

ASSEMBLY, No. 5847

STATE OF NEW JERSEY 219th LEGISLATURE

INTRODUCED JUNE 9, 2021

Sponsored by:

Assemblyman VINCENT MAZZEO

District 2 (Atlantic)

SYNOPSIS

Authorizes local units to refinance general obligation bonds irrespective of present value savings for period of one year.

CURRENT VERSION OF TEXT

As introduced.



1 AN ACT concerning the issuance of refunding bonds by local units
2 of government and amending N.J.S.40A:2-51.

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

6
7 1. N.J.S.40A:2-51 is amended to read as follows:

8 40A:2-51. Any local unit may incur indebtedness, borrow
9 money, authorize and issue refunding bonds, notwithstanding any
10 provision or limitation contained in this chapter or in any other law,
11 and in any amount determined to be necessary by the governing
12 body of the local unit and approved by the Local Finance Board,
13 except as provided in subsection c. of this section, to effect the
14 refunding for the purpose of:

15 a. Paying, funding or refunding outstanding bonds of the local
16 unit, including emergency appropriations, temporary emergency
17 appropriations, advance funding of pension obligations as part of an
18 early retirement program offered by the State, and amounts owing
19 to others for taxes levied in the local unit, or any renewals or
20 extensions thereof, or any bonds issued to fund or refund the same
21 and whether or not prior to the maturity or earliest redemption date
22 of the bonds to be refunded.

23 b. Paying the cost of the issuance of such refunding bonds,
24 including printing, advertising, accounting and financial and legal
25 expenses.

26 c. Issuance of refunding bonds to realize debt service savings
27 on outstanding obligations without the approval of the **[local**
28 **finance board]** Local Finance Board when authorized by conditions
29 set forth in rules and regulations of the local finance board and upon
30 a resolution adopted by 2/3 vote of the full membership of the
31 governing body, except as provided in section 2 of P.L. _____,
32 c. _____ (pending before the Legislature as this bill).

33 d. The sale and award of bonds by a finance officer who has
34 been delegated that responsibility by resolution of the governing
35 body in accordance with the advertised terms of public sale. The
36 finance officer making any such sale shall report in writing to the
37 governing body at the next meeting thereof as to the principal
38 amount, interest rate and maturities of the bonds sold, along with
39 the price obtained and the name of the purchaser.

40 (cf: P.L.2003, c.15, s.9)

41

42 2. (New section) Notwithstanding the requirements of any rule
43 or regulation of the Local Finance Board to the contrary, for a
44 period of 12 consecutive months commencing on the effective date
45 of P.L. _____, c. _____ (pending before the Legislature as this bill), a

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

Matter underlined thus is new matter.

1 local unit may issue refunding bonds to realize debt service savings
2 on outstanding obligations if the present value savings shall be less
3 than any minimum present value savings threshold established in
4 rule or regulation of the Local Finance Board.

5
6 3. This act shall take effect immediately.
7
8

9 STATEMENT
10

11 This bill would amend the "Local Bond Law," N.J.S.40A:2-1 et
12 seq., to authorize local units of government, for a period of one year
13 commencing on the effective date of the bill, to refinance general
14 obligation bonds irrespective of any present value savings that may
15 be required pursuant to regulations promulgated by the Local
16 Finance Board.

17 N.J.A.C.5:30-2.5 currently requires that one of the conditions for
18 the issuance of refunding bonds by counties or municipalities is that
19 the present value savings of issuing the refunding bonds would be at
20 least three percent. This requirement was apparently intended to
21 prevent counties and municipalities from continually expending
22 public money on professional fees related to issuing refunding
23 bonds and to allow counties and municipalities to achieve savings
24 on interest costs. However, as interest rates are currently very low,
25 if a county or municipality is able to save taxpayers money by
26 issuing refunding bonds to eliminate debt having higher interest
27 rates, it should be able to do so, regardless of that condition in the
28 regulation.