

# 52:27D-439

## LEGISLATIVE HISTORY CHECKLIST

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**LAWS OF:** 2002                  **CHAPTER:** 3

**NJSA:** 52:27D-439        (Energy tax receipts aid – time extension)

**BILL NO:** S12                (Substituted for A2004)

**SPONSOR(S):** Suglia and others

**DATE INTRODUCED:** February 11, 2002

**COMMITTEE:**                  **ASSEMBLY:** ---

**SENATE:**      Budget

**AMENDED DURING PASSAGE:**        No

**DATE OF PASSAGE:**                  **ASSEMBLY:** March 14, 2002

**SENATE:**        March 4, 2002

**DATE OF APPROVAL:**                  March 18, 2002

**FOLLOWING ARE ATTACHED IF AVAILABLE:**

[FINAL TEXT OF BILL](#) (Original version of bill enacted)

**S12**

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

**COMMITTEE STATEMENT:**                  **ASSEMBLY:**                  No

**SENATE:**                  [Yes](#)

**FLOOR AMENDMENT STATEMENTS:**                  No

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

**A2004**

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

Bill and Sponsors Statement identical to S12

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

**SENATE:**                  No

**FLOOR AMENDMENT STATEMENTS:**                  No

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

Identical to fiscal note for S12

**VETO MESSAGE:**                  No

[GOVERNOR'S PRESS RELEASE ON SIGNING](#):                  [Yes](#)

**FOLLOWING WERE PRINTED:**

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**HEARINGS:**

No

**NEWSPAPER ARTICLES:**

No

P.L. 2002, CHAPTER 3, *approved March 18, 2002*

Senate, No. 12

1 **AN ACT** concerning the time for distribution of a portion of the State  
2 aid to be paid to certain municipalities from the "Energy Tax  
3 Receipts Property Tax Relief Fund," amending P.L.1997, c.167.

4

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

7

8 1. Section 2 of P.L.1997, c.167 (C.52:27D-439) is amended to  
9 read as follows:

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

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

37 (1) There shall be paid during the State fiscal year 1998 and during  
38 each fiscal year thereafter from the "Energy Tax Receipts Property  
39 Tax Relief Fund" to the municipalities of the State the sum of  
40 \$740,000,000 or the amount determined pursuant to subsection e. of  
41 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, prior to January 1, 2002 for all municipalities, and  
45 distributed after January 1, 2002 for municipalities operating on a  
46 State fiscal year basis, shall be distributed annually to those

1 municipalities on or before June 30. The funds distributed after  
2 January 1, 2002 pursuant to paragraph (3) of subsection b. of this  
3 section to calendar year municipalities shall be distributed annually on  
4 or before July 15.

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

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

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

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

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

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

1 county by the State Treasurer and be deducted from that municipality's  
2 distribution otherwise determined pursuant to paragraph (2) of  
3 subsection b. of this section.

4 (cf: P.L.1999, c.168, s.1)

5

6 2. This act shall take effect immediately.

7

8

9

STATEMENT

10

11 This bill extends by 15 days the time period for distribution of a  
12 portion of the State aid paid from the Energy Tax Receipts Property  
13 Tax Relief Fund to municipalities operating on a calendar year basis.  
14 While this bill has the effect of deferring from the current State fiscal  
15 year to the next the final distribution date for approximately  
16 \$26 million in State aid, no municipality will experience any reduction  
17 of anticipated State aid payments from the total Energy Tax Receipts  
18 aid program during its current local budget cycle.

19

20

21

22

23 Extends by 15 days the time for distribution of a portion of the Energy  
24 Tax Receipts Property Tax Relief Fund aid to be paid to calendar year  
25 municipalities.

# SENATE, No. 12

## STATE OF NEW JERSEY 210th LEGISLATURE

INTRODUCED FEBRUARY 11, 2002

**Sponsored by:**

**Senator JOSEPH SULIGA**

**District 22 (Middlesex, Somerset and Union)**

**Assemblyman WILFREDO CARABALLO**

**District 29 (Essex and Union)**

**Assemblyman ANTHONY IMPREVEDUTO**

**District 32 (Bergen and Hudson)**

**Co-Sponsored by:**

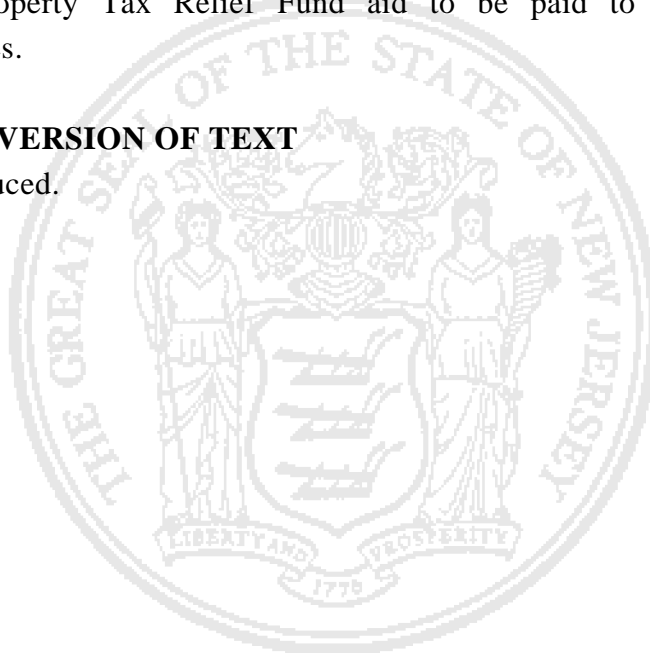
**Assemblyman Guear**

**SYNOPSIS**

Extends by 15 days the time for distribution of a portion of the Energy Tax Receipts Property Tax Relief Fund aid to be paid to calendar year municipalities.

**CURRENT VERSION OF TEXT**

As introduced.



**(Sponsorship Updated As Of: 3/15/2002)**

S12 SULIGA

2

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16 c.30 (C.54:32B-1 et seq.) from sales and use of energy or utility  
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19 gas and electric public utilities, whether municipal or otherwise, that  
20 were subject to tax pursuant to the provisions of P.L.1940, c.5  
21 (C.54:30A-49 et seq.) prior to January 1, 1998, net payments under  
22 the Corporation Business Tax Act (1945), P.L.1945, c.162  
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**Matter underlined thus is new matter.**



S12 SULIGA

1 that provides that each municipality shall receive an amount not less  
2 than the largest annual amount received or to be received by the  
3 municipality from:

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23 municipality received pursuant to the certification made in the 1997  
24 calendar year released by the Division of Local Government Services  
25 in the Department of Community Affairs as the fiscal year 1998  
26 estimated franchise and gross receipts taxes State aid distribution of  
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39 November 1, 5% of the total amount due; and December 1, 5% of the  
40 total amount due.

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42 b. of this section, prior to January 1, 2002 for all municipalities, and  
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S12 SULIGA

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8 Department of the Treasury pursuant to R.S.54:30-2; and

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

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

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

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

**S12 SULIGA**

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

3 (cf: P.L.1999, c.168, s.1)

4

5 2. This act shall take effect immediately.

6

7

8

**STATEMENT**

9

10 This bill extends by 15 days the time period for distribution of a  
11 portion of the State aid paid from the Energy Tax Receipts Property  
12 Tax Relief Fund to municipalities operating on a calendar year basis.  
13 While this bill has the effect of deferring from the current State fiscal  
14 year to the next the final distribution date for approximately  
15 \$26 million in State aid, no municipality will experience any reduction  
16 of anticipated State aid payments from the total Energy Tax Receipts  
17 aid program during its current local budget cycle.

# SENATE BUDGET AND APPROPRIATIONS COMMITTEE

## STATEMENT TO

### SENATE, No. 12

# STATE OF NEW JERSEY

DATED: FEBRUARY 21, 2002

The Senate Budget and Appropriations Committee reports favorably Senate Bill No. 12.

This bill delays the distribution, to certain municipalities, of a portion of the State aid that those municipalities annually receive from the Energy Tax Receipts Property Tax Relief Fund.

*Background.* A 1997 statute replaced the traditional taxation of public utilities through the gross receipts and franchise tax (GRFT) with a more conventional system, under which producers' net income is subject to the corporation business tax, while consumption is subject to the sales and use tax. Under the GRFT regime, a large portion of the revenue collected had been dedicated to funding State aid to municipalities. To protect these municipalities from loss of this aid, the tax revision statute established the Energy Tax Receipts Property Tax Relief Fund and provided that each year, there would be credited to the fund specified amounts of the revenue collected under the new tax regime for distribution to the municipalities to replace what they had received under GRFT. As of State FY2002, municipalities are scheduled to receive a total of \$755 million from the Fund; under a 1999 statute, this amount will increase in future years to reflect the rate of inflation.

*Bill provisions.* The tax revision law established two schedules for annual distribution of the energy tax replacement aid. Most of the aid is distributed under a schedule of payments on July 15 and the first day of each of the following five months, August through December. Current law provides for distribution of the rest of the aid on or before June 30. The bill retains this June 30 deadline for residual aid payments to municipalities that operate on a State fiscal year (July 1 to June 30). The bill postpones the deadline for residual aid payments to municipalities operating on a calendar year basis by 15 days to July 15, beginning with residual aid payable in 2002.

#### FISCAL IMPACT:

There are currently 515 municipalities that operate on a calendar fiscal year. The total amount due to these municipalities for the Spring 2002 payment of energy tax replacement aid is \$25,973,342. Shifting the payment date for these municipalities would defer the State's obligation for this payment from State FY2002 to State FY2003.

Thus the enactment of this bill will result in an FY2002 unexpended balance of \$25,973,342 in the Energy Tax Receipts Property Tax Relief Fund; the Executive is expected to lapse this balance to the General Fund to relieve the anticipated imbalance in the FY2002 State budget. The bill will not affect the State's obligation in any year to pay the residual aid, but simply shift the timing of future payment of the aid from the end of the State's fiscal year to the beginning.

The legislation is expected to have no adverse fiscal impact on the affected municipalities because they will receive the funds in question during the same local fiscal year as they do under current law.

**FISCAL NOTE**  
**SENATE, No. 12**  
**STATE OF NEW JERSEY**  
**210th LEGISLATURE**

DATED: FEBRUARY 26, 2002

**SUMMARY**

- Synopsis:** Extends by 15 days the time for distribution of a portion of the Energy Tax Receipts Property Tax Relief Fund aid to be paid to calendar year municipalities.
- Type of Impact:** The bill would delay the payment due to municipalities that operate under a calendar fiscal year from June, 2002, until on or before July 15, 2002, resulting in a \$26 million savings to the State in Fiscal Year 2002.
- Agencies Affected:** Municipalities whose fiscal year operates on a calendar year basis.

**Executive Estimate**

<b>Fiscal Impact</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>
<b>State Cost</b>	(\$26 million)	None	None

- ! The Office of Legislative Services (OLS) **concurs** with the determination of the Office of Management and Budget (OMB) that the enactment of this legislation will result in a one-time savings for the State of approximately \$26 million in Fiscal Year 2002.
- ! The provisions of this bill would delay the payment of the "Energy Tax Receipts Property Tax Relief Fund" aid from June, 2002, until on or before July 15, 2002, that is due to municipalities whose fiscal year operates on the calendar year. The State will therefore realize a savings of \$25,973,342 in State Fiscal Year 2002.
- ! There will be no impact on the 515 calendar year municipalities because each of these municipalities will receive this State aid during the current local budget cycle.
- ! Municipalities that operate under the State Fiscal Year will not be impacted; the State aid will continue to be paid out to these municipalities on or before June 30 of the current year.
- ! The "Energy Tax Receipts Property Tax Relief Act" (P.L. 1997, c. 167) replaced the method of distributing certain funds awarded to municipalities from the State's taxation of regulated gas and electric utilities, water and sewer utilities, and certain telecommunications companies. Municipalities are now guaranteed to receive an annual State Aid distribution of \$755 million. Beginning in fiscal 2003, the amount credited to this fund will be adjusted annually by the rate of increase in the federally computed Implicit Price Deflator for State

and Local Government Purchases. The annual inflation adjustments must be used by municipalities to offset increases in the local property tax levy.

## **BILL DESCRIPTION**

This bill extends by 15 days the time period for distribution of a portion of the State aid paid from the Energy Tax Receipts Property Tax Relief Fund to municipalities operating on a calendar year basis. While this bill has the effect of deferring from the current State fiscal year to the next the final distribution date for approximately \$26 million in State aid, no municipality will experience any reduction of anticipated State aid payments from the total Energy Tax Receipts aid program during its current local budget cycle.

## **FISCAL ANALYSIS**

### ***EXECUTIVE BRANCH***

The Office of Management and Budget (OMB) in the Department of the Treasury has advised the Office of Legislative Services (OLS) that enactment of this legislation would provide the State with a one-time savings of \$26 million to assist in closing the current budget shortfall without a reduction in aid to local municipalities.

### ***OFFICE OF LEGISLATIVE SERVICES***

The Office of Legislative Services (OLS) concurs with the determination of the Office of Management and Budget (OMB).

Section: *Local Government*

Analyst: *Mark L. McCaslin*  
*Senior Fiscal Analyst*  
*Pedro Carrasquillo*  
*Assistant Fiscal Analyst*

Approved: *Alan R. Kooney*  
*Legislative Budget and Finance Officer*

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

# ASSEMBLY, No. 2004

## STATE OF NEW JERSEY 210th LEGISLATURE

INTRODUCED FEBRUARY 11, 2002

**Sponsored by:**

**Assemblyman WILFREDO CARABALLO**

**District 29 (Essex and Union)**

**Assemblyman ANTHONY IMPREVEDUTO**

**District 32 (Bergen and Hudson)**

**Co-Sponsored by:**

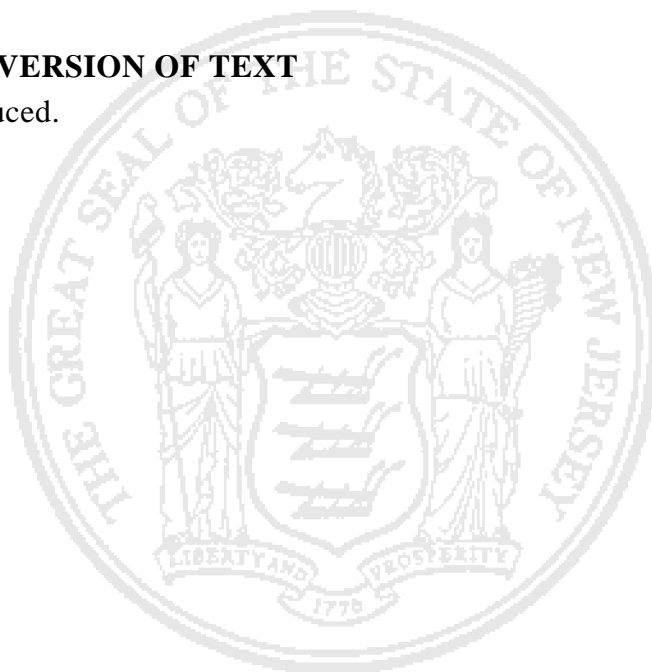
**Assemblyman Gear**

**SYNOPSIS**

Extends by 15 days the time for distribution of a portion of the Energy Tax Receipts Property Tax Relief Fund aid to be paid to calendar year municipalities.

**CURRENT VERSION OF TEXT**

As introduced.



**(Sponsorship Updated As Of: 3/15/2002)**



A2004 CARABALLO, IMPREVEDUTO

2

1 AN ACT concerning the time for distribution of a portion of the State  
2 aid to be paid to certain municipalities from the "Energy Tax  
3 Receipts Property Tax Relief Fund," amending P.L.1997, c.167.

4

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

7

8 1. Section 2 of P.L.1997, c.167 (C.52:27D-439) is amended to  
9 read as follows:

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

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

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

42 (2) A portion of the \$740,000,000 or the amount determined  
43 pursuant to subsection e. of this section shall be allocated in a manner

**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.**

A2004 CARABALLO, IMPREVEDUTO

1 that provides that each municipality shall receive an amount not less  
2 than the largest annual amount received or to be received by the  
3 municipality from:

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

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

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

29 (4) The portion of the \$740,000,000 or the amount, not more than  
30 \$755,000,000, determined pursuant to subsection e. of this section  
31 remaining after the allocations pursuant to paragraphs (2) and (3) of  
32 this subsection shall be distributed in proportion to the amounts  
33 distributed pursuant to paragraph (2) of this subsection.

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

41 (2) The funds distributed pursuant to paragraph (3) of subsection  
42 b. of this section, prior to January 1, 2002 for all municipalities, and  
43 distributed after January 1, 2002 for municipalities operating on a  
44 State fiscal year basis, shall be distributed annually to those  
45 municipalities on or before June 30. The funds distributed after  
46 January 1, 2002 pursuant to paragraph (3) of subsection b. of this

1 section to calendar year municipalities shall be distributed annually on  
2 or before July 15.

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

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

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

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

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

38 f. Notwithstanding any other provision of this section or any other  
39 provision of law to the contrary, if any municipality paid a county for  
40 an amount for county purposes from the amount it received from its  
41 apportionment of taxes according to the limitations on the  
42 municipalities apportionment under section 4 of P.L.1980, c.11  
43 (C.54:30A-61.1), the highest amount of that payment during calendar  
44 years 1994, 1995, and 1996 shall be paid annually directly to that  
45 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.1999, c.168, s.1)

4

5 2. This act shall take effect immediately.

6

7

8

STATEMENT

9

10 This bill extends by 15 days the time period for distribution of a  
11 portion of the State aid paid from the Energy Tax Receipts Property  
12 Tax Relief Fund to municipalities operating on a calendar year basis.  
13 While this bill has the effect of deferring from the current State fiscal  
14 year to the next the final distribution date for approximately  
15 \$26 million in State aid, no municipality will experience any reduction  
16 of anticipated State aid payments from the total Energy Tax Receipts  
17 aid program during its current local budget cycle.

# ASSEMBLY APPROPRIATIONS COMMITTEE

## STATEMENT TO

### ASSEMBLY, No. 2004

# STATE OF NEW JERSEY

DATED: FEBRUARY 21, 2002

The Assembly Appropriations Committee reports favorably Assembly Bill No. 2004.

Assembly Bill No. 2004 delays the distribution, to certain municipalities, of a portion of the State aid that those municipalities annually receive from the Energy Tax Receipts Property Tax Relief Fund.

*Background.* A 1997 statute replaced the traditional taxation of public utilities through the gross receipts and franchise tax (GRFT) with a more conventional system, under which producers' net income is subject to the corporation business tax, while consumption is subject to the sales and use tax. Under the GRFT regime, a large portion of the revenue collected had been dedicated to funding State aid to municipalities. To protect these municipalities from loss of this aid, the tax revision statute established the Energy Tax Receipts Property Tax Relief Fund and provided that each year, there would be credited to the fund specified amounts of the revenue collected under the new tax regime for distribution to the municipalities to replace what they had received under GRFT. As of State FY2002, municipalities are scheduled to receive a total of \$755 million from the Fund; under a 1999 statute, this amount will increase in future years to reflect the rate of inflation.

*Bill provisions.* The tax revision law established two schedules for annual distribution of the energy tax replacement aid. Most of the aid is distributed under a schedule of payments on July 15 and the first day of each of the following five months, August through December. Current law provides for distribution of the rest of the aid on or before June 30. The bill retains this June 30 deadline for residual aid payments to municipalities that operate on a State fiscal year (July 1 to June 30). The bill postpones the deadline for residual aid payments to municipalities operating on a calendar year basis by 15 days to July 15, beginning with residual aid payable in 2002.

#### FISCAL IMPACT:

There are currently 515 municipalities that operate on a calendar fiscal year. The total amount due to these municipalities for the Spring 2002 payment of energy tax replacement aid is \$25,973,342. Shifting the payment date for these municipalities would defer the State's

obligation for this payment from State FY2002 to State FY2003.

Accordingly, enactment of this bill will result in an FY2002 unexpended balance \$25,973,342 in the Energy Tax Receipts Property Tax Relief Fund, which balance is to be lapsed to the General Fund. The shift will have no adverse affect on municipalities because they will receive the funds in question during the same local fiscal year.

**FISCAL NOTE**  
**ASSEMBLY, No. 2004**  
**STATE OF NEW JERSEY**  
**210th LEGISLATURE**

DATED: MARCH 11, 2002

**SUMMARY**

- Synopsis:** Extends by 15 days the time for distribution of a portion of the Energy Tax Receipts Property Tax Relief Fund aid to be paid to calendar year municipalities.
- Type of Impact:** The bill would delay the payment due to municipalities that operate under a calendar fiscal year from June, 2002, until on or before July 15, 2002, resulting in a \$26 million savings to the State in Fiscal Year 2002.
- Agencies Affected:** Municipalities whose fiscal year operates on a calendar year basis.

**Executive Estimate**

<b>Fiscal Impact</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>
<b>State Cost</b>	(\$26 million)	None	None

- ! The Office of Legislative Services (OLS) **concurs** with the determination of the Office of Management and Budget (OMB) that the enactment of this legislation will result in a one-time savings for the State of approximately \$26 million in Fiscal Year 2002.
- ! The provisions of this bill would delay the payment of the "Energy Tax Receipts Property Tax Relief Fund" aid from June, 2002, until on or before July 15, 2002, that is due to municipalities whose fiscal year operates on the calendar year. The State will therefore realize a savings of \$25,973,342 in State Fiscal Year 2002.
- ! There will be no impact on the 515 calendar year municipalities because each of these municipalities will receive this State aid during the current local budget cycle.
- ! Municipalities that operate under the State Fiscal Year will not be impacted; the State aid will continue to be paid out to these municipalities on or before June 30 of the current year.
- ! The "Energy Tax Receipts Property Tax Relief Act" (P.L.1997, c.167) replaced the method of distributing certain funds awarded to municipalities from the State's taxation of regulated gas and electric utilities, water and sewer utilities, and certain telecommunications companies. Municipalities are now guaranteed to receive an annual State Aid distribution of \$755 million. Beginning in fiscal 2003, the amount credited to this fund will be adjusted annually by the rate of increase in the federally computed Implicit Price Deflator for State

and Local Government Purchases. The annual inflation adjustments must be used by municipalities to offset increases in the local property tax levy.

## **BILL DESCRIPTION**

This bill extends by 15 days the time period for distribution of a portion of the State aid paid from the Energy Tax Receipts Property Tax Relief Fund to municipalities operating on a calendar year basis. While this bill has the effect of deferring from the current State fiscal year to the next the final distribution date for approximately \$26 million in State aid, no municipality will experience any reduction of anticipated State aid payments from the total Energy Tax Receipts aid program during its current local budget cycle.

## **FISCAL ANALYSIS**

### ***EXECUTIVE BRANCH***

The Office of Management and Budget (OMB) in the Department of the Treasury has advised the Office of Legislative Services (OLS) that enactment of this legislation would provide the State with a one-time savings of \$26 million to assist in closing the current budget shortfall without a reduction in aid to local municipalities.

### ***OFFICE OF LEGISLATIVE SERVICES***

The Office of Legislative Services (OLS) concurs with the determination of the Office of Management and Budget (OMB).

Section: *Local Government*

Analyst: *Mark L. McCaslin*  
*Senior Fiscal Analyst*  
*Pedro Carrasquillo*  
*Assistant Fiscal Analyst*

Approved: *Alan R. Kooney*  
*Legislative Budget and Finance Officer*

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



■ **Press Releases**

PO BOX 004  
TRENTON, NJ 08625

Contact: Paul Aronsohn  
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RELEASE: March 18, 2002

[Previous Screen](#)

**McGreevey Signs into Law Six Budget Remedies for FY 2002**  
*Governor credits bipartisan spirit as key to passage*

(TRENTON)-Governor James E. McGreevey commended the bipartisan spirit of the Legislature today as he signed into law six pieces of legislation that constitute key components of his Fiscal Year 2002 budget proposal. McGreevey had outlined his proposal during an emergency address to the Legislature on February 11th.

"Today, I am proud to announce that a spirit of bipartisanship has prevailed," said McGreevey. "On February 11th, I announced a series of proposals requiring legislative approval to close the remainder of this year's \$3 billion shortfall. I urged the members of the Legislature to join me in setting aside partisan politics and in working together toward this common goal. Today, that goal was accomplished."

In February, McGreevey stood before a joint session of the Legislature and outlined his plan to balance the FY 2002 budget, which contained a deficit of nearly \$3 billion. In addition to announcing a broad range of executive actions to save the State approximately \$1 billion, McGreevey stated that in order to balance the remainder of the budget, legislative action on certain proposals would be necessary.

The six bills signed into law today will provide over \$287 million towards solving this year's \$3 billion problem. Four of these bills transfer money out of accounts in which it is not being used. The fifth bill extends by 15 days the deadline for distributing the Energy Tax Receipts Property Tax Relief Fund to municipalities operating on a calendar year budget. The sixth bill creates a tax amnesty program, which establishes a 60-day period for payment of any outstanding tax liability for returns due between January 1, 1996 and January 1, 2002.

These bills are:

- **NJ Housing and Mortgage Financing Authority Transfer:** Directs the NJHMFA to transfer funds from its reserves into the General Fund. This bill is expected to provide an additional \$25 million in revenues.

S-13 (Rice D-Essex)  
A-2002 (Tucker D-Essex, Payne D-Essex, Union)

- Health Care Facilities Financing Authorities Transfer:** Provides for a transfer \$16.5 million of NJHCFFA reserves to the General Fund for the purposes of hospital charity care.

S-19 (Vitale D-Middlesex, Buono D-Middlesex)  
A-2005 (Weinberg D-Bergen, Quigley D-Bergen, Hudson)
- Temporary Disability Insurance Fund Transfer:** Provides for a transfer of funds up to \$50 million from the State Temporary Disability Insurance Fund to the General Fund.

S-17 (Codey D-Essex)  
A-2006 (Cohen D-Union, Wisniewski D-Middlesex)
- Second Injury Fund Surcharge Transfer:** Concerns the calculation of Second Injury Fund surcharges and would provide an additional \$20 million in revenues.

S-15 (Adler D-Camden)  
A-2007 (Weinberg D-Bergen, Steele D-Bergen, Passaic)
- Energy Tax:** Extends by 15 days the time for distribution of a portion of the Energy Tax Receipts Property Tax Relief Fund aid to be paid to municipalities on a calendar year budget. This bill is expected to provide an additional \$26 million in revenues.

S-12 (Suliga, D-Middlesex, Somerset, Union)  
A-2004 (Caraballo (D-Essex, Union; Impreveduto D-Bergen, Hudson)
- Tax Amnesty:** Establishes a 60-day tax amnesty period for the payment of any outstanding tax liability for returns due between January 1, 1996 and January 1, 2002. Any taxpayer who failed to pay State taxes during this period has until June 10, 2002 to pay the due taxes without penalty. This bill is expected to raise an additional \$150 million in revenues.

S-16/ S-404 (Buono D-Middlesex; Kavanaugh R-Morris, Somerset; Lance R-Warren, Hunterdon)  
A-2001 (Greenwald D-Camden; Pou D-Bergen, Passaic)

On March 26th, McGreevey will again address the Legislature on how he plans to close the \$6 billion budget gap facing the State in the next fiscal year. He said he will work to forge the same bipartisan spirit as his Administration works with the Legislature to provide a fiscally responsible budget.

"I am confident that the same spirit of cooperation that has led to the passage of these bills will continue to guide us as we complete this year's budget and work together to address the \$6 billion challenge that lies ahead for next year," said McGreevey.

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