State of New Jersey

Department of the Treasury

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School Bonds Exit from Auction Market Completed

TRENTON – Office of Public Finance Director Nancy Feldman has announced that the New Jersey Economic Development Authority issued $1.132 billion of its School Facilities Construction Refunding Bonds, 2008 Series V The bonds were issued as variable rate demand bonds, initially in a weekly interest mode, in five separate sub-series, each with credit enhancement through an irrevocable, direct pay, bank letter of credit. The initial interest rate on the bonds was set at 2.60%. The bonds consist of term bonds maturing from 2020 through 2031, but with mandatory sinking fund redemptions beginning in 2019.

The bonds were issued together with the $455.940 million 2008 Series W refunding bonds that were separately priced last week. Those bonds will mature serially beginning in State fiscal year 2009 through 2019 and will bear interest at fixed rates ranging from 3.50% to 5.00%. On Monday (April 28), the Authority effected the initial conversion of $616.975 million various sub-series of the remarketed auction rate school bonds into a combination of fixed rate serial bonds and "put" bonds subject to tender. These conversions will be completed on May 2, at which time the Authority will have successfully completed the exit of its school facilities construction bond program from the troubled auction bond market.

Since mid-February, the school facilities construction bonds in the auction market had been incurring interest rates as high 10.9% due to auction failures following a wave of bond insurer downgrades by the rating agencies. "By replacing the auction rate debt with a combination of fixed rate bonds, put bonds, and variable rate demand bonds, we have diversified our existing debt portfolio, while at the same time bringing the cost of capital to a more rational level than we had been experiencing in the auction rate market," Director Feldman said.

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