SENATE BUDGET AND APPROPRIATIONS COMMITTEE

STATEMENT TO

SENATE COMMITTEE SUBSTITUTE FOR
SENATE, No. 428

STATE OF NEW JERSEY

DATED: JUNE 17, 2002

The Senate Budget and Appropriations Committee reports favorably a committee substitute for Senate Bill No. 428.

This substitute bill, designated the "Municipal Rehabilitation and Economic Recovery Act," establishes a comprehensive framework within which the rehabilitation and economic recovery of qualified municipalities may occur.

The substitute defines "qualified municipality" to mean a municipality that has been subject to the supervision of a financial review board under the "Special Municipal Aid Act," to the supervision of the Local Finance Board pursuant to the "Local Government Supervision Act (1947)," and which, according to its most recently adopted municipal budget on the substitute's effective date, is dependent upon State aid and other State revenues for not less than 55 percent of its total budget. Currently, the only municipality which falls within this definition is the City of Camden.

The substitute requires the Governor to recruit a chief operating officer, qualified by training and experience, for the qualified municipality. The salary, benefits and costs of the chief operating officer shall be fixed by the Director of the Division of Local Government Services and shall be consistent with the salary and benefits of the executive director of any regional authority or other such entity with jurisdiction in the qualified municipality. The chief operating officer shall serve at the pleasure of the Governor.

During the rehabilitation term, all of the functions, powers and duties assigned either before or after the substitute's enactment by any statute, regulation, ordinance, resolution, charter or contract for municipal operations, municipal organization and reorganization, including the hiring and firing of department heads, are reallocated to the chief operating officer, who shall exercise those responsibilities in consultation with the mayor.

Upon the assumption of job responsibilities by the chief financial officer, the financial review board created to oversee the finances of the qualified municipality shall cease to function and the municipality will no longer be under supervision pursuant to Article 4 of P.L.1947, c.151 (C.52:27BB-54 et seq.). All outstanding debts or obligations
incurred by the qualified municipality or the New Jersey Housing and Mortgage Finance Agency as of 30 days following the substitute's effective date with any subsidiary of that authority with jurisdiction in a qualified municipality, other than those debts or obligations represented by bonds or other negotiable instruments, are forgiven under the terms of the substitute.

The substitute establishes a subsidiary of the New Jersey Economic Development Authority (EDA) to be known as the State Economic Recovery Board for the qualified municipality. The board is to consist of 15 voting members and shall include the mayor of the qualified municipality, a representative of the municipal governing body of the qualified municipality, the chief operating officer, the State Treasurer, the Commissioner of Community Affairs, the chairperson of the EDA, a representative of the regional partnership, the director of the freeholder board of the county in which the qualified municipality is situated, all of whom shall serve ex officio and may select a designee to serve in their stead; one public member to be chosen by the Senate President, one public member to be chosen by the Assembly Speaker, and five public members to be appointed by the Governor, to include one representative of organized labor and one representing the business community. Of the public members appointed by the Governor, at least three shall be municipal residents and terms of public members shall be five years. The Governor is charged with the designation of the board chair.

The board will be called upon to assist in the preparation of the capital improvement and infrastructure master plan, a strategic revitalization plan, and to marshal resources necessary to assure its implementation. The staff of the New Jersey Economic Development Authority is to serve as staff to the board.

The strategic revitalization plan is to be undertaken concurrently with the capital improvement and infrastructure master plan and is to be completed by not later than six months after the first meeting of the board.

The chief operating officer shall convene a community advisory committee in order to provide an efficient means of eliciting citizen input in the rehabilitation and economic recovery and community development of the qualified municipality.

The substitute also establishes a regional partnership to assure regional coordination and cooperation in the revitalization and economic recovery of the qualified municipality. The regional partnership shall consist of the mayor of the qualified municipality and of other municipalities within the county, as provided in the substitute, the county freeholder director, the director of the Office of State Planning, one representative of the New Jersey Regional Coalition, and four public members, of whom two shall be appointed by the Governor, one by the Senate President and one by the Speaker of the General Assembly.
In addition to appointing a representative to the State Economic Recovery Board, the regional partnership is charged with assisting in the formulation of long range strategies to address regional issues, including public safety, economic development, housing, and environmental issues with the goal of improving the quality of life within the region.

The chief operating officer is required to undertake the preparation of a municipal management study which analyzes the current state of all services provided by each municipal department and the service levels provided in similarly situated municipalities.

The study shall include recommendations for the reorganization of municipal government structure.

The substitute requires the chief operating officer to undertake a property tax collection audit in order to identify those properties which are in arrears or subject to tax foreclosure. Following the audit, the chief operating officer shall submit the study to the Commissioner of Community Affairs, who shall designate the EDA or the State Economic Recovery Board to assist in the preparation of a demolition funding plan.

The substitute increases the amount of the NJ SAVER rebate for eligible property taxpayers.

The provisions of this substitute bill are identical to those of Assembly Committee Substitute for Assembly Bill No. 2054, now pending before the Legislature.

FISCAL IMPACT:

The substitute authorizes the issuance of $175 million in bonds on the part of the New Jersey Economic Development Authority in order to capitalize a series of funds, the substitute’s principal source of moneys to allow for grants and loans of a sufficient scale and visibility to expand and sustain economic activity in the qualified municipality. The fund is to be divided as follows:

1. the Residential Neighborhood Improvement Fund, at $35 million, to be used to make grants, matching grants or loans to support water and sewer improvements not funded by the county, the removal of litter and clean community activities, the development of tot-lots, community gardens, landscape amenities, small scale demolitions, streetscape improvements, property acquisition, and neighborhood restoration outside of the central business district;

2. the Demolition and Redevelopment Financing Fund, at $43 million, to be used to support neighborhood rehabilitation, land acquisition, brownfields remediation, demolition and redevelopment;

3. the Downtown Revitalization and Recovery Fund, at $45.8 million, to support streetscape improvements, street resurfacing, demolition and restoration of commercial structures, property acquisition, redevelopment projects, brownfields remediation in order to foster redevelopment, industrial and port redevelopment, of which
$25 million shall be used to support the development of entertainment and cultural facilities such as aquariums;

(4) the Higher Education and Regional Health Care Development Fund, at $46.2 million, to support Rutgers ($11 million), Rowan University ($5.1 million), the University of Medicine & Dentistry of New Jersey ($9 million), Camden County College ($3.5 million), Our Lady of Lourdes Medical Center ($3 million), Cooper Hospital/University Medical Center ($13.35 million), Virtua Hospital ($1 million), and Partners in Health ($250,000).

The substitute creates within the Department of Labor the $2.5 million "Qualified Municipality Economic Opportunity Fund" in order to allow for the creation of a job training program designed specifically to address the unique conditions which pertain within qualified municipalities.

The substitute creates various incentive programs to benefit qualified municipalities, including a stipend to encourage municipal employees to assume municipal residency, an early buyout incentive for certain municipal employees, and an additional SAVER rebate to certain municipal residents. In addition, the substitute contains various programs to encourage businesses to expand in qualified municipalities.

The substitute assures that not less than the prevailing wage shall be paid to any workers employed in the performance of construction contracts undertaken thereunder.

The substitute establishes a floor in connection with reimbursement from the Health Care Subsidy Fund for certain hospitals situated in qualifying municipalities, to be backed by annual subsidy payments during the period that the municipality is under rehabilitation and economic recovery.

The substitute would impose a moratorium on the acceptance of housing units financed by regional contribution agreements in any qualified municipality during the time that the municipality is under rehabilitation and economic recovery.

Finally, the substitute confers veto power upon the chief operating officer with respect to authority, board and commission minutes analogous to that power reserved for the Governor with respect to State authorities under current law. Similarly, the substitute grants the Governor veto power over board of education minutes in school districts contiguous with qualified municipalities.