

ICYMI: Governor Murphy and Treasurer Muoio Announce Retirement of Nearly \$500 Million More in State Debt, Saving New Jersey Taxpayers \$160 Million

01/19/2024

TRENTON – Governor Phil Murphy and State Treasurer Elizabeth Maher Muoio announced today that the Department of the Treasury has successfully completed the most recent effort to retire outstanding debt, saving taxpayers some \$160 million and reducing the State’s total debt by almost \$500 million.

Governor Murphy spoke about the debt defeasement (retirement) during an event with the Municipal Analysts Group of New York.

“Today’s announcement marks a significant step in our Administration’s commitment to strengthen our state’s finances,” **said Governor Murphy**. “By deploying almost \$500 million to retire outstanding debt, we are continuing our pledge to lessen the burden on New Jersey taxpayers and create a more affordable state. Paying down our debt in a fiscally responsible way not only saves taxpayer money, but it also frees up funding to invest back into making New Jersey a great place to live, work, raise a family, and retire.”

“This latest successful round of defeasance is a testament to the talented and hard-working staff in our Office of Public Finance,” **said Treasurer Muoio**. “The substantial savings generated continues to further the Governor’s goal of providing for a stronger, fairer and more affordable state.”

Over the past three budget cycles, the Murphy Administration has allocated more than \$9.25 billion toward the Debt Defeasance and Prevention Fund to improve the State’s long-term fiscal health and substantially reduce outstanding debt.

Since the inception of the fund, the state has defeased a total of \$3.686 billion in bond principal, saving state taxpayers \$1.358 billion in interest expense.

BONDS DEFEASED

Between October 19 and January 10, Treasury’s Office of Public Finance, the State’s financial advisor, bond counsel, and the Attorney General’s Office conducted six separate purchases of U.S. Treasury securities using \$500 million available for debt defeasance in the NJ Debt Defeasance and Prevention Fund. In total, \$484 million in NJ Economic Development Authority School Facilities Construction Bonds, NJ General Obligation Bonds, and NJ Building Authority Bonds were defeased.

SAVINGS TO TAXPAYERS

The bonds that have been defeased had a total debt service cost of \$660 million, including principal and interest, over their remaining life. When measured against the cost of purchasing the securities, the net savings to the State is \$160 million over the life of the bonds.

THE PROCESS

The Administration moved to initiate a defeasance plan after the Appropriations Act was signed in late June of 2023. Treasury’s Office of Public Finance (OPF) began the process of identifying bonds for possible defeasance and scheduling the required board meetings to obtain the necessary authorizations. OPF then selected bonds from the approved list to be defeased, targeting those maturities that had a call date in the near future, which would provide the greatest savings for the State.

OPF then purchased U.S. Treasury securities using money appropriated to the New Jersey Debt Defeasance and Prevention Fund for the selected bonds. The U.S. Treasury securities have since been placed into irrevocable escrow accounts at a trustee bank. At each bond’s call date, a portion of the U.S. Treasury securities plus interest earned

will pay off the bond in full.

All bonds defeased through this process have been removed from the State's balance sheet at the time the U.S. Treasury securities were placed into escrow.

Governor Phil Murphy

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