ANALYSIS OF THE NEW JERSEY

FISCAL YEAR 2001 - 2002 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-27; D-455 to D-502; E-11 to E-14; and G-5 to G-11

Fiscal Summary ($000)

	Expended FY 2000	Adjusted. Appropriation FY 2001	Recommended FY 2002	Percent Change 2001-02
State Budgeted	$1,677,166	$2,194,597	$2,553,290	16.3%
Federal Funds	3,088	3,751	4,076	8.7%
Other	994,255	999,295	1,019,394	2.0%
Grand Total	$2,674,509	$3,197,643	$3,576,760	11.9%

Personnel Summary - Positions By Funding Source

	Actual FY 2000	Revised FY 2001	Funded FY 2002	Percent Change 2001-02
State	4,528	4,657	4,835	3.8%
Federal	15	21	21	0.0%
Other	1,714	1,729	1,861	7.6%
Total Positions	6,257	6,407	6,717	4.8%

FY 2000 (as of December) and revised FY 2001 (as of September) personnel data reflect actual payroll counts. FY 2002 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 2002 budget includes a number of agencies considered "in but not of" the Department of the Treasury. 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 the **N.J. Commerce and Economic Growth Commission**, the **N.J. Commission on Science and Technology**, the **N.J. Economic Development Authority**, the **Office of Administrative Law**, the **Office of the Public Defender** and the **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 in the Department of the Treasury for Higher Educational Services, the N.J. Commerce and Economic Growth Commission, the Economic Planning and Development Statewide program, the N.J. Commission on Science and Technology, the Board of Public Utilities and Division of the Ratepayer Advocate and the Office of Public Defender and the Office of Legal Services 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 four separate analyses which are related to the above programs: "Higher Educational Services," "New Jersey Commerce and Economic Growth Commission and Related Economic Development Programs, "Office of the Public Defender and Legal Services Grants" and "Board of Public Utilities and Division of the Ratepayer Advocate."

Key Points

OVERVIEW

- The Governor has recommended $3.6 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 2002. These funds represent an 11.9 percent increase in resources over those available in FY 2001.

- The Governor has recommended $2.6 billion in State budgeted resources (General Fund, Property Tax Relief Fund and Casino funds) for the Department of the Treasury in FY 2002, an increase of 16.3 percent over the FY 2001 adjusted appropriation.

- The Governor has recommended continuation funding of $4.0 million in Federal Funds for FY 2002, an 8.7 percent increase over 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 $1.0 billion in Other Funds for FY 2002, an increase of 2.0 percent over FY 2001. Other Funds represent non-budgeted or off-budget revenues such as taxes collected at the State level and distributed to local governments, special revenue funds and revolving funds. Included in the recommended amounts are proposed distributions of $755 million in energy tax receipts and $110.2 million in revolving funds for the Office of Information Technology (OIT).

Key Points (Cont'd)

- The recommended General Fund appropriation for the Department of the Treasury is $1.4 billion, an overall increase of 6.7 percent. The Governor's budget includes increases in three categories of General Fund appropriations: Grants-in-Aid ($57.5 million or 29.7 percent), State Aid ($27.4 million or 8.1 percent), and Debt Service ($14.8 million or 3.6 percent), while decreases are recommended for Direct State Services ($4.7 million or 1.2 percent) and Capital Construction ($4.2 million or 37.8 percent).

- Although the Governor's budget has recommended a slight decrease in funding for General Fund-Direct State Services from the current year appropriation of $394 million to $389 million in FY2002, the Governor's budget historically has included language which permits the department to appropriate additional funds to a number of programs.

ECONOMIC REGULATION

- The Governor's budget recommends $27.8 million from all funds for the Economic Regulation program, an $825,000 or 3.1 percent increase over the FY 2001 adjusted appropriation. This program class includes the Board of Public Utilities (BPU) and the Ratepayer Advocacy Program, both of which are funded by assessments levied on various utilities conducting business within the State.

- Of the recommended increase, $500,000 in State funds are allocated for an "Energy Research Consortium." According to the BPU, the consortium will "facilitate collaboration on R&D and the development of expertise and resources to solve and anticipate complex problems related to energy" and "seize opportunities being brought by ... technology development and deregulation in the electric and natural gas industries." In addition to State funding, the Consortium anticipates instituting a membership fee to leverage revenues from federal and private sources.

GOVERNMENTAL REVIEW AND OVERSIGHT

- The Governor's budget provides $27.5 million from all sources for the Governmental Review and Oversight program, a net decrease of $683,000 or 2.4 percent. Recommended increases are offset by the elimination of a $1.0 million FY 2001 supplemental appropriation for Performance and Operational Audits and Independent Audits. Funding for this purpose is contained in recommended FY 2002 budget language.

FINANCIAL ADMINISTRATION

- The amount recommended in FY 2002 for Taxation Services and Administration (Division of Taxation) from State funds is $93.2 million, $2.5 million (2.6 percent) less than the FY 2001 adjusted appropriation. This decrease largely reflects a $3.0 million reduction for collection services contracts, offset by other increases. For a number of years the recommended budget for the Division of Taxation generally has been less than its adjusted appropriation since the division is authorized, through budget language, to seek supplemental funding for certain ongoing activities as needed. The Division of Taxation has received $3.2 million in supplemental appropriations authorized by language in FY2001.

Key Points (Cont'd)

! A sum of $43 million from all funds is recommended for the Administration of State Revenues (Division of Revenue), a net reduction of $14.7 million (25.4 percent) from the FY 2001 adjusted appropriation. This reduction largely reflects the elimination of $8.0 million in State funds for collections activities as well as $7.2 million in State funds for technology-related costs, offset by a shift of funding of $328,000 from the Division of Taxation to the Division of Revenue for the printing and distribution of employer quarterly packets and a $100,000 increase for additional positions in the Office of Revenue and Economic Analysis.

! With respect to the elimination of $8.0 million in funding for collections (referenced above), 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 2002 Budget Recommendation to permit the appropriation of additional resources for the Division of Revenue without subsequent legislative involvement. The Budget indicates that the Division of Revenue has received $17.3 million as a result of language-authorized supplemental appropriations in FY2001.

GENERAL GOVERNMENT SERVICES

! Recommended budget language would appropriate up to $12 million from the General Fund for a re-engineering study of the pension and health benefits computer systems, contingent upon the reimbursement of these funds from pension fund resources. The department estimates that the total cost of this multi-year project will be in the range of $50 million to $60 million.

! A General Fund appropriation of $775,000 is recommended for the administrative costs of the Garden State Preservation Trust (GSPT), the same level as the FY 2001 adjusted appropriation. 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. As in the current year, an additional $98 million is appropriated for open space preservation in the Interdepartmental accounts (budget page D-515). These funds are available for acquisition and preservation projects through the GSPT.

! The Governor's budget recommends $6.9 million for the Special Purpose Fleet Renewal Management Program in the Purchasing and Inventory Management Program, a $2.9 million decrease from the FY2001 adjusted appropriation. According to the department, this appropriation will provide for remaining payments on existing vehicles while eliminating FY 2001 funding for new fleet passenger sedans and vans.

! The recommended appropriation of $14.2 million for the Property Management and Construction - Property Management Services program represents an increase of $3.3 million (30 percent) over the current adjusted appropriation. The additional funds will shift $3.5 million for support of administrative positions in the Office of Construction Services to the General Fund, consistent with the reorganization of Property Management and Construction. This amount will be offset by the elimination of $250,000 for Land Use Regulation Specialists. Funding for this program is shifted off-budget through proposed FY 2002 budget language.

Key Points (Cont'd)

! Special Purpose appropriations totaling $800,000 are recommended for Gubernatorial transition costs. According to the OMB, the amounts provided are the same as appropriated in FY1993, adjusted for inflation.

OFFICE OF ADMINISTRATIVE LAW

! The Governor's budget recommends funding of $8.2 million in State and other funds for the Adjudication of Administrative Appeals program (Office of Administrative Law), an increase of $613,000 (8.1 percent). This increase is recommended to enable the OAL to reduce its current backlog of cases and process cases more expeditiously to meet federal or State mandated time frames by supporting five additional FTE's, including four judgeships. Funding for the OAL includes a direct State appropriation of $4.9 million and $3.2 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 $1.0 billion in Grants-In-Aid from General Fund ($70 million) and Property Tax Relief Fund resources ($961.1 million) for Direct Tax Relief and Homestead Rebate programs. These amounts represent a 41.8 percent increase over the FY 2001 adjusted appropriation of $727.4 million Details of these programs follow.

! The Governor's budget recommends $343.1 million, an increase of $8 million over the FY 2001 adjusted appropriation, for distributions to seniors, disabled and low-income homeowners and tenants under the Homestead Property Tax Rebate Program (P.L. 1990, c.61). According to the Budget in Brief, in FY 2002 this program will provide an estimated 1.3 million eligible homeowners with rebate checks averaging $468 while some 125,000 eligible renters will receive checks averaging $463. Moreover, pursuant to the New Jersey SAVER and Homestead Rebate Act (P.L. 1999, c.63), approximately 650,000 non senior/non disabled renters with incomes of $100,000 or less will receive rebates averaging $60 in FY 2002.

! In FY 2002, continuation funding of $10.6 million from the Property Tax Relief Fund is recommended for the Senior and Disabled Citizens Property Tax Freeze program pursuant to P.L. 1997, c. 348. This appropriation represents approximately one half of the cost originally estimated for this program, since the number of applications from eligible residents has been less than anticipated. The 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 $70 million appropriation is recommended for the New Jersey Earned Income Tax Credit (EITC), an increase of $25 million over the current adjusted funding level. This appropriation represents the second year of a four year phase-in of the program which provides a tax credit for low and moderate income working families based on the federal earned income tax credit program. The FY 2002 appropriation increases the value of the EITC from 10 to 15 percent of the federal credit. When fully implemented in FY2004, the credit will provide 20 percent of the federal credit to an estimated 237,000 families, or a maximum of between $363 and $599 per family as determined by family size and income.

Key Points (Cont'd)

! The Governor's budget recommends $607.4 million for the New Jersey School Assessment Valuation Exemption Relief (NJ SAVER) program, an increase of $270.7 million over the FY 2001 appropriation of $336.7 million. NJ SAVER was enacted pursuant to P.L. 1999, c. 63 to provide an estimated 1.9 million homeowners with direct relief equal to a portion of the school taxes paid on the assessed value of eligible primary residences. Originally intended to be phased-in over a five year period, the recommended FY 2002 increase represents the third year of the phase-in ($120.7 million) plus an additional $150 million to accelerate the program by one year. According to the Budget in Brief, the estimated average payment in FY 2002 will be $480, up from $240 in FY 2001.

STATE SUBSIDIES AND FINANCIAL AID: STATE AID

! The Governor's budget recommends a total of $292.9 million in State Aid from the General Fund ($189.7 million) and Property Tax Relief Fund ($103.2 million) resources. This represents a 1.3 percent increase over the FY 2001 adjusted appropriation. Details of these programs follow.

! Funding for the County Boards of Taxation is recommended to increase from $1.0 million in FY 2001 to $1.3 million in FY2002 (35 percent). Counties are reimbursed by the State for costs, which were increased in CY 2000, associated with county tax board members.

! The South Jersey Port Corporation is recommended to receive total of $6.4 million in FY 2002 for a Debt Service Reserve Fund ($4.4 million) and for a Property Tax Reserve Fund ($2.0 million). The latter is reduced by $4.0 million from the FY 2001 adjusted appropriation which provided for a retroactive payment-in-lieu-of-taxes (PILOT) to the City of Camden. The continuing PILOT payment will be $2.0 million.

! A total of $182.0 million is recommended for the School Construction and Renovation Fund, an increase of $52.1 million (40.1 percent) over the FY 2001 adjusted appropriation. This increase reflects scheduled funding growth as provided under the Educational Facilities Construction and Financing Act, P.L. 2000, c.72. According to the Budget in Brief, this $182.0 million includes $65 million from the tobacco settlement, $50 million from dedicated cigarette tax revenues, $62 million from State lottery proceeds and $5 million from the fund for free public schools. An additional $60.7 million will be available from balances in the prior year.

! The Governor's budget continues funding for Solid Waste Management - County Environmental Investment Debt Service Aid; however the display of this appropriation has been transferred to the Interdepartmental accounts. These funds, which are recommended to be increased from $33 million in FY 2001 to $54 million in FY 2002, assist counties in meeting debt service requirements for solid waste investments (primarily stranded costs of incineration construction).

! The Business Personal Property Tax Deduction program has been reallocated to the Department of Community Affairs for FY 2002 and placed within the Consolidated Municipal Property Tax Relief (CMPTR) program. These funds will be distributed to certain municipalities to replace property tax revenues lost due to a change in the way Verizon (formerly Bell Atlantic) calculates its property values. However, the budget recommendation would reduce the funding level for the program from $33.9 million to $13.1 million and restrict the availability of the replacement revenues to certain municipalities. See footnote language, page D-60.

Key Points (Cont'd)

! The Governor's budget recommends a total of $28.3 million in State aid payments from the Property Tax Relief Fund to reimburse municipalities for senior and disabled citizens' property tax exemptions. This represents a $3.3 million (10 percent) decrease from the total FY 2001 adjusted appropriation of $31.6 million.

! The Governor's budget recommends $53 million in State aid payments from the Property Tax Relief Fund to reimburse municipalities for veteran's property tax exemptions. The recommended appropriation reflects an increase of $18 million (50 percent) over the FY 2001 adjusted appropriation and provides for a $50 increase in the current deduction from $100 to $150. As approved by the voters in November 1999, the veterans' property tax deduction will continue to grow by $50 annually until 2004, at which point the total annual will equal $250.

! The Governor's budget recommends $11.4 million from the Property Tax Relief Fund for Debt Service on Pension Obligation Bonds attributable to the Consolidated Police and Firemen's Retirement program. This represents a $4.8 million, or 74.1 percent increase from the FY 2001 adjusted appropriation. 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 $10.5 million from the Property Tax Relief Fund for Police and Firemen's Retirement System (PFRS), Health Benefits, a $4.7 million increase over the FY 2001 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 does not appropriate any funds 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. According to the department, the normal contribution of $64.6 million is to be funded from excess valuation assets from FY 2001.

! The Governor's budget reflects a FY 2002 distribution of $755 million, an increase of $5 million over FY 2001, from Energy Tax Receipts pursuant to P.L. 1997, c.167. This act 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.

MANAGEMENT AND ADMINISTRATION

! The $19.2 million recommended for Management and Administrative Services (Treasurer's Office) reflects an increase of $9.4 million. This increase is largely attributable to a $9.0 million appropriation for vendor costs associated with the Integrated Financial and Administrative Suite Project (IFAAS). According to the Request for Proposal for this project, the State wants to implement an integrated suite of software, based on state-of-the-art systems, to replace its major central applications, including: Planning and Budgeting, Financial Processing, Human Resources and Payroll, Purchasing and Contract Management, and Availability and Access to Information. The recommended funding represents a portion of first-year costs for this multi-year project. Total project costs have not yet been determined.

Key Points (Cont'd)

PROTECTION OF CITIZENS' RIGHTS

! The Governor's budget recommends funding of $77.4 million for the Office of the Public Defender, and increase of $1.9 million (2.5 percent) over the FY 2001 adjusted appropriation. The proposed increase is for costs associated with P.L.1999, c.53 which requires the Public Defender to represent children and indigent parents in termination of parental rights proceedings. This enactment conformed State law to the provisions of the federal Adoption and Safe Families Act of 1997 which was intended to speed the adoption of children placed in foster care.

! A continuation appropriation of $12 million in State Grants-In-Aid and $1.2 million in federal funds is recommended for Legal Services of New Jersey. These grants are distributed through the Treasurer's Office, not through the Office of the Public Defender. Legal Services is a private, not-for-profit agency which provides legal assistance and representation to low-income individuals in civil matters. In addition to its public sources of funding, Legal Services also relies on support from Interest on Lawyers' Trust Accounts (IOLTA) and private donations.

CAPITAL CONSTRUCTION

! The Governor's budget recommends $6.9 million in FY 2002 for Capital Construction purposes. These funds are available to the Office of Information Technology (OIT) for new and continuing projects. New projects include Garden State Network Infrastructure ($3.8 million); Automated Document Factory ($1.2 million); Video Bridging System ($400,000); Statewide Voicemail Expansion ($700,000) and Automated Cartridge System Upgrade ($800,000).

DEBT SERVICE

! The Governor's budget for the department includes $423.3 million for Debt Service on general obligation bonds. This represents a $14.8 million, or 3.5 percent, increase over the FY 2001 adjusted appropriation.

REVOLVING AND OTHER FUNDS

! The Governor's budget recommends $110.2 million for the Office of Information Technology (OIT). This represents an $8.4 million (8.3 percent) increase over the FY 2001 adjusted appropriation. Of this amount, $1.4 million is provided for contractual salary increases and related services. In addition, the budget recommends a $6.8 million Capital Construction appropriation in the Department of the Treasury for OIT projects.

! The Budget Recommendation includes the following appropriations from other revolving funds in the Department of the Treasury: $1.4 million for the Office of Public Communication; $18.6 million for the State Central Motor Pool; $2.3 million for the Print Shop; $56.4 million for the Distribution Center; $6.7 million for the Division of Property Management and Construction and $1.6 million for the Capitol Post Office which appears in the budget as a language appropriation.

Key Points (Cont'd)

PERSONNEL

- The position data displayed in the Governor's budget indicates that the FY 2002 budget would fund a total of 6,717 positions.

The Higher Educational Services portion of the Department of the Treasury (pages D-460 to D-463) 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-464 to D-471) are contained in a separate booklet: "New Jersey Commerce and Economic Growth Commission and Related Economic Development Programs."

The Economic Regulation Statewide program portion of the Department of the Treasury (pages D-471 to D-474) is contained in a seperate booklet: "Board of Public Utilities and Division of the Ratepayer Advocate."

The Protection of Citizens' Rights Statewide program portion of the Department of the Treasury (pages D-499 to D-502) is contained in a seperate booklet: "Office of the Public Defender and Legal Services Grants."

Background Paper

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 seven of these programs (the Office of Student Assistance, the Board of Public Utilities, the New Jersey Commerce and Economic Growth Commission, the New Jersey Commission on Science and Technology, the New Jersey Economic Development Authority, and the Office of the Public Defender and the Office of Legal Services) are not included in this booklet but are included in separate booklets: Higher Educational Services, Board of Public Utilities and Division of the Ratepayer Advocate, New Jersey Commerce and Economic Growth Commission and Related Economic Development Programs, and Office of the Public Defender and Legal Services Grants. 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
- Garden State Preservation Trust

Program Description and Overview (Cont'd)

The Governor's FY 2002 budget reflects the Executive Branch reorganization which occurred in FY 1999. The Department of Commerce and Economic Development was dissolved in September 1998 and the New Jersey Commerce and Economic Growth Commission was established; the Division of Commercial Recording and certain functions within the Bureau of Wage Reporting were integrated into the Division of Revenue's operations; and certain legal services programs, including the Office of Administrative Law, the Public Defender and the Office of State Legal Services were transferred in but not of the Department of the Treasury from the Department of State and the Department of Community Affairs respectively.

Core Programs

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

The **Treasurer's Office** provides fiscal, personnel, and other services related to the overall management of the department. The Treasurer's Office develops and exercises general policy and administrative control over operations and often has been the locus of projects and programs of special interest to the Governor. Over the years such projects and programs have included the Camden aquarium, the arts center in Newark and the Productivity and Efficiency Program which was initiated in FY 1995.

When the Office of Financial Management was dissolved in FY 1992, the Treasurer's Office assumed responsibility for public finance activities associated with debt issuance and management. In addition, the Treasurer's Office has responsibility for the Federal Liaison Office and the Division of Contract Compliance and Equal Employment Opportunity in Public Contracts (formerly called the Public Contracts Affirmative Action Office). With respect to Contract Compliance, the Governor's budget recommends continuation funding of $1.5 million in FY 2002 which will support 29 positions. In FY 2001, ten positions were added to the Contract Compliance staff to enable increased concentration on public agency review and contracts. Continuation funding of $23,000 is also recommended for the Federal Liaison function.

In FY 2002, the Governor has recommended funding of $19.1 million for the Treasurer's Office. The amount recommended for the Treasurer's Office represents an almost 100 percent increase over the current adjusted appropriation ($9.7 million) and would fund 212 positions in FY 2002. The increase in funding is entirely attributable to a new $9.0 million Special Purpose appropriation for vendor costs associated with the Integrated Financial and Administrative Suite project (IFAAS). According to the Request for Proposal (RFP) for IFAAS, the State is seeking to implement an integrated suite of software to replace its major central applications, including: Planning and Budgeting, Financial Processing, Human Resources and Payroll, Purchasing and Contract Management, and Availability and Access to Information. The recommended funding represents a portion of first-year costs for this multi-year project. Total project costs have not yet been determined.

In addition to the above amounts, a specific sum of $700,000 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

Program Description and Overview (Cont'd)

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 2002 budget recommends $20.8 million for the Office of Management and Budget (OMB), a net $683,000 decrease (3.2 percent) from the current adjusted appropriation. This decrease is due to the elimination of a $1.0 million supplemental appropriation for Independent Audits, offset by a $349,000 increase in the Services Other than Personal account. The Governor's budget indicates that 223 OMB positions are funded in FY 2002, 8 positions more than the actual payroll count in September 2000.

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 $30.8 million in FY 2002 which reflects a net change of $1.2 million over the FY 2001 adjusted appropriation of $29.6 million. The recommended budget includes a net reduction of $2.0 million for the Purchase and Inventory Management program attributable to a decelerated replacement plan for the Fleet Renewal Management program ($2.9 million decrease), offset by $800,000 for Gubernatorial transition and inaugural expenses.

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. In FY 2002, the division's budget is reduced by $400,000 to $31.2 million. This amount will support 377 positions, 25 positions more than the actual payroll count of September 2000.

Program Description and Overview (Cont'd)

Since FY 1995, the division's budget has been augmented by additional funds appropriated pursuant to budget language. Such language is continued in the Governor's FY 2002 budget. In addition, new language would appropriate an amount not to exceed $12 million for a "re-engineering of the pension and health benefits computer systems as referenced in the Division of Pensions and Benefits organizational study," subject to reimbursement of the General Fund by pension fund resources. According to the Office of Management and Budget, this recommended language appropriation represents the first installment of a multi-year appropriation which is expected to total some $50 million to $60 million.

The **Garden State Preservation Trust** (GSTP) is budgeted as part of General Government Services. The budget recommends a continuation funding of $775,000 in FY 2002. 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 2002 budget recommends funding for three positions. As in the current year, an additional $98 million is appropriated for open space preservation in the Interdepartmental accounts. These funds are available for acquisition and preservation projects through the GSTP.

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 amount recommended in FY 2002 for Taxation Services and Administration (Division of Taxation) from State funds is $93.2 million, $2.5 million (2.6 percent) less than the FY 2001 adjusted appropriation. This decrease largely reflects a $3.0 million reduction for collection services contracts, offset by other increases. For a number of years the recommended budget for the Division of Taxation generally has been less than its adjusted appropriation since the division is authorized, through budget language, to seek supplemental funding for certain ongoing activities as needed. The Division of Taxation has received $3.2 million in supplemental appropriations authorized by language to date in FY2001. The recommended budget is expected to fund 1,373 positions, 76 positions more than the actual payroll count in September 2000.

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 2002 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; to appropriate additional sums for the costs associated with enhanced compliance programs; and to appropriate the unexpended balances in the Revenue Management account. In recent budgets, this authority has provided the Division of

Program Description and Overview (Cont'd)

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 411 in FY 2001. During the same period, the number of collectors has grown from 167 to 285 in FY 2001. The Division estimates that it will maintain the current number of positions for both functions in FY 2002. In addition, the Division has continued to utilize the services of a private contractor to collect back taxes due the State.

The Governor's budget also recommends continuation funding of $4.9 million for the Unclaimed Property (Escheats) program in the Division of Taxation. 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 2002, the Governor has recommended an appropriation of $43.0 million for the division from all sources, a net reduction of $14.7 million (25.4 percent) below the FY 2001 adjusted appropriation. The Division's budget eliminates funding for contract telecollectors, saving approximately $8 million that was added to the FY 2001 budget pursuant to budget language as well as $7.2 million in funds for technology-related costs. These decreases are offset by a shift in funding of $328,000 from the Division of Taxation to the Division of Revenue for the printing and distribution of employer quarterly packets and a $100,000 increase for additional positions in the Office of Revenue and Economic Analysis. The budget includes recommended language which would permit the appropriation of additional funds as needed in FY 2002. Through the end of April, $19.2 million has been appropriated to the Division pursuant to language. The recommended budget is expected to fund 497 positions, 12 positions more than the actual payroll count in

Program Description and Overview (Cont'd)

September 2000.

The Division of Investments (Management of State Investments) manages an investment portfolio of approximately $100 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 $5.8 million in Direct State Services appropriations for the Division of Investments, an increase of $100,000 over the FY 2001 adjusted appropriation. This increase will allow the division to secure additional pricing vendors to supplement its current pricing resource. The division's budget is expected to support 70 positions in FY 2002 which is unchanged from the number of funded positions in the current year. 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 2002 for expenses from the investment earnings of the various pension and health benefits funds administered by the Division.

The Division of the State Lottery sponsors lottery games, raising State revenue through the sale of lottery tickets. By law, a minimum of 30 percent of gross lottery revenues is dedicated to State Aid for education and institutions. In FY 2002, the State Lottery is expected to transfer $715 million to the General Fund for these purposes. The State Lottery Fund Schedule on page H-43 of the Governor's FY 2002 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 2002 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 (this language would permit the Division to use amounts in excess of the $715 million anticipated as budgeted revenues in FY 2002); to appropriate out of receipts from communications fees any sums necessary for communications costs; and to earn and use revenues from the sale of advertising. Language would also provide an additional $3.5 million for expanded advertising subject to an approved plan.

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 2002 budget which projects net sales of $1.8 billion generated by 6,000 agents and 1,248 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 continuation funding of $4.0 million for this program in FY 2002 which would support 61 Local Government Budget Review positions, an increase of 4 positions more than the actual payroll count in September 2000.

Program Description and Overview (Cont'd)

"In But Not Of" Programs

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

The Governor's budget recommends continuation funding of $25.2 million in FY 2002 for the Commission. Position data in the FY 2002 budget indicate that the recommended budget will maintain the current number of funded (354) positions.

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 FY 2002 budget recommends funding of $8.2 million in State and other funds for OAL, an increase of $613,000 (8.1 percent). This increase is recommended to enable the OAL to reduce its current backlog of cases and process cases more expeditiously to meet federal or State mandated time frames by supporting five additional staff, including four judgeships. Funding for the OAL includes a direct State appropriation of $4.9 million and $3.2 million in other funds, primarily from judicial hearing receipts.

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

Program Description and Overview (Cont'd)

telecommunications systems in the State.

OIT operates as a revolving fund, supported by charges against user agencies. Its recommended authorized spending level in FY 2002 is $110.2 million which represents an $8.4 million (8.3 percent) increase over the FY 2001 adjusted appropriation. Of this amount, $1.4 million is provided for contractual salary increases and related services. In addition, the budget recommends a $6.8 million Capital Construction appropriation in the Department of the Treasury for OIT projects, including Garden State Network Infrastructure ($3.8 million); Automated Document Factory ($1.2 million); Video Bridging System ($700,000); and Automated Cartridge System Upgrade ($800,000).

The number of authorized positions at OIT for FY 2002 is 1,098 which is 80 positions more than the September 2000 payroll count.

FY 2002 Budget Overview

Total resources recommended for the Department of the Treasury in FY 2002 are $3.6 billion, an increase of 11.9 percent over the FY 2001 adjusted appropriation. Included in this is $2.6 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 slightly more than $4.0 million 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 $57.0 million, or 29.7 percent. This increase in attributable to the State Earned Income Tax Credit (EITC) program which is being phased-in over a four year period. The amount of the State credit is determined as a percentage of the federal EITC. FY 2002 represents the second year of the phase-in process.

- Grants-In-Aid paid out of the Property Tax Relief Fund are recommended to increase by approximately $278.7 million or 40.8 percent. The most significant increase is recommended for the second year of the NJ SAVER (P.L. 1999, c. 63) for which an additional $270.7 million is recommended in FY 2002.

- State aid paid out of the Property Tax Relief fund is recommended to increase by a net $6.2 million, or 5.0 percent. While this increase is relatively small, it is comprised of: an increase of $31.9 million to reimburse municipalities for veteran's property tax exemptions of which $14.7 million is new money and $17.2 million reflects a shift in funding from the Casino Revenue Fund to the PTRF; a shift of $34.6 million from the PTRF to the General Fund for Locally Provided Services; and an increase of $8.9 million in funding for the Consolidated Police and Firemen's Pension Fund.

- The FY 2002 budget recommends $389 million for General Fund - Direct State Services appropriations, a decrease of about 1.2 percent below the FY 2001

Program Description and Overview (Cont'd)

adjusted appropriation. The FY 2001 budget continues language for a number of programs which permit the appropriation of additional off-budget resources. To date, a total of $23.1 million in supplemental funding has been appropriated for the department's Direct State Services accounts.

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 2002 these "other" funds are expected to total slightly more than $1.0 billion. "Other funds" include four types of non-budgeted resources: other distributed taxes, dedicated funds, revolving funds and miscellaneous funds.

The largest portion of this revenue, other distributed taxes, is appropriated by language and has consisted of taxes collected at the State level and distributed to local governments. In prior years, these taxes included the public utilities franchise and gross receipts taxes and various banking and insurance taxes. The FY 2002 budget proposes to distribute a total of $755 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 (CMPTR) State aid program in FY 1996. These taxes continue to be distributed as part of the CMPTR 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. The Governor's Council on Alcoholism and Drug Abuse is expected to generate $12.7 million in revenue in FY 2002. This amount will fully fund the initiatives of the council as well as programs within the Department of Health.

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 2002, a total of $198.2 million is recommended for the various revolving funds. This represents a $10.3 million increase over the FY 2001 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 2002 budget recommends $1.031 billion for Grants-In-Aid to individuals. Table 1, which follows, lists the four grants-in-aid programs to individuals which are budgeted in the Department of the Treasury.

The $1.031 billion recommended for these four programs represents a net increase of approximately $303.7 million over the FY 2001 adjusted appropriation. These programs, which are administered by the Department of the Treasury include: the Homestead Property Tax Rebates for Homeowners and Tenants program; NJ SAVER; and the Senior and Disabled Citizens' Property

Program Description and Overview (Cont'd)

Tax Freeze program and the New Jersey Earned Income Tax Credit program.

The Governor's budget recommends $343.1 million, an increase of $8 million over the FY 2001 adjusted appropriation, for distributions to seniors, disabled and low-income homeowners and tenants under the Homestead Property Tax Rebate Program (P.L. 1990, c.61). According to the Budget in Brief, in FY 2002 this program will provide an estimated 1.3 million eligible homeowners with rebate checks averaging $468 while some 125,000 eligible renters will receive checks averaging $463. Moreover, pursuant to the New Jersey SAVER and Homestead Rebate Act (P.L. 1999, c.63), approximately 650,000 non senior/non disabled renters with incomes of $100,000 or less will receive rebates averaging $60 in FY 2002.

The Governor's budget recommends $607.4 million for the New Jersey School Assessment Valuation Exemption Relief (NJ SAVER) program, an increase of $270.7 million over the FY 2001 appropriation of $336.7 million. NJ SAVER was enacted pursuant to P.L. 1999, c. 63 to provide an estimated 1.9 million homeowners with direct relief equal to a portion of the school taxes paid on the assessed value of eligible primary residences. Originally intended to be phased-in over a five year period, the recommended FY 2002 increase represents the third year of the phase-in ($120.7 million) plus an additional $150 million to accelerate the program by one year. According to the Budget in Brief, the estimated average payment in FY 2002 will be $480, up from $240 in FY 2001.

In FY 2002, continuation funding of $10.6 million from the Property Tax Relief Fund is recommended for the Senior and Disabled Citizens Property Tax Freeze program pursuant to P.L. 1997, c. 348. This appropriation represents approximately one half of the cost originally estimated for this program, since the number of applications from eligible residents has been less than anticipated. The 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 $70 million appropriation is recommended for the New Jersey Earned Income Tax Credit (EITC), an increase of $25 million over the current adjusted funding level. This appropriation represents the second year of a four year phase-in of the program which provides a tax credit for low and moderate income working families based on the federal earned income tax credit program. The FY 2002 appropriation increases the value of the EITC from 10 to 15 percent of the federal credit. When fully implemented in FY2004, the credit will provide 20 percent of the federal credit to an estimated 237,000 families, or a maximum of between $363 and $599 per family as determined by family size and income.

Program Description and Overview (Cont'd)

Table 1
Department of the Treasury
Grants-In-Aid To Individuals
FY 2000 - FY 2002
($000)

GRANTS-IN-AID	Expended FY 2000	Adj App FY 2001	Recom FY 2002
Homestead Rebates	$330,677	$335,100	$343,100
NJ SAVER	144,312	336,689	607,428
Earned Income Tax Credit	0	45,000	70,000
Senior and Disabled Citizens' Prop Tax Freeze	3,877	10,599	10,599
Total, Grants-In-Aid	$478,866	$727,388	$1,031,127

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 the amounts expended and appropriations to these programs since FY 2000.

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. This program, which distributes aid to municipalities from the State's taxation of certain regulated utilities as well as certain telecommunications companies, is recommended to increase from $750 million to $755 million in FY2002. The increase in funding is tied to inflation. Pursuant to P.L. 1999, c. 168, the amount credited to the Energy Tax Receipts Property Tax Relief Fund is adjusted annually by the rate of increase in the federally computed Implicit Price Deflator for State and Local Government Purchases.

A total of $182.0 million is recommended for the School Construction and Renovation Fund, an increase of $52.1 million (40.1 percent) over the FY 2000 adjusted appropriation. This increase reflects scheduled funding growth as provided under the Educational Facilities Construction and Financing Act, P.L. 2000, c.72. According to the Budget in Brief, this $182.0 million includes $65 million from the tobacco settlement, $50 million from dedicated cigarette tax revenues, $62 million from State lottery proceeds and $5 million from the fund for free public schools. An additional $60.7 million will be available from balances in the prior year.

The Governor's budget recommends $53 million for Veterans' Tax Exemptions. The recommended appropriation reflects an increase of $18 million (51.3 percent) over the FY 2001 adjusted appropriation and provides for a $50 increase in the current deduction from $100 to $150. As approved by the voters in November 1999, the veterans' property tax deduction will continue

Program Description and Overview (Cont'd)

to grow by $50 annually until 2004, at which point the annual total will equal $250.

The Business Personal Property Tax Deduction program has been reallocated to the Department of Community Affairs for FY 2002 and placed within the Consolidated Municipal Property Tax Relief (CMPTR) program. These funds will be distributed to certain municipalities to replace property tax revenues lost due to a change in the way Verizon (formerly Bell Atlantic) calculates its property values. However, the budget recommendation would reduce the funding level for the program from $33.9 million to $13.1 million and restrict the availability of the replacement revenues to certain municipalities. See footnote language, page D-60.

Table 2
Department of the Treasury
State Aid To Local Government Entities
FY 2000 - FY 2002
($000)

STATE AID	Expended FY 2000	Adj App FY 2001	Recom. FY 2002
Energy Tax Receipts	$750,000	$750,000	$755,000
School Construction & Renovation Fund	4,867	129,911	181,993
Veterans' Tax Exemptions	17,043	35,039	53,039
Business Personal Property Tax Depreciation Adjustment	0	33,861	0
Senior and Disabled Citizens' Tax Exemption	31,638	31,639	28,339
Solid Waste Management - Debt Service Aid[1]	15,052	33,000	0[1]
Debt Service - Pension Obligation Bonds	8,708	6,539	11,382
Police & Firemen's Retirement System - Health Benefits	4,461	5,729	10,470
So. Jersey Port Corporation - Prop Tax Reserve Fund	0	6,000	2,000
So. Jersey Port Corporation - Debt Service Reserve Fund	3,376	4,375	4,375
County Tax Board Members	1,169	1,049	1,349
Police & Firemen's Retirement System	22,810	626	0
Special Aid - Maurice River	230	230	0
Pinelands Area Municipal Aid	776	776	0

Program Description and Overview (Cont'd)

Police & Firemen's Retirement System (P.L. 1979, c.109)	22,847	0	0
Other Distributed Taxes	3,264	3,264	3,264
Total State Aid	$886,241	$1,042,038	$1,051,211
Total Grants-In-Aid and State Aid	??	??	??

[1] In FY 2002, $54.0 million is budgeted in the Interdepartmental Accounts for Solid Waste Management - County Environmental Debt Service Aid, EDA, to refinance solid waste debt pursuant to pending legislation.

Personnel Changes

The Fiscal and Personnel Summary on page 23 of this report reflects the actual number of employees on the department's payroll at a given point in time for FY 2000 and FY 2001. The FY 2002 figures reflect the total number of positions to be funded without regard to vacancy status. In FY 2002, appropriations to the Department of the Treasury will fund a total of 6,717 positions. The actual payroll count in FY 2001 was 6,407.

Fiscal and Personnel Summary

AGENCY FUNDING BY SOURCE OF FUNDS ($000)

	Expended FY 2000	Adj. Approp. FY 2001	Recom. FY 2002	Percent Change 2000-02	Percent Change 2001-02
General Fund					
Direct State Services	$362,371	$393,761	$389,069	7.4%	-1.2%
Grants - In - Aid	111,435	193,306	250,811	125.1%	29.7%
State Aid	251,036	339,015	366,430	46.0%	8.1%
Capital Construction	18,791	11,015	6,850	-63.5%	-37.8%
Debt Service	382,129	408,522	423,323	10.8%	3.6%
Sub-Total	$1,125,762	$1,345,619	$1,436,483	27.6%	6.8%
Property Tax Relief Fund					
Direct State Services	$0	$0	$0	0.0%	0.0%
Grants-In-Aid	478,866	682,388	961,127	100.7%	40.8%
State Aid	31,501	124,234	130,435	314.1%	5.0%
Sub-Total	$510,367	$806,622	$1,091,562	113.9%	35.3%
Casino Revenue Fund	$17,180	$17,180	$0	-100.0%	-100.0%
Casino Control Fund	$23,857	$25,176	$25,245	5.8%	0.3%
State Total	$1,677,166	$2,194,597	$2,553,290	52.2%	16.3%
Federal Funds	$3,104	$3,751	$4,076	31.3%	8.7%
Other Funds	$994,239	$999,295	$1,019,394	2.5%	2.0%
Grand Total	$2,674,509	$3,197,643	$3,576,760	33.7%	11.9%

PERSONNEL SUMMARY - POSITIONS BY FUNDING SOURCE

	Actual FY 2000	Revised FY 2001	Funded FY 2002	Percent Change 2000-02	Percent Change 2001-01
State	4,528	4,657	4,835	6.8%	3.8%
Federal	15	21	21	40.0%	0.0%
All Other	1,714	1,729	1,861	8.6%	7.6%
Total Positions	6,257	6,407	6,717	7.4%	4.8%

FY 2000 (as of December) and revised FY 2001 (as of September) personnel data reflect actual payroll counts. FY 2002 data reflect the number of positions funded.

AFFIRMATIVE ACTION DATA

Total Minority Percent					
NJ Commerce & Econ. Growth	26.0%	26.2%	26.2%	----	----
Office of Administrative Law	28.8%	30.8%	30.8%	----	----
Management & Administration	22.8%	24.6%	24.9%	----	----
Protection of Citizens' Rights	34.3%	35.5%	35.5%	----	----

Significant Changes/New Programs ($000)

Budget Item	Adj. Approp. FY 2001	Recomm. FY 2002	Dollar Change	Percent Change	Budget Page

GOVERNMENTAL REVIEW AND OVERSIGHT

OFFICE OF MANAGEMENT AND BUDGET (OMB)

General Fund, DSS Office of Management and Budget	$21,455	$20,772	($683)	(3.2)%	D-475

Funding for the Office of Management and Budget includes a net decrease of $683,000. Included in this is an increase of $349,000 for Services Other Than Personal appropriations related to data processing initiatives, offset by the elimination of a $1.0 million FY 2001 supplemental appropriation for Performance and Operational Audits and Independent Audits. Funding for this purpose is authorized in recommended FY 2002 budget language.

FINANCIAL ADMINISTRATION

DIVISION OF TAXATION

General Fund, DSS Taxation Services and Administration	$95,613	$93,155	($2,458)	(2.6)%	D-480

The Governor's Budget recommends $93.2 million in State funding for the Division of Taxation, a net reduction of $2.5 million (2.6 percent) from the FY 2001 adjusted appropriation. This decrease largely reflects a $3.0 million reduction for collection services contracts, offset by other increases. For a number of years the recommended budget for the Division of Taxation generally has been less than its adjusted appropriation since the division is authorized, through budget language, to seek supplemental funding for certain ongoing activities as needed.

DIVISION OF REVENUE

General Fund, DSS Administration of State Revenues	$45,226	$30,519	($14,707)	(32.5)%	D-480

A sum of $43 million from all funds is recommended for the Division of Revenue, a net reduction of $14.7 million (25.4 percent) from the FY 2001 adjusted appropriation. This reduction largely reflects the elimination of $8.0 million in State funds for collections activities as well as $7.2 million in State funds for technology-related costs (see below), offset by a shift of funding of $328,000 from the Division of Taxation to the Division of Revenue for the printing and distribution of employer quarterly packets and a $100,000 increase for additional positions in the Office of Revenue and Economic Analysis.

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

Budget Item	Adj. Approp. FY 2001	Recomm. FY 2002	Dollar Change	Percent Change	Budget Page
General Fund, DSS Special Purpose: Revenue Management System	$2,500	$0	($2,500)	(100.0)%	D-480

This special purpose account is part of the Administration of State Revenues program class, summarized above. According to the Office of Management and Budget, sufficient carryforward funding will be available for this Interdepartmental initiative such that additional funding is not recommended for FY 2002. Proposed language would allow the Division of Revenue to appropriate any carryforward in this account. The Revenue Management System initiative was begun in FY 1999 to procure a centralized automated revenue interface system for the division.

GENERAL GOVERNMENT SERVICES

PURCHASING AND INVENTORY MANAGEMENT

Budget Item	Adj. Approp. FY 2001	Recomm. FY 2002	Dollar Change	Percent Change	Budget Page
General Fund, DSS Purchasing and Inventory Management	$16,752	$14,712	($2,040)	(12.2)%	D-485

The Governor's budget recommends Direct State Services funding of $14.7 million for Purchasing and Inventory Management, a net reduction of $2.0 million from the FY 2001 adjusted appropriation. This reduction reflects a decrease of $2.9 million for the Fleet Renewal Management Program, offset by an increase of $800,000 for expenses related to Gubernatorial transition costs (see below.)

Budget Item	Adj. Approp. FY 2001	Recomm. FY 2002	Dollar Change	Percent Change	Budget Page
General Fund, DSS Special Purpose: Gubernatorial Transition -- Governor	$0	$450	$450	—	D-485
General Fund, DSS Special Purpose: Gubernatorial Transition -- Governor-Elect	$0	$250	$250	—	D-485

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

Budget Item	Adj. Approp. FY 2001	Recomm. FY 2002	Dollar Change	Percent Change	Budget Page
General Fund, DSS Special Purpose: Gubernatorial Inaugural Commission	$0	$100	$100	—	D-485

A total of $800,000 is recommended for Gubernatorial transition costs. According to the OMB, the amounts provided are the same as appropriated in FY1993, adjusted for inflation.

However, the OLS notes that, in FY 1994, a total $350,000 was available for Governor Florio's transition, of which $294,893 was expended and $55,105 was lapsed, and $200,000 was appropriated for Governor Elect Whitman's transition, of which $167,686 was spent and $32,313 was lapsed.

Budget Item	Adj. Approp. FY 2001	Recomm. FY 2002	Dollar Change	Percent Change	Budget Page
General Fund, DSS Special Purpose: Fleet Renewal Management Program	$9,821	$6,931	($2,890)	(29.4)%	D-485

The Governor's budget recommends $6.9 million for the Special Purpose Fleet Renewal Management Program in the Purchasing and Inventory Management Program, a $2.9 million decrease from the FY2001 adjusted appropriation. According to the department, this appropriation will provide for remaining payments on existing vehicles while eliminating FY 2001 funding for new fleet passenger sedans and vans.

PROPERTY MANAGEMENT AND CONSTRUCTION

Budget Item	Adj. Approp. FY 2001	Recomm. FY 2002	Dollar Change	Percent Change	Budget Page
General Fund, DSS Property Management and Construction -- Property Management Services	$10,990	$14,240	$3,250	29.6%	D-485

The recommended appropriation of $14.2 million for the Property Management and Construction - Property Management Services program represents a net increase of $3.3 million (30 percent) over the current adjusted appropriation. The additional funds will shift $3.5 million for support of administrative positions in the Office of Construction Services to the General Fund, consistent with the reorganization of Property Management and Construction. This amount will be offset by the elimination of $250,000 for Land Use Regulation Specialists (see below).

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

Budget Item	Adj. Approp. FY 2001	Recomm. FY 2002	Dollar Change	Percent Change	Budget Page
General Fund, DSS Special Purpose: Land Use Regulation Specialists	$250	$0	($250)	(100.0)%	D-486

The Governor's Budget recommends the elimination of a Special Purpose appropriation of $250,000 for Land Use Regulation Specialists. Funding for this program, which provides for the purchase of expert witness services related to the State's defense against inverse condemnation claims of the Land Use Regulation program, is shifted off-budget through proposed FY 2002 budget language. According to the Office of Management and Budget, this line-item has been underutilized in recent years.

OFFICE OF INFORMATION TECHNOLOGY (OIT)

Budget Item	Adj. Approp. FY 2001	Recomm. FY 2002	Dollar Change	Percent Change	Budget Page
Capital Construction: Office of Information Technology	$11,015	$6,850	($4,165)	(37.8)%	D-486

The Governor's budget recommends $6.9 million in FY 2002 for Capital Construction purposes, a net reduction of $4.2 million. These funds are available to the Office of Information Technology (OIT) for new projects.

The net funding reduction is comprised of the elimination of FY 2001 funding for six projects: E-Government Infrastructure ($2.5 million); Trenton Campus Fiber Optic Network ($500,000); 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). Those decreases are offset by funding for five new projects: Garden State Network Infrastructure ($3.8 million); Automated Document Factory ($1.2 million); Video Bridging System ($400,000); Statewide Voicemail Expansion ($700,000) and Automated Cartridge System Upgrade ($800,000). Funding was requested, but not recommended for HUB Facilities Upgrade ($1.0 million).

OFFICE OF ADMINISTRATIVE LAW

Budget Item	Adj. Approp. FY 2001	Recomm. FY 2002	Dollar Change	Percent Change	Budget Page
General Fund, DSS Adjudication of Administrative Appeals	$4,328	$4,941	$613	14.2%	D-490

The Governor's budget recommends funding of $4.9 million in State funds for the Office of Administrative Law, an increase of $613,000 (8.1 percent). This increase is recommended to enable the OAL to reduce its current backlog of cases and process cases more expeditiously to meet federal or State mandated time frames through additional positions, including four judgeships.

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

Budget Item	Adj. Approp. FY 2001	Recomm. FY 2002	Dollar Change	Percent Change	Budget Page

STATE SUBSIDIES AND FINANCIAL AID

Grants-in-Aid: Homestead Property Tax Rebates for Homeowners and Tenants (PTRF)	$335,100	$343,100	$8,000	2.4%	D-492

The Governor's budget recommends $343.1 million, an increase of $8 million over the FY 2001 adjusted appropriation, for distributions to seniors, disabled and low-income homeowners and tenants under the Homestead Property Tax Rebate Program (P.L. 1990, c.61). According to the Budget in Brief, in FY 2002 this program will provide an estimated 1.3 million eligible homeowners with rebate checks averaging $468 while some 125,000 eligible renters will receive checks averaging $463. Moreover, pursuant to the New Jersey SAVER and Homestead Rebate Act (P.L. 1999, c.63), approximately 650,000 non senior/non disabled renters with incomes of $100,000 or less will receive rebates averaging $60 in FY 2002.

Grants-in-Aid: New Jersey Earned Income Tax Credit	$45,000	$70,000	$25,000	55.6%	D-492

A $70 million appropriation is recommended for the New Jersey Earned Income Tax Credit (EITC), an increase of $25 million over the current adjusted funding level. This appropriation represents the second year of a four year phase-in of the program which provides a tax credit for low and moderate income working families based on the federal earned income tax credit program. The FY 2002 appropriation increases the value of the EITC from 10 to 15 percent of the federal credit.

Grants-in-Aid: NJ SAVER Program (PTRF)	$336,689	$607,428	$270,739	80.4%	D-492

The Governor's budget recommends $607.4 million for the New Jersey School Assessment Valuation Exemption Relief (NJ SAVER) program, an increase of $270.7 million over the FY 2001 appropriation of $336.7 million. NJ SAVER was enacted pursuant to P.L. 1999, c. 63 to provide an estimated 1.9 million homeowners with direct relief equal to a portion of the school taxes paid on the assessed value of eligible primary residences. Originally intended to be phased-in over a five year period, the recommended FY 2002 increase represents the third year of the phase-in ($120.7 million) plus an additional $150 million to accelerate the program by one year. According to the Budget in Brief, the estimated average payment in FY 2002 will be $480, up from $240 in FY 2001.

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

Budget Item	Adj. Approp. FY 2001	Recomm. FY 2002	Dollar Change	Percent Change	Budget Page
State Aid: County Tax Board Members	$1,049	$1,349	$300	28.6%	D-493

According to the Office of Management and Budget, the recommended appropriation is necessary to provide sufficient funding to cover the costs associated with county tax board members. Counties receive a reimbursement from the State for these costs which increased in calendar year 2000.

Budget Item	Adj. Approp. FY 2001	Recomm. FY 2002	Dollar Change	Percent Change	Budget Page
State Aid: South Jersey Port Corporation Debt Service Reserve Fund	$4,375	$4,375	$0	0.0%	D-493
South Jersey Port Corporation Property Tax Reserve Fund	$6,000	$2,000	($4,000)	(66.7)%	D-493
South Jersey Port Corporation Tugboat Access	$500	$0	($500)	(100.0)%	D-493
South Jersey Port Corporation Total	$10,875	$6,375	($4,500)	(41.4)%	

The South Jersey Port Corporation is recommended to receive a total of $6.4 million in FY 2002 for a Debt Service Reserve Fund ($4.4 million) and for a Property Tax Reserve Fund ($2.0 million). The latter is reduced by $4.0 million from the FY 2001 adjusted appropriation which provided for a retroactive payment-in-lieu-of-taxes (PILOT) to the City of Camden. The continuing PILOT payment will be $2.0 million. The Governor's budget eliminates a one-time appropriation of $500,000 for tugboat access which was provided in FY2001 to remediate a hazardous situation and prevent accidents involving commercial transport vessels. This item was added to the FY 2001 appropriations act by the Legislature.

Budget Item	Adj. Approp. FY 2001	Recomm. FY 2002	Dollar Change	Percent Change	Budget Page
State Aid: School Construction and Renovation Fund	$129,911	$181,993	$52,082	40.1%	D-493

A total of $182.0 million is recommended for the School Construction and Renovation Fund, an increase of $52.1 million (40.1 percent) over the FY 2000 adjusted appropriation. This increase reflects scheduled funding growth as provided under the Educational Facilities Construction and Financing Act, P.L. 2000, c.72. According to the Budget in Brief, this $182.0 million includes $65 million from the tobacco settlement, $50 million from dedicated cigarette tax revenues, $62 million from State lottery proceeds and $5 million from the fund for free public schools. An additional $60.7 million will be available from balances in the prior year.

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

Budget Item	Adj. Approp. FY 2001	Recomm. FY 2002	Dollar Change	Percent Change	Budget Page
State Aid: Special Aid to Maurice River Township	$230	$0	($230)	(100.0)%	D-493

The Governor's Budget does not recommend continued funding for Special Aid to Maurice River Township. This appropriation provided additional funding for the township to address the increase in support services required as a result in the growth in the population at the Southern State Prison.

Budget Item	Adj. Approp. FY 2001	Recomm. FY 2002	Dollar Change	Percent Change	Budget Page
State Aid: Pinelands Area Municipality Aid (PTRF)	$776	$0	($776)	(100.0)%	D-493

The Legislature has added this line-item to the appropriations act every year since FY 1996. As in prior years, this appropriation is not recommended for continuation in the Governor's budget. Pursuant to budget language, this appropriation is distributed as additional state aid to municipalities that have at least 50% of their land in one or more land conservation designations. These municipalities include: Estelle Manor City, Mullica Township, Weymouth Township, Bass River Township, Washington Township, Woodland Township and Maurice River.

Budget Item	Adj. Approp. FY 2001	Recomm. FY 2002	Dollar Change	Percent Change	Budget Page
State Aid: Business Personal Property Tax Depreciation Adjustment	$33,861	$0	($33,861)	(100.0)%	D-493

The Business Personal Property Tax Deduction program has been reallocated to the Department of Community Affairs for FY 2002 and placed within the Consolidated Municipal Property Tax Relief (CMPTR) program. These funds will be distributed to certain municipalities to replace property tax revenues lost due to a change in the way Verizon (formerly Bell Atlantic) calculates its property values. However, the budget recommendation would reduce the funding level for the program from $33.9 million to $13.1 million and restrict the availability of the replacement revenues to certain municipalities. See footnote language, page D-60.

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

Budget Item	Adj. Approp. FY 2001	Recomm. FY 2002	Dollar Change	Percent Change	Budget Page
State Aid: Solid Waste Management - County Environmental Investment Debt Service Aid	$33,000	$0	($33,000)	(100.0)%	D-493

The Governor's budget continues funding for Solid Waste Management - County Environmental Investment Debt Service Aid; however this appropriation has been transferred to the Interdepartmental accounts. These funds, recommended to be increased from $33 million in FY 2001 to $54 million in FY 2002, are to assist counties in meeting debt service requirements for solid waste investments (primarily stranded costs of incineration construction). The $54 million is for debt service aid to the Economic Development Authority to refinance solid waste debt, pursuant to pending legislation.

Budget Item	Adj. Approp. FY 2001	Recomm. FY 2002	Dollar Change	Percent Change	Budget Page
Property Tax Relief Fund-State Aid: Reimbursement to Municipalities - Senior and Disabled Citizens' Tax Exemptions	$14,459	$28,339	$13,880	96.0%	D-493
Casino Revenue Fund-State Aid: Reimbursement to Municipalities - Senior and Disabled Citizens' Tax Exemptions	$17,180	$0	($17,180)	(100.0)%	D-493
Total, Reimbursement to Municipalities - Senior and Disabled Citizens' Tax Exemptions	$31,639	$28,339	($3,300)	(10.4)%	

The Governor's budget recommends a total of $28.3 million in State aid payments from the Property Tax Relief Fund to reimburse municipalities for senior and disabled citizens' property tax exemptions. This represents a $3.3 million (10 percent) decrease from the total FY 2001 adjusted appropriation of $31.6 million.

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

Budget Item	Adj. Approp. FY 2001	Recomm. FY 2002	Dollar Change	Percent Change	Budget Page
Property Tax Relief Fund - State Aid: State Reimbursement for Veterans' Property Tax Exemptions	$35,039	$53,039	$18,000	51.4%	D-494

The Governor's budget recommends $53 million in State aid payments from the Property Tax Relief Fund to reimburse municipalities for veteran's property tax exemptions. The recommended appropriation reflects an increase of $18 million (50 percent) over the FY 2001 adjusted appropriation and provides for a $50 increase in the current deduction from $100 to $150. As approved by the voters in November 1999, the veterans' property tax deduction will continue to grow by $50 annually until 2004, at which point the total annual will equal $250.

Budget Item	Adj. Approp. FY 2001	Recomm. FY 2002	Dollar Change	Percent Change	Budget Page
General Fund-State Aid: Debt Service on Pension Obligation Bonds	$6,539	$11,382	$4,843	74.1%	D-494

The Governor's budget recommends $11.4 million from the Property Tax Relief Fund for Debt Service on Pension Obligation Bonds attributable to the Consolidated Police and Firemen's Retirement program. This represents a $4.8 million, or 74.1 percent increase from the FY 2001 adjusted appropriation. Additional appropriations for Debt Service on Pension Obligation Bonds are located in the Interdepartmental Accounts section of the Governor's budget.

Budget Item	Adj. Approp. FY 2001	Recomm. FY 2002	Dollar Change	Percent Change	Budget Page
Property Tax Relief Fund-State Aid: Police and Firemen's Retirement System, Health Benefits	$5,729	$10,470	$4,741	82.8%	D-494

The Governor's budget recommends $10.5 million from the Property Tax Relief Fund for Police and Firemen's Retirement System (PFRS), Health Benefits, a $4.7 million increase over the FY 2001 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.

Budget Item	Adj. Approp. FY 2001	Recomm. FY 2002	Dollar Change	Percent Change	Budget Page
Property Tax Relief Fund-State Aid: Police and Firemen's Retirement System	$626	$0	($626)	(100.0)%	D-494

The Governor's budget does not recommend any funds for the Police and Firemen's Retirement

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

Budget Item	Adj. Approp. FY 2001	Recomm. FY 2002	Dollar Change	Percent Change	Budget Page

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. According to the department, the normal contribution of $64.6 million is to be funded from excess valuation assets.

MANAGEMENT AND ADMINISTRATION

OFFICE OF THE TREASURER

Budget Item	Adj. Approp. FY 2001	Recomm. FY 2002	Dollar Change	Percent Change	Budget Page
General Fund-DSS Administration and Support Services	$9,745	$19,191	$9,446	96.9%	D-497

The Governor's Budget recommends $19.2 million for the Treasurer's Office which reflects an increase of $9.4 million. This increase is largely attributable to a $9.0 million appropriation for vendor costs associated with the Integrated Financial and Administrative Suite Project (IFAAS). (See below.)

Budget Item	Adj. Approp. FY 2001	Recomm. FY 2002	Dollar Change	Percent Change	Budget Page
General Fund-DSS Special Purpose: Integrated Financial and Administrative Suite	$0	$9,000	$9,000	—	D-447

The Governor's Budget recommends a new Special Purpose appropriation of $9.0 million for vendor costs associated with the Integrated Financial and Administrative Suite Project (IFAAS). According to the Request for Proposal for this project, the State wants to implement an integrated suite of software, based on state-of-the-art systems, to replace its major central applications, including: Planning and Budgeting, Financial Processing, Human Resources and Payroll, Purchasing and Contract Management, and Availability and Access to Information. The recommended funding represents a portion of first-year costs for this multi-year project. Total project costs have not yet been determined.

Budget Item	Adj. Approp. FY 2001	Recomm. FY 2002	Dollar Change	Percent Change	Budget Page
Debt Service	$408,522	$423,323	$14,801	3.6%	D-498

The Governor's budget for the department includes $423.3 million for Debt Service on general obligation bonds. This represents a $14.8 million, or 3.6 percent, increase over the FY 2001 adjusted appropriation.

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

Budget Item	Adj. Approp. FY 2001	Recomm. FY 2002	Dollar Change	Percent Change	Budget Page
All Other Funds: Administration and Support Services	$24,572	$29,219	$4,647	18.9%	D-498

An appropriation of $29.2 million from Other Funds is recommended for Administrative and Support Services, including $15.8 million from the Economic Recovery Fund, $700,000 for public finance activities and $12.7 million in anticipated revenue from the Drug Enforcement and Demand Reduction Fund (DEDR).

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 GOVERNMENT SERVICES

OFFICE OF INFORMATION TECHNOLOGY

Budget Item	Adj. Approp. FY 2001	Recomm. FY 2002	Dollar Change	Percent Change	Budget Page
Revolving Funds: Office of Information Technology (OIT)	$101,761	$110,179	$8,418	8.3%	G-7

The Governor's budget recommends $110.2 million for the Office of Information Technology (OIT). This represents an $8.4 million (8.3 percent) increase over the FY 2001 adjusted appropriation. Of this amount, $1.4 million is provided for contractual salary increases and related services and $5.6 million is attributable to Services Other than Personal.

Budget Item	Adj. Approp. FY 2001	Recomm. FY 2002	Dollar Change	Percent Change	Budget Page
Revolving Funds: State Central Motor Pool	$17,254	$18,627	$1,373	8.0%	G-8

The Governor's budget recommends $18.6 million for the State Central Motor Pool, a $1.3 million (8.0 percent) increase over the FY 2001 adjusted appropriation. Of this amount, $473,000 is attributable to Salaries and Wages and $900,000 for Materials and Supplies.

Language Provisions

2001 Appropriations Handbook	2002 Budget Recommendations
	D-482
No comparable language.	The unexpended balances as of June 30, 2001 in the Revenue Management System account are appropriated.

Explanation

The Revenue Management System initiative was begun as an Interdepartmental project in FY 1999 to procure a centralized automated revenue interface system for the Division of Revenue. In each fiscal year since, this item has been funded through an annual Special Purpose appropriation. According to the Office of Management and Budget, however, no new funding is recommended for FY 2002. The funds expended thus far have been for the research, preparation and issuance of the Request for Proposal issued on March 8, 1999. Implementation of the project is expected to begin phasing-in during June 2001, with full implementation in December 2001. Final project costs will depend on the vendor chosen for the project.

In FY 1999, $5 million was appropriated in the Interdepartmental accounts for this purpose. An additional $2.5 million was appropriated to the Division of Revenue in both FY 2000 and FY 2001. To date, $1.6 million has been expended and $8.4 million has been encumbered.

2001 Appropriations Handbook	2002 Budget Recommendations
B-205	D-482
Receipts in excess of those anticipated from the over-the-counter surcharges are appropriated to meet the costs of the <u>Bureau of Commercial Recording</u>, subject to the approval of the Director of the Division of Budget and Accounting.	Receipts in excess of those anticipated from the over-the-counter surcharges are appropriated to meet the costs of the <u>Division of Revenue's commercial recording function</u>, subject to the approval of the Director of the Division of Budget and Accounting.

Explanation

The FY 2002 language reflects the elimination of the Bureau of Commercial Recording. In FY 1999, the Division of Commercial Recording along with the wage reporting activities of the Temporary Disability Insurance Program were reassigned from the Department of State and the Department of Labor, respectively, to the Division of Revenue. The impetus for consolidating these programs into the Division of Revenue was to facilitate commercial businesses' interaction with State government.

Language Provisions (Cont'd)

2001 Appropriations Handbook	2002 Budget Recommendations
B-208 There are available from the savings in property rental accounts derived from warehouse space consolidation and elimination, such sums as may be required to implement and administer the warehouse space utilization program in the Division of Property Management and Construction, subject to the approval of the Director of the Division of Budget and Accounting.	No comparable language.

Explanation

According to the Office of Management and Budget, this language is not recommended to continue in FY 2002 as minimal savings were realized as a result of warehouse consolidation.

2001 Appropriations Handbook	2002 Budget Recommendations
B-209 Notwithstanding any law to the contrary, there are appropriated out of receipts derived from the pre-qualification service fees billed to contractors, architects, engineers, and professionals sufficient sums for expenses related to the administration of pre-qualification activities undertaken by the Division of Property Management and Construction.	No comparable language.

Explanation

The Division of Property Management and Construction operates as a revolving fund with fees charged to user agencies for architectural, engineering and supervisory expertise in the construction and renovation of State buildings. However, in FY 1999 receipts to this program were expected to fall short of what was needed to support administrative costs due to the postponement or cancellation of a number of capital construction projects. The FY 2001 language was inserted into the budget because it was anticipated that a new "pre-qualification" fee would be instituted to generate additional revenues. However, this fee was never adopted and the language is not recommended to be continued in FY 2002.

Language Provisions (Cont'd)

2001 Appropriations Handbook	2002 Budget Recommendations
B-209	D-488
The unexpended balances in excess of $200,000 in the Management of the DEP Properties account as of June 30, 2000 are appropriated for the same purpose.	The unexpended balances in excess of $300,000 in the Management of the DEP Properties account as of June 30, 2001 are appropriated for the same purpose.

Explanation

In FY 1994, the Department of the Treasury took over the management of approximately 100 properties owned by the Department of Environmental Protection. Receipts from the rental of these properties are used to maintain them. The language recommended for FY 2002 would increase the amount retained as General Fund revenue by $100,000 to $300,000 due to the accumulation of revenues in this account.

2001 Appropriations Handbook	2002 Budget Recommendations
B-209	D-488
The amount hereinabove for the Land Use Regulation Specialists Fees account is to be expended solely for the purchase of expert witness services related to the State's defense against inverse condemnation claims of the Land Use Regulation program.	There are appropriated such additional sums as may be necessary for the purchase of expert witness services related to the State's defense against inverse condemnation claims of the Land Use Regulation program.

Explanation

The proposed language change reflects the elimination of the current $250,000 Special Purpose appropriation for Land Use Regulation Specialists. According to the Office of Management and Budget, the Governor recommends elimination of this line-item as it has been underutilized in recent years. In FY 2000, of a $250,000 appropriation, $17,190 was spent, while $48,215 has been spent to date in FY 2001. The proposed language authorizes such sums as may be necessary for these professional services as needed in FY 2002.

Language Provisions (Cont'd)

2001 Appropriations Handbook	2002 Budget Recommendations
	D-488
No comparable language.	In addition to the amounts hereinabove, there is appropriated an amount, not to exceed \$12,000,000, for the re-engineering of the pension and health benefits computer systems as referenced in the Division of Pensions and Benefits organizational study, provided that such appropriations shall be reimbursed to the General Fund from the resources available to the various pension funds.

Explanation

The proposed budget language would appropriate an amount not to exceed \$12 million for a "re-engineering of the pension and health benefits computer systems as referenced in the Division of Pensions and Benefits organizational study," subject to reimbursement of the General Fund by pension fund resources. The Office of Management and Budget has indicated that this language appropriation represents the first installment of a multi-year appropriation which is expected to total some \$50 million to \$60 million.

2001 Appropriations Handbook	2002 Budget Recommendations
	D-488
No comparable language.	The unexpended balance in the Gubernatorial Transition - Governor of June 30, 2001 is appropriated for the same purpose, provided however, that not withstanding the provisions of section 4 of P.L.1969, c.213 (C.52:15A-4), this appropriation and the services and facilities authorized shall continue to be available to the former Governor for a period not to exceed one year from the date of the expiration of the term of office.

Explanation

The FY 2002 language would permit funds made available for the gubernatorial transition, following Governor Whitman's resignation, to be carried forward for the same purpose and remain available for a period not to exceed one year from the date of expiration of the Acting Governor's term of office. In FY 2001, \$250,000 was transferred from the Governor's Contingency Fund of which \$150,470 is uncommitted. (The Budget also recommends the appropriation of an additional \$800,000 for transition related expenses for the current Governor, Governor-Elect and Inaugural Commission in FY 2002.)

Language Provisions (Cont'd)

2001 Appropriations Handbook	2002 Budget Recommendations
B-211	D-495
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.	Of the amount hereinabove for School Construction and Renovation, $5,000,000 of the total earnings of investments of the School Fund shall first be charged to such fund.

Explanation

The proposed FY 2002 language increases from $4.5 million to $5.0 million the amount charged to the School Fund for School Construction and Renovation.

The School Fund is established in Article VIII, Section IV of the State Constitution for the support of free public education. Only the income of the fund may be annually appropriated for the support of education. Companion language recommended on page D-141 of the Governor's FY 2002 budget provides that from earnings of the School Fund an amount is to be allocated first for School Construction and Renovation.

2001 Appropriations Handbook	2002 Budget Recommendations
B-211	D-495
In addition to the amount hereinabove for 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 director and the Commissioner of Education shall provide a detailed report of the expenditure of these amounts to the Governor and the President of the Senate and the Speaker of the General Assembly.	Of the amount hereinabove appropriated to the School Construction and Renovation Fund, such sums as are necessary for the administrative, insurance, operating and other expenses of the New Jersey Economic Development Authority for implementation of the provisions of P.L.2000, c.72 (C.18A:7G-1 et al.), are available for use, subject to the approval of the Director of the Division of Budget and Accounting.

Explanation

The FY 2001 language authorized the appropriation of up to $10 million for the School Construction and Renovation Fund to provide for administrative costs anticipated as a result of pending school construction legislation. The recommended FY 2002 language would provide additional sums as necessary for administrative, insurance, operating and other expenses and reflects the subsequent enactment of P.L.2000, c.72 (C.18A:7G-9), "The Educational Facilities Construction and Funding Act," P.L.2000, c.72.

Language Provisions (Cont'd)

2001 Appropriations Handbook	2002 Budget Recommendations
	D-495 Of the amount hereinabove appropriated to the School Construction and Renovation Fund, such sums as are required for payment of retroactive debt service in accordance with section 9 of P.L.2000, c.72 (C.18A:7G-9), may be transferred to the Department of Education to make such payments to eligible school districts.

Explanation

Section 9 of P.L.2000, c.72 (C.18A:7G-9), "The Educational Facilities Construction and Funding Act," includes provisions to grandfather in certain school facilities projects which were approved prior to the bill's effective date. The proposed FY 2002 language allows such sums as are required to pay retroactive debt service pursuant to section 9 of the act to be transferred to the Department of Education from the recommended FY 2002 appropriation to the School Construction and Renovation Fund. The Governor recommends a total of $182.0 million for this fund in FY 2002, an increase of $52.1 million (40.1 percent) over the FY 2001 adjusted appropriation.

2001 Appropriations Handbook	2002 Budget Recommendations
	D-495
No comparable language.	In addition to the sum hereinabove appropriated to make payments under the contracts authorized pursuant to section 18 of P.L.2000, c.72 (C.18A:7G-18), there are hereby appropriated such other sums as the Director of the Division of Budget and Accounting shall determine are required to pay all amounts due from the State pursuant to such contracts.

Section 18 of P.L.2000, c.72 (C.18A:7G-9), "The Educational Facilities Construction and Funding Act," authorizes the State Treasurer and the New Jersey Economic Development Authority to enter into one or more contracts to provide payment to the authority from the General Fund in an amount equal to the annual debt service of school facilities projects. The recommended FY 2002 language appropriates such additional sums as are necessary for this purpose in FY 2002.

Language Provisions (Cont'd)

2001 Appropriations Handbook	2002 Budget Recommendations
	D-495
No comparable language.	In addition to the funds appropriated to the Department of Treasury for the School Construction and Renovation Fund, it is anticipated that federal revenues may be available to supplement that appropriation for health and safety projects in eligible school districts and any such federal funds received are appropriated for the same purpose. Nothing herein shall affect the ability to expend monies on the School Construction and Renovation Fund for the purposes for which they were appropriated.

Explanation

The Governor's FY 2002 Budget recommendation for the Department of Education (page D-155) includes a $24.3 million appropriation from the federal Facilities Planning and School Building Aid grant program. Of these new federal grant monies, 75 percent is for urgent and necessary facilities repairs and the remaining 25 percent is for facilities projects authorized under the federal "Individual with Disabilities Education Act" (IDEA). The Governor's budget anticipates that these federal monies will be available to supplement certain projects funded from the School Construction and Renovation Fund pursuant to P.L.2000, c.72 (C.18A:7G-9), "The Educational Facilities Construction and Funding Act." The FY 2002 language is recommended to insure that program restrictions imposed under the federal grant will not impact the provisions or intent of P.L.2000, c.72.

2001 Appropriations Handbook	2002 Budget Recommendations
B-211	
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 the amount allocated to them in fiscal year 2000 for this purpose: Estelle Manor City, Mullica Township, Weymouth Township, Bass River Township, Washington Township, Woodland Township, and Maurice River Township.	No comparable language.

Language Provisions (Cont'd)

Explanation

This language was added to the FY 2001 appropriations act by the Legislature to accompany a $776,000 Special Purpose appropriation for Pinelands Area Municipality Aid. The Legislature has added this item to provide additional state aid to the specified municipalities in every appropriations act since FY 1996. As an appropriation is not recommended for this purpose in FY 2002, the Governor's budget does not recommend continuation of the language.

2001 Appropriations Handbook	2002 Budget Recommendations
B-212	D-60
The amount appropriated hereinabove for the Business Personal Property Tax Depreciation Adjustment shall be allocated to municipalities that would receive less tax revenues from business personal property tax reported by local exchange telephone companies under the new tax depreciation method used by the companies than the municipalities would have received if the companies used the prior method of calculating depreciation of business personal property. For the purpose of allocating the State aid appropriation to each affected municipality, each municipality shall be allocated the amount as certified by the Director of the Division of Local Government Services to municipalities in January, 2000 in the Municipal State Aid certifications.	See Department of Community Affairs.

Explanation

The Business Personal Property Tax Deduction program has been reallocated to the Department of Community Affairs for FY 2002 and placed within the Consolidated Municipal Property Tax Relief (CMPTR) program. These funds will be distributed to certain municipalities to replace property tax revenues lost due to a change in the way Verizon (formerly Bell Atlantic) calculates its property values. However, the budget recommendation would reduce the funding level for the program from $33.9 million to $13.1 million and restrict the availability of the replacement revenues to certain municipalities.

Language Provisions (Cont'd)

2001 Appropriations Handbook	2002 Budget Recommendations
B-212	
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, 2000 in this account, is appropriated to subsidize county and county authority debt service payments for environmental investments incurred as of June 30, 1997, pursuant to the "Solid Waste Management Act," P.L.1970, c.39 (C.13:1E-1 et seq.) and the "Solid Waste Utility Control Act," P.L.1970, c.40 (C.48:13A-1 et seq.) 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 county authority, the State Treasurer shall notify and obtain the approval of the Joint Budget Oversight Committee of the amount and recipient of each distribution and shall also notify the committee of the progress of each county and county authority in implementing the audit recommendations.	See Interdepartmental Accounts D-517.

Language Provisions (Cont'd)

Explanation

The Governor's budget continues funding for Solid Waste Management - County Environmental Investment Debt Service Aid; however the display and accompanying language for this appropriation have been transferred to the Interdepartmental accounts. These funds, which are recommended to be increased from $33 million in FY 2001 to $54 million in FY 2002, assist counties in meeting debt service requirements for solid waste investments (primarily stranded costs of incinerator construction). The $54 million would be appropriated to the Economic Development Authority (EDA) to pay debt service on bonds issued by the EDA to refinance county solid waste debt, pursuant to pending legislation.

2001 Appropriations Handbook	2002 Budget Recommendations
	D-494
	Notwithstanding the provisions of section 4 of P.L.1999, c.63 (C.54:4-8.58b), the amount hereinabove for the NJ SAVER program includes $150,000,000 to accelerate payments to homeowners due in year four of the statutory phase-in.

Explanation

The New Jersey School Assessment Valuation Exemption Relief (NJ SAVER) program was enacted pursuant to P.L. 1999, c. 63 to provide an estimated 1.9 million homeowners with direct relief equal to a portion of the school taxes paid on the assessed value of eligible primary residences. Originally intended to be phased-in over a five year period, the recommended FY 2002 budget includes an additional $150 million to accelerate the program by one year. The proposed FY 2002 language would facilitate the accelerated phase-in of this program.

2001 Appropriations Handbook	2002 Budget Recommendations
	D-495
There is appropriated $750,000,000 from the "Energy Tax Receipts Property Tax Relief Fund" pursuant to P.L.1997, c.167 (C.52:27D-438 et seq.).	There is appropriated $755,000,000 from the "Energy Tax Receipts Property Tax Relief Fund" pursuant to P.L.1997, c.167 (C.52:27D-438 et seq.).

Explanation

The Energy Tax Receipts Property Tax Relief Act (P.L.1997, c.167) replaced the method of distributing certain funds to municipalities from the State's taxation of regulated gas and electric

Language Provisions (Cont'd)

utilities, as well as, water and sewer utilities and certain telecommunications companies. Pursuant to P.L. 1997, c. 167, municipalities were guaranteed to receive an annual State aid distribution of $745 million in FY 1999, an amount which was scheduled to grow incrementally until FY 2002 when it is scheduled to level off at $755 million. The Governor's budget recommends that $755 million be distributed in FY 2002.

This new system of taxation replaced the system of franchise and gross receipts taxes paid by these utilities prior to January 1, 1998.

2001 Appropriations Handbook	2002 Budget Recommendations
	D-498 The unexpended balances in the Integrated Financial and Administrative Suite account as of June 30, 2001 are appropriated for the same purpose.

Explanation

The recommended language authorizes unexpended FY 2001 balances in the Integrated Financial and Administrative Suite (IFAAS) account to the carried forward into FY 2002. Treasury transferred $3.3 million into this account in FY 2001 to provide for the costs incurred in issuing the Request for Proposal (RFP) for IFAAS. According to the RFP, the State wants to implement an integrated suite of software, based on state-of-the-art systems, to replace its major central applications, including: Planning and Budgeting, Financial Processing, Human Resources and Payroll, Purchasing and Contract Management, and Availability and Access to Information.

In addition to the language, the FY 2002 budget recommends a $9.0 million appropriation for vendor costs associated with the Integrated Financial and Administrative Suite Project (IFAAS).

2001 Appropriations Handbook	2002 Budget Recommendations
	D-498
There is appropriated from investment earnings of State funds a sum, not to exceed $640,000, for public finance activities.	There is appropriated from investment earnings of State funds a sum, not to exceed $700,000, for public finance activities.

Language Provisions (Cont'd)

Explanation

The recommended budget language would increase the amount available from investment earnings for public finance activities from $640,000 to $700,000.

2001 Appropriations Handbook	2002 Budget Recommendations
B-213	
The unexpended balance as of June 30, 2000 in the Disabled Veteran's Property Tax Exemption: Retroactive Reimbursement account is appropriated.	No comparable language.
There is appropriated from the Property Tax Relief Fund such additional sums as may be required for the payment of claims that are now pending adjudication, attributable to disabled veterans' property tax exemption retroactive reimbursements, subject to the approval of the Director of the Division of Budget and Accounting.	

Explanation

The FY 2001 language is not continued in FY 2002 as the retroactive portion of this property tax exemption program has been concluded.

Pursuant to P.L. 1977, c.107 certain veterans who are determined to be 100 percent disabled and their widows are entitled to a total property tax exemption. In FY 1998, a $5.5 million appropriation from the Property Tax Relief Fund was approved to provide retroactive refunds to disabled veterans who had failed to claim the exemptions to which they were entitled under law. Veterans who mistakenly paid property taxes on their principal residences, because they were not aware that they qualified for local property tax exemptions, were able to obtain a refund from the State for the mistaken property tax payments for which they legally could have claimed an exemption. In December 1997, the State treasurer sent out a letter to all veterans listed with the Department of Veterans' Affairs in Washington, D.C. informing them that they were entitled to this benefit. The deadline for application was March 31, 1998. In early August 1998, a total of 394 claims for retroactive exemption on property taxes had been approved totaling $5.1 million.

Discussion Points

1. Federal law mandates that all 50 states purchase alternative fuel vehicles (AFVs) to reduce the nation's use of petroleum fuels and to improve air quality. Under the law, a certain percentage of states' new fleet purchases must be AFVs. In addition, Governor Whitman's Executive Order #94 requires the State to exceed the federally prescribed percentages by 5% beginning with the 1999 model year.

The State selected compressed natural gas (CNG) as its alternative fuel. As of July 2000, there were 1,100 AFVs in the State's fleet, including 1,000 duel-fuel vehicles (which operate on regular unleaded fuel or CNG) and 100 dedicated CNG law enforcement vehicles. Each of the AFVs cost an average of $5,000 more than conventional gasoline vehicles, costing the State approximately $5.5 million in incremental expenses to date.

According to an October 23, 2000 report by the State Auditor, 73% of the AFVs purchased had never used CNG due to a lack of fueling stations. *In addition, 28 State police alternative fuel cruisers had never been utilized.* A report issued by the U.S. General Accounting Office in February 2000 indicates that New Jersey faces the same obstacle as other states in which a lack of refueling infrastructure represents a major impediment to using alternative fuels.

The State Auditor's report noted that federal regulations provide for temporary relief for states facing obstacles in complying with the federal requirements, and recommended that New Jersey avail itself of relief options. In response to the State Auditor's recommendations, Treasury indicated that the State would reduce the number of AFVs purchased by 50% and focus on the Auditor's recommendations. Subsequently, however, the Purchase Bureau has gone ahead with an order for approximately 900 AFVs.

The Governor's budget recommendation includes a $2.5 million appropriation for Alternative Fuel Stations in the FY 2002 Interdepartmental accounts.

! *Question:* Given the State Auditor's findings and recommendations, why has the Purchase Bureau initiated an order for additional AFVs? What is the status of the order? Is it possible to postpone, cancel or reduce the order at this juncture? Will or has the Treasury considered seeking temporary relief under the federal program, and if not, why not? Has or will Treasury seek to utilize the 200 "AFV credits" the State has accumulated under the federal program to offset federal purchase requirements?

Please describe the State's plan for additional alternative fuel stations, including: time frame for completion, locations of stations, total costs, and expectations regarding the degree to which these stations will alleviate the underutilization of the AFV fleet.

Please provide a detailed record, by fiscal year, of the AFV program since inception, including number of vehicles purchased, program expenditures, and assignment of vehicles by agency or governmental entity. Please outline what changes, if any, Treasury might implement with respect to this program so that the purchase of additional AFVs is coordinated with the availability of alternative fuel stations to ensure full utilization of the AFV fleet.

2. Proposed budget language (page D-488) would appropriate an amount not to exceed $12 million for a "re-engineering of the pension and health benefits computer systems as referenced in the Division of Pensions and Benefits organizational study," subject to reimbursement of the General Fund by pension fund resources.

Discussion Points (Cont'd)

The Office of Management and Budget has indicated that this language appropriation represents the first installment of a multi-year appropriation which is expected to total some $50 million to $60 million.

! *Question:* Please provide a copy of the organizational study referenced in the proposed language as well as any Requests for Proposal (RFPs) that have been issued. Please provide a detailed summary of the purpose and scope of the proposed "re-engineering" project, including total costs and time frame for completion. Have any expenditures been incurred for this project to date? What are the implications for either the division and/or its programs should the proposed language not be approved by the Legislature?

3. As in prior fiscal years, the budget recommendation proposes a reduction in funding for certain programs which, according to the Office of Management and Budget, can be attributed to the elimination of non-recurring costs. However by practice, certain non-recurring costs have been routinely eliminated as part of the annual Budget Recommendation, only to be funded by a supplemental appropriation authorized by budget language.

For example, the FY 2002 recommended budget for the Division of Revenue is $14.7 million less than the current FY 2001 adjusted appropriation, while recommended funding for the Division of Taxation (Taxation Services and Administration) is $2.5 million less than FY 2001. Of this apparent $17.2 million decrease, approximately $10.2 million is described by the Office of Management and Budget as attributable to costs which are non-recurring, with the caveat, however, that if the divisions can justify continuation of certain activities (specifically, debt collection and technology and IT system upgrades), the divisions may seek supplemental funding in FY 2002 as authorized through budget language.

! *Question:* For the last three fiscal years, and estimated for FY 2001 and FY 2002, please provide a descriptive summary of all departmental supplementals, by program. (For "recurring" supplemental appropriations, please display a single summary and the amounts appropriated by fiscal year.) Given the on going nature of certain activities/programs, particularly those of the Divisions of Revenue and Taxation identified above, would the department support including funding for these activities/programs "on budget" beginning in FY 2002? Please explain.

4. The budget recommends $19.2 million for Management and Administrative Services (Treasurer's Office), of which $9.0 million is allocated for vendor costs associated with the Integrated Financial and Administrative Suite Project (IFAAS). According to the Request for Proposal (RFP) for this project, the State is seeking to implement an integrated suite of software, based on state-of-the-art systems, to replace its major central applications, including: Planning and Budgeting, Financial Processing, Human Resources and Payroll, Purchasing and Contract Management, and Availability and Access to Information. The recommended funding represents a portion of first-year costs for this multi-year project. Total project costs have not yet been determined.

Subsequent to the publication of the budget recommendation, on April 2, 2001 the Treasurer's office included the $9 million appropriation for IFAAS in a list of proposed budget resolutions under the heading "unnecessary spending." According to this document, "Responses to the RFP appear to have been nonresponsive and will have to be rebid."

! *Question:* What is the current status of IFAAS? When does the department anticipate issuing a new RFP and what, if any, revisions will be made in the scope of the project to attract new bidders? What factors or conditions contributed to the lack of bidders on the

Discussion Points (Cont'd)

current RFP? What is the total estimated cost for IFAAS? How much has been expended on IFAAS to date? What are the implications for the existing application areas and their users if this project is significantly delayed or terminated?

5a. The budget recommendation indicates a transfer of $132 million from the Unclaimed Personal Property Trust Fund to the General Fund as State revenue. The amount transferred from this fund to the General Fund has risen dramatically in recent years: $46 million in FY 1999, $81 million in FY 2000, and $81 million in FY 2001 (estimated).

Moreover, subsequent to the publication of the budget recommendation, on April 2, 2001 the Treasurer indicated that in addition to the amounts noted above, "There is additional flexibility in the Unclaimed Property Fund that could be lapsed to the General Fund. While an additional $66 million is available to be lapsed, a smaller $10 million lapse is viewed as more reasonable. This small additional lapse would still allow a healthy balance."

Pursuant to N.J.S.A.46:30B-74, 75% of all funds received as unclaimed property presumed abandoned and deposited into the Unclaimed Personal Property Trust Fund are to be transferred to the General Fund, unless the fund administrator deems it prudent and advisable to do otherwise. The remaining portion, retained in the trust fund and administered and invested by the State Treasurer, is used to pay duly presented claims.

! *Question:* For the current fiscal year and projected for FY 2002, please provide a current schedule of revenues, expenditures, transfers and fund balance for the Unclaimed Personal Property Trust Fund. Please indicate for the previous five fiscal years, and projected for FY 2001 and FY 2002, what percentage of monies deposited into the fund have been transferred to the General Fund as State revenue. What will the estimated fund balance be if the additional $66 million "available to be lapsed" is transferred to the General Fund in FY 2001? FY 2002?

5b. Currently, the Division of Taxation's website allows individuals to search for unclaimed items that have a value of $50 or more and which have been reported to the fund administrator since November 1997. Possible sources of the funds are wage checks, bank accounts, and certificates of deposit, bonds or stocks, which have met the statutory abandonment criteria.

! *Question:* Does the division anticipate expanding the searchable web database to include unclaimed items reported prior to November 1997? How much (by dollars and percentage) of the Unclaimed Personal Property Trust Fund balance is attributable to unclaimed items reported prior to November 1997 compared to post November 1997? Has the division experienced an increase in unclaimed items related to mutual funds?

6. Although the Open Space Preservation Program and the statutory authority upon which it is based provides for up to $100 million in bonds to be issued annually (for 10 years) to help finance this initiative, the Garden State Preservation Trust has yet to issue any bonds for this purpose. A financing schedule provided to the Legislature during last year's budget hearings detailed a 10-year, $1 billion bonding program, with the issuance of between $59.0 million and $128.6 million in bonds in each of the 10 years between FY 2000 and FY 2009. This schedule indicated $108.0 million in bonds being issued in FY 2000 and $117.3 million issued in FY 2001.

! *Questions:* Please provide an updated 10-year and 30-year financing and an expenditure schedule for the Open Space Preservation Program using actual financing and

Discussion Points (Cont'd)

expenditure data from FY 2000 and FY 2001. Assuming that the updated schedule will differ from the schedule provided last year, please explain how the differences regarding the years in which bonds will be issued will affect projected debt service obligations during the 20-year (or beyond) debt service schedule.

To date, what has been the average price per acre (by type of property) paid by the Garden State Preservation Trust for land acquisition?

7. The Governor's FY 2002 budget recommends language that would transfer $9.5 million (page F-8) from certain Urban Enterprise Zone municipal accounts (including Bridgeton, $630,185; Camden, $637,659; Millville, $409,858; Newark, $3,976,276; Plainfield, $928,227; Trenton, $1,383,945; Vineland, $1,612,867) to the General Fund. According to the Department of the Treasury, these accounts were "over-reimbursed" under a prior language provision which entitled certain municipalities to be made whole for amounts transferred from the UEZ assistance fund to the General Fund as State revenue in FY 1995.

To effectuate the repayment of zones impacted by the FY 1995 transfer, Treasury calculated a revised schedule for distributing sales tax revenues between the affected municipalities and the State such that the statutorily defined schedule (which is applied to each zone individually, based on a zone's effective date) was "extended" to allow municipalities additional time to collect reduced sales tax revenues. Apparently, the adjusted schedules were implemented literally (i.e. by an estimated calendar date) without sufficient monitoring of the amount of revenue being distributed, resulting in some zones being overcompensated.

! *Question:* Please provide a financial analysis, *by zone and by calendar year*, which demonstrates how and when the overpayments occurred. For each zone, how will the proposed language impact or delay anticipated projects? Do the amounts indicated in the proposed language include interest? If yes, please indicate the amount of interest included by zone. Has Treasury notified the affected zones of its intention to recapture the amounts indicated? For each zone, please provide a schedule of the current uncommitted fund balance (as of April 30, 2001), the amount proposed for transfer, and the balance net of the transfer amount.

For each zone, please indicate whether its municipal zone authority concurs or disputes Treasury's calculations with respect to the estimated overpayments.

8. The FY 2002 budget contains an accelerated third 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) (P.L.1999, c.63). Under NJ SAVER, an estimated 1,500,000 homeowners receive checks equal to a portion of their school taxes paid on owner-occupied, primary residences. The benefit amount 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 (FY 2000), homeowners received one-fifth of this amount in the form of a direct rebate check, averaging about $120 per recipient. In 2000 (FY 2001), homeowners receive two-fifths of the full amount, or about $240 per recipient. Under the current FY 2002 budget proposal, the NJ SAVER's third year is to be accelerated to the fourth year average payment of about $480 per recipient.

! *Question:* Please provide in spreadsheet format, either electronically or via floppy disk, the total dollar amount paid annually by municipality since inception, and the number of

Discussion Points (Cont'd)

taxpayers receiving checks by municipality since inception.

9. 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.

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. For example, if a claimant's property taxes increased $50.00 in 1999 and another $60.00 in 2000, the claimant would be reimbursed $110.00 in 2000.

To date, the amount paid out under the program has been significantly less than originally anticipated. Specifically, of the $23.7 million appropriated for the first year of the program, FY 2000, only $3.9 million was expended. Moreover, for FY 2001, Treasury anticipates lapsing $5.2 million of the $10.6 million adjusted appropriation. (The proposed FY 2002 appropriation is $10.6 million.)

The OLS has previously noted that lack of participation in the program may be attributable to: confusion about the program; lack of understanding by eligible individuals that the benefit is cumulative; restrictive residency requirement; burdensome application procedure.

! *Question:* Given an additional year of experience with this program, to what does the department attribute the lack of participation by eligible individuals? What, if any, measures has the department taken to overcome the lack of participation, particularly with respect to simplifying the application process and promoting public awareness and understanding of the program? For FY 2000 and FY 2001, what was the average payment benefit amount and how many people participated compared to the estimates of the eligible population?

10. Forty-five states plus the District of Columbia impose a sales tax. The complexity of these very different tax systems and the loss of revenue to Internet and catalog sales has spurred states to participate in multi-state discussions on streamlining state and local sales tax systems. New Jersey is one of thirty-eight states currently involved in the Streamlined Sales Tax System (SSTS) Project, an effort by the National Governor's Association, the Federation of Tax Administrators and the Multi-State Tax Commission to simplify and modernize sales and use tax collections and administration. The project has resulted in model legislation which establishes the framework for a multi-state system as well as an accompanying agreement offering criteria for an interstate streamlined sales tax compact.

Both the SSTS Project and the National Conference of State Legislatures' Task Force on State and Local Taxation of Telecommunications and Electronic Commerce have recommended that participating states sign a Streamlined Sales and Use Tax Agreement and enact a "Uniform Sales and Use Tax Administration Act," which has been introduced and enacted in several participating states.

! *Question:* Does the Administration intend to pursue legislative action in order to begin the process in this State of implementing a simplified Sales and Use Tax collections system? Has the department done any preliminary studies to determine the impact on State revenues of implementing the SSTS model legislation?

Discussion Points (Cont'd)

11. The Department of the Treasury assesses the Board of Public Utilities for expenses related to rent, fringe benefits and other indirect costs. These costs, which are determined by Treasury, are deducted at the beginning of the fiscal year from utility industry revenues imposed for the support of the BPU.

According to the BPU, and confirmed by the State Auditor, the amount charged to the agency for the above specified items has been found to be in excess of actual expenditures. Specifically, a recent analysis performed by the State Auditor indicates that, in FY 2000, the BPU was overcharged a net of approximately $333,000 for rent and fringe benefits plus an indeterminate amount for other indirect costs. According to the analysis, it also appears that the amount assessed for indirect charges has remained unchanged since at least FY 1998.

! *Question:* For each of the last three fiscal years, FY 1998 through FY 2000, and estimated for FY 2001, please provide a reconciliation of the amounts charged to, and actually incurred by, the BPU for rent, fringe benefits and other indirect costs. (Please provide a detailed accounting of all indirect charges for those years.) If the department's analysis demonstrates that the BPU has been overcharged for certain items in prior fiscal years, will Treasury reimburse the BPU? If so, how and when will this reimbursement occur? Please indicate what adjustments, if any, Treasury will make to the amount it proposes to assess the BPU for these particular costs in FY 2002. Please explain the reason that the BPU and the Ratepayer Advocate's office are treated differently in that the latter pays its direct and indirect expenses as incurred rather than up-front based on Department of Treasury projections?

Background Paper: NJ SAVER and Direct Property Tax Relief Programs

Budget Pages.... D-492

INTRODUCTION

The FY 2002 budget contains an accelerated third installment on the State's major, direct, broad-based property tax relief program for individuals, "New Jersey School Assessment Valuation Exemption Relief" (NJ SAVER). The (accelerated) 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 nearly $1.3 billion in direct property tax relief in fiscal year 2002. 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 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 exceed $800 million per year, after a multi 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 receive two-fifths of the full amount, or about $240 per recipient. Under the current FY 2002 budget proposal, the NJ SAVER's third year is to be accelerated to the fourth year average payment of about $480 per recipient.

> 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 modified program, approximately 650,000 non-senior and non-disabled tenants with incomes up to $100,000 will receive a $100 Homestead Rebate. 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 the tax credit under the gross income tax were 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 the 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.

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

Homestead-owning taxpayers, who file a gross income tax return, may deduct property taxes paid up to $10,000 from their gross income. 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 entitled to one-half of the deduction. If the homestead serving as the principal residence is a dwelling house consisting of more than one unit, the taxpayer is allowed a deduction for property taxes only in relation to the proportionate share of the property taxes assessed and levied against the residential unit.

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

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 three years and OLS projections for the final two years. The display assumes the accelerated NJ SAVER amounts in the Executive budget proposal and that, due to the acceleration, the NJ SAVER will be fully phased-in by FY 2003, one year earlier than under current law.[1]

Figure A

Annual State Cost of the Three Major Direct Property Tax Relief Programs[1]
$ Millions

Program	CY 1999 FY 2000	CY 2000 FY 2001	CY 2001 FY 2002	CY 2002 FY 2003	CY 2003 FY 2004
Homestead Rebate	$330.7	$335.1	$343.1	$361.0	$374.0
NJ SAVER	$144.3	$336.7	$607.4	$810.0	$810.0
Property Tax Deduction	$286.0	$301.0	$316.0	$331.0	$346.0
Total	$761.0	$972.8	$1,266.5	$1,502.0	$1,530.0

[1] The Legislature is currently considering an additional modification to the NJ SAVER and the Homestead Rebate program (Senate Bill No's 1 and 4 SCS and Senate Bill No. 2) which would add an additional $150 million in property tax relief in FY 2002 according to OLS fiscal notes.

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

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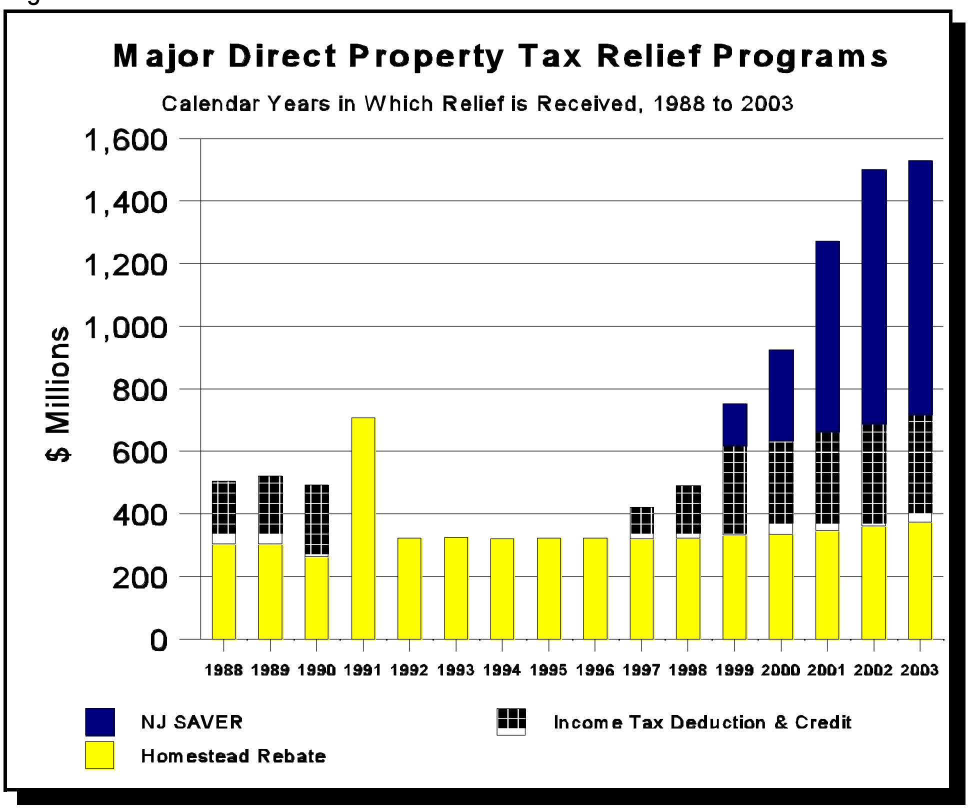
DIRECT PROPERTY TAX RELIEF TRENDS

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.[2] 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 $1.5 billion in 2002. 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

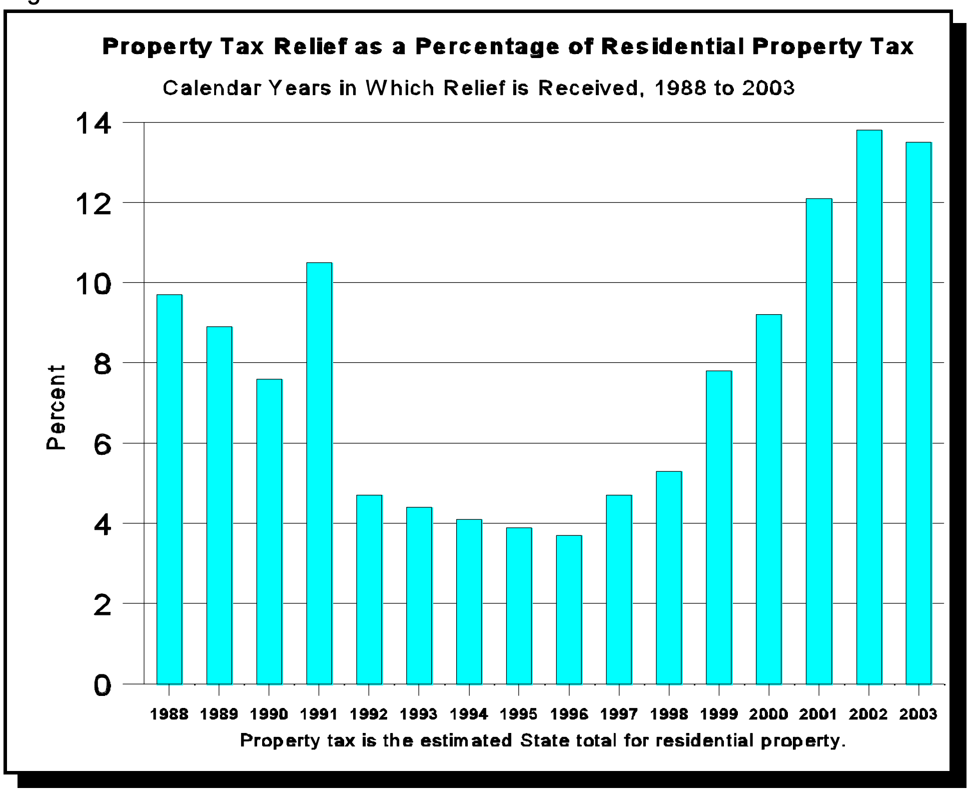


[2] Homestead Rebate, NJ SAVER and income tax deduction and credit amounts through 2001 are from the Division of Taxation. All figures for 2002 and 2003 are OLS estimates.

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.[3] 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.

Figure C



[3] 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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