

Notice Number

Date

LOCAL FINANCE NOTICECHRISTINE TODD WHITMAN
GOVERNORJANE M. KENNY
COMMISSIONERULRICH H. STEINBERG, JR.
DIRECTOR**CY 2000 CERTIFICATION OF STATE AID**

On January 24, 2000, Governor Whitman presented her FY 2000 budget to the State Legislature. The transmission of the budget authorizes the Division to provide calendar year 2000 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 2000 budgets. The balance of this Notice provides detailed information on the aid programs. The final section includes information on payment schedules.

The increase in total direct aid to all municipalities is calculated by applying the Cap Index Rate (2.5% for this year) to the appropriation for Consolidated Municipal Property Tax Relief Aid. **As in past years, all aid allocations are subject to passage of the State's budget.** In summary, there are four major State aid programs which 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. Extraordinary Aid

This Notice also includes important information about eligibility for three new aid programs, Business Personal Property Tax Depreciation Adjustment, Watershed Moratorium Offset Aid, and the Garden State Preservation Trust Fund. **Chief Financial Officers are asked to distribute this information to elected officials and staff as appropriate, and their Registered Municipal Accountant.** Spreadsheets for State Aid and municipal budget information for all municipalities can be found on the Division's Web Site at <http://www.state.nj.us/dca/lgs/pages/muniaid/aidmenu.htm>.

Consolidated Municipal Property Tax Relief Aid

Implementing the law passed in 1999 authorizing an annual increase to CMPTRA, the Calendar 2000 amount is 2.5 percent higher than last year (and compounding last year's 1.5 percent increase). The certification shows the new total, taking into account the net CMPTRA payment (which continues to include the 1994 pension credit), and the 2.5 percent increase.

As in the past, for those municipalities 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

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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 2.5 percent increase on their original (gross) CMPTRA amount; this decreases the amount of the reduction of the Energy Receipt Tax allocation.

Municipalities with fire districts 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.

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 1999 receipts, Chief Financial Officers can call the Division at (609) 984-2132 for clarification and assistance.

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 CY 2000/FY 2001, the amount of aid to be held at last year's allocation, a total of \$750 million. The appropriation is broken into two components, Energy Receipts Tax (ERT) and Supplemental Energy Receipts Tax (S-ERT). The ERT totals just under \$715 million statewide, the S-ERT, just over \$35 million. While the \$715 million will be distributed in payments made between July 15 and December 1, the S-ERT will be a single payment around June 28. The Aid Payment Certification issued in July will show both payments, but CFO's should be aware that **the S-ERT payment will be made before the Certification is issued.**

Legislative Initiative Municipal Block Grant

This program is included in the Governor's budget at \$33 million, holding each municipality harmless at last year's allocation. The full amount is to be anticipated.

Extraordinary Aid

Last year's Extraordinary Aid program is continued at the amount that was awarded in CY 1999/SFY 2000, \$25 million. Applications and instructions have been recently sent to Municipal Clerks. To be considered for calendar year funding, applications are due by March 10. The budget must be introduced, the Annual Financial Statement, and, if not already submitted, the 1998 audit must be submitted to the Division at the time application is made. As always, receipt of this aid last year is not a assurance of receiving it again this year.

Watershed Aid

The passage of 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. The Department of Environmental Protection has provided a preliminary list of eligible municipalities and an aid estimate has been calculated based on that information. However, before final aid is calculated, the Division must first verify the information. To that end, a certification to verify eligible acreage will be sent to water purveyors and municipalities on the DEP list. While the Division and DEP have a reasonable comfort level with the estimates, they are subject to change.

Therefore, municipalities may introduce their budget with the aid amount in place, but with the knowledge that it is subject to change. The payment date for this program will be included on the Aid Payment Certification issued in July.

Business Personal Property Tax Depreciation Adjustment (Bell Atlantic)

The Governor's budget includes an appropriation to replace the property valuation lost to many municipalities when Bell Atlantic changed its calculation of valuation of telecommunications property. The Division of Taxation has calculated an amount that represents the 1999 loss in total tax levy for each affected municipality. This allocation is only for CY 2000/FY 2001. For those municipalities served by Bell Atlantic that receives no adjustment, it is because the valuation increased.

The revenue will not appear as municipal aid. Instead, the Division will credit it against the adopted tax levy when the tax levy is certified to the County Board of Taxation. The revenue will be included as part of an aid payment later this year and will show on the Aid Payment Schedule. The Aid Certification displays the amount of the Depreciation Adjustment.

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 incurred by the local taxing districts. Section 29(d) of the law requires that:

“all sums of money received by the respective municipalities as compensation for loss of tax revenue pursuant to this section shall be applied to the same purposes as is the tax revenue from the assessment and collection on real property of these municipalities, and to accomplish this end the **sums shall be apportioned in the same manner as the general tax rate of the municipality for the tax year preceding the year of receipt.**”
(emphasis added)

To accomplish this directive, all pilot payments must be anticipated as revenue in the budget, with offsetting appropriations for the amounts due to the school(s), and the county (as a single amount, summing any county open space, health or library rates). Separate appropriations are required for any municipal open space tax rate. Special taxing districts (fire, solid waste) are not considered as part of the general tax rate of the municipality.

For revenues received under this program in 1999, the receipts should be reserved and anticipated in the CY2000 budget (Sheet 5) with the offsetting appropriations on Sheet 24. The allocation should be based on 1998's general tax rate. CY 2000's anticipated revenue shall be offset by using 1999's tax rates. Please remember that the law provides that this State aid declines over time. The Division will review the appropriations based on information we receive from DEP. Future year's aid certifications may include this information.

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

Friday, July 14	35%
Tuesday, August 1	10%
Friday, September 1	30%
Friday, September 29	15%
Wednesday, November 1	5%
Friday, 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 Steinberg

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