

# SENATE BUDGET AND APPROPRIATIONS COMMITTEE

## STATEMENT TO

### SENATE, No. 2070

# STATE OF NEW JERSEY

DATED: JUNE 21, 2010

The Senate Budget and Appropriations Committee reports favorably Senate Bill No. 2070.

The bill is intended to provide property tax relief to municipal taxpayers while protecting those municipal free libraries that are not as financially stable as other municipal free libraries. Current budgeting standards recommend a goal of 20% surplus of an entity's operating budget, while most public bodies actually hold 10% or lower of the amount of their operating budgets in surplus. At the same time, however, many municipal free libraries are holding surpluses in excess of 100% of their operating budget, and these huge surpluses are increasing each year as municipalities are required to make their annual donation based on a fixed formula, required by N.J.S.A.40:56-8, of 1/3 of a mil on every dollar of assessable equalized value, regardless of the financial state of the library. Those municipal free libraries that are not in good financial standing would not be affected by this bill until such time as they have built a surplus in excess of 20% of their operating budget.

Specifically, this bill would require a municipal free library to transfer any undesignated general fund balance that exceeds 20% of its audited operating expenditures for the previous year to the municipality that established the municipal free library for its general purposes, which may include property tax relief. This transferred library surplus amount would be an exclusion that is added to the adjusted tax levy when calculating the municipality's property tax levy cap so that it would not increase the amount permitted to be raised by taxation under the levy cap.

Under current law, a municipal free library may choose to transfer to the municipality any amount that exceeds the amount of the audited operating expenditures of the library for the most recent available year plus an additional 25% of that amount, excluding funds restricted for capital projects and grants, upon approval by the State Librarian. This bill would amend N.J.S.A.40:54-15 to eliminate that required approval, since the transfer would no longer be discretionary.

#### FISCAL IMPACT:

The Office of Legislative Services (OLS) has determined that the enactment of this bill would result in an increase in municipal

revenues and a decrease in financial resources available to joint and municipal free libraries. The bill also permits an increase in the allowable municipal purposes property tax levy by the amount of revenue received from the library.

The OLS has reviewed data from the New Jersey Public Library Survey for 2009 to illustrate, but not forecast, the amount of municipal free library surplus funds that might have been transferred to municipalities for general purposes if this bill had been in effect for calendar year 2009. According to the survey, 79 of 240 municipal free libraries had carry forward balances greater than 20 percent of their total operating expenditures for fiscal year 2008. The combined total operating expenditures for these libraries was \$79,419,441. Pursuant to the bill up to 20 percent of this amount, or \$15,883,888, would have been retained by the municipal free libraries as surplus for the next fiscal year, while \$32,816,841 would have been returned to those municipalities for their general purposes.

The OLS notes that the data contained in this analysis are suggestive, but not conclusive with regard to the impact of this legislation on either municipalities or municipal free libraries. The New Jersey Public Library Survey does not ask respondents to provide data on how municipal free libraries appropriate funds that are carried forward from one fiscal year to the next. Amounts that are carried forward may be reappropriated for operating and capital expenditures, returned to the municipality under the procedure allowed under current law, or appropriated as surplus.