

ANALYSIS OF THE NEW JERSEY
FISCAL YEAR 2002 - 2003 BUDGET



DEPARTMENT OF COMMUNITY AFFAIRS

PREPARED BY

OFFICE OF LEGISLATIVE SERVICES

NEW JERSEY LEGISLATURE

MAY 2002

NEW JERSEY STATE LEGISLATURE

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DEPARTMENT OF COMMUNITY AFFAIRS

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Fiscal Summary (\$000)

	Expended FY 2001	Adjusted. Appropriation FY 2002	Recommended FY 2003	Percent Change 2002-03
State Budgeted	\$1,081,245	\$1,117,830	\$1,053,876	(5.7)%
Federal Funds	213,205	209,669	214,112	2.1%
<u>Other</u>	<u>29,155</u>	<u>35,287</u>	<u>35,290</u>	<u>0.0%</u>
Grand Total	\$1,323,605	\$1,362,786	\$1,303,278	(4.4)%

Personnel Summary - Positions By Funding Source

	Actual FY 2001	Revised FY 2002	Funded FY 2003	Percent Change 2002-03
State	690	738	729	(1.2)%
Federal	264	263	274	4.2%
<u>Other</u>	<u>83</u>	<u>86</u>	<u>90</u>	<u>4.7%</u>
Total Positions	1,037	1,087	1,093	0.6%

FY 2001 (as of December) and revised FY 2002 (as of September) personnel data reflect actual payroll counts. FY 2003 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 and the Office of State Planning. There are four quasi-independent agencies organizationally attached to the DCA: the Council on Affordable Housing; the New Jersey Meadowlands Commission; the New Jersey Redevelopment Authority; and the New Jersey Housing and Mortgage Finance Agency.

Key Points

- The FY 2003 recommended appropriation for the DCA from State funds is \$1.054 billion, a decrease of approximately \$64 million, or 5.7 percent, from the FY 2002 adjusted appropriation of \$1.118 billion. This total consists of: \$37.3 million in Direct State Services, a decrease of \$2.2 million from the FY 2002 adjusted appropriation; \$37 million in Grants-In-Aid, a decrease of \$60.7 million from the FY 2002 adjusted appropriation; and \$979.6 million in State Aid, a decrease of \$1 million from the FY 2002 adjusted appropriation.
- The municipal aid programs recommended in FY 2003 include:
 - Extraordinary Aid, a program which provides short-term assistance to municipalities experiencing a catastrophic loss of tax ratables. The FY 2003 recommended appropriation of \$30 million is an increase of \$5 million over the FY 2002 adjusted appropriation of \$25 million;
 - Consolidated Municipal Property Tax Relief Aid (CMPTRA), which represents the largest source of State aid to municipalities. Appropriations for this program have been increased for the past three fiscal years, based on an annual inflator rate determined by enabling legislation. The FY 2003 recommended appropriation of \$835.2 million would maintain the same level of funding as was appropriated to this program in FY 2002, and would not fund a scheduled inflation increase of \$20.9 million, or 2.5 percent;
 - Legislative Initiative Municipal Block Grant Program, which provides aid to each municipality on a per capita basis. The FY 2003 recommended appropriation for this program is \$34.8 million, equal to the FY 2002 adjusted appropriation;
 - Regional Efficiency Aid Program (REAP), which provides annual State-funded property tax credits directly to residents in those communities and school districts which have implemented regionalization and other shared services. Funding for this program would be reduced by \$11 million from the FY 2002 adjusted appropriation of \$20 million, to \$9 million in FY 2003;
 - Special Municipal Aid Act, which augments funding for eight urban municipalities that have severe fiscal problems and structural budget deficits that could not be resolved without additional State funds. This program is recommended to receive \$52.5 million in FY 2003, an increase of \$13.8 million, or 35.6 percent, over the FY 2002 adjusted appropriation of \$38.7 million.
- Two aid programs for which no funding is recommended are the Regional Efficiency Development Incentive Grant (REDI) program, which provides grants to municipalities and school districts to study consolidation or shared services, and the Watershed Moratorium Offset Aid program, which provides State Aid to 56 municipalities in which watershed property is located in the amount of \$68.50 per acre. The REDI program has an FY 2002 adjusted appropriation of \$5 million, and the Watershed Moratorium Offset Aid program has an FY 2002 adjusted appropriation of \$3.4 million.
- The Budget recommends that the Special Municipal Aid Act - Administration account (DSS) be funded at \$1.3 million in FY 2003, a decrease of \$550,000 from the FY 2002 adjusted appropriation of \$1.8 million.

Key Points (Cont'd)

- FY 2003 recommended funding for Special Urban Services is reduced by \$10 million, from an FY 2002 adjusted appropriation of \$13.5 million to \$3.5 million. This net reduction consists of the following program reductions: Brownfields Redevelopment Grants, reduced from the FY 2002 adjusted appropriation of \$5 million to \$1 million in FY 2003, a reduction of 80 percent; Downtown Living Initiative, reduced from the FY 2002 adjusted appropriation of \$4.5 million to \$2.5 million in FY 2003, a reduction of 44 percent; and New Jersey Redevelopment Authority - Mercer County Projects, an FY 2002 Legislative addition of \$4 million eliminated in FY 2003.
- A new Office of Smart Growth replaces the Office of State Planning in the FY 2003 Recommended Budget. This office is to consist of professional and support staff to carry out the objectives of the Governor's Smart Growth Council. It will also incorporate the Office of State Planning and provide administrative support to the New Jersey State Planning Commission. Therefore, funding for the Office of State Planning, which has an FY 2002 adjusted appropriation of \$2.0 million, will be eliminated in FY 2003. The Office of Smart Growth will receive a total appropriation of \$4.7 million (\$2.0 million Direct State Services and \$2.7 million Grants-In-Aid). The FY 2003 Recommended budget would fund 28 positions within the Office of Smart Growth; the revised FY 2002 number of funded positions in the Office of State Planning is 27.
- The FY 2003 Recommended budget for the Division on Women reflects decreases in the following programs: Grants to Displaced Homemakers, reduced by \$345,000 to \$1.1 million in FY 2003, from the FY 2002 adjusted appropriation of \$1.4 million; and the Women's Micro-Business Pilot Program, with an FY 2002 adjusted appropriation of \$750,000 that is eliminated in FY 2003. Both the FY 2002 appropriation for the Women's Micro-Business Pilot Program and the unspent FY 2001 appropriation of \$750,000 are targeted to lapse for deficit reduction.
- FY 2002 funding of \$1.5 million for the Local Unit Budget Approval and Reporting System (LUBARS) within the Division of Local Government Services is recommended to be eliminated in FY 2003. The entire FY 2002 appropriation is targeted to lapse for deficit reduction.
- Two FY 2002 supplemental appropriations for Flood Aid, \$2 million for Bound Brook Borough and \$1.3 million for Manville Borough, are recommended to be continued in FY 2003.
- The FY 2003 Recommended budget would appropriate \$500,000 to the newly created Government Records Council. The Government Records Council was established in the Department of Community Affairs by P.L. 2001, c. 404. The purpose of the Council is to ensure that the public has access to appropriate government records, and to provide for a process that assures accessibility.
- Planning Assistance for Counties and Other Local Agencies, which has an FY 2002 adjusted appropriation of \$3 million, would not receive funding under the FY 2003 Recommended budget. The purpose of this program is to support local planning efforts to develop and redevelop properties in a manner consistent with the State Plan. It should be noted that the FY 2003 Recommended budget includes a Grants-In-Aid appropriation of \$2.7 million in the Office of Smart Growth for Smart Growth Planning Grants.

Key Points (Cont'd)

- According to the Governor's Budget Address of March 26, 2002, the Administration plans to merge the New Jersey Housing and Mortgage Finance Agency (NJHMFA) with the New Jersey Redevelopment Authority (NJRA) because "housing and economic development go hand in hand." The Governor stated that this move will create efficiencies and allow the agency to better accomplish its goals. Both agencies are quasi-independent and are in-but-not-of the Department of Community Affairs.

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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 disabled, low-income energy conservation 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 Office of State Planning, which will be incorporated into the newly created Office of Smart Growth in FY 2003, and four 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, the administration of New Jersey's 10-year insurance-backed New Home Warranty program, the review of all condominium and cooperative sales offerings and providing information on New Jersey's landlord-tenant laws, and the development and implementation of Statewide residential site improvement standards for use by municipalities. 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 \$14 million are recommended for this Division in FY 2003, a decrease of \$93,000 from the FY 2002 adjusted appropriation.

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 Governor's 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 are funded in large measure by the U.S. Department of Housing and Urban Development. The Housing Production and Community Development element provides grants 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. For FY 2003, State funds of \$10.4 million are recommended, a reduction of \$1 million from the FY 2002 adjusted appropriation. This reduction is the result of the elimination of a \$1 million Grants-In-Aid appropriation for the Supplemental Shelter Support program.

The community resources program area 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. Its 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, 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 \$9.6 million for FY 2003, a reduction of \$3.7 million from FY 2002. This reduction in funding is due primarily to the elimination of 20 Legislative initiative grants for local governments and non-profit agencies that were added to the FY 2002 Appropriations Act during the legislative process.

Division of Local Government Services

The Division of Local Government Services, through its bureaus and programs, is responsible for the financial integrity of all local government units. Specifically, it provides technical and financial assistance in budgeting, financial reporting, consolidation and regionalization of services, purchasing, and management issues to municipalities, 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

Program Description and Overview (Cont'd)

governments and the public on a wide range of laws and programs. The Direct State Service component of the division's budget is recommended at \$5.6 million for FY 2003, a reduction of \$2.5 million from the FY 2002 adjusted appropriation. Of these recommended cuts, \$1.5 million is the result of the elimination of funding for the Local Unit Budget Approval and Reporting System (LUBARS), an Internet-based budget and financial reporting system for local government units that the division had stated would cost approximately \$4 million to fully implement. Other decreases include a reduction of \$201,000 in division salaries and wages and a decrease in the Special Municipal Aid Act - Administration account of \$550,000.

The FY 2003 recommended State Aid appropriation for the division is \$962.6 million, down \$520,000 from the FY 2002 adjusted appropriation of \$963.1 million. Recommended State Aid appropriations for FY 2003 are as follows:

(1) \$835.2 million for the Consolidated Municipal Property Tax Relief Aid (CMPTRA) program, which is the same level of funding as the FY 2002 adjusted appropriation. This is the first fiscal year since legislation was enacted that applied an annual inflator to this aid program (P.L.1999, c.168) that the funding level will not be increased. The inflator, based on the Implicit Price Deflator for State and Local Government Purchases published by the U.S. Department of Commerce, would, if funded, result in a 2.5 percent increase, or \$20.9 million, in aid in FY 2003.

(2) \$30.0 million for Extraordinary Aid (formerly called Discretionary Aid), which represents an increase of \$5 million above the FY 2002 adjusted appropriation. According to the department, 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. Further, the department has stated that the program is not meant as permanent aid, but rather as a short-term measure to assist municipalities to address their revenue and spending problems.

(3) Elimination of funding for the Regional Efficiency Development Incentive (REDI) Grant Program. The purpose of this program, which has an FY 2002 adjusted appropriation of \$5 million, is to encourage local governments and school districts to explore ways to consolidate or share services in an effort to reduce costs and improve efficiencies.

(4) \$9 million for the Regional Efficiency Aid Program (REAP) that was first funded in FY 2001, inaugurating direct property tax relief to residents of municipalities participating in shared service arrangements. The FY 2003 recommendation represents a decrease of \$11 million from the FY 2002 adjusted appropriation. 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 FY 2003 recommended Budget includes a new language provision that would limit the award of any REAP aid to only those municipalities in which the average residential parcel would receive a property tax credit of \$100.00 or more.

(5) Elimination of funding of \$3.4 million for the Watershed Moratorium Offset Aid program. The program 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 these municipalities for the prohibition on development in certain areas that have been designated as watershed property. A legislatively mandated inflator was also applied to this aid program, which was to be adjusted annually.

Program Description and Overview (Cont'd)

(6) \$52.5 million for the "Special Municipal Aid Act," P.L.1987, c.75 (C.52:27D-118.24 et seq.), an increase of \$13.8 million over the FY 2002 adjusted appropriation of \$38.7 million. This municipal aid program was revised pursuant to P.L.1999, c.156, and funded through supplemental legislation in FY 2000. The program is directed at urban municipalities with structural deficits that cannot 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.

(7) \$34.8 million for the Legislative Initiative Municipal Block Grant program, 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.

The Division on Women

The Division on Women is the central State agency for coordinating services and programs for women. The Direct State Services component of the division's budget is recommended at \$1.08 million for FY 2003, which represents a decrease of \$13,000 from FY 2002. Overall, the State budget for the division is recommended to decrease by \$1.7 million to \$3.4 million in FY 2003.

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, 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 \$2.3 million in FY 2003, a decrease of \$1.7 million from the FY 2002 adjusted appropriation. The recommended decrease includes a reduction of \$345,000 for the Grants to Displaced Homemaker Centers, the elimination of \$750,000 in funding for the Women's Micro-Business Pilot Program, along with the elimination of funding for eight grants totaling \$565,000 that were added by the Legislature in the FY 2002 Appropriations Act.

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 Direct State Service element of the division's budget is recommended at \$5.1 million for FY 2003, which maintains funding at a level equivalent to the FY 2002 adjusted appropriation. In total, the State budget for the division is recommended to remain at the FY 2002 adjusted appropriation level of \$13.7 million.

Program Description and Overview (Cont'd)

Office of Smart Growth

The FY 2003 Recommended budget funds the Office of Smart Growth within the Department of Community Affairs. Governor McGreevey's Executive Order No. 4 created the Smart Growth Policy Council, comprising Cabinet members and senior administrative officials, that has been charged with promoting the principles of smart growth. According to the Recommended budget, the office will include professional and support staff to carry out the objectives of the Smart Growth Policy Council. It will also incorporate the Office of State Planning (OSP) and provide administrative support to the New Jersey State Planning Commission.

The Office of Smart Growth will administer smart growth and community school planning grants, available to counties, municipalities and school districts, to promote economic activities which are consistent with smart growth principles. The recommended FY 2003 Direct State Service appropriation for the Office of Smart Growth is approximately \$2 million, while the Grants-In-Aid appropriation is \$2.7 million. The OSP, which will not be funded in FY 2003 as a separate entity, has an FY 2002 adjusted appropriation of \$2 million.

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.

Special Urban Services

Special Urban Services includes funding for central State facilitation for the planning and coordination of programs for the revitalization of the State's urban areas. A \$4.8 million State appropriation is recommended for Special Urban Services in FY 2003, an amount \$10 million less than the FY 2002 adjusted appropriation.

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

The Urban Coordinating Council (UCC), pursuant to section 45 of P.L.1996, c.62 (C.55:19-60), is 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. In May, 1998, it was placed under the supervision and control of the UCC,

Program Description and Overview (Cont'd)

which was placed under the supervision and control of the New Jersey Redevelopment Authority. 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 inter-agency 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 collaboratively with community leaders in an effort to rebuild New Jersey's cities, one neighborhood at a time. The executive director reports solely to the Urban Coordinating Council. The Office of Neighborhood Empowerment has a recommended decrease in Direct State Service funding of \$25,000 for FY 2003, down from the FY 2002 adjusted appropriation of \$1.4 million.

The recommended decrease of \$10 million in the Grants-In-Aid accounts are spread over three separate programs. The Brownfields Redevelopment Grant program would be funded at \$1 million in FY 2003, a reduction of \$4 million from the FY 2002 adjusted appropriation. This program is targeted to lapse \$4.25 million of its FY 2002 appropriation of \$5 million for deficit reduction. Funding for the Downtown Living Initiative would be reduced by \$2 million, to \$2.5 million in FY 2003. Funding for the New Jersey Redevelopment Authority - Mercer County Projects account would be eliminated in FY 2003. This account received \$3 million in FY 2001 and \$4 million in FY 2002, both amounts having been added by the Legislature.

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

- **New Jersey Meadowlands 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 sanitary landfill monitoring fee excess balances. Those monitoring fee 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. Of the amount provided, \$110,000 shall be made available to the New Jersey Meadowlands Municipal Committee for operational costs.

In addition, \$164,000 of interest earnings from the sanitary landfill monitoring accounts is appropriated by Budget language for distribution from the New Jersey Meadowlands Tax Sharing Stabilization Fund by the commission to eligible municipalities in the New Jersey 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. This amount of \$164,000 is the same level as provided in FY 2002. The total FY 2003 Budget "Other Funds" recommendation for the New Jersey Meadowlands Commission is \$3,369,000.

Program Description and Overview (Cont'd)

- **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. HMFA retained earnings of \$25 million were transferred to the State's General Fund in FY 2002 (P.L. 2002, c.4) to fund the Lifeline program in the Department of Health and Senior Services. The FY 2003 Recommended budget projects another \$25 million transfer for the same purpose.

- **New Jersey Redevelopment Authority**

The New Jersey Redevelopment Authority (NJRA) was created legislatively in 1996 through the New Jersey Urban Redevelopment Act (P.L. 1996, c. 62) to spearhead community development initiatives. NJRA provides a coordinated State response to revitalizing New Jersey's most distressed urban neighborhoods and institutionalizes the work initiated by the Governor's Office through the Urban Coordinating Council. The NJRA is an independent authority allocated to the DCA, and functions with five divisions: Advisory Services, Community Planning, Community Services, Development and Finance. The NJRA works with 68 eligible municipalities throughout the State. NJRA unobligated funds totaling \$18.5 million were transferred to the State's General Fund for FY 2002 revenue (P.L. 2002, c. 12).

According to the Governor's Budget Address of March 26, 2002, the Administration plans to merge the New Jersey Housing and Mortgage Finance Agency with the New Jersey Redevelopment Authority in order to "create efficiencies."

- **Council on Affordable Housing**

The Council on Affordable Housing (COAH) was created as part of the "Fair Housing Act, of 1985" (P.L.1985, c.222) to assist municipalities in determining their need for low-and-moderate-income housing and monitoring the fulfillment of their affordable housing obligations. COAH also works with the DCA's Division of Housing and Community Resources and the HMFA on various programs. The recommended direct State service element of the council's budget is \$ 1.7 million in FY 2003, unchanged from FY 2002 adjusted appropriation.

Fiscal and Personnel Summary

AGENCY FUNDING BY SOURCE OF FUNDS (\$000)

	Expended FY 2001	Adj. Approp. FY 2002	Recom. FY 2003	Percent Change	
				2001-03	2002-03
<u>General Fund</u>					
Direct State Services	\$44,690	\$39,466	\$37,271	(16.6)%	(5.6)%
Grants-In-Aid	130,186	97,780	37,041	(71.5)%	(62.1)%
State Aid	36,905	18,462	18,042	(51.1)%	(2.3)%
Capital Construction	0	0	0	0.0%	0.0%
Debt Service	0	0	0	0.0%	0.0%
Sub-Total	\$211,781	\$155,708	\$92,354	(56.4)%	(40.7)%
<u>Property Tax Relief Fund</u>					
Direct State Services	\$0	\$0	\$0	0.0%	0.0%
Grants-In-Aid	0	0	0	0.0%	0.0%
State Aid	869,464	962,122	961,522	10.6%	(0.1)%
Sub-Total	\$869,464	\$962,122	\$961,522	10.6%	(0.1)%
Casino Revenue Fund	\$0	\$0	\$0	0.0%	0.0%
Casino Control Fund	\$0	\$0	\$0	0.0%	0.0%
State Total	\$1,081,245	\$1,117,830	\$1,053,876	(2.5)%	(5.7)%
Federal Funds	\$213,205	\$209,669	\$214,112	0.4%	2.1%
Other Funds	\$29,155	\$35,287	\$35,290	21.0%	0.0%
Grand Total	\$1,323,605	\$1,362,786	\$1,303,278	(1.5)%	(4.4)%

PERSONNEL SUMMARY - POSITIONS BY FUNDING SOURCE

	Actual FY 2001	Revised FY 2002	Funded FY 2003	Percent Change	
				2001-03	2002-03
State	690	738	729	5.7%	(1.2)%
Federal	264	263	274	3.8%	4.2%
All Other	83	86	90	8.4%	4.7%
Total Positions	1,037	1,087	1,093	5.4%	0.6%

FY 2001 (as of December) and revised FY 2002 (as of September) personnel data reflect actual payroll counts. FY 2003 data reflect the number of positions funded.

AFFIRMATIVE ACTION DATA

Total Minority Percent	29.7%	29.7%	29.8%	----	----
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Significant Changes/New Programs (\$000)

<u>Budget Item</u>	<u>Adj. Approp. FY 2002</u>	<u>Recomm. FY 2003</u>	<u>Dollar Change</u>	<u>Percent Change</u>	<u>Budget Page</u>
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COMMUNITY DEVELOPMENT MANAGEMENT

Grants-In-Aid

Supplemental Shelter Support	\$1,000	\$0	(\$1,000)	(100.0)%	D-39
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This program provides grants to establish and improve homeless shelters. The Department funds its shelter programs out of three accounts: Supplemental Shelter Support and Shelter Assistance from the General Fund, and Emergency Shelter Grants, which is federally funded. The Shelter Assistance program has routinely had significant funds available at the close of the fiscal year that have carried forward into the subsequent fiscal year. For the past three fiscal years, the average amount carried forward has been approximately \$1.5 million each year. Because adequate funding from State and federal sources remains to provide these grants and meet the needs of the shelter program, the FY 2003 Recommended budget would eliminate funding for this particular account.

Brownfields

Redevelopment Grants	\$5,000	\$1,000	(\$4,000)	(80.0)%	D-39
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This program provides grants and other financial incentives to 68 Urban Coordinating Council (UCC) eligible municipalities for the acquisition and remediation of brownfield sites when the prospect of private development appears unrealistic absent financial assistance. The funds are administered by the New Jersey Redevelopment Authority in conjunction with the Urban Site Acquisition (USA) program. The FY 2001 appropriation for this program was \$15 million. The FY 2002 adjusted appropriation is \$5 million, but \$4.25 million is targeted to lapse for deficit reduction.

Downtown Living Initiative

Downtown Living Initiative	\$4,500	\$2,500	(\$2,000)	(44.4)%	D-39
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The Downtown Living Initiative provides low-interest loans to spur the construction of market-rental housing in urban areas, under the premise that the reintroduction of middle-income households to urban neighborhoods is critical to economic revitalization. The funds are targeted to projects located in Urban Coordinating Council, Strategic Neighborhood Assistance Program, Urban Aid, Designated Center or Urban Home Ownership Recovery Program municipalities. The FY 2003 recommendation would reduce the funding for this program by \$2 million.

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

<u>Budget Item</u>	<u>Adj. Approp.</u> <u>FY 2002</u>	<u>Recomm.</u> <u>FY 2003</u>	<u>Dollar</u> <u>Change</u>	<u>Percent</u> <u>Change</u>	<u>Budget</u> <u>Page</u>
New Jersey Redevelopment Authority - Mercer County	\$4,000	\$0	(\$4,000)	(100.0)%	D-40

This \$4 million grant for the New Jersey Redevelopment Authority - Mercer County Projects was added to the FY 2002 Appropriations Act by the Legislature.

State Aid

Relocation Assistance	\$750	\$250	(\$500)	(66.7)%	D-40
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This program provides financial assistance to municipalities and county welfare boards for relocation assistance to families and individuals displaced by municipal code enforcement. Eligible expenses are moving costs, dislocation allowance and rental/down payment assistance. Large carryforward balances have been available in this account in past fiscal years.

ECONOMIC PLANNING DEVELOPMENT

Direct State Services

Office of Smart Growth	\$0	\$1,970	\$1,970	—	D-43
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The FY 2003 Recommended budget funds a new Office of Smart Growth. According to the Recommended budget, the objectives of this office are to "provide expertise, staff and workforce to carry out the objective of the Governor's Smart Growth Policy Council, the State Planning Office and the State Planning Commission." The Office of Smart Growth will therefore incorporate the Office of State Planning. The office will administer smart growth and community school planning grants, available to counties, municipalities and school districts to promote economic activities which are consistent with smart growth principles. The DSS appropriation would provide \$1.5 million for salaries and wages, with the balance for operating expenses. The Recommended budget would fund 28 positions.

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

<u>Budget Item</u>	<u>Adj. Approp. FY 2002</u>	<u>Recomm. FY 2003</u>	<u>Dollar Change</u>	<u>Percent Change</u>	<u>Budget Page</u>
Grants-In-Aid					
Smart Growth Planning Grants	\$0	\$2,700	\$2,700	—	D-44

As noted above, the Office of Smart Growth is charged with administering smart growth and community school planning grants that would be available to counties, municipalities and school districts to promote smart growth economic activities. In FY 2001 and FY 2002, a \$3 million appropriation for these types of grants was allocated to the Management and Administration section of the department's budget.

SOCIAL SERVICES PROGRAMS

Grants-In-Aid					
Community Resources	\$12,867	\$9,175	(\$3,692)	(28.7)%	D-46 to D-55

The reduction of \$3.7 million in Community Resources Grants-In-Aid represents the elimination of one-time funding for 20 grants to local governments and non-profit agencies that were added to the FY 2002 Appropriations Act by the Legislature. It also includes the elimination of funding of \$1 million for the Playground Safety program that provided funding of up to \$10,000 per municipality for enhanced playground safety throughout the State, available through the DCA's Adopt-A-Neighborhood Program.

Grants to Displaced Homemakers Centers	\$1,420	\$1,075	(\$345)	(24.3)%	D-55
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This program provides grants to centers for job counseling and other supportive services for women who have been dependent on the income of another household member, but due to death, disablement of spouse or divorce, must now support themselves. This \$345,000 reflects a Legislative increase that was added during the FY 2002 appropriations process.

Women's Micro-Business Pilot Program	\$750	\$0	(\$750)	(100.0)%	D-56
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This program would offer loans, loan guarantees, training and technical assistance to women seeking to launch independently owned and operated business enterprises, through three non-profit community development corporations certified by the department to receive development loans, generate matching contributions from other sources, and administer loans and services to program participants. However, the initial funding from FY 2001 of \$750,000, which was unspent and was reappropriated in FY 2002, as well as the FY 2002 appropriation, are targeted to lapse in entirety for deficit reduction.

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

<u>Budget Item</u>	<u>Adj. Approp. FY 2002</u>	<u>Recomm. FY 2003</u>	<u>Dollar Change</u>	<u>Percent Change</u>	<u>Budget Page</u>
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GOVERNMENTAL REVIEW AND OVERSIGHT**Direct State Services**

Office of State Planning	\$2,035	\$0	(\$2,035)	(100.0)%	D-57
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As noted above, the activities and responsibilities of the Office of State Planning will be incorporated into the new Office of Smart Growth and assumed by that Office.

STATE SUBSIDIES AND FINANCIAL AID**Direct State Services****Special Municipal Aid**

Act- Administration	\$1,859	\$1,309	(\$550)	(29.6)%	D-59
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This account provides funding for the administration of the Special Municipal Aid Act. Specifically, it provides funding for the municipal audit staff, the hiring of outside professionals as needed, and the support functions, equipment and supplies for those individuals. The FY 2003 recommendation reflects a decrease of \$550,000 from the FY 2002 adjusted appropriation.

Local Unit Budget**Approval and Reporting
System (LUBARS)**

	\$1,500	\$0	(\$1,500)	(100.0)%	D-59
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The purpose of the LUBARS program is to allow the Division of Local Government Services to replace the State's current paper-based system of local government budget and financial report filing with a single, standard web-based model, thereby "freeing up" division resources to focus solely on municipal budgets that are problematic. According to the department, the FY 2002 adjusted appropriation of \$1.5 million was for initial software development of the system, which was to be fully implemented in FY 2005 at a total cost of \$4 million. The entire FY 2002 appropriation is targeted to lapse for deficit reduction.

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

<u>Budget Item</u>	<u>Adj. Approp. FY 2002</u>	<u>Recomm. FY 2003</u>	<u>Dollar Change</u>	<u>Percent Change</u>	<u>Budget Page</u>
Grants-In-Aid					
Local Government Services					D-59 to D-79
	\$47,463	\$3,376	(\$44,087)	(92.9)%	

This reduction of \$44.1 million in Local Government Services Grants-In-Aid represents the elimination of funding for 280 grants to local governments that were added to the FY 2002 Appropriations Act by the Legislature, and the reduction in funding of the Hamilton Township (Mercer) - Scrap Tire Removal grant from an FY 2002 adjusted appropriation of \$100,000 to \$56,000. Two other grants that would receive funding in the FY 2003 Recommended budget are Bound Brook Borough - Flood Aid and Manville Borough - Flood Aid, at a level of \$2 million and \$1.3 million, respectively. These two grants were originally funded in FY 2002 through supplemental appropriations. According to the Department of the Treasury, the FY 2002 adjusted appropriations for these two grants, which total \$3.3 million, will not be spent during the current fiscal year but will be lapsed to the General Fund to help address the FY 2002 fiscal difficulties. Because both of these municipalities operate on a calendar budget year, they will still receive the grants during their current fiscal year.

State Aid (PTRF)

Extraordinary Aid (PTRF)	\$25,000	\$30,000	\$5,000	20.0%	D-79
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The Extraordinary Aid program, formerly known as Discretionary Aid, provides short-term assistance to municipalities experiencing a catastrophic loss of tax ratables. The FY 2003 Recommendation would provide a \$5 million increase over the FY 2002 adjusted appropriation.

Regional Efficiency Development Incentive Grant Program (PTRF)

	\$5,000	\$0	(\$5,000)	(100.0)%	D-79
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The REDI program provides grants to municipalities and school districts to study consolidation or shared services for the purpose of creating efficiencies and reducing costs. According to the department, 124 grants totaling \$12.5 million have been awarded in this program since its inception in FY 2000. Funding for this program would be eliminated in FY 2003.

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

<u>Budget Item</u>	<u>Adj. Approp. FY 2002</u>	<u>Recomm. FY 2003</u>	<u>Dollar Change</u>	<u>Percent Change</u>	<u>Budget Page</u>
Regional Efficiency Aid Program (PTRF)	\$20,000	\$8,992	(\$11,008)	(55.0)%	D-79

The REAP program provides annual State-funded property tax credits directly to residents in those communities and school districts which have implemented regionalization or other shared services. The FY 2003 Recommended budget includes a new language provision that would limit the award of any REAP aid to only those municipalities that received a REAP award in FY 2002 in which the average residential parcel would receive a property tax credit of \$100.00 or greater. According to information provided by the department, 234 municipalities received REAP awards totaling \$19.2 million in FY 2002. Under the provisions of the FY 2003 Recommended budget, only 13 municipalities would receive REAP awards totaling \$8.6 million.

Watershed Moratorium Offset Aid (PTRF)	\$3,382	\$0	(\$3,382)	(100.0)%	D-79
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The Watershed Moratorium Offset Aid program provides State aid to 56 municipalities in which watershed property is located, in the amount of \$68.50 per acre (see Background Paper, page 42 of this analysis, for a complete list of recipient municipalities). The aid is designed to compensate these municipalities for the prohibition on development in certain areas that have been designated as watershed property. A legislatively mandated inflator, adjusted annually, was applied to the program (P.L. 1999, c. 225). The FY 2003 Recommended budget would eliminate funding for this program.

Special Municipal Aid Act (PTRF)	\$38,715	\$52,505	\$13,790	35.6%	D-80
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The Special Municipal Aid Act, as amended by P.L. 1999, c. 156, is directed at urban municipalities with structural deficits that could not be resolved without additional State funds. The same municipalities that received Special Municipal Aid in FY 2002 (the City of Camden, the City of East Orange, the Town of Harrison, the Township of Irvington, Jersey City, the City of Paterson, the City of Trenton and Union City) are recommended to receive this funding again in FY 2003 (see Background Paper, page 45 of this analysis, for a breakdown of funding levels).

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

<u>Budget Item</u>	<u>Adj. Approp. FY 2002</u>	<u>Recomm. FY 2003</u>	<u>Dollar Change</u>	<u>Percent Change</u>	<u>Budget Page</u>
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MANAGEMENT AND ADMINISTRATION

Direct State Services

Government Records Council	\$0	\$500	\$500	—	D-82
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The Government Records Council was established in the Department of Community Affairs pursuant to P.L. 2001, c. 404. The purpose of the Council is to ensure that the public has access to appropriate government records and to provide for a process that assures that accessibility.

Grants-In-Aid

Planning Assistance for Counties and Other Local Agencies	\$3,000	\$0	(\$3,000)	(100.0)%	D-82
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The Planning Assistance for Counties and Other Local Agencies program supports local planning efforts to develop and redevelop properties in a manner consistent with the State Plan. Although the FY 2003 Recommended budget would eliminate funding for this program, it should be noted that the new Office of Smart Growth would be appropriated \$2.7 million in FY 2003 for Smart Growth Planning Grants.

Language Provisions

2002 Appropriations Handbook

2003 Budget Recommendations

p. B-25

The Commissioner of the Department of Community Affairs shall report to the Director of the Division of Budget and Accounting and the Joint Budget Oversight Committee, not later than March 1, 2002, statistical and financial information on the expenditure of funds from the Shelter Assistance account for fiscal year 2002. Such information shall specifically include the number, types, location, and costs of beds made available for occupancy with the funds appropriated herein.

No similar language.

Explanation

The Governor has not recommended this FY 2002 appropriations act language for FY 2003 because the Department of Community Affairs deems the mandate contained in this language to be unnecessary. The department will continue to provide the statistical and financial information on the expenditure of funds from the Shelter Assistance account contained in the report to the Legislature upon request at any time during the fiscal year.

2002 Appropriations Handbook

2003 Budget Recommendations

p. B-26

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.

p. D-43

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 **and community development** opportunities.

Language Provisions (Cont'd)

Explanation

According to the Office of Management and Budget, the Governor has recommended this FY 2003 budget language to allow an amount not to exceed \$2,500,000 to be used to provide technical assistance grants to non-profit housing organizations and authorities for creating and supporting community development opportunities in addition to affordable housing. The language is intended to allow for the development of community resources, such as daycare facilities, that would complement the affordable housing opportunities created by the non-profit housing organizations and authorities.



2002 Appropriations Handbook

2003 Budget Recommendations

p. B-27

p. D-80

Notwithstanding any provision of law to the contrary, any qualified municipality as defined in section 1 of P.L.1978, c.14 (C.52:27D-178) for fiscal year 2001, and the Borough of Keansburg, shall continue to be a qualified municipality thereunder for fiscal year 2002.

Notwithstanding any provision of law to the contrary, any qualified municipality as defined in section 1 of P.L.1978, c.14 (C.52:27D-178) for fiscal year ~~2001~~, and the Borough of ~~Keansburg~~, **2002** shall continue to be a qualified municipality thereunder for fiscal year **2003**.

Explanation

The Office of Management and Budget (OMB) contends that the Governor has recommended this FY 2003 budget language to reflect the continued qualification of Keansburg as a qualified municipality under the Urban Aid program due to its inclusion through the FY 2002 appropriations act language in the list of Urban Aid-qualified municipalities. As the recommended FY 2003 budget language provides that a municipality that qualified for Urban Aid in FY 2002 will continue to be qualified for FY 2003, the specific language that includes Keansburg is not necessary for FY 2003.



Language Provisions (Cont'd)

2002 Appropriations Handbook2003 Budget Recommendations

p. B-27

The amount hereinabove for Special Municipal Aid has been reduced to reflect savings provided to eligible municipalities from the reduced PFRS local employers' contributions afforded pursuant to the "Pension Cost Stabilization Act," P.L.2001, c.44 (C.43:16A-15).

No similar language.

Explanation

This FY 2002 appropriations language reflected an offset to Special Municipal Aid made possible by local savings provided through reduced local government employer Police and Firemen's Retirement System (PFRS) contributions in April, 2001, pursuant to the "Pension Cost Stabilization Act," P.L.2001, c.44 (C.43:16A-15). These savings were made possible after the local budget process commenced and were not anticipated by the municipalities receiving Special Municipal Aid last year. This year, recurring savings in April, 2002, PFRS costs have been anticipated in local budgets, so this language has not been recommended.



Language Provisions (Cont'd)

2002 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 which received funding pursuant to the fiscal year 2001 annual appropriations act, P.L.2000, c.53, and adjusted according to the provisions of P.L.1999, c.68, or pursuant to other amendatory or supplementary law except that the amount received by the City of Newark shall be reduced by an amount certified by the Division of Taxation and appropriated to the Division of Taxation for any aspect of the revaluation of real property in Newark, subject to the approval of the Director of the Division of Budget and Accounting.

2003 Budget Recommendations

p. D-80

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 ~~2001~~ 2002 annual appropriations act, ~~P.L.2000, c.53~~ P.L.2001, c.130, and adjusted according to the provisions of ~~P.L.1999, c.68, or pursuant to other amendatory or supplementary law~~ except that the amount received by the City of Newark shall be reduced by an amount certified by the Division of Taxation and appropriated to the Division of Taxation for any aspect of the revaluation of real property in Newark, subject to the approval of the Director of the Division of Budget and Accounting. **The Director of the Division of Local Government Services shall further take such actions as may be necessary to ensure that the proportion of Consolidated Municipal Property Tax Relief Aid appropriated in fiscal year 2002 to offset losses from business personal property tax 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, 2002.**

Explanation

This recommended FY 2003 budget language is revised to complete the incorporation into the Consolidated Municipal Property Tax Relief Aid (CMPTRA) program of payments in FY 2003 at FY 2002 levels to replace the loss of business personal property tax revenue formerly paid by telecommunications firms. This language revision makes no change in payments for FY 2003 that were made in FY 2002.

Language Provisions (Cont'd)

2002 Appropriations Handbook

2003 Budget Recommendations

p. B-28

p. D-81

Notwithstanding the provision of any law to the contrary, any local unit that is eligible for funding of REAP aid under P.L.1999, c.61 (C.54:4-8.76 et seq.) in the fiscal year ending June 30, 2002, and that received REAP aid in the prior fiscal year shall receive REAP aid funding in the current fiscal year in an amount that is not less than the amount received in the prior fiscal year.

~~Notwithstanding the provision of any law to the contrary, any local unit that is eligible for funding of REAP aid under P.L.1999, c.61 (C.54:4-8.76 et seq.) in the fiscal year ending June 30, 2002, and that received REAP aid in the prior fiscal year shall receive REAP aid funding in the current fiscal year in an amount that is not less than the amount received in the prior fiscal year.~~ Notwithstanding the provisions of P.L.1999, c.61 to the contrary, the amount appropriated hereinabove for the Regional Efficiency Aid Program (REAP) shall be distributed to those municipalities in the same amount that was distributed in fiscal year 2002 where, upon a finding and certification by the Director of the Division of Local Government Services, the average residential parcel received a property tax credit of \$100.00 or greater per parcel.

Explanation

The Governor has recommended this FY 2003 budget language to limit the distribution of awards under the Regional Efficiency Aid Program (REAP) in FY 2003. In FY 2002, 234 municipalities received awards under the REAP program, with a total amount of \$19,245,118 paid to those municipalities by the Department of Community Affairs. This recommended language limits the award of REAP aid to only those qualified municipalities that received REAP aid in FY 2002, where the average award per residential parcel was \$100.00 or more. The FY 2003 Budget recommends an appropriation of \$8.992 million to fund REAP awards in FY 2003 to the 13 municipalities that would be eligible under the program with the restrictions imposed by this recommended language.



2002 Appropriations Handbook

2003 Budget Recommendations

p. B-32

Receipts from divorce filing fees pursuant to P.L.1993, c.188 are appropriated.

No similar language.

Language Provisions (Cont'd)

Explanation

The Governor has not recommended this FY 2002 appropriations act language for FY 2003 because the Department of Community Affairs has determined that the language is unnecessary due to the specific provisions of sections 2 and 3 of P.L.1993, c.188 (C.52:27D-43.24a and C.52:27D-43.24b) which require the deposit of these receipts into a trust fund in the department to be used for the specific purpose of providing grants-in-aid to programs for displaced homemakers as identified by the Division on Women pursuant to section 3 of P.L.1979, c.125 (C.52:27D-43.20). The appropriation of unanticipated fee revenue deposited in dedicated accounts is accomplished through budget language in the General Provisions section of the Governor's FY 2003 budget.



2002 Appropriations Handbook

2003 Budget Recommendations

No similar language.

p. D-80

Of the amount hereinabove appropriated for school construction activities in the Division of Local Government Services in the Department of Community Affairs, there shall be credited against such amounts such monies as are received by the Department of Community Affairs pursuant to a memorandum of understanding between the Division of Local Government Services and the New Jersey Economic Development Authority for oversight services including employee benefit costs in connection with the school construction program.

Explanation

The Governor has recommended this FY 2003 budget language in anticipation of the signing of a memorandum of understanding between the Department of Community Affairs (DCA) and the New Jersey Economic Development Authority (EDA) under which the DCA will be reimbursed by the EDA for its staff costs attendant to its provision of oversight services to the EDA with respect to the construction of school buildings in the 30 special needs districts under the "Educational Facilities Construction and Financing Act," P.L.2000, c.72 (C.18A:7G-1 et seq.). These oversight services are related to conformance with construction requirements under the "State Uniform Construction Code Act," P.L. 1975, c. 217 (C. 52:27D-133).



Language Provisions (Cont'd)

2002 Appropriations Handbook

No similar language.

2003 Budget Recommendations

p. D-80

Notwithstanding the provisions of any other law to the contrary, the amount hereinabove for Extraordinary Aid shall be distributed subject to the determination of the Director of the Division of Local Government Services.

Explanation

The Governor has recommended this FY 2003 budget language to expand municipal eligibility to receive Extraordinary Aid in FY 2003. Section 4 of P.L.1991, c.63 (C.52:27D-118.35) sets forth the manner in which the Director of the Division of Local Government Services awards the Extraordinary Aid component of Supplemental Municipal Property Tax Relief Aid. Pursuant to this statute, a municipality that received \$500,000 or more in regular grant financial assistance in the prior year pursuant to the "Special Municipal Aid Act," P.L.1987, c.75 (C.52:27D-118.24 et seq.) is ineligible to receive Extraordinary Aid. The recommendation of this FY 2003 budget language will allow the Director of the Division of Local Government Services to make awards of Extraordinary Aid to those municipalities that would have been ineligible to receive such aid, but may be in need of assistance.

2002 Appropriations Handbook

No similar language.

2003 Budget Recommendations

P. D-81

The State Treasurer, in consultation with the Commissioner of the Department of Community Affairs, is empowered to direct the Director of the Division of Budget and Accounting to transfer from any State department to any other State department sums as may be necessary to provide a loan for a term not to exceed 30 days to a municipality faced with a fiscal crisis, including but not limited to a potential default on tax anticipation notes. Extension of a loan shall be conditioned on the municipality being "eligible municipality" pursuant to P.L.1987, c.75 (C.52:27D-118.24 et seq.).

Language Provisions (Cont'd)

Explanation

The Governor has recommended this FY 2003 budget language at the request of the Office of Management and Budget to clarify that, pursuant to the identical statutory language of section 8 of P.L.1999, c.156 (C.52:27D-118.30c), the State Treasurer during FY 2003 is authorized to direct the Director of the Division of Budget and Accounting to transfer between State departments the necessary funds to provide a loan not to exceed 30 days to a municipality meeting the definition of an "eligible municipality" under the "Special Municipal Aid Act," P.L.1987, c.75 (C.52:27D-118.24 et seq.) that is faced with a fiscal crisis, including but not limited to a potential default on tax anticipation notes.



2002 Appropriations Handbook

2003 Budget Recommendations

No similar language.

p. F-8

There are appropriated such additional sums as may be required to pay the amount of any civil penalty imposed on a State officer, employee or custodian pursuant to Section 12 of P.L.2001, c.404, as recommended by the Attorney General and as the Director of the Division of Budget and Accounting shall determine.

Explanation

This recommended FY 2003 general provisions budget language authorizes the Director of the Division of Budget and Accounting, with the Attorney General's recommendation, to appropriate such amounts as may be required to pay any public records access civil penalties imposed on a State officer, employee or custodian of public records for violations of the recently enacted government records public access law, P.L.2001, c.404, which takes effect on July 7, 2002.



Language Provisions (Cont'd)

ELIMINATION OF LANGUAGE AFFECTING UNEXPENDED BALANCES AND ONE-TIME GRANTS-IN-AID

The following is a summary listing of FY 2002 Appropriations Handbook Language Provisions that appropriated all or some portion of an account's revenues or unexpended balances that are not included in the recommended FY 2003 budget. In virtually all instances, the language is not recommended in the FY 2003 budget either because: (a) few, if any, unexpended balances will remain on June 30, 2002; or (b) the language was considered one-time in nature.

OFFICE OF STATE PLANNING

Brownfields Site Inventory and Redevelopment Task Force.

DIVISION OF FIRE SAFETY

Thermal Imaging Camera Grant Program.

DIVISION OF HOUSING & COMMUNITY RESOURCES

Receipts from repayment of loans from the Urban Multi-Family Production Program, together with the unexpended balance of such loan repayments.

Prevention of Homelessness.

Faith-Based Community Development Initiative.

DIVISION OF LOCAL GOVERNMENT SERVICES

Special Municipal Aid Act - Administration.

Fees for local government, authority, and special district audits, education program administration, debt financing, expedited budget review and other fiscal services, as authorized by the Local Finance Board.

Unexpended balance in the Extraordinary Aid account designated to fund or reimburse costs incurred by local government units to implement Gov-Connect-Government -to-Government Network.

DIVISION ON WOMEN

Women's Micro-Business Pilot Program.

Discussion Points

1. The Governor's Budget identifies approximately \$75 million in additional revenues from new or increased fees throughout State government.

- **Question:** Please identify the authority (i.e., legislation, executive order, or agency regulation) for any fee changes or other new State revenue sources reflected in the FY 2003 budget for your department. If legislation is required to implement these changes, what is the status of those bills?

2. Federal enactments and federal budget proposals often impact significantly on State programs and fiscal resources.

- **Question:** What impact will the expectation of (a) increased or decreased federal funding, or (b) new or revised federal mandates or matching requirements, have on your department's resources and activities in FY 2003? Be specific with regard to the expected federal action and the corresponding State or local impact.

3. a. The purpose of the Special Municipal Aid Act, P.L. 1987, c. 75, is to assist municipalities facing the most severe fiscal conditions in recovering from fiscal distress and to improve management and financial practices. In FY 2000, five municipalities received \$40.5 million in Special Municipal Aid. In FY 2002, the number of municipalities receiving Special Municipal Aid increased to eight, with an adjusted appropriation of \$38.7 million. According to the Administration, the same eight municipalities are to receive approximately \$52 million in FY 2003, while the Recommended budget would appropriate \$52.5 million. The Background Paper section of this analysis displays the municipalities that have received funding in this program since FY 2000, as well as the Administration's FY 2003 recommended aid for these municipalities.

- **Question:** For what purposes will the remaining \$500,000 that has not been allocated to the eight recipient municipalities be used? What factors or conditions account for the FY 2003 recommended funding increases? What progress has been made in these municipalities to improve their fiscal conditions, thereby lessening their need for Special Municipal Aid? What steps do you plan to take to strengthen the fiscal conditions of these municipalities so that they will no longer need the assistance provided by this program? Do you foresee the need to include any additional municipalities in the program in the near future? Do you foresee that any of the existing municipalities will cease to need the assistance provided by the program in the near future?

3. b. In providing Special Municipal Aid Act assistance, the Director of the Division of Local Government Services may condition those payments upon the implementation of fiscal recovery measures approved by the Local Finance Board. According to the DCA website, "grants and technical assistance are contingent on the municipality executing a Memorandum of Understanding committing them to making management and operational improvements recommended by the Local Finance Board." In FY 2001, \$2 million was appropriated to the department for Special Municipal Aid Act - Administration costs; in FY 2002, the adjusted appropriation for this account is \$1.859 million; and the FY 2003 Recommended appropriation is \$1.3 million.

- **Question:** Does the Division still require a Memorandum of Understanding between itself and the municipalities as a prerequisite to receiving Special Municipal Aid? If so, what impact will the reduction in Special Municipal Aid Act - Administration funding have on the Division's ability to identify valid operational and management

Discussion Points (Cont'd)

improvements in these municipalities? Identify the administrative costs that are being reduced and/or eliminated in FY 2003 for this program.

4. The Extraordinary Aid program is recommended to be funded in FY 2003 at \$30 million, an increase of \$5 million over the FY 2002 adjusted appropriation. The focus of this program has been to provide emergency tax relief to municipalities and short-term assistance to municipalities experiencing a catastrophic loss of ratables. In addition, recipient municipalities are to use the Extraordinary Aid for costs associated with activities that improve operations and provide short-term and long-term property tax savings. The FY 2003 Recommended budget contains a language provision that states that Extraordinary Aid shall be distributed subject to the determination of the Director of the Division of Local Government Services.

- **Question:** Why is the above-mentioned language provision necessary to effectuate the purposes of the Extraordinary Aid program? Does this language provision alter the qualifications of receiving this aid? Is this language provision being included in order to address a specific municipality or municipalities? What municipal budgetary or fiscal issues have arisen that justify a 20 percent increase in Extraordinary Aid? When will Extraordinary Aid awards funded by the FY 2003 State budget be determined? How many applications have been received from "calendar year" municipalities? How many of these applicants received Extraordinary Aid in CY 2001? How many of these municipalities have applied for increased aid above the amount received in CY 2001? What is the average increase in aid applied for by these municipalities?

5. The Watershed Moratorium Offset Aid program provides State aid to 56 municipalities in which watershed property is located. P.L. 1999, c. 225 mandated that municipalities that meet the eligibility requirements for the watershed aid program receive \$68.50 per acre, and applied an annual inflator to the program. The FY 2002 adjusted appropriation for this program is \$3.4 million; the FY 2003 Recommended budget eliminates funding for this program.

- **Question:** What factors or considerations led to the elimination of funding for the Watershed Moratorium Offset Aid program? Will these 56 municipalities be eligible/encouraged to apply for Extraordinary Aid, and if so, what is the likelihood that they will be successful in receiving this aid?

6. The FY 2003 Recommended budget eliminates funding for the Regional Efficiency Development Incentive (REDI) grant program. The REDI program provides financial assistance to municipalities, schools and counties for feasibility studies or implementation costs for shared services. According to the department's website, the focus of the program is "to use the efficiencies and cost reductions possible through joint action to help reduce property taxes by lowering the costs of services." The FY 2002 adjusted appropriation for the program is \$5 million.

- **Question:** How many municipalities, counties and school districts have applied for REDI grants since the program's inception? Please provide a list of REDI grants awarded showing the amount of the grant, the purpose of the grant, and the recipient. How many of the REDI grant recipients have entered into shared service agreements as a result of the feasibility studies? Please quantify the effect on local service costs and local property taxes in these cases. Does the department plan to offer any other form of support or assistance to local governments interested in exploring shared service opportunities?

Discussion Points (Cont'd)

7. The FY 2003 Recommended budget would reduce funding for the Regional Efficiency Aid Program (REAP) by approximately \$11 million, from an FY 2002 adjusted appropriation of \$20 million to approximately \$9 million. In addition, the FY 2003 Recommended budget includes a language provision restricting REAP awards to only those municipalities that received funding in FY 2002 where the average residential parcel received a property tax credit of \$100.00 or greater. According to information provided by the department, 234 municipalities received REAP funding totaling \$19.2 million in FY 2002. Under the provisions of the FY 2003 Recommended budget, only 13 municipalities will be eligible for REAP funding, at a total of \$8.6 million.

- **Question:** If the REAP program will not be funding any new local government initiatives that were not in place in FY 2002, for what purposes will the FY 2003 unallocated balance of approximately \$350,000 in the program's recommended appropriation be used? What was the percentage decrease in the average residential property tax bill due to the REAP credit funded in FY 2002 in each of the 221 municipalities where the credit will be discontinued under the FY 2003 budget? Will any other direct property tax relief programs funded in the FY 2003 budget offset the loss of REAP credits? If so, please explain how and to what extent any offset will occur.

8. The FY 2003 Recommended budget reflects a new Office of Smart Growth within the Department of Community Affairs. According to the budget document, the Office of State Planning will be incorporated into the new Office of Smart Growth. The Recommended budget would support 28 positions within the Office of Smart Growth. The Revised FY 2002 position data for the Office of State Planning shows that 27 positions are currently supported. In addition, the FY 2003 Recommended budget appropriates \$2.7 million for Smart Growth Planning Grants.

- **Question:** By what mechanism will the Office of Smart Growth be created? Please describe the duties and functions of the Office of Smart Growth. Are there any functions that are now being performed by the Office of State Planning that will not be performed by the Office of Smart Growth? Will the staff from the Office of State Planning be moved into the Office of Smart Growth, or will the office be staffed by new personnel? What criteria will be used to determine the awarding of the Smart Growth Planning Grants?

9. In his Budget Address, the Governor announced plans to merge the New Jersey Housing and Mortgage Finance Agency (NJHMFA) with the New Jersey Redevelopment Authority (NJRA) in order to create efficiencies and allow for better accomplishment of housing and economic development goals.

- **Question:** How will this consolidation be accomplished? Aside from combining the administrative functions of the agencies, what efficiencies will be gained from this merger? Is it anticipated that the current functions of the NJRA will be handled by a separate unit within the NJHMFA, or will they be integrated within the housing programs currently or prospectively being undertaken by the NJHMFA? How does the administration plan to address the integration of the two boards?

Discussion Points (Cont'd)

10. The City of Camden remains under State supervision pursuant to Article 4 of P.L. 1947, c. 151 (C.52:27BB-54 et seq.), and is recommended to continue receiving Special Municipal Aid in FY 2003.

- **Question:** Other than overseeing the financial affairs of the City, what powers does the department have to initiate programs which would attempt to reverse those problems which led to State supervision? Will the department be seeking additional authorization from the State Legislature to help promote the revitalization of Camden? What resources will be made available in the FY 2003 Recommended budget that will specifically promote the goal of ending State supervision in the City of Camden?

11. Pursuant to Chapter 398 of the Laws of 2001, the New Jersey Meadowlands Commission (NJMC) is authorized to withdraw up to \$42 million from its landfill closure escrow accounts for payment to the State Treasurer and deposit in a solid waste defeasance fund. This was intended to address defeasance of debt issued by the Bergen County Utilities Authority (BCUA). This law also authorizes an appropriation of up to \$23.5 million in State funds, if needed, to fully fund the NJMC's closure and post-closure obligations.

- **Question:** What is the status of BCUA debt defeasance? Have any funds been withdrawn from NJMC escrow accounts and paid to the State Treasurer? Under what circumstances could the State be called upon to appropriate funds to NJMC during FY 2002 or FY 2003?

Background Paper: The REDI and REAP Programs

Budget Pages....	D-79
Funding (\$000)	\$0 (REDI)
	\$8,992 (REAP)

BACKGROUND

The Regional Efficiency Development Incentive Grant (REDI) program was enacted as P.L.1999, c.60, effective April 13, 1999. It was intended as an evolution of the Department of Community Affairs' Joint Services Incentive Program, which had limited funding of \$500,000 beginning in the State FY 1997 Budget. The REDI program, proposed in recommendation number 2.2 in the September 1998 "Property Tax Commission Report of Recommendations to Governor Christine Todd Whitman," represented growth of the former DCA program. REDI has been operated as a joint program of the Department of Community Affairs and the Department of Education. Under the REDI program, counties and taxing districts such as municipalities, school districts and fire districts may apply throughout the year for planning grants to study the feasibility and economies of shared services and for start-up grants to implement a new shared service. Once their applications are approved, the grant money is available as reimbursement of expenses actually incurred for the studies and implementation.

The companion program, the Regional Efficiency Aid Program (REAP), enacted as P.L.1999, c.61, effective April 13, 1999, and also proposed by the same recommendation of the Governor's Property Tax Commission, was intended to provide direct property tax relief to residential property owners and renters (those eligible for the NJ SAVER property tax relief program) based on types of shared services implemented in their taxing districts after July 1, 1997. REAP aid is distributed as a credit against the taxpayer's property tax bill. The taxing district has to apply for the aid and the taxpayer is not required to do anything to receive the benefits of the REAP aid. The administration of the grants and aid, including grants to school districts, is handled by the Department of Community Affairs with Department of Education personnel assisting in the evaluation of REDI and REAP grant and aid applications.

The REDI and REAP programs rely on local units applying for State aid grants. DCA made extensive efforts to publicize the program in past years. Information is available on the DCA website (www.state.nj.us/redi). Several pamphlets were prepared and distributed to local units, seminars were conducted at the annual League of Municipalities Conferences in Atlantic City, articles in various government related magazines were published, and several oral presentations per month were made by DCA staff in the past before citizen groups, professional organizations and local officials.

Background Paper: The REDI and REAP Programs (Cont'd)

CURRENT STATUS

Over the past three budget years, \$25 million has been appropriated for the REDI program, and \$12.5 million has been awarded in REDI aid to help local units determine the feasibility of sharing or regionalizing services. The FY 2002 adjusted appropriation for REDI is \$5 million. There is no REDI program appropriation proposed for FY 2003. According to DCA there are five complete REDI aid program applications pending that will not be awarded money as a result of the proposed defunding of the program in the FY 2003 budget. Twenty-three other applications for aid under the REDI program have been received by DCA; however, those applications are deemed "incomplete" and also will not receive aid awards, even if completed, due to the defunding of the REDI program.

FY 2002 budget language held harmless any local unit that received REAP aid funding in FY2001. See Table B for FY 2002 REAP awards and REAP aid per residential household. The proposed FY 2003 budget language is intended to completely replace the FY 2002 budget language with new language that provides for the distribution of REAP aid only to those municipalities that received a "substantial" amount of REAP aid in FY 2002. The proposed budget language defines substantial aid as an aid amount that resulted in a REAP property tax credit of at least \$100 for the average residential parcel within the municipality. The effect of the proposed FY 2003 budget language would be to reduce the number of REAP aid recipient municipalities from 234 in FY 2002 to only 13 municipalities in FY 2003. (See Table A.) This proposed budget language effectively closes the REAP program to new participants, thereby removing a significant incentive for sharing or regionalizing services. The intent of the administration in making this change is to heighten the emphasis of the REAP program to providing substantial relief to residential taxpayers in municipalities that share or regionalize services, by directing the aid only to those municipalities that realized a property tax credit of \$100 or more for the average residential parcel in FY 2002.

The appropriation requested in the FY 2003 budget of \$8,992,000 is over \$350,000 more than the \$8,645,478 that was paid to the 13 municipalities in FY 2002 that will continue to receive REAP aid under the proposed FY 2003 budget language.

Background Paper: The REDI and REAP Programs (Cont'd)

TABLE A
FY 2003 Projected REAP Award Recipients

Municipality	County	CY 2001 REAP Award (FY 2002)	REAP Aid per residential household (\$)
Union City City	Hudson	\$2,458,009	\$504.30
West New York Town	Hudson	1,646,838	386.40
Weehawken Township	Hudson	572,850	295.57
Guttenberg Town	Hudson	415,024	278.43
North Bergen Township	Hudson	1,904,048	235.93
South Hackensack Township	Bergen	73,477	184.42
Wrightstown Borough	Burlington	19,448	168.90
Englewood City	Bergen	782,609	159.83
Elmwood Park Borough	Bergen	499,189	124.05
Hi-Nella Borough	Camden	15,165	122.69
Mannington Township	Salem	57,106	122.28
Elk Township	Gloucester	106,968	115.62
North Hanover Township	Burlington	94,749	108.63
TOTAL		\$8,645,480	

Note: Data provided by the Division of Local Government Services in the Department of Community Affairs.

Background Paper: The REDI and REAP Programs (Cont'd)

TABLE B
FY 2002 REAP Awards
(Calendar Year 2001)

Municipality	County	CY 2001 REAP Award (FY 2002)	REAP Aid per residential household (\$)
Absecon City	Atlantic	\$66,115	\$27.72
Atlantic City	Atlantic	51,143	10.15
Brigantine City	Atlantic	29,062	9.09
Buena Borough	Atlantic	7,479	6.84
Buena Vista Township	Atlantic	102,130	55.81
Egg Harbor City	Atlantic	92,974	92.82
Egg Harbor Township	Atlantic	200,018	25.59
Estell Manor City	Atlantic	8,751	13.56
Folsom Borough	Atlantic	2,143	2.54
Galloway Township	Atlantic	266,059	29.99
Hamilton Township	Atlantic	247,584	45.21
Hammonton Township	Atlantic	51,092	15.13
Linwood City	Atlantic	4,385	1.69
Margate City	Atlantic	28,189	9.62
Mullica City	Atlantic	81,608	50.58
Pleasantville City	Atlantic	248,528	59.99
Somers Point City	Atlantic	44,915	16.69
Ventnor City	Atlantic	25,053	7.83
Weymouth Township	Atlantic	7,298	14.51
Allendale Borough	Bergen	100,228	55.85
Bogota Borough	Bergen	14,660	8.21
Carlstadt Borough	Bergen	4,911	3.94
Dumont Borough	Bergen	8,945	1.98
Elmwood Park Borough	Bergen	499,189	124.05
Emerson Borough	Bergen	6,055	2.92
Englewood City	Bergen	782,609	159.83
Fair Lawn Borough	Bergen	32,604	3.51
Fairview Borough	Bergen	8,100	4.18
Garfield City	Bergen	54,036	13.19
Hackensack City	Bergen	12,724	1.52
Hasbrouck Heights Borough	Bergen	11,832	4.00
Haworth Borough	Bergen	12,072	12.34
Hillsdale Borough	Bergen	10,641	3.60
Ho-Ho-Kus Borough	Bergen	39,001	31.57
Leonia Borough	Bergen	51,776	18.92
Little Ferry Borough	Bergen	4,242	1.98
Lodi Borough	Bergen	55,605	15.01

Background Paper: The REDI and REAP Programs (Cont'd)

Municipality	County	CY 2001 REAP Award (FY 2002)	REAP Aid per residential household (\$)
Midland Park Borough	Bergen	51,114	26.89
Moonachie Borough	Bergen	43,201	91.74
New Milford Borough	Bergen	14,250	3.52
Ridgefield Borough	Bergen	5,478	2.54
Ridgefield Park Village	Bergen	79,246	30.74
Ridgewood Village	Bergen	66,830	6.68
River Edge Borough	Bergen	7,295	2.42
Rutherford Borough	Bergen	90,849	20.62
Saddle Brook Township	Bergen	183,873	51.03
Saddle River Borough	Bergen	14,944	16.26
South Hackensack Township	Bergen	73,477	184.42
Tenafly Borough	Bergen	14,859	4.11
Teterboro Borough	Bergen	184	34.40
Waldwick Borough	Bergen	73,285	25.74
Wood-Ridge Borough	Bergen	13,930	6.18
Wyckoff Township	Bergen	19,359	3.98
Bass River Township	Burlington	6,799	17.66
Bordentown Township	Burlington	72,191	27.21
Burlington Township	Burlington	13,331	2.33
Chesterfield Township	Burlington	56,829	64.65
Eastampton Township	Burlington	79,595	51.60
Florence Township	Burlington	6,967	2.08
Hainesport Township	Burlington	68,265	51.51
Mansfield Township	Burlington	30,142	14.56
Medford Township	Burlington	12,668	1.87
Medford Lakes Borough	Burlington	11,832	8.78
New Hanover Township	Burlington	44,742	23.47
North Hanover Township	Burlington	94,749	108.63
Shamong Township	Burlington	31,582	18.20
Southampton Township	Burlington	8,188	2.13
Springfield Township	Burlington	14,255	15.79
Washington Township	Burlington	7,598	33.35
Westampton Township	Burlington	13,319	6.04
Willingboro Township	Burlington	491,467	57.32
Wrightstown Borough	Burlington	19,448	168.90
Barrington Borough	Camden	67,801	34.81
Gibbsboro Borough	Camden	2,268	2.52
Haddon Township	Camden	12,157	2.33
Haddon Heights Borough	Camden	47,076	20.52
Hi-Nella Borough	Camden	15,165	122.69

Background Paper: The REDI and REAP Programs (Cont'd)

Municipality	County	CY 2001 REAP Award (FY 2002)	REAP Aid per residential household (\$)
Lindenwold Borough	Camden	23,652	4.94
Magnolia Borough	Camden	26,165	19.66
Oaklyn Borough	Camden	2,462	1.98
Somerdale Borough	Camden	59,610	39.87
Stratford Borough	Camden	25,573	12.53
Voorhees Township	Camden	10,937	1.28
Waterford Township	Camden	127,703	42.55
Avalon Borough	Cape May	19,801	22.82
Lower Township	Cape May	33,419	4.38
Middle Township	Cape May	60,758	13.16
Woodbine Borough	Cape May	31,029	74.75
Downe Township	Cumberland	2,532	4.15
Maurice River Township	Cumberland	7,209	6.04
Shiloh Borough	Cumberland	12,613	84.28
Upper Deerfield Township	Cumberland	168,499	77.26
Vineland City	Cumberland	62,117	5.16
Maplewood Township	Essex	59,928	2.67
Montclair Township	Essex	205,919	25.12
Orange City	Essex	247,002	65.51
South Orange Village	Essex	50,817	13.96
West Caldwell Township	Essex	7,362	2.26
Clayton Borough	Gloucester	79,661	38.23
East Greenwich Township	Gloucester	3,334	1.36
Elk Township	Gloucester	106,968	115.62
Franklin Township	Gloucester	80,010	17.86
Glassboro Borough	Gloucester	167,276	42.65
Harrison Township	Gloucester	35,694	14.36
Logan Township	Gloucester	1,967	1.01
Mantua Township	Gloucester	44,440	8.97
National Park Borough	Gloucester	896	0.81
Newfield Borough	Gloucester	979	1.68
Pitman Borough	Gloucester	5,187	1.06
South Harrison Township	Gloucester	20,665	30.08
Swedesboro Borough	Gloucester	549	0.88
Wenonah Borough	Gloucester	1,291	1.60
Westville Borough	Gloucester	6,200	5.16
Woodbury City	Gloucester	25,511	10.02
Woodbury Heights Borough	Gloucester	25,662	26.17
Woolwich Township	Gloucester	1,703	1.61
Guttenberg Town	Hudson	415,024	278.43

Background Paper: The REDI and REAP Programs (Cont'd)

Municipality	County	CY 2001 REAP Award (FY 2002)	REAP Aid per residential household (\$)
Union City City	Hudson	2,458,009	504.30
Weehawken Township	Hudson	572,850	295.57
West New York Town	Hudson	1,646,838	386.40
Bethlehem Township	Hunterdon	2,621	2.19
Bloomsbury Borough	Hunterdon	2,871	10.34
Califon Borough	Hunterdon	4,996	14.61
Delaware Township	Hunterdon	51,709	26.75
Frenchtown Borough	Hunterdon	10,124	28.88
Kingwood Township	Hunterdon	74,678	6.58
Lebanon Borough	Hunterdon	9,664	28.31
Lebanon Township	Hunterdon	32,359	17.33
Milford Borough	Hunterdon	2,412	6.81
Tewksbury Township	Hunterdon	6,359	3.64
Hightstown Borough	Mercer	33,415	30.30
Carteret Borough	Middlesex	5,974	1.45
Cranbury Township	Middlesex	17,519	20.09
Dunellen Borough	Middlesex	37,079	24.13
East Brunswick Township	Middlesex	14,316	1.07
Edison Township	Middlesex	44,786	1.92
Helmetta Borough	Middlesex	9,613	15.14
Highland Park Borough	Middlesex	240,223	86.37
Jamesburg Borough	Middlesex	25,990	20.24
Old Bridge Township	Middlesex	75,751	4.82
Metuchen Borough	Middlesex	13,540	3.30
Middlesex Borough	Middlesex	183,458	49.20
Monroe Township	Middlesex	43,463	3.64
Piscataway Township	Middlesex	101,215	8.84
Sayreville Borough	Middlesex	152,924	14.37
South Amboy City	Middlesex	96,722	56.50
South Brunswick Township	Middlesex	19,830	1.81
South Plainfield Borough	Middlesex	124,496	20.45
Spotswood Borough	Middlesex	3,923	1.84
Allentown Borough	Monmouth	9,212	16.56
Asbury Park City	Monmouth	20,632	11.25
Belmar Borough	Monmouth	7,039	3.76
Brielle Borough	Monmouth	19,218	10.67
Colts Neck Township	Monmouth	15,294	3.52
Eatontown Borough	Monmouth	24,522	7.24
Fair Haven Borough	Monmouth	17,513	7.51
Highlands Borough	Monmouth	7,600	5.24

Background Paper: The REDI and REAP Programs (Cont'd)

Municipality	County	CY 2001 REAP Award (FY 2002)	REAP Aid per residential household (\$)
Keyport Borough	Monmouth	11,162	5.98
Manasquan Borough	Monmouth	63,727	35.00
Middletown Township	Monmouth	39,383	1.82
Tinton Falls Borough	Monmouth	234,555	46.60
Rumson Borough	Monmouth	20,137	7.71
Sea Bright Borough	Monmouth	12,587	21.73
Shrewsbury Borough	Monmouth	4,531	4.17
South Belmar Borough	Monmouth	1,760	3.11
Spring Lake Heights Borough	Monmouth	3,304	1.45
Upper Freehold Township	Monmouth	8,642	6.51
Wall Township	Monmouth	18,089	2.04
Boonton Township	Morris	23,769	14.82
Butler Borough	Morris	5,679	2.22
East Hanover Township	Morris	67,674	18.39
Mendham Borough	Morris	51,472	33.97
Montville Township	Morris	42,203	6.20
Morris Township	Morris	25,839	2.82
Netcong Borough	Morris	2,950	4.31
Long Hill Township	Morris	20,880	6.85
Pequannock Township	Morris	8,966	1.90
Rockaway Township	Morris	14,567	2.09
Roxbury Township	Morris	14,853	1.99
Wharton Borough	Morris	29,466	22.01
Barnegat Light Borough	Ocean	2,782	10.23
Beach Haven Borough	Ocean	4,539	9.11
Jackson Township	Ocean	16,005	1.42
Lacey Township	Ocean	87,251	9.89
Ocean Township	Ocean	18,161	8.94
Plumsted Township	Ocean	125,924	57.98
Point Pleasant Borough	Ocean	11,675	1.54
Bloomington Borough	Passaic	3,101	1.44
Pompton Lakes Borough	Passaic	8,573	2.88
Prospect Park Borough	Passaic	1,047	1.46
Ringwood Borough	Passaic	42,335	11.80
Totowa Borough	Passaic	23,952	8.59
Wayne Township	Passaic	33,414	2.13
Elmer Borough	Salem	9,996	27.21
Lower Alloways Creek Township	Salem	386	0.76
Mannington Township	Salem	57,106	122.28
Penns Grove Borough	Salem	39,051	46.77

Background Paper: The REDI and REAP Programs (Cont'd)

Municipality	County	CY 2001 REAP Award (FY 2002)	REAP Aid per residential household (\$)
Pittsgrove Township	Salem	87,318	38.98
Salem City	Salem	23,658	19.91
Carneys Point Township	Salem	19,928	8.77
Upper Pittsgrove Township	Salem	11,960	12.80
Woodstown Borough	Salem	6,147	7.26
Bedminster Township	Somerset	22,359	3.98
Bound Brook Borough	Somerset	42,773	22.95
Branchburg Township	Somerset	42,966	7.04
Bridgewater Township	Somerset	126,662	4.20
Franklin Township	Somerset	488,191	30.59
Green Brook Township	Somerset	76,802	42.91
Hillsborough Township	Somerset	118,509	9.16
Manville Borough	Somerset	81,695	30.25
Montgomery Township	Somerset	16,848	3.03
North Plainfield Borough	Somerset	164,833	39.90
Raritan Borough	Somerset	53,213	35.70
Somerville Borough	Somerset	63,485	26.42
South Bound Brook Borough	Somerset	13,826	16.27
Warren Township	Somerset	36,096	7.53
Watchung Borough	Somerset	15,323	8.62
Byram Township	Sussex	12,034	4.20
Franklin Borough	Sussex	91,055	76.89
Hardyston Township	Sussex	155,092	73.36
Stanhope Borough	Sussex	4,754	3.26
Vernon Township	Sussex	66,582	8.63
Rahway City	Union	7,727	1.32
Roselle Park Borough	Union	6,718	2.10
Westfield Town	Union	14,399	1.75
Allamuchy Township	Warren	40,259	27.33
Hackettstown Town	Warren	10,065	3.77
Hardwick Township	Warren	21,002	46.73
Washington Township	Warren	<u>49,235</u>	24.80
Total		\$19,245,118	

Note: Data provided by the Division of Local Government Services in the Department of Community Affairs.

Background Paper: Watershed Moratorium Offset Aid

Budget Pages.... D-79

Chapter 225 of P.L. 1999 created the Watershed Moratorium Offset Aid program. The FY 2003 Recommended budget would eliminate all funding for this program, which has an FY 2002 adjusted appropriation of \$3,382,000.

This State Aid program provides for annual payments 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, despite the passage of 13 years and the instigation of several lawsuits on the matter.

Because of the depressed value of watershed lands due to the moratorium, watershed land owners have succeeded in their efforts to lower their property tax liability in municipalities in which the lands are located. This loss in property tax revenue has severely affected the budgets of the mostly rural municipalities that contain the watershed lands. Since State FY 1997, the annual Appropriations Act has included a State aid appropriation for Watershed Moratorium Offset Aid. From FY 1997 to FY 1999, \$2 million was appropriated for six municipalities in which affected watershed lands are located. Chapter 225 of P.L. 1999 provided an ongoing statutory basis for 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, 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.

According to the department, Watershed Moratorium Offset Aid payments were made to 56 municipalities in CY 2001 (FY 2002), totaling \$3,329,064.00. The following table lists each municipality along with the amount each received in Watershed aid. The aid payments were made on October 1, 2001.

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

WATERSHED MORATORIUM OFFSET AID PAYMENTS			
<u>NO.</u>	<u>MUNICIPALITY</u>	<u>COUNTY</u>	<u>CY 2001*</u>
1	ABSECON CITY	ATLANTIC	\$ 5,009
2	EGG HARBOR TWP	ATLANTIC	25,188
3	GALLOWAY TWP	ATLANTIC	11,571
4	CLOSTER BOROUGH	BERGEN	20,249
5	EMERSON BOROUGH	BERGEN	27,305
6	FRANKLIN LAKES BOROUGH	BERGEN	8,960
7	HARRINGTON PARK BOROUGH	BERGEN	30,409
8	HAWORTH BOROUGH	BERGEN	28,928
9	HILLSDALE BOROUGH	BERGEN	3,457
10	NORWOOD BOROUGH	BERGEN	8,608
11	OLD TAPPAN BOROUGH	BERGEN	57,855
12	ORADELL BOROUGH	BERGEN	21,167
13	PARK RIDGE BOROUGH	BERGEN	2,399
14	RIVER VALE TOWNSHIP	BERGEN	35,066
15	WESTWOOD BOROUGH	BERGEN	1,058
16	WOODCLIFF LAKE BOROUGH	BERGEN	16,792
17	CEDAR GROVE TOWNSHIP	ESSEX	8,537
18	LIVINGSTON TOWNSHIP	ESSEX	16,228
19	MILLBURN TOWNSHIP	ESSEX	41,486
20	WEST ORANGE TOWNSHIP	ESSEX	7,832
21	WEEHAWKEN TOWNSHIP	HUDSON	1,058
22	WEST AMWELL TOWNSHIP	HUNTERDON	32,455
23	TRENTON CITY	MERCER	1,058
24	EAST BRUNSWICK TWP	MIDDLESEX	11,359
25	NORTH BRUNSWICK TWP	MIDDLESEX	6,985
26	SOUTH BRUNSWICK TWP	MIDDLESEX	1,482
27	COLTS NECK TOWNSHIP	MONMOUTH	42,615
28	HOLMDEL TOWNSHIP	MONMOUTH	7,620
29	MIDDLETOWN TOWNSHIP	MONMOUTH	11,642
30	WALL TOWNSHIP	MONMOUTH	13,194
31	BOONTON TOWN	MORRIS	9,807
32	CHATHAM BOROUGH	MORRIS	3,457
33	JEFFERSON TOWNSHIP	MORRIS	289,417
34	KINNELON BOROUGH	MORRIS	67,944
35	MENDHAM TOWNSHIP	MORRIS	42,121
36	MONTVILLE TOWNSHIP	MORRIS	2,540
37	MOUNT OLIVE TOWNSHIP	MORRIS	13,758

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

WATERSHED MORATORIUM OFFSET AID PAYMENTS			
<u>NO.</u>	<u>MUNICIPALITY</u>	<u>COUNTY</u>	<u>CY 2001*</u>
38	PARSIPPANY-TROY HILLS TWP.	MORRIS	82,832
39	RANDOLPH TOWNSHIP	MORRIS	24,835
40	ROCKAWAY TOWNSHIP	MORRIS	261,830
41	WASHINGTON TOWNSHIP	MORRIS	1,199
42	LITTLE FALLS TOWNSHIP	PASSAIC	2,187
43	NORTH HALEDON BOROUGH	PASSAIC	1,693
44	PATERSON CITY	PASSAIC	494
45	WAYNE TOWNSHIP	PASSAIC	34,219
46	WEST MILFORD TOWNSHIP	PASSAIC	1,137,417
47	WEST PATERSON BOROUGH	PASSAIC	10,019
48	ALLOWAY TOWNSHIP	SALEM	282
49	QUINTON TOWNSHIP	SALEM	4,304
50	FRANKFORD TOWNSHIP	SUSSEX	19,614
51	FRANKLIN BOROUGH	SUSSEX	6,138
52	HARDYSTON TOWNSHIP	SUSSEX	292,309
53	SPARTA TOWNSHIP	SUSSEX	44,026
54	VERNON TOWNSHIP	SUSSEX	442,027
55	WANTAGE TOWNSHIP	SUSSEX	6,844
56	WHITE TOWNSHIP	WARREN	20,179
	TOTAL		\$3,329,064

* Represents final CY 2001 list of eligible municipalities and actual aid payments.

Background Paper: Special Municipal Aid Act

Budget Pages.... D-59, D-80

The Special Municipal Aid Act (P.L. 1987, c.75 (C.52:27D-118.24 et seq.) is a State Aid program that is designed to assist municipalities that are facing the most severe fiscal conditions in recovering from fiscal distress and improving management and financial practices. The Special Municipal Aid Act was revised by chapter 156 of the laws of 1999 in order to expand the criteria by which municipalities qualify for the program. An eligible municipality is one that is qualified to receive assistance under P.L.1978, c.14 (C.52:27D-178 et seq.), is under the supervision of the Local Finance Board pursuant to the provisions of the "Local Government Supervision Act (1947)," a municipality that has issued qualified bonds pursuant to the provisions of the "Municipal Qualified Bond Act," P.L. 1967, c. 38 (C. 40:A3-1 et seq.), or a municipality identified by the Director of the Division of Local Government Services in the Department of Community Affairs as being in need of substantial financial aid and technical assistance to resolve ongoing fiscal problems. In providing Special Municipal Aid, the Director may condition the aid payments upon the implementation of fiscal recovery measures approved by the Local Finance Board.

Should the Director find that an eligible municipality possesses conditions that create extreme difficulty in adopting a budget in compliance with the "Local Budget Law," in issuing indebtedness as permitted by law, or in funding capital improvements essential to the protection of the public health, safety and welfare, the Local Finance Board may create, by resolution, a financial review board for that municipality. The municipal financial review board consists of five members appointed by the Governor, and includes the mayor of the municipality, a resident of the municipality who is not an elected official or municipal employee, the Commissioner of the Department of Community Affairs, the State Treasurer and another officer of the Executive Branch, or their designees. The financial review board is charged with approving, implementing and enforcing a financial plan for the municipality. The financial review board also has the power to approve: the annual budget of the municipality, the issuance of all debt, all contracts entered into during the time of supervision, and municipal expenditures if so directed by the board.

The Local Finance Board is to review the status of the affected municipality at least every two years, at which time the municipality has the opportunity to demonstrate why the financial review board should be ended or its role modified.

The Special Municipal Aid Act program has two sources of funding: a Direct State Services appropriation for the administration of the program (salaries and wages, operating expenses, consulting fees), and the State Aid appropriation that represents the grants that are given to the municipalities. The program was first funded in FY 2000, and included five municipalities. The number of municipalities in the program increased to eight in FY 2002. The following chart details the participating municipalities and the amount of Special Municipal Aid Act funds that each has received since FY 2000, as well as the proposed FY 2003 funding.

Background Paper: Special Municipal Aid Act (Cont'd)

Municipality	FY 2000	FY 2001	FY 2002 *	FY 2003 Proposed
Camden	\$12,000,000	\$13,500,000	\$11,004,748	\$9,750,000
Jersey City	10,000,000	15,550,000	4,152,041	10,500,000
Paterson	5,000,000	7,000,000	3,770,187	3,770,187
Irvington	6,500,000	9,000,000	3,484,807	3,484,807
East Orange	7,000,000	9,000,000	4,059,487	3,500,000
Trenton			5,398,288	11,500,000
Union City			2,445,174	5,500,000
Harrison Town			4,400,000	4,000,000
Total	\$40,500,000	\$54,050,000	\$38,714,732	\$52,004,994

* Note: The FY 2002 awards reflect amounts paid after Police and Firemen's Retirement System (PFRS) savings were applied.

FY 2003 Proposed amounts provided by the Administration.

OFFICE OF LEGISLATIVE SERVICES

The Office of Legislative Services provides nonpartisan assistance to the State Legislature in the areas of legal, fiscal, research, bill drafting, committee staffing and administrative services. It operates under the jurisdiction of the Legislative Services Commission, a bipartisan body consisting of eight members of each House. The Executive Director supervises and directs the Office of Legislative Services.

The Legislative Budget and Finance Officer is the chief fiscal officer for the Legislature. The Legislative Budget and Finance Officer collects and presents fiscal information for the Legislature; serves as Secretary to the Joint Budget Oversight Committee; attends upon the Appropriations Committees during review of the Governor's Budget recommendations; reports on such matters as the committees or Legislature may direct; administers the fiscal note process and has statutory responsibilities for the review of appropriations transfers and other State fiscal transactions.

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Individuals wishing information and committee schedules on the FY 2003 budget are encouraged to contact:

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