

ANALYSIS OF THE NEW JERSEY
FISCAL YEAR 1999 - 2000 BUDGET



DEPARTMENT OF ENVIRONMENTAL
PROTECTION

PREPARED BY

OFFICE OF LEGISLATIVE SERVICES

NEW JERSEY LEGISLATURE

APRIL 1999

NEW JERSEY STATE LEGISLATURE

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DEPARTMENT OF ENVIRONMENTAL PROTECTION

Budget Pages..... C-8 to C-9, C-16, C-21 to C-22, C-26;
D-127 to D-152; E-5 to E-8; F-8 to F-10

Fiscal Summary (\$000)

	Expended FY 1998	Adjusted Appropriation FY 1999	Recommended FY 2000	Percent Change 1999-00
State Budgeted	\$354,630	\$362,596	\$379,769	4.7%
Federal Funds	36,257	178,148	182,965	2.7%
<u>Other</u>	<u>25,056</u>	<u>41,986</u>	<u>38,849</u>	<u>(7.5)%</u>
Grand Total	\$415,943	\$582,730	\$601,583	3.2%

Personnel Summary - Positions By Funding Source

	Actual FY 1998	Revised FY 1999	Funded FY 2000	Percent Change 1999-00
State	2,807	2,858	3,089	8.1%
Federal	146	132	146	10.6%
<u>Other</u>	<u>69</u>	<u>55</u>	<u>78</u>	<u>41.8%</u>
Total Positions	3,022	3,045	3,313	8.8%

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

Introduction

The Department of Environmental Protection (DEP) protects and manages the State's natural resources, preserves open space, monitors the State's beaches and ocean waters, regulates air and water pollution and hazardous waste generation, coordinates the remediation of pollution problems, and manages various aspects of solid waste disposal. The department operates many types of remedial, research and regulatory programs, many of which are directly or indirectly supported by revenues generated from general user fees, permit or license fees, penalty and fine charges, special taxes, bond acts, federal funds, and constitutional dedications.

Key Points

- ! The department's total State-funded appropriation is recommended at \$379.8 million, a net increase of \$17.2 million or 5 percent over the current adjusted funding level.
- ! The Direct State Services (DSS) portion of the State budget is recommended at \$188.1 million, an increase of \$5.5 million or 3 percent over the current adjusted appropriation. The recommended amount reflects increases of \$3.5 million to support 58 new positions in Parks Management, and \$578,000 to support 13 new positions in Land Use Regulation.
- ! A sum of \$98.0 million is recommended as the initial appropriation pursuant to the 1998 constitutional dedication for Open Space Preservation, as approved by voters in the Statewide referendum of November, 1998. That sum is included in the Interdepartmental Accounts-Capital Construction section of the recommended budget. The expenditure of these funds is subject to the enactment of enabling legislation.
- ! The total amount of Corporation Business Tax (CBT) revenues constitutionally dedicated for environmental purposes is \$70.0 million, an increase of \$12.6 million or 22 percent over the current level. This sum consists of DSS appropriations of \$5.0 million for Water Resources Monitoring and \$6.3 million for Administration of Cleanup Projects; and Capital Construction appropriations of \$35.4 million for Hazardous Substance Discharge Remediation and \$23.3 million for Private Underground Tank Remediation.
- ! Of the \$5.0 million in CBT funds recommended for Water Resources Monitoring, \$850,000 is authorized under proposed budget language in the Department of Agriculture's budget to be transferred to its Conservation Cost Share Program to support nonpoint source pollution control projects.
- ! Total Grants-In-Aid funding of \$350,000 is recommended, a decrease of \$364,000 or 51 percent from the current funding level. The reduction represents the elimination of the following items added to the FY 1999 Appropriations Act by the Legislature: \$220,000 for four natural resources engineering projects, and \$144,000 for a study concerning aircraft noise abatement. The sole Grants-In-Aid appropriation recommended for FY 2000 is \$350,000 to continue the Black Fly Treatment program on the Delaware River.
- ! The total State Aid budget is recommended at \$10.3 million, an increase of \$2.2 million or 27 percent over the current funding level. These additional funds are recommended for the Payment In Lieu of Taxes program, which is increased from \$2.32 million to \$4.52 million in anticipation of the passage of enabling legislation to implement the Open Space Preservation initiative.
- ! The total Capital Construction budget is recommended at \$88.4 million, an increase of \$21.9 million or 33 percent over the present funding level.
- ! In the Capital budget, \$27.3 million is recommended for Natural Resource Management projects, an increase of \$9.0 million over the FY 1999 total. This Statewide Program classification includes \$15.0 million for Shore Protection Fund projects, \$12.0 million for various maintenance and improvement projects in State parks, forests and wildlife areas, \$2.0 million for Ellis Island facilities, and \$3.2 million for historic preservation projects.

Key Points (Cont'd)

- ! In the Natural Resource Management-Capital budget, \$250,000 is recommended for capital improvements to the sanitary facilities under the Palisades Interstate Park Commission that are located in New Jersey. It currently receives \$875,000 for this purpose. The Commission's FY 1999 capital appropriation of \$100,000 to remove old or defective underground storage tanks is not renewed.
- ! The Capital Construction appropriation for various flood control projects supported by federal HR 6 funding is recommended at \$2.32 million, an increase of \$1.18 million over the present appropriation.
- ! A new Capital Construction appropriation of \$120,000 is recommended to replace old equipment owned by the State Mosquito Control Commission.
- ! The department's Debt Service requirement is recommended at \$92.6 million, a decrease of \$12.0 million or 12 percent from the current year's requirement.
- ! New budget language is recommended to authorize the use of \$1.1 million from the Shore Protection Fund Projects' Capital appropriation for repairs to the Bayshore Flood Control facility.
- ! The current \$20.0 million appropriation for Solid Waste Management-County Environmental Investment Debt Service Aid is recommended for continuation in FY 2000 and is displayed in the Department of the Treasury's budget.
- ! General Fund Provisions language recommends that \$5.0 million be appropriated from the Sanitary Landfill Facility Contingency Fund for transfer to the General Fund as State revenue. The current budget includes similar language that appropriates \$2.5 million from this fund for the same purpose.
- ! The off-budget or All Other Funds portion of the budget is estimated \$38.8 million, a decrease of \$3.1 million or 8 percent from the current adjusted total. This is mostly attributable to a total \$1.8 million or 12.8 percent reduction in miscellaneous receipts for the Publicly-Funded and Responsible Party Site Remediation programs and a \$1.5 million or 28.3 percent reduction in Drinking Water State Revolving Fund administrative costs.
- ! Federal funding is anticipated at \$183 million in FY 2000, an increase of \$4.4 million or 3 percent over the current estimated total. No new funding initiatives or major program changes are indicated at this time.

Program Description and Overview

The functions and programs of the Department of Environmental Protection (DEP) are grouped and displayed in the Budget Recommendation within six Statewide Program designations: Natural Resource Management, Science and Technical Programs, Site Remediation, Environmental Regulation, Environmental Planning and Administration, and Enforcement Policy. The DEP budget also includes funding for the following independent agencies that are budgetarily located "in, but not of" the department: the Palisades Interstate Park Commission, the Hazardous Waste Facilities Siting Commission, the Environmental Infrastructure Trust, the Low-Level Radioactive Waste Disposal Facility Siting Board, the Pinelands Commission, the Mosquito Control Commission, and the Board of Pilot Commissioners.

Budget/Organizational Structure

In the Budget Recommendation, each Statewide Program consists of program classifications. These designations generally correspond to an agency's functional or organizational structure and reflect the operating levels at which specific appropriations are recommended. The following is a brief description of each Statewide Program (with two-digit budget code) and its program classifications as they appear in the Budget Recommendation:

Natural Resource Management (42) is comprised of seven program classifications: Forest Resource Management, Parks Management, Hunters' and Anglers' License Fund, Shellfish and Marine Fisheries Management, Wildlife Management, Natural Resources Engineering, and the Palisades Interstate Park Commission. Organizationally, this portion of the budget funds the Division of Fish, Game and Wildlife, the Division of Parks and Forestry, the Green Acres program, the Engineering and Construction unit (shore protection, dredging, dam safety, flood control), and the New Jersey portion of the Palisades Interstate Park Commission.

Science and Technical Programs (43) is comprised of eight program classifications: Radiation Protection, Air Pollution Control, Water Supply and Watershed Management, Water Monitoring and Planning, Science and Research, Water Quality Management, Environmental Remediation and Monitoring, and Watershed Management Planning. Organizationally, this part of the budget primarily encompasses the Division of Science and Research, the Division of Watershed Management, the Division of Environmental Safety, Health and Analytical Programs, the Offices of Air Quality Management and Environmental Planning, and the Geological Survey.

Site Remediation (44) is comprised of three program classifications: Publicly-Funded Site Remediation, Responsible Party Site Remediation, and Environmental Remediation and Monitoring. This segment of the budget is entirely supported by bond funds, dedicated revenues and other non-State funding sources to manage the cleanup of sites contaminated by hazardous substances. These activities are carried out by the Division of Responsible Party Site Remediation, the Division of Publicly-Funded Site Remediation, and the Environmental Claims Administration unit.

Environmental Regulation (45) is comprised of six program classifications: Air Pollution Control, Water Supply and Watershed Management, Water Pollution Control, Public Wastewater Facilities, Land Use Regulation, and Solid and Hazardous Waste Management. Organizationally, this part of the budget generally supports the Division of Solid and Hazardous Waste, the Division of Water Quality, the Office of Pollution Prevention and Permit Coordination, the Hazardous Waste Facilities Siting Commission, and the units concerned with regulating water supply, land use (waterfront development, CAFRA, wetlands, etc.), and air quality control.

Program Description and Overview (Cont'd)

Environmental Planning and Administration (46) is comprised of two program classifications: Regulatory and Governmental Affairs, and Administration and Support Services. Organizationally, this portion of the budget funds the Commissioner's Office and all the department's support units that perform administrative, legal, legislative and public information functions.

Enforcement Policy (47) is comprised of five program classifications: Air Pollution Control, Pesticide Control, Water Pollution Control, Land Use Regulation, and Solid and Hazardous Waste Management. Organizationally, this part of the budget provides funding to the Office of Enforcement Coordination and the units responsible for the enforcement of laws pertaining to pesticide control, coastal and land use, solid and hazardous waste, air and environmental quality, and water pollution control.

FY 2000 Budget Overview

The department's recommended General Fund appropriation of \$379.8 million is \$17.2 million or 5 percent more than its FY 1999 adjusted appropriation of \$362.6 million. The higher funding level reflects increases of nearly \$21.9 million in Capital funding, \$5.5 million in Direct State Services (DSS), and \$2.2 million in State Aid. These increases are offset by a \$12.0 million reduction in Debt Service payments.

The initial appropriation of \$98.0 million for the new Open Space Preservation initiative is included in the Interdepartmental Accounts-Capital section of the Department of the Treasury's recommended budget. This measure, as approved by voters in a Statewide referendum in November, 1998, amended the State Constitution to provide a stable source of funding for open space preservation through the annual dedication of State sales tax revenues to support both pay-as-you-go funding and debt service payments for bonds issued for this purpose. Once enabling legislation is enacted to establish the administrative and policy parameters governing the management of this initiative, authorized funding will then be made available over the next 30 years to support the State's Green Acres, farmland preservation, and historic preservation programs.

Direct State Services

The recommended DSS or operating budget is \$188.1 million, an increase of \$5.5 million or 3 percent over the current adjusted budget of \$182.6 million. The major component of this increase is \$3.5 million in additional funding for the Parks Management budget in order to improve the overall condition of State-owned recreational lands. Of this amount, \$2.6 million would be used to hire 58 new full-time parks employees, such as rangers and maintenance staff, plus an unspecified number of seasonal parks employees. The balance of \$900,000 would support non-salary parks accounts that support equipment, supplies and other overhead costs for specific parks.

Another significant recommendation concerning staff augmentation is an increase of \$578,000 in the Land Use Regulation salary account to hire 13 new employees to expedite the processing of land use permits. Also, an increase of \$1.1 million is recommended in the appropriation of Corporation Business Tax (CBT) revenues dedicated for the administration of cleanup projects that are funded by this tax. The remainder of the recommended DSS budget for the departments's regular operating accounts and Special Purpose accounts differs little from current adjusted funding levels.

Program Description and Overview (Cont'd)

Grants-In-Aid

The recommended Grants-In-Aid budget consists of one item: the Black Fly Treatment-Delaware River program, which is continued at \$350,000. This sum helps support the State of Pennsylvania in efforts to eradicate this pest. Funding included by the Legislature in the current budget for the following four projects is not renewed in FY 2000: Green Brook Flood Control Commission (\$90,000), Barnegat Bulkhead (\$50,000), Surf City Bulkhead (\$50,000), and Ocean Gate Bulkhead (\$30,000).

State Aid

The recommended State Aid total of \$10.3 million is \$2.2 million more than the current total. All of this increase is attributable to the Payments In Lieu of Taxes program in anticipation of heightened land acquisition activity under the Open Space Preservation initiative. According to the Administration, the recommended funding level of \$4.5 million for this account corresponds to the revisions of the formula and criteria governing these payments that are part of the enabling legislation that is currently being drafted to implement the Open Space Preservation initiative.

All other State Aid programs, including the administrative accounts of the Mosquito Control Commission and the Pinelands Commission, plus funding for counties and municipalities under the County Environmental Health Act, are recommended at their current funding levels in FY 2000.

With respect to the department's current \$50 million State Aid appropriation for Open Space-Local Match, that account is displayed in the Interdepartmental Accounts-Capital section of the recommended budget within the same line item as the \$98 million appropriation recommended for Open Space Preservation (as explained in Footnote (a) on Budget Page E-24). This interim funding measure was provided in FY 1999 to continue the Green Acres and Farmland Preservation programs until future funding became available under the Open Space Preservation program. It should be noted that the FY 2000 appropriation of \$98 million represents the authorized amount that is constitutionally dedicated for the Open Space Preservation program; it is not a continuation of the FY 1999 appropriation for Open Space-Local Match.

Capital Funds

The Capital Construction recommendation of \$88.4 million is nearly \$22 million higher than the current Capital appropriation. Of this increase, \$11.5 million more is appropriated for the department's two CBT-funded accounts: Hazardous Substance Discharge Remediation, increased by \$7.3 million, to \$35.4 million; and Private Underground Tank Remediation, increased by \$4.2 million, to \$23.3 million. Annual funding levels for all CBT-funded accounts are determined by statutory percentages and allocation formulas related to the level of total CBT collections.

The department's other Capital account that receives annual dedicated funding is Shore Protection Fund Projects. This line item is supported by Realty Transfer tax revenues pursuant to P.L. 1992, c.148 and is funded at \$15.0 million in FY 2000, the same as its current funding level. However, new budget language is recommended to allocate up to \$1.1 million of this appropriation to finance repairs to the Bayshore Flood Control facility in Keansburg, Monmouth county.

The recommended Capital budget also includes \$12.3 million to repair and upgrade the infrastructure and facilities in various State-managed natural and historical resource areas, an increase of \$9.0 million over the current appropriation level. This recommendation includes \$2.0

Program Description and Overview (Cont'd)

million for improvements to buildings in the New Jersey portion of Ellis Island, \$250,000 for Palisades Park sanitary facilities, and \$3.2 million for renovations to State-owned historical facilities.

The department's remaining Capital appropriations are \$2.3 million for HR 6 Flood Control projects, an increase of nearly \$1.2 million over the present appropriation, and a new appropriation of \$120,000 for the New Jersey Mosquito Control Commission to replace old mosquito control equipment that it lends to counties.

Debt Service

The department's recommended Debt Service obligation for FY 2000 is \$92.6 million, a decrease of about \$12 million from the current funding level. This change is largely due to the gradual retirement of bonds from older bond acts and the corresponding decrease in principal and interest payments on these bonds.

Off-Budget

The department's off-budget accounts, also called "below the line" accounts, are displayed under the "**All Other Funds**" funding source designation in the Budget Recommendation (and in this report under "**Other Funds**"). These accounts contain revenues from special use taxes, bonds, special license plates, wildlife donations, the sale of merchandise, and other sources as displayed and itemized on Budget Page C-16 under "**Schedule II, Other Revenues.**" These monies are appropriated directly to the department for program support, but are not calculated or counted as on-budget appropriations due to the uncertainty of the amounts ultimately generated or needed for such support.

In FY 2000, the department's off-budget funding levels are estimated at \$38.9 million, a decrease of \$3.1 million or 8 percent, from the FY 1999 estimated level. This decrease is mostly attributable to a total \$1.8 million reduction in miscellaneous receipts for the Publicly-Funded and Responsible Party Site Remediation programs and a \$1.5 million reduction in Drinking Water State Revolving Fund administrative costs.

Federal Funds

The department anticipates it will receive \$183 million in federal funding in FY 2000, an increase of \$4.4 million or 3 percent over the current appropriation level. This estimate will be likely be revised later in the budget process as more information on the proposed federal budget for Federal FY 2000 becomes available. As displayed on Budget Pages C-21 and C-22, the department receives federal funding for about 70 separate programs and activities. At this point in time, it appears that there are no significant changes in the funding levels for any of these items, nor are there any new funding initiatives or terminations of any current programs.

Positions

According to the Budget In Brief and other data made public by the Administration concerning the Budget Recommendation, no State or federally-funded departmental employees are scheduled to be laid off due to salary account or program reductions in FY 2000.

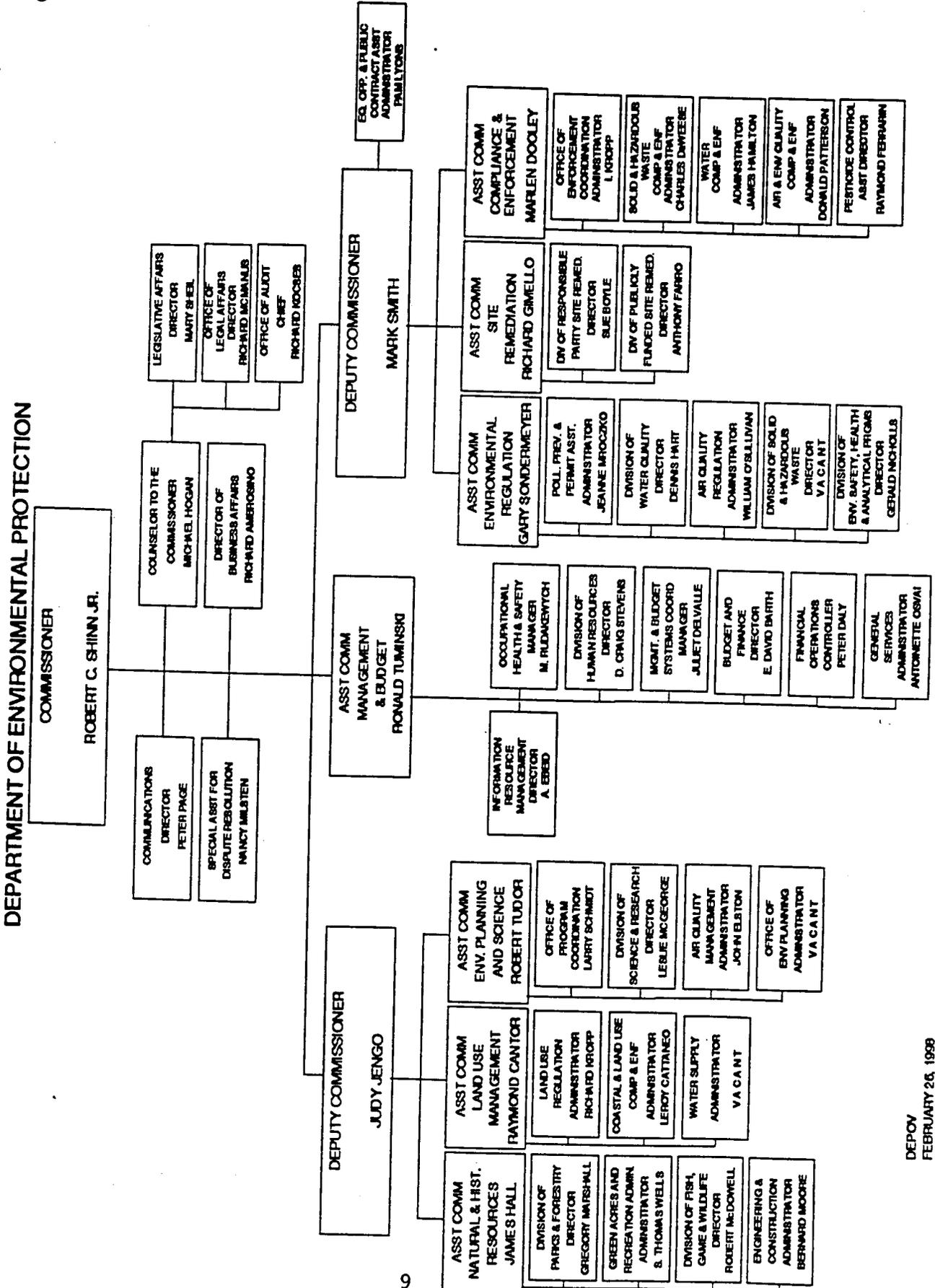
As displayed in the Recommendation and in the "Fiscal and Personnel Summary" section of this report, the FY 1998 and FY 1999 position data figures reflect the actual number of employees

Program Description and Overview (Cont'd)

on the department's payroll at a given point in time whereas the FY 2000 figures reflect the total number of positions to be funded without regard to vacancy status. The Recommendation lists 3,089 State-funded positions in FY 2000, compared to the FY 1999 payroll count of 2,858 positions.

As previously mentioned, the largest concentration of new positions is scheduled for the Division of Parks and Forestry, where \$2.6 million in additional salary funding has been recommended to hire 58 new field employees to restore and improve the conditions of recreational lands owned or managed by the department. These new positions, plus 38 more similar positions funded by \$1.5 million in special purpose funding in FY 1999 and continued in FY 2000, are intended to replenish many of the department's natural resources positions that have been lost to attrition and retirement over the past 10 years. These two funding initiatives are also intended to support the salary costs of up to 100 more seasonal or part-time positions, which are not counted in the position data presented in the budget.

Organization Chart



Fiscal and Personnel Summary

AGENCY FUNDING BY SOURCE OF FUNDS (\$000)

	Expended FY 1998	Adj. Approp. FY 1999	Recom. FY 2000	Percent Change	
				1998-00	1999-00
General Fund					
Direct State Services	\$189,264	\$182,636	\$188,114	-0.6%	3.0%
Grants - In - Aid	360	714	350	-2.8%	-51.0%
State Aid	9,242	8,062	10,262	11.0%	27.3%
Capital Construction	73,071	66,544	88,394	21.0%	32.8%
Debt Service	82,693	104,640	92,649	12.0%	-11.5%
Sub-Total	\$354,630	\$362,596	\$379,769	7.1%	4.7%
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	0	0	0	0.0%	0.0%
Sub-Total	\$0	\$0	\$0	0.0%	0.0%
Casino Revenue Fund	\$0	\$0	\$0	0.0%	0.0%
Casino Control Fund	\$0	\$0	\$0	0.0%	0.0%
State Total	\$354,630	\$362,596	\$379,769	7.1%	4.7%
Federal Funds	\$36,257	\$178,148	\$182,965	404.6%	2.7%
Other Funds	\$25,056	\$41,986	\$38,849	55.0%	-7.5%
Grand Total	\$415,943	\$582,730	\$601,583	44.6%	3.2%

PERSONNEL SUMMARY - POSITIONS BY FUNDING SOURCE

	Actual FY 1998	Revised FY 1999	Funded FY 2000	Percent Change	
				1998-00	1999-00
State	2,807	2,858	3,089	10.0%	8.1%
Federal	146	132	146	0.0%	10.6%
All Other	69	55	78	13.0%	41.8%
Total Positions	3,022	3,045	3,313	9.6%	8.8%

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

AFFIRMATIVE ACTION DATA

Total Minority Percent	13.4%	13.5%	13.7%	----	----
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Significant Changes/New Programs (\$000)

<u>Budget Item</u>	<u>Adj. Approp.</u> <u>FY 1999</u>	<u>Recomm.</u> <u>FY 2000</u>	<u>Dollar</u> <u>Change</u>	<u>Percent</u> <u>Change</u>	<u>Budget</u> <u>Page</u>
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NATURAL RESOURCE MANAGEMENT**DIRECT STATE SERVICES****Personal Services:**

Salaries and Wages	\$37,136	\$40,170	\$3,034	8.2%	D-132
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Within this line item, the Parks Management salary account is increased by \$2.6 million, from \$20.6 million to \$23.1 million. This increase, which will support the hiring of additional park rangers and maintenance staff, comprises the main portion of the Administration's \$3.5 million initiative to improve the condition of State-owned parks, forests and recreation areas. The remaining \$900,000 of this initiative is found in non-salary Parks accounts that support equipment, supplies and other overhead costs.

According to the Administration, this salary increase, when combined with \$1.5 million appropriated for the "Additional Park Staff" line item in FY 1999 and recommended again in FY 2000, would enable the department to hire up to 100 full-time and 100 seasonal parks employees as follows: The current \$1.5 million appropriation, which was included in the FY 1999 budget by the Legislature, is presently being used to hire 38 new, full-time employees plus an unspecified number of seasonal employees. The continuation of this appropriation would support these new positions during FY 2000. The recommended increase of \$2.6 million would support another 58 new, full-time employees plus an unspecified number of seasonal employees during FY 2000.

Special Purpose:

Natural Lands Trust	\$135	\$90	(\$45)	(33.3)%	D-132
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In the FY 1999 Appropriations Act, the Legislature added \$45,000 to this account. The recommended amount restores this line item to the amount both appropriated in FY 1998 and originally recommended in FY 1999.

The New Jersey Natural Lands Trust is an independent environmental corporation whose purpose is to acquire open space and to manage such land in its natural state. The Trust receives land donations from private property owners and utilizes local volunteers for its land management programs. State funds are provided to cover the departmental costs of staffing the Trust.

GRANTS-IN-AID

Green Brook Flood Control Commission	\$90	\$0	(\$90)	(100.0)%	D-132
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Barnegat Bulkhead Project	\$50	\$0	(\$50)	(100.0)%	D-132
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Surf City Bulkhead Project	\$50	\$0	(\$50)	(100.0)%	D-132
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Significant Changes/New Programs (\$000) (Cont'd)

<u>Budget Item</u>	<u>Adj. Approp. FY 1999</u>	<u>Recomm. FY 2000</u>	<u>Dollar Change</u>	<u>Percent Change</u>	<u>Budget Page</u>
Ocean Gate Bulkhead Project	\$30	\$0	(\$30)	(100.0)%	D-132

Funding for these four projects was included in the current budget by the Legislature. The department did not request further funding for these projects in FY 2000.

CAPITAL CONSTRUCTION

Bureau of Parks:

Administrative/ Maintenance Facilities Renovation, Rehabilitation & Maintenance	\$350	\$0	(\$350)	(100.0)%	E-5
Delaware River Recreational Path, Frenchtown to Milford	\$150	\$0	(\$150)	(100.0)%	E-5
Delaware and Raritan Canal-Irish Immigrant Canal Workers Memorial	\$50	\$0	(\$50)	(100.0)%	E-6
Picnic Area Rehabilitation-Variou State Parks and Forests	\$475	\$0	(\$475)	(100.0)%	E-6

The second and third items listed above were included in the current budget by the Legislature but the department did not request further funding for them in FY 2000. With respect to the first item listed above, the department requested an appropriation of \$1.225 million for FY 2000 while the Commission on Capital Budgeting and Planning recommended \$350,000. Further funding was not requested by the department for the last item listed above.

Bureau of Parks:

Buildings-Rehabilitation and Renovation	\$400	\$350	(\$50)	(12.5)%	E-5
Overnight Facilities-Development, Rehabilitation, Improvement and Repair	\$150	\$500	\$350	233.3%	E-6
Sanitary Facilities	\$500	\$950	\$450	90.0%	E-6

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

<u>Budget Item</u>	<u>Adj. Approp. FY 1999</u>	<u>Recomm. FY 2000</u>	<u>Dollar Change</u>	<u>Percent Change</u>	<u>Budget Page</u>
Site Areas/Facilities- Development, Rehab- ilitation and Repair	\$150	\$250	\$100	66.7%	E-6
These four project categories are recommended for continuation funding at different budget levels in FY 2000.					
Bureau of Parks: Dam Repairs and Inspections	\$0	\$325	\$325	—	E-5
Day Use Areas-Devel- opment, Rehabilita- tion, Improvement & Repair	\$0	\$350	\$350	—	E-5
Demolition of Unused Structures	\$0	\$500	\$500	—	E-6
Ellis Island	\$0	\$2,000	\$2,000	—	E-6
Health, Safety and Environmental Com- pliance	\$0	\$1,250	\$1,250	—	E-6
Historic Preservation/ Renovation-Buildings, Structures and Monu- ments	\$0	\$3,225	\$3,225	—	E-6
Recreational Areas- Development, Rehab- ilitation, Improve- ment and Repair	\$0	\$150	\$150	—	E-6
Road, Bridge and Park- ing Area Repairs	\$0	\$500	\$500	—	E-6
Shore Stabilization- Cape May Point	\$0	\$100	\$100	—	E-6
Division of Fish and Game: Dam Repair, Mainten- ance and Renovation	\$0	\$400	\$400	—	E-6

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

<u>Budget Item</u>	<u>Adj. Approp.</u> <u>FY 1999</u>	<u>Recomm.</u> <u>FY 2000</u>	<u>Dollar</u> <u>Change</u>	<u>Percent</u> <u>Change</u>	<u>Budget</u> <u>Page</u>
Demolition of Unused Structures	\$0	\$1,000	\$1,000	—	E-6
Pequest Hatchery Water Treatment	\$0	\$150	\$150	—	E-6

These 12 appropriations, totaling \$9.95 million, are new funding recommendations for FY 2000.

Palisades Interstate Park Commission: Sanitary Facilities- Various Locations	\$875	\$250	(\$625)	(71.4)%	E-6
Underground Storage Tank Remediation	\$100	\$0	(\$100)	(100.0)%	E-6

These two items comprise the recommended capital funding budget for the portion of New Jersey that is under the jurisdiction of the Palisades Interstate Park commission.

SCIENCE AND TECHNICAL PROGRAMS**DIRECT STATE SERVICES**

Special Purpose: Metedeconk Creek and Toms River Watershed Management Project	\$100	\$0	(\$100)	(100.0)%	D-137
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This supplemental appropriation is displayed as a result of the enactment of P.L. 1998, c. 67, which appropriated these funds to study the pollution problems in the Metedeconk Creek and Toms River watershed management areas. Pursuant to the act, this appropriation is to be derived from revenues constitutionally dedicated to the department from the Corporation Business Tax.

FEDERAL FUNDS

Watershed Management Planning	\$5,935	\$8,113	\$2,178	36.7%	D-137
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The recommended funding level reflects a net increase that includes a \$2.0 million grant for Non-Point Source Implementation from the federal Environmental Protection Agency, plus \$1.25 million in grants for wetlands acquisitions.

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

<u>Budget Item</u>	<u>Adj. Approp.</u> <u>FY 1999</u>	<u>Recomm.</u> <u>FY 2000</u>	<u>Dollar</u> <u>Change</u>	<u>Percent</u> <u>Change</u>	<u>Budget</u> <u>Page</u>
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SITE REMEDIATION

DIRECT STATE SERVICES

Cleanup Projects

Administrative Costs-

Constitutional

Dedication

\$5,200

\$6,300

\$1,100

21.2%

D-140

This appropriation represents a mandated portion of the 4 percent of annual revenues generated from the Corporation Business Tax (CBT) that are dedicated for specific environmental programs pursuant to a constitutional amendment approved by the State's voters in November, 1996. The program category above receives a maximum of 9 percent of the annual dedication for another category, Hazardous Substance Discharge Remediation (see next budget item), for administrative costs associated with hazardous waste site cleanup projects financed by CBT monies. The higher FY 2000 amount therefore corresponds to the projected increase in the dedicated appropriation for Hazardous Substance Discharge Remediation.

CAPITAL CONSTRUCTION

Office of Hazardous

Substance Control--

Hazardous Substance

Discharge Remedia-

tion-Constitutional

Dedication

\$28,100

\$35,400

\$7,300

26.0%

E-7

Private Underground

Tank Remediation-

Constitutional Dedic-

ation

\$19,100

\$23,300

\$4,200

22.0%

E-7

The first appropriation represents a mandated portion of the 4 percent of annual revenues generated from the CBT that are dedicated for specific environmental programs pursuant to the constitutional amendment cited in the previous item. This program category receives a minimum of one-half of the annual dedication for the cleanup of hazardous waste sites. The second appropriation represents another mandated portion of the CBT dedication and receives a minimum of one-third of the annual dedication for the upgrade, repair, and cleanup of privately-owned underground storage tanks, which are provided through a grant and loan program established under P.L. 1997, c.235.

The recommended increases in the appropriation levels for these two funding categories reflect higher anticipated levels of CBT collections in FY 2000.

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

<u>Budget Item</u>	<u>Adj. Approp.</u> <u>FY 1999</u>	<u>Recomm.</u> <u>FY 2000</u>	<u>Dollar</u> <u>Change</u>	<u>Percent</u> <u>Change</u>	<u>Budget</u> <u>Page</u>
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ENVIRONMENTAL REGULATION**DIRECT STATE SERVICES****Personal Services:**

Salaries and Wages	\$21,322	\$21,971	\$649	3.0%	D-143
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Of the recommended amount, an additional \$578,000 is included in the Land Use Regulation program classification to hire 13 new employees to help reduce the review time for State-issued land use permits.

CAPITAL CONSTRUCTION

Water Supply and
Flood Plain Mgmt.--
Flood Control HR 6
Projects

	\$1,144	\$2,324	\$1,180	103.1%	E-8
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This appropriation is used to match federal funding for flood control projects authorized under the federal "Water Resources Development Act of 1986." The department and the Commission on Capital Budgeting and Planning recommended that \$7.2 million be appropriated in FY 2000 in order to match \$37.5 million in federal funds and \$2.5 million in local funds for the following projects: Ramapo River in Oakland, Newton Creek, Green Brook, Poplar Brook, Molly Ann's Brook, the Passaic River Storage Area, Mill Brook, Minish Park, South River, Upper Rockaway and Upper Passaic. It is not yet known how the federal share will be affected by the recommended State funding level.

ALL OTHER FUNDS

Drinking Water State
Revolving Fund

	\$5,443	\$3,900	(\$1,543)	(28.3)%	D-145
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Although classified under "All Other Funds," this line item is comprised of federal funds used to administer the federal "Safe Drinking Water Act," a national program that sets revised standards for drinking water quality. These funds are used by the department and the N.J. Environmental Infrastructure Trust (formerly the Wastewater Treatment Trust) to administer a federally-supported, low-interest loan program to assist owners of public water supply systems in upgrading, repairing or expanding their facilities. The net decrease for FY 2000 reflects the non-renewal of a federal award of \$2.795 million in FY 1999 that was used to delineate and assess community water systems in preparation for the implementation of source water protection measures.

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

<u>Budget Item</u>	<u>Adj. Approp. FY 1999</u>	<u>Recomm. FY 2000</u>	<u>Dollar Change</u>	<u>Percent Change</u>	<u>Budget Page</u>
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ENVIRONMENTAL PLANNING AND ADMINISTRATION**DIRECT STATE SERVICES****Personal Services:**

Salaries and Wages	\$12,784	\$13,411	\$627	4.9%	D-147
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**Additions, Improve-
ments and Equipment**

	\$1,804	\$2,364	\$560	31.0%	D-147
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These increases are recommended for the Administration and Support Services program classification to cover higher Master Lease costs for vehicles and computer equipment, as well as for personnel costs incurred from management "restructuring" in FY 1999 that resulted in the creation and abolishment of several high-level management positions.

GRANTS-IN-AID**New Jersey Citizens for
Environmental
Research-Aircraft
Noise Abatement
Study**

	\$144	\$0	(\$144)	(100.0)%	D-147
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This appropriation was included in the current budget by the Legislature to support a study to assess aircraft noise affecting north and central New Jersey residents. The department did not request further funding in FY 2000 for this purpose.

STATE AID**Payment In Lieu of
Taxes**

	\$2,320	\$4,520	\$2,200	94.8%	D-147
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This line item funds the statutory payments that are annually made to municipalities that contain State-owned lands managed by the department, i.e. State parks, forests or wildlife management areas. The increase is proposed in anticipation of a revised compensation formula for these payments, which is expected to be included in the enabling legislation (currently being drafted) that will implement the 1998 constitutional dedication of sales tax revenues for open space acquisition.

According to the Administration, this increase follows a recommendation by the Governor's Council on New Jersey Outdoors that such payments be raised in order to provide an incentive to municipalities to support expansion of State parks and wildlife areas.

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

<u>Budget Item</u>	<u>Adj. Approp.</u> <u>FY 1999</u>	<u>Recomm.</u> <u>FY 2000</u>	<u>Dollar</u> <u>Change</u>	<u>Percent</u> <u>Change</u>	<u>Budget</u> <u>Page</u>
CAPITAL CONSTRUCTION					
Administrative Operations:					
Mosquito Control Equipment	\$0	\$120	\$120	—	E-8

This appropriation is recommended for the State Mosquito Control Commission so it can replace some of the antiquated equipment it annually provides to counties and the Agricultural Experiment Station under its Equipment Use Program.

Language Provisions

NATURAL RESOURCE MANAGEMENT

1999 Appropriations Handbook

P. B-57

The amount hereinabove for the Green Acres Administration account is appropriated from the 1992 New Jersey Green Acres Fund and the 1992 New Jersey Green Trust Fund pursuant to the "Green Acres, Clean Water, Farmland and Historic Preservation Bond Act of 1992," P.L. 1992, c. 88, and the 1995 New Jersey Green Acres Fund and the 1995 New Jersey Green Trust Fund pursuant to the "Green Acres, Farmland and Historic Preservation and Blue Acres Bond Act of 1995," P.L. 1995, c. 204, together with an amount not to exceed \$1,910,000 subject to the approval of the Director of the Division of Budget and Accounting, for the administration of the Green Acres program.

2000 Budget Recommendations

p. D-134

The amount hereinabove for the Green Acres Administration account is appropriated from the 1995 New Jersey Green Acres Fund and the 1995 New Jersey Green Trust Fund pursuant to the "Green Acres, Farmland and Historic Preservation and Blue Acres Bond Act of 1995, P.L. 1995," c. 204, together with an amount not to exceed \$1,880,000 subject to the approval of the Director of the Division of Budget and Accounting, for the administration of the Green Acres program.

Explanation

The recommended language eliminates the references to the 1992 Green Acres bond act and the spending Funds established by it because all available bond monies from this act are expected to be expended or obligated by the end of FY 1999. The recommended language also decreases the supplemental amount appropriated for program expenses, which is specifically used to pay for fringe benefits and overhead costs.

SITE REMEDIATION

1999 Appropriations Handbook

p. B-61

There is appropriated from the Hazardous Discharge Fund of 1986, created pursuant to section 14 of the "Hazardous Discharge Bond Act of 1986," P.L. 1986, c. 113, an amount not to exceed \$566,000 for administrative costs associated with the cleanup of hazardous waste sites, subject to the approval of the Director of the Division of Budget and Accounting.

2000 Budget Recommendations

No comparable language.

Language Provisions (Cont'd)

Explanation

This language is eliminated because the referenced administrative costs will be supported in FY 2000 by a portion of the Corporation Business Tax (CBT) revenues that are constitutionally dedicated to the department's "Cleanup Projects, Administrative Costs - Constitutional Dedication" line item (see Budget Page D-140). This account is recommended to receive \$6.3 million in FY 2000, an increase of \$1.1 million over its current funding level. The elimination of this authorization thereby enables all of the remaining 1986 bond act funds to be used for project costs.

1999 Appropriations Handbook2000 Budget Recommendations

p. B-61

The amount hereinabove for the Spill Prevention, Response and Site Cleanup, Non-Site Specific Costs account is appropriated from the New Jersey Spill Compensation Fund, together with receipts in excess of those anticipated, not to exceed \$684,000, subject to the approval of the Director of the Division of Budget and Accounting.

No comparable language.

Explanation

This provision is eliminated because the cited Special Purpose account is to be consolidated into the regular operating accounts of the Division of Publicity - Funded Site Remediation in FY 2000 (as cited by Footnote (b) on Budget Page D-141). The funding source remains the same because the division's regular operating accounts are supported by the Spill Compensation Fund pursuant to recurring budget language. This is essentially an accounting revision that should have no effect on the spending or funding level of this activity.

1999 Appropriations Handbook2000 Budget Recommendations

No comparable language.

p. D-141

The amount hereinabove for the Underground Storage Tanks account is appropriated from responsible party cost recoveries deposited in the Hazardous Discharge Site Cleanup Fund.

Language Provisions (Cont'd)

Explanation

The proposed language changes the funding source of this account from General Fund monies to responsible party monies deposited into the Hazardous Discharge Site Cleanup Fund. The current and recommended appropriations for this line item, which supports the costs of administering State and federal underground storage tank laws, are \$714,000.

ENVIRONMENTAL REGULATION

1999 Appropriations Handbook

P. B-64

Notwithstanding the provisions of P.L. 1985, c. 533 (C.13:1E-99.1 et seq.) or any other law to the contrary, all sums in the Clean Communities Account Fund, other than the amount appropriated from the fund for Parks Management to offset the cost of Parks' litter pickup program, shall be distributed as grants to municipalities and counties in accordance with the same criteria used for distribution of grants from the fund pursuant to the fiscal year 1996 appropriations act, P.L. 1995, c. 164, as determined by the Director of the Division of Budget and Accounting in consultation with the Commissioner of the Department of Environmental Protection.

2000 Budget Recommendations

P. D-146

Same language, except "...and for the Department of Transportation to offset the cost of litter pickup along State highways" is added after "... Parks' litter pickup program."

Explanation

The inclusion of the DOT reference is recommended in conjunction with new budget language recommended in the DOT budget that appropriates \$2.0 million from the Clean Communities Fund to offset the operating costs of its litter pickup program (see Budget Page D-365).

Language Provisions (Cont'd)

1999 Appropriations Handbook2000 Budget Recommendations

p. B-65

Notwithstanding the provisions of sections 5 and 6 of P.L. 1995, c. 188 (C.26:2C-9.5 and 26:2C-9.6), Air Surcharge Reengineering fees, and the unexpended balance as of June 30, 1998 not to exceed \$100,000, are appropriated for costs attributable to Air Reengineering Projects.

No comparable language.

Explanation

This language is no longer necessary because all available revenues in this account are expected to be expended or obligated by the end of FY 1999. This provision was first included in the FY 1998 Appropriations Act by the Legislature to reappropriate the approximately \$340,000 in unexpended funds in this account. Most of the total surcharge amount, about \$2.9 million, was collected during FY 1996 and was used to develop an air permit computerization system.

 ENFORCEMENT POLICY
1999 Appropriations Handbook2000 Budget Recommendations

p. B-68

The unexpended balance as of June 30, 1998 in the Operation Clean Shores account is appropriated to the Operation Clean Shores State Aid account.

No comparable language.

p. D-9

The funds transferred from the Operation Clean Shores direct state services account are appropriated for state and local costs attributable to the Cooperative Coastal Monitoring Program, Sewerage Infrastructure Improvement Act monitoring of stormwater systems, and integrated Geographical Information System watershed baseline mapping.

p. D-151

The unexpended balance as of June 30, 1999 in the Operation Clean Shores State Aid account is appropriated for state and local costs attributable to the Cooperative Coastal Monitoring Program, Sewerage Infrastructure Improvement Act monitoring of stormwater systems, and integrated Geographical Information system watershed baseline mapping.

Language Provisions (Cont'd)

Explanation

Both of the FY 1999 language provisions were included in the current budget by the Legislature. The first language provision authorized the reappropriation and transfer of this program's Direct State Services account balance, \$520,000, to its State Aid account in order to make these funds available for the programs and activities specified in the second language provision. The second provision is then amended in FY 2000 to authorize the reappropriation of any unexpected balances that may remain in this State Aid account at the end of FY 1999.



DEPARTMENT-WIDE LANGUAGE

1999 Appropriations Handbook

2000 Budget Recommendations

p. B-68

<p>Notwithstanding the provisions of section 3 of P.L. 1997, c. 235 (C.58:10A-37.3), receipts derived from the repayment of any outstanding loans made from the State Underground Storage Tank Improvement Fund are anticipated as revenue to the General Fund.</p>	<p>No comparable language.</p>
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Explanation

The language is eliminated because no further loan repayment receipts are expected to be received in FY 2000.



CAPITAL CONSTRUCTION

1999 Appropriations Handbook

2000 Budget Recommendations

No comparable language

p. E-7

An amount not to exceed \$1,100,000 is allocated from the capital construction appropriation for Shore Protection Fund Projects for repairs to the Bayshore Flood Control Facility.

Language Provisions (Cont'd)**Explanation**

This language authorizes up to \$1.1 million to be used for repair and rehabilitation work to the hurricane closure gate, pumping station facilities, storm water pitfalls, and the steel bulkhead at the Bayshore Floodgate Facility, which is located in Keansburg, Monmouth county. The designated amount would be taken from the \$15.0 million appropriation recommended for the Shore Protection Fund Projects account, which is statutorily funded from realty transfer tax revenues.

Discussion Points

1. In the FY 1999 budget, \$50 million in State Aid funding, entitled "Open Space-Local Match", was appropriated to the DEP to provide interim funding for the Green Acres and Farmland Preservation programs so they could keep operating until new funding under the Open Space Preservation initiative becomes available in FY 2000 and thereafter. (An appropriation of \$98.0 million for this purpose is included on Page E-24 of the FY 2000 recommended budget.) According to last year's testimony by the department, one-half of the \$50 million would finance matching acquisition grants to localities that had dedicated taxes or funding for open space, while the other half would be allocated to the Farmland Preservation program. Current and recommended budget language requires the DEP portion of this appropriation to be used in accordance with existing Green Acres program eligibility and ranking criteria.

! *Question:* Please provide information concerning the number and value of grants that have or will be awarded under this program, including the names of grant recipients and the administrative costs incurred by the department thus far. Please identify any grants that were or will be given to localities that do not have funding mechanisms or taxes dedicated for open space, and explain why these recipients are eligible for such grants. How will these funds be utilized in relation to ongoing Green Acres and Farmland Preservation projects? How will they be used in conjunction with monies from the Open Space Preservation initiative?

2. In both the current and recommended Parks Management budgets, appropriations of \$1.5 million for "Additional Park Staff" and \$500,000 for "Site Restoration and Maintenance" are included as Special Purpose line items (see Page D-132 of the recommended budget). The FY 1999 appropriations were added by the Legislature. The Administration has proposed an additional \$3.5 million for parks operation and maintenance in FY 2000. According to the Office of Management and Budget, a total of 96 new full-time parks positions, 100 new seasonal positions, plus non-salary services will be supported by these two-year appropriations.

! *Question:* Please provide a status report of the number of new positions filled thus far, plus a timetable for filling the remaining positions supported by this initiative. Please include the title and location of each new position, and whether it constitutes additional staff or replaces a position previously vacated. Please describe how the "Site Restoration and Maintenance" appropriations have or will be spent, as well as the non-salary portion of the \$3.5 million initiative. How will these expenditures dovetail or be affected by the \$12 million in Capital budget recommendations for parks and forests?

3. Appropriations of \$100,000 for the study of the Metedeconk Creek and Toms River Watershed Management Project and \$144,000 for the N.J. Citizens for Environmental Research-Aircraft Noise Abatement Study are included in the current budget. The first appropriation was mandated under P.L. 1998, c.67 while the second was included by the Legislature during the FY 1999 budget process.

! *Question:* Please describe the progress of these studies along with any preliminary findings that should be brought to the attention of the Legislature.

Discussion Points (Cont'd)

4. The Payment In Lieu of Taxes (PILOT) appropriation provides State Aid payments to municipalities that contain State-owned lands managed by the department. The recommended appropriation of \$4.52 million is \$2.2 million more than the current funding level. According to the Administration, this increase is intended to encourage or promote greater local participation in the new Open Space Preservation initiative. This increase is also recommended in anticipation of a major revision of the existing statutes that govern PILOT payments; such revisions are expected to be included in the enabling legislation that will implement the new Open Space program.

! *Question:* How was the recommended increase calculated? How much more would existing PILOT recipients receive under the new appropriation? How will future appropriations to this account be affected by the rate of land purchases financed under the Open Space Preservation initiative?

5. Two issues concerning contamination have emerged during the past year. First, some former farms slated for development have been found to contain dangerous levels of pesticides in the soil. A Historic Pesticide Contamination Task Force was created to study this problem and issued a draft report that called for voluntary guidelines to address this problem. Second, high radium levels have been found in various public water supplies. The department decided not to require the testing or removal of this element from public water supplies at this time because it is awaiting the issuance of federal guidelines concerning this contaminant.

! *Question:* How will the department respond to the task force report? What is the department's response to assertions by various environmental groups, and U.S. Senator Frank Lautenberg, that the department should not wait two years for federal guidelines to be issued before testing and remediating public water supplies with radium? Please estimate the cost and manpower of implementing a State program to regularly test and remediate such water supplies. Could such remediation assistance be available under the federal "Safe Drinking Water Act" or any other existing State or federal program?

6. Since FY 1998, the Legislature has authorized up to \$40 million in State Aid funding to assist counties in meeting debt service requirements for solid waste investments (primarily incineration construction). This aid is in response to federal court rulings that abrogated the State's authority to control county solid waste flow, thereby leaving certain counties with "stranded debt." As of this writing, \$20 million has been appropriated (in FY 1998) against this \$40 million authorization and another \$20 million appropriation is pending in FY 1999. Grant payments totaling \$16 million have been made thus far to utility authorities in Union, Gloucester, Passaic and Atlantic counties. The Governor's FY 2000 budget calls for a third \$20 million installment, this time as a budgeted line item in the Department of the Treasury (see Budget Page D-410) rather than as a language authorization.

Additional assistance for counties came from voter approval of a Statewide referendum in November, 1998 that amended several bond acts from the 1980's. The referendum authorized the use of grants (rather than loans) to counties for debt service payments and also forgave counties from the repayment on outstanding balances of prior loans financed through these bond acts to support incinerator construction.

! *Question:* What is the current status of the county solid waste problem with respect to bonded indebtedness? With respect to the public ballot questions, what has the impact been thus far on the debt service problem? Have these two State Aid initiatives stabilized or remediated the situation? Is there a need for a larger scale initiative encompassing State refinancing and/or possible assumption of county debt obligations, or can a

Discussion Points (Cont'd)

continued annual appropriation stream similar to what has occurred thus far meet projected needs?

7. December 22, 1998 was the federal deadline for closing or remediating most privately-owned underground storage tanks in New Jersey. Loans and grants financed by revenues constitutionally dedicated from the Corporation Business Tax (CBT) have been available to help businesses affected by the deadline. This program has received nearly \$50 million since FY 1998 and is recommended to receive another \$23.3 million in FY 2000.

! *Question:* Please provide a status report on the number of grants and loans awarded thus far, including the total award balance and the number and value of pending applications. What have the program's administrative costs been thus far? What are the department's administrative costs to monitor and enforce the federal deadline? How far in the future will such CBT funding need to be maintained, and at what levels?

8. Current and recommended budget language (on Budget Page E-7) authorizes an unspecified portion of the CBT dedication for hazardous substance cleanups to be made available for site remediation of State-owned underground storage tanks. A State-funded appropriation of \$10 million is also included for this purpose in the Capital section (under Interdepartmental Accounts) of both the current budget and the recommended budget (see Budget Page E-23).

! *Question:* What is the total estimated CBT allocation for State-owned tanks in FY 2000? Please provide a listing of the State-owned underground storage tank sites that will receive CBT funding in FY 1999 and FY 2000. Please list any sites that are being funded from both CBT and the State Capital funding.

9. The Governor's budget includes language on Budget Page G-2 that appropriates \$5.0 million from the Sanitary Landfill Facility Contingency Fund for transfer to the General Fund as State revenue. Similar appropriation transfers, totaling \$35.8 million, have been previously effectuated since FY 1995. The Fund's estimated balance at the end of FY 1999 is \$28.6 million; at the end of FY 2000, \$24.9 million. The Fund, which receives tax revenues of \$0.50 per ton of solid waste accepted at landfills, was created by P.L. 1981, c. 306 to provide a funding source to compensate individuals for damages from contamination from landfills.

! *Question:* In light of the Sanitary Landfill Fund's relatively healthy year-end balance, its continued use over the last five years as a source of State revenue for the General Fund, and its relatively low payout rate for successful claims (\$8,000 in FY 1998; \$510,000 estimated for FY 1999; and \$810,000 estimated for FY 2000), does the department have any suggestions or recommendations concerning the future utilization of the Fund's balances, or its continuing rate of taxation? Is the assessment of this tax still justified given the Fund's financial status and the future rate of anticipated claims? What is the actuarial status of future claims versus future payouts?

Discussion Points (Cont'd)

10. The "Budget In Brief" states that \$578,000 in additional salary account funding has been recommended for the Land Use Regulation Unit to hire 13 full-time staff to help reduce permit review times for land use permits.

! *Question:* Please describe the impacts these additional employees will have on the processing of land use permits and when such impacts will be realized. What impacts, if any, will the proposed rules and regulations (if approved) concerning land use development affected by the State Development and Redevelopment Plan have on permit staff?

11. The State Recycling Tax (created by P.L. 1981, c. 278) expired on December 31, 1996. This tax was imposed on owners of landfills in order to support a grant program for counties and municipalities to promote recycling. While \$3.4 million in grants are still expected to be awarded in both FY 1999 and FY 2000, (\$6.0 million was awarded in FY 1998), the absence of new recycling tax revenues will eventually terminate this program. Balances in the State Recycling Fund are projected to decline to \$5.7 million by June 30, 2000.

! *Question:* What impacts on county and local recycling programs have occurred or are expected to occur as a result of the reduced, and eventual elimination of, State recycling grants? Since some municipal recycling programs had been subsidized by county tipping fees, what impacts have there been thus far on county and local recycling programs resulting from the federal court decisions to declare State waste flow laws as unconstitutional?

Background Paper: Status of Open Space Preservation Funding

In November, 1998, a stable funding source for open space acquisition and development was overwhelmingly approved by voters in a Statewide referendum. This measure amended the State Constitution to allow up to \$98 million in sales tax revenues to be appropriated annually over the next 30 years to purchase up to one million acres of land over the next ten years for preservation or recreational purposes. The Open Space Preservation initiative will therefore continue the financing of the Green Acres, Farmland Preservation and Historic Preservation programs, which had been funded by various bond acts over the last 37 years.

On Budget Page E-24, in the Interdepartmental Accounts section of the FY 2000 Budget Recommendation, the first \$98 million installment pursuant to the constitutional amendment is displayed as a Capital Construction line item entitled "Garden State Trust Fund Authority - Open Space Preservation." Funds from this line item will ultimately be distributed to three State departments: Agriculture, for farmland preservation; Environmental Protection, for land acquisition and development; and State, for historic preservation. While the current and recommended appropriations for the administration of these programs are derived from previous bond act funds, the future funding source for such expenses has not yet been determined.

At the time of this writing, enabling legislation is being developed to establish the necessary funding mechanisms and policies that will guide the distribution of these funds. It is probable, however, that some of these policies and procedures will closely follow or continue those already in place under the existing Green Acres, Farmland Preservation, and Historic Trust programs. The balance of this paper will therefore examine the foundations upon which the bill may be based, namely the constitutional amendment and the current policies and procedures of the Green Acres program.

The Constitutional Amendment

The statewide referendum approved last November amended Article VIII, Section II of the State Constitution by adding a new paragraph 7 to this section that contains the following major elements:

- ! Beginning July 1, 1999 and in every fiscal year thereafter through FY 2009, \$98 million will be appropriated annually to a special account in the General Fund. This sum will be derived from State sales tax revenues for the purpose of providing direct (i.e. "pay as you go") funding to acquire and develop lands for recreation and conservation purposes, to preserve farmland and historic sites, and to meet debt service payments for up to \$1.0 billion in bonds that may be issued during this ten-year period for these purposes.
- ! Beginning July 1, 2009 and in every fiscal year thereafter through FY 2029, up to \$98 million will be appropriated annually to the General Fund from sales tax revenues to satisfy any debt service payments relating to the bonds issued from FY 2000 through FY 2009 for open space preservation purposes pursuant to this amendment.
- ! All dedicated moneys, as has been the case with all previous open space bond funds, will be allocated through specific appropriation acts approved by the Legislature.
- ! An authority or similar entity must be established by law to govern or administer the provision of these funds and will consist of members appointed by the Governor and the Legislature. The Governor has referred to this entity in the Budget Recommendation as the "Garden State Trust Fund Authority" (see below).

Background Paper: Status of Open Space Preservation Funding (Cont'd)

- ! Any moneys derived from open space loan repayments, investment income earnings, or other sources will be deposited in the special account and dedicated for the same purposes as cited above. These funds can be used indefinitely.
- ! The Legislature is prohibited from utilizing these dedicated funds for any other purposes.

General Information on the Green Acres Program

The Green Acres program was first established pursuant to the "New Jersey Green Acres Land Acquisition Act of 1961," P.L.1961, c.45. That act authorized the DEP to award grants to local government units for the acquisition of lands for recreation and conservation purposes. These grants were funded from the sale of bonds authorized pursuant to the "New Jersey Green Acres Bond Act of 1961," P.L.1961, c.46. Subsequently, from 1971 through 1995, two implementing laws plus eight additional Green Acres bond acts were approved by the State's voters.

With the exception of the 1987 bond act, which did not provide funding for State projects, each of the Green Acres bond acts has authorized funding for both State projects and local projects. Since 1989, nonprofit organizations have been eligible to receive matching Green Acres grants.

The 1983 bond act established the Green Trust, which has been continued and expanded in each of the four bond acts approved subsequently in 1987, 1989, 1992, and 1995, respectively. The Green Trust is a dedicated fund from which low interest loans (i.e., 2% interest, with a 20-year term) or grants are awarded for acquisition or development projects by local government units.

The Application Process

State acquisition projects are ranked and selected for funding by the DEP after soliciting input from various offices within the department and after consideration of suggestions from the public. The funding process involving local government projects typically begins with a DEP announcement that designates an application period, at which time every local government unit in the State is sent a packet explaining the application process. Completed applications are ranked according to criteria established by the DEP (see below), and are then placed on an approved project list that is influenced in part by the amount of funding being made available for that particular round of awards. The approved list is usually announced by the Governor's office, and then submitted in bill form to the Legislature for approval.

The time period from the application deadline until submission of the approved project list to the Legislature is usually about six months. It is important to note that on October 19, 1998, the DEP adopted new Green Acres program regulations that, among other things, dropped the single annual application deadline of October 31 in favor of allowing applications to be submitted year round. The DEP will still, however, rank and approve or deny applications at least twice annually.

In the past, the amount of funding made available to local government applicants often depended upon the proximity of a funding round to voter approval of a new bond act. However, most reasonable requests for funding that met established criteria and ranked sufficiently high on the priority list received at least some funding. In order to distribute the moneys made available in any particular funding round to as many eligible local government units as possible, project funding categories sometimes were capped at a set maximum amount and large projects requesting substantial sums were divided into phases so that they could be funded over two or more funding rounds.

Background Paper: Status of Open Space Preservation Funding (Cont'd)

Project Selection Process

Local Green Acres projects are ranked for funding priority according to a point allocation system involving various factors, including open space needs, environmental protection issues, historic resource preservation issues, public involvement and support, project quality, whether the project is from a first time applicant, and the extent of any donations received for the project. The system is designed to reflect the degree to which proposed projects are consistent with the New Jersey Open Space and Outdoor Recreation Plan, policy directives set forth in the various Green Acres bond acts, the State Development and Redevelopment Plan, and the Pinelands Comprehensive Management Plan.

While the ranking system is objectively based, some subjectivity is interjected into the process when the Green Acres program staff engages in the process of actually assigning point totals within the ranges authorized for each factor. For example, judgment calls on a point total to be assigned to a ranking factor for a particular application may be influenced by a staff person's tour or specialized knowledge of a site or by information gleaned from a personal meeting with the applicant.

For State projects, a point system based on various evaluation factors is used initially, and geographic balance is also a consideration. Various agency heads with land management responsibilities also have the opportunity to personally comment on their applications. Eventually, the Green Acres program staff makes funding recommendations to the Assistant Commissioner for Natural and Historic Resources, who in turn makes his or her recommendations to the Commissioner of the DEP, who then makes the final recommendation and notifies the Governor.

Background Paper: Status of Stranded Solid Waste Facility Debt

This paper focuses on the latest developments arising from the court-ordered invalidation of New Jersey's solid waste management system and the resultant stranded debt predicament of affected counties and public authorities. It also examines the State's financial assistance efforts that have been effectuated over the past year.

Background

The "Solid Waste Management Act," P.L.1970, c.39, authorized the Department of Environmental Protection (DEP) to adopt rules and regulations controlling the flow of solid waste within the State. The waste flow rules, as initially adopted by the DEP in 1982, required municipal solid waste to be transported to designated solid waste facilities in each county for landfill disposal or incineration, or to transfer stations for eventual shipment to out-of-state landfills. Under these rules and a DEP policy requiring every county to achieve disposal self-sufficiency by the year 2000 through the construction and operation of at least one solid waste facility within its borders, a statewide, county-based solid waste management system had been established by 1994.

Beginning with the U.S. Supreme Court's 1994 decision in Carbone v. Town of Clarkstown, plus several subsequent court rulings, New Jersey's waste flow control rules were invalidated because it was found that these rules violated interstate commerce laws. As the development of expensive, publicly-financed solid waste facilities was based on an assumption of guaranteed revenue generated through State and county waste flow control, what had been the mainstay of the State's solid waste management strategy has now become an intractable public debt problem with enormous financial implications for the State and county governments.

With respect to the State's financial support of solid waste facility construction under this policy, the Legislature has appropriated \$173.5 million in bond moneys and other public funds for the construction of all types of solid waste facilities between 1980 and 1998. Of this amount, approximately \$90.5 million has been used by counties and public authorities to finance the construction of privately-owned incinerators, \$31.8 million has been used for publicly-owned facilities (including the construction of a solid waste incinerator in Union County), \$7.9 million has been awarded for smaller solid waste projects, and \$43.3 million remains unexpended due to incinerator project cancellations.

Impacts of Court Rulings

The Carbone and other subsequent court decisions are having a profound financial effect on New Jersey's counties and public authorities because the solid waste facilities built with public funds no longer have the guaranteed waste flows that ensure the economic viability of these facilities. As a result, the counties and public authorities that financed these facilities through bonded indebtedness are now seeking other means to pay off their collective outstanding debt, which currently amounts to \$1.3 billion (see attached Table). This debt, which is derived from long-term bonds, project notes and interest-free State loans, is mostly underwritten by 20-year to 40-year revenue bonds. It should be noted that the outstanding debt total includes a current balance of \$103,349,000 in zero-interest State loans made to counties and public authorities from the Resource Recovery and Solid Waste Disposal Facility Fund. This sum is eligible for forgiveness under a State referendum approved in November, 1998, as explained later in this paper.

In the aftermath of the court decisions, every county or public authority that operates a publicly-financed (and, in many instances, privately-owned) solid waste facility faces a limited range of alternatives to waste flow control. Since municipalities or local haulers are no longer compelled

Background Paper: Status of Stranded Solid Waste Facility Debt (Cont'd)

to transport solid waste to designated facilities, many counties and public authorities have significantly lowered their disposal prices. In many cases, such reductions were effectuated by eliminating the debt component from the tipping fee and diverting sums from reserve accounts or making other short-term fiscal arrangements to subsidize debt service payments. Despite these actions, revenue shortfalls have been reported in many counties because constituent municipalities and local haulers are transporting their solid waste to more competitively-priced disposal facilities in neighboring counties or to less-costly, out-of-state landfills.

Responses to the Court Decisions

The State has addressed the problem of solid waste facility debt in several ways. First, the FY 1998 Appropriations Act included a \$20 million appropriation to subsidize county and public authority debt service payments for "stranded" solid waste facility debt. Stranded debt is generally understood to mean debt service payments which are secured, directly or indirectly, by revenues derived from the tipping fees charged at the solid waste facility. The FY 1999 Appropriations Act provided an additional \$20 million subsidy, known as the State Partnership Agreement Program. The Governor's FY 2000 Budget Recommendation provides another \$20 million for this purpose. To date, fifteen counties or public authorities have asked to participate in this program. In order to participate, certain audits and other conditions must first be met.

Of the \$40 million appropriated thus far, the State Treasurer has made the following four grants totaling \$15.975 million:

- ! On July 21, 1998, the Union County Utilities Authority received \$13,125,120;
- ! On September 1, 1998, the Gloucester County Improvement Authority received \$800,000 to pay a portion of the \$2.1 million debt service payment on its solid waste bonds that was due on that date;
- ! On November 13, 1998, the Passaic County Utilities Authority received \$950,000 to pay a portion of the \$4.1 million debt service payment on its solid waste bonds that was due on November 15, 1998; and
- ! On February 26, 1999, the Atlantic County Utilities Authority received \$1.1 million to pay a portion of the \$5.2 million debt service payment on its solid waste bonds that was due on March 1, 1999.

The grant to the Union County Utilities Authority was a necessary ingredient in the new lease and restructured service agreement reached with Ogden Martin Systems, Inc., whereby Ogden Martin assumes control of the solid waste incinerator in exchange for \$180 million which the UCUA will use to help repay a large portion of its outstanding bonded indebtedness of \$280 million. The other grants, as shown, were made to stave off default by the recipient on scheduled debt service payments.

Another State response to this situation occurred in early 1998, when the State Treasurer resolved that counties and public authorities would be permitted to defer repayment of State zero-interest loans from the Resource Recovery and Solid Waste Disposal Facility Fund. Under this administrative decision, a deferral of debt service on the loans for a maximum of five years was allowed. The State Treasurer, in consultation with the applicable county or public authority, would provide for a revised debt service schedule with either an extension of the final maturity of the loan

Background Paper: Status of Stranded Solid Waste Facility Debt (Cont'd)

or an amortization of the remaining loan repayments within the existing maturity schedule.

On August 2, 1998, P.L.1998, c.66 was enacted, which revised the "Natural Resources Bond Act of 1980" and the "Resource Recovery and Solid Waste Disposal Facility Bond Act of 1985" (subject to approval by referendum, as presented to voters on November 3, 1998). These revisions, which were approved by voters on that date, authorize the use of bond moneys for grants to counties and public authorities to assist in the payment of debt service costs incurred in developing solid waste facilities, including completed, abandoned or canceled projects. Hence, an estimated \$48.6 million in bond moneys has been made available under the provisions of P.L.1998, c.66 to subsidize the solid waste facility debt incurred by counties and public authorities.

The provisions of P.L.1998, c.66 (and the referendum) also authorized the State Treasurer to forgive the repayment of the outstanding balances of State loans previously made from these bond acts. As a result, the State Treasurer can forgive the repayment of \$103,349,000 in zero-interest State loans made to local governments in Atlantic, Burlington, Camden, Essex, Gloucester, Union and Warren counties between 1985 and 1993 for the construction of solid waste facilities. Although all seven counties or public authorities have requested loan forgiveness, no State loan has been forgiven as of this writing.

Other Potential Responses

A variety of administrative and legislative proposals have been offered to address the solid waste facility debt problem. The most widely discussed options include: (1) providing counties and public authorities with statutory authority to recover stranded solid waste facility debt by imposing "environmental investment charges" (EIC's) on taxpayers or users; (2) imposing a statewide assessment on the solid waste industry to offset the aggregate bonded indebtedness; (3) providing a statewide "bailout" or substantial State subsidies to offset revenue shortfalls; (4) enabling counties and public authorities to refinance outstanding solid waste facility debt through an existing or new autonomous State financing authority; (5) continuing to provide State subsidies under the State Partnership Agreement Program on an incremental, "as needed" basis; or (6) any combination thereof.

Background Paper: Status of Stranded Solid Waste Facility Debt (Cont'd)

COUNTY SOLID WASTE FACILITY DEBT
1985 - 1998

<u>County or Agency Responsible for Debt</u>	<u>Outstanding Bonded Indebtedness*</u>
Atlantic County Utilities Authority	\$ 88,835,000
Bergen County Utilities Authority	\$ 105,368,000
Burlington County	\$ 106,125,470
Camden County Pollution Control Financing Authority	\$ 184,098,997
Cape May County Municipal Utilities Authority	\$ 36,930,000
Cumberland County Improvement Authority	\$ 15,050,000
Essex County Utilities Authority	\$ 111,003,000
Gloucester County Improvement Authority	\$ 73,934,445
Hudson County Improvement Authority	\$ 66,345,000
Hunterdon County Utilities Authority	None
Mercer County Improvement Authority	\$ 127,390,000
Middlesex County Utilities Authority	\$ 30,745,000
Monmouth County	\$ 23,604,697
Morris County Municipal Utilities Authority	\$ 7,182,031
Ocean County	\$ 1,873,920
Passaic County Utilities Authority	\$ 88,690,572
Salem County Utilities Authority	\$ 9,166,470
Somerset County Utilities Authority	\$ 5,676,969
Sussex County Municipal Utilities Authority	\$ 43,743,791
Union County Utilities Authority	\$ 85,000,000
Warren County Pollution Control Financing Authority	<u>\$ 71,683,750</u>
TOTAL:	\$1,282,447,112

*Outstanding Principal Debt, February, 1999.

Source: Office of Legislative Services, Environment Section, March 1999.

OFFICE OF LEGISLATIVE SERVICES

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

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