

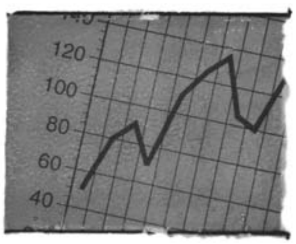



ANALYSIS OF THE NEW JERSEY BUDGET

DEPARTMENT OF COMMUNITY AFFAIRS

FISCAL YEAR 2007 - 2008

PREPARED BY OFFICE OF LEGISLATIVE SERVICES
NEW JERSEY LEGISLATURE • APRIL 2007

NEW JERSEY STATE LEGISLATURE

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DEPARTMENT OF COMMUNITY AFFAIRS

Budget Pages....... C-8, C-15, C-16, C-22, C-29, D-48 to D-70

Fiscal Summary ($000)

	Expended FY 2006	Adjusted. Appropriation FY 2007	Recommended FY 2008	Percent Change 2007-08
State Budgeted	1,109,458	1,314,158	1,242,506	(5.5%)
Federal Funds	328,990	314,834	317,645	.9%
Other	168,157	130,924	130,714	(.2%)
Grand Total	$1,606,605	$1,759,916	$1,690,865	(3.9%)

Personnel Summary - Positions By Funding Source

	Actual FY 2006	Revised FY 2007	Funded FY 2008	Percent Change 2007-08
State	172	164	192	17.1%
Federal	266	271	271	—
Other	697	716	716	—
Total Positions	1,135	1,151	1,179	2.4%

FY 2006 (as of December) and revised FY 2007 (as of September) personnel data reflect actual payroll counts. FY 2008 data reflect the number of positions funded

Key Points

- The FY 2008 recommended budget for the Department of Community Affairs totals $1,242,506,000 a decrease of $71,652,000, or 5.5%, from the FY 2007 adjusted appropriation of $1,314,158,000. The total FY 2008 recommended budget consists of: $38,678,000 in Direct State Services, a decrease of $95,000 from the FY 2007 adjusted appropriation; $50,260,000 in Grants-In-Aid, a decrease of $11,585,000 from the FY 2007 adjusted appropriation; and $1,153,568,000 in State Aid, a decrease of $59,972,000 from the FY 2007 adjusted appropriation.

Key Points (Cont'd)

- The municipal aid programs recommended in FY 2008 include:

  - Consolidated Municipal Property Tax Relief Aid (CMPTRA), which represents the largest source of State aid to municipalities. The FY 2008 recommended appropriation is $835,447,000, equal to the FY 2007 adjusted appropriation. No inflation adjustment is recommended for CMPTRA. Furthermore, the recommended budget provides for a transfer of funds from the CMPTRA account to the Energy Receipts Property Tax Relief Fund (ERT) in order to fund the mandatory annual percent inflation adjustment in the latter program. Transfers were also made from CMPTRA to ERT to fund the inflation adjustments in FY 2003, FY 2006, and FY 2007.

  - Special Municipal Aid Act, which provides augmented funding to 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 $132,000,000 in FY 2008, a decrease of $42.7 million from the FY 2007 adjusted appropriation of $174,700,000. The FY 2007 level of funding included a Supplemental Special Municipal Aid appropriation of $80 million. It is unclear whether the net decrease in FY 2008 funding signifies fewer participating municipalities or reduced aid for current participants.

  - Legislative Initiative Municipal Block Grant Program, which provides aid to each municipality on a per capita basis. The FY 2008 recommended appropriation for this program is $34,825,000, equal to the FY 2007 adjusted appropriation.

  - Extraordinary Aid, which provides short-term assistance to municipalities experiencing a catastrophic loss of tax ratables or other fiscal difficulties. The FY 2008 recommended appropriation of $25,000,000 is a decrease of $18 million under the FY 2007 adjusted appropriation of $43,000,000.

  - Trenton Capital City Aid, $16,500,000 recommended in funding for the City of Trenton, equal to the FY 2007 adjusted appropriation. Trenton formerly received this amount of aid under the provisions of the Special Municipal Aid Act.

  - Municipal Homeland Security Assistance Aid, which provides assistance in accordance with an aid formula, based in part on population, to be determined by DCA. The FY 2008 recommendation of $32 million is equal to the FY 2007 adjusted appropriation. FY 2008 recommended language states aid is also to be conditioned upon the submission of information provided by the municipality on the existing budget, staffing, equipment, and operating performance of the municipality's 911 call centers, public safety dispatch and radio communications systems, and services to the Office of Emergency Telecommunications Services within the Department of the Treasury, the specific requirements of which will be defined by the Office of Emergency Telecommunications Services.

Key Points (Cont'd)

- County Prosecutor Funding Initiative Pilot program, which is recommended to receive $8,000,000 in FY 2008, equal to the FY 2007 adjusted appropriation. FY 2008 recommended language allocates the $8 million as follows: Camden County ($1,790,000), Essex County ($3,622,000), Hudson County ($1,605,000), and Mercer County ($983,000).

- No funding is recommended in FY 2008 for the Regional Efficiency Aid Program (REAP), which in FY 2007 provided State-funded property tax credits directly to residents in 14 municipalities that have implemented regionalization and other shared services.

- Sharing Available Resources Efficiently (SHARE) Program, formerly known as the Regional Efficiency Development Incentive Grant Program or REDI, provides aid to local units to study regionalization and consolidated services. SHARE provides assistance for the study or implementation of any regional service agreement, or for the coordination of programs and services authorized under the Interlocal Services Act, the Municipal Consolidation Act, and the Consolidated Municipal Services Act. Funding is available to local governments and nonprofit organizations. The FY 2008 budget recommends funding of $4,200,000 for this program, equal to the FY 2007 adjusted appropriation allocated to REDI.

- Consolidation Fund, for which $15 million is recommended to augment the $4.2 million recommended for the SHARE program. The Consolidation Fund is an entirely new Executive initiative intended to support and assist local governments in their efforts to consolidate and share services.

- 2008 Municipal Property Tax Assistance, a $32.6 million increment to formula-based municipal aid to be distributed to all 566 municipalities in proportion to the CMPTRA and ERT municipal aid programs. This funding is an entirely new Executive initiative representing a 2% increase in these two formula-based municipal aid programs.

- The recommended FY 2008 appropriation to the Center for Hispanic Policy, Research and Development is $4 million, an increase of $1 million from FY 2007 adjusted appropriation. This recommended increase is intended to strengthen existing programs and provide funds for new programs to be administered by Hispanic community-based and nonprofit organizations whose primary focus is to address the economic, educational, and social needs of the Hispanic community.

- The FY 2008 recommended budget reflects the transfer of all of the administrative responsibilities of the Low Income Home Energy Assistance Program (LIHEAP) to DCA. In prior years DCA and the Department of Health and Human Services have shared the responsibility of administering this federal program.

- The FY 2008 recommended budget does not fund the following Executive capital improvement initiatives that had been included in the FY 2007 Appropriations Act: $4 million for Capital Improvements for Homeless Shelters, $500,000 for Capital Improvements for Rape Care Centers, and $1.5 million for Capital Improvements for Women's Shelters.

Fiscal and Personnel Summary

AGENCY FUNDING BY SOURCE OF FUNDS ($000)

	Expended FY 2006	Adj. Approp. FY 2007	Recom. FY 2008	Percent Change 2006-08	Percent Change 2007-08
General Fund					
Direct State Services	$56,926	$38,773	$38,678	(32.1%)	(0.2%)
Grants-In-Aid	87,717	61,845	50,260	(42.7%)	(18.7%)
State Aid	95,812	152,068	87,196	(9.0%)	(42.7%)
Capital Construction	0	0	0	0.0%	0.0%
Debt Service	0	0	0	0.0%	0.0%
Sub-Total	**$240,455**	**$252,686**	**$176,134**	**(26.7%)**	**(30.3%)**
Property Tax Relief Fund					
Direct State Services	$0	$0	$0	0.0%	0.0%
Grants-In-Aid	0	0	0	0.0%	0.0%
State Aid	869,003	1,061,472	1,066,372	22.7%	0.5%
Sub-Total	**$869,003**	**$1,061,472**	**$1,066,372**	**22.7%**	**0.5%**
Casino Revenue Fund	$0	$0	$0	0.0%	0.0%
Casino Control Fund	$0	$0	$0	0.0%	0.0%
State Total	**$1,109,458**	**$1,314,158**	**$1,242,506**	**12.0%**	**(5.5%)**
Federal Funds	$328,990	$314,834	$317,645	(3.4%)	0.9%
Other Funds	$168,157	$130,924	$130,714	(22.3%)	(0.2%)
Grand Total	**$1,606,605**	**$1,759,916**	**$1,690,865**	**5.2%**	**(3.9%)**

PERSONNEL SUMMARY - POSITIONS BY FUNDING SOURCE

	Actual FY 2006	Revised FY 2007	Funded FY 2008	Percent Change 2006-08	Percent Change 2007-08
State	172	164	192	11.6%	17.1%
Federal	266	271	271	1.9%	0.0%
All Other	697	716	716	2.7%	0.0%
Total Positions	**1,135**	**1,151**	**1,179**	**3.9%**	**2.4%**

FY 2006 (as of December) and revised FY 2007 (as of September) personnel data reflect actual payroll counts. FY 2008 data reflect the number of positions funded.

AFFIRMATIVE ACTION DATA

Total Minority Percent	31.8%	32.4%	30.6%	—	—

Significant Changes/New Programs ($000)

Budget Item	Adj. Approp. FY 2007	Recomm. FY 2008	Dollar Change	Percent Change	Budget Page
Capital Improvements for Homeless Shelters	**$4,000**	**$0**	**($4,000)**	**(100.0%)**	**D-55**

This grant-in-aid appropriation was a gubernatorial initiative to help fund renovation, repair and equipment costs at homeless shelters. Its discontinuation indicates that this was one-time funding that addresses non-recurring needs.

Budget Item	Adj. Approp. FY 2007	Recomm. FY 2008	Dollar Change	Percent Change	Budget Page
Center for Hispanic Policy, Research and Development	**$3,000**	**$4,000**	**$ 1,000**	**33.3%**	**D-62**

This appropriation supports grants to Hispanic community-based organizations that provide a variety of programs and services to clients, as well as a portion of the administrative expenses of the Center. The Center's website reports 31 organizations that received FY 2006 grant funding. The recommended increase is intended to allow these organizations to launch new programs that address economic, educational and social needs of the state's Hispanic community.

Budget Item	Adj. Approp. FY 2007	Recomm. FY 2008	Dollar Change	Percent Change	Budget Page
Social Service Grants to Various Specified Recipients	**$6,490**	**$0**	**($6,490)**	**(100.0%)**	**D-62, D-63**

The budget recommends that 20 line items for specific recipients and purposes, not originally recommended by the Governor in the FY 2007 budget, be discontinued. They are as follows: Piscataway Community Center ($500,000); Latino Institute ($200,000); Barnesboro Fire House (Mantua) – Roof Repair ($40,000); Sewell Boys and Girls Club Renovation – Mantua Township ($150,000); United Jewish Appeal of River Edge – Capital Improvements ($50,000); Big Brothers/Big Sisters ($650,000); Larc School – Bellmawr ($1 million); Boys and Girls Clubs of New Jersey ($1.5 million); Community YMCA of Red Bank – ESL Program ($500,000); Belleville Township – Disabled American Veterans ($75,000); Wood-Ridge Brownfields Projects ($350,000); Center for Great Expectations ($125,000); Trenton Catholic Charities ($75,000); Lawrence Non-Profit Housing Inc. ($75,000); Lawrence Neighborhood Center – After School Program ($75,000); Mentor Power ($75,000); Passaic PRIDE Program ($50,000); Passaic County Domestic Violence Training Program ($250,000); West New York Senior Outreach Transportation Program ($250,000); Paterson Library ($500,000).

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

Budget Item	Adj. Approp. FY 2007	Recomm. FY 2008	Dollar Change	Percent Change	Budget Page
Capital Improvements for Rape Care Centers	**$500**	**$0**	**($ 500)**	**(100.0%)**	**D-63**
Capital Improvements for Women's Shelters	**$1,500**	**$0**	**($1,500)**	**(100.0%)**	**D-63**

Both grant-in-aid appropriations were gubernatorial initiatives to help fund renovation, repair and equipment costs at community-based facilities serving the needs of women and their dependents victimized by domestic violence. Discontinuation of these grants indicates that they comprised one-time funding that addresses non-recurring needs.

Budget Item	Adj. Approp. FY 2007	Recomm. FY 2008	Dollar Change	Percent Change	Budget Page
Local Unit Realignment, Reorganization, and Consolidation Commission	**$95 (S)**	**$0**	**($ 95)**	**(100.0%)**	**D-66**

The budget anticipated the enactment of Assembly No. 15 (1R), which would create the Local Unit Alignment, Reorganization and Consolidation Commission and was signed by the Governor on March 15. The bill appropriates $95,000 for the purposes of the commission, which is to be a 10-member body responsible for studying and reporting on the structure and functions of county and municipal government, developing criteria for recommending municipal consolidation, local government streamlining and shared service arrangements, and making recommendations for such actions in specific circumstances. Given that no additional FY 2008 funding is recommended, the bill's appropriation is apparently intended to sustain the commission through the close of FY 2008.

Budget Item	Adj. Approp. FY 2007	Recomm. FY 2008	Dollar Change	Percent Change	Budget Page
Consolidation Fund	**$0**	**$15,000**	**$15,000**	**—**	**D-66**

According to the Budget in Brief, this new resource will augment the existing Sharing Available Resources Efficiently (SHARE) program, allowing the development of new incentives for local governments to conduct their work more efficiently. Assembly No. 4 (1R), which as of March 17, 2007 had been approved by the Legislature and was awaiting gubernatorial action, would revise various sections of law governing municipal consolidations and shared service arrangements among local governments, and expand the types of financial incentives the State could provide in support of consolidations and shared service arrangements to include terminal leave benefits and homestead property tax relief.

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

Budget Item	Adj. Approp. FY 2007	Recomm. FY 2008	Dollar Change	Percent Change	Budget Page
Extraordinary Aid (C.52:27D-118.35)	**$43,000**	**$25,000**	**($18,000)**	**(41.9%)**	**D-66**

The Extraordinary Aid program provides short-term assistance to municipalities experiencing a catastrophic loss of tax ratables or other fiscal difficulties. Funds are distributed to municipalities that submit applications to the Division of Local Government Services. Used strictly for property tax relief, the criteria for funding include a determination of whether the municipality has: 1) experienced unique circumstances that created fiscal distress and uncontrollable property tax increase; 2) made efforts to provide property tax savings by sharing services, privatization, enhancing tax collections, revenues and management efficiencies; 3) taken action and will continue to take action to reduce or eliminate dependency on extraordinary aid in the future. The award of this aid, while judged by the above criteria, is wholly discretionary. The Budget in Brief notes that the recommended increase in formula – based municipal aid (2008 Municipal Property Tax Assistance, below) is expected to mitigate the need for Extraordinary Aid. Evaluation data (page D-65) projects modest growth in both applicants and recipients despite this recommended funding decrease.

Budget Item	Adj. Approp. FY 2007	Recomm. FY 2008	Dollar Change	Percent Change	Budget Page
State Aid to Various Specified Recipients	**$35,880**	**$0**	**($35,880)**	**(100.0%)**	**D-66**

The budget recommends that nine line items for specific local government recipients, not originally recommended by the Governor in the FY 2007 budget, be discontinued. They are as follows: Trenton Municipal Assistance ($4 million); Newark Municipal Assistance ($24 million); Ewing Municipal Assistance ($1.5 million); Irvington Municipal Assistance ($1.9 million); East Orange Municipal Assistance ($1.9 million); Orange Municipal Assistance ($950,000); Gloucester City Municipal Assistance ($950,000); Bloomfield Municipal Assistance ($665,000); Mercer Shared Services ($15,000).

Budget Item	Adj. Approp. FY 2007	Recomm. FY 2008	Dollar Change	Percent Change	Budget Page
Regional Efficiency Aid Program	**$10,992**	**$0**	**($10,992)**	**(100.0%)**	**D-67**

The FY 2007 budget provided State-funded property tax credits directly to residents in 14 municipalities that have implemented regionalization and other shared services. The FY 2008 recommended budget eliminates funding for this program. The affected municipalities and total tax credits allocated to each in FY 2007 are: Elmwood Park Borough ($630,328); Englewood City ($996,544); South Hackensack Township ($92,408); New Hanover Township ($56,388); North Hanover Township ($119,347); Wrightstown Borough ($24,381); Hi-nella Borough ($18,989); Elk Township ($136,344); Guttenberg Town ($522,103); North Bergen Township ($2,397,794); Union City City ($3,107,535); Weehawken Township ($717,294); West New York Town ($2,088,088); Mannington Township ($71,819).

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

Budget Item	Adj. Approp. FY 2007	Recomm. FY 2008	Dollar Change	Percent Change	Budget Page
Special Municipal Aid Act	**$94,700**	**$132,000**	**$37,300**	**39.4%**	**D-67**
Supplemental Special Municipal Aid	**$80,000**	**$0**	**($80,000)**	**(100.00%)**	**D-67**
Total	**$174,700**	**$132,000**	**($42,700)**	**(24.4%)**	

The Special Municipal Aid Act appropriation augments funding for municipalities that have severe fiscal problems and structural budget deficits that could not be resolved without additional State funds. The FY 2007 line items resulted from revisions to the Governor's original recommendation that FY 2007 funding be paired with a FY 2006 supplemental appropriation. The FY 2006 supplemental appropriation bill was not enacted and this component became a separate FY 2007 appropriation instead. Since less than half of total FY 2007 funding had been distributed as of March 1, 2007 the impact of the recommended decrease on the number of municipalities receiving this aid and the annual change in the amount allocated to each is unclear.

Budget Item	Adj. Approp. FY 2007	Recomm. FY 2008	Dollar Change	Percent Change	Budget Page
2008 Municipal Property Tax Assistance	**$0**	**$32,600**	**$32,600**	**—**	**D-67**

The Governor has recommended this new aid program to provide all municipalities with a 2 percent increase in the base formula amount of aid received from both the Consolidated Municipal Property Tax Assistance Aid program (CMPTR) and the Energy Tax Receipts Property Tax Relief Fund (ETR) program. Despite statutory requirements for annual inflation adjustments to both CMPTR and ERT, the budget makes no direct provision for net growth to those programs, providing instead that inflation adjustments to ERT aid be offset by deductions from CMPTR aid, which itself is recommended for no inflation adjustment. Accordingly, this new program can be seen as a substitute for the 5.5 percent statutory inflation adjustment to CMPTR and ERT, which would total about $94 million.

Language Provisions

2007 Appropriations Handbook	2008 Budget Recommendations
p. B-24	
Notwithstanding the provisions of section 35 of P.L.1975, c.326 (C.13:17-10.1), sections 10 and 11 of P.L.1981, c.306 (C.13:1E-109 and C.13:1E-110), section 8 of P.L.1985, c.368 (C.13:1E-176), or any rules and regulations adopted pursuant thereto, or any order issued by the Board of Public Utilities to the contrary, an amount equal to $190,233 shall be withdrawn from the escrow accounts by the commission and paid to the State Treasurer for deposit in the General Fund, and the amount so deposited is appropriated for payment to the New Jersey Meadowlands Tax Sharing Stabilization Fund and paid to the commission in accordance with the certification of the fund's requirements, for distribution by the commission to municipalities entitled to payments from the fund for 2006.	No similar language.

Explanation

The Governor has not recommended the continuation of this FY 2007 budget language because the Hackensack Meadowlands Development Commission does not require this budgetary language in order to pay its own resources into the fund. The commission will be using operating funds to pay any required amounts into the New Jersey Meadowlands Tax Sharing Stabilization Fund for distribution by the commission to municipalities entitled to payments from the fund.

Language Provisions (Cont'd)

2007 Appropriations Handbook	2008 Budget Recommendations
	p. D-57
No similar language.	There is appropriated from the Urban and Rural Centers Unsafe Demolition Revolving Loan Fund established under P.L.1997, c.125, the sum of $2,500,000, to be used for building demolition and disposal projects in the municipality of Newark.

Explanation

This language authorizes the expenditure of available funds in the Urban and Rural Centers Unsafe Demolition Revolving Loan Fund in FY 2008 for $2,500,000 worth of building demolition and disposal projects in Newark. These balances from the fund are available as the result of loan repayments and the cancellation of unused prior loan authorizations.

2007 Appropriations Handbook	2008 Budget Recommendations
p. B-25	
The unexpended balance at the end of the preceding fiscal year in the Brownfields Redevelopment Task Force account is appropriated, subject to the approval of the Director of the Division of Budget and Accounting.	No similar language.

Explanation

The Governor has not recommended the continuation of this FY 2007 language with the expectation that balances in the Brownfields Redevelopment Task Force account will be fully expended. P.L.2005, c.365 (approved January 12, 2006) provided a supplemental appropriation of $285,000 to the task force to allow it to expedite and continue the compilation of its inventory of brownfields sites in the State, and to perform its other statutory functions.

Language Provisions (Cont'd)

2007 Appropriations Handbook	2008 Budget Recommendations
p. B-25	**p. D-58**
Notwithstanding any law to the contrary, funds appropriated for Neighborhood Preservation - Fair Housing may be used in any municipality for the purposes of rehabilitating special needs housing.	Notwithstanding the provisions of any law or regulation to the contrary, funds appropriated for Neighborhood Preservation - Fair Housing may be used in any municipality[for the purposes of rehabilitating special needs housing].

Explanation

The Governor has recommended this FY 2007 budget language with revisions to allow the use of Neighborhood Preservation – Fair Housing (NPFH) monies in any municipality for purposes not limited to the rehabilitation of special needs housing. As P.L.2005, c.163 created the Special Needs Housing Trust Fund to finance permanent supportive housing and community residences for individuals with special needs, the need to target NPFH funds for special needs housing rehabilitation is diminished. Pursuant to the language as revised, the department will be authorized to allocate NPFH funds to projects in all locations in the State. Under current statute (section 20 of P.L.1985, c.222 (C.52:27D-320)), NPFH funds are confined to municipalities whose housing elements have received substantive certification from the Council on Affordable Housing, or in receiving municipalities in cases where the Council on Affordable Housing has approved a regional contribution agreement and a project plan developed by the receiving municipality.

2007 Appropriations Handbook	2008 Budget Recommendations
p. B-27	
The unexpended balance at the end of the preceding fiscal year in the Grants to Women's Shelters account is appropriated.	No similar language.

Explanation

The FY 2007 language allowed the department to use FY 2006 funding for Grants to Women's Shelters in concert with the Governor's FY 2007 initiative for assistance to women's shelters – the "Capital Improvements for Women's Shelters account. Deletion of this language indicates that the department expects to commit the funds by the close of FY 2007.

Language Provisions (Cont'd)

2007 Appropriations Handbook	2008 Budget Recommendations
	p. D-58
No similar language.	The unexpended balance at the end of the preceding fiscal year in the Capital Improvements for Homeless Shelters account is appropriated, subject to the approval of the Director of the Division of Budget and Accounting.

Explanation

Capital Improvements for Homeless Shelters was one of several FY 2007 gubernatorial initiatives to meet the capital needs of community-based service providers. This recommended FY 2008 budget language authorizes the re-appropriation of the unexpended balance on June 30, 2007 in the Capital Improvements for Homeless Shelters account for use in FY 2008. As of March 12, 2007, the State accounting system reflected an original appropriation to this account of $4,000,000, with $210,985 having a "pre-encumbered" status, and $3,789,015 having an "encumbered" status. The total unexpended balance in the account was $4,000,000, as none of the funds were actually spent. This language would authorize the "rollover" of these funds, if unexpended as of June 30, 2007.

2007 Appropriations Handbook	2008 Budget Recommendations
	p. D-64
No similar language.	Notwithstanding the provisions of section 4 of the "Lead Hazard Control Assistance Act," P.L.2003, c.311 (C.52:27D-437.4), such sums as are necessary are appropriated from the Lead Hazard Control Assistance Fund for administrative costs, subject to the approval of the Director of the Division of Budget and Accounting.

Explanation

This recommended FY 2008 language authorizes the use by the department of monies from the Lead Hazard Control Assistance Fund to cover the department's costs related to its administration of the requirements of the "Lead Hazard Control Assistance Act," P.L.2003, c.311 (C.52:27D-437.1 et seq.). The department has budgeted $891,000 based on this language, compared to $458,000 in FY 2006 and $708,000 in FY 2007. The purpose of the language is to permit the department to exceed the five percent limit on administrative expenses that can be drawn from the fund, which, if left in place, would restrict the amount to $300,000.

Language Provisions (Cont'd)

2007 Appropriations Handbook	2008 Budget Recommendations
	p. D-64
No similar language.	The unexpended balance at the end of the preceding fiscal year in the Capital Improvements for Rape Care Centers account is appropriated, subject to the approval of the Director of the Division of Budget and Accounting.

Explanation

Capital Improvements for Rape Care Centers was one of several FY 2007 gubernatorial initiatives to meet the capital needs of community-based service providers. This recommended FY 2008 budget language authorizes the re-appropriation of the unexpended balance on June 30, 2007 in the Capital Improvements for Rape Care Centers account for use in FY 2008. As of March 12, 2007, the State accounting system reflected an original appropriation to this account of $500,000, with $274,230 having been expended, $127,415 having a "pre-encumbered" status, and $98,355 having an "encumbered" status. The total unexpended balance in the account was $225,770. This language would authorize the "rollover" of these funds, if unexpended as of June 30, 2007.

2007 Appropriations Handbook	2008 Budget Recommendations
No similar language.	**p. D-64**
	The unexpended balance at the end of the preceding fiscal year in the Capital Improvements for Women's Shelters account is appropriated, subject to the approval of the Director of the Division of Budget and Accounting.

Explanation

Capital Improvements for Women's Shelters was one of several FY 2007 gubernatorial initiatives to meet the capital needs of community-based service providers. This recommended FY 2008 budget language authorizes the re-appropriation of the unexpended balance on June 30, 2007 in the Capital Improvements for Women's Shelters account for use in FY 2008. As of March 12, 2007, the State accounting system reflected an original appropriation to this account of $1,500,000, from which no funds were expended, "pre-encumbered," or "encumbered." The total unexpended balance in the account was $1,500,000. This language would authorize the "rollover" of these funds, if unexpended as of June 30, 2007.

Language Provisions (Cont'd)

2007 Appropriations Handbook	2008 Budget Recommendations
p. B-29	
Notwithstanding the provisions of P.L.1999, c.61 (C.54:4-8.76 et seq.) to the contrary, the amount appropriated hereinabove for the Regional Efficiency Aid Program (REAP) shall be distributed to the same municipalities and in the same proportions as was distributed in fiscal year 2006.	No similar language.

Explanation

The Governor has not recommended the continuation of this FY 2007 language because the Regional Efficiency Aid Program (REAP) is not being funded in FY 2008. Since FY 2003, annual appropriations act language has effectively limited aid (in the form of State-funded property tax credits) under the REAP program to qualified municipalities that received REAP aid in FY 2002, where the average award per residential parcel was $100.00 or more. Those 14 municipalities, which will not receive REAP funding in FY 2008, are: Elmwood Park, Englewood, South Hackensack, New Hanover, North Hanover, Wrightstown, Hi-Nella, Elk, Guttenberg, North Bergen, Union City, Weehawken, West New York and Mannington.

Language Provisions (Cont'd)

2007 Appropriations Handbook	2008 Budget Recommendations
	p. D-67
No similar language.	The amount hereinabove for the Municipal Homeland Security Assistance Aid program shall be distributed in accordance with an aid formula, based in part on population, to be determined by the Department of Community Affairs. The distribution of such aid is conditioned upon the submission of information by the municipality on the existing budget, staffing, equipment, and operating performance of the municipality's 911 call centers, public safety dispatch and radio communications systems, and services to the Office of Emergency Telecommunications Services within the Department of the Treasury, the specific requirements of which will be defined by the Office of Emergency Telecommunications Services.

Explanation

This recommended FY 2008 budget language places conditions on municipalities seeking funding under the Municipal Homeland Security Assistance Aid program. The recommended FY 2008 funding for this program is $32 million, which is the same amount that was appropriated for this purpose in fiscal years 2005-2007. Municipal aid under this program will be distributed in accordance with an aid formula, based in part on population, to be determined by the department. State aid data on the department's website shows no change in the distribution of these funds based upon this language. This language sets an additional condition on a municipality's receipt of aid under the Municipal Homeland Security Assistance Aid program: it must submit information on the existing budget, staffing, equipment, and operating performance of its 911 call centers, public safety dispatch and radio communications systems and services to the Office of Emergency Telecommunications Services (OETS) within the Department of the Treasury. The language would thus enable the OETS to better target grants to local public safety answering points and seek to sanction municipalities that do not adequately report information in that regard. Pursuant to budget language (p. D-461), the OETS is to allocate $19.9 million in funding according to grant criteria that create regionalization incentives.

Language Provisions (Cont'd)

2007 Appropriations Handbook	2008 Budget Recommendations
p. B-29	**p. D-68**
Of the amount hereinabove appropriated for the Special Municipal Aid Act program, there is transferred to the Energy Tax Receipts Property Tax Relief Fund an amount not to exceed $2,211,000, subject to the approval of the Director of the Division of Budget and Accounting.	Of the amount hereinabove appropriated for the Special Municipal Aid Act program, there is transferred to the Energy Tax Receipts Property Tax Relief Fund an amount not to exceed [$2,211,000] $6,985,000, subject to the approval of the Director of the Division of Budget and Accounting.

Explanation

This recommended FY 2008 language represents an increase of $4,774,000 over the FY 2007 transfer of $2,211,000 from the Special Municipal Aid Act program to the Energy Tax Receipts Property Tax Relief Fund. As was the case in FY 2003, FY 2006 and FY 2007, the budget provides that the annual inflation adjustment to municipal Energy Receipts Tax Aid (ERT) ($47.97 million, or 5.5 per cent) be funded by reallocating other State aid, rather than by appropriating additional funds. Of the FY 2008 inflation adjustment, about $40.99 million will be reallocated from the Consolidated Municipal Property Tax Relief Aid Program (CMPTR). For most municipalities, the ERT increase will be fully offset by a decrease in CMPTR aid. However, some municipalities have insufficient CMPTR entitlements to fully fund the reallocation. This new language identifies $6,985,000 of the FY 2008 recommended funding for Special Municipal Aid ($132 million) as the additional source of municipal aid for reallocation to fully fund ERT.

2007 Appropriations Handbook	2008 Budget Recommendations
p. B-29	
Of the total amount allocated to the City of Camden from the appropriation for Special Municipal Aid, an amount not to exceed $3,000,000 shall be for the rehabilitation of municipal court facilities.	No similar language.

Explanation

The Governor has not recommended the FY 2007 language for continuation in FY 2008, because this required expenditure of $3,000,000 from Camden's Special Municipal Aid allocation in FY 2007 was intended to be a one-time allocation, used to rehabilitate the city's municipal court facilities.

Language Provisions (Cont'd)

2007 Appropriations Handbook	2008 Budget Recommendations
	p. D-68
No similar language.	Notwithstanding the provisions of P.L.2002, c.43 as amended (C.52:27BBB-1 et seq.) to the contrary, any municipality receiving State Aid provided through the "Special Municipal Aid Act," P.L.1987, c.75 (C.52:27D-118.24 et seq.) appropriation shall be subject to the provisions of the Special Municipal Aid Act and subject to entering into an agreement with the Department of Community Affairs to provide, among other things, for financial oversight.

Explanation

This recommended FY 2008 budget language is intended to reinforce the requirement that municipalities receiving State aid under the "Special Municipal Aid Act," P.L.1987, c.75 (C.52:27D-118.24 et seq.) must abide by the requirements set forth in that act for the municipalities receiving Special Municipal Aid, and must enter into an agreement (a memorandum of understanding) with the department for financial oversight, among other things. Special Municipal Aid Act funds, provided as loans, loan guarantees, or grants to eligible municipalities, generally are used to provide short-term financial assistance to these municipalities to enable them to meet immediate budgetary needs and regain financial stability. N.J.S.A.52:27D-118.29 requires that as a condition of receiving Special Municipal Aid, an eligible municipality must implement any government, administrative and operational efficiency, and oversight measures necessary for its fiscal recovery, as recommended by the commissioner and approved by the Local Finance Board, and must also be subject to management and fiscal audit by the Director of the Division of Local Government Services. The department has required each recipient municipality to enter into a memorandum of understanding between the municipality and the department concerning these conditions.

Language Provisions

2007 Appropriations Handbook	2008 Budget Recommendations
	p. D-68
No similar language.	The amount herein appropriated for the 2008 Municipal Property Tax Assistance Aid program shall be allocated to the same recipients and in the same proportion as the distribution of base formula municipal aid provided through the Consolidated Municipal Property Tax Assistance Aid program and the Energy Tax Receipts Property Tax Relief Fund program, as determined by the Director of the Division of Local Government Services, subject to the approval of the Director of the Division of Budget and Accounting.

Explanation

This recommended FY 2008 budget language provides for the allocation of a new category of municipal aid, "Municipal Property Tax Assistance Aid." The Governor has recommended $32.6 million for this category of aid in FY 2008. This recommended language requires that Municipal Property Tax Assistance Aid will be allocated to the same recipients and in the same proportion as the distribution of base formula municipal aid provided through the Consolidated Municipal Property Tax Assistance Aid program and the Energy Tax Receipts Property Tax Relief Fund program. This new aid program thus provides a two percent inflation adjustment in these two aid programs.

Discussion Points

1. The enacted FY 2007 budget anticipated savings from management efficiencies ($50 million), information technology efficiencies ($20 million) and procurement efficiencies ($15 million). These savings, while reflected in the Interdepartmental Accounts section of the budget, were to be obtained from executive agency budgeted appropriations, presumably in direct correlation with identified efficiency improvements.

- ***Question:*** **What amount of the department's original FY 2007 appropriations were reallocated to Interdepartmental Accounts as savings from management efficiencies, information technology efficiencies and procurement efficiencies, respectively? What specific efficiencies were achieved by the department that correlate to the reallocations? What adverse impacts, if any on the output and outcomes of department programs and services resulted or will result from these funding reallocations, in the current fiscal year and as projected for FY 2008?**

2. P.L.2005, c.163 created the Special Needs Housing Trust Fund, a nonlapsing revolving fund under the auspices of the New Jersey Housing and Mortgage Finance Agency (NJHMFA), to be funded through the issuance of bonds by the New Jersey Economic Development Authority (NJEDA) under the "Motor Vehicle Surcharges Securitization Act of 2004." The purpose of the fund is to finance permanent supportive housing and community residences for individuals with special needs, through loans, grants or other investments to finance or otherwise pay the costs of special needs housing projects. Section 5 of P.L.2005, c.163 provided that the Special Needs Housing Trust Fund was to receive an amount not to exceed $200,000,000 to fund the costs of special needs housing projects. In December, 2005, the NJEDA issued $51.4 million in bonds pursuant to this act and deposited $50 million into the Trust Fund.

- **Question: How many units of housing for individuals with special needs have been constructed as of March 1, 2007? How many of these units were occupied as of March 1, 2007? How many units will eventually be constructed with these Trust Fund resources? Where are constructed and planned units of housing located or to be located? What percentage of funding awarded to date takes the form of grants and loans, respectively? What percentage of funding assistance was provided to for-profit and not-for-profit sponsors, respectively? Please provide a list of the agencies that have received or been awarded funds from the Special Needs Housing Trust Fund, the amount per each agency and the number of units funded. How many units of housing does the NJHMFA intend to finance in FY 2008? Where will those units of housing be located?**

3. The FY 2008 recommendation for Special Municipal Aid is $132 million, down $42.7 million from FY 2007 combined funding for Special/Supplemental Special Municipal Aid of $174.7 million. Both the final allocation to municipalities of FY 2007 funding and the proposed allocation of FY 2008 funding is unknown. As of March 1, 2007, $52.1 million had been disbursed and $71.8 million was unspent and in 'reserve' status. Camden City, Bridgeton, Union City, Harrison, Paterson and Ewing have been among the most recent recipients of this aid. The program is intended to assist municipalities with severe budgetary and fiscal problems that could not be resolved without State assistance, and involves some

Discussion Points (Cont'd)

degree of enhanced State oversight of municipal budgeting, hiring and fiscal policies as a condition of receiving aid.

- **Question: Please list, by municipality, for State FY 2007, the amount of Special Municipal Aid expended to date, including to which local fiscal year the disbursement was credited. Please provide the same information for recommended FY 2008 funding. Which municipalities are targeted to receive any unspent FY 2007 funds, in what amount per municipality and for which local fiscal year? What was the purpose of the additional line item of Supplemental Special Municipal Aid? Which municipalities received funding under that line item? Has the Local Finance Board established a memorandum of understanding that sets forth the terms and conditions of enhanced State oversight with each municipality receiving Special Municipal Aid? If so, please provide a copy of each memorandum of understanding. If not, please identify the recipient municipalities with which no memorandum of understanding has been established, and state the reasons for the lack thereof. Please also provide detailed information on any permanent and temporary department staff assignments, as well as any private consultant contracts and assignments, for each municipality receiving Special Municipal Aid.**

4. During FY 2007, the Governor stated his intent to create and preserve 100,000 units of affordable housing for middle-income, moderate-income and low-income New Jersey residents over the next ten years. On September 26, 2006, while giving the keynote address at the Governor's Housing and Community Development Conference, the Governor linked the State's economic success to the housing market and the State's ability to provide affordable housing opportunities to its workforce. During her remarks, the Commissioner discussed the programs available to municipalities, through the department and the New Jersey Housing and Mortgage Finance Agency (NJHMFA), to assist in the development of affordable housing, and also announced several new State initiatives to create affordable housing opportunities. The CHOICE Pilot program is intended to develop mixed-income, home ownership housing in all municipalities. Towns and developers will be able to create their own mix of housing based on local conditions and local need. Projects can include market rate housing, affordable housing for low and moderate households, subsidized market rate housing and subsidized affordable housing for middle income families earning between 80% and 120% of area median income. The Municipal Loan Acquisition Program will provide funds to municipalities having an approved COAH plan or a Court approved plan, for the acquisition of vacant land where affordable housing can be developed, and for the closing costs for the purchase of the land. Municipalities have the option of developing the land themselves or may select a developer (either for-profit or non-profit) to develop the units of housing. The existing NJHMFA Closing Cost/Downpayment program, which provides loans for closing costs or down payments on homes, to bring homeownership within reach of more State residents, will include middle income households earning 120% of area median income, and up to 140% some in urban areas.

- **Question: Please provide information as to the number of affordable units created or preserved Statewide in FY 2007, and the location of those units. Please also provide information on the number of projects constructed, or planned, under the CHOICE Pilot program; the number of loans to municipalities under the Municipal Loan Acquisition Program along with the municipalities to which the loans have been made, and the amount of each loan; and the number of middle-income households**

Discussion Points (Cont'd)

that have received loans under the Closing Costs/Downpayment program. How many units of affordable housing are likely to be constructed or preserved in FY 2008? Does the department anticipate that the Governor's goal of 100,000 units preserved or created in 10 years will be met? If not, why not? To the extent that the Governor's 100,000-unit goal is met by *preserving* affordable housing units, then fewer affordable housing units will be *created.* What is the anticipated goal for creating and preserving affordable housing units, respectively? If no pre-determined targets have been set, what will determine whether greater emphasis will be placed on the creation of new units or the preservation of existing units?

5. a. The FY 2008 budget contains a new form of municipal aid, the Consolidation Fund, and provides a $15 million appropriation for that fund. The FY 2008 Budget In Brief provides a short description of the intent behind the creation of the fund. It appears that the Consolidation Fund is intended to augment the existing Sharing Available Resources Efficiently (SHARE) program to encourage the consolidation of local units of government, and the sharing of services between local units of government. Between the SHARE program and the Consolidation Fund, approximately $20 million in assistance will be available to local units of government for these purposes in FY 2008. The Budget in Brief also states that these two programs will allow the State to develop new incentives for municipalities, counties and other local units of government to conduct their work more efficiently.

- **Question: Please provide information about how Consolidation Fund aid will be awarded, and the requirements that must be met by local units of government seeking eligibility for aid from the fund. What types of consolidation activities will be funded by the Consolidation Fund aid? What criteria will be used by the department in determining the types of consolidation activities that will be funded using these monies? What types of new incentives does the department intend to develop for local governments using Consolidation Fund aid and SHARE aid? Does the department intend to award the aid for a feasibility study between local units seeking to consolidate? For start-up costs connected with a consolidation? Will Consolidation Fund aid be contingent upon the achievement of certain efficiencies by local units of government after a consolidation?**

5. b. The FY 2008 budget recommends $4.2 million for the SHARE program. If approved, this would be the fourth consecutive year of funding the program at that level. A review of fiscal records indicates that in fiscal year 2005 only $2.2 million of SHARE funds were expended or obligated; in FY 2006 the amount expended or obligated totaled only $912,000; and thus far in FY 2007, only $2.1 million has been expended or obligated. Furthermore, of the total available balance as of March 1, 2007 of $9.4 million, $6.2 million is in 'reserve' status. Also, a significant amount of recent SHARE grant activity has taken the form of COUNT grants to counties, which, according to the department's Website, are three year grants; thus, participating county shared service activities have been pre-funded through either 2008 or 2009 using state FY 2007 resources. Given the apparent abundance of unexpended SHARE resources, the historically low levels of funding award and disbursement relative to annual appropriations, and the recent practice of multi-year funding of COUNT activity, it appears that the SHARE program can continue apace in FY 2008 without any additional funding.

- ***Question:*** **How do the Governor and the Department justify the recommended FY 2008 funding for SHARE? What changes in statute, program focus or structure, or**

Discussion Points (Cont'd)

local government behavior has occurred or is anticipated that will result in full utilization of current and newly recommended SHARE resources by the close of FY 2008? Is the FY 2008 funding recommendation predicated on the lapse at the end of FY 2007 of the $6.2 million in 'reserve' status?

6. P.L.2004, c.140 established a State Rental Assistance Program, patterned after the federal section 8 rental housing choice voucher program, for low income individuals or households. The program provides rental assistance grants comparable to the federal section 8 program to State residents who are not currently holders of federal section 8 vouchers. (Because the State Rental Assistance Program is not tied to federal funds, the State is not constricted by federal guidelines on the operation of the program or the use of its funds.) Assistance from this program is terminated when the individual or family is awarded assistance under the federal section 8 rental assistance program. P.L.2004, c.140 required the commissioner to annually allocate from the Neighborhood Preservation Nonlapsing Revolving Fund not less than $3 million to qualified senior citizens, and not less than $7 million to the other program participants. Both the FY 2007 enacted budget and the FY 2008 recommended budget provide that not less than $20 million is to be made available to the program from this source. In addition to the annual funding allocation from this source, the FY 2008 budget recommends funding the program with $17.9 million from general State revenues.

Pursuant to State Rental Assistance Program rules (N.J.A.C.5:42-1.1 et seq.) rental assistance grants are awarded through a lottery-type process only to applicants currently on the department's existing Section 8 Housing Choice Voucher program waiting list. Project-based rental assistance is also a component of the program, whereby payments are allocated to new or rehabilitated housing units for 15 years, and paid when qualified tenants occupy those units. The program's regulations also require that 31% of the rental assistance grants are reserved for households currently on the department's existing Housing Choice Voucher Program waiting list. Essentially, this funding will be provided to people under the department's jurisdiction as a public housing authority for the purposes of the federal section 8 program. The regulations also provide that 30% of the rental assistance grants are reserved for senior citizens aged 65 years or older who are not currently receiving a rental subsidy under the Housing Choice Voucher Program.

The regulations also define the "calculation of S-RAP (State rental assistance program) subsidy" as the difference between the tenant rent and the applicable department payment standard. That payment standard ranges from the current federal Department of Housing and Urban Development-approved fair market rent to 110% of the fair market rent based upon bedroom size and housing market. The renter is responsible for all rent payments in excess of the payment standard.

Question: Please provide a report, by month, of the number and amount expended for tenant-based rental assistance vouchers in FY 2007 to date. Please also provide a report of the total expended and obligated for project-based new construction and project-based substantial rehabilitation vouchers, respectively, and the number of units awarded vouchers in each category. How many families and individuals were directly assisted by the program's funding? Please also provide a list of all of the municipalities under the department's jurisdiction as a public housing authority. Why are no other public housing authority waiting lists utilized for eligibility for the 31% of the grants reserved for households on the Housing

Discussion Points (Cont'd)

Choice Voucher Program waiting list? Does reserving 30% of all program funding for senior citizens aged 65 or older not receiving a rental subsidy under the Housing Choice Voucher Program result in too heavy a shift of benefits away from needy families? On what basis did the department choose to allow a department payment standard for the calculation of the amount of the subsidy up to 110% of fair market rents, but not beyond that amount, given that many of the State's municipalities have little or no housing available at 110% of fair market rent?

7. The Department's FY 2007 budget included funds for new initiatives, as follows: $4 million for Capital Improvements for Homeless Shelters; $500,000 for Capital Improvements for Rape Care Centers; and $1.5 million for Capital Improvements for Women's Shelters. Each program was characterized as meeting one-time needs of grantees selected to receive funding, and no additional funding is recommended to continue these initiatives in FY 2008, so in retrospect they may be one-time A review of fiscal records indicates that as of March 1, 2007, the department had committed substantially all funding for homeless shelters and rape care centers, but had apparently committed no funding for women's shelters, with the entire $1.5 million in 'reserve' status.

- *Question:* **Please provide a progress report on these three FY 2007 capital funding grant initiatives, including a list of grantees selected for funding, the amount awarded to each, and a description of the purposes for which grant funds will be spent and the impact these funds will have on client service levels. Did the Department successfully leverage any other funds when allocating these state funds? What percentage of grants applied for, in number and in dollars were funded by grant awards for homeless shelters and rape care centers, respectively? Why is there an apparent delay in implementing the initiative for women's shelters?**

8. The FY 2008 budget recommends an appropriation of $6 million for transfer to the Lead Hazard Control Assistance, with language providing for an additional $8 million; this is the same level of funding as is authorized for FY 2007. In response to an OLS discussion point on the FY 2007 recommended budget, the department projected that it would require funding for Lead Hazard Control Fund programs and activities as follows:

Outreach Program – lead hazard awareness and program promotion: $1.5 million.
Non-profit partners - outreach, relocation and loans: $2.5 million.
Emergency lead poisoning relocation – 200 long term, 200 short term: $7.3 million.
Lead hazard abatement project loans – 400 loans averaging $30,000 each: $12 million.
Total: $23.3 million

As of March 1, 2007, the combined FY 2006 and 2007 Fund fiscal activity was as follows:

Transfer from state FY 2006 appropriations: $10 million
Other income: $1.36 million
Balances from prior years: $1.568 million
Total Resources: $12.928 million
Expended: $1.056 million

Discussion Points (Cont'd)

Obligated: $.909 million
Pre-encumbered: $3.581 million
Total expended/committed: $5.546 million
Balance available: $7.382 million

None of the FY 2007 state appropriation has been transferred to the Fund; the entire $6 million is in 'reserve' status.

- *Question:* Please provide information on FY 2006 and FY 2007 spending to date based on the budget for those two fiscal years provided to the Legislature last year, as summarized above. Does the department still project that it will spend or commit an additional $17.8 million, as previously planned, by the end of FY 2007? If not, what is the revised budget for the Lead Hazard Control Fund for combined FY 2006 and FY 2007? For FY 2008? Is the FY 2008 recommended appropriation to the Fund predicated on the FY 2007 State appropriation being lapsed rather than transferred to the Fund in FY 2007? If not, how do the Governor and the Department justify the FY 2008 funding recommendation, since it implies that between $13.8 million and $19.8 million will be spent or committed in a16-month time period?

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Individuals wishing information and committee schedules on the FY 2008 budget are encouraged to contact:

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