

# Governor Murphy Signs Legislation Expanding NJEFA's Financing Services for Colleges and Universities

January 24, 2022

**January 24, 2022, Princeton, New Jersey** — On January 18th, Governor Phil Murphy signed A5867/S4020 into law, thereby modernizing and expanding the NJEFA's statutory authority. This long-awaited new law, P.L. 2021, c.415 ("Chapter 415"), allows the Authority to: finance working capital loans; provide financing to non-profit affiliates of institutions of higher education for development of campus facilities; enter into loan agreements with public colleges and universities; and institute processes for the return of properties held by NJEFA to the appropriate public institutions once bonds are paid off and/or related leases are no longer outstanding.

"What began as a mission to bring reform to the Authority almost 20 years ago is now a reality. I want to thank Governor Murphy for signing this important legislation that gives the Authority more tools to help meet the needs of New Jersey's higher education community," said Executive Director Eric Brophy. "I would also like to thank the bill's sponsors, Senators Gopal and Cunningham and Assembly members Chiaravalloti, Jasey, and Carter, for their efforts to get this legislation approved."

Under Chapter 415, NJEFA is now authorized to offer two new services to both public and private institutions of higher education: working capital and affiliate financing. Working capital financing allows the issuance of tax-exempt or taxable bonds for short-term borrowing by institutions for operating cashflow needs. Affiliate financing, such as that employed in the development of Public Private Partnership transactions, provides non-profit affiliate entities of colleges and universities with access to Authority financing services, including tax-exempt bonds for the development of academic facilities.

"The Authority's staff has always been committed to exploring new ways to meet the needs of clients," said Joshua E. Hodes, the Authority's board chair. "Adding working capital and affiliate financing to the robust menu of services that NJEFA already offers helps position the Authority as a 'one stop shop' for colleges and universities in New Jersey seeking financing for capital projects."

Chapter 415 also modernizes the financing mechanism the Authority uses in college and university transactions. Since the establishment of the Authority in 1966, financing transactions between NJEFA and public institutions of higher education have utilized a lease structure. Under a lease structure, the Authority takes title to the property being financed and enters into a lease and agreement with the institution under which the school makes rental payments sufficient to cover its debt service obligation on the bonds. A lease structure has become obsolete in many cases as New Jersey's state colleges and universities were given greater control of their fiscal decisions, including the ability to own property, under the State College Autonomy Act of 1986.

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Today's best practices for conduit issuers working with public entities call for the use of loan agreements in financing structures, which Chapter 415 provides. This statutory change means that going forward, the Authority will no longer be required to take title to public college property and some existing properties may be able to be returned to the institutions.

"For several years the Authority has worked to modernize how it conducts business with the state's public colleges and universities," said Sheryl Stitt, the Authority's deputy executive director. "The Authority is now able to return properties to public institutions, once bonds and leases are no longer outstanding, that in some cases have been held for decades. This will reduce costs and red tape for all involved, and most importantly, unencumber these properties for institutions' future priorities."

While the statutory changes in Chapter 415 take effect immediately, guidelines and processes for the new services are being developed by Authority staff; please visit [www.njefa.nj.gov](http://www.njefa.nj.gov) for additional updates.

***As an independent and self-supporting state entity, NJEFA is New Jersey's primary issuer of municipal bonds to finance the development of campus facilities at public and private colleges and universities. NJEFA finances a wide array of projects including construction, renovation, and acquisition of academic and research facilities; libraries; technology infrastructures; student housing; student life and athletic facilities; parking structures; and refinancing of existing debt. NJEFA's 55 years of experience in the financial markets with institutions of every type, size, and credit has led it to complete 526 transactions with a total par volume of over \$19 billion.***

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