

LOCAL FINANCE NOTICECHRISTINE TODD WHITMAN
GOVERNORJANE M. KENNY
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DIRECTOR**CY 2001 CERTIFICATION OF STATE AID**

On January 23, 2000, Governor Whitman presented her FY 2002 budget to the State Legislature. The transmission of the budget authorizes the Division to provide calendar year 2001 State aid revenue estimates to municipal governments. The enclosed Certification of State Aid shows the calculation of aid for the municipality and shall be used in preparing the revenue section of CY 2001 budgets. The balance of this Notice provides detailed information on the aid programs. The final section includes information on payment schedules.

As in past years, all aid allocations are subject to passage of the State's budget. This year there is approximately a \$50 million overall increase in State aid. A significant part of that is a 4% inflation increase to the CMPTRA program. There are five major State aid programs that are shown on Sheet 5 of the budget. They are:

1. Consolidated Municipal Property Tax Relief Aid (CMPTRA)
2. Energy Receipts Tax/Supplemental Energy Receipts Tax
3. Legislative Initiative Municipal Block Grant
4. Garden State Trust Fund
4. Extraordinary (Discretionary) Aid

This Notice also includes important information about eligibility for Business Personal Property (BPP) Tax Depreciation Adjustment aid and Watershed Moratorium Offset Aid. **Chief Financial Officers are asked to distribute this information to elected officials and staff as appropriate, and to their Registered Municipal Accountant.** Spreadsheets for State Aid and municipal budget information for all municipalities can be found by clicking on the Municipal State Aid link on the Division's Web Site at www.state.nj.us/dca/lgs.

Consolidated Municipal Property Tax Relief Aid

Implementing the law passed last year authorizing an annual increase to CMPTRA, the Calendar 2001 amount is approximately 4.0 percent higher than last year. The certification shows the new total, taking into account the net CMPTRA payment, the 4.0 percent increase, and any BPP Adjustment Aid (see below). As in the past, aid amounts have been rounded to the nearest dollar. If municipal records suggest differences, beyond the inflation increase and rounding, from the CY 2000 receipts, Chief Financial Officers can call the Division at (609) 984-2132 for clarification and assistance.

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Energy Receipts Tax

The Energy Receipts Tax was described in Local Finance Notice MC-97-6 (Energy Deregulation and Utility Taxes). That law provides that for CY2001/FY2002, the amount of aid is increased by \$5 million, for a total of \$755 million. The additional aid is allocated proportionately among all municipalities based on their share of the total. The appropriation is broken into two components, Energy Receipts Tax (ERT) and Supplemental Energy Receipts Tax (S-ERT). The ERT totals just under \$720 million statewide, the S-ERT, just over \$35 million. While the \$720 will be distributed in payments made between July 15 and December 1, the S-ERT will be a single payment around June 15. The Aid Payment Certification issued in July will show both payments, but Chief Financial Officer's should be aware that **the S-ERT payment will be made before the Certification is issued.**

Legislative Initiative Municipal Block Grant

Final allocation for the Legislative Initiative Municipal Block Grant is not available at this time. The statute governing the program requires that aid be allocated on a per capita basis, using the most recent federal decennial census. As federal census counts will not be available until early March, last year's amount can be used as an estimate pending final population certification and guidance from the Governor's office on the funding for the program. While final action on this allocation will be required from the Legislature, the Governor's budget includes funds to ensure that no municipality will lose funding. The full amount received last year is to be anticipated in the CY 2001 budget.

For CY 2000, amounts realized in excess of the amount anticipated because of the 3.5% inflation factor, should be reserved on the CY 2000 trial balance and anticipated in the CY 2001 budget on sheet 5.

Extraordinary Aid

The Extraordinary Aid program is continued at the amount that was awarded in CY 2000/FY 2001, \$25 million. Applications and instructions have been recently sent to Municipal Clerks. To be considered for funding, applications are due by **March 9**. The budget must be introduced, the Annual Financial Statement, and, if not already submitted, the 1999 audit must be submitted to the Division at the time application is made. As always, receipt of this aid last year is not an assurance of receiving it again this year.

Watershed Aid

P.L. 1999, c. 225 expanded and made permanent a program to make State payments to those municipalities that have watershed land that cannot be developed under State law. The law requires a payment of \$68.50 per acre to those municipalities. Survey information collected in 2000 is used to allocate the funds. The law also requires that the aid is increased by an inflation amount each year, however, the Cap Index Rate is not used as an inflation measure. Based on the program in the law, the inflation factor is three percent (3%). The certification takes into account the increase.

Business Personal Property Tax Depreciation Adjustment (Bell Atlantic/Verizon)

As noted last year, the appropriation for Business Personal Property Tax Depreciation Adjustment was provided as a one-time tax levy adjustment. While legislative attempts were made to provide a permanent solution, no solution has been reached as of now. While the Governor has made a recommendation in her budget, it can be expected that the matter will be reconsidered through the legislative and budget process over the next few months.

Pending a permanent resolution, the Governor's budget proposes action to assist those municipalities most affected by the changes, eliminate administrative problems in last year's process, and take into account other changes in State aid. The budget proposal affects those municipalities whose loss of BPP revenues between 1998 and 2000, attributable to the change in Verizon depreciation schedules, exceeded one percent (1%) of their total tax levy in 2000. In these cases, the municipality will receive State aid offsetting approximately 75% of the loss. However, in order to provide equity to boards of education, that portion of the replacement revenue that represents a proportionate share of school taxes must be appropriated and paid to the constituent board(s) of education. The Division will certify the reduction to the school tax levy as part of the tax levy certification to the county tax boards.

Further, the additional aid is made permanent by adding it in to CMPTRA, where it will be subject to inflation increases over time. The CMPTRA allocation has been calculated to include the amount of Adjustment Aid. For reference purposes, the total Adjustment Aid and portion to be appropriated to the board(s) of education are shown only on the Certification for the affected municipalities. If your municipality does not benefit, there is no reference on the Certification.

BPP revenue received in CY 2000 will be shown as State Aid in the prior year history of the CY 2001 budget on sheet 5 (code 09-205). The Amount to be Raised by Taxation will be reduced accordingly.

Garden State Preservation Trust Fund

P.L. 1999, c.152 established the Garden State Preservation Trust Fund to implement the recent public referendum to preserve one million acres of open space and farmland over the next ten years. The law provides a sliding scale of payments in lieu of taxation for property purchased by the State to replace the ratable loss absorbed by the local taxing districts. The State budget will authorize municipalities to anticipate all funds as property tax relief in their budgets.

For revenues received under this program during CY 2000, the receipts should have been reserved and are now anticipated in full in the CY2001 budget. The amount received in the fall of 2000 is shown on the certification as the amount to be anticipated in CY 2001. Please remember that based on the law, portions of this State aid will decline over time.

REAP Revenue

The CY 2000 Annual Financial Statement, sheet 22, was revised to include, under item 10 Cash Collected, an amount for REAP Revenue realized. REAP revenue should be recorded the same as Senior Citizens and Veterans Deductions, which are due from the State of New Jersey. Any excess REAP revenue realized because of rounding by the county Board of Taxation should be recorded as Miscellaneous Revenue Not Anticipated.

Special Circumstances

Negative CMPTRA Municipalities: As in the past, for those municipalities (they know who they are) that have a negative, or credit CMPTRA allocation (resulting from pension savings in excess of the CMPTRA amount), CMPTRA is to be budgeted as \$0, and the remaining credit is applied against the municipality's Energy Receipts Tax allocation. The amount of the remaining credit is **not** shown on the Certification, but should be calculated locally and included in the introduced budget. The Aid Payment Certification issued in July will reflect the proper payment. These municipalities received the four percent (4%) increase on their original (gross) CMPTRA amount; this reduces the amount of the deduction that is taken off the Energy Receipt Tax allocation.

Municipalities with Fire Districts: These municipalities must continue to pass through the amount of 1994 Supplemental Fire Services Program funding that was provided to fire districts in their borders. The amount of the offset is a permanent appropriation equal to the CY 1994 allocation for the program. The offsetting appropriation should be shown on Sheet 24, entitled "SFSP Fire District Payment." Where there is more than one fire district, the allocation is the same as the certification provided in 1995 (LFN FD-95-1). No additional certification will be provided. Payments to the fire district must be made by the end of the calendar year.

Payment Schedule

A final aid payment schedule will be provided prior to the first payment on July 15 and will follow the same format as last year:

Aid Payment Schedule

July 15	35%
August 1	10%
September 1	30%
October 1	15%
November 1	5%
December 1	5%

Payments to most municipalities are made electronically through the Automated Clearing House payment system. In order for this system to work properly, any changes in the municipality's depository bank must be reported to the Division, as soon as possible, so the necessary changes can be made in the payment computer system. If your bank or account number changes, please contact the Division's State Aid Unit at (609)-984-2132.

Ulrich H. Steinberg, Jr.

Ulrich H. Steinberg, Jr., Director
Division of Local Government Services

Enclosure

Distribution: Calendar Year Municipal Chief Financial Officers
CFO to distribute to Registered Municipal Accountant and other officials as appropriate