

LFN 2007-6

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Local Finance Notice

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CY 2007 State Aid Certification

On February 22, 2007, Governor Jon S. Corzine presented his FY 2008 budget to the State Legislature. The transmission of the budget authorizes the Division to provide CY 2007 State Aid revenue estimates to municipal governments.

This year's budget proposal includes a new state aid program: Municipal Purpose Tax Assistance, a \$32.6 million property tax relief program with aid granted to all municipalities.

Formula-based State Aid programs are shown on Sheet 5 of the budget. They are as follows:

1. Consolidated Municipal Property Tax Relief Aid (CMPTRA)
2. Energy Tax Receipts (ETR)/ Supplemental Energy Tax Receipts (S-ETR)
3. Legislative Initiative Municipal Block Grant
4. Municipal Property Tax Assistance (new)
5. Municipal Homeland Security Assistance
6. Watershed Moratorium Offset
7. Pinelands Property Tax Stabilization
8. Highlands Property Tax Stabilization Aid
9. Garden State Trust Fund.

The aid certification for each calendar year municipality is available on the Division's web site under the [Municipal State Aid](#) heading. Certifications are **not** being mailed and must be obtained directly from the web site. The certifications show aid allocations for each municipality and shall be used in preparing the revenue section of CY 2007 budgets. A full spreadsheet of CY allocations is also on the web site. SFY Certifications will be posted once the final budget is adopted in June.

Chief Financial Officers are urged to distribute this information to elected officials and staff as appropriate, and to their Registered Municipal Accountant.

Municipal Property Tax Assistance

The Municipal Property Tax Assistance (MPTA) program prorates the total appropriation of \$32.6 million among all municipalities based on their total CMPTRA and ETR appropriation in CY 2006. It must be anticipated in the budget of all municipalities (FCOA [09-212](#))

Municipalities that have already introduced their budgets must treat this as this is an increase in state aid, must amend the budget to include this revenue and reduce their amount to be raised by taxation accordingly.

Energy Tax Receipts /Supplemental Energy Tax Receipts and Consolidated Municipal Property Tax Relief Aid

The budget accounts for the mandatory Energy Tax Receipts inflation increase of 5.5 percent by reducing the amount of CMPRTA aid by a like amount. This is similar to what was done in 2006.

When comparing the combined 2006 to 2007 combined ETR and CMPTRA, while the individual amounts changed, the total is the same. There are some municipalities who, because of the increase in ETR, will see their CMPTRA reduce to \$0. This is a natural effect of the ETR increase and CMPTRA reduction.

The basis for the Energy Tax Receipts was described in [Local Finance Notice MC 97-6](#) (Energy Deregulation and Utility Taxes). The appropriation is broken into two components: Energy Tax Receipts (ETR) and Supplemental Energy Receipts Tax (S-ETR). While the ETR will be distributed in payments made between August 1 and December 1, the S-ETR will be a single payment on or about July 15. The Aid Payment Certification issued in July will show both payments.

All budgets introduced after February 28, 2007 must reflect the increase in Energy Tax Receipts and reduction of CMPTRA. Amending resolutions should include corrections to ETR, CMPTRA and MPTA.

Legislative Initiative Municipal Block Grant

The statute governing the program requires that aid be allocated on a per capita basis, using the most recent federal decennial census. This year's aid is \$34,825,000, the same amount distributed last year.

Extraordinary Aid

The Governor's FY 2008 budget proposes \$25 million for the Extraordinary Aid program. Extraordinary Aid addresses a municipality's extraordinary need for additional state aid necessary because of a severe fiscal crisis. Please note the following concerning Extraordinary Aid:

1. To receive aid, applicants must demonstrate that significant measures are in place to reduce spending and improve governmental efficiencies.
2. Extraordinary Aid cannot not be relied upon to determine spending, as it is intended for unique, not repeating, circumstances.
3. Extraordinary Aid cannot be anticipated in CY 2007 budgets.
4. Receipt of Extraordinary Aid in CY 2007 is not guaranteed by virtue of receipt of Extraordinary Aid last year. If an introduced budget anticipates Extraordinary Aid, we will require that the budget be amended to remove the revenue before the application is considered.
5. **APPLICANTS WILL BE EXPECTED TO USE AVAILABLE SURPLUS AND MINIMIZE THE RESERVE FOR UNCOLLECTED TAXES TO ACHIEVE PROPERTY TAX RELIEF.**

6. Applications are due by **March 23**, and will not be considered if the 2007 budget is not introduced, the 2006 Annual Financial Statement and the 2005 audit are not on file with the Division. See [Local Finance Notice 2007-3R](#) for additional information on applying for aid.
7. Extraordinary Aid will be awarded after the State adopts the FY 2008 budget. State law requires that the State budget be adopted by June 30.

Garden State Preservation Trust Fund

The Garden State Preservation Trust Fund (P.L. 1999, c.152) was established to implement the recent public referendum to preserve one million acres of open space and farmland over 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. Notwithstanding other provisions of law to the contrary, the State budget authorizes municipalities to anticipate all funds as property tax relief in their budgets.

For revenues received under this program during CY 2006, the receipts should have been reserved and anticipated in full in the CY 2007 budget. The amount received in the fall of 2006 is shown on the certification as the amount to be anticipated in CY 2007. Please remember that based on the law, portions of this State aid may decline over time.

Municipal Homeland Security Aid

Instituted in 2004, Municipal Homeland Security Assistance Aid is population-based formula aid and allocated to municipalities that spend more than \$300,000 in police costs. The program continues at last year's funding level, however, the Division has updated the allocation to reflect the most recent State population estimate. The revenue is treated as property tax relief with no offsetting appropriation.

Watershed, Pinelands and Highlands Aid

Legislation passed in 2004 re-established the Watershed Moratorium Offset Aid and Pinelands Property Tax Stabilization Aid. These aid amounts are fixed and are shown on the Certification for the recipients. As of the release of this Notice, Highlands Property Tax Stabilization Aid for CY 2007 has not been announced. Once announced, recipient municipalities will be permitted to anticipate those funds in their budget.

Business Personal Property Tax Depreciation Adjustment (Verizon)

In 2001, the CMPTRA allocation was increased for 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. 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.

Payment Schedule

A final aid payment schedule will be provided in July, prior to the first payment on August 1.

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 the bank or account number changes, the [Credit Authorization Agreement for Automatic Deposits form](#) and instructions can be obtained from the State Office of Management and Budget website.

Table of Web Links

Page	Shortcut text	Internet Address
1	Municipal State Aid	www.state.nj.us/dca/lgs/muniaid/aidmenu.shtml
2	Local Finance Notice MC 97-6	www.nj.gov/dca/lgs/lfns/pre_98lfns/mc-1997-6.pdf
2	Local Finance Notice 2007-6	www.state.nj.us/dca/lgs/lfns/07lfns
3	Credit Authorization Agreement for Automatic Deposits forms	www.state.nj.us/treasury/omb/forms/index.shtml