

52:9H-5 to 11

LEGISLATIVE HISTORY CHECKLIST

NJSA 52:9H-5 to 52:9H-11 ("State Expenditures Limitation Act")

Laws of 1976 Chapter 67

Bill No. S877

Sponsor(s) Russo

Date Introduced Pre-filed

Committee: Assembly -

Senate Revenue, Finance & Appropriations

Amended during passage Yes ~~No~~ Amendments during passage denoted by asterisks.

Date of passage: Assembly July 7, 1976

Senate June 30, 1976

Date of approval August 18, 1976

Following statements are attached if available:

Sponsor statement Yes No

Committee Statement: Assembly Yes No

Senate Yes ~~No~~

Fiscal Note Yes No

Veto message Yes No

Message on signing Yes ~~No~~

Following were printed:

Reports Yes No

Hearings Yes No

974.90  
F491  
1975g

Related hearing:

New Jersey. Legislature. Senate. Revenue, Finance and Appropriations Committee.

Public hearing on SCR 3028 (Proposing to amend the State Constitution to require the enactment of laws limiting maximum permissible expenditures of the State and counties and municipalities...) Trenton, 1975.

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SENATE, No. 877

STATE OF NEW JERSEY

PRE-FILED FOR INTRODUCTION IN THE 1976 SESSION

By Senator RUSSO

AN ACT limiting maximum permissible expenditures by the State in certain instances, and supplementing Title 52 of the Revised Statutes.

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

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

1 2. As used in this act:

2 a. "Base year" means **\*\*\*[the \*\*[1975-76]\*\* \*\*1976-77\*\* fiscal**  
2A **year]**\*\*\* *\*\*\*the year prior to the current fiscal year\*\*\** of the  
2B State;

3 b. "Expenditures" means all amounts appropriated by the  
4 State in the general appropriation law and all other laws ap-  
5 propriating money for any purpose in any fiscal year, exclusive  
6 of money appropriated *\*\*\*and paid or to be paid by the State\*\*\**  
7 as State aid to counties, municipalities and local school districts  
8 *\*\*\*or on behalf of counties, municipalities and school districts, or*  
9 *other instrumentalities;\*\*\** **\*\*\*[and included in county, municipal**  
10 **and local school district budgets as amounts received from the State**  
11 **in the form of State aid;]**\*\*\* and exclusive of all expenditures of  
12 money received by the State from the Federal Government, and  
13 of money derived from, expended in payment of any interest or  
14 principal on, any general obligation bond issues approved by the  
15 legally qualified voters of the State at any general election;

16 **\*\*\*[c. "Population" means the most recent population estimates**  
17 **for the State promulgated annually by the State Department of**  
18 **Labor and Industry, based on the most recent Federal decennial**  
19 **census.]\*\*\***

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

1 3. In each fiscal year commencing after June 30, **[1976]**  
 2 **1977**, the expenditures of the State shall not exceed the maxi-  
 3 mum expenditures permitted pursuant to the following formula:

4 
$$\frac{\text{S.pi/cap}}{\text{b.pi}}$$
 x population x b.exp = maximum expenditures  
 6

6A 
$$\frac{\text{PCI}_i}{\text{PCI}_{i-1}}$$
 x b. exp = Maximum expenditures  
 6B  
 6C

7 where:

8 a. **[“S.pi/cap”** means State Personal Income as certified by  
 9 **the]** **PCI<sub>i</sub>** means State per capita personal income as certi-  
 10 fied by the United States Department of Commerce in the cur-  
 10A rent fiscal year **[**, divided by the State population in each such  
 10B year **]**;

11 b. **[“b.pi”** means the **[“S.pi/cap”]** *State Personal Income*  
 12 *in the base year as certified by the U.S. Department of Commerce*  
 13 *divided by the State population* in the base year **[**, multiplied by  
 14 the population of the State in the base year **]**; **PCI<sub>i-1</sub>**  
 14A *means State per capita personal income as defined above in the base*  
 14B *year; and*

14C **[c. “Population”** means *the ratio of* the population of the  
 14D State in the current fiscal year *to the population of the State in*  
 14E *the base year*; and **]**

15 **[d.]** **c.** **[“b.exp”** means the **[expenditures]**  
 16 *appropriations* of the State in the base year; provided,  
 17 however, that for the purposes of this formula, the State *Per*  
 18 *Capita* Personal Income in the base year and in each fiscal year  
 19 other than the base year shall be computed:

19A (1) In the case of each year other than the base year, by taking  
 20 the amount certified by the United States Department of Commerce  
 21 for the last calendar quarter preceding the commencement of the  
 22 fiscal year for which either preliminary or final figures are avail-  
 23 able, and adding to such amount the amounts certified by said  
 24 United States Department of Commerce for the three calendar  
 25 quarters immediately preceding said last calendar quarter; and

26 (2) In the case of the base year, by taking the amount certified  
 27 by the United States Department of Commerce for the same calen-  
 28 dar quarter of **[1974]** **1975** as the calendar quarter  
 29 determined in the case of each year other than the base year, and  
 30 adding to such amount the amounts certified by said United States  
 31 Department of Commerce for the three calendar quarters immedi-  
 32 ately preceding said calendar quarter.

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

1 5. If in any fiscal year any function or service performed by  
2 the State is transferred to, or its operation or performance is  
3 assumed by, any agency or instrumentality of the State or any  
4 county or municipality with the power to issue bonds to finance  
5 the undertaking of such function or the performance of such ser-  
6 vice, or if any function or service performed by any such agency  
7 or instrumentality of the State or any county or municipality is  
8 transferred to, or its operation or performance is assumed by the  
9 State, such transfer or assumption shall, for the purposes of the  
10 formula prescribed in section 3 of this act, be deemed to have oc-  
11 curred in the base year and, therefore, the "b.exp" component of  
12 the aforesaid formula shall be adjusted accordingly to reflect any  
13 increase or decrease in expenditures as a result of such transfer  
14 or assumption by the State.

15 The word "bonds" as used in this section means bonds which  
16 do not constitute a debt or liability of the State or of any of its  
17 counties or municipalities or a pledge of the faith and credit of the  
18 State or of any of its counties or municipalities.

1 6. Any provisions of this act to the contrary notwithstanding,  
2 the State may exceed the maximum expenditures permitted pur-  
3 suant to the formula prescribed in section 3 of this act in any  
4 fiscal year if such increase over such maximum expenditures is  
5 submitted to the people of the State in the form of a referendum  
6 at a general election held prior to or during any such fiscal year  
7 and approved by a majority of the legally qualified voters of the  
8 State or county or municipality, as the case may be, voting thereon.

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

1 8. This act shall take effect immediately.

SENATE REVENUE, FINANCE AND  
APPROPRIATIONS COMMITTEE

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STATEMENT TO

SENATE, No. 877

STATE OF NEW JERSEY

DATED: MAY 13, 1976

The Senate Revenue, Finance and Appropriations Committee has released this bill without recommendation with amendment to be considered by the Senate and is part of the overall tax program pending in the Senate.

It is the purpose of this bill to impose limits on the amount of increases allowed in State spending commencing with the Fiscal Year 1976-1977. The amount of increase allowed is not a stated percentage but is related to the growth of per capita income in New Jersey. A formula is established in the bill which generates the total amount of appropriations allowable for support of State government for each fiscal year, using Fiscal Year 1975-1976 as the base year. The ratio of a particular year's per capita income to the base year's (Fiscal Year 1975-1976) is the amount of budget increase permissible.

The limitation on increased appropriations is imposed on all appropriations made in the "general appropriations law" or any other law appropriating, or authorizing expenditure of any funds. Excepted from the limitation is: (1) State Aid to the extent anticipated in local budgets including county, school and municipal budgets; (2) Federal funds, and; (3) Expenditures of moneys derived from, or in payment of any interest or principal on, any general obligation bonds approved at any general election.

The only mechanism by which the maximum allowable appropriation generated by the formula may be exceeded is by referendum at a general election held prior to or during any particular fiscal year.

The Senate Revenue, Finance and Appropriations Committee released this bill in lieu of a like measure passed by the Assembly as Assembly Bill No. 1745. The release of Senate Bill No. 877 in lieu of Assembly Bill No. 1745 reflects the committee's determination that if a limit is placed on State government spending it is preferable to relate the rate of allowable increase to growth in per capita income rather than impose a flat 5% limitation as proposed by Assembly Bill No. 1745. Further, the reference to implementation of Assembly Bill No. 1745 as a required act prerequisite to the implementation of the "New

Jersey Gross Income Tax Act" has been incorporated by committee amendments in the income tax act, substituting Senate Bill No. 877 for Assembly Bill No. 1743. Thus, the release of Assembly Bill No. 1809, amending the income tax act by incorporating reference to two "spending limits" (Assembly Bill No. 1738 and Assembly Bill No. 1745) bills, is obviated.

Senate Bill No. 877 would be effective immediately and would dictate the amount of appropriation allowable in Fiscal Year 1976-1977.

47-901  
661

AUGUST 18, 1976

FOR FURTHER INFORMATION

FOR IMMEDIATE RELEASE

KATHY FORSYTH

RECEIVED

AUG 24 1976

OFFICE OF THE DEPUTY  
COMMISSIONER OF EDUCATION

Governor Brendan Byrne signed into law two bills today which place caps on state, county and municipal spending as a part of the tax reform package.

The first bill, S-877, sponsored by Senator John Russo, D-Ocean, places statutory limits on the amount that the State Operations part of the state budget can be increased from one fiscal year to the next. It does not affect appropriations for State Aid.

The second bill, A-1738, sponsored by Assemblyman Willie Brown, D-Essex, limits annual municipal and county appropriations to a 5% increase over the previous year.

"I think with the signing of these bills we are beginning a new era in New Jersey," said the Governor.

"We now have the state on an even keel financially. We've got tax reform and, through these bills, we've got government spending in a manageable position for the first time," he said.

"We are now saying to the state, the counties and the municipalities: 'You no longer have a blank check for spending.' There is a lid on spending placed there by a Legislature which recognizes people's concern for their tax dollars," he said.

"Tax reform means not only an equitable method of raising money but also a rational way of controlling the spending of that money," he said.

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