

SENATE, No. 2475

STATE OF NEW JERSEY 219th LEGISLATURE

INTRODUCED MAY 11, 2020

Sponsored by:

Senator TROY SINGLETON

District 7 (Burlington)

Senator VIN GOPAL

District 11 (Monmouth)

Senator NICHOLAS P. SCUTARI

District 22 (Middlesex, Somerset and Union)

Co-Sponsored by:

Senators Greenstein, Bateman, Madden, Sacco, Ruiz and Turner

SYNOPSIS

Authorizes the issuance of "coronavirus relief bonds" by municipalities and counties.

CURRENT VERSION OF TEXT

As introduced.



(Sponsorship Updated As Of: 7/28/2020)

1 AN ACT authorizing local units to issue coronavirus relief bonds.

2

3 **BE IT ENACTED** by the Senate and General Assembly of the State
4 of New Jersey:

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6 1. a. (1) A local unit that requires moneys because of a loss of
7 revenue, unanticipated expenses, or both, which are directly
8 attributable to the COVID-19 pandemic may incur indebtedness,
9 borrow money, and authorize and issue bonds, entitled "coronavirus
10 relief bonds," in accordance with provisions governing refunding
11 bonds under the "Local Bond Law," N.J.S.40A:2-1 et seq., except
12 as otherwise provided in this act.

13 (2) A local unit shall authorize issuance of coronavirus relief
14 bonds by adoption of a refunding bond ordinance in the manner
15 prescribed for adoption of a bond ordinance, except that:

16 (a) no down payment shall be required; and

17 (b) Local Finance Board approval shall not be required, and the
18 provisions of subsection c. of N.J.S.40A:2-53, and of N.J.S.40A:2-
19 55, N.J.S.40A:2-56, and N.J.S.40A:2-57 shall not apply, unless:

20 (i) the local unit seeks to issue bonds in an amount that exceeds
21 30% of the local unit's prior year budget; or

22 (ii) the local unit seeks to issue bonds with a longer repayment
23 term than otherwise permitted in this act.

24 (3) Coronavirus relief bonds shall be payable from, and secured
25 by a pledge of, ad valorem taxes levied upon all the taxable
26 property within the local unit without limitation as to rate or
27 amount.

28 (4) In addition to the procedures for adoption of a bond
29 ordinance required under N.J.S.40A:2-17, after introduction and
30 first reading of a refunding bond ordinance authorizing the
31 issuance of coronavirus relief bonds, and at least one week prior to
32 the date for further consideration thereof, the local unit shall
33 prominently display on the home page of the local unit's website
34 the introduced refunding bond ordinance together with a summary
35 thereof, the notice of the introduction thereof, and of the date, time,
36 and place of further consideration for final passage.

37 (5) A refunding bond ordinance authorizing issuance of
38 coronavirus relief bonds may provide for the capitalization of the
39 interest thereon.

40 b. (1) Prior to authorizing the issuance of coronavirus relief
41 bonds, a local unit shall apply for financial assistance that may be
42 available to the local unit from the federal government, the State,
43 and other sources to address revenue shortfalls and expenditures
44 due to the COVID-19 pandemic, if any.

45 (2) The total amount of coronavirus relief bonds that a local unit
46 may issue shall not exceed, after subtracting all amounts of
47 assistance provided to, the local unit from the federal government,

1 the State, and other sources to address revenue shortfalls and
2 expenditures due to the COVID-19 pandemic:

3 (a) the amount of lost or delayed tax and other revenues
4 experienced by the local unit due to the public health hazard created
5 by COVID-19 prior to the end of the 24th month next following the
6 end of the Public Health Emergency and State of Emergency
7 declared in the State of New Jersey due to the public health hazard
8 created by COVID-19, and

9 (b) the amount of unanticipated expenses that are incurred by
10 the local unit due to the public health hazard created by COVID-19
11 prior to the end of the 24th month next following the end of the
12 Public Health Emergency and State of Emergency declared in the
13 State of New Jersey due to the public health hazard created by
14 COVID-19.

15 c. In addition to the amount determined pursuant to paragraph
16 (2) of subsection b. of this section, the total amount of coronavirus
17 relief bonds that a local unit may issue under subsection b. of this
18 section shall not exceed an amount that will cause the local unit to
19 exceed its net debt limitation under N.J.S.40A:2-6, unless otherwise
20 permitted by subsection d. of N.J.S.40A:2-7.

21 d. (1) A local unit may use the proceeds from the sale and
22 issuance of coronavirus relief bonds to address a revenue shortfall
23 experienced by the local unit which is directly attributable to the
24 COVID-19 pandemic and which occurred prior to the end of the
25 24th month next following the end of the Public Health Emergency
26 and State of Emergency declared in the State of New Jersey due to
27 the public health hazard created by COVID-19.

28 (2) A local unit may use the proceeds from the sale and issuance
29 of coronavirus relief bonds to cover the costs of unanticipated
30 expenses that are directly attributable to the COVID-19 pandemic,
31 and which were incurred by the local unit prior to the end of the
32 24th month next following the end of the Public Health Emergency
33 and State of Emergency declared in the State of New Jersey due to
34 the public health hazard created by COVID-19.

35 e. A local unit may, in anticipation of the issuance of
36 coronavirus relief bonds, borrow money and issue negotiable notes
37 from time to time, at public or private sale and may, from time to
38 time, renew these notes in accordance with the provisions of section
39 11 of P.L.2003, c.15 (C.40A:2-8.1), however, notwithstanding that
40 provision of law, a note issued in anticipation of the issuance of
41 coronavirus relief bonds may be issued for a period not exceeding
42 two years.

43 f. Coronavirus relief bonds, or notes in anticipation thereof,
44 shall be initially issued in one or more series prior to the end of the
45 24th month next following the end of the Public Health Emergency
46 and State of Emergency declared in the State of New Jersey due to
47 the public health hazard created by COVID-19.

- 1 g. Final maturity of a coronavirus relief bond shall occur no
2 more than ten years from the initial issuance of the bond, however,
3 a local unit may apply to the Local Finance Board for a longer
4 repayment term. If the local unit demonstrates a need for a longer
5 repayment term to the satisfaction of the Local Finance Board, the
6 board may authorize a longer repayment term. The maturity
7 schedule may include a combination of notes and bonds, and such
8 bonds shall mature in amounts, each as deemed appropriate by the
9 local unit.
- 10 h. The Local Finance Board shall render a decision on an
11 application for approval submitted to it pursuant to this act within
12 45 days of the submission of a complete application to the board,
13 and failure of the board to do so shall result in an approval of the
14 application.
- 15 i. The Division of Local Government Services may issue
16 guidelines necessary or appropriate to implement the provisions of
17 this act.
- 18 j. To the extent any provision governing refunding bonds
19 under the “Local Bond Law,” N.J.S.40A:2-1 et seq., conflicts with
20 the provisions of this act, the provisions of this act shall govern.
- 21 k. A county improvement authority may exercise its purpose
22 and power under sections 11 and 12 of P.L.1960, c.183 (C.40:37A-
23 54 and C.40:37A-55) to pool loans for local governmental units
24 within the county or any beneficiary county that are refunding
25 bonds for the pooling of coronavirus relief bonds.

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- 27 2. This act shall take effect immediately.

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STATEMENT

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32 This bill would allow counties and municipalities to borrow
33 moneys (through the issuance of bonds and notes) to cover the
34 revenue shortfalls and additional costs that are directly attributable
35 to the COVID-19 pandemic. Municipalities and counties are
36 experiencing revenue shortfalls and expense overruns because of
37 the COVID-19 pandemic, and these fiscal consequences of the
38 pandemic are likely to continue. Local units of government have
39 significant fixed statutory expenses and provide essential services.
40 The costs of providing many essential services is likely to increase
41 as a result of the COVID-19 pandemic. Collection of revenues is
42 likely to decrease during the pandemic and for a period of time
43 afterwards.

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

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

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

- 13 • the local unit seeks to issue bonds in an amount that exceeds
14 30% of the local unit's prior year budget; or
- 15 • the local unit seeks to issue bonds with a repayment term
16 longer than 10 years.

17 To the extent any provision governing refunding bonds under the
18 "Local Bond Law," conflicts with the bill's provisions, the
19 provisions of the bill would control.

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

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

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

1 Under the bill, a local unit may use the proceeds from the sale
2 and issuance of coronavirus relief bonds to address a revenue
3 shortfall experienced by the local unit, and to cover the costs of
4 unanticipated expenses that are directly attributable to the COVID-
5 19 pandemic and which occurred within 24 months after the end of
6 the Public Health Emergency and State of Emergency declared in
7 New Jersey due to COVID-19.

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

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

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

27 The bill provides that a county improvement authority may
28 exercise its purpose and power under sections 11 and 12 of
29 P.L.1960, c.183 (C.40:37A-54 and C.40:37A-55) to pool loans for
30 local governmental units within the county or any beneficiary
31 county that are refunding bonds for the pooling of coronavirus relief
32 bonds. The bill requires the Local Finance Board to render a
33 decision on an application for approval submitted to it under the bill
34 within 45 days of the submission of a complete application to the
35 board. Failure of the board to act on an application within that
36 timeframe will result in an approval of the application.

37 The bill authorizes the Division of Local Government Services to
38 issue guidelines necessary or appropriate to implement the bill's
39 provisions.