ASSEMBLY, No. 1855

STATE OF NEW JERSEY

219th LEGISLATURE

PRE-FILED FOR INTRODUCTION IN THE 2020 SESSION

Sponsored by:
Assemblywoman HOLLY T. SCHEPISI
District 39 (Bergen and Passaic)

SYNOPSIS

Extends eligibility for short-term financial assistance under Transitional Aid to Localities program to municipalities that lose a major commercial ratable.

CURRENT VERSION OF TEXT

Introduced Pending Technical Review by Legislative Counsel.

AN ACT extending eligibility for Transitional Aid to Localities program to municipalities that lose a major commercial ratable and amending P.L.2011, c.144.

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

1. Section 1 of P.L.2011, c.144 (C.52:27D-118.42a) is amended to read as follows:

1. a. **[**The**]** Except as provided in subsection c. of this section, the Director of the Division of Local Government Services in the Department of Community Affairs shall determine conditions, requirements, orders, and oversight for the receipt of any amount of grants, loans, or any combination thereof, provided to any municipality through the Transitional Aid to Localities program or any successor discretionary aid programs for municipalities in fiscal distress. Conditions, requirements, or orders deemed necessary by the director may include, but not be limited to, the implementation of government, administrative, and operational efficiency and oversight measures necessary for the fiscal recovery of the municipality, including but not limited to requiring approval by the director of personnel actions, professional services and related contracts, payment in lieu of tax agreements, acceptance of grants from State, federal or other organizations, and the creation of new or expanded public services.

b. An additional amount not to exceed one percent of the amount appropriated in any State Fiscal Year beginning on or after July 1, 2012 for the Transitional Aid to Localities program or any successor discretionary aid programs for municipalities in fiscal distress shall be appropriated for administrative costs of that program, and for administrative costs associated with the oversight of any municipalities under State supervision pursuant to Article 4 of the "Local Government Supervision Act (1947)," P.L.1947, c.151 (C.52:27BB-54 et seq.), subject to the approval of the Director of the Division of Budget and Accounting in the Department of the Treasury.

c. A portion of any aid made available for the Transitional Aid to Localities program, or any successor discretionary aid program for local government units in fiscal distress, may be allocated by the Director of the Division of Local Government Services to provide short-term financial assistance to a local government unit that is determined by the director to be in fiscal distress due to the destruction or loss of a major local business ratable. A local government unit determined to be in fiscal distress because of the loss or destruction of a major local business ratable shall not be

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.

required to be subject to any additional conditions, requirements, orders, oversight authorized pursuant to subsection a. of this section, except as determined to be appropriate by the director. Notwithstanding the provisions of any law or regulation to the contrary, the director may direct that part of any allocation of aid pursuant to this subsection be paid to an affected school district or county, or to both, in the same manner as if the award of aid from the Transitional Aid to Localities program was raised as revenue from the municipal tax levy. For purposes of this subsection, a "major local business ratable" means one or more related parcels of property owned by a single business entity, classified as commercial or industrial, which comprised the largest assessed valuation of any one or more line items of taxable property in a municipality; which generated an annual payment in lieu of property tax in excess of 10 percent of the total municipal levy; or which is otherwise determined by the Director to be of such significance to a municipality that its destruction or loss has resulted in financial distress.

(cf: P.L.2011, c.144, s.1)

2. This act shall take effect immediately.

STATEMENT

This bill would alleviate the property tax impact of the departure of a major business ratable from a municipality. It is intended to protect property taxpayers from property tax increases or significant service disruptions, or both, likely to result from the sudden loss of a major ratable that pays a significant portion of the local property tax levy. This bill would codify into permanent State law a language provision in the State FY 2015 appropriations act that addresses a municipality's loss of a large property tax ratable.

Under this bill, a portion of any aid provided through the Transitional Aid to Localities program may be allocated by the Director of the Division of Local Government Services to provide short-term financial assistance to a local government unit that is determined by the director to be experiencing financial distress caused by the destruction or loss of a major local business ratable. "Major local business ratable" is defined in the bill as one or more related parcels of property owned by a single business entity, classified as commercial or industrial, which comprised the largest assessed valuation of any one or more line items of taxable property in a municipality; which generated an annual payment in lieu of property tax in excess of 10% of the total municipal levy; or which is otherwise determined by the director to be of such significance to a municipality that its destruction or loss has resulted in financial distress.

The bill provides that the director may direct that part of any allocation of aid under the Transitional Aid to Localities program shall be paid to an affected school district or county, or to both, in the same manner as if the award of this aid was raised as revenue from the municipal tax levy.

A local government unit determined to be experiencing financial distress because of the loss or destruction of a major local business ratable would not be required to be subject to any additional conditions, requirements, orders, or other operational efficiency or oversight measures, except as the director deems to be appropriate.

The provisions of this bill are intended to provide assistance to municipalities such as Montvale, in Bergen County, where a large property, most recently the headquarters of Barr Laboratories, Inc., is anticipated to be sold in the near future to Memorial Sloan Kettering Cancer Center, and used as a regional cancer center. This new use of the property will likely render a large portion of it exempt from property taxes, and consequently, there will be a negative impact on Montvale's municipal property tax levy, which is the amount of money raised by property taxation to fund municipal purposes.

Under this bill, any affected local unit of government would be able to apply to the Director of the Division of Local Government Services in the Department of Community Affairs for financial assistance under the Transitional Aid to Localities program in order to mitigate the effect of the loss of a major property tax ratable on the local unit's remaining taxpayers.