LOTTERY ENTERPRISE CONTRIBUTION ACT LOWERING STATE’S BORROWING COSTS

TRENTON – The bipartisan Lottery Enterprise Contribution Act (LECA), a proposal announced by Governor Christie in February 2017 and enacted in July, has not only improved the solvency of the State’s Retirement System but continues to lower New Jersey’s borrowing costs. The State’s issuance of “2017 HCFFA Bonds” serves as a another clear indication that investors recognize LECA has improved New Jersey’s fiscal outlook.

In late December, the State issued $170.475 million in New Jersey Health Care Facilities Financing Authority (Hospital Asset Transformation Program) Refunding Bonds, Series 2017 ("2017 HCFFA Bonds") and received strong investor demand despite the large amount of supply of bonds in the marketplace caused by the congressional tax reform. The issue generated $584.315 million in orders from investors which allowed the State to affirm the new pricing of the State’s credit from the New Jersey Economic Development Authority’s School Facilities Construction Bonds, 2017 Series DDD, which priced on September 27, 2017. The 2017 HCFFA Bonds generated $15 million in net present value savings. To date, New Jersey has realized a gross debt service savings of $47 million on account of LECA.

“The strong response by investors to New Jersey’s most recent bond issuances is proof that New Jersey’s fiscal future is brighter today following LECA’s enactment,” said State Treasurer Ford M. Scudder. “The bipartisan Lottery Enterprise Contribution Act is providing a stable stream of funding to the State’s pension system while lowering the State’s borrowing costs and thereby saving taxpayers’ hard-earned dollars.”

During the last six years, the State has issued an average of $3.7 billion in refunding and new money debt per year. Moving forward, assuming the State continues to issue $3.7 billion of debt with 25-years of level debt service on an annual basis, LECA’s impact is estimated to save the State approximately $191 million in net present value debt service costs for each year of debt issuance. Under a five-year scenario, the State could save $960 million in net present value debt service costs.
Governor Christie and the State Legislature enacted the bipartisan Lottery Enterprise Contribution Act on July 4, 2017. LECA furthers the viability of the State’s Retirement System by authorizing the contribution of the Lottery Enterprise to the Teacher’s Pension and Annuity Fund, the Public Employees’ Retirement System and the Police and Firemen’s Retirement Systems. This Contribution of the Lottery Enterprise will help protect more than 760,000 State employees and retirees, and substantially reduce unfunded liabilities. LECA, which improves solvency of the State pension system, is anticipated to generate roughly $37 billion in pension funding over the 30-year term. The net proceeds generated by the Lottery Enterprise post-contribution will increase liquidity and thus reduce the need to prematurely sell pension plan investments solely to meet regular payments to retirees.

On December 26, in accordance with the Pension Contribution Act, the State made its second quarterly pension payment of $377 million for FY18. The FY18 contributions appropriated in the State budget combined with net Lottery proceeds will result in $2.5 billion in total contributions, the largest pension payment in New Jersey’s history. This will bring the Christie Administration’s total contributions to $8.8 billion, more than two and a half times the combined total contributions of all New Jersey governors since 1995.

#####