

ASSEMBLY, No. 3971

STATE OF NEW JERSEY 219th LEGISLATURE

INTRODUCED MAY 4, 2020

Sponsored by:

Assemblyman DANIEL R. BENSON

District 14 (Mercer and Middlesex)

Assemblyman CRAIG J. COUGHLIN

District 19 (Middlesex)

Assemblyman WAYNE P. DEANGELO

District 14 (Mercer and Middlesex)

Co-Sponsored by:

Assemblywoman Reynolds-Jackson and Assemblyman Verrelli

SYNOPSIS

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

CURRENT VERSION OF TEXT

As introduced.



(Sponsorship Updated As Of: 5/7/2020)

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:*

5

6 1. a. (1) A local unit that requires moneys because of a loss
7 of 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 debt that exceeds 20% of the
21 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, unlimited ad valorem taxes.

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

35 (5) A bond ordinance authorizing issuance of coronavirus relief
36 bonds may provide for the capitalization of the interest thereon.

37 (6) A bond ordinance authorizing issuance of coronavirus relief
38 bonds shall provide that bonds and notes issued under this act may
39 be paid in full prior to full maturity without incurring a penalty for
40 early repayment.

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

46 (2) The total amount of coronavirus relief bonds that a local unit
47 may issue shall not exceed, after subtracting all amounts of
48 assistance anticipated by, available to, or provided to, the local unit

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

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

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

16 c. The total amount of coronavirus relief bonds that a local unit
17 may issue under subsection b. of this section shall not exceed an
18 amount that is the lesser of:

19 (1) an amount that will not cause the local unit to exceed its net
20 debt limitation under N.J.S.40A:2-6, unless otherwise permitted by
21 subsection d. of N.J.S.40A:2-7; or

22 (2) an amount that will not cause the local unit to exceed the
23 maximum amount of tax anticipation notes the local unit may issue
24 under N.J.S.40A:4-66.

25 d. (1) A local unit may use the proceeds from the sale and
26 issuance of coronavirus relief bonds to address a revenue shortfall
27 experienced by the local unit which is directly attributable to the
28 COVID-19 pandemic and which occurred prior to the end of the
29 24th month next following the end of the Public Health Emergency
30 and State of Emergency declared in the State of New Jersey due to
31 the public health hazard created by COVID-19.

32 (2) A local unit may use the proceeds from the sale and issuance
33 of coronavirus relief bonds to cover the costs of unanticipated
34 expenses that are directly attributable to the COVID-19 pandemic,
35 and which were incurred by the local unit prior to the end of the
36 24th month next following the end of the Public Health Emergency
37 and State of Emergency declared in the State of New Jersey due to
38 the public health hazard created by COVID-19.

39 e. A local unit may, in anticipation of the issuance of
40 coronavirus relief bonds, borrow money and issue negotiable notes
41 from time to time, at public or private sale and may, from time to
42 time, renew these notes in accordance with the provisions of section
43 11 of P.L.2003, c.15 (C.40A:2-8.1), however, notwithstanding that
44 provision of law, a note issued in anticipation of the issuance of
45 coronavirus relief bonds may be issued for a period not exceeding
46 two years.

47 f. A coronavirus relief bond, or a note in anticipation thereof,
48 shall be initially issued prior to the end of the 24th month next

1 following the end of the Public Health Emergency and State of
2 Emergency declared in the State of New Jersey due to the public
3 health hazard created by COVID-19.

4 g. Final maturity of a coronavirus relief bond shall occur no
5 more than ten years from the initial issuance of the bond or the
6 initial issuance of a note in anticipation thereof, however, a local
7 unit may apply to the Local Finance Board for a longer repayment
8 term. If the local unit demonstrates a need for a longer repayment
9 term to the satisfaction of the Local Finance Board, the board may
10 authorize a longer repayment term. The maturity schedule may
11 include a combination of notes and bonds as deemed appropriate by
12 the local unit.

13 h. The Local Finance Board shall render a decision on an
14 application for approval submitted to it pursuant to this act within
15 45 days of the submission of a complete application to the board,
16 and failure of the board to do so shall result in an approval of the
17 application.

18 i. The Division of Local Government Services may issue
19 guidelines necessary or appropriate to implement the provisions of
20 this act.

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22 2. This act shall take effect immediately.

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STATEMENT

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

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

43 Under the bill, a local unit that requires moneys because of a loss
44 of revenue, unanticipated expenses, or both, which are directly
45 attributable to the COVID-19 pandemic may incur indebtedness,
46 borrow money, and authorize and issue "coronavirus relief bonds."
47 Coronavirus relief bonds would be payable from, and secured by a
48 pledge of, unlimited ad valorem taxes.

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

- 6 • the local unit seeks to issue debt that exceeds 20% of the
7 local unit’s prior year budget; or
- 8 • the local unit seeks to issue bonds with a repayment term
9 longer than 10 years.

10 In addition to the procedures for adoption of a bond ordinance
11 required under the Local Bond Law, after introduction and first
12 reading of a bond ordinance authorizing the issuance of coronavirus
13 relief bonds, and at least one week prior to the date set for further
14 consideration, a local unit must display the introduced bond
15 ordinance on the home page of its website together with a summary
16 of the ordinance, notice of introduction of the ordinance, and of the
17 date, time, and place of further consideration for final passage of
18 the ordinance. The bill provides that bonds and notes issued under
19 the bill may be paid in full prior to full maturity without incurring a
20 penalty for early repayment.

21 The bill requires a local unit, prior to authorizing the issuance of
22 coronavirus relief bonds, to thoroughly investigate, and apply for,
23 financial assistance that may be available to the local unit from the
24 federal government, the State, and other sources to address revenue
25 shortfalls and expenditures due to the COVID-19 pandemic. The
26 bill sets forth criteria for determining the total amount of
27 coronavirus relief bonds that a local unit may issue.

28 First, a local unit must subtract all amounts of assistance
29 anticipated by, available to, or provided to, the local unit from the
30 federal government, the State, and other sources to address revenue
31 shortfalls and expenditures due to the COVID-19 pandemic.
32 Second, the local unit must determine the amount of lost or delayed
33 tax and other revenues experienced by the local unit, and the
34 amount of unanticipated expenses that are incurred by the local
35 unit, due to COVID-19 within 24 months after the end of the Public
36 Health Emergency and State of Emergency declared in New Jersey
37 due to COVID-19. The bill then limits that amount by providing
38 that the debt cannot cause the local unit to exceed its net debt
39 limitation under the Local Bond Law or cause the local unit to
40 exceed the maximum amount of tax anticipation notes it may issue
41 under the Local Budget Law.

42 Under the bill, a local unit may use the proceeds from the sale
43 and issuance of coronavirus relief bonds to address a revenue
44 shortfall experienced by the local unit, and to cover the costs of
45 unanticipated expenses that are directly attributable to the COVID-
46 19 pandemic and which occurred within 24 months after the end of
47 the Public Health Emergency and State of Emergency declared in
48 New Jersey due to COVID-19.

A3971 BENSON, COUGHLIN

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

7 The bill provides that a coronavirus relief bond, or a note in
8 anticipation thereof, must be initially issued within 24 months after
9 the end of the Public Health Emergency and State of Emergency
10 declared in New Jersey due to COVID-19.

11 Final maturity of a coronavirus relief bond must be within ten
12 years from the initial issuance of the bond or the initial issuance of
13 a note in anticipation thereof. However, a local unit may apply to
14 the Local Finance Board for a longer repayment term. If the local
15 unit demonstrates a need for a longer repayment term to the
16 satisfaction of the Local Finance Board, the board may authorize a
17 longer repayment term. The maturity schedule may include a
18 combination of notes and bonds as deemed appropriate by the local
19 unit.

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

25 The bill authorizes the Division of Local Government Services to
26 issue guidelines necessary or appropriate to implement the bill's
27 provisions.