

SENATE, No. 848
STATE OF NEW JERSEY
217th LEGISLATURE

PRE-FILED FOR INTRODUCTION IN THE 2016 SESSION

Sponsored by:

Senator BRIAN P. STACK

District 33 (Hudson)

Senator STEVEN V. OROHO

District 24 (Morris, Sussex and Warren)

Co-Sponsored by:

Senator Beck

SYNOPSIS

Requires certain State oversight of budgets of regional sewerage authorities.

CURRENT VERSION OF TEXT

Introduced Pending Technical Review by Legislative Counsel.

AN ACT concerning the budgets of regional sewerage authorities and amending and supplementing P.L.1946, c.138.

BE IT ENACTED by the Senate and General Assembly of the State of New Jersey:

1. (New section) a. Notwithstanding the provisions of any other law to the contrary, the budget of every regional sewerage authority created pursuant to the provisions of P.L.1946, c.138 (C.40:14A-1 et seq.) shall be subject to the following provisions:

- (1) (a) The percentage of growth in the fee-funded appropriations in the annual budget of a regional sewerage authority shall not exceed two percent per year; and the amount billed to customers of the authority, or the amount billed to a local unit for its proportional share of the authority's expenses, as the case may be, shall not exceed that amount billed in the previous budget year to each customer or local unit, as the case may be, by more than two percent for a similar amount of use or service of the sewerage system.

- (b) A regional sewerage authority may add to the allowable growth in fee-funded appropriations in any one of the next three succeeding years, the amount of the difference between the maximum allowable increase in fee-funded appropriations for the current budget year pursuant to subparagraph (a) of this paragraph and the actual amount of fee-funded appropriations for the current budget year.
- (2) The percentage of growth in the fee-funded appropriations in the annual budget of a regional sewerage authority shall be determined without consideration of any amounts appropriated by the authority for:
- (a) capital expenditures, including payment of principal or interest on bonds authorized or issued pursuant to the "sewerage authorities law," P.L.1946, c.138 (C.40:14A-1 et seq.);
 - (b) increases in pension contributions and accrued liability for pension contributions in excess of two percent over those expenditures for the previous budget year ;
 - (c) increases in health care costs equal to that portion of the actual increase in total health costs for the budget year that is in excess of two percent of total health care costs in the previous budget year, but is not in excess of the product of the total health care costs in the prior year and the average percentage increase of the State Health Benefits Program, P.L.1961, c.49 (C.52:14-17.25 et seq.), as annually determined by the Division of Pensions and Benefits in the Department of the Treasury;
 - (d) increases in energy cost expenditures in excess of two percent over those expenditures for the previous budget year;
 - (e) extraordinary costs that are directly related to an emergency; and
 - (f) expenditures for the cost of services mandated by any order of court, by any federal or State statute, or by administrative rule, directive, order, or other legally binding device issued by a State agency which identified the cost as a mandated expenditure on certification to the Local Finance Board by the State agency.
- (3) Notwithstanding the limitations imposed by paragraph (1) of this section, a regional sewerage authority may apply to the Local Finance Board for a waiver to increase its rents, rates, fees, and charges to levels sufficient to compensate for loss of revenues due to reductions in the use or service of the sewerage system.

As used this section, "emergency" shall mean any purpose which is not foreseen at the time of the adoption of the annual budget, or for which adequate provision was not made therein, to meet a pressing need for public expenditure to protect or promote the public health, safety, morals, or welfare.

b. After the budget of a regional sewerage authority has been approved by the members of the regional sewerage authority, the budget shall be forwarded to the Director of the Division of Local Government Services for review and approval.

The director shall review the budget to ensure that the budget conforms with the requirements of subsection a. of this section and the "Local Authorities Fiscal Control Law," P.L.1983, c.313 (C.40A:5A-1 et seq.), and that the budgeted expenditures are reasonable in cost and necessary for the performance of the regional sewerage authority.

If the director determines that the budget meets the requirements of this subsection, the director shall approve the budget. If the director does not approve the budget, the director shall return the budget to the members of the regional sewerage authority with written information concerning the reasons for the disapproval of the budget.

To the extent that the provisions of subsection a. of this section conflict with the provisions of the "Local Authorities Fiscal Control Law," P.L.1983, c.313 (C.40A:5A-1 et seq.), subsection a. of this section shall take precedence.

2. Section 35 of P.L.1946, c.138 (C.40:14A-35) is amended to read as follows:

35. [This act] Except as provided in section 1 of P.L. , c. (C.) (pending before the Legislature as this bill), P.L.1946, c.138 , (C.40:14A-1 et seq.) shall be construed liberally to effectuate the legislative intent and as complete and independent authority for the performance of each and every act and thing herein authorized, and a sewerage authority shall not be subject to regulation as to its service charges or as to any other matter whatsoever by any officer, board, agency, commission or other office of the State.
(cf: P.L.1946, c.138, s.35)

3. This act shall take effect immediately and shall be applicable to the next budget year following enactment.

STATEMENT

This bill provides for State oversight of annual budgets of regional sewerage authorities created pursuant to the "sewerage authorities law," P.L.1946, c.138 (C.40:14A-1 et seq.), by imposing certain limits on the growth of fee-funded appropriations in the annual budgets of authorities (and on increases in the amounts permitted to be billed to customers) and by requiring the review and approval of the annual budgets of authorities by the Director of the Division of Local Government Services.

Limits on Percentage of Growth and Amounts Billed to Customers. The bill limits the percentage of growth in the fee-funded appropriations in the annual budget of a regional sewerage authority to not more than two percent per year, and stipulates that the amount billed to customers

of the authority, or the amount billed to a local unit for its proportional share of the authority's expenses, is not permitted to exceed that amount billed in the previous budget year to each customer or local unit by more than two percent for comparable usage of the sewerage system. The bill provides that the limits imposed on the percentage of growth in the fee-funded appropriations in the annual budget of an authority are required to be determined without taking into consideration any amounts appropriated by the authority for: the payment of principal or interest on bonds issued under the "sewerage authorities law"; increases in pension and health care costs greater than two percent over the previous budget year; increases in energy costs greater than two percent over those expenditures for the previous budget year; and expenditures for costs mandated by federal and State law, administrative rules, and legal directives.

Additionally, the bill provides that the limits on the percentage of growth in the fee-funded appropriations and the amounts permitted to be billed to customers do not apply when an authority has incurred extraordinary costs directly related to an emergency. The bill defines an emergency as any purpose which is not foreseen at the time of the adoption of the annual budget, or for which adequate provision was not made therein, to meet a pressing need for public expenditure to protect or promote the public health, safety, or welfare. The bill permits an authority to seek a cap waiver from the Local Finance Board when its revenue declines due to reductions in the use of the sewerage system, and also allows the authority to "bank" any unused cap growth for use in any one of the next three succeeding budget years.

Review and Approval of Annual Budgets by Director of DLGS. The bill provides that after the budget of a regional sewerage authority is approved by the members of the authority, the budget must be forwarded to the Director of the Division of Local Government Services for review and approval. The bill requires the director to review the budget to ensure that budgeted expenditures for the authority meet the requirements of the bill, and the "Local Authorities Fiscal Control Law," P.L.1983, c.313 (C.40A:5A-1 et seq.), are reasonable in cost and necessary for the performance of the authority. If the director does not approve the budget, the bill provides for the director to return the budget to the authority's members with written information concerning the reasons for disapproval.

The bill takes effect immediately and is applicable to the next budget year following enactment.