SENATE, No. 3938

STATE OF NEW JERSEY

219th LEGISLATURE

INTRODUCED JUNE 10, 2021

Sponsored by:
Senator LINDA R. GREENSTEIN
District 14 (Mercer and Middlesex)

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.

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

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

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

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

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

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

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

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

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

2. (New section) Notwithstanding the requirements of any rule or regulation of the Local Finance Board to the contrary, for a period of 12 consecutive months commencing on the effective date 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.

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

3. This act shall take effect immediately.

STATEMENT

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.