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PUBLIC HEARING

before

ASSEMBLY STATE GOVERNMENT COMMITTEE

ASSEMBLY COMMITTEE SUBSTITUTE  
for

ASSEMBLY CONCURRENT RESOLUTION Nos. 83, 82, 73, and 77  
(1R with Aca)

(Proposes an amendment to the State Constitution requiring  
the Legislature to establish statutory limits or "caps"  
on State spending)

May 23, 1988  
Room 368  
State House Annex  
Trenton, New Jersey

MEMBERS OF COMMITTEE PRESENT:

Assemblyman Robert J. Martin, Chairman  
Assemblyman Anthony J. "Skip" Cimino

ALSO PRESENT:

Donald S. Margeson  
Office of Legislative Services  
Aide, Assembly State Government Committee

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Hearing Recorded and Transcribed by  
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Hearing Unit  
State House Annex  
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Trenton, New Jersey 08625







ASSEMBLY COMMITTEE SUBSTITUTE FOR  
ASSEMBLY CONCURRENT RESOLUTION Nos. 83, 82, 73 and 77

STATE OF NEW JERSEY

ADOPTED MAY 2, 1988

Sponsored by Assemblymen MARTIN, HARDWICK,  
FRELINGHUYSEN and Assemblywoman CRECCO

A CONCURRENT RESOLUTION proposing to amend Article IV,  
Section IV, paragraph 6 and Article VIII, Section II of the  
Constitution of the State of New Jersey.

BE IT RESOLVED by the General Assembly of the State of  
New Jersey (the Senate concurring):

1. The following proposed amendment to the Constitution of  
the State of New Jersey is agreed to:

PROPOSED AMENDMENT

a. Amend Article IV, Section IV, paragraph 6 to read as  
follows:

6. All bills and joint resolutions shall be read three times in  
each house before final passage. No bill or joint resolution shall  
be read a third time in either house until after the intervention of  
one full calendar day following the day of the second reading; but  
if either house shall resolve by vote of three-fourths of all its  
members, signified by yeas and nays entered on the journal, that  
a bill or joint resolution is an emergency measure, it may proceed  
forthwith from second to third reading. No bill or joint resolution  
shall pass, other than a bill making an appropriation of funds in  
excess of the limitation on maximum expenditures or  
appropriations for a fiscal period as may be provided by law or in  
this Constitution, or a bill providing for the establishment of a  
category of expenditures to be excluded from that limitation,  
unless there shall be a majority of all the members of each body  
personally present and agreeing thereto, and the yeas and nays of  
the members voting on such final passage shall be entered on the  
journal.

No bill making an appropriation of funds in excess of the  
limitation on maximum expenditures or appropriations for a fiscal

EXPLANATION—Matter enclosed in bold-faced brackets [thus] in the  
above bill is not enacted and is intended to be omitted in the law.

Matter underlined thus is new matter.

Matter enclosed in superscript numerals has been adopted as follows:

Assembly AAP committee amendments adopted May 9, 1988.



1 period shall pass unless there shall be a two-thirds majority of all  
 2 the members of each house agreeing thereto, and the yeas and  
 3 nays of the members voting on such final passage shall be entered  
 4 on the journal.

5 No bill providing for the establishment of a category of  
 6 expenditures or appropriations of funds which may be excluded  
 7 from that limitation on maximum expenditures or appropriations  
 8 shall pass unless there shall be a <sup>1</sup>[three-fifths] two-thirds<sup>1</sup>  
 9 majority of all the members of each house agreeing thereto, and  
 10 the yeas and nays of the members voting on such final passage  
 11 shall be entered on the journal.

(cf: Article IV, Section IV, paragraph 6 effective Jan. 1, 1948)

12 b. Amend Article VIII, Section II by adding the following  
 13 paragraph:

14 5. (a) In each fiscal year, the appropriations and expenditures  
 15 of the State government shall not exceed the maximum  
 16 appropriations and expenditures permitted pursuant to a formula,  
 17 as shall be provided by law, limiting the proportional annual  
 18 increase in those appropriations and expenditures to the increase  
 19 in State personal income. For the purposes of this paragraph,  
 20 "expenditures" and "appropriations" mean all amounts  
 21 appropriated by the State in the general appropriation law and all  
 22 other laws appropriating money for any purpose in any fiscal year  
 23 pursuant to the provisions of paragraph 2 of this Section II,  
 24 exclusive of:

25 (1) Money appropriated or expended for payment by the State  
 26 as State aid to, or on behalf of, counties, municipalities, local  
 27 school districts or other instrumentalities, or to individuals,  
 28 which payments are made for the purpose or have the effect of  
 29 reducing or offsetting property taxes;

30 (2) Money appropriated or expended for the payment of the  
 31 expenses of regulating the operation of casinos from the proceeds  
 32 of any fees or other charges imposed in connection with the  
 33 operating of those casinos; and

34 (3) Money appropriated or expended from revenues derived  
 35 from gambling houses or casinos and dedicated under Article IV,  
 36 Section VII, paragraph 2 of this Constitution to fund reductions in  
 37 property taxes, rental, telephone, gas, electric, and municipal  
 38 utilities charges of, eligible senior citizens and disabled residents  
 39 of the State, and for additional or expanded health services or  
 40 benefits or transportation services or benefits to eligible senior  
 41



1 citizens and residents.

2 There may be enacted legislation to establish additional  
3 categories of exclusion under this subparagraph, provided that no  
4 such bill proposing the establishment of such a category shall pass  
5 unless there shall be a <sup>1</sup>[three-fifths] two-thirds<sup>1</sup> majority of all  
6 the members of each house agreeing thereto.

7 (b) Any provisions of this paragraph to the contrary  
8 notwithstanding, the State may exceed the maximum  
9 expenditures in any fiscal year permitted pursuant to the  
10 formula, provided by law as prescribed herein, upon the passage  
11 and subsequent enactment of a bill which shall be approved by a  
12 two-thirds majority of all the members of each house of the  
13 Legislature.

14 (c) Nothing herein contained shall be construed as requiring the  
15 State to expend in any fiscal year the full amount of maximum  
16 expenditures permitted pursuant to the formula prescribed herein.

17 (d) The annual budget document of the Governor shall not  
18 request or recommend for appropriation any amount in excess of  
19 the maximum expenditures permitted pursuant to this paragraph  
20 for the fiscal year for which that budget document is presented.

21 (e) This paragraph shall apply to the fiscal year beginning on  
22 July 1 next following its approval by the people pursuant to  
23 Article IX, paragraph 1 of the Constitution, and to each fiscal  
24 year thereafter.

25 2. When this proposed amendment to the Constitution is finally  
26 agreed to, pursuant to Article IX, paragraph 1 of the  
27 Constitution, it shall be submitted to the people at the next  
28 general election occurring more than three months after that  
29 final agreement and shall be published at least once in at least  
30 one newspaper of each county designated by the President of the  
31 Senate and the Speaker of the General Assembly and the  
32 Secretary of State, not less than three months prior to that  
33 general election.

34 3. This proposed amendment to the Constitution shall be  
35 submitted to the people at that election in the following manner  
36 and form:

37 There shall be printed on each official ballot to be used at that  
38 general election, the following:

39 a. In every municipality in which voting machines are not used,  
40 a legend which shall immediately precede the question, as follows:



If you favor the proposition printed below make a cross (x), plus (+) or check (✓) in the square opposite the word "Yes." If you are opposed thereto make a cross (x), plus (+) or check (✓) in the square opposite the word "No."

b. In every municipality the following question:

<p>YES.</p>	<p><b>STATE EXPENDITURE LIMITATION</b></p> <p>Do you approve the proposed amendment to the State Constitution which requires the Legislature to enact a law to limit State spending, other than spending for State aid to local governments for the purpose of reducing or offsetting property taxes and spending funded from the taxation of or imposition of fees or other charges on casinos, and provides that any bill proposing expenditures in excess of that limit <sup>1</sup>or <u>proposing additional categories to be excluded from that limit<sup>1</sup></u> must be passed by a two-thirds majority of all the members of each house of the Legislature?</p>
<p>NO.</p>	<p><b>INTERPRETIVE STATEMENT</b></p> <p>This amendment to the Constitution would require the Legislature to establish limits on State spending, excluding spending for State aid for the purpose of reducing or offsetting property taxes and spending funded from the taxation of or imposition of fees or other charges on casinos. If a bill <sup>1</sup>[appropriating] <u>appropriates<sup>1</sup></u> money for purposes not within these excluded categories <sup>1</sup>[would authorize] <u>which authorizes<sup>1</sup></u> expenditures in excess of the statutory limitation <sup>1</sup>or <u>which proposes additional excluded categories<sup>1</sup></u>, that bill could be enacted only if it is passed by a two-thirds majority of all the members of each house of the Legislature.</p>

#### STATE GOVERNMENT

##### State Budget and Finance

Amends State Constitution to require enactment of statutory cap on State spending except for State aid or spending of revenue from casino taxes and fees; spending above cap or new excluded categories must obtain two-thirds majority in each house of Legislature.



ASSEMBLY APPROPRIATIONS COMMITTEE

STATEMENT TO

ASSEMBLY COMMITTEE SUBSTITUTE FOR  
ASSEMBLY CONCURRENT RESOLUTION Nos. 83, 82, 73 and 77

with Assembly committee amendments

STATE OF NEW JERSEY

DATED: MAY 9, 1988

The Assembly Appropriations Committee favorably reports the Assembly Committee Substitute for Assembly Concurrent Resolution Nos. 83, 82, 73 and 77 with committee amendments.

This Assembly concurrent resolution, as amended, proposes an amendment to the State Constitution requiring the Legislature to establish statutory limits or "caps" on State spending. State aid for the purpose of reducing or offsetting property taxes and spending funded from the taxation of or imposition of fees or other charges on casinos would be excluded from the "cap". The limitation is to be expressed as a formula restricting the proportional annual increase in appropriations and expenditures within the covered categories to the increase in State personal income. If a bill appropriating money for purposes covered by the restriction would authorize expenditures in excess of the limitation, that bill could be enacted only if it is passed by a two-thirds majority of all the members of each house of the Legislature. The Legislature could exclude additional categories of spending, beyond those specifically established by the proposed amendment itself, but only upon a two-thirds vote of all the members of each house of the Legislature.

COMMITTEE AMENDMENTS:

The Committee amended the bill to change the required vote from three-fifths to two-thirds for any additional excluded categories.



# TABLE OF CONTENTS

## Page

Frank W. Haines  
Ewing Township, New Jersey

1

\* \* \* \* \*

di: 1-4



ASSEMBLYMAN ROBERT J. MARTIN (Chairman): First order of business this morning of the Assembly State Government Committee is to have a public hearing on ACR-83/ACR-82/ACR-73/ACR-77, and ACS, ACA. That's a bill sponsored by myself, Speaker Hardwick, and several other people had also had such bills -- and that's why we have such a long designation. This bill was previously released from the Assembly State Government Committee, and because it involves a constitutional question, which would be put on a ballot if both the Assembly and the State Senate were to pass this bill by the required super majority, it does require a public hearing. So we are now open on a public hearing for testimony on ACR-83. I would note that we do not require a quorum for a public hearing, but Assemblyman Cimino is here as well as myself and Don Margeson, the Committee Aide, Glen Beebe and Al Harris from the partisan staffs. Is there anyone at this time who would like to speak on ACR-83? Mr. Haines?

FRANK W. HAINES: Thank you, Mr. Chairman.

ASSEMBLYMAN MARTIN: Good morning.

MR. HAINES: My name is Frank Haines. I'm a taxpayer in Ewing Township. I've resided in New Jersey since 1951. I speak today as a private citizen representing no one, but with a background of about 34 years in watching the legislative process and analyzing State finances and administration. My personal preference is that a limitation such as this should be limited to statute. Although, as I indicated earlier when the Committee first considered this bill, the restrictions that you have placed for extraordinary action, which seem to be reasonable if you've taken the constitutional route. My main point today -- and I just want to bring up to you -- is a question of definition, which appear in section 5 of the amendment to Article VIII section 2. And I realize that this is a place where we've gone beyond the point of potentially making amendments, but I just want to point out that fact, and



it may well be that this is the intention of the amendment as it relates to the potential implementing statute but it may cause some future problems.

ACK 8/27/71 The definitions of "Exclusions" which you are writing into the Constitution -- being three major categories of State aid, debt service and a portion of capital may be sufficiently clear. We have no clear definition of State aid, although, this says on behalf of counties, municipalities, school districts, or other instrumentalities. I would assume from this that this means that payments to individuals which are now included in the budget under State aid, would not be counted in making such a calculation. This, of course, is dependent on the implementing legislation. However, the Constitution has to be the guide.

I just want to point that out. I haven't had an opportunity, regrettably, to calculate what proportion of the current State aid section of the budget, might thus be excluded from the cap as a result of this definition--

ASSEMBLYMAN MARTIN: Our feeling is it's about 40%.

MR. HAINES: You see Medicaid and welfare, payments to individuals that don't get processed directly through the State -- through a local budget -- might then thus must be excluded, potentially. That's why I want to point out that there may be a cause of confusion at some point in the future on that.

The next is on the final category of exclusion which relates to capital. And this phrase is "Capital Construction." The "Capital" section of the budget, over the years, has been more comprehensive than construction. Although, again it's a broad term which might be by some considered to be all inclusive of things such as acquisition of land, Green Acres -- a land for potential use on which there is no current development -- your parks-- You can remember when the State acquired the Wharton tract, you know, things like that. Acquisition of land, the amount of equipment, major



equipment, which sometimes might get into the capital category. Things other than just plain construction either of highways or buildings. So I just want to point that out -- and they are potential areas of some controversy this way. They would tend to limit the cap, and certainly that means that if they are intended and interpreted to be the way they are written, then that means that a greater section of the budget would be subject to the cap, if we just took the whole broad budget section and said, "Capital," that's it.

A purchase of a building, such as when the State acquired, let's say, the Division of Taxation building -- that's not necessarily construction, again, in a literal definition, although it's included in the capital portion of the budget.

Those are just points I see that may cause some problems, but if the intent with the way it's written and subsequently interpreted that-- And the implementing legislation is in accordance, then, as I say I don't see any particular problems. But, this approach is not -- as you know, looking at other states -- is not what the majority of states have done to take the constitutional route. Thank you for the opportunity of bringing these points to your attention.

ASSEMBLYMAN MARTIN: The points are well raised. We'll will try to get some definition. It wasn't our intention to make them a strict interpretation, especially in the area of construction. It certainly was viewed as being a project as opposed to just the parameters of a building, but, I'll have staff research that. If it seems to be a problem we may have to amend it even if it requires going back a step.

MR. HAINES: I apologize for not catching this sooner. This is not an attempt to delay or anything like that.

ASSEMBLYMAN MARTIN: It's not your responsibility to catch what we think are our own blunders if they are such--

MR. HAINES: It suddenly hit me, and after some



discussion with some others, and comparing notes, this is something I thought I would call to your attention, at least getting on the record, sir.

ASSEMBLYMAN MARTIN: I think if you ever need a job with Legislative Services I'll be happy to recommend you, Mr. Haines. You certainly reviewed this very closely. Thank you.

MR. HAINES: Thank you, sir.

ASSEMBLYMAN MARTIN: Thank You. Is there anyone else on the ACR-83. (no response) There being none, Mr. Cimino, I will close the public meeting on ACR-83 and we will convene the State Government Committee regular meeting in approximately seven to ten minutes. Thank you.

(HEARING CONCLUDED)



