


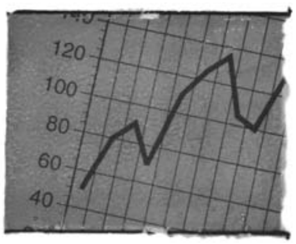



ANALYSIS OF THE NEW JERSEY BUDGET

DEPARTMENT OF THE TREASURY

FISCAL YEAR 2010 - 2011

PREPARED BY OFFICE OF LEGISLATIVE SERVICES
NEW JERSEY LEGISLATURE • APRIL 2010

NEW JERSEY STATE LEGISLATURE

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DEPARTMENT OF THE TREASURY

Budget Pages....... C-8; C-17; C-25; C-27; D-375 to D-425; E-8 to E-9; G-4 to G-8

Fiscal Summary ($000)

	Expended FY 2009	Adjusted Appropriation FY 2010	Recommended FY 2011	Percent Change 2010-11
State Budgeted	$3,225,024	$2,806,331	$1,716,656	(38.8%)
Federal Funds	5,615	105,512	10,278	(90.3%)
Other	1,336,074	1,253,540	1,235,952	(1.4%)
Grand Total	$4,566,713	$4,165,383	$2,962,886	(28.9%)

To be consistent with the data display in the Governor's budget, the above table includes the funding data in the Department of the Treasury for Higher Educational Services. Other explanatory data for these programs are included in a separate booklet entitled "Higher Educational Services."

TO THE READER

The Office of Legislative Services presents its analysis of the New Jersey Budget for Fiscal Year 2010-2011 in truncated form due to extraordinary time constraints. Unlike those of previous years, this year's analysis is confined to a review of significant changes in appropriations and language provisions, respectively, recommended by the Governor. It also presents two background papers on topics pertinent to this agency's mission. Discussion points, long a feature of annual OLS budget analyses, will be made available under separate cover and on the Internet, together with agency responses, from time to time as they are received.

Link to Website: http://www.njleg.state.nj.us/legislativepub/finance.asp

Office of Legislative Services
Legislative Budget and Finance Office
April 2010

Significant Changes/New Programs ($000)

Budget Item	Adj. Approp. FY 2010	Recomm. FY 2011	Dollar Change	Percent Change	Budget Page
ECONOMIC PLANNING AND DEVELOPMENT					
NEW JERSEY ECONOMIC DEVELOPMENT AUTHORITY					
General Fund, Grants-in-Aid: InvestNJ — Job Credits, EDA	**$25,000**	**$0**	**($25,000)**	**(100.0%)**	**D-384**
InvestNJ — Capital Credits, EDA	**$8,200**	**$0**	**($8,200)**	**(100.0%)**	**D-384**
TOTAL	**$33,200**	**$0**	**($33,200)**	**(100.0%)**	

On February 11, 2010, the Governor discontinued the Invest in New Jersey Business Grant Program (InvestNJ), when, as a mid-year adjustment to align State spending with declining revenue collections, the Office of Management and Budget placed $33.0 million of the $33.2 million FY 2010 program appropriation in reserve in anticipation of a year-end lapse to the General Fund. The Administration's accompanying explanatory material indicated that the program was eliminated because it was deemed ineffective in creating jobs. Accordingly, the Governor proposes no new appropriation to InvestNJ for FY 2011.

P.L.2008, c.113 established the bifurcated InvestNJ program and charged the EDA with its administration. The program has a statutory $120.0 million lifetime funding cap, which the EDA announced on March 5, 2009 was reached two months after making applications available on its website. Under its $70.0 million capital investment component, the EDA awards businesses grants of up to seven percent of qualifying capital investments made before January 1, 2011. Under the program's $50.0 million job creation component, the authority awards businesses $3,000 for each additional full-time job created. In FY 2009, the State allocated $25.0 million out of the off-budget Long Term Obligation and Capital Expenditure Fund to the program, of which $11.0 million had been spent as of March 26, 2010 with an uncommitted $14.0 million remaining in the account. In FY 2010, $200,000 of the $32.2 million General Fund appropriation for the program was expended before the freezing of program balances.

General Fund, Grants-in-Aid: Division of Business Assistance, Marketing and International Trade, EDA	**$3,136**	**$2,350**	**($786)**	**(25.1%)**	**D-384**

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

Budget Item	Adj. Approp. FY 2010	Recomm. FY 2011	Dollar Change	Percent Change	Budget Page

The Division of Business Assistance, Marketing, and International Trade helps businesses create and maintain jobs in New Jersey, assists them in navigating through the intricacies of New Jersey government agencies and regulations, and promotes New Jersey nationally and internationally as a business destination. The recommended $786,000 cut to the division's FY 2011 appropriation has two components. First, the division would reduce its operating expenditures by $536,000. It would reduce outreach and marketing expenses ($179,000), eliminate an executive position ($80,000), cease to sponsor a biotech conference ($25,000), and deliver other unspecified operational efficiencies ($252,000).

Second, the Administration recommends eliminating funding for the New Jersey Small Business Development Centers (NJSBDC) network in FY 2011. The State provided $250,000 to the network in FY 2010 out of the appropriation to the division. According to the NJSBDC, zeroing out the State appropriation in FY 2011 would jeopardize $250,000 in federal matching funds if other revenues did not compensate for the revenue loss from the State. Moreover, given the proposed cuts in State spending on higher education the NJSBDC is also concerned host universities and colleges might also reduce their contributions to the operations of small business development centers, which would jeopardize yet additional federal matching funds. Lastly, the NJSBDC asserted that even if the State appropriated $250,000 to its operations in FY 2011, this amount would fail to maximize available federal matching funds. Specifically, the NJSBDC pointed to the United States House of Representatives Committee on Small Business recommending a $135 million appropriation to state small business development centers in the next federal budget, which would make more federal funds available to New Jersey than the NJSBDC could claim even with a $250,000 State appropriation.

A federal-state partnership with institutions of higher education, the nonprofit NJSBDC network provides counseling and training for small business owners to help them finance, market, and manage their companies. Headquartered on the Newark campus of Rutgers Business School, the network is comprised of 11 regional centers and 27 affiliated offices located throughout the State. In calendar year 2009, the NJSBDC counseled and trained 20,527 clients and helped them secure $30.4 million in financing through loan and equity investments. The organization received $250,000 in State funding in calendar year 2009, $2.9 million in federal funding, and $2.5 million in cash and in-kind donations from its host universities and colleges.

General Fund, Grants-in-Aid: Business Employment Incentive Program, EDA	**$194,000**	**$175,000**	**($19,000)**	**(9.8%)**	**D-384**

The FY 2011 Governor's Budget includes $175.0 million for Business Employment Incentive Program (BEIP) grants, the same amount as is appropriated for the program in FY 2010 following a mid-year adjustment to align State spending with declining revenue collections. On February 11, 2010, the Office of Management and Budget placed $25.0 million of the $194.0 million FY 2010 program appropriation (and $6.0 million in carryforward balances) in

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

Budget Item	Adj. Approp. FY 2010	Recomm. FY 2011	Dollar Change	Percent Change	Budget Page

reserve in anticipation of a year-end lapse to the General Fund. The Administration's accompanying explanatory material indicated that the $25.0 million would be lapsed because the EDA would only be processing $175.0 million in BEIP grants in FY 2010. In addition to the $175.0 million, the Governor recommends expending $33.6 million in FY 2011 to make required debt service payments on $243.7 million in contract bonds issued by the EDA to finance BEIP grants from FY 2004 through 2006 pursuant to P.L.2003, c.166. In FY 2007, pay-as-you-go funding replaced debt financing as the funding source for BEIP grants.

Under N.J.S.A.34:1B-124 et seq., the EDA makes BEIP grants available to businesses that create jobs in New Jersey. Grants may be awarded for up to ten years and equal between 10 percent and 80 percent of the total amount of State income taxes withheld by the grant receiving business from wages of new employees subject to the grant agreement. To qualify for a grant, an applicant must certify that receipt of the grant is a "material factor" in the business' decision to invest in New Jersey. According to the Fiscal Year 2009 Annual Report for BEIP, the EDA signed 410 BEIP grant agreements with a cumulative grant amount of $1.3 billion (of which $789 million has been disbursed) from the program's inception in 1996 through September 2009. In all, BEIP grants covered 81,993 new jobs and capital investments totaling $12.2 billion.

NEW JERSEY COMMISSION ON SCIENCE AND TECHNOLOGY

Budget Item	Adj. Approp. FY 2010	Recomm. FY 2011	Dollar Change	Percent Change	Budget Page
General Fund, Direct State Services: Total Direct State Services	**$433**	**$0**	**($433)**	**(100.0%)**	**D-386**
General Fund, Grants-in-Aid: Science and Technology Grants	**$10,000**	**$0**	**($10,000)**	**(100.0%)**	**D-387**
TOTAL	**$10,433**	**$0**	**($10,433)**	**(100.0%)**	

The Governor recommends discontinuing the New Jersey Commission on Science and Technology (NJCST) and its grant programs in FY 2011. The commission has a $10.4 million FY 2010 appropriation, of which $10.0 million finances grant programs and $445,000 pays for the commission's operating expenses. However, as a mid-year adjustment to align State spending with declining revenue collections, the Office of Management and Budget placed $3.4 million of the FY 2010 grant appropriation in reserve in anticipation of a year-end lapse to the General Fund, leaving $6.8 million in budget authority for grants (including a $272,000 carryforward from FY 2009).

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

Budget Item	Adj. Approp. FY 2010	Recomm. FY 2011	Dollar Change	Percent Change	Budget Page

The commission aspires to buttress and develop the scientific and technological sector of the State's economy by assisting early-stage companies that attempt to commercialize their scientific and technological research discoveries. Specifically, the commission stimulates collaboration between industry and academic institutions, supports the activities of technology and business incubation facilities, and advocates for technology businesses. The awarding of financial assistance constitutes a major activity of the NJCST. The FY 2010 Appropriations Act includes funding for the following grants: a) $3.5 million for the Edison Innovation Research and Development Fund, which provides funding to New Jersey technology companies partnering with a New Jersey research university, company or institution for research and development activities required for the commercialization of an identified technology; b) $2.0 million to stem cell research to encourage the development of stem cell-based treatment options for patients; c) $1.5 million for the New Jersey Business Incubator Network, which provides a professional business environment, administrative support, and networking opportunities for entrepreneurs through 14 centers located throughout the State; d) $1.45 million for New Jersey Technology Fellowships, which provide salary funding for recent doctoral graduates of New Jersey universities to work in small New Jersey technology companies; e) $800,000 for New Jersey Entrepreneur Fellowships, which provide salary funding for recent MBA graduates of New Jersey universities to work in small New Jersey technology companies; f) $400,000 for the Small Business Innovative Research Bridge Grant Program, which provides grants to companies awaiting federal moneys to help bridge a funding gap; g) $250,000 for the Incubator Seed Fund, which awards grants to emerging technology businesses located in business incubators to help them commercialize technologies; and h) $100,000 to the Small Business Innovation Research Program, under which the NJCST offers training sessions to help entrepreneurs successfully submit Small Business Innovation Research and Small Business Technology Transfer proposals to federal agencies.

ECONOMIC REGULATION

BOARD OF PUBLIC UTILITIES

General Fund, Direct State Services: Administration and Support Services	**$10,687**	**$6,891**	**($3,796)**	**(35.5%)**	**D-389**

The recommended $3.8 million cut in the FY 2011 appropriation for the salary account of the Board of Public Utilities' (BPU) Division of Administration has two components. As a one-year stop-gap measure, $3.0 million in anticipated balances in BPU accounts at the end of FY 2010 would be carried forward into FY 2011 and applied against FY 2011 salary expenditures of the Division of Administration. Operating efficiencies in the form of positions that would be eliminated or not refilled would contribute the remaining $796,000 reduction in the appropriation.

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

Budget Item	Adj. Approp. FY 2010	Recomm. FY 2011	Dollar Change	Percent Change	Budget Page
General Fund, Grants-in-Aid: New Jersey Statewide Heating Assistance and Referral for Energy Services	**$5,000**	**$0**	**($5,000)**	**(100.0%)**	**D-390**

As part of the Governor's budget solutions designed to align State spending with anticipated revenue collections in FY 2011, the Executive recommends not renewing a State General Fund appropriation for New Jersey Statewide Heating Assistance and Referral for Energy Services (NJ SHARES) (The amounts in this budget line represent only a portion of the total State funds granted to NJSHARES in the current year. NJSHARES' total appropriation is described below.) The reduction over FY 2010 would in effect only be $3.0 million, given that, as a mid-year adjustment to align State spending with declining revenue collections, the Office of Management and Budget placed $2.0 million of the $5.0 million FY 2010 appropriation to NJSHARES in reserve in anticipation of a year-end lapse to the General Fund. The organization states that not renewing the FY 2010 appropriation would force it to turn away 3,000 applicants seeking assistance. Even so, NJSHARES points out that most applicants would not be harmed by the proposed cut by reason of P.L.2009, c.207. The law appropriated $25.0 million to NJSHARES from available balances accumulated in Board of Public Utilities (BPU) accounts from societal benefits charge collections. The organization anticipates that the payment, which is scheduled to be released to NJSHARES in July 2010, would enable it to provide assistance to 32,000 households in FY 2011.

A Statewide nonprofit energy assistance organization, NJSHARES lends financial support to needy households that do not qualify for assistance under the Low Income Home Energy Assistance Program (LIHEAP) to help them pay their electric and heating fuel bills. The maximum annual grant per household is $700 for heating fuel and $300 for electricity. In calendar year 2009, the organization had $18.4 million in revenues, $14.3 million in operating expenditures, and provided an average grant of $670 to 19,287 households. At the same time, it turned away 15,000 applicants due to insufficient funding. The organization estimates that it will turn away 8,000 applicants in calendar year 2010, including 3,000 because of the FY 2011 budget cut proposed by the Governor.

In FY 2010, NJSHARES received $12.1 million in total State funding as of April 6, 2010. This amount does not include the $25.0 million that P.L.2009, c.207 appropriated to NJSHARES. The $12.1 million has three components: 1) the $3.0 million FY 2010 State General Fund appropriation; 2) $7.1 million awarded by the BPU pursuant to N.J.S.A.26:2C-51 out of the off-budget "Global Warming Solutions Fund" whose balances represent the proceeds of the auctions of carbon dioxide emission allowances to power plant owners under the Regional Greenhouse Gas Initiative (RGGI); and 3) $2.0 million from the off-budget Unclaimed Utility Deposits Trust Fund in accordance with subsection b. of N.J.S.A.46:30B-74. Under the Governor's FY 2011 spending plan, NJSHARES would receive neither a State General Fund appropriation nor support from the "Global Warming Solutions Fund," as the Governor

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

Budget Item	Adj. Approp. FY 2010	Recomm. FY 2011	Dollar Change	Percent Change	Budget Page

proposes diverting accrued and anticipated FY 2011 "Global Warming Solutions Fund" balances into the State General Fund.

Budget Item	Adj. Approp. FY 2010	Recomm. FY 2011	Dollar Change	Percent Change	Budget Page
Federal Funds: Energy Resource Management	**$91,635**	**$3,592**	**($88,043)**	**(96.1%)**	**D-390**

This line aggregates several sources of federal funding the BPU's Office of Clean Energy receives for energy resource management. The $88.0 million reduction reflects the non-recurrence in FY 2011 of federal stimulus funding for two initiatives under the American Recovery and Reinvestment Act (ARRA) of 2009. First, the BPU received $73.6 million in FY 2010 from the federal State Energy Program and deposited the sum in the Clean Energy Fund. Program allocations had to be used to develop renewable energy and alternative fuel projects, to promote ENERGY STAR products, to upgrade the energy efficiency of state and local government buildings, and to help households reduce their energy bills. The BPU also received $14.4 million in FY 2010 for state energy conservation under the federal Energy Efficiency and Conservation Block Grant. At least 60 percent of the program moneys had to be made available to the 501 municipalities and 11 counties that did not receive direct federal funding under the program. Grants had to fund projects that improve energy efficiency, reduce energy consumption, and lower fossil fuel emissions.

The $3.6 million in federal funds for the Office of Clean Energy that recur in FY 2011 are comprised of $2.7 million under the regular, non-stimulus enhanced State Energy Program, $717,000 from the Diamond Shamrock Oil Overcharge Settlement Fund, and $200,000 in funds from other federal programs and accruals. The Diamond Shamrock Oil Overcharge Settlement Fund is a petroleum violation escrow fund whose balances became available as a result of a 1986 settlement of a multi-state case alleging oil company violations of federal oil pricing controls in place from 1973 to 1981. New Jersey uses its payments, which must provide indirect restitution to energy consumers through energy-related programs, to supplement its State Energy Program activities.

Budget Item	Adj. Approp. FY 2010	Recomm. FY 2011	Dollar Change	Percent Change	Budget Page
All Other Funds: Regulation of Cable Television	**$3,458**	**$0**	**($3,458)**	**(100.0%)**	**D-390**

The $3.5 million reduction in this budget line in FY 2011 represents the amount the CATV Universal Access Fund is anticipated to collect in FY 2011 and which the Governor recommends diverting into the State General Fund. Pursuant to proposed budget language, the FY 2011 Governor's Budget recommends redirecting a total of $9.1 million in CATV Universal Access Fund balances into the State General Fund: $3.5 million representing the amount the fund is anticipated to collect in FY 2011, and $5.6 million reflecting the balances accruing in the fund through the end of FY 2010.

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

Budget Item	Adj. Approp. FY 2010	Recomm. FY 2011	Dollar Change	Percent Change	Budget Page

P.L.2006, c.83 established the off-budget CATV Universal Access Fund as the repository of sums certain cable television providers collect from their customers through a fee equal to 0.5 percent of the customers' monthly cable television bills. Specifically, cable television companies with a system-wide cable television franchise covering multiple municipalities must collect the fee from customers in municipalities in which the companies provide cable television service under a system-wide franchise. The fee must also be collected by cable television companies with a municipal franchise once a system-wide franchisee is capable of serving at least 60 percent of the households in the municipality for which the company owns a municipal franchise.

The fee has been collected since January 2007 and its proceeds are intended to pay for the Pharmaceutical Assistance to the Aged and Disabled (PAAD) Cable Rebate Program. Under the program, which is administered by the Department of the Treasury, PAAD beneficiaries are to receive a benefit equal to the cost of providing basic cable services to them. The program is not yet operational.

Budget Item	Adj. Approp. FY 2010	Recomm. FY 2011	Dollar Change	Percent Change	Budget Page
All Other Funds: Energy Resource Management	**$14,650**	**$1,300**	**($13,350)**	**(91.1%)**	**D-390**

This budget line combines two off-budget accounts administered by the BPU's Office of Clean Energy. The $1.3 million FY 2011 allocation reflects the administrative expenses of the Clean Energy Program that are charged against the off-budget Clean Energy Fund, and is unchanged from the FY 2010 level. The $13.4 million reduction over FY 2010 represents the recommended diversion to the State General Fund as State revenue of anticipated FY 2011 Retail Margin Fund (RMF) receipts other than the $451,000 allocated off-budget to the BPU Office of the Business Energy Ombudsperson. RMF collections other than for the Office of the Business Energy Ombudsperson are projected to be $13.4 million in FY 2010 and $13.9 million in FY 2011.

The RMF is a dedicated, off-budget fund in the State General Fund administered by the BPU. Balances in the RMF accrue from the 0.5¢ per kilowatt-hour retail margin that electric distribution companies have been charging certain non-residential customers remaining on Basic Generation Service since August 2003 under sections 3 and 9 of P.L.1999, c.23 (C.48:3-51 and 48:3-57). For several years RMF balances have accrued in the near-absence of assigned spending purposes. P.L.2009, c.34 then required that $60 million of the accrued RMF balances as of March 31, 2009 fund grants to support the development of Combined Heat and Power facilities. The law also authorized the BPU to use any remaining and future collections to operate programs for Commercial and Industrial Energy Pricing (CIEP) electric customers that maximize energy conservation and efficiency, reduce peak energy demand, and increase renewable energy sources. As a mid-year adjustment to align State spending with declining revenue collections, the Office of Management and Budget placed $128.0 million in accrued

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

Budget Item	Adj. Approp. FY 2010	Recomm. FY 2011	Dollar Change	Percent Change	Budget Page

RMF balances in reserve on February 11, 2010 in anticipation of a year-end lapse to the General Fund. As of April 12, 2010, $5.4 million remains unobligated in the fund.

The BPU oversees the Clean Energy Program, created as part of P.L.1999, c.23 (C.48:3-49 et seq.) and operative since April 2001, through which the State seeks to promote increased energy efficiency and the use of renewable sources of energy including solar, wind, geothermal, and sustainable biomass. The program's financial incentives support residents' purchases of high efficiency heating and cooling systems, commercial energy efficiency projects, and installations of solar electric or other renewable energy systems, among other initiatives. New Jersey ratepayers finance the program via the societal benefits charge included in their electric and natural gas bills.

Budget Item	Adj. Approp. FY 2010	Recomm. FY 2011	Dollar Change	Percent Change	Budget Page
All Other Funds: Administration and Support Services	**$2,528**	**$451**	**($2,077)**	**(82.2%)**	**D-390**

This budget line aggregates several off-budget accounts administered by the BPU's Division of Administration. The proposed $2.1 million decline in FY 2011 represents the non-recurrence of expenditures for routine management and program audits of assorted electric and gas utility companies. The BPU selects and pays the audit firms, but the audited utility companies reimburse the State for the auditing expenditures.

The remaining $451,000 in this FY 2011 budget line reflects the Governor's recommended allocation to the BPU Office of the Business Energy Ombudsperson, which is unchanged from the FY 2010 amount. The office functions as a centralized resource for businesses to obtain information and assistance on energy costs, programs, and subsidies to lower their energy consumption. The office's source of funding is the Retail Margin Fund (RMF), which is a dedicated, off-budget fund in the State General Fund administered by the BPU. Balances in the RMF accrue from the 0.5¢ per kilowatt-hour retail margin that electric distribution companies have been charging certain non-residential customers remaining on Basic Generation Service since August 2003 under sections 3 and 9 of P.L.1999, c.23 (C.48:3-51 and 48:3-57). Total RMF collections are projected to be $13.9 million in FY 2010 and $14.4 million in FY 2011.

GOVERNMENTAL REVIEW AND OVERSIGHT

OFFICE OF THE INSPECTOR GENERAL

Budget Item	Adj. Approp. FY 2010	Recomm. FY 2011	Dollar Change	Percent Change	Budget Page
General Fund, Direct State Services-- Special Purpose:	**$1,384**	**$2,177**	**$793**	**57.3%**	**D-396**

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

Budget Item	Adj. Approp. FY 2010	Recomm. FY 2011	Dollar Change	Percent Change	Budget Page
Office of the Medicaid Inspector General					
Federal Funds: Office of the Medicaid Inspector General	$2,297	$2,429	$132	5.7%	D-396
TOTAL	$3,681	$4,606	$925	25.1%	

The Governor proposes fully staffing the Office of the Medicaid Inspector General (OMIG) in FY 2011. To accomplish that objective, the OMIG would have to fill ten vacant positions to reach 54 full-time positions. The Governor's FY 2011 Budget assumes that the fully staffed OMIG would identify and eliminate $40.0 million in Medicaid fraud in FY 2011 (pages 35 and 96 of the FY 2011 Budget-in-Brief).

The "Medicaid Program Integrity and Protection Act", P.L.2007, c.58, authorized the creation of the OMIG in the Office of the Inspector General. The State's first Medicaid Inspector General was appointed in December 2008 and the office began its operations in the course of FY 2009. The OMIG is intended to prevent, detect, investigate, and reduce fraud, waste, and abuse in the State's Medicaid program. It has the authority to supervise all State government activities relating to Medicaid integrity, fraud, and abuse, except the activities of the Medicaid Fraud Control Unit in the Department of Law and Public Safety. The federal government matches State expenditures for the office 200 percent through the Medicaid program. For FY 2011, the Executive recommends consolidating the functions of the Inspector General, the State Commission of Investigation, and the Medicaid Inspector General into the Office of the State Comptroller.

FINANCIAL ADMINISTRATION

DIVISION OF TAXATION

Budget Item	Adj. Approp. FY 2010	Recomm. FY 2011	Dollar Change	Percent Change	Budget Page
General Fund, Direct State Services: Taxation Services and Administration	$114,488	$107,822	($6,666)	(5.8%)	D-400

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

Budget Item	Adj. Approp. FY 2010	Recomm. FY 2011	Dollar Change	Percent Change	Budget Page

The recommended $6.7 million decrease in the FY 2011 appropriation to the Division of Taxation results from lower anticipated expenses in the Services Other than Personal account, which pays for services provided by outside vendors. Of the $6.7 million, $4.8 million would be saved from the completion of the Division of Taxation Data Warehouse contract in FY 2010, and $1.6 million from the nonrenewal of a supplemental FY 2010 appropriation for a debt collection contract. However, the Governor's Budget includes a language provision on page D-401 allowing for supplemental appropriations of unspecified amounts for tax and debt collection and processing activities without additional legislative approval. The division invoked this language provision to authorize such supplemental appropriations in FY 2010 and theretofore.

The Division of Taxation Data Warehouse contract refers to the development, implementation, and operation of an information technology platform to collect, store, and analyze data on taxpayer compliance with State tax laws. The division has been using the information to generate additional State revenue through compliance initiatives. Teradata, a division of NCR Government Systems LLC, was selected as the contractor for the initiative in September 2005, and has been paid exclusively from the increased revenue the Taxation Data Warehouse generated to the State. The contract will expire in the course of FY 2011 and is not scheduled to be renewed. Available balances in the program account will cover program expenses through the early months of FY 2011, thereby obviating the need for an additional appropriation.

CASINO CONTROL COMMISSION

Casino Control Fund, Direct State Services: Salaries and Wages (CCF)	**$16,750**	**$14,625**	**($2,125)**	**(12.7%)**	**D-400**

The Governor's FY 2011 Budget recommends lowering by $2.1 million the salaries and wages appropriation to the Casino Control Commission out of the Casino Control Fund. The commission plans to eliminated 59 funded full-time positions in FY 2011 through a combination of retirements, terminations, and the elimination of funding for vacant positions. None of the commission's programs and functions is proposed to be suspended or eliminated.

Along with the Division of Gaming Enforcement in the Department of Law and Public Safety, the Casino Control Commission regulates the New Jersey casino industry pursuant to P.L.1977, c.110 (C.5:12-1 et seq.). Its operations are funded out of the Casino Control Fund into which are deposited all revenues accruing from the licensure of facilities, slot machines, employees, and ancillary industries.

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

Budget Item	Adj. Approp. FY 2010	Recomm. FY 2011	Dollar Change	Percent Change	Budget Page
DIVISION OF REVENUE					
All Other Funds: Administration of State Revenues	**$57,522**	**$46,122**	**($11,400)**	**(19.8%)**	**D-401**

This budget line aggregates several off-budget funds administered by the Division of Revenue and reflects the funds' administrative expenses and transfers to other State agencies. In FY 2011, two transfers account for $45.9 million of the $46.1 million appropriation: (1) $35.9 million transferred from the Division of Developmental Disabilities Community Placement and Services Fund—which contains the proceeds from the 5.3 percent assessment on the annual gross revenue of intermediate care facilities for the mentally retarded pursuant to P.L.1998, c.40 (C.30:6D-43 et seq.)—to the Division of Developmental Disabilities in the Department of Human Services for reducing its waiting list, making appropriate community placements, and providing support services; and (2) $10.0 million transferred to the Motor Vehicle Commission from collections of deficient and delinquent motor vehicle surcharges by contractors.

The $11.4 million decrease in this budget line reflects the net effect of two changes. First, the Administration projects that the amount transferred to the Motor Vehicle Commission from collections of deficient and delinquent motor vehicle surcharges by contractors will increase from $9.0 million in FY 2010 to $10.0 million in FY 2011. Second, the budget line also includes moneys to be transferred from the New Jersey Public Records Preservation account—which receives 40 percent of total collections from the $5 increase in recording fees charged by county clerks and registers since 2003 under section 38 of P.L.2003, c.177 (C.22A:4-4.1)--to the Department of State for programs supporting the management, storage, and preservation of public records by counties and municipalities. The adjusted FY 2010 appropriation is $12.4 million. For FY 2011, the Governor proposes diverting into the State General Fund the anticipated $13.7 million in FY 2011 account receipts that are statutorily set aside for county and municipal use. The recommended diversion continues FY 2010 precedent. As a mid-year adjustment to align State spending with declining revenue collections, the Office of Management and Budget actually placed $14.0 million in county and municipal New Jersey Public Records Preservation account balances in reserve on February 11, 2010 in anticipation of a year-end lapse to the General Fund. The Administration's accompanying explanatory material indicated that no grants would be offered to county and municipal governments in FY 2010.

GENERAL GOVERNMENT SERVICES

Budget Item	Adj. Approp. FY 2010	Recomm. FY 2011	Dollar Change	Percent Change	Budget Page
DIVISION OF WORKFORCE INITIATIVES AND DEVELOPMENT					
General Fund, Direct State Services: Workforce Initiatives	**$2,395**	**$2,095**	**($300)**	**(12.5%)**	**D-406**

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

Budget Item	Adj. Approp. FY 2010	Recomm. FY 2011	Dollar Change	Percent Change	Budget Page
and Development					
All Other Funds:					
Workforce Initiatives and Development	**$950**	**$596**	**($354)**	**(37.3%)**	**D-407**
TOTAL	**$3,345**	**$2,691**	**($654)**	**(19.6%)**	

Budgetary pressures are prompting most State agencies to curtail their investment in employee training. For example, the Executive anticipates that in FY 2011 the on-line Learning Management System in the Division of Workforce Initiatives and Development will only provide policy-based training such as programs on ethics and the avoidance of violence in the workplace. Responding to the depressed demand for employee training, the Governor recommends eliminating 15 positions, effective January 1, 2011, in all employee training programs, which would produce the proposed spending reductions in the above budget lines.

The Division of Workforce Initiatives and Development compiles information on the human resources development and training needs of State government; advises the Governor on human resources development and training programs; works with State government agencies to prepare human resources development and training plans and programs; and presents formal training courses to employees of State government agencies.

CAPITAL CITY REDEVELOPMENT CORPORATION

Budget Item	Adj. Approp. FY 2010	Recomm. FY 2011	Dollar Change	Percent Change	Budget Page
All Other Funds:					
Capital City Redevelopment Corporation	**$301**	**$0**	**($301)**	**(100.0%)**	**D-407**

P.L.2009, c.252 reconstituted the Capital City Redevelopment Corporation as an independent, self-supporting authority, thereby eliminating the need for State appropriations to the corporation. Even though the corporation now manages its financial operations without formal Department of the Treasury oversight, the Governor retains veto power over the corporation's actions. Prior to passage of P.L.2009, c.252, Treasury made off-budget appropriations from the off-budget Capital City Redevelopment Loan and Grant Fund to this corporation account to cover its administrative expenses.

Established pursuant to P.L.1987, c.58 (C.52:9Q-9 et seq.) and allocated "in but not of" the Department of the Treasury, the corporation finances community and economic development projects in Trenton's Capital City District in accordance with the Capital City Renaissance Plan. The Capital City Redevelopment Loan and Grant Fund (page H-23 in the FY 2011 Governor's Budget), a nonlapsing revolving fund, finances corporation activities out of moneys received

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

Budget Item	Adj. Approp. FY 2010	Recomm. FY 2011	Dollar Change	Percent Change	Budget Page

from prior State appropriations and loan repayments. P.L.2009, c.252 changed the corporation's organizational structure and powers so as to transform it from a financing and regulatory agency to a municipal redevelopment agency. The corporation, now constituted as an independent, self-supporting authority, is newly able to add to its financial wherewithal through the sale of bonds, notes and other obligations paid for from non-State sources.

OFFICE OF ADMINISTRATIVE LAW

Budget Item	Adj. Approp. FY 2010	Recomm. FY 2011	Dollar Change	Percent Change	Budget Page
All Other Funds: Adjudication of Administrative Appeals	**$4,369**	**$4,859**	**$490**	**11.2%**	**D-410**

This off-budget account receives transfers of funds from other State agencies to the Office of Administrative Law for billable judicial hearing services provided by the office. The nonrecurrence of officewide savings from ten furlough days in FY 2010 accounts for the proposed FY 2011 increase in this budget line.

OFFICE OF INFORMATION TECHNOLOGY

Budget Item	Adj. Approp. FY 2010	Recomm. FY 2011	Dollar Change	Percent Change	Budget Page
General Fund, Direct State Services-- Special Purpose: Office of Information Technology	**$54,473**	**$56,187**	**$1,714**	**3.1%**	**D-412**

This budget line represents transfers of federal and dedicated funds from State agencies to the Office of Information Technology (OIT) for billable services performed by OIT. The requested $1.7 million increase over the FY 2010 amount is the net effect of two countervailing factors: growth in OIT's salary and wage expenditures charged against other State agencies' federal and dedicated funds would be partially offset by reductions in OIT billable costs due to OIT operational efficiencies.

OIT provides information technology services to State agencies and has a recommended FY 2011 budget of $105.1 million for 812 employees. Excluding the proposed $12.9 million for the Office of Emergency Telecommunication Services, OIT's recommended FY 2011 appropriation is $92.2 million. Of this amount, transfers of federal and dedicated funds from State agencies for billable OIT services account for $56.2 million, or 53.5 percent, and General Fund appropriations for the remaining $48.9 million, or 46.5 percent.

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

Budget Item	Adj. Approp. FY 2010	Recomm. FY 2011	Dollar Change	Percent Change	Budget Page
	STATE SUBSIDIES AND FINANCIAL AID				
PTRF, Grants-in-Aid: Homestead Property Tax Credits/Rebates for Homeowners	**$1,044,400**	**$268,200**	**($776,200)**	**(74.3%)**	**D-416**
PTRF, Grants-in-Aid: Homestead Property Tax Rebates for Tenants	**$74,200**	**$0**	**($74,200)**	**(100.0%)**	**D-416**
TOTAL	**$1,118,600**	**$268,200**	**($850,400)**	**(76.0%)**	

The recommended $850.4 million funding decrease for the New Jersey Homestead Property Tax Credit program (N.J.S.A.54:4-8.57 et seq.) would be realized by maintaining the FY 2010 elimination of certain recipients from the program, discontinuing the rebate program for tenants, and reducing rebate amounts for eligible homeowners by 75 percent over FY 2010. The Governor also proposes ending the mailing of checks to eligible homeowners as the benefit's method of disbursement and replacing it with a quarterly credit applied directly via electronic funds transfer against the local property tax account for a claimant's homestead beginning May 2011. This change in the method of disbursement would mean that no resident would get a FY 2011 program benefit in calendar year 2010. In sum, the Executive estimates that 997,000 homeowners would collect an average $269 benefit in FY 2011, after collecting an average $1,035 rebate in FY 2010. The OLS additionally notes that the Governor's FY 2011 Budget reflects $17.0 million in the program's adjusted FY 2010 appropriation that has been placed in reserve in anticipation of a year-end lapse to the General Fund or transferred into other accounts.

Table 1 on page 64 indicates the benefit amounts individuals received in FY 2010, the amounts they would have received under statutory provisions, and the amounts they would receive in FY 2011 according to statutes and proposed language in the FY 2011 Governor's Budget. Under the program's statutory structure, a homeowner's rebate amount is based on the homeowner's gross income and the homeowner's property taxes paid in the last calendar year up to $10,000. Credits equal 20 percent of allowable property taxes paid up to $10,000 for incomes up to $100,000, 15 percent of allowable property taxes paid up to $10,000 for incomes over $100,000 up to $150,000, and 10 percent of allowable property taxes paid up to $10,000 for incomes over $150,000 up to $250,000. Statutory tenant rebates in FY 2011 would be $150 for all tenants with incomes up to $100,000, with tenants who are 65 years of age or older, or blind or disabled with incomes not exceeding $70,000 receiving up to $850.

<u>Senior Homeowners:</u> The FY 2011 Governor's Budget maintains the program changes implemented in FY 2010 for homeowners who are 65 years of age or older, or blind or disabled, but reduces the benefit by 75 percent. Specifically, the Governor recommends: a) eliminating rebates for homeowners with incomes above $150,000; b) reducing rebates from a

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

Budget Item	Adj. Approp. FY 2010	Recomm. FY 2011	Dollar Change	Percent Change	Budget Page

statutory 15 percent (and 10 percent in FY 2010) to 2.5 percent of property taxes paid up to $10,000 for homeowners with incomes between $100,000 and $150,000; c) reducing rebates from 20 percent to 5 percent of property taxes paid up to $10,000 for homeowners with incomes not exceeding $100,000; and d) maintaining 2006 property taxes, as opposed to tax year 2009 property taxes, as the basis for calculating rebates.

Non-Senior Homeowners: For all other homeowners the Governor's FY 2011 Budget proposes: a) eliminating rebates for homeowners with incomes above $75,000; b) reducing rebates from a statutory 20 percent (and 13.34 percent in FY 2010) to 3.335 percent of property taxes paid up to $10,000 for homeowners with incomes between $50,000 and $75,000; c) lowering rebates from 20 percent to 5 percent of property taxes paid up to $10,000 for homeowners with incomes not exceeding $50,000; and d) maintaining 2006 property taxes, as opposed to tax year 2009 property taxes, as the basis for calculating rebates.

Tenants: The Governor proposes eliminating homestead property tax rebate benefits for all tenants. Statutory tenant rebates in FY 2011 would be $150 for all tenants with incomes up to $100,000, with tenants who are 65 years of age or older, or blind or disabled with incomes not exceeding $70,000 receiving up to $850. Only tenants who were 65 years of age or older, or blind or disabled received rebates in FY 2010. The rebates reflected statutory amounts absent the statutory inflation adjustment.

PTRF, Grants-in-Aid: Senior and Disabled Citizens' Property Tax Freeze	**$191,500**	**$165,600**	**($25,900)**	**(13.5%)**	**D-416**

For FY 2011, the Governor recommends restrictions on the Senior and Disabled Citizens' Property Tax Freeze program, or Homestead Property Tax Reimbursement program (N.J.S.A.54:4-8.67 et seq.). Specifically, the program would be closed to new applicants and payments capped at last year's benefit amounts. As a result, a $25.9 million reduction in program expenses over FY 2010 would be realized because no new entrants would replace an estimated 24,000 attriting beneficiaries. Overall, the Executive forecasts the average FY 2011 payment to 159,000 projected participants to remain at the FY 2010 level of $1,040.

Under the Governor's proposal, the Senior and Disabled Citizens' Property Tax Freeze program would reimburse qualified homeowners for the difference between the amount of property taxes they paid on their principal residence in tax year 2008 (as opposed to tax year 2009 under statutory provisions) and the amount they had paid in their base year. Qualified homeowners in FY 2011 would have to be at least 65 years of age or disabled or both. Because qualified homeowners must have participated in the program in FY 2010, they would have to have a tax year 2007 income not exceeding $60,000 and a tax year 2008 and 2009 income not exceeding $70,000 (as opposed to a tax year 2008 income not exceeding $70,000 and a tax year 2009 income not exceeding $80,000 under statutory provisions), whether married or single. Moreover, they would have had to pay property taxes directly, or indirectly

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

Budget Item	Adj. Approp. FY 2010	Recomm. FY 2011	Dollar Change	Percent Change	Budget Page

by means of rental payments, on any homestead or rental unit used as a principal residence in New Jersey for at least ten consecutive years, the last three of which must have been as owners of the homesteads for which they seek the reimbursement.

If the program operated under statutory provisions, its FY 2011 cost would exceed the FY 2010 equivalent on account of rising property tax liabilities and a 2008 program expansion that gradually raised the income ceiling for participation. Prior to the enactment of P.L.2008, c.119, applicants would have needed a 2008 income of no greater than $45,135 if single, or $55,344 if married, and a tax year 2009 income of no greater than $47,753 if single, or $58,554 if married, to qualify for program payments in FY 2011. Instead, P.L.2008, c.119 removed the distinction between single and married applicants and raised the ceiling to $60,000 in tax year 2007 and $70,000 in tax year 2008. Absent the limitation proposed by the Governor for FY 2011, the income ceiling would increase to $80,000 in tax year 2009 and would be adjusted for inflation annually thereafter. The Department of the Treasury estimated that the law would create an additional cost of $14 million in FY 2011, reflecting an estimated new 26,000 recipients.

General Fund, State Aid: County Boards of Taxation	**$1,778**	**$180**	**($1,598)**	**(89.9%)**	**D-417**

Pursuant to proposed budget language, the Governor recommends reducing the pay and benefits of 119 members of the County Boards of Taxation. They would no longer be eligible to participate in the State Health Benefits Program and their compensation would be capped at $100 per month. R.S.54:3-6 currently sets higher salaries. Depending on a county's size, annual salaries range from $17,000 to $20,125, with the president of each board receiving an additional $2,000.

The boards hear taxpayer appeals of local tax assessments, determine local tax rates, promulgate equalization tables, supervise the activities of assessors, and do related work to the enforcement of local property tax laws.

General Fund, State Aid: South Jersey Port Corporation Property Tax Reserve Fund	**$9,130**	**$0**	**($9,130)**	**(100.0%)**	**D-417**
South Jersey Port Corporation Debt Service Reserve Fund	**$11,535**	**$8,500**	**($3,035)**	**(26.3%)**	**D-417**

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

Budget Item	Adj. Approp. FY 2010	Recomm. FY 2011	Dollar Change	Percent Change	Budget Page
TOTAL	**$20,665**	**$8,500**	**($12,165)**	**(58.9%)**	

Organized "in but not of" the Department of the Treasury, the South Jersey Port Corporation (SJPC) manages and operates the ports of Camden and Salem and is currently building a new marine terminal in Paulsboro. In calendar year 2009, it had $17.7 million in operating revenues and $16.5 million in operating expenditures. The Governor recommends an $8.5 million subsidy to the corporation in FY 2011, $12.1 million less than the adjusted FY 2010 appropriation. The actual reduction over FY 2010, however, would in effect only be $8.2 million, given that, as a mid-year adjustment to align State spending with declining revenue collections, the Office of Management and Budget placed $4.0 million of the $9.1 million FY 2010 appropriation to the South Jersey Port Corporation Property Tax Reserve Fund in reserve in anticipation of a year-end lapse to the General Fund.

<u>South Jersey Port Corporation Property Tax Reserve Fund:</u> For FY 2011, the Governor recommends not making an appropriation to the SJPC for payments in lieu of property taxes (PILOT) to counties and municipalities in which it operates facilities. However, the Governor also proposes continuing language that would authorize the Office of Management and Budget to allocate unspecified amounts to the SJPC for PILOT payments.

In FY 2010, the SJPC was supposed to make $9.1 million in PILOT payments: $8.0 million to the City of Camden, $500,000 to the Borough of Paulsboro, $419,000 to the County of Camden, $150,000 to the County of Gloucester, and $31,224 to the City of Salem. The State honored the obligations, except for the $8.0 million payment to the City of Camden, of which the Office of Management and Budget placed $4.0 million in reserve in anticipation of a year-end lapse to the General Fund, according to the written follow-up response by the State Treasurer to a question raised during Department of the Treasury's revenue and budget hearing before the Assembly Budget Committee on April 7, 2010. The SJPC stated to the OLS that agreements with municipal and county governments set the amount of PILOT payments and that the SJPC had never generated net operating revenues sufficient to make the payments. The SJPC noted further that not making the payments would preclude it from undertaking new capital projects in Camden and Paulsboro, considering that section b. of N.J.S.A.12:11A-20 requires the adherence to PILOT agreements as a condition to the issuance of bonds to acquire or improve property in the jurisdiction. Lastly, the SJPC pointed out that not making the required payments to the Borough of Paulsboro and Gloucester County could result in defaults under the redevelopment agreement and leases with the governmental entities.

<u>South Jersey Port Corporation Debt Service Reserve Fund:</u> For FY 2011, the Governor recommends an $8.5 million appropriation to the SJPC to finance a portion of the corporation's debt service obligations. Moreover, language would be retained that would authorize the Office of Management and Budget to allocate additional amounts to the SJPC for that purpose. The SJPC asserts to the OLS that the proposed $8.5 million appropriation reflected the amount the corporation certified it needed, and that the $3.0 million reduction over FY 2010 would be unproblematic. In FY 2011, the SJPC will have to make $12.6 million in debt service payments on its Marine Terminal Revenue Bonds. At the end of FY 2010, the SJPC will have $138.4

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

Budget Item	Adj. Approp. FY 2010	Recomm. FY 2011	Dollar Change	Percent Change	Budget Page

million in principal payments outstanding on these bonds through final maturity in January 2039.

General Fund, State Aid: Highlands Protection Fund — Watershed Moratorium Offset Aid	**$2,200**	**$0**	**($2,200)**	**(100.0%)**	**D-417**

As part of the Governor's budget solutions designed to align State spending with anticipated revenue collections, the Administration proposes the discontinuation in FY 2011 of the Watershed Moratorium Offset Aid program. In FY 2010, 56 municipalities in the Highlands planning area received $2.2 million in State aid payments under the program to help offset the loss of property tax revenues due to the imposition of a moratorium of the sale of certain watershed lands located within those municipalities.

Through FY 2014, the Highlands Water Protection and Planning Act (P.L.2004, c.120) dedicates $12 million in annual State realty transfer fee collections to the Highlands Protection Fund. The dedicated amount is distributed among four aid programs for municipalities in the Highlands planning area: a) the Highlands Municipal Property Tax Stabilization Fund (N.J.S.A.54:1-85 b.), b) the Incentive Planning Aid program (N.J.S.A.13:20-13) that provides grants to municipalities in the Highlands planning area that want to accept growth, c) the Watershed Moratorium Offset Aid program (N.J.S.A.58:29-8), and d) the Regional Master Plan Compliance Aid program that provides grants to municipalities in the Highlands preservation area so that they can bring their plans into compliance with the Highlands Regional Master Plan (N.J.S.A.13:20-18). A statutory poison pill provision is intended to protect the annual $12.0 million appropriation to these programs by prohibiting the State from collecting the State portion of the basic fee and the additional fee under the realty transfer fee statute if the $12.0 million is not allocated to these programs.

General Fund, State Aid: Highlands Protection Fund — Highlands Property Tax Stabilization Aid	**$3,600**	**$0**	**($3,600)**	**(100.0%)**	**D-417**

As part of the Governor's budget solutions designed to align State spending with anticipated revenue collections in FY 2011, the Administration proposes not funding the Highlands Property Tax Stabilization Aid program. In FY 2010, the State distributed $7,106 from this account to Mount Olive Township before the Office of Management and Budget placed the

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

Budget Item	Adj. Approp. FY 2010	Recomm. FY 2011	Dollar Change	Percent Change	Budget Page

$13.3 million account balance in reserve in anticipation of a year-end lapse to the General Fund as a mid-year adjustment to balance the budget. The Administration's accompanying explanatory material indicated that the entire balance would be lapsed because all municipalities in the Highlands Preservation Area, other than Mount Olive Township, still had to conform their municipal master plans and development regulations to the Highlands regional master plan, as required by the Highlands Water Protection and Planning Act (P.L.2004, c.120) for the disbursement of Highlands Property Tax Stabilization Aid. The aid program would remain suspended in FY 2011 under the Governor's spending plan.

Through FY 2014, the Highlands Water Protection and Planning Act dedicates $12 million in annual State realty transfer fee collections to the Highlands Protection Fund. The dedicated amount is distributed among four aid programs for municipalities in the Highlands planning area: a) the Highlands Municipal Property Tax Stabilization Fund (C.54:1-85 b.), b) the Incentive Planning Aid program (C.13:20-13) that provides grants to municipalities in the Highlands planning area that want to accept growth, c) the Watershed Moratorium Offset Aid program (C.58:29-8), and d) the Regional Master Plan Compliance Aid program that provides grants to municipalities in the Highlands preservation area so that they can bring their plans into compliance with the Highlands Regional Master Plan (C.13:20-18). A statutory poison pill provision is intended to protect the annual $12.0 million appropriation to these programs by prohibiting the State from collecting the State portion of the basic fee and the additional fee under the realty transfer fee statute if the $12.0 million is not allocated to these programs.

General Fund, State Aid: Highlands Protection Fund — Pinelands Property Tax Stabilization Aid	**$1,800**	**$0**	**($1,800)**	**(100.0%)**	**D-417**

As part of the Governor's budget solutions designed to align State spending with anticipated revenue collections, the Executive recommends discontinuing in FY 2011 the annual $1.8 million in allocations from the Highlands Protection Fund to the Pinelands Property Tax Stabilization Aid program for distribution to 33 municipalities.

The Pinelands Property Tax Assistance Fund was created in 2004 as part of the Highlands Water Protection and Planning Act (P.L.2004, c.120). The fund was one of five financed through the Highlands Protection Fund, which receives $12 million in dedicated State realty transfer fee receipts annually until FY 2014. The Pinelands Property Tax Assistance Fund is statutorily limited to five fiscal years following enactment of the Highlands Water Protection and Planning Act. The aid program was therefore scheduled to sunset in FY 2010, yet the FY 2010 Appropriations Act extended it for one year by means of a language provision. The FY 2011 Governor's Budget deletes that language provision, thereby terminating the aid program.

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

Budget Item	Adj. Approp. FY 2010	Recomm. FY 2011	Dollar Change	Percent Change	Budget Page
General Fund, State Aid: Solid Waste Management — County Environmental Investment Debt Service Aid	**$27,000**	**$11,200**	**($15,800)**	**(58.5%)**	**D-417**

Several county solid waste authorities that have received disbursements from this budget account have improved their finances. Accordingly, they need less State Aid to meet their debt service obligations in FY 2011, and only counties with stranded solid waste debt that cannot be paid through any other resources will receive funding under this program.

The Solid Waste Management – County Environmental Investment Debt Service Aid program assists counties and county utility authorities in meeting debt service obligations for solid waste disposal investments effectuated up to 1997 if the debt is at risk of default without State assistance. A recurring language provision in the annual appropriations acts provides the program's legal authority. As of April 1, 2010, five counties received $22.6 million in aid from this account in FY 2010: Mercer ($8.1 million), Camden ($6.0 million), Atlantic ($5.1 million), Sussex ($2.1 million), and Burlington ($1.3 million). The OLS notes that the Governor's FY 2011 Budget reflects $2.5 million in the program's adjusted FY 2010 appropriation that has been placed in reserve in anticipation of a year-end lapse to the General Fund.

Budget Item	Adj. Approp. FY 2010	Recomm. FY 2011	Dollar Change	Percent Change	Budget Page
PTRF, State Aid: State Reimbursement for Veterans' Property Tax Deductions	**$69,500**	**$65,400**	**($4,100)**	**(5.9%)**	**D-417**

The Governor proposes reducing the FY 2011 appropriation for the State reimbursement to municipalities for the cost of veterans' property tax deductions, as the Treasury anticipates the steady, long-term decline in the number of program participants to continue. In FY 1999, 344,000 claimants received deductions. In FY 2010, about 264,000 veterans did, and the department expects their number to decrease further to 256,000 in FY 2011. The OLS notes that the Governor's FY 2011 Budget reflects $2.1 million in the program's adjusted FY 2010 appropriation that has been placed in reserve in anticipation of a year-end lapse to the General Fund.

Article VIII, Section I, Paragraph 3 of the New Jersey Constitution provides a $250 property tax deduction to veteran homeowners who were honorably discharged or released under honorable circumstances from active service in time of war or other emergency. The State

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

Budget Item	Adj. Approp. FY 2010	Recomm. FY 2011	Dollar Change	Percent Change	Budget Page

reimburses municipalities for 102 percent of the resultant revenue loss to cover their administrative expenses.

PTRF, State Aid: Reimbursement to Municipalities – Senior and Disabled Citizens' Tax Deductions	**$19,500**	**$17,700**	**($1,800)**	**(9.2%)**	**D-417**

The Governor proposes reducing the FY 2011 appropriation for the State reimbursement to municipalities for the cost of senior and disabled citizens' property tax deductions, as the Treasury anticipates the steady, long-term decline in the number of program participants to continue. In FY 1999, 121,000 claimants received deductions. In FY 2010, about 73,000 senior and disabled citizens did, and the department expects their number to decrease further to 69,000 in FY 2011. The OLS notes that the Governor's FY 2011 Budget reflects $0.9 million in the program's adjusted FY 2010 appropriation that has been placed in reserve in anticipation of a year-end lapse to the General Fund.

Article VIII, Section I, Paragraph 4 of the New Jersey Constitution provides a $250 property tax deduction to homeowners who are 65 years of age or older or disabled or both, if their annual income exclusive of Social Security benefits does not exceed $10,000. The State reimburses municipalities for 102 percent of the resultant revenue loss to cover their administrative expenses.

General Fund, State Aid: State Contribution to Consolidated Police and Firemen's Pension Fund	**$364**	**$0**	**($364)**	**(100.0%)**	**D-417**

The State would not make an employer contribution to public employee retirement systems in FY 2011 as part of the Governor's budget solutions designed to align State spending with anticipated revenue collections. The OLS notes, however, that the Governor's recommendation for FY 2011 would not equate to a cut, as no disbursement is actually intended to be made from this account in FY 2010, following a February 2010 decision by the Governor to place the $364,000 adjusted FY 2010 appropriation in reserve in anticipation of a year-end lapse to the General Fund so as to align State spending with declining revenue collections.

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

Budget Item	Adj. Approp. FY 2010	Recomm. FY 2011	Dollar Change	Percent Change	Budget Page

The Consolidated Police and Firemen's Pension Fund (CPFPF) is a closed system without contributing members that provides pension coverage to municipal police officers and firemen who were appointed prior to July 1, 1944. Participating municipalities pay two-thirds of the fund's liabilities, while the State covers the remaining third. As of July 1, 2009, the fund had 446 beneficiaries who had received $3.1 million in total pension benefits in FY 2009 and its total assets at actuarial value were $13.5 million, according to *The Consolidated Police and Firemen's Pension Fund of New Jersey Annual Report of the Actuary Prepared as of July 1, 2009* for the New Jersey Division of Pensions and Benefits. A year prior, the fund had 532 beneficiaries who received $3.7 million in total pension benefits, and its total assets at actuarial value were $15.7 million. As of June 30, 2009, the assets in the CPFPF covered 96.4 percent of the fund's actuarily determined liabilities. The unfunded accrued liability was valued at $508,000, which would be deferred into the future under the Governor's spending plan.

General Fund, State Aid: Debt Service on Pension Obligation Bonds	**$12,058**	**$13,031**	**$973**	**8.1%**	**D-417**

The recommended increase reflects changing contractual debt service payments for the *State Pension Funding Bonds* in FY 2011. The above budget lines capture only that portion of total debt service payments that is allocated to the State as employer contribution on behalf of local governmental entities for the Police and Firemen's Retirement System and the Consolidated Police and Firemen's Pension Fund.

In 1997, the New Jersey Economic Development Authority issued the $2.8 billion appropriations-backed *State Pension Funding Bonds, Series 1997A – 1997C* pursuant to P.L.1997, c.114, the "Pension Bond Financing Act of 1997" ($375 million of which were refinanced in 2003 as *State Pension Funding Variable Rate Refunding Bonds, Series 2003*). Its proceeds were intended to finance $2.8 billion of the State's $3.2 billion unfunded retirement systems liability in 1997. According to the *2009 State of New Jersey Debt Report,* the State will have $2.53 billion in outstanding debt service payments at the end of FY 2010 through the bonds' maturity in 2029. In FY 2011, the Governor recommends $249.2 million in total pension bond debt service payments, which represents an increase of $18.6 million, or 8.1 percent, over the $230.6 million FY 2010 appropriation. The outlay is allocated as follows: (1) $132.1 million in the Department of Education (page D-101), (2) $103.9 million in Interdepartmental Accounts (pages D-442 and D-443), and (3) $13.2 million in the Department of the Treasury (pages D-382 and D-417).

General Fund, State Aid: Police and Firemen's	**$3,664**	**$0**	**($3,664)**	**(100.0%)**	**D-417**

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

Budget Item	Adj. Approp. FY 2010	Recomm. FY 2011	Dollar Change	Percent Change	Budget Page
Retirement System					
Police and Firemen's Retirement System (P.L.1979, c.109)	**$1,973**	**$0**	**($1,973)**	**(100.0%)**	**D-417**
TOTAL	**$5,637**	**$0**	**($5,637)**	**(100.0%)**	

The State would not make an employer contribution to public employee retirement systems in FY 2011 as part of the Governor's budget solutions designed to align State spending with anticipated revenue collections. This decision also applies to the above budget lines, which represent the State's share of the employer contributions to the Police and Firemen's Retirement System (PFRS) for full-time county and municipal police officers and firefighters. The OLS notes, however, that the Governor's recommendation for FY 2011 would not equate to a cut, as no disbursement is actually intended to be made from these accounts in FY 2010, following a February 2010 decision by the Governor to place the $5.6 million adjusted FY 2010 appropriation in reserve in anticipation of a year-end lapse to the General Fund so as to align State spending with declining revenue collections.

The PFRS provides pension coverage to all full-time county, municipal, and State police officers and firefighters (but not to State Police officers who are covered by the State Police Retirement System). Local employers and the State pay employer contributions. The Police and Firemen's Retirement System account pays for the State's basic pension contribution, whereas the Police and Firemen's Retirement System (P.L.1979, c.109) account covers, at 1.1 percent of covered salary, the State's liability for enhanced pension benefits consisting of a retirement allowance of 65 percent of final compensation for PFRS members who retire after 25 years of service. The system is projected to have 37,074 pensioners in FY 2011, as displayed in the evaluation data in the Governor's FY 2011 Budget (page D-441).

State PFRS contributions are allocated among three budget accounts: (1) Direct State Services under Interdepartmental Accounts (page D-442); (2) Grants-in-Aid for State colleges' and universities' campus police, also under Interdepartmental Accounts (page D-443); and (3) State Aid on behalf of local governmental entities in the Department of the Treasury (page D-417). The amount certified by the actuaries as necessary to fully fund both the normal FY 2011 contribution and the accrued State liability for the PFRS is $377.2 million according to page 30 of *The Police and Firemen's Retirement System of New Jersey Annual Report of the Actuary Prepared as of July 1, 2009* for the New Jersey Division of Pensions and Benefits. Since the State no longer intends to make the $20.1 million contribution to the system in FY 2010 that the report assumed, the accrued FY 2011 State liability is $397.3 million. This liability would be deferred into the future under the Governor's spending plan.

PTRF, State Aid: Police and Firemen's	**$27,528**	**$33,652**	**$6,124**	**22.2%**	**D-417**

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

Budget Item	Adj. Approp. FY 2010	Recomm. FY 2011	Dollar Change	Percent Change	Budget Page
Retirement System – Post Retirement Medical					

The recommended FY 2011 amount would cover the State's obligation to pay 80 percent of the medical and prescription drug premiums for Police and Firemen's Retirement System (PFRS) members who retired on disability or with at least 25 years of creditable service (N.J.S.A.52:14-17.32i). The growth in the requested FY 2011 appropriation is due to a projected 2.3 percent increase in the number of retirees as well as higher medical and prescription drug premiums for retirees. For early retirees, medical premiums are assumed to increase by 14 percent and the cost of providing prescription drug benefits by 16 percent. For Medicare retirees, the increases are projected at 8.5 percent for both medical premiums and prescription drug benefit rates. The previous "significant change" summarizes the PFRS.

MANAGEMENT AND ADMINISTRATION

DIVISION OF ADMINISTRATION

Budget Item	Adj. Approp. FY 2010	Recomm. FY 2011	Dollar Change	Percent Change	Budget Page
General Fund, Direct State Services: Municipal Rehabilitation and Economic Recovery Act	**$338**	**$0**	**($338)**	**(100.0%)**	**D-421**

Amounts in this budget line financed the expenses of the State-appointed Chief Operating Officer for the City of Camden. Funding for that official is no longer needed following passage of P.L.2009, c.337, which returned control of the City to its Mayor and City Council, thereby obviating the need for the State-appointed Chief Operating Officer.

The Municipal Rehabilitation and Economic Recovery Act (P.L.2002, c.43) restructured Camden's governance and temporarily transferred the powers of the Mayor and City Council to a State-appointed Chief Operating Officer. The State takeover of municipal government ended in January 2010 with the enactment of P.L.2009, c.337.

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

Budget Item	Adj. Approp. FY 2010	Recomm. FY 2011	Dollar Change	Percent Change	Budget Page
General Fund, Debt Service	**$203,077**	**$161,680**	**($41,397)**	**(20.4%)**	**D-421, E-8, E-9**

Under the terms of current bond covenants, the State would have to make $400.7 million in general obligation bond debt service payments in FY 2011, of which $337.7 million would be funded in the Department of the Treasury budget and $63.0 million in the Department of Environmental Protection budget. But because of the Administration's anticipated debt restructuring plan, the State would only make $224.7 million in payments, a reduction of $176.0 million. The reduction's specific amount, however, is still in flux, as Treasury has not yet finalized the restructuring plan. The savings appear in the general obligation debt service lines, but they would come from the refinancing of general obligation and appropriations-backed debt. As of June 30, 2009, the State had $33.9 billion in outstanding debt obligations from which it could seek debt service savings.

PROTECTION OF CITIZENS' RIGHTS

OFFICE OF THE PUBLIC DEFENDER

Budget Item	Adj. Approp. FY 2010	Recomm. FY 2011	Dollar Change	Percent Change	Budget Page
General Fund, Direct State Services: Trial Services to Indigents	**$67,304**	**$63,393**	**($3,911)**	**(5.8%)**	**D-424**

Operational efficiencies account for the proposed reduction in the FY 2011 appropriation for Trial Services to Indigents who are accused of criminal offenses. The $3.9 million cut is a net effect of three changes: a $4.0 million reduction in the Services Other Than Personal account, which pays for services provided by private attorneys, experts, court reporters, and temporary clerical services firms; a $74,000 reduction in equipment expenditures; and a $160,000 increase in the salaries and wages account.

The proposed "insourcing" of work currently performed by outside contractors for the Office of the Public Defender (OPD) is expected to contribute most of the operational efficiencies. The Administration has determined that the overall cost-effectiveness and quality of services would be enhanced if in-house OPD staff, in lieu of private attorneys, handled criminal cases involving indigent defendants. Clerical services are one of two areas targeted for "insourcing." The OPD has relied upon temporary services contracts to meet some of its needs for clerical services, as the office has not been allowed to backfill vacated positions. In FY 2011, the OPD would instead increase its clerical staff by taking on secretaries who are eliminated in other

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

Budget Item	Adj. Approp. FY 2010	Recomm. FY 2011	Dollar Change	Percent Change	Budget Page

State departments. The second area of "insourcing" relates to attorneys. In recent years, the OPD was only allowed to backfill staff attorney positions dedicated to the activities of the Office of Law Guardian, which represents children in family court matters. As a result, the OPD was forced to assign a growing share of its non-Law Guardian caseload to private per diem attorneys. In FY 2011, the OPD would backfill vacated attorney positions dedicated to trial services for indigent defendants and would thus be able to reduce its spending on private per diem attorneys. Additional cost savings would be realized by cutting expenses for expert witnesses.

The State instituted the OPD in 1967 as the centralized agency of government to furnish legal counsel to indigent defendants in criminal cases. To initiate assistance from the office, a court must first assign a defendant to the OPD after determining that the defendant's financial status does not allow for the hiring of a private attorney. Each sitting Superior Court judge assigned to the criminal bench is served by an OPD team composed of two attorneys, one investigator, and 1.25 secretaries. This representation formula, termed the Belsole/Pashman formula, has been in place since 1990.

Budget Item	Adj. Approp. FY 2010	Recomm. FY 2011	Dollar Change	Percent Change	Budget Page
General Fund, Grants-In-Aid: State Legal Services Office	**$10,400**	**$0**	**($10,400)**	**(100.0%)**	**D-425**
Legal Services of New Jersey—Legal Assistance in Civil Matters (P.L.1996, c.52)	**$19,200**	**$0**	**($19,200)**	**(100.0%)**	**D-425**
Civil Legal Services for the Poor	**$0**	**$19,900**	**$19,900**	**—**	**D-425**
TOTAL	**$29,600**	**$19,900**	**($9,700)**	**(32.8%)**	

The proposed $9.7 million reduction in the FY 2011 appropriation for Legal Services of New Jersey is part of the Governor's package of budget cuts designed to align State spending with anticipated revenue collections. Legal Services projects that the cut would lower its projected budget for calendar year 2010 from $54.0 million to $44.3 million, an 18 percent decline. There would be corresponding 18 percent reductions in staffing levels from 560 to 460 and in caseload from 60,000 to 49,000.

An independent non-profit organization, Legal Services of New Jersey provides free legal assistance in civil matters to low-income citizens. The organization also advocates for the disadvantaged and runs the Poverty Research Institute, which studies poverty in New Jersey. Its primary sources of funding are grants from the State of New Jersey and receipts from the

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

Budget Item	Adj. Approp. FY 2010	Recomm. FY 2011	Dollar Change	Percent Change	Budget Page

Interest On Lawyers' Trust Accounts (IOLTA) Fund of the New Jersey Bar Association. IOLTA funds represent the interest automatically transferred from attorney trust accounts holding clients' funds that are nominal in amount or to be held only for a short period of time. Legal Services receives at least 75 percent of annual IOLTA collections, which fluctuate depending on market interest rates and escrow balances earning interest. The organization also receives financial support from the federal government, private individuals and firms, and other sources.

Budget Item	Adj. Approp. FY 2010	Recomm. FY 2011	Dollar Change	Percent Change	Budget Page
Federal Funds: Trial Services to Indigents	**$1,228**	**$0**	**($1,228)**	**(100.0%)**	**D-425**
Federal Funds: Civil Legal Services for the Poor	**$0**	**$1,228**	**$1,228**	**—**	**D-425**
TOTAL	**$1,228**	**$1,228**	**$0**	**—**	

For FY 2011, the Administration is changing the budget display of amounts expended and recommended to be appropriated for non-profit organizations providing free legal assistance in civil matters to low-income citizens. In FY 2010, these appropriations were combined under the category "Trial Services to Indigents" under the State Legal Services Office. The new name for the category is "Civil Legal Services for the Poor," which makes it more explicit that any appropriation is only for civil, and not for criminal, legal services. This budget line indicates the amount of federal funds Legal Services of New Jersey receives from the federal Legal Services Corporation, which operates as a nonprofit corporation promoting equal access to justice and providing grants for civil legal assistance to low-income Americans.

Budget Item	Adj. Approp. FY 2010	Recomm. FY 2011	Dollar Change	Percent Change	Budget Page
General Fund, Grants-In-Aid: Community Health Law Project	**$300**	**$0**	**($300)**	**(100.0%)**	**D-425**

The Governor recommends discontinuing funding for the Community Health Law Project as a part of the Governor's package of budget cuts designed to align State spending with anticipated revenue collections in FY 2011.

Established in 1976, the Community Health Law Project is an independent non-profit organization that provides legal and advocacy services, training, and education to low-income New Jersey residents with disabilities. Project attorneys and advocates represent clients in matters involving Social Security benefits, welfare, food stamps, and other entitlements; housing habitability and landlord-tenant disputes; consumer protection and debt collection; child support, visitation, and domestic violence; Medicaid, Medicare, and other health

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

Budget Item	Adj. Approp. FY 2010	Recomm. FY 2011	Dollar Change	Percent Change	Budget Page

insurance issues; civil rights and barrier-free accessibility. According to the organization's filing with the New Jersey Charitable Registration Directory operated by the Division of Consumer Protection in the Department of Law and Public Safety, the Community Health Law Project had $5.8 million in total revenue for the year ending June 30, 2008, and $5.9 million in total expenses.

Significant Language Changes

New Jersey Small Business Development Centers	
Deletion	2010 Handbook: p. B-189 2011 Budget: —

~~Of the amount hereinabove appropriated to the Division of Business Assistance, Marketing, and International Trade, EDA, $250,000 shall be used for New Jersey Small Business Development Centers, pursuant to a spending plan approved by the New Jersey Economic Development Authority.~~

Explanation

The Governor recommends eliminating funding for the New Jersey Small Business Development Centers (NJSBDC) network in FY 2011. The State provided $250,000 to the network in FY 2010 out of the $3.2 million appropriation to the Division of Business Assistance, Marketing, and International Trade in the New Jersey Economic Development Authority. According to the NJSBDC, zeroing out the State appropriation in FY 2011 would jeopardize $250,000 in federal matching funds if other revenues did not compensate for the revenue loss from the State. Moreover, given the proposed cuts in State spending on higher education the NJSBDC is also concerned that host universities and colleges might also reduce their contributions to the operations of small business development centers, which would jeopardize yet additional federal matching funds. Lastly, the NJSBDC asserted that even if the State appropriated $250,000 to its operations in FY 2011, this amount would fail to maximize available federal matching funds. Specifically, the NJSBDC pointed to the United States House of Representatives Committee on Small Business recommending a $135 million appropriation to state small business development centers in the next federal budget, which would make more federal funds available to New Jersey than the NJSBDC could claim even with a $250,000 State appropriation.

A federal-state partnership with institutions of higher education, the nonprofit NJSBDC network provides counseling and training for small business owners to help them finance, market, and manage their companies. Headquartered on the Newark campus of Rutgers Business School, the network is comprised of 11 regional centers and 27 affiliated offices located throughout the State. In calendar year 2009, the NJSBDC counseled and trained 20,527 clients and helped them secure $30.4 million in financing through loan and equity investments. The organization received $250,000 in State funding in calendar year 2009, $2.9 million in federal funding, and $2.5 million in cash and in-kind donations from its host universities and colleges.

New Jersey Commission on Science and Technology

EXPLANATION: FY 2010 language not recommended for FY 2011 denoted by strikethrough.
Recommended FY 2011 language that did not appear in FY 2010 denoted by underlining.

Significant Language Changes (Cont'd)

Deletion	2010 Handbook: p. B-189 2011 Budget: —

~~The unexpended balance at the end of the preceding fiscal year in the New Jersey Commission on Science and Technology Grants-In-Aid account is appropriated for the same purpose.~~

~~An amount not to exceed 5% of the Science and Technology Grants account is available for transfer to Direct State Services for the administrative expenses of this program, as determined by the Director of the Division of Budget and Accounting.~~

Explanation

The Governor recommends discontinuing the New Jersey Commission on Science and Technology (NJCST) and its grant programs in FY 2011. The commission has a $10.4 million FY 2010 appropriation, of which $10.0 million finances grant programs and $445,000 pays for the commission's operating expenses. However, as a mid-year adjustment to align State spending with declining revenue collections, the Office of Management and Budget placed $3.4 million of the FY 2010 grant appropriation in reserve in anticipation of a year-end lapse to the General Fund, leaving $6.8 million in budget authority for grants (including a $272,000 carryforward from FY 2009).

The commission aspires to buttress and develop the scientific and technological sector of the State's economy by assisting early-stage companies that attempt to commercialize their scientific and technological research discoveries. Specifically, the commission stimulates collaboration between industry and academic institutions, supports the activities of technology and business incubation facilities, and advocates for technology businesses. The awarding of financial assistance constitutes a major activity of the NJCST. The FY 2010 Appropriations Act includes funding for the following grants: a) $3.5 million for the Edison Innovation Research and Development Fund, which provides funding to New Jersey technology companies partnering with a New Jersey research university, company or institution for research and development activities required for the commercialization of an identified technology; b) $2.0 million to stem cell research to encourage the development of stem cell-based treatment options for patients; c) $1.5 million for the New Jersey Business Incubator Network, which provides a professional business environment, administrative support, and networking opportunities for entrepreneurs through 14 centers located throughout the State; d) $1.45 million for New Jersey Technology Fellowships, which provide salary funding for recent doctoral graduates of New Jersey universities to work in small New Jersey technology companies; e) $800,000 for New Jersey Entrepreneur Fellowships, which provide salary funding for recent MBA graduates of New Jersey universities to work in small New Jersey technology companies; f) $400,000 for the Small Business Innovative Research Bridge Grant Program, which provides grants to companies awaiting federal moneys to help bridge a

EXPLANATION: FY 2010 language not recommended for FY 2011 denoted by strikethrough.
Recommended FY 2011 language that did not appear in FY 2010 denoted by underlining.

Significant Language Changes (Cont'd)

funding gap; g) $250,000 for the Incubator Seed Fund, which awards grants to emerging technology businesses located in business incubators to help them commercialize technologies; and h) $100,000 to the Small Business Innovation Research Program, under which the NJCST offers training sessions to help entrepreneurs successfully submit Small Business Innovation Research and Small Business Technology Transfer proposals to federal agencies.

Retail Margin Fund

Addition

2010 Handbook: —
2011 Budget: p. D-391

<u>Notwithstanding the provisions of P.L.2009, c.34 or any law to the contrary, $13,900,000 from receipts attributable to the Retail Margin Fund in fiscal 2011 shall be deposited in the General Fund as State revenue.</u>

<u>Explanation</u>

The proposed language diverts to the General Fund as State revenue $13.9 million in anticipated FY 2011 Retail Margin Fund (RMF) receipts. The $13.9 million reflects the total amount in RMF receipts the Executive expects to collect in FY 2011, except for the $451,000 allocated off-budget to the Board of Public Utilities (BPU) Office of the Business Energy Ombudsperson, an office created by P.L.2005, c.215 that functions as a centralized resource for businesses to obtain information and assistance on energy costs, programs, and subsidies to lower their energy consumption.

The RMF is a dedicated, off-budget fund in the State General Fund administered by the BPU. Balances in the RMF accrue from the 0.5¢ per kilowatt-hour retail margin that electric distribution companies have been charging certain non-residential customers remaining on Basic Generation Service since August 2003 under sections 3 and 9 of P.L.1999, c.23 (C.48:3-51 and 48:3-57). For several years RMF balances have accrued in the near-absence of assigned spending purposes. P.L.2009, c.34 then required that $60 million of the accrued RMF balances as of March 31, 2009 fund grants to support the development of Combined Heat and Power facilities. The law also authorized the BPU to use any remaining and future collections to operate programs for Commercial and Industrial Energy Pricing (CIEP) electric customers that maximize energy conservation and efficiency, reduce peak energy demand, and increase renewable energy sources. As a mid-year adjustment to align State spending with declining revenue collections, the Office of Management and Budget placed $128.0 million in accrued RMF balances in reserve on February 11, 2010 in anticipation of a

EXPLANATION: FY 2010 language not recommended for FY 2011 denoted by strikethrough.
Recommended FY 2011 language that did not appear in FY 2010 denoted by underlining.

Significant Language Changes (Cont'd)

year-end lapse to the General Fund. As of April 12, 2010, $5.4 million remains unobligated in the fund.

CATV Universal Access Fund

Addition

2010 Handbook: —
2011 Budget: p. D-391

There is appropriated $9,100,000 from the CATV Universal Access Fund for transfer to the General Fund as State revenue.

Explanation

The proposed FY 2011 language would divert $9.1 million in CATV Universal Access Fund balances into the State General Fund. Of this amount, $3.5 million represents anticipated FY 2011 collections, while the remaining $5.6 million reflects the balances accruing in the CATV Universal Access Fund through the end of FY 2010.

P.L.2006, c.83 established the off-budget CATV Universal Access Fund as the repository of sums certain cable television providers collect from their customers through a fee equal to 0.5 percent of the customers' monthly cable television bills. Specifically, cable television companies with a system-wide cable television franchise covering multiple municipalities must collect the fee from customers in municipalities in which the companies provide cable television service under a system-wide franchise. The fee must also be collected by cable television companies with a municipal franchise once a system-wide franchisee is capable of serving at least 60 percent of the households in the municipality for which the company owns a municipal franchise.

The fee has been collected since January 2007 and its proceeds are intended to pay for the Pharmaceutical Assistance to the Aged and Disabled (PAAD) Cable Rebate Program. Under the program, which is administered by the Department of the Treasury, PAAD beneficiaries are to receive a benefit equal to the cost of providing basic cable services to them. The program is not yet operational.

Lifeline Credits and Tenants' Assistance Rebate Program

Revision and Addition

2010 Handbook: p. B-193
2011 Budget: p. D-391

EXPLANATION: FY 2010 language not recommended for FY 2011 denoted by strikethrough.
Recommended FY 2011 language that did not appear in FY 2010 denoted by underlining.

Significant Language Changes (Cont'd)

~~The~~ Of the amounts hereinabove appropriated, an amount not to exceed ~~$70,840,000,~~ $65,740,000 for Payments for the Lifeline Credits and the Tenants' Assistance Rebate Program are available to the Department of Health and Senior Services to fund the payments associated with the Lifeline Credits and Tenants' Assistance programs and shall be applied in accordance with a Memorandum of Understanding between the President of the Board of Public Utilities and the Commissioner of the Department of Health and Senior Services, subject to the approval of the Director of the Division of Budget and Accounting.

Of the amount hereinabove appropriated for Payments for Lifeline Credits and Tenants' Assistance Rebate Program, $5,100,000 shall be transferred to the Department of Human Services to fund energy assistance payments under the Temporary Assistance for Needy Families (TANF) and General Assistance programs.

Explanation

For FY 2011, the Governor recommends newly shifting the payment of $5.1 million in energy assistance payments by the Department of Human Services under the Temporary Assistance for Needy Family (TANF) and General Assistance programs from the State General Fund to the off-budget Universal Service Fund (USF). This shift, however, would not increase the net amount transferred from the USF to the State General Fund for energy assistance programs, as the USF allocation to the Lifeline Credit and Tenants' Lifeline Assistance programs would be lowered by a corresponding $5.1 million.

In FY 2011, the Governor recommends transferring $72.6 million from the USF to the General Fund for the operation of the Lifeline Credit and Tenants' Lifeline Assistance programs. Of the $72.6 million, $65.7 million would be used to pay for program benefits, $5.1 million would be transferred to the Department of Human Services for disbursement of energy assistance benefits, and $1.8 million would be transferred to the Department of Health and Senior Services through the continuation of existing language to reimburse the department for its cost of administrating the Lifeline programs. Reflecting lower cost projections, the first language provision reduces the allocation for Lifeline Credit and Tenants' Lifeline Assistance program benefits by $5.1 million over FY 2010 to $65.7 million in FY 2011. The second language provision shifts the $5.1 million saved on account of lower projected demand for program benefits to the Department of Human Services for energy assistance payments under the Temporary Assistance for Needy Family (TANF) and General Assistance programs. Language in the proposed budget for that department also acknowledges the $5.1 million shift (page D-218).

The USF is an off-budget fund through which the State finances several energy assistance programs. New Jersey ratepayers replenish the USF via the societal benefits charge included in their electric and natural gas bills. The Lifeline Credit program and the Tenants' Assistance Rebate program are funded out of USF collections. The Governor's FY 2011 Budget anticipates $287.0 million in USF

EXPLANATION: FY 2010 language not recommended for FY 2011 denoted by strikethrough.
Recommended FY 2011 language that did not appear in FY 2010 denoted by underlining.

Significant Language Changes (Cont'd)

expenditures for FY 2011 (page H-54). Of this amount, the Governor proposes $207.1 million in direct fund expenditures as well as a transfer of $79.9 million to other funds, of which $67.5 million would finance the "Lifeline Credit Program" (C.48:2-29.15 et seq.) and the "Tenants' Lifeline Assistance Program" (C.48:2-29.31 et seq.), under which 306,140 low-income households would receive up to $225 in gas and electric utility credits in FY 2011. An additional $5.1 million would finance energy assistance payments under the Temporary Assistance for Needy Family (TANF) and General Assistance programs.

Solid Waste Services Tax Fund

Deletion

2010 Handbook: p. B-196
2011 Budget: —

~~Notwithstanding the provisions of any law or regulation to the contrary, there are appropriated out of the receipts in the Solid Waste Services Tax Fund such sums as may be necessary for the cost of administration and collection of taxes pursuant to P.L. 1985, c. 38 (C.13:1E-136 et seq.), subject to the approval of the Director of the Division of Budget and Accounting.~~

Explanation

This language provision became functionally obsolete with enactment of P.L.2007, c.311. The language authorized the Division of Taxation to recoup from Solid Waste Services Tax Fund receipts the expenses it incurred in administrating the solid waste services tax. P.L.1985, c.38 imposed the weight-based tax on all solid waste accepted for disposal at a registered sanitary landfill facility on or after May 1, 1985 to provide funds to the counties for implementing solid waste management plans, including the district recycling plans required under P.L.1987, c.102. The ensuing proceeds were deposited in the Solid Waste Services Tax Fund. P.L.2007, c.311 repealed the tax, ended the Solid Waste Services Tax Fund, appropriated its balances to the newly created State Recycling Fund, and imposed a weight based recycling tax on all solid waste accepted for disposal at a solid waste facility or to be transported out-of-State.

2009 Tax Amnesty

Deletion

2010 Handbook: p. B-197
2011 Budget: —

EXPLANATION: FY 2010 language not recommended for FY 2011 denoted by strikethrough.
Recommended FY 2011 language that did not appear in FY 2010 denoted by underlining.

Significant Language Changes (Cont'd)

~~The unexpended balance at the end of the preceding fiscal year in the 2009 Tax Amnesty Program account is appropriated for the same purpose, subject to the approval of the Director of the Division of Budget and Accounting.~~

Explanation

This language provision carrying forward into the next fiscal year the unexpended balance in the account paying for the expenses the Division of Taxation incurs in administering the 2009 tax amnesty program has become functionally obsolete. The program has been completed and in FY 2010 the Office of Management and Budget placed the $2.6 million remaining in the account in reserve in anticipation of a year-end lapse into the State General Fund.

P.L.2009, c.21 established a 45-day State tax amnesty period that ran from May 4 through June 15, 2009, and appropriated $10.0 million to the Division of Taxation to pay for the cost of administering the program. The amnesty applied only to State tax liabilities for tax returns due on and after January 1, 2002 (the day following termination of the prior amnesty period) and before February 1, 2009. During the amnesty period, a taxpayer who had failed to pay a State tax could pay the tax and one-half of the balance of interest that was due as of May 1, 2009, without the imposition of the remaining one-half of the balance of interest, recovery fees, and civil and criminal penalties arising out of the late payment. Originally projected to raise $100 million, the amnesty program ended up yielding $748.9 million.

Property Assessment Management System (PAMS)

Addition

2010 Handbook: —
2011 Budget: p. D-402

<u>In addition to the amounts hereinabove appropriated for Taxation Services and Administration, upon the State Treasurer's approval to continue with the development of the Property Assessment Management System (PAMS), such additional sums as may be necessary are appropriated to the Property Assessment Management System (PAMS) account, subject to the approval of the Director of the Division of Budget and Accounting.</u>

Explanation

The Administration is currently reviewing the Property Assessment Management System (PAMS) so as to determine whether its implementation should be continued or abandoned. Accordingly, the Administration proposes no appropriation to PAMS in FY 2011. Instead the Governor's FY 2011 Budget newly

EXPLANATION: FY 2010 language not recommended for FY 2011 denoted by strikethrough.
Recommended FY 2011 language that did not appear in FY 2010 denoted by underlining.

Significant Language Changes (Cont'd)

includes the language as a contingency. It grants Treasury the authority to expend additional resources on PAMS if the Administration should opt in favor of the system's continued implementation. The project account no longer carries an uncommitted balance.

Under development since it was initially funded in FY 2001, the web-based PAMS has as an objective to enhance property assessment and tax collection processes by allowing the Division of Taxation to aggregate and analyze local real property data that the State, county boards of taxation, and municipal assessors can use to generate tax lists, assessments, and various reports. The system was planned to be first implemented in three pilot counties (Camden, Hunterdon, and Salem) in the fourth quarter of calendar year 2007, yet it is still not operational. Since FY 2001, $14.6 million has been charged against the project account.

New Jersey Fair and Clean Elections Fund

Deletion

2010 Handbook: p. B-198
2011 Budget: —

~~The unexpended balance at the end of the preceding fiscal year in the New Jersey Fair and Clean Elections Fund account, and in the Fair and Clean Elections account in the Department of Law and Public Safety, are appropriated to the New Jersey Fair and Clean Elections Fund account in the Department of the Treasury for a primary election pilot program to be established by law, subject to the approval of the Director of the Division of Budget and Accounting. In addition, there are appropriated such sums as are necessary for the New Jersey Fair and Clean Elections Fund for a primary election pilot program to be established by law, subject to the approval of the Director of the Division of Budget and Accounting.~~

Explanation

This language provision carrying forward into the next fiscal year the unexpended balance in the New Jersey Fair and Clean Elections Fund has become functionally obsolete. "The 2007 New Jersey Fair and Clean Elections Pilot Project Act," P.L.2007, c.60, created a pilot program under which public funds financed the election campaigns of candidates certified for public funding in three legislative districts during the 2007 general election. The Act included a $6.75 million supplemental appropriation to the newly-created New Jersey Fair and Clean Elections Fund (which also received funding from other sources). The program has not been renewed and in FY 2010 the Office of Management and Budget placed the $45,000 remaining in the fund in reserve in anticipation of a year-end lapse into the State General Fund.

EXPLANATION: FY 2010 language not recommended for FY 2011 denoted by strikethrough.
Recommended FY 2011 language that did not appear in FY 2010 denoted by underlining.

Significant Language Changes (Cont'd)

Grants to Counties and Municipalities for Preservation of Records	
Deletion	2010 Handbook: p. B-198 2011 Budget: —

~~Pursuant to the provisions of P.L. 2003, c.117 (C.22A:4-4.2) deposits made to the "New Jersey Public Records Preservation Account" are appropriated for transfer to the Department of State for grants to counties and municipalities for the management, storage, and preservation of public records, subject to the approval of the Director of the Division of Budget and Accounting.~~

Explanation

For FY 2011, the Governor's Budget projects $34.3 million in New Jersey Public Records Preservation account receipts. Statutory law allocates 40 percent of these collections, or 13.7 million, for grants to counties and municipalities for the management, storage and preservation of public records. The Governor, however, proposes diverting into the State General Fund the anticipated FY 2011 account receipts statutorily set aside for county and municipal use. Accordingly, the Governor's FY 2011 Budget deletes the FY 2010 language effectuating the transfer of funds to the Department of State for their disbursement to counties and municipalities. The recommended diversion continues FY 2010 precedent. As a mid-year adjustment to align State spending with declining revenue collections, the Office of Management and Budget placed $14.0 million in county and municipal New Jersey Public Records Preservation account balances in reserve on February 11, 2010 in anticipation of a year-end lapse to the General Fund. The Administration's accompanying explanatory material indicated that no grants would be offered to county and municipal governments in FY 2010.

Section 38 of P.L.2003, c.117 increased each of the county recording fees charged by county clerks and registers under N.J.S.A.22A:4-4.1 by $5. According to section 39 of P.L.2003, c.117 (N.J.S.A.22A:4-4.2), the ensuing proceeds are deposited in the New Jersey Public Records Preservation account in the Department of the Treasury before being distributed to the Department of State (60 percent), counties, and municipalities (a combined 40 percent) for the management, storage, and preservation of public records. The Department of State uses the county and municipal share to operate two grant programs: the Public Archives and Records Infrastructure Support (PARIS) program and Records Disaster Recovery Triage (Records DIRECT) program. PARIS grants fund strategic advancements to build and improve the infrastructure of public records administration. Records DIRECT grants provide direct, immediate emergency management assistance to disaster-stricken county and municipal government

EXPLANATION: FY 2010 language not recommended for FY 2011 denoted by strikethrough.
Recommended FY 2011 language that did not appear in FY 2010 denoted by underlining.

Significant Language Changes (Cont'd)

agencies to recover vital, permanent or archival public records damaged by fire, water, and other man-made or natural phenomena.

Capital City Redevelopment Corporation

Deletion

2010 Handbook: p. B-202
2011 Budget: —

~~Notwithstanding the provisions of any law or regulation to the contrary, there are appropriated from the Capital City Redevelopment Loan and Grant Fund such sums as may be required to provide for expenses, programs, and strategies which will enhance the vitality of the capitol district as a place to live, visit, work and conduct business, subject to the approval of the Director of the Division of Budget and Accounting.~~

Explanation

The language provision authorizing the disbursement of sums out of the Capital City Redevelopment Loan and Grant Fund to pay for the operating expenditures and revitalization activities of the Capital City Redevelopment Corporation in Trenton's Capital City District has become functionally obsolete. P.L.2009, c.252 reconstituted the corporation as an independent, self-supporting authority, thereby eliminating the need for State appropriations to the corporation. Even though the corporation now manages its financial operations without formal Department of the Treasury oversight, the Governor retains veto power over the corporation's actions.

Established pursuant to P.L.1987, c.58 (C.52:9Q-9 et seq.) and allocated "in but not of" the Department of the Treasury, the corporation finances community and economic development projects in Trenton's Capital City District in accordance with the Capital City Renaissance Plan. The Capital City Redevelopment Loan and Grant Fund (page H-23 in the FY 2011 Governor's Budget), a nonlapsing revolving fund, finances corporation activities out of moneys received from prior State appropriations and loan repayments. P.L.2009, c.252 changed the corporation's organizational structure and powers so as to transform it from a financing and regulatory agency to a municipal redevelopment agency. The corporation, now constituted as an independent, self-supporting authority, is newly able to add to its financial wherewithal through the sale of bonds, notes and other obligations paid for from non-State sources.

Office of Information Technology Non-State General Fund Resources

Significant Language Changes (Cont'd)

Revision

2010 Handbook: p. B-200
2011 Budget: p. D-414

In addition to the ~~$62,162,000~~ $56,187,000 attributable to OIT Other Resources, there are appropriated such sums as may be received or receivable from any State agency, instrumentality or public authority for Office of Information Technology services furnished thereto and attributable to a change in or the addition of an OIT service level agreement, subject to the approval of the Director of the Division of Budget and Accounting.

Explanation

The recommended language would appropriate to the Office of Information Technology (OIT) federal and dedicated funds transferred from State agencies for billable OIT services in excess of the $56.2 million included in the Governor's FY 2011 Budget if OIT's billable services exceed that sum. The adjusted FY 2010 appropriation is actually $54.5 million, rather than the $62.2 million originally included in the FY 2010 Appropriations Act. Transfers of federal and dedicated funds from State agencies to OIT are therefore projected to increase by $1.7 million in FY 2011 over the adjusted FY 2010 amount. The requested increase is the net effect of two countervailing factors: growth in OIT's salary and wage expenditures charged against other State agencies' federal and dedicated funds would be partially offset by reductions in OIT billable costs due to OIT operational efficiencies.

OIT provides information technology services to State agencies and has a recommended FY 2011 budget of $105.1 million for 812 employees. Excluding the proposed $12.9 million for the Office of Emergency Telecommunication Services, OIT's recommended FY 2011 appropriation is $92.2 million. Of this amount, transfers of federal and dedicated funds from State agencies for billable OIT services account for $56.2 million, or 53.5 percent, and General Fund appropriations for the remaining $48.9 million, or 46.5 percent.

Highlands Property Tax Stabilization Aid

Deletion

2010 Handbook: p. B-204
2011 Budget: —

~~In addition to the amount hereinabove appropriated for Highlands Protection Fund – Highlands Property Tax Stabilization Aid, there is appropriated an amount not to exceed $8,000,000, subject to the approval of the Director of the Division of Budget and Accounting.~~

Explanation

EXPLANATION: FY 2010 language not recommended for FY 2011 denoted by strikethrough.
Recommended FY 2011 language that did not appear in FY 2010 denoted by underlining.

Significant Language Changes (Cont'd)

The Governor recommends not renewing in FY 2011 the language that granted the Director of the Office of Management and Budget (OMB) the authority to appropriate by directory letter an additional $8.0 million for Highlands Property Tax Stabilization Aid. The Director has not exercised that authority. In total, the State distributed $7,106 from the Highlands Property Tax Stabilization Aid account to municipalities in the Highlands planning area in FY 2010. The program was then halted when, as a mid-year adjustment to align State spending with declining revenue collections, the OMB placed the $13.3 million account balance in reserve in anticipation of a year-end lapse to the General Fund. The Administration's accompanying explanatory material indicated that the entire balance would be lapsed because all but one municipality in the Highlands Preservation Area (Mount Olive Township) had not yet conformed their municipal master plans and development regulations to the Highlands regional master plan, as required by the Highlands Water Protection and Planning Act (P.L.2004, c.120) for the disbursement of Highlands Property Tax Stabilization Aid. Since the aid program would remain suspended in FY 2011 as part of the Governor's budget solutions designed to balance the budget, the Administration also recommends deleting the language.

Highlands Property Tax Stabilization Aid is to be provided to municipalities located in the Highlands Preservation Area that have conformed their master plans and development regulations to the requirements of the Highlands regional master plan. The program compensates those municipalities for a decline in the value of vacant land that is directly attributable to the implementation of the Highlands Water Protection and Planning Act (C.13:20-1 et al.). Aid would be disbursed at a declining scale for a maximum of ten years.

Pinelands Property Tax Stabilization Aid

Deletion

2010 Handbook: p. B-204
2011 Budget: —

~~Notwithstanding the provisions of section 20 of P.L.2004, c.120 (C.54:1-84) to the contrary, the amount hereinabove appropriated for Highlands Protection Fund – Pinelands Property Tax Stabilization Aid shall be distributed to the same municipalities and in the same amounts as was distributed in the previous fiscal year.~~

Explanation

EXPLANATION: FY 2010 language not recommended for FY 2011 denoted by strikethrough.
Recommended FY 2011 language that did not appear in FY 2010 denoted by underlining.

Significant Language Changes (Cont'd)

As part of the Governor's budget solutions designed to align State spending with anticipated revenue collections, the Executive recommends discontinuing in FY 2011 the $1.8 million in annual allocations from the Highlands Protection Fund to the Pinelands Property Tax Stabilization Aid program for distribution to 33 municipalities. The proposed deletion of this language would effectuate that objective.

The Pinelands Property Tax Assistance Fund was created in 2004 as part of the Highlands Water Protection and Planning Act (P.L.2004, c.120). The fund was one of five financed through the Highlands Protection Fund, which receives $12 million in dedicated State realty transfer fee receipts annually until FY 2014. The Pinelands Property Tax Assistance Fund is statutorily limited to five fiscal years following enactment of the Highlands Water Protection and Planning Act. The aid program was therefore scheduled to sunset in FY 2010, yet the FY 2010 Appropriations Act extended it for one year by means of a language provision. The FY 2011 Governor's Budget now proposes to delete that language, thereby terminating the aid program.

Energy Tax Receipts Property Tax Relief Fund

Revision

2010 Handbook: p. B-205
2011 Budget: p. D-419

There is appropriated from the Energy Tax Receipts Property Tax Relief Fund the sum of $788,492,000 and an amount not to exceed $240,573,000 ~~which is transferred~~ from ~~the~~ Consolidated Municipal Property Tax Relief Aid (PTRF) ~~account to the fund~~ <u>is appropriated</u> and shall be allocated to municipalities in accordance with the provisions of subsection b. of section 2 of P.L.1997, c.167 (C.52:27D-439), <u>provided further, however, that from the amounts hereinabove appropriated, each municipality shall also receive such additional sums from the Energy Tax Receipts Property Tax Relief Fund pursuant to P.L.2009, c.68</u>. Each municipality that receives an allocation from the amount so transferred from the Consolidated Municipal Property Tax Relief Aid program shall have its allocation from the Consolidated Municipal Property Tax Relief Aid program reduced by the same amount. ~~Of the amount hereinabove appropriated from the Energy Tax Receipts Property Tax Relief Fund, an amount equal to $25,000,000 shall be allocated to municipalities proportionately based on population, except that Newark and Jersey City shall each receive $390,000 of the $25,000,000 and Paterson shall receive $375,000 of the $25,000,000.~~

<u>Explanation</u>

The Governor recommends distributing $1.29 billion to New Jersey's 566 municipalities from the State's two formula-driven municipal aid programs in FY 2011: the Consolidated Municipal Property Tax Relief Aid (CMPTR) and Energy

EXPLANATION: FY 2010 language not recommended for FY 2011 denoted by strikethrough.
Recommended FY 2011 language that did not appear in FY 2010 denoted by underlining.

Significant Language Changes (Cont'd)

Tax Receipts Property Tax Relief Fund (ETR Fund) programs. This amount is $271.4 million, or 17.3 percent, less than the $1.57 billion appropriated in FY 2010. In calculating each municipality's aid reduction, the State applied a formula that considered each municipality's wealth and tax burden, so that aid decreases would range from 14.45 percent to 26.45 percent. These amounts were subject to two adjustments. First, aid cuts were capped so that they would not increase average residential property taxes by more than $250. Second, aid cuts to some municipalities were wholly or partially restored so that the State would disburse amounts out of the ETR Fund in accordance with statutory requirements.

The language concerns aid disbursements from the ETR Fund, which the State established in 1997 as an off-budget account through which it distributes receipts from the taxation of certain regulated utilities and telecommunications companies as aid to municipalities (N.J.S.A.52:27D-439). Amendatory legislation enacted in 1999 instituted a $755 million funding requirement for FY 2002 and mandated that the amount be annually adjusted for inflation thereafter. Failure in a given year to appropriate moneys in the prescribed amount would void taxpayers' corporation business tax liabilities for that tax year.

In the six most recent fiscal years, energy tax receipts allocated from the ETR Fund have been inadequate to cover statutorily required ETR Fund aid payments. To fulfill the funding requirement, language provisions have transferred moneys from the CMPTR Aid account to the ETR Fund. For municipalities, the net effect of these reallocations has been zero, as increased ETR disbursements have fully corresponded to decreases in CMPTR Aid. For FY 2011, the Administration proposes renewing the transfer of $240.6 million from CMPTR to the ETR Fund. This amount is the same as in FY 2010 since the required inflation adjustment in FY 2011 is zero percent.

In addition, the Administration recommends newly eliminating a special calculation for the distribution of $25 million in ETR Fund aid. Because the Administration's aid reduction proposal results in incremental reductions from the sum of FY 2010 CMPTR and ERT Fund allocations, deletion of this $25 million allocation has no effect on the amounts received by these three municipalities in FY 2011.

Payment Schedule of Municipal Aid

Revision

2010 Handbook: p. B-205
2011 Budget: p. D-419

Notwithstanding the provisions of paragraph (1) of subsection c. of section 2 of P.L.1997, c.167 (C.52:27D-439) <u>or any other law or regulation</u> to the contrary, the amount

EXPLANATION: FY 2010 language not recommended for FY 2011 denoted by strikethrough.
Recommended FY 2011 language that did not appear in FY 2010 denoted by underlining.

Significant Language Changes (Cont'd)

hereinabove appropriated for Energy Tax Receipts Property Tax Relief Fund payments shall be distributed on the following schedule: on or before August 1, 45% of the total amount due; September 1, 30% of the total amount due; October 1, 15% of the total amount due; November 1, 5% of the total amount due; ~~and~~ December 1 for municipalities operating under a calendar fiscal year, 5% of the total amount due; and June 1 for municipalities operating under the State fiscal year, 5% of the total amount due.

Explanation

The proposed FY 2011 language alters the schedule for the payment of Energy Tax Receipts Property Tax Relief Aid to municipalities. Under the current municipal aid payment schedule, the final five percent payment for FY 2011 would take place on December 1, 2010. The revised language maintains that date for municipalities operating on a calendar year basis but moves it to June 1, 2011 for municipalities operating on a fiscal year basis.

The Administration proposes the change to better implement its new "Best Practices Inventory" initiative. Under that initiative, the final five percent of FY 2011 municipal aid payments under the Energy Tax Receipts Property Tax Relief Aid and Consolidated Municipal Property Tax Relief Aid programs would be withheld unless a municipality certified that it would meet a variety of best practice standards. Enactment of the revised language would give municipalities operating on a calendar year basis until mid-November to certify compliance with the "Best Practices Inventory" before receiving their final aid payment, while fiscal year municipalities would have until June 1 of 2011 to do so. The explanation of the following language provision outlines the "Best Practices Inventory" initiative in more detail.

"Best Practices Inventory" for Municipal Governments

Addition

2010 Handbook: —
2011 Budget: p. D-419

Notwithstanding the provisions of any law or regulation to the contrary, the release of the final 5% payment from the Energy Tax Receipts Property Tax Relief Fund to municipalities is subject to the following condition: the municipality shall submit to the Director of the Division of Local Government Services a report describing the municipality's compliance with the "Best Practices Inventory" established by the Director of the Division of Local Government Services and shall receive at least a minimum score on such inventory as determined by the Director of the Division of Local Government Services; provided, however, that the Director may take into account the particular circumstances of a municipality in computing such score. In preparing the Best Practices Inventory, the Director shall identify best municipal practices in the areas of general administration, fiscal

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Recommended FY 2011 language that did not appear in FY 2010 denoted by underlining.

Significant Language Changes (Cont'd)

management, and operational activities, as well as the particular circumstances of a municipality, in determining the minimum score acceptable for the release of the final payment.

Explanation

The new language establishes the "Best Practice Initiative" for local governments described in the FY 2011 Budget-in-Brief (pages 56-57). The provision sets forth that the State shall withhold the final five percent payment of Energy Tax Receipts Property Tax Relief Aid to municipalities that do not receive a minimum score indicating compliance with a "Best Practices Inventory." The Director of the Division of Local Government Services in the Department of Community Affairs would determine the best practices as well as the minimum requirements for disbursement of the final aid payment. To allow for flexibility in the computation of a municipality's compliance rating, the language authorizes the Director to take into account a municipality's particular circumstances. By means of similar language in the Department of Community Affairs section of the Governor's FY 2011 Budget, the Administration also proposes withholding the final five percent Consolidated Municipal Property Tax Relief Aid payment from municipalities that do not meet minimum best practices standards (page D-59). The Consolidated Municipal Property Tax Relief Aid and Energy Tax Receipts Property Tax Relief Aid programs are the State's two formula-driven municipal aid programs through which the Administration intends to disburse $1.29 billion to municipalities in FY 2011.

The "Best Practices Inventory" shall identify best municipal practices in the areas of general administration, fiscal management, and operational activities. Specifically, the inventory would include standards regarding the budget process, open government, financial transparency, conflicts of interest, open and competitive procurement, employee salary and benefit structures, risk management, and capital planning.

Homeowner Property Tax Credits

Revision

2010 Handbook: p. B-204
2011 Budget: p. D-418

~~The~~ Notwithstanding the provisions of any law or regulation to the contrary, the amount hereinabove appropriated for ~~the~~ Homestead Property Tax Credits~~/Rebates for Homeowners program shall be available to pay homestead rebates~~ is appropriated to municipalities to reimburse them for the quarterly Homestead Property Tax Credits provided to eligible homeowners beginning with property tax bills issued in May of 2011, subject to the enactment of legislation and subject to the following conditions: Residents who are 65 years

EXPLANATION: FY 2010 language not recommended for FY 2011 denoted by strikethrough.
Recommended FY 2011 language that did not appear in FY 2010 denoted by underlining.

Significant Language Changes (Cont'd)

of age or older at the close of the tax year, or residents who are allowed to claim a personal deduction as a blind or disabled taxpayer pursuant to ~~the provisions of section 3~~ subsection b. of ~~P.L.1990, c.61 (C.54:4-8.59) as amended by P.L.2004, c.40, and by P.L.2007, c.62, except that, notwithstanding the provisions of that law to the contrary, residents~~ N.J.S.54A:3-1, with gross income in excess of $100,000 but not in excess of $150,000 for tax year 2009 are eligible for quarterly credits in the amount of one-quarter of 10% of the first $10,000 of property taxes paid, and such residents with gross income not in excess of $100,000 for tax year 2009 are eligible for quarterly credits in the amount of one-quarter of 20% of the first $10,000 of property taxes paid; Residents who are not 65 years of age or older at the close of the tax year, or residents who are not allowed to claim a personal deduction as a blind or disabled taxpayer pursuant to subsection b. of N.J.S.54A:3-1, with gross income in excess of ~~$75,000 are excluded from the program, and residents with gross income in excess of~~ $50,000 but not in excess of $75,000 for tax year ~~2008~~ 2009 are eligible for ~~rebates~~ quarterly credits in the amount of one-quarter of 13.34% of the first $10,000 of property taxes paid~~; residents who are 65 years of age or older at the close of the tax year, or residents who are allowed to claim a personal deduction as a blind or disabled taxpayer pursuant to subsection b. of N.J.S.54A:3-1, with gross income in excess of $150,000 for tax year 2008 are excluded from the program~~, and such residents with gross income ~~in excess of $100,000 but~~ not in excess of ~~$150,000~~ $50,000 for tax year ~~2008~~ 2009 are eligible for ~~rebates~~ quarterly credits in the amount of ~~10%~~ one-quarter of 20% of the first $10,000 of property taxes paid. ~~In calculating the rebates, the Division of Taxation~~ The credits will ~~utilize~~ be calculated based on the 2006 property tax amounts assessed or as would have been assessed on the October 1, ~~2008~~ 2009 principal residence of eligible applicants. ~~A rebate paid~~ The annualized sum of the quarterly credits provided to an eligible applicant ~~may~~ in a given State fiscal year shall not exceed the Homestead Rebate amount paid for tax year 2006, absent a change in an applicant's filing characteristics. If the amount hereinabove appropriated for ~~the~~ Homestead Property Tax Credits~~/Rebates for Homeowners program~~ is not sufficient, there is appropriated from the Property Tax Relief Fund such additional sums as may be required for ~~payment of such credits/rebates~~ State reimbursement to municipalities for such Homestead Property Tax Credits, subject to the approval of the Director of the Division of Budget and Accounting.

Explanation

The language describes the recommended contours of the New Jersey Homestead Property Tax Credit program for homeowners (N.J.S.A.54:4-8.57 et seq.) in FY 2011. Relative to statutory provisions, the language would maintain the FY 2010 elimination of certain homeowners from the program and reduce benefit amounts for eligible homeowners by 75 percent over FY 2010. The Governor also proposes ending the mailing of checks to eligible homeowners as the benefit's method of disbursement and replacing it with a quarterly credit applied directly via electronic funds transfer against the local property tax account for a claimant's homestead beginning May 2011. This change in the method of disbursement would mean that no resident would get a FY 2011 program benefit in calendar year 2010. Table 1 on page 64 indicates the benefit amounts individuals received in FY 2010, the amounts they would have received under statutory provisions, and the

EXPLANATION: FY 2010 language not recommended for FY 2011 denoted by strikethrough.
Recommended FY 2011 language that did not appear in FY 2010 denoted by underlining.

Significant Language Changes (Cont'd)

amounts they would receive in FY 2011 according to statutes and proposed language in the FY 2011 Governor's Budget. In sum, the Executive estimates that 997,000 homeowners would collect an average $269 benefit in FY 2011, after collecting an average $1,035 rebate in FY 2010. The program appropriation for homeowners would decrease by $833 million, or 75.7 percent, from $1.1 billion in FY 2010 to $268.2 million in FY 2011.

Under the statutory structure, a homeowner's credit amount is based on the homeowner's gross income and the homeowner's property taxes paid in the last calendar year up to $10,000. Credits equal 20 percent of allowable property taxes paid for incomes up to $100,000, 15 percent of allowable property taxes paid for incomes over $100,000 up to $150,000, and 10 percent of allowable property taxes paid for incomes over $150,000 up to $250,000. Homeowners who are age 65 or older, disabled, or blind with an income of no more than $200,000 are guaranteed minimum rebates ranging from $500 to $1,000.

For homeowners who are neither 65 years of age or older, nor blind nor disabled, the Governor's FY 2011 Budget maintains the program changes implemented in FY 2010, but reduces the benefit by 75 percent. Specifically, the Governor proposes: a) eliminating rebates for homeowners with incomes above $75,000; b) reducing rebates from a statutory 20 percent (and 13.34 percent in FY 2010) to 3.335 percent of property taxes paid up to $10,000 for homeowners with incomes between $50,000 and $75,000; c) lowering rebates from 20 percent to 5 percent of property taxes paid up to $10,000 for homeowners with incomes not exceeding $50,000; and d) maintaining 2006 property taxes, as opposed to tax year 2009 property taxes, as the basis for calculating rebates.

For homeowners who are 65 years of age or older, or blind or disabled, the Governor's FY 2011 Budget maintains the program changes implemented in FY 2010, but reduces the benefit by 75 percent. Specifically, the Governor recommends: a) eliminating rebates for homeowners with incomes above $150,000; b) reducing rebates from a statutory 15 percent (and 10 percent in FY 2010) to 2.5 percent of property taxes paid up to $10,000 for homeowners with incomes between $100,000 and $150,000; c) reducing rebates from 20 percent to 5 percent of property taxes paid up to $10,000 for homeowners with incomes not exceeding $100,000; and d) maintaining 2006 property taxes, as opposed to tax year 2009 property taxes, as the basis for calculating rebates.

Homestead Property Tax Rebates for Tenants

Deletion

2010 Handbook: p. B-204
2011 Budget: —

EXPLANATION: FY 2010 language not recommended for FY 2011 denoted by strikethrough.
Recommended FY 2011 language that did not appear in FY 2010 denoted by underlining.

Significant Language Changes (Cont'd)

~~The amount hereinabove appropriated for the Homestead Property Tax Rebates for Tenants program shall be available to pay homestead rebates pursuant to the provisions of section 4 of P.L. 1990, c.61 (C.54:4-8.60), except that, notwithstanding the provisions of that law to the contrary, residents who are not 65 years of age or older at the close of the tax year, or residents who are not allowed to claim a personal deduction as a blind or disabled taxpayer pursuant to subsection b. of N.J.S.54A:3-1, are excluded from the program; residents who are 65 years of age or older at the close of the tax year, or residents who are allowed to claim a personal deduction as a blind or disabled taxpayer pursuant to subsection b. of N.J.S.54A:3-1, with gross income of $70,000 or less are eligible for minimum rebates of $160 and maximum rebates of $860 for tax year 2008, and residents who are 65 years of age or older at the close of the tax year, or residents who are allowed to claim a personal deduction as a blind or disabled taxpayer pursuant to subsection b. of N.J.S.54A:3-1 with gross income in excess of $70,000 but not in excess of $100,000 are eligible for rebates of $160 for tax year 2008. If the amount hereinabove appropriated for the Homestead Property Tax Rebates for Tenants program is not sufficient, there is appropriated from the Property Tax Relief Fund such additional sums as may be required for payment of such rebates, subject to the approval of the Director of the Division of Budget and Accounting.~~

~~The Department of the Treasury may transfer funds as necessary between the Homestead Property Tax Credits/Rebates for Homeowners account and the Homestead Property Tax Rebates for Tenants account, subject to the approval of the Director of the Division of Budget and Accounting.~~

Explanation

The Governor *recommends eliminating rebates for tenants under the New Jersey Homestead Property Tax Credit program (N.J.S.A.54:4-8.57 et seq.). The program cost the State $71.2 million in FY 2010 (the Governor's FY 2011 Budget shows an adjusted $74.2 million FY 2010 appropriation, of which the Office of Management and Budget placed $3.0 million in reserve to be lapsed into the General Fund at the end of the fiscal year). Table 1 on page 64 indicates the amounts tenants received in FY 2010, the amounts they would have received under statutory provisions, and the amounts they would receive in FY 2011 according to statutes and the Governor's proposed spending plan.*

Statutory FY 2011 rebate amounts for tenants with a gross income of not more than $100,000 who are 65 years of age or older, blind or disabled would range from $150 to $850, depending on a tenant's gross income and property taxes paid in calendar year 2009. In FY 2010, the State paid rebate amounts ranging from $160 to $860, which reflected statutory amounts except that the statutory inflation adjustment to the maximum was eliminated by language.

Statutorily, tenants who are neither 65 years of age or older, nor blind, nor disabled who have a gross income not exceeding $100,000 are entitled to a $150

EXPLANATION: FY 2010 language not recommended for FY 2011 denoted by strikethrough.
Recommended FY 2011 language that did not appear in FY 2010 denoted by underlining.

Significant Language Changes (Cont'd)

rebate in FY 2011. In FY 2010, these tenants were eliminated from the program and would remain so in FY 2011 under the Governor's spending plan.

Senior and Disabled Citizens' Property Tax Freeze

Addition	2010 Handbook: — 2011 Budget: p. D-418

Notwithstanding the provisions of any law or regulation to the contrary, the amount hereinabove appropriated for Senior and Disabled Citizens' Property Tax Freeze is subject to the following conditions: only citizens that received property tax reimbursements paid under the Senior and Disabled Citizens' Property Tax Freeze program in fiscal year 2010 shall be eligible for property tax reimbursements in fiscal year 2011 in amounts equal to such reimbursement paid in fiscal year 2010, provided further, however, that citizens that would otherwise be ineligible in fiscal year 2011 based on fiscal year 2010 eligibility criteria shall not receive a property tax reimbursement in fiscal year 2011.

Explanation

The language sets forth the restrictions the Governor proposes to impose in FY 2011 on the Senior and Disabled Citizens' Property Tax Freeze program, or Homestead Property Tax Reimbursement program (N.J.S.A.54:4-8.67 et seq.). Specifically, the program would be closed to new applicants and payments capped at last year's benefit amounts. As a result, a $25.9 million reduction in program expenses over FY 2010 would be realized because no new entrants would replace an estimated 24,000 attriting beneficiaries. Overall, the Executive forecasts the average FY 2011 payment to 159,000 projected participants to remain at the FY 2010 level of $1,040.

Under the Governor's proposal, the Senior and Disabled Citizens' Property Tax Freeze program would reimburse qualified homeowners for the difference between the amount of property taxes they paid on their principal residence in tax year 2008 (as opposed to tax year 2009 under statutory provisions) and the amount they had paid in their base year. Qualified homeowners in FY 2011 would have to be at least 65 years of age or disabled or both. Because qualified homeowners must have participated in the program in FY 2010, they would have to have a tax year 2007 income not exceeding $60,000 and a tax year 2008 and 2009 income not exceeding $70,000 (as opposed to a tax year 2008 income not exceeding $70,000 and a tax year 2009 income not exceeding $80,000 under statutory provisions), whether married or single. Moreover, they would have had to pay property taxes directly, or indirectly by means of rental payments, on any homestead or rental unit used as a principal residence in New Jersey for at least

EXPLANATION: FY 2010 language not recommended for FY 2011 denoted by strikethrough.
Recommended FY 2011 language that did not appear in FY 2010 denoted by underlining.

Significant Language Changes (Cont'd)

ten consecutive years, the last three of which must have been as owners of the homesteads for which they seek the reimbursement.

If the program operated under statutory provisions, its FY 2011 cost would exceed the FY 2010 equivalent on account of rising property tax liabilities and a 2008 program expansion that gradually raised the income ceiling for participation. Prior to the enactment of P.L.2008, c.119, applicants would have needed a 2008 income of no greater than $45,135 if single, or $55,344 if married, and a tax year 2009 income of no greater than $47,753 if single, or $58,554 if married, to qualify for program payments in FY 2011. Instead, P.L.2008, c.119 removed the distinction between single and married applicants and raised the ceiling to $60,000 in tax year 2007 and $70,000 in tax year 2008. Absent the limitation proposed by the Governor for FY 2011, the income ceiling would increase to $80,000 in tax year 2009 and would be adjusted for inflation annually thereafter. The Department of the Treasury estimated that the law would create an additional cost of $14 million in FY 2011, reflecting an estimated new 26,000 recipients.

Municipal Alliance Programs

Deletion

2010 Handbook: p. B-206
2011 Budget: —

~~From the amount appropriated from the "Drug Enforcement and Demand Reduction Fund" the total allocation to all counties for grants to Municipal Alliance Programs shall not be less than the total amount allocated in Fiscal Year 2009 and the method by which counties shall allocate the funds shall be the same as employed in Fiscal Year 2009.~~

Explanation

The Legislature added this language in FY 2010 to make sure that municipal alcoholism and drug abuse prevention programs would not be adversely impacted by the previous Administration's proposed transfer of the Governor's Council on Alcoholism and Drug Abuse from the Department of Treasury to the Department of Human Services. Through the language, the Legislature required the council to disburse the same grant amount to each county in FY 2010 that the county had received in FY 2009 for municipal alcohol and drug prevention programs. The language also required counties to allocate these moneys to municipal alcohol and drug prevention programs in FY 2010 in the same manner that had been used in FY 2009. In the end, the council remained allocated "in but not of" the Department of the Treasury.

EXPLANATION: FY 2010 language not recommended for FY 2011 denoted by strikethrough.
Recommended FY 2011 language that did not appear in FY 2010 denoted by underlining.

Significant Language Changes (Cont'd)

Established in 1989, the Governor's Council on Alcoholism and Drug Abuse (C.26:2BB-1 et seq.) is an independent agency currently placed in the Department of the Treasury that coordinates New Jersey's alcoholism, drug, and tobacco treatment, prevention, research, evaluation, education, and public awareness efforts. Receipts into the off-budget Drug Enforcement and Demand Reduction Fund from fines levied on convicted drug users and sellers finance the Council's activities. The Council expends the vast majority of its resources, currently $9.6 million, on grants awarded to counties according to a grant allocation formula set forth in N.J.A.C. 17:40-3.6. The counties then disburse grant amounts to local prevention programs.

Legal Services Trust Fund

Deletion

2010 Handbook: p. B-208
2011 Budget: —

~~Receipts in excess of the amount hereinabove appropriated for Legal Services of New Jersey - Legal Assistance in Civil Matters, P.L.1996, c.52, are appropriated for the same purposes, subject to the approval of the Director of the Division of Budget and Accounting.~~

Explanation

The Administration proposes the deletion of the language on the use of moneys in the Legal Services Trust Fund because it is duplicative in meaning of proposed language in the General Provisions (page F-3). The following language in this document is the retained language governing the use of moneys in the Legal Services Trust Fund.

Legal Services Trust Fund

Revision

2010 Handbook: p. E-1
2011 Budget: p. F-3

There ~~is~~ <u>are</u> appropriated ~~$11,600,000~~ from the Legal Services Trust Fund established pursuant to section 6 of P.L. 1996, c.52 ~~(C.22A:2-51),~~ for transfer to the General Fund as State revenue ~~to fund~~ <u>such funds as are necessary to support the appropriations for</u> the following programs~~: $8,000,000 for~~ <u>contained in this Act: Civil</u> Legal Services ~~of New Jersey grant~~ <u>for the Poor</u>, ~~$3,000,000 for~~ ten ~~additional~~ judgeships in the Judiciary, and ~~$600,000~~ for Clinical Legal Programs for the Poor at the Rutgers-Camden Law School, the Rutgers-Newark Law School<u>,</u> and Seton Hall Law School.

EXPLANATION: FY 2010 language not recommended for FY 2011 denoted by strikethrough.
Recommended FY 2011 language that did not appear in FY 2010 denoted by underlining.

Significant Language Changes (Cont'd)

Explanation

The FY 2010 language transfers $11.6 million from the Legal Services Trust Fund to the General Fund to make five specific appropriations: $8.0 million for Legal Services of New Jersey, a non-for-profit organization providing free legal assistance in civil matters to low-income citizens; $3.0 million for ten judgeships in the Judiciary; and $600,000 for Clinical Legal Programs for the Poor at the Rutgers-Camden Law School, the Rutgers-Newark Law School, and Seton Hall Law School.

The proposed FY 2011 language would eliminate the specific amounts in the language because actual appropriations in recent years have exceeded $11.6 million and because appropriations may fluctuate from year to year. The language would also expand the permissible use of Legal Services Trust Fund resources to any nonprofit organization providing legal assistance in civil matters to low-income citizens.

P.L.1996, c.52 increased a number of fees imposed for the filing of various documents with the Law Division of the Superior Court in civil actions and directed the resultant proceeds to be placed in the off-budget Legal Services Trust Fund. The law appropriated 95 percent of annual fund receipts to Legal Services of New Jersey to provide legal assistance for poor persons in civil matters, and to the Judiciary to pay for the salaries, fringe benefits and staff costs of ten additional judges. The remaining 5 percent are appropriated to Rutgers-Newark Law School, Rutgers-Camden Law School, and Seton Hall Law School for clinical programs providing free legal representation for low-income persons.

Insufficient Funding Authorizes Suspension of Programs

Deletion	2010 Handbook:	p. E-6
	2011 Budget:	—

~~If any law requires annual State funding, and if the amount of the funding in this act is insufficient to meet the requirement, the statutory requirement shall be deemed to be suspended for the current fiscal year to the extent that the funding is insufficient.~~

Explanation

The Administration proposes the deletion of language providing that a program be deemed suspended if the State does not have the financial wherewithal to meet the program's statutory requirements. The language is recommended for deletion because it is duplicative in meaning of proposed language in the General Provisions (page F-8): "Notwithstanding the provisions of any law or regulation to

EXPLANATION: FY 2010 language not recommended for FY 2011 denoted by strikethrough.
Recommended FY 2011 language that did not appear in FY 2010 denoted by underlining.

Significant Language Changes (Cont'd)

the contrary, it is not possible in Fiscal Year 2011 to appropriate monies to fund all programs authorized or required by statute. As a result, the Governor's Budget Message and Recommendations for Fiscal Year 2011 recommended, and the Legislature agrees, that either no State funding or less than the statutorily–required amount be appropriated for certain of these statutory programs. To the extent that these or other statutory programs have not received all or some appropriations for Fiscal Year 2011 in this Appropriations Act which would be required to carry out these statutory programs, such lack of appropriations represents the intent of the Legislature to suspend in full or in part the operation of the statutory programs, including any statutorily–imposed restrictions or limitations on the collection of State revenue that is related to the funding of those programs."

Municipal Aid Payment Computation

Addition

2010 Handbook: —
2011 Budget: p. F-8

<u>Notwithstanding the provision of section 10 of P.L.2007, c.62 (C.40A:4-45.45) or any other law or regulation to the contrary, of the amounts hereinabove appropriated from the Consolidated Municipal Property Tax Relief Aid appropriation in the Department of Community Affairs and from the Energy Tax Receipts Property Tax Relief Fund appropriation in the Department of the Treasury for payments to municipalities, there shall be deducted from such aid an amount equal to the amount of the reduction in State formula aid from the previous local budget year which the municipality took into account in establishing its adjusted tax levy increase for the current local budget year consistent with section 10 of P.L.2007, c.62 (C.40A:4-45.45).</u>

<u>Explanation</u>

Current law limits the annual growth in a municipality's property tax levy to four percent, but authorizes municipalities to exceed that rate by an amount equal to any State formula aid reduction. This proposed language would require the State to make additional reductions to its formulaic aid payments to municipalities exercising that option. The additional reduction would be equal to the amount by which a municipality increased its tax levy beyond the four percent limit in response to last year's cut in formulaic municipal aid. This language would thus penalize a municipality which adopts a budget that, in compliance with existing law, exceeds the four percent levy cap in response to reductions in State municipal aid payments.

EXPLANATION: FY 2010 language not recommended for FY 2011 denoted by strikethrough.
Recommended FY 2011 language that did not appear in FY 2010 denoted by underlining.

Significant Language Changes (Cont'd)

The Consolidated Municipal Property Tax Relief Aid and Energy Tax Receipts Property Tax Relief Aid programs are the State's two formula-driven municipal aid programs through which the Administration intends to disburse $1.29 billion to municipalities in FY 2011. This amount is $271.4 million, or 17.3 percent, less than the $1.57 billion appropriated in FY 2010. The FY 2009 equivalent was $1.60 billion.

Global Warming Solutions Fund

Addition

2010 Handbook: —
2011 Budget: p. F-8

<u>There is appropriated $65,175,000 from the Global Warming Solutions Fund for transfer to the General Fund as State revenue.</u>

<u>Explanation</u>

This language effectuates the Governor's FY 2011 Budget recommendation of diverting $65.2 million in off-budget Global Warming Solutions Fund balances into the State General Fund. The Global Warming Solutions Fund is the repository of receipts accruing to the State from auctions of carbon dioxide emission allowances to power plant owners under the Regional Greenhouse Gas Initiative (RGGI). Members of the RGGI consortium of ten Northeastern and Mid-Atlantic states pledged to cap annual regional carbon dioxide emissions from power plants, and devised a mandatory cap-and-trade program under which they auction off carbon dioxide emission allowances to power plant owners who, in turn, may trade them in a secondary market. Seven auctions have taken place to date and three more are scheduled. New Jersey earned $64.5 million in the six RGGI auctions in which it participated. As of April 12, 2010, the Global Warming Solutions Fund held $26.5 million in uncommitted balances.

P.L.2007, c.340 instructs the New Jersey Economic Development Authority (EDA) to use 60 percent of Global Warming Solutions Fund receipts to provide financial assistance to commercial, institutional, and industrial entities to support energy efficiency projects, combined heat and power production facilities, and new efficient electric generation facilities. Accordingly, the EDA established the Clean Energy Solutions Capital Investment Loan/Grant program as a vehicle through which it intends to distribute its $38.7 million out of $64.5 million generated from RGGI auctions to date. Under the law, the Board of Public Utilities and the Department of Environmental Protection shall use the remaining proceeds for the reduction of the electricity demand or costs of low- and moderate-income residential ratepayers primarily in urban areas, the support of local government

EXPLANATION: FY 2010 language not recommended for FY 2011 denoted by strikethrough.
Recommended FY 2011 language that did not appear in FY 2010 denoted by underlining.

Significant Language Changes (Cont'd)

initiatives designed to lower greenhouse gas emissions, as well as the management of the State's forests and tidal marshes.

County Boards of Taxation and Garden State Preservation Trust

Addition	2010 Handbook: — 2011 Budget: p. F-9

Notwithstanding the provisions of any law or regulation to the contrary, the amounts hereinabove appropriated to the County Boards of Taxation, Real Estate Commission, Civil Service Commission, State Commission on Investigation, Pilot Commissioners, Athletic Control Board, Public Employment Relations Commission and Appeal Board, Board of Mediation, Council on Affordable Housing, New Jersey Racing Commission, Council on Local Mandates, Garden State Preservation Trust, the various State professional boards, the Certified Psychoanalysts Advisory Committee and the Audiology and Speech--Language Pathology Advisory Committee in the Department of Law and Public Safety, shall be subject to the following conditions: 1) the base salary, per diem salary, or any other form of compensation, including that for expenses, for the board members or commissioners paid for out of State funds shall not exceed $100 per month; and 2) no State monies shall be used to pay for participation in the State Health Benefits Program by board members or commissioners. No other compensation shall be paid.

Explanation

The proposed language would effectuate the Governor's recommendation of reducing the pay and benefits of members of numerous boards in FY 2011. Specifically, the language would end the eligibility of board members for participation in the State Health Benefits Program and cap their compensation at $100 per month. Within the Department of the Treasury, the proposal would apply to the County Boards of Taxation and the Garden State Preservation Trust.

The language would supersede the provisions of N.J.S.A.54:3-6, which set salaries higher than $100 per month for the 119 members of the County Boards of Taxation. Depending on a county's size, annual salaries range from $17,000 to $20,125, with the president of each board receiving an additional $2,000. Consequently, the Governor's FY 2011 Budget includes a $180,000 appropriation to the boards, a $1.6 million reduction over FY 2010 (page D-417). The boards hear taxpayer appeals of local tax assessments, determine local tax rates, promulgate equalization tables, supervise the activities of assessors, and do related work to the enforcement of local property tax laws.

The language would also supersede the provisions of N.J.S.A.13:8C-4, which set salaries higher than $100 per month for the five public members of the Garden

EXPLANATION: FY 2010 language not recommended for FY 2011 denoted by strikethrough.
Recommended FY 2011 language that did not appear in FY 2010 denoted by underlining.

Significant Language Changes (Cont'd)

State Preservation Trust. The members currently receive $150 for each day that they attend a meeting of the trust. The Governor's FY 2011 Budget includes a $476,000 appropriation to the trust in FY 2011, which amount is unchanged from FY 2010 (page D-406). Established "in but not of" the Department of the Treasury, the trust is the financing authority that provides the funds to preserve New Jersey's forests and meadows, watersheds and wildlife habitats, parks and sports fields, working farms, agricultural landscapes and historic structures.

Background Paper: The History of Homestead Rebates

Budget Pages.... D-415 to D-418

The FY 2011 Governor's Budget proposes reducing homestead property tax rebate amounts by 75 percent over FY 2010 for an estimated 997,000 homeowners and eliminating the program entirely for tenants. Homeowners eliminated from the program in FY 2010 would remain ineligible in FY 2011. Total rebate spending would thus fall to $268.2 million, a $833.4 million, or 75.7 percent, decline from the FY 2010 funding level.

The Governor also recommends ending the mailing of checks to eligible homeowners as the benefit's method of disbursement and replacing it with a credit applied directly via electronic funds transfer against the local property tax account for a claimant's homestead as of May 2011. Doing so would fulfill the legislative intent of P.L.2007, c.62, which renamed the New Jersey Homestead Property Tax Rebate program (C.54:4-8.57 et seq.) the New Jersey Homestead Property Tax Credit program, and endorsed the benefit's conversion into a credit against beneficiaries' property tax bills. Because of assorted technical and legal impediments, however, the conversion did not occur in FY 2008, 2009, and 2010.

P.L.2007, c.62 also redesigned the program's benefit structure. Not counting limitations placed on homestead rebates in various appropriations acts, the 2007 law thus marked the program's fifth incarnation since the inception of homestead exemptions in FY 1977. This background paper will retrace the historical progression of program benefits and the associated budgetary outlay. Table 1 displays statutory amounts and actual amounts received pursuant to budget language in FY 2010, the statutory benefit levels for FY 2011, and the amounts the Governor recommends for FY 2011. Table 2 indicates the annual program expenditures, and, where available, the number of claimants.

The Original Homestead Property Tax Rebate Program

P.L.1976, c.72 as amended by P.L.1977, c.17 instituted homestead rebates as the precursor of today's homestead credits. First effective in FY 1977, all resident-homeowners could claim a rebate according to a formula that considered only equalized property values and effective municipal tax rates, with senior, disabled, and blind homeowners able to claim an additional $50. The formula equaled $1.50 per $100 on the first $10,000 of equalized value, or two-thirds of equalized value, whichever was less, plus 12.5 percent of the effective tax rate in the homeowner's municipality, multiplied by $10,000 of equalized value or two-thirds of equalized value, whichever was less (but rebates were capped at 50 percent of a homeowner's property tax liability). A 1977 amendment extended eligibility to tenants by granting them a $65 rebate, with senior, disabled, and blind tenants eligible for an additional $35 (P.L.1977, c.241). Between FY 1982 and FY 1990, the program cost around $300 million per year with 1.5 million taxpayers receiving rebates averaging about $195.

The Homestead Property Tax Rebate Act of 1990

Background Paper: The History of Homestead Rebates (Cont'd)

The "Homestead Property Tax Rebate Act of 1990" (P.L.1990, c.61) reshaped the program, introducing a taxpayer's tax filing status, income, and property taxes paid as factors in determining rebate amounts. Homeowners and tenants filing jointly with incomes in excess of $100,000 became ineligible. Homeowners filing jointly with incomes in excess of $70,000 and no more than $100,000 received a $100 rebate, while similarly situated tenants received $35. Homeowners filing jointly whose income was up to $70,000 received between $150 and $500, depending on the extent to which property taxes paid exceeded five percent of income, and similarly situated tenants received between $65 and $500, depending on the extent to which rent constituting property taxes (18 percent of rent paid) exceeded five percent of income. The income requirements for single filers were 50 percent of the ones for joint filers. In FY 1992, the cost of the program rose to $707 million, as 2.5 million claimants received rebates averaging $290.

Budgetary constraints led to language provisions in the appropriations acts that restricted program eligibility and certain rebate amounts from FY 1993 through FY 1999. Only senior, disabled, and blind residents with incomes of up to $70,000 were allowed to receive full statutory rebates, while other individuals with incomes of up to $40,000 qualified for reduced amounts: $90 for homeowners and $30 for tenants. Throughout these years, the program's annual outlay was around $325 million, as the State issued about 1.5 million rebates averaging approximately $225.

The NJ SAVER and Homestead Rebate Act

Homestead Rebates: In 1999, the "New Jersey School Assessment Valuation Exemption Relief and Homestead Property Tax Rebate Act (the NJ SAVER and Homestead Rebate Act)" (P.L.1999, c.63) integrated prior budget language restrictions into the statutes and introduced the NJ SAVER, which extended property tax relief to residents who became ineligible for homestead rebates. In addition, the act gradually increased homestead rebate amounts for tenants with incomes not exceeding $100,000 from $30 in FY 2000 to $100 in FY 2004. Residents could not receive both, a homestead and a NJ SAVER rebate.

A 2001 amendment increased the maximum rebate amount from $500 to $750 for homeowners and from $60 to $100 for tenants effective FY 2002 and indexed the maximum amounts to inflation thereafter (P.L.2001, c.159). Consequently, the average rebate grew from $219 in FY 2001 to $319 in FY 2003, and the total outlay rose from $331 million in FY 2001 to $506 million in FY 2003. FY 2004 budget language suspended the cost-of-living adjustment for one year and thus maintained the $775 FY 2003 maximum, which otherwise would have risen to $790.

NJ SAVER: From FY 2000 through FY 2004, the NJ SAVER provided property tax relief to homeowners who did not qualify for homestead rebates. As of FY 2005, the NJ SAVER became consolidated into the Homestead Property Tax Rebate program.

The NJ SAVER instituted school property tax relief in the form of a rebate check equal to the 1997 equalized school tax rate applied against the first $45,000 of equalized assessed value of eligible owner-occupied, primary residences. Under a five-year phase-in provision, homeowners were to receive 20 percent of the full rebate amount in FY 2000, 40 percent in FY 2001, 60 percent in FY 2002, 80 percent in FY 2003, and 100 percent as of FY 2004. In 2001,

Background Paper: The History of Homestead Rebates (Cont'd)

an amendment accelerated the phase-in to 83.3 percent in FY 2002 and to 100 percent as of FY 2003, a year earlier than under the initial schedule (P.L.2001, c.106).

Full NJ SAVER rebate amounts were never paid, as budgetary pressures prompted the State to curtail the scope of the program through budget language restrictions. The FY 2003 Appropriations Act limited eligibility to homeowners with incomes not in excess of $200,000 and suspended the phase-in schedule, so that rebates remained at 83.3 percent of the full statutory amount. The FY 2004 Appropriations Act reduced the FY 2003 amount by 50 percent and maintained the income eligibility requirement.

Apart from FY 2002, when the program had 1.45 million beneficiaries, about 1.25 million homeowners participated in every fiscal year. Subject to the statutory phase-in schedule, the average NJ SAVER amount was $115 in FY 2000, $236 in FY 2001, and $500 in FY 2002. The FY 2003 restrictions resulted in an average amount of $505, which the FY 2004 limitations reduced to $256. Program cost mirrored the average rebate trend: in FY 2000, it was $144.3 million; in FY 2001, $297 million; in FY 2002, $724.4 million; in FY 2003, $630.8 million; and in FY 2004, $297.3 million.

2004 Homestead Property Tax Rebate Act

The "2004 Homestead Property Tax Rebate Act" (P.L.2004, c.40) folded the NJ SAVER rebate program into the homestead rebate program and raised rebate amounts to up to $1,200 for certain taxpayers as of FY 2005. To finance the higher benefits, the marginal tax rate on incomes above $500,000 increased from 6.37 percent to 8.97 percent. Accordingly, the program's FY 2005 expenditures of $1.54 billion surpassed its FY 2004 funding level by $726 million, or 90 percent. A resident's statutory rebate amount became the amount by which property taxes paid exceeded five percent of income, subject to a cost-of-living adjustment, the taxpayer's income, property taxes paid, filing status, whether the taxpayer was a homeowner or tenant, and whether the taxpayer was 65 years of age or older or disabled or both. Senior, disabled, and blind homeowners received rebates ranging from $500 to $1,200 and all other homeowners from $500 to $800. Senior, disabled, and blind tenants' rebates ranged from $150 to $850 and all other tenants received a $150 rebate.

FY 2006 homestead rebate spending fell to $1.1 billion, a $442 million, or 29 percent, decline from the FY 2005 funding level. The State realized the savings from restrictions it placed on rebate amounts for non-senior homeowners and tenants (ceilings were either $300 or $350 for homeowners and $75 for tenants). Senior homeowners and tenants, on the other hand, were still eligible for their full statutory rebate amounts.

A language provision in the FY 2007 Appropriations Act overrode the statutory cost-of-living adjustment to benefit amounts for senior, disabled, and blind recipients (3.64 percent) and reduced rebates for other beneficiaries. Instead of statutory benefit levels ranging from $520 to $830, such homeowners with annual incomes of no more than $200,000 received payments ranging from $200 to $350. Such tenants with annual incomes of no more than $100,000 received $75 in lieu of the statutory $150. Hence, the State projects the FY 2007 homestead rebate program to cost $1.06 billion, a year-on-year decrease of $39 million, or 3.7 percent.

Homestead Property Tax Credit Act

Background Paper: The History of Homestead Rebates (Cont'd)

Effective as of FY 2008, P.L.2007, c.62 revised the benefit structure of the homestead rebate program for homeowners while maintaining the tenant program, apart from requiring that the FY 2008 appropriation for the tenant program double the FY 2007 appropriation. The new statutory rebate amounts were paid in FY 2008, but budgetary pressures caused the suspension of rebates for some beneficiaries and the reduction of rebate amounts for others in FY 2009 and FY 2010. Budgetary pressures are also motivating the proposed continuation of the ineligibility for benefits of homeowners who were eliminated from the program by budget language in FY 2010, the proposed elimination of the rebate program for all tenants, and the proposed 75 percent reduction in rebate amounts for homeowners over FY 2010 in the FY 2011 Governor's Budget.

Furthermore, the Governor proposes delivering the benefit as a credit applied via electronic fund transfer against a homeowner's property tax liability as of May 2011. This proposal would implement a provision of P.L.2007, c.62 that renamed the New Jersey Homestead Property Tax Rebate program the New Jersey Homestead Property Tax Credit program in anticipation of a change in the method of disbursing the benefit from checks mailed to homeowners to a direct credit applied directly against homeowners' property tax liabilities. Assorted technical and legal complications, however, stalled the conversion in FY 2008, 2009, and 2010.

FY 2008: The State expended $2.09 billion in FY 2008 to pay statutory rebate amounts in accordance with P.L.2007, c.62. This sum represented a funding increase of $1.07 billion, or 105 percent, to provide benefits to 1.73 million homeowners and 817,000 tenants.

A homeowner received a statutory rebate based on the homeowner's gross income and property taxes paid in calendar year 2006 up to $10,000. Credits equaled 20 percent of allowable property taxes paid for incomes up to $100,000, 15 percent of allowable property taxes paid for incomes over $100,000 up to $150,000, and 10 percent of allowable property taxes paid for incomes over $150,000 up to $250,000. Homeowners who were age 65 or older, disabled or blind with an income of no more than $200,000 were guaranteed minimum rebates ranging from $500 to $1,000.

P.L.2007, c.62 provided that the FY 2008 appropriation for the tenant program double the FY 2007 appropriation. Accordingly, the FY 2008 Appropriations Act established enhanced one-year tenant benefit levels. Tenants with a gross income of not more than $100,000 who were 65 years of age or older, disabled or blind received rebates ranging from $160 to $860, depending on the tenant's gross income and the tenant's property taxes paid in calendar year 2006. Minimum benefits ranged from $160 to $350. Tenants who were neither 65 years of age or older, nor disabled nor blind who had a gross income not exceeding $100,000 were entitled to a rebate ranging from $80 to $350, depending on a tenant's gross income.

FY 2009: Owing to budgetary pressures FY 2009 homestead rebate spending fell to $1.67 billion, a $415 million, or 19.9 percent, decline from the FY 2008 funding level to provide benefits to an estimated 1.52 million homeowners and 865,000 tenants. The State realized the savings from excluding certain homeowners from the program and reducing rebate amounts to certain other homeowners and tenants.

Rebates were eliminated for all homeowners with incomes above $150,000 and reduced from 15 percent to 10 percent of property taxes paid up to $10,000 for homeowners with incomes between $100,000 and $150,000. Homeowners with incomes of not more than $100,000

Background Paper: The History of Homestead Rebates (Cont'd)

received a statutory rebate equal to 20 percent of property taxes paid up to $10,000. But all homeowners had their rebates calculated based on 2006, and not 2007, property taxes paid. The minimum benefit for homeowners with incomes not exceeding $150,000 who were age 65 or older, disabled or blind remained intact.

As to tenants who were 65 years of age or older, disabled or blind, the FY 2009 Appropriations Act eliminated the statutory inflation adjustment to the maximum so that rebates ranged from $160 to $860, with $160 as the minimum for every beneficiary. Tenants who were neither 65 years of age or older, nor disabled nor blind who had a gross income not exceeding $100,000 were entitled to an $80 rebate.

FY 2010: Budgetary pressures prompted a further reduction in program spending in FY 2010. Estimated rebate expenditures fell to $1.10 billion, a $571 million, or 34.1 percent, decline from the FY 2009 funding level to pay benefits to an estimated 992,000 homeowners and 103,000 tenants. The State realized the savings by eliminating additional homeowners and tenants from the program and reducing rebate amounts to certain other homeowners. Absent the $748.9 million that a 45-day State tax amnesty period unexpectedly generated in the waning weeks of FY 2009, all estimated 510,000 homeowner rebate recipients who were neither 65 years of age or older, nor disabled nor blind would have received no rebate in FY 2010. Table 1 shows the amounts individuals would have received in FY 2010 according to statues and the amounts they actually received.

Rebates were eliminated for all homeowners with incomes above $150,000 and for homeowners who were neither 65 years of age, nor disabled nor blind with incomes exceeding $75,000. In addition, rebate amounts were reduced from 15 percent to 10 percent of property taxes paid up to $10,000 for senior, disabled, and blind homeowners with incomes between $100,000 and $150,000 and from 20 percent to 13.34 percent of property taxes paid up to $10,000 for homeowners who were neither 65 years of age, nor disabled nor blind with incomes between $50,000 and $75,000. In all, senior, disabled, and blind homeowners with incomes of not more than $100,000 and other homeowners with incomes of not more than $50,000 received a statutory rebate equal to 20 percent of property taxes paid up to $10,000; senior, disabled, and blind homeowners with incomes above $100,000 but not exceeding $150,000 received a statutory rebate equal to 10 percent of property taxes paid up to $10,000; and homeowners with incomes above $50,000 but not above $75,000 received a statutory rebate equal to 13.34 percent of property taxes paid up to $10,000 if they were neither 65 years of age, nor disabled nor blind. But all homeowners had their rebates calculated based on 2006, and not 2008, property taxes paid. The minimum benefit for homeowners with incomes not exceeding $150,000 who were age 65 or older, disabled or blind remained intact.

The FY 2010 Appropriations Act eliminated all tenants from the rebate program who were neither 65 years of age, nor disabled nor blind. Senior, disabled, and blind tenants, on the other hand, received statutory rebates ranging from $160 to $860, except that budget language eliminated the statutory inflation adjustment.

FY 2011: The FY 2011 Governor's Budget proposes reducing homestead property tax rebate amounts by 75 percent over FY 2010 for an estimated 997,000 homeowners and eliminating the program entirely for tenants. Homeowners eliminated from the program in FY 2010 would remain ineligible in FY 2011. Total rebate spending would thus fall to $268 million, a $833 million, or 75.7 percent, decline from the FY 2010 funding level. Table 1 juxtaposes the

Background Paper: The History of Homestead Rebates (Cont'd)

amounts individuals would receive in FY 2011 according to statues and the Governor's proposal.

The Governor recommends continuing the elimination from the program of all homeowners with incomes above $150,000 and of homeowners who were neither 65 years of age, nor disabled nor blind with incomes exceeding $75,000. In addition, the Governor proposes maintaining the FY 2010 limitation that rebate amounts be reduced from 15 percent to 10 percent of property taxes paid up to $10,000 for senior, disabled, and blind homeowners with incomes between $100,000 and $150,000, and from 20 percent to 13.34 percent of property taxes up to $10,000 for homeowners who are neither 65 years of age, nor disabled nor blind with incomes between $50,000 and $75,000. Those amounts, however, would be cut by 75 percent in FY 2011, as the Governor recommends paying benefit amounts in the form of credits applied directly against claimants' property tax liabilities in quarterly installments with the first installment payable in May 2011 (thereby implying that the remaining 75 percent of the tax year 2009 benefit would be appropriated in FY 2012). In all, senior, disabled, and blind homeowners with incomes of not more than $100,000 and homeowners who are neither 65 years of age, nor disabled nor blind with incomes of not more than $50,000 would receive a credit of up to $500 instead of the statutory amount of up to $2,000 in FY 2011; senior, disabled, and blind homeowners with incomes above $100,000 but not exceeding $150,000 would receive a credit of up to $250 rather than the statutory amount of up to $1,000; and homeowners who are neither 65 years of age, nor disabled nor blind with incomes above $50,000 but not above $75,000 would receive a credit of up to $334 in lieu of a statutory amount of up to $2,000 and the FY 2010 amount of up to $1,334. All homeowners would have their rebates calculated based on 2006, and not 2009, property taxes paid. The minimum benefit for homeowners with incomes not exceeding $150,000 who were age 65 or older, disabled, or blind would also be cut by 75 percent to amounts ranging from $125 to $250, depending on a claimant's income.

Converting the Rebate into a Credit: The Governor's FY 2011 Budget recommendations include the conversion of the homestead rebate into a homestead credit, as originally envisioned by P.L.2007, c.62. Through FY 2010, the rebate has been mailed to beneficiaries in the form of checks. Under the Governor's plan, the benefit would instead be disbursed through electronic funds transfer as a credit applied directly against the local property tax account for a claimant's homestead. Each year, the credit would be applied in four quarterly installments with the first installment scheduled for May 2011.

Notwithstanding the directive to convert the rebate check into a credit, P.L.2007, c.62 authorized the Director of the Division of Taxation to continue paying the homestead rebate as a check if the director determines for a particular year that the division cannot deliver homestead benefits as a credit efficiently. The director issued such a determination for FY 2009 and 2010 based on several technical and legal complications.

In a written follow-up response to a question raised during the Department of the Treasury's budget hearing before the Senate Budget and Appropriations Committee on April 14, 2008, the department submitted a memorandum in which the Director of the Division of Taxation justified her recommendation to deliver FY 2009 homestead benefits as checks. One unresolved concern revolved around maintaining the confidentiality of income tax records. Since homestead rebate amounts are a function of a claimant's income, a credit mechanism would partially lift that privacy as homestead rebate amounts would become part of municipalities' public property tax records. In addition, a homestead credit filing season would

Background Paper: The History of Homestead Rebates (Cont'd)

coincide with the gross income tax filing season, resulting in significantly higher call volumes for the division's services center. Moreover, 75 percent of homeowners pay their property taxes through escrow accounts set up by mortgage services companies. Since rebate amounts tend to fluctuate regularly, it would be difficult for these companies to credit escrow accounts with the correct amounts to cover property tax payments. Municipal tax collectors and assessors also worried that citizens would contact them with questions about homestead credit information that would be newly included in local tax documents. The director also mentioned that in fiscal year 2008, distributing homestead rebates as credits would have produced $12.2 million in administrative expenses, $1.0 million more than the $11.2 million cost of sending out rebate checks. The additional cost would have accrued entirely due to the need to provide supplemental call center services, as a contractor would have had to handle homestead rebate inquiries during the gross income tax return filing season. Those calls currently occur after the income tax filing season. Addressing OLS Discussion Point #10 in the FY 2009-2010 Department of the Treasury Budget Analysis, the Department of Treasury also noted that uncertainty over the structure of rebate programs until adoption of a budget makes it impossible to appropriately process credit payments in time for the third quarterly property tax payment whose bills are mailed by local governments on or about July 1.

Background Paper: The History of Homestead Rebates (Cont'd)

Table 1
Homestead Property Tax Rebate Amounts
FY 2010 Statutory and Actual, FY 2011 Statutory and Proposed

Homeowner or Tenant	Status	Gross Income	Rebate Amounts FY 2010 Statutory	FY 2010 Actual	FY 2011 Statutory	FY 2011 Proposed
Homeowner	Senior or Disabled	Not over $70,000	$1,000 - $2,000	$1,000 - $2,000	$1,000 - $2,000	$250 - $500
		$70,001 to $100,000	$600 - $2,000	$600 - $2,000	$600 - $2,000	$150 - $500
		$100,001 to $125,000	$600 - $1,500	$600 - $1,000	$600 - $1,500	$150 - $250
		$125,000 to $150,000	$500 - $1,500	$500 - $1,000	$500 - $1,500	$125 - $250
		$150,001 to $200,000	$500 - $1,000	$0	$500 - $1,000	$0
		$200,001 to $250,000	$0 - $1,000	$0	$0 - $1,000	$0
	Under Age 65 and not Disabled	Not over $50,000	$0 - $2,000	$0 - $2,000	$0 - $2,000	$0 - $500
		$50,001 to $75,000	$0 - $2,000	$0 - $1,334	$0 - $2,000	$0 - $334
		$75,001 to $100,000	$0 - $2,000	$0	$0 - $2,000	$0
		$100,001 to $150,000	$0 - $1,500	$0	$0 - $1,500	$0
		$150,001 to $250,000	$0 - $1,000	$0	$0 - $1,000	$0
Tenant	Senior or Disabled, Married	Not over $70,000	$150 - $910	$160 - $860	$150 - $850	$0
		$70,001 to $100,000	$150	$160	$150	$0
	Senior or Disabled, Single	Not over $35,000	$150 - $910	$160 - $860	$150 - $850	$0
		$35,001 to $100,000	$150	$160	$150	$0
	Under Age 65 and not Disabled	Not over $50,000	$150	$0	$150	$0
		$50,001 to $75,000	$150	$0	$150	$0
		$75,001 to $100,000	$150	$0	$150	$0

Background Paper: The History of Homestead Rebates

Table 2
Funding History of Homestead Rebate and NJ SAVER Programs
(in 000)

	HOMESTEAD REBATES		NJ SAVER		TOTAL	
	Cost	Claims	Cost	Claims	Cost	Claims
2011*	$268,200	997			$268,200	997
2010*	$1,101,600	1,095			$1,101,600	1,095
2009	$1,672,473	2,386			$1,672,473	2,386
2008	$2,086,995	2,552			$2,086,995	2,522
2007	$1,018,244	2,401			$1,018,244	2,401
2006	$1,095,287	2,409			$1,095,287	2,409
2005	$1,537,448	2,435			$1,537,448	2,435
2004	$513,839	1,583	$297,314	1,174	$811,153	2,757
2003	$505,612	1,559	$630,776	1,236	$1,136,376	2,795
2002	$494,600	1,527	$724,386	1,440	$1,207,186	2,967
2001	$333,400	1,515	$296,961	1,245	$628,161	2,760
2000	$330,700	1,429	$144,312	1,233	$454,012	2,662
1999	$326,300	1,336			$324,100	1,336
1998	$322,600	1,324			$321,700	1,324
1997	$323,600	1,361			$323,200	1,361
1996	$324,700	1,444			$323,600	1,444
1995	$324,100	1,464			$321,600	1,464
1994	$325,500	1,517			$325,500	1,517
1993	$323,800	1,648			$323,800	1,648
1992	$707,300	2,460			$707,300	2,460
1991	$263,400	1,605			$263,400	1,605
1990	$304,900	1,596			$304,900	1,596
1989	$304,900	1,575			$304,900	1,575
1988	$303,200	1,551			$303,200	1,551
1987	$298,700	1,524			$298,700	1,524
1986	$300,900	1,535			$300,900	1,535
1985	$295,200	1,512			$295,200	1,512
1984	$287,300	1,477			$287,300	1,477
1983	$286,500	1,493			$286,500	1,493
1982	$290,200	1,476			$290,200	1,476
1981	$282,100	NA			$282,100	NA
1980	$276,600	NA			$276,600	NA
1979	$273,300	NA			$273,300	NA
1978	$139,500	NA			$139,500	NA
1977	$137,200	NA			$137,200	NA

* Estimated

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Budget Pages.... D-389 to D-391; D-438 to D-439; H-25; H-52

Executive Summary

In calendar year 2008, the off-budget Societal Benefits Charge (SBC) raised $643.0 million in support of assorted energy programs. The Clean Energy Fund accounted for 43.1 percent, or $279.8 million, of calendar year 2008 SBC expenditures ($649.6 million) and the Universal Service Fund for 39.5 percent, or $256.6 million. Considering that the Board of Public Utilities (BPU) has approved the program budget of the Clean Energy Fund to increase to $379.0 million in calendar year 2012 and that the current economic climate is driving up the demand for energy assistance to low-income households under the Universal Service Fund, these two programs could consume a larger share of total SBC revenues in years to come.

Administered by the BPU, the SBC is a separately delineated charge on electric and natural gas ratepayers' monthly utility bills. The BPU sets the rates of the charge and authorizes the spending of its proceeds absent direct legislative involvement. Rates vary by utility as a function of the SBC programs in which a specific utility participates. Calendar year 2008 rates represented roughly three percent of a ratepayer's energy bill. Established as part of the "Electric Discount and Energy Competition Act" (P.L.1999, c.23), the SBC financed the following programs in calendar year 2008: a) energy efficiency and renewable energy programs (Clean Energy Fund) $279.8 million, b) energy assistance programs for low-income ratepayers (Universal Service Fund) $256.6 million, c) reimbursements to energy utilities to off-set uncollectible electricity and natural gas bills $47.8 million, d) manufactured gas plant remediation $38.1 million, e) nuclear plant decommissioning $19.5 million, and f) consumer education programs $7.8 million. Apart from four programs under the Universal Service Fund, all SBC spending occurs off-budget. Prior to the SBC's creation most programs now under its umbrella were run by the electric and natural gas utilities, which built the cost of the programs' operation into the base rates they charged ratepayers. With enactment of the "Electric Discount and Energy Competition Act" and the end of utility monopolies the programs were compiled under the SBC, which utilities add to their base rates as a separately delineated charge.

Societal Benefits Charge Collections

SBC Rate: N.J.S.A.48:3-60 conferred the authority upon the BPU to set the rate of the off-budget SBC without direct legislative involvement. Determining the SBC annually in a bottom-up approach, the Board formulates or approves the annual budget of each program supported by the charge, and adds up the funding needs of all the programs to obtain the total amount to be raised by the SBC. Anticipating the volume of electricity and natural gas sales in the upcoming year, the BPU then calculates for each energy utility the rate of the SBC per kilowatt-hour of electricity and therm of natural gas to cover program expenditures. Once the rate is fixed, energy utilities collect the charge from electric and natural gas ratepayers and remit collections to the BPU. The charge is separately delineated on ratepayers' energy bills.

The SBC rate is not uniform across all electric and natural gas utilities. Rates vary by utility depending on the SBC-funded programs in which a specific energy utility participates. In

Background Paper: A Primer on the Societal Benefits Charge (Cont'd)

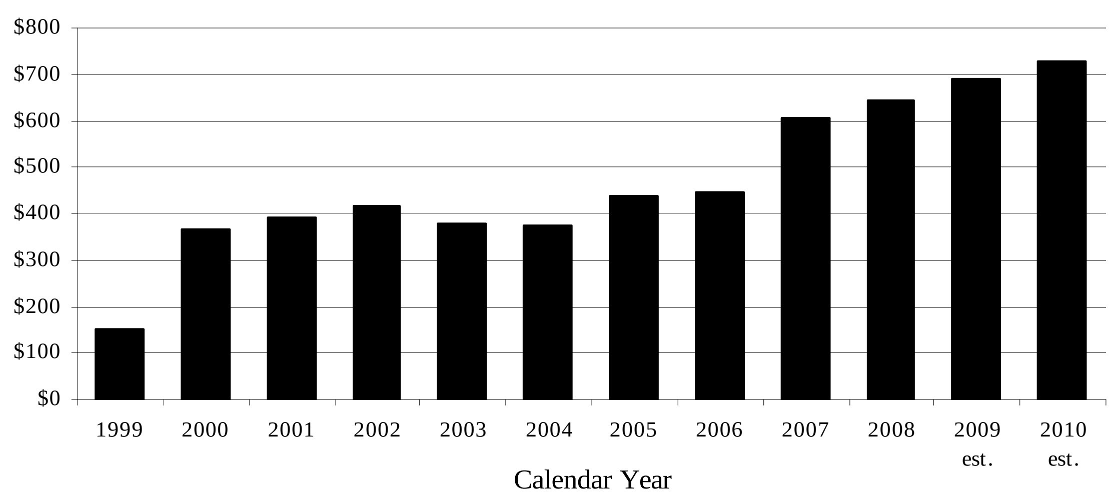
2009, the average rate was 0.6234¢ per kilowatt-hour of electricity and 4.4846¢ per therm of natural gas. That level equated to roughly three percent of a ratepayer's energy bill. Figure 1 shows the specific SBC rates in 2009.

Figure 1: 2009 Societal Benefits Charge Rates by Energy Utility

Electric Utility	Rate per Kilowatt-Hour	Gas Utility	Rate per Therm
Atlantic City Electric Company (ACE)	0.7620¢	New Jersey Natural Gas Company (NJNG)	5.9489¢
Public Service Electric and Gas Company (PSE&G)	0.6722¢	Public Service Electric and Gas Company (PSE&G)	4.8112¢
Jersey Central Power & Light (JCP&L)	0.5909¢	South Jersey Gas Company (SJG)	4.0984¢
Rockland Electric Company (RECO)	0.4686¢	Elizabethtown Gas Company (ETG)	3.0797¢

SBC Collections: Since the inception of the off-budget SBC in 1999, collections have risen as a consequence of increases in the budgets of programs funded through the charge, most notably those of the Universal Service Fund, which provides energy assistance to low-income ratepayers, and of the Clean Energy Fund, which finances energy efficiency and renewable energy programs. In calendar year 2000, the first full year in which the charge was collected, total proceeds were $368.1 million (the 1999 figure of $152.4 million reflects partial collections from August 1 through December 31 only). The BPU estimates calendar year 2010 collections at $729.8 million. The annualized rate of growth from 2000 through 2010 would thus be 7.1 percent. Figure 2 depicts actual SBC receipts from 1999 through 2008 and the amounts the BPU anticipates to be collected in 2009 and 2010.

Figure 2: Societal Benefits Charge Collections, Calendar Years 1999-2010 ($ million)



Background Paper: A Primer on the Societal Benefits Charge (Cont'd)

Societal Benefits Charge Expenditures

SBC proceeds support several off-budget energy programs (the Lifeline Credit and Tenants' Lifeline Assistance programs under the Universal Service Fund is the only SBC spending included on-budget in the annual appropriations act). In calendar year 2008, a total of $649.6 million was spent on the following programs: a) energy efficiency and renewable energy programs (Clean Energy Fund) $279.8 million, b) energy assistance programs for low-income ratepayers (Universal Service Fund) $256.6 million, c) reimbursements to energy utilities to off-set uncollectible electricity and natural gas bills $47.8 million, d) manufactured gas plant remediation $38.1 million, e) nuclear plant decommissioning $19.5 million, and f) consumer education programs $7.8 million.

Since 2004, two SBC programs have accounted for the bulk of spending supported by the SBC: the Universal Service Fund and the Clean Energy Fund. From 2004 through 2008, these programs represented 78.8 percent, or $2.19 billion, of $2.78 billion in total SBC outlays. Given that the BPU has approved the program budget of the Clean Energy Fund to increase to $379.0 million in calendar year 2012 and that the current economic climate is driving up the demand for energy assistance to low-income households under the Universal Service Fund, that these two programs could consume a larger share of total SBC revenues in years to come. Figure 3 displays SBC spending per program since the 1999 inception of the charge.

Figure 3: Programs Supported by Societal Benefits Charge, Calendar Years 1999 – 2008 ($ million)

Spending Category	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Clean Energy Fund	74.1	210.1	198.7	239.4	249.9	298.8	251.3	241.6	264.8	279.8
Universal Service Fund	0.0	0.1	-0.2	11.7	39.8	138.5	158.7	138.8	158.8	256.6
Uncollectible Energy Bills	0.0	0.0	0.0	0.0	27.3	30.6	40.4	45.9	44.3	47.8
Gas Plant Remediation	0.4	39.1	39.1	42.0	48.0	37.5	52.7	47.8	66.8	38.1
Nuclear Plant Decommissioning	53.0	52.9	51.0	49.7	40.9	19.9	20.0	20.0	19.9	19.5
Consumer Education	6.1	15.2	9.9	2.4	0.8	1.0	1.0	0.9	0.4	7.8
Social Programs	11.0	24.9	29.4	32.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0	0.0	10.6	9.3	5.7	0.0	0.0
TOTAL	**144.6**	**342.3**	**327.9**	**377.2**	**406.7**	**536.9**	**533.4**	**500.7**	**555.0**	**649.6**

Clean Energy Fund: In 2008, $279.8 million, or 43.1 percent, of SBC expenditures were made out of the Clean Energy Fund, which is the repository of SBC collections used to run the eponymous Clean Energy Program. Operative since 2001, the program was authorized as part of the "Electric Discount and Energy Competition Act." Through the program the State seeks to promote increased energy efficiency and the use of renewable sources of energy including solar, wind, geothermal, and sustainable biomass. Its financial incentives support a) residents' purchases of high efficiency heating and cooling systems and household appliances, b) commercial energy efficiency projects, c) energy-efficient commercial, industrial, and

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residential construction, d) the provision of energy efficiency services to low-income ratepayers through the Comfort Partners Program, e) local government energy audits, f) the installation of combined heat and power (cogeneration) facilities, g) the replacement of inefficient equipment operated by small businesses and local governments, h) the planting of trees in urban areas, and i) the installations of solar electric or other renewable energy technologies and systems.

The Clean Energy Program encompasses previously existing demand-side management (energy conservation and efficiency) programs operated by electric utilities and a set of newly developed renewable energy programs. Prior to the fund's creation electric utility companies included the cost of energy efficiency programs in the base rates they charged all customers. With the fund's advent the expenses were shifted to the SBC and the BPU took administrative control of the programs with the exception of the Comfort Partners Program, which has stayed with the utilities.

Spending on initiatives aggregated under the Clean Energy Program grew from $210.1 million in 2000 to $279.8 million in 2008, reflecting a 33.1 percent, or $69.7 million, increase over the eight years, or annualized growth of 3.3 percent. In accordance with annual funding levels approved in Board Order No. EO07030203, the outlay is scheduled to swell to $379.0 million in 2012, implying a 7.9 percent annualized growth rate over 2008. Because funding for most of the solar program is transitioned away from the Clean Energy Program, authorized spending under the approved program budget on renewable energy programs will fall at an annualized rate of 14.7 percent from $102.0 million in 2008 to $54.0 million in 2012, while energy efficiency program spending will rise at an annualized rate of 25 percent from $133 million in 2008 to $325 million in 2012. These numbers do not include the $73.6 million in federal stimulus funding the program received under the American Recovery and Reinvestment Act of 2009 to supplement, but not to supplant, its activities. Moreover, it is not clear to what extend the 2012 program budget will be impacted by the Governor's proposed transfer of $158.0 million in Clean Energy Fund balances into the General Fund to help eliminate the projected FY 2010 budget deficit. The transfer prompted the BPU to cut about $97 million from the program's 2010 budget, while applying $61 million in uncommitted balances against the $158 million transfer. Furthermore, it is unclear at this point to what extent two FY 2011 recommendations by the Governor would impact the Clean Energy Fund program budget: the proposed allocation of $42.5 million in Clean Energy Fund balances to the General Fund for payment of the utility cost in State facilities, and the proposed allocation of another amount of up to $6.0 million to the General Fund to pay for energy efficiency projects in State facilities.

Universal Service Fund: In 2008, $256.6 million, or 39.5 percent, of SBC expenditures were drawn against the Universal Service Fund (USF), which is the repository of SBC collections used to finance energy assistance program for low-income ratepayers. The fund, established pursuant to subsection b. of N.J.S.A.48:3-61 as part of the "Electric Discount and Energy Competition Act," is proposed to finance six State energy assistance programs in FY 2011: the USF program proper, the "Fresh Start" and Lifeline credit programs, the Tenants' Assistance Rebate Program, and energy assistance payments by the Department of Human Services under the Temporary Assistance for Needy Family (TANF) and General Assistance programs. The USF program seeks to ensure that eligible low-income utility customers pay no more than six percent of their annual income for their natural gas and electric service; its estimated program year 2009 (October 2008 through September 2009) cost is $235.8 million. The "Fresh Start" credit program complements the USF program by allowing first-time USF credit recipients with at least $60 in arrears on their energy bills to retire their outstanding balances by paying their

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USF-adjusted affordable energy bill in full for 12 consecutive months following program admittance; the program cost an estimated $12.2 million in USF balances in program year 2009. For FY 2011, the Governor recommends that the "Lifeline Credit Program" and the "Tenants' Lifeline Assistance Program" receive $72.6 million of USF resources. Of the $72.6 million, $65.7 million would be used to pay for Lifeline benefits of $225 in gas and electric utility credits to an estimated 306,140 low-income households. Another $1.8 million would be transferred to the Department of Health and Senior Services to reimburse the department for its cost of administrating the Lifeline programs. The remaining $5.1 million would be transferred to the Department of Human Services for disbursement of energy assistance benefits under the Temporary Assistance for Needy Family (TANF) and General Assistance programs. Prior to the USF's creation utility companies included the cost of certain energy assistance programs in their base rates charged to all customers, except that the Department of Human Services operated the Lifeline Credit and Tenants' Assistance Rebate programs and paid for them out of the Casino Revenue Fund. The "Electric Discount and Energy Competition Act," however, grouped all State energy assistance programs under the USF and SBC.

From calendar year 2004 through calendar year 2008, the annual USF budget grew by $118.1 million, or 85.3 percent, from $138.5 million to $256.6 million. The USF program accounted for virtually the entire increase. Its elevated spending requirements were brought about by rising energy prices and higher participation levels occasioned in part by the automatic enrollment in the program of PAAD/Lifeline applicants who satisfied USF credit program eligibility criteria.

Uncollectible Energy Bills: In 2008, $47.8 million, or 7.4 percent, of SBC expenditures reimbursed energy utility companies for debts they could not collect from their customers and that they otherwise would have had to write off. Procedurally, the BPU reviews uncollectible debts during base rate proceedings on a case-by-case basis before authorizing that the SBC compensate utilities for their unpaid liabilities. Prior to the SBC's creation energy utility companies included uncollectible balances in their base rates charged to all customers. The "Electric Discount and Energy Competition Act," however, incorporated the recovery of uncollectible debts in the new SBC. Before 2003, the costs of reimbursing energy utilities for uncollectible balances were included in the "Social Programs" spending category in Figure 3.

Manufactured Gas Plant Remediation Adjustment Charge: In 2008, $38.1 million, or 5.9 percent, of SBC expenditures were allocated to the environmental remediation of manufactured gas plant sites currently or previously operated by a natural gas public utility company. Allowable remediation costs include expenses for investigations, testing, land acquisition, remediation, litigation or other liabilities, excluding personal injury claims, that relate to gas manufacturing facility sites, disposal sites, or sites to which material may have migrated, as a result of the operation or decommissioning of gas manufacturing facilities. Prior to the SBC's creation utility companies were allowed to recoup remediation expenses through their Remediation Adjustment Clause (RAC) rider from all customers in their base rates. The "Electric Discount and Energy Competition Act," however, shifted the RAC to the new SBC.

Nuclear Plant Decommissioning: In 2008, $19.5 million, or 3.0 percent, of SBC expenditures were applied to removing nuclear plants from service and reducing residual radioactivity to a level that permits the release of the property for unrestricted use. SBC moneys are currently only collected for the decommissioning of one nuclear reactor: the Three Mile Island Nuclear Generating Station Unit 2 (TMI-2), in which Jersey Central Power & Light (JCP&L) has a 25 percent ownership interest. Accordingly, only JCP&L ratepayers pay a SBC component for

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nuclear plant decommissioning. Prior to the charge's creation JCP&L recovered decommissioning expenses from all customers in its base rates. The "Electric Discount and Energy Competition Act," however, brought the expenses under the SBC umbrella.

As a result of a 1979 accident, the TMI-2 reactor has been permanently shut down and defueled; the reactor coolant system drained; the radioactive water decontaminated and evaporated; radioactive waste, reactor fuel, and core debris shipped off-site to disposal facilities; and the remainder of the site being monitored. The facility owners plan to keep it in monitored storage until the operating license for the Three Mile Island Unit 1 plant expires in 2014.

Consumer Education: In 2008, $7.8 million, or 1.2 percent, of SBC expenditures were used to pay for consumer education initiatives, such as the distribution of information to enable consumers to choose intelligently among gas services and suppliers, and the communication to consumers of consumer protection provisions.

Social Programs: "Social Programs" is a classification encompassing the costs of several energy assistance and home weatherization programs from calendar year 1999 through calendar year 2002. As of 2003, the costs of programs previously included in the "Social Programs" category are distributed between the "Universal Service Fund" and "Uncollectible Energy Bills" spending categories in Figure 3 (uncollectible debt made up most of the spending tabulated under "Social Programs").

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Individuals wishing information and committee schedules on the FY 2011 budget are encouraged to contact:

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