



ANALYSIS OF THE NEW JERSEY BUDGET

**DEPARTMENT OF
COMMUNITY AFFAIRS**

FISCAL YEAR

2008 - 2009

NEW JERSEY STATE LEGISLATURE

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DEPARTMENT OF COMMUNITY AFFAIRS

Budget Pages..... C-7, C-14, C-15, C-21, C-29, C-31 and
D-47 to D-70

Fiscal Summary (\$000)

	Expended FY 2007	Adjusted Appropriation FY 2008	Recommended FY 2009	Percent Change 2008-09
State Budgeted	1,268,954	1,307,854	1,124,718	(14.0%)
Federal Funds	337,651	321,860	317,556	(1.3%)
<u>Other</u>	<u>176,539</u>	<u>127,786</u>	<u>128,510</u>	<u>0.6%</u>
Grand Total	\$1,783,144	\$1,757,500	\$1,570,784	(10.6%)

Personnel Summary - Positions By Funding Source

	Actual FY 2007	Revised FY 2008	Funded FY 2009	Percent Change 2008-09
State	168	172	172	0.0%
Federal	267	257	263	2.3%
<u>Other</u>	<u>718</u>	<u>699</u>	<u>703</u>	<u>0.5%</u>
Total Positions	1,153	1,128	1,138	0.9%

FY 2007 (as of December) and revised FY 2008 (as of January) personnel data reflect actual payroll counts. FY 2009 data reflect the number of positions funded

Introduction

The primary mission of the Department of Community Affairs is to provide technical, advisory, and financial assistance to communities and individuals. The DCA provides housing assistance, local government financial assistance and oversight, services to the disadvantaged, and also sets building safety standards. The DCA administers five divisions, the Office of Smart Growth, the New Jersey Historic Trust, and the Government Records Council. There are four quasi-independent agencies organizationally attached to the DCA: the Council on Affordable Housing; the New Jersey Meadowlands Commission; the New Jersey Housing and Mortgage and Finance Agency; and the New Jersey Redevelopment Authority.

Key Points

- The FY 2009 recommended budget for the Department of Community Affairs totals \$1.12 billion, a decrease of \$183.1 million or 14% from the FY 2008 adjusted appropriation of \$1.308 billion. The total FY 2009 recommended budget consists of

Key Points (Cont'd)

\$39.57 million in Direct State Services, a decrease of \$1.4 million from the FY 2008 adjusted appropriation; \$64.86 million in Grants-in-Aid, an increase of \$10.60 million above the FY 2008 adjusted appropriation; and \$1.020 billion in State Aid, a decrease of \$192.32 million from the FY 2008 adjusted appropriation.

The municipal and county aid programs recommended in FY 2009 include:

- Consolidated Municipal Property Tax Relief Aid (CMPTRA), which has been the largest source of State aid to municipalities. The FY 2009 recommended appropriation is \$773.4 million, a decrease of \$62.044 million from the FY 2008 adjusted appropriation. The amount of aid allocated to municipalities below 5,000 in population will be reduced to zero (a cut of about \$22 million) and the amount awarded to municipalities between 5,000 and 10,000 in population will be proportionately reduced by \$15 million. An additional aid reduction of \$25 million will be spread proportionately among all municipalities with populations greater than 5,000. The recommended budget also provides for a transfer of funds from the CMPTRA account to the Energy Receipts Tax (ERT) Property Tax Relief Fund in order to provide the 5 percent statutory inflation adjustment that is required for FY 2009 pursuant to N.J.S.A.52:27D-439. This would result in CMPTRA reallocations totaling \$177.76 million to the annual ERT inflation adjustment.
- Special Municipal Aid Act, which provided augmented State funding for seven municipalities in Fiscal Year 2007 that have severe fiscal problems and structural budget deficits that could not be resolved without additional State funds. This program is recommended to receive \$145.35 million, a decrease of \$7.65 million from the FY 2008 adjusted appropriation of \$153 million.
- Extraordinary Aid; which provides short-term assistance to municipalities experiencing a catastrophic loss of tax ratables or other fiscal difficulties. The FY 2009 recommended appropriation of \$32.3 million is a decrease of \$1.7 million under the FY 2008 adjusted appropriation of \$34 million.
- Trenton Capital City Aid, \$35.625 million in recommended funding for the City of Trenton, a decrease of \$1.875 million from the FY 2008 adjusted appropriation of \$37.5 million. Trenton formerly received State assistance from the Special Municipal Aid Act appropriation. Trenton would be subject to the provisions of the Special Municipal Aid Act as a condition of receiving Capital City Aid.
- County Prosecutor Funding Initiative Pilot Program, which is recommended to receive \$8 million in FY 2009, equal to the FY 2008 adjusted appropriation. FY 2009 recommended budget language allocates the aid as follows: Camden County (\$1,790,000), Essex County (\$3,622,000), Hudson County (\$1,605,000), and Mercer County (\$983,000).
- County Prosecutors and Officials Salary Increase, which is recommended to receive \$1.181 million in FY 2009, an increase of \$320,000 above the FY

Key Points (Cont'd)

- 2008 adjusted appropriation of \$861,000, allows county governments to pay for the cost of State-mandated increases in the salaries of County Clerks, Prosecutors, Sheriffs, and Registers of Deeds and Mortgages.
 - Consolidation Fund, for which \$10 million is recommended to augment estimated surplus balances of \$7 million from the Sharing Resources Available Efficiently (SHARE) program and \$15 million from the Fund's FY 2008 appropriation respectively. The FY 2009 recommended appropriation is a decrease of \$5 million from the FY 2008 adjusted appropriation. These funds are intended to provide support and assistance to local governments in their efforts to consolidate and share services. Newly recommended budget language would require this program to give primary consideration to municipalities below 10,000 in population.
- Municipal aid programs not recommended for continued funding in FY 2009 include:
 - Municipal Efficiency Promotion Aid Program, which provides aid to each municipality on a per capita basis. The FY 2008 appropriation for this program was \$34.825 million.
 - Regional Efficiency Aid Program, which provides State-funded property tax credits directly to residents in 14 municipalities that have implemented regionalization and shared services. The FY 2008 appropriation for this program was \$8 million.
 - Sharing Resources Efficiently Available (SHARE) Program, formerly known as the Regional Efficiency Development Initiative Grant Program, or REDI, provides aid to local units to study reorganization and consolidated services. SHARE provides assistance for the study or implementation of any regional service agreement or for the coordination of programs and services authorized under the Uniform Shared Services and Consolidation Act or the Interlocal Services Act, the Municipal Consolidation Act, and the Consolidated Municipal Services Act. Funding is available to local governments and nonprofit organizations. The FY 2008 adjusted appropriation for this program was \$4.2 million. The department expects unexpended balances of \$7 million to be available in FY 2009 to continue program activity.
 - 2008 Municipal Property Tax Assistance, a \$32.6 million increment to formula-based municipal aid to be distributed to all 566 municipalities in proportion to CMPTRA and ERT municipal aid programs. This funding was an entirely new Executive initiative representing a 2% increase in these two formula-based programs.
- The recommended FY 2009 appropriation to the State Rental Assistance Program (SRAP) is \$32.5 million, an increase of \$15 million from the FY 2008 adjusted appropriation of \$17.5 million. The SRAP provides tenant-based rental assistance in the form of housing vouchers as well as project based funding to encourage developers to building affordable housing units. Recommended budget language allocates a

Key Points (Cont'd)

minimum \$20 million to the program from dedicated realty transfer fee revenues, for a total funding level of at least \$52.5 million.

- The recommended FY 2009 Grants-in-Aid appropriation to the Lead Hazard Control Assistance Fund is \$6 million, equal to the FY 2008 adjusted appropriation. FY 2009 budget language would allow another \$8 million to be appropriated to the fund. None of the FY 2008 appropriation to the fund has been expended.
- The proposed FY 2009 budget discontinues funding for the Neighborhood Preservation Program (NPP), a reduction of \$2.75 million from the FY 2008 adjusted appropriation. Municipalities that participate in the NPP contain areas that are in the early stages of decline but have the potential to be rehabilitated and restored through the cultivation of existing social, economic, financial, and technical resources toward the development and implementation of planned activities. In light of unexpended balances of \$4.3 million as of March 15, 2008, program activity might continue in FY 2009 without a FY 2009 appropriation.

Fiscal and Personnel Summary

AGENCY FUNDING BY SOURCE OF FUNDS (\$000)

	Expended FY 2007	Adj. Approp. FY 2008	Recom. FY 2009	Percent Change	
				2007-09	2008-09
General Fund					
Direct State Services	\$63,612	\$40,991	\$39,574	(37.8%)	(3.5%)
Grants-In-Aid	73,563	54,255	64,860	(11.8%)	19.5%
State Aid	155,028	92,036	55,906	(63.9%)	(39.3%)
Capital Construction	0	0	0	0.0%	0.0%
Debt Service	0	0	0	0.0%	0.0%
Sub-Total	\$292,203	\$187,282	\$160,340	(45.1%)	(14.6%)
Property Tax Relief Fund					
Direct State Services	\$0	\$0	\$0	0.0%	0.0%
Grants-In-Aid	0	0	0	0.0%	0.0%
State Aid	976,751	1,120,572	964,378	(1.2%)	(13.9%)
Sub-Total	\$976,751	\$1,120,572	\$964,378	(1.2%)	(13.9%)
Casino Revenue Fund	\$0	\$0	\$0	0.0%	0.0%
Casino Control Fund	\$0	\$0	\$0	0.0%	0.0%
State Total	\$1,268,954	\$1,307,854	\$1,124,718	(11.3%)	(14.0%)
Federal Funds	\$337,651	\$321,860	\$317,556	(6.0%)	(1.3%)
Other Funds	176,539	127,786	128,510	(27.2%)	0.6%
Grand Total	1,783,144	1,757,500	1,570,784	(11.9%)	(10.6%)

PERSONNEL SUMMARY - POSITIONS BY FUNDING SOURCE

	Actual FY 2007	Revised FY 2008	Funded FY 2009	Percent Change	
				2007-09	2008-09
State	168	172	172	2.4%	0.0%
Federal	267	257	263	-1.5%	2.3%
All Other	718	699	703	-2.1%	0.5%
Total Positions	1,153	1,128	1,138	-1.3%	0.9%

FY 2007 (as of December) and revised FY 2008 (as of January) personnel data reflect actual payroll counts. FY 2009 data reflect the number of positions funded.

AFFIRMATIVE ACTION DATA

Total Minority Percent	33.7%	33.7%	33.7%	--	--
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Significant Changes/New Programs (\$000)

<u>Budget Item</u>	<u>Adj. Approp.</u> <u>FY 2008</u>	<u>Recomm.</u> <u>FY 2009</u>	<u>Dollar</u> <u>Change</u>	<u>Percent</u> <u>Change</u>	<u>Budget</u> <u>Page</u>
Truth in Renting	\$200 (S)	\$0	(\$ 200)	(100.0%)	D-54

The Truth-in-Renting Act, N.J.S.A.46:8-43 et seq. requires the Department of Community Affairs to prepare and publish a statement of the rights and responsibilities of residential tenants and landlords. The Act also requires residential landlords of dwellings with more than two units (or more than three units if the landlord occupies one of the units) to distribute the truth-in-renting statement to each of their tenants at or prior to the start of the tenant's occupancy. Until September 2007, the Department was authorized to charge the public and landlords for copies of the statement. P.L.2007, c.177 provided \$200,000 in funding and restricted the Department's ability to charge for copies of the statement based on the availability of funds to permit free distribution. The OLS notes that none of the \$200,000 in supplemental funding appropriated to the Truth-in-Renting account had been expended as of March 25, 2008. With newly recommended language authorizing the re-appropriation of unexpended balances and the new requirement that the Statement be posted on the Internet, the FY 2008 supplemental appropriation should be sufficient to provide an adequate supply of statements through FY 2009.

State Rental Assistance Program	\$17,500	\$32,500	\$15,000	85.7%	D-55
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This appropriation provides a \$15 million increase in the General Fund appropriation for the State Rental Assistance Program. In FY 2008, the budget provided a \$7.5 million General Fund appropriation for this program and allowed for a \$10 million supplemental appropriation if the original funds were not sufficient. P.L.2004, c.140 established in the Department of Community Affairs a rental assistance program for low income individuals or households, which provides grants comparable to the federal section 8 program, but is only available annually to State residents who are not currently holders of federal section 8 vouchers. The program provides both tenant-based and project-based assistance. Combined with up to \$20 million in recommended additional funding from dedicated realty transfer revenue, the program would have at least \$52.5 million in available funding in FY 2009.

Neighborhood Preservation (P.L.1975, c.248 and c.249)	\$2,750	\$0	(\$2,750)	(100.0%)	D-55
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The proposed FY 2009 budget discontinues funding for the Neighborhood Preservation Program (NPP). Established in 1975, the NPP provides direct financial and technical assistance to municipalities over a three to five year period to conduct activities associated with the preservation of designated neighborhoods based on strategic revitalization plans within those municipalities. Municipalities that participate in the NPP contain areas that are in the early stages of decline, but have the potential to be rehabilitated and restored through the cultivation of existing social, economic, financial, and technical resources toward the development and

Significant Changes/New Programs (\$000) (Cont'd)

<u>Budget Item</u>	<u>Adj. Approp. FY 2008</u>	<u>Recomm. FY 2009</u>	<u>Dollar Change</u>	<u>Percent Change</u>	<u>Budget Page</u>
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implementation of planned activities. In light of unexpended balances of \$4.3 million as of March 15, 2008, program activity might continue in FY 2009 without a FY 2009 appropriation.

Office of Smart Growth	\$2,535	\$2,217	(\$ 318)	(12.5%)	D-59
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The FY 2009 budget provides for reductions in the areas of Salaries and Wages (\$275,000), Services Other than Personal (\$33,000), and the Governor's Smart Growth Policy Council (\$10,000). The Office of Smart Growth was established to replace and assume the duties of the Office of State Planning. The Office serves as staff to the Smart Growth Policy Council and the State Planning Commission, administers the Smart Future Planning grant program, facilitates the implementation of the State Plan and smart growth projects. The budget provides for a staff complement of 30, compared to 29 for the past two years, so budget reductions are unlikely to reduce the office's activities.

Women's Programs – Total	\$1,212	\$961	(\$ 251)	(20.7%)	D-61
Salaries and Wages Office on the Prevention of Violence Against Women	\$628	\$446	(\$ 182)	(29.0%)	D-61
	\$400	\$331	(\$ 69)	(17.3%)	D-62

The salary funding for the Division of Women is decreased to eliminate funding for vacant positions. According to position data (page D-61), the Division's staff complement will remain at 12 in FY 2009. The Office on the Prevention of Violence Against Women provides training and technical assistance along with administering grants to various women's organizations and municipalities with domestic violence programs. The reduction in its budget will reduce the level of these activities.

Social Service Grants to Various Specified Recipients	\$3,345	\$0	(\$3,345)	(100.0%)	D-55, D-62, D-63
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The budget recommends that 10 line items for specific recipients and purposes, not originally recommended by the Governor in the FY 2008 budget, be discontinued as follows: NJ Fire and EMS Crisis Intervention Services Telephone Hotline—UMDNJ (\$95,000); Durand Academy and Community Services, Gloucester County-Land Acquisition (\$150,000); Latino Regional Health Fairs and Social Services Programs (\$50,000); The Children's Institute, Verona (\$200,000); New Jersey State Association of Jewish Federations – Naturally Occurring Retirement Communities (NORC) Pilot Program (\$250,000); Municipal Park Initiative – Park

Significant Changes/New Programs (\$000) (Cont'd)

<u>Budget Item</u>	<u>Adj. Approp.</u> <u>FY 2008</u>	<u>Recomm.</u> <u>FY 2009</u>	<u>Dollar</u> <u>Change</u>	<u>Percent</u> <u>Change</u>	<u>Budget</u> <u>Page</u>
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Ranger Program (\$200,000); The Violence Prevention Institute (\$50,000); Big Brothers/Big Sisters (\$700,000); Boys and Girls Clubs of New Jersey (\$1,400,000); Center for Great Expectations (\$250,000).

**Center for Hispanic
Policy Research and
Development**

\$4,500 \$3600 (\$ 900) (20.0%) D-62

This appropriation supports grants to Hispanic community-based organizations that provide a variety of programs and services to clients, as well as a portion of the administrative expenses of the Center. The Center's website reports 30 organizations that received FY 2008 grant funding. The recommended 20 percent funding reduction partially rolls back the \$1.5 million increase in the Center's appropriation that resulted in FY 2008 from gubernatorial and legislative initiatives.

Grant to ASPIRA \$250 \$100 (\$ 150) (60.0%) D-63

ASPIRA, INC. of New Jersey was established in Newark, New Jersey in 1968 to promote leadership in the Latino community through education, career counseling services, college placement, and assistance in obtaining financial aid for college bound students. This reduction returns the grant to the FY 2007 level of funding and eliminates an increase added by the Legislature in FY 2008.

Consolidation Fund \$15,000 \$10,000 (\$5,000) (33.3%) D-66

Created in FY 2008, the Consolidation Fund was intended to augment the existing Sharing Available Resources Efficiently (SHARE) program, allowing the development of new incentives for local governments to conduct their work more efficiently. As of March 25, 2008 none of the FY 2008 appropriation had been expended or committed, and the entire \$15 million is expected to carry forward in FY 2009. According to the FY 2009 Budget in Brief monies appropriated to the Consolidation Fund are to be used with funds available in the SHARE program to further encourage consolidation and shared services through incentives and technical assistance. Under recommended budget language municipalities with populations of below 10,000 will be granted priority standing in receiving these funds.

**Extraordinary Aid
(C.52:27D-118.35)**

\$34,000 \$32,300 (\$1,700) (5.0%) D-66

The Extraordinary Aid program provides short-term assistance to municipalities experiencing a catastrophic loss of tax ratables or other fiscal difficulties. Funds are distributed to municipalities that submit applications to the Division of Local Government Services. Used strictly for property tax relief, the criteria for funding include a determination of whether the municipality has 1) experienced unique circumstances that created fiscal distress and

Significant Changes/New Programs (\$000) (Cont'd)

<u>Budget Item</u>	<u>Adj. Approp.</u> <u>FY 2008</u>	<u>Recomm.</u> <u>FY 2009</u>	<u>Dollar</u> <u>Change</u>	<u>Percent</u> <u>Change</u>	<u>Budget</u> <u>Page</u>
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uncontrollable property tax increases; 2) made efforts to provide property tax savings by sharing services, privatization, or enhancing tax collections, revenues, and management efficiencies; 3) taken action and will continue to take action to reduce or eliminate dependency on extraordinary aid in the future. The award of this aid, while judged by the above criteria, is wholly discretionary. Evaluation data (page D-65) predicts only modest growth in both program applicants and funding recipients despite this recommended funding increase.

Consolidated

Municipal Property

Tax Relief Aid (PTRF)	\$835,447	\$773,403	(\$62,044)	(7.4%)	D-66
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The budget recommends a \$62 million reduction in funding provided to local units through the Consolidated Municipal Property Tax Relief Aid (CMPTRA) program. The amount of aid allocated to municipalities below 5,000 in population will be reduced to zero (a cut of about \$22 million) and the amount awarded to municipalities between 5,000 and 10,000 in population will be proportionately reduced by \$15 million. An additional aid reduction of \$25 million will be spread proportionately among all municipalities with populations greater than 5,000. In addition, the annual inflation adjustment to Energy Receipts Tax aid, 5 percent or about \$46 million, is to be funded by reallocating CMPTRA aid rather than increasing energy tax receipts appropriations.

County Prosecutors

and Officials Salary

Increase (P.L.2007, c.350)	\$861	\$1,181	\$ 320	37.2%	D-66
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The budget recommends an increase in funding for the County Prosecutors and Officials Salary Increase in response to the enactment of P.L.2007, c.350, which increased the salaries of members of the State judiciary and County Prosecutors. As State statutes provide that the salaries of County Clerk, Surrogate, Sheriff, and Register of Deeds and Mortgages be set at not less than 65 percent of the annual salary of a Judge the Superior Court, the State may also be required to provide funding to pay for mandated salary increases for these officials.

Municipal Homeland

Security Assistance

Aid	\$32,000	\$0	(\$32,000)	(100.0%)	D-66
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The Governor recommends the elimination of funding for the Municipal Homeland Security Assistance Aid program. The distribution of this aid is formula-based with aid awarded to municipalities that spend more than \$300,000 in police costs. 473 municipalities were awarded aid from this program in FY 2008.

Significant Changes/New Programs (\$000) (Cont'd)

<u>Budget Item</u>	<u>Adj. Approp.</u> <u>FY 2008</u>	<u>Recomm.</u> <u>FY 2009</u>	<u>Dollar</u> <u>Change</u>	<u>Percent</u> <u>Change</u>	<u>Budget</u> <u>Page</u>
Municipal Efficiency Promotion Aid Program (PTRF)	\$34,825	\$0	(\$34,825)	(100.0%)	D-66

The Governor recommends the elimination of funding for the Municipal Efficiency Promotion Aid program. Aid distributed to municipalities through this program must be used for the purpose of reducing the amount the municipality is required to raise by its local property tax levy for municipal purposes. If the amount of the payment exceeds the amount required to be raised by the local property tax levy for municipal purposes, the balance of the payment must be used to reduce the amount the municipality is required to collect for county purposes. The distribution of this aid is based principally on population, as determined by the 2000 decennial census.

Trenton Capital City Aid (PTRF)	\$37,500	\$35,625	(\$1,875)	(5.0%)	D-66
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The Trenton Capital City Aid program provides funding for the city by virtue of its status as the State capital. The recommended 5 percent reduction partly rolls back a FY 2008 increase of \$21 million not originally recommended in the Governor's recommended FY 2008 budget. The stipulation that the City be subject to State fiscal oversight under the terms of the Special Municipal Aid Act as a condition of receiving this aid, initiated with the FY 2008 funding increase, would continued in FY 2009.

Sharing Available Resources Efficiently Program (PTRF)	\$4,200	\$0	(\$4,200)	(100.0%)	D-67
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The Governor recommends no new funding for the Sharing Available Resources Efficiently (SHARE) Program in the FY 2009 budget. According to the Budget in Brief (page 39), unexpended SHARE appropriations of \$7 million are expected to carry forward to FY 2009 to continue program activities in concert with Consolidation Fund resources. The SHARE program provides assistance for the study or implementation of any regional service agreement, or for the coordination of programs and services authorized by the Interlocal Services Act, Municipal Consolidation Act, and Consolidated Municipal Services Act. The program offers three assistance options: 1) Implementation grants assist local units with the start-up, transition, or implementation costs associated with new or expanded shared services or the consolidation of local units; 2) Feasibility study grants assist local units with planning and developing shared services; and 3) COUNT grants offer State financial assistance to help county governments and non-profit regional organizations study, develop, and implement new shared and regional services, or to facilitate new shared programs among the county's municipalities and school districts.

Significant Changes/New Programs (\$000) (Cont'd)

<u>Budget Item</u>	<u>Adj. Approp. FY 2008</u>	<u>Recomm. FY 2009</u>	<u>Dollar Change</u>	<u>Percent Change</u>	<u>Budget Page</u>
Regional Efficiency Aid Program (PTRF)	\$8,000	\$0	(\$8,000)	(100.0%)	D-67

The Regional Efficiency Aid Program (REAP) was intended to provide an incentive, in the form of a direct property tax credit to local residents, for local units to consolidate or implement a successful cost-saving shared services agreement. The Governor recommends the discontinuation of this program in the FY 2009 budget. For several fiscal years funding has been restricted by budget language to municipalities which attained a level of aid of \$100 or greater per property. This restricted REAP aid to 14 municipalities as follows (with FY 2008 aid amounts): Elmwood Park Borough (\$454,752); Englewood City (\$722,551); South Hackensack Township (\$67,434); New Hanover Township (\$40,759); North Hanover Township (\$86,918); Wrightstown Borough (\$17,540); Hi-nella Borough (\$13,661); Elk Township (\$98,780); Guttenberg Town (\$376,286); North Bergen Township (\$1,731,370); Union City City (\$2,266,343); Weehawken Township (\$519,130); West New York Town (\$1,521,392); Mannington Township (\$51,872).

Special Municipal Aid Act (PTRF)	\$153,000	\$145,350	(\$7,650)	(5.0%)	D-67
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The Special Municipal Aid Act, P.L.1999, c.156 is directed at municipalities with severe fiscal problems and structural deficits that can not be resolved without additional State funds. The FY 2009 recommendation for this program is down \$7.65 million from the FY 2008 adjusted appropriation. In FY 2007, 7 municipalities received funding pursuant to this program. Since about 12 percent of the total FY 2008 Special Municipal Aid funding had been distributed as of March 28, 2008, the impact of the recommended decrease in funding on the number of municipalities receiving this aid and the annual change in the amount allocated to each are unclear.

2008 Municipal Property Tax Assistance	\$32,600	\$0	(\$32,600)	(100.0%)	D-67
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This new aid program was intended to provide all municipalities with a 2 percent increase in the base formula aid received from both the Consolidated Municipal Property Tax Relief (CMPTRA) Aid program and the Energy Tax Receipts (ETR) Property Tax Relief Fund program. The Governor recommends the discontinuation of this program.

Language Provisions

2008 Appropriations Handbook

2009 Budget Recommendations

No similar language.

p. D-57

The unexpended balance at the end of the preceding fiscal year in the Truth in Renting account is appropriated, subject to the approval of the Director of the Division of Budget and Accounting.

Explanation

This recommended language provision allows for the carry forward of any unexpended balances in the Truth in Renting account. P.L.2007, c.177 amended the "Truth-in-Renting Act" (N.J.S.A.46:8-43 et seq.) to require the Department of Community Affairs to prepare and publish at no cost to the public, to the extent that funds are made available, a statement of the rights and responsibilities of residential landlords and tenants. A supplemental appropriation in the amount of \$200,000 was approved by the Legislature for this purpose. None of these funds had been expended as of March 25, 2008.

2008 Appropriations Handbook

2009 Budget Recommendations

p. B-23

There is appropriated from the Urban and Rural Centers Unsafe Demolition Revolving Loan Fund established under P.L.1997, c.125, the sum of \$2,500,000, to be used for building demolition and disposal projects in the municipality of Newark.

No similar language.

Explanation

This language authorized the expenditure of available funds in the Urban and Rural Centers Unsafe Demolition Revolving Loan Fund for building and demolition projects in the City of Newark. No similar language is proposed in the absence of additional unallocated funds.

Language Provisions (Cont'd)

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In addition to the amount hereinabove appropriated for the State Rental Assistance Program, there is appropriated an amount not to exceed \$10,000,000 for the same purpose, subject to the approval of the Joint Budget Oversight Committee, upon a determination by the Commissioner, after consultation with the State Treasurer, that the amounts herein appropriated for both the State Rental Assistance Program and from the Neighborhood Preservation Nonlapsing Revolving Fund are insufficient to fund all State Rental Assistance Program costs and to fund affordable housing units. Appropriations referred to the Joint Budget Oversight Committee shall be deemed approved unless a resolution of disapproval is adopted within 5 working days of receipt of the proposed appropriation.

No similar language.

Explanation

This language provided for an additional \$10 million from the General Fund for the State Rental Assistance Program (SRAP) in the event that the \$7.5 million General Fund appropriation was not sufficient to pay costs associated with the SRAP. This language was added in connection with a decrease in SRAP funding from \$17.5 million in FY 2007 to \$7.5 million in FY 2008. The additional \$10 million in funding provided for by this language was allocated to the SRAP through a supplemental appropriation. The FY 2009 budget recommends that funding for the State Rental Assistance Program be increased by \$15 million to \$32.5 million, obviating the need to continue this language.

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2009 Budget Recommendations

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p. D-57

Notwithstanding the provisions of section 35 of P.L.1975, c.326 (C.13:17-10.1), sections 10 and 11 of P.L.1981, c.306 (C.13:1E-109 and C.13:1E-110), section 8 of P.L.1985, c.368 (C.13:1E-176), or any rules and regulations adopted pursuant thereto, or any order issued by the Board of Public Utilities

Notwithstanding the provisions of section 35 of P.L.1975, c.326 (C.13:17-10.1), sections 10 and 11 of P.L.1981, c.306 (C.13:1E-109 and C.13:1E-110), section 8 of P.L.1985, c.368 (C.13:1E-176), or any rules and regulations adopted pursuant thereto, or any order issued by the Board of Public Utilities

Language Provisions (Cont'd)

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to the contrary, an amount equal to \$110,000 shall be withdrawn from the escrow accounts by the New Jersey Meadowlands Commission and paid to the State Treasurer for deposit in the General Fund and the amount so deposited shall be appropriated to the New Jersey Meadowlands Commission to cover operational costs of the Hackensack Meadowlands Municipal Committee.

to the contrary, an amount equal **[\$110,000]** \$125,000 shall be withdrawn from the escrow accounts by the New Jersey Meadowlands Commission and paid to the State Treasurer for deposit in the General Fund and the amount so deposited shall be appropriated to the New Jersey Meadowlands Commission to cover operational costs of the Hackensack Meadowlands Municipal Committee.

Explanation

This recommended language increases from \$110,000 to \$125,000 the amount to be withdrawn from the escrow accounts of the New Jersey Meadowlands Commission to fund the operational costs of the Hackensack Meadowlands Municipal Committee. Composed of the mayor or elected chief executive each municipality in the Meadowlands District, the Hackensack Meadowlands Municipal Committee reviews codes and standards, the district master plan and amendments thereto, and development, redevelopment, and improvement plans prior to their final adoption by the Meadowlands Commission. The Committee also reviews other matters submitted by the Commission when the latter deems advisable.

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p. D-57

Notwithstanding the provisions of any law or regulation to the contrary, an amount equal to 5% of the Homelessness Prevention Program grants-in-aid appropriation shall be available for program administrative expenses, subject to the approval of the Director of the Division of Budget and Accounting.

Notwithstanding the provisions of any law or regulation to the contrary, **[an amount equal to 5% of]** such sums as are necessary shall be available from the Homelessness Prevention Program grants-in-aid appropriation **[shall be available]** for program administrative expenses, subject to the approval of the Director of the Division of Budget and Accounting.

Explanation

The Governor has recommended this FY 2009 budget language with revisions to allow for the greater use of the General Fund grants-in-aid appropriation to the Homeless Prevention Program to pay for the costs of program administration. In FY 2008, the language allowed the department to shift up to \$218,000 from the Grant-In-Aid appropriation to augment \$243,000

Language Provisions (Cont'd)

in Direct State Service funding. The FY 2009 language would allow an unlimited reallocation from Grants-in-Aid for administrative costs.

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2009 Budget Recommendations

No similar language.

p. D-57

The unexpended balance at the end of the preceding fiscal year in the Relocation Assistance account, not to exceed \$250,000, is appropriated, subject to the approval of the Director of the Division of Budget and Accounting.

Explanation

This recommended language allows for the carry forward of any unexpended balances in the Relocation Assistance account. The OLS notes that as of March 31, 2008, the Relocation Assistance Account had an unexpended balance of about \$170,000.

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2009 Budget Recommendations

No similar language.

p. D-58

Notwithstanding the provisions of any law or regulation to the contrary, funds appropriated for Neighborhood Preservation-Fair Housing may be used for the purposes of constructing or rehabilitating special needs housing.

Explanation

This recommended language provision would allow the use of Neighborhood Preservation Fund monies for the purpose of constructing and rehabilitating special needs housing. Special needs housing is considered an alternative to institutionalization or homelessness and is designed for individuals with mental illness or other physical/developmental disabilities. This language would allow Neighborhood Preservation Funds to be available for use in all municipalities, not only those that have received certification from the Council on Affordable Housing.

Language Provisions (Cont'd)**2008 Appropriations Handbook**

No similar language.

2009 Budget Recommendations**p. D-59**

Moneys appropriated to the State Planning Commission pursuant to P.L.2004, c.71, which were not expended pursuant to the contract entered into by the Office of Smart Growth for the State Plan Impact Assessment Study are hereby appropriated to the Office of Smart Growth for the completion of the State Plan Impact Assessment Study, subject to the approval of the Director of the Division of Budget and Accounting.

Explanation

This recommended language provision would allow for the completion of the State Plan Impact Assessment Study prior to the adoption of the Final State Development and Redevelopment Plan, as required by State law. \$325,000 was originally appropriated for this purpose in Fiscal Year 2005. The Center for Urban Policy at Rutgers University has already conducted the research for this study but still needs to finish analyzing the data and compiling the final report. However, since the original contract has expired, encumbered funds of about \$167,000 must be re-appropriated in order to remain available to cover the costs of the remainder of the contracted work.

2008 Appropriations Handbook**p. B-27**

There is appropriated from the Petroleum Overcharge Reimbursement Fund such amount as may be required to provide the State 25% cost share for the Low-Income Weatherization Assistance Program, subject to the approval of the Director of the Division of Budget and Accounting.

2009 Budget Recommendations

No similar language.

Explanation

This provision was originally added in order to address a proposed federal cost share initiative. However, the cost share initiative was never implemented by the federal government, and the language is no longer needed.

Language Provisions (Cont'd)

2008 Appropriations Handbook

2009 Budget Recommendations

p. B-27

The unexpended balance at the end of the preceding fiscal year in the Capital Improvements for Rape Care Centers account is appropriated, subject to the approval of the Director of the Division of Budget and Accounting.

No similar language.

The unexpended balance at the end of the preceding fiscal year in the Capital Improvements for Women's Shelters account is appropriated, subject to the approval of the Director of the Division of Budget and Accounting.

No similar language.

Explanation

Capital Improvements for Rape Care Centers and Capital Improvements for Women's Shelters were two of several FY 2007 gubernatorial initiatives to meet the capital needs of community-based service providers. As of March 20, 2008, the State accounting system reflected a balance of \$13,247 in the account for Capital Improvements for Rape Care Centers and a balance of \$1,063,750 in the account for Capital Improvements for Women's Shelters. These funds will lapse if they are not expended by the end of FY 2008, as these initiatives are not included in the FY 2009 budget.

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2009 Budget Recommendations

p. B-28

In addition to the amount hereinabove for the County Prosecutors Salary Increase, there is appropriated an amount not to exceed \$40,000, subject to the approval of the Director of the Division of Budget and Accounting.

No similar language.

Explanation

An additional \$40,000 was appropriated in FY 2008 pursuant to budget language to provide a total of \$186,000 for State-mandated increases in the salaries of County Prosecutors and officials. The FY 2009 budget increases funding for this purpose by \$320,00 in light of higher

Language Provisions (Cont'd)

salaries mandated by P.L.2007, c.350. The OLS assumes that the language is deleted because the increased appropriation provides full funding

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2009 Budget Recommendations

p. B-28

The amount hereinabove appropriated for the Municipal Homeland Security Assistance Aid Program shall be distributed in accordance with an aid formula, based in part on population, to be determined by the Department of Community Affairs. The distribution of such aid is conditioned upon the submission of information by the municipality on the existing budget, staffing, equipment, and operating performance of the municipality's 911 call centers, public safety dispatch and radio communications systems, and services to the Office of Emergency Telecommunications Services within the Department of the Treasury, the specific requirements of which will be defined by the Office of Emergency Telecommunications Services.

No similar language.

Explanation

The Governor has not recommended the continuation of this FY 2008 language because the Municipal Homeland Security Assistance Aid program is not being funded in FY 2009. 473 municipalities were awarded \$31.755 million in funding from this program in FY 2008.

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p. B-29

The amount appropriated hereinabove for the Consolidation Fund is appropriated for the operating expenses of the Local Unit Alignment, Reorganization and Consolidation Commission, subject to the approval of the Director of the Division of Budget and Accounting, and for such other

p. D-67

The amount hereinabove appropriated **[hereinabove]** for the Consolidation Fund is appropriated for the **[**operating expenses of the Local Unit Alignment, Reorganization and Consolidation Commission, subject to the approval of the Director of the Division of Budget and Accounting, and for such

Language Provisions (Cont'd)

2008 Appropriations Handbook

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purposes as set forth in a spending plan jointly established by the Departments of Community Affairs, Education, and Treasury, subject to the approval of the Director of the Division of Budget and Accounting.

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other] purposes [as] that shall be set forth in a spending plan jointly established by the Departments of Community Affairs, Education, and Treasury, which shall give primary consideration to municipalities below 10,000 in population, subject to the approval of the Director of the Division of Budget and Accounting.

Of the amount hereinabove appropriated for the Consolidation Fund, **an amount may be used to contract with State institutions of higher education to assist with the consolidation of local units of government** and for the operating expenses of the Local Unit Alignment Reorganization and Consolidation Commission, subject to the approval of the Director of the Division of Budget and Accounting.

Explanation

According to the FY 2009 Budget in Brief monies appropriated to the Consolidation Fund are intended to be used in concert with funds appropriated to the Sharing Resources Available Efficiently (SHARE) program. This language provision provides that municipalities with populations of below 10,000 will be granted priority standing in receiving these funds, which are intended to assist with local consolidation and shared services efforts. This language provision also allows the use of monies appropriated to the Consolidation Fund to contract with State institutions of higher education to assist with the consolidation of local units of government.



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No similar language.

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The unexpended balance at the end of the preceding fiscal year in the Consolidation Fund account is appropriated for the same purpose, subject to the approval of the Director of the Division of Budget and Accounting.

Language Provisions (Cont'd)

Explanation

This language provision allows for the carry forward any unspent monies appropriated to the Consolidation Fund. The OLS notes that as of March 24, 2008, none of the \$15 million allocated to the Consolidation Fund for FY 2008 had been expended. As described above, the FY 2009 budget recommends that the Consolidation Fund be used to assist with local consolidation and shared services efforts.

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Notwithstanding the provisions of any law or regulation to the contrary, the amount hereinabove appropriated for Consolidated Municipal Property Tax Relief Aid shall be distributed in the same amounts, and to the same municipalities which received funding pursuant to the previous fiscal year's annual appropriations act, provided further, however, that from the amount hereinabove appropriated there is transferred to the Energy Tax Receipts Property Tax Relief Fund account such sums as were determined for fiscal year 2003, fiscal year 2006, fiscal year 2007, and fiscal year 2008 pursuant to subsection e. of section 2 of P.L.1997, c. 167 (C.52:27D-439) as amended by P.L.1999, c.168 and except that the amount received by the city of Newark shall be further reduced by an amount certified by the Division of Taxation and appropriated to the Division of Taxation for any aspect of the revaluation of real property in Newark, subject to the approval of the Director of the Division of Budget and Accounting. The Director of the Division of Local Government Services shall further take such actions as may be necessary to ensure that the Consolidated Municipal Property Tax Relief Aid appropriated to offset losses from business personal property tax that would have otherwise been used for the support of public schools will be used to reduce the school property tax levy for those affected school district with the remaining State Aid used as municipal property tax relief. The

Notwithstanding the provisions of any law or regulation to the contrary, the amount hereinabove appropriated for Consolidated Municipal Property Tax Relief Aid shall be distributed in the same amounts, and to the same municipalities which received funding pursuant to the previous fiscal year's annual appropriations act, provided further, however, that from the amount hereinabove appropriated there is transferred to the Energy Tax Receipts Property Tax Relief Fund account such sums as were determined for fiscal year 2003, fiscal year 2006, fiscal year 2007, **[and]** fiscal year 2008, and fiscal year 2009 pursuant to subsection e. of section 2 of P.L.1997, c. 167 (C.52:27D-439) as amended by P.L.1999, c.168 and except that, using the Department of Labor and Workforce Development New Jersey Municipal Population estimates, the amount allocated to municipalities below 5,000 in population shall be reduced to zero, and the amount received by municipalities between 5,000 and 10,000 in population shall be proportionately reduced by \$15,000,000 and the **[city]** remaining amount received by all municipalities shall be proportionately reduced by \$25,000,000; and the amount received by the city of Newark shall be further reduced by an amount certified by the Division of Taxation and appropriated to the Division of Taxation for any aspect of the revaluation of real property in Newark, subject to the approval of the Director of the Division of Budget and Accounting. The

Language Provisions (Cont'd)

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chief financial officer of the municipality shall pay to the school districts such amounts as may be due by December 31, 2007.

Director of the Division of Local Government Services shall further take such actions as may be necessary to ensure that the Consolidated Municipal Property Tax Relief Aid appropriated to offset losses from business personal property tax that would have otherwise been used for the support of public schools will be used to reduce the school property tax levy for those affected school district with the remaining State Aid used as municipal property tax relief. The chief financial officer of the municipality shall pay to the school districts such amounts as may be due by December 31, **[2007]** 2008.

Explanation

As was the case in FY 2003, FY 2006, FY 2007, and FY 2008 the budget provides that the annual inflation adjustment to the municipal Energy Receipts Tax (ERT) Property Tax Relief Fund (\$45.7 million, or 5%) be funded by reallocating Consolidated Municipal Property Tax Relief Aid (CMPTRA), rather than by appropriating additional funds. This budget language also recommends a \$62 million reduction in the CMPTRA program. The amount of aid allocated to municipalities below 5,000 in population will be reduced to zero, a cut of about \$22 million, and the amount awarded to municipalities with between 5,000 and 10,000 in population will proportionately reduced by \$15 million. An additional aid reduction of \$25 million will be spread proportionately among all municipalities with a population of greater than 5,000.

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p. D-68

No similar language.

Notwithstanding the provisions of any law or regulation to the contrary, of the hereinabove appropriated for municipal aid for the municipality of Haledon, \$72,809.48 shall be deducted for repayment to the State of State Aid funds used to offset the increase in the 2007-08 school tax levy required under the applicable regional school funding requirements.

Language Provisions (Cont'd)

2008 Appropriations Handbook

2009 Budget Recommendations

No similar language.

p. D-68

Notwithstanding the provisions of any law or regulation to the contrary, of the hereinabove appropriated for municipal aid for the municipality of Prospect Park, \$137,219.20 shall be deducted for repayment to the State of State Aid funds used to offset the increase in the 2007-08 school tax levy required under the applicable regional school funding requirements.

Explanation

This FY 2009 language provision provides for the partial repayment, via a reduction in municipal aid, of a one-time loan granted to the municipalities of Haledon and Prospect Park in order to offset an increase in their 2007-08 school tax levies due to the adoption of a new tax levy apportionment methodology by the Commissioner of Education pursuant to an order of the New Jersey Supreme Court (see In re Petition for Authorization, 186 N.J. 161, 186 (2004)). The loan enabled Haledon and Prospect Park to pay their full share of the school's operating costs. Public school students in the municipalities of Haledon, North Haledon, and Prospect Park attend Manchester Regional High School.

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2009 Budget Recommendations

p. B-29

The amount appropriated hereinabove for the Municipal Efficiency Promotion Aid Program (PTRF) shall be distributed to the same municipalities and in the same proportions as the distribution received therefrom during the previous fiscal year.

No similar language.

Explanation

The Governor has not recommended the continuation of this FY 2008 language because the Municipal Efficiency Promotion Aid Program is not being funded in 2009. Municipalities were awarded \$34.825 million in funding from this program in FY 2008.

Language Provisions (Cont'd)

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2009 Budget Recommendations

p. B-29

Notwithstanding the provisions of P.L.1999, c.61 (C.54:4-8.76 et seq.) to the contrary, the amount appropriated hereinabove for the Regional Efficiency Aid Program (REAP) shall be distributed to the same municipalities and in the same proportion as was distributed in the previous fiscal year. No similar language.

Explanation

The Governor has not recommended the continuation of this FY 2008 language because the Regional Efficiency Aid Program (REAP) will not be funded in FY 2009.

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p. B-29

Of the amount hereinabove appropriated for the Special Municipal Aid Act program there is transferred to the Energy Tax Receipts Property Tax Relief Fund an amount not to exceed \$6,985,000, subject to the approval of the Director of the Division of Budget and Accounting. No similar language.

Explanation

The budget language provision discontinues the use of a portion of the recommended funding for Special Municipal Aid as an additional source of municipal aid to be reallocated to fully fund the annual inflation adjustment in Energy Receipts Tax aid. The Energy Receipts Tax aid inflation adjustment will be fully reallocated from Consolidated Municipal Property Tax Relief Aid in FY 2009.

Language Provisions (Cont'd)**2008 Appropriations Handbook****2009 Budget Recommendations****p. B-30.**

Notwithstanding the provision of the "Local Budget Law," N.J.S.40A:4-1 et seq., to the contrary, in administering the appropriation hereinabove for the Special Municipal Aid program, the Director of the Division of Local Government Services may require any municipality which is determined to be experiencing fiscal distress pursuant to the provisions of the "Special Municipal Aid Act," P.L.1987, c.75 (C.52:27D-118.24 et seq.), to anticipate and include in its annual budget any additional item or amount of revenue as the director deems to be appropriate and fiscally prudent.

No similar language.

Explanation

According to the department, this language provision is duplicative of authority that already exists in statute.

2008 Appropriations Handbook**2009 Budget Recommendations****p. B-30.**

The amount hereinabove appropriated for the 2008 Municipal Property Tax Assistance Aid program shall be allocated the same recipients and in the same proportion as the distribution of base formula municipal aid provide through the Consolidated Municipal Property Tax Assistance Aid program and the Energy Tax Receipts Property Tax Relief Fund program, as determined by the Director of the Division of Local Government Services, subject to the approval of the Director of the Division of Budget and Accounting.

No similar language.

Explanation

The Governor has not recommended the continuation of this FY 2008 language because the Municipal Property Tax Assistance Aid Program is not being funded in FY 2009. Municipalities were awarded \$32.6 million in aid from this program in FY 2008.

Discussion Points

1. In March 2007, by approving Assembly Bill No. 15 (1R) as Chapter 54, Laws of 2007, the Governor concurred with the Legislature on a framework for studying municipal consolidation, developing performance measures to promote cost savings in municipal service delivery, and ultimately to redistribute Municipal Efficiency Promotion Aid as aid to reward municipalities that meet performance measures promulgated by the Local Finance Board. Under this framework, this aid redistribution would not occur until about 2010 (FY 2011), following the promulgation of performance measures and training modules for key municipal staff to facilitate the institutionalization of performance measurement.

Despite having endorsed this framework, the Governor recommends the complete elimination of Municipal Efficiency Promotion Aid two years ahead of the year in which the program is to be a reward program, and further recommends state aid reductions affecting most municipalities. The budget also recommends municipal aid cuts totaling \$183,019,000 including \$62,000,000 in Consolidated Municipal Property Tax Relief Aid (CMPTRA). 183 municipalities with populations of less than 5,000 will lose 100% of their CMPTRA funding while 138 municipalities with populations of 5,000 to 10,000 will lose approximately \$15,000,000 in CMPTRA funding. These two groups of municipalities would also lose an additional \$8.8 million and \$10.3 million respectively, due to recommended changes in other formula determined municipal aid programs. An additional \$25 million reduction in CMPTRA has been spread amongst all CMPTRA recipients. According to the Budget in Brief municipalities with populations below 10,000 that either consolidate or provide shared services will be given priority standing in receiving \$32 million in additional aid.

- **Question:** What progress has the Local Finance Board made toward adopting performance measures, as it was required to do by March 15, 2008? If those measures are not yet adopted, what is the timetable for doing so? Did the Department provide any empirical research that supports any or all of the Governor's recommended municipal aid reductions? If so, please provide that research. If not, can the Department explain the decision to use population as the key index to determine reductions in CMPTRA among other factors that could be utilized? Please identify any alternative models for determining which municipalities would receive cuts in CMPTRA that were discussed and dismissed. Was the Department asked by the Governor to conduct any analysis of the potential impact of these reductions on municipal services and property taxes prior to his determination to recommend them? If so, please provide that analysis. Does the Department have a plan for the consolidation of municipalities with populations of 10,000 or less that would take effect prior to or on July 1, 2008? Does the Department have a plan that would lead to the sharing of services among these municipalities that would take effect prior to or on July 1, 2008?

2. The FY 2009 budget recommends \$10 million for the Consolidation Fund in addition to the \$15 million appropriation from Fiscal Year 2008, none of which had been spent or committed by March 19, 2008. According to the FY 2009 Budget in Brief, the Consolidation Fund is intended to augment the existing Sharing Available Resources Efficiently (SHARE) program to encourage the consolidation of local units of government, and the sharing of services between local units of government. Between the SHARE program and the Consolidation Fund, \$32 million in assistance will be available to local units of government for these purposes in FY 2009. The FY 2009 Budget in Brief also stated that these two programs will allow the State to develop new incentives for municipalities, counties, and other local

Discussion Points (Cont'd)

units of government to conduct their work more efficiently. Recommended budget language requires the joint development of a spending plan by the Departments of Community Affairs, Education, and Treasury to govern the use of the Consolidation Fund and requires the plan to give primary consideration to municipalities with populations below 10,000.

- **Question:** What is the timetable for the development of the spending plan for the Consolidation Fund? Based on this timetable, what is the likelihood that any municipality below 10,000 will receive assistance that affects its 2008 or 2009 costs of providing its current array of municipal services? What types of Consolidation Fund activities will be funded by the Consolidation Fund? What types of new incentives does the Department intend to offer local governments from Consolidation Fund resources? Do these new incentives include interim replacement of any portions of proposed State aid reductions to prevent large property tax increases that might be unaffordable to certain homeowners?

3. The FY 2009 budget recommendation for Special Municipal Aid is \$145.3 million, down \$7.7 million (5 percent), from the FY 2008 funding level of \$153 million. Both the final allocation of FY 2008 funding and the proposed allocation of FY 2009 funding are unknown. As of March 17, 2008, about \$18 million has been disbursed and about \$135 million was unspent. Asbury Park, Bridgeton, Camden, Ewing, Harrison Town, Paterson and Union City were recipients of this aid in FY 2007. The Special Municipal Aid program is intended to assist municipalities with severe budgetary and fiscal problems that could not be resolved without State assistance, and involves some degree of enhanced state oversight of municipal budgeting, hiring, and fiscal policies as a condition of receiving aid.

- **Question:** Please list, by municipality for State Fiscal Year 2008, the amount of Special Municipal Aid expended to date, including to which local fiscal year the disbursement was credited. Which municipalities have been approved or are under active consideration to receive remaining FY 2008 funds? In what amount per municipality and for which local fiscal year? Is the recommended level of FY 2009 funding adequate in light of the fact that recommended FY 2009 formula aid reductions to the seven municipalities that received FY 2007 Special Municipal Aid total \$12.4 million? Has the Local Finance Board established a memorandum of understanding that sets for the terms and conditions of enhanced state oversight with each municipality receiving Special Municipal Aid? If so, please provide a copy of each memorandum of understanding. If not, please identify the recipient municipalities with which no memorandum of understanding has been established, and state the reasons for lack thereof.

4. The "Special Municipal Aid Act," P.L.1987, c.75 (C.52:27D-118.24 et seq.) requires any municipality that has received increased Special Municipal Aid after January 1, 1999 and continues to receive such aid for two consecutive fiscal years to demonstrate in a hearing convened by the Local Finance Board that the Board should not create a financial review board to oversee the fiscal condition of the municipality. The Board can choose to create the review board or allow the municipality to continue to receive aid without creating such a board, based on the successful implementation of financial recovery measures or other municipal actions to improve sufficiently the fiscal condition of the municipality.

Discussion Points (Cont'd)

- **Question:** Which municipalities have met the criteria to be the subject of a Local Finance Board hearing on the creation of a financial review board? How many hearings on that matter were convened by the Local Finance Board for each municipality? According to the record established in those hearings, what specific recovery measures were successfully implemented or what other actions were taken that improved fiscal conditions that led the Board to its conclusions on creating a financial review board?

5. P.L.2004, c.140 established the State Rental Assistance Program (SRAP), patterned after the federal section 8 rental choice voucher program, for low income individuals or households. Pursuant to N.J.A.C.5:42-1.1 et seq., tenant-based rental assistance grants are awarded through a lottery-type process only to applicants currently on the Department's existing Section 8 Housing Choice Voucher Program waiting list. Project-based rental assistance is also a component of the program, whereby payments are allocated to new or rehabilitated housing units for 15 years, and paid when qualified tenants occupy those units. The program's regulations also required that 35% of the rental assistance grants are reserved for households currently on the SRAP waiting list.

P.L.2004, c.140 required the commissioner to annually allocated from the Neighborhood Preservation Nonlapsing Revolving Fund not less than \$3 million to qualified senior citizens, and not less than \$7 million to the other program participants. General Fund resources are also appropriated for the program. For the period FY 2005 to FY 2008 inclusive, a total of \$119 million has been provide to SRAP from all state sources, including \$54 million from the General Fund. As of March 18, 2008, about \$40 million of the total \$119 million appropriated for SRAP remains uncommitted. In addition, about \$35.5 million is under obligation, presumably to tenants enrolled in the program and owners or developers receiving project-based assistance. The FY 2009 budget recommends a \$15 million increase in the General Fund appropriation to the State Rental Assistance Program and continues the \$20 million appropriation from the Neighborhood Preservation Nonlapsing Revolving Fund, for an annual funding level of \$52.5 million. The Budget in Brief states that this increase is a shift of savings from the Homestead Rebate Property Tax Rebates for Tenants in an effort to address renters needs.

- **Question:** Tenant-Based Rental Assistance: How much of the total expended since SRAP commenced was for this form of rental assistance? How many households have received this assistance in each month of Fiscal Year 2008 thus far and what were the total and average-per-household assistance payments per month respectively? How much of the total amount under obligation is for tenant-based assistance? What is the latest month in which these obligated amounts will fund assistance payments? Of the total recommended FY 2009 funding for SRAP – \$52.5 million – how much is required to fund vouchers already in use? How much is estimated to increase the number of vouchers in use? How many additional vouchers does that estimate represent?
- **Question:** Project-Based Rental Assistance: How much of the total expended since SRAP commenced was for this form of assistance? How much of the total amount under obligation is for this form of assistance? How many rental units have been constructed and are now occupied? How many additional units, by fiscal quarter, are projected to become occupied through disbursement of funds now under

Discussion Points (Cont'd)

obligation? What is the estimated number of new units to be funded from the FY 2009 SRAP appropriation?

- **Question:** Given uncommitted balances of \$40 million—one-third of the total resources allocated to SRAP over four fiscal years—what assurances can the department give the Legislature that a \$15 million increase in funding will not result in the further build-up of unspent resources?

6. P.L.1975, c. 248 (C.52:27D-142), the "Maintenance of Viable Neighborhoods Act" established the Neighborhood Preservation Program (NPP). The NPP provides direct financial and technical assistance to municipalities over a three to five year period to conduct activities associated with the preservation of designated neighborhoods based on strategic revitalization plans within those municipalities. Municipalities that participate in the NPP contain neighborhoods that meet the "Threatened, but Viable" criteria. Threatened but viable neighborhoods are in the early stages of decline, but can be rehabilitated and restored through the cultivation of existing social, economic, financial, and technical resources toward the development and implementation of planned activities that sustain neighborhood vitality. The FY2009 budget eliminates funding for the NPP. The OLS notes that as of March 18, 2008, there are \$1.55 million in obligated funds, \$2.32 million in pre-encumbered funds and \$408,000 in uncommitted funds available to the program.

- **Question:** Please provide a list of municipalities currently participating in the NPP, the amount awarded to each, and a description of the purposes for which funds will be spent and the impact these funds are intended have on municipality's ability to meet the goals of its strategic revitalization plan. Has the Department successfully leverage any other funds when allocating these State funds? What percentage of the funds applied for were awarded as grants and loans respectively? Will Department make alternative funding available to municipalities that have ongoing projects that are a part of this program? Will the Department use fund balances available at the end of Fiscal Year 2008 to continue the Neighborhood Preservation Program? Absent additional appropriations in FY 2009 and beyond, at what point will the program cease to operate entirely?

7. P.L.2005. c.163 created the Special Needs Housing Trust Fund, a nonlapsing revolving funds under the auspices of the New Jersey Housing Mortgage Finance Agency (NJHMFA), to be funded through the issuance of bonds by the New Jersey Economic Development Authority (NJEDA) under the "Motor Vehicle Surcharges Securitization Act of 2004." The purpose of the fund is to finance permanent supportive housing and community residences for individuals with special needs, through loans, grants or other investments to finance or otherwise pay the costs of special needs housing projects.

- **Question:** How many units of housing for individuals with special needs have been constructed as of March 1, 2008? How many of these units were occupied as of March 1, 2008? Will the NJHMFA meet its stated goal of constructing, acquiring, or rehabilitating 600 units of special needs housing by the end of FY 2008? Please provide an update on the progress on the 271 units of Special Needs Housing and 13 housing units under other special needs programs that were under construction at this time last year. How many units of housing does the HMFA intend to finance in FY 2009? Where will those units be located?

Discussion Points (Cont'd)

8. According to the *Wall Street Journal* the recent turmoil in national credit markets has led to the cancellation of some affordable housing projects because large financial companies, including Fannie Mae and Freddie Mac, have scaled back their participation in the low-income housing tax credit program. For-profit and nonprofit developers participating in this program receive between 30% and 65% of a project's cost via tax credits in return for agreeing to keep rents within reach of residents who earn below 60% of an area's median income. The rent restrictions last from 15 to 40 years and projects under the program have a very low default rate. The Department has in the past paired Balanced Housing grants with awards of low-income tax credits to fund the production of affordable housing units.

- **Question:** Please discuss the impact of the instability in the credit markets on 1) the ability of the New Jersey Housing and Mortgage Financing Agency (NJHMFA) to issue bonds that provide financing of home construction and rehabilitation, and 2) the Balanced Housing Program. Have increased borrowing costs forced the agency to delay the purchase of bonds for projects scheduled to begin in FY 2008 or 2009? How will the instability in the credit markets affect the ability of the Department and the Agency to meet the Governor's goal of creating and preserving 100,000 units of affordable housing for middle-income, moderate-income, and low-income New Jersey residents over the next ten years?

9. The FY 2009 budget recommends an appropriation of \$6 million for transfer to the Lead Hazard Control Assistance Fund, with language providing for an additional \$8 million; this is the same level of funding that is authorized for FY 2008. In response to an OLS discussion point on the FY 2008 recommended budget, the department projected that it would require funding for Lead Hazard Control Assistance Fund programs and activities as follows:

Education and outreach -- lead hazard awareness and program promotion:	\$1.0 million
LHCA Loans -- : 160 loans averaging \$50,000 each	\$8.0 million
Emergency lead poisoning relocation -- 120 short-term and 15 long-term	\$1.6 million
Lead Free Unit Registry --	\$.2 million
Administration --	\$.7 million
TOTAL	\$11.5 million

As of March 19, 2008, the Lead Hazard Control Assistance Fund had an uncommitted balance of \$7.7 million and none of the FY 2008 appropriation had been transferred to the Fund.

- **Question:** Please provide information on FY 2008 spending to date based on the budget provided to the Legislature last year, as summarized above. Does the department project that it will spend or commit an additional \$7.7 million by the end of FY 2008? If not, what is the revised budget for the Lead Hazard Control Fund for FY 2008? Is the FY 2009 recommended appropriation to the Fund predicated on the FY 2008 State appropriation being lapsed rather than transferred to the Fund in FY 2008? If not, how do the Governor and the Department justify the FY 2009 funding recommendation?

10. P.L.2007, c.251 requires the Department of Community Affairs to inspect single-family and two-family rental dwellings at least once every five years for lead-based paint hazards. According to data in the FY 2009 budget (p. D-53), there are about 187,000 dwelling units requiring inspection by the Bureau of Housing Inspection or local inspection agencies in FY

Discussion Points (Cont'd)

2009, but it is not clear whether this includes those units newly required to be inspected for lead-based paint hazards.

- **Question:** How many more dwellings will the Department be required to inspect as a result of the mandate contained in the new law? Are these dwelling units included in the inspection workload data reported in the FY 2009 budget? How many inspectors will the Department need to hire in order to fulfill the requirements of P.L.2007, c.251. What is the additional cost to the Department associated with inspected single-family and two-family dwellings as mandated? Does the FY 2009 budget make adequate provision for these costs?

11. The FY 2009 recommended budget reduces the number of state employees through an early retirement initiative, continued attrition, and layoffs. The ability to hire employees to fill these vacancies will be limited. The impact these personnel actions may have on the department's programs and services is not clear.

- **Question:** How many employees of the Department of Community Affairs are eligible for the early retirement initiative or may be laid off, by division? To the extent that new employees cannot be hired, what services or program will be reduced or eliminated? How will the reductions affect the department's monitoring and oversight of contracts and grant agreements, and its efforts to maximize federal funds?

12. The enacted FY 2008 budget anticipated savings of \$25 million from management efficiencies. These savings, while reflected in the Interdepartmental Accounts section of the budget, were to be obtained from executive agency budgeted appropriations, presumably in direct correlation with identified efficiency improvements.

- **Question:** What amount of the department's original FY 2008 appropriations were reallocated to Interdepartmental Accounts as savings from management efficiencies? What specific efficiencies were achieved by the department that correlate to the reallocations? What adverse impacts, if any on the output and outcomes of department programs and services resulted or will result from these funding reallocations, in the current fiscal year and as projected for FY 2009?

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Individuals wishing information and committee schedules on the FY 2009 budget are encouraged to contact:

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