

R.S. 40A: 2-2 et seq.

LEGISLATIVE FACT SHEET

ON

N.J.R.S. 40A: 2-2 et seq (Sec. Bond Law - Amendments)  
(1964 Amendment)

LAWS OF 1964

CHAPTER 72

SENATE 253

ASSEMBLY

INTRODUCED Mar. 16, 1964

BY Grassi and 12 others

STATEMENT

YES

NO

AMENDED DURING PASSAGE

YES

NO

HEARING

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CHAPTER 72 L. O. S. N. J. 1964  
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SENATE, No. 253

STATE OF NEW JERSEY

INTRODUCED MARCH 16, 1964

By Senators GROSSI, LYNCH, WADDINGTON, OZZARD, SANDMAN,  
HILLERY, DUMONT, DEAMER, BOWKLEY, FORSYTHE, SARCONE,  
SCHOLZ and KELLY

Referred to Committee on Revision and Amendment of Laws

AN ACT to amend and supplement the Local Bond Law, approved January 5, 1961,  
amending sections 40A:2-2, 40A:2-6, 40A:2-7, 40A:2-8, 40A:2-41, 40A:2-42,  
40A:2-43, 40A:2-44, 40A:2-45 and 40A:2-63 of the New Jersey Statutes.

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

1 1. Section 40A:2-2 of the New Jersey Statutes is amended to read as  
2 follows:

3 40A:2-2. Definitions.

4 The following words as used in this chapter shall have the following  
5 meanings, unless the context clearly indicates a different meaning:

6 ["assessed valuation basis" of a local unit means the average of the  
7 assessed valuations of the taxable real estate, together with the improvements  
8 for the last 3 preceding fiscal years as set forth on the annual debt state-  
9 ment last filed;]

10 "bond ordinance" means an ordinance adopted as herein provided by the  
11 governing body of a local unit authorizing obligations;

12 "equalized valuation basis" of a local unit means the average for the  
13 last 3 preceding years, of the sum total of

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

14     *a. the aggregate equalized valuation of real property together with im-*  
 15 *provements, as certified in the Table of Equalized Valuations by the Director*  
 16 *of the Division of Taxation in the Department of the Treasury, on October 1*  
 17 *of each year, pursuant to chapter 86 of the laws of 1954, and*

18     *b. the assessed valuation of Class II railroad property as set forth in the*  
 19 *table of equalized valuations referred to in "a" above.*

20     “governing body” means the board of chosen freeholders of a county,  
 21 or the commission, council, board or body having control of the finances of  
 22 a municipality;

23     “local improvement” means an improvement or property, part or all of  
 24 the cost of which has been, or is to be specially assessed on property;

25     “obligations” means bonds or notes of a local unit;

26     “refunding bond ordinance” means an ordinance adopted by the govern-  
 27 ing body of the local unit authorizing refunding bonds.

1     2. Section 40A:2-6 of the New Jersey Statutes is amended to read as  
 2 follows:

3     40A:2-6. Debt limitation.

4     No bond ordinance shall be finally adopted if it appears from the supple-  
 5 mental debt statement required by this chapter that the percentage of net debt  
 6 as stated therein pursuant to 40A:2-42 exceeds ~~[4%,]~~ 2.00%, in the case of a  
 7 county, or ~~[7%,]~~ 3 1/2%, in the case of a municipality.

1     3. Section 40A:2-7 of the New Jersey Statutes is amended to read as  
 2 follows:

3     40A:2-7. Exceptions to debt limitation.

4     A bond ordinance may be finally adopted notwithstanding section 40A:2-6  
 5 if such ordinance authorizes obligations solely for one of the following:

6     a. to meet an expenditure which is the result of fire, flood or other  
 7 disaster and if the local government board shall have determined that the  
 8 expenditure is of such character, and shall have caused such determination  
 9 to have been endorsed on a certified copy of the bond ordinance as passed on  
 10 first reading; or

11 b. to fund, renew, extend or retire notes issued or authorized pursuant  
12 to this chapter or any act of which this chapter is a revision; or

13 c. purposes permitted by this chapter if (1) it has been found by order of  
14 the State Department of Health, which is hereby authorized to make such  
15 order in a proper case, that the expenditure and every part thereof is neces-  
16 sary to protect the public health and to prevent or suppress a present  
17 menace to the public health of sufficient gravity to justify the incurrence of  
18 debt in excess of statutory limitations, and that no less expensive method of  
19 preventing or suppressing such menace exists; and (2) the principal amount  
20 of such obligations is not in excess of the amount determined by the local  
21 government board to be necessary [therefore] *therefor* and the local govern-  
22 ment board shall have caused such determination to be endorsed on a certified  
23 copy of the bond ordinance as passed on first reading; or

24 d. purposes permitted by this chapter, if the local government board shall  
25 have caused its consent to be endorsed upon a certified copy of the bond  
26 ordinance as passed upon first reading, which consent said local government  
27 board shall cause to be so endorsed thereon, if it shall be satisfied and shall  
28 have determined that each of the purposes or improvements for which such  
29 obligations are authorized are in the public interest and are for the health,  
30 welfare, convenience or betterment of the inhabitants of such local unit, and  
31 that the amounts to be expended for each of the purposes or improvements  
32 to be financed pursuant to such bond ordinance are not unreasonable or  
33 exorbitant and that the issuance of such obligations will not materially impair  
34 the credit of such local unit or substantially reduce its ability to pay  
35 punctually the principal of and interest on its debts and to supply other  
36 essential public improvements and services; or

37 e. purposes permitted by this chapter when the expenditure is to be made  
38 for constructing or reconstructing dikes, bulkheads, jetties or similar devices  
39 to prevent the encroachment of the sea, and if the local government board  
40 shall have determined that an emergency exists or is threatened which makes  
41 necessary the construction or reconstruction of such dikes, bulkheads, jetties  
42 or other devices for the preservation of life or property;

43 f. purposes permitted by this chapter if the amount of such obligations  
 44 does not exceed in the aggregate (1) the amount available, if any, for the  
 45 issuance of obligations by the local unit upon the effective date of this chapter  
 46 pursuant to section 40:1-16 (d) of the Revised Statutes, less (2) the amount  
 47 of other obligations authorized prior to the adoption of such bond ordinance  
 48 pursuant to paragraphs d, f and g of this section; or

49 g. purposes permitted by this chapter if the amount of such obligations  
 50 and all other obligations authorized pursuant to this subsection during the  
 51 [same] *current* fiscal year does not exceed an amount equal to  $\frac{2}{3}$  of the  
 52 amount of obligations (*exclusive of utility and assessment obligations*) [for  
 53 which no deduction was included in the annual debt statement of the local unit  
 54 for the preceding fiscal year and] for the payment of which an appropriation  
 55 was made in the budget of the local unit for [such] *the current fiscal* year, plus  
 56  $\frac{1}{3}$  of the amount raised in [such] *the tax levy of the current fiscal* year by the  
 57 local unit for the payment of bonds or notes of any school district;

58 h. purposes which are self-liquidating, if such obligations are deductible  
 59 from gross debt.

1 4. Section 40A:2-8 of the New Jersey Statutes is amended to read as  
 2 follows:

3 40A:2-8. Short term financing.

4 a. A local unit, in anticipation of the issuance of bonds, may borrow  
 5 money and issue negotiable notes if the bond ordinance or subsequent reso-  
 6 lution so provides. Any such note shall be designated "bond anticipation  
 7 note" and shall contain a recital that it is issued in anticipation of the iss-  
 8 ance of bonds. Such notes may be issued for a period of not exceeding 1 year  
 9 and may be renewed from time to time for periods of not exceeding 1 year,  
 10 but all such notes, including renewals, shall mature and be paid not later  
 11 than the second anniversary of the date of the original notes, except that:

12 1. such notes shall mature and be paid not later than the first day of  
 13 the fifth month *following the close* of the second fiscal year next following  
 14 the date of the original notes, provided that an amount of such notes

15 equal to not less than the first legally payable installment of the bonds  
 16 in anticipation of which such notes are issued has been paid and retired  
 17 not later than the end of said second fiscal year from funds other than  
 18 the proceeds of obligations; and

19 2. notes issued to finance local improvements and in an amount not  
 20 exceeding the amount of special assessments then confirmed and unpaid  
 21 and not delinquent may be renewed for periods of not exceeding 1 year  
 22 but shall mature and be paid not later than the fifth anniversary of the  
 23 date of the original notes.

24 b. A local unit may finance any improvement which it has power to  
 25 finance by obligations issued under this chapter by the issuance of "capital  
 26 notes." The aggregate amount of all such notes outstanding at any one time  
 27 shall not exceed the lesser of **[\$20,000.00]** \$40,000.00 or **[1%]** 1/2 of 1%  
 28 of the **[assessed]** *equalized* valuation basis. Such notes shall be authorized  
 29 in the same manner as bond anticipation notes and shall be payable from  
 30 funds other than the proceeds of obligations within 5 years from the date of  
 31 the issuance of the first of said notes and not less than 20% thereof shall be  
 32 paid in each succeeding year. The local unit shall provide for the payment of  
 33 the principal of, and interest on such notes falling due in each year.

1 5. Section 40A:2-41 of the New Jersey Statutes is amended to read as  
 2 follows:

3 40A:2-41. Contents of annual debt statement.

4 The annual debt statement shall be in form prescribed by the director  
 5 and shall set forth as to the local unit:

6 a. Gross debt;

7 b. Deductions;

8 c. Net debt;

9 d. The **[assessed]** *equalized* valuations of the taxable real estate, to-  
 10 gether with improvements, for the last 3 preceding fiscal years, and the  
 11 average thereof;

12 e. Net debt expressed as a percentage of such average of **[assessed]**  
 13 *equalized* valuations; and

14 f. Any other information or detail required by law or by the director.  
15 The amount of any item which is indefinite or unascertainable may be  
16 estimated.

1 6. Section 40A:2-42 of the New Jersey Statutes is amended to read as  
2 follows:

3 40A:2-42. Supplemental debt statement.

4 A supplemental debt statement shall be in form prescribed by the director  
5 and shall set forth as to the local unit:

6 a. The net debt as stated in the annual debt statement or revision thereof  
7 last filed; the amount by which such net debt has been increased by the  
8 authorization of additional debt or decreased by payment of outstanding debt  
9 or reduction of the authorization to incur debt;

10 b. The amounts and purposes separately itemized of obligations about to  
11 be authorized, together with any deductions which may be made on account  
12 of any such item;

13 c. The net debt of the local unit as determined by addition of the net  
14 amounts stated in subsections a and b;

15 d. The [assessed] *equalized* valuations of the taxable real estate, to-  
16 gether with improvements for the last 3 preceding years, and the average  
17 thereof as stated in the annual debt statement or revision thereof last filed;  
18 and

19 e. Net debt expressed as a percentage of said average of [assessed]  
20 *equalized* valuations.

1 7. Section 40A:2-43 of the New Jersey Statutes is amended to read as  
2 follows:

3 40A:2-43. Gross debt.

4 Gross debt shall include all bonds and notes issued and authorized but  
5 not issued pursuant to this or any other law by the local unit, or guaranteed  
6 by the local unit, except tax anticipation notes, emergency notes, special emer-  
7 gency notes and utility revenue notes. Gross debt of a municipality shall  
8 also include that amount of the total of all the bonds and notes issued and

9 authorized but not issued by any school district including the area of the  
10 municipality, which results from the application to such total of the ratio  
11 which the [assessed] *equalized* valuation basis of the municipality bears to  
12 the sum of the [assessed] *equalized* valuation basis of each municipality in  
13 any such school district.

1 8. Section 40A:2-44 of the New Jersey Statutes is amended to read as  
2 follows:

3 40A:2-44. Deductions from gross debt.

4 There shall be deducted from the gross debt of the local unit, to the ex-  
5 tent included therein, the amount of bonds or notes issued and authorized  
6 but not issued:

7 [a. for school purposes by a municipality or by a school district with  
8 boundaries coextensive with such municipality or of which such municipality  
9 is a part (other than a regional school district) to the extent of 6% of the  
10 assessed valuation basis of such municipality, and in addition thereto, if such  
11 municipality includes or is within a school district (other than a regional  
12 school district) which has title to an approved high school to the extent of  
13 an additional 2% of said assessed valuation basis, or if such a school district  
14 does not have title to such approved high school, to the extent of obligations  
15 authorized to provide such high school but not more than said 2%;]

16 *a. for school purposes by a municipality or by a school district with*  
17 *boundaries coextensive with such municipality or of which such municipality*  
18 *is a part (other than a regional school district) to the extent of the following*  
19 *percentages of the equalized valuation basis of such municipality:*

- 20 1. *from kindergarten (or grade 1) through grade 6 . . . . . 2 1/2%*
- 21 2. *from kindergarten (or grade 1) through grade 8 . . . . . 3%*
- 22 3. *from kindergarten (or grade 1) through grade 9 . . . . . 3 1/2%*
- 23 4. *from kindergarten (or grade 1) through grade 12 . . . . . 4%*

24 *If such school district does not have title to any one of the foregoing, the*  
25 *authorization of debt for the procurement of such school facilities shall be de-*  
26 *ductible within the foregoing limitations.*



- 27       b. for school purposes by a regional school district;
- 28       c. for purposes which are self-liquidating as provided in this chapter, but  
29 only to the extent permitted by this chapter;
- 30       d. by a public body other than the local unit and the principal and interest  
31 of which is guaranteed by the local unit but only to the extent permitted by  
32 this chapter or any other law.
- 33       e. as bond anticipation notes in anticipation of bonds then authorized or  
34 issued;
- 35       f. for which there are funds on hand or sinking funds applicable only to  
36 the payment thereof and not otherwise deductible, including the proceeds of  
37 any bonds or notes held for that purpose and any accounts receivable or  
38 amounts which may be payable from the Federal Government, this State or  
39 any public instrumentality thereof, which funds are applicable only to the pay-  
40 ment of any part of the gross debt not otherwise deductible; and
- 41       g. for any other purpose for which a deduction is authorized by law.

42       No deduction shall be allowed for any obligations authorized or issued to  
43 finance a purpose for which a deduction is allowed if, combined with a pur-  
44 pose for which a deduction may not be taken, or for any obligation issued to  
45 fund or refund bonds or notes if any of the outstanding bonds or notes paid,  
46 funded or refunded shall have been issued for or combined with a purpose or  
47 indebtedness for which no deduction can be taken under this chapter.

1       9. Section 40A:2-45 of the New Jersey Statutes is amended to read as  
2 follows:

3       40A:2-45. Self-liquidating purposes.

4       Any municipal public utility shall be deemed to be a self-liquidating pur-  
5 pose if the cash receipts from fees, rents or other charges in a fiscal year are  
6 sufficient to meet operating and maintenance costs (exclusive of depreciation  
7 and obsolescence) and interest and debt redemption charges payable or ac-  
8 cruing in such year without recourse to general taxation or [special assess-  
9 ments on property specially benefited] *the deficit, if any, anticipated in the*  
10 *dedicated utility assessment budget.* There may be included in such cash re-  
11 ceipts any fees, rents and other charges collected from other departments or

12 utilities of the local unit at a rate not in excess of the fees, rents or other  
 13 charges to other consumers, customers or users, or if there be no other con-  
 14 sumers, customers or users properly comparable, then not in excess of the  
 15 comparable fees, rents and other charges of privately owned or operated  
 16 utilities or enterprises.

1 Section 10. Section 40A:2-63 of the New Jersey Statutes is amended to read as  
 2 follows:

3 40A:2-63. Application of chapter.

4 Bonds or bond anticipation notes of any county or municipality author-  
 5 ized by county bond resolution or municipal bond ordinance finally passed  
 6 prior to the effective date of this chapter in accordance with the provisions  
 7 of the local bond law, constituting sections 40:1-1 to 40:1-88 of the Revised  
 8 Statutes, as amended and supplemented, may be issued, sold or delivered as  
 9 if this chapter had not taken effect and in accordance with the provisions  
 10 either of said law or of this chapter for issuance, sale or delivery of bonds  
 11 or bond anticipation notes.

12 *Where any other law refers to the issuance of indebtedness in accordance*  
 13 *with the provisions of chapter 1 of Title 40, it shall be taken to mean that the*  
 14 *indebtedness shall be issued pursuant to this chapter.*

15 This chapter shall not affect or apply to the incurring of indebtedness or  
 16 the issuance of bonds or notes for school purposes except as other laws may  
 17 provide for the issuance of such bonds or notes pursuant to this chapter.

1 \*~~[11. Bond or bond anticipation notes of any local unit authorized by a~~  
 2 ~~bond ordinance finally passed pursuant to the provisions of this chapter prior~~  
 3 ~~to the effective date of this act may be issued, sold or delivered pursuant to~~  
 4 ~~the provisions of this chapter notwithstanding the provisions of this act.]\*~~

1 *\*11. Any bond ordinance passed upon first reading prior to the effective*  
 2 *date of this act may be finally adopted as if this act had not taken effect, and*  
 3 *bonds or notes authorized by any such bond ordinance or any bond ordinance*  
 4 *finally adopted prior to the effective date of this act may be issued, sold or*  
 5 *delivered pursuant to the provisions of the local bond law as if this act had*  
 6 *not taken effect.\**

1      12. The director shall prescribe a form of special debt statement to  
2 carry out the provisions of this act pending the filing of the 1964 Annual Debt  
3 Statement and which shall be deemed to be the annual debt statement or re-  
4 vision thereof last filed for the purposes of a supplemental debt statement  
5 filed pursuant to this chapter after the effective date of this act.

1      13. This act shall take effect on the thirty-first day following the date of  
2 enactment.