

27:1B-9

LEGISLATIVE HISTORY CHECKLIST

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LAWS OF: 2001 **CHAPTER:** 258
NJSA: 27:1B-9 (Transportation Trust Authority bonds)
BILL NO: S2584 (Substituted for A3822)

SPONSOR(S): Littell and Inverso

DATE INTRODUCED: November 8, 2001

COMMITTEE: **ASSEMBLY:** ----
SENATE: Transportation

AMENDED DURING PASSAGE: No

DATE OF PASSAGE: **ASSEMBLY:** November 29, 2001
SENATE: November 26, 2001

DATE OF APPROVAL: November 30, 2001

FOLLOWING ARE ATTACHED IF AVAILABLE:

FINAL TEXT OF BILL (Original version of bill enacted)

S2584

SPONSORS STATEMENT: (Begins on page 5 of original bill) Yes

COMMITTEE STATEMENT: **ASSEMBLY:** No
SENATE: Yes

FLOOR AMENDMENT STATEMENTS: No

LEGISLATIVE FISCAL ESTIMATE: Yes

A3822

SPONSORS STATEMENT: (Begins on page 5 of original bill) Yes

Bill and Sponsors Statement identical to S2584

COMMITTEE STATEMENT:	ASSEMBLY:	Yes
	SENATE:	No
FLOOR AMENDMENT STATEMENTS:		No
LEGISLATIVE FISCAL ESTIMATE:		Yes
VETO MESSAGE:		No
GOVERNOR'S PRESS RELEASE ON SIGNING:		No

FOLLOWING WERE PRINTED:

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REPORTS:	No
HEARINGS:	No
NEWSPAPER ARTICLES:	No

SENATE, No. 2584

STATE OF NEW JERSEY
209th LEGISLATURE

INTRODUCED NOVEMBER 8, 2001

Sponsored by:

Senator ROBERT E. LITTELL

District 24 (Sussex, Hunterdon and Morris)

Senator PETER A. INVERSO

District 14 (Mercer and Middlesex)

Co-Sponsored by:

Senator Kenny, Assemblymen Bagger, Lance and Merkt

SYNOPSIS

Excludes refunding bonds from calculation of annual limit of debt issued by Transportation Trust Fund Authority.

CURRENT VERSION OF TEXT

As introduced.



(Sponsorship Updated As Of: 11/30/2001)

S2584 LITTELL, INVERSO

2

1 AN ACT concerning transportation finance and amending P.L.1984,
2 c.73.

3

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

6

7 1. Section 9 of P.L.1984, c.73 (C.27:1B-9) is amended to read as
8 follows:

9 9. a. The authority shall have the power and is hereby authorized
10 after November 15, 1984 and from time to time thereafter to issue its
11 bonds, notes or other obligations in principal amounts as in the opinion
12 of the authority shall be necessary to provide for any of its corporate
13 purposes, including the payment, funding or refunding of the principal
14 of, or interest or redemption premiums on, any bonds, notes or other
15 obligations issued by it, whether the bonds, notes, obligations or
16 interest to be funded or refunded have or have not become due; and to
17 provide for the security thereof and for the establishment or increase
18 of reserves to secure or to pay the bonds, notes or other obligations
19 or interest thereon and all other reserves and all costs or expenses of
20 the authority incident to and necessary or convenient to carry out its
21 corporate purposes and powers; and in addition to its bonds, notes and
22 other obligations, the authority shall have the power to issue
23 subordinated indebtedness, which shall be subordinate in lien to the
24 lien of any or all of its bonds or notes. No resolution or other action
25 of the authority providing for the issuance of bonds, refunding bonds,
26 notes, or other obligations shall be adopted or otherwise made
27 effective by the authority without the prior approval in writing of the
28 Governor and the State Treasurer.

29 b. Except as may be otherwise expressly provided in the act or by
30 the authority, every issue of bonds or notes shall be general obligations
31 payable out of any revenues or funds of the authority, subject only to
32 any agreements with the holders of particular bonds or notes pledging
33 any particular revenues or funds. The authority may provide the
34 security and payment provisions for its bonds or notes as it may
35 determine, including (without limiting the generality of the foregoing)
36 bonds or notes as to which the principal and interest are payable from
37 and secured by all or any portion of the revenues of and payments to
38 the authority, and other moneys or funds as the authority shall
39 determine. In addition, the authority may, in anticipation of the
40 issuance of the bonds or the receipt of appropriations, grants,
41 reimbursements or other funds, including without limitation grants
42 from the federal government for federal aid highways or public
43 transportation systems, issue notes, the principal of or interest on

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 which, or both, shall be payable out of the proceeds of notes, bonds or
2 other obligations of the authority or appropriations, grants,
3 reimbursements or other funds or revenues of the authority. The
4 authority may also enter into bank loan agreements, lines of credit and
5 other security agreements as authorized pursuant to subsection h. of
6 section 6 of P.L.1984, c.73 (C.27:1B-6) and obtain for or on its behalf
7 letters of credit in each case for the purpose of securing its bonds,
8 notes or other obligations or to provide direct payment of any costs
9 which the authority is authorized to pay by this act and to secure
10 repayment of any borrowings under the loan agreement, line of credit,
11 letter of credit or other security agreement by its bonds, notes or other
12 obligations or the proceeds thereof or by any or all of the revenues of
13 and payments to the authority or by any appropriation, grant or
14 reimbursement to be received by the authority and other moneys or
15 funds as the authority shall determine.

16 c. Whether or not the bonds and notes are of the form and
17 character as to be negotiable instruments under the terms of Title 12A,
18 Commercial Transactions, New Jersey Statutes, the bonds and notes
19 are hereby made negotiable instruments within the meaning of and for
20 all the purposes of said Title 12A.

21 d. Bonds or notes of the authority shall be authorized by a
22 resolution or resolutions of the authority and may be issued in one or
23 more series and shall bear the date, or dates, mature at the time or
24 times, bear interest at the rate or rates of interest per annum, be in the
25 denomination or denominations, be in the form, carry the conversion
26 or registration privileges, have the rank or priority, be executed in the
27 manner, be payable from the sources, in the medium of payment, at the
28 place or places within or without the State, and be subject to the terms
29 of redemption (with or without premium) as the resolution or
30 resolutions may provide. Bonds or notes may be further secured by a
31 trust indenture between the authority and a corporate trustee within or
32 without the State. All other obligations of the authority shall be
33 authorized by resolution containing terms and conditions as the
34 authority shall determine.

35 e. Bonds, notes or other obligations of the authority may be sold
36 at public or private sale at a price or prices and in a manner as the
37 authority shall determine, either on a negotiated or on a competitive
38 basis. Every bond, or refunding bond, issued on or after the effective
39 date of P.L.1995, c.108 (C.27:1B-25.1 et al.) shall mature and be paid
40 no later than 21 years from the date of the issuance of that bond or
41 refunding bond.

42 f. Bonds or notes may be issued and other obligations incurred
43 under the provisions of the act without obtaining the consent of any
44 department, division, commission, board, bureau or agency of the
45 State, other than the approval as required by subsection a. of this
46 section, and without any other proceedings or the happening of any

1 other conditions or other things than those proceedings, conditions or
2 things which are specifically required by the act.

3 g. Bonds, notes and other obligations of the authority issued or
4 incurred under the provisions of the act shall not be in any way a debt
5 or liability of the State or of any political subdivision thereof other
6 than the authority and shall not create or constitute any indebtedness,
7 liability or obligation of the State or of any political subdivision or be
8 or constitute a pledge of the faith and credit of the State or of any
9 political subdivision but all bonds, notes and obligations, unless funded
10 or refunded by bonds, notes or other obligations of the authority, shall
11 be payable solely from revenues or funds pledged or available for their
12 payment as authorized in the act. Each bond, note or other obligation
13 shall contain on its face a statement to the effect that the authority is
14 obligated to pay the principal thereof or the interest thereon only from
15 revenues or funds of the authority and that neither the State nor any
16 political subdivision thereof is obligated to pay the principal or interest
17 and that neither the faith and credit nor the taxing power of the State
18 or any political subdivision thereof is pledged to the payment of the
19 principal of or the interest on the bonds, notes or other obligations.
20 For the purposes of this subsection, political subdivision does not
21 include the authority.

22 h. All expenses incurred in carrying out the provisions of the act
23 shall be payable solely from the revenues or funds provided or to be
24 provided under or pursuant to the provisions of the act and nothing in
25 the act shall be construed to authorize the authority to incur any
26 indebtedness or liability on behalf of or payable by the State or any
27 political subdivision thereof.

28 i. The authority shall minimize debt incurrence by first relying on
29 appropriations and other revenues available to the authority before
30 incurring debt to meet its statutory purposes. Commencing on the
31 90th day following the date of enactment of this 1995 amendatory and
32 supplementary act, the authority shall not incur debt in any fiscal year
33 in excess of \$650,000,000, except that if that permitted amount of
34 debt, or any portion thereof, is not incurred in a fiscal year it may be
35 incurred in a subsequent fiscal year. Any increase in this limitation
36 shall only occur if so provided for by law. In computing the foregoing
37 limitation as to the amount of debt the authority may incur, the
38 authority may exclude any bonds, notes or other obligations, including
39 subordinated obligations of the authority, issued for refunding
40 purposes.

41 j. Upon the decision by the authority to issue refunding bonds
42 pursuant to this section, and prior to the sale of those bonds, the
43 authority shall transmit to the Joint Budget Oversight Committee, or
44 its successor, a report that a decision has been made, reciting the basis
45 on which the decision was made, including an estimate of the debt
46 service savings to be achieved and the calculations upon which the

1 authority relied when making the decision to issue refunding bonds.
2 The report shall also disclose the intent of the authority to issue and
3 sell the refunding bonds at public or private sale and the reasons
4 therefor.

5 k. The Joint Budget Oversight Committee, or its successor, shall
6 have authority to approve or disapprove the sale of refunding bonds
7 as included in each report submitted in accordance with subsection j.
8 of this section. The committee shall approve or disapprove the sale of
9 refunding bonds within 10 business days after physical receipt of the
10 report. The committee shall notify the authority in writing of the
11 approval or disapproval as expeditiously as possible.

12 l. No refunding bonds shall be issued unless the report has been
13 submitted to and approved by the Joint Budget Oversight Committee,
14 or its successor, as set forth in subsection k. of this section.

15 m. Within 30 days after the sale of the refunding bonds, the
16 authority shall notify the Joint Budget Oversight Committee, or its
17 successor, of the result of that sale, including the prices and terms,
18 conditions and regulations concerning the refunding bonds, and the
19 actual amount of debt service savings to be realized as a result of the
20 sale of refunding bonds.

21 n. The Joint Budget Oversight Committee, or its successor, shall,
22 however, review all information and reports submitted in accordance
23 with this section and may, on its own initiative, make observations and
24 recommendations to the authority or to the Legislature, or both, as it
25 deems appropriate.

26 (cf: P.L.2000, c.73, s.18)

27

28 2. This act shall take effect immediately.

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STATEMENT

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33 This bill excludes any bonds, notes or other obligations, including
34 subordinated obligations of the New Jersey Transportation Trust Fund
35 Authority, issued for refunding purposes from being used in the
36 computation of the amount of debt that the authority may issue in a
37 single fiscal year.

38 Excluding refunding from the authority's annual debt issuance
39 limitation enables the authority to take timely advantage of lower
40 interest rates. In turn, refunding higher interest debt with lower
41 interest debt would provide a savings to the authority by reducing the
42 amount of its annual debt service payments.

SENATE TRANSPORTATION COMMITTEE

STATEMENT TO

SENATE, No. 2584

STATE OF NEW JERSEY

DATED: NOVEMBER 19, 2001

The Senate Transportation Committee reports favorably Senate Bill No. 2584.

As reported, this bill excludes any bonds, notes or other obligations of the New Jersey Transportation Trust Fund Authority, including subordinated obligations of the authority, issued for refunding purposes from being used in the computation of the amount of debt that the authority may issue in a single fiscal year.

Excluding refunding from the authority's annual debt issuance limitation enables the authority to take timely advantage of lower interest rates. In turn, refunding higher interest debt with lower interest debt would provide a savings to the authority by reducing the amount of its annual debt service payments.

LEGISLATIVE FISCAL ESTIMATE
SENATE, No. 2584
STATE OF NEW JERSEY
209th LEGISLATURE

DATED: JANUARY 10, 2002

SUMMARY

Synopsis: Excludes refunding bonds from calculation of annual limit of debt issued by Transportation Trust Fund Authority.

Type of Impact: Debt Service Savings, Transportation Trust Fund

Agencies Affected: Transportation Trust Fund Authority, Treasury

Office of Legislative Services Estimate

Fiscal Impact	FY 2002
Debt Service:	
Transportation Trust Fund	(\$14,701,300)

- ! The \$14.7 million savings referred to above is a *present value savings* achieved by replacing current outstanding bonds from a targeted series amounting to \$473 million with newly issued refunding bonds which have a more favorable interest cost. The intention of the issuing officials is to "capture" the debt service savings in FY 2002.
- ! Pursuant to the Transportation Trust Fund Act, any debt service savings must be used for transportation projects. There will be no net savings to the State budget, due to the constitutional dedication of certain monies for transportation purposes.
- ! The refunding bond issuance referred to in the bill, was approved by the Joint Budget Oversight Committee (JBOC), on behalf of the Transportation Trust Fund, in June, 2001.

BILL DESCRIPTION

Senate Bill No. 2584 of 2001 would exempt when computing the limitation of new debt to be incurred during a fiscal year by the Transportation Trust Fund Authority the amount(s) issued as bonds, notes, and other obligations when issued for the purpose of refunding. Enactment of the bill would allow the authority to exclude refunding from counting against the \$650,000,000 annual debt issuance limitation for the purpose of taking advantage of favorable interest rates enabling the authority to reduce interest costs and thereby reducing annual debt service payments.

FISCAL ANALYSIS

EXECUTIVE BRANCH

The Department of Treasury appeared before the Joint Budget Oversight Committee (JBOC) June 7, 2001, on behalf of the Transportation Trust Fund Authority (TTFA) for a request to issue refunding bonds for the purpose of reducing bond interest cost, thereby reducing annual debt service cost. This same refunding request is the subject of Assembly Bill 3822.

JBOC approval of the refunding is required pursuant to P.L. 1984, c.73 "New Jersey Transportation Trust Fund Authority Act of 1984" (amended by P.L. 2000, c.73) which provides that no refunding bonds may be issued until JBOC approves the Report and Plan of Finance submitted for consideration. As recommended by the Legislative Budget and Finance Officer the Committee approved the refunding with the following conditions:

- a) that the sale produce a total minimum present value savings in an amount to or greater than 3 percent of the par value of the bonds to be refunded;
- b) that the sale produce positive cash flow savings in each fiscal year for which debt service payments are to be made; and
- c) that the final scheduled maturity of the refunding bonds does not exceed the final scheduled maturity of the bonds to be refunded.

Documentation was provided by the Treasury satisfying the above conditions and indicating the TTFA had agreed to a \$1.4 billion refunding bond sale from a bond listing that totaled \$3.897 billion, that were candidates for refunding as of May 22, 2001. Of the \$1.4 billion, \$473 million in bonds were targeted as ones that when sold would generate 3.0 percent or more in present value savings, or approximately \$14.7 million, to be realized in FY 2002.

Since the savings must be dedicated to funding transportation projects, the projected \$14.7 million would be applied to the overall Transportation spending plan for FY 2002 in a way that would reduce the need for bond indebtedness.

According to the FY 2002 Appropriations Act, the minimum appropriation for transportation projects is \$709.5 million. The overall spending plan for all projects however is approximately \$1.1 billion. In FY 2001, the TTFA did not issue new bond debt, thereby realizing a \$40 million projected debt service cost savings carried forward to FY 2002. This coupled with the estimated \$15 million savings (\$14.7 million) from the bond refunding allowed the spending plan to undergo a projected \$55 million shift from debt service costs to pay-as-you-go funding, or \$680 million and \$320 million.

OFFICE OF LEGISLATIVE SERVICES

The OLS **concurs** with the Department of Treasury and states further that at the time the actual refunding sale contracts are executed, interest rates would most likely be favorable to the extent that the present value savings could exceed the projected \$14.7 million.

S2584

3

Section: *Legislative Budget and Finance Office*

Analyst: *Ernest T. Hagans*
Senior Fiscal Analyst

Approved: *Alan R. Kooney*
Legislative Budget and Finance Officer

This fiscal estimate has been prepared pursuant to P.L.1980, c.67.

ASSEMBLY, No. 3822

STATE OF NEW JERSEY 209th LEGISLATURE

INTRODUCED OCTOBER 3, 2001

Sponsored by:

Assemblyman RICHARD H. BAGGER

District 22 (Middlesex, Morris, Somerset and Union)

Assemblyman LEONARD LANCE

District 23 (Warren, Hunterdon and Mercer)

Co-Sponsored by:

Assemblyman Merkt

SYNOPSIS

Excludes refunding bonds from calculation of annual limit of debt issued by Transportation Trust Fund Authority.

CURRENT VERSION OF TEXT

As introduced.



(Sponsorship Updated As Of: 11/30/2001)

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19 or interest thereon and all other reserves and all costs or expenses of
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35 determine, including (without limiting the generality of the foregoing)
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37 and secured by all or any portion of the revenues of and payments to
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5 other security agreements as authorized pursuant to subsection h. of
6 section 6 of P.L.1984, c.73 (C.27:1B-6) and obtain for or on its behalf
7 letters of credit in each case for the purpose of securing its bonds,
8 notes or other obligations or to provide direct payment of any costs
9 which the authority is authorized to pay by this act and to secure
10 repayment of any borrowings under the loan agreement, line of credit,
11 letter of credit or other security agreement by its bonds, notes or other
12 obligations or the proceeds thereof or by any or all of the revenues of
13 and payments to the authority or by any appropriation, grant or
14 reimbursement to be received by the authority and other moneys or
15 funds as the authority shall determine.

16 c. Whether or not the bonds and notes are of the form and
17 character as to be negotiable instruments under the terms of Title 12A,
18 Commercial Transactions, New Jersey Statutes, the bonds and notes
19 are hereby made negotiable instruments within the meaning of and for
20 all the purposes of said Title 12A.

21 d. Bonds or notes of the authority shall be authorized by a
22 resolution or resolutions of the authority and may be issued in one or
23 more series and shall bear the date, or dates, mature at the time or
24 times, bear interest at the rate or rates of interest per annum, be in the
25 denomination or denominations, be in the form, carry the conversion
26 or registration privileges, have the rank or priority, be executed in the
27 manner, be payable from the sources, in the medium of payment, at the
28 place or places within or without the State, and be subject to the terms
29 of redemption (with or without premium) as the resolution or
30 resolutions may provide. Bonds or notes may be further secured by a
31 trust indenture between the authority and a corporate trustee within or
32 without the State. All other obligations of the authority shall be
33 authorized by resolution containing terms and conditions as the
34 authority shall determine.

35 e. Bonds, notes or other obligations of the authority may be sold
36 at public or private sale at a price or prices and in a manner as the
37 authority shall determine, either on a negotiated or on a competitive
38 basis. Every bond, or refunding bond, issued on or after the effective
39 date of P.L.1995, c.108 (C.27:1B-25.1 et al.) shall mature and be paid
40 no later than 21 years from the date of the issuance of that bond or
41 refunding bond.

42 f. Bonds or notes may be issued and other obligations incurred
43 under the provisions of the act without obtaining the consent of any
44 department, division, commission, board, bureau or agency of the
45 State, other than the approval as required by subsection a. of this
46 section, and without any other proceedings or the happening of any

1 other conditions or other things than those proceedings, conditions or
2 things which are specifically required by the act.

3 g. Bonds, notes and other obligations of the authority issued or
4 incurred under the provisions of the act shall not be in any way a debt
5 or liability of the State or of any political subdivision thereof other
6 than the authority and shall not create or constitute any indebtedness,
7 liability or obligation of the State or of any political subdivision or be
8 or constitute a pledge of the faith and credit of the State or of any
9 political subdivision but all bonds, notes and obligations, unless funded
10 or refunded by bonds, notes or other obligations of the authority, shall
11 be payable solely from revenues or funds pledged or available for their
12 payment as authorized in the act. Each bond, note or other obligation
13 shall contain on its face a statement to the effect that the authority is
14 obligated to pay the principal thereof or the interest thereon only from
15 revenues or funds of the authority and that neither the State nor any
16 political subdivision thereof is obligated to pay the principal or interest
17 and that neither the faith and credit nor the taxing power of the State
18 or any political subdivision thereof is pledged to the payment of the
19 principal of or the interest on the bonds, notes or other obligations.
20 For the purposes of this subsection, political subdivision does not
21 include the authority.

22 h. All expenses incurred in carrying out the provisions of the act
23 shall be payable solely from the revenues or funds provided or to be
24 provided under or pursuant to the provisions of the act and nothing in
25 the act shall be construed to authorize the authority to incur any
26 indebtedness or liability on behalf of or payable by the State or any
27 political subdivision thereof.

28 i. The authority shall minimize debt incurrence by first relying on
29 appropriations and other revenues available to the authority before
30 incurring debt to meet its statutory purposes. Commencing on the
31 90th day following the date of enactment of this 1995 amendatory and
32 supplementary act, the authority shall not incur debt in any fiscal year
33 in excess of \$650,000,000, except that if that permitted amount of
34 debt, or any portion thereof, is not incurred in a fiscal year it may be
35 incurred in a subsequent fiscal year. Any increase in this limitation
36 shall only occur if so provided for by law. In computing the foregoing
37 limitation as to the amount of debt the authority may incur, the
38 authority may exclude any bonds, notes or other obligations, including
39 subordinated obligations of the authority, issued for refunding
40 purposes.

41 j. Upon the decision by the authority to issue refunding bonds
42 pursuant to this section, and prior to the sale of those bonds, the
43 authority shall transmit to the Joint Budget Oversight Committee, or
44 its successor, a report that a decision has been made, reciting the basis
45 on which the decision was made, including an estimate of the debt
46 service savings to be achieved and the calculations upon which the

1 authority relied when making the decision to issue refunding bonds.
2 The report shall also disclose the intent of the authority to issue and
3 sell the refunding bonds at public or private sale and the reasons
4 therefor.

5 k. The Joint Budget Oversight Committee, or its successor, shall
6 have authority to approve or disapprove the sale of refunding bonds
7 as included in each report submitted in accordance with subsection j.
8 of this section. The committee shall approve or disapprove the sale of
9 refunding bonds within 10 business days after physical receipt of the
10 report. The committee shall notify the authority in writing of the
11 approval or disapproval as expeditiously as possible.

12 l. No refunding bonds shall be issued unless the report has been
13 submitted to and approved by the Joint Budget Oversight Committee,
14 or its successor, as set forth in subsection k. of this section.

15 m. Within 30 days after the sale of the refunding bonds, the
16 authority shall notify the Joint Budget Oversight Committee, or its
17 successor, of the result of that sale, including the prices and terms,
18 conditions and regulations concerning the refunding bonds, and the
19 actual amount of debt service savings to be realized as a result of the
20 sale of refunding bonds.

21 n. The Joint Budget Oversight Committee, or its successor, shall,
22 however, review all information and reports submitted in accordance
23 with this section and may, on its own initiative, make observations and
24 recommendations to the authority or to the Legislature, or both, as it
25 deems appropriate.

26 (cf: P.L.2000, c.73, s.18)

27

28 2. This act shall take effect immediately.

29

30

31

STATEMENT

32

33 This bill excludes any bonds, notes or other obligations, including
34 subordinated obligations of the New Jersey Transportation Trust Fund
35 Authority, issued for refunding purposes from being used in the
36 computation of the amount of debt that the authority may issue in a
37 single fiscal year.

38 Excluding refunding from the authority's annual debt issuance
39 limitation enables the authority to take timely advantage of lower
40 interest rates. In turn, refunding higher interest debt with lower
41 interest debt would provide a savings to the authority by reducing the
42 amount of its annual debt service payments.

ASSEMBLY APPROPRIATIONS COMMITTEE

STATEMENT TO

ASSEMBLY, No. 3822

STATE OF NEW JERSEY

DATED: NOVEMBER 19, 2001

The Assembly Appropriations Committee reports favorably Assembly Bill No. 3822.

Assembly Bill No. 3822 excludes the value of refunding bonds from the debt issuance limit of the New Jersey Transportation Trust Fund Authority.

The bill excludes any bonds, notes or other obligations, including subordinated obligations of the New Jersey Transportation Trust Fund Authority, issued for refunding purposes from being used in the computation of the amount of debt that the authority may issue in a single fiscal year.

"Refunding bonds" are bonds, notes or other obligations issued to refinance bonds or other debt previously issued. When interest rates decline, refunding bonds are issued to take advantage of the lower interest rate, and the principal amounts are paid off on the original higher interest rate bonds. The total amount of debt stays the same, but can be paid off at a lower interest rate.

Excluding refunding debt from the authority's annual debt issuance limitation enables the authority to take timely advantage of lower interest rates. Refunding higher interest debt with lower interest debt provides a savings to the authority by reducing the amount of its annual debt service payments.

FISCAL IMPACT:

The savings of refunding bonds to the New Jersey Transportation Trust Fund Authority cannot be calculated. Savings depend on the interest rates on debt that can be obtained at the time of the refinancing and on the issuance costs of the refinancing debt. The annual limit on the issuance of New Jersey Transportation Trust Fund Authority debt is \$650,000,000 (if that permitted amount of debt, or any portion thereof, is not incurred in a fiscal year it may be incurred in a subsequent fiscal year).

LEGISLATIVE FISCAL ESTIMATE
ASSEMBLY, No. 3822
STATE OF NEW JERSEY
209th LEGISLATURE

DATED: JANUARY 10, 2002

SUMMARY

Synopsis: Excludes refunding bonds from calculation of annual limit of debt issued by Transportation Trust Fund Authority.

Type of Impact: Debt Service Savings, Transportation Trust Fund

Agencies Affected: Transportation Trust Fund Authority, Treasury

Office of Legislative Services Estimate

Fiscal Impact	FY 2002
Debt Service:	
Transportation Trust Fund	(\$14,701,300)

- ! The \$14.7 million savings referred to above is a *present value savings* achieved by replacing current outstanding bonds from a targeted series amounting to \$473 million with newly issued refunding bonds which have a more favorable interest cost. The intention of the issuing officials is to "capture" the debt service savings in FY 2002.
- ! Pursuant to the Transportation Trust Fund Act, any debt service savings must be used for transportation projects. There will be no net savings to the State budget, due to the constitutional dedication of certain monies for transportation purposes.
- ! The refunding bond issuance referred to in the bill, was approved by the Joint Budget Oversight Committee (JBOC), on behalf of the Transportation Trust Fund, in June, 2001.

BILL DESCRIPTION

Assembly Bill No. 3822 of 2001 would exempt when computing the limitation of new debt to be incurred during a fiscal year by the Transportation Trust Fund Authority the amount(s) issued as bonds, notes, and other obligations when issued for the purpose of refunding. Enactment of the bill would allow the authority to exclude refunding from counting against the \$650,000,000 annual debt issuance limitation for the purpose of taking advantage of favorable interest rates enabling the authority to reduce interest costs and thereby reducing annual debt service payments.

FISCAL ANALYSIS

EXECUTIVE BRANCH

The Department of Treasury appeared before the Joint Budget Oversight Committee (JBOC) June 7, 2001, on behalf of the Transportation Trust Fund Authority (TTFA) for a request to issue refunding bonds for the purpose of reducing bond interest cost, thereby reducing annual debt service cost. This same refunding request is the subject of Assembly Bill 3822.

JBOC approval of the refunding is required pursuant to P.L. 1984, c.73 "New Jersey Transportation Trust Fund Authority Act of 1984" (amended by P.L. 2000, c.73) which provides that no refunding bonds may be issued until JBOC approves the Report and Plan of Finance submitted for consideration. As recommended by the Legislative Budget and Finance Officer the Committee approved the refunding with the following conditions:

- a) that the sale produce a total minimum present value savings in an amount to or greater than 3 percent of the par value of the bonds to be refunded;
- b) that the sale produce positive cash flow savings in each fiscal year for which debt service payments are to be made; and
- c) that the final scheduled maturity of the refunding bonds does not exceed the final scheduled maturity of the bonds to be refunded.

Documentation was provided by the Treasury satisfying the above conditions and indicating the TTFA had agreed to a \$1.4 billion refunding bond sale from a bond listing that totaled \$3.897 billion, that were candidates for refunding as of May 22, 2001. Of the \$1.4 billion, \$473 million in bonds were targeted as ones that when sold would generate 3.0 percent or more in present value savings, or approximately \$14.7 million, to be realized in FY 2002.

Since the savings must be dedicated to funding transportation projects, the projected \$14.7 million would be applied to the overall Transportation spending plan for FY 2002 in a way that would reduce the need for bond indebtedness.

According to the FY 2002 Appropriations Act, the minimum appropriation for transportation projects is \$709.5 million. The overall spending plan for all projects however is approximately \$1.1 billion. In FY 2001, the TTFA did not issue new bond debt, thereby realizing a \$40 million projected debt service cost savings carried forward to FY 2002. This coupled with the estimated \$15 million savings (\$14.7 million) from the bond refunding allowed the spending plan to undergo a projected \$55 million shift from debt service costs to pay-as-you-go funding, or \$680 million and \$320 million.

The OLS **concurs** with the Department of Treasury and states further that at the time the actual refunding sale contracts are executed, interest rates would most likely be favorable to the extent that the present value savings could exceed the projected \$14.7 million.

Section: *Legislative Budget and Finance Office*

Analyst: *Ernest T. Hagans*
Senior Fiscal Analyst

Approved: *Alan R. Kooney*
Legislative Budget and Finance Officer

This fiscal estimate has been prepared pursuant to P.L.1980, c.67.

P.L. 2001, CHAPTER 258, *approved November 30, 2001*

Senate, No. 2584

1 **AN ACT** concerning transportation finance and amending P.L.1984,
2 c.73.

3

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

6

7 1. Section 9 of P.L.1984, c.73 (C.27:1B-9) is amended to read as
8 follows:

9 9. a. The authority shall have the power and is hereby authorized
10 after November 15, 1984 and from time to time thereafter to issue its
11 bonds, notes or other obligations in principal amounts as in the opinion
12 of the authority shall be necessary to provide for any of its corporate
13 purposes, including the payment, funding or refunding of the principal
14 of, or interest or redemption premiums on, any bonds, notes or other
15 obligations issued by it, whether the bonds, notes, obligations or
16 interest to be funded or refunded have or have not become due; and to
17 provide for the security thereof and for the establishment or increase
18 of reserves to secure or to pay the bonds, notes or other obligations
19 or interest thereon and all other reserves and all costs or expenses of
20 the authority incident to and necessary or convenient to carry out its
21 corporate purposes and powers; and in addition to its bonds, notes and
22 other obligations, the authority shall have the power to issue
23 subordinated indebtedness, which shall be subordinate in lien to the
24 lien of any or all of its bonds or notes. No resolution or other action
25 of the authority providing for the issuance of bonds, refunding bonds,
26 notes, or other obligations shall be adopted or otherwise made
27 effective by the authority without the prior approval in writing of the
28 Governor and the State Treasurer.

29 b. Except as may be otherwise expressly provided in the act or by
30 the authority, every issue of bonds or notes shall be general obligations
31 payable out of any revenues or funds of the authority, subject only to
32 any agreements with the holders of particular bonds or notes pledging
33 any particular revenues or funds. The authority may provide the
34 security and payment provisions for its bonds or notes as it may
35 determine, including (without limiting the generality of the foregoing)
36 bonds or notes as to which the principal and interest are payable from
37 and secured by all or any portion of the revenues of and payments to
38 the authority, and other moneys or funds as the authority shall
39 determine. In addition, the authority may, in anticipation of the
40 issuance of the bonds or the receipt of appropriations, grants,
41 reimbursements or other funds, including without limitation grants

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 from the federal government for federal aid highways or public
2 transportation systems, issue notes, the principal of or interest on
3 which, or both, shall be payable out of the proceeds of notes, bonds or
4 other obligations of the authority or appropriations, grants,
5 reimbursements or other funds or revenues of the authority. The
6 authority may also enter into bank loan agreements, lines of credit and
7 other security agreements as authorized pursuant to subsection h. of
8 section 6 of P.L.1984, c.73 (C.27:1B-6) and obtain for or on its behalf
9 letters of credit in each case for the purpose of securing its bonds,
10 notes or other obligations or to provide direct payment of any costs
11 which the authority is authorized to pay by this act and to secure
12 repayment of any borrowings under the loan agreement, line of credit,
13 letter of credit or other security agreement by its bonds, notes or other
14 obligations or the proceeds thereof or by any or all of the revenues of
15 and payments to the authority or by any appropriation, grant or
16 reimbursement to be received by the authority and other moneys or
17 funds as the authority shall determine.

18 c. Whether or not the bonds and notes are of the form and
19 character as to be negotiable instruments under the terms of Title 12A,
20 Commercial Transactions, New Jersey Statutes, the bonds and notes
21 are hereby made negotiable instruments within the meaning of and for
22 all the purposes of said Title 12A.

23 d. Bonds or notes of the authority shall be authorized by a
24 resolution or resolutions of the authority and may be issued in one or
25 more series and shall bear the date, or dates, mature at the time or
26 times, bear interest at the rate or rates of interest per annum, be in the
27 denomination or denominations, be in the form, carry the conversion
28 or registration privileges, have the rank or priority, be executed in the
29 manner, be payable from the sources, in the medium of payment, at the
30 place or places within or without the State, and be subject to the terms
31 of redemption (with or without premium) as the resolution or
32 resolutions may provide. Bonds or notes may be further secured by a
33 trust indenture between the authority and a corporate trustee within or
34 without the State. All other obligations of the authority shall be
35 authorized by resolution containing terms and conditions as the
36 authority shall determine.

37 e. Bonds, notes or other obligations of the authority may be sold
38 at public or private sale at a price or prices and in a manner as the
39 authority shall determine, either on a negotiated or on a competitive
40 basis. Every bond, or refunding bond, issued on or after the effective
41 date of P.L.1995, c.108 (C.27:1B-25.1 et al.) shall mature and be paid
42 no later than 21 years from the date of the issuance of that bond or
43 refunding bond.

44 f. Bonds or notes may be issued and other obligations incurred
45 under the provisions of the act without obtaining the consent of any
46 department, division, commission, board, bureau or agency of the

1 State, other than the approval as required by subsection a. of this
2 section, and without any other proceedings or the happening of any
3 other conditions or other things than those proceedings, conditions or
4 things which are specifically required by the act.

5 g. Bonds, notes and other obligations of the authority issued or
6 incurred under the provisions of the act shall not be in any way a debt
7 or liability of the State or of any political subdivision thereof other
8 than the authority and shall not create or constitute any indebtedness,
9 liability or obligation of the State or of any political subdivision or be
10 or constitute a pledge of the faith and credit of the State or of any
11 political subdivision but all bonds, notes and obligations, unless funded
12 or refunded by bonds, notes or other obligations of the authority, shall
13 be payable solely from revenues or funds pledged or available for their
14 payment as authorized in the act. Each bond, note or other obligation
15 shall contain on its face a statement to the effect that the authority is
16 obligated to pay the principal thereof or the interest thereon only from
17 revenues or funds of the authority and that neither the State nor any
18 political subdivision thereof is obligated to pay the principal or interest
19 and that neither the faith and credit nor the taxing power of the State
20 or any political subdivision thereof is pledged to the payment of the
21 principal of or the interest on the bonds, notes or other obligations.
22 For the purposes of this subsection, political subdivision does not
23 include the authority.

24 h. All expenses incurred in carrying out the provisions of the act
25 shall be payable solely from the revenues or funds provided or to be
26 provided under or pursuant to the provisions of the act and nothing in
27 the act shall be construed to authorize the authority to incur any
28 indebtedness or liability on behalf of or payable by the State or any
29 political subdivision thereof.

30 i. The authority shall minimize debt incurrence by first relying on
31 appropriations and other revenues available to the authority before
32 incurring debt to meet its statutory purposes. Commencing on the
33 90th day following the date of enactment of this 1995 amendatory and
34 supplementary act, the authority shall not incur debt in any fiscal year
35 in excess of \$650,000,000, except that if that permitted amount of
36 debt, or any portion thereof, is not incurred in a fiscal year it may be
37 incurred in a subsequent fiscal year. Any increase in this limitation
38 shall only occur if so provided for by law. In computing the foregoing
39 limitation as to the amount of debt the authority may incur, the
40 authority may exclude any bonds, notes or other obligations, including
41 subordinated obligations of the authority, issued for refunding
42 purposes.

43 j. Upon the decision by the authority to issue refunding bonds
44 pursuant to this section, and prior to the sale of those bonds, the
45 authority shall transmit to the Joint Budget Oversight Committee, or
46 its successor, a report that a decision has been made, reciting the basis

1 on which the decision was made, including an estimate of the debt
2 service savings to be achieved and the calculations upon which the
3 authority relied when making the decision to issue refunding bonds.
4 The report shall also disclose the intent of the authority to issue and
5 sell the refunding bonds at public or private sale and the reasons
6 therefor.

7 k. The Joint Budget Oversight Committee, or its successor, shall
8 have authority to approve or disapprove the sale of refunding bonds
9 as included in each report submitted in accordance with subsection j.
10 of this section. The committee shall approve or disapprove the sale of
11 refunding bonds within 10 business days after physical receipt of the
12 report. The committee shall notify the authority in writing of the
13 approval or disapproval as expeditiously as possible.

14 l. No refunding bonds shall be issued unless the report has been
15 submitted to and approved by the Joint Budget Oversight Committee,
16 or its successor, as set forth in subsection k. of this section.

17 m. Within 30 days after the sale of the refunding bonds, the
18 authority shall notify the Joint Budget Oversight Committee, or its
19 successor, of the result of that sale, including the prices and terms,
20 conditions and regulations concerning the refunding bonds, and the
21 actual amount of debt service savings to be realized as a result of the
22 sale of refunding bonds.

23 n. The Joint Budget Oversight Committee, or its successor, shall,
24 however, review all information and reports submitted in accordance
25 with this section and may, on its own initiative, make observations and
26 recommendations to the authority or to the Legislature, or both, as it
27 deems appropriate.

28 (cf: P.L.2000, c.73, s.18)

29

30 2. This act shall take effect immediately.

31

32

33

STATEMENT

34

35 This bill excludes any bonds, notes or other obligations, including
36 subordinated obligations of the New Jersey Transportation Trust Fund
37 Authority, issued for refunding purposes from being used in the
38 computation of the amount of debt that the authority may issue in a
39 single fiscal year.

40 Excluding refunding from the authority's annual debt issuance
41 limitation enables the authority to take timely advantage of lower
42 interest rates. In turn, refunding higher interest debt with lower
43 interest debt would provide a savings to the authority by reducing the
44 amount of its annual debt service payments.

1

2

3 Excludes refunding bonds from calculation of annual limit of debt

4 issued by Transportation Trust Fund Authority.

CHAPTER 258

AN ACT concerning transportation finance and amending P.L.1984, c.73.

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

1. Section 9 of P.L.1984, c.73 (C.27:1B-9) is amended to read as follows:

C.27:1B-9 Issuance of bonds.

9. a. The authority shall have the power and is hereby authorized after November 15, 1984 and from time to time thereafter to issue its bonds, notes or other obligations in principal amounts as in the opinion of the authority shall be necessary to provide for any of its corporate purposes, including the payment, funding or refunding of the principal of, or interest or redemption premiums on, any bonds, notes or other obligations issued by it, whether the bonds, notes, obligations or interest to be funded or refunded have or have not become due; and to provide for the security thereof and for the establishment or increase of reserves to secure or to pay the bonds, notes or other obligations or interest thereon and all other reserves and all costs or expenses of the authority incident to and necessary or convenient to carry out its corporate purposes and powers; and in addition to its bonds, notes and other obligations, the authority shall have the power to issue subordinated indebtedness, which shall be subordinate in lien to the lien of any or all of its bonds or notes. No resolution or other action of the authority providing for the issuance of bonds, refunding bonds, notes, or other obligations shall be adopted or otherwise made effective by the authority without the prior approval in writing of the Governor and the State Treasurer.

b. Except as may be otherwise expressly provided in the act or by the authority, every issue of bonds or notes shall be general obligations payable out of any revenues or funds of the authority, subject only to any agreements with the holders of particular bonds or notes pledging any particular revenues or funds. The authority may provide the security and payment provisions for its bonds or notes as it may determine, including (without limiting the generality of the foregoing) bonds or notes as to which the principal and interest are payable from and secured by all or any portion of the revenues of and payments to the authority, and other moneys or funds as the authority shall determine. In addition, the authority may, in anticipation of the issuance of the bonds or the receipt of appropriations, grants, reimbursements or other funds, including without limitation grants from the federal government for federal aid highways or public transportation systems, issue notes, the principal of or interest on which, or both, shall be payable out of the proceeds of notes, bonds or other obligations of the authority or appropriations, grants, reimbursements or other funds or revenues of the authority. The authority may also enter into bank loan agreements, lines of credit and other security agreements as authorized pursuant to subsection h. of section 6 of P.L.1984, c.73 (C.27:1B-6) and obtain for or on its behalf letters of credit in each case for the purpose of securing its bonds, notes or other obligations or to provide direct payment of any costs which the authority is authorized to pay by this act and to secure repayment of any borrowings under the loan agreement, line of credit, letter of credit or other security agreement by its bonds, notes or other obligations or the proceeds thereof or by any or all of the revenues of and payments to the authority or by any appropriation, grant or reimbursement to be received by the authority and other moneys or funds as the authority shall determine.

c. Whether or not the bonds and notes are of the form and character as to be negotiable instruments under the terms of Title 12A, Commercial Transactions, New Jersey Statutes, the bonds and notes are hereby made negotiable instruments within the meaning of and for all the purposes of said Title 12A.

d. Bonds or notes of the authority shall be authorized by a resolution or resolutions of the authority and may be issued in one or more series and shall bear the date, or dates, mature at the time or times, bear interest at the rate or rates of interest per annum, be in the denomination or denominations, be in the form, carry the conversion or registration privileges, have the rank or priority, be executed in the manner, be payable from the sources, in the medium of payment, at the place or places within or without the State, and be subject to the terms of redemption (with or without premium) as the resolution or resolutions may provide. Bonds or notes may be further secured by a trust indenture between the authority and a corporate trustee within or without the State. All other obligations of the authority shall be authorized by resolution

containing terms and conditions as the authority shall determine.

e. Bonds, notes or other obligations of the authority may be sold at public or private sale at a price or prices and in a manner as the authority shall determine, either on a negotiated or on a competitive basis. Every bond, or refunding bond, issued on or after the effective date of P.L.1995, c.108 (C.27:1B-25.1 et al.) shall mature and be paid no later than 21 years from the date of the issuance of that bond or refunding bond.

f. Bonds or notes may be issued and other obligations incurred under the provisions of the act without obtaining the consent of any department, division, commission, board, bureau or agency of the State, other than the approval as required by subsection a. of this section, and without any other proceedings or the happening of any other conditions or other things than those proceedings, conditions or things which are specifically required by the act.

g. Bonds, notes and other obligations of the authority issued or incurred under the provisions of the act shall not be in any way a debt or liability of the State or of any political subdivision thereof other than the authority and shall not create or constitute any indebtedness, liability or obligation of the State or of any political subdivision or be or constitute a pledge of the faith and credit of the State or of any political subdivision but all bonds, notes and obligations, unless funded or refunded by bonds, notes or other obligations of the authority, shall be payable solely from revenues or funds pledged or available for their payment as authorized in the act. Each bond, note or other obligation shall contain on its face a statement to the effect that the authority is obligated to pay the principal thereof or the interest thereon only from revenues or funds of the authority and that neither the State nor any political subdivision thereof is obligated to pay the principal or interest and that neither the faith and credit nor the taxing power of the State or any political subdivision thereof is pledged to the payment of the principal of or the interest on the bonds, notes or other obligations. For the purposes of this subsection, political subdivision does not include the authority.

h. All expenses incurred in carrying out the provisions of the act shall be payable solely from the revenues or funds provided or to be provided under or pursuant to the provisions of the act and nothing in the act shall be construed to authorize the authority to incur any indebtedness or liability on behalf of or payable by the State or any political subdivision thereof.

i. The authority shall minimize debt incurrence by first relying on appropriations and other revenues available to the authority before incurring debt to meet its statutory purposes. Commencing on the 90th day following the date of enactment of this 1995 amendatory and supplementary act, the authority shall not incur debt in any fiscal year in excess of \$650,000,000, except that if that permitted amount of debt, or any portion thereof, is not incurred in a fiscal year it may be incurred in a subsequent fiscal year. Any increase in this limitation shall only occur if so provided for by law. In computing the foregoing limitation as to the amount of debt the authority may incur, the authority may exclude any bonds, notes or other obligations, including subordinated obligations of the authority, issued for refunding purposes.

j. Upon the decision by the authority to issue refunding bonds pursuant to this section, and prior to the sale of those bonds, the authority shall transmit to the Joint Budget Oversight Committee, or its successor, a report that a decision has been made, reciting the basis on which the decision was made, including an estimate of the debt service savings to be achieved and the calculations upon which the authority relied when making the decision to issue refunding bonds. The report shall also disclose the intent of the authority to issue and sell the refunding bonds at public or private sale and the reasons therefor.

k. The Joint Budget Oversight Committee, or its successor, shall have authority to approve or disapprove the sale of refunding bonds as included in each report submitted in accordance with subsection j. of this section. The committee shall approve or disapprove the sale of refunding bonds within 10 business days after physical receipt of the report. The committee shall notify the authority in writing of the approval or disapproval as expeditiously as possible.

l. No refunding bonds shall be issued unless the report has been submitted to and approved by the Joint Budget Oversight Committee, or its successor, as set forth in subsection k. of this section.

m. Within 30 days after the sale of the refunding bonds, the authority shall notify the Joint Budget Oversight Committee, or its successor, of the result of that sale, including the prices and

terms, conditions and regulations concerning the refunding bonds, and the actual amount of debt service savings to be realized as a result of the sale of refunding bonds.

n. The Joint Budget Oversight Committee, or its successor, shall, however, review all information and reports submitted in accordance with this section and may, on its own initiative, make observations and recommendations to the authority or to the Legislature, or both, as it deems appropriate.

2. This act shall take effect immediately.

Approved November 30, 2001.