

54:4-65

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('Supplemental
Municipal
Property Tax
Relief')

LAWS OF: 1991

CHAPTER: 63

Bill No: S3231

Sponsor(s): Lynch

Date Introduced: January 14, 1991

Committee: Assembly: -----

Senate: Revenue, Finance & Appropriations

Amended during passage: No Senate substitute for senate
committee substitute enacted.

Date of Passage: Assembly: March 11, 1991

Senate: March 7, 1991

Date of Approval: March 14, 1991

Following statements are attached if available:

Sponsor statement: Yes

Committee Statement: Assembly: No

Senate: Yes

Fiscal Note: No

Veto Message: No

Message on signing: No

Following were printed:

Reports: No

Hearings: No

See newspaper clippings--attached:
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SENATE SUBSTITUTE FOR
SENATE COMMITTEE SUBSTITUTE FOR
SENATE, No. 3231

STATE OF NEW JERSEY

ADOPTED MARCH 4, 1991

Sponsored by Senators LYNCH, CONTILLO,
FELDMAN, LESNIAK and ORECHIO

1 **AN ACT** concerning State aid to certain counties and
2 municipalities, amending and supplementing various sections of
3 the statutory law and making appropriations therefor.

4

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

7 1. (New section) Sections 1 through 12 of this act shall be
8 known and may be cited as the "Supplemental Municipal Property
9 Tax Relief Act."

10 2. (New section) As used in this act:

11 "Board" means the Local Finance Board of the Division of
12 Local Government Services in the Department of Community
13 Affairs.

14 "Director" means the Director of the Division of Local
15 Government Services in the Department of Community Affairs.

16 "Equalized tax rate" means the total tax levy on which the tax
17 rate is computed for a municipality as shown in the table of
18 aggregates for the pretax year prepared pursuant to R.S.54:4-52,
19 divided by the equalized valuation of property exclusive of Class
20 II railroad property as shown in the table of equalized valuations
21 for the pretax year prepared pursuant to P.L.1954, c.86
22 (C.54:1-35.1 et seq.).

23 "Municipal per capita income" means the money income of a
24 municipality for the most recent year prior to the budget year as
25 reported by the Bureau of the Census divided by the population of
26 the municipality according to the most recent federal decennial
27 census.

28 "State per capita income" means the money income of the
29 State for the most recent year prior to the budget year as
30 reported by the Bureau of the Census divided by the State
31 population according to the most recent federal decennial census

32 "Statewide aggregate equalized tax rate" means the sum of the
33 total tax levies on which the tax rates are computed for all
34 municipalities in the State as shown in the table of aggregates for
35 the pretax year prepared pursuant to R.S.54:4-52, divided by the
36 sum of equalized valuations of property of all municipalities in
37 the State exclusive of Class II railroad property as shown in the

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 table of equalized valuations for the pretax year prepared
2 pursuant to P.L.1954, c.86 (C.54:1-35.1 et seq.).

3 3. (New section) The director shall on or before December 31,
4 1991 and annually thereafter make distributions of "Supplemental
5 Municipal Property Tax Relief Act" aid, in amounts determined
6 as follows:

7 a. (1) To municipalities having an equalized tax rate at least
8 twice the Statewide aggregate equalized tax rate, an amount
9 equal to \$72.76 per capita.

10 (2) To municipalities having an equalized tax rate greater than
11 the Statewide aggregate equalized tax rate and less than twice
12 the Statewide aggregate equalized tax rate, an amount equal to
13 \$42.75 per capita.

14 (3) To municipalities having an equalized tax rate equal to or
15 greater than 75% of the Statewide aggregate equalized tax rate
16 but not greater than the Statewide aggregate equalized tax rate,
17 an amount equal to \$31.83 per capita.

18 (4) To municipalities having an equalized tax rate less than
19 75% of the Statewide aggregate equalized tax rate, an amount
20 equal to \$22.73 per capita.

21 b. In addition to the amount determined pursuant to
22 subsection a. of this section, any municipality with a municipal
23 per capita income less than 50% of the Statewide per capita
24 income shall receive \$45.48 per capita.

25 c. The most recent federal decennial census shall be used to
26 determine municipal population for the distribution of per capita
27 aid pursuant to this section.

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

41 5. (New section) The director shall select among the
42 municipalities that have applied for discretionary aid pursuant to
43 section 4 of this act and shall forward to the board the list of
44 selected municipalities along with the amount of financial
45 assistance to be paid to each municipality. The director in
46 selecting among those eligible municipalities for payment of
47 discretionary aid shall use criteria which shall include whether a
48 municipality is experiencing fiscal distress, whether the cost of
49 providing municipal services is extraordinarily high, and whether

1 the tax base is inadequate to meet property tax demands.

2 6. (New section) For each municipality receiving discretionary
3 aid pursuant to this act, the director:

4 a. Shall have the authority to increase, decrease, add or delete
5 revenues and expenditures from the budget of the municipality
6 based on the municipality's experience and prudent fiscal
7 management; and

8 b. May require documentation, schedules and estimates related
9 to the municipal budget.

10 7. (New section) a. The board may issue remedial orders to a
11 municipality receiving discretionary aid pursuant to this act
12 directing it to:

13 (1) Maximize revenues;

14 (2) Maximize surplus to a prudent level;

15 (3) File schedules along with the budget showing municipal
16 revenues not anticipated;

17 (4) Add municipal revenues to the budget not anticipated;

18 (5) Maximize its tax collection rate in order to minimize its
19 reserve for uncollected taxes, using prudent fiscal practices;

20 (6) Reduce appropriations deemed by the board to be
21 excessive; and

22 (7) Undertake other appropriate activities consistent with this
23 section to reduce property taxes.

24 b. The board shall require, as a condition for the release of
25 discretionary aid funds to a municipality, that the director
26 certify that a municipality has complied with remedial orders
27 issued by the board.

28 8. (New section) The board shall exercise general fiscal
29 oversight over a municipality that receives discretionary aid
30 pursuant to this act and may:

31 a. Require the director to return a budget if it is determined
32 that the local tax burden is unreasonably high;

33 b. Require the inclusion of line items supporting budget detail;
34 and

35 c. Permit the cancellation of appropriation reserves on the
36 same schedule as transfers, with a revised annual financial
37 statement forwarded to the director upon the cancellation.

38 9. (New section) State aid provided pursuant to sections 3 and
39 4 of this act shall be used solely and exclusively by each
40 municipality for the purposes of reducing the amount the
41 municipality is required to raise by local property tax levy for
42 municipal purposes. In the event that the amount of State aid
43 provided pursuant to sections 3 and 4 of this act exceeds the
44 amount required to be raised by local property tax levy for
45 municipal purposes, the balance of the State aid shall be used to
46 reduce the amount the municipality is required to raise by local
47 property tax levy for county purposes, notwithstanding the
48 provisions of any law to the contrary. The director shall certify
49 that each municipality has complied with this section. If the

1 director finds that State aid provided pursuant to this act is not
2 used by a municipality solely and exclusively to reduce the
3 amount required to be raised by local property tax levy, the
4 director shall direct that the municipal governing body make
5 corrections to its budget.

6 10. (New section) Notwithstanding any provisions of the
7 "Local Budget Law," N.J.S.40A:4-1 et seq., any municipality that
8 receives funds pursuant to this act may anticipate the receipt of
9 the amount of State aid as shall be certified to it by the director
10 and may file any amendment or corrections in its local budget as
11 may be required to properly reflect that State aid.

12 11. (New section) The director shall promulgate rules and
13 regulations in accordance with the "Administrative Procedure
14 Act," P.L.1968, c.410 (C.52:14B-1 et seq.) to effectuate the
15 purposes of sections 2 through 10 of this act.

16 12. R.S.54:4-65 is amended to read as follows:

17 54:4-65. Each tax bill shall have printed thereon a brief
18 tabulation showing the distribution of the amount raised by
19 taxation in the taxing district, in such form as to disclose the
20 rate per \$100.00 of assessed valuation or the number of cents in
21 each dollar paid by the taxpayer which is to be used for the
22 payment of State school taxes, other State taxes, county taxes,
23 local school expenditures and other local expenditures. The last
24 named item may be further subdivided so as to show the amount
25 for each of the several departments of the municipal
26 government. In lieu of printing such information on the tax bill,
27 any municipality may furnish the tabulation required hereunder
28 and any other pertinent information in a statement accompanying
29 the mailing or delivery of the tax bill.

30 There shall be included with the annual tax bill on a form
31 prescribed by the Director of the Division of Local Government
32 Services in the Department of Community Affairs, a statement
33 which shall be prepared by the tax collector, in consultation with
34 the chief financial officer of the municipality, reporting the
35 amount of tax rate and tax levy savings resulting from State aid
36 provided pursuant to the "Supplemental Municipal Property Tax
37 Relief Act," P.L. , c. (C.) (now pending before the
38 Legislature as this bill), which was enacted by the Legislature.
39 (cf: P.L.1957, c.157, s.1)

40 13. (New section) Any municipality that levies school taxes on
41 a school year basis either pursuant to N.J.S.18A:22-15 and
42 18A:22-17 or N.J.S.18A:22-34 shall defer from the 1991
43 municipal purposes property tax levy at least 25% of an amount
44 allowable to be deferred as shall be determined by the Director
45 of the Division of Local Government Services in the Department
46 of Community Affairs and shall defer from such levy in each of
47 the next three years the remainder of such amount in a manner as
48 shall be determined by the director. The amounts so deferred
49 shall be regarded as surplus and shall be used to offset the local

1 property tax levy for local purposes.

2 The Director of the Division of Local Government Services in
3 the Department of Community Affairs shall have the authority to
4 adjust deadlines and other procedures to effectuate the purposes
5 of this section.

6 14. Section 5 of P.L.1959, c.86 (C.44:10-5) is amended to read
7 as follows:

8 5. The State shall pay to each county welfare agency the full
9 amount of any funds received by the State from the federal
10 government as federal participation with respect to expenditures
11 made by such county welfare agency for aid to families with
12 dependent children (AFDC) [, plus an additional amount, to bring
13 the total federal and State share of expenditures for AFDC to
14 95%, plus,].

15 Payment of the State share of expenditures by county welfare
16 agencies for aid to families with dependent children - regular
17 segment (AFDC-C) shall be at the rate of 52.5% during the
18 period July 1 through December 31 of each year and at the rate
19 of 37.5% during the period January 1 through June 30 of each
20 year; provided that the total payment of the State share of
21 expenditures during the period January 1 through December 31 of
22 each year shall not exceed 45%.

23 Payment of the State share of expenditures by county welfare
24 agencies for aid to families with dependent children -
25 unemployment of father (AFDC-F) shall be at the rate of 52.5%
26 during the period July 1 through December 31 of each year and at
27 the rate of 37.5% during the period January 1 through June 30 of
28 each year; provided that the total payment of the State share of
29 expenditures during the period January 1 through December 31 of
30 each year shall not exceed 45%.

31 Payment of the State share of expenditures by county welfare
32 agencies for aid to families with dependent children - insufficient
33 employment of parents (AFDC-N) shall be at the rate of 115%
34 during the period July 1 through December 31 of each year and at
35 the rate of 75% during the period January 1 through June 30 of
36 each year; provided that the total payment of the State share of
37 expenditures during the period January 1 through December 31 of
38 each year shall not exceed 95%.

39 The State shall pay to each county welfare agency for aid
40 provided to families with dependent children as defined in
41 subparagraphs (ii) and (iii) of paragraph (1) of subsection (c) of
42 section 1 [(c) (1)(ii) and (iii)] of [this act] P.L.1959, c.86
43 (C.44:10-1), the entire amount of such expenditures that exceed
44 the level of expenditures in 1976 for aid to families of the
45 working poor pursuant to P.L.1971, c.209 (C.44:13-1 et seq.),
46 after deduction for federal participation.

47 The State shall also pay to each county welfare agency the full
48 amount of any funds received by the State from the federal
49 government as federal participation with respect to the costs of

1 administration of the program of aid to families with dependent
2 children by such county welfare agency.

3 (cf: P.L.1990, c.66, s.8)

4 15. R.S.30:4-78 is amended to read as follows:

5 30:4-78. The State House Commission shall fix the rate or
6 rates of per capita payment for the reasonable cost of
7 maintenance and clothing of patients in State psychiatric
8 facilities chargeable to the counties.

9 The State House Commission shall fix the per capita cost rate
10 or rates to be paid by the State to the several counties on behalf
11 of the reasonable cost of maintenance of State patients in any
12 county psychiatric facility, including outpatient psychiatric
13 services, which payments shall be made by the State Treasurer on
14 the warrant of the Comptroller to the board of chosen
15 freeholders, upon a statement furnished by such board to the
16 department, giving the name and number of such county or State
17 patients who may have been thus supported in such psychiatric
18 facilities [during the preceding month, computing from November
19 1]. This statement shall set forth the amount, if any, received by
20 the county from any person or persons for or on behalf of the
21 maintenance of any such patients in such county psychiatric
22 facilities. To the extent that such amount exceeds the county's
23 share for the reasonable cost of maintenance and clothing for a
24 patient, that excess amount shall be credited to the amount to be
25 paid to the county by the State.

26 The State House Commission shall likewise fix the per capita
27 rate or rates which each county shall pay to the treasurer for the
28 reasonable cost of maintenance and clothing of each patient
29 residing in a State psychiatric facility or a State facility for the
30 developmentally disabled or receiving residential functional
31 services for the developmentally disabled having a legal
32 settlement in such county. If the State shall directly receive
33 funds, other than Medicare or Medicaid funds, in support of the
34 patient, including but not limited to federal social security
35 benefits, the State shall credit the funds to the county of
36 settlement, but no credit shall exceed the county's share of the
37 reasonable cost of maintenance and clothing costs for the patient.

38 If the State shall receive private insurance payments for the
39 patient, the State shall credit the county of settlement for its
40 full cost for the days for which payment was received, but the
41 credit shall not exceed the county's share of the reasonable cost
42 of maintenance and clothing cost for the patient.

43 The State House Commission shall likewise fix the rate or rates
44 to be paid for the reasonable cost of maintenance and clothing of
45 the convict and criminal mentally ill in any State psychiatric
46 facility, which rate or rates shall be paid by the State in the case
47 of State patients, and in the case of county patients, the same
48 rate or rates shall be paid, to be divided between the State and
49 county in the proportion of nine on the part of the State and one

1 on the part of the county.

2 [No change shall be made by the State House Commission in
3 the rate or rates to be paid by the counties to the State for the
4 maintenance of county patients in State psychiatric facilities,
5 except between January 1 and November 15 in any year, and any
6 such change of rate or rates shall not become effective until
7 January 1 next succeeding the making of such change, except
8 that any change that reduces the rate or rates to be paid by the
9 counties may become effective sooner as the commission shall
10 determine.] Notice of any [such] change in rate or rates to be
11 paid by the counties shall be given in writing by the State House
12 Commission to the commissioner and by him transmitted to the
13 clerk of the respective boards of chosen freeholders [on or before
14 December 1 of the year in which such change is made].

15 [The rate to be paid by the State to the several county
16 psychiatric facilities on behalf of the maintenance of patients
17 shall be 90% of the actual per capita cost of maintenance of such
18 patients, including patients in outpatient psychiatric services.]

19 The State share of payments to the several county psychiatric
20 facilities on behalf of the reasonable cost of maintenance of
21 patients shall be at the rate of 130% during the period July 1
22 through December 31 of each year and at the rate of 50% during
23 the period January 1 through June 30 of each year; provided that
24 the total amount to be paid by the State in each year shall not
25 exceed 90% of the total reasonable per capita cost for the period
26 January 1 through December 31 of each year.

27 The rate to be paid by the counties to the State [in] on behalf
28 of the maintenance of county patients in State psychiatric
29 facilities and State facilities and receiving other residential
30 functional services for the developmentally disabled shall be
31 [10%] 50% of the actual reasonable per capita cost of
32 maintenance of such patients.

33 During the period of July 1 through December 31 of each year,
34 the State shall pay to each county an amount equal to 40% of the
35 total per capita costs for the reasonable cost of maintenance and
36 clothing of county patients in State psychiatric facilities for the
37 period January 1 through December 31 of that year.

38 During the period of July 1 through December 31 of each year,
39 the State shall pay to each county an amount equal to 50% of the
40 total per capita costs for the reasonable cost of maintenance and
41 clothing of county patients residing in State facilities for the
42 developmentally disabled and receiving other residential
43 functional services for the developmentally disabled for the
44 period January 1 through December 31 of that year.

45 The per capita cost of maintenance of patients in county and
46 State psychiatric facilities and State facilities for the
47 developmentally disabled and receiving other residential
48 functional services for the developmentally disabled, as
49 aforsaid, shall be reported to the State Comptroller upon forms

1 to be prescribed from time to time by the State Comptroller.
2 (cf: P.L.1990, c.73, s.4)

3 16. Section 30 of P.L.1951, c.138 (C.30:4C-30) is amended to
4 read as follows:

5 30. The cost of maintenance provided under this act for or on
6 behalf of any child shall be borne by the State at the rate of 75%
7 of the per capita cost of maintenance and by the county at the
8 rate of 25% of the per capita cost for the entire year. During the
9 period from July 1 through December 31 of each year the State
10 shall pay to each county an amount equal to the county share of
11 the per capita cost from January 1 through December 31 of that
12 year, but not to exceed 25% of the total State and county cost of
13 maintenance.

14 The Governor shall fix and determine and state in his annual
15 budget message a sum sufficient to pay the estimated amount
16 required to carry into effect the provisions of this act, together
17 with the deficiencies, if any, incurred in the previous year. The
18 Legislature shall include the amount so determined and stated, in
19 the annual appropriations bill.

20 The division may fix the rate of per capita payment for the
21 maintenance of children in each State program and subprogram,
22 including the allowance for clothing.

23 (cf: P.L.1990, c.66, s.4)

24 17. R.S.44:7-25 is amended to read as follows:

25 44:7-25. The State shall pay to each county welfare board the
26 full amount of any funds received by the State from the federal
27 government as federal participation with respect to expenditures
28 made by such county welfare board for old age assistance,
29 including burial and funeral expenses and terminal medical and
30 nursing costs, plus an additional amount of 75% of the balance of
31 such expenditures after deducting the amount of such federal
32 participation. During the period July 1 through December 31 of
33 each year the State shall pay to each county an amount equal to
34 the county share of the total expenditures for the period January
35 1 through December 31 of that year. The State shall also pay to
36 each county welfare board the full amount of any funds received
37 by the State from the federal government as federal participation
38 with respect to the costs of administration of the program of old
39 age assistance by such county welfare board.

40 (cf: P.L.1990, c.66, s.11)

41 18. Section 3 of P.L.1951, c.139 (C.44:7-40) is amended to
42 read as follows:

43 3. The State shall pay to each county welfare board the full
44 amount of any funds received by the State from the federal
45 government as federal participation with respect to expenditures
46 made by such county welfare board for assistance for the
47 permanently and totally disabled, plus an additional amount of
48 75% of the balance of such expenditures after deducting the
49 amount of such federal participation. During the period July 1

1 through December 31 of each year the State shall pay to each
 2 county an amount equal to the county share of the total
 3 expenditures for the period January 1 through December 31 of
 4 that year.

5 The State shall also pay to each county welfare board the full
 6 amount of any funds received by the State from the federal
 7 government as federal participation with respect to the costs of
 8 administration of the program of assistance for the permanently
 9 and totally disabled by such county welfare board.

10 (cf: P.L.1990, c.66, s.9)

11 19. Section 44 of P.L.1962, c.197 (C.44:7-46) is amended to
 12 read as follows:

13 44. The State shall pay to each county welfare board the full
 14 amount of any funds received by the State from the federal
 15 government as federal participation with respect to expenditures
 16 made by such county welfare board for assistance for the blind,
 17 plus an additional amount of 75% of the balance of such
 18 expenditures after deducting the amount of such federal
 19 participation. During the period July 1 through December 31 of
 20 each year the State shall pay to each county an amount equal to
 21 the county share of the total expenditures for the period January
 22 1 through December 31 of that year.

23 The State shall also pay to each county welfare board the full
 24 amount of any funds received by the State from the federal
 25 government as federal participation with respect to the costs of
 26 administration of the program of assistance for the blind by such
 27 county welfare board.

28 (cf: P.L.1990, c.66, s.10)

29 20. There is appropriated from the Property Tax Relief Fund
 30 to the Department of Community Affairs the sum of
 31 \$305,000,000 to effectuate the purposes of section 3 of this act,
 32 the sum of \$30,000,000 to effectuate the purposes of section 4 of
 33 this act and the sum of \$25,000,000 to be allocated pursuant to
 34 P.L. 1978, c. 14 (C. 52:27D-178 et seq.).

35 21. This act shall take effect July 1, 1991.

36

37

38

STATEMENT

39

40 This substitute, which includes the "Supplemental Municipal
 41 Property Tax Relief Act," provides local property tax relief in
 42 the form of State aid to all municipalities. Most of the aid
 43 (\$305,000,000 appropriated in FY92) is allocated through a
 44 formula that is based on equalized tax rates. Municipalities with
 45 an equalized tax rate more than twice the Statewide aggregate
 46 tax rate shall receive State aid equal to \$72.76 per capita.
 47 Municipalities with a tax rate between the Statewide aggregate
 48 and twice that rate shall receive State aid equal to \$42.75 per
 49 capita. Other municipalities shall receive aid at \$31.83 or \$22.73

1 per capita. In addition, municipalities with per capita income less
2 than half the Statewide per capita income shall receive additional
3 state aid equal to \$45.48 per capita.

4 In addition to the distribution of aid by this formula, the
5 substitute establishes a discretionary aid program. Eligibility for
6 discretionary aid (\$30,000,000 appropriated in FY92) is limited to
7 those municipalities that received less than \$500,000 through the
8 "Special Municipal Aid Act," P.L.1987, c.75 (C.52:27D-118.24 et
9 seq.) in the prior year. From the eligible municipalities that apply
10 for discretionary aid, the Director of the Division of Local
11 Government Services in the Department of Community Affairs
12 shall select those municipalities determined to be experiencing
13 fiscal distress, having extraordinary high municipal services
14 costs, or having a tax base unable to adequately support property
15 tax demands. A municipality receiving discretionary aid will be
16 subject to close supervision by the Local Finance Board.

17 All aid received through either program is required to be used
18 to offset local property taxes. The bill requires the tax collector,
19 in consultation with the chief financial officer of the
20 municipality, to prepare a statement to be sent with each tax bill
21 indicating the property tax rate and tax levy savings resulting
22 from State aid provided pursuant to the "Supplemental Municipal
23 Property Tax Relief Act."

24 The substitute also appropriates \$25,000,000 in FY92 to be
25 distributed as municipal aid pursuant to P.L.1978, c.14
26 (C.52:27D-178 et seq.).

27 In addition, the substitute revises the schedule of State
28 payments to counties for specific social service and welfare
29 programs to increase the rate of State payment during the first
30 half of the State fiscal year.

31 The substitute also requires that all municipalities that levy
32 school taxes on a school year basis defer at least 25% of the
33 maximum amount deferrable and apply that deferred amount
34 toward a reduction in the local purposes property tax levy.

35 The substitute appropriates \$360,000,000.
36
37

38 LOCAL TAXATION

39
40 "Supplemental Municipal Property Tax Relief Act," provides
41 State aid to reduce local property taxes and modifies schedule of
42 certain aid payments to counties; appropriates \$360,000,000 from
43 PTRF in FY 1992.

SENATE, No. 3231

STATE OF NEW JERSEY

INTRODUCED JANUARY 14, 1991

By Senator LYNCH

1 AN ACT concerning State aid to certain municipalities,
2 supplementing Title 52 of the Revised Statutes, amending
3 R.S.54:4-65 and making an appropriation.
4

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

7 1. (New section) This act shall be known as the "Supplemental
8 Municipal Property Tax Relief Act."

9 2. (New section) Sections 2 through 7 of this act shall be
10 known as the Supplemental Municipal Property Tax Relief
11 Formula (SMPTR Formula).

12 3. (New section) As used in sections 2 through 7 of this act:
13 "Director" means the Director of the Division of Local
14 Government Services in the Department of Community Affairs.

15 "Equalized tax rate" with respect to each municipality and the
16 State, means the total tax levy on which the tax rate is computed
17 as shown in the table of aggregates for the pretax year prepared
18 pursuant to R.S.54:4-52, divided by the equalized valuation of
19 property exclusive of Class II railroad property as shown in the
20 table of equalized valuations for the pretax year prepared
21 pursuant to P.L.1954, c.86 (C.54:1-35.1 et seq.).

22 4. (New section) The director shall on or before December 31,
23 1991 and annually thereafter make the following distributions of
24 SMPTR Formula financial assistance, subject to the reductions
25 required by subsection d. of this section:

26 a. To municipalities having an equalized tax rate greater than
27 the Statewide average equalized tax rate an amount equal to \$47
28 per capita based on the most recent federal decennial census.

29 b. To municipalities having an equalized tax rate equal to or
30 greater than .75 but not greater than the Statewide average
31 equalized tax rate an amount equal to \$35 per capita based on the
32 most recent federal decennial census.

33 c. To municipalities having an equalized tax rate less than .75
34 times the Statewide average equalized tax rate an amount equal
35 to \$25 per capita based on the most recent federal decennial
36 census.

37 d. The director shall reduce the entitlement amounts
38 determined in subsections a. to c. of this section for certain
39 municipalities as follows: any municipality which received in the
40 pretax year a regular grant payment from the "Special Municipal
41 Aid Act," P.L.1987, c.75 (C.52:27D-118.24 et seq.) of more than

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 \$10,000,000 shall have its current tax year's entitlement as
2 specified in this section reduced by 40%; any municipality which
3 received in the previous tax year a payment from the "Special
4 Municipal Aid Act," P.L.1987, c.75 of \$1,000,000 to \$10,000,000,
5 inclusive, shall have its current tax year's entitlement as
6 specified in this section reduced by 30%; any municipality which
7 received in the previous tax year a payment from the "Special
8 Municipal Aid Act," P.L.1987, c.75 of \$500,000 to \$1,000,000,
9 inclusive, shall have its current tax year's entitlement as
10 specified in this section reduced by 20%.

11 5. (New section) SMPTR Formula financial assistance granted
12 under section 4 of this act shall be used solely and exclusively for
13 the purposes of reducing the amount the recipient municipality is
14 required to raise by property taxation. The director shall certify
15 that each recipient municipality has fully complied with this
16 section. If the director finds that the SMPTR Formula financial
17 assistance allocated to a municipality under section 4 of this act
18 is not used solely and exclusively to reduce the amount required
19 to be raised by property taxation, he shall direct the governing
20 body to make corrections to its budget.

21 6. (New section) Notwithstanding any provisions of the "Local
22 Budget Law," (N.J.S.40A:4-1 et seq.), any municipality that
23 receives funds under section 4 of this act may anticipate the
24 receipt of the amount of SMPTR Formula financial assistance
25 certified to it by the director and may file such amendments or
26 corrections in its local budget as may be required to properly
27 reflect that financial assistance.

28 7. (New section) The director shall promulgate rules and
29 regulations in accordance with the "Administrative Procedure
30 Act," P.L.1968, c.410 (C.52:14B-1 et seq.) to effectuate the
31 purposes of sections 2 through 5 of this act.

32 8. (New section) Sections 8 through 15 of this act shall be
33 known as the Supplemental Municipal Property Tax Relief
34 Discretionary Formula (SMPTR Discretionary Formula).

35 9. (New section) As used in sections 9 through 15 of this act:

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

38 "Eligible municipality" means a municipality that received
39 notice from the director that it is eligible to apply for financial
40 assistance under the SMPTR Discretionary Formula because it
41 applied for and received less than \$500,000 in regular grant
42 financial assistance from the "Special Municipal Aid Act,"
43 P.L.1987, c.75 (C.52:27D-118.24 et seq.).

44 "Recipient municipality" means a municipality that receives
45 financial assistance under the SMPTR Discretionary Formula.

46 "Board" means the Local Finance Board of the Division of
47 Local Government Services in the Department of Community
48 Affairs.

49 "Certified municipality" means an eligible municipality that

1 has been recommended by the director to receive financial
2 assistance under the SMPTR Discretionary Formula.

3 10. (New section) a. The director shall annually notify the
4 chief financial officer of every municipality that is eligible to
5 apply for financial assistance under the SMPTR Discretionary
6 Formula of its eligibility.

7 b. An eligible municipality may apply to the board for
8 financial assistance under the SMPTR Discretionary Formula on
9 forms promulgated by the director.

10 11. (New section) The director shall select among the eligible
11 municipalities that have applied for financial assistance under the
12 SMPTR Discretionary Formula and forward to the board a list of
13 certified municipalities along with the amount of financial
14 assistance to be paid to each municipality. The criteria used by
15 the director in selecting among those eligible municipalities shall
16 include whether the municipality is experiencing fiscal distress,
17 whether the cost of providing municipal services is
18 extraordinarily high, or whether there is an inability of taxpayers
19 to meet property tax demands.

20 12. (New section) As a condition of receiving assistance under
21 the provisions of the SMPTR Discretionary Formula the director:

22 a. Shall have the authority to increase, decrease, add or delete
23 revenues and expenditures from the budget of any certified
24 municipality based on the municipality's experience and prudent
25 fiscal management, and

26 b. May require documentation, schedules and estimates related
27 to the budget of any certified municipality.

28 13. (New section) a. The board may issue remedial orders to a
29 certified municipality directing it to:

30 (1) Maximize revenues;

31 (2) Maximize surplus to a prudent level;

32 (3) File schedules along with the budget showing municipal
33 revenues not anticipated;

34 (4) Add municipal revenues not anticipated to the budget;

35 (5) Maximize its tax collection rate in order to minimize its
36 reserve for uncollected taxes, using prudent fiscal practices;

37 (6) Reduce appropriations deemed by the board to be excessive;
38 and

39 (7) Undertake other appropriate activities consistent with this
40 section to reduce property taxes.

41 b. The board shall require, as a condition for the release of
42 funds to a certified municipality under the SMPTR Discretionary
43 Formula, that the director has found compliance with remedial
44 orders issued by the board to that municipality.

45 c. The board shall exercise general fiscal oversight over
46 certified municipalities and may:

47 (1) Require the director to return a budget if it is determined
48 that the local tax burden is unreasonably high;

49 (2) Require the inclusion of line items supporting budget detail;

1 (3) Require that the financial assistance granted under the
2 SMPTR Discretionary Formula be used for property tax relief as
3 a condition of budget approval by director; and

4 (4) Permit the cancellation of appropriation reserves on the
5 same schedule as transfers, with a revised annual financial
6 statement forwarded to the director upon the cancellation.

7 14. (New section) Notwithstanding any provisions of the
8 "Local Budget Law," (N.J.S.40A:4-1 et seq.), any municipality
9 that receives funds under the SMPTR Discretionary Formula may
10 anticipate the receipt of the amount of financial assistance
11 certified to it by the director and may file such amendments or
12 corrections in its local budget as may be required to properly
13 reflect that financial assistance.

14 15. (New section) The director shall promulgate rules and
15 regulations in accordance with the "Administrative Procedure
16 Act," P.L.1968, c.410 (C.52:14B-1 et seq.) to effectuate the
17 purposes of sections 8 through 14 of this act.

18 16. R.S.54:4-65 is amended to read as follows:

19 54:4-65. Each tax bill shall have printed thereon a brief
20 tabulation showing the distribution of the amount raised by
21 taxation in the taxing district, in such form as to disclose the
22 rate per \$100.00 of assessed valuation or the number of cents in
23 each dollar paid by the taxpayer which is to be used for the
24 payment of State school taxes, other State taxes, county taxes,
25 local school expenditures and other local expenditures. The last
26 named item may be further subdivided so as to show the amount
27 for each of the several departments of the municipal
28 government. In lieu of printing such information on the tax bill,
29 any municipality may furnish the tabulation required hereunder
30 and any other pertinent information in a statement accompanying
31 the mailing or delivery of the tax bill.

32 Also included with the annual tax bill, on a form prescribed by
33 the Director of the Division of Local Government Services in the
34 Department of Community Affairs, the tax collector, in
35 consultation with the chief financial officer of the municipality,
36 shall prepare a statement reporting the amount of tax rate and
37 tax levy savings resulting from the "Supplemental Municipal
38 Property Tax Relief Act," P.L. , c. (C.) (now before
39 the Legislature as this bill).

40 (cf: P.L.1957, c.157, s.1)

41 17. There is appropriated from the General Fund the sum of
42 \$295,000,000 to effectuate the purposes of sections 2 through 7
43 of this act and the sum of \$100,000,000 to effectuate the
44 purposes of sections 8 through 15 of this act.

45 18. This act shall take effect immediately.

STATEMENT

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The purpose of this bill is to provide local property tax relief by lessening the rate of increase in property taxes through two State aid programs. The Supplemental Municipal Property Tax Relief Formula (SMPTR Formula) is designed to provide property tax reduction assistance to every municipality. The amount of financial aid will vary according to equalized tax rates with high tax-rate municipalities receiving the maximum per capita allocation of assistance. The per capita allocation of aid decreases proportionately as equalized tax rates of municipalities decrease.

The Supplemental Municipal Property Tax Relief Discretionary Formula (SMPTR Discretionary Formula) is designed to provide property tax reduction assistance to those municipalities determined by the Director of the Division of Local Government Services in the Department of Community Affairs to be experiencing fiscal distress, having extraordinary high municipal services costs, or having a tax base unable to adequately support property tax demands. Eligibility for the SMPTR Discretionary Formula is limited to municipalities that applied for and received less than \$500,000 from the "Special Municipal Aid Act," P.L.1987, c.75 (C.52:27D-118.24 et seq.) in the prior year. A municipality receiving discretionary aid under the SMPTR Discretionary Formula would be subject to close supervision by the Local Finance Board.

All aid received through either program is required to be used to offset local property taxes. The bill requires the tax collector, in consultation with the chief financial officer of the municipality, to prepare a statement to be sent with each tax bill indicating the property tax rate and tax levy savings resulting from the "Supplemental Municipal Property Tax Relief Act."

This bill contains an appropriation of \$295,000,000 for the SMPTR Formula and \$100,000,000 for the SMPTR Discretionary Formula.

LOCAL TAXATION

"Supplemental Municipal Property Tax Relief Act," provides State aid to reduce local property taxes; appropriates \$395 million.

SENATE REVENUE, FINANCE AND
APPROPRIATIONS COMMITTEE

STATEMENT TO

SENATE COMMITTEE SUBSTITUTE FOR
SENATE, No. 3231

STATE OF NEW JERSEY

DATED: JANUARY 24, 1991

The Senate Revenue, Finance and Appropriations Committee reports favorably the Senate Committee Substitute for Senate Bill No. 3231.

This committee substitute, the "Supplemental Municipal Property Tax Relief Act" provides local property tax relief in the form of State aid to all municipalities. Most of the aid (\$330,000,000 in FY92) is allocated through a formula that is based on equalized tax rates. Municipalities with an equalized tax rate more than twice the Statewide aggregate tax rate shall receive State aid equal to \$80 per capita. For municipalities with a tax rate between the Statewide aggregate and twice that rate shall receive per capita aid of \$47. Other municipalities shall receive aid at \$35 or \$25 per capita. In addition, municipalities with per capita income less than half the Statewide per capita income shall receive additional state aid equal to \$50 per capita.

In addition to the distribution of aid by this formula, the substitute establishes a discretionary aid program. Eligibility for discretionary aid is limited to those municipalities that received less than \$500,000 through the "Special Municipal Aid Act," P.L.1987, c.75 (C.52:27D-118.24 et seq.) in the prior year. From the eligible municipalities that apply for discretionary aid, the Director of the Division of Local Government Services in the Department of Community Affairs shall select those municipalities determined to be experiencing fiscal distress, having extraordinary high municipal services costs, or having a tax base unable to adequately support property tax demands. A municipality receiving discretionary aid will be subject to close supervision by the Local Finance Board.

All aid received through either program is required to be used to offset local property taxes. The bill requires the tax collector, in consultation with the chief financial officer of the municipality, to prepare a statement to be sent with each tax bill indicating the property tax rate and tax levy savings resulting from State aid provided pursuant to the "Supplemental Municipal Property Tax Relief Act."

The substitute also appropriates \$20,044,186 in FY92 to be distributed as municipal aid pursuant to P.L.1978, c.14 (C.52:27D-178 et seq.).

FISCAL IMPACT

This bill, which is effective July 1, 1991, contains an appropriation in FY92 of \$395,044,186 from the Property Tax Relief Fund, of which \$330,000,000 shall be allocated by the formula, \$45,000,000 shall be allocated as discretionary aid and \$20,044,186 shall be allocated as municipal aid pursuant to P.L.1978, c.14.