

NEW JERSEY STATE LIBRARY
185 W. State Street
Trenton, N. J.

18A: 24-61.1

to

18A: 24-61.12

August 20, 1969

Copy 2

Legislative Notes on R.S. 18A:24-61.1 to 18A:24-61.12
(School Bonds - Refunding)

L. 1969, Chapter 130 - S779
Introduced May 5, 1969 by Bateman.
A statement was made. (Copy enclosed)
Not amended during passage.

For background see:

- 974.90 N.J. Commission to Study the Practicability of
S372 Enactment of Legislation to Enable School Districts
1957 to Finance School Projects Through Borrowing at
Interest Rates Lower than those Current in the Present
Market. Public hearing. Held Feb. 28, 1957,
Trenton, 1957.
- 974.90 N.J. Legislature. Assembly Committee on Election.
S372 Public hearing. . . on Assembly
1953b concurrent resolution no. 24 school fund investment.
Trenton, May 5, 1953.
- 974.90 N.J. Legislature. Joint Committee to Study and
S697 Report Specially on the Short & Long Range Capital
1964y Needs & Related Matters in the Field of Public Higher
Education. Public hearing. Held April 2, 1964.
Trenton, 1964.

We located the following newspaper clippings:

DEPOSITORY COPY
Do Not Remove From Library

Do Not Remove From Library

DEPOSITORY COPY

Copy 2

5/11/69 "Hughes Offers State Plan to Aid Bond Sales - Finance Measures to be Asked at Special Session" - Philadelphia Inquirer.

7/3/69 "Bond Ceiling Raised" - Star-Ledger.

7/3/69 "Legislature oks Two Bills to Ease School Crisis" - Courier - Post.

V.F. - - V.J. - - School Finance.

JH/fb

COPY

DESTRUCTION COPY
Do Not Remove From Library

STATE OF NEW JERSEY

INTRODUCED MAY 5, 1969

By Senator BATEMAN

(Without Reference)

AN ACT concerning education and refunding of bonds issued for school or school district purposes by counties, municipalities and school districts and supplementing Title 18A, Education, of the New Jersey Statutes.

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

1 1. Any bonds heretofore or hereafter issued (a) by any county
2 to meet or finance any county college appropriation or purpose or
3 any county vocational school appropriation or purpose, or (b) by
4 any municipality to meet or finance any school district appropri-
5 ation or purpose, or (c) by any school district which at the time of
6 issuance of such bonds was governed by the provisions of chapter 7
7 or of chapter 8 of Title 18, Education, of the Revised Statutes or
8 constituted a Type II school district under the provisions of this
9 Title, may be funded or refunded at or prior to the maturity of such
10 bonds as herein provided by issuance of bonds (herein called the
11 "refunding bonds"). Any such bonds to be funded or refunded
12 (herein called the "refunded bonds") may be funded or refunded
13 at or before maturity thereof to the extent and in the manner or
14 procedure provided for in the refunded bonds or in any contract
15 with respect thereto between the holders or owners of the refunded
16 bonds and the issuer thereof.

1 2. Notwithstanding the provision of any other law or any debt
2 limitation or requirement for down payment or for referendum or
3 other action by legal voters, refunding bonds may be authorized
4 and issued for the purpose of paying, funding or refunding any
5 refunded bonds and paying the cost or expense of issuing re-
6 funding bonds including printing, advertising, accounting, finan-
7 cial, legal or other expense in connection therewith. Refunding
8 bonds shall be authorized (a) in the case of any county or munici-
9 pality by refunding bond ordinance enacted in the manner or mode
10 of procedure provided for adoption of a refunding bond ordinance

11 pursuant to the Local Bond Law, constituting chapter 2 of Title
12 40A, Municipalities and Counties, of the New Jersey Statutes, and
13 (b) in the case of a Type II school district by an ordinance (herein
14 called the "refunding bond ordinance") adopted by the board of
15 education of such school district as provided in this chapter.

1 3. A refunding bond ordinance of any county or municipality
2 shall become effective and refunding bonds shall be sold or issued
3 in the manner provided in sections 40A:2-52 to 40A:2-60, both
4 inclusive, of said Local Bond Law, and all of the provisions of said
5 sections shall be applicable thereto and to such funding or refund-
6 ing by any county or municipality, and such refunding bonds shall
7 recite that they are issued pursuant to said law and this chapter. A
8 refunding bond ordinance of any Type II school district shall be-
9 come effective and refunding bonds shall be sold or issued in the
10 manner provided in this chapter.

1 4. A refunding bond ordinance may be enacted by the board of ed-
2 ucation of any Type II school district after the approval thereof by
3 resolution of such board of education, and by subsequent adoption
4 thereof after advertised public hearing, notice of which shall be
5 given by publication of such proposed refunding bond ordinance
6 and notice of hearing once at least 7 days prior to date of such
7 hearing, in a newspaper circulating in the school district. Following
8 the holding of such public hearing, at which all interested persons
9 shall be given an opportunity to be heard, such refunding bond ordi-
10 nance may thereupon be adopted by the recorded affirmative vote
11 of $\frac{2}{3}$ of the full membership of such board of education or at such
12 other time and place to which such hearing or further consideration
13 thereof shall have been adjourned. The refunding bond ordinance
14 in the case of a Type II school district shall contain in substance:
15 (a) an authorization of the issuance of the refunding bonds, stating
16 in brief and general terms sufficient for reasonable identification the
17 refunded bonds to be funded or refunded, and the amount of the cost
18 of issuing the refunding bonds which is included in the authorized
19 principal amount of the refunding bonds; (b) the principal amount
20 of refunding bonds authorized; (c) the maturity date or dates of
21 the refunding bonds; and (d) such further provisions as the Local
22 Finance Board in the Department of Community Affairs of the
23 State of New Jersey may require or approve as to deposit, securing,
24 regulation, investment, reinvestment, disposition or application of
25 the proceeds of such refunding bonds, and matters in connection
26 therewith, including the officer or officers of the school district to be

27 responsible therefor, and amortization or other provision for premi-
28 ums or other losses incurred.

29 The refunding bond ordinance may contain provisions, which
30 shall be a part of the contract with the holders of the refunding
31 bonds, as to the establishment of, and the making of appropriations
32 for, reserves or sinking funds and the amount, source, securing,
33 regulation and disposition thereof. Any matter relating to refund-
34 ing bonds and not required to be contained in the refunding bond
35 ordinance may be performed or determined by subsequent resolu-
36 tion of the board of education, or the performance or determination
37 thereof delegated by resolution to a financial officer of the school
38 district.

1 5. A certified copy of any refunding bond ordinance shall be filed
2 with the Director of the Division of Local Finance in the Depart-
3 ment of Community Affairs before adoption, together with a com-
4 plete statement in form prescribed by the director and signed by
5 the chief financial officer of the school district as to the outstanding
6 bonds to be funded or refunded by issuance of the refunding bonds.
7 No refunding bond ordinance or any resolution performing, de-
8 termining or authorizing matters or acts in connection with re-
9 funding bonds shall take effect until the consent of the local finance
10 board shall have been endorsed upon a certified copy thereof as
11 adopted.

12 Any certification or endorsement of consent made by the local
13 finance board or by a majority of the members thereof or by the
14 secretary thereof pursuant to its direction as to any issue of re-
15 funding bonds shall, after the issuance of such refunding bonds
16 in reliance thereon, be conclusive as to its validity or regularity
17 and shall not be contested in any action or proceeding relating to
18 such refunding bonds instituted after the issuance of such bonds.

1 6. The local finance board may examine into any estimates,
2 computations or calculations made in connection with any issue of
3 refunding bonds, may require the production of any papers,
4 documents, witnesses or information, may make or cause to be made
5 any audit or investigation and may take any other action which it
6 may deem advisable in connection with any issue of refunding bonds.
7 All powers and duties of a funding commission pursuant to any
8 other law as heretofore exercised and performed by such commis-
9 sion shall be vested in and exercised and performed by the local
10 finance board as if such board constituted such commission.

1 7. In considering any refunding bond ordinance presented to it
2 for its consent, the local finance board shall have regard to the

3 probable capacity of the school district to pay at maturity the re-
4 funding bonds proposed to be issued, and all notes and bonds and
5 other indebtedness and liabilities of the school district then out-
6 standing, taking into consideration the assessed and true valuation
7 of taxable property in the school district, the equitable distribution
8 of the burden of interest and debt redemption charges in connection
9 with such refunding bonds, and the bonds and notes and other in-
10 debtedness and liabilities theretofore outstanding or which may
11 necessarily thereafter be incurred. If the local finance board shall
12 refuse to indorse its consent upon any such refunding bond ordi-
13 nance, it shall certify to the school district a statement of its rea-
14 sons for such refusal.

1 8. Refunding bonds may be issued in one or more series and
2 shall contain the word "refunding" in their title and shall recite
3 that they are issued pursuant to this chapter and shall bear such
4 date or dates, mature at such time or times not exceeding 40 years
5 from their date, bear interest at such rate or rates, payable at such
6 time or times, be in such denomination and in such form, either
7 coupon or registered, carry such registration privileges, be executed
8 in such manner consistent with the provisions of this Title for bonds
9 of such school district, be payable at such place or places, and be
10 subject to such terms of redemption, with or without premium,
11 as may be determined by the refunding bond ordinance or by
12 subsequent resolution or resolutions of the board of education.

1 9. Refunding bonds may be sold at public or private sale, or may
2 be exchanged for any outstanding bonds to be funded or refunded,
3 pursuant to resolution adopted by not less than $\frac{2}{3}$ of the full mem-
4 bership of the board of education, at such price or prices, computed
5 according to standard tables of bond values, as will yield to the
6 purchasers or to the holders of the refunded bonds surrendered in
7 exchange, an income at a rate not to exceed 6% per annum to the
8 maturity dates of the refunding bonds sold or exchanged, on the
9 money paid or the principal amount of the refunded bonds or notes
10 surrendered therefor to the local unit. Refunding bonds of
11 any authorized issue or of any authorized maturity may be sold
12 or exchanged as hereinabove provided from time to time and in
13 such blocks as may be deemed advisable. The officer of the school
14 district delivering any refunding bonds in exchange for out-
15 standing refunded bonds shall report in writing to the board of
16 education at the next meeting thereof as to the principal amounts,
17 maturities and numbers of the refunding bonds so delivered and
18 as to the refunded bonds received in exchange, which report shall

19 be entered in the minutes of the board of education, and a copy of
20 such report shall be filed within 5 days thereafter with the director.

1 10. Moneys or investments in any sinking fund or reserve fund
2 of the school district established or held for any refunded bonds to
3 be paid, funded or refunded by issuance of refunding bonds shall,
3A unless the refunding bond ordinance provides otherwise, be applied
4 to the payment or retirement of any such refunded bonds. In the
5 event that there shall be in any such fund any bonds of the school
6 district other than those which are being paid, funded or refunded,
7 said bonds or notes shall be removed from such fund and canceled
8 but only to the extent that the moneys or investment remaining in
9 such fund shall be not less than the outstanding refunded bonds of
10 the school district not funded or refunded and for which such fund
11 was established or held, but any excess of such moneys or invest-
12 ment may be held for and applied to the payment of the principal
13 of and interest on the refunding bonds.

1 11. If the local finance board shall find that a special refunding
2 program is in the public interest and is based upon a sound finan-
3 cial plan for equalizing or reducing the debt service of a school
4 district, a refunding bond ordinance may authorize refunding bonds
5 for refunding some or all of any bonds of the school district which
6 will become due over a period of not exceeding 5 years. Such re-
7 funding bond ordinance shall provide for the sale annually during
8 such period, or at such other time or times as the local finance board
9 may approve, of blocks or series of refunding bonds to provide
10 funds to pay the bonds and interest to be refunded and such ordi-
11 nance may also provide for the investment and application of the
12 proceeds of such refunding bonds, pending the maturity or maturi-
13 ties of the bonds to be refunded and for reinvestment or other
14 application of income and realizations upon such investments.

15 Such investment and reinvestment shall be restricted to (a) pur-
16 chase and holding of unlimited bonds or notes or other obligations
17 (whether or not interest-bearing) issued or unconditionally guar-
18 anteed as to both principal and interest by the United States of
19 America and which mature or which the United States of America
20 is on demand obligated to pay, not later than the end of the respec-
21 tive calendar years of the maturities of the several bonds to be re-
22 funded, or (b) purchase and cancellation of any of the bonds to be
23 refunded in the manner or mode of procedure prescribed by the
24 Fiscal Affairs Law.

1 12. The power to authorize and issue refunding bonds pursuant
2 to this chapter and the validity of such refunding bonds so issued
3 shall not be affected by or be dependent in any way upon the re-

4 quirements of any other law or the validity or regularity of any
5 proceedings pursuant to or under which any refunded bonds were
6 authorized and issued, and shall be independent of the power to
7 make, do or undertake any school district purpose, improvement
8 or project and shall not be dependent upon or affected by the
9 validity or regularity of any school district purpose, improvement
10 or project or the authorization therefor, for the financing of which
11 such refunded bonds were issued or refunding bonds are to be
12 issued.

1 13. This act shall take effect immediately.

STATEMENT

Counties, municipalities and school districts have existing powers to issue bonds subject to redemption prior to maturity with or without premium. Counties and municipalities have power to issue bonds for the purpose of refunding bonds subject to redemption prior to maturity, but school districts do not. Legislative grant of such power to school districts to issue bonds for refunding purposes has long been recommended. Such legislation is vitally needed at this time by reason of the high interest cost market currently prevailing which will require issuance of high interest cost bonds by Type II school districts subject to permitted refinancing prior to maturity in future years during lower interest cost bond markets so as to reduce debt service.

This bill clearly grants such power to Type II school districts and establishes procedures for issuance of such refinancing bonds without necessity for vote of the people and subject to the long accepted safeguards for refinancing under the refunding law and required action by the local finance board consistent with refinancing procedures established by the Legislature more than 30 years ago for refinancing county and municipal debts. This is in addition to the required holding of a public hearing by the school district after publication of its refunding bond ordinance and the advertisement of its public hearing thereon prior to adoption.

The bill also grants power to counties to refinance any high interest cost bonds issued for a county vocational school purpose or county college purpose, and to municipalities for financing bonds issued for Type I school district purposes.

This bill, coupled with statutory interest rate relief, will permit "educational" or "school purpose" financing to proceed safely in high interest cost markets by enabling refinancing to be accomplished by the issuers of such bonds in lower interest cost markets so as to reduce debt service.