

**Department of Community Affairs Commissioner Joseph Doria's
Senate Budget Committee Statement
Wednesday, April 15th
2:00 p.m.
Committee Room Four, State Annex**

Good Morning. Thank you for giving me the chance to discuss the Department of Community Affairs' proposed FY '10 budget and for giving me the opportunity to highlight, for you, some of the extraordinary things done at DCA.

First, I would like to state that the Governor's proposed budget is historic in nature. It marks the first time in 60 years a Governor has introduced a smaller budget in his fourth year then in his first. It also represents the single greatest reduction in state spending from one year to the next in New Jersey's history. Governor Corzine needs to be commended for taking this action. For two consecutive years he has reduced spending, an unheard of measure in our state.

Certainly there are cuts that are unpleasant, but given our difficult economic times, the Governor has moved forward by making the hard choices and making the right choices. This budget spreads the sacrifice required of each of us, yet still makes the right decisions by protecting New Jersey families, our children, our seniors and our most vulnerable. This budget is the culmination of actions the Governor has taken to meet these difficult times head on. While other states waited and reacted to the hard times, Governor Corzine was a step ahead, taking preventative measures that have helped soften the blow of our current economic situation.

The Governor has remained focused on creating jobs and economic opportunities and on providing educational funding for our children. As with the FY09 budget, the FY10 budget helps to reverse the effects of prior decisions which have resulted in making present-day budgeting being so painful.

The FY10 proposed budget appropriates \$1,109,903,000 billion to the DCA. This is a 3.6% (\$41,033,000) reduction to FY 09's general fund appropriation to the Department. The Department of Community Affairs, like other departments, has felt the affects of our current economy. Yet, we are as determined as ever to fulfill our responsibilities.

The Department works to support local government; protect the environment; provide housing; advocate for women, Latinos, individuals with special needs and other minorities; and keep New Jersey families safe. DCA oversees a broad range of programs that can affect the quality of life at both an individual and community level.

Everyday DCA's extraordinary women and men are truly doing more with less. I would like to highlight several of our programs that exemplify this.

The New Jersey Meadowlands Commission (NJMC) continues its great work in protecting and preserving this environmentally important land. As many of you are aware, just two weeks ago, we accomplished a major victory for the Meadowlands' community when American Home Assurance Company, a subsidiary of American International Group (AIG), notified the NJMC that it would commence performance on a \$148.8 million surety bond issued to EnCap as soon as practicable. These funds, which AIG had initially refused to pay, will be key in fulfilling landfill cleanup in the Meadowlands.

Additionally, we are currently working on revamping the tax sharing formula in the Meadowlands' communities, and part of this will include examining possible means of raising revenues.

At the local level, Governor Corzine has continued to emphasize the need to share services and create efficiencies. And we are seeing the results of the Governor's efforts, as interest in shared services is growing as municipalities seek to maximize use of available resources.

DCA continues to assist in this area through its Sharing Available Resources Efficiently (SHARE) Grant Program. This year (FY 2009) the SHARE Program has awarded 26 grants totaling nearly \$1 million, with another 18 applications under review. The awarded applications include 18 feasibility study grants (which have averaged around \$30,000 each) and eight implementation grants (averaging \$54,500 each).

Since its inception in 2005, SHARE has awarded 165 grants totaling \$9.9 million. This total includes COUNT Grants to 16 counties to establish county level shared service coordinator positions. These coordinators work with the local units within the county to identify and develop new interlocal efforts between municipalities or between the county and local units.

Virtually every service area of local government is being looked at for possible shared provisions. There has been a substantial increase in interest for sharing municipal court facilities, which is due in large part to the security guidelines issued for such facilities by the State Administrative Office of the Courts. Towns are using the facilities of larger municipal courts that are compliant with the security measures.

Cooperative purchasing programs have long been a part of local government sharing and we see them expanding the range and scope of the products and services being bought. There are over 70 active cooperative purchasing systems through which local units aggregate their supply needs and collectively seek the best terms on the basis of total need.

SHARE has funded several current studies of possible shared police services, including three communities in Hunterdon County that are exploring a possible regional police department (Lambertville, East Amwell and West Amwell Townships).

In Bergen County, Demarest and Haworth Boroughs held referenda last November to create Citizens' Commissions on Shared Services. These Commissions will review local services and make recommendations for new shared efforts. These were the first two communities to make use of a new statutory provision permitting citizen involvement in the discussion of shared services. The CORE legislation from the Property Tax Special Session provided this new feature, as well as streamlining the shared service process. Under the state's Uniform Shared Services and Consolidation Law, a citizens' commission must consist of members of the governing body, municipal officials and at least an equal number of residents of the municipality.

Maywood Borough in Bergen County also had a non-binding referendum question on its November ballot seeking voter approval for the Mayor and Council to explore and, where appropriate, implement shared services with neighboring towns.

The CORE legislation also created a new Local Option Municipal Consolidation Study Process. In Sussex County, Sussex Borough and Wantage Township are the first towns to use this alternate study commission method and they are about mid-way in their study. In South Jersey, Corbin City (Atlantic County) and Upper Township (Cape May County) are also reviewing whether they should become a single community. Chester Township and Chester Borough in Morris County have discussed studying consolidation as well. And the idea has again been raised between Princeton Township and Princeton Borough, in Mercer County.

Additionally, the Local Unit Alignment, Reorganization and Consolidation Commission (LUARCC), established during the 2006 Special Session of the Legislature, is continuing its work regarding the appropriate allocation of service delivery responsibilities from the standpoint of efficiency. During the last year, the Commission undertook a detailed examination of municipal service delivery starting with public health, emergency communications and administration of justice.

In addition, the Commission engaged the School of Public Affairs and Administration (SPAA) at Rutgers, Newark, to survey available research regarding the optimal size of municipalities and service delivery areas, what constitutes efficiency in service delivery and the costs and benefits of consolidation.

To date, the Commission has derived the following conclusions from its inquiries:

- If there is a population size which holds the most promise for cost-efficient service delivery, its parameters are debatable based on current research
- Consolidation has associated costs which may counter efficiency gains to be achieved (such as upward pressure on salaries because of harmonization) and therefore needs to be approached carefully

- Local public health services, emergency management and courts are three areas ripe for mergers or cost sharing
- The savings that evidence great promise but are most difficult to quantify are those achieved through “cost avoidance”, that is, savings realized over time through more rational and cost-efficient governance achieved through consolidation or sharing
- While there are great opportunities for streamlining government, solutions need to be crafted that are sensitive to local conditions.

DCA also oversees formula, extraordinary and special municipal aid. Total formula aid was reduced by \$32 million in this budget. The \$32 million reduction was driven by the principle that municipalities with higher wealth and lower taxes can absorb more of an aid reduction than municipalities with low wealth and high taxes. Under this approach, “wealth” is calculated by measuring per capita income and equalized property value per capita. This “wealth calculation” is similar to the methodology used in school aid formulas. Taxes were measured by using the equalized property rate. Using that as a guide, calculations were made assigning municipalities into nine groups based on low, medium, and high equalized tax rates and wealth. Each municipality’s FY 2010 allocation was reduced by a different percent, based on their designated wealth/tax burden group (i.e., the highest tax/lowest wealth group received a 0% reduction, while the highest wealth/lowest burden group received a five percent reduction limited by capping the loss to the average residential property tax payer at \$100).

While municipal aid has decreased, it must be noted that property tax relief for New Jersey residents has increased enormously under Governor Corzine. Since the Governor came into office, more than \$7 billion will have been provided in property tax relief to New Jersey residents. This figure represents a 40 percent increase compared to the previous four years (FY03-07) and it is more than double the amount provided under the Whitman/DiFrancesco administration.

In Governor Corzine’s four years, a senior with a taxable income of \$50,000 will have received nearly \$9,000 in rebates and senior freeze benefits. This is more than double the \$4,000 benefit from these programs during the 2002-2005 period and is nearly four times the amount received during the 1998 to 2001 period. In Governor Corzine’s four years, a non-senior with a taxable income of \$50,000 will have received nearly \$3,100 in rebates. This is 70 percent more than the \$1,800 received during the 2002-2005 period and is nearly four times the amount received during the 1998 to 2001 period.

The additional relief provided by the administration has gone a long way towards alleviating the decrease in municipal aid and Governor Corzine is to be commended again for his efforts in this area.

Also, the Governor has made good on reigning in New Jersey's increasing property taxes. Between 2007 and 2008, the average property tax increase in the state was 3.6%. This represents the lowest increase, by far, in over a decade and is proof that measures the Governor has put in place are working and will continue to work.

In accordance with this administration's effort for accountability and openness in government, two years ago the Department developed an application in an effort to better assess the needs of municipalities seeking Special Municipal Aid. As part of the application process, each municipality must submit a budget. Allocations are determined by the Local Finance Board. The Local Finance Board has established a memorandum of understanding that sets forth the terms and conditions of enhanced state oversight with each municipality receiving Special Municipal Aid.

Additionally, the Division of Local Government Services is working with the Comptroller on audits for all municipalities in the program. Audits have been completed for Asbury Park, Bridgeton, Harrison, Jersey City, and Paterson. The remaining audits will be completed by July. Copies of the completed reports will be made available to the public.

The audits being conducted are not financial audits. Instead, the auditors will examine areas that are not routinely part of the fiscal audit – an in-depth statutory compliance and internal control audit. Modeled after audits conducted several years ago of Abbott school districts, the audit goes beyond the review of financial statements and examines the internal control system and compliance with statutes, as well as a review of various fiscal and accounting practices.

Bridgeton, Paterson, and Camden appeared before the Local Finance Board on April 8, 2009 and received approval (Bridgeton \$1.8M, Paterson \$27M, Camden \$56.350M). Jersey City appeared before the Board yesterday and received approval for \$5 million in funding.

It must be noted that the municipalities in the program are taking many of the cost savings measures that other municipalities have undergone, including furloughs and layoffs. The municipalities are taking the appropriate steps to lower costs and produce efficiencies, however, they still find themselves in dire need of assistance.

In short, the Department is taking all the right steps to ensure that municipalities in the program are properly expending funds and making themselves more efficient.

The Department is moving forward with its efforts to provide New Jersey residents with the affordable housing they need and deserve. Last year, the Council on Affordable Housing revised its third round rules and methodology. The new methodology calls for 115,000 affordable housing units to be provided over the next 10 years, an increase from 52,000 in the previous rule proposal. It maintains a growth share approach to providing affordable housing, with affordable housing required in keeping with market-rate housing and jobs that are provided in a community.

I recognize that the new COAH rules set an ambitious affordable housing goal in a difficult economic climate, but I am confident that all the stakeholders, including municipalities, for-profit developers, non-profit developers and housing advocates, can work together to meet the affordable and workforce housing needs of our State's low and moderate income households over the next ten years.

Under the new growth share ratios, one affordable unit must be provided among every five residential units and one affordable unit must be provided for every 16 jobs. (The old ratios, invalidated by the Courts, were one affordable unit for every nine residential units and one affordable unit for every 25 jobs.)

In addition, municipalities are given planning targets for the 2004 to 2018 period so that they plan for growth to meet the affordable housing need. The planning targets can be adjusted based on actual data on vacant land in each municipality.

245 municipalities have submitted plans to COAH. Additionally, over 100 municipalities are either with the Court or have received extensions under the Highlands Act. The over 350 municipalities that have signaled their intent to participate in the COAH process represents the highest participation since COAH began.

The danger of the legislative and executive branches not working together to achieve affordable housing objectives is the judiciary appointing a special master to do the job for us.

The Department of Community Affairs' (DCA) housing assistance and housing production programs remain integral to the State's commitment to provide affordable housing to New Jersey's citizens.

The DCA's federally funded Housing Choice Voucher (HCV) Program, or Section 8 as it is commonly referred to, assists over 19,872 households monthly. We anticipate the U.S. Department of Housing and Urban Development (HUD) will announce CY09 funding in May, which will give us a better sense of how many people we can assist this year.

This year HUD again acknowledged the DCA as a "High Performer." HUD also invited the DCA to apply for the new Veterans Support Housing Program vouchers. And we received the full allocation for New Jersey of 70 vouchers.

The successful State Rental Assistance Program (SRAP) currently serves 3,756 clients (which is 3,203 tenant based and 553 project based units). The Department currently has 863 Project-Based units under contract (these contracts are for 10 years). 553 of these units are currently leased. In May 2009 the Department will award an additional 90 Project Based vouchers.

As of March, DCA spent \$23,930,773 in housing assistance payments. We anticipate expending \$33,876,000 by June 2009.

In SFY 2008, the Balanced Housing Program (BH) committed funds for five projects benefiting a total of 328 units. BH Program funds were also provided for Home Express. It is estimated that 649 units will be produced with BH Program funds through Home Express.

In addition the BH program provided funding for the Camden Home Improvement Program (CHIP) which it is estimated that 94 units will be served with BH Program Funding. The BH program also provided funding for the Board Area Transit (BAT) Districts which it is estimated that 68 units will be produced with BH Program Funding. The total is 1,139 units committed to be produced from SFY 2008 BH Program Funds.

Not only are we providing the means to create housing, but we are also providing home energy assistance in greater amounts than ever before. DCA administers the federal Low Income Energy Assistance Program (LIHEAP). In FY08, LIHEAP provided \$93,178,536 million in financial assistance to low-income households to offset the high cost of utility bills.

As part of a comprehensive approach to provide energy assistance to New Jersey's at-risk population, the DCA also administers the Universal Service Fund (USF) for the New Jersey Board of Public Utilities. In 2008, the USF provided low-income families with an estimated \$11,509,595 million in utility bill credits.

During the current fiscal year, Governor Corzine expanded the eligibility for both LIHEAP and USF to 225% of the federal poverty level. This increase allowed for 50,000 more New Jersey families to be eligible. To date, we have awarded \$49,646,481 million more in LIHEAP funds compared to this same time period last year. We have also provided assistance to 15,199 more families compared to this same time period last year.

In addition to the above, 18,873 PAAD recipients will be receiving a one time benefit of \$250.00 on an up coming check run (on April 16th). If we add these totals to the 2009 figures, the total dollar figures awarded to date will increase to \$54,364,731 and the number of clients served will increase to 34,072. With regard to USF, we have awarded more than \$1,797,916 million in funds compared to last year.

This year Food Stamp clients whose heat is included in the rent will be getting \$1.00 added to their food stamp benefit from the LIHEAP program. This \$1 LIHEAP benefit automatically triggers an increase in their Food Stamp benefit of an average of \$86 a month.

And we still have a few weeks left for people to apply for this assistance.

In addition to DCA's mission of providing high quality affordable housing and energy assistance, the Department is tasked with assuring that the current housing stock is safe for our youngest residents.

New Jersey remains the only state in the nation addressing lead hazards through a comprehensive housing inspection program. The Department includes checking for lead-safe maintenance, as part of its regular inspection of multiple dwellings. Since the program began in 2005, more than 330,000 housing units built before 1978 have been inspected for lead hazards.

In light of the nations' current economic situation and in particular the sub-prime mortgage crisis, I also want to highlight the State's efforts in this area, lead by the Housing and Mortgage Finance Agency (HMFA).

Again, this is an area in which we in New Jersey are ahead of the game thanks to the foresight of Governor Corzine, who advocated for many of these programs.

On December 1, 2008 the Legislature approved an appropriation of \$12,500,000 for the New Jersey Judiciary's Foreclosure Mediation Program. Anyone facing foreclosure may participate in the program. The mediation program is designed to resolve foreclosure actions by proposing work-out and payment arrangements that accommodate the circumstances of distressed borrowers and the financial interests of lenders. Homeowners can receive the assistance of trained housing counselors for free and, many may also qualify for free legal assistance. Homeowners in foreclosure receive notices about the program at three separate times throughout the foreclosure process and are eligible to participate in the program right up to sheriff sale.

The program was enacted on January 5th of this year and HMFA has contracted with 20 HUD certified housing counseling agencies to work on this program. In the first two months of the program, over 2,000 families have contacted the hotline and approximately 100 are in it.

The Mortgage Assistance Program, 'MAP' provides up to \$20,000 per homeowner to bring mortgages current or to refinance or renegotiate the terms of the mortgage. To access these funds, homeowners must work with a counseling agency who determines eligibility and makes the resources available.

HMFA, in partnership with NeighborWorks America, has sponsored foreclosure prevention training sessions for HUD certified housing counseling agencies in NJ. The HMFA provided funding to housing/foreclosure prevention counseling agencies and these agencies who participate in the Federal HOPE NOW program and NeighborWorks. Both of these programs refer callers from the national hotline to New Jersey counselors to help homeowners with delinquencies, defaults on their loans or foreclosure. The number is: 1-888-995 HOPE.

These counselors are trained in mortgage modifications, budget counseling, and other types of foreclosure prevention counseling. We have over 80 HUD certified counselors who have completed intensive training in foreclosure prevention and asset preservation.

The Mortgage Stabilization Program (MSP) was designed to work with the banks and encourage them to modify their mortgages. The MSP was created pursuant to legislation that the Governor signed on January 9, 2009.

MSP is a loan program designed to help homeowners avoid foreclosure by either refinancing into another mortgage or modifying their existing mortgage to make the future loan payments affordable to the homeowner. To participate in the program, the homeowner's lender must be willing to write down the value of the mortgage to the current value of the property. Once the lender has written down the mortgage to the current value of the property, the state and the lender will each provide a loan to write down the mortgage even further so as to make the monthly payments affordable to the homeowner. We define "affordability" as 33% of the gross monthly household income payable toward principal, insurance, taxes and interest. The state's loan will match the lender's loan up to \$25,000 and both loans will be repaid by the homeowner upon sale of the property. This program officially began on April 1 and MSP counselor training was held yesterday.

The Housing Assistance and Recovery Program (HARP) is designed to provide financial support to qualified non-profit and public entities that work with lenders to purchase the mortgages of distressed homeowners. Under the HARP program, these entities purchase the mortgages of distressed homeowners and lease the properties back to the homeowners for up to three years. During that time, the non-profit or public entity works with the homeowner by providing counseling, job training, credit repair and budget guidance, with the goal of enabling the homeowner to buy back the home when he/she has achieved a firmer financial footing. The HARP Support Fund is already actively reviewing four applications for funding from Central Jersey CDC.

The First Time Home Buyer Mortgage Program provides for a mortgage, and for eligible borrowers, down payment and closing cost assistance. HMFA does not underwrite to credit scores and is actively making loans. HMFA mortgages are now and have always been 30 year, fixed rate, zero point loans. Our current interest rate is 6.5%, which sounds high, but, with the benefits and individualized underwriting, HMFA is able to make many loans that more traditional banks are not making. HMFA also provides counseling to first time home buyers as needed, at no cost.

Also, HMFA is making available a new program to take advantage of the First Time Home Buyer Tax Credits. Under the American Recovery and Reinvestment act, a federal tax credit of up to \$8000 is available for first time home buyers. Since the home must be purchased before the tax credit can be claimed – cash from the credit is not available to the homeowner until AFTER they file their tax return and receive the credit or refund. HMFA is making a 0% interest loan available to buyers who use the Agency's home buyer program mortgage – and will make the funds available for use for down payment and closing costs. The loan will up to \$5,000 and be repaid following the homeowner's receipt of their federal tax credit/refund – the following year (June 2010).

Additionally, through HMFA it is anticipated that approximately 2,000 new single family mortgages will be issued in FY10. 1,600 of the 2,000 home owners will receive down payment and closing costs assistance. 2,000 multifamily rental units will be produced. 500 units of housing will be preserved keeping the units affordable for an additional 22 years on average. 250 single family homes will be created under the CHOICE Program. 350 units of special needs housing will be created utilizing funding from the Special Needs Housing Trust Fund.

DCA's efforts are not just limited to housing. We also work to build the surrounding community through well planned development and partnerships.

Committed to revitalizing urban New Jersey, the New Jersey Redevelopment Authority (NJRA) partners with community-based organizations, municipalities, developers, nonprofit and for-profit groups as well as businesses to leverage its resources for redevelopment projects in 69 eligible municipalities throughout New Jersey. While the NJRA operates in traditional urban centers such as Newark, Trenton and Camden; the NJRA also does project funding in areas such as Philipsburg, Lakewood and Pemberton.

The NJRA provides customized project financing for urban redevelopment initiatives. These resources, critical to the redevelopment process, are offered in the form of loans, loan guarantees, bond financing, and equity investments. The NJRA's resources remain flexible and responsive to ensure successful redevelopment throughout New Jersey.

In 2008 the NJRA:

- Committed to invest more than \$8 million; which leveraged more than \$132 million in total project costs.
- Allocated more than \$1 million to cover various predevelopment activities including feasibility studies, architectural costs, environmental and engineering studies, legal and other related soft costs for development to occur.
- Provided financing, which will result in over 750 projected units of market-rate, moderate and affordable housing.
- Invested in more than 275,000 square feet of commercial space.
- Trained more than 180 students from the tri-state area on the redevelopment process.

Over its 12 year history the NJRA has invested more than \$336 million in eligible municipalities throughout the state which has leveraged more than \$3 billion in total development costs. As a result of these strategic investments, more than 6,000 units of housing and more than 2.5 million square feet of commercial space have been created in these communities.

NJRA's creative financing programs have allowed for numerous redevelopment projects and the formation of valuable public-private partnerships that have resulted in comprehensive redevelopment efforts. These projects will have a positive effect on the community in the form of jobs, housing creation and retail services.

In 2008, the Urban Enterprise Zone (UEZ) became an affiliate of the Department. Enacted in 1983, the UEZ Program was created to foster an economic climate that revitalizes designated urban communities and stimulates their growth by encouraging businesses to develop and create private sector jobs through public and private investment. Revenues generated from the reduced New Jersey Sales Tax offered by certified retailers in the UEZ are targeted for economic development projects including infrastructure, public safety, business attraction, expansion or retention.

A UEZ is an area within a designated municipality that has been impacted by the loss of jobs and taxes and ratables to the extent of requiring the use of various incentives to be able to stimulate growth and interest in development and to increase economic activity.

The UEZ Program supports over 137,000 full-time jobs and has attracted more than \$27 billion in private investment with almost 6,400 businesses of all sizes and types participating and benefiting from the advantages of the UEZ Program. Since the program's inception, over 27,000 businesses have enjoyed UEZ Program benefits.

This year will see the adoption of a revised state plan through the State Planning Commission and the Office of Smart Growth regulations. This document will help assure that New Jersey remains at the forefront of intelligent development and redevelopment that balances the needs of all our citizens, regardless of income; with our responsibility as stewards of the states natural resources.

The Center for Hispanic Policy, Research and Development (CHPRD) continues its outstanding work as a liaison to the Hispanic Community. Soon we will be welcoming our 22nd group of students to the CHPRD's successful Hispanic Interns in Community Service Program and the Latino Leaders Fellowship Institute.

Our Division on Women is working on the 2009 Governor's Conference Women, which is being held May 12 in Atlantic City. Thanks to their efforts, over 1,300 people have already registered. The Conference will feature guest speakers Cokie Roberts and Maya Angelou and promises to be the best one. Anyone interested in attending can go online to our website to register: www.nj.gov/dca.

I could not be more proud of the men and women at DCA. Our 1,085 employees are tasked with serving the needs of all of New Jersey's nine million citizens.

Despite difficult times, they have done more...much more, with less. We have increased home energy assistance funding, provided more accountability over state funds and continued to assist those residents in need through the production of affordable housing.

I can assure you, however, that we will not rest on our laurels. They are bigger and better things to come from the DCA in the future.

I have briefly outlined for you only some of the many programs and initiative that DCA provide to enhance the lives of NJ's citizens; but there are many more. I would be happy to arrange a more in depth meeting or information session on what has been discussed today or any of our other programs.