

SENATE BUDGET AND APPROPRIATIONS COMMITTEE

STATEMENT TO

SENATE COMMITTEE SUBSTITUTE FOR SENATE CONCURRENT RESOLUTION No. 84

STATE OF NEW JERSEY

DATED: JUNE 5, 2014

The Senate Budget and Appropriations Committee reports favorably a Senate Committee Substitute for Senate Concurrent Resolution No. 84.

The committee substitute proposes a constitutional amendment to change the amounts allocated to the various environmental programs funded by the existing dedication of 4% of the revenue annually collected from the Corporation Business Tax (CBT), and add a new allocation category, beginning on July 1, 2015. It would also raise the amount of the dedication from 4% to 6%, beginning on July 1, 2019. The revenues to be constitutionally dedicated by the committee substitute would be used: (1) to preserve and steward open space (Green Acres), farmland, historic sites, and flood-prone areas (Blue Acres); (2) for water resources programs and projects; (3) for polluted site cleanups; and (4) for underground tank removal and cleanup. Moneys dedicated by the proposed constitutional amendment to preserving open space or flood-prone areas may also be used for the development of those lands for recreation and conservation purposes. The committee substitute would prohibit use of any of the moneys dedicated by the proposed constitutional amendment for the purpose of paying the principal or interest on any general obligation bonds issued by the State prior or subsequent to adoption of the proposed constitutional amendment. Therefore, this proposed constitutional dedication of stable funding for various environmental purposes would be strictly a “pay as you go” program.

The committee substitute also proposes to amend the State Constitution to require that all moneys received by the State from leases and certain other uses of State-owned preserved open space be used only to preserve and steward open space (Green Acres), farmland, historic sites, and flood-prone areas (Blue Acres).

Current Constitutional Dedication

The current constitutional dedication of 4% of the Corporation Business Tax revenue helps pay for water resources programs and projects, polluted site cleanups, underground tank removal and

cleanup, air pollution equipment for diesel engines, and improvements to parks. Specifically, the Constitution now allocates the moneys from the dedication as follows:

- (1) 15% for water resources programs and projects;
- (2) 25% for hazardous substance discharge remediation programs (“brownfields,” for example), unless the previously dedicated underground storage tank fund balances fall below \$20 million in a fiscal year, then 55% of the 25% allocation must be appropriated for underground storage tank programs the following year;
- (3) 28% for hazardous substance discharge cleanup performed by the State (“publicly funded cleanups”);
- (4) 17% for diesel air pollution control programs until December 31, 2015; and
- (5) 15% for financing improvements and facilities for recreation and conservation purposes on parks and other preserved open space lands.

Further, under the current constitutional dedication, on January 1, 2016 the 17% allocation for diesel air pollution control programs (#4 above) expires and the moneys are reallocated to supplement the 15% dedication for financing improvements and facilities for recreation and conservation purposes on parks and other preserved open space lands, thereby increasing the dedication allocation for that purpose to a total of 32%. Also, under the current constitutional dedication, commencing January 1, 2022 the 25% allocation for hazardous substance discharge remediation programs and underground storage tank programs is continued but there are no longer any conditions or sub-allocations with respect to how the moneys are split between the two programs. Lastly, under the current constitutional dedication, up to 9% of the total amount dedicated may be used to pay for administrative costs of the State’s hazardous substance discharge program (#3 above).

In FY 2014, the adjusted appropriation from the constitutional dedication of 4% of the CBT revenue provided a total amount of \$103.1 million to fund the various environmental programs listed in the State Constitution to receive an allocation, as described above.

Proposed Constitutional Dedication FY 2016 through FY 2019

Specifically, for the period from FY 2016 through FY 2019, the committee substitute proposes to amend the State Constitution to continue to dedicate annually 4% of the CBT revenue for certain environmental programs, but to allocate the dedicated moneys as follows:

- (1) 5% for water resources programs and projects;
- (2) 10% for hazardous substance discharge remediation programs (“brownfields,” for example);

- (3) 9% for underground storage tank programs;
- (4) 5% for hazardous substance discharge cleanup performed by the State (“publicly funded cleanups”); and
- (5) 71% for the preservation and stewardship of open space (Green Acres), farmland, historic sites, and flood-prone areas (Blue Acres).

The proposed constitutional amendment also would no longer dedicate any funding to pay for administrative costs associated with the State’s hazardous substance discharge cleanup program.

Proposed Constitutional Dedication FY 2020 and Thereafter

Specifically, for the period commencing FY 2020 and thereafter, the committee substitute proposes to amend the State Constitution to raise the annual dedication of the CBT revenue for certain environmental programs from 4% to 6%, and to allocate the dedicated moneys as follows:

- (1) 5% for water resources programs and projects;
- (2) 7% for hazardous substance discharge remediation programs (“brownfields,” for example);
- (3) 5% for underground storage tank programs;
- (4) 5% for hazardous substance discharge cleanup performed by the State (“publicly funded cleanups”); and
- (5) 78% for the preservation and stewardship of open space (Green Acres), farmland, historic sites, and flood-prone areas (Blue Acres).

FISCAL IMPACT:

The most significant impact of the proposed constitutional amendment is to increase the amount dedicated to the several environmental purposes beginning in FY 2020, when the percentage of the Corporation Business Tax (CBT) dedication increases from 4% to 6%. Assuming an annual revenue yield from the CBT of \$2.5 billion for FY 2016 and each subsequent year, appropriations for the several environmental purposes will increase by \$50 million above the levels currently required by the State Constitution. Revenue from the CBT will undoubtedly vary from year to year, from the assumed amounts illustrated in the table below, so the actual change in the dedicated amounts will fluctuate proportionally. The proposed constitutional amendment also dedicates any revenue derived annually from leases and certain other uses of State-owned preserved open space to funding open space, farmland and historic preservation. No estimate of the revenue that would become dedicated by this provision is feasible, since those amounts are subject to fluctuation annually based on conditions that cannot readily be foreseen.

The proposed constitutional amendment also alters the distribution of dedicated funds among the several environmental purposes

beginning in Fiscal Year 2016. Assuming annual CBT revenue of \$2.5 billion, annual funding for open space, farmland and historic preservation will increase in FY 2016-2019 from \$32 million to \$71 million, and thereafter to \$117 million. Annual funding will decline for the other four authorized uses, by an aggregate annual amount of \$39 million for FY 2016-2019, and by an aggregate annual amount of \$35 million in FY 2020 and each year thereafter.

| Impact of Constitutional Dedication of Corporation Business Tax under SCS for SCR 84 (2014) | | | | | | |
|---|--|---------------|------------------------------|---------------|----------------------|---------------|
| \$\$ in thousands | | | | | | |
| Estimated CBT Revenue=\$2.5 billion | | | | | | |
| | Current Constitutional Provisions | | SCS for SCR 84 (2014) | | | |
| | FY 2016 et seq. | | FY 2016-19 (4%) | | FY 2020 et seq. (6%) | |
| | Amount | % of Total | Amount | % of Total | Amount | % of Total |
| Water Resources | \$ 15,000 | 15% | \$ 5,000 | 5% | \$ 7,500 | 5% |
| Hazardous Substance Discharge Remediation ("Brownfields"), Private Underground Storage Tank Remediation | \$ 25,000 | 25% | \$ 10,000 | 10% | \$ 10,500 | 7% |
| Hazardous Substance Discharge Cleanups ("Publicly Funded Cleanups") | \$ 28,000 | 28% | \$ 5,000 | 5% | \$ 7,500 | 5% |
| Diesel Risk Mitigation | \$ - | 0% | \$ - | 0% | \$ - | 0% |
| Recreational Land Development and Conservation | \$ 32,000 | 32% | \$ - | 0% | \$ - | 0% |
| Open Space/Farmland/Historic Preservation | - | | \$ 71,000 | 71% | \$ 117,000 | 78% |
| Total | \$ 100,000 | 100.0% | \$ 100,000 | 100.0% | \$ 150,000 | 100.0% |