

ASSEMBLY COMMERCE AND ECONOMIC DEVELOPMENT
COMMITTEE

STATEMENT TO
ASSEMBLY, No. 3971

with committee amendments

STATE OF NEW JERSEY

DATED: MAY 7, 2020

The Assembly Commerce and Economic Development Committee reports favorably and with committee amendments Assembly Bill No. 3971.

This bill, as amended by the committee, would allow counties and municipalities to borrow moneys (through the issuance of bonds and notes) to cover the revenue shortfalls and additional costs that are directly attributable to the COVID-19 pandemic.

Municipalities and counties are experiencing revenue shortfalls and expense overruns because of the COVID-19 pandemic, and these fiscal consequences of the pandemic are likely to continue. Local units of government have significant fixed statutory expenses and provide essential services. The costs of providing many essential services is likely to increase as a result of the COVID-19 pandemic. Collection of revenues is likely to decrease during the pandemic and for a period of time afterwards.

This bill would establish a new financing mechanism to enable local units to borrow money to address the costs attributable to increased expenses and revenue shortfalls due to the COVID-19 pandemic, and to pay back that money over a 10-year period.

Under the bill, as amended, a local unit that requires moneys because of a loss of revenue, unanticipated expenses, or both, which are directly attributable to the COVID-19 pandemic may incur indebtedness, borrow money, and authorize and issue "coronavirus relief bonds." Coronavirus relief bonds would be payable from, and secured by a pledge of, ad valorem taxes levied upon all the taxable property within the local unit without limitation as to rate or amount.

The process for authorizing the issuance of bonds under this bill would follow the process currently applicable to the issuance of refunding bonds under the "Local Bond Law," N.J.S.40A:2-1 et seq., except that a local unit will not be required to secure Local Finance Board approval unless:

- the local unit seeks to issue bonds in an amount that exceeds 30% of the local unit's prior year budget; or

- the local unit seeks to issue bonds with a repayment term longer than 10 years.

To the extent any provision governing refunding bonds under the “Local Bond Law,” conflicts with the bill’s provisions, the provisions of the bill would control.

In addition to the procedures for adoption of a bond ordinance required under the Local Bond Law, after introduction and first reading of a refunding bond ordinance authorizing the issuance of coronavirus relief bonds, and at least one week prior to the date set for further consideration, a local unit must display the introduced refunding bond ordinance on the home page of its website together with a summary of the ordinance, notice of introduction of the ordinance, and of the date, time, and place of further consideration for final passage of the ordinance.

The bill, as amended, requires a local unit, prior to authorizing the issuance of coronavirus relief bonds, to apply for financial assistance that may be available to the local unit from the federal government, the State, and other sources to address revenue shortfalls and expenditures due to the COVID-19 pandemic, if any. The bill, as amended, sets forth criteria for determining the total amount of coronavirus relief bonds that a local unit may issue.

First, a local unit must subtract all amounts of assistance provided to the local unit from the federal government, the State, and other sources to address revenue shortfalls and expenditures due to the COVID-19 pandemic. Second, the local unit must determine the amount of lost or delayed tax and other revenues experienced by the local unit, and the amount of unanticipated expenses that are incurred by the local unit, due to COVID-19 within 24 months after the end of the Public Health Emergency and State of Emergency declared in New Jersey due to COVID-19. The bill then limits that amount by providing that the total amount of coronavirus relief bonds that a local unit may issue cannot cause the local unit to exceed its net debt limitation under the Local Bond Law.

Under the bill, as amended, a local unit may use the proceeds from the sale and issuance of coronavirus relief bonds to address a revenue shortfall experienced by the local unit, and to cover the costs of unanticipated expenses, that are directly attributable to the COVID-19 pandemic and which occurred within 24 months after the end of the Public Health Emergency and State of Emergency declared in New Jersey due to COVID-19.

The bill, as amended, authorizes a local unit, in anticipation of the issuance of coronavirus relief bonds, to borrow money and issue and renew negotiable notes in accordance with the provisions of the Local Bond Law, however, the bill allows a note issued in anticipation of the issuance of coronavirus relief bonds to be issued for a period not exceeding two years.

The bill, as amended, provides that coronavirus relief bonds, or notes in anticipation thereof, must be initially issued within 24 months after the end of the Public Health Emergency and State of Emergency declared in New Jersey due to COVID-19.

Final maturity of a coronavirus relief bond must be within ten years from the initial issuance of the bond. However, a local unit may apply to the Local Finance Board for a longer repayment term. If the local unit demonstrates a need for a longer repayment term to the satisfaction of the Local Finance Board, the board may authorize a longer repayment term. The maturity schedule may include a combination of notes and bonds as deemed appropriate by the local unit, and bonds will mature in amounts deemed appropriate by the local unit.

The bill, as amended, requires the Local Finance Board to render a decision on an application for approval submitted to it under the bill within 45 days of the submission of a complete application to the board. Failure of the board to act on an application within that timeframe will result in an approval of the application.

The bill, as amended, provides that a county improvement authority may exercise its purpose and power under sections 11 and 12 of P.L.1960, c.183 (C.40:37A-54 and C.40:37A-55) to pool loans for local governmental units within the county or any beneficiary county that are refunding bonds for the pooling of coronavirus relief bonds.

The bill, as amended, authorizes the Division of Local Government Services to issue guidelines necessary or appropriate to implement the bill's provisions.

COMMITTEE AMENDMENTS:

The committee amended the bill to:

- Change a bill provision that would require Local Finance Board approval of a proposed bond ordinance so that Local Finance Board approval will be required if the local unit seeks to issue bonds in an amount that exceeds 30%, instead of 20%, of the local unit's prior year budget.
- Clarify that coronavirus relief bonds will be payable from, and secured by a pledge of, ad valorem taxes levied upon all the taxable property within the local unit without limitation as to rate or amount.
- Delete from the bill a provision that would have required a bond ordinance authorizing issuance of coronavirus relief bonds to provide that bonds and notes issued under the bill may be paid in full prior to full maturity without incurring a penalty for early repayment.
- Delete provisions that require a local unit to "thoroughly investigate" the availability of other types of financial assistance related to the COVID-19 pandemic, and that require

a local unit to subtract from the amount of coronavirus relief bonds a local unit may issue, amounts of assistance “anticipated by, or available to” the local unit. After these deletions, the bill will require a local unit: prior to authorizing the issuance of coronavirus relief bonds, to apply for financial assistance that may be available to it to address revenue shortfalls and expenditures due to the COVID-19 pandemic, if any; and when determining the total amount of coronavirus relief bonds that a local unit may issue, to first subtract all amounts of assistance provided to the local unit from the federal government, the State, and other sources to address revenue shortfalls and expenditures due to the COVID-19 pandemic.

- Delete from the bill one of the thresholds related to the total amount of bonds a local unit can issue under the bill. Specifically, the amendments delete a provision providing that the total amount of coronavirus relief bonds that a local unit may issue shall not exceed an amount that will not cause the local unit to exceed the maximum amount of tax anticipation notes the local unit may issue. After this deletion, the bill will still limit the total amount of coronavirus relief bonds that a local unit may issue by providing that the issuance cannot cause the local unit to exceed its net debt limitation under the Local Bond Law.
- Provide that coronavirus relief bonds may be issued in one or more series.
- Provide that final maturity of a coronavirus relief bond will be determined based upon the initial issuance of the bond, and not on the initial issuance of a note in anticipation thereof.
- Clarify that to the extent any provision governing refunding bonds under the “Local Bond Law” conflicts with provisions of the bill, the provisions of the bill will govern.
- Clarify that a county improvement authority may pool coronavirus relief bonds for local governmental units located within the county or any beneficiary county.