ANALYSIS OF THE NEW JERSEY

FISCAL YEAR 2003 - 2004 BUDGET

DEPARTMENT OF THE TREASURY

PREPARED BY

OFFICE OF LEGISLATIVE SERVICES

NEW JERSEY LEGISLATURE

MAY 2003

NEW JERSEY STATE LEGISLATURE

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DEPARTMENT OF THE TREASURY

Budget Pages....... C-13; C-21; C-28; D-433- to D-488; E-10 to E-13; and G-8 to G-12

Fiscal Summary ($000)

	Expended FY 2002	Adjusted. Appropriation FY 2003	Recommended FY 2004	Percent Change 2003-04
State Budgeted	$2,602,150	$2,608,580	$2,347,801	(10.0)%
Federal Funds	2,783	4,076	4,076	0.0%
Other	999,876	1,038,550	1,028,658	(1.0)%
Grand Total	$3,604,809	$3,651,206	$3,380,535	(7.4)%

Personnel Summary - Positions By Funding Source

	Actual FY 2002	Revised FY 2003	Funded FY 2004	Percent Change 2003-04
State	4,920	4,559	4,515	(1.0)%
Federal	12	12	20	66.7%
Other	1,790	1,628	1,665	2.3%
Total Positions	6,722	6,199	6,200	0.0%

FY 2002 (as of December) and revised FY 2003 (as of September) personnel data reflect actual payroll counts. FY 2004 data reflect the number of positions funded.

Introduction

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

The FY 2004 budget includes a number of agencies considered "in but not of" the Department of the Treasury. Three of these agencies, the **Board of Public Utilities**, the **Casino**

Key Points (Cont'd)

Control Commission and the Office of Information Technology, have been associated with the department for a number of years. Other organizations such as the Ratepayer Advocate, the Higher Education Student Assistance Authority (HESAA, formerly the Higher Education Assistance Authority), and the Educational Facilities Authority (EFA) were reassigned to the department several years ago when the Department of the Public Advocate and the Department of Higher Education were eliminated.

A number of organizations were reassigned to the department in FY 1999. These organizations include the N.J. Commerce and Economic Growth Commission, the N.J. Commission on Science and Technology, the N.J. Economic Development Authority, the Office of Administrative Law, the Office of the Public Defender and the Office of Legal Services.

In order to be consistent with the data as it is displayed in the Governor's budget, the funding and position data in the Department of the Treasury for Higher Educational Services, the N.J. Commerce and Economic Growth Commission, the Economic Planning and Development Statewide program and the N.J. Commission on Science and Technology are included in the above tables as well as in the overview section below. Other explanatory data for the above agencies are not included in this analysis but are contained in two separate analyses that are related to the above programs: "Higher Educational Services" and the "New Jersey Commerce and Economic Growth Commission and Related Economic Development Programs."

Key Points

OVERVIEW

- The Governor has recommended $3.4 billion in total resources that the Department of the Treasury will either use for its own operations or distribute to individuals, colleges or municipalities in FY 2004. These funds represent a 7.4 percent reduction in resources compared with those available in FY 2003.

- The Governor has recommended $2.3 billion in State budgeted resources (General Fund, Property Tax Relief Fund and Casino funds) for the Department of the Treasury in FY 2004, a decrease of 10 percent below the FY 2003 adjusted appropriation.

- The Governor has recommended $4.0 million in Federal Funds for the Department of the Treasury for FY 2004 which is unchanged from FY 2003. These funds are for programs administered by the Board of Public Utilities, the Office of the Public Defender, and Legal Services of New Jersey.

- The Governor has recommended $1.0 billion in Other Funds for FY 2004, relatively unchanged from FY 2003. Other Funds represent non-budgeted or off-budget revenues such as taxes collected at the State level and distributed to local governments, special revenue funds and revolving funds. Included in the recommended amounts are proposed distributions of $763 million in energy tax receipts and $97 million in revolving funds for the Office of Information Technology (OIT).

- The recommended General Fund appropriation for the Department of the Treasury is $1.2 billion, a net decrease of 1.7 percent. The Governor's budget includes decreases in three categories of General Fund appropriations: Debt Service (reduced by $28 million or 7.1

Key Points (Cont'd)

percent), Direct State Services (reduced by $24.9 million or 6.6 percent) and Capital Construction (reduced by $5.5 million or 100 percent). These reduction are offset by increases recommended for State Aid (up $20.3 million or 8.7 percent) and Grants-in-Aid (up $18.3 million or 10.3 percent).

- Although the Governor's budget has recommended a decrease in funding for General Fund-Direct State Services from the current year adjusted appropriation of $377 million to $352 million in FY 2004, the Governor's budget historically has included language that permits the department to appropriate additional (supplemental) funds to a number of programs without further legislative action.

ECONOMIC REGULATION

- The Governor's budget recommends a Direct State Services appropriation of $28.7 million for the Economic Regulation Program, a reduction of $329,000 (or 1 percent) from the current year. This program class includes the **Board of Public Utilities** (BPU), budgeted at $22.9 million, and the **Ratepayer Advocacy** Program, budgeted at $5.8 million; both are funded by assessments levied on various utilities conducting business within the State. The decrease in funding for this program represents a reduction in assessment funds for regulation activities.

- Through proposed budget language (page D-454), the Legislature is asked to provide open-ended appropriations authority to the BPU, subject only to the approval of the Director of Budget and Accounting. While the BPU recoups its costs through assessments on the industries it regulates, this provision, if enacted, would effectively minimize legislative oversight of the BPU budget.

- Under the Governor's Budget, the "**Lifeline Credit Program**," established pursuant to P.L.1979, c.197 (C.48:2-29.15 et seq.) and the **Tenants' Lifeline Assistance Program**, established pursuant to P.L. 1981, c.210 (C.48:2-29.31 et seq.) to provide energy assistance grants to senior citizens and the disabled is recommended to be reallocated from the Department of Health and Senior Services to the BPU. While the recommended FY2004 Grants-in-Aid appropriation of $70.8 million for these programs represents flat funding over the current FY2003 appropriation, the Governor's Budget anticipates offsetting the State and "Other" (off-budget) funds currently used to support these programs with a new assessment on energy bills. This assessment, to be deposited into the Universal Service Fund, and transferred to the General Fund as State revenue pursuant to proposed budget language, would supplant funding now provided through the Casino Revenue Fund and "Other" (off-budget) resources. Broad authority for the BPU to establish and administer such an assessment was previously established pursuant to the energy deregulation law, the "Electric Discount and Energy Competition Act, P.L.1999, c.23.

GOVERNMENTAL REVIEW AND OVERSIGHT

- The Governor's budget provides $19.9 million (a reduction of $1.0 million or 5 percent) for the Governmental Review and Oversight program, of which $19.4 million is appropriated to the **Office of Management and Budget** (OMB), a reduction of $939,000 (4.6 percent) and $522,000 is appropriated for **Employee Relations and Collective Negotiations**, a decrease of $110,000 (17.4 percent).

Key Points (Cont'd)

FINANCIAL ADMINISTRATION

- The amount recommended in FY 2004 for Taxation Services and Administration (**Division of Taxation**) from State funds is $86.5 million, $4.2 million (4.6 percent) less than the FY 2003 adjusted appropriation. This net decrease largely reflects a reduction in salaries and wages ($992,000), and the elimination of a $3.0 million supplemental appropriation for debt collection services contracts, as well as advertising funds related to the NJ Saver program ($300,000). As in prior years, the Division of Taxation is authorized, through recommended budget language, to seek supplemental funding for certain on-going activities as needed, thus providing the division with resources beyond its direct appropriation.

- Off-budget ("Other") funds appropriated to the Division of Taxation from the Unclaimed Property Trust Fund are increased to $6.2 million ($756,000 or 14 percent) from the current FY 2003 appropriation of $5.4 million. This increase is attributable to the additional administrative costs associated with P.L.2002, c.35 (C.46:30B-7.2 et. seq)., which clarified and expanded the categories of property which may escheat to the State and reduced the time required for unclaimed property to escheat to the State.

- A sum of $29.1 million in State funding is recommended for the Administration of State Revenues (**Division of Revenue**), a net reduction of $11.7 million (29 percent) from the FY 2003 adjusted appropriation. This reduction largely reflects the elimination of FY 2003 supplemental appropriations, including $7.8 million in State funds for collections activities, $2.5 million for equipment and $500,000 for wage reporting activities related to the State Temporary Disability Insurance program. As in past years, broad language is included in the FY 2004 Budget Recommendation to permit the appropriation of additional resources for the Division of Revenue without subsequent legislative involvement.

GENERAL GOVERNMENT SERVICES

- The Governor's Budget eliminates funding ($476,000) for administration of the **Garden State Preservation Trust**. According to the Executive, the abolition of the associated four funded positions will not impact the acquisition and preservation projects of the trust, since most administrative functions performed in support of the GSPT board, including extensive reviews of property, are already performed by Department of Environmental Protection (DEP) and Department of Agriculture staff. Established pursuant to P.L.1999, c.152, the GSPT oversees New Jersey's progress toward achieving the goal of preserving open space and farmland and providing preservation funding to the Office of Green Acres within the DEP, the State Agriculture Development Committee in (but not of) the Department of Agriculture, and the New Jersey Historic Trust in the Department of State. As in the current year, an additional $98 million is appropriated for open space preservation in the Interdepartmental Accounts (budget page D-501).

- The Governor's Budget indicates a $5.9 million appropriation in funding for the **Fleet Renewal Management** program within the **Division of Purchasing and Inventory Management.** This appropriation represents a decrease of $1.0 million (or 15 percent) over the current adjusted appropriation and reflects a reduction in current debt service with no additional vehicle purchases planned for FY2004.

Key Points (Cont'd)

OFFICE OF ADMINISTRATIVE LAW

- The Governor's budget recommends continuation funding of $8.3 million in State and other funds for the Adjudication of Administrative Appeals program (**Office of Administrative Law.** The OAL is charged with the development and administration of a fair, comprehensive and uniform system of administrative practice and procedures in the Executive Branch of State government.

STATE SUBSIDIES AND FINANCIAL AID: GRANTS-IN-AID

- The Governor's FY 2004 budget recommends $993 million in Grants-In-Aid from the Property Tax Relief Fund for Direct Tax Relief and Homestead Rebate programs. This amount is $225 million less than the FY 2003 adjusted appropriation. Details of these programs follow.

- The Governor's budget recommends $499.7 million (a decrease of $14.6 million, or 2.8 percent, from the FY 2003 adjusted appropriation) for payments to senior, disabled and low-income homeowners and tenants under the **Homestead Property Tax Rebate Program** (P.L. 1990, c.61). According to the Budget Overview, in FY 2004 this program will provide an estimated 1.6 million rebate checks to eligible homeowners and tenants, including seniors, the disabled, and persons with incomes not exceeding $100,000. Under proposed budget language, the maximum rebate amount for senior/disabled recipients will continue to be "capped" at the 2002 tax year level of $775 instead of increasing to $790 as would otherwise occur under statutory provisions that provide for inflationary increases.

- The FY 2004 budget recommends funding of $23 million from the Property Tax Relief Fund for the **Senior and Disabled Citizens' Property Tax Freeze program** under P.L. 1997, c. 348, which reimburses certain low income senior and disabled residents for increases in property taxes paid on their homes. This recommended funding level is unchanged from the FY 2003 adjusted appropriation.

- Proposed budget language limits *eligibility for* a tax year 2002 payment under the **Senior and Disabled Citizens' Property Tax Freeze** program to those income-qualified seniors and disabled persons who received a "Freeze" reimbursement payment for tax year 2001, thereby barring new eligible applicants, and limits the *amount of* the tax year 2002 "Freeze" payment to any such recipient to the amount that the person received for that prior tax year, preventing the rebate amount from increasing.

- The Governor's budget recommends $470.2 million for the New Jersey School Assessment Valuation Exemption Relief (**NJ SAVER**) program, a decrease of $210 million (30.9 percent) below the FY 2003 adjusted appropriation of $680.2 million. NJ SAVER provides homeowners with direct relief equal to a portion of the school taxes paid on the assessed value of eligible primary residences. The budget proposal includes two provisions that would reduce FY 2004 payments under the program: First, the eligibility ceiling is restricted to individuals and couples with annual income not exceeding $100,000 (the statute originally provided for unlimited income eligibility; the current budget imposes a $200,000 income ceiling). Second, payments under the program were to be phased-in over several fiscal years with the full rebate amount to be payable starting in FY 2004. The current budget, however, included language continuing rebates at the FY 2002 level (83 1/3% of the full amount), and similar language is included in the FY2004 budget proposal.

Key Points (Cont'd)

STATE SUBSIDIES AND FINANCIAL AID: STATE AID

- The Governor's budget recommends a total of $213 million in State Aid, of which $77.7 million is appropriated from the General Fund and $135.3 million is appropriated from the Property Tax Relief Fund. The budget proposes that the display of the State's annual State Aid appropriation to the School Construction and Renovation Fund be transferred from the Department of the Treasury to the Department of Education, and the FY 2003 General Fund State Aid appropriation figures for the two departments have been restated to reflect this transfer. The total FY 2004 State Aid figure for Treasury represents a 10.1 percent increase from the restated FY 2003 adjusted appropriation. Details of these programs follow.

- Funding for the County Boards of Taxation in FY 2004 is recommended at $1.5 million, unchanged from the FY 2003 level. Counties are reimbursed by the State for costs associated with county tax board members, the number of which is established for each county based on its the population as determined by the federal decennial census.

- The Governor's FY 2004 budget recommends $57.7 million in General Fund State Aid for Solid Waste Management - County Environmental Investment Debt Service, unchanged from the FY 2003 adjusted appropriation for this purpose. This aid assists the counties in meeting debt service requirements for solid waste treatment investments (primarily stranded costs associated with incinerator construction). As the budget notes, display of this aid appropriation has been moved from the Interdepartmental Accounts.

- The Governor's FY 2004 budget recommends a total of $26 million in State Aid payments from the Property Tax Relief Fund to reimburse municipalities for senior and disabled citizens' property tax exemptions. This amount is unchanged from the FY 2003 adjusted appropriation for these reimbursement payments.

- The Governor's budget recommends $83 million in State Aid payments from the Property Tax Relief Fund to reimburse municipalities for veterans' property tax exemptions. This amount represents an increase of $13.3 million (19.1 percent) over the FY 2003 adjusted appropriation, and funds a final $50 increase in the per capita amount of the deduction, raising that amount from $200 to $250. In 1999, the voters approved a $200 increase in the per capita amount to be phased in over four years in annual increments of $50; with the FY 2004 increase, the phase-in program will be completed.

- The FY 2004 budget recommends an appropriation of $2 million for the State Contribution to the Consolidated Police and Firemen's Pension Fund (CPFPF); this constitutes a decrease of $.7 million (25.9 percent) from the adjusted appropriation for FY 2003. Even though it has no active members, the CPFPF is funded on a reserve basis. The appropriation will meet the State's obligation for its portion of a deficiency that has arisen in the funding of the system's accrued liability. The deficiency is attributable primarily to the failure of fund assets to achieve a return at the assumed rate; a small portion of the deficiency is attributable to a benefit enhancement for retirees payable under P.L.2001, c.4.

- The Governor's budget recommends $8.6 million from the Property Tax Relief Fund for Debt Service on Pension Obligation Bonds ("POB's") issued to finance the unfunded accrued liability of the State administered retirement systems. This represents a $7.3 million (45.9 percent) decrease from the FY 2003 adjusted appropriation for this purpose. Total FY

Key Points (Cont'd)

2004 debt service requirements for POB's are approximately $163.5 million; this $8.6 million appropriation, coupled with other budgeted appropriations, will support about $141.8 million of that total. According to the Office of Management and Budget, the remaining $22 million to $23 million in POB debt service funding will be provided without State appropriation from the reserves of the issuer, the New Jersey Economic Development Authority.

- The Governor's budget recommends $17.7 million from the Property Tax Relief Fund for **Police and Firemen's Retirement System (PFRS) - Post-Retirement Medical**, a $5 million (39.4 percent) increase over the FY 2003 adjusted appropriation. This appropriation reflects the provisions of P.L.1997, c.330, which provide State-paid post-retirement medical benefits for certain PFRS retirees.

- The FY 2004 budget recommends an appropriation of $4.8 million for the Police and Firemen's Retirement System (PFRS). The actuarially prescribed amount of this obligation in FY 2004 is $24 million; thus this appropriation represents funding of the obligation at 20 percent of the prescribed amount.

- The Governor's budget includes a recommended appropriation of $5.6 million for the Police and Firemen's Retirement System (PFRS) to meet the State's obligation for support of the local cost of benefits provided to plan members under P.L.1979, c.109 (increasing the PFRS "special" retirement benefit). In FY 2003, the normal contribution necessary to cover this obligation was funded from excess valuation assets. As with the contribution for State members of the PFRS, this appropriation represents funding of the obligation at 20 percent of the full, actuarially prescribed amount.

- The Governor's budget recommends a FY 2004 distribution under P.L. 1997, c.167 from the **Energy Tax Receipts Property Tax Relief Fund** to municipalities in the amount of $762.7 million, an increase of $7.7 million from FY 2003. The 1997 act replaced the previous method of taxing public utilities and created a new distribution of funds to municipalities that is no longer tied to actual utility property or other tax collections. Under the 1997 law, the level of energy tax replacement aid was set at $755 million for FY 2002 and each subsequent fiscal year. Under a 1999 amendment, the amount of replacement aid was to be indexed for increases in local government costs beginning in FY 2003. The FY 2003 Appropriations Act held funding at the FY 2002 level; the recommended increase for FY 2004 represents an adjustment for inflation over FY 2003 of roughly 1 percent.

MANAGEMENT AND ADMINISTRATION

- In FY 2004, the Governor has recommended funding of $10 million for the **Treasurer's Office**, a $0.9 million decrease (8.6 percent) over the current adjusted appropriation. Reductions are reflected in salaries and wages ($648,000) and the elimination of a $250,000 Special Purpose appropriation for the **Budget Efficiency Savings (BEST) Commission**. The BEST Commission, established pursuant to Executive Order No. 2 of 2002, had been charged with undertaking a "complete comprehensive and thorough examination of all aspects of the State's spending practices to identify areas of waste, mismanagement, abuse, and unnecessary spending."

- The Governor's budget recommends a decrease in funding, from $1.6 million in FY 2003 to just under $1.5 million (8.6 percent) for FY 2004 for the **Contract Compliance and Equal**

Key Points (Cont'd)

Employment Opportunity in Public Contracts program which will support 20 funded positions. The number of Contract Compliance staff had been increasing beginning in FY 2000, reaching a high of 32 filled positions in FY 2002, and enabling an increased concentration on public agency review and contracts.

PROTECTION OF CITIZENS' RIGHTS

- The Governor's budget recommends effectively flat funding of $79 million for the **Office of the Public Defender (OPD)**. The OPD provides trial and appellate legal services to: criminal defendants; juveniles charged with delinquency offenses; individuals making application to the Intensive Supervision Program of the Administrative Office of the Courts; individuals involuntarily committed to mental hospitals; abused and neglected children; and civilly committed sexual offenders.

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

PUBLIC ADVOCATE

- The Governor's Budget provides no funding for the reestablishment of the **Office of Public Advocate**. A $2.5 million appropriation had been provided in the current year to re-establish the office which had previously been abolished in 1994; however, enabling legislation has not been enacted. Elimination of this budget item does not imply a reduction in positions since many of the office's services reflected a consolidation of various existing ombudsman offices.

CAPITAL CONSTRUCTION

- The Governor's budget eliminates **Capital Construction** funding for the Office of Information Technology (OIT) in FY2004. The current budget provides $5.5 million to OIT for the development and implementation of the OIT Availability and Recovery Site (OARS), a component of the Governor's security preparedness program, which is intended to establish an internal disaster recovery capability for all of OIT's processing services and data functions. OMB anticipates that a portion of the current appropriation will be unexpended during FY2003 and available in FY2004 through proposed carry forward language. OARS is a multi-year project ultimately estimated to cost in the range of $10 million to $15 million.

Key Points (Cont'd)

DEBT SERVICE

- The Governor's budget for the department includes $365.9 million for Debt Service on general obligation bonds. This represents an decrease of $27.9 million (7.1 percent) from the FY 2003 adjusted appropriation for debt service under the department.

- The Debt Service section of the Budget (see page E-12) indicates in an informational note that $11.4 million in FY 2004 debt service payments due under three general obligation bond issues will be provided through revenues received from the Housing Mortgage and Finance Agency (HMFA). An increase in off-budget ("Schedule 2", page C-21) revenues and a corresponding "off-budget" appropriation for $11.4 million (page D-484) reflect the intention to shift payment for these debt obligations from the General Fund to non-General Fund sources ("off-budget) through an "HMFA Offset".

REVOLVING AND OTHER FUNDS

- The Budget Recommendation includes the following appropriations from other revolving funds in the Department of the Treasury: $97.3 million to support the data processing centers of the Office of Information Technology (OIT); $56.4 million for the Distribution Center; $17.6 million for the State Central Motor Pool; $6.7 million for the Division of Property Management and Construction; $2.3 million for the Print Shop; $1.6 million for the Capitol Post Office; and $1.3 million for the Office of Public Communication.

PERSONNEL

- The position data displayed in the Governor's budget indicates that the FY 2004 budget would fund a total of 6,200 positions, essentially unchanged from the current total of 6,199 filled positions. Over a two year period, from FY2002 to FY2004, the number of positions is decreased by 385, of which 313 positions are attributable to the Early Retirement Incentive program.

Analysis of the Higher Educational Services portion of the Department of the Treasury budget (pages D-440 to D-443) is contained in a separate booklet: "Higher Educational Services."

Analysis of the New Jersey Commerce and Economic Growth Commission, the Economic Planning and Development Statewide program, and the New Jersey Commission on Science and Technology portions of the Department of the Treasury budget (pages D-443 to D-450) are contained in a separate booklet: "New Jersey Commerce and Economic Growth Commission and Related Economic Development Programs."

Program Description and Overview

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

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

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

- Treasurer's Office
- Office of Management and Budget
- Division of Pensions and Benefits
- Division of Taxation
- Division of Revenue
- Division of Investments
- Division of State Lottery
- Division of Purchasing and Inventory Management
- Division of Property Management and Construction

A number of agencies are allocated "in but not of" the Department of the Treasury. Each of the eleven programs listed below is organizationally within the department but autonomous in its operation. The New Jersey Commerce and Economic Growth Commission, the New Jersey Commission on Science and Technology, and the New Jersey Economic Development Authority are discussed in a separate OLS analysis, as are higher education grants administered through the Department of the Treasury. Allocated in but not of the Department of the Treasury are the following:

- Garden State Preservation Trust
- Casino Control Commission
- Board of Public Utilities
- Ratepayer Advocate
- Office of Administrative Law
- Office of the Public Defender
- Office of Legal Services
- Office of Information Technology (OIT)
- New Jersey Commerce and Economic Growth Commission
- New Jersey Commission on Science and Technology
- New Jersey Economic Development Authority

The Governor's FY 2004 budget reflects the Executive Branch reorganization which occurred in FY 1999. The Department of Commerce and Economic Development was dissolved in September 1998 and the New Jersey Commerce and Economic Growth Commission was established; the Division of Commercial Recording and certain functions within the Bureau of Wage Reporting were integrated into the Division of Revenue’s operations; and certain legal services programs, including the Office of Administrative Law, the Public Defender and the Office of State Legal Services were transferred "in but not of" the Department of the Treasury from the Department of State and the Department of Community Affairs respectively.

Program Description and Overview

In addition, the FY 2004 budget eliminates funding for the Office of Public Advocate. A $2.5 million Special Purpose appropriation had been provided in the current year to re-establish the office (which had previously been abolished as a distinct department of State government in 1994); however, enabling legislation has not been enacted. The Public Advocate's mandate had been to provide investigative and advocacy services to children, the elderly and mentally ill, and ratepayers, and consolidate various existing ombudsman offices. It had been anticipated that certain existing functions within the Department of the Treasury would be transferred to the new office, including all or part of the operations of the Ratepayer Advocate and the Office of the Public Defender. Although funding has been eliminated, no positions are expected to be eliminated as existing ombudsman services will continue to be provided though current organizational structures.

Core Programs

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

The **Treasurer's Office** provides fiscal, personnel, and other services related to the overall management of the department. The Treasurer's Office develops and exercises general policy and administrative control over operations and often has been the locus of projects and programs of special interest to the Governor. Over the years such projects and programs have included the Camden aquarium, and the New Jersey Performing Arts Center (NJPAC).

The Treasurer's Office has responsibility for public finance activities associated with debt issuance and management. In addition, the Treasurer's Office has responsibility for the Federal Liaison Office and the Division of Contract Compliance and Equal Employment Opportunity in Public Contracts (formerly called the Public Contracts Affirmative Action Office). With respect to Contract Compliance, the Governor's budget recommends a decrease in funding, from $1.6 million to just under $1.5 million (8.6 percent) for FY 2004 which will provide funding for 20 funded positions. By comparison, the number of Contract Compliance staff had been increasing over the last few fiscal years, reaching a high of 32 filled positions in FY 2002, and enabling an increased concentration on public agency review and contracts. Continuation funding of $23,000 is recommended for the Federal Liaison Office, which receives an additional $468,000 from the budgets of other State agencies it serves.

For FY 2004, the Governor has recommended funding of $10 million for the Treasurer's Office, a $0.9 million decrease (8.6 percent) over the current adjusted appropriation. Reductions are reflected in salaries and wages ($648,000) and the elimination of a $250,000 Special Purpose appropriation for the Budget Efficiency Savings (BEST) Commission. The BEST Commission, established pursuant to Executive Order No. 2 of 2002, had been charged with undertaking a "complete comprehensive and thorough examination of all aspects of the State's spending practices to identify areas of waste, mismanagement, abuse, and unnecessary spending."

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

Program Description and Overview

The Governor's FY 2004 budget recommends $19.4 million for the Office of Management and Budget (OMB), a net $0.9 million decrease (5 percent) from the current adjusted appropriation. Recommended reductions are indicated for salary and wages ($417,000) and professionally contracted services ($490,000). As in prior years, funding for Independent Audits is contained in recommended FY 2004 budget language. (Similar language exercised in the prior two fiscal years increased the final appropriation for these audits by 60 percent or more above the baseline.) In addition, the apparent elimination of dues funding ($32,000) for the Governmental Accounting Standards Board, a current OMB special purposes account, will be maintained through funding from off-budget ("Other") sources. The Governor's budget indicates that 192 OMB positions are funded in FY 2004, a decrease of 4 positions.

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

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

The Governor's budget recommends a Direct State Services appropriation for GSS (which for this purpose includes appropriations for all GSS programs except the Garden State Preservation Trust and the Division of Pensions and Benefits) of $28.5 million in FY 2004 from the FY 2003 adjusted appropriation of $30.7 million, a net reduction of $2.2 million. Of that amount, slightly more than $1.0 million is attributable to a decrease in the funding provided for the Fleet Renewal Management program in the Division of Purchasing and Inventory Management, reflecting a reduction in current debt service with no additional vehicle purchases planned for the upcoming budget cycle.

The **Division of Pensions and Benefits** manages State and public employee benefit programs, including the State Health Benefits Program and seven public retirement systems for State and local employees in New Jersey.

The entire budget of the Division of Pensions and Benefits is charged back to the various pension funds and employee benefit programs. In FY 2004, the division’s budget is a relatively flat $31.8 million. This amount will support 357 positions, 12 fewer positions than the FY 2003 level.

Since FY 1995, the division’s budget has been augmented by additional funds appropriated pursuant to budget language. Such language is continued in the Governor's FY 2004 budget.

The Governor's Budget eliminates funding ($476,000) for administration of the **Garden State Preservation Trust** (GSPT) which has been budgeted as part of General Government Services. According to the Executive, the abolition of the associated four funded positions will not impact the acquisition and preservation projects of the trust, since most administrative functions performed in support of the GSPT board, including extensive reviews of property, are already performed by

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Department of Environmental Protection (DEP) and Department of Agriculture staff. Established pursuant to P.L.1999, c.152, the GSPT has overseen New Jersey's progress toward achieving the goal of preserving open space and farmland and providing preservation funding to the Office of Green Acres within the DEP, the State Agriculture Development Committee in (but not of) the Department of Agriculture, and the New Jersey Historic Trust in the Department of State. As in the current year, an additional $98 million is appropriated for open space preservation in the Interdepartmental Accounts (budget page D-501). These funds are available for acquisition and preservation projects through the GSTP.

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

The amount recommended FY 2004 from State funds is $86.5 million, $4.1 million (4.6 percent) less than the FY 2003 adjusted appropriation. This net decrease largely reflects a reduction in salaries and wages ($992,000), and the elimination of advertising funds related to the NJ Saver program ($300,000) and supplemental funding for debt collection services contracts ($3.0 million). Regarding the latter, the division routinely exercises its authority under budget language to receive supplemental funding for collections services. The recommended budget is expected to fund 1,422 positions, an increase of 76 positions over the current year.

In FY 1992, the Division of Taxation was given broad authority through language in the appropriations act to offset administrative costs against revenue collections. The FY 2004 budget includes a number of such language provisions. These provisions permit the Division, with the approval of the Director of the Division of Budget and Accounting (OMB), to do the following: to use receipts from the sale of confiscated equipment, materials and supplies under the "Cigarette Tax Act"; to appropriate such sums as are necessary for the administration of the homestead property tax reimbursement established pursuant to P.L. 1997, c.348; to appropriate receipts from the Solid Waste Services Tax Fund; to appropriate funds to offset administrative costs of the New Jersey Urban Enterprise Zone Act and the Tourism Improvement and Development District Act; to appropriate revenues from escheated property; to appropriate additional sums for the costs associated with enhanced compliance programs; and to appropriate the unexpended balances in the Revenue Management account. In recent budgets, this authority has provided the Division of Taxation with resources beyond those available through a direct appropriation.

Since the late 1980's with the first Tax Amnesty program, the Division has focused more resources on programs to improve compliance among New Jersey taxpayers. Section 34 of P.L. 1991, c.185 created the Interagency Cost Recovery Task Force, otherwise known as the Cheater Beater program. Language provided broad authority to the Division of Taxation in the Department of the Treasury, the Division of Law in the Department of Law and Public Safety and "...any other unit of State government to fund the costs of auditors, attorneys, and other staff and other costs..." from "...delinquent tax judgments, delinquent student loans, administrative fines and penalties, unclaimed property, escheats, overpayments of state entitlements and any other debts owing to the State or its agencies."

Although the Cheater Beater program is no longer a separate program, the Division has continued many of its audit and compliance initiatives. Since FY 1992 the number of auditors has grown from 256 to 429 in FY 2003. During the same period, the number of collectors has grown from 167 to 287 in FY 2003. The Division estimates that it will maintain effectively the same

Program Description and Overview

number of positions for both functions in FY 2004. In addition, the Division has continued to utilize the services of a private contractor to collect back taxes due the State.

The 2002 Tax Amnesty program, established pursuant to P.L. 2002, c.6 was one of a number of initiatives intended to help close a severe State budget shortfall. The most recent program provided for a 60-day period of amnesty to end no later than June 10, 2002, for the payment of any outstanding State tax liabilities arising from tax filings due on and after January 1, 1996 and prior to January 1, 2002. According to the Division of Taxation, the program resulted in the collection of an estimated $276 million in back taxes.

The Governor's budget also increases funding for the Unclaimed Property (Escheats) program in the Division of Taxation to $6.2 million ($756,000 or 14 percent) from the current FY 2003 appropriation of $5.4 million. This program attempts to locate owners of unclaimed property, such as bank accounts, wage checks, certificates of deposit, bonds and stocks. When no individual claims the property or no individual is legally qualified to inherit the property, the property reverts to the State. The escheats program was expanded in FY 2003 pursuant to P.L.2002, c.35 (C.46:30B-7.2 et. seq). which clarified and broadened the categories of property which may escheat to the State and reduced the time required for unclaimed property to escheat to the State. Language in the budget permits the administration of this program to be paid out of the revenues derived from escheated property.

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

For FY 2004, the Governor has recommended an appropriation of $29.1 million for the division, a net reduction of $11.7 million (29 percent) from the FY 2003 adjusted appropriation. The Division's budget eliminates funding for contract collection services, saving approximately $7.8 million that was added to the FY 2003 budget pursuant to budget language, and omits $2.5 million appropriated for equipment. As in prior years, the budget includes recommended language which would permit the appropriation of additional funds as needed in FY 2004. The recommended budget is expected to fund 448 positions, 66 fewer positions than in FY 2003.

The Division of Investments (Management of State Investments) manages an investment portfolio of approximately $69 billion (as of 3/31/03) in State funds (including the various State pension funds, the State Disability Benefits Fund, the General Investment Fund, and the State of New Jersey Cash Management Fund), controls the principal proceeds and interest receipts, and provides investment services to other State agencies, public authorities and local governments. It publishes detailed monthly reports of operations and presents an annual report to the Governor and Legislature.

Following a two year decline in the value of the assets of the State's pension funds, the

Program Description and Overview

Governor has taken steps to review the State's investment strategy and portfolio management operations. During the Fall of the current fiscal year, the Governor appointed a non-partisan committee, whose membership includes two former governors of the State, to assess the status of the State's investment portfolio and provide recommendations as to the what changes should be made to the State's investment management strategy. In addition, the Department of the Treasury has hired a consultant at a cost of $425,000 to assess the performance of the State's funds. Among the recommendations expected to be addressed during the course of the review process is whether to hire outside brokers to manage a portion of the State's pension funds.

For FY 2004, the Governor has recommended just under $6.0 million in Direct State Services appropriations for the Division of Investments, a reduction of $425,000 over the FY 2003 adjusted appropriation. The division's budget is expected to support 68 positions in FY 2003 which is increased by 7 positions from the current year. The administrative costs of this program are charged back to the investment portfolio. Language is recommended to permit the appropriation of additional resources in FY 2004 for expenses from the investment earnings of the various pension and health benefits funds administered by the Division.

The Division of the State Lottery sponsors lottery games, raising State revenue through the sale of lottery tickets. By law, a minimum of 30 percent of gross lottery revenues is dedicated to State Aid for education and institutions. In FY 2004, the State Lottery is expected to transfer $783 million to the General Fund for these purposes which is unchanged from the current year. The State Lottery Fund Schedule on page H-45 of the Governor's FY 2004 budget shows the programs which are in part supported by these funds. Included are institutions and programs in the Departments of Agriculture, Education, Human Services, Military and Veterans' Affairs, and Higher Educational Services.

The Division's operations first came on budget in FY 1987. Since that time, the Division has been given broad authority to augment its appropriations through language. The FY 2004 budget includes four such language provisions. These provisions permit the Division to do the following: to use whatever sums are necessary in order to pay commissions, prizes, and expenses for developing games; to use State Lottery Fund receipts in excess of anticipated contributions to education and state institutions for administrative costs (this language would permit the Division to use amounts in excess of the $783 million anticipated as budgeted revenues in FY 2003); to appropriate out of receipts from communications fees any sums necessary for communications costs; and to earn and use revenues from the sale of advertising.

The Governor's FY 2004 budget projects net sales of $2.1 billion to be generated by 6,000 agents and 2,132 drawings. (This compares to net lottery net sales a decade ago of $1.4 billion generated by 5,150 agents and 885 drawings.) The steady growth in Lottery revenues available for General Fund purposes is partly attributable to the State's participation, since May 1999, in the "Big Game," the popular, multi-state, mega-jackpot game which, in the most recently audited year, FY2002, contributed almost $300 million in lottery revenue. On May 15, 2002, New Jersey joined eight other states in launching the first drawing of "Mega Millions," an enhanced version of the Big Game.

"In But Not Of" Programs

The Casino Control Commission is funded from receipts of the Casino Control Fund which receives fees primarily from the issuance and renewal of casino licenses and work permits in

Program Description and Overview

Atlantic City. The Commission is responsible for the regulation of legalized casino gaming in New Jersey and for the collection of all license fees and taxes imposed by the New Jersey Casino Control Act. The Commission regulates the operation of 12 casino hotel complexes (a 13th casino, The Borgata, is expected to open in Summer 2003; however, the Claridge has petitioned the Commission to merge with Bally's Park Place, eliminating a casino license in FY2003) and licenses all employees and ancillary companies conducting business with the casino industry.

The Governor's budget recommends continuation funding of $26.9 million in FY 2004 for the Commission. Position data in the FY 2004 budget indicate that the recommended budget will support 340 positions, an increase of 18 over the current year.

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

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

The Governor's FY 2004 budget recommends flat funding of $8.3 million in State and other funds for OAL which will support 116 positions, an increase of 8 positions over the current year. The current year's budget included funding for the hiring of eight additional judges to enable the OAL to reduce its current backlog of cases and process cases more expeditiously to meet federal or State mandated time frames. These eight positions are in addition to the four additional judgeships added in FY2002. Funding for the OAL includes a direct State appropriation of $5.0 million and $3.2 million in other funds, primarily from judicial hearing receipts.

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

OIT has operational responsibility for the State data centers and the Garden State Network, a Statewide integrated communications network capable of carrying data and voice transmissions. It is also responsible for evaluating all requests for data processing and telecommunications services and equipment in State government. This evaluation process includes system analysis and design activities, consulting services and general management and planning for data processing and telecommunications systems in the State.

OIT operates as a revolving fund, supported by charges against user agencies. Its recommended authorized spending level in FY 2004 is $97.3 million, a net reduction of $4.2

Program Description and Overview

million from the current year. This appropriation is expected to support 929 positions next year. In addition to a reduction in revolving funds, the Governor's budget also eliminates Capital Construction funding for the OIT in FY2004. The current budget provides $5.5 million to OIT for the development and implementation of the OIT Availability and Recovery Site (OARS), a component of the Governor's security preparedness program, which is intended to establish an internal disaster recovery capability for all of OIT's processing services and data functions. OMB anticipates that a portion of the current appropriation will be unexpended during . FY2003 and available in FY2004 through proposed carry forward language. OARS is a multi-year project ultimately estimated to cost in the range of $10 million to $15 million.

The **Board of Public Utilities** is currently organized "in but not of" The Department of the Treasury, where it has resided since 1994. The Reorganization Plan (No. 001-94) redesignated the Board of Regulatory Commissioners (BRC) as the Board of Public Utilities (BPU) and reconstituted the BPU in the Department of the Treasury. In addition, that reorganization eliminated the Department of the Public Advocate and transferred a residual Division of Ratepayer Advocate to the oversight of the BPU.

The 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 at reasonable rates for customers in New Jersey. Accordingly, the BPU regulates critical services such as natural gas, electricity, water, sewer, and telecommunications including cable television. The Board addresses issues of consumer protection, energy tax reform, deregulation of energy and telecommunications services, and the restructuring of utility rates to encourage energy conservation and competitive pricing in the industry. To accomplish its mandate, the Board regulates rates for such utilities by conducting comprehensive reviews to determine the fairness and reasonableness of rates. The Board also has general supervisory responsibility for monitoring utility service, responding to utility consumer complaints, and investigating utility accidents. In 1999, legislation establishing the framework and the necessary time schedules for the deregulation and restructuring of the electric and natural gas utilities in this State was enacted. The Electric Discount and Energy Competition Act ("EDECA," P.L. 1999, c.23) is responsible for significantly increasing the responsibilities assigned to the BPU.

The Governor's budget recommends a Direct State Services appropriation of $28.7 million for the Economic Regulation Program, a reduction of $329,000 (or 1 percent) from the current year. This program class includes BPU, budgeted at $22.9 million, and the Ratepayer Advocacy Program, budgeted at $5.8 million; both are funded by assessments levied on various utilities conducting business within the State. The decrease in funding for this program represents a reduction in assessment funds for regulation activities. However, the budget includes, for the first time, language that would authorize additional appropriations as required to support the BPU, subject only to the approval of the Director of Budget and Accounting. Any such supplemental appropriations would also be charged as assessments against the regulated industries.

In addition, under the Governor's Budget, the "Lifeline Credit Program," established pursuant to P.L.1979, c.197 (C.48:2-29.15 et seq.) and the Tenants' Lifeline Assistance Program, established pursuant to P.L. 1981, c.210 (C.48:2-29.31 et seq.) to provide energy assistance grants to senior citizens and the disabled is recommended to be reallocated from the Department of Health and Senior Services to the BPU. While the recommended FY2004 Grants-in-Aid appropriation of $70.8 million for these programs represents flat funding over the current FY2003 appropriation, the Governor's Budget anticipates offsetting the State and "Other" (off-budget) funds currently used to support these programs with a new assessment on energy bills. This assessment, to be deposited into the Universal Service Fund, and transferred to the General Fund as State revenue pursuant to proposed budget language, would supplant funding now provided through the Casino Revenue

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Fund and "Other" (off-budget) resources. Broad authority for the BPU to establish and administer such an assessment was previously established pursuant to the energy deregulation law, "EDECA."

In FY 2004, the BPU will regulate 5 investor owned electric utilities, 4 gas companies, 104 telephone and telegraph companies, 60 water and sewer companies, 10 municipal water companies, and 40 cable services.

The **Office of the Public Defender** (OPD) was created pursuant to P.L. 1967, c.43 "in but not of" the Department of Institutions and Agencies to provide representation for indigent defendants in criminal cases. (Prior to 1967, legal representation for indigent defendants, as guaranteed by the U.S. Constitution, was handled in New Jersey on a case-by-case basis.) In 1974, when the Department of the Public Advocate was created (P.L. 1974, c.27), the Office of the Public Defender became part of that department. Pursuant to the Public Advocate Restructuring Act (P.L. 1994, c.58), the Department of the Public Advocate was abolished and the Office of the Public Defender was placed in but not of the Department of the State. Subsequently, in 1998, under Reorganization Plan No. 004-1998, the Office of the Public Defender was transferred from the Department of State to the Department of the Treasury.

Funding for the Protection of Citizens Rights program includes both the Office of the Public Defender and the **Legal Services program**, both of which provide legal services to indigent clients. The OPD assists low income residents in criminal matters; the Office of Legal Services assists them in civil matters. The OPD is a State office staffed by State employees. Its primary source of funds is the State General Fund. Legal Services of New Jersey is a private non-profit corporation staffed by private attorneys. Its funding is primarily from three sources: State and federal grants and Interest On Lawyers Trust Account (IOLTA) fees.

Approximately 83 percent of the OPD's funding, or $66 million, is appropriated to the 22 regional offices and programs of the Trial Services to Indigents and Special Programs budgetary unit. Through this program, the Public Defender represents indigent criminal defendants; indigent defendants in Megan's Law notification hearings; and individuals who are either applying to the Intensive Supervision program or who are in the program and have violated probation. Through its Law Guardian program, the Public Defender also represents abused and neglected children in Family Court proceedings. The driving factor for expenditures within the Law Guardian unit is the number of clients assigned to it by the courts.

In September 1998, the Law Guardian (Child Abuse or "Title 9") program was expanded to respond to the increased caseload associated with the implementation of the federal "Adoption and Safe Families Act of 1997," Pub.L.105-89, the purpose of which was to speed the adoption of children placed in foster care. As a result of the act, the Office began representing both children and indigent parents in so-called "Title 30" cases in which the parental rights of biological parents are sought to be terminated in certain cases. In mid-1999, pursuant to P.L. 1999, c.53 (N.J.S.A.9:3-45.7 et seq.), the Office created the Parental Representation Unit (PRU) within the Law Guardian program to provide attorneys for indigent parents in some 1,200 termination of parental rights proceedings annually.

The Legal Services Program was transferred from the Department of Community Affairs to the Department of the Treasury in FY 1999 pursuant to Reorganization Plan No. 002-1998. Legal Services programs are the primary means by which society provides free legal assistance in civil matters to people who cannot afford the cost of legal representation. Although the types of cases handled vary from county to county, Legal Services of New Jersey provides support to indigents

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primarily in four areas: Housing - primarily tenancy and eviction matters; Family Matters - divorce, separation, domestic violence, child support and termination of parental rights; Income Maintenance - Social Security, Work First New Jersey, Food Stamps and other such programs; and Consumer Matters - bankruptcy, collections, warranties, unfair sales practices and public utilities. To a lesser extent, other cases concern education, health, employment and juvenile matters.

Effective December 30, 2002, the Legal Service program was re-organized from a network of seventeen local offices to a network of six regional offices, which provide legal services to clients in all 21 counties, and Legal Services of New Jersey, the Statewide coordinating office in Edison. The Legal Services staff is approximately 430 Statewide, including 210 attorneys. Each program is a not-for-profit corporation governed by a board of trustees which includes members of the local bar association as well as representatives of the eligible client population.

The budget for this the Legal Services program has been relatively stable for several years. For 2004, Legal Services is projecting revenues of $35.9 million. Of that amount, approximately 38.0 percent is attributable to State sources; 33.4 percent to Interest on Lawyers' Trust Accounts (IOLTA) sources; 19.5 percent from federal resources; and 9.1 percent from either county or private resources, including Legal Services' Campaign for Justice, United Way campaigns, bar association support and other gifts.

FY 2004 Budget Overview

Total resources recommended for the Department of the Treasury and its affliated agencies and programs in FY 2004 are $3.4 billion, a decrease of $271 million over the FY 2003 adjusted appropriation. Included in this is $2.6 billion in State budgeted appropriations (which include appropriations from the General Fund, the Property Tax Relief Fund (PTRF), and the Casino Control Fund) and $1.0 billion in Other Funds. Federal Funds constitute a minimal portion of the Department of the Treasury's resources.

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

- Grants-In-Aid paid out of the General Fund are recommended to increase by a net $18.3 million, or 12 percent. The increase is due largely to the transfer of the Lifeline Credit and Tenants' Assistance Grant Program from the Department of Health and Senior Services to the Board of Public Utilities. However, this program which is budgeted at $70.8 million is substantially offset by reductions to grant programs of the New Jersey Commerce and Economic Growth Commission, the New Jersey Science and Technology Commission and the New Jersey Economic Development Authority in the Economic Planning and Development program.

- Grants-In-Aid paid out of the Property Tax Relief Fund are recommended to decrease by approximately $225 million, or 18 percent. The Governor's budget introduces several budget proposals which would impose limits on benefit payments and the number of eligible taxpayers under the State's Direct Tax Relief programs and Homestead Rebate program.

- State aid paid out of the Property Tax Relief fund is recommended to increase by a net $18.3 million, or 13 percent. Of this amount, $13.3 million is reflected in the

Program Description and Overview (Cont'd)

increase, from $200 to $250, in the Veterans' Property Tax Exemption.

- The FY 2003 budget recommends $352.3 million for General Fund - Direct State Services appropriations, a decrease of about six percent from the FY 2003 adjusted appropriation. The FY 2004 budget continues language for a number of programs which permit the appropriation of additional off-budget resources.

Off-Budget Items

The Department of the Treasury either collects and distributes, or has available to it for its own use, significant amounts of non-budgeted or off-budget revenue. According to the Governor's budget, in FY 2004 these "other" funds are expected to total slightly more than $1.0 billion. "Other funds" include four types of non-budgeted resources: other distributed taxes, dedicated funds, revolving funds and miscellaneous funds.

The largest portion of this revenue, other distributed taxes, is appropriated by language and has consisted of taxes collected at the State level and distributed to local governments. In prior years, these taxes included the public utilities franchise and gross receipts taxes and various banking and insurance taxes. The FY 2004 budget proposes to distribute a total of $763 million collected from the energy taxes that replaced the public utility gross receipts and franchise taxes. The Energy Tax Receipts are discussed in more detail in the State aid section which follows.

The various banking and insurance taxes were brought on-budget and were distributed to municipalities as part of the Consolidated Municipal Property Tax Relief Act (CMPTRA) State aid program in FY 1996. These taxes continue to be distributed as part of the CMPTRA program which is administered by the Department of Community Affairs and is budgeted in the Property Tax Relief Fund.

Other off-budget revenues fund programs from dedicated or special revenue funds, such as the Governor's Council on Alcoholism and Drug Abuse. The Governor's Council on Alcoholism and Drug Abuse is expected to generate $12.7 million in revenue in FY 2004. This amount will fully fund the initiatives of the council as well as programs within the Department of Health.

The final portion includes the various Treasury components that operate as revolving funds, with charges made directly against State agencies using their services. Among these units are OIT (which has been discussed earlier), the State Central Motor Pool, and the Distribution Center. In FY 2004, a total of $184.2 million is recommended for the various revolving funds. This represents a $4.2 million decrease over the FY 2003 adjusted appropriation.

State Subsidies and Financial Aid

Over the years, the distribution of financial assistance to individuals and local governments has been the largest component of all Treasury expenditures. As the tables below illustrate, the Governor's FY 2004 budget recommends $1.97 billion for these purposes, including $993 million in Grants-In-Aid to individuals and $979 million in State aid to local government entities.

Grants-in-Aid

The $993 million recommended for the three direct property tax relief programs budgeted and administered by the Department of the Treasury constitutes a $225 million reduction from the current year. These programs include: the Homestead Property Tax Rebates for Homeowners and

Program Description and Overview (Cont'd)

Tenants program; NJ SAVER; and the Senior and Disabled Citizens' Property Tax Freeze program.

The Governor's budget recommends $499.7 million, a decrease of $14.7 million from the FY 2003 adjusted appropriation, for distributions to seniors, disabled and low-income homeowners and tenants under the Homestead Property Tax Rebate Program (P.L. 1990, c.61). According to the Budget Overview, in FY 2004 this program will provide an estimated 1.6 million rebate checks to eligible homeowners and tenants, including seniors, the disabled, and persons with incomes not exceeding $100,000. Under proposed budget language, the maximum rebate amount for senior/disabled recipients will be $775, the same amount as in FY 2003.

The Governor's budget recommends $470.2 million for the New Jersey School Assessment Valuation Exemption Relief (NJ SAVER) program, $210 million (30.9 percent) below the FY 2003 adjusted appropriation. NJ SAVER was enacted in 1999 to provide homeowners with direct property tax relief equal to a portion of the school taxes paid on the assessed value of eligible primary residences. Under a phase-in schedule, cut from five to four years' duration in 2001, payments were made at 83 1/3 percent of the full amount in FY 2002 and slated to rise to 100 percent of the full amount in FY 2003. The FY 2003 Appropriations Act, however, included language providing that rebates for that fiscal year at the prior year level. and the same language is again included in the budget recommendations for FY 2004. (The Budget Overview states that the average FY 2004 payment will be $500, the same as in FY 2002 and FY 2003. In addition, the proposed budget would reduce the annual income ceiling on eligibility for NJ SAVER payments from the $200,000 level applicable for FY 2003 to $100,000, removing approximately 341,000 homeowners from eligibility for a NJ SAVER rebate.

The FY 2004 budget recommends the appropriation of $23 million from the Property Tax Relief Fund for the Senior and Disabled Citizens' Property Tax Freeze program under P.L.1997, c.348, which reimburses certain low income senior and disabled residents for increases in property taxes on their homes. This funding level is identical to the FY 2003 adjusted appropriation.

Table 1, which follows, lists the three grants-in-aid programs to individuals which are budgeted in the Department of the Treasury and shows funding for these program since FY 2002.

Table 1
Department of the Treasury
Grants-In-Aid To Individuals
FY 2002 - FY 2004
($000)

GRANTS-IN-AID	Expended FY 2002	Adj App FY 2003	Recom FY 2004
Homestead Rebates	$494,618	$514,329	$499,663
NJ SAVER	724,386	680,234	470,220
Senior and Disabled Citizens' Property Tax Freeze	8,349	23,000	23,000
Total, Grants-In-Aid	$1,227,353	$1,217,563	$992,883

Program Description and Overview (Cont'd)

State Aid

The Governor's budget recommends almost $979 million in State aid which is paid to municipalities and other local government entities. Table 2, which follows, lists the State aid programs in the Department of the Treasury and shows funding for these program since FY 2002.

The most significant State aid program is the Energy Tax Receipts distribution which is an off-budget program whose distribution is authorized by budget language. This program, which distributes aid to municipalities from the State's taxation of certain regulated utilities as well as certain telecommunications companies, is recommended to increase by about 1 percent to $762.7 million in FY2004. Pursuant to P.L. 1999, c. 168, the amount credited to the Energy Tax Receipts Property Tax Relief Fund is adjusted annually by the rate of increase in the federally computed Implicit Price Deflator for State and Local Government Purchases.

The Governor's budget continues funding for Solid Waste Management - County Environmental Investment Debt Service Aid at $57.7 million. This program assists counties in paying debt service on their "stranded debt" for the construction of solid waste disposal facilities.

The Governor's budget recommends $83 million for Veterans' Tax Deductions. The recommended appropriation constitutes an increase of $13.3 million (19 percent) over the FY 2003 adjusted appropriation for this item and funds the last of four annual $50 increases in the deduction amount, raising the amount from $200 to $250 as approved by the voters in November 1999.

Table 2, which follows, lists the State aid programs which are budgeted in the Department of the Treasury and shows funding for these program since FY 2002.

Program Description and Overview (Cont'd)

Table 2
Department of the Treasury
State Aid To Local Government Entities
FY 2002 - FY 2004
($000)

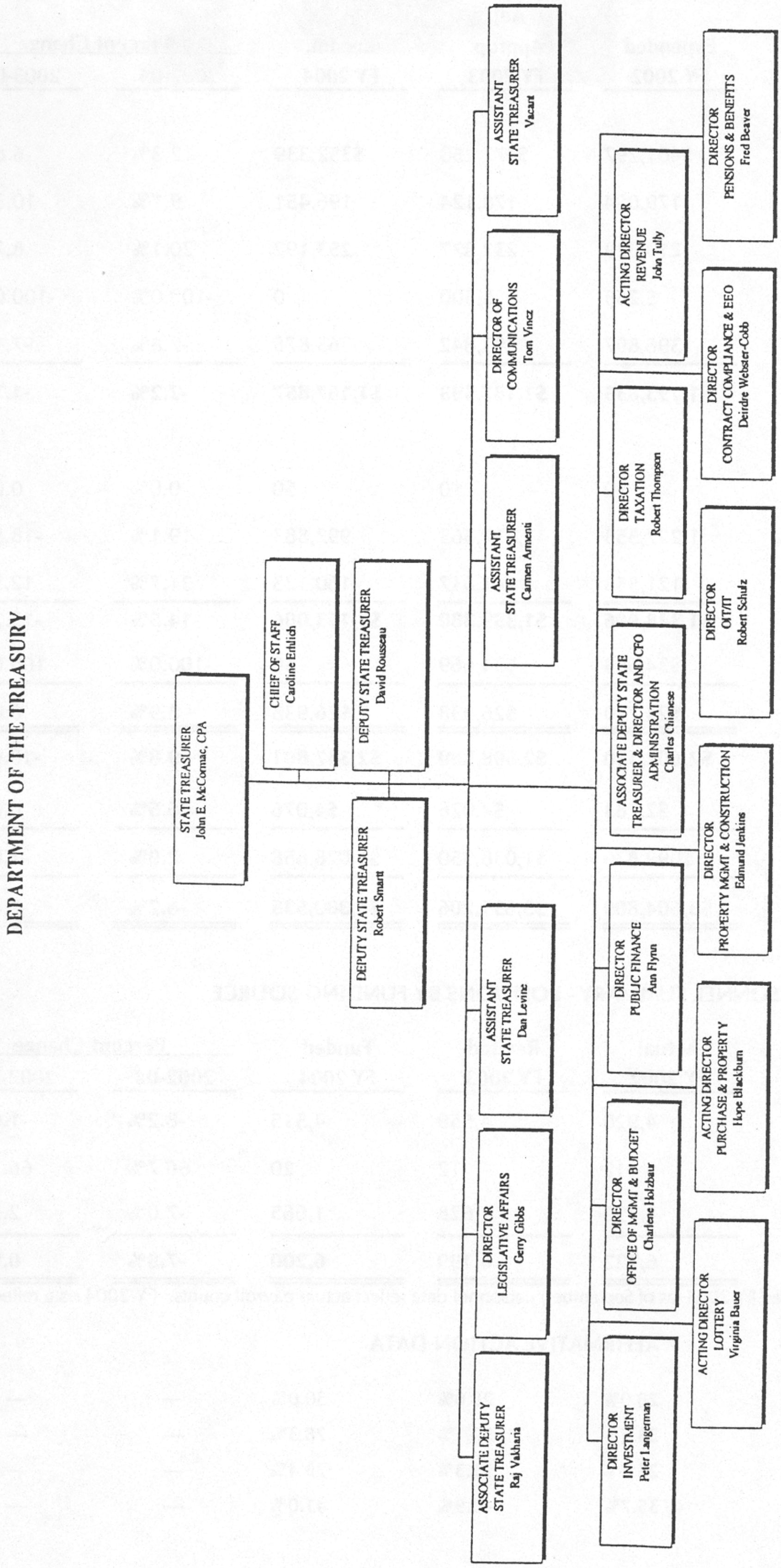
STATE AID	Expended FY 2002	Adj App FY 2003	Recom. FY 2004
Energy Tax Receipts	$729,027	$755,000	$762,739
Municipal Reimbursement for Veterans' Tax Deductions	50,222	69,719	83,000
Municipal Reimbursement for Senior and Disabled Citizens' Tax Deductions	27,229	26,000	26,000
Solid Waste Management - Debt Service Aid	29,797	57,668	57,668
Debt Service - Pension Obligation Bonds	11,382	15,897	8,552
Police & Firemen's Retirement System - Post Retirement Medical	10,470	12,739	17,709
Police & Firemen's Retirement System	0	0	4,792
Police & Firemen's Retirement System (P.L.1979, c.109)	0	0	5,629
So. Jersey Port Corporation - Prop Tax Reserve Fund	1,739	2,000	2,000
So. Jersey Port Corporation - Debt Service Reserve Fund	5,216	5,216	4,200
County Tax Board Members	1,392	1,481	1,481
Pinelands Area Municipal Aid	776	0	0
2001 Primary Election Date Change	131	0	0
Consolidated Police & Firemen's Pension Fund	507	2,714	1,951
Other Distributed Taxes	2,950	3,264	3,264
Total State Aid	$870,838	$951,698	$978,985
Total Grants-In-Aid and State Aid	$2,098,191	$2,169,261	$1,971,868

Program Description and Overview (Cont'd)

Personnel Changes

The Fiscal and Personnel Summary on page 26 of this report reflects the actual number of employees on the department's payroll at a given point in time for FY 2002 and FY 2003. The FY 2004 figures reflect the total number of positions to be funded without regard to vacancy status. In FY 2004, appropriations to the Department of the Treasury will fund a total of 6,200 positions. The actual payroll count in FY 2002 was 6,722.

Organization Chart



Fiscal and Personnel Summary

AGENCY FUNDING BY SOURCE OF FUNDS ($000)

	Expended FY 2002	Adj. Approp. FY 2003	Recom. FY 2004	Percent Change 2002-04	Percent Change 2003-04
General Fund					
Direct State Services	$401,797	$377,250	$352,339	-12.3%	-6.6%
Grants - In - Aid	179,054	178,124	196,451	9.7%	10.3%
State Aid	210,829	232,877	253,192	20.1%	8.7%
Capital Construction	5,258	5,500	0	-100.0%	-100.0%
Debt Service	396,897	393,842	365,875	-7.8%	-7.1%
Sub-Total	$1,193,835	$1,187,593	$1,167,857	-2.2%	-1.7%
Property Tax Relief Fund					
Direct State Services	$0	$0	$0	0.0%	0.0%
Grants-In-Aid	1,227,353	1,217,563	992,883	-19.1%	-18.5%
State Aid	121,553	141,817	160,123	31.7%	12.9%
Sub-Total	$1,348,906	$1,359,380	$1,153,006	-14.5%	-15.2%
Casino Revenue Fund	$34,669	$34,669	$0	-100.0%	-100.0%
Casino Control Fund	$24,740	$26,938	$26,938	8.9%	0.0%
State Total	$2,602,150	$2,608,580	$2,347,801	-9.8%	-10.0%
Federal Funds	$2,783	$4,076	$4,076	46.5%	0.0%
Other Funds	$999,876	$1,038,550	$1,028,658	2.9%	-1.0%
Grand Total	$3,604,809	$3,651,206	$3,380,535	-6.2%	-7.4%

PERSONNEL SUMMARY - POSITIONS BY FUNDING SOURCE

	Actual FY 2002	Revised FY 2003	Funded FY 2004	Percent Change 2002-04	Percent Change 2002-03
State	4,920	4,559	4,515	-8.2%	-1.0%
Federal	12	12	20	66.7%	66.7%
All Other	1,790	1,628	1,665	-7.0%	2.3%
Total Positions	6,722	6,199	6,200	-7.8%	0.0%

FY 2002 (as of December) and revised FY 2003 (as of September) personnel data reflect actual payroll counts. FY 2004 data reflect the number of positions funded.

AFFIRMATIVE ACTION DATA

Total Minority Percent					
NJ Commerce & Econ. Growth	28.0%	28.0%	30.0%	----	----
Office of Administrative Law	33.3%	30.1%	28.3%	----	----
Management & Administration	26.7%	25.3%	26.4%	----	----
Protection of Citizens' Rights	35.7%	40.9%	41.0%	----	----

Significant Changes/New Programs ($000)

Budget Item	Adj. Approp. FY 2003	Recomm. FY 2004	Dollar Change	Percent Change	Budget Page

ECONOMIC REGULATION

BOARD OF PUBLIC UTILITIES AND THE RATEPAYER ADVOCATE

Budget Item	Adj. Approp. FY 2003	Recomm. FY 2004	Dollar Change	Percent Change	Budget Page
General Fund, DSS Special Purpose: Ratepayer Advocacy	$20	$0	($20)	(100.0)%	D-453

In past years, this special purpose account has been utilized by the Ratepayer Advocate to reimburse the Department of the Treasury for certain administrative services, such as fiscal and accounting services. In FY 2004, this account is recommended to be eliminated as these expenses will be reimbursed through available carry forward funds.

Budget Item	Adj. Approp. FY 2003	Recomm. FY 2004	Dollar Change	Percent Change	Budget Page
General Fund, Grants-in-Aid Payments for Lifeline Credits	$0	$34,669	$34,669	—	D-453
Casino Revenue Fund, Grants-in-Aid Payments for Lifeline Credits	$34,669	$0	($34,669)	(100.0)%	D-453
General Fund, Grants-in-Aid Payments for Tenants' Assistance Rebates	$11,171	$36,171	$25,000	223.8%	D-453
OTHER funds Energy Assistance Programs	$25,000	$0	($25,000)	(100.0)%	D-454
NET TOTAL:	$70,840	$70,840	$0		

The Governor's Budget proposes the reallocation of the "Lifeline Credit Program," established pursuant to P.L.1979, c.197 (C.48:2-29.15 et seq.) and the Tenants' Lifeline Assistance Program, established pursuant to P.L.1981, c.210 (C.48:2-29.30 et seq.) from the Department of Health and Senior Services to the BPU. Although the recommended FY 2004 Grants-in-Aid appropriation of $70.8 million for these programs represents flat funding over the current FY 2003 appropriation, the Governor's Budget would offset the State and "Other" (off-budget) funds currently used to support these programs with a new assessment on energy bills. This assessment, to be deposited into the Universal Service Fund, and transferred to the General Fund as State revenue pursuant to proposed budget language, would supplant funding now provided through the Casino Revenue Fund and "Other" (off-budget) resources, including $25 million from the Housing Mortgage Finance Agency. Broad authority for the BPU to establish and administer such an assessment was previously established pursuant to the energy deregulation law, the "Electric Discount and Energy Competition Act," P.L.1999, c.23.

Significant Changes/New Programs ($000)

Budget Item	Adj. Approp. FY 2003	Recomm. FY 2004	Dollar Change	Percent Change	Budget Page

FINANCIAL ADMINISTRATION

DIVISION OF TAXATION

OTHER FUNDS Taxation Services and Administration	$5,406	$6,162	$756	14.0%	D-461

The Governor's Budget indicates an increase of $756,000, from $5.4 million in FY 2003 to $6.1 million in FY 2004, in Off-budget ("Other") funds appropriated to the Division of Taxation from the Unclaimed Property Trust Fund. This increase is attributable to the additional administrative costs associated with P.L.2002, c.35 (C.46:30B-7.2 et. al.), which clarified and expanded the categories of property which may escheat to the State and reduced the time required for unclaimed property to escheat to the State. At the time of enactment, the division estimated an additional $209 million in escheat revenue would be realized as a result of the 2002 legislation.

DIVISION OF REVENUE

General Fund, DSS Administration of State Revenues	$40,753	$29,059	($11,694)	(28.7)%	D-460

This reduction largely reflects the elimination of FY 2003 supplemental appropriations for the Division of Revenue, including $7.8 million in State funds for collections activities, $2.5 million for equipment and $500,000 for wage reporting activities related to the State Temporary Disability Insurance program. As in past years, broad language is included in the FY 2004 Budget Recommendation to permit the appropriation of additional resources for the Division of Revenue without subsequent legislative involvement.

GENERAL GOVERNMENT SERVICES

GARDEN STATE PRESERVATION TRUST

General Fund, DSS Special Purpose: Garden State Preservation Trust	$476	$0	($476)	(100.0)%	D-466

The Governor's Budget eliminates funding ($476,000) for administration of the Garden State Preservation Trust. According to the Executive, the abolition of the associated four funded positions will not impact the acquisition and preservation projects of the trust, since most administrative

Significant Changes/New Programs ($000)

Budget Item	Adj. Approp. FY 2003	Recomm. FY 2004	Dollar Change	Percent Change	Budget Page

functions performed in support of the GSPT board, including extensive reviews of property, are performed by existing Department of Environmental Protection (DEP) and Department of Agriculture staff.

PURCHASING AND INVENTORY MANAGEMENT

General Fund, DSS Special Purpose: Fleet Renewal Management Program	$6,931	$5,882	($1,049)	(15.1)%	D-466

The Governor's Budget recommends a $5.9 million appropriation in funding for the Fleet Renewal Management program within the Division of Purchasing and Inventory Management. This appropriation represents a decrease of $1.0 million (or 15 percent) from the current adjusted appropriation and reflects a reduction in current debt service with no additional vehicle purchases planned for FY 2004.

OFFICE OF INFORMATION TECHNOLOGY (OIT)

Capital Construction: Office of Information Technology	$5,500	$0	($5,500)	(100.0)%	D-466

The Recommended FY 2004 budget does not include a capital appropriation for the Office of Information Technology. The entirety of the current $5.5 million capital budget, of which $1.4 million has been expended to date, was to be a first installment towards the cost of establishing the OIT Availability and Recovery Site (OARS). OARS is to be located remotely from existing OIT facilities and will provide redundant capacity for certain operations at those facilities in the event that any of those operations, or access to those facilities, is threatened with disruption (e.g., from terrorism or natural disaster). The functions intended to be served by OARS recovery are (i) redundant operations of the Garden State Network, the infrastructure that supports State agencies' data processing functions, electronic interconnectivity among the agencies, and citizens' Internet access to agency services, (ii) backup of servers at the OIT HUB and other OIT and State agency facilities, and (iii) redundancy for the backup, under service agreements with private contractors, of data from OIT mainframe systems. OARS was intended to be a multi-year project, ultimately expected to cost in the range of $10 million to $15 million, with the initial FY 2003 appropriation intended to provide for the design and preliminary construction costs as well as certain hardware and software. Monies not expended in FY 2003 will be carried forward and available for the same purpose in FY 2004.

Significant Changes/New Programs ($000)

Budget Item	Adj. Approp. FY 2003	Recomm. FY 2004	Dollar Change	Percent Change	Budget Page
RISK MANAGEMENT					
OTHER FUNDS:					
Risk Management	$300	$500	$200	66.7%	D-467

Risk Management funds are subrogated recoveries realized from insurance companies and/or other at-fault parties. The increase in the amount recommended for FY 2004 reflects the department's projection of the amount of the funds that will be recovered over the next budget cycle.

STATE SUBSIDIES AND FINANCIAL AID

Budget Item	Adj. Approp. FY 2003	Recomm. FY 2004	Dollar Change	Percent Change	Budget Page
PTRF, Grants-in-Aid:					
NJ SAVER Program	$680,234	$470,220	($210,014)	(30.9)%	D-472

The Governor's budget recommends $470.2 million for the New Jersey School Assessment Valuation Exemption Relief (NJ SAVER) program, a decrease of $210 million (30.9 percent) below the FY 2003 adjusted appropriation of $680.2 million. NJ SAVER was established under P.L.1999, c.63 to provide homeowners with direct relief equal to a portion of the school taxes paid on the assessed value of eligible primary residences. The budget proposal includes two provisions that would reduce FY 2004 payments under the program below the level to which they would otherwise have risen under the permanent law. First, whereas the authorizing legislation placed no income limit on eligibility for NJ SAVER payments, the FY 2003 Appropriations Act restricted eligibility to individuals and couples with annual income not exceeding $200,000, and the FY 2004 budget proposes to further tighten that restriction, reducing the ceiling to $100,000. This further reduction in the income eligibility ceiling will reduce the number of eligible homeowners by approximately 341,000 homeowners, from 1.3 million in the current year to 912,000 in the coming year. Second, the authorizing legislation provided for phased-in increases in payment levels provided under the program, with the full rebate amount to be payable starting in FY 2004. Under P.L.2001, c.106, the phase-in schedule was accelerated to make the full amount payable in FY 2003. The FY 2003 Appropriations Act, however, included language providing that rebates for that fiscal year would continue at the FY 2002 level (83 1/3 percent of the full amount), and the same language is again included in the budget recommendations for FY 2004.

Budget Item	Adj. Approp. FY 2003	Recomm. FY 2004	Dollar Change	Percent Change	Budget Page
PTRF, State Aid:					
South Jersey Port Corporation Debt Service Reserve Fund	$5,216	$4,200	($1,016)	(19.5)%	D-472

The State of New Jersey pays a portion of the debt service requirements of the South Jersey Port Corporation. On December 1, 2002, the Corporation issued new bonds for purposes of (1) refinancing its entire outstanding debt of $72.3 million, and (2) acquiring an additional $42 million for new capital investment. A portion of the debt service on the pre-existing debt that would otherwise have been payable during FY 2004 was capitalized under the refinancing. This

Significant Changes/New Programs ($000)

Budget Item	Adj. Approp. FY 2003	Recomm. FY 2004	Dollar Change	Percent Change	Budget Page

capitalization, together with the anticipation of increased revenue from port corporation projects during FY 2004, has permitted a reduction in the anticipated need for State debt service assistance to the corporation in FY 2004.

Budget Item	Adj. Approp. FY 2003	Recomm. FY 2004	Dollar Change	Percent Change	Budget Page
PTRF, State Aid: State Reimbursement for Veterans' Property Tax Deductions	$69,719	$83,000	$13,281	19.0%	D-473

The Governor's budget recommends $83 million in State Aid payments from the Property Tax Relief Fund to reimburse municipalities for veterans' property tax exemptions. This amount represents an increase of $13.3 million (19 percent) over the FY 2003 adjusted appropriation, and funds a final $50 increase in the per capita amount of the deduction, raising that amount from $200 to $250. In 1999, the voters approved a $200 increase in the per capita amount to be phased in over four years in annual increments of $50; with the FY 2004 increase, the phase-in program will be completed.

Budget Item	Adj. Approp. FY 2003	Recomm. FY 2004	Dollar Change	Percent Change	Budget Page
General Fund, State Aid: State Contribution to Consolidated Police and Firemen's Pension Fund	$2,714	$1,951	($763)	(28.1)%	D-473

The FY 2004 budget recommends an appropriation of $2 million for the State contribution to the Consolidated Police and Firemen's Pension Fund (CPFPF); this constitutes a decrease of $763,000 from the adjusted appropriation for FY 2003. Even though it has no active members, the CPFPF is funded on a reserve basis. The appropriation will meet the State's obligation for its portion of a deficiency that has arisen in the funding of the system's accrued liability. The deficiency is attributable primarily to the failure of fund assets to achieve a return at the assumed rate; a small portion of the deficiency is attributable to a benefit enhancement for retirees payable under P.L.2001, c.4.

Budget Item	Adj. Approp. FY 2003	Recomm. FY 2004	Dollar Change	Percent Change	Budget Page
PTRF, State Aid: Debt Service on Pension Obligation Bonds	$15,897	$8,552	($7,345)	(46.2)%	D-473

The Governor's budget recommends $8.6 million from the Property Tax Relief Fund for Debt Service on Pension Obligation Bonds ("POB's") issued to finance the unfunded accrued liability of the State for State administered retirement systems. This represents a $7.3 million decrease from the FY 2003 adjusted appropriation for this purpose. Total FY 2004 debt service requirements for POB's are approximately $163.5 million; this $8.6 million appropriation, coupled with other budgeted appropriations, will support about $141.8 million of that total. According to the Office of Management and Budget, the remaining $22 million to $23 million in POB debt service funding will be provided without State appropriation from the reserves of the issuer, the New Jersey Economic Development Authority.

Significant Changes/New Programs ($000)

Budget Item	Adj. Approp. FY 2003	Recomm. FY 2004	Dollar Change	Percent Change	Budget Page
PTRF, State Aid: Police and Firemen's Retirement System - Post Retirement Medical	$12,739	$17,709	$4,970	39.0%	D-473

The Governor's budget recommends an appropriation from the Property Tax Relief Fund to the Police and Firemen's Retirement System (PFRS) of $17.7 million for post-retirement health benefits; this amount represents a $5.0 million increase over the FY 2003 adjusted appropriation. The appropriation would fund the State's obligation under P.L.1997, c.330 to pay the annual cost of post-retirement medical benefits that the legislation provided to certain PFRS members who retired on disability or with at least 25 years' creditable service.

Budget Item	Adj. Approp. FY 2003	Recomm. FY 2004	Dollar Change	Percent Change	Budget Page
General Fund, State Aid: Police and Firemen's Retirement System	$0	$4,792	$4,792	—	D-473

The FY 2004 budget recommends an appropriation of $4.8 million for the Police and Firemen's Retirement System (PFRS). The actuarially prescribed amount of this obligation in FY 2004 is $24 million; thus this appropriation represents funding of the obligation at 20 percent of the prescribed amount.

Budget Item	Adj. Approp. FY 2003	Recomm. FY 2004	Dollar Change	Percent Change	Budget Page
General Fund, State Aid: Police and Firemen's's Retirement System, P.L.1979, c.109	$0	$5,629	$5,629	—	D-473

The Governor's budget includes a recommended appropriation of $5.6 million for the Police and Firemen's Retirement System (PFRS) to meet the State's obligation for support of the local cost of benefits provided to plan members under P.L.1979, c.109 (increasing the PFRS "special" retirement benefit). In FY 2003, the normal contribution necessary to cover this obligation was funded from excess valuation assets. As with the contribution for State members of the PFRS, this appropriation represents funding of the obligation at 20 percent of the full, actuarially prescribed amount.

Significant Changes/New Programs ($000)

Budget Item	Adj. Approp. FY 2003	Recomm. FY 2004	Dollar Change	Percent Change	Budget Page

MANAGEMENT AND ADMINISTRATION

OFFICE OF THE TREASURER

General Fund, DSS Special Purpose: Budget Efficiency Savings Team (BEST) Commission	$250	$0	($250)	(100.0)%	D-477

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

General Fund Special Purpose: Debt Service	$393,842	$365,875	($27,967)	(7.1)%	D-484, E-10 to E-12

The Governor's FY 2004 budget recommendation for the department includes $365.8 million for Debt Service on general obligation bonds, a $28 million (7.1 percent) decrease from the FY 2003 adjusted appropriation. Appropriations for additional debt service on such bonds are included in the budget for the Department of Environmental Protection.

OTHER Funds: Administration and Support Services	$31,003	$42,441	$11,438	36.9%	D-484

The increase in this "off-budget" account reflects the intention to shift payment for certain debt service obligations from the General Fund to non-General Fund sources ("off-budget) through revenues received from the New Jersey Housing Mortgage and Finance Agency (HMFA). The Department of the Treasury Debt Service section of the Budget (see page E-12) indicates in an informational note that $11.4 million in FY 2004 debt service payments due under three general obligation bond issues will be provided through an offset from HMFA. The account shown above reflects the intent to appropriate these revenues with the corresponding transfer of revenue displayed as a "Schedule 2" or dedicated revenue in the Governor's budget.

Significant Changes/New Programs ($000)

Budget Item	Adj. Approp. FY 2003	Recomm. FY 2004	Dollar Change	Percent Change	Budget Page
		PUBLIC ADVOCATE			
General Fund - DSS Public Advocate	$2,500	$0	($2,500)	(100.0)%	D-488

The Governor's Budget provides no funding for the reestablishment of the Office of Public Advocate. A $2.5 million appropriation had been provided in the current year to re-establish the office which had previously been abolished in 1994; however, enabling legislation has not been enacted. Elimination of this budget item does not imply a reduction in positions since many of the office's services reflected a consolidation of various existing ombudsman offices.

Language Provisions

2003 Appropriations Handbook	2004 Budget Recommendations
	D-454
No comparable language.	In addition to the amount hereinabove for administration of the Board of Public Utilities, there are appropriated such sums as may be required for operation of the Board and assessed to the public utilities or the cable television industry, subject to the approval of the Director of Budget and Accounting.

Explanation

The recommended language would provide the Board of Public Utilities (BPU) with authority to appropriate such additional sums as are necessary for the operation of the Board without further legislative action. This language has been recommended due to concerns regarding unanticipated expenditures which might arise as a result of the proposed transfer of the Lifeline Credit and Tenants' Assistance Rebates Program from the Department of Health and Senior Services to the BPU. However, as proposed, this language would not be limited to unanticipated Lifeline expenditures, and could be utilized to support any BPU function. This language will not result in any cost to the General Fund as the BPU is fully funded by assessments levied on various utilities conducting business within the State, or in the case of the Lifeline program, on assessments on energy bills through the Universal Service Fund. Additional language would authorize Lifeline related supplemental appropriations to be recovered from the Universal Service Fund through transfer to the General Fund.

2003 Appropriations Handbook	2004 Budget Recommendations
	D-454
No comparable language.	The amounts appropriated hereinabove, not to exceed $1,591,000, for the Energy Assistance Program account may be transferred to the Department of Health and Senior Services, Lifeline account to fund the costs associated with administering the Lifeline Credits and Tenants' Assistance Rebates Program and shall be applied in accordance with a Memorandum of Understanding between the President of the Board of Public Utilities and the Commissioner of the Department of Health and Senior Services, subject to the approval of the Director of the Division of Budget and Accounting.

Language Provisions

<u>Explanation</u>

The Governor's Budget recommends reallocating the "Lifeline Credit Program," established pursuant to P.L.1979, c.197 (C.48:2-29.15 et seq.) and the Tenants' Lifeline Assistance Program, established pursuant to P.L. 1981, c.210 (C.48:2-29.30 et seq.) from the Department of Health and Senior Services (DHSS) to the BPU. According to the Executive, the BPU will administer the program through a "Memorandum of Understanding" agreement with the DHSS which, among other specifications, will indicate the continued use of DHSS Lifeline staff for administration. The proposed language would provide up to $1,591,000 to DHSS for its services in this regard.

<u>2003 Appropriations Handbook</u>	<u>2004 Budget Recommendations</u>
	D-454
In order to permit flexibility in the handling of appropriations and ensure the timely payment of Lifeline claims, amounts may be transferred from the various items of appropriation within the <u>Lifeline</u> program classification, subject to the approval of the Director of the Division of Budget and Accounting.	In order to permit flexibility in the handling of appropriations and ensure the timely payment of lifeline claims, amounts may be transferred from the various items of appropriation within the <u>Energy Assistance</u> program classification, subject to the approval of the Director of the Division of Budget and Accounting.

<u>Explanation</u>

The proposed language reflects the recommended reallocation of the "Lifeline Credit Program," established pursuant to P.L.1979, c.197 (C.48:2-29.15 et seq.) and the Tenants' Lifeline Assistance Program, established pursuant to P.L. 1981, c.210 (C.48:2-29.30 et seq.) from the Department of Health and Senior Services (DHSS) to the BPU. The language allows the transfer of funds between the Homeowner Lifeline Credit and the Tenants' Assistance programs without further legislative involvement.

<u>2003 Appropriations Handbook</u>	<u>2004 Budget Recommendations</u>
	D-454
No comparable language.	Any supplemental appropriation for the Payments for Lifeline Credits and the Payments for Tenants' Assistance Rebates Programs may be recovered from the Universal Service Fund through transfer to the General Fund as State revenue, subject to the approval of the Director of the Division of Budget and Accounting.

Language Provisions

Explanation

In addition to the proposed reallocation of the "Lifeline Credit Program" and the "Tenants' Lifeline Assistance Program" from the Department of Health and Senior Services to the BPU, the Governor's budget also proposes offsetting the State and "Other" (off-budget) funds currently used to support these programs with a new assessment on energy bills. This assessment, to be deposited into the Universal Service Fund, and transferred to the General Fund as State revenue would supplant funding now provided through the Casino Revenue Fund and "Other" (off-budget) resources. The proposed language would provide that any funds needed for the Lifeline programs in excess of those budgeted be funded through this same mechanism.

Broad authority for the BPU to establish and administer such an assessment was previously established pursuant to the energy deregulation law, the "Electric Discount and Energy Competition Act," P.L.1999, c.23.

2003 Appropriations Handbook	2004 Budget Recommendations
B-79	D-454
In addition to the amount hereinabove, there are appropriated from the General Fund and available federal matching funds such additional sums as may be required for the payment of claims, credits and rebates, subject to the approval of the Director of the Division of Budget and Accounting.	In addition to the amount hereinabove, such sums as may be required for the payment of claims, credits, and rebates, are appropriated subject to the approval of the Director of the Division of Budget and Accounting.
In addition to the amount hereinabove, there are appropriated from the Casino Revenue Fund and available federal matching funds such additional sums as may be required for the payment of claims, credits and rebates, subject to the approval of the Director of the Division of Budget and Accounting.	

Explanation

The proposed language does two things: First, it recognizes the revised source of funding to support the "Lifeline Credit Program" and the "Tenants' Lifeline Assistance Program." As previously stated, the Governor's budget proposes offsetting the State and "Other" (off-budget) funds currently used to support these programs with a new assessment on energy bills. Second, the proposed language also provides supplemental budget authority to the BPU for the purpose of providing benefits (credits and rebates) under the Lifeline programs in excess of the $70.8 million recommended appropriation, if necessary. This language will not result in any net cost to the General Fund. Additional language would authorize Lifeline related supplemental appropriations to be recovered from the Universal Service Fund customer assessments through transfer to the General Fund.

Language Provisions

2003 Appropriations Handbook	2004 Budget Recommendations
	D-455
No comparable language.	Notwithstanding the provisions of any law or regulation to the contrary, any Pharmaceutical Assistance to the Aged and Disabled (PAAD) applicant found ineligible for the PAAD program solely because of the asset test, shall remain eligible to receive Lifeline Tenants or Credits Benefits.

Explanation

The Lifeline program is a utility assistance program that offers $225 to persons who meet the PAAD eligibility requirements or who receive Supplemental Security Income (SSI). This includes utility customers as well as tenants whose utility bills are included in their rent. The current PAAD eligibility requirements include: New Jersey residency; income less than $20,016 (single) or less than $24,542 (married); at least 65 years of age, OR at least 18 years of age and receiving Social Security Disability benefits. The income limit is scheduled to increase each January by the amount of the Social Security cost-of-living increase. Proposed budget language in the Department of Health and Senior Services would alter the income asset test for determining PAAD eligibility. Under this DHSS language, an estimated 15,000 to 16,000 individuals who would be excluded from participation in the PAAD program solely because of the asset test would also become ineligible for the Lifeline program. The proposed Treasury budget language would ensure that these 15,000 to 16,000 individuals would continue to be eligible for assistance under the Lifeline program.

2003 Appropriations Handbook	2004 Budget Recommendations
B-173	
The unexpended balances as of June 30, 2002 in the Tax Amnesty account are appropriated.	No comparable language.

Explanation

The tax amnesty was established as a limited-time (60 day) program under legislation enacted in March 2002. The authorizing legislation appropriated $7 million to provide full funding for the program's implementation, a portion of which was carried forward into FY2003. The program is now concluded. Accordingly, this language is no longer needed.

Language Provisions

2003 Appropriations Handbook	2004 Budget Recommendations
	D-468 Notwithstanding any other law to the contrary, there are appropriated out of receipts derived from the pre-qualification service fees billed to contractors, architects, engineers and professionals sufficient sums for expenses related to the administration of pre-qualification activities undertaken by the Division of Property Management and Construction.

Explanation

P.L. 2002, c.34 (N.J.S.A.2B:1-6 et al), the omnibus fee bill enacted July 1, 2003, imposed a number of new commercial fees on various regulated professionals. Under the bill, a new $100 application fee is applied to contractors, architects, engineers and others professionals who wish to pre-qualify to do business with the Division of Property Management and Construction. (N.J.S.A. 52:34-9 and N.J.A.C. 17:19-5 require that firms interested in being considered to provide professional consulting services for the Division of Property Management and Construction (DPMC) be "prequalified" by the Division.) The recommended language would allow the division to appropriate receipts realized from this fee to cover expenses related the pre-qualification process. The fee was expected to generate approximately $200,000 in new General Fund revenues during FY2003.

Language Provisions

2003 Appropriations Handbook	2004 Budget Recommendations
B-177	D-468
Notwithstanding the provisions of any law to the contrary, there are appropriated such sums as may be required to provide education, outreach, and associated costs in order for the Garden State Preservation Trust to fulfill its statutory responsibility and achieve land preservation goals subject to the approval of the Director of the Division of Budget and Accounting.	Notwithstanding any other law to the contrary, the Departments of Treasury, Community Affairs, Environmental Protection, and Agriculture will provide such administrative services as are necessary to operate the Garden State Preservation Trust.
Notwithstanding any other law to the contrary, an amount not to exceed $468,000 is transferred from the Garden State Farmland Preservation Trust Fund, the Garden State Green Acres Preservation Trust Fund and the Garden State Historic Preservation Trust Fund to the General Fund in an allocation to be determined by the Garden State Preservation Trust and approved by the Director of the Division of Budget and Accounting and such amount is appropriated to the Garden State Preservation Trust.	

Explanation

Established pursuant to P.L.1999, c.152, the GSPT oversees New Jersey's progress toward achieving the goal of preserving open space and farmland and providing preservation funding to the Office of Green Acres within the DEP, the State Agriculture Development Committee in (but not of) the Department of Agriculture, and the New Jersey Historic Trust in the Department of State. The recommended language reflects the Governor's Budget proposal to eliminate funding ($476,000) for administration of the Garden State Preservation Trust. According to the Executive, the elimination of four existing administrative positions will not impact the acquisition and preservation projects of the trust, since most administrative functions performed in support of the GSPT board, including extensive reviews of property, are already performed by Department of Environmental Protection (DEP) and Department of Agriculture staff.

Language Provisions (Cont'd)

2003 Appropriations Handbook	2004 Budget Recommendations
	D-469
In addition to the amounts hereinabove, there is appropriated an amount, not to exceed $12,000,000, for the re-engineering of the pension and health benefits computer systems as referenced in the Division of Pensions and Benefits organizational study, provided that such appropriations shall be reimbursed to the General Fund from the resources available to the various pension funds.	In addition to the amounts hereinabove, there is appropriated an amount, not to exceed $12,000,000, for the re-engineering of the pension and health benefits computer systems as referenced in the Division of Pensions and Benefits organizational study, provided that such appropriations shall be reimbursed to the General Fund from the resources available to the various pension funds.
	<u>The unexpended balance in the Re--engineering of the Pension and Health Benefits Computer Systems account as of June 30, 2003 is appropriated for the same purpose.</u>

Explanation

The recommended budget language would carry forward the unexpended balance appropriated under the current FY2003 budget language and appropriate an additional $12 million for a "re-engineering of the pension and health benefits computer systems as referenced in the Division of Pensions and Benefits organizational study," subject to reimbursement of the General Fund by pension fund resources. That study, completed by The Segal Company/L.R. Wexlar, Ltd., recommended the replacement, on a priority basis, of the division's information technology systems. Subsequently, the division engaged an additional consulting group specializing in information technology, the Gartner Group, which identified seventeen IT priorities to be undertaken, including a complete replacement of all Pensions and Benefits applications software. The cost of these initiatives is estimated to run approximately $51.4 million over a five year time period. However, of the $12 million appropriated in the current year, only half, or approximately $5.7 million has been expended thus far.

2003 Appropriations Handbook	2004 Budget Recommendations
B-177	
The unexpended balance in the Gubernatorial Transition - Governor account as of June 30, 2002 is appropriated for the same purpose.	No comparable language.

Language Provisions (Cont'd)

Explanation

The language included in the FY 2003 budget ensured the continuing availability of transition funding to former Acting Governor DiFrancesco for the short period beyond June 30, 2002. The costs of transition have been covered in full; hence the language is no longer required.

2003 Appropriations Handbook	2004 Budget Recommendations
	D-473
No comparable language.	Notwithstanding the provisions of P.L. 1990, c.61 (C.54:4--8.59 et seq.) to the contrary, of the amount appropriated hereinabove for the Homestead Property Tax Rebates for Homeowners and Tenants, no rebate issued for the 2002 tax year shall exceed $775.

Explanation

A claimant's homestead property tax rebate is generally equal to the amount by which the property tax on the claimant's homestead exceeds 5 percent of the claimant's New Jersey gross income. The 1990 law that revised the program into its current form provided that the maximum amount of any rebate payment would be $500. Amendments to that law in 2001 increased that maximum amount to $750 for rebates issued for tax year 2000 and provided that for subsequent tax years, the Director of the Division of Taxation would annually compute an inflation-adjusted maximum amount (the adjusted amount to be rounded to the next-highest multiple of $5). Funding for tax year 2001 rebates under the FY 2003 Appropriations Act reflected adjustment of the rebate "cap" to $775. The cited language would continue the "cap" on rebates for tax year 2002 at that level, preventing an increase to $790 that would otherwise occur through application of the adjustment procedure.

Language Provisions (Cont'd)

2003 Appropriations Handbook	2004 Budget Recommendations
	D-474
No comparable language.	Notwithstanding the provisions of P.L. 1997, c.348 (C:54:4--8.67 et seq.) to the contrary, from the amount hereinabove only those claimants who received a Homestead Property Tax Reimbursement (Senior and Disabled Citizens' Property Tax Freeze) for tax year 2001, and do not exceed the income eligibility threshold limits for tax year 2002, shall be eligible to receive said reimbursement for tax year 2002, and any Homestead Property Tax Reimbursement (Senior and Disabled Citizens' Property Tax Freeze) issued for tax year 2002 shall not exceed the amount paid for tax year 2001.

Explanation

This language limits *eligibility for* a tax year 2002 payment under the "Property Tax Freeze" program to those income-qualified seniors and disabled persons who received a "Freeze" reimbursement payment for tax year 2001, thereby barring new eligible applicants, and limits the *amount* of the tax year 2002 "Freeze" payment to any such recipient to the amount that the person received for that prior tax year, thus preventing the rebate amount from increasing.

Language Provisions (Cont'd)

2003 Appropriations Handbook

B-180

Notwithstanding the provisions of section 4 of P.L.1999, c.63 (C.54:4-8.58b) to the contrary, no amount appropriated hereinabove for the NJ SAVER Program (PTRF) shall be used to pay a NJ SAVER rebate for claimants in a municipality in excess of the NJ SAVER rebate amount paid for the 2000 tax year for claimants in that municipality, or to pay an NJ SAVER rebate amount to any individual or married couple with gross income pursuant to N.J.S.54A:1-1 et seq. in excess of $200,000 for the 2001 taxable year. Provided however, that nothing herein shall limit the payment of an increased NJ SAVER rebate amount to a resident of a "qualified municipality," who has gross income not in excess of $200,000, as that increased NJ SAVER rebate amount may be provided for in any other provision of law (now pending as the Senate Committee Substitute for Senate Bill No.428 of 2002).

2004 Budget Recommendations

D-473

Notwithstanding the provisions of section 4 of P.L. 1999, c.63 (C.54:4--8.58b) to the contrary, no amount appropriated hereinabove for the NJ SAVER Program (PTRF) shall be used to pay a NJ SAVER rebate for claimants in a municipality in excess of the NJ SAVER rebate amount paid for the 2001 tax year for claimants in that municipality, or to pay a NJ SAVER rebate amount to any individual or married couple with gross income pursuant to N.J.S.54A:1--1 et seq. in excess of $100,000 for the 2002 taxable year. Provided however, that nothing herein shall limit the payment of an increased NJ SAVER rebate amount to a resident of a “qualified municipality,” who has gross income not in excess of $100,000, as that increased NJ SAVER rebate amount may be provided for in P.L. 2002, c.43 (C:52:27BB--1 et seq.).

Explanation

The source law for the NJ SAVER program does not impose an income limit on eligibility for rebates under the program. The FY 2003 appropriations act, however, contained language excluding claimants with New Jersey gross income of more than $200,000 from eligibility; the recommended FY 2004 language cited above is similar, but lowers this income ceiling to $100,000, removing approximately 341,000 homeowners from the program. The Governor's budget overview indicates that this reduction in the income cap will account for about $171 million of the total $210 million reduction, from FY 2003, in recommended funding for the NJ SAVER program.

The proposed language would continue for FY 2004 a provision that first appeared in the appropriations act for FY 2003 limiting the *amount* of the NJ SAVER rebate in any given municipality to the amount paid in that municipality for the prior tax year. The limitation would effectively delay for a second year the completion of a phase-in program raising to 100 percent the proportion of the full rebate amount that is actually payable, leaving the payment level at 83 1/3 percent of the full amount. At that level, the average rebate amount will be $500.

Language Provisions (Cont'd)

2003 Appropriations Handbook	2004 Budget Recommendations
	D-474 Of the unexpended balance as of June 30, 2003 in the South Jersey Port Corporation Debt Service Reserve Fund account, an amount not to exceed $2,000,000 is hereby appropriated for the South Jersey Port Corporation Retroactive PILOT Payment to the county of Camden.

Explanation

The South Jersey Port Corporation was established under a 1968 law as an instrumentality of the State. To save the local jurisdictions included within the port district from loss of taxes on the corporation's real property, the law directed the corporation to make agreements with those jurisdictions to compensate them with reasonable payments in lieu of taxes ("PILOT payments"). Beginning in 1994, however, the State provided no funding for, and the corporation did not make, any PILOT payments to Camden county. In 2002, after extensive litigation initiated by the county, the port corporation reached an agreement with the county, settling its PILOT payment claims then outstanding for $4.3 million. Of this amount, $2.3 million was paid to the county in December 2002 from proceeds of a refinancing of the corporation's outstanding debt. The cited language above provides for payment of the remaining $2 million from the unexpended balance of a non-dedicated account that has served to receive payments of the State's FY 2003 debt service subsidy to the corporation; the debt service payments for which the corporation originally requested these moneys to be appropriated were discharged through the refinancing. The current balance in the account is sufficient to fund the full $2 million payment.

Language Provisions (Cont'd)

2003 Appropriations Handbook	2004 Budget Recommendations
	D-474
[Same language included in Interdepartmental Accounts appropriations, p. B-194.]	Such additional sums as may be necessary are appropriated to subsidize county and county authority debt service payments for environmental investments incurred pursuant to the “Solid Waste Management Act,” P.L. 1970, c.39 (C.13:1E--1 et seq.) and the “Solid Waste Utility Control Act,” P.L. 1970, c.40 (C.48:13A--1 et seq.) as determined by the State Treasurer based upon the need for such financial assistance after taking into account all financial resources available or attainable to pay such debt service. Such sums shall be subject to the approval of the Director of the Division of Budget and Accounting and shall be provided upon such terms and conditions as the State Treasurer may determine.

Explanation

This language provides such funding as may be needed to supplement the line item appropriation (p. D-473) of $57.668 million in State aid to subsidize payments by counties and county authorities of debt service on bonds issued to finance their investments in solid waste disposal facilities. In FY 2003, this appropriation appeared in the Interdepartmental Accounts section of the Appropriations Handbook in the expectation that the authorities' solid waste facilities debts would be refinanced pursuant to P.L.2001, c.401. Under that law, the New Jersey Economic Development Authority (EDA) was empowered to make agreements with counties and authorities to provide, from proceeds of the EDA's own bonds, amounts necessary to refund the local issuers' facilities debt. The local issuers that entered such agreements were to pay at least 50 percent of the debt service on the EDA bonds, with the rest being funded by State appropriation; such appropriations to independent authorities are generally displayed in budget documents as grants-in-aid within the Interdepartmental Accounts. Late in 2002, however, the Administration decided not to implement the refinancing program authorized by c. 401, and the appropriation is accordingly displayed as Treasury State aid, as in prior years. The Department has estimated that funding requirements for county solid waste facility debt service will total roughly $90 million annually through calendar year 2006. It is anticipated that facility operations in FY 2004 will generate $30 million to $35 million in net revenue for application to debt service, indicating that the line item appropriation will be wholly or substantially sufficient to cover debt service for the fiscal year.

Language Provisions (Cont'd)

2003 Appropriations Handbook

B-179

There is appropriated from the Energy Tax Receipts Property Tax Relief Fund the sum of $755,000,000 and an amount to be determined by the Director of the Division of Budget and Accounting, which amount is transferred from the Consolidated Municipal Property Tax Relief Aid (PTRF) account to the fund, such that that amount when added to $755,000,000 shall equal the amount determined for fiscal year 2003 pursuant to subsection e. of P.L.1997, c. 167 (C.52:27D-439). The amount so transferred 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.

2004 Budget Recommendations

D-474

There is appropriated from the Energy Tax Receipts Property Tax Relief Fund the sum of $762,739,000 and an amount to be determined by the Director of the Division of Budget and Accounting, which amount is transferred from the Consolidated Municipal Property Tax Relief Aid (PTRF) account to the fund, such that that amount when added to $762,739,000 shall equal the amount determined for fiscal year 2004 pursuant to subsection e. of P.L. 1997, c.167 (C.52:27D-439). The amount so transferred 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.

Explanation

The Energy Tax Receipts Property Tax Relief Fund (ETR Fund) was established under a 1997 law as an account through which receipts from certain "energy replacement taxes" under the energy tax reform program would be distributed to municipalities in lieu of State aid payments out of collections under the old public utility gross receipts and franchise tax. The legislation directed that in each fiscal year, a prescribed sum from the replacement taxes should be credited to the ETR Fund for such distribution; failure in a given fiscal year to appropriate moneys in the prescribed amount would void taxpayers' liability for the new taxes for the appropriate tax year. The law specified that the funding requirement for the ETR Fund in FY 2002 would be $755 million and provided that thereafter, the requirement in each fiscal year would be equal to the requirement for the previous year plus an adjustment for inflation. Of the sum credited in FY 2003, the 2.5 percent inflation increase -- $18.875 million -- above the previous year's requirement of $755 million was, under the language cited above, transferred to the Fund from the General Fund account from which Consolidated Municipal Property Tax Relief Aid (COMPTRA) is paid. Under similar language in the current budget proposal, the amount to be credited in FY 2004 to the ETR Fund *from energy replacement taxes* would consist of the FY 2002 base amount ($755 million) plus an adjustment for 2003-04 inflation of 1 percent applied to the FY 2003 base of $773.9 million ($7.739 million), a total of $762,739,000. As in FY 2003, the remaining portion of the required funding, representing the $18.875 million adjustment for 2002-03 inflation, would be transferred to the Fund from the COMPTRA account and deducted from municipal COMPTRA allocations.

Language Provisions (Cont'd)

2003 Appropriations Handbook	2004 Budget Recommendations
	D-475 Such additional sums as may be required for Police and Firemen's Retirement System -- Post Retirement Medical are appropriated, as the Director of the Division of Budget and Accounting shall determine.

Explanation

This language authorizes additional resources, beyond the recommended $17.7 million line-item amount on p. D-473, to meet the State's obligation under P.L.1997, c.330 to pay the annual cost of post-retirement health benefit coverage under the State Health Benefits Program (SHBP) for certain local public safety employees. The same language is included in other places in the budget where post-retirement medical costs are appropriated. Presently, legislative approval is required for supplemental appropriations that may be required. The SHBP is a self-insured program, and its actual costs can vary significantly from cost projections as developed by the State Health Benefits Commission.

2003 Appropriations Handbook	2004 Budget Recommendations
B-183 From the amounts appropriated hereinabove for the State Legal Services Office and for Legal Services of New Jersey - Legal Assistance in Civil Matters, P.L.1996, c.52, there are appropriated and allocated to the Passaic County Legal Aid Society such amounts that are not less than the amounts that were appropriated and allocated to the Passaic County Legal Aid Society in fiscal year 2002.	No comparable language.

Explanation

Effective December 31, 2002, Legal Services of New Jersey, which formerly operated under a network of 17 local offices, was reorganized into a network of six regional offices. Under this reorganization, the jurisdiction of the former Passaic County Legal Aid Society office became part of the Northeast New Jersey Legal Services regional office. Until the effective date of the reorganization, the current budget language provided State funding for the continued operation of the Passaic local office. Subsequently, however, all State, federal and other sources of funding which support the Statewide network of Legal Services of New Jersey have been redirected to the successor regional network.

Language Provisions (Cont'd)

2003 Appropriations Handbook	2004 Budget Recommendations
B-182	
The amount hereinabove recommended for the Public Advocate is available pursuant to the passage of enabling legislation.	No comparable language.
Of the amount hereinabove, such sums as are required for employee benefits shall be transferred to the Inter-Departmental account for costs attributable to the staff of the Public Advocate, subject to the approval of the Director of the Division of Budget and Accounting.	

Explanation

The Governor's Budget provides no funding for reestablishment of the Office of Public Advocate. A $2.5 million appropriation had been provided in the current year to re-establish the office which had previously been abolished in 1994; however, enabling legislation has not been enacted. As a result, the $2.5 million provided this year has been transferred to other purposes.

Discussion Points

1. In Lonegan v. State, 176 N.J. 2 (2003), the Supreme Court held, in essence, that a provision of the State Constitution requiring voter approval for virtually any creation of State debt was inapplicable to debt not secured by the full faith and credit of the State. This holding, however, does not vitiate the State's duty to make payment on State obligations that do not enjoy such backing, or on the long-term debt of other public entities when it has agreed to service that debt. The Legislature, in turn, must be able to anticipate those payment requirements during the development and consideration of the legislation that will become the annual appropriations act.

- *Question:* In this connection, please provide a brief report indicating annual debt service requirements for all outstanding debt, whether general obligation or State contract or State lease, from FY 2004 through FY 2023, with each program listed separately. In addition, please provide similar information on all new debt expected to be incurred and issued under existing statutory authority between FY 2004 and FY 2009, along with projected debt service requirements through FY 2023. A model for providing a response to this question can be found on page G-2 of the State of New Jersey Debt Report (November 2002).

2. The Governor's Budget proposes the transfer of the Lifeline Credit and Tenants Assistance Programs, which provide low-income families with energy assistance grants, from the Department of Health and Senior Services to the Board of Public Utilities (BPU). In addition, the Budget anticipates supplanting current State funding sources used to support these programs with a new $72.4 million assessment on customers' energy bills. Broad authority for the BPU to establish and administer such an assessment was previously established pursuant to the energy deregulation law, the "Electric Discount and Energy Competition Act," P.L.1999, c.23.

- *Question:* Please provide a detailed explanation of the Universal Service charge fee structure that will be imposed to fund the Lifeline program. Please provide a copy of the Memorandum of Understanding (between DHSS and BPU) authorizing the proposed transfer.

3. In January 2003, the State Auditor issued a report critical of the Division of Taxation's ability to process certain tax refunds in a timely manner. As noted in the auditor's report, the State is required by law to pay interest at the prime rate on requested refunds not paid within six months. During the audit period, the State paid interest totaling $14.5 million on Corporation Business Tax and Gross Income Tax refunds of $2.4 billion. The Auditor's findings included a discussion of some 320,912 "requested refunds" awaiting review which the division categorizes in one of 23 active and 10 inactive classes. The division's response to the Auditor's report suggests that, among other factors, "resource allocation" was an issue with respect to the timely processing of refunds.

- *Question:* For each of the last five years, please provide data indicating the total amount of overdue refunds paid out by the Division on the CBT and GIT, and the amount of interest incurred in each of those years. Given the possibility of overpayment of CBT following the overhaul of the CBT law this past year, what steps is the division taking to ensure the future minimization of interest payments attributable to overdue refunds? Please discuss any outstanding concerns regarding "resource allocation" the division may have in addressing the issues raised by the State Auditor's report.

4a. The statute establishing the Business Employment Incentive Program, P.L.1996, c. 26 (C.34:1B-124 et seq.) requires that "After the program's fifth year, the department (Commerce), *in conjunction with the State Treasurer*, shall assess the effectiveness of the program in creating new

Discussion Points

jobs in New Jersey and the impact on State revenues."

- *Question:* What is the status of this report? Please provide a summary of the methodology to be used in assessing the program's effectiveness and the report's preliminary findings, if any.

4b. As part of the solution to this year's budget crises, the Governor has recommended the suspension of Grants-in-Aid funding to support the Business Employment Incentive Program (BEIP).

- *Question:* Please project, based on estimated initial and subsequent actual grant payments, the annual cost of the BEIP program in each of the next five fiscal years should the program be continued but limited to existing grantees. Please indicate the assumptions used to calculate this projection.

5. FY 2002 financial reports indicate that the State Lottery ended FY 2002 with $26 million in restricted net assets comprised of “expired prize awards;” i.e., lottery winnings not claimed within one year. Under State Lottery regulations, such funds may be retained by the Lottery to augment future prizes, or may be transferred to the State General Fund to supplement the Lottery's contribution for aid to education and State institutions.

- *Question:* Please provide an accounting of expired prize awards since the publication of the Lottery's last annual report (FY2002). To date in FY2003, how much has been transferred from the State Lottery Fund to the General Fund from this source? What is the total amount expected to be transferred from this source in FY2003? Please estimate the amount of unexpended expired prize award monies anticipated on 6/30/03 and anticipated disposition of those monies.

6. The department's current budget anticipates revenue of approximately $30 million from the sale of the former North Princeton Developmental Center in Montgomery and Marlboro Psychiatric Hospital in Marlboro. As of February, environmental studies necessary to complete the sale were in progress (or "Phase II"). Previously, Marlboro was appraised in the range of $20 - $30 million while North Princeton has been appraised at approximately $20 million; however, both appraisals assumed a certain level of development that is not likely to occur and did not factor in any remediation issues that will have to be negotiated. Recent press reports indicate that the sale of Marlboro has been delayed indefinitely.

- *Question:* Please provide an update on the status of the sale of both facilities, including, if possible, a revised revenue estimate which incorporates the impact of the environmental findings, if any, and a realistic estimate of when the sale of these properties will close.

7. The current budget includes a $5.5 million capital appropriation for the Office of Information Technology (OIT) Availability and Recovery Site (OARS). OARS is to be located remotely from existing OIT facilities and is to provide redundant capacity for certain operations at those facilities in the event that any of those operations, or access to those facilities, is threatened with disruption (e.g., from terrorism or natural disaster). The FY2003 appropriation was intended to provide for the design and preliminary construction costs of OARS as well as certain hardware and software. OARS was intended as a multi-year project ultimately estimated to cost in the range of $10 million to $15 million. The FY2004 Budget Recommendation does not include additional funding for OARS.

- *Question:* What is the status of OARS? What is the current projected total cost and time

Discussion Points

frame for completion of OARS? Please provide a copy of the draft disaster recovery/contingency plan document which was to have been developed by OIT this past Fall to address recovery of all key infrastructure.

8. Off-budget ("Other") funds appropriated to the Division of Taxation from the Unclaimed Personal Property Trust Fund are increased to $6.2 million from the current FY 2003 appropriation of $5.4 million. This increase is attributable to the additional administrative costs associated with P.L.2002, c.35 (C.46:30B-7.2 et. al), which clarified and expanded the categories of property which may escheat to State and reduced the time required for unclaimed property to escheat to the State. At the time of enactment, the department estimated an additional $209 million in escheat revenue attributable to the 2002 legislation.

- *Question:* For FY 2003 and projected for FY 2004, please provide a current schedule of revenues, expenditures, transfers and fund balances for the Unclaimed Personal Property Trust Fund. Please project for FY 2003 and FY2004, the percentage that the funds transferred to the General Fund as State revenue represent of the funds presumed abandoned and deposited into the trust fund. Please provide an up-to-date assessment of the fiscal impact of P.L.2002, c.35.

9. According to a December 27, 2002 Department of the Treasury press release, the State has established a "Hedge" or "Swap" program to issue long-term fixed rate bonds to "hedge" against future increases in interest rates. In particular, the program is expected to protect approximately $3 billion in future school construction debt from any potential rate increases over the next three to four years. The release quotes the Treasurer as stating that "swap" transactions have gained broad market acceptance over the past several years and are being used by many public and private sector issuers to hedge interest rate risk. The release further notes that in preparation for structuring a rate lock transaction, the Treasurer's Office issued a Request for Proposal (RFP) to solicit firms with swap advisory expertise. From the responses, twenty firms were selected for placement in a specialized pool, and from that pool, a team of nine firms has been chosen to structure and implement the rate lock for the school construction bonds. The two co-managers of the team are Investment Management Advisory Group, of Pottstown, PA and Swap Financial Group, LLC of South Orange.

- *Question:* Please provide, in lay terms, an explanation of how the State will benefit from participating in swap transactions and an explanation of how the debt that will be issued through this program would otherwise have been issued. Please summarize transactions that have occurred thus far or are anticipated under this program. What is the projected interest rate savings from this program? What is the up-front cost to the State of obtaining protection against future increases in interest rates? Is there any risk to the State from participating in swap transactions, particularly in light of certain market practices, such as yield burning?

10. The New Jersey School Assessment Valuation Exemption Relief (NJ SAVER) program was enacted in 1999 to provide homeowners with direct property tax relief equal to a portion of the school taxes paid on the assessed value of eligible primary residences. Under a phase-in schedule, cut from five to four years' duration in 2001, payments were made at 83 1/3 percent of the full amount in FY 2002 and slated to rise to 100 percent of the full amount in FY 2003. At the same time, in FY2003, homeowners with incomes above $200,000 became excluded from the program. The income threshold adopted in FY2003 was expected to yield a 153,000 decrease in the number of eligible homeowners, however, it appears that there has been an additional drop of more than 52,000 rebate recipients which cannot be explained by the income cap. Moreover, in January 2003, the Treasurer indicated that $45 million of the $679 million appropriated for the NJSAVER

Discussion Points

program in FY2003 had been placed in budget reserve status as a prelude to a year-end lapse.

- *Question:* As best as can be determined, please explain the decline in the number of NJ SAVER recipients. How much is currently expected to be expended in the NJ SAVER account in FY2003? Has the Division of Taxation implemented any changes in its application screening process which might explain the decrease in the number of NJ SAVER rebates? Based on the most recent income tax data, how many homeowners were eligible for the NJ SAVER program this year? Does the current drop off in the number of rebates issued reflect a new lower base in the applicant/recipient pool?

11a. Amendments in 2001 to the law governing the homestead property tax rebate program increased the maximum rebate amount to $750 for rebates issued for tax year 2000 and provided that thereafter, the Director of the Division of Taxation would annually compute an inflation-adjusted maximum amount (the adjusted amount to be rounded to the next-highest multiple of $5). Funding for tax year 2001 rebates under the FY 2003 Appropriations Act reflected adjustment of the rebate "cap" to $775. Language in the proposed FY 2004 budget would continue the "cap" on rebates for tax year 2002 at that level, preventing an increase to $790 that would otherwise occur through application of the inflation adjustment.

- *Question:* How many claimants would receive increased homestead rebate payments for tax year 2002 if the "cap" on the rebate amount were increased to $790? How much additional funding, above the $499.7 million recommended in the budget proposal, would be required to support an increase of the "cap" amount to $790?

11b. The Executive proposes an FY 2004 appropriation for the Senior and Disabled Citizens' Property Tax Freeze program equal to the adjusted appropriation for FY 2003 ($23 million). It also includes a new language provision that would limit *eligibility for* a tax year 2002 payment under the "Property Tax Freeze" program to those income-qualified seniors and disabled persons who received a "Freeze" reimbursement payment for tax year 2001, and limit the *amount of* the tax year 2002 "Freeze" payment to any such recipient to the amount that the person received for that prior tax year. In view of the attrition among applications for "Freeze" reimbursements in the past, and given the fact that the universe of potential applicants for TY 2002 is cannot increase under the language, but can only decline as the eligibility pool contracts through death or disqualification by relocation, it would seem that the funding required for the program in FY 2004 would decrease from this year's level.

- *Question:* What reasons are there for not reducing the recommended FY 2004 appropriation for the Senior and Disabled Citizens' Property Tax Freeze program below the level needed for the program in FY 2003?

12. The Governor's Budget summary (page B-6) indicates the Department of the Treasury has: "embarked on a number of re-engineering projects with the primary goal of improving service delivery and constraining costs. Ongoing studies include the following:

> -- Examination of the operation of the Investment Division;
> -- Comprehensive assessment of existing office leases to maximize the use of available space;
> -- Energy procurement aggregation in which the State has joined with other entities such as toll road authorities, colleges, and NJ Transit to maximize out market presence as we approach the full deregulation of energy in August 2003;
> -- Energy audits of the largest State facilities to identify where the use of energy-

Discussion Points

efficient lighting and equipment would reduce our costs;
-- Contract with a pool of collection agencies to pursue outstanding debt owed to the State, including "second referral" debt collectors who will be paid higher fees to track down aged and high volume cases; and
--Study to identify savings within the State Health Benefits Program, which is experiencing, strong, upward cost pressure."

- *Question:* Please provide additional detail on each of the initiatives outlined in the Governor's Budget and indicate the time frame for completion and anticipated cost saving from each.

13. The Department of the Treasury Debt Service section of the Budget (see page E-12) indicates in an informational note that $11.4 million in FY 2004 debt service payments due under three general obligation bond issues will be provided from revenues received from the New Jersey Housing and Mortgage Finance Agency (HMFA). However, no State appropriation is actually set forth to make these payments. In Schedule 2 of the Budget's revenue display, an amount for each of these three bond acts is cited as an "HMFA Offset." Schedule 2 revenue is "off-budget" revenue that is not included in the Governor's revenue certification in support of appropriations made in the annual appropriation act.

- *Question:* What is the budget authority that will be used to make these G.O. debt service payments? Are the payments to be made from the General Treasury or directly by the HMFA? Is separate legislation needed in either case? Each of the three bond acts in question pledges State sales and use tax revenue (and thereafter, the General Fund as a whole) as the ways and means to pay the principal and interest on the bonds. Is this consistent with what is being proposed in the FY 2004 budget?

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Individuals wishing information and committee schedules on the FY 2004 budget are encouraged to contact:

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