

ASSEMBLY, No. 5339

STATE OF NEW JERSEY 217th LEGISLATURE

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Sponsored by:

Assemblyman RAJ MUKHERJI

District 33 (Hudson)

Assemblywoman ANNETTE CHAPARRO

District 33 (Hudson)

SYNOPSIS

Requires certain State oversight of budgets of regional sewerage authorities.

CURRENT VERSION OF TEXT

As introduced.



1 AN ACT concerning the budgets of regional sewerage authorities
2 and amending and supplementing P.L.1946, c.138.

3

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

6

7 1. (New section) a. Notwithstanding the provisions of any other
8 law to the contrary, the budget of every regional sewerage authority
9 created pursuant to the provisions of P.L.1946, c.138 (C.40:14A-1 et
10 seq.) shall be subject to the following provisions:

11 (1) (a) The percentage of growth in the fee-funded appropriations
12 in the annual budget of a regional sewerage authority shall not exceed
13 two percent per year; and the amount billed to customers of the
14 authority, or the amount billed to a local unit for its proportional share
15 of the authority's expenses, as the case may be, shall not exceed that
16 amount billed in the previous budget year to each customer or local
17 unit, as the case may be, by more than two percent for a similar
18 amount of use or service of the sewerage system.

19 (b) A regional sewerage authority may add to the allowable
20 growth in fee-funded appropriations in any one of the next three
21 succeeding years, the amount of the difference between the maximum
22 allowable increase in fee-funded appropriations for the current budget
23 year pursuant to subparagraph (a) of this paragraph and the actual
24 amount of fee-funded appropriations for the current budget year.

25 (2) The percentage of growth in the fee-funded appropriations in
26 the annual budget of a regional sewerage authority shall be determined
27 without consideration of any amounts appropriated by the authority
28 for:

29 (a) capital expenditures, including payment of principal or interest
30 on bonds authorized or issued pursuant to the "sewerage authorities
31 law," P.L.1946, c.138 (C.40:14A-1 et seq.);

32 (b) increases in pension contributions and accrued liability for
33 pension contributions in excess of two percent over those expenditures
34 for the previous budget year ;

35 (c) increases in health care costs equal to that portion of the actual
36 increase in total health costs for the budget year that is in excess of two
37 percent of total health care costs in the previous budget year, but is not
38 in excess of the product of the total health care costs in the prior year
39 and the average percentage increase of the State Health Benefits
40 Program, P.L.1961, c.49 (C.52:14-17.25 et seq.), as annually
41 determined by the Division of Pensions and Benefits in the
42 Department of the Treasury;

43 (d) increases in energy cost expenditures in excess of two percent
44 over those expenditures for the previous budget year;

45 (e) extraordinary costs that are directly related to an emergency;
46 and

47 (f) expenditures for the cost of services mandated by any order of
48 court, by any federal or State statute, or by administrative rule,

1 directive, order, or other legally binding device issued by a State
2 agency which identified the cost as a mandated expenditure on
3 certification to the Local Finance Board by the State agency.

4 (3) Notwithstanding the limitations imposed by paragraph (1) of
5 this section, a regional sewerage authority may apply to the Local
6 Finance Board for a waiver to increase its rents, rates, fees, and
7 charges to levels sufficient to compensate for loss of revenues due to
8 reductions in the use or service of the sewerage system.

9 As used this section, "emergency" shall mean any purpose which
10 is not foreseen at the time of the adoption of the annual budget, or for
11 which adequate provision was not made therein, to meet a pressing
12 need for public expenditure to protect or promote the public health,
13 safety, morals, or welfare.

14 b. After the budget of a regional sewerage authority has been
15 approved by the members of the regional sewerage authority, the
16 budget shall be forwarded to the Director of the Division of Local
17 Government Services for review and approval.

18 The director shall review the budget to ensure that the budget
19 conforms with the requirements of subsection a. of this section and the
20 "Local Authorities Fiscal Control Law," P.L.1983, c.313 (C.40A:5A-1
21 et seq.), and that the budgeted expenditures are reasonable in cost and
22 necessary for the performance of the regional sewerage authority.

23 If the director determines that the budget meets the requirements of
24 this subsection, the director shall approve the budget. If the director
25 does not approve the budget, the director shall return the budget to the
26 members of the regional sewerage authority with written information
27 concerning the reasons for the disapproval of the budget.

28 To the extent that the provisions of subsection a. of this section
29 conflict with the provisions of the "Local Authorities Fiscal Control
30 Law," P.L.1983, c.313 (C.40A:5A-1 et seq.), subsection a. of this
31 section shall take precedence.

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33 2. Section 35 of P.L.1946, c.138 (C.40:14A-35) is amended to
34 read as follows:

35 35. **[This act]** Except as provided in section 1 of P.L. _____,
36 c. (C.) (pending before the Legislature as this bill), P.L.1946,
37 c.138 , (C.40:14A-1 et seq.) shall be construed liberally to effectuate
38 the legislative intent and as complete and independent authority for the
39 performance of each and every act and thing herein authorized, and a
40 sewerage authority shall not be subject to regulation as to its service
41 charges or as to any other matter whatsoever by any officer, board,
42 agency, commission or other office of the State.

43 (cf: P.L.1946, c.138, s.35)

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45 3. This act shall take effect immediately and shall be applicable to
46 the next budget year following enactment.

STATEMENT

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3 This bill provides for State oversight of annual budgets of regional
4 sewerage authorities created pursuant to the “sewerage authorities
5 law,” P.L.1946, c.138 (C.40:14A-1 et seq.), by imposing certain limits
6 on the growth of fee-funded appropriations in the annual budgets of
7 authorities (and on increases in the amounts permitted to be billed to
8 customers) and by requiring the review and approval of the annual
9 budgets of authorities by the Director of the Division of Local
10 Government Services.

11
12 *Limits on Percentage of Growth and Amounts Billed to Customers.*

13 The bill limits the percentage of growth in the fee-funded
14 appropriations in the annual budget of a regional sewerage authority to
15 not more than two percent per year, and provides that the amount
16 billed to customers of the authority, or the amount billed to a local unit
17 for its proportional share of the authority’s expenses, is not permitted
18 to exceed that amount billed in the previous budget year to each
19 customer or local unit by more than two percent for comparable usage
20 of the sewerage system. The bill provides that the limits imposed on
21 the percentage of growth in the fee-funded appropriations in the annual
22 budget of an authority are required to be determined without taking
23 into consideration any amounts appropriated by the authority for: the
24 payment of principal or interest on bonds issued under the “sewerage
25 authorities law”; increases in pension and health care costs greater than
26 two percent over the previous budget year; increases in energy costs
27 greater than two percent over those expenditures for the previous
28 budget year; and expenditures for costs mandated by federal and State
29 law, administrative rules, and legal directives.

30 Additionally, the bill provides that the limits on the percentage of
31 growth in the fee-funded appropriations and the amounts permitted to
32 be billed to customers do not apply when an authority has incurred
33 extraordinary costs directly related to an emergency. The bill defines
34 an emergency as any purpose which is not foreseen at the time of the
35 adoption of the annual budget, or for which adequate provision was
36 not made therein, to meet a pressing need for public expenditure to
37 protect or promote the public health, safety, or welfare. The bill
38 permits an authority to seek a cap waiver from the Local Finance
39 Board when its revenue declines due to reductions in the use of the
40 sewerage system, and also allows the authority to “bank” any unused
41 cap growth for use in any one of the next three succeeding budget
42 years.

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44 *Review and Approval of Annual Budgets by Director of DLGS.*

45 The bill provides that after the budget of a regional sewerage
46 authority is approved by the members of the authority, the budget must
47 be forwarded to the Director of the Division of Local Government
48 Services for review and approval. The bill requires the director to

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1 review the budget to ensure that budgeted expenditures for the
2 authority meet the requirements of the bill, and the “Local Authorities
3 Fiscal Control Law,” P.L.1983, c.313 (C.40A:5A-1 et seq.), are
4 reasonable in cost and necessary for the performance of the authority.
5 If the director does not approve the budget, the bill provides for the
6 director to return the budget to the authority’s members with written
7 information concerning the reasons for disapproval.

8 The bill takes effect immediately and is applicable to the next
9 budget year following enactment.