

52:9H-6 et al.

LEGISLATIVE HISTORY CHECKLIST

NJSA 52:9H-6 et al.

(State "CAPS" Law--Clarify)

Laws of 1977 Chapter 22

Bill No. S1688

Sponsor(s) Merlino

Date Introduced September 30, 1976

Committee: Assembly

Senate Revenue, Finance & Appropriations

Amended during passage Yes No

Date of passage: Assembly Jan. 17, 1977

Senate Nov. 15, 1976

Date of approval February 18, 1977

Following statements are attached if available:

Sponsor statement Yes No

Committee Statement: Assembly No

Senate Yes No

Fiscal Note No

Veto message No

Message on signing No

Following were printed:

Reports No

Hearings No

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SENATE, No. 1688

STATE OF NEW JERSEY

INTRODUCED SEPTEMBER 30, 1976

By Senator MERLINO

Referred to Committee on Revenue, Finance and Appropriations

AN ACT to amend and supplement "An act limiting maximum permissible expenditures by the State in certain instances, and supplementing Title 52 of the Revised Statutes," approved August 18, 1976 (P. L. 1976, c. 67).

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

1 1. Section 2 of P. L. 1976, c. 67 (C. 52:9H-6) is amended to read
2 as follows:

3 2. As used in this act:

4 a. "Base year" means the *fiscal* year prior to the **[current]**
5 *fiscal year for which an appropriation or expenditure is to be made*
6 **[of the State]**;

7 b. "Expenditures" or "*appropriations*" means all amounts
8 appropriated by the State in the general appropriation law and all
9 other laws appropriating money for any purpose in any fiscal year,
10 exclusive of money appropriated and paid or to be paid by the State
11 as State aid to counties, municipalities and local school districts or
12 on behalf of counties, municipalities and school districts, or other
13 instrumentalities; and exclusive of all expenditures of money
14 received by the State from the Federal Government, and of money
15 derived from, expended in payment of any interest or principal on,
16 any general obligation bond issues approved by the legally qualified
17 voters of the State at any general election.

1 2. Section 3 of P. L. 1976, c. 67 (C. 52:9H-7) is amended to read
2 as follows:

3 3. In each fiscal year commencing after June 30, 1977, the
4 expenditures of the State shall not exceed the maximum expendi-
5 tures permitted pursuant to the following formula:

$$\frac{\text{PCI}_i}{\text{PCI}_{i-1}} \times \text{b. exp} = \text{Maximum expenditures}$$

6
7
8
EXPLANATION—Matter enclosed in bold-faced brackets **[thus]** in the above bill
is not enacted and is intended to be omitted in the law.

9 where:

10 a. PCI_j means State per capita personal income [as certified by
11 the United States Department of Commerce in, the current fiscal
12 year] *in the year prior to the base year, which shall be calculated*
13 *by taking the personal income data published by the United States*
14 *Department of Commerce for the calendar year quarter preceding*
15 *the commencement of the base year, and dividing it by the State's*
16 *population in the year in which that calendar quarter falls, as*
17 *certified by said department;*

18 b. PCI_{j-1} means State per capita personal income [as defined
19 above] *in the year 2 years prior to the base year, which shall be*
20 *calculated by taking the personal income data published by the*
21 *United States Department of Commerce for the fifth calendar year*
22 *quarter preceding the commencement of the base year and dividing*
23 *it by the State's population in the year in which that calendar*
24 *quarter falls, as certified by said department; and*

25 c. "b.exp" means the appropriations of the State in the base
26 year[]; provided, however, that for the purposes of this formula,
27 the State Per Capita Personal Income in the base year and in each
28 fiscal year other than the base year shall be computed:

29 (1) In the case of each year other than the base year, by taking
30 the amount certified by the United States Department of Commerce
31 for the last calendar quarter preceding the commencement of the
32 fiscal year for which either preliminary or final figures are avail-
33 able, and adding to such amount the amounts certified by said
34 United States Department of Commerce for the three calendar
35 quarters immediately preceding said last calendar quarter; and

36 (2) In the case of the base year, by taking the amount certified
37 by the United States Department of Commerce for the same calen-
38 dar quarter of 1975 as the calendar quarter determined in the case
39 of each year other than the base year, and adding to such amount
40 the amounts certified by said United States Department of Com-
41 merce for the three calendar quarters immediately preceding said
42 calendar quarter].

1 3. (New section) In presenting his annual budget message the
2 Governor shall not request or recommend for appropriation any
3 amount in excess of the maximum expenditures permitted pur-
4 suant to this act for the fiscal year for which said budget message
5 is presented.

1 4. This act and the act to which this is a supplement shall take
2 effect immediately and shall expire on June 30, 1980.

STATEMENT

This bill makes amendments to clarify numerous confusing and contradictory provisions of P. L. 1976, c. 67, the State expenditure limits bill, most of whose problems can be traced to the many amendments it underwent.

The bill amends subsection 2a. of the law to redefine "base year". As enacted, it is defined as "the year prior to the current fiscal year". When preparing a budget for the upcoming fiscal year, it would appear to set the base year 2 years back, which is what the year prior to the "current" one is. Compounding this confusion is an apparent allusion in 3.c.(2) to 1975 as the unchanging base year.

As amended, subsection 2a. defines "base year" as "the fiscal year prior to the fiscal year for which an appropriation or expenditure is to be made". Thus, if one is talking in May, 1978, about a supplemental appropriation to the 1977-78 budget, it is clear that it is limited by the 1976-77 base; if one is talking in that same month about the appropriations act for the upcoming 1978-79 fiscal year, that appropriation would clearly be limited by the 1977-78 base.

Since "expenditure" and "appropriation" are used interchangeably throughout the law, subsection 2b. is amended to include "or appropriations" in the definition applicable to "expenditures".

Amendments to section 3 of the law correct major defects. Subsection 3a. now defines the PCI numerator as per-capita personal income in "the current fiscal year". However, per-capita income data about the current year are not available; they are published a year later. In addition, when the original bill (S. 877) was last amended on the floor, it alluded to "quarterly" reports by the Department of Commerce "certifying" per-capita income. Per-capita personal income data are in fact published once a year, not quarterly; it is only aggregate personal income that is published—not "certified"—every quarter. (These references in the law to the usable income data are misplaced in subsection 3.c.(1), under the definition of "base expenditures".)

By April, 1977, the Federal preliminary per-capita figures for 1976 will be available. Following the directive of 3.c.(1) that one take the data from "the last calendar quarter preceding the commencement of the fiscal year for which either preliminary or final figures are available," the calendar quarter to be used for the most "current" year would be the fourth quarter of 1975, since this is the last calendar quarter preceding 1976. But 3.c.(2) sets the "base year" denominator as the same calendar quarter in, *specifically*, the year 1975—in other words, the same as the

numerator. Thus, in putting together the budget for the 1977-78 fiscal year the permissible increase over the current year would be zero.

This bill amends the definition of per-capita personal income by: (1) basing it on the quarterly aggregate income data divided by Federal population estimates; and (2) using data in the numerator for "the year prior to the base year", and in the denominator for the year before that—thus making the usage of "base year" in section 3 comprehensible and consistent with the term's definition in section 2.

In addition to these technical amendments the bill makes two substantive additions to P. L. 1976, c. 67. It adds a new section specifying that the Governor must present a budget that conforms to the cap requirement. The existing law makes no such provision, and the Governor could presumably present a budget with a "normal" rate of increase and tell the Legislature to cut out a hundred million dollars or waive the cap. The new provision the bill proposes in section 3 would compel the Governor to offer his priorities within the expenditure limit.

Finally, the concluding section makes this law, like the local caps, a 3-year experiment, to be evaluated and renewed by act of the Legislature in 1980.

STATE OF NEW JERSEY

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By Senator MERLINO

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AN ACT to amend and supplement "An act limiting maximum permissible expenditures by the State in certain instances, and supplementing Title 52 of the Revised Statutes," approved August 18, 1976 (P. L. 1976, c. 67).

1 BE IT ENACTED by the Senate and General Assembly of the State
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5 *fiscal year for which an appropriation or expenditure is to be made*
6 **[of the State]**;

7 b. "Expenditures" or "*appropriations*" means all amounts
8 appropriated by the State in the general appropriation law and all
9 other laws appropriating money for any purpose in any fiscal year,
10 exclusive of money appropriated and paid or to be paid by the State
11 as State aid to counties, municipalities and local school districts or
12 on behalf of counties, municipalities and school districts, or other
13 instrumentalities; and exclusive of all expenditures of money
14 received by the State from the Federal Government, and of money
15 derived from, expended in payment of any interest or principal on,
16 any general obligation bond issues approved by the legally qualified
17 voters of the State at any general election.

1 2. Section 3 of P. L. 1976, c. 67 (C. 52:9H-7) is amended to read
2 as follows:

3 3. In each fiscal year commencing after June 30, 1977, the
4 expenditures of the State shall not exceed the maximum expendi-
5 tures permitted pursuant to the following formula:

6
$$\frac{PCI_i}{PCI_{i-1}} \times b. \text{ exp} = \text{Maximum expenditures}$$

7
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EXPLANATION—Matter enclosed in bold-faced brackets [thus] in the above bill is not enacted and is intended to be omitted in the law.

9 where:

10 a. PCI_i means State per capita personal income [as certified by
11 the United States Department of Commerce in the current fiscal
12 year] *in the year prior to the base year, which shall be calculated*
13 *by taking the personal income data published by the United States*
14 *Department of Commerce for the calendar year quarter preceding*
15 *the commencement of the base year, and dividing it by the State's*
16 *population in the year in which that calendar quarter falls, as*
17 *certified by said department;*

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24 *quarter falls, as certified by said department; and*

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26 year; provided, however, that for the purposes of this formula,
27 the State Per Capita Personal Income in the base year and in each
28 fiscal year other than the base year shall be computed:

29 (1) In the case of each year other than the base year, by taking
30 the amount certified by the United States Department of Commerce
31 for the last calendar quarter preceding the commencement of the
32 fiscal year for which either preliminary or final figures are avail-
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34 United States Department of Commerce for the three calendar
35 quarters immediately preceding said last calendar quarter; and

36 (2) In the case of the base year, by taking the amount certified
37 by the United States Department of Commerce for the same calen-
38 dar quarter of 1975 as the calendar quarter determined in the case
39 of each year other than the base year, and adding to such amount
40 the amounts certified by said United States Department of Com-
41 merce for the three calendar quarters immediately preceding said
42 calendar quarter].

43 *d. *For the fiscal year commencing after June 30, 1978, and*
44 *each June 30 thereafter, the PCI_i so calculated shall not be less*
45 *than the PCI_i used in the prior year.**

1 3. (New section) In presenting his annual budget message the
2 Governor shall not request or recommend for appropriation any
3 amount in excess of the maximum expenditures permitted pur-
4 suant to this act for the fiscal year for which said budget message
5 is presented.

1 4. This act and the act to which this is a supplement shall take
2 effect immediately and shall expire on June 30, 1980.

STATEMENT

This bill makes amendments to clarify numerous confusing and contradictory provisions of P. L. 1976, c. 67, the State expenditure limits bill, most of whose problems can be traced to the many amendments it underwent.

The bill amends subsection 2a. of the law to redefine "base year". As enacted, it is defined as "the year prior to the current fiscal year". When preparing a budget for the upcoming fiscal year, it would appear to set the base year 2 years back, which is what the year prior to the "current" one is. Compounding this confusion is an apparent allusion in 3.c.(2) to 1975 as the unchanging base year.

As amended, subsection 2a. defines "base year" as "the fiscal year prior to the fiscal year for which an appropriation or expenditure is to be made". Thus, if one is talking in May, 1978, about a supplemental appropriation to the 1977-78 budget, it is clear that it is limited by the 1976-77 base; if one is talking in that same month about the appropriations act for the upcoming 1978-79 fiscal year, that appropriation would clearly be limited by the 1977-78 base.

Since "expenditure" and "appropriation" are used interchangeably throughout the law, subsection 2b. is amended to include "or appropriations" in the definition applicable to "expenditures".

Amendments to section 3 of the law correct major defects. Subsection 3a. now defines the PCI numerator as per-capita personal income in "the current fiscal year". However, per-capita income data about the current year are not available; they are published a year later. In addition, when the original bill (S. 877) was last amended on the floor, it alluded to "quarterly" reports by the Department of Commerce "certifying" per-capita income. Per-capita personal income data are in fact published once a year, not quarterly; it is only aggregate personal income that is published—not "certified"—every quarter. (These references in the law to the usable income data are misplaced in subsection 3.c.(1), under the definition of "base expenditures".)

By April, 1977, the Federal preliminary per-capita figures for 1976 will be available. Following the directive of 3.c.(1) that one take the data from "the last calendar quarter preceding the commencement of the fiscal year for which either preliminary or final figures are available," the calendar quarter to be used for the most "current" year would be the fourth quarter of 1975, since this is the last calendar quarter preceding 1976. But 3.c.(2) sets the "base year" denominator as the same calendar quarter in, *specifically*, the year 1975—in other words, the same as the

numerator. Thus, in putting together the budget for the 1977-78 fiscal year the permissible increase over the current year would be zero.

This bill amends the definition of per-capita personal income by: (1) basing it on the quarterly aggregate income data divided by Federal population estimates; and (2) using data in the numerator for "the year prior to the base year", and in the denominator for the year before that—thus making the usage of "base year" in section 3 comprehensible and consistent with the term's definition in section 2.

In addition to these technical amendments the bill makes two substantive additions to P. L. 1976, c. 67. It adds a new section specifying that the Governor must present a budget that conforms to the cap requirement. The existing law makes no such provision, and the Governor could presumably present a budget with a "normal" rate of increase and tell the Legislature to cut out a hundred million dollars or waive the cap. The new provision the bill proposes in section 3 would compel the Governor to offer his priorities within the expenditure limit.

Finally, the concluding section makes this law, like the local caps, a 3-year experiment, to be evaluated and renewed by act of the Legislature in 1980.

SENATE REVENUE, FINANCE AND
APPROPRIATIONS COMMITTEE

STATEMENT TO
SENATE, No. 1688

STATE OF NEW JERSEY

DATED: NOVEMBER 8, 1976

This bill proposes to amend P. L. 1976, c. 67, the State expenditure limits law and further proposes two substantive additions to that law. The amendments are to clarify the term "base year" and the factors in the expenditure limits formula, with the additions requiring the Governor's budget to conform to the expenditure limits and to provide that the act, like the local government expenditure limits act, will be a 3-year experiment expiring in 1980.

BASE YEAR DETERMINATION

The bill amends subsection 2a. of the law to redefine "base year." As enacted, it is defined as "the year prior to the current fiscal year." When preparing a budget for the upcoming fiscal year, it would appear to set the base year 2 years back, which is what the year prior to the "current" one is. Compounding this confusion is an apparent allusion in 3.c.(2) to 1975 as the unchanging base year.

As amended, subsection 2a. defines "base year" as "the fiscal year prior to the fiscal year for which an appropriation or expenditure is to be made." Thus, if one is talking in May, 1978, about a supplemental appropriation to the 1977-78 budget, it is clear that it is limited by the 1976-77 base; if one is talking in that same month about the appropriations act for the upcoming 1978-79 fiscal year, that appropriation would clearly be limited by the 1977-78 base.

Since "expenditure" and "appropriation" are used interchangeably throughout the law, subsection 2b. is amended to include "or appropriations" in the definition applicable to "expenditures."

FORMULA FACTORS

Amendments to section 3 of the law correct major defects. Subsection 3a. now defines the PCI numerator as per capita personal income in "the current fiscal year." However, per capita income data about

the current year are not available; they are published a year later. In addition, when the original bill (Senate Bill No. 877) was last amended on the floor, it alluded to “quarterly” reports by the Department of Commerce “certifying” per capita income. Per capita personal income data are in fact published once a year, not quarterly; it is only aggregate personal income that is published—not “certified”—every quarter. (These references in the law to the usable income data are misplaced in subsection 3.c.(1), under the definition of “base expenditures.”)

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GOVERNOR’S BUDGET MESSAGE

In addition to these technical amendments the bill makes two substantive additions to P. L. 1976, c. 67. It adds a new section specifying that the Governor must present a budget that conforms to the cap requirement. The existing law makes no such provision, and the Governor could presumably present a budget with a “normal” rate of increase and tell the Legislature to cut out \$100 million or waive the cap. The new provision the bill proposes in section 3 would compel the Governor to offer his priorities within the expenditure limit.

EXPIRATION DATE

Finally, the concluding section makes this law, like the local caps, a three-year experiment, to be evaluated and renewed by act of the Legislature in 1980.

SENATE COMMITTEE AMENDMENT TO

SENATE, No. 1688

RESCINDED 11-15-76

STATE OF NEW JERSEY

ADOPTED NOVEMBER 8, 1976

Amend page 2, section 2, after line 42, insert a new subsection d. as follows:

“d. For the fiscal year commencing after June 30, 1978, and each June 30 thereafter, the PCI_i so calculated shall not be less than the PCI_i used in the prior year.”.