SENATE BUDGET AND APPROPRIATIONS COMMITTEE

STATEMENT TO

[First Reprint]

SENATE, No. 1303

with committee amendments

STATE OF NEW JERSEY

DATED: NOVEMBER 18, 1996

The Senate Budget and Appropriations Committee reports favorably Senate Bill No. 1303 (1R) with amendments.

As amended, Senate Bill No. 1303 (1R) establishes the State Municipal Property Tax Lien Fund in the Department of Commerce and Economic Development. As a non-lapsing, revolving fund, it will be credited with all proceeds from the sale or assignment of municipal tax liens pursuant to this bill.

The bill permits the department to place the responsibility on the Economic Development Authority (EDA) for the purchase and assignment of municipal tax liens, servicing of liens, management of properties, foreclosures, sale of liens individually or in bulk, and ownership of property for the benefit of the fund. The bill provides for In Personam and In Rem options to the authority for the foreclosure of the right of redemption of property from tax sales; In Rem foreclosure would be permitted only if the foreclosure is required as a preliminary action for a specific economic development project and the foreclosure is approved by the municipal governing body in which the property is located. In addition, the bill exempts the Department of Commerce and Economic Development and the EDA from the provisions of the "Industrial Site Recovery Act," P.L.1983, c.330 (C.13:1K-6 et seq.), when a foreclosure is pursued.

The authority would also be authorized to contract with private vendors to service liens and manage properties. The department is authorized to pay or reimburse the EDA for all services rendered by the authority under the terms of this bill out of moneys held in the fund for the purchase of municipally held property tax liens. Finally, the bill provides for the uses to which the moneys in the fund may be put: to purchase municipal tax liens, either individually or in bulk; to make subsequent tax payments to a municipality pursuant to property tax liens held by the fund; to make payments on certain bonds and notes issued by EDA; and to secure debt for redevelopment projects or economic development projects located in a municipality participating

in the fund. The bill also prohibits the department and the EDA from conducting a municipal tax lien sale in bulk unless the liens had been first offered for sale individually in the municipality in which the property is located.

COMMITTEE AMENDMENTS

The committee amended the bill with the approval of the sponsor to:

* Provide the EDA with the right to foreclose In Personam or In Rem on the right of redemption from tax sales for property for which the municipal tax liens were purchased or assigned to the authority pursuant to this bill. In Rem foreclosure would be permitted only if the foreclosure is required as a preliminary action for a specific economic development project and the foreclosure is approved by the municipal governing body in which the property is located.

* Exempt the Department of Commerce and Economic Development and the EDA from the provisions of the "Industrial Site Recovery Act," P.L.1983, c.330 (C.13:1K-6 et seq.), when a foreclosure is pursued.

* Change "shall" to "may" in subsection b. of section 1. Subsection b. lists the uses for which money in the fund may be spent.

* Prohibit the department and the EDA from conducting a municipal tax lien sale in bulk unless the liens had been first offered for sale individually in the municipality in which the property is located.

* Clarify the purposes for which the monies in the fund may be expended.

FISCAL IMPACT

In a fiscal estimate prepared by the Office of Legislative Services (OLS), the OLS states that this bill requires no additional State funds because the Department of Commerce and Economic Development can both absorb the additional responsibilities imposed under this bill in house with its current staff and is authorized to pay or reimburse the EDA for all services rendered by the authority under the terms of this bill out of moneys held in the fund.

The OLS also states that since this bill is permissive and since this bill represents the first time all municipal governments will have the authority to make such sales or assignments, no data are available on a Statewide basis from which to assess the financial impact on municipal governments of this bill.