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LOCAL GOVERNMENT BOND MATURITY IN SELECTED STATES

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ISSUE

What, if any, is the state-imposed maximum maturity for bonds issued by local governments (e.g., municipalities, counties, and school districts) in Connecticut, other Northeast states, and larger states?

SUMMARY

We reviewed state laws pertaining to local government bond maturity in the following states: California, Connecticut, Florida, Maine, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, Texas, and Vermont. ("Maturity" refers to the time between a bond's issue date and the date by which it must be paid, which is the maturity date.)

The state-imposed maximum maturity of bonds issued by local governments in the selected states ranges from 20 years (Connecticut and Vermont) to 40 years (Florida, New York, Pennsylvania, and Texas). Most of the selected states also require that the maturity of bonds issued by local governments align with the useful life of the project for which its proceeds will be used. Table 1 shows the maximum maturity of local government bonds in each state; the next section provides more detail for each state.

Table 1. Maximum Maturity of Local Government Bonds by State

STATE	BONDS MUST MATURE WITHIN
California	40 years
Connecticut	20 years with various exceptions
Florida	40 years for counties, generally; no maximum for municipalities
Maine	30 years with various exceptions
Massachusetts	30 years or the useful life of the project, with various exceptions
New Hampshire	30 years or the expected useful life of the project, with various exceptions
New Jersey	The useful life of the project, as determined by statute (5 to 40 years)
New York	40 years or the useful life of the project, as determined by statute (5 to 40 years)
Pennsylvania	40 years or the useful life of the project
Rhode Island	The useful life of the project
Texas	40 years, generally
Vermont	20 years with various exceptions

STATE DETAIL

California

The California Constitution requires all debt issued by local governments to mature within 40 years after the issuance date (Article XVI, § 18).

Connecticut

Connecticut law generally requires that all bonds issued by municipalities mature within 20 years of the initial issuance (CGS § 7-371). However, the law allows municipalities to issue bonds with longer maturities under specific circumstances, including bonds (1) for school building projects, which must mature within 30 years (CGS § 7-380c); (2) for sewer bonds, which must mature within 40 years (CGS § 7-263); and (3) issued in connection with certain U.S. Department of Agriculture loans, which must mature in 40 years (CGS § 7-380c).

Florida

Florida municipalities and charter counties issue bonds under their home rule power, and thus state law does establish any restrictions on the maturities of those bonds. However, state law requires that bonds issued by non-charter counties mature within 40 years (Fla. Stat. Ann. § 125.013).

Maine

Maine law requires that general obligation bonds issued by municipalities mature within 30 years after the issuance date, subject to various exceptions (Me. Stat. tit. 30-A § 5772). For example, bonds issued by school districts for school construction expenses must mature within 25 years of the issue date (Me. Stat. tit. 20-A § 1311).

Massachusetts

Under Massachusetts law, bonds issued by municipalities generally must mature within the sooner of 30 years or the maximum useful life of the project or public work being financed. However, bonds issued for certain projects are subject to different maximum maturities, as specified in state statute. For example, bonds issued for groundwater inventory and analysis must mature within 10 years, while bonds issued for constructing water mains must mature within 40 years (Mass. Gen. Laws. Chap. 44 §§ 7 & 8).

New Hampshire

New Hampshire law generally requires bonds issued by municipalities and counties to mature within the sooner of 30 years or the expected useful life of the project, as determined by the municipal governing board or the county commissioner (N.H. Rev. Stat. § 33:2). Exceptions to this limit include bonds for preliminary project expenses, which must mature within five years, and bonds for superfund site cleanup expenses, which must mature within 20 years (N.H. Rev. Stat. § 33:3-c & § 33:3-e).

New Jersey

New Jersey law requires all bonds issued by local governments to mature within the "period of usefulness" of the project being financed, as determined by the local governing body but subject to maximum maturities set by state statute. For example, bonds for buildings and structures must mature within 20 to 40 years, depending on the structure's use and composition, and bonds for sewer and water supply systems must mature within 40 years (N.J. Rev. Stat. §§ 40A:2-22 & 40A:2-26).

New York

Under the New York Constitution, all bonds issued by local governments must mature within the sooner of 40 years or the useful life of the project being financed, as determined by the local governing body and subject to maximum maturities set by state statute. For example, bonds for buildings must mature within 15 to 30 years, depending on the building's use and composition, and bonds for sewer system projects must mature within 10 to 40 years, depending on the extent of the project (N.Y. Loc. Fin. § 11).

Pennsylvania

Pennsylvania law requires all bonds issued by municipalities to mature within 40 years or the useful life of the project being financed, as determined in the local authorizing ordinance (53 Pa. Con. Stat. § 8142). In a few cases, the law establishes a maximum period of usefulness (e.g., bonds for real property assessment revision must mature within 10 years).

Rhode Island

Under Rhode Island law, municipalities can issue bonds if approved by the auditor general. In order for the auditor general to approve a municipality's request to issue bonds, the municipality must show that (1) the proposed bonds will finance a capital asset and (2) the expected useful life of the asset is greater or equal to the maturity of the proposed bonds (R.I. Gen. Laws § 45-12-2.1).

Texas

Texas law requires bonds that will be paid for with revenue from an ad valorem tax (e.g., property and sales taxes) to mature within 40 years after the issue date (Tex. Govt. Code § 1201.022).

Vermont

Vermont law generally requires bonds issued by municipalities to mature within 20 years after the issue date. Bonds for capital projects with a useful life of at least 30 years may mature within 30 years from the issue date (Vt. Stat. Ann. tit. 24 § 1759).

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