

**ASSEMBLY CONCURRENT
RESOLUTION No. 197**

**STATE OF NEW JERSEY
211th LEGISLATURE**

INTRODUCED OCTOBER 18, 2004

Sponsored by:

Assemblyman GUY R. GREGG

District 24 (Sussex, Hunterdon and Morris)

Assemblyman UPENDRA J. CHIVUKULA

District 17 (Middlesex and Somerset)

Assemblyman LOUIS MANZO

District 31 (Hudson)

Co-Sponsored by:

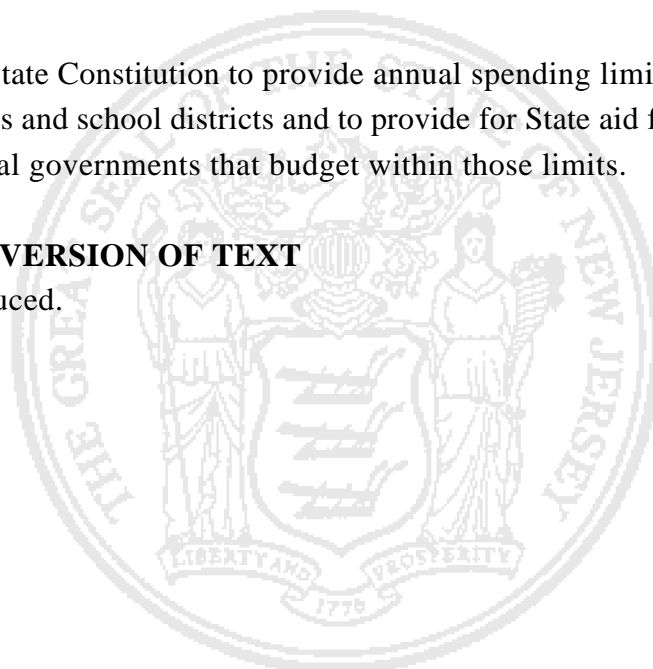
Assemblywoman McHose and Assemblyman Steele

SYNOPSIS

Amends State Constitution to provide annual spending limits for counties, municipalities and school districts and to provide for State aid for property tax relief for local governments that budget within those limits.

CURRENT VERSION OF TEXT

As introduced.



1 **A CONCURRENT RESOLUTION** proposing to amend Article VIII,
2 Section II of the Constitution of the State of New Jersey by adding
3 new paragraphs thereto.

4
5 **BE IT RESOLVED** *by the General Assembly of the State of New*
6 *Jersey (the Senate concurring):*

7
8 1. The following proposed amendments to the Constitution of the
9 State of New Jersey are agreed to:

10
11 **PROPOSED AMENDMENTS**

12
13 a. Amend Article VIII, Section II of the Constitution by the
14 addition of the following paragraph:

15 8. a. The core spending of a county, municipality or school district
16 for any budget period beginning after approval of the amendment
17 adding this paragraph shall not exceed its core spending limit for that
18 local budget period. As used in this paragraph, the "core spending" of
19 a county, municipality, or school district in a given budget period
20 means its spending during that period, inclusive of contributions to
21 reserve accounts, but exclusive of spending for debt service on debt
22 approved pursuant to law.

23 b. A local government unit's core spending limit for the first local
24 budget period commencing after approval of the amendment adding
25 this paragraph shall equal actual county, municipal, or school district
26 core spending in the prior local budget period multiplied by the local
27 government unit's formula growth factor, plus any limit increase
28 approved by voters pursuant to the provisions of subparagraph c. of
29 this paragraph.

30 A local government unit's core spending limit for subsequent local
31 budget periods shall equal the county, municipal, or school district
32 core spending limit in the prior local budget period, or 103% of
33 budgeted county, municipal, or school district core spending in the
34 prior local budget period, whichever is less, multiplied by the local
35 government unit's formula growth factor, plus any limit increase
36 approved by voters pursuant to the provisions of subparagraph of c.
37 of this paragraph.

38 A local government unit's formula growth factor for a budget
39 period shall equal the greater of 1.035 or the sum of:

40 (1) 1.0, plus

41 (2) if positive, 130 percent of average annual inflation over the
42 immediately preceding two years, where, as used in this paragraph,
43 "annual inflation" means the annual percentage increase, rounded to
44 the nearest half-percent, in a federally published national measure of
45 inflation, as shall be established by law, plus

46 (3) if any, the average annual increase in the annual school age

1 population of residents within a county or municipality, as applicable,
2 *or* the annual public school enrollment for a school district over the
3 immediately preceding two years, expressed as a percentage.

4 c. The core local spending limit for a local budget period may only
5 be increased by such amount as may be recommended by the
6 governing body of the county, municipality or school district from time
7 to time, but no such increase shall take effect unless and until it shall
8 have been submitted by resolution or ordinance to the voters of the
9 jurisdiction and approved by the majority of the legally qualified voters
10 of the local government unit voting thereon at a special jurisdiction-
11 wide election. That special election shall be held within the three
12 month period before the beginning of the county, municipal or school
13 district budget period for which voter approval of the increase in the
14 core local spending limit is sought.

15 d. Spending for a budget period by a county, municipality or school
16 district shall only exceed the core local spending limit of that local
17 government unit in the case of an emergency, and that excess
18 emergency spending shall only be authorized by the passage by the
19 governing body of that local government unit of a resolution or
20 ordinance making such an appropriation by the affirmative vote of
21 two-thirds of the authorized membership of the local governing body.
22 Such approved emergency spending amounts shall not increase a local
23 government unit's core local government spending limit, shall only be
24 authorized after the adoption of a budget and shall only be allowed for
25 a purpose for which was not foreseen at the time of adoption thereof,
26 or for which adequate provision was not made therein. Such
27 emergency spending shall only be made to meet a pressing need for
28 public expenditure to protect or promote the public health, safety, or
29 welfare or to provide temporary housing or public assistance, or for
30 repair or utilization of property destroyed or made unusable by
31 accident or other unforeseen cause, as may be applicable for the local
32 unit of government, and which pressing need must be met prior to the
33 next succeeding local budget period.

34 e. No item of spending authorized for debt service on debt of the
35 local government unit approved pursuant to law shall be transferred to
36 any other item of spending for the local budget period.

37
38 b. Amend Article VIII, Section II of the Constitution by the
39 addition of the following paragraph:

40 9. In each State fiscal year commencing after the date on which this
41 paragraph is adopted, the balance of State revenues not otherwise
42 appropriated or reserved for other purposes shall be appropriated for
43 the purpose of providing additional State aid as Fiscal Responsibility
44 Awards to all counties, municipalities and school districts that have
45 kept their core spending during their last completed budget period
46 within the local government unit's core spending limit, without an

1 emergency appropriation in excess of, or a voter-approved spending
2 increase to, that local government unit's core spending limit as
3 determined pursuant to this constitution. Fiscal Responsibility Awards
4 shall be made before the end of each such State fiscal year and shall be
5 paid no later than 30 days after the end of the State fiscal year. Each
6 county, municipality and school district that in its last budget period
7 kept its spending within its core spending limit for that budget period,
8 without an emergency appropriation in excess of, or voter-approved
9 increase to, that local government unit's core spending limit, shall
10 receive the full distribution of such award payment in an amount equal
11 to a percentage of the total amount appropriated for Fiscal
12 Responsibility Awards, which percentage shall be determined by the
13 proportion that budgeted spending for that fiscally responsible local
14 government unit bears to the total of such fiscally responsible local
15 government unit budgeted spending Statewide. Amounts distributed
16 as Fiscal Responsibility Awards shall be used solely and exclusively by
17 each local government unit for the purpose of reducing or offsetting
18 the amount the local government unit is required to raise by local
19 property tax levy for that local government unit's purposes. Funds
20 appropriated pursuant to this paragraph shall be used to supplement
21 and shall not supplant other State aid payments any award recipient
22 received in the previous State fiscal year.

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24 2. When this proposed amendment to the Constitution is finally
25 agreed to pursuant to Article IX, paragraph 1 of the Constitution, it
26 shall be submitted to the people at the next general election occurring
27 more than three months after the final agreement and shall be
28 published at least once in at least one newspaper of each county
29 designated by the President of the Senate, the Speaker of the General
30 Assembly and the Attorney General, not less than three months prior
31 to the general election.

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33 3. This proposed amendment to the Constitution shall be submitted
34 to the people at that election in the following manner and form:

35 There shall be printed on each official ballot to be used at the
36 general election, the following:

37 a. In every municipality in which voting machines are not used, a
38 legend which shall immediately precede the question, as follows:

39 If you favor the proposition printed below make a cross (X), plus
40 (+), or check (T) in the square opposite the word "Yes." If you are
41 opposed thereto make a cross (X), plus (+) or check (T) in the square
42 opposite the word "No."

43 b. In every municipality the following question:

1		ESTABLISHES LOCAL GOVERNMENT
2		SPENDING LIMITS AND STATE AID
3		FOR LOCAL PROPERTY TAX RELIEF
4		FOR LOCAL GOVERNMENTS THAT
5		BUDGET WITHIN THOSE LIMITS
6		Do you approve of the amendment to the New Jersey
7		Constitution that provides that the core spending of a
8		county, municipality or school district for any budget
9		period shall not exceed its core spending limit for that
10		budget period, where a local government unit's "core
11		spending" means all spending during that period
12		exclusive of spending for debt service, and where a
13		local government unit's "core spending limit" for a
14		budget period shall equal the county, municipal, or
15		school district core spending limit in the prior local
16		budget period, or 103% of budgeted county, municipal,
17		or school district core spending in the prior local
18		budget period, whichever is less, multiplied by the
19		local government unit's formula growth factor, plus any
20		voter approved limit increase in the current budget
21		period, where a local government unit's formula growth
22		factor for a budget period shall equal the greater of
23		1.035 or the sum of: (1) 1.0, plus (2) 130 percent of
24		average annual inflation over the immediately
25	YES	preceding two years, expressed as a percentage, plus
26		(3) the average annual increase in the annual school
27		age population of residents within a county or
28		municipality, as applicable, or in the annual public
29		school enrollment of a school district, over the
30		immediately preceding two years, expressed as a
31		percentage, and which current core spending limit shall
32		only be increased by an amount of spending approved
33		by a majority of the jurisdiction's voters by way of a
34		public question at a special election preceding the
35		budget period by not more than three months, or which
36		annual core spending limit may be exceeded in the case
37		of an emergency by the enactment by the local
38		governing body of a resolution or ordinance making
39		such an appropriation by the affirmative vote of
40		two-thirds of the authorized membership of the local
41		government body, and providing each year, that the
42		balance of State revenues not otherwise appropriated or
43		reserved for other purposes shall be appropriated for
44		the purpose of paying additional State aid as Fiscal Responsibility Awards to all counties, municipalities and school districts that have spent during their last completed budget period within their annual core spending limit, without an emergency appropriation or voter-approved spending increase, which awards shall be used solely and exclusively for the purpose of reducing or offsetting the amount required to be raised by the local property tax levy?

1		INTERPRETIVE STATEMENT
2		The purpose of this amendment is to limit the pace of
3		local government spending growth in New Jersey, and
4		to reward local governments which keep the pace of
5		their spending growth under control with increased
6		State aid. It places annual limits on county, municipal,
7		and school district "core spending," defined as all
8		spending exclusive of debt service on local bonds. It
9		requires local voter approval for a jurisdiction to be
10		able to exceed its annual spending limit, giving voters
11		veto power over any proposed above-limit increases in
12		total spending that voters may consider excessive.
13		Finally, it requires the State to reward counties,
14		municipalities, and school districts that stay within their
15		annual core spending limit by giving them State aid,
16		and requires the recipient jurisdiction to use this State
17		aid to lower property taxes. The calculation for
18		determining a jurisdiction's core spending limit for a
19		given budget period takes as its base the jurisdiction's
20		core spending limit in the prior budget period, or 103%
21		of its actual core spending in the prior budget period,
22		whichever is less. The calculation then increases this
23		base by the average annual percentage growth in the
24		jurisdiction's population or school enrollment during
25		the preceding two years plus 130% of the average
26		inflation rate during the preceding two years, or, if it is
27		greater, by 3.5%. In effect, this formula limits per
28		capita core spending growth by counties, municipalities
29		and school districts to 1.3 times the rate of inflation.
30		Core spending limits may be increased only if approved
31		by the majority of a local jurisdiction's voters at a
32		special election to be conducted within three months
33		before the budget period. Without such approval,
34		spending above the spending caps for a budget period
35		may occur only on an emergency basis if approved by
36		a two-thirds vote of the authorized elected
37		representatives of the local governing body for county,
38		municipal and school district budgets. This
39		constitutional amendment also requires that the State
40		surplus revenues not otherwise used for the State
41		budget shall be annually appropriated to provide
42		additional State aid as Fiscal Responsibility Awards to
43		all counties, municipalities and school districts that
44		stay within their annual local government spending limits,
	NO	without an emergency appropriation or voter-approved
		spending increase. These awards shall be in amounts
		proportionate to the budgets of those local government
		units whose annual expenditures are within annual local
		government unit spending limits. The awards shall be
		used only for the purpose of reducing or offsetting the
		amount the local government unit is required to raise by
		the local property tax levy.

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SCHEDULE

This constitutional amendment shall apply to the State fiscal year beginning July 1 next following its approval by the people pursuant to Article IX, paragraph 1 of the Constitution, and each fiscal year thereafter and shall apply to the county, municipal and school district budget period beginning next following such approval by the people, and each budget period thereafter.

STATEMENT

The purpose of this constitutional amendment is to limit the pace of local government spending growth in New Jersey, and to reward local governments which keep the pace of their spending growth under control with increased State aid. It places annual limits on county, municipal, and school district "core spending," defined as all spending exclusive of debt service on local bonds. It requires local voter approval for a jurisdiction to be able to exceed its annual spending limit, giving voters veto power over any proposed above-limit increases in total spending that voters may consider excessive. Finally, it requires the State to reward counties, municipalities, and school districts that stay within their annual core spending limit by giving them State aid, and requires the recipient jurisdiction to use this State aid to lower property taxes.

The calculation for determining a jurisdiction's core spending limit for a given budget period takes as its base the jurisdiction's core spending limit in the prior budget period, or 103% of its actual core spending in the prior budget period, whichever is less. The calculation then increases this base by the average annual percentage growth in the jurisdiction's population or school enrollment during the preceding two years plus 130% of the average inflation rate during the preceding two years, or, if it is greater, by 3.5%. In effect, this formula limits per capita core spending growth by counties, municipalities and school districts to 1.3 times the rate of inflation. Core spending limits may be increased only if approved by the majority of a local jurisdiction's voters at a special election to be conducted within three months before the budget period. Without such approval, spending above the spending caps for a budget period may occur only on an emergency basis if approved by a two-thirds vote of the authorized elected representatives of the local governing body for county, municipal and school district budgets.

This constitutional amendment also requires that the State surplus revenues not otherwise used for the State budget shall be annually appropriated to provide additional State aid as Fiscal Responsibility Awards to all counties, municipalities and school districts that stay

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1 within their annual local government spending limits, without an
2 emergency appropriation or voter-approved spending increase. These
3 awards shall be in amounts proportionate to the budgets of those local
4 government units whose annual expenditures are within annual local
5 government unit spending limits. The awards shall be used only for
6 the purpose of reducing or offsetting the amount the local government
7 unit is required to raise by the local property tax levy.