

LEGISLATIVE FISCAL ESTIMATE

[First Reprint]

SENATE, No. 330

STATE OF NEW JERSEY  
220th LEGISLATURE

DATED: FEBRUARY 11, 2022

SUMMARY

- Synopsis:**
- Increases distribution to municipalities from Energy Tax Receipts Property Tax Relief Fund over five years to restore municipal aid reductions; requires additional aid to be subtracted from municipal property tax levy.
- Type of Impact:**
- Increase in State expenditures and municipal revenues.
- Agencies Affected:**
- Department of the Treasury and municipalities.

Office of Legislative Services Estimate

Fiscal Impact	<u>FY 2023</u>	<u>FY 2024</u>	<u>FY 2025</u>	<u>FY 2026</u>	<u>FY 2027</u> <u>and after</u>
State Cost	\$66.0 million	\$132.1 million	\$198.1 million	\$264.1 million	\$330.1 million
Local Revenue	\$66.0 million	\$132.1 million	\$198.1 million	\$264.1 million	\$330.1 million

- The Office of Legislative Services (OLS) determines that enactment of the bill would result in an annual \$330 million increase in State costs and municipal revenues, to be phased in over a five-year period. These expenditures and revenues would be in the form of additional State aid distributed to municipalities through the “Energy Tax Receipts Property Tax Relief Fund” (ETR Fund).
- Under the phase-in schedule established by the bill, municipalities would receive an additional \$66 million, or 20 percent of the total amount of supplemental State Aid, in fiscal year (FY) 2023. An additional 20 percent would be provided in each of the next four fiscal years.
- Although the bill requires the maximum permissible property tax levy of each municipality to be reduced by the amount of the aid increase, the impact the bill may have on actual property taxes will vary widely.

## **BILL DESCRIPTION**

The bill amends the “Energy Tax Receipts Property Tax Relief Act,” P.L.1997, c.167 to require the distribution of additional State Aid to municipalities. The bill restores, over a five-year period, approximately \$330 million in reductions to Consolidated Municipal Property Tax Relief Aid (CMPTRA) and Energy Tax Receipts Property Tax Relief Aid (ETR Aid) first imposed in FY 2009, FY 2010, and FY 2011 due to State budget constraints.

The bill requires municipalities to receive an aid increase, equal to 20 percent of the difference between their total payment of CMPTRA and ETR Aid in FY 2008 and FY 2012, in FY 2023. Municipalities would receive an additional 20 percent of that difference in each of the following four fiscal years (FY 2024 through FY 2027). The fully restored amount would be distributed in FY 2027 and in each fiscal year thereafter. The bill also extends the existing ETR Aid “poison pill” protection to ensure that each municipality receives an aid amount not less than the combined payment of CMPTRA and ETR Aid to municipalities in FY 2023 and the additional aid distributed under the bill.

The bill also amends current law to require a municipality to subtract any additional amount of ETR Aid it receives pursuant to the bill from its adjusted tax levy when computing that amount for its next fiscal year. By deducting the additional amount of ETR Aid from the previous year’s levy, municipalities would be permitted to raise a lower amount of taxes through the levy for municipal purposes.

## **FISCAL ANALYSIS**

### ***EXECUTIVE BRANCH***

None received.

### ***OFFICE OF LEGISLATIVE SERVICES***

The OLS determines that enactment of the bill would result in an annual \$330 million increase in State costs and municipal revenues, to be phased in over a five-year period. These expenditures and revenues would be in the form of additional State aid distributed to municipalities through the ETR Fund.

The Fiscal Year 2022 Appropriations Act provides \$1.254 billion in ETR Aid for FY 2022. A portion of that amount is a direct appropriation of \$788.5 million from the Property Tax Relief Fund. The difference, \$465.2 million, is transferred from the State appropriation for CMPTRA and supports the annual inflation adjustment required by current law. Under this bill, the total amount of ETR Aid would increase to approximately \$1.584 billion by the end of Fiscal Year 2027.

The bill further requires the additional ETR Aid to be subtracted from the maximum permissible property tax levy for the next fiscal year. The OLS notes that the total additional amount distributed to each municipality by the end of the phase-in schedule ranges from \$450 to \$18.9 million. Accordingly, the offsetting impact the bill may have on maximum and actual annual municipal property taxes will vary widely across municipalities.

*Section: Revenues, Finance, and Appropriations*

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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.).