



Garden State Preservation Trust

Understanding the \$98 million constitutional dedication

On Nov. 3, 1998, voters approved Public Question #1 to create for 30 years a constitutional dedication of \$98 million a year to fund open space preservation, conservation, farmland preservation, recreational development and historic preservation.

This dedication was intended to fund a 10-year program. It was made in two parts.

During the first 10 years of the constitutional dedication (from Fiscal Year 2000 to Fiscal Year 2009), the \$98 million is to be used for conservation and preservation appropriations or to pay debt service on any bonds. This cash has been augmented by the issuance of \$1.15 billion in bonds by the Garden State Preservation Trust. These bonds combined with the annual dedication have provided an average of \$200 million a year.

During the final 20 years of the constitutional dedication (from Fiscal Year 2010 to Fiscal Year 2029), the use of the \$98 million will change. The entire fund will then be dedicated only to paying off GSPT bonds.

When the Garden State Preservation Trust issued bonds, it carefully calculated interest rates and maturity dates to spread the debt evenly over the final 20 years. Great effort was made to minimize debt-service payments up front so as much of the cash as possible could be used for conservation appropriations.

In FY2010, the 10-year program is at an end. The entire constitutional dedication goes to debt service. If less than \$98 million is required to cover the debts, the annual dedication is reduced to the required amount.

The Garden State Preservation Trust came close to structuring its bonds to leverage the entire \$98 million dedication in future years. However, mathematical perfection is never attainable. For example, in Fiscal Year 2019, the debt service on the GSPT's four series of bonds happens to add up to \$97,990,848.75. This is a hair short of \$98 million. This tiny difference, \$9,151, will be forfeited and will fall into the general revenue. Only the sum required for debt service – \$97,990,848.75 – will be part of the constitutional dedication.

Following is Article VII, Section II, Paragraph 7 of the New Jersey Constitution.

(a) Commencing July 1, 1999, there shall be credited in each State fiscal year, until June 30, 2009, to a special account in the General Fund \$98,000,000 from the State revenue annually collected from the State tax imposed under the "Sales and Use Tax Act," P.L.1966, c.30 (C.54:32B-1 et seq.), as amended and supplemented, or from any other State law of similar effect. The dedication and use of those moneys credited pursuant to this subparagraph shall be subject and subordinate to (1) all appropriations of revenues from taxes made by laws enacted prior to the effective date of this paragraph in accordance with Article VIII, Section II, paragraph 3 of the State Constitution in order to provide the ways and means to pay the principal and interest on bonds of the State presently outstanding or authorized to be issued under those laws, or (2) any other use of those revenues enacted into law prior to the effective date of this paragraph. The amount credited each State fiscal year pursuant to this subparagraph shall be dedicated and shall be appropriated from time to time by the Legislature only to: provide funding, including loans or grants, for the acquisition and development of lands for recreation and conservation purposes, for the preservation of farmland for agricultural or horticultural use and production, and for historic preservation; and satisfy any payments relating to bonds, notes, or other obligations, including refunding bonds, issued by an authority or similar entity established by law to provide funding, including loans and grants, for the acquisition and development of lands for recreation and conservation purposes, for the preservation of farmland for agricultural or horticultural use and production, and for historic preservation.

(b) Commencing July 1, 2009 and ending June 30, 2029, there shall be credited in each State fiscal year to a special account in the General Fund from the State revenue annually collected from the State tax imposed under the "Sales and Use Tax Act," P.L.1966, c.30 (C.54:32B-1 et seq.), as amended and supplemented, or from any other State law of similar effect, the lesser of \$98,000,000 or the amount necessary in each State fiscal year to satisfy any payments relating to bonds, notes, or other obligations, including refunding bonds, issued by an authority or similar entity established by law to provide funding, including loans and grants, for the acquisition and development of lands for recreation and conservation purposes, for the preservation of farmland for agricultural or horticultural use and production, and for historic preservation. The dedication and use of those moneys credited pursuant to this subparagraph shall be subject and subordinate to (1) all appropriations of revenues from taxes made by laws enacted prior to the effective date of this paragraph in accordance with Article VIII, Section II, paragraph 3 of the State Constitution in order to provide the ways and means to pay the principal and interest on bonds of the State presently outstanding or authorized to be issued under those laws, or (2) any other use of those revenues enacted into law prior to the effective date of this paragraph. The amount credited each State fiscal year pursuant to this subparagraph shall be dedicated and shall be appropriated from time to time by the Legislature only to satisfy any payments relating to bonds, notes, or other obligations, including refunding bonds, issued by an authority or similar entity established by law to provide funding, including loans and grants, for the acquisition and development of lands for recreation and conservation purposes, for the preservation of farmland for agricultural or horticultural use and production, and for historic preservation.

(c) Moneys credited to the special account pursuant to this paragraph shall not be used for (1) payments related to bonds, notes, or other obligations which in aggregate principal amount exceed \$1,150,000,000 plus costs of issuance; or (2) payments relating to bonds, notes, or other obligations, except refunding bonds, issued after June 30, 2009.