

40A:4-45.1 ET SEQ.

LEGISLATIVE HISTORY CHECKLIST

NJSA 40A:4-45.1 through 45.6

Laws of 1976 Chapter 68

Bill No. A1738

Sponsor(s) Brown

Date Introduced March 3, 1976

Committee: Assembly Taxation

Senate Revenue, Finance & Appropriations

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

Date of passage: Assembly March 15

Senate June 30

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 New Jersey. Legislature. Senate. Revenue, Finance and
F491 Appropriations Committee.
1975g 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 in certain instances), held
July 10, 1975.

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ASSEMBLY, No. 1738

STATE OF NEW JERSEY

INTRODUCED MARCH 3, 1976

By Assemblyman BROWN

Referred to Committee on Taxation

AN ACT to place limits on expenditures by counties and municipalities and supplementing Title 40A of the New Jersey Statutes.

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

1 1. It is hereby declared to be the policy of the Legislature that
2 the spiraling cost of local government must be controlled to protect
3 the homeowners of the State and enable them to maintain their
4 homesteads.

5 At the same time the Legislature recognizes that local govern-
6 ment cannot be constrained to the point that it is impossible to
7 provide necessary services to its residents.

8 In recognition that the two concepts may be at cross purposes,
9 the Legislature recommends that the program ***[proposed]*** *pro-*
10 *posed** hereunder be instituted on an experimental basis with a
11 review at the end of the period to adjust the program based upon
12 experience.

1 2. Beginning with the tax year 1977 municipalities**, *other than*
2 *those having a municipal purposes tax levy of \$0.10 or less per*
3 *\$100.00*** and counties shall be prohibited from increasing their
4 ***[expenditures]*** *final appropriations** by more than 5% over the
5 previous year except within the provisions set forth hereunder.

1 3. In the preparation of its budget a municipality shall limit
2 any increase in said budget to 5% over the previous year's ***[ex-**
3 **penditures]*** *final appropriations** subject to the following modi-
4 fications:

5 a. The amount of revenue generated by the increase in its valua-
6 tions based solely on applying the *preceding year's** general tax
7 rate of the municipality to the assessed value of new construction
8 or improvements;

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

9 b. Capital expenditures funded by any source other than the
 10 local property tax, *and programs funded wholly or in part by*
 11 *Federal or State funds in which the financial share of the munici-*
 12 *pality is not required to increase **the final appropriations by***
 12A *more than 5%**;

13 c. An increase based upon an ordinance declaring an emergency
 14 situation **according to the definition provided in N. J. S. 40A:4-46**
 15 approved by at least two-thirds of the governing body **and ap-*
 16 *proved by the Local Finance Board; provided, however, any such*
 17 *emergency authorization shall not exceed 3% of current and utility*
 18 *operating appropriations made in the budget adopted for that year;*
 19 *or*

20 *d. All debt service, including that of a Type I school district;*

21 *e. Amounts required for funding a preceding year's deficit;*

22 *f. Amounts reserved for uncollected taxes;*

23 *g. Expenditures mandated after the effective date of this act*
 24 *pursuant to State or Federal law;*

25 ***h. Expenditure of amounts derived from new or increased*
 26 *service fees imposed by ordinance, or derived from the sale of*
 27 *municipal assets.***

28 ***[h.]** **i.** When approved by referendum.**

1 4. In the preparation of its budget, a county may not increase
 2 the county tax levies to be apportioned among its constituent
 3 municipalities in excess of 5% of the previous year's tax levy,
 4 subject to the following modifications:

5 a. The amount of revenue generated by the increase in valua-
 6 tions within the county based solely on applying the **preceding*
 7 *year's** county tax rate to the apportionment valuation of new con-
 8 struction or improvements within the county and such increase
 9 shall be levied in direct proportion to said valuation;

10 b. Capital expenditures funded by any source other than the
 11 county tax levy;

12 c. An increase based upon an ordinance **declaring an emergency*
 13 *according to the definition provided in N. J. S. 40A:4-46** approved
 14 by at least two-thirds of the board of chosen freeholders of the
 15 county and, where pertinent, approved by the county execu-
 16 tive***[.]*** *;*

17 **d. All debt service;*

18 *e. Expenditures mandated after the effective date of this act*
 19 *pursuant to State or Federal law.**

1 5. In any county wherein the freeholder board has approved an
2 emergency increase in the county tax levy, the amount of such
3 increase apportioned to each municipality shall not be considered
4 in the limitation set forth in sections 2 and 3 herein, limiting the
5 increase in municipal budgets.

1 6. All acts, and parts of acts inconsistent with the provisions set
2 forth herein are hereby repealed.

1 7. This act shall take effect immediately and be applicable to the
2 tax years beginning in 1977 and shall expire December 31, 1979.

ASSEMBLY, No. 1738

STATE OF NEW JERSEY

INTRODUCED MARCH 3, 1976

By Assemblyman BROWN

Referred to Committee on Taxation

AN ACT to place limits on expenditures by counties and municipalities and supplementing Title 40A of the New Jersey Statutes.

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

1 1. It is hereby declared to be the policy of the Legislature that
2 the spiraling cost of local government must be controlled to protect
3 the homeowners of the State and enable them to maintain their
4 homesteads.

5 At the same time the Legislature recognizes that local govern-
6 ment cannot be constrained to the point that it is impossible to
7 provide necessary services to its residents.

8 In recognition that the two concepts may be at cross purposes,
9 the Legislature recommends that the program proposed hereunder
10 be instituted on an experimental basis with a review at the end of
11 the period to adjust the program based upon experience.

1 2. Beginning with the tax year 1977 municipalities and counties
2 shall be prohibited from increasing their expenditures by more than
3 5% over the previous year except within the provisions set forth
4 hereunder.

1 3. In the preparation of its budget a municipality shall limit
2 any increase in said budget to 5% over the previous year's expendi-
3 tures subject to the following modifications:

4 a. The amount of revenue generated by the increase in its valua-
5 tions based solely on applying the general tax rate of the munici-
6 pality to the assessed value of new construction or improvements;

7 b. Capital expenditures funded by any source other than the
8 local property tax;

9 c. An increase based upon an ordinance declaring an emergency
10 situation approved by at least two-thirds of the governing body.

1 4. In the preparation of its budget, a county may not increase
2 the county tax levies to be apportioned among its constituent
3 municipalities in excess of 5% of the previous year's tax levy,
4 subject to the following modifications:

5 a. The amount of revenue generated by the increase in valua-
6 tions within the county based solely on applying the county tax rate
7 to the apportionment valuation of new construction or improve-
8 ments within the county and such increase shall be levied in direct
9 proportion to said valuation;

10 b. Capital expenditures funded by any source other than the
11 county tax levy;

12 c. An increase based upon an ordinance approved by at least
13 two-thirds of the board of chosen freeholders of the county and,
14 where pertinent, approved by the county executive.

1 5. In any county wherein the freeholder board has approved an
2 emergency increase in the county tax levy, the amount of such
3 increase apportioned to each municipality shall not be considered
4 in the limitation set forth in sections 2 and 3 herein, limiting the
5 increase in municipal budgets.

1 6. All acts, and parts of acts inconsistent with the provisions set
2 forth herein are hereby repealed.

1 7. This act shall take effect immediately and be applicable to the
2 tax years beginning in 1977 and shall expire December 31, 1979.

STATEMENT

This bill prepared for consideration by the Taxation Committee relative to limiting increases in county and municipal budgets is one designed to slow down the rate of growth of such budgets yet provide sufficient flexibility so as not to hamstring local officials.

As prepared, it has a 3-year life beginning in 1977 and ending in 1979. One purpose for placing the time limit in the proposed legislation is to force a review of the experience of counties and municipalities during the third year of its life.

Three years experience under such a bill will give the governmental units involved and the Legislature an opportunity to evaluate the whole question of budgetary limitation within the limits prescribed in the bill and after evaluation enable the Legislature to make modifications, reenact the bill or let it die.

SENATE REVENUE, FINANCE AND
APPROPRIATIONS COMMITTEE

STATEMENT TO
ASSEMBLY, No. 1738

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STATE OF NEW JERSEY

DATED: MAY 13, 1976

The Senate Revenue, Finance and Appropriations Committee released this bill without recommendation, without amendment, for consideration by the full Senate and is part of the overall series of bills commonly referred to as the tax package passed by the General Assembly on March 15, 1976.

This bill imposes, for a 3-year trial period, a 5% limitation on increases in spending by county and municipal government. In the case of counties the limitation is on increases in the tax levy. In the case of municipalities the 5% limitation may be exceeded by either county or municipal government by up to an additional 3% when declared by ordinance, approved by a two-thirds majority vote of the governing body, as an emergency and approved by the Local Finance Board all as provided in the local budget law (R. S. 40A:4-46). Municipalities may also exceed all limitation when approved by referendum. Specific types of expenditures, such as State mandated programs, and expenditures of property tax revenue generated from increase in valuation or new assessments are excluded when applying the 5% limitation.

Assembly Bill No. 1738 would be effective immediately and applicable to the tax year 1977, 1978, and 1979, expiring on December 31, 1979.

This bill, along with eight others, is required to be effective before the "New Jersey Gross Income Tax Act" would be operative, as provided in section 27 of the "New Jersey Gross Income Tax Act" as amended. This requirement that bills limiting the amount of spending increases be effective before the income tax is operative is the purpose of Assembly Bill No. 1809. The committee, as part of the amendments to the income tax bill (Assembly Bill No. 1513), has included this requirement in the income tax bill, and therefore obviates the need for consideration of Assembly Bill No. 1809.