

52:27D-439

LEGISLATIVE HISTORY CHECKLIST

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LAWS OF: 1999 **CHAPTER:** 168

NJSA: 52:27D-439 (State aid to municipalities—inflation)

BILL NO: S10 (Substituted for A2823)

SPONSOR(S): DiFrancesco and Robertson

DATE INTRODUCED: December 17, 1998

COMMITTEE: **ASSEMBLY:** Appropriations

SENATE: Community and Urban Affairs; Budget and Appropriations

AMENDED DURING PASSAGE: Yes

DATE OF PASSAGE: **ASSEMBLY:** June 14, 1999

SENATE: January 28, 1999

DATE OF APPROVAL: July 22, 1999

FOLLOWING ARE ATTACHED IF AVAILABLE:

[FINAL TEXT OF BILL:](#) 1st Reprint
(Amendments during passage denoted by superscript numbers)

S10

[SPONSORS STATEMENT:](#) (Begins on page 5 of original bill) [Yes](#)

COMMITTEE STATEMENT: [ASSEMBLY:](#) [Yes](#)

SENATE: [Yes](#) [1-21-99](#)
 [Yes](#) [1-25-99](#)

FLOOR AMENDMENT STATEMENTS: No

[LEGISLATIVE FISCAL ESTIMATE:](#) [Yes](#)

ACS for A2823

SPONSORS STATEMENT: No

COMMITTEE STATEMENT: [ASSEMBLY:](#) [Yes](#)

SENATE: No

FLOOR AMENDMENT STATEMENTS: No

LEGISLATIVE FISCAL ESTIMATE: No

A2823

[SPONSORS STATEMENT:](#) (Begins on page 5 of original bill) [Yes](#)
Bill and Sponsors statement identical to S10

COMMITTEE STATEMENT: **ASSEMBLY:** No

SENATE: No

FLOOR AMENDMENT STATEMENTS: No

LEGISLATIVE FISCAL ESTIMATE: No

VETO MESSAGE: No

GOVERNOR'S PRESS RELEASE ON SIGNING: Yes

FOLLOWING WERE PRINTED:

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HEARINGS:

No

NEWSPAPER ARTICLES:

P.L. 1999, CHAPTER 168, *approved July 22, 1999*
Senate, No. 10 (*First Reprint*)

1 **AN ACT** increasing certain State aid for municipalities by the annual
2 rate of inflation and directing the annual increases be used for
3 municipal property tax relief to provide a Property Taxpayers'
4 Protection Act, amending P.L.1997, c.167 and supplementing title
5 52 of the Revised Statutes.

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.1997, c.167 (C.52:27D-439) is amended to
11 read as follows:

12 2. a. Commencing July 1, 1997 there is established the "Energy
13 Tax Receipts Property Tax Relief Fund" as a special dedicated fund in
14 the State Treasury into which there shall be credited annually,
15 commencing in State fiscal year 1998, the sum of \$740,000,000 or the
16 amount determined pursuant to subsection e. of this section from the
17 following: net payments under the "Sales and Use Tax Act," P.L.1966,
18 c.30 (C.54:32B-1 et seq.) from sales and use of energy or utility
19 services, net payments under the Corporation Business Tax Act
20 (1945), P.L.1945, c.162 (C.54:10A-1 et seq.) from gas, electric, and
21 gas and electric public utilities, whether municipal or otherwise, that
22 were subject to tax pursuant to the provisions of P.L.1940, c.5
23 (C.54:30A-49 et seq.) prior to January 1, 1998, net payments under
24 the Corporation Business Tax Act (1945), P.L.1945, c.162
25 (C.54:10A-1 et seq.) from telecommunications public utilities that
26 were subject to tax pursuant to the provisions of P.L.1940, c.4
27 (C.54:30A-16 et seq.) as of April 1, 1997, net payments under
28 P.L.1940, c.5 (C.54:30A-49 et seq.) from sewerage and water
29 corporations, net payments under the "Transitional Energy Facility
30 Assessment Act," P.L.1997, c.162 (C.54:30A-100 through
31 C.54:30A-113), and such sums from the General Fund as may be
32 necessary to provide that the annual amount credited to the fund shall
33 equal \$740,000,000 or the amount determined pursuant to subsection
34 e. of this section.

35 b. Notwithstanding the provisions of P.L.1940, c.4 (C.54:30A-16
36 et seq.), P.L.1940, c.5 (C.54:30A-49 et seq.) and any other provision
37 of law concerning the apportionment and distribution by the State of
38 taxes paid by public utilities,

39 (1) There shall be paid during the State fiscal year 1998 and during

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 Senate SCU committee amendments adopted January 21, 1999.

1 each fiscal year thereafter from the "Energy Tax Receipts Property
2 Tax Relief Fund" to the municipalities of the State the sum of
3 \$740,000,000 or the amount determined pursuant to subsection e. of
4 this section.

5 (2) A portion of the \$740,000,000 or the amount determined
6 pursuant to subsection e. of this section shall be allocated in a manner
7 that provides that each municipality shall receive an amount not less
8 than the largest annual amount received or to be received by the
9 municipality from:

10 (a) the distribution of \$685,000,000 from the proceeds of the
11 public utilities franchise and gross receipts taxes under P.L.1940, c.4
12 (C.54:30A-16 et seq.) and P.L.1940, c.5 (C.54:30A-49 et seq.) in
13 calendar year 1994, 1995 or 1996; or

14 (b) the distribution of \$685,000,000 from the proceeds of the
15 public utilities franchise and gross receipts taxes under P.L.1940, c.4
16 (C.54:30A-16 et seq.) and P.L.1940, c.5 (C.54:30A-49 et seq.) or
17 from taxes and assessments collected in replacement of such taxes as
18 released by the Division of Local Government Services in the
19 Department of Community Affairs as fiscal year 1998 estimated
20 franchise and gross receipts taxes State aid distributions by
21 municipality prior to the certification of apportionment of such funds
22 by the Director of the Division of Taxation and the amounts required
23 pursuant to subsection d. of this section.

24 (3) A portion of the \$740,000,000 or the amount determined
25 pursuant to subsection e. of this section shall be allocated in a manner
26 that provides that each municipality shall receive an amount equal to
27 the difference, if any, between the amount it received pursuant to
28 paragraph (2) of this subsection and the sum of the amounts that the
29 municipality received pursuant to the certification made in the 1997
30 calendar year released by the Division of Local Government Services
31 in the Department of Community Affairs as the fiscal year 1998
32 estimated franchise and gross receipts taxes State aid distribution of
33 \$685,000,000 and the certification of the 1997 fiscal year distribution
34 of \$45,000,000.

35 (4) The portion of the \$740,000,000 or the amount, not more than
36 \$755,000,000, determined pursuant to subsection e. of this section
37 remaining after the allocations pursuant to paragraphs (2) and (3) of
38 this subsection shall be distributed in proportion to the amounts
39 distributed pursuant to paragraph (2) of this subsection.

40 c. (1)The funds distributed pursuant to paragraphs (2) and (4)of
41 subsection b. of this section shall be distributed annually to
42 municipalities on the following schedule: July 15, 35% of the total
43 amount due; August 1, 10% of the total amount due; September 1,
44 30% of the total amount due; October 1, 15% of the total amount due;
45 November 1, 5% of the total amount due; and December 1, 5% of the
46 total amount due.

1 (2) The funds distributed pursuant to paragraph (3) of subsection
2 b. of this section shall be distributed annually to municipalities on or
3 before June 30.

4 d. The allocation set forth in paragraph (2) of subsection b. of this
5 section shall be adjusted to increase each appropriate municipal
6 distribution by the amount necessary to:

7 (1) make corrections to apportionment valuations or distribution
8 values made by the Director of the Division of Taxation in the
9 Department of the Treasury pursuant to R.S.54:30-2; and

10 (2) correct equitable distortions, as determined by the State
11 Treasurer, resulting from the application of section 2 of P.L.1980, c.10
12 (C.54:30A-24.1) and section 4 of P.L.1980, c.11 (C.54:30A-61.1).

13 The director shall report to the Legislature, on or before July 15,
14 1997, the amount and distribution of the corrections pursuant to
15 paragraphs (1) and (2) of this subsection.

16 e. The amount credited to the "Energy Tax Receipts Property Tax
17 Relief Fund" shall be \$745,000,000 for State fiscal year 1999,
18 \$750,000,000 for each of State fiscal years 2000 and 2001, [and]
19 \$755,000,000 for State fiscal year 2002, and for each fiscal year
20 thereafter the amount equal to the amount credited in the prior fiscal
21 year multiplied by the sum of 1.0 and the index rate or zero, whichever
22 is greater. As used in this section, "index rate" means the rate of
23 annual percentage increase, rounded to the nearest half-percent, in the
24 Implicit Price Deflator for State and Local Government Purchases of
25 Goods and Services, computed and published quarterly by the United
26 States Department of Commerce, Bureau of Economic Analysis,
27 calculating the annual increase therein at the second 'calendar' quarter
28 which occurred in the next preceding State fiscal year. The Director
29 of the Division of Local Government Services shall promulgate
30 annually the index rate to apply in the next following State fiscal year
31 which shall be the same as the index rate determined pursuant to
32 section 4 of P.L.1983, c.49 (C.40A:4-45.1a). Any amount of aid
33 distributed to a municipality in excess of the amount distributed to the
34 municipality from the "Energy Tax Receipts Property Tax Relief Fund"
35 during the State fiscal year 2002 shall be used solely and exclusively
36 by each municipality for the purpose of reducing the amount the
37 municipality is required to raise by local property tax levy for
38 municipal purposes.

39 f. Notwithstanding any other provision of this section or any other
40 provision of law to the contrary, if any municipality paid a county for
41 an amount for county purposes from the amount it received from its
42 apportionment of taxes according to the limitations on the
43 municipalities apportionment under section 4 of P.L.1980, c.11
44 (C.54:30A-61.1), the highest amount of that payment during calendar
45 year 1994, 1995, and 1996 shall be paid annually directly to that
46 county by the State Treasurer and be deducted from that municipality's

1 distribution otherwise determined pursuant to paragraph (2) of
2 subsection b. of this section.

3 (cf: P.L.1997, c.167, s.2)

4

5 2. (New section) ¹[Notwithstanding any law to the contrary, the
6 amount appropriated for Consolidated Municipal Property Tax Relief
7 Aid in a State fiscal year shall be equal to the amount appropriated for
8 Consolidated Municipal Property Tax Relief Aid in the prior State
9 fiscal year multiplied by the sum of 1.0 and the index rate or zero,
10 whichever is greater.]a. In each State fiscal year, each municipality
11 shall receive Consolidated Municipal Property Tax Relief Aid equal
12 to the amount of Consolidated Municipal Property Tax Relief Aid
13 received in the prior State fiscal year multiplied by the sum of 1.0 and
14 the index rate or zero, whichever is greater. However, any
15 municipality that did not receive a distribution of Consolidated
16 Municipal Property Tax Relief Aid during fiscal year 1999 shall
17 receive aid equal to the amount of Consolidated Municipal Property
18 Tax Relief Aid received in the prior State fiscal year plus the product
19 of the base year amount and the index rate or zero, whichever is
20 greater. As used in this section, "base year amount" means the sum of
21 aid received by the municipality in fiscal year 1995 under those State
22 aid programs which were consolidated in P.L.1995, c.164, the fiscal
23 year 1996 annual appropriations act, under the Consolidated
24 Municipal Property Tax Relief Aid distribution.¹ As used in this
25 section, "index rate" means the rate of annual percentage increase,
26 rounded to the nearest half-percent, in the Implicit Price Deflator for
27 State and Local Government Purchases of Goods and Services,
28 computed and published quarterly by the United States Department of
29 Commerce, Bureau of Economic Analysis, calculating the annual
30 increase therein at the second ¹calendar¹ quarter which occurred in the
31 next preceding State fiscal year. The Director of the Division of Local
32 Government Services shall promulgate annually the index rate to apply
33 in the next following State fiscal year which shall be the same as the
34 index rate determined pursuant to section 4 of P.L.1983, c.49
35 (C.40A:4-45.1a).

36 ¹[The amount of Consolidated Municipal Property Tax Relief Aid
37 distributed annually to each municipality shall be in proportion to the
38 distribution made in the prior fiscal year.]¹ Any amount of aid
39 distributed to a municipality in excess of the amount distributed to the
40 municipality for Consolidated Municipal Property Tax Relief Aid
41 during the State fiscal year 1999 shall be used solely and exclusively
42 by each municipality for the purpose of reducing the amount the
43 municipality is required to raise by local property tax levy for
44 municipal purposes. If the amount of the increased distribution
45 exceeds the amount required to be raised by local property tax levy for
46 municipal purposes, the balance of the increased distribution shall be

1 used to reduce the amount the municipality is required to collect for
2 county purposes, notwithstanding the provisions of this or any other
3 law to the contrary. The Director of the Division of Local
4 Government Services in the Department of Community Affairs shall
5 certify annually that each municipality has complied with the
6 requirements set forth herein.

7 b. The amount appropriated for Consolidated Municipal Property
8 Tax Relief Aid in a State fiscal year shall be sufficient to fully fund the
9 distribution to municipalities as determined pursuant to subsection a.
10 of this section.¹

11

12 3. This act shall take effect immediately.

13

14

15

16

17 Requires annual inflation adjustment increases in State aid for
18 municipalities under the Consolidated Municipal Property Tax Relief
19 Aid program and the Energy Tax Receipts Property Tax Relief Fund
20 program.

SENATE, No. 10

STATE OF NEW JERSEY 208th LEGISLATURE

INTRODUCED DECEMBER 17, 1998

Sponsored by:

Senator DONALD T. DIFRANCESCO

District 22 (Middlesex, Morris, Somerset and Union)

Senator NORMAN M. ROBERTSON

District 34 (Essex and Passaic)

Co-Sponsored by:

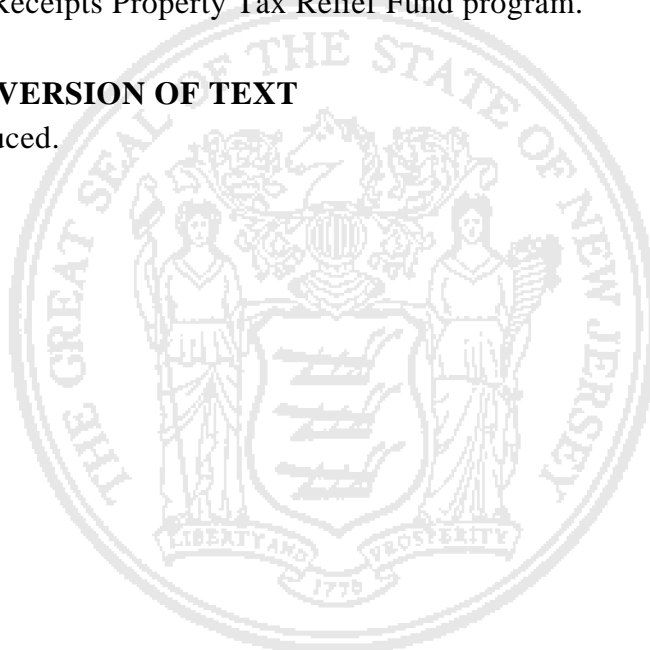
Senators Bassano, Kosco, Ciesla, Mathuessen, Bennett, Cardinale, Martin, McNamara, Bucco, Sinagra, Bark, Littell, Allen, Connors, Singer, Kavanaugh, Inverso, Gormley, Kyrillos and Cafiero

SYNOPSIS

Requires annual inflation adjustment increases in State aid for municipalities under the Consolidated Municipal Property Tax Relief Aid program and the Energy Tax Receipts Property Tax Relief Fund program.

CURRENT VERSION OF TEXT

As introduced.



(Sponsorship Updated As Of: 1/22/1999)

S10 DIFRANCESCO, ROBERTSON

2

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2 rate of inflation and directing the annual increases be used for
3 municipal property tax relief to provide a Property Taxpayers'
4 Protection Act, amending P.L.1997, c.167 and supplementing title
5 52 of the Revised Statutes.

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

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10 1. Section 2 of P.L.1997, c.167 (C.52:27D-439) is amended to
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16 amount determined pursuant to subsection e. of this section from the
17 following: net payments under the "Sales and Use Tax Act," P.L.1966,
18 c.30 (C.54:32B-1 et seq.) from sales and use of energy or utility
19 services, net payments under the Corporation Business Tax Act
20 (1945), P.L.1945, c.162 (C.54:10A-1 et seq.) from gas, electric, and
21 gas and electric public utilities, whether municipal or otherwise, that
22 were subject to tax pursuant to the provisions of P.L.1940, c.5
23 (C.54:30A-49 et seq.) prior to January 1, 1998, net payments under
24 the Corporation Business Tax Act (1945), P.L.1945, c.162
25 (C.54:10A-1 et seq.) from telecommunications public utilities that
26 were subject to tax pursuant to the provisions of P.L.1940, c.4
27 (C.54:30A-16 et seq.) as of April 1, 1997, net payments under
28 P.L.1940, c.5 (C.54:30A-49 et seq.) from sewerage and water
29 corporations, net payments under the "Transitional Energy Facility
30 Assessment Act," P.L.1997, c.162 (C.54:30A-100 through
31 C.54:30A-113), and such sums from the General Fund as may be
32 necessary to provide that the annual amount credited to the fund shall
33 equal \$740,000,000 or the amount determined pursuant to subsection
34 e. of this section.

35 b. Notwithstanding the provisions of P.L.1940, c.4 (C.54:30A-16
36 et seq.), P.L.1940, c.5 (C.54:30A-49 et seq.) and any other provision
37 of law concerning the apportionment and distribution by the State of
38 taxes paid by public utilities,

39 (1) There shall be paid during the State fiscal year 1998 and during
40 each fiscal year thereafter from the "Energy Tax Receipts Property
41 Tax Relief Fund" to the municipalities of the State the sum of
42 \$740,000,000 or the amount determined pursuant to subsection e. of
43 this section.

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 (2) A portion of the \$740,000,000 or the amount determined
2 pursuant to subsection e. of this section shall be allocated in a manner
3 that provides that each municipality shall receive an amount not less
4 than the largest annual amount received or to be received by the
5 municipality from:

6 (a) the distribution of \$685,000,000 from the proceeds of the
7 public utilities franchise and gross receipts taxes under P.L.1940, c.4
8 (C.54:30A-16 et seq.) and P.L.1940, c.5 (C.54:30A-49 et seq.) in
9 calendar year 1994, 1995 or 1996; or

10 (b) the distribution of \$685,000,000 from the proceeds of the
11 public utilities franchise and gross receipts taxes under P.L.1940, c.4
12 (C.54:30A-16 et seq.) and P.L.1940, c.5 (C.54:30A-49 et seq.) or
13 from taxes and assessments collected in replacement of such taxes as
14 released by the Division of Local Government Services in the
15 Department of Community Affairs as fiscal year 1998 estimated
16 franchise and gross receipts taxes State aid distributions by
17 municipality prior to the certification of apportionment of such funds
18 by the Director of the Division of Taxation and the amounts required
19 pursuant to subsection d. of this section.

20 (3) A portion of the \$740,000,000 or the amount determined
21 pursuant to subsection e. of this section shall be allocated in a manner
22 that provides that each municipality shall receive an amount equal to
23 the difference, if any, between the amount it received pursuant to
24 paragraph (2) of this subsection and the sum of the amounts that the
25 municipality received pursuant to the certification made in the 1997
26 calendar year released by the Division of Local Government Services
27 in the Department of Community Affairs as the fiscal year 1998
28 estimated franchise and gross receipts taxes State aid distribution of
29 \$685,000,000 and the certification of the 1997 fiscal year distribution
30 of \$45,000,000.

31 (4) The portion of the \$740,000,000 or the amount, not more than
32 \$755,000,000, determined pursuant to subsection e. of this section
33 remaining after the allocations pursuant to paragraphs (2) and (3) of
34 this subsection shall be distributed in proportion to the amounts
35 distributed pursuant to paragraph (2) of this subsection.

36 c. (1)The funds distributed pursuant to paragraphs (2) and (4)of
37 subsection b. of this section shall be distributed annually to
38 municipalities on the following schedule: July 15, 35% of the total
39 amount due; August 1, 10% of the total amount due; September 1,
40 30% of the total amount due; October 1, 15% of the total amount due;
41 November 1, 5% of the total amount due; and December 1, 5% of the
42 total amount due.

43 (2) The funds distributed pursuant to paragraph (3) of subsection
44 b. of this section shall be distributed annually to municipalities on or
45 before June 30.

46 d. The allocation set forth in paragraph (2) of subsection b. of this

1 section shall be adjusted to increase each appropriate municipal
2 distribution by the amount necessary to:

3 (1) make corrections to apportionment valuations or distribution
4 values made by the Director of the Division of Taxation in the
5 Department of the Treasury pursuant to R.S.54:30-2; and

6 (2) correct equitable distortions, as determined by the State
7 Treasurer, resulting from the application of section 2 of P.L.1980, c.10
8 (C.54:30A-24.1) and section 4 of P.L.1980, c.11 (C.54:30A-61.1).

9 The director shall report to the Legislature, on or before July 15,
10 1997, the amount and distribution of the corrections pursuant to
11 paragraphs (1) and (2) of this subsection.

12 e. The amount credited to the "Energy Tax Receipts Property Tax
13 Relief Fund" shall be \$745,000,000 for State fiscal year 1999,
14 \$750,000,000 for each of State fiscal years 2000 and 2001, [and]
15 \$755,000,000 for State fiscal year 2002, and for each fiscal year
16 thereafter the amount equal to the amount credited in the prior fiscal
17 year multiplied by the sum of 1.0 and the index rate or zero, whichever
18 is greater. As used in this section, "index rate" means the rate of
19 annual percentage increase, rounded to the nearest half-percent, in the
20 Implicit Price Deflator for State and Local Government Purchases of
21 Goods and Services, computed and published quarterly by the United
22 States Department of Commerce, Bureau of Economic Analysis,
23 calculating the annual increase therein at the second quarter which
24 occurred in the next preceding State fiscal year. The Director of the
25 Division of Local Government Services shall promulgate annually the
26 index rate to apply in the next following State fiscal year which shall
27 be the same as the index rate determined pursuant to section 4 of
28 P.L.1983, c.49 (C.40A:4-45.1a). Any amount of aid distributed to a
29 municipality in excess of the amount distributed to the municipality
30 from the Energy Tax Receipts Property Tax Relief Fund during the
31 State fiscal year 2002 shall be used solely and exclusively by each
32 municipality for the purpose of reducing the amount the municipality
33 is required to raise by local property tax levy for municipal purposes.

34 f. Notwithstanding any other provision of this section or any other
35 provision of law to the contrary, if any municipality paid a county for
36 an amount for county purposes from the amount it received from its
37 apportionment of taxes according to the limitations on the
38 municipalities apportionment under section 4 of P.L.1980, c.11
39 (C.54:30A-61.1), the highest amount of that payment during calendar
40 year 1994, 1995, and 1996 shall be paid annually directly to that
41 county by the State Treasurer and be deducted from that municipality's
42 distribution otherwise determined pursuant to paragraph (2) of
43 subsection b. of this section.

44 (cf: P.L.1997, c.167, s.2)

45

46 2. (New section) Notwithstanding any law to the contrary, the

1 amount appropriated for Consolidated Municipal Property Tax Relief
2 Aid in a State fiscal year shall be equal to the amount appropriated for
3 Consolidated Municipal Property Tax Relief Aid in the prior State
4 fiscal year multiplied by the sum of 1.0 and the index rate or zero,
5 whichever is greater. As used in this section, "index rate" means the
6 rate of annual percentage increase, rounded to the nearest
7 half-percent, in the Implicit Price Deflator for State and Local
8 Government Purchases of Goods and Services, computed and
9 published quarterly by the United States Department of Commerce,
10 Bureau of Economic Analysis, calculating the annual increase therein
11 at the second quarter which occurred in the next preceding State fiscal
12 year. The Director of the Division of Local Government Services shall
13 promulgate annually the index rate to apply in the next following State
14 fiscal year which shall be the same as the index rate determined
15 pursuant to section 4 of P.L.1983, c.49 (C.40A:4-45.1a).

16 The amount of Consolidated Municipal Property Tax Relief Aid
17 distributed annually to each municipality shall be in proportion to the
18 distribution made in the prior fiscal year. Any amount of aid
19 distributed to a municipality in excess of the amount distributed to the
20 municipality for Consolidated Municipal Property Tax Relief Aid
21 during the State fiscal year 1999 shall be used solely and exclusively
22 by each municipality for the purpose of reducing the amount the
23 municipality is required to raise by local property tax levy for
24 municipal purposes. If the amount of the increased distribution
25 exceeds the amount required to be raised by local property tax levy for
26 municipal purposes, the balance of the increased distribution shall be
27 used to reduce the amount the municipality is required to collect for
28 county purposes, notwithstanding the provisions of this or any other
29 law to the contrary. The Director of the Division of Local
30 Government Services in the Department of Community Affairs shall
31 certify annually that each municipality has complied with the
32 requirements set forth herein.

33

34 3. This act shall take effect immediately.

35

36

37

STATEMENT

38

39 This bill requires that the amount of State aid paid to municipalities
40 under the two largest State aid programs be indexed annually for
41 inflation and be used for municipal property tax rate relief. The
42 Consolidated Municipal Property Tax Relief Aid program beginning
43 in the next fiscal year, and the Energy Tax Receipts Property Tax
44 Relief Fund program beginning when that program's aid growth is
45 scheduled to end in State fiscal year 2003, will be increased annually
46 to adjust for the annual change in inflation measured by the

S10 DIFRANCESCO, ROBERTSON

1 government purchasing price deflator.

2 The amount of State aid that will be paid to municipalities in State
3 fiscal year 1999 under the Consolidated Municipal Property Tax Relief
4 Aid program equals approximately \$756 million. This current level of
5 aid will be protected against inflationary pressures and the annual
6 inflationary adjustments will be required to be used by municipalities
7 for keeping property taxes down.

8 The amount of State aid that will be paid to municipalities from the
9 Energy Tax Receipts Property Tax Relief Fund program in State fiscal
10 year 1999 is \$745,000,000 and is set to increase by law to
11 \$750,000,000 in State fiscal years 2000 and 2001 and to \$755,000,000
12 in State fiscal years 2002 and thereafter. The level of \$755,000,000
13 in State aid in State fiscal year 2002 will be increased annually
14 thereafter by the same inflationary index and the annual increase in
15 distributions attributable to the inflation adjustment must be used
16 solely and exclusively to reduce the municipal property tax levy.

ASSEMBLY APPROPRIATIONS COMMITTEE

STATEMENT TO

[First Reprint]

SENATE, No. 10

STATE OF NEW JERSEY

DATED: MARCH 4, 1999

The Assembly Appropriations Committee reports favorably Senate Bill No. 10 (1R).

Senate Bill No. 10 (1R) provides that the amount of State aid paid to municipalities under the Consolidated Municipal Property Tax Relief Aid program and the Energy Tax Receipts Property Tax Relief Fund program shall be indexed annually for inflation and requires that the amount of any such inflation adjustment payment shall be used for municipal property tax rate relief.

BACKGROUND. Consolidated Municipal Property Tax Relief Aid ("CMPTRA" aid) and Energy Tax Receipts Property Tax Relief ("energy tax reform replacement aid") are the two largest programs of State aid to municipalities.

CMPTRA AID was established by the FY1996 appropriations act by the consolidation into one program of 14 separate programs of State aid to municipalities, including such categories as business personal property tax replacement aid, municipal revitalization aid, supplemental municipal property tax relief ("SUMPTR") aid, and urban aid. The consolidated amount was reduced by the amount of savings that municipalities realized from the reduction in their employer pension contributions as a result of changes in pension funding. For nine municipalities, application of the pension contribution savings eliminated any entitlement to CMPTRA aid. The program has been continued at a roughly constant level under each subsequent annual appropriations act; the amount of CMPTRA aid appropriated under the FY1999 appropriations act was \$756,054,000.

ENERGY TAX REFORM REPLACEMENT AID was established in conjunction with the 1997 law that revised the taxation of energy-related public utilities. The tax reform measure replaced taxation of these utilities under the gross receipts and franchise tax ("GRFT") with a tax regime that facilitates energy deregulation. The elimination of GRFT on energy utilities required a change in the State aid program because most GRFT revenues had been dedicated for distribution to municipalities. The energy tax reform replacement aid program provides for more than full replacement of the aid that municipalities lost in GRFT revenue by requiring the State to pay into an "Energy

Tax Receipts Property Tax Relief Fund", for distribution to the municipalities, aid in the amounts of \$740 million in FY1998, \$745 million in FY1999, \$750 million in both FY2000 and FY2001, and \$755 million in each State fiscal year thereafter. In both FY1998 and FY1999, the required amounts were appropriated.

Bill provisions. Under the bill:

(1) Beginning in the fiscal year in which the bill is enacted, the amount of CMPTRA aid shall be equal to the amount of such aid appropriated in the preceding fiscal year adjusted by the rate of increase in the federally computed Implicit Price Deflator for State and Local Government Purchases (the same index used to determine the annual inflation adjustment in the municipal budget caps).

(2) Beginning in FY2003, the amount of energy tax reform replacement aid shall be equal to the amount of such aid appropriated in the preceding fiscal year adjusted by the rate of increase in the same inflation index.

In both cases, the amounts distributed as annual inflation adjustments must be used by municipalities to reduce the amount the municipality raises by local property tax levy for municipal purposes.

The bill includes a provision to ensure that those municipalities for which application of the pension offset eliminated entitlement to any CMPTRA aid will nonetheless receive additional funding under the legislation.

This bill as reported by this committee is identical to the Assembly Committee Substitute for Assembly Bill Nos. 2823 and 2464 also as reported by this committee.

FISCAL IMPACT:

For State fiscal year 2000, this bill will increase the appropriation for Consolidated Municipal Property Tax Relief Aid from \$756,000,000 to about \$767,500,000. This additional \$11,500,000 is anticipated in the fiscal year 2000 budget proposal as presented by the Governor on January 25, 1999. The fiscal impact of the bill will increase in subsequent fiscal years. Assuming that the Implicit Price Deflator for State and Local Government Purchases increases by 2.0% a year, the additional cost attributable to this bill in FY2010 will be more than \$300,000,000.

SENATE COMMUNITY AND URBAN AFFAIRS
COMMITTEE

STATEMENT TO

SENATE, No. 10

with committee amendments

STATE OF NEW JERSEY

DATED: JANUARY 21, 1999

The Senate Community and Urban Affairs Committee reports favorably and with committee amendments Senate Bill No. 10.

As amended by the committee, this bill would require that the amount of State aid paid to municipalities under the two largest State aid programs be indexed annually for inflation and be used for municipal property tax rate relief. The Consolidated Municipal Property Tax Relief Aid program beginning in the next fiscal year, and the Energy Tax Receipts Property Tax Relief Fund program beginning when that program's aid growth is scheduled to end in State fiscal year 2003, would be increased annually to adjust for the annual change in inflation measured by the government purchasing price deflator.

The amount of State aid that will be paid to municipalities in State fiscal year 1999 under the Consolidated Municipal Property Tax Relief Aid program equals approximately \$756 million. The bill, as amended, would protect this current level of aid against inflationary pressures and the annual inflationary adjustments would be required to be used by municipalities for keeping property taxes down.

The amount of State aid that will be paid to municipalities from the Energy Tax Receipts Property Tax Relief Fund program in State fiscal year 1999 is \$745,000,000 and is set to increase by law to \$750,000,000 in State fiscal years 2000 and 2001 and to \$755,000,000 in State fiscal years 2002 and thereafter. The bill, as amended, would provide that the level of \$755,000,000 in State aid in State fiscal year 2002 would be increased annually thereafter by the same inflationary index and the annual increase in distributions attributable to the inflation adjustment would be required to be used solely and exclusively to reduce the municipal property tax levy.

The committee amended the bill to provide that the small number of municipalities that have not yet had a net distribution of Consolidated Municipal Property Tax Relief Act would have a distribution measured by future inflationary growth upon a base equal to the levels of all the municipal aid they received in fiscal year 1995 before the consolidation of those municipal aid programs.

SENATE BUDGET AND APPROPRIATIONS COMMITTEE

STATEMENT TO

[First Reprint]

SENATE, No. 10

STATE OF NEW JERSEY

DATED: JANUARY 25, 1999

The Senate Budget and Appropriations Committee reports favorably Senate Bill No. 10 (1R).

This bill provides that the amount of State aid paid to municipalities under the Consolidated Municipal Property Tax Relief Aid program and the Energy Tax Receipts Property Tax Relief Fund program shall be indexed annually for inflation and requires that the amount of any such inflation adjustment payment shall be used for municipal property tax rate relief.

Background. Consolidated Municipal Property Tax Relief Aid ("CMPTRA" aid) and Energy Tax Receipts Property Tax Relief ("energy tax reform replacement aid") are the two largest programs of State aid to municipalities.

(1) *CMPTRA aid* was created under the FY1996 appropriations act by the consolidation into one program of 14 separate programs of State aid to municipalities, including such categories as business personal property tax replacement aid, municipal revitalization aid, supplemental municipal property tax relief ("SUMPTR") aid, and urban aid; the consolidated amount was reduced by the amount of savings that municipalities realized from the reduction in their employer pension contributions as a result of changes in pension funding. For nine municipalities, application of the pension contribution savings eliminated any entitlement to CMPTRA aid. The program has been continued at a roughly constant level under each subsequent annual appropriations act; the amount of CMPTRA aid appropriated under the FY1999 appropriations act was \$756,054,000.

(2) *Energy tax reform replacement aid* was created under a law enacted in conjunction with the 1997 statute that revised the taxation of energy-related public utilities. The tax reform measure replaced taxation of these utilities under the gross receipts and franchise tax ("GRFT") with a tax regime that facilitates energy deregulation. The elimination of the imposition of GRFT on the energy companies required a change in the State aid program because most GRFT revenues had been dedicated for distribution to municipalities. The energy tax reform replacement aid program provides for more than full replacement of the aid that municipalities lost in GRFT revenue by

requiring the State to pay into an "Energy Tax Receipts Property Tax Relief Fund", for distribution to the municipalities, aid in the amounts of \$740 million in FY1998, \$745 million in FY1999, \$750 million in both FY2000 and FY2001, and \$755 million in each State fiscal year thereafter. In both FY1998 and FY1999, the required amounts were appropriated.

Bill provisions. Under the bill:

(1) Beginning in the fiscal year in which the legislation is enacted, the amount of CMPTRA aid shall be equal to the amount of such aid appropriated in the preceding fiscal year adjusted by the rate of increase in the federally computed Implicit Price Deflator for State and Local Government Purchases (the same index used to determine the annual inflation adjustment in the municipal budget caps).

(2) Beginning in FY2003, the amount of energy tax reform replacement aid shall be equal to the amount of such aid appropriated in the preceding fiscal year adjusted by the rate of increase in the same inflation index.

In both cases, the amounts distributed as annual inflation adjustments must be used by municipalities to reduce the amount the municipality raises by local property tax levy for municipal purposes.

The bill includes a provision to ensure that those municipalities for which application of the pension offset eliminated entitlement to any CMPTRA aid will nonetheless receive additional funding under the legislation.

FISCAL IMPACT:

For State fiscal year 2000, this bill will increase the appropriation for Consolidated Municipal Property Tax Relief Aid from \$756,000,000 to \$767,500,000. This additional \$11,500,000 is anticipated in the fiscal year 2000 budget proposal as presented by the Governor on January 25, 1999. The fiscal impact of the bill would increase in subsequent fiscal years. Assuming that the Implicit Price Deflator for State and Local Government Purchases increases by 2.0% a year, the additional cost attributable to this bill in FY2010 will be more than \$300,000,000.

LEGISLATIVE FISCAL ESTIMATE

[First Reprint]

SENATE, No. 10

STATE OF NEW JERSEY

208th LEGISLATURE

DATED: FEBRUARY 23, 1999

Senate Bill No. 10 (1R) of 1998 would adjust the two largest programs which provide approximately \$1.5 billion in State aid to municipalities for inflation. Under the provisions of this bill, inflation adjustments to the Consolidated Municipal Property Tax Relief Aid (CMPTRA) program would begin in State fiscal year 2000 while inflation adjustments to the Energy Tax Receipts Property Tax Relief Aid program would begin in State fiscal year 2003, when that program's aid growth is scheduled to end. The rate of annual percentage increase is to be determined by the Implicit Price Deflator for State and Local Government Purchases of Goods and Services (rounded to the nearest one-half percent), the same inflation adjustment that is used for the municipal budget caps.

For FY 2000, the inflation adjustment factor is already known to be 1.5 percent, the same value used in the Governor's FY 2000 budget recommendation, based upon certification by the Division of Local Government Services. For FY 2001, and thereafter, the Office of Legislative Services has assumed a government purchasing inflation factor of 2.0 percent, which represents the average for the last three years.

Based on the assumptions, the amounts of municipal aid distributed under this bill are as follows:

(\$000)			
State Fiscal Year	State Cost Without S-10	State Cost With S-10	Net Cost to State
1999	1,501,270	1,501,270	0
2000	1,506,270	1,517,618	11,348
2001	1,506,270	1,532,971	26,701
2002	1,511,270	1,553,630	42,360
2003	1,511,270	1,584,703	73,433

The bill also provides an adjustment to compensate nine municipalities which received no CMPTRA aid in fiscal year 1999 because their pension offset was greater than their CMPTRA aid entitlement and guarantees that all 566 municipalities will receive additional aid.

This fiscal estimate has been prepared pursuant to P.L.1980, c.67.

ASSEMBLY APPROPRIATIONS COMMITTEE

STATEMENT TO

ASSEMBLY COMMITTEE SUBSTITUTE FOR ASSEMBLY, Nos. 2823 and 2464

STATE OF NEW JERSEY

DATED: MARCH 4, 1999

The Assembly Appropriations Committee reports favorably an Assembly Committee Substitute for Assembly Bill Nos. 2823 and 2464.

This Assembly Committee Substitute for Assembly Bill Nos. 2823 and 2464 provides that the amount of State aid paid to municipalities under the Consolidated Municipal Property Tax Relief Aid program and the Energy Tax Receipts Property Tax Relief Fund program shall be indexed annually for inflation and requires that the amount of any such inflation adjustment payment shall be used for municipal property tax rate relief.

BACKGROUND. Consolidated Municipal Property Tax Relief Aid ("CMPTRA" aid) and Energy Tax Receipts Property Tax Relief ("energy tax reform replacement aid") are the two largest programs of State aid to municipalities.

CMPTRA AID was established by the FY1996 appropriations act by the consolidation into one program of 14 separate programs of State aid to municipalities, including such categories as business personal property tax replacement aid, municipal revitalization aid, supplemental municipal property tax relief ("SUMPTR") aid, and urban aid. The consolidated amount was reduced by the amount of savings that municipalities realized from the reduction in their employer pension contributions as a result of changes in pension funding. For nine municipalities, application of the pension contribution savings eliminated any entitlement to CMPTRA aid. The program has been continued at a roughly constant level under each subsequent annual appropriations act; the amount of CMPTRA aid appropriated under the FY1999 appropriations act was \$756,054,000.

ENERGY TAX REFORM REPLACEMENT AID was established in conjunction with the 1997 law that revised the taxation of energy-related public utilities. The tax reform measure replaced taxation of these utilities under the gross receipts and franchise tax ("GRFT") with a tax regime that facilitates energy deregulation. The elimination of GRFT on energy utilities required a change in the State aid program because most GRFT revenues had been dedicated for distribution to

municipalities. The energy tax reform replacement aid program provides for more than full replacement of the aid that municipalities lost in GRFT revenue by requiring the State to pay into an "Energy Tax Receipts Property Tax Relief Fund", for distribution to the municipalities, aid in the amounts of \$740 million in FY1998, \$745 million in FY1999, \$750 million in both FY2000 and FY2001, and \$755 million in each State fiscal year thereafter. In both FY1998 and FY1999, the required amounts were appropriated.

Substitute provisions. Under the substitute:

(1) Beginning in the fiscal year in which the substitute is enacted, the amount of CMPTRA aid shall be equal to the amount of such aid appropriated in the preceding fiscal year adjusted by the rate of increase in the federally computed Implicit Price Deflator for State and Local Government Purchases (the same index used to determine the annual inflation adjustment in the municipal budget caps).

(2) Beginning in FY2003, the amount of energy tax reform replacement aid shall be equal to the amount of such aid appropriated in the preceding fiscal year adjusted by the rate of increase in the same inflation index.

In both cases, the amounts distributed as annual inflation adjustments must be used by municipalities to reduce the amount the municipality raises by local property tax levy for municipal purposes.

The substitute includes a provision to ensure that those municipalities for which application of the pension offset eliminated entitlement to any CMPTRA aid will nonetheless receive additional funding under the legislation.

This Assembly Committee Substitute as reported by this committee is identical to Senate Bill No. 10 (1R) also as reported by this committee.

FISCAL IMPACT:

For State fiscal year 2000, this substitute will increase the appropriation for Consolidated Municipal Property Tax Relief Aid from \$756,000,000 to about \$767,500,000. This additional \$11,500,000 is anticipated in the fiscal year 2000 budget proposal as presented by the Governor on January 25, 1999. The fiscal impact of the substitute will increase in subsequent fiscal years. Assuming that the Implicit Price Deflator for State and Local Government Purchases increases by 2.0% a year, the additional cost attributable to this substitute in FY2010 will be more than \$300,000,000.

ASSEMBLY, No. 2823

STATE OF NEW JERSEY 208th LEGISLATURE

INTRODUCED JANUARY 21, 1999

Sponsored by:

Assemblyman SAMUEL D. THOMPSON

District 13 (Middlesex and Monmouth)

Assemblywoman MARION CRECCO

District 34 (Essex and Passaic)

Co-Sponsored by:

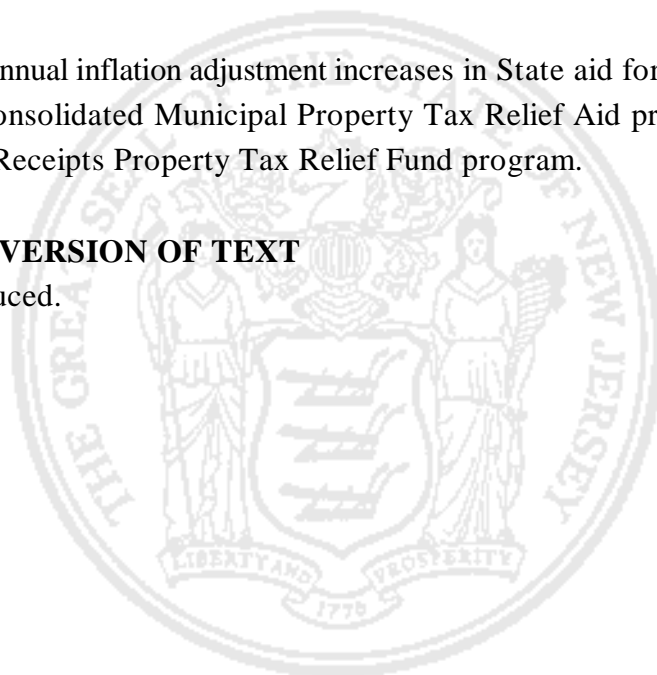
Assemblymen DiGaetano, Zecker, O'Toole, Weingarten, Chatzidakis, Malone, Cottrell, Assemblywoman Heck, Assemblymen Corodemus, T.Smith, Arnone, Azzolina, Gregg, Kelly, Gibson, Kramer, Asselta, Bodine, Moran, Assemblywoman Murphy, Assemblyman Connors, Assemblywomen Farragher, Vandervalk, Assemblymen Luongo and Blee

SYNOPSIS

Requires annual inflation adjustment increases in State aid for municipalities under the Consolidated Municipal Property Tax Relief Aid program and the Energy Tax Receipts Property Tax Relief Fund program.

CURRENT VERSION OF TEXT

As introduced.



(Sponsorship Updated As Of: 2/19/1999)

1 AN ACT increasing certain State aid for municipalities by the annual
2 rate of inflation and directing the annual increases be used for
3 municipal property tax relief to provide a Property Taxpayers'
4 Protection Act, amending P.L.1997, c.167 and supplementing title
5 52 of the Revised Statutes.

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.1997, c.167 (C.52:27D-439) is amended to
11 read as follows:

12 2. a. Commencing July 1, 1997 there is established the "Energy
13 Tax Receipts Property Tax Relief Fund" as a special dedicated fund in
14 the State Treasury into which there shall be credited annually,
15 commencing in State fiscal year 1998, the sum of \$740,000,000 or the
16 amount determined pursuant to subsection e. of this section from the
17 following: net payments under the "Sales and Use Tax Act," P.L.1966,
18 c.30 (C.54:32B-1 et seq.) from sales and use of energy or utility
19 services, net payments under the Corporation Business Tax Act
20 (1945), P.L.1945, c.162 (C.54:10A-1 et seq.) from gas, electric, and
21 gas and electric public utilities, whether municipal or otherwise, that
22 were subject to tax pursuant to the provisions of P.L.1940, c.5
23 (C.54:30A-49 et seq.) prior to January 1, 1998, net payments under
24 the Corporation Business Tax Act (1945), P.L.1945, c.162
25 (C.54:10A-1 et seq.) from telecommunications public utilities that
26 were subject to tax pursuant to the provisions of P.L.1940, c.4
27 (C.54:30A-16 et seq.) as of April 1, 1997, net payments under
28 P.L.1940, c.5 (C.54:30A-49 et seq.) from sewerage and water
29 corporations, net payments under the "Transitional Energy Facility
30 Assessment Act," P.L.1997, c.162 (C.54:30A-100 through
31 C.54:30A-113), and such sums from the General Fund as may be
32 necessary to provide that the annual amount credited to the fund shall
33 equal \$740,000,000 or the amount determined pursuant to subsection
34 e. of this section.

35 b. Notwithstanding the provisions of P.L.1940, c.4 (C.54:30A-16
36 et seq.), P.L.1940, c.5 (C.54:30A-49 et seq.) and any other provision
37 of law concerning the apportionment and distribution by the State of
38 taxes paid by public utilities,

39 (1) There shall be paid during the State fiscal year 1998 and during
40 each fiscal year thereafter from the "Energy Tax Receipts Property
41 Tax Relief Fund" to the municipalities of the State the sum of
42 \$740,000,000 or the amount determined pursuant to subsection e. of
43 this section.

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 (2) A portion of the \$740,000,000 or the amount determined
2 pursuant to subsection e. of this section shall be allocated in a manner
3 that provides that each municipality shall receive an amount not less
4 than the largest annual amount received or to be received by the
5 municipality from:

6 (a) the distribution of \$685,000,000 from the proceeds of the
7 public utilities franchise and gross receipts taxes under P.L.1940, c.4
8 (C.54:30A-16 et seq.) and P.L.1940, c.5 (C.54:30A-49 et seq.) in
9 calendar year 1994, 1995 or 1996; or

10 (b) the distribution of \$685,000,000 from the proceeds of the
11 public utilities franchise and gross receipts taxes under P.L.1940, c.4
12 (C.54:30A-16 et seq.) and P.L.1940, c.5 (C.54:30A-49 et seq.) or
13 from taxes and assessments collected in replacement of such taxes as
14 released by the Division of Local Government Services in the
15 Department of Community Affairs as fiscal year 1998 estimated
16 franchise and gross receipts taxes State aid distributions by
17 municipality prior to the certification of apportionment of such funds
18 by the Director of the Division of Taxation and the amounts required
19 pursuant to subsection d. of this section.

20 (3) A portion of the \$740,000,000 or the amount determined
21 pursuant to subsection e. of this section shall be allocated in a manner
22 that provides that each municipality shall receive an amount equal to
23 the difference, if any, between the amount it received pursuant to
24 paragraph (2) of this subsection and the sum of the amounts that the
25 municipality received pursuant to the certification made in the 1997
26 calendar year released by the Division of Local Government Services
27 in the Department of Community Affairs as the fiscal year 1998
28 estimated franchise and gross receipts taxes State aid distribution of
29 \$685,000,000 and the certification of the 1997 fiscal year distribution
30 of \$45,000,000.

31 (4) The portion of the \$740,000,000 or the amount, not more than
32 \$755,000,000, determined pursuant to subsection e. of this section
33 remaining after the allocations pursuant to paragraphs (2) and (3) of
34 this subsection shall be distributed in proportion to the amounts
35 distributed pursuant to paragraph (2) of this subsection.

36 c. (1)The funds distributed pursuant to paragraphs (2) and (4)of
37 subsection b. of this section shall be distributed annually to
38 municipalities on the following schedule: July 15, 35% of the total
39 amount due; August 1, 10% of the total amount due; September 1,
40 30% of the total amount due; October 1, 15% of the total amount due;
41 November 1, 5% of the total amount due; and December 1, 5% of the
42 total amount due.

43 (2) The funds distributed pursuant to paragraph (3) of subsection
44 b. of this section shall be distributed annually to municipalities on or
45 before June 30.

46 d. The allocation set forth in paragraph (2) of subsection b. of this

1 section shall be adjusted to increase each appropriate municipal
2 distribution by the amount necessary to:

3 (1) make corrections to apportionment valuations or distribution
4 values made by the Director of the Division of Taxation in the
5 Department of the Treasury pursuant to R.S.54:30-2; and

6 (2) correct equitable distortions, as determined by the State
7 Treasurer, resulting from the application of section 2 of P.L.1980, c.10
8 (C.54:30A-24.1) and section 4 of P.L.1980, c.11 (C.54:30A-61.1).

9 The director shall report to the Legislature, on or before July 15,
10 1997, the amount and distribution of the corrections pursuant to
11 paragraphs (1) and (2) of this subsection.

12 e. The amount credited to the "Energy Tax Receipts Property Tax
13 Relief Fund" shall be \$745,000,000 for State fiscal year 1999,
14 \$750,000,000 for each of State fiscal years 2000 and 2001, **[and]**
15 \$755,000,000 for State fiscal year 2002, and for each fiscal year
16 thereafter the amount equal to the amount credited in the prior fiscal
17 year multiplied by the sum of 1.0 and the index rate or zero, whichever
18 is greater. As used in this section, "index rate" means the rate of
19 annual percentage increase, rounded to the nearest half-percent, in the
20 Implicit Price Deflator for State and Local Government Purchases of
21 Goods and Services, computed and published quarterly by the United
22 States Department of Commerce, Bureau of Economic Analysis,
23 calculating the annual increase therein at the second quarter which
24 occurred in the next preceding State fiscal year. The Director of the
25 Division of Local Government Services shall promulgate annually the
26 index rate to apply in the next following State fiscal year which shall
27 be the same as the index rate determined pursuant to section 4 of
28 P.L.1983, c.49 (C.40A:4-45.1a). Any amount of aid distributed to a
29 municipality in excess of the amount distributed to the municipality
30 from the Energy Tax Receipts Property Tax Relief Fund during the
31 State fiscal year 2002 shall be used solely and exclusively by each
32 municipality for the purpose of reducing the amount the municipality
33 is required to raise by local property tax levy for municipal purposes.

34 f. Notwithstanding any other provision of this section or any other
35 provision of law to the contrary, if any municipality paid a county for
36 an amount for county purposes from the amount it received from its
37 apportionment of taxes according to the limitations on the
38 municipalities apportionment under section 4 of P.L.1980, c.11
39 (C.54:30A-61.1), the highest amount of that payment during calendar
40 year 1994, 1995, and 1996 shall be paid annually directly to that
41 county by the State Treasurer and be deducted from that municipality's
42 distribution otherwise determined pursuant to paragraph (2) of
43 subsection b. of this section.

44 (cf: P.L.1997, c.167, s.2)

45

46 2. (New section) Notwithstanding any law to the contrary, the

1 amount appropriated for Consolidated Municipal Property Tax Relief
2 Aid in a State fiscal year shall be equal to the amount appropriated for
3 Consolidated Municipal Property Tax Relief Aid in the prior State
4 fiscal year multiplied by the sum of 1.0 and the index rate or zero,
5 whichever is greater. As used in this section, "index rate" means the
6 rate of annual percentage increase, rounded to the nearest
7 half-percent, in the Implicit Price Deflator for State and Local
8 Government Purchases of Goods and Services, computed and
9 published quarterly by the United States Department of Commerce,
10 Bureau of Economic Analysis, calculating the annual increase therein
11 at the second quarter which occurred in the next preceding State fiscal
12 year. The Director of the Division of Local Government Services shall
13 promulgate annually the index rate to apply in the next following State
14 fiscal year which shall be the same as the index rate determined
15 pursuant to section 4 of P.L.1983, c.49 (C.40A:4-45.1a).

16 The amount of Consolidated Municipal Property Tax Relief Aid
17 distributed annually to each municipality shall be in proportion to the
18 distribution made in the prior fiscal year. Any amount of aid
19 distributed to a municipality in excess of the amount distributed to the
20 municipality for Consolidated Municipal Property Tax Relief Aid
21 during the State fiscal year 1999 shall be used solely and exclusively
22 by each municipality for the purpose of reducing the amount the
23 municipality is required to raise by local property tax levy for
24 municipal purposes. If the amount of the increased distribution
25 exceeds the amount required to be raised by local property tax levy for
26 municipal purposes, the balance of the increased distribution shall be
27 used to reduce the amount the municipality is required to collect for
28 county purposes, notwithstanding the provisions of this or any other
29 law to the contrary. The Director of the Division of Local
30 Government Services in the Department of Community Affairs shall
31 certify annually that each municipality has complied with the
32 requirements set forth herein.

33

34 3. This act shall take effect immediately.

35

36

37

STATEMENT

38

39 This bill requires that the amount of State aid paid to municipalities
40 under the two largest State aid programs be indexed annually for
41 inflation and be used for municipal property tax rate relief. The
42 Consolidated Municipal Property Tax Relief Aid program beginning
43 in the next fiscal year, and the Energy Tax Receipts Property Tax
44 Relief Fund program beginning when that program's aid growth is
45 scheduled to end in State fiscal year 2003, will be increased annually
46 to adjust for the annual change in inflation measured by the

1 government purchasing price deflator.

2 The amount of State aid that will be paid to municipalities in State
3 fiscal year 1999 under the Consolidated Municipal Property Tax Relief
4 Aid program equals approximately \$756 million. This current level of
5 aid will be protected against inflationary pressures and the annual
6 inflationary adjustments will be required to be used by municipalities
7 for keeping property taxes down.

8 The amount of State aid that will be paid to municipalities from the
9 Energy Tax Receipts Property Tax Relief Fund program in State fiscal
10 year 1999 is \$745,000,000 and is set to increase by law to
11 \$750,000,000 in State fiscal years 2000 and 2001 and to \$755,000,000
12 in State fiscal years 2002 and thereafter. The level of \$755,000,000
13 in State aid in State fiscal year 2002 will be increased annually
14 thereafter by the same inflationary index and the annual increase in
15 distributions attributable to the inflation adjustment must be used
16 solely and exclusively to reduce the municipal property tax levy.

OFFICE OF THE GOVERNOR

NEWS RELEASE

PO BOX- 004

**CONTACT: Jayne O'Connor
Steffanie Bell
609-777-2600**

TRENTON, NJ 08625

**RELEASE: Thursday
July 22,1999**

Governor Signs Law Tying Municipal Aid to Inflation; Spends Day Touring Bergen County

Governor Christie Whitman spent today touring Bergen County where she signed legislation that will tie municipal aid to the rate of inflation. The Governor also presented \$150,000 to Hackensack for the River Street Railroad Bridge replacement project.

"The legislation that I am signing today will ensure property tax relief for New Jerseyans," said Gov. Whitman when signing the bill at the Bogota Municipal Building. "It will guarantee annual increases in State aid to municipalities and will give mayors and local officials another tool for property tax reduction."

S-10, sponsored by Senate President Donald DiFrancesco and Senator Norman M. Robertson (R-Essex/Passaic) and Assembly Members Samuel D. Thompson (R-Middlesex/Monmouth) and Marion Crecco (R-Essex/Passaic), requires annual inflation adjustment increases in State aid for municipalities. The adjustment would be made for State aid under the Consolidated Municipal Property Tax Relief Aid program (CMPTRA) and the Energy Tax Receipts Property Tax Relief Fund program.

The "CMPTRA" and the Energy Receipts Property Tax Relief Fund are the two largest State aid programs. The bill requires that the amount of the increased aid only be used to provide municipal property tax relief. The two programs will be increased annually to reflect the yearly change in inflation as measured by the Implicit Price Deflator for State and Local Government Purchases ("Price Deflator").

State aid that will be paid to municipalities will be allocated in the following manner:

- Beginning in FY 2000 the amount of aid under "CMPTRA" will equal the amount appropriated in FY99 adjusted by the rate of increase in the federally computed Price Deflator;

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- Starting in FY 2003 the amount of energy tax reform replacement aid paid to municipalities from the "Energy Tax Receipts Property Tax Relief Fund" will equal the amount of such aid appropriated in FY 2002, adjusted by the rate of increase in the Price Deflator.

Aid increases distributed through the formula can only be used to reduce the amount the municipality needs to raise in local property taxes for municipal purposes. Should the increase in aid exceed the amount of property taxes for municipal needs the balance will be used to reduce the amount collected for county purposes.

The Governor kicked off the day in Hackensack where she presented the town with a mock check for \$150,000. The money, included in the FY 2000-budget, is to aid the town in the River Street Railroad Bridge Replacement project. The project will replace the existing bridge, widen the roadway beneath the bridge to four lanes, raise the clearance under the bridge and install a high-volume pumping station.

The project will alleviate problems associated with the bridge including traffic congestion, truck accidents and flooding. The project will also receive \$1.4 million in county funding and is currently in preliminary stages. The borough hopes to begin construction by July of 2000.

During the county tour the Governor also visited the North Arlington School Age Child Care program. The program is a joint venture between the Borough of North Arlington and the North Arlington Board of Education. It offers child care after school when school is in session and a camp during the summer.

Today, the Governor visited students participating in the nine-week summer camp program. Students participate in educational and recreational activities and also take weekly field trips to swim and picnic.

Later in the day, local children joined the Governor at the Demarest Farm to pick peaches. The farm spans 32-acres and is located in Hillsdale and Saddle River. Family owned and operate since 1886, the farm specializes in fruits and vegetables and includes greenhouse and Christmas tree operations.

News releases are also available on our Website at. www.state.nj.us