

Doubly Bound IN New Jersey

The Costs of Issuing Municipal Bonds in the Garden State

A new homeowner that takes out a mortgage has to pay closing costs to the lender, appraiser, lawyers, and other individuals involved with the transaction. Similarly, when state and local governments issue bonds, they have to pay various fees to underwriters, bond counsel, credit rating agencies, and other firms. Together, these fees are called the “cost of issuance”. These costs are separate from the interest on the bond.

Our analysis of 812 bond issuances since 2012 found that the cost of issuing municipal bonds in the United States averages 1.02 percent of the bond’s principal amount. However, we found that there was great variation in the costs that individual issuers had to pay, and that smaller borrowers often paid significantly higher costs.

| MUNICIPALITY | ISSUANCE DATE | PRINCIPAL | COST OF ISSUANCE | PERCENTAGE COST |
|----------------------------------------------------------------------|----------------|--------------|------------------|-----------------|
| Board of Commissioners of Fire District No. 1 in Burlington Township | April 2015 | \$2,845,000 | \$90,340 | 3.18% |
| Borough of Franklin | February 2015 | \$2,195,000 | \$66,353 | 3.02% |
| Borough of Lavallette | March 2015 | \$2,785,000 | \$73,233 | 2.63% |
| City of Clifton | August 2014 | \$5,600,000 | \$110,308 | 1.97% |
| Monroe Township | July 2015 | \$4,300,000 | \$84,599 | 1.97% |
| Borough of Mt. Arlington | April 2015 | \$4,385,000 | \$85,735 | 1.96% |
| Berkeley Township | June 2015 | \$3,085,000 | \$59,947 | 1.94% |
| Woolwich Township | August 2015 | \$4,580,000 | \$87,093 | 1.90% |
| Salem County | October 2014 | \$4,765,000 | \$84,025 | 1.76% |
| Tewksbury Township | June 2015 | \$4,235,000 | \$65,513 | 1.55% |
| Town of Manchester | September 2015 | \$8,135,000 | \$116,248 | 1.43% |
| Cherry Hill Township | September 2015 | \$10,690,000 | \$129,626 | 1.21% |
| Union County | March 2015 | \$69,250,000 | \$394,126 | 0.57% |

We studied 13 bond issuances in New Jersey from August 2014 through September 2015. Here are our findings:

- Except for one issuance by Union County in March 2015, the costs of every issuance we analyzed in New Jersey were above average.
- In 10 of the 13 cases, New Jersey municipalities paid more than 1.50 percent in issuance costs.
- Eight of the 13 New Jersey municipalities paid more than 1.90 percent.
- Two borrowers, the Borough of Franklin and the Board of Commissioners of Fire District No. 1 in Burlington Township, paid more than 3.00 percent.

New Jersey taxpayers pay for these above average issuance costs. Every dollar that a county, city, township, or other municipality pays on issuance fees is one less dollar that is available to fund public services. Greater transparency can help local governments reduce their cost of issuance on bonds. Finding out who is getting a better deal would allow local officials across New Jersey to negotiate fairer fees. This would benefit communities across the Garden State.

This work is published by the following partners, as part of a series exploring the constraints of the structures of municipal bonds, identifying multiple services that may be used as a municipality issues bonds and services that may or may not be necessary. Find the full report and more on building a just and equitable public finance systems at haasinstitute.berkeley.edu/justpublicfinance.



The Haas Institute for a Fair and Inclusive Society at UC Berkeley brings together researchers, community stakeholders, policymakers, and strategic communicators to identify and challenge the barriers to an inclusive, just, and sustainable society and create transformative change. The Haas Institute advances research and policy related to marginalized people while essentially touching all who benefit from a truly diverse, fair, and inclusive society.

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The ReFund America Project (RAP) tackles the structural problems in the municipal finance system that cost state and local governments across the United States billions of dollars each year at the expense of public services. We research the role of financial deals in contributing to public budget distress and work with policy experts, community leaders, and public officials to develop, advocate for, and implement solutions to help save taxpayer dollars.

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