

# ANALYSIS OF THE NEW JERSEY FISCAL YEAR 2002 - 2003 BUDGET



## DEPARTMENT OF THE TREASURY

PREPARED BY

OFFICE OF LEGISLATIVE SERVICES

NEW JERSEY LEGISLATURE

MAY 2002

# NEW JERSEY STATE LEGISLATURE

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This report was prepared by the Revenue, Finance and Appropriations Section of the Office of Legislative Services under the direction of the Legislative Budget and Finance Officer. The primary author was Donald S. Margeson with additional contributions by Catherine Z. Brennan.

Questions or comments may be directed to the OLS Revenue, Finance and Appropriations Section (Tel. 609 984-6798) or the Legislative Budget and Finance Office (Tel. 609 292-8030).

# DEPARTMENT OF THE TREASURY

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## Fiscal Summary (\$000)

|                | Expended<br>FY 2001 | Adjusted.<br>Appropriation<br>FY 2002 | Recommended<br>FY 2003 | Percent<br>Change<br>2002-03 |
|----------------|---------------------|---------------------------------------|------------------------|------------------------------|
| State Budgeted | \$2,017,123         | \$2,671,866                           | \$2,580,810            | (3.4)%                       |
| Federal Funds  | 3,598               | 4,076                                 | 4,076                  | 0.0%                         |
| <u>Other</u>   | <u>996,062</u>      | <u>1,015,402</u>                      | <u>1,015,225</u>       | <u>0.0%</u>                  |
| Grand Total    | \$3,016,783         | \$3,691,344                           | \$3,600,111            | (2.5)%                       |

## Personnel Summary - Positions By Funding Source

|                 | Actual<br>FY 2001 | Revised<br>FY 2002 | Funded<br>FY 2003 | Percent<br>Change<br>2002-03 |
|-----------------|-------------------|--------------------|-------------------|------------------------------|
| State           | 4,639             | 4,814              | 4,788             | (0.5)%                       |
| Federal         | 16                | 11                 | 20                | 81.8%                        |
| <u>Other</u>    | <u>1,738</u>      | <u>1,772</u>       | <u>1,796</u>      | <u>1.4%</u>                  |
| Total Positions | 6,393             | 6,597              | 6,604             | 0.1%                         |

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

## Introduction

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

The FY 2003 budget includes a number of agencies considered "in but not of" the

## Introduction (Cont'd.)

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 **Higher Education Student Assistance Authority** (HESAA, formerly the Higher Education Assistance Authority), 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. The Department of the Treasury's FY 2003 budget includes new funding for the **Public Advocate** in anticipation of the reestablishment of that agency as an Executive department through separate legislation.

A number of organizations were reassigned to the department in FY 1999. These organizations include 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 Economic Planning and Development Statewide program, the N.J. Commerce and Economic Growth Commission, the N.J. Commission on Science and Technology, the Board of Public Utilities and the Division of Ratepayer Advocate, and the Office of the 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 that 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 that the Department of the Treasury and its affiliated agencies will either use for its own operations or distribute to individuals, colleges or local governments in FY 2003. These funds represent a 2.5 percent decrease in resources compared with those available in FY 2002.
- 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 2003, a decrease of 3.4 percent below the FY 2002 adjusted appropriation.
- The Governor has recommended continuation funding of \$4.0 million in Federal Funds for FY 2003, unchanged from FY 2002. 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 2003, unchanged from FY 2002. 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

## Key Points (Cont'd)

- revolving funds. Included in the recommended amounts are proposed distributions of \$755 million in energy tax receipts and \$103.5 million in revolving funds for the Office of Information Technology (OIT).
- The recommended General Fund appropriation for the Department of the Treasury is \$1.2 billion, an overall decrease of 6.2 percent. The Governor's budget includes decreases in three categories of General Fund appropriations: Grants-in-Aid (reduced by \$22.4 million or 12.4 percent), State Aid (reduced by \$55.3 million or 19.1 percent), and Direct State Services (reduced by \$35.6 million or 8.5 percent), while increases are recommended for Debt Service (up \$29.2 million or 7.5 percent) and Capital Construction (up \$4.4 million or 400 percent).
  - Although the Governor's budget has recommended a decrease in funding for General Fund-Direct State Services from the current year adjusted appropriation of \$417 million to \$381 million in FY 2003, the Governor's budget, as in past years, includes language that permits the department to appropriate additional funds to a number of programs. In FY 2002, about \$22 million in additional appropriations were authorized by the Administration pursuant to this language.

## ECONOMIC REGULATION

- The Governor's budget recommends a continuation level of funding of \$27.9 million from all funds for the Economic Regulation program. This program class includes the Board of Public Utilities (BPU), budgeted at \$23.4 million, and the Ratepayer Advocacy Program, budgeted at \$4.5 million; both are funded by assessments levied on various utilities conducting business within the State. Further explanatory data for this program class are presented in a separate analysis, "The Board of Public Utilities and the Division of the Ratepayer Advocate."

## GOVERNMENTAL REVIEW AND OVERSIGHT

- The Governor's budget provides \$29.1 million from all sources for the Governmental Review and Oversight program, a net decrease of \$1.7 million or 5.4 percent. Under this program, various increases in funding for the Office of Management and Budget are offset by recommended reductions in funding for salary and wages (\$402,000), professionally contracted services (\$922,000) and the elimination of \$419,000 in supplemental funding for Independent Audits. Funding for Independent Audits is contained in recommended FY 2003 budget language.

## FINANCIAL ADMINISTRATION

- The amount recommended in FY 2003 for Taxation Services and Administration (Division of Taxation) from State funds is \$85.7 million, \$20 million (19 percent) less than the FY 2002 adjusted appropriation. This decrease reflects an \$8.5 million reduction in funding for the Property Assessment Management System (PAMS) as well as the elimination of supplemental appropriations for administration of the 2002 Tax Amnesty program (\$7.0 million) and debt collection services contracts (\$3.0 million). As in prior years, the Division

## Key Points (Cont'd)

of Taxation is authorized, through recommended budget language, to seek supplemental funding for certain ongoing activities as needed providing the division with resources beyond its direct appropriation.

- A sum of \$29.8 million in State funding is recommended for the Administration of State Revenues (Division of Revenue), a net reduction of \$12 million (29 percent) from the FY 2002 adjusted appropriation. This reduction largely reflects the elimination of FY 2002 supplemental appropriations, including \$8.5 million in State funds for collections activities, \$1.5 million for equipment and \$500,000 for wage reporting activities related to the State Temporary Disability Insurance program. As in past years, broad language is included in the FY 2003 Budget Recommendation to permit the appropriation of additional resources for the Division of Revenue without subsequent legislative involvement.

## GENERAL GOVERNMENT SERVICES

- A General Fund appropriation of \$468,000 is recommended for the administrative costs of the Garden State Preservation Trust (GSPT), a \$307,000 reduction from the current adjusted appropriation. This decrease reflects the elimination of a one-time appropriation for marketing expenses. 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) in (but not of) the Department of Agriculture, 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-517). These funds are available for acquisition and preservation projects through the GSPT.

## OFFICE OF ADMINISTRATIVE LAW

- The Governor's budget recommends funding of \$8.3 million in State and other funds for the Adjudication of Administrative Appeals program (Office of Administrative Law), a decrease of \$228,000 (2.7 percent). This decrease is largely attributable to a reduction in funding (\$215,000) for the hiring of temporary administrative law judges; however, the recommended budget includes funding for the hiring of eight additional judges to enable the OAL to reduce its current backlog of cases and process cases more expeditiously to meet federal or State mandated time frames. These eight positions would supplement the four additional judgeships anticipated in the current budget. Funding for the OAL includes a General Fund appropriation of \$5.4 million and \$2.9 million in other funds, primarily from judicial hearing receipts.

## STATE SUBSIDIES AND FINANCIAL AID: GRANTS-IN-AID

- The Governor's FY 2003 budget recommends \$1.2 billion in Grants-In-Aid from the Property Tax Relief Fund for Direct Tax Relief and Homestead Rebate programs. This amount is unchanged from the FY 2002 adjusted appropriation. Details of these programs follow.

## Key Points (Cont'd)

- The Governor's budget recommends \$514.3 million, an increase of \$13.7 million over the FY 2002 adjusted appropriation, for payments to senior, disabled and low-income homeowners and tenants under the Homestead Property Tax Rebate Program (P.L.1990, c.61). According to the Administration, in FY 2003 this program will provide an estimated 1.6 million rebate checks to eligible homeowners and tenants, including seniors, the disabled, and persons with incomes not exceeding \$100,000. The maximum rebate amount for senior/disabled recipients is increased this year from \$750 to \$775.
- The FY 2003 budget recommends funding of \$18 million from the Property Tax Relief Fund for the Senior and Disabled Citizens' Property Tax Freeze program under P.L. 1997, c. 348, which reimburses certain low income senior and disabled residents for increases in property taxes paid on their homes. The recommended funding level constitutes an increase of \$7.4 million (70 percent) from the FY 2002 adjusted appropriation, reflecting an anticipated rise in the number of applicants for reimbursement as a result of the enactment of P.L.2001, c.251, which more than doubled the income ceiling that governs eligibility for participation in the program.
- The Governor's budget recommends \$679.1 million for the New Jersey School Assessment Valuation Exemption Relief (NJ SAVER) program, a decrease of \$48.3 million (6.6 percent) below the FY 2002 adjusted appropriation of \$727.4 million. NJ SAVER was established under 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. The authorizing legislation provided for phased increases in payment levels under the program, with the full rebate amount to be payable starting in FY 2004. Under P.L.2001, c.106, the phase-in schedule was accelerated to make the full amount payable in FY 2003. The Governor's budget includes language that would maintain FY 2003 rebates at the prior year level (83 1/3 percent of the full amount) and provides that rebates for FY 2003 shall not be payable to persons with incomes of \$200,000 or more. The Administration projects that 1.4 million households will receive NJ SAVER benefits in FY 2003.

## STATE SUBSIDIES AND FINANCIAL AID: STATE AID

- The Governor's budget recommends a total of \$179.5 million in State Aid from the General Fund (\$55.1 million) and the Property Tax Relief Fund (\$124.4 million). This represents a 17.2 percent decrease from the FY 2002 adjusted appropriation. Details of these programs follow.
- Funding for the County Boards of Taxation is recommended to increase from \$1.3 million in FY 2002 to \$1.4 million in FY 2003 (6.8 percent). Counties are reimbursed by the State for the salaries of county tax board members. The 2000 federal census disclosed that the populations of three counties has risen above certain threshold levels, qualifying them for increased salary reimbursements.
- The Governor's FY 2003 budget recommends \$44.6 million in General Fund State Aid for the School Construction and Renovation Fund, a decrease of \$37.4 million (45.6 percent) below the FY 2002 adjusted appropriation. The budget notes that the adjusted amount reflects a transfer from the \$182 million originally appropriated in FY 2002 of \$100 million to the Additional Abbott v. Burke State Aid account in the Department of Education. The \$44.6 million appropriation is to be supplemented with an additional \$55 million consisting

## Key Points (Cont'd)

of (1) \$35 million in unexpended balances from advances to the New Jersey Economic Development Authority (EDA) prior to its initial issuance of bonds under the program, and (2) \$20 million in premium payments anticipated to be received on EDA's planned Fall 2002 issuance of school construction bonds.

- The Governor's FY 2003 budget recommends \$26 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 \$2.3 million (8.3 percent) decrease from the FY 2002 adjusted appropriation of \$28.3 million.
- The Governor's budget recommends \$69.7 million in State Aid payments from the Property Tax Relief Fund to reimburse municipalities for veterans' property tax exemptions. This amount represents an increase of \$16.7 million (31.4 percent) over the FY 2002 adjusted appropriation and funds a \$50 increase in the amount of the deduction, raising it from \$150 to \$200. In 1999, the voters approved a \$200 increase in the amount, that increase to be phased in over four years in annual increments of \$50 until it reaches \$250 in 2004.
- The FY 2003 budget recommends an appropriation of \$2.7 million for the State Contribution to the Consolidated Police and Firemen's Pension Fund (CPFPPF); no corresponding appropriation was made in FY 2002. Even though it has no active members, the CPFPPF is funded on a reserve basis. The appropriation will meet the State's obligation for its portion of a deficiency that has arisen in the funding of the system's accrued liability. The deficiency is attributable primarily to the failure of fund assets to achieve a return at the assumed rate; a small portion of the deficiency is attributable to a benefit enhancement for retirees payable under P.L.2001, c.4.
- The Governor's budget recommends \$15.9 million from the Property Tax Relief Fund for Debt Service on Pension Obligation Bonds issued to finance the unfunded accrued liability of the State for the Consolidated Police and Firemen's Pension Fund. This represents a \$4.5 million (39.7 percent) increase from the FY 2002 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 \$12.7 million from the Property Tax Relief Fund for Police and Firemen's Retirement System (PFRS), Health Benefits, a \$2.3 million (21.7 percent) increase over the FY 2002 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 include any recommended appropriation for the Police and Firemen's Retirement System (PFRS) to meet the State's obligation for support of the local cost of benefits provided to plan members under P.L.1979, c.109 (increasing the PFRS "special" retirement benefit), P.L.1991, c.511 (enhancing widows' benefits), or P.L.1993, c.247 (allowing the transfer of various public safety officers to the PFRS). The normal contribution of \$42 million necessary to cover this obligation for FY 2003 will be funded from excess valuation assets.
- The Governor's budget recommends a FY 2003 distribution of \$755 million, unchanged from FY 2002, from Energy Tax Receipts pursuant to P.L.1997, c.167. That act replaced the previous method of taxing public utilities and created a new distribution of funds to municipalities that is no longer tied to actual utility property or other tax collections. Under

## Key Points (Cont'd)

the 1997 law, the level of energy tax replacement aid was set at \$755 million for FY 2002 and each subsequent fiscal year. Under a 1999 amendment, the amount of replacement aid was to be indexed for increases in local government costs beginning in FY 2003. The budget recommendation to hold FY 2003 funding at the FY 2002 level would avoid the cost of a 2.5 percent inflation adjustment, estimated at \$18.9 million.

## MANAGEMENT AND ADMINISTRATION

- The \$12.3 million recommended for Management and Administrative Services (Treasurer's Office) reflects a decrease of \$6.8 million (36 percent). This decrease is largely attributable to the abolition of the Local Government Budget Review office (\$4.0 million) which was established in 1994 to provide a voluntary process for municipalities and school districts to gain assistance in controlling their costs through the provision of performance reviews, and the elimination of a \$2.8 million supplemental appropriation to promote the State's college savings plan, the New Jersey Better Educational Savings Trust (NJ BEST).
- The Governor's budget recommends a \$250,000 appropriation to support the Budget Efficiency Savings Team (BEST) Commission established pursuant to Executive Order No. 2 of 2002. The BEST Commission is charged with undertaking a "complete comprehensive and thorough examination of all aspects of the State's spending practices to identify areas of waste, mismanagement, abuse, and unnecessary spending."

## PROTECTION OF CITIZENS' RIGHTS

- The Governor's budget recommends funding of \$79.3 million for the Office of the Public Defender, an increase of \$360,000 over the FY 2002 adjusted appropriation. This increase reflects an additional \$847,000 to fully fund the Kinship Legal Guardianship Program, offset by savings due to attrition (\$375,000) and reductions in equipment funding (\$112,000). Pursuant to P.L.2001, c.250, the Kinship Legal Guardianship program was established to create a new type of guardianship to address the needs of children who cannot reside with their parents due to the parents' incapacity or inability.
- 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 providing 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.

## PUBLIC ADVOCATE

- Pending the enactment of enabling legislation, the department's budget includes a \$10 million appropriation for the re-establishment of the Department of Public Advocate which was abolished in 1994. The Public Advocate's mandate will be to provide investigative and advocacy services to children, the elderly and mentally ill, and ratepayers, and to consolidate various existing ombudsman offices.

## Key Points (Cont'd)

### CAPITAL CONSTRUCTION

- The Governor's budget recommends \$5.5 million in FY 2003 for Capital Construction purposes. These funds are allocated to the Office of Information Technology (OIT) for the development and implementation of the OIT Availability and Recovery Site (OARS), a component of the Governor's security preparedness program. OARS would establish an internal disaster recovery capability for all of OIT's processing services and data functions.

### DEBT SERVICE

- The Governor's budget for the department includes \$417 million for Debt Service on general obligation bonds. This represents an increase of \$29.2 million (7.5 percent) over the FY 2002 adjusted appropriation for debt service under the department.

### REVOLVING AND OTHER FUNDS

- The Governor's budget recommends \$103.5 million in revolving funds to support the data processing centers of the Office of Information Technology (OIT), an amount equal to the FY 2002 adjusted appropriation. In addition, the budget recommends a \$5.5 million Capital Construction appropriation in the Department of the Treasury for OIT (see Capital Construction above).
- The Budget Recommendation includes the following appropriations from other revolving funds in the Department of the Treasury: \$1.3 million for the Office of Public Communication; \$17.6 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.

### PERSONNEL

- The position data displayed in the Governor's budget indicates that the FY 2003 budget would fund a total of 6,604 positions.

Analysis of the Higher Educational Services portion of the Department of the Treasury budget (pages D-458 to D-461) is contained in a separate booklet: "Higher Educational Services."

Analysis of 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 budget (pages D-461 to D-468) are contained in a separate booklet: "New Jersey Commerce and Economic Growth Commission and Related Economic Development Programs."

Analysis of the Economic Regulation portion of the Department of the Department of the Treasury

## Key Points (Cont'd)

budget (pages D-468 to D-472) are contained in a separate booklet: "The Board of Public Utilities and the Division of the Ratepayer Advocate."

Analysis of the Protection of Citizens' Rights Statewide program portion of the Department of the Treasury budget (pages D-502 to D-505) are contained in a separate booklet: "Office of the Public Defender and Legal Services Grants."

## 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
- Division of Pensions and Benefits
- Division of Property Management and Construction
- Division of Purchase and Property
- Division of Taxation
- Division of Revenue
- Division of Investments
- Division of State Lottery

A number of programs are allocated in but not of the Department of the Treasury. Each of the 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, 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," "the Board of Public Utilities and the Division of the Ratepayer Advocate," the "New Jersey Commerce and Economic and Development Commission and Related Economic Development Programs," and "Office of the Public Defender and the Office of Legal Services." 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

## Program Description and Overview (Cont'd)

The Governor's FY 2003 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.

In addition, the FY 2003 budget recommends funding for the re-establishment of the Department of the Public Advocate (p. D-506), which was abolished in 1994. The Public Advocate's mandate will be to provide investigative and advocacy services to children, the elderly and mentally ill, and ratepayers, and would consolidate various existing ombudsman offices. Subject to enactment of enabling legislation (e.g., A-345/2341 ACS of 2002), it is anticipated that certain existing functions within the Department of the Treasury would be transferred to the new department, including all or part of the operations of the Ratepayer Advocate and the Public Defender's Office of Dispute Settlement.

### 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 New Jersey Performing Arts Center (NJPAC) in Newark, the Productivity and Efficiency Program (initiated in FY 1995), and most recently the Budget Efficiency Savings Team (BEST) Commission (see below).

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 for FY 2003 recommends virtually level funding of \$1.6 million, which will support 26 positions, an increase of seven since FY 2000 to enable greater concentration on public agency review and contracts. Continuation funding of \$23,000 is also recommended for the Federal Liaison function.

In FY 2003, the Governor has recommended funding of \$10.7 million for the Treasurer's Office, a decrease of \$2.8 million from the current adjusted appropriation. The decrease in funding is entirely due to the elimination of a FY 2002 supplemental appropriation for the marketing of the New Jersey Better Education Savings Trust (NJBEST) program, the State's college savings (also called "529") plan administered by the New Jersey Higher Education Student Assistance Authority. This amount is offset by a recommended \$250,000 for a new initiative, the "Budget Efficiency Savings Team (BEST) Commission. Established pursuant to Executive Order No. 2 of 2002, the BEST

## Program Description and Overview (Cont'd)

Commission is charged with undertaking a "complete comprehensive and thorough examination of all aspects of the State's spending practices to identify areas of waste, mismanagement, abuse, and unnecessary spending."

In addition to the above amounts, an appropriation from investment income of \$700,000 for "public finance activities" is authorized by budget language.

The FY 2003 budget discontinues funding of the **Local Government Budget Review** unit in the Office of the Treasurer. The unit was established in 1994 to review municipal, school district and utility authority budgets, and to suggest ways to reduce costs and maximize associated revenue. It ceased operations on January 25, 2002.

In addition, 152 one-time grants to various private and public entities totalling \$19.2 million are not recommended for renewal in the Governor's FY 2003 budget. These grants, representing 150 legislative and two Administrative initiatives, were transferred to the Office of the Treasurer from the Department of Community Affairs for administrative purposes pursuant to an August 7, 2001 memorandum of understanding.

The **Office of Management and Budget (OMB)** plans, prepares and administers the State budget. It manages and monitors the day-to-day operation of the State's financial systems, including the publication of the State's annual financial statements and processing of 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 2003 budget recommends \$19.8 million for the Office of Management and Budget (OMB), a \$1.7 million decrease (8 percent) from the current adjusted appropriation. Reductions are reflected in funding for salary and wages (\$402,000), professionally contracted services (\$922,000) and the elimination of \$419,000 in supplemental funding for Independent Audits. Funding for Independent Audits is contained in recommended FY 2003 budget language. (Similar language exercised in the prior two fiscal years increased the final appropriation for these audits by 75 percent or more above the original appropriation.) The Governor's budget indicates that 226 OMB positions are funded in FY 2003, an increase of 10 positions.

Other central administrative functions, grouped in the budget under **General Government Services**, help State agencies meet their needs by purchasing and maintaining assets and by providing products, services and facilities. These functions include 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 these programs operate as revolving funds which receive all or most of their revenue from direct charges to user agencies. For many other programs, language in the appropriations act permits them 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.

## Program Description and Overview (Cont'd)

The Governor's budget recommends a Direct State Services appropriation for General Government Services (which for this purpose includes appropriations for all activities except the Garden State Preservation Trust and the Division of Pensions and Benefits) of \$30 million in FY 2003, which reflects a net decrease of \$1.4 million from the FY 2002 adjusted appropriation of \$31.4 million.

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 2003, the division's budget is reduced by \$647,000 to \$31.6 million. This amount will support 357 positions, 22 fewer positions than the FY 2002 level.

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 2003 budget.

The **Garden State Preservation Trust (GSPT)** is budgeted as part of General Government Services. A General Fund appropriation of \$468,000 is recommended for the administrative costs of the Garden State Preservation Trust (GSPT), a \$307,000 reduction from the current adjusted appropriation. This decrease reflects the elimination of a one-time appropriation for marketing expenses. The mission of the GSPT 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 2003 budget recommends funding for seven positions, an increase of three. 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 GSPT.

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 2003 for Taxation Services and Administration (Division of Taxation) from State funds is \$85.7 million, \$20 million (19 percent) less than the FY 2002 adjusted appropriation. This decrease reflects: i) an \$8.5 million reduction in funding for the Property Assessment Management System (PAMS), which seeks to revise the Division's program for aggregating and analyzing local real property data that the State, county tax boards and municipal assessors use to generate tax lists, assessments, and various reports; ii) the elimination of supplemental appropriations for administration of the 2002 Tax Amnesty program (\$7.0 million);

## Program Description and Overview (Cont'd)

and iii) debt collection services contracts (\$3.0 million). Regarding the latter, the division routinely exercises its authority under budget language to receive supplemental funding for collections services. The recommended budget is expected to fund 1,425 positions, an increase of 11 positions over the current year.

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 2003 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, 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 funds to offset administrative costs of the New Jersey Urban Enterprise Zone Act and the Tourism Improvement and Development District Act; to appropriate revenues from escheated property; to appropriate additional sums for the costs associated with enhanced compliance programs; and to appropriate the unexpended balances in the Revenue Management account and the Tax Amnesty account. In recent budgets, this authority has provided the Division of Taxation with resources beyond those available through original appropriations.

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 425 in FY 2002. During the same period, the number of collectors has grown from 167 to 295. The Division estimates that it will maintain effectively the same number of positions for both functions in FY 2003. In addition, the Division has continued to utilize the services of a private contractor to collect back taxes due the State.

The 2002 Tax Amnesty program, established pursuant to P.L.2002, c.6 is one of a number of initiatives intended to help close the existing State budget deficit. The current program provides a 60-day period of amnesty to end no later than June 10, 2002, for the payment of any outstanding State tax liabilities arising from tax filings due on and after January 1, 1996 and prior to January 1, 2002. The Administration estimates that the 2002 program will result in the collection of \$150 million in back taxes.

The Governor's budget also recommends continuation funding of \$5.4 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.

## Program Description and Overview (Cont'd)

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 2003, the Governor has recommended an appropriation of \$42.3 million for the division from all sources, a net reduction of \$12 million (22 percent) from the FY 2002 adjusted appropriation. The Division's budget eliminates funding for contract collection services, saving approximately \$9 million that was added to the FY 2002 budget pursuant to budget language as well as the deletion of \$1.5 million appropriated for equipment. As in prior years, the budget includes recommended language which would permit the appropriation of additional funds as needed in FY 2003. The recommended budget is expected to fund 479 positions, two positions more than in FY 2002.

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 \$5.9 million in Direct State Services appropriations for the Division of Investments, a reduction of \$70,000 below the FY 2002 adjusted appropriation. The division's budget is expected to support 68 positions in FY 2003 which is unchanged from 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 2003 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 2003, the State Lottery is expected to transfer \$797 million to the General Fund for these purposes, an increase of \$50 million over the revised current year amount. The State Lottery Fund Schedule on page H-42 of the Governor's FY 2003 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 and Military and Veterans' Affairs, and Higher Educational Services in the Department of the Treasury.

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 2003 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

## Program Description and Overview (Cont'd)

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 \$797 million anticipated as budgeted revenues in FY 2003); 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.

Information in the Executive FY 2001 budget proposal reported net lottery sales in FY 1999 of \$1.66 billion generated by 6,000 agents and 1000 drawings. By comparison, the Governor's FY 2003 budget projects net lottery sales of \$2.1 billion generated by 6,000 agents and 2,132 drawings. The increase in Lottery revenues available for General Fund purposes in FY 2003 is largely attributable to the State's participation, since the end of FY 1999, in the "Big Game," the popular, multi-state, mega-jackpot game. On May 15, 2002, New Jersey joined eight other states in launching the first drawing of "Mega Millions," an enhanced version of the Big Game.

### "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 (a 13th casino, The Borgata, is expected to open in Spring 2003) and licenses all employees and ancillary companies conducting business with the casino industry.

The Governor's budget recommends continuation funding of \$26.9 million in FY 2003 for the Commission. Position data in the FY 2003 budget indicate that the recommended budget will support 364 positions, an increase of 27 over the current year.

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 of 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 2003 budget recommends funding of \$8.3 million in State and other funds for OAL, a decrease of \$228,000 (3 percent). This decrease is largely attributable to a reduction in funding (\$215,000) for the hiring of temporary administrative law judges; however, the recommended budget includes funding for the hiring of eight additional judges to enable the OAL to reduce its current backlog of cases and process cases more expeditiously to meet federal or State mandated time frames. These eight positions would supplement the four additional judgeships anticipated in the current budget. Funding for the OAL includes a direct State appropriation of \$5.4

## Program Description and Overview (Cont'd)

million and \$2.9 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 telecommunications systems in the State.

OIT operates as a revolving fund, supported by charges against user agencies. Its recommended authorized spending level in FY 2003 is \$103.5 million which is unchanged from the current year. In addition, the Governor's budget recommends Capital Construction funding of \$5.5 million for OIT for the development and implementation of the OIT Availability and Recovery Site (OARS), a component of the Governor's security preparedness program. OARS would establish an internal disaster recovery capability for all of OIT's processing services and data functions.

## FY 2003 Budget Overview

Total resources recommended for the Department of the Treasury in FY 2003 are \$3.6 billion, a decrease of \$91 million over the FY 2002 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 change 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 decrease by approximately \$22.4 million, or 12 percent. Of that amount, \$19.2 million is attributable to the elimination of one-time appropriations for Legislative initiatives providing grants to public and private entities.
- Grants-In-Aid paid out of the Property Tax Relief Fund are recommended to decrease by approximately \$27.2 million or 2 percent. While the decrease is small on a percentage basis, it consists of a reduction of \$48.3 million in the NJ SAVER program, offset by increases of \$7.4 million in the Senior and Disabled Citizens' Property Tax Freeze and \$14 million in Homestead Rebates.
- State aid paid out of the Property Tax Relief Fund is recommended to increase by \$15.7 million, or 12 percent. This increase is more than fully accounted for by the

## Program Description and Overview (Cont'd)

rise of \$16.7 million in the State Reimbursement for the Veterans' Property Tax Exemption, reflecting the increase from \$150 to \$200 in the amount of the exemption.

- The FY 2003 budget recommends \$381 million for General Fund - Direct State Services appropriations, a decrease of about 8.5 percent from the FY 2002 adjusted appropriation. The FY 2003 budget continues language for a number of programs which permit the appropriation of additional "off-budget" resources.

### "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 2003 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 2003 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 (CMPTRA) State aid program in FY 1996. These taxes continue to be distributed as part of the CMPTRA program which is administered by the Department of Community Affairs and is budgeted in the Property Tax Relief Fund.

Other off-budget revenues fund programs from dedicated or special revenue funds, such as the Governor's Council on Alcoholism and Drug Abuse. The Governor's Council on Alcoholism and Drug Abuse is expected to generate \$11.6 million in revenue in FY 2003. This amount will fully fund the initiatives of the council as well as programs within the Department of Health and Senior Services.

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 2003, a total of \$190.5 million is recommended for the various revolving funds. This represents a \$1.1 million decrease from the FY 2002 adjusted appropriation.

### State Subsidies and Financial Aid - Grants-In-Aid

Over the years, Grants-In-Aid and State Aid have become the largest component of all Treasury expenditures. As the tables below illustrate, the Governor's FY 2003 budget recommends \$2.1 billion for these purposes, including \$1.2 billion in Grants-In-Aid to individuals and \$937.7 million in State aid to local government entities. Table 1 lists the three Grants-in-Aid programs to individuals that are budgeted in the Department of the Treasury and the funding for these programs since FY 2001.

## Program Description and Overview (Cont'd)

The \$1.2 billion recommended for the three direct property tax relief programs budgeted and administered by the Department of the Treasury constitutes a \$27 million reduction from the current year level. These programs include: the Homestead Property Tax Rebates for Homeowners and Tenants program; NJ SAVER; and the Senior and Disabled Citizens' Property Tax Freeze program. (The department's budget previously included an appropriation for the Earned Income Tax Credit program, but funding for this program is now displayed as a reduction in revenue.)

The Governor's budget recommends \$514.3 million, an increase of \$14 million over the FY 2002 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 Administration, in FY 2003 this program will provide an estimated 1.6 million rebate checks to eligible homeowners and tenants, including seniors, the disabled, and persons with incomes not exceeding \$100,000. The maximum rebate amount for senior/disabled recipients is increased this year from \$750 to \$775.

The Governor's budget recommends \$679.1 million for the New Jersey School Assessment Valuation Exemption Relief (NJ SAVER) program, \$48.3 million (6.6 percent) below the FY 2002 adjusted appropriation. NJ SAVER was enacted in 1999 to provide homeowners with direct property tax relief equal to a portion of the school taxes paid on the assessed value of eligible primary residences. Under a phase-in schedule, cut from five to four years' duration in 2001, payments were made at 83 1/3 percent of the full amount in FY 2002 and slated to rise to 100 percent of the full amount in FY 2003. The Governor's budget would keep FY 2003 rebates at the prior year level and allow no payments to persons with annual incomes of \$200,000 or more. The budget states that the average FY 2003 payment will be \$500, the same as in FY 2002.

The FY 2003 budget recommends the appropriation of \$18 million from the Property Tax Relief Fund for the Senior and Disabled Citizens' Property Tax Freeze program under P.L.1997, c.348, which reimburses certain low income senior and disabled residents for increases in property taxes on their homes. This funding level is \$7.4 million (69.8 percent) above the FY 2002 adjusted appropriation, reflecting the expectation of new applicants for reimbursement as a result of the enactment of P.L.2001, c.251, which more than doubled the income ceiling on eligibility to participate in the program. To date, the number of applications from eligible residents for this program has been considerable less than anticipated.

## Program Description and Overview (Cont'd)

Table 1  
 Department of the Treasury  
 Grants-In-Aid To Individuals  
 FY 2001 - FY 2003  
 (\$000)

| GRANTS-IN-AID                                    | Expended<br>FY 2001 | Adj App<br>FY 2002 | Recom<br>FY 2003 |
|--|---------------------|--------------------|------------------|
| Homestead Rebates                                | \$333,435           | \$500,600          | \$514,329        |
| NJ SAVER   | 296,961             | 727,428            | 679,142          |
| Senior and Disabled Citizens'<br>Prop Tax Freeze | 6,428               | 10,599             | 18,000           |
| <b>Total, Grants-In-Aid</b>                      | <b>636,824</b>      | <b>1,238,627</b>   | <b>1,211,471</b> |

## State Aid

The Governor's budget recommends almost \$938 million 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 funding for these programs since FY 2001.

The most significant State aid program is the **Energy Tax Receipts** distribution which is an "off-budget" program whose payment is authorized by budget language. This program, which provides aid to municipalities from the State's taxation of certain regulated utilities as well as certain telecommunications companies, is recommended to remain unchanged at \$755 million in FY2003. 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. However, the FY 2003 budget does not fund the 2.5 percent inflation adjustment.

The Governor's budget recommends the appropriation from the General Fund of \$44.6 million for the School Construction and Renovation Fund, \$37.4 million (45.6 percent) less than the FY 2002 adjusted appropriation of \$82 million (adjusted from \$182 million by a \$100 million transfer to the Additional Abbott v. Burke State Aid account in the Department of Education). The recommended appropriation is to be supplemented by \$55 million from two other sources: \$35 million in unexpended balances from advances made to the Economic Development Authority (EDA) prior to its initial issuance of school construction bonds in Spring 2001, and \$20 million in premiums that the EDA is expected to realize from its issuance of an additional \$500 million of bonds in Fall 2002. The funds will be used for payments of (i) \$41.4 million in debt service on existing debt, (ii) \$31.2 million in retroactive debt service, to be paid through the Department of Education, and (iii) \$27 million in debt service on the new issue.

## Program Description and Overview (Cont'd)

The Governor's budget continues funding for Solid Waste Management - County Environmental Investment Debt Service Aid, but transfers the appropriation to the Interdepartmental Accounts. The transfer is in accordance with legislation (P.L.2001, c.401) authorizing the New Jersey Economic Development Authority to assume direct responsibility for State support of the financing of county solid waste facility debt through the authority's issuance of its own bonds.

The Governor's budget recommends \$69.7 million for Veterans' Property Tax Exemptions. The recommended appropriation constitutes an increase of \$16.7 million (31.4 percent) over the FY 2002 adjusted appropriation for this item and funds the third of four annual \$50 increases in the deduction amount, raising the amount from \$150 to \$200. 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 amount will equal \$250.

## Program Description and Overview (Cont'd)

Department of the Treasury  
State Aid To Local Government Entities  
FY 2001 - FY 2003  
(\$000)

| STATE AID   | Expended<br>FY 2001 | Adj App<br>FY 2002 | Recom.<br>FY 2003  |
|---|---------------------|--------------------|--------------------|
| Energy Tax Receipts                                     | \$750,000           | \$755,000          | \$755,000          |
| School Construction & Renovation Fund                   | 65,525              | 81,993             | 44,600             |
| Veterans' Property Tax Exemptions                       | 35,039              | 53,039             | 69,719             |
| Business Personal Property Tax Depreciation Adjustment  | 33,861              | 0                  | 0                  |
| Senior and Disabled Citizens' Tax Exemption             | 28,314              | 28,339             | 26,000             |
| Solid Waste Management - Debt Service Aid               | 24,105              | 23,000             | 0                  |
| Debt Service - Pension Obligation Bonds                 | 6,539               | 11,382             | 15,897             |
| Police & Firemen's Retirement System - Health Benefits  | 9,189               | 10,470             | 12,739             |
| So. Jersey Port Corporation - Property Tax Reserve Fund | 6,000               | 2,000              | 2,000              |
| So. Jersey Port Corporation - Debt Service Reserve Fund | 4,375               | 4,375              | 4,375              |
| County Tax Board Members                                | 1,386               | 1,349              | 1,441              |
| Special Aid - Maurice River                             | 230                 | 0                  | 0                  |
| Pinelands Area Municipal Aid                            | 776                 | 776                | 0                  |
| Consolidated Police & Firemen's Pension Fund            | 0                   | 0                  | 2,714              |
| Other Distributed Taxes                                 | 2,625               | 3,264              | 3,264              |
| <b>Total State Aid</b>                                  | <b>\$967,964</b>    | <b>\$974,987</b>   | <b>\$937,749</b>   |
| <b>Total Grants-In-Aid and State Aid</b>                | <b>\$1,604,788</b>  | <b>\$2,213,614</b> | <b>\$2,149,220</b> |

## Program Description and Overview (Cont'd)

### Personnel Changes

The Fiscal and Personnel Summary on the following page reflects the actual number of employees on the department's payroll at a given point in time for FY 2001 and FY 2002. The FY 2003 figures reflect the total number of positions to be funded without regard to vacancy status. In FY 2003, appropriations to the Department of the Treasury will fund a total of 6,604 positions. The actual payroll count in FY 2001 was 6,393.

# Fiscal and Personnel Summary

## AGENCY FUNDING BY SOURCE OF FUNDS (\$000)

|                                 | Expended<br>FY 2001 | Adj.<br>Approp.<br>FY 2002 | Recom.<br>FY 2003  | Percent Change |              |
|---------------------------------|---------------------|----------------------------|--------------------|----------------|--------------|
|                                 |                     |                            |                    | 2001-03        | 2002-03      |
| <b>General Fund</b>             |                     |                            |                    |                |              |
| Direct State Services           | \$399,634           | \$416,708                  | \$381,149          | -4.6%          | -8.5%        |
| Grants - In - Aid               | 139,318             | \$180,077                  | 157,685            | 13.2%          | -12.4%       |
| State Aid                       | 266,636             | 289,397                    | 234,115            | -12.2%         | -19.1%       |
| Capital Construction            | 13,448              | 1,100                      | 5,500              | -59.1%         | 400.0%       |
| Debt Service                    | 403,576             | 387,808                    | 417,015            | 3.3%           | 7.5%         |
| <b>Sub-Total</b>                | <b>\$1,222,612</b>  | <b>\$1,275,090</b>         | <b>\$1,195,464</b> | <b>-2.2%</b>   | <b>-6.2%</b> |
| <b>Property Tax Relief Fund</b> |                     |                            |                    |                |              |
| Direct State Services           | \$0                 | \$0                        | \$0                | 0.0%           | 0.0%         |
| Grants-In-Aid                   | 636,824             | 1,238,627                  | 1,211,471          | 90.2%          | -2.2%        |
| State Aid                       | 116,672             | 131,211                    | 146,937            | 25.9%          | 12.0%        |
| <b>Sub-Total</b>                | <b>\$753,496</b>    | <b>\$1,369,838</b>         | <b>\$1,358,408</b> | <b>80.3%</b>   | <b>-0.8%</b> |
| <b>Casino Revenue Fund</b>      | <b>\$17,180</b>     | <b>\$0</b>                 | <b>\$0</b>         | <b>-100.0%</b> | <b>0.0%</b>  |
| <b>Casino Control Fund</b>      | <b>\$23,835</b>     | <b>\$26,938</b>            | <b>\$26,938</b>    | <b>13.0%</b>   | <b>0.0%</b>  |
| <b>State Total</b>              | <b>\$2,017,123</b>  | <b>\$2,671,866</b>         | <b>\$2,580,810</b> | <b>27.9%</b>   | <b>-3.4%</b> |
| <b>Federal Funds</b>            | <b>\$3,598</b>      | <b>\$4,076</b>             | <b>\$4,076</b>     | <b>13.3%</b>   | <b>0.0%</b>  |
| <b>Other Funds</b>              | <b>\$996,062</b>    | <b>\$1,015,402</b>         | <b>\$1,015,225</b> | <b>1.9%</b>    | <b>0.0%</b>  |
| <b>Grand Total</b>              | <b>\$3,016,783</b>  | <b>\$3,691,344</b>         | <b>\$3,600,111</b> | <b>19.3%</b>   | <b>-2.5%</b> |

## PERSONNEL SUMMARY - POSITIONS BY FUNDING SOURCE

|                        | Actual<br>FY 2001 | Revised<br>FY 2002 | Funded<br>FY 2003 | Percent Change |             |
|------------------------|-------------------|--------------------|-------------------|----------------|-------------|
|                        |                   |                    |                   | 2001-03        | 2002-03     |
| State                  | 4,639             | 4,814              | 4,788             | 3.2%           | -0.5%       |
| Federal                | 16                | 11                 | 20                | 25.0%          | 81.8%       |
| All Other              | 1,738             | 1,772              | 1,796             | 3.3%           | 1.4%        |
| <b>Total Positions</b> | <b>6,393</b>      | <b>6,597</b>       | <b>6,604</b>      | <b>3.3%</b>    | <b>0.1%</b> |

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

## AFFIRMATIVE ACTION DATA

|                                |       |       |       |      |      |
|--------------------------------|-------|-------|-------|------|------|
| Total Minority Percent         |       |       |       |      |      |
| NJ Commerce & Econ. Growth     | 26.2% | 27.7% | 27.7% | ---- | ---- |
| Office of Administrative Law   | 31.5% | 33.3% | 30.1% | ---- | ---- |
| Management & Administration    | 23.9% | 24.5% | 27.0% | ---- | ---- |
| Protection of Citizens' Rights | 37.2% | 36.8% | 35.2% | ---- | ---- |

**Significant Changes/New Programs (\$000)**

| <u>Budget Item</u> | <u>Adj. Approp.</u><br><u>FY 2002</u> | <u>Recomm.</u><br><u>FY 2003</u> | <u>Dollar</u><br><u>Change</u> | <u>Percent</u><br><u>Change</u> | <u>Budget</u><br><u>Page</u> |
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**GOVERNMENTAL REVIEW AND OVERSIGHT****OFFICE OF MANAGEMENT AND BUDGET (OMB)**

|  |                 |                 |                  |               |              |
|--|-----------------|-----------------|------------------|---------------|--------------|
| <b>General Fund, DSS<br/>Office of Management<br/>and Budget</b> | <b>\$21,448</b> | <b>\$19,795</b> | <b>(\$1,653)</b> | <b>(7.7)%</b> | <b>D-473</b> |
|--|-----------------|-----------------|------------------|---------------|--------------|

Recommended FY 2003 funding for the Office of Management and Budget (OMB) is reduced by \$1.7 million (7.7 percent) from the FY 2002 adjusted appropriation. Chiefly responsible for the reduction is a \$922,000 decrease, to \$5.7 million, in the Services Other Than Personal budget, which supports data processing services. The reduction also reflects a recommendation holding the appropriation for contracts to perform independent State audits at the FY 2001 and FY 2002 original appropriation level. In those fiscal years, the exercise of budget language increased the final appropriation for these audits by 75 percent or more; the same language is recommended again in the FY 2003 budget.

**FINANCIAL ADMINISTRATION****DIVISION OF TAXATION**

|   |                  |                 |                   |                |              |
|---|------------------|-----------------|-------------------|----------------|--------------|
| <b>General Fund, DSS<br/>Taxation Services and<br/>Administration</b> | <b>\$105,720</b> | <b>\$85,709</b> | <b>(\$20,011)</b> | <b>(18.9)%</b> | <b>D-478</b> |
|---|------------------|-----------------|-------------------|----------------|--------------|

The Governor's Budget recommends a General Fund Direct State Services appropriation of \$85.7 million for the Division of Taxation, \$20 million (18.9 percent) less than the Division's adjusted appropriation in FY 2002. The decrease chiefly reflects (i) the absence of any recommendation of FY 2003 funding for two special purpose items: the Property Assessment Management System (PAMS) and the 2002 tax amnesty program, and (ii) a reduction in recommended funding for collection services contracts. The PAMS project seeks to revise the Division's program for aggregating and analyzing local real property data that the State, county tax boards and municipal assessors use to generate tax lists, assessments, and various reports. The FY 2002 adjusted appropriation for PAMS was \$8.5 million, which will meet the cost requirements of the project through FY 2003. The amnesty program received \$7 million in FY 2002; recommended language reappropriates from that amount the unexpended balance, expected to be about \$3 million. Annual budget recommendations for collections services contracts are consistently below the prior year's adjusted appropriation. The division annually evaluates its return on the cost of these contracts and, on the basis of the evaluation, decides whether to exercise its authority under budget language to receive supplemental funding for collections services.

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

| <u>Budget Item</u> | <u>Adj. Approp.<br/>FY 2002</u> | <u>Recomm.<br/>FY 2003</u> | <u>Dollar<br/>Change</u> | <u>Percent<br/>Change</u> | <u>Budget<br/>Page</u> |
|--------------------|---------------------------------|----------------------------|--------------------------|---------------------------|------------------------|
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**DIVISION OF REVENUE**

General Fund, DSS  
Administration of State  
Revenues

|  |          |          |            |         |       |
|--|----------|----------|------------|---------|-------|
|  | \$41,802 | \$29,774 | (\$12,028) | (28.8)% | D-478 |
|--|----------|----------|------------|---------|-------|

A General Fund appropriation of \$29.8 million is recommended for the Division of Revenue, a net reduction of \$12 million (28.8 percent) from the FY 2002 adjusted appropriation. This reduction mainly reflects the discontinuation of FY 2002 supplemental appropriations for collections services (\$9 million) and equipment (\$1.5 million). As in past years, broad language is recommended appropriating sums necessary to fund the costs of collecting and processing all debts, taxes and other charges owed to the State.

**GENERAL GOVERNMENT SERVICES****PURCHASING AND INVENTORY MANAGEMENT**

General Fund, DSS  
Purchasing and  
Inventory Management

|  |          |          |         |        |       |
|--|----------|----------|---------|--------|-------|
|  | \$14,898 | \$13,929 | (\$969) | (6.5)% | D-483 |
|--|----------|----------|---------|--------|-------|

The Governor's budget recommends Direct State Services funding of \$13.9 million for Purchasing and Inventory Management, a net reduction of \$969,000 from the FY 2002 adjusted appropriation. Most of this reduction results from non-renewal of funding (\$600,000 in FY2002) for gubernatorial transition and inauguration costs.

**OFFICE OF INFORMATION TECHNOLOGY (OIT)**

Capital Construction:  
Office of Information  
Technology

|  |         |         |         |        |       |
|--|---------|---------|---------|--------|-------|
|  | \$1,100 | \$5,500 | \$4,400 | 400.0% | D-483 |
|--|---------|---------|---------|--------|-------|

The FY 2003 funding recommendation for the non-capital budget of the Office of Information Technology (OIT) is unchanged from the FY 2002 adjusted appropriation (\$103.5 million). This recommendation for OIT's capital construction program represents a fourfold increase from that program's FY 2002 adjusted appropriation. The entire FY 2003 recommended capital budget is for the support of a proposed OIT Availability and Recovery Site (OARS). The OARS is to be located remotely from existing OIT facilities and will provide redundant capacity for certain operations at those facilities in the event that any of those operations, or access to those facilities, is threatened with disruption (e.g., from terrorism or natural disaster). The functions intended to be served by OARS recovery are (i) redundant operations of the Garden State Network, the infrastructure that supports State agencies' data processing functions, electronic interconnectivity among the agencies, and citizens' internet access to agency services, (ii) backup of servers at the OIT HUB and other OIT and State agency facilities, and (iii) redundancy for the backup, under service agreements with private contractors, of data from OIT mainframe systems. The capital appropriation recommended for FY 2003 is intended to fund design and preliminary construction costs of OARS and some costs

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

| <u>Budget Item</u> | <u>Adj. Approp.<br/>FY 2002</u> | <u>Recomm.<br/>FY 2003</u> | <u>Dollar<br/>Change</u> | <u>Percent<br/>Change</u> | <u>Budget<br/>Page</u> |
|--------------------|---------------------------------|----------------------------|--------------------------|---------------------------|------------------------|
|--------------------|---------------------------------|----------------------------|--------------------------|---------------------------|------------------------|

of hardware and software. It is expected that a further appropriation, roughly similar in amount, will be required after FY 2003 to complete the project.

**STATE SUBSIDIES AND FINANCIAL AID****Grants-in-Aid:**

**Senior and Disabled  
Citizen's Property Tax  
Freeze (PTRF)**

|                 |                 |                |              |              |
|-----------------|-----------------|----------------|--------------|--------------|
| <b>\$10,599</b> | <b>\$18,000</b> | <b>\$7,401</b> | <b>69.8%</b> | <b>D-490</b> |
|-----------------|-----------------|----------------|--------------|--------------|

The FY 2003 budget recommends the appropriation of \$18 million from the Property Tax Relief Fund for the Senior and Disabled Citizens' Property Tax Freeze program under P.L.1997, c.348, which reimburses certain low income senior and disabled residents for increases in property taxes on their homes. This funding level is \$7.4 million (69.8 percent) above the FY 2002 adjusted appropriation, reflecting the expectation of new applicants for reimbursement as a result of the enactment of P.L.2001, c.251, which more than doubled the income ceiling on eligibility to participate in the program.

**Grants-in-Aid:**

**NJ SAVER Program  
(PTRF)**

|                  |                  |                   |               |              |
|------------------|------------------|-------------------|---------------|--------------|
| <b>\$727,428</b> | <b>\$679,142</b> | <b>(\$48,286)</b> | <b>(6.6)%</b> | <b>D-490</b> |
|------------------|------------------|-------------------|---------------|--------------|

The Governor's budget recommends \$679.1 million for the New Jersey School Assessment Valuation Exemption Relief (NJ SAVER) program, \$48.3 million (6.6 percent) below the FY 2002 adjusted appropriation. NJ SAVER was enacted in 1999 to provide homeowners with direct property tax relief equal to a portion of the school taxes paid on the assessed value of eligible primary residences. Under a phase-in schedule, cut from five to four years' duration in 2001, payments were made at 83 1/3 percent of the full amount in FY 2002 and slated to rise to 100 percent of the full amount in FY 2003. The Governor's budget would keep FY 2003 rebates at the prior year level and allow no payments to persons with annual incomes of \$200,000 or more. The budget states that the average FY 2003 payment will be \$500, the same as in FY 2002.

**State Aid:**

**School Construction  
and Renovation Fund**

|                 |                 |                   |                |              |
|-----------------|-----------------|-------------------|----------------|--------------|
| <b>\$81,993</b> | <b>\$44,600</b> | <b>(\$37,393)</b> | <b>(45.6)%</b> | <b>D-490</b> |
|-----------------|-----------------|-------------------|----------------|--------------|

The Governor's budget recommends the appropriation from the General Fund of \$44.6 million for the School Construction and Renovation Fund, \$37.4 million (45.6 percent) less than the FY 2002 adjusted appropriation of \$82 million (adjusted from \$182 million to reflect a \$100 million transfer to the Additional Abbott v. Burke State Aid account in the Department of Education). The recommended appropriation is to be supplemented by \$55 million from two other sources: \$35 million in unexpended balances from advances made to the Economic Development Authority (EDA) prior to its initial issuance of school construction bonds in Spring 2001, and \$20 million in premiums that the EDA is expected to realize from its issuance of an additional \$500 million of bonds in Fall 2002. The funds will be used for payments of (i) \$41.4 million in debt service on

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

| <u>Budget Item</u> | <u>Adj. Approp.<br/>FY 2002</u> | <u>Recomm.<br/>FY 2003</u> | <u>Dollar<br/>Change</u> | <u>Percent<br/>Change</u> | <u>Budget<br/>Page</u> |
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existing debt, (ii) \$31.2 million in retroactive debt service, to be paid through the Department of Education, and (iii) \$27 million in debt service on the new issue.

**State Aid:****Pinelands Area**

|                                |              |            |                |                 |              |
|--------------------------------|--------------|------------|----------------|-----------------|--------------|
| <b>Municipality Aid (PTRF)</b> | <b>\$776</b> | <b>\$0</b> | <b>(\$776)</b> | <b>(100.0)%</b> | <b>D-490</b> |
|--------------------------------|--------------|------------|----------------|-----------------|--------------|

The Legislature has added this line-item to the appropriations act every year since FY 1996. As in prior years, the Governor's budget does not recommend continued funding for this item. 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.

**State Aid:****Solid Waste****Management - County****Environmental****Investment Debt**

|                           |                 |            |                   |                 |              |
|---------------------------|-----------------|------------|-------------------|-----------------|--------------|
| <b>Service Aid (PTRF)</b> | <b>\$23,000</b> | <b>\$0</b> | <b>(\$23,000)</b> | <b>(100.0)%</b> | <b>D-491</b> |
|---------------------------|-----------------|------------|-------------------|-----------------|--------------|

The Governor's budget continues funding for Solid Waste Management - County Environmental Investment Debt Service Aid, but transfers the appropriation to the Interdepartmental Accounts. The transfer is in accordance with legislation (P.L.2001, c.401) authorizing the New Jersey Economic Development Authority to assume direct responsibility for State support of the financing of county solid waste facility debt through the authority's issuance of its own bonds.

**State Aid:****Reimbursement to****Municipalities - Senior****and Disabled Citizens'**

|                              |                 |                 |                  |               |              |
|------------------------------|-----------------|-----------------|------------------|---------------|--------------|
| <b>Tax Exemptions (PTRF)</b> | <b>\$28,339</b> | <b>\$26,000</b> | <b>(\$2,339)</b> | <b>(8.3)%</b> | <b>D-491</b> |
|------------------------------|-----------------|-----------------|------------------|---------------|--------------|

The Governor's budget recommends a total of \$26 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 \$2.3 million (8.3 percent) decrease from the total FY 2002 adjusted appropriation of \$28.3 million. Funding for this program continues to decline as fewer taxpayers or their surviving spouses establish or maintain eligibility.

**State Aid:****State Reimbursement****for Veterans' Property**

|                              |                 |                 |                 |              |              |
|------------------------------|-----------------|-----------------|-----------------|--------------|--------------|
| <b>Tax Exemptions (PTRF)</b> | <b>\$53,039</b> | <b>\$69,719</b> | <b>\$16,680</b> | <b>31.4%</b> | <b>D-491</b> |
|------------------------------|-----------------|-----------------|-----------------|--------------|--------------|

The Governor's budget recommends \$69.7 million in State aid payments from the Property Tax

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

| <u>Budget Item</u> | <u>Adj. Approp.</u><br><u>FY 2002</u> | <u>Recomm.</u><br><u>FY 2003</u> | <u>Dollar</u><br><u>Change</u> | <u>Percent</u><br><u>Change</u> | <u>Budget</u><br><u>Page</u> |
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Relief Fund to reimburse municipalities for veterans' property tax exemptions. The recommended appropriation constitutes an increase of \$16.7 million (31.4 percent) over the FY 2002 adjusted appropriation for this item and funds the third of four annual \$50 increases in the deduction amount, raising the amount from \$150 to \$200.

**State Aid:****Contribution to****Consolidated Police and  
Firemen's Pension Fund**

|  |     |         |         |   |       |
|--|-----|---------|---------|---|-------|
|  | \$0 | \$2,714 | \$2,714 | — | D-491 |
|--|-----|---------|---------|---|-------|

The FY 2003 budget recommends an appropriation of \$2.7 million for the State Contribution to the Consolidated Police and Firemen's Pension Fund (CPFPPF); no corresponding appropriation was made in FY 2002. Even though it has no active members, the CPFPPF is funded on a reserve basis. The appropriation will meet the State's obligation for its portion of a deficiency that has arisen in the funding of the system's accrued liability, due mainly to the fund's failure to attain the assumed rate of return on its assets, but also resulting from a pension benefit increase under P.L.2001, c.4.

**State Aid:****Debt Service on  
Pension Obligation  
Bonds (PTRF)**

|  |          |          |         |       |       |
|--|----------|----------|---------|-------|-------|
|  | \$11,382 | \$15,897 | \$4,515 | 39.7% | D-491 |
|--|----------|----------|---------|-------|-------|

The Governor's budget recommends \$15.9 million in State Aid from the Property Tax Relief Fund for Debt Service on Pension Obligation Bonds issued to finance the State's obligation for unfunded accrued liabilities of the Consolidated Police and Firemen's Pension Fund (CPFPPF). This represents a \$4.5 million (39.7 percent) increase from the FY 2002 adjusted appropriation for this item.

**State Aid:****Police and Firemen's  
Retirement System -  
Health Benefits (PTRF)**

|  |          |          |         |       |       |
|--|----------|----------|---------|-------|-------|
|  | \$10,470 | \$12,739 | \$2,269 | 21.7% | D-491 |
|--|----------|----------|---------|-------|-------|

The Governor's budget recommends an appropriation from the Property Tax Relief Fund to the Police and Firemen's Retirement System (PFRS) of \$12.7 million for post-retirement health benefits; this amount represents a \$2.3 million increase over the FY 2002 adjusted appropriation. The appropriation would fund the State's obligation under P.L.1997, c.330 to pay the annual cost of post-retirement medical benefits that the legislation provided to certain PFRS members who retired on disability or with at least 25 years' creditable service.

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

| <u>Budget Item</u> | <u>Adj. Approp.</u><br><u>FY 2002</u> | <u>Recomm.</u><br><u>FY 2003</u> | <u>Dollar</u><br><u>Change</u> | <u>Percent</u><br><u>Change</u> | <u>Budget</u><br><u>Page</u> |
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MANAGEMENT AND ADMINISTRATION

## OFFICE OF THE TREASURER

## General Fund - DSS

## Local Government

|               |         |     |           |          |       |
|---------------|---------|-----|-----------|----------|-------|
| Budget Review | \$4,700 | \$0 | (\$4,700) | (100.0)% | D-494 |
|---------------|---------|-----|-----------|----------|-------|

The FY 2003 budget discontinues funding of the Local Government Budget Review unit in the Office of the Treasurer. The unit was established in 1994 to review municipal, school district and utility authority budgets, and to suggest ways to reduce costs and maximize associated revenue. It ceased operations on January 25, 2002.

## General Fund - DSS

## Administration and

## Support Services

|  |          |          |           |         |       |
|--|----------|----------|-----------|---------|-------|
|  | \$13,509 | \$10,719 | (\$2,790) | (20.7)% | D-494 |
|--|----------|----------|-----------|---------|-------|

The Governor's Budget recommends \$10.7 million to fund the general administrative functions of the Treasurer's Office, a decrease of \$2.8 million (20.7 percent) from the FY 2002 adjusted appropriation. This reduction is attributable to the nonrenewal of supplemental FY 2002 funding of \$2.83 million, authorized by budget language, for promoting awareness to increase participation in the New Jersey Better Educational Savings Trust (NJBEST), a college savings program administered by the New Jersey Higher Education Student Assistance Authority. Partly offsetting the reduction is a proposed appropriation of \$250,000 for the administrative expenses of the Budget Efficiency Savings Team Commission. The commission was established under Executive Order No. 2 (January 17, 2002) to advise the Governor how to reduce or eliminate wasteful, duplicative or unnecessary spending and improve the operation of State government. Using unpaid staff whose services are on loan from private sector employers, the commission is to conduct performance audits of Executive agencies and assess whether the agencies' resources are suited to their missions. It is expected that the audits and assessments will be completed during FY 2003.

## General Fund -

## Grants-in-Aid

## Administration and

## Support Services

|  |          |     |            |          |                      |
|--|----------|-----|------------|----------|----------------------|
|  | \$19,211 | \$0 | (\$19,211) | (100.0)% | D-495<br>to<br>D-501 |
|--|----------|-----|------------|----------|----------------------|

The FY 2002 grants to private and public entities collectively funded by this appropriation, not recommended for renewal in the Governor's FY 2003 budget, comprised 150 legislative and two Administration initiatives not included in the FY 2002 budget proposal. Responsibility for administrative processing of the grants was transferred to the Department of the Treasury from the Department of Community Affairs under an August 7, 2001 memorandum of understanding.

## General Fund

## Special Purpose:

## Debt Service

|  |           |           |          |      |                           |
|--|-----------|-----------|----------|------|---------------------------|
|  | \$387,808 | \$417,015 | \$29,207 | 7.5% | D-501,<br>E-10 to<br>E-12 |
|--|-----------|-----------|----------|------|---------------------------|

The Governor's FY 2003 budget recommendation for the department includes \$417 million for

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

| <u>Budget Item</u> | <u>Adj. Approp.</u><br><u>FY 2002</u> | <u>Recomm.</u><br><u>FY 2003</u> | <u>Dollar</u><br><u>Change</u> | <u>Percent</u><br><u>Change</u> | <u>Budget</u><br><u>Page</u> |
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Debt Service on general obligation bonds, a \$29.2 million (7.5 percent) increase over the FY 2002 adjusted appropriation. The recommended appropriation is net of a deduction of \$5.0 million in projected savings from refunding and other initiatives. Appropriations for additional debt service on general obligation bonds are included in the budget for the Department of Environmental Protection.

PROTECTION OF CITIZENS' RIGHTS

|                                       |     |          |          |   |       |
|---------------------------------------|-----|----------|----------|---|-------|
| General Fund - DSS<br>Public Advocate | \$0 | \$10,000 | \$10,000 | — | D-506 |
|---------------------------------------|-----|----------|----------|---|-------|

The Governor's budget recommendation for the Department includes a \$10 million special purpose appropriation to fund the re-establishment of the Department of Public Advocate, abolished in 1994. The Public Advocate's mandate will be to provide investigative and advocacy services to children, the elderly and mentally ill, and ratepayers, and to consolidate various existing ombudsman offices.

## Language Provisions

### 2002 Appropriations Handbook

### 2003 Budget Recommendations

#### p. B-196

There are appropriated out of revenues derived from the collection of fees charged for the issuance of dishonored checks, such sums as are necessary to defray administrative processing costs associated with such checks.

No comparable language.

#### Explanation

The Office of Management and Budget (OMB) imposes a charge upon anyone whose check payment to the agency is dishonored upon presentation. The revenue from these "bad check" fees, however, is not actually used to offset any specific costs incurred by OMB, but is simply deposited in the General Fund as general revenue. Since the appropriation authority provided through the language is not being exercised, the language is omitted.

### 2002 Appropriations Handbook

### 2003 Budget Recommendations

#### p. B-198

The amount necessary to provide administrative costs incurred by the Division of Taxation to meet the statutory requirements of the "New Jersey Urban Enterprise Zones Act," P.L.1983, c.303 (C.52:27H-60 et seq.) is appropriated from the Enterprise Zone Assistance Fund, subject to the approval of the Director of the Division of Budget and Accounting.

#### p. D-479

The amount necessary to provide administrative costs incurred by the Division of Taxation and the Division of Revenue to meet the statutory requirements of the "New Jersey Urban Enterprise Zones Act," P.L.1983, c.303 (C.52:27H-60 et seq.) is appropriated from the Enterprise Zone Assistance Fund, subject to the approval of the Director of the Division of Budget and Accounting.

#### Explanation

The Urban Enterprise Zones Act provides that the State sales tax on most taxable goods and services sold by certified vendors in designated enterprise zones shall be imposed at a rate below the general Statewide rate otherwise applicable. Since its establishment under Executive Reorganization Plan No. 1 in 1997, the Division of Revenue has been primarily responsible for oversight and coordination of collection and processing of revenues arising from State taxation. Both the Division of Taxation (which is responsible under the Act for certification of vendors) and the Division of Revenue have in the past been allocated funding from the Enterprise Zone Assistance Fund: FY 2002 budget authority for the Division of Taxation was \$323,000, and that for the Division of Revenue was \$193,000. The FY 2003 language change recognizes budgetary practice.

**Language Provisions (Cont'd)**

2002 Appropriations Handbook

2003 Budget Recommendations

**p. B-198**

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

No comparable language.

Explanation

The State Earned Income Tax Credit program was established under legislation enacted in August 2000. Anticipating that enactment, the language above to meet the costs to the Division of Taxation and the Division of Revenue of administering the program was included in the Appropriations Act for FY 2001 as well as that for FY 2002; in the latter year, it has not been exercised. The costs are included in the divisions' respective base budgets for FY 2003, and the language is accordingly omitted.



2002 Appropriations Handbook

2003 Budget Recommendations

No comparable language.

**p. D-479**

The unexpended balances as of June 30, 2002 in the Tax Amnesty Account are appropriated.

Explanation

The tax amnesty was established as a limited-time program under legislation enacted in March 2002. The amnesty period is scheduled to end on June 10, 2002. The legislation appropriated \$7 million to provide full funding for the program's implementation; the recommended language reappropriates from that amount the unexpended balance (expected to be about \$3 million) to meet the costs of winding up the program.



2002 Appropriations Handbook

2003 Budget Recommendations

**p. B-198**

Of the amount hereinabove for Services Other Than Personal, \$3,500,000 is appropriated for expanded advertising for the State Lottery, subject to the approval of a plan by the Director of the Division of Budget and Accounting.

No comparable language.

Explanation

An amount sufficient to cover expanded lottery advertising is included in the recommended FY 2003 budget base for services other than personal in the Division of the State Lottery.

## Language Provisions (Cont'd)

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### 2002 Appropriations Handbook

### 2003 Budget Recommendations

#### **p. B-199**

Notwithstanding any law to the contrary, the salary of the Director of the Office of Administrative Law shall be established by the Commissioner of Personnel in the "State Compensation Plan."

No comparable language.

#### Explanation

Previously, the statute (N.J.S.A.52:14F-3) establishing the director as head of the Office of Administrative Law provided that the director would receive as compensation "a salary as provided by law." Under legislation that took effect in 2000, the salary was set at 89% of the salary of a Judge of the Superior Court. Thus there is no further need to provide for the salary through the State Compensation Plan, and the language is accordingly omitted.

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### 2002 Appropriations Handbook

### 2003 Budget Recommendations

#### **p. B-201**

Notwithstanding the provision of any other law to the contrary, there are appropriated from receipts derived from vendor registration fees sufficient sums for services and expenses related to the development, letting and administration of commodity or service contracts.

No comparable language.

#### Explanation

The Department of the Treasury has in recent years considered requiring those who wish to sell goods or services to the State through the Division of Purchase and Property to first register with the Division and pay a recurring registration fee. In anticipation of the possible imposition of such a requirement, the division has developed a vendor data base, and the cited language has been included in the department's appropriation at least since FY 2000. But the question of whether to require vendor registration remains unresolved, and the language is accordingly omitted from the budget recommendations for FY 2003.

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### 2002 Appropriations Handbook

### 2003 Budget Recommendations

#### **p. B-201**

Proceeds derived from commissions are credited to defray administrative costs incurred as a result of the management of the travel contract.

#### **p. D-485**

Notwithstanding the provisions of any other law to the contrary, there are appropriated, out of receipts derived from service fees billed to the various state departments for the purpose of travel services, such sums as may be necessary for the administrative expenses of the program.

Language Provisions (Cont'd)

2002 Appropriations Handbook

2003 Budget Recommendations

Explanation

Air transportation for employees of State agencies traveling on official business is ordered through a central travel unit within the State Central Motor Pool. The travel unit then books the employees' transportation needs under a long-term contract with an independent travel agency. The contract has, until recently, required the travel unit to pay the travel agency a flat fee for each ticket that the unit buys. The unit, in turn, has traditionally charged the State agency for which it bought the ticket the nominal price of the ticket, without markup. The travel unit has recouped its expenses under a provision in the travel agency contract under which it is entitled to the excess of the travel agency's commission from the airline that issued the ticket over the amount of the flat fee. In recent years, travel agents' commissions have declined to an average level that is lower than the amount of the contract fee, so that the travel unit cannot cover its costs under the traditional "no mark-up" arrangement with using agencies. Accordingly, the unit proposes to charge the using agencies service fees. The revised language cited above reflects the anticipated implementation of the new arrangement.



2002 Appropriations Handbook

2003 Budget Recommendations

**p. B-201**

The unexpended balance in the State Purchase Fund as of June 30, 2001, and the reimbursements thereto, are appropriated for the purpose of making payments for purchases under R.S.52:25-1 et seq., and for the expenses of handling, storing and transporting purchases so made and for the administration of the distribution center.

No comparable language.

There are appropriated out of revenues received from the sale of surplus property, sufficient sums for the administrative costs of the Distribution Center - Surplus Property Unit.

Explanation

The \$51.7 million State Purchase Fund is the fund through which the Division of Purchase and Property finances an intragovernmental enterprise service -- namely, the purchase of goods and services for the State and its using agencies -- that generates the receipts necessary to fund the service. As such, the Fund is a revolving fund, for which no explicit language provision is required to authorize the carry forward or appropriation of unexpended balances, and the cited language is accordingly omitted. General language authorization for the appropriation of revolving and dedicated fund receipts, as well as the reappropriation of year-end unexpended balances, is provided in the General Provisions section of the budget.



## Language Provisions (Cont'd)

2002 Appropriations Handbook2003 Budget Recommendations**p. B-202**

In addition to the amounts hereinabove, there are appropriated by way of estimated receipts, an amount not to exceed \$500,000, to provide building modifications and tenant services which fall outside the scope of basic building maintenance in State-owned facilities under the auspices of 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

Among the responsibilities of the Division of Property Management and Construction is the physical management (including refitting, or "building modification") of State-owned property, mainly in the Capitol Complex. The division bills the agencies that own the buildings it manages for its services. Recurrent inclusion of the cited language in recent appropriation acts has in effect authorized the division to obtain from the General Fund an advance against the cost of those services pending receipt of the agencies' payment therefor. The Department of the Treasury no longer wishes to maintain this practice, and the enabling language is accordingly omitted.

2002 Appropriations Handbook2003 Budget Recommendations**p. B-202**

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

**p. D-485**

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

Explanation

The provision that the Governor's budget recommends for incorporation into this language authorizes the Director of the Division of Budget and Accounting to submit the proposed obligation or expenditure of amounts for the purposes specified to the usual process of review and approval.

Language Provisions (Cont'd)

2002 Appropriations Handbook

2003 Budget Recommendations

No comparable language.

**p. D-485**

Notwithstanding any other law to the contrary, an amount not to exceed \$468,000 is transferred from the Garden State Farmland Preservation Trust Fund, the Garden State Green Acres Preservation Trust Fund and the Garden State Historic Preservation Trust Fund to the General Fund in an allocation to be determined by the Garden State Preservation Trust and approved by the Director of the Division of Budget and Accounting and such amount is appropriated to the Garden State Preservation Trust.

Explanation

The new language authorizes the administrative expenses of the Garden State Preservation Trust (page D-483) to be paid with \$468,000 transferred from the designated trust funds to the General Fund. The language essentially enables General Fund monies to be replaced by dedicated funds, and in so doing, overrides a provision in the Garden State Preservation Trust Fund Act (P.L. 1999, c. 152) that prohibits trust funds from being used for administrative purposes. A similar funding policy is recommended in other departments that have administrative functions related to open space, farmland and historic preservation.



2002 Appropriations Handbook

2003 Budget Recommendations

**p. B-202**

The unexpended balance in the Gubernatorial transition - Governor account as of June 30, 2001 is appropriated for the same purpose[, provided however, that notwithstanding 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 nine months from the date of the expiration of the term of office].

**p. D-486**

The unexpended balance in the Gubernatorial transition - Governor account as of June 30, 2002 is appropriated for the same purpose.

Explanation

The former Governor whose outgoing transition expenses were covered by the bracketed portion of the FY 2002 provision left office on January 31, 2001, and those expenses have since been paid in full, so that portion of the cited language is without continuing application and is accordingly omitted. The language recommended for renewed inclusion in the FY 2003 budget will ensure the continuing availability of transition funding to former Acting Governor DiFrancesco for the short period beyond June 30, 2002 during which it is expected to be required.



**Language Provisions (Cont'd)**

2002 Appropriations Handbook

2003 Budget Recommendations

**p. B-203**

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.

No comparable language.

Explanation

The FY 2003 budget recommendation for the Department of Education includes language (D-135) charging to the School Fund the full amount of the Fund's investment earnings for Core Curriculum Standards Aid. Thus none of the Fund's investment earnings are available as a resource against which the appropriation for school construction and renovation can be charged, and the language is accordingly omitted.



2002 Appropriations Handbook

2003 Budget Recommendations

**p. B-204**

Of the amount hereinabove for the School Construction and Renovation Fund, such sums as the Director of the Division of Budget and Accounting shall determine, shall be charged to the State Lottery Fund.

No comparable language.

Explanation

The full amount of the Governor's recommended FY 2003 appropriation of \$44.6 million for the School Construction and Renovation Fund will be charged against revenue from the cigarette tax, in accordance with the provisions of section 4 of P.L.1997, c.264 (C.26:2H-18.58g). Since the cigarette tax receipts, as well as the net proceeds of the State Lottery Fund, are both deposited in the General Fund as anticipated revenue, there is no need for such language.



2002 Appropriations Handbook

2003 Budget Recommendations

**p. B-204**

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.

No comparable language.

## Language Provisions (Cont'd)

2002 Appropriations Handbook2003 Budget RecommendationsExplanation

The federal school renovation grants for health and safety projects in eligible school districts to which the cited language refers were available only for Federal FY 2001. The program was not renewed, and the language is accordingly omitted.



**Language Provisions (Cont'd)**2002 Appropriations Handbook**p. B-204**

Notwithstanding the provisions of any other law to the contrary, the amount hereinabove for Solid Waste Management - County Environmental Investment Debt Service Aid 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, provided however that if such county or county authority debt is restructured through the issuance of debt through the Economic Development Authority (EDA), pursuant to pending legislation, then the amount hereinabove may be made available to pay debt service on that debt, in accordance with any agreements between the State Treasurer and the EDA. Expenditure of funds to a county or county authority is 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 the Joint Budget Oversight Committee of the amount and recipient of each distribution and shall also notify the committee of the

2003 Budget Recommendations

See Interdepartmental Accounts.

**Language Provisions (Cont'd)**

progress of each county and county authority in implementing the audit recommendations. In the event that funds remaining in the Resource Recovery and Solid Waste Disposal Facility Fund are unavailable to address remaining county and county authority debt service needs, pursuant to P.L.1998, c.66, or if the amount hereinabove is insufficient, there are appropriated in addition to the amount hereinabove such sums as are necessary for county and county authority debt service needs subject to the conditions herein and subject to the approval of the Director of the Division of Budget and Accounting.

**Explanation**

The Governor's budget continues funding for Solid Waste Management - County Environmental Investment Debt Service Aid, but transfers the appropriation to the Interdepartmental Accounts. The transfer is in accordance with legislation (P.L.2001, c.401) authorizing the New Jersey Economic Development Authority to assume direct responsibility for State support of the financing of county solid waste facility debt through the authority's issuance of its own bonds, which would be repaid by the State and by participating counties.



**2002 Appropriations Handbook**

**2003 Budget Recommendations**

No comparable language.

**p. D-492**  
Notwithstanding the provisions of P.L.1999, c.168 (C.52:27D-439) to the contrary, an amount not to exceed \$755,000,000 is set aside for fiscal year 2003 Energy Tax Receipts Property Tax Relief Fund payments. These payments shall be distributed in the same amounts, and to the same municipalities that received funding pursuant to the fiscal year 2002 annual appropriations act, P.L.2001, c.130, subject to the approval of the Director of the Division of Budget and Accounting.

**Explanation**

The Governor's FY 2003 budget recommendation of \$755 million for Energy Tax Receipts municipal aid is unchanged from FY 2002. Under the 1997 law providing for annual appropriation of this replacement aid, the level of aid was set at \$755 million for FY 2002 and each subsequent fiscal year. Under a 1999 amendment, the amount of replacement aid was to be indexed for increases in local government costs beginning in FY 2003. The Administration has proposed that FY 2003 replacement aid be maintained, overall and for each municipality, at the FY 2002 level to avoid the cost of the inflation adjustment, estimated at \$18.9 million.



**Language Provisions (Cont'd)**2002 Appropriations Handbook2003 Budget Recommendations**p. B-205**

The appropriation hereinabove for NJ SAVER Program grants shall be made available as provided for by the "New Jersey School Assessment Valuation Exemption Relief and Homestead Property Tax Rebate Act," P.L.1999, c.63 (C.54:4-8.57 et al.).

**p. D-492**

Notwithstanding the provisions of P.L.2001, c.106 (C.54:4-8.58b) to the contrary, the NJ SAVER rebate amount for the 2001 tax year shall be the same amount as the rebate amount for tax year 2000, except that applicants with incomes of \$200,000 and above shall not be eligible for a rebate.

Explanation

The FY 2003 budget recommends \$679.1 million for the New Jersey School Assessment Valuation Exemption Relief (NJ SAVER) program, \$48.3 million less than appropriated in FY 2002. Under a phase-in schedule, cut from five to four years' duration in 2001, payments were made at 83 1/3 percent of the full amount in FY 2002 and slated to rise to 100 percent of the full amount in FY 2003. The Administration has proposed that FY 2003 rebates be maintained at the prior year level and be paid only to persons with annual incomes under \$200,000.

2002 Appropriations Handbook2003 Budget Recommendations**p. B-205**

The unexpended balance as of June 30, 2001 in the Police and Firemen's Retirement System, Health Benefits account is appropriated for the same purpose.

No comparable language.

Explanation

It is intended that any unexpended balance in this account at the end of FY 2002 shall lapse to the General Fund. Accordingly, no language to carry forward such a balance in FY 2003 is recommended.

2002 Appropriations Handbook2003 Budget Recommendations**p. B-205**

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 2001 for this purpose: Estell 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

Each year since FY 1996, the Legislature has included in the Appropriations Act a line-item appropriation for "Pinelands Area Municipality Aid," together with the cited language to guide the distribution of that aid. The amount appropriated in FY 2002 was \$776,000. As in prior years, the Governor's budget does not recommend continued funding for this item, and the language is accordingly omitted.



2002 Appropriations Handbook

2003 Budget Recommendations

**p. B-206**

The unexpended balance as of June 30, 2001 in the State Revenue Forecasting Advisory Commission account is appropriated for the same purpose. No comparable language.

Explanation

The State Revenue Forecasting Advisory Commission, established through legislation enacted in 1992, has not expended or obligated in FY 2002 any portion of the roughly \$50,000 in its account carried forward under the cited language. The Commission is currently inactive. Deletion of this language in FY 2003 will lapse the balance to the General Fund.



2002 Appropriations Handbook

2003 Budget Recommendations

No comparable language.

**p. D-501**

Pursuant to the provisions of P.L.1999, c.12 deposits made to the "Drug Abuse Education Fund" and the unexpended balance as of June 30, 2002 of such deposits are appropriated for collection or administration costs of the Department of Treasury and for transfer to the Department of Education for program costs and grants, subject to the approval of the Director of the Division of Budget and Accounting.

Explanation

The Drug Abuse Education Fund receives contributions from New Jersey income taxpayers under a tax return "check-off" procedure. The statute establishing the Fund directs that moneys deposited therein shall be appropriated to the Department of Education "for distribution to non-governmental entities operating in the public interest that, utilizing law enforcement personnel, provide drug abuse education programs on a Statewide basis . . . ." No moneys have yet been distributed under the program pending the establishment of a competitive grant application and approval process. The cited language would make any balances in the Fund available to the Departments of Education and Treasury for their costs in collecting the taxpayer donations and administering the program.



**Language Provisions (Cont'd)**2002 Appropriations Handbook2003 Budget Recommendations**p. B-206**

In addition to the amount hereinabove, the Director of the Division of Budget and Accounting shall transfer from departmental accounts and credit to the Local Government Budget Review, such sums as may be available for the purpose of expanding the review of local government organizations.

No comparable language.

Explanation

The FY 2003 budget includes no funding for the Local Government Budget Review unit, which ceased operations on January 25, 2002. The unit was established in 1994 in the Office of the Treasurer to review municipal, school district and utility authority budgets and suggest ways to reduce costs and maximize associated revenue. Of the \$4 million originally appropriated to the unit in FY 2002, \$274,000 remains uncommitted after expenses, reservations and encumbrances.

2002 Appropriations Handbook2003 Budget Recommendations

No comparable language.

**p. D-506**

The amount hereinabove recommended for the Public Advocate is available pursuant to the passage of enabling legislation.

Of the amount hereinabove, such sums as are required for employee benefits shall be transferred to the Interdepartmental account for costs attributable to the staff of the Public Advocate, subject to the approval of the Director of the Division of Budget and Accounting.

Explanation

The Governor's budget recommends an appropriation of \$10 million to reestablish the Department of the Public Advocate, pursuant to the enactment of enabling legislation. The appropriation would be supplemented by funds transferred to the Public Advocate when functions now located in other departments are consolidated within the Public Advocate. Pending its creation as a principal department of State government, the Public Advocate is displayed for budget purposes within the Department of the Treasury. The language provisions (1) prohibit the expenditure of any funds until legislation is enacted, and (2) allow a portion of the \$10 million to be subsequently transferred to the Interdepartmental Accounts to pay for fringe benefits (e.g., pension, social security and health benefits contributions) of persons employed in the Public Advocate.

## Discussion Points

1. In response to a committee question about proposed fee adjustments, the department has indicated that several commercial recording fees would be increased in FY 2003, subject to the enactment of enabling legislation. The increased filing fees would apply to certificates of incorporation, annual reports and amendments or changes to existing filings (e.g., a change of address). The fee increases average 25% to 50% above the existing fee schedules, and are projected to raise about \$4.8 million from corporate filers. In addition, the department proposes increasing "over the counter" fees such as photocopying and expedited service charges, for another \$2.2 million. In all, the department estimates that \$7.0 million in additional revenue would be raised by these changes.

- **Question:** Where are the increased revenues from these fees reflected in the FY 2003 budget document? What portion of these fee increases flow into the General Fund as anticipated revenue and what portion will remain in the Commercial Recording activity to supplement the FY 2003 recommended appropriation of \$4.7 million?

2. Budget language is continued (p. D-486) that 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 study, conducted by The Segal Company/L.R. Wexlar, Ltd., the division's information technology systems require replacement "on a priority basis" at an estimated cost of \$40 million to \$50 million to be incurred over four years. As a follow-up to the organizational study, RFPs were issued to assist in the preparation of a "Strategic Business Plan" to identify the scope, methodology and technologies the division should pursue.

- **Question:** Please provide an update of the proposed "re-engineering" project, including project scope, total costs and time frame for completion. What are the project's actual or estimated expenditures for FY 2002 and projected for FY 2003? Have expenditures incurred thus far by the General Fund been charged back to the pension systems?

3. The Department of the Treasury's budget includes a line-item appropriation of \$10 million for the reestablishment of the Department of the Public Advocate (p. D-506). Legislation has been introduced (e.g., A-345/2341 ACS of 2002) to implement this proposal, which includes the transfer of a number of existing State functions and agencies to the Public Advocate. An April 15, 2002 press release from the Governor's Office states that the \$10 million in the FY 2003 budget is allocated to "the new functions to be handled by the Department of the Public Advocate....In addition, a number of existing functions will be transferred...."

- **Question:** Please provide a fiscal summary and organizational plan for the proposed Department of the Public Advocate that will show (1) the total budget and position complement of the department; (2) the funding and positions that represent transferred functions; and (3) the application of the \$10 million budget allocation contained within the Treasury recommendation.

4a. The Governor's budget recommends a \$250,000 appropriation to support the Budget Efficiency Savings Team (BEST) Commission established pursuant to Executive Order No. 2 of 2002. The BEST Commission is charged with undertaking a "complete comprehensive and thorough examination of all aspects of the State's spending practices to identify areas of waste, mismanagement, abuse, and unnecessary spending." It is understood that the Commission will utilize unpaid staff, whose services are on loan from private sector employers to conduct performance audits of Executive agencies and assess whether the agencies' resources are suited to their missions. It is expected that the audits and assessments will be completed during FY 2003.

- **Question:** What private sector employers are expected to contribute staff to the Commission? Will the audits/assessments be available to the Legislature and the public

## Discussion Points (Cont'd)

for review upon completion? Please explain, in practical terms, how the Commission expects to fulfill its mandate.

4b. An April 10 story in *The Record* of Hackensack reported that the State's Chief Information Officer said the BEST Commission "found that New Jersey could save \$15 million to \$20 million by negotiating better contracts and reducing state workers' use of toll-free phone lines." About \$5 million to \$10 million of the predicted savings would come from renegotiating hardware and software contracts with vendors. Another \$5 million could be saved in renegotiating telecommunications contracts during the coming year. About \$3 million in savings are attributed to negotiating better rates with vendors of toll-free phone services and halting employee abuse of those toll-free numbers.

- **Question:** The BEST Commission announcement was made after the Governor's FY 2003 budget was presented on March 26, 2002. Are there identifiable items in the budget document that reflect these projected savings? If not, can the savings be taken through subsequent budget reductions on the grounds that the BEST Commission recommendations will be implemented?

5. The Senior and Disabled Citizens Property Tax Reimbursement program, more commonly known as the "property tax freeze," has the potential to be one of the most effective methods developed to control the growth in property taxes for low and moderate income seniors and disabled homeowners. Created by P.L.1997, c.348, the program's income eligibility limits were doubled by P.L.2001, c.251. The current income limits are \$38,475 for single property taxpayers and \$47,177 for married couples. Rebates paid in July 2002 (FY 2003) will be the first to reflect those higher income limits.

Despite its promise, and despite documented efforts by the Department of the Treasury and the Department of Health and Senior Services to publicize its availability and benefits, the property tax freeze program continues to resemble one of the State's best-kept secrets. The program has consistently underspent its appropriation, even after those appropriations were reduced, and the number of checks sent out by the State has actually declined each year the program has been in operation. Moreover, the application period for filing has regularly been extended for several months or more to make the program known to more people.

In FY 2002, \$10.6 million was appropriated for the property tax freeze program, of which only about \$8 million is expected to be spent. The FY 2003 recommended appropriation, reflecting the expanded eligibility, is \$18 million.

- **Question:** Although one might expect that most senior citizen homeowners who meet the program's income requirements would be long time owners of their current residence, it has been suggested that the program's 10-year New Jersey residency requirement and three preceding years residency requirement in the dwelling for which the rebate is sought, are disqualifying otherwise eligible homeowners. Does the department believe this to be the case? What other improvements, statutory or otherwise, could be made to increase participation? Given the higher income limits now in place, what assumptions concerning numbers of applicants and average rebate amounts underlie the \$18 million FY 2003 budget recommendation?

6. The budget recommendation indicates a transfer of \$255 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 both FY 2000 and FY 2001, and \$198 (estimated) in FY 2002.

Pursuant to N.J.S.A.46:30B-74, 75% of all funds received as unclaimed property presumed

## Discussion Points (Cont'd)

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 FY 2002 and projected for FY 2003, please provide a current schedule of revenues, expenditures, transfers and fund balances for the Unclaimed Personal Property Trust Fund. How much (if any) of the projected revenue for the Fund in FY 2003 is conditional upon adoption of the proposed reduction in the "dormancy" period that must run prior to escheat? Please project for FY 2002 and FY 2003, the percentage that the funds transferred to the General Fund as State revenue represent of the funds presumed abandoned and deposited into the trust fund.

7a. New Jersey School Assessment Valuation Exemption Relief (NJ SAVER) program was established under 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. 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. The authorizing legislation provided for phased increases in payment levels under the program, with the full rebate amount to be payable starting in FY 2004. Under P.L.2001, c.106, the phase-in schedule was accelerated to make the full amount payable in FY 2003. The Governor's budget includes language (p. D-492) that would maintain FY 2003 rebates at the prior year level (83 1/3 percent of the full amount) and provides that rebates for FY 2003 shall not be payable to persons with incomes of \$200,000 or more.

- **Question:** Please provide, in spreadsheet format, by year since inception, the total dollar amount paid and the number of taxpayers receiving checks by municipality. Please include municipality codes with the data. Since persons with incomes over \$200,000 are not eligible for a homestead rebate, and the NJ SAVER application does not inquire about income, what procedures will the department use to disqualify ineligible applicants if this income ceiling is enacted? Is the term "incomes of \$200,000 or more" in the referenced budget language intended to mean "gross income" under the New Jersey Gross Income Tax Act?

7b. The Governor's budget recommends \$514.3 million for payments to senior, disabled and low-income homeowners and tenants under the Homestead Property Tax Rebate Program (P.L. 1990, c.61). According to the Executive, in FY 2003 this program will provide an estimated 1.6 million rebate checks to eligible homeowners and tenants, including seniors, the disabled, and persons with incomes not exceeding \$100,000. The maximum rebate amount for senior/disabled recipients is increased this year from \$750 to \$775.

- **Question:** Please provide, in spreadsheet format, by year, by municipality, the total dollar amount paid and the number of taxpayers receiving checks under the Homestead rebate program for each fiscal year since FY 2000. Please include municipality codes with the data.

8. P.L. 2002, c.6 established a 60-day Tax Amnesty period to end no later than June 10, 2002, for the payment of any outstanding State tax liability. The amnesty applies only to State tax liabilities for tax returns due on and after January 1, 1996 and prior to January 1, 2002. During the amnesty period, a taxpayer who has failed to pay any State tax could pay the tax without any interest that would otherwise have accrued, without any costs of collection, and without the imposition of any civil or criminal penalties arising out of an obligation imposed under any State tax law. The Division of Taxation received a \$7.0 million supplemental appropriation to fund the implementation of the amnesty program.

- **Question:** Please provide a progress report on the Tax Amnesty program. Although the

## Discussion Points (Cont'd)

current 60-day period of amnesty is shorter than the period of amnesty granted in 1996, provide an analysis of the cash flow generated thus far under the current program compared to a similar period under the 1996 program. Of the amounts collected thus far, how have they been distributed among the various types of taxes? Please summarize the administrative costs of the program. Will the total amount generated under the program be determined and made known to the Legislature prior to June 30, 2002?

9. A recent (5/8/02) *Wall Street Journal* article noted that a number of states are using sophisticated "data mining" technologies to recover revenues that might otherwise go uncollected. That is, some states are analyzing and cross-matching multiple databases to compare tax collection records with other records to uncover taxpayer liabilities. The article indicated that while some states are comparing tax payments to, for example, unemployment insurance records, other states are aggressively using data from federal tax returns, local property taxes, customs declarations, state contracts, private databases and even private vendor services to improve the collection of previously uncollected taxes.

- **Question:** In the wake of the recent amnesty period and amid concerns over corporate tax avoidance, has the Division of Taxation undertaken or considered developing data-mining systems? What are the department's current capabilities in this regard? Does the Division of Revenue's access to multiple business and individual registrant (e.g., auto registrations) databases help in this regard?

10. Evaluation data for the Division of Investment (p. D-476) note that the market value of all invested funds under the Division's jurisdiction (including pension funds) totaled \$83.6 billion as of June 30, 2001, a drop of \$10.4 billion or 11.1 percent from a year earlier. The budget estimate for June 30, 2002 is \$96.0 billion, which, if achieved, would represent an increase of 14.8 percent over June 30, 2001. However, according to the Division's *Monthly Securities Transaction Summary*, the actual market value of State investments as of April 30, 2002 had declined further to \$76.7 billion, a level approaching 1998 year-end asset values.

- **Question:** In light of the two-year drop in the major stock market indices, the doubt recently cast on certain corporate financial practices and the likelihood of continued low interest rates on fixed income securities, please discuss the current investment guidelines of the State Investment Council and the Division of Investment. Within those guidelines, are portfolio compositions or investment decisions being reevaluated?

11. As in the recent past, the Governor's budget for FY 2003 does not include a recommended State Aid appropriation for the Police and Firemen's Retirement System (PFRS) for the support of the local cost of benefits provided to plan members under P.L.1979, c.109 (PFRS "special" retirement benefit), P.L.1991, c.511 (widows' benefits), or P.L.1993, c.247 (transfer of various public safety officers to the PFRS), because the \$49.7 million normal contribution otherwise necessary to cover this obligation for FY 2003 will be funded from excess valuation assets in the pension system. However, the excess valuation assets were calculated as of July 1, 2000 for the PFRS; since that time, the market value of PFRS assets and the system's balance sheet have deteriorated.

- **Question:** What is the amount of excess valuation assets estimated to remain available for the future funding of the contributions required to fund these benefits after FY 2003? What is the estimated annual contribution that will be required from the State to cover these benefits in FY 2004 and FY 2005, and to what extent, if any, will the State be able to offset any such remaining excess assets against those annual contribution requirements?

## OFFICE OF LEGISLATIVE SERVICES

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

Legislative Budget and Finance Office  
State House Annex  
Room 140 PO Box 068  
Trenton, NJ 08625

(609) 292-8030

Fax (609) 777-2442