

ANALYSIS OF THE NEW JERSEY
FISCAL YEAR 2002 - 2003 BUDGET



DEPARTMENT OF STATE

PREPARED BY

OFFICE OF LEGISLATIVE SERVICES

NEW JERSEY LEGISLATURE

APRIL 2002

NEW JERSEY STATE LEGISLATURE

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DEPARTMENT OF STATE

Budget Pages..... C-18; C-26 to C-27; D-373 to
D-430; G-4

Fiscal Summary (\$000)

	Expended FY 2001	Adjusted. Appropriation FY 2002	Recommended FY 2003	Percent Change 2002-03
State Budgeted	\$1,144,072	\$1,284,499	\$1,180,940	(8.1)%
Federal Funds	17,194	22,560	23,819	5.6%
<u>Other</u>	<u>16,547</u>	<u>14,017</u>	<u>14,397</u>	<u>2.7%</u>
Grand Total	\$1,177,813	\$1,321,076	\$1,219,156	(7.7)%

Personnel Summary - Positions By Funding Source

	Actual FY 2001	Revised FY 2002	Budget Estimate FY 2003	Percent Change 2002-03
State	363	366	368	0.5%
Federal	193	208	223	7.2%
Other	110	106	112	5.7%
<u>Colleges & Univ's.*</u>	<u>19,653</u>	<u>19,705</u>	<u>19,705</u>	<u>0.0%</u>
Total Positions	20,319	20,385	20,408	0.1%

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

*Position data is displayed as "State-funded" positions for the three years.

Introduction

The Department of State carries out a diverse mission of artistic, cultural and historical development and preservation. It oversees the operation of the New Jersey State Museum, the New Jersey State Council on the Arts and the New Jersey Historical Commission. The latter agencies provide grants and technical assistance for a variety of artistic and scholarly endeavors throughout the State. In FY 1999, the Department of State was reconfigured to better reflect its emphasis on cultural and historic programs. Accordingly, the Historic Trust previously budgeted in the Department of Environmental Protection, the Trenton Barracks and the War Memorial previously budgeted in the Department of Treasury, and the Public Broadcasting Authority previously budgeted in the former Department of Commerce and Economic Development, were transferred to the

Introduction (Cont'd)

Department of State. The Public Broadcasting Authority is designated as in, but not of, the Department of State for administrative purposes. Additionally, as a result of the abolishment of the Department and the Board of Higher Education in 1994, the Commission on Higher Education, the four-year public colleges and universities, the Educational Opportunity Fund Program, and several other miscellaneous programs are all budgeted in, but not of, the Department of State. Furthermore, in FY 1997 ongoing efforts to promote efficiencies within State government resulted in the transfer of the Division of the State Library to the Department of State. Under State law, Thomas Edison State College administers the daily operations of the State Library. The State Library system includes the Library for the Blind and Handicapped and the Law Library.

In order to be consistent with the data as it is displayed in the Governor's budget, the funding and position data that are budgeted in the Department of State for Higher Educational Services are included in the above tables. Other explanatory material is not included in this analysis but is contained in a separate analysis of Higher Educational Services.

Key Points

- ! The FY 2003 budget recommendation for the Department of State, excluding Higher Educational Services, totals \$74.3 million, a decrease of \$6.7 million or 8.2 percent from the FY 2002 adjusted appropriation of \$81 million. Included in the budget proposal is \$23.7 million for Direct State Services, a 1.8 percent or \$421,000 increase; \$31.1 million for Grants-In-Aid, an 18.4 percent or \$7 million decrease; and \$19.6 million for State Aid, a 5.2 percent or \$963,000 increase.
- ! **New Jersey State Council on the Arts:** In FY 2003, the budget recommends \$18.7 million for the New Jersey State Council on the Arts, a 17.9 percent or \$4.1 million decrease from the FY 2002 adjusted appropriation of \$22.7 million. The decrease is due to a \$2 million reduction in grants for Cultural Projects from \$20 million in FY 2002 to \$18 million in FY 2003. The Governor also recommends the elimination of FY 2002 initiatives totaling a little over \$2 million, including a \$1 million grant to the South Jersey Performing Arts Center.
- ! The Governor does not recommend budget language which ensured that the southernmost counties would receive at least 25 percent of the appropriation for Cultural Projects in FY 2002.
- ! **Division of State Museum:** The FY 2003 budget recommendation includes a \$5.4 million State appropriation for the Division of State Museum, a \$1.6 million or 22.4 percent decrease from the FY 2002 adjusted appropriation of \$7 million. The decrease is due to a reduction in State aid to the Newark Museum (-\$500,000), the elimination of capital funding for renovation projects (-\$641,000), the discontinuation of FY 2002 legislative initiatives (-\$350,000), and a reduction in operating resources(-\$85,000).
- ! **Historical Resources:** Total State funding for Historical Resources, which includes funding for the New Jersey Historical Commission, is recommended to decrease by \$2.8 million or 38 percent from the FY 2002 adjusted appropriation of \$7.3 million to \$4.6 million in FY 2003. The most significant decrease is a \$2 million reduction in funding for New Jersey Historical Commission Agency Grants. Other decreases comprise the elimination of legislative initiatives and a \$64,000 reduction in operating funds.

Key Points (Cont'd)

- ! **Public Broadcasting Authority:** A Direct State Services appropriation of \$9.4 million is recommended for the operation of the New Jersey Public Broadcasting Authority, a \$918,000 or 10.9 percent increase over the FY 2002 adjusted appropriation of \$8.4 million. The recommended appropriation includes a \$1.1 million increase for the purchase of new equipment required for the agency to enter Phase III of the Digital TV Mandate issued by the federal government. Offsetting that amount is a \$202,000 annualized attrition reduction in the agency's operating resources.
- ! **Division of State Library:** The Governor's FY 2003 budget recommends level funding for the operations and major State aid programs of the Division of State Library. The only increase recommended in the budget is a \$1.5 million appropriation for debt service payments on bonds expected to be issued under the Public Library Project Fund. This fund would provide grants to public libraries for construction, expansion and rehabilitation projects. Offsetting that amount is the elimination of \$400,000 in capital funding which financed a study in FY 2002 to inventory the Library's collections and determine its growth rate and the impact of new technologies on its operations.
- ! **The Office of the Secretary of State/Records Management:** In FY 2003, the Governor recommends a total State budget of \$16.1 million for the Office of the Secretary of State and Records Management, a \$219,000 decrease from the FY 2002 adjusted appropriation of \$16.3 million. The decrease is the result of a reduction in administrative costs totaling \$359,000 for general operating accounts, including the Martin Luther King Commemorative Commission, the Cultural Trust administration, the Office of Volunteerism and the Coordinating Committee on Youth. That amount is offset by \$140,000 to purchase new equipment for the State Archives.
- ! The FY 2003 budget includes a \$10 million Grant-in-Aid appropriation for the continued support of the Cultural Trust. The Trust, established pursuant to P.L. 2000, c.76, is a private/public partnership aimed at promoting the arts, history and the humanities by providing matching grants to attract private sector funding. According to summary information on page D-373, during the first round of applications, more than \$27 million in private funding was raised. The Trust is expected to receive \$10 million per year in State appropriations over a 10-year period to help finance capital projects, build endowments and contribute to the institutional and financial stability of non-profit cultural groups in New Jersey (\$7 million of its first appropriation lapsed into the General Fund due to fiscal constraints). FY 2003 is the third year of funding under the program.

Higher Educational Services

- ! A separate analysis booklet has been prepared for Higher Educational Services.

Background Paper

- ! The New Jersey Cultural Trust p. 17-22

Program Description and Overview

In FY 1999, the Department of State was reorganized to consolidate the State arts, cultural and historical programs and services in one executive department. This reorganization resulted in the following changes: (1) the transfer of the management of the Old Barracks and the War Memorial from the Department of Treasury to the Department of State; (2) the transfer of the powers, functions and duties of the New Jersey Historic Trust from the Department of Environmental Protection to the Department of State; (3) the transfer of the New Jersey Public Broadcasting Authority, designated as in, but not of, the Department of State from the Department of Commerce and Economic Development.

In addition to the New Jersey Public Broadcasting Authority, the following agencies are located in, but not of, the Department of State for administrative purposes:

- ! The New Jersey Commission on Higher Education (CHE);
- ! The Higher Education Student Assistance Authority (HESAA);
- ! The four-year public colleges and universities; and
- ! The New Jersey State Library.

Below is a brief description of the major programs within the department.

Support of the Arts

The activities of the New Jersey State Council on the Arts are focused on the distribution of State and federal matching grant funds to artists and organizations whose projects show professional merit and promise in support of the arts in the State. The major categories of matching grant funds that individuals and organizations may apply for are as follows: General Operating Support, General Programming Support, Arts Education Special Initiatives, Local Arts Program Grants, Special Project Support, South Jersey Initiatives, Projects Serving Artists, and Community Arts Collaborations.

In FY 2003, the budget recommends \$18.7 million for the New Jersey State Council on the Arts, a 17.9 percent or \$4.1 million decrease from the FY 2002 adjusted appropriation of \$22.7 million. The decrease is due to a \$2 million reduction in grants for Cultural Projects from \$20 million in FY 2002 to \$18 million in FY 2003. The Governor also recommends the elimination of FY 2002 initiatives totaling a little over \$2 million, including a \$1 million grant to the South Jersey Performing Arts Center.

Federal funding of \$743,000 is anticipated for FY 2003. These funds will continue to provide support for outreach to local arts programs and a National Endowment for the Arts Partnership.

Museum Services

The State Museum performs, among other things, the traditional functions of collecting, exhibiting and interpreting in the areas of natural history, archaeology/ethnology and fine arts materials, scientific specimens with a New Jersey focus and specimens from other cultures and regions for comparative purposes. As a result of the reorganization, this program also includes Maintenance of the Old Barracks and the War Memorial Fund.

Program Description and Overview (Cont'd)

The FY 2003 budget recommendation includes a \$5.4 million State appropriation for the Division of State Museum, a \$1.6 million or 22.4 percent decrease from the FY 2002 adjusted appropriation of \$7 million. The decrease is due to a reduction in State aid to the Newark Museum (-\$500,000), the elimination of capital funding for renovation projects (-\$641,000), the discontinuation of FY 2002 legislative initiatives (-\$350,000), and a reduction in operating resources (-\$85,000).

Development of Historical Resources

The New Jersey Historical Commission is responsible for the formulation and implementation of programs that advance public knowledge of the history of New Jersey. The commission sponsors public programs, research projects, publications and commemorative observances and grant-in-aid programs for scholars, teachers and local historical organizations. It also offers information and assistance in connection with State history to public and private organizations and individuals. The commission directly administers the New Jersey Afro-American History Grant Program which seeks to promote the advancement of the public's knowledge of Afro-Americans in the State and the New Jersey History Grant Program.

The FY 2003 recommended appropriation for the commission is \$4.6 million. From the perspective of the budget display, the overall recommended appropriation is a decrease of \$2.8 million from the FY 2002 adjusted appropriation of \$7.3 million. The most significant decrease is attributable to a \$2 million reduction in funding for New Jersey Historical Resources Commission Agency grants. Other decreases include the elimination of legislative initiatives and a \$64,000 reduction in operating funds.

Public Broadcasting Services

The Public Broadcasting Authority (PBA) is primarily responsible for operating New Jersey Network (NJN), the State's only Statewide non-commercial educational television and radio network. The authority is empowered to apply for, receive, and hold authorizations for licenses from the Federal Communications Commission. It also has the responsibility for providing advisory assistance to other State agencies and local and regional groups regarding public broadcasting networks and communications techniques as well as planning and budgeting for those activities. The authority produces programs on location and through its Newark and Trenton studios. The authority produces the New Jersey Nightly News which provides coverage of news events throughout the State. As a public broadcasting affiliate, NJN also receives an annual grant from the Corporation for Public Broadcasting. In addition to State funding, NJN is supported by private donations from individuals, foundations, and corporations, raised on behalf of NJN by the Foundation for New Jersey Public Broadcasting, Inc. The foundation is a non-profit, educational, and charitable organization which is devoted to sponsoring activities and raising funds for the support and promotion of the authority and its purposes.

A Direct State Services appropriation of \$9.4 million is recommended in FY 2003 for the operation of the New Jersey Public Broadcasting Authority, a \$918,000 or 10.9 percent increase over the FY 2002 adjusted appropriation of \$8.4 million. The recommended appropriation includes a \$1.1 million increase for financing costs associated with the purchase of new equipment required for the agency to enter Phase III of the Digital TV Mandate. Offsetting that amount is a \$202,000 annualized attrition reduction in the agency's operating resources.

Program Description and Overview (Cont'd)

The State Library

In FY 1997, the Division of the State Library was transferred to the reorganized Department of State. Pursuant to State law, Thomas Edison State College administers the daily operations of the State Library. The State Library system includes the Library for the Blind and Handicapped and the Law Library. The State Library purchases, prepares, houses and circulates books, periodicals and other library materials, and supplies information and consultative services to the three branches of State government and public, school, academic and special libraries through the following three divisions within the library:

State Government Information Services is the research library for the three branches of State government and provides information services through its collection of library materials and reference librarians and support staff;

The Library for the Blind and Handicapped (LBH) serves residents who are visually impaired, physically handicapped or dyslexic. In addition, the LBH maintains a radio station which broadcasts local news and programs of interest to LBH patrons; and

The Library Development Bureau administers State aid and federal grant programs in addition to managing the Statewide library network. The bureau provides technical assistance to local libraries on library technology, collection development, preservation of library materials, and library management.

Financial assistance is provided to public libraries on a per capita basis and emergency and incentive aid is also provided to restore service lost due to emergencies. Technical assistance and funding for Statewide and regional cooperative library services is provided through the Library Network. Library Development Aid provides funding for increased access and services to the institutionalized, municipal libraries, the development of library collections and to maintain collections that have a historical or special interest.

The Governor's FY 2003 budget recommends level funding for the operations and major State aid programs of the Division of State Library. The only increase in the recommended budget is a \$1.5 million appropriation for debt service payments on bonds expected to be issued under the Public Library Project Fund, which will provide grants to public libraries for construction, expansion and rehabilitation projects. Offsetting that amount is the elimination of \$400,000 in capital funding which financed a study in FY 2002 to inventory the Library's collections and determine its growth rate and the impact of new technologies on its operations.

Office of the Secretary of State

The Office of the Secretary of State is responsible for the daily management and operations of the department. It develops and coordinates programs that have Statewide and business impact. It administers the Martin Luther King, Jr. Commemorative Commission which coordinates events with community groups and organizations throughout the State for the purpose of educating citizens of New Jersey on the life of the slain civil rights leader and the civil rights movement. It also administers the Center for Youth Policy and Programs (CYP&P) which was established to advance youth focused programs and initiatives and promote personal responsibility. The CYP&P serves as a conduit in State government to bring people, organizations, and services together to

Program Description and Overview (Cont'd)

address the needs and concerns of New Jersey's young people. In addition, it serves as an information clearinghouse on youth policy and programs, and fosters the creation of new initiatives to combat youth violence and encourage leadership.

The Bureau of Records Management performs the inventory, scheduling and destruction of State, county, and municipal records. Within the bureau is the forms management unit, the State's records storage center and the State's centralized microfilm unit. The archives section provides for, among other things, the collection and retention of permanent State records as well as some permanent county and municipal records. It provides historical and genealogical reference information for the State and the nation.

Direct State Services funding for the Office of the Secretary of State is recommended to decrease by \$263,000 from \$4.4 million in FY 2002 to \$4.1 million in FY 2003. The decrease is the result of a reduction in administrative funds for general operating accounts, including the Martin Luther King, Jr. Commemorative Commission, the Office of Volunteerism, the Cultural Trust administration and the Coordinating Committee on Youth.

The FY 2003 budget includes a \$10 million Grants-in-Aid appropriation for the continued support of the Cultural Trust. The Trust, established pursuant to P.L. 2000, c.76, is a private/public partnership aimed at promoting the arts, history and the humanities by providing a dollar-for-dollar match of up to \$100 million in private sector funding. The Trust will appropriate \$10 million per year over a 10-year period to help finance capital projects, build endowments and contribute to the institutional and financial stability of non-profit cultural groups in New Jersey. This is the third year of funding under the program.

The program class Secretary of State's Office was formerly funded from off-budget receipts derived from various commercial recording filing fees, a portion of which were placed in a revolving "Secretary of State Fund" and used to fund technological improvements to the Division of Commercial Recording's automated information system (AIS) pursuant to P.L. 1987, c. 435. That law required the termination of the fund upon the completion of technological upgrades to the computer system. The Division of Commercial Recording, the entity responsible for collecting the various filing fees, was transferred from the Department of State to the Department of Treasury through a reorganization of State government in FY 1999.

The Bureau of Records Management is funded from a combination of general fund appropriations, assessments to government agencies, and fees which are deposited into a revolving fund for the self-sustaining microfilm unit. The FY 2003 Direct State Services recommendation for the Records Storage Center is \$2 million, a 2.3 percent increase, compared to the FY 2002 adjusted appropriation of approximately \$1.9 million.

Summary of the FY 2003 Recommended Budget

The Department of State's total FY 2003 recommended appropriation from all funds is \$1.219 billion compared to the FY 2002 adjusted appropriation of \$1.321 billion, a net decrease of 7.7 percent. This amount includes funding from all sources for the New Jersey State Council on the Arts, the State Museum, the State Library, the Historical Commission, the Office of the Secretary of State, the State's four-year public colleges and universities, and the New Jersey Commission on

Program Description and Overview (Cont'd)

Higher Education and its programs. Although the above amount includes funding for higher education programs organized under the Department of State, a separate analysis of Higher Educational Services provides the funding data for all higher education programs.

The FY 2003 recommendation for the Department of State from State funds is approximately \$1.18 billion and represents a decrease of 8.1 percent compared to the FY 2002 adjusted appropriation of \$1.28 billion. The majority of the net \$103.6 million decrease is attributable to reduced or discontinued funding of:

- ! \$73.2 million for the public colleges and universities;
- ! \$24.9 million for the New Jersey Commission on Higher Education;
- ! \$4.1 million for the New Jersey State Council on the Arts;
- ! \$2.8 million for the Development of Historical Resources;
- ! \$1.6 million for the Museum Services; and
- ! \$219,000 for the Office of the Secretary of State.

These decreases are offset by increases of:

- ! \$1.2 million for the Higher Education Student Assistance Authority;
- ! \$1.1 million for the State Library; and
- ! \$918,000 million for the Public Broadcasting Authority.

Fiscal and Personnel Summary

AGENCY FUNDING BY SOURCE OF FUNDS (\$000)

	Expended FY 2001	Adj. Approp. FY 2002	Recom. FY 2003	Percent Change	
				2001-03	2002-03
<u>General Fund</u>					
Direct State Services	\$24,758	\$28,144	\$27,362	10.5%	(2.8)%
Grants-In-Aid	1,086,128	1,230,202	1,134,003	4.4%	(7.8)%
State Aid	19,811	18,612	19,575	(1.2)%	5.2%
Capital Construction	13,375	7,541	0	(100.0)%	(100.0)%
Debt Service	0	0	0	0.0%	0.0%
Sub-Total	<u>\$1,144,072</u>	<u>\$1,284,499</u>	<u>\$1,180,940</u>	<u>3.2%</u>	<u>(8.1)%</u>
<u>Property Tax Relief Fund</u>					
Direct State Services	\$0	\$0	\$0	0.0%	0.0%
Grants-In-Aid	0	0	0	0.0%	0.0%
State Aid	0	0	0	0.0%	0.0%
Sub-Total	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>0.0%</u>	<u>0.0%</u>
<u>Casino Revenue Fund</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>0.0%</u>	<u>0.0%</u>
<u>Casino Control Fund</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>0.0%</u>	<u>0.0%</u>
State Total	<u>\$1,144,072</u>	<u>\$1,284,499</u>	<u>\$1,180,940</u>	<u>3.2%</u>	<u>(8.1)%</u>
<u>Federal Funds</u>	<u>\$17,194</u>	<u>\$22,560</u>	<u>\$23,819</u>	<u>38.5%</u>	<u>5.6%</u>
<u>Other Funds</u>	<u>\$16,547</u>	<u>\$14,017</u>	<u>\$14,397</u>	<u>(13.0)%</u>	<u>2.7%</u>
Grand Total	<u>\$1,177,813</u>	<u>\$1,321,076</u>	<u>\$1,219,156</u>	<u>3.5%</u>	<u>(7.7)%</u>

PERSONNEL SUMMARY - POSITIONS BY FUNDING SOURCE

	Actual FY 2001	Revised FY 2002	Funded FY 2003	Percent Change	
				2001-03	2002-03
State	363	366	368	1.4%	0.5%
Federal	193	208	223	15.5%	7.2%
All Other	110	106	112	1.8%	5.7%
Colleges and Universities*	19,653	19,705	19,705	0.3%	0.0%
Total Positions	<u>20,319</u>	<u>20,385</u>	<u>20,408</u>	<u>0.4%</u>	<u>0.1%</u>

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

*Position data is displayed as "State-funded" positions for the three years.

AFFIRMATIVE ACTION DATA

Total Minority Percent					
Office of the Secretary of State	31.4%	36.1%	36.2%	-	-
Commission on Higher Education	32.0%	40.0%	40.0%	-	-
Higher Ed. Student Assist. Authority	27.5%	26.2%	26.3%	-	-

Significant Changes/New Programs (\$000)

<u>Budget Item</u>	<u>Adj. Approp. FY 2002</u>	<u>Recomm. FY 2003</u>	<u>Dollar Change</u>	<u>Percent Change</u>	<u>Budget Page</u>
					D-421 to D-424
Support of the Arts	\$22,737	\$18,663	(\$4,074)	(17.9)%	

In FY 2003, the budget recommends \$18.7 million for the New Jersey State Council on the Arts, a 17.9 percent or \$4.1 million decrease from the FY 2002 adjusted appropriation of \$22.7 million. The decrease is due to a \$2 million reduction in grants for Cultural Projects from \$20 million in FY 2002 to \$18 million in FY 2003. The Governor also recommends the elimination of FY 2002 initiatives totaling a little over \$2 million, including a \$1 million grant to the South Jersey Performing Arts Center.

					D-421 to D-424
Museum Services	\$7,023	\$5,447	(\$1,576)	(22.4)%	

The FY 2003 budget recommendation includes a \$5.4 million State appropriation for the Division of State Museum, a \$1.6 million or 22.4 percent decrease from the FY 2002 adjusted appropriation of \$7 million. The decrease is due to a reduction in State aid to the Newark Museum (-\$500,000), the elimination of capital funding for renovation projects (-\$641,000), the discontinuation of FY 2002 legislative initiatives (-\$350,000), and a reduction in operating funds (-\$85,000).

					D-421 to D-424
Development of Historical Resources	\$7,349	\$4,560	(\$2,789)	(38.0)%	

Total State funding for Historical Resources, which includes funding for the New Jersey Historical Commission, is recommended to decrease by \$2.8 million or 38 percent from the FY 2002 adjusted appropriation of \$7.3 million to \$4.6 million in FY 2003. The decrease is due to a \$2 million reduction in funding for New Jersey Historical Commission Agency Grants, the elimination of several legislative initiatives totaling \$725,000 and a \$64,000 reduction in operating funds.

					D-421 to D-422
New Jersey Public Broadcasting Authority	\$8,444	\$9,362	\$918	10.9%	

A Direct State Services appropriation of \$9.4 million is recommended for the operation of the New Jersey Public Broadcasting Authority in FY 2003, a \$918,000 or 10.9 percent increase over the FY 2002 adjusted appropriation of \$8.4 million. The recommended appropriation includes a \$1.1 million increase for the purchase of new equipment required for the agency to enter Phase III of the Digital TV Mandate issued by the federal government. Offsetting that amount is a \$202,000 reduction in the agency's operating subsidy due to annualized attrition.

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

<u>Budget Item</u>	<u>Adj. Approp. FY 2002</u>	<u>Recomm. FY 2003</u>	<u>Dollar Change</u>	<u>Percent Change</u>	<u>Budget Page</u>
Public Library Project Fund	\$0	\$1,463	\$1,463	—	D-427
The Office of the Secretary of State- <u>Direct State Services</u>	<u>\$4,381</u>	<u>\$4,118</u>	<u>(\$263)</u>	<u>(6.0)%</u>	D-429
Martin Luther King, Jr. Commemorative Commission	\$193	\$188	(\$5)	(2.6)%	D-429
Office of Volunteerism	\$264	\$259	(\$5)	(1.9)%	D-429
Coordinating Committee on Youth	\$50	\$0	(\$50)	(100.0)%	D-429
Cultural Trust- Administration	\$535	\$435	(\$100)	(18.7)%	D-429
State Archive Equipment	\$200	\$340	\$140	70.0%	D-429

In FY 2003, the Governor recommends a total State budget of \$16.1 million for the Office of the Secretary of State and Records Management, a \$219,000 decrease from the FY 2002 adjusted appropriation of \$16.3 million. The decrease is the result of a reduction in administrative costs totaling \$359,000 for general operating accounts, including the Martin Luther King, Jr. Commemorative Commission, the Cultural Trust Administration, the Office of Volunteerism and the Coordinating Committee on Youth. That amount is offset by \$140,000 to purchase new equipment for the State Archives.

Language Provisions

2002 Appropriations Handbook

B-175

A sum, not to exceed \$200,000, is appropriated from the "Cultural Centers and Historic Preservation Fund," established pursuant to section 20 of P.L. 1987, c.265, for costs attributable to planning and administering grants for the development of cultural centers, subject to the approval of the Director of the Division of Budget and Accounting.

2003 Budget Recommendations

D-425

A sum, not to exceed \$225,000, is appropriated from the "Cultural Centers and Historic Preservation Fund," established pursuant to section 20 of P.L. 1987, c.265, for costs attributable to planning and administering grants for the development of cultural centers, subject to the approval of the Director of the Division of Budget and Accounting.

Explanation

This budget language was modified to provide additional funds to cover salary increases for the staff who plan and administer grants for the development of cultural centers.

2002 Appropriations Handbook

No comparable language.

2003 Budget Recommendations

D-425

Notwithstanding any other law to the contrary, an amount not to exceed \$470,000 shall be transferred from the Garden State Historic Preservation Trust Fund to the General Fund and is appropriated to the Department of State for Historic Trust/Open Space Administrative Costs.

Explanation

According to the Office of Management and Budget, line items that support administrative costs of the New Jersey Historic Trust will be funded from the Garden State Historic Preservation Trust Fund. Previously, funding was derived directly from the General Fund. This language overrides the provision in the Garden State Preservation Trust Fund Act (P.L. 1999, c.152) that prevents trust funds from being used for administrative purposes. This policy is being implemented in other parts of the budget that contain similar appropriations for open space and preservation programs, as part of the administration's plan to produce a balanced budget for FY 2003.

Language Provisions (Cont'd)

2002 Appropriations Handbook

2003 Budget Recommendations

B-175

Notwithstanding the provisions of any other law to the contrary, of the amount appropriated for Cultural Projects 25% shall be awarded to cultural groups or artists based in the eight southernmost counties (Cape May, Salem, Cumberland, Gloucester, Camden, Ocean, Atlantic and Burlington), provided however, that the total amount available for the granting of awards for cultural projects in the remaining counties shall not be reduced from the total amount available during fiscal year 1997 for cultural projects in those remaining counties. The value of project grants awarded within each county shall not total less than \$50,000.

No comparable language.

Explanation

This budget language was added by the Legislature in FY 1999 through FY 2002 to ensure that the southernmost counties would receive at least 25 percent of the State appropriation distributed to fund Cultural Projects. This budget language is not recommended in FY 2003.



2002 Appropriations Handbook

2003 Budget Recommendations

B-176

There is appropriated an amount not to exceed \$5,721,000 for costs associated with the implementation of the Digital Television Mandate subject to the approval of the Director of the Division of Budget and Accounting.

No comparable language.

Explanation

In FY 2001, NJN received a \$5.7 million appropriation, through budget language, to cover costs the agency expected to incur in order to comply with the Digital Television Mandate issued by the federal government. An unspent balance of approximately \$3.2 million remains from this appropriation. In addition, an increase of \$1.1 million is provided in FY 2003 that, according to the administration, will fund Phase III of the digital conversion, with Phase IV deferred until FY 2004. Therefore, this budget language is no longer necessary.



Language Provisions (Cont'd)

2002 Appropriations Handbook

B-176

The Director of the Division of Budget and Accounting shall transfer from departmental accounts and credit to the Records Management program classification a sum up to \$360,000 for cost recoveries in the Division of Records.

2003 Budget Recommendations

D-430

The Director of the Division of Budget and Accounting shall transfer from departmental accounts and credit to the Records Management program classification a sum up to \$378,000 for cost recoveries in the Division of Records.

Explanation

The Division of Records Management assesses and collects fees from municipalities, counties, Executive State departments, and the Judiciary for storing records that legally have to be maintained for a period of time. The fees collected are used to support a portion of the operational costs of the Records Storage Center. The recommended increase would cover salary increases for the staff at the storage center.

2002 Appropriations Handbook

B-177

An amount not to exceed \$2,000,000 from the unexpended balances in the Office of the Secretary of State as of June 30, 2001 is appropriated for the Governor's Study Commission on Discrimination in State Employment Contracting, subject to the approval of the Director of the Division of Budget and Accounting.

2003 Budget Recommendations

D-430

An amount not to exceed \$709,000 from the unexpended balances in the Office of the Secretary of State as of June 30, 2002 is appropriated for the Governor's Study Commission on Discrimination in State Employment Contracting, subject to the approval of the Director of the Division of Budget and Accounting.

Explanation

This language was added by the Legislature in FY 2002 to re-appropriate \$2 million to fund the cost of a study that examined discrimination in State Employment Contracting. These funds were transferred to the department in FY 2001. In FY 2003, the Governor is recommending that the remaining \$709,000 from the original \$2 million in funding be re-appropriated to the Office of the Secretary of State to continue the study.

Discussion Points

1. In April 2000, Governor Whitman signed an executive order creating a study commission to investigate and report on the nature and scope of any past or present discrimination in State employment and contracting and provide recommendations to improve contracting opportunities within the State. The study commission included 13 public members, 8 members of the Governor's cabinet and appropriate divisions and agencies and the chair of the Legislature's Black and Latino Caucus. In October 2000, the Joint Budget Oversight Committee approved a \$2 million transfer to cover the costs associated with the study, of which \$1.5 million was earmarked for consultant fees. In FY 2003, the Governor is recommending budget language (page D-430) that re-appropriates the remaining \$709,000 of the original appropriation.

! Question: Please provide an update on the Governor's Study Commission on Discrimination in State Employment Contracting.

2. The Public Library Project Fund, established pursuant to P.L. 1999, c.184, provides grants to municipal and county public libraries for construction, expansion, rehabilitation and acquisition projects. The law authorizes the Educational Facilities Authority (EFA) to issue bonds in an amount not to exceed \$45 million to fund grants for library projects. The Public Library Construction Advisory Board would award grants to eligible libraries based on competitive criteria. In November 2001, the Secretary of State announced the approval of 73 library construction projects that are now awaiting the sale of the bonds. The FY 2003 recommended budget includes a \$1.5 million appropriation for debt service payments for bonds issued through the Public Library Project Fund.

! Question: What is the expected date for the sale of bonds by the EFA for this purpose?

! Question: Please provide the names, total cost and detailed descriptions of the projects which have been selected to receive a grant.

3. Morven, the former governors' residence, located in Princeton, is being renovated in three phases under the direction of the Department of State. Phase I of the renovation, completed in 2000, was funded exclusively by the efforts of the Historical Morven Foundation Inc. In FY 2001, an appropriation of \$2.3 million was allocated for Phase II renovations of historic rooms and included provisions for conference and meeting facilities and an archive and a cultural research center. The Governor did not recommend funding in FY 2002 or FY 2003. However, this project was recently awarded a matching contribution by the Cultural Trust of \$100,000.

! Question: As of April 2002, \$1.5 million of the \$2.3 million appropriated for Phase II of the Morven renovation project remains unspent. Please provide an update on the progress and outlook for this project.

4. According to a Federal Communications Commission ruling, all commercial and non-commercial television stations must begin transmission in digital format by May 2003 and complete conversion to digital format by 2006. Until that time, all TV stations must broadcast in the present analog format as well as in high resolution, wide screen, multi-channel digital format. As a result, NJN is facing significant capital needs (i.e., equipment purchases) in order to meet the federal mandate to complete conversion to digital format by 2006. The FY 2003 recommended appropriation includes a \$1.1 million increase to cover financing costs associated with Phase III of the Digital TV Mandate.

Discussion Points (Cont'd)

! **Question:** Please provide an update on the status of the agency's compliance with the federal mandate.

! **Question:** Please explain how the FY 2002 allocation for this project was utilized and the planned use for the FY 2003 recommended appropriation.

! **Question:** Please provide a detailed breakdown of all costs the agency has incurred to date and expects to incur in the future in order to comply with the Digital Mandate.

5. The New Jersey Historical Commission is responsible for the formulation and implementation of programs that advance public knowledge of New Jersey's historical heritage. In FY 2001 and FY 2002, the Commission received \$4 million to support agency grants to historical organizations, museums, libraries and other similar organizations with collections or programming related to New Jersey's history. However, due to current fiscal constraints, the Governor has placed \$2 million of this year's appropriation in reserve as a potential lapse, and has recommended a 50 percent decrease in grant funding from \$4 million to \$2 million in FY 2003.

! **Question:** Please provide information regarding how many potential grantees were affected by the \$2 million reduction implemented in FY 2002.

! **Question:** Please provide a listing, by grantee, grant amount and county, of all awards distributed in FY 2002 and a brief description of the purpose for which the grant was used.

6. The activities of the State Council on the Arts are focused on the distribution of State and federal matching grant funds to artists and organizations whose projects show professional merit and promise in support of the arts in the State. The major categories of matching grant funds that individuals and organizations may apply for are as follows: General Operating Support, General Program Support, Arts Education Special Initiatives, Local Arts Program Grants, Special Project Support, South Jersey Initiatives, Projects Serving Artists and Community Arts Collaborations. In addition, the FY 2002 Appropriations Act included budget language which ensured that the southernmost counties would receive at least 25 percent of the \$20 million appropriated for cultural projects. The FY 2003 recommended budget includes \$18 million for cultural projects, a \$2 million reduction from the FY 2002 appropriation of \$20 million.

! **Question:** Please provide a listing, by grantee and county, of all awards distributed to the eight southernmost counties.

! **Question:** How will FY 2003 grants to the eight southernmost counties be affected by the \$2 million proposed cut recommended by the Governor in light of the fact that the budget language ensuring that those counties receive at least 25 percent of the \$20 million appropriated for cultural projects is not recommended in FY 2003.

Background Paper: The New Jersey Cultural Trust

Budget Pages.... D-429

Due to the overwhelming interest in the New Jersey Cultural Trust which was established by P.L. 2000, c. 76 and signed into law on July 25, 2000, the executive director of the Cultural Trust has provided the following briefing paper on the activities of the Trust to date. The paper is reproduced in the form submitted by the executive director.

* * * * *

The mission of the Cultural Trust is to ensure a stable and healthy cultural industry in New Jersey that is sustainable under fluctuating economic conditions. The Trust is a permanent, interest-generating fund that serves as an additional source of revenue to nonprofit arts, history, and humanities organizations.

The Cultural Trust is a true public/private partnership, with the State matching non-public contributions on a 1:1 basis. In a twist on the usual order of things, private funding leverages public funding. The initial goal of the fund is to raise a total of \$200 million, \$100 million in private sector funding and \$100 million in state funding. Significantly, all this funding will be permanently held in endowments to provide for the long-term stability of our cultural industry.

The State's commitment to putting new money into the cultural trust is \$10 million annually for a period of ten years. The unique aspect of the Fund is that the private sector leads the way. No state funding is released without private sector support being demonstrated first. So far, this mechanism, which is a national model, has more than proven its worth. The Trust has inspired over \$28 million in new private sector giving for permanent endowments since its inception. The benefit to the State's cultural organizations and to the Trust itself has been enormous. After the Trust Fund reaches \$20 million, its investment income may be distributed as grants to qualifying arts, history and humanities organizations for endowments, capital projects and/or projects that promote institutional and financial stability.

Background

The need for an expanded and stable source of revenue for the arts was among the four primary goals that emerged from the 1995 Governor's Conference on the Arts – Arts In Focus III. Throughout the subsequent planning process that led to adoption of Arts Plan New Jersey, this need remained at the forefront of discussion, and indeed became one of the six fundamental goals of the plan, adopted on March 23, 1998. During that planning period between 1995 and 1998, the New Jersey State Council on the Arts, the Department of State and the Task Force on New Jersey History took the vanguard positions in leading the inquiry and research into permanent funding mechanisms for the arts, history and humanities, both nationwide and in terms of what may be possible in New Jersey. This leadership entailed numerous meetings of representatives from these constituencies, consultations with colleagues and experts across the country and research into needs, aspirations and public benefits of the arts, history and humanities.

The financial needs of the history community were well established during that timeframe and are extensively detailed in the "Report of the Task Force on New Jersey History", released in June, 1997. From it we learned that the history community would require as much as \$575 million in capital funds, endowment funds and increased, annualized operating funds in order to achieve its potential and extend its full benefits to the people of New Jersey.

Background Paper: The New Jersey Cultural Trust (Cont'd)

Similar studies were undertaken in 1998 and 1999 for the arts community. The National Arts Stabilization, Inc. study of 67 of the largest New Jersey arts groups revealed the need for \$292 million in endowment fund, and another \$14 million in working capital. A companion study completed by the Eagleton Institute of all Arts Council grantee organizations substantiated the need for \$202 million in capital funds and another \$35 million in annualized operating funds.

Thus in aggregate, by the close of 1999 the need for as much \$1 billion in funding was established in order to stabilize and capitalize organizations to safeguard their future, build organizational capacity to serve the public, and repair and build structures equal to the needs of the public.

Legislative sponsors in both Houses introduced legislation on May 11, 2000 to create the New Jersey Cultural Trust that would seek over time to establish permanent investment funds as large as \$200,000,000. By June 20, 2000, the legislation had passed without a single dissenting vote at any stage of the deliberation. On June 27, 2000, the FY2000/2001 budget was passed with the first \$10,000,000 state contribution to the Trust.

On July 25, 2000, the New Jersey Cultural Trust legislation was signed into law. Immediately upon its execution, representatives of the Geraldine R. Dodge Foundation presented the first private contribution in the amount of \$1,000,000.

Fund Purposes

The New Jersey Cultural Trust will provide funding to "qualified organizations" for the three following purposes, each of which is defined in the Act:

- ! Building endowments
- ! Financing capital projects
- ! Improving organizational and financial stabilization

Qualified organizations is defined as "tax-exempt, non-profit organizations whose primary mission is to promote the performing, visual and creative arts in New Jersey or to promote and preserve history and humanities in New Jersey."

All colleges and universities and all units of state or local government, including all units, authorities or corporations they create are ineligible.

Fund Goals and Mechanics

The New Jersey Cultural Trust is a public/private partnership that seeks to amass through equal contributions from each sector as much as \$200,000,000 that can be invested, the investment return from which may assist qualified organizations in the way described above. The proposition is that the State of New Jersey will annually appropriate \$10,000,000 over 10 years for its contribution in order to be able to match private contributions. When a private contribution is either certified or directly received into the Fund, the state appropriation in equal amount is also deposited in the Fund.

Private contributions can take two forms: 1) a direct contribution to the Fund, 2) a contribution to the endowment of a "qualified organization." Both forms trigger the release of an equal amount of State appropriation into the Fund. However, when the private contribution to the endowment of a

Background Paper: The New Jersey Cultural Trust (Cont'd)

“qualified organization” is \$100,000 or more, 20% of the State’s match will flow directly to that organization, the other 80% to remain in the Fund for investment. Private contributions may take the form of cash, but also securities, property, and other assets. Gifts for endowment received by a qualified organization after January 1, 2000 may be certified for State match.

The New Jersey Bureau of Investments will manage the Fund under the guidance of the Trust Fund Board of Trustees.

None of the income generated from the fund may be distributed until the fund has achieved a balance of \$20,000,000 or one-year after the enactment of the Act, whichever is later. None of the investment income, or the actual contributions to the funds may be employed for the administration of Trust activities. The Board has discretion with regard to determining if investment income is to be distributed or re-invested. Any funds determined to be distributed as grants are to be divided as follows 50/50 between the arts and history, and of the amount for history, 50% for endowment and stabilization grants and 50% for capital grants. There are special provisions in the act for altering the distribution ratio in any given year, but only for a given year.

The New Jersey State Council on the Arts (Council), New Jersey Historical Commission (Commission) and New Jersey Historic Trust (Historic Trust) will design and administer the programs that brings forth recommendations to the Trust Board for distribution of investment income so-designated. The Council will administer programs for all three Trust purposes as they relate to qualifying arts organizations. The Commission will administer programs to build endowments and financial and organizational stability for qualifying historical organizations. The Historic Trust will administer a program of support for the capital projects of historic property of qualifying organizations. The recommending agencies will promulgate the rules by which the various programs are to be administered. Recommendations will be made at least once annually.

Governance

The New Jersey Cultural Trust is an entity in but not of the Department of State of the State of New Jersey. The Trust Board (Board) is composed of fifteen members as follows:

- ! Six (6) members appointed by the Governor and confirmed by the Senate;
- ! Five (5) voting ex-officio members, including the State Treasurer, the Secretary of State, and the Chairs of the Council, Commission and Historic Trust; and
- ! Four (4) members selected by the Legislature, two (2) who are not of the same political party by the President of the Senate and two (2) who are not of the same political party by the Speaker of the House.

Board members will serve rotating five-year terms. A simple majority (eight) constitutes a quorum for doing business. The Board is authorized under the act to assume numerous powers and duties, among them being the right to develop by-laws and to promulgate rules for operation, to hire staff in consultation with the Secretary of State, to maintain offices within the State, to solicit and receive gifts, to certify gifts to qualifying organizations. The act also specifies that the Board shall receive from the Attorney General of the State of New Jersey such counsel and services as are required to carry out the purposes of the act.

Background Paper: The New Jersey Cultural Trust (Cont'd)

Current board members include:

Judith W. Dawkins, Chair
Josh Weston, Vice-Chair
Carol Cronheim, Secretary
Curtis Bashaw
Deborah Bozarth
Dorothea Frank
J. Seward Johnson, Jr.
Judy Shaw
Esther Silver-Parker
Leonard M. Fisher, Chair, New Jersey State Council on the Arts
Barbara Mitnick, Chair, New Jersey Historic Trust
Joseph Weisberg, Chair New Jersey Historical Commission
The Honorable Regena L. Thomas, New Jersey Secretary of State
The Honorable John E. McCormac, Treasurer, State of New Jersey

Current Status

The Cultural Trust Board members convened for their inaugural meeting on July 12, 2001. At that meeting, they were sworn-in, adopted by-laws, elected officers, began the process of developing rules and regulations to govern their work and authorized the Executive Committee to begin the search for an executive director and staff. At the second meeting, held September 20, 2001 they adopted emergency rules and concurrently proposed permanent rules to be published in the New Jersey Register. The emergency rules were filed September 26, 2001. The first application process for eligible groups to be designated as "qualified" and to certify restricted donations and large gift donations was launched in the fall with an application deadline of December 10, 2001. On December 18, 2001 the Board met and took action to approve 48 organizations of the 94 applicants as qualified under the rules of the program. They certified \$27,496,105 in donations of which \$27,321,690 were large gifts.

With \$27 million in certified donations, all \$12 million currently available through State appropriations in FY 01 and 02 were transferred into the Cultural Trust Fund. The balance of the match will be made when additional appropriations are available. The total amount currently in the Cultural Trust fund includes the \$12 million plus a \$1 million contribution from the Dodge Foundation and \$20,000 contribution from the WJS Foundation matched by \$1,020,000 from State funds bringing the total public/private investment to \$14,040,000 plus the interest earned to date which exceeds \$191,064.14. Because of the large gift donations, 13 organizations are entitled to receive a total of \$2.4 million this fiscal year with the balance of \$3,064,514 due upon availability of future appropriations.

The funds invested by the State in the Cultural Trust Fund and contributed by the private sector to the Fund or to the endowments of eligible organizations equal close to \$41.5 million toward the \$200 million goal.

Agency rules were adopted by the board in March, 2002.

Background Paper: The New Jersey Cultural Trust (Cont'd)

TYPE OF APPLICANT	# OF APPLICANTS	AWARD RECIPIENTS OR DESIGNATIONS	PERCENT AWARDED
Qualified	94 Organizations	48 Organizations	50%
Certified Donation	24 Organizations	18 Organizations with 71 donations	75% of applicants successful
Large Gift Award	13 Organizations	13 Organizations with 54 large gift donations	100%

- \$27,321,690 in large gift donations was certified
 - \$2.4 million processed in FY 2002
 - \$3,064,514 due to organizations from future State appropriations

New Jersey Cultural Trust
2002 Certified Donations and Large Gift Grant Awards by County

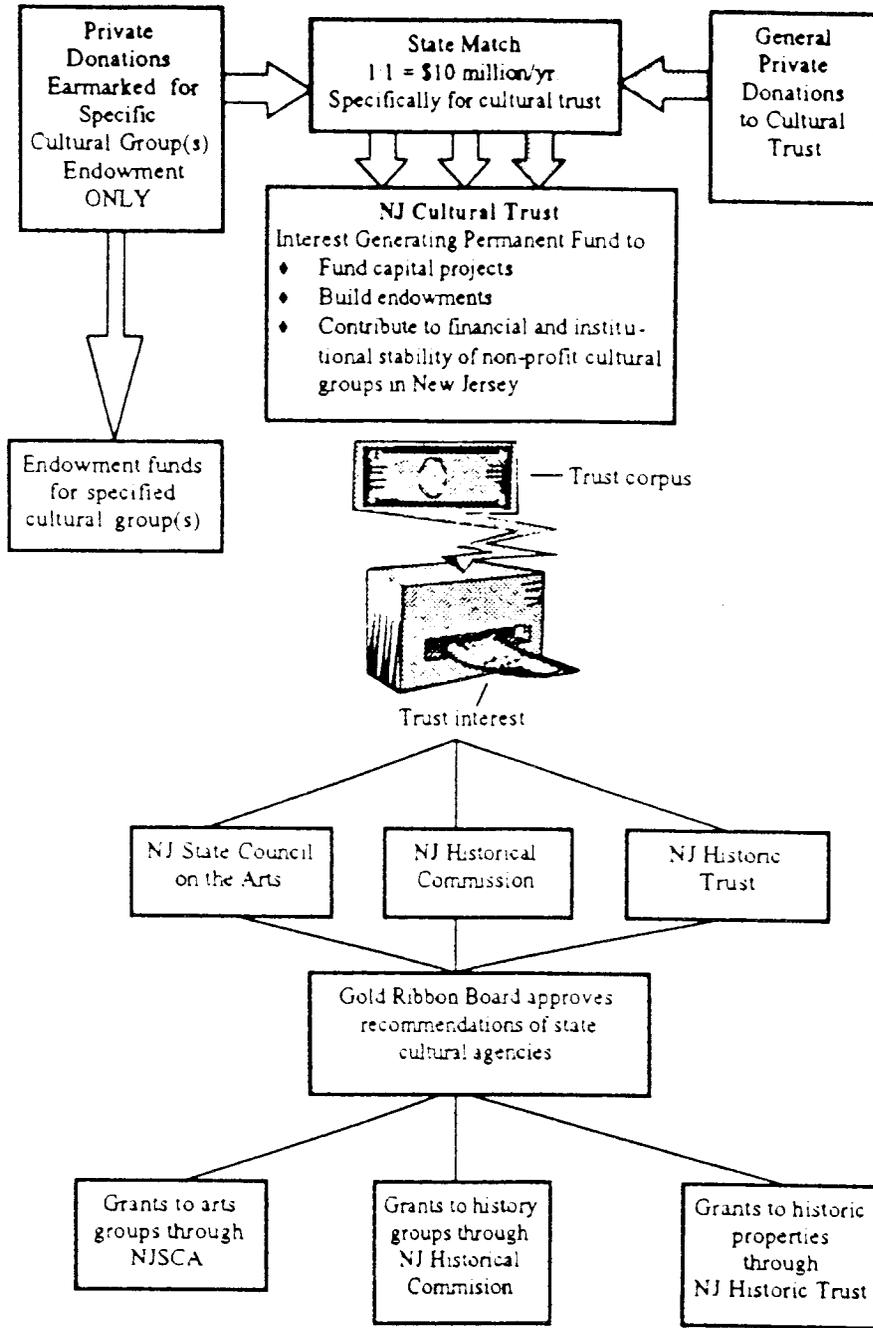
County	Recipient	Total \$'s Certified	Large Gifts Rec'd by Org	20% of Lg. Gift Due Organization	Total 2002 Award	Total Due 03-04
Bergen	Friends of the Hermitage	\$ 54,915	-	-	-	-
Cape May	Historic Cold Spring Village	\$ 100,000	\$ 100,000	\$ 20,000	\$ 20,000	-
Cumberland	Wheaton Village, Inc.	\$ 180,000	\$ 180,000	\$ 36,000	\$ 26,579	\$ 9,421
Essex	Aljira, A Center for Contemporary Art	\$ 300,000	\$ 300,000	\$ 60,000	\$ 36,446	\$ 23,554
	NJ Performing Arts Center	\$ 10,675,000	\$ 10,675,000	\$ 2,135,000	\$ 889,607	\$ 1,245,393
	NJ Symphony Orchestra	\$ 5,273,878	\$ 5,273,878	\$ 1,054,776	\$ 445,460	\$ 609,316
	The Newark Museum	\$ 6,273,115	\$ 6,273,115	\$ 1,254,623	\$ 527,630	\$ 726,993
	NJ Chamber Music Society	\$ 2,500	-	-	-	-
Hudson	Liberty Science Center	\$ 300,000	\$ 300,000	\$ 60,000	\$ 36,446	\$ 23,554
Hunterdon	Hunterdon Museum	\$ 395,091	\$ 395,091	\$ 79,018	\$ 44,266	\$ 34,752
Mercer	Historic Morven	\$ 500,000	\$ 500,000	\$ 100,000	\$ 52,893	\$ 47,107
	McCarter Theatre	\$ 737,221	\$ 737,221	\$ 147,444	\$ 72,400	\$ 75,044
	The American Boychoir	\$ 1,437,790	\$ 1,437,790	\$ 287,558	\$ 130,010	\$ 157,548
	Princeton Pro Musica	\$ 25,000	-	-	-	-
Monmouth	Monmouth County Historical Society	\$ 7,000	-	-	-	-
Morris	The Morris Museum	\$ 1,084,595	\$ 1,049,595	\$ 209,919	\$ 98,087	\$ 111,832
	NJ Shakespeare Festival	\$ 50,000	-	-	-	-
Ocean	Barnegat Bay Decoy & Baymen's Museum	\$ 100,000	\$ 100,000	\$ 20,000	\$ 20,000	-
TOTAL		\$ 27,496,105	\$ 27,321,690	\$ 5,464,338	\$ 2,399,824	\$ 3,064,514

Background Paper: The New Jersey Cultural Trust (Cont'd)

The following flowchart, which was obtained from Art Pride New Jersey (advocates of the arts in New Jersey), contains a potential working model of the Cultural Trust illustrating the sources of funds and the procedural process.

New Jersey Cultural Trust

A Working Model



ArtPRIDE NJ - 02 2000

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

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