

ASSEMBLY, No. 1139

STATE OF NEW JERSEY

213th LEGISLATURE

PRE-FILED FOR INTRODUCTION IN THE 2008 SESSION

Sponsored by:

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District 40 (Bergen, Essex and Passaic)

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District 14 (Mercer and Middlesex)

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District 19 (Middlesex)

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District 37 (Bergen)

SYNOPSIS

Removes appropriations for municipal library purposes from the four percent municipal property tax levy cap.

CURRENT VERSION OF TEXT

Introduced Pending Technical Review by Legislative Counsel



(Sponsorship Updated As Of: 12/16/2008)

1 AN ACT concerning an exception to the municipal tax levy cap and
2 amending P.L.2007, c.62.

3

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

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7 1. Section 9 of P.L.2007, c.62 (C.40A:4-45.44) is amended to
8 read as follows:

9 9. For the purposes of sections 9 through 13 of P.L.2007, c.62
10 (C.40A:4-45.44 through C.40A:4-45.47 and C.40A:4-45.3e):

11 "Adjusted tax levy" means an amount not greater than the
12 amount to be raised by taxation of the previous fiscal year, less any
13 waivers from a prior fiscal year required to be deducted by the
14 Local Finance Board pursuant to section 11 of P.L.2007, c.62
15 (C.40A:4-45.46), and all amounts appropriated in the previous
16 fiscal year for library purposes, with that result multiplied by 1.04,
17 to which four percent of the amounts appropriated in the previous
18 fiscal year for library purposes plus the sum of exclusions defined
19 in subsection b. of section 10 of P.L.2007, c.62 (C.40A:4-45.45)
20 shall be added.

21 "Amount to be raised by taxation" means the property tax levy
22 set in the annual budget of a local unit.

23 "Local unit" means a municipality, county, fire district, or solid
24 waste collection district, but shall not include a municipality that
25 had a municipal purposes tax rate of \$0.10 or less per \$100 for the
26 previous tax year.

27 "New ratables" means the product of the taxable value of any
28 new construction or improvements times the tax rate of a local unit
29 for its previous tax year.

30 (cf: P.L.2007, c.62, s.9)

31

32 2. Section 10 of P.L.2007, c.62 (C.40A:4-45.45) is amended to
33 read as follows:

34 10. a. In the preparation of its budget the amount to be raised by
35 taxation by a local unit shall not exceed the sum of new ratables, the
36 adjusted tax levy, and the total of waivers approved pursuant to
37 section 11 of P.L.2007, c.62 (C.40A:4-45.46); provided, however,
38 that in the case of a county, the amount to be raised by taxation
39 shall not exceed the amount permitted by section 4 of P.L.1976, c.
40 68 (C.40A:4-45.4).

41 b. The following exclusions shall be added to the calculation of
42 the adjusted tax levy:

43 (1) increases in amounts required to be raised for (a) all debt
44 service and (b) lease payments with county improvement authorities

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 pursuant to leases in effect on the effective date of P.L.2007, c.62
2 (C.18A:7F-37 et al.);
3 (2) increases in amounts required to be raised to replace State
4 formula aid due to a reduction in State formula aid from the
5 previous local budget year;
6 (3) increases in amounts for certain pension contributions set
7 forth in section 5 of P.L.2003, c.108 (C.40A:4-45.43) for the years
8 set forth in that section;
9 (4) with respect to municipalities, any increase, greater than four
10 percent, in the reserve for uncollected taxes that is required by law;
11 (5) increases in health care costs equal to that portion of the
12 actual increase in total health care costs for the budget year that is
13 in excess of four percent of the total health care costs in the prior
14 year, but is not in excess of the product of the total health care costs
15 in the prior year and the average percentage increase of the State
16 Health Benefits Program, P.L.1961, c.49 (C.52:14-17.25 et seq.), as
17 annually determined by the Division of Pensions and Benefits in the
18 Department of the Treasury[.];
19 (6) amounts appropriated for library purposes.
20 c. Notwithstanding the other provisions of [this] subsection b.
21 of this section, when the appropriation for all debt service is less
22 than the amount appropriated for all debt service in the prior fiscal
23 year, the amount of the difference shall be deducted from the sum
24 of the exclusions listed in paragraphs (1) through [(5)] (6) of this
25 subsection. If there are no exclusions, then the amount of the
26 difference shall reduce the adjusted tax levy by that amount. Any
27 cancelled or unexpended appropriation for any exclusion pursuant
28 to this subsection or waiver pursuant to section 11 of P.L.2007, c.62
29 (C.40A:4-45.46), also shall be deducted from the sum of the
30 exclusions listed in paragraphs (1) through [(5)] (6) or directly
31 reduce the adjusted tax levy if there are no exclusions.
32 (cf: P.L.2007, c.62, s.10)

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34 3. This act shall take effect immediately.

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STATEMENT

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39 This bill is intended to remove amounts required to be
40 appropriated for library purposes from the municipal cap on
41 increases to the property tax levy, recently enacted by P.L.2007,
42 c.62. Prior to that law, expenditures for library purposes were
43 exempted from the cap on municipal expenditures (N.J.S.A.40A:4-
44 45.3). P.L.2007, c.62 did not extend the library cap exception to the
45 cap on increases to the municipal property tax levy, and so,
46 increases in library funding that result merely from operation of
47 N.J.S.A.40:54-8 use up part of the municipality's permissible four

1 percent annual property tax levy increase. Therefore, when the
2 market causes the equalized assessed valuation of property in a
3 municipality to increase, funding for the municipal free library also
4 increases automatically under the statutory formula in
5 N.J.S.A.40:54-8, with that funding increase being charged against
6 the municipality's permissible annual four percent property tax levy
7 increase.

8 There are 233 municipalities with municipal free libraries and
9 another 12 municipalities with joint municipal free libraries. All of
10 these municipalities would be affected by any increase in the
11 equalized assessed valuation of its property, as described above.
12 This bill is intended to place these municipalities on an equal
13 footing with municipalities that participate in a county library
14 system funded by a separate tax levy. Many of these municipalities
15 also provide their libraries with an additional appropriation, because
16 the statutory formula may not provide sufficient revenue to support
17 the library. This bill would also ensure that those additional
18 appropriations, required to support the municipal free library, is
19 outside of the property tax levy cap and does not erode the use of
20 the permissible annual four percent property tax levy increase for
21 other purposes.