

ASSEMBLY, No. 2471

STATE OF NEW JERSEY

INTRODUCED NOVEMBER 7, 1996

By Assemblywoman MURPHY

1 AN ACT concerning bond anticipation notes and amending
2 N.J.S.40A:2-8.

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

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7 1. N.J.S.40A:2-8 is amended to read as follows:

8 40A:2-8. a. A local unit, in anticipation of the issuance of bonds,
9 may borrow money and issue negotiable notes if the bond ordinance
10 or subsequent resolution so provides. Any such note shall be
11 designated "bond anticipation note" and shall contain a recital that it
12 is issued in anticipation of the issuance of bonds. Such notes may be
13 issued for a period of not exceeding one year and may be renewed
14 from time to time for periods of not exceeding one year, but all such
15 notes, including renewals, shall mature and be paid not later than the
16 tenth anniversary of the date of the original notes, provided, however,
17 that no such notes shall be renewed beyond the third anniversary date
18 of the original notes unless an amount of such notes, at least equal to
19 the first legally payable installment of the bonds in anticipation of
20 which said notes are issued, is paid and retired on or before said third
21 anniversary date and, if such notes are renewed beyond the fourth
22 anniversary date of the original notes, a like amount is paid or retired
23 on or before said fourth anniversary date from funds other than the
24 proceeds of obligations, except that:

25 1. Such notes shall mature and be paid not later than the first day
26 of the fifth month following the close of the tenth fiscal year next
27 following the date of the original notes, provided that, in addition to
28 amounts paid and retired pursuant to paragraph a. above, an amount
29 of such notes equal to not less than the first legally payable installment
30 of the bonds in anticipation of which such notes are issued has been
31 paid and retired not later than the end of said **[fifth]** tenth fiscal year
32 from funds other than the proceeds of obligations; and

33 2. Notes issued to finance local improvements and in an amount
34 not exceeding the amount of special assessments then confirmed and

EXPLANATION - Matter enclosed in bold-faced brackets [thus] in the above bill is not enacted and intended to be omitted in the law.

Matter underlined thus is new matter.

1 unpaid and not delinquent may be renewed for periods of not
2 exceeding one year but shall mature and be paid not later than the fifth
3 anniversary of the date of the original notes.

4 b. A local unit may finance any improvement which it has power to
5 finance by obligations issued under this chapter by the issuance of
6 "capital notes." The aggregate amount of all such notes outstanding
7 at any one time shall not exceed the lesser of \$200,000.00 or 1/2 of
8 1% of the equalized valuation basis. Such notes shall be authorized in
9 the same manner as bond anticipation notes and shall be payable from
10 funds other than the proceeds of obligations within five years from the
11 date of the issuance of the first of said notes and not less than 20%
12 thereof shall be paid in each succeeding year. The local unit shall
13 provide for the payment of the principal of, and interest on such notes
14 falling due in each year.

15 c. The local finance board shall issue, in the manner prescribed by
16 law, such rules and regulations as are necessary to the implementation
17 and execution of this act.

18 (cf: P.L.1990, c.112, s.1)

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20 2. This act shall take effect immediately and shall be retroactive to
21 November 16, 1990.

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STATEMENT

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26 This bill would correct an oversight in P.L.1990, c.112 which was
27 the most recent amendment to N.J.S.40A:2-8. Section 1 of P.L.1990,
28 c.112 amended the statute to increase the length of time over which a
29 bond anticipation note can be repaid from five years to 10 years. The
30 phrase "said fifth fiscal year" should have been amended in the 1990
31 law to read "said tenth fiscal year" since it refers to a previous phrase
32 in the sentence, "close of the tenth fiscal year." The sponsor has been
33 requested by the Division of Local Government Services in the
34 Department of Community Affairs to introduce this bill to correct this
35 error. The bill would be retroactive to November 16, 1990, the
36 enactment date of P.L.1990, c.112

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41 Clarifies ten-year maximum repayment period for bond anticipation
42 note issued by local units.