

ANALYSIS OF THE NEW JERSEY FISCAL YEAR 2001 - 2002 BUDGET



DEPARTMENT OF COMMUNITY AFFAIRS

PREPARED BY

OFFICE OF LEGISLATIVE SERVICES

NEW JERSEY LEGISLATURE

APRIL 2001

NEW JERSEY STATE LEGISLATURE

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DEPARTMENT OF COMMUNITY AFFAIRS

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Fiscal Summary (\$000)

	Expended FY 2000	Adjusted Appropriation FY 2001	Recommended FY 2002	Percent Change 2001-02
State Budgeted	\$1,112,932	\$1,044,344	\$1,096,943	5.0%
Federal Funds	215,030	188,819	203,507	7.8%
<u>Other</u>	<u>1,974</u>	<u>35,387</u>	<u>35,390</u>	<u>0.0%</u>
Grand Total	\$1,329,936	\$1,268,550	\$1,335,840	5.3%

Personnel Summary - Positions By Funding Source

	Actual FY 2000	Revised FY 2001	Funded FY 2002	Percent Change 2001-02
State	628	678	744	9.7%
Federal	249	258	282	9.3%
<u>Other</u>	<u>94</u>	<u>82</u>	<u>90</u>	<u>9.8%</u>
Total Positions	971	1,018	1,116	9.6%

FY 2000 (as of December) and revised FY 2001 (as of September) personnel data reflect actual payroll counts. FY 2002 data reflect the number of positions funded.

Introduction

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

The DCA 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 DCA is \$38.2 million, \$2,588,000 more than the FY 2001 adjusted appropriation. According to the DCA's Budget Request, the increase includes \$1,500,000 to finance the acquisition costs of the new Local Unit Budget Approval and Reporting System (LUBARS), \$300,000 to fund a local school contracting oversight and assistance effort, and \$250,000 to underwrite a new community development institute.
- ! DCA's combined State Aid funding for municipalities from both the General Fund and the Property Tax Relief Fund is recommended to increase by \$99.5 million, from \$894.8 million in FY 2001 to \$994.3 million in FY 2002.

Included in the total \$99.5 million in increased funding are recommendations for the following purposes:

- \$43.9 million (5.6 percent) for Consolidated Municipal Property Tax Relief (COMPTR) that has two components. The first component is a \$30.8 million increase which the department reports as a 4.0 percent adjustment for inflation. The second component is \$13.1 million in State Aid targeted to municipalities with a decrease of 1.0 percent or more in total tax revenue due to recalculated values of personal property owned by Verizon (formerly Bell Atlantic);
 - \$47.0 million for Special Municipal Aid to augment funding for eight urban municipalities that have severe fiscal problems and structural budget deficits that could not be resolved without additional State funds. Budget language indicates that the amount appropriated for Special Municipal Aid has been reduced to reflect savings attributable to Special Municipal Aid recipient municipalities from pending legislation that would reduce their PFRS contributions. The budget language recommends the appropriation of additional sums as may be required in the event that this legislation is not approved. The department indicates the additional appropriation would be approximately \$21.0 million;
 - \$8.3 million (49.5 percent) for the Regional Efficiency Aid Program. The increase is requested to meet the anticipated growth in direct property tax credits to be paid to residential property taxpayers as a result of their local governments having entered into shared service agreements; and
 - \$233,000 (45.9 percent) to provide full funding for county prosecutors' salary increases pursuant to P.L.1996, c.99 and P.L.1999, c.380, to be consistent with State mandate/State pay principles.
- ! The Budget recommends that the Legislative Initiative Municipal Block Grant program (PTRF) be funded at \$33.8 million in FY 2002, the same as the FY 2001 adjusted appropriation. Pending legislation proposes to increase the amount of State Aid payable under this program from \$33.8 million to a minimum of \$133.0 million by FY 2004.
 - ! In addition to the \$831.6 million recommended for Consolidated Municipal Property Tax Relief Aid, a general language provision recommends an appropriation of up to \$3,565,000 to be allocated consistent with the applicable requirements contained in the State Aid - Property Tax Relief section of the Budget for municipalities which have experienced a loss

Key Points (Cont'd)

in business personal property tax revenues due to recalculated values of personal property owned by Verizon (formerly Bell Atlantic).

- ! A net \$49.4 million decrease (43.4 percent) in FY 2002 total Grants-In-Aid is recommended. The net decrease results from the difference between: one recommended net \$3.0 million increase for Special Urban Services; a reduction of funding for three divisions and one office totaling \$15.8 million and the elimination of funding for programs totaling \$36.6 million.

New net funding is recommended for Special Urban Services:

- \$6.0 million for Special Urban Services in new funding is recommended to establish the Urban Coordinating Council (UCC) Neighborhood Grants program to be allocated by the UCC to the targeted programs and the agencies that oversee them including: the Police Community Partnerships Program (Law and Public Safety); the School Based Youth Services Program (Human Services); and programs providing mental health and substance abuse services to individuals released from incarceration to the community (Corrections); and
- \$3.0 million would be eliminated for the New Jersey Redevelopment Authority - Mercer County Projects which was a Legislative initiative.

Decreases in total Grants-In-Aid funding are recommended reductions for three divisions and one office totaling \$15.8 million:

- \$11.9 million in net reduction for the Division of Housing and Community Resources is comprised of \$12.9 million due to the elimination of 174 Legislative initiative grants for local governments and non-profit agencies and a new \$1.0 million program for playground safety;
- The entire \$2.0 million for the Division of Administration's cyberdistrict development grants is eliminated;
- \$1.6 million in reduced funding for the Division on Women attributable to the reductions in programs for rape prevention and displaced homemaker centers and the elimination of 12 other Legislative initiative grants for the Division of Women; and
- \$300,000 in reduced funding for the Office of State Planning due to the elimination of the Highlands Regional Planning grants which was a Legislative initiative.

Total Grants-In-Aid would be further reduced because of the elimination of:

- \$36.6 million in funding for 275 local government grants that were added by the Legislature in FY 2001.

- ! The FY 2002 recommended budget anticipates a Federal funds increase of \$14.7 million, (7.8 percent), over the FY 2001 adjusted amount of \$188.8 million. The increase is principally attributable to a projected growth of \$15.0 million in the Section 8 Rental Assistance program, which will permit between 1,500 and 2,000 additional households to be assisted by the department's Division of Housing and Community Resources. Offsetting

Key Points (Cont'd)

this increase is a decrease of \$211,000 (-1.9 percent) in the Small Cities Block Grant program and a decrease of \$254,000 (-3.4 percent) in the Home Investment Partnerships program, due to a recalculated formula entitlement.

- ! FY 2002 Budget language recommends the appropriation of \$18.0 million for economic revitalization projects in the City of Camden pending the approval of P.L. , (now pending before the Legislature as A 2853) that is intended to promote the rapid revitalization of municipalities experiencing severe financial distress, in part by requiring the State to make available additional funds and incentives to attract new business investment into the municipality.
- ! A general fund language provision recommends transferring to the General Fund as State revenue an amount up to \$4.0 million from the Housing Assistance Fund bond reserve account established under P.L.1968, c.127, to the extent that it includes monies other than bond proceeds initially deposited into the Housing Assistance Fund bond reserve account.
- ! A general fund language provision recommends that interest earned in FY 2002 on balances in the Enterprise Zone Assistance Fund be used to fund \$8.5 million for the following DCA programs: Urban Coordinating Council (\$6.0 million); Local Unit Budget and Accounting Reporting Systems (\$1.5 million); and Playground Safety (\$1.0 million).

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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 seven major State municipal aid and several special purpose aid programs and overseeing Community Services Block Grants. There are more than 151 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. These responsibilities include code adoption, supervision of all State and municipal level code enforcement, 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, administration of New Jersey's 10-year insurance-backed New Home Warranty program, review of all condominium and cooperative sales offerings and providing information on New Jersey's landlord-tenant laws, and development and implementation of Statewide residential site improvement standards for use by municipalities. In addition the division performs construction plan review for large and complex structures including public schools so as to ensure compliance with the uniform construction code and educational space requirements. State funds of \$13.7 million are recommended for this Division in FY 2002, the same amount that was appropriated in FY 2001.

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 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.

Program Description and Overview (Cont'd)

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

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 and Community Support, 2) Housing Assistance, and 3) Housing Production and Community Development. The Housing and Community Support element administers programs that provide financial and technical assistance to municipalities, community action agencies, and other non-profit and for-profit organizations. The element also administers New Jersey's housing affordability controls, and the Faith-Based Community Development Initiative. The Housing assistance element administers programs that address the housing needs of the homeless and provides housing assistance to eligible households. With the exception of the Homelessness Prevention Program, all programs receive funding from the U.S. Department of Housing and Urban Development. The Housing Production and Community Development element provides grant-in-aid for developers building low and moderate income households. It also provides financial and technical assistance for homeless shelters, downtown and neighborhood business development, economic development and infrastructure improvement. State funds of \$28.4 million for FY 2002 are recommended for the housing services program, a \$35,000 reduction from FY 2001. The reduction reflects the recommended elimination of a Neighborhood Housing Services of Trenton, Inc. - Home Ownership grant.

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 of 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 Administration and Operations, the Office of Audit Review and Fiscal Monitoring, and the Office of Research and Policy Development.

The State Budget for the community resources program area is recommended at \$10.8 million for FY 2002, a reduction of \$11.9 million from FY 2001. The \$11.9 million is a net reduction for the Division of Housing and Community Resources and is comprised of \$12.9 million due to the elimination of 174 grants that were added by the Legislature to the FY 2001 Appropriations Act and a new \$1.0 million program for playground safety.

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 for budgeting, financial reporting, consolidation and regionalization of services, purchasing, and management issues to municipalities, schools, 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

Program Description and Overview (Cont'd)

component of the division's budget is recommended at \$8.5 million for FY 2002, \$2.1 million more than was appropriated in FY 2001. The division staff indicates that \$1.5 million of this increase is attributable to a new Local Unit Budget Approval and Reporting System (LUBARS) that will create a contemporary Internet based budget and financial reporting system for local government units, a \$300,000 increase to fund a new local school contracting oversight and assistance effort, and a \$250,000 increase to underwrite a new community development institute.

The FY 2002 recommended Property Tax Relief Fund - State Aid appropriation of \$975.8 million, funds seven programs:

(1) \$831.6 million for the Consolidated Municipal Property Tax Relief Aid (CMPTRA) program, contains increased funding for two purposes: a \$30.8 million increase over the FY 2001 adjusted appropriation, which the department reports is due to a 4.0 percent proposed inflationary increase, based on the Implicit Price Deflator for State and Local Government Purchases published by the U.S. Department of Commerce; and, a \$13.1 million Business Personal Property Tax Depreciation Adjustment. The Business Personal Property Tax Depreciation Adjustment is the successor program to a State Aid program of the same name which was funded at \$33.9 million in a Treasury Department State Aid account in FY 2001. The \$20.8 million funding reduction from \$33.9 million in FY 2001 represents the restriction of this State Aid to targeted municipalities with a decrease of 1.0 percent or more in total tax revenue due to recalculated values of personal property owned by Verizon (formerly Bell Atlantic).

(2) \$25.0 million for Extraordinary Aid (formerly called discretionary aid) of the Supplemental Municipal Property Tax Relief Act, represents level funding from the FY 2001 adjusted appropriation. The Budget-in-Brief indicates that the focus of this program will be to provide emergency tax relief to municipalities and provide short-term assistance to municipalities experiencing a catastrophic loss of ratables and that this relief is not meant as permanent aid, but rather as a short-term measure to assist municipalities to address their revenue and spending problems.

(3) \$10.0 million for the Regional Efficiency Development Incentive Grant Program, the same amount as FY 2001, is intended to encourage local governments and school districts to explore ways to consolidate or share services.

(4) \$47.0 million for the "Special Municipal Aid Act," P.L.1987, c.75 (C.52:27D-118.24 et seq.), plus a \$2.0 million recommended appropriation for administration. The Budget-in-Brief indicates that this municipal aid program, enacted pursuant to P.L.1999, c.156, is directed at urban municipalities with structural deficits that could not be resolved without additional State funds. The enabling legislation gives the division the ability to establish specific criteria for receipt of this aid including, but not limited to, the creation of a financial review board to oversee and audit the finances of any municipality receiving this aid.

(5) \$3.4 million for the Watershed Moratorium Offset Aid program that provides State Aid to 56 municipalities in which watershed property is located, in the amount of \$68.50 per acre. The aid is designed to compensate 56 municipalities to recognize the prohibition of development in certain areas of those municipalities due to the designation of those areas as watershed property. The recommended \$97,000 increase in this program provides for the 3.5% inflation adjustment that is required by law.

(6) \$25.0 million for the Regional Efficiency Aid program that was first funded in FY 2001, providing direct property tax relief to residents of municipalities participating in shared service

Program Description and Overview (Cont'd)

arrangements. The aid awarded to each municipality is established annually according to a formula that considers the types of services shared: the more complex and costly the service would be if provided unilaterally, the greater the reward to the municipalities providing it jointly. The \$8.3 million increase in this program is recommended to provide for anticipated additional awards for municipalities as they become involved in more shared service arrangements.

(7) \$33.8 million for the Legislative Initiative Municipal Block Grant program is distributed to each municipal government based on the ratio of its municipal population to the total State population as determined by the most recent federal decennial census. The payment of this aid is to be used solely and exclusively by each municipality for the purpose of reducing the amount the municipality is required to raise by local property tax levy for municipal purposes.

FY 2002 Budget language would appropriate \$18.0 million for economic revitalization projects in the City of Camden pending the approval of P.L. , (now pending before the Legislature as A 2853), subject to the approval of the Director of the Division of Budget and Accounting.

The Division on Women

The Division on Women is the central State agency for coordinating services and programs for women. The recommended Direct State Service component of the division's budget is \$1.1 million for FY 2002, which represents the same funding level as FY 2001. Overall, the State budget for the division is recommended to decrease by \$1.6 million to \$4.2 million in FY 2002.

The Division 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, and policy and program development on domestic violence prevention, sexual assault and general referral issues. The Rape Care Program, housed 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 \$3.1 million in FY 2002, which represents a \$1.6 million decrease below the FY 2001 adjusted appropriation. This recommended decrease in FY 2002 reflects a \$500,000 reduction for a one-time community education and outreach Rape Prevention effort, the reduction of \$330,000 for one-time grants to displaced homemaker centers for computer and equipment purchases, education and job training activities, and the recommended elimination of twelve additional grants that were added to the FY 2001 Appropriations Act by the Legislature which total \$787,000. The FY 2002 Budget would continue to fund five grants at current levels. The three largest grants are for the Women's Micro-Business Pilot program at \$750,000, the Job Training Center for Urban Women Act at \$315,000, and the Hispanic Women's Resource Centers at \$400,000.

Division of Fire Safety

The Division of Fire Safety 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 recommended Direct State Service element of the division's budget is \$4.8 million for FY 2002, which represents a \$0.3 million increase from FY 2001 to re-establish the Local Assistance

Program Description and Overview (Cont'd)

Unit with two new field staff. This unit will assist local enforcement agencies in all aspects of code enforcement. In total, the State budget for the division is recommended to increase by \$0.3 million to \$13.4 million in FY 2002.

Office of State Planning

The Office of State Planning (OSP), established pursuant to section 6 of P.L.1985, c.398 (C.52:18A-201et seq.) 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.1998, c.278 (C.58:10B-23).

The State Development and Redevelopment Plan is prepared by the State Planning Commission with the assistance of the 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 OSP staffs the Brownfields Site Inventory and Redevelopment Task Force, which acts as a decision making and State resources coordinating body that serves as the focus for redevelopment projects that involve brownfield sites.

The recommended Direct State Services appropriation for the OSP is \$2.1 million in FY 2002, which represents the same funding level as FY 2001. The OSP indicates that this level of funding will enable it to coordinate State policy on brownfields redevelopment and continue to oversee the cross-acceptance process.

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. A \$32.4 million State appropriation is recommended for Special Urban Services in FY 2002, a net increase of \$3.0 million more than was appropriated in FY 2001.

This net increase has two components. The one funding increase recommended in FY 2002 is \$6.0 million for a new Urban Coordinating Council (UCC) Neighborhood Grants program. The funds are recommended to be allocated by the UCC to targeted programs and the agencies that oversee them, including the Police Community Partnerships Program (Law and Public Safety); the School Based Youth Services Program (Human Services); and programs providing mental health and substance abuse services to individuals released from incarceration to the Community (Corrections). The \$6.0 million increase is offset by the recommended elimination of a \$3.0 million, one-time legislative initiative, FY 2001 grant for the New Jersey Redevelopment Authority - Mercer County Projects.

The FY 2002 Budget continues the same level of funding for two Special Urban Services grant programs that were first funded in FY 2000 as part of an economic revitalization effort: \$7.5 million for the Downtown Living Initiative grant program, which provides low-interest loans to spur

Program Description and Overview (Cont'd)

construction of market rental housing in urban neighborhoods, and \$2.5 million for the College and University Homebuyers' Fund grant program, which offers financial incentives to faculty and staff of New Jersey State and community colleges and universities located in certain UCC cities to purchase homes or improve home exteriors in those neighborhoods.

Special Urban Services includes 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 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 and 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 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, 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 project will 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 with community leaders in an effort to rebuild New Jersey's cities, one neighborhood at a time. The executive director of this office reports to the Urban Coordinating Council. The recommended Direct State Service funding for ONE in FY 2002 is \$1.4 million, unchanged from FY 2001.

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. The Commission and its Municipal Committee are funded from excess balances in sanitary landfill monitoring fees. Those excess balances are appropriated by Budget language in an amount equal to the excess balance or \$3,205,000, whichever is less, as calculated by DEP, to fund the operating costs of the Commission and its Municipal Committee.

In addition, \$312,000 of interest earnings from the sanitary landfill monitoring accounts is appropriated by Budget language for distribution from the Hackensack Meadowlands Tax Sharing Stabilization Fund by the commission to eligible municipalities in the Hackensack Meadowlands for a meadowlands adjustment payment. The meadowlands adjustment payment, pursuant to P.L.1999, c.178, is a payment to eligible municipalities that will stabilize their intermunicipal tax sharing so that no single municipality has an "excessive fluctuation." Excessive fluctuation is defined as either a payment to or a receipt from the intermunicipal account that is in excess of five percent of the previous year's payment or receipt. The State cost of funding this adjustment

Program Description and Overview (Cont'd)

payment is \$312,000 in FY 2002. The total FY 2002 recommendation for the Hackensack Meadowlands Development Commission is \$3,517,000.

! 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. HMFA does not receive a State appropriation for its operations.

! 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 council's budget is \$1.5 million in FY 2002, unchanged from FY 2001.

SUMMARY

For FY 2002, the total recommended State budget for the department is \$1,096.9 million, which represents an increase of \$52.6 million over the FY 2001 adjusted appropriation.

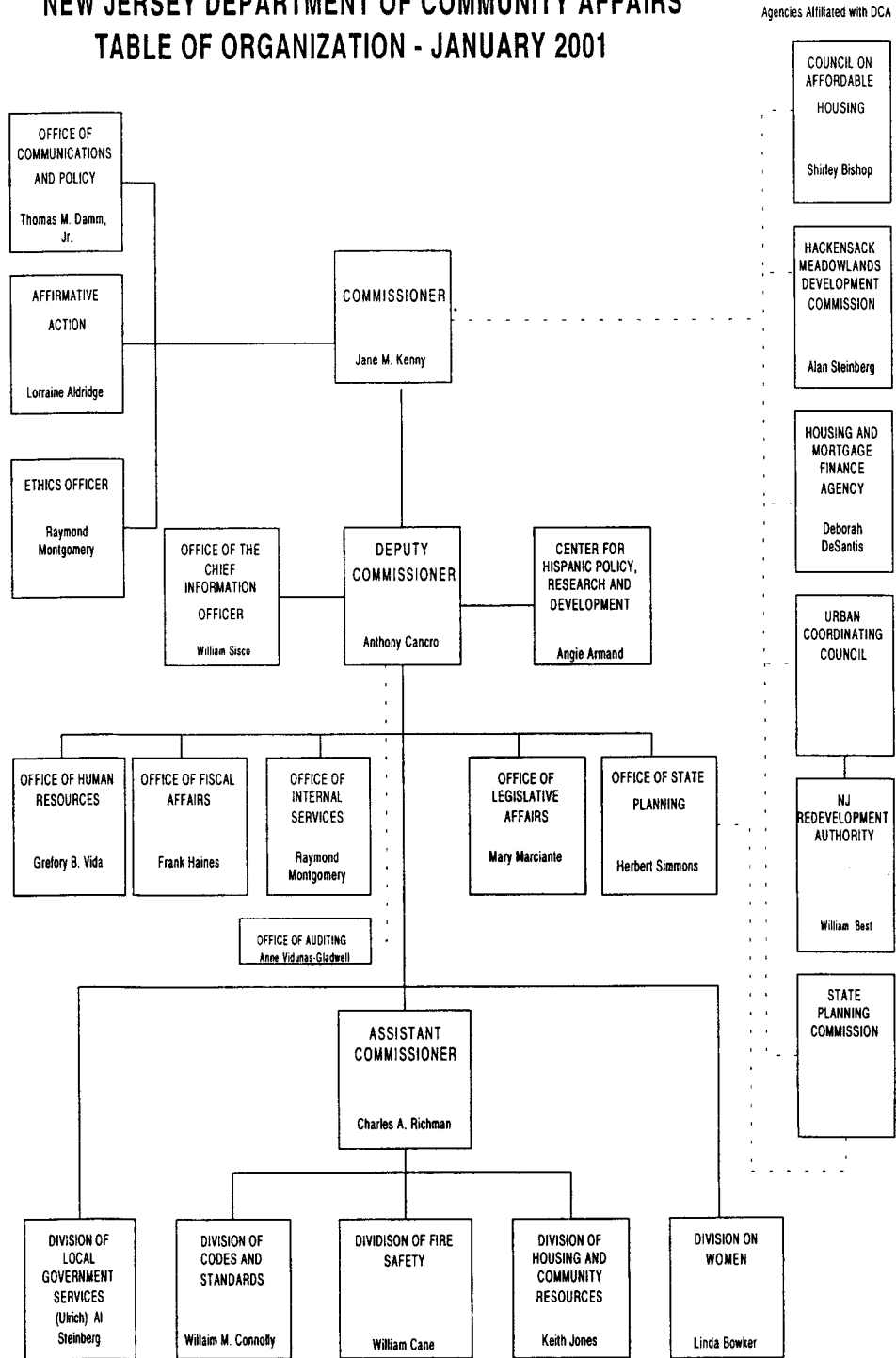
- ! The recommended Direct State Services appropriation for the department is \$38.2 million, \$2,588,000 more than the FY 2001 adjusted appropriation. According to the DCA's Budget Request, \$1,500,000 of this increase will finance the acquisition costs of a new Local Unit Budget Approval and Reporting System (LUBARS) that will replace a 50 year old paper-based system of budget and financial reporting for all local governments. Recommended Direct State Service General Fund appropriations for all of the divisions in FY 2002 either remain the same or increase over each division's adjusted appropriations as compared to their appropriations in FY 2001.
- ! DCA's combined State Aid funding for municipalities from both the General Fund and the Property Tax Relief Fund is recommended to increase by \$99.5 million (net), from \$894.8 million in FY 2001 to \$994.3 million in FY 2002.
- ! Budget language would appropriate \$18.0 million for economic revitalization projects in the City of Camden pending the approval of P.L. , (now pending before the Legislature as A 2853), subject to the approval of the Director of the Division of Budget and Accounting. Assembly Bill No.2853, entitled the "Municipal Rehabilitation and Economic Revitalization Act," is intended to promote the rapid revitalization of municipalities experiencing severe financial distress, in part by requiring the State to make available additional funds and incentives to attract new business investment into the municipality.

Program Description and Overview (Cont'd)

- ! A net \$49.4 million decrease (43.4 percent) in FY 2002 total Grants-In-Aid is recommended. The net decrease results from the difference between: one recommended net \$3.0 million increase for Special Urban Services; a reduction of funding for three divisions and one office totaling \$15.8 million and the elimination of funding for programs totaling \$36.6 million.
- ! Receipts of \$18,678,000 in FY 2002 to be deposited into the Affordable Housing and Neighborhood Preservation - Fair Housing account from the collection of the realty transfer tax are anticipated to remain the same as those deposited in FY 2001. Of those receipts, \$2.0 million is recommended to be appropriated in FY 2002 for Shelter Assistance, representing a continuation from FY 2001 of funding Shelter Assistance from the realty transfer tax receipts.
- ! A general fund language provision in FY 2002 (p. F-8) recommends transferring to the General Fund as State revenue an amount up to \$4,000,000 from the Housing Assistance Fund bond reserve account established under P.L.1968, c.127, to the extent that it includes monies other than bond proceeds initially deposited into the Housing Assistance Fund bond reserve account.
- ! A general fund language provision recommends that interest earned in FY 2002 on balances in the Enterprise Zone Assistance Fund be used to fund \$8.5 million for the following DCA programs: Urban Coordinating Council, (\$6.0 million); Local Unit Budget and Accounting Reporting Systems (\$1.5 million); and Playground Safety (\$1.0 million).

Organization Chart

NEW JERSEY DEPARTMENT OF COMMUNITY AFFAIRS
TABLE OF ORGANIZATION - JANUARY 2001



Fiscal and Personnel Summary

AGENCY FUNDING BY SOURCE OF FUNDS (\$000)

	Expended FY 2000	Adj. Approp. FY 2001	Recom. FY 2002	Percent Change	
				2000-02	2001-02
General Fund					
Direct State Services	\$41,410	\$35,586	\$38,174	(7.8)%	7.3%
Grants-In-Aid	104,946	113,934	64,465	(38.6)%	(43.4)%
State Aid	112,858	18,229	18,462	(83.6)%	1.3%
Capital Construction	0	0	0	0.0%	0.0%
Debt Service	0	0	0	0.0%	0.0%
Sub-Total	\$259,214	\$167,749	\$121,101	(53.3)%	(27.8)%
Property Tax Relief Fund					
Direct State Services	\$0	\$0	\$0	0.0%	0.0%
Grants-In-Aid	0	0	0	0.0%	0.0%
State Aid	853,718	876,595	975,842	14.3%	11.3%
Sub-Total	\$853,718	\$876,595	\$975,842	14.3%	11.3%
Casino Revenue Fund	\$0	\$0	\$0	0.0%	0.0%
Casino Control Fund	\$0	\$0	\$0	0.0%	0.0%
State Total	\$1,112,932	\$1,044,344	\$1,096,943	(1.4)%	5.0%
Federal Funds	\$215,030	\$188,819	\$203,507	(5.4)%	7.8%
Other Funds	\$1,974	\$35,387	\$35,390	1692.8%	0.0%
Grand Total	\$1,329,936	\$1,268,550	\$1,335,840	0.4%	5.3%

PERSONNEL SUMMARY - POSITIONS BY FUNDING SOURCE

	Actual FY 2000	Revised FY 2001	Funded FY 2002	Percent Change	
				2000-02	2001-02
State	628	678	744	18.5%	9.7%
Federal	249	258	282	13.3%	9.3%
All Other	94	82	90	(4.3)%	9.8%
Total Positions	971	1,018	1,116	14.9%	9.6%

FY 2000 (as of December) and revised FY 2001 (as of September) personnel data reflect actual payroll counts. FY 2002 data reflect the number of positions funded.

AFFIRMATIVE ACTION DATA

Total Minority Percent	29.2%	29.7%	29.7%	----	----
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Significant Changes/New Programs (\$000)

<u>Budget Item</u>	<u>Adj. Approp. FY 2001</u>	<u>Recomm. FY 2002</u>	<u>Dollar Change</u>	<u>Percent Change</u>	<u>Budget Page</u>
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COMMUNITY DEVELOPMENT MANAGEMENT

DIRECT STATE SERVICES - GENERAL FUND

Community

Development Institute	\$0	\$250	\$250	—	D-44
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The recommended appropriation will provide seed money to establish the institute. The purpose of the institute is to establish an environment for the professional development of community development specialists through a partnership with the department and the institute which will be independent, but university affiliated. The institute will provide a network of experienced practitioners in the many facets of community development, anchored by programs of research and instruction, available to lead and guide community development activities.

Local Unit Budget

Approval and Reporting System

\$0	\$1,500	\$1,500	—	D-44
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The funding for the Local Unit Budget Approval and Reporting System (LUBARS) is provided for project management capability, hardware acquisition and initial software development costs of the system. According to the Budget-In-Brief, once the system is operational, each municipality's current paper system for budgeting and financial reporting will be replaced by this on-line web-based system. The total cost for the system is expected to be about \$4 million.

Local School

Contracting Oversight and Assistance

\$850	\$1,150	\$300	35.3%	D-44
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The increased funds reflect the full-year costs associated with the Division of Local Government Services' responsibilities to perform State level compliance reviews of local school facilities construction projects undertaken directly by school districts, pursuant to the Educational Facilities Construction and Financing Act, P.L.2000, c.72. The purpose of the review is to assure compliance with public school contracting law procedures and requirements.

GRANTS-IN-AID - GENERAL FUND

Urban Coordinating Council Neighborhood Grants Program

\$0	\$6,000	\$6,000	—	D-45
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This \$6.0 million in new funding is recommended to establish the Urban Coordinating Council (UCC) Neighborhood Grants program to be allocated by the UCC to the targeted programs and the agencies that oversee them including: the Police Community Partnerships Program (Law and Public Safety); the School Based Youth Services Program (Human Services); and programs providing mental health and substance abuse services to individuals released from incarceration to the community (Corrections).

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

<u>Budget Item</u>	<u>Adj. Approp.</u> <u>FY 2001</u>	<u>Recomm.</u> <u>FY 2002</u>	<u>Dollar</u> <u>Change</u>	<u>Percent</u> <u>Change</u>	<u>Budget</u> <u>Page</u>
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COMMUNITY DEVELOPMENT MANAGEMENT

New Jersey
Redevelopment
Authority - Mercer
County Projects

	\$3,000	\$0	(\$3,000)	(100.0)%	D-45
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This \$3.0 million grant for the New Jersey Redevelopment Authority - Mercer County Projects was added to the FY 2001 Appropriations Act by the Legislature.

Local Government
Services

	\$36,616	\$0	(\$36,616)	(100.0)%	D-44
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This \$36.6 million in FY 2001 is for 275 grants to local governments that were added to the FY 2001 Appropriations Act by the Legislature.

STATE AID - PTRF -
GENERAL FUND

Consolidated Municipal
Property Tax Relief Aid
(PTRF)

	\$787,760	\$831,635	\$43,875	5.6%	D-56
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This \$43.9 million recommended increase in FY 2002 State Aid, from the Property Tax Relief Fund has two components. The first component is a \$30.8 million increase which the department reports as a 4.0 percent adjustment for inflation. The second component is \$13.1 million in State Aid to aid municipalities with a decrease of 1.0 percent or more in total tax revenue due to recalculated values of personal property owned by Verizon (formerly Bell Atlantic).

Regional Efficiency Aid
Program (PTRF)

	\$16,725	\$25,000	\$8,275	49.5%	D-56
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This \$8.3 million recommended increase in FY 2002 State Aid, from the Property Tax Relief Fund will, according to the department, meet the anticipated growth in direct property tax credits to be paid to residential property taxpayers as a result of their local governments having entered into shared service agreements.

Special Municipal Aid
Act

	\$0	\$47,000	\$47,000	—	D-56
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This \$47.0 million recommended increase in FY 2002 State Aid, from the Property Tax Relief Fund will, according to the department, augment funding for eight urban municipalities that have severe fiscal problems and structural budget deficits that could not be resolved without additional State

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

<u>Budget Item</u>	<u>Adj. Approp. FY 2001</u>	<u>Recomm. FY 2002</u>	<u>Dollar Change</u>	<u>Percent Change</u>	<u>Budget Page</u>
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COMMUNITY DEVELOPMENT MANAGEMENT

funds. Budget language indicates that the amount appropriated for Special Municipal Aid has been reduced to reflect savings attributable to pending legislation that would reduce the PFRS contributions of Special Municipal Aid recipient municipalities. The budget language recommends the appropriation of additional sums as may be required in the event that this legislation is not approved. The department indicates the additional appropriation would be approximately \$21.0 million.

County Prosecutors Salary Increase	\$508	\$741	\$233	45.9%	D-56
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This \$233,000 recommended increase in FY 2002 State Aid, from the Property Tax Relief Fund will according to the department provide full funding for county prosecutors' salary increases pursuant to P.L.1996, c.99 and P.L.1999, c.380, to be consistent with State mandate/State pay principles.

FEDERAL FUNDS-

Housing Services	\$150,599	\$165,287	\$14,688	9.8%	D-56
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The FY 2002 recommended budget anticipates a Federal funds increase of \$14.7 million, over the FY 2001 adjusted amount of \$150.6 million. The increase is principally attributable to a projected growth of \$15.0 million in the Section 8 Rental Assistance program, which will permit between 1,500 and 2,000 additional households to be assisted by the department's Division of Housing and Community Resources. Offsetting this increase is a decrease of \$211,000 in the Small Cities Block Grant program and a decrease of \$254,000 in the Home Investment Partnerships program, due to a recalculated formula entitlement.

SOCIAL SERVICES PROGRAMS

**GRANTS-IN-AID
GENERAL FUND**

Community Resources	\$22,326	\$10,425	(\$11,901)	(53.3)%	D-63
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The two components of this reduction for the Community Resource program class are detailed below.

Playground Safety	\$0	\$1,000	\$1,000	—	D-80
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The Budget-In-Brief indicates that this \$1.0 million in funds will provide up to \$10,000 per municipality for enhanced playground safety throughout the State and will be available through the Department's Adopt-A-Neighborhood Program.

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

<u>Budget Item</u>	<u>Adj. Approp. FY 2001</u>	<u>Recomm. FY 2002</u>	<u>Dollar Change</u>	<u>Percent Change</u>	<u>Budget Page</u>
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SOCIAL SERVICES PROGRAMS

174 Legislative Grants	\$12,901	\$0	(\$12,901)	(100.0)%	D-63 to D-80
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The \$12.9 million for 174 grants to local governments and non-profit agencies were added to the FY 2001 Appropriations Act by the Legislature.

Women's Programs	\$4,707	\$3,090	(\$1,617)	(34.4)%	D-63
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The three components of this reduction for the Women's Programs program class are detailed below.

Rape Prevention	\$1,000	\$500	(\$500)	(50.0)%	D-80
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The department indicates this \$500,000 recommended reduction represents a one-time FY 2001 community education and outreach effort and its activities will be undertaken and concluded over the next 12 months. The \$500,000 was added to the FY 2001 Appropriation Act by the Legislature.

Grants to Displaced Homemaker Centers	\$1,405	\$1,075	(\$330)	(23.5)%	D-81
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The department indicates this \$330,000 recommended reduction represents a one-time FY 2001 computer and equipment purchase and a one-time FY 2001 education and job training activity. Both of these one-time expenditures will be undertaken and concluded over the next 12 months.

12 Legislative Grants	\$787	\$0	(\$787)	(100.0)%	D-80 to D-81
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These 12 grants for Women's Programs were added to the FY 2001 Appropriations Act by the Legislature.

Additional COMPTRA Verizon targeted hold harmless aid	\$0	\$3,565	\$3,565	—	F-8
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Recommended FY 2002 budget language (page F-8) would appropriate such sums as may be required but not to exceed \$3,565,000, in addition to the \$13,092,000 amount appropriated for Consolidated Municipal Property Tax Relief Aid (COMPTRA) Verizon targeted hold harmless aid (page D-60). The COMPTRA Verizon targeted hold harmless aid as originally calculated is under funded by an amount of up to \$3,565,000 due to a calculation error.

Language Provisions

2001 Appropriations Handbook

2002 Budget Recommendations

p. B-24

p. D-58

Notwithstanding any provisions of P.L.1983, c.530 (C.55:14K-1 et seq.) to the contrary, the Commissioner of the Department of Community Affairs shall have the authority to disburse funds, not to exceed \$1,000,000, from the Boarding Home Rental Assistance Fund established pursuant to section 14 of P.L.1983, c.530 (C.55:14K-14) for the purpose of making loans to assist fraternities and sororities in compliance with fire suppression system retrofit requirements in private housing used exclusively to provide sleeping quarters for college students.

Notwithstanding any provisions of P.L.1983, c.530 (C.55:14K-1 et seq.) to the contrary, the Commissioner of the Department of Community Affairs shall have the authority to disburse funds, not to exceed **the difference between \$1,000,000 and any Fiscal 2001 disbursements**, from the Boarding Home Rental Assistance Fund established pursuant to section 14 of P.L.1983, c.530 (C.55:14K-14) for the purpose of making loans to assist fraternities and sororities in compliance with fire suppression system retrofit requirements in private housing used exclusively to provide sleeping quarters for college students.

Explanation

This recommended FY 2002 budget language provides an amount not to exceed the difference between \$1,000,000 and any FY 2001 disbursements from the Boarding Home Rental Assistance Fund for the purpose of making loans to assist fraternities and sororities in compliance with fire suppression system retrofit requirements in private housing used exclusively to provide sleeping quarters for college students. The use of these funds, in the amount of \$1,000,000 for this purpose was first authorized in FY 2001. The purpose of this language is to reauthorize the use of any unused funds from FY 2001 for the same purpose in FY 2002.



2001 Appropriations Handbook

2002 Budget Recommendations

No similar language.

p. D-59

Of the amount appropriated for the Urban Coordinating Council (UCC) Neighborhood Grants Program, amounts may be transferred to the Department of Law and Public Safety for the Police Community Partnerships Program and to the Department of Human Services for the School-Based Youth Services Program and to the Department of Corrections for the Mental Health and Substance Abuse Program, subject to the approval of the Director of the Division of Budget and Accounting.

Language Provisions (Cont'd)

Explanation

This recommended FY 2002 budget language authorizes the transfer of up to \$6 million in funds from amounts appropriated for the Urban Coordinating Council (UCC) Neighborhood Grants Program to the Department of Law and Public Safety for the Police Community Partnerships Program, the Department of Human Services for the School-Based Youth Services Program, and the Department of Corrections for the Mental Health and Substance Abuse Program. The Department of the Treasury indicates that: the Department of Law and Public Safety will receive \$2.0 million for the Police Community Partnerships Program, the Department of Human Services will receive \$1.5 million for the School-Based Youth Services Program, the Department of Corrections will receive \$2.0 million for the Mental Health and Substance Abuse Program, and a Grants Management Initiative will receive \$500,000 to assist the UCC in expending technical assistance to urban communities in obtaining matching federal and foundation funding. The Grants Management Initiative is to be undertaken by the department with the goal of maximizing grant revenue from State, federal and private sources to benefit UCC-targeted neighborhoods. The recommended appropriation of these funds is made in response to a series of six urban conferences convened by the Urban Coordinating Council over the past year, culminating in the Governor's Urban Summit, where community leaders advanced recommendations to strengthen specific programs that improve the quality of life in urban neighborhoods. The authorization to transfer these funds will allow the department to reallocate grants to the agencies that administer these programs.



2001 Appropriations Handbook

2002 Budget Recommendations

No similar language.

p. D-59

Of the amount hereinabove for Brownfields, \$750,000 is appropriated for Brownfields Redevelopment Grants for the support of a private nonprofit economic development corporation authorized to undertake redevelopment projects and activities for the City of Trenton.

Explanation

This recommended FY 2002 budget language direct that an amount not to exceed \$750,000 from the amount appropriated for Brownfields Redevelopment Grants be used to facilitate redevelopment projects and activities in Trenton by supporting the start-up of a private non-profit economic development corporation authorized to undertake such projects and activities. As of this date, the non-profit economic development corporation has not been established.



Language Provisions (Cont'd)

2001 Appropriations Handbook

2002 Budget Recommendations

p. B-26

Of the sum hereinabove for Neighborhood Preservation, an amount not to exceed \$200,000 is payable from revenues transferred to the General Fund from the Mortgage Assistance Fund created by section 4 of P.L.1976, c.94, and shall be expended for purposes authorized by section 5 of P.L.1976, c.94 which are also authorized by P.L.1975, c.248 (C.52:27D-142 et seq.) or P.L.1975, c.249 (C.52:27D-152 et seq.).

No similar language.

Explanation

The language is not recommended for FY 2002 because this FY 2001 appropriations act language directed that of the amount appropriated for the Neighborhood Preservation program, up to \$200,000, was to be charged to the Mortgage Assistance Fund balances, which were anticipated as General Fund revenue in the FY 2001 State budget. The specific purposes for which the funds were directed and used were the construction, rehabilitation and maintenance of housing for persons of low and moderate income. This transfer of funds to the Neighborhood Preservation program from the Mortgage Assistance Fund was a one-time occurrence. Funding for the Neighborhood Preservation program in FY 2002 will be continued using non-specific resources.



2001 Appropriations Handbook

2002 Budget Recommendations

p. B-26

Of the amount hereinabove for Neighborhood Preservation-Fair Housing, an amount not to exceed ~~\$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.

p. D-59

Of the amount hereinabove for Neighborhood Preservation-Fair Housing, an amount not to exceed **\$2,500,000** 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 2002 budget language would provide an additional \$500,000 over the amount appropriated in FY 2001 in Neighborhood Preservation-Fair Housing funds to promote housing activities of community-based organizations. The additional money will be used to provide additional technical assistance grants to non-profit housing organizations and authorities for creating and supporting affordable housing opportunities.



Language Provisions (Cont'd)

2001 Appropriations Handbook

p. B-27

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 that received funding pursuant to the fiscal year 2000 annual appropriations act P.L. 1999, c.138 and adjusted according to the provisions of P.L.1999, c.168, or pursuant to other amendatory or supplementary law except that the amount received by the City of Newark in the December 1, 2000 payment shall be reduced by an amount not to exceed \$2.2 million and appropriated to the Division of Taxation for any aspect of the revaluation of real property in Newark, and \$700,000 is appropriated for payments in-lieu of taxes to the municipality in which the new sexual predators facility is located. These appropriation items shall be subject to the approval of the Director of the Division of Budget and Accounting.

2002 Budget Recommendations

P. D-60

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 ~~2000~~ **2001** annual appropriations act, P.L. 1999, c.138 and adjusted according to the provisions of P.L.1999, c.168, or pursuant to other amendatory or supplementary law except that the amount received by the City of Newark ~~in the December 1, 2000 payment~~ shall be reduced by an amount ~~not to exceed \$2.2 million~~ **certified by the Division of Taxation** and appropriated to the Division of Taxation for any aspect of the revaluation of real property in Newark, ~~and \$700,000 is appropriated for payments in-lieu of taxes to the municipality in which the new sexual predators facility is located.~~ ~~These appropriation items shall be subject to the approval of the Director of the Division of Budget and Accounting.~~

Explanation

This recommended FY 2002 budget language will ensure that Newark pays for all costs incurred through December 1, 2001 in the revaluation of real property in Newark that is being conducted under a revaluation contract by the State on behalf of Newark, through a reduction of the city's distribution of Consolidated Municipal Property Tax Relief Aid. The language also deletes the appropriation of \$700,000 from FY 2001 representing payments in lieu of taxes to the municipality in which the new sexual predators' facility is to be located, because there is currently no agreement on the siting of such a facility.

Language Provisions (Cont'd)

2001 Appropriations Handbook

2002 Budget Recommendations

p. B-27

The amount for Extraordinary Aid shall be distributed in a manner consistent with the provisions of section 5 of P.L.1991, c.63 (C.52:27D-118.36).

No similar language.

2001 Appropriations Handbook

2002 Budget Recommendations

p. B-27

Notwithstanding the provisions of sections 5 and 9 of P.L.1991, c.63 (C.52:27D-118.36 and C.52:27D-118.40) to the contrary, the amount appropriated for 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 activity which can be demonstrated to meet the above requirements.

No similar language.

Explanation

Continuation of the language is not recommended for FY 2002 because general law was amended to achieve the goals of the language. P.L.1999, c.156 amended P.L.1991, c.63 to rename the "Supplemental Municipal Property Tax Relief Act" discretionary aid program as the "Supplemental Municipal Property Tax Relief Act" extraordinary aid program. The purpose of this language in FY 2001 was to clarify the legislative intent of P.L.1999, c.156 in that the Supplemental Municipal Property Tax Relief Aid program would be governed by the provisions of P.L.1991, c.63.



Language Provisions (Cont'd)

2001 Appropriations Handbook

2002 Budget Recommendations

p. B-27

There is appropriated from the Property Tax Relief Fund an amount not to exceed \$25,000,000 for the Regional Efficiency Aid Program, subject to the approval of the Director of the Division of Budget and Accounting.

No similar language.

Explanation

Continuation of this language is not recommended for FY 2002 because the funds for the Regional Efficiency Aid Program are requested as a line-item appropriation in the FY 2002 budget.



2001 Appropriations Handbook

2002 Budget Recommendations

p. B-27

The unexpended balance as of June 30, 2000, not to exceed \$1,500,000 in the Extraordinary Aid (C.52:27D-118.36) (PTRF) amount is appropriated and shall be available to fund or reimburse costs incurred by any local government unit to implement the Gov-Connect - Government to Government Network, as determined by the Director of the Division of Budget and Accounting.

p. D-61

~~The~~ **Any** unexpended balance as of June 30, 2001, ~~not to exceed \$1,500,000~~ in the Extraordinary Aid (C.52:27D-118.36) (PTRF) amount **previously designated by law is appropriated and shall be available** to fund or reimburse costs incurred by any local government unit to implement the Gov-Connect - Government to Government Network, as determined by the Director of the Division of Budget and Accounting **is appropriated.**

Explanation

This recommended FY 2002 budget language would reappropriate any unexpended balance in Extraordinary Aid (C.52:27D-118.36) (PTRF) funds from FY 2001 for use in FY 2002. The department indicates that it is doubtful that all funds needed for local Gov-Connect grants will be obligated by the close of FY 2001. The language was added to the FY 2001 appropriations act by the Legislature.



Language Provisions (Cont'd)

2001 Appropriations Handbook

2002 Budget Recommendations

p. B-27

Of the amount hereinabove for the Regional Efficiency Development Initiative Program (PTRF), \$75,000 shall be allocated for a feasibility study for the creation of a K-12 regional school district including the Boards of Education of Allentown, Millstone, Roosevelt and Upper Freehold.

No similar language.

Explanation

The above language is not recommended for FY 2002 because these funds were for a grant to fund a feasibility study for the possible creation of a regional K-12 school district including the Allentown, Millstone, Roosevelt and Upper Freehold school districts. The language was added by the Legislature to the FY 2001 appropriations act.



2001 Appropriations Handbook

2002 Budget Recommendations

No similar language.

p. D-60

The amount hereinabove for Special Municipal Aid has been reduced to reflect savings attributable to eligible municipalities from the PFRS proposal now pending before the legislature as P.L. ____c.__(C.____). In the event that this legislation is not approved, there are appropriated such additional sums as may be required to provide full funding for this purpose to each eligible municipality, as certified by the Director of the Division of Local Government Services, and subject to the approval of the Director of the Division of Budget and Accounting.

Explanation

Legislation that has passed both houses as of this writing (S-1961/A-2) would reduce the liability in calendar 2001 for the local employers liability for normal contributions to the Police and Firemens' Retirement System (PFRS). The amount of that employer reduction is estimated to be \$150 million statewide. Should that legislation not be signed into law, this language requires that additional funding be appropriated to meet the full funding costs of the Special Municipal Aid Program, \$21

Language Provisions (Cont'd)

million dollars in addition to the \$47 million recommended in the budget. The \$21 million is the estimated amount eight municipalities eligible under the Special Municipal Aid Act would otherwise be required to pay for the employers' share for the PFRS normal contribution.



2001 Appropriations Handbook

2002 Budget Recommendations

No similar language.

p. D-60

In addition to the amount appropriated hereinabove for Special Municipal Aid, an amount not to exceed \$1.5 million is appropriated, subject to the approval of the Director of the Division of Budget and Accounting, to provide for repayment of interest on short term notes issued by qualified municipalities in fiscal 2001 in anticipation of the fiscal 2002 Special Municipal Aid appropriation.

Explanation

This recommended FY 2002 budget language appropriates an amount not to exceed \$1.5 million to provide for repayment of interest on short term notes issued in FY 2001 by municipalities qualified to receive Special Municipal Aid in anticipation of the FY 2002 appropriation of Special Municipal Aid. To date, no short-term notes have been issued by these qualified municipalities, but the department indicates that short-term notes may be issued by these municipalities during FY 2001.



2001 Appropriations Handbook

2002 Budget Recommendations

No similar language.

p. D-60

There is appropriated \$18 million for economic revitalization projects in the City of Camden pending the approval of P.L._____, (now pending before the Legislature as A2853), subject to the approval of the Director of the Division of Budget and Accounting.

Language Provisions (Cont'd)

Explanation

This recommended FY 2002 budget language would appropriate \$18 million for economic revitalization projects in the City of Camden pending the approval of P.L._____, which is pending before the Legislature as Assembly Bill No. 2853. Assembly Bill No. 2853, entitled the "Municipal Rehabilitation and Economic Revitalization Act," is intended to promote the rapid revitalization of municipalities experiencing severe financial distress, in part by requiring the State to make available additional funds and incentives to attract new business investment into the municipality. The \$18 million appropriation represented by this language is intended for that purpose.



Language Provisions (Cont'd)

2001 Appropriations Handbook

No similar language.

2002 Budget Recommendations

p. D-60

Of the amount appropriated hereinabove for Consolidated Municipal Property Tax Relief Aid, \$13,091,746 is appropriated to those municipalities which have experienced a loss in business personal property tax revenues as a result of reductions in the assessed value of personal property of local exchange telephone companies - Taxable Value of Machinery, Implements, and Equipment of Telephone Messenger System - between 1998 and 2000 as a result of the use of new tax depreciation methods by such companies and which further qualify for the receipt of such State aid in accordance with this paragraph. The Director of the Division of Taxation shall certify to the Director of the Division of Local Government Services the amount of the decrease in assessed value of such personal property of local exchange telephone companies for each municipality between 1998 and 2000. The Director of the Division of Local Government Services shall then utilize this information to calculate the amount of total property taxes lost by each municipality in calendar year 2000 and shall identify those municipalities whose loss in property taxes is equal to or greater than one percent of the total municipal property tax levy in 2000. Such qualified municipalities shall receive State aid from the amount appropriated hereinabove, in the amounts certified by the Director of the Division of Local Government Services, to offset the loss of such property taxes. Such State aid shall be added to the amount of Consolidated Municipal Property Tax Relief Aid otherwise allocated to the municipalities for Fiscal Year 2002. The Director shall further take such actions as may be necessary to ensure that the proportion of State aid that would have otherwise been used for the support of public schools will be used to reduce the school property tax levy for those affected school districts with the remaining State aid used as municipal property tax relief. The chief financial officer of the municipality shall pay to the school districts such amounts as may be due by December 31, 2001.

Language Provisions (Cont'd)

Explanation

This recommended FY 2002 budget language appropriates \$13,091,746 from the amount appropriated for Consolidated Municipal Property Tax Relief Aid to certain municipalities that will suffer significant erosion of property tax revenues due to recalculated values of personal property owned by Verizon (formerly Bell Atlantic). These recalculated values occurred when the firm exercised an optional depreciation calculation after 1998 resulting in a decrease of revenues to municipalities. This additional recommended State aid is requested to replace tax revenue lost as a result of this change in any municipality that experiences a decrease of 1% or more in total tax revenues. This language also provides that school districts will receive from municipalities their proportionate share of these replacement revenues. The department indicates that there are 43 municipalities Statewide that will benefit from this aid program.



2001 Appropriations Handbook

2002 Budget Recommendations

No similar language.

p. D-61

In addition to the amount hereinabove for the Legislative Initiative Municipal Block Grant program there are appropriated such sums as may be necessary, not to exceed \$1 million, to hold harmless any town that lost population between the 1990 and 2000 U.S. Census counts.

Explanation

This recommended FY 2002 budget language would appropriate up to \$1 million to hold harmless any municipality that lost population between the 1990 and 2000 United States Census counts. The Legislative Initiative Municipal Block Grant program, (P.L.1995, c.247), requires an annual appropriation of not less than \$33,000,000, to be distributed to municipalities on or before September 1 of the State fiscal year in proportion to the number of residents of each municipality as determined pursuant to the most recent federal decennial census. This aid must be used solely and exclusively by each municipality for the purpose of reducing the amount the municipality is required to raise by local property tax levy for municipal purposes.



Language Provisions (Cont'd)

2001 Appropriations Handbook

2002 Budget Recommendations

p. D-81

No similar language.

The unexpended balance as of June 30, 2001 in the Women's Micro-Business Program is appropriated.

Explanation

This recommended FY 2002 budget language would appropriate the unexpended balance as of June 30, 2001 in the Women's Micro-Business Program for use in FY 2002. This program, established by P.L.1999, c.239 as a pilot program, targets assistance for potential female entrepreneurs, with or without prior business experience, who are self-motivated and are willing to undertake an extensive training program and receive other kinds of technical assistance in order to gain the necessary experience to start a successful business, through loans from certified nonprofit community development corporations. As of this writing, non of the appropriation has been spent.

2001 Appropriations Handbook

2002 Budget Recommendations

p. D-85

No similar language.

Notwithstanding the provisions of any prior law or statute to the contrary, movement of any funds into the Revolving Housing Development and Demonstration Grant Fund is subject to prior approval of the Director of the Division of Budget and Accounting.

Explanation

This recommended FY 2002 budget language requires the Director of the Division of Budget and Accounting to grant approval prior to the movement of funds into the Revolving Housing Development and Demonstration Grant Fund. This language provides the Office of Management and Budget with the direct authority to review and approve the reallocation of any funds by the department into this revolving fund.

Language Provisions (Cont'd)

2001 Appropriations Handbook

2002 Budget Recommendations

p. E-2

There is appropriated \$200,000 from the Mortgage Assistance Fund for transfer to the General Fund as State revenue.

No similar language.

Explanation

This FY 2001 appropriations act language directed the transfer of \$200,000 from the Mortgage Assistance Fund to the General Fund. Additional FY 2001 language directed that the \$200,000 be used to provide funding for the construction, rehabilitation and maintenance of housing for persons of low and moderate income. (See page 21 of this analysis.)



2001 Appropriations Handbook

2002 Budget Recommendations

No similar language.

P. F-8

In addition to the amount appropriated for Consolidated Municipal Property Tax Relief Aid, such additional amounts as may be required, not to exceed \$3,565,000, are appropriated, and shall be allocated consistent with the applicable requirements contained in the State Aid - Property Tax Relief section of this Act, subject to the approval of the Director of the Division of Budget and Accounting for those municipalities which have experienced a loss in business personal property tax revenues as a result of reductions in the assessed value of personal property of local exchange telephone companies.

Explanation

This recommended FY 2002 budget language provides additional funds not to exceed \$3,565,000 for allocation as Consolidated Municipal Property Tax Relief Aid to certain municipalities that will suffer significant erosion of property tax revenues due to recalculated values of personal property owned by Verizon (formerly Bell Atlantic). These funds are in addition to the \$13,091,746 allocated by language on page D-60 of the budget to ensure that all targeted municipalities are properly reimbursed for the erosion of property values suffered as a result of the exercise by Verizon of the optional depreciation calculation after 1998 that resulted in a decrease in municipal ratables and tax revenues. The COMPTRA Verizon targeted aid as originally calculated is under-funded by an amount of up to \$3,565,000 due to a calculation error.



Language Provisions (Cont'd)2001 Appropriations Handbook

No similar language.

2002 Budget Recommendations**p. F-8**

Notwithstanding the provisions of P.L.1983, c.303 (C.52:27H-80), or any other law to the contrary, interest earned in fiscal 2002 on balances in the Enterprise Zone Assistance Fund, shall be credited to the General Fund, and the amounts appropriated for the following programs shall first be charged against these revenues, subject to the approval of the Director of the Division of Budget and Accounting: Urban Coordinating Council, \$6,000,000; Safe and Secure Neighborhoods, \$3,600,000; Municipal Mobile Video Recorders, \$2,917,000; Local Unit Budget & Accounting Reporting System, \$1,500,000; Playground Safety, \$1,000,000.

Explanation

The recommended language for FY 2002 would credit interest earned in fiscal 2002 on balances in the Enterprise Zone Assistance Fund to the General Fund. A sum of \$21.709 million is anticipated (page C-13). The following programs in the following amounts shall first be charged against this revenue source: Urban Coordinating Council, \$6,000,000; Safe and Secure Neighborhoods, \$3,600,000; Municipal Mobile Video Recorders, \$2,917,000; Local Unit Budget & Accounting Reporting System, \$1,500,000; and Playground Safety, \$1,000,000. All of these programs with the exception of the Municipal Mobile Video Recorders program, are department programs.

Language Provisions (Cont'd)

2001 Appropriations Handbook

2002 Budget Recommendations

No similar language.

p. F-8

Notwithstanding the provisions of any other law to the contrary, there is appropriated for transfer to the General Fund as State revenue, an amount not to exceed \$4,000,000 from the Housing Assistance Fund bond reserve account established under P.L.1968, c.127, to the extent that it includes monies other than bond proceeds initially deposited into the Housing Assistance Fund bond reserve account.

Explanation

The Housing Assistance Fund was established as the depository of \$12.5 million of general obligation bond funds authorized by P.L.1968, c.127. Subsequently, the Housing Assistance Fund provided \$4,000,000 to the Housing Finance Agency, now the Housing and Mortgage Finance Agency (HMFA) to be used as a reserve against an HMFA bond issue. The HMFA has liquidated its reserve fund and returned \$4,000,000 in FY 2001 to the Housing Assistance Fund bond reserve account. The State accounting system recorded the revenue as interest on loans. As such, the monies are other than bond proceeds initially deposited into the Housing Assistance Fund bond reserve account.



Discussion Points

1. Over the last decade the Division of Local Government Services has been planning the replacement of a 50-year old paper-based system through which local governments report their budget information to the State with an Internet-based system called the Local Unit Budget Approval and Reporting System (LUBARS). The division indicates that 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. The division states that previous funding from a pilot program is being used during FY 2001 to start the program by revising the statutory basis for budget and financial reporting and developing a Request For Purchase (RFP) for the information system. According to the division, LUBARS will be on-line by FY 2005 at a total cost of \$4.0 million. The division indicates that FY 2002 recommended funding of \$1.5 million will provide for the initial software development for this system.

! **Question:** What is the status of the LUBARS project? Has the RFP for the LUBARS information system been completed? If it has been completed, what are the major elements of the information system? If it has not been completed, what is its scheduled completion date? What are the major deliverables of the LUBARS project and what is their delivery timetable through FY 2005?

2. The Extraordinary Aid program (formerly called discretionary aid), is recommended to be funded in FY 2002 at \$25.0 million, the same level of funding as the FY 2001 adjusted appropriation. The Budget-in-Brief indicates that the focus of this program is to provide emergency tax relief to municipalities and provide short-term assistance to municipalities experiencing a catastrophic loss of ratables. Language contained in the law since inception of the discretionary aid program directed the use of criteria including 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. A 1999 amendment (PL.1999, c.156) added criteria that a municipality use the extraordinary aid for costs associated with activities that improve operations and provide short-term and long-term property tax savings, including but not limited to shared and regionalized services, enhanced tax and revenue collection efforts or other activity that can be demonstrated to meet those requirements. The 1999 amendment also added as a criteria consideration whether a municipality had incurred other unusual or atypical expenses.

! **Question:** Please provide a list of the municipalities and the amounts that each will receive from the program in FY 2001 and FY 2002. Will any of the current municipal recipients of extraordinary aid be eliminated or have their funding reduced under the augmented criteria established by P.L.1999, c.156?

3. Two new programs were established in FY 2000, the Regional Efficiency Development Incentive (REDI) grant program and the Regional Efficiency Aid Program (REAP) to help local governments and school districts study sharing services or merging. The FY 2002 Budget recommends \$25.0 million in REAP funding, an \$8.3 million increase over the FY 2001 adjusted appropriation, and continued funding for the REDI program at the same \$10.0 million funding level as in FY 2001. According to the department, the REDI program provides incentive grants to local governments and school districts to explore the possibility of regionalizing or establishing shared service agreements. The REAP program is designed to provide a property tax credit directly to the public to reward local governments and school districts for entering into shared service agreements.

! **Question:** How many municipalities, counties and school districts have applied for a grant under the REDI program to date? What is the number and total amount of REDI grants that have been awarded to date by type of local government unit? How many, if any, municipalities will qualify for REAP funding in FY 2002?

Discussion Points (Cont'd)

4. The FY 2002 Budget recommends appropriating \$2.5 million for the College and University Homebuyers' Fund, the same level as was appropriated in FY 2000 and FY 2001. According to a joint DCA and HMFA news release issued on March 8, 2001 the New Jersey College and University Homebuyers' Program is a State initiative launched in FY 2000 to encourage more faculty and staff of urban public colleges and universities to buy homes near their schools. The program is jointly administered by the New Jersey Department of Community Affairs and the New Jersey Housing and Mortgage Finance Agency. The program offers \$10,000 in down payment assistance to full-time faculty or staff members who purchase homes in target areas established in each participating city. In addition, faculty and staff who already own homes in target areas may apply for up to \$5,000 in State matching funds to make improvements to their home's exterior. The participating cities are Camden, Jersey City, New Brunswick, Newark, Trenton, Vineland and Paterson. The program is designed for people of all incomes so as to increase home ownership and encourage greater economic diversity in cities. The department indicates that of the \$5.0 million appropriated for the program thus far, less than \$1.0 million has actually been expended for down-payment and home-improvement purposes and that an overwhelming majority of the loans under this program were granted in New Brunswick City.

! **Question:** What is the total expenditure to date for this program from the FY 2000 and FY 2001 appropriations for each of the participating municipalities and what is the State total expenditure for each fiscal year? What is the reason for the high participation rate in New Brunswick City? Is further expansion of this program planned in order to merit an additional appropriation in FY 2002 despite an approximate \$4.0 million balance as of this date?

5. The FY 2002 Budget recommends continuation funding of \$750,000 for a Women's Micro-Business Pilot program, administered by the Division on Women. This grant program operates pursuant to the provisions of P.L.1999, c.239 to provide loans and loan guarantees to qualified recipients from three certified nonprofit community development corporations selected by the department. The same law requires certified nonprofit community development corporations to contribute cash from other sources to leverage and secure loans for the program. These contributions may come from a public or private source other than the program and may be in the form of loans or grants. To date none of the \$750,000 has been expended and regulations have not been promulgated.

! **Question:** What are the names and locations of the three certified nonprofit community development corporations that are required by law to be selected? What is the amount of cash contributions, if any, made to date under the program by each of the three certified nonprofit community development corporations from other sources to leverage and secure loans for the program? What is the amount of contributions received by each certified corporation obtained as either a loan or a grant?

6. The FY 2002 Budget recommends a new \$6.0 million Urban Coordinating Council (UCC) Neighborhood Grants Program. The department indicates that during the past year at the Governor's Urban Summit, community leaders made recommendations to strengthen specific programs that improve the quality of life in urban neighborhoods. Based on those recommendations this funding will be allocated by the UCC to the targeted programs and the agencies that oversee them, including the Police Community Partnership Program, the School Based Youth Services Program and programs providing mental health and substance abuse services to individuals released from incarceration to the community.

Discussion Points (Cont'd)

! *Question:* What will be the criteria used to allocate funding awards among the targeted programs? Since the programs to be assisted all reside in other State agencies, why is the appropriation placed in the Department of Community Affairs with a new title?

7. The FY 2002 Budget recommendation includes a new \$250,000 Direct State Services appropriation for the Community Development Institute. The department indicates that improving the skills and abilities of community leaders is crucial to the State's effort to build sustainable communities. The department states that the funds will serve to create an institute for the professional development, education and training of community development specialists, through a partnership between State government and an institution of higher education. The department believes that launching this institute will produce a network of experienced practitioners in the many facets of community development, anchored and replenished by programs of research and instruction, available to lead and guide community development activities across the State.

! *Question:* In which institution of higher education will the institute be located? Please provide a breakdown of the anticipated use of the recommended appropriation.

8. Recommended FY 2002 budget language concerning Consolidated Municipal Property Tax Relief Aid directs that the proportion of State aid attributable to the Verizon (formerly Bell Atlantic) personal property hold harmless aid that otherwise would have been used for the support of public schools, be used to reduce the school property tax levy for those affected school districts with the remaining State Aid used as municipal property tax relief.

! *Question:* Which municipalities, for the first time in CY 2001 as directed by recommended budget language, will transfer a portion of their State aid attributable to Verizon personal property hold harmless aid to their school district to reduce the school property tax levy in their municipality? Please provide the requested information by county and municipality.

9. The FY 2002 Budget discontinues funding for Cyberdistricts, a \$2.0 million FY 2001 initiative that offered planning grants to any of the 68 Urban Coordinating Council eligible municipalities interested in exploring the feasibility of starting a cyberdistrict within their borders. A cyberdistrict is an area of a city where young and growing technology companies are encouraged to set up shop, attracted by reasonable rents, low-cost Internet access and high-speed bandwidth.

! *Question:* Please provide a list of the municipalities that received a cyberdistrict planning grant in FY 2001 and the grant amounts for each municipality.

10. The FY 2002 Budget recommends continuation funding of \$200,000 for the Main Street New Jersey program. The Main Street New Jersey Program offers marketing and image development services to main street communities, including local business owners and entrepreneurs. The program provides annual training and a variety of resources for businesses, local government and community organizations dedicated to reviving traditional town centers.

! *Question:* What is the number of new businesses and jobs created, and the number of building improvement projects completed during the last two-year application period for which data is available? Please provide the requested information by county and municipality?

Background Paper: Faith-Based Community Development Initiative

Budget Page.... D-80

The FY 2001 Appropriations Act contains a \$5 million Grant-In-Aid appropriation for a third round of funding for the Faith-Based Community Development Initiative to enable faith-based organizations to provide a broad range of neighborhood revitalization and social service programs across the State. A July 27, 2000 news release from the Office of the Governor announced that \$2,240,000 in Faith-Based Community Development Initiative one-year grants will be distributed among 36 faith-based organizations. These grants, according to the news release, went to Christian, Jewish and Muslim organizations located across the State. These grants will fund programs such as child care, youth mentoring, care for the elderly and assistance for people leaving welfare.

According to the news release, the Governor said the Faith-Based Initiative, now in its third year, is the first such program of its kind in the nation. The program does not directly fund churches, synagogues, mosques or other houses of worship. Rather, the funding goes to separate nonprofit agencies established by the houses of worship to manage community development and social service activities. Any house of worship that formed such a non-profit Community Development Corporation is eligible to apply to the Department of Community Affairs (DCA) for funding.

The Commissioner of DCA indicated the department's support for the faith-based organizations is not limited to funding. DCA staff also offers the groups training in management and planning, and monitors their progress throughout the year. The Commissioner said, "this program works because these faith-based organizations are neighbors of the people they serve. They encourage self-sufficiency and self-improvement, giving people the support to improve their lives." These organizations reach out to former welfare recipients and provide them with information and referrals to services in their communities. Services may include child care, transportation, child support, food stamps, Medicaid and Earned Income Tax Credits.

From FY 1999 through FY 2001, \$5.0 million has been appropriated in each of those years for the faith-based program. Of the \$15 million thus far appropriated to the Department of Community Affairs, a total of \$12.7 million in grants has been committed to 88 separate grantees. In addition, some \$975,000 has been made available from the Department of Human Services for post-TANF services to support welfare-to-work programs. Awards were made to 13 grantees from those funds for a total of 101 separate grantees funded from the faith-based program. The funds unspent in any one fiscal year remain available for the continuation of grants awarded in prior years to faith-based groups and where appropriate, for the expansion of the number of program grantees up to the extent of the remaining funds.

The chart on the following page lists the 36 new grantees that were awarded funds from the program in FY 2001.

The Faith-Based Community Development Initiative is recommended to receive \$5 million again in FY 2002.

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

FAITH-BASED COMMUNITY DEVELOPMENT INITIATIVE
JULY 2000 REPORT

<u>ORGANIZATION</u>	<u>LOCATION</u>	<u>FUNDING</u>
AIDS Resource Center	Newark	\$65,000
American Friends Service Committee	Newark	50,000
Anshe Emeth CDC	New Brunswick	75,000
Atlantic City Rescue Mission	Atlantic City	40,000
BAKKA Corp.	Jersey City	35,000
Bright Star Day Care	Camden	40,000
Catholic Charities	Trenton	75,000
Concerned pastors of Trenton and Vicinity	Ewing	65,000
COGID CDC	Morristown	35,000
CUMAC/ECHO	Paterson	75,000
El Centro Hispanoamericano	Plainfield	35,000
Families on the Move	New Brunswick	75,000
Family Counseling Services	Camden	35,000
Harambee	Newark	75,000
Highlands CDC	West Milford	35,000
Interfaith Caregivers of Greater Trenton	Trenton	30,000
Jewish Federation of Housing Management	Cherry Hill	60,000
John O. Wilson	Hamilton	75,000
Looking Forward Ministries	Camden	35,000
Mt. Carmel Guild	Trenton	55,000
Temple CDC	Union	75,000
UJIMA	Ewing	75,000
Youth Consultant Services	Newark	50,000
Burlington County Community Action Agency	Burlington and Gloucester Counties	75,000
Cathedral CDC	Middlesex County	75,000
Catholic Social Services	Camden County	75,000
Jersey City Episcopal CDC	Hudson County	75,000
New Community Corp.	Essex County	75,000
NORWESCAP	Warren/Morris/Sussex Counties	75,000
Preferred Behavioral Health of NJ	Monmouth and Ocean Counties	75,000
PROCEED	Union County	75,000
Salvation Army	Atlantic and Cape May Counties	75,000
Shiloh Baptist CDC	Cumberland and Salem Counties	75,000
Somerset Community Action Program	Somerset County	75,000
St. Paul's CDC	Passaic and Bergen Counties	75,000
<u>United Progress, Inc.</u>	<u>Mercer County</u>	<u>75,000</u>
Total		\$ 2,240,000

Background Paper: Watershed Moratorium Offset Aid

Budget Page.... D-56

Chapter 225, of P.L.1999 created the Watershed Moratorium Offset Aid State Aid program. The FY 2001 adjusted appropriation for Watershed Moratorium Offset Aid was \$3,285,000.

According to the department, as shown in the table on the following pages, Watershed Moratorium Offset Aid actual payments to 56 municipalities in CY 2000 totaled \$3,232,121.

The Watershed Moratorium Offset Aid program is recommended to receive \$3,382,000 in FY 2002, an amount that includes an inflation adjustment estimate for eligible municipalities. This Property Tax Relief Fund - State Aid program provides for annual payments from the General Fund to certain municipalities to help offset the loss of property tax revenues due to the imposition and prolonged continuance of a statutory moratorium on the sale of certain watershed lands in those municipalities.

The "watershed moratorium," imposed by P.L.1988, c.163, was intended to be temporary until legislation could be crafted to help safeguard public water supplies through the protection and preservation of watershed lands from development or pollution by other means. However, that legislation has never been enacted and the moratorium continues.

Because of the depressed value of watershed lands due to the moratorium, watershed land owners have succeeded in their efforts to reduce their property tax liability in municipalities where they own watershed lands. This loss in property tax revenue has severely affected the budgets of the mostly rural municipalities where these lands are located. Each year, beginning in State FY1997, the annual appropriations act has included a State aid appropriation of \$2 million to six municipalities in which affected watershed lands are located. Chapter 225 of P.L.1999 made more permanent the municipal financial aid offset program for these municipalities and extended aid under the program to other municipalities affected by the moratorium.

The amount of aid to be provided annually to each municipality within which lands subject to the watershed moratorium are located is based on a formula of \$68.50 per acre of such lands in the municipality, as adjusted annually starting on July 1, 2000, by reference to the Consumer Price Index for all urban consumers in the New York City area as reported by the United States Department of Labor. The law also includes a self-executing repealer conditioned upon the termination of the watershed land conveyance moratorium imposed pursuant to section 1 of P.L.1988, c.163 and section 1 of P.L.1990, c.19, or by a final, unappealed order of a court of competent jurisdiction, whichever occurs sooner.

Background Paper: Watershed Moratorium Offset Aid (Cont'd)

WATERSHED MORATORIUM OFFSET AID PAYMENTS			
Calendar Year 2000			
<u>NO.</u>	<u>MUNICIPALITY</u>	<u>COUNTY</u>	<u>CY 2000*</u>
1	ABSECON CITY	ATLANTIC	\$ 4,864.00
2	EGG HARBOR TWP	ATLANTIC	24,455.00
3	GALLOWAY TWP	ATLANTIC	11,234.00
4	CLOSTER BOROUGH	BERGEN	19,660.00
5	EMERSON BOROUGH	BERGEN	26,510.00
6	FRANKLIN LAKES BOROUGH	BERGEN	8,700.00
7	HARRINGTON PARK BOR	BERGEN	29,524.00
8	HAWORTH BOROUGH	BERGEN	28,085.00
9	HILLSDALE BOROUGH	BERGEN	3,357.00
10	NORWOOD BOROUGH	BERGEN	8,357.00
11	OLD TAPPAN BOROUGH	BERGEN	56,170.00
12	ORADELL BOROUGH	BERGEN	20,550.00
13	PARK RIDGE BOROUGH	BERGEN	2,329.00
14	RIVER VALE TOWNSHIP	BERGEN	34,045.00
15	WESTWOOD	BERGEN	1,028.00
16	WOODCLIFF LAKE BOROUGH	BERGEN	16,303.00
17	CEDAR GROVE TOWNSHIP	ESSEX	8,289.00
18	LIVINGSTON TOWNSHIP	ESSEX	15,755.00
19	MILLBURN TOWNSHIP	ESSEX	40,278.00
20	WEST ORANGE TOWNSHIP	ESSEX	7,604.00
21	WEEHAWKEN TOWNSHIP	HUDSON	1,028.00
22	WEST AMWELL TOWNSHIP	HUNTERDON	31,510.00
23	TRENTON CITY	MERCER	1,028.00
24	EAST BRUNSWICK TWP	MIDDLESEX	11,029.00
25	NORTH BRUNSWICK TWP	MIDDLESEX	6,782.00
26	SOUTH BRUNSWICK TWP	MIDDLESEX	1,439.00
27	COLTS NECK TOWNSHIP	MONMOUTH	41,374.00
28	HOLMDEL TOWNSHIP	MONMOUTH	7,398.00
29	MIDDLETOWN TOWNSHIP	MONMOUTH	11,303.00
30	WALL TOWNSHIP	MONMOUTH	12,810.00
31	BOONTON TOWN	MORRIS	9,522.00
32	CHATHAM BOROUGH	MORRIS	3,357.00
33	JEFFERSON TOWNSHIP	MORRIS	280,987.00
34	KINNELON BOROUGH	MORRIS	65,966.00
35	MENDHAM TOWNSHIP	MORRIS	40,895.00
36	MONTVILLE TOWNSHIP	MORRIS	2,466.00
37	MOUNT OLIVE TOWNSHIP	MORRIS	13,358.00

Background Paper: Watershed Moratorium Offset Aid (Cont'd)

WATERSHED MORATORIUM OFFSET AID PAYMENTS Calendar Year 2000			
<u>NO.</u>	<u>MUNICIPALITY</u>	<u>COUNTY</u>	<u>CY 2000*</u>
38	PARSIPPANY-TROY HILLS TWP.	MORRIS	80,419.00
39	RANDOLPH TOWNSHIP	MORRIS	24,112.00
40	ROCKAWAY TOWNSHIP	MORRIS	254,204.00
41	WASHINGTON TOWNSHIP	MORRIS	1,165.00
42	LITTLE FALLS TOWNSHIP	PASSAIC	2,124.00
43	NORTH HALEDON BOROUGH	PASSAIC	1,644.00
44	PATERSON CITY	PASSAIC	480.00
45	WAYNE TOWNSHIP	PASSAIC	33,223.00
46	WEST MILFORD TOWNSHIP	PASSAIC	1,104,289.00
47	WEST PATERSON BOROUGH	PASSAIC	9,727.00
48	ALLOWAY TOWNSHIP	SALEM	274.00
49	QUINTON TOWNSHIP	SALEM	4,179.00
50	FRANKFORD TOWNSHIP	SUSSEX	19,043.00
51	FRANKLIN BOROUGH	SUSSEX	5,960.00
52	HARDYSTON TOWNSHIP	SUSSEX	283,796.00
53	SPARTA TOWNSHIP	SUSSEX	42,744.00
54	VERNON TOWNSHIP	SUSSEX	429,153.00
55	WANTAGE TOWNSHIP	SUSSEX	6,645.00
56	WHITE TOWNSHIP	WARREN	19,591.00
	TOTAL		\$3,232,121.00

* Represents final CY 2000 list of eligible municipalities and actual aid payments.

Background Paper: Downtown Living Initiative

Budget Page.... D-45

The FY 2002 Appropriations Act recommends continuing the same \$7.5 million level of funding that was provided in FY 2001 for the Downtown Living Initiative. This initiative was one of the two elements of a Special Urban Services Program established in FY 2000 as part of an economic revitalization effort. The two elements are the Downtown Living Initiative, to provide low-interest loans to spur rental housing construction in urban areas, and the College and University Homebuyers' Fund.

According to the Division of Housing and Community Resources in DCA, the Downtown Living Initiative program was designed to offer low-interest loans to help stimulate development of market rate rental housing in New Jersey's urban areas. The division indicated the following:

- # Primary consideration will be given to projects that demonstrate how a market rate rental project can be integrated with, or provide stimulus to, other development projects, such as retail, office or urban home ownership.
- # The proposed project must be located in an area of an eligible municipality that has been designated as one of the following: an Urban Coordinating Council Community, a Strategic Neighborhood Assistance Program Community, a Designated Center Community, an Urban Aid Community, or an Urban Home Ownership Recovery Program Community.

Thus far seven loans have been awarded in five counties and total \$14.5 million. The following are examples of loans made under the Downtown Living Initiative program:

- ! \$1.5 million for the conversion of a former Boris Kroll textile mill in Paterson City into 39 market-rate rental units. (DCA news release - April 6, 2000)
- ! \$1.0 million for Bayonne City for a low-interest loan to help build a new 51-unit apartment complex on the site of a former building supply business in Bayonne City. (DCA news release - April 6, 2000)
- ! \$4.0 million for the Pier Village urban neighborhood initiative in Long Branch City that will help finance 439 market-rate rental apartments. The project includes commercial and residential development as well as the redesign of a portion of Ocean Boulevard. (DCA news release - December 5, 2000).

Background Paper: College and University Homebuyers' Program

Budget Page.... D-45

Introduction

The FY 2002 budget recommends \$2.5 million for the College and University Homebuyers' Program. The amount recommended is identical to the amounts appropriated for this program in FY 2000 and FY 2001. The program provides an inducement for employees of public colleges and universities located in or near select urban areas to purchase or refurbish homes located near campus in order to help revitalize those neighborhoods. The program is jointly administered by the Department of Community Affairs (DCA) and the New Jersey Housing and Mortgage Finance Agency (HMFA). While DCA and HMFA have not formally promulgated rules or regulations governing the program, they have established criteria pursuant to which the program is being administered.

Program Participants

The program was launched in January 2000. As originally administered, participation in the program was limited to public colleges, universities and community colleges based in the 14 Urban Coordinating Council (UCC) municipalities. Under this criteria, the program was limited to the following 11 educational institutions located in six municipalities.¹

MUNICIPALITY	ELIGIBLE INSTITUTIONS
Camden	Rutgers University Camden County Community College University of Medicine and Dentistry of New Jersey Rowan University
Jersey City	New Jersey City University Hudson County Community College
Newark	Rutgers University Essex County Community College University of Medicine and Dentistry of New Jersey New Jersey Institute of Technology
New Brunswick	Rutgers University University of Medicine and Dentistry of New Jersey
Trenton	Thomas Edison State College Mercer County Community College
Vineland	Cumberland County Community College

¹Rutgers University and University of Medicine and Dentistry of New Jersey each maintain campuses in Camden, Newark and New Brunswick. All six were original eligible institutions under the program. Camden County Community College and Rowan University were not originally designated as eligible institutions but were added during the first year of the program.

Background Paper: College and University Homebuyers' Program (Cont'd)

On March 8, 2001, DCA and HMFA announced expansion of the program allowing employees of William Paterson University and Passaic County Community College to apply for assistance to purchase or refurbish homes in the city of Paterson, raising the total number of participating institutions to 13 located in 7 municipalities. DCA and HMFA have recently established an application process for educational institutions that are interested in participating in the program.

Under the new program eligibility criteria, New Jersey public colleges, universities and community colleges with a principal campus in one of the 68 municipalities that are eligible for assistance from the New Jersey Redevelopment Authority (NJRA)² may apply to participate in the program. Program application instructions encourage applicant educational institutions to include as co-applicants any public colleges, universities or community colleges with branch campuses or extension centers in the eligible municipality, as well as any public colleges, universities or community colleges based in adjacent municipalities. If no principal campus is located in an eligible municipality, applications may be jointly submitted by branch campuses and extension centers of public higher educational institutions if their combined number of full-time employees in the municipality exceeds 150.

Among the institutions that are eligible to apply to participate in the program under the new criteria are Burlington County College in Pemberton Township, The College of New Jersey in Ewing Township and Rowan University in Glassboro Borough.

Applications will be reviewed by a selection committee which will consider the suitability of the target area, whether the applicant has enough employees to support the program's goals and whether the host municipality supports the application. All applicants will receive a site visit at which officials from the State, the institutions and the municipality will discuss the application and the proposed target area. Participating institutions must commit to market the program to their employees.

The Down Payment Program

This program provides zero percent interest rate second mortgage loans of \$10,000 to full-time employees of participating institutions for down payments on primary residences located in target areas. There are no personal income restrictions. The purchase price of a home may not exceed \$240,000. Borrowers must be United States citizens or permanent resident aliens and at least 21 years of age. Down payment loans will be forgiven at a rate of 20% a year for five years. The unforgiven balance becomes due if an employee sells the property or ceases to occupy it as a primary residence.

The Home Improvement Program

This program provides full-time employees of participating institutions who already own a home in a target area with loans to finance exterior home improvements. Under this program, loans of up to \$5,000 are awarded subject to a dollar-for-dollar match by the borrower. There are no personal income restrictions. Borrowers must be United States citizens or permanent resident aliens

²See appendix 1 showing the 68 NJRA municipalities and the 14 UCC municipalities.

Background Paper: College and University Homebuyers' Program (Cont'd)

and at least 21 years of age. A property must be the borrower's primary residence at the time of the application and remain the borrower's primary residence for five years. Loans are forgiven at a rate of 20% a year over a five-year period. The unforgiven balance becomes due if an employee sells the property or ceases to occupy it as a primary residence.

Results of Program to Date

According to the DCA, as of March 1, 2001, 100 loans have been registered with the program representing a total expenditure of \$916,707. When subtracted from the combined \$5.0 million that has been appropriated for the program during FY 2000 and FY 2001, this amount leaves over \$4.0 million that has been earmarked for the program but has not yet been utilized for program purposes.

Of the 100 registered loans, 87 are for \$10,000 down payments for a total of \$870,000, and 13 are for home improvements for a total of \$46,707. The program has been most successful in the city of New Brunswick in which 69 of the 87 down payment loans and 11 of the 13 home improvement loans have been registered. These loans represent \$729,307 of the \$916,707 expended through the program thus far. Other loans registered thus far are distributed as follows: Newark accounts for nine down payment loans and 1 home improvement loan totaling \$92,400; Camden accounts for six down payment loans and 1 home improvement loan, totaling \$65,000; Trenton accounts for two down payment loans totaling \$20,000; and Jersey City accounts for one down payment loan totaling \$10,000. No loans have yet been registered in Vineland.

Conclusion

While less than one-fifth of the \$5.0 million appropriated for this program thus far has been utilized for program purposes, the DCA and HMFA are optimistic that the recent expansion of the program to the city of Paterson and the announcement of the new criteria enabling additional institutions to participate in the program will result in greater utilization of the program. Experience gained during the first year of the program's operation may lead to extending the boundaries of some target areas and ultimately to increasing the number of loans registered under the program.

Background Paper: College and University Homebuyers' Program (Cont'd)

APPENDIX 1**NEW JERSEY REDEVELOPMENT AUTHORITY - Eligible Municipalities³**

(* Denotes URBAN COORDINATING COUNCIL Municipality)

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

³ Source: Department of Community Affairs, Office of Communications and Policy, March 2001.

Background Paper: Housing Programs Financed with Realty Transfer Fees

Budget Pages.... D-44, D-56

Introduction

The fiscal 2002 Budget for the first time proposes a \$25 million statutory dedication from the realty transfer fee for State Lands Stewardship, which is intended "to provide a stable funding source for the reconstruction of State park and wildlife facilities." In light of this new dedication, it is appropriate to examine the revenues yielded by this fee, how they are budgeted, and the DCA housing programs which currently rely on this fee.

Two points emerge with regard to the programs supported by the realty transfer fee:

(1) the so-called State portion of the fee raises sufficient amounts of revenue so that no mandated programs are jeopardized by the proposed dedication of \$25 million for State Lands Stewardship, even when combined with the \$25 million already dedicated for shore protection. However, the proposed dedication does displace \$25 million of realty transfer fee revenue that is currently deposited in the General Fund as undesignated revenue and used for other purposes.

(2) the DCA Neighborhood Preservation/Fair Housing programs are supported by a separate portion of the realty transfer fee that, in recent years, has generated considerably more money for these programs than indicated in the budget document.

The Realty Transfer Fee

The realty transfer fee authorized pursuant to N.J.S.A.46:15-7 et seq. imposes a fee of \$1.75 for each \$500 of consideration recited in a deed and an additional \$.75 for each \$500 of consideration in excess of \$150,000. The fee is paid by sellers.

Of the \$1.75 imposed, \$.50 is remitted to the county treasurer for county purposes, while the remaining \$1.25 constitutes the State's share of the proceeds. From the State portion, \$25 million is credited to the "Shore Protection Fund," established pursuant to P.L.1992, c.148 (C.13:19-16.1). All of the additional revenues collected through the \$.75 per \$500 assessment on transfers over \$150,000 are credited to the "Neighborhood Preservation Nonlapsing Revolving Fund" (hereinafter, NP-FH) created pursuant P.L.1985, c.222 (C.52:27D-320).¹

Two types of transfers of real property are exempt from the State portion of the realty transfer fee: (1) the sale of one or two-family residential premises owned and occupied by a senior citizen, blind or disabled person; and (2) the sale of low and moderate income housing as defined in the

¹There may be some confusion regarding the major recipient of realty transfer revenues in DCA given the various ways the program and funds are referred to. Section 20 of the "Fair Housing Act" (P.L.1985, c.222; C.52:27D-320) created the Neighborhood Preservation Nonlapsing Revolving Fund within the Neighborhood Preservation Program in DCA which exists off budget. The on-budget account which corresponds to the statutory fund is the "Neighborhood Preservation -- Fair Housing (P.L.1985, c.222)" line in the State Aid portion of the DCA budget. Amounts are reallocated from the State aid account into the off-budget dedicated fund prior to being expended. The department refers to the program financed by these revenues as the Neighborhood Preservation Balanced Housing Program.

Background Paper: Housing Programs Financed with Realty Transfer Fees (Cont'd)

"Fair Housing Act" (both types of transactions are exempt from the payment of \$1.25 for each \$500 of consideration of the fee imposed). Transfers of title to real property upon which there is new construction are exempt from payment of \$1 for each \$500 up to \$150,000.

The growth in NP-FH receipts over the past few years has reflected the strength of the real estate market and the concomitant inflation in housing prices, given the capitalization of that fund by a fee assessed on housing transactions in excess of \$150,000.

State Budgeted Realty Transfer Fee Revenue

Revenues from realty transfer fees are accounted for in the budget in two places: first, as a general revenue for shore protection, State Lands Stewardship (new in FY 2002) and unrestricted state use; and second, as a dedicated revenue in Community Affairs to be used for affordable housing purposes. The following table lists estimated and actual revenues for both accounts for the period FY 1998 through FY 2002.

State Budgeted Realty Transfer Fee Revenue

\$ In Thousands

Fiscal Year	State Portion		Dedicated For Housing Purposes	
	Estimated	Actual	Estimated	Actual
1998	\$ 59,000.0	\$ 63,260.0	\$ 18,325.0	\$ 29,280.0
1999	78,000.0	71,299.0	18,507.0	33,517.0
2000	75,000.0	77,782.0	18,560.0	38,748.0
2001	83,000.0	55,237.9*	18,678.0	27,017.3*
2002	85,000.0		18,678.0	

*Actual amounts as of April 3, 2001

In recent years, actual revenue for general use has been well within the estimated range and the revenue for housing purposes has exceeded the estimated amount by significant amounts. For FY 2001 and FY 2002 the expectation is the same.

Appropriation of Realty Transfer Fee Revenues in the DCA Budget

The State share of realty transfer fee proceeds and the share allocated to DCA are separately displayed in the Schedule I State Revenues table of the budget (C-8). In the FY 2002 recommended budget display, the DCA FY 2001 and FY 2002 estimates continue to be \$18,678,000 even though the budget shows that FY 2000 actual revenues were \$38,748,000. In the FY 2001 recommended budget display, there was a similar disparity between those amounts reflected as revenues in FY 1999 (\$33,517,000) and the amounts estimated for FY 2000 and FY 2001 (\$18,560,000).

DCA retains all revenues in excess of the amount anticipated from the dedicated portion of the realty transfer fees for the affordable housing program. The excess revenues do not appear in the budget document until they are actually known. For example, in FY 2000, the excess revenues were \$20.1 million, the difference between the \$18.6 million estimated amount and the \$38.7

Background Paper: Housing Programs Financed with Realty Transfer Fees (Cont'd)

million actually realized.

The FY 2002 Budget recommends funding \$18,678,000 for DCA programs from realty transfer fee revenues collected through the \$.75 assessment as outlined in the following table.

Department of Community Affairs Allocation of Realty Transfer Fee Revenue - FY 2002

\$ In Thousands

Neighborhood Preservation Fair Housing	\$13,925.0
Shelter Assistance	2,000.0
Neighborhood Preservation Fair Housing - Administration	1,286.0
Council On Affordable Housing	1,467.0
Total Allocation	\$18,678.0

NP-FH funds generally are not expended in one fiscal year. For example, \$19.1 million was reappropriated in FY 2001 from FY 2000 unexpended balances. In FY 2000, the amount was \$14.3 million from the prior fiscal year unexpended balances.² Also, excess receipts are available to support the administration of the fund.³

Effect of the State Lands Stewardship Dedication on DCA Programs

The fiscal 2002 Budget for the first time proposes a \$25 million statutory dedication from the realty transfer fee for State Lands Stewardship, which is intended "to provide a stable funding source for the reconstruction of State park and wildlife facilities." Like the Shore Protection Program, the State Lands Stewardship program will be funded out of the State share of the realty transfer fee. The NP-FH fund is capitalized with dedicated revenues collected through the \$.75 assessment which was enacted with the "Fair Housing Act." In the event of a downturn in the real estate market such that the State share of realty transfer revenues was to become insufficient to cover the existing dedications, it is doubtful that the NP-FH account could be jeopardized since it is a dedicated fund financed by a different portion of the fee. Therefore, it appears that the \$25 million dedication for State Lands Stewardship will not adversely affect the DCA housing programs supported by the Realty transfer fee.

²In the FY 1999 , \$10.4 million was reappropriated to the NP-FH account and in the FY 1998, \$4.3 million was reappropriated.

³For example, in FY 2000, \$1.145 million was transferred from the NP-FH State Aid account to the administrative account and in FY 1999, \$863,000 was so transferred.

Housing Programs Financed with Realty Transfer Fees Cont'd)

The Neighborhood Preservation Balanced Housing Program

The parameters governing the Neighborhood Preservation Balanced Housing Program are set forth in the regulations implementing it, found at N.J.A.C.5:43-1 et seq. Applications are accepted only from municipalities and must meet one of the following criteria:

1. the municipality has petitioned COAH for, or received, substantive certification; or the municipality has entered into a judicially-approved compliance agreement to settle its fair share housing obligation;

4. the municipality has entered into a contribution agreement and COAH-approved project plan;

the municipality, at any time since FY 1988, has been eligible to receive State aid

Eligible activities which may be funded out of NP-FH revenues are as follows:

1. rehabilitation of substandard housing units occupied or to be occupied by low and

2. rehabilitation of existing housing units occupied by low and moderate income households;

conversion of nonresidential space for residential purposes provided more than 2 percent of the resulting housing units are to be occupied by low and moderate income households;

rehabilitation of existing buildings; or construction of new housing that will be occupied by low and moderate income households, or any combination

5. grants of assistance to eligible municipalities to further the implementation of a judicially-approved project including acquisition, site preparation, demolition and infrastructure development;

rehabilitation of existing buildings owned by a public housing authority, a public housing trust, a public housing corporation or association for rehabilitation or restoration of housing units which it administers;

rehabilitation of existing buildings using programs for low and moderate income housing including infrastructure projects directly facilitating the construction of low and moderate income housing.

Ho To enter into a grant or loan agreement, the Neighborhood Preservation Balanced Program must have contractual guarantees and provisions that ensure that any unit of

Background Paper: Housing Programs Financed with Realty Transfer Fees (Cont'd)

housing receiving funding through this program shall remain affordable to and occupied by low and moderate income-eligible households for the period of time prescribed in the regulations and the agreement. Successful applicants are encouraged, but not required, to use the Affordable Housing Management Service (AHMS) which exists within the Division of Housing and Community Resources to administer the affordability controls. The cost of this service is underwritten through a fee paid to AHMS by the developer or municipality, depending upon the agreement. Fee amounts are established by regulation (see N.J.A.C.5:43-4.1). The initial contract fee per unoccupied unit to be charged to a developer or the municipality is \$500 and the same amount is to be charged to the seller at closing.

The fee is funded through the DCA grant and, until the readoption of the abovementioned rules which were effective on October 25, 2000, successful applicants were required to use AHMS. With the readoption of the administrative regulations, applicants may now use a private entity to administer the affordability controls under N.J.A.C.5:43-4.1(b)4 and 5, which set forth the criteria governing the approval of a private administering entity and review fees for such applications.⁴

The program is meant to fund only the gap between project cost and other revenue. DCA expects applicants to use all possible private resources; non-Balanced Housing subsidies and Balanced Housing funding are not to be used as a substitute for private financing where the latter is feasible and attainable (see N.J.A.C.5:43-3.1). In all instances, Balanced Housing funds are to be awarded to municipalities as a grant. With few exceptions, the municipality must provide Balanced Housing funds for a rental unit to the developer as a loan. Regulations also establish per unit maximum subsidies so, for example, the maximum Balanced Housing subsidy for an Acquisition Rehabilitation Project is \$17,500 for a one-bedroom unit (see N.J.A.C.5:43-3.7).

Applications for these funds are accepted continuously and funds are awarded competitively; given the magnitude of fee revenues in the previous year, however, those applications considered eligible by departmental personnel were all funded. Since the program's inception, 18,974 units have been funded in over 21,000 projects using \$339.2 million of NP-FH funds. Given that NP-FH funds constitute merely one component of total project costs, it is not surprising that the expenditure of the \$339 million over the life of the program has helped leverage projects totaling \$1.9 billion.⁵

It is noteworthy that the current budget reveals an even greater increase in the carry forward of realty transfer fee revenues that remained unexpended at the end of FY 2000, relative to previous years. Ironically, the inflation in the State housing market which has helped feed the NP-FH account may also increase the difficulty of producing affordable housing in the State. Some have argued that the per unit dollar caps imposed on DCA subsidies by State regulation make it that much harder to put projects together. Certainly, the subsidy caps make it necessary for affordable

⁴A \$750 application fee is established to cover the review and approval of an initial proposal submitted by a private entity. A subsequent review fee of \$500 covers the review and approval of each additional project for the same entity; and a \$25 per unit deposit into an insurance contingency fund is required for purposes of reestablishing compliance, if necessary. Interestingly, the new regulations do not authorize not-for-profits to monitor affordability controls.

⁵Aggregate data provided to OLS by DCA as of January 9, 2001 include projects which are pending application not yet committed; commitments not yet obligated; contracts obligated; and closed projects.

Background Paper: Housing Programs Financed with Realty Transfer Fees (Cont'd)

housing developers to be creative in identifying various sources of housing subsidy.

Shelter Assistance

Over the past number of years, budget language has required the DCA Commissioner to submit "statistical and financial information on the expenditure of funds from the Shelter Assistance account...Such information shall specifically include the number, types, location and cost of beds made available for occupancy with the funds appropriated..." Reports provided to members of the Joint Budget Oversight Committee (hereafter, JBOC) over the past four years suggest that grants approaching (and in some cases exceeding) \$2 million have been awarded during each reporting period (March 1st through February 28th).

The FY 2001 report lists eight projects creating 53 beds in Trenton, Somerville, Jersey City, Brick Township, Willingboro, Vineland, Paterson and Pennsauken for a total of just over \$1.8 million. Yet the current budget reflects a \$1.5 million reappropriation to the Shelter Assistance account, which suggests that not all moneys available to the program were expended in the previous fiscal year. According to sources at DCA, the report provided to JBOC includes not only the realty transfer revenues set aside for shelter assistance, but also federal moneys. In fact, in FY 2000, \$1.26 million was transferred out of the Shelter Assistance program and into the NP-FH State Aid account, as authorized under the language recommendations of the budget (see D-58).

Summary

In summary, under the Neighborhood Preservation Balanced Housing Program, State funds are expended for affordable housing and State administrative program costs. Affordable housing means housing that is affordable to households of low and moderate incomes under the "Fair Housing Act." Affordable housing may be multi-family or single family housing and could be owner occupied or rental housing. The program is designed to fund only the gap between project cost and other revenue. Balanced housing funds are only awarded to municipalities as a grant. Municipalities with few exceptions provide Balanced Housing funds for rental units to a developer as a loan. Program regulations establish per unit maximum subsidies that become a funding component of the total housing package. Since the program's beginning, 18,974 units have been funded using \$339.2 million of NP-FH funds. That represents an average subsidy of \$17,877 per unit. Given that NP-FH funds constitute merely one component of total project costs, it is not surprising that the expenditure of the \$339 million over the life of the program has helped leverage projects totaling \$1.9 billion.

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