



STATE OF NEW JERSEY
STATE COMMISSION ON
COUNTY AND MUNICIPAL GOVERNMENT

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INTERGOVERNMENTAL FUNDING WITHIN NEW JERSEY



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STATE OF NEW JERSEY
County and Municipal
Government
Study Commission

INTERGOVERNMENTAL FUNDING WITHIN NEW JERSEY

New Jersey State Library

May 1992

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DAVID C. MATTEK
EXECUTIVE DIRECTOR

TO HIS EXCELLENCY GOVERNOR JAMES J. FLORIO AND HONORABLE MEMBERS OF THE SENATE AND GENERAL ASSEMBLY

The State Commission on County and Municipal Government is pleased to submit its forty-third report, *Intergovernmental Funding Within New Jersey*. This report constitutes a systematic examination and analysis of all intergovernmental funding within New Jersey for Fiscal Year 1990. As such, it encompasses all Federal and State monies for any program category which has over a million dollars that was provided to local levels of New Jersey Government. Included here are monies provided to counties, municipalities, public authorities, and school districts. Federal monies provided to State Government were also examined as part of the overall mosaic of intergovernmental funding within New Jersey.

This study was undertaken under the recognition that the actions of New Jersey State Government and, secondarily, the Federal Government have direct and important consequences on the local capacity to respond to the needs of its citizenry. We found that the State and Federal Governments combined, provided approximately \$7.2 billion to New Jersey local governments in FY 1990, \$5.7 billion of which emanated from the State and \$1.5 billion of which emanated from the Federal Government. The study also notes the fundamental policy changes which occurred in intergovernmental funding in FY 1991.

Regarding funding for local governments, several interesting patterns were discerned. Of the State funds, local school districts were the recipients of \$3.5 billion, municipalities received \$1.4 billion and \$800 million went to counties. Federal monies were heavily directed at county governments, with counties receiving close to half of all Federal monies to local governments—about \$700 million of the \$1.5 billion of Federal funding.

A comparison between State and Federal Government targeting of their funding revealed interesting contrasts. State monies were primarily directed at public education, with local school districts the recipients of 60 percent (\$3.5 billion) of the \$5.7 billion in State funding. Federal funding, in contrast was predominantly made available for human service programs. Given that human service programs are the primary responsibilities of the State and county governments, these two levels of government are the primary beneficiaries of Federal monies. The Federal share of its responsibilities for Medicaid payments provided \$1.2 billion to the State, while Federal monies for welfare resulted in counties receiving about \$500 million of Federal Funding.

In addition to the State providing school districts with \$3.5 billion, municipalities received about \$1.4 billion, county governments were the recipients of about \$800 million and public authorities received under \$20 million. It should be noted that of the \$1.4 billion in State funding to municipalities, \$685 million of it was from *Gross Receipts*—a municipal revenue source collected by State Government on behalf of New Jersey municipalities. Several recommendations are presented in the report to revise the State's Annual Budget presentation in order to provide a more accurate and precise description of the various categories of funding flowing from or through the State to local governments, including \$1.2 billion of Federal funds. The major recommendations include a reconstitution of the *State Aid Section* to *State Aid and Intergovernmental Transfers Section*, and the displaying of Federal aid to local governments, that passes through the State, within the *State Aid and Intergovernmental Transfers Section*.

Respectfully submitted by the members of the State Commission on County and Municipal Government.

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/s/John E. Trafford

/s/Dennis A. Maycher

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Instead, we have been relegated to acknowledging the most prominent of those contributing to the report. First, we would like to note the encouragement of John E. Trafford, Executive Director of the New Jersey State League of Municipalities, who served as a primary moving force behind the inception of the study. A special thanks is also given to Richard F. Keevey, Director of the Office of Management and Budget, within Treasury, who graciously provided us with the assistance of his staff and general encouragement in moving forward with this report.

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EXECUTIVE SUMMARY

This study presents a systematic and comprehensive overview of intergovernmental funding within New Jersey. Examining fiscal year 1990, we trace all intergovernmental monies, for each level of government within New Jersey, for each program for which over a million dollars is provided. Included within the purview of this study is all Federal and State funding for each program, broken out in terms of how much is received by each level of local government. Recipient local units are identified generically in terms of counties, municipalities, public authorities, and local school districts.

In tackling this important subject, several objectives underlie this study. First, *there is a need to call attention to the importance of intergovernmental flows in local revenue and expenditure decision-making.* Though self-generated revenue is central in defining local government financial actions, intergovernmental monies constitute an important element of local budgets—one which needs to be underscored. Second, *it is important to understand the differentiated roles played by Federal and State Governments in intergovernmental funding within New Jersey.* Federal and State financial roles dominate in different policy areas and sound fiscal policy-making mandates taking into account such differences. Third, *it is important to understand the relative contributions of State and Federal funding to each level of local government.* Are there larger financial commitments by the State or Federal Government to particular local levels of government? Four, *there is an important need to provide the necessary background on financial matters that can help lead to more rational, financial decision-making and a sounder budget reporting process.* It is out of a concern with this latter question that this report concludes with several recommendations.

OVERVIEW OF INTERGOVERNMENTAL FUNDING, FY 1990

For FY 1990, there was a flow of \$7.2 billion from the State and Federal Governments to New Jersey local government. State Government provided \$5.7 billion of this total, while the Federal share came to \$1.5 billion. It should be noted that the Federal Government provided an additional amount of \$2.3 billion of Federal funding to State Government. The overwhelming share of Federal monies to New Jersey local government passed through the State.

Of the State monies to New Jersey local units of government, the largest amount, above \$3.5 billion or 60 percent, went to *public education*. In contrast, the largest amount of Federal monies to New Jersey local governments, about \$500 million or one-third, was for *human services*. This dissimilarity is reflective of the difference in Federal and State Governments' policy responsibilities vis-a-vis local governments. New Jersey Government, and state governments in general, play a prominent role in funding *public education*. Thus, within New Jersey, local school districts are the recipient of the majority of State flows. This compares with a Federal preeminent role in financing *human services*, with counties the local recipient of such monies at approximately \$500 million (one-third of Federal monies to local governments). This flow stems from the primacy of county governments, among local governments, in administering welfare and other human service programs.

TABLE I
INTERGOVERNMENTAL AID AND TRANSFERS
(FY 1990)

Departments	<u>State Aid and Transfers</u> (in millions)					<u>Federal Aid and Transfers</u> (in millions)				
	Municipal	County	Authorities	School District	Total	Municipal	County	Authorities	School District	State
Primary and Secondary Education		\$116		\$3,458	\$3,575		\$ 9		\$337	\$ 24
Human Services	\$ 61	339		9	409		493			1,201
Treasury	974	4			978		1			
Community Affairs	271	8			281	\$ 96	53	\$266		33
Transportation	43	44			87		55			544
Environmental Protection	82	63	\$18		164	59	5	19	187	270
Higher Education		124			124			2		144
Labor	1	1			2	6	39			135
Health	4	17			22	25	14			20
Corrections		58			58					2
Law & Public Safety		2			2	3	10			10
Judiciary		1			1		25			1
State		1			1					1
Public Advocate										1
TOTALS	\$1,446	\$778	\$18	\$3,467	\$5,734	\$189	\$706	\$285	\$337	\$2,303
PERCENTAGE	26%	14%		60%	100%	5%	19%	5%	9%	62%

Source: State Commission on County and Municipal Government.

STATE FUNDING

State funding for New Jersey, which came to \$5.7 billion in FY 1990, covered a wide array of policy areas. These included money for public transportation, human services, education, and environmental remediation programs, financial support for all municipalities—with some earmarked for poorer municipalities, the incarceration of criminal offenders, and health care provision at the local level. State money is received by New Jersey's 567 municipalities, 21 counties, roughly 600 school districts, as well as numbers of local public authorities performing different functions across the State. Though there is a variation in the amount of State funding from year to year and in the priorities from one administration to the next, there is also a deep continuity both in the form and amount of funding, which, with the exception of extraordinary times, only gets altered at the edges.

As was previously noted, State funding is primarily oriented toward underwriting the educational efforts of local school districts, with \$3.5 billion (60 percent) of the State funding total of \$5.7 billion targeted for such purposes. The next largest funding level in State monies is for municipalities, with approximately \$1.4 billion, around 25 percent, of FY 1990 State monies provided to municipalities. County governments, in contrast, received only 14 percent, about \$800 million, of total State funding, with local public authorities recipients of a minor amount—\$18 million (see Table II).

TABLE II
COMPARISON OF STATE FUNDING AMONG VARIOUS
NEW JERSEY LOCAL GOVERNMENTS
FY 1990
(In Millions)

Local Government Unit	Amount	Percentage of Total State Funding
School Districts	\$3,467	60%
Municipalities	1,446	26%
Counties	778	14%
Public Authorities	18	—
TOTALS	\$5,658	100%

State monies for local school districts in 1990 was distributed among several large educational programs. They included: *General Formula Aid* for all local school districts, *Teachers' Pension and Retirement* funding, *Education for the Handicapped*, *Student Transportation*, *Compensatory Education*, and *School Building Aid/Debt Service*. Combined, these half-a-dozen, out of a total of 20 State aid for education categories, constituted 94 percent of State aid for primary and secondary education. Aggregated, they comprised over 60 percent of total State monies for all local governments.

Other major categories of total State funding were *Gross Receipts and Franchise* and the *Business Personal Property Replacement*, out of Treasury, which combined constituted 15 percent of total State monies; AFDC payments which formed over one-third of State *human services* funding, at about \$150 million; *Aid to Distressed Municipalities*, which at \$118 million constituted two percent of overall State monies; and *Aid to County Colleges*, which at \$106 million comprised another two percent of total State monies to local governments.

Under the Florio Administration, a couple of major shifts occurred in State funding for local governments. One was the adoption of the *Quality Education Act* in 1991, which established greater equity among school districts in the distribution of monies for public education, with the growth in State aid increasing from \$3.6 to \$4.3 billion from FY 1991 to 1992. In addition, the State assumed \$290 million in responsibilities from county and municipal governments for *human services* financing. The changes have also resulted in \$360 million in property tax relief at the local level.

Interesting patterns are also found in the policy areas which make up the largest shares of State flows to particular units of local governments. Of the \$1.4 billion in State monies to municipalities, Treasury programs, at almost one billion dollars, made up about two-thirds of the State funding, with *Community Affairs*' programs, at close to \$300 million, constituting almost 20 percent of total State monies to municipalities. For State funding to county governments, *human services*' programs, at \$339 million, comprised 44 percent of the total State funding, *higher education* aid to county colleges at \$124 million made up 16 percent, and State aid to *vocational and special services schools*, at \$116 million, constituted 15 percent.

FEDERAL FUNDING IN NEW JERSEY

Federal funding within New Jersey in 1990 totaled \$3.8 billion, with over 60 percent of that amount given to and retained by State Government. In contrast, local units of government were the recipients of \$1.5 billion, of which roughly 50 percent, over \$700 million, went to New Jersey county governments. What is surprising was the small share that went to municipal governments. Of the \$1.5 billion in Federal monies to New Jersey local governments, only about ten percent of that amount, around \$200 million, went to municipalities. School districts, at about \$340 million, received a goodly portion of Federal monies to New Jersey local governments. Even public authorities, at roughly \$300 million, received a much larger share than municipalities.

The major factor in the skewed distribution of Federal monies to State and county governments is the Federal funding of human services programs, an area primarily of State responsibility, with county governments playing a significant financial and the major administrative role. Human services funding on the part of the Federal Government came to \$1.7 billion of the total Federal aid of \$3.8 billion—this amounts to about 45 percent of total Federal monies. For both State and county governments, human services monies constituted a significant percentage of their received Federal monies. At \$1.2 billion, it came to over 50 percent of all Federal funding to State

Government, while regarding all Federal monies to New Jersey county governments, at about \$500 million, it came to 70 percent of the total of approximately \$700 million.

The second largest Federal funding category, transportation, at \$600 million, was overwhelmingly targeted at State Government, with 90 percent of such monies given to State Government. This funding category amounted to about 25 percent of total Federal monies received by State Government. The nature of the distribution of such funding reflects the fundamental Federal-State partnership in highway construction and renovation.

The next two largest categories of Federal funding were *community affairs*, at \$450 million, and monies for *public education*, at \$370 million. The intergovernmental distribution of Federal funding for each of these policy areas reflects the locus of jurisdictional responsibility for the main programs of each policy area. Monies for *public education* were overwhelmingly given to local school districts; of the \$450 million in Federal monies for *community affairs*, the majority was given to housing authorities for public housing.

Federal funding to the State, after *human services* and transportation, contains a few policy areas where more than \$100 million in Federal monies were provided. They include *environmental protection* at \$187 million, *higher education* at \$144 million, and labor at \$135 million. Combined, these three areas constitute one-fifth of all Federal monies to the State. For each of these policy areas, the State has the major responsibility for administering programs and achieving objectives.

An examination of Federal monies to New Jersey for 1990 offers a portrayal of the larger national patterns we previously outlined. It reveals, above all, the preponderant orientation of the Federal Government, in its intergovernmental funding role, toward providing a social and economic safety net. *Of the \$3.8 billion in Federal monies, human services funding constituted somewhat less than half of the total, at about 45 percent (\$1.7 billion).* It is noteworthy that Medicaid comprised over two-thirds of Federal monies to *human services* at about \$1.2 billion. The remainder was comprised mainly of monies for *economic assistance*.

The orientation toward funding services for the poor is also reflected in Federal funding for *community affairs* activities which comprises over ten percent of total Federal monies. Over half of such Federal monies consists of programs for the indigent. The chief area of such funding is for public housing, which comprises over \$225 million of the approximately \$450 million amount.

It should be noted that there was over \$300 million of Federal monies to community affairs programs which bypassed the State entirely, going directly to New Jersey local governments. The chief recipient of such Federal funding were New Jersey housing authorities of about \$225 million, and municipalities who received the outstanding share of *Community Development Block Grant* monies at approximately \$90 million. A third area in which Federal funding is largely provided for the poorer members of society is in the area of *public education*, another important policy realm comprising ten percent of Federal funding to New Jersey. Of the total of approximately \$500 million, over half was for educational aid to disadvantaged youngsters.

COMPARISON INTERGOVERNMENTAL FUNDING TO LOCAL GOVERNMENTS IN NEW JERSEY

A comparison of intergovernmental funds given to municipal and county governments is instructive of intergovernmental commitments, revealing the policy emphasis and local government obligations of the State and Federal Governments. Though county governments received over \$700 million in monies from each of the Federal and State Governments, they received only 14 percent (\$778 million) of the State monies, while receiving \$706 million or roughly 50 percent of all Federal funding to New Jersey local governments. The sharpest differential between Federal and State funding to New Jersey local governments is in the educational field, with school districts receiving \$3.5 billion (61 percent of total) in State funding, in contrast with Federal monies of \$337 million (22 percent of Federal monies to New Jersey local governments).

One of the most glaring contrasts is in municipal funding. State monies to municipalities came to \$1.4 billion, 25 percent of State funding, while such Federal monies came to \$189 million—only 12 percent of Federal funding for New Jersey local governments. Another significant contrast between Federal and State funding concerns public authorities. While Federal monies to public authorities came to \$285 million for FY 1990, only \$18 million was provided in State monies. This contrast reflects the on-going Federal Government commitment to funding housing authorities, while the State made a relatively insignificant contribution to sewerage and other authorities in fiscal year 1990 (above discussion is based on Table III).

TABLE III COMPARISON FEDERAL AND STATE FUNDING TO NEW JERSEY LOCAL GOVERNMENTS FY 1990 (In Millions)				
Unit of Government	Federal Funding		State Funding	
	Amount	% Total	Amount	% Total
To Counties	\$ 706	47%	\$ 778	14%
To School Districts	337	22%	3,467	61%
To Authorities	285	19%	18	—
To Municipalities	189	12%	1,446	25%
TOTALS	\$1,517*	100%	\$5,734	100%
*Of this amount, about 80 percent, or \$1.2 billion passed through the State and about 20 percent, or \$300 million, went directly from the Federal Government to local governments.				

REVERSE AND INTERLOCAL FLOWS

Counterflows constitute monies collected by smaller units of government and distributed to larger units of government. In some areas, one unit of government serves as the tax collection agent of others; in other instances, smaller units of government participate in the benefits package offered public employees by the larger unit of government. The latter is the case for local government participation in state benefit packages for public employees.

Within New Jersey, total counterflows came to roughly \$3.5 billion for FY 1990. This figure encompasses: 1) county government collected monies sent to the State Government; 2) funds from all local government funds sent to the State Government; 3) Local government funds sent to both the State and Federal Governments; and 4) State and local government sent funds to the Federal Government.

The largest area of counterflows was monies collected by New Jersey State and local governments and sent to the Federal Government. The amount of estimated counterflows was around \$2.1 billion, of which the income tax withdrawals of New Jersey public employees came to \$1.2 billion and the Social Security withholding of the public employees came to \$900 million. In addition, New Jersey local governments sent about \$150 million to the Federal and State Government for recovery of mandated child support in situations where the care-giving parent is on AFDC and also for unemployment insurance collections.

There are various kinds of programs in place through which New Jersey localities funnel monies to the State. Chief among these are State benefit programs for public employees in which local governments participate on behalf of their employees. In total, counterflows of local government collected monies that were sent to the State came to about \$1.3 billion. Of this amount, payments for local public employee benefits constituted about \$750 million, or 60 percent, of the total. Large categories here included pensions costs for local government employees, at \$370 million, and health benefits of such employees, at \$385 million. In addition, localities' collection and remittance to the State of the withheld employee income tax amounted to \$235 million.

In addition to counterflows, there are also monies given from one local unit of government to another. We have identified three such programs of interlocal money flows which entail the interlocal distribution of about \$230 million. They encompassed, in fiscal year 1990, \$200 million for *sewer collection and disposal services*, \$25 million for *solid waste disposal*, and \$3 million for Mount Laurel housing obligation transfers. *Sewer collection and disposal costs* entail the collection of monies for such services by municipalities and the payment for them to regional sewerage authorities and county utilities authorities. *Solid waste disposal* entails municipal payments for solid waste disposal to counties for their landfills, transfer stations and resource recovery facilities.

RECOMMENDATIONS

As a consequence of the Commission's work on intergovernmental flows, we scrutinized the presentation of the State's annual budget document. As the official document on State financing, its mission is the reporting of the total amounts of

appropriated monies of State Government. The following constitutes the Report's recommendations to improve reporting within the *New Jersey Budget* so as to more accurately reflect the character of State and Federal aid and intergovernmental flows. Our recommendations are as follows:

RECOMMENDATION I: The Commission recommends that the *State Aid Section* of the budget be renamed *State Aid and Intergovernmental Transfers*. In line with this recommendation we also suggest the recommended changes that are to follow.

Adoption of this recommendation will enable the section of the New Jersey Budget dealing with State funding of New Jersey local governments to more fully reflect the flow of funds from the State to New Jersey local governments. In this report, the Commission has identified an additional two billion dollars of money flowing from the State to our local governments which is not now displayed in the existing *State Aid* section of the *New Jersey Budget*. It is in the interests of the Governor, the Legislature, New Jersey local governments, and the general public to properly understand the magnitude of such funding.

RECOMMENDATION II: The Commission recommends that the \$685 million of *Gross Receipts* funding to municipal government be distinctively treated in the new *State Aid and Intergovernmental Transfers Section*. *Gross Receipts* should be displayed in a unique category described as *Municipal Revenue Collected by the State for Municipal Purposes*.

This approach will clearly reflect the inherently municipal nature of these funds and the large amount of monies transmitted through this *intergovernmental account*. After the property tax, *Gross Receipts* is the single largest source of municipal revenue.

RECOMMENDATION III: The Commission recommends that Federal aid to local governments, that passes through the State, be displayed within the new *State Aid and Intergovernmental Transfers Section* of the budget.

Each individual item of such Federal aid would be displayed, under the appropriate set of functional categories that constitute *State Aid and Intergovernmental Transfers*. The State budget reporting practice is to display Federal funds below the line. Adoption of our recommendation would also entail the appropriate reduction of Federal aid under *Direct State Services*. For FY 1990, \$1.2 billion of such Federal aid moved through the State to New Jersey local governments.

RECOMMENDATION IV: The Commission recommends that special revenue and bond funds utilized by local governments be displayed in the new *State Aid and Intergovernmental Transfers Section*.

Such monies constitute large sources of State funding to local governments—coming to approximately \$200 million in FY 1990—and thus need to be noted. Our recommendation is for these individual items to be reported below the line on the appropriate page.

RECOMMENDATION V: The Commission recommends the transfer of the two budget items of *Purchase of Correction Services* and *Human Service Advisory Councils* from *Grants-In-Aid* to the new *State Aid And Intergovernmental Transfers Section* of the budget.

Both of these items are State funds to counties rather than funds which go predominately to the nonprofit sector. The *Purchase of Correctional Services*, which came to \$51 million in FY 1990 is intergovernmental funding, and *Advisory Council* monies, which came to nine million dollars, constitutes intergovernmental aid.

RECOMMENDATION VI: The Commission recommends that the State share of Medicaid monies provided to county operated nursing homes and to county psychiatric facilities be displayed, but not budgeted, in the new State Aid and Intergovernmental Transfers Section. All Medicaid funds would continue to be budgeted through the Grants-In-Aid portion of the budget.

It is the Commission's opinion that the amount of State Medicaid monies going to county nursing homes and county psychiatric facilities be displayed below the line in our recommended *State Aid and Intergovernmental Transfers Section*. Such monies came to \$54 million in FY 1990 and thus are worthy of inclusion. Second, the Medicaid breakout of appropriated monies, under the *Grants-In-Aid Section*, has a total amount for all nursing homes. The Commission recommends that the sub-category of Medicaid monies for county nursing homes be present separately, as is the entry for county psychiatric facilities, so as to reflect the intergovernmental character of the program. It should also be noted that there is another \$54 million of Federal aid from Medicaid for the nursing homes, plus another \$28 million of Federal Medicaid funds to county nursing homes through the *Peer Grouping Program*.

RECOMMENDATION VII: Any State aid funding, contained in the Property Tax Relief Fund and the Casino Revenue Fund, should also be displayed below the line in the State Aid and Intergovernmental Transfers portion of the budget.

Both of these categories of funds contain expenditures which constitute State aid or intergovernmental transfers, with the former comprising a significant share of such funding. In particular, the overwhelming share of the *Property Tax Relief Fund* is State aid for public education to the local school districts. Under the *Grants-In-Aid Section* of the *Casino Revenue Fund*, there are several sections, such as *Pharmaceutical Assistance to the Aged and Disabled* and Medicaid costs which are provided to county institutions, and thus should be placed in the new *State Aid and Intergovernmental Transfers Section*.

RECOMMENDATION VIII: The State Budget should display the amount of Federal funds going to New Jersey local governments which totally bypass the State.

Although these funds do not affect the State Budget process, they are very important to municipal and county governments, which are the recipients of Community Development Block Grants, and housing authorities, which receive the majority of their expenditures from the Federal Government. The Department of Community Affairs would monitor these programs and provide the previous years expenditure for these programs to Treasury for display in the State Budget. In 1990 \$226 million went to Housing Authorities and \$87 million came from the Community Development Block Grant.

CHAPTER I

PRIMARY AND SECONDARY EDUCATION

I. STATE FUNDING: PRIMARY AND SECONDARY EDUCATION

New Jersey's statewide public educational system rests upon a partnership between State Government and local school districts. While the prime responsibility for financing and providing primary and secondary education lies with local school districts, New Jersey Government, as do all other state governments, plays a central role in defining the standards and conditions which govern the operation of the local school districts as well as the financing of such local school districts. According to a study by Rutgers University's Bureau of Governmental Research, "total State school aid rose from 38 percent of all school expenditures in 1976-77 to more than 44 percent in 1985-86, but had dropped to 41 percent by 1989-90. Total State aid for schools fell from 33 percent of all State expenditures in 1976-77 to 30 percent in 1989-90."¹

The role of New Jersey Government in education is prescribed by the State Constitution, *Article VIII, Section IV*, which requires of the State that "... it provides for the maintenance and support of a thorough and efficient system of free public schools for the instruction of all children in the State between the ages of five and eighteen years." The *Public School Education Act* (1975), the definitive piece of public education legislation governing FY 1990 State expenditures for education, while recognizing the dominant role of local school districts in operating the educational system, formally acknowledges the need for State funding of public education so as "... to equalize Statewide the tax effort..." State educational efforts are under the purview of the State Board of Education and are carried out by New Jersey's Department of Education.

Local Role in Education

While it is important to note the State role, it needs to be emphasized that the operation and support of the schools is primarily a local matter. There are 603 operating school districts in the State which encompass a range of local, regional and county schools, including specialized schools.² At the county level, there are 20 county vocational schools in operation and four county special service districts; there are 32 *Type I* and 547 *Type II* school districts (which also includes 69 regional school districts serving 260 municipalities). Close to 2,300 schools exist, employing approximately 80,000 full-time teachers and about 2,600 superintendents and principals.

Public school enrollment, which has been declining the past number of years, is presently about 1,080,000. This contrast with an enrollment of approximately 1,200,000 in FY 1984. Approximately two-thirds of public school students are white, 18 percent black, about 11 percent Hispanic, and four percent Asian.

¹Rutgers University, Bureau of Government Research, *State Aid for Schools in New Jersey: 1976-1989*.

²There are 23 nonoperating school districts.

The total expended on public education within the State for FY 1990 was \$8.1 billion. Of this amount \$4.2 billion constituted locally raised educational revenue. In contrast, the State provided \$3.6 billion and the Federal Government provides \$300 million.

TABLE I-I
REVENUE SOURCES FOR PUBLIC EDUCATION
WITHIN NEW JERSEY
FY 1990

Category	Amount (Billions)	Percent Total
TOTAL	\$8.1	100%
Locally Raised Revenue	4.2	52%
State Aid	3.6	44%
Federal Aid	0.3	4%

Average expenditure per student was approximately \$7,500 per year. Of this amount, State financial support per pupil approached \$3,500. State financial support per student has experienced a steady rise, increasing from about \$1,900 per student for FY 1984 to about \$3,500 per student for FY 1988.

Past comparisons with neighboring states reveal a strong tradition of support for public education in the State. By FY 1988, New Jersey had surpassed the states of Delaware, New York, Pennsylvania, Massachusetts, and Connecticut in its expenditures per public school student.

The 1991 Changes—The Quality Education Act

One of the major changes under the Florio Administration, which constitutes a shift of great importance in State aid for education, is the July 1990 passage of the *New Jersey Quality Education Act*, with its amended version of March 1991 serving as the basis for the Act. The law, which took effect in the FY 1992 school year, establishes a new formula for the distribution of State aid for public education. The purposes of the new law are twofold: 1) to make more equitable educational opportunities for students from poorer school districts and 2) to lessen the dependence of local governments on the property tax as a revenue source.

Spurred by the New Jersey Supreme Court ruling in *Abbott v. Burke* that the current school aid formula doesn't distribute funds fairly and that the current reliance on the property tax sharply disadvantages the poorer school districts, a new formula was devised to reduce these inequities. In FY 1990, nearly \$5,000 per pupil separated the lowest spending (5th percentile) districts from the highest spending (95th percentile) districts. Moreover, the poorest districts were taxing themselves at much higher rates than the more affluent districts in order to meet State standards. The difference

I-I MUNICIPALITIES WITH TYPE I SCHOOL DISTRICTS

ATLANTIC COUNTY
C-Atlantic City, City
C-Brigantine, City
Corbin City, City
C-Egg Harbor City, City
C-Linwood City, City
C-Margate City, City
Port Republic, City
C-Ventnor City, City

BERGEN COUNTY
C-Englewood, City
Hackensack, City

BURLINGTON COUNTY
C-Beverly, City
Burlington City, City

CAPE MAY COUNTY
Sea Isle City, City

CUMBERLAND COUNTY
Millville, City

ESSEX COUNTY
C-East Orange, City
Montclair, Town
Orange, City

HUDSON COUNTY
Bayonne, City
Guttenberg, Town
Harrison, Town
Hoboken, City
C-Jersey City, City
West New York, Town

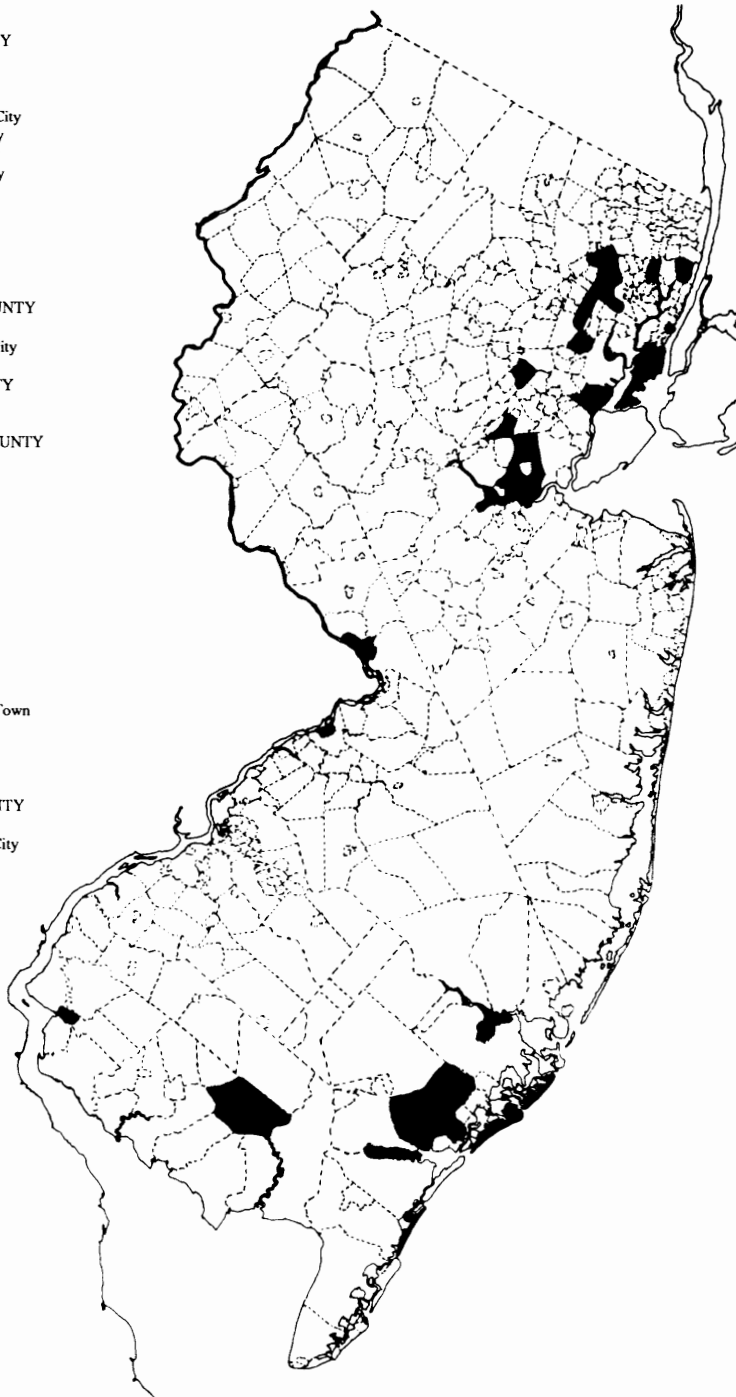
MERCER COUNTY
Trenton, City

MIDDLESEX COUNTY
C-Edison Township
C-New Brunswick, City

PASSAIC COUNTY
Clifton, City
C-Paterson, City

SALEM COUNTY
Salem, City

UNION COUNTY
C-Elizabeth, City
Plainfield, City
C-Summit, City



in per pupil property wealth between Princeton and Trenton, as an example, was almost 10 to one. As a result, Trenton's property tax rate was almost twice that of Princeton's, yet its educational expenditures per pupil were much lower.

The incorporation of *Quality Education Act* (QEA) monies into the FY 1992 budget resulted in total State aid for education, for that year, of \$4.3 billion, of which about \$700 million is additional *Quality Education Act* monies. It should be noted that amendments to the law also provides almost \$400 million in municipal aid that will be used for property tax relief. Local school districts are the recipients of the *Quality Education Act* monies, with funding formulae determining the amount of *foundation aid* and categorical aid for each school district.

The foundation formula ensures that every student's education is supported by relative equity in educational resources regardless of the fiscal capacity of the district. The State defines a *foundation level* and *foundation weights* that reflect the costs of an education at various grade levels. In this regard, \$6,640 represents the base cost for an elementary program, with high school programs typically costing 33 percent more. A high school student thus would generate \$8,831 in state and local *foundation* support. Multiplying the *foundation level* times the grade weights, and that product times the enrollment at each grade level, produces each district's *foundation budget*.

Local districts contribute a levy based on their capacity to raise revenues according to a prescribed formula. *Foundation aid* is the difference between the *foundation budget* and the local levy, as determined by the formula. If a district can raise more than the *foundation budget* according to the prescribed formula, the district receives no *foundation aid*.

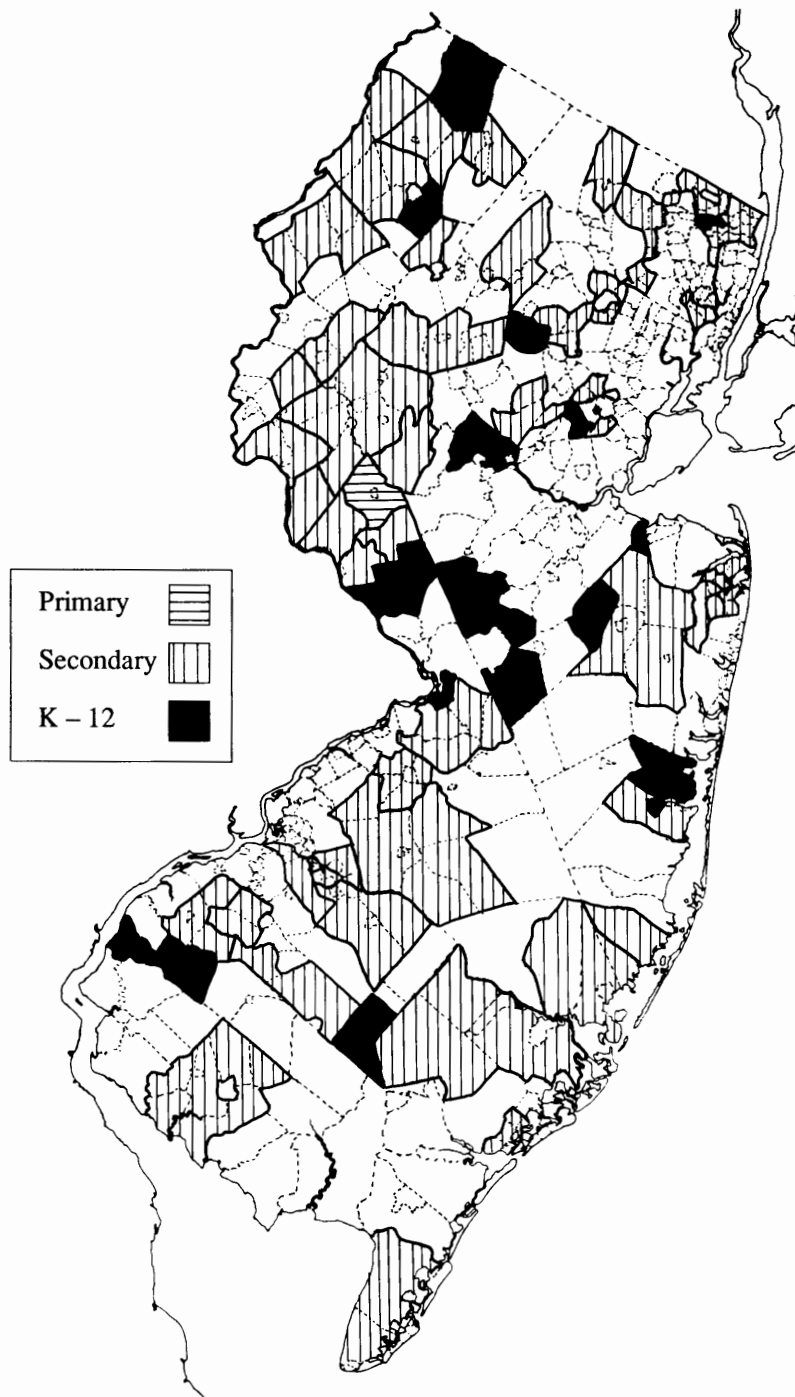
Special Needs Districts

In the *Abbott v. Burke* decision, the Supreme Court ordered that spending in the poorest urban school districts be raised to the level of spending in the wealthiest school districts. To meet this standard, all of the poorest urban districts are designated in the new law as *special needs districts*. Twenty-nine urban districts met the State's criteria for this designation. Districts in which 15 percent or more of the pupils are eligible for AFDC and in which the number of such pupils exceeds 1,000 are also designated as *special needs districts*. There are now a total of thirty special needs districts.

Under the new law, *special needs districts* receive additional funding in order to ensure that the Court standard is met by 1996. Their *foundation grade weights* will be raised by an additional five percent which will increase their *foundation aid*. The Commissioner of Education will review their progress toward parity every two years and will make recommendations about continuing, increasing, or decreasing this additional State aid.

Special needs districts will be visited by teams of experts selected by the Commissioner of Education in the Fall of FY 1991. The teams will review the programs in place in each district and will make recommendations to the Superintendent as to the best allocations of the new State aid.

I-II
REGIONAL SCHOOL DISTRICTS



It is possible that a *special needs district* would be unable to utilize all of the funds available through its tax levy and State aid. Therefore, for FY 1992 and FY 1993, if the Commissioner of Education or the Board of Education of a *special needs district* determines that the district cannot use all of the additional State aid it will receive under QEA, the Commissioner, or the Board of Education with the approval of the Commissioner, may place up to 20 percent of the additional State aid in a special escrow account.

A *special needs district* exercising this option may, with the approval of the Commissioner, withdraw and expend funds from its escrow account at any time. The district must present a plan to the Commissioner designating that the funds will be used for operating expenses or the renovation and repair of educational facilities. A district placing State aid in an escrow account will not experience a deduction in current year State aid when the funds are expended.

Among the areas of State financial support encompassed by *foundation aid* are teachers' salaries, administration costs, educational supplies, support services, capital outlay, maintenance, utilities, adult high schools, as well as out-of-district tuition. Each local school district operates under a *maximum foundation budget* which constitutes the limit at which local school districts will generate State aid for their costs. The aid amount to be remunerated to each school district for these designated educational components is determined by the computed amount per student multiplied by the enrollment. Also part of the *maximum foundation budget* is a *facilities component* for the maintenance and capital outlay of school facilities. This has been calculated at \$107 per student for FY 1992.

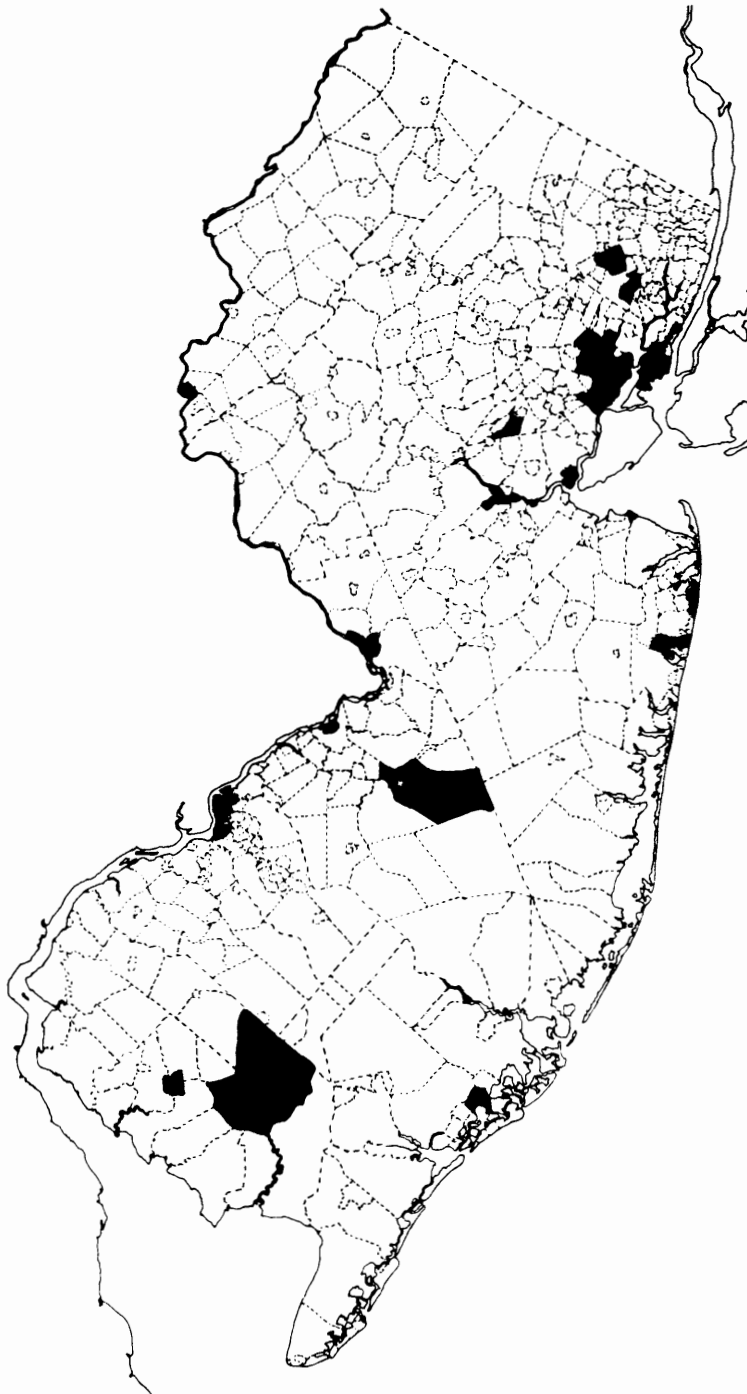
Calculation of a district's maximum foundation budget is as follows:

1. Determine the district's base foundation budget:

a. resident enrollment in each grade or program category	× appropriate foundation weight	= foundation aid units
b. foundation aid units	× foundation amount (\$6,640)	= base foundation budget
2. Determine the district's facilities component:
adjusted resident × \$107 = facilities component enrollment
3. Determine the maximum foundation budget:
base foundation budget + facilities component = maximum foundation budget

The base for *foundation aid* was established by setting the cost for educating the average elementary child in grades K1-5 at \$6,640. To reflect the higher costs of educating secondary school students, the calculated cost is increased by ten percent, to \$7,304, for middle school students, and by 33 percent for high school students, to \$8,831. County vocational school districts will be eligible for their own State *foundation aid*, which is increased by 33 percent from the base aid to yield a student annual average of \$8,831.

I-III
SPECIAL NEEDS SCHOOL DISTRICTS UNDER FOUNDATION AID



Local Fair Share

One of the major goals of the *Quality Education Act* is to diminish inequalities for expenditures for public education throughout the State. A determination is made by the State of each school district's ability to raise monies to support its *maximum foundation budget*, based on the two equally weighted factors of local *property wealth* and *aggregated income*. The calculated amount constitutes a district's local *fair share* —the amount which local school districts are expected to raise by themselves. There is no State requirement that school districts must tax up to their *fair share* amount in order to receive the full *foundation aid* amount from the State. School districts may also tax above the *fair share* amount. The State pays foundation aid based on the difference between a district's *maximum foundation budget* and its local *fair share*, with a deduction for excess surplus (savings) held by a district.

Fair share will be determined differently for *special needs districts*. In FY 1992, their local share will be calculated in the prescribed manner as all other districts. However, *special needs districts* must tax at their local *fair share* amount or their FY 1991 tax levy, whichever is less. This option will apply until FY 1996 when they will be required to tax at the *fair share*.

Beginning in FY 1993 the local *fair share* amount for *special needs districts* will be calculated in one of two ways:

- in the same manner as for all other districts; or
- the districts equalized valuation, multiplied by the State average equalized school tax rate increased by a percentage established in the law.

The method which results in the lesser amount will be employed. The percentage above the State average equalized valuation which is applied will decrease each year through FY 1996, so that by FY 1997 these districts will tax at the State average rate.

Those school districts which will receive less State aid as a result of the adoption of the *Quality Education Act* will receive *transition aid* to phase in the impact of the new law over four years. The aid amount will be guaranteed to ensure that all districts receive more State aid in FY 1992 than in FY 1991. Over the next four years *transition aid* will be phased out at a rate of 25 percent each year, with its complete elimination in FY 1996.

Under the *Quality Education Act*, the State will pay the employers' share of local pension and Social Security obligations through a separate aid program for 1992 and 1993 school years. Notwithstanding future changes, in 1994 and beyond, these costs will be a regular part of the *foundation budget*, funded by *foundation aid*.

The adoption of the *foundation budget* will effect sharp changes in State aid. Such changes can be gleaned from a comparison of the estimated FY 1991 and 1992 State educational aid budgets. State aid to the public schools now falls into seven categories. These categories and their funding levels for FY 1991 are:

TABLE I-II
PROGRAMS OF STATE AID FOR EDUCATION
FY 1991

Category	Amount (In Millions)
General Formula Aid:	
Equalization Aid	\$1,653
Minimum Aid	148
Pensions and FICA	899
Categorical Aid*	513
Special Education	\$312
Compensatory Education	151
Bilingual Education	37
Local Vocational	8
Transportation Aid	200
Debt Service	93
Miscellaneous Aids	137
TOTALS	\$3,643
*It should be noted that the sources of data for the general category of category aids and the individual program categories are different and thus the numbers are not consistent.	

Only 48 percent of this current aid is distributed based on the local capacity to pay.

The introduction of *foundation aid* in FY 1992 is expected to provide the following aid breakdown for that year:

TABLE I-III
PROGRAMS OF STATE AID TO EDUCATION
FY 1992

Category	Amount (In Millions)
Foundation Aid	\$2,060
Pension & Social Security Benefits	939
Transition Aid	115
Special Education Aid	529
Transportation Aid	248
Debt Service Aid	76
Other Aid*	311
TOTAL	\$4,279**
*Included here are <i>At-Risk Pupil Aid</i> , <i>Vocational Aid</i> , and <i>Bilingual Education Aid</i> .	
**Because of rounding-off the numbers do not total.	

The adoption of the *foundation aid* formula will effect the following changes:

1. *Equalization aid* will be replaced by *foundation aid*.
2. *Minimum aid* will be eliminated because the Supreme Court found it to be unconstitutional.
3. A new categorical program for at-risk students will be created and the current compensatory education program will be eliminated. In its place, aid for at-risk students will be distributed on the basis of the number of students eligible for free lunch or free milk.
4. *Bilingual education* will be maintained as a separate categorical program to meet the needs of children with limited English proficiency.
5. *Special education* aid will be continued to all districts in order to meet the State's obligations to handicapped children.
6. *Transportation aid* will be continued for all districts and will cover 100 percent of the expected current year costs.
7. Debt service will be continued as a separate funding program with the State share to be the same as the State share of the local foundation budget.
8. County vocational school and special service districts will receive *foundation aid* directly.
9. Aid for adult education and non-public schools will be continued.

Determination of the appropriate *foundation level* for the new formula were based on the following: presence of adequate support staff and specialists, class sizes of 25 or under, test results above the State standards, and course offerings including honors and AP courses, art and music programs, and electives.

The weights and amount per student used in the new formula to compensate for basic program costs in FY 1992 will be:

<u>Grade</u>	<u>Foundation Weight</u>	<u>Weighted Amount</u>
1) Preschool/half-day Kindergarten	0.5	\$3,320
2) Preschool/full-day Kindergarten	1.0	6,640
3) Elementary Student (K-5)	1.0	6,640
3) Middle School Student (6-8)	1.1	7,304
4) High School Student (9-12)	1.33	8,831
5) Adult High School Student	0.5	3,320
6) County Vocational School Student	1.33	8,831

In the 1992 school year, total State aid under the new program will be \$4.3 billion. The new *foundation formula* also distributes this aid more equitably because it uses both property value and personal income to determine a district's capacity to raise money for public education. The new formula gives equal weight to both measures.

The new school aid formula will reduce the disparity in per pupil spending between the *special needs districts* and the wealthiest districts from \$1,700 per pupil in FY 1991 to somewhere under \$1,500 in FY 1992. The intention is spending parity with wealthier districts for the entire group of *special needs districts* by FY 1996. Some of the *special needs districts* will achieve parity earlier than FY 1996. All districts will receive more State aid in FY 1992 than they did in FY 1991. If the sum of transportation, categorical, and *foundation aid* allocated to a district is less than the total amount of State aid, including teachers' pensions and Social Security, received in FY 1991 and inflated by 6.5 percent, the district will receive an amount equal to this difference in transition aid.

Both the total amount of State aid to education and the *foundation level* will increase from year to year to cover increases in the operating costs of school districts. The total amount of State aid to education will increase each year by a percentage equal to the three year average change in state per capita income (PCI) plus one percent. It is estimated this will be 8.5 percent for FY 1993.

The *foundation level* will be increased annually at a rate equal to the three year average increase in *per capita income* (PCI). The one percent gap between the growth in total state aid and the growth in the *foundation levels* will allow for enrollment increases and changes in weights.

After review of the issue of local leeway, it was decided that there was no justification for setting a limit to how much districts could spend above the *foundation budget* levels. However, it was decided a spending cap will be set on local school budgets in order to control growth in local property taxes.

Budget Caps

The State will control annual school district spending growth through budget caps. Under the amended *Quality Education Act*, all school district's are subject to budget caps. Budget caps serve several purposes: they limit annual growth in local property taxes, promote cost effectiveness, and control the overall increases in school spending. A school district's budget cap is a percentage limitation on yearly increases in a district's net budget. The net budget is defined as the sum of foundation aid, all categorical aid, transition aid, transportation aid and the current expense and capital outlay tax levies.

Districts will be capped at annual increases between 7.5 and nine percent. However, *special needs districts* are subject to an *equity spending cap* which will allow these districts to increase annual spending beyond the budget cap maximum of nine percent so as to enable them to achieve spending parity with the State's wealthiest districts by 1996.

Finally, the new law will permit districts to spend below their *foundation budget* levels if they can meet all State standards. This policy recognizes the wide variations in costs across the State and emphasizes results. A second provision in the new law applies to all districts whose foundation budgets increase by more than ten percent in a given year. They are required to show how any increases above ten percent will be used to improve the quality of their programs or expand the breadth of their curricula and services.

STATE FUNDING—PRIMARY AND SECONDARY EDUCATION
FY 1990
(In Millions)

	D I S S C T R I B U T I O N S	C O U N T Y	T O T A L
General Formula Aid			
Municipal School Districts	\$1,768		\$1,768
County Vocational Schools		\$ 46	46
County Special Services Districts		29	29
Categorical Aid and Grants-in-Aid:			
Teachers' Pension & Retirement	805	24 ³	829
Social Security			\$312.5
Teachers' Pension and Annuity Fund			516.5
Special Education—Projects for Handicapped	305	7	312
Pupil Transportation Aid	199	1	200
Compensatory Education (Formula)	149	2	151
School Building Aid/Debt Service	89	4	93
Bilingual Education	37	.4	37
Nonpublic School Aid (Excludes asbestos)	34		34
Projects for Handicapped Infants	13		13
Local Vocational Education	8		8
General Vocational Aid	8		8
School Nutrition	7		7
Adult & Continuing Education	5		5
Aid for Asbestos Removal	5		5
Minimum Teacher Starting Salary	5		5
Public School Safety	2	.1	2
Prekindergarten for Urban Students	3		3
Broad Based Component—Urban Initiative	2		2
Other State Aid			2
Library Services	13.7	2.3	16
TOTAL PUBLIC EDUCATION	\$3,458	\$116	\$3,575

³This number is an estimate based on the proportion of county vocational school teachers to the total N.J. teacher population, which we have calculated to be 2.9 percent.

ANALYSIS: PRIMARY AND SECONDARY EDUCATION FY 1990

State aid for public education, as the largest category of New Jersey Government aid to localities, reflects the commitment of the State to the education of its young. Its importance as an area of State responsibility is also reflected in the fact that there has been sizable and steady growth in State aid for education the past fourteen years, particularly in those programmatic areas that are oriented toward the underprivileged. Total State aid for schools has grown at an annual rate of 9.5 percent the past 13 years. However, when examined as a component of total State expenditures, State aid for schools has fallen from 33 percent of all State expenditures in FY 1977 to 30 percent in FY 1990. For FY 1990, State aid was approximately \$3.6 billion.

State aid goes overwhelmingly for municipally based school districts. Of the total, municipally based school districts received 97 percent of State aid with county based school units receiving only three percent. While the majority of categories are *restricted aid*, with programmatic expenditure requirements for the institutional recipients, the categories that are *unrestricted aid*—*equalization aid*, *transportation aid*, and *special education aid*—comprise 65 percent of all State aid.

Of the approximately 20 separate programs, *equalization aid* is by far the largest, constituting slightly over 50 percent of total State aid. The financial dominance of this category is strongly indicative of an overall State commitment to equity in education. In sequence of size of State aid, the following categories of State aid are: *teachers' pension and retirement funding*—23 percent (teachers' pension costs have grown at over 11 percent per year; *special education*—nine percent; *pupil transportation*—six percent; and *compensatory education*—four percent. These five categories of State aid, together, comprise about 90 percent of the overall aid provided by New Jersey to local school units. Thus, the distribution of State aid is concentrated, with less than half a dozen categories constituting the bulk of State aid. State aid categories which are ancillary to the educational process, such as teachers' pensions, pupil transportation aid, and building construction aid, comprise nearly a third of total State aid for education. About half of the State funded programs are small in their financial outlays, coming to less than \$10 million each.

A purview of State aid for public education since FY 1977 reveals that the amount of State Government aid in the 1977-90 interval has grown by approximately 220 percent (see Table I-IV). For FY 1977, State aid for education totaled over \$1.1 billion; by FY 1990 it had risen to around \$3.6 billion. When viewed in terms of the annual growth rate in the interval FY 1977-90, the rise in total State aid for education has generally averaged around ten percent.

The highest expenditure category, *equalization aid*, has had increases in the amount of State aid for the FY 1977 to 1990 period of 191 percent. Of the other three major expenditure programs, *special education*, *compensatory education*, and *transportation aid*, their increases for the given time period were 322 percent, 356 percent, and 157 percent respectively. *Compensatory education* is thus the fastest-growing of the major categories.

Aid for debt service and capital outlay has remained an unsubstantial and slow-growth section of State aid for education, increasing at an annual average of 5.5

TABLE I-IV
STATE SCHOOL AID BY PROGRAM 1977 TO 1990
(In Millions)

Year	Equaliza- tion Aid	Special Education	Compensa- tory Education	Bilingual Education	Local Vocational	Building Aids	Transporta- tion Aid	Other State Aids	Total State Aid
FY 77	\$ 622,733	\$ 74,000	\$ 33,003	\$ 4,537	\$ 4,077	\$48,304	\$ 77,914	\$267,457	\$1,132,025
FY 78	\$ 672,500	\$ 73,000	\$ 57,000	\$ 6,100	\$ 5,000	\$53,300	\$ 86,616	\$304,335	\$1,257,851
FY 79	\$ 727,575	\$ 87,225	\$ 67,923	\$ 6,899	\$ 5,954	\$54,588	\$ 89,851	\$340,053	\$1,380,068
FY 80	\$ 782,131	\$ 93,472	\$ 68,505	\$ 6,691	\$ 7,258	\$60,001	\$ 94,421	\$377,634	\$1,490,113
FY 81	\$ 834,067	\$116,868	\$ 68,461	\$ 9,249	\$ 8,549	\$59,169	\$ 94,420	\$421,251	\$1,612,034
FY 82	\$ 926,149	\$137,886	\$ 59,965	\$11,030	\$ 8,549	\$61,491	\$109,500	\$487,522	\$1,802,092
FY 83	\$1,017,910	\$165,772	\$ 80,053	\$13,384	\$11,319	\$63,197	\$115,133	\$527,362	\$1,994,130
FY 84	\$1,108,119	\$191,674	\$ 80,053	\$14,722	\$ 7,836	\$67,326	\$115,133	\$585,939	\$2,170,802
FY 85	\$1,217,001	\$206,076	\$ 88,058	\$21,195	\$ 7,644	\$75,742	\$128,633	\$648,611	\$2,392,960
FY 86	\$1,346,113	\$228,326	\$104,966	\$26,363	\$ 8,094	\$79,787	\$155,191	\$728,799	\$2,677,639
FY 87	\$1,430,814	\$250,684	\$110,176	\$26,948	\$ 7,966	\$82,698	\$157,191	\$840,378	\$2,906,855
FY 88	\$1,553,391	\$272,665	\$148,909	\$30,434	\$ 7,884	\$81,864	\$179,116	\$876,724	\$3,150,987
FY 89	\$1,749,630	\$301,888	\$155,034	\$34,351	\$ 8,605	\$90,777	\$194,452	\$888,772	\$3,423,509
FY 90	\$1,814,677	\$312,413	\$150,726	\$36,893	\$ 8,127	\$93,016	\$200,118	\$970,932	\$3,587,902
% change	191%	322%	357%	713%	99%	93%	157%	263%	217%

percent. In contrast, the various categorical aid areas constitute about 15 percent of the total and have had the fastest growth rate of State educational aid at over 12 percent per year. Included within categorical aid are *special education* aid (12 percent annually), *compensatory education* aid (about 12 percent annually), *bilingual education* aid (over 17 percent annually), and *local vocational* aid (over 5 percent annually).⁴

Of the two categories which most reflect a commitment to educational aid for poorer school districts, *equalization aid* and *compensatory education*, their combined growth over the FY 1977-1990 has been from \$656 million to approximately \$2 billion. This increase, while substantial, constitutes a growth of around 200 percent, a figure below the overall growth rate for all education aid which is at 220 percent. In fact, these combined categories, as a reflection of aid slanted toward poorer school districts, have decreased as a percentage of overall school aid from 58 percent of the total provided in FY 1977 to 55 percent in FY 1990.

In summary, the expenditure patterns for State aid to public education reveal a policy area in which there is substantial State Government commitment. The amounts expended have continued to increase on a regular basis over the past 14 years, with the Legislature recently enacting a billion dollar increase through the *Quality Education Act*, effective for FY 1992.

⁴Rutgers University, Bureau of Government Research, *State Aid for School in New Jersey: 1976-1989*.

PROGRAM DESCRIPTIONS: PRIMARY AND SECONDARY EDUCATION FY 1990

General Formula Aid

This program was the State's largest recipient of financial aid for any of the categories until it was supplanted by the *Quality Education Act* in FY 1992. It provided general support for public elementary and secondary education. Its objective was to equalize the resources available to all school districts by partially underwriting operating costs. Support was provided to all local districts in inverse proportion to the district's property worth. Operating costs include the salaries of staff and teachers, fuel costs, school supplies, monies for the transportation of pupils, the tuition of pupils attending schools in other districts with the consent of the board, school libraries, insurance, repairs and refurbishing of school buildings and equipment.

The State's annual contribution to each district is determined by the following formula:

- a. Division of the district's equalized valuation per pupil by the State guaranteed valuation per pupil and subtracting the quotient from 1.0 to obtain the district's State support ratio.
- b. Multiplication of the district's State support ratio by either the net current expense budget for the pre-budget year or the product of the resident enrollment and the State support limit (whichever is smaller). The amount obtained constitutes current annual expense equalization support.

There was a minimum aid level for State support. State monies for *General Formula Aid* come out of the *Property Tax Relief Fund*, which is a fund for the expenditure of monies collected by the State income tax. With New Jersey having a public school enrollment of over one million students, such aid averaged more than \$1,800 per student.

For Fiscal Year 1986, the poorest 67 school districts, out of a total of 603 school districts in New Jersey, derived approximately 40 percent of their total school revenues from *equalization support*, and approximately 58 percent of their total revenue from Federal and State sources; the richest 32 school districts, conversely, received three percent of their total revenues from *equalization support* and about 11 percent of their total revenues from Federal and State aid. Municipally based school districts received \$1,768 million of *General Formula Aid* monies in FY 1990 and county based school districts received \$75 million. Of the latter total, county vocational schools received \$46 million and county special services districts received \$29 million.

Teachers' Pensions and Social Security

The State provides the complete employer's share of this fund. With the exception of optional participation by/for a designated subpopulation, based on age and other status criteria, all public school teachers are required to contribute to the fund. Of the \$828 million estimated for FY 1990, \$312 million is projected to come from the

Property Tax Relief Fund. This amount covers the *Social Security* contribution for each employee in the public school system.

Special Education—Projects for Handicapped Infants

Special Education aid provides financial assistance for pupils who are enrolled in programs for handicapped pupils pursuant to *Chapter 46 of Title 18A* of the New Jersey statutes. This program makes available categorical aid for the additional expense incurred in providing individualized educational programs to children in the following categories of special education: trainable, perceptually impaired, orthopedically handicapped, neurologically handicapped, visually handicapped, auditorily handicapped, communication handicapped, emotionally disturbed, socially maladjusted, chronically ill, multiple handicapped, and pre-school handicapped. Categorical aid is also provided for approved private school tuition, supplementary and speech instruction resource rooms, home instruction, and children in county special service school districts.

The program underwrites technical assistance to local educational agencies for handicapped children, pre-school through grade 12. The aid received by a district is determined by the numbers of children in a category, the additional cost factor for each category, and the prior year's State average net current expense budget per pupil. For State fiscal year 1988, approximately 180,000 pupils participated in the program.

Pupil Transportation Aid

Transportation Aid is paid for pupils whose residence is not close to their school. The district's board of education makes rules and contracts for the transportation of pupils to and from school, including the transportation of school pupils from nonpublic schools that are not operated for profit. Aid is paid to local school districts for 90 percent of the approved cost of transportation provided or purchased for public school students. A similar percentage is paid for approved remote transportation of nonpublic school students, subject to special mileage and cost limitations. For State fiscal year 1988, there were approximately 660,000 students participating in the transportation program.

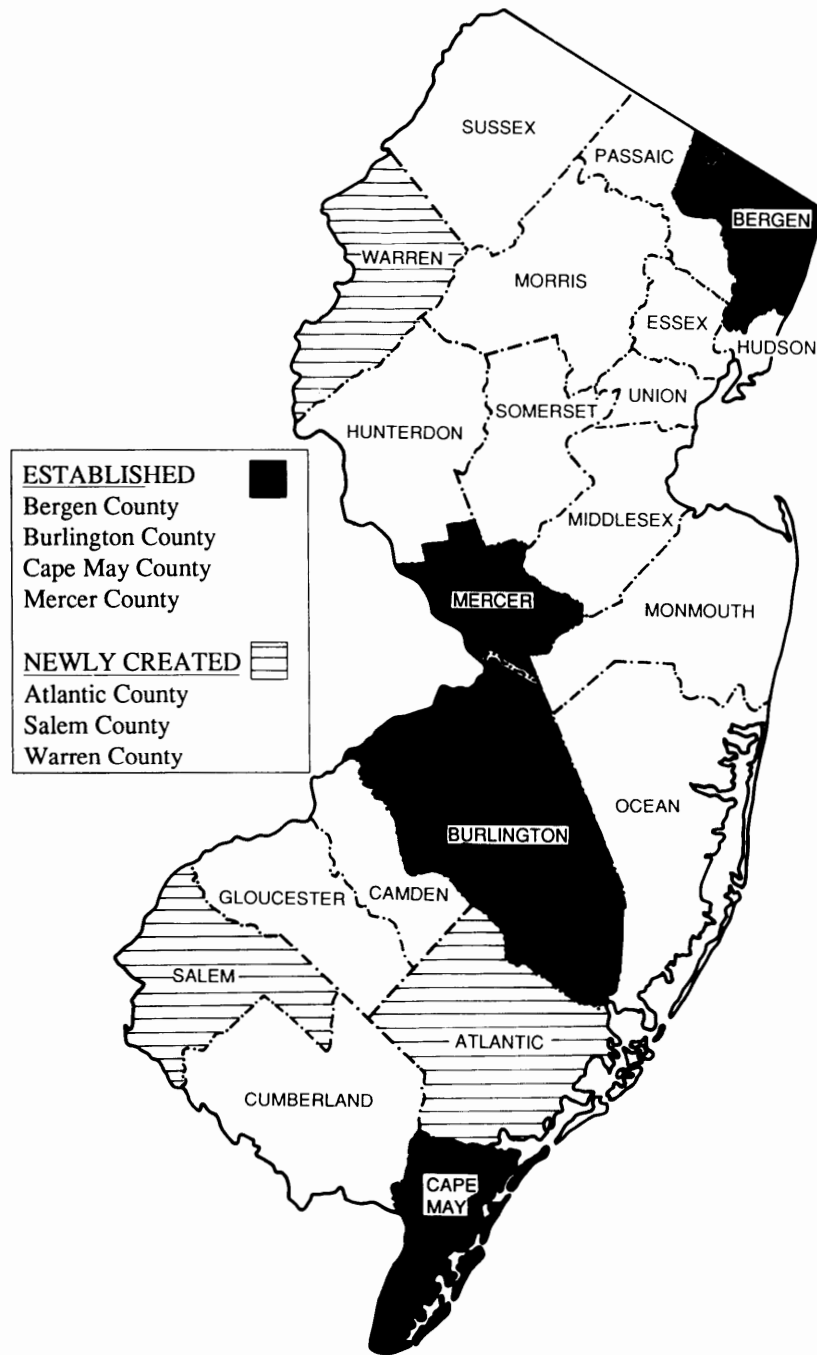
Compensatory Education

State Compensatory Education Aid is provided for pupils enrolled in preventive and remedial programs, supplemental to the regular programs, that are approved by the State Board. It is designed to assist pupils who have academic or socio-economic disadvantages that hinder their success in regular school programs.

There are two components to *Compensatory Education*: *State Compensatory Education* and *Aid to the Programs for the Disadvantaged*. Under *State Compensatory Education*, funds are provided as categorical aid for the additional costs incurred by local districts in operating compensatory education programs. Fund eligibility is determined by the number of students enrolled in an approved remedial or preventive program, and the aid is calculated according to a formula.

Regarding *Aid to the Disadvantaged*, financial assistance is provided by the State, in conjunction with *Chapter One of the Federal Education Consolidation and Improve-*

I-IV
COUNTY SPECIAL SERVICE SCHOOL DISTRICTS



ment Act, through non-matching formula allocations to eligible, local, public educational agencies based on the percentage of low-income children who reside in the district. Each school district is required to develop a program based on the assessed needs of the educationally disadvantaged children who reside in eligible low-income areas. Grants are then made to local schools to run varied kinds of remedial language and mathematical classes.

School Building Aid/Debt Service

This program provides funding, upon the approval of the Commissioner of the Department of Education, for the payment of principal and interest for school bonds and other obligations issued to finance the acquisition of school sites and the acquisition, construction, reconstruction or refurbishing of school buildings. Additional *State School Building Aid* may also be available for those school districts that are financially distressed and serve a disadvantaged student population. A district's State support equals the total of its net debt service and budgeted capital outlay for the pre-budget year, multiplied by its current expense State support ratio. On average, the State pays about 25 percent of a school district's debt.

Bilingual Education

Categorical aid, upon local program approval by the State Board, is provided to local districts for the additional costs of educating students with limited English proficiency. The aid is for both program support and technical assistance. Funds are provided to school districts with 20 or more students, of varied language backgrounds, with limited English proficiency, and in school districts with less than 20 students with limited English proficiency who are enrolled in an approved *English as a Second Language Program*. For fiscal year 1988, over 34,000 students participated in this program.

Nonpublic School Aid

Each school district's board of education is required to provide various services to nonpublic schools located within their boundaries. These services include: *auxiliary services aid*—which consists of compensatory education, supplementary instruction, home instruction, and supportive services for achieving proficiency in the English language; *handicapped aid*—which entails the identification, examination, and classification of potentially handicapped pupils and the services of a speech correctionist for pupils classified as having a speech disorder; and *transportation aid* for those nonpublic school children meeting eligibility criteria for school transport.

County Special Services

This State program provides funding for county-wide school districts specializing in the education of handicapped school children, whether emotionally disturbed or mentally/physically handicapped. In 1986, there were four such county-wide school districts—in Bergen, Burlington, Cape May, Mercer—with additional schools in the counties of Atlantic formed since then, and Salem and Warren becoming operational next year. A formula is in place for such special service district funding, with the State paying 67 percent of the school's net budget, county derived taxes paying for 17.5

percent, and tuition paying 15 percent. Tuition rates are the same for all pupils whether they reside in or out of the county in which the county special services district is located. Tuition rates are determined by dividing the 1.5 percent budget share by the number of pupils enrolled.

Projects for Handicapped Infants

This Act provides special education programs and services for handicapped infants, birth through two years of age. In FY 1988, over 4,000 infants were recipients of the provided services.

Local Vocational Education

Local Vocational Education Aid is paid to local school districts that meet the criteria for being designated local area, vocational, technical schools. A cost formula determines the amount of aid which each school district receives. The money is used to assist school districts with the cost of general operations. For State fiscal year 1988, over 7,000 students statewide were served by this program.

General Vocational Aid

These programs operate from State matching funds to Federal monies made available under the *Carl Perkins Act* (PL 98524). The purpose is to encourage innovation, pilot projects, as well as student apprenticeships in vocational education, with the funds going to county vocational schools and local school districts. A smaller program is *District and Regional Vocational Education*. Its purpose is to provide training for unemployed and underemployed adults with the bulk of such activities taking place in county vocational schools.

School Nutrition (School Lunch Aid)

This lunch program is provided to public and non-public schools, residential and non-residential child care institutions, day care centers, recreation centers and other institutions that qualify for this aid. All meals served to children are subsidized by both State and Federal funds. Federal funds make up about 90 percent of total funding. Prices paid by students depend on family size and income. A *Type A* lunch is provided for children from families without financial need. Either a reduced price or free lunch is provided for children from low-income families.

Public schools are reimbursed for *Type A* lunches under a State reimbursement rate of three cents per lunch. State funds provide cash reimbursements for all *Type A* lunches served as well as for those lunches served free or at a reduced rate. Student eligibility for a free or reduced rate lunch is dependent upon family income. State funds for free or reduced price lunches are at a rate of 8.4 cents per lunch.

Adult & Continuing Education

Five activities comprise this general classification. Their purpose is to ensure that adults, 16 years of age or over, achieve general literacy. State funds provide the matching share required under the Federal aid grant for *Adult Basic Education*. Under the *High School Equivalency* program, funds are provided to school districts and

other agencies to assist those students, without a high school diploma, achieve the academic skills necessary to pass the *General Educational Development* test, thereby earning a high school diploma.

The *Adult Literacy Program* provides the ten percent matching share required under the Federal aid grant for *Adult Basic Education*. Grants are made available to local educational agencies for adult literacy instructional programs and to four *Adult Education Resources Centers* for teacher training and monitoring of local instructional programs. The *Urban Dropout Program* provides funds to local educational agencies, which then use the funds to help high school dropouts from age 16 to 25 gain their graduate equivalency degrees. Recipients of *Urban Dropout Program* aid also learn marketable skills through community service work.

Any school district's board of education may establish an adult education program and as such utilize the school facilities of the district. Upon approval of the courses to be offered by the Commissioner and the State Board, technical and financial assistance of up to \$12,000 per school district is provided by the State.

Aid for Asbestos Removal

This program distributes financial assistance to school districts seeking to remove materials containing asbestos that present current or potential health hazards in schools. Districts are entitled to receive a reimbursement equal to 75 percent of its approved local expenditures after deducting state aid paid or due.

Minimum Teacher Starting Salary (Teacher Quality Improvement Act)

This program raised all teachers' starting salaries to a minimum of \$18,500 in the school year 1985-86. Close to 24,000 teachers, in well over 90 percent of all New Jersey school districts, were affected by the program in that year.

Public School Safety

This State program provides the State Commissioner of Education with the authority to reimburse up to 75 percent of the cost of public school law enforcement officers employed by local boards of education.

Prekindergarten for Urban Students

The goal of this program is to help poor youth, ages three to four, from urban areas, attain the learning and social readiness for school through preparatory education, encouraging the involvement of their parents, and also providing them with access to the necessary health, nutritional, and social services. Local boards of education and *Head Start* agencies operate the programs. Local boards of education may also subcontract to *Head Start* agencies for operation of the program.

Broad Based Component—Urban Initiative

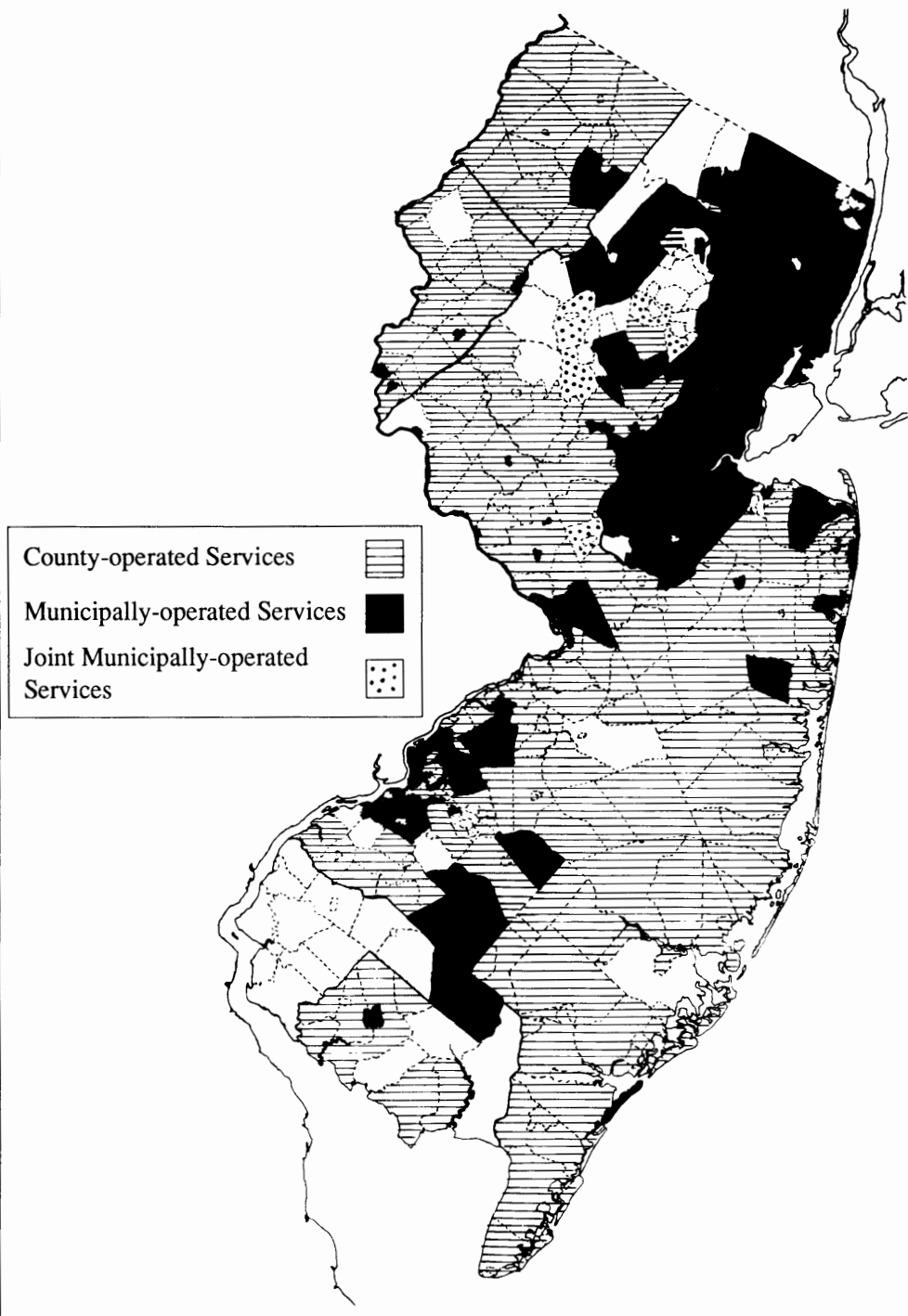
This program is designed to improve the quality of education in New Jersey's 56 urban districts. The urban districts may receive Departmental assistance for their summer programs which are designed to aid urban students who have failed the State's

ninth grade high school proficiency test. There are 10 different educational areas which make up *Urban Initiative*. They are: improving reading/mathematical and writing skills, increasing youth employment, improving secondary special education options, enabling compensatory and bilingual education students to fulfill high school graduation requirements, developing alternative educational programs for disruptive youth, establishing programs to prevent substance abuse, enabling young dropouts to earn a high school diploma and fostering computer literacy and instructional uses of technology.

Library Services

Technical and financial assistance are provided under several programs. *State Library Aid* is paid to public libraries on a per capita basis and also for emergencies and to encourage the formation of larger service units. The *New Jersey Library Construction Incentive Law* provides funding on a matching basis for construction, expansion, rehabilitation or acquisition of public library buildings. The *New Jersey Library Network* also provides funding for statewide and regionally supplied cooperative library services. Recipients of these funds include 14 county, six regional, and 361 municipal libraries.

I-V
LOCAL LIBRARY SERVICES IN NJ



**FEDERAL FUNDING—PRIMARY AND
SECONDARY EDUCATION
FY 1990
(In Millions)**

	D I S S C T R O I O C L T	C O U N T Y	S T A T E	T O T A L
Education Consolidation & Improvement Act (ECIA), Chapter 1, Disadvantaged	\$138	\$.9	\$ 1	\$140
Education Consolidation & Improvement Act, Chapter 2, Block Grants	10	.3	3	13
Education Consolidation & Improvement Act, Chapter 1, State Institutions, Handicapped	.1		4	4
Education Consolidation & Improvement Act, Chapter 1, Administration			1	1
Elementary & Secondary Education Act (ESEA), Title VI, 1965 Handicapped	52	1.3	3	56
Elementary & Secondary Education Act, Chapter 1, Neglected or Delinquent			2	2
Child Nutrition (Child Nutrition & Special Milk)	64	1.1	2	67
Child Care	14			14
Summer Nutrition Program	4			4
Vocational Education	13	4	4	21
Drug Free Schools & Communities	8	1	.2	8
Pre-school Incentive Grant	7	.3	.4	8
Early Intervention	2		.4	2
Adult Basic Education Program	4	.1	.3	4
Education for Economic Security Act (EESA), Title II—Math, Science Training	3		.1	3
Migrant Education	1		.5	2
Library Services & Construction	2		2	4
Federal Aid Bypassing the State				
Federal Facilities Impact Aid	12			12
Asbestos Abatement			.8	1
Other Federal Programs	3			3
TOTAL	\$337	\$ 9	\$24	\$369

II. FEDERAL FUNDING: PRIMARY AND SECONDARY EDUCATION ANALYSIS

Federal financial aid for primary and secondary education within New Jersey came to \$369 million in FY 1990. In a comparison with State aid, this amount constitutes approximately ten percent of the aid provided by the State of New Jersey for primary and secondary education.

Of the Federal aid, over four-fifths of the sum is provided for three categories: the economically disadvantaged, younger children, and the handicapped. Federal aid for the *economically disadvantaged*, the largest financial category of Federal aid at \$140 million, alone constitutes close to 40 percent of all Federal aid. *Aid to younger children*, which is heavily oriented toward child care and nutritional programs, at \$97 million, constitutes approximately one quarter of total Federal financial aid. The third largest category, *aid for the handicapped*, comprises over 15 percent of total Federal aid. Aid for the disadvantaged is heavily concentrated toward poorer school districts.

The distribution of Federal aid is heavily skewed toward local school districts. Of the \$369 million for identifiable, intergovernmentally distributed monies, \$337 million (over 90 percent), went to municipally based school districts. Of the remainder, \$24 million went to State Government and under \$10 million was received by county based educational units. It should be noted that New Jersey State Government has one of the lowest administrative overhead rates for Federal public education aid in the country.

TABLE I-V
INTERGOVERNMENTAL DISTRIBUTION OF
FEDERAL FUNDING TO PUBLIC EDUCATION
FY 1990

	AMOUNT (Millions)*	PERCENTAGE of Total*
To the State	\$ 24	7%
To County School Units	9	2%
To Local School Districts	337	91%
TOTAL FEDERAL AID	\$369	100%
*Because of rounding off, amounts and percentages do not total.		

DESCRIPTION OF PROGRAMS: PRIMARY AND SECONDARY EDUCATION

Education Consolidation and Improvement Act (ECIA) Chapter 1, Disadvantaged

Funds are provided to local school districts for compensatory educational programs for disadvantaged children. It also provides funds to educational agencies within the State to serve children of migrant workers and neglected, delinquent and handicapped children enrolled in state-operated or state-supported schools. In addition, the new *Even Start* program funds projects that integrate adult and early childhood education. For FY 1989, 202,612 students were served with *Chapter 1* funds and 3,153 students with funds for migrant families.

Education Consolidation and Improvement Act (ECIA) Chapter 2, Block Grants

This *Chapter Two* program provides funds to states to improve the quality of education for children in public and private schools. Funds are allocated according to the number of school-age children in the State. Within states, allocations are made on the same basis, except that states must give additional weight for a school district's proportion of higher cost students, such as the economically disadvantaged. Twenty percent of the monies received are used by the State for providing services to districts administering the program. The remaining eighty percent is allocated to all local school districts and nonpublic schools pursuant to a formula adopted by the Governor's Advisory Council.

Education Consolidation and Improvement Act (ECIA) Chapter 1, Handicapped (Formerly "Title I, Elementary and Secondary Education Act of 1965")

The objective of this program is to provide supplementary services for handicapped children whose education is the direct responsibility of a state agency. New Jersey agencies which participate in *Chapter 1* programs are the *Department of Corrections, Department of Labor, Department of Human Services, Department of Education* and 39 *Early Intervention* projects. Local school districts are not eligible to participate in this program. Funds can be used for educational and related services such as instruction, physical education, mobility training, counseling, prevocational and vocational education, teacher and teacher-aide training, and equipment. For Fiscal Year '89, funding was forthcoming for 5,578 New Jersey children in the amount of \$633 of *Chapter 1* Federal aid per pupil.

Education Consolidation and Improvement Act Chapter 1, Administration

This Federal money is provided to the State for overseeing local *Education Consolidation and Improvement Act* expenditures.

Elementary & Secondary Education Act (ESEA), Title VI, 1965 Handicapped

Under this Act, three programs provide formula grants to New Jersey which assist in providing a free appropriate education and related services to handicapped children, ages birth to twenty-one, regardless of the degree of handicap. In 1988, the State served 169,234 elementary and secondary handicapped children, and 4,283 pre-school handicapped children in 585 New Jersey school districts. Four counties have special school districts to provide services to the handicapped.

The largest of these programs, *EHAB, Part B (Education of Handicapped Act)*, for which Federal expenditures of \$55 million have been appropriated of the total \$64 million listed, are directed at ensuring free and appropriate education for all handicapped students. The funding criteria rest on a head count of handicapped students, under a formula grant with no matching fund requirements, with the money passing through the State to local school districts. The monies are used for special education and related services. A portion of the funds is used to ensure the basic rights of the handicapped.

Elementary & Secondary Education Act, Chapter 1, Neglected or Delinquent

This program is designed to expand and improve the educational programs which are in place to meet the special needs of institutionalized children for whom the State or private agencies have educational responsibility. Federal monies are targeted only at State or private institutions.

Child Nutrition

The objective of this Federal program is to provide nutritious, well-balanced meals for school children, and to promote sound eating habits, good health, academic achievement as well as reinforce nutritional education taught in the classroom.

Child Nutrition monies go to local school districts, residential child care institutions, and nonprofit private schools. The forms of Federal aid are cash reimbursements and commodity items from the Department of Agriculture. Reimbursements are for breakfast and lunch based on a per child, per meal, per day formula.

Specific programs within *Child Nutrition* include: the *Special Milk Program* which provides milk to school children as a means to foster good health and academic achievement—the program is available to eligible public and nonpublic schools and institutions not participating in Federal *Child Nutrition Programs*; the *School Breakfast Program* which provides a nutritious, well-balanced breakfast as a means of promoting proper eating habits, and to foster good health and academic achievement of school children.

Child Care

This program's purpose is to integrate nutritious food services with organized child care services to all infant, preschool, and school aged children enrolled in nonresidential child care centers and day care homes. In addition to after-hour public school

programs, other agencies that may participate include: day care centers and *Head Start* centers. After-hours school participation is limited to serving children up to 13 years of age and migrant children up to 16 years of age.

Summer Nutrition Programs

The objective of this program is to foster good health by providing the same high quality nutritionally balanced meals to children during summer months or during vacations in areas operating under a continuous school calendar as provided during the school year by the *National School Lunch and Breakfast Programs*. The program is directed at children from poverty areas.

Vocational Education

This program provides money to the states for two purposes: first, innovation and improvement of vocational education programs, and second, increased access to vocational education for presently underserved populations of students. Funds are also provided to community-based organizations for a variety of activities, primarily for disadvantaged youth. Federal funding for vocational education currently benefits 158,264 occupationally oriented secondary students; 7,580 apprentice training students; 124,528 adult students; 126,000 industrial arts students in grades 9-12; 218,724 industrial arts students below grade nine; 88,761 consumer and homemaking education students, grades 9-12; 30,000 consumer and homemaking adult students; 3,454 work-study students and 200 disadvantaged youth served by joint programs between community-based organizations and local school districts.

Drug Free Schools & Communities

This program helps states and localities get drugs out of schools and off college campuses. The largest portion of funds are allocated to states on the basis of the size of the school-aged population, and are then distributed to local school districts. Over \$2 million of the monies consists of a substance abuse coordinator grant to place coordinators in 65 districts that have severe drug abuse problems.

Pre-School Incentive Grants

Financed by the Federal Government's *Education of Handicapped Act—Title II*, this program provides preschool grants for children of all impairments, ages three through five. Monies are sent to the State and passed through to local school boards as a means of assisting handicapped children and their families obtain educational training. For fiscal year 1990, at least 75 percent of the total grant will be distributed to local school boards; up to 20 percent may be used for the provision of direct and support services; up to five percent can be used for State administrative costs.

Early Intervention

Financed by the Federal Government's *Education for the Handicapped Act—Title I*, this program provides monies to the State Department of Education for the development of a statewide system for provision of early intervention services for handicapped infants and toddlers, birth to age two.

Adult Basic Education

Adult Education awards are funded on a competitive basis to local school districts, two and four year colleges and other nonprofit private agencies to alleviate the problem of adult illiteracy. In FY 1988, New Jersey funded 137 adult educational programs, which included: 108 school districts, 12 colleges, the New Jersey State Department of Corrections, the New Jersey State Department of Human Services and 15 nonprofit agencies. These programs enrolled 36,619 adults.

Programs funded in New Jersey are primarily aimed at two groups: those studying to complete high school requirements, many of whom are reading at an elementary school level, and those who need to learn English as a second language. The average yearly cost per participant in the State is \$160.

Education for Economic Security Act, Title II—Math, Science Training

This program makes competitive grants available to institutions of higher education, as well as to state and local education agencies, as a means of improving the quality of mathematics and science instruction in elementary and secondary schools.

Migrant Education

This program provides grants to school districts to help cover the costs of educating the children of migratory agricultural workers and migratory fishermen. Federal monies are awarded to local educational agencies based on the number of eligible students in residence. There are five local educational agencies in the State which receive these funds—one in North Jersey, one in Central Jersey, and three in South Jersey.

Library Services & Construction

The purposes of this programs are to assist in: 1) extending public library services to areas without services or with inadequate service, 2) establishing and expanding state institutional library services and regular library services to the blind and physically handicapped, 3) establishing and expanding library services to the disadvantaged in urban and rural areas, 4) strengthening urban resource libraries 5) strengthening the State Library. Funds may be used for books and other library materials, library equipment, salaries, and other operating expenses, and for administration of the state plan for services. The State Library administers this program.

Funds may also be used, under the *Inter-Library Cooperation Act*, for the effective coordination of school and library resources, with particular emphasis given to the establishment and operation of network systems for libraries and information centers. Under the *Library Literacy Program* support is provided for public and State libraries for coordinating and planning library literacy programs. Another program effort entails support for new construction, renovation and energy conservation projects for public libraries, with the Federal Government providing up to one-half of the total project costs.

Federal Aid Bypassing the State

Federal Facility Impact Aid

This Federal program provides aid to school districts that face financial burdens because of the presence of non-taxable Federal installations or the presence of children whose parents live or work on Federal property. In the latter instance, the school district is eligible for formula funds. School districts receive formula funds from the Federal Government as an entitlement to ease additional financial burdens, such as increased enrollment or a decreased tax base, stemming from local Federal activities. In general, recipient school districts may use impact aid funds to meet any current maintenance or operational expenses.

Asbestos Abatement

This Federal program provides assistance directly to financially needy public and private nonprofit local schools to help them undertake asbestos abatement. Funding is restricted to abatement projects that are necessary to reduce the risk of school children and employees inhaling asbestos fibers which may be released by damaged friable asbestos. Of the Federal monies provided, approximately 90 percent is given in the form of loans and ten percent as grants.

CHAPTER II

HIGHER EDUCATION

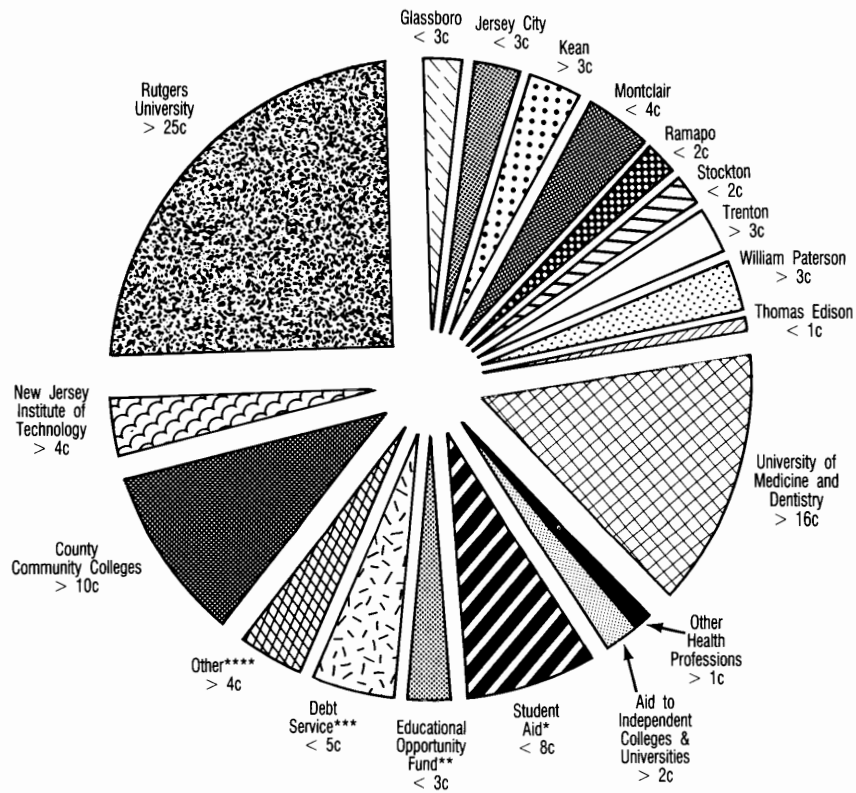
I. STATE FUNDING

Higher education serves the public mission of achieving an informed and productive citizenry. The challenge facing higher education is to educate broadly and to train competently the general citizenry of New Jersey. Both State and county governments are involved with the effort to realize these notable goals, the former through its creation of State universities and colleges and general support for higher education, and county governments through their support and financing of county community colleges.

In seeking these objectives, State Government has established a system of higher education encompassing Rutgers University, the University of Medicine and Dentistry of New Jersey (UMDNJ), the New Jersey Institute of Technology, and nine State colleges. The commitment of State Government to higher education has been continuous, with the State enacting a 70 percent increase in funding during the past seven years. In FY 1990, higher education's State budget was over a billion dollars. About \$850 million of that sum went directly for educational services, supporting the State system of universities and colleges with an enrollment of full-time (equivalent) students of about 90,000. Institutional revenue through student tuition covered under \$500 million of public higher education funding. State financial support per full-time (equivalent) student came to the following: University of Medicine and Dentistry of New Jersey—\$25,191, New Jersey Institute of Technology—\$7,758, Rutgers University—\$6,252, and over \$5,000 per student at the State colleges.

County governments, through their establishment and financing of county community colleges, play a major role in higher education. There are 19 county colleges in the State with a full-time (equivalent) student population of 69,000. Eighteen counties have established county community colleges, with Somerset and Hunterdon jointly forming the nineteenth county community college. For FY 1989, county governments expended \$133 million in support of their community colleges. The State provided an additional \$124 million into the county college system for FY 1990; this amount constitutes approximately ten percent of State expenditures for higher education (see Table II-I).

GRAPH II-I
DISTRIBUTION OF STATE FUNDS FOR HIGHER EDUCATION
FY 1990



*Includes Student Aid Administration.
 **Includes EOF Administration.
 ***Includes County College XX Service.
 ****Includes Department Administration and Other Support.

STATE FUNDING: HIGHER EDUCATION

FY 1990

(In Millions)

		C O U N T Y	T O T A L
Aid to County Colleges		\$106	\$106
Operational Costs	\$88		
Debt Service	\$ 7		
Employer Contribution— Alternate Benefit Program	\$11		
Tuition Aid Funds		8	8
Urban and Minority Programs		4	4
Competitive Grant Programs		3	3
(County Colleges & Independent Institutions)			
Challenge Grants		3	3
TOTAL HIGHER EDUCATION		\$124	\$124

ANALYSIS

State aid for higher education that is intergovernmentally funded comprises two distinct elements: 1) institutional support for county government supported community colleges, and 2) support for tuition assistance for students through county community college administration of such student aid. Of the roughly one billion dollars provided for higher education in FY 1990, \$124 million went into the county community college system.

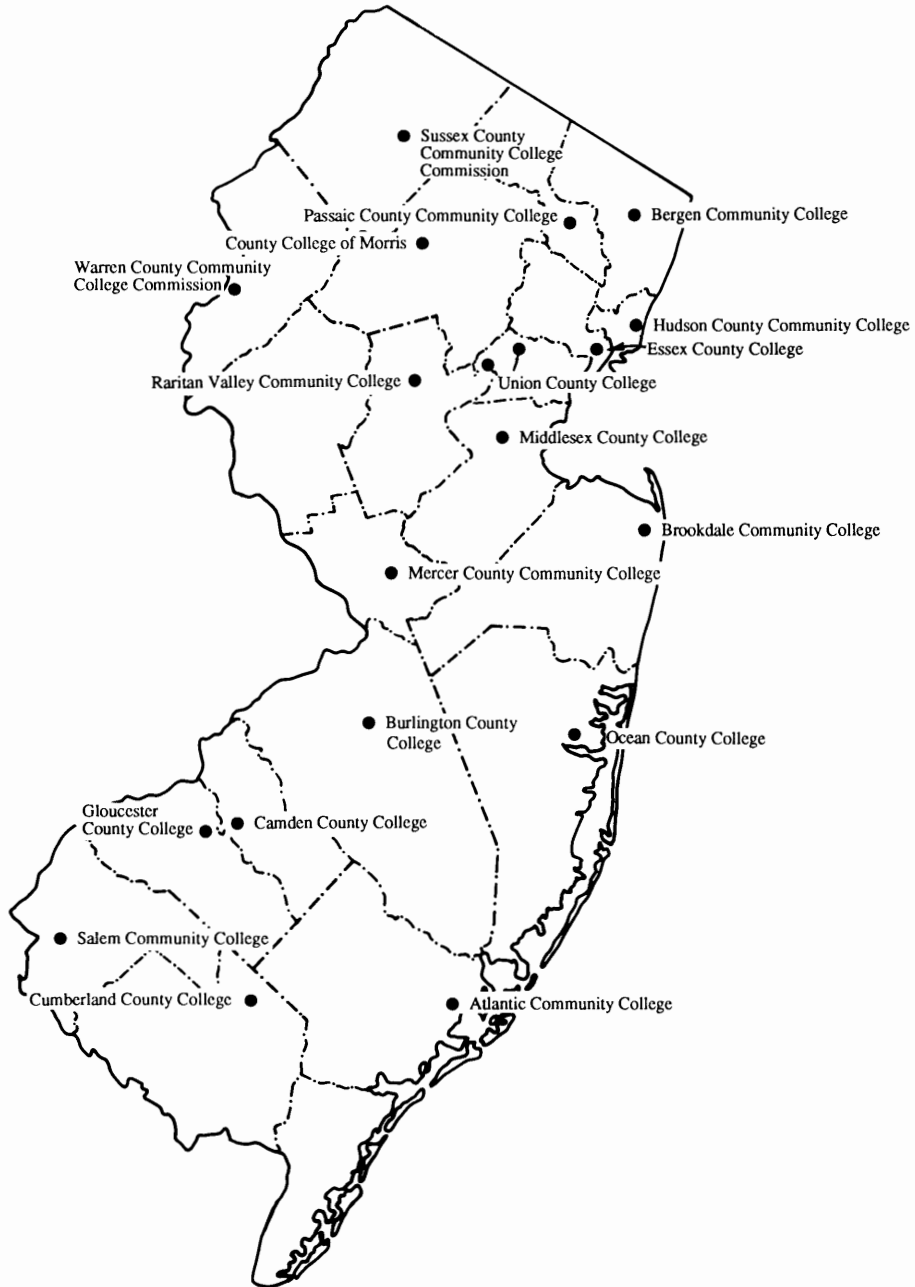
The \$124 million in State aid to county community colleges, when contrasted with monies received from other sources, constitutes 37 percent of total monies received by county community colleges (see Table II-I). Based on data for FY 1989, county governments provided \$133 million to county community colleges. In addition, \$75 million in student tuition was collected. These breakdowns indicate that county governments provide approximately 40 percent of county community college revenues from the county property tax and that students and their parents provide approximately 23 percent through tuition.

TABLE II-I		
MONIES RECEIVED BY COUNTY COMMUNITY COLLEGES		
Source	Amount (Millions)	Percent
State Aid	\$124	37%
County Support	133*	40%
Student Tuition	75**	23%
TOTALS	\$332	100%
*County assistance for county community colleges for FY 1989.		
**Student tuition revenue is a projection for FY 1989.		

Of the \$124 million that was funneled to county community colleges, over 85 percent was provided for institutional support. The major category here is *aid to county colleges* which represents \$106 million. The *competitive grants* and *challenge grants* each came to \$3 million. Disaggregation of *aid to county colleges* reveals that monies for *operational costs* constitute by far the largest financial expenditures, comprising \$88 million of the \$106 million in State aid.

Tuition aid for students, which is distributed by county community colleges, came to roughly \$8 million. This amount forms part of the \$60 million in *tuition aid* which the State provides to undergraduate students in New Jersey's colleges and universities, including the private institutions.

**II-I
COUNTY COLLEGES IN NJ**



PROGRAM DESCRIPTIONS: HIGHER EDUCATION

Aid to County Colleges

The State provides considerable support to the 19 county community colleges in New Jersey. For FY 1990, funding came to \$106 million, with the distribution to the 19 county community colleges based on a weighted formula. Of the total financial assistance, \$88 million, which comes to over 80 percent, was provided to underwrite operating costs.

Tuition Aid Funds

Tuition aid, which is provided to students of all types of undergraduate institutions, including the State University and the State colleges, private colleges and universities, and county community colleges, totaled \$160 million in FY 1990. Of this amount, county community college students were projected to be the recipients of \$8 million in *tuition aid* funding. *Tuition aid* is administered by the institution which then forwards it to eligible students. Twenty percent of all full-time county community college students received tuition aid.

Urban and Minority Programs

These programs, which are for disadvantaged students from the large urban school districts in the state, are designed to: 1) improve the students' academic achievements and high school graduation rates; 2) strengthen the students' aspirations for post-secondary education; and 3) increase the college admission, retention, and graduation rates of these students.

Competitive Grant Programs

Competitive Grants are monies awarded to colleges on the basis of a competitive review of proposals submitted in several critical areas of higher education. Of a total of \$6.5 million given out in FY 1989 in eight Department of Higher Education grant programs, county community colleges received \$3.02 million for 54 projects in technical/technology-related and humanities disciplines, program efforts to improve retention and to service ethnolinguistic minority students and in-service to special needs students. The largest share of grants for county community colleges (\$817,000) was made for services for the deaf, learning disabled, and visually impaired. While in most programs there were no funds set aside for county community colleges, the *Appropriations Act* reserved \$1.6 million for the sector in the *Computers in Curricula and Technical/Engineering Education Grant Programs*.

Challenge Grants

Challenge Grants are awarded on a competitive basis to improve the quality of higher education. Areas of support include curriculum revision, faculty development, minority student involvement, and student support services. Of the \$57 million provided for higher education in FY 1990, county colleges received approximately \$3 million.

FEDERAL FUNDING—HIGHER EDUCATION

	C O U N T Y	S T A T E	T O T A L
Rutgers University		\$ 42	\$ 42
University of Medicine and Dentistry		61	61
The State Colleges		25	25
New Jersey Institute of Technology		1.9	2
Student Loan Administration		11	11
Post-Secondary Education	\$2		2
State Student Incentive Grant Program (Tuition Aid Fund)		2	2
Education for Economic Security		1	1
TOTALS	\$2	\$144	\$146

II. FEDERAL FUNDING: HIGHER EDUCATION

ANALYSIS

Federal monies for higher education in New Jersey came to \$146 million in FY 1990. This amount of money constitutes close to 40 percent of the total of Federal funding provided for public school education within New Jersey.

Of the total amount of Federal monies to higher education, \$103 million (about 70 percent) was provided to Rutgers University and the University of Medicine and Dentistry for research grants and aid for equipment purchases. In contrast, the nine State colleges and the New Jersey Institute of Technology received \$27 million, or approximately 18 percent of the total. The rest of the Federal monies, \$16 million, was made available for student grants and loans. Given the heavy Federal expenditures toward the State's research institutions, these figures reveal a strong orientation in Federal higher education monies toward scholarship and research.

PROGRAM DESCRIPTIONS: HIGHER EDUCATION

Rutgers University

Federal monies to Rutgers University emanate from a broad array of Federal sources. Much of the funding are comprised of individually received grants by particular departments and faculty. The major Federal sources of funding are Health and Human Services, the National Science Foundation, and the Department of Agriculture for agricultural research.

University of Medicine & Dentistry of New Jersey

Federal funding for the University of Medicine and Dentistry extends to its six schools and University Hospital. Monies are received for research, technical equipment and facility improvement. Major areas of funding include research on AIDS, cancer research, and cardiac research.

The State Colleges

The nine State colleges received funding aid from a variety of Federal sources. Categories of funding include monies for research, technical equipment and program innovation. Recipients of the funding include individual faculty, departments, and special programs.

New Jersey Institute of Technology

The New Jersey Institute of Technology's Federal funding is oriented toward half-a-dozen areas. They include its *Federal procurement center*, hazardous toxic research management, a U.S. Air Force astrophysics grant, and work on economic and local business development.

Student Loan, Administration

These Federal funds are used by the state to administer the *Stafford Student Loan Program* (formerly the *Guaranteed Student Loan Program*). The monies are provided in order to assist with Federally mandated responsibilities which include default collections activities. As in previous years, administrative revenues are expected to exceed projected expenditures.

Post-Secondary Education

Under an interagency agreement with the N.J. Department of Education, the Department of Higher Education administers Federal *Carl Perkins Vocational* funding as a sub-contractor for the Department of Education. For fiscal year 1990, 19 community colleges and one four-year institution were awarded more than two million dollars in vocational education funds. Program objectives include upgrading the skills of the labor force to keep pace with labor market needs, bringing the handicapped, the disadvantaged and the underemployed into the economic mainstream and upgrading occupational programs with state-of-the-art technology.

State Student Incentive Grants

This Federal program assists states in providing grants and work-study assistance, within community service/learning job programs, to eligible students who attend institutions of higher education and have substantial financial need. States receive annual *State Student Incentive Grant* allotments (formula grants) from the Department of Education, based on each State's eligible postsecondary educational enrollments. The Federal allotments must be matched by State funds, and this match must represent an increase in the State's grant and work-study expenditure over the amount spent during an established base year (defined as the second year before the State began participating in the program).

CHAPTER III

HUMAN SERVICES

I. STATE FUNDING

Human services are the providence of a host of Federal, State, county and municipal agencies, as well as nonprofit entities, whose job it is to provide succor to those in need of the basic necessities of life—this includes personal and medical care. Largely, this area entails ensuring a certain minimum level of well-being for the State's indigent. For most areas of human services, joint responsibilities are exercised by State, Federal, and county governments.

At the State level, the New Jersey Department of Human Services holds the primary responsibility for social services. Its role encompasses oversight, service provision, and financial aid responsibilities. The Department is one of the most important in New Jersey State Government both in terms of budget size and its impact on the well-being of the indigent citizens of New Jersey. The Department, which has more than 22,000 employees, provides services to some one million New Jerseyans. For State FY 1990, its budget was approximately \$3.8 billion, of which over \$1.7 billion consisted of Federal funds.¹

The Department consists of seven divisions. The largest, in terms of its financial role, is the *Division of Medical Assistance and Health Services*, which was appropriated about two billion dollars in FY 1990. Of this amount over \$900 million consisted of Federal funding for New Jersey's Medicaid program, whose operation is the basic function of the Division. Some 500,000 New Jerseyans receive medical services through this joint Federal-State Program. The Division has 17 district offices which determine medical eligibility for the program, while county welfare offices, along with Federal SSI offices, determine financial eligibility.

The division with the second highest level of expenditures is that of *Economic Assistance*. In FY 1990, the Division was appropriated over \$700 million of which roughly \$500 million was Federal monies. The primary responsibility of the Division is *Aid for Dependent Children* (AFDC)—a program providing financial assistance for impoverished families. Other areas of Division responsibilities include *Food Stamps* and the State supplement to the Federal SSI program. For each of these programs there is a joint Federal, State, and county role, with counties having the significant role of administering these programs as well as partially funding them (the exception regarding county administration is SSI).

The third most heavily funded division is that of *Developmental Disabilities* with a FY 1990 funding level of about \$460 million, of which approximately \$150 million consists of Federal funding. The Division provides services for those with severe, chronic mental or physical impairments. Of the Division's roughly 15,000 clientele, 8,000 are serviced in the community, about 5,000 reside in the State's ten operated

¹New Jersey Department of the Treasury, Division of Budget and Accounting, FY 1990.

developmental institutions. The counties in FY 1989 contributed \$77 million to the operation of these centers. It should be noted that community-based services are operated through the State financed operations of contracted nonprofit organizations.

The *Division of Youth and Family Services* (DYFS) provides an array of services for children, under 18, and their families. Good numbers of *DYFS* services are provided through county welfare agencies and private providers. In FY 1990, the Division received \$300 million, of which approximately \$90 million consisted of Federal *Social Service Block Grant* funding.

Another important division is that of *Mental Health and Hospitals* which received about \$250 million in funding in FY 1990. Of this amount, \$13 million was in Federal monies. A major component of the Division's effort consists of its operation of its seven psychiatric hospitals. Counties operate five psychiatric hospitals as well as paying for a share of county residents in the State psychiatric institutions. Conversely, the State shares financial responsibility for patients in county facilities. Over 150,000 individuals received psychiatric services in FY 1988. Over 90 percent of these individuals were the recipients of community care services, the overwhelming preponderance of which were provided through State contracts with nonprofit community mental health agencies.

Two additional Department of Human Services agencies are the *Commission for the Blind and Visually Impaired*, which provides various services to the visually impaired, and the *Division of the Deaf and Hard of Hearing*, which provides services for those with severe hearing difficulties. In FY 1990, these two agencies had a combined budget of \$17 million with all but a fraction of it going to the *Commission for the Blind and Visually Impaired*.

THE 1991 CHANGES—THE TRANSFER OF LOCAL FINANCIAL RESPONSIBILITY TO THE STATE FOR HUMAN SERVICE PROGRAMS

Recently enacted legislation, initiated by the Governor, has made fundamental changes in State-local fiscal responsibilities for a wide array of human services. These changes, which went into effect in 1991, entail a shift in fiscal responsibilities from county and municipal governments to the State Government for an assortment of human services. They include payments for: State psychiatric and county psychiatric hospital patients, *AFDC* and *Emergency Assistance* welfare payments, developmental disabilities, youth and family services, *SSI* welfare costs, and municipal welfare.

We shall proceed by laying out the changes in fiscal responsibilities category by category. The cumulative effect will be to shift approximately \$290 million in fiscal responsibilities for human services from county and municipal governments to the State for FY 1992. One of the most important results of this change is \$290 million worth of property tax relief.

For State and County Psychiatric Institutions:

The traditional format has been one whereby the State, with its seven psychiatric facilities and the counties, which have five county psychiatric facilities, shared fiscal responsibilities along the following lines—counties provided 50 percent² of the indigent care costs for county residents in the State-run facilities and the State paid the five counties of Bergen, Burlington, Camden, Essex, Hudson, 50 percent of the indigent care costs of patients in these county facilities. This 50 percent State reimbursement served as a last resort payment for indigent care after all other third-party payments (Medicaid, Medicare, and private insurance) have been exhausted.

Under the transfer of fiscal responsibilities, State Government will assume 90 percent of the cost of patients in the five county psychiatric hospitals and the counties will be liable for only ten percent, instead of their present 50 percent of the cost for their patients in county psychiatric hospitals. Regarding patients at State psychiatric facilities, county governments will pay the State ten percent of the costs for maintaining patients from their counties instead of the previous 50 percent.

County payments to the State will fall from \$45 million a year to \$10 million a year. State payments to the five counties with psychiatric facilities will increase from \$31 million a year to \$56 million a year.

For AFDC Programs:

The traditional arrangement for *AFDC*, with the exception of *AFDC-N*, has been one of 50 percent Federal, 37.5 percent State, and 12.5 percent county funding. Under the new formula, the Federal Government continues its 50 percent responsibility, with the State now having fiscal responsibility for 45 percent and the counties 5 percent.

²It should be noted that the actual amount paid is closer to 35 percent.

The counties' responsibility for the administrative costs of \$116 million a year will remain unchanged. The county share of AFDC and emergency payments to recipients will fall from \$45 million to \$14 million a year.

For Developmental Disabilities Programs:

Of the Division of Developmental Disabled's expenditures of \$460 million in FY 1990, \$160 million consisted of Federal funding. In addition, the counties paid the State 50 percent of the State's share for certified county residents placed in State developmental disabled institutions who fall below specified income levels. Under the new formula, which will be operative in FY 1992, the State will assume the entire 50 percent of the present county share. Thus, the county's annual payment of \$80 million in payments to the State will be discontinued. As in all other State takeovers the savings will be devoted to property tax relief.

For Youth and Family Services Programs:

Youth and Family Service funding for FY 1990 was \$300 million. Of this amount, approximately \$90 million is provided by the Federal Government, with almost the complete total emanating from Federal *Social Service Block Grant* monies. The present formula requires a State contribution of 75 percent and a county contribution of 25 percent for certain residential placements for needy children. Under the forthcoming changes, the State will take over the full 25 percent of the county share of service costs. Thus, the county share for these programs will fall from \$25 million to zero.

For SSI Welfare:

At present the Division of Economic Assistance provides a State supplement to Federal SSI payments of which the State contributes 75 percent and the counties 25 percent. The forthcoming arrangement is one in which the State will assume complete responsibility for the supplementary SSI payments to the Federal Government, thus relieving the counties of their present 25 percent responsibilities, which should produce a saving for the counties in FY 1992 of almost \$9 million.

For Municipal Welfare:

At present, municipalities have a major financial role in funding *General Assistance*. *Assistance* payments to the clients are 75 percent State and 25 percent municipally funded, with municipalities assuming the entire administrative costs of operating the program. Under the new formula the State will assume the full costs of funding *General Assistance* payments to clients, thus relieving municipalities of their 25 percent share of program costs. This change should result in a saving for municipalities of about \$26 million. It should be noted that municipalities will continue to be financially burdened by the full administrative costs of operating *General Assistance*, which comes to \$10 million a year.

STATE FUNDING—HUMAN SERVICES
FY 1990
(In Millions)

PROGRAM	AMOUNT			
	M U N I C I P A L	D I S S C T R I B U T I O N A R Y	C O U N T Y	T O T A L
Division Mental Health and Hospitals				
Support of Patients in County Mental Hospitals			\$36.1	\$ 36
Community Mental Health Services	\$ 0.3	2.5	3	
Division of Economic Assistance				
General Assistance (State Share)	58.5			59
AFDC (State Share)			149	149
Emergency Assistance (State Share)			19.2	19
County Welfare Equalization			15	15
REACH Program	.9		28	29
Division Youth and Family Services				
Community Based Programs	1.4	\$0.5	22.3	24
Human Service Advisory Council Grants			9.2	9
Division of Developmental Disabilities				
Community and Home-Based Services		2	3	5
Division Medical Assistance and Health Services				
Medical Assistance Recipients Nursing Homes (State Share)			53.6	54
Medical Assistance Recipients County Psychiatric Hospitals (State Share)			1.3	1
Division of Management and Budget				
School Based Youth Services Program		6		6
TOTAL	\$61	\$9	\$339	\$409

ANALYSIS: FISCAL YEAR 1990

It is necessary to preface our analysis of State funding for human services by noting that the financing of human services occurs through a nexus of State, Federal and local roles, with Federal financial participation contingent on the State meeting program, service and financial pre-conditions. The State, in turn, for numbers of programs, mandates county and municipal administrative responsibilities and partial funding of program costs. Counties and municipalities are, thus, involuntary participants for major human service programs, both in terms of their administrative responsibilities and their financial contributions. In addition, county and municipal governments serve as a conduit for State assistance to individuals. In examining the financial contribution of the State of New Jersey to localities in the area of human services, a distinction needs to be made between programs where the State provides financing without any strings attached, and those where New Jersey Government mandates local responsibilities and a financial role and the State contributes financially to the discharge of these responsibilities.

The following constitutes a listing of human service areas where county and municipal participation is mandated:

- *General Assistance* (Municipalities)
- *AFDC Payments* (County)
- *Emergency Assistance* (County)

It should be noted that these programs, with the exception of counties' psychiatric hospital role, form county and local governments' major responsibility in the human services area. In addition, it should be borne in mind that in the past counties have provided financial support to the State for developmental disabilities programs as well as youth and family service programs.

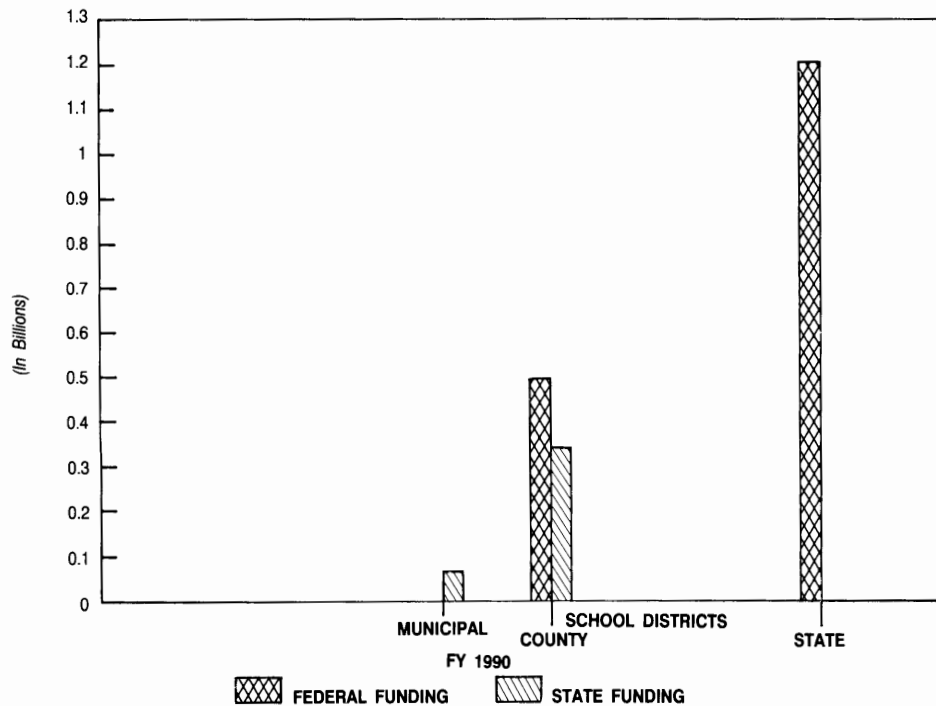
Of the approximately \$410 million in State funding for human services, the breakdown was as follows:

TABLE III-I
STATE FUNDING FOR HUMAN SERVICES TO LEVELS OF GOVERNMENT
FY 1990
(In Millions)

	Mental Health	Economic Assistance	DYFS	Developmental Disability	Management & Budget	Medical Assist.	Totals
County	\$39	\$211	\$32	\$3		\$55	\$340
Municipal		\$ 59	\$ 1				\$ 60
School Districts			\$ 1	\$2	\$6		\$ 9
TOTALS	\$39	\$270	\$34	\$5	\$6	\$55	\$409

Counties received \$340 million, or over 80 percent, of human services funding. A large majority of these funds, over \$211 million, came from the Division of Economic Assistance. Municipalities received \$60 million, which is 15 percent; and school districts received \$9 million or only two percent. In contrast to the county governments' receipt of over 80 percent in State monies for human services, municipalities and school districts combined received only 17 percent of the State total. These figures reaffirm the preponderant role of county governments, among local government units, in the human services field. Within State funding to county governments for human services, *Economic Assistance* dominates, with *Mental Health, Youth and Family Services*, and *Medical Assistance* also providing major amounts of funding.

**GRAPH III-II
COMPARISON FEDERAL AND STATE FUNDING:
HUMAN SERVICES**



PROGRAM DESCRIPTIONS: HUMAN SERVICES

DIVISION MENTAL HEALTH AND HOSPITALS

Community Mental Health Services

This State effort provides general support for outpatient clinics throughout 21 counties and the planning for a statewide network of community mental health services, including community mental health centers associated with the University of Medicine and Dentistry of New Jersey. Contracts are reached with community agencies to provide alternatives to hospitalization, with the focus on traditional services designed to return the patient to the community and to provide screening services which reduce inappropriate admissions to State and county psychiatric hospitals.

The State supports over 120 community mental health programs which provide such services as emergency care and screening, partial care, outpatient hospitalization and case management to over 200,000 persons. The preponderance of the funding is for nonprofit provided services. Of the \$96 million in funding, only about \$3 million was received by local governments.

Support of Patients in County Mental Hospitals

The State pays to the county institutions for the mentally-ill one half of the cost of maintenance of patients in such institutions based upon per diem rates established by the State House Commission pursuant to *N.J.S.A. 30:4-78s*. The county hospitals in Bergen, Burlington, Camden, Essex and Hudson Counties—which are the recipients of such funding—are similar in function to the State psychiatric hospitals.

Institutionalized patients are treated for mental disorders through modern therapeutic programs which emphasize return to outpatient community status. This includes providing housing, food, clothing, supervision and services, within the framework of general psychiatry, child psychiatry, geriatrics, occupational therapy, alcoholic, drug and physical rehabilitation. As of December 1989, the five county facilities had about 700 patients. Not more than \$2.5 of the \$36.1 million in State monies was allotted for outpatient services at the county psychiatric hospitals.

DIVISION OF ECONOMIC ASSISTANCE

General Assistance

This program (*C44:8-107 et seq.* and *C30:4B-1 et seq.*) is directly administered by local assistance boards in each municipality. Financial and other aid is given by municipal departments of welfare to needy persons between the ages of 18 and 62. This Division supervises the administration of the program in all municipalities and is responsible for making the proper allotments of State monies to municipalities which apply for such funding. The allocation of maintenance and hospitalization expenditures has traditionally been 75 percent State and 25 percent municipal.

Aid to Families with Dependent Children

Assistance for Dependent Children (C44:10-1 et seq.) provides funding and other services extended to or for needy dependent children and the parents and relatives with whom they are living. The program is directly administered by county welfare agencies in each of the counties. Eligibility for this program is based on one of the following conditions:

- a. Death, disability, or absence from the home of one or both parents (AFDC-C);
- b. Unemployment of the father (AFDC-F);
- c. Insufficient employment of the parents (AFDC-N).

The allocation of assistance expenditures for the first two eligibility criteria is 50 percent Federal, 37.5 percent State and 12.5 percent county. For the third criteria, the grant standard is two-thirds of that of the first two and there is no Federal participation in the assistance expenditures. The allocation has traditionally been 75 percent State and 25 percent county.

The program provides direct financial assistance and services. State Government supervises and coordinates the work of the several county welfare agencies and directs the operation of the program throughout the State so as to ensure conformity with the requirements of State and Federal law and regulation.

Emergency Assistance

Through AFDC, New Jersey also offers an *Emergency Assistance Program*. This program provides shelter, food, clothing and essential household furnishings needed by families following the occurrence of an emergency (such as fire, flood or other natural disasters). States are given broad latitude in determining the scope of their individual *Emergency Assistance Programs*. Presently, New Jersey is one of 28 states which has such a program in effect. Like AFDC, *Emergency Assistance* is administered through county welfare agencies. *Emergency Assistance* is also funded in the same manner as AFDC.

While the AFDC population has been decreasing the past number of years, with the decline expected to continue, the *Emergency Assistance* population continues to increase. As of April 1989, 11,340 persons were receiving *Emergency Assistance* under the AFDC program.

County Welfare Equalization

The program provides assistance to those counties whose per capita cost of *Aid to Families with Dependent Children*, exclusive of administrative and social service costs, exceeds the Statewide per capita county cost. *County Welfare Equalization* is managed by the Department of Human Services, and, effective in FY 1991, will also be administered by them.

REACH Program

New Jersey's *REACH Program* was enacted in 1987. This program requires AFDC recipients, with children age two or older, to participate in educational training, job training or employment in order to receive welfare benefits. *REACH* provides case management, child care, extended Medicaid coverage, enhanced employment/training opportunities and transportation benefits to eligible recipients. Through *REACH*, clients will receive Medicaid and child care coverage, by way of a voucher system, for up to one year after they begin working. Under this program, clients are also offered job search assistance, community work experience and temporary Federal subsidies during their employment trainee period through the *Work Supplementation Program*.

By July, 1989, all of New Jersey's 21 counties were in one or another phase of start-up of the *REACH Program*. For State fiscal year 1990, this program has been appropriated approximately \$39 million in State funding and \$20 million in Federal funding. According to the *Division of Economic Assistance*, approximately 120,000 families will be enrolled in *REACH* once it has become fully operational.

DIVISION YOUTH AND FAMILY SERVICES

Community Based Programs

Grants-in-Aid for *Community Based Youth and Family Services Programs* has several overall objectives:

1. Increasing the utilization of family and community support networks as an alternative to more intensive contact with the formal social service system;
2. Insuring adequate availability and accessibility of general social services to preserve and support families in difficulty; and
3. Providing temporary out of home care for families that cannot remain intact until a more permanent plan can be developed.

Of the over \$150 million in State funding for community based programs, only \$24 million is distributed to local governments. The preponderance of the funding is for the *youth and family services* operated programs of non-profits. Several programs comprise the *community based programs*. They include:

1. *Initial response/case management*, which provides intake services designed to assist clients with identifying service needs and developing service plans to meet those needs.
2. *Substitute care*, whose purpose it is to purchase or provide temporary or permanent care to clients whose needs prevent them from remaining in their own homes. Foster care provides substitute family care for children for a planned period of time when their own family cannot care for them and when adoption is neither discernible nor possible. Other services include shelters and services for victims of domestic violence and social services for the homeless.
3. *General social services* include a wide variety of services designed to assist families in crisis or preserve and strengthen families and communities.

County Human Service Advisory Council Grants

Social services are provided through many institutions, including the Division of Youth and Family Services, county welfare agencies, and many non-profit private agencies. To assure that the \$150 million in grants-in-aid provided social services meet local needs, county priorities are determined, within departmental guidelines, through *county human services advisory councils*. The councils also review funding requests and recommend awarding county funds to meet locally established priorities. The amount of State funds allocated is based on each county's share of Medicaid eligibles and households with incomes below the State's median income. Counties considered underfunded receive a greater allocation of new social service funds to compensate for past underfunding.

DIVISION OF DEVELOPMENTAL DISABILITIES

Community and Home-Based Services

These programs have as their goal the permanent placement of developmentally disabled persons in the community. Developmentally disabled persons are provided treatment and educational training in furtherance of this objective. In FY 1990, group homes had an average daily population of over 2,000, with the average annual cost per client of approximately \$36,000. Of the over \$150 million provided for community and home-based services, only five million dollars went to local government providers.

DIVISION MEDICAL ASSISTANCE AND HEALTH SERVICES

Medicaid

Medicaid provides reimbursement for medical and health services that is given overwhelmingly by private providers, but also by governmental entities, on behalf of eligible poor recipients. It is financed by both the State and Federal Governments with the Federal Government financing 49 percent and the State 51 percent of the cost. There are sixteen local Medicaid offices located throughout the State.

The Program, through 25,000 providers of services, covers inpatient and outpatient hospital care, skilled nursing and intermediate care, inpatient care in psychiatric hospitals for persons over 65 and under 21, home health care, medical day care, transportation, early and periodic screening, diagnostic services and treatment of children, family planning, mental health clinic services, prescribed legend and non-legend drugs, medical equipment, hearing aids, physical, speech and occupational therapy, eyeglasses, braces and artificial limbs, laboratory and x-ray services. Physician, dentist, podiatrist, optometrist, psychologist, and chiropractor services are also covered.

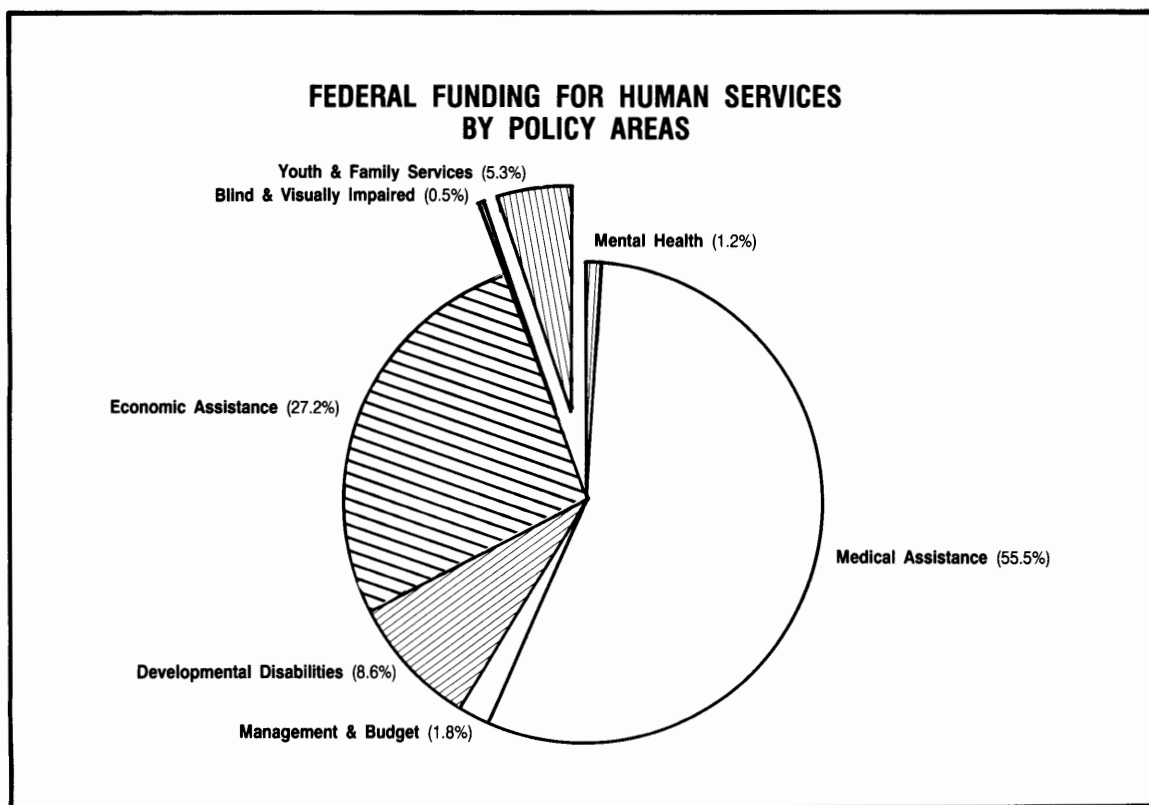
The following subset of citizens are eligible for Medicaid assistance:

1. Families with dependent children (AFDC);
2. Eligible intact working poor families (AFDC-N);
3. Low-income, pregnant women and certain persons in hospitals, skilled nursing facilities and intermediate care facilities who are eligible to receive assistance or Medicaid only through the county welfare agencies;
4. The aged, blind and disabled who are eligible for or receive Federal *Supplemental Security Income* (SSI);
5. Children in foster care and in private adoption agencies;
6. Those eligible for the Federal Cuban, Indo-Chinese, and other refugee programs;
7. Certain persons under 21 and over 65 in State psychiatric hospitals; and
8. Certain residents of intermediate care facilities for mentally retarded who are eligible to receive Medicaid only through the Division of Public Welfare's *Bureau of Local Operations*.

II. FEDERAL FUNDING: HUMAN SERVICES

Federal involvement in the human services area began during the Great Depression with the adoption of the Federal *Social Security Act* of 1935. All major Federal social service programs since then have emanated from this Act. Included here are *Aid to Families with Dependent Children* (AFDC), *Title IV-A* of the Act, the major national welfare program which provides assistance to indigent families with children; *Medicaid*, *Title XIX* of the Act, which was adopted in 1965 and provides medical aid to those eligible to receive AFDC or *Supplemental Security Income* (SSI); *Supplemental Security Income* (SSI) which was adopted in 1974 to provide income support for the poverty stricken aged, blind and disabled; and the *Social Service Block Grant Program*, *Title XVI*, enacted in 1981 to help meet the needs of individuals through a variety of social service programs.

State participation in national welfare and medical assistance programs have yielded a Federal-State partnership in funding such programs and ensuring that the needs of the economically and medically needy are met. State governments administer such programs, with the Federal Government assuming varying financial responsibility, depending on the income level of the state's population. For the wealthier states, the Federal Government and the state's level of financial responsibility are about equal.



Total Federal Government expenditures for health and human services in 1989 were over \$109 billion.³ This compares with the New Jersey Department of Human Services' overall budget for FY 1990 of \$4.1 billion.⁴

Three sets of offices within the U.S. Department of Health and Human Services play major roles in operating the major social service programs—the *Social Security Administration*, *Health Care Financing Administration* and the *Family Support Administration*. The *Social Security Administration* oversees the *Supplemental Security Income (SSI) Program*. In FY 1988, overall SSI payments for New Jersey were over \$298 million, including \$248 million in Federal monies and more than \$50 million in State and county payments. The *Health Care Financing Administration* has responsibility for Medicaid. (Medicare is also under the purview of the Health Care Financing Administration).

States offering Medicaid are required to cover all AFDC recipients and close to all SSI eligibles. In FY 1990, the Federal Government contributed over \$1.1 billion to New Jersey's Medicaid program. Regarding the *Family Support Administration*, the State's AFDC plan required U.S. Secretary of Health and Human Services approval. New Jersey is one of 11 states in the Union in which *assistance* costs are made by both state and local governments. New Jersey is also one of 18 states in which the administrative costs are paid wholly or partially by local governments, and one of only 15 states in which AFDC is administered by local government—county welfare agencies. *Food Stamps*, another program for the indigent, falls under the jurisdiction of the U.S. Department of Agriculture. In New Jersey, the program is overseen by the Division of Economic Assistance and operates primarily out of the county welfare agencies where applications are processed.

Overall, the responsibilities for these social service areas by both Federal and state governments constitute the thrust of governmental involvement for aiding the indigent. Federal standards define the safety-net—the basic needs—which government is deemed responsible for meeting for those experiencing economic hardship. Federal involvement in social services has served as the impetus for the formation of a national system that addresses the blight of the poor. State involvement complements the Federal role, enabling social service objectives to be tailored to the indigenous character of the state's population.

³U.S. Department of Health and Human Services, *Summary of Comparable President's Budget—FY 1989* (Washington, D.C.: Office of Budget, 1988), p. 1.

⁴New Jersey Department of Human Services, Office of Budget and Planning, *State Budget, FY 1990*.

FEDERAL FUNDING—HUMAN SERVICES

FY 1990

(In Millions)

	M U N I C I P A L	C O U N T Y	S T A T E	T O T A L
Division Mental Health and Hospitals				
Community Mental Health Services			\$ 20.0	\$ 20
Division Medical Assistance and Health Services				
Medical Assistance Recipients Noncounty Nursing Homes (Federal Share)			218.0	218
Medical Assistance Recipients County Nursing Homes (Federal Share)		\$ 53.6		54
Medical Assistance Peer Grouping (Federal Share)		28.4		28
Medical Assistance Recipients Home Health (Federal Share)			22.6	23
Medical Assistance Recipients Noncounty Psychiatric Hospitals (Federal Share)			2.0	2
Medical Assistance Recipients County Psychiatric Hospitals (Federal Share)		1.7		2
Medical Assistance Recipients Clinics (Federal Share)			9.8	10
Medical Assistance Recipients Transportation (Federal Share)			7.0	7
Medical Assistance Recipients—Other Services (Federal Share)			45.0	45
Health Service Administration & Management			50.6	51
Medical Assistance Recipients—Inpatient Hospital (Federal Share)			280.4	280
Medical Assistance Recipients—Prescription Drugs (Federal Share)			66.6	67
Medical Assistance Recipients—Outpatient Hospital (Federal Share)			49.0	49
Medical Assistance Recipients—Physician (Federal Share)			30.8	31
Medical Assistance Recipients—Medicare B. Payments (Federal Share)			15.5	15
Medical Assistance Recipients—Dental (Federal Share)			10.9	11

Medical Assistance Recipients—Medical Supplies (Federal Share)		7.9	8		
Medicaid Expansion—SOBRA (Federal Share)		10.0	10		
Medical Assistance Recipients—Day Care (Federal Share)		3.7	4		
Medical Assistance Recipients—Personal Care (Federal Share)		1.4	1		
Medical Assistance Recipients—Optometry (Federal Share)		2.2	2		
Medical Assistance Recipients—Podiatry		.7	1		
Medical Assistance Recipients Lab and X-Ray (Federal Share)		2.4	2		
Medical Assistance Recipients—Prosthetics (Federal Share)		1.2	1		
Medical Assistance Recipients—Off-System Payments (Federal Share)		15.2	15		
Medical Assistance Recipients—AIDS Waivered Services (Federal Share)		1.5	2		
Medical Assistance Recipients—Unit Dose (Federal Share)		1.1	1		
Division of Developmental Disabilities					
ICF/MR Title XIX (Medicaid)		128.0	128		
Management & Administrative Services		17.0	17		
Services for the Blind and Visually Handicapped	.1	9.3	9		
Division of Economic Assistance					
Management and Administrative Services		24.0	24		
Food Stamp—Federal Administrative Costs	43.0		43		
Low Income Energy Assistance	7.1	43.9	51		
Job Opportunities & Basic Skills Training (JOBS)	40.0	3.0	43		
Refugee Resettlement Program	5.0		5		
Title IV-C Work Incentive Demonstration Program		4.0	4		
AFDC—C & F Payments	202.0		202		
Emergency Assistance	29.0		29		
AFDC—Administrative Costs	60.0		60		
Division of Youth and Family Services (DYFS)					
Social Service Block Grants (SSBG)*	23.0	66.0	89		
Division of Management and Budget					
Management and Research/Planning Services*	30.0		30		
TOTAL		\$0	\$493	\$1,201	\$1,694

*Figures are for FY 1989.

ANALYSIS

The overwhelming majority of Federal monies provided for New Jersey human services is post and parcel of the Federal-state partnership for such programs. The preponderance of Federal and State monies ultimately ends up going to private entities who, in turn, provide the various social and medical services. One consequence is that much of the State expended monies in the human services area is not counted as intergovernmental flows since it is State monies going directly to private entities rather than county or municipal governments. With these provisos noted, we shall begin our analysis which includes a comparison of Federal with State Government intergovernmental expended monies for FY 1990.

Over half of Federal intergovernmentally expended monies, \$940 million, is within the category of *Medical Assistance* (Medicaid). Constituting over a quarter of the total are the *Economic Assistance* expenditures. Combined, *Medical Assistance* and *Economic Assistance* intergovernmental expenditures constitute over 80 percent of Federally provided human services. The only other category of over \$100 million in Federally provided monies is that of the *developmentally disabled* at \$145 million.

A breakout of where the Federal monies go reveals that of the approximately \$1.7 billion about \$1.2 billion, or over 70 percent, is funneled to State Government rather than New Jersey localities. It should be noted that, overwhelmingly, this funding is funneled through the State to private entities for the provision of services. County governments, in contrast, received close to \$500 million, of which \$386 million, close

TABLE III-II
FEDERAL MONIES FOR HUMAN SERVICES
BY LEVEL OF GOVERNMENT
FY 1990
(In Millions)

Category	County	State	Total Amount	Percentage of Total
Mental Health		\$ 20	\$ 20	1%
Medical Assistance	\$ 83.7	855.5	940	56%
Developmental Disabilities		145	145	9%
Blind and Visually Impaired	.1	9.3	9	1%
Economic Assistance	386.1	74.9	461	27%
Youth and Family Services	23	66	89	5%
Management and Budget		30	30	2%
TOTAL	\$493	\$1,201	\$1,694	100%*

*Because of rounding off, percentages do not compute to 100 percent.

to 80 percent, went to the various *Economic Assistance* programs. The distribution of Federal monies is also revealing of the basic nature of the social service programs. First, it offers further indication of the partnership between the Federal and New Jersey Governments in providing human services for the indigent. Second, it reveals substantial county involvement in the provision of such human services.

A comparison of Federal and State intergovernmental funding for human services brings to light some interesting contrasts. Again, a note of caution is in order—much of State human services monies goes directly to nonprofit entities who then provide the various services. In contrast, Federal monies, which go to nonprofits first, pass through the state and thus are counted as part of intergovernmental funding. A general comparison of intergovernmental funding reveals the most salient characteristic is that the Federal Government provides over four times as much intergovernmentally for human services as does the State—\$1.7 billion to \$400 million. However, \$1.2 billion of the \$1.7 billion is provided to State Government.

A comparison between Federal and State intergovernmental funding for New Jersey county and municipal governments, thus leaving out Federal monies to the State, shows comparable levels of funding—the Federal Government provided \$493 million while the State provided \$400 million. A major difference here is that no Federal intergovernmental funding was given to municipalities, while New Jersey municipalities received \$61 million from the State, which comes to 15 percent of total State intergovernmental funding. This is State monies for *General Assistance*, an area of Federal nonparticipation. For both the Federal and State Governments, the main area of funding to county and municipal governments is *Economic Assistance*. For Federal funding to county and municipal governments, it forms close to 80 percent of such funding, while for State monies it forms over two-thirds of such funding. The other area of considerable county and municipal funding is *Medical Assistance*—forming 17 percent of total such Federal funding and 14 percent of such State funding. In both cases these funds go primarily to county nursing homes.

TABLE III-III
COMPARISON FEDERAL AND STATE INTERGOVERNMENTAL
FUNDING FOR HUMAN SERVICES BY LEVEL OF GOVERNMENT
(In Millions)

	Municipal	County	State	Total
Federal Monies	\$ 0	\$493	\$1,201	\$1,694
Percentages	0%	29%	71%	100%
State Monies	\$61	\$339		\$ 409*
Percentages	15%	83%		100%
*It should be noted that \$9 million of the total \$409 million State intergovernmental funding went to New Jersey school districts.				

PROGRAM DESCRIPTIONS: HUMAN SERVICES

DIVISION MENTAL HEALTH AND HOSPITALS

Community Mental Health Services

Federal monies for mental health is provided through block grants. The *Federal Alcohol and Drug Abuse-Mental Health Block Grant* provides major funding to two State Departments—Department of Health and the Department of Human Services—for these program categories. Priority is given to supporting community mental health programs that are involved in the provision of services for chronically mentally-ill individuals. Federal funding also supports the coordination of mental health services within the several counties. Also, over two million dollars of the Federal funding is directed at aiding the homeless mentally-ill.

DIVISION MEDICAL ASSISTANCE AND HEALTH SERVICES

Medicaid

Federal legislation in 1965 established *Medicaid*—a program jointly funded by the Federal and state governments and administered by state governments through *Title XIX*—an amendment to the 1935 *Social Security Act*. The intent of the program was to make medical care available for the indigent population by reimbursing the providers of such medical services. Monies, thus, are not given to the recipient of Medicaid services, but rather to the medical service provider of the poor. It should be noted that not all poor people are eligible for Medicaid. The share of the Federal contribution to a state's Medicaid program is determined by a percentage formula calculated by a state's per capita income level, with wealthier states receiving about 50 percent Federal reimbursements for Medicaid while poorer states have over 75 percent of their Medicaid service costs paid by the Federal Government.

Two major groups are recipients of Medicaid benefits: *AFDC* enrollees and *SSI* beneficiaries—the aged, blind, and disabled. While the former constitutes roughly 70 percent of Medicaid recipients they utilize less than 30 percent of Medicaid expenditures. The reason for this is that *SSI* recipients are heavy users of long-term and institutional care, a much more expensive set of services, while *AFDC* recipients tend to gravitate toward physician and acute care services. Another category of Medicaid eligibility is that of the *Medical Needy*. This program is a state option, that has been adopted by New Jersey, which increases the individual's eligibility for Medicaid up to 133 percent of the *AFDC* income eligibility standard and allows a spending down procedure for individuals who have incurred enough sizeable medical expenses to meet *Medical Needy* defined income levels.

The Council on New Jersey Affairs, in its study of Medicaid, found that Medicaid expenditures, both nationally and in New Jersey, are heavily skewed toward nursing home and general hospital care. They found that for 1984, these two categories formed 75 percent of New Jersey's Medicaid expenditures and the preponderance of the program's growth.⁵

⁵Nancy G. Beer and John Lago, "The Dynamics and Directions of New Jersey Medicaid" (Council on New Jersey Affairs, Princeton University: 1986) p. 3.

During the 1980's, Medicaid afforded medical services for more than 500,000 New Jersey citizens—about seven percent of the state's population. Vendor payments had exceeded one billion dollars by 1984, with an annual growth rate between 1975 and 1985 of close to 12 percent. By fiscal year 1991, Medicaid had reached over two billion dollars. Worthy of note is the decline in Medicaid recipients during this period by approximately 100,000, thus reflecting a growth primarily attributable to rising health care costs and increased utilization of services.⁶

A shift occurred in Federal Medicaid policy during the 1980's, with state governments given greater leeway in defining the nature of their Medicaid programs. Among the changes adopted in New Jersey were enlarged Medicaid responsibilities in maternal and child health, extended Medicaid coverage for *AFDC* recipients in the *REACH* program, Medicaid initiatives in funding community and home-based social and medical services for *SSI* clients, as well as a greater involvement in long-term care services.

The Federal Government requires states to provide ten basic services for Medicaid clientele. In addition, states can provide up to approximately 30 optional services at their discretion. The 1980's witnessed a movement in the direction of greater personal care and social services. Numbers of states are presently experimenting with *HMOs* as a per capitation system for reducing increases in Medicaid costs. The ten basic Medicaid services which the Federal Government requires states to provide are the following:

- Inpatient hospital services (other than services provided in an institution for mental diseases);
- Outpatient health services;
- Rural health clinic services;
- Other laboratory and X-ray services;
- Skilled nursing facility services (other than an institution for mental diseases) and home health services for individuals 21 and older;
- Early and periodic screening, diagnosis, and treatment for individuals under 21 (EPSDT);
- Family planning;
- Physician and psychiatric services provided in the office, the patient's home, a hospital, a long-term care facility, or in any other setting;
- Transportation for medical services;
- Nurse-midwife services.

⁶*Ibid.*

DIVISION OF DEVELOPMENTAL DISABILITIES

ICF/MR Title XIX Social Security Act

This developmental disabilities funding is directed at the prompt and effective treatment and rehabilitation of individuals suffering from mental retardation. A corollary purpose is to insure that such individuals are educated and trained, to the maximum extent possible, in the community or in an institutional setting. Program areas include:

1. *Residential care and rehabilitation* includes provision of housing, food and clothing, care and supervision, development of self-help skills, personal hygiene, and social skills. *Rehabilitation* comprises evaluation of individual needs and the development and implementation of programs under the direct supervision of the professional staff of the institution, leading to the physical, emotional and social development of the retarded individual. Specific services include psychological evaluation, recreation, and the fostering of familial relationships.
2. *Health services* entail the required medical care and treatment of the patient, including diagnosis, treatment and preventive medicine, under the direct supervision of the professional medical and paramedical staff of the institution.
3. *Education and training* entail services that facilitate the physical, social and vocational development of the retarded person. These services are intended to produce greater independence or reduced dependency of the retarded individual.

Management and Administrative Services

This Federal funding is directed at services entailed by the administrative function of institutions. These include general management, purchasing, accounting, budgeting, personnel, payroll and clerical services.

SERVICES FOR THE BLIND AND VISUALLY HANDICAPPED

The general purpose of this Federal program is to assist blind and severely visually-impaired persons overcome their disability, and to help achieve an appropriate vocational goal through provision of diagnostic, restorative, counseling, training, and placement services.

The target population consists of two groups: the approximately 73,000 New Jersey residents who are unable to read ordinary newsprint, even with their glasses on, and some 1.2 million individuals who are at risk of losing vision or who are experiencing symptoms of a major disease; special instruction and also support services to blind and visually impaired children are provided so as to maximize their ability to compete with their sighted peers in the least restrictive setting. As a means of furthering these goals, social services and referrals are provided to help blind and visually-impaired persons obtain needed services, and to provide specific training services to assist persons to function within their neighborhood.

DIVISION OF ECONOMIC ASSISTANCE

Management and Administrative Services

Federal aid is used to refine and implement overall program policy, including the establishment and enforcement of standards, regulations, policies and fiscal and statistical activities for the public welfare programs administered by the State, county, or municipal agencies. Such aid also promotes and facilitates the effective operation of all staff development and training programs in all governmental agencies engaged in public welfare. *Management and Administrative Services* also entails the supervision and direction of activities for all agencies involved in the collection of child support and the provision of employment and training services to public assistance recipients.

Food Stamp—Federal Administrative Costs

The *Food Stamp Program* which was enacted through the *Federal Food Stamp Act of 1964*, is operated by the U.S. Department of Agriculture. The Program is designed to provide supplementary food in order to improve the dietary habits of low-income individuals. The Program is operated through state and local governments whose responsibility consists of processing applications, issuing benefits and providing employment and training programs.

In New Jersey, the program is overseen by the Division of Economic Assistance. However, the program primarily functions through the county welfare agencies, where eligibility of applicants is determined through the utilization of the State's *income and eligibility verification computer system*. Through this program coupons are allocated to clients for use in grocery stores. These coupons cannot be used to purchase alcohol, tobacco, paper products or pet food.

In regard to funding, the stamps themselves are 100 percent Federally funded while the administrative costs at the local level are 50 percent Federal and 50 percent State funded, and the costs for fraud control activities are 75 percent Federal and 25 percent State funded. The coupon allotment schedule of October 1989 ranged from a maximum coupon allotment of \$99 for a single individual to \$746 for a ten member household. Eligibility for food stamps requires meeting assets and income criteria as well as being either a U.S. citizen or qualifying as a legal alien.

The assets test allows most households to possess assets up to \$2,000, while those households containing at least one person, age 60 or older, are permitted up to \$3,000 in assets. A variety of personal belongings are not counted as assets including farm or business property and a car that is valued at less than \$4,500. There are two categories of income tests under the *Food Stamp Program*. For those households without a disabled or elderly (age 60 or over) individual, a gross and net income test must be met. A separate net income test is utilized for households containing an elderly or disabled person. Under these circumstances, net income is determined by subtracting 20 percent of any earned income as well as subtracting certain living expenses, such as high rent and utility costs.

New Jersey State Library

Low-Income Energy Assistance

This Federal block grant aids low-income households by paying a portion of their heating bills. Under this grant, New Jersey provided benefits to 120,243 low-income households for about half of their individual fuel bills, with the average benefit constituting about \$400 annually. Thirty percent of all beneficiaries are single elderly persons. The rest of the remaining beneficiaries are children.

The total for the *Low-Income Energy Assistance Block Grant* is \$54 million for FY 1990. Of this amount, \$2.9 million has been transferred to the Department of Community Affairs for *weatherization programs* and ten percent or \$5.4 million to the *Social Service Block Grant (SSBG)* and *Mental Health Community Block Grant*. In addition, \$4.6 million are given to county welfare agencies which administer the programs, and counties also are reimbursed by the State for the \$2.5 million in *emergency funds* which they expend to meet pressing individual needs.

Job Opportunities and Basic Skills Training (JOBS)

The purpose of the *JOBS Program* is to assure that needy families with children obtain education, training, and employment that will make it possible to get off of long-term welfare dependency. As part of the program, states must provide children with child care and other supportive services. Priority regarding participation is given to non-exempt applicants or recipients of *AFDC* who volunteer to participate in the program.

A parent under age 20, who does not have a high school diploma, will be required to participate in an educational program that leads to a high school diploma. For a parent age 18 or 19, there is the option of participating in training or work activities in lieu of study toward a high school diploma if the former option is a more viable one for achieving long-term employment. The Federal *Job Opportunities and Basic Skills Training Program* is the Federal equivalent of New Jersey's *REACH* program and its requirements are being incorporated into *REACH*. Failure to comply with program requirements without a justified excuse will initiate the sanction process.

Responsibility for the administration of *JOBS* rests with New Jersey's Division of Economic Assistance, with the Division being responsible for assuring that *AFDC* benefits child support enforcement services, and that *JOBS Program* services are coordinated and furnished in an integrated fashion. Part of the requirement is that the *JOBS* program activities be coordinated with programs operated under the *Jobs Training Partnership Act (JTPA)* and other job training programs in the State. The State is required to submit a state plan for the operation of the *JOBS* program and to review and update the plan at least every two years.

Refugee Resettlement Program

The *Refugee Resettlement Program (RRP)* provides cash and medical assistance to individuals who fled from and cannot return to their place of national origin because of fear of persecution based on race, religion, or political views. The program is 100 percent Federally financed. All refugee cases, including *General Assistance* cases, are administered by the county welfare agencies. *General Assistance* and *AFDC-N* type cases are eligible for assistance under the *Refugee Resettlement Program* for 12

months while *AFDC-C* and *AFDC-F* refugee cases are eligible for assistance under the *Refugee Resettlement Program* for four months. Prior to January 1, 1990, all refugee cases were eligible for assistance under the *Refugee Resettlement Program* for a period of 24 months. All refugee cases are 100 percent Federally-funded. Program eligibility for all refugee cases is determined by using *AFDC* criteria. Prior to the recent change, there were approximately 1000 individuals receiving assistance under the *Refugee Resettlement Program*. All refugees receive their grant amount based on the *AFDC-C & F* standard.

Work Incentive Demonstration Program, Title IV-C

Currently, state *AFDC* plans may choose to utilize any of four possible employment programs. One of these is the *Work Incentive Demonstration Program* (WIN). This program provides an alternative for states who wish to allow their *AFDC* recipients to participate in a paid employment program rather than receive standard *AFDC* benefits. In New Jersey, the *Work Incentive Demonstration Program* (WIN) has been revised since its inception in 1983. WIN has allowed states great flexibility in implementing their program objective. New Jersey's *Work Incentive Demonstration Program* (WIN) is gradually being phased out and being replaced by the newer *Realizing Economic Achievement Program* (REACH).

AFDC-C & F

The *Aid to Families with Dependent Children (AFDC) Program* was created in 1935 as *Title IV-A* of the *Social Security Act*. By 1940, 48 states had initiated an *AFDC* program. In New Jersey, *AFDC* is the largest public assistance program. This program is administered by county welfare agencies. Under *AFDC*, a cash assistance program is provided which offers a number of options to states in determining organizational, administrative, eligibility, and payment characteristics.

Under New Jersey's *AFDC Program*, there are three categories of eligibility. The two of note are: *AFDC-C*, which includes death, disability or absence from the home of one or both parents; and *AFDC-F*, which provides an option for assistance to families in which both parents are present but the principal wage earner is unemployed. Funding for *AFDC-C* and *AFDC-F* assistance costs consist of 50 percent Federal, 37.5 percent State and 12.5 percent county funding, with 50 percent Federal and 50 percent county funding of administrative costs.

Through the *AFDC Program*, a child is determined to be eligible for aid if they have been deprived of care as a result of the death, physical or mental disability or continued absence from the home of one or both parents. Qualification for aid on the basis of parental disability requires that the disability exist for a minimum of 30 days.

In regard to the eligibility of the *AFDC* family, those who are included as eligible members consist of the natural or adoptive parents and any blood-related or adopted sibling residing with the dependent child. Certain other individuals residing in the eligible household may also be considered part of the assistance unit. In order for a child to meet the *AFDC* age requirements they must be under 18.

In addition to the aforementioned options, states may choose to make two other assistance payment programs available through AFDC. The first such program applies to unemployed parents and is referred to in New Jersey as *AFDC-F*. The Federal Government defines an unemployed parent, under *AFDC-F*, as being the principal wage earner who is employed fewer than 100 hours a month or employed 100 hours or more a month if the excess work is intermittent and merely temporary. Beginning in October 1990, *AFDC-F* will be mandated in all states, as a result of the 1988 *Family Support Act*. Prior to the passage of this act only 27 states, including New Jersey, provided this benefit.

In order for a state to be eligible to receive Federal funding through the *AFDC Program*, each state must submit a plan that is to be approved by the U.S. Secretary of Health and Human Services. There are extensive Federal requirements which must be met in a state's plan. The major requirement calls for state financial participation to be included as part of the plan.

The nonfederal share of *AFDC* financing can be broken down into assistance and administrative costs. In regard to assistance costs, New Jersey and New York are among the 11 states in which these payments are assumed by both state and local government. In the remaining states, non-Federal assistance costs are covered solely by the state.

The administrative costs of *AFDC* are also shared between state and local governments in 18 states. Included in this group are New Jersey and New York. However, in the remainder of the U.S., state government bears the sole responsibility for these costs. *In New Jersey, the State declines to pay any of the counties' administrative costs, thereby leaving the counties with \$124 million of administrative costs which are not matched by the State.*

Only fifteen states, including New Jersey and New York, have chosen to have *AFDC* administered at the local level. In New Jersey, the State's Division of Economic Assistance supervises the administration of this program by the county welfare agencies.

There are additional Federal requirements which must be met by state plans if they are to qualify for Federal financial participation. One such requirement calls for those persons who are a part of the *AFDC* assistance unit to be enrolled in a training and employment program unless they are considered exempt. Currently, state *AFDC* plans may choose to utilize any of four possible employment programs. These programs are as follows: the *Work Incentive Program* or *Work Incentive Demonstration Program* (WIN), the *Community Work Experience Program*, the *Work Supplementation Program* and the *Employment Search Program*.

Emergency Assistance

Emergency Assistance is the other notable optional program under *AFDC*. Through this program, financial assistance can be offered to families, in which both parents are present and capable of working or actually employed, but who care for a child that is threatened by an emergency situation, such as potential homelessness. This program can also furnish aid to families that are eligible for or actually receiving *AFDC*. States are given broad latitude in determining the scope of their individual

Emergency Assistance Programs. Presently, New Jersey, is one of 28 states which has such a program in effect.

Whereas average monthly *AFDC* and *General Assistance* enrollments have declined, the increase in caseloads and expenditures is due to court decisions which have expanded the criteria and duration for which *Emergency Assistance* is available. As no State law regarding *Emergency Assistance* exists, the courts in effect are defining program parameters. *Emergency Assistance* is increasingly being used to provide housing to homeless *AFDC* families whose basic *AFDC* grant is inadequate to compete for housing. Also, as Federal reimbursement for *Emergency Assistance* is limited, State and counties fund more of its cost.

Emergency Assistance costs are expected to increase 18 percent for FY 1991. Approximately 15,300 persons are expected to receive monthly emergency assistance of about \$364. The increase is related to a \$6 million *county initiative* program authorized by the Department to reduce reliance on motels. The appropriation also funds an initiative to subsidize housing costs for approximately 1,200 persons at an average of \$250 per month, and costs associated with providing shelter at various State owned facilities. (As many emergency assistance initiatives go beyond what the Federal government will reimburse, the State and counties absorb a greater percentage of program costs.)

AFDC—Federal Administrative Costs

The Federal Government, in financially supporting the *AFDC* program, also underwrites a significant share of the costs in operating the program. Funding is given to each county welfare agency based on their reported costs of operation. The county welfare agency submits data from standardized forms that include all of the salary and overhead costs of the welfare agency. Federal reimbursements for a share of these costs are then provided to the individual county welfare agencies.

DIVISION YOUTH AND FAMILY SERVICES

Social Service Block Grants (SSBG)

Federal *Social Service Block Grant* monies are primarily provided for supportive social services. Recipients of the funding must conform to Federal stipulations and guidelines. The New Jersey Department of Human Services is the official administering agency for New Jersey's *SSBG Program* and therefore has overall responsibility for program policy, planning, operation and accountability. The State, in past years, has fostered the development of a more coordinated service delivery system by increasing the role of counties in program planning for the purchase of service components under *SSBG*.

Set Federal goals, which direct *SSBG* funding, include: enabling people to achieve or maintain self-sufficiency (the ability to take care of themselves) or economic self-support; preventing or remedying neglect, preventing abuse or exploitation of children and adults unable to protect their own interests; preventing or reducing inappropriate institutional care by providing for community or home based care; enabling people to secure admission for institutional care when other forms of care are not appropriate.

Several basic service areas are the recipients of *SSBG* funding. They include: crisis intervention and emergency services, protective services, in-community residential placements, day-care and homemaker services, informational and referral services, advocacy, and counseling/treatment.

Social Service Block Grant funding is delivered through several avenues. One is through Department of Human Services *sub-block grants* to the Departments of Health, Community Affairs and Corrections. Another is Division of Youth and Family Services's funding for social services through *DYFS* field offices, county welfare agencies, and contracted providers of community social services. Thirdly, county welfare agencies administer their own programs under separate *SSBG* funding. In addition, many social services result from direct contracts with local providers. They include over 400 non-profit agencies providing specific services such as home delivered meals and transportation.

Eligibility for social services is determined on the basis of the three following distinct sets of criteria: 1) without regard to income for protective services, 2) persons receiving *AFDC* or *SSI*, and 3) persons whose gross monthly/annual family income does not exceed established limits and do not meet the other two criteria may be eligible for services only.

To insure equitable distribution of *SSBG* funds among the counties, the Department in State in FY 1984 adopted a formula funding policy. All new funds for *SSBG Purchase of Service Programs* will be allocated using the following formula. The formula equally weighs a county's percentage of statewide Medicaid eligible population and its percentage of statewide *SSBG* eligible population, to ensure the targeting of services for the most needy and vulnerable population. For each fiscal year counties will be required to meet a ten percent or 25 percent match for *SSBG* new monies allocated to their individual county.

Management and Research Planning Services

Federal funding is provided to the State of New Jersey for a portion of its administrative costs in overseeing and operating all human service programs in which the Federal Government participates. These funds are received by the Department of Human Services' Division of Management and Budget and are used to pay for Department-wide indirect costs in overseeing those human service programs in which the Federal Government participates. A portion of the monies received is transmitted to New Jersey's Department of Treasury.

III. COUNTERFLOWS

The most autocratic fiscal relationship between the State of New Jersey and its localities was in the *human services* area. The State has traditionally required elected county freeholders to raise revenues from the citizens that elected them to be paid to the State for the operations of direct State human services.

As indicated previously in this chapter, the newly elected Governor and Legislature have enacted a program designed to end this practice and to increase State financial support to county and municipal welfare programs. The program will provide \$275 million of relief in 1991, all of which must by law be devoted to property tax relief. Almost every legislator voted for this extraordinary improvement in human services funding.

TABLE III-IV
COUNTY PAYMENTS TO THE STATE
FY 1990
(In Millions)

	1989	1990*
Developmentally Disabled	\$ 80.2	\$ 85
State Psychiatric Hospitals	44.3	47
Youth and Family Services	25.4	27
Supplementary Security Income	9.4	10
TOTAL	\$159	\$169
*Based on an estimated six percent increase from FY 1989.		

As indicated earlier all of these costs have been transferred to the State except \$10.4 million of county payments for patients in State psychiatric hospitals. It is hoped that this last remaining vestige of the State practice of billing local governments for State operated programs will be terminated in the near future.

CHAPTER IV

HEALTH

I. STATE FUNDING

Health problems concerning the population at large are the responsibility of New Jersey's Department of Health. Of the Department's about \$100 million annual budget, approximately half is utilized for the provisions of departmental services. The State makes available \$50 million for services offered outside the Department. Of this aid, the majority, about \$30 million, goes to nonprofit agencies who, under State stipulations, provide health services themselves. The State's major medical program, Medicaid—which is over a billion dollars in annual expenditures is operated outside the Department of Health by the State's Department of Human Services.

The Department's \$20 million in State funding was directed primarily at addressing highly visible, societal health problems—in particular, the problems of alcoholism and the spread of *Acquired Immune Deficiency Syndrome* (AIDS). Of the two, *alcoholism control* is county government operated whereas *AIDS prevention* is operated mainly by nonprofit organizations. The second major category of State health expenditure is the underwriting of local, community-based health services. Such funding assists local governments in providing an assortment of locally needed health services.

STATE FUNDING—HEALTH
FY 1990
(In Millions)

PROGRAM	AMOUNT		
	M U N I C I P A L	C O U N T Y	T O T A L
Alcoholism Comprehensive Control		\$10.9	\$11
Community Health Services	\$2.6	3.6	6
Alcoholism Control		1.5	2
AIDS Prevention and Treatment Services	.6	.6	1
Epidemiology and Disease Control	.6	.2	1
Other	.3	.2	1
TOTAL STATE FUNDING	\$4	\$17	\$22

PROGRAM DESCRIPTIONS: HEALTH

Comprehensive Alcoholism Treatment Program

Monies for this program emanate from the *Alcohol, Education, Rehabilitation and Enforcement Trust Fund*, whose revenue are generated by the State's alcohol beverage tax, under *Chapter 531 P.L. 1983*. This law mandates that the 21 county governments receive monies under the *Trust Fund* for county managed treatment and prevention/education services for alcoholism. The State imposes a 7.3 percent tax on the sale of all alcoholic beverages, except draught beer, sold by the barrel by any wholesaler to any retail licensed establishment. Of total revenue generated by this tax, 10.75 percent is deposited in the *Alcohol Education, Rehabilitation and Enforcement Trust Fund*.

Health Service Grants are then given to each of the 21 counties upon receipt of an annual county plan and health service application, with county government awards based on needs and population formulae. The comprehensive plan must address the needs of urban areas with a population of 100,000 or more and must demonstrate involvement with existing organizations which treat alcoholics and their families. Special attention within the plan must be given to alcoholic problems of youth, drivers with drinking problems, the problems of alcoholism among women, alcoholism at the workplace, the relationship between alcoholism and crime, and public information and educational programs.

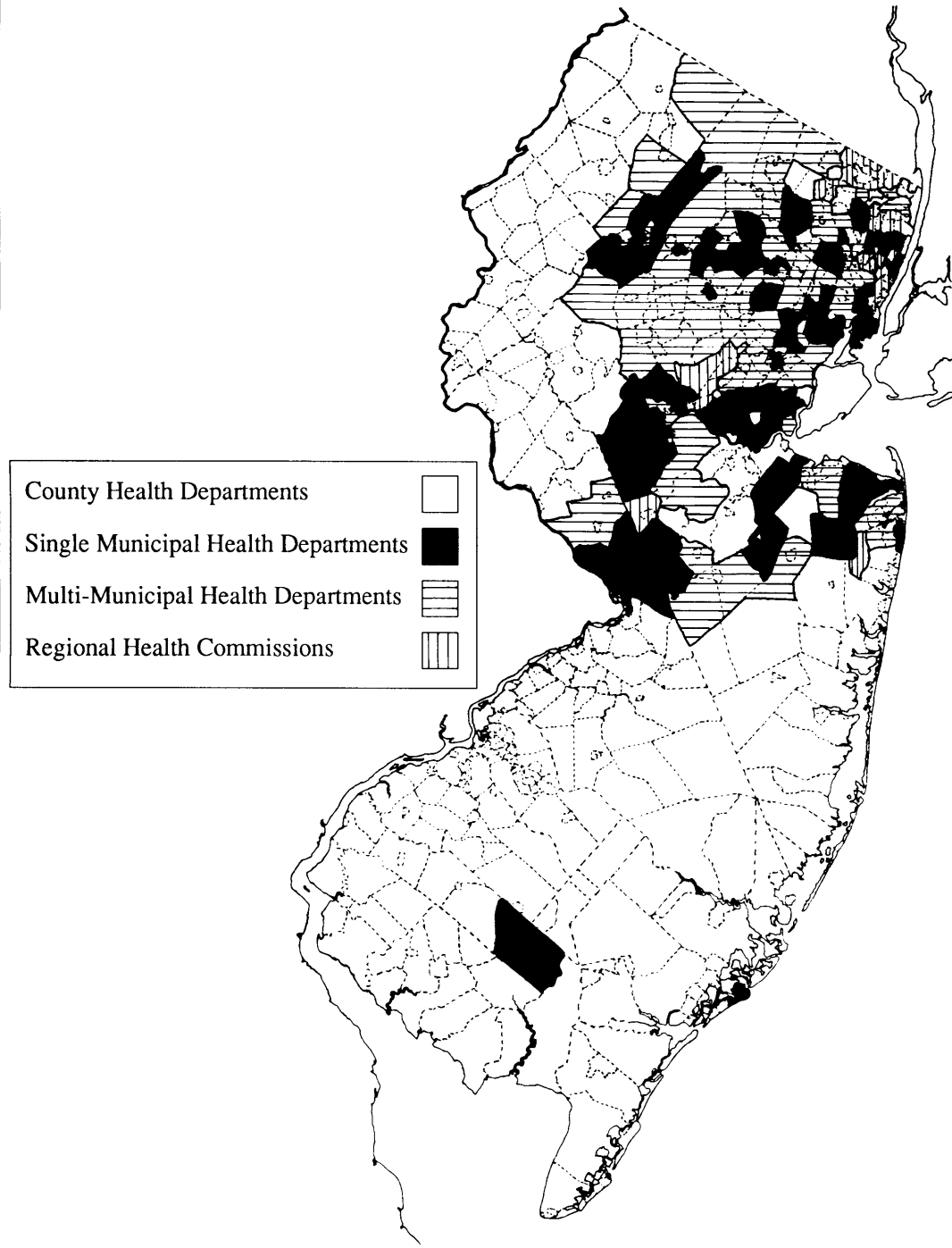
Community Health Services

The purpose of this program is to promote and improve local health delivery services. In FY 1990, 86 public health agencies, serving 528 of New Jersey's 567 municipalities, received the \$6 million (See Map I). The 14 county health departments received close to \$4 million of the total monies. Funding included specialized medical and rehabilitative services for handicapped children, promoting family planning, providing prenatal, maternal and child health care, coordinating emergency medical services, and improving epidemiology practices. Programs are financed through grants-in-aid projects as a means of assisting local governments in their provision of needed community health services. Monies for community health services are distributed through a formula based on a per capita amount appropriated annually.

Alcoholism Control

Varied services are provided under this category. They include: provision, through contracts, of counseling and detoxification services in clinics, public and private institutions and schools; assistance in the development of employee counseling and treatment programs; coordination of efforts with mental health programs; coordination of programs on fetal alcohol syndrome and child abuse; and provision of counseling programs for compulsive gamblers.

IV-1
STATE OF NEW JERSEY:
CERTIFIED LOCAL HEALTH AGENCIES



Acquired Immune Deficiency Syndrome (AIDS) Prevention and Treatment Services

Acquired Immune Deficiency Syndrome Prevention and Treatment Services are comprised of several programs which combined constitute a comprehensive system of AIDS-related health services whose underlying goal is reduction in the spread of AIDS. Basic objectives which are promoted by these initiatives include: local coordination of efforts to prevent the spread of AIDS; improvement of the care and treatment of Human Immuno-Deficiency Virus (HIV) infected individuals and persons with AIDS; the provision of training to medical professionals who service AIDS patients and their friends and families; the provision of counseling, testing and partner notification for those diagnosed with AIDS and Human Immuno-Deficiency Virus positive individuals; and efforts at establishing an integrated network of AIDS health service providers for Newark and Jersey City. Grant monies for the above listed programs are available for local government agencies, hospitals, institutions, and nonprofit agencies. Of the approximately \$12 million made available by the State, around \$11 million is provided to nonprofits and slightly over a million dollars is provided to municipal and county governments.

Epidemiology and Disease Control

Funding is provided by New Jersey Government to track and control the spread of communicable diseases. Of the \$5.6 million in grants provided by State Government, about \$800,000 is given to New Jersey county and municipal governments. The largest category of local funding is grants for sexually transmitted diseases, with over \$400,000 received by municipalities.

II. FEDERAL FUNDING: HEALTH

Several patterns are worthy of note regarding Federal intergovernmental funding for health purposes. First is the much greater degree of Federal than State intergovernmental funding for health. Federal intergovernmental monies came to approximately \$120 million whereas State intergovernmental monies were around \$20 million. This vast difference, however, needs to be placed in context. Most State monies were provided directly to nonprofit agencies rather than local units of government. The result is somewhat of a skewed representation of State funding for locally administered purposes.

The dominant role of nonprofit organizations in health care is reflected in Federal monies as well. It is noteworthy that the monies received by New Jersey Government that are transmitted to nonprofit organizations totals 50 percent of all Federal funding (see Table IV-I). Also, this total does not include county and municipal government received funding which is then used to contract out to nonprofit organizations who undertake the actual service provision.

TABLE VI-I FEDERAL HEALTH FUNDING BY LEVEL OF GOVERNMENT FY 1990 (In Millions)		
	Total	Percent
Directly to the State	\$ 78	66%
Passes Through to Nonprofits	\$ 58	48%
Through the State		
To Counties	\$ 14	12%
To Municipalities	\$ 25	21%
TOTAL	\$118	100%*
*The numbers in the columns are rounded off and thus the total does not reach 100 percent.		

A second important pattern was the predominance in funding of two major categories—maternal and child health (including WIC) and alcohol and drug abuse treatment. Maternal and child health programs constituted over 50 percent of all Federal intergovernmental monies. The funding commitment given to this category by the Federal Government reflects a Federal priority within the health field for meeting the nutrition needs and health of young children and expectant mothers. It should be noted that a good proportion of this intergovernmental aid is passed through to nonprofit entities.

The second major category was alcohol and drug abuse treatment. Here, the funding level constituted about one-tenth of all Federal intergovernmental monies. As an addendum, it should be noted that \$20 million (which is not counted in our totals) was transferred from the New Jersey Department of Health to the New Jersey Department of Human Services for mental health programs.

Regarding Federal monies to counties and municipalities, the two levels of local government combined received about one-third of overall Federal intergovernmental monies for health. The largest amount of Federal monies went to municipalities, which received \$25 million, or about 20 percent, of all Federal monies. Of the various programs of Federal monies to municipalities, WIC was the largest by far, constituting \$22 million, or close to 90 percent, of the \$25 million.

Counties, on the other hand, received about \$14 million (12 percent) of total Federal intergovernmental monies for health. Here again, the WIC program was by far the largest, receiving \$9 of the \$14 million. In fact, the WIC program constituted four-fifths of total Federal funding to counties and municipalities combined. The rest of the municipal and county programs listed, in comparison, received rather minor amounts of Federal monies.

FEDERAL FUNDING—HEALTH
FY 1990
(In Millions)

	M U N I C I P A L	C O U N T Y	N O N P R O F I T*	S T A T E	T O T A L
Supplemental Food Program—WIC	\$22.0	\$ 9.1	\$21.6	\$.3	\$ 53
Maternal & Child Health—Block Grant	.3	1.1	6	3.6	11
Alcohol & Drug Abuse—Mental Health Block Grant (\$20 Million to Human Services)	.8	1.4	11	.6	14
AIDS Protection and Treatment Services	.5	.7	4.6	7.2	13
Epidemiology & Disease Control Grants	.4	.4	1.2	5.0	7
Preventive Health Services—Block Grant	.1	.1	2.8	1.0	4
Family Planning—Title X	.6	.2	.2	1.0	2
Occupational Health Control				.7	1
Other Federal Programs	.3	.7	10.8	.9	13
TOTAL	\$25	\$14	\$58	\$20	\$118**

*This column denotes the amount for a program that passes through the State and is provided to nonprofit organizations.

**Because of rounding off, categories do not add up to the total.

PROGRAM DESCRIPTIONS: HEALTH

Supplemental Food Program—Women, Infants, Children (WIC)

This program provides supplemental nutritious foods, nutrition assessment, and nutrition education to indigent women who are either pregnant, lactating, or in the post-delivery period, and to infants and children at nutritional risk, for whom this program serves as an adjunct to good health care. Services are provided during critical phases of child growth and development as a means of preventing the occurrence of health problems.

Funding recipients who administer the program include: county and municipal health departments, county welfare organizations, nonprofit health agencies, as well as social service and community organizations that provide health care services. Individuals receiving benefits from the program must meet income eligibility standards.

Maternal & Child Health Services—Block Grant

The two major objectives of the *Maternal & Child Health Services Block Grant* are to maintain and strengthen the State role in planning, promoting, coordinating and evaluating health care for mothers and children and to provide health services for mothers and children who do not have access to adequate health care. States are obligated to ensure that three dollars of State or local funds will be earmarked for *Maternal & Child Health* purposes for each four dollars of Federal funds allotted through a formula mechanism. Based on a State needs assessment, the funds are utilized to develop and sustain services in areas of need. By law, 30 percent of funds must be spent on preventive and primary care for children, 30 percent on services for children with special health care needs, and no more than ten percent for administration. The remaining funds are utilized primarily for the delivery of prenatal care services.

Alcohol and Drug Abuse—Mental Health Block Grant

Federal aid under this block grant supports projects for the development of more effective prevention, treatment, and rehabilitation programs to deal with alcohol and drug abuse. Mental health revenue is also transferred to the New Jersey Department of Human Services, an amount which came to \$20 million for the present fiscal year. Funds generally may be used at the discretion of the State. The major exceptions are for substance abuse, which include a formula under which not less than 35 percent must be used for alcohol activities, not less than 35 percent for drug abuse activities, not less than 20 percent for prevention/early intervention activities, and ten percent for women's activities. Not more than five percent of the total allocation is for State block grant administration. The bulk of Federal monies is received by municipal governments.

Acquired Immune Deficiency Syndrome (AIDS) Prevention and Treatment Services

AIDS Prevention and Treatment Services are comprised of several programs which constitute a comprehensive system of AIDS-related health services, whose common goal is the reduction in the spread of AIDS. Basic objectives which are promoted by these initiatives include: local level coordination of efforts to prevent the spread of AIDS; improvement of the care and treatment of Human Immuno-Deficiency Virus (HIV) infected individuals and persons with AIDS; the provision of training to medical professionals who service AIDS patients and their friends and families; the provision of counseling, testing and partner notification for those diagnosed with AIDS and Human Immunodeficiency Virus positive individuals; and efforts at establishing an integrated network of AIDS health service providers for Newark and Jersey City. Grant monies for the above listed programs are available for local government agencies, hospitals, institutions, and nonprofit agencies.

Epidemiology and Disease Control Grants

Epidemiology and disease control grants are provided to aid the effort of identifying and controlling communicable diseases. Local public health agencies are one of the primary recipients of such aid. One of the major categories toward which such aid is directed is *sexually transmitted diseases*. Other diseases which are the target of control efforts include measles, gastroenteric diseases, the flu, and rubella.

Preventive Health Services—Block Grant

Preventive Health Services is a Federal block grant that encompasses funding for the following programs: *hypertension prevention and control, cancer control and risk reduction, emergency health services, comprehensive public health services, rape services and prevention*, and State administration of the Block Grant.

Family Planning (Title X)

This Federal categorical grant's general purpose is to encourage voluntary family planning among sexually active adolescents and adults. As a means of achieving this objective, funding is provided for counseling and comprehensive medical family planning and social services necessary to enable individuals to achieve their desired family size and age spacing of children. Also, limited funding is available for job training for professionals and paraprofessionals in the family planning field so as to enable them to improve delivery of family planning services. Funding priority for job training is given to rural areas.

The categorical grant also has as its objective the promotion of service delivery improvement by utilizing the most recent knowledge in the family planning field. Regarding receipt of family planning grants, any public or nonprofit entity is eligible to apply for grants. Service priority is given to individuals from low-income families, with those not of low-income charged a fee. Funds can not be used for abortion services.

Occupational Control

Federal funding is used to support specific projects that include: occupational surveillance of fatal and non-fatal injuries, selected respiratory diseases and *Acquired Immune Deficiency Syndrome* (AIDS) in high risk populations, a study of environmental risk factors for birth defects, and health assessments for populations living in close proximity to New Jersey's more than 100 Superfund sites.

CHAPTER V

ENVIRONMENTAL PROTECTION

I. STATE FUNDING

With the decline in agricultural production in this State and the concomitant shift to industrial production, along with the advent of a high density of population, environmental problems have risen to the fore as one of the paramount concerns of New Jersey residents. Indicative of the depth of the State's environmental problems is the existence of over 100 hazardous waste sites in the State, the most of any state in the nation. Celebrating its twentieth year of existence, New Jersey's Department of Environmental Protection has incurred a continuous expansion of its responsibilities.

Sharing responsibilities with the Federal Government, New Jersey's Department of Environmental Protection's areas of responsibility have made it, in terms of direct services provided, one of the most important departments of New Jersey Government. Its staff size has grown to about 4,000 personnel. Given the complexity of environmental problems, the State role has been a multivaried one. Its role encompasses many different duties, including regulation, direct remediation of environmental responsibilities, monitoring, testing, and planning, and intergovernmental assistance in environmental efforts.

TABLE V-I
LOCAL ENVIRONMENTAL EXPENDITURES: CAPITAL COSTS
(In Billions)

ESTIMATED CAPITAL COSTS 1989-1994	
Service	Amount
Solid Waste	\$4.3
Sewerage	2.8
Water Supply	1.3
TOTAL	\$8.4

Source: Star Ledger, June 19, 1990, and Department of Environmental Protection Study, *Municipal Sector Study*—Phase I, July 1991.

*Included within this chapter on *environmental protection* are agricultural programs.

The two major concerns of the Department are *hazardous waste* and *water resources*. *Hazardous waste*, a problem of great seriousness, is handled by two divisions with a staff size of over 750. *Water resources*, a ubiquitous problem concerning the questions of water supply, water quality, flood control, and waste water cleanup, is handled by a division of about 700 staff members. It should be noted that each of these concerns constitutes a long-term problem, one not amenable to quick resolution. Other areas handled by New Jersey's Department of Environmental Protection include: air pollution control, solid waste management, and natural resource management—which includes coastal zone management and the preservation of open spaces.

There has been a significant amount of environmental funds made available to local governments over the last 25 years. Unfortunately the funds fluctuate dramatically, from year to year, at both the State and Federal levels. The availability of funds for capital construction purposes also suffers such fluctuations. The use of bond funds also contribute to the roller coaster effect.

In addition, local governments play a major role in the environmental field in terms of both their own efforts and in conjunction with State environmental efforts. The centrality of local government's role is often overlooked. Salient local efforts include involvement with waste disposal, sewerage, and water provision, purification, and testing. A 1989 study by the Department of Environmental Protection showed that environmental mandates for upgrading sewerage plants, disposing of garbage, and providing clean water will increase the costs to local governments by \$8.47 billion over the next five years (see Table V-I).

A breakdown of where, within these three major categories, the money for capital projects will be spent indicates that \$4.3 billion will be utilized for solid waste, \$2.8 billion for sewage treatment, and \$1.3 billion for water supply (see Table V-I). Projections for the next five years are that in order for local governments to pay for these services, the average household charges for sewer, solid waste and water services will increase from \$432 per year to \$591 a year, a total increase of 37 percent. The heaviest burden for this increase is likely to be felt by small towns and the largest cities (see Table V-II).

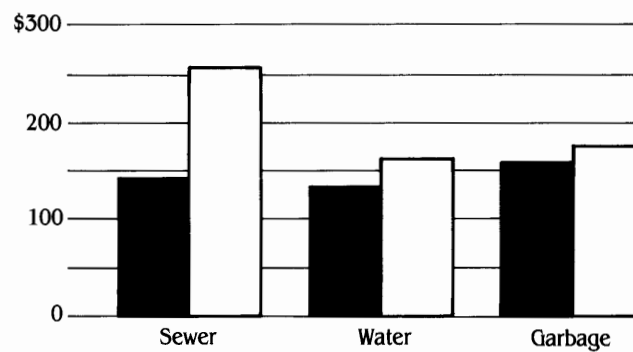
Citizen response to these issues has ranged from public apathy to a public reaction of visible ire and local protest over solid waste disposal issues. For such issues, a large and continuous financial effort is required to solve these environmental problems.

TABLE V-II
LOCAL ENVIRONMENTAL EXPENDITURES:
HOUSEHOLD CHARGES

HOUSEHOLD CHARGES

Current annual charges for services and projected charges, assuming all the projects are undertaken

■ 1989 □ 1994



Source: Star Ledger, June 19, 1990, and Department of Environmental Protection Study, *Municipal Sector Study—Phase I*, July, 1991.

**STATE FUNDING FOR ENVIRONMENTAL
PROTECTION—GENERAL REVENUE
FY 1990
(In Millions)**

	M U N I C I P A L	C O U N T Y	T O T A L
Sewage Facility Construction	\$13		\$13
Clean Communities	10.8	\$1.3	12
Clean Shore-Beach		1.9	2
Clean Streets & Clean Storm Drains		1.8	2
County Environmental Health	.1	3.9	4
Payment In Lieu of Taxes	.8		1
TOTALS	\$25	\$9	\$34

*With the exception of *Clean Shore Beach* and *Clean Streets & Clean Storm Drains*, which are for FY 1989, the reporting of all funds is for FY 1990.

**STATE FUNDING FOR ENVIRONMENTAL
PROTECTION—SPECIAL REVENUE
FY 1990
(In Millions)**

	M U N I C I P A L	C O U N T Y	T O T A L
Resource Recovery Investment Tax		\$25.4	\$25
Solid Waste Services Tax Fund		10.5	11
Mandatory Recycling Act (1987) Funding			
Recycling Fund—Tonnage Grants**	\$4.6		5
Recycling Planning & Education		2.5	3
TOTALS	\$5	\$38	\$44*

*Because of rounding off, numbers do not total.

**The two noted solid waste funds do not carry general State obligations.

**STATE FUNDING FROM BOND FUNDS '89—
ENVIRONMENTAL PROTECTION***
(In Millions)

State Grants/Loans To:

Bond	M U N I C I P A L	A U T H O R I T Y	C O U N T Y	T O T A L	Average Past 3 Yrs.
Water Conservation Construction Grants (1969)	\$ 0.8	\$ 9.5	\$ 7.3	\$18.0	\$ 6
State Land Acquisition Green Acres (1971 and 1978)	1.1	0.0	4.9	6.0	8
Emergency Flood Control (1978)	1.0	0.0	0.0	1.0	2
Natural Resources (1980)	1.4	2.8	0.2	4.0	4
Water Supply (1981)	5.4	0.7	0.0	6.0	13
Green Trust Loans (1983)	14.8		3.3	18.0	17
Wastewater Treatment (1985)	28.3	4.5	0.0	32.5	25
TOTAL	\$53	\$18	\$16	\$86**	\$75

*State flows from bond funds, and particularly from any one fund, generally fluctuates greatly from year to year. The range in the bond funds shown here is from one to \$33 million a year. Over the years the five *Green Acres* bond funds and the various bonds providing sewer treatment aid have been most consistent. State aid from bond funds is usually made available for these purposes year after year. During our three year perusal, close to 120 million of *Water Supply* and *Wastewater* bonds were expended by the State, thus dominating in this bond fund category.

**Because of rounding off, figures do not total.

ANALYSIS

State funding to local governments for environmental concerns comes from three basic funding streams: bond monies, special revenue funding, and general revenues. The prominence in the use of bond monies and special revenue funds as major sources of funding for local environmental programs is a departure from the practices for most State departments' programs. One major reason for the existence of such an approach is that environmental efforts often entail expensive capital projects that are difficult to finance other than over extended periods of time. Also, the benefits of such capital projects are often shared by more than one generation.

Bond funds are monies made available from the proceeds of the issuance of bonds. The general philosophy behind the use of bonds is that for areas of major capital investments, the financial burden should be distributed over a lengthy period of time so as to spread out the costs for such projects over the life of the project. A general State obligation bond fund can only be established upon the approval of the voters through a referendum, with the monies then available solely for the purposes for which the bonds were authorized. Money for expenditures is then taken out of the bond funds periodically with the amount provided for a given fiscal year varying depending upon the needs of that particular year. Also, much of the bond aid is in the form of loans. Special revenue funds are monies earmarked for specified purposes with the revenue in most cases derived from specific taxes.

Total State funding from the three aforementioned funding streams came to \$164 million using a combination of FY 1989 and 1990 figures.¹ Of the three funding sources, State flows from bond monies constituted the largest category—\$86 million—which constitutes over half of total State funding. The second largest category of State flows is *special revenue funds*, which come to \$44 million—an amount constituting 27 percent of total State monies. In comparison, State flows out of general appropriations came to slightly over 20 percent (see Table V-III).

An examination of bond fund appropriations quickly reveals that there is significant variation from year to year. For example, if one averages bond monies from fiscal year 1987 to 1989, the three year average total of bond funding for environmental concerns is \$75 million. In contrast, for our last available fiscal year, 1989, \$86 million in bond funding was expended. Another salient differential is in the *water supply* bond—over the three fiscal years, bond funding has averaged \$13 million. For FY 1989, it came to just six million dollars. However, it should be noted that, in total, close to \$120 million in water supply bond monies was expended by the State in water supply bond expenditures.

Given the peaks and valleys of environmental bond funding, a more accurate overview of funding patterns may be gleaned by focusing on three year averages. Here *Green Trust/Acres* and *wastewater treatment* constitute our largest categories of

¹It should be noted that our bond fund data are for FY 1989 and any subsequent discussion will be based on such data.

TABLE V-III
Funding Streams for State Funding
(In Millions)

Source	Amount	Percent of Total Funding
Bond Funding*	\$ 86	52%
Special Revenue**	44	27%
General Revenue**	34	21%
TOTALS	\$164	100%
*Figures are for 1989		
**Figures are for 1990		

funding, with \$25 million in monies for each. The two thus comprise approximately two-thirds of total environmental bond funding. In comparison, the rest of the bond funds, of which *water supply* is the largest category with \$13 million, constitute one third of total bond funding.

Figures for FY 1989, in which a breakdown of monies to local governments is provided, reveal that \$53 million, almost two-thirds of the funding, went to municipalities. Of the municipal aid, \$28 million—which is over half of the municipal total—was for wastewater treatment. The next largest portion of bond monies is received by authorities—\$18 million or over 20 percent of bond funding. The largest category of State bond monies for authorities is for *water conservation construction*, with authorities receiving over half of the total bond funding provided by the State. The only other category where authorities receive the majority of funding is for *natural resource* bonds where monies are made available for an assortment of different kinds of environmental capital projects (see Table V-III).

Counties, on the other hand, receive only \$16 million—less than 20 percent—of total State bond monies. The only category where county governments receive a substantial sum of money is for *water conservation construction*. For the largest category of funding, *wastewater treatment*, county governments received no funding.

TABLE V-IV
BOND FUND DISTRIBUTION BY LEVEL OF GOVERNMENT
FY 1989
(In Millions)

Government Entity	Amount	Percent of Total
Municipalities	\$53	61%
Authorities	18	21%
Counties	16	18%
TOTAL	\$87	100%

Special revenue funds provided \$44 million in funding for governmental purposes in FY 1990. A breakdown of the various categories indicates that the monies went for solid waste programs. In fact, each of the existing programs are solid waste ones. They are *Resource Recovery Investment*, *Solid Waste Services*, *Recycling-Tonnage*, and *Recycling Planning & Education*.

When one contrasts *special revenue* funding for counties with that of municipalities, it is obvious that *special revenue* funding was received predominantly by counties. Over four-fifths of *special revenue* monies was received by counties. The orientation toward county funding results from the overwhelming tilt toward funding counties for solid waste programs. This is a program area of major county responsibilities. Municipalities, in contrast, receive the preponderance of funding for *Clean Communities* and Recycling.

The final stream of State funding is that of *general revenue*. Here, the total amount for FY 1990 is \$34 million or approximately 20 percent of all State funding for environmental purposes. Six programs make up this funding stream, with *Sewage Facility Construction* and *Clean Communities* making up \$25 of the total \$34 million.

PROGRAM DESCRIPTIONS

General Revenue

Sewage Facility Construction

State *Sewage Facilities Construction* monies are provided for the construction of public wastewater treatment facilities. The funding, which is the State's matching share to Federal dollars placed in the State's *Loan Revolving Fund (SRF)*, is utilized as aid to local governments to help them meet the objectives of the *Federal Clean Water Act* which entail the reduction of pollutant discharges from public sewage systems.

Clean Communities

This program's purpose is to reduce the amount of litter in New Jersey. Funding is derived from the taxation of 15 categories of litter-generating products at both the wholesale/distributional and retail levels. Eighty percent of the account is available to municipalities, with its distribution based on the number of housing units and road mileage per municipality. Ten percent goes to counties for programs of litter pickup and removal, with the county monies received in proportion to total county road mileage. To be eligible for funding for paid litter pickup, equipment purchases, enforcement activities and public education, municipalities and counties are required to adopt one of the Department's model litter programs.

Clean Shore Beach

Funding for this program is from State aid appropriations which were forthcoming to combat growing beach and ocean pollution problems. The program is designed to help the 45 Atlantic coast municipalities purchase beach and beach access area cleaning equipment. The formula for individual municipal funding is based on each municipality's publicly accessible linear beach mileage and tourism count. Each eligible municipality is guaranteed no less than \$20,000 and up to a maximum of \$100,000 in funding. Forty-one municipalities received funding in FY 1990.

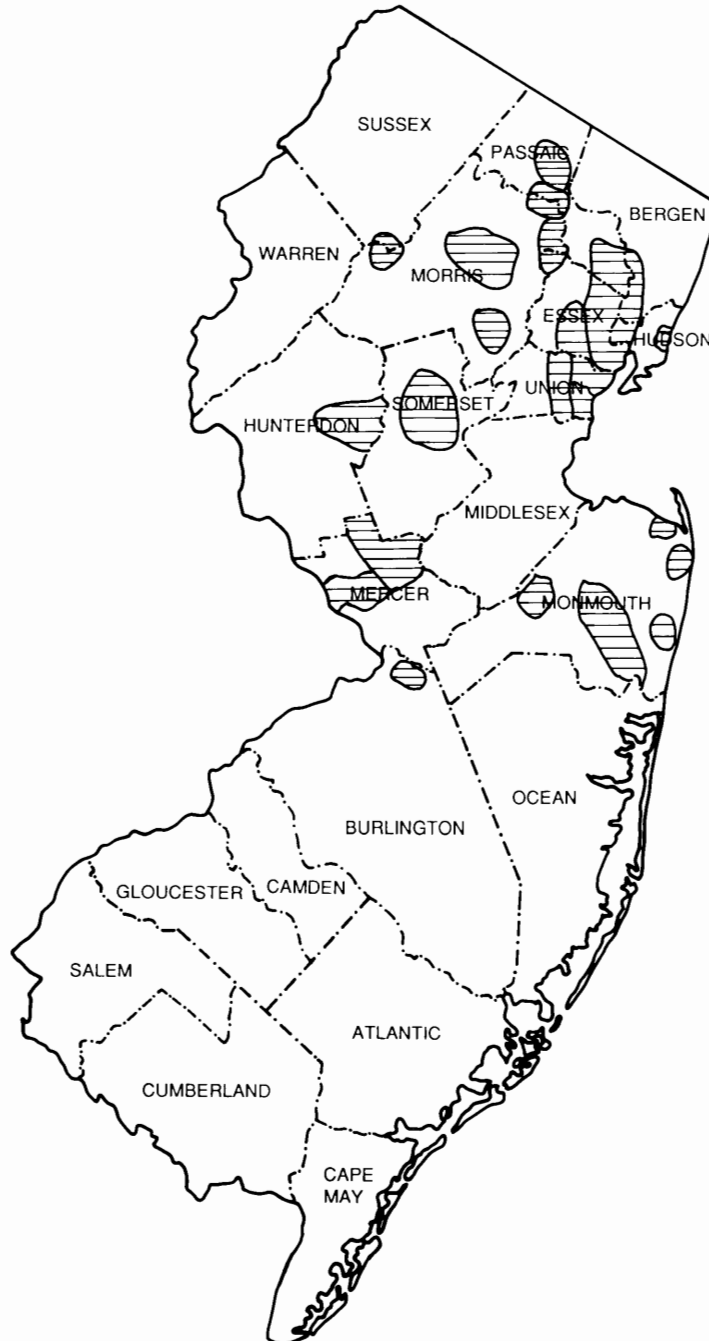
Clean Streets & Clean Storm Drains

The funding source for this program is the *Clean Shore Beach Fund* which was created to address New Jersey's growing beach and ocean pollution problems. The program's purpose is to aid in the purchase of street and storm drain cleaning equipment or services by the 126 municipalities designated as coastal under the *Coastal Area Facility Review Act*. The amount each municipality is eligible to receive is based on its municipal road mileage, with allocation amounts ranging from \$600 to \$101,000. For fiscal year 1990, 93 municipalities were approved for funding.

County Environmental Health

The *County Environmental Health Act* requires counties to prepare and implement working programs that meet State adopted performance standards for controlling air, water, solid waste, hazardous waste and noise pollution. These delegated functions

**V-I
REGIONAL SEWERAGE AUTHORITIES**



augment the Department of Environmental Protection's enforcement, monitoring, and inspection responsibilities. These programs are supported on a 50-50 grant matching basis. It should further be noted that receipts from fines and penalties, in excess of those anticipated, is appropriated for *county environmental health* programs.

In Lieu-of-Taxes

In order to compensate municipalities for the loss of taxes from local property acquired and owned by the State of New Jersey, the State pays in lieu-of-taxes for 13 consecutive years for a sum equal to the last amount of taxes paid for the first year, followed by succeeding lesser percentages of this total, concluding with only four percent of the original tax assessed amount the final year.

Special Revenue

Resource Recovery Investment Tax

Funding for this program is derived from *Resource Recovery Investment Taxes* and *Solid Waste Importation Taxes* which are levied on solid waste that is disposed of at New Jersey landfills. Funds are provided to county governments for the following purposes: to reduce the rates charged by a resource recovery facility serving the county, to facilitate the development of state-of-the-art sanitary landfill facilities, and to finance the closure costs associated with closing landfills.

Solid Waste Services Tax Fund

Funding for this program is derived from taxes on solid waste services, levied on solid wastes that are disposed of at landfills within New Jersey. Grants are provided to county governments for the preparation, revision and implementation of district solid waste management plans, including the implementation of the *State Recycling Plan*. Each county's grant amount is based upon the quantity of solid waste it generates, with no county receiving less than two percent of available funding.

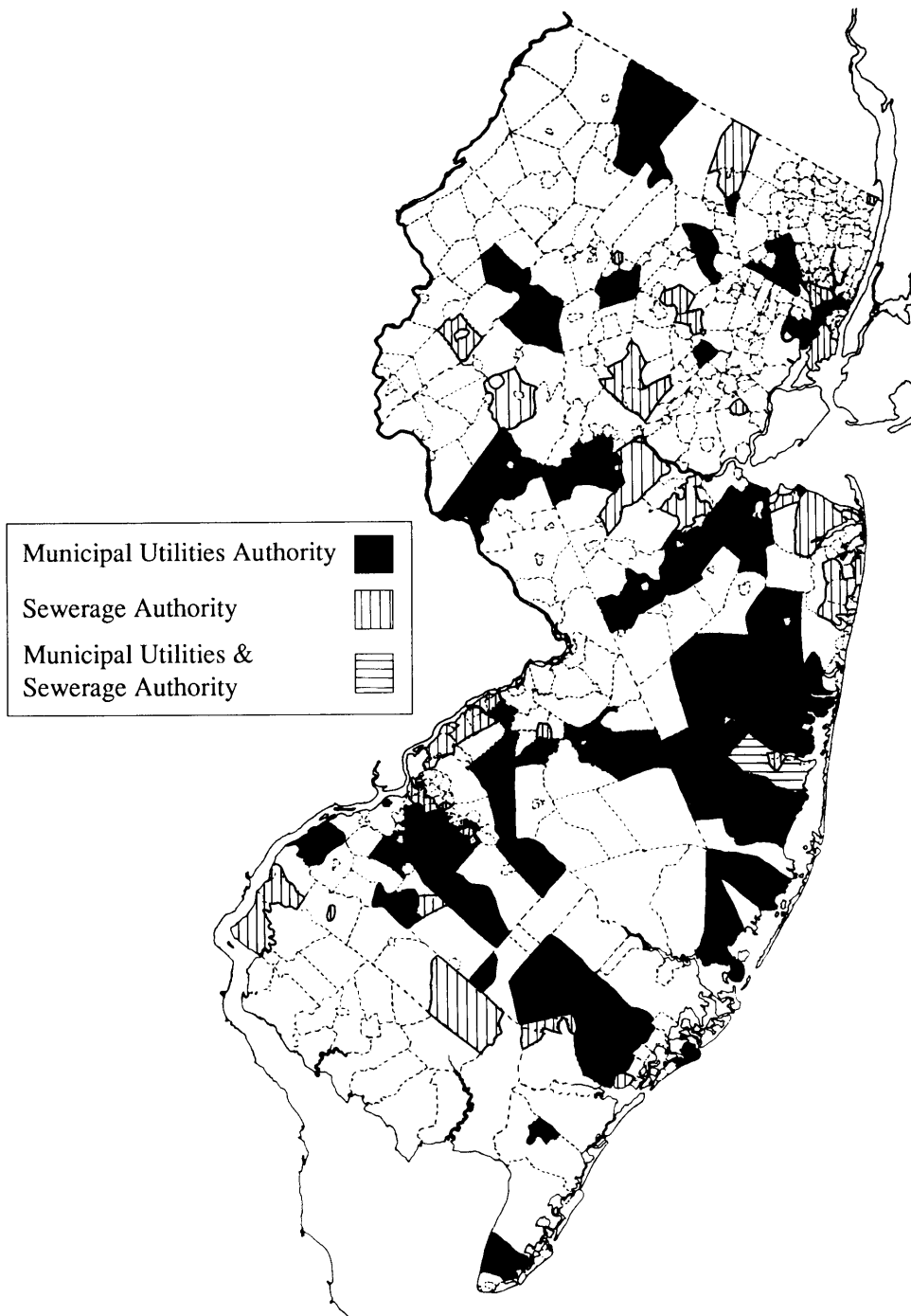
Mandatory Recycling Act (1987) Funding

The *Mandatory Recycling Act* established a dedicated fund derived from collection of \$1.50 a tons from landfills and transfer stations. This revenue generated in the past has been about \$12 million a year with the allocation of the revenues based on the following formula:

Recycling Fund—Tonnage Grants

Municipalities receive 40 percent of the total available monies based on a State payment for tonnage of material recycled. It should be noted that while the funding stream is overwhelmingly targeted at municipalities, counties may also receive tonnage grant monies if they provide complete recycling services, at no cost, to municipalities. At present, Burlington County provides such services.

V-II
MUNICIPAL UTILITIES AND SEWERAGE AUTHORITIES



Recycling Planning & Education

Ten percent of the revenue raised is for education on recycling. Overwhelmingly, this money has gone to counties.

Low-Interest Loans

Thirty-five percent is for to low-interest loans for recycling businesses and market development research.

Program Grants

Eight percent is received by to counties for program grants.

Administrative Expenses

Seven percent is used by the State for administrative expenses.

Bond Funds

Water Conservation Construction Grants (1969)

In 1969, \$271 million of *Water Conservation Bonds* were issued for use to ensure adequate surface water supply storage. This Fund's proceeds are for the planning, acquisition, construction, and maintenance of facilities for the collection, storage, treatment and transmission of public water resources.

State Land Acquisition (Green Acres 1971 and 1978)

Green Acres' purpose is the acquisition and development of land for public uses. Such lands may be acquired directly by the State or through grants to local government. *Green Acres '78* authorized State and local acquisition and development in order to conserve open space and provide recreational areas. Half of the \$200 million authorized is allocated to urban areas.

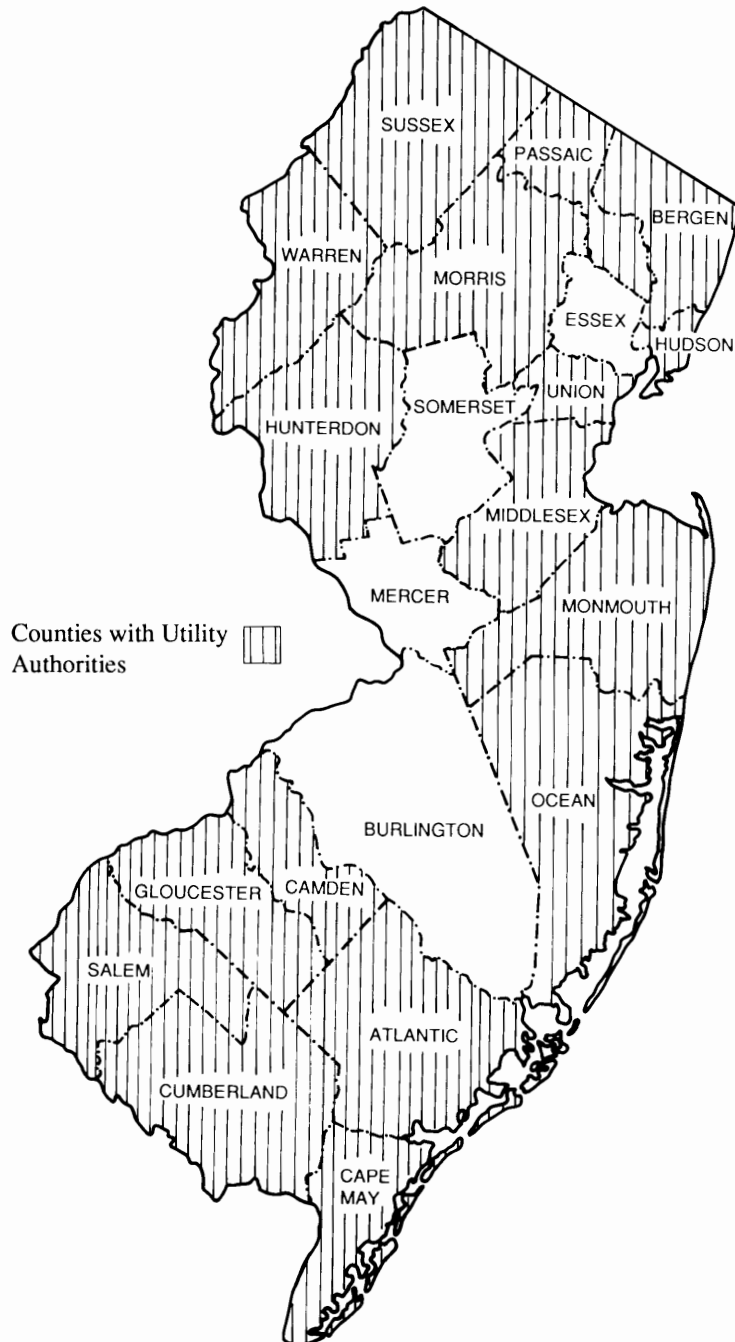
Emergency Flood Control Fund (1978)

This fund is intended to develop and maintain flood control facilities and to develop a comprehensive flood control master plan for the State. A total of \$25 million is authorized by this bond.

Natural Resources Fund (1980)

This bond is intended for the development, acquisition, and construction of resource recovery facilities, sewage treatment facilities, water supply facilities, dam restoration projects, and harbor cleanup. Of the 145 million total, \$50 million is allocated for resource recovery, \$60 million for sewage treatment, \$12 million for harbor cleanup, \$15 million for dam restoration, and \$8 million for water supply.

**V-III
COUNTY UTILITY AUTHORITIES**



Water Supply (1981)

The purpose of this bond is to ensure an adequate supply of water for New Jersey households. Toward this end, bond monies were authorized to provide loans for state or local projects for the rehabilitation, repair or consolidation of antiquated, damaged or inadequately operating water supply facilities, as recommended by the *New Jersey Water Supply Master Plan*. Up to and including Fiscal Year 1988, \$15.8 million of the monies made available constitute rehabilitation loans made to various municipalities and \$600,000 represents loans for contaminated wells that are received by several municipalities. Up to and including Fiscal Year 1988, a large portion of the monies, \$122.6 million, represents loans to the *New Jersey Water Supply Authority*.

Green Trust Loans (1983)

This bond's purpose is the conservation of open space and the establishment of recreational areas through State and local acquisition and development. Of the authorized \$135 million, \$52 million is allocated for State acquisition and development and \$83 million is allocated as loans to local governments.

Wastewater Treatment Fund (1985)

The *Wastewater Treatment Financing Program* was initiated to provide grants and low-interest loans to local governments for construction of wastewater treatment facilities. This bond authorizes \$190 million of which \$150 million is allocated for grants and loans for the construction of wastewater treatment facilities and \$40 million to the *New Jersey Wastewater Treatment Trust*.

FEDERAL FUNDING DISTRIBUTION—ENVIRONMENTAL PROTECTION
(In Millions)

PROGRAM	FEDERAL FUNDING TO:				
	AMOUNT				
	M U N I C I P A L (^{'89})	A U T H O R I T Y (^{'89})	C O U N T Y (^{'89})	S T A T E (^{'90})	T O T A L* (^{'90})
Environmental					
Toxic Clean-Up— Super Fund				\$141.0	\$141
Hazardous Waste—Resource Conservation Recovery				3.7	4
Construction Loans—Sewerage	\$56.2	\$10.7		4.0	71
Construction Grants—Sewerage				8.0	8
Pinelands Acquisition				14.5	15
Underground Storage Tanks— Trust Fund				1.0	1
Water Quality—Environmental Monitoring & Planning				5.2	5
Land & Water Conservation Fund —SCORP Grants	.1		\$2.2	1.8	4
Air Pollution Maintenance	1.1		2.5		4
Hunters' and Anglers' Fund				3.0	3
Water Pollution Control				3.0	3
Coastal Zone Management	.1			1.7	2
Historic Preservation	.1		.1	1.3	2
Marine Fisheries Management				1.0	1
Safe Drinking Water				.8	1
Other Federal Funding					2
SUBTOTAL	\$58	\$19	\$5	\$182	\$263
Agriculture					
Gypsy Moth Suppression	.6				1
Temporary Emergency Food Program (Jobs Bill)				1.1	1
Rutgers Cooperative Extension				4.2	4
Other Federal Programs					
SUBTOTAL	\$ 1			\$ 5	\$ 6
TOTALS	\$59	\$19	\$5	\$187	\$269

*Federal monies to the State is for FY 1990 while breakdowns of monies going to counties, municipalities, and authorities are based on FY 1989 information.

II. FEDERAL FUNDING: ENVIRONMENTAL PROTECTION

ANALYSIS*

Federal funding for environmental programs came to more than \$250 million for FY 1990. This contrasts with State funding for environmental concerns which was around 80 percent of the Federal amount. However, it should be noted that approximately 70 percent of Federal monies went to State Government, with the remainder distributed among county governments, municipal governments, and authorities. State Government, alone, was the recipient of an amount in Federal monies more than what it provided localities in State funding.

In contrast, counties, municipalities, and authorities received over \$80 million in Federal monies which came to over 30 percent of the total Federal amount. Municipalities received the lion's share of the local funding, about 70 percent of the total, followed by local authorities with over 20 percent of the total for localities.

Federal funding was dominated by two general categories: toxic/hazardous waste clean-up and construction loans for sewage. The former, which approached \$150 million, went exclusively to the State, thus accounting for the disproportionate share of Federal monies received by the State. Sewage construction monies approached \$80 million. Thus, the two categories combined, constituted almost 90 percent of total Federal monies.

*It should be noted that our discussion of Federal funding for environmental programs is based on FY 1990 amounts for monies to the State and FY 1989 amounts received by county, municipal, and authority governments.

PROGRAM DESCRIPTIONS: ENVIRONMENTAL PROTECTION

ENVIRONMENTAL PROTECTION

Toxic Clean-Up—Superfund Grants

The *Comprehensive Environmental Response, Compensation and Liability Act (CERCLA)* and its 1986 Amendments authorize a system of notification, emergency response, remedial actions, and enforcement responsibilities for hazardous waste spills and abandoned hazardous waste dumps. New Jersey also receives Federal support to conduct *Preliminary Assessments and Site Inspections* which are the first crucial steps toward site remediation. The system entails the evaluation and prioritizing of hazardous waste sites. Federal grants are awarded on the basis of individual site contracts.

Hazardous Waste—Resource Conservation Recovery

Funds from this program are used by New Jersey to develop and implement the State's *Hazardous Waste Program* and to enforce the *Federal Resource Conservation and Recovery Act (RCRA)*. The *Hazardous Waste Program* regulates the generation, treatment, storage, and disposal of hazardous waste. Under the program, the State grants permits for hazardous waste treatment facilities and is responsible for ensuring adequate tracking of the wastes from the generator to the disposal facility.

Construction Loan Revolving Fund and Construction Grants—Sewerage

The sewage-treatment facilities, construction loan program is the major tool provided to local governments to meet the goals established by the *Clean Water Act*—the reduction of discharges of pollutants from public sewage systems. An interim goal established by the 1977, 1981 and 1987 *Federal Water Pollution Control Act Amendments* is the achievement of adequate water quality for the protection and propagation of fish, shellfish, and wildlife, and for water recreation. There are approximately \$3.3 billion in wastewater project needs in New Jersey. Eligible projects are chosen from the State's "priority list" of 332 projects. Federal funds are leveraged through the *New Jersey Wastewater Treatment Financing Program*.

Pinelands Acquisition

With the passage of the *Federal Pinelands Designation Act*, the Pinelands was designated as a national preserve and Federal monies were made available for public acquisition of Pinelands' territory. Under this program, the Federal Government provides 75 percent of the total monies utilized by the State for the acquisition of Pinelands' territory.

Underground Storage Tanks—Trust Fund

This is a new program which is designed to regulate the underground storage of hazardous substances (motor fuels, heating oil, and others), develop rules and

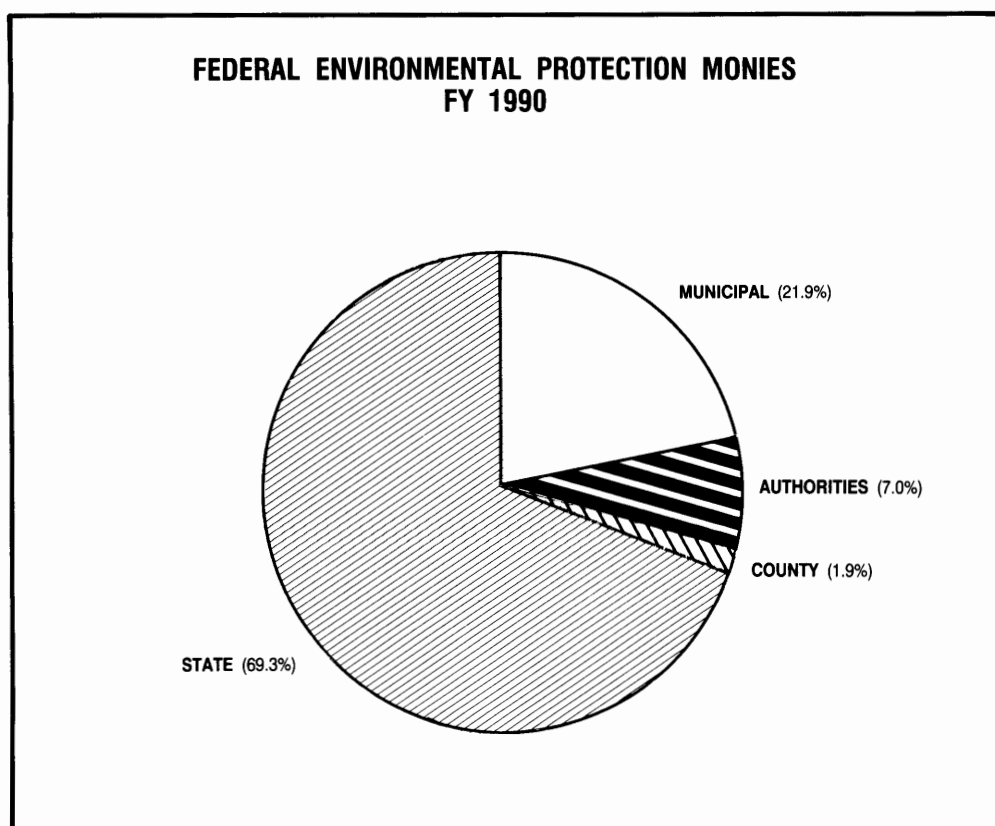
regulations for the management of underground storage tanks, develop a data base for all underground storage tanks to be regulated, and provide for the inspection and remedial action necessary to enforce regulations on leaking underground storage tanks.

Water Quality—Environmental Monitoring & Planning

Federal monies, under this program, are utilized solely by State Government for water quality management. Activities under this grant include the monitoring and planning of the State's water quality to ensure compliance with Federal water standards. Another State objective, under this program, is the determination of New Jersey's wastewater treatment needs.

Land & Water Conservation Fund—State Comprehensive Outdoor Recreation Grants (SCORP)

This Federal program provides 50 percent matching grants for State and local acquisition and development of public lands which are made available for open space or for recreation activities. In order to receive the Federal monies, the State must produce a master plan for public land development every five years.



Air Pollution Maintenance

This program provides grants to states to implement *Air Pollution Control* strategies and to help states attain and enforce air quality standards. Included within its purview are activities such as ambient air monitoring, new source review, toxic substance control, enforcement, and regulatory development and review.

Hunters' and Anglers' Fund

This Federally supported program entails the acquisition and maintenance of public lands for hunting and fishing. Trout, pheasants and quail are reared at state hatcheries and game farms and released throughout the State as part of the program.

Water Pollution Control

This program enables the New Jersey Department of Environmental Protection to administer the ambient *Water Quality Monitoring Program*, and to enforce and ensure compliance with *Federal Clean Water* standards. The *Section 106* program provides the State's basic water quality management funds.

Coastal Zone Management

This Federal grant is designed to aid the State in implementing its *Coastal Zone Management Program*. The funds are utilized to review permit applications, perform coastal planning, inspect and enforce coastal regulations and implement shore protection projects.

Historic Preservation Grants

Under this Federal program, the national government provides matching funds to State and local governments and nonprofits for the preservation and restoration of historic sites.

Marine Fisheries Management

This Federally supported program entails the protection of marine life from environmental degradation and the development of effective programs of species management for the benefit of recreational and commercial harvesters.

Safe Drinking Water

The Federal *Safe Drinking Water Act of 1974*, as a response to growing national concern about water contamination, established a regulatory program which defined maximum contaminant levels in drinking water so as to protect the public's health.

AGRICULTURE

Gypsy Moth Suppression

The *Gypsy Moth Suppression Program*, which is made available to municipalities that are participating in the program, is supervised by the New Jersey Department of Agriculture, with the Federal money given on a cost sharing basis.

Temporary Emergency Food Assistance Program

Under Federal legislation, the Department of Agriculture receives and distributes available Federally donated food commodities to needy citizens. As a means of underwriting the program, the Federal Government reimburses the State for warehouse, trucking and other overhead costs arising from the provision of these food commodities.

Rutgers Cooperative Extension

The Federal Government provides funding to Rutgers University for research and programs operated at the county level for agricultural production, 4-H development, home economics training, resource development as well as marine science programs. All of the above noted programs are locally planned.

III. COUNTERFLOWS: ENVIRONMENTAL PROTECTION

Waste Disposal Costs \$ 27,000,000
(County to State)

PROGRAM DESCRIPTION

A substantial percent of the waste being disposed of in the State goes to county operated landfills. Counties pay the State approximately \$27 million in fees into the *Resource Recovery Investment Fund* and the *Solid Waste Services Fund*.

Cooperative Extension Program \$ 4,000,000
(County to State)

PROGRAM DESCRIPTION

The counties provide monies to extension services operated by Cook College of Rutgers University for these popular agricultural programs.

Sewer Collection and Disposal Services \$200,000,000
(Municipal to County & Regional Government Units)

PROGRAM DESCRIPTION

Excluding the separate efforts of municipal utilities authorities and municipal sewerage authorities, municipal governments collect \$400 million a year for sewer collection and disposal services. An estimated 50 percent of this cost or \$200 million is paid to regional (multi-municipal) sewerage authorities and county utilities authorities.

Garbage Disposal Costs \$ 25,000
(Municipal to County Government Units)

PROGRAM DESCRIPTION

Municipalities collected \$200 million for garbage collection and disposal costs in 1987. An estimated 50 percent or \$100 million of that cost is for disposal. About 50 percent of the disposal cost or \$50 million goes to municipal contractors. Roughly 50 percent of the remainder or 25 million is paid by the municipality to county operated landfills or transfer stations. The municipal contractors provide the counties additional funds that the contractors received from municipalities. We are not, however, counting this latter type of funding as a government to government flow of funds.

CHAPTER VI

COMMUNITY AFFAIRS

I. STATE FUNDING

The Department of Community Affairs' mission is twofold: 1) the contribution of technical assistance and services to local governments, with the most salient areas of support in the fields of housing and general local government; and 2) the provision of financial aid for urban revitalization and neighborhood rehabilitation. Technical assistance to local governments primarily entails developing and strengthening the managerial, planning, and financial competence of local governments. Regarding housing services, Community Affairs' efforts concern the encouragement of housing construction and the subsidization of housing expenses for moderate and low-income citizens.

Other important responsibilities include: preserving the existing multi-family housing stock and protecting the health and safety of the occupants; protecting the public safety by ensuring that all buildings constructed in New Jersey meet required uniform construction standards; ensuring that all the areas of the State are protected by a uniform, minimum, standard fire safety code and that fire safety inspections provide adequate protection for the public; addressing the needs of the homeless; and operating various social service programs, the largest category of which are programs that serve the elderly.

Direct State services for the Department in FY 1990 amounted to approximately \$28 million. This contrasts with State aid of roughly \$300 million, thus revealing that monies for community functions are funneled through State aid rather than direct State services. Staff size for the Department is over 700 personnel. The largest single category of direct State expenditures is *social service programs*—with elderly-oriented programs being the biggest expenditure component within this category—which came to approximately \$5.5 million in FY 1990 or about 20 percent of Community Affairs' direct services expenditures. Next in expenditures for direct service is *uniform construction code* enforcement with about five million dollars in expenditures. Here the Department ensures that all buildings are constructed to meet uniform standards, and that all local construction code officials' competence is ensured through a licensing program.

The next largest category of expenditures is *local government services*. Here technical assistance is provided to local governments as a means of improving their administrative competence and performance. The major portion of these funds are utilized to oversee the financial affairs of local governments. This area constitutes about four million dollars in expenditures for direct services.

THE 1991 CHANGES—THE MUNICIPAL PROPERTY TAX RELIEF ACT

In 1991 New Jersey State Government instituted a State program providing all municipalities with \$360 million in revenue to reduce property taxes. Through it, the citizenry would receive the monies in the way of property tax relief (Supplemental Municipal Property Tax Relief Act, P.L. 1991, c.63). For the most part, the program constitutes formula-driven aid, under which monies are distributed to all municipalities in New Jersey on the basis of population size, equalized property tax rates, and per capita income. The law specifies that the targeted State aid, which shall be forthcoming beginning the latter half of 1991, shall be usable "... solely for the purposes of reducing the amount the municipality is required to raise by local property tax levy for municipal purposes."

The aid constitutes a direct revenue, and thus may not be used to increase spending or to include the budget cap. If the amount of aid exceeds the municipal tax levy, the balance must be used to reduce the municipality's share of the county tax levy. In addition to the \$330 million in formula aid, the act also provides \$30 million in discretionary aid to municipalities in economic difficulty.

The formula by which each New Jersey municipality receives monies for property tax relief is largely tied to the equalized tax rate, with each municipality's per capita funding based on its tax rate compared to the statewide average equalized tax rate. The formula divides over \$300 million using the municipal equalized tax rate for 1990, and makes a per capita payment using the 1990 U.S. Federal census population on the following scale:

Rate Per Capita At Percentage Of State Average	Equalized Tax Rate
\$22.73	Less than 75%
\$31.83	Between 75% and the average
\$42.75	Between the average and twice the average
\$72.76	More than twice the average

The 1991 State average equalized tax rate was \$1.8987/\$100 of equalized value.

The additional \$30 million in discretionary aid is available to those municipalities that:

- Are experiencing fiscal distress;
- Have costs of providing municipal services that are extraordinarily high;
- And have a tax base that is inadequate to meet property tax demands.

The purpose of the aid is to reduce property taxes in those municipalities where the burden is greatest and the resources are grossly inadequate. To accomplish this, the Governor and the Legislature granted the Director and the Local Finance Board authority over the budgets of recipient communities to ensure that municipalities receiving discretionary funding take every possible action to reduce property taxes.

The various kinds of authority over municipal recipients of the discretionary aid include the following:

The Director may:

- Adjust budget revenues and appropriation line items to achieve prudent fiscal management;
- Require submission of documentation concerning the budget.

The Local Finance Board may also:

- Order maximization of revenues not anticipated in the budget;
- Reduce appropriations deemed excessive;
- Order other activities consistent with reducing property taxes;
- Require the Director to return a budget if the tax rate is deemed too high;
- Require the inclusion of line items supporting additional budget detail;
- Extend cancellation of appropriations to the same timetable as transfers and require an amended *Annual Financial Statement* to be filed reflecting the changes.

STATE FUNDING—COMMUNITY AFFAIRS

FY 1990
(In Millions)

PROGRAM	AMOUNT		
	M U N I C I P A L	C O U N T Y	T O T A L
Aid to Localities			
Aid to Distressed Municipalities	\$118		\$118
Safe & Clean Neighborhoods Program	26		26
Supplemental Safe Neighborhoods/ Supplemental Fire Services	33		33
Municipal Aid	40		40
Revenue Sharing with Municipalities	20		20
Depressed Rural Aid Cities	.5		1
Housing Services			
Neighborhood Preservation-Fair Housing	19		19
Neighborhood Preservation	3		3
Two Family Home Production	2		2
Revolving Housing Development Demonstration	.5		1
Homelessness Assistance	.2	\$.6	1
Inspections			
Fire Safety Inspection & Enforcement— Local Enforcement Agency Rebates	7		7
Housing Inspection	.7	.1	1
Community Resources			
New Jersey Volunteer Youth Corps	.5	.1	1
Programs for the Aging	1	7	8
Older Americans Act—Extension (Meals)	1		
Senior Housing & Safe Transportation	3		
Congregate Housing	2		
Match to Title III of Older Americans Act	1.4		
Reimbursement to County Offices on Aging (AAA)	.8		
TOTAL STATE FUNDING	\$271	\$8	\$281*

*Because of rounding off, numbers do not total.

ANALYSIS

State funding for Community Affairs has three distinctive characteristics: 1) it is heavily formula driven with most of the monies given to less prosperous localities; 2) funding is overwhelmingly oriented toward municipal rather than county governments; and 3) aid is heavily tilted toward poorer municipalities.

By formula funding is meant that the amount of monies provided to local governments is distributed on the basis of fixed criteria, with in the case of Community Affairs funding the most salient criterion being indices of low income for the residents of a municipality. The exception to this, of the formula driven State aid programs, is *revenue sharing*, a program of \$20 million. Thus, the remaining \$218 million is allocated to less prosperous local governments.

Most of the formula programs do not stipulate required areas of usage of the monies. The exceptions to this are the *Safe and Clean Programs*. For the most part, funding for *Safe and Clean Programs* is directed at increasing the numbers of police officers and fire fighter in urban neighborhoods. Another required use of this State funding is for improving the overall appearance and living conditions in these communities.

Of the 567 municipalities within New Jersey, the formula funded programs tend to aid the poorer 50 or so municipalities. *Aid to Distressed Municipalities* offers assistance to 40 municipalities with 35 municipalities to receive assistance in the newly constituted program for FY 1991. Regarding *Municipal Aid*, 48 municipalities were the recipients of such aid. *Safe and Clean* monies were awarded to 59 municipalities.

The heavy orientation toward general aid for municipalities is reflected in the dearth of programs that are function specific. The next largest category after general formula funding programs for less wealthy municipalities is housing programs. These programs, which came to \$34 million in FY 1990, constitute over ten percent of total State monies.

TABLE VI-I
CATEGORIES OF STATE FUNDING FOR COMMUNITY AFFAIRS
FY 1990
(In Millions)

CATEGORY	AMOUNT	PERCENTAGE
Formula Funding to Local Government	\$238	85%
Housing	34	12%
Programs for the Aging	8	3%
Youth Corps	1	
TOTAL	\$281	100%

Of the housing programs, by far the largest is *Neighborhood Preservation—Fair Housing*. This program, which is designed to encourage the provision of affordable housing to low and moderate-income households, forms close to 56 percent of all housing monies. The only other programs of any financial significance are *programs for the aging*. State aid for aging came to eight million dollars or three percent of the Department's State aid budget.

PROGRAM DESCRIPTIONS: COMMUNITY AFFAIRS

LOCAL GOVERNMENT SERVICES

Aid to Distressed Municipalities

This program provides annual financial assistance to fiscally distressed municipalities in order to enable them to meet their immediate budgetary needs and regain their financial stability. The recipient municipalities share in common severe financial problems arising out of the high cost of vital urban services concomitant with shrinking revenue gathering capabilities. Many have been forced to reduce services extensively, especially in the areas of police and fire protection, and/or increase the local tax rate significantly. Financial assistance received under this program is designed to mitigate the projected reduction in services or to prevent even higher local property tax increases, with the long term goal being that of affording municipalities an opportunity to develop and revive their economic base. In FY 1991 the title of the program was changed to the *Municipal Revitalization Program*.

Of the \$118 million in 1990 aid, not more than \$1.5 million can be used for State administration of the *Fiscally Distressed Cities Program*. The Act requires the municipality to implement any fiscal recovery measures recommended by the Director and approved by the *Local Finance Board* and is to be subject to a management and fiscal audit by the Director. In FY 1989, 40 municipalities received *Aid to Distressed Municipalities* funding.

Safe and Clean Neighborhoods Program (52:27D-118.1 et seq.)

This is a permanent program of financial assistance to eligible municipalities that qualify by meeting the eligibility criteria of the State *Municipal Aid Law*. The program has two funding components: 1) to maintain expanded police and fire fighting protection in urban neighborhoods, and 2) to improve urban neighborhoods by effecting improvements which enhance the overall appearance and living conditions in those neighborhoods.

Approximately \$26 million is specifically targeted for salaries and wages and related expenses of police officers and fire fighters, capital projects and equipment expenditures, and salaries and wages for public works personnel. In FY 1990, there were 59 eligible *Safe and Clean* municipalities. The funds are matched on a dollar for dollar basis by local funds.

The Supplemental Safe Neighborhoods Program and Supplemental Fire Services Program

The *Supplemental Safe Neighborhoods Program* (SSNP) and the *Supplemental Fire Services Program* (SFSP) are two related programs serving local government agencies. SSNP provides approximately \$25 million to eligible municipalities for the costs of employing additional full-time uniformed police officers with regularly assigned patrol duties. Funds are provided to eligible municipalities on a formula basis. A local match is not required for *Municipal Aid* municipalities, while other municipalities provide at least fifty percent of the cost.

The SFSP provides \$8 million in funding to eligible municipalities and fire districts for the employment of full-time uniformed fire fighters or the purchase of emergency equipment. Paid fire companies must utilize the funds to hire additional fire fighters or purchase emergency equipment. Volunteer fire companies may purchase only emergency equipment. Funds are provided to eligible municipalities and fire districts on a formula basis with a local match required. In FY 1990, there were 480 *Supplemental Safe* eligible municipalities, and 669 eligible *Supplemental Fire* municipalities and fire districts. These programs are general programs available to almost all municipalities. With the disappearance of the revenue sharing program in fiscal year 1991 these funds are the only broad revenue State aid programs remaining.

Municipal (Urban) Aid (52:27D-178 et seq.)

Municipal Aid provides financial assistance, from general revenue, to New Jersey's less prosperous municipalities in order to enable them to maintain and upgrade basic services. This program benefits urban municipalities which qualify on the basis of demographic and property tax data such as minimum population size or density, high tax rates, low rateables, or a minimum number of AFDC children. Funds are distributed among those qualified according to a weighted distribution factor (60 percent pro-rata AFDC children, 40 percent pro-rata composite of population, tax rate, and tax base data).

Hold-harmless provisions prevent repeating qualifiers from suffering a decline in entitlement at the expense of either new qualifiers or repeating qualifiers whose distribution would increase according to the formula. The funding level is \$40 million and has not changed since 1974. In FY 1990, there were 48 recipient municipalities who met the following criteria and thus were eligible for *Municipal Aid* assistance:

- 1) the municipal population must exceed 15,000 or the municipality must have a population density in excess of 10,000 per square mile;
- 2) the municipality must have at least one publicly-financed dwelling unit for low-income families;
- 3) the municipality must have at least 251 resident children, whose families participate in the *Aid to Families With Dependent Children Program*, enrolled in school unless other conditions are met;
- 4) the municipal equalized real estate tax rate must exceed the average rate for the State of New Jersey unless other conditions vitiate this stipulation;
- 5) municipal equalized real estate valuation per capita must be less than the statewide average. If the municipality's equalized tax rate exceeds the State equalized tax rate by \$0.75 or more, this requirement does not apply. Forty-eight municipalities received funds from this source.

Revenue Sharing with Municipalities (Property Tax Relief Fund)

The State Revenue Sharing Act of 1976 established a revenue sharing fund based on the proceeds of the *State Gross Income Tax*. Revenue from this fund is distributed annually to all municipalities with an effective tax rate in excess of \$1.00 per \$100 of true valuation in the proportion which the population of a qualifying municipality

bears to the total population of all qualifying municipalities. The Statute's intention was annual recalculation of revenue sharing, but hold-harmless funding language in the *Annual Appropriations Law* has kept the distribution unchanged since 1977. The program was operated by the Department of Treasury. The number of recipient municipalities is 559. *This is the only general revenue sharing fund the State has ever utilized.* In FY 1990 this program was initially cancelled, but replaced for the year. The program was not funded for FY 1991.

Depressed Rural Aid Centers (52:27D-162 et seq.)

These funds go to small municipalities that were, in the past, the commercial centers of the surrounding areas, but have declined because of changing demographics and patterns of transportation. This program, which was established in 1977, was designed to complement the *Municipal Aid* program, but focus on rural centers. The initial appropriation of \$518,000 has been unchanged and appropriation act language has prevented recalculation of the formula and has continued to allocate the funds to the original municipalities. The funds are used for police salaries, street maintenance, street lighting, trash removal, and general operating expenses. For FY 1990, about 20 municipalities, including Allentown, Hamburg, Victory Gardens, and Lakehurst, received these funds.

HOUSING SERVICES

Neighborhood Preservation-Fair Housing

The objective of this program is to provide financial assistance to municipalities for the production of affordable housing for low and moderate-income households in viable neighborhoods. These funds, which take the form of loans and/or grants, may be used to rehabilitate substandard housing units, establish accessory apartments, acquire property even if it entails the demolition of buildings, convert nonresidential space to residential purposes, as well as construct new housing. Municipalities may undertake projects themselves or they can apply on behalf of a local housing authority, nonprofit or limited dividend housing corporation or private developer. Program revenue is based on the receipts from a portion of the realty transfer tax which is collected by county governments, delivered to the State, and credited to the *Neighborhood Preservation Nonlapsing Revolving Fund*. In FY 1990, 89 municipalities were recipients of this program's funding.

Neighborhood Preservation

The objective of *Neighborhood Preservation* is to promote the restoration of decaying but still viable neighborhoods. Financial and technical assistance is provided to municipalities that establish neighborhood rehabilitation programs which utilize Federal and other public and private resources. Grants to municipalities are given for the purpose of initiating a concerted effort in a specified neighborhood over a three to five year period that galvanizes area residents and business people, state and municipal government, and area banks to participate in preserving and revitalizing the neighborhood.

Two Family Home Production

The program provides financial subsidies for the construction of new housing for low and moderate-income families as a means of making available home ownership opportunities to moderate income families and making available rental units for low-income families. Municipalities and not-for profit organizations are eligible to apply for the program. The purposes of this program are to: 1) prevent and reduce blighted urban areas; 2) encourage alternatives for low and moderate-income housing; and 3) encourage neighborhood preservation and multi-family rehabilitation projects.

Revolving Housing Development Demonstration

The program provides interest-free loans prior to development to non-profit organizations to cover the professional service costs of housing projects. Also, grants are made to similar recipients for planning, consultative and technical assistance services and for demonstrations to test innovative methods and technique to further the production of affordable housing and the elimination of slums and blight.

Homelessness Assistance

Funds are provided under this program as part of the effort to upgrade and increase the number of emergency shelters for the homeless and for the payment of specified operating and social service expenses entailed in the provision of emergency shelters. Counties and municipalities meeting the criteria may undertake projects themselves or can apply on behalf of eligible nonprofit organizations.

INSPECTIONS

Fire Safety Inspection

State funding provides for local safety inspection and enforcement efforts. Revenue derived from fees and penalties is obtained by the *Bureau of Fire Safety*, of which 70 percent of such collected fees is paid to local enforcement agencies. Local enforcing agencies include municipalities and fire districts.

Housing Inspection

Under this program, local governments engage in housing inspections for the State to ensure compliance with State housing codes. Through the *State-Local Cooperative Housing Inspection Program*, municipalities and counties may apply and be authorized to perform State inspections under the *State Regulations for the Maintenance of Hotels and Multiple Dwellings*. Administered by the Department's *Bureau of Housing Inspection*, this program was designed to supplement the *State Code Enforcement Program* so that the New Jersey housing supply may be continually upgraded. Reimbursements for inspections completed are made by the Bureau to municipalities based on a graduated payment schedule, with a maximum payment of \$15.00 per unit inspected and a minimum of \$6.00. Reimbursement for reinspections is \$5.00 per unit. There are currently 90 municipalities and two counties (Camden and Burlington) participating in the program. Combined, they comprise approximately 60 percent of the Bureau's inspection responsibility.

COMMUNITY RESOURCES

New Jersey Volunteer Youth Corps

This program seeks to train and render employable young persons, ages 16 to 25, who are not enrolled in high school. Participating youth are enrolled in community service projects—such as the rehabilitation of sub-standard housing, the repair and restoration of public facilities, and assisting in the organization and delivery of educational and health services to various segments of the urban population—as an extension of their program sponsored classroom activities. Enrollees learn employment marketing skills and develop competencies that should help them locate and secure jobs. Participants are paid a stipend while attending classes and working on community service projects.

Programs for the Aging

The *Division on Aging* within the New Jersey Department of Community Affairs works with the 21 county offices on aging and over 40 subsidized housing centers to effectively provide elderly statewide services. Programs are supported with both Federal and State funds. The Division provides an appropriation of approximately \$1.4 million to county offices on aging for the provision of programs and services. This funding represents the required 5 percent financial match the State must provide in order to receive funds under the *Older Americans Act*. The Division also provides county offices on aging funding for reimbursement of administrative costs. An office on aging can receive up to 50 percent of its administrative cost, not to exceed \$40,000. These funds allow *Title III* administrative funds to be used for services.

Several programs are funded through *Casino Revenue Funds*. They include: *Congregate Housing Services*, *Security Housing and Transportation*, and *Home Delivered Weekend Meals*. For the *Congregate Housing Services Program*, approximately two million dollars is designated for the provision of meals, housekeeping and personal care services for residents in subsidized housing for the elderly and disabled. There are over 40 grantee agencies operating 56 congregate housing services program sites throughout the State.

For the *Security Housing and Transportation Program*, approximately three million dollars is designated for the provision of increased security for residents of senior citizen housing and private residences located in areas of high crime. Funds are used to install protective devices on homes as well as provide transportation to vital destinations.

For the *Home Delivered Weekend Meals Program*, approximately one million dollars is used to provide meals for the homebound elderly on weekends and holidays. This program is an extension of the Federal *Home Delivered Meal Program*, funded under *Title III C-2* of the *Older Americans Act*.

FEDERAL FUNDING—COMMUNITY AFFAIRS

FY 1990
(In Millions)

	M U N I C I P A L	A U T H O R I T Y	C O U N T Y	S T A T E	T O T A L
PROGRAMS WHICH BYPASS THE STATE					
Operating Subsidies to Housing Authorities (FY 89)		\$100			\$100*
Federal Debt Payments for Housing Authorities (FY 89)		27.6			28*
Comprehensive Assistance Improvement to Housing Authorities		98			98*
Community Development Block Grant (FY 89)	\$73.5		\$13.5		87*
*TOTAL—PROGRAMS BYPASSING THE STATE	\$74	\$226	\$14		\$313
PROGRAMS WHICH PASS THROUGH THE STATE					
Small Cities Block Grant	\$ 7		\$ 1		\$ 8
Rental Assistance Low-Income Families & Housing Vouchers		40	5	\$20	65
Moderate Rehabilitation Housing Assistance	11			3	14
Rental Rehabilitation	2		2	3	5
Programs for the Aging (Meals, Title VII & Older Americans Act, Title III, USDA Reimbursement)			27		27
Community Services Block Grant	.6		.8	8	9
Heating System Improvement	1		1		2
Energy Conservation and Target Facilities	.4		.4	.5	1
Emergency Shelter Grant Program	.8		.9	.6	2
Transitional Housing				.9	1
TOTALS—PROGRAMS WHICH PASS THROUGH THE STATE	\$23	\$ 40	\$38	\$34	\$134*
TOTALS	\$96	\$266	\$53	\$34	\$447*

*Because of rounding-off, the numbers do not total.

II. FEDERAL FUNDING: COMMUNITY AFFAIRS

ANALYSIS

Federal funding for community affairs programs at \$447 million is much greater than State monies at \$281 million. Of the total Federal monies, over \$400 million or roughly 90 percent is for housing and development programs. This concentration of Federal monies contrasts sharply with the State funding concentration of which over 80 percent is in the form of general formula aid for municipalities. The *Housing and Development* category receives only about ten percent of total State monies. Since the demise of the *Federal General Revenue Sharing Program*, no aid has been made available by the Federal Government for general municipal or county purposes. In contrast, \$238 million of State aid is targeted at municipalities (*Aid to Distressed Municipalities*, *Safe and Clean Neighborhoods*, *Municipal Aid*, *Revenue Sharing*, *Depressed Rural Aid*, and *Municipal Purpose Tax Assistance*). *Community Resources*, which constitutes sets of social service programs which are community based, form minor parts of overall Federal and State monies. For Federal funding it constitutes only eight percent of the total while for State funding it constitutes a miniscule three percent of overall monies.

TABLE VI-II		
A COMPARISON OF FEDERAL AND STATE FUNDING FOR		
COMMUNITY AFFAIRS		
FY 1990		
(In Millions)		
CATEGORY	FEDERAL	STATE
TOTAL AMOUNT	\$447	\$281
Municipal Aid	96	271
Percentage of Total	21%	96%
Housing and Developmental Programs	410	34
Percentage of Total	92%	12%
Community Resources	37	9
Percentage of Total	8%	3%

The largest portion of Federal monies—\$266 million—goes to housing authorities. Of the \$447 million in Federal funding, approximately 60 percent was given to housing authorities in FY 1990. In comparison, municipalities received \$96 million or 21 percent of Federal monies. Thus, when combined, municipality-based units of governments received over 80 percent of Federal monies.

Counties, in contrast, received over \$50 million or over ten percent of total Federal monies. State Government was given even less than the county governments—\$33 million or about seven percent. The orientation toward Federal funding for municipally-based governments is further reflected in the fact that county and State governments combined received under 20 percent of total Federal monies.

TABLE VI-III
DISTRIBUTION OF FEDERAL FUNDING BY LOCAL GOVERNMENT
FY 1990
(In Millions)

Level of Government	Amount	Percentage Of Total
Municipal Governments	\$ 96	21%
Housing Authorities	266	60%
County Governments	53	12%
State Governments	33	7%
ALL LEVELS OF GOVERNMENT	\$447*	100%

*Because of rounding off, figures do not add up to total.

Examining the program distribution of aid, the largest category is *housing authority support* which came to 60 percent. For the municipal level of government, block grant funding was the largest category at \$81 million or approximately 85 percent of all Federal funding at the municipal level. *Housing assistance* and rehabilitation follow at \$13 million or 14 percent of total Federal monies to the municipal level.

Federal funding to county governments has only two programs that have substantial allotments: *Community Development Block Grants* and programs for the aging. Programs for the aging came to \$27 million or over 50 percent of total Federal monies of county funding. In contrast, the *Community Development Block Grant* provided \$15 million to New Jersey county governments, an amount which constituted under 30 percent of all Federal monies to county governments. Only two programs in which the State participates had substantial Federal monies going to the State: *Rental Assistance & Housing Vouchers*, which, as a program, is heavily operated by New Jersey Government, came to \$20 million or approximately 60 percent of total Federal monies to State Government; and *Community Service Block Grant* monies which comprise \$8 million or about 25 percent of total Federal assistance to State Government.

An examination of the program areas reveals some interesting patterns. The most striking is that total Federal monies for every kind of housing program totaled \$325 million or about three-quarters of overall Federal funding. The largest area of Federal monies, which bypasses State Government altogether, is housing authority support at \$226 million or approximately 50 percent of the total budget. Next in overall Federal monies are the block grants (*Community Development*, *Small Cities*, and *Community Services*) which totaled \$104 million in aid, about 23 percent of all Federal funding. Most of *Community Development Block Grant* funds to county and municipal government of \$87 million also completely bypasses the State. Most Federal monies—\$313 million—bypasses the State entirely. *These are the only massive Federal programs still in existence of direct funding to local governments.*

TABLE VI-IV
PROGRAM DISTRIBUTION OF FEDERAL FUNDING
FY 1990
(In Millions)

Program	Amount	Percentage Of Total
Housing Authorities Support	\$226	51%
Block Grants	104	23%
Housing Assistance & Rehabilitation	84	19%
Elderly Programs	27	6%
Housing for the Homeless	3	1%
Miscellaneous	3	1%
TOTAL	\$447	101%*

*Because of rounding off, percentages do not compute to 100 percent.

Housing assistance and rehabilitation programs, which support the provision of housing for low and moderate-income individuals, constituted \$84 million or about 20 percent of total Federal aid. It is worthy of note that Federal aid for housing the homeless, a concern which has received a great deal of public attention and can be expected to grow substantially in the future, constitutes a rather small percentage of total Federal funding. Another ongoing set of programs, those assisting the elderly, constitute \$27 million or about five percent of total Federal monies.

PROGRAM DESCRIPTION

Operating Subsidies to Housing Authorities

The U.S. Department of Housing and Urban Development has an operating subsidy program designed to assist the public housing authorities in covering all operating and maintenance costs, as well as in establishing a reserve to cover nonrecurring items. The program operates under an agreement with all public housing authorities in the United States stipulating that the amount of rent public housing authorities can charge the tenants is limited to no more than 30 percent of the tenants' adjusted income. (There are some exceptions to this guideline). These restrictions, while helping to maintain the low income nature of its units, do not afford the public housing authorities enough income to meet the expenses of their housing units.

Thus, an operating subsidy, which is formula generated and is computed under the *Performance Funding System*, has been established. The *Performance Funding System* was established in 1974 in response to an Office of Management and Budget and Congressional mandate to:

“establish standards for costs of operations and reasonable projections of income, taking into account the character and location of the project and characteristics of the families served, or the cost of providing comparable services as determined in accordance with criteria or a formula representing the operations of a prototypically well managed project.”

As a general rule the operating subsidy is computed as follows:

$$\text{Allowable Expense Level} + \text{Utility Cost} + \text{Audit Cost of Public Housing Authority} = \text{Subsidy Eligibility}$$

It should be noted that unlike debt service payments, the operating subsidy payments are paid directly to the public housing authorities. A limited amount of the operating subsidy, that is based on the amount of the operating deficit, can be paid for projects in the *Turnkey III* homeownership program.

Federal Debt Payments for Housing Authorities

The *Housing Act of 1937*, as amended, authorizes U.S. Department of Housing and Urban Development assistance to public housing authorities for the development, construction, rehabilitation, acquisition and modernization of low-income housing units. Prior to Federal fiscal year 1987, this assistance was in the form of loans to the public housing authorities. When the Department decided market conditions were appropriate, these loans were refinanced by the Department into short term loans in the private market in the way of project notes, long term loans in the private market in the form of new housing authority bonds, and long term loans to another government agency as Federal financing bank notes. These private market instruments which were sold by the Federal Government on behalf of the individual public housing authorities, and the Federal Government, through the Department of Housing and Urban Development, guaranteed the payment of the principal and interest on these

instruments. These bonds and notes were usually tax exempt, thus making them attractive to potential investors. The proceeds from the private sales were used to make additional loans to public housing authorities.

Debt service payments are used to pay principal and interest on the debt described above. The debt service payments are not made directly to the public housing authorities; rather, they are made to the financial institutions that hold the notes and bonds in the name of the public housing authorities. Historically, the debt service payments have been paid for the term specified in the agreement between the Department of Housing and Urban Development and the public housing authorities, in the form of an *annual contributions contract*, over a 30 to 40 year period.

Currently, debt service payments are only being paid on long term loans—new housing authority bonds and Federal financing bank notes. Starting in Federal fiscal year 1985, the Department purchased all short term notes in the private market. In accordance with legislation passed in April 1986, the public housing authority debt on these former short term liabilities will be forgiven by the Department. Beginning with Federal fiscal year 1987, funds required by public housing authorities for development or modernization are given in the form of capital grants to the degree Federal funds are available.

Comprehensive Improvement Assistance to Housing Authorities

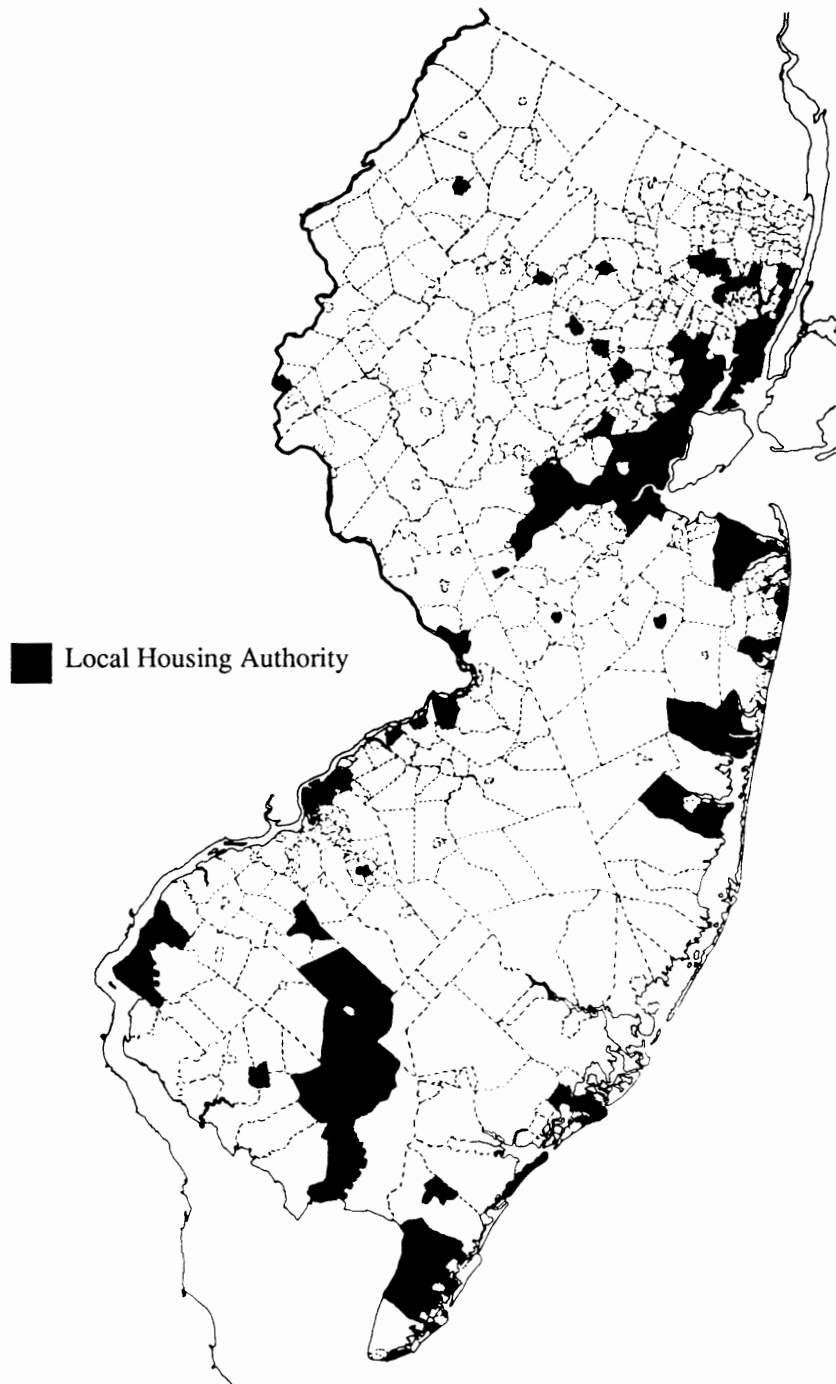
This program provides Federal aid to public housing agencies (PHAs) for financing capital improvements in public housing projects. Operated through the *Department of Housing and Urban Development*, the program seeks to help public housing projects improve living conditions, correct physical deficiencies, and upgrade operating efficiency and economize management operations. Public housing agencies that administer public housing under *annual contributions contracts* with HUD are eligible for this program under *Section 14 of the U.S. Housing Act of 1937 (42 U.S.C. 14371)*. During FY 1988, \$1.647 billion of improvements were made available nationally under this program. Through September of 1988, approximately \$12.1 billion in improvements are in reserve.

Community Development Block Grants

These block grants provide funding on a formula basis to eligible municipalities, generally those over 50,000 in population and to smaller municipalities and counties in urban counties over 200,000, to carry out a wide range of community development activities involving neighborhood revitalization, economic development, the rehabilitation of housing, and improved community facilities and services. The program is administered directly by the Federal Government without State involvement except for the *Small Cities Block Grant* component (which is described separately below). It should be noted that there was \$38 million in CDBG monies originally received by counties, of which \$25 million is given to their respective municipalities.

Seventy percent of the monies made available are allocated to metropolitan cities and urban counties. The amount of each entitlement grant is determined by statutory formula which uses several objective measures of community need, including poverty,

**VI-I
NEW JERSEY MUNICIPALITIES
WITH LOCAL HOUSING AUTHORITIES**



population, housing overcrowding, age of housing, and growth lag. No less than 60 percent of the funds must be used for activities which benefit low and moderate-income persons, over a period specified by the grantee, but not to exceed three years.

Entitlement communities develop their own programs and funding priorities and must consult with local residents before making final decisions. All CDBG activities must either benefit low and moderate-income persons, aid in the prevention or elimination of slums and blight, and address other community development needs that present a serious and immediate threat to the health or welfare of the community. Some of the activities that can be undertaken with *Community Development Funds* include the acquisition of real property, the rehabilitation of residential and nonresidential properties, the provision or improvement of public facilities such as water and sewer, streets, and neighborhood centers, and assistance to profit-motivated enterprises to help with economic development activities. Most of the funds allocated to county governments are redistributed to municipalities within the county.

Small Cities Block Grants

This Federal program, which is administered by the states and is part of CDBG monies, provides grants to eligible municipalities and counties, other than those qualifying for the parent block grant, as a means of assisting in the development of stable communities. This is done by providing decent housing, a suitable living environment, and expansion of economic opportunities, primarily for persons of low and moderate-income. There are 187 municipalities and nine counties eligible for this assistance in New Jersey. Two types of funding streams make up the *Small Cities* block grants:

- 1) Competitive programs of which approximately 80 percent of the funds allocated to the State are awarded each year to jurisdictions with the best applications; and
- 2) Discretionary funds of which approximately 20 percent is set aside for unanticipated needs, emergency situations, and special opportunities.

Rental Assistance for Low-Income Families & Housing Vouchers

These programs help low-income households obtain decent, safe, sanitary housing in the private rental housing market. Eligible tenants receive subsidies from the *Section 8 Existing Housing Program* or *Housing Voucher Program* which enable them to afford decent housing at the prevailing *fair market rental* costs in their communities. Of the current Federal monies, \$42 million is for the *Section 8 Existing Housing Program* and \$15 million is for the *Housing Voucher Program*. New Jersey housing authorities, along with DCA, play a major role in disbursing the payments of the *housing vouchers* and *Section 8* subsidies to landlords.

The State Department of Community Affairs, as the public housing development authority for New Jersey, has administrative oversight of the Federally funded *Section 8 Housing Assistance Program*. Priority for assistance is given to handicapped and disabled persons, with a special emphasis on housing the chronically mentally-ill. DCA works in close coordination with the State Division of Mental Health and Hospitals to provide housing subsidies to deinstitutionalized mentally-ill persons. In conjunction

with a strong network of community mental health agencies, DCA issues *Section 8* subsidies to fund group homes, shared apartments and independent living arrangements as a means of providing normalized community-based alternatives to institutionalized living. A second priority is given to applicants who are enrolled in job training programs such as REACH, Transitional Housing or *Self-Sufficiency* programs.

The Department of Community Affairs applies to the U.S. Department of Housing and Urban Development for allocations of Federal grants, notifies the public concerning the availability of funding, accepts applications from households, and determines eligibility for benefits and maintains a waiting list of eligible households. Through its field offices, DCA is involved in the selection of families from the waiting lists, explaining the program benefits and requirements, assisting participants in locating suitable housing, providing information to property owner as well as executing *housing assistance payments contracts* on behalf of the tenants.

Moderate Rehabilitation Housing Assistance

The purpose of this *Section 8 Moderate Rehabilitation Program* is to increase the supply of standard rental housing in the private market for very low-income households by providing 15 year rental subsidies sufficient to amortize the cost of rehabilitating marginally substandard, rental housing units and maintaining them in standard condition. DCA submits applications to the U.S. Department of Housing and Urban Development for allocations to administer the program, and develops cooperative arrangements with municipalities and agencies as required to carry out the various housing rehabilitation functions. In the absence of a qualified local rehabilitation entity, DCA assumes responsibility for all start-up functions.

Rental Rehabilitation

This program provides grants to the State to encourage rental housing rehabilitation in municipalities and provides rental subsidies to low-income tenants who remain in the rehabilitated buildings or relocate to other suitable housing. It is designed to attract private sector financing to rental housing rehabilitation.

The State DCA administers the program for units of general local governments and areas of the State that are not eligible to receive direct Federal allocations. The State selects eligible, privately owned, residential rental properties; conducts meetings with owners; reviews rehabilitation cost estimates and bids; and assists with the preparation of work write-ups, and determines the final feasibility of each project.

Programs for the Aging (Older Americans Act, Title III)

The Division on Aging, within the Department of Community Affairs, operates through the 21 county *Area Agencies on Aging* and over 40 subsidized housing projects in order to provide Federally sponsored services for the older adult population. Programs are supported with both Federal and State funds.

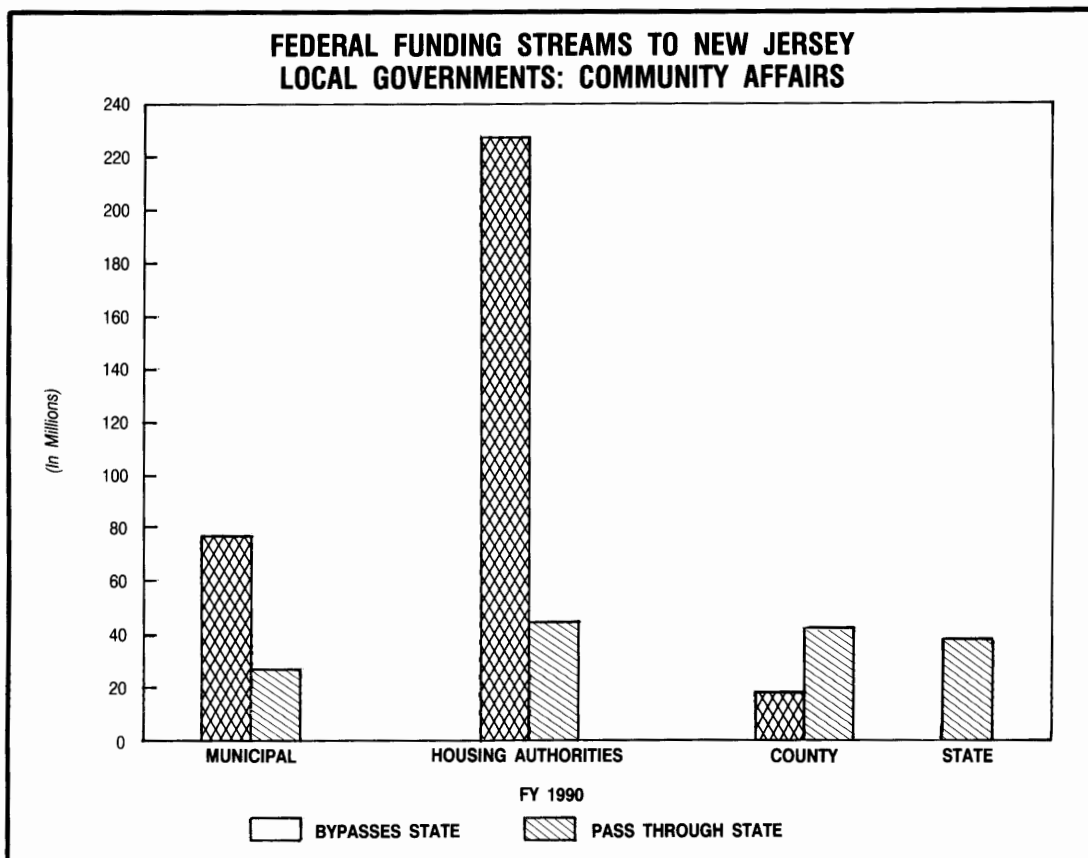
Of the *Older Americans Act* funding, New Jersey receives approximately \$23 million in *Title III* funds, which are allocated on a formula for the subsequent provision of social and nutritional services. Preference is given to older persons with the greatest economic and social need, with particular attention being paid to the low-income

minority elderly. Funds under *Title III* of the *Older Americans Act* are received for three separate programs: *III B*—which provides for programs and services such as ACCESS (transportation, information and referral, outreach, escort), IN-HOME (home-health aides, visiting nurses, friendly visitors, home repair), and *COMMUNITY SUPPORT* (legal services, protective services and socialization/ recreation); *III C-1*—which provides for the establishment of congregate nutrition sites operating at least five days per week throughout the state, where an older person can receive a hot, nutritious meal; and *III C-2*—which provides for the delivery of meals to the homebound elderly five days a week. These meals must meet the USDA nutritional requirements; *III D*—provides for in-home services for frail older persons.

In addition, the United States Department of Agriculture provides approximately \$3.6 million in reimbursement for eligible meals served by the various meal programs operated by the Division. Funds are reimbursed based on the actual number of meals served by programs which meet or surpass USDA requirements.

Community Services Block Grant

This block grant provides Federal funds for administrative and programmatic functions aimed at ameliorating the causes of poverty. Eligible parties include community action agencies and private nonprofit agencies. Of the nine million dollars made



available, under 20 percent is received by county and municipal governments. For the current fiscal year, two municipalities and four counties were recipients of the funding. Ten percent is received by State Government for State administrative expenses and discretionary expenditures. The rest of the money goes to *community action agencies* which are organized as private non-profits. Most of these cover an area of one or more counties.

Heating System Improvement

Heating System Improvement funding consists of two Federal grants, each given over a three year period. The three year total is \$18.5 million. Two counties, Mercer and Passaic, are ongoing recipients of this grant, as is the municipality of Jersey City. The funding is utilized for the repair and replacement of heating systems of residential dwelling units. The second grant, which totaled \$10 million in 1990, is earmarked for retrofitting the heating systems of the apartment units of the elderly and disabled.

Energy Conservation and Target Facilities

Monies for these programs, which are derived from fines to Exxon for customer overcharging, are used for home heating retrofitting work, residential health care facilities, homeless shelters, boarding homes, as well as other kinds of energy conservation efforts that benefit low-income individuals. Assistance is provided to counties, municipalities, and non-profit community-based organizations participating in the *Weatherization Assistance Program*. Priority is given to clients of the N.J. Department of Human Services' *Low-Income Energy Assistance Program*.

Emergency Shelter Grant Program

Emergency Shelter Grants are the newest category of community development funds from the U.S. Department of Housing and Urban Development. The program is designed to improve the quality of emergency shelters, to make available additional shelter space, provide funds for operating costs, and social services to the homeless. Grants go to large cities, urban counties, and to the states which award the funds on to smaller communities.

Supplemental Assistance for Facilities to Assist the Homeless (SAFAH)

This program has two major purposes: (1) to provide funding for proposals that promote particularly innovative approaches to meet the immediate and long-term needs of the homeless, and (2) to cover costs in excess of assistance provided under the *Emergency Shelter Grants Program* (ESGP) and *Supportive Housing Demonstration Program* (SHD) that meet the needs of homeless populations. States, metropolitan cities, urban counties, and nonprofit organizations are eligible to apply for assistance.

Transitional Housing

Transitional Housing is part of the *Supportive Housing Demonstration Program*. The purpose is to develop innovative approaches for providing supportive housing geared toward: deinstitutionalized, homeless individuals, homeless individuals with mental disabilities, homeless families with children and other handicapped homeless persons. States, metropolitan cities, urban counties, special purpose entities such as public housing authorities, and nonprofit organizations are eligible to apply either individually or jointly. Of the total \$900,000 made available in FY '89, \$750,000 was awarded to counties and \$135,000 to nonprofit entities.

**III. INTERGOVERNMENTAL COUNTERFLOWS:
COMMUNITY AFFAIRS
FY 1990
(In Millions)**

Municipal to Municipal

Regional Contribution Agreements	\$3
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Program Description

Municipalities may transfer up to 50 percent of their obligation to provide low and moderate income housing, as defined by *Mount Laurel* court stipulations, to other municipalities within the State. These recipients tend to be the poorer urban municipalities. The amount of compensation to be paid for such a transfer is to be agreed upon by the two municipalities, with final approval for the overall agreement resting upon the county planning board or other such planning agencies within the county. All *Regional Contribution Agreement* constructed units must have acceptable affordability controls and income eligibility criteria. At least 50 percent of the *Regional Contribution Agreement* constructed units must be affordable to low-income households. *Regional Contribution Agreements* have resulted in a transfer of several million dollars a year from more prosperous to poorer municipalities. They netted \$34 million in 1988, \$6.3 million in 1989, and about \$3 million in 1990.

County to State

Realty Transfer Tax	\$60
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Program Description

The State received \$60 million for its general revenues from the proceeds of the *Realty Transfer Tax* collected by county clerks or register of deeds. Of these funds \$19,000,000 is returned to local governments through the Department of Community Affairs' *Neighborhood Preservation Nonlapsing Revolving Fund* for affordable housing.

Municipal to State

Construction Code Training	\$1
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Program Description

Municipalities remit to the State the construction surcharge they collect on behalf of the State. The State of New Jersey, in turn, offers various in-kind services to municipalities. They encompass the following: 1) over \$600,000 to Rutgers University for training municipal officials on construction code regulations; 2) over \$200,000 for the development of a computer software package that provides a standard form for construction permit applications and general governmental forms such as the census; and 3) tuition remission of over \$100,000 for construction code enforcement training through such a course program offered by the various community colleges.

CHAPTER VII

TREASURY

I. STATE AND FEDERAL FUNDING

ANALYSIS

The *Department of the Treasury* has five major areas of responsibility: *economic regulation, governmental review and oversight, financial administration, general government services, and management and administration*. Aside from *economic regulation*, these responsibilities constitute the major roles in directing and overseeing the functioning of State Government. *Treasury's* budget for direct services came to roughly \$220 million in FY 1990 and entailed the use of about 2,500 employees.

In contrast, State aid and intergovernmental transfers from *Treasury* came to \$978 million in FY 1990. Of this amount, *Gross Receipts and Franchise Tax* monies came to \$685 million, or 70 percent of the total. Another major source of funding for New Jersey local governments is the *Business Personal Property Revenue Replacement Program*—four designated taxes which constituted local taxes prior to 1967—which provides \$159 million a year. *It should be noted the Gross Receipts and Franchise tax is collected on behalf of municipalities. However, the State in recent years has been retaining a larger share of these sources of revenue. The State in FY 1990 retained \$162 million. In recent years, all growth from the Gross Receipts and Franchise Tax has been retained by the State for its purposes. Two comparisons for the Gross Receipts and Franchise Tax are instructive. In FY 1989 the State share was \$123 million; this made the increase from FY 1989 to FY 1990 32 percent. For FY 1991 the estimated FY 1991 State intake is \$240 million—a 95 percent increase from FY 1989.*

State aid and intergovernmental transfers from Treasury is overwhelmingly given to municipal governments. Of the \$978 million in State funding for FY 1990, \$974 million of it went to the municipalities, with only four million dollars given to county governments. In comparison with State funding, Federal monies constituted an insignificant amount, coming to only one million dollars in FY 1990.

STATE FUNDING—TREASURY, FY 1990
(In Millions)

STATE AID AND INTERGOVERNMENTAL TRANSFERS

PROGRAM	AMOUNT		
	M U N I C I P A L	C O U N T Y	T O T A L
Public Utility Gross Receipts & Franchise Tax	\$685		\$685
Business Personal Property Tax	159		159
Insurance Tax Distribution	23	\$3	26
Municipal Purpose Tax Assistance	30		30
Reimbursement for Seniors' Tax Exemption	25		25
Reimbursement for Veterans' Tax Exemption	21		21
In Lieu of Property Taxes	19		19
Consolidated Police & Firemen's Pension	11		11
Railroad Property Tax	1		1
County Boards of Taxation		1	1
TOTALS	\$974	\$4	\$978

FEDERAL FUNDING

Energy Conservation	\$1	\$ 1
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PROGRAM DESCRIPTIONS: TREASURY

STATE PROGRAMS

Public Utility Gross Receipts & Franchise Tax

Franchise Tax

The *Franchise Tax* (N.J.S.A. 54:30A-16 et seq. and 54:30A-49 et seq.) applies to persons, co-partnerships, associations and corporations, other than those specifically exempted, having lines or mains located on or over any street, highway or other public place. Utilities subject to taxation—which encompass telegraph, telephone and district messenger systems companies—includes both communication and noncommunication utilities. The rate is either two percent or five percent of a proportion of the gross receipts of the taxpayer for the preceding calendar year. The rate is two percent for gross receipts of \$50,000 or less and five percent for gross receipts exceeding \$50,000. The proportion of gross receipts subject to tax is the ratio of the taxpayer's total length of lines or mains which are located on or over any street, highway or other public place to the whole length of lines or mains. Measurement of lengths of lines or mains exclude service connections.

The *Franchise Tax* is collected by the State for distribution to municipalities together with the gross receipts tax distribution. The tax is payable by the State to the municipal tax collectors in three installments: 25 percent within 30 days after certification of the apportionment; 40 percent on September 1st; and 35 percent on December 1st. Revenues, after deductions for the cost of administering the tax by the State, are for local use. The tax is distributed to the municipalities, subject to the limitations imposed by the State's budget.

The first general tax act specifically taxing public utilities was enacted in 1884. It provided for a two percent *Franchise Tax* on gross receipts of telegraph, telephone, cable and express companies. In 1900, the *Voorhees Tax Act* included all utilities other than those taxable under the *Railroad and Canal Property Tax Act*. It also provided that the receipts collected by the State were to be transferred back to municipalities. In 1917, franchise tax rates were increased to three percent, four percent in 1918 and five percent in 1919 and thereafter.

In 1940, significant revisions and amendments were adopted. Unit values were applied to each class or type of public utility, tangible, personal property for the purpose of securing a fair and equitable apportionment of taxes. An accelerated payment schedule was imposed on all public utility companies paying the *Franchise* or *Gross Receipts Taxes*. Chapters 10 and 11, P.L. 1980 amended Chapters Four and Five, with P.L. 1980 establishing a *Municipal Purposes Tax Assistance Fund* and providing for a distribution to designated municipalities of not less than \$27 million.

Gross Receipts Tax

The *Public Utility Gross Receipts Tax* is in addition to the *Franchise Tax* and is in lieu of local taxes on selected properties for the following types of public utilities performing noncommunication functions: sewerage, water, gas and electricity for

corporations using or occupying public streets, highways, roads or other public places in New Jersey. The *Public Utility Gross Receipts Tax* is collected by the State for distribution to municipalities together with the *Franchise Tax*. The rate of tax is 7.5 percent applied to taxable gross receipts for the preceding calendar year (N.J.S.A. 54:30A-54(b)). The *Gross Receipts Tax* is distributed to the municipalities, subject to the limitations imposed by the State's budget. The tax is payable by the State to the tax collectors in three installments: 25 percent within 30 days after municipal certification of the apportionment; 40 percent on September 1st; and 35 percent on December 1st.

The *Public Utility Gross Receipts Tax* was levied in 1919 as an addition to the *Franchise Tax*. The tax was in lieu of State, county, school and local taxes on personal property and materials other than land and buildings. The rate of tax was the average rate of the aggregate general property tax. In 1952 sewerage corporations were included among taxable public utility companies. In 1955 a maximum rate of 7.5 percent was adopted and in 1956 a minimum of five percent was established. The "average rate of taxation" concept was eliminated in 1960 and a tax rate of 7.5 percent of gross receipts was established. Water companies became subject to the *Gross Receipts* in 1961. An accelerated payment schedule was imposed in 1979 on all public utility companies paying the *Franchise* or *Gross Receipts Taxes*. Chapters 10 and 11, Public Law 1980 amended Chapters Four and Five, Public Law 1940 to provide for State collection and distribution to municipalities.

For FY 1990, a total of \$847 million was collected in revenue from the Gross Receipts and Franchise Tax. A total of \$685 million was received by New Jersey municipalities and \$162 million was taken by State Government for its own use.

Business Personal Property Replacement

The *Business Personal Property Replacement* (N.J.S.A. 54:11A-1-et seq.) applies to individuals, partnerships, corporations, and associations which own tangible personal property used in business in this State. The tax base, referred to as taxable value, is 50 percent of original cost. The *Business Personal Property Tax* was adopted in 1966 as part of a *Business Personal Property Replacement Program* designed to exempt *business personality* from local taxation (except business personality of telephone, telegraph and messenger systems companies). It took effect in 1968 (C. 136, P.L. 1966) and provided for replacement tax revenues to be collected by the State for distribution to formerly taxing districts. The State-administered *Business Personal Property Tax* was one of the four taxes which constituted the replacement program. The rate of taxation was \$1.30 per \$100 of taxable value. Taxable value constitutes 50 percent of original cost.

Insurance Tax Distribution

The *Franchise Tax on Insurance Companies* was repealed by N.J.S.A. 54:18A-1 et. seq. (Chapter 183 Laws of 1981). Under this legislation domestic insurance

*It should be noted that the *Business Personal Property Tax* was largely phased out in 1977. However, the amount of money allotted to municipalities has continued at its given level since then.

companies no longer pay a tax directly to the municipality (87.5 percent of the total tax) and county (12.5 percent of the total tax) in which the office of the company is located. Instead, these companies are required to file a return and pay the applicable tax rate (two percent or one percent) on the premiums collected by the company for New Jersey based risks. The return and payment are filed with the Director, Division of Taxation.

In order to prevent a loss of revenue to the municipalities or counties that previously received payments of the *Franchise Tax* directly from domestic insurance companies that maintained an office in a particular municipality or county, the 1981 legislation contains a provision (*N.J.S.A. 54:18A-1a.*) which provides a distribution to the county and/or municipality in which the principal office of a domestic insurance company was located on January 1, 1981. The base for this distribution is the amount of *Franchise Tax* received by the municipality or county in 1981. This amount is increased (decreased) by the percentage rate of change for all premium tax paid in 1981 and the current year by all companies. This distribution will only be made if the principal office(s) of the domestic insurance company remains at the location established on January 1, 1981.

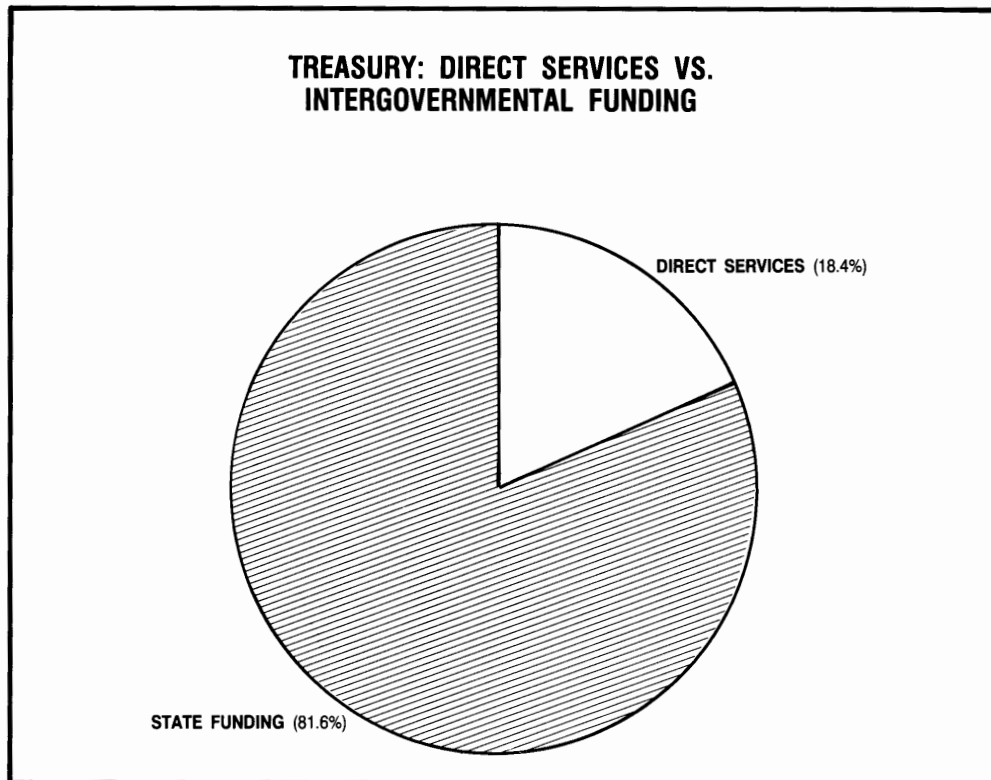
However, the 1981 legislation was amended by laws of 1983 *Chapter 390* (*N.J.S.A. 54:18A a. b. and c*) to provide that if a domestic insurance company relocates its principal office from the municipality/county wherein it was established on January 1, 1981, that municipality/county will be entitled to a five-year phase-out of the distribution.

Beginning the first year after the relocation, the municipality/county will be entitled to a distribution equal to 80 percent of the amount that the municipality/county received in the year in which the relocation occurred. The distribution in the second through fifth years would equal 60 percent, 40 percent, 30 percent, and 15 percent respectively of this amount. The municipality/county will not be entitled to any distribution after the fifth year of relocation.

At present, municipalities receive 87.5 percent of the monies distributed by the State and counties receive 12.5 percent. In FY 1990, this came to \$17.5 million for municipalities, with 18 municipalities the recipients of this amount, and \$2.5 million for counties, with nine counties the recipients of this funding. However, only seven counties received a non-negligible sum of monies. They are Bergen, Camden, Essex, Mercer, Morris, Sussex, and Union Counties.

Municipal Purpose Tax Assistance

This program, which is operated out of the Department of Treasury, provides funding to numbers of municipalities, which have not attained their equalized tax rate, in order to realize the full equalized valuation of real estate property in each of the funded municipalities. The criteria by which municipalities receive funding are based on needs measurements. Eligibility varies from year to year based on the latest fiscal situation of each individual municipality. The first formula, which is 15 percent of available funding, goes to "participating districts." Their tax rate must be equal to half the State average and their equalization value per capital must not be greater than twice the State average.



For the second formula, which is ten percent of available funding, their equalization tax rate must be equal of greater than the State average, and the equalization value per capita must be less than nine-tenths of the State average. *Municipal equalized valuation* means the apportionment valuation of each municipality for the preceding tax year. Determination of the eligibility of a municipality is made on the basis of the *State municipal purposes equalized tax rate*—the aggregate of the tax levies of all municipalities for *local municipal purposes* for the preceding tax year divided by the State equalized valuation. This is then computed on the basis of a municipal index of equalized valuation per capita for each municipality. There are two different formulae for municipalities receiving *municipal purpose tax assistance*. The aid can be used by recipient municipalities for any purpose. In FY 1990, 398 municipalities received such assistance.

Seniors/Disabled Property Tax Exemptions

The *Casino Control Act* of 1977 established a *Casino Revenue Fund*, with subsequent constitutional amendments earmarking *Casino Revenue Fund* monies for designated purposes for senior citizens and disabled residents. One of these purposes is property tax relief.

Prior to 1981, eligible senior citizens and disabled residents have historically received a \$160 tax reduction from their property tax bill. The State reimbursed the municipalities for these deductions at a cost of \$28 million. *P.L. 1983, c.85* raised this property tax deduction to \$200 for fiscal year 1982, to \$225 for fiscal year 1983,

and to \$250 for fiscal year 1984 and thereafter. In addition, *P.L. 1981, c.86* expanded the eligibility in the property tax relief program to include senior citizens and disabled residents who live in an owner-occupied mobile home situated on leased land. The \$17.9 million appropriation from the *Casino Revenue Fund* provides for the additional costs of paying for the increase in property tax deductions, and the increased population as a result of the referenced expansion of eligibility.

The State provides each municipalities a direct payment in an amount equivalent to the senior/disabled citizens' deduction in the municipality. Based on certification made annually by county boards of taxation, the *Director of the Division of Taxation* certifies to all municipalities the amount to which they are entitled for such payments for the succeeding year. Such payments are made to municipalities for the total amount due on November 1st each year. Disabled and senior citizens receive a combined \$250 deduction paid from both the *Property Tax Relief Fund* and the *Casino Revenue Fund*. The Department of Treasury operates the reimbursement program.

Veterans' Property Tax Exemptions

New Jersey provides each municipality a direct payment of an amount equivalent to the veterans' deduction from the municipality. Based on certification made annually by county boards of taxation, the *Director of the Division of Taxation* certifies to all municipalities the amount to which they are entitled for such payments for the succeeding year. Such payments are made to municipalities for the total amount due on November 1st of each year. Veterans receive a \$50 tax reduction, paid from the *Property Tax Relief Fund*. The reimbursement program is operated by the Department of Treasury.

In Lieu of Property Taxes

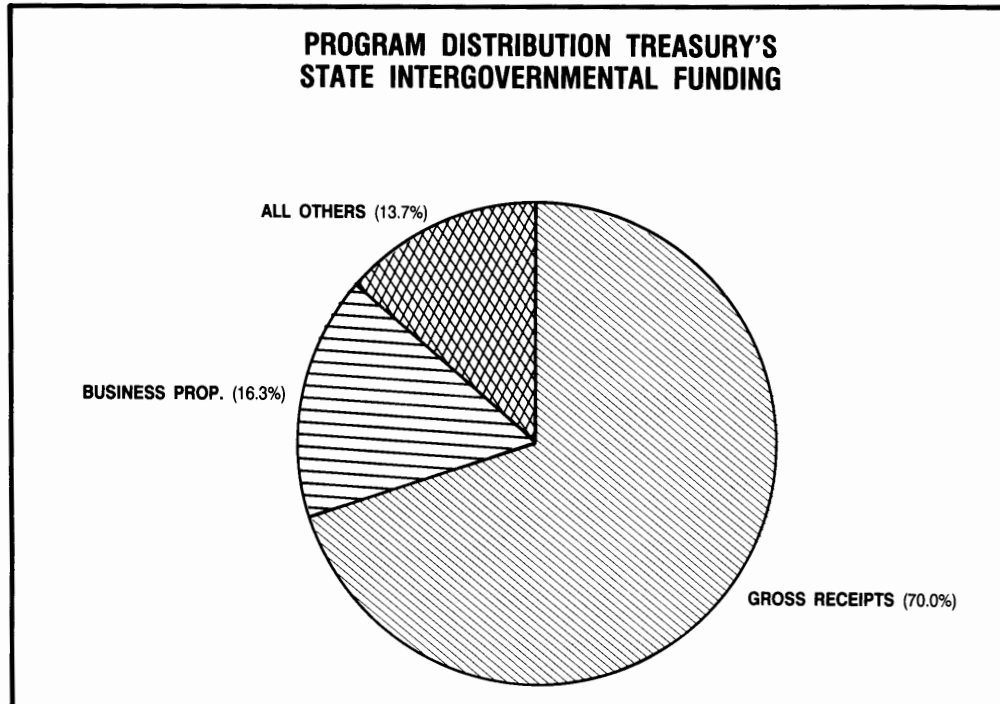
The purpose of this program is to compensate municipalities for the impact upon local government or the costs of local services to State property, whether it be land or facilities. Included here are land and improvements owned by the State, including State offices, hospitals, institutions, schools, colleges, universities, garages, inspection stations, warehouses, barracks and armories together with abutting vacant land held for future development. State property does not include that used or held for future use for highway, bridge or tunnel purposes. In place of a local property tax, the State property's financial value is assessed by State Treasury's *Division of Taxation* and the State's liability for in lieu of tax payments is then determined.

Consolidated Police & Firemen's Pension Fund

The *Consolidated Police and Firemen's Pension Fund* (RS43:16-1 et seq.) was established to place 213 police and firemen's pension funds on an actuarial basis. The liabilities of these local funds are shared, two-thirds by the participating municipalities and one-third by the State. The commission administering this fund consists of two police representatives, two fire representatives, the State Treasurer and four persons appointed by the Governor.

Railroad Property Tax

With the chartering of the first railroad in New Jersey in 1830, the State required payment for the privilege of operating a railroad. *Chapter 139, P.L. 1966* made the



Class II—all real estate property used for railroad purposes other than main roadbed and facilities used in passenger service—railroad property tax a State tax. The rate of tax is \$4.75 for each \$100 of true value of *Class II* railroad property. Under 1966 legislation, the municipalities which have railroad property within their boundaries are guaranteed the return of certain replacement revenues.

County Boards of Taxation

State Government offers financial support to the *county boards of taxation*. A *county board of taxation* (RS54:3-1), consisting of three members has been established in each county. The exception to the three-member board is the first-class counties of Bergen, Essex and Hudson, each of which has five members. The board hears appeals of taxpayers from local tax assessments, certifies tax duplicates to the collectors, determines local tax rates, prepares county abstracts of rateables, promulgates equalization tables, supervises the activities of assessors and does related work in the enforcement of local property tax laws.

FEDERAL PROGRAMS

Energy Conservation

Energy Conservation constitutes various programs of the Federal Government that are designed to encourage more efficient energy use. Some funding is given for the planning of energy conservation, while other funding supports staff who man a phone information line on energy conservation. The bulk of the funding goes to the *Institutional Conservation Program* which distributes grants for energy conservation to schools and hospitals.

II. COUNTERFLOWS: TREASURY

PREFACE

The following section constitutes a presentation of major counterflows within the intergovernmental system which are based mainly on employee benefit contributions by local governments into the appropriate State and Federal funds and the tax obligations of public employees which are collected by the local (and State) governments and forwarded to the source of taxation. *This section is organized on the basis of the following format: A) Localities to the State; B) State and Localities to the Federal Government; and C) Localities to the State and Federal Governments.*

It should be noted that some of our figures are estimates, based on personnel size of certain levels of local government and their magnitude in comparison with a larger aggregate from which we were able to extrapolate our numbers.

A) LOCALITIES TO THE STATE

Health Benefits for Local Government Employees

All Local Governments' Contributions for Health Insurance Benefits \$357

LOCAL GOVERNMENT HEALTH BENEFITS* CONTRIBUTION TO NJ HEALTH BENEFITS PLAN (FY 1990) (In Millions)

	Traditional & PPO Active Members	HMO Active ¹	Total For Active	Total For Retirees	Grand Total
Authorities	\$ 29	\$ 8	\$ 37	\$ 10	\$ 38
Municipalities	71	20	91	7	99
School Districts	221	61	282		282
Counties	27	7	33	2	35
TOTALS	\$347	\$96	\$444	\$10	\$453

*Because of rounding off totals do not add up.

Program Description

Numbers of local governments provide health benefits to their employees through the State health plan. For FY 1990, there were 985 local governments participating in the State health plan. They included: 437 school districts, 287 municipalities, 253 public agencies such as housing, sewerage, utility authorities and special districts, as well as eight counties. For 95 percent of the local government participants, health care benefits were underwritten solely by the governmental units, with the rest based on employer-employee joint contributions. In FY 1990, \$357 million was contributed from local government sources into the health benefits fund. Of this amount, \$347 million went to current employees, with the rest, \$10 million, going to retirees. It is also worthy of note that an additional \$96 million of local health plan funding went directly to HMO insurance carriers.

The health benefits program provides basic health services for employees of State and local governments. Employees may enroll in either a traditional plan with the insurance carrier or a HMO health plan.

Pensions

Introduction

The State of New Jersey sponsors and administers a set of public employee retirement trust funds which have been established by State statute. All of the systems are single-employer plans except for *The Consolidated Police and Firemen's Pension Fund (CPFPPF)*, *The Public Employees' Retirement System (PERS)*, and *The Police and Firemen's Retirement System (PFRS)*, which are cost-sharing multiple employer plans. The systems use an accounting reporting mechanism in conformity with National Council on Governmental Accounting (NCGA) principles for retirement systems.

Public Employer Pension Costs' Remittances to the State (FY 1989) (In Millions)

Counties	\$ 48
County Colleges	5
Municipalities	101
Police and Firemen's Retirement	166
School Districts	8
Other Public Agencies	42
TOTALS	\$370

¹HMO benefits for active employees are paid directly by local governments to the particular HMO insurance carriers.

**State and Local Employer Contributions
Toward Pension Plan (FY 1989)²
(In Millions)**

	S T A T E	L O C A L
Public Employees' Retirement System	\$83	\$129
Police and Firemen's Pension	12	86
TOTALS	\$95	\$215

Program Descriptions

Police and Firemen's Retirement System (PFRS)

The Police and Firemen's Retirement System (PFRS) was established in 1944, under the provisions of N.J.S.A. 43:16A to provide coverage to substantially all full-time municipal, county and State police or firemen. Membership is mandatory for such employees with vesting after ten years of membership. For FY 1989, localities contributed \$86 million in employer funding of the pension plan which was then placed in State stewardship.

A member may retire at age 55 with benefits equal to two percent of average compensation for each year of creditable service up to 30 years, plus one percent for each year of creditable service in excess of 30 years. It should be noted that there is also a minor fund, the *Consolidated Police and Firemen's Pension Fund (CPFPPF)*.

Public Employees' Retirement System (PERS)

The Public Employees' Retirement System (PERS) was established in January 1955, under the provisions of N.J.S.A. 43:15A to provide coverage to substantially all full-time employees of the State or any county, municipality, school district or public agency, provided the employee is not a member of another State-administered retirement system. Membership is mandatory for such employees and vesting occurs after eight to ten years of service. In FY 1989, local governments contributed \$129 million to the pension plan with the monies going to State Government which administers the plan. Members are eligible for retirement at age 60 with a benefit generally determined to be 1/60th of the average annual compensation for the highest three fiscal years' compensation for each year of membership during years of creditable service.

²Teachers' Pension and Annuity Benefits figures and discussion are provided within the education section.

State Contribution for Local Participants
(FY 1990)
(In Millions)

School Districts	\$517
County Colleges	14
Police & Fire	10
TOTALS	\$531

**Disability Benefits Contribution of
Local Governments' Employers and
Employees to the State**
(In Millions)

Totals	\$22*
Municipalities	\$5.3
Counties	3.1

*This amount includes both the employer and employee contribution.

Program Description

The State has a disability insurance plan in effect (*N.J.S.A. 43:21-46A*) which provides cash benefits to nearly all workers covered under the *Unemployment Compensation Law* so as to insure against loss of earnings due to non-occupational sickness or accident. Deposits are secured from contributions of workers and employers who are subject to the contribution section on taxable wages under the unemployment compensation law of the State; and from special assessments, fines, penalties, and investment earnings placed in the Fund. Payments from the Fund may be made to persons entitled to disability benefits and benefits not covered by the *Workers' Compensation Law*, for authorized refunds of contributions and for administrative expenses. Only the expenditure of dedicated revenues is involved since both benefits and administrative costs are financed through employer and worker contributions and specified assessments. Monies collected for the *Disability Benefits Fund* are provided through a system of taxation in which employees pay five-tenths of one percent of their wages and employers contribute three-tenths of one percent of their employees' wages. This amounts to a 62 percent share of the total contribution by the public employees and a 38 percent contribution by the local government employer.

**State Income Tax on Local Government Employees
(In Millions)**

Totals	\$237
School Districts	\$95
Municipalities	85
Counties	50
Special Districts	7

Program Description

Counties, municipalities and other local units of New Jersey Government withhold State income taxes from their employees and forward them onward to the State Government. This effort constitutes a counterflow from New Jersey local governments to the State. New Jersey adopted a state income tax on individuals in 1976, a rather late date in comparison with the other states, given that Wisconsin, the first state to tax the income of individuals, did so in 1911. Presently, the vast majority of states utilize an income tax on individuals as a major source of revenue.

The income tax is generally considered the most equitable source of revenue since it directly relates to ability to pay. Because it is based on current income, it is not overly burdensome to the taxpayer in times of reduced earnings. Individuals, in New Jersey, may be taxed either on gross or net income. In comparison, corporate income taxes are usually based on net income. New Jersey levies a gross income tax on individuals, estates, and trusts. A 3.5 percent tax is imposed on adjusted gross income of up to \$70,000 for couples and \$35,000 for individuals. The rate then rises to a maximum of seven percent on income over \$150,000 for couples and \$75,000 for individuals. In FY 1990, the State realized close to three billion dollars in revenue from the income tax on individuals, or over twenty-five percent of every dollar included in the State budget.

**County to State
(In Millions)**

Realty Transfer Tax	\$60
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The State received \$60 million for its general revenues from the proceeds of the *Realty Transfer Tax* collected by county clerks or register of deeds. Of these funds \$19 million is returned to local governments through the Department of Community Affairs' *Neighborhood Preservation Nonlapsing Revolving Fund* for affordable housing.

B) STATE AND LOCAL GOVERNMENTS TO THE FEDERAL GOVERNMENT

Federal Personal Income Tax—State & Local Governments Employees' Payments to the Federal Government (In Millions)

Totals	\$1,212
State Government	\$288
School Districts	372
Municipalities	336
Counties	192
Authorities	24

Program Description

The Federal personal income tax was established in 1913. Since its inception it has grown as a source of Federal revenue to the point where it is now the largest single source of Federally raised monies. In 1990, out of \$1,059 billion in raised revenue, the Federal personal income tax constituted \$467 billion of the total.

New Jersey State and local governments deduct Federal income taxes due from their employees and send the amounts to the Federal Government. It should be noted that all employers in the nation perform this role. It is our estimate that for FY 1988, \$1,200 million was sent by all governments in New Jersey. School districts formed the largest source of collection of the personal income tax with an estimated \$372 million; municipalities formed the second largest revenue source with an estimated \$336 million.

For individuals, the sixteen individual income tax brackets and tax rates for pre-1981 tax law—ranging from 14 percent to 70 percent—have been reduced to two tax brackets with rates of 15 and 28 percent. The zero bracket amount, which was \$3,400 for a married couple filing a joint return and \$2,300 for a single taxpayer or a head of household under pre-1981 tax laws, has been replaced with a standard deduction of \$5,000 for a married couple filing a joint return and \$3,000 for a single taxpayer. The personal exemption has been increased 100 percent, from \$1,000 in 1980 to \$2,000 in 1989. In addition, effective 1989, the individual income tax brackets and the standard deduction are adjusted annually for inflation; the personal exemption will be adjusted annually beginning in 1990.

**Social Security to the Federal Government—
Public Employer and Employees' Share
(In Millions)**

Totals	\$900
State	\$216
County	144
Municipalities	252
School Districts	279
Authorities	18

Program Description

Social Security is a program which was initiated under the auspices of the *Social Security Act* of 1935 and includes *Retirement and Survivors Insurance*. Their purpose is to provide direct payments to maintain the income of retired workers, their dependents, and their survivors. State and local governments, with the possible exception of localities that have their police and firemen under the *State Police & Firemen's Pension*, contribute .765 of one percent of the employee's wages and employees contribute the same amount.

Signed into law on August 14, 1935 by President Franklin Roosevelt, the *Social Security Act* grew out of a recommendation in January of that year by the *Committee on Economic Security* which called for Federal old age insurance and unemployment compensation programs. Seen as an integral part of President Roosevelt's *New Deal* legislative program, the Act provides pensions for most retired commercial and industrial workers, aged 65 or more. It also established a joint Federal-state system of *Unemployment Insurance* under the jurisdiction of the U.S. Department of Labor. The *Social Security Administration* has the primary responsibility of administering the OASDI program. It is an agency of the *Department of Health and Human Services*.

Originally intended to provide retirement benefits only to retired workers themselves, the *Social Security Act* and its system of payment has been extended numerous over the decades to provide payments to survivors and dependents (1939), state and local government employees, members of the armed forces, many farm workers, domestic workers, and self-employed professionals (1950s); in addition, the age of eligibility for benefits by women was reduced from 65 to 62 (1956) and, for men, the option of retiring at a reduced level of benefits at age 62 was instituted (1961).

C) LOCAL GOVERNMENTS TO THE STATE & FEDERAL GOVERNMENTS

AFDC—Child Support Collections—IV D (FY 1990)

(In Millions)

Totals	\$62
Returned to the Federal Government (50%)	\$31
Returned to the State Government (39.5%)	23
Remains with the County Governments (12.5%)	8

Program Description

The *Child Support Collections Program* seeks to recover government required child support for those families that are not recovering such moneys from the absent spouse. Collections encompass both those on and not on *Aid For Dependent Children. Child Support Collections* for AFDC recipients, which is obtained through the efforts of county probationary officers, is received from the delinquent parent on AFDC and from families on AFDC who, as a result of finally receiving the past due child support from the delinquent parent, are therefore not eligible for the AFDC payments which have previously been received. Data from FY 1988 indicated that 7.3 percent of the delinquent financial support for AFDC recipients were recovered. This figure compares with a nationwide average of 6.7 percent. In New Jersey for FY 1988, of the \$21.6 million due from AFDC/FC recipients, \$1.6 million was recovered.

**Unemployment Insurance Contributions of Local Government
Employers and Employees to the State/Federal Governments**
(In Millions)

Totals	\$83*
Municipalities	\$30
Counties	17
School Districts	33
Authorities	2

*Because of rounding off, numbers do not total.

Program Description

The Unemployment Compensation Fund handles moneys deposited from contributions of employers and employees for unemployment compensation, and amounts credited or advances made by the Federal Government. After consideration is given to any claim or refund of overpayment of contributions, the remainder is transferred by the *Division of Employment Security* to the Treasurer of the United States for credit to the *State of New Jersey Unemployment Compensation Fund* and held by the Treasurer of the United States in the *State of New Jersey Unemployment Trust Fund*. Drawdowns against the *Trust Fund* are made by requests submitted to the Treasurer of the United States by the *Division of Employment Security* on an as-needed basis, with amounts transferred back to the Fund and then disbursed by the persons entitled to receive unemployment benefits.

Any shortfall in the *Unemployment Compensation Fund*, needed to pay benefits, is covered by Federal statutes that authorize advances from the Federal Government for unemployment benefits. Such advances are repayable by increased rates on Federally taxable wages reported by New Jersey employers, or the advances may be repaid out of the Fund assets at any time by the governor. Monies collected for the *Unemployment Insurance Fund* are provided through a system of taxation in which employees pay six and one-fourths of one percent of their wages, and employers contribute six-tenths of one percent of their employees' wages. This amounts to a split in which the employer contributes nine percent and the employee contributes 91 percent.

Within the State, *N.J.S.A. 43:21-1* established the State-administered, Federally-funded programs of unemployment insurance, which cover virtually all non-agricultural units employing one or more persons. Claims are filed, monetary and eligibility determinations made and benefits paid through communication terminals on line in 39 offices located in population centers throughout the State.

In 1984, the law was revised to incorporate the quarterly collection of *wage records* by the Department of Labor. This activity was formerly performed by the *Division of Taxation*. Effective 1986 all *unemployment insurance* claims are based upon the wage information collected by the *Department of Labor*. In addition, automated cross matches are performed to identify fraudulent collection of *Unemployment Insurance and Public Assistance* benefits.

CHAPTER VIII

OTHER DEPARTMENTS

I. STATE FUNDING

Our *Other Departments Chapter* encompasses an assortment of State and Federal Government funding for county and municipal government functions, each of which is important to the well-being of New Jersey citizenry. The departments and public organizations, subsumed within this chapter, through which funding is provided, include: the *Departments of Transportation, Corrections, Labor, Law and Public Safety, Public Advocate, State*, and the Judiciary. Altogether, over \$150 million in State monies to local governments in FY 1990 was provided under their auspices.

The largest set of activities, both in terms of manpower and expenditures, are those of the *Department of Transportation*. Established in 1966, and serving as the progenitor of most state transportation agencies around the country, the *Department of Transportation's* primary responsibility is the planning, construction, and maintenance of safe and efficient transportation networks throughout the state. This entails the maintenance of state roads and bridges, as well as ensuring the safe and efficient movement of traffic. The discharge of these responsibilities requires a closely coordinated involvement with the Federal *Department of Transportation's* programs and activities, particularly as it relates to Federal interstate functions. New Jersey's *Department of Transportation* discharges its responsibilities through a staff of over 4,000. Fulfillment of the functions for which it has direct responsibilities required State generated revenue of about \$125 million for FY 1990 (with Federal monies of approximately \$9 million in addition to this amount).

Another important set of intergovernmental responsibilities are the province of the New Jersey *Department of Corrections*. The Department has jurisdiction over the State's correctional institutions and their satellites, plus the community-based program of parole supervision. Direct services provided by the *Department of Corrections* accounted for \$480 million in expenditures for FY 1990 and the employment of roughly 10,000 *Department of Corrections* personnel, most of which serve within the 15 State correctional institutions. Several of these facilities incarcerate juveniles.

The New Jersey *Department of Labor*, with its workforce of under a 1,000, has prime responsibility for income security, for both unemployed and disabled individuals, employment opportunity and training, and workplace standards and labor relations regulation. In FY 1990, the State expended over \$50 million of State revenue for *Labor's* direct services, with the Federal Government providing around an additional \$135 million for direct State services.

<p align="center">TABLE VIII-I DIRECT SERVICES, EXPENDITURES AND PERSONNEL SIZE OTHER DEPARTMENTS FY 1990 (In Millions)</p>		
Department	Total Direct Service Expenditures (In Millions)	Departmental Numbers of Personnel
Transportation	\$ 669	4,000
Corrections	478	10,000
Labor	192	880
Law and Public Safety	359	500
Judiciary	90	1,800
State	17	200
TOTAL	\$1,805	17,380
*Total Direct Service Expenditures includes Federal monies.		

New Jersey's *Department of Law and Public Safety* has responsibility for many of the State's police and regulatory powers. Its expenditures for direct services were over \$350 million in FY 1990 and its staff size was approximately 500. The Judiciary, which constitutes the state court system, expended \$90 million for direct services in FY 1990. Its staff size was about 1,800. The *Department of State* largely has responsibility for promoting cultural affairs within New Jersey. It operates with a staff size of approximately 200 and in FY 1990 expended under \$20 million for direct state services. Combined, the departments examined in this chapter have a staff size of over 17,000 and provided over \$1.8 billion in direct services in FY 1990.

STATE FUNDING—OTHER DEPARTMENTS

FY 1990
(In Millions)

PROGRAM	AMOUNT		
	M U N I C I P A L	C O U N T Y	T O T A L
Department of Transportation			
Substitution for Federal Aid Urban System (FAUS)	\$ 8	\$ 31.4	\$ 39*
Municipal Aid (Transportation Trust Fund)	30		30
Bridge Replacement/Rehabilitation (State Share)		7.5	8
Interstate Transfer (State Share)		4	4
Aid to Urban Systems (State Share)	5		5
Rural Secondary (State Share)		.8	1
TOTALS—Transportation	\$43	\$ 44	\$ 87
Department of Corrections			
Purchase County Penal Services for Inmates		\$ 51	\$ 51
Bond Monies for County Corrections Facilities		7	7**
TOTALS—Corrections		\$ 58	\$ 58
Department of Labor			
Job Training	.5	1.0	2
Department of Law and Public Safety			
Drug Control and System Improvement (Action Grants)—Local Match	.2	1.9	2
The Judiciary			
Legal Aid to Local Government	.2	1.2	1
Department of State			
NJ Council on the Arts—Grant Awards		1.4	1
TOTALS	\$44	\$107	\$151

*This figure includes balances from previous years.

**Estimate of Expenditures for FY 1990.

ANALYSIS

Of our State intergovernmental funding expenditures, the major departmental donors, in descending order, were *Transportation* and *Corrections*. Combined, they constituted over 95 percent of all State funding noted in this chapter. *Transportation* programs alone approached 60 percent of total state monies. The *Departments of Transportation* and *Corrections* each provided over \$50 million or more in state funding—a significant amount.

<p style="text-align: center;">TABLE VIII-II DEPARTMENTAL COMPARISON STATE FUNDING FY 1990 (In Millions)</p>		
Department	Amount Funding	Percentage Total
Transportation	\$ 87	58%
Corrections	58	38%
Labor	2	1%
Law & Public Safety	2	1%
The Judiciary	1	*
State	1	*
TOTALS	\$151	100%**
<p>*Less than one percent total. **Because of rounding off, individual percentages, when aggregated, do not total 100 percent.</p>		

Overwhelmingly, the local government recipients of State monies in this chapter are counties. Of the total \$151 million, \$107 million, or over 70 percent, went to county governments, with municipalities receiving only 29 percent (\$44 million). Two specific programs accounted for most of the tilt toward county government—*Substitution for Federal Aid Urban System* (Transportation—\$31 million), and *Purchase of Services for State Inmates Incarcerated in County Penal Facilities* (Corrections—\$51 million). For the *Department of Corrections*, 100 percent of their funding went to county governments, while for the *Department of Labor* it was two-thirds. At the departmental level, no department targeted the major portion of its monies to municipalities. Only *Transportation* approached an even split, with 49 percent of State monies going to municipalities (See Table VIII-III).

TABLE VIII-III
STATE FUNDING TO LOCAL GOVERNMENTS
FY 1990
(In Millions)

Department	To Counties/ Percentage	To Municipalities/ Percentage	Total Amount
Transportation	\$ 44 51%	\$43 49%	\$ 87
Corrections	58 100%		58
Law & Public Safety	2 100%		2
Labor	1 67%	1 33%	2
The Judiciary	1 100%		1
State	1 100%		1
TOTALS	\$107	\$44	\$151

For State funding to municipalities, the largest program was *Municipal Aid* (Transportation), in which the entire \$30 million was received by municipalities. It is noteworthy that within the *Department of Transportation* \$43 million (including the \$30 million of *Municipal Aid*), of the \$87 million in State funding went to municipalities. From the overall nature of these figures, we can glean that the functional relationship in the areas of *Corrections*, *Labor*, *Law & Public Safety*, *Judiciary*, and *State* is fundamentally a State-county partnership rather than a State-municipal partnership. Only in *Transportation* is there a balance, and this is because of one program—*Municipal Aid's* \$30 million for municipal transportation.

PROGRAM DESCRIPTIONS: OTHER DEPARTMENTS

DEPARTMENT OF TRANSPORTATION

Introduction to Transportation Section

As the state with the highest population concentration in the United States, New Jersey is heavily dependent on its road system for its residents' economic livelihoods. In New Jersey, as in the rest of America, the preponderance of the State's roads and streets are the responsibility of the counties and municipalities. A 1978 report of the Commission, *Local Highway & Road Programs*, identified 32,488 state, county, and municipal road miles in the state.

NEW JERSEY ROAD MILES

Municipal Road Miles	23,159 (71.3%)
County Road Miles	6,795 (20.9%)
State Road Miles	2,534 (7.8%)
TOTAL	32,488 (100%)

Source: *Local Highway and Road Programs*, Report of the State Commission on County and Municipal Government, 1978.

National projections for 1990, from the Commission report, were that the top four functional road systems, which have less than 12 percent of all road miles, will have 70 to 75 percent of all highway traffic. The four major Federal aid highway programs are—the *interstate*, *primary*, *secondary* ones, and the extensions of *primary* and *secondary* into urban areas.

PROGRAMS

Substitution for Federal Aid Urban System (FAUS)

Under the *Transportation Trust Fund Renewal*, \$35 million in state aid is annually appropriated for county and municipal transportation projects. Of this amount, \$31 million is allotted by formula to the counties and the municipalities of Jersey City and Newark, and used as a substitution for *Federal Aid Urban System (FAUS)* funds. This program was created to eliminate the time-consuming and laborious federal and state reviews and approval processes. Each county and/or municipality administers their own project from design through construction, with local priorities governing the selection and rate of advancement for each project. Projects are not restricted to the *Federal Aid Urban System (FAUS)* road network. The *FAUS Substitution Program* is a reimbursement program with payment made after acceptance by the local government unit, with final inspection of the completed work by the State and a determination made through audits that certify all documents are in order.

The remaining \$3 million is placed in a discretionary account to support critically needed transportation projects throughout the State. The discretionary fund was established to address emergency and regional needs throughout the entire State. Any municipality or county may make applications. The allotment each county, Newark, and Jersey City receives is the combined total of their 1984 FAUS apportionment, plus a State match. Each county receives a minimum of \$300,000 regardless of their 1984 FAUS apportionment. For FY 1990, over \$8 million was spent by the Department in the discretionary fund, approximately \$3 million going to counties and \$5.5 million going to municipalities (with nearly \$366,000 of this going to the municipalities of Newark and Jersey City, both of which receive a yearly apportionment). This figure reflects the employment of balances from previous years and thus equals more than the \$3 million allotted for the entire discretionary fund for FY 1990.

If a project was previously initiated with FAUS funds and the county elects to complete it with State aid, all Federal design standards, rules, and regulations must be adhered to or the FHWA may withdraw their participation in the work completed with FAUS funds. *FAUS Substitution* funds must be used for the improvement of any public road or bridge under the jurisdiction of a county, regardless of location within that county, or any road or bridge located on the *Federal Aid Urban System*. These funds may also be used for county and municipal public transportation projects and other transportation projects eligible for funding under the *FAUS Program* on September 30, 1984. State participation is 100 percent of the construction costs including construction, supervision, inspection, and material testing. In special hardship cases, State participation may be increased to include 100 percent of engineering and ROW costs.

Except in the cases of Jersey City and Newark, the municipalities in each county will submit project requests to their board of freeholders. The county will then select county and municipal projects for inclusion in a four-year *County Capital Transportation Program (CTP)*. The total amount of state participation requested for each year must not exceed the amount of FAUS substitution funds made available to the county. The CTP is approved by the board of freeholders and submitted to the Department for final approval. Newark and Jersey City prepare their own CTPs and submit them for Departmental approval. The entire project through completion of construction is the responsibility of the county or municipality that initiated the project.

The local government must advertise and award the construction contract; however, the DOT must approve the awarding of the contract. DOT, on a random basis, conducts final inspections and audits of project records. State participation in inspection and material testing is limited to ten percent of the total construction cost of the project.

Municipal Aid (Transportation Trust Fund)

The *Municipal Aid Program* provides funding for needed improvements on public highways under municipal jurisdiction. It allocates \$21.25 million annually that is distributed, by county, through formula based on municipal road mileage and county population. Also, \$5 million is available each year for urban municipalities qualifying for aid under *P.L. 1978, c.14 (N.J.S.A. 52:27D-178 et seq.)* in the same proportion

that they receive *Title 52* aid. The certified list of municipalities and proportional aid is determined annually by the Director of the *Division of Local Government Services, Department of Community Affairs*, pursuant to N.J.S.A. 52:27D-178 et seq.

Additionally, \$3.75 million is appropriated to address emergency and critical municipal transportation projects. Municipalities may apply to the DOT with project approval at the discretion of the Commissioner of Transportation. Applications are received by a municipal engineers screening committee and staff of the *Department of Transportation* appointed by the Commissioner. Recommendations are presented to the Commissioner of Transportation for approval. Consideration is given to volume of traffic, safety considerations, growth potential, readiness to obligate funds, and local capacity.

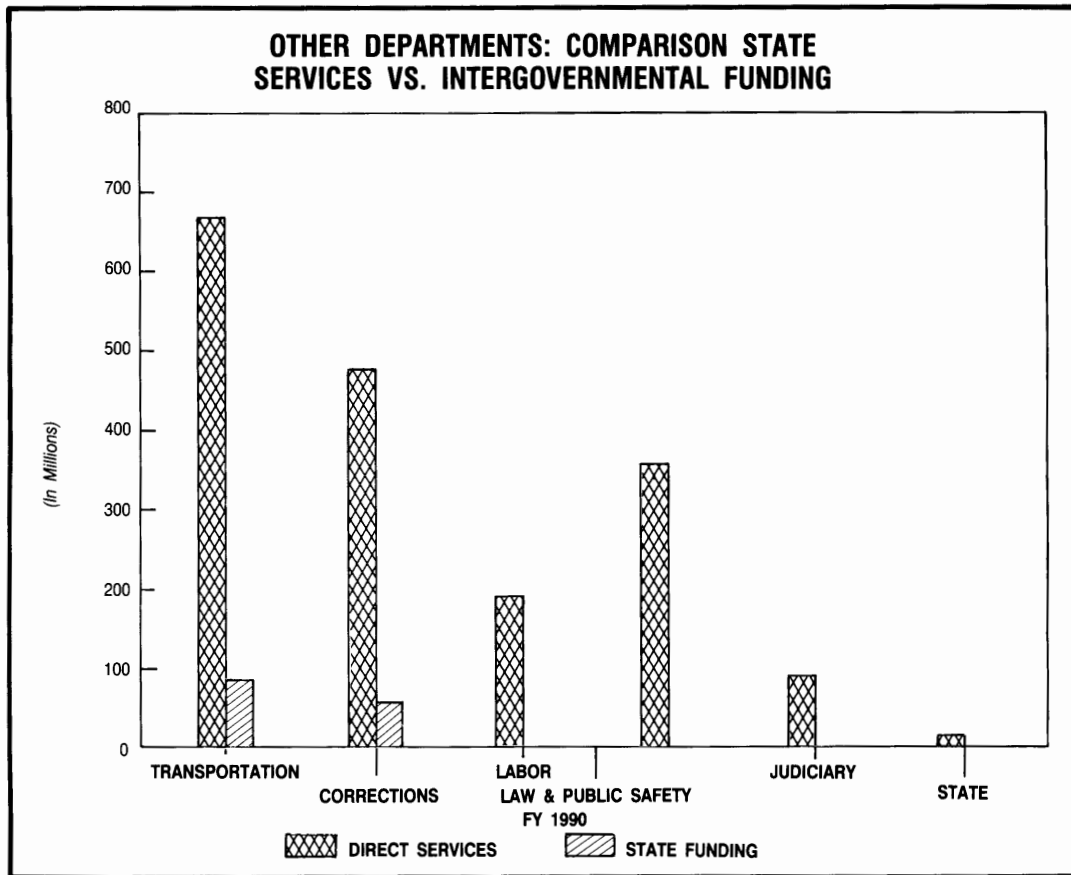
Municipalities are responsible for engaging a professional engineer to prepare construction plans and specifications and provide construction engineering, inspection, and material testing. Municipalities are also responsible for advertising the project and awarding a construction contract. The State will pay funds on a reimbursement basis after acceptance by the municipality and depending upon the status toward the completed work. Except for economically depressed municipalities, the State's share will be limited to 100 percent of the cost of construction including construction engineering, inspection, and material testing.

Bridge Replacement and Rehabilitation (State Share)

In accordance with the *Federal Aid Highway Act* of 1978 and the *Special Bridge Replacement Program*, both of which were initially instituted by the 1970 *Federal Aid Highway Act*, which provide for bridge replacement and rehabilitation upon on and off-system interstate bridges, the State apportions one dollar for every four Federal dollars in this program. State matching funds emanate from the *Bridge Rehabilitation and Improvement Fund Bond* monies of 1983. The 1987 *Surface Transportation and Uniform Relocation Act (STURAA)* allows states to spend such funds in combination with Federal monies to do the following:

- Replace ferryboat operations in existence since 1984;
- Replace bridges destroyed before 1965;
- Replace low-water crossings;
- Replace bridges made obsolete by *Corps of Engineers (COE)* flood control or channelization and not rebuilt with COE funds;
- Carry out bridge improvement projects on noncontroversial *off-system* bridges eligible for *Highway Bridge Replacement and Rehabilitation Program (HBRRP)* funding and apply 80 percent of the cost of such projects expended after 1987 as a credit for the non-Federal share of other HBRRP projects carried out by the State.

As mandated by the 1982 *Surface Transportation Assistance Act (STAA)*, spending requirements are along a 15-20-65 percent sequence for off-system, on or off-system, and on-system bridges, respectively, which must be maintained by the State.



Interstate Transfer (State Share)

This program provides monies which constitute the state match established under the *Interstate Withdrawal and Substitution Program*—a program instituted by the *Federal Aid Highway Act of 1973* which calls for the withdrawal of certain urban segments of the *interstate system* and their substitution by public transit projects which serve these urbanized areas, should the governor and local government officials request it. In accordance with the *Federal Aid Highway Act of 1978*, which altered the Federal financial participation share to 85 percent, the states' financial contribution to the program remains at 15 percent. This act also required appropriation of all funds for substitute projects, with State funds coming from the general fund.

The 1982 *Surface Transportation Assistance Act (STAA)* also provides for the distribution of Federal funds whose availability outlasts a statutory two-year period. Beginning in FY 1984, these unobligated funds are redistributed to states which have obligated and allocated their funds. The set-up calls for 25 percent of this apportionment allocated on a discretionary basis and 75 percent allocated on the basis of *special cost estimates*.

Aid to Urban Systems

This program provides funding to depressed cities, on a formula basis, for the construction, reconstruction, and resurfacing of local roads. Though the monies are distributed to distressed municipalities on a formula basis, the projects must be approved by the State. New Jersey Government provides 100 percent funding for construction costs while engineering and right-of-way costs are the obligation of participating municipalities.

Rural Secondary (State Share)

Revenues provided under this state match program constitute the State share in the *Federal Rural Secondary Program* created by the *Federal Aid Highway Act* of 1973. This program differentiates between urban and rural systems and funds rural segments of the secondary system. The normal State contribution for *Rural Secondary* projects is 25 percent, with the Federal share constituting the remaining 75 percent.

DEPARTMENT OF CORRECTIONS

Purchase of Service for Inmates Incarcerated in County Penal Facilities

The number of state convicts requiring institutional incarceration currently exceeds the number of available beds in State operated correctional facilities. The surplus inmate population largely consists of adult inmates awaiting admission to State facilities. Since the issuance of Executive Order No. 106 in June 1981, the surplus inmate population has been housed in various county correctional facilities while awaiting transfer to State facilities. The monies provided by the State comprise payments to county correctional facilities for incarcerating state inmates. It should also be noted that the State paid \$200,000 to the Federal Government in FY 1990 for New Jersey inmates housed in Federal correctional facilities.

Bond Monies for County Corrections Facilities

Three bond funds have provided counties with funding for construction and renovation of their correctional facilities. The *Public Purpose Buildings Construction Bonds* of 1980 authorized \$159 million for the construction, equipping, and/or demolition of public buildings. Of this amount, the Department of Corrections was allocated \$67 million for correctional facilities. The *Correctional Facilities Construction Bonds* of 1982 authorized \$170 million for the planning, erection, acquisition, improvement, development, and equipping of correctional facilities. The 1987 *Correctional Facilities Construction Bonds* authorized an additional \$198 million for the same purposes.

DEPARTMENT OF LABOR

Job Training

Under the *Job Training Program* enacted in 1983, the Department of Labor administers programs for the unemployed, underemployed, displaced workers and the economically disadvantaged to help meet the skilled labor needs necessary to attract new industry and retain industry located in New Jersey. The program uses the existing job training apparatus developed under the *Federal Job Training Partnership Act* and requires a public/private sector partnership at the State and local levels. Funds are provided to *service delivery areas* in the same manner as *Job Training Partnership Act* programs through plans and contracts with the *Department of Labor*. The principal program activities include job search and skill training within the classroom, as well as customized training and on-the-job training with private sector employers.

DEPARTMENT OF LAW & PUBLIC SAFETY

Drug Control and System Improvement (Action Grants)—Local Match

Action grants are received by the State from the Federal Government. To receive *action grants*, the State must match Federal monies, providing one for every three Federal dollars. The *action grants* and matching State funds, utilized under the *Drug Control and System Improvement Act*, provide assistance to criminal justice programs as well as corrections and counseling activities. The money helps support court backlog reduction, drug testing and monitoring, and correction and counseling of drug offenders. Funds are made available to the twenty-one counties and to the seven cities where the problems are most severe—Paterson, Newark, Elizabeth, Atlantic City, Camden, Trenton, and Jersey City. The \$2 million available for FY 1990 (this includes carry-over from previous years) is broken down as follows: \$200,000 went to municipalities and the remainder, \$1.9 million, went to the twenty-one county task forces.

THE JUDICIARY

Legal Aid to Local Government

These funds are used by counties and municipalities to provide various legal services. The largest single program is the *Community Service Program*, with approximately \$700,000 in funding, which addresses overcrowding in jails by providing for extra personnel. Other services funded include family crisis intervention for battered spouses and runaway children, extra municipal presiding judges, and a pilot program to counsel juveniles on probation.

DEPARTMENT OF STATE

New Jersey Council on the Arts—Grant Awards

This money is provided to the various county arts councils and cultural affairs organizations as a means of supporting artistic and cultural activities within the state. Primarily, the money is given, at the discretion of the individual counties, to local arts organizations that would not receive State funding because of the limited scope of their activities. Some of the funds are used by the counties for program administration, while others are reserved for *local arts development funds*, with which the counties encourage the growth of new local arts organizations. As many as 460 such groups received their funding from their county arts agencies in FY 1990. It should be noted that the \$1.4 million received by county arts and cultural entities is part of a larger \$18 million in arts grant awards given by the *State Council on the Arts*, of which approximately \$17 million is awarded directly to private arts organizations.

II. FEDERAL FUNDING: OTHER DEPARTMENTS

The programs discussed within this chapter constitute significant amounts of Federal flows—approximately \$835 million in Federal funding. In contrast, State Government flows came to \$150 million. However, when Federal flows for which New Jersey State Government is the beneficiary is removed from consideration, leaving a comparison of Federal with State Government funding to county and municipal governments, a different picture emerges. Federal monies to New Jersey county and municipal governments came to \$138 million in FY 1990, compared to State Government funding of \$151 million. The only policy areas in which Federal monies surpassed State monies are those of *Labor* and *Public Safety*.

Both Federal and State Government funding to localities are directed at county rather than municipal governments. Of Federal monies to local governments, 93 percent is targeted at county governments with only monies for *Labor* and *Law & Public Safety* programs going to New Jersey municipal governments. State funding to local governments, though concentrated toward county governments, is less so, with 29 percent of total State monies going to municipalities.

TABLE VIII-IV COMPARISON FEDERAL WITH STATE FUNDING TO LOCAL GOVERNMENTS FY 1990 (In Millions)						
Department	State Funding			Federal Funding		
	M U N I C I P A L	C O U N T Y	T O T A L	M U N I C I P A L	C O U N T Y	T O T A L
Transportation	\$43	\$ 44	\$ 87		\$ 55	\$ 55
Corrections		58	58			
Labor	1	1	2	\$6	39	45
Law & Public Safety		2	2	3	10	13
The Judiciary		1	1		25	25
State		1	1			
TOTALS	\$44	\$107	\$151	\$9	\$129	\$138
PERCENTAGES	29%	71%	100%	6%	93%	100%

FEDERAL FUNDING: OTHER DEPARTMENTS
FY 1990
(In Millions)

PROGRAM	AMOUNT		
	M U N I C I P A L	C O U N T Y	S T A T E T O T A L
Department of Transportation			
<i>Federal Total Interstate</i>			\$150.1 \$150
Federal Interstate			\$ 73.4 \$ 73
Federal Interstate Discretionary (4R)			44.5 45
Interstate Resurfacing, Restoration, Rehabilitation, and Reconstruction (4R)			32.2 32
<i>Federal Total Non-Interstate:</i>	\$55.1	\$193.8	\$251***
Bridge Replacement and Rehabilitation	25.4	69.6	95
Consolidated Primary		76.6	77
Interstate Withdrawal and Substitution	22.7	6.4	29
Federal Aid Urban System	4.5	23.6	28
Hazard Elimination		8.8	9
Highway Planning and Research (HPR)		4.7	5
Federal Rural Secondary	2.5		3
Metropolitan Planning (PL)		2	2
Rail-Highway Crossings		1.6	2
Demonstration Projects (Section 149)		.5	1*
<i>Federal Total Public Transportation</i>		\$200	\$200
Capital Assistance to Public Transportation		162	162
Operating Assistance to Public Transportation		38.2	38
TOTALS—Transportation	\$55	\$544	\$601***
Department of Labor			
Unemployment Insurance		57	57
Disability Determination		22	22
Vocational Rehabilitation Services		26	26
Employment Services		20	20

Job Training Partnership:

Economically Disadvantaged (Title II-A)	\$.8	26	2.5	29
Summer Youth Training Employment	4.8	11.3		16
Dislocated Workers (Title III)	.4	1.7	.9	3
Veterans Training (Title IV-C)			.2	
Bureau of Labor Statistics			1	1
Disabled Veteran Outreach Program & Local Veterans Representatives (DVOP/LVER)			3	3
Miscellaneous Contracts			1	1
Occupational Safety & Health (OSHA) on site			1	1
TOTALS—Labor	\$6	\$39	\$135	\$179***

Department of Law and Public Safety

Drug Control and System Improvement	.7	5.6	2.3	9
Driver Control	1.6	1.5	1.9	5
Criminal Justice		.8	1	
Patrol Activities and Crime Control			1.6	2
Emergency Management Assistance	.4	.7	.6	2
Marine Police Operations			.8	1
Juvenile Justice Delinquency Prevention		.7	.4	1**
Middle Atlantic Great Lakes Organized Crime Law Enforcement Network (MAGLOCLN)			.6	1
Protection of Civil Rights			.6	1
Violent Crimes Compensation		1.5	.4	2
TOTALS—Law & Public Safety	\$3	\$10	\$10	\$25

The Judiciary

Family Courts		24.8	1.6	26
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Department of Corrections

Correctional Services			2.1	2
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Department of Public Advocate

Protection of the Rights of the Handicapped			.9	1
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Department of State

Support of the Arts			.6	1
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TOTALS	\$9	\$129	\$694	\$835***
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*Estimate is for FY 1989.

**Figures are for Federal FY 1989.

***Because of rounding off, totals do not add up.

ANALYSIS

Total Federal intergovernmental funding for FY 1990, for all programs noted in this chapter, came to \$835 million. There were two very large policy area recipients of Federal Government monies—*Transportation*, at approximately \$600 million, and *Labor*, at round \$180 million. The *Department of Law & Public Safety* and *The Judiciary*, at approximately \$25 million in Federal flows each, also received significant amounts of Federal financial assistance. For the *Departments of Corrections*, the *Public Advocate*, and *State*, the amounts of Federal monies were small—about a million dollars each.

TABLE VIII-V
FEDERAL FUNDING BY DEPARTMENTS
FY 1990
(In Millions)

Department	Amount Funding	Percentage Total
Transportation	\$601	72%
Labor	179	21%
Law & Public Safety	25	3%
The Judiciary	26	3%
Corrections	2	*
Public Advocate	1	*
State	1	*
TOTALS	\$835	100%

*Figures are under one percent.

For the large amounts of Federal Government flows, the monies went heavily to New Jersey State Government rather than local units of government. Of the \$835 million in Federal monies, close to \$700 million, or nearly 85 percent of the total, went to the State. Federal monies which were not given to the state went overwhelmingly to county governments. Approximately \$129 million, or about 15 percent of total Federal Government funding went to county governments, while only \$9 million was given to municipalities. Only the programs of two departments, that of *Labor* and *Law & Public Safety*, had monies going to municipal governments.

TABLE VIII-VI
FEDERAL FUNDING DISTRIBUTION TO LOCAL GOVERNMENTS*
FY 1990
(In Millions)

Department	M U N I C I P A L		C O U N T Y		S T A T E		T O T A L
Transportation			\$ 55	9%	\$544	91%	\$601
Labor	\$6	3%	39	22%	135	75%	179
Law & Public Safety	3	12%	10	40%	10	40%	25
The Judiciary			25	96%	2	8%	26
Corrections					2		2
Public Advocate					1		1
State					1	1	
TOTALS	\$9		\$129		\$695		\$835

*Because of rounding off, totals in some cases do not add up.

For the largest recipients of Federal monies, *Transportation* and *Labor*, New Jersey State Government received at least three-quarters of the total in each case, with 91 percent and 75 percent respectively. For the transportation programs, county governments received 9 percent of total Federal funding, while for *Labor* programs they received 22 percent. Functionally, the most heavily oriented area in terms of county aid is that of the *Judiciary* with around 95 percent, or \$25 million, of the Federal monies received by county governments going for the *Probation 4D Program* (family courts). A few other programs exist which provided over \$20 million to county governments. They include: *Bridge Replacement and Rehabilitation*—\$26 million, and *Interstate Withdrawal and Substitution*—\$23 million within *Transportation*; and *Job Training for the Economically Disadvantaged*—\$26 million within *Labor*.

The breakouts in Federal monies are indicative of a strong bond between the Federal Government and the state in the areas of *Transportation* and *Labor*, with New Jersey State Government and the Federal Government heavily involved in these areas. This close Federal-state link is a reflection of the geographical scope of these concerns and their impermeability to local solutions. On the other hand, *Law & Public Safety* and *Judiciary* Federal funding finds its way to county governments at goodly percentages, thus suggesting the importance and relative efficacy of county governments as agents for the resolution of public safety concerns.

PROGRAM DESCRIPTIONS: OTHER DEPARTMENTS

DEPARTMENT OF TRANSPORTATION

Introduction

Federal aid highway programs are Federally funded programs of assistance, usually directed at one of the Federal-aid systems, which are administered by the *Federal Highway Administration (FHWA)* through state transportation agencies. The programs are organized into three categories:

- *System related programs.* These programs make funds available to reimburse the states for the construction, reconstruction, and improvement of highways on the Federal-aid systems (such as interstate, primary, secondary, and urban systems). Nationally, they utilize about 70 percent of all the Federal funds authorized for highways.
- *National special purpose programs.* Although Federal attention is principally directed to the system related programs, there is also Federal interest in special purpose programs which are national in scope but not necessarily restricted to any one highway system. Such programs include highway bridge replacement and rehabilitation, highway safety, and planning and research.
- *Demonstration and localized special purpose programs.* Congress often designs funds for use on specific projects or programs in certain states. The authorizing language generally indicates that the purpose is to demonstrate a technique or approach that could possibly be applied to similar projects elsewhere in the country, and usually designates a specific project location.

Federal Interstate

The *Federal Highway Act* of 1944 authorized the designation of a national system of interstate highways, which was accomplished in 1947, with only primary and urban system funds available for interstate work until the *Federal-Aid Highway Act* of 1952. The *Federal Highway Act* of 1956 (P.L. 627) brought the *Interstate System* to its current status. It created the *National Highway Trust Fund* and provided for annual nationwide authorizations totaling \$25 billion through FY 1969, when the system was to have been completed. Federal financial participation was increased to 90 percent, which is its present level of financial contributions. The system was required to be built to high standards adequate for 1975 anticipated traffic. "Defense" was added to the system name. It authorized inclusion of toll roads in the system, but denied Federal financial contributions to toll roads.

The *Federal-Highway Act* of 1976 (P.L. 94-280) established the *Interstate Gap Closing Program* and provided the first funding for resurfacing, restoring, and rehabilitating the Interstates in what later became the *Interstate 4R Program* in the *Federal-Aid Highway Act* of 1981 (P.L. 97-134). The 1978 Act had stipulated that each state was to receive at least a minimum of .5 of 1 percent of the total Interstate apportionments. When such amounts exceed the costs of completing the *Interstate System* in a state, the excess may be used on for *Interstate 4R* projects. If not needed

for *Interstate 4R* work, the excess may be approved for use on primary, secondary, and urban system projects, and on hazard elimination projects within a State.

The *Surface Transportation Assistance Act* (STAA) of 1982 (P.L. 97-424), permitted the transfer of a state's interstate apportionment to the *Interstate 4R Program*. The amount eligible for transfer was limited to the cost of segments of the interstate system open to traffic as shown in the most recent *interstate cost estimate*, up to a maximum of 50 percent of the total interstate apportionment. Subsequent legislation dropped the 50 percent requirement. The *Surface Transportation and Uniform Relocation Assistance Act* (STURAA) of 1987 (P.L. 100-17) authorized apportionments through FY 1993 for completion of the interstate system. The STURAA of 1987 also:

- Retained the .5 percent minimum apportionment to states for interstate construction. *Section 102(c)*;
- Stipulated that if, before the apportionment of funds for any fiscal year, the Secretary and a state agree that all of the amount to be apportioned to that state is not needed for a fiscal year, the amount not needed may be put into the interstate discretionary fund prior to the next apportionment;
- Permits all states (except Massachusetts) to transfer their interstate construction apportionment to their I-4R or primary apportionments in an amount not to exceed the Federal share of the costs of open-to-traffic segments included in the most recent *interstate cost estimate*. Subsequent funding of interstate construction costs will be reduced by amounts transferred.

Federal Interstate Discretionary (4R)

The *Interstate 4R Discretionary Program* was established by the *Surface Transportation Assistance Act* (STAA) of 1982 (P.L. 97-424). Funds for the program were derived from lapsed *Interstate 4R* apportionments and are available to states that: 1) had obligated all their 4R apportionments, except for amounts too small to pay for a project submitted for approval; and 2) were willing and able to obligate the funds within one year of the date they are made available, applying them to a ready-to-commence project, and regarding construction work, begin such undertakings within 90 days of obligation. The *Surface Transportation and Uniform Relocation Assistance Act* (STURAA) of 1987 provided for a \$200 million per year set aside for each of FYs 1988-1992, from the I-4R authorization for continuation of the I-4R discretionary fund, and established criteria to be used in distributing the discretionary funds. Additional conditions accompanying allocations of *Interstate 4R Discretionary* funds, include:

- When funds are allocated to a project, any unobligated balance cannot be used on another project without prior clearance. In addition, project under-runs are to be returned;
- Allocated funds cannot be substituted for funds already obligated;
- In allocating funds, priority must be given to projects costing more than \$10 million on high volume urban routes or high truck-volume rural routes.

Interstate Resurfacing, Restoration, Rehabilitation, and Reconstruction (4R)

This program was established by the *Federal-Aid Highway Act* of 1976 (P.L. 94-280) to resurface, restore, and rehabilitate those lanes on the interstate system which had been in use for more than five years and were not on toll roads. It is referred to as the 3R program. Authorizations were made for FYs 1978 and 1979. The *Surface Transportation Assistance Act (STAA)* of 1978 (P.L. 95-599) made the *Interstate 3R Program* permanent (23 U.S.C. 119) and required the states to develop an interstate system maintenance program. The 1978 Act also permitted the states to transfer their *3R Interstate funds* to their primary account upon certification that the funds were in excess of *Interstate 3R* needs.

The *Federal-Aid Highway Act* of 1981 (P.L. 97-134) expanded the *Interstate 3R* program to a 4R program with the addition of "reconstruction" as an eligible item. Work eligibility for *Interstate 4R* funding included: the traditional 3R pavement restoration, rehabilitation, and resurfacing work; work included in the 1981 *interstate cost estimate* but no longer eligible for interstate construction funding; and other work on the interstate system not previously eligible for interstate construction funding. The 4R work eligibility still excluded maintenance work that was not eligible under the 3R program. *Interstate 4R* funds were generally not eligible for use on toll roads, but could be used on interstate toll roads in use for more than five years if an agreement was reached with the state that the toll road would become free upon the collection of enough tolls to pay for the road and maintain it during the time tolls were collected. *Interstate 4R* funds were also made eligible for all designated interstate routes, rather than just those in use for more than five years as specified in previous legislation.

The *Urgent Supplemental Appropriations Act* of 1982 (P.L. 97-216) provided an alternative for the use of certain interstate construction funds that were in danger of lapsing. It allowed the Secretary to approve the use of interstate construction funds on projects for resurfacing, restoring, rehabilitating, and reconstructing the interstate system in accordance with purposes for primary, secondary, and *urban systems* funding. Federal financial participation for this program has oscillated with various legislative actions. The Federal share was 90 percent prior to 1979; 75 percent from 1979 to 1981; and 90 percent from 1982 to the present.

The *Interstate 4R Program* is now the second largest funded Federal-aid highway program. The *Surface Transportation Assistance Act (STAA)* of 1982 (P.L. 97-424) nationwide authorization was \$1.95 billion for FY 1984 with the amount increasing each subsequent year to \$3.15 billion for FY 1987. The *Surface Transportation and Uniform Relocation Assistance Act (STURAA)* of 1987 authorized \$2.815 billion for each of FYs 1988-1992. STURAA reduced the availability period for I-4R funds from 4 years to 3 years (i.e., the fiscal year for which funds are authorized, one year before, and one year after), and permits all states (except Massachusetts) to transfer their interstate construction apportionment to their I-4R or primary apportionments in an amount not to exceed the Federal share of the costs to open-to-traffic segments.

Bridge Replacement and Rehabilitation (Apportioned—Mandatory 15 Percent Off-System and Mandatory 65 Percent On-System)

The *Federal-Aid Highway Act* of 1978 (P.L. 95-599) and the *Special Bridge Replacement Program*, both of which were initially established by the 1970 *Federal-Aid Highway Act*, provide a bridge replacement and rehabilitation program applicable to both on and off-system bridges. *Funding for this program is apportioned on a 4:1 Federal-state cost-sharing basis.* Not less than 15 percent of the state's apportionments for FYs 1979-1982, nor more than 35 percent, were to be spent off-system. An optional 20 percent of these funds, could be spent either for on-system or off-system bridge replacement or rehabilitation. The *Surface Transportation Assistance Act* (STAA) of 1982 (P.L. 97-424) continued this program with the same 15-20-65 percent spending requirements and provided authorizations through FY 1986. The *Surface Transportation and Uniform Relocation Assistance Act* (STURAA) of 1987 (P.L. 100-17) provided authorizations of \$1.63 billion per fiscal year for each of FYs 1987-1991. *Section 123* of the Act does the following:

- Continues the 15-20-65 percent spending requirements;
- Allows states, beginning with the FY 1987 apportionments, to use bridge funds to replace (a) ferryboat operations in existence in 1984, (b) bridges destroyed before 1965, (c) low-water crossings, and (d) bridges made obsolete by *Corps of Engineers* (COE) flood control or channelization and not rebuilt with COE funds;
- Permits states to carry out bridge improvement projects on non-controversial off-system bridges eligible for *Highway Bridge Replacement and Rehabilitation Program* (HBRRP) funding and apply 80 percent of the cost of such projects expanded after early 1987 as a credit for the non-Federal share of other HBRRP projects carried out by the State.

Section 133(b)(11) of the 1987 STURAA makes the availability period for apportioned bridge funds the same as for primary funds. Lapsed funds are to be reapportioned to the other states.

For FY 1990, close to \$75 million was apportioned for the on-system for use on the interstates only, with counties receiving approximately \$13 million and the State obtaining a little over \$61 million. Also, \$19 million was given to the off-system for use upon non-interstate thruways only, with nearly \$12.5 million going to counties and \$7 million going to the State. Close to \$2.5 million was apportioned for the *on-off system* for use upon both interstate and non-interstate highways and thruways, with approximately \$600,000 going to the counties and nearly \$2 million going to the State. These totals reflect the 15-20-65 percent spending requirements.

Consolidated Primary

The *Federal-Aid Highway Act* of 1976 (P.L. 94-280) consolidated the *Rural Primary*, *Priority Primary*, and *Urban Primary Extension* programs into a single *Consolidated Primary* system funding category. *Federal funding for this program is based on a 3:1 Federal-State match.* For FY 1990, the State's contribution to the *Consolidated Primary Program* amounted to nearly \$26 million. This created a new

fund, but did not affect previously authorized primary funds. The first appropriation for the *Consolidated Primary Program* was for FY 1977. The *Surface Transportation Assistance Act (STAA)* of 1978 (P.L. 95-599) provided that at least 20 percent of the *Consolidated Primary* funds must be used for 3R purposes. The *Surface Transportation Assistance Act (STAA)* of 1982 (P.L. 97-424) provided that at least 40 percent of the *Consolidated Primary* funds must be used for 4R purposes, stating with the FY 1984 apportionments. However, the *Surface Transportation and Uniform Relocation Assistance Act (STURAA)* of 1987 (P.L. 100-17) did not include these requirements for the FY 1987-1991 apportionments. From the 1987 *Surface Transportation and Uniform Relocation Assistance Act (STURAA)*, \$2.325 billion per fiscal year was authorized for each of FYs 1987-1991.

Interstate Withdrawal and Substitution

This program was established by the *Federal Aid Highway Act* of 1973 (P.L. 93-87). It authorized, upon the request of the governor and local government officials, the withdrawal of certain urban segments of the *interstate system* and the substitution of public transit projects in or serving the same urbanized areas. Later amendments allowed the funding of substitute highway projects. Initial authorizations for this program, through FY 1979, were available through Federal-state contracts based on a 70 percent Federal financing share. The *Federal Aid Highway Act* of 1978 (P.L. 95-599) changed the Federal financial share to 85 percent, with the states' financial contribution at 15 percent. A subsequent amendment voided the contract system and required that all funds for substitute projects be appropriated. These projects were funded out of the *general fund*. Subsequently, the *Surface Transportation Assistance Act (STAA)* of 1982 (P.L. 97-424) provided that future projects be funded out of the *Highway Trust Fund*.

The 1982 *Surface Transportation Assistance Act* provided authorizations through FY 1986 and reinstated contracts. It also limited the period of availability to two years. At the end of the two year period, unobligated funds are redistributed to states that have ongoing projects. Beginning in FY 1984, the funding formula was changed so that 25 percent were allocated on a discretionary basis and 75 percent were apportioned on the basis of special cost estimates. Also, eligible routes for interstate withdrawal were expanded to rural areas. The *Surface Transportation and Uniform Relocation Assistance Act (STURAA)* of 1987:

- 1) Provided authorizations of \$740 million per year for highway substitute projects from the *Highway Trust Fund* for FYs 1987-1991;
- 2) Provided authorizations of \$200 million per year for substitute transit projects from general revenue funds for FYs 1987-1991 (50 percent apportioned and 50 percent discretionary);
- 3) Eliminated deadlines for putting substitute projects under construction;
- 4) Made highway projects on any public road eligible as highway substitute projects.

Federal Aid Urban System

This program was established by the *Federal Aid Highway Act* of 1970 (P.L. 91-605) and expanded through *Section 157* of the *Federal Aid Highway Act* of 1973 (P.L. 93-87). *Federal funding is premised on a 3:1 Federal-state match.* In addition to highway and road construction, *Federal Aid-Urban System* funds may be used for many public transportation and ride sharing activities, including (a) the purchase of buses and the construction of bus shelters, (b) the construction of fringe and corridor parking lots, and (c) the construction, reconstruction, and improvement of fixed rail facilities, including the purchase of rolling stock for fixed rail.

Urban System funds are apportioned to the states based upon the ratio of their total urban population (all communities over 5,000 population) to the nationwide total urban population. Once each state's share of the *Urban System* funds has been determined, the funds are divided into two categories—those for urbanized areas of 200,000 population or more and non-attributable, based upon a straight percentage split of each state's urban area population in areas of over and under 200,000 population.

Attributable funds must be distributed to the urbanized areas in accordance with a formula developed by each state and approved by the Secretary of the *Department of Transportation*, or, if such a formula is not used the funds must be allocated in the ratio that the population within each urbanized area bears to the population of all urbanized areas, or parts thereof within the State. (23 U.S.C. 150). Local officials, working through the *metropolitan planning organization (MPO)*, have the option of suballocating attributable *Urban System* funds to cities, counties, or other groupings of a geographical subarea. This is often done to meet the Federal requirement of fair and equitable treatment for individual cities of over 200,000 population, in counties, or other geographical subdivisions. At the request of the governor and upon approval of the appropriate local officials of the area and the Secretary, attributable *Urban System* funds may be transferred between attributable areas or to non-attributable areas (23 U.S.C. 150).

The *Surface Transportation Assistance Act (STAA)* of 1982 (P.L. 97-424) requires that 40 percent or more of the *Urban System* apportionments for FY 1984-1986 be used for 4R purposes (i.e., resurfacing, restoration, rehabilitation, and/or reconstruction). The *Surface Transportation and Uniform Relocation Assistance Act (STURAA)* of 1987 (P.L. 100-17) dropped this requirement for the FY 1987-1991 apportionments. The 1987 *STURAA* authorized \$750 million per fiscal year for each of FYs 1987-1991 for projects on the *Federal Aid Urban System*.

Hazard Elimination

The *Surface Transportation Assistance Act (STAA)* of 1978 (P.L. 95-599) created the *Hazard Elimination Program*, replacing the combined *High-Hazard Locations/Elimination of Roadside Obstacles Program*, to provide Federal funds for highway safety improvement projects on all Federal-aid systems except the *interstate system*. *Federal funding is provided on a 9:1 Federal-State matching basis.* For FY 1990, the State's contribution to the *Hazard Elimination Program* amounted to \$1 million. The *Surface Transportation Assistance Act (STAA)* of 1982 (P.L. 97-424) expanded

the *Hazard Elimination* program to make funds available for expenditure on any public road, except the *interstate system*. The extension of eligibility applied to all unobligated *Hazard Elimination* funds. The *Surface Transportation and Uniform Relocation Assistance Act (STURAA)* of 1987 (P.L. 100-17) authorized \$170 million per fiscal year for each of FYs 1987-1991 for projects for the elimination of hazards.

Highway Planning and Research (HPR)

Highway Planning and Research (HPR) funds are derived from a 1.5 percent share of the sums apportioned for interstate, interstate substitution, primary, secondary, interstate 4R, urban, bridge replacement, and minimum allocation projects. *Federal funding is based on a 85:15 percent Federal-State shared responsibility for Highway Planning and Research funding.* For FY 1990, the State's contribution to the HPR program amounted to approximately \$900,000. These funds are reserved for planning and research and are administered as a single fund; therefore, they lose their identity with the source funds. The *Hayden-Cartwright Act* of 1934 marked the beginning of the use of 1.5 percent of apportioned Federal aid funds for surveys, planning, and engineering investigations for future highway improvements. This subsequently was broadened to a wider planning and research program.

The *Federal-Aid Highway Act* of 1962 (P.L. 87-866) changed the use of the 1.5 percent amount to a requirement. In addition to this change, an additional .5 percent was added to the program (HPR funds) to be used on an optional basis at the request of a state. The *Federal-Aid Highway Act* of 1973 (P.L. 93-87) added funding of an additional .5 percent for *Metropolitan Planning (PL)*. Beginning in FY 1983, a standard Federal financial share of 85 percent was established for the *Highway Planning and Research (HPR)* program by the *Surface Transportation Assistance Act (STAA)* of 1982 (P.L. 97-424). *State Highway Agencies (SHAs)* may contribute up to 5.5 percent (4.5 percent prior to FY 1989) of their annual HPR apportionment for research under the *National Cooperative Highway Research Program (NCHRP)*.

Federal Rural Secondary

The *Rural Secondary Program* was created by *Section 104* of the *Federal Aid Highway Act* of 1973 (P.L. 93-87). It superseded the original *Secondary Program* which had been initiated by the *Federal-Aid Highway Act* of 1944 and had differentiated between urban and rural systems. Rural segments of the secondary system were to be funded from *Rural Secondary*, while urban segments continued to be funded from *Urban Extensions* (a combination of primary and secondary funds). The *Surface Transportation Assistance Act (STAA)* of 1982 (P.L. 97-424) provides that 40 percent or more of *Rural Secondary* apportionments for FY 1984-1986 were to be used for 4R type activities. This requirement was not continued in the *Surface Transportation and Uniform Relocation Assistance Act (STURAA)* of 1987 (P.L.100-17). The normal Federal share for *Rural Secondary* projects is 75 percent, with the state contributing 25 percent.

Metropolitan Planning (PL)

The *Federal-Aid Highway Act* of 1962 (P.L. 87-866) added requirements for metropolitan planning as a part of the overall planning requirements. Funding of .5

percent of funds, authorized for the interstate, primary, secondary, and urban systems, was set aside for metropolitan planning by the *Federal-Aid Highway Act* of 1973 (P.L. 93-87). Funding of .5 percent of minimum allocation funds for metropolitan planning was added by the *Surface Transportation and Uniform Relocation Assistance Act (STURAA)* of 1987 (P.L. 100-17). Authorized funds are apportioned to the states in accordance with a statutory formula which includes an 85 percent Federal share. Each state is then required to allocate these funds to *metropolitan planning organizations (MPOs)* designated by the governor in accordance with a formula developed by the State and approved by the *FHWA*. The *Federal-Aid Highway Act* of 1976 (P.L. 94-280) allows the states receiving the minimum apportionment of metropolitan planning funds to use these funds to finance transportation planning activities outside the urbanized areas. For FY 1990, the State's contribution to the *metropolitan planning program* amounted to around \$400,000.

Rail-Highway Crossings

The *Rail-Highway Crossings Program* was established by the *Highway Safety Act* of 1973 (P.L. 93-87), which authorized funds for projects on the Federal Aid highway systems for FYs 1974-1976. *The Federal match is 90 percent with the states responsible for ten percent of the financial costs.* For FY 1990, the State's contribution to the *Rail-Highway Crossings Program* amounted to around \$200,000. The 1973 Act stipulated that at least one-half of the funds be made available for the installation of protective devices at rail-highway grade crossings and that the remaining funds be used for the elimination of hazards at rail-highway grade crossings. This program, which was continued through various authorizations from FYs 1977-1986, including the established funding for an off-system program, made monies available for projects on any public road. The *Surface Transportation and Uniform Relocation Assistance Act (STURAA)* of 1987 (P.L. 100-17) extended the rail-highway crossings program for FYs 1987-1991.

Demonstration Projects (Section 149)

The *Surface Transportation and Uniform Relocation Assistance Act (STURAA)* of 1987 (P.L. 100-17) authorized 156 demonstration projects, including three in New Jersey. Nationally, Federal funding authorization for these projects was almost \$265.3 million per year for FYs 1987-1991, with the three projects within New Jersey totaling \$51 million. This does not include almost \$80 million in additional funds provided to ensure that each state receives a minimum funding allocation under this section of law. The Federal funds provided for the demonstration projects are available until expended. Each state receiving monies is required to fund 20 percent of the cost of each project from state or local government sources. For FY 1990, the State's contribution to these *demonstration projects* amounted to nearly \$300,000.

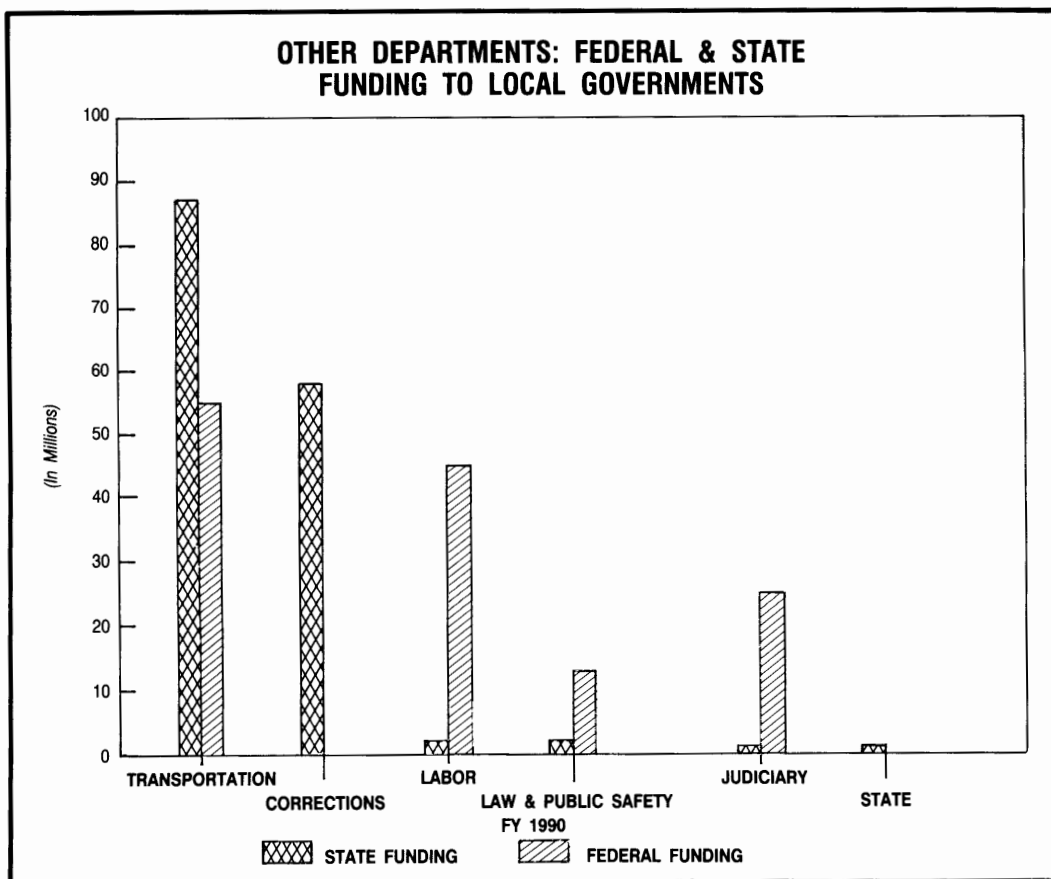
Capital and Operating Assistance to Public Transportation

New Jersey Transit was created as a public corporation within the *Department of Transportation* under the *New Jersey Public Transportation Act* of 1979 (27:25-1). Its mandate is to acquire, operate and contract for the operation of public transportation services and facilities. Its most important charge is to establish and provide for the operation and improvement of a coherent public transportation system in the state.

A central responsibility entails the development of public transportation policy and planning, which involves close participation with county and municipal governments and concerned citizens. In fulfilling its duties, *NJ Transit* seeks to maximize the participation of private enterprises and to avoid undue competition.

In existence since only 1979, *NJ Transit* was established concomitant with the reorganization and consolidation of existing state transportation companies, which occurred during the early 1980's. The state's largest private bus company, *Transport of New Jersey (TNJ)* and *Conrail's* passenger operations in New Jersey were formed into two operating entities. The bus and rail organizations are full subsidiary operations with separate management and internal procedural operations. A third subsidiary organization, the *Waterfront Office* has been charged with the responsibility to address the short and long range transportation needs particular to the *Gold Coast*, Hudson County's developing waterfront. The relationship between subsidiaries and *NJ Transit* is outlined by the by-laws and the *New Jersey Public Transportation Act*.

At the national level, the *Urban Mass Transportation Administration (UMTA)* provides all transit agencies in the country with funding for all forms of mass transportation. There are several different kinds of assistance funded under various sections of the *Urban Mass Transportation Act* of 1964, as amended, including formula and discretionary funds for operating, capital, planning and design. The *Urban Mass*



Transportation Administration's discretionary program is funded under Section Three of the Act and the formula program is funded under Section Nine. Section Three provides only capital assistance while Section Nine provides both capital and operating assistance. Section Three, which is for capital projects, is funded under a three to one Federal-state match. For Section Nine funding, which is based on a formula, capital projects are based on a 80%-20% Federal-state match, while funding for operations is based on a 50%-50% Federal-state match. In many capital projects, the Urban Mass Transportation Administration plays a strong oversight role, and in all Urban Mass Transportation Administration funded projects, grantees are required to comply with specified legal, administrative and reporting requirements. NJ Transit receives a significant portion of its capital funding from the Urban Mass Transportation Administration (UMTA). UMTA assistance is made available under various sections of the Urban Mass Transportation Act of 1964, as amended, after approval of grant applications submitted by NJ Transit to the UMTA Region II Office in New York.

Applications under the discretionary *Section Three Program* typically request funds for one specific activity or project such as a bus maintenance facility, rail infrastructure improvement or a large revenue rolling stock purchase. *Section Three* grants are not automatic. Detailed project descriptions are required by UMTA which contain sufficient information for them to make judgments as to the justification and immediacy of the project. They are making choices amongst all transit properties within the region. A detailed budget is required as is a project schedule and a cash drawdown projection.

A *Section Nine* application contains a *program of projects*, which is a list of various projects to be implemented with money allocated under this formula program such as MIS equipment, non-revenue vehicles, locomotive overhauls or bus stop signs, each of which (unlike *Section Three*) consists of only one line item within the budget. This formula program is typically dependable in that there always is some allocated funds to undertake projects of this nature. A less detailed description is necessary than in *Section Three*, but implementation schedules and cash drawdown projections are required. The *Urban Mass Transportation Administration* also makes financial assistance available under other sections of the *Urban Mass Transit Act*.

DEPARTMENT OF LABOR

Unemployment Insurance

New Jersey, as do all the other states, has direct responsibility for establishing and operating its own unemployment insurance programs, while the Federal Government finances the cost of such administration. These administrative costs came to \$57 million in FY 1990. State unemployment insurance tax collection are used solely for the payment of benefits.

Federal unemployment insurance tax collections are used: to finance expenses deemed necessary for proper and efficient administration of the State unemployment insurance laws; to reimburse State funds for one-half the costs of extended benefits paid under the provisions of State laws which conform to the provisions of the *Social Security Act* and the *Federal Unemployment Tax Act*; and to make repayable advances to states when needed to pay benefit costs for job training, job search, and

job relocation payments. Benefits for former Federal civilian employees, including postal workers and former members of the armed forces, are paid out of the *Federal Employees Compensation Account (FECA)* in the *Unemployment Trust Fund*.

New Jersey State Government, through its 17 local service offices, which are usually located in county seats, has responsibility for paying unemployment compensation to eligible workers and collecting State unemployment taxes from employees. In FY 1990, the State paid out roughly \$900 million in unemployment compensation.

Disability Determination

The Federal Government, under the *Social Security Act, Title II* and *Title XVI*, has put in place a program of disability benefits for which the states share responsibilities. New Jersey, as well as the other states, are responsible for adjudicating disability claims. This responsibility includes medical, legal and qualitative review of claims. The Federal Government fully funds the states for the discharge of such activities. Monies within the disability fund are used for the payment of benefits. In FY 1990, it provided the Department of Labor's *Division of Disability Determinations* with \$22 million for its adjudicative role in disability eligibility determinations.

Vocational Rehabilitation Services

The *Vocational Rehabilitation Program* provides services to handicapped individuals who are unable to work. These services include medical services and training services in preparation for eventual employment. Funding is on an 80/20 Federal/State matching basis. Of the \$26 million in Federal funding for FY 1990, \$12 million was paid out in client services and \$14 million went in administrative costs to support the workings of the State's 20 locally based offices, which are generally county seats, and 400 person staff. Federal and State funds are used to cover the costs of providing rehabilitation services which include: diagnosis, comprehensive evaluation, counseling, education and training, reader services for the blind, interpreter services for the deaf, and employment placement.

Funding also assists with payment for medical and related services and prosthetic and orthotic devices, rehabilitation engineering services, maintenance during rehabilitation, tools, licenses, equipment and supplies and other goods and services; vending stands for handicapped persons, including management and supervisory services; and assistance in the construction and establishment of rehabilitation facilities. Services are provided to families of handicapped individuals when such services will contribute substantially to the rehabilitation of such individuals who are being provided vocational rehabilitation services.

Under the *Rehabilitation Act of 1973, Public Law 93-112, Title I, Part A, Section 110*, as amended, Federal funds are distributed (80 percent Federal and 20 percent State) on the basis of population size and per capita income. The State share for payments made in future years over the 1988 allotments will increase by one percent each year up to 25 percent in fiscal year 1993. The formal criteria for fund allocation are: 1) the per capita income three year average for each state; and 2) the U.S. total population and each state's population.

Employment Services

Employment Services is a State operated program which provides labor exchange services that matches unemployed workers with suitable job openings. Placement is conducted through interviews, job classification of the applicant, and counseling. *Employment Services* emanates from the *Wagner-Peyser Act* of 1933, which established the *Federal-State Employment Service*, which consists of a nationwide network of public employment offices with New Jersey containing four such offices. The *United States Employment Service*, through grant agreements with the state, underwrites the system by which persons seeking or needing employment are matched with employers seeking workers. The public employment service system focuses on finding jobs and providing placement services to job seekers and recruitment services to employers with job vacancies. Veterans receive referral priority for jobs as well as special employment services and assistance. Handicapped workers are also entitled to special employment services. In addition, job counseling and testing services are available to job seekers.

In addition to referral of applicants to job openings, the services offered to employers include matching job requirements with worker skills and assistance in job modification to help fill hard-to-fill openings. The *Employment Service* system provides the following specialized services: 1) services to special applicant groups such as veterans, migrant and seasonal farm workers, handicapped job seekers, disadvantaged job seekers, youth, minorities and older workers—this may include special emphasis on job counseling and referral of such workers to services which help overcome barriers to employment which are unrelated to job performance; 2) nationwide computerized interstate job listing of hard-to-fill employer openings distributed to all *Employment Service* local offices; 3) the provision of State and local labor market information which enables job seekers, employers, and providers and planners of job training, to understand the specific and general job situation. The *Wagner-Peyser Amendments* of 1982 require that at least 97 percent of the funds appropriated for allotments to states be distributed on the basis of a formula. The funds available for allotment to states is distributed by the beginning of the program year. There is no matching requirement.

Job Training Partnership Act (JTPA)

The purpose of the *Job Training Partnership Act (JTPA)* of 1982 is to provide job training and related assistance to economically disadvantaged individuals and others who face significant employment barriers. The underlying goal of the Act is to move trainees into permanent employment. Under *Title II-A* of JTPA, funding is provided for economically disadvantaged adults and youth and nonpoor individuals facing serious barriers to employment who are in special need of such training to obtain productive employment. Individuals having special barriers to employment may include handicapped individuals, criminal offenders, older workers, and teenage parents. Under *Title II-B*, economically disadvantaged youth, age 14-21, are eligible.

The Act entails a partnership between the Federal Government and each participating state under which the governor and the U.S. Secretary of Labor sign an agreement of compliance, which stipulates the appropriate rules and regulations. The Governor then becomes the recipient of basic *Title II* training program funds. Governors are responsible for designation of *service delivery areas (SDAs)* and

approval of local job training plans. Under *Title II*, funds are allotted to the states under the following formula: one-third on the basis of areas of substantial unemployment (areas with employment above 6.5 percent), one-third on the basis of excess unemployment (above 4.5 percent), and one-third on the basis of the relative number of economically disadvantaged persons. Funds are allocated by the governor to *service delivery areas* within the state according to the same formula. Of the total grant allotted to each state, the governor allocates 78 percent to the service areas for training services.

The remainder of the grant is distributed as follows: eight percent for State education coordination and grants; six percent for incentive grants to service delivery areas; three percent for the governor's training program for older workers; and five percent for other state training programs, state administrative and auditing costs, and funding of the *State Job Training Coordination Council*. Matching is required at the substate level for 80 percent of the eight percent education grants. A summer youth employment and training program is also authorized. Funds are allotted to the states on the same basis as in the basic training program. *JTPA Title IV-C* is designed to develop programs that meet the employment and training needs of disabled veterans, veterans of the Vietnam-era and veterans who were recently separated from military service. The governor allocates 100 percent of the grant to service delivery areas on the same basis as in the basic training program. Funds are allotted based on the most recent unemployment statistics available for the past 12 months.

Job Training for Disadvantaged Adult and Youth Training constitutes the major program funded under the *Job Training Partnership Act*, a Federal program entailing joint Federal-State roles. The objective of the program is to provide a wide range of job training and related services to disadvantaged persons with barriers to employment. The State distributes its monies for this program to each *Private Industry Council/Service Delivery Area* within the State. Of the 17 *Private Industry Councils* in the state, 15 are county or intercounty based and one each operates for the cities of Newark and Jersey City. A *Service Delivery Area* organization is required by the *Job Training Partnership Act* to spend at least 70 percent of its *Title II-A* funds on training, of which no more than 15 percent can be used for administrative costs and no more than 15 percent used for supportive services, allowances, and wages. The program is operated at the local level through local educational human service agencies, municipal welfare agencies, youth serving agencies, economic development agencies, agencies serving older workers and unemployment insurance offices.

Funding responsibilities for the *Summer Youth Employment and Training* program are jointly held by the Federal Government and the states. Under this program, employment and training services are provided to eligible youths between the ages of 14 and 21 by *service delivery area* organizations which fulfill their responsibilities for their individual subarea of the state.

The *Economic Distribution and Worker Adjustment Assistance Program*, which began in 1988, provides job training and related services to persons adversely affected by mass layoffs, plant closings, and technological changes, as well as those that are long-term unemployed. Assistance provided to such workers includes job search, job development, job skills training, supportive services, pre-layoff assistance, relocation assistance and early intervention in the event of plant closings. Approximately 6,000

clients have been served by the program since the first year of operation (July 1989), and close to 50 percent of the trainees completing the program have been placed in jobs.

Bureau of Labor Statistics

Federal *Bureau of Labor Statistics (BLS)* funding is provided to support the State effort in compiling, analyzing and disseminating labor market and demographic data in order to evaluate, implement, and formulate labor policy. *State Employment Security Agencies (SESAs)* are responsible for data collection and publication in cooperation with the *U.S. Bureau of Labor Statistics (BLS)*. An ongoing publication is produced explicating changes in labor market conditions.

Disabled Veterans Opportunity Program & Local Veterans Employment Representatives (DVOP/LVER)

The *Disabled Veterans Opportunity Program's* purpose is to provide funds to states to establish jobs and job training opportunities for disabled and other veterans through contacts with employers; promote and develop on-the-job training and apprenticeships within *Veterans Administration* programs; provide outreach to veterans through community agencies and organizations; provide assistance to community-based groups and organizations; develop linkages with other agencies to promote maximum employment opportunities for veterans; promote entry-level and career job opportunities for veterans; and to provide job placement, counseling, testing, job referral to eligible veterans, especially disabled veterans of the Vietnam-era.

The purpose of *The Local Veterans Employment Representative Program* is to ensure the existence of local supervision in complying with Federal regulations designated to provide veterans with maximum employment and training opportunities. Funds are used to pay the salaries and expenses of *Local Veterans Employment Representatives* who are assigned to ensure the achievement of such local supervision.

Miscellaneous Contracts

Miscellaneous Contracts consists of Federal funding for three different programs that supports the handicapped. One supports the salaries of teachers in public schools that are involved with special education of the handicapped. The second finances devices that increase the motory capabilities of the handicapped—examples include drive-masters for cars and motor driven wheel chairs. The goal is to promote *independent living* of the handicapped. The third, *supported employment*, provides the necessary training or employment services that enable the handicapped to partake of regular employment services.

Occupational Safety Hazard Act (OSHA) on Site

This is a voluntary program whereby employees request State inspections and evaluations to ensure compliance with Federal occupational safety and health standards. The program is financed through 90 percent Federal and ten percent State funding.

DEPARTMENT OF LAW AND PUBLIC SAFETY

Drug Control and System Improvement

This program is a result of the *Drug Control and Systems Improvement Act* of 1988 which constitutes an amendment to the *Omnibus Crime Act* of 1968. The program is a Federally supported block grant, with a three to one Federal-state match, which is distributed to each of the 21 counties and seven of New Jersey's cities. The largest share of the monies, about \$5.5 million, is received by counties, with \$3 million given to the county task forces on drug enforcement. The preponderance of the State's Federal aid of approximately \$2 million is used by the Department of Corrections for the treatment of its drug offenders (about \$1.5 million), with \$800,000 in Federal aid expended on the State's administrative costs in operating the program. Of the \$700,000 in Federal monies received by municipalities, about \$200,000 is given for public housing.

Driver Control

Driver Control includes both *Highway Safety Program Funds* and *Alcohol Incentive Funds*. Most of the funding for *Driver Control*, approximately \$4.5 million, is dedicated to the *Highway Safety Program*. The purpose of this program is to coordinate and improve safety on the state's roads. The fund emphasizes programs that deal with traffic recording, alcohol and other drug countermeasures, police traffic services, occupant protection, emergency medical services, motorcycle safety, and roadway safety. These concerns have been designated as national priority areas. Also funded are several programs recognized as important by the State, including *pedestrian motorcycle and bicycle safety*, *pupil transportation*, and *driver education*.

Over \$200,000 goes to the *Division of Highway Traffic Safety* for administration of the program and its coordination under various organizations. Funds for *traffic records* are used to develop a record keeping system that will integrate driver, vehicle, and highway information with crash statistics. Some funds are used to combat the problems of drunk driving through enhanced identification of drunk drivers, the development of county drunk driving task forces, as well as other programs.

Funds are also used to increase the number and improve the caliber of the police force which monitors speed limit observance and general highway safety. The *Division of Highway Traffic Safety* administers a program that promotes vehicle occupant safety, and an experimental *safety belt worksite program* that tests the usefulness of seat belt awareness campaigns.

Alcohol Incentive Funds, which constitutes approximately \$800,000 are used to improve the enforcement of the *Driving While Intoxicated (DWI)* system, and to increase police awareness of the dangers of, and penalties for, drunk driving. Local DWI enforcement is enhanced by the provision of funds to 25 municipalities which mount overtime police patrols for time blocks with the highest incidence of drunk driving. Some funding are sent to school districts for education on drunk driving.

Criminal Justice

Criminal Justice funding is for four separate programs. The largest of these is for the operation of the *Medicaid Fraud Section* within the *Division of Criminal Justice*, with Federal funding of over \$500,000 in FY 1990. *Criminal Justice* also includes over \$200,000 in Federal funding for the *Northeast Hazardous Waste Project*—a multi-state regional effort to address the problem of illegal transportation, storage, and disposal of hazardous waste. Representatives from the attorney general's office and regulatory agencies from each of the participating Northeast states are involved in this project. Both the Medicaid fraud investigation and *Northeast Hazardous Waste Project* programs require state matching funds. In addition, there are two programs funded for data analysis of anti-crime efforts, with the largest focusing on the enforcement of anti-drug strategies.

Patrol Activities and Crime Control

These funds constitute five different categories which address issues of highway safety. The largest single grant, close to \$700,000 for the *Motor Carrier Assistance Program*, is used to conduct commercial vehicle inspections for equipment and hazardous material violations. The second largest grant supports overtime highway patrols to help enforce the 55 mile per hour speed limit. Other monies go to combat drunken driving and to enhance vehicle occupant safety.

Emergency Management Assistance

The Federal Government provided under \$2 million for *Emergency Management Assistance* in FY 1990. Approximately two-thirds of this aid went to New Jersey local governments, with counties being the recipients of the majority of local funding. In addition, New Jersey Government received over \$500,000—about one-third of the Federal aid.

Marine Police Operations

Funds for *Marine Police Operations* come through the *Recreational Boating Safety Assistance Program*. *Recreational Boating* monies are primarily used to purchase and replace equipment, and to print boat safety booklets.

Juvenile Justice Delinquency Prevention

The *Juvenile Justice Delinquency Prevention Program* supports community based, delinquency prevention, adjudication and disposition projects; the monitoring unit at the *Department of Corrections*; projects in the *Department of Higher Education* and training projects through State and local units of government. Two-thirds of the \$1.2 million in Federal monies are received by New Jersey county and municipal governments, with one-third provided to the State.

Middle Atlantic Great Lakes Organized Crime Law Enforcement Network (MAGLOCLN)

These monies fund the New Jersey liaison to MAGLOCLN, an intelligence-gathering organization on organized crime in the *Middle Atlantic* and *Great Lakes* states.

Protection of Civil Rights

Federal money for *Protection of Civil Rights* is given to the *Department of Law and Public Safety* for the processing of discrimination charges. The predominant activity is investigating complaints from individuals rather than initiating investigations. Most of the funds for FY 1990, about \$400,000, was targeted for processing the investigation of new charges of discrimination in hiring and employment for other than nonage-related cases. The remainder went to process charges of age discrimination, and also of housing discrimination—which entails enforcing the *Multiple Dwelling Reporting Rule*. Monies for prevention of housing discrimination efforts were disbursed by HUD.

Violent Crimes Compensation

Funding for these programs gives priority to victims of sexual assault, spousal abuse, child abuse, and previously underserved victims of violent crime. Approximately 80 percent of the funds go directly to the 21 counties' prosecutor offices to provide services, but \$250,000 is set aside to award grants on a *request for proposal* basis. The *State Law Enforcement Planning Agency* administers the grant monies which provide direct services to victims. These services include crisis intervention, counseling, emergency services, and court-related services. Federal funds come from criminal fines. No county may receive less than \$30,000, and additional amounts are contingent upon population, crime rate, and the average number of *Aid to Families with Dependent Children* recipients within each county.

THE JUDICIARY

Family Courts

These funds reimburse the county probation departments' *collection costs* expenses incurred in enforcing child support and paternity required payments. A portion of the funds goes to the *Administrative Office of the Courts* for administration, but approximately 85 percent constitutes reimbursement to the counties for administering child support programs. The amount each county receives is based on its incurred costs.

DEPARTMENT OF CORRECTIONS

Correctional Services

Correctional Services constitute a set of Federally funded programs designed to improve the performance of correctional institutions and programs with some emphasis given to juvenile offenders. Program areas include drug treatment, parole effectiveness and supervision, and *Marial-Cuban* incarceration.

DEPARTMENT OF PUBLIC ADVOCATE

Protection of the Rights of the Handicapped

Protection of the Rights of the Handicapped includes funding for two programs, one for *mental health advocacy* and the other for *advocacy for the developmentally disabled*. These programs protect the rights of handicapped individuals who would otherwise be legally unprotected. Money for mental health advocacy is used to prevent the abuse and neglect of people in mental health facilities who have been there at least 90 days and are not covered by any other programs. Funding for the developmentally disabled helps individuals seeking or receiving rehabilitation services, and helps to ensure that developmentally disabled persons in institutions receive appropriate program aid and services.

DEPARTMENT OF STATE

Support of the Arts

Federal funding for the arts encompasses various kinds of endeavors. The major funding stream is for programs and services of the *New Jersey State Council on the Arts*. A good amount of this money is parcelled out to nonprofit arts entities across the state. About \$100,000 provided for *Arts in Education*, a program which promotes the residency of artists as teachers in educational institutions.

CHAPTER IX:

OVERVIEW OF INTERGOVERNMENTAL FUNDING

The purpose of this chapter is to provide a comprehensive overview and analysis of intergovernmental funding within New Jersey for FY 1990 and to compare and contrast such intergovernmental monies with that for FY 1978. In pursuit of this objective, this chapter aggregated data on intergovernmental monies from each policy area and to each level of local government. In doing so, we highlighted the salient characteristics of overall intergovernmental flows.

This effort is in contrast to the previous chapters, in which the discussion focus was on intergovernmental monies that were given to specific policy areas. Our past examination at the departmental level was intended to provide an understanding of the distribution of such intergovernmental monies within each individual policy area. In doing so, we examined the cohorts of programs which form the recipient categories of intergovernmental funding within a department. In identifying the various subareas we also have implicitly noted the overall priorities of New Jersey and the Federal Government—for underlying purposes are revealed through the targeting of intergovernmental funding.

Another major thrust of our efforts has been to analyze and present a comparison of the amount and direction of Federal and State monies within each department. Thus, for each department, we have supplied a comparison of the similarities and differences between the provision of Federal and State monies. For some departments, the purposes of such funding have generally converged, while for others, funding has been provided for differentiated objectives.

The outlines of this chapter are as follows:

Section I: Overview of FY 1990 will provide a comprehensive picture of the particular governmental sources of expenditures for public services within New Jersey in FY 1990. The most salient aspect of our examination will include a comparison of the roles of State funding, Federal funding, and State direct service expenditures and grants-in-aid. An overview of total public expenditures within New Jersey will also be shown, which includes local governments' role in program expenditures for self-financed services. We shall note the nature of counterflows within the State.

Section II: State Funding will provide a comprehensive assessment and depiction of New Jersey State funding for local governments within FY 1990. Included within our purview will be a breakout of county, school district, and municipal portions of total State funding. We shall also compare State funding with direct State service efforts. This section will also describe trends in State funding from 1978 to 1990.

Section III: Federal Funding will present an overview of Federal funding within New Jersey for FY 1990. As with State funding, an analysis will be forthcoming on the financial distribution of Federal funding to all governmental recipients. This section will also describe trends in Federal funding from 1978 to 1990.

Section IV: Comparison of State-Federal Funding for FYs 1978 and 1990 will analyze the similarities and differences in Federal and State funding within New Jersey for fiscal years 1978 and 1990.

It should be noted that for three of the sections, a comparison will be undertaken between FY 1978 and FY 1990. The logic of this effort lies in the need to place the financial funding patterns for FY 1990 for New Jersey within a general, historical context. Intergovernmental funding changes do not vary greatly from year to year, but rather evolve over time. There is great continuity in patterns of funding within the intergovernmental system, with most changes transpiring incrementally over extended periods of time. Seminal shifts in intergovernmental funding are episodic, occurring only when a major philosophical reorientation occurs among government officeholders.

Our choice of FY 1978 is based on several considerations. FY 1978 is far enough removed from FY 1990 to give us the capacity to gauge the larger shifts that have occurred over a time frame of more than a decade. The year 1978 also marks the high point of Federal financial assistance to state and local governments throughout the nation. Observers characterize it as the year Federal funding reached its highest proportion of the total Federal budget. Furthermore, 1978 also forms part of a time period that is prior to the Reagan and Bush administrations, thus allowing us to assess the consequences of these latter two administrations on patterns of Federal intergovernmental funding.

SECTION I: FY 1990—AN OVERVIEW

An examination of intergovernmental monies would be of limited utility without placing in context the contribution that such funding makes to the provision of governmental services within New Jersey. Three central questions are in need of address in order to get a handle on intergovernmental monies as a financial contributor to local government services: 1) Of New Jersey Government's expenditure patterns, how much of its overall financial efforts entail the provision of State monies to its local governments? 2) What is the magnitude of the Federal Government's role as a provider of monies to governments within New Jersey? 3) Of New Jersey's local units of governments, to what extent are their service efforts undergirded by intergovernmental financial flows?

In addressing the first question—the magnitude of the State's financial role as a provider of intergovernmental funding—it is necessary to examine the State's total role as financier of services. Its efforts run the gamut from the direct provision of services to the provision of grants-in-aid to nonpublic entities—who in turn perform certain public functions—to the provision of property tax rebates to groups of the citizenry, to the provision of State monies to county governments, municipal governments, school districts, and local authorities.

New Jersey State Government expenditures came to \$13.9 billion in FY 1990.¹ Included within this figure is State funding to local governments, State direct services

¹We excluded Federal funding from our calculations, as Federal monies is channeled into State expenditures through direct services and is also funneled through the State to local governments.

and grants-in-aid—the latter encompassing monies to nonprofit groups for the provision of State services. Of this total, State expenditures of direct services and *grants-in-aid* combined, the two areas of State exclusivity, constituted 60 percent (\$8.2 billion) of intergovernmental expenditures. A plurality, 40 percent, or \$5.7 billion, constituted State funding (See Table IX-I). It should be noted that of the \$5.7 billion in State funding for FY 1990, \$3.6 billion, or roughly two-thirds, went for aid to public education, which is received by the local school districts of New Jersey.

TABLE IX-I
COMPARISON INTERGOVERNMENTAL FUNDING WITH DIRECT
STATE SERVICES AND GRANTS-IN-AID
FY 1990
(In Millions)

Category	Amount	% and Total State Expenditures
State Funding	\$ 5,704	41%
Federal Funding	3,820	
Total State Direct Services	5,023	36%
Total Grants-In-Aid	3,155	23%
TOTAL	\$17,702	\$13,882 (100%)

For *State direct services*, the monies came to \$5.0 billion, or 36 percent, and \$3.2 billion, or 23 percent, for *State grants-in-aid* of total State expenditures in FY 1990 (See Table IX-I).

In addition, Federal monies to New Jersey State and local governments totaled \$3.8 billion in FY 1990. Merging it with all other forms of State expenditures produced \$17.7 billion of total Federal-State expenditures by New Jersey State Government. Federal monies constituted over 20 percent of this total. Of the \$3.8 billion in Federal funding to New Jersey, \$2.3 billion, or 60 percent of this amount, was retained by the State. In contrast to the locus of State funding on public education, the concentration of Federal monies was on human services. Approximately \$1.7 billion of Federal funding—which comes to 45 percent—was for human services. The human service funding was overwhelmingly for welfare and Medicaid programs. Another interesting contrast between Federal and State funding is in its intergovernmental distribution. As noted, 60 percent, the largest share of Federal monies, was for New Jersey State Government; while over 60 percent, the largest share of State funding, was for school districts. These differences are again grounded in the State orientation toward funding for education, while Federal monies is targeted at human service provision (See Table IX-II).

TABLE X-II
OVERVIEW OF INTERGOVERNMENTAL FUNDING AND DIRECT SERVICES WITHIN NEW JERSEY
FY 1990

DEPARTMENTS	State Funding*					Federal Funding*					Direct Services and Grants-in-Aid		
	(in millions)					(in millions)					(in millions of dollars)		
	M	A	U	H	D	M	A	U	H	D	S	E	C
	N	T	O	R	I	N	T	O	R	I	D	R	G
	I	R	S	S	C	I	R	S	S	C	I	R	N
	C	T	C	T	O	C	I	C	T	O	I	V	R
	I	T	H	R	U	I	T	H	R	U	R	I	A
	P	I	O	I	N	P	I	O	I	N	E	C	N
	A	E	O	C	T	A	E	O	C	T	C	E	T
	L	S	L	T	Y	L	S	L	T	Y	T	S	S
Primary and Secondary Education			\$3,458	\$116	\$3,575			\$337	\$ 9	\$ 24	\$ 369	\$ 44	\$ 0
Higher Education				124	124				2	144	146	699	151
TOTALS—All Education			\$3,458	\$240	\$3,699			\$337	\$ 11	\$ 168	\$ 515	\$ 743	\$ 151

Environmental Protection:	\$ 82	\$18		\$ 63	\$ 164		\$ 59	\$ 19		\$ 5	\$ 187	\$ 269	\$ 153	—	\$ 153
Human Services	61		9	339	409					493	1,201	1,694	577	1,535	2,112
Community Affairs	271			8	281		96	266		53	33	447	29	334	363
Transportation	43			44	87					55	544	601	155	236	391
Treasury	974			4	978					1		1	226	61	287
Health	4			17	22		25			14	20	59	51	46	97
Corrections				58	58						2	2	444	1	445
Labor	1			1	2		6			39	135	179	62	17	79
Law & Public Safety	—			2	2		3			10	10	25	370	36	406
Judiciary	—			1	1					25	1	26	90	3	93
State				1	1						1	1	19	19	38
Public Advocate											1	1	55	0	55
TOTALS	\$1,436	\$18	\$3,467	\$778	\$5,704*		\$189	\$285	\$337	\$707	\$2,303	\$3,820	\$2,974	\$2,439	\$5,413
PERCENTAGES	25%		61%	14%	100%		5%	5%	9%	19%	62%	100%			
Departments and Categories Lacking Intergovernmental Funding													\$2,049	\$ 716	\$2,765
TOTALS													\$5,023	\$3,155	\$8,178

*Because of rounding off, numbers do not total.

Source: State Commission on county and Municipal Government, 1991.

A comparison of State with Federal monies to New Jersey local governments reveals that Federal monies, that is not allotted to the State, is targeted at county governments, while State monies is highly oriented toward school districts. Roughly 50 percent of Federal monies to local governments (\$707 million) went to county governments, contrasted with the 61 percent (\$3.5 billion) of State monies which was targeted at school districts. Also of great saliency is the fact that Federal monies to local units of New Jersey Government constituted \$1.5 billion while State monies to such local governments came to roughly four times this amount at \$5.7 billion. However, the cautionary note that 60 percent (\$2.3 billion) of Federal monies was retained by State Government needs to be borne in mind.

Though county governments received over \$700 million in funding from each of the Federal and State Governments, they received only 14 percent (\$778 million) of the State monies, while receiving \$707 million or roughly 50 percent of Federal monies to local New Jersey governments. The sharpest differential between Federal and State funding to New Jersey local governments is in the educational field, with school districts receiving \$3.6 billion (61 percent of total) in State monies in contrast with Federal monies of \$337 million (22 percent of Federal monies to New Jersey local governments).

One of the most glaring contrasts is in municipal funding. State monies to municipalities came to \$1.4 billion, 25 percent of State monies, while such Federal monies came to \$189 million—only 12 percent of Federal funding to New Jersey local governments. Another significant contrast between Federal and State funding concerns public authorities. While Federal monies to public authorities came to \$285 million for FY 1990, only \$18 million was provided in State monies. This contrast reflects the ongoing Federal Government commitment to funding housing authorities, while public authorities are an insignificant portion of State funding (above discussion is based on Table IX-III).

<p align="center">TABLE IX-III COMPARISON FEDERAL FUNDING AND STATE FUNDING TO NEW JERSEY LOCAL GOVERNMENTS FY 1990 (In Millions)</p>				
Unit of Government	Federal Funding		State Funding	
	Amount	% Total	Amount	% Total
To Counties	\$ 707	47%	\$ 778	14%
To School Districts	337	22%	3,467	61%
To Authorities	285	19%	18	—
To Municipalities	189	12%	1,436	25%
TOTALS	\$1,518	100%	\$5,704	100%

Locally Raised Revenues vs. Intergovernmental Revenues

Other major categories of State government expenditures, and thus part of overall public expenditures within New Jersey, are *direct services* and *grants-in-aid*, with the latter being, for the most part, public services provided by nonprofits with State Government financing (the following discussion is based on Table IX-IV). A comparison of *Federal funding*, *State funding*, *State direct services*, and *State grants-in-aid*, with expenditures from locally raised funds for municipalities, counties, and school districts and local school district self-funded educational expenditures is shown below. A word of caution is in order—local government expenditures listed are for 1988, and thus undoubtedly have increased.

Total public expenditures within New Jersey from all levels of government reached close to \$28 billion in FY 1990.² Of this sum, a plurality—\$13.9 billion, or 50 percent,

TABLE IX-IV TOTAL GOVERNMENTAL FUNDING WITHIN NEW JERSEY FY 1990 (In Millions)		
Nonlocal Funding	Expenditures	Percentage of Total Spent in New Jersey
Federal Government Funding	\$ 3,820	14%
State Government Funding	5,704	21%
State Government Direct Services	5,023	18%
State Government Grants-In-Aid	3,155	11%
SUBTOTAL—Nonlocal Funding	\$17,702	64%
Locally Generated Funds		
Municipal Government (1988)	\$ 3,705	13%
School Districts (1988)	3,864	14%
County Government (1988)	2,492	9%
SUBTOTAL—Locally Generated Funds	\$10,061	36%
TOTALS	\$27,763	99%**
*Figures for local government service expenditures were calculated from the New Jersey Department of Community Affairs' Fifty-First Annual Report of the Division of Local Government Services (December 1989). Federal and State intergovernmental funding amounts were subtracted from the total. **Because of rounding off, percentages do not add up to 100 percent.		

²It should be kept in mind that these calculations are based on locally funded services for 1988 instead of 1990.

came from State funding, with the largest category of State expenditures being State funding of local governments (\$5.7 billion). New Jersey Government monies to local governments alone came to about one-fifth of total public expenditures within the State. This contrasts with New Jersey Government direct services which came to \$5 billion in expenditures, an amount approximately \$600 million less than the State intergovernmental funding total. State Government grants-in-aid totaled about \$3.2 billion or 11 percent of overall public expenditures. Thus, all State Government funded efforts came to \$13.9 billion, an amount constituting 50 percent of all public expenditures in New Jersey. Federal Government funding, at \$3.8 billion, comprised only 14 percent of total public expenditures by State and local governments of New Jersey.

Local government self-financed service expenditures came to over \$10 billion, an amount constituting over one-third of total public expenditures in New Jersey and surpassing the combined Federal and State funding to local governments of \$9.5 billion in New Jersey. An examination of local expenditures reveals the primacy of education at the local level. Of New Jersey local governments' total self-financed expenditures, the school districts' self financing constituted the largest share at \$3.9 billion or about 15 percent of total public expenditures within New Jersey. This was followed by municipal governments at \$3.7 billion or 13 percent, while county governments expended about \$2.5 billion of their own monies—an amount which comprised less than ten percent of total public expenditures within New Jersey.

Of the approximately \$10 billion of locally self-supported services, school districts, at \$3.9 billion, utilized roughly 40 percent of locally financed service expenditures. This figure reveals the powerful financial role of school districts at the local level even though they only provide a single service—education. Municipalities, which in contrast, provide an wide array of services, utilized about \$150 million less of self generated monies. Falling a distant third in self-financed service provisions were county governments with 25 percent of locally self-financed services.

It is important to note that of the \$10 billion in locally self-financed expenditures, \$7.6 billion was derived from property tax collections. This amounts to approximately three-fourths of locally generated revenues. Of this total, \$3.9 billion, or 50 percent, was received by school districts—with municipalities receiving slightly more than 25 percent of the property tax and counties receiving slightly less than 25 percent. Of other revenues derived from local sources, municipalities with \$1.6 billion received twice as much as counties at \$.7 billion. This is another indicator of the dominance of the property tax as a source of local revenue.

Reverse Flows

Counterflows constitute monies collected by smaller units of government and distributed to larger units of government. In some areas, one unit of government serves as the tax collection agent of others; in other instances, smaller units of government participate in the benefits package offered public employees by the larger unit of government. The latter is particularly so for local government participation in state benefit packages for public employees.

Within New Jersey, total counterflows came to \$3.5 billion for FY 1990. This figure encompasses: 1) county government collected monies sent to New Jersey State

TABLE IX-V
INTERGOVERNMENTAL COUNTERFLOWS WITHIN NEW JERSEY
FY 1990
(In Millions)

Program	Amount
County to State	
Various Human Services	\$ 169
Realty Transfer Tax	60
Waste Disposal Costs	27
Cooperative Extension Program	4
SUBTOTAL	\$ 260
Localities to State	
Health Benefits of Local Government	
Employees	357
Pension Costs of Local Government	
Employees	370
State Income Tax of Local Government	
Employees	237
Disability Benefits Contribution of	
Local Governments	22
SUBTOTAL	\$ 986
Local Governments to State and Federal Governments	
Unemployment Insurance Contributions	
from Local Governments	\$ 83
AFDC—Child Support—IV D	62
SUBTOTAL	\$ 145
State and Local Government to Federal Governments	
Personal Income Tax of Public Employees	\$1,212
Social Security of Public Employees	900
SUBTOTAL	\$2,112
TOTAL	\$3,503

Government; 2) all local governments to State Government; 3) New Jersey local governments to the State and Federal Governments; and 4) New Jersey State and local governments to the Federal Government (See Table IX-V). For the most part these counterflows constitute fiscal relationships that have been in existence for extended periods of time. It should be noted that most of our figures are estimates. Given that the flow of funds is so large in intergovernmental financial interactions, and figures not readily available, we included our best estimates herein.

The largest area of counterflows was monies collected by New Jersey State and local governments and sent to the Federal Government. The amount of estimated counterflows was \$2.2 billion, of which the income tax withdrawals of public employees within New Jersey came to \$1.2 billion and the Social Security withholding of the public employees came to \$900 million. Both of these tax requirements are basic to every employer in the United States, with both functions having been in place for decades. In addition, New Jersey local governments sent about \$150 million to the Federal and State Government for recovery of mandated child support from situations where the care-giving parent is on AFDC and for unemployment insurance collections.

There are various kinds of programs in place through which New Jersey localities funnel monies to the State. Chief among these are State benefit programs for public employees in which local governments participate on behalf of their employees. In total, counterflows of local government collected monies that was sent to the State came to about \$1.2 billion. Of this amount, payments for local public employee benefits constituted about \$750 million, or 60 percent, of the total. Large categories here included pension costs for local government employees, at \$370 million, and health benefits of such employees, at \$357 million. In addition, localities' collection and remittance to the State of their withheld employee income tax obligation amounted to \$237 million. Also of note are the county payments to the State of about \$169 million in human service programs. The largest of these costs are for institutionalization of the developmentally disabled at \$80 million. These county required costs by the State are to be phased out under legislation passed in 1990. Other county transfers to the State include \$60 million for the realty transfer tax, about \$30 million for waste disposal costs, and about five million dollars for the cooperative extension program.

Interlocal Money Flows

In addition to counterflows, there are also monies given from one local unit of government to another. We have identified three such programs of interlocal money flows which entail the interlocal distribution of about \$230 million. They encompass \$200 million for *sewer collection and disposal services*, \$25 million for *solid waste disposal*, and \$3 million for Mount Laurel housing obligation transfers. *Sewer collection and disposal costs* entail the collection of monies for such services by municipalities and the payment for them to regional sewerage authorities and county utilities authorities. *Solid waste disposal* entails municipal payments for solid waste disposal to counties for their operated landfills and transfer stations. There are also municipal to municipal money transfers for the assumption by one municipality of another's Mount Laurel housing obligations. We estimate an amount of \$3 million in such transfers.

TABLE IX-VI
INTERLOCAL MONEY FLOWS
(In Millions)

PROGRAM	AMOUNT
Municipal to Public Authorities and Counties	
Sewer Disposal	\$200
Solid Waste Disposal	25
Municipal to Municipal	
Housing Obligations	3
TOTALS	\$228

Conclusion

In 1990, the Federal Government provided \$3.8 billion to New Jersey State and local governments. The State Government provided \$5.7 billion to local governments. The local governments transferred \$3.5 billion back to the Federal and State Governments for employee tax payments, employee benefits of other types and for a sundry of other reasons. For the most part, these transfers remain of the same general magnitude from year to year. In 1991 a massive shift in intergovernmental funding occurred, resulting in \$700 million in new school aid and \$395 million in new municipal funding and \$270 million in new human service assistance for county governments.

SECTION II: STATE FUNDING

The amount of State monies provided to local governments is indicative of varied priorities: it reflects the commitment of the State to its local governments and to the various kinds of programs that are the prime responsibility of local governments; it reveals a State leadership role in accomplishing public purposes within the state; and it reflects and underlies a State-local partnership in tackling public problems.

State monies within New Jersey, which came to \$5.7 billion in FY 1990, were provided for a wide array of policy areas. They included funding for public transportation, human services, education, and environmental remediation programs, financial support for all municipalities—with some earmarked for poorer municipalities, the incarceration of criminal offenders, and health care provision at the local level. State monies is received by New Jersey's 567 municipalities, 21 counties, roughly 600 school districts, as well as numbers of local public authorities performing different functions across the state. Though there is a variation in the amount of State funding from year to year and in the priorities from one administration to the next, there is also a deeper continuity both in the form and amount of funding, which, with the exception of extraordinary times, only gets altered, incrementally, at the edges. The year 1991 is one of those extraordinary years.

As we have previously noted, of all the forms of local government, State funding is primarily oriented toward underwriting the educational efforts of local school districts, with \$3.5 billion (60 percent) of the State funding total of \$5.7 billion targeted for such purposes. The preponderance of aid for education within New Jersey Government's overall funding commitment to its localities is representative of a national pattern in which the state's dominant funding role is for education.

Given the State's orientation toward educational funding, local school districts were the largest local governmental recipients of State funding, with the above mentioned 60 percent of total State Government monies going to such school districts. The next largest level of State funding was for municipalities, with approximately \$1.4 billion, 25 percent, of FY 1990 State monies provided to municipalities. County governments, in contrast, received only 14 percent, about \$800 million, of total State monies, with local public authorities recipients of a minor amount—\$18 million (See Table IX-VII).

State aid to local districts in 1990 was comprised of several large educational programs. They included: *General Formula Aid* for all local school districts, *Teachers' Pension and Retirement* funding, *Education for the Handicapped*, *Student Transportation*, *Compensatory Education*, and *School Building Aid/Debt Service*. Combined, these half-a-dozen, out of a total of 20 State aid for education categories, constituted 94 percent of State aid for primary and secondary education. Aggregated, they also comprised almost 60 percent of total State funding to all local governments. The preeminence of some programs within total State funding is equally pronounced. *General Formula Aid* for local school districts alone constituted 31 percent of total State monies to local governments. Also noteworthy is the fact that *Teachers' Pensions and Retirement* funding comprised almost 15 percent of all State monies to local governments. Two other educational programs—*Pupil Transportation*, at four percent, and *Special Education for the Handicapped*, at five percent—each comprised significant percentages of total State funding to local governments.

TABLE IX-VII
COMPARISON OF STATE FUNDING AMONG VARIOUS
NEW JERSEY LOCAL GOVERNMENTS
FY 1990
(In Millions)

Local Governmental Unit	Amount	Percentage of Total State Funding
School Districts	\$3,467	60%
Municipalities	1,436	25%
Counties	778	14%
Public Authorities	18	—
TOTALS	\$5,734	99%*
*Because of rounding off, percentages do not total 100 percent.		

It is worthy of note that under the Florio Administration, with the passage of the *Quality Education Act* as amended, a new formula, which seeks to achieve greater fairness in educational expenditures and property tax rates for the citizens of New Jersey, has been established for the distribution of State aid to public education. Based on the idea that the previous school aid formula provided insufficient funding for less wealthy school districts, a new foundation formula is in place which will provide an additional \$700 million in aid to the less wealthy school districts.

Other major categories of total State funding were *Gross Receipts and Franchise* and the *Business Personal Property Replacement*, out of Treasury, which combined constituted 15 percent of total State monies; *AFDC Payments*, which form over one-third of State *Human Services* funding at about \$150 million; *Aid to Distressed Municipalities*, which at \$118 million constituted two percent of overall State monies; and *Aid to County Colleges*, which at \$106 million comprised another two percent of total State monies for local governments.

Interesting patterns were also found in the policy areas which make up the largest shares of State funding to particular units of local government. Of the \$1.4 billion in State monies to municipalities, Treasury programs, at over \$900 million, made up over two-thirds of the State funding, with *Community Affairs's* programs, at close to \$300 million, constituted close to 20 percent of total State monies to municipalities. For State funding to county governments, *human services* programs, at \$339 million, comprised 44 percent of the total State monies, *higher education* monies at \$124 million made up 16 percent, and State funding for *Primary and Secondary Education*, at \$116 million, constituted 15 percent (See Table IX-VIII).

At each level of local government there are specific programs that were major sources of State funding. For State monies to local school districts it was *General Formula Aid*, which at \$1.8 billion formed over 50 percent of State funding to local

TABLE IX-VIII
LARGEST STATE FUNDED PROGRAMS
FY 1990
(In Millions)

Program	Amount	Percentage of Total Funding for Department	Percentage of Total State Funding
Primary and Secondary Education			
General Formula Aid for Local School Districts	\$1,768	49%	31%
Teachers' Pension and Retirement	829	23%	15%
Special Education for Handicapped	312	9%	5%
Pupil Public Transportation	200	6%	4%
Compensatory Education (Formula)	151	4%	3%
School Building Aid/Debt Service	93	3%	2%
Community Affairs			
Aid to Distressed Municipalities	118	42%	2%
Treasury			
Gross Receipts and Franchise Business Personal Property Replacement	685	70%	12%
	159	16%	3%
Human Services			
Payment AFDC (State Share)	149	36%	3%
Higher Education			
Aid to County Colleges	106	86%	2%

school districts, and *Teachers' Pension and Retirement* funding, which at \$829 million formed 23 percent. For municipal governments, there are three significant programs of State funding: *Gross Receipts and Franchise*, which at \$685 million formed almost 50 percent of such funding, and the *Business Personal Property Replacement*, which at \$159 million formed over ten percent of State monies to municipalities, and *Aid to Distressed Municipalities*, which at \$118 million formed eight percent of total State monies to municipalities. Two State funded programs for counties combined comprised about one-third of State monies to county governments. They are *AFDC payments (State Share)* at \$149 million, about 20 percent of State monies to counties, and *Aid to County Colleges*, at about 14 percent or \$106 million (See Table IX-X).

TABLE IX-IX
NEW JERSEY STATE FUNDING TO UNITS OF GOVERNMENT BY POLICY AREAS
FY 1990
(In Millions)

Important Policy Areas	School Districts		Municipalities		Counties	
	Amount of Funding	Percentage of School District Funding	Amount of Funding	Percentage of Municipal Funding	Amount of Funding	Percentage of County Funding
1. Local School Districts	\$3,467	100%				
Primary and Secondary Education	3,458	100%				
2. Municipalities			\$1,436	100%		
Treasury			974	68%		
Community Affairs			281	19%		
3. Counties					\$778	100%
Human Services					339	44%
Higher Education					124	16%
Primary and Secondary Education					116	15%

TABLE IX-X
MAJOR PROGRAMS OF NEW JERSEY STATE FUNDING TO DIFFERENT UNITS OF LOCAL GOVERNMENTS
FY 1990
(In Millions)

Program	Counties		Municipalities		School Districts	
	Amount of Funding	Percentage of County Funding	Amount of Funding	Percentage of Percentage of Municipal Funding	Amount of Funding	School District Funding
Local School Districts					\$3,467	100%
General Formula Aid					1,768	51%
Teachers' Pension and Retirement					829	23%
Municipalities			\$1,390	100%		
Gross Receipts and Franchise			685	49%		
Business Personal Property Replacement			159	11%		
Aid to Distressed Municipalities			118	8%		
Counties	\$778	100%				
Payment AFDC (State Share)	149	19%				
Aid to County Colleges	106	14%				

State Funding vs. State Government Service Efforts, FY 1990

While State funding to local governments was about \$5.7 billion in FY 1990, State governmental service efforts reached approximately \$8.2 billion, or roughly 50 percent more than State funding during that year (See Table IX-II above). The latter category of service efforts encompasses both *direct services* on the part of the State and its *grants-in-aid* programs, which largely entail the supplying of monies to nonprofit entities for State Government sponsored services. Examined separately, *direct services* came to over five billion dollars while *grants-in-aid* reached \$3.2 billion. Thus, individually, neither one of these New Jersey Government service formats attained the level of expenditures of State funding to local governments. A comparison in expenditure levels of State funding with State governmental service efforts, for all departments through which intergovernmental funding was received, showed that the latter's expenditures, at \$5.4 billion, came to less than the \$5.7 billion amount of State monies provided. A breakout within this latter category of State governmental efforts showed that *direct services* constituted about three billion dollars and *grants-in-aid* came to \$2.4 billion.

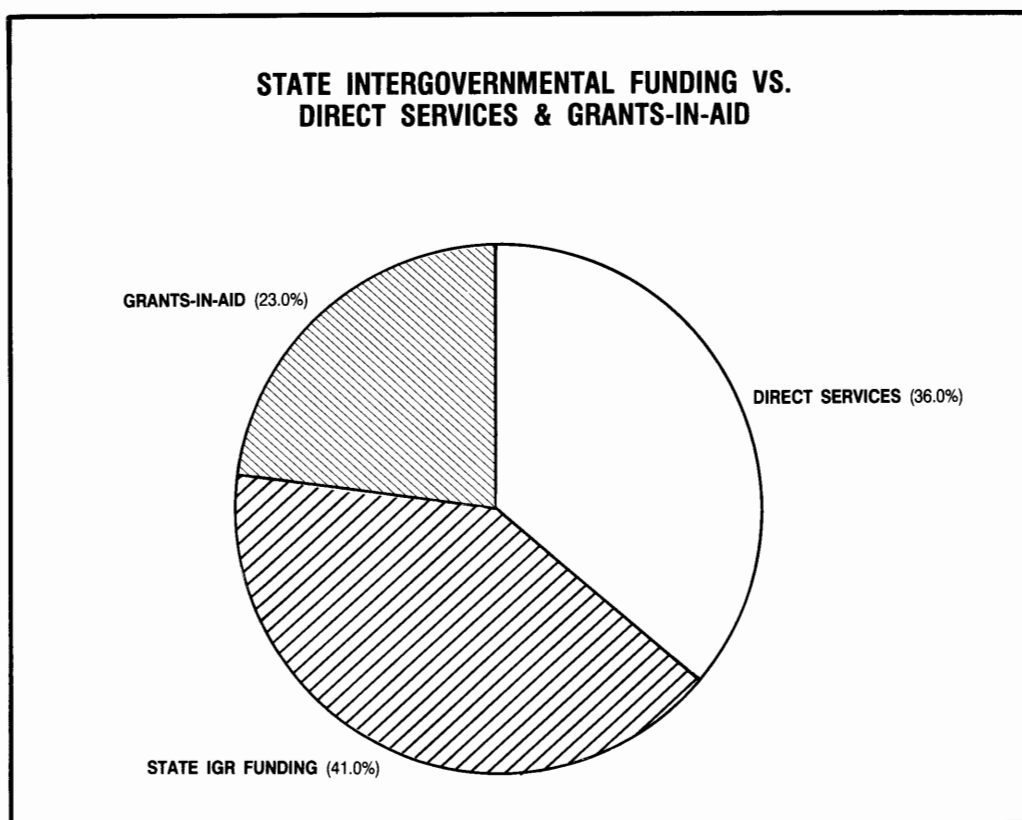
A comparison between State funding and State governmental service efforts reveals a strong disparity toward State governmental service efforts for most policy areas. The only exception to this, and it is a major exception, was State monies for primary and secondary education, where there was almost \$3.6 billion in State monies and \$44 million in State governmental efforts—a differential in favor of State funding of over \$3.5 billion. In retrospect, this is not a great surprise, given New Jersey's role in providing aid for public education as one of its core State responsibilities and the strong tradition of locally controlled educational efforts. Treasury payments, as were those of Community Affairs, also were markedly in favor of State funding.

For all other policy realms, with the exception of *environmental* expenditures, which are at parity, expenditures for State Government service efforts outweigh those of intergovernmental funding. For many of the policy areas, the differentials between the two categories of expenditures are striking in their tilt toward State involvement rather than State funding.

In *human services*, for example, there was \$1.7 billion more in State governmental service provision than in State funding. Big portions of this differential are an outgrowth, of course, of State Medicaid responsibilities. Another area with a large differential, over \$700 million, was that of *higher education*, where the State provides significant sums of monies for State colleges and the State university—Rutgers. Other large policy areas in which there was a much stronger emphasis on State governmental service efforts include corrections, law and public safety, transportation, and *efforts of the judiciary*. In addition, there are several areas of State Government expenditures in which there was no State funding to localities—*Inter-Departmental Accounts* (largely employee benefits), Capital Construction, and *Dedicated Funds*, as well as *Debt Service* (See Table IX-XI for the above discussion).

TABLE IX-XI
COMPARISONS STATE FUNDING WITH STATE GOVERNMENT SERVICE EFFORTS
FY 1990
(In Millions)

Policy Area	State Funding Amount	State Governmental Service Effort Amount*	Differential From State Funding
Orientation State Funding			
Primary and Secondary Education	\$3,575	\$ 442	-\$3,531
Treasury Payments	974	287	-687
Parity			
Community Affairs	281	363	+82
Environmental Affairs	164	153	-9
Orientation State Government Service Efforts			
Human Services	409	2,112	+1,703
Higher Education	124	850	+726
Corrections	58	445	+387
Law and Public Safety	2	406	+404
Transportation	87	391	+304
Judiciary	1	93	+92
State	1	38	+37
Inter-Departmental Accounts**	0	995	+995
Capital Construction**	0	514	+514
Debt Service**	0	336	+336
Property Tax Rebates and Dedicated Funds**	0	691	+691
<p>*State Governmental Service Efforts encompasses both direct service provisions by State Government and its funding for programs administered by institutions other than State or local governments.</p> <p>**These listed categories represent ones in which there was no State funding.</p>			



Comparison State Funding, Fiscal Years 1990 and 1978

A deeper understanding of State funding to local governments for FY 1990 requires some comparison with previous years so as to gauge the significance of FY 1990's State funding patterns. We have chosen to compare State funding between FY 1990 and FY 1978. The advantage of our choice lies in the time span of our comparison—a time frame of over a decade which has witnessed general growth in New Jersey Government and State Government's funding of local governments. *We also note that during a period of relative decline in Federal funding, State funding also declined relatively. Municipal, county, school district, and direct State operations, from their own revenues, grew much more rapidly than Federal and State funding.* Conversely, in 1991, an extraordinary increase in State funding for public education and other purposes occurred. This increase was much more significant than the change in any year between 1978 and 1990.

Our purpose within this section will be to both make a comparison of State funding between FY 1978 and FY 1990 and to incorporate into our analysis comparisons between State funding and State service functions. Before beginning our analysis of FYs 1978 and 1990, an introductory examination of FY 1978 is in order. New Jersey Government provided \$2.6 billion in State funding for FY 1978 (See Tables IX-XII and IX-XIII).

TABLE IX-XII
STATE FUNDING
FY 1978
(In Millions)

DEPARTMENT	Amount State Funding	Percentage Total State Funding
Education	\$1,241	47.0%
Treasury	898	34.0%
Human Services	292	11.0%
Community Affairs	109	4.0%
Higher Education	51	2.0%
Transportation	20	1.0%
Health	12	—
Environmental Protection	6	—
Law & Public Safety	2	—
Judiciary	2	—
TOTALS	\$2,633	100%

Of this total in State funding, roughly 50 percent, about \$1.2 billion, was provided to local school districts for primary and secondary education. This data once again confirms the preeminence in the commitment of the State to aiding public educational efforts at the local level over other State funding commitments to local purposes. Of all the individual State funding programs, *Formula Aid to Public Education* comprised by far the largest program, approaching around \$700 million or over one-quarter of total State monies for FY 1978. Other major State intergovernmental expenditures within public education were the *State Contribution to Teachers' Pension* at around \$250 million, or approaching ten percent of total State monies, and funding for *Special Education* at roughly \$150 million, or five percent of total State monies for FY 1978.

In addition, large amounts of State monies were provided through the Treasury, *Human Services*, and *Community Affairs* departments. State monies through *Treasury* alone came to over one-third of total State funding at approximately \$900 million. Of Treasury's State funding to local governments, approximately one-half of the monies came through one program—*Gross Receipts*—which at roughly \$450 million, came to 17 percent of total State monies in FY 1990. Both the *Business Personal Property Replacement* and *Public Utility Tax* monies to localities each came to slightly over \$125 million. *Human service* programs, at roughly \$300 million, comprised over ten percent of total State funding. The largest program here was *Dependent Children Assistance (AFDC)* at \$165 million, or over five percent of total State intergovernmental funding. The other departmental area of over \$100 million in State funding was *community affairs* which comprised under five percent of total State monies. All other State intergovernmentally funded policy areas occupied small portions of total State monies.

TABLE IX-XIII
LARGEST STATE FUNDING CATEGORIES
FY 1978
(In Millions)

PROGRAM	Amount State Funding	Percentage Total State Funding
General Formula Aid		
Education	\$ 680	26.0%
Gross Receipts	442	17.0%
State Contribution—		
Teachers' Pensions	243	9.0%
Dependent Children		
Assistance (AFDC)	165	6.0%
Special Education	142	5.0%
Business Personal Property		
Tax Replacement	127	5.0%
Public Utility Tax	126	5.0%
TOTAL STATE FUNDING	\$2,633	78.0%

Some interesting differences emerge from an a comparison of State funding patterns between FY 1978 and FY 1990. In FY 1978, funding for public education—by far the largest category of State monies at \$1.2 billion—accounted for less than 50 percent of total State funding. But by FY 1990 it had increased to roughly two-thirds of total State funding at \$3.6 billion. The second largest category, funding emanating from Treasury, remained flat in terms of expenditures from 1978 to 1990. As a result, its share of total State funding had depreciated significantly by 1990. In 1978, at approximately \$900 million, it constituted over one-third of State monies. By 1990, its State funding of roughly one hundred million (\$978 million) constituted 17 percent of total State funding for that year. *Human services*, despite its net increase in State monies from 1978 to 1990 of \$292 to \$409 million, saw its percentage of State funding to local governments decline from 11 percent of total State monies in 1978 to seven percent in 1990. Also interesting is that while Transportation's share of State monies increased in that period from \$20 to \$87 million, this only amounted to an increase of from one to two percent, from 1978 to 1990, of its proportions of total State funding.

State funding to local governments grew by 117 percent from 1978 to 1990, from \$2.6 to \$5.7 billion. In terms of absolute growth in funding, four policy areas—public education, community affairs, environmental protection, and human services—have achieved an increase of over \$100 million during this period. By far the most substantial increase has been for public education, with an increase of \$2.3 billion from its original State funding amount in 1978 of \$1.2 billion—a growth rate of almost 190 percent. In fact, of the overall growth in State funding of approximately three billion dollars during this period, the increase in public education represents 76

TABLE IX-XIV
NEW JERSEY STATE FUNDING TO LOCALITIES
COMPARISON FY 1978 WITH FY 1990
(In Millions)

DEPARTMENT	FY 1978		FY 1990			Amount Growth 1978-1990		Percentage Growth 1978-1990	
	Amount	% of Total State Funding	Absolute Amount	Inflation Adjusted Amount ¹	% of Total State Funding	Absolute Amount	Inflation Adjusted Amount ¹	Absolute Percentage	Inflation Adjusted Percentage ¹
Community Affairs	\$ 109	4%	\$ 281	\$ 143	5%	+\$172	+\$34	+158%	+31%
Corrections	—	—	58	30	1%	+58	+30	—	—
Public Education	1,241	47%	3,575	1,823	63%	+2,334	+582	+188%	+47%
Environmental Protection*	6	—	164	84	3%	+158	+78	+2,663%	+1,300%
Health	12	1%	2	11	—	+10	-1	+83%	-8%
Higher Education	51	2%	124	63	2%	+73	+12	+143%	+24%
Human Services	292	11%	409	209	7%	+117	-83	+40%	-28%
Law & Public Safety	2	—	2	1	—	+0	-1	+0%	-50%
State	—	—	1	1	—	—	+1	—	—
Transportation	20	1%	87	44	2%	+67	+24	+335%	+120%
Treasury	898	34%	978	499	17%	+80	-399	9%	-44%
The Judiciary	2	—	1	1	—	-1	-1	-50%	-50%
TOTALS	\$2,633	100%	\$5,704**	\$2,909	100%**	\$3,609**	+275	+117%	+10%

*This category includes *Environmental Protection and Agriculture*, of which the monies overwhelmingly go for *Environmental Protection* programs. We should note that the comparison between 1978 and 1990 has the deficiency of not including bond monies for the environment in its totals.

**Because of rounding off, totals do not add up.

¹Amount/Percentage *Controlling for Inflation* was determined by obtaining the increase in the Consumer Price Index from 1978—which was 67.7—to that of 1990—which was 133.8. During this time period, the Consumer Price Index rose 51 percent.

percent of the total. Compared to increases in State funding expenditures for public education, the increases in the other three policy areas are of minor consequence. The major policy initiatives of 1991 furthered the increase of State monies for public education, with an increase of \$700 million over the previous year, as well as State funding increases to municipalities, at \$400 million, and counties, at \$250 million.

Community affairs witnessed an increase in State funding during this period of over \$170 million—this amounts to 158 percent growth during this period. Another area showing substantial increases in State monies was that of *environmental protection* with a \$158 million increase. However, a note of caution is in order—the 1978 figures do not include environmental bonds which would have raised the total amount. In addition, *human services* experienced a growth of roughly \$120 million during this period, which constitutes a 40 percent increase in State monies for this policy area.

Regarding percentage increases in State funding to local governments during the period 1978 to 1990, while overall percentage growth was 117 percent, there were various other policy areas that did substantially better. One of these was monies to localities for transportation, whose percentage growth was 335 percent, with an increase of State monies for transportation from \$20 to \$87 million from 1978 to 1990. *Higher education*, during this period, also had large percentage growth—increasing from \$51 to \$124 million, a percentage growth of over 140 percent. During this time period, *corrections*, which began with no State funding in 1978, constituted \$58 million in State funding to local governments by FY 1990. Also noteworthy is the fact that during this time period of robust expansion in State funding, monies from *Treasury* increased by only \$80 million.

Some comparison between State intergovernmental funding and State direct service expenditures for the years 1978 to 1990 are instructive (See Table IX-XV). In FY 1978, New Jersey Government expended \$4.3 billion for State intergovernmental funding and direct service expenditures. For that year, State monies constituted \$2.6 billion—62 percent of State funding and direct services combined, while direct State service expenditures, at \$1.6 billion, constituted 38 percent of the two categories combined. By 1990, State intergovernmental funding and direct State service expenditures combined had reached \$10.7 billion. Of this sum, *State intergovernmental*

TABLE IX-XV
OVERVIEW OF STATE FUNDING AND DIRECT STATE SERVICE
EXPENDITURES
FYs 1978 AND 1990
(In Millions)

	State Funding		Direct Services		Totals	
1978	\$2,633	62%	\$1,643	38%	\$ 4,276	100%
1990	\$5,704	53%	\$5,023	47%	\$10,727	100%

funding, at \$5.7 billion, which had previously accounted for 62 percent, now accounted for 53 percent of all State expenditures. In contrast, State direct service expenditures had increased from 38 percent of the combined amount to 47 percent (from \$1.6 billion to \$5.0 billion). Also worthy of note is that State civil service employees increased during this period from 61,537 to 103,744 employees. Again a note of caution is in order. Given the insurmountable difficulties in obtaining grants-in-aid data for 1978, we have dispensed with incorporating this data into our analysis. The use of such data would, of course, have provided a fuller picture of the State involvement with services.

Despite these caveats, several salient characteristics of State expenditures and funding emerge from our analysis. *Of outstanding importance is the shift from 1978 to 1990 to a greater State role in direct services vis-a-vis State intergovernmental funding.* Second is the centrality of public education in the State's funding role—a responsibility which has assumed even greater importance within the total State funding package as State funding to local school districts has increased, from 1978 to 1990, from 47 percent to 63 percent of total State funding. It should be noted that with the passage of the *Quality Education Act*, as amended, State funding for public education will be increased by an additional \$700 million.

Third is the combined preeminence of monies for *Public Education* and *Treasury* State monies, which when combined, although declining substantially in importance, has continued to account for 80 percent of total State funding. Finally, we need to bear in mind that there have been several areas of expansion in State funding—they include *community affairs, public education, environmental protection, higher education*, and transportation.

SECTION III: FEDERAL FUNDING, FISCAL YEAR 1978 AND FISCAL YEAR 1990

An Overview of Federal Funding

Our national constitution is predicated upon a division of governmental powers in which the Federal Government and the states have their respective separate spheres of authority and responsibilities. Within this federalist system, the states and their localities were seen as being autonomous from the Federal Government, responsible for devising local solutions and raising the necessary revenue to address their individual sets of problems. Despite this philosophy, over time, often out of necessity, given the fact that for many problems a solution is unreachable without the participation of the national government, cooperative intergovernmental efforts have been initiated to address outstanding societal problems.

Up until 1978, these considerations led to a growth in Federal involvement with state and local problems. Federal involvement has traditionally taken two forms: a direct role in defining and tackling such problems and the provision of monies to states and localities to encourage such local efforts. In general, Federal funding has the prerequisite of a joint state or local financial role as a condition for such monies. In a previous report of the Commission, *Federal/State Aid and the Local Fiscal Crisis* (1971), we noted the need for Federal and State financial assistance to help New Jersey localities address their problems. In it, we pointed to the local fiscal crisis that propels the need for aid to localities.

Figures for Table IX-XVI reveal what, at first glance, seems like a spectacular growth in Federal funding to state and local governments across the United States over the 25 year period of 1954 to 1988. Federal monies in this interim increased, in absolute numbers, from approximately \$3.0 billion to roughly \$120 billion—an increase of 4,000 percent. The largest growth was in *public welfare* which went from one billion dollars to over \$50 billion. While in 1954 only *public welfare* funding was over a billion dollars, by 1988 each of the major policy areas were in the tens of billions.

For the purposes of our study, a comparison of the years 1978 and 1988 were undertaken. Between 1978 and 1988, Federal funding increased from around \$80 billion to about \$120 billion—an increase of about 50 percent. *However, when inflation is controlled for, this substantial growth in Federal funding becomes nonexistent. Controlling for inflation for the period 1978 to 1988 shows a nationwide decline in total Federal monies from about \$80 billion in 1978 to over \$66 billion for 1988 in 1978 dollars—a decline of over 15 percent.* Prominent areas of Federal funding decreases were *public education*, which decreased under a billion dollars, *General Revenue-Sharing*, whose \$7 billion was phased out altogether, and the residual category, which saw a decrease from \$32 to \$13 billion—a whopping decrease of about 60 percent.

TABLE IX-XVI
FEDERAL INTERGOVERNMENTAL FUNDING NATIONWIDE TO
STATE AND LOCAL GOVERNMENTS BY FUNCTION
Selected Years 1954-1988
(In Millions)

Fiscal Year	Total	Education	Highways	Public Welfare	Housing and Urban Renewal	General Revenue Sharing*	All Other
1954	\$ 2,967	\$ 475	\$ 530	\$1,439	\$ 90	—	\$ 433
1969	19,421	4,960	4,314	6,358	921	—	2,868
1978	79,172	11,602	6,197	20,051	2,969	6,830	31,523
1988	118,906	19,539	14,065	51,253	11,436	—	22,613
1988**	66,587	10,942	7,876	28,702	6,404	—	12,663

*General Revenue Funding was begun in 1973 and ended in 1986.
 **Controlling for inflation, these are the revised funding levels for 1988 based on 1978 dollars. The Consumer Price Index for 1988 was 120.5 which compares with that of 67.7 in 1978. This translates into a dollar in 1978 being worth only 56 cents in 1988.

SOURCE: *Significant Features of Fiscal Federalism* Volume 2 Revenues and Expenditures. Washington D.C.: Advisory Commission on Intergovernmental Relations, August, 1990. Page 43.

It is noteworthy that *General Revenue Sharing*, which constituted approximately seven billion dollars of an \$80 billion Federal funding total in 1978 (approaching ten percent) has been eliminated. It is also worthy of note that funding for *public welfare*—the largest policy area in terms of Federal intergovernmental expenditures—constituted roughly 50 percent of such monies in 1964, dropped to a quarter by 1978, and had risen back to 43 percent of Federal intergovernmental expenditures by 1988.³

This data reflects the heavy Federal funding orientation toward helping the poorer members of society. This is borne out by the distribution of Federal monies to New Jersey for 1990 and to a lesser extent for 1978. Secondary to this function is the Federal role of financing the construction and maintenance of transportation routes. This latter Federal responsibility is formula driven, based heavily on population density of areas, and thus is distributed not on the basis of economic need but rather on the basis of population size and concentration.

Federal Funding in New Jersey

Federal funding within New Jersey in 1990 totaled \$3.8 billion, with over 60 percent of that amount given to State Government. In contrast, local units of government were the recipients of \$1.5 billion, of which roughly 50 percent, over \$700 million, went to New Jersey county governments. What is surprising was the small share that went to municipal governments. Of the \$1.5 billion in Federal monies to New Jersey local governments, only somewhat over ten percent of that amount, around \$200 million, went to municipalities. Even public authorities at roughly \$300 million received a much larger share. Also, school districts, at about \$340 million, received a goodly portion of Federal monies to New Jersey local governments.

The major factor in the heavy orientation in Federal monies to State and county governments is the Federal funding of human services programs, which is primarily a State responsibility with county governments playing a significant financial role and the major administrative role. Human services monies, on the part of the Federal government, came to \$1.7 billion of the total Federal funding of \$3.8 billion—this amounts to 44 percent of total Federal funding. For both State and county governments, human services monies constituted a significant percentage of their total Federal funding. At \$1.2 billion, it came to over 50 percent of all Federal monies to State Government, while regarding all Federal monies to New Jersey county governments, at about \$500 million, it came to 70 percent of the total of approximately \$700 million.

The second largest Federal funding category, *transportation*, at \$600 million, was overwhelmingly targeted at State Government, with 90 percent of such monies given to State Government. This funding category amounted to about 25 percent of total Federal monies received by State Government. The nature of the distribution of such monies reflects the fundamental Federal-State partnership in highway construction and renovation. It is worthy of note that county governments received less than ten percent of the share of such monies.

³*Significant Features of Fiscal Federalism* Volume 2 Revenues and Expenditures. Washington, D.C.: Advisory Commission on Intergovernmental Relations, August, 1990, Page 3.

TABLE IX-XVII
FEDERAL FUNDING WITHIN NEW JERSEY
FY 1990
(In Millions)

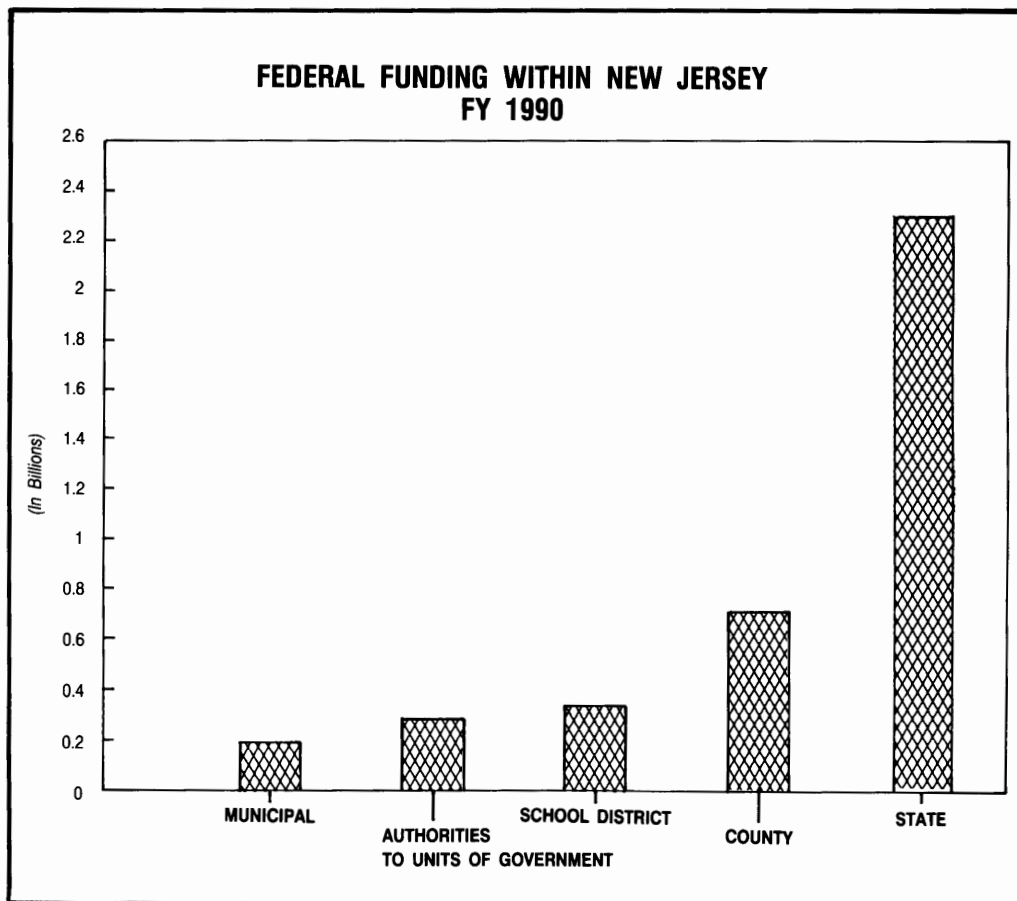
DEPARTMENTS	M U N I C I P A L	A U T H O R I T Y	D I S T R I B U T I O N	C O M M U N I T Y	T O T A L L O C A L D E P E N D E N C Y	S T A T E D E P E N D E N C Y	T O T A L F E D E R A L A I D	O F F I C I A L P E R C E N T
Public Education			\$337	\$ 9	\$ 346	\$ 24	\$ 370	100%
Higher Education				2	2	144	146	4%
Environmental Protection	\$ 59	\$ 19		5	83	187	270	7%
Human Services				493	493	1,201	1,694	44%
Community Affairs	96	266		53	415	33	448	12%
Transportation				55	55	544	599	16%
Treasury				1	1		1	—
Health	25			14	38	20	59	2%
Corrections						2	2	—
Labor	6			39	45	135	180	5%
Law & Public Safety	3			10	13	10	23	1%
Judiciary				25	25	1	26	1%
State						1	1	—
Public Advocate						1	1	—
	\$189	\$285	\$337	\$706	\$1,517	\$2,303	\$3,820	102%*

*Because of rounding off, numbers do not total.

The next two largest categories of Federal funding were *community affairs*, at almost \$450 million, and aid for *public education* at \$370 million. The intergovernmental distribution in Federal monies for each of these policy areas reflects the locus of jurisdictional responsibility for the main programs of each policy area. Regarding *public education* funding, which is for several different programs, the responsibility for these programs lies with local school districts. Thus, about \$340 million, or over 90 percent, of the \$370 million in Federal monies for public education is given to local school districts. Similarly, of the \$450 million in Federal monies for *community affairs*, the majority of this money was for public housing. This resulted in 60 percent of Federal monies to *community affairs*' programs being given to local, public housing authorities.

It should be noted that municipalities also received a good chunk of Federal funding for *community affairs*. Its approximately \$100 million in Federal monies was by far the largest category, comprising over half of total Federal monies received. For local public authorities, only *community affairs* Federal funding is significant, with environmental program monies constituting the only other category of funding.

Federal monies to the State, after *human services* and *transportation*, had a few policy areas where more than \$100 million in Federal funding was provided. They include *environmental protection* at \$187 million, *higher education* at \$144 million, and *labor* at \$135 million. Combined, these three areas constituted one-fifth of all Federal monies to the State. For each of these policy areas, the State has the major responsibility for policy success and program administration. *Higher education*, with the exception of county colleges, is the responsibility of State Government. Labor functions, which mainly encompass unemployment and job training, is also predominantly a State function. Thus of the Federal funding for this latter policy area, three-quarters was furnished to the State. Similarly for *environmental protection* programs, 70 percent of the \$270 million in Federal monies were provided to the State. The other areas of State involvement received rather minor amounts of Federal monies.



An examination of Federal monies to New Jersey for 1990 offers a portrayal of the larger national patterns we have previously outlined. It reveals, above all, the preponderant orientation of the Federal Government, in its intergovernmental funding role, toward providing a safety net. *Of the \$3.8 billion in Federal monies, human services funding constituted somewhat less than half of the total, at about 45 percent (\$1.7 billion).* It is noteworthy that Medicaid comprised over two-thirds of Federal monies to *human services* at about \$1.2 billion. The remainder was comprised mainly of funding for *economic assistance*. The orientation toward funding services for the poor was also reflected in Federal monies for *community affairs* activities which comprised over ten percent of total Federal monies. Over half of such Federal monies consisted of programs for the indigent. The chief area of such funding was for public housing, which comprised over \$250 million of the approximately \$450 million amount. A third area in which Federal funding was largely provided for the poorer members of society is in the area of *public education*, another important policy realm comprising ten percent of Federal monies to New Jersey. Of the total of approximately \$370 million, over half of this amount was for educational monies to disadvantaged youngsters.

<p style="text-align: center;">TABLE IX-XVIII MAJOR CATEGORIES OF FEDERAL FUNDING FOR NEW JERSEY FY 1990 (In Millions)</p>		
DEPARTMENT	Amount	Percentage of Total Federal Funding
Human Services	\$1,694	44%
Transportation	599	16%
Community Affairs	448	12%
Public Education	370	10%
Environmental Protection	270	7%
Labor	180	5%
TOTAL FEDERAL FUNDING	\$3,820	

The other important area of Federal funding, which comprised the second largest category of overall Federal funding within New Jersey, was that of *transportation*. At 16 percent (about \$600 million) of total Federal monies, transportation monies are oriented toward fulfilling the needs of the general population rather than aiding those of lower income. Other areas of Federal monies that were over \$100 million are *environmental protection* and *labor*. The latter category, which at \$180 million came to five percent of total Federal monies, is largely directed at those experiencing

economic hardship. Its major programs include *unemployment insurance*, *job training for the disadvantaged*, and *vocational rehabilitation*.

Though the preponderance of Federal monies went to the State, or through State Government to New Jersey localities, a portion of Federal funding bypassed State Government altogether, going directly to local governments. Our collected data on Federal funding shows there was \$335 million of such monies which bypassed New Jersey State Government altogether, with all but a handful of the Federal monies going to public housing authorities and for improving economically deteriorating municipalities and counties.

TABLE IX-XIX
DIRECT FEDERAL FUNDING TO NEW JERSEY LOCALITIES THAT
BYPASSES STATE GOVERNMENT
FY 1989 and 1990
(In Millions)

PROGRAM	D I S T R I C T P U B L I C H O U S I N G A U T H O R I T I E S	A U T H O R I T I E S	M U N I C I P A L I T I E S	C O U N T I E S	T O T A L
Housing Authorities					\$226
Operating Subsidies (FY 1989)		\$100			
Improvement Assistance		98			
Debt Payments (FY 1989)		28			
Community Development					
Block Grant (CDBG) (FY 1989)			74	14	87*
Facilities Impact Aid (Education)	\$12				12
Asbestos Abatement				1	1
TOTALS	\$12	\$226	\$ 74	\$15	\$327*
*Because of rounding off, the totals do not add up.					

The largest subset of such Federal monies were received by public housing authorities. Public housing authorities are directly involved with the Federal Department of Housing and Urban Development (HUD). As a result Federal programs for housing authorities provide such monies directly to them. Our figures show that around \$225 million was provided by HUD directly to public housing authorities in New Jersey. Of this sum, \$100 million was for operating subsidies, \$98 million for physical improvements of the physical structures, and \$28 million for the housing authorities' debt payments. Another notable Federal monies program that bypasses State Government is the *Community Development Block Grant* (CDBG), a program of assistance to poorer municipalities and counties, which is intended to improve living conditions and help in the physical rehabilitation of the area. Somewhat under \$100 million in Federal monies was provided under this program, of which \$80 million was given to municipalities and \$15 million to counties.

Federal Funding 1990 Compared with Federal Funding 1978

As a means of gauging the scope and direction of Federal funding, we have undertaken a comparison with 1978. We have utilized two bases of comparison—the absolute differentials between 1978 and 1990 in Federal funding and differentials that controlled for inflation over the 12 year period. Since Medicaid constitutes a large share of Federal funding, and it can be construed as a shared responsibility, we also have provided an overview of Federal funding breakouts without its inclusion.

A cursory comparison between 1978 and 1990 reveals what at first glance appears to be a substantial growth in Federal funding for New Jersey—from \$1.7 billion to \$3.8 billion—which represents an increase of over two billion dollars. This constitutes a percentage growth of over 125 percent. However, when inflation is controlled for during this time period, a different picture emerges. The Federal funding total of \$3.8 billion for 1990, when adjusted for inflation, becomes only \$1.9 billion in 1978 monies. This translates into a growth of less than \$300 million, or about 15 percent, instead of the overall \$2.1 billion.

Of much greater significance is the pattern of Federal funding, during this time period, without Medicaid, as this program is an entitlement program based on need which expands or contracts without explicit governmental commitments to greater funding. It should be noted that during this time interval of 1978 to 1990, Medicaid increased from 17 percent to 28 percent of total Federal funding. In absolute dollars, this constitutes an increase from under \$300 million to \$1.1 billion, a gigantic jump of 280 percent. Controlling for inflation, we still end up with a large increase of over a third. *Controlling for inflation and Medicaid—the truest reflection of what has actually occurred to Federal funding during this time interval—there has been an overall decline of one percent in Federal funding to New Jersey governments.*

Comparison of Federal funding for and among departments between 1978 and 1990 is revealing. Before discussing our findings, a couple of notes of caution are in order. For *transportation* and *environmental protection* we probably did not capture a good amount of the Federal funding for 1978. Certain amounts of this funding matched State bond monies or came through special projects that were not readily discernible from the 1978 formal budget data presented by the State. This is particular-

TABLE IX-XX
FEDERAL FUNDING TO GOVERNMENTS WITHIN NEW JERSEY
FY 1978 and FY 1990
(In Millions)

DEPARTMENT	FY 1978		FY 1990			Amount Growth 1978-1990		Percentage Growth 1978-1990	
	Absolute Amount	Percentage of Total Budget	Absolute Amount	Inflation Adjusted Amount ¹	Percentage of Total Budget	Absolute Amount	Inflation Adjusted Amount ¹	Absolute Percentage	Inflation Adjusted Percentage
Civil Service	\$ 1	—	—	—	—	-\$1	-\$1	-100%	-100%
Community Affairs	254	15%	\$ 448	\$ 228	12%	+193	-26	+76%	-10%
Corrections	1	—	2	1	—	+1	—	+100%	—
Defense	1	—	—	—	—	-1	-1	-100%	-100%
Energy	2	—	—	—	—	-2	-2	-100%	-100%
Environmental Protection	15	1%	270	137	7%	+254	+122	+1,693%	+813%
Health	52	3%	59	30	2%	+7	-22	+13%	-42%
Higher Education	21	1%	146	74	4%	+125	+53	+595%	+252%
Human Services	690	41%	1,694	864	44%	+1,004	+174	+146%	+25%
Labor and Industry	131	8%	180	91	5%	+48	-40	+37%	-31%
Law and Public Safety	41	2%	23	13	1%	-16	-28	-39%	-68%
Public Advocate	—	—	1	1	—	+1	+1	—	—
Public Education	171	10%	369	188	10%	+198	+17	+116%	+10%
State	—	—	1	1	—	+1	+1	—	—
Transportation	98	6%	601	307	16%	+503	+209	+513%	+213%
Treasury	219	13%	1	1	—	-218	-218	-100%	-100%
The Judiciary	—	—	26	13	1%	+26	+13	—	—
TOTALS	\$1,697	100%	\$3,820*	\$1,949	102%*	+\$2,122	+\$252	+128%	+15%
Medicaid	\$ 286	17%	\$1,085	\$ 553	28%	+\$799	+\$267	+279%	+35%
TOTALS Without Medicaid	\$1,411	83%	\$2,735	\$1,395	72%	+\$1,324	-\$16	+94%	-1%

*Because of rounding off, totals do not add up.

¹Amount/Percentage Controlling for Inflation was obtained by determining the increase in the *Consumer Price Index* from 1978—which was 67.7—to that of 1990—which was 133.8. During this time period, the *Consumer Price Index* rose 51 percent.

ly so within the environmental area. Despite this caution, given that our data is the best we have available, it shall serve as the basis of our analysis.

Several elements of the comparison showed significance regarding changes in the time period under analysis. A number of areas experienced substantial growth as a proportion of overall Federal funding. They included *environmental protection*, *transportation*, *higher education*, and *human services*. The largest growth between 1978 and 1990 in terms of its proportion of Federal monies was *environmental protection*, which increased from one to seven percent (from \$15 to \$270 million) of total Federal funding. Controlling for inflation, the 1990 figure becomes \$137 million, which still leaves us with over an 800 percent increase from 1978 to 1990.

A second area of substantial growth in Federal funding was for *higher education*. In 1978, \$21 million—one percent—of total Federal monies was provided for *higher education*. By 1990, such monies had jumped, in absolute dollars, to roughly \$150 million, or four percent of total Federal monies to New Jersey. Controlling for inflation, the increase is only to about \$75 million; however, this, nevertheless, still represents an increase of over 250 percent.

In terms of total dollars, the most important area of increase in Federal funding from 1978 to 1990 was for *human services*. Again, it should be noted that the explosion in Medicaid costs consumed most of this increase. Of the 1978 to 1990 increase in Federal monies for *human services*, from \$690 million to \$1.7 billion, Medicaid accounted for \$800 million of the one billion dollar increase. As the largest category of Federal monies in 1978, *human services* received roughly \$700 million or 41 percent of total Federal funding within New Jersey.

By 1990, funding to *human services*, which still remained the largest category, had increased, in absolute dollars, to \$1.7 billion—a roughly 150 percent increase during this period. As a proportion of total Federal monies, a comparison between 1978 and 1990 reveals an increase from 41 percent to 44 percent. Even controlling for inflation, a sizeable increase in total dollars occurred: Federal funding for *human services* increased from roughly \$700 to roughly \$864 million—an increase of 25 percent. Again, it should be borne in mind that much of this increase was for *human services*'s largest program—Medicaid, whose costs have been rising with the rapid overall increases in medical expenses within society. When adjusting for inflation, other *human service* programs actually received less funding in 1990 than in 1978.

Several policy areas witnessed a decline in their proportion of total Federal funding. The primary victim of such losses, both in terms of absolute dollars and in its proportion of total Federal monies, was *treasury*. In 1978, Federal monies to *treasury* amounted to approximately \$220 million, or 13 percent of total Federal monies; by 1990, however, Federal funding amounted to only a million dollars—this is less than one percent of total Federal monies. *This cutoff of almost all Federal funding is attributable to the termination of revenue-sharing by the Federal Government. Its cessation has meant the loss of an important source of Federal dollars for municipalities, counties, and the State. The majority of revenue-sharing monies went to local governments in New Jersey.* As revealed by the data, the discontinuation of revenue-sharing has dropped Federal monies to treasury items from 13 percent of total Federal monies in 1978 to an insignificant percent in 1990.

General Revenue-Sharing was a program of Federal aid to state and local governments which provided general fiscal support, unencumbered by serious restrictions on how the money could be spent or matching requirements for receiving it. The program originated in 1972, under the Nixon Administration, and was designed to reduce intergovernmental red tape, redistribute Federal funds to the more financially-strapped state and local governments, and raise monies from the most financially endowed level of government—the Federal Government.

During the initial five years of the program, over \$30 billion was distributed by the Federal Government to the states and localities under this program. In 1978, \$6.8 billion in *General Revenue-Sharing* was made available. Of this outlay, state governments received one-third of the amount and local governments two-thirds. In 1981, states were eliminated as recipients of the program. Authorization for *Revenue-Sharing* to local governments expired in 1986. In that final year, \$4.4 billion was provided to local governments under the program.

Another policy area experiencing a decline in its proportion of total Federal monies was *community affairs*. Whereas in 1978 it constituted 15 percent of Federal funding, in 1990 its share only amounted to 12 percent. This occurred despite an increase in absolute dollars from \$254 to \$448 million—an increase of over 75 percent. However, adjusting for inflation, Federal monies amounted to around \$225 million. Therefore, with inflationary growth discounted, there was actually an overall decrease in growth of about ten percent.

It should be noted that the period of 1978-1990 witnessed a relative decline in both Federal and State funding. Municipal, county, school district self-generated revenue and direct State operations grew much more rapidly than Federal and State funding. Conversely, in 1991, an extraordinary increase in State funding for public education occurred. This increase was much more important than the changes in any year between 1978 and 1990.

SECTION IV: COMPARISON OF STATE AND FEDERAL FUNDING, 1978 AND 1990

Our examination of funding to governments within New Jersey has, with occasional exception, focused on the individual role of State and Federal monies in attending to public responsibilities. From our analysis, we have gleaned the separate contributions of State and Federal funding to different governmental levels within New Jersey. In our prior discussion, we contrasted the fiscal contributions of State Government and the Federal Government to county and municipal governments, school districts, and local authorities covered by intergovernmental funding. In this section, we shall analyze the delineation of the roles played by the Federal and New Jersey Governments in delivering such monies to different policy areas.

Comparison State and Federal Funding, 1990

The comparison between 1990 Federal and State funding to different policy areas reveals some sharp contrasts. While, as we noted previously, State funding, at \$5.7 billion, surpasses the Federal funding amount of \$3.8 billion by one-third, discounting the Federal monies to State Government of \$2.4 billion exposes a differential in favor of State over Federal funding to New Jersey local governments of over 75 percent. Also, as noted previously, State monies were heavily oriented toward funding for *public education*, with roughly two-thirds of State monies going for this purpose; while, on the other hand, Federal monies were oriented toward underwriting *human services*, with roughly 50 percent of overall Federal monies earmarked for *human services*, most of which was Medicaid funding.

Our examination of Federal and State funding among the different policy areas reveals other contrasts. Besides *public education*, there is only one other policy area of State monies that comprised ten percent or more of total State funding. Most of the listed State monies through *Treasury*, which came to 17 percent of total State funding, consisted of *Gross Receipts and Franchise Tax* funding, which, given its origins, needs qualification in being listed as State monies. In contrast, Federal monies for both of these policy areas constituted much lesser percentages of total Federal funding. In contrast to roughly two-thirds of all State monies for *public education*, only ten percent of all Federal monies was given to this area. Also, in contrast to 17 percent of overall State monies funneled through *Treasury*, there was a miniscule amount of Federal money directed through *Treasury* (See Table IX-XXI).

Federal funding, in comparison with that of State Government, had four recipient policy areas that constituted ten percent or more of total Federal monies to New Jersey. They were *human services*—44 percent; transportation—16 percent; *community affairs*—12 percent; and *public education*—ten percent. With the exception of funding to *public education*, all of these areas constituted minor portions of total State funding. For the largest area of Federal funding—*human services*—in contrast to its share of total Federal funding of 44 percent, it constituted only seven percent of total State funding, thus reaffirming indirectly the heavy Federal Government involvement with *human services*. Transportation monies, while 16 percent of total Federal monies,

TABLE IX-XXI
COMPARISON FEDERAL WITH STATE FUNDING
FY 1990*
(In Millions)

DEPARTMENT	STATE FUNDING		FEDERAL FUNDING		FEDERAL-STATE FUNDING COMBINED	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
Community Affairs	\$ 281	5%	\$ 448	12%	\$ 729	8%
Corrections	58	1%	2	—	60	1%
Public Education	3,575	63%	370	10%	3,945	41%
Environmental Protection	164	3%	269	7%	433	5%
Health	22	—	59	2%	81	1%
Higher Education	124	2%	146	4%	270	3%
Human Services	409	7%	1,694	44%	2,103	22%
Labor	2	—	180	5%	182	2%
Law and Public Safety	2	—	23	1%	25	—
Public Advocate	—	—	1	—	1	—
State	1	—	1	—	2	—
Transportation	87	2%	599	16%	686	7%
Treasury	978	17%	1	—	979	10%
The Judiciary	1	—	26	1%	27	—
TOTALS	\$5,704	100%	\$3,820	102%	\$9,523	100%

*With rounding off, not all percentages and numbers total.

formed only two percent of total State funding. This again is reflective of the Federal primacy in this area as well. Similarly, *community affairs*, which was 12 percent of total Federal monies, formed only five percent of all State funding.

With the exception of *community affairs* monies, the differential in amounts of funding between the Federal and New Jersey Government for these four policy areas was wide. The gap was particularly pronounced for *public education* with the State expenditure level substantially greater than that of the Federal Government. Compared with Federal monies of \$1.7 billion for *human services*, New Jersey Government provided \$400 million—a differential of 325 percent. Federal monies of \$600 million for transportation contrasts with State monies of about \$90 million, making a difference of over \$500 million. Of the four policy areas, *community affairs* had the smallest differential—about \$450 million of Federal monies compared with roughly \$300 million of State funding.

The magnitude of the overall contribution of Federal and State monies to New Jersey is demonstrated by conjoining the amounts given by each level of government. Combined, the two governments contributed \$9.5 billion in funding within the State for 1990. Of this total, \$2.3 billion constituted Federal funding for State Government. State funding formed 60 percent of overall funding to New Jersey and Federal monies 40 percent. By whatever criteria utilized, the total amount is a sizeable amount of money.

Analyzing a breakout of the \$9.5 billion of combined funding in terms of the individual policy areas reveals some interesting patterns. *Public education* constituted the largest category of combined Federal-State money at \$3.9 billion of the \$9.5 billion total—over 40 percent of the total. The State contribution of the combined Federal-State figure was over 90 percent. The next largest funding category was *human services* at over two billion dollars, or over 20 percent of combined Federal-State funding. Here, the Federal share constituted over 80 percent of the combined amount. Funding for Treasury amounted to approximately a billion dollars, or ten percent, of combined Federal-State monies. Virtually all of this was attributable to State funding. The remainder of the policy areas, although not insignificant, constituted less than ten percent of combined Federal-State funding.

In order to achieve a more precise understanding of the financial impact of Federal and State funding on local governments in New Jersey, as well as make a comparison of the respective roles vis-a-vis local governments, we have provided a table that shows the distribution of Federal funding sans Federal monies to New Jersey State Government (Table IX-XXII). In contrast to the previous set of data which deals with total Federal money to New Jersey governments, without Federal funding to State Government the Federal funding package was reduced to \$1.5 billion. This latter figure contrasts with State funding to New Jersey local governments of \$5.7 billion. Thus, there is almost four times as much funding to local governments in New Jersey contributed by the State as by the Federal Government.

The discarding from our analysis of Federal funding to State Government, thus shifting the focus to the nature of intergovernmental funding to New Jersey local governments, reveals several important patterns. Most fundamental is in the area of *human services*. While Federal monies within New Jersey for *human services* totaled

TABLE IX-XXII
COMPARISON STATE AND FEDERAL FUNDING TO NEW JERSEY LOCAL GOVERNMENTS
FY 1990
(In Millions)

DEPARTMENT	STATE FUNDING		FEDERAL FUNDING		COMBINED FEDERAL-STATE FUNDING TO LOCALITIES	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
Community Affairs	\$ 281	5%	\$ 415	27%	\$ 696	10%
Corrections	58	1%	—	—	58	1%
Public Education	3,575	63%	346	23%	3,921	54%
Environmental Protection	164	3%	83	5%	247	8%
Health	22	—	39	3%	61	1%
Higher Education	124	2%	2	—	126	2%
Human Services	409	7%	493	32%	902	13%
Labor	2	—	45	3%	47	1%
Law and Public Safety	2	—	13	1%	15	—
Public Advocate	—	—	—	—	—	—
State	1	—	—	—	1	—
Transportation	87	2%	55	4%	142	2%
Treasury	978	16%	1	—	979	14%
The Judiciary	1	—	25	2%	26	—
TOTALS	\$5,704	99%*	\$1,517	100%	\$7,221	101%*

*Because of rounding off, percentages do not total 100 percent.

\$1.7 billion, without the portion that is received by State Government the amount of funding drops to less than \$500 million. Similarly, the share of total Federal monies for *human services* drops significantly when we focus solely on monies to New Jersey local governments. Whereas, when Federal funding to all governments in New Jersey is considered, *human services* constitutes 44 percent of all such monies; narrowing the focus to Federal funding of local governments reduces the *human services*' share to under a third of total Federal funding. Also, combined Federal-State monies for *human services* drops from over 20 percent of all funding to 13 percent when the focus is only on funding to local government units.

Focusing on the differences between the distribution of the total Federal funding and that solely to New Jersey local government reveals several other aspects that are significant. First, Federal monies to *transportation*, which under all Federal funding stood at \$600 million or 16 percent of total Federal funding, was reduced to under \$60 million—an amount less than five percent of Federal monies to New Jersey local governments. These differentials for *human services* and *transportation* underscore the sizeable orientation of Federal monies toward State Government, with the State having major roles in fulfilling such policy responsibilities.

In contrast, there are policy areas in which Federal monies are targeted at New Jersey local governments. Two policy areas in which Federal funding totals did not substantially decline when monies to the State was factored out are *community affairs* and *public education*. This lack of decline is reflective of the fact that for both of these policy areas, Federal money is oriented toward local governments rather than the State. Thus, for *community affairs*, the Federal money amounts drop from about \$450 million to \$415 million. However, there was an increase in the *community affairs*' proportion of total Federal funding. Under all Federal funding within New Jersey, *community affairs* constituted over ten percent of the total; factoring out Federal monies to the State, it constitutes over 25 percent of total Federal funding. A similar pattern holds for Federal monies to *public education*. Discarding from consideration Federal monies to the State results in a drop from about \$370 to around \$350 million. Compared to other policy areas, this is a rather insubstantial decline. Once again, the relative contribution of Federal funding is proportionately greater when Federal funding to the State is excluded from consideration. Whereas under all forms of Federal funding, *public education* received ten percent of Federal monies; under Federal monies solely to local governments its share rose to under 25 percent. Also, for combined Federal-State funding, when Federal funding to the State is excluded from analysis, its share of total Federal-State funding rose from over 40 percent to about 55 percent.

Comparison State and Federal Funding, 1978 and 1990

In the previous section, we examined the overall contribution of intergovernmental funding for 1990. To achieve a deeper perspective on the significance of the 1990 intergovernmental funding role, we shall, in the following section, compare 1990 funding with that of 1978. In doing so, we shall make explicit the underlying trends that have occurred during this time period. We shall begin by examining State-Federal funding for 1978, and then we shall compare such funding with that of 1990.

TABLE IX-XXIII
COMPARISON STATE-FEDERAL FUNDING
FY 1978
(In Millions)

Policy Area:	STATE FUNDING		FEDERAL FUNDING		COMBINED FEDERAL-STATE FUNDING	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
Civil Service			\$ 1	—	\$ 1	—
Community Affairs	\$ 109	4%	248	15%	357	8%
Corrections			1	—	1	—
Defense			1	—	1	—
Energy			2	—	2	—
Environmental Protection	6	—	15	1%	21	—
Health	12	1%	37	2%	49	1%
Higher Education	51	2%	23	1%	74	2%
Human Services	292	11%	690	41%	982	23%
Labor and Industry			131	8%	131	3%
Law and Public Safety	2	—	41	2%	43	1%
Public Education	1,241	47%	171	10%	1,412	33%
Transportation	20	1%	98	6%	118	3%
Treasury	898	34%	219	13%	1,117	26%
The Judiciary	2	—	—	—	2	—
TOTALS	\$2,633	100%	\$1,678	99%*	\$4,311	100%

*Because of rounding off, percentages do not total 100 percent.

In 1978, combined Federal-State funding came to \$4.3 billion, of which State monies constituted the majority component at about 60 percent—\$2.6 billion. Federal funding, in contrast, constituted 40 percent or \$1.7 billion. Several striking differences are evident between the distribution of Federal and State monies. Each government had its dominant areas of funding. For the State, it was *public education* which formed \$1.2 billion or nearly 50 percent of total State monies; for the Federal Government, it was *human services* which, at about \$700 million, formed over 40 percent of total Federal funding. Looked at, in its entirety, the distribution of State monies was more concentrated than the distribution of Federal monies. Two policy areas of State funding—*public education* and *treasury*—formed more than 80 percent of total State funding; while for Federal monies, a distribution of four policy areas combined—*human services*, *community affairs*, *treasury*, and *public education*—approached 80 percent of all Federal monies. Also, after *human services*, the rest of the policy areas' individual shares were each 15 percent or less of all Federal monies.

Conspicuous individual differences marked the contributions of Federal and State monies, highlighting the differences in funding priorities of the two levels of government. While New Jersey Government provided \$1.2 billion in funding for *public education*, the Federal contribution came to less than \$200 million. Similarly, funding for *treasury* items which came to \$900 million from the State—over a third of total State funding—constituted only about \$200 million of Federal funding.

Other areas reflect a dominant financial role by the Federal Government. The most salient of these was *human services* in which Federal monies of roughly \$700 million contrast with State monies of less than \$300 million. Sharp differentials also were found for *community affairs* and *labor and industry*. For the latter, a Federal contribution of over \$130 million contrasts with no State funding for this category. For *community affairs*' programs, the Federal Government's expenditure of about \$250 million contrasts with State monies of less than half—about \$110 million.

A comparison between 1978 and 1990 on the overall role of intergovernmental funding revealed solid overall growth in the amount of funding in absolute dollars—from \$4.3 to \$9.5 billion—while only a modest increase was incurred when adjusted for inflation. While there was a substantial increase in intergovernmental funding during this period, a larger growth in State direct service expenditures occurred. Both increases, however, were modest when controlled for inflation. Overall, the growth in intergovernmental funding was close to 120 percent; however, controlling for inflation the increase was somewhat over ten percent. In contrast, State expenditures for direct services increased from 1978 to 1990 to almost 170 percent; adjusting for inflation, the increase was under 40 percent.

An examination of the policy areas of growth and contraction reveals some interesting trends. It should be noted that our analysis was grounded in a comparison of each policy area's proportion of expenditures in 1978 and 1990. Regarding combined Federal and State funding, *public education* was the major beneficiary of the growth from 1978 to 1990, witnessing an increase in the amount of funding from \$1.4 billion to \$3.9 billion, and from 33 to 41 percent of overall intergovernmental monies. Other benefiting policy areas were *transportation*, whose proportion of all intergovernmental aid increased from three to seven percent, and *environmental protection*, whose proportion of all intergovernmental funding increased from \$21 to \$433 million during this period.

TABLE IX-XXIV
COMPARISON INTERGOVERNMENTAL FUNDING IN NEW JERSEY
FYs 1978 AND 1990
(In Millions)

POLICY AREAS	COMBINED FEDERAL-STATE FUNDING				
	1978		1990		
	Amount	% Total	Amount	Inflation Adjusted Amount*	% Total
Community Affairs	\$ 357	8%	\$ 729	\$ 372	8%
Corrections	1	-	60	31	1%
Defense (Military and Veterans' Affairs)	1	-	-	-	-
Energy	2	-	-	-	-
Environmental Protection	21	-	433	221	5%
Health	49	1%	81	41	1%
Higher Education	74	1%	270	138	3%
Human Services	982	23%	2,103	1,073	22%
Labor and Industry	131	3%	182	93	2%
Law and Public Safety	43	1%	25	13	-
Personnel (Civil Service)	1	-	-	-	-
Public Advocate	-	-	1	1	-
Public Education	1,412	33%	3,945	2,012	41%
State	-	-	2	1	-
The Judiciary	2	-	27	14	-
Transportation	118	3%	686	350	7%
Treasury	1,117	26%	979	499	10%
TOTALS	\$4,331	100%	\$9,523	\$4,859	101%**

*Amount Controlling for Inflation was obtained by determining the increase in the Consumer Price Index from 1978—which was 67.7—and comparing it to that of 1990—which was 133.8. During this time period, the Consumer Price Index rose 51 percent.

**Because of rounding off, percentages do not total to 100 percent.

Two major areas witnessed a decrease in their share of intergovernmental monies. *Treasury's* share of overall intergovernmental funding decreased by 16 percent—a good amount of this was due to the termination of Federal revenue-sharing. In fact, *treasury* is the only area, with sizable amounts of funding, to have suffered a net decline—going from \$1.1 billion to under a billion dollars between 1978 and 1990. *Human services*—which declined one percent—also experienced a decrease in its proportion of intergovernmental funding.

The overall numbers thus reveal a growing financial commitment to *public education* and growth in funding to areas such as *environmental protection* and *transportation*. On the whole, for this period, when we adjusted for inflation, there was only a modest increase in intergovernmental funding.

In conclusion, we note that during a period of relative decline in Federal funding, State monies also declined relatively. Municipal, county, school district, and direct State operations, based on their own generated revenues, grew more rapidly than Federal and State funding source. Conversely, in 1991, an extraordinary increase in State funding for *public education* occurred. This increase was much more important than the change in any year between 1978 and 1990.

APPENDIX A
STATE FUNDING TO LOCALITIES
FY 1978
(In Millions)

Program	Amount Expended	% Of Total
DEPARTMENT OF COMMUNITY AFFAIRS		
Revenue Sharing	\$ 50.0	
Neighborhood Preservation	1.0	
Revolving Housing Development Grants	.8	
In-Lieu of Taxes (Municipalities)	1.2	
Municipal Aid	38.9	
Safe & Clean Neighborhoods	12.0	
Aid to Depressed Rural Centers	.4	
Public Service Training Internships	.2	
Community Development	.4	
Youth Employment	1.9	
Economic Opportunity	.8	
Office of Hispanic Affairs	.5	
Special Youth Olympics	.1	
Program Development	.1	
County Offices on Aging	.4	
Nutrition		
SUBTOTAL	\$ 109	4%
DEPARTMENT OF EDUCATION		
General Formula Aid	\$680.0	
Pre-School Education for Handicapped	1.8	
Special Education	142.2	
State Contribution Teachers' Pensions		
Normal Contribution	\$104.3	
Accrued Liability	25.4	
Payment to Local Employee Veterans	.2	
Premium for Non-contributory Insurance	2.2	
Social Security Tax	85.9	
Pension Adjustments	24.7	
SUBTOTAL—State Contribution		
Teachers' Pensions	\$ 243	9%
School Building Aid	\$ 53.4	
Debt Service	15.2	
Computerized Bus Scheduling	.1	
Transportation Aid	80.4	
Evening School for Foreign-Born Residents	.2	

Program	Amount Expended	% Of Total
High School Equivalency	1.3	
Adult Education	1.1	
Adult Literacy	.9	
School Lunch Aid	9.8	
District & Regional Vocational Education	1.9	
Schools of Industrial Education	.1	
Vocational Education	4.5	
Work-Study Program	.5	
National Guard Cooperative Education	.1	
Emergency Fund	.5	
Public School Safety Act	2.5	
Educational Improvement Centers	1.2	
SUBTOTAL	\$1,241	47%

DEPARTMENT OF ENVIRONMENTAL PROTECTION

Shore Protection Projects (State Share)	\$ 3.8	
Solid Waste Management	.7	
Mosquito Control	.4	
Payment In-Lieu Taxes for Future Water Supply Facilities	.7	
Historic Restoration of Capitol	.1	
SUBTOTAL	\$ 6	—*

DEPARTMENT OF HEALTH

Community Health Services	\$ 2.2	
Assistance to Public General Hospitals	10.0	
SUBTOTAL	\$ 12	1%

DEPARTMENT OF HIGHER EDUCATION

Capital Projects	\$ 2.1	
Operational Costs	47.5	
Debt Service	1.8	
SUBTOTAL	\$ 51	2%

DEPARTMENT OF HUMAN SERVICES

Mental Health—Community Services

Support Patients in County Mental Hospitals	\$ 19.2
Community Mental Health	7.6

Income Maintenance

Cost of General Assistance to Municipalities (State Share)	\$ 35.4
Dependent Children Assistance— Regular Segment (State Share)	164.8

Program	Amount Expended	% Of Total
Emergency Assistance (State Share)	.6	
Supplemental Security Income (State Share)	16.2	
Dependent Children Assistance— Unemployed Father (State Share)	4.9	
Dependent Children Assistance—Insufficient Employment Parents (State Share)	9.0	
Youth and Family Services		
Child Care Services (State Share) Licenses	\$ 34.6	
SUBTOTAL	\$ 292	11%

DEPARTMENT OF LAW AND PUBLIC SAFETY

Fees to Counties & Municipalities from Sale of Solid Fuel Licenses	\$ 1.6	
Payment Fees to Counties & Municipalities from Sale of Poultry Licenses	.2	
Non-Federal Share of Law Enforcement Assistance Action Grants	.6	
SUBTOTAL	\$ 2	—*

DEPARTMENT OF TRANSPORTATION

Elimination of Grade Crossing	\$.2	
Federal Aid Highway Projects (State Share)	19.7	
SUBTOTAL	\$ 20	1%

DEPARTMENT OF THE TREASURY

Public Utility Tax	\$126.1	
Gross Receipts	441.7	
In-Lieu Railroad Property Taxes Compensation (Municipalities)	7.0	
Business Personal Property Tax Replacement (Municipalities)	127.0	
Homestead Exemptions (Municipalities)	139.5	
Reimbursement—Senior Citizens' and Veterans' Tax Exemptions	50.4	
Reimbursement—County Boards of Taxation	.4	
Services to State-Owned Property (Municipalities)	5.5	
SUBTOTAL	\$ 898	34%

Program	Amount Expended	% Of Total
THE JUDICIARY		
Payment Counties—40% County Judges' Salaries	\$ 1.6	—*
TOTAL STATE FUNDING	\$2,633	100%

*Subtotal equals less than one percent of total State funding.

APPENDIX B
FEDERAL FUNDING TO STATE
FY 1978
(In Millions)

Program	Amount Expended	% Of Total
LEGISLATIVE BRANCH	\$.1	—*
EXECUTIVE BRANCH		
Chief Executive's Office:	\$.1	—*
Department of Agriculture:	\$.4	—*
Department of Civil Service:		
Intergovernmental Personnel Act	\$.4	
Other Federal Programs	.2	
SUBTOTAL	\$.6	—*
Department of Community Affairs:		
Community Development Block Grants	\$113.0	
Operating Subsidies to Housing Authorities (Estimate)	35.0	
Debt Payment for Housing Authorities (Estimate)	45.0	
Comprehensive Assistance Improvement to Housing Authorities (1979)	35.0	
Community Action Program—Union County	.3	
Cooperative Governmental Planning	1.0	
Cooperative Governmental Planning —Older Americans' Act	5.6	
Energy Code Enforcement	5.1	
Food Distribution	.5	
Housing for Handicapped—Section VIII	3.2	
Nutrition for the Elderly	7.7	
Senior Employment	.9	
Senior Citizen Centers	.5	
Technical Assistance	.5	
Various Federal Programs	1.1	
SUBTOTAL	\$248	15%
Department of Corrections:		
Electrical Improvements—Rahway State Prison	\$ 1.1	—*

Program	Amount Expended	% Of Total
Department of Defense:	\$ 0.5	—*
Department of Education:		
Adult Basic Education	\$ 2.9	
Child Nutrition	62.0	
Homemaking Education	1.0	
Elementary & Secondary Education Act, Titles I,II,IV,VI	78.0	
Equal Educational Opportunity	.3	
Indo-China Refugees	.2	
Migrant Education	4.1	
National Guard Vocational Education	.3	
New Jersey Job Corps	3.3	
Public Library Services	1.6	
Special Education Resources Centers	.5	
Training of Vocational Education Personnel	.3	
Teacher Training—Special Education—Graduate Program	.3	
Veterans Readjustment Benefits	.3	
Vocational Education—Basic Grants	11.7	
Vocational Education—Program Improvements & Supportive Service	2.0	
Vocational Education—Disadvantaged	.6	
Other Federal Programs	1.3	
SUBTOTAL	\$171	10%
Department of Energy:		
Peakload Pricing	\$.4	
Solar Hot Water Grant	.1	
State Energy Conservation	.6	
Supplemental State Conservation Plan	.1	
Weatherization Project	.7	
Other Federal Programs	.2	
SUBTOTAL	\$2	—*
Department of Environmental Protection:		
Air Pollution	\$ 3.0	
Areawide Waste Treatment	.8	
Boating Safety	.3	
Coastal Zone Management	.4	
Economic Development—Liberty Park	1.9	
Federal Dam Inspection	.2	
Flood Plain—Phase III	.9	
Forest Management	.5	

Program	Amount Expended	% Of Total
Hunters' & Anglers' License Fund	.8	
Outdoor Recreation	2.6	
Solid Waste Planning	.2	
Statewide Historic Preservation Plan	.2	
Water Pollution	1.6	
Safe Drinking Water	.2	
Young Adult Conservation Corps	.4	
Young Conservation Corps	.4	
Other Federal Programs	1.0	
SUBTOTAL	\$15	9%

Department of Health:

Alcoholism Treatment	\$ 1.5	
Cancer Study	.3	
Comprehensive Community Narcotics	5.8	
Crippled Children	1.7	
Disabled Children's Treatment	.1	
Drug Abuse	1.0	
Emergency Medical Services	1.2	
Health Insurance Benefits	.4	
Health Planning & Development	.7	
Hospital Construction	5.2	
Hypertension Treatment	.3	
Maternal & Child Health	3.3	
Prospective Hospital Rate Setting	.5	
Public Health—General	2.2	
Regional Drug Abuse	1.0	
Rodent Control	.8	
Special Alcoholism Treatment	.3	
Supplemental Food	8.6	
Vaccination Assistance Project IV	.3	
VD Casefinding Program IV	.6	
Other Federal Programs	1.1	
SUBTOTAL	\$37	2%

Department of Higher Education:

Basic Educational Opportunity	\$ 9.7	
College of Agriculture & Experimental Science	.3	
College Work-Study	2.5	
Dormitory for Handicapped Children	.5	
Educational Opportunity Grants Program	.5	
Higher Education Act, Title I (1965)	.5	
Law Enforcement Training	.6	
National Defense Education Act— Student Loan Fund	2.8	

Program	Amount Expended	% Of Total
Reinsurance Recoveries Refunds	.1	
State Student Incentive Grants	1.6	
Supplementary Educational Opportunity Grants	.7	
Teacher Corps Program	.4	
Other Federal Programs	1.1	
SUBTOTAL	\$23	1%

Department of Human Services

Child Support & Paternity	\$ 9.8	
Child Welfare Services	1.8	
Cuban Refugee Assistance	6.2	
Dependent Children Assistance (AFDC)	259.2	
Developmental Disabilities	.6	
Public Welfare Administration	4.3	
Education Building	4.2	
Food Stamps	8.9	
Foster Grandparents	.6	
Indo-Chinese Refugees	.6	
Intermediate Care Facilities— Mental Retardation	2.1	
Life Safety Renovations	.4	
Medical Assistance	286.4	
Mental Health Services	.3	
Rehabilitation of the Blind	4.1	
Social Services	88.3	
Supplemental Security Income	3.0	
Training	1.3	
Veteran's Care & Treatment	2.1	
Work Incentive & Day Care	4.3	
Other Federal Programs	1.8	
SUBTOTAL	\$690	41%

Department of Labor & Industry:

CETA Programs	\$ 20.4
Employment Security-Administration	2.5
Employment Security Planning & Research	2.1
Employment Services	20.1
Old Age Survivor's Insurance Administration	8.5
Rehabilitation—Innovation & Expansion	.3
Rehabilitation—Supplemental Security Income Beneficiaries	1.2
Manpower Service Staff	6.7
Unemployment Insurance	42.6
Vocational Rehabilitation Services	14.8

Program	Amount Expended	% Of Total
Vocational Rehabilitation Services—		
Disability Insurance Beneficiaries	2.2	
Work Incentives	7.7	
Other Federal Grants	1.8	
SUBTOTAL	\$131	8%
Department of Law & Public Safety		
Disaster Relief	\$ 1.3	
Anti-Discrimination	.4	
Highway Safety	17.2	
S.L.E.P.A.	20.5	
State & Local Government Costs	.9	
Other Federal Programs	.2	
SUBTOTAL	\$41	2%
Department of the Public Advocate	\$.1	—*
Department of State		
Council on the Arts	\$.2	
Other Federal Programs	.2	
SUBTOTAL	\$.4	—*
Department of Transportation		
Airport Funds	\$ 10.3	
Mercer County Free Fare	.4	
Operating Assistance—Section V	33.5	
Public Transportation Equipment	.5	
Railroad Rehabilitation	1.4	
Transportation Construction	48.2	
Transportation Planning	3.2	
Other Federal Programs	.5	
SUBTOTAL	\$98	6%
Department of Treasury		
Revenue Sharing	\$219**	13%
TOTAL FEDERAL FUNDING	\$1,678	99%

*Subtotal equals less than one percent of total Federal funding.

**It should be noted that revenue-sharing was eliminated in 1986.

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RECOMMENDATIONS

As a consequence of the Commission's work on intergovernmental flows, we scrutinized the presentation of the State's annual budget document. As the official document on State financing, its mission is the reporting of the total amounts of appropriated monies of State Government. The following constitutes the Report's recommendations to improve reporting within the *New Jersey Budget* so as to more accurately reflect the character of State and Federal aid and intergovernmental flows. Our recommendations are as follows:

RECOMMENDATION I: The Commission recommends that the *State Aid Section* of the budget be renamed *State Aid and Intergovernmental Transfers*. In line with this recommendation we also suggest the recommended changes that are to follow.

Adoption of this recommendation will enable the section of the New Jersey Budget dealing with State funding of New Jersey local governments to more fully reflect the flow of funds from the State to New Jersey local governments. In this report, the Commission has identified an additional two billion dollars of money flowing from the State to our local governments which is not now displayed in the existing *State Aid* section of the *New Jersey Budget*. It is in the interest of the Governor, the Legislature, New Jersey local governments, and the general public to properly understand the magnitude of such funding.

RECOMMENDATION II: The Commission recommends that the \$685 million of *Gross Receipts* funding to municipal government be distinctively treated in the new *State Aid and Intergovernmental Transfers Section*. *Gross Receipts* should be displayed in a unique category described as *Municipal Revenue Collected by the State for Municipal Purposes*.

This approach will clearly reflect the inherently municipal nature of these funds and the large amount of monies transmitted through this *intergovernmental account*. After the property tax, *Gross Receipts* is the single largest source of municipal revenue.

RECOMMENDATION III: The Commission recommends that Federal aid to local governments, that passes through the State, be displayed within the new *State Aid and Intergovernmental Transfers Section* of the budget.

Each individual item of such Federal aid would be displayed, under the appropriate set of functional categories that constitute *State Aid and Intergovernmental Transfers*. The State budget reporting practice is to display Federal funds below the line. Adoption of our recommendation would also entail the appropriate reduction of Federal aid under *Direct State Services*. For FY 1990, \$1.2 billion of such Federal aid moved through the State to New Jersey local governments.

RECOMMENDATION IV: The Commission recommends that special revenue and bond funds utilized by local governments be displayed in the new *State Aid and Intergovernmental Transfers Section*.

Such monies constitute large sources of State funding to local governments—coming to approximately \$200 million in FY 1990—and thus need to be noted. Our recommendation is for these individual items to be reported below the line on the appropriate page.

RECOMMENDATION V: The Commission recommends the transfer of the two budget items of *Purchase of Correction Services* and *Human Service Advisory Councils* from *Grants-In-Aid* to the new *State Aid and Intergovernmental Transfers Section* of the budget.

Both of these items are State funds to counties rather than funds which go predominately to the nonprofit sector. The *Purchase of Correctional Services*, which came to \$51 million in FY 1990 is intergovernmental funding, and *Advisory Council* monies, which came to nine million dollars, constitutes intergovernmental aid.

RECOMMENDATION VI: The Commission recommends that the State share of Medicaid monies provided to county operated nursing homes and to county psychiatric facilities be displayed, but not budgeted, in the new *State Aid and Intergovernmental Transfers Section*. All Medicaid funds would continue to be budgeted through the *Grants-In-Aid* portion of the budget.

It is the Commission's opinion that the amount of State Medicaid monies going to county nursing homes and county psychiatric facilities be displayed below the line in our recommended *State Aid and Intergovernmental Transfers Section*. Such monies came to \$54 million in FY 1990 and thus are worthy of inclusion. Second, the Medicaid breakout of appropriated monies, under the *Grants-In-Aid Section*, has a total amount for all nursing homes. The Commission recommends that the sub-category of Medicaid monies for county nursing homes be present separately, as is the entry for county psychiatric facilities, so as to reflect the intergovernmental character of the program. It should also be noted that there is another \$54 million of Federal aid from Medicaid for the nursing homes, plus another \$28 million of Federal Medicaid funds to county nursing homes through the *Peer Grouping Program*.

RECOMMENDATION VII: Any State aid funding, contained in the *Property Tax Relief Fund* and the *Casino Revenue Fund*, should also be displayed below the line in the *State Aid and Intergovernmental Transfers* portion of the budget.

Both of these categories of funds contain expenditures which constitute State aid or intergovernmental transfers, with the former comprising a significant share of such funding. In particular, the overwhelming share of the *Property Tax Relief Fund* is State aid for public education to the local school districts. Under the *Grants-In-Aid Section* of the *Casino Revenue Fund*, there are several sections, such as *Pharmaceutical Assistance to the Aged and Disabled* and Medicaid costs which are provided to county institutions, and thus should be placed in the new *State Aid and Intergovernmental Transfers Section*.

RECOMMENDATION VIII: The State Budget should display the amount of Federal funds going to New Jersey local governments which totally bypass the State.

Although these funds do not affect the State budget process, they are very important to municipal and county governments, which are the recipients of Community Development Block Grants, and housing authorities, which receive the majority of their expenditures from the Federal Government. The Department of Community Affairs would monitor these programs and provide the previous years expenditure for these programs to *Treasury* for display in the State Budget. In 1990 \$226 million went to Housing Authorities and \$87 million came from the Community Development Block Grant.

ABOUT THE COMMISSION

The New Jersey Legislature established the State Commission on County and Municipal Government in 1966 with the charge to "study the structure and functions of county and municipal government . . . and to determine their applicability in meeting the present and future needs of the State and its political subdivisions." Since then, the Commission has had a long record of making a positive contribution to the legislative process, to improving the effectiveness of local government operations and to harmonizing policy between county and municipal government and the State government. The Commission, by amendment to its enabling act, became permanent in 1991.

To achieve as broad a representation as possible, the Commission is composed of fifteen members, with nine members named by the Governor, three Senators named by the President of the Senate, and three members of the Assembly named by the Speaker of the General Assembly. Of the Governor's appointees, three are nominees of the New Jersey Association of Counties, three are nominees of the New Jersey State League of Municipalities, and three are from among the citizens of the State.

The Commission has worked extensively on structural studies dealing with the organization and form of county and municipal government. The Commission also engages in functional studies that are focused upon the services that local governments provide or should so provide. The intergovernmental functional studies have included examinations of solid waste, water supply, sewerage, roads, open space, judicial, human service and redevelopment programs. In addition, a series of informational periodicals and handbooks are published for the use of officials administrators and other interested in New Jersey government.

The newly enacted legislation expands the Commission's duties to include the examination of the relationship between local government and the federal government. The legislation also explicitly authorizes the Commission to study the transfer of functions from one level of government to another, the purchase of services on a contractual basis, the establishment of regional special districts, authorities and commissions, and the merger of autonomous agencies into the existing structure of county and municipal government.

While the Commission's research effort are primarily directed toward continuing structural and functional studies, its staff is often asked to assist in the drafting of legislation and regulatory action based upon Commission recommendations. Numerous legislative bills have been enacted to implement Commission recommendations. The Commission also serves as a general resource to the legislature, executive agencies, local government officials and civic organizations, as well as to related activities at the national level.

FUTURE PUBLICATIONS OF THE STATE COMMISSION ON COUNTY AND MUNICIPAL GOVERNMENT

- Municipal Volunteers and Independent Boards
- Local Budget Reporting
- Thoughts on the Forms of County Government
- Open Space and Recreation in New Jersey

PAST REPORTS OF THE STATE COMMISSION ON COUNTY AND MUNICIPAL GOVERNMENT

The Organization and Dynamics of Social Services in New Jersey, June 1979
Forms of Municipal Government in New Jersey, January 1979 (In cooperation with
the Bureau of Government Research, Rutgers, The State University of New
Jersey)

- *Local Highway and Road Programs: The Capacity of Federal and Aid Programs to
Meet Increasing Needs, September 1978
- Computer Utilization by Local Government, November 1977
- *Flood Control Management: An Overview of Issues and Responses, November 1977
- Bus Transportation: State-Local Roles and Responsibilities, May 1977
- *Aspects of Law Enforcement in New Jersey, June 1976
- Water Supply Management in New Jersey: Summary of Findings, April 1975
- Community Health Services: Existing Patterns, Emerging Trends, November 1974
- *Housing and Suburbs: Fiscal and Social Impact on Multifamily Development
(Summary of Findings), October 1974
- Water Quality Management: New Jersey's Vanishing Options, June 1973
- Solid Waste: A Coordinated Approach, September 1972
- A Public Personnel Information System For New Jersey, March 1972 (In cooperation
with the Bureau of Government Research, Rutgers, The State University of New
Jersey)
- *Consolidation: Prospects and Problems, February 1972
- *Beyond Local Resources: Federal/State Aid and the Local Fiscal Crisis, April 1971
- Joint Services: A Practical Guide to Reaching Joint Service Agreements, May 1971
(In cooperation with the New Jersey Department of Community Affairs)
- *Joint Services: A Local Response to Area-Wide Problems, September 1970
- County Government: Challenge and Change, April 1969
- Creative Localism: A Prospectus, March 1968

**Available upon request*

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