

SENATE BUDGET AND APPROPRIATIONS COMMITTEE

STATEMENT TO

SENATE, No. 1530

with committee amendments

STATE OF NEW JERSEY

DATED: NOVEMBER 8, 2021

The Senate Budget and Appropriations Committee reports favorably Senate Bill No. 1530, with committee amendments.

As amended by the committee, this bill reforms and modernizes several important elements of the State's budget process and financial reporting requirements to make more transparent and publicly available information that is considered by the executive and legislative branches in enacting the annual State appropriations act. These include annual State revenue estimating, revenue and expenditure reporting, budget contingency planning, and economic stress testing.

Revenue Advisory Board. The bill establishes a New Jersey Revenue Advisory Board to provide consensus revenue forecasting advice for State budget purposes. The New Jersey Revenue Advisory Board will consist of six members: the State Treasurer, ex officio, the Legislative Budget and Finance Officer, ex officio, and four public members.

One public member, appointed by the Governor, will be a representative of the private sector with relevant business experience or background. Two public members, one appointed jointly by the leaders of the political party with the largest combined number of members in the Senate and General Assembly, and one public member appointed jointly by the leaders of the political party with the second largest combined number of members in the Senate and General Assembly will be from academia with knowledge and experience in accounting, economic and financial analysis, government finance and fiscal management, and tax policy implementation and administration. One public member, jointly appointed by the State Treasurer and Legislative Budget and Finance Officer, shall be qualified by education, training, or experience related to State tax policy and revenue analysis. The board's chairperson will be elected biennially from its public members.

The bill requires the advisory board to hold three public meetings on or before January 15 of each fiscal year to receive public testimony and invite participants who can provide guidance on the current conditions in, and probable outlook for the performance of, the economy of the State, as well as the effect of such conditions and such

performance on State revenues. The board must adopt its advisory consensus forecast at a public meeting held on or before January 15 of each State fiscal year. The board must hold two additional public meetings on or before May 15 and readopt or revise the advisory consensus forecast on or before May 15 of each State fiscal year.

While the bill does not change the State constitutional responsibility given exclusively to the Governor to certify State revenue available to support annual State appropriations, the bill requires the Governor to explain in the Governor's annual Budget Message any difference in revenue estimates made in the Budget Message compared to the advisory consensus forecasts of State revenues prepared by the board. As amended, the bill requires the State Treasurer to appear before the Legislature's budget and appropriations committees, prior to May 31 of each year, to report on any revisions to the revenue estimates for the current and ensuing fiscal year compared to the recommendations in the Governor's budget message.

The bill provides that the State Open Public Records Act will not apply to any memorandum, correspondence, notes, report, or other communication prepared by, or for the specific use of, a member of the board in the course of the board's or board member's consultations, deliberations, or official duties except for otherwise publicly accessible reports.

The Governor's Budget Message. The bill requires the Governor's budget message to include a five-year comparison of recommended budget amounts and statutorily required budget amounts for certain major appropriations programs. Also to be included for the ensuing fiscal year and four subsequent fiscal years, is a comparison of all recommended appropriations against appropriations projected to be required on a current services basis budgeting method. A current services budget indicates what the State would have to spend on a given program in order to maintain the program at its current funding level, in the absence of any proposed policy changes. It reflects the impact of factors that cause year-to-year variations in the cost of providing a given service and the number of people who use it, as well as enacted policy changes that have yet to take effect.

Revenue, Expenditure, and Cash Flow Reporting. The bill updates the disclosure requirements for monthly and annual reporting of State financial information by updating the State's monthly revenue, expenditure, and cash flow reporting requirements. The bill also requires the Director of the Division of Budget and Accounting (now also known as the Office of Management and Budget) to issue a monthly report of expenditures by each spending agency, such as a State department or board, and a monthly analysis of cash flow.

The bill enhances the current practices of monthly financial reporting to include the condition and income of all major State funds, including prompt disclosure of the State's accrued revenues as

compared with accrued revenues, itemized by revenue source for major taxes. Annual revenue reporting will also include a statement of miscellaneous revenues itemized by department, major sources of budgeted federal aid itemized by department, itemized information on income sources to the General State Fund and other budgeted State revenues from major dedicated and trust fund, and sales and use tax collections by industry sector codes. The bill also expands the reporting requirement to include the Casino Revenue Fund and the Property Tax Relief Fund.

The expenditure summary will provide an accounting of expenditures by spending agencies in the main categories of State appropriations. The report will include information on actual expenditures, as compared to anticipated and estimated expenditures for each State spending agency and the total amount expended during the fiscal year. The report will also account for any changes in expenditures differ from the annual appropriations act.

The bill also requires the preparation of a monthly cash flow analysis to provide a more comprehensive view of the State's financial position than is provided in the current monthly revenue report. The cash flow analysis will include information on receipts from all sources, including interfund transfers and short-term borrowing, and outlays, including intergovernmental transfers, capital expenditures, and debt service.

Financial and Economic Stress Testing. The bill requires the New Jersey Revenue Advisory Board to report on an annual basis a stress test analysis of the State's ability to maintain services and provide necessary assistance to residents in various economic conditions.

The stress test analyses required by the bill will include: (1) long- and short-term projections of major funding sources, including revenues from major taxes and funding from the federal government; (2) a comparison between projections of major funding sources and historical trends for each of those funding sources; (3) an analysis of expenditures that are likely to increase or decrease in various economic conditions; (4) an accounting of the State's reserves, including amounts deposited into the "Surplus Revenue Fund"; and (5) options that the State has to respond to, and lessen the negative impact of, economic recessions.

COMMITTEE AMENDMENTS:

The committee amendments:

- add three additional public members to the New Jersey Revenue Advisory Board;
- require that the chairperson of the New Jersey Revenue Advisory Board be elected biennially from among its public members;
- require the New Jersey Revenue Advisory Board to conduct two additional public meetings prior to the

adoption of the advisory consensus forecast and one additional public meeting prior to the re-adoption or revision of the advisory consensus forecast;

- require the Governor's budget message to include a five-year comparison of recommended budget amounts and statutorily required budget amounts for certain major appropriations programs;
- require the Governor's budget message to include a five-year comparison of all recommended appropriations against appropriations projected on a current services basis budgeting method;
- require the State Treasurer to appear before the Legislature's budget and appropriations committees, prior to May 31 of each year, to report on any revisions to the revenue estimates for the current and ensuing fiscal year compared to the recommendations in the Governor's budget message;
- update the State's monthly financial reporting requirements to include additional information regarding revenue collections;
- require the Director of the Division of Budget and Accounting to issue a monthly report of expenditures by State spending agencies;
- require the Director of the Division of Budget and Accounting to issue a monthly report of the State's cash flow; and
- require the New Jersey Revenue Advisory Board to conduct an annual stress test of the State's finances under various economic conditions.

FISCAL IMPACT:

This bill is not certified as requiring a fiscal note.