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 Thomas Koenig. Stephanie Loh authored the background paper entitled “State Funding for Stem Cell Research”.

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

Budget Pages: C-15 to C-16; C.23; C.31 to C.32; D-401 to D-446; G-4 to G-11.

Fiscal Summary ($000)

<table>
<thead>
<tr>
<th></th>
<th>Expended FY 2005</th>
<th>Adjusted Appropriation FY 2006</th>
<th>Recommended FY 2007</th>
<th>Percent Change 2006-07</th>
</tr>
</thead>
<tbody>
<tr>
<td>State Budgeted</td>
<td>$2,941,563</td>
<td>$2,068,855</td>
<td>$2,957,216</td>
<td>42.9%</td>
</tr>
<tr>
<td>Federal Funds</td>
<td>$3,405</td>
<td>$5,847</td>
<td>$5,847</td>
<td>--</td>
</tr>
<tr>
<td>Other</td>
<td>$1,059,964</td>
<td>$1,138,349</td>
<td>$1,142,700</td>
<td>4%</td>
</tr>
<tr>
<td>Grand Total</td>
<td>$4,004,932</td>
<td>$3,213,051</td>
<td>$4,105,763</td>
<td>27.8%</td>
</tr>
</tbody>
</table>

Personnel Summary - Positions By Funding Source

<table>
<thead>
<tr>
<th></th>
<th>Actual FY 2005</th>
<th>Revised FY 2006</th>
<th>Funded FY 2007</th>
<th>Percent Change 2006-07</th>
</tr>
</thead>
<tbody>
<tr>
<td>State</td>
<td>4,454</td>
<td>4,590</td>
<td>4,319</td>
<td>(5.9%)</td>
</tr>
<tr>
<td>Federal</td>
<td>8</td>
<td>11</td>
<td>18</td>
<td>63.6%</td>
</tr>
<tr>
<td>Other</td>
<td>1,999</td>
<td>1,990</td>
<td>2,412</td>
<td>21.2%</td>
</tr>
<tr>
<td>Total Positions</td>
<td>6,461</td>
<td>6,591</td>
<td>6,749</td>
<td>2.4%</td>
</tr>
</tbody>
</table>

FY 2005 (as of December) and revised FY 2006 (as of September) personnel data reflect actual payroll counts. FY 2007 data reflect the number of positions funded.

To be consistent with the data display in the Governor’s budget, the above table includes the funding and position data in the Department of the Treasury for Higher Educational Services; the New Jersey Commerce, Economic Growth and Tourism Commission; the Economic Planning and Development program; and the New Jersey Commission on Science and Technology. Other explanatory data for the above agencies are not included in this analysis but are contained in two separate booklets: “Higher Educational Services” and the “New Jersey Commerce, Economic Growth and Tourism Commission and Related Economic Development Programs.”

Key Points

- The Governor recommends that the FY 2007 Department of the Treasury appropriation increase by $892.7 million, or 27.8 percent, to $4.1 billion. While a multitude of changes produce this net effect, three components contribute an additional $905.3 million to the department’s recommended appropriation: $529.8 million for homestead rebates, $223.5 million for increased debt service payments, and $152.0
Key Points (Cont'd)

million for the funding of Business Employment Incentive Program grants from current appropriations rather than from proceeds of bonds issued by the New Jersey Economic Development Authority.

- The Governor’s Budget for the department includes $368.1 million for Debt Service on general obligation bonds. This amount represents an increase of $223.5 million, or 154.5 percent, from FY 2006. The change is the result of the refunding plan shifting certain debt service payments that otherwise would have had to have been made in FY 2005 and FY 2006 into the future. The FY 2007 budget will not benefit from refunding savings.

- The Governor proposes two language provisions that would newly divert $32 million in off-budget funds from their statutorily dedicated spending purposes to the General Fund as State revenue in FY 2007. First, an additional $27 million to be deposited into the New Jersey Public Records Preservation account from the (2003) $5 increase in each of the county recording fees would support general State purposes instead of counties’ management, storage, and preservation of public records. Second, $5 million of the anticipated $23.5 million in FY 2007 New Jersey Domestic Security account revenues from the $2 per day rental vehicle surcharge would support general State purposes instead of medical emergency disaster preparedness for bioterrorism, security coverage at nuclear facilities, State Police salaries related to Statewide security services, and counter-terrorism programs.

- The Governor seeks to shift the Division of Pensions and Benefits’ appropriation off-budget in FY 2007. Through FY 2006, the division’s expenses were included within budget appropriations, offset by revenue transferred to the General Fund from the several pension and benefit funds. In FY 2007, however, these appropriations are reflected as “All Other Funds”, although they would still be charged back to the various State retirement and benefits funds. In FY 2007, the division’s recommended appropriation of $33.5 million would support 355 positions.

- The Governor recommends an increase in Services Other Than Personal line in Financial Administration by $14.4 million, or 26.7 percent, to $68.4 million in FY 2007. Specifically, the increase includes an additional $20.5 million for enhanced tax collection and enforcement services, of which $14.0 million would go to data warehouse activities expected to yield at least $54 million in additional tax collections and $6.5 million to outside collection services, which typically produce $10 for every $1 spent. Partially offsetting these increases are $6.1 million in assorted spending reductions, the most notable of which are: 1) $2.7 million for non-recurring technological system upgrades in the Division of Taxation, 2) $1.6 million for non-recurring hedge fund consulting fees in the Division of Investments, and 3) $1.3 million for lower tax return processing costs because of increased electronic filings in the Division of Revenue.

- As in past years, the Governor’s Budget includes broad language that would permit the appropriation of additional resources for both the Division of Taxation and the Division of Revenue without further legislative action.

- The Governor does not recommend the continuation of $9 million in supplemental funding authorized for FY 2006 pursuant to P.L.2005, c.300 for Energy Assistance
Key Points (Cont'd)

Grants administered by the Board of Public Utilities. Of the total, $7.0 million funded New Jersey Statewide Heating Assistance and Referral for Energy Services (New Jersey SHARES) and $2.0 million funded New Jersey Comfort Partners.

- The Governor's FY 2007 Budget recommends $1.34 billion in Grants-in-Aid from the Property Tax Relief Fund to provide Direct Property Tax Relief under the Homestead Property Tax Rebate program and the Senior and Disabled Citizens' Property Tax Freeze program. While this amount represents a $550 million, or 70 percent, appropriation increase, actual growth in program expenditures would be $150 million, or 13 percent, because of available carryforward funds in the current fiscal year.

- The Governor proposes increasing the appropriation to Homestead Property Tax Rebates for homeowners and tenants from $691 million in FY 2006 to $1.221 billion in FY 2007. Since $400 million in rebate spending authority was carried forward from FY 2005 to FY 2006, however, actual FY 2006 rebate expenditures are in effect $1.091 billion, rather than $691 million. The Governor's proposed effective funding increase consequently amounts to $130 million, or 11.9 percent, which is intended to provide for FY 2007 rebate amounts that would be ten percent higher than amounts received in FY 2006. The increase would supersede the statutorily mandated cost-of-living adjustment of 3.64 percent. Table 1 depicts the rebate amounts individuals received in FY 2006 as well as the amounts they would receive in FY 2007 according to statutes and the Governor's recommendation.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Homeowner</td>
<td>Senior or Disabled</td>
<td>Not over $70,000</td>
<td>$1,000 - $1,200</td>
<td>$1,100 - $1,320</td>
<td>$1,040 - $1,245</td>
</tr>
<tr>
<td></td>
<td></td>
<td>$70,001 to $125,000</td>
<td>$600 - $800</td>
<td>$660 - $880</td>
<td>$625 - $830</td>
</tr>
<tr>
<td></td>
<td></td>
<td>$125,001 to $200,000</td>
<td>$500</td>
<td>$550</td>
<td>$520</td>
</tr>
<tr>
<td></td>
<td>Under Age 65 and not Disabled</td>
<td>Not over $125,000</td>
<td>$350</td>
<td>$385</td>
<td>$625 - $830</td>
</tr>
<tr>
<td></td>
<td></td>
<td>$125,001 to $200,000</td>
<td>$300</td>
<td>$330</td>
<td>$520</td>
</tr>
<tr>
<td>Tenant</td>
<td>Senior or Disabled, Married</td>
<td>Not over $70,000</td>
<td>$150 - $825</td>
<td>$165 - $908</td>
<td>$160 - $860</td>
</tr>
<tr>
<td></td>
<td></td>
<td>$70,001 to $100,000</td>
<td>$150</td>
<td>$165</td>
<td>$160</td>
</tr>
<tr>
<td></td>
<td>Senior or Disabled, Single</td>
<td>Not over $35,000</td>
<td>$150 - $825</td>
<td>$165 - $908</td>
<td>$160 - $860</td>
</tr>
<tr>
<td></td>
<td></td>
<td>$35,001 to $100,000</td>
<td>$150</td>
<td>$165</td>
<td>$160</td>
</tr>
<tr>
<td></td>
<td>Under Age 65 and not Disabled</td>
<td>Not over $100,000</td>
<td>$75</td>
<td>$83</td>
<td>$160</td>
</tr>
</tbody>
</table>
Key Points (Cont'd)

- The Governor's Budget recommends increasing funding for the Senior and Disabled Citizens' Property Tax Freeze program by $20.5 million, or 20.8 percent, to $118.9 million in FY 2007. Rising property tax liabilities and increasing program participation account for the expenditure growth. As noted in the Governor's Budget, the Executive expects 162,000 program participants in FY 2007, about 10,000 more than in FY 2006. At the same time, the average benefit is projected to grow from $619 to $735.

- The Governor's FY 2007 Budget recommends an allocation of $1.061 billion in State Aid to Municipalities and Other Local Government Entities (see Table 2 on page 6). That amount represents a $6.68 million, or 0.6 percent, increase over the FY 2006 appropriation.

- The Governor's Budget seeks to increase the State's contributions to the various retirement systems from 40 percent of the accrued liability in FY 2006 to 70 percent in FY 2007. Accordingly, the Governor proposes to raise the FY 2007 State Aid appropriation to local governmental entities for pension obligations under the Police and Firemen's Retirement System by $36.1 million, or 97.4 percent, from $37.0 million in FY 2006 to $73.1 million in FY 2007. The system provides pension coverage to all full-time county, municipal, and State police officers and firefighters (but not to State Police troopers).

- The Governor recommends that municipalities receive $872 million from the off-budget Energy Tax Receipts Property Tax Relief Fund in FY 2007, a $37.6 million, or 4.5 percent, increase over FY 2006. This appropriation is comprised of three funding sources: $788.5 million from the Energy Tax Receipts Property Tax Relief Fund proper, a $81.5 million transfer from the Consolidated Municipal Property Tax Relief Aid account to the fund, and a $2.2 million transfer from Special Municipal Aid to the fund.

- The Solid Waste Management – County Environmental Investment Debt Service Aid program assists counties and county utility authorities in meeting debt service obligations for solid waste disposal investments. The Governor recommends decreasing funding from $57.3 million to $40.0 million in FY 2007, which appropriation is to be supplemented with $10.1 million from prior years' unexpended balances in the account. The Governor thus intends to spend $50.1 million through the program, which is a $7.2 million, or 12.5 percent, reduction over FY 2006 due to declining debt service cost.

- The Governor recommends a $99.1 million funding level in FY 2007 for the Reimbursement for Veterans' Tax Deductions and the Reimbursement for Senior and Disabled Citizens' Tax Deductions, a $9.9 million, or 9.1 percent, decrease from FY 2006. Of this decline, $9.6 million is expected to come from the Reimbursement for Veterans' Tax Deductions program. After fewer veterans than expected have claimed veterans' deductions in FY 2006, the Governor proposes a FY 2007 appropriation matching the program's actual FY 2006 expenditures of $76.4 million.

- Declining pension obligations and the increased value of the fund's assets explain the proposed $4.6 million, or 72.1 percent, funding reduction to $1.8 million in FY 2007 for the Consolidated Police and Firemen's Pension Fund. The fund is a closed system
Key Points (Cont'd)

without contributing members that provides pension coverage to municipal police officers and firemen who were appointed prior to July 1, 1944.

Background Paper:

State Funding for Stem Cell Research ................................................................. p.42
### Key Points (Cont’d)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Energy Tax Receipts*</td>
<td>$806,445</td>
<td>$788,492</td>
<td>$788,492</td>
</tr>
<tr>
<td>Municipal Reimbursement for Veterans’ Property Tax Deductions</td>
<td>79,450</td>
<td>86,000</td>
<td>76,400</td>
</tr>
<tr>
<td>Police &amp; Firemen’s Retirement System</td>
<td>17,171</td>
<td>23,700</td>
<td>47,480</td>
</tr>
<tr>
<td>Police &amp; Firemen’s Retirement System (P.L.1979, c.109)</td>
<td>9,228</td>
<td>13,317</td>
<td>25,579</td>
</tr>
<tr>
<td>Police &amp; Firemen’s Retirement System - Post Retirement Medical</td>
<td>18,119</td>
<td>20,889</td>
<td>22,155</td>
</tr>
<tr>
<td>Solid Waste Management – Debt Service Aid</td>
<td>52,053</td>
<td>57,328</td>
<td>40,000</td>
</tr>
<tr>
<td>Municipal Reimbursement for Senior and Disabled Citizens’ Property Tax Deductions</td>
<td>24,428</td>
<td>23,000</td>
<td>22,700</td>
</tr>
<tr>
<td>Debt Service – Pension Obligation Bond</td>
<td>7,869</td>
<td>8,575</td>
<td>9,379</td>
</tr>
<tr>
<td>South Jersey Port Corporation – Debt Service Reserve Fund</td>
<td>6,963</td>
<td>6,456</td>
<td>7,256</td>
</tr>
<tr>
<td>South Jersey Port Corporation – Property Tax Reserve Fund</td>
<td>2,441</td>
<td>2,540</td>
<td>2,540</td>
</tr>
<tr>
<td>Highlands Protection Fund - Highlands Property Tax Stabilization Aid</td>
<td>0</td>
<td>3,600</td>
<td>3,600</td>
</tr>
<tr>
<td>Highlands Protection Fund - Incentive Planning Aid</td>
<td>0</td>
<td>2,650</td>
<td>2,650</td>
</tr>
<tr>
<td>Highlands Protection Fund - Watershed Moratorium Offset Aid</td>
<td>2,218</td>
<td>2,200</td>
<td>2,200</td>
</tr>
<tr>
<td>Highlands Protection Fund - Pinelands Property Tax Stabilization Aid</td>
<td>1,800</td>
<td>1,800</td>
<td>1,800</td>
</tr>
<tr>
<td>Highlands Protection Fund - Regional Master Plan Compliance Aid</td>
<td>0</td>
<td>1,750</td>
<td>1,750</td>
</tr>
<tr>
<td>Other Distributed Taxes</td>
<td>3,191</td>
<td>3,363</td>
<td>3,363</td>
</tr>
<tr>
<td>County Boards of Taxation</td>
<td>1,383</td>
<td>1,681</td>
<td>2,289</td>
</tr>
<tr>
<td>Consolidated Police &amp; Firemen’s Pension Fund</td>
<td>7,046</td>
<td>6,397</td>
<td>1,784</td>
</tr>
<tr>
<td>Camden Economic Recovery</td>
<td>2,343</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Cherry Hill Township – Library Debt Service</td>
<td>0</td>
<td>1,000</td>
<td>0</td>
</tr>
</tbody>
</table>

**Total State Aid** | **$1,023,442** | **$1,054,738** | **$1,061,417**

* In the Governor’s Budget, the $806,445,000 expended in FY 2005 includes a transfer to the fund, which the FY 2006 and 2007 totals exclude (see pages 26 and 27 of this analysis).
### Fiscal and Personnel Summary

**AGENCY FUNDING BY SOURCE OF FUNDS ($000)**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct State Services</td>
<td>$424,942</td>
<td>$392,437</td>
<td>$371,652</td>
<td>(12.5%)</td>
<td>(5.3%)</td>
</tr>
<tr>
<td>Grants-In-Aid</td>
<td>211,950</td>
<td>239,977</td>
<td>378,185</td>
<td>78.4%</td>
<td>57.6%</td>
</tr>
<tr>
<td>State Aid</td>
<td>285,707</td>
<td>305,442</td>
<td>311,496</td>
<td>9.0%</td>
<td>2.0%</td>
</tr>
<tr>
<td>Capital Construction</td>
<td>5,825</td>
<td>0</td>
<td>0</td>
<td>(100.0%)</td>
<td>0.0%</td>
</tr>
<tr>
<td>Debt Service</td>
<td>220,621</td>
<td>144,651</td>
<td>368,121</td>
<td>66.9%</td>
<td>154.5%</td>
</tr>
<tr>
<td><strong>Sub-Total</strong></td>
<td><strong>$1,149,045</strong></td>
<td><strong>$1,082,507</strong></td>
<td><strong>$1,429,454</strong></td>
<td><strong>24.4%</strong></td>
<td><strong>32.1%</strong></td>
</tr>
</tbody>
</table>

| Property Tax Relief Fund | | | | | |
| Direct State Services | $0 | $0 | $0 | 0.0% | 0.0% |
| Grants-In-Aid | 1,609,845 | 789,888 | 1,340,188 | (16.8%) | 69.7% |
| State Aid | 155,072 | 167,020 | 158,134 | 2.0% | (5.3%) |
| **Sub-Total** | **$1,764,917** | **$956,908** | **$1,498,322** | **(15.1%)** | **56.6%** |

| Casino Revenue Fund | | | | | |
| | $0 | $0 | $0 | 0.0% | 0.0% |

| Casino Control Fund | | | | | |
| | $27,601 | $29,440 | $29,440 | 6.7% | 0.0% |

| State Total | **$2,941,563** | **$2,068,855** | **$2,957,216** | **0.5%** | **42.9%** |

| Federal Funds | | | | | |
| | $3,405 | $5,847 | $5,847 | 71.7% | 0.0% |

| Other Funds | | | | | |
| | $1,059,964 | $1,138,349 | $1,142,700 | 7.8% | 0.4% |

| Grand Total | **$4,004,932** | **$3,213,851** | **$4,105,763** | **2.5%** | **27.8%** |

**PERSONNEL SUMMARY - POSITIONS BY FUNDING SOURCE**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>State</td>
<td>4,454</td>
<td>4,590</td>
<td>4,319</td>
<td>(3.0%)</td>
</tr>
<tr>
<td>Federal</td>
<td>8</td>
<td>11</td>
<td>18</td>
<td>125.0%</td>
</tr>
<tr>
<td>All Other</td>
<td>1,999</td>
<td>1,990</td>
<td>2,412</td>
<td>20.7%</td>
</tr>
<tr>
<td><strong>Total Positions</strong></td>
<td><strong>6,461</strong></td>
<td><strong>6,591</strong></td>
<td><strong>6,749</strong></td>
<td><strong>4.5%</strong></td>
</tr>
</tbody>
</table>

FY 2005 (as of December) and revised FY 2006 (as of September) personnel data reflect actual payroll counts. FY 2007 data reflect the number of positions funded.

**AFFIRMATIVE ACTION DATA**

| Total Minority Percent | 24.3% | 22.7% | 23.5% | --- | --- |
Significant Changes/New Programs ($000)

<table>
<thead>
<tr>
<th>Budget Item</th>
<th>Adj. Approp. FY 2006</th>
<th>Recomm. FY 2007</th>
<th>Dollar Change</th>
<th>Percent Change</th>
<th>Budget Page</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ECONOMIC REGULATION</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>BOARD OF PUBLIC UTILITIES (BPU)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>General Fund,</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Direct State Services--</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Special Purpose: Energy Targets</td>
<td>$240</td>
<td>$0</td>
<td>($240)</td>
<td>(100.0%)</td>
<td>D-417</td>
</tr>
</tbody>
</table>

The Board of Public Utilities (BPU) reports that the FY 2006 Energy Targets account finances a consulting contract for the New Jersey Clean Energy Program with Rutgers University entitled "Sustainable Energy Targets for New Jersey." According to the Governor's Budget, beginning in FY 2007, funding for the same purpose is included in the agency's Salaries and Wages line item.

Created pursuant to P.L.1999, c.23 (C.48:3-49 et seq.), the New Jersey Clean Energy Program promotes energy efficiency and the use of renewable energy sources. It receives funding from the societal benefits charge included in the electric and gas bills of New Jersey ratepayers.

| General Fund, Grants-in-Aid:                    |                      |                 |               |                |             |
| New Jersey Statewide Heating Assistance         |                      |                 |               |                |             |
| and Referral for Energy Services (New Jersey SHARES) | $7,000              | $0              | ($7,000)      | (100.0%)       | D-418        |
| New Jersey Comfort Partners                     | $2,000               | $0              | ($2,000)      | (100.0%)       | D-418        |

The Governor does not recommend the continuation of $9 million in supplemental funding for energy assistance grants authorized for FY 2006 pursuant to P.L.2005, c.300. New Jersey Statewide Heating Assistance and Referral for Energy Services (New Jersey SHARES) received $7 million under the law. A statewide nonprofit energy assistance organization, New Jersey SHARES lends financial support to needy households to help them pay their electric and gas bills. Since its inception in 1997, the organization has helped over 100,000 households. Its average grant award was $337 in 2005.

P.L.2005, c.300 also allocated $2 million to the New Jersey Comfort Partners program, through which the BPU's Office of Clean Energy provides for the installation of energy saving devices at no cost to low-income households. In calendar year 2005, the program financed energy efficiency improvements in 6,403 homes at a cost of $15.5 million. As a component of the New Jersey Clean Energy Program, New Jersey Comfort Partners receives its regular funding from the societal benefits charge included in ratepayers' electricity and natural gas bills.
GOVERNMENT REVIEW AND OVERSIGHT

OFFICE OF THE INSPECTOR GENERAL

General Fund,
Direct State Services:
Services Other Than
Personal

<table>
<thead>
<tr>
<th>Budget Item</th>
<th>Adj. Approp. FY 2006</th>
<th>Recomm. FY 2007</th>
<th>Dollar Change</th>
<th>Percent Change</th>
<th>Budget Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personal</td>
<td>$750</td>
<td>$482</td>
<td>($268)</td>
<td>(35.7%)</td>
<td>D-422</td>
</tr>
</tbody>
</table>

The Office of the Inspector General is projected to disburse its full FY 2006 Services Other Than Personal appropriation, most of which has been spent on forensic accounting services. The lower FY 2007 recommended appropriation reflects the office’s assessment of its spending needs in this category.

Allocated “in but not of” the Department of the Treasury, the Office of the Inspector General is to identify waste, mismanagement, and fraud in government spending. The Governor recommends that the office receive an appropriation of $2.3 million. Proposed budget language, however, would provide for additional funds without further Legislative involvement.

FINANCIAL ADMINISTRATION

General Fund,
Direct State Services:
Services Other Than
Personal

<table>
<thead>
<tr>
<th>Budget Item</th>
<th>Adj. Approp. FY 2006</th>
<th>Recomm. FY 2007</th>
<th>Dollar Change</th>
<th>Percent Change</th>
<th>Budget Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personal</td>
<td>$53,965</td>
<td>$68,386</td>
<td>$14,421</td>
<td>26.7%</td>
<td>D-426</td>
</tr>
</tbody>
</table>

The Services Other Than Personal line in the Financial Administration program class incorporates several proposed changes for a net increase of $14.4 million in FY 2007. Specifically, the line includes an additional $20.5 million for enhanced tax collection and enforcement services, of which $14.0 million would go to data warehouse activities expected to yield at least $54 million in additional tax collections and $6.5 million to outside collection services, which typically produce $10 for every $1 spent.

Partially offsetting the increases is $6.1 million in spending reductions, namely: 1) $2.7 million for non-recurring technological system upgrades in the Division of Taxation, 2) $1.6 million for non-recurring hedge fund consulting fees in the Division of Investments, 3) $1.3 million for lower tax return processing costs due to increased electronic filings in the Division of Revenue, 4) $300,000 for non-recurring consulting services in the Division of Revenue, and 5) $200,000 attributable to the elimination of a public relations contract in the Division of the State Lottery.
### Significant Changes/New Programs ($000) (Cont'd)

<table>
<thead>
<tr>
<th>Budget Item</th>
<th>Adj. Approp. FY 2006</th>
<th>Recomm. FY 2007</th>
<th>Dollar Change</th>
<th>Percent Change</th>
<th>Budget Page</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>DIVISION OF TAXATION</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>General Fund,</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Direct State Services—</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Special Purpose:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property Assessment and Management</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>System (PAMS)</td>
<td>$1,175</td>
<td>$0</td>
<td>($1,175)</td>
<td>(100.0%)</td>
<td>D-426</td>
</tr>
</tbody>
</table>

Although the Governor does not recommend additional resources for the Division of Taxation’s Property Assessment Management System (PAMS) in FY 2007, it seeks to continue PAMS by carrying forward $2.7 million in unexpended balances. Funded since FY 2001, PAMS allows the division to aggregate and analyze local real property data that the State, county boards of taxation, and municipal assessors use to generate tax lists, assessments, and various reports. The appropriation reimburses the Office of Information Technology for the cost of implementing PAMS on behalf of the division.

| All Other Funds:                        |                      |                 |               |                |             |
| Taxation Services and                   |                      |                 |               |                |             |
| Administration                          | $34,919              | $29,983         | ($4,936)      | (14.1%)        | D-427       |

This line aggregates several off-budget funds administered by the Division of Taxation. Its amounts reflect the funds’ administrative expenses and transfers from the funds to other State agencies. In FY 2006, three components account for $34.4 million of the $34.9 million appropriation: (1) $23.5 million transferred from the New Jersey Domestic Security Account—which contains the proceeds from the $2 per day vehicle rental surcharge pursuant to section 54 of P.L.2002, c.34 (C.App.A:9-78)—to the Departments of Agriculture, Health and Senior Services, and Law and Public Safety for medical emergency disaster preparedness for bioterrorism, security coverage at nuclear facilities, State Police salaries related to Statewide security services, and counter-terrorism programs; (2) $6.9 million for the administration of the Unclaimed Personal Property Trust Fund, which holds all funds from unclaimed property presumed abandoned pursuant to N.J.S.A.46:30B-74; and (3) $4.0 million for the cost of Division of Taxation Compliance and Enforcement Activities.

The proposed $4.9 million FY 2007 reduction in this line reflects the anticipation of $5 million in New Jersey Domestic Security Account receipts as revenue for general State purposes pursuant to a proposed language provision superseding the statutory dedication of those receipts. In addition, the Governor recommends a combined $64,000 increase for administrative expenses for the Unclaimed Personal Property Trust Fund and Solid Waste Services Tax Fund.
## Significant Changes/New Programs ($000) (Cont’d)

<table>
<thead>
<tr>
<th>Budget Item</th>
<th>Adj. Approp. FY 2006</th>
<th>Recomm. FY 2007</th>
<th>Dollar Change</th>
<th>Percent Change</th>
<th>Budget Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>DIVISION OF REVENUE</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>All Other Funds: Administration</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>of State Revenues</td>
<td>$72,218</td>
<td>$45,225</td>
<td>($26,993)</td>
<td>(37.4%)</td>
<td>D-427</td>
</tr>
</tbody>
</table>

This line aggregates several off-budget funds administered by the Division of Revenue. Its amounts reflect the funds’ administrative expenses and transfers from the funds to other State agencies. In FY 2006, three transfers account for $72.0 million of the $72.2 million FY 2006 appropriation: (1) $32.0 million transferred from the Division of Developmental Disabilities Community Placement and Services Fund—which contains the proceeds from the 5.8 percent assessment on the annual gross revenue of intermediate care facilities for the mentally retarded pursuant to P.L.1998, c.40 (C.30:6D-43 et seq.)—to the Division of Developmental Disabilities in the Department of Human Services for reducing its waiting list, making appropriate community placements, and providing support services; (2) $28.0 million transferred from the New Jersey Public Records Preservation account—which holds the proceeds of the $5 increase in recording fees charged by county clerks and registers since 2003 under section 38 of P.L.2003, c.177 (C.22A-4.1)—to the Department of State for the management, storage, and preservation of public records by the State, counties and municipalities; and (3) $12.0 million transferred to the Motor Vehicle Commission from collections of deficient and delinquent motor vehicle surcharges by contractors.

The proposed $27.0 million FY 2007 reduction in this line reflects the anticipation of the same amount of New Jersey Public Records Preservation account receipts as revenue for general State purposes pursuant to a proposed language provision overriding the statutory dedication of those receipts. The $27.0 million represents the county portion of the $66.1 million in anticipated FY 2007 collections.

## GENERAL GOVERNMENT SERVICES

| General Fund, Direct State Services: Special Purpose: Gubernatorial Transition – Governor | $250       | $0         | ($250)       | (100.0%)      | D-431       |
| Gubernatorial Transition – Governor-Elect                                              | $250       | $0         | ($250)       | (100.0%)      | D-431       |
| Gubernatorial Inaugural Commission                                                      | $100       | $0         | ($100)       | (100.0%)      | D-431       |
Significant Changes/New Programs ($000) (Cont’d)

<table>
<thead>
<tr>
<th>Budget Item</th>
<th>Adj. Approp. FY 2006</th>
<th>Recmm. FY 2007</th>
<th>Dollar Change</th>
<th>Percent Change</th>
<th>Budget Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Governor's Budget does not include any appropriation for a Gubernatorial transition. The FY 2006 Appropriations Act provided $600,000 for that purpose, of which $293,500, or 48.9 percent, has either been spent or committed as of May 1, 2006.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

DIVISION OF PENSIONS AND BENEFITS

General Fund,
Direct State Services:
Pensions and Benefits $32,387 $0 ($32,387) (100.0%) D-431

All Other Funds:
Pensions and Benefits $0 $33,482 $33,482 — D-432

The Governor seeks to shift the Division of Pensions and Benefits’ appropriation off-budget in FY 2007. Through FY 2006, the division’s expenses were included within budget appropriations, offset by revenue transferred to the General Fund from the several pension and benefit funds. In FY 2007, however, these appropriations are reflected as “All Other Funds”, although they would still be charged back to the various State retirement and benefits funds. In general, the recommended FY 2007 expenditure would grow by $1.1 million, or 3.4 percent, over FY 2006. This change includes a $2.0 million increase for the expansion of the division’s call center and a $900,000 savings due to assorted administrative and operational efficiencies.

STATE SUBSIDIES AND FINANCIAL AID

PTRF, Grants-in-Aid:
Homestead Property Tax Rebates for Homeowners $566,488 $1,085,288 $518,800 91.6% D-437

Homestead Property Tax Rebates for Tenants $125,000 $136,000 $11,000 8.8% D-437

TOTAL $691,488 $1,221,288 $529,800 76.6%

The Governor proposes increasing the appropriation to homestead property tax rebates for homeowners and tenants (C.54:4-8.57 et seq.) from $691 million in FY 2006 to $1.221 billion in FY 2007. However, since $400 million in rebate spending authority was carried forward from FY 2005 to FY 2006, actual FY 2006 homestead rebates expenditures are in effect $1.091 billion, rather than $691 million. The Governor’s proposed effective funding increase consequently amounts to $130 million, or 11.9 percent.
### Significant Changes/New Programs ($000) (Cont'd)

<table>
<thead>
<tr>
<th>Budget Item</th>
<th>Adj. Approp. FY 2006</th>
<th>Recomm. FY 2007</th>
<th>Dollar Change</th>
<th>Percent Change</th>
<th>Budget Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>PTRF, Grants-in-Aid: Senior and Disabled Citizens' Property Tax Freeze</td>
<td>$98,400</td>
<td>$118,900</td>
<td>$20,500</td>
<td>20.8%</td>
<td>D-437</td>
</tr>
</tbody>
</table>

The increase provides for FY 2007 rebate amounts for homeowners and tenants that are ten percent higher than the amounts similarly situated persons would have received in FY 2006. The ten percent growth rate supersedes the statutorily mandated cost-of-living adjustment of 3.64 percent. The Governor also recommends maintaining the limitations the FY 2006 Appropriations Act placed on rebate amounts for homeowners and tenants who are under age 65 and who are not disabled. Table 1 on page 3 indicates the rebate amounts individuals received in FY 2006 as well as the amounts they would receive in FY 2007 according to statutes and the Governor’s recommendation.

Rising property tax liabilities and increasing program participation are the factors driving the expenditure growth of the Senior and Disabled Citizens' Property Tax Freeze program, or Homestead Property Tax Reimbursement program (C.54:4-8.67 et seq.). The Executive expects 162,000 program participants in FY 2007, about 10,000 more than in FY 2006. At the same time, the average benefit is projected to grow from $619 to $735.

The program reimburses qualified homeowners for the difference between the amount of property taxes they paid on their principal residence in tax year 2005 and the amount they had paid in their base year. Qualified homeowners in FY 2007 must be at least 65 years of age or disabled or both. In addition, they must have a tax year 2005 income no greater than $41,972 if single, or $51,466 if married, and a tax year 2006 income of no greater than $43,693 if single, or $53,576 if married. Moreover, they must have paid property taxes directly, or indirectly by means of rental payments, on any homestead or rental unit used as a principal residence in New Jersey for at least ten consecutive years, the last three of which must have been as owners of the homesteads for which they seek the reimbursement.

| General Fund, State Aid: County Boards of Taxation | $1,681 | $2,289 | $608 | 36.2% | D-437 |

The Governor appoints members of the County Boards of Taxation (R.S.54:3-1) who receive compensation set by statute directly from the State. The boards hear taxpayer appeals of local tax assessments, determine local tax rates, promulgate equalization tables, supervise the activities of assessors, and do related work to the enforcement of local property tax laws.

The enactment of P.L.2005, c.44 necessitates the higher FY 2007 appropriation, as the law increased the membership of each of the Bergen, Essex, Hudson, Middlesex, Monmouth, Ocean, and Union boards from five to seven and that of other boards from three to five. Overall, the legislation raised the total number of board members from 77 to 119.
Significant Changes/New Programs ($000) (Cont'd)

<table>
<thead>
<tr>
<th>Budget Item</th>
<th>Adj. Approp. FY 2006</th>
<th>Recemm. FY 2007</th>
<th>Dollar Change</th>
<th>Percent Change</th>
<th>Budget Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Fund, State Aid:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>South Jersey Port Corporation Debt</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Service Reserve Fund</td>
<td>$6,456</td>
<td>$7,256</td>
<td>$ 800</td>
<td>12.4%</td>
<td>D-437</td>
</tr>
</tbody>
</table>

Organized "in but not of" the Department of the Treasury, the South Jersey Port Corporation manages and operates the ports of Camden and Salem. Its Debt Service Reserve Fund ensures that the corporation maintains the debt service requirements for its debt obligations. According to the department's Office of Public Finance, the increased FY 2007 appropriation is needed to cover increases in debt service payments for the corporation's existing Marine Terminal Revenue Bonds.

| General Fund, State Aid:                        |                       |                 |               |                |             |
| Solid Waste Management – County                |                       |                 |               |                |             |
| Environmental Investment Debt Service Aid      | $57,328               | $40,000         | ($17,328)     | (30.2%)        | D-438       |

The Solid Waste Management – County Environmental Investment Debt Service Aid program assists counties and county utility authorities in meeting debt service obligations for solid waste disposal investments. The Governor recommends decreasing funding from $57.3 million to $40.0 million in FY 2007, which appropriation is to be supplemented with $10.1 million from unexpended balances in the account. The Governor thus intends to spend $50.1 million through the program, which is a $7.2 million, or 12.5 percent, reduction over FY 2006 due to declining debt service cost.

| General Fund, State Aid:                        |                       |                 |               |                |             |
| Cherry Hill Township – Library Debt Service    | $1,000                | $0              | ($1,000)      | (100.0%)       | D-438       |

The Legislature added $1 million to the FY 2006 Appropriations Act to contribute to Cherry Hill Township's required debt service payments on the new Cherry Hill Public Library, which opened on December 21, 2004. The Governor's proposed FY 2007 Budget does not recommend renewing this appropriation.
Significant Changes/New Programs ($000) (Cont’d)

<table>
<thead>
<tr>
<th>Budget Item</th>
<th>Adj. Approp. FY 2006</th>
<th>Recomm. FY 2007</th>
<th>Dollar Change</th>
<th>Percent Change</th>
<th>Budget Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>PTRF, State Aid: State Reimbursement for Veterans’ Property Tax Deductions</td>
<td>$86,000</td>
<td>$76,400</td>
<td>($9,600)</td>
<td>(11.2%)</td>
<td>D-438</td>
</tr>
</tbody>
</table>

The Governor proposes reducing the FY 2007 appropriation for the State reimbursement to municipalities for the deductions’ cost after fewer veterans than expected claimed veterans’ property tax deductions in FY 2006. In FY 2006, about 300,000 veterans claimed a deduction at a total cost of $76.4 million. The department expects a repetition of these numbers in FY 2007. The number of claimants has steadily decreased from 344,000 in FY 1999.

Article VIII, Section I, Paragraph 3 of the New Jersey Constitution provides a $250 property tax deduction to veteran homeowners who were honorably discharged or released under honorable circumstances from active service in time of war or other emergency. The State reimburses municipalities for 102 percent of the resultant revenue loss to cover their administrative expenses.

| General Fund, State Aid: State Contribution to Consolidated Police and Firemen’s Pension Fund | $6,397 | $1,784 | ($4,613) | (72.1%) | D-438 |

Declining pension obligations and the increased value of the fund’s assets explain the proposed funding reduction for the Consolidated Police and Firemen’s Pension Fund (CPFPF). Nonetheless, pursuant to the actuary’s determination, a State appropriation is still required as the value of fund assets does not fully support the CPFPF’s accrued liability.

The CPFPF is a closed system without contributing members that provides pension coverage to municipal police officers and firemen who were appointed prior to July 1, 1944. Participating municipalities pay two-thirds of the fund’s liabilities, while the State covers the remaining third. As of June 30, 2005, the fund had 831 beneficiaries who had received $15 million in total pensions in FY 2005 and its total assets were $18.1 million, according to the New Jersey Division of Pensions and Benefits’ Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2005. A year prior, the fund had 941 beneficiaries who received $16.8 million in total pensions in FY 2004, and its total assets were $16.7 million.
Significant Changes/New Programs ($000) (Cont'd)

<table>
<thead>
<tr>
<th>Budget Item</th>
<th>Adj. Approp. FY 2006</th>
<th>Recomm. FY 2007</th>
<th>Dollar Change</th>
<th>Percent Change</th>
<th>Budget Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Fund, State Aid: Police and Firemen’s Retirement System</td>
<td>$23,700</td>
<td>$47,480</td>
<td>$23,780</td>
<td>100.3%</td>
<td>D-438</td>
</tr>
<tr>
<td>Police and Firemen’s Retirement System (P.L.1979, c.109)</td>
<td>$13,317</td>
<td>$25,579</td>
<td>$12,262</td>
<td>92.1%</td>
<td>D-438</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$37,017</strong></td>
<td><strong>$73,059</strong></td>
<td><strong>$36,042</strong></td>
<td><strong>97.4%</strong></td>
<td></td>
</tr>
</tbody>
</table>

The Governor proposes to increase the FY 2007 State Aid appropriation on behalf of local governmental entities for contributions to the Police and Firemen’s Retirement System (PFRS) to $73.1 million, representing 70 percent of full funding. The Police and Firemen’s Retirement System account pays for the State’s basic pension contribution, whereas the Police and Firemen’s Retirement System (P.L.1979, c.109) account covers, at 1.1 percent of covered salary, the State’s liability for enhanced pension benefits consisting of a retirement allowance of 65 percent of final compensation for PFRS members who retire after 25 years of service.

The total recommended FY 2007 State contribution to the PFRS is $149.0 million, an increase of $79.6 million, or 114.7 percent, over FY 2006. This sum would fund 70 percent of the amount certified by the actuaries as necessary to fully fund both the normal FY 2007 contribution and the accrued State liability for the PFRS, after funding 40 percent in FY 2006. The balance of this liability would be deferred. PFRS provides pension coverage to all full-time county, municipal, and State police officers and firefighters (but not to State Police officers who are covered by the State Police Retirement System). Local employers and the State pay employer contributions. State PFRS payments spread over three accounts: (1) Direct State Services under Interdepartmental Accounts (page D-463), (2) Grants-in-Aid for State colleges’ and universities’ campus police, also under Interdepartmental Accounts (page D-464), and (3) State Aid on behalf of local governmental entities in the Department of the Treasury (page D-438).

**MANAGEMENT AND ADMINISTRATION**

| General Fund, Direct State Services: Services Other Than Personal | $2,038 | $2,392 | $354 | 17.4% | D-441 |

The recommended appropriation incorporates two changes: first, a $516,000 increase for costs associated with the implementation of changes at the State Distribution and Support Services Center; second, a $162,000 decrease due to the implementation of administrative efficiencies, primarily in the Office of Treasury Technology. However, since the introduction of the budget,
Significant Changes/New Programs ($000) (Cont’d)

<table>
<thead>
<tr>
<th>Budget Item</th>
<th>Adj. Approp. FY 2006</th>
<th>Recomm. FY 2007</th>
<th>Dollar Change</th>
<th>Percent Change</th>
<th>Budget Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Fund, Debt Service</td>
<td>$144,651</td>
<td>$368,121</td>
<td>$223,470</td>
<td>154.5%</td>
<td>D-442 &amp; E-12 &amp; E-13</td>
</tr>
</tbody>
</table>

This increase in Department of the Treasury general obligation bond debt service payments is the result of a general obligation bond refinancing after approval in December 2004 by the Joint Budget Oversight Committee, which shifted certain debt service payments that otherwise would have had to have been made in FY 2005 and FY 2006 into the future. The FY 2007 budget will not benefit from refunding savings.

Overall, on June 30, 2005, the State had $3.1 billion in outstanding long-term general obligation debt and $742 million in unissued but authorized bonding authority. Under the terms of the bond covenants, the State must make $433.8 million in general obligation bond debt service payments in FY 2007, of which $368.1 million are funded in the Department of the Treasury budget and $64.7 million in the Department of Environmental Protection budget.

PROTECTION OF CITIZENS’ RIGHTS

| General Fund, Direct State Services—Special Purpose: Parental Representation Unit – Child Welfare Reform | $838      | $1,118    | $280       | 33.4%         | D-445      |

The increase would serve to raise the hourly rate for outside attorneys handling Office of Parental Representation (OPR) casework to a uniform $75. Currently, these pool attorneys receive $50 per hour for out-of-court work and $60 for in-court work. Originally intended to take effect on July 1, 2005, the rate change was postponed because of OPR’s growing caseload. In addition to the $1.12 million appropriation, the account is scheduled to receive, as in FY 2006, $3.525 million from the $20.5 million transferred by a language provision from the Department of Children and Families to the Department of Law and Public Safety and the Office of the Public Defender (see page D-40). The account’s total FY 2007 funding would thus be $4.65 million.

A unit within the Office of the Public Defender, the OPR provides legal representation to defend indigent parents in child abuse and neglect (or Title 9) cases and in termination of parental rights (or Title 30) cases.
Language Provisions

2006 Appropriations Handbook

p. B-185

Notwithstanding the provisions of any other law to the contrary, the investment earnings derived from the funds deposited in the Clean Energy Fund shall accrue to the funds and are available to pay the costs of the various programs of the New Jersey Board of Public Utilities Clean Energy Program.

2007 Budget Recommendations

p. D-419

Notwithstanding the provisions of any other law to the contrary, the investment earnings derived from the funds deposited in the Clean Energy Fund and Retail Margin Fund shall accrue to the funds and are available to pay the costs of the various programs of the New Jersey Board of Public Utilities Clean Energy Program and Retail Margin Program.

Explanation

The language provision would add the Retail Margin Fund (see page H-28) to the Clean Energy Fund as a special revenue fund whose investment earnings the Board of Public Utilities (BPU) would be authorized to use to pay the costs of programs financed through the funds. The change is necessary as the Retail Margin Fund was created during FY 2006.

Administered by the BPU, the Retail Margin Fund is expected to receive $11.0 million in FY 2007 from the 0.5¢ per kilowatt-hour retail margin that electric distribution companies have been charging certain non-residential customers remaining on Basic Generation Service since August 2003 under sections 3 and 9 of P.L.1999, c.23 (C.48:3-51 and 48:3-57). Proceeds support the BPU Business Ombudsman, a position created by P.L.2005, c.215 (C.48:2-92 et seq.), whose estimated expenses are $350,000 in FY 2006 and $380,000 in FY 2007 (see page C-23). The ombudsman functions as a centralized resource for businesses to obtain information and assistance on State energy costs and programs. The BPU indicated to the OLS that it was at present evaluating uses of the remaining fund balance.

The BPU also oversees the New Jersey Clean Energy Program, created pursuant to P.L.1999, c.23 (C.48:3-49 et seq.) and operative since April 2001, through which the State seeks to promote increased energy efficiency and the use of renewable energy sources. New Jersey ratepayers finance the program via the societal benefits charge included in their electric and gas bills. According to page H-6 of the Governor’s Budget, the BPU expects such revenues to be $185.7 million in FY 2007.

2006 Appropriations Handbook

p. B-188

Such sums as may be necessary for the administration of the homestead property tax reimbursement established pursuant to P.L.1997, c.348 (C.54:4-8.67 et seq.) are

2007 Budget Recommendations

No comparable language.
Language Provisions (Cont’d)

2006 Appropriations Handbook

p. B-188

appropriated, subject to the approval of the
Director of the Division of Budget and
Accounting.

Explanations

The FY 2006 Appropriations Act includes the administrative costs of the Senior and Disabled Citizens' Property Tax Freeze program, or Homestead Property Tax Reimbursement program (C.54:4-8.67 et seq.), in the Direct State Services appropriations for the Division of Taxation (Taxation Services and Administration) and the Division of Revenue (Administration of State Revenues). The Governor's Budget would maintain this arrangement, thereby rendering the language provision unnecessary.

2006 Appropriations Handbook

No comparable language.

2007 Budget Recommendations

p. D-428

Pursuant to the provisions of section 54 of P.L. 2002, c.34 (C.App.A:9–78) deposits made to the “New Jersey Domestic Security Account” are appropriated for transfer to the Department of Health and Senior Services to support medical emergency disaster preparedness for bioterrorism, to the Departments of Law and Public Safety and Military and Veterans Affairs for security coverage at nuclear power facilities, and to the Department of Law and Public Safety for State Police salaries related to statewide security services and counter-terrorism programs, subject to the approval of the Director of the Division of Budget and Accounting.

Explanations

This proposed language provision serves as a corollary to recommended language provisions in the FY 2007 budgets of the Departments of Agriculture, Health and Senior Services, and Law and Public Safety. The language in these departments appropriates dedicated revenues collected from the $2 per day vehicle rental surcharge, while the new language provision in the Treasury—the statutory custodian of surcharge proceeds—explicitly authorizes the transfer
Language Provisions (Cont'd)

of these funds to the spending departments. The FY 2006 Appropriations Act, on the other hand, includes the spending authority for these departments, but does not explicitly permit the statutorily mandated funds' transfer.

Section 54 of P.L.2002, c.34 (C.App.A:9-78) requires the Director of the Division of Taxation to collect a $2 per day surcharge on vehicle rentals and to place the proceeds in the New Jersey Domestic Security Account. The revenues are intended to exclusively support medical emergency disaster preparedness for bioterrorism, security coverage at nuclear facilities, State Police salaries related to Statewide security services, and counter-terrorism programs. Accordingly, the Governor's Budget recommends a) a $13.9 million appropriation to the Department of Law and Public Safety for State Police salaries (page D-280), b) a $7.2 million appropriation to the Department of Law and Public Safety for the Office of Counter-Terrorism (page D-296), c) a $4.7 million appropriation to the Department of Health and Senior Services for its Medical Emergency Disaster Preparedness for Bioterrorism program (page D-161), and d) a $278,000 appropriation to the Department of Agriculture for its Agro-Terrorism program (page D-21). All of these amounts are unchanged from FY 2006 and appropriated off-budget. In addition, the Governor recommends using $5 million from the New Jersey Domestic Security Account as general State revenue (see the following language provision). Overall, $31.1 million would be spent from the account in FY 2007. Of this amount, $23.5 million would be anticipated FY 2007 revenues and the remainder would come from the account's surplus, if any.

---

2006 Appropriations Handbook

No comparable language.

2007 Budget Recommendations

p. D-428

Notwithstanding any other law to the contrary, $5,000,000 of the amounts credited to the New Jersey Domestic Security account on or after July 1, 2006, is available to the General Fund as State revenue.

Explanation

This new language provision would allocate $5.0 million of the $23.5 million in anticipated FY 2007 New Jersey Domestic Security Account receipts for general State purposes. In doing so, it would override the statutory mandate of Section 54 of P.L.2002, c.34 (C.App.A:9-78) that proceeds from the $2 per day surcharge on vehicle rentals be exclusively used to support medical emergency disaster preparedness for bioterrorism, security coverage at nuclear facilities, State Police salaries related to Statewide security services, and counter-terrorism programs (see the preceding language provision).
Language Provisions (Cont'd)

**2006 Appropriations Handbook**

No comparable language.

**2007 Budget Recommendations**

p. D-428

Pursuant to the provisions of P.L. 2003, c.117 (C.22A:4-4.2) deposits made to the “New Jersey Public Records Preservation Account” are appropriated for transfer to the Department of State for grants to counties and municipalities for the management, storage, and preservation of public records, subject to the approval of the Director of the Division of Budget and Accounting.

No comparable language.

Notwithstanding any other law to the contrary, $27,000,000 of the amounts credited to the county portion of the New Jersey Public Records Preservation account on or after July 1, 2006, is available to the General Fund as State revenue.

**Explanation**

The first proposed language provision serves as a corollary to a recommended Department of State language provision in the FY 2007 Budget (page D-384). The language provision in the Department of State appropriates collections from a $5 increase of the fees county clerks and registers charge on the recording of certain documents since 2003, while the new language provision in the Treasury—-the statutory custodian of fee proceeds—explicitly authorizes the transfer of these funds to the Department of State. The FY 2006 Appropriations Act, on the other hand, includes the spending authority in the Department of State but does not explicitly permit the statutorily mandated funds’ transfer.

Section 38 of P.L.2003, c.177 increased each of the county recording fees charged by county clerks and registers under C.22A-4.1 by $5. According to section 39 of P.L.2003, c.177 (C.22A-4.2), the ensuing proceeds are deposited in the New Jersey Public Records Preservation account in the Department of the Treasury before being distributed to the Department of State, counties, and municipalities for the management, storage, and preservation of public records.

The second proposed language provision would allocate the county portion, or $27 million, of the FY 2007 receipts to be deposited into the New Jersey Public Records Preservation account for general State purposes. In doing so, it would override the statutory dedication of those receipts.
Language Provisions (Cont'd)

2006 Appropriations Handbook

p. B-193

In addition to the amounts hereinabove, there are appropriated such additional sums as may be necessary for independent audits of the State's pension systems, provided that such appropriations shall be reimbursed to the General Fund from the resources available to the various pension funds.

There are appropriated sufficient sums as may be required for the expenses of the Pensions and Health Benefits Commission, provided that such appropriation shall be reimbursed to the General Fund from the resources available to the various pensions and health benefits funds.

2007 Budget Recommendations

No comparable language.

No comparable language.

Explanation

These language provisions, which allowed supplemental appropriations as needed to augment budgeted appropriations for the costs of administering and auditing State pensions systems and health benefit funds, are not needed in FY 2007 since all appropriations for these purposes would be provided off-budget.

2006 Appropriations Handbook

p. B-195

The amounts hereinabove appropriated for the Homestead Property Tax Rebates for Homeowners program and the Homestead Property Tax Rebates for Tenants program shall be available to pay homestead rebates pursuant to the provisions of section 3 of P.L. 1990, c.61 (C.54:4-8.59) and section 4 of P.L. 1990, c.61 (C.54:4-8.60), respectively, for residents who are 65 years of age or older at the close of the tax year, or who are allowed to claim a personal deduction as a blind or disabled taxpayer pursuant to subsection b. of N.J.S.54A:3-1, excluding any cost-of-living adjustment pursuant to

2007 Budget Recommendations

p. D-438 and D-439

The amounts hereinabove appropriated for the Homestead Property Tax Rebates for Homeowners program and the Homestead Property Tax Rebates for Tenants program shall be available to pay homestead rebates pursuant to the provisions of section 3 of P.L. 1990, c.61 (C.54:4-8.59) and section 4 of P.L. 1990, c.61 (C.54:4-8.60), respectively, as amended by P.L. 2004, c.40, for residents who are 65 years of age or older at the close of the tax year, or who are allowed to claim a personal deduction as a blind or disabled taxpayer pursuant to subsection b. of N.J.S.54A:3-1, except that the cost-of-living
Language Provisions (Cont’d)

2006 Appropriations Handbook

p. B-195

subsection h. of section 3 and subsection g. of section 4 of that act. Notwithstanding the provisions of P.L. 1990, c. 61 (C.54:4-8.59 et seq.), as amended by P.L. 2004, c.40, to the contrary, the amounts hereinabove appropriated for the Homestead Property Tax Rebates for Homeowners program and the Homestead Property Tax Rebates for Tenants program shall only be available to pay homestead rebates pursuant to the provisions of that law but not in excess of the following maximum amounts for tax year 2004: (a) $350 for residents who are not 65 years of age or older at the close of the tax year, and who are not allowed to claim a personal deduction as a blind or disabled taxpayer pursuant to subsection b. of N.J.S.54A:3-1, with gross income not in excess of $125,000 for the taxable year for property taxes paid, (b) $300 for residents who are not 65 years of age or older at the close of the tax year, who are not allowed to claim a personal deduction as a blind or disabled taxpayer pursuant to subsection b. of N.J.S.54A:3-1, with gross income in excess of $125,000 but not in excess of $200,000 for the taxable year for property taxes paid, (c) $75 for residents who are not 65 years of age or older at the close of the tax year, who are not allowed to claim a personal deduction as a blind or disabled taxpayer pursuant to subsection b. of N.J.S.54A:3-1 for rent constituting property taxes paid for the tax year 2004. If the amounts hereinabove appropriated are not sufficient, there are appropriated from the Property Tax Relief Fund such additional sums as may be required for payment of such rebates, subject to the approval of the Director of the Division of Budget and Accounting.

2007 Budget Recommendations

p. D-438 and D-439

adjustment pursuant to subsection h. of section 3 and subsection g. of section 4 shall be 10%. Notwithstanding the provisions of P.L. 1990, c. 61 (C.54:4-8.59 et seq.), as amended by P.L. 2004, c.40, to the contrary, the amounts hereinabove appropriated for the Homestead Property Tax Rebates for Homeowners program and the Homestead Property Tax Rebates for Tenants program shall only be available to pay homestead rebates pursuant to the provisions of that law but not in excess of the following maximum amounts for tax year 2005: (a) $385 for residents who are not 65 years of age or older at the close of the tax year, and who are not allowed to claim a personal deduction as a blind or disabled taxpayer pursuant to subsection b. of N.J.S.54A:3-1, with gross income not in excess of $125,000 for the taxable year for property taxes paid, (b) $330 for residents who are not 65 years of age or older at the close of the tax year, who are not allowed to claim a personal deduction as a blind or disabled taxpayer pursuant to subsection b. of N.J.S.54A:3-1, with gross income in excess of $125,000 but not in excess of $200,000 for the taxable year for property taxes paid, (c) $83 for residents who are not 65 years of age or older at the close of the tax year, who are not allowed to claim a personal deduction as a blind or disabled taxpayer pursuant to subsection b. of N.J.S.54A:3-1 for rent constituting property taxes paid for the tax year 2005. If the amounts hereinabove appropriated are not sufficient, there are appropriated from the Property Tax Relief Fund such additional sums as may be required for payment of such rebates, subject to the approval of the Director of the Division of Budget and Accounting.

Explanation

This language provision would increase FY 2007 homestead property tax rebate amounts for homeowners and tenants (C.54:4-8.57 et seq.) by ten percent over the amount provided to
Language Provisions (Cont'd)

similarly situated homeowners and tenants in FY 2006. The ten percent growth rate supersedes the statutorily mandated cost-of-living adjustment of 3.64 percent rounded to the next highest $5. In addition, the language would maintain the limitations the FY 2006 Appropriations Act placed on rebate amounts for persons who are under age 65 and who are not disabled. Table 1 on page 3 indicates the homestead rebate amounts individuals received in FY 2006 and the amounts they would receive according to statutes and the proposed language provision.

2006 Appropriations Handbook

p. B-195

The amount of any gross income tax revenue that shall be determined by the State Treasurer, before December 31, 2005, as anticipated to be collected during fiscal year 2006 in excess of the amount of gross income tax revenue certified as anticipated upon approval of this act, shall be reserved exclusively for appropriation by the Legislature for additional real property tax relief during fiscal year 2006.

2007 Budget Recommendations

No comparable language.

Explanation

The FY 2006 Appropriations Act reduced homestead property tax rebate amounts for non-senior homeowners and tenants (C.54:4-8.57 et seq.) and included this related language provision, which dedicated any amount of gross income tax revenue that the Treasurer would determine, before December 31, 2005, to be in excess of certified FY 2006 gross income tax collections to the restoration of restricted homestead property tax rebate amounts for non-senior homeowners and tenants. The Treasurer, however, never made such a determination and the Governor now proposes to discontinue the language provision.

2006 Appropriations Handbook

p. B-195

The State Treasurer may pay the amount hereinabove appropriated for the South Jersey Port Corporation Property Tax Reserve Fund directly to the city of Camden, any
Language Provisions (Cont'd)

2006 Appropriations Handbook

p. B-195

provision of law to the contrary notwithstanding and in the absence of an approved agreement between the corporation and the city pursuant to section 20 of P.L. 1968, c.60 (C.12:11A–20), upon notification from the Commissioner of the Department of Community Affairs that the payment is anticipated as revenue in any city budget adopted by the city with the approval of the Chief Operating Officer and the Director of Local Government Services in the Department of Community Affairs.

Explanation

The Governor recommends discontinuing the FY 2006 language provision that authorized the State Treasurer to disburse funds in the South Jersey Port Corporation — Property Tax Reserve Fund directly to the city of Camden. The Administration deems the provision unnecessary as the city is receiving the payments directly from the South Jersey Port Corporation.

Organized “in but not of” the Department of the Treasury, the South Jersey Port Corporation manages and operates the ports of Camden and Salem. The Governor proposes a $2.5 million appropriation for its tax reserve fund, from which municipalities and counties receive payments-in-lieu-of-taxes as compensation for any revenue loss they incur because of corporation property acquisitions.

2007 Budget Recommendations

No comparable language.

2006 Appropriations Handbook

p. B-195

There is appropriated an amount not to exceed $1,500,000 for expenses associated with municipal economic recovery efforts as determined by the chair of the Economic Recovery Board for Camden, subject to the approval of the Director of the Division of Budget and Accounting.
Language Provisions (Cont'd)

Explanation

In FY 2004 through FY 2006, the department's budget included this language provision authorizing the appropriation of up to $1.5 million for expenses related to municipal economic recovery efforts as determined by the chair of the Economic Recovery Board for Camden. While funding was provided in FY 2004 and FY 2005, no additional appropriation has been authorized for FY 2006 as of May 1, 2006, and the Governor proposes to discontinue the language provision in FY 2007.

In response to a discussion point in the FY 2006 OLS Department of the Treasury Analysis, the department noted that the language provision was continued in the FY 2006 Budget as a contingency. It further stated that of the $2.34 million available in this account in FY 2005, $1.5 million was spent on development projects by the Camden Redevelopment Agency, $843,000 on transitional costs of the Adventure Aquarium, and $11,000 on legal expenses incurred by the City of Camden for Camden Economic Recovery initiatives.

2006 Appropriations Handbook
p. B-196

There is appropriated from the Energy Tax Receipts Property Tax Relief Fund the sum of $788,492,000 and an amount not to exceed $46,183,000 which is transferred from the Consolidated Municipal Property Tax Relief Aid (PTRF) account to the fund and shall be allocated to municipalities in accordance with the provisions of subsection b. of section 2 of P.L. 1997, c.167 (C.52:27D–439). Each municipality that receives an allocation from the amount so transferred shall have its allocation from the Consolidated Municipal Property Tax Relief Aid program reduced by the same amount. Of the amount herein appropriated from the Energy Tax Receipts Property Tax Relief Fund, an amount equal to $25,000,000 shall be allocated to municipalities proportionately based on population, except that Newark and Jersey City shall each receive $390,000 of the $25,000,000 and Paterson shall receive $375,000 of the $25,000,000.

2007 Budget Recommendations
p. D-439

There is appropriated from the Energy Tax Receipts Property Tax Relief Fund the sum of $788,492,000 and an amount not to exceed $81,542,000 which is transferred from the Consolidated Municipal Property Tax Relief Aid (PTRF) account and an amount not to exceed $2,211,000 from the Special Municipal Aid Act account to the fund and shall be allocated to municipalities in accordance with the provisions of subsection b. of section 2 of P.L. 1997, c.167 (C.52:27D–439) except that any sums transferred from the Special Municipal Aid Act account shall be allocated to the city of Camden. Each municipality that receives an allocation from the amount so transferred shall have its allocation from the Consolidated Municipal Property Tax Relief Aid program reduced by the same amount. Of the amount herein appropriated from the Energy Tax Receipts Property Tax Relief Fund, an amount equal to $25,000,000 shall be allocated to municipalities proportionately based on population, except that Newark and Jersey City shall each
Language Provisions (Cont’d)

<table>
<thead>
<tr>
<th>2006 Appropriations Handbook</th>
<th>2007 Budget Recommendations</th>
</tr>
</thead>
</table>

receive $390,000 of the $25,000,000 and Paterson shall receive $375,000 of the $25,000,000.

Explanation

The State established the Energy Tax Receipts Property Tax Relief Fund (C.52:27D-439) in 1997 as an off-budget account through which it distributes receipts from the taxation of certain regulated utilities and telecommunications companies as aid to municipalities. Amending legislation enacted in 1999 instituted a $755 million funding requirement for FY 2002 and mandated that the amount be annually adjusted for inflation thereafter. Failure in a given year to appropriate monies in the prescribed amount would void taxpayers’ corporation business tax liabilities for that tax year.

In recent years, energy tax receipts allocated from the Energy Tax Receipts Property Tax Relief Fund (ETR Fund) have been inadequate to fund the statutory inflation adjustment. To fulfill the funding requirement, language provisions have transferred monies from the Consolidated Municipal Property Tax Relief (CMPTR) Aid account to the ETR Fund. For municipalities, the net effect of these reallocations has been zero, as increased ETR disbursements have fully corresponded to decreases in CMPTR Aid.

The Governor’s FY 2007 Budget recommends level funding of municipal aid from the ETR Fund and a $81.5 million transfer of CMPTR Aid to the ETR Fund. However, some municipalities have insufficient CMPTR entitlements to fully fund the reallocation. The language thus identifies $2,211,000 of the FY 2007 recommended funding for Special Municipal Aid, intended to be awarded to the City of Camden, as the additional source of municipal aid for reallocation to fully fund the reallocation. Overall, this transfer is not intended to alter the combined amount the city will be entitled to receive from the ETR Fund, CMPTR, and the Special Municipal Aid account.

Total recommended disbursements from the ETR Fund are thus $872.2 million, which is $37.6 million, or 4.5 percent, more than in FY 2006. Overall, the proposed FY 2007 Budget maintains formulaic aid to New Jersey’s 566 municipalities at the FY 2006 level. The total recommended aid of $1.7 billion reflects level funding for Energy Tax Receipts Property Tax Relief, Consolidated Municipal Property Tax Relief Aid, Municipal Homeland Security Assistance Aid, and Legislative Initiative Municipal Block Grants.
Language Provisions (Cont'd)

2006 Appropriations Handbook

No comparable language.

2007 Budget Recommendations

p. D-442

Pursuant to the provisions of Executive Order #72 (Acting Governor Codey), deposits made to the "Drug Abuse Education Fund" and the unexpended balance at the end of the preceding fiscal year of such deposits are appropriated for collection or administration costs of the Department of Treasury and for transfer to the Departments of Education and Health and Senior Services such sums as are necessary for the Steroid Use and Prevention program, subject to the approval of the Director of the Division of Budget and Accounting.

Explanation

This language provision allocates monies from the Drug Abuse Education Fund to implement anti-steroid programs and policies instituted by Executive Order #72 of 2005, issued in December 2005.

The Drug Abuse Education Fund, created pursuant to P.L.1999, c.12 (C.54A:9-25.12), derives its resources from taxpayer donations on gross income tax returns. Its proceeds are statutorily dedicated to the Department of Education for distribution to non-governmental entities providing Statewide drug abuse education programs. Executive Order #72 of 2005 and the proposed FY 2007 language provision extend the scope of permissible fund uses to anti-steroid programs. In FY 2007, the Governor expects $600,000 in additional Drug Abuse Education Fund receipts, which would supplement over $2.0 million in surplus balances.

Executive Order #72 of 2005 implemented a number of the recommendations contained in the December 2005 report by the Governor's Task Force on Steroid Use and Prevention, including the creation of a program of random steroids testing of teams and individuals qualifying for championship games, the development of anti-steroid educational programs and materials, and the insertion of steroid education in school curricula.

2006 Appropriations Handbook

p. B-198

The unexpended balance at the end of the preceding fiscal year in the NJ Competitiveness Fund account is

No comparable language.
Language Provisions (Cont’d)

2006 Appropriations Handbook                              2007 Budget Recommendations

p. B-198

appropriated and an amount up to
$1,500,000 shall be transferred to the New
Jersey Stem Cell Research Institute account
in the Department of Treasury, subject to the
approval of the Director of the Division of
Budget and Accounting.

Explanation

The Executive initiated the $3.0 million NJ Competitiveness Fund in FY 2005 to provide
unspecified economic development grants. Unexpended in FY 2005, its entire balance was
carried forward to FY 2006, for which this language provision authorizes a yet to be executed
$1.5 million transfer to the Stem Cell Institute of New Jersey. Since an additional $900,000
was transferred from this account during FY 2006 and since the OMB indicates that the
remaining $600,000 balance will lapse into the General Fund at the end of FY 2006, the
language provision would no longer be relevant in FY 2007.

The FY 2006 transfer of $900,000 was utilized to support a Department of Human Services
campaign promoting umbilical cord blood donations ($200,000) and the issuance of two Cord
Blood Resource Center grants to the Coriell Institute ($350,000) and Community Blood
Services in Paramus ($350,000), the only not-for-profit cord blood banks licensed by the State
for the collection and storage of stem cells.

2006 Appropriations Handbook                              2007 Budget Recommendations

p. B-200

Of the Savings from Administrative Efficiencies, $1,000,000 shall be allocated to
the Office of the Public Defender and $250,000 shall be allocated to the New

Explanation

The department’s FY 2006 appropriation includes a $5.75 million deduction from total
departmental resources for savings from administrative efficiencies. Language specifies that of
the $5.75 million spending reduction, $1.0 million should apply to the Office of the Public
Defender and $250,000 to the New Jersey Commerce, Economic Growth and Tourism
Commission. According to the OMB, the Governor’s FY 2007 Budget proposal already
Language Provisions (Cont'd)

includes the department's administrative efficiencies in the relevant accounts across all of its divisions and attached agencies. Consequently, the continuation of the language is unnecessary.
Discussion Points

1. In December 2005, the State Commission of Investigation issued a report entitled *The Gifting of New Jersey Tax Officials*. The commission related that, from February 1999 through March 2005, officials in the Division of Revenue and the Division of Taxation had routinely disregarded established ethics rules by accepting gifts worth over $65,000 from Outsourcing Solutions, Inc. (OSI), a contractor hired by the department to collect debt owed to the State. The commission also revealed that, from 2000 through 2004, OSI over-billed the State by more than $1 million, while the State failed to even review the billings’ accuracy. Overall, from January 1999 through June 2005, the contractor was paid $70.3 million for collecting $538.4 million in revenue for the State.

The commission offered the following recommendations to rectify unearthed problems:  
  a) remove Treasury officials who have accepted favors from OSI from the administration of OSI’s contracts and agreements;  
  b) initiate disciplinary proceedings against Treasury officials who have violated applicable ethics standards;  
  c) provide department-wide training to reinforce the importance of strict adherence to the Code of Ethics;  
  d) initiate proceedings against OSI for violating the standards governing the activities of State vendors;  
  e) temporarily debar OSI from performing its contractual obligations;  
  f) conduct a detailed financial and internal control or systems audit of all contracts and agreements with OSI and correct any deficiencies;  
  g) initiate proceedings to recover from OSI any amount owed to the State;  
  h) conduct a review of the State’s contract procurement and performance oversight structure in view of centralizing the function;  
  i) establish a division in the Treasury charged with routine financial audits and internal control reviews of contracts;  
  j) strengthen procedures for the award and oversight of privatization contracts (numerous suggestions made);  
  k) have employees sign annually that they possess a copy of the Code of Ethics, understand its provisions, and have neither violated them nor know of any violation of them;  
  l) have employees who have substantial responsibilities in administering a contract with a vendor attest annually under penalty of perjury that they neither accepted nor were offered anything of value by a vendor’s representative; and  
  m) bar State employees who have had substantial contact with a vendor from seeking or taking employment with such vendor for a period of at least two years.

Following the report’s release, the State Ethics Commission has conducted an inquiry into the behavior of implicated officials, while the department has not renewed OSI’s contract, which had expired in February 2006. Additionally, in March 2006, Gannett reported that department officials repeatedly bypassed the standard contract procurement process when awarding contracts to OSI.

* Question: Please address the commission’s recommendations by detailing the actions the department has initiated for each of them. If no action has occurred on a particular recommendation, please explain the nonaction and inform whether the
Discussion Points (Cont’d)

department intends to act on the recommendation at a later date. Please describe the measures the department is deploying to ensure employee compliance with its Code of Ethics. Given the removal of senior officials in the Division of Revenue and the Division of Taxation following the report’s release, please comment on the sufficiency of qualified staff to effectively administer the division’s routine operations. Also, how has the nonrenewal of OSI’s collection contract affected State debt collections? Have they declined? Who, if anyone, has assumed OSI’s former responsibilities? If a new vendor has been retained, please detail the provisions of the contract.

2. The Office of the State Auditor issued a report in July 2005 on collections of debts owed to the State. Departments have individual policies and procedures for debt collection. Nonetheless, the Divisions of Administration and Revenue in the Department of the Treasury and the Division of Law in the Department of Law and Public Safety have statewide responsibilities for collecting delinquent debts, gathering debt information, and writing off debts: a) the Division of Revenue functions as liaison between debt collection contractors and State agencies and manages the Set Off of Individual Liabilities (SOIL) program, under which residents’ gross income tax refunds and homestead property tax rebates are reduced until the debt of the residents to the State is fully offset; b) the Division of Law provides various legal services to agencies seeking to collect outstanding receivables, including investigative services to locate delinquents and their assets; and c) the Division of Administration approves debt write-offs and maintains receivable data from State agencies.

The State Auditor noted that the State had no coordinated Statewide process for the reporting and collection of outstanding debt, as State agencies were not compelled to use the Treasury’s collection services. Consequently, the State could not accurately determine the amount of outstanding debt or the adequacy of its collection efforts. The State Auditor thus recommended the establishment of uniform Statewide debt collection policies and procedures and the centralization of all statewide collection efforts in the Treasury.

The Department of the Treasury concurred with the audit team’s recommendations and stated that it had already initiated policy changes to implement them. It cited Reorganization Plan No. 004-2005, which would mandate that State departments and agencies transfer the account records for all debts to the Treasury three months after the debt is due and owing so that the Treasury could effectively act as the State’s central debt collection agency. In addition, the department mentioned revised regulations under Circular Letter 06-03, Statewide Non-Tax Debt Collections and Write-Off, which would require State departments and agencies to have computerized databases for accounts receivable and standardized account information and collection procedures. Moreover, the Circular Letter would direct State departments and agencies to transfer to the Treasury all debts three months after the debt is due and owing.

- Questions: Please provide an update on the department’s efforts to consolidate the State’s debt collection functions and to streamline the debt collection process overall. Does the department now have a functioning accurate database indicating the total amount of debt owed to the State for three months or more? Which departments and agencies have complied and which have not yet complied with the new debt management standards? Which departments and agencies transmit to the department all debts three months after the debt is due and owing and which departments have failed to do so? What is the cumulative amount of current outstanding debts?
Discussion Points (Cont'd)

3. The proposed Fiscal Year 2007 appropriation for the Division of Taxation increases by $17.6 million, or 16.5 percent, to $124.3 million. The additional funding is intended to provide for tax collection and enforcement services. At the same time the budget would also continue language allowing the division to appropriate such additional sums as needed to fund these same activities. In recent budget years, including the current year, the division has relied on its supplemental budget authority to fund its debt collection activities, which are typically accomplished through third party contracts.

- **Question:** Given that the proposed budget apparently provides for expenditures the division typically funds through the exercise of its supplemental budget authority, is the continuation of language authorizing supplemental appropriations for this purpose necessary?

4. In January 2006, the Budget and Reengineering Government Transition Policy Group recommended in its report to the new Administration that the State join more than 30 other states that compile and publish tax expenditure information. Such an effort would enable the State and the public to assess the amount of annual revenue foregone due to tax credits, deductions, and exemptions.

- **Questions:** Please identify the tax credits, deductions, and rebates for which the Division of Taxation has and does not have tax expenditure information. Please provide the amount of annual revenues the State foregoes for each tax expenditure for which the division has such information. Is the division taking any steps to compile comprehensive tax expenditure data?

5. The Division of Revenue manages the collection and processing of revenues from State taxation, motor vehicle licensing and regulation, and environmental protection laws and regulations. Notably, it processes gross income tax returns, corporation business tax returns, property tax reimbursement forms, and homestead rebate forms.

- **Question:** For each tax whose collection the division administers, please provide the average cost of processing a paper versus an electronic return as well as the total processing cost. Please provide the same information for the property tax reimbursement forms and homestead rebates.

6. The Governor's FY 2007 Budget projects net lottery sales of $2.3 billion to be generated by 6,200 agents and 2,028 drawings. The Constitution mandates that all lottery net proceeds fund State Aid for education and institutions. In FY 2007, the State Lottery is thus expected to transfer $836 million to the General Fund for these purposes, an increase of $4 million from the amount anticipated in the current budget. The State Lottery Fund Schedule on page H-62 of the Governor's FY 2007 Budget illustrates the programs which these funds support, in part, in the Department of Agriculture, Education, Human Services, Military and Veterans' Affairs, and Higher Educational Services.

6. a. In November 2005, the Division of the State Lottery awarded a five-year contract to run the computer system for New Jersey Lottery vendors to GTech Corp. for $106.7 million. Subsequently, Scientific Games Corp., which had submitted a bid for $75 million, filed a protest with the Director of the Division of Purchase and Public Property.
Discussion Points (Cont’d)

- **Questions:** What is the nature of, and the division’s response to, Scientific Games Corp.’s protest? Please provide an update on the status of the protest. Also, please indicate the rationale for choosing GTech over Scientific Games, specifying in detail how the evaluation committee arrived at the respective scores for the two bidders.

6. **b.** In a December 4, 2005 article “The High Price of a Dream”, the Star-Ledger published the results of its analysis of five years of lottery data by ZIP code. In sum, it found that annual per capita spending on lottery tickets, the number of winners per 1,000 residents, and the number of lottery retailers per 5,000 residents increase as average incomes in an area decrease.

- **Questions:** Please provide an analysis of the socio-economic characteristics of lottery ticket purchasers, including average income, age, gender, and race. Please provide market studies that have guided the division’s most recent marketing campaigns, decisions on which games to run, and determinations in which locations to authorize which number of lottery retailers. Does the division run or support—financially or otherwise—campaigns, organizations, or programs that address compulsive gambling behavior?

7. The **Division of Property Management and Construction** manages the real estate needs of State government. It purchases, sells, and leases office, warehouse, and other space for all State government entities, with certain exceptions. The division also provides full maintenance services for 40 State-owned buildings in the Trenton area, renovation and alteration services valued below $39,600, and related contract administration services.

7. **a.** The Governor’s Fiscal Year 2007 Budget recommends that the Department of Corrections receive $8 million in capital funding to replace the high temperature hot water underground distribution system at the South Woods State Prison (page D-65). Installed from 1995 to 1997, the system, whose pipes run approximately three miles throughout the prison grounds, has experienced multiple failures since 2000, costing the State in excess of $3 million thus far. The Department of Corrections, the Division of Property Management and Construction, and the Bureau of Risk Management have determined that a complete and catastrophic system failure had occurred and that the current system must be replaced. Subsequent to this determination, the division has solicited professional consulting services to perform a study of the system, but, according to its web-site, the awarding of the contract is "awaiting funding”.

- **Questions:** What is the specific source of funding alluded to on page D-65 of the Governor's Fiscal Year 2007 Budget? What steps, if any, has the division undertaken to recapture the cost of the replacement system from the original vendor? If it has not sought to recoup the cost, why does it not do so? In general, what conditions must prevail for the division to initiate proceedings to recoup costs caused by a vendor’s failure to deliver the goods or services in good working order?

7. **b.** The Office of the State Auditor affirmed in its January 2006 audit report on the division that the latter had complied with selected internal policies and procedures. However, the State Auditor highlighted certain inefficiencies. Specifically, lease procurements were found to take over two years from the initial assessment of space needs to final approval. Moreover, the State Auditor noted that the division lacked sufficient information on State agencies’ space utilization
to effectively manage the State's real estate portfolio, for State agencies did not comply with a statutory requirement to report the capacity and utilization of all space owned, leased, and subleased. The State Auditor suggested that the lack of a standardized reporting format may contribute to the State agencies' lack of compliance with the reporting requirement. Lastly, the State Auditor stated that the division had made progress in reducing the number of month-to-month leases, although its analysis still located 102 such leases, of which 67 had been in this status for more than five years.

In its response, the division readily acknowledged "that all previous attempts to engage the agencies to accurately provide [space utilization] information have failed". Nonetheless, it hoped that through the Office of Information Technology's payroll system, it would acquire a better understanding of State agencies' space utilization in the future. In addition, the division stated that it was reviewing its lease procurement process to shorten the length of time it takes to secure a lease. Finally, it mentioned that it continued to reduce the number of month-to-month leases and that many of these leases identified by the State Auditor had since been converted to term leases and presented to the State Leasing and Space Utilization Committee.

• Questions: How many of the 102 month-to-month leases identified by the State Auditor have been converted to term leases? What is the cumulative amount of change in annual rental costs, if any? Please state how much the State is intending to spend on month-to-month leases in Fiscal Year 2007.

• Please provide a progress report on the division's review of its lease procurement process as it pertains to reducing the amount of time it takes to secure a lease.

• How does the division's collaborative project with the Office of Information Technology to use the State's payroll system as a proxy for State agencies' space utilization function? Has the division devised a standardized space utilization reporting format for State agencies to use? Has the division undertaken any other initiatives to encourage State agencies to comply with the statutory space utilization reporting requirement? Has the Treasurer considered compelling compliance by withholding funding to non-compliant State agencies?

7. c. The Fiscal Year 2006 Appropriations Act includes a general language provision directing the Governor to commission a study on the advisability of assigning responsibility for all leasing of State property in the Department of the Treasury. The Governor's proposed Fiscal Year 2007 budget discontinues the language provision.

• Questions: What have been the study's findings and recommendations? Which recommendations have been acted upon and which recommendations have not yet been pursued? Please provide a copy of the study to the Legislature through the Legislative Budget and Finance Office.

8. The Division of Investments currently manages an investment portfolio of approximately $83 billion (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.
Discussion Points (Cont'd)

8. a. According to the New Jersey Division of Pensions and Benefits' Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2005, State pension funds held assets valued at roughly $75 billion on June 30, 2005. P.L.2005, c.162 (C.52:18A-89.9) requires the State Investment Council and the Director of the Division of Investment to divest by July 1, 2008 all of the State pension funds’ holdings in foreign companies conducting business in Sudan. In its managed portfolios, the division identified $2.1 billion invested in 17 companies to which the mandate applies. Prior to April 20 of this year, $850 million of these holdings had been sold and on April 20 the council voted that the division divest by August 2006 the remaining $1.25 billion of such holdings.

• Questions: Please list the companies and the value of each holding that the Division of Investment has sold and will be selling because of the companies’ business ties to Sudan. Does the $2.1 billion divestiture of assets held in 17 companies doing business with Sudan concern foreign companies only? After the divestiture, will portions of the State pension funds still be invested in domestic companies conducting business with Sudan? If so, which are these companies and what is the size of the State’s holdings in them?

8. b. On January 20, 2005, the State Investment Council adopted policies and procedures governing the “Alternative Investment Program” (AIP), which called for the establishment of a new common trust fund to be known as “Common Pension Fund E”. The policy adopted provides that the following funds may invest in Common Pension Fund E: Police and Firemen’s Retirement System, Public Employees’ Retirement System, State Police Retirement System, Teachers’ Pension and Annuity Fund, and Judicial Retirement System of New Jersey. The alternative investments specified in the AIP will be made by the Division of Investment with the assistance of investment consultants, including the “general consultant” engaged by the division to provide advice concerning the overall AIP. The adopted guidelines further indicate the division shall: 1) actively negotiate investment management agreements on behalf of the Common Pension Fund E which “should include a competitive fee structure”, 2) utilize external managers for the AIP, and 3) retain service providers to perform a variety of management and monitoring functions. Moreover, the procedures specify that opportunities for the AIP shall first be evaluated by the division’s internal “Head of Alternative Investments” and its alternative investments staff. The council has voted to invest thirteen percent of the pension funds’ assets in alternative investment classes.

• Questions: Please provide an update regarding the implementation of the AIP. Has the division already established and funded the Common Pension Fund E? When will its first alternative investment be effectuated? If it has already been made, what have been the returns of the alternative investments, if any?

Please itemize the positions which comprise the division’s alternative investment staff with responsibility for overseeing the AIP, including the number of positions, titles, and average current salary by title.

Please identify all contracts, outside vendors or entities engaged for AIP purposes to date, including the “General Consultant”, and specify the amount paid or expected to be paid for the services of each and the terms of each contract. Which rate of return would the alternative investments have to produce to pay the fees and commissions of the “General Consultant” and assorted external money managers?
Discussion Points (Cont’d)

Have the lawsuits brought against the State by the Communications Workers of America Local 1033 and the New Jersey Education Association challenging the council’s authority to delegate investment decisions to external money managers affected the division’s ability to implement the AIP? When does the division anticipate a resolution to the court proceedings?

9. The Division of Purchase and Property, created pursuant to N.J.S.A. 52:18A-16 et seq., serves as the State’s central procurement agency. To accomplish its mission, the division also runs the State Distribution and Support Services Center, located in Ewing, which provides State agencies, counties, municipalities, and school boards with goods acquired through bulk purchasing. Operating as a revolving fund, the self-supporting center bills its clients for the expenses it incurs in providing purchasing services to them—currently the cost of the goods purchased plus 15 percent. According to the Governor’s Fiscal Year 2007 Budget, the center is expected to spend over $45.4 million in Fiscal Year 2007, the same as in Fiscal Year 2006, but $5.3 million less than in Fiscal Year 2005 (page G-10).

The Department of the Treasury is in the process of modifying its bulk purchasing policies, which also redefine the center’s role. Under the new procedures, retailers would ship the ordered goods directly to the ordering governmental entity instead of shipping them first to the center, which, in turn, would ship them to the ordering governmental entity. Governmental entities, however, would continue to place their orders through the division. By bypassing the center, which effectively acts as a middleman, the new policy will save the State $2 million per year, according to department estimates. It estimates that another $1 million per year would be saved by transferring materials currently being stored in seven warehouses in the State to the redefined center and subsequently closing these warehouses.

• **Questions:** Please describe the new bulk purchasing procedures. When will they become operational? Will governmental entities still order goods through the Division of Purchase and Property? Must vendor contracts be renegotiated? What will happen to the center’s 65 employees? How many employees do the seven warehouses have that are slated for closure? What will happen to these employees? Please provide the financial analysis based on which the department projects that the new bulk purchasing policies will save the State $3 million per year. After implementation of the new procedures, will the center still be run as a self-supporting revolving fund?

10. The Governor is requesting $1.221 billion in Fiscal Year 2007 spending on the Homestead Property Tax Rebate program (P.L.1990, c.61), including a ten percent increase in rebate amounts over Fiscal Year 2006 for each rebate recipient. A resident’s rebate amount is based on the amount by which property taxes (or rental equivalent) exceed five percent of the taxpayer’s income, the taxpayer’s gross income, whether the taxpayer is a homeowner or tenant, and whether the taxpayer is 65 years of age or older or disabled or both.

• **Questions:** For FY 2006 “FAIR” rebate distributions, please provide the following data for the senior and non-senior and the homeowner and tenant populations: 1) distribution of rebates by income brackets; and 2) distribution of rebates by rebate amounts.
Discussion Points (Cont'd)

Since homestead rebate amounts and income tax property tax deduction amounts are a function, in part, of real estate values, please provide a tax year 2005 statewide distribution of the number and the value of residential property by no fewer than eight distinct brackets, broken up in increments of at least $100,000.

11. The Solid Waste Management – County Environmental Investment Debt Service Aid program assists counties and county utility authorities in meeting debt service obligations for solid waste treatment investments. The Governor’s recommended $17.3 million, or 30.2 percent, Fiscal Year 2007 funding decline for the program does not fully represent a decrease in anticipated program expenditures. In Fiscal Year 2007, the Administration thus intends to spend $50.1 million through the program, which would be $7.2 million, or 12.5 percent, less than in Fiscal Year 2006. Of the $50.1 million, $40.0 million would come from a Fiscal Year 2007 appropriation and $10.1 million from accumulated surplus funds in the account.

- **Questions:** What is the legal authority for this debt service aid? How, if at all, is it related to the "County Solid Waste Disposal Financing Law" (C.40:66A:31-1 et seq.)? What conditions must counties meet to successfully apply for aid under this program? How does the Department of the Treasury determine which counties receive which amounts in aid? Please provide a list showing the amounts each county is anticipated to receive from this account in Fiscal Year 2007. What annual amount of debt service aid does the department project for each of the next five fiscal years?

12. The Fiscal Year 2006 Appropriations Act includes a general language provision directing the State Treasurer to undertake a comprehensive review of State Executive Branch department travel policies, rules and regulations, and to report his findings and recommendations to the Governor concerning the implementation of a uniform travel policy designed to make the most efficient use of appropriations without restricting essential travel. The Governor’s proposed Fiscal Year 2007 budget discontinues the language provision.

- **Questions:** What have been the State Treasurer’s findings and recommendations concerning the implementation of a uniform Executive Branch travel policy? Which of the recommendations have and have not been adopted?

13. Organized “in but not of” the Department of the Treasury, the South Jersey Port Corporation (SJPC) manages and operates the ports of Camden and Salem. With 3.6 million tons of exports and imports handled in 2005, the SJPC saw its third consecutive record cargo year. For Fiscal Year 2007, the Governor recommends a total appropriation of $9.8 million to the SJPC, namely $7.3 million for the corporation’s debt service reserve fund, which ensures that the SJPC maintains the maximal debt service requirements for its debt obligations; and $2.5 million for its tax reserve fund, from which municipalities and counties receive payments-in-lieu-of-taxes as compensation for any revenue loss they incur because of corporation property acquisitions.

The Office of the State Auditor declared in its October 2005 audit report on the SJPC that the corporation’s financial transactions were reasonable and properly recorded. In addition, the State Auditor offered suggestions meant to strengthen internal controls, enhance compliance with laws and regulations, and effect cost savings. Specifically, the State Auditor recommended that the SJPC develop and implement policies and procedures for a) the procurement of professional services, (b) petty cash, expense reports, and corporate credit
Discussion Points (Cont'd)

usage, and (c) the issuance of vendor credits and recording of receivables. In addition, the State Auditor advised the SJPC to segregate its purchasing practices and strictly adhere to its vacation payment policies.

- **Question:** Please provide an update on the SJPC's efforts to address the State Auditor's recommendations.

14. Organized "in but not of" the Department of the Treasury, the **Board of Public Utilities** (BPU) is a cabinet level regulatory authority with a statutory mandate (R.S.48:2-1 et seq.) to ensure safe, adequate, and proper public utility services such as natural gas, electricity, water, sewer, and telecommunications including cable television.

- **Questions:** The Gannett newspapers reported in March that the BPU had paid $1.1 million in association fees since July 1, 2002. For Fiscal Year 2007, please list the associations for which the BPU intends to incur membership expenses as well as the amount of the membership fee for each association. Please describe some of the recent benefits to the State of the memberships, including, as appropriate, concrete examples of cost savings, enhanced administrative and regulatory practices, and improved stakeholder services. Please describe all travel by BPU officials that was paid for by associations to which BPU pays fees. Please also describe some of the concrete benefits to BPU's stakeholders of the international travel undertaken by BPU officials within the purview of these association memberships.

15. The BPU oversees **New Jersey's Clean Energy Program**, created as part of P.L.1999, c.23 (C.48:3-49 et seq.) and operative since April 2001, through which the State seeks to promote increased energy efficiency and the use of clean, renewable sources of energy including solar, wind, geothermal, and sustainable biomass. According to **New Jersey's Clean Energy Program 2005 Annual Report** issued by the BPU's Office of Clean Energy, in 2005, the program's financial incentives supported 27,510 residents' purchases of high efficiency heating and cooling systems, 2,387 commercial energy efficiency projects, 496 installations of solar electric or other renewable energy systems, and the planting of 4,850 trees, among other initiatives. Overall, the report adds, projects subsidized in 2005 will save the annual equivalent of the electricity consumption of about 50,000 average homes and the natural gas consumption of over 6,100 average gas-heated homes. The Office of Clean Energy mentions further that total 2005 program expenditures were $124.6 million and that an additional $210 million have been committed to be paid upon the completion of approved projects within the next two years. New Jersey ratepayers fund the Clean Energy Program via the societal benefits charge included in ratepayers' electric and gas bills. According to the report, in 2005, the average residential electric utility customer thus contributed $12 to the program, the average residential gas utility customer $10, the average commercial electric customer $77, and the average commercial gas utility customer $50.

15.a. In April 2006, the BPU approved regulations to expand the State’s Renewable Portfolio Standard pursuant to P.L.1999, c.23 (C.48:3-49 et seq.), which determines a minimal percentage of the total kilowatt hours sold in New Jersey by each electric power supplier and each basic generation service provider that must be from renewable energy sources. The original legislation required that renewable energy sources account for no less than four percent of the State's electricity by 2012. Under the rule change, the percentage increases to
Discussion Points (Cont’d)

20 percent by 2020, while New Jersey solar photovoltaic systems must produce two percent of Statewide electricity sales by 2020.

• **Questions:** By how much is this regulation projected to alter annual statewide energy expenditures by all residential and commercial customers, combined and separated? How is the rule change expected to impact the average annual residential and commercial electricity bill? What is its estimated effect on the electricity outlays of State government? What are the mandate’s non-pecuniary benefits and costs?

15. b. Department of the Treasury auditors scrutinized the operations of New Jersey’s Clean Energy Program in 2004. Their report remains unavailable to the public. The Star-Ledger, however, cited from it on January 15, 2006. Shortcomings seemingly included the creation of a program account outside of the State’s regular account structure, a lack of management oversight, and the nonexistence of an accounting system along with other control weaknesses. In the same year, the BPU reached an agreement with the Department of the Treasury to establish the Clean Energy Fund to hold Clean Energy Program funds, according to New Jersey’s Clean Energy Program 2005 Annual Report. Since then, fund revenues and expenditures have varied significantly (see page H-6 of the Governor’s Fiscal Year 2007 Budget): total revenues were $130 million in Fiscal Year 2005, are projected at $52 million in Fiscal Year 2006, and expected to reach $186 million in Fiscal Year 2007. Expenditures, on the other hand, were $7 million in Fiscal Year 2005, are projected at $69 million in Fiscal Year 2006, and are recommended to be $259 million in Fiscal Year 2007.

• **Question:** Are all of the expenditures and revenues of the Clean Energy Program accounted for in the Clean Energy Fund? Please itemize the sources of the fund’s revenues by firm and by ratepayer base. What explains the fluctuations in revenue from Fiscal Year 2005 to Fiscal Year 2006? From Fiscal Year 2006 to Fiscal Year 2007? Please provide a detailed report on the fund’s Fiscal Year 2005 expenditures and a budget for Fiscal Year 2006 and Fiscal Year 2007. Please detail all actual and planned spending for salaries and professional services.

• How does the BPU decide on applications for financial assistance under the Clean Energy Program today? Please describe the application review and approval process. Please explain existing internal controls in detail.

16. Executive Order #87 of 1998 created the **Office of Information Technology (OIT)** and located it “in but not of” the Department of the Treasury as a provider of information technology services to State agencies. To that end, it oversees the mainframes, servers, networks, and databases that compose the State’s technical infrastructure; operates the Garden State Network, a statewide integrated communications network; and runs the State’s major data centers, including the Office of Information Technology Availability and Recovery Site (OARS). In addition, it manages the State’s internet environment and offers application development and maintenance, geographical information systems, and data management services. Operating as a revolving fund, OIT bills State agencies for the expenses it incurs in providing information technology services to them. For Fiscal Year 2007, the Governor recommends an OIT budget of $102 million.

Executive Order #87 also instituted a seven-member Governing Board as OIT’s oversight body. It is charged with appointing and advising the Chief Technology Officer,
Discussion Points (Cont'd)

setting OIT policy, reviewing and approving OIT's annual budget request, and ensuring that OIT's strategic plan is consistent with the Statewide Strategic Plan for Information Technology. The board last convened in June 2001.

In January 2006, the Budget and Reengineering Government Transition Policy Group recommended in its report to the new Administration that the State create a centralized entity in charge of the State's information technology needs and, on February 23, 2006, the Governor ordered a 45-day review of the State's computer and technology spending, which is estimated to be around $500 million. Subsequently, numerous personnel changes occurred in OIT's top-level management.

• Questions: What are the findings thus far of the 45-day review of the State's current decentralized information technology decision-making process and related spending? What remedies does the Administration envision, if any? Is the Administration considering the centralization of the State's information technology functions? Are there any plans to revive OIT's Governing Board? If not, does the Administration intend to create an alternative oversight structure?

17. P.L.2005, c.119 established the Office of the Inspector General based on Executive Order No. 7 of 2004. Allocated "in but not of" the Department of the Treasury, the office is to identify waste, mismanagement, and fraud in government spending by means of a full-time program of audit, investigation, and performance review. The office's efforts are intended to enhance the accountability, integrity, and oversight of all recipients of State funds, including, but not limited to all State departments and agencies, independent authorities, county and municipal governments, and boards of education. In April 2005, the office issued its initial report on "weak internal management and financial controls and lax and/or nonexistent oversight and accountability" in the New Jersey Schools Construction Corporation (SCC). Additional reports on the SCC followed in December 2005 and January 2006. The Executive's Fiscal Year 2007 Budget recommends that the office receive an appropriation of $2.3 million and be staffed with 18 employees. Proposed budget language, however, would provide the office with additional funds as may be necessary for its operations without further Legislative involvement.

• Questions: Please provide an update on the office's activities. Has the office already established a full-time program of audit, investigation, and performance review? If so, is the program fully operational? Please outline the program's elements. Which programs and governmental entities does the office currently review and/or investigate? Does the office continue to review the SCC? If so, what conclusions has it drawn concerning the implementation of recommendations for change included in previous reviews? What role, if any, is the office playing in the restructuring of the SCC?
Background Paper: State Funding for Stem Cell Research

Budget Pages.... D-407 to D-408; D-410; D-414

(Amounts $000)*

<table>
<thead>
<tr>
<th></th>
<th>FY 2005</th>
<th>FY 2006</th>
<th>Recomm. FY 2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cord Blood Resource Center</td>
<td>$1,200</td>
<td>$1,300</td>
<td>–</td>
</tr>
<tr>
<td>Rutgers University Renovations</td>
<td>–</td>
<td>324</td>
<td>–</td>
</tr>
<tr>
<td>Stem Cell Research Grants</td>
<td>–</td>
<td>5,000</td>
<td>–</td>
</tr>
<tr>
<td>Stem Cell Research Grant – Economic Development Authority</td>
<td>900</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Stem Cell Institute of New Jersey</td>
<td>$11,500</td>
<td>5,500</td>
<td>5,500</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$13,600</strong></td>
<td><strong>$12,124</strong></td>
<td><strong>$5,500</strong></td>
</tr>
</tbody>
</table>

* Amounts reflect monies appropriated and not necessarily expended since monies from some accounts carry-forward, and some accounts are funded in part by the operating budgets of universities.

** Funding from other State appropriations may also support these initiatives, however, they are not explicitly identified.

SUMMARY

In January 2004, New Jersey enacted N.J.S.A. 26:2Z-1 et seq. to encourage stem cell research. Since Fiscal Year (FY) 2005, the State has provided $25.7 million for stem cell research initiatives, with an additional $5.5 million proposed for FY 2007. This backgrounder discusses the funding New Jersey has provided for stem cell research and compares it to that provided by other states.

NEW JERSEY STEM CELL RESEARCH INITIATIVES

Since FY 2005, the State has provided $25.7 million for the following stem cell initiatives:

- **New Jersey Cord Blood Bank ($2.5 million)**, funded through no-cost loans and grants provided by the Department of Health and Senior Services (DHSS) pursuant to language in the FY 2005 Appropriations Act. Language in the FY 2006 Appropriations Act carried forward unexpended FY 2005 monies. Funding supports the collection and storage of stem cells from donated umbilical cord blood. Virtually all of these monies have been expended or committed.

- **Rutgers University Renovations ($324,000)**, funded through the Higher Education Facility Renovation and Rehabilitation Fund pursuant to language in the FY 2006 Appropriations Act. Monies support facility renovations to enable Rutgers University to conduct stem cell research. As of this writing it is not known how much has been expended.

- **Stem Cell Research Grants ($5 million)**, funded in the FY 2006 Appropriations Act through the Commission on Science and Technology in the Department of the Treasury. In December 2005, the commission expended all of its appropriation by awarding grants of up to $300,000 each to 17 institutions in the State. The grants support research involving human or non-human, adult or embryonic stem cells.

- **Stem Research Grant – Economic Development Authority ($900,000)**, funded through the NJ Competitiveness Fund in the Department of the Treasury pursuant to FY 2005 and FY 2006 Appropriations Act language. The appropriation of monies follows the
Background Paper: State Funding for Stem Cell Research (Cont'd)

issuance of an Executive Order by Governor Codey in October 2005 to promote the creation of a public umbilical cord and placental blood bank for use in stem cell research. Funding supports a DHSS campaign promoting umbilical cord blood donations ($200,000), and two pilot programs at the Coriell Institute ($350,000) and Community Blood Services in Paramus ($350,000). As of this writing, none of these monies have been expended.

- **Stem Cell Institute of New Jersey ($17 million)**, established May 2004 through a memorandum of understanding between the State, the University of Medicine and Dentistry of New Jersey (UMDNJ) and Rutgers University. The institute received monies through the Department of the Treasury in the FY 2005 and FY 2006 Appropriations Acts. Additionally, in FY 2005, the institute received a $4 million transfer from Rutgers University as well as $1 million from each of the operating budgets for Rutgers and UMDNJ. As of this writing, construction on the facility has not begun; however approximately $4.3 million has been appropriated to Rutgers University and UMDNJ. It is anticipated that, once constructed, the institute will accommodate all types of stem cell research including human or non-human adult or embryonic.

The following stem cell legislation is also pending before the Legislature:

- **S-1471 (2R)** – provides $150 million in bonds backed by cigarette tax revenue to the Stem Cell Research Institute and $50 million each to the New Jersey Institute on Science and Technology (NJIT) and the Coriell Institute;
- **A-2828 (1R)** – provides $100 million in bonds backed by cigarette tax revenue to the Stem Cell Research Institute and $50 million each to NJIT and the Coriell Institute;
- **S-1091/A-1891** – provides a $230 million bond referendum for stem cell research grants; and
- **A-1758** – provides $5 million for a Statewide cord blood bank.

**INITIATIVES AND FUNDING LEVELS PROVIDED BY OTHER STATES**

To date, only four other states - California, Connecticut, Illinois and Maryland – have created mechanisms to fund stem cell research, which includes research on embryonic stem cell lines created after 2001. Although Ohio funds human embryonic stem cell research, it restricts the research to lines in existence prior to 2001 in accordance with the Bush administration policy.²

---

¹ Language in the FY 2006 Appropriations Act also provides up to $1.5 million from the New Jersey Competitiveness Fund. There is no indication that these monies have been transferred.

² At this time it cannot be determined whether the $1 million Rutgers University and UMDNJ each provided to the institute in FY 2005 through their operating budgets has also been expended.

³ Two other states also have stem cell initiatives that allow for public funding; however, there is no indication that public dollars currently support either initiative. In 2004, Wisconsin established the Institute for Discovery to be funded by $375 million in public and private dollars. In 2005 Virginia established a stem cell research fund to be supported by public and private funds. The Virginia fund is prohibited from supporting human embryonic stem cell research.

⁴ The federal government currently funds human embryonic stem cell research, provided that the cells were derived prior to August 9, 2001; the cells were derived from an embryo created for reproductive
Background Paper: State Funding for Stem Cell Research (Cont’d)

California ($3 billion). Proposition 71 establishes the California Institute for Regenerative Medicine (CIRM) and provides state bond funding over 10 years for grants to cover all types of stem cell research including adult, cord blood and embryonic stem cell research at California universities and other advanced medical facilities. However, funding priority will be given to embryonic stem cell research. Although the bond sale was scheduled for FY 2006, legal challenges are currently delaying it. Consequently, CIRM has recently awarded $12 million in grants funded by loans and private donations.

Connecticut ($100 million). Pursuant to legislation, up to $10 million in bond monies may be issued each year for 10 years for human embryonic stem cell research grants for entities currently conducting biomedical research or embryonic or human adult stem cell research. Any unspent monies are authorized to carry over to subsequent years. A budget surplus of $20 million is being used to support the program in FY 2006 and FY 2007, and $10 million dollars a year in Tobacco Settlement Funds will be used for FY 2008 through the end of FY 2015.

Illinois ($10 million). Pursuant to a July 2005 executive order, grants for adult, cord blood and embryonic stem cell research are available for medical research facilities as part of a program called the Illinois Regenerative Medicine Institute. Funding was added to the FY 2006 budget for the Department of Health, which will oversee the program.

Maryland ($15 million). Pursuant to legislation, in FY 2007, grants and loans will be available to university and private-sector researchers for all types of stem cell research, including human embryonic stem cell research. Much of the money, to be awarded by a state commission, is expected to go to researchers at Johns Hopkins University and the University of Maryland, as well as a few companies in Maryland conducting research on adult stem cells. The legislation also explicitly permits the Governor to annually include an appropriation in the state budget, beginning in FY 2008, for stem cell research. It is not clear how the initiative will be funded in FY 2007.

Ohio ($19.4 million). The Center for Regenerative Medicine, established in 2003, focuses on research which includes adult human stem cells, tissue engineering and human embryonic stem cells in existence prior to August 2001 in accordance with the Bush administration policy. Funding for the construction of the facility came from FY 2004 appropriations from the State of Ohio’s Wright Capital Fund and from the Biomedical Research and Technology Transfer Fund. In addition to the $19.4 million in state funding, the center also received $4.5 million in federal funding in Federal FY 2005.

---

processes that was no longer needed; informed consent was obtained for the donation of the embryo; and the donation did not involve financial inducements.

5 Among the challenges are concerns about intellectual property and patent rights, and three lawsuits filed by anti-abortion groups.
The Office of Legislative Services provides nonpartisan assistance to the State Legislature in the areas of legal, fiscal, research, bill drafting, committee staffing and administrative services. It operates under the jurisdiction of the Legislative Services Commission, a bipartisan body consisting of eight members of each House. The Executive Director supervises and directs the Office of Legislative Services.

The Legislative Budget and Finance Officer is the chief fiscal officer for the Legislature. The Legislative Budget and Finance Officer collects and presents fiscal information for the Legislature; serves as Secretary to the Joint Budget Oversight Committee; attends upon the Appropriations Committees during review of the Governor's Budget recommendations; reports on such matters as the committees or Legislature may direct; administers the fiscal note process and has statutory responsibilities for the review of appropriations transfers and other State fiscal transactions.

The Office of Legislative Services Central Staff provides a variety of legal, fiscal, research and administrative services to individual legislators, legislative officers, legislative committees and commissions, and partisan staff. The central staff is organized under the Central Staff Management Unit into ten subject area sections. Each section, under a section chief, includes legal, fiscal, and research staff for the standing reference committees of the Legislature and, upon request, to special commissions created by the Legislature. The central staff assists the Legislative Budget and Finance Officer in providing services to the Appropriations Committees during the budget review process.

Individuals wishing information and committee schedules on the FY 2007 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