

LEGISLATIVE FISCAL ESTIMATE

[First Reprint]

ASSEMBLY, No. 1537
STATE OF NEW JERSEY
219th LEGISLATURE

DATED: DECEMBER 21, 2020

SUMMARY

Synopsis:	Extends economic recovery term under “Municipal Rehabilitation and Economic Recovery Act.”
Type of Impact:	Potential five-year increase in State expenditures; five-year impact on municipal expenditures.
Agencies Affected:	Department of Community Affairs; New Jersey Economic Development Authority; City of Camden; potentially other municipalities

Office of Legislative Services Estimate

Five-Year Fiscal Impact	
State Cost Increase	Indeterminate
Municipal Finance Impact	Indeterminate

- The Office of Legislative Services (OLS) concludes that the bill may potentially increase State expenditures over a five-year period associated with (1) the continued oversight of the City of Camden, (2) the ongoing operations of certain coordinating bodies, and (3) the provision of certain property tax benefits.
- The extended applicability of certain fiscal authorizations would have an indeterminate annual impact on the City of Camden. Most notably, the municipality would be permitted to increase its property tax levy by three percent, rather than two percent, per year and would be required to receive funding priorities from State agencies.
- The OLS expects the bill to stabilize the collection of payments in lieu of taxes (PILOTs) by certain municipalities by prohibiting Garden State Growth Zone Development Entities from appealing the assessed value of certain tax-exempt property during the period of such exemption. This prohibition could also reduce certain municipal expenditures to the extent that these municipalities are no longer required to litigate these appeals.

BILL DESCRIPTION

The bill extends the governing procedures, economic benefits, and State fiscal oversight measures applicable to the City of Camden under the Municipal Rehabilitation and Economic Recovery Act (MRERA) by five years from January 2020 to January 2025. The act seeks to stabilize the finances of qualified municipalities that experienced long-term fiscal distress with the City of Camden being the only municipality that has qualified.

The bill also prohibits any Garden State Growth Zone Development Entity that is granted a property tax exemption on improvements to eligible property from appealing the assessed value of such improvements until after the property tax exemption is terminated.

FISCAL ANALYSIS

EXECUTIVE BRANCH

None received.

OFFICE OF LEGISLATIVE SERVICES

The OLS concludes that the five-year extension of the economic recovery-related provisions of the MRERA would have an indeterminate annual impact on the finances of the City of Camden and potentially increase State expenditures over a period of five years.

In addition, by prohibiting Garden State Growth Zone Development Entities from appealing the assessed value of certain tax-exempt property, the bill may stabilize the collection of PILOTs by Garden State Growth Zone municipalities and reduce expenditures associated with litigating those appeals.

Indeterminate Impact on Municipal Finances:

The OLS expects the extended applicability of certain MRERA fiscal authorizations to have an indeterminate impact on the City of Camden.

The MRERA authorizes the City of Camden to increase its property tax levy regularly by no more than three percent per year, rather than the two-percent limit applicable to non-MRERA municipalities. Consequently, the bill allows the City of Camden to increase its property tax levy by a greater amount during the five-year extension period.

The act also provides the mayor of the City of Camden with certain additional powers. The mayor may veto the minutes of any independent board or authority of the municipality, such as the housing authority, parking authority, planning board, and zoning board of adjustment. The five-year extension of these additional powers could therefore affect municipal finances to the extent that this mayoral veto power results in the modification of certain spending initiatives.

The MRERA also requires every State agency to grant the highest priority to any application from the City of Camden for the award or approval of any financial assistance or infrastructure project that would benefit the municipality. By extending the MRERA timetable, the bill could allow the City of Camden to receive increased funding from existing State aid programs.

Additionally, the bill may stabilize the collection of PILOTs by Garden State Growth Zone municipalities by prohibiting Garden State Growth Zone Development Entities that are granted a 20-year property tax exemption on improvements to eligible property pursuant to the Economic Opportunity Act of 2013 from appealing the assessed value of such improvements until after the expiration of the 20-year property tax exemption. The bill could also reduce certain municipal expenditures to the extent that these municipalities are no longer required to litigate these appeals.

Indeterminate Increase in State Expenditures:

For a five-year period, the bill may increase State expenditures for (1) the continued oversight of the City of Camden by the Department of Community Affairs (DCA), and (2) the ongoing operations of the Economic Recovery Board in the New Jersey Economic Development Authority (EDA), and (3) the provision of certain additional property tax benefits. However, as discussed below, the OLS lacks sufficient information to determine whether the State will actually incur additional expenditures as a result of the bill.

Under the MRERA, the DCA must undertake additional oversight measures. Notably, the DCA is to (1) conduct an annual compliance audit of the activities of the City of Camden, and (2) ensure that the annual municipal budget includes sufficient appropriations for the improvement of internal audit mechanisms and controls. The DCA may veto any resolution or ordinance adopted by the governing body of the municipality, subject to override by the municipality. As a result, the DCA may incur additional expenditures in exercising these additional powers and responsibilities.

In addition, the MRERA sets forth a comprehensive economic development strategy to revitalize the City of Camden. Most notably, the law authorized the EDA to issue not more than \$175 million in bonds to support various types of development activities in the municipality. To direct the disbursement of these funds, the MRERA established the Economic Recovery Board, a subsidiary corporation of the EDA.

The board is required to operate during the period in which the municipality is operating under the MRERA or until its funds have been disbursed, whichever occurs first. Consequently, the extension of the MRERA may increase EDA expenditures to the extent that the board continues operations during the five-year period following enactment of the bill.

The OLS notes that it is unclear whether the board has already been terminated due to the full disbursement of its funds. As of April 2017, the most recent EDA publication on the Camden Economic Recovery Initiative indicates that the State disbursed approximately \$164.1 million of the \$175 million bond issuance. The EDA's website also indicates that the board was last scheduled to meet in January 2018. If the board has already expired, the bill would not increase State expenditures by continuing the board's operations.

Lastly, the MRERA provides for increased property tax benefits for the residents of the City of Camden while the municipality operates under the MRERA, although provisions in the annual appropriations acts routinely suspend the extra benefit.

The MRERA grants eligible residents of the municipality who pay property taxes during this period a homestead credit equal to 150 percent of the amount otherwise owed under the program. As a result, in isolation, the extension of the MRERA would increase the total amount of homestead credits that the State is required to provide to Camden residents.

However, the annual appropriations acts have not funded the additional property tax credits. Assuming continued budgetary practices, the enactment of the bill would not increase State expenditures associated with the Homestead Credit Program.

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This legislative fiscal estimate has been produced by the Office of Legislative Services due to the failure of the Executive Branch to respond to our request for a fiscal note.

This fiscal estimate has been prepared pursuant to P.L.1980, c.67 (C.52:13B-6 et seq.).