

FOLLOWING WERE PRINTED:

To check for circulating copies, contact New Jersey State Government Publications at the State Library (609) 278-2640 ext. 103 or <mailto:refdesk@njstatelib.org>.

REPORTS:

No

HEARINGS:

No

NEWSPAPER ARTICLES:

No

P.L. 2003, CHAPTER 264, *approved January 14, 2004*

Senate, No. 2193

1 AN ACT concerning school district bonds and amending various parts
2 of the statutory law.

3

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

6

7 1. N.J.S.18A:24-16 is amended to read as follows:

8 18A:24-16. No school bonds or refunding bonds shall be
9 authorized unless there shall be prepared and filed in accordance with
10 section 18A:24-17 a supplemental debt statement in the form provided
11 by law, setting forth the amounts of all bonds and notes of the district
12 issued and outstanding, or authorized but not issued, and determining
13 the net school debt of the district and giving effect to the proposed
14 authorization of school bonds. With respect to refunding bonds, the
15 supplemental debt statement shall reflect either new and unissued debt
16 or the amount of the refunding debt in excess of the debt to be
17 refunded.

18 (cf: P.L.1978, c.71, s.1)

19

20 2. N.J.S.18A:24-36 is amended to read as follows:

21 18A:24-36. a. All bonds authorized and issued by type II school
22 districts in accordance with chapter 24 of Title 18A of the New Jersey
23 Statutes, except bonds of authorized issues of **[\$10,000.00]**
24 \$1,000,000 or less, shall be sold at public sale upon **[sealed]** the
25 submission of sealed bids or through the submission of electronic
26 proposals provided that a summary of the notice of public sale of these
27 bonds as described in subsection b. of N.J.S.18A:24-37 shall be
28 advertised at least once at least seven days prior thereto in a nationally
29 recognized local government bond marketing publication or electronic
30 information service carrying municipal bond notices and devoted
31 primarily to financial news or the subject of state and municipal
32 bonds**[, published in New York City or New Jersey,]** and a notice of
33 public sale containing the provisions described in subsection a. of
34 N.J.S.18A:24-37 shall be advertised at least once at least seven days
35 prior thereto in a newspaper published in the county and having a
36 substantial circulation in the school district. Bonds of authorized
37 issues of **[\$10,000.00]** \$1,000,000 or less may be sold at private sale
38 without previous public offering.

39 b. If the board of education of the district determines to conduct
40 the public sale through the submission of electronic bids or proposals,
41 the electronic bids or proposals shall be submitted in the form of open

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

Matter underlined thus is new matter.

1 or closed auctions conducted through a nationally recognized
2 electronic securities bidding service and in accordance with such rules
3 as may be promulgated by the State Board of Education. The State
4 board may adopt rules in accordance with the "Administrative
5 Procedure Act," P.L.1968, c.410 (C.52:14B-1 et seq.), and in
6 consultation with the Local Finance Board in the Department of
7 Community Affairs, regulating the terms and conditions of the
8 submission of electronic bids or proposals.

9 c. The board of education of the district, by resolution, may allow
10 or otherwise delegate to the school business administrator the
11 authority to postpone a public sale without readvertisement, provided
12 that the notice pursuant to subsection a. of this section contained
13 precise information concerning the postponement and rescheduling
14 procedure. The postponement and rescheduling procedure shall
15 provide that a public sale may be postponed upon not less than
16 24 hours' notice, and that if the public sale is postponed, it may be
17 recommenced upon not less than 48 hours' notice without further
18 notice of sale. A public sale may not be postponed for more than 60
19 days without readvertisement.

20 d. The board of education of the district, by resolution, may allow
21 the adjustment of, or otherwise delegate to the school business
22 administrator the authority to adjust, the maturity schedule of the
23 bonds, up to 24 hours prior to the time advertised for the receipt of
24 bids and within 24 hours after the award of bids; provided that no
25 maturity schedule adjustment shall exceed 10% of the principal for any
26 maturity with the aggregate adjustment to maturity not to exceed 10%
27 of the principal for the overall issue. When an adjustment has been
28 made to a maturity schedule previously approved by the Local Finance
29 Board in the Department of Community Affairs, a copy of the final
30 maturity schedule which meets or complies with the limitations in this
31 subsection shall be filed with the Local Finance Board within 30 days
32 of the sale and shall be conclusively deemed to have been approved by
33 the Local Finance Board.

34 (cf: P.L.1992, c.178, s.1)

35
36 3. N.J.S.18A:24-37 is amended to read as follows:

37 18A:24-37. a. The notice of sale of Type II school district bonds
38 required to be advertised pursuant to N.J.S.18A:24-36 shall describe
39 the bonds and set forth in substance the postponement provisions and
40 the other terms and conditions of sale, including the type of sale to be
41 conducted, through the submission of either sealed or electronic bids
42 or proposals, the principal amount, date, denomination and maturities,
43 and authorization for adjustments to the maturities pursuant to
44 subsection d. of N.J.S.18A:24-36 of the bonds offered for sale and
45 such other provisions as may be determined by the Type II school
46 district. As to interest to be borne by the bonds, it shall specify a rate

1 or rates or maximum rate, and the method of calculation of interest
2 cost pursuant to subsection b. of N.J.S.18A:24-39, which rate or the
3 maximum rate shall in no event exceed 6% per annum. If proposals
4 are invited at more than one interest rate, the notice shall also state
5 that no proposals will be considered for bonds of a rate higher than the
6 lowest rate at which a legally acceptable proposal is received.

7 b. A summary of the notice of public sale of Type II school district
8 bonds required to be advertised pursuant to N.J.S. 18A:24-36 shall set
9 forth: the principal amount, date, denomination and maturities of the
10 bonds offered for sale; the rate or rates of interest or maximum rate or
11 rates of interest to be borne by the bonds; **[and]** a reference to where
12 additional terms and conditions of the public sale may be obtained; and
13 the type of sale to be conducted, through the submission of either
14 sealed or electronic bids or proposals.

15 (cf: P.L.1992, c.178, s.2)

16
17 4. N.J.S.18A:24-39 is amended to read as follows:

18 18A:24-39. In case of a sale of more than one issue such notice of
19 sale may, after describing the separate issues, provide in substance for
20 one of the following methods of sale, namely:

21 a. The notice may state the combined maturities of all of said issues
22 and request bids only for such combined maturities as if such combined
23 maturities constituted a single issue, in which event the provisions of
24 sections 18A:24-36 to 18A:24-46 shall apply as though the combined
25 maturities constituted a single issue; or

26 b. The notice may state that bidders may name a single rate, or
27 different rates, of interest for the different issues of bonds included in
28 such sale, but if different rates are permitted, the notice may require
29 a single rate for all the bonds of one issue, and that all issues will be
30 awarded to the bidder on whose bid the total loan may be made at the
31 lowest net interest cost or the true interest cost to the school district.
32 **[Such]** The board of education of the district shall specify in its notice
33 of public sale advertised pursuant to N.J.S.18A:24-37 whether the
34 award shall be based on net interest cost or true interest cost. The net
35 interest cost shall be computed[, as to each bid,] by adding to the
36 total principal amount of the bonds which the bidder offers to accept,
37 the total interest cost to maturity which will be paid under the terms
38 of the bid, after deducting from such interest cost the amount of cash
39 premium, if any bid, which shall not exceed \$1,000.00 as to any one
40 issue or the addition thereto of the amount of discount, if any, bid.
41 The true interest cost shall be computed in each instance by
42 determining the interest rate, compounded semi-annually, necessary to
43 discount the debt service payments to the date of the bonds and to the
44 price bid, excluding interest accrued to the delivery date.

45 c. The board of education of the district, by resolution, may allow
46 or otherwise delegate to the school business administrator the

1 authority to permit a bidder to aggregate the consecutive principal
2 maturities for which such bidder bid in the same interest rate into term
3 bonds, provided that mandatory sinking funds for which redemptions
4 in lieu of the principal maturities are provided. For the purposes of
5 this subsection, "term bond" means a bond that is due in a certain year
6 but has mandatory retirement provisions for portions of the term bond
7 on specified dates prior to the maturity date of the term bond itself.

8 (cf: N.J.S.18A:24-39)

9

10 5. N.J.S.18A:24-41 is amended to read as follows:

11 18A:24-41. a. The notice of sale shall require all bidders to
12 deposit a certified or cashier's or treasurer's check for 2% of the
13 amount of bonds, drawn upon a bank or trust company for said
14 amount, partially to secure the school district from any loss resulting
15 from the failure of the bidder to comply with the terms of his bid, or
16 as liquidated damages for such failure.

17 b. The State Board of Education, in consultation with the Local
18 Finance Board in the Department of Community Affairs, may adopt
19 rules and regulations in accordance with the "Administrative
20 Procedure Act," P.L.1968, c.410 (C.52:14B-1 et seq.), to permit
21 school districts to accept a financial surety bond in lieu of a certified,
22 cashier's or treasurer's check as required in subsection a. of this
23 section.

24 (cf: N.J.S.18A:24-41)

25

26 6. N.J.S.18A:24-42 is amended to read as follows:

27 18A:24-42. All sealed bids or proposals shall be opened publicly
28 and all bids or proposals transmitted electronically shall be received at
29 the time and place stated in such notice of sale, and not before, and
30 shall be publicly announced, except upon a postponement and
31 recommencement of the public sale made in accordance with the
32 provisions of subsection c. of N.J.S.18A:24-36, in which case such
33 bids or proposals shall be publicly opened, received and announced, as
34 appropriate, at the postponed and recommenced date.

35 (cf: N.J.S.18A:24-42)

36

37 7. Section 4 of P.L.1969, c.130 (C.18A:24-61.4) is amended to
38 read as follows:

39 4. A supplemental debt statement shall be prepared and filed with
40 respect to a Type II school district, in accordance with N.J.S.18A:24-
41 17, that reflects either new and unissued debt or the amount of the
42 refunding debt in excess of the debt to be refunded prior to the
43 adoption of a bond ordinance by the board of education of a Type II
44 school district. Thereafter a refunding bond ordinance may be enacted
45 by the board of education of any Type II school district after the
46 approval thereof by resolution of such board of education, and by

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

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

36 (cf: P.L.1978, c.75, s.3)

37

38 8. Section 5 of P.L.1969, c.130 (C.18A:24-61.5) is amended to
39 read as follows:

40 5. a. A certified copy of any refunding bond ordinance shall be
41 filed with the Director of the Division of Local **[Finance]** Government
42 Services in the Department of Community Affairs before adoption,
43 together with a complete statement in form prescribed by the director
44 and signed by the chief financial officer of the school district as to the
45 outstanding bonds to be funded or refunded by issuance of the
46 refunding bonds. **[No]** Except as provided in subsection b. of this

1 section no refunding bond ordinance or any resolution performing,
2 determining or authorizing matters or acts in connection with
3 refunding bonds shall take effect until the consent of the local finance
4 board shall have been endorsed upon a certified copy thereof as
5 adopted.

6 Any certification or endorsement of consent made by the local
7 finance board or by a majority of the members thereof or by the
8 secretary thereof pursuant to its direction as to any issue of refunding
9 bonds shall, after the issuance of such refunding bonds in reliance
10 thereon, be conclusive as to its validity or regularity and shall not be
11 contested in any action or proceeding relating to such refunding bonds
12 instituted after the issuance of such bonds.

13 The county, municipality or school district may enter into any
14 contracts or agreements to implement the refunding program,
15 including agreements with banking institutions with respect to the
16 application of moneys deposited in a sinking fund for the payment of
17 the refunding bonds at their maturity date to the purchase of
18 obligations of the United States Government or obligations the
19 principal of and interest on which are guaranteed by the United States
20 Government or obligations of any agency or instrumentality of the
21 United States Government without regard to any limitations as to the
22 investment or deposit of moneys.

23 b. Refunding bonds to realize total debt service savings on
24 outstanding obligations may be issued without the approval of the
25 Local Finance Board in the Department of Community Affairs when
26 authorized by conditions set forth in rules and regulations of the Local
27 Finance Board and upon a resolution adopted by 2/3 vote of the full
28 membership of the board of education of the district.

29 (cf: P.L.1978, c.75, s.4)

30

31 9. This act shall take effect immediately.

32

33

34

STATEMENT

35

36 This bill is intended to make changes to the school bond law
37 consistent with many of the changes proposed for the municipal bond
38 law in Senate Bill No. 109 of 2002. The purpose of the legislation is
39 to simplify the procedure for the issuance of refunding bonds and to
40 permit the submission of bid proposals for bonds by electronic means.
41 Specifically, section 1 amends N.J.S.18A:24-16 and section 7 amends
42 section 4 of P.L.1969, c.130 (C.18A:24-61.4) to require that a
43 supplemental debt statement be filed with the Local Finance Board
44 prior to authorization of a refunding bond for a school district.
45 Section 8 of the bill amends section 5 of P.L.1969, c.130 (C.18A:24-
46 61.5) to permit the issuance of refunding bonds to realize total (as

1 opposed to "annual") debt service savings on outstanding obligations
2 without the approval of the Local Finance Board, in accordance with
3 rules and regulations promulgated by the Local Finance Board.

4 Section 2 of the bill amends N.J.S.18A:24-36 to permit electronic
5 proposals, which may be in the form of open or closed auctions
6 conducted through a nationally recognized electronic securities
7 bidding service, in order to bring the law current with recent
8 technological trends that have made bidding through electronic means
9 both possible and common. Additionally, the bill would increase the
10 bond limit for a private sale without a previous public offering from
11 \$10,000 to \$1,000,000. Section 2 of the bill further amends
12 N.J.S.18A:24-36 to permit a school board to delegate to its school
13 business administrator the authority to postpone a public sale for up
14 to 60 days, upon not less than 24 hours' notice, and recommence the
15 sale upon not less than 24 hours' notice, without readvertisement,
16 provided that notice of the precise postponement and rescheduling
17 procedure was published in the original advertisement of the sale.
18 Finally, section 2 would permit a school board to adjust maturity
19 schedules of bonds up to 24 hours prior to the time advertised for the
20 receipt of bids and within 24 hours after the award of bids, provided
21 that the adjustment does not exceed 10% of the principal for any
22 maturity and the overall issue.

23 Section 3 of the bill amends N.J.S.18A:24-37 to expand the items
24 in a notice and notice summary of public sale to include the
25 authorization for adjustment of maturities, the method of calculation
26 of interest cost, postponement provisions, and the type of sale to be
27 conducted, through the submission of either sealed or electronic
28 proposals.

29 Section 4 of the bill amends N.J.S.18A:24-39 to require that a
30 notice of public sale state whether the award shall be based on net
31 interest cost or true interest cost. The section sets forth the
32 computation methods for determining "net interest cost" and "true
33 interest cost" and further permits a school board to delegate to its
34 school business administrator the authority to allow bidders to
35 aggregate consecutive principal maturities that are bid at the same
36 interest rate into "term bonds," provided that mandatory sinking funds
37 for redemptions in lieu of the principal maturities are established. The
38 bill defines "term bond" to mean a bond that is due in a certain year,
39 but has mandatory retirement provisions for portions of the term bond
40 on specified dates prior to the maturity date of the term bond itself.

41 Section 5 of the bill amends N.J.S.18A:24-41 to permit the State
42 Board of Education, in consultation with the Local Finance Board in
43 the Department of Community Affairs, to adopt rules and regulations
44 allowing the acceptance of financial surety bonds in lieu of a certified,
45 cashier's or treasurer's check.

46 Section 6 of the bill amends N.J.S.18A:24-42 to prescribe the

1 procedure and time for the opening of bids, including electronic bids
2 and proposals authorized under this bill.

3

4

5

6

7 Revises school bond law to simplify refunding bonds and permit
8 electronic bid proposals.

SENATE, No. 2193

STATE OF NEW JERSEY 210th LEGISLATURE

INTRODUCED JANUARY 9, 2003

Sponsored by:

Senator JOSEPH A. PALAIA

District 11 (Monmouth)

Assemblyman DAVID W. WOLFE

District 10 (Monmouth and Ocean)

Co-Sponsored by:

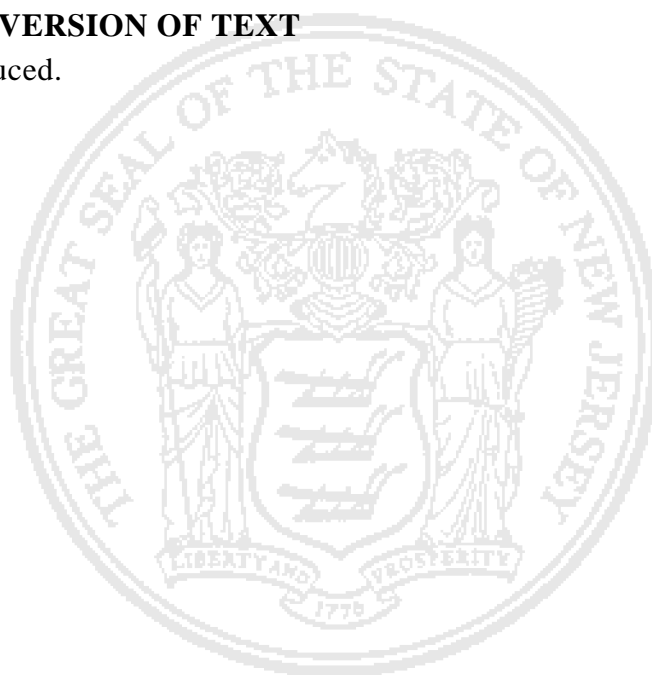
Assemblyman Cohen

SYNOPSIS

Revises school bond law to simplify refunding bonds and permit electronic bid proposals.

CURRENT VERSION OF TEXT

As introduced.



(Sponsorship Updated As Of: 1/13/2004)

1 AN ACT concerning school district bonds and amending various parts
2 of the statutory law.

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

6
7 1. N.J.S.18A:24-16 is amended to read as follows:

8 18A:24-16. No school bonds or refunding bonds shall be
9 authorized unless there shall be prepared and filed in accordance with
10 section 18A:24-17 a supplemental debt statement in the form provided
11 by law, setting forth the amounts of all bonds and notes of the district
12 issued and outstanding, or authorized but not issued, and determining
13 the net school debt of the district and giving effect to the proposed
14 authorization of school bonds. With respect to refunding bonds, the
15 supplemental debt statement shall reflect either new and unissued debt
16 or the amount of the refunding debt in excess of the debt to be
17 refunded.

18 (cf: P.L.1978, c.71, s.1)

19
20 2. N.J.S.18A:24-36 is amended to read as follows:

21 18A:24-36. a. All bonds authorized and issued by type II school
22 districts in accordance with chapter 24 of Title 18A of the New Jersey
23 Statutes, except bonds of authorized issues of **[\$10,000.00]**
24 \$1,000,000 or less, shall be sold at public sale upon **[sealed]** the
25 submission of sealed bids or through the submission of electronic
26 proposals provided that a summary of the notice of public sale of these
27 bonds as described in subsection b. of N.J.S.18A:24-37 shall be
28 advertised at least once at least seven days prior thereto in a nationally
29 recognized local government bond marketing publication or electronic
30 information service carrying municipal bond notices and devoted
31 primarily to financial news or the subject of state and municipal
32 bonds**[, published in New York City or New Jersey,]** and a notice of
33 public sale containing the provisions described in subsection a. of
34 N.J.S.18A:24-37 shall be advertised at least once at least seven days
35 prior thereto in a newspaper published in the county and having a
36 substantial circulation in the school district. Bonds of authorized
37 issues of **[\$10,000.00]** \$1,000,000 or less may be sold at private sale
38 without previous public offering.

39 b. If the board of education of the district determines to conduct
40 the public sale through the submission of electronic bids or proposals,
41 the electronic bids or proposals shall be submitted in the form of open
42 or closed auctions conducted through a nationally recognized
43 electronic securities bidding service and in accordance with such rules

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

Matter underlined thus is new matter.

1 as may be promulgated by the State Board of Education. The State
2 board may adopt rules in accordance with the "Administrative
3 Procedure Act," P.L.1968, c.410 (C.52:14B-1 et seq.), and in
4 consultation with the Local Finance Board in the Department of
5 Community Affairs, regulating the terms and conditions of the
6 submission of electronic bids or proposals.

7 c. The board of education of the district, by resolution, may allow
8 or otherwise delegate to the school business administrator the
9 authority to postpone a public sale without readvertisement, provided
10 that the notice pursuant to subsection a. of this section contained
11 precise information concerning the postponement and rescheduling
12 procedure. The postponement and rescheduling procedure shall
13 provide that a public sale may be postponed upon not less than
14 24 hours' notice, and that if the public sale is postponed, it may be
15 recommended upon not less than 48 hours' notice without further
16 notice of sale. A public sale may not be postponed for more than 60
17 days without readvertisement.

18 d. The board of education of the district, by resolution, may allow
19 the adjustment of, or otherwise delegate to the school business
20 administrator the authority to adjust, the maturity schedule of the
21 bonds, up to 24 hours prior to the time advertised for the receipt of
22 bids and within 24 hours after the award of bids; provided that no
23 maturity schedule adjustment shall exceed 10% of the principal for any
24 maturity with the aggregate adjustment to maturity not to exceed 10%
25 of the principal for the overall issue. When an adjustment has been
26 made to a maturity schedule previously approved by the Local Finance
27 Board in the Department of Community Affairs, a copy of the final
28 maturity schedule which meets or complies with the limitations in this
29 subsection shall be filed with the Local Finance Board within 30 days
30 of the sale and shall be conclusively deemed to have been approved by
31 the Local Finance Board.

32 (cf: P.L.1992, c.178, s.1)

33

34 3. N.J.S.18A:24-37 is amended to read as follows:

35 18A:24-37. a. The notice of sale of Type II school district bonds
36 required to be advertised pursuant to N.J.S.18A:24-36 shall describe
37 the bonds and set forth in substance the postponement provisions and
38 the other terms and conditions of sale, including the type of sale to be
39 conducted, through the submission of either sealed or electronic bids
40 or proposals, the principal amount, date, denomination and maturities,
41 and authorization for adjustments to the maturities pursuant to
42 subsection d. of N.J.S.18A:24-36 of the bonds offered for sale and
43 such other provisions as may be determined by the Type II school
44 district. As to interest to be borne by the bonds, it shall specify a rate
45 or rates or maximum rate, and the method of calculation of interest
46 cost pursuant to subsection b. of N.J.S.18A:24-39, which rate or the

1 maximum rate shall in no event exceed 6% per annum. If proposals
2 are invited at more than one interest rate, the notice shall also state
3 that no proposals will be considered for bonds of a rate higher than the
4 lowest rate at which a legally acceptable proposal is received.

5 b. A summary of the notice of public sale of Type II school district
6 bonds required to be advertised pursuant to N.J.S. 18A:24-36 shall set
7 forth: the principal amount, date, denomination and maturities of the
8 bonds offered for sale; the rate or rates of interest or maximum rate or
9 rates of interest to be borne by the bonds; [and] a reference to where
10 additional terms and conditions of the public sale may be obtained; and
11 the type of sale to be conducted, through the submission of either
12 sealed or electronic bids or proposals.

13 (cf: P.L.1992, c.178, s.2)

14

15 4. N.J.S.18A:24-39 is amended to read as follows:

16 18A:24-39. In case of a sale of more than one issue such notice of
17 sale may, after describing the separate issues, provide in substance for
18 one of the following methods of sale, namely:

19 a. The notice may state the combined maturities of all of said issues
20 and request bids only for such combined maturities as if such combined
21 maturities constituted a single issue, in which event the provisions of
22 sections 18A:24-36 to 18A:24-46 shall apply as though the combined
23 maturities constituted a single issue; or

24 b. The notice may state that bidders may name a single rate, or
25 different rates, of interest for the different issues of bonds included in
26 such sale, but if different rates are permitted, the notice may require
27 a single rate for all the bonds of one issue, and that all issues will be
28 awarded to the bidder on whose bid the total loan may be made at the
29 lowest net interest cost or the true interest cost to the school district.

30 [Such] The board of education of the district shall specify in its notice
31 of public sale advertised pursuant to N.J.S.18A:24-37 whether the
32 award shall be based on net interest cost or true interest cost. The net
33 interest cost shall be computed[, as to each bid,] by adding to the
34 total principal amount of the bonds which the bidder offers to accept,
35 the total interest cost to maturity which will be paid under the terms
36 of the bid, after deducting from such interest cost the amount of cash
37 premium, if any bid, which shall not exceed \$1,000.00 as to any one
38 issue or the addition thereto of the amount of discount, if any, bid.
39 The true interest cost shall be computed in each instance by
40 determining the interest rate, compounded semi-annually, necessary to
41 discount the debt service payments to the date of the bonds and to the
42 price bid, excluding interest accrued to the delivery date.

43 c. The board of education of the district, by resolution, may allow
44 or otherwise delegate to the school business administrator the
45 authority to permit a bidder to aggregate the consecutive principal
46 maturities for which such bidder bid in the same interest rate into term

1 bonds, provided that mandatory sinking funds for which redemptions
2 in lieu of the principal maturities are provided. For the purposes of
3 this subsection, "term bond" means a bond that is due in a certain year
4 but has mandatory retirement provisions for portions of the term bond
5 on specified dates prior to the maturity date of the term bond itself.
6 (cf: N.J.S.18A:24-39)

7
8 5. N.J.S.18A:24-41 is amended to read as follows:

9 18A:24-41. a. The notice of sale shall require all bidders to
10 deposit a certified or cashier's or treasurer's check for 2% of the
11 amount of bonds, drawn upon a bank or trust company for said
12 amount, partially to secure the school district from any loss resulting
13 from the failure of the bidder to comply with the terms of his bid, or
14 as liquidated damages for such failure.

15 b. The State Board of Education, in consultation with the Local
16 Finance Board in the Department of Community Affairs, may adopt
17 rules and regulations in accordance with the "Administrative
18 Procedure Act," P.L.1968, c.410 (C.52:14B-1 et seq.), to permit
19 school districts to accept a financial surety bond in lieu of a certified,
20 cashier's or treasurer's check as required in subsection a. of this
21 section.

22 (cf: N.J.S.18A:24-41)

23
24 6. N.J.S.18A:24-42 is amended to read as follows:

25 18A:24-42. All sealed bids or proposals shall be opened publicly
26 and all bids or proposals transmitted electronically shall be received at
27 the time and place stated in such notice of sale, and not before, and
28 shall be publicly announced, except upon a postponement and
29 recommencement of the public sale made in accordance with the
30 provisions of subsection c. of N.J.S.18A:24-36, in which case such
31 bids or proposals shall be publicly opened, received and announced, as
32 appropriate, at the postponed and recommenced date.

33 (cf: N.J.S.18A:24-42)

34
35 7. Section 4 of P.L.1969, c.130 (C.18A:24-61.4) is amended to
36 read as follows:

37 4. A supplemental debt statement shall be prepared and filed with
38 respect to a Type II school district, in accordance with N.J.S.18A:24-
39 17, that reflects either new and unissued debt or the amount of the
40 refunding debt in excess of the debt to be refunded prior to the
41 adoption of a bond ordinance by the board of education of a Type II
42 school district. Thereafter a refunding bond ordinance may be enacted
43 by the board of education of any Type II school district after the
44 approval thereof by resolution of such board of education, and by
45 subsequent adoption thereof after advertised public hearing, notice of
46 which shall be given by publication of such proposed refunding bond

S2193 PALAIA

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

24 Such refunding bond ordinance or resolution may also contain
25 provisions, which shall be a part of the contract with the holders of the
26 refunding bonds, as to the establishment of, and the making of
27 appropriations for, reserves or sinking funds and the amount, source,
28 securing, regulation and disposition thereof. Any matter relating to
29 refunding bonds and not required to be contained in the refunding
30 bond ordinance may be performed or determined by subsequent
31 resolution of the board of education, or the performance or
32 determination thereof delegated by resolution to a financial officer of
33 the school district.

34 (cf: P.L.1978, c.75, s.3)

35

36 8. Section 5 of P.L.1969, c.130 (C.18A:24-61.5) is amended to
37 read as follows:

38 5. a. A certified copy of any refunding bond ordinance shall be
39 filed with the Director of the Division of Local **[Finance]** Government
40 Services in the Department of Community Affairs before adoption,
41 together with a complete statement in form prescribed by the director
42 and signed by the chief financial officer of the school district as to the
43 outstanding bonds to be funded or refunded by issuance of the
44 refunding bonds. **[No]** Except as provided in subsection b. of this
45 section no refunding bond ordinance or any resolution performing,
46 determining or authorizing matters or acts in connection with

1 refunding bonds shall take effect until the consent of the local finance
2 board shall have been endorsed upon a certified copy thereof as
3 adopted.

4 Any certification or endorsement of consent made by the local
5 finance board or by a majority of the members thereof or by the
6 secretary thereof pursuant to its direction as to any issue of refunding
7 bonds shall, after the issuance of such refunding bonds in reliance
8 thereon, be conclusive as to its validity or regularity and shall not be
9 contested in any action or proceeding relating to such refunding bonds
10 instituted after the issuance of such bonds.

11 The county, municipality or school district may enter into any
12 contracts or agreements to implement the refunding program,
13 including agreements with banking institutions with respect to the
14 application of moneys deposited in a sinking fund for the payment of
15 the refunding bonds at their maturity date to the purchase of
16 obligations of the United States Government or obligations the
17 principal of and interest on which are guaranteed by the United States
18 Government or obligations of any agency or instrumentality of the
19 United States Government without regard to any limitations as to the
20 investment or deposit of moneys.

21 b. Refunding bonds to realize total debt service savings on
22 outstanding obligations may be issued without the approval of the
23 Local Finance Board in the Department of Community Affairs when
24 authorized by conditions set forth in rules and regulations of the Local
25 Finance Board and upon a resolution adopted by 2/3 vote of the full
26 membership of the board of education of the district.

27 (cf: P.L.1978, c.75, s.4)

28

29 9. This act shall take effect immediately.

30

31

32

STATEMENT

33

34 This bill is intended to make changes to the school bond law
35 consistent with many of the changes proposed for the municipal bond
36 law in Senate Bill No. 109 of 2002. The purpose of the legislation is
37 to simplify the procedure for the issuance of refunding bonds and to
38 permit the submission of bid proposals for bonds by electronic means.
39 Specifically, section 1 amends N.J.S.18A:24-16 and section 7 amends
40 section 4 of P.L.1969, c.130 (C.18A:24-61.4) to require that a
41 supplemental debt statement be filed with the Local Finance Board
42 prior to authorization of a refunding bond for a school district.
43 Section 8 of the bill amends section 5 of P.L.1969, c.130 (C.18A:24-
44 61.5) to permit the issuance of refunding bonds to realize total (as
45 opposed to "annual") debt service savings on outstanding obligations
46 without the approval of the Local Finance Board, in accordance with

S2193 PALAIA

1 rules and regulations promulgated by the Local Finance Board.

2 Section 2 of the bill amends N.J.S.18A:24-36 to permit electronic
3 proposals, which may be in the form of open or closed auctions
4 conducted through a nationally recognized electronic securities
5 bidding service, in order to bring the law current with recent
6 technological trends that have made bidding through electronic means
7 both possible and common. Additionally, the bill would increase the
8 bond limit for a private sale without a previous public offering from
9 \$10,000 to \$1,000,000. Section 2 of the bill further amends
10 N.J.S.18A:24-36 to permit a school board to delegate to its school
11 business administrator the authority to postpone a public sale for up
12 to 60 days, upon not less than 24 hours' notice, and recommence the
13 sale upon not less than 24 hours' notice, without readvertisement,
14 provided that notice of the precise postponement and rescheduling
15 procedure was published in the original advertisement of the sale.
16 Finally, section 2 would permit a school board to adjust maturity
17 schedules of bonds up to 24 hours prior to the time advertised for the
18 receipt of bids and within 24 hours after the award of bids, provided
19 that the adjustment does not exceed 10% of the principal for any
20 maturity and the overall issue.

21 Section 3 of the bill amends N.J.S.18A:24-37 to expand the items
22 in a notice and notice summary of public sale to include the
23 authorization for adjustment of maturities, the method of calculation
24 of interest cost, postponement provisions, and the type of sale to be
25 conducted, through the submission of either sealed or electronic
26 proposals.

27 Section 4 of the bill amends N.J.S.18A:24-39 to require that a
28 notice of public sale state whether the award shall be based on net
29 interest cost or true interest cost. The section sets forth the
30 computation methods for determining "net interest cost" and "true
31 interest cost" and further permits a school board to delegate to its
32 school business administrator the authority to allow bidders to
33 aggregate consecutive principal maturities that are bid at the same
34 interest rate into "term bonds," provided that mandatory sinking funds
35 for redemptions in lieu of the principal maturities are established. The
36 bill defines "term bond" to mean a bond that is due in a certain year,
37 but has mandatory retirement provisions for portions of the term bond
38 on specified dates prior to the maturity date of the term bond itself.

39 Section 5 of the bill amends N.J.S.18A:24-41 to permit the State
40 Board of Education, in consultation with the Local Finance Board in
41 the Department of Community Affairs, to adopt rules and regulations
42 allowing the acceptance of financial surety bonds in lieu of a certified,
43 cashier's or treasurer's check.

44 Section 6 of the bill amends N.J.S.18A:24-42 to prescribe the
45 procedure and time for the opening of bids, including electronic bids
46 and proposals authorized under this bill.

ASSEMBLY EDUCATION COMMITTEE

STATEMENT TO

SENATE, No. 2193

STATE OF NEW JERSEY

DATED: MAY 8, 2003

The Assembly Education Committee favorably reports Senate Bill No. 2193.

This bill revises the school bond law to make it consistent with many of the revisions that were made in the municipal bond law by the approval on February 3, 2003, of Senate Bill No. 109, as P.L.2003, c.15. The legislation would simplify the procedure for the issuance of refunding bonds and permit the submission of bid proposals for bonds by electronic means.

Section 1 amends N.J.S.18A:24-16 and section 7 amends section 4 of P.L.1969, c.130 (C.18A:24-61.4) to require that a supplemental debt statement be filed with the Local Finance Board prior to authorization of a refunding bond for a school district. Section 8 of the bill amends section 5 of P.L.1969, c.130 (C.18A:24-61.5) to permit the issuance of refunding bonds to realize total, rather than "annual," debt service savings on outstanding obligations without the approval of the Local Finance Board, in accordance with rules and regulations promulgated by the Local Finance Board.

Section 2 of the bill amends N.J.S.18A:24-36 to permit electronic proposals, which may be in the form of open or closed auctions conducted through a nationally recognized electronic securities bidding service, in order to make the law current with recent technological trends that have made bidding through electronic means both possible and common. Additionally, the bill would increase the bond limit for a private sale without a previous public offering from \$10,000 to \$1,000,000. Section 2 of the bill further amends N.J.S.18A:24-36 to permit a school board to delegate to its school business administrator the authority to postpone a public sale for up to 60 days, upon not less than 24 hours' notice, and recommence the sale upon not less than 24 hours' notice, without readvertisement, provided that notice of the precise postponement and rescheduling procedure was published in the original advertisement of the sale. Finally, section 2 would permit a school board to adjust maturity schedules of bonds up to 24 hours prior to the time advertised for the receipt of bids and within 24 hours after the award of bids, provided that the adjustment does not exceed 10% of the principal for any maturity and the overall issue.

Section 3 of the bill amends N.J.S.18A:24-37 to expand the items

in a notice and notice summary of public sale to include the authorization for adjustment of maturities, the method of calculation of interest cost, postponement provisions, and the type of sale to be conducted, through the submission of either sealed or electronic proposals.

Section 4 of the bill amends N.J.S.18A:24-39 to require that a notice of public sale state whether the award will be based on net interest cost or true interest cost. The section sets forth the computation methods for determining "net interest cost" and "true interest cost" and further permits a school board to delegate to its school business administrator the authority to allow bidders to aggregate consecutive principal maturities that are bid at the same interest rate into "term bonds," provided that mandatory sinking funds for redemptions in lieu of the principal maturities are established. The bill defines "term bond" to mean a bond that is due in a certain year, but has mandatory retirement provisions for portions of the term bond on specified dates prior to the maturity date of the term bond itself.

Section 5 of the bill amends N.J.S.18A:24-41 to permit the State Board of Education, in consultation with the Local Finance Board in the Department of Community Affairs, to adopt rules and regulations allowing the acceptance of financial surety bonds in lieu of a certified, cashier's or treasurer's check.

Section 6 of the bill amends N.J.S.18A:24-42 to prescribe the procedure and time for the opening of bids, including electronic bids and proposals authorized under the bill.

As reported by committee, this bill is identical to Assembly Bill No. 3185.

SENATE EDUCATION COMMITTEE

STATEMENT TO

SENATE, No. 2193

STATE OF NEW JERSEY

DATED: MARCH 10, 2003

The Senate Education Committee reports favorably Senate Bill No. 2193.

This bill revises the school bond law to make it consistent with many of the revisions that were made in the municipal bond law by the approval on February 3, 2003, of Senate Bill No. 109, as P.L.2003, c.15. The legislation would simplify the procedure for the issuance of refunding bonds and permit the submission of bid proposals for bonds by electronic means.

Section 1 amends N.J.S.18A:24-16 and section 7 amends section 4 of P.L.1969, c.130 (C.18A:24-61.4) to require that a supplemental debt statement be filed with the Local Finance Board prior to authorization of a refunding bond for a school district. Section 8 of the bill amends section 5 of P.L.1969, c.130 (C.18A:24-61.5) to permit the issuance of refunding bonds to realize total, rather than "annual," debt service savings on outstanding obligations without the approval of the Local Finance Board, in accordance with rules and regulations promulgated by the Local Finance Board.

Section 2 of the bill amends N.J.S.18A:24-36 to permit electronic proposals, which may be in the form of open or closed auctions conducted through a nationally recognized electronic securities bidding service, in order to make the law current with recent technological trends that have made bidding through electronic means both possible and common. Additionally, the bill would increase the bond limit for a private sale without a previous public offering from \$10,000 to \$1,000,000. Section 2 of the bill further amends N.J.S.18A:24-36 to permit a school board to delegate to its school business administrator the authority to postpone a public sale for up to 60 days, upon not less than 24 hours' notice, and recommence the sale upon not less than 24 hours' notice, without readvertisement, provided that notice of the precise postponement and rescheduling procedure was published in the original advertisement of the sale. Finally, section 2 would permit a school board to adjust maturity schedules of bonds up to 24 hours prior to the time advertised for the receipt of bids and within 24 hours after the award of bids, provided that the adjustment does not exceed 10% of the principal for any maturity and the overall issue.

Section 3 of the bill amends N.J.S.18A:24-37 to expand the items

in a notice and notice summary of public sale to include the authorization for adjustment of maturities, the method of calculation of interest cost, postponement provisions, and the type of sale to be conducted, through the submission of either sealed or electronic proposals.

Section 4 of the bill amends N.J.S.18A:24-39 to require that a notice of public sale state whether the award shall be based on net interest cost or true interest cost. The section sets forth the computation methods for determining "net interest cost" and "true interest cost" and further permits a school board to delegate to its school business administrator the authority to allow bidders to aggregate consecutive principal maturities that are bid at the same interest rate into "term bonds," provided that mandatory sinking funds for redemptions in lieu of the principal maturities are established. The bill defines "term bond" to mean a bond that is due in a certain year, but has mandatory retirement provisions for portions of the term bond on specified dates prior to the maturity date of the term bond itself.

Section 5 of the bill amends N.J.S.18A:24-41 to permit the State Board of Education, in consultation with the Local Finance Board in the Department of Community Affairs, to adopt rules and regulations allowing the acceptance of financial surety bonds in lieu of a certified, cashier's or treasurer's check.

Section 6 of the bill amends N.J.S.18A:24-42 to prescribe the procedure and time for the opening of bids, including electronic bids and proposals authorized under the bill.

ASSEMBLY, No. 3185

STATE OF NEW JERSEY

210th LEGISLATURE

INTRODUCED JANUARY 16, 2003

Sponsored by:

Assemblyman DAVID W. WOLFE

District 10 (Monmouth and Ocean)

Co-Sponsored by:

Assemblyman Cohen

SYNOPSIS

Revises school bond law to simplify refunding bonds and permit electronic bid proposals.

CURRENT VERSION OF TEXT

As introduced.



(Sponsorship Updated As Of: 12/16/2003)

1 AN ACT concerning school district bonds and amending various parts
2 of the statutory law.

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

6
7 1. N.J.S.18A:24-16 is amended to read as follows:

8 18A:24-16. No school bonds or refunding bonds shall be
9 authorized unless there shall be prepared and filed in accordance with
10 section 18A:24-17 a supplemental debt statement in the form provided
11 by law, setting forth the amounts of all bonds and notes of the district
12 issued and outstanding, or authorized but not issued, and determining
13 the net school debt of the district and giving effect to the proposed
14 authorization of school bonds. With respect to refunding bonds, the
15 supplemental debt statement shall reflect either new and unissued debt
16 or the amount of the refunding debt in excess of the debt to be
17 refunded.

18 (cf: P.L.1978, c.71, s.1)

19
20 2. N.J.S.18A:24-36 is amended to read as follows:

21 18A:24-36. a. All bonds authorized and issued by type II school
22 districts in accordance with chapter 24 of Title 18A of the New Jersey
23 Statutes, except bonds of authorized issues of **[\$10,000.00]**
24 \$1,000,000 or less, shall be sold at public sale upon **[sealed]** the
25 submission of sealed bids or through the submission of electronic
26 proposals provided that a summary of the notice of public sale of these
27 bonds as described in subsection b. of N.J.S.18A:24-37 shall be
28 advertised at least once at least seven days prior thereto in a nationally
29 recognized local government bond marketing publication or electronic
30 information service carrying municipal bond notices and devoted
31 primarily to financial news or the subject of state and municipal
32 bonds**[, published in New York City or New Jersey,]** and a notice of
33 public sale containing the provisions described in subsection a. of
34 N.J.S.18A:24-37 shall be advertised at least once at least seven days
35 prior thereto in a newspaper published in the county and having a
36 substantial circulation in the school district. Bonds of authorized
37 issues of **[\$10,000.00]** \$1,000,000 or less may be sold at private sale
38 without previous public offering.

39 b. If the board of education of the district determines to conduct
40 the public sale through the submission of electronic bids or proposals,
41 the electronic bids or proposals shall be submitted in the form of open
42 or closed auctions conducted through a nationally recognized
43 electronic securities bidding service and in accordance with such rules

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

Matter underlined thus is new matter.

1 as may be promulgated by the State Board of Education. The State
2 board may adopt rules in accordance with the "Administrative
3 Procedure Act," P.L.1968, c.410 (C.52:14B-1 et seq.), and in
4 consultation with the Local Finance Board in the Department of
5 Community Affairs, regulating the terms and conditions of the
6 submission of electronic bids or proposals.

7 c. The board of education of the district, by resolution, may allow
8 or otherwise delegate to the school business administrator the
9 authority to postpone a public sale without readvertisement, provided
10 that the notice pursuant to subsection a. of this section contained
11 precise information concerning the postponement and rescheduling
12 procedure. The postponement and rescheduling procedure shall
13 provide that a public sale may be postponed upon not less than
14 24 hours' notice, and that if the public sale is postponed, it may be
15 recommended upon not less than 48 hours' notice without further
16 notice of sale. A public sale may not be postponed for more than
17 60 days without readvertisement.

18 d. The board of education of the district, by resolution, may allow
19 the adjustment of, or otherwise delegate to the school business
20 administrator the authority to adjust, the maturity schedule of the
21 bonds, up to 24 hours prior to the time advertised for the receipt of
22 bids and within 24 hours after the award of bids; provided that no
23 maturity schedule adjustment shall exceed 10% of the principal for any
24 maturity with the aggregate adjustment to maturity not to exceed 10%
25 of the principal for the overall issue. When an adjustment has been
26 made to a maturity schedule previously approved by the Local Finance
27 Board in the Department of Community Affairs, a copy of the final
28 maturity schedule which meets or complies with the limitations in this
29 subsection shall be filed with the Local Finance Board within 30 days
30 of the sale and shall be conclusively deemed to have been approved by
31 the Local Finance Board.

32 (cf: P.L.1992, c.178, s.1)

33
34 3. N.J.S.18A:24-37 is amended to read as follows:

35 18A:24-37. a. The notice of sale of Type II school district bonds
36 required to be advertised pursuant to N.J.S.18A:24-36 shall describe
37 the bonds and set forth in substance the postponement provisions and
38 the other terms and conditions of sale, including the type of sale to be
39 conducted, through the submission of either sealed or electronic bids
40 or proposals, the principal amount, date, denomination and maturities,
41 and authorization for adjustments to the maturities pursuant to
42 subsection d. of N.J.S.18A:24-36 of the bonds offered for sale and
43 such other provisions as may be determined by the Type II school
44 district. As to interest to be borne by the bonds, it shall specify a rate
45 or rates or maximum rate, and the method of calculation of interest
46 cost pursuant to subsection b. of N.J.S.18A:24-39, which rate or the

1 maximum rate shall in no event exceed 6% per annum. If proposals
2 are invited at more than one interest rate, the notice shall also state
3 that no proposals will be considered for bonds of a rate higher than the
4 lowest rate at which a legally acceptable proposal is received.

5 b. A summary of the notice of public sale of Type II school district
6 bonds required to be advertised pursuant to N.J.S.18A:24-36 shall set
7 forth: the principal amount, date, denomination and maturities of the
8 bonds offered for sale; the rate or rates of interest or maximum rate or
9 rates of interest to be borne by the bonds; [and] a reference to where
10 additional terms and conditions of the public sale may be obtained; and
11 the type of sale to be conducted, through the submission of either
12 sealed or electronic bids or proposals.

13 (cf: P.L.1992, c.178, s.2)

14

15 4. N.J.S.18A:24-39 is amended to read as follows:

16 18A:24-39. In case of a sale of more than one issue such notice of
17 sale may, after describing the separate issues, provide in substance for
18 one of the following methods of sale, namely:

19 a. The notice may state the combined maturities of all of said issues
20 and request bids only for such combined maturities as if such combined
21 maturities constituted a single issue, in which event the provisions of
22 sections 18A:24-36 to 18A:24-46 shall apply as though the combined
23 maturities constituted a single issue; or

24 b. The notice may state that bidders may name a single rate, or
25 different rates, of interest for the different issues of bonds included in
26 such sale, but if different rates are permitted, the notice may require
27 a single rate for all the bonds of one issue, and that all issues will be
28 awarded to the bidder on whose bid the total loan may be made at the
29 lowest net interest cost or the true interest cost to the school district.
30 [Such] The board of education of the district shall specify in its notice
31 of public sale advertised pursuant to N.J.S.18A:24-37 whether the
32 award shall be based on net interest cost or true interest cost. The net
33 interest cost shall be computed[, as to each bid,] by adding to the
34 total principal amount of the bonds which the bidder offers to accept,
35 the total interest cost to maturity which will be paid under the terms
36 of the bid, after deducting from such interest cost the amount of cash
37 premium, if any bid, which shall not exceed \$1,000.00 as to any one
38 issue or the addition thereto of the amount of discount, if any, bid.
39 The true interest cost shall be computed in each instance by
40 determining the interest rate, compounded semi-annually, necessary to
41 discount the debt service payments to the date of the bonds and to the
42 price bid, excluding interest accrued to the delivery date.

43 c. The board of education of the district, by resolution, may allow
44 or otherwise delegate to the school business administrator the
45 authority to permit a bidder to aggregate the consecutive principal
46 maturities for which such bidder bid in the same interest rate into term

1 bonds, provided that mandatory sinking funds for which redemptions
2 in lieu of the principal maturities are provided. For the purposes of
3 this subsection, "term bond" means a bond that is due in a certain year
4 but has mandatory retirement provisions for portions of the term bond
5 on specified dates prior to the maturity date of the term bond itself.
6 (cf: N.J.S.18A:24-39)

7
8 5. N.J.S.18A:24-41 is amended to read as follows:

9 18A:24-41. a. The notice of sale shall require all bidders to
10 deposit a certified or cashier's or treasurer's check for 2% of the
11 amount of bonds, drawn upon a bank or trust company for said
12 amount, partially to secure the school district from any loss resulting
13 from the failure of the bidder to comply with the terms of his bid, or
14 as liquidated damages for such failure.

15 b. The State Board of Education, in consultation with the Local
16 Finance Board in the Department of Community Affairs, may adopt
17 rules and regulations in accordance with the "Administrative
18 Procedure Act," P.L.1968, c.410 (C.52:14B-1 et seq.), to permit
19 school districts to accept a financial surety bond in lieu of a certified,
20 cashier's or treasurer's check as required in subsection a. of this
21 section.

22 (cf: N.J.S.18A:24-41)

23
24 6. N.J.S.18A:24-42 is amended to read as follows:

25 18A:24-42. All sealed bids or proposals shall be opened publicly
26 and all bids or proposals transmitted electronically shall be received at
27 the time and place stated in such notice of sale, and not before, and
28 shall be publicly announced, except upon a postponement and
29 recommencement of the public sale made in accordance with the
30 provisions of subsection c. of N.J.S.18A:24-36, in which case such
31 bids or proposals shall be publicly opened, received and announced, as
32 appropriate, at the postponed and recommenced date.

33 (cf: N.J.S.18A:24-42)

34
35 7. Section 4 of P.L.1969, c.130 (C.18A:24-61.4) is amended to
36 read as follows:

37 4. A supplemental debt statement shall be prepared and filed with
38 respect to a Type II school district, in accordance with N.J.S.18A:24-
39 17, that reflects either new and unissued debt or the amount of the
40 refunding debt in excess of the debt to be refunded prior to the
41 adoption of a bond ordinance by the board of education of a Type II
42 school district. Thereafter a refunding bond ordinance may be enacted
43 by the board of education of any Type II school district after the
44 approval thereof by resolution of such board of education, and by
45 subsequent adoption thereof after advertised public hearing, notice of
46 which shall be given by publication of such proposed refunding bond

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

24 Such refunding bond ordinance or resolution may also contain
25 provisions, which shall be a part of the contract with the holders of the
26 refunding bonds, as to the establishment of, and the making of
27 appropriations for, reserves or sinking funds and the amount, source,
28 securing, regulation and disposition thereof. Any matter relating to
29 refunding bonds and not required to be contained in the refunding
30 bond ordinance may be performed or determined by subsequent
31 resolution of the board of education, or the performance or
32 determination thereof delegated by resolution to a financial officer of
33 the school district.

34 (cf: P.L.1978, c.75, s.3)

35

36 8. Section 5 of P.L.1969, c.130 (C.18A:24-61.5) is amended to
37 read as follows:

38 5. a. A certified copy of any refunding bond ordinance shall be
39 filed with the Director of the Division of Local **[Finance]** Government
40 Services in the Department of Community Affairs before adoption,
41 together with a complete statement in form prescribed by the director
42 and signed by the chief financial officer of the school district as to the
43 outstanding bonds to be funded or refunded by issuance of the
44 refunding bonds. **[No]** Except as provided in subsection b. of this
45 section no refunding bond ordinance or any resolution performing,
46 determining or authorizing matters or acts in connection with

1 refunding bonds shall take effect until the consent of the local finance
2 board shall have been endorsed upon a certified copy thereof as
3 adopted.

4 Any certification or endorsement of consent made by the local
5 finance board or by a majority of the members thereof or by the
6 secretary thereof pursuant to its direction as to any issue of refunding
7 bonds shall, after the issuance of such refunding bonds in reliance
8 thereon, be conclusive as to its validity or regularity and shall not be
9 contested in any action or proceeding relating to such refunding bonds
10 instituted after the issuance of such bonds.

11 The county, municipality or school district may enter into any
12 contracts or agreements to implement the refunding program,
13 including agreements with banking institutions with respect to the
14 application of moneys deposited in a sinking fund for the payment of
15 the refunding bonds at their maturity date to the purchase of
16 obligations of the United States Government or obligations the
17 principal of and interest on which are guaranteed by the United States
18 Government or obligations of any agency or instrumentality of the
19 United States Government without regard to any limitations as to the
20 investment or deposit of moneys.

21 b. Refunding bonds to realize total debt service savings on
22 outstanding obligations may be issued without the approval of the
23 Local Finance Board in the Department of Community Affairs when
24 authorized by conditions set forth in rules and regulations of the Local
25 Finance Board and upon a resolution adopted by 2/3 vote of the full
26 membership of the board of education of the district.

27 (cf: P.L.1978, c.75, s.4)

28

29 9. This act shall take effect immediately.

30

31

32

STATEMENT

33

34 This bill is intended to make changes to the school bond law
35 consistent with many of the changes proposed for the municipal bond
36 law in Senate Bill No. 109 of 2002. The purpose of the legislation is
37 to simplify the procedure for the issuance of refunding bonds and to
38 permit the submission of bid proposals for bonds by electronic means.
39 Specifically, section 1 amends N.J.S.18A:24-16 and section 7 amends
40 section 4 of P.L.1969, c.130 (C.18A:24-61.4) to require that a
41 supplemental debt statement be filed with the Local Finance Board
42 prior to authorization of a refunding bond for a school district.
43 Section 8 of the bill amends section 5 of P.L.1969, c.130 (C.18A:24-
44 61.5) to permit the issuance of refunding bonds to realize total (as
45 opposed to "annual") debt service savings on outstanding obligations
46 without the approval of the Local Finance Board, in accordance with

1 rules and regulations promulgated by the Local Finance Board.

2 Section 2 of the bill amends N.J.S.18A:24-36 to permit electronic
3 proposals, which may be in the form of open or closed auctions
4 conducted through a nationally recognized electronic securities
5 bidding service, in order to bring the law current with recent
6 technological trends that have made bidding through electronic means
7 both possible and common. Additionally, the bill would increase the
8 bond limit for a private sale without a previous public offering from
9 \$10,000 to \$1,000,000. Section 2 of the bill further amends
10 N.J.S.18A:24-36 to permit a school board to delegate to its school
11 business administrator the authority to postpone a public sale for up
12 to 60 days, upon not less than 24 hours' notice, and recommence the
13 sale upon not less than 24 hours' notice, without readvertisement,
14 provided that notice of the precise postponement and rescheduling
15 procedure was published in the original advertisement of the sale.
16 Finally, section 2 would permit a school board to adjust maturity
17 schedules of bonds up to 24 hours prior to the time advertised for the
18 receipt of bids and within 24 hours after the award of bids, provided
19 that the adjustment does not exceed 10% of the principal for any
20 maturity and the overall issue.

21 Section 3 of the bill amends N.J.S.18A:24-37 to expand the items
22 in a notice and notice summary of public sale to include the
23 authorization for adjustment of maturities, the method of calculation
24 of interest cost, postponement provisions, and the type of sale to be
25 conducted, through the submission of either sealed or electronic
26 proposals.

27 Section 4 of the bill amends N.J.S.18A:24-39 to require that a
28 notice of public sale state whether the award shall be based on net
29 interest cost or true interest cost. The section sets forth the
30 computation methods for determining "net interest cost" and "true
31 interest cost" and further permits a school board to delegate to its
32 school business administrator the authority to allow bidders to
33 aggregate consecutive principal maturities that are bid at the same
34 interest rate into "term bonds," provided that mandatory sinking funds
35 for redemptions in lieu of the principal maturities are established. The
36 bill defines "term bond" to mean a bond that is due in a certain year,
37 but has mandatory retirement provisions for portions of the term bond
38 on specified dates prior to the maturity date of the term bond itself.

39 Section 5 of the bill amends N.J.S.18A:24-41 to permit the State
40 Board of Education, in consultation with the Local Finance Board in
41 the Department of Community Affairs, to adopt rules and regulations
42 allowing the acceptance of financial surety bonds in lieu of a certified,
43 cashier's or treasurer's check.

44 Section 6 of the bill amends N.J.S.18A:24-42 to prescribe the
45 procedure and time for the opening of bids, including electronic bids
46 and proposals authorized under this bill.

ASSEMBLY EDUCATION COMMITTEE

STATEMENT TO

ASSEMBLY, No. 3185

STATE OF NEW JERSEY

DATED: MAY 8, 2003

The Assembly Education Committee favorably reports Assembly Bill No. 3185.

This bill revises the school bond law to make it consistent with many of the revisions that were made in the municipal bond law by the approval on February 3, 2003, of Senate Bill No. 109, as P.L.2003, c.15. The legislation would simplify the procedure for the issuance of refunding bonds and permit the submission of bid proposals for bonds by electronic means.

Section 1 amends N.J.S.18A:24-16 and section 7 amends section 4 of P.L.1969, c.130 (C.18A:24-61.4) to require that a supplemental debt statement be filed with the Local Finance Board prior to authorization of a refunding bond for a school district. Section 8 of the bill amends section 5 of P.L.1969, c.130 (C.18A:24-61.5) to permit the issuance of refunding bonds to realize total, rather than "annual," debt service savings on outstanding obligations without the approval of the Local Finance Board, in accordance with rules and regulations promulgated by the Local Finance Board.

Section 2 of the bill amends N.J.S.18A:24-36 to permit electronic proposals, which may be in the form of open or closed auctions conducted through a nationally recognized electronic securities bidding service, in order to make the law current with recent technological trends that have made bidding through electronic means both possible and common. Additionally, the bill would increase the bond limit for a private sale without a previous public offering from \$10,000 to \$1,000,000. Section 2 of the bill further amends N.J.S.18A:24-36 to permit a school board to delegate to its school business administrator the authority to postpone a public sale for up to 60 days, upon not less than 24 hours' notice, and recommence the sale upon not less than 24 hours' notice, without readvertisement, provided that notice of the precise postponement and rescheduling procedure was published in the original advertisement of the sale. Finally, section 2 would permit a school board to adjust maturity schedules of bonds up to 24 hours prior to the time advertised for the receipt of bids and within 24 hours after the award of bids, provided that the adjustment does not exceed 10% of the principal for any maturity and the overall issue.

Section 3 of the bill amends N.J.S.18A:24-37 to expand the items

in a notice and notice summary of public sale to include the authorization for adjustment of maturities, the method of calculation of interest cost, postponement provisions, and the type of sale to be conducted, through the submission of either sealed or electronic proposals.

Section 4 of the bill amends N.J.S.18A:24-39 to require that a notice of public sale state whether the award will be based on net interest cost or true interest cost. The section sets forth the computation methods for determining "net interest cost" and "true interest cost" and further permits a school board to delegate to its school business administrator the authority to allow bidders to aggregate consecutive principal maturities that are bid at the same interest rate into "term bonds," provided that mandatory sinking funds for redemptions in lieu of the principal maturities are established. The bill defines "term bond" to mean a bond that is due in a certain year, but has mandatory retirement provisions for portions of the term bond on specified dates prior to the maturity date of the term bond itself.

Section 5 of the bill amends N.J.S.18A:24-41 to permit the State Board of Education, in consultation with the Local Finance Board in the Department of Community Affairs, to adopt rules and regulations allowing the acceptance of financial surety bonds in lieu of a certified, cashier's or treasurer's check.

Section 6 of the bill amends N.J.S.18A:24-42 to prescribe the procedure and time for the opening of bids, including electronic bids and proposals authorized under the bill.

As reported by committee, this bill is identical to Senate Bill No. 2193.