

LEGISLATIVE HISTORY CHECKLIST

NJSA: 40A:4-45.14 and 40A:4045.15 (Local cap law-- extend-- abolish Local Expenditure Limitations Advisory Commission)

CHAPTER 203

Laws Of: 1986

Bill No: S2186

Sponsor(s): Russo and Lynch

Date Introduced: May 19, 1986

Committee: Assembly: Municipal

Senate: County and Municipal Government

Amended during passage: Yes Amendments during passage denoted by asterisks

Date of Passage: Assembly: December 11, 1986

Senate: September 18, 1986

Date of Approval: December 31, 1986

Following statements are attached if available:

Sponsor statement: Yes

Committee statement: Assembly Yes

Senate Yes

Fiscal Note: No

Veto Message: No

Message on Signing: Yes

Following were printed:

Reports: Yes

Hearings: No

See newspaper clipping file in New Jersey Reference Department under "New Jersey-- Municipal finance- 1986"

97490 New Jersey. State and Local Expenditure and Revenue Policy Commission.  
F49 Interim report . . . November, 1986. Trenton,  
1986b 1986.

**SENATE, No. 2186**

---

**STATE OF NEW JERSEY**

---

INTRODUCED MAY 19, 1986

By Senators RUSSO and LYNCH

Referred to Committee on County and Municipal Government

AN ACT concerning local budget caps, amending P. L. 1976, c. 68  
and repealing section 10 of P. L. 1983, c. 49 (C. 40A:4-45.17).

1    BE IT ENACTED *by the Senate and General Assembly of the State*  
2    *of New Jersey:*

1    1. Section 7 of P. L. 1976, c. 68 is amended to read as follows:

2    7. This act shall take effect immediately and be applicable to the  
3    tax years beginning in 1977 and shall expire December 31, **[1986]**  
4    1989.

1    2. Section 10 of P. L. 1983, c. 49 (C. 40A:4-45.17) is repealed.

1    3. This act shall take effect immediately.

---

STATEMENT

This bill extends the provisions of the local cap law, P. L. 1976, c. 68 (C. 40A:4-45.1 et seq.) until December 31, 1989. Currently, the cap law expires on December 31, 1986. The bill also repeals section 10 of P. L. 1983, c. 49 (C. 40A:4-45.17). That section established a commission to study the local cap law. Since that commission was established, a law was enacted creating the State and Local Expenditure and Revenue Policy Commission (SLERP). The SLERP Commission is responsible for reviewing the structure of local taxes and expenditures and the local cap law is an integral element of that structure. It is, therefore, unnecessary to have two commissions studying the cap law.

---

LOCAL BUDGET AND FINANCE

Extends local cap law and repeals section 10 of P. L. 1983, c. 49.

**EXPLANATION—Matter enclosed in bold-faced brackets [thus] in the above bill is not enacted and is intended to be omitted in the law.**  
**Matter printed in italics thus is new matter.**

SENATE COUNTY AND MUNICIPAL GOVERNMENT  
COMMITTEE

STATEMENT TO

**SENATE, No. 2186**

**STATE OF NEW JERSEY**

DATED: JUNE 9, 1986

The Senate County and Municipal Government Committee reports favorably Senate Bill No. 2186.

Senate Bill No. 2186 extends the provisions of the local cap law, P. L. 1976, c. 68 (C. 40A:4-45.1 et seq.) and repeals section 10 of P. L. 1983, c. 49 (C. 40A:4-45.17; a supplement to P. L. 1976, c. 68) which created a Local Expenditure Limitations Advisory Commission.

Currently, the expiration date of the local cap law is December 31, 1986. Originally, the law was to expire on December 31, 1983. However, the provisions of P. L. 1983, c. 49, extended the law for three years. In addition, section 10 of P. L. 1983, c. 49 created a Local Expenditure Limitations Advisory Commission. The responsibilities of the commission were to review the provisions of the local cap law and collect information and data on the effects of the law on counties, municipalities and taxpayers.

This bill extends the local cap law for another three years to December 31, 1989. In addition, the bill repeals section 10 of P. L. 1983, c. 49 which created the advisory commission. According to the sponsor, since the commission was created, a law was enacted establishing the State and Local Expenditure and Revenue Policy Commission (SLERP). The SLERP Commission is responsible for reviewing the structure of local taxes and expenditures, and the local cap law is an integral element of that structure. Therefore, it is unnecessary to have two commissions studying the cap law.

ASSEMBLY MUNICIPAL GOVERNMENT COMMITTEE

STATEMENT TO

**SENATE, No. 2186**

with Assembly committee amendments

---

**STATE OF NEW JERSEY**

---

DATED: DECEMBER 8, 1986

The Assembly Municipal Government Committee favorably reports Senate Bill No. 2186 with Assembly committee amendments.

This bill extends the expiration date of the local cap law to December 31, 1989. Presently the cap law is scheduled to expire on December 31, 1986.

The bill also repeals section 10 of P. L. 1983, c. 49 (C. 40A:4-45.17), which established the Local Expenditures Limitations Advisory Commission. There presently exists a commission to study State and local fiscal policy, including local spending and all the elements pertinent thereto, known as the State and Local Expenditure and Revenue Policy Commission. This commission was established by P. L. 1984, c. 213. The sponsor's opinion is that it is unnecessary to have two commissions studying the cap law.

The committee amended the bill to provide that any municipality or county may, by ordinance or resolution, approved by a majority of the governing body, use a cap rate of up to 5% in any year in which the index rate is less than 5%. The amendments also allow a municipality or county which does not increase its final appropriation or tax levy to 5% in a year when the index rate is below 5%, to appropriate the difference between the amount of its actual final appropriations or tax levy and the amount of its permitted final appropriation or tax levy under the index rate, as an exception to its final appropriation or tax levy in either of the next two succeeding years. In addition, the amendment provides that the bill will be effective upon the enactment of Assembly Committee Substitute for Assembly Bill Nos. 3468 and 3398.

[ASSEMBLY REPRINT]

SENATE, No. 2186

STATE OF NEW JERSEY

INTRODUCED MAY 19, 1986

By Senators RUSSO and LYNCH

Referred to Committee on County and Municipal Government

As Act concerning local budget caps, amending P. L. 1976, c. 68  
\*and P. L. 1983, c. 49\* and repealing section 10 of P. L. 1983, c. 49  
(C. 40A:4-45.17).

1 BE IT ENACTED *by the Senate and General Assembly of the State*  
2 *of New Jersey:*

1 \*1. Section 7 of P. L. 1983, c. 49 (C. 40A:4-45.14) is amended to  
2 read as follows:

3 7. *a.* Notwithstanding the provisions of section 2, 3 or 4 of P. L.  
4 1976, c. 68 (C. 40A:4-45.2, 40A:4-45.3 and 40A:4-45.4) to the  
5 contrary, in any year for which the index rate exceeds 5%, a  
6 municipality may, by ordinance, or a county may, by ordinance or  
7 resolution, as appropriate, provide that in the local budget year to  
8 which the ordinance or resolution applies, the final appropriations  
9 of the municipality, or the tax levy of the county, shall be increased  
10 by a percentage rate greater than 5%, but not to exceed the index  
11 rate, over the previous year's final appropriations, or county tax  
12 levy, as the case may be.

13 *b.* Notwithstanding the provisions of section 2, 3 or 4 of P. L.  
14 1976, c. 68 (C. 40A:4-45.2, 40A:4-45.3 and 40A:4-45.4) to the  
15 contrary, in any year in which the index rate is less than 5% a  
16 municipality may, by ordinance approved by a majority vote of the  
17 full membership of the governing body, or a county may, by ordi-  
18 nance or resolution, as appropriate, approved by a majority vote of  
19 the full membership of the governing body, provide that in the local  
20 budget year to which the ordinance or resolution applies, the final  
21 appropriations of the municipality, or the tax levy of the county,

**EXPLANATION**—Matter enclosed in bold-faced brackets [thus] in the above bill  
is not enacted and is intended to be omitted in the law.

Matter printed in italics thus is new matter.

Matter enclosed in asterisks or stars has been adopted as follows:

\*—Assembly committee amendments adopted December 8, 1986.

\*\*—Assembly amendment adopted December 8, 1986.

22 *shall be increased by a percentage rate greater than the index rate,*  
23 *but not to exceed 5% over the previous year's final appropriations,*  
24 *or county tax levy, as the case may be.*

25 c. The ordinance or resolution, as appropriate shall be introduced  
26 after January 1 of the local budget year to which it applies and  
27 prior to the date provided by law for the introduction and approval  
28 of the annual budget of the municipality or county. The ordinance  
29 or resolution shall state the greater percentage rate to be adopted  
30 and the additional amount of increased final appropriations or tax  
31 levy which that greater percentage rate represents over that which  
32 the 5% rate or index rate, as appropriate represents, and the in-  
33 dividual appropriations items to which the additional amount  
34 applies, setting forth for each applicable appropriations item the  
35 amount to be appropriated: a. if the greater percentage rate is  
36 adopted; and b. if the greater percentage rate is not adopted. The  
37 ordinance or resolution may, thereafter, be adopted, after publica-  
38 tion and a public hearing separately afforded upon 10 days' notice  
39 duly published, by a majority vote of the authorized membership of  
40 the governing body. Any procedures provided in a form of local  
41 government for the exercise of veto powers by a mayor or county  
42 executive with respect to ordinances generally shall pertain. An  
43 ordinance or resolution so adopted shall, notwithstanding any other  
44 provision of law, take effect immediately upon adoption.

45 Upon adoption of the ordinance or resolution, the permissible  
46 final appropriations of the municipality, or permissible county tax  
47 levy of the county, shall be calculated for the year as provided in  
48 section 3 or 4 of P. L. 1976, c. 68 (C. 40A:4-45.3 or 40A:4-45.4),  
49 except that the percentage rate so adopted shall be used. The final  
50 appropriations or county tax levy so calculated shall be used in the  
51 immediately following year for the purposes of section 2 of P. L.  
52 1976, c. 68 (C. 40A:4-45.2).

53 A copy of any ordinance or resolution introduced pursuant to  
54 this section shall be filed with the Director of the Division of Local  
55 Government Services within five days of introduction, and a copy  
56 of the ordinance or resolution adopted shall be filed with the  
57 director within five days of adoption.

58 In any year for which an ordinance is adopted by a municipality  
59 pursuant to this section, no referendum shall be held in that munici-  
60 pality pursuant to subsection i. of section 3 of P. L. 1976, c. 68 (C.  
61 40A:4-45.3).

62 No municipality adopting an ordinance pursuant to this section  
63 shall, in the year for which that ordinance is adopted, be entitled to  
64 an exception authorized pursuant to subsection m. of section 3 of

65 P. L. 1976, c. 68 (C. 40A:4-45.3), greater than the amount of excep-  
 66 tion to which it would otherwise have been entitled if there had been  
 67 no increase in appropriation in that year over the preceding year.

68 No county adopting an ordinance or resolution, as appropriate,  
 69 pursuant to this section shall, in the year for which that ordinance  
 70 or resolution is adopted, be entitled to an exception authorized  
 71 pursuant to subsection h. of section 4 of P. L. 1976, c. 68 (C.  
 72 40A:4-45.4), greater than the amount of exception to which it would  
 73 otherwise have been entitled if there had been no increase in appro-  
 74 priation in that year over the preceding year.

1 2. Section 8 of P. L. 1983, c. 49 (C. 40A:4-45.15) is amended to  
 2 read as follows:

3 8. a. Notwithstanding any provisions of P. L. 1976, c. 68 (C.  
 4 40A:4-45.1 et seq.) to the contrary, a municipality or county, which,  
 5 in any year subsequent to 1982 for which the index rate is greater  
 6 than 5%, increases its final appropriations or county tax levy in an  
 7 amount less than that permitted under the 5% percentage rate,  
 8 shall be permitted to appropriate the difference between the amount  
 9 of its actual final appropriations or county tax levy and the amount  
 10 of its permitted final appropriations or county tax levy under the  
 11 5% percentage rate, as an exception to its final appropriations or  
 12 county tax levy in either of the next two succeeding years. In the  
 13 year immediately following the year in which the amount of differ-  
 14 ence is so appropriated, the amount of difference shall be added  
 15 to the final appropriations or county tax levy of the preceding year  
 16 for the purposes of section 2 of P. L. 1976, c. 68 (C. 40A:4-45.2).

17 b. Notwithstanding any provisions of P. L. 1976, c. 68 (C.  
 18 40A:4-45.1 et seq.) to the contrary, a municipality or county which,  
 19 in any year subsequent to 1986 for which the index rate is less than  
 20 5%, increases its final appropriations or county tax levy in an  
 21 amount less than the index rate, shall be permitted to appropriate  
 22 the difference between the amount of its actual final appropriations  
 23 or county tax levy under the index rate, as an exception to its final  
 24 appropriations or county tax levy in either of the next two suc-  
 25 ceeding years. In the year immediately following the year in  
 26 which the amount of difference is so appropriated, the amount of  
 27 difference shall be added to the final appropriations or county tax  
 28 levy of the preceding year for the purposes of section 2 of P. L.  
 29 1976, c. 68 (C. 40A:4-45.2).\*

1 \***[1.]**\* \*3.\* Section 7 of P. L. 1976, c. 68 is amended to read as  
 2 follows:

3 7. This act shall take effect immediately and be applicable to the

4 tax years beginning in 1977 and shall expire December 31, **[1986]**  
5 **1989.**

1 **\*[2.]\*** \*4.\* Section 10 of P. L. 1983, c. 49 (C. 40A:4-45.17) is  
2 repealed.

1 **\*[3.]\*** \*5.\* This act shall take effect **\*[immediately]\*** **\*\*[upon**  
2 *enactment of Assembly Committee Substitute for Assembly Bills*  
3 *3468 and 3398\*\** **\*\*immediately\*\*.**

---

**LOCAL BUDGET AND FINANCE**

**Extends local cap law and repeals section 10 of P. L. 1983, c. 49.**

---



[OFFICIAL COPY REPRINT]

SENATE, No. 2186

STATE OF NEW JERSEY

INTRODUCED MAY 19, 1986

By Senators RUSSO and LYNCH

Referred to Committee on County and Municipal Government

AN ACT concerning local budget caps, amending P. L. 1976, c. 63 \*and P. L. 1983, c. 49\* and repealing section 10 of P. L. 1983, c. 49 (C. 40A:4-45.17).

1 BE IT ENACTED by the Senate and General Assembly of the State  
2 of New Jersey:

1 \*1. Section 7 of P. L. 1983, c. 49 (C. 40A:4-45.14) is amended to  
2 read as follows:

3 7. a. Notwithstanding the provisions of section 2, 3 or 4 of P. L.  
4 1976, c. 68 (C. 40A:4-45.2, 40A:4-45.3 and 40A:4-45.4) to the  
5 contrary, in any year for which the index rate exceeds 5%, a  
6 municipality may, by ordinance, or a county may, by ordinance or  
7 resolution, as appropriate, provide that in the local budget year to  
8 which the ordinance or resolution applies, the final appropriations  
9 of the municipality, or the tax levy of the county, shall be increased  
10 by a percentage rate greater than 5%, but not to exceed the index  
11 rate, over the previous year's final appropriations, or county tax  
12 levy, as the case may be.

13 b. Notwithstanding the provisions of section 2, 3 or 4 of P. L.  
14 1976, c. 68 (C. 40A:4-45.2, 40A:4-45.3 and 40A:4-45.4) to the  
15 contrary, in any year in which the index rate is less than 5% a  
16 municipality may, by ordinance approved by a majority vote of the  
17 full membership of the governing body, or a county may, by ordi-  
18 nance or resolution, as appropriate, approved by a majority vote of  
19 the full membership of the governing body, provide that in the local  
20 budget year to which the ordinance or resolution applies, the final  
21 appropriations of the municipality, or the tax levy of the county,

EXPLANATION—Matter enclosed in bold-faced brackets [thus] in the above bill is not enacted and is intended to be omitted in the law.

Matter printed in italics thus is new matter.

Matter enclosed in asterisks or stars has been adopted as follows:

\*—Assembly committee amendments adopted December 8, 1986.

\*\*—Assembly amendment adopted December 8, 1986.

22 *shall be increased by a percentage rate greater than the index rate,*  
23 *but not to exceed 5% over the previous year's final appropriations,*  
24 *or county tax levy, as the case may be.*

25 c. The ordinance or resolution, as appropriate shall be introduced  
26 after January 1 of the local budget year to which it applies and  
27 prior to the date provided by law for the introduction and approval  
28 of the annual budget of the municipality or county. The ordinance  
29 or resolution shall state the greater percentage rate to be adopted  
30 and the additional amount of increased final appropriations or tax  
31 levy which that greater percentage rate represents over that which  
32 the 5% rate *or index rate, as appropriate* represents, and the in-  
33 dividual appropriations items to which the additional amount  
34 applies, setting forth for each applicable appropriations item the  
35 amount to be appropriated: a. if the greater percentage rate is  
36 adopted; and b. if the greater percentage rate is not adopted. The  
37 ordinance or resolution may, thereafter, be adopted, after publica-  
38 tion and a public hearing separately afforded upon 10 days' notice  
39 duly published, by a majority vote of the authorized membership of  
40 the governing body. Any procedures provided in a form of local  
41 government for the exercise of veto powers by a mayor or county  
42 executive with respect to ordinances generally shall pertain. An  
43 ordinance or resolution so adopted shall, notwithstanding any other  
44 provision of law, take effect immediately upon adoption.

45 Upon adoption of the ordinance or resolution, the permissible  
46 final appropriations of the municipality, or permissible county tax  
47 levy of the county, shall be calculated for the year as provided in  
48 section 3 or 4 of P. L. 1976, c. 68 (C. 40A:4-45.3 or 40A:4-45.4),  
49 except that the percentage rate so adopted shall be used. The final  
50 appropriations or county tax levy so calculated shall be used in the  
51 immediately following year for the purposes of section 2 of P. L.  
52 1976, c. 68 (C. 40A:4-45.2).

53 A copy of any ordinance or resolution introduced pursuant to  
54 this section shall be filed with the Director of the Division of Local  
55 Government Services within five days of introduction, and a copy  
56 of the ordinance or resolution adopted shall be filed with the  
57 director within five days of adoption.

58 In any year for which an ordinance is adopted by a municipality  
59 pursuant to this section, no referendum shall be held in that munici-  
60 pality pursuant to subsection i. of section 3 of P. L. 1976, c. 68 (C.  
61 40A:4-45.3).

62 No municipality adopting an ordinance pursuant to this section  
63 shall, in the year for which that ordinance is adopted, be entitled to  
64 an exception authorized pursuant to subsection m. of section 3 of

65 P. L. 1976, c. 68 (C. 40A:4-45.3), greater than the amount of excep-  
 66 tion to which it would otherwise have been entitled if there had been  
 67 no increase in appropriation in that year over the preceding year.

68 No county adopting an ordinance or resolution, as appropriate,  
 69 pursuant to this section shall, in the year for which that ordinance  
 70 or resolution is adopted, be entitled to an exception authorized  
 71 pursuant to subsection h. of section 4 of P. L. 1976, c. 68 (C.  
 72 40A:4-45.4), greater than the amount of exception to which it would  
 73 otherwise have been entitled if there had been no increase in appro-  
 74 priation in that year over the preceding year.

1 2. Section 8 of P. L. 1983, c. 49 (C. 40A:4-45.15) is amended to  
 2 read as follows:

3 8. *a.* Notwithstanding any provisions of P. L. 1976, c. 68 (C.  
 4 40A:4-45.1 et seq.) to the contrary, a municipality or county, which,  
 5 in any year subsequent to 1982 for which the index rate is greater  
 6 than 5%, increases its final appropriations or county tax levy in an  
 7 amount less than that permitted under the 5% percentage rate,  
 8 shall be permitted to appropriate the difference between the amount  
 9 of its actual final appropriations or county tax levy and the amount  
 10 of its permitted final appropriations or county tax levy under the  
 11 5% percentage rate, as an exception to its final appropriations or  
 12 county tax levy in either of the next two succeeding years. In the  
 13 year immediately following the year in which the amount of differ-  
 14 ence is so appropriated, the amount of difference shall be added  
 15 to the final appropriations or county tax levy of the preceding year  
 16 for the purposes of section 2 of P. L. 1976, c. 68 (C. 40A:4-45.2).

17 *b.* Notwithstanding any provisions of P. L. 1976, c. 68 (C.  
 18 40A:4-45.1 et seq.) to the contrary, a municipality or county which,  
 19 in any year subsequent to 1986 for which the index rate is less than  
 20 5%, increases its final appropriations or county tax levy in an  
 21 amount less than the index rate, shall be permitted to appropriate  
 22 the difference between the amount of its actual final appropriations  
 23 or county tax levy under the index rate, as an exception to its final  
 24 appropriations or county tax levy in either of the next two suc-  
 25 ceeding years. In the year immediately following the year in  
 26 which the amount of difference is so appropriated, the amount of  
 27 difference shall be added to the final appropriations or county tax  
 28 levy of the preceding year for the purposes of section 2 of P. L.  
 29 1976, c. 68 (C. 40A:4-45.2).\*

1 \***[1.]**\* \*3.\* Section 7 of P. L. 1976, c. 68 is amended to read as  
 2 follows:

3 7. This act shall take effect immediately and be applicable to the

4 tax years beginning in 1977 and shall expire December 31, **[1986]**  
5 *1989.*

1 **\*[2.]\*** \*4.\* Section 10 of P. L. 1983, c. 49 (C. 40A:4-45.17) is  
2 repealed.

1 **\*[3.]\*** \*5.\* This act shall take effect **\*[immediately]\*** **\*\*[\*upon**  
2 *enactment of Assembly Committee Substitute for Assembly Bills*  
3 *3468 and 3398\*]* **\*\*immediately\*\*.**

---

LOCAL BUDGET AND FINANCE

Extends local cap law and repeals section 10 of P. L. 1983, c. 49.

---



# OFFICE OF THE GOVERNOR NEWS RELEASE

**CN-001**

**Contact:**

JOHN SAMERJAN  
609-292-8956 OR 292-6000 EXT. 207

**TRENTON, N.J. 08625**

**Release:** WED., DEC. 31, 1986

Governor Thomas H. Kean today signed legislation extending the Municipal and County Cap Law for an additional three-year period. The Cap Law was due to expire at midnight tonight.

S-2186, sponsored by Senate President John F. Russo, D-Ocean, also abolishes the Local Expenditure Limitations Advisory Commission that was established three and one-half years ago.

The Cap Law extension, which runs through December 31, 1989, permits counties and municipalities to increase their budgets from the implicit price deflator, set for 1987 at 3.5 percent by the Division of Local Government Services in the Department of Community Affairs, to a cap of 5 percent whenever the price deflator rate is less than 5 percent.

Municipalities can by local ordinance opt for a 5 percent cap in 1987 due to the terms of this legislation.

There are a number of exceptions to the budget restrictions for expenditures which can be made outside the cap, for example, the purchase of police vehicles.

The legislation is effective immediately.

### ##### ###