31:1-7 to 31:1-9

August 28, 1969

Legislative Notes on R.S. 31:1-7 to 31:1-9
(Government bonds - removes ceiling on interest for one year)

Similar bills introduced were:
1969 - S817
In Senate Committee.
No statement.

L. 1969, Chapter 137 - A10[illegible]
Introduced July 2, 1969 by Parker and Dodson.
Statement was made. (Copy enclosed)
Not amended.

The following clippings were located:

6/26/69 "Parker Sees Higher Bond Rate Essential" - Trenton Evening Times.

7/3/69 "Municipal Interest Ceiling Is Raised" - Trenton Evening Times.

7/7/69 "Hughes Signs Bill To Help Borrowing At Local Level" - Trenton Evening Times.

Also see: 974.90 (Mentions this bill-A1058)
F 491
1969b N.J. Leg. Assy. Com on Banking and Insurance.
Report on the present bond situation. 1969

JM/fb

ASSEMBLY, No. 1058

STATE OF NEW JERSEY

INTRODUCED JULY 2, 1969

By Assemblymen PARKER and WOODSON

(Without Reference)

An Act temporarily suspending the statutory maximum rate of interest limitations applicable to borrowings by counties, municipalities, school districts, State agencies and other public authorities and agencies.

Be it enacted *by the Senate and General Assembly of the State of New Jersey:*

1. Notwithstanding the provisions of section 31:1-1 of the Revised Statutes or of regulations issued thereunder, or of any other law, statute or regulation applicable to or constituting any limitation on the maximum rate of interest per annum payable on bonds, notes or other obligations, or as to annual interest cost to maturity of money borrowed or received upon issuance of bonds, notes or other obligations, every county, municipality, school district, body corporate and politic or public authority, agency, commission, bond bank, or other public institution heretofore or hereafter created by the State, any county, or municipality or by one or more counties or municipalities, is hereby authorized and empowered for the period from the effective date of this act through June 30, 1970, to contract to pay interest on or an interest cost per annum for money borrowed and evidenced by bonds, notes or other obligations issued during said period without limit as to the rate of interest per annum payable thereon or as to the annual interest cost to maturity of the money borrowed.

2. This act shall be liberally construed to effect its legislative purpose of suspending for the aforesaid period any existing statutory limitation as to rate of interest or cost of money borrowed or provision of law with respect thereto and applicable to any county, municipality, school district, body corporate and politic or public authority, agency, commission, bond bank or other public institution heretofore or hereafter created by the State, or any one or more counties or municipalities, but nothing herein contained shall

be held or deemed in any way to affect or to impair existing contract limitations with bondholders or others as to rate of interest or cost of money borrowed without the consent of such bondholders or others given as provided in any such contract.

3. This act shall constitute and be construed as a suspension and as an amendment, for the aforesaid period, of the provisions of every law or statute establishing any limitation as to rate of interest per annum or cost of borrowing money applicable to any county, municipality, school district or public authority, agency, commission, bond bank or other public institution heretofore or hereafter created as aforesaid.

4. This act shall take effect immediately.

STATEMENT

Recent high interest rates have resulted in postponement of the issuance of permanent bonds for long-term financing of public improvements and projects by a considerable number of counties, municipalities, school districts and public authorities and agencies, and such postponement has resulted in issuance of great amounts of short-term notes and large accumulations of bond anticipation note financings in the expectation of future reduction in interest rates. Statutory periods for short-term financing are being exhausted in many instances and the continuing increase in interest rates has resulted in interest costs approaching the statutory ceiling or maximum of 6% and, in certain instances, permanent bonds cannot even now be issued within statutory limitations.

Continued postponement of permanent bond issuance and the accumulation of outstanding short-term obligations has increased the risk that short-term obligations may not be able to be renewed at maturity by lending institutions and that widespread defaults could ensue. Immediate but temporary suspension of interest rate limitations would permit marketing of bonds, and existing statutory provisions could be availed of for issuance of permanent bonds subject to redemption prior to maturity which would protect issuers and permit the refinancing of bond financings at future dates in lower interest cost markets.

A number of States have raised interest rate limitations applicable to their borrowings and the borrowings by their political subdivisions. In some instances this was accomplished by amendment to a higher level, and in other States, such as New York, legislation has been enacted for full suspension of the interest rate limitation for a 1-year period.

This bill would suspend all interest rate limitations applicable to counties, municipalities, school districts and State agencies through June 30, 1970, thereby permitting the marketing of permanent bonds and substantially reducing the risk of any default which could be occasioned by inability to renew outstanding short-term obligations within the existing statutory interest rate limitations and affording time for the Legislature to study more permanent solutions.