

LEGISLATIVE HISTORY CHECKLIST  
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NJSA: 40A:2-8

(Bond anticipation  
notes--permit  
extended use--  
municipalities)

LAWS OF: 1990

CHAPTER: 112

Bill No: A1678

Sponsor(s): Albohn

Date Introduced: Pre-filed

Committee: Assembly: Municipal Government

Senate: -----

Amended during passage: No

Date of Passage: Assembly: October 1, 1990

Senate: October 1, 1990

Date of Approval: November 16, 1990

Following statements are attached if available:

Sponsor statement: Yes

Committee Statement: Assembly: Yes

Senate: No

Fiscal Note: No

Veto Message: No

Message on signing: No

Following were printed:

Reports: No

Hearings: No

KBG/SLJ

Do Not  
[Handwritten marks]

1 AN ACT concerning local finance and amending N.J.S.40A:2-8.

2

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

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

6 40A:2-8. a. A local unit, in anticipation of the issuance of  
7 bonds, may borrow money and issue negotiable notes if the bond  
8 ordinance or subsequent resolution so provides. Any such note  
9 shall be designated "bond anticipation note" and shall contain a  
10 recital that it is issued in anticipation of the issuance of bonds.  
11 Such notes may be issued for a period of not exceeding 1 year and  
12 may be renewed from time to time for periods of not exceeding 1  
13 year, but all such notes, including renewals, shall mature and be  
14 paid not later than the [fifth] tenth anniversary of the date of the  
15 original notes provided, however, that no such notes shall be  
16 renewed beyond the third anniversary date of the original notes  
17 unless an amount of such notes, at least equal to the first legally  
18 payable installment of the bonds in anticipation of which said  
19 notes are issued, is paid and retired on or before said third  
20 anniversary date and, if such notes are renewed beyond the fourth  
21 anniversary date of the original notes, a like amount is paid or  
22 retired on or before said fourth anniversary date from funds other  
23 than the proceeds of obligations, except that:

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

33 2. a. Notes issued to finance local improvements and in an  
34 amount not exceeding the amount of special assessments then  
35 confirmed and unpaid and not delinquent may be renewed for  
36 periods of not exceeding 1 year but shall mature and be paid not  
37 later than the fifth anniversary of the date of the original notes.

38 b. A local unit may finance any improvement which it has

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

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

15 (cf: P.L.1980, c.114, s.1)

16 2. This act shall take effect immediately.  
17  
18

#### 19 STATEMENT 20

21 This bill allows an extended use of bond anticipation notes by  
22 municipalities and counties.

23 Currently, the governing body of a local unit, after the  
24 adoption of a bond ordinance but before it actually issues that  
25 bond, may borrow funds by issuing temporary bond financing  
26 notes known as "bond anticipation notes." In some cases the  
27 municipality may never actually issue bonds. Instead, it may pay  
28 off or retire each year a sufficient portion of the bond  
29 anticipation notes issued so that, at the expiration of the current  
30 five year and five month statutory repayment limitation, there is  
31 no outstanding obligation.

32 This bill would extend from five years and five months to ten  
33 years and five months the repayment limitation for bond  
34 anticipation notes. Payment of principle during this time would  
35 begin on the third anniversary of the notes as provided in current  
36 law.

37 It is believed that with favorable financial market  
38 opportunities, substantial interest savings would be realized by  
39 municipalities using the extended repayment limitation  
40 established in this bill. In essence, this amendment allows local  
41 units to optimize the use of bond anticipation notes and  
42 prepayment of principle on debt to encourage local governing  
43 bodies to employ the least costly means of capital financing.  
44  
45

#### 46 LOCAL BUDGET AND FINANCE 47

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ASSEMBLY MUNICIPAL GOVERNMENT COMMITTEE

STATEMENT TO

ASSEMBLY, No. 1678

STATE OF NEW JERSEY

DATED: JULY 12, 1990

The Assembly Municipal Government Committee favorably reports Assembly Bill No. 1678.

This bill allows an extended use of bond anticipation notes by municipalities and counties.

Currently, the governing body of a local unit, after the adoption of a bond ordinance but prior to the actual issuance of the bonds, may borrow funds by issuing temporary bond financing notes known as "bond anticipation notes." In some cases the local unit may never actually issue the bonds authorized by the bond ordinance. Instead, it may pay-off or retire each year a sufficient portion of the bond anticipation notes issued so that, at the expiration of the current five year and five month statutory repayment limitation, there is no outstanding obligation.

This bill would extend the repayment limitation for bond anticipation notes from five years and five months to ten years and five months. Payment of principal during this time would begin on the third anniversary of the notes as provided in current law.

It is believed that with favorable financial market opportunities, substantial interest savings would be realized by municipalities using the extended repayment limitation established in this bill. In essence, this amendment allows local units to optimize the use of bond anticipation notes and prepayment of principal on debt to encourage local governing bodies to employ the least costly means of capital financing.