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§§5,9
C. 52:27D-118.30a
&
52:27D-118.30b
§8
C. 52:27D-118.30c
§§10,11 Approp.

P.L. 1999, CHAPTER 156, *approved July 1, 1999*
Assembly, No. 3320 (*First Reprint*)

1 AN ACT concerning special municipal aid and extraordinary municipal
2 aid, amending and supplementing P.L.1987, c.75, amending
3 P.L.1991, c.63, supplementing Title 52 of the Revised Statutes,
4 ¹amending the State Fiscal Year 2000 annual appropriations act.¹
5 and making an appropriation.
6

7 **BE IT ENACTED** by the Senate and General Assembly of the State
8 of New Jersey:
9

10 1. Section 2 of P.L.1987, c.75 (C.52:27D-118.25) is amended to
11 read as follows:

12 2. The Legislature finds that certain large and small municipalities
13 in this State **[are currently experiencing]** experience fiscal distress as
14 a result of insufficient collection of tax revenues, insufficient collection
15 of other revenues, over-anticipation of revenues of prior years, or from
16 other causes; that these municipalities **[currently]** function within
17 stringent budgetary constraints, straining their revenue sources to
18 provide basic public services for their residents; that these
19 municipalities may benefit from the expertise of the State in
20 recommending fiscal recovery measures designed to alleviate the fiscal
21 distress they are currently experiencing; and that short-term State
22 assistance, in the form of State grants and loans, may provide the
23 temporary revenue bridge these few municipalities need in order to
24 overcome their current difficulties and regain their financial stability.

25 The Legislature, therefore, declares that it is fitting and proper, and
26 within the public interest, to provide **[short-term]** loans and grants to
27 certain municipalities **[currently]** experiencing budgetary difficulties
28 in generating adequate local revenues in order to assist those
29 municipalities not only in meeting their immediate budgetary needs,
30 but also to enable them to regain their financial stability.

31 (cf: P.L.1987, c.75, s.2)
32

33 2. Section 3 of P.L.1987, c.75 (C.52:27D-118.26) is amended to
34 read as follows:

35 3. As used in this act:

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:

¹ Assembly floor amendments adopted June 24, 1999.

1 "Board" means the Local Finance Board of the Division of Local
2 Government Services in the Department of Community Affairs.

3 "Director" means the Director of the Division of Local Government
4 Services in the Department of Community Affairs.

5 "Eligible municipality" means a municipality **[which]** that is
6 qualified to receive assistance under P.L.1978, c.14 (C.52:27D-178 et
7 seq.), a municipality under the supervision of the Local Finance Board
8 pursuant to the provisions of the "Local Government Supervision Act
9 (1947)," P.L.1947, c.151 (C.52:27BB-1 et seq.), **'[or]'** **[a**
10 municipality which has issued qualified bonds pursuant to the
11 provisions of the "Municipal Qualified Bond Act," P.L.1976, c.38
12 (C.40A:3-1 et seq.)] **'a municipality that has issued qualified bonds**
13 **pursuant to the provisions of the "Municipal Qualified Bond Act,"**
14 **P.L.1976, c.38 (C.40A:3-1 et seq.), or** **'a municipality identified by the**
15 **director to be facing serious fiscal distress.**

16 (cf: P.L.1987, c.75, s.3)

17

18 3. Section 5 of P.L.1987, c.75 (C.52:27D-118.28) is amended to
19 read as follows:

20 5. Whenever the director, during the exercise of **[his]** the
21 director's duty under the provisions of the "Local Budget Law,"
22 N.J.S.40A:4-1 et seq., to examine each local budget, or upon the basis
23 of any other information and data available to **[him]** the director, shall
24 find that an eligible municipality is experiencing fiscal distress and may
25 require assistance under **[this act]** P.L.1987, c.75 (C.52:27D-118.24
26 et seq.), **[he]** the director shall **[forthwith]** notify the Local Finance
27 Board of **[his]** the director's finding. The director's finding of fiscal
28 distress in an eligible municipality may be based on the municipality's
29 tax rate, cash deficit, insufficient percentage of tax collections,
30 insufficient collection of other revenues, over-anticipation of the
31 revenues of prior years, non-liquidation of interfund transfers, reliance
32 on emergency authorizations, continual rollover of tax anticipation
33 notes, or other factors indicating a constrained ability to raise
34 sufficient revenues to meet its budgetary requirements.

35 **[Within five days of that notification, the Local Finance Board shall**
36 **meet to review the director's findings. If the board shall concur with**
37 **the director's findings, it shall, through the director, so notify the**
38 **governing body of the eligible municipality.]**

39 At a time and place determined by the director, **[the board,]** the
40 governing body of the eligible municipality, and any other interested
41 parties the director **[and the board]** may deem appropriate, shall meet
42 to review the implementation of the provisions of **[this act]** P.L.1987,
43 c.75 (C.52::27D-118.24 et seq.). The review shall include, but not be
44 limited to:

45 a. The director's assessment of the difference between the eligible

1 municipality's revenue needs for the current local budget year and its
2 revenue raising capacity for the current local budget year;

3 b. The actions the governing body of the eligible municipality
4 intends to take in the current local budget year to meet the
5 municipality's revenue needs; and

6 c. The actions the governing body intends to take to expand the
7 eligible municipality's local revenue generating capacity for subsequent
8 local budget years.

9 After the review has taken place, the director shall notify the board
10 of the findings of the review and shall recommend to the board actions
11 necessary to be taken by the municipality, which may include the
12 provision of short-term financial aid.

13 (cf: P.L.1987, c.75, s.5)

14

15 4. Section 6 of P.L.1987, c.75 (C.52:27D-118.29) is amended to
16 read as follows:

17 6. a. The board shall determine the total amounts of grants and
18 loans, or any combination thereof, to be provided to each eligible
19 municipality and the director shall certify that amount to the State
20 Treasurer and the governing body of the eligible municipality. In the
21 case of loans to an eligible municipality, the board shall set forth the
22 terms of the loan agreement, including whether or not any interest
23 shall be paid and, if so, the rate of that interest. The term of a loan
24 authorized under the provisions of **[this act]** P.L.1987, c.75
25 (C.52:27D-118.24 et seq.) shall not exceed 10 years.

26 As a condition of receiving assistance under the provisions of **[this**
27 **act]** P.L.1987, c.75 (C.52:27D-118.24 et seq.), an eligible
28 municipality shall implement any government, administrative and
29 operational efficiency, and oversight measures necessary for the fiscal
30 recovery**[measures]** of the municipality as recommended by the
31 director and approved by the board, and **[the municipality shall]** be
32 subject to management and fiscal audit by the director.

33 The determination of the board pursuant to **[this act]** P.L.1987,
34 c.75 as to the amount of financial assistance to be paid to an eligible
35 municipality shall be final and conclusive, and there shall be no appeal
36 therefrom nor any review thereof.

37 b. The director may withhold from an eligible municipality any
38 State aid payments that are disbursed by the Division of Local
39 Government Services if the director finds the municipality has failed
40 to implement fiscal recovery measures approved by the board. Upon
41 withholding an aid payment, the director shall report to the board the
42 circumstances surrounding the reasons for withholding aid. The board
43 shall then hold a hearing to give the eligible municipality an
44 opportunity to explain why such aid payments should not continue to
45 be withheld, and what action the eligible municipality plans to take to
46 implement the fiscal recovery measures. Upon completion of the

1 hearing, the board shall determine if State aid payments should
2 continue to be made to the municipality, establish a schedule for such
3 payments when appropriate, and determine what other actions should
4 be taken.

5 c. If an eligible municipality receives increased amounts of aid
6 under P.L.1987, c.75 (C.52:27D-118.24 et seq.) after January 1, 1999
7 and continues to receive such aid for two continuous fiscal years, at
8 the end of each second year, or at such other time the board deems
9 appropriate, the board shall hold a hearing for the eligible municipality
10 to demonstrate why the board should not create a financial review
11 board to oversee the fiscal condition of the eligible municipality. If the
12 board finds that the eligible municipality has successfully implemented
13 fiscal recovery measures or has otherwise acted to improve sufficiently
14 its fiscal condition, the board shall permit the eligible municipality to
15 continue to receive aid without the creation of a financial review board
16 and be subject to such other fiscal recovery conditions the board may
17 place on it; otherwise, the board shall order, by resolution, the creation
18 of a financial review board to operate in accordance with the
19 provisions of subsections b. through d. of section 5 of P.L. , c.
20 (C.) (now pending before the Legislature as this bill).
21 (cf: P.L.1987, c.75, s.6)

22
23 5. (New section) a. Upon a finding by the director that an eligible
24 municipality possesses conditions that create extreme difficulty in
25 adopting a budget in compliance with the "Local Budget Law,"
26 N.J.S.40A:4-1 et seq., in issuing indebtedness as permitted by law, or
27 in funding capital improvements essential to the protection of the
28 public health, safety, and welfare, the board may create, by resolution,
29 a financial review board for that municipality.

30 b. A financial review board shall be authorized to approve,
31 implement and enforce a financial plan for any municipality in which
32 it has been created. A financial review board so created shall consist
33 of five members, one of whom shall be the mayor of the municipality
34 or the mayor's designee; one of whom shall be appointed by the
35 Governor and shall be a resident of the municipality who is not an
36 elected official or employee of the municipality; one of whom shall be
37 the Commissioner of the Department of Community Affairs or the
38 commissioner's designee; one of whom shall be the State Treasurer or
39 the Treasurer's designee; and one of whom shall be appointed by the
40 Governor and shall be an officer of the Executive Branch of State
41 government. The financial review board shall exercise its powers and
42 duties under rules and regulations adopted by the board. A
43 municipality subject to a financial review board shall establish a
44 financial plan, subject to the financial review board's approval, to
45 address the budgetary, operational, capital and economic development
46 needs of the municipality. The financial review board shall also have

1 the power to approve: the annual budget of the municipality, the
2 issuance of debt, all contracts entered into during the time of
3 supervision of the financial review board, and municipal expenditures,
4 if so directed by the board, to the extent that the financial review
5 board shall specify. The financial review board may delegate to the
6 municipality such of its powers, under such circumstances and subject
7 to such conditions, as it may determine. A financial review board shall
8 operate until such time that the board finds that the conditions that led
9 to the creation of the financial review board have been substantially
10 abated.

11 c. At the end of each year of its operation the financial review
12 board shall report to the board on its activities. The report shall
13 include: a review of the financial review board's activities generally;
14 the status of the municipality's finances; recommendations concerning
15 the municipality's fiscal condition; the criteria for municipal
16 performance which will lead the financial review board to recommend
17 to the board that the financial review board be dissolved; a review of
18 the municipality's economic development needs, and policy
19 recommendations that would achieve those goals; comment on the
20 municipality's compliance with the financial review board's directives;
21 and any other information the financial review board deems necessary.
22 After review, a copy of the financial review board's report and any
23 comments of the board shall be forwarded to Governor, the Senate
24 President, the Senate Minority Leader, the Speaker of the General
25 Assembly, and the Assembly Minority Leader.

26 d. The board shall review the status of each municipality in which
27 a financial review board has been created at least each two years, at
28 which time the municipality shall be given the opportunity to
29 demonstrate why the financial review board should be ended or its role
30 modified. The board shall determine whether the municipality shall
31 continue to be subject to the oversight of the financial review board
32 and if the conditions that led to the creation of the financial review
33 board have been substantially abated, and shall take such other actions
34 as the board deems appropriate in light of the municipality's financial
35 condition.

36

37 6. Section 4 of P.L.1991, c.63 (C.52:27D-118.35) is amended to
38 read as follows:

39 4. The director shall on or before December 31, 1991 and annually
40 thereafter make distributions of "Supplemental Municipal Property Tax
41 Relief Act" **【discretionary】** extraordinary aid. The director shall
42 annually notify the chief financial officer of each municipality, other
43 than a municipality that received \$500,000 or more in regular grant
44 financial assistance in the prior year pursuant to the "Special Municipal
45 Aid Act," P.L.1987, c.75 (C.52:27D-118.24 et seq.), that, in addition
46 to State aid provided pursuant to section 3 of **【this act】** P.L.1991,
47 c.63 (C.52:27D-118.34), the municipality is eligible to apply for

1 "Supplemental Municipal Property Tax Relief Act" **【discretionary】**
 2 extraordinary aid. The municipality may apply to the board for
 3 financial assistance pursuant to this section on forms promulgated by
 4 the director.

5 (cf: P.L.1991, c.63, s.4)

6
 7 7. Section 5 of P.L.1991, c.63 (C.52:27D-118.36) is amended to
 8 read as follows:

9 5. The director shall select among the municipalities that have
 10 applied for **【discretionary】** extraordinary aid pursuant to section 4 of
 11 **【this act】** P.L.1991, c.63 (C.52:27D-118.35) and shall forward to the
 12 board the list of selected municipalities along with the amount of
 13 financial assistance to be paid to each municipality. The director in
 14 selecting among those eligible municipalities for payment of
 15 **【discretionary】** extraordinary aid shall use criteria which shall include:

16 a. whether a municipality is experiencing fiscal distress, whether
 17 the cost of providing municipal services is extraordinarily high, and
 18 whether the tax base is inadequate to meet property tax demands;

19 b. whether a municipality will use the extraordinary aid for costs
 20 associated with activities that improve operations and provide short-
 21 term and long-term property tax savings, including but not limited to
 22 shared and regionalized services, enhanced tax and revenue collection
 23 efforts and other activity that can be demonstrated to meet those
 24 requirements; or

25 c. whether a municipality has incurred other unusual or atypical
 26 expenses.

27 (cf: P.L.1991, c.63, s.5)

28
 29 8. (New section) The State Treasurer, in consultation with the
 30 Commissioner of the Department of Community Affairs, is empowered
 31 to direct the Director of the Division of Budget and Accounting to
 32 transfer from any State department to any other State department sums
 33 as may be necessary to provide a loan for a term not to exceed 30 days
 34 to a municipality faced with a fiscal crisis, including but not limited to
 35 a potential default on tax anticipation notes. Extension of a loan shall
 36 be conditioned on the municipality being "eligible municipality"
 37 pursuant to P.L.1987, c.75 (C.52:27D-118.24 et seq.).

38
 39 9. (New section) Notwithstanding the provisions of section 5 of
 40 P.L. , c. (C.) (now pending before the Legislature as this bill) or
 41 any other law to the contrary, in addition to other powers conferred
 42 by law, the Local Finance Board is hereby authorized to approve, by
 43 resolution, the continuation of the financial review board for the City
 44 of Camden as constituted which was created by the Local Finance
 45 Board pursuant to P.L.1998, c.45. On and after the continuation of
 46 the financial review board pursuant to resolution of the Local Finance
 47 Board, the financial review board is deemed to be a financial review

1 board created pursuant to section 5 of P.L. , c. (C.), and in
 2 all other respects subject to the procedures pursuant to that section.
 3 For the purposes of subsections c. and d. of section 5 of P.L. , c.
 4 (C.), June 30, 2000 is, if municipality continues to be subject
 5 to the oversight of the financial review board at that date, deemed to
 6 be the end of the second year in which the financial review board has
 7 been in operation.

8
 9 ¹10. The following language provision in section 1 of P.L.1999,
 10 c.138, the State fiscal year 2000 annual appropriations act is amended
 11 to read as follows:

12
 13 **22 DEPARTMENT OF COMMUNITY AFFAIRS**

14 **40 *Community Development and Environmental Management***

15 **41 *Community Development Management* STATE AID**

16
 17 **[In the event that \$30,000,000 is not appropriated as supplementary**
 18 **Extraordinary Aid, there is appropriated such sum for such purpose.]¹**
 19 (cf: P.L.1999, c.138, s.1)

20
 21 ¹**[10.] 11.**¹ There is appropriated \$72,500,000 from the General
 22 Fund to the Department of Community Affairs, to be allocated as
 23 follows: \$40,500,000 is allocated for distribution pursuant to the
 24 "Special Municipal Aid Act," P.L.1987, c.75 (C.52:27D-118.24 et
 25 seq.); \$2,000,000 is allocated to the Division of Local Government
 26 Services for costs of administration of fiscal and management audits
 27 and other fiscal oversight and assistance efforts under the "Special
 28 Municipal Aid Act," P.L.1987, c.75 (C.52:27D-118.24 et seq.); and
 29 \$30,000,000 is allocated for distribution as extraordinary aid pursuant
 30 to sections 4 and 5 of P.L.1991, c.63 (C.52:27D-118.35 and 52:27D-
 31 118.35) provided, that the \$10,000,000 of the \$30,000,000 that was
 32 not anticipated in the Governor's Budget Recommendation for State
 33 Fiscal Year 1999-2000 shall be allocated between municipalities with
 34 calendar year and State fiscal year budgets in the same proportion as
 35 the \$20,000,000 was allocated, and the allocation to calendar year
 36 municipalities shall be distributed to the calendar municipalities that
 37 had applied for aid as anticipated under the Governor's Budget
 38 Recommendation for State Fiscal Year 1999-2000.

39
 40 ¹**[11.] 12.**¹ This act shall take effect immediately.

41
 42
 43
 44
 45 Concerns special municipal aid and extraordinary municipal aid;
 46 appropriates \$72,500,000 to DCA for aid and administrative costs.

ASSEMBLY, No. 3320

STATE OF NEW JERSEY

208th LEGISLATURE

INTRODUCED JUNE 21, 1999

Sponsored by:

Assemblyman KEVIN J. O'TOOLE

District 21 (Essex and Union)

Assemblyman FRANCIS J. BLEE

District 2 (Atlantic)

Co-Sponsored by:

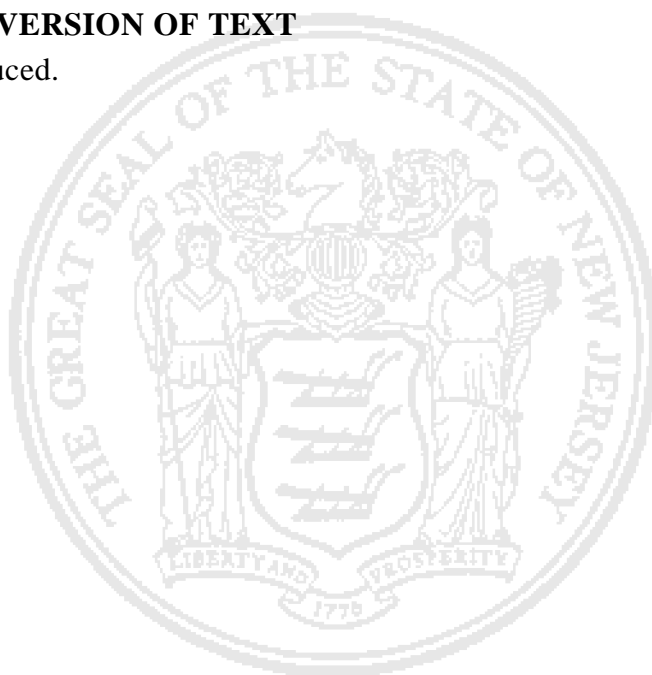
**Assemblymen Jones, Stanley, Caraballo, DiGaetano, Bagger, Kelly,
Weingarten and Lance**

SYNOPSIS

Concerns special municipal aid and extraordinary municipal aid; appropriates \$72,500,000 to DCA for aid and administrative costs.

CURRENT VERSION OF TEXT

As introduced.



(Sponsorship Updated As Of: 6/25/1999)

A3320 O'TOOLE, BLEE

2

1 AN ACT concerning special municipal aid and extraordinary municipal
2 aid, amending and supplementing P.L.1987, c.75, amending
3 P.L.1991, c.63, supplementing Title 52 of the Revised Statutes, and
4 making an appropriation.

5

6 **BE IT ENACTED** by the Senate and General Assembly of the State
7 of New Jersey:

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28 municipalities not only in meeting their immediate budgetary needs,
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30 (cf: P.L.1987, c.75, s.2)

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32 2. Section 3 of P.L.1987, c.75 (C.52:27D-118.26) is amended to
33 read as follows:

34 3. As used in this act:

35 "Board" means the Local Finance Board of the Division of Local
36 Government Services in the Department of Community Affairs.

37 "Director" means the Director of the Division of Local Government
38 Services in the Department of Community Affairs.

39 "Eligible municipality" means a municipality **[which]** that is
40 qualified to receive assistance under P.L. 1978, c. 14 (C. 52:27D-178
41 et seq.), a municipality under the supervision of the Local Finance
42 Board pursuant to the provisions of the "Local Government

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.

1 Supervision Act (1947)," P.L.1947, c.151 (C.52:27BB-1 et seq.), or
2 [a municipality which has issued qualified bonds pursuant to the
3 provisions of the "Municipal Qualified Bond Act," P.L.1976, c.38
4 (C.40A:3-1 et seq.)] a municipality identified by the director to be
5 facing serious fiscal distress.
6 (cf: P.L.1987, c.75, s.3)
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8 3. Section 5 of P.L.1987, c.75 (C.52:27D-118.28) is amended to
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13 of any other information and data available to [him] the director, shall
14 find that an eligible municipality is experiencing fiscal distress and may
15 require assistance under [this act] P.L.1987, c.75 (C.52:27D-118.24
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17 Board of [his] the director's finding. The director's finding of fiscal
18 distress in an eligible municipality may be based on the municipality's
19 tax rate, cash deficit, insufficient percentage of tax collections,
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21 revenues of prior years, non-liquidation of interfund transfers, reliance
22 on emergency authorizations, continual rollover of tax anticipation
23 notes, or other factors indicating a constrained ability to raise
24 sufficient revenues to meet its budgetary requirements.

25 [Within five days of that notification, the Local Finance Board shall
26 meet to review the director's findings. If the board shall concur with
27 the director's findings, it shall, through the director, so notify the
28 governing body of the eligible municipality.]

29 At a time and place determined by the director, [the board,] the
30 governing body of the eligible municipality, and any other interested
31 parties the director [and the board] may deem appropriate, shall meet
32 to review the implementation of the provisions of [this act] P.L.1987,
33 c.75 (C.52::27D-118.24 et seq.). The review shall include, but not be
34 limited to:

35 a. The director's assessment of the difference between the eligible
36 municipality's revenue needs for the current local budget year and its
37 revenue raising capacity for the current local budget year;

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39 intends to take in the current local budget year to meet the
40 municipality's revenue needs; and

41 c. The actions the governing body intends to take to expand the
42 eligible municipality's local revenue generating capacity for subsequent
43 local budget years.

44 After the review has taken place, the director shall notify the board
45 of the findings of the review and shall recommend to the board actions

1 necessary to be taken by the municipality, which may include the
2 provision of short-term financial aid.

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5 4. Section 6 of P.L.1987, c.75 (C.52:27D-118.29) is amended to
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10 Treasurer and the governing body of the eligible municipality. In the
11 case of loans to an eligible municipality, the board shall set forth the
12 terms of the loan agreement, including whether or not any interest
13 shall be paid and, if so, the rate of that interest. The term of a loan
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15 (C.52:27D-118.24 et seq.) shall not exceed 10 years.

16 As a condition of receiving assistance under the provisions of [this
17 act] P.L.1987, c.75 (C.52:27D-118.24 et seq.), an eligible
18 municipality shall implement any government, administrative and
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10 (C.) (now pending before the Legislature as this bill).
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13 5. (New section) a. Upon a finding by the director that an eligible
14 municipality possesses conditions that create extreme difficulty in
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25 Governor and shall be a resident of the municipality who is not an
26 elected official or employee of the municipality; one of whom shall be
27 the Commissioner of the Department of Community Affairs or the
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35 address the budgetary, operational, capital and economic development
36 needs of the municipality. The financial review board shall also have
37 the power to approve: the annual budget of the municipality, the
38 issuance of debt, all contracts entered into during the time of
39 supervision of the financial review board, and municipal expenditures,
40 if so directed by the board, to the extent that the financial review
41 board shall specify. The financial review board may delegate to the
42 municipality such of its powers, under such circumstances and subject
43 to such conditions, as it may determine. A financial review board shall
44 operate until such time that the board finds that the conditions that led
45 to the creation of the financial review board have been substantially
46 abated.

1 c. At the end of each year of its operation the financial review
2 board shall report to the board on its activities. The report shall
3 include: a review of the financial review board's activities generally;
4 the status of the municipality's finances; recommendations concerning
5 the municipality's fiscal condition; the criteria for municipal
6 performance which will lead the financial review board to recommend
7 to the board that the financial review board be dissolved; a review of
8 the municipality's economic development needs, and policy
9 recommendations that would achieve those goals; comment on the
10 municipality's compliance with the financial review board's directives;
11 and any other information the financial review board deems necessary.
12 After review, a copy of the financial review board's report and any
13 comments of the board shall be forwarded to Governor, the Senate
14 President, the Senate Minority Leader, the Speaker of the General
15 Assembly, and the Assembly Minority Leader.

16 d. The board shall review the status of each municipality in which
17 a financial review board has been created at least each two years, at
18 which time the municipality shall be given the opportunity to
19 demonstrate why the financial review board should be ended or its role
20 modified. The board shall determine whether the municipality shall
21 continue to be subject to the oversight of the financial review board
22 and if the conditions that led to the creation of the financial review
23 board have been substantially abated, and shall take such other actions
24 as the board deems appropriate in light of the municipality's financial
25 condition.

26

27 6. Section 4 of P.L.1991, c.63 (C.52:27D-118.35) is amended to
28 read as follows:

29 4. The director shall on or before December 31, 1991 and
30 annually thereafter make distributions of "Supplemental Municipal
31 Property Tax Relief Act" [discretionary] extraordinary aid. The
32 director shall annually notify the chief financial officer of each
33 municipality, other than a municipality that received \$500,000 or more
34 in regular grant financial assistance in the prior year pursuant to the
35 "Special Municipal Aid Act," P.L.1987, c.75 (C.52:27D-118.24 et
36 seq.), that, in addition to State aid provided pursuant to section 3 of
37 [this act] P.L.1991, c.63 (C.52:27D-118.34), the municipality is
38 eligible to apply for "Supplemental Municipal Property Tax Relief Act"
39 [discretionary] extraordinary aid. The municipality may apply to the
40 board for financial assistance pursuant to this section on forms
41 promulgated by the director.

42 (cf: P.L.1991, c.63, s.4)

43

44 7. Section 5 of P.L.1991, c.63 (C.52:27D-118.36) is amended to
45 read as follows:

46 5. The director shall select among the municipalities that have

1 applied for [discretionary] extraordinary aid pursuant to section 4 of
2 [this act] P.L.1991, c.63 (C.52:27D-118.35) and shall forward to the
3 board the list of selected municipalities along with the amount of
4 financial assistance to be paid to each municipality. The director in
5 selecting among those eligible municipalities for payment of
6 [discretionary] extraordinary aid shall use criteria which shall include:
7 a. whether a municipality is experiencing fiscal distress, whether the
8 cost of providing municipal services is extraordinarily high, and
9 whether the tax base is inadequate to meet property tax demands;
10 b. whether a municipality will use the extraordinary aid for costs
11 associated with activities that improve operations and provide short-
12 term and long-term property tax savings, including but not limited to
13 shared and regionalized services, enhanced tax and revenue collection
14 efforts and other activity that can be demonstrated to meet those
15 requirements; or
16 c. whether a municipality has incurred other unusual or atypical
17 expenses.
18 (cf: P.L.1991, c.63, s.5)

19
20 8. (New section) The State Treasurer, in consultation with the
21 Commissioner of the Department of Community Affairs, is empowered
22 to direct the Director of the Division of Budget and Accounting to
23 transfer from any State department to any other State department sums
24 as may be necessary to provide a loan for a term not to exceed 30 days
25 to a municipality faced with a fiscal crisis, including but not limited to
26 a potential default on tax anticipation notes. Extension of a loan shall
27 be conditioned on the municipality being "eligible municipality"
28 pursuant to P.L.1987, c.75 (C.52:27D-118.24 et seq.).

29
30 9. Notwithstanding the provisions of section 5 of P.L. , c.
31 (C.) (now pending before the Legislature as this bill) or any other
32 law to the contrary, in addition to other powers conferred by law, the
33 Local Finance Board is hereby authorized to approve, by resolution,
34 the continuation of the financial review board for the City of Camden
35 as constituted which was created by the Local Finance Board pursuant
36 to P.L. 1998, c.45. On and after the continuation of the financial
37 review board pursuant to resolution of the Local Finance Board, the
38 financial review board is deemed to be a financial review board
39 created pursuant to section 5 of P.L. , c. (C.), and in all other
40 respects subject to the procedures pursuant to that section. For the
41 purposes of subsections c. and d. of section 5 of P.L. , c. (C.),
42 June 30, 2000 is, if municipality continues to be subject to the
43 oversight of the financial review board at that date, deemed to be the
44 end of the second year in which the financial review board has been in
45 operation.

1 10. There is appropriated \$72,500,000 from the General Fund to
2 the Department of Community Affairs, to be allocated as follows:
3 \$40,500,000 is allocated for distribution pursuant to the "Special
4 Municipal Aid Act," P.L.1987, c.75 (C.52:27D-118.24 et seq.);
5 \$2,000,000 is allocated to the Division of Local Government Services
6 for costs of administration of fiscal and management audits and other
7 fiscal oversight and assistance efforts under the "Special Municipal Aid
8 Act," P.L.1987, c.75 (C.52:27D-118.24 et seq.); and \$30,000,000 is
9 allocated for distribution as extraordinary aid pursuant to sections 4
10 and 5 of P.L.1991, c.63 (C.52:27D-118.35 and 52:27D-118.35)
11 provided, that the \$10,000,000 of the \$30,000,000 that was not
12 anticipated in the Governor's Budget Recommendation for State Fiscal
13 Year 1999-2000 shall be allocated between municipalities with
14 calendar year and State fiscal year budgets in the same proportion as
15 the \$20,000,000 was allocated, and the allocation to calendar year
16 municipalities shall be distributed to the calendar municipalities that
17 had applied for aid as anticipated under the Governor's Budget
18 Recommendation for State Fiscal Year 1999-2000.

19

20 11. This act shall take effect immediately.

21

22

23

STATEMENT

24

25 This bill revises the Special Municipal Aid Act, creates a new
26 Extraordinary Aid program for municipalities, confers emergency
27 municipal fiscal assistance powers on the State Treasurer and
28 appropriates \$72,500,000 for State aid to municipalities.

29 The bill expands the conditions that qualify a municipality for
30 special municipal aid to include the identification of a municipality by
31 Director of the Division of Local Affairs in the Department of
32 Community Affairs as facing serious fiscal distress. In providing State
33 aid assistance payments under the Special Municipal Aid Act, the
34 director may condition those payments and other payments of State aid
35 upon the implementation of fiscal recovery measures approved by the
36 Local Finance Board.

37 The bill provides that upon a finding by the Director of the
38 Division of Local Affairs that an eligible municipality possesses
39 conditions that create extreme difficulty in adopting a budget in
40 compliance with the "Local Budget Law," N.J.S.40A:4-1 et seq., in
41 issuing indebtedness as permitted by law, or in funding capital
42 improvements essential to the protection of the public health, safety,
43 and welfare, the Local Finance Board may create, by resolution, a
44 financial review board for that municipality.

45 The five member financial review board, consisting of Gubernatorial
46 appointees, including the mayor of the municipality, a municipal

1 resident who is not an elected official or employee of the municipality,
2 the Commissioner of the Department of Community Affairs, the State
3 Treasurer, and another officer of the Executive Branch, or their
4 designees, will approve, implement and enforce a financial plan for its
5 municipality. The financial review board shall also have the power to
6 approve: the annual budget of the municipality, the issuance of debt,
7 all contracts entered into during the time of supervision of the financial
8 review board, and municipal expenditures, if so directed by the board,
9 to the extent that the financial review board shall specify. The review
10 board will report annually on the status of the municipality's finances,
11 fiscal condition, compliance with the review board's directives, the
12 criteria for municipal performance that will lead the financial review
13 board to be dissolved, a review of the municipality's economic
14 development needs and policy recommendations, and any other
15 necessary information.

16 The Local Finance Board will review the status of the affected
17 municipality at least each two years, at which time the municipality
18 shall be given the opportunity to demonstrate why the financial review
19 board should be ended or its role modified.

20 The bill expands the current discretionary aid program under the
21 "Supplemental Municipal Property Tax Relief Act" to provide a new
22 Extraordinary Aid program for municipalities for costs associated with
23 activities that improve operations and provide short-term and long-
24 term property tax savings, including but not limited to shared and
25 regionalized services, enhanced tax and revenue collection efforts, and
26 similar goals, and for extraordinary or atypical expenses.

27 The bill gives the State Treasurer power to direct the transfer of
28 sums necessary to provide up to a 30 day loan to a municipality faced
29 with a fiscal crisis, including but not limited to a potential default on
30 tax anticipation notes, conditioned on the municipality agreeing to a
31 an operational audit.

32 The bill appropriates \$72,500,000: \$40,500,000 for supplemental
33 municipal property tax relief, \$2,000,000 for administration of the
34 supplemental relief fiscal oversight and assistance, and \$30,000,000
35 for extraordinary municipal aid.

ASSEMBLY APPROPRIATIONS COMMITTEE

STATEMENT TO

ASSEMBLY, No. 3320

STATE OF NEW JERSEY

DATED: JUNE 21, 1999

The Assembly Appropriations Committee reports favorably Assembly Bill No. 3320.

Assembly Bill No 3320 revises the Special Municipal Aid Act, creates a new Extraordinary Aid program for municipalities, confers emergency municipal fiscal assistance powers on the State Treasurer and appropriates \$72,500,000 for State aid to municipalities.

The bill expands the conditions that qualify a municipality for special municipal aid to include the identification of a municipality by Director of the Division of Local Affairs in the Department of Community Affairs as facing serious fiscal distress. In providing State aid assistance payments under the Special Municipal Aid Act, the director may condition those payments and other payments of State aid upon the implementation of fiscal recovery measures approved by the Local Finance Board.

The bill provides that upon a finding by the Director of the Division of Local Affairs that an eligible municipality possesses conditions that create extreme difficulty in adopting a budget in compliance with the "Local Budget Law," N.J.S.40A:4-1 et seq., in issuing indebtedness as permitted by law, or in funding capital improvements essential to the protection of the public health, safety, and welfare, the Local Finance Board may create, by resolution, a financial review board for that municipality.

The five member financial review board, consisting of Gubernatorial appointees, including the mayor of the municipality, a municipal resident who is not an elected official or employee of the municipality, the Commissioner of the Department of Community Affairs, the State Treasurer, and another officer of the Executive Branch, or their designees, will approve, implement and enforce a financial plan for its municipality. The financial review board shall also have the power to approve: the annual budget of the municipality, the issuance of debt, all contracts entered into during the time of supervision of the financial review board, and municipal expenditures, if so directed by the board, to the extent that the financial review board shall specify. The review board will report annually on the status of the municipality's finances, fiscal condition, compliance with the review board's directives, the criteria for municipal performance that will lead the financial review board to be dissolved, a review of

the municipality's economic development needs and policy recommendations, and any other necessary information.

The Local Finance Board will review the status of the affected municipality at least each two years, at which time the municipality shall be given the opportunity to demonstrate why the financial review board should be ended or its role modified.

The bill expands the current discretionary aid program under the "Supplemental Municipal Property Tax Relief Act" to provide a new Extraordinary Aid program for municipalities for costs associated with activities that improve operations and provide short-term and long-term property tax savings, including but not limited to shared and regionalized services, enhanced tax and revenue collection efforts, and similar goals, and for extraordinary or atypical expenses.

The bill gives the State Treasurer power to direct the transfer of sums necessary to provide up to a 30 day loan to a municipality faced with a fiscal crisis, including but not limited to a potential default on tax anticipation notes, conditioned on the municipality agreeing to an operational audit.

FISCAL IMPACT:

The bill appropriates \$72,500,000: \$40,500,000 for supplemental municipal property tax relief, \$2,000,000 for administration of the supplemental relief fiscal oversight and assistance, and \$30,000,000 for extraordinary municipal aid.

STATEMENT TO
ASSEMBLY, No. 3320

with Assembly Floor Amendments
(Proposed By Assemblyman O'TOOLE)

ADOPTED: JUNE 24, 1999

This amendment assures that municipalities that have issued qualified bonds pursuant to the provisions of the "Municipal Qualified Bond Act" and are currently eligible municipalities pursuant to the Special Municipal Aid Act will remain eligible municipalities.

This amendment also deletes a duplicative appropriation in the State Fiscal Year 2000 annual appropriations act.

SENATE, No. 2043

STATE OF NEW JERSEY
208th LEGISLATURE

INTRODUCED JUNE 21, 1999

Sponsored by:

Senator ROBERT E. LITTELL

District 24 (Sussex, Hunterdon and Morris)

SYNOPSIS

Concerns special municipal aid and extraordinary municipal aid; appropriates \$72,500,000 to DCA for aid and administrative costs.

CURRENT VERSION OF TEXT

As introduced.



S2043 LITTELL

2

1 AN ACT concerning special municipal aid and extraordinary municipal
2 aid, amending and supplementing P.L.1987, c.75, amending
3 P.L.1991, c.63, supplementing Title 52 of the Revised Statutes, and
4 making an appropriation.

5

6 **BE IT ENACTED** by the Senate and General Assembly of the State
7 of New Jersey:

8

9 1. Section 2 of P.L.1987, c.75 (C.52:27D-118.25) is amended to
10 read as follows:

11 2. The Legislature finds that certain large and small municipalities
12 in this State **are currently experiencing** experience fiscal distress as
13 a result of insufficient collection of tax revenues, insufficient collection
14 of other revenues, over-anticipation of revenues of prior years, or from
15 other causes; that these municipalities **currently** function within
16 stringent budgetary constraints, straining their revenue sources to
17 provide basic public services for their residents; that these
18 municipalities may benefit from the expertise of the State in
19 recommending fiscal recovery measures designed to alleviate the fiscal
20 distress they are currently experiencing; and that short-term State
21 assistance, in the form of State grants and loans, may provide the
22 temporary revenue bridge these few municipalities need in order to
23 overcome their current difficulties and regain their financial stability.

24 The Legislature, therefore, declares that it is fitting and proper, and
25 within the public interest, to provide **short-term** loans and grants to
26 certain municipalities **currently** experiencing budgetary difficulties
27 in generating adequate local revenues in order to assist those
28 municipalities not only in meeting their immediate budgetary needs,
29 but also to enable them to regain their financial stability.

30 (cf: P.L.1987, c.75, s.2)

31

32 2. Section 3 of P.L.1987, c.75 (C.52:27D-118.26) is amended to
33 read as follows:

34 3. As used in this act:

35 "Board" means the Local Finance Board of the Division of Local
36 Government Services in the Department of Community Affairs.

37 "Director" means the Director of the Division of Local Government
38 Services in the Department of Community Affairs.

39 "Eligible municipality" means a municipality **which** that is
40 qualified to receive assistance under P.L.1978, c.14 (C.52:27D-178 et
41 seq.), a municipality under the supervision of the Local Finance Board
42 pursuant to the provisions of the "Local Government Supervision Act

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.

1 (1947)," P.L.1947, c.151 (C.52:27BB-1 et seq.), or **【a municipality**
2 which has issued qualified bonds pursuant to the provisions of the
3 "Municipal Qualified Bond Act," P.L.1976, c.38 (C.40A:3-1 et seq.)**】**
4 a municipality identified by the director to be facing serious fiscal
5 distress.
6 (cf: P.L.1987, c.75, s.3)
7

8 3. Section 5 of P.L.1987, c.75 (C.52:27D-118.28) is amended to
9 read as follows:

10 5. Whenever the director, during the exercise of **【his】** the
11 director's duty under the provisions of the "Local Budget Law,"
12 N.J.S.40A:4-1 et seq., to examine each local budget, or upon the basis
13 of any other information and data available to **【him】** the director, shall
14 find that an eligible municipality is experiencing fiscal distress and may
15 require assistance under **【this act】**P.L.1987, c.75 (C.52:27D-118.24
16 et seq.), **【he】** the director shall **【forthwith】** notify the Local Finance
17 Board of **【his】** the director's finding. The director's finding of fiscal
18 distress in an eligible municipality may be based on the municipality's
19 tax rate, cash deficit, insufficient percentage of tax collections,
20 insufficient collection of other revenues, over-anticipation of the
21 revenues of prior years, non-liquidation of interfund transfers, reliance
22 on emergency authorizations, continual rollover of tax anticipation
23 notes, or other factors indicating a constrained ability to raise
24 sufficient revenues to meet its budgetary requirements.

25 **【Within five days of that notification, the Local Finance Board shall**
26 **meet to review the director's findings. If the board shall concur with**
27 **the director's findings, it shall, through the director, so notify the**
28 **governing body of the eligible municipality. 】**

29 At a time and place determined by the director, **【the board,】** the
30 governing body of the eligible municipality, and any other interested
31 parties the director **【and the board】** may deem appropriate, shall meet
32 to review the implementation of the provisions of **【this act】** P.L.1987,
33 c.75 (C.52::27D-118.24 et seq.). The review shall include, but not be
34 limited to:

35 a. The director's assessment of the difference between the eligible
36 municipality's revenue needs for the current local budget year and its
37 revenue raising capacity for the current local budget year;

38 b. The actions the governing body of the eligible municipality
39 intends to take in the current local budget year to meet the
40 municipality's revenue needs; and

41 c. The actions the governing body intends to take to expand the
42 eligible municipality's local revenue generating capacity for subsequent
43 local budget years.

44 After the review has taken place, the director shall notify the board
45 of the findings of the review and shall recommend to the board actions

1 necessary to be taken by the municipality, which may include the
2 provision of short-term financial aid.

3 (cf: P.L.1987, c.75, s.5)

4

5 4. Section 6 of P.L.1987, c.75 (C.52:27D-118.29) is amended to
6 read as follows:

7 6. a. The board shall determine the total amounts of grants and
8 loans, or any combination thereof, to be provided to each eligible
9 municipality and the director shall certify that amount to the State
10 Treasurer and the governing body of the eligible municipality. In the
11 case of loans to an eligible municipality, the board shall set forth the
12 terms of the loan agreement, including whether or not any interest
13 shall be paid and, if so, the rate of that interest. The term of a loan
14 authorized under the provisions of **【this act】** P.L.1987, c.75
15 (C.52:27D-118.24 et seq.) shall not exceed 10 years.

16 As a condition of receiving assistance under the provisions of **【this**
17 **act】** P.L.1987, c.75 (C.52:27D-118.24 et seq.), an eligible
18 municipality shall implement any government, administrative and
19 operational efficiency, and oversight measures necessary for the fiscal
20 recovery**【measures】** of the municipality as recommended by the
21 director and approved by the board, and **【the municipality shall】** be
22 subject to management and fiscal audit by the director.

23 The determination of the board pursuant to **【this act】** P.L.1987,
24 c.75 as to the amount of financial assistance to be paid to an eligible
25 municipality shall be final and conclusive, and there shall be no appeal
26 therefrom nor any review thereof.

27 b. The director may withhold from an eligible municipality any
28 State aid payments that are disbursed by the Division of Local
29 Government Services if the director finds the municipality has failed
30 to implement fiscal recovery measures approved by the board. Upon
31 withholding an aid payment, the director shall report to the board the
32 circumstances surrounding the reasons for withholding aid. The board
33 shall then hold a hearing to give the eligible municipality an
34 opportunity to explain why such aid payments should not continue to
35 be withheld, and what action the eligible municipality plans to take to
36 implement the fiscal recovery measures. Upon completion of the
37 hearing, the board shall determine if State aid payments should
38 continue to be made to the municipality, establish a schedule for such
39 payments when appropriate, and determine what other actions should
40 be taken.

41 c. If an eligible municipality receives increased amounts of aid
42 under P.L.1987, c.75 (C.52:27D-118.24 et seq.) after January 1, 1999
43 and continues to receive such aid for two continuous fiscal years, at
44 the end of each second year, or at such other time the board deems
45 appropriate, the board shall hold a hearing for the eligible municipality
46 to demonstrate why the board should not create a financial review

1 board to oversee the fiscal condition of the eligible municipality. If the
2 board finds that the eligible municipality has successfully implemented
3 fiscal recovery measures or has otherwise acted to improve sufficiently
4 its fiscal condition, the board shall permit the eligible municipality to
5 continue to receive aid without the creation of a financial review board
6 and be subject to such other fiscal recovery conditions the board may
7 place on it; otherwise, the board shall order, by resolution, the creation
8 of a financial review board to operate in accordance with the
9 provisions of subsections b. through d. of section 5 of P.L. _____, c.
10 (C. _____) (now pending before the Legislature as this bill).
11 (cf: P.L.1987, c.75, s.6)

12

13 5. (New section) a. Upon a finding by the director that an eligible
14 municipality possesses conditions that create extreme difficulty in
15 adopting a budget in compliance with the "Local Budget Law,"
16 N.J.S.40A:4-1 et seq., in issuing indebtedness as permitted by law, or
17 in funding capital improvements essential to the protection of the
18 public health, safety, and welfare, the board may create, by resolution,
19 a financial review board for that municipality.

20 b. A financial review board shall be authorized to approve,
21 implement and enforce a financial plan for any municipality in which
22 it has been created. A financial review board so created shall consist
23 of five members, one of whom shall be the mayor of the municipality
24 or the mayor's designee; one of whom shall be appointed by the
25 Governor and shall be a resident of the municipality who is not an
26 elected official or employee of the municipality; one of whom shall be
27 the Commissioner of the Department of Community Affairs or the
28 commissioner's designee; one of whom shall be the State Treasurer or
29 the Treasurer's designee; and one of whom shall be appointed by the
30 Governor and shall be an officer of the Executive Branch of State
31 government. The financial review board shall exercise its powers and
32 duties under rules and regulations adopted by the board. A
33 municipality subject to a financial review board shall establish a
34 financial plan, subject to the financial review board's approval, to
35 address the budgetary, operational, capital and economic development
36 needs of the municipality. The financial review board shall also have
37 the power to approve: the annual budget of the municipality, the
38 issuance of debt, all contracts entered into during the time of
39 supervision of the financial review board, and municipal expenditures,
40 if so directed by the board, to the extent that the financial review
41 board shall specify. The financial review board may delegate to the
42 municipality such of its powers, under such circumstances and subject
43 to such conditions, as it may determine. A financial review board shall
44 operate until such time that the board finds that the conditions that led
45 to the creation of the financial review board have been substantially
46 abated.

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1 c. At the end of each year of its operation the financial review
2 board shall report to the board on its activities. The report shall
3 include: a review of the financial review board's activities generally;
4 the status of the municipality's finances; recommendations concerning
5 the municipality's fiscal condition; the criteria for municipal
6 performance which will lead the financial review board to recommend
7 to the board that the financial review board be dissolved; a review of
8 the municipality's economic development needs, and policy
9 recommendations that would achieve those goals; comment on the
10 municipality's compliance with the financial review board's directives;
11 and any other information the financial review board deems necessary.
12 After review, a copy of the financial review board's report and any
13 comments of the board shall be forwarded to Governor, the Senate
14 President, the Senate Minority Leader, the Speaker of the General
15 Assembly, and the Assembly Minority Leader.

16 d. The board shall review the status of each municipality in which
17 a financial review board has been created at least each two years, at
18 which time the municipality shall be given the opportunity to
19 demonstrate why the financial review board should be ended or its role
20 modified. The board shall determine whether the municipality shall
21 continue to be subject to the oversight of the financial review board
22 and if the conditions that led to the creation of the financial review
23 board have been substantially abated, and shall take such other actions
24 as the board deems appropriate in light of the municipality's financial
25 condition.

26

27 6. Section 4 of P.L.1991, c.63 (C.52:27D-118.35) is amended to
28 read as follows:

29 4. The director shall on or before December 31, 1991 and
30 annually thereafter make distributions of "Supplemental Municipal
31 Property Tax Relief Act" **【discretionary】** extraordinary aid. The
32 director shall annually notify the chief financial officer of each
33 municipality, other than a municipality that received \$500,000 or more
34 in regular grant financial assistance in the prior year pursuant to the
35 "Special Municipal Aid Act," P.L.1987, c.75 (C.52:27D-118.24 et
36 seq.), that, in addition to State aid provided pursuant to section 3 of
37 **【this act】** P.L.1991, c.63 (C.52:27D-118.34), the municipality is
38 eligible to apply for "Supplemental Municipal Property Tax Relief Act"
39 **【discretionary】** extraordinary aid. The municipality may apply to the
40 board for financial assistance pursuant to this section on forms
41 promulgated by the director.

42 (cf: P.L.1991, c.63, s.4)

43

44 7. Section 5 of P.L.1991, c.63 (C.52:27D-118.36) is amended to
45 read as follows:

46 5. The director shall select among the municipalities that have

1 applied for **discretionary** extraordinary aid pursuant to section 4 of
2 **this act** P.L.1991, c.63 (C.52:27D-118.35) and shall forward to the
3 board the list of selected municipalities along with the amount of
4 financial assistance to be paid to each municipality. The director in
5 selecting among those eligible municipalities for payment of
6 **discretionary** extraordinary aid shall use criteria which shall include:
7 a. whether a municipality is experiencing fiscal distress, whether the
8 cost of providing municipal services is extraordinarily high, and
9 whether the tax base is inadequate to meet property tax demands;
10 b. whether a municipality will use the extraordinary aid for costs
11 associated with activities that improve operations and provide short-
12 term and long-term property tax savings, including but not limited to
13 shared and regionalized services, enhanced tax and revenue collection
14 efforts and other activity that can be demonstrated to meet those
15 requirements; or
16 c. whether a municipality has incurred other unusual or atypical
17 expenses.
18 (cf: P.L.1991, c.63, s.5)

19
20 8. (New section) The State Treasurer, in consultation with the
21 Commissioner of the Department of Community Affairs, is empowered
22 to direct the Director of the Division of Budget and Accounting to
23 transfer from any State department to any other State department sums
24 as may be necessary to provide a loan for a term not to exceed 30 days
25 to a municipality faced with a fiscal crisis, including but not limited to
26 a potential default on tax anticipation notes. Extension of a loan shall
27 be conditioned on the municipality being "eligible municipality"
28 pursuant to P.L.1987, c.75 (C.52:27D-118.24 et seq.).

29
30 9. Notwithstanding the provisions of section 5 of P.L. , c.
31 (C.) (now pending before the Legislature as this bill) or any other
32 law to the contrary, in addition to other powers conferred by law, the
33 Local Finance Board is hereby authorized to approve, by resolution,
34 the continuation of the financial review board for the City of Camden
35 as constituted which was created by the Local Finance Board pursuant
36 to P.L.1998, c.45. On and after the continuation of the financial
37 review board pursuant to resolution of the Local Finance Board, the
38 financial review board is deemed to be a financial review board
39 created pursuant to section 5 of P.L. , c. (C.), and in all other
40 respects subject to the procedures pursuant to that section. For the
41 purposes of subsections c. and d. of section 5 of P.L. , c. (C.),
42 June 30, 2000 is, if municipality continues to be subject to the
43 oversight of the financial review board at that date, deemed to be the
44 end of the second year in which the financial review board has been in
45 operation.

1 10. There is appropriated \$72,500,000 from the General Fund to
2 the Department of Community Affairs, to be allocated as follows:
3 \$40,500,000 is allocated for distribution pursuant to the "Special
4 Municipal Aid Act," P.L.1987, c.75 (C.52:27D-118.24 et seq.);
5 \$2,000,000 is allocated to the Division of Local Government Services
6 for costs of administration of fiscal and management audits and other
7 fiscal oversight and assistance efforts under the "Special Municipal Aid
8 Act," P.L.1987, c.75 (C.52:27D-118.24 et seq.); and \$30,000,000 is
9 allocated for distribution as extraordinary aid pursuant to sections 4
10 and 5 of P.L.1991, c.63 (C.52:27D-118.35 and 52:27D-118.35)
11 provided, that the \$10,000,000 of the \$30,000,000 that was not
12 anticipated in the Governor's Budget Recommendation for State Fiscal
13 Year 1999-2000 shall be allocated between municipalities with
14 calendar year and State fiscal year budgets in the same proportion as
15 the \$20,000,000 was allocated, and the allocation to calendar year
16 municipalities shall be distributed to the calendar municipalities that
17 had applied for aid as anticipated under the Governor's Budget
18 Recommendation for State Fiscal Year 1999-2000.

19

20 11. This act shall take effect immediately.

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22

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STATEMENT

24

25 This bill revises the Special Municipal Aid Act, creates a new
26 Extraordinary Aid program for municipalities, confers emergency
27 municipal fiscal assistance powers on the State Treasurer and
28 appropriates \$72,500,000 for State aid to municipalities.

29 The bill expands the conditions that qualify a municipality for
30 special municipal aid to include the identification of a municipality by
31 Director of the Division of Local Affairs in the Department of
32 Community Affairs as facing serious fiscal distress. In providing State
33 aid assistance payments under the Special Municipal Aid Act, the
34 director may condition those payments and other payments of State aid
35 upon the implementation of fiscal recovery measures approved by the
36 Local Finance Board.

37 The bill provides that upon a finding by the Director of the
38 Division of Local Affairs that an eligible municipality possesses
39 conditions that create extreme difficulty in adopting a budget in
40 compliance with the "Local Budget Law," N.J.S.40A:4-1 et seq., in
41 issuing indebtedness as permitted by law, or in funding capital
42 improvements essential to the protection of the public health, safety,
43 and welfare, the Local Finance Board may create, by resolution, a
44 financial review board for that municipality.

45 The five member financial review board, consisting of Gubernatorial
46 appointees, including the mayor of the municipality, a municipal

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1 resident who is not an elected official or employee of the municipality,
2 the Commissioner of the Department of Community Affairs, the State
3 Treasurer, and another officer of the Executive Branch, or their
4 designees, will approve, implement and enforce a financial plan for its
5 municipality. The financial review board shall also have the power to
6 approve: the annual budget of the municipality, the issuance of debt,
7 all contracts entered into during the time of supervision of the financial
8 review board, and municipal expenditures, if so directed by the board,
9 to the extent that the financial review board shall specify. The review
10 board will report annually on the status of the municipality's finances,
11 fiscal condition, compliance with the review board's directives, the
12 criteria for municipal performance that will lead the financial review
13 board to be dissolved, a review of the municipality's economic
14 development needs and policy recommendations, and any other
15 necessary information.

16 The Local Finance Board will review the status of the affected
17 municipality at least each two years, at which time the municipality
18 shall be given the opportunity to demonstrate why the financial review
19 board should be ended or its role modified.

20 The bill expands the current discretionary aid program under the
21 "Supplemental Municipal Property Tax Relief Act" to provide a new
22 Extraordinary Aid program for municipalities for costs associated with
23 activities that improve operations and provide short-term and long-
24 term property tax savings, including but not limited to shared and
25 regionalized services, enhanced tax and revenue collection efforts, and
26 similar goals, and for extraordinary or atypical expenses.

27 The bill gives the State Treasurer power to direct the transfer of
28 sums necessary to provide up to a 30 day loan to a municipality faced
29 with a fiscal crisis, including but not limited to a potential default on
30 tax anticipation notes, conditioned on the municipality agreeing to a
31 an operational audit.

32 The bill appropriates \$72,500,000: \$40,500,000 for supplemental
33 municipal property tax relief, \$2,000,000 for administration of the
34 supplemental relief fiscal oversight and assistance, and \$30,000,000
35 for extraordinary municipal aid.

STATEMENT TO
SENATE, No. 2043

with Senate Floor Amendments
(Proposed By Senator LITTELL)

ADOPTED: JUNE 24, 1999

This amendment assures that municipalities that have issued qualified bonds pursuant to the provisions of the "Municipal Qualified Bond Act" and are currently eligible municipalities pursuant to the Special Municipal Aid Act will remain eligible municipalities.

This amendment also deletes a duplicative appropriation in the State Fiscal Year 2000 annual appropriations act.