

40A:4-55.18 — 40A:4-55.21

LEGISLATIVE HISTORY CHECKLIST

("Distressed municipality"-large judgement-allow payment through financing)

NJSA 40A:4-55.18-40A:4-55.21

LAWS 1982

CHAPTER 66

Bill No. A1194

Sponsor(s) Baer and others

Date Introduced March 15, 1982

Committee: Assembly \_\_\_\_\_

Senate \_\_\_\_\_

Amended during passage according to Governor's recommendations Yes

~~Yes~~ Amendments denoted by asterisks

Date of Passage: Assembly March 15, 1982

Re-enacted 5-13-82

Senate March 15, 1982

Re-enacted 6-8-82

Date of approval July 12, 1982

Following statements are attached if available:

Sponsor statement	Yes	<del>No</del>
Committee Statement: Assembly	<del>Yes</del>	No
Senate	<del>Yes</del>	No
Fiscal Note	<del>Yes</del>	No
Veto Message	Yes	<del>No</del>
Message on signing	<del>Yes</del>	No

Following were printed:

Reports	<del>Yes</del>	No
Hearings	<del>Yes</del>	No

ORIGINAL FILED IN 40A:4-55.18-40A:4-55.21

6/22/81

66 82  
7-12-82

[OFFICIAL COPY REPRINT]  
**ASSEMBLY, No. 1194**

**STATE OF NEW JERSEY**

INTRODUCED MARCH 15, 1982

By Assemblymen BAER, MAZUR, MARKERT, Assemblywoman  
WRIGHT, Assemblymen SCHUBER and KERN

(Without Reference)

AN ACT concerning the financing of certain obligations of municipalities and supplementing chapter 4 of Title 40A of the Revised Statutes.

1 BE IT ENACTED *by the Senate and General Assembly of the State*  
2 *of New Jersey:*

1 1. As used in this act the term "distressed municipality" means  
2 any municipality required to pay a judgment in an amount which  
3 would require an increase in the municipal purposes levy for any  
4 year in excess of 40% over the immediately preceding year.

1 2. a. The governing body of a distressed municipality may by  
2 resolution approved by not less than two-thirds vote of its full  
3 membership provide for the payment of any judgment against it  
4 resulting from an order of the court by providing an appropriation  
5 therefor, and financing such from surplus funds or by borrowing  
6 through issuance of notes or other obligations in the name of the  
7 municipality.

8 b. Any resolution adopted under the provisions of this act shall  
9 provide that in the case of any notes issued to finance appropria-  
10 tions, at least one-fifth of all such notes, and any renewals thereof,  
11 shall mature and be paid each year, so that all notes and renewals  
12 shall have matured and have been paid not later than the last day  
13 of the \***[third]**\* \**fifth*\* year following the date of the resolution.

1 3. No resolution approved pursuant to this act shall have effect  
2 unless approved by the Local Finance Board pursuant to rules and  
3 regulations prescribed by it.

**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 printed in italics *thus* is new matter.

Matter enclosed in asterisks or stars has been adopted as follows:

\*—Assembly amendments adopted in accordance with Governor's recom-  
mendations May 3, 1982.

## STATEMENT

The purpose of this bill is to permit municipal governing bodies, faced with a judgment of significant magnitude, to either pay the judgment from current resources or to finance the appropriation to satisfy the judgment.

To be able to use the financing mechanism the judgment must represent the equivalent of more than 40% of the municipal purposes levy for the prior year, and then be approved by two-thirds vote of the governing body and the approval of the Local Finance Board. If financed, the notes must mature and be paid within 5 years, similar to the special emergency notes permitted in the Local Budget Law.

A 1194(1982)

STATE OF NEW JERSEY  
EXECUTIVE DEPARTMENT

May 3, 1982

ASSEMBLY BILL NO. 1194

To the General Assembly:

Pursuant to Article V, Section I, Paragraph 14 of the Constitution, I herewith return Assembly Bill No. 1194 with my objections and recommendations for amendment.

This bill is designed to provide a way for municipalities to finance payment of large judgments without experiencing an excessive increase in the municipal tax rate.

The bill addresses situations where a municipality would have to increase its municipal purposes levy by more than 40% in order to pay a judgment. To avoid such a dramatic tax increase, the bill would permit the governing body by a 2/3 vote and with the approval of the Local Finance Board to pay the judgment from surplus funds or by borrowing through notes or other obligations. If notes were issued, they would have to be paid off in five years.

I support the basic purpose of this bill. However, I recommend two changes to take care of some technical concerns.

First, I recommend that the provision dealing with repayment of the notes be amended to clarify that the repayment is to be accomplished within five years.

Secondly, at the suggestion of bond counsel I recommend that language be inserted dealing with the municipality's ability to repay the notes.

Therefore, I herewith return Assembly Bill No. 1194 and recommend that it be amended as follows:

Page 1, Section 2b, line 13: Delete "third" and insert "fifth"

Page 1, after Section 3, line 3: insert "4. The power and obligation of a municipality to pay any note or obligation issued pursuant to this act shall be unlimited and the municipality shall have power and be obligated to levy ad valorem taxes upon all the taxable property within the municipality for the payment of such notes or obligations and interest thereon, without limitation of rate or amount."

STATE OF NEW JERSEY  
EXECUTIVE DEPARTMENT

-2-

Page 1, Section 4, line 1: Delete "4" insert "5"

Respectfully,

/s/ Thomas H. Kean

GOVERNOR

[seal]

Attest:

/s/ W. Cary Edwards

Chief Counsel to the Governor