

52: 9H-24

LEGISLATIVE HISTORY CHECKLIST
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NJSA: 52:9H 24

(State
Expenditures
Limitation Act --
cap law)

LAWS OF: 1990

CHAPTER: 94

Bill No: S3

Sponsor(s): Russo

Date Introduced: Pre-filed

Committee: Assembly: -----

Senate: Revenue, Finance

Amended during passage: No Senate Committee Substitute enacted.

Date of Passage: Assembly: June 21, 1990

Senate: June 20, 1990

Date of Approval: September 17, 1990

Following statements are attached if available:

Sponsor statement: Yes

Committee Statement: Assembly: No

Senate: Yes

Fiscal Note: No

Veto Message: No

Message on signing: No

Following were printed:

Reports: Yes

Hearings: Yes

(over)

974.90 New Jersey. Task Force on the Equitable Management of Revenues
F491 and Expenditures
199a Report...May 21, 1990
Trenton, 1990

(see p. 15)

974.90 New Jersey. Legislature. Assembly. State Government Committee
F491 Public hearing on ACR nos. 83, 82, 73 and 77...
1988b proposes an amendment to the Constitution requiring the legislature
to establish statutory limits or "caps" on state spending, held 5-23-88,
Trenton, 1988.

See newspaper clippings attached:

KBG/SLJ

SENATE COMMITTEE SUBSTITUTE FOR
SENATE, No. 3

STATE OF NEW JERSEY

ADOPTED JUNE 14, 1990

Sponsored by Senator RUSSO

1 AN ACT to limit appropriations by the State.

2

3 BE IT ENACTED *by the Senate and General Assembly of the*
4 *State of New Jersey:*

5 1. This act shall be known and may be cited as the "State
6 Appropriations Limitation Act."

7 2. As used in this act:

8 a. "Base year" means the fiscal year prior to the fiscal year
9 for which an appropriation or expenditure is to be made; and

10 b. "Appropriations" means the aggregate amounts
11 appropriated by the State in the general appropriation law and all
12 other laws supplementing the general appropriation law
13 appropriating money for any purpose in any fiscal year, exclusive
14 of appropriations of the following: money appropriated for
15 payment by the State as State aid to counties, municipalities,
16 local school districts, or other instrumentalities, or on behalf of
17 counties, municipalities, school districts, or other
18 instrumentalities; money appropriated for payment by the State
19 as grants to individuals, public agencies or private agencies for
20 benefits to which the recipients are entitled by law or regulation,
21 for the provision of services for which the State has a primary
22 responsibility, and for subsidies and the provision of services for
23 which the State has no responsibility, but which the State elects
24 to provide; money received or reasonably anticipated to be
25 received by the State from the federal government; money
26 derived from, or expended in payment of any interest or principal
27 on, any general obligation bond issues approved by the legally
28 qualified voters of the State at any general election; money
29 appropriated for payment to the State for projects of capital
30 construction; money required to be appropriated within a fiscal
31 year in accordance with a court order; and money required to be
32 deposited in, and expended from, the "Property Tax Relief Fund"
33 established by N.J.S.54A:9-25, the "Casino Control Fund"
34 established by section 143 of P.L.1977, c.110 (C.5:12-143), the
35 "Casino Revenue Fund" established by section 145 of P.L.1977,
36 c.110 (C.5:12-145) and the "Gubernatorial Elections Fund"
37 established by N.J.S.54A:9-25.1.

38 3. In each fiscal year commencing after June 30, 1992, the
39 appropriations of the State shall not exceed the maximum
40 appropriations permitted pursuant to the following formula:

41 Maximum Appropriations = Base Year Appropriations x (1 +
42 PCI), where:

43 a. "Base Year Appropriations" means the appropriations of the

1 State in the base year; and

2 b. "PCI" means the average annual percentage increase,
3 expressed as a decimal, in State per capita personal income over
4 the four fiscal years ending on June 30 prior to the base year.
5 The per capita personal income for each of the four years shall be
6 the average of the per capita personal income for the four
7 quarters in each fiscal year, utilizing the quarterly data for State
8 personal income and the annual data for State population as
9 published by the United States Department of Commerce.

10 4. For each of the following conditions, any transfer or
11 assumption of functions or service that occurs shall be deemed to
12 have occurred in the base year, and the "base year
13 appropriations" component of the formula shall be adjusted to
14 reflect the increase or decrease of State appropriations
15 necessitated by the transfer or assumption:

16 a. If any function or service performed by the State is
17 transferred to, or its costs of operation or performance are
18 assumed by, any county or municipality, or if any function or
19 service performed by any county or municipality is transferred
20 to, or its costs of operation or performance are assumed by the
21 State; and

22 b. If any function or service performed by the State is
23 transferred to, or its costs of operation or performance are
24 assumed by, any agency or instrumentality of the State or of any
25 county or municipality with the power to issue bonds to finance
26 the undertaking of any function or the performance of any
27 service, or if any function or service performed by any agency or
28 instrumentality of the State or of any county or municipality is
29 transferred to, or its costs of operation or performance are
30 assumed by the State. The word "bonds" as used in this
31 subsection means bonds which do not constitute a debt or liability
32 of the State or of any of its counties or municipalities or a pledge
33 of the faith and credit of the State or of any of its counties or
34 municipalities.

35 5. Any provisions of this act to the contrary notwithstanding,
36 the State may exceed the maximum appropriations permitted
37 pursuant to the formula prescribed in section 3 of this act in any
38 fiscal year if a bill making an appropriation is agreed to by a
39 two-thirds majority vote of all members of each legislative body.

40 6. This act shall not be construed to require the State to
41 appropriate in any fiscal year the maximum appropriations
42 permitted pursuant to the formula prescribed in this act.

43 7. In presenting the annual budget message the Governor shall
44 not request or recommend for appropriation any amount in excess
45 of the maximum appropriations permitted pursuant to this act for
46 the fiscal year for which the budget message is presented.

47 8. This act shall take effect immediately.

48

49 STATE BUDGET AND FINANCE

50

51 The "State Appropriations Limitation Act."

SENATE, No. 3
STATE OF NEW JERSEY

Introduced Pending Technical Review by Legislative Counsel
PRE-FILED FOR INTRODUCTION IN THE 1990 SESSION

By Senator RUSSO

1 AN ACT to limit expenditures by the State.

2

3 BE IT ENACTED *by the Senate and General Assembly of the*
4 *State of New Jersey:*

5 1. This act shall be known and may be cited as the "State
6 Expenditures Limitation Act."

7 2. As used in this act:

8 a. "Base year" means the fiscal year prior to the fiscal year
9 for which an appropriation or expenditure is to be made:

10 b. "Expenditures" or "appropriations" means all amounts
11 appropriated by the State in the general appropriation law and all
12 other laws appropriating money for any purpose in any fiscal
13 year, exclusive of the following: money appropriated for
14 payment by the State as State aid to counties, municipalities,
15 local school districts, or other instrumentalities, or on behalf of
16 counties, municipalities, school districts, or other
17 instrumentalities; money received or reasonably anticipated to be
18 received by the State from the federal government; money
19 derived from, or expended in payment of any interest or principal
20 on, any general obligation bond issues approved by the legally
21 qualified voters of the State at any general election; money
22 appropriated for payment to the State for projects of capital
23 construction; and money required by law to be deposited in, and
24 expended under the restrictions of, the "Property Tax Relief
25 Fund" established by N.J.S.54A:9-25, the "Casino Control Fund"
26 established by section 143 of P.L.1977, c.110 (C.5:12-143), the
27 "Casino Revenue Fund" established by section 145 of P.L.1977,
28 c.110 (C.5:12-145) and the "Gubernatorial Elections Fund"
29 established by N.J.S.54A:9-25.1.

30 3. In each fiscal year commencing after June 30, 1989, the
31 expenditures of the State shall not exceed the maximum
32 expenditures permitted pursuant to the following formula:

33 $(1 + \text{PCI}) \times \text{b. exp} = \text{maximum expenditures where:}$

34 a. PCI means the average annual percentage increase,
35 expressed as a decimal, in State per capita personal income over
36 the four years prior to the base year, which shall be calculated by
37 taking the personal income data published by the United States
38 Department of Commerce for the second calendar year quarter in
39 each of the four prior years, and dividing it by the State's
40 population for each prior year in which the second calendar
41 quarter falls, as certified by said department, and by then taking

1 the average of the percentage changes between each of the prior
2 years; and

3 b. "b.exp" means the appropriations of the State in the base
4 year.

5 4. If in any fiscal year any function or service performed by
6 the State is transferred to, or its costs of operation or
7 performance are assumed by, any of the counties or
8 municipalities or if any function or service performed by any of
9 the counties or municipalities is transferred to, or its costs of
10 operation or performance are assumed by the State, such transfer
11 or assumption shall, for the purposes of the formula prescribed in
12 section 3 of this act, be deemed to have occurred in the base year
13 and, therefore, the "b.exp" component of the aforesaid formula
14 shall be adjusted accordingly to reflect any increase or decrease
15 in expenditures as a result of such transfer or assumption by the
16 State.

17 5. If in any fiscal year any function or service performed by
18 the State is transferred to, or its costs of operation or
19 performance are assumed by, any agency or instrumentality of
20 the State or any county or municipality, with the power to issue
21 bonds to finance the undertaking of such function or the
22 performance of such service, or if any function or service
23 performed by any such agency or instrumentality of the State or
24 any county or municipality is transferred to, or its operation or
25 performance is assumed by the State, such transfer or assumption
26 shall, for the purposes of the formula prescribed in section 3 of
27 this act, be deemed to have occurred in the base year and,
28 therefore, the "b.exp" component of the aforesaid formula shall
29 be adjusted accordingly to reflect any increase or decrease in
30 expenditures as a result of such transfer or assumption by the
31 State.

32 The word "bonds" as used in this section means bonds which do
33 not constitute a debt or liability of the State or of any of its
34 counties or municipalities or a pledge of the faith and credit of
35 the State or of any of its counties or municipalities.

36 6. Any provisions of this act to the contrary notwithstanding,
37 the State may exceed the maximum expenditures permitted
38 pursuant to the formula prescribed in section 3 of this act in any
39 fiscal year if a bill making an appropriation is agreed to by a
40 two-thirds majority vote of all members of each legislative body.

41 7. Nothing herein contained shall be construed as requiring the
42 State to expend in any fiscal year the full amount of maximum
43 expenditures permitted pursuant to the formula prescribed in
44 section 3 of this act.

45 8. In presenting his annual budget message the Governor shall
46 not request or recommend for appropriation any amount in excess
47 of the maximum expenditures permitted pursuant to this act for
48 the fiscal year for which said budget message is presented.

1 9. This act shall take effect immediately and shall apply to
2 appropriations for fiscal year 1990 and thereafter.

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STATEMENT

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8 This bill establishes a "cap" on increases in certain State
9 appropriations according to a formula based on a three-year
10 average increase in New Jersey per capita personal income. The
11 "capped" portion of the State budget would exclude State aid to
12 counties, municipalities, school districts and other
13 instrumentalities; federal funds appropriations; appropriations for
14 capital construction and State general obligation bond debt
15 services; and moneys deposited in and expended from the
16 "Property Tax Relief Fund," the "Casino Control Fund," the
17 "Casino Revenue Fund," and the "Gubernatorial Elections Fund."

18 The bill provides that the cap may be exceeded upon passage of
19 a bill making an appropriation approved by a two-thirds vote of
20 all members of each legislative body.

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STATE BUDGET AND FINANCE

23

24

The "State Expenditures Limitation Act."

SENATE REVENUE, FINANCE AND
APPROPRIATIONS COMMITTEE

STATEMENT TO

SENATE COMMITTEE SUBSTITUTE FOR

SENATE, No. 3

STATE OF NEW JERSEY

DATED: JUNE 13, 1990

The Senate Revenue, Finance and Appropriations Committee favorably reports a Senate Committee Substitute for Senate Bill No. 3.

Senate Committee Substitute for Senate Bill No. 3 establishes a "cap" beginning with fiscal year 1993 on increases in State appropriations for Direct State Services according to a formula based on three-year average increases in New Jersey per capita personal income. The "capped" portion of the State budget excludes Grants-In-Aid; State aid to local units, school districts and other instrumentalities; federal funds appropriations; appropriations required in accordance with a court order; appropriations for capital construction and debt service; and moneys deposited in and expended from the "Property Tax Relief Fund," the "Casino Control Fund," the "Casino Revenue Fund," and the "Gubernatorial Elections Fund."

In addition, the substitute provides that the cap base shall be adjusted if any service or function performed by the State is transferred to or assumed by any county, municipality or instrumentality thereof or of the State, with the power to issue bonds, or if any service or function performed by any county, municipality or such instrumentality is transferred to or assumed by the State.

The substitute provides that the cap may be exceeded upon passage of a bill making an appropriation approved by a two-thirds vote of all members of each legislative body.

This substitute is identical to Assembly Bill No. 3600 Aca.

COMMITTEE SUBSTITUTE

The Committee Substitute adds two more exclusions from the cap: Grants-In-Aid and appropriations required in accordance with a court order. In addition, the substitute provides that the cap requirement will first apply to fiscal year 1993 appropriations. Other amendments provide that the percentage increase will be determined based on personal income data for the four quarters in each fiscal year instead of the data from the second quarter only.

FISCAL IMPACT

The cap calculation for fiscal year 1993 cannot be determined at this time.