

CHAPTER 8

AN ACT concerning the effects of the debt service exclusion from the county property tax levy and amending P.L.1976, c.68, P.L.1994, c.100, and P.L.2007, c.62.

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

1. Section 4 of P.L.1976, c.68 (C.40A:4-45.4) is amended to read as follows:

C.40A:4-45.4 Limitation on increase in county tax levies over previous year; exceptions.

4. In the preparation of its budget, a county may not increase the county tax levy to be apportioned among its constituent municipalities in excess of 2.5% or the cost-of-living adjustment, whichever is less, of the previous year's county tax levy, subject to the following exceptions:

a. The amount of revenue generated by the increase in valuations within the county, based solely on applying the preceding year's county tax rate to the apportionment valuation of new construction or improvements within the county, and such increase shall be levied in direct proportion to said valuation;

b. Capital expenditures, including appropriations for current capital expenditures, whether in the capital improvement fund or as a component of a line item elsewhere in the budget, provided that any such current capital expenditures would be otherwise bondable under the requirements of N.J.S.40A:2-21 and 40A:2-22;

c. (1) An increase based upon emergency temporary appropriations made pursuant to N.J.S.40A:4-20 to meet an urgent situation or event which immediately endangers the health, safety or property of the residents of the county, and over which the governing body had no control and for which it could not plan and emergency appropriations made pursuant to N.J.S.40A:4-46. Emergency temporary appropriations and emergency appropriations shall be approved by at least two-thirds of the governing body and by the Director of the Division of Local Government Services, and shall not exceed in the aggregate 3% of the previous year's final current operating appropriations.

(2) (Deleted by amendment, P.L.1990, c.89.)

The approval procedure in this subsection shall not apply to appropriations adopted for a purpose referred to in subsection d. or f. below;

d. All debt service, except as otherwise provided in this section;

e. (Deleted by amendment, P.L.1990, c.89.)

f. Amounts required to be paid pursuant to (1) any contract with respect to use, service or provision of any project, facility or public improvement for water, sewerage, parking, senior citizen housing or any similar purpose, or payments on account of debt service therefor, between a county and any other county, municipality, school or other district, agency, authority, commission, instrumentality, public corporation, body corporate and politic or political subdivision of this State; and (2) any lease of a facility owned by a county improvement authority when the lease payment represents the proportionate amount necessary to amortize the debt incurred by the authority in providing the facility which is leased, in whole or in part;

g. That portion of the county tax levy which represents funding to participate in any federal or State aid program and amounts received or to be received from federal, State or other funds in reimbursement for local expenditures. If a county provides matching funds in order to receive the federal or State or other funds, only the amount of the match which is required by law or agreement to be provided by the county shall be excepted;

h. (Deleted by amendment, P.L.1987, c.74.)

- i. (Deleted by amendment, P.L.1990, c.89.)
 - j. (Deleted by amendment, P.L.1990, c.89.)
 - k. (Deleted by amendment, P.L.1990, c.89.)
 - l. (Deleted by amendment, P.L.2004, c.74.)
 - m. (Deleted by amendment, P.L.1990, c.89.)
 - n. (Deleted by amendment, P.L.1990, c.89.)
 - o. (Deleted by amendment, P.L.1990, c.89.)
 - p. Extraordinary expenses, approved by the Local Finance Board, required for the implementation of an interlocal services agreement;
 - q. Any expenditure mandated as a result of a natural disaster, civil disturbance or other emergency that is specifically authorized pursuant to a declaration of an emergency by the President of the United States or by the Governor;
 - r. Expenditures for the cost of services mandated by any order of court, by any federal or State statute, or by administrative rule, directive, order, or other legally binding device issued by a State agency which has identified such cost as mandated expenditures on certification to the Local Finance Board by the State agency;
 - s. That portion of the county tax levy which represents funding to a county college in excess of the county tax levy required to fund the county college in local budget year 1992;
 - t. (Deleted by amendment, P.L.2004, c.74.)
 - u. Expenditures for the administration of general public assistance pursuant to P.L.1995, c.259 (C.40A:4-6.1 et al.);
 - v. Amounts in a separate line item of a county budget that are expended on tick-borne disease vector management activities undertaken pursuant to P.L.1997, c.52 (C.26:2P-7 et al.);
 - w. Amounts expended by a county under an interlocal services agreement entered into pursuant to the "Interlocal Services Act," P.L.1973, c.208 (C.40:8A-1 et al.) entered into after the effective date of P.L.2000, c.126 (C.52:13H-21 et al.) or amounts expended under a joint contract pursuant to the "Consolidated Municipal Service Act," P.L.1952, c.72 (C.40:48B-1 et seq.) entered into after the effective date of P.L.2000, c.126 (C.52:13H-21 et al.);
 - x. Amounts appropriated in the first three years after the effective date of P.L.2003, c.92 (C.18A:7F-5b et al.) for liability insurance, workers' compensation insurance and employee group insurance;
 - y. Amounts appropriated in the first three years after the effective date of P.L.2003, c.92 (C.18A:7F-5b et al.) for costs of domestic security preparedness and responses to incidents and threats to domestic security;
 - z. Expenditures of amounts received pursuant to section 5 of P.L.1981, c.278 (C.13:1E-96).
- In the first full year where an existing appropriation or expenditure that is subject to budget limitations is made an exception to budget limitations, a county shall deduct from its final appropriations upon which its permissible expenditures are calculated pursuant to section 2 of P.L.1976, c.68 (C.40A:4-45.2) the amount which the county expended for that purpose during the last full budget year, or portion thereof, in which the purpose so excepted was funded from appropriations in the county budget.
- In the first full year where an existing appropriation or expenditure that is not subject to budget limitations is made subject to budget limitations, a county shall add to its final appropriations upon which its permissible expenditures are calculated pursuant to section 2 of P.L.1976, c.68 (C.40A:4-45.2) the amount which the county expended for that purpose during the last full budget year, or portion thereof, in which the purpose so excepted was funded from appropriations in the county budget.

Notwithstanding the provisions of section 10 of P.L.2007, c.62 (C.40A:4-45.45) to the contrary, after a county has made the determination to prepare its budget under the property taxation limitations of section 4 of P.L.1976, c.68 (C.40A:4-45.4), pursuant to paragraph (1) of subsection a. of section 10 of P.L.2007, c.62 (C.40A:4-45.45), then in any such local budget year, if a county's appropriations for debt service are less than the prior year's appropriations for debt service, which amounts are exceptions to the 2.5% county tax levy increase limitation pursuant to this section, then the county's maximum permissible tax levy for that local budget year shall not be reduced by the amount of the difference in appropriations for debt service between the two local budget years.

2. Section 2 of P.L.1994, c.100 (C.40A:4-45.15b) is amended to read as follows:

C.40A:4-45.15b County permitted certain final appropriations, county tax levy.

2. a. (Deleted by amendment, P.L.2004, c.74.)

b. Notwithstanding any provisions of P.L.1976, c.68 (C.40A:4-45.1 et seq.) to the contrary, a county, which, for any local budget year beginning on or after January 1, 2005 for which the cost-of-living adjustment is equal to or less than 2.5%, increases its final appropriations or county tax levy in an amount less than 3.5%, shall be permitted, after adoption of a resolution by the governing body, to appropriate the difference between the amount of its actual final appropriations or county tax levy and the 3.5% percentage rate, as an exception to its final appropriations or county tax levy in either of the next two succeeding years. In the year immediately following the year in which the amount of difference is so appropriated, the amount of difference shall be added to the final appropriations or county tax levy of the preceding year for the purposes of section 2 of P.L.1976, c.68 (C.40A:4-45.2).

c. Notwithstanding any provision to the contrary, a county may add to its adjusted tax levy the greater of the amount authorized pursuant to subsection b. of this section or the amount of the difference between the maximum allowable amount to be raised by the county purposes tax and the actual amount to be raised by the county purposes tax accumulated pursuant to paragraph (2) of subsection a. of section 10 of P.L.2007, c.62 (C.40A:4-45.45).

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

C.40A:4-45.45 Cap on calculation of adjusted tax levy by local unit; exclusions.

10. a. (1) In the preparation of its budget the amount to be raised by taxation by a local unit shall not exceed, except as provided in paragraph (2) of this subsection, the sum of new ratables, the adjusted tax levy, and the total of waivers approved pursuant to section 11 of P.L.2007, c.62 (C.40A:4-45.46); provided, however, that in the case of a county, the amount to be raised by taxation shall not exceed the amount permitted by section 4 of P.L.1976, c.68 (C.40A:4-45.4).

(2) A local unit that has not been granted approval for a waiver pursuant to section 11 of P.L.2007, c.62 (C.40A:4-45.46), may add to its adjusted tax levy in any one of the next three succeeding years, the amount of the difference between the maximum allowable amount to be raised by taxation or county purposes tax, as applicable, for the current local budget year pursuant to paragraph (1) of this subsection and the actual amount to be raised by taxation or county purposes tax, as applicable, for the current local budget year.

(3) Notwithstanding any provision to the contrary, a county may add to its adjusted tax levy the greater of the amount authorized pursuant to paragraph (2) of subsection a. of this section or the amount of the difference between the amount of its county tax levy and the 3.5%

percentage rate accumulated pursuant to subsection b. of section 2 of P.L.1994, c.100 (C.40A:4-45.15b).

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

increases in amounts required to be raised by taxation for capital expenditures, including debt service as defined by law; increases in pension contributions and accrued liability for pension contributions in excess of 2.0%; increases in health care costs equal to that portion of the actual increase in total health care costs for the budget year that is in excess of 2.0% of the total health care costs in the prior year, but is not in excess of the product of the total health care costs in the prior year and the average percentage increase of the State Health Benefits Program, P.L.1961, c.49 (C.52:14-17.25 et seq.), as annually determined by the Division of Pensions and Benefits in the Department of the Treasury; and extraordinary costs incurred by a local unit directly related to a declared emergency, as defined by regulation promulgated by the Commissioner of the Department of Community Affairs, in consultation with the Commissioner of Education, as appropriate.

If there are no exclusions, then the amount of the difference shall reduce the adjusted tax levy by that amount. Any cancelled or unexpended appropriation for any exclusion pursuant to this subsection or waiver pursuant to section 11 of P.L.2007, c.62 (C.40A:4-45.46), also shall be deducted from the sum of the exclusions listed in this subsection or directly reduce the adjusted tax levy if there are no exclusions.

4. This act shall take effect immediately and shall apply to any local budget year beginning on or after January 1, 2024.

Approved April 11, 2024.