



# 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 conservation & historic preservation program.

It was made in two parts:

1. During the **first 10 years** of the constitutional dedication (from Fiscal Year 2000 to FY2009), the \$98 million was to be used for conservation and preservation appropriations, *or* to pay any immediate debt service on any GSPT bonds.
2. During the **final 20 years** of the constitutional dedication (from Fiscal Year 2010 to FY2029), the use of the \$98 million *changed*. The entire fund could only be used to pay off GSPT bonds.

When the Garden State Preservation Trust issued bonds, it carefully calculated the interest rates and structured the maturity dates to spread the debt evenly over these final 20 years. Great effort was made to minimize debt-service payments during the first 10 years so the maximum funds could be used for conservation projects.

In FY2010, the 10-year program came to an end (replaced by proceeds from the 2007 & 2009 ballot referendums.) The entire constitutional dedication now goes to debt service. If less than \$98 million is required to cover the debt payment in a given year, the constitutional dedication is reduced to the required amount.

The Garden State Preservation Trust came as close as possible to structuring its bonds in order to leverage the full \$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. The difference, \$9,151, will be forfeited and will fall into the general revenue. It cannot be used for conservation; it does not come to the GSPT. The Constitution stipulates that after FY2009, only the precise sum required for debt service – \$97,990,848.75 – will be dedicated.

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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.