

CHAPTER 324

AN ACT concerning the Municipal Stabilization and Recovery Act and amending P.L.2016, c.4.

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

1. Section 4 of P.L.2016, c.4 (C.52:27BBBB-4) is amended to read as follows:

C.52:27BBBB-4 Determination of whether municipality is in need of stabilization and recovery.

4. a. The director may ascertain whether a municipality should be deemed a municipality in need of stabilization and recovery. If the director ascertains that a municipality should be deemed a municipality in need of stabilization and recovery, the director shall recommend that the commissioner make that determination. Within seven days of receipt of the director's recommendation, the commissioner shall make the final determination of whether to deem the municipality a municipality in need of stabilization and recovery and subject to the provisions of P.L.2016, c.4 (C.52:27BBBB-1 et al.). The commissioner shall notify the Governor, the State Treasurer, and the director when a determination has been made and a municipality is subject to the provisions of P.L.2016, c.4 (C.52:27BBBB-1 et al.). The director shall then notify the municipal clerk, or other appropriate municipal official of the municipality, in writing, of the determination. A municipality in need of stabilization and recovery shall be subject to the provisions of P.L.2016, c.4 (C.52:27BBBB-1 et al.) until the end of the recovery plan adopted pursuant to subsection b. of this section and approved by the commissioner pursuant to subsection c. of this section, or until the first day of the 181st month next following the date on which the municipality becomes subject to the requirements and provisions of sections 5 through 11, 14, 16, and 17 of P.L.2016, c.4 (C.52:27BBBB-5 et al.), as applicable.

b. Not later than 150 days next following the commissioner's final determination that a municipality is in need of stabilization and recovery, the governing body of the municipality in need of stabilization and recovery shall prepare and adopt a resolution containing a fifteen-year recovery plan, commencing on the first day of the first fiscal year of the municipality next following the enactment of P.L.2016, c.4 (C.52:27BBBB-1 et al.), that is sufficient to effectuate the financial stability of the municipality. The recovery plan shall establish processes and identify specific actions undertaken by the municipality following the determination that it is a municipality in need of stabilization and recovery pursuant to subsection a. of this section and actions to be undertaken by the municipality if the recovery plan is approved pursuant to subsection c. of this section. The recovery plan shall include a proposed balanced budget for the first fiscal year of the municipality next following the enactment of P.L.2016, c.4 (C.52:27BBBB-1 et al.), which shall be consistent with the "Local Budget Law," N.J.S.40A:4-1 et seq., except as otherwise stated in this subsection. There shall be no requirement for the proposed balanced budget to identify amounts outstanding, including accrued interest, on any obligation to the State of New Jersey, including any office, department, division, bureau, board, commission, or agency of the State, for deferred pension and health benefit payments for the first fiscal year of the municipality prior to the enactment of P.L.2016, c.4 (C.52:27BBBB-1 et al.). For the purposes of the proposed budget prepared pursuant to this subsection, the municipality in need of stabilization and recovery is not required to appropriate the total amount necessary for the extinguishment of all outstanding property tax appeal debt. For the purposes of the proposed budget prepared pursuant to this subsection, the municipality in need of stabilization and recovery shall identify and account for the loss in revenue from any anticipated set-offs arising from all such property tax appeal

debt or identify and appropriate for any amounts owed in the first fiscal year of the municipality next following the enactment of P.L.2016, c.4 (C.52:27BBBB-1 et al.) for the continued repayment of debts related to all property tax appeals settled by the municipality. To effectuate financial stability, in addition to the proposed balanced budget, the recovery plan shall include detailed processes to:

(1) achieve sustainable net reductions in the municipality's general appropriations to be commensurate with revenues anticipated in the proposed budget;

(2) ensure that the municipality remits to the county in which it is located the full amount of all property taxes or payments in lieu of property taxes owed by law to the county on the dates on which the payments are due;

(3) ensure that the municipality remits to the school district serving the municipality the full amount of all property taxes or payments in lieu of property taxes owed by law to the school district on the dates the payments are due;

(4) schedule for the repayment of debts, including any accrued interest, as of the date of the commissioner's determination pursuant to subsection a. of this section, including, without limitation, any money owed to the State of New Jersey, including any office, department, division, bureau, board, commission, or agency of the State, for deferred pension and health benefits payments;

(5) account for future payments on bonded debt and unbonded debt, including, without limitation, any general obligation bonds, refunding bonds, pension refunding bonds, tax appeal bonds, and unbonded tax appeal settlements, obligations, liens, or judgments known to the municipality as of the date of the commissioner's determination pursuant to subsection a. of this section;

(6) account for future payments on any off balance sheet liabilities of the municipality known to the municipality as of the date of the commissioner's determination pursuant to subsection a. of this section;

(7) ensure the repayment of the loan in accordance with section 18 of P.L.2016, c.4 (C.52:27BBBB-16), including accrued interest; and

(8) increase the municipality's revenues, including, without limitation, through the establishment of long-term economic and land use development strategies.

c. The recovery plan shall be submitted by the governing body to the commissioner. The commissioner, within five business days next following the day of receipt of the plan, shall determine, in the commissioner's sole and exclusive discretion, whether the recovery plan is likely or is not likely to achieve financial stability for the municipality. If the commissioner determines that the recovery plan is likely to achieve financial stability for the municipality, the plan shall be effective and the provisions of sections 5 through 11, 14, 16, and 17 of P.L.2016, c.4 (C.52:27BBBB-5 through C.52:27BBBB-9, C.52:27BBBB-12, C.52:27BBBB-14, and C.52:27BBBB-15) shall not be applicable with respect to the municipality in need of stabilization and recovery. If the commissioner determines that the recovery plan is likely to achieve financial stability for the municipality, the plan shall be implemented beginning on the first day of the first fiscal year of the municipality next following the enactment of P.L.2016, c.4 (C.52:27BBBB-1 et al.) and the municipality in need of stabilization and recovery shall strictly comply with the recovery plan. If the commissioner determines that the plan is not likely to achieve financial stability for the municipality, if the municipality fails to submit a plan, if the commissioner determines that the municipality is not strictly complying with a recovery plan approved by the commissioner pursuant to this subsection, or if the commissioner determines that a recovery plan approved by the commissioner pursuant to this subsection is no longer likely to achieve financial stability, the municipality shall be

immediately subject to the requirements and provisions of sections 5 through 11, 14, 16, and 17 of P.L.2016, c.4 (C.52:27BBBB-5 et al.) for as long as the municipality is deemed a municipality in need of stabilization and recovery.

2. Section 5 of P.L.2016, c.4 (C.52:27BBBB-5) is amended to read as follows:

C.52:27BBBB-5 Power of Local Finance Board under certain circumstances.

5. a. (1) Notwithstanding the provisions of any law, rule, or regulation to the contrary, if the municipality in need of stabilization and recovery fails to submit a plan, if the commissioner has determined pursuant to subsection c. of section 4 of P.L.2016, c.4 (C.52:27BBBB-4) that the recovery plan is not likely to achieve financial stability for the municipality in need of stabilization and recovery, if the commissioner determines that the municipality is not strictly complying with a recovery plan approved by the commissioner pursuant to subsection c. of section 4 of P.L.2016, c.4 (C.52:27BBBB-4), or if the commissioner determines that a recovery plan approved by the commissioner pursuant to subsection c. of section 4 of P.L.2016, c.4 (C.52:27BBBB-4) is no longer likely to achieve financial stability, the Local Finance Board may, in its exclusive discretion at any time during which the municipality is deemed a municipality in need of stabilization and recovery, assume and reallocate to, and vest exclusively in the director any of the functions, powers, privileges, and immunities of the governing body of that municipality set forth in any statute, regulation, ordinance, resolution, charter, or contract to which the municipality is a party that are, or may be, substantially related to the fiscal condition or financial rehabilitation and recovery of that municipality. The duration of the transfer of the functions, powers, privileges, and immunities of the governing body shall not exceed the duration of the time the municipality is deemed a municipality in need of stabilization and recovery.

(2) In the event the Local Finance Board assumes and reallocates to the director any function, power, privilege, or immunity of the governing body of a municipality in need of stabilization and recovery set forth in a contract to which that municipality is a party, the municipality shall remain the party to the contract and neither the Local Finance Board nor the director shall assume any contractual obligations or liability arising out of that contract or be subject to any claim for breach of that contract or any other claim related to that contract. Any actions or steps taken by the director under P.L.2016, c.4 (C.52:27BBBB-1 et al.) shall be deemed to be by, and on behalf of, the municipality in need of stabilization.

(3) The authorities granted to the director by the Local Finance Board pursuant to this section shall extend to any and all actions that, in the exclusive discretion of the director, may help stabilize the finances, restructure the debts, or assist in the financial rehabilitation and recovery of the municipality in need of stabilization and recovery. Notwithstanding the provisions of any other law, rule, regulation, or contract to the contrary, except for the provisions of Title 11A, Civil Service as may be applicable to actions taken after the effective date of P.L.2021, c.124 (C.52:27BBBB-4 et al.), the director shall have the authority to take any steps to stabilize the finances, restructure the debts, or assist in the financial rehabilitation and recovery of the municipality in need of stabilization and recovery, including, but not limited to:

(a) implementing governmental, administrative, and operational efficiency and oversight measures;

(b) dissolving, terminating, transferring, abolishing, or otherwise disposing of any municipal authority, board, commission, or department, or any function thereof, provided, however, that no such action shall be taken until adequate provision has been made for the payment of the creditors or obligees of the entity to be impacted unless otherwise permitted by

law. This shall include the power to take any steps required of the governing body under applicable laws, including, but not limited to, the "municipal and county utilities authorities law," P.L.1957, c.183 (C.40:14B-1 et seq.), the "Local Authorities Fiscal Control Law," P.L.1983, c.313 (C.40A:5A-1 et seq.), the "Water Infrastructure Protection Act," P.L.2015, c.18 (C.58:30-1 et seq.), the "Local Redevelopment and Housing Law," P.L.1992, c.79 (C.40A:12A-1 et seq.), and the "Municipal Land Use Law," P.L.1975, c.291 (C.40:55D-1 et seq.), including, but not limited to, and notwithstanding P.L.2011, c.18 (C.5:12-218 et al.), the authority of the director to facilitate the realignment and reorganization of the municipality's zoning or planning boards and to establish procedures and practices that, in the director's discretion, enhance, streamline, and improve the municipality's redevelopment processes, including facilitating the appointment and retention of a master developer to assist in the redevelopment process. To the extent that the Local Finance Board or the director exercise any powers under the "Local Authorities Fiscal Control Law," P.L.1983, c.313 (C.40A:5A-1 et seq.) with respect to any municipal authority or municipal public utility in the municipality in need of stabilization and recovery;

(c) vetoing the minutes of the governing body of the municipality in need of stabilization and recovery, any board, commission, or department of the municipality in need of stabilization and recovery, and any independent board or authority in the municipality in need of stabilization and recovery, including, but not limited to, the housing authority, parking authority, redevelopment authority, Casino Reinvestment Development Authority, if applicable as related to the master plan in the municipality in need of stabilization and recovery, planning board, and zoning board of adjustment. A true copy of the minutes of every meeting of the governing body and any board, commission, department, or independent board, or authority shall be delivered forthwith, by and under the certification of the secretary thereof, to the director. No action taken at the meeting shall have force or effect until 15 business days after a copy of the minutes have been so delivered to the director, unless during this 15-day period the director shall approve in writing the minutes or any part thereof, in which case the action shall become effective upon approval. If, within that 15-day period, the director returns a copy of the minutes with a veto of any action taken by the governing body, board, commission, department, or independent board or authority, or any member thereof at the meeting, the action shall be null and void and of no effect. The director may approve all or part of the action taken at a meeting;

(d) controlling litigation and the municipality's legal affairs, including, but not limited to, suing in the municipality's corporate name; prosecuting, defending, and resolving litigation, arbitration, disputes, and controversies; and retaining and directing municipal corporation counsel and other special counsel as the director may deem appropriate;

(e) selling, conveying, leasing, monetizing, or otherwise disposing of any interest in any municipally owned assets, including, but not limited to, any water, sewer, wastewater, and storm water infrastructure, equipment or facilities, services, and in any real property, including any improvements thereon; provided that the director shall not sell, convey, lease, monetize, or otherwise dispose of any municipally owned water asset pursuant to an agreement with a private entity until one year after the effective date of P.L.2016, c.4 (C.52:27BBBB-1 et al.) to allow the municipality in need of stabilization and recovery to maximize the value of that asset;

(f) amending or terminating any existing contracts or agreements, which shall not include bonds, notes, indentures, or other similar financing instruments and documents to which the municipality is a party, in accordance with the terms thereof, or unilaterally amending or terminating any contracts or agreements which shall not include bonds, notes, indentures, or other similar financing instruments and documents to which the municipality is a party,

provided that the director determines that the unilateral termination or amendment is reasonable and directly related to stabilizing the finances or assisting with the fiscal rehabilitation and recovery of the municipality in need of stabilization and recovery;

(g) unilaterally modifying, amending, or terminating any collective negotiations agreements, except those related to school districts, to which the municipality is a party, or unilaterally modifying, amending, or terminating the terms and conditions of employment during the term of any applicable collective negotiations agreement, or both, provided that the director determines that the modifications, amendments, or terminations are reasonable and directly related to stabilizing the finances or assisting with the fiscal rehabilitation and recovery of the municipality in need of stabilization and recovery;

(h) acting as the sole agent in collective negotiations on behalf of the municipality in need of stabilization and recovery;

(i) with respect to any expired collective negotiations agreement to which the municipality in need of stabilization and recovery is a party, unilaterally modifying wages, hours, or any other terms and conditions of employment;

(j) unilaterally abolishing any non-elected positions in the municipality in need of stabilization and recovery at any time. All of the functions, powers, and duties of abolished positions shall be exercised or delegated by the director;

(k) unilaterally appointing, transferring, or removing employees of the municipality in need of stabilization and recovery, including, but not limited to, department heads and division heads, as the case may be, but excluding appointed officials who have obtained tenure in office;

(l) acting as the appropriate authority, including, without limitation, the appointing authority, for purposes of Title 40A of the New Jersey Statutes;

(m) entering into any agreement with the county in which the municipality in need of stabilization and recovery is located, any of the other municipalities located in that county, or any instrumentality of the State to share or consolidate municipal services pursuant to any law applicable to consolidation or sharing of services, including, without limitation, the "Uniform Shared Services and Consolidation Act," P.L.2007, c.63 (C.40A:65-1 et al.) and P.L.2015, c.279 (C.40A:14-90.1 et al.);

(n) procuring any goods, services, commodities, information technology, software, hardware, or other items on behalf of the municipality in need of stabilization and recovery, in accordance with either the "Local Public Contracts Law," P.L.1971, c.198 (C.40A:11-1 et seq.), or procurement laws applicable to the State, at the discretion of the director;

(o) retaining any professionals on behalf of the municipality in need of stabilization and recovery, including, but not limited to, a master redeveloper or redevelopment consultant, and directing the work of professionals or any professionals previously retained by the municipality in need of stabilization and recovery, in accordance with either the "Local Public Contracts Law," P.L.1971, c.198 (C.40A:11-1 et seq.) or procurement laws applicable to the State, at the discretion of the director;

(p) retaining bond counsel, adopting bond ordinances to the extent necessary, making appropriate bond applications, and taking any other steps necessary to restructure and adjust debt, on behalf of the municipality in need of stabilization and recovery;

(q) exercising on behalf of the municipality in need of stabilization and recovery, notwithstanding P.L.2011, c.18 (C.5:12-218 et al.), any authority granted to a municipality pursuant to the "Local Redevelopment and Housing Law," P.L.1992, c.79 (C.40A:12A-1 et al.) when the director deems it necessary or appropriate to help stabilize the finances, restructure the debts, or assist with the financial rehabilitation and recovery of the municipality in need of stabilization and recovery;

(r) exercising on behalf of the municipality in need of stabilization and recovery any authority granted to a municipality pursuant to the "Redevelopment Area Bond Financing Law," P.L.2001, c.310 (C.40A:12A-64 et seq.) when the director deems it necessary or appropriate to help stabilize the finances, restructure the debts, or assist with the financial rehabilitation and recovery of the municipality in need of stabilization and recovery;

(s) exercising on behalf of the municipality in need of stabilization and recovery any authority granted to a municipality pursuant to the "Long Term Tax Exemption Law," P.L.1991, c.431 (C.40A:20-1 et seq.) and the "Five-Year Exemption and Abatement Law," P.L.1991, c.441 (C. 40A:21-1 et seq.) when the director deems it necessary or appropriate to help stabilize the finances, restructure the debts, or assist the financial rehabilitation and recovery of the municipality in need of stabilization and recovery;

(t) authorizing and filing, on behalf of the municipality in need of stabilization and recovery, subject only to the written approval of the majority of the members of the legislative Joint Budget Oversight Committee, a petition and other pleadings and papers with any United States court or federal bankruptcy court for the purpose of effecting a plan of readjustment or composition of debts, as set forth in R.S.52:27-40 et seq., and taking any other and further actions necessary or appropriate in connection with any case or proceeding; and

(u) negotiating and executing any contracts, agreements, or other documents on behalf of the municipality in need of stabilization and recovery as may be necessary or appropriate to effectuate any of the actions or steps specifically identified in P.L.2016, c.4 (C.52:27BBBB-1 et al.) or that may otherwise, as the director deems necessary or appropriate, help stabilize the finances, restructure the debts, or assist with the financial rehabilitation and recovery of the municipality in need of stabilization and recovery.

(4) Subject to subsection b. of section 11 of P.L.2016, c.4 (C.52:27BBBB-9), the Local Finance Board may authorize the director to take any action authorized to be taken under the "Local Bond Law," N.J.S.40A:2-1 et seq., and the "Municipal Qualified Bond Act," P.L.1976, c.38 (C.40A:3-1 et seq.) by a governing body of a local unit.

(5) The provisions of P.L.1941, c.100 (C.34:13A-1 et seq.), and regulations promulgated thereunder, shall in no way infringe on the authority of the Local Finance Board or the director set forth in this section or any actions taken by the director pursuant to this section.

(6) Any function, power, privilege, or immunity of the municipal governing body that is not assumed by the Local Finance Board and reallocated to and vested exclusively in the director pursuant to this section shall remain allocated to and vested in that governing body unless and until such time as the function, power, privilege, immunity, or duty may be allocated to and vested exclusively in the Local Finance Board or the director pursuant to this section. The Local Finance Board or the director may exercise any power implied or incidental to a power that has been specifically allocated.

b. (1) Notwithstanding the provisions of any law, rule, or regulation to the contrary, including any requirements set forth in R.S.40:49-1 et seq., the "Senator Byron M. Baer Open Public Meetings Act," P.L.1975, c.231 (C.10:4-6 et seq.), or R.S.52:27-41, the director shall have the exclusive authority to pass, adopt, repeal, or amend any ordinance or resolution of the municipality in need of stabilization and recovery, modify any meeting agenda of the governing body of the municipality in need of stabilization and recovery, and negotiate, enter into, amend, or terminate any contract or agreement, on behalf of the municipality in need of stabilization and recovery, provided that the director deems the action necessary or appropriate to help stabilize the finances, restructure the debts, or assist with the financial rehabilitation and recovery of the municipality in need of stabilization and recovery.

(2) When exercising powers under this section, the director shall, to the extent practicable, comply with all notice, hearing, and other requirements to which the municipality in need of stabilization and recovery is generally subject, but in no instance shall the director be deemed a "public body" pursuant to the "Senator Byron M. Baer Open Public Meetings Act," P.L.1975, c.231 (C.10:4-6 et seq.).

(3) The director may issue to the appropriate elected and appointed officials and employees, agents, and contractors of a municipality in need of stabilization and recovery the orders that the director deems appropriate to stabilize the finances, restructure the debts, or assist the financial rehabilitation and recovery of the municipality in need of stabilization and recovery pursuant to the authority granted by the Local Finance Board pursuant to this section. Any order by the director shall be binding on the appropriate elected and appointed officials and employees, agents, and contractors of a municipality in need of stabilization and recovery and may be enforced as other orders of the director are enforced under general law.

3. Section 17 of P.L.2016, c.4 (C.52:27BBBB-15) is amended to read as follows:

C.52:27BBBB-15 Attendance of certain meetings required, final report.

17. The director or the director's designee shall attend the regularly scheduled meetings of the municipal council in a municipality in need of stabilization and recovery. On or before the first day of the 16th year next following the determination that a municipality is in need of stabilization and recovery pursuant to section 4 of P.L.2016, c.4 (C.52:27BBBB-4), the director shall provide a final report to the Governor and Legislature regarding the municipality in need of stabilization and recovery.

4. This act shall take effect immediately and be retroactive to December 1, 2025. Any action taken by the municipality during the retroactive time period shall be subject to review and approval by the Director of the Division of Local Government Services.

Approved January 20, 2026.