

**NEW YORK STATE ASSEMBLY
MEMORANDUM IN SUPPORT OF LEGISLATION
submitted in accordance with Assembly Rule III, Sec 1(f)**

BILL NUMBER: A10492

SPONSOR: Rules (Thiele)

TITLE OF BILL:

An act to amend the local finance law, in relation to bond anticipation notes issued in calendar years 2015 through 2021; to authorize the expenditure and temporary transfer of reserve funds for expenses related to COVID-19; and to authorize the extension of repayment of inter-fund advances made for expenses related to COVID-19

PURPOSE:

The purpose of this proposed legislation is to address the COVID-19 public health crisis that has increased the financial burdens on local government. This bill would provide financial and budgetary flexibility to local governments as they continue to operate and provide critical services during this difficult time and its aftermath, by:

(1) extending the "rollover" period for bond anticipation notes issued in calendar years 2015 through 2021, inclusive;

(2) authorizing local governments and school districts to spend or temporarily transfer moneys in reserve funds for COVID-19 pandemic-related expenses; and

(3) permitting the repayment of inter-fund advances made for COVID-19 pandemic-related expenses by the end of the next succeeding fiscal year or later, rather than the end of the current fiscal year.

SUMMARY OF PROVISIONS:

Section one of this bill would amend Local Finance Law ("LFL") § 23.00(b) to allow bond anticipation notes issued originally during calendar years 2015 through 2021, inclusive, to extend up to seven years beyond their original date of issue.

Section two of the bill would authorize local governments and school districts to spend moneys from capital reserve funds for capital costs attributable to the COVID-19 pandemic, without the referendum requirements that would otherwise apply.

Section three of the bill would authorize local governments and school districts to temporarily transfer moneys from any reserve fund to pay for operating costs or other costs attributable to the COVID-19 pandemic. The moneys that are transferred must be reimbursed from the fund into which they were transferred back into the reserve fund over a peri-

od of not more than five years, with at least twenty percent of the moneys reimbursed each year, with interest.

Section four of the bill would provide for an exception to General Municipal Law ("GML") § 9-a(3), to permit inter-fund advances made for costs attributable to the COVID-19 pandemic to be repaid by municipalities by the close of the next succeeding fiscal year, rather than the current fiscal year.

Section five of this bill provides for an immediate effective date.

JUSTIFICATION:

The COVID-19 pandemic has created significant financial challenges for local governments. Affected municipalities need additional flexibility in responding to the COVID-19 pandemic and its financial aftermath.

Except in the case of bond anticipation notes issued for "assessable improvements" (e.g., town water or sewer projects), local governments are generally authorized to extend or "rollover" bond anticipation notes ("BANs") for only up to five years. At the end of that period, the BANs must be retired or converted into long-term debt. Temporarily extending the "roll over" period by an additional two years for BANs issued in calendar years 2015 through 2021 would create another option for a municipality currently faced with maturing bond anticipation notes, particularly in this volatile market environment, and aid municipalities in managing future fiscal challenges emanating from the COVID-19 emergency. The Legislature enacted similar extensions of the maximum maturity of BANs issued in calendar years 2004 and 2005, in response to the 2008-2009 economic downturn (Chapter 386 of the Laws of 2010), and calendar years 2007 and 2008, following Superstorm Sandy (Chapter 264 of the Laws of 2012). This bill reflects the magnitude of the financial challenges during and after the COVID-19 emergency, and accordingly, it would provide the seven-year rollover period to BANs issued from 2015 through 2021.

This bill would also help provide flexibility by allowing local governments and school districts to spend moneys from their capital reserve funds without the need to comply with referendum requirements. The public benefit in facilitating prompt access to these moneys for their intended purposes, in response to the emergency conditions caused by the COVID-19 pandemic, justifies this one-time exception to the usual referendum requirements.

In addition, the bill would temporarily allow local governments and school districts to access capital and other reserve fund moneys to be temporarily advanced to cover operating costs attributable to the COVID-19 pandemic, notwithstanding that these reserve fund moneys are statutorily restricted for specified uses. To ensure that the lending reserve fund is made whole, so that the moneys advanced ultimately will be used for the originally intended purpose, the local government or school district must reimburse the reserve fund, with interest, over a period of not more than five years. Further, municipalities would enjoy flexibility by advancing funds for the payment of costs prior to reimbursement.

Finally, the bill would also provide that flexibility by extending the

maximum time for repayment of an advance made from one fund of a municipal corporation to another fund when the advance is made for costs attributable to the COVID-19 pandemic. Currently, GML § 9-a (3) requires repayment by the close of the fiscal year in which the advance was made. Under this bill, the time for repayment would be extended until the close of the next succeeding fiscal year.

The State Comptroller urges the passage of this proposed legislation.

PRIOR LEGISLATIVE HISTORY:

New Bill.

FISCAL IMPLICATIONS FOR STATE:

None.

EFFECTIVE DATE:

Immediately.