

FISCAL NOTE TO
SENATE, No. 1802

STATE OF NEW JERSEY

DATED: MARCH 12, 1997

Senate Bill No. 1802 of 1997 changes the final date on which counties will be required to pay to the State the county share of judicial costs in accordance with the "State Judicial Unification Act," P.L.1993, c.275 (C.2B:10-1 et seq.). Under that act, counties must pay \$119,312,467 to the State in calendar year 1997 (which is also county fiscal year 1997); one half of that amount (or \$59,656,233) is due on May 15, 1997 (in State fiscal year 1997) and the remaining half on October 1, 1997 (in State fiscal year 1998). The bill changes the date for the final payment to May 15, 1998, thereby deferring the payment for county purposes until county fiscal year 1998, but only deferring payment for State purposes to the latter part of State fiscal year 1998.

The Department of the Treasury states that there will be no new costs or savings to the State as a result of the enactment of this bill since it merely reschedules the final county payment date and will defer receipt by the State of county payments totaling \$59.7 million for seven months from October 1, 1997, when the payment is required under current law, to May 15, 1998, the new payment date in the bill.

The Office of Legislative Services (OLS) cannot concur with the department's statement. While it is true that the State will realize in State fiscal year 1998 the full amount of the payment required by current law, the State may forgo interest earnings during that seven month deferral period that would have resulted from deposit of these payments into the New Jersey Cash Management Fund in October of 1997. (The average annualized rate of return to participating State accounts in the New Jersey Cash Management Fund is approximately 5.6 percent.) Alternately, the State may also incur larger short term borrowing costs to meet expenditure needs that would otherwise have been met by the use of the county payments. However, it is not possible to estimate this cost to the State with any certainty. The OLS also notes that this bill extends an interest free loan to the counties of approximately \$60 million for a seven month period.

The OLS notes that, while the statement to the bill states that the deferment of the payment will provide an additional \$60 million in property tax relief for property taxpayers for county fiscal year 1997, this may not be a guaranteed result under the terms of the bill in all counties. The deadline for approval of county budgets for county fiscal year 1997 was February 25, 1997, although many counties will adopt their budgets after the deadline. The OLS has learned

informally that the Division of Local Government Services in the Department of Community Affairs has told counties that extensions beyond the deadline may be taken to await the results of legislative action, if any, on this bill. A survey of the seven counties with the highest payment amounts due on October 1, 1997 has revealed that only one county has prepared, although not yet adopted, a budget that anticipates taking advantage of the payment deferral. One county did not wait and has already adopted its budget for local fiscal year 1997 with the payment to the State required under current law included. Another county has indicated that whether or not this bill is enacted, the county has decided to make its final payment in October and, therefore, is including the payment in the budget for 1997. The remaining four counties surveyed have indicated that they have included the payment within their budgets and although their budgets have not yet been adopted, legislative action on this bill is not a significant reason for the delay in adoption. Once adopted, county budgets are sent to the County Board of Taxation for each county and tax rates are determined. The payments due from the seven counties surveyed represent 59 percent of the total payment of \$59.7 million due to the State on October 1, 1997 under current law.

For counties that adopt budgets before the enactment of this bill so that the budgets include the payment required under current law, the deferred payment once collected will earn additional interest for the county during the seven month deferral period until the payment is due in county fiscal year 1998. Therefore, counties may realize additional interest earnings during the deferment period. It is not known how many counties will adopt their budgets before enactment of this bill.

If this bill is enacted quickly, some counties that have delayed the adoption of their budgets may anticipate the payment deferral in their budget calculations and thereby reduce their property tax requirements in county fiscal year 1997. It is not known how many counties will be in a position to do this. These counties will have to include the payment in county fiscal year 1998, a year in which no payment is required under current law, and will have to have sufficient resources to do so.

This fiscal note has been prepared pursuant to P.L.1980, c.67.