

ASSEMBLY APPROPRIATIONS COMMITTEE

STATEMENT TO

ASSEMBLY, No. 5590

STATE OF NEW JERSEY

DATED: MAY 18, 2021

The Assembly Appropriations Committee reports favorably Assembly Bill No. 5590.

The bill amends the Municipal Stabilization and Recovery Act (P.L.2016, c.4) to extend to nine years the length of the period of State monitoring to which a municipality determined by the Commissioner of Community Affairs to be in need of stabilization and recovery is to be subject.

The Act authorizes the Local Finance Board, through the Director of the Division of Local Government Services, to exercise municipal powers and functions that are, or may be, substantially related to the fiscal condition or financial rehabilitation of a municipality in need of stabilization and recovery. Most notably, the director may dissolve local departments and agencies; dispose of municipally-owned assets; amend or terminate existing contracts (excluding financial instruments); hire, terminate, and transfer personnel; enter into shared services agreements; and modify the terms of collective negotiations agreements to which the municipality is a party. The Local Finance Board may empower the director to retain professional staff and bond counsel, and exercise municipal redevelopment powers.

The bill also provides that certain provisions of law pertaining to unfair labor practices and impasse procedures and arbitration awards enacted as part of the Act shall not be applicable after the original five-year period of stabilization and recovery required under that law. The bill also restores civil service protections removed by the Act.

Finally, the bill repeals a section of the Act, which permits a municipality in need of stabilization and recovery to use early retirement incentives as a mechanism to stabilize its finances, restructure its debts, or assist its financial rehabilitation and recovery.

The only municipality under State control pursuant to the Act is the City of Atlantic City. On June 6, 2016, the Commissioner of Community Affairs determined that the City of Atlantic City constituted a municipality in need of stabilization and recovery. This commissioner's determination was based on a review of the city's property tax ratable base and outstanding debt portfolio. Atlantic City's proposed recovery plan was rejected by the commissioner on November 1, 2016. On November 9, 2016, the Local Finance Board

adopted a resolution granting the Director of the Division of Local Government Services broad authority to manage Atlantic City's municipal affairs.

FISCAL IMPACT:

The Office of Legislative Services (OLS) concludes that the State will incur additional costs over a multi-year period related to its oversight functions under the Municipal Stabilization and Recovery Act because the bill extends the monitoring period from five years to nine years.

Provisions of the bill restoring civil service protections to municipal employees and removing the suspension of certain elements of the New Jersey Employer-Employee Relations Act would have an indeterminate effect on municipal finances. The impact of these portions of the bill will be determined by future State and municipal actions.

The repeal of a statutory provision authorizing Atlantic City to offer an early retirement incentive (ERI) program will have no fiscal impact because no such program has been implemented.