

40A:4-53

LEGISLATIVE HISTORY CHECKLIST

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LAWS OF: 2010 **CHAPTER:** 46

NJSA: 40A:4-53 (Authorizes any local unit to adopt an ordinance authorizing special emergency appropriations for the payment of contractually required severance liabilities, resulting from the layoff or retirement of employees, over five years)

BILL NO: S1804 (Substituted for A3073)

SPONSOR(S) Kyrillos and others

DATE INTRODUCED: March 15, 2010

COMMITTEE: **ASSEMBLY:** ---

SENATE: Budget and Appropriation

AMENDED DURING PASSAGE: Yes

DATE OF PASSAGE: **ASSEMBLY:** June 28, 2010

SENATE: June 28, 2010

DATE OF APPROVAL: July 29, 2010

FOLLOWING ARE ATTACHED IF AVAILABLE:

FINAL TEXT OF BILL (First reprint enacted)

S1804

SPONSOR'S STATEMENT: (Begins on page 2 of introduced bill) Yes

COMMITTEE STATEMENT: **ASSEMBLY:** No

SENATE: Yes

(Audio archived recordings of the committee meetings, corresponding to the date of the committee statement, *may possibly* be found at www.njleg.state.nj.us)

FLOOR AMENDMENT STATEMENT: Yes

LEGISLATIVE FISCAL ESTIMATE: Yes

A3073

SPONSOR'S STATEMENT: (Begins on page 2 of introduced bill) Yes

COMMITTEE STATEMENT: **ASSEMBLY:** Yes

SENATE: No

FLOOR AMENDMENT STATEMENT: No

LEGISLATIVE FISCAL ESTIMATE: No

(continued)

VETO MESSAGE: No

GOVERNOR'S PRESS RELEASE ON SIGNING: No

FOLLOWING WERE PRINTED:

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REPORTS: No

HEARINGS: No

NEWSPAPER ARTICLES: No

LAW/RWH

[First Reprint]

SENATE, No. 1804

STATE OF NEW JERSEY
214th LEGISLATURE

INTRODUCED MARCH 15, 2010

Sponsored by:

Senator JOSEPH M. KYRILLOS, JR.

District 13 (Middlesex and Monmouth)

Senator JENNIFER BECK

District 12 (Mercer and Monmouth)

Assemblyman ALBERT COUTINHO

District 29 (Essex and Union)

Assemblywoman L. GRACE SPENCER

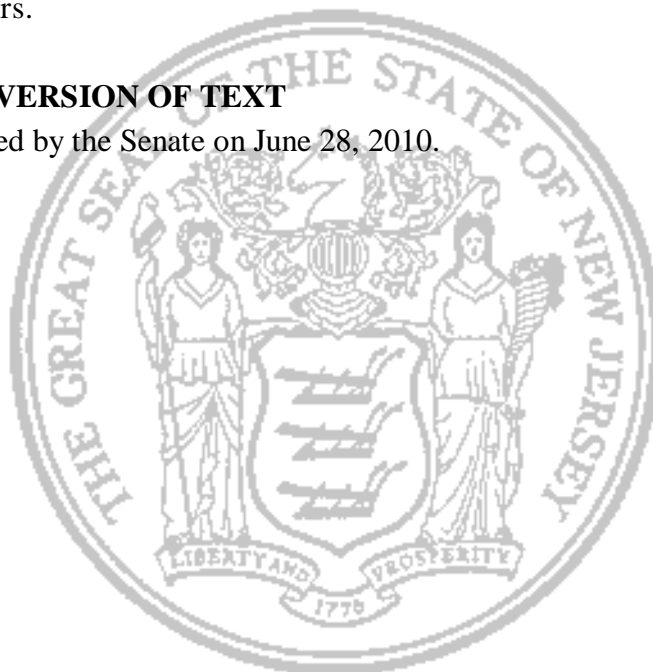
District 29 (Essex and Union)

SYNOPSIS

Authorizes any local unit to adopt an ordinance authorizing special emergency appropriations for the payment of contractually required severance liabilities, resulting from the layoff or retirement of employees, over five years.

CURRENT VERSION OF TEXT

As amended by the Senate on June 28, 2010.



(Sponsorship Updated As Of: 6/29/2010)

1 AN ACT concerning contractually required severance liabilities and
2 amending N.J.S.40A:4-53.

3

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

6

7 1. N.J.S.40A:4-53 is amended to read as follows:

8 40A:4-53. A local unit may adopt an ordinance authorizing
9 special emergency appropriations for the carrying out of any of the
10 following purposes:

11 a. Preparation of an approved tax map.

12 b. Preparation and execution of a complete program of
13 revaluation of real property for the use of the local assessor, or of
14 any program to update and make current any previous revaluation
15 program when such is ordered by the county board of taxation.

16 c. Preparation of a revision and codification of its ordinances.

17 d. Engagement of special consultants for the preparation, and
18 the preparation of a master plan or plans, when required to conform
19 to the planning laws of the State.

20 e. Preparation of drainage maps for flood control purposes.

21 f. Preliminary engineering studies and planning necessary for
22 the installation and construction of a sanitary sewer system.

23 g. Authorized expenses of a consolidation commission
24 established pursuant to the "Municipal Consolidation Act,"
25 P.L.1977, c.435 (C.40:43-66.35 et seq.).

26 h. Contractually required severance liabilities resulting from the
27 layoff or retirement of employees~~], when the total liability is in~~
28 excess of 10 per cent of the amount to be raised by taxes for
29 municipal purposes in the fiscal year in which the layoffs or
30 retirements take place~~].~~ Such liabilities shall be paid without
31 interest and, at the sole discretion of the local unit, may be paid in
32 equal annual installments over a period not to exceed ¹~~10~~ five¹
33 years.

34 i. Preparation of a sanitary or storm system map.

35 A copy of all ordinances or resolutions as adopted relating to
36 special emergency appropriations shall be filed with the director.

37 (cf: P.L.1999, c.200, s.1)

38

39 2. This act shall take effect immediately.

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 underlined thus is new matter.

Matter enclosed in superscript numerals has been adopted as follows:

¹Senate floor amendments adopted June 28, 2010.

SENATE, No. 1804

STATE OF NEW JERSEY 214th LEGISLATURE

INTRODUCED MARCH 15, 2010

Sponsored by:

Senator JOSEPH M. KYRILLOS, JR.

District 13 (Middlesex and Monmouth)

Senator JENNIFER BECK

District 12 (Mercer and Monmouth)

SYNOPSIS

Authorizes any local unit to adopt an ordinance authorizing special emergency appropriations for the payment of contractually required severance liabilities, resulting from the layoff or retirement of employees, over 10 years.

CURRENT VERSION OF TEXT

As introduced.



(Sponsorship Updated As Of: 6/29/2010)

S1804 KYRILLOS, BECK

2

1 AN ACT concerning contractually required severance liabilities and
2 amending N.J.S.40A:4-53.

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5 of New Jersey:

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14 any program to update and make current any previous revaluation
15 program when such is ordered by the county board of taxation.

16 c. Preparation of a revision and codification of its ordinances.

17 d. Engagement of special consultants for the preparation, and
18 the preparation of a master plan or plans, when required to conform
19 to the planning laws of the State.

20 e. Preparation of drainage maps for flood control purposes.

21 f. Preliminary engineering studies and planning necessary for
22 the installation and construction of a sanitary sewer system.

23 g. Authorized expenses of a consolidation commission
24 established pursuant to the "Municipal Consolidation Act,"
25 P.L.1977, c.435 (C.40:43-66.35 et seq.).

26 h. Contractually required severance liabilities resulting from
27 the layoff or retirement of employees[, when the total liability is in
28 excess of 10 per cent of the amount to be raised by taxes for
29 municipal purposes in the fiscal year in which the layoffs or
30 retirements take place]. Such liabilities shall be paid without
31 interest and, at the sole discretion of the local unit, may be paid in
32 equal annual installments over a period not to exceed 10 years.

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34 A copy of all ordinances or resolutions as adopted relating to
35 special emergency appropriations shall be filed with the director.

36 (cf: P.L.1999, c.200, s.1)

37

38 2. This act shall take effect immediately.

39

40

41

STATEMENT

42

43 This bill would authorize any local unit to adopt an ordinance
44 authorizing special emergency appropriations for contractually
45 required severance liabilities resulting from the layoff or retirement

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 underlined thus is new matter.

S1804 KYRILLOS, BECK

1 of employees. Under current law, such an action can be taken only
2 when the municipality's total liability contractually required
3 severance is in excess of 10 per cent of the amount to be raised by
4 taxes for municipal purposes in the fiscal year in which the layoffs
5 or retirements take place. The bill also provides that such liabilities
6 shall be paid without interest and, at the sole discretion of the local
7 unit, may be paid in equal annual installments over a period not to
8 exceed 10 years.

9 The extension of this authorization to all local units of
10 government is particularly important for larger municipalities and
11 counties, which may have such a high local purposes property tax
12 levy that it is impossible to reach the current liability figure (10
13 percent of the municipal purposes tax levy) necessary to authorize
14 special emergency appropriations under the statute. However, these
15 local units of government still may have a significant unforeseen
16 and unbudgeted liability that will create fiscal havoc with the local
17 budget unless these liabilities, which consist principally of unused
18 vacation and sick leave accumulated over the course of a public
19 service career, are able to be paid out over an extended period of
20 time, such as the 10-year payout authorization contained in this bill.

SENATE BUDGET AND APPROPRIATIONS COMMITTEE

STATEMENT TO

SENATE, No. 1804

STATE OF NEW JERSEY

DATED: JUNE 23, 2010

The Senate Budget and Appropriations Committee reports favorably Senate Bill No. 1804.

The bill would authorize any local unit to adopt an ordinance authorizing special emergency appropriations for contractually required severance liabilities resulting from the layoff or retirement of employees. Under current law, such an action can be taken only when the municipality's total liability contractually required severance is in excess of 10 per cent of the amount to be raised by taxes for municipal purposes in the fiscal year in which the layoffs or retirements take place. The bill also provides that such liabilities shall be paid without interest and, at the sole discretion of the local unit, may be paid in equal annual installments over a period not to exceed 10 years.

The extension of this authorization to all local units of government is particularly important for larger municipalities and counties, which may have such a high local purposes property tax levy that it is impossible to reach the current liability figure (10 percent of the municipal purposes tax levy) necessary to authorize special emergency appropriations under the statute. However, these local units of government still may have a significant unforeseen and unbudgeted liability that will create fiscal havoc with the local budget unless these liabilities, which consist principally of unused vacation and sick leave accumulated over the course of a public service career, are able to be paid out over an extended period of time, such as the 10-year payout authorization contained in this bill.

FISCAL IMPACT:

This bill would have an indeterminate impact on local unit finances. Information concerning the amount of severance payments due in future years and the amount of interest a local unit might pay on any special emergency notes issued to fund these liabilities is not readily available. This bill is permissive and does not require any local unit to issue additional short-term debt.

The intent of this bill is to provide budgetary relief to counties and municipalities by allowing them to spread out the cost of severance payments, without interest to the former employee receiving the severance benefit. Under current law only those municipalities where the total amount of any contractually required severance liabilities is

greater than 10 percent of the levy for municipal purposes in the fiscal year in which the layoffs or retirements take place may issue special emergency notes to finance the cost over five years. The severance liability is usually due the year that the employee leaves.

STATEMENT TO
SENATE, No. 1804

with Senate Floor Amendments
(Proposed by Senator KYRILLOS)

ADOPTED: JUNE 28, 2010

This floor amendment lowers to five years, from 10 years, the number of years over which the payment of contractually required severance liabilities resulting from the layoff or retirement of employees can be paid.

LEGISLATIVE FISCAL ESTIMATE

[First Reprint]

SENATE, No. 1804 STATE OF NEW JERSEY 214th LEGISLATURE

DATED: AUGUST 10, 2010

SUMMARY

- Synopsis:** Authorizes any local unit to adopt an ordinance authorizing special emergency appropriations for the payment of contractually required severance liabilities, resulting from the layoff or retirement of employees, over five years.
- Type of Impact:** Indeterminate potential increase in local units costs.
- Agencies Affected:** Local units.

Office of Legislative Services Estimate

| Fiscal Impact | <u>Year 1</u> | <u>Year 2</u> | <u>Year 3</u> |
|----------------------|---|----------------------|----------------------|
| Local Cost | Indeterminate Potential Increase – See comments below | | |

- The enactment of Senate Bill No. 1804 (1R) of 2010, may result in an indeterminate potential increase in costs incurred by local units due to the issuance of short-term notes to fund contractually required severance liabilities resulting from the layoff or retirement of employees.
- Local units would be permitted to spread out the cost of the severance payments over five years. The severance liability is usually paid in the year the employee leaves government services.
- The issuance of special emergency notes for those purposes authorized by law must be approved by a two-thirds vote of the full governing body of the local unit. These notes may be renewed, but at least one-fifth must mature annually and must be included in the annual budget.

BILL DESCRIPTION

Senate Bill No. 1804 (1R) of 2010, would authorize any local unit to adopt an ordinance authorizing special emergency appropriations for contractually required severance liabilities resulting from the layoff or retirement of employees. Under current law, such an action can be taken only when the municipality's total liability for contractually required severance is in excess of 10 percent of the amount to be raised by taxation for municipal purposes in the fiscal year in which the layoffs or retirements take place. The bill also provides that such liabilities shall be paid without interest and, at the sole discretion of the local unit, may be paid in equal annual installments over a period not to exceed five years.

FISCAL ANALYSIS

EXECUTIVE BRANCH

None received.

OFFICE OF LEGISLATIVE SERVICES

The enactment of Senate Bill No. 1804 (1R) of 2010, may result in an indeterminate potential increase in costs incurred by local units that adopt an ordinance authorizing special emergency appropriations for contractually required severance liabilities resulting from the layoff or retirement of employees. These costs would result from the issuance of short-term notes to finance the special emergency appropriations. Information concerning the amount of severance payments due in future years and the amount of interest a local unit might pay on any special emergency notes issued to fund these liabilities is not readily available. Local units would also be permitted to spread out the cost of severance payments over five years. The severance liability is usually paid in the year the employee leaves government service.

The issuance of special emergency notes for those purposes authorized by law must be approved by a two-thirds vote of the full governing body. The notes may be renewed, but at least one-fifth must mature annually and must be included in the annual budget. Local units are also permitted to use surplus funds to finance a special emergency appropriation. When this occurs, at least one-fifth of the appropriation must be included in the annual budget until it has been fully satisfied. Finally, this bill is permissive, and does not require any local unit to issue additional short-term debt.

Section: Local Government

Analyst: Scott A. Brodsky
Associate Fiscal Analyst

Approved: David J. Rosen
Legislative Budget and Finance Officer

This legislative fiscal estimate has been produced by the Office of Legislative Services due to the failure of the Executive Branch to respond to our request for a fiscal note.

This fiscal estimate has been prepared pursuant to P.L.1980, c.67 (C.52:13B-6 et seq.).

ASSEMBLY, No. 3073

STATE OF NEW JERSEY 214th LEGISLATURE

INTRODUCED JUNE 24, 2010

Sponsored by:

Assemblyman ALBERT COUTINHO

District 29 (Essex and Union)

Assemblywoman L. GRACE SPENCER

District 29 (Essex and Union)

SYNOPSIS

Authorizes any local unit to adopt an ordinance authorizing special emergency appropriations for the payment of contractually required severance liabilities, resulting from the layoff or retirement of employees, over 5 years.

CURRENT VERSION OF TEXT

As introduced.



(Sponsorship Updated As Of: 6/29/2010)

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36 (cf: P.L.1999, c.200, s.1)

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38 2. This act shall take effect immediately.

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17 budget unless these liabilities, which consist principally of unused
18 vacation and sick leave accumulated over the course of a public
19 service career, are able to be paid out over an extended period of
20 time, such as the five-year payout authorization contained in this
21 bill.

ASSEMBLY BUDGET COMMITTEE

STATEMENT TO

ASSEMBLY, No. 3073

STATE OF NEW JERSEY

DATED: JUNE 24, 2010

The Assembly Budget Committee reports favorably Assembly Bill No. 3073.

This bill authorizes a local unit to adopt an ordinance authorizing special emergency appropriations for contractually-required severance liabilities resulting from the layoff or retirement of employees.

Under current law, such an emergency appropriation can be taken only when the municipality's total liability for contractually-required severance is in excess of 10 per cent of the amount to be raised by taxes for municipal purposes in the municipal fiscal year in which the layoffs or retirements take place. The bill also provides that such liabilities shall be paid without interest and, at the sole discretion of the local unit, may be paid in equal annual installments over a period not to exceed 5 years.

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FISCAL IMPACT:

This bill has no impact on State revenues or expenditures. It is not possible to predict the impact on local government unit finances, as the emergency appropriations authorized by the bill are optional to local government units and depend on contractually-required severance liabilities for lay-offs that have not been planned under severance benefit contract provisions that have yet to be negotiated.