

SENATE BILL NO. 82

ADVANCE COPY

To the Senate:

Pursuant to Article V, Section I, Paragraph 14 of the New Jersey Constitution, I am returning Senate Bill No. 82 without my approval.

This bill proposes a pilot program for municipalities to issue debt to purchase tax sale certificates on delinquent properties. Pilot municipalities could also preempt competitors in the public auction when purchasing tax sale certificates. The apparent hope of the program is that by investing in tax sale certificates, the municipality could acquire interests in "financially advantageous" properties, and that the income from those investments would exceed the costs of the debt.

As observed by the Legislature in its Fiscal Estimate, there is insufficient data to predict whether the program could actually benefit the pilot municipalities. The risks associated with a failed program, even at the pilot stage, are great and could result in a potentially disastrous bond liability that would ultimately be borne by the taxpayers. Weighed against those real dangers and risks are the purported benefits of the program, which at this stage are speculative.

By permitting municipalities to preempt other bidders at the auction, the bill encourages municipalities to block out other investors, thereby shifting the risk of poor investments from those investors to the municipalities themselves. Even more troubling, the program would encourage municipalities to issue debt, backed by its taxing power, to pay itself for delinquent property taxes. In essence, if the program is unsuccessful, responsible taxpayers would need to pay not only their own property taxes, but also those of their neighbors.

Municipal distress is a legitimate concern that my administration has taken seriously and has worked hard to address. Resolving such concerns requires hard choices, perseverance, and, in some cases, ingenuity. But this particular program raises more risks than benefits, and more possibilities for failure than for success.

Accordingly, I am returning Senate Bill No. 82 without my approval.

Respectfully,

/s/ Chris Christie

Governor

[seal]

Attest:

/s/ Paul B. Matey

Deputy Chief Counsel to the Governor