

ANALYSIS OF THE NEW JERSEY FISCAL YEAR 2000 - 2001 BUDGET



DEPARTMENT OF THE TREASURY

PREPARED BY

OFFICE OF LEGISLATIVE SERVICES

NEW JERSEY LEGISLATURE

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NEW JERSEY STATE LEGISLATURE

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DEPARTMENT OF THE TREASURY

Budget Pages..... C-12; C-20; C-26; C-28; C-30;
D-407 to D-451; E-10 to E-12;
and G-5 to G-11

Fiscal Summary (\$000)

| | Expended FY 1999 | Adjusted. Appropriation FY 2000 | Recommended FY 2001 | Percent Change 2000-01 |
|----------------|---------------------|---------------------------------------|------------------------|------------------------------|
| State Budgeted | \$1,459,986 | \$1,891,565 | \$2,146,688 | 13.5% |
| Federal Funds | 2,385 | 3,776 | 3,751 | (0.7)% |
| <u>Other</u> | <u>977,294</u> | <u>986,283</u> | <u>999,939</u> | <u>1.4%</u> |
| Grand Total | \$2,439,665 | \$2,881,624 | \$3,150,378 | 9.3% |

Personnel Summary - Positions By Funding Source

| | Actual FY 1999 | Revised FY 2000 | Funded FY 2001 | Percent Change 2000-01 |
|-----------------|-------------------|--------------------|-------------------|------------------------------|
| State | 4,361 | 4,366 | 4,719 | 8.1% |
| Federal | 17 | 15 | 21 | 40.0% |
| <u>Other</u> | <u>1,749</u> | <u>1,753</u> | <u>1,880</u> | <u>7.2%</u> |
| Total Positions | 6,127 | 6,134 | 6,620 | 7.9% |

FY 1999 (as of December) and revised FY 2000 (as of September) personnel data reflect actual payroll counts. FY 2001 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.

Introduction (Cont'd)

The FY 2001 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 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

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 as well as in the overview section below. 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 \$3.15 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 2001. These funds represent a 9.3 percent increase in resources over those available in FY 2000.
- ! The Governor has recommended \$2.1 billion in State budgeted resources (General Fund, Property Tax Relief Fund and Casino funds) for the Department of the Treasury in FY 2001, an increase of 13.5 percent over the FY 2000 adjusted appropriation.
- ! The Governor has recommended continuation funding of \$3.8 million in Federal Funds for FY 2001. These funds are for programs administered by the Board of Public Utilities, the Office of the Public Defender, and Legal Services of New Jersey.
- ! The Governor has recommended \$999.9 million in Other Funds for FY 2001, an increase of 1.4 percent over FY 2000. Other Funds represent non-budgeted or off-budget revenues such as taxes collected at the State level and distributed to local governments, special

Key Points (Cont'd)

revenue funds and revolving funds. Included in the recommended amounts are proposed distributions of \$750 million in energy tax receipts, \$101.7 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 \$1.4 billion, an overall increase of six percent. The total appropriation includes increases in four of the five categories of General Fund appropriations, although the appropriation for Direct State Services is recommended to increase by less than one percent. The largest percentage increase, 34.7 percent, is in the Grants-In-Aid category. Only Capital Construction expenditures are recommended to decrease.
- ! The Governor's budget overall has recommended continuation funding of \$350.4 million for General Fund-Direct State Services. The Governor's budget recommends decreases for only two Statewide programs: Financial Administration is recommended to decrease by \$6.6 million or 4.5 percent and Management and Administration is recommended to decrease by \$3.8 million or 22.6 percent. The Governor's budget historically has included language which permits the department to appropriate additional funds to a number of programs. In FY 2000, through February 29, 2000, \$43.1 million in supplemental appropriations have been enacted pursuant to budget language.

ECONOMIC REGULATION

- ! The Governor's budget recommends \$23.4 million for the Economic Regulation program, a \$1.8 million or 8.1 percent increase over the FY 2000 adjusted appropriation. This program class includes the Board of Public Utilities (BPU) and the Ratepayer Advocacy Program. These additional funds would be used to cover projected shortfalls in salary and legal services accounts which had been funded in prior years through carry forward balances. The BPU and the Ratepayer Advocate are funded by assessments levied on various utilities conducting business within the State.

GOVERNMENTAL REVIEW AND OVERSIGHT

- ! The Governor's budget recommends \$19.5 million for the Office of Management and Budget (OMB), a net \$563,000 or 3.0 percent increase which, for the most part, will fund increased data processing costs. Other recommended increases are offset because continued funding for the \$181,000 FY 2000 Single Audit supplemental appropriation is not recommended.

FINANCIAL ADMINISTRATION

- ! The amount recommended in FY 2001 for Taxation Services and Administration (Division of Taxation) is \$89.1 million, \$5.7 million, or 6.9 percent, more than the FY 2000 adjusted appropriation. The recommended amount includes a Special Purpose appropriation of \$8.5 million, an increase of \$7.5 million, for the New Jersey Property Assessment Tax System but does not fund \$3.6 million in debt collection contracts which are funded as supplemental appropriations in the current year. For a number of years the recommended budget for the Division of Taxation generally has been less than its adjusted appropriation because the

Key Points (Cont'd)

amount recommended has included no specific appropriation for these collection activities. These activities have been funded each year as supplemental appropriations using budget language authorization. In FY 2000 to date, the Division of Taxation has received \$4.3 million in supplemental appropriations authorized by language.

- ! The amount recommended for the Division of Taxation (as indicated above) includes a Special Purpose appropriation of \$8.5 million for the New Jersey Property Assessment Tax System. The Property Assessment Tax System is an on-line automated Statewide database of property listings and assessments.
- ! Recommended funding for the Administration of the State Lottery is \$12.9 million, a \$3.6 million or 21.6 percent reduction. Approximately \$3.5 million of this reduction is for advertising costs. The department has indicated it will assess advertising needs in FY 2001 to determine if additional advertising funds are warranted. Broad language is continued in the FY 2001 budget to permit the appropriation of additional resources for lottery administration. Through February 29, 2000, the State Lottery has received \$3.5 million in supplemental appropriations pursuant to budget language for commissions, prizes and expenses.
- ! A sum of \$26.7 million is recommended for the Administration of State Revenues (Division of Revenue), an \$8.9 million or 25.1 percent reduction from the FY 2000 adjusted appropriation. The principal reason for this reduction is that no specific funding is recommended for approximately \$8 million in collection activities. The department has indicated that it will assess collection needs for both the Division of Taxation and the Division of Revenue to determine whether collection contracts are cost effective. As in past years, broad language is included in the FY 2001 budget recommendation to permit the appropriation of additional resources for the Division of Revenue without subsequent legislative involvement. Through February 29, 2000, the Division of Revenue has received \$14.2 million as a result of language-authorized supplemental appropriations.
- ! The Management of State Investments (Division of Investments) is recommended to spend \$5.6 million in FY 2001. The department has indicated that the majority of its \$188,000 increase will be used to expand services provided by Bloomberg Investments.
- ! The Governor's budget recommends approximately \$4.4 million in the All Other Funds category for the Unclaimed Property (Escheats) program in the Division of Taxation, a \$332,000 or 8.1 percent increase. The department has indicated that these funds will be used to enhance the Division's audits of safety deposit boxes belonging to deceased residents. The administration of this program is funded from the revenues derived from escheated property.

GENERAL GOVERNMENT SERVICES

- ! A \$250,000 General Fund appropriation is recommended for the administrative costs of the Garden State Preservation Trust (GSPT). Established pursuant to P.L. 1999, c. 152, the Trust oversees New Jersey's progress toward achieving the goal of preserving open space and farmland and providing preservation funding to the Office of Green Acres in the Department of Environmental Protection (DEP), the State Agriculture Development Committee (SADC) and the New Jersey Historic Trust in the Department of State. An additional \$98 million is appropriated in the Interdepartmental accounts on page D-463.

Key Points (Cont'd)

These funds are available for acquisition and preservation projects through the GSPT.

- ! The Governor's budget recommends \$9.8 million for the Special Purpose Fleet Renewal Management Program in the Purchasing and Inventory Management Program, a \$4.7 million increase over the \$5.1 million appropriated for this program in FY 2000. According to the Budget in Brief, FY 2001 funding will be used to replace 949 of the oldest and highest mileage fleet passenger sedans and vans.

OFFICE OF ADMINISTRATIVE LAW

- ! The Governor's budget recommends continuation funding of \$6.9 million in State and other funds for the Adjudication of Administrative Appeals program (Office of Administrative Law). This includes a direct State appropriation of \$3.4 million and \$3.5 million in other funds, primarily from judicial hearing receipts.

STATE SUBSIDIES AND FINANCIAL AID: GRANTS-IN-AID

- ! The Governor's budget recommends a total of \$875.1 million in Grants-In-Aid from General Fund (\$187.2 million) and Property Tax Relief Fund resources (\$687.9 million). These amounts represent a 31.5 percent increase over the FY 2000 adjusted appropriation. Details of these programs follow.
- ! The Governor's budget recommends \$340.6 million, an \$8 million increase over the FY 2000 adjusted appropriation, for distributions to certain homeowners and tenants under the Homestead Property Tax Rebate Program (P.L. 1990, c.61). Approximately \$6.5 million of this increase is attributable to the New Jersey SAVER and Homestead Rebate Act (P.L. 1999, c.63) which expanded the homestead property tax rebate to include certain tenants who had not previously been eligible for a rebate. FY 2000 was the first year in which these tenants became eligible for a rebate. In that year, approximately 650,000 non senior/non disabled renters with incomes of \$100,000 or less received rebate checks of \$30; these rebates will increase to \$40 in FY 2001.
- ! In FY 2001, an appropriation of \$10.6 million from the Property Tax Relief Fund is recommended for the new Senior and Disabled Citizens Property Tax Freeze pursuant to P.L. 1997, c. 348. Expenditure rates for this program are substantially less than those predicted in FY 2000. Of the \$23.7 million adjusted appropriation in FY 2000, only \$3.8 million has been spent. This program was introduced in calendar year 2000 to reimburse certain low income senior and disabled residents for increases in property taxes paid on their homes. The income eligibility amounts are adjusted annually based on the maximum cost of living increase for the federal social security program.
- ! A new \$49 million appropriation is recommended for the New Jersey Earned Income Tax Credit. This appropriation represents the first part of an initiative which would be phased in over four years. The program would provide a tax credit for low and moderate income working families based on the federal earned income tax credit program. The Governor's budget indicates that approximately 237,000 households would qualify for this program when it is fully implemented in FY 2004. The \$750,000 administrative costs of this program are budgeted as part of the Direct State Services appropriations for the Division of Taxation (\$610,000) and Division of Revenue (\$140,000).

Key Points (Cont'd)

- ! The Governor's budget recommends \$336.7 million for the second year of the New Jersey School Assessment Valuation Exemption Relief (NJ SAVER) program, an increase of \$166.7 million. The program was enacted pursuant to P.L. 1999, c. 63 and will be phased in over five years. 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. In FY 2000, homeowners received 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 Budget in Brief indicates that the estimated average payment in FY 2001 will be \$240, up from \$120 in FY 2000.

STATE SUBSIDIES AND FINANCIAL AID: STATE AID

- ! The Governor's budget recommends a total of \$461.9 million in State Aid from the General Fund (\$395.3 million), Property Tax Relief Fund resources (\$49.5 million), and Casino Revenue fund resources (\$17.2 million). This represents a 6 percent increase over the FY 2000 adjusted appropriation. Details of these programs follow.
- ! The South Jersey Port Corporation is recommended to receive a total of \$7.4 million in FY 2001 for a Debt Service Reserve Fund (\$3.4 million) and a new appropriation for a Property Tax Reserve Fund (\$4.0 million). A new additional \$4.1 million in Capital Construction funds in the Interdepartmental Accounts also is recommended for the South Jersey Port Corporation Capital Program.
- ! A total of \$128.4 million is recommended for the School Construction and Renovation Fund, an increase of \$16.4 million over the FY 2000 adjusted appropriation. According to the Budget in Brief, this \$128.4 million includes \$11.9 million from the tobacco settlement, \$50 million from dedicated cigarette tax revenues, \$62 million from State lottery proceeds and \$4.5 million from the fund for free public schools. An additional \$89 million will be available from balances in the prior year. These funds are expected to provide debt service for up to \$785 million in State bond funds and overall program funding of \$1.17 billion in FY 2001 including bonds issued by local districts.
- ! The Governor's budget recommends the elimination of the \$776,000 Pinelands Area Municipality Aid. This was a legislative initiative in the FY 2000 Appropriations Act.
- ! The Business Personal Property Tax Depreciation Adjustment is a new State aid program in FY 2001. The Governor's budget recommends \$33.8 million for this program. These funds will be distributed to municipalities to replace property tax revenues lost due to a change in the way Bell Atlantic calculates its property values.
- ! The Governor's budget recommends \$20 million for Solid Waste Management - County Environmental Investment Debt Service Aid. Since FY 1998, the Legislature has authorized up to \$20 million through supplemental appropriations to assist counties in meeting debt service requirements for solid waste investments (primarily stranded costs of incineration construction). Between FY 1998 and FY 2000, a total of \$60 million has been appropriated for this purpose, although the amounts have not been of equal amounts annually. These funds have been appropriated as follows: FY 1998 (\$20 million); FY 1999 (\$7 million); FY 2000 (\$33 million). Budget language details the conditions under which funds are disbursed and recommends that unexpended funds be reappropriated.

Key Points (Cont'd)

- ! The Governor's budget recommends a total of \$31.6 million in State aid payments from the Property Tax Relief Fund (\$14.5 million) and the Casino Revenue Fund (\$17.2 million) to reimburse municipalities for senior and disabled citizens' property tax exemptions. This represents a \$2.0 million or 6.0 percent decrease from the FY 2000 adjusted appropriation. Eligibility criteria and exemption amounts will remain the same as in FY 2000.
- ! The Governor's budget recommends \$35.0 million in State aid payments from the Property Tax Relief Fund to reimburse municipalities for veteran's property tax exemptions. The recommended appropriation doubles the amount available for this program and reflects the first portion of an increase in the veterans' deduction approved by voters in November 1999. Veterans received a \$50 deduction in 1999. This amount will continue to grow by \$50 annually until 2004, at which point the deduction will have grown to a maximum of \$250.
- ! The Governor's budget recommends \$6.5 million for Debt Service on Pension Obligation Bonds attributable to the Consolidated Police and Firemen's Retirement program. This represents a \$2.2 million, or 24.9 percent decrease from the FY 2000 adjusted appropriation. In FY 1999, \$3.1 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 \$5.7 million for Police and Firemen's Retirement System (PFRS), Health Benefits, a \$3.1 million increase over the FY 2000 adjusted appropriation. 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 recommends that any funds not spent in FY 2000 be appropriated.
- ! The Governor's budget recommends \$626,000 for the Police and Firemen's Retirement System (N.J.S.A. 43:16A) to pay the local cost of benefits provided to State and local plan members under Chapters 247 and 511. The amount recommended is the Chapter 247 accrued liability contribution and is certified based on the June 30, 1998 Actuarial Valuation. The normal contribution of \$64.6 million is to be funded from excess valuation assets.
- ! No funding is recommended in FY 2001 for Police and Firemen's Retirement System (P.L. 1979, c. 109) to fund Chapter 109 benefits. The State is required on behalf of local participants to make an annual contribution of 1.1 percent of covered wages for this purpose. The Chapter 109 contribution of \$29.4 million will be funded from excess valuation assets.
- ! The Governor's budget reflects a FY 2001 distribution of \$750 million, the same as was distributed in FY 2000, from the Energy Tax Receipts 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 property or other tax collections.

Key Points (Cont'd)

MANAGEMENT AND ADMINISTRATION

- ! The Governor's budget does not recommend funding in FY 2001 for the First Night New Jersey Coalition which received a supplemental appropriation of \$250,000 in FY 2000.
- ! The \$7.8 million recommended for Management and Administrative Services (Treasurer's Office) reflects a net reduction of \$4 million. The \$5 million supplemental appropriation budgeted in the Treasurer's Office in FY 2000 for the Reimbursement to State Agencies - Disaster Relief is not continued. Legislation provided \$80 million in flood and drought relief in calendar year 1999. Of that amount, the \$5 million appropriated in the Treasurer's Office was to reimburse State agencies for costs incurred in providing disaster assistance.
- ! An appropriation of \$24.6 million from Other Funds is recommended for Administrative and Support Services, including \$9.9 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 Departments of Health and Corrections.

PROTECTION OF CITIZENS' RIGHTS

- ! The Governor's budget recommends continuation funding of \$70.5 million for the Office of the Public Defender. The amount recommended includes a new Special Purpose appropriation of \$602,000 to provide funds for the Public Defender to represent civilly committed sexual offenders. In addition to the State funds recommended, the Governor's budget reflects \$223,000 in federal funds and \$660,000 in Set-Off of Individual Liability (SOIL) Program Receipts and arbitration fees.
- ! A total of \$11.5 million in State Grants-In-Aid and \$1.2 million in federal funds is recommended for Legal Services of New Jersey. According to the Office of Management and Budget, the recommended \$1 million Grants-In-Aid increase is necessary to make up for lost revenue from Legal Services' second largest funding source, Interest on Lawyers' Trust Account (IOLTA) fees. These grants are distributed through the Treasurer's Office.

CAPITAL CONSTRUCTION

- ! The Governor's budget does not recommend the continuation of funding for capital improvements at the New Jersey Aquarium in Camden. The Legislature included \$3 million in the FY 2000 budget for this purpose.
- ! The Governor's budget recommends \$11.0 million in FY 2001 for Capital Construction purposes. These funds are available to the Office of Information Technology (OIT) for new and continuing projects. New projects include E-Government Infrastructure (\$2.5 million) and the Trenton Campus Fiber Optic Network (\$500,000). On going projects include Preservation Projects - Information Processing (\$1.8 million); Data Center Upgrades and Consolidation (\$4.9 million); Duplex Printing (\$1.2 million) and Construction of Loading Dock (\$115,000).

Key Points (Cont'd)

DEBT SERVICE

- ! The Governor's budget for the department includes \$424.1 million for Debt Service on general obligation bonds. This represents a \$21 million, or 5 percent, increase over the FY 2000 adjusted appropriation.

REVOLVING AND OTHER FUNDS

- ! The Governor's budget recommends \$101.7 million for the Office of Information Technology (OIT). This represents a \$14 million, or 16 percent, increase over the FY 2000 adjusted appropriation. The Governor's budget recommends two other appropriations which may directly benefit OIT in FY 2001. The first is an \$11 million Capital Construction appropriation in the Department of the Treasury for OIT projects. The second are two Capital Construction appropriations for Enterprise Initiatives which total \$20 million in the Interdepartmental Accounts.
- ! Continuation funding is recommended for the other revolving funds in the Department of the Treasury. These include \$1.4 million for the Office of Public Communication; \$17.3 million for the State Central Motor Pool; \$2.4 million for the Print Shop; \$56 million for the Distribution Center; \$6.7 million for the Division of Property Management and Construction and \$1.3 million for the Capitol Post Office which appears in the budget as a language appropriation.

PERSONNEL

- ! The position data displayed in the Governor's budget indicates that the FY 2001 budget would fund a total of 6,620 positions. The actual payroll count as of September 1999 (FY 2000) is 6,134.

The Higher Educational Services portion of the Department of the Treasury (pages D-412 to D-414) 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-415 to D-421) are contained in a separate booklet: "New Jersey Commerce and Economic Growth Commission and Related Economic Development Programs."

Background Papers

| | |
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| Property Tax Reimbursement Program - Senior and Disabled Citizens Property Tax Freeze | p. 55 |
| NJ SAVER and Direct Property Tax Relief Programs..... | p. 57 |

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)
- ! New Jersey Commerce and Economic Growth Commission
- ! New Jersey Commission on Science and Technology
- ! New Jersey Economic Development Authority

The Governor's FY 2001 budget reflects the Executive Branch reorganization which occurred in FY 1999. The Department of Commerce and Economic Development was dissolved

Program Description and Overview (Cont'd)

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. In FY 2000, a \$5 million supplemental appropriation was made to the Treasurer's Office to reimburse State agencies for costs associated with disaster relief.

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 the Division of Contract Compliance and Equal Employment Opportunity in Public Contracts (formerly called the Public Contracts Affirmative Action Office). The budget recommends upgrading the Division of Public Contract Compliance and Equal Employment Opportunity in Public Contracts. This upgrade would expand the staff of the division and allow greater concentration on public agency review and contracts.

In FY 2001, the Governor has recommended funding of \$7.8 million for the Treasurer's Office and \$1.4 million for the Division of Public Contract Compliance. The amount recommended for the Treasurer's Office would fund 202 positions in FY 2001. The amount recommended for the Division of Public Contract Compliance would fund 29 positions. In addition to the above amounts, a specific sum of \$640,000 for public finance activities 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 2001 budget recommends \$19.5 million for the Office of Management and Budget (OMB). The Governor's budget indicates that 223 OMB positions are funded in FY 2001.

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 funds 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 (which for this purpose includes appropriations for all GSA programs except the Garden State Preservation Trust and the Division of Pensions and Benefits) of \$27.9 million in FY 2001 which is \$5 million more than the FY 2000 adjusted appropriation of \$22.9 million. Approximately \$4.7 million of the \$5 million recommended appropriation increase is for the \$9.8 million Special Purpose, Fleet Renewal Management Program in the Purchasing and Inventory Management Program. According to the Budget in Brief, the \$9.8 million recommended for the Fleet Renewal Management Program in FY 2001 will be used to replace 949 of the oldest and highest mileage fleet passenger sedans and vans.

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 has been 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 2000 Appropriations Act, an additional \$5.4 million has been appropriated as of April 28, 2000. Language in the Governor's FY 2001 budget would permit additional funds to be appropriated in FY 2001. The Governor's budget recommends continuation funding of \$30.8 million for the operation of the Division in FY 2001. The recommended appropriation includes funding for 377 positions, 43 positions more than actual payroll counts in September 1999.

The **Garden State Preservation Trust (GSTP)** is budgeted as part of General Government Services. The budget recommends \$250,000 in FY 2001, an increase of \$100,000 over the FY 2000 adjusted appropriation. The mission of the GSTP is to oversee New Jersey's progress toward achieving the goal of preserving additional open space and farmland and to recommend to the Legislature funding for projects submitted by the Office of Green Acres, the State Agricultural Development Committee and the New Jersey Historic Trust. The FY 2001 budget recommends funding for three positions.

Program Description and Overview (Cont'd)

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.

The \$89.1 million recommended for the Division of Taxation's budget represents a \$5.7 million increase over the FY 2000 adjusted appropriation. The Division's budget eliminates funding for the cost of private collection contracts, saving approximately \$3.6 million. In FY 2000, the \$3.6 million supplemental appropriation was added to the budget pursuant to budget language. The recommended decrease is offset by increases of \$610,000 for administrative expenses associated with the New Jersey Earned Income Tax Credit and \$7.5 million for the New Jersey Property Assessment Tax System (the Mod IV project), an on-line automated Statewide database of property listings and their assessments. Since the proposed budget continues to recommend supplemental appropriation language which provides broad authority to appropriate additional resources for the Division as necessary, the savings taken to construct an \$89.1 million budget for the Division may not be realized in FY 2001. As of April 1, 2000, \$4.3 million has been appropriated pursuant to language. The recommended budget is expected to fund 1,364 positions, 120 positions more than actual payroll counts in September 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 2001 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 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; 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 such sums as necessary for the administration of the State Earned Income Tax Credit program; to appropriate revenues from escheated property; and to appropriate additional sums for the costs associated with enhanced compliance programs. In recent budgets, 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."

Although the Cheater Beater program is no longer a separate program, the Division has continued many of its audit and compliance initiatives. Since FY 1992 the number of auditors has grown from 256 to 418 in FY 2000. During the same period, the number of collectors has grown from 167 to 295 in FY 2000. The Division estimates that it will employ approximately 428 auditors and 290 collectors in FY 2001. In addition, the Division has continued to utilize the services of a private contractor to collect back taxes due the State. Although it has not requested a specific appropriation for such services in FY 2001, recommended budget language would provide

Program Description and Overview (Cont'd)

authorization to pay for these services.

The Governor's budget also recommends \$4.4 million for the Unclaimed Property (Escheats) program in the Division of Taxation, a \$332,000 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.

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 initial 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 2001 the Governor has recommended an appropriation of \$26.7 million, a \$9 million or 25.1 percent decrease from the FY 2000 adjusted appropriation. The Division's budget eliminates funding for contract telecollectors, saving approximately \$8 million that was added to the FY 2000 budget pursuant to budget language. The budget includes recommended language which would permit the appropriation of additional funds as needed for this purpose in FY 2001. Through the end of April, \$14.2 million has been appropriated to the Division pursuant to language, which is \$1.3 million more than the supplemental amounts included for the division in the FY 2000 adjusted appropriation column. The recommended budget is expected to fund 489 positions, 76 positions more than actual payroll counts in September 1999.

The **Division of Investments (Management of State Investments)** would manage an investment portfolio in FY 2001 of over \$93 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 \$5.6 million in Direct State Services appropriations for the Division of Investments which is expected to support 70 positions in FY 2001. The administrative costs of this program are charged back to the investment portfolio. Language is recommended to permit the appropriation of additional resources in FY 2001 for expenses from the investment earnings of the various pension and health benefits funds administered by the Division.

Program Description and Overview (Cont'd)

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 2001, the State Lottery is expected to transfer \$713 million to the General Fund for these purposes. The State Lottery Fund Schedule on page H-44 of the Governor's FY 2001 budget shows the programs which are in part supported by these funds. Included are institutions and programs in the Departments of Agriculture, Education, Human Services, Military and Veterans' Affairs, State and Treasury (Higher Educational Services and School Construction and Renovations).

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 2001 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 2001, this language would permit the Division to use amounts in excess of the \$713 million anticipated as budgeted revenues in FY 2001); 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 2000, an additional \$3.5 million for advertising has been appropriated to the Division through the end of April pursuant to budget language.

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 2001 budget which projects net sales of \$1.8 billion generated by 6,000 agents and 1,260 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. The Governor's budget recommends \$3.7 million for this program in FY 2001 which would support 59 Local Government Budget Review positions.

"In But Not Of" Programs

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 2001, it will regulate 5 electric companies, 4 gas companies, 23 telephone and telegraph companies, 90 water and sewer companies and 10 municipal water companies. Its budget consists of five program classes: Ratepayer Advocacy, Utility Regulation, Regulation of Cable Television, Regulatory Support Services, and Administration and Support Services.

Program Description and Overview (Cont'd)

The Governor's FY 2001 budget recommends \$23.4 million in funding for the BPU and the Ratepayer Advocacy program. This represents, a \$1.8 million increase from the FY 2000 adjusted appropriation. Approximately \$263,000 of the increase is for salaries in Utility Regulation; the remaining \$1.5 million is for salaries in Administration and Support Services and for services provided by the Office of Administrative Law and the Attorney General's Office to the BPU. Position data in the FY 2001 budget indicates that this appropriation will support 303 State-funded positions in FY 2001, compared to the actual employee count of 278 in September 1999.

The BPU is entirely supported by assessments on the public utility and cable television industries. In FY 2001, \$31.5 million in assessment revenues including Ratepayer Advocate fees are anticipated.

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.

The Governor's budget recommends continuation funding of \$24.1 million in FY 2001 for the Commission. Position data in the FY 2001 budget indicate that the recommended budget will support 354 positions in FY 2001.

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 is intended to be 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 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 \$6.9 million in State and other funds for the Office of Administrative Law. Approximately \$3.4 million of this continuation funding is from State funds. Position data in the Governor's FY 2001 budget indicate that this level of funding will support 127 positions in FY 2001.

The **Office of the Public Defender** and the Legal Services program are functionally related in that both offices provide legal services to indigent clients. 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 the Public Defender is a State office staffed by State employees. Its primary source of funds is the State General Fund. Legal Services of New Jersey is a private non-profit corporation staffed by private attorneys. Its funding is primarily from three sources: State and federal

Program Description and Overview (Cont'd)

grants and Interest on Lawyers' Trust Accounts (IOLTA) sources.

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; to individuals who are applying to the Administrative Office of the Courts' Intensive Supervision Program; to abused and neglected children in Family Court proceedings; and to the indigent mentally ill. It also provides mediation and other dispute resolution services to resolve complex public interest disputes and civil litigation.

The Office of the Public Defender programs consist of the following:

| Program | FY 2001 Recommended Appropriation | FY 2001 Funded Positions Budget Estimate |
|--|---|--|
| Trial Services to Indigents and Special Programs | \$58,413,000 | 776 |
| Appellate Services to Indigents | 6,603,000 | 70 |
| Mental Health Screening Services | 2,866,000 | 51 |
| Dispute Settlement | 321,000 | 6 |
| Administration and Support Services | 2,257,000 | 37 |
| Total, Office of the Public Defender | \$70,460,000 | 940 |

State funding of approximately \$70.5 million will be supplemented by \$883,000 in federal and other funds in FY 2001. This level of funding is expected to support 940 positions, of which 938 are State funded.

Approximately 83 percent of this funding, or \$58.4 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 (Child Abuse) program was expanded to respond to the increased caseload associated with the implementation of the federal Adoption and Safe Families Act (ASFA) of 1997. Approximately \$1 million in both FY 2000 and FY 2001 has been included for the Public Defender's Office in the \$6.8 million recommended in Division of Youth and Family Services (DYFS) Foster Care and Permanency Initiative (p. D-256) in the Department of Human Services. This \$1 million has been utilized by the Public Defender's Office to increase the existing Law Guardian Unit from 50 to 76, including 10 additional attorneys, 10 investigators and 6 secretaries.

The Governor's budget also recommends continuation funding of \$3.2 million for the

Program Description and Overview (Cont'd)

Special Purpose line, Continuous Representation - Title 9 to Title 30. Titles 9 and 30 of the Revised Statutes pertain to the abuse and neglect of children and the termination of parental rights. P.L. 1999, c.53 conforms State law to the provisions of the federal Adoption and Safe Families Act and authorizes the Office of the Public Defender to provide continuous representation to parents and children throughout proceedings brought under Titles 9 and 30. In FY 1999, \$600,000 was appropriated for this purpose. The \$3.2 million adjusted appropriation in FY 2000 and the \$3.2 million recommended in FY 2001 provide representation for children and indigent parents in the amounts of \$1.4 million and \$1.8 million respectively. These appropriations fund 15 attorneys, 18 investigators, 10 secretaries and 2 clericals. Of the 45 positions, 33 are assigned to the Law Guardian Unit for the representation of the child and 12 to the Parental Representation Unit for the representation of the indigent parent.

The Appellate Services to Indigents is recommended to receive \$6.6 million in FY 2001. This program provides legal representation to indigent defendants on direct appeal of a criminal conviction or sentence, including all defendants sentenced to death. State and federal courts have held that the right to this representation is constitutionally guaranteed.

The Mental Health Screening Services program is recommended to receive \$2.9 million in FY 2001. 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. Pursuant to P.L. 1998, c.71, the Public Defender must provide representation to all indigent individuals who now meet the definition of a sexual violent predator. The budget recommends a new Special Purpose appropriation of \$602,000 for this purpose to fund 4 attorneys, 4 investigators, 2 secretaries and their associated costs.

Continuation funding of \$321,000 is recommended for the Office of Dispute Settlement (ODS) which was created in 1974 to provide 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 ODS is largely self-supporting, generating revenues through inter-agency contracts, grants and charging fees for both its mediation and training services. ODS makes presentations and provides training in dispute resolution to the judiciary, Bar and government entities. Training programs have been conducted for staff of the Board of Public Utilities, the Attorney General's Office, the Department of Personnel, the Department of Environmental Protection and Bar Associations.

The \$2.3 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.

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.

Program Description and Overview (Cont'd)

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. The per diem rates for trials also increased at the same time from \$135.00 per case to \$180.00 per case. These rate increases became effective July 1, 1998 and required an increase of \$2.4 million in amounts otherwise appropriated in FY 1999. Evaluation data in the Governor's budget estimates that in FY 2001 the Office of the Public Defender hires outside counsel in approximately 12.4 percent (9,190 cases annually) of the total cases that are closed during the fiscal year (74,329). Generally these are multi-defendant cases in which Public Defender staff cannot represent all of the defendants due to conflicts of interest.

The **Legal Services Program** was transferred from the Department of Community Affairs to the Department of the Treasury in FY 1999 pursuant to Reorganization Plan No. 002-1998. Legal Services programs are the primary means by which society provides free legal assistance in civil matters to people who cannot afford the cost of legal representation.

Legal Services of New Jersey provides support to indigents primarily in four areas:

- ! Housing - primarily tenancy and eviction matters;
- ! Family Matters - divorce, separation, domestic violence, child support and termination of parental rights;
- ! Income Maintenance - actions which secure benefits for indigents under programs such as Social Security, Aid to Families with Dependent Children, and food stamps ; and
- ! Consumer Matters - bankruptcy, collections, warranties, unfair sales practices and public utilities.

New Jersey has fifteen Legal Services programs: fourteen local field programs, which provide legal services to clients in all 21 counties, and Legal Services of New Jersey, the Statewide coordinating office in Edison. The Legal Services staff is approximately 430 Statewide, including 210 attorneys. Each program is a not-for-profit corporation governed by a board of trustees which includes members of the local bar association as well as representatives of the eligible client population.

Funding for Legal Services of New Jersey comes primarily from three sources (not all of which appear in the State budget): the State of New Jersey, Interest on Lawyers' Trust Accounts (IOLTA), and the Federal government. The budget for this program has been stable at approximately \$30 million for several years. In FY 1999, the most recent year for which complete data are available, 37 percent of funding came from State resources; 34 percent came from IOLTA sources; 22 percent came from federal resources; and 7 percent came from either county or private resources.

The State provides approximately one third of the funding through Grants-In-Aid. In FY 1998, FY 1999 and FY 2000, State appropriations have been constant at \$10.5 million. Of the \$11.5 million recommended in FY 2001 for the State Legal Services Office or Legal Services of New Jersey, \$3.5 million is recommended from general State revenues and \$8.0 million is recommended from the increase in filing fees pursuant to P.L. 1996, c.52. The \$3.5 million in FY 2001 would be distributed directly to the fifteen Legal Services Programs; the \$8.0 million would be distributed to the Legal Services Office in Edison, N.J. which in turn distributes grants to the regional offices. The Edison office reviews the regional offices' budgets and oversees their expenditures.

Program Description and Overview (Cont'd)

The second most significant source of funding is Interest on Lawyers' Trust Accounts, IOLTA fees. These fees do not appear in the State budget. In FY 1998, Legal Services received \$8.9 million in IOLTA fees for its programs; in FY 1999 it received \$10.4 million. In FY 2000, however, it has received only \$9.4 million, \$1 million less than it received from this source in FY 1999. The Governor's budget recommends an additional \$1 million from State General Fund resources to replace this drop in IOLTA revenues.

The IOLTA program was created by the New Jersey Supreme Court in 1988 to provide a means of using interest earned on nominal or short-term deposits to fund law-related, public-interest programs. Not less than 75 percent of these funds are awarded annually to Legal Services of New Jersey; the balance is awarded to the New Jersey State Bar Foundation and other entities to provide legal aid to the poor, to improve the administration of justice, to educate lay persons in legal or justice-related areas or for other such programs for the benefit of the public as are specifically approved by the New Jersey Supreme Court.

The third source of funds is the federal government which provides funding both through the State of New Jersey and directly to the Legal Services of New Jersey. In FY 2001, \$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 2001 is \$101.7 million which includes \$59.8 million in State Funds, \$33.1 million in Federal Funds and \$8.8 million in Other Funds. The recommended \$101.7 million is \$14 million more than OIT's FY 2000 adjusted appropriation. Included in this increase is \$4.4 million for salaries, \$9.4 million for Services Other Than Personal and \$222,000 for GovConnect, a government to government electronic business communications network.

The Governor's budget recommends two other appropriations which may benefit OIT in FY 2001. The first is an \$11 million Capital Construction appropriation for OIT projects, which include preservation projects (\$1.8 million); data center upgrades and consolidation (\$4.9 million); a duplex printing project (\$1.2 million); construction of a loading dock (\$115,000); E-Government infrastructure (\$2.5 million); and the Trenton campus fiber optic network (\$500,000). The second are two Capital Construction appropriations for Enterprise Initiatives which total \$20 million in the Interdepartmental Accounts. Some portion of this \$20.0 million will be allocated to OIT.

Program Description and Overview (Cont'd)

FY 2000 Budget Overview

Total resources recommended for the Department of the Treasury in FY 2001 are \$3.2 billion, an increase of 9.3 percent over the FY 2000 adjusted appropriation. Included in this is \$2.1 billion in State budgeted appropriations (which include appropriations from the General Fund, the Property Tax Relief Fund (PTRF), the Casino Revenue Fund, and the Casino Control Fund) and \$1.0 billion in Other Funds. Federal Funds constitute less than \$4,000,000 of the Department of the Treasury's resources.

The Governor has recommended continuation funding for many of the department's State budgeted appropriations. Some changes, however, are recommended. The most significant areas of increase are in Grants-In-Aid paid either out of General Fund or Property Tax Relief Fund resources.

- ! Grants-In-Aid paid out of the General Fund are recommended to increase by approximately \$48.3 million, or 34.7 percent. This is primarily because of the inclusion of a new program, the State Earned Income Tax Credit which is recommended to receive \$49 million in FY 2001.
- ! Grants-In-Aid paid out of the Property Tax Relief Fund are recommended to increase by approximately \$161.6 million or 30.7 percent. The most significant increase is recommended for the second year of the NJ SAVER (P.L. 1999, c. 63) for which an additional \$166.7 million is recommended in FY 2001.
- ! State aid paid out of the Property Tax Relief fund is recommended to increase by a net \$15.5 million, or 45.5 percent. This is primarily because the budget recommends an additional \$17.5 million to reimburse municipalities for veteran's property tax exemptions. The recommended appropriation doubles the amount available for this program and reflects the first portion of an increase in the veterans' deduction approved by voters in November 1999.
- ! Funds recommended for Capital Construction decrease by \$4.4 million, or 28.5 percent. The most significant change in this category of funding is the elimination of \$3 million in funding for capital improvements at the New Jersey Aquarium.
- ! The FY 2001 budget recommends \$350.4 million for General Fund - Direct State Services appropriations, a decrease of less than one percent of the FY 2000 adjusted appropriation. The FY 2001 budget continues language for a number of programs which permit the appropriation of additional off-budget resources. Through the end of April, an additional \$46.7 million of supplemental appropriations have been appropriated to the department in FY 2000. The \$46.7 million includes \$10 million for higher educational programs.

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

Program Description and Overview (Cont'd)

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 2001 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 Energy Tax Receipts are discussed in more detail in the State aid section which follows.

The various banking and insurance taxes were brought on-budget and were distributed to municipalities 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.

Other off-budget revenues fund programs from dedicated or special revenue funds, such as the Governor's Council on Alcoholism and Drug Abuse. Funding for the Governor's Council on Alcoholism and Drug Abuse is recommended at \$9.9 million in FY 2001.

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 2001, a total of \$187.7 million is recommended for the various revolving funds. This represents a \$14.2 million increase over the FY 2000 adjusted appropriation. This increase is primarily due to an increase in OIT's authorized spending level.

State Subsidies and Financial Aid - Grants-In-Aid

Over the years, Grants-In-Aid and State aid have been the largest component of all Treasury expenditures. As the tables below illustrate, the Governor's FY 2001 budget recommends \$1.76 billion for these purposes, including \$736.9 million in Grants-In-Aid to individuals and over \$1 billion in State aid to local government entities. Table 1, which follows, lists the four grants-in-aid programs to individuals which are budgeted in the Department of the Treasury and shows appropriations made to these program since FY 1998.

The \$736.9 million recommended for these four programs represents a net increase of approximately \$210.6 million over the FY 2000 adjusted appropriation.

Three of the programs currently are administered by the Department of the Treasury: the Homestead Property Tax Rebates for Homeowners and Tenants program; NJ SAVER; and the Senior and Disabled Citizens' Property Tax Freeze program. The Governor's FY 2001 budget recommends funding for a new program, the New Jersey Earned Income Tax Credit program.

The Governor's budget recommends \$340.6 million, an \$8 million increase over the FY 2000 adjusted appropriation, for distributions to certain homeowners and tenants under the **Homestead Property Tax Rebate Program** (P.L. 1990, c.61). Approximately \$6.5 million of this increase is attributable to the New Jersey SAVER and Homestead Rebate Act (P.L. 1999, c.63) which expanded the homestead property tax rebate to include certain tenants who had not previously been eligible for a rebate. FY 2000 was the first year in which these tenants became eligible for a rebate.

Program Description and Overview (Cont'd)

In that year, approximately 650,000 non senior/non disabled renters with incomes of \$100,000 or less received rebate checks of \$30. These rebates will increase to \$40 in FY 2001.

The Governor's budget recommends \$336.7 million for the second year of the New Jersey School Assessment Valuation Exemption Relief (**NJ SAVER**) program, an increase of \$166.7 million. The program was enacted pursuant to P.L. 1999, c. 63 and will be phased in over five years. According to the Budget in Brief, approximately 1.9 million homeowners will receive checks equal to a portion of the school tax portion of the local property tax paid on the assessed value of owner-occupied primary residences. In FY 2000, homeowners received 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 Budget in Brief indicates that the estimated average payment in FY 2001 will be \$240, up from \$120 in FY 2000.

In FY 2001, an appropriation of \$10.6 million from the Property Tax Relief Fund is recommended for the new **Senior and Disabled Citizens Property Tax Freeze** pursuant to P.L. 1997, c. 348. Expenditure rates for this program are substantially less than those predicted in FY 2000. Of the \$23.7 million adjusted appropriation in FY 2000, only \$3.8 million has been spent. This program was introduced in calendar year 2000 to reimburse certain low income senior and disabled residents for increases in property taxes paid on their homes. The income eligibility amounts are adjusted annually based on the maximum cost of living increase for the federal social security program.

A new \$49 million appropriation is recommended for the **New Jersey Earned Income Tax Credit**. This appropriation represents the first part of an initiative which would be phased in over four years. The program would provide a tax credit for low and moderate income working families based on the federal earned income tax credit program. The Governor's budget indicates that approximately 237,000 households would qualify for this program when it is fully implemented in FY 2004. The \$750,000 administrative costs of this program are budgeted as part of the Direct State Services appropriations for the Division of Taxation (\$610,000) and Division of Revenue (\$140,000).

Table 1
Department of the Treasury
Grants-In-Aid To Individuals
FY 1998 - FY 2001
(\$000)

| GRANTS-IN-AID | Expended FY 1998 | Expended FY 1999 | Adj App FY 2000 | Recom FY 2001 |
|--|-----------------------------|-----------------------------|----------------------------|--------------------------|
| Homestead Rebates | \$322,590 | \$326,265 | \$332,600 | \$340,600 |
| NJ SAVER | 0 | 0 | 170,000 | 336,689 |
| Earned Income Tax Credit | 0 | 0 | 0 | 49,000 |
| Senior and Disabled Citizens' Prop Tax Freeze | 0 | 0 | 23,700 | 10,599 |
| Total, Grants-In-Aid | \$322,590 | \$326,264 | \$526,300 | \$736,888 |

Program Description and Overview (Cont'd)

State Aid

The Governor's budget recommends approximately \$1 billion in State aid which is paid to municipalities and other local government entities. Table 2, which follows, lists the State aid programs in the Department of the Treasury and shows appropriations made to these program since FY 1998.

The most significant State aid program is the **Energy Tax Receipt** distribution which is an off-budget program whose distribution is authorized by budget language. The Governor's budget recommends continuation funding of \$750 million for this program which distributes aid to municipalities from the State's taxation of certain regulated utilities as well as certain telecommunications companies.

In FY 2002, the base amount distributed pursuant to this program will increase to \$755 million. In addition, in FY 2002 the amounts distributed to municipalities will be tied to inflation. Pursuant to P.L. 1999, c. 168, the amount credited to the Energy Tax Receipts Property Tax Relief Fund will be adjusted annually by the rate of increase in the federally computed Implicit Price Deflator for State and Local Government Purchases.

The Governor's budget also recommends \$128.4 million for the **School Construction and Renovation Fund**. According to the Budget in Brief, these funds are expected to provide debt service for up to \$785 million in State bond funds and overall program funding of \$1.17 billion in FY 2001 including bonds issued by local districts. The use of these funds may be modified upon the enactment of the "Educational Facilities Construction and Financing Act." In addition, recommended budget language would provide up to \$10 million for administrative costs.

The Governor's budget recommends \$35 million for **Veterans' Tax Exemptions**. The recommended appropriation doubles the amount available for this program and reflects the first portion of an increase in the veterans' deduction approved by voters in November 1999. Veterans received a \$50 deduction in 1999. This amount will continue to grow by \$50 annually until 2004, at which point the deduction will have grown to a maximum of \$250.

The Governor's FY 2001 budget recommends \$33.8 million program, for the new **Business Personal Property Tax Depreciation Adjustment** program which will distribute aid to most municipalities in FY 2001. These funds will be distributed to municipalities to replace property tax revenues lost due to a change in the way Bell Atlantic calculates its property values.

Program Description and Overview (Cont'd)

Table 2
 Department of the Treasury
 State Aid To Local Government Entities
 FY 1998 - FY 2001
 (\$000)

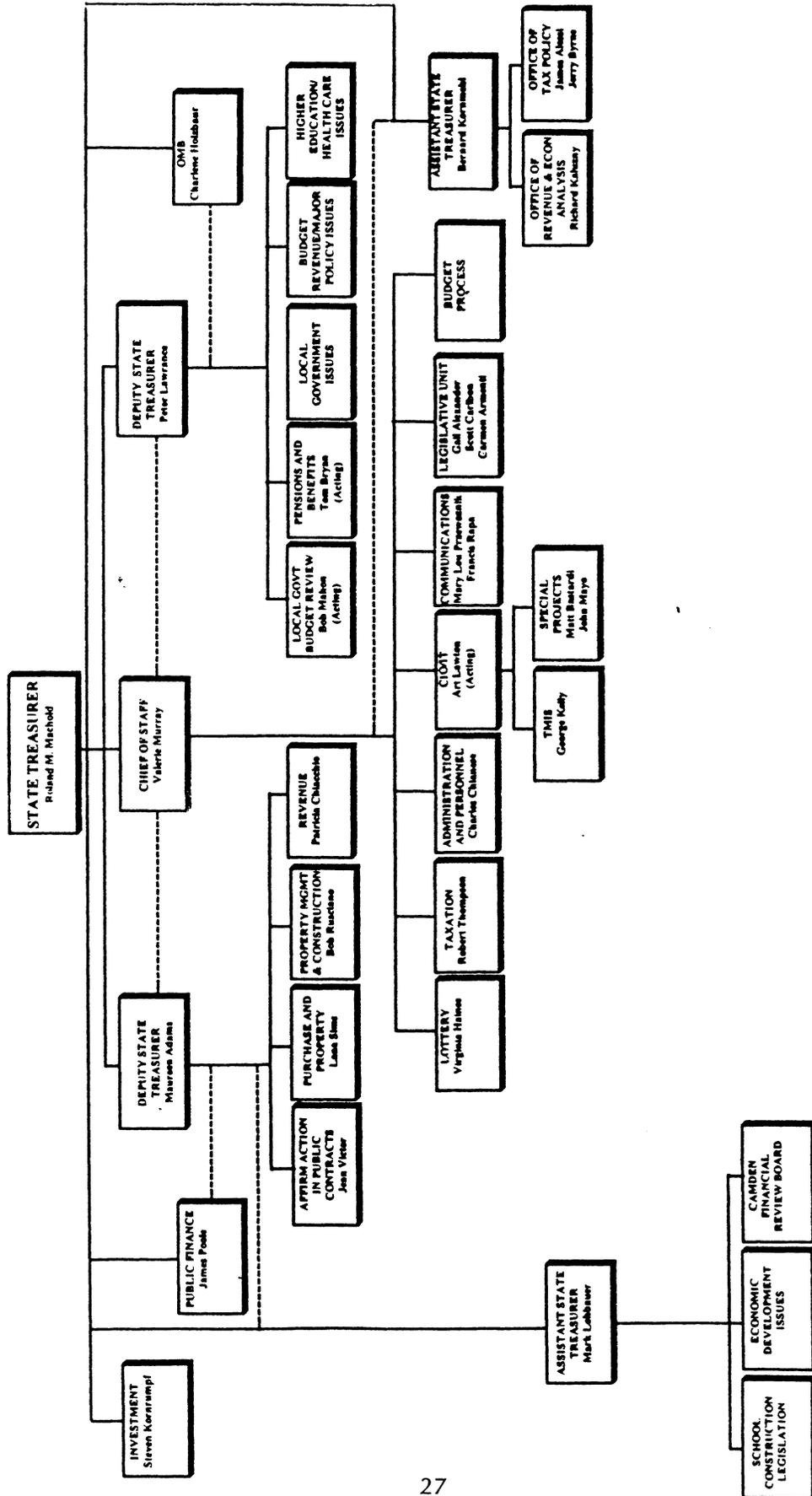
| STATE AID | Expended FY 1998 | Expended FY 1999 | Adj App FY 2000 | Recom. FY 2001 |
|---|---------------------|---------------------|--------------------|--------------------|
| Energy Tax Receipts | \$740,000 | \$745,000 | \$750,000 | \$750,000 |
| School Construction & Renovation Fund | 0 | 844 | 112,000 | 128,400 |
| Veterans' Tax Exemptions | 17,559 | 17,539 | 17,539 | 35,039 |
| Business Personal Property Tax Depreciation Adjustment | 0 | 0 | 0 | 33,800 |
| Senior and Disabled Citizens' Tax Exemption | 36,036 | 33,651 | 33,656 | 31,639 |
| Solid Waste Management - Debt Service Aid | 13,125 | 13,660 | 33,000 | 20,000 |
| Debt Service - Pension Obligation Bonds | 12,085 | 3,103 | 8,708 | 6,539 |
| Police & Firemen's Retirement System - Health Benefits | 0 | 2,776 | 2,635 | 5,729 |
| So. Jersey Port Corporation - Prop Tax Reserve Fund | 0 | 0 | 0 | 4,000 |
| So. Jersey Port Corporation - Debt Service Reserve Fund | 0 | 5,250 | 5,200 | 3,400 |
| County Tax Board Members | 1,011 | 1,016 | 1,049 | 1,049 |
| Police & Firemen's Retirement System | NA | 1,790 | 23,775 | 626 |
| Special Aid - Maurice River | 0 | 0 | 230 | 230 |
| NJ Firemen's Home & Association | 4,267 | 0 | 0 | 0 |
| Disabled Veterans' Property Tax Exempt - Retroactive | 5,021 | 455 | 0 | 0 |
| Pinelands Area Municipal Aid | 675 | 675 | 776 | 0 |
| Police & Firemen's Retirement System (P.L. 1979, c.109) | NA | 23,555 | 23,010 | 0 |
| Palisades Interstate Park -PILOT | 103 | 0 | 0 | 0 |
| Other Distributed Taxes | 2,325 | 3,326 | 3,326 | 3,264 |
| Total State Aid | \$832,207 | \$852,740 | \$1,014,904 | \$1,023,715 |
| Total Grants-In-Aid and State Aid | \$1,154,797 | \$1,179,005 | \$1,541,204 | \$1,760,603 |

Program Description and Overview (Cont'd)

Personnel Changes

The Fiscal and Personnel Summary on page 28 of this report reflects the actual number of employees on the department's payroll at a given point in time for FY 1999 and FY 2000. The FY 2001 figures reflect the total number of positions to be funded without regard to vacancy status. In FY 2001, appropriations to the Department of the Treasury will fund a total of 6,620 positions. The actual payroll count in FY 2000 was 6,134.

Organization Chart



Fiscal and Personnel Summary

AGENCY FUNDING BY SOURCE OF FUNDS (\$000)

| | Expended FY 1999 | Adj. Approp. FY 2000 | Recom. FY 2001 | Percent Change | |
|---------------------------------|---------------------|----------------------------|--------------------|----------------|--------------|
| | | | | 1999-01 | 2000-01 |
| General Fund | | | | | |
| Direct State Services | \$342,910 | \$347,920 | \$350,396 | 2.2% | 0.7% |
| Grants-In-Aid | 111,177 | 138,986 | 187,247 | 68.4% | 34.7% |
| State Aid | 204,016 | 384,603 | 395,251 | 93.7% | 2.8% |
| Capital Construction | 10,319 | 15,396 | 11,015 | 6.7% | -28.5% |
| Debt Service | 390,915 | 403,071 | 424,093 | 8.5% | 5.2% |
| Sub-Total | \$1,059,337 | \$1,289,976 | \$1,368,002 | 29.1% | 6.0% |
| Property Tax Relief Fund | | | | | |
| Direct State Services | \$0 | \$0 | \$0 | 0.0% | 0.0% |
| Grants-In-Aid | 326,265 | 526,300 | 687,888 | 110.8% | 30.7% |
| State Aid | 34,465 | 34,015 | 49,498 | 43.6% | 45.5% |
| Sub-Total | \$360,730 | \$560,315 | \$737,386 | 104.4% | 31.6% |
| Casino Revenue Fund | \$17,180 | \$17,180 | \$17,180 | 0.0% | 0.0% |
| Casino Control Fund | \$22,739 | \$24,094 | \$24,120 | 6.1% | 0.1% |
| State Total | \$1,459,986 | \$1,891,565 | \$2,146,688 | 47.0% | 13.5% |
| Federal Funds | \$2,385 | \$3,776 | \$3,751 | 57.3% | -0.7% |
| Other Funds | \$977,294 | \$986,283 | \$999,939 | 2.3% | 1.4% |
| Grand Total | \$2,439,665 | \$2,881,624 | \$3,150,378 | 29.1% | 9.3% |

PERSONNEL SUMMARY - POSITIONS BY FUNDING SOURCE

| | Actual FY 1999 | Revised FY 2000 | Funded FY 2001 | Percent Change | |
|------------------------|-------------------|--------------------|-------------------|----------------|-------------|
| | | | | 1999-01 | 2000-01 |
| State | 4,361 | 4,366 | 4,719 | 8.2% | 8.1% |
| Federal | 17 | 15 | 21 | 23.5% | 40.0% |
| All Other | 1,749 | 1,753 | 1,880 | 7.5% | 7.2% |
| Total Positions | 6,127 | 6,134 | 6,620 | 8.0% | 7.9% |

FY 1999 (as of December) and revised FY 2000 (as of September) personnel data reflect actual payroll counts. FY 2001 data reflect the number of positions funded.

AFFIRMATIVE ACTION DATA

| | | | | | |
|--------------------------------|-------|-------|-------|------|------|
| Total Minority Percent | | | | | |
| NJ Commerce & Econ. Growth | 29.8% | 28.5% | 30.2% | ---- | ---- |
| Office of Administrative Law | 28.8% | 28.8% | 30.8% | ---- | ---- |
| Management & Administration | 20.4% | 21.9% | 22.1% | ---- | ---- |
| Protection of Citizens' Rights | 34.6% | 36.3% | 36.3% | ---- | ---- |

Significant Changes/New Programs (\$000)

| <u>Budget Item</u> | <u>Adj. Approp. FY 2000</u> | <u>Recomm. FY 2001</u> | <u>Dollar Change</u> | <u>Percent Change</u> | <u>Budget Page</u> |
|---|---------------------------------|----------------------------|--------------------------|---------------------------|------------------------|
| General Fund, DSS Utility Regulation | \$6,094 | \$6,357 | \$263 | 4.3% | D-423 |

The \$6.4 million for Utility Regulation includes funding for the Divisions of Gas, Electric, Water and Sewer, Telecommunications and Service Evaluation. The Governor's FY 2001 budget recommends continuation funding for each division with minor changes in all cases but one, the Division of Electric.

The budget recommends \$1.7 million for salaries in this division, an increase of \$298,000. Budget evaluation data indicate that the recommended appropriation for Utility Regulation would fund 104 positions.

| | | | | | |
|---|----------------|----------------|----------------|--------------|--------------|
| General Fund, DSS Economic Regulation: Administration and Support Services | \$6,298 | \$7,804 | \$1,506 | 23.9% | D-423 |
|---|----------------|----------------|----------------|--------------|--------------|

The increase recommended for Administration and Support Services is entirely for salaries. Included in the salary accounts is funding for the services provided by the Office of Administrative Law to the Board of Public Utilities (BPU); services provided by the Attorney General's Office; and funding for a third commissioner and his staff. The increase recommended is divided in approximately equal amount among these three needs.

| | | | | | |
|--|-----------------|-----------------|--------------|-------------|--------------|
| General Fund, DSS Office of Management and Budget (OMB) | \$18,984 | \$19,547 | \$563 | 3.0% | D-425 |
|--|-----------------|-----------------|--------------|-------------|--------------|

Funding for the Office of Management and Budget includes a net increase of \$563,000. Included in this is an increase of approximately \$800,000 for Services Other Than Personal appropriations related to OIT data processing initiatives, an amount which is partially offset by the elimination of the \$181,000 supplemental appropriation for the FY 2000 Single Audit.

| | | | | | |
|---|----------------|----------------|----------------|--------------|--------------|
| All Other Funds: Office of Management and Budget (OMB) | \$5,500 | \$6,598 | \$1,098 | 20.0% | D-426 |
|---|----------------|----------------|----------------|--------------|--------------|

The Office of Management and Budget is anticipating \$6.6 million in Indirect Cost Recovery Fund receipts. State departments and central support agencies such as OMB charge federally-funded programs and other programs funded from non-federal and non-State sources for their administrative services or indirect costs. These indirect costs are central support costs and are based upon indirect cost rates which are negotiated with the federal or non-State agency. Departments and OMB are reimbursed for a portion of their cost recoveries in order to support their central costs associated with administering these programs.

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

| <u>Budget Item</u> | <u>Adj. Approp. FY 2000</u> | <u>Recomm. FY 2001</u> | <u>Dollar Change</u> | <u>Percent Change</u> | <u>Budget Page</u> |
|--|---------------------------------|----------------------------|--------------------------|---------------------------|------------------------|
| General Fund, DSS Taxation Services and Administration (Division of Taxation) | \$83,417 | \$89,134 | \$5,717 | 6.9% | D-430 |

The Governor's budget recommends \$89.1 million in resources for the Division of Taxation, \$5.7 million, or 6.9 percent, more than the FY 2000 adjusted appropriation. The recommended amount includes a Special Purpose appropriation of \$8.5 million for the New Jersey Property Assessment Tax System and a new appropriation of \$610,000 for the administrative expenses associated with the Earned Income Tax Credit. It does not fund \$3.6 million in debt collection contracts which are funded as supplemental appropriations in the current year. The budget includes language which would permit the appropriation of funds for these expenses in FY 2001.

| | | | | | |
|---|---------|---------|---------|--------|-------|
| General Fund, DSS Special Purpose: New Jersey Property Assessment Tax System | \$1,000 | \$8,500 | \$7,500 | 750.0% | D-431 |
|---|---------|---------|---------|--------|-------|

The Division of Taxation's recommended budget includes a special purpose line item of \$8.5 million for the New Jersey Property Assessment Tax System. The department states that "an increase of \$7,500,000 is included in order to develop a property assessment tax system to create one system that ensures uniformity across the State."

| | | | | | |
|--|----------|----------|-----------|---------|-------|
| General Fund, DSS Administration of State Lottery (Division of the Lottery) | \$16,416 | \$12,865 | (\$3,551) | (21.6)% | D-430 |
|--|----------|----------|-----------|---------|-------|

Recommended funding for the Administration of the State Lottery is \$12.9 million, a \$3.6 million or 21.6 percent reduction. The budget eliminates approximately \$3.5 million in advertising costs but includes language which would permit the appropriation of funds for these expenses in FY 2001.

| | | | | | |
|---|----------|----------|-----------|---------|-------|
| General Fund, DSS Administration of State Revenues (Division of Revenue) | \$35,722 | \$26,748 | (\$8,974) | (25.1)% | D-430 |
|---|----------|----------|-----------|---------|-------|

A sum of \$26.7 million is recommended for the Administration of State Revenues (Division of Revenue), an \$8.9 million or 25.1 percent reduction from the FY 2000 adjusted appropriation. The principal reason for this reduction is that no specific funding is recommended for approximately \$8 million in collection activities that were funded pursuant to budget language in FY 2000. The budget includes language which would permit the appropriation of funds for these expenses in FY 2001.

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

| <u>Budget Item</u> | <u>Adj. Approp. FY 2000</u> | <u>Recomm. FY 2001</u> | <u>Dollar Change</u> | <u>Percent Change</u> | <u>Budget Page</u> |
|--|---------------------------------|----------------------------|--------------------------|---------------------------|------------------------|
| General Fund, DSS Management of State Investments (Division of Investments) | \$5,395 | \$5,583 | \$188 | 3.5% | D-430 |

The department has indicated that the majority of its \$188,000 increase will be used to expand services provided by Bloomberg Investments.

| | | | | | |
|--|---------|---------|-------|------|-------|
| All Other Funds: Taxation Services and Administration (Unclaimed Property/Escheats Program) | \$4,645 | \$4,977 | \$332 | 7.1% | D-431 |
|--|---------|---------|-------|------|-------|

The budget recommends approximately \$4.4 million in the All Other Funds category for the Unclaimed Property (Escheats) program in the Division of Taxation, a \$332,000 or 8.1 percent increase. The department has indicated that these funds will be used to enhance the Division's audits of safe deposit boxes belonging to deceased residents. The administration of this program is funded from the revenues derived from escheated property.

| | | | | | |
|---|-------|-------|-------|-------|-------|
| General Fund, DSS Garden State Preservation Trust | \$150 | \$250 | \$100 | 66.7% | D-435 |
|---|-------|-------|-------|-------|-------|

A \$250,000 General Fund appropriation is recommended for the first full year administrative costs of the Garden State Preservation Trust (GSPT). This appropriation would permit three positions to be funded in FY 2001. The \$150,000 appropriation for this program in FY 2000 was based on nine months of existence.

| | | | | | |
|---|----------|----------|---------|-------|-------|
| General Fund, DSS Purchasing and Inventory Management | \$11,670 | \$16,476 | \$4,806 | 41.2% | D-435 |
|---|----------|----------|---------|-------|-------|

The \$16.5 million recommended for Purchasing and Inventory Management includes the Special Purpose \$9.8 million appropriation for the Fleet Renewal Management Program which is discussed below. The amount recommended for Purchasing and Inventory Management would provide funding for 113 positions in FY 2001.

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

| <u>Budget Item</u> | <u>Adj. Approp. FY 2000</u> | <u>Recomm. FY 2001</u> | <u>Dollar Change</u> | <u>Percent Change</u> | <u>Budget Page</u> |
|--|---------------------------------|----------------------------|--------------------------|---------------------------|------------------------|
| General Fund, DSS Special Purpose: Fleet Renewal Management Program | \$5,111 | \$9,821 | \$4,710 | 92.2% | D-435 |

The Governor's budget recommends \$9.8 million for the Special Purpose Fleet Renewal Management Program in the Purchasing and Inventory Management Program, a \$4.7 million increase over the \$5.1 million appropriated for this program in FY 2000. According to the Budget in Brief, FY 2001 funding will be used to replace 949 of the oldest and highest mileage fleet passenger sedans and vans.

| | | | | | |
|---|---------|-----|-----------|----------|-------|
| Capital Construction: Property Management and Construction - Property Management Services: New Jersey Aquarium Capital Improvements | \$3,000 | \$0 | (\$3,000) | (100.0)% | D-436 |
|---|---------|-----|-----------|----------|-------|

In FY 2000, the Legislature included \$3 million in the FY 2000 budget for capital improvements at the New Jersey Aquarium. This is not recommended in FY 2001.

| | | | | | |
|--|----------|----------|-----------|---------|-------|
| Capital Construction: Office of Information Technology | \$12,396 | \$11,015 | (\$1,381) | (11.1)% | D-436 |
|--|----------|----------|-----------|---------|-------|

The Governor's budget recommends \$11.0 million in FY 2001 for Capital Construction purposes. These funds are available to the Office of Information Technology (OIT) for new and continuing projects.

The budget does not recommend continuation funding for three projects including, the Radio Communications Network Study (\$2 million), the Data Center Complex (\$1.9 million) and Direct Access Storage Devices (\$750,000). New projects include E-Government Infrastructure (\$2.5 million) and the Trenton Campus Fiber Optic Network (\$500,000). On going projects include Preservation Projects - Information Processing (\$1.8 million); Data Center Upgrades and Consolidation (\$4.9 million); Duplex Printing (\$1.2 million) and Construction of Loading Dock (\$115,000).

| | | | | | |
|---|-----------|-----------|---------|------|-------|
| Grants-in-Aid: Homestead Property Tax Rebates for Homeowners and Tenants (PTRF) | \$332,600 | \$340,600 | \$8,000 | 2.4% | D-442 |
|---|-----------|-----------|---------|------|-------|

The Governor's budget recommends \$340.6 million, an \$8 million increase over the FY 2000

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

| <u>Budget Item</u> | <u>Adj. Approp. FY 2000</u> | <u>Recomm. FY 2001</u> | <u>Dollar Change</u> | <u>Percent Change</u> | <u>Budget Page</u> |
|--------------------|---------------------------------|----------------------------|--------------------------|---------------------------|------------------------|
|--------------------|---------------------------------|----------------------------|--------------------------|---------------------------|------------------------|

adjusted appropriation, for distributions to certain homeowners and tenants under the Homestead Property Tax Rebate Program (P.L. 1990, c.61). Approximately \$6.5 million of this increase is attributable to the New Jersey SAVER and Homestead Rebate Act (P.L. 1999, c.63) which expanded the homestead property tax rebate to include certain tenants who had not previously been eligible for a rebate.

Grants-in-Aid:

**Senior and Disabled
Citizens Property Tax
Freeze - P.L. 1997,
c.348 (PTRF)**

| | | | | | |
|--|----------|----------|------------|---------|-------|
| | \$23,700 | \$10,599 | (\$13,101) | (55.3)% | D-442 |
|--|----------|----------|------------|---------|-------|

In FY 2001, an appropriation of \$10.6 million from the Property Tax Relief Fund is recommended for the new Senior and Disabled Citizens Property Tax Freeze pursuant to P.L. 1997, c. 348. Expenditure rates for this program are substantially less than those predicted in FY 2000. Of the \$23.7 million adjusted appropriation in FY 2000, only \$3.8 million has been spent. Approximately \$19 million is in a budget reserve account and is expected to lapse at the end of FY 2000.

Grants-in-Aid:

**New Jersey Earned
Income Tax Credit**

| | | | | | |
|--|-----|----------|----------|---|-------|
| | \$0 | \$49,000 | \$49,000 | — | D-442 |
|--|-----|----------|----------|---|-------|

A new \$49 million appropriation is recommended for the New Jersey Earned Income Tax Credit. This appropriation represents the first part of an initiative which would be phased in over four years. The program would provide a tax credit for low and moderate income working families based on the federal earned income tax credit program. The Governor's budget indicates that approximately 237,000 households would qualify for this program when it is fully implemented in FY 2004.

Administrative costs of \$750,000 are budgeted as part of the Direct State Services appropriations for the Division of Taxation (\$610,000) and Division of Revenue (\$140,000).

A portion of the projected cost to the State of providing refunds under an earned income tax credit could potentially be offset by utilizing federal funds from the Temporary Assistance to Needy Families (TANF) block grant or by counting a portion of the cost of the program towards the State's "maintenance of effort" requirement. Language in the Governor's FY 2001 budget permits unobligated balances from this appropriation to be transferred to the Department of Human Services to be spent on programs that allow the department to comply with the State's maintenance of effort requirement.

Grants-in-Aid:

**NJ SAVER Program
(PTRF)**

| | | | | | |
|--|-----------|-----------|-----------|-------|-------|
| | \$170,000 | \$336,689 | \$166,689 | 98.1% | D-442 |
|--|-----------|-----------|-----------|-------|-------|

The Governor's budget recommends \$336.7 million for the second year of the New Jersey School Assessment Valuation Exemption Relief (NJ SAVER) program, an increase of \$166.7 million. The program was enacted pursuant to P.L. 1999, c. 63 and will be phased in over five years. Almost \$19

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

| <u>Budget Item</u> | <u>Adj. Approp. FY 2000</u> | <u>Recomm. FY 2001</u> | <u>Dollar Change</u> | <u>Percent Change</u> | <u>Budget Page</u> |
|--------------------|---------------------------------|----------------------------|--------------------------|---------------------------|------------------------|
|--------------------|---------------------------------|----------------------------|--------------------------|---------------------------|------------------------|

million is expected to lapse from this program at the end of FY 2000.

| | | | | | |
|--|---------|---------|-----------|---------|-------|
| State Aid: | | | | | |
| South Jersey Port Corporation Debt Service Reserve Fund | | | | | |
| | \$5,200 | \$3,400 | (\$1,800) | (34.6)% | D-443 |
| South Jersey Port Corporation Property Tax Reserve Fund | | | | | |
| | \$0 | \$4,000 | \$4,000 | — | D-443 |
| Total State Aid: South Jersey Port Corporation | | | | | |
| | \$5,200 | \$7,400 | \$2,200 | 42.3% | |

The South Jersey Port Corporation is recommended to receive a total of \$7.4 million in FY 2001 for a Debt Service Reserve Fund (\$3.4 million) and a new appropriation for a Property Tax Reserve Fund (\$4.0 million).

The amount recommended for South Jersey Port Corporation Debt Service is based on the certification sent to the Office of Management and Budget. In FY 2001 the South Jersey Port Corporation estimates that it will need \$3.4 million from the State to cover the cost of debt service it can not make up on its own. In FY 2000, an estimated \$1.8 million will lapse from that account.

| | | | | | |
|--|-----------|-----------|----------|-------|-------|
| State Aid: | | | | | |
| School Construction and Renovation Fund | | | | | |
| | \$112,000 | \$128,400 | \$16,400 | 14.6% | D-443 |

A total of \$128.4 million is recommended for the School Construction and Renovation Fund, an increase of \$16.4 million over the FY 2000 adjusted appropriation. According to the Budget in Brief, this \$128.4 million includes \$11.9 million from the tobacco settlement, \$50 million from dedicated cigarette tax revenues, \$62 million from State lottery proceeds and \$4.5 million from the fund for free public schools. An additional \$89 million will be available from balances in the prior year. These funds are expected to provide debt service for up to \$785 million in State bond funds and overall program funding of \$1.17 billion in FY 2001 including bonds issued by local districts. The use of these funds may be modified upon the enactment of the "Educational Facilities Construction and Financing Act."

| | | | | | |
|--|-------|-----|---------|----------|-------|
| State Aid: | | | | | |
| Pinelands Area Municipality Aid | | | | | |
| | \$776 | \$0 | (\$776) | (100.0)% | D-443 |

The Governor's budget recommends the elimination of the \$776,000 Pinelands Area Municipality Aid. This was a legislative initiative in the FY 2000 Appropriations Act.

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

| <u>Budget Item</u> | <u>Adj. Approp. FY 2000</u> | <u>Recomm. FY 2001</u> | <u>Dollar Change</u> | <u>Percent Change</u> | <u>Budget Page</u> |
|---|---------------------------------|----------------------------|--------------------------|---------------------------|------------------------|
| State Aid: Business Personal Property Tax Depreciation Adjustment | \$0 | \$33,800 | \$33,800 | — | D-443 |

The Business Personal Property Tax Depreciation Adjustment is a new State aid program in FY 2001. The Governor's budget recommends \$33.8 million for this program. These funds will be distributed to municipalities to replace property tax revenues lost due to a change in the way Bell Atlantic calculates its property values. As proposed by the Governor, this recommendation is for a one-time appropriation.

| | | | | | |
|---|----------|----------|------------|---------|-------|
| State Aid: Solid Waste Management - County Environmental Investment Debt Service Aid | \$33,000 | \$20,000 | (\$13,000) | (39.4)% | D-443 |
|---|----------|----------|------------|---------|-------|

The Governor's budget recommends \$20 million for Solid Waste Management - County Environmental Investment Debt Service Aid. Between FY 1998 and FY 2000, the Legislature has authorized up to \$20 million annually to assist counties in meeting debt service requirements for solid waste investments (primarily stranded costs of incinerator construction) for a total of \$60 million. Budget language details the conditions under which funds are disbursed and recommends that unexpended funds be reappropriated.

| | | | | | |
|---|----------|----------|-----------|---------|-------|
| Property Tax Relief Fund-State Aid: Reimbursement to Municipalities - Senior and Disabled Citizens' Tax Exemptions | \$16,476 | \$14,459 | (\$2,017) | (12.2)% | D-443 |
|---|----------|----------|-----------|---------|-------|

| | | | | | |
|---|----------|----------|-----|------|-------|
| Casino Revenue Fund- State Aid: Reimbursement to Municipalities - Senior and Disabled Citizens' Tax Exemptions | \$17,180 | \$17,180 | \$0 | 0.0% | D-443 |
|---|----------|----------|-----|------|-------|

| | | | | | |
|---|----------|----------|-----------|--------|--|
| Total, Reimbursement to Municipalities - Senior and Disabled Citizens' Tax Exemptions | \$33,656 | \$31,639 | (\$2,017) | (6.0)% | |
|---|----------|----------|-----------|--------|--|

The Governor's budget recommends a total of \$31.6 million in State aid payments from the Property

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

| <u>Budget Item</u> | <u>Adj. Approp.</u> <u>FY 2000</u> | <u>Recomm.</u> <u>FY 2001</u> | <u>Dollar</u> <u>Change</u> | <u>Percent</u> <u>Change</u> | <u>Budget</u> <u>Page</u> |
|--------------------|---------------------------------------|----------------------------------|--------------------------------|---------------------------------|------------------------------|
|--------------------|---------------------------------------|----------------------------------|--------------------------------|---------------------------------|------------------------------|

Tax Relief Fund (\$14.5 million) and the Casino Revenue Fund (\$17.2 million) to reimburse municipalities for senior and disabled citizens' property tax exemptions. This represents a \$2.0 million or 6.0 percent decrease from the FY 2000 adjusted appropriation. Eligibility criteria and exemption amounts will remain the same as in FY 2000.

| | | | | | |
|--|-----------------|-----------------|-----------------|--------------|--------------|
| Property Tax Relief Fund - State Aid: State Reimbursement for Veterans' Property Tax Exemptions | \$17,539 | \$35,039 | \$17,500 | 99.8% | D-443 |
|--|-----------------|-----------------|-----------------|--------------|--------------|

The Governor's budget recommends \$35.0 million in State aid payments from the Property Tax Relief Fund to reimburse municipalities for veteran's property tax exemptions. The recommended appropriation doubles the amount available for this program and reflects the first portion of an increase in the veterans' deduction approved by voters in November 1999.

| | | | | | |
|---|----------------|----------------|------------------|----------------|--------------|
| General Fund-State Aid: Debt Service on Pension Obligation Bonds | \$8,708 | \$6,539 | (\$2,169) | (24.9)% | D-443 |
|---|----------------|----------------|------------------|----------------|--------------|

The Governor's budget recommends \$6.5 million for Debt Service on Pension Obligation Bonds attributable to the Consolidated Police and Firemen's Retirement program. This represents a \$2.2 million, or 24.9 percent decrease from the FY 2000 adjusted appropriation. In FY 1999, \$3.1 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 | \$2,635 | \$5,729 | \$3,094 | 117.4% | D-443 |
|--|----------------|----------------|----------------|---------------|--------------|

The Governor's budget recommends \$5.7 million for Police and Firemen's Retirement System (PFRS), Health Benefits, a \$3.1 million increase over the FY 2000 adjusted appropriation. 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 recommends that any funds not spent in FY 2000 be appropriated.

| | | | | | |
|---|-----------------|--------------|-------------------|----------------|--------------|
| General Fund-State Aid: Police and Firemen's Retirement System | \$23,775 | \$626 | (\$23,149) | (97.4)% | D-443 |
|---|-----------------|--------------|-------------------|----------------|--------------|

The Governor's budget recommends \$626,000 for the Police and Firemen's Retirement System (N.J.S.A. 43:16A) to pay the local cost of benefits provided to State and local plan members under

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

| <u>Budget Item</u> | <u>Adj. Approp. FY 2000</u> | <u>Recomm. FY 2001</u> | <u>Dollar Change</u> | <u>Percent Change</u> | <u>Budget Page</u> |
|--------------------|---------------------------------|----------------------------|--------------------------|---------------------------|------------------------|
|--------------------|---------------------------------|----------------------------|--------------------------|---------------------------|------------------------|

Chapters 247 and 511. The amount recommended is the Chapter 247 accrued liability contribution and is certified based on the June 30, 1998 Actuarial Valuation. The normal contribution of \$64.6 million is to be funded from excess valuation assets.

**General Fund-State Aid
Police and Firemen's
Retirement System (P.L.
1979, c.109)**

| | | | | | |
|--|----------|-----|------------|----------|-------|
| | \$23,010 | \$0 | (\$23,010) | (100.0)% | D-443 |
|--|----------|-----|------------|----------|-------|

No funding is recommended in FY 2001 for Police and Firemen's Retirement System (P.L. 1979, c. 109) to fund Chapter 109 benefits. The State is required on behalf of local participants to make an annual contribution of 1.1 percent of covered wages for this purpose. The Chapter 109 contribution of \$29.4 million will be funded from excess valuation assets.

**General Fund-DSS
Special Purpose: First
Night New Jersey
Coalition**

| | | | | | |
|--|-------|-----|---------|----------|-------|
| | \$250 | \$0 | (\$250) | (100.0)% | D-446 |
|--|-------|-----|---------|----------|-------|

The Governor's budget does not recommend funding in FY 2001 for the First Night New Jersey Coalition which received a supplemental appropriation of \$250,000 in FY 2000.

**General Fund-DSS
Contract Compliance
and Equal
Employment
Opportunity in Public
Contracts**

| | | | | | |
|--|---------|---------|-------|-------|-------|
| | \$1,056 | \$1,431 | \$375 | 35.5% | D-446 |
|--|---------|---------|-------|-------|-------|

The Governor's FY 2001 budget recommends upgrading the Public Contracts Affirmative Action Office to the Division of Contract Compliance and Equal Employment Opportunity in Public Contracts. This agency is expected to expand its staff to allow for greater concentration on public agency review and contracts.

**General Fund-DSS
Administration and
Support Services**

| | | | | | |
|--|----------|---------|-----------|---------|-------|
| | \$11,846 | \$7,815 | (\$4,031) | (34.0)% | D-446 |
|--|----------|---------|-----------|---------|-------|

The \$7.8 million recommended for Management and Administrative Services (Treasurer's Office) reflects a net reduction of \$4 million. Included in this net amount are increases of \$210,000 in the salary account for the office and an increase of \$750,000 for Services Other Than Personal. These increases are offset by the elimination of the \$5 million supplemental appropriation for the Reimbursement to State Agencies - Disaster Relief (see below).

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

| <u>Budget Item</u> | <u>Adj. Approp.</u> <u>FY 2000</u> | <u>Recomm.</u> <u>FY 2001</u> | <u>Dollar</u> <u>Change</u> | <u>Percent</u> <u>Change</u> | <u>Budget</u> <u>Page</u> |
|--|---------------------------------------|----------------------------------|--------------------------------|---------------------------------|------------------------------|
| General Fund-DSS Special Purpose: Reimbursement to State Agencies - Disaster Relief | \$5,000 | \$0 | (\$5,000) | (100.0)% | D-447 |

The Governor's FY 2001 eliminates funding for a \$5 million supplemental appropriation budgeted in the Treasurer's Office in FY 2000 for the Reimbursement to State Agencies - Disaster Relief. Legislation provided \$80 million in flood and drought relief in calendar year 1999. Of that amount, the \$5 million appropriated in the Treasurer's Office was to reimburse State agencies for costs incurred in providing disaster assistance.

| | | | | | |
|---------------------|-----------|-----------|----------|------|-------|
| Debt Service | \$403,071 | \$424,093 | \$21,022 | 5.2% | D-447 |
|---------------------|-----------|-----------|----------|------|-------|

The Governor's budget for the department includes \$424.1 million for Debt Service on general obligation bonds. This represents a \$21 million, or 5 percent, increase over the FY 2000 adjusted appropriation.

| | | | | | |
|---|----------|----------|-----------|--------|-------|
| All Other Funds: Administration and Support Services | \$26,472 | \$24,572 | (\$1,900) | (7.2)% | D-447 |
|---|----------|----------|-----------|--------|-------|

An appropriation of \$24.6 million from Other Funds is recommended for Administrative and Support Services, including \$14.0 million from the Economic Recovery Fund, \$640,000 for public finance activities and \$9.9 million in anticipated revenue from the Drug Enforcement and Demand Reduction Fund (DEDR). The \$1.9 million decrease is in DEDR Funds.

Anticipated revenue from the 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 Departments of Health and Corrections.

| | | | | | |
|--|-----|-------|-------|---|-------|
| General Fund -DSS Protection of Citizens' Rights (Office of the Public Defender) Special Purpose: Representation of Civily Committed Sexual Offenders | \$0 | \$602 | \$602 | — | D-450 |
|--|-----|-------|-------|---|-------|

The New Jersey Sexually Violent Predator Act (P.L. 1998, C. 71) established a new procedure for the involuntary commitment of sexually violent predators. As of August 12, 1999, the Division of Mental Health Screening Services must provide representation to all indigent individuals who meet the definition of a sexual violent predator. The budget request of \$602,000 provides funding to support 4 attorneys, 4 investigators and 2 secretaries.

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

| <u>Budget Item</u> | <u>Adj. Approp. FY 2000</u> | <u>Recomm. FY 2001</u> | <u>Dollar Change</u> | <u>Percent Change</u> | <u>Budget Page</u> |
|--|---------------------------------|----------------------------|--------------------------|---------------------------|------------------------|
| Grants-In-Aid Trial Services to Indigents and Special Programs - State Legal Services Office | \$2,500 | \$3,500 | \$1,000 | 40.0% | D-450 |

The State Legal Services Office and its affiliated regional offices receive their funding from three sources: the State of New Jersey, Interest on Lawyers' Trust Accounts (IOLTA), and the federal government. In FY 2001 IOLTA funding is expected to be approximately \$1 million less than in FY 2000. In order to maintain the same level of service, an additional \$1 million is recommended from State General Fund resources.

| | | | | | |
|---|----------|-----------|----------|-------|----------------|
| Revolving Funds: Office of Information Technology (OIT) | \$87,665 | \$101,713 | \$14,048 | 16.0% | G-6 and G-7 |
|---|----------|-----------|----------|-------|----------------|

The Governor's budget recommends \$101.7 million for the Office of Information Technology (OIT). According to the Budget in Brief, the \$14 million increase includes "\$6.4 million for higher maintenance charges associated with previous upgrades to the State's mainframe computers; \$3.2 million for rising telecommunications charges; and \$4.4 million to address contractual salary increases and to hire 10 new staff in connection with GovConnect and Enhanced 911 services."

Language Provisions

2000 Appropriations Handbook

2001 Budget Recommendations

p. B-134

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.

No comparable language.

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.

In FY 2000, language appropriated \$4.8 million in PORF funds for the purposes stated above. Funding for the projects from the PORF was an opportunity to use balances in the fund. Continued use of the fund for the above purposes is not recommended.



Language Provisions (Cont'd)

2000 Appropriations Handbook

2001 Budget Recommendations

p. D-432

No comparable language.

In addition to the amounts hereinabove, such sums as may be necessary for the administration of the State Earned Income Tax Credit program are appropriated, subject to the approval of the Director of the Division of budget and Accounting.

Explanation

This language is recommended to provide additional funding, if necessary, for the administrative expenses of the Earned Income Tax Credit program.



2000 Appropriations Handbook

2001 Budget Recommendations

p. D-443

No comparable language.

Any unobligated balances remaining from the funds in the New Jersey Earned Income Tax Credit account in fiscal 2001 and thereafter shall be transferred to the Department of Human Services to be spent on programs that allow the Department to comply with the State Maintenance Effort requirements as specified in the federal "Personal Responsibility and Work Opportunity Reconciliation Act of 1996," P.L. 104-193, and as legislatively required by the Work First New Jersey program, section 4 of P.L. 1997, c.38 (C.44:10-58), subject to the approval of the Director of the Division of Budget and Accounting.

Explanation

A portion of the projected cost to the State of providing refunds under an earned income tax credit could potentially be offset by utilizing federal funds from the Temporary Assistance to Needy Families (TANF) block grant or by counting a portion of the cost of the program towards the State's maintenance of effort requirement. The language permits unobligated balances from the \$49 million Earned Income Tax Credit appropriation in the Department of the Treasury to be transferred to the Department of Human Services to be spent on programs that allow the department to comply with the State's maintenance of effort requirement.



Language Provisions (Cont'd)

2000 Appropriations Handbook2001 Budget Recommendations

p. B-136

In addition to the amounts appropriated hereinabove, there is appropriated an amount not to exceed \$772,000 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.

No comparable language.

Explanation

This language was recommended for costs associated with the development of the property tax assessment system, otherwise known as Mod IV. There is no need to continue this language because the budget has recommended \$8.5 million in FY 2001 for this program.

2000 Appropriations Handbook2001 Budget Recommendations

p. B-136

Notwithstanding any other law to the contrary, there are appropriated out of the receipts in the Solid Waste Services Tax Fund and the Resource Recovery Investment Tax Fund such sums as may be necessary for the cost of administration and collection of taxes pursuant to P.L. 1985, c.38 (C.13:1E-136 et seq.), subject to the approval of the Director of the Division of Budget and Accounting.

p. D-431

Same language, except the reference to the Resource Recovery Investment Tax Fund is deleted.

Explanation

The Resource Recovery Investment Tax Fund no longer exists. That language is therefore unnecessary.

Language Provisions (Cont'd)

2000 Appropriations Handbook

2001 Budget Recommendations

p. B-137

p. D-432

The amounts hereinabove for the Wage Reporting/Temporary 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.

The amounts hereinabove for the Wage Reporting/Temporary 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] revenue collection associated with Temporary Disability Insurance program, subject to the approval of the Director of the Division of Budget and Accounting.

Explanation

The language was revised to clarify that the Division of Revenue collects the revenue for this program but does not actually administer the program.



2000 Appropriations Handbook

2001 Budget Recommendations

p. B-141

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

No comparable language.

Explanation

This language has been deleted because the State Capitol Joint Management Commission will receive a direct appropriation in FY 2001.



Language Provisions (Cont'd)

2000 Appropriations Handbook2001 Budget Recommendations

p. D-438

No comparable language.

Notwithstanding the provisions of any law to the contrary, there are appropriated such sums as may be required to provide education, outreach, and associated costs in order for the Garden State Preservation Trust to fulfill its statutory responsibility and achieve land preservation goals.

Explanation

This language was recommended to provide additional funding for a promotional campaign to help the Garden State Preservation Trust fulfill its statutory responsibility. A \$250,000 line item appropriation is also recommended for the Trust for FY 2001, a \$100,000 increase over the FY 2000 adjusted appropriation.

2000 Appropriations Handbook2001 Budget Recommendations

p. B-143

p. D-447

Fees collected on behalf of the Public Contracts Affirmative Action program and the unexpended balance as of June 30, 1999 of such fees are appropriated for program costs, subject to the approval of the Director of the Division of Budget and Accounting.

Same language, except the name of the program has been changed to the Contract Compliance and Equal Employment Opportunity in Public Contracts program.

Explanation

The language reflects the new name of the Division.

Language Provisions (Cont'd)

2000 Appropriations Handbook2001 Budget Recommendations

p. B-143

The unexpended balance in the Local Government Budget review account as of June 30, 1999 is appropriated. No comparable language.

Explanation

The elimination of this carry forward language is recommended to preclude this program from building up an unintended surplus. This program carried forward approximately \$235,000 into FY 2000 and \$200,000 is in a budget reserve account and may lapse at the end of FY 2000.



Language Provisions (Cont'd)

2000 Appropriations Handbook

p. D-14

Notwithstanding the provisions of any other law to the contrary, the amount hereinabove for Solid Waste Management - County Environmental Investment Debt Service Aid, in addition to an amount not to exceed \$13,000,000 and the unexpended balance as of June 30, 1999 in this account, 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.) and to subsidize county due obligations financed through county taxes pursuant to a settlement agreement approved by the Department of Environmental Protection prior to December 1, 1997 that financed solid waste facilities that were part of a solid waste plan approved by the Department of Environmental Protection and which were the subject of an interdistrict agreement, 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, and 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 a county authority, the State Treasurer shall notify the Joint Budget Oversight Committee of the amount and the recipient of each distribution and shall notify the committee of the progress of each county and county authority in implementing the audit recommendations.

2001 Budget Recommendations

p. D-444

Same language, except the reference to an additional \$13,000,000 appropriation is eliminated.

Language Provisions (Cont'd)

Explanation

In addition to a \$20 million line item, language in the FY 2000 budget provided an additional appropriation of \$13 million for Solid Waste Management - County Environmental Investment Debt Service Aid. In FY 1999, budget language authorized a \$20 million appropriation but only \$7 million was actually appropriated. The \$13 million in the FY 2000 language represents the balance of the FY 1999 authorization that was not actually appropriated. From FY 1998 through FY 2000, a total of \$60 million was appropriated for Solid Waste Management - County Environmental Investment Debt Service Aid. The Governor's FY 2001 budget recommends an appropriation of \$20 million for this purpose.



2000 Appropriations Handbook

2001 Budget Recommendations

p. B-143

There is appropriated \$250,000 to the First Night New Jersey Coalition. No comparable language.

Explanation

This language was added by the Legislature to provide an appropriation to the Coalition.



Language Provisions (Cont'd)

2000 Appropriations Handbook

p. D-14

Of the amount hereinabove appropriated for the School Construction and Renovation Fund, there is available to the State Treasurer such amounts as may be required to pay for the costs of professional services as deemed necessary to carry out the requirements as set forth in the decision in Abbott v. Burke, 153 N.J. 480 (1998) (Abbott V) for undertaking the design of school facilities in the "Abbott districts," as defined in section 3 of P.L. 1996, c.138 (C.18A:7F-3), subject to the approval of the Director of the Division of Budget and Accounting. The State Treasurer is authorized to utilize any State instrumentality with experience in the construction of public facilities for the purposes of undertaking the above-mentioned activities. The State Treasurer shall report monthly to the Joint budget Oversight Committee and the President of the Senate and the Speaker of the General Assembly on expenditures made pursuant to this provision, including the districts for which the expenditures are made and the providers of the professional services.

2001 Budget Recommendations

p. D-444

Of the amount hereinabove for School Construction and Renovation, \$4,500,000 of the total earnings of investments of the School Fund shall first be charged to such fund.

In addition to the amount hereinabove for the School Construction and Renovation Fund, pursuant to P.L. __ c.__(C.____) now pending before the Legislature, an additional amount not to exceed \$10 million is appropriated for administrative costs, as determined by the Director of the Division of Budget and Accounting.

The unexpended balance as of June 30, 2000 in the School Construction and Renovation fund is appropriated for the same purpose.

Explanation

Language in the FY 2000 budget was intended to permit the use of this money for certain design costs associated with the construction of school facilities in Abbott districts in anticipation of enactment of new school facilities legislation. In FY 2001, \$128.4 million is recommended. According to the Budget in Brief, that amount will be supplemented by \$89.4 million in reappropriated funds. Further, the recommended language would authorize up to an additional \$10 million for administration.

The proposed FY 2001 language anticipates the enactment of such legislation prior to the beginning of the fiscal year. Depending on the provisions of such enactment, the proposed language may be modified.

Language Provisions (Cont'd)2000 Appropriations Handbook2001 Budget Recommendations

p. D-14

From the amount appropriated hereinabove for Pinelands Area Municipality Aid the following municipalities with at least 50% of their land areas in one or more land conservation designations shall receive an amount equal to 115% of the amount allocated to them in fiscal year 1999 for this purpose: Estelle Manor City, Mullica Township, Weymouth Township, Bass River Township, Washington Township, Woodland Township, and Maurice River Township.

No comparable language.

Explanation

The Governor's budget recommends the elimination of the \$776,000 Pinelands Area Municipality Aid. This was a Legislative initiative in the FY 2000 Appropriations Act.



Discussion Points

1. The Board of Public Utilities (BPU) and the Division of Ratepayer Advocate are entirely supported by assessments on the public utility and cable television industries. In FY 2001, \$31.5 million in assessment revenues including Ratepayer Advocate fees are anticipated. This represents an increase of \$2.6 million over the \$28.9 million estimated for FY 2000.

The Board of Public Utilities budget submission indicated that in past years, it has been under funded but has been able to use carry forward funds to maintain a zero budget growth strategy. The budget submission states, "We will operate with no change to our existing authorized FTE level and will seek a replacement of exhausted carry forward funds."

! **Question:** Please discuss the assessment structure supported by public utility and cable television companies which is used to support the BPU and the Ratepayer Advocate. Please provide a list of the amounts each public utility and each cable television company pays in assessments to the State. With the advent of deregulation, are deregulated companies paying a larger share of the regulators' operating expenses? Does the BPU expect in the future to ask for an increase in the amounts charged to the utilities and cable television companies for its services because of increased work loads as a result of deregulation?

2. A year ago the Division of Property Management and Construction advertised 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. On this land, the State is planning to build a \$55 million facility to house the Division of Revenue and the Division of State Police. The New Jersey Building Authority sold bonds for this project in October 1999. The original completion target was October 2000.

! **Question:** What is the current status of this building project?

3. Last year New Jersey joined Massachusetts, Michigan, Virginia, Georgia, Illinois and Maryland in the multi state Big Game Lottery. In the news release issued last year, the Governor stated that ".....during its first year, the new game will earn \$155 million dollars, which means up to \$62 million for school construction projects."

According to the March, 2000 OLS Revenue Snapshot, "...the State's most significant source of revenue from games of chance, the New Jersey Lottery, is under-performing expectations... Due to a lack of large rollovers in the Big Game and lackluster performance of other lotto-style games, State revenues from the Lottery are only \$14 million (3.0%) higher than last year after nine months, notwithstanding the addition of the Big Game."

! **Question:** Please explain what the State's experience has been with the Big Game. What has happened to sales of other games? When the State decided to join the multi-state Big Game compact, did it have a sense of who would be the typical players of the Big Game in NJ? Does the profile of the typical lottery player change depending on the game played? What difficulties has the Lottery had in promoting the Big Game?

4. In early April, 2000, the Home News Tribune did a series on online gambling. In the article it was estimated that in 1997 there were 40 Internet gambling sites; today it is estimated that there are more than 650. Internet gambling is expected to generate up to \$2 billion. A gambler can log onto the Internet, visit a Web site located in Antigua where cybergambling is legal, type in a credit card number and bet on an number of sports games, card games or spin a virtual roulette wheel.

! **Question:** Has the availability of online gambling had an impact on either Lottery sales or Atlantic City revenues? If so, what action does the State plan to counteract these potential revenue losses?

5. The Local Government Budget Review unit was created to help local governments and

Discussion Points (Cont'd)

school boards find ways of minimizing their operating costs. Evaluation data on the State web site indicates that this unit has completed audits of 30 municipalities, 29 school districts and eight municipal utility authorities. The amount recommended for this unit in FY 2001 is \$3.7 million, an increase of \$124,000 over the FY 2000 adjusted appropriation. The amount recommended includes funding for 12 new positions.

! *Question:* How does the Local Government Budget Review unit prioritize the requests for audits that it receives from local governments and school boards? Please provide examples of audit recommendations made by the unit and implemented by local governments and school boards which resulted in significant savings.

6. The Governor's FY 2001 budget recommends upgrading the Public Contracts Affirmative Action Office to the Division of Contract Compliance and Equal Employment Opportunity in Public Contracts. This agency is expected to expand its staff and allow greater concentration on public agency review and contracts. The role of the agency is to ensure that every contractor or vendor that is awarded a public contract takes action to assure that equal employment opportunities exist. According to budget request documents, "additional staff and a funding increase of \$375,000 will permit the office to more effectively perform statutory requirements."

! *Question:* What difficulties has this office had in attempting to fulfill its mission in the past? What impact is this additional staff and increased funding expected to have?

7. Forty one States, including New Jersey, permit taxpayers to file their income tax returns either by telephone or electronically. According to the Federation of Tax Administrators, electronic filing of State tax returns accounted for 17 percent of total returns filed in 1999. These returns can be filed electronically by using a tax professional service, a personal computer with Internet access or by simply using a telephone.

! *Question:* What has the State's experience been with telefiling and e-filing?

8. In preparation for energy restructuring, the Board of Public Utilities (BPU) created the Energy Education Council (EEC) to represent the interests of consumers. The Council is comprised of representatives from State agencies, including the Ratepayer Advocate, as well as marketers and utilities. The council was responsible for making final recommendations to the BPU regarding the content of consumer education materials.

In FY 2000, \$1 million was appropriated from the Petroleum Overcharge Reimbursement Fund (PORF) to hire a consultant which, in consultation with the EEC, would advise the BPU and monitor the success of the overall progress and efficiency of the Statewide consumer education program run by the investor-owned utilities.

! *Question:* Who was the consultant hired to advise the BPU and monitor the overall success of the consumer education program? To date, what has been the cost of these services? What criteria have been established to determine whether the education program is a success? Who are the members of the Energy Education Council? Is this Council expected to continue for the foreseeable future?

9. In FY 2000, \$3.8 million in Petroleum Overcharge Reimbursement Fund (PORF) funds were appropriated for alternative fuel initiatives. Language in the Appropriations Act directed that \$2.7 million be used to convert State and local government vehicles to alternative fuel vehicles and \$1.1 million be used for the cost of infrastructure to service alternative fuel vehicles. It was estimated during budget proceedings last fiscal year, that the incremental cost of these vehicles was \$5,000 per vehicle; that in excess of 335 light-duty vehicles would be purchased for the State fleet; and that approximately 200 vehicles would be made available to local government agencies. In addition, the State would be encouraged to "enter into agreements with other public governments to maximize the utilization of any planned refueling/recharging infrastructure."

Discussion Points (Cont'd)

! *Question:* How many alternative fuel vehicles does the State currently own? How many vehicles were converted or purchased during FY 2000? What departments are the primary users of these vehicles? What local government agencies now own alternative fuel vehicles as a result of this program? How many of these vehicles does each agency own? With reference to the \$1.1 million for infrastructure costs, how were these funds spent? What agreements did the State enter into with other public governments? Where are refueling/recharging stations located?

10. The Division of Revenue was created in 1997 to provide one central location for revenue management and collection. During budget proceedings in FY 2000, the Department of the Treasury indicated that certain additional revenue processing functions would be transferred to the Division of Revenue. Included in these processing functions were the processing of all license application renewals and checks from the Division of Consumer Affairs in the Department of Law and Public Safety; the processing of all initial bills and checks for the Unsatisfied Claim and Judgment Program for the Department of Banking and Insurance; and the processing of all initial bills and checks for the indigent offender program for the Office of Public Defender. It was indicated that a contract vendor would perform these functions for the two latter programs.

! *Question:* Have revenue processing functions been transferred from the above programs to the Division of Revenue in FY 2000? If this transfer has taken place, what has the Division of Revenue's experience been with these functions? With respect to the collection of bad debt by the Division of Revenue, for which programs are contract vendors used to collect this debt? Which vendors are used and what is the total cost to the State for this service for all programs combined?

11. The Senior and Disabled Property Tax Reimbursement program (P.L. 1997, c. 348) freezes property taxes for low-income senior and disabled citizens. In FY 2000, the first year of this program, \$23.7 million was budgeted to reimburse eligible individuals. To date, only \$4 million has been spent and, based on this experience, the Governor's budget recommends only \$10.6 million in FY 2001.

! *Question:* Please explain why the senior and disabled tax freeze program has paid out so little compared to what was estimated when the law was passed. What was the average payment in the first year of the program? How many people participated and how does this compare to estimates of the eligible population? Please provide an estimate of the potential cost of this program over the next 6 years.

12. Traffic congestion and air pollution are major problems in New Jersey. Information provided during last year's budget review process indicated that there are 18,464 Capitol complex employees in Trenton, the majority of which are provided free parking. The average annual cost of a rented or leased parking space within the Capitol Complex is approximately \$900 annually.

! *Question:* As an employer, what measures does the State of New Jersey take to encourage ride sharing, the use of mass transit, joining commuter van pools and other such methods that would reduce the number of vehicles coming into downtown Trenton?

13. The New Jersey Property Assessment Tax System (MOD IV) is a local property assessment information repository that captures some basic information about real property in the State. It generates a local tax list and provides tax duplicates for property tax billing purposes. Since FY 1999, the State has appropriated approximately \$1.4 million to enhance this system; in FY 2001, the Governor's budget recommends \$8.5 million for this purpose.

Information provided during budget proceedings in FY 2000 indicated that the Office of Information Technology (OIT) provided a project proposal to rewrite MOD IV that included basic

Discussion Points (Cont'd)

costs for the program to be administered at the State level. The basic costs were estimated at "\$1.5 million the first year and \$.5 million for each year thereafter." The proposal did not include equipment costs at the local level or components for a full service system.

! *Question:* Please explain in detail why the budget recommends \$8.5 million for this purpose when information provided last year seems to indicate that the system would be considerably less expensive. What might the equipment cost be at the local level when this system is updated? Please describe what would be included in a "full service, centrally administered system".

14. The Office of the Public Defender provides legal representation to indigents in criminal matters as well as representation for individuals involuntarily committed to mental hospitals. N.J.S.A. 2A:158A-19 requires the Public Defender to do all things necessary and proper to collect all moneys due to the State by way of reimbursement for services pursuant to this act. This includes placing a lien on any and all property to which the dependant shall have or acquire.

According to the Office of the Public Defender, it bills its clients between \$14 million and \$16 million on an annual basis. In FY 1999 the total amount of outstanding receivables (some of which go back to 1980) due the OPD was approximately \$56 million. The budget request for the OPD indicates that in FY 1999, \$2,191,973 in revenue was collected. This includes \$912,594 in Billings and Satisfaction of Liens, \$239,153 in fees from the Administrative Prepayment Program, and \$1,040,226 from the Set-off of Individual Liability (SOIL) program. In FY 2000, the OPD estimates that it will collect \$2,092,000, approximately \$100 less than the amount it collected from clients in FY 2000.

In FY 2001 the responsibility for certain collection activities will be transferred to the Division of Revenue. The budget estimates that approximately \$145,000 is being reallocated to fund four positions which are being transferred from the OPD to the Division of Revenue.

! *Question:* What is the process and what are the criteria used to determine whether a defendant is indigent?

What is the basis used to charge defendants the Administrative Prepayment Program fee? Is this the only fee charged to defendants? Have some regional offices been more successful at collecting these fees than others? If so, please identify these regional offices and indicate possible reasons for these successes.

What is the average cost per case of cases tried by the Public Defender in comparison to those tried by pool attorneys?

Please discuss problems that the Public Defender has had in collecting fees for its services. How will the transfer of four individuals from the OPD to the Division of Revenue affect the collection of outstanding receivables?

15. The Governor's budget recommends \$101.7 million for the Office of Information Technology (OIT). This represents a \$14 million, or 16 percent, increase over the FY 2000 adjusted appropriation. Included in OIT's budget is \$67.2 million for salaries, an increase of \$4.4 million which is expected to fund 1,077 positions. Also included is \$30.1 million for Services Other Than Personal, which based on past history, is largely used for consulting services. The \$30.1 million recommended represents a \$9.4 million increase.

Evaluation data in the Governor's budget indicate that OIT is expected to support 405 client applications in FY 2001, approximately 89 fewer applications than it did in FY 2000.

! *Question:* Please explain the increases in OIT's budget with particular reference to

Discussion Points (Cont'd)

client applications supported by OIT and those supported by consultants. Please provide a comparison of the allocation of OIT's budget by department in FY 2001 with the FY 2000 adjusted appropriation.

16. FY 2000 was the first year for the payment of property tax rebates under the NJ SAVER program (P.L.1999, c.63). This program provides homeowners with property tax relief based on the effective 1997 school tax rate in the homeowner's municipality, applied against the first \$45,000 of equalized value of a taxpayer's primary residence. The program is being phased in over five years; first year rebates averaging \$120 are expected to rise to \$600 by FY 2004. The NJ SAVER rebate interacts with the existing Homestead Rebate program so that an eligible homeowner will receive the larger of the two amounts, but not both.

Based on fiscal information developed when the NJ SAVER law was enacted, \$170 million was appropriated in FY 2000 for these school property tax rebates, down from an earlier \$200 million initial estimate. More recently, the Office of Management and Budget has indicated that almost \$19 million of this amount is unspent and will lapse at the close of the fiscal year. The FY 2001 budget requests \$336.7 million for the NJ SAVER, based on a doubling of its first year costs under the phase-in of the program.

! *Question:* In view of the reduced first year costs for the NJ SAVER program from \$170 million to approximately \$151 million, can the FY 2001 request be reduced from \$336.7 million to some amount closer to \$300 million? Please provide whatever data are available to indicate the components of the program's first year costs, and how these relate to the estimate for next year.

Background Paper: Property Tax Reimbursement Program - Senior and Disabled Citizens Property Tax Freeze

Budget Pages.... D-441 and D-442

Introduction

The FY 2001 budget recommends \$10.6 million for property tax reimbursements to certain senior and disabled citizens with limited incomes. The amount recommended is \$13.1 million less than the \$23.7 million FY 2000 adjusted appropriation.

The Property Tax Reimbursement Program, identified in the Governor's budget as the Senior and Disabled Citizens Property Tax Freeze, was established pursuant to P.L. 1997, c. 348 to reimburse certain senior citizens and disabled individuals for property tax increases. This program freezes property taxes for every eligible New Jersey resident at 1997 levels (or at the level during the year in which the claimant becomes eligible).

The amount of the reimbursement is the difference between the amount of property taxes that were due and paid in 1997 (or the year in which the claimant becomes eligible) and the amount of property taxes that were due and paid in subsequent years, provided that the subsequent year taxes that are due are higher. Rebate amounts are cumulative, e.g. if a claimant's property taxes increase \$50.00 in 1999 and another \$60.00 in 2000, the claimant would be reimbursed \$110.00 in 2000.

Eligibility for this program does not exclude a New Jersey resident from receiving a homestead rebate, a NJ SAVER rebate, the exemption for Senior/Disabled or Veterans' Tax Exemption program, or the gross income tax deduction for residential property taxes.

Eligibility

To qualify for the reimbursement in calendar year 1999, the applicant must meet all of the following requirements:

- ! Must have been age 65 or older or receiving Federal Social Security disability benefits since December 31, 1998; and
- ! Must have owned and lived in the home (or have leased a site in a mobile home park on which a manufactured or mobile home owned by the applicant is placed) since before January 1, 1996; and
- ! Must have lived in New Jersey continuously since before January 1, 1989 as either a homeowner or a renter; and
- ! For 1998 and 1999, must have paid the full amount of property taxes due on the home.
- ! Must have total income less than:

| | |
|-----------|---|
| For 1998: | \$17,918 if single, or \$21,970 (combined income) if married |
| For 1999: | \$18,151 if single, or \$22,256 (combined income) if married. |

Note: Income limits for eligibility will increase by the amount of the maximum Social

Background Paper: Property Tax Reimbursement Program - Senior and Disabled Citizens Property Tax Freeze (Cont'd)

Security benefit cost of living increase for that year.

Program Cost

The FY 2000 Appropriations Act appropriated \$23.7 million for the first year of this program. This amount was consistent with the \$21 million cost estimates provided by both the Department of the Treasury and the Office of Legislative Services. The OLS estimate noted that the costs would be as follows: homeowner claims (\$19.2 million); mobile homeowner claims (\$600,000); and State administrative costs (\$900,000).

Thus far only \$4 million has been spent on the program in FY 2000. The Department of the Treasury has estimated that in FY 2000, 152,400 people qualified for the reimbursement but only 43,000 participated in the program. According to the department, in FY 2000, the average payment to participants was \$97.00.

The Governor's budget has recommended an appropriation of \$10.6 million in FY 2001 for this program. The Department of the Treasury is estimating that 153,125 people will qualify for the reimbursement but only 64,500 will participate. It assumes that the average eligible property tax increase in FY 2001 will be \$100.00. Because the program is cumulative, 64,500 participants will receive an average reimbursement under this program of \$197.00 in calendar year 2000. These assumptions would require an appropriation for the program of \$12.7 million. Language is included in the budget which permits additional funds to be appropriated as needed for this program.

Conclusion

Possible reasons for the lack of participation in this program are as follows:

- ! **Confusion exists about the new program.** It is possible that eligible senior and disabled residents are confusing this program with other property tax relief programs and do not realize they are eligible for this one as well.
- ! **Eligible individuals do not understand the cumulative impact of the program.** In the first year of the program, the average payment was \$97.00. It is possible that eligible individuals who might have received a first year payment of less than \$97.00, decided not to participate in the program without realizing that future payments are cumulative.
- ! **Residency requirement restricted otherwise eligible individuals.** Some residents might not have been able to meet the strict residency requirement. If otherwise eligible residents did not live in New Jersey for ten *consecutive* years, they would not qualify for the program.
- ! **Application procedure may have been a deterrent.** The applicant must provide proof of the amount of property taxes paid. This can be done in three ways: by providing copies of canceled checks or receipts showing the amount paid; by providing a copy of Form 1098 which shows the amount of property taxes paid out of the mortgage escrow account; or by filling out Form PTR-1A and having it certified by the tax collector of the municipality in which the applicant lives. Proof of the amount of property taxes paid must be returned along with the actual application. Perhaps this verification process deterred some from participating in the program.

Background Paper: NJ SAVER and Direct Property Tax Relief Programs

Budget Pages.... D-442

INTRODUCTION

The FY 2001 budget contains the second 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 \$927 million in direct property tax relief in fiscal year 2001. 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 will reach about \$1 billion per year, after a five year phase-in that began 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 1,500,000 homeowners receive checks equal to a portion of their school taxes paid on owner-occupied, primary residences. The NJ SAVER benefit is 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 received one-fifth of this amount in the form of a direct rebate check, averaging about \$120 per recipient. In 2000 (fiscal year 2001), homeowners will receive two-fifths of the full amount, or about \$240 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.

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 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 received \$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

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

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.

Figure A, below, displays the annual impact of the three major direct property tax relief programs for 1999 through 2003 (fiscal years 2000 through 2004). The figures are based on Treasury estimates for the first two years and OLS projections for the final three years.

Figure A

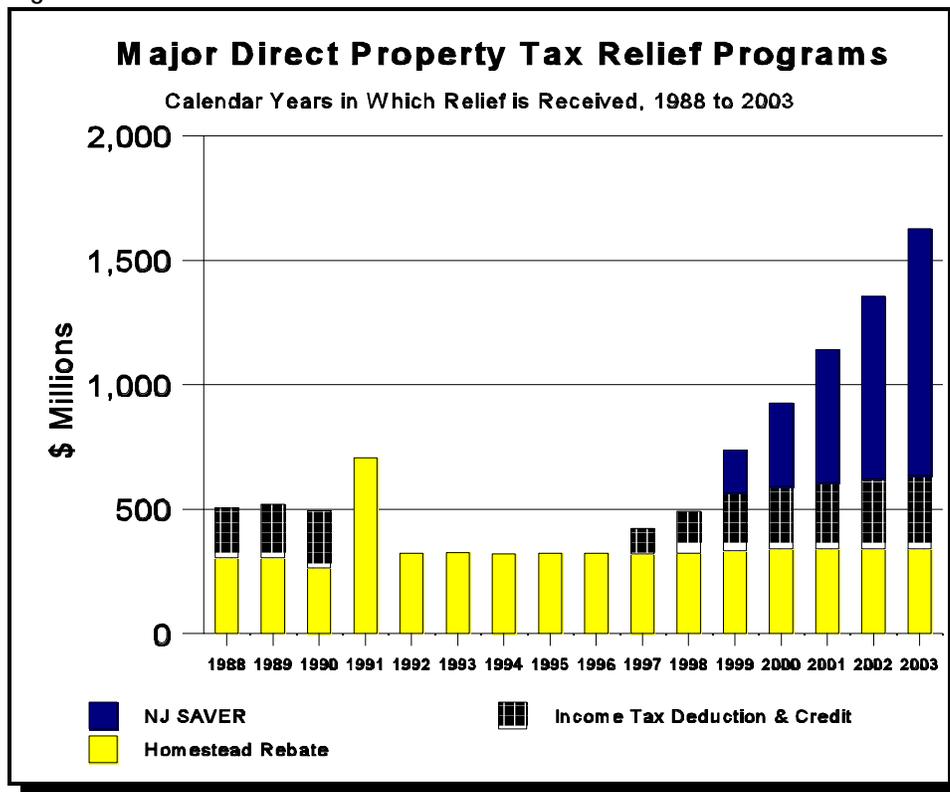
| Annual State Cost of the Three Major Direct Property Tax Relief Programs \$ Millions | | | | | |
|---|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
| <u>Program</u> | <u>CY 1999 FY 2000</u> | <u>CY 2000 FY 2001</u> | <u>CY 2001 FY 2002</u> | <u>CY 2002 FY 2003</u> | <u>CY 2003 FY 2004</u> |
| Homestead Rebate | \$332.6 | \$340.6 | \$340.6 | \$340.6 | \$340.6 |
| NJ SAVER | \$170.0 | \$336.7 | \$534.0 | \$735.0 | \$991.0 |
| Property Tax Deduction | \$234.0 | \$250.0 | \$265.0 | \$280.0 | \$295.0 |
| Total | \$736.6 | \$927.3 | \$1,139.6 | \$1,355.6 | \$1,626.6 |

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

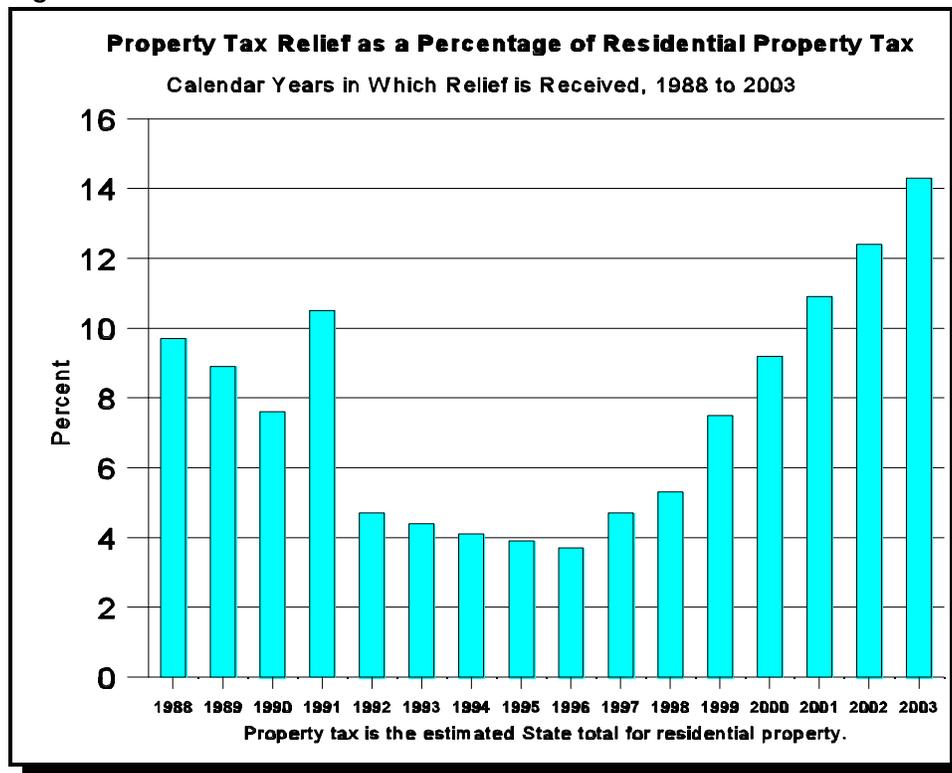


¹ Homestead Rebate, NJ SAVER and income tax deduction and credit amounts through 2000 are from the Division of Taxation. All figures from 2001 through 2003 are OLS estimates.

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 (i.e., 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 1999 are OLS estimates based on Division of Taxation figures from the Line Items and Ratables report and the County Abstracts of Ratables. Figures from 2000 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 2001 budget are encouraged to contact:

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