LEGISLATIVE FISCAL ESTIMATE
SENATE, No. 4472
STATE OF NEW JERSEY
221st LEGISLATURE

DATED: JUNE 10, 2025

SUMMARY

Synopsis: Eliminates five percent down payment requirement for local bond ordinances involving hazard mitigation and resilience projects.

Type of Impact: Potential increase in county and municipal costs.

Agencies Affected: Counties and municipalities; Department of Community Affairs.

Office of Legislative Services Estimate

Fiscal Impact	**Duration of the Term of the Bonds**
Potential Local Cost Increase	Indeterminate

- The Office of Legislative Services (OLS) concludes that the bill may result in an increase in costs to some counties and municipalities because of higher debt financing costs corresponding to the duration of bonds they may issue. This bill removes the five percent down payment requirement for the issuance of bonds by counties and municipalities for hazard mitigation and resilience projects.

- Counties and municipalities that choose to not to make any down payment on the amount of debt authorized will pay higher interest costs over the term of the bonds, as they are financing 100 percent of the capital purpose, not some lower percent. These higher costs will vary among counties and municipalities, depending on the amount of debt authorized and issued, interest rates, the length of the bond term, and other factors.

BILL DESCRIPTION

This bill would add hazard mitigation and resilience projects to the list of exceptions to the requirements, provided in existing law, that: (1) a local unit finance a down payment of no less than five percent of the amount of the obligations authorized by a bond ordinance; and (2) a governing body apply to the Local Finance Board concerning the maturity and amount of annual installment payments related to the financing of local bond ordinances.

FISCAL ANALYSIS

EXECUTIVE BRANCH

None received.

Office of Legislative Services
State House Annex
P.O. Box 068
Trenton, New Jersey 08625

Legislative Budget and Finance Office
Phone (609) 847-3105
Fax (609) 777-2442
www.njleg.state.nj.us

OFFICE OF LEGISLATIVE SERVICES

The OLS concludes that the bill may result in an increase in costs to some counties and municipalities because of higher debt financing costs corresponding to the term of the bonds these local governments may issue. This bill removes the five percent down payment requirement for the issuance of bonds by counties and municipalities for hazard mitigation and resilience projects. Current law requires municipalities and counties, under ordinary circumstances, to provide a down payment of at least five percent of the amount of the obligations authorized to be financed through the sale of bonds. Counties and municipalities that choose not to make any down payment on a bond obligation will pay higher interest costs over the term of the bonds because they are issuing a greater amount of debt. These costs will vary among counties and municipalities, depending on the amount of debt authorized and issued, bond interest rates, the length of the bond term, and other factors.

The down payment currently required by law may be appropriated in the county or municipal budget (via the Current Fund or Capital Improvement Fund), from State or federal grant funds, or an emergency appropriation. A down payment is not required for most county and municipal obligations when bonds are issued, with Local Finance Board approval, pursuant to N.J.S.40A:2-7, projects funded by State grants (i.e. Transportation Trust Fund monies), and projects funded by loans made to counties and municipalities pursuant to the New Jersey Environmental Infrastructure Trust.

The OLS further finds that the bill may result in a small reduction in the administrative costs of the local units, as a result of the application exemption, and the Local Finance Board in the Department of Community Affairs, as a result of the reduction in applications due to the exemption.

Section: *Local Government*

Analyst: *Grace Ahlin*
Assistant Fiscal Analyst

Approved: *Thomas Koenig*
Legislative Budget and Finance Officer

This legislative fiscal estimate has been produced by the Office of Legislative Services due to the failure of the Executive Branch to respond to our request for a fiscal note.

This fiscal estimate has been prepared pursuant to P.L.1980, c.67 (C.52:13B-6 et seq.).