

SENATE BUDGET AND APPROPRIATIONS COMMITTEE

STATEMENT TO

[First Reprint]

SENATE, No. 330

with committee amendments

STATE OF NEW JERSEY

DATED: FEBRUARY 28, 2022

The Senate Budget and Appropriations Committee reports favorably Senate Bill No. 330 (1R), with committee amendments.

As amended, this bill requires the distribution of additional State aid to municipalities under the “Energy Tax Receipts Property Tax Relief Act.” Budget constraints required reductions in the amount of Consolidated Municipal Property Tax Relief Aid (CMPTRA) distributed to all municipalities in Fiscal Years 2009, 2010, and 2011. Some municipalities also experienced reductions in their Energy Tax Receipts Property Tax Relief Aid (ETR Aid) distribution during that period. This supplemental funding would restore, over a two-year period, approximately \$331 million in reductions to CMPTRA and ETR Aid.

In Fiscal Year 2023, municipalities would receive an aid increase equal to 50 percent of the difference between the distribution of CMPTRA and ETR Aid they received in Fiscal Year 2008 and Fiscal Year 2012. The fully restored amount would be distributed beginning in Fiscal Year 2024 and in each fiscal year thereafter. The total amount of aid to be restored to each municipality would be in addition to the total amount of CMPTRA and ETR Aid distributed to each municipality in Fiscal Year 2012. This legislation also extends the existing ETR Aid “poison pill” protection to ensure that each municipality received an aid amount not less than the combined payment of CMPTRA and ETR Aid to municipalities in Fiscal Year 2012 and the additional aid distributed under the bill.

This bill also amends current law to require a municipality to subtract any additional amount of ETR aid it receives, pursuant to the bill, from its adjusted tax levy when computing that amount for its next fiscal year. By deducting the additional amount of ETR Aid from the previous year’s levy, municipalities would be permitted to raise a lower amount of taxes through the levy for municipal purposes. The bill prohibits a municipality from anticipating, for purposes of preparing its annual budget, the receipt of any State aid payment from the ETR aid under the provisions in the bill. The bill also requires a municipality to amend its local budget to properly reflect the total amount distributed to the municipality from the ETR aid.

COMMITTEE AMENDMENTS:

The committee amendments to the bill:

- Update the schedule for aid increases to municipalities to accelerate the aid increases to 50 percent of the amount required under the provisions of the bill in fiscal year 2023 and 100 percent of the amount required under the provisions of the bill in fiscal year 2024 and each fiscal year thereafter;
- Explicitly prohibit a municipality from anticipating a State aid payment distributed from the ETR aid under the provisions of the bill for purposes of preparing its annual budget; and
- Provide that a municipality is required to file an amendment to its local budget to properly reflect the total amount distributed to the municipality from the ETR aid.

FISCAL IMPACT:

The Office of Legislative Services determines that the enactment of the bill would result in an annual \$165.1 million increase in State costs in FY 2023 and \$330.1 million in each fiscal year thereafter. The same amounts would be received as municipal revenues. The additional State expenditures and municipal revenues would be in the form of additional State aid distributed to municipalities through the “Energy Tax Receipts Property Tax Relief Fund.” Although the bill requires the maximum permissible property tax levy of each municipality to be reduced by the amount of the aid increase, the impact the bill may have on actual property tax levies would vary widely.