

LEGISLATIVE FISCAL ESTIMATE
SENATE, No. 3380
STATE OF NEW JERSEY
220th LEGISLATURE

DATED: DECEMBER 15, 2022

SUMMARY

Synopsis: Concerns exclusions from municipal appropriations cap.

Type of Impact: Potential annual local government expenditure and revenue increases.

Agencies Affected: Municipalities.

Office of Legislative Services Estimate

Fiscal Impact	<u>Annual</u>
Potential Local Cost Increase	Indeterminate
Potential Local Revenue Increase	Indeterminate

- The Office of Legislative Services (OLS) concludes that the bill may result in annual indeterminate municipal expenditure increases by allowing municipalities to expend funds in excess of the appropriations cap on certain items like fuel, the collection and disposal of solid waste and recycling, and certain insurance costs.
- Municipalities may also experience an annual indeterminate revenue increase if they choose to raise property tax or non-property tax revenues to pay for these additional expenses.

BILL DESCRIPTION

The bill moves fuel costs, expenses related to the collection and disposal of solid waste and recycling, and certain insurance costs outside of the municipal budget appropriations cap.

Current law requires that a municipality limit appropriation increases to 2.5 percent or the cost-of-living adjustment, whichever is less, over the previous year's final appropriations, but provides for certain exceptions. The bill would add gasoline and diesel fuel costs and expenses related to the collection and disposal of solid waste and recycling, including yard waste, to an existing list of allowable exceptions along with liability insurance, worker's compensation insurance, cyber insurance, and property insurance costs.

FISCAL ANALYSIS

EXECUTIVE BRANCH

None received.

OFFICE OF LEGISLATIVE SERVICES

The OLS concludes that the bill may result in annual indeterminate municipal expenditure increases by allowing municipalities to expend funds in excess of the appropriations cap on certain items like fuel, the collection and disposal of solid waste and recycling, and certain insurance costs. Municipalities may also experience an annual indeterminate revenue increase if they choose to raise property tax or non-property tax revenues to pay for these additional expenses.

Current law allows local government units to increase their property tax levy by up to two percent per year. If a municipality does not increase its property tax levy by the full two percent, then it may carry forward the unused capacity to be used over the three succeeding years, meaning that the property tax levy may increase by more than two percent in those years. To the extent that a municipality increases its spending more than otherwise permitted because of the bill, the municipality may have the option to fund the increased expenditures by increasing its property taxes using this excess levy capacity. Additionally, municipalities that have budgeted below the property tax levy cap may choose to increase their property tax levy up to the maximum permitted amount to accommodate the additional expenditures authorized by the bill. Municipalities may also fund these expenditures by raising additional non-property tax revenues, such as from higher fees.

Section: *Local Government*

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 Legislative Budget and Finance Officer

This legislative fiscal estimate has been produced by the Office of Legislative Services due to the failure of the Executive Branch to respond to our request for a fiscal note.

This fiscal estimate has been prepared pursuant to P.L.1980, c.67 (C.52:13B-6 et seq.).