

ASSEMBLY STATE AND LOCAL GOVERNMENT
COMMITTEE

STATEMENT TO

ASSEMBLY, No. 5847

STATE OF NEW JERSEY

DATED: JUNE 9, 2021

The Assembly State and Local Government Committee reports favorably Assembly Bill No. 5847,

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

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