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P.L. 1999, CHAPTER 345, *approved January 10, 2000*
Assembly, No. 2993 (*Second Reprint*)

1 AN ACT concerning county and municipal debt limits and amending
2 N.J.S.40A:2-44.

3
4 **BE IT ENACTED** by the Senate and General Assembly of the State
5 of New Jersey:

6
7 1. N.J.S.40A:2-44 is amended to read as follows:

8 40A:2-44 There shall be deducted from the gross debt of the local
9 unit, to the extent included therein, the amount of bonds or notes
10 issued and authorized but not issued:

11 a. for school purposes by a municipality or by a school district with
12 boundaries coextensive with such municipality or of which such
13 municipality is a part (other than a regional school district) to the
14 extent of the following percentages of the equalized valuation basis of
15 such municipality as provided in section 18A:24-19 of the New Jersey
16 Statutes.

17 If such school district does not have title to any one of the facilities
18 mentioned in such section, the authorization of debt for the
19 procurement of such school facilities shall be deductible within the
20 limitations prescribed in such section;

21 b. for school purposes by a regional school district;

22 c. for purposes which are self-liquidating as provided in this
23 chapter, but only to the extent permitted by this chapter;

24 d. by a public body other than the local unit and the principal and
25 interest of which is guaranteed by the local unit but only to the extent
26 permitted by this chapter or any other law;

27 e. as bond anticipation notes in anticipation of bonds then
28 authorized or issued;

29 f. for which there are funds on hand or sinking funds applicable
30 only to the payment thereof and not otherwise deductible, including
31 the proceeds of any bonds or notes held for that purpose and any
32 accounts receivable or amounts which may be payable from the
33 Federal Government, this State or any public instrumentality thereof,
34 which funds are applicable only to the payment of any part of the
35 gross debt not otherwise deductible; **[and]**

36 g. for any other purpose for which a deduction is authorized by
37 law; and

38 h. for ¹**[the purchase of lands for recreation and conservation**
39 purposes by a county or municipality] any purpose authorized

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 AAN committee amendments adopted May 20, 1999.

² Senate SCU committee amendments adopted September 27, 1999.

1 pursuant to P.L.1997, c.24 (C.40:12-15.1 et seq.)¹¹ ²which is
2 otherwise bondable pursuant to the "Local Bond Law," N.J.S.40A:2-1
3 et seq.² when the debt service on the obligations will be paid solely
4 from a county or municipal trust fund created pursuant to P.L.1997,
5 c.24 (C.40:12-15.1 et seq.).

6 No deduction shall be allowed for any obligations authorized or
7 issued to finance a purpose for which a deduction is allowed if,
8 combined with a purpose for which a deduction may not be taken, or
9 for any obligation issued to fund or refund bonds or notes if any of
10 the outstanding bonds or notes paid, funded or refunded shall have
11 been issued for or combined with a purpose or indebtedness for which
12 no deduction can be taken under this chapter.

13 (cf: P.L.1969, c.14, s.1)

14

15 2. This act shall take effect immediately.

16

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20 Excludes bonds supported by open space, recreation, farmland or
21 historic preservation taxes from calculation of gross debt of county or
22 municipality.

ASSEMBLY, No. 2993

STATE OF NEW JERSEY 208th LEGISLATURE

INTRODUCED MARCH 18, 1999

Sponsored by:

Assemblyman GERALD J. LUONGO
District 4 (Camden and Gloucester)

Co-Sponsored by:

Assemblyman Lance and Assemblywoman Myers

SYNOPSIS

Excludes bonds supported by open space taxes from calculation of gross debt of county or municipality.

CURRENT VERSION OF TEXT

As introduced.



A2993 LUONGO

2

1 AN ACT concerning county and municipal debt limits and amending
2 N.J.S.40A:2-44.

3
4 **BE IT ENACTED** by the Senate and General Assembly of the State
5 of New Jersey:

6
7 1. N.J.S.40A:2-44 is amended to read as follows:

8 40A:2-44 There shall be deducted from the gross debt of the local
9 unit, to the extent included therein, the amount of bonds or notes
10 issued and authorized but not issued:

11 a. for school purposes by a municipality or by a school district with
12 boundaries coextensive with such municipality or of which such
13 municipality is a part (other than a regional school district) to the
14 extent of the following percentages of the equalized valuation basis of
15 such municipality as provided in section 18A:24-19 of the New Jersey
16 Statutes.

17 If such school district does not have title to any one of the facilities
18 mentioned in such section, the authorization of debt for the
19 procurement of such school facilities shall be deductible within the
20 limitations prescribed in such section;

21 b. for school purposes by a regional school district;

22 c. for purposes which are self-liquidating as provided in this
23 chapter, but only to the extent permitted by this chapter;

24 d. by a public body other than the local unit and the principal and
25 interest of which is guaranteed by the local unit but only to the extent
26 permitted by this chapter or any other law;

27 e. as bond anticipation notes in anticipation of bonds then
28 authorized or issued;

29 f. for which there are funds on hand or sinking funds applicable
30 only to the payment thereof and not otherwise deductible, including
31 the proceeds of any bonds or notes held for that purpose and any
32 accounts receivable or amounts which may be payable from the
33 Federal Government, this State or any public instrumentality thereof,
34 which funds are applicable only to the payment of any part of the
35 gross debt not otherwise deductible; **[and]**

36 g. for any other purpose for which a deduction is authorized by
37 law; and

38 h. for the purchase of lands for recreation and conservation
39 purposes by a county or municipality when the debt service on the
40 obligations will be paid solely from a county or municipal trust fund
41 created pursuant to P.L.1997, c.24 (C.40:12-15.1 et seq.).

42 No deduction shall be allowed for any obligations authorized or
43 issued to finance a purpose for which a deduction is allowed if,

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.

A2993 LUONGO

1 combined with a purpose for which a deduction may not be taken, or
2 for any obligation issued to fund or refund bonds or notes if any of
3 the outstanding bonds or notes paid, funded or refunded shall have
4 been issued for or combined with a purpose or indebtedness for which
5 no deduction can be taken under this chapter.

6 (cf: P.L.1969, c.14, s.1)

7

8 2. This act shall take effect immediately.

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STATEMENT

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13 This bill exempts from the gross debt of a county or municipality
14 the amount of any obligation used to fund the purchase of lands for
15 recreation and conservation purposes by a county or municipality
16 when the debt service on the obligations will be paid solely from a
17 county or municipal trust fund created pursuant to P.L.1997, c.24
18 (C.40:12-15.1 et seq.). P.L.1997, c.24 (C.40:12-15.1 et seq.)
19 authorized counties and municipalities to impose an annual levy for
20 open space purposes.

ASSEMBLY AGRICULTURE AND NATURAL RESOURCES
COMMITTEE

STATEMENT TO

ASSEMBLY, No. 2993

with committee amendments

STATE OF NEW JERSEY

DATED: MAY 20, 1999

The Assembly Agriculture and Natural Resources Committee favorably reports Assembly Bill No. 2993 with committee amendments.

As amended by the committee, this bill exempts from the gross debt of a county or municipality the amount of any obligation used to fund the acquisition and development of lands for recreation and conservation, farmland preservation purposes, or historic preservation purposes by a county or municipality when the debt service on the obligations will be paid solely from a county or municipal trust fund created pursuant to P.L.1997, c.24 (C.40:12-15.1 et seq.), which authorized counties and municipalities to impose an annual levy for recreation and conservation, farmland preservation, and historic preservation purposes.

ASSEMBLY APPROPRIATIONS COMMITTEE

STATEMENT TO

[First Reprint]

ASSEMBLY, No. 2993

STATE OF NEW JERSEY

DATED: JUNE 7, 1999

The Assembly Appropriations Committee reports favorably Assembly Bill No. 2993 (1R).

Assembly Bill No. 2993 (1R) exempts from the "gross debt" of a municipality or county the amount of any obligation used to fund the acquisition and development of lands for recreation and conservation, farmland preservation purposes, or historic preservation purposes by a county or municipality when the debt service on the obligations will be paid solely from a county or municipal trust fund created pursuant to P.L.1997, c.24 (C.40:12-15.1 et seq.).

P.L.1997, c.24 authorizes counties and municipalities to impose an annual levy for recreation and conservation, farmland preservation, and historic preservation purposes. "Gross debt" is a measure used under the "Local Bond Law" (C.40A:2-1 et seq.) to derive the net debt of a county or municipality for purposes of establishing a county or municipal debt limit. The exemption of obligations paid solely from a county or municipal trust fund created pursuant to P.L.1997, c.24 from "gross debt" has the effect of excluding bonds funded by a special voter approved annual levy for recreation and conservation, farmland preservation, and historic preservation purposes from the county or municipal debt limit.

FISCAL IMPACT:

This bill has no impact on State revenue or expenditures.

SENATE COMMUNITY AND URBAN AFFAIRS COMMITTEE

STATEMENT TO

[First Reprint]

ASSEMBLY, No. 2993

with committee amendments

STATE OF NEW JERSEY

DATED: SEPTEMBER 27, 1999

The Senate Community and Urban Affairs Committee reports favorably and with committee amendments Assembly Bill No. 2993 (1R).

Assembly Bill No. 2993 (1R), as amended by the committee, exempts from the gross debt of a county or municipality the amount of any obligation used to fund the acquisition and development of lands for recreation and conservation, farmland preservation purposes, or historic preservation purposes by a county or municipality when the debt service on the obligations will be paid solely from a county or municipal trust fund created pursuant to P.L.1997, c.24 (C.40:12-15.1 et seq.), which authorized counties and municipalities to impose an annual levy for recreation and conservation, farmland preservation, and historic preservation purposes. Only those amounts which are otherwise bondable pursuant to the "Local Bond Law," N.J.S.40A:2-1 et seq. may be deducted from gross debt.

The committee amended the bill to limit the parameters of the deduction from the gross debt allowed by this measure. As referred to the committee, any purpose authorized pursuant to P.L.1997, c.24 (C.40:12-15.1 et seq.) and whose debt service would be paid from a county or municipal trust fund created pursuant thereto would have been allowed as a deduction from gross debt. Since P.L.1997, c.24 allows certain administrative expenses to be funded by county or municipal trust funds and since those expenses are not allowed to be bonded for in the first place, the committee amended the bill to limit the deduction from gross debt to only those expenditures which may be legitimately bonded for under the "Local Bond Law."

SENATE BUDGET AND APPROPRIATIONS COMMITTEE

STATEMENT TO

[Second Reprint]

ASSEMBLY, No. 2993

STATE OF NEW JERSEY

DATED: OCTOBER 18, 1999

The Senate Budget and Appropriations Committee reports favorably Assembly Bill No. 2993 (2R).

This bill exempts bonds issued under the 1997 local open space preservation law from the debt limitation imposed on local governments under the "Local Bond Law."

The 1997 local open space preservation law authorizes a county or municipal governing body, subject to the approval of the electorate, to impose additional taxes to finance the service of debt issued or incurred for purposes of (1) the acquisition or development of lands for recreation and conservation purposes, (2) the acquisition of farmland for farmland preservation purposes, or (3) the acquisition and preservation of historic properties, structures, facilities, sites, areas, or objects. (N.J.S.A.40:12-15.2 and -15.7.)

The "Local Bond Law" prohibits a county or municipality from adopting a bond ordinance that would increase the jurisdiction's "net debt" above an amount equal to a specified maximum percentage of the equalized valuations of its taxable real estate; this maximum percentage is 2% in the case of a county and 3½% in the case of a municipality. (N.J.S.A.40A:2-6 and -42.) The "Local Bond Law" allows certain types of obligations to be excluded from the "gross debt" of a jurisdiction for purposes of computing the net debt of the jurisdiction subject to the appropriate percentage limitation. This bill adds to the list of such excludable obligations any debt issued by the county or municipality and serviced by revenue from taxes imposed under the local open space preservation law for the open space purposes listed above.

This bill is identical to Senate Bill No. 1571 (1R) (Sca), also reported this day by the Committee.

FISCAL IMPACT

This bill has no impact on State revenue or expenditures.

SENATE, No. 1571

STATE OF NEW JERSEY
208th LEGISLATURE

INTRODUCED DECEMBER 17, 1998

Sponsored by:

Senator ROBERT E. LITTELL

District 24 (Sussex, Hunterdon and Morris)

SYNOPSIS

Permits municipalities to exceed debt limitation when school boards have used excess bonding capacity.

CURRENT VERSION OF TEXT

As introduced.



S1571 LITTELL

2

1 AN ACT concerning local bond ordinances and amending N.J.S.40A:2-
2 7.

3
4 **BE IT ENACTED** by the Senate and General Assembly of the State
5 of New Jersey:

6
7 1. N.J.S.40A:2-7 is amended to read as follows:

8 40A:2-7. A bond ordinance may be finally adopted notwithstanding
9 section 40A:2-6 if such ordinance authorizes obligations solely for one
10 of the following:

11 a. to meet an expenditure which is the result of fire, flood or other
12 disaster and if the local government board shall have determined that
13 the expenditure is of such character, and shall have caused such
14 determination to have been endorsed on a certified copy of the bond
15 ordinance as passed on first reading; or

16 b. to fund, renew, extend or retire notes issued or authorized
17 pursuant to this chapter or any act of which this chapter is a revision;
18 or

19 c. purposes permitted by this chapter if (1) it has been found by
20 order of the State Department of Health, which is hereby authorized
21 to make such order in a proper case, that the expenditure and every
22 part thereof is necessary to protect the public health and to prevent or
23 suppress a present menace to the public health of sufficient gravity to
24 justify the incurrence of debt in excess of statutory limitations, and
25 that no less expensive method of preventing or suppressing such
26 menace exists; and (2) the principal amount of such obligations is not
27 in excess of the amount determined by the local government board to
28 be necessary therefor and the local government board shall have
29 caused such determination to be endorsed on a certified copy of the
30 bond ordinance as passed on first reading; or

31 d. purposes permitted by this chapter, if the local government
32 board shall have caused its consent to be endorsed upon a certified
33 copy of the bond ordinance as passed upon first reading, which
34 consent said local government board shall cause to be so endorsed
35 thereon, if it shall be satisfied and shall have determined that each of
36 the purposes or improvements for which such obligations are
37 authorized are in the public interest and are for the health, welfare,
38 convenience or betterment of the inhabitants of such local unit, and
39 that the amounts to be expended for each of the purposes or
40 improvements to be financed pursuant to such bond ordinance are not
41 unreasonable or exorbitant and that the issuance of such obligations
42 will not materially impair the credit of such local unit or substantially
43 reduce its ability to pay punctually the principal of and interest on its
44 debts and to supply other essential public improvements and services;

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Matter underlined thus is new matter.

S1571 LITTELL

1 or

2 e. purposes permitted by this chapter when the expenditure is to be
3 made for constructing or reconstructing dikes, bulkheads, jetties or
4 similar devices to prevent the encroachment of the sea, and if the local
5 government board shall have determined that an emergency exists or
6 is threatened which makes necessary the construction or
7 reconstruction of such dikes, bulkheads, jetties or other devices for
8 the preservation of life or property; or

9 f. purposes permitted by this chapter if the amount of such
10 obligations does not exceed in the aggregate (1) the amount available,
11 if any, for the issuance of obligations by the local unit upon the
12 effective date of this chapter pursuant to section 40:1-16(d) of the
13 Revised Statutes, less (2) the amount of other obligations authorized
14 prior to the adoption of such bond ordinance pursuant to paragraphs
15 d, f and g of this section; or

16 g. purposes permitted by this chapter if the amount of such
17 obligations and all other obligations authorized pursuant to this
18 subsection during the current fiscal year does not exceed an amount
19 equal to 2/3 of the amount of obligations (exclusive of utility and
20 assessment obligations) for the payment of which an appropriation was
21 made in the budget of the local unit for the current fiscal year, plus
22 2/3 of the amount raised in the tax levy of the current fiscal year by the
23 local unit for the payment of bonds or notes of any school district; or

24 h. purposes which are self-liquidating, if such obligations are
25 deductible from gross debt; or

26 i. to meet any lawful purpose when the debt limitation would be
27 exceeded solely due to the prior authorization of school bonds
28 pursuant to N.J.S.18A:24-21.

29 (cf: P.L.1964, c.72, s.3)

30

31 2. This act shall take effect immediately.

32

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STATEMENT

34

35 This bill is intended to address a serious municipal bonding
36 problem. A municipality is required to stay within the debt limitations
37 prescribed under N.J.S.40A:2-6. However, the calculation of that debt
38 limitation also includes debt issued by the local school district. The
39 problem occurs for the municipality when the issuance of excessive
40 debt by the school district consumes all or some portion of the
41 municipality's debt limitation, thereby jeopardizing municipal projects
42 required for the welfare of its citizens. Under this bill, an exception to
43 the debt limits in N.J.S.40A:2-6 is created when, but for the excessive
44 school district debt, the issuance of new municipal debt would be
45 within the municipality's debt limitation of 3 1/2 per cent of its
46 equalized value.

SENATE COMMUNITY AND URBAN AFFAIRS COMMITTEE

STATEMENT TO

SENATE, No. 1571

with committee amendments

STATE OF NEW JERSEY

DATED: JUNE 7, 1999

The Senate Community and Urban Affairs Committee reports favorably and with committee amendments Senate Bill No. 1571.

Senate Bill 1571, as amended by the committee, exempts from the gross debt of a county or municipality the amount of any obligation used to fund the acquisition and development of lands for recreation and conservation, farmland preservation purposes, or historic preservation purposes by a county or municipality when the debt service on the obligations will be paid solely from a county or municipal trust fund created pursuant to P.L.1997, c.24 (C.40:12-15.1 et seq.). That law authorized counties and municipalities to impose an annual levy for recreation and conservation, farmland preservation, and historic preservation purposes.

As introduced, this bill would have created an exception to the debt limits in N.J.S.40A:2-6 when, but for the excessive school district debt, the issuance of new municipal debt would be within the municipality's debt limitation of 3-1/2 per cent of its equalized value.

As amended, this bill is identical to Assembly No. 2993 (1R).

SENATE BUDGET AND APPROPRIATIONS COMMITTEE

STATEMENT TO

[First Reprint]

SENATE, No. 1571

with committee amendments

STATE OF NEW JERSEY

DATED: OCTOBER 18, 1999

The Senate Budget and Appropriations Committee reports favorably and with committee amendments Senate Bill No. 1571 (1R).

This bill exempts bonds issued under the 1997 local open space preservation law from the debt limitation imposed on local governments under the "Local Bond Law."

The 1997 local open space preservation law authorizes a county or municipal governing body, subject to the approval of the electorate, to impose additional taxes to finance the service of debt issued or incurred for purposes of (1) the acquisition or development of lands for recreation and conservation purposes, (2) the acquisition of farmland for farmland preservation purposes, or (3) the acquisition and preservation of historic properties, structures, facilities, sites, areas, or objects. (N.J.S.A.40:12-15.2 and -15.7.)

The "Local Bond Law" prohibits a county or municipality from adopting a bond ordinance that would increase the jurisdiction's "net debt" above an amount equal to a specified maximum percentage of the equalized valuations of its taxable real estate; this maximum percentage is 2% in the case of a county and 3½% in the case of a municipality. (N.J.S.A.40A:2-6 and -42.) The "Local Bond Law" allows certain types of obligations to be excluded from the "gross debt" of a jurisdiction for purposes of computing the net debt of the jurisdiction subject to the appropriate percentage limitation. This bill adds to the list of such excludable obligations any debt issued by the county or municipality and serviced by revenue from taxes imposed under the local open space preservation law for the open space purposes listed above.

COMMITTEE AMENDMENTS

Committee amendments to the bill clarify the scope of the deduction from gross debt allowed by the legislation. Under the bill as referred to the committee, debt for any purpose authorized pursuant to the open space preservation law, the debt service for which is to be paid from a county or municipal trust fund created under that law,

would have been allowed as a deduction from gross debt. The local open space preservation law allows the funding, from open space trust funds, of certain administrative expenses that the "Local Bond Law" does not allow to be bonded for. Accordingly, the amendments to the bill clarify that the deduction from gross debt is limited to only those expenditures that may be legitimately bonded for under the "Local Bond Law."

As amended, this bill is identical to Assembly Bill No. 2993 (2R), also reported this day by the Committee.

FISCAL IMPACT

This bill has no impact on State revenue or expenditures.