

ANALYSIS OF THE NEW JERSEY
FISCAL YEAR 1999 - 2000 BUDGET



DEPARTMENT OF COMMUNITY AFFAIRS

PREPARED BY
OFFICE OF LEGISLATIVE SERVICES
NEW JERSEY LEGISLATURE
APRIL 1999

NEW JERSEY STATE LEGISLATURE

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This report was prepared by the Local Government Section of the Office of Legislative Services under the direction of the Legislative Budget and Finance Officer. The primary author was Gerald Dowgin with additional contributions by Cindy Lombardi Hespe, Robert Rothberg and Hannah Shostack.

Questions or comments may be directed to the OLS Local Government Section (Tel. 609 292-1596 or the Legislative Budget and Finance Office (Tel. 609 292-8030).

DEPARTMENT OF COMMUNITY AFFAIRS

Budget Pages..... C-7; C-15; C-20; C-26; C-28; C-30 ;
D-35 to D-61; G-2

Fiscal Summary (\$000)

	Expended FY 1998	Adjusted. Appropriation FY 1999	Recommended FY 2000	Percent Change 1999-00
State Budgeted	\$943,632	\$949,316	\$926,093	(2.4)%
Federal Funds	180,118	188,040	197,595	5.1%
<u>Other</u>	<u>15,702</u>	<u>31,629</u>	<u>33,120</u>	<u>4.7%</u>
Grand Total	\$1,139,452	\$1,168,985	\$1,156,808	(1.0)%

Personnel Summary - Positions By Funding Source

	Actual FY 1998	Revised FY 1999	Funded FY 2000	Percent Change 1999-00
State	606	584	619	6.0%
Federal	253	247	253	2.4%
<u>Other</u>	<u>96</u>	<u>92</u>	<u>98</u>	<u>6.5%</u>
Total Positions	955	923	970	5.1%

FY 1998 (as of December) and revised FY 1999 (as of September) personnel data reflect actual payroll counts. FY 2000 data reflect the number of positions funded.

Introduction

The basic mission of the Department, created pursuant to P.L.1966, c.293, is to provide technical, advisory, and financial assistance to communities and individuals.

The Department provides housing assistance, local government financial assistance and oversight, and services to the disadvantaged and sets building safety and workplace standards. It administers a variety of programs through its five divisions, the Special Urban Services entity and the Office of State Planning. There are three quasi-independent agencies organizationally attached to the DCA: the Council on Affordable Housing; the Hackensack Meadowlands Development Commission; and the New Jersey Housing and Mortgage Finance Agency.

Key Points

! The recommended Direct State Services appropriation for the Department of Community Affairs is \$28.8 million, \$478,000 more than the FY 1999 adjusted appropriation. This increase is primarily reflected in a \$445,000 increase in the DCA's State funded Office of State Planning to address increased responsibilities and complete an impact assessment study on the State Plan. Included among these increased responsibilities is a recommended appropriation of \$125,000 for the Brownfields Site Inventory and Redevelopment Task Force.

! DCA's combined State Aid funding for municipalities from both the General Fund and the Property Tax Relief Fund is recommended to increase by \$21.0 million, from \$838.9 million in FY 1999 to \$859.9 million in FY 2000. However, in addition to the total \$859.9 million, recommended budget language would appropriate, subject to the approval of the State Treasurer, up to an additional \$25.0 million for the Regional Efficiency Aid Program.

Included in the total \$859.9 million is increased or new funding recommended for the following purposes:

- \$12.0 million for a program for Special Assistance to the City of Camden to help promote the revitalization of the city;
- \$11.5 million of increased funding for the Consolidated Municipal Property Tax Relief Program to provide an adjustment for inflation; and
- \$10.0 million for the new Regional Efficiency Development Incentive Grant Program (REDI), the purpose of which is to assist local governments and school districts with the study and implementation of shared service agreements and consolidation efforts.

Offsetting the above increases is the elimination of funding for two programs:

- \$500,000 for Joint Services Incentive Aid that the department indicates would be superseded by the REDI Program; and
- \$2.0 million for Watershed Moratorium Offset Aid, an item that was added to the FY 1999 Appropriations Act by the Legislature.

Also offsetting the above increases is reduced funding for the following program:

- \$10.0 million, a 33 percent reduction from the FY 1999 \$30.0 million appropriation for Extraordinary Aid. The Budget in Brief indicates that the reduced level of funding would be used to provide short-term assistance to municipalities experiencing a catastrophic loss of tax ratables.

! The FY 2000 recommended budget anticipates an increase of \$9.5 million (+ 5.1 percent) in Federal funds for the Department, which is principally attributable to a \$9.5 million increase in the Section 8 Housing Voucher Program. This program assists very low-income families, the elderly, and the disabled to rent decent, safe and sanitary housing in the private

Key Points (Cont'd)

market. This FY 2000 DCA projected increase is due to a nationwide FFY 1999 increase in federal housing voucher funding.

- ! The FY 2000 recommended budget anticipates an increase of \$1.5 million (+ 4.7 percent) in Other funds over the FY 1999 adjusted appropriation of \$31.6 million.

Increased or new funding is anticipated from four sources:

- \$500,000 in projected revenue growth from Housing Code Enforcement activities;
- \$300,000 from Housing Demonstration Grant Funds;
- \$500,000 from the Uniform Construction Code training fund; and
- \$200,000 from Hackensack Meadowlands Development Commission (HMDC) Escrow Funds, which funds are sent to the State and returned to the HMDC for operating purposes.

- ! A net \$44.7 million decrease in FY 2000 Grants-In-Aid total grants is recommended. This net decrease results from the difference between two recommended funding increases totaling \$10.0 million and four funding decreases totaling \$54.7 million.

New funding is recommended for the following purposes:

- \$2.5 million for a College and University Homebuyers' Fund designed to offer employees of State colleges and universities and community colleges located in urban areas being assisted by the Urban Coordinating Council, financial incentives to purchase or improve homes in urban neighborhoods near those colleges and universities; and
- \$7.5 million for a Downtown Living Initiative Program designed to offer low-interest rate loans to developers to encourage the construction of market-rate rental housing in urban areas.

Total Grants-In-Aid would be reduced because of the elimination of two grants added by supplemental appropriations:

- \$5.0 million for a Downtown Business Improvement Loan Fund; and
- \$2.0 million for a Morris County Life Safety Center.

The majority of the reduction in total Grants-In-Aid is due to two components:

- the elimination of \$22.7 million in funding for 215 local government and non-profit social services programs that were added by the Legislature in FY 1999; and
- the elimination of \$25.0 million in funding for a program for Redeveloping Abandoned Urban Properties also known as the New Jersey Urban Site Acquisition Program, a revolving loan fund the department indicates is adequately capitalized.

Key Points (Cont'd)

- ! Receipts of \$18,507,000 in FY 2000 to be deposited into the Affordable Housing Neighborhood Preservation - Fair Housing account from the collection of the realty transfer tax are anticipated to remain the same as those deposited in FY 1999. Of those receipts, \$2.0 million is recommended to be appropriated in FY 2000 for Shelter Assistance, representing a continuation from FY 1999 of funding Shelter Assistance from the realty transfer tax receipts.
- ! Recommended budget language would extend the authority of the Local Finance Board, by giving it the same authority as was given to the Camden Financial Review Board by language in the FY 1999 budget. The language confers on the Local Finance Board the authority to create, by resolution, a financial review board to approve, implement and enforce a financial plan for any municipality for which the Director of the Division of Local Government Services in the DCA has determined that conditions exist that create extreme difficulty in adopting a budget in compliance with the Local Budget Law, in issuing indebtedness, or in funding capital improvements essential to the protection of the public health, safety and welfare. The DCA indicates the language is necessary due to the strong possibility that additional municipalities will reach conditions under which the intervention of the State through such a board will become advisable.
- ! A recommended budget language provision would increase by \$200,000 from \$3,005,000 to \$3,205,000 the maximum amount available from the aggregate balance in the closure and post-closure escrow accounts of the Hackensack Meadowlands Development Commission (HMDC) for HMDC operational purposes. The DCA indicates that the increase is necessary to sustain the operations of the Hackensack Meadowlands Environmental Center.
- ! A General Fund language provision in FY 2000 (p. G-2) recommends that \$1,450,000 be appropriated from the New Home Warranty Security Fund for transfer to the General Fund as State revenue. In FY 1998, \$7,000,000 was transferred from the fund to the General Fund as State revenue pursuant to budget language.

Program Description and Overview

The mission of the Department of Community Affairs is to provide technical, advisory, and financial assistance to communities and individuals to help them help themselves.

Acting as an advocate and service agency, the Department interrelates a broad range of functions, programs and services such as: housing assistance, local government finance, building safety and workplace standards, child care, Hispanic affairs programs, services that benefit women and the handicapped, low-income energy conservation services, local police services, local government management assistance, and programs focusing on rooming and boarding houses, affordable housing, and many other issues of community interest. Acting as a service agency, the Department coordinates resources to renew and revitalize New Jersey communities by administering three major State municipal aid and several special purpose aid programs and overseeing Community Services Block Grants. There are more than 143 programs in the Department available to local governments, civic organizations, non-profit corporations and individuals. These programs and services are provided through the Department's five divisions, the Special Urban Services entity, the Office of State Planning and three quasi-independent agencies.

The Department's five operating divisions are the Division of Codes and Standards, the Division of Housing and Community Resources, the Division of Local Government Services, the Division on Women, and the Division of Fire Safety. While the operating divisions are listed separately, they work together, often joining together the financial and technical resources of several different units to better meet the needs of the community as a whole.

The Division of Codes and Standards

The Division of Codes and Standards is the primary building codes and standards agency in the State. The division implements and oversees the enforcement of all construction codes in New Jersey including building, plumbing, fire protection, electrical, mechanical, barrier free access, asbestos, lead abatement and radon codes. The division's responsibilities include code adoption, supervision of all State and municipal level code enforcement, and training and licensing of local and State inspectors involved in the enforcement of construction codes. Other code related responsibilities include enforcement of the State multi-family housing code, licensing of all rooming and boarding houses in the State, the administration of New Jersey's 10-year insurance-backed New Home Warranty program, the review of all condominium and cooperative sales offerings and providing information on New Jersey's landlord-tenant laws, and the development and implementation of Statewide residential site improvement standards for use by municipalities. State funds of \$12.7 million are recommended for this Division in FY 2000, the same amount that was appropriated in FY 1999.

Division of Housing and Community Resources

The Division of Housing and Community Resources provides information, training and technical assistance for housing development to municipalities, nonprofit organizations and private developers in order to encourage and facilitate the construction of affordable housing for low-and moderate-income families. The division is also responsible for planning and implementing programs that provide rental housing assistance and that support neighborhood preservation and community development initiatives. It also provides financial and technical assistance to community-based nonprofit and local governmental agencies in an effort to improve the quality of life for New Jersey's low-income, disabled and disadvantaged citizens.

This division has two major program areas: the housing services program and the community resources program.

Program Description and Overview (Cont'd)

The housing services program is responsible for planning and implementing programs that address housing and community development needs in the State. This program has three elements: 1) Housing Sponsor Services, 2) Housing Assistance, and 3) Housing Production and Community Development. Recommended State funds of \$27.4 million for FY 2000 represent a \$5.0 million reduction from FY 1999. The \$5.0 million reduction is due to the recommended elimination in FY 2000 of a \$5.0 million Grants-In-Aid item for the Downtown Business Improvement Loan Fund, which was added to the FY 1999 Budget by a supplemental appropriation.

The community resources program provides financial and technical assistance to community-based non-profit and local government agencies in an effort to improve the quality of life for New Jersey's low-income, handicapped, and disadvantaged citizens. The Office of Community Services administers the Community Services Block Grant program which provides funds to community action agencies and other eligible non-profit community groups throughout the State. These agencies provide various services needed by the State's most disadvantaged residents, including emergency assistance for food, clothing and shelter, alcoholism counseling and treatment, transportation, job training, child care, weatherization assistance and educational assistance.

Other offices funded through the division include the Office of Low-Income Energy Conservation, the Office of Recreation, the Center for Hispanic Policy, Research and Development and the Intergovernmental Review and Assistance Unit.

The State budget for the community resources program is recommended at \$8.5 million for FY 2000, a reduction of \$22.0 million from FY 1999. The \$22.0 million reduction is principally due to the elimination in FY 2000 of 208 individual grants to local governments and non-profit agencies. These grants were added to the FY 1999 Appropriations Act by the Legislature.

Division of Local Government Services

The Division of Local Government Services, through its bureaus and programs, is responsible for the financial integrity of all local government units. Specifically, it provides technical and financial assistance in budgeting, financial reporting, consolidation and regionalization of services, purchasing, and management issues to municipalities, counties, authorities, fire districts, and other public agencies. It administers professional certification programs for Certified Municipal Finance Officers, Certified Tax Collectors, Registered Municipal Clerks, and Certified Public Works managers. It also administers various State aid programs that provide financial assistance to municipalities and provides oversight and assistance to local governments and the public on a wide range of laws and programs. The direct State service component of the division's budget is recommended at \$3.3 million for FY 2000, the same amount that was appropriated in FY 1999.

The FY 2000 State Budget charges the division with overseeing a \$12.0 million State aid program of special assistance to the City of Camden. This recommendation is the primary reason for the recommended increase for State aid programs for the division, from a total of \$35.8 million in FY 1999 to \$45.3 million in FY 2000. No continuation funding is recommended to Watershed Moratorium Offset Aid, a reduction of \$2 million.

Recommended budget language in FY 2000 provides that the Local Finance Board may create a financial review board to approve, implement and enforce a financial plan for any municipality for which the Director of the Division of Local Government Services in the Department of Community Affairs has determined that conditions exist that create extreme difficulty in adopting a budget in compliance with Local Budget Law, in issuing indebtedness as permitted

Program Description and Overview (Cont'd)

by law, or in funding capital improvements essential to the protection of the public health, safety and welfare.

The FY 2000 recommended Property Tax Relief Fund - State Aid appropriation for the division of \$797.8 million, consists of funding for three programs:

(1) \$767.8 million for the Consolidated Municipal Property Tax Relief Aid (CMPTRA) program, represents an \$11.5 million increase over the FY 1999 adjusted appropriation to provide an adjustment for inflation, and

(2) \$20.0 million for Extraordinary Aid (formerly called discretionary aid) of the Supplemental Municipal Property Tax Relief Act, represents a \$10.0 million reduction from the FY 1999 adjusted appropriation. Recommended budget language directs that Extraordinary Aid shall be distributed in a manner consistent with existing criteria established by law (N.J.S.A. 52:27D-118.36). However, additional budget language would also allow for payments to be made to eligible municipalities for costs associated with activities which improve operations and provide short and long term property tax savings, including but not limited to shared and regionalized services, enhanced tax and revenue collection efforts, and other activities which can be demonstrated to meet the above requirements.

(3) \$10.0 million for the new Regional Efficiency Development Incentive Grant Program, is intended to encourage local governments and school districts to explore ways to consolidate or share services. Recommended budget language indicates that this appropriation is to be reduced by any amounts expended in fiscal year 1999 for the same purpose, such that the total amount made available for FY 1999 and 2000 shall not exceed \$10.0 million, as determined by the Director of the Division of Budget and Accounting.

In addition to the \$797.9 million recommended for specific line items, recommended language in the FY 2000 budget would appropriate an amount not to exceed \$25.0 million for the Regional Efficiency Aid Program (REAP). This language appropriation, which is contingent upon the approval of the State Treasurer, indicates that the \$25.0 million would be reduced by any unexpended balances from any appropriations that might be made for the same purpose in FY 1999. Therefore, the total amount available for this program is limited to \$25.0 million over the FY 1999 to FY 2000 period.

FY 2000 Budget language concerning the FY 1998 Generally Accepted Accounting Principles (GAAP) program provides that the unexpended balance as of June 30, 1999 in the Aid for GAAP Accounting Implementation account be appropriated. In FY 2000 no new funding for the State aid GAAP program is recommended by the Governor.

The Division on Women

This division is the central State agency for coordinating services and programs for women. It administers grants and provides technical assistance to displaced homemaker programs, Hispanic women's resource centers and urban women's centers. The Office on the Prevention of Violence Against Women provides training, education, policy and program development on domestic violence prevention, sexual assault and general referral issues. The Rape Care Program, organizationally in the Office on the Prevention of Violence Against Women, funds and monitors rape care centers. Grants to such local programs and centers are recommended to total \$2.2 million in FY 2000, which represents a \$0.6 million reduction from FY 1999. This recommended reduction in FY 2000 reflects the elimination of seven grants that were added to the FY 1999 Appropriations

Program Description and Overview (Cont'd)

Act by the Legislature: Women for Women - Union County, \$30,000; Displaced Homemakers Network of New Jersey, \$135,000; New Jersey Association of Women Business Owners, Resources for Women in Business, \$75,000; Women's Center, Monmouth County - Establish Hotline, \$60,000; Passaic County Women in Transition, \$90,000; Paulsdale Restoration, Burlington County, \$106,000; Epiphany House, Permanent Supportive Housing, \$50,000. The recommended reduction also includes \$85,000 in reduced funding for the Grants to Displaced Homemaker Centers. Funding is provided for information hotlines and a program of women's shelters administered by the Division for urban and Hispanic women and general women's referral issues.

The direct State service component of the division's budget is recommended at \$0.9 million for FY 2000, which represents the same funding level as FY 2000. Overall, the State budget for the division is recommended to decrease by \$0.6 million to \$3.1 million in FY 2000.

Division of Fire Safety

This division constitutes the department's central fire safety element. It provides public education programs to inform the general public about fire prevention, and coordinates volunteer emergency service loans and training for local firefighters. It provides services under the Uniform Fire Safety Act including research and planning, fire code enforcement, the National Fire Incident Reporting System, training and technical assistance, inspection of State owned and leased buildings, licensing and warranting of fire systems installers, and monitoring and compliance activities. The direct State service element of the division's budget is recommended at \$3.6 million for FY 2000, which represents the same funding level as FY 2000. In total, the State budget for the division is recommended to decrease by \$2.0 million to \$12.2 million in FY 2000. The \$2.0 million reduction is due to the elimination in FY 2000 of one grant to the Morris County Life Safety Center. This grant was added to the FY 1999 Appropriations Act as a supplemental appropriation.

Office of State Planning

The Office of State Planning established pursuant to section 6 of P.L.1985, c.398 (C.52:18A-201) staffs the New Jersey State Planning Commission and the New Jersey Brownfields Site Inventory and Redevelopment Task Force pursuant to section 5 of P.L.1997, c.278 (C.58:10B-23).

The State Development and Redevelopment Plan is prepared by the State Planning Commission with the assistance of the Office of State Planning (OSP). The Plan is prepared in preliminary form and is adopted following a process of cross-acceptance with local units and other interested parties which is set forth by State law. Cross-acceptance is a process of comparing planning policies among all governmental levels to attain compatibility among all such plans. The goals and strategies enunciated in the State Plan include: the revitalization of urban areas; the conservation of open space, farmland and other natural, cultural and historic resources; the promotion of beneficial economic growth, development and redevelopment; environmental protection; the provision of adequate housing at a reasonable cost; and the cost-effective provision of public facilities and services.

The Brownfields Site Inventory and Redevelopment Task Force, which is staffed by the office, is charged according to the OSP with acting as a decision making and State resources coordinating body that will serve as the focus for redevelopment projects that involve brownfield sites.

The direct State service component of the office's budget is recommended at \$2.0 million

Program Description and Overview (Cont'd)

for FY 2000, which represents a \$445,000 increase over FY 1999. This increase is basically comprised of a \$212,000 increase in salaries for three new positions that will enable it to: coordinate State policy on brownfields redevelopment, continue to oversee the cross-acceptance process (a process of comparing planning policies among all governmental levels to attain compatibility among all such plans), achieve adoption of the State plan sometime in FY 2000, complete an impact assessment study on the State plan. Also a part of the increase is a \$125,000 special purpose appropriation for the Brownfields Site Inventory and Redevelopment Task Force.

Special Urban Services

Special Urban Services is the central State facilitator for the planning and coordination of programs for the revitalization of the State's urban areas. An \$11.3 million State appropriation is recommended for Special Urban Services in FY 2000, an amount \$15.0 million less than was appropriated in FY 1999.

This net decrease has three components. There are two funding increases recommended in FY 2000: (a) \$7.5 million for a new Downtown Living Initiative program designed to offer low-interest loans to spur construction of market rental housing in urban neighborhoods, and (b) \$2.5 million for a new College and University Homebuyers' Fund program to offer financial incentives to faculty and staff of New Jersey State and community colleges and universities located in certain cities to purchase homes or improve home exteriors in those neighborhoods. These increases are offset by one recommended funding decrease of \$25.0 million for a Redeveloping Abandoned Urban Properties revolving loan program, which the DCA indicates is fully capitalized and needs no funding in FY 2000.

Special Urban Services contains two elements: the Urban Coordinating Council and the Office of Neighborhood Empowerment.

The Urban Coordinating Council (UCC), pursuant to section 45 of P.L.1996, c.62 (C.55:19-60), is chaired by the Governor and is comprised of representatives from every State department as well as the Economic Development Authority, the Casino Reinvestment Development Authority, the State Planning Commission, the Housing Mortgage Finance Agency, the Juvenile Justice Commission and the Commission on Higher Education. The council helps communities to develop and implement neighborhood-based plans and strategies for revitalizing neighborhoods. It serves as a one-stop shopping network for the State services that cities identify in their plans, and it coordinates assistance from the private sector and nonprofit entities to meet the unique needs of each community.

The Office of Neighborhood Empowerment (ONE) was established pursuant to section 47 of P.L.1996, c.62 (C.55:19-62), the "New Jersey Urban Redevelopment Act" in, but not of, the Department of Community Affairs. Its principal duty is to provide support for a community director who is to assist local sponsors in developing or implementing neighborhood empowerment plans, projects and programs established by the New Jersey Redevelopment Authority and the New Jersey Economic Development Authority, and development initiatives proposed by municipal and county governments. Each project is to be assigned an interagency team of State representatives. Each interagency team is to be co-chaired by a case manager from the Office of Neighborhood Empowerment and by the community director of the project and will include at least one representative of the UCC. This office works collaboratively with community leaders to rebuild New Jersey's cities, one neighborhood at a time. The executive director of this element reports solely to the Urban Coordinating Council. The recommended direct State service funding for ONE in FY 2000 is \$1.3 million, unchanged from FY 1999.

Program Description and Overview (Cont'd)

Three quasi-independent agencies that are in, but not of, the Department of Community Affairs are as follows:

! Hackensack Meadowlands Development Commission

This commission is responsible for the preservation and physical development of 20,000 acres of salt water swamps, meadows and marshes in the Hackensack Meadowlands.

! Housing and Mortgage Finance Agency

The New Jersey Housing and Mortgage Finance Agency Act of 1983 consolidated the New Jersey Housing Finance Agency and the New Jersey Mortgage Finance Agency into the New Jersey Housing and Mortgage Finance Agency (HMFA). HMFA promotes safe and affordable housing by providing low-interest construction mortgage loans, purchase-rehabilitation programs, and home improvement loans. The agency also provides financing to municipalities seeking to comply with Mount Laurel-related housing obligations, as authorized by the Fair Housing Act of 1985. HMFA raises its housing finance funds through the sale of tax-exempt bonds to private-sector investors and meets its administrative and operating expenses with revenues collected from bond repayment. Basically, the HMFA offers financing for the construction of multi-family rental properties and single family home ownership and allocates federal low income housing tax credit subsidies.

! Council on Affordable Housing

The Council on Affordable Housing (COAH) was created as part of the "Fair Housing Act, of 1985" (P.L.1985, c.222) to assist municipalities in determining their need for low-and-moderate-income housing and monitoring the fulfillment of their affordable housing obligations. COAH also works with the DCA's Division of Housing and Community Resources and the HMFA on various programs. The recommended direct State service element of the council's budget is \$1.4 million in FY 2000, unchanged from FY 1999.

SUMMARY

For FY 2000, the total recommended State budget for the Department is \$926.0 million, a decrease of \$23.2 million (-2.4 percent) from the FY 1999 adjusted appropriation.

The direct State services element of the DCA's FY 2000 budget is recommended to increase by \$478,000. The Governor has recommended a \$445,000 increase in the DCA's State Budget for the Office of State Planning program for FY 2000. This recommendation represents a 28.9 percent increase from the FY 1999 adjusted appropriation and is the major reason for the net \$478,000 increase in the direct State services element of the DCA's FY 2000 budget. Direct State Service General Fund appropriations for all of the divisions in FY 2000 either remained the same or increased as compared to their appropriations in FY 1999.

A net \$44.7 million decrease in FY 2000 Grants-In-Aid total grants is recommended. This net decrease results from the difference between two recommended funding increases totaling \$10.0 million (\$2.5 million for a College and University Homebuyers' Fund and \$7.5 million for a Downtown Living Initiative Program) and four funding decreases totaling \$54.7 million.

Total Grants-In-Aid would be reduced because of the elimination of two grants added by supplemental appropriations:

Program Description and Overview (Cont'd)

- \$5.0 million for a Downtown Business Improvement Loan Fund; and
- \$2.0 million for a Morris County Life Safety Center.

The majority of the reduction in total Grants-In-Aid is due to two components:

- the elimination of \$22.7 million in funding for 215 local government and non-profit social services programs that were added by the Legislature in FY 1999; and
- the elimination of \$25.0 million in funding for a program for Redeveloping Abandoned Urban Properties also known as the New Jersey Urban Site Acquisition Program, which revolving loan fund the department indicates is adequately capitalized.

DCA's combined State Aid funding for municipalities from both the General Fund and the Property Tax Relief Fund is recommended to increase by \$21.0 million, from \$838.9 million in FY 1999 to \$859.9 million in FY 2000. However, in addition to the total \$859.9 million, recommended budget language would appropriate, subject to the approval of the State Treasurer, up to an additional \$25.0 million for the Regional Efficiency Aid Program.

Receipts of \$18,507,000 in FY 2000 to be deposited into the Affordable Housing Neighborhood Preservation - Fair Housing account from the collection of the realty transfer tax are anticipated to remain the same as those deposited in FY 1999. Of those receipts, \$2.0 million is recommended to be appropriated in FY 2000 for Shelter Assistance, representing a continuation from FY 1999 of funding Shelter Assistance from the realty transfer tax receipts.

The FY 2000 recommended budget anticipates an increase of \$9.5 million (+ 5.1 percent) in Federal funds for the Department, which is principally attributable to a \$9.5 million increase in the Section 8 Housing Voucher Program.

The FY 2000 recommended budget anticipates an increase of \$1.5 million (+ 4.7 percent) in Other funds over the FY 1999 adjusted appropriation of \$31.6 million.

Increased or new funding is anticipated from four sources:

- \$500,000 in projected revenue growth from Housing Code Enforcement activities;
- \$300,000 from Housing Demonstration Grant Funds;
- \$500,000 from the Uniform Construction Code training fund; and
- \$200,000 from Hackensack Meadowlands Development Commission (HMDC) Escrow Funds, which funds are sent to the State and returned to the HMDC for operating purposes.

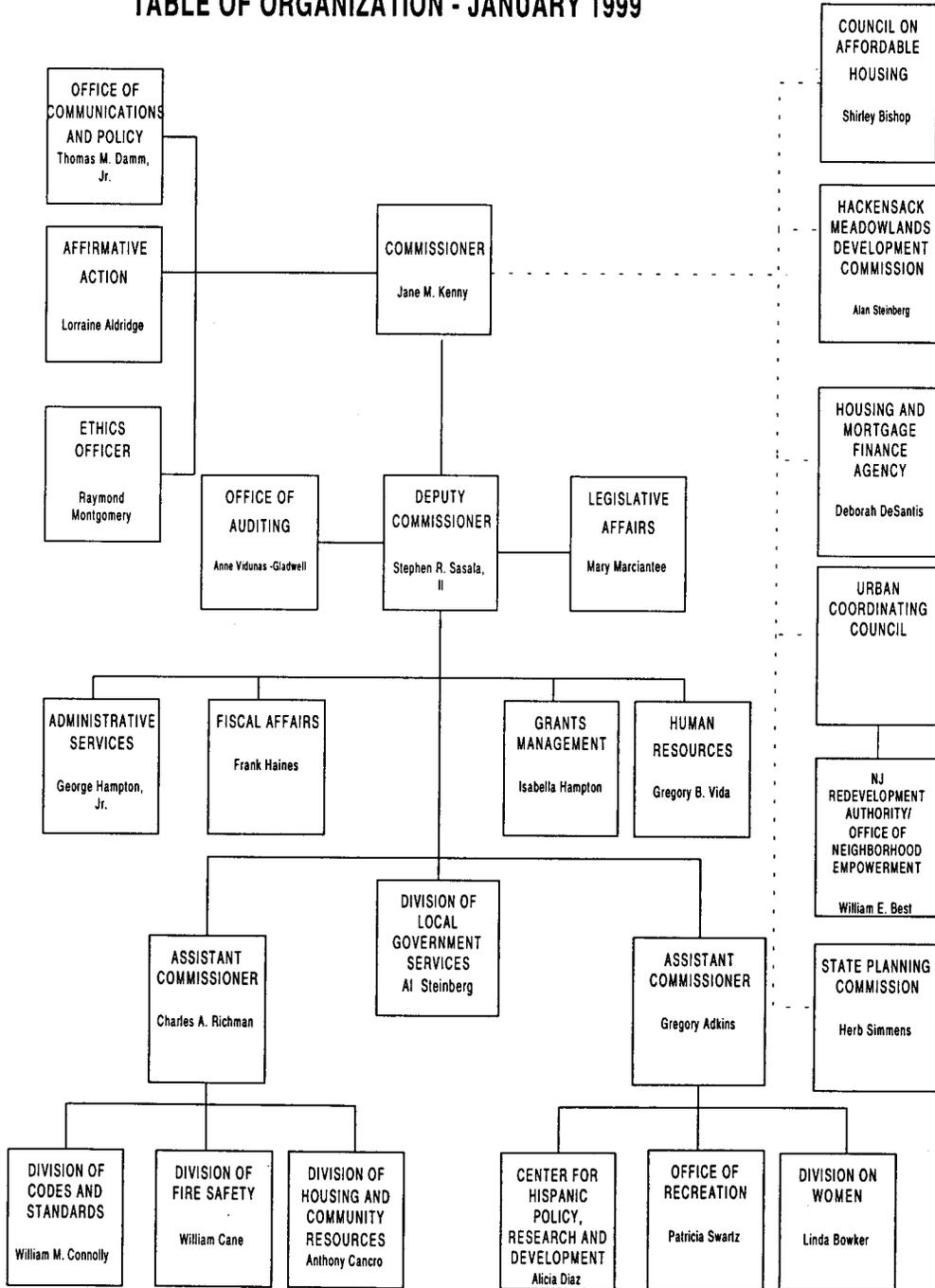
A recommended budget language provision would increase by \$200,000 from \$3,005,000 to \$3,205,000 the maximum amount available from the aggregate balance in the closure and post-closure escrow accounts of the Hackensack Meadowlands Development Commission (HMDC) for HMDC operational purposes. The DCA indicates that the increase is necessary to sustain the operations of the Hackensack Meadowlands Environmental Center.

Program Description and Overview (Cont'd)

A General Fund language provision in FY 2000 (p. G-2) recommends that \$1,450,000 be appropriated from the New Home Warranty Security Fund for transfer to the General Fund as State revenue. In FY 1998 \$7,000,000 was transferred from the fund to the General Fund as State revenue pursuant to budget language.

Organization Chart

NEW JERSEY DEPARTMENT OF COMMUNITY AFFAIRS
TABLE OF ORGANIZATION - JANUARY 1999



Fiscal and Personnel Summary

AGENCY FUNDING BY SOURCE OF FUNDS (\$000)

	Expended FY 1998	Adj. Approp. FY 1999	Recom. FY 2000	Percent Change	
				1998-00	1999-00
<u>General Fund</u>					
Direct State Services	\$33,005	\$28,376	\$28,854	-12.6%	1.7%
Grants - In - Aid	34,049	82,041	37,340	9.7%	-54.5%
State Aid	90,525	52,536	62,036	-31.5%	18.1%
Capital Construction	0	0	0	0.0%	0.0%
Debt Service	0	0	0	0.0%	0.0%
Sub-Total	\$157,579	\$162,953	\$128,230	-18.6%	-21.3%
<u>Property Tax Relief Fund</u>					
Direct State Services	\$0	\$0	\$0	0.0%	0.0%
Grants-In-Aid	0	0	0	0.0%	0.0%
State Aid	786,053	786,363	797,863	1.5%	1.5%
Sub-Total	\$786,053	\$786,363	\$797,863	1.5%	1.5%
<u>Casino Revenue Fund</u>	\$0	\$0	\$0	0.0%	0.0%
<u>Casino Control Fund</u>	\$0	\$0	\$0	0.0%	0.0%
State Total	\$943,632	\$949,316	\$926,093	-1.9%	-2.4%
<u>Federal Funds</u>	\$180,118	\$188,040	\$197,595	9.7%	5.1%
<u>Other Funds</u>	\$15,702	\$31,629	\$33,120	110.9%	4.7%
Grand Total	\$1,139,452	\$1,168,985	\$1,156,808	1.5%	-1.0%

PERSONNEL SUMMARY - POSITIONS BY FUNDING SOURCE

	Actual FY 1998	Revised FY 1999	Funded FY 2000	Percent Change	
				1998-00	1999-00
State	606	584	619	2.1%	6.0%
Federal	253	247	253	0.0%	2.4%
All Other	96	92	98	2.1%	6.5%
Total Positions	955	923	970	1.6%	5.1%

FY 1998 (as of December) and revised FY 1999 (as of September) personnel data reflect actual payroll counts. FY 2000 data reflect the number of positions funded.

AFFIRMATIVE ACTION DATA

Total Minority Percent	29.2%	28.8%	28.8%	----	----
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Significant Changes/New Programs (\$000)

<u>Budget Item</u>	<u>Adj. Approp.</u> <u>FY 1999</u>	<u>Recomm.</u> <u>FY 2000</u>	<u>Dollar</u> <u>Change</u>	<u>Percent</u> <u>Change</u>	<u>Budget</u> <u>Page</u>
DIRECT STATE SERVICES - GENERAL FUND					
All State Budget Accounts					
Total Personal Services:					D-41 49, 59,
Salaries and Wages	\$20,355	\$20,567	\$212	1.0%	60

DCA's State budget salaries and wages accounts for the entire department are recommended to be increased by a total of \$212,000. This recommendation represents a 1 percent increase from the FY 1999 total salaries and wages accounts adjusted appropriation. This increase reflects a \$212,000 recommended salary increase in FY 2000 made within the Office of State Planning. DCA indicates this increase is to provide funding for three new staff positions to effectively discharge duties in FY 2000. The duties of the staff will entail coordinating State policy on brownfields redevelopment, continuing to oversee the cross-acceptance process (a process of comparing planning policies among all governmental levels to attain compatibility among all such plans), achieving adoption of the State plan sometime in FY 2000, and completing an impact assessment study on the State plan. The Office's role as staff to the Brownfields Site Inventory and Redevelopment Task Force, created in January, 1998, has been supported by prior years' balances.

COMMUNITY DEVELOPMENT MANAGEMENT

GRANTS-IN-AID - GENERAL FUND

Downtown Business Improvement Loan Fund	\$5,000	\$0	(\$5,000)	(100.0)%	D-42, 46
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The FY 2000 budget recommends the elimination of a one time \$5.0 million appropriation for special improvement districts. This fund was established with an FY 1999 supplemental appropriation to offer loans for capital improvements in designated downtown business improvement districts (also known as special improvement districts). DCA indicates this fund is an adequately capitalized, self-replenishing source of assistance and no additional funds are needed in FY 2000 for this purpose. A language recommendation would appropriate the receipts from the payment of loans from the fund together with the unexpended balance of the loan fund, with interest, for the purposes set forth in P.L. 1998, c.115, the statute which established the loan fund.

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

<u>Budget Item</u>	<u>Adj. Approp.</u> <u>FY 1999</u>	<u>Recomm.</u> <u>FY 2000</u>	<u>Dollar</u> <u>Change</u>	<u>Percent</u> <u>Change</u>	<u>Budget</u> <u>Page</u>
Redeveloping Abandoned Urban Properties	\$25,000	\$0	(\$25,000)	(100.0)%	D-42

The FY 2000 budget recommends the elimination of a one time \$25.0 million appropriation for a program known as the Urban Site Acquisition Program. This appropriation was established in FY 1999 as a revolving loan fund, held and administered by the New Jersey Redevelopment Authority, to provide short-term loans to acquire development sites in targeted urban areas as a critical step in the redevelopment process. DCA indicates that this program has been successfully launched, that the fund is adequately capitalized for now, and that no additional funds are needed in FY 2000 for this purpose. It is anticipated by the department that loan repayments will occur within 18 months of loan closings. Therefore, no additional funds have been requested for FY 2000.

Downtown Living Initiative	\$0	\$7,500	\$7,500	—	D-42
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This FY 2000 \$7.5 million recommended appropriation is for a new program designed to offer low-interest rate loans to developers to spur construction of market rate rental housing in urban neighborhoods. This program, according to the department, is intended to complement the Urban Home Ownership Recovery Plan financed by the New Jersey Housing and Mortgage Finance Agency and other programs to regenerate urban housing stock.

College and University Homebuyers' Fund	\$0	\$2,500	\$2,500	—	D-42
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This FY 2000 \$2.5 million recommended appropriation would establish a new fund to offer employees of State colleges and universities and community colleges financial incentives to purchase or improve homes in urban neighborhoods near those colleges and universities. As proposed, to be eligible for assistance those employees would also have to reside in urban areas being assisted by the Urban Coordinating Council. These cities are Vineland, Trenton, Newark, New Brunswick, Jersey City and Camden. The level of financial incentive for which individuals will be eligible will be determined when the program's guidelines are drafted. The Housing and Mortgage Finance Agency will administer this program.

Morris County Life Safety Center	\$2,000	\$0	(\$2,000)	(100.0)%	D-42
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The FY 2000 budget recommends no funding for this purpose. Funding was provided in FY 1999 pursuant to a supplemental appropriation (P.L.1999, c.107) to meet the fire training needs of firefighters to expand and refurbish the fire training facilities.

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

<u>Budget Item</u>	<u>Adj. Approp. FY 1999</u>	<u>Recomm. FY 2000</u>	<u>Dollar Change</u>	<u>Percent Change</u>	<u>Budget Page</u>
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STATE AID
GENERAL FUND -

Joint Sevices Incentive Aid	\$500	\$0	(\$500)	(100.0)%	D-42
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The FY 2000 budget recommends no funding for this purpose. This funding was intended to promote consolidation of existing service systems to achieve efficiency and economy among local governments. This program is superseded by the FY 2000 recommended \$10.0 million Regional Efficiency Development Incentive Grant Program (REDI). The REDI program is designed to provide financial incentives to municipalities and local school districts to study consolidation or shared services.

Watershed Moratorium Offset Aid	\$2,000	\$0	(\$2,000)	(100.0)%	D-43
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The FY 2000 budget recommends no funding for this purpose. The FY 1999 \$2.0 million appropriation was added by the Legislature to offset the minimal ratable growth experience in six municipalities in northern New Jersey suffering from certain long-standing tax appeal judgments for watershed land owned by the City of Newark within those municipalities. The Governor did not recommended funding for this purpose in FY 2000. FY 1999 watershed moratorium offset aid payments were as follows: Vernon Twp. (Sussex) \$334,000, Hardyston Twp. (Sussex) \$244,000, Rockaway Twp. (Morris) \$136,000, Jefferson Twp. (Morris) \$250,000, Kinnelon Bor. (Morris) \$9,000, West Milford Twp. (Passaic) \$1,027,000.

Special Assistance to the City of Camden	\$0	\$12,000	\$12,000	—	D-43
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This FY 2000 \$12.0 million recommended appropriation is for a special financial assistance for the City of Camden. P.L.1998, c.34, which was effective June 30, 1998, included a \$15 million special assistance appropriation for the City of Camden.

STATE AID -
PROPERTY TAX RELIEF
FUND

Extraordinary Aid	\$30,000	\$20,000	(\$10,000)	(33.3)%	D-43
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This program would replace the Discretionary Aid program. The department has indicated that this recommended reduction of \$10.0 million for FY 2000 represents a phase-down of that program. According to the Budget in Brief this \$10.0 million, or 33 percent reduction from the FY 1999 \$30.0 million appropriation for Discretionary Aid reflects a reduced level of funding for short-term assistance for municipalities experiencing a catastrophic loss of tax ratables. Recommended budget language (p. D-47) specifies how the funds may be spent.

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

<u>Budget Item</u>	<u>Adj. Approp. FY 1999</u>	<u>Recomm. FY 2000</u>	<u>Dollar Change</u>	<u>Percent Change</u>	<u>Budget Page</u>
Consolidated Municipal Property Tax Relief Aid	\$756,363	\$767,863	\$11,500	1.5%	D-43

The FY 2000 recommended increase of \$11.5 million is for a proposed inflationary increase to the Consolidated Municipal Property Tax Relief Aid program (CMPTRA). The Budget-In-Brief indicates that this recommendation will continue to provide municipal governments with a stable base of revenue to address their needs for local public services.

Regional Efficiency Development Incentive Grant program	\$0	\$10,000	\$10,000	—	D-43
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This FY 2000 \$10.0 million recommended appropriation would establish the Regional Efficiency Development Incentive Grant Program (REDI). The purpose of the REDI program is to provide financial incentives to encourage local governments and school districts to explore ways to consolidate, regionalize and implement joint services.

Regional Efficiency Aid Program	\$0	\$25,000	\$25,000	—	D-47
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Recommended funding for this program is not displayed as a specific line item. The \$25.0 million amount is recommended by language. The Regional Efficiency Aid Program would provide property tax credits directly to residents in those taxing districts that have implemented regionalization and other cost saving measures.

SOCIAL SERVICES PROGRAMS

GRANTS-IN-AID GENERAL FUND	\$33,091	\$10,390	(\$22,701)	(68.6)%	D-57
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The \$22.7 million decrease in FY 2000 Grants-In-Aid total grants is due in major part to the elimination of 215 individual grants for local governments and non-profits added by the Legislature that totaled \$22.9 million in FY 1999, which are not recommended for FY 2000. These reductions are offset by two funding increases that total \$225,000. Funding for the Special Olympics is recommended to be increased by \$75,000 to \$450,000 and funding for the Recreation for the Handicapped program is recommended to be increased by \$150,000 to \$650,000.

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

<u>Budget Item</u>	<u>Adj. Approp. FY 1999</u>	<u>Recomm. FY 2000</u>	<u>Dollar Change</u>	<u>Percent Change</u>	<u>Budget Page</u>
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**FEDERAL FUNDS-
REVENUES**

Section 8 Housing Voucher Program	\$42,372	\$51,872	\$9,500	22.4%	C-20
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An increase of \$9.5 million in federal Section 8 Housing Voucher Program funding is anticipated for FY 2000. This program assists very low-income families, the elderly, and the disabled to rent decent, safe and sanitary housing in the private market. This FY 2000 DCA projected increase is based on a country-wide FFY 1999 increase in federal housing voucher funding.

**Supplemental
Assistance for Facilities
to Assist the Homeless**

	\$382	\$735	\$353	92.4%	C-20
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An increase of \$353,000 in Supplemental Facilities to Assist the Homeless (SFAH) funding is anticipated for FY 2000. The SFAH program is a transitional housing support strategy designed to provide case management activities for single family households graduating from other home ownership education programs.

**Transitional Housing-
Homeless**

	\$1,000	\$362	(\$638)	(63.8)%	C-20
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A decrease of \$638,000 in Transitional Housing-Homeless funding is anticipated for FY 2000, which estimate reflects the last federal funding awarded. The program is designed to provide transitional housing and supportive services to chronically homeless families and homeless individuals with disabilities.

OTHER FUNDS**Housing Code
Enforcement**

	\$667	\$1,186	\$519	77.8%	D-43
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An increase of \$519,000 in Housing Code Enforcement funding is recommended for FY 2000 to reflect increased inspection activity and the fees and penalties to be generated by that activity. The Housing Code Enforcement program is responsible for conducting inspections and reinspections on hotels, motels and multiple dwellings to maintain building safety standards and ensure compliance under P.L.1967, c.76 (C.55:13A-1 et seq.).

Language Provisions

1999 Appropriations Handbook

2000 Budget Recommendations

p. B-22

The Director of the Division of Budget and Accounting is hereby authorized to transfer such sums as are necessary between the Department of Labor and the Department of Community Affairs for the administration of the Workplace Standards program.

No similar language.

Explanation

This FY 1999 budget language facilitated the transition of the Workplace Standards program from the Department of Labor to the Department of Community Affairs during FY 1999. The transition is now complete, rendering this language unnecessary for FY 2000.

1999 Appropriations Handbook

2000 Budget Recommendations

p. B-24

In addition to the amounts hereinabove, such additional sums as may be necessary are appropriated to fund an impact assessment study on the interim State Development and Redevelopment Plan as part of the Cross-Acceptance process, subject to the approval of the Director of the Division of Budget and Accounting.

No similar language.

Explanation

The Governor has not recommended this language in FY 2000 because the department has already been allocated the funding necessary to complete the interim study in FY 1999. As the interim study is intended to be a one-time expenditure, no additional funds are recommended for this purpose in FY 2000.

Language Provisions (Cont'd)

1999 Appropriations Handbook

p. B-24

The unexpended balances as of June 30, 1998 in the Brownfields Site Inventory Project Account is appropriated for the same purposes.

2000 Budget Recommendations

p. D-59

The unexpended balances as of June 30, 1999 in the ~~Brownfields Site Inventory Project Account~~ Brownfields Site Inventory and Redevelopment Task Force Account is appropriated for the same purposes.

Explanation

This recommended FY 2000 language changes the name of the current Brownfields Site Inventory Project Account to the Brownfields Site Inventory Project and Redevelopment Task Force Account. This change in the name of the account reflects additional responsibilities assigned to the Office of State Planning as a result of the enactment of P.L.1997, c.278. Those additional responsibilities include providing technical assistance to municipal governments interested in development plans for the redevelopment of contaminated brownfield sites in urban areas.



Language Provisions (Cont'd)

1999 Appropriations Handbook

p. C-4

Notwithstanding the provisions of section 35 of P.L.1975, c.326 (C.13:17-10.1), sections 10 and 11 of P.L.1981, c.306 (C.13:1E-109 and C.13:E-110), section 8 of P.L.1985, c.368 (C.13:1E-176), or any rules and regulations adopted pursuant thereto, or any order issued by the Board of Public Utilities to the contrary, if the aggregate balance in the closure and post-closure escrow accounts established by the Hackensack Meadowlands Development Commission for the closure and post-closure monitoring of the sanitary landfill facilities operated by the Hackensack Meadowlands Development Commission is in excess of the amount necessary, as calculated pursuant to the financial plan for the closure and post-closure of the sanitary landfill facilities prepared by the Hackensack Meadowlands Development Commission and approved by the Department of Environmental Protection for the proper closure and post-closure monitoring of the sanitary landfill facilities, an amount equal to the excess amount, or \$3,005,000, whichever is less, shall be withdrawn from the escrow accounts by the Hackensack Meadowlands Development Commission and paid to the State Treasurer for deposit in the General Fund and the amount so deposited shall be appropriated to the Hackensack Meadowlands Development Commission for operational costs. Of the amount so deposited and appropriated to the Hackensack Meadowlands Development Commission, \$110,000 shall be made available to the Hackensack Meadowlands Municipal Committee for operational costs.

2000 Budget Recommendations

p. D-45

Notwithstanding the provisions of section 35 of P.L.1975, c.326 (C.13:17-10.1), sections 10 and 11 of P.L.1981, c.306 (C.13:1E-109 and C.13:E-110), section 8 of P.L.1985, c.368 (C.13:1E-176), or any rules and regulations adopted pursuant thereto, or any order issued by the Board of Public Utilities to the contrary, if the aggregate balance in the closure and post-closure escrow accounts established by the Hackensack Meadowlands Development Commission for the closure and post-closure monitoring of the sanitary landfill facilities operated by the Hackensack Meadowlands Development Commission is in excess of the amount necessary, as calculated pursuant to the financial plan for the closure and post-closure of the sanitary landfill facilities prepared by the Hackensack Meadowlands Development Commission and approved by the Department of Environmental Protection for the proper closure and post-closure monitoring of the sanitary landfill facilities, an amount equal to the excess amount, or ~~\$3,005,000~~ \$3,205,000, whichever is less, shall be withdrawn from the escrow accounts by the Hackensack Meadowlands Development Commission and paid to the State Treasurer for deposit in the General Fund and the amount so deposited shall be appropriated to the Hackensack Meadowlands Development Commission for operational costs. Of the amount so deposited and appropriated to the Hackensack Meadowlands Development Commission, \$110,000 shall be made available to the Hackensack Meadowlands Municipal Committee for operational costs.

Explanation

This recommended language changes from \$3,005,000 to \$3,205,000 the maximum amount available from the aggregate balance in the closure and post-closure escrow accounts established by the Hackensack Meadowlands Development Commission to be used for operational purposes by the commission. This language provision states that funds up to \$3,205,000 shall be withdrawn from the escrow accounts by the Commission and paid to the State Treasurer for deposit in the General Fund. The deposited amount shall then be appropriated to the Hackensack Meadowlands

Language Provisions (Cont'd)

Development Commission for operational costs. According to the department, this increase of \$200,000 in operational funding is necessary to sustain the operations of the Hackensack Meadowlands Environmental Center, and will be used for that purpose.

1999 Appropriations Handbook

p. C-4

Notwithstanding the provisions of section 35 of P.L.1975, c.326 (C.13:17-10.1), sections 10 and 11 of P.L.1981, c.306 (C.13:1E-109 and C.13:E-110), section 8 of P.L.1985, c.368 (C.13:1E-176), or any rules and regulations adopted pursuant thereto, or any order issued by the Board of Public Utilities to the contrary, an amount equal to \$4,200,000 of the calendar year 1997 earnings on the aggregate balance in the closure and post-closure escrow accounts established by the Hackensack Meadowlands Development Commission for the closure and post-closure monitoring of the sanitary landfill facilities operated by the commission shall be withdrawn from the escrow accounts by the Hackensack Meadowlands Development Commission and paid to the State Treasurer for deposit in the General Fund for general State use.

2000 Budget Recommendations

p. D-46

Notwithstanding the provisions of section 35 of P.L.1975, c.326 (C.13:17-10.1), sections 10 and 11 of P.L.1981, c.306 (C.13:1E-109 and C.13:E-110), section 8 of P.L.1985, c.368 (C.13:1E-176), or any rules and regulations adopted pursuant thereto, or any order issued by the Board of Public Utilities to the contrary, an amount equal to ~~\$4,200,000~~ \$4,000,000 of the calendar year ~~1997~~ 1998 earnings on the aggregate balance in the closure and post-closure escrow accounts established by the Hackensack Meadowlands Development Commission for the closure and post-closure monitoring of the sanitary landfill facilities operated by the commission shall be withdrawn from the escrow accounts by the Hackensack Meadowlands Development Commission and paid to the State Treasurer for deposit in the General Fund for general State use.

Explanation

This recommended FY 2000 budget language provides a decrease of \$200,000 in revenue anticipated by the General Fund from calendar year 1998 interest earnings on the aggregate balance in the closure and post-closure escrow accounts established by the HMDC for the closure and post-closure monitoring of the sanitary landfill facilities operated by the HMDC. This recommended decrease in funds allocated to the General Fund is intended to offset the \$200,000 FY 2000 recommended increase in the amount drawn from escrow accounts for HMDC operations, which funds are designated to sustain the operations of the Hackensack Meadowlands Environmental Center.

Language Provisions (Cont'd)

1999 Appropriations Handbook2000 Budget Recommendations

p. C-4

The amount hereinabove for Redeveloping Abandoned Urban Properties shall be allocated to the New Jersey Redevelopment Authority for the establishment of a revolving fund to pay site acquisition expenses in specific urban redevelopment projects which have been approved for financing by the authority or by a joint review committee containing authority representation. Site acquisition expenses shall include all costs customarily associated with acquiring title to property, and may also include fund advances for planning and pre-development expenses. Site acquisition moneys provided from the revolving fund will be repaid, in whole or in part, from proceeds realized upon the sale of a redevelopment site to a redeveloper. The New Jersey Redevelopment Authority shall develop project financing and application criteria which are consistent with the provisions and objectives of the "New Jersey Redevelopment Act," P.L.1996, c.62 (C.55:19-20 et al.).

No similar language.

Explanation

This program, also known as the "Urban Site Acquisition Program," was initiated in FY 1999 as a component of the plan to assist urban municipalities. The FY 1999 appropriation of \$25 million established a revolving loan fund, held and administered by the New Jersey Redevelopment Authority, to provide short term loans to acquire development sites in targeted urban areas as a critical step in the redevelopment process. The program has been launched, and according to DCA the fund is adequately capitalized. As of February, 1999, the balance in the fund is approximately \$15.9 million, reflecting approximately \$9.88 million in commitments by the New Jersey Redevelopment Authority. Projects totaling an additional \$9.2 million are currently under review by the New Jersey Redevelopment Authority.

Language Provisions (Cont'd)

1999 Appropriations Handbook

2000 Budget Recommendations

No similar language.

p. D-46

Receipts from repayment of loans from the Downtown Business Improvement Loan Fund, together with the unexpended balance of such loan fund as of June 30, 1999 and any interest thereon are appropriated for the purposes of P.L.1998, c.115.

Explanation

This recommended FY 2000 budget language appropriates loan repayments, interest on loan repayments, any unexpended balance and any interest earned on that unexpended balance, from the Downtown Business Improvement Loan Fund for use in FY 2000. The Downtown Business Improvement Loan Fund was created pursuant to P.L.1998, c.115, which authorized the designation by municipal ordinance of "downtown business improvement zones," and allowed municipalities to apply for loans to make public improvements to these zones. P.L.1998, c.115 provided an initial appropriation to the fund of \$5 million. No loans have been provided by the fund as of early February, 1999. The law became effective in late December, 1998. The department is currently in the process of developing the rules and regulations necessary to effectuate the provisions of P.L.1998, c.115. The department anticipates that at least one significant round of funding awards will be made by the fund in FY 1999.



1999 Appropriations Handbook

2000 Budget Recommendations

No similar language.

p. D-58

The unexpended balance as of June 30, 1999 in the Faith-Based Community Development Initiative account is appropriated.

Explanation

The FY 1999 Appropriations Act contains a \$5,000,000 Grant-In-Aid appropriation for a Faith-Based Community Development Initiative. The grants made in furtherance of the initiative are to fund a broad range of neighborhood revitalization and social service programs. The department indicates that these grant funds are to be used for both capital project costs and technical assistance to expand the efforts of faith-based organizations affiliated with houses of worship in urban areas to help revitalize urban neighborhoods. This language permits the unexpended funds from FY 1999 to be used for the same purpose in FY 2000.



Language Provisions (Cont'd)

1999 Appropriations Handbook

2000 Budget Recommendations

p. D-2

p. D-46

Of the amount hereinabove for Neighborhood Preservation-Fair Housing, an amount not to exceed \$1,500,000 may be used to provide technical assistance grants to non-profit housing organizations and authorities for creating and supporting affordable housing opportunities.

Of the amount hereinabove for Neighborhood Preservation-Fair Housing, an amount not to exceed ~~\$1,500,000~~ \$2,000,000 may be used to provide technical assistance grants to non-profit housing organizations and authorities for creating and supporting affordable housing opportunities.

Explanation

This recommended FY 2000 budget language represents a \$500,000 increase in funding for the same purpose over the FY 1999 amount. The Department of Community Affairs indicates that the purpose of this \$500,000 increase is to enable the department to expand the capability of the non-profit housing sector to initiate affordable housing projects.



1999 Appropriations Handbook

2000 Budget Recommendations

p. D-2

No similar language.

The amount hereinabove for Joint Services Incentive Aid shall be expended to promote and encourage interlocal service activities and consolidation efforts among local governments, in accordance with guidelines established by the Commissioner.

Explanation

The Governor has not recommended funding for this purpose in FY 2000 because the Joint Services Incentive Aid program is being superseded by the Regional Efficiency Development Incentive Grant Program.



Language Provisions (Cont'd)

1999 Appropriations Handbook

2000 Budget Recommendations

p. D-2

The unexpended balance as of June 30, 1998, in the Joint Services Incentive Aid account is appropriated. No similar language.

Explanation

The Governor has not recommended carry forward language for this purpose in FY 2000 because the Joint Services Incentive Aid program is being superseded by the Regional Efficiency Development Incentive Grant Program. The department anticipates that all account balances will be obligated or spent by the end of FY 1999.



1999 Appropriations Handbook

2000 Budget Recommendations

p. D-2

The unexpended balance as of June 30, 1998, in the Safe and Clean: Expanded Police Services account is appropriated. No similar language.

Explanation

The Governor has not recommended carry forward language for this purpose in FY 2000 because this program is part of the Consolidated Municipal Property Tax Relief Aid program. This carry forward language was included in the appropriation act for several fiscal years because funding was available in the account and was provided to municipalities. There are no further balances anticipated for this program; therefore, the continuation of this language provision is unnecessary.



Language Provisions (Cont'd)

1999 Appropriations Handbook

p. D-3

In addition to any other powers conferred by law, the Local Finance Board is hereby authorized to create, by resolution, a financial review board to approve, implement and enforce a financial plan for the City of Camden for which the Director of the Division of Local Government Services in the Department of Community Affairs has determined that conditions exist that create extreme difficulty in adopting a budget in compliance with Local Budget Law in issuing indebtedness as permitted by law, or in funding capital improvements essential to the protection of the public health, safety and welfare. Any financial review board so created shall consist of seven members appointed by the Governor, and shall exercise its powers and duties under rules and regulations adopted by the Local Finance Board. The City of Camden shall establish a financial plan, subject to the board's approval, to address the budgetary, operational, capital and economic development needs of the municipality. The financial review board shall have the power to approve: the annual budget of the municipality, the issuance of debt, labor contracts entered into during the time of supervision of the financial review board and municipal expenditures if so directed by the Local Finance Board, to the extent that the Board shall specify.

2000 Budget Recommendations

p. D-46

In addition to any other powers conferred by law, the Local Finance Board is hereby authorized to create, by resolution, a financial review board to approve, implement and enforce a financial plan for ~~the City of Camden~~ any municipality for which the Director of the Division of Local Government Services in the Department of Community Affairs has determined that conditions exist that create extreme difficulty in adopting a budget in compliance with Local Budget Law in issuing indebtedness as permitted by law, or in funding capital improvements essential to the protection of the public health, safety and welfare. Any financial review board so created shall consist of seven members appointed by the Governor, and shall exercise its powers and duties under rules and regulations adopted by the Local Finance Board. ~~The City of Camden~~ Any municipality subject to said board shall establish a financial plan, subject to the board's approval, to address the budgetary, operational, capital and economic development needs of the municipality. The financial review board shall have the power to approve: the annual budget of the municipality, the issuance of debt, ~~labor~~ all contracts entered into during the time of supervision of the financial review board and municipal expenditures if so directed by the Local Finance Board, to the extent that the Board shall specify.

Explanation

This recommended FY 2000 budget language would extend the authority of the Local Finance Board, first provided in the FY 1999 appropriations act, to create a financial review board similar to that currently in effect in the City of Camden to any municipality in which the Director of the Division of Local Government Services has determined that conditions exist that create extreme difficulty in adopting a budget in compliance with Local Budget Law, in issuing indebtedness as permitted by law, or in funding capital improvements essential to the protection of the public health, safety and welfare. The Division of Local Government Services in the Department of Community Affairs has concluded that the financial review board approach is in some cases preferable to other means permitted by law for assisting fiscally-troubled municipalities to correct

Language Provisions (Cont'd)

long-standing fiscal difficulties.

1999 Appropriations Handbook

2000 Budget Recommendations

p. D-3

The amount appropriated hereinabove for Watershed Moratorium Offset Aid shall be distributed among the same municipalities in the same amounts as were distributed from this aid program during fiscal year 1998. Any municipality receiving Watershed Moratorium Offset Aid this fiscal year shall abide by the provisions of the moratorium in effect on July 1, 1999 throughout this fiscal year.

No similar language.

Explanation

The Governor has not recommended funding for this purpose in FY 2000. This language was added by the Legislature in FY 1999 to offset the impact of certain long-standing tax appeal judgments awarded in favor of the City of Newark on city-owned land in Vernon Township, Hardyston Township, Rockaway Township, Jefferson Township, Kinnelon Borough and West Milford Township.

1999 Appropriations Handbook

2000 Budget Recommendations

No similar language.

p. D-46

In addition to other powers conferred by law, the Local Finance Board is hereby authorized to approve, by resolution, the continuation of the Financial Review Board which was created by the Local Finance Board pursuant to P.L.1998, c.45. The amount herein appropriated as Special Aid to the City of Camden shall be paid to the City of Camden upon recommendation of the Director of the Division of Local Government Services and upon the reauthorization of the Financial Review Board by the Local Finance Board.

Language Provisions (Cont'd)

Explanation

This recommended FY 2000 budget language authorizes the Local Finance Board, by resolution, to approve the continuation of the financial review board created for the City of Camden pursuant to authority provided in the FY 1999 Appropriation Act, P.L.1998, c.45. Such language is necessary because without reauthorization, the board would cease to exist in FY 2000. The language also prohibits the payment of the aid in the absence of approval by the Director of the Division of Local Government Services, and reauthorization of the Financial Review Board by the Local Finance Board.



1999 Appropriations Handbook

2000 Budget Recommendations

p. G-2

p. D-47

Notwithstanding any law to the contrary, the amount hereinabove for Consolidated Municipal Property Tax Relief Aid shall be distributed in the same amounts, and to the same municipalities which received funding pursuant to the fiscal year 1998 annual appropriations act, P.L.1997, c.131.

Notwithstanding any law to the contrary, the amount hereinabove for Consolidated Municipal Property Tax Relief Aid shall be distributed in the same amounts, and to the same municipalities which received funding pursuant to the fiscal year ~~1998~~ 1999 annual appropriations act, P.L.1998, c.45, or pursuant to other amendatory or supplementary law.

Explanation

This recommended FY 2000 budget language provides that Consolidated Municipal Property Tax Relief Aid (CMPTRA) will be distributed in the same amounts, and to the same municipalities which received funding pursuant to the FY1999 appropriation act, P.L.1998, c.45, but also pursuant to any other amendatory or supplementary law. This recommendation is intended to facilitate the implementation of a program to annually expand Consolidated Municipal Property Tax Relief Aid (CMPTRA) by adjusting the previous year's aid by the rate of increase in the federally computed Implicit Price Deflator for State and Local Government Purchases of Goods and Services. For State fiscal year 2000, this plan will increase the appropriation for CMPTRA from \$756.4 million to \$767.9 million which represents an additional \$11.5 million in such aid to municipal governments.



Language Provisions (Cont'd)

1999 Appropriations Handbook

2000 Budget Recommendations

p. G-2

p. D-47

Notwithstanding the provisions of N.J.S.A.52:27D-118.36 and 118.40 to the contrary, the amount appropriated for Supplemental Municipal Property Tax Relief Act - Discretionary Aid may be used for payment to eligible municipalities for costs associated with activities which improve operations and provide short and long term property tax savings, including but not limited to shared and regionalized services, enhanced tax and revenue collection efforts, and other activity which can be demonstrated to meet the above requirements.

Notwithstanding the provisions of N.J.S.A.52:27D-118.36 and 118.40 to the contrary, the amount appropriated for ~~Supplemental Municipal Property Tax Relief Act - Discretionary Aid~~ Extraordinary Aid may be used for payment to eligible municipalities for costs associated with activities which improve operations and provide short and long term property tax savings, including but not limited to shared and regionalized services, enhanced tax and revenue collection efforts, and other activity which can be demonstrated to meet the above requirements.

Explanation

The Governor has recommended this FY 2000 budget language because the Supplemental Municipal Property Tax Relief Act - Discretionary Aid has been retitled as Extraordinary Aid. The amount of aid proposed for this program has been reduced to \$20,000,000 from a FY 1999 appropriation of \$30,000,000. The Department of Community Affairs' intention with respect to Extraordinary Aid is to sharpen the focus of the allocation of this aid so as to provide short-term financial assistance to municipalities facing extraordinary unforeseen circumstances. The DCA intends that the new funding decision weight given to municipalities facing extraordinary unforeseen circumstances will encourage municipalities to rely less on State assistance and concentrate on solving the problems which lead to fiscal shortfalls.



1999 Appropriations Handbook

2000 Budget Recommendations

No similar language.

p. D-47

The amount hereinabove for Extraordinary Aid shall be distributed in a manner consistent with the provisions of N.J.S.A.52:27D-118.36.

Explanation

The Governor has recommended this FY 2000 budget language because the Supplemental Municipal Property Tax Relief Act - Discretionary Aid has been retitled as Extraordinary Aid. This language requires that distribution of Extraordinary Aid will be made pursuant to the requirements of N.J.S.A.52:27D-118.36, which concerns the selection of recipients of discretionary aid, and sets

Language Provisions (Cont'd)

forth the criteria to be used by the Director of the Division of Local Government Services in granting this aid. That criteria includes the director's evaluation of whether a municipality is experiencing fiscal distress, whether the cost of providing municipal services is extraordinarily high, and whether the tax base is inadequate to meet property tax demands.

1999 Appropriations Handbook

No similar language.

2000 Budget Recommendations

p. D-47

The amount hereinabove for the Regional Efficiency Development Incentive Grant Program shall be reduced by any amounts expended in fiscal year 1999 for the same purpose, such that the total amount made available for fiscal years 1999 and 2000 shall not exceed \$10,000,000, as determined by the Director of the Division of Budget and Accounting.

Explanation

This recommended FY 2000 language is related to the implementation of the Regional Efficiency Development Incentive Grant Program. As of this writing, legislation has passed both houses (A-13/S-1695) that would implement the program. This program will provide aid to local units to study regionalization, and shared and consolidated services. The funds allocated by this program may also be used as start-up funds for implementing regionalization or shared service agreements. Further, the language provides that the total amount available in FY 1999 and FY 2000 shall not exceed \$10 million.

Language Provisions (Cont'd)

1999 Appropriations Handbook

2000 Budget Recommendations

No similar language.

p. D-47

There is appropriated an amount not to exceed \$25,000,000 for the Regional Efficiency Aid Program, subject to the approval of the State Treasurer. This amount shall be reduced by any unexpended balances from appropriations made for the same purpose in fiscal year 1999, such that the total available amount for this program in fiscal year 2000 does not exceed \$25,000,000, as determined by the Director of the Division of Budget and Accounting.

Explanation

This recommended FY 2000 language is intended to implement the Regional Efficiency Aid Program (REAP) currently pending before the Legislature as Assembly Bill No. 14 of 1998 and Senate Bill No. 1703 of 1999. This program will reward local units that participate, either as providers or receivers, in consolidation, regionalization and shared service agreements entered into after July 1, 1997. REAP aid distributed to a local unit taxing district will be applied as a property tax credit against each parcel of residential property within the taxing district. The language provides that a total allocation of \$25,000,000 shall be available in FY 1999 and FY 2000 for these purposes.



1999 Appropriations Handbook

2000 Budget Recommendations

p. I-5

There is appropriated \$2,000,000 from the Boarding Home Rental Assistance Fund for transfer to the Casino Revenue Fund. No similar language.

Explanation

The Governor has not recommended such a funding transfer for FY 2000. This language was used in FY 1999 to return to the Casino Revenue Fund monies previously made available to provide life safety improvement loans to boarding home owners. (Casino Revenue Fund monies were used for this purpose because many boarding home residents are senior or disabled citizens.) That loan program has fulfilled its purpose, and all funds accumulated to support the program will be returned to the Casino Revenue Fund in FY 1999. Therefore, language returning such funds to the Casino Revenue Fund is not necessary for FY 2000.



Language Provisions (Cont'd)

1999 Appropriations Handbook

No similar language.

2000 Budget Recommendations

p. G-2

There is appropriated \$1,450,000 from the New Home Warranty Security Fund for transfer to the General Fund as State revenue.

Explanation

This FY 2000 General Provisions language appropriates the investment income projected for FY 1999 to the General Fund for FY 2000 for general State support. This investment income is being appropriated to the General Fund because it is expected that the resources of the fund can meet claims and other expenses associated with the New Home Warranty Security Fund in FY 1999 and FY 2000.



Discussion Points

1. The Extraordinary Aid program replaces Discretionary Aid and is funded at a recommended \$20 million in FY 2000, a \$10 million reduction from the FY 1999 Discretionary Aid adjusted appropriation. According to the Budget-In-Brief, the Extraordinary Aid is intended to fund emergency tax relief to municipalities and is expected to provide short term assistance to municipalities experiencing a catastrophic loss of ratables. A language recommendation indicates that the Extraordinary Aid may be used for payments to eligible municipalities for costs associated with activities which improve operations and provide short and long term property tax savings, including but not limited to shared and regionalized services, enhanced tax and revenue collection efforts, and other activities which can be demonstrated to meet the above requirements, notwithstanding the provisions of N.J.S.A.52:27D-118.36 and N.J.S.A.52:27D-118.40 to the contrary. The criteria in N.J.S.A.52:27D-118.36 include whether a municipality is experiencing fiscal distress, whether the cost of providing municipal services is extraordinarily high, and whether the tax base is adequate to meet property tax demands.

! *Question:* Which current municipal government recipients will be eliminated or have their funding reduced under this recommended program change? What criteria will be developed to evaluate municipal compliance with the requirements set forth in the language recommendation?

2. N.J.S.A.52:27-118.40 cited in the above discussion point requires that Discretionary Aid, replaced by Extraordinary Aid, be used "solely and exclusively" by each municipal aid recipient to reduce its tax levy for municipal purposes. It further provides that if the aid exceeds the municipal purposes tax levy, the excess amount is to be used to reduce the municipality's share of the county tax levy. The recommended language summarized in the above discussion point indicates that Extraordinary Aid may be distributed notwithstanding the provision of N.J.S.A.52:27-118.40.

! *Question:* Under what circumstances, if any, is it envisioned that a municipality could or would receive Extraordinary Aid to fund costs associated with activities which improve operations and provide short and long term property tax savings, including but not limited to shared and regionalized services, enhanced tax and revenue collection efforts, and other activities which can be demonstrated to meet the above requirements costs, and apply only a portion instead of all the aid to reduce the tax levy?

3. A December 22, 1998 news release from the Office of the Governor announced that \$3.6 million of the \$5.0 million FY 1999 appropriation for the Faith-Based Community Development Initiative had been awarded in one-year grants to Christian, Jewish and Muslim groups, and to several inter-faith organizations. The release stated that the Faith-Based Initiative does not directly fund churches, synagogues or mosques. Rather, the funding goes to separate, nonprofit agencies established by the houses of worship for social service activities to expand the efforts of houses of worship in urban areas to help revitalize urban neighborhoods. Thirty-nine of the 83 applicant agencies were awarded funding under this initiative. The FY 2000 State Budget again includes a \$5.0 million recommended appropriation for Faith-Based one-year grants.

! *Question:* What criteria were utilized to determine which applicants would receive funding from the FY 1999 appropriation? Does the department intend to use the same criteria in selecting award recipients from the FY 2000 appropriation?

4. The department's response to an OLS discussion point in FY 1999 concerning its preparation method and publication timetable for the Annual Report of the Division of Local Government Services, which contains the statements of financial condition of counties and municipalities,

Discussion Points (Cont'd)

indicated that the division was conducting a feasibility study of its long-planned Local Unit Budget Approval and Reporting System (LUBARS). LUBARS is intended to improve and shorten the budget review and approval process by permitting local units to submit draft and final budget documents to the DCA electronically.

! *Question:* Has the LUBARS feasibility study been completed? If it has been completed, what are the results of the study? If it has not been completed, what is the status of the study? If deployment of LUBARS is planned, what is the timetable?

5. The budget recommends two new aid programs, \$10.0 million for a Regional Efficiency Development Incentive (REDI) Grant Program and \$25.0 million for the Regional Efficiency Aid Program (REAP). According to the Budget-In-Brief, the purpose of the REDI program is to provide financial incentives to encourage local governments and school districts to explore ways to consolidate, regionalize and implement joint services. The REAP program would provide property tax credits directly to residents in those taxing districts that have implemented regionalization and other cost saving measures. Pending REAP legislation provides that State aid would continue for each calendar year during which a regional service agreement is in effect.

! *Question:* What criteria will the department utilize to determine how funding from the FY 2000 REDI appropriation will be awarded? How many years of State funding per REAP recipient does the current recommended appropriation envision? Recognizing the possibility that regional service agreements may last for indefinite periods of time, does the department anticipate that funding for REAP award recipients may be permanent? Does the department envision the establishment of any mechanisms to soften the impact that the termination of REAP funding will have upon municipal residents, whether occasioned by termination of interlocal agreement or termination of State funding?

6. Language in the FY 1999 Appropriations Act authorized the Local Finance Board to create a financial review board with the power to approve, implement and enforce a financial plan for the City of Camden. A FY 1998 supplemental appropriation provided \$15.0 million in special assistance to the City of Camden. A \$12.0 million special assistance appropriation for Camden is recommended in the FY 2000 budget. According to the DCA this State aid program is designed to assist the Financial Review Board in returning fiscal health to Camden.

! *Question:* Please discuss in what ways the \$12 million recommended appropriation will be used and also the progress to date in returning Camden to fiscal health?

7. The Office of State Planning's (OSP) FY 2000 budget is recommended at \$1.9 million a \$445,000 increase over FY 1999. This increase is primarily comprised of a \$212,000 increase in salaries for three new positions and a \$125,000 special purpose appropriation for the Brownfields Site Inventory and Redevelopment Task Force. The Task Force, according to the OSP, is intended to act as a decision making and State resources coordinating body that will serve as the focus for redevelopment projects that involve brownfields sites. The department indicates that the three new positions will enable it to coordinate State policy on brownfields redevelopment, continue to oversee the cross-acceptance process (a process of comparing planning policies among all governmental levels to attain compatibility among all such plans), achieve adoption of the State plan sometime in FY 2000, and complete an impact assessment study on the State plan.

! *Question:* Are the brownfields sites prioritized based on their immediate economic potential? How far along is the cross-acceptance process? How will these new positions

Discussion Points (Cont'd)

better permit the office to coordinate with State agencies as they develop their functional plans and rules to further implement the State Plan?

8. Section 13 of the Mandate Relief Act of 1996, P.L.1996, c.113, authorized the Local Finance Board to exempt certain municipalities from the requirement that the director of the Division of Local Government Services approve their annual budgets and to provide instead for a system of local examination and approval of budgets by municipal officials, provided that statutory criteria are met (see N.J.S.A.40A:4-78). Under this law the Local Finance Board adopted rules establishing a three-year budget review cycle, which was instituted with the calendar year 1997 budgets.

! Question: How many municipalities are currently on a three-year budget review cycle? Is the Division considering changing any of the qualifications for local review so as to increase the number of municipalities who are able to participate?

9. The "Urban and Rural Centers Unsafe Buildings Demolition Bond Act" (P.L.1997, c.125) approved by the voters in November 1997, established a \$20.0 million loan program for the purpose of providing financing for the demolition and disposal of unsafe buildings in urban and rural centers. Section 28 of the act requires that a plan of expenditures of those funds be submitted to the appropriate committees of the Legislature. The plan should include, among other things, a description of programs planned for the upcoming fiscal year. The act further requires in section 5 that a priority list of eligible municipal projects be prepared, and the act indicates that "funds shall be appropriated only in accordance with those priority lists.

! Question: When will the plan of expenditures and priority lists be ready for submission?

10. The Budget-In-Brief indicates that the FY 2000 Recommended Budget includes funding for a \$2.5 million College and University Homebuyers' Fund that will offer financial incentives to faculty and staff members of New Jersey State colleges, universities and community colleges located in city neighborhoods to purchase homes in those neighborhoods. In addition, faculty and staff who already own homes in the target areas may obtain matching funds toward exterior home improvements.

! Question: Please discuss the financial incentives that will be offered to purchase homes. Will the exterior improvement matching program allow consideration for "sweat-equity" by applicants? What other conditions, if any, are contemplated by the department in granting applicants matching funds for exterior home improvements?

Background Paper: Faith-Based Community Development Initiative

Budget Page.... D-55

The 1999 Appropriations Act contains a \$5 million Grant-In-Aid appropriation for a Faith-Based Community Development Initiative. A December 22, 1998 news release from the Office of the Governor announced that \$3,690,000 in Faith-Based Community Development Initiative grants will be distributed among 39 faith-based organizations from across the State. The news release indicated that this program is the first of its kind in the nation and stated that these grants will fund a broad range of neighborhood revitalization and social service programs.

The one-year grants, according to the news release, went to Christian, Jewish and Muslim groups, as well as to several inter-faith organizations, located in Northern, Central and Southern New Jersey. The Faith-Based Initiative does not directly fund churches, synagogues or mosques. Rather, the funding goes to separate, nonprofit agencies established by the houses of worship to manage community development activities.

The Department of Community Affairs selected the recipients after a four-month screening process. According to the DCA Commissioner, competition for the grants was heavy, with 83 faith-based groups applying to participate. Those selected received grants ranging from \$5,000 to \$150,000. The commissioner noted that those organizations not selected in the first round of grant funding will be able to re-apply in mid-January CY 1999 when DCA solicits a new round of proposals to award the remaining \$1,310,000.

According to the news release, among those selected include: Isaiah House, an East Orange-based interfaith group that intends to use its \$120,000 grant to expand its programs to help people overcome substance abuse and find jobs; the United Jewish Federation which plans to use its \$150,000 grant to expand Statewide programs to help senior citizens and others in need through services such as home-delivered meals and preventative health care; WARIS, a Muslim organization that intends to use its \$150,000 grant to assist people making the transition from welfare to work by offering training in workplace literacy, computer skills, job placement services and adult continuing education classes.

These funds, according to the department, are intended to support both existing and new community development initiatives. Initiatives could include programs for children, youth, and senior citizens; nutrition programs; job training programs; and health services that can serve to improve the lives of persons within a defined neighborhood. The news release indicated that all groups that receive funding will be monitored a minimum of two times during the year by DCA to see that they are meeting the goals described in their applications.

The information contained in the chart on the following page was taken from the news release report issued December 22, 1998.

The Faith-Based Community Development Initiative is recommended to receive \$5 million again in FY 2000.

Background Paper: Faith-Based Community Development Initiative (Cont'd)

FAITH-BASED COMMUNITY DEVELOPMENT INITIATIVE
DECEMBER '98 REPORT

<u>ORGANIZATION</u>	<u>LOCATION</u>	<u>RECOMMENDED \$'s</u>
All Saints Episcopal Community Devel. & Service Corp.	Hoboken	\$50,000
ASLAN Youth Ministries	Asbury Park	150,000
Caregivers of Toms River	Toms River	25,000
Catholic Charities	Perth Amboy	120,000
Cathedral CDC Vision 2000	Perth Amboy	140,000
Catholic Community Services	Newark	125,000
Community Outreach Team	Jersey City	25,000
Corinthian Housing	Newark	115,000
CUMAC-ECHO	Paterson	95,000
Elizabethport Presbyterian Center	Elizabeth	40,000
Episcopal Community Devel.	Newark	25,000
Father English	Paterson	40,000
Fisherman's Mark	Lambertville	70,000
First Baptist CDC	Somerset	150,000
First Episcopal District Eco. Group	Statewide	145,000
Interfaith-Caregivers	Milltown	20,000
Interfaith-Council for Homeless of Union County	Plainfield	140,000
Isaiah House	East Orange	120,000
Jersey City Episcopal CDC	Jersey City	40,000
Lets Celebrate	Jersey City	145,000
Liberty CDC	Plainfield	5,000
Martin House	Trenton	100,000
MEND	Moorestown	20,000
Mercer Street Friends	Trenton	145,000
Metropolitan Ecumenical Ministries	Newark	60,000
New Vision CDC	East Orange	50,000
New Vision Community Services	Camden	20,000
Our Lady of Providence Center	Neptune	80,000
Presbyterian Homes	Statewide	145,000
Salvation Army	Statewide	150,000
St. Francis Medical Center	Trenton	150,000
St. James CDC	Newark	90,000
St. Mary's Social Services	Plainfield	140,000
St. Paul's CDC	Paterson	150,000
United Jewish Federation-Metrowest	Statewide	150,000
WARIS, INC.	Irvington	150,000
Windwill Alliance	Bayonne	120,000
Woodland CDC	Camden	60,000
<u>PINCH</u>	Plainfield	<u>125,000</u>
Total		\$3,690,000

Background Paper: Council on Local Mandates

Budget Page.... D-424

INTRODUCTION

The Council on Local Mandates was created pursuant to an amendment to the New Jersey Constitution, approved by the voters in November of 1995, that directed the Legislature to create a Council on Local Mandates to resolve disputes regarding whether State laws, rules or regulations constitute "unfunded mandates" as set forth in the amendment. The amendment (Article VIII, Section II, paragraph 5) declares that a provision of certain laws, rules or regulations would be considered an unfunded mandate if "it does not authorize resources, other than the property tax, to offset the additional direct expenditures required for the implementation of the law or rule or regulation." A provision determined by the council to be an unfunded mandate would "cease to be mandatory in its effect and expire."

Legislation creating the council, P.L.1996, c.24 (52:13H-1 et seq.) became effective May 8, 1996. The enabling legislation states that the rulings of the council are "political determinations" that are not subject to judicial review. One of the legislative findings contained in the enabling legislation declares that the purpose of the constitutional provision is to "prevent the State government from requiring units of local government to implement additional or expanded activities without providing funding for those activities."

This paper providing background information on the Council on Local Mandates is being included in the Department of Community Affairs Budget Analysis although the council is not in the department. The Constitution and the enabling legislation have not allocated the council to an executive department or even to a branch of government. The council's budget is set forth in the FY 2000 Budget under the heading Miscellaneous Commissions together with the Interstate Sanitation Commission, a tri-state agency, and the Delaware River Basin Commission, a regional agency.

COUNCIL MEMBERSHIP

The council consists of nine members and currently has a full complement of members. The Governor appoints four members, two of whom are selected from a list of six nominees submitted by the chair of the major opposing political party. The Governor's appointees serve for four-year terms. The President of the Senate, the Minority Leader of the Senate, the Speaker of the General Assembly and the Minority Leader of the General Assembly each appoint one member to the council for a two-year term. The Chief Justice of the New Jersey Supreme Court appoints one member to the council for a five-year term. Each member receives \$150 per day for each day that the member attends a meeting of the council and is also entitled to reimbursement for necessary expenses incurred in the performance of the member's duties.

COUNCIL STAFFING

The council is statutorily authorized to employ clerical and secretarial staff. Current law requires clerical and secretarial staff to be employed in the career service pursuant to Title 11A of the New Jersey Statutes. Current law authorizes each member of the council to employ one professional employee to directly serve the member for a period not to exceed one year. The council also is authorized to employ legal counsel, on a temporary basis, to represent it in any proceeding to which it is a party. The council also may contract for the services of other

Background Paper: Council on Local Mandates (Cont'd)

professional, technical and operational personnel and consultants as may be necessary. Current law prohibits the council from employing an executive director or other permanent employee (other than secretarial or clerical personnel).

PENDING LEGISLATION

Senate Bill No. 1584, which has passed both houses, would modify the employment and membership restrictions imposed upon the council. Specifically, the bill would allow the council to employ operational and administrative personnel, including an administrator and coordinator, who would serve at the pleasure of the council. An individual would not be permitted to hold the position of administrator and coordinator for longer than two years without being reappointed by the council. The bill would also provide that clerical and secretarial staff of the council would not be required to be employed pursuant to civil service and that the council would be permitted to hire permanent employees.

The bill also provides that while serving on the council, a member would be prohibited from holding any other State or local office or employment or any elective State or local public office. A member would be allowed to serve on a study commission or similar advisory body for which service no compensation is paid other than reimbursement of expenses. For two years after serving on the council, a member would be prohibited from holding elective State or local public office and from holding office or employment with a local unit which filed a complaint with the council, or with a State agency that promulgated a rule or regulation which was the subject of a complaint, during the member's service on the council. Current law prohibits council members, while serving on the council and for two years thereafter, from holding any other State or local office or employment.

According to the council's 1998 Report to the Governor and the Legislature, dated December 31, 1998, no council members have employed professional employees. Three individuals are named in the report as employed by the council on a temporary or permanent basis during calendar year 1998:

Patricia A. Meyer, Executive Administrator & Coordinator.
Salary: \$80,000 per annum.¹

Shawn D. Slaughter, Executive Secretary.
Salary: \$28,500 per annum. (Mr. Slaughter began working for the council July 28, 1998)

David S. Krajacik, Law Student Clerk.
Salary: \$14 per hour. (Mr. Krajacik worked part-time for the council from 1/21/98 - 6/11/98)

The Executive Administrator and Coordinator functions as the overall coordinator of council operations and office administration. She organized and coordinated the council's start-up operations, including preparation of the initial drafts of the council's governing documents and establishment of the council's office. Her duties range from oversight of budget and employee matters to case management, public relations and governmental relations. Prior to employment of

¹ The report notes that Ms. Meyer's salary is subject to increase on a retroactive basis. Council staff reports that this retroactive increase has been implemented.

Background Paper: Council on Local Mandates (Cont'd)

an Executive Secretary during July of 1998 the council contracted for temporary secretarial and receptionist services pursuant to State contract. The council has recently contracted with a third-year law student to assist in specific case-related legal research and analysis.

ORGANIZATION

During 1997 the council adopted its governing documents which include a Code of Ethics, a Plan of Organization and Rules of Procedure. The Plan of Organization and the Rules of Procedure were modified during 1998 based upon experience in operations and experience gained in the actual handling of disputes. The council began operating out of an office at 135 West Hanover Street in Trenton early in 1997. The council furnished and equipped the office through the use of materials from surplus and from outright purchase. The office is outfitted with a library of statutes, administrative code volumes and computers which are networked with the Executive branch, equipped with legal research tools and linked to the Internet. The council has established an Internet home page to provide the public with basic source material regarding the constitutional and statutory framework of the council and information regarding council proceedings and decisions. The council's home page can be accessed at <http://www.state.nj.us/localmandates>.

OPERATION

Four complaints have been filed with the council thus far. The first dispute resulted in a written decision issued May 13, 1998. The second complaint that was filed has been withdrawn. The two remaining complaints have been consolidated and a hearing has been scheduled for April 12, 1999.

Three of the four complaints concerned whether Department of Education regulations with regard to charter schools constitute an unfunded mandate. One of those complaints was instituted by a municipal governing body; the other two complaints, by boards of education. The withdrawn complaint, filed by a municipal governing body, alleged that the cost of preparing maps and signs to comply with the provisions of N.J.S.A. 2C:35-7.1, which imposes enhanced penalties for those who distribute controlled dangerous substances within 500 feet of certain public facilities, constitutes an unfunded mandate. Specific information on pending and concluded matters is available at the council's home page.

The council convened meetings on six occasions during 1998 and also met by conference call when the need arose. The first meeting of 1999 will be held prior to the April 12 hearing at which time the new council chairperson will be chosen.

FINANCE

The council's enabling legislation, which took effect on May 8, 1996, contained a supplemental appropriation of \$350,000. This entire amount was carried forward into FY 1997. The Governor's FY 1998 budget recommended an FY 1998 appropriation of an additional \$350,000. The Appropriations Act for FY 1998 contained an appropriation of \$100,000 together with the council's unexpended balance as of June 30, 1997. No additional funding was requested or recommended for FY 1999. The FY 1999 Appropriations Act reappropriated the unexpended balance as of June 30, 1998.

The council entered FY 1999 with a balance of \$241,000. Council staff has indicated that as of March 15, 1999 the council budget contained an unexpended balance of \$154,400 of which

Background Paper: Council on Local Mandates (Cont'd)

\$152,228 was uncommitted. Therefore, the council has expended approximately \$86,600 eight and one-half months into FY 1999. Based upon approximate monthly FY 1999 expenditures of \$10,188, the council is likely to expend at least an additional \$35,658 during FY 1999 resulting in a minimum estimated FY 1999 total expenditure of \$122,228. This would result in a carry forward of approximately \$118,772 into FY 2000, an amount less than either the actual FY 1998 expenditure or the estimated FY 1999 expenditure. This forecasted shortfall reflects the propriety of additional funding for FY 2000. The Governor's budget recommends an appropriation of \$75,000, plus the unexpended balances as of June 30, 1999.

Background Paper: Continuing Implementation of the Governor's Urban Strategy

Budget Pages.... D-42, D-46

Introduction

Two years ago, the Office of Legislative Services reported on the initial development of a new urban strategy which was being implemented in eleven target neighborhoods. In this paper, OLS revisits the Administration's urban strategy and reviews continuing developments in the implementation of that strategy.

Background

On March 6, 1995, Governor Whitman announced the Administration's urban strategy, which involved the initial "self-selection" of four pilot communities, Elizabeth, Trenton, Asbury Park and Camden, to receive assistance in implementing neighborhood revitalization strategies developed by local residents. The two major principles underlying the urban strategy were "neighborhood empowerment" and coordination of governmental initiatives in the urban areas, represented by the establishment of an Urban Coordinating Council comprised of various State departments.

At the time the urban strategy was announced, the Legislature was conducting its own inquiry into urban conditions, which resulted in the enactment of the "New Jersey Urban Redevelopment Act" (hereinafter, "the Act"), P.L.1996, c.62 (C.55:19-20 et seq.). While incorporating the key pieces of the Administration's urban strategy, the Act devoted \$9.0 million of a \$10 million appropriation to the capitalization of a new authority, in but not of the Department of Commerce and Economic Development, the New Jersey Redevelopment Authority (NJRA), and granted the NJRA specific responsibility for initiating projects in the State's neediest urban areas. The remaining \$1 million appropriation was allocated to the Office of Neighborhood Empowerment established in, but not of, the Department of Community Affairs. Although the establishment of the Urban Coordinating Council predated the enactment of P.L.1996, c.62, the act formally established the council without appropriating money to it.

With the Executive Reorganization which became effective on May 29, 1998, the NJRA was transferred to the Department of Community Affairs; the Office of Neighborhood Empowerment was placed under the supervision and control of the Urban Coordinating Council (UCC), which was placed under the supervision and control of the NJRA. According to the Executive Reorganization plan, these changes would "...allow for a more efficient use of resources targeted for urban development initiatives and provide for a more integrated and comprehensive approach to urban revitalization..."

The UCC offers priority access to state resources and fosters partnerships with private sector entities to co-invest in neighborhood projects. The projects are identified through a local planning process, undertaken by a local sponsor working with neighborhood groups. A local sponsor can be a legally incorporated non-profit corporation, a county organization, a municipality, a municipal development agency, a district management corporation, a community action board, a hospital, a university, or any other incorporated community based organization.

Background Paper: Continuing Implementation of the Administration's Urban Strategy (Cont'd)

Designation of UCC Neighborhoods

The Administration's urban strategy and P.L. 1996, c.62 which codified that strategy, confer benefits on neighborhoods which are formally designated by the Urban Coordinating Council (hence, "UCC neighborhoods") from among municipalities which are defined as "qualified" pursuant to law (a current list is attached).

The initial UCC neighborhoods were "self-selected" according to the Governor's Office and the Department of Community Affairs; application procedures, deadlines, criteria governing community selection and other pertinent program information were never advertised through the rulemaking process nor were they made publicly available. Through this process of self-selection, Asbury Park, the Camden Empowerment Zone, Greater Elizabeth Midtown (GEM I), the New Brunswick-Franklin Township Corridor, Trenton, North Camden, Elizabethport (referred to as GEM II), Jersey City, Long Branch, Newark (the West Side Park community) and Vineland were designated in 1995 and 1996. Although regulations governing the neighborhood designation process were published by DCA in the New Jersey Register on August 18, 1997, they were never adopted.

In December, 1998, the Governor designated a third round of UCC neighborhoods. Unlike the earlier self-selection process, this time the department solicited the submission of neighborhood empowerment plans and sent field workers to the various municipalities from which applications were received to evaluate the proposals. Plans were received from sixteen municipalities, of which five were selected: Neptune, Irvington, Pleasantville, Perth Amboy and Plainfield.¹ The Governor formally confers UCC designation based on departmental recommendations.

Benefits of UCC Designation

The principal benefit of UCC designation is the payment by the State of the salary of a community director who works with the local sponsor to implement the neighborhood empowerment plan.² Each community director is paid approximately \$40,000, which represents the majority of the FY 2000 request of \$1.35 million for the Office of Neighborhood Empowerment. In addition, DCA assigns in-house staff to oversee plan implementation in each UCC neighborhood.

As of March, 1999, almost every executive department has a designated UCC representative. According to those DCA documents made available to the Legislature, UCC designation confers priority upon the selected neighborhoods in the allocation and coordination of State resources, and in the extent to which assistance is made available at the State level to

¹Those municipalities from which applications were received, but not approved, were Woodbury, Paterson, Rahway, Burlington, Pemberton, East Orange, Plainfield, Mt. Holly, Newark (La Casa), Trenton, Highlands and Millville. The sources of information utilized in the foregoing discussion are contained in the Urban Coordinating Council (UCC) Handbook and "The New Jersey Guide to State Resources" published in Winter 1999 by the Department of Community Affairs. Additional clarification was provided by the staff of the New Jersey Redevelopment Authority.

²Because the budgeting of a community director for each UCC neighborhood was authorized by P.L. 1996, c.62, which followed the actual commencement of the program, the first four neighborhoods designated were not entitled to community directors. Nevertheless, the State funded a community director in Asbury Park for one year in order to help facilitate program implementation there.

Background Paper: Continuing Implementation of the Administration's Urban Strategy (Cont'd)

implement neighborhood plans. To date, however, there is little in the regulations to indicate which State resources will be reallocated toward UCC neighborhoods or how those resources will be marshaled or better coordinated to further the implementation of neighborhood plans.

A search of all departmental regulations in late March 1999 reveals that only two housing programs administered by DCA have been the subject of "carve-outs" for special UCC allocation. Under the low-income housing tax credit program, 10 percent of the allocation, or \$1 million, is set aside for UCC neighborhoods and with respect to the remaining tax credits, projects which are situated in UCC neighborhoods are awarded extra points in the evaluation process. Similarly, the Neighborhood Preservation Balanced Housing Program allows for a special carve-out for "target areas," which include UCC neighborhoods.

One indication of the way in which State resources might be targeted to UCC neighborhoods can be found in a proposed regulation which was never adopted. On October 6, 1997, the Division of Youth and Family Services in the Department of Human Services published regulations which would have obligated DYFS to grant an applicant agency, organization or consortium located in a UCC neighborhood ten points in evaluating applications for state grants with respect to a particular adoption program.³ The regulations would have awarded an additional five points if the agency focused on the education, engagement and recruitment within those communities.

Given the promise of extra help for UCC neighborhoods by the State and the paucity of regulations which authorize and describe this assistance, there is a considerable degree of administrative discretion involved in program implementation. It would appear, for example, that the bulk of the State's \$273,000 FY 1998 share of the Reebok anti-trust settlement⁴ was spent in five UCC neighborhoods for playground safety improvements.⁵ For municipalities which seek UCC designation, it is unclear what to expect in the way of additional State resources beyond the hiring of a community director. For those which are designated, there are no guidelines to assure that municipalities are treated similarly or are equally informed regarding the potential benefits of designation to which to aspire. In the absence of any published program guidelines to direct resource allocation, there are no criteria for the Legislature to employ in evaluating the program's efficacy.

Role of the New Jersey Redevelopment Authority

³The program is referred to in the public notice as the Adoption Program for Public Awareness and Education to Engage and Recruit Homes for African-American Children. Its purpose is to promote educational public awareness in order to increase adoptive applicants for waiting African-American children.

⁴The Reebok settlement resulted from an anti-trust lawsuit filed by several states against footwear maker Reebok International and its subsidiary, the Rockport Company. The lawsuit alleged consumers were overcharged for certain Reebok and Rockport products because of illegal price fixing and resale pricing practices. The companies settled the case by agreeing to prohibit future anti-trust violations and pay a total of \$9.5 million.

⁵These neighborhoods were the Franklin Township/New Brunswick Corridor, Trenton, Elizabeth GEM I, Camden and Asbury Park.

Background Paper: Continuing Implementation of the Administration's Urban Strategy (Cont'd)

The NJRA offers technical assistance, low and no interest loans, equity investments and loan guarantees in qualified municipalities. In addition, the NJRA may enter partnership agreements with community-based organizations, developers and businesses to leverage its resources to formulate and develop projects within those municipalities. As part of these efforts, the NJRA administers the New Jersey Urban Site Acquisition Program to facilitate the acquisition, site assembly and redevelopment of properties in order to further the implementation of neighborhood empowerment plans.

Following from the 1998 Executive Reorganization, the NJRA includes the Office of Neighborhood Empowerment and the staff which oversees the implementation of neighborhood plans within UCC neighborhoods. Upon the designation of UCC neighborhoods, the municipality or local sponsor enters into a contract with the NJRA. Although NJRA staff may participate in the hiring of the community director in a designated UCC neighborhood, the employment of that individual is by the municipality or the local sponsor rather than by the NJRA.

The NJRA is required to publish with its first annual report and every second year thereafter a redevelopment strategy document setting forth the goals and priorities governing the selection of projects it will fund. As of early 1999, the NJRA has not yet published an annual report or redevelopment strategy document. Based on NJRA documents, it appears that to date, the authority's major project commitments have involved the guarantee or restructuring of private sector loans and the funding of predevelopment costs for relatively small-scale redevelopment endeavors. Although the legislation carves out a share of the State's tax-exempt bonding cap for issuance by the NJRA, to date the authority has not undertaken any projects to be funded through the issuance of bonds.

The FY 2000 budget (page D-46) contains language authorizing the State Treasurer to enter into a contract with the New Jersey Redevelopment Authority related to the development and financing of the John J. Heldrich Center for Workforce Development at Rutgers University. The language appropriates a sum not to exceed \$1.7 million and is identical to language contained in this year's budget which has not been utilized to date. The project for which State financing support is being sought would house a statewide training and research facility serving private employers, State and county government agencies, county and State colleges and universities. Based on information made available to the Legislature, it seems that the income anticipated to be generated by the Institute would be from fees paid by those attending training sessions rather than through rents, since it does not appear that the building to be constructed will have private tenants. Because there appears to be no obvious revenue stream to pay the interest and principal on a redevelopment bond, the language in the State budget may be necessary to sustain NJRA participation in this project. Although the project is situated in one of the qualified municipalities, it is outside of the UCC neighborhood situated therein. If it proceeds, it will be the first project to be funded by an NJRA bond issue.

Conclusions

At the time of the enactment of P.L.1996, c.62, it was recognized that existing State development financing agencies were not particularly well-suited to the job of catalyzing economic revitalization in the most distressed of the State's urban areas. By creating a new authority with a particular focus on the more economically disadvantaged municipalities and giving it bonding power, the legislation intended to provide a viable financing mechanism to serve neighborhood-based planning efforts. Additionally, it was the intent of the legislation both to create the vehicle for urban reinvestment and to foster an institutional environment which would treat the cities as

Background Paper: Continuing Implementation of the Administration's Urban Strategy (Cont'd)

credit-worthy. Whereas it was considered by the Legislature to be necessary for this separate agency to exist if higher risk loans are to be made in the inner cities with State involvement, it is critical that the mechanisms for oversight envisioned by the Legislature are in place to assure that these investments are made responsibly and with full regard for the public trust.

Particularly given the mixed success of previous urban revitalization efforts in this State, it is vital that the urban program being promoted and whose implementation is being overseen by the NJRA be managed so that: the selection of UCC neighborhoods is negotiated through an openly competitive process; the benefits of UCC designation are allocated consistently and that this allocation is clear to all participants or aspiring participants; and the allocation of NJRA resources is achieved in an open fashion and according to standards which allow for program evaluation and executive branch accountability. The adoption of regulations to govern the selection of UCC neighborhoods, the benefits to be conferred on those neighborhoods by the executive departments, the compliance by the NJRA with the requirement that it publish its neighborhood reinvestment strategy would help assure accountability and provide standards for the evaluation of the State's urban strategy.

Background Paper: Continuing Implementation of the Administration's Urban Strategy (Cont'd)

Existing and Eligible Municipalities⁶

Asbury Park City	Neptune City Boro
Bayonne City	Neptune Twp
Belleville Twp	New Brunswick City
Bloomfield Twp	Newark City
Brick Twp	North Bergen Twp
Bridgeton City	Old Bridge Twp
Burlington City	Orange City
Camden City	Passaic City
Carteret Borough	Paterson City
East Orange City	Pemberton Twp
Edgewater Boro	Penns Grove Boro
Elizabeth City	Pennsauken Twp
Ewing Twp	Perth Amboy City
Garfield City	Phillipsburg Twp
Glassboro Boro	Plainfield City
Gloucester City	Pleasantville City
Gloucester Twp	Rahway City
Guttenberg Town	Ridgefield Borough
Hackensack City	Roselle Borough
Hamilton Twp	Salem City
Harrison Town	South Amboy City
Highlands Boro	Trenton City
Hillside Twp	Union City
Hoboken City	Vineland City
Irvington Town Twp	Weehawken Twp
Jersey City	West New York Town
Keansburg Boro	Willingboro Twp
Kearny Town	Winslow Twp
Lakewood Twp	Woodbridge Twp
Lawnside Boro	Woodbury City
Lindenwold Boro	
Lodi Boro	
Long Branch City	
Manchester Twp	
Millville City	
Monroe Twp (Glouc.)	
Mount Holly Twp	
Neptune City Boro	
Neptune Twp	
New Brunswick City	
Newark City	
North Bergen Twp	

⁶Source: The Urban Coordinating Council Web Site, Department of Community Affairs, March 1999.

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Individuals wishing information and committee schedules on the FY 2000 budget are encouraged to contact:

Legislative Budget and Finance Office

State House Annex

Room 140 PO Box 068

Trenton, NJ 08625

(609) 292-8030

Fax (609) 777-2442