtotal C)</b>					
	16,684.231	2,317.435	2,384.780	16,616.886	(67.345)
<b>AGGREGATE OBLIGATIONS SUPPORTED BY GENERAL AND DEDICATED STATE REVENUES (Subtotal A+B+C)</b>					
	34,136.432	3,574.593	4,069.503	33,641.523	(494.910)



**BONDED OBLIGATIONS (continued)**

**CAFR RECONCILIATION**

	Outstanding June 30, 2018	Additions	Deductions	Outstanding June 30, 2019	Change From Prior Year
<b><u>OBLIGATIONS NOT SUPPORTED BY STATE REVENUES</u></b>					
TOBACCO SETTLEMENT FINANCING CORPORATION <i>Master Settlement Bonds</i>	3,146.655	-	108.885	3,037.770	(108.885)
TRANSPORTATION TRUST FUND AUTHORITY <i>Federal Grant Anticipation Bonds</i>	3,241.425	1,195.730	1,499.355	2,937.800	(303.625)
<b>TOTAL <u>NOT</u> SUPPORTED BY STATE REVENUES</b>	<b>6,388.080</b>	<b>1,195.730</b>	<b>1,608.240</b>	<b>5,975.570</b>	<b>(412.510)</b>
<b><u>OBLIGATIONS RECORDED ON OTHER ENTITIES' BOOKS</u></b>					
<b><u>INSTALLMENT OBLIGATIONS</u></b>					
CHAPTER 12 - COUNTY COLLEGE BONDS <i>Various County Bond Issues</i>	(178.846)	(63.350)	(31.546)	(210.651)	(31.805)
ECONOMIC DEVELOPMENT AUTHORITY <i>Economic Development (Lafayette Yard Hotel)</i>	(4.865)	-	(2.305)	(2.560)	2.305
<i>NJ Transit Corporation Projects</i>	(39.420)	-	(39.420)	-	39.420
EDUCATIONAL FACILITIES AUTHORITY <i>Capital Improvement Fund</i>	(179.315)	-	(17.095)	(162.220)	17.095
<i>Equipment Leasing Fund</i>	(9.890)	-	(3.140)	(6.750)	3.140
<b>TOTAL RECORDED ON OTHERS' BOOKS</b>	<b>(412.336)</b>	<b>(63.350)</b>	<b>(93.506)</b>	<b>(382.181)</b>	<b>30.155</b>
<b><u>MORAL OBLIGATIONS</u></b>					
SOUTH JERSEY PORT CORPORATION <i>Marine Terminal Revenue</i>	(480.745)	-	(11.640)	(469.105)	11.640
<b>TOTAL MORAL OBLIGATIONS</b>	<b>(480.745)</b>	<b>-</b>	<b>(11.640)</b>	<b>(469.105)</b>	<b>11.640</b>
<b><u>OTHER BOND ADJUSTMENTS</u></b>					
BOND ACCRETION	8,009.772	-	275.400	7,734.372	(275.400)
UNAMORTIZED BOND ACCRETION	(4,695.587)	-	(358.315)	(4,337.271)	358.316
UNAMORTIZED BOND PREMIUM	2,081.477	334.710	302.405	2,113.782	32.305
STATE LINES OF CREDIT	137.412	34.413	36.078	135.747	(1.665)
<b>TOTAL OTHER BOND ADJUSTMENTS</b>	<b>5,533.075</b>	<b>369.124</b>	<b>255.568</b>	<b>5,646.630</b>	<b>113.555</b>
<b>TOTAL CAFR RECONCILIATION (Subtotal D)</b>	<b>11,028.074</b>	<b>1,501.503</b>	<b>1,758.662</b>	<b>10,770.914</b>	<b>(257.159)</b>
<b>AGGREGATE BONDED OBLIGATIONS (Subtotal A+B+C+D)</b>	<b>45,164.506</b>	<b>5,076.097</b>	<b>5,828.166</b>	<b>44,412.436</b>	<b>(752.070)</b>



**NON-BONDED OBLIGATIONS**

	Outstanding June 30, 2018	Additions	Deductions	Outstanding June 30, 2019	Change From Prior Year
<b>GOVERNMENTAL ACTIVITIES</b>					
<i>Compensated Absences</i>	486.868	309.540	301.370	495.038	8.170
<i>Capital Leases</i>	215.462	35.080	45.942	204.600	(10.862)
<i>Loans Payable</i>	1,279.358	-	-	1,279.358	0.000
<i>Net Pension Liability</i>	99,641.657	-	5,903.610	93,738.048	(5,903.609)
<i>Pollution Remediation Obligation</i>	68.649	-	16.167	52.482	(16.167)
<i>Total OPEB Liability</i>	90,487.141	-	14,525.552	75,961.589	(14,525.552)
<i>Other</i>	1,697.172	301.453	461.239	1,537.387	(159.785)
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	193,876.307	646.073	21,253.879	173,268.501	(20,607.806)
<b>TOTAL NON-BONDED OBLIGATIONS (Subtotal E)</b>	193,876.307	646.073	21,253.879	173,268.501	(20,607.806)

<b>AGGREGATE BONDED &amp; NON-BONDED OBLIGATIONS (Subtotal A+B+C+D+E)</b>	<b>239,040.813</b>	<b>5,722.169</b>	<b>27,082.045</b>	<b>217,680.937</b>	<b>(21,359.876)</b>
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<b>BUSINESS-TYPE ACTIVITIES</b>					
<i>Compensated Absences</i>	0.589	0.339	0.386	0.542	0.047
<i>Deposit Fund Contracts</i>	234.543	23.974	18.933	239.584	(5.041)
<b>TOTAL BUSINESS-TYPE ACTIVITIES</b>	235.132	24.314	19.319	240.127	(4.995)



10-Year History of Outstanding Obligations					
	2019	2018	2017	2016	2015
<b><u>Bonded Obligations</u></b>					
General Obligation Bonds	\$ 1,550.690	\$ 1,795.260	\$ 2,039.985	\$ 1,991.645	\$ 2,372.695
Revenue Bonds Payable	23,860.020	24,232.075	24,930.080	22,418.610	22,421.135
Less: Unamortized Interest on CABs	<u>(3,829.168)</u>	<u>(4,027.520)</u>	<u>(4,215.266)</u>	<u>(4,392.980)</u>	<u>(4,561.200)</u>
Revenue Bonds Payable, Net	20,030.852	20,204.555	20,714.814	18,025.630	17,859.935
Capital Leases	237.180	247.725	271.295	285.190	298.420
Installment Obligations Payable	17,814.518	18,219.489	18,668.628	18,199.887	18,504.712
Less: Unamortized Interest on CABs	<u>(508.103)</u>	<u>(668.067)</u>	<u>(843.211)</u>	<u>(1,029.216)</u>	<u>(1,221.531)</u>
Installment Obligations Payable, Net	17,306.415	17,551.422	17,825.417	17,170.671	17,283.181
Certificates of Participation and State Lines of Credit	135.747	137.412	96.335	79.015	79.957
Tobacco Settlement Financing Corporation Bonds	3,037.770	3,146.655	3,977.100	4,223.335	4,272.855
Less: Unamortized Interest on CABs	<u>-</u>	<u>-</u>	<u>(792.979)</u>	<u>(965.095)</u>	<u>(982.349)</u>
Tobacco Settlement Financing Corporation Bonds, Net	3,037.770	3,146.655	3,184.121	3,258.240	3,290.506
Unamortized Premium	<u>2,113.782</u>	<u>2,081.477</u>	<u>1,969.095</u>	<u>1,916.723</u>	<u>2,050.188</u>
<b>Aggregate Bonded Obligations</b>	<b><u>\$ 44,412.436</u></b>	<b><u>\$ 45,164.506</u></b>	<b><u>\$ 46,101.062</u></b>	<b><u>\$ 42,727.114</u></b>	<b><u>\$ 43,234.882</u></b>
<b>Annual Percent Change</b>	<b><u>-1.67%</u></b>	<b><u>-2.03%</u></b>	<b><u>7.90%</u></b>	<b><u>-1.17%</u></b>	<b><u>3.35%</u></b>
<b><u>Non-Bonded Obligations</u></b>					
Compensated Absences	\$ 495.038	\$ 486.868	\$ 505.422	\$ 547.613	\$ 556.751
Capital Leases	204.599	215.462	243.916	256.874	285.188
Loans Payable	1,279.358	1,279.358	1,279.358	1,279.358	1,279.358
Pollution Remediation	52.482	68.649	99.238	83.660	80.903
Other	1,537.387	1,697.172	1,442.936	1,345.159	1,226.135
Total OPEB Liability/Obligation	75,961.589	90,487.141	97,114.402	32,282.700	27,973.800
Net Pension Liability/Obligation	<u>93,738.048</u>	<u>99,641.657</u>	<u>115,113.590</u>	<u>93,195.876</u>	<u>78,881.827</u>
<b>Aggregate Non-Bonded Obligations</b>	<b><u>173,268.501</u></b>	<b><u>193,876.307</u></b>	<b><u>215,798.862</u></b>	<b><u>128,991.239</u></b>	<b><u>110,283.962</u></b>
<b>Aggregate Bonded and Non-Bonded Obligations</b>	<b><u>\$ 217,680.937</u></b>	<b><u>\$ 239,040.813</u></b>	<b><u>\$ 261,899.924</u></b>	<b><u>\$ 171,718.353</u></b>	<b><u>\$ 153,518.844</u></b>



10-Year History of Outstanding Obligations					
	2014	2013	2012	2011	2010
<b><u>Bonded Obligations</u></b>					
General Obligation Bonds	\$ 2,157.465	\$ 2,400.910	\$ 2,384.665	\$ 2,566.895	\$ 2,596.740
Revenue Bonds Payable	21,956.915	21,544.905	20,698.950	19,770.565	18,576.710
Less: Unamortized Interest on CABs	<u>(4,720.464)</u>	<u>(4,871.211)</u>	<u>(5,013.954)</u>	<u>(5,149.095)</u>	<u>(5,277.047)</u>
Revenue Bonds Payable, Net	17,236.451	16,673.694	15,684.996	14,621.470	13,299.663
Capital Leases	311.055	314.775	212.700	232.565	251.460
Installment Obligations Payable	18,081.143	18,243.358	18,293.915	18,714.603	18,968.688
Less: Unamortized Interest on CABs	<u>(1,417.686)</u>	<u>(1,618.202)</u>	<u>(1,821.163)</u>	<u>(2,024.671)</u>	<u>(2,224.487)</u>
Installment Obligations Payable, Net	16,663.457	16,625.156	16,472.752	16,689.932	16,744.201
Certificates of Participation and State Lines of Credit	84.964	92.906	100.314	85.413	30.546
Tobacco Settlement Financing Corporation Bonds	4,296.685	4,293.892	4,444.092	4,469.033	4,492.958
Less: Unamortized Interest on CABs	<u>(998.657)</u>	<u>(1,014.077)</u>	<u>(1,028.653)</u>	<u>(1,042.433)</u>	<u>(1,055.460)</u>
Tobacco Settlement Financing Corporation Bonds, Net	3,298.028	3,279.815	3,415.439	3,426.600	3,437.498
Unamortized Premium	<u>2,083.864</u>	<u>2,119.262</u>	<u>1,518.506</u>	<u>1,403.949</u>	<u>1,323.722</u>
<b>Aggregate Bonded Obligations</b>	<b><u>\$ 41,835.284</u></b>	<b><u>\$ 41,506.518</u></b>	<b><u>\$ 39,789.372</u></b>	<b><u>\$ 39,026.824</u></b>	<b><u>\$ 37,683.830</u></b>
<b>Annual Percent Change</b>	<b><u>0.79%</u></b>	<b><u>4.32%</u></b>	<b><u>1.95%</u></b>	<b><u>3.56%</u></b>	<b><u>3.79%</u></b>
<b><u>Non-Bonded Obligations</u></b>					
Compensated Absences	\$ 568.802	\$ 574.724	\$ 606.047	\$ 623.185	\$ 566.750
Capital Leases	316.975	353.929	379.352	311.219	351.766
Loans Payable	1,279.358	1,279.358	1,279.358	1,279.358	1,279.358
Pollution Remediation	73.964	86.162	92.175	80.401	92.654
Other	1,218.495	1,219.207	982.145	340.255	300.926
Total OPEB Liability/Obligation	23,573.700	20,176.700	16,818.300	13,501.000	10,028.800
Net Pension Liability/Obligation	<u>74,773.688</u>	<u>14,515.981</u>	<u>12,838.529</u>	<u>10,857.719</u>	<u>8,403.007</u>
<b>Aggregate Non-Bonded Obligations</b>	<b><u>101,804.982</u></b>	<b><u>38,206.061</u></b>	<b><u>32,995.906</u></b>	<b><u>26,993.137</u></b>	<b><u>21,023.261</u></b>
<b>Aggregate Bonded and Non-Bonded Obligations</b>	<b><u>\$ 143,640.266</u></b>	<b><u>\$ 79,712.579</u></b>	<b><u>\$ 72,785.278</u></b>	<b><u>\$ 66,019.961</u></b>	<b><u>\$ 58,707.091</u></b>



State of New Jersey – Fiscal Year 2019 Debt Report

Legislatively Authorized but Unissued Debt (in Millions)

Debt Program	Year Authorized	Amount Authorized	Unissued as of		Difference
			6/30/2019	6/30/2018	
<b>General Obligation Bonds</b>					
Clean Waters	1976	120.0	3.4	3.4	-
Dam, Lake, Stream, Flood Control, Water Resources, and Wastewater Treatment Project	2003	200.0	38.7	38.7	-
Energy Conservation	1980	50.0	1.6	1.6	-
Green Acres, Cultural Centers and Historic Preservation	1987	100.0	1.0	1.0	-
Green Acres, Farmland, Blue Acres, and Historic Preservation	2007	200.0	13.5	13.5	-
Green Acres, Farmland and Historic Preservation, and Blue Acres	1995	340.0	18.0	18.0	-
Green Acres, Water Supply and Floodplain Protection, and Farmland and Historic Preservation	2009	400.0	88.8	88.8	-
Hazardous Discharge	1981	100.0	43.0	43.0	-
Hazardous Discharge	1986	200.0	38.0	38.0	-
Library Construction	2017	125.0	125.0	125.0	-
Natural Resources	1980	145.0	9.6	9.6	-
New Jersey Green Acres	1983	135.0	14.5	14.5	-
New Jersey Green Acres, Clean Water, Farmland and Historic Preservation	1992	345.0	12.9	12.9	-
New Jersey Open Space Preservation	1989	300.0	18.0	18.0	-
Pinelands Infrastructure Trust	1985	30.0	6.8	6.8	-
Port of New Jersey Revitalization, Dredging, Environmental Cleanup, Lake Restoration, and Delaware Bay Area Economic Development	1996	300.0	72.8	72.8	-
Public Purpose Buildings and Community-Based Facilities Construction	1989	125.0	5.0	5.0	-
Securing Our Children's Future	2018	500.0	500.0	-	500.0
Stormwater Management and Combined Sewer Overflow Abatement	1989	50.0	9.5	9.5	-
Water Supply	1981	350.0	73.1	73.1	-
<b>Total General Obligation Bonds</b>		<b>\$ 4,115.0</b>	<b>\$ 1,093.2</b>	<b>\$ 593.2</b>	<b>\$ 500.0</b>
<b>Revenue Bonds Payable</b>					
<b>Transportation Trust Fund Authority</b>					
Transportation Program Bonds	2016	\$ 12,000.0	\$11,250.0	\$ 12,000.0	\$ (750.0)
<b>Total Revenue Bonds Payable</b>		<b>\$ 12,000.0</b>	<b>\$11,250.0</b>	<b>\$ 12,000.0</b>	<b>\$ (750.0)</b>
<b>Installment Obligations</b>					
<b>Economic Development Authority</b>					
Market Transition Facility	1994	\$ 750.0	\$ 44.7	\$ 44.7	\$ -
School Facilities Construction	2000	8,600.0	454.1	454.1	-
School Facilities Construction	2008	3,950.0	944.1	1,294.1	(350.0)
Stem Cell, Life Sciences, and Biomedical Research Facilities	2006	270.0	223.2	223.2	-
<b>Educational Facilities Authority</b>					
Dormitory Safety Trust Fund	2000	90.0	10.8	10.8	-
Higher Education Capital Improvement Fund	1999	550.0	260.3	248.9	11.4
Higher Education Equipment Leasing Fund	1993	100.0	73.3	60.9	12.4
Higher Education Facilities Trust Fund	1993	220.0	64.2	52.4	11.8
Higher Education Technology Infrastructure Fund	1997	55.0	27.3	24.9	2.4
Public Library Project Fund	1999	45.0	31.5	28.6	2.9
<b>Total Installment Obligations</b>		<b>\$ 14,630.0</b>	<b>\$ 2,133.5</b>	<b>\$ 2,442.6</b>	<b>\$ (309.1)</b>
<b>Grand Total</b>		<b>\$ 30,745.0</b>	<b>\$14,476.7</b>	<b>\$ 15,035.8</b>	<b>\$ (559.1)</b>





**SECTION 4**  
**Annual Debt Service Supported**  
**by State Revenues**

