ASSEMBLY APPROPRIATIONS COMMITTEE

STATEMENT TO

ASSEMBLY, No. 2824

with Assembly committee amendments

STATE OF NEW JERSEY

DATED: JUNE 19, 1997

The Assembly Appropriations Committee reports favorably Assembly Bill No. 2824, with committee amendments.

Assembly Bill No. 2824, as amended, revises the method of distributing certain funds to municipalities from the taxation by the State of gas and electric public utilities and certain telecommunications companies, and of sales of electricity, natural gas and energy transportation service. The State's current taxation of energy and certain telecommunications providers is anticipated to be revised under a companion bill, Assembly Bill No. 2825, that will preserve certain revenues for distribution to municipalities under a transition to competitive markets in energy and telecommunications that is to be implemented in this State.

This bill will guarantee to municipalities an annual State aid distribution of at least $740 million in State FY1998, $745 million for FY1999, $750 million for each of FY2000 and FY2001, and $755 million for FY2002 and each fiscal year thereafter from revenues from the taxes that will replace the public utilities gross receipts, franchise and energy unit taxes. If the appropriation and distributions are not made by the State, the State will forfeit the collection of corporation business tax liabilities from all corporate taxpayers that are not public utilities for that tax year.

The bill requires that these replacement revenues be credited to the "Energy Tax Receipts Property Tax Relief Fund," to be established in the State Treasury as a special dedicated fund. A portion of the fund, approximating $702 million, will be distributed annually to provide each municipality with an amount not less than the largest annual amount it received from the distribution of $685,000,000 from the proceeds of the public utilities gross receipts, franchise and energy unit taxes in calendar year 1994, 1995 or 1996, or initially proposed for distribution in 1997, plus some amounts necessary to correct apportionment valuations, distribution values, and some distortions caused by statutory distribution caps. These funds will be distributed by schedule: July 15, 35% of the total amount due; August 1, 10% of the total amount due; September 1, 30% of the total amount due; October 1, 15% of the total amount due; November 1, 5% of the total amount due; and December 1, 5% of the total amount due.

A second portion of the fund, approximating $35 million, will be distributed annually to assure that municipalities receive at least as much in each fiscal year as they expected to receive from the $685 million FY1998 distribution and the $ 45 million FY1997 distribution combined. This portion of the fund will distributed annually on or before June 30. A third portion of the fund, initially approximating $3 million but growing to approximately $18 million by FY 2002, will be distributed in proportion to, and along with, the distribution of the first portion.

The bill further provides that if in any year replacement tax revenues exceed $1.425 billion, 75% of that excess will be credited to the "Energy Tax Receipts Property Tax Relief Fund" for distribution to municipalities as additional aid.

FISCAL IMPACT:

This bill was not certified as requiring a fiscal note; the bill does not appropriate revenue but rather guarantees that in any year municipalities will receive an annual State aid distribution of at least $740 million, growing to $755 million in FY2002, or the State will forfeit the collection of corporation business tax liabilities from all corporate taxpayers that are not public utilities for that year.

COMMITTEE AMENDMENTS:

The amendments increase the revenues to be distributed from $730 million to an initial $740 million growing to $755 million in FY2002; provide for the distribution of all funds in the "Energy Tax Receipts Property Tax Relief Fund;" and establish the additional distribution of 75% of replacement revenues in excess of $1.425 billion. The amendments also provide for distribution of revenues in correction of errors and distortions, require an initial report of those corrections, and provide for direct payment of certain revenues to counties.