LEGISLATIVE FISCAL ESTIMATE

[Second Reprint]

ASSEMBLY, No. 4044

STATE OF NEW JERSEY
221st LEGISLATURE

DATED: MARCH 21, 2024

SUMMARY

Synopsis: Provides counties discretion related to retirement of county debt service and amount that can be raised under property tax levy cap.

Type of Impact: Potential County Revenue and Expenditure Increases.

Agencies Affected: Counties.

Office of Legislative Services Estimate

Fiscal Impact	Annually
Potential County Revenue Increase	Varies by County
Potential County Expenditure Increase	Varies by County

- The Office of Legislative Services (OLS) concludes that the bill will result in increased property tax levy authority for certain counties in any year in which county debt service obligations are decreased over the prior year, which could result in increased property tax revenues and, therefore, expenditures for those counties.

BILL DESCRIPTION

The bill amends the 1977 local budget cap law, P.L.1976, c.68 to stipulate that, under the county property tax levy cap, the retirement of debt by a county would not result in a decrease in the amount that could be raised through property taxes in a local budget year. Debt service is an exception to the 2.5 percent property tax levy cap. Under current law, upon retiring debts, a county loses taxing authority that was previously available for debt service. The bill would make those amounts and additional amounts available for other uses by raising the maximum permissible county tax levy by the amount of the difference in debt service appropriations over the prior year and allowing a county to add to its adjusted tax levy the greater of banked property taxing authority under 1977 local budget cap law and 2010 local budget cap law.

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FISCAL ANALYSIS

EXECUTIVE BRANCH

None received.

OFFICE OF LEGISLATIVE SERVICES

The OLS concludes that the bill will result in increased property tax levy authority for certain counties in any year in which county debt service obligations are decreased over the prior year, which could result in increased property tax revenues and, therefore, expenditures for those counties.

The bill provides that, instead of losing the amount of the difference in debt service obligations over the prior year in taxing authority, as would occur under current law, the amount of the difference in debt service obligations over the prior year would be available for other uses. This provision of the bill would apply only in years and only to counties in which debt service obligations are decreased over the prior year. If this provision was applied in Calendar Year (CY) 2023, the following counties would have had increased property tax levy authority over their CY 2022 permissible property tax levy: Atlantic County, Burlington County, Gloucester County, Middlesex County, Passaic County, and Warren County. The table below displays how this provision would have applied to each of the affected counties in CY 2023.

County	Increase in Permissible 2023 County Property Tax Levy due to Difference in Debt Service Obligations Over CY 2022
Atlantic	$1,560,430
Burlington	$2,871,621
Gloucester	$2,867,876
Middlesex	$1,885,111
Passaic	$1,336,136
Warren	$234,000

The bill would also allow a county to apply the greater of the two local budget cap laws' banked levy authority. The table on the following page shows the amount of unused banked levy authority under each of the local budget cap laws for each county that would have been available CY 2023 as reported by county budget documents.

The OLS is unable to predict the specific impact of this legislation on each county in CY 2024 and beyond, as the bill's potential impacts are based upon each county's change in debt service obligation, and the differences between the maximum allowable amount to be raised by taxation and the actual amount to be raised by taxation in a given year. The OLS also notes that unused banked levy authority may be carried forward for two years under the 1977 local budget cap law and for three years under the 2010 local budget cap law. Unused amounts would expire after those respective time periods.

County	Unused Banked Levy Authority Available in CY 2023 under 1977 Law	Unused Banked Levy Authority Available in CY 2023 under 2010 Law
Atlantic*	$1,018,689	$0
Bergen	$22,868,596	$0
Burlington*	$4,721,755	$0
Camden	$25,485,643	$0
Cape May	$2,054,995	$0
Cumberland	$2,356,659	$2,240,792
Essex	$6,866,830	$22,239,527
Gloucester*	$6,755,971	$1,175,125
Hudson	$26,512,523	$0
Hunterdon	$10,421,075	$0
Mercer	$24,110,276	$0
Middlesex*	$3,567,987	$4,581,970
Monmouth	$25,820,744	$0
Morris	$3,201,527	$0
Ocean	$5,671,428	$0
Passaic*	$17,725,054	$9,797,568
Salem	$87,377	$0
Somerset	$3,070,404	$0
Sussex	$3,089,711	$0
Union	$5,869,369	$17,118,383
Warren*	$5,246,567	$0

*Counties that would have benefitted in CY 2023 from the potential increase under the bill.

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.).