

ANALYSIS OF THE NEW JERSEY
FISCAL YEAR 1999 - 2000 BUDGET



DEPARTMENT OF THE TREASURY

PREPARED BY

OFFICE OF LEGISLATIVE SERVICES

NEW JERSEY LEGISLATURE

MAY 1999

NEW JERSEY STATE LEGISLATURE

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DEPARTMENT OF THE TREASURY

Budget Pages..... C-11 & C-12; C-19; C-26 & C-27; D-373 to
D-419; E-22; F-10 to F-12; and H-5 to H-11

Fiscal Summary (\$000)

	Expended FY 1998	Adjusted Appropriation FY 1999	Recommended FY 2000	Percent Change 1999-00
State Budgeted	\$1,517,961	\$1,596,367	\$1,869,510	17.1%
Federal Funds	21,060	19,104	19,584	2.5%
<u>Other</u>	<u>972,334</u>	<u>993,489</u>	<u>1,006,083</u>	<u>1.3%</u>
Grand Total	\$2,511,355	\$2,608,960	\$2,895,177	11.0%

Personnel Summary - Positions By Funding Source

	Actual FY 1998	Revised FY 1999	Funded FY 2000	Percent Change 1999-00
State	4,317	4,348	4,474	2.9%
Federal	175	176	200	13.6%
<u>Other</u>	<u>1,830</u>	<u>1,822</u>	<u>1,874</u>	<u>2.9%</u>
Total Positions	6,322	6,346	6,548	3.2%

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 the Treasury is the central management agency of State government. It has major responsibilities in guiding the direction of State operations through its planning, management and budget components; in securing the State's financial interests through the collection of taxes and other revenues and the investment of State assets; and in the distribution of significant amounts of State aid to individuals and local governments. In addition, the department provides statewide support services to other agencies in the form of computer services, employee benefits management, purchasing goods and services, maintaining and leasing facilities, operating a State vehicle fleet, and providing mail and printing services.

The FY 2000 budget also reflects the "in but not of" status in the Department of the Treasury of a number of agencies. Three of these agencies, the Board of Public Utilities, the Casino Control

Introduction (Cont'd)

Commission and the Office of Information Technology, have been associated with the department for a number of years. Other organizations such as the Ratepayer Advocate, the Office of Student Assistance, the Higher Education Assistance Authority (HEAA), and the Educational Facilities Authority (EFA) were reassigned to the department several years ago when the Department of the Public Advocate and the Department of Higher Education were eliminated. A number of other organizations were reassigned to the department in FY 1999. These organizations include the following:

- N.J. Commerce and Economic Growth Commission
- Commission on Science and Technology
- Economic Development Authority
- Office of Administrative Law
- Office of the Public Defender
- Office of Legal Services

Also reassigned to the Department of the Treasury in FY 1999 were the Bureau of Wage Reporting from the Department of Labor and the Division of Commercial Recording from the Office of the Secretary of State. The functions of these agencies have been integrated into the Division of Revenue.

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 the Treasury for Higher Educational Services, the New Jersey Commerce and Economic Growth Commission, the Economic Planning and Development Statewide program and the New Jersey Commission on Science and Technology are included in the above tables. Other explanatory data for the above agencies are not included in this analysis but are contained in two separate analyses which are related to the above programs: "Higher Educational Services" and the "New Jersey Commerce and Economic Growth Commission and Related Economic Development Programs."

Key Points

OVERVIEW

- ! The Governor has recommended \$2.9 billion in total resources which the Department of the Treasury will either use for its own operations or distribute to individuals, colleges or municipalities in FY 2000. These funds represent an 11 percent increase in resources over those available in FY 1999.
- ! The Governor has recommended \$1.9 billion in State budgeted resources (General Fund, Property Tax Relief Fund and Casino funds) for the Department of the Treasury in FY 2000, an increase of 17.1 percent over the FY 1999 adjusted appropriation.
- ! The Governor has recommended \$19.6 million in Federal Funds, an increase of 2.5 percent over the FY 1999 adjusted appropriation. The majority of these funds are for Student Assistance Programs.
- ! The Governor has recommended \$1.0 billion in Other Funds for FY 2000, an increase of 1.3 percent over FY 1999. Other Funds represent non-budgeted or off-budget revenues

Key Points (Cont'd)

such as taxes collected at the State level and distributed to local governments, special revenue funds and revolving funds. Included in the recommended amounts are a proposed distribution of \$750 million in energy tax receipts, \$86.8 million in revolving funds for the Office of Information Technology (OIT) and \$56.0 million for the Distribution Center.

- ! The recommended General Fund appropriation for the Department of the Treasury is \$1.2 billion, an overall increase of 4.3 percent. The total appropriation includes increases in four of the five components of the General Fund. The Governor's budget includes recommended increases for Department of the Treasury Grants-In-Aid (9.1 percent), State Aid (8.3 percent), Capital Construction (64.8 percent) and Debt Service (7.5 percent). Only Direct State Services are recommended to decrease.
- ! The General Fund-Direct State Services appropriation recommended for FY 2000 for the Department of the Treasury is \$319.4 million, a \$22.4 million or 6.6 percent reduction from the FY 1999 adjusted appropriation. Significant decreases of \$12.2 million and \$16.5 million in the amounts budgeted for Statewide programs for Financial Administration and General Government Services are offset by an increase of \$5.3 million in Governmental Review and Oversight. The Governor's budget historically has included language which has permitted the department to appropriate additional funds to a number of programs. In FY 1998, \$33.0 million in supplemental appropriations for Direct State Services were authorized pursuant to similar language; in FY 1999, through February 22, 1999, \$23.3 million in supplemental appropriations have been authorized.

ECONOMIC REGULATION

- ! The Governor's budget recommends \$21.2 million in funding for the Economic Regulation program class, a \$228,000 or 1.1 percent increase over the FY 1999 adjusted appropriation. This program class includes the Board of Public Utilities (BPU) and the Ratepayer Advocacy Program. The entire \$228,000 increase is attributable to increased operating costs for the Ratepayer Advocacy Program which represents the interests of utility customers.
- ! The Governor's FY 2000 budget includes new recommended language which would appropriate \$4.8 million from the Petroleum Overcharge Reimbursement Fund (PORF) for certain energy conservation projects. Included in this appropriation are the following: \$2.7 million to convert State and local government vehicles to alternative fuel vehicles; \$1.1 million for the cost of infrastructure to service alternative fuel vehicles; and \$1.0 million for a consumer education campaign on electric energy restructuring. The Governor's budget estimates \$19.1 million in available PORF resources and \$5.9 million in expenditures in FY 2000.

GOVERNMENTAL REVIEW AND OVERSIGHT

- ! The Governor's budget recommends \$18.7 million for the Office of Management and Budget (OMB), a \$5.3 million or 39.6 percent increase. The entire increase in this budget is attributable to computer expenses. Documents from the department indicate that what seems to be an increase is in fact a funding shift. For the past several fiscal years these data processing costs have been funded out of the indirect cost recovery fund, an off budget resource. In FY 2000, a direct appropriation is recommended for these costs.

Key Points (Cont'd)

FINANCIAL ADMINISTRATION

- ! The Governor's budget recommends \$77.9 million for Taxation Services and Administration (Division of Taxation), \$3.0 million or 3.7 percent below the FY 1999 adjusted appropriation. The principal reason for the reduction is that no specific funding is recommended for certain collection activities that received supplemental appropriations in FY 1999 pursuant to budget language. However, as in past years, broad language is included in the FY 2000 budget recommendation to permit the appropriation of additional resources for the Division of Taxation without subsequent legislative involvement. Through February 22, 1999, the Division of Taxation has received \$5.9 million as a result of language-authorized supplemental appropriations.
- ! Recommended funding for the Administration of the State Lottery is \$12.8 million, a \$365,000 or 2.8 percent reduction. Broad language is continued in the FY 2000 budget to permit the appropriation of additional resources for lottery administration. Through February 22, 1999, the State Lottery has received an additional \$368,000 pursuant to budget language to pay the one time costs associated with the development of the Holiday instant game in FY 1999.
- ! A sum of \$22.4 million is recommended for the Administration of State Revenues (Division of Revenue), a \$7.7 million or 25.5 percent reduction from the FY 1999 adjusted appropriation. The principal reason for the reduction is that no specific funding is recommended for certain collection activities that received supplemental appropriations in FY 1999 pursuant to budget language. However, as in past years, broad language is included in the FY 2000 budget recommendation to permit the appropriation of additional resources for the Division of Revenue without subsequent legislative involvement. Through February 22, 1999, the Division of Revenue has received \$12.8 million as a result of language-authorized supplemental appropriations.
- ! The \$22.4 million recommended for the Division of Revenue includes a Special Purpose Revenue Management System appropriation of \$2.5 million. This represents continuation funding for a portion of the \$5 million Interdepartmental Initiatives appropriation in FY 1999 which was budgeted in the Interdepartmental Accounts.
- ! The Governor's budget recommends \$22.9 million from the Casino Control Fund for the Administration of Casino Gambling, a \$405,000 or 1.8 percent increase. This appropriation includes an additional \$400,000 for consultants to update computer systems for electronic gambling. The costs associated with this program are paid out of fees and assessments on the casino industry.
- ! The Governor's FY 2000 budget recommends \$4.6 million for the Office of Commercial Recording, a \$1.2 million or 20.8 percent reduction. This reduction is offset by a recommended \$2.3 million appropriation in the Division of Revenue to continue certain Commercial Recording functions there. Although fewer resources also are recommended for the Division of Revenue in FY 2000, the budget permits additional resources to be appropriated to the Division without subsequent legislative involvement.
- ! The Governor's budget recommends \$3.5 million for the Unclaimed Property (Escheats) program in the Division of Taxation, a \$338,000 increase. Budget documents from the department indicate that this increase reflects an internal reorganization between the

Key Points (Cont'd)

Division of Taxation and the Unclaimed Property program. The administration of this program is funded from the revenues derived from escheated property.

GENERAL GOVERNMENT SERVICES

- ! The Governor's budget recommends \$5.1 million for the Special Purpose Fleet Renewal Management Program in the Purchasing and Inventory Management Program, a \$9.9 million reduction from the \$15 million appropriated for this program in FY 1999. Of the \$15 million, \$14 million was to be used to purchase new State vehicles and \$1 million was to be used to develop an integrated fleet management information system. The department has indicated that the \$5.1 million will permit the continuation of fleet replacement and the installation of the new fleet management system.
- ! Continued funding of the \$4.7 million FY 1999 supplemental appropriation to the Property Management and Construction - Construction Management Services program is not recommended. The Division of Property Management and Construction generally operates as a revolving fund with fees charged to user agencies for architectural, engineering and supervisory expertise in the construction and renovation of State buildings. In FY 1998 receipts to this program were approximately \$7 million. In FY 1999 these receipts are expected to fall short. To prevent layoffs in the program in FY 1999, the department is anticipating the need for a \$4.7 million supplemental appropriation.
- ! The Governor's budget recommends \$25.4 million for the Division of Pensions and Benefits, a \$2.7 million or 9.6 percent reduction. Language is included in the FY 2000 budget to permit the appropriation of additional resources from the investment earnings of the various pension and health benefits funds administered by the Division. Through February 22, 1999, the Division of Pensions and Benefits has received \$3.1 million in supplemental appropriations authorized by language.

OFFICE OF ADMINISTRATIVE LAW

- ! The Governor's budget recommends \$7.4 million in State and other funds for the Adjudication of Administrative Appeals program (Office of Administrative Law). This includes a direct State appropriation of \$3.3 million, an increase of \$192,000 from the FY 1999 adjusted appropriation. According to the [Budget in Brief](#), this new funding will permit the Office of Administrative Law to hire four new Administrative Law Judges to expedite routine cases. These new judges will be paid \$48,000 annually or 53 percent of the current average salary of \$90,000 for existing Administrative Law Judges.

STATE SUBSIDIES AND FINANCIAL AID

- ! The Governor's budget recommends \$324.6 million from the Property Tax Relief Fund for Homestead Property Tax Rebates for Homeowners and Tenants pursuant to P.L. 1990, c.61, the same amount as FY 1999. Eligibility criteria and rebate amounts will remain the same as in FY 1998 and FY 1999.
- ! An appropriation of \$23.7 million from the Property Tax Relief Fund is recommended for first year funding for the new Senior and Disabled Citizens Property Tax Freeze pursuant to P.L. 1997, c. 348. This program will pay certain senior and disabled residents a homestead property tax reimbursement beginning in calendar year 1999.

Key Points (Cont'd)

- ! The Governor's budget recommends \$200 million from the Property Tax Relief Fund for first year funding for a new Direct School Tax Relief Program, now known as the New Jersey School Assessment Valuation Exemption Relief and Homestead Property Tax Rebate Act (NJ SAVER and Homestead Rebate Act) which was enacted pursuant to P.L. 1999, c. 63. This funding represents the first year of a five year \$1 billion program. According to the Budget in Brief, approximately 1.9 million homeowners will receive checks equal to a portion of the school taxes paid on the assessed value of owner-occupied primary residences. Amounts by municipality/school district will be determined by applying the 1997 equalized school tax rate to the first \$45,000 of equalized assessed value of eligible residential properties. In FY 2000, homeowners will receive 20 percent of this amount in the form of a direct rebate check. Each year the amount will increase by 20 percent until the program is fully implemented in FY 2004.
- ! The Governor's budget recommends a total of \$51.2 million in State aid payments from the Property Tax Relief Fund and the Casino Revenue Fund to reimburse municipalities for senior and disabled citizens' and veterans' property tax exemptions. This represents a \$2.4 million or 4.5 percent decrease from the FY 1999 adjusted appropriation. Eligibility criteria and exemption amounts will remain the same as in FY 1999.
- ! The Governor's budget recommends the elimination of the \$103,000 Palisades Interstate Park Payment in Lieu of Taxes (PILOT) Aid. This was a legislative initiative in the FY 1999 Appropriations Act.
- ! The Governor's budget recommends the elimination of the \$675,000 Pinelands Area Municipality Aid. This was a legislative initiative in the FY 1999 Appropriations Act.
- ! The Governor's budget recommends \$8.7 million for Debt Service on Pension Obligation Bonds. This represents a \$5.6 million, or 180.6 percent increase from the FY 1999 adjusted appropriation. In FY 1998, \$12.1 million was appropriated for this purpose. Additional appropriations for Debt Service on Pension Obligation Bonds are located in the Interdepartmental Accounts section of the Governor's budget.
- ! The Governor's budget recommends \$2.6 million for Police and Firemen's Retirement System (PFRS), Health Benefits, which is the same amount as that allotted for expenditure from the \$6.1 million appropriated in FY 1999. The \$3.5 million balance of the FY 1999 appropriation has been put in reserve. The Governor's budget recommends that any funds not spent in FY 1999 be appropriated. This appropriation reflects the provisions of P.L. 1997, c. 330 which provides State-paid post-retirement medical benefits for certain PFRS retirees.
- ! The Governor's budget reflects the distribution of \$3.3 million in Other Distributed Taxes from certain insurance taxes. This is an increase of \$1.0 million from the FY 1999 adjusted appropriation. These are payments made to counties. Funds are distributed proportionately to the county in which a domestic insurance company's principal office was situated on January 1, 1999.
- ! The Governor's budget reflects a FY 2000 distribution of \$750 million from the Energy Tax Receipts Property Tax Relief Fund pursuant to P.L. 1997, c.167. This law replaced the previous method of taxing public utilities and created a new distribution of funds to municipalities which is no longer tied to actual utility tax collections.

Key Points (Cont'd)

MANAGEMENT AND ADMINISTRATION

- ! The Governor's budget recommends continuation funding of \$8.9 million for this statewide program which includes \$2.0 million for the Local Budget Government Review program and \$5.9 million for Management and Administrative Services (Treasurer's Office).
- ! An appropriation of \$26.0 million from Other Funds is recommended for Administrative and Support Services, including \$11.3 million in anticipated revenue from the Drug Enforcement and Demand Reduction Fund (DEDR), \$14.0 million from the Economic Recovery Fund and \$640,000 for public finance activities. DEDR funds are used to support the administrative expenses of the Governor's Council on Alcoholism and Drug Abuse, the municipal alliance programs and specific programs in the Department of Health.

PROTECTION OF CITIZENS' RIGHTS

- ! The Governor's budget recommends continuation funding of \$66.0 million in State appropriations for the Office of the Public Defender. In addition to the State funds recommended, the Governor's budget reflects \$223,000 in federal funds and \$660,000 in SOIL Program Receipts and arbitration fees.
- ! A total of \$10.5 million in State Grants-In-Aid and \$1.2 million in federal funds is recommended for Legal Services of New Jersey whose 15 county legal services offices provide assistance and representation to low-income clients in civil matters. These grants are distributed through the Treasurer's Office not through the Office of the Public Defender.

CAPITAL CONSTRUCTION

- ! The Governor's budget recommends \$12.4 million in FY 2000 for Capital Construction purposes. This recommendation is \$4.9 million, or 64.8 percent larger than the FY 1999 adjusted appropriation. These funds are available to the Office of Information Technology (OIT) for new and continuing projects. New projects include the construction of a loading dock (\$500,000); Data Center Complex - Throughput (\$1.9 million); a Direct Access Storage Devices (DASD) project (\$750,000); and a duplex printing project (\$900,000). On going projects include upgrading and consolidating data centers (\$4.9 million); Preservation Projects - Information Processing (\$1.5 million) and a radio communications network study (2.0 million).

DEBT SERVICE

- ! The Governor's budget for the department includes \$426.1 million for Debt Service on general obligation bonds. This represents a \$29.6 million or 7.5 percent increase over the FY 1999 adjusted appropriation.

REVOLVING AND OTHER FUNDS

- ! The Governor's budget recommends language which appropriates resources from the Capital City Redevelopment Loan and Grant Fund for "expenses, programs and strategies which will enhance the vitality of the capital district as a place to live, visit, work, and conduct business." The Governor's budget recommends \$328,000, a decrease of \$92,000

Key Points (Cont'd)

or 22 percent, for the administrative expenses of this program.

- ! The Governor's budget recommends \$86.8 million for the Office of Information Technology (OIT). This represents a \$6.5 million increase from the FY 1999 adjusted appropriation. The Governor's budget recommends two other appropriations which may directly benefit OIT in FY 2000. The first is a \$12.4 million Capital Construction appropriation for OIT projects. The second is a \$10.0 million Special Purpose appropriation for Year 2000 Data Processing Initiative in the Interdepartmental Accounts.
- ! The Governor's budget recommends continuation funding of \$17.3 million for the State Central Motor Pool. An additional \$5.1 million is recommended as a Direct State Services appropriation to enable the Central Motor Pool to establish a line of credit to purchase State vehicles and to continue the fleet replacement program.
- ! Continuation funding of \$56 million for the Distribution Center is recommended. Of the \$56 million recommended, the State Purchase Fund accounts for approximately \$52 million.
- ! Continuation funding of \$1.3 million is recommended for the Capitol Post Office which is a revolving fund and appears in the budget only as a language appropriation.

PERSONNEL

- ! The position data displayed in the Governor's budget indicates that the FY 2000 budget would fund a total of 6,548 positions. The actual payroll count as of September 1998 (FY 1999) is 6,346.

The Higher Educational Services portion of the Department of the Treasury (pages D-378 to D-384) is contained in a separate booklet: "Higher Educational Services."

The New Jersey Commerce and Economic Growth Commission, the Economic Planning and Development Statewide program and the New Jersey Commission on Science and Technology portions of the Department of the Treasury (pages D-384 to D-391) are contained in a separate booklet: "New Jersey Commerce and Economic Growth Commission and Related Economic Development Programs."

BACKGROUND PAPER

NJ SAVER and Direct Property Tax Relief Programs p. 60

Program Description and Overview

The Department of the Treasury is the central management agency of State government. The department is the third largest department in terms of resources, surpassed only by the Departments of Human Services and Education. It has major responsibilities in guiding the direction of State operations through its planning, management and budget components; in securing the State's financial interests through the collection of taxes and other revenues and the investment of State assets; and in the distribution of significant amounts of State aid to individuals and local governments.

In addition to the above responsibilities, certain regulatory, legal, economic development and business reporting functions fall within the Department of the Treasury organization.

The core programs in the Department of the Treasury are as follows:

- ! Treasurer's Office
- ! Office of Management and Budget
- ! General Services Administration
- ! Division of Pensions and Benefits
- ! Division of Taxation
- ! Division of Revenue
- ! Division of Investments
- ! Division of State Lottery
- ! Local Budget Government Review

A number of programs are allocated in but not of the Department of the Treasury. Each of the eleven programs listed below is organizationally within the department but autonomous in its operation. The analyses of four of these programs (the Office of Student Assistance, the New Jersey Commerce and Economic Growth Commission, the New Jersey Commission on Science and Technology, and the New Jersey Economic Development Authority) are not included in this booklet but are included in separate booklets: "Higher Educational Services" and the "New Jersey Commerce and Economic and Development Commission and Related Economic Development Programs." Allocated in but not of the Department of the Treasury are the following:

- ! Casino Control Commission
- ! Board of Public Utilities
- ! Ratepayer Advocate
- ! Office of Administrative Law
- ! Office of the Public Defender
- ! Office of Legal Services
- ! Office of Information Technology (OIT), formerly known as the Office of Telecommunications and Information Systems (OTIS)
- ! Office of Student Assistance (OSA)
- ! New Jersey Commerce and Economic Growth Commission
- ! New Jersey Commission on Science and Technology
- ! New Jersey Economic Development Authority

Program Description and Overview (Cont'd)

The Governor's FY 2000 budget reflects the Executive Branch reorganization which occurred in FY 1999. The Department of Commerce and Economic Development was dissolved in September 1998 and the New Jersey Commerce and Economic Growth Commission was established; the Division of Commercial Recording and certain functions within the Bureau of Wage Reporting were integrated into the Division of Revenue's operations; and certain legal services programs, including the Office of Administrative Law, the Public Defender and the Office of State Legal Services were transferred in but not of the Department of the Treasury from the Department of State and the Department of Community Affairs respectively.

Core Programs

The following describes the units within the department in terms of their duties and responsibilities and provides an overview of the resources available to each unit.

The **Treasurer's Office** provides fiscal, personnel, and other services related to the overall management of the department. The Treasurer's Office develops and exercises general policy and administrative control over operations and often has been the locus of projects and programs of special interest to the Governor. Over the years such projects and programs have included the Camden aquarium, the arts center in Newark and the Productivity and Efficiency Program which was initiated in FY 1995. When the Office of Financial Management was dissolved in FY 1992, the Treasurer's Office assumed responsibility for public finance activities associated with debt issuance and management. In addition, the Treasurer's Office has responsibility for the Federal Liaison Office and Public Contracts Affirmative Action Office.

In FY 2000, the Governor has recommended continuation funding of \$5.9 million for the Treasurer's Office. In addition, a specific sum of \$640,000 for public finance administrative costs is authorized by budget language.

The **Office of Management and Budget (OMB)** plans, prepares and administers the State budget. It manages and monitors the day-to-day operation of the State's financial systems, including the publication of the State's annual financial statements and processing payments to vendors. It provides planning, review and oversight for federal policies which relate to State interests and for capital construction projects. In addition, it provides organizational, technical and productivity analyses and evaluates all requests for data processing and telecommunications services and equipment in State government in conjunction with the Office of Information Technology (OIT).

The Governor's FY 2000 budget recommends \$18.7 million for the Office of Management and Budget (OMB). This appropriation represents a \$5.3 million or 39 percent increase which is entirely attributable to computer expenses. Documents from the department indicate that what seems to be an increase is in fact a funding shift. For the past several fiscal years these data processing costs have been funded out of the indirect cost recovery fund, a dedicated account for the deposit of indirect cost recovery receipts from the federal government and other non-State sources. In FY 2000, these costs are funded as a direct appropriation. The Governor's recommended budget indicates that 226 OMB positions are funded in FY 2000.

Program Description and Overview (Cont'd)

The **General Services Administration (GSA)** helps State agencies meet their needs by purchasing and maintaining assets and by providing products, services and facilities. GSA includes the Purchasing and Inventory Management program and the Property Management and Construction - Property Management Services program as well as other programs which manage real estate, Statewide purchasing, rental properties, insurance, employee housing, the State Post Office, and State vehicles.

Many of GSA's programs operate as revolving funds which receive all or most of their revenue from direct charges to user agencies. For many other GSA programs, language in the appropriations act often permits these programs to draw on resources from either revolving fund or special revenue resources. In some, but not all cases, the amount of non-General Fund resources available to a program is capped at a certain level.

The Governor's budget recommends a Direct State Services appropriation for GSA (excluding the Division of Pensions and Benefits) of \$21.9 million in FY 2000 which is \$14 million less than the FY 1999 adjusted appropriation of \$35.9 million. The components of the \$14 million reduction are a \$9.9 million reduction in the amount recommended for the Fleet Renewal Management Program in the Purchasing and Inventory Management Program and a \$4.7 million reduction in the amount recommended in FY 2000 for the Property Management and Construction program. The department has indicated that the amount recommended in FY 2000 for the Fleet Renewal Management Program will be sufficient to permit the continuation of fleet replacement and the installation of the new fleet management system. It has also indicated that the Property Management and Construction revolving fund will generate sufficient revenues in FY 2000 to eliminate the need to continue the \$4.7 million FY 1999 Direct State Services appropriation.

The **Division of Pensions and Benefits** manages State and public employee benefit programs, determining eligibility, certifying membership and rates, accounting for individual and system contributor records, and administering loans. The largest of these programs is the State Health Benefits Program. It also administers all but a few of the public retirement systems for State and local employees in New Jersey. The Division was actively involved in the administration of the general early retirement programs which were enacted in FY 1992 and FY 1994 and the special program for police and firefighters in FY 1994.

The entire budget of the Division of Pensions and Benefits is charged back to the various pension funds and employee benefit programs. Since FY 1995, the Division's budget has been augmented by additional funds appropriated pursuant to budget language. Utilizing the language authority in the FY 1999 Appropriations Act, an additional \$3.1 million has been appropriated. Language in the Governor's FY 2000 budget would permit additional funds to be appropriated in FY 2000. The Governor's budget recommends \$25.4 million for the operation of the Division in FY 2000, \$2.7 million less than the FY 1999 adjusted appropriation. The recommended appropriation includes funding for 342 positions.

The **Division of Taxation (Taxation Services and Administration)** administers the tax laws of the State, performs office and field audits of tax returns and taxpaying entities, prepares tax refunds, investigates tax matters having civil or criminal potential, determines certain state aid distributions and provides other tax-related services.

Program Description and Overview (Cont'd)

The \$77.9 million recommended for the Division of Taxation's budget represents a \$3.0 million or 3.7 percent decrease from the FY 1999 adjusted appropriation. The Division's budget eliminates funding for contract discovery services, saving approximately \$3.4 million. This is offset by a \$144,000 increase for one time start up costs of the Mod IV project, an on-line automated Statewide database of property listings and their assessments. Since the budget continues to recommend language which provides broad authority to appropriate additional resources for the Division as necessary, the savings taken to construct a \$77.9 million budget for the Division may not be realized in FY 2000. To date in FY 1999, \$5.9 million has been appropriated pursuant to language. The recommended budget is expected to fund 1,267 positions, 24 positions more than actual payroll counts in FY 1999.

In FY 1992, the Division of Taxation was given broad authority through language in the appropriations act to offset administrative costs against revenue collections. The FY 2000 budget includes a number of such language provisions. These provisions permit the Division, with the approval of the Director of the Division of Budget and Accounting (OMB), to do the following: to use receipts from the sale of confiscated equipment, materials and supplies under the "Cigarette Tax Act"; to appropriate up to \$722,000 for the development and implementation of a property tax assessment system; to appropriate such sums as are necessary for the administration of the homestead property tax reimbursement established pursuant to P.L. 1997, c.348; to appropriate receipts from the Solid Waste Services Tax Fund and the Resource Recovery Investment Tax Fund; to appropriate additional sums to acquire equipment to modernize tax processing equipment; to appropriate funds to offset administrative costs of the New Jersey Urban Enterprise Zone Act and the Tourism Improvement and Development District Act; to appropriate revenues from escheated property; and to appropriate additional sums for the costs associated with enhanced compliance programs. This authority has provided the Division of Taxation with resources beyond those available through a direct appropriation.

Since the late 1980's with the first Tax Amnesty program, the Division has focused more resources on programs to improve compliance among New Jersey taxpayers. Section 34 of P.L. 1991, c.185 created the Interagency Cost Recovery Task Force, otherwise known as the Cheater Beater program. Language provided broad authority to the Division of Taxation in the Department of the Treasury, the Division of Law in the Department of Law and Public Safety and "any other unit of State government to fund the costs of auditors, attorneys, and other staff and other costs" from "delinquent tax judgments, delinquent student loans, administrative fines and penalties, unclaimed property, escheats, overpayments of state entitlements and any other debts owing to the State or its agencies." Since FY 1992 the number of auditors has grown from 256 to 406 in FY 1999. During the same period, the number of collectors has grown from 167 to 260 in FY 1999. The Division estimates that it will employ approximately 427 auditors and 260 collectors in FY 2000. In addition, the Division has continued to utilize the services of PAYCO, a private contractor, to collect back taxes due the State although it has not requested a specific appropriation for its services.

The Governor's budget also recommends \$3.5 million for the Unclaimed Property (Escheats) program in the Division of Taxation, a \$338,000 increase. This program attempts to locate owners of unclaimed property, such as bank accounts, wage checks, certificates of deposit, bonds and stocks. When no individual claims the property or no individual is legally qualified to inherit the property, the property reverts to the State. Language in the budget permits the administration of this program to be paid out of the revenues derived from escheated property.

Program Description and Overview (Cont'd)

The budget includes three initiatives which are estimated to bring in \$40 million in State revenues in FY 2000. The first program, Lease and Leaseback (p. C-11), will increase State revenues by an estimated \$20 million in FY 2000. According to information provided by the Department of the Treasury, this revenue will result from the transfer of depreciation rights in buildings owned or leased by the State to a third party. The State will receive a payment from a third party at the beginning of the transaction sufficient to pay the lease payments, as well as an upfront benefit of approximately 5 percent of the value of the buildings. The estimated value of the buildings in this transaction is \$400 million. The \$20 million anticipated in the FY 2000 budget is the upfront benefit, the equivalent of 5 percent of \$400 million or \$20 million.

The second program, the Internet Delinquent Taxpayer Initiative (p. C-11), also will increase State revenues by an estimated \$10 million in FY 2000. The department has indicated that the State will follow Connecticut's lead and will post the names of the top 100 delinquents and the amounts owed to the State on the internet. The Treasurer's Office indicated that Connecticut has collected approximately \$28 million in new money as a result of this initiative.

A third source of revenue, Tax Lien Sales (p. C-12), started in FY 1999 and is expected to increase revenues by \$10 million in that fiscal year. In FY 2000, \$10 million is also anticipated. Based on information provided by the Treasurer's Office, this represents "revenue that would be realized by the State from the sale of a package of old tax claims." These tax claims, which the State has attempted unsuccessfully to collect for a number of years would be sold to a third party who would attempt to collect the indebtedness.

The **Division of Revenue** was created pursuant to Executive Reorganization Plan 97-001 to provide one central location for revenue management and collections. In FY 1999, certain wage reporting functions from the Division of Wage and Reporting (Reorganization Plan 003-1998) and various business reporting procedures administered by the Office of Commercial Recording (Reorganization Plan 004-1998) were consolidated into the Division of Revenue. Included in this transfer were revenue management responsibilities for the following programs: Unemployment Insurance Tax, State Disability Benefits Tax, the Second Injury Fund, Temporary Disability Insurance Assessments, CAARS (Catastrophic Illness in Children, Worker and Community Right to Know, Pollution Prevention Control) Assessments, Health Care Subsidy and Workforce Development Partnership. These functions include responsibilities for revenue management such as receiving reports, billings and correspondence; remittance processing; data entry; imaging; and providing services to the public and legal communities, including filing and processing information.

In FY 2000 the Governor has recommended an appropriation of \$22.4 million, a \$7.7 million or 25.5 percent decrease from the FY 1999 adjusted appropriation. The Division's budget eliminates funding for contract telecollectors, saving approximately \$7.2 million. The budget also eliminates \$650,000 for automation efficiencies and \$2.5 million for the "One Stop Shopping" initiative. These reductions are offset by a special purpose appropriation of \$2.5 million for a Revenue Management System, which in FY 1999 was funded in the Interdepartmental Accounts as a \$5 million Interdepartmental Initiatives appropriation. The budget includes language which permits the appropriation of additional funds as needed in FY 2000. Through the end of April, \$13.4 million has been appropriated to the Division pursuant to language. The recommended budget is expected to fund 432 positions.

Program Description and Overview (Cont'd)

The **Division of Investments (Management of State Investments)** manages an investment portfolio of over \$80 billion in State funds (including the various State pension funds, the State Disability Benefits Fund, the General Investment Fund, and the State of New Jersey Cash Management Fund), controls the principal proceeds and interest receipts, and provides investment services to other State agencies, public authorities and local governments. It publishes detailed monthly reports of operations and presents an annual report to the Governor and Legislature.

The Governor has recommended continuation funding of \$5.4 million in Direct State Services appropriations for the Division of Investments which is expected to support 70 positions in FY 2000. Language is recommended to permit the appropriation of additional resources in FY 2000 for expenses from the investment earnings of the various pension and health benefits funds administered by the Division.

The **Division of the State Lottery** sponsors lottery games, raising State revenue through the sale of lottery tickets. By law, a minimum of 30 percent of gross lottery revenues is dedicated to State Aid for education and institutions. In FY 2000, the State Lottery is expected to transfer \$670 million to the General Fund for these purposes. The State Lottery Fund Schedule on page I-45 of the Governor's FY 2000 budget shows the programs which are in part supported by these funds. Included are institutions and programs in the Departments of Agriculture, Corrections, Education, Human Services, Law and Public Safety, Military and Veterans' Affairs and Higher Educational Services.

The Division's operations first came on budget in FY 1987. Since that time, the Division has been given broad authority to augment its appropriations through language. The FY 2000 budget includes four such language provisions. These provisions permit the Division to do the following: to use whatever sums are necessary in order to pay commissions, prizes, and expenses for developing games; to use State Lottery Fund receipts in excess of anticipated contributions to education and state institutions for administrative costs (in FY 2000, this language would permit the Division to use amounts in excess of the \$670 million anticipated as budgeted revenues in FY 2000); to appropriate out of receipts from telecommunications fees any sums necessary for telecommunications costs; and to earn and use revenues from the sale of advertising. In FY 1999, an additional \$2.7 million has been appropriated to the Division through the end of April pursuant to budget language.

The \$12.8 million recommended for the Division is net of debt service payments for the Lottery Network Payment Agreement. These payments are now made directly from the State Lottery Fund, in effect taking these payments off-budget. Information provided in the Executive FY 1991 budget states that in FY 1988 net sales of \$1.2 billion were generated by 4,247 agents and 769 drawings. This corresponds to information in the Governor's FY 2000 budget which projects net sales of \$1.7 billion generated by 6,000 agents and 1,104 drawings.

The **Local Budget Government Review** group was established to assist local governments and school board in minimizing their operating costs. The staff reviews municipal and school district budgets and submits reports which recommend ways in which revenues can be enhanced and the cost of services reduced. According to the Budget in Brief, this group has completed 46 reports, is in the process of reviewing another 13, and has a backlog of requests from over 200 local entities. The Governor's budget recommends continuation funding of approximately \$2 million in FY 2000 which would support 36 Local Government Budget Review positions.

Program Description and Overview (Cont'd)

In But Not Of Programs

The **Casino Control Commission** is funded from receipts of the Casino Control Fund which receives fees primarily from the issuance and renewal of casino licenses and work permits in Atlantic City. The Commission is responsible for the regulation of legalized casino gaming in New Jersey and for the collection of all license fees and taxes imposed by the New Jersey Casino Control Act. The Commission regulates the operation of 12 casino hotel complexes and licenses all employees and ancillary companies conducting business with the casino industry.

In FY 2000 the Commission's recommended budget is \$22.9 million, a \$405,000 or 1.8 percent increase. This appropriation includes an additional \$400,000 for consultants to update computer systems for electronic gambling. Position data in the FY 2000 budget indicate that the recommended budget will support 354 positions in FY 2000.

The **Board of Public Utilities (BPU)** was transferred out of the Department of the Treasury in 1991 and back to the department in 1994. The Reorganization Plan (No. 001-94) redesignated the Board of Regulatory Commissioners (BRC) as the Board of Public Utilities (BPU) and reconstituted the BPU in but not of the Department of the Treasury. In addition, it created a **Division of Ratepayer Advocate** within the BPU and transferred to it personnel from the Division of Rate Counsel in the Department of the Public Advocate which was eliminated in FY 1995.

The BPU regulates essential services such as natural gas, electricity, water, sewer, and telecommunications including cable television. In FY 2000, it will regulate 5 electric companies, 4 gas companies, 23 telephone and telegraph companies, 90 water and sewer companies and 171 municipal water companies. Its budget consists of five program classes: Ratepayer Advocacy, Utility Regulation, Regulation of Cable Television, Regulatory Support Services, and Management and Administrative Services.

The Governor's FY 2000 budget recommends \$21.2 million in funding for the BPU and the Ratepayer Advocacy program. This represents, a \$228,000 or 1.1 percent increase from the FY 1999 adjusted appropriation. The entire increase for the BPU will go to the Ratepayer Advocacy Program which represents and protects the interests of utility customers. Position data in the FY 2000 budget indicates that this appropriation will support 301 State-funded positions in FY 2000, compared to the actual employee count of 283 in FY 1999. The BPU is entirely supported by assessments on the public utility and cable television industries. In FY 2000, \$27.6 million in assessment revenues including Ratepayer Advocate fees are anticipated.

Budget language is included which identifies a \$4.8 million appropriation from the Petroleum Overcharge Reimbursement Fund (PORF) for certain energy conservation projects. Included in this appropriation are the following: \$2.7 million to convert State and local government vehicles to alternative fuel vehicles; \$1.1 million for the cost of infrastructure to service alternative fuel vehicles; and \$1.0 million for a consumer education campaign on electric energy restructuring. This is the first time these appropriations have been specified in the State budget. The Governor's budget estimates available PORF revenues at \$19.1 million and expenditures at \$5.9 million in FY 2000.

Program Description and Overview (Cont'd)

In FY 1999, the **Office of Administrative Law (OAL)** was transferred from the Department of State to the Department of the Treasury pursuant to Reorganization Plan 004-1998. The Office of Administrative Law is charged with the development and administration of a fair, comprehensive and uniform system of administrative practice and procedures in the Executive Branch of State government. It serves as a facilitator between the public and State agencies in the development and implementation of and accessibility to the regulatory process which includes the impartial and expeditious resolution of disputes and the public's guarantee to notice and opportunity to comment on agency rulemaking.

The OAL conducts hearings for most State agencies and supervises rulemaking activities for all State agencies. The OAL rulemaking staff reviews agency rulemakings to determine compliance with the Administrative Procedure Act and the OAL procedures manual. The OAL oversees the publication of the New Jersey Administrative Code and the New Jersey Register.

The Governor's budget recommends \$7.4 million in State and other funds for the Office of Administrative Law. This includes \$3.3 million in State funds, an increase of \$192,000 from the FY 1999 adjusted appropriations. According to the Budget in Brief, the new funding in FY 2000 will permit the Office of Administrative Law to hire four new Administrative Law Judges to expedite routine cases. These new judges will be paid \$48,000 annually or 53 percent of the current average salary of \$90,000 for existing Administrative Law Judges. Information in the OAL's budget request indicates that the office consists of 38 full time administrative law judges who hold hearings on contested administrative matters. Position data in the Governor's FY 2000 budget indicate that this level of funding will support 127 position in FY 2000.

The **Office of the Public Defender** provides legal representation to indigent criminal defendants formally charged with an indictable offense; to juveniles charged with delinquency offenses when, in the opinion of the court, a finding of guilt could result in an institutional commitment; and to individuals who are applying to the Administrative Office of the Courts' Intensive Supervision Program.

Pursuant to Reorganization Plan No. 004-1998, the Office of the Public Defender was transferred from the Department of State to the Department of the Treasury. The Office of the Public Defender was created pursuant to P.L. 1967, c. 43 in but not of the Department of Institutions and Agencies to provide representation for indigent defendants in criminal cases. In 1974, when the Department of the Public Advocate was created (P.L. 1974, c. 27), the Office of the Public Defender became part of that department. Pursuant to the Public Advocate Restructuring Act (P.L. 1994, c. 58), the Department of the Public Advocate was abolished and the Office of the Public Defender was placed in but not of the Department of the State. In 1998, it was transferred to the Department of the Treasury.

In FY 1999, the Office of the Public Defender raised the rates it pays for outside counsel from \$15.00 and \$22.50 per hour to \$25.00 and \$30.00 per hour for out-of-court and in-court work respectively. This rate increase became effective July 1, 1998. These rate increases in 1998 required an increase of \$2.4 million in amounts appropriated in FY 1999. According to budget information from the Office of the Public Defender, it is required to hire outside counsel in approximately 12 percent of its cases (about 8,984 cases annually). Generally these are multi-defendant cases in which Public Defender staff cannot represent all of the defendants due to conflicts of interest.

Program Description and Overview (Cont'd)

The Office of the Public Defender consists of five programs: Appellate Services to Indigents; Trial Services to Indigents and Special Programs; Mental Health Screening Services; Dispute Settlement; and Administration and Support Services. State funding of \$66.0 million (the same as FY 1999) will be supplemented by \$883,000 in federal and other funds in FY 2000. This level of funding is expected to support 888 positions, including 32 Law Guardian positions.

Approximately 83 percent of this funding, or \$54.7 million, is appropriated to the 22 regional offices and programs of the Trial Services to Indigents and Special Programs budgetary unit. Through this program, the Public Defender represents indigent criminal defendants; indigent defendants in Megan's Law notification hearings; and individuals who are either applying to the Intensive Supervision program or who are in the program and have violated probation. Through its Law Guardian program, the Public Defender also represents abused and neglected children in Family Court proceedings. In September 1998, the Law Guardian program was expanded to respond to the increased caseload associated with the implementation of the Adoption and Safe Families Act of 1998.

The Appellate Services to Indigents is recommended to receive \$6.5 million in FY 2000. This program provides representation for a direct appeal from a conviction or adjudication to adult and juvenile defendants found guilty after trial.

The Mental Health Screening Services program is recommended to receive \$2.2 million in FY 2000. This program provides representation for indigent individuals who are involuntarily committed to mental hospitals beyond an initial 20-day period. The Division of Mental Health and Guardianship Advocacy provides constitutionally mandated legal representation for indigent mentally ill individuals and represents developmentally disabled individuals in guardianship proceedings.

The Office of Dispute Settlement which is recommended to receive \$315,000 in FY 2000 provides mediation and other neutral dispute resolution services to resolve public issues such as environmental clean up, insurance coverage, medical malpractice, housing warranty disputes and resource allocation.

The \$2.2 million that is recommended for Administration and Support Services will be used to provide centralized supervision and policy planning, budgetary policy direction and general administrative support.

The Office of the Public Defender is functionally, but not officially, related to the Office of Legal Services which was transferred from the Department of Community Affairs to the Department of the Treasury in FY 1999 pursuant to Reorganization Plan No. 002-1998. The Office of the Public Defender assists low income residents in criminal matters; the Office of Legal Services assists them in civil matters.

The **Office of Legal Services** which was transferred from the Department of Community Affairs to the Department of the Treasury in FY 1999 assists low income residents in civil matters. The Office of Legal Services (formerly known as the Office of Poverty and Law) was originally established approximately 25 years ago. Its purpose is to develop and coordinate legal aid programs and to provide direct legal services to organizations and agencies serving low-income New Jersey residents.

Program Description and Overview (Cont'd)

Of the \$10.5 million recommended for Grants-In-Aid, \$2.5 million is recommended for the State Legal Services Office which provides grants to 15 county legal services offices and \$8.0 million is recommended for Legal Services of New Jersey - Legal Assistance in Civil Matters pursuant to P.L. 1996, c. 52. P.L. 1996, c. 52 increased certain fees and appropriated \$8 million from the General Fund for the provision of legal assistance in civil matters to indigent individuals by Legal Services of New Jersey. In addition to these State appropriations, \$1.2 million in federal funds is recommended for Legal Services of New Jersey.

The **Office of Information Technology (OIT)** was established in but not of the Department of the Treasury pursuant to Executive Order No. 87, dated September 4, 1998. Under the direction of the Chief Information Officer and with oversight by a public/private board of directors, OIT assumed all of the responsibilities of the former Office of Telecommunications and Information Systems which, since October 1984, had been responsible for consolidating and coordinating information processing activities of the Executive Branch.

OIT has operational responsibility for the State data centers and the Garden State Network, a Statewide integrated communications network capable of carrying data and voice transmissions. It is also responsible for evaluating all requests for data processing and telecommunications services and equipment in State government. This evaluation process includes system analysis and design activities, consulting services and general management and planning for data processing and telecommunications systems in the State. OIT operates as a revolving fund, supported by charges against user agencies. Its recommended authorized spending level in FY 2000 is \$86.8 million, \$6.5 million more than FY 1999.

The Governor's budget recommends two other appropriations which may benefit OIT in FY 2000. The first is a \$12.4 million Capital Construction appropriation for OIT projects, which include data center upgrades and consolidation, disaster recovery and preservation projects. The second is a \$10.0 million Special Purpose appropriation for Year 2000 Data Processing Initiative in the Interdepartmental Accounts. Some portion of this \$10.0 million will be allocated to OIT.

According to the Budget in Brief (p. 45), the FY 2000 operating budget of \$86.8 million and \$12.4 million in capital, "will allow OIT to augment current service levels through expanded staff training, employee retention, and development of an Intranet service for local governments."

FY 2000 Budget Overview

Total resources recommended for the Department of the Treasury in FY 2000 are \$2.9 billion, an increase of 11.0 percent from the FY 1999 adjusted appropriation. Included in this is \$1.9 billion in State budgeted appropriations (which includes appropriations from the General Fund, the Property Tax Relief Fund (PTRF), the Casino Revenue Fund, and the Casino Control Fund), \$19.6 million in Federal Funds, and \$1.0 billion in Other Funds.

As has already been discussed, the Department of the Treasury budget includes many programs which are new to the department but not new to the State, having been transferred from other departments in FY 1999. The Governor has recommended continuation funding for many of the department's State budgeted appropriations. Some changes, however, are recommended.

Program Description and Overview (Cont'd)

The most significant area of increase is in Grants-In-Aid paid out of the Property Tax Relief Fund. Grants-in-Aid paid out of the Property Tax Relief Fund are recommended to increase by approximately \$223.7 million, or 68.9 percent, because of two new programs: the Senior and Disabled Citizens Property Tax Freeze (P.L. 1997, c. 348) and NJ SAVER (P.L. 1999, c. 63). The Governor's budget has recommended \$23.7 million and \$200 million in first year funding for these programs. The other significant increase in terms of percent although not in terms of actual dollars is for Capital Construction. The Governor's budget recommends \$12.4 million in Capital Construction appropriations for the Office of Information Technology. This represents a \$4.9 million or 64.8 percent increase over the FY 1999 adjusted appropriation.

Other General Fund categories of appropriations are also increasing. Grants-in-Aid paid out of the General Fund are recommended to increase by approximately \$23.6 million, or 9.1 percent, because of increased funding to Higher Educational Services programs. State aid is recommended to increase by a net \$15.8 million, or 8.3 percent, which is primarily the result again of increases in Higher Educational Services programs.

Approximately \$426.1 million is recommended for Debt Service, an increase of \$29.6 million, or 7.5 percent.

The budget recommends \$319.4 million for General Fund - Direct State Services appropriations for FY 2000. This represents a \$22.4 million or 6.6 percent decrease from the FY 1999 adjusted appropriation for the department. Although this decrease appears significant, additional off-budget resources will continue to be available to the department because of language recommended for inclusion in the FY 2000 budget. Through the end of April, an additional \$27 million has been appropriated for department operations in FY 1999 through language-authorized supplemental appropriations.

Off-Budget Items

The Department of the Treasury either collects and distributes, or has available to it for its own use, significant amounts of non-budgeted or off-budget revenue. According to the Governor's budget, in FY 2000 these "other" funds are expected to total \$1.0 billion. "Other funds" include four types of non-budgeted resources: other distributed taxes, dedicated funds, revolving funds and miscellaneous funds.

The largest portion of this revenue, other distributed taxes, is appropriated by language and has consisted of taxes collected at the State level and distributed to local governments. In prior years, these taxes included the public utilities franchise and gross receipts taxes and various banking and insurance taxes. The FY 2000 budget proposes to distribute a total of \$750 million collected from the energy taxes that replaced the public utility gross receipts and franchise taxes. The various banking and insurance taxes were brought on-budget and were distributed as part of the Consolidated Municipal Property Tax Relief Act (CMPTRA) State aid program in FY 1996. These taxes continue to be distributed as part of the CMPTRA program which is administered by the Department of Community Affairs and is budgeted in the Property Tax Relief Fund.

Another portion of off-budget revenue consists of programs which are funded from dedicated or special revenue funds, such as the Governor's Council on Alcoholism and Drug Abuse and the Capital City Redevelopment Corporation. Funding for the Governor's Council on

Program Description and Overview (Cont'd)

Alcoholism and Drug Abuse is recommended at the FY 1999 level. The Governor's budget recommends language which appropriates resources from the Capital City Redevelopment Loan and Grant Fund for "expenses, programs and strategies which will enhance the vitality of the capital district as a place to live, visit, work, and conduct business." The Governor's budget recommends \$328,000, a decrease of \$92,000 or 22 percent, for the administrative expenses of the Capital City Redevelopment Corporation.

The final portion includes the various Treasury components that operate as revolving funds, with charges made directly against State agencies using their services. Among these units are OIT (which has been discussed earlier), the State Central Motor Pool, and the Distribution Center. In FY 2000, a total of \$171.5 million is recommended for the various revolving funds. This represents a \$5.3 million increase from the FY 1999 adjusted appropriation. This increase is primarily due to an increase in OIT's authorized spending level.

State Subsidies and Financial Aid

Over the years, Grants-In-Aid and State aid have been the largest component of all Treasury expenditures. The two most significant programs are the \$750 million off budget energy tax receipts aid distribution and the \$324.6 million Homestead Property Tax Rebates for Homeowners and Tenants program. The department's combined aid funding from both the General Fund and the Property Tax Relief Fund decreased by \$254.6 million in FY 1996 due solely to the placement of the new Consolidated Municipal Property Tax Relief Act (CMPTRA) State aid program in the Department of Community Affairs. The apparent State aid decrease was the result of the assimilation into the CMPTRA State aid program of seven programs that in FY 1995 were budgeted in the Department of the Treasury.

The Governor's budget reflects the distribution to municipalities of \$750 million off budget in energy tax receipts in FY 2000. This is the largest State aid program administered by the Department of the Treasury.

The budget also reflects over \$599.5 million in FY 2000 in payments to certain qualified individuals or to reimburse municipalities for payments to individuals. This is a net increase of approximately \$221.3 million over the FY 1999 adjusted appropriation for these programs. Included in these payments in FY 2000 are: continuation funding of \$324.6 million for Homestead Rebates; new funding of \$200 million for the NJSAVER and Homestead Rebate Act and \$23.7 million for the Senior and Disabled Citizens' Property Tax Freeze; and slightly reduced funding of \$51.2 million to reimburse municipalities for amounts distributed to Senior and Disabled Citizens' Tax Exemptions and Veterans Property Tax Exemptions.

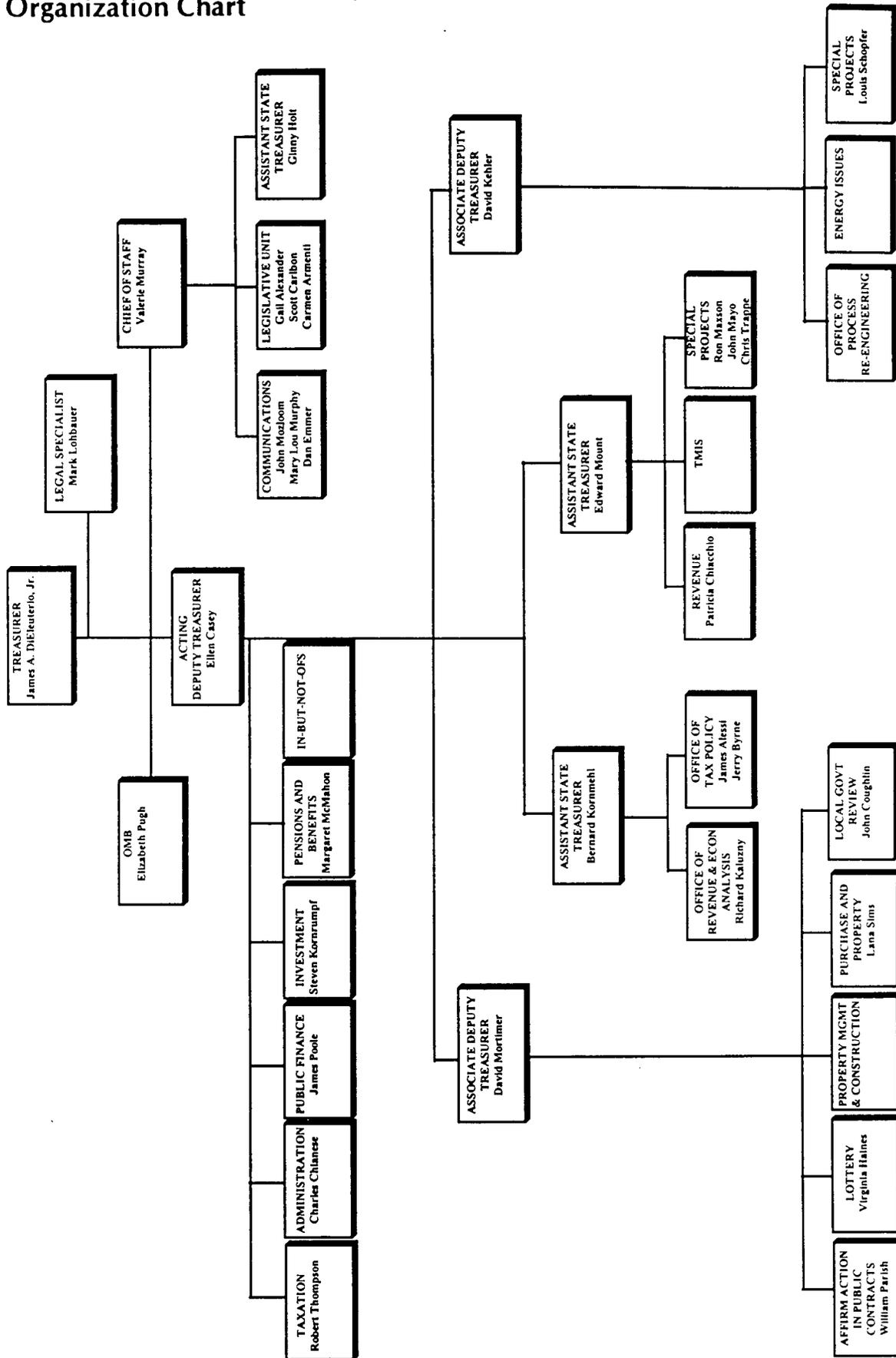
The Governor's budget does not recommend funding for the Payments in Lieu of Taxes to Palisades Interstate Park Municipalities and the Aid to Pinelands Municipalities program, two initiatives that have been included in the Appropriations Act since FY 1996.

Program Description and Overview (Cont'd)

Personnel Changes

The Fiscal and Personnel Summary on page 23 of this report reflects the actual number of employees on the department's payroll at a given point in time for FY 1998 and FY 1999. The FY 2000 figures reflect the total number of positions to be funded without regard to vacancy status. In FY 2000, appropriations to the Department of the Treasury will fund a total of 6,548 positions. The actual payroll count in FY 1999 was 6,346.

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	\$319,564	\$341,839	\$319,409	0.0%	-6.6%
Grants - In - Aid	224,709	258,925	282,504	25.7%	9.1%
State Aid	167,556	190,875	206,716	23.4%	8.3%
Capital Construction	6,282	7,521	12,396	97.3%	64.8%
Debt Service	396,201	396,502	426,075	7.5%	7.5%
Sub-Total	\$1,114,312	\$1,195,662	\$1,247,100	11.9%	4.3%
Property Tax Relief Fund					
Direct State Services	\$0	\$0	\$0	0.0%	0.0%
Grants-In-Aid	322,590	324,600	548,300	70.0%	68.9%
State Aid	41,436	36,415	34,015	-17.9%	-6.6%
Sub-Total	\$364,026	\$361,015	\$582,315	60.0%	61.3%
Casino Revenue Fund	\$17,180	\$17,180	\$17,180	0.0%	0.0%
Casino Control Fund	\$22,443	\$22,510	\$22,915	2.1%	1.8%
State Total	\$1,517,961	\$1,596,367	\$1,869,510	23.2%	17.1%
Federal Funds	\$21,060	\$19,104	\$19,584	-7.0%	2.5%
Other Funds	\$972,334	\$993,489	\$1,006,083	3.5%	1.3%
Grand Total	\$2,511,355	\$2,608,960	\$2,895,177	15.3%	11.0%

PERSONNEL SUMMARY - POSITIONS BY FUNDING SOURCE

	Actual FY 1998	Revised FY 1999	Funded FY 2000	Percent Change	
				1998-00	1999-00
State	4,317	4,348	4,474	3.6%	2.9%
Federal	175	176	200	14.3%	13.6%
All Other	1,830	1,822	1,874	2.4%	2.9%
Total Positions	6,322	6,346	6,548	3.6%	3.2%

Actual payroll counts are reported for fiscal years 1997 and 1998 as of December and revised fiscal year 1999 as of September. The Budget Estimate for fiscal year 2000 reflects the number of positions funded.

AFFIRMATIVE ACTION DATA

Total Minority Percent					
Higher Educational Services	26.0%	27.0%	30.0%	--	--
NJ Commerce & Econ. Growth	25.0%	26.5%	27.0%	--	--
Office of Administrative Law	28.0%	28.8%	28.8%	--	--
Management & Administration	20.0%	20.4%	20.1%	--	--
Protection of Citizens' Rights	34.5%	36.1%	34.0%	--	--

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>
General Fund-DSS: Ratepayer Advocacy (Division of the Ratepayer Advocate)	\$3,935	\$4,163	\$228	5.8%	D-393

The Division of Ratepayer Advocate represents the interests of New Jersey ratepayers before regulatory and legal tribunals and decision making bodies. Minor object detail provided by the Office of Management and Budget indicates that the \$228,000 increase recommended is split equally between Services Other Than Personal (\$115,000) which is used for consultants and Maintenance and Fixed Charges (\$114,000). In FY 1999 the adjusted appropriation includes a \$174,000 supplemental appropriation authorized pursuant to budget language used to hire consultants to assist staff in proceedings before the Board of Public Utilities.

Federal Funds: Energy Resource Management	\$2,225	\$1,725	(\$500)	(22.5)%	D-393
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Energy Resource Management programs develop and implement the State's energy policies and associated programs, including funding mechanisms to support energy conservation projects, energy education and outreach, energy data collection and analysis and evaluation of energy use and supply.

The recommended \$1.7 million in federal funds represents two sources (p. C-26): continuation funding of \$500,000 for the Diamond Shamrock Oil Overcharge Settlement and \$1.2 million for the State Energy Conservation Program. The \$1.2 million recommended for the State Energy Conservation Program represents a \$500,000 reduction in federal funds provided to this program which is administered by the Board of Public Utilities.

General Fund-DSS: Office of Management and Budget (OMB)	\$13,378	\$18,669	\$5,291	39.6%	D-395
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The \$18.7 million recommended for the Office of Management and Budget represents a \$5.3 million, or 36.9 percent increase from the FY 1999 adjusted appropriation. The Department of the Treasury's budget request indicates that the entire \$5.3 million increase represents a restoration of data processing costs provided to OMB by the Office of Information Technology (OIT). According to the department's budget request, the restoration of OIT funding "will enable OMB to again fund internal data processing costs as a direct appropriation" in FY 2000. For the past several fiscal years OMB's data processing costs have been funded out of the indirect cost recovery fund, a dedicated account for the deposit of indirect cost recovery receipts from the federal government and other non-State sources.

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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The \$18.7 million budget recommended for OMB is net of approximately \$180,000 in receipts received for the administrative expenses incurred in processing federal benefits payments.

General Fund-DSS:**Taxation Services and
Administration**

(Division of Taxation)	\$80,927	\$77,926	(\$3,001)	(3.7)%	D-399
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The \$77.9 million recommended for the Division of Taxation represents a net \$3 million, or 3.7 percent, decrease from the FY 1999 adjusted appropriation. This net reduction includes a reduction of \$3.4 million in professional services, the result of not requesting funds in the budget for contracted discovery services. Discovery services identify unregistered businesses and individuals who should be but are not paying taxes. This is offset by a \$144,000 increase for one time start up costs for a new Mod IV on line automated Statewide database which includes listings of all properties and their assessments. This system is available to local tax assessors and county tax boards. Language is recommended in the budget which would permit up to \$722,000 in additional funds to be appropriated in FY 2000 for the implementation of the Mod IV project if needed.

The budget continues to include language which permits the appropriation of additional resources for the Division in FY 2000. To date, in FY 1999, the Division has received an additional \$5.9 million in supplemental appropriations which are included in its adjusted appropriation for FY 1999. The majority of these funds were for contracted discovery services.

All Other Funds:**Taxation Services and
Administration**

(Escheats Unit)	\$3,146	\$3,484	\$338	10.7%	D-400
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This appropriation is for the Escheats Unit within the Division of Taxation. The \$338,000 increase reflects an internal reorganization between the Division of Taxation and Unclaimed Property. Revenues are available from the Unclaimed Property Trust Fund for the administration of this program. Minor object detail for this program indicates that the personal services account is recommended to increase by \$329,000.

General Fund-DSS:**Administration of State
Lottery (Division of the
Lottery)**

	\$13,194	\$12,829	(\$365)	(2.8)%	D-399
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The \$12.8 million recommended for the Division of the Lottery represents a \$365,000 reduction. In FY 1999, an additional \$2.7 million was appropriated pursuant to budget language to the

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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Division of the Lottery, including \$368,000 for the one time costs associated with a new instant game and \$2.4 million for "funds necessary to implement the State lottery law." This funding is not recommended for continuation in FY 2000 but broad language which permits the appropriation of additional resources for lottery administration is continued in the FY 2000 budget. The budget also estimates that the Division of the Lottery will continue to receive \$720,000 in revenues from telecommunications fees.

General Fund-DSS:**Administration of State****Revenues (Division of****Revenue)**

	\$30,021	\$22,363	(\$7,658)	(25.5)%	D-399
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The \$22.4 million recommended for the Division of Revenue represents a net \$7.7 million reduction in resources in FY 2000. The \$22.4 million includes continuation funding of \$1.5 million for Wage Reporting which was merged into the Division of Revenue as a special purpose appropriation in FY 2000. It also includes a new special purpose appropriation of \$2.5 million for a Revenue Management System (see below). Offsetting the new appropriation for the Revenue Management System are reductions of \$7.2 million for PAYCO, \$650,000 for automation efficiencies and \$2.5 million for the "One Stop Shopping" initiative.

Language again is included in the FY 2000 budget which permits the appropriation of additional resources for the Division in FY 2000. To date, in FY 1999, the Division has received an additional \$13.3 million in supplemental appropriations which are included in its adjusted appropriation for FY 1999.

General Fund-DSS**Special Purpose:****Revenue Management****System (Division of****Revenue)**

	\$0	\$2,500	\$2,500	—	D-400
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This \$2.5 million recommended appropriation is included in the \$22.4 million recommended for the Division of Revenue shown above. It represents continuation funding for a portion of the \$5 million Interdepartmental Initiatives appropriation in FY 1999 which was budgeted in the Interdepartmental Accounts.

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>
All Other Funds:					
Administration of State Revenues (Division of Revenue)	\$11,894	\$12,294	\$400	3.4%	D-400

The recommended budget for the Division of Revenue is net of anticipated resources. Minor object detail information indicates that an additional \$12.3 million in estimated appropriated receipts will be available to the Division of Revenue in FY 2000. Among the additional resources available are \$9.2 million from Lockheed for Department of Motor Vehicle surcharges and \$2.1 million from unemployment insurance. Language again is included in the FY 2000 budget which permits the appropriation of additional resources for the Division in FY 2000. To date, in FY 1999, the Division has received an additional \$13.3 million in supplemental appropriations which are included in its adjusted appropriation for FY 1999.

Casino Control Fund:					
Administration of Casino Gambling (Casino Control Commission)	\$22,510	\$22,915	\$405	1.8%	D-399

The FY 2000 budget for the Casino Control Commission is recommended to increase by \$405,000, from \$22.5 million in FY 1999 to \$22.9 million in FY 2000. The Services Other Than Personal account is recommended to increase by \$439,000 for the costs associated with hiring consultants to update computer systems for electronic gambling. Personal services costs are recommended to decrease by \$36,000. The costs associated with this program are paid out of fees and assessments on the casino industry.

General Fund-DSS					
Commercial Recording	\$5,854	\$4,636	(\$1,218)	(20.8)%	D-399

The Governor's FY 2000 budget recommends \$4.6 million for the Office of Commercial Recording, a \$1.2 million or 20.8 percent reduction. According to the department's budget request, this reduction is offset by a recommended \$2.3 million appropriation in the Division of Revenue to continue certain Commercial Recording functions there.

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>
General Fund-DSS: Purchasing and Inventory Management	\$20,530	\$11,223	(\$9,307)	(45.3)%	D-404

The \$11.2 million recommended for FY 2000 includes \$4.5 million for salaries, \$5.1 million for the Fleet Renewal Management Program and \$1.6 million for other operating costs. The other operating costs include a \$582,000 increase in Services Other Than Personal which is largely attributable to the restoration of funding for internal data processing services provided by the Office of Information Technology. The \$5.1 million recommended in the Purchasing and Inventory Management Program for the Fleet Renewal Management Program (see below) represents a \$9.9 million reduction from the \$15 million recommended in FY 1999 for State vehicle replacement.

General Fund-DSS

Special Purpose:

Fleet Renewal

Management Program	\$15,000	\$5,111	(\$9,889)	(65.9)%	D-404
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The Governor's budget recommends \$5.1 million for the Special Purpose Fleet Renewal Management Program in the Purchasing and Inventory Management Program, a \$9.9 million reduction from the \$15 million appropriated for this program in FY 1999. Of the \$15 million, \$14 million was to be used to purchase new State vehicles and \$1 million was to be used to develop an integrated fleet management information system. The recommended \$5.1 million will fund a line of credit for the purchase of vehicles for the Central Motor Pool and continuation of the fleet rotation/replacement program.

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>
General Fund-DSS Property Management and Construction - Construction Management Services: Special Purpose: Office Design and Construction - Construction Fee Offset	\$4,700	\$0	(\$4,700)	(100.0)%	D-404

Continued funding of the \$4.7 million FY 1999 Direct State services supplemental appropriation to the Property Management and Construction - Construction Management Services program is not recommended. The Division of Property Management and Construction generally operates as a revolving fund (see pages H-10 and H-11) with fees charged to user agencies for architectural, engineering and supervisory expertise in the construction and renovation of State buildings. In FY 1998 receipts to this program were approximately \$7 million. In FY 1999 these receipts are expected to fall short. To prevent layoffs in the program in FY 1999, the department is anticipating the need for a \$4.7 million supplemental appropriation. The department has indicated that the revolving fund will generate sufficient revenues in FY 2000 to be self supporting once again.

General Fund-DSS: Pensions and Benefits (Division of Pensions and Benefits)	\$28,113	\$25,422	(\$2,691)	(9.6)%	D-404
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The Governor's budget recommends \$25.4 million for the Division of Pensions and Benefits, a \$2.7 million or 9.6 percent reduction. The FY 1999 adjusted appropriation includes \$3.1 million in supplemental appropriations which were authorized by language and are not recommended in FY 2000. These supplemental appropriations were provided to help the Division of Pensions and Benefits comply with the provisions of P.L. 1997, c.330 and 332; to upgrade telephone and voice response system equipment and to provide additional resources for Y2K costs. Language is recommended in the Governor's FY 2000 budget to permit the appropriation of additional resources from the investment earnings of the various pension and health benefits funds administered by the Division.

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>
All Other Funds:					
Property Management and Construction - Property Management Services					
	<u>\$2,529</u>	<u>\$2,301</u>	<u>(\$228)</u>	<u>(9.0)%</u>	D-405

These funds represent receipts from property rental and management fees. Included in the \$2.3 million is \$2.28 million in rent paid by the federal government for the use of facilities at Sandy Hook. The remaining amounts, approximately \$25,000, are revenues from the Employee Housing program. The FY 2000 budget anticipates only \$25,000 in revenues from the Employee Housing program, a reduction of \$130,000 from the prior fiscal year. Language on page D-406 of the FY 2000 budget indicates that the \$25,000 is available for management of the Employee Housing program.

All Other Funds:					
Capital City Redevelopment Corporation (CCRC)					
	\$420	\$328	(\$92)	(21.9)%	D-405

The Governor's budget recommends language which appropriates resources from the Capital City Redevelopment Loan and Grant Fund for "expenses, programs and strategies which will enhance the vitality of the capital district as a place to live, visit, work, and conduct business." The Governor's budget recommends \$328,000, a decrease of \$92,000 or 22 percent, for the administrative expenses of this program.

General Fund-DSS:					
Adjudication of Administrative Appeals (Office of Administrative Law)					
	\$7,188	\$7,380	\$192	2.7%	D-407

The Governor's budget recommends \$7.4 million in State and other funds for the Adjudication of Administrative Appeals program (Office of Administrative Law). This includes a direct State appropriation of \$3.3 million, an increase of \$192,000 from the FY 1999 adjusted appropriation. According to the Budget in Brief, this new funding will permit the Office of Administrative Law to hire four new Administrative Law Judges to expedite routine cases. These new judges will be paid \$48,000 annually or 53 percent of the current average salary of \$90,000 for existing Administrative Law Judges.

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>
Property Tax Relief Fund-Grants in Aid: Senior and Disabled Citizen's Property Tax Freeze - P.L. 1997, c.348	\$0	\$23,700	\$23,700	—	D-410

The \$23.7 million recommended represents first year funding for this program which will provide direct property tax relief in FY 2000 for eligible senior and disabled residents. The reimbursement will be calculated based on a formula, specified in the statute, that compares the current year tax liability to the tax liability for the first year in which a taxpayer qualified. The claimant will be reimbursed for the difference. Qualified residents must be the owner of a principal residence for which a property tax reimbursement is being sought. Claimants must be 65 years of age or older or disabled with incomes below \$17,918 if single or \$21,970 if married.

Property Tax Relief Fund-Grants in Aid: Direct School Tax Relief Program	\$0	\$200,000	\$200,000	—	D-410
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This funding represents the first year of a five-year phase-in of the New Jersey School Assessment Valuation Exemption Relief and Homestead Property Tax Rebate Act (NJ SAVER and Homestead Rebate Act). This program, which was enacted pursuant to P.L. 1999, c. 63, will pay out an estimated \$1 billion by the fifth year. According to the [Budget in Brief](#), approximately 1.9 million homeowners will receive checks equal to a portion of the school taxes paid on the value of owner-occupied primary residences. Amounts by municipality/school district will be determined by applying the 1997 equalized school tax rate to the first \$45,000 of equalized assessed value of eligible residential properties. In FY 2000, homeowners will receive 20 percent of this amount in the form of a direct rebate check. Each year the amount will increase by 20 percent until the program is fully implemented in FY 2004.

General Fund-State Aid: Palisades Interstate Park PILOT Aid	\$100	\$0	(\$100)	(100.0)%	D-410
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This appropriation which has been added each year to the appropriations act since FY 1996 by the Legislature, is not recommended for continuation in the Governor's budget. This appropriation paid the Borough of Alpine an additional \$35,844 in State aid; the Borough of Englewood Cliffs an additional \$38,625; and the Borough of Fort Lee an additional \$28,531 in FY 1999 as payments in lieu of taxes (PILOT) for property within those municipalities owned by the Palisades Interstate Park Commission.

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>
General Fund-State Aid:					
Pinelands Area					
Municipality Aid	\$675	\$0	(\$675)	(100.0)%	D-410

This appropriation which has been added each year to the appropriations act since FY 1996 by the Legislature, is not recommended for continuation in the Governor's budget. This appropriation paid Estelle Manor City an additional \$84,524 in State aid; Mullica Township \$91,030; Weymouth Township \$71,037; Bass River Township \$100,197; Washington Township \$118,652; Woodland Township \$115,168; and Maurice River \$94,392 in FY 1998.

General Fund-State Aid:					
Debt Service on					
Pension Obligation					
Bonds	\$3,103	\$8,708	\$5,605	180.6%	D-410

This \$8.7 million for Debt Service on Pension Obligation Bonds represents a \$5.6 million, or 180.6 percent increase from the FY 1999 adjusted appropriation. In FY 1998, \$12.1 million was appropriated for this purpose. Additional appropriations for Debt Service on Pension Obligation Bonds are located in the Interdepartmental Accounts section of the Governor's budget.

General Fund-State Aid:					
Police and Firemen's					
Retirement System,					
Health Benefits	\$6,149	\$2,635	(\$3,514)	(57.1)%	D-410

The Governor's budget recommends \$2.6 million, a \$3.5 million decrease from FY 1999, for the Police and Firemen's Retirement System (PFRS), Health Benefits. This appropriation would fund State-paid post-retirement medical benefits for certain PFRS retirees pursuant to the provisions of P.L. 1997, c. 330.

According to information provided by the Office of Management and Budget, 1,116 retirees have qualified for these benefits as of February 1999. OMB projects the cost of this benefit in FY 1999 to be \$2.7 million. Based on this participation level, OMB projects FY 2000 costs to be approximately \$3.5 million. The Governor's budget would permit funds not expended in FY 1999 to carry forward on June 30, 1999. Based on this information, \$3.4 million would carry forward on June 30, 1999. This \$3.4 million and the \$2.6 million recommended appropriation would provide approximately \$6.0 million in FY 2000 for this program.

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>
Property Tax Relief Fund: Reimbursement to Municipalities-Senior and Disabled Citizens' Tax Exemptions	\$18,395	\$16,476	(\$1,919)	(10.4)%	D-411
State Reimbursement for Veterans' Property Tax Exemptions	\$18,020	\$17,539	(\$481)	(2.7)%	D-411
Casino Revenue Fund: Reimbursement to Municipalities-Senior and Disabled Citizens' Tax Exemptions	<u>\$17,180</u>	<u>\$17,180</u>	<u>\$0</u>	<u>0.0%</u>	D-411
Total, State Reimbursement to Municipalities for Senior, Disabled and Veterans' Exemptions	\$53,595	\$51,195	(\$2,400)	(4.5)%	

These appropriations represent reimbursements made by the State to municipalities for the tax loss incurred for these property tax exemptions. In past years, appropriations for these programs have declined by between one percent and four percent reflecting a decrease in the total number of veterans and a decrease in the number of senior citizens, surviving spouses of senior citizens and disabled citizens who qualify for these exemptions because of the \$10,000 cap for eligibility. The appropriation for FY 2000 continues to reflect this trend.

All Other Funds:

Other Distributed Taxes	\$2,325	\$3,326	\$1,001	43.1%	D-411
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The Governor's budget reflects the distribution of \$3.3 million in Other Distributed Taxes from certain insurance taxes. This is an increase of \$1.0 million over the FY 1999 adjusted appropriation. The funds are distributed proportionately to the county in which a domestic insurance company's principal office was situated on January 1, 1999.

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>
All Other Funds:					
Energy Tax Receipts	\$745,000	\$750,000	\$5,000	0.7%	D-411

Energy Tax Receipts are distributed to municipalities pursuant to the "Energy Tax Receipts Property Tax Relief Act" (P.L. 1997, c.167) which replaced the method of distributing certain funds awarded to municipalities from the State's taxation of regulated gas and electric utilities, as well as, water and sewer utilities and certain telecommunications companies. The new system of taxation replaced the old system of franchise and gross receipts taxes paid by these utilities prior to January 1, 1998. Municipalities were guaranteed to receive an annual State aid distribution of \$740 million in FY 1998. Pursuant to P.L. 1997, c.167, the State has guaranteed that the following amounts will be distributed to municipalities: FY 1999 - \$745 million; FY 2000 - \$750 million; FY 2001 - \$750 million; and FY 2002 - \$755 million.

All Other Funds:					
Administration and Support Services	\$24,672	\$25,977	\$1,305	5.3%	D-414

Three sources of funds are represented in this appropriation. Continuation funding of \$14.0 million and \$640,000 are recommended for the Economic Recovery Fund and public finance activities respectively. The third source, \$11.3 million, is the Drug Enforcement and Demand Reduction Fund (DEDR) which is the depository for penalties imposed on persons convicted of certain drug-related offenses. This \$11.3 million, an increase of \$1.3 million, is used to support the Governor's Council on Alcoholism and Drug Abuse (GCADA) and programs and grants to other agencies. According to the department's budget request, the \$1.3 million increase reflects an increase in anticipated revenue to the Department of the Treasury. This is a technical increase only since these funds are reflected in the Department of Health in FY 1999. In FY 2000 all revenues are contained in Treasury with language in the Department of Health to move funding for specific programs.

All Other Funds:					
Trial Services to Indigents and Special Programs (Office of the Public Defender)	\$400	\$500	\$100	25.0%	D-418

This appropriation represents an anticipated \$100,000 increase in the amount of revenue the Office of the Public Defender will collect through the SOIL program from its clients. The SOIL (Set-Off of Individual Liability) program assists State, county and local agencies and the IRS in their collection efforts by setting off gross income tax refunds and/or Homestead Rebates of taxpayers who are indebted to participating agencies. N.J.S.A. 2A:158A-16, 17, 19, and 20 require that the Office of the Public Defender attempt to recoup its expenses through fees charged to its clients.

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>
Capital Construction: Office of Information Technology (OIT) - Construction of Loading Dock	\$0	\$500	\$500	—	E-22
OIT - Data Center Complex - Throughput	\$0	\$1,850	\$1,850	—	E-22
OIT - Data Center Upgrades and Consolidation	\$4,896	\$4,896	\$0	0.0%	E-22
OIT - Direct Access Storage Devices (DASD)	\$0	\$750	\$750	—	E-22
OIT - Disaster Recovery - Electronic Vaulting	\$1,000	\$0	(\$1,000)	(100.0)%	E-22
OIT - Duplex Printing	\$0	\$900	\$900	—	E-22
OIT - Preservation Projects - information Processing	\$625	\$1,500	\$875	140.0%	E-22
OIT - Radio Communications Network Study	<u>\$1,000</u>	<u>\$2,000</u>	<u>\$1,000</u>	<u>100.0%</u>	E-22
Total, Capital Construction Changes OIT	\$7,521	\$12,396	\$4,875	64.8%	

The Governor's budget recommends \$12.4 million in FY 2000 for Capital Construction purposes. This recommendation is \$4.9 million, or 64.8 percent larger than the FY 1999 adjusted appropriation. These funds are available to the Office of Information Technology (OIT) for new and continuing projects. New projects include the construction of a loading dock (\$500,000); Data Center Complex - Throughput (\$1.9 million); a Direct Access Storage Devices (DASD) project (\$750,000); and a duplex printing project (\$900,000). On going projects include upgrading and consolidating data centers (\$4.9 million); Preservation Projects - Information Processing (\$1.5 million) and a radio communications network study (2.0 million).

The Office of Information Technology (OIT) was established in but not of the Department of the Treasury pursuant to Executive Order No. 87, dated September 4, 1998. This organization assumed all the responsibilities of the former Office of Telecommunications and Information Systems (OTIS) and operates as a revolving fund as did OTIS.

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>
Debt Service:					
Interest of Bonds	\$162,419	\$174,205	\$11,786	7.3%	F-10
Bond Redemption	<u>\$234,083</u>	<u>\$251,870</u>	<u>\$17,787</u>	<u>7.6%</u>	F-10
Total, Debt Service	\$396,502	\$426,075	\$29,573	7.5%	

The Governor's budget recommends \$426.1 million for Debt Service on General Obligation Bonds that are allocated to the Department of the Treasury.

Revolving Funds:

Office of Information
Technology

\$80,316	\$86,849	\$6,533	8.1%	H-6
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During FY 1999 the Governor signed an executive order creating the Office of Information Technology (OIT) in but not of the Department of the Treasury. This organization assumed all the responsibilities of the former Office of Telecommunications and Information Systems (OTIS) and operates as a revolving fund as did OTIS.

Minor object detail for this program indicates that \$2.6 million of this increase is in the salary account, \$2.8 million is in the Services Other Than Personal account for consultant services and \$771,000 is a new appropriation for GovConnect. According to the Budget in Brief, GovConnect is a government to government network which is being built on the existing Garden State Network infrastructure. The Garden State Network is a Statewide network, funded by the Executive Branch, which allows State agencies, counties, municipalities, police, local school boards, and libraries to communicate with each other.

Language Provisions

1999 Appropriations Handbook

2000 Budget Recommendations

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Notwithstanding the provisions of any law to the contrary, there are appropriated to the Division of the Ratepayer Advocate, such additional sums, not to exceed \$400,000, that are necessary for the cost of this activity under section 16 of P.L. 1994, c.58 (C.52:27E-63), subject to the approval of the Director of the Division of Budget and Accounting. This shall be included as part of the fiscal year 2000 assessment of public utilities or the cable television industry for this activity under P.L.1968, c.173 (C.48:2-59 et seq.), to be applied to costs incurred in fiscal year 1999.

No comparable language.

Explanation

Section 16 of P.L. 1994, c.58 authorizes the Director of the Division of Ratepayer Advocate to hire consultants to assist staff in proceedings before the Board of Public Utilities. The compensation paid to these experts is to be paid by the utility participating in the proceeding as an assessment in addition to the annual assessment. Utilities are billed once a year to cover these regulatory costs.

This language was recommended in the FY 1999 budget as a result of the State's on-going efforts to deregulate certain utilities. The Department requested this language which would appropriate up to an additional \$400,000 to the Division of Ratepayer Advocate because it expected that the Division might be more active and might need additional resources due to its role in energy deregulation. This language permitted the additional assessment to be included in the FY 2000 assessment (August 1999) on the utilities.

Thus far, in FY 1999, \$174,000 in supplemental appropriations was appropriated pursuant to the language to permit the Ratepayer Advocate to hire consultants to assist staff in proceedings before the Board of Public Utilities.



Language Provisions (Cont'd)

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No comparable language.

2000 Budget Recommendations

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There is appropriated from the Petroleum Overcharge Reimbursement Fund the sum of \$4,775,000 for the following energy conservation projects: \$1,675,000 to state agencies for the conversion of vehicles to alternative fuel vehicles; \$1,000,000 to local government agencies for the cost of converting fleet vehicles to alternative fuel vehicles; \$1,100,000 for the cost of building infrastructure to service alternative fuel vehicles; and \$1,000,000 for the cost of implementing a consumer education/awareness campaign associated with electric energy restructuring.

Explanation

The Petroleum Overcharge Reimbursement Fund (PORF) was established pursuant to P.L. 1987, c.231 to provide for the allocation and expenditure of oil over-charge settlements. The uses of these funds include, but are not limited to, retrofitting oil-fired furnaces, planning for future energy conservation, and resource recovery facilities.

The Governor's FY 2000 budget includes new recommended language which would appropriate \$4.8 million from the Petroleum Overcharge Reimbursement Fund (PORF) for the specific listed projects. The Governor's budget estimates \$19.1 million in available PORF resources and \$5.9 million in expenditures in FY 2000. According to the display of revenues and expenditures on page I-23, the remaining \$1.2 million will be spent on "community development and environmental management."



Language Provisions (Cont'd)

1999 Appropriations Handbook

p. B-147

The Director of the Division of Budget and Accounting is authorized to transfer such sums as are necessary between the Department of Labor and the Department of the Treasury for the administration of revenue collection and processing functions related to the Unemployment Insurance, Temporary Disability Insurance, Workers Compensation, and Special Compensation Programs.

The amounts hereinabove for the Treasury Disability Insurance program are payable out of the State Disability Benefits Fund, and in addition to the amounts hereinabove, there are appropriated out of the State Disability Benefits Fund such additional sums as may be required to administer the Temporary Disability Insurance program, subject to the approval of the Director of the Division of Budget and Accounting.

Such sums as may be necessary to collect the contributions pursuant to P.L.1996, c.28 (C.26B:2H-18.52 et al.) are appropriated from the Health Care Subsidy Fund, subject to the approval of the Director of the Division of Budget and Accounting.

Such sums as may be necessary to collect the contributions related to the Workforce Development Partnership program shall be appropriated from receipts received pursuant to P.L.1992, c.44 (C.34:15D-12 et seq.).

2000 Budget Recommendations

p. D-401

The Director of the Division of Budget and Accounting is hereby authorized to transfer or credit such sums as are necessary between the Department of Labor and the Department of the Treasury for the administration of revenue collection and processing functions related to the Unemployment Insurance, Temporary Disability Insurance, Workers Compensation, Special Compensation Programs, the Health Care Subsidy Fund, and Workforce Development Partnership Program.

The amounts hereinabove for the Wage Reporting/Disability Insurance program are payable out of the State Disability Benefits Fund, and in addition to the amounts hereinabove, there are appropriated out of the State Disability Benefits Fund such addition as may be required to administer the Temporary Disability Insurance program, subject to the approval of the Director of the Division of Budget and Accounting.

Explanation

In FY 1999 certain functions were transferred from the Department of Labor to the Department of the Treasury. Functions transferred included revenue collection and processing activities related to Unemployment Insurance, Temporary Disability Insurance, Workers Compensation, Special Compensation Programs, the Health Care Subsidy Fund and the Workforce Development Partnership Program.

This language permits the Department of the Treasury recoup its costs for administering these programs. The Department of the Treasury is permitted to charge the administrative costs of

Language Provisions (Cont'd)

administering the Temporary Disability Insurance program to the State Disability Benefits Fund; up to 10 percent of the annual Workforce Development Partnership program funds are available for administration of the WDP program which is fully funded through employer and employee payroll tax contributions; and the costs of collecting payroll taxes which partially fund charity care can be charged to the Health Care Subsidy Fund.

The Department of the Treasury has indicated that the language which was included in FY 1999 for the Workforce Development Partnership program and the Health Care Subsidy Fund is no longer necessary because funding for these programs will be provided by the Department of Labor to the Department of the Treasury on a reimbursement basis rather than to the department as a supplemental appropriation.



Language Provisions (Cont'd)1999 Appropriations Handbook**p. B-153**

The unexpended balance in the Department of the Treasury, Secretary of State Fund as of June 30, 1998, and notwithstanding the provisions of sections 18 and 19 of P.L.1987, c.435 (C.52:16-10.2 and 52:16-10.3), receipts in excess of the amount anticipated from fees are appropriated to meet the costs of Elections Management and Coordination in the Department of Law and Public Safety, the Office of the Secretary of State in the Department of State, and the Division of Commercial Recording in the Department of the Treasury, subject to the approval of the Director of the Division of Budget and Accounting. Such sums as the Director of the Division of Budget and Accounting shall determine shall be transferred or credited from the fund to Elections Management and Coordination in the Department of Law and Public Safety, the Office of the Secretary of State in the Department of the Treasury, for this purpose.

2000 Budget Recommendations**p. D-401**

No comparable language.

Explanation

The Secretary of State Fund was created pursuant to P.L.1987, c.435 as the repository of various filing fees collected by the Secretary of State. It operated as a revolving fund whose revenues were designated for modernizing the Division of Commercial Recording's automated information system (AIS). This language reflects the elimination of this fund. According to the Department, all appropriations associated with this account have been brought on budget in FY 2000, making this language unnecessary in FY 2000.



Language Provisions (Cont'd)1999 Appropriations Handbook

No comparable language.

2000 Budget Recommendations**p. D-401**

In addition to the amounts appropriated hereinabove, there is appropriated an amount not to exceed \$722,000 for costs related to the development and implementation of a property tax assessment system, subject to the approval of the Director of the Division of Budget and Accounting.

Explanation

The intent of this language is to permit an additional \$722,000 to be appropriated for Mod IV start up costs. Mod IV is an on line automated Statewide database which includes listings of all properties and their assessments. This system is available to local tax assessors and county tax boards.



Language Provisions (Cont'd)**1999 Appropriations Handbook**

No comparable language.

2000 Budget Recommendations**p. D-401**

Funds necessary to defray the cost of collection to implement the provisions of P.L.1994, c.64 (C.17:29A-35 et seq.), as well as the cost of billing and collection of surcharges levied on drivers in accordance with the New Jersey Automobile Insurance Reform Act of 1982 - Merit Rating System Surcharge Program, P.L.1983, c.65 (C.17.29A-33 et al.) as amended, are appropriated from fees in lieu of actual cost of collection receipts and from surcharges derived, subject to the approval of the Director of the Division of Budget and Accounting.

Explanation

This language permits the Division of Revenue to pay Lockheed an estimated \$9.2 million in FY 2000 for the cost of collecting surcharges which are levied on drivers. Lockheed is paid a percentage of what it collects depending on the difficulty of collection. This language is new to the Department of the Treasury in FY 2000 because revenue collection activities for the Division of Motor Vehicles in the Department of Transportation were transferred to the Division of Revenue in FY 1999 as part of the reorganization of State collection activities.



Language Provisions (Cont'd)

1999 Appropriations Handbook

p. B-154

Receipts from employee maintenance charges in excess of \$700,000 are appropriated for maintenance of employee housing and associated relocation costs; provided, however, that a sum not to exceed \$155,000 shall be available for management of the program, the expenditure of which shall be subject to the approval of the Director of the Division of Budget and Accounting.

2000 Budget Recommendations

D-406

Receipts from employee maintenance charges in excess of \$300,000 are appropriated for maintenance of employee housing and associated relocation costs; provided, however, that a sum not to exceed \$25,000 shall be available for management of the program, the expenditure of which shall be subject to the approval of the Director of Budget and Accounting.

Explanation

The language recommended in FY 2000 reduces the threshold for using receipts from employee maintenance charges from \$700,000 to \$300,000 and also reduces the amount available for management of the program from \$155,000 to \$25,000. According to the Department, receipts are being reduced to \$300,000 to more accurately show the projected anticipation and enable the program to maintain the remaining properties and administer the program.

1999 Appropriations Handbook

No comparable language.

2000 Budget Recommendations

p. D-406

Of the amount hereinabove for Property Management and Construction - Property Management Services, \$60,000 shall be transferred to the State Capital Joint Management Commission to pay for security services at the State Archives.

Explanation

The Office of Management and Budget has assessed various State agencies for the cost of providing security services as part of their regular operating budget. This language requires the Property Management and Construction - Property Management Services to transfer the designated amount for security services from its operational budget to the State Capital Joint Management Commission to pay for security services at the State Archives facility which is expected to open in FY 2000.

Language Provisions (Cont'd)

1999 Appropriations Handbook

2000 Budget Recommendations

p. B-155

The unexpended balance as of June 30, 1998 in the Pensions and Health Benefits Commission account is appropriated for the same purpose. No comparable language.

Explanation

This language is not recommended in FY 2000 because no unexpended funds are expected in this account. Separate language recommends that the expenses of the Commission be paid from resources available to the various pensions and health benefits funds.

Pursuant to P.L. 1991, c. 382, the Pension and Health Benefits Commission is charged with reviewing every bill, joint resolution or concurrent resolution pertaining to pensions or health benefits legislation introduced in either house of the Legislature.



1999 Appropriations Handbook

2000 Budget Recommendations

p. D-15

p. D-412

There is appropriated \$745,000,000 from the Energy Tax Receipts Property Tax Relief Fund" pursuant to P.L.1997, c.167.

There is appropriated \$750,000,000 from the Energy Tax Receipts Property Tax Relief Fund" pursuant to P.L.1997, c.167.

Explanation

The Energy Tax Receipts Property Tax Relief Act (P.L.1997, c.167) replaced the method of distributing certain funds distributed to municipalities from the State's taxation of regulated gas and electric utilities, as well as, water and sewer utilities and certain telecommunications companies. Municipalities were guaranteed to receive an annual State aid distribution of \$745 million in FY 1999. Pursuant to P.L. 1997, c. 167 this amount will grow in increments until FY 2002 when the appropriation will level off at \$755 million. The Governor's budget recommends that \$750 million be distributed in FY 2000. This new system of taxation replaced the system of franchise and gross receipts taxes paid by these utilities prior to January 1, 1998.



Language Provisions (Cont'd)

1999 Appropriations Handbook

2000 Budget Recommendations

p. D-15

From the amount appropriated hereinabove for Palisades Interstate Park PILOT Aid there is allocated for payment in lieu of municipal taxes the following amounts for properties under the jurisdiction of the Palisades Interstate Park Commission: Borough of Alpine, \$34,00; Borough of Englewood Cliffs \$38,000, Borough of Fort Lee, \$28,000.

No comparable language.

Explanation

The Governor's budget recommends the elimination of the \$103,000 Palisades Interstate Park Payment in Lieu of Taxes (PILOT) Aid. This was a legislative initiative in the FY 1999 Appropriations Act.



1999 Appropriations Handbook

2000 Budget Recommendations

p. D-15

From the amount appropriated hereinabove for Pinelands Area Municipality Aid there shall be allocated to municipalities with at least 50% of their land areas in one or more land conservation designations the following amounts Estele Manor City, \$84,524; Mullica Township, \$91, 030; Weymouth Township, \$71,037; Bass River Township \$100,197; Washington Township, \$118,652; Woodland Township, \$115,168; Maurice River Township, \$94,392.

No comparable language.

Explanation

The Governor's budget recommends the elimination of the \$675,000 Pinelands Area Municipality Aid. This was a legislative initiative in the FY 1999 Appropriations Act.



Language Provisions (Cont'd)1999 Appropriations Handbook**p. D-15**

In addition to the amount appropriated hereinabove for Police and Firemen's Retirement System, Health Benefits, there is appropriated an amount not to exceed \$5,000,000 as shall be determined pursuant to the Director of the Division of Budget and Accounting in order to implement the benefits by the Legislature to be provided to qualified retirees and their dependents pursuant to P.L.1997, c.330 (C.52:14-7.321 et seq.).

2000 Budget Recommendations**p. D-412**

The unexpended balance as of June 30, 1999 in the Police and Firemen's Retirement System, Health Benefits account is appropriated for the same purpose.

Explanation

The Governor's budget recommends \$2.6 million, a \$3.5 million decrease from FY 1999, for the Police and Firemen's Retirement System (PFRS), Health Benefits. This appropriation would fund State-paid post-retirement medical benefits for certain PFRS retirees pursuant to the provisions of P.L. 1997, c. 330.

According to information provided by the Office of Management and Budget, 1,116 retirees have qualified for these benefits as of February 1999. OMB projects the cost of this benefit in FY 1999 to be \$2.7 million. Based on this participation level, OMB projects FY 2000 costs to be approximately \$3.5 million. The Governor's budget would permit funds not expended in FY 1999 to carry forward on June 30, 1999. Based on this information, \$3.4 million would carry forward on June 30, 1999. This \$3.4 million and the \$2.6 million recommended appropriation would provide approximately \$6.0 million in FY 2000 for this program.



Language Provisions (Cont'd)

1999 Appropriations Handbook

p. D-15

Notwithstanding the provisions of any other law to the contrary, such sums as are necessary, but not to exceed \$20,000,000, in addition to unexpended balances as of June 30, 1998, are appropriated to subsidize county and county authority debt service payments for environmental investments incurred as of June 30, 1997, pursuant to the "Solid Waste Management Act," P.L.1970, c.39 (C.13:1E-1 et seq.) and the "Solid Waste Utility Control Act," P.L.1970, c.40 (C.48:13A-1 et seq.) in accordance with the criteria and program guidelines established by the Commissioner of the Department of Community Affairs and the State Treasurer, subject to the approval of the Director of the Division of Budget and Accounting. Expenditure of such funds are conditioned upon the State Treasurer having conducted or contracted for an operational audit of such county or county authority having implemented the audit recommendations to the satisfaction of the State Treasurer. Prior to the distribution of any amounts to a county or county authority, the State Treasurer shall notify the Joint Budget Oversight Committee of the amount and recipient of each distribution and the progress of each county and county authority in implementing the audit recommendations.

2000 Budget Recommendations

p. D-412

Notwithstanding the provisions of any other law to the contrary, the amount hereinabove for Solid Waste Management-County Environment Investment Debt Service Aid, in addition to the unexpended balance as of June 30, 1999 in this account, is appropriated to subsidize county and county authority debt service payments for environmental investments incurred as of June 30, 1997, pursuant to the "Solid Waste Management Act," P.L.1970, c.39 (C.13:1E-1 et seq.) and the "Solid Waste Utility Control Act," P.L.1970, c.40 (C.48:13A-1 et seq.) in accordance with the criteria and program guidelines established by the Commissioners of the Departments of Community Affairs and Environmental Protection and the State Treasurer, subject to the approval of the Director of the Division of Budget and Accounting. Expenditure of such funds are conditioned upon the State Treasurer having conducted or contracted for an operational audit of such county or county authority having implemented the audit recommendations to the satisfaction of the State Treasurer. Prior to the distribution of any amounts to a county or county authority, the State Treasurer shall notify the Joint Budget Oversight Committee of the amount and recipient of each distribution and the progress of each county and county authority in implementing the audit recommendations.

Explanation

It is not necessary to specify by language that an amount up to \$20 million be appropriated because the FY 2000 budget includes a \$20 million appropriation which was not included in the FY 1999 budget.

Language Provisions (Cont'd)

1999 Appropriations Handbook2000 Budget Recommendations

p. D-412

No comparable language.

Notwithstanding the provisions of P.L.1997, c.348, the amount hereinabove for the Senior and Disabled Citizens Property Tax freeze, and any additional sum which may be required for this purpose, is appropriated from the Property Tax Relief Fund.

Explanation

The FY 2000 budget recommends the appropriation of \$23.7 million from the Property Tax Relief Fund (PTRF) for the first year of this program. This program will pay certain senior and disabled residents a homestead property tax reimbursement beginning in calendar year 1999. This language permits additional funds to be appropriated from the PTRF if the \$23.7 million recommended for FY 2000 is not sufficient.

1999 Appropriations Handbook2000 Budget Recommendations

p. D-412

No comparable language.

The appropriation hereinabove for Direct School Tax Relief Program grants shall be made available as provided for by the enactment of enabling legislation.

Explanation

This funding represents the first year of a five-year phase-in of the New Jersey School Assessment Valuation Exemption Relief and Homestead Property Tax Rebate Act (NJ SAVER and Homestead Rebate Act). This program, which was enacted pursuant to P.L. 1999, c. 63, will pay out an estimated \$1 billion by the fifth year. According to the Budget in Brief, approximately 1.9 million homeowners will receive checks equal to a portion of the school taxes paid on the value of owner-occupied primary residences. Amounts by municipality/school district will be determined by applying the 1997 equalized school tax rate to the first \$45,000 of equalized assessed value of eligible residential properties. In FY 2000, homeowners will receive 20 percent of this amount in the form of a direct rebate check. Each year the amount will increase by 20 percent until the program is fully implemented in FY 2004.



Language Provisions (Cont'd)1999 Appropriations Handbook**p. G-9**

The unexpended balance as of June 30, 1998 in the Refund of Veterans' Property Tax Payments account is appropriated.

2000 Budget Recommendations**p. D-412**

The unexpended balance as of June 30, 1999 in the Disabled Veteran's Property Tax Exemption: Retroactive Reimbursement account is appropriated.

Explanation

Pursuant to P.L. 1977, c.107 certain veterans who are determined to be 100 percent disabled and their widows are entitled to a total property tax exemption. In December 1997, the State treasurer sent out a letter to all veterans listed with the Department of Veterans' Affairs in Washington, D.C. Informing them that they were entitled to this benefit. The deadline for application was March 31, 1998. In early August 1998, a total of 394 claims for retroactive exemption on property taxes had been approved totaling \$5.1 million.

In FY 1998 a \$5.5 million appropriation was approved to reimburse these veterans for the retroactive property tax exemptions to which they were entitled. At the end of March 1999, a total of \$451,610 remains unexpended. The recommended language would permit these funds to carry forward on June 30, 1999.



Language Provisions (Cont'd)1999 Appropriations Handbook**p. B-158**

Receipts from clients including Office of Dispute Settlement fees and the unexpended balances as of June 30, 1998 are appropriated subject to the approval of the Director of the Division of Budget and Accounting.

2000 Budget Recommendations**p. D-418**

Receipts in excess of the amount anticipated up to \$500,000 are appropriated subject to the approval of the Director of the Division of Budget and Accounting.

The unexpended balances as of June 30, 1999 are appropriated subject to the approval of the Director of the Division of Budget and Accounting.

Explanation

This language reflects a change in the way fees collected by the Office of the Public Defender are treated in the budget. In FY 1999 Public Defender receipts were "off budget" and not counted as State revenues or as part of the Public Defender's State budgeted appropriation, although these receipts were retained by the Public Defender pursuant to budget language. In FY 2000 it is recommended that all fees be brought "on budget" as anticipated revenue. The recommended appropriation has been adjusted accordingly. In FY 2000, the Office of the Public Defender anticipates \$2.25 million in client receipts. Any receipts above this amount, up to \$500,000, will be available to spend in FY 2000.



Language Provisions (Cont'd)1999 Appropriations Handbook2000 Budget Recommendations**p. G-12**

Notwithstanding the provisions of section 53 of P.L.1977, c.110 (C.5;12-53), each member of the Casino Control Commission shall receive compensation of \$90,000 per annum. The chairman shall receive \$5,000 per annum in addition to his compensation as a member of the commission.

No comparable language.

Explanation

According to the Office of Management and Budget (OMB), this language is not recommended because the Casino Control Commission has the statutory authority to set salaries for the commissioners. As part of the effort by OMB to streamline the budget presentation, budget language that is considered redundant or duplicates existing statutory authority is recommended to be eliminated from the budget.



Language Provisions (Cont'd)

1999 Appropriations Handbook2000 Budget Recommendations

p. G-12

Notwithstanding the provisions of any law to the contrary, expenditures billed to the Casino Control Fund resulting from pre-fiscal year 1996 encumbrances shall not be considered as operating expenses for the purposes of calculating the amount due and payable to the Atlantic City Fund for fiscal year 1999 pursuant to subsection a. of section 45 of P.L.1995, c.18 (C.5:12-161.2).

No comparable language.

Explanation

Pursuant to P.L. 1995, c.18, amounts payable to the Atlantic City Fund are based on the operating expenses of the Casino Control Commission and the Division of Gaming Enforcement. Beginning in FY 1996 and for the following three years, the difference between the sum of these operating expenses and \$57.3 million is due and payable to the Atlantic City Fund. This language specifies that encumbrances made prior to FY 1996, should not be considered operating expenses when calculating the amount due the Fund in FY 1999. The impact of this should be to increase the amount due and payable to the Atlantic City fund. Between FY 2000 and FY 2003, the Atlantic City Fund is to receive an amount equal to the average received during the period between FY 1996 and FY 1999.

The Budget in Brief (p. 99) indicates that to date, the Atlantic City Fund which is established in the Casino Reinvestment Development Authority has received \$23.8 million. These funds are used for economic development projects, including a minor league baseball stadium and a marine science education center.



Discussion Points

1. The Board of Public Utilities (BPU) regulates essential services such as natural gas, electricity, water, sewer and telecommunications including cable television. Reorganization Plan No. 001-94 created the Division of Ratepayer Advocate within the BPU. Both of these organizations have been very active over the last several years because of public utility tax changes and the deregulation of certain utilities. The most recent of these changes is the "Electric Discount and Energy Competition Act" (P.L. 1999, c. 23) which was signed into law on February 9, 1999.

Among the numerous actions and decisions which will be required of the BPU pursuant to P.L. 1999, c. 23 are: the creation of a fund to help poor people pay their utility bills; a determination of how much and how the \$7 billion to \$9 billion in the energy utilities' "stranded costs" will be charged to ratepayers; and how much financial incentive (shoppers credit) should be given to motivate consumers to shop for energy.

The Governor's budget recommends \$21.2 million in funding for the Board of Public Utilities and the Division of Ratepayer Advocate, a \$228,000 or 1.1 percent increase over the FY 1999 adjusted appropriation. The entire \$228,000 increase is attributable to increased operating costs for the Division of Ratepayer Advocate which represents the interests of utility customers.

! Question: Does the BPU have adequate staff and resources to meet these challenges? Is there an expectation that the BPU will carry forward significant amounts into FY 2000? Is there an expectation that the BPU will utilize the language which permits the appropriation of additional funds in FY 2000 should they be necessary?

2. In a letter which accompanied the Board of Public Utilities' budget submission for FY 2000, President Tate indicated that

"an extensive consumer education campaign is currently being developed in order to ensure that customers are aware of forthcoming changes and are able to maximize the benefits of competition in the electric power industry. California dedicated \$89 million to its consumer education efforts in 1997-98 while Pennsylvania this year has undertaken a \$35 million campaign. The BPU currently is developing a proposal for funding a statewide consumer education program that provides customers with the information they will need to make the informed choices facing them in the newly deregulated energy marketplace."

According to a March 29, 1999 Associated Press article, officials from the Board of Public Utilities said the campaign could cost up to \$60 million. This estimate assumes that the campaign, which will be contracted out to a private public relations firm by utility companies themselves, would cost between \$10 million and \$20 million a year for three years. This cost, which is estimated between \$1.50 and \$3 per year per ratepayer, will be passed on to consumers. According to the article, "State officials say it's fair for the companies to decide on their own, since they will have to pay for the campaign if it doesn't work."

! Question: What criteria will be used to determine whether the consumer education program is successful? What role, if any, will the BPU and the Ratepayer Advocate have in this program? How will the \$1.0 million appropriated directly from the Petroleum Overcharge Reimbursement Fund (see question 3 below) for a consumer education campaign on electric energy restructuring be used?

Discussion Points (Cont'd)

3. The Petroleum Overcharge Reimbursement Fund (PORF) was established pursuant to P.L. 1987, c.231 to provide for the expenditure of money received by the State as payments "for over charges for petroleum products pursuant to any agreement between the United States Government and a petroleum company."

The Governor's FY 2000 budget includes new recommended language (budget page D-394) which would appropriate \$4.8 million in PORF funds for certain energy conservation projects. Included in this appropriation are the following: \$2.7 million to convert State and local government vehicles to alternative fuel vehicles; \$1.1 million for the cost of infrastructure to service alternative fuel vehicles; and \$1.0 million for a consumer education campaign on electric energy restructuring. Page I-23 of the Governor's budget estimates \$19.1 million in available PORF resources and \$5.9 million in expenditures in FY 2000.

! *Question:* Please provide an accounting of amounts credited to and disbursed from the PORF fund since its creation in 1987. Please show the amounts appropriated by department and the purposes for which these funds have been used.

! Please indicate which programs will spend the \$4.8 million in PORF funds which would be appropriated in FY 2000. Will any of the \$3.8 million in PORF funds for alternative fuel vehicles and infrastructure be used for State purposes? If so, how much of the \$2.7 million to convert State and local government vehicles to alternative fuel vehicles and the \$1.1 million for the cost of infrastructure to service alternative fuel vehicles will be spent for State purposes?

4. The Division of Revenue was created pursuant to Reorganization Plan No. 001-97 dated January 14, 1997 to provide one central location for revenue management and collection. In April 1996, Andersen Consulting issued a report, Centralized Collection Plan Final Report, which reviewed receivables in each area of State government by department and agency and made a determination of whether the receivable was a candidate for centralized collection. It noted a number of significant findings, including the fact that 64 percent of the \$5.1 billion in net receivables was concentrated in the Department of Human Services (mostly child support) and the Department of the Treasury (taxes).

In FY 1999, the Division of Commercial Recording and the wage reporting activities of the Temporary Disability Insurance Program were reassigned from the Department of State and the Department of Labor respectively. The impetus for consolidating these programs into the Division of Revenue was to facilitate commercial businesses' interaction with State government.

! *Question:* Please discuss the Division's efforts at consolidating debt collection and revenue management activities Statewide. Which debt collection activities from which departments and which fee generating programs have now been consolidated into the Division of Revenue? Which debt collection activities have not been consolidated into the Division but were initially planned for consolidation? Why has this not taken place? What is the current status of the State's largest receivable accounts? What is currently being done to improve collection rates?

5. The \$22.4 million recommended for the Division of Revenue includes a Special Purpose Revenue Management System appropriation of \$2.5 million. This represents continuation funding for a \$5 million Interdepartmental Initiatives appropriation in FY 1999 which was budgeted in the Interdepartmental Accounts. The FY 1999 Budget in Brief indicated that this \$5 million would be

Discussion Points (Cont'd)

used "to begin the procurement process for the implementation of a centralized automated revenue interface system."

! **Question:** What is the current status of the Revenue Management System? What improvements and efficiencies are expected to result from the implementation of this system? How much has been spent on this system thus far? What will its total cost be when implemented and when is the system expected to be completed?

6. For a number of years the use of intermittent employees during tax season was of considerable interest as a budget issue. When questioned about this cost, the Department of the Treasury assured the Legislature that significant investment in tax processing equipment would help to control these costs.

! **Question:** For the last eight years, please list amounts spent on intermittent employees during the tax season. With the addition of new tax processing equipment, has the nature of the work performed by these employees changed?

7. The Local Property Tax Field Assistance Unit in the Division of Taxation provides direct assistance to 566 municipal tax assessor offices and twenty one county tax boards. Among the activities performed by this unit are prescreening property sales for sales ratio purposes; auditing senior citizens' and veterans' deductions granted and realty transfer fees paid; assisting in the appraisal of special purpose, unusual and State-owned property; and developing the annual Table of Equalized Valuations. The Table of Equalized Valuations is used to calculate and distribute State school aid, apportion county and regional school district taxes and measure debt limits for local governments. This unit also is responsible for the Mod IV on-line automated Statewide property tax database.

The Governor's FY 2000 budget includes a \$278,000 base appropriation for Mod IV and language which would permit up to \$722,000 in additional funds to be appropriated in FY 2000 for the implementation of the Mod IV project if needed. This system is available to local tax assessors and county tax boards.

! **Question:** Please explain the current status of the Mod IV project and what this additional funding will do. Please discuss in detail the type of information available on-line through Mod IV. Although the system is available to local tax assessors and county tax boards, would this information also be available to the public under the Federal Freedom of Information Act?

8. Over the past year, the State has developed an extensive and useful website. Some departments and programs seem to be more proactive in terms of providing and maintaining the currency of on-line information than others.

! **Question:** Please discuss the development of this site and its cost. What has been the cost by department? Have departments developed their sites in-house, through the Office of Information Technology (OIT), or by hiring outside consultants? How and where are these costs budgeted? Is the development of the State's website coordinated by the Office of Information Technology (OIT)? What criteria are used to determine whether information should be posted publicly?

Discussion Points (Cont'd)

9. The Governor's budget recommends continuation funding of \$17.3 million for the State Central Motor Pool revolving fund and an additional \$5.1 million in Direct State Services funding (budget page D-404) to enable the Central Motor Pool to establish a line of credit to purchase State vehicles and to continue the fleet replacement program.

In FY 1999, \$15 million was appropriated for the Special Purpose Fleet Renewal Management Program in the Purchasing and Inventory Management Program. \$14 million of the \$15 million appropriated was to be used to purchase new State vehicles and \$1 million was to be used to develop an integrated fleet management information system. The department has indicated that the \$5.1 million recommended for FY 2000 will permit the continuation of fleet replacement and the installation of the new fleet management system.

! *Question:* Please show the number of State vehicles assigned to each department by type and by average age. In FY 1999, how many vehicles and what type of vehicles have been purchased? What is the average cost of each type of vehicles purchased by the State? On budget page H-7, why does the number of motor pool-owned vehicles continue to increase, out of proportion to the growth in State employees? Why does OMB's lapse sheet for FY 1999 show \$3.8 million lapsing from "vehicle acquisitions" and how does this relate to FY 2000 needs?

10. The Division of Property Management and Construction operates as a revolving fund with fees charged to user agencies for architectural, engineering and supervisory expertise in the construction and renovation of State buildings. In FY 1998 receipts to this program were approximately \$7 million. In FY 1999 these receipts are expected to fall short. To prevent layoffs in the program in FY 1999, the department is anticipating the need for a one-time \$4.7 million supplemental appropriation.

! *Question:* For the last three years, please provide a list of projects assisted and supervised by the Division of Property Management and Construction and the fees generated by these projects. Please explain the expected shortfall in FY 1999 and indicate why this is not expected to occur again in FY 2000.

11. The Governor's budget recommends \$7.4 million in State funds and departmental reimbursements to the Office of Administrative Law (OAL). This includes a direct State appropriation of \$3.3 million, an increase of \$192,000 from the FY 1999 adjusted appropriation. According to the Budget in Brief, this new funding will permit the Office of Administrative Law to hire four new Administrative Law Judges to expedite routine cases as part of a new tiered hearing process.

In a letter to the Director of the Office of Management and Budget dated January 25, 1999, the Director of the Office of Administrative Law indicated that the New Jersey Bar Association and agency heads were unhappy that the OAL's libraries were closed to the public and that most hearings were held in only three locations - Newark, Mercerville and Atlantic City.

! *Question:* When were the OAL's libraries closed to the public? What documents are available in those libraries that are not available in either public libraries or the State library? Has the concept of a user fee been considered to support these libraries?

12. The Governor's budget recommends almost \$600 million in FY 2000 for various rebate and exemption programs which will benefit most New Jersey taxpayers. Included among these

Discussion Points (Cont'd)

programs are \$324.6 million from the Property Tax Relief Fund for Homestead Property Tax Rebates for Homeowners and Tenants pursuant to P.L. 1990, c. 61; \$23.7 million from the Property Tax Relief Fund for first year funding for the new Senior and Disabled Citizens Property Tax Freeze pursuant to P.L. 1997, c. 348; \$200 million from the Property Tax Relief Fund for first year funding for the NJ SAVER Program pursuant to P.L. 1999, c. 63; and \$51.2 million in State aid payments from the Property Tax Relief Fund and the Casino Revenue Fund to reimburse municipalities for senior and disabled citizens' and veterans' property tax exemptions.

! Question: What does the Department of the Treasury estimate it will cost to administer each of these programs and how are such costs identified in the budget?

13. N.J.S.A. 2A:158A-16, 17, 19, and 20 require that the Office of the Public Defender attempt to recoup its expenses through fees charged to its clients. The budget request for the Office of Public Defender indicated that in FY 1998 it collected approximately \$2.2 million in fees. For FY 1999, it estimated that it would collect approximately \$2.0 million. The majority of these fees were collected from the SOIL program where client accounts were matched with Division of Taxation records so that Public Defender debtors' tax refunds were intercepted.

! Question: Please discuss the fees charged to clients through which the Public Defender attempts to recoup its expenses for both criminal and civil procedures. Is the collection process a centralized one or do individual offices attempt their own collections? If the process is not centralized, have some offices been more successful in collecting fees than others? If so, what practices have been most successful?

14. The Division of Property Management and Construction is currently advertising on its internet site for vacant, buildable land at least 30 acres in size and within one mile of state Highway Route 130 and Klockner Road in Hamilton Township, Mercer County. The Department of the Treasury wants to build a single new facility on this land, utilizing the New Jersey Building Authority as the financing mechanism. The State would house functions of the Division of Revenue, the Division of State Police and commercial recording in this single facility.

! Question: What criteria were used to determine that this location was an appropriate one for these facilities? How important is the availability of public transportation when decisions are made to build or relocate State facilities? When the State sites such facilities, how does it handle the parking requirements for a facility which generally will be unreachable except by private vehicle? How many people are expected to be employed at these new facilities? What will be the parking requirements for these new facilities? Why would a Division of Revenue processing facility be co-located with a State Police troop headquarters?

15. Almost ten years ago, a study was undertaken to determine State employees' commutation trends within the Capitol complex. Of the 4,764 State employees who responded to the survey, 72 percent drive to work alone and 67 percent park for free in State lots. Forty-eight percent of these employees said that public transportation was available where they live.

Some studies indicate that providing free or subsidized parking increases the frequency with which workers drive to work, especially in single occupancy vehicles. In a State as congested as New Jersey, it would seem appropriate to encourage commuting policies which place fewer cars on the road and encourage people to use mass transit.

Discussion Points (Cont'd)

! *Question:* Has the State done a more recent study of State employees' commutation trends? If so, please provide a copy of the study. Not all State employees receive free parking. How does the State determine the amount of free parking it will provide and to whom it will provide free parking? What is the cost to the State of providing employee parking? Has the department considered privatizing State-owned parking lots, eliminating the leases on all leased parking facilities and providing income-based subsidies to State employees which can either be used for parking or for commuting by public transit?

16. Pursuant to Executive Order No. 87 dated September 4, 1998, the Office of Information Technology (OIT) is the successor to the Office of Telecommunications and Information Systems (OTIS). OIT has the responsibility for the planning and implementation of Year 2000 (Y2K) actions for the executive branch information systems that it operates and/or maintains for the various agencies of State government. Individual agencies have responsibility for the planning and implementation of Y2K actions for agency-managed systems.

! *Question:* For each major system used or maintained by OIT, please indicate Y2K readiness and provide a cost estimate of identifying and correcting Y2K problems. Has OIT primarily used its own programmers or has it relied on contract programmers to identify, correct and test systems in jeopardy? Has OIT, like a number of other States and organizations had difficulty keeping programmers capable of identifying and correcting system problems? If so, what has OIT done to solve this problem?

17. On March 31, Governor Whitman announced plans for New Jersey to participate in the multistate "Big Game" lottery. New Jersey will join Massachusetts, Michigan, Virginia, Georgia, Illinois and Maryland in this multi state lottery. The Governor's news release stated that "...during its first year, the new game will earn \$155 million dollars, which means up to \$62 million for school construction projects."

! *Question:* Please provide whatever information is available to explain how it was estimated that the State will make up to \$62 million on this new game. What is the expected impact of New Jersey's participation in this new game on the revenues from existing New Jersey Lottery games? What will be the administrative costs of New Jersey's participation in the multistate "Big Game" lottery. Please compare these to the current administrative costs of the Division of the Lottery?

Background Paper: NJ SAVER and Direct Property Tax Relief Programs

Budget Page.... D-410

INTRODUCTION

The FY 2000 budget contains the first installment on the State's most recent major, direct, broad-based property tax relief program for individuals, "New Jersey School Assessment Valuation Exemption Relief" (NJ SAVER). NJ SAVER joins the Homestead Rebate program (which was modified and expanded under the NJ SAVER statute (P.L.1999, c.63) and the property tax deduction and credit provision in the New Jersey gross income tax to provide about \$740 million in direct property tax relief in fiscal year 2000. While the State has several other significant property tax relief programs which target specific groups of taxpayers such as veterans or low income senior citizens, this background paper will focus on the three major, direct, broad-based property tax relief programs.

The New Jersey homestead rebate program has been in existence since 1977. However, the program has been dramatically changed over time. The enactment of P.L.1990, c.61, substantially increased the program's entitlement formula, and the FY 1993 through FY 1999 appropriations acts placed limitations on rebate payments that substantially reduced the cost of the overall program. Those limitations were made part of the permanent law under the NJ SAVER statute, while the homestead rebate benefits were expanded for certain tenant recipients.

NJ SAVER benefits reaching about \$1 billion per year, will be phased-in over five years beginning in 1999 (FY 2000). Homeowners who qualify for homestead rebates and NJ SAVER will receive the benefit from whichever program yields the greater amount.

The Property Tax Deduction Act (P.L.1996, c.60) provides a gross income tax deduction or credit for property taxes paid by homeowners, or the rental equivalent thereof paid by tenants, on a taxpayer's principal residence in this State. The deduction and credit amounts were phased-in over three years, beginning in 1996. A similar provision was in effect for tax years prior to 1990.

THE NJ SAVER PROGRAM

Under the NJ SAVER program an estimated 1,900,000 homeowners will receive checks equal to a portion of their school taxes paid on owner-occupied, primary residences. The NJ SAVER benefit will be determined by applying the 1997 equalized school tax rate in the homeowner's municipality against the first \$45,000 of equalized assessed value of eligible property. In 1999 (fiscal year 2000), homeowners will receive one-fifth of this amount in the form of a direct rebate check, averaging about \$120 per recipient. Each year the amount will increase by an additional one-fifth until the program is fully implemented in fiscal year 2004, when the average New Jersey homeowner will receive about \$600 a year.

For information on rebate amounts for specific towns, go to the Division of Taxation's Web page at:

<http://www.state.nj.us/treasury/taxation/saver/county.html>

Background Paper: NJ SAVER and Direct Property Tax Relief Programs (Cont'd)

THE HOMESTEAD REBATE PROGRAM

The NJ SAVER statute also modified the Homestead Rebate program. As mentioned above, the FY 1993 through FY 1999 appropriations acts placed conditions on homestead rebate eligibility. Taxpayers who were senior citizens, blind or disabled received rebates according to the statutory formula, while other taxpayers received rebates only if their income did not exceed \$40,000. These other taxpayers received a \$90 rebate if they were homeowners or a \$30 rebate if they were tenants. Under the NJ SAVER program, approximately 650,000 non-senior and non-disabled tenants with incomes up to \$100,000 will receive a \$100 Homestead Rebate. As with the other components of the NJ SAVER program, these amended Homestead Rebate benefits will be phased-in over a five year period beginning in 1999 (FY 2000). New Jersey's 125,000 senior tenants and disabled tenants will remain eligible for benefits up to \$500, and which currently average about \$413.

The Office of Legislative Services (OLS) projects that the net additional cost of the NJ SAVER statute (the cost in addition to the approximately \$321 million per year required to fund the current homestead rebate program) will be approximately \$170 million in FY 2000, \$358 million in FY 2001, \$554 million in FY 2002, \$755 million in FY 2003 and \$1.011 billion annually thereafter. Figure A displays the estimated annual impact through the year 2003 (FY 2004).

Figure A

Estimated Impact of the New Jersey SAVER and Homestead Rebate Act (P.L.1999, c.63)					
	CY 1999 FY 2000	CY 2000 FY 2001	CY 2001 FY 2002	CY 2002 FY 2003	CY 2003 FY 2004
Individual Benefits:					
Avg. Benefit Seniors Owners	\$470	\$470	\$470	\$480	\$600
Avg. Benefit Non-Seniors Owners	120	240	360	480	600
Avg. Benefit Senior Tenant	413	413	413	413	413
Avg. Benefit Non-Senior Tenant	30	40	60	80	100
State Costs:					
Cost Seniors Owners	\$235,000,000	\$235,000,000	\$235,000,000	\$240,000,000	\$300,000,000
Cost Non-Seniors Owners	180,000,000	360,000,000	540,000,000	720,000,000	900,000,000
Cost Senior Tenant	51,625,000	51,625,000	51,625,000	51,625,000	51,625,000
Cost Non-Senior Tenant	24,000,000	32,000,000	48,000,000	64,000,000	80,000,000
Total	490,625,000	678,625,000	874,625,000	1,075,625,000	1,331,625,000
<i>Less Homestead Rebate Cost</i>	<i>320,625,000</i>	<i>320,625,000</i>	<i>320,625,000</i>	<i>320,625,000</i>	<i>320,625,000</i>
Total Additional Cost	\$170,000,000	\$358,000,000	\$554,000,000	\$755,000,000	\$1,011,000,000

Prior to 1990, homestead rebates were based on the equalized value of qualified residential property and the effective tax rate in each municipality. The rebate amount was not related to income and, in fact, the rebate application form was essentially completed by the local tax assessor and certified by the claimant. Because of the specific formula used to determine rebates, there was little variation in individual rebate payments and consequently little variation in annual program cost. From FY 1983 to FY 1990, the homeowner rebates averaged between \$191 and \$196. Although the program grew steadily in overall cost during those same years, the rebate received by

Background Paper: NJ SAVER and Direct Property Tax Relief Programs (Cont'd)

each household was relatively constant. Senior and disabled citizens (and their surviving spouses) were also eligible for an additional \$50 benefit.

The program enacted in 1990 was substantially different from the original program that began in 1977. Rebates under the post-1990 program were based on a claimant's income and tax filing status as well as the amount of property taxes paid. The formula provided that the rebate equals the amount by which the property taxes paid by the claimant exceeded 5 percent of the claimant's gross income, up to a rebate limit of \$500. The conditions in the appropriations acts between 1993 and 1999 affected the rebates on an annual basis, but did not change the underlying statute.

THE INCOME TAX DEDUCTION AND CREDIT FOR PROPERTY TAXES

Between 1985 and 1989, residents could also receive property tax relief through income tax reductions. Tenants were eligible for a \$65 credit on their income tax return, and both homeowners and tenants were allowed an income tax deduction for property taxes paid in the prior year. These credits and deductions were eliminated with the revised and expanded Homestead Rebate program. However, beginning in 1996, the property tax deduction and credit under the gross income tax was restored. The deductible amounts were phased in over three years to reach a maximum of up to \$10,000. Senior, blind or disabled taxpayers who pay property tax or its rental equivalent, but who have no taxable income, and other taxpayers with low taxable income are eligible for a refundable credit that was also phased in over three years. In its initial year, the deduction amount was limited to 50% of up to \$5,000 in property taxes paid. In the second year the deduction amount was limited to 75% of up to \$7,500, and in the third year, and thereafter, the deduction amount is equal to 100% of up to \$10,000 in property taxes paid. Taxpayers who qualify for the credit receive \$25, \$37.50 and \$50 on the same phased-in schedule.

Homestead-owning taxpayers, who file a gross income tax return, may deduct from their gross income property taxes paid up to \$10,000. Multiple owners are allowed deductions in relation to their proportionate ownership shares. Husbands and wives who own the principal residence as tenants by the entirety, and file separate income tax returns, are each be entitled to one-half of the deduction. If the homestead serving as the principal residence is a dwelling house consisting of more than one unit, the taxpayer is allowed a deduction for property taxes only in relation to the proportionate share of the property taxes assessed and levied against the residential unit.

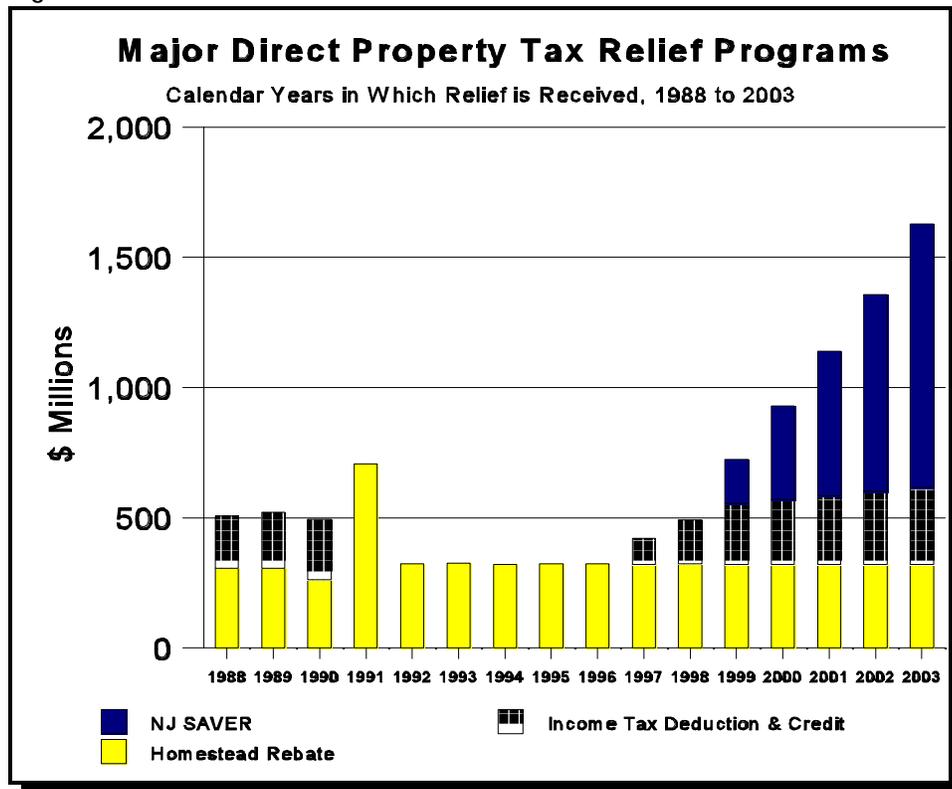
Tenants are allowed to deduct the amount of rent attributable to property taxes (equal to 18 percent of rent) not to exceed \$10,000. Co-tenants are allowed a deduction in proportion to the share of the rent they pay. The act also provides a credit of \$50 to any qualifying taxpayer who does not have sufficient taxable income to receive a \$50 benefit from the gross income tax deduction. Taxpayers receive the larger of either the tax liability reduction produced by the deduction or the credit. The credit is intended to benefit those taxpayers who have property tax liabilities, but do not have enough gross income from which to deduct their property tax liability.

Background Paper: NJ SAVER and Direct Property Tax Relief Programs (Cont'd)

DIRECT PROPERTY TAX RELIEF TRENDS

New Jersey annually provides hundreds of millions of dollars in direct property tax relief to residents through three major programs. Figure B displays the estimated annual amounts of direct property tax relief received under the NJ SAVER, the Homestead Rebate and the income tax deduction and credit between calendar years 1988 and 2003.¹ The Homestead Rebate and the income tax deduction and credit totaled just over \$500 million between 1988 and 1990, increased to about \$700 million in 1991 under the new, revised Homestead Rebate, declined to less than \$400 million during much of the 1990's under the appropriations act limitations, and began to increase to more than \$500 million following the restoration of the new income tax deduction and credit beginning in 1997. With the enactment of the NJ SAVER program in 1999, total property tax relief will increase by about \$200 million each year, topping an estimated \$1.6 billion in 2003. As noted earlier, these totals do not include other programs that provide property tax relief for specific groups of residents and do not include the more than \$7 billion that the budget includes for State aid to school districts and municipalities.

Figure B

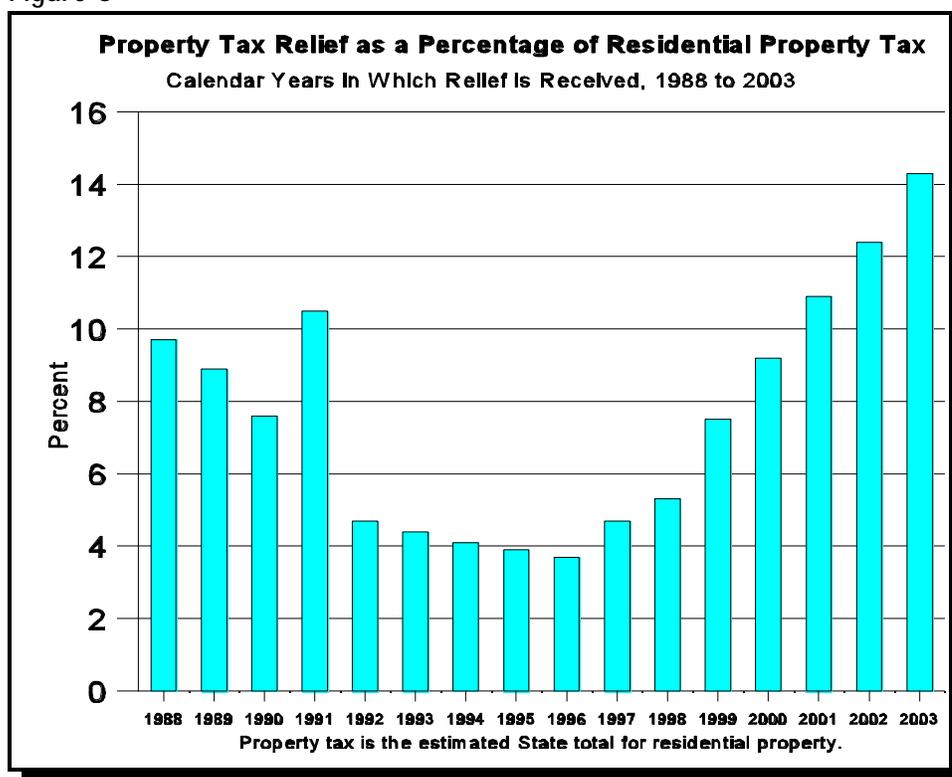


¹ Homestead Rebate and income tax deduction and credit amounts through 1998 are from the Division of Taxation. All figures from 1999 through 2003 are OLS estimates.

Background Paper: NJ SAVER and Direct Property Tax Relief Programs (Cont'd)

Figure C places the direct property tax relief included in Figure B in the context of total residential property taxes paid over the same period of time.² These two sets of data are not entirely comparable because some of the direct property tax relief money is paid to people who do not directly pay property taxes (ie., tenants) and because the residential property tax totals include second homes and exclude large rental properties. These imperfections in the data, however, have only a marginal impact on the statistical relationship depicted in Figure C. Direct property tax relief programs accounted for about eight to 10 percent of total residential property taxes between 1988 and 1991, declined to about one-half that level in the 1990's, and are estimated to increase substantially above their previous peak by the time NJ SAVER is fully implemented in 2003.

Figure C



² Total residential property tax figures through 1998 are OLS estimates based on Division of Taxation figures from the Line Items and Ratables report and the County Abstracts of Ratables. Figures from 1999 to 2003 are OLS projections based on an assumption of four percent annual growth. Residential property tax amounts include residential property with four or less units.

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

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