

LEGISLATIVE FISCAL ESTIMATE

[First Reprint]

SENATE, No. 2969

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	<u>Annually</u>
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

This 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 multiplied by the average predominant prime rate, as determined by the Board of Governors of the Federal Reserve System, quoted by commercial banks to large businesses as of the first business day of the calendar quarter within which the local budget is finalized.

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 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 multiplied by the average predominant prime rate as of the first business day of the calendar quarter (CQ) within which the local budget is finalized would be added to the county's permissible property tax levy. The bill would apply only in years and only to counties in which debt service obligations are decreased over the prior year.

If the bill's provisions were 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 the bill's provisions would have applied to each of the affected counties in CY 2023.

County	Difference in Debt Service Obligations Over CY 2022	Prime Rate on First Day of CQ in which County Budget was Finalized	Increase in Permissible 2023 County Property Tax Levy
Atlantic	\$1,560,430	8.00%	\$1,685,264
Burlington	\$2,871,621	8.00%	\$3,101,351
Gloucester	\$2,867,876	7.50%	\$3,082,967
Middlesex	\$1,885,111	7.50%	\$2,026,494
Passaic	\$1,336,136	7.50%	\$1,436,346
Warren	\$234,000	7.50%	\$251,550

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 in a given year. The OLS notes that the prime rate on January 1, 2024 was 8.50 percent.

Section: Local Government

Analyst: Abigail Stoyer
Associate Fiscal Analyst

Approved: Thomas Koenig
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.).