

ANALYSIS OF THE NEW JERSEY
FISCAL YEAR 2003 - 2004 BUDGET



DEPARTMENT OF ENVIRONMENTAL
PROTECTION

PREPARED BY

OFFICE OF LEGISLATIVE SERVICES

NEW JERSEY LEGISLATURE

APRIL 2003

NEW JERSEY STATE LEGISLATURE

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DEPARTMENT OF ENVIRONMENTAL PROTECTION

Budget Pages..... C-10; C-17; C-23; C-29; D-139 to
D-170; E-8 to E-10

Fiscal Summary (\$000)

	Expended FY 2002	Adjusted Appropriation FY 2003	Recommended FY 2004	Percent Change 2003-04
State Budgeted	\$411,726	\$392,849	\$370,133	(5.8)%
Federal Funds	36,493	204,652	218,806	6.9%
<u>Other</u>	<u>24,562</u>	<u>41,507</u>	<u>42,473</u>	<u>2.3%</u>
Grand Total	\$472,781	\$639,008	\$631,412	(1.2)%

Personnel Summary - Positions By Funding Source

	Actual FY 2002	Revised FY 2003	Funded FY 2004	Percent Change 2003-04
State	3,238	3,055	3,115	2.0%
Federal	116	112	111	(0.9)%
<u>Other</u>	<u>80</u>	<u>71</u>	<u>77</u>	<u>8.5%</u>
Total Positions	3,434	3,238	3,303	2.0%

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

Introduction

The Department of Environmental Protection (DEP) protects and manages the State's natural resources, fish and wildlife; preserves open space for recreation and conservation purposes; monitors the State's rivers, beaches and ocean waters; regulates air and water pollution, radiation, pesticides, and hazardous waste generation; coordinates the remediation of pollution problems; and manages various aspects of solid waste disposal. The department operates many types of remedial, research and regulatory programs, many of which are directly or indirectly supported by revenues generated from general user fees, permit or license fees, penalty and fine charges, special taxes, bond acts, federal funds, and constitutional dedications.

Key Points

- The department's total State appropriation is recommended at \$370.1 million, a decrease of \$22.7 million or 6 percent less than the FY 2003 adjusted funding level. State monies are allocated from the General Fund and the Property Tax Relief Fund.
- The recommended **General Fund** (GF) appropriation is \$359.7 million, a decrease of \$22.7 million or 6 percent below the current adjusted funding level. Exclusive of Debt Service obligations, the recommended GF total is \$291.6 million, a net decrease of \$13.9 million or 5 percent less than the FY 2003 adjusted appropriation.
- The **Property Tax Relief Fund - State Aid** recommendation is \$10.5 million, the same as the current appropriation total, which supports the Payment in Lieu of Taxes program (\$8 million) and the County Environmental Health Act account (\$2.5 million).
- The **Direct State Services** (DSS) portion of the General Fund is recommended at \$206.7 million, a decrease of \$8.2 million or 4 percent under the current adjusted appropriation. Notable changes in the **DSS** budget are listed below in the following six items:
- Special Purpose funding is eliminated for the Expenses of the Delaware and Raritan Canal Commission account, which currently receives \$232,000 and supports three positions.
- The current Dam Safety appropriation is reduced from \$1.5 million to \$1.3 million and its funding support is shifted to the Shore Protection Fund in the Capital Construction portion of the budget, where it is consolidated with the Dam Repairs account.
- The Parks Management salary account is reduced by \$3.3 million, of which \$1.3 million is projected to be offset by appropriated revenues from a scheduled increase in Parks fees.
- The Corporation Business Tax (CBT) dedication for the Water Resources Monitoring and Planning account is increased by \$3.2 million, to \$12.4 million. New budget language authorizes \$3.4 million from this account to replace GF reductions in the following program areas: Forest Resource Management (\$500,000); N.J. Geological Survey (\$1.4 million); Watershed Management (\$157,000); Water Monitoring and Planning (\$800,000); and the Conservation Cost Share program in the Department of Agriculture (\$540,000).
- The CBT dedication for the administration of CBT-funded site remediation projects, as appropriated to the Cleanup Projects Administrative Costs account, is increased from \$5.0 million to \$6.7 million.
- The N.J. Environmental Management System account is reduced by \$500,000 to \$1.5 million, due to savings from non-recurring costs for integrated database system expenses.
- No **Grants-In-Aid** (GIA) funding is recommended in FY 2004. The current budget includes \$500,000 for Statewide Community Forestry grants and \$5 million for Statewide Livable Communities grants.
- The **State Aid** (SA) appropriation from the General Fund is recommended at \$4.3 million, a decrease of \$165,000 or 4 percent below the current funding level. The decrease is attributable to the elimination of the Grants to Local Environmental Commissions program.
- **Capital Construction** (CC) appropriations are recommended at \$80.7 million, a net decrease of only \$65,000. Major funding changes, by Statewide Program, are as follows:

Key Points (Cont'd)

- *Natural Resource Management:* A total of \$25 million is recommended for three accounts to be supported by the Shore Protection Fund (pending legislation to allow the Fund to support flood control and dam projects): \$12.5 million for Beach Restoration, \$8.3 million for HR6 Flood Control, and \$4.3 million for Dam Repairs, of which \$1.3 million is designated for dam safety administration costs. In FY 2003, the Shore Protection Fund provided \$25 million for Beach Restoration, while GF funds supported HR6 Flood Control at \$8.7 million, Dam Repairs at \$3 million, and Dam Safety at \$1.5 million.
- *Site Remediation:* A combined total of \$55.7 million, an increase of \$14.2 million or 34 percent over the current funding level, is recommended for Hazardous Substance Discharge Remediation (\$30.7 million) and Private Underground Tank Remediation (\$25.0 million). Both accounts are supported by constitutionally dedicated CBT revenues.
- The **Debt Service** portion of the General Fund appropriation is recommended at \$68.1 million, a decrease of \$8.8 million or 11 percent less than the current year requirement.
- **Federal Funds** are anticipated at \$218.8 million in FY 2004, a net increase of \$14.2 million or 7 percent higher than the current authorized total. No significant funding changes in current programs are indicated. The largest single increase in new funding is a \$5 million grant for brownfields development activities.
- The **All Other Funds** or off-budget segment of the budget is estimated at \$42.5 million, a net increase of \$1 million or 2 percent over the current adjusted total. The majority of this increase, \$600,000, is expected from Private Well Testing Program fees, a new program implemented in September, 2002.
- Significant new budget language provisions concern the allocation of monies from the CBT-funded Water Resources Monitoring and Planning account and the Shore Protection Fund to accounts currently supported by General Fund monies; the appropriation of some air, water and solid waste fine revenues to support the expansion of compliance and enforcement activities; and the use of CBT monies to remediate State-owned hazardous site and underground storage tank properties.

Background Paper

- Shore Protection Fund

p. 29

Program Description and Overview

The functions and programs of the Department of Environmental Protection (DEP) are grouped and displayed in the Budget Recommendation within six Statewide Program designations: Natural Resource Management, Science and Technical Programs, Site Remediation and Waste Management, Environmental Regulation, Environmental Planning and Administration, and Compliance and Enforcement. The DEP budget also includes funding or administrative support for various independent agencies that are budgetarily located "in, but not of" the department, such as the Natural Lands Trust, the Palisades Interstate Park Commission, the Hazardous Waste Facilities Siting Commission, the Pinelands Commission and the N.J. Environmental Infrastructure Trust.

It is also worth noting that the DEP helps manage two major programs that are not funded from its budget. First, in the Department of the Treasury's budget (Budget page D-473) under "Solid Waste Management-County Environmental Investment Debt Service Aid," \$57.7 million is recommended to continue the State subsidy for counties with stranded debt costs incurred from the building of solid waste facilities. Second, in the Interdepartmental Accounts budget (Budget page D-501) under "Garden State Preservation Trust Fund Account," \$98 million is again appropriated from constitutionally dedicated sales tax revenues for the State Open Space initiative, which includes the Green Acres program. The department will also be responsible in FY 2004 for assuming the Green Acres-related duties heretofore carried out by staff of the Garden State Preservation Trust, whose administrative budget is recommended for elimination.

Budget/Organizational Structure

In the Budget Recommendation, each Statewide Program consists of program classifications. These designations generally correspond to an agency's functional or organizational structure and reflect the operating levels at which specific appropriations are recommended. The following is a brief description of each Statewide Program (with two-digit budget code) and its program classifications as they appear in the Budget Recommendation:

Natural Resource Management (42). Comprised of seven program classifications: Forest Resource Management, Parks Management, Hunters' and Anglers' License Fund, Shellfish and Marine Fisheries Management, Wildlife Management, Natural Resources Engineering, and the Palisades Interstate Park Commission. Organizationally, this portion of the budget funds the Division of Fish and Wildlife, the Division of Parks and Forestry, the Green Acres Office, the Engineering and Construction unit (shore protection, dredging, dam safety, flood control), and the New Jersey portion of the Palisades Interstate Park Commission.

Science and Technical Programs (43). Comprised of seven program classifications: Water Supply and Watershed Management, Water Monitoring and Planning, Land Use Regulation, Science, Research and Technology, New Jersey Geological Survey, Environmental Remediation and Monitoring, and Watershed Management. Organizationally, this part of the budget generally supports the department's research and planning functions in the areas of land use (i.e. waterfront development, CAFRA, wetlands) and watershed/water supply management.

Site Remediation and Waste Management (44). Comprised of three program classifications: Solid and Hazardous Waste Management, Remediation Management and Response, and Environmental Remediation and Monitoring. This segment of the budget is responsible for managing the cleanup of sites contaminated by hazardous substances, including brownfields, and for solid/hazardous waste regulation. These activities, as carried out by the Division of Solid and Hazardous Waste Management, the Division of Remediation Support, and the Division of Remediation Management and Response, are mostly supported by dedicated tax revenues, responsible party cost recoveries, federal funds, and other non-State funding sources.

Program Description and Overview (Cont'd)

Environmental Regulation (45). Comprised of four program classifications: Radiation Protection, Air Pollution Control, Water Pollution Control, and Public Wastewater Facilities. Organizationally, this section of the budget supports the Division of Safety, Health and Analytical Programs, the Division of Water Quality, and the Office of Pollution and Release Prevention.

Environmental Planning and Administration (46). Comprised of two program classifications: Regulatory and Governmental Affairs, and Administration and Support Services. Organizationally, this portion of the budget funds the Commissioner's Office and all the department's support units that perform administrative, budget, legal, legislative and public information functions.

Compliance and Enforcement (47). Comprised of five program classifications: Air Pollution Control, Pesticide Control, Water Pollution Control, Land Use Regulation, and Solid and Hazardous Waste Management. Organizationally, this part of the budget supports the compliance and enforcement units responsible for laws pertaining to pesticide control, coastal and land use, solid and hazardous waste, air and environmental quality, and water pollution control.

FY 2004 Budget Overview

The department's total State-funded budget recommendation is \$370.1 million. Of this amount, \$359.7 million is supported by the General Fund while the balance of \$10.5 million comes from the State Aid portion of the Property Tax Relief Fund. The non-State funding sources of the department's budget consist of Federal funds, authorized at \$218.8 million, and Other Funds (i.e. off-budget, dedicated revenues), recommended at \$42.5 million. These four funding sources total \$631.4 million, a decrease of \$7.6 million or 1 percent under the FY 2003 adjusted total of \$639 million.

The total **General Fund** (GF) recommendation of \$359.7 million reflects a decrease of \$22.7 million or 6 percent less than the FY 2003 adjusted appropriation of \$382.4 million. The GF appropriation is divided into five funding categories, as summarized below:

Direct State Services

The Direct State Services (DSS) category represents the department's day-to-day operating budget. Its recommendation of \$206.7 million is \$8.2 million or 4 percent lower than the current adjusted budget of \$214.9 million. Notwithstanding the net 4 percent reduction in most operating accounts, the DSS budget contains no new funding proposals, no major program reductions, and eliminates only one Special Purpose program, the \$232,000 appropriation for the "Expenses of the Delaware and Raritan Canal Commission" account. Another line item, "Dam Safety," is transferred to the Capital Construction budget category, as explained later in this section.

The most notable change or new feature of the recommended DSS budget is the expanded use of special revenue funding sources, namely, dedicated funds from the Corporation Business Tax (CBT) and the Shore Protection Fund. These funding sources are used to replace \$4.1 million in GF monies that would otherwise have been appropriated to the following DSS program areas: Forest Resource Management, \$500,000; N.J. Geological Survey, \$1.4 million; Watershed Management, \$157,000; Water Monitoring and Planning, \$800,000; and Dam Safety administration, \$1.3 million. All but the last account, which would be supported by the Shore Protection Fund pending enabling legislation, will be supported from the CBT appropriation for the "Water Resources Monitoring and Planning" account, pursuant to new budget language. This language also allocates CBT funds for a grant program in the Department of Agriculture.

Program Description and Overview (Cont'd)

Grants-In-Aid

No funding is recommended for new or ongoing Grants-In-Aid (GIA) programs in FY 2004. The department's FY 2003 Budget includes \$500,000 for Statewide Community Forestry grants and \$5 million for Statewide Livable Communities grants, the latter program added by the Legislature in FY 2003 to help municipalities build or upgrade playgrounds and other recreational facilities. It should be noted, however, that the elimination of GIA funding does not affect all of the department's grant programs. Grants for recycling, Clean Communities, Green Acres, underground storage tanks, county solid waste facility debt, and other programs still exist, but are funded either from other budget categories such as State Aid, from off-budget accounts supported by bonds or federal monies, or from other State agencies such as the Economic Development Authority or the Environmental Infrastructure Trust.

State Aid (General Fund)

The recommended State Aid (GF) budget is \$4.3 million, a decrease of \$165,000 or 4 percent below the current funding level. The decrease is attributable to the elimination of funding for the "Grants to Local Environmental Commissions" account. The remaining appropriation balance will provide administrative funding of \$1.3 million to the Mosquito Control Commission and \$3 million to the Pinelands Commission.

State Aid (Property Tax Relief Fund)

This portion of the department's State Aid budget is supported by the Property Tax Relief Fund and is recommended at \$10.5 million, the same as the current total. The appropriation consists of \$8 million for the Payment In Lieu of Taxes program and \$2.5 million for local support under the County Environmental Health Act.

Capital Construction

The Capital Construction (CC) budget is recommended at \$80.7 million, a net decrease of only \$65,000 from the current total. Three Parks Management appropriations totaling \$2.5 million are not continued, nor is the \$125,000 appropriation for mosquito control equipment. Key changes, however, are found in the Natural Resource Management section of the CC budget, where the annual appropriation of \$25 million to the Shore Protection Fund is recommended but is divided into three separate line items rather than the single line item currently budgeted for beach replenishment projects.

Although this annual dedication of realty transfer tax revenues is statutorily required to fund shore protection projects, the Administration plans to use \$12.5 million of this appropriation in FY 2004 to fund the HR6 Flood Control, Dam Repairs, and Dam Safety programs, thereby replacing GF appropriations that normally support these accounts. While new budget language is proposed to authorize these allocations, legislation is also required to expand the purposes of the realty transfer tax dedication.

The HR6 Flood Control account is recommended at \$8.3 million, a reduction of \$356,000 from its current appropriation. This account provides the State matching share for federally-funded flood control projects. New language is also proposed that allocates \$325,000 from this account to pay the administrative costs of the State Flood Control Program. The Dam Repairs account is recommended at \$4.3 million but consists of two components: \$3 million for dam repairs, which matches the current appropriation for this activity, and \$1.3 million for dam safety inspection

Program Description and Overview (Cont'd)

(pursuant to new budget language). As previously noted, the dam safety account currently receives a DSS appropriation of \$1.5 million, or \$204,000 more than the amount authorized in the proposed budget language.

Under Site Remediation, \$55.7 million is recommended for programs supported by constitutionally dedicated Corporation Business Tax (CBT) revenues, an increase of \$14.2 million or 34 percent above the current funding level. Of this sum, \$30.7 million is recommended for the "Hazardous Substance Discharge Remediation-Constitutional Dedication" account and nearly \$25 million is recommended for the "Private Underground Tank Remediation-Constitutional Dedication" account. New budget language is also proposed that authorizes portions of the hazardous substance remediation appropriation to pay for State-owned site cleanups. Since the CBT appropriations are based on a fixed percentage of annual CBT revenue collections, the recommended increases reflect a projected overall increase in CBT collections during 2003 and 2004, largely due to significant revisions to the CBT initiated in 2002. Periodic adjustments to funding levels based on actual CBT collection rates are usually made later in the fiscal year.

Fee Increases

During the FY 2003 budget process, the Administration announced a two-year initiative to increase DEP fee revenues by approximately \$18 million per year in order to provide greater funding support for various regulatory programs and services. Many such fee increases were subsequently implemented during FY 2003, while others will be raised during FY 2004. The affected fee changes listed in **Schedule 2 - Other Revenues** of the Budget Recommendation will be appropriated directly to the department through budget language while the fee increases listed in **Schedule 1 - State Revenues** will be deposited in the General Fund.

The Administration also proposes to raise all State Parks fees in 2003 and has projected an increase of \$1.3 million in revenues from this action. The Parks Management salary appropriation has been reduced by \$1.3 million in FY 2004 to reflect these fee rate increases, which will be appropriated to the department pursuant to new budget language.

Debt Service

The department's recommended Debt Service obligation for FY 2004 is \$68.1 million, a decrease of \$8.8 million or 11 percent under the current funding level. This change is due in part to the refinancing of bond debt in late 2001 and the gradual retirement of bonds from older bond acts. While the State's sale (in March, 2003) of \$500 million in bonds to fund the State's Open Space initiative will increase future debt service requirements, the annual \$98 million appropriation of constitutionally dedicated sales tax revenues for Open Space purposes will be used to meet these costs.

Non-State Funds

Off-Budget

The department's off-budget accounts are displayed under the **All Other Funds** funding source designation in the Budget Recommendation and are referred to in this report as **Other Funds**. These accounts contain revenues from special use taxes, bonds, special license plates, wildlife donations, the sale of merchandise or services, and other sources, most of which are itemized under **Schedule 2 - Other Revenues**. Revolving Funds accounts are also included in this category. Off-

Program Description and Overview (Cont'd)

budget monies are appropriated directly to the department for program support, usually through budget language, but are not calculated or counted as on-budget appropriations due to the uncertainty of the amounts ultimately generated or needed for such support.

In FY 2004, off-budget funding is estimated at \$42.5 million, a net increase of \$1 million or 2 percent above current budgeted levels. While most of these accounts are not expected to differ significantly in FY 2004, the largest single increase is attributable to \$600,000 in new fee revenues estimated to be generated from the recently established Private Well Testing Program.

Federal Funds

The department anticipates it will receive \$218.8 million in federal funding in FY 2004, a net increase of \$14.2 million over the current appropriation level. This estimate will likely be revised later in the budget process as more information on the proposed federal FY 2004 Budget becomes available. As displayed on Budget pages C-23 and C-24 of **Schedule 2 - Other Revenues**, the department receives federal funding for 65 separate programs and activities, not including sub-grant funds received from other State agencies. One notable change is an anticipated \$5 million in new funding for brownfields development activities. No other significant changes or new major funding initiatives are projected.

Positions

According to the Administration, over 1,000 positions are scheduled to be eliminated Statewide in FY 2004, largely through attrition, the Early Retirement Incentive and the elimination of certain programs. It is unclear at this time how this figure will affect the department or whether layoff procedures will be implemented. In any event, most salary account reductions in the department's budget are the result of funded vacancies becoming unfunded or eliminated.

As displayed in the Budget Recommendation and in the **Fiscal and Personnel Summary** section of this report, the FY 2002 and FY 2003 position data figures indicate the actual number of employees on the department's payroll at a given point in time. In contrast, the FY 2004 figures reflect the total number of positions to be funded without regard to vacancy status. The Budget Recommendation lists 3,115 State-funded positions in FY 2004, as compared to the FY 2003 payroll count of 3,055 positions. Total funded positions, including those supported from federal or other non-State accounts, are estimated at 3,303 in FY 2004 as compared to the FY 2003 payroll count of 3,238 positions.

Budget Language

Significant budget language provisions that are not continued include:

- Appropriation of \$550,000 from the Clean Communities Fund for the State Parks litter pickup program;
- Authorization to appropriate sums from the Motor Vehicle Inspection Fund for inspection and maintenance costs incurred by the department; and
- Appropriation of \$800,000 from the Safe Drinking Water Fund to support Total Maximum Daily Load activities.

Program Description and Overview (Cont'd)

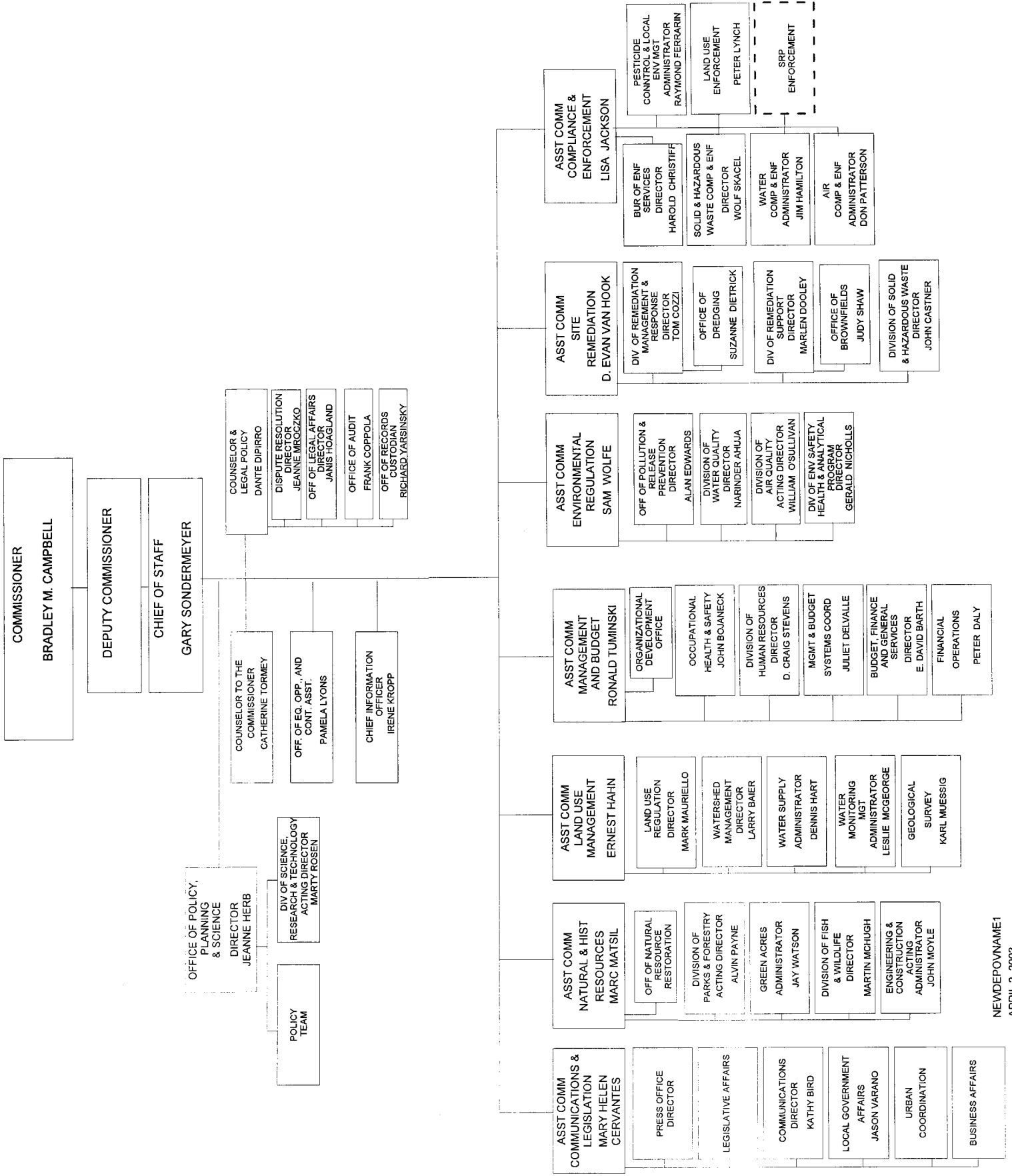
Significant new budget language proposals include:

- Allocations totaling \$3.4 million from Corporation Business Tax (CBT) revenues dedicated to water resources to replace GF funding in related program areas, including a grant program in the Department of Agriculture;
- Allocations from the Shore Protection Fund to administer the State Flood Control and Dam Safety programs;
- Allocation of about half of the \$25 million appropriation from the Shore Protection Fund to replace GF funding for the HR6 Flood Control and Dam Repair programs;
- Authorization to appropriate natural resources damages recoveries for natural resources projects; and
- Appropriation of \$1.5 million in excess fine revenues to the department from air pollution, clean water enforcement and solid waste regulation for expansion of program enforcement activities.

More detailed information concerning these and other proposed budget language changes can be found in the **Language Provisions** section of this report.

Organization Chart

NEW JERSEY DEPARTMENT OF ENVIRONMENTAL PROTECTION



Fiscal and Personnel Summary

AGENCY FUNDING BY SOURCE OF FUNDS (\$000)

	Expended FY 2002	Adj. Approp. FY 2003	Recom. FY 2004	Percent Change	
				2002-04	2003-04
<u>General Fund</u>					
Direct State Services	\$235,153	\$214,898	\$206,692	(12.1)%	(3.8)%
Grants-In-Aid	9,839	5,500	0	(100.0)%	(100.0)%
State Aid	6,054	4,420	4,255	(29.7)%	(3.7)%
Capital Construction	96,715	80,745	80,680	(16.6)%	(0.1)%
Debt Service	54,279	76,833	68,053	25.4%	(11.4)%
Sub-Total	\$402,040	\$382,396	\$359,680	(10.5)%	(5.9)%
<u>Property Tax Relief Fund</u>					
Direct State Services	\$0	\$0	\$0	0.0%	0.0%
Grants-In-Aid	0	0	0	0.0%	0.0%
State Aid	9,686	10,453	10,453	7.9%	0.0%
Sub-Total	\$9,686	\$10,453	\$10,453	7.9%	0.0%
<u>Casino Revenue Fund</u>	\$0	\$0	\$0	0.0%	0.0%
<u>Casino Control Fund</u>	\$0	\$0	\$0	0.0%	0.0%
State Total	\$411,726	\$392,849	\$370,133	(10.1)%	(5.8)%
<u>Federal Funds</u>	\$36,493	\$204,652	\$218,806	499.6%	6.9%
<u>Other Funds</u>	\$24,562	\$41,507	\$42,473	72.9%	2.3%
Grand Total	\$472,781	\$639,008	\$631,412	33.6%	(1.2)%

PERSONNEL SUMMARY - POSITIONS BY FUNDING SOURCE

	Actual FY 2002	Revised FY 2003	Funded FY 2004	Percent Change	
				2002-04	2003-04
State	3,238	3,055	3,115	(3.8)%	2.0%
Federal	116	112	111	(4.3)%	(0.9)%
All Other	80	71	77	(3.8)%	8.5%
Total Positions	3,434	3,238	3,303	(3.8)%	2.0%

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

AFFIRMATIVE ACTION DATA

Total Minority Percent	14.4%	14.7%	15.1%	----	----
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Significant Changes/New Programs (\$000)

<u>Budget Item</u>	<u>Adj. Approp.</u> <u>FY 2003</u>	<u>Recomm.</u> <u>FY 2004</u>	<u>Dollar</u> <u>Change</u>	<u>Percent</u> <u>Change</u>	<u>Budget</u> <u>Page</u>
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NATURAL RESOURCE MANAGEMENT**DIRECT STATE SERVICES****Special Purpose:**

Expenses of the
Delaware and Raritan
Canal Commission

\$232	\$0	(\$232)	(100.0)%	D-146
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The Delaware and Raritan Canal Commission oversees the development of the Delaware and Raritan Canal State Park. This account pays the administrative expenses of the Commission and its three-person staff.

Dam Safety(b)	\$1,458	\$0	(\$1,458)	(100.0)%	D-146
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This account supports the administrative costs of the department's Dam Safety Inspection program. As noted in footnote (b) on Budget page D-150, funding for this activity will be moved in FY 2004 to a new Capital Construction account called "Shore Protection Fund Projects-Dam Repairs" (see Budget page D-149). The new account will be funded from the \$25 million Shore Protection Fund appropriation that had heretofore been used exclusively for shore protection projects. The use of Shore Protection Fund monies, which are derived from realty transfer tax revenues, to support this new account will require the enactment of enabling legislation.

The new Dam Repairs account is recommended to receive \$4.3 million, of which \$1.3 million would be allocated for dam safety administration according to proposed budget language. This amount would be \$204,000 less than the current funding level for this activity.

GRANTS-IN-AID

**Statewide Community
Forestry Program**

\$500	\$0	(\$500)	(100.0)%	D-146
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This program was established by the Legislature in the FY 2000 Budget to provide municipalities and counties with matching grants for tree planting on publicly owned or controlled lands. Matching grants are also provided to municipalities to implement the Community Stewardship Incentive Program, under which local tree management plans are developed.

**Statewide Livable
Communities**

\$5,000	\$0	(\$5,000)	(100.0)%	D-146
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This grant program was added in the FY 2003 budget by the Legislature to help municipalities with the costs of building or upgrading playgrounds and other recreational park facilities. In addition to the current appropriation, \$2.05 million in similar appropriations to other departments were transferred to this account to augment grant awards.

Significant Changes/New Programs (\$000) (Cont'd)

<u>Budget Item</u>	<u>Adj. Approp. FY 2003</u>	<u>Recomm. FY 2004</u>	<u>Dollar Change</u>	<u>Percent Change</u>	<u>Budget Page</u>
CAPITAL CONSTRUCTION					
Bureau of Parks:					
Historic Preservation/ Renovation- Buildings, Structures and Monuments	\$2,200	\$0	(\$2,200)	(100.0)%	D-147
Administrative/ Maintenance Facilities Renovation, Rehabili- tation & Maintenance	\$200	\$0	(\$200)	(100.0)%	D-148
Overnight Facilities - Development, Rehab- ilitation, Improvement and Repair	\$100	\$0	(\$100)	(100.0)%	D-148
No funding is recommended to continue the support of these State Park maintenance accounts.					
Shore Protection Fund					
Projects - Beach Restoration	\$25,000	\$12,452	(\$12,548)	(50.2)%	D-149
Shore Protection Fund Projects - HR-6 Flood Control	\$0	\$8,294	\$8,294	—	D-149
Shore Protection Fund Projects - Dam Repairs	\$0	\$4,254	\$4,254	—	D-149
Dam Repairs	\$3,000	\$0	(\$3,000)	(100.0)%	D-149

The Shore Protection Fund is supported by an annual dedication of \$25 million in realty transfer tax revenues, pursuant to P.L. 1992, c.148. These monies are statutorily required to fund shore protection projects and have been used, for the most part, as the State matching share for federally-funded beach replenishment projects. In FY 2004, the Administration plans to use \$12.5 million of this appropriation to fund the existing HR6 Flood Control and Dam Repairs accounts.

Although new budget language is proposed to authorize these allocations, legislation amending P.L. 1992, c.148 is also required. This proposal serves to replace General Fund monies that would otherwise support the recommended total of \$12.5 million for the two non-shore related accounts. The Administration has stated that \$13.1 million in unspent Shore Protection Fund monies will be used in FY 2004 to offset the reduction in the Beach Restoration account.

The HR6 Flood Control account provides the State matching share for federally-funded flood control projects. Its recommended appropriation of \$8.3 million is \$356,000 lower than its FY 2003

Significant Changes/New Programs (\$000) (Cont'd)

<u>Budget Item</u>	<u>Adj. Approp. FY 2003</u>	<u>Recomm. FY 2004</u>	<u>Dollar Change</u>	<u>Percent Change</u>	<u>Budget Page</u>
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appropriation. In addition, new language is proposed that allocates \$325,000 from this account to pay the administrative costs of the State Flood Control Program.

The Dam Repairs account consists of two components: \$3 million for dam repairs, which matches and replaces its current, State-funded capital appropriation, and \$1.3 million for dam safety, which is allocated by new budget language. As previously noted, dam safety currently receives \$1.5 million in a DSS line item account.

FEDERAL FUNDS

Forest Resource Management	\$1,471	\$2,634	\$1,163	79.1%	D-149
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The recommended increase includes additional federal funding for the following grants or programs: Cooperative Forest Fire Control, Gypsy Moth Suppression, Community Forestry Assessment, Firewise in the Pines, Wildlife/Urban Interface, Defensible Space, and the Incentives Program.

Wildlife Management	\$0	\$1,331	\$1,331	—	D-149
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The recommended appropriation level anticipates new federal funding from the Endangered and Nongame Species - State Wildlife Grants program.

ALL OTHER FUNDS

Natural Resources Engineering	\$1,900	\$2,500	\$600	31.6%	D-150
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The recommended amount indicates an anticipated increase in local government matching funds for federally-funded beach restoration projects. Federal appropriations normally cover 65 percent of project costs, with the State contributing 25 percent and local governments responsible for 10 percent.

SCIENCE AND TECHNICAL PROGRAMS**DIRECT STATE SERVICES**

Water Monitoring and Planning	\$1,547	\$736	(\$811)	(52.4)%	D-153
New Jersey Geological Survey (b)	\$1,398	\$0	(\$1,398)	(100.0)%	D-153
Watershed Management (b)	\$413	\$0	(\$413)	(100.0)%	D-153

Significant Changes/New Programs (\$000) (Cont'd)

<u>Budget Item</u>	<u>Adj. Approp. FY 2003</u>	<u>Recomm. FY 2004</u>	<u>Dollar Change</u>	<u>Percent Change</u>	<u>Budget Page</u>
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The recommended appropriation levels for these three budget classifications are directly affected by new budget language that offsets these reductions with allocations from the Water Resources Monitoring and Planning - Constitutional Dedication account as follows: \$800,000 to Water Monitoring and Planning; \$1.4 million to New Jersey Geological Survey; and \$157,000 to Watershed Management. Footnote (b) on Budget page D-155 also clarifies this action, which serves to replace General Fund support with dedicated Corporation Business Tax (CBT) revenues annually appropriated for water resources activities. As indicated in the next budget item, this CBT account's recommended increase of \$3.2 million provides sufficient funding to support these allocations.

The \$157,000 allocation for Watershed Management, which conducts planning and analyses of water-related issues, is \$256,000 less than its current appropriation of \$413,000. However, the recommended appropriation levels for New Jersey Geological Survey and Water Monitoring and Planning are nearly identical to their current funding levels.

Special Purpose:

**Water Resources Moni-
toring and Planning -
Constitutional
Dedication**

	\$9,257	\$12,447	\$3,190	34.5%	D-154
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This account receives the annual constitutional dedication of Corporation Business Tax (CBT) revenues that is designated for water resources projects. Since the amount appropriated is based on a fixed percentage of total CBT revenues collected each year, the recommended increase reflects a projected overall increase in CBT collections during 2003 and 2004, largely due to tax revisions initiated in 2002. As noted in the preceding budget item, about \$2.3 million of this increase will be allocated to offset GF reductions in three water-related program areas, pursuant to new budget language. This language also allocates \$500,000 to the Forest Resource Management accounts and \$540,000 to the Department of Agriculture's Conservation Cost Share program

CAPITAL CONSTRUCTION

**Flood Control HR6
Projects**

	\$8,650	\$0	(\$8,650)	(100.0)%	D-155
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As previously explained, this appropriation provides the State matching share for federally-funded flood control projects. In order to reduce General Fund obligations in FY 2004, the Administration proposes to appropriate \$8.3 million from the Shore Protection Fund to support this account, a decrease of \$356,000, and to move the account to the Natural Resource Management section of the department's budget. Recommended budget language also allocates \$325,000 from the account to support the administrative costs of the State Flood Control program, an expense that was previously supported by bond funds.

Significant Changes/New Programs (\$000) (Cont'd)

<u>Budget Item</u>	<u>Adj. Approp. FY 2003</u>	<u>Recomm. FY 2004</u>	<u>Dollar Change</u>	<u>Percent Change</u>	<u>Budget Page</u>
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SITE REMEDIATION AND WASTE MANAGEMENT**DIRECT STATE SERVICES****Special Purpose:****Cleanup Projects****Administrative Costs -****Constitutional****Dedication**

	\$5,020	\$6,740	\$1,720	34.3%	D-158
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This account receives the annual constitutional dedication of Corporation Business Tax (CBT) revenues that pays the department's administrative costs for hazardous site cleanup projects funded by similarly dedicated CBT revenues. Since the amount appropriated is based on a fixed percentage of total annual CBT revenues, the recommended increase reflects a projected overall increase in CBT collections during 2003 and 2004, largely due to tax revisions initiated in 2002.

CAPITAL CONSTRUCTION**Hazardous Substance****Discharge Remediation****Constitutional****Dedication**

	\$22,870	\$30,710	\$7,840	34.3%	D-159
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Private Underground**Tank Remediation -****Constitutional****Dedication**

	\$18,600	\$24,970	\$6,370	34.2%	D-159
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These accounts receive the annual constitutional dedication of Corporation Business Tax (CBT) revenues that are designated to finance the costs of hazardous site cleanups and private underground storage tank remediations. The latter program mainly supports loans and grants administered through the Economic Development Authority to upgrade, replace or close underground storage tanks. New budget language is also proposed to allocate portions of the hazardous site account for State-owned site cleanups.

Since the amounts appropriated are based on a fixed percentage of total annual CBT revenues, the recommended increases reflect a projected overall increase in CBT collections during FY 2003 and FY 2004, largely due to tax revisions enacted in 2002.

FEDERAL FUNDS**Remediation Manage-
ment and Response**

	\$37,305	\$42,960	\$5,655	15.2%	D-159
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This line item includes \$30 million in federal Superfund money, which the State expects to receive during both FY 2003 and FY 2004. The recommended increase represents a new \$5 million federal grant for brownfields projects.

Significant Changes/New Programs (\$000) (Cont'd)

<u>Budget Item</u>	<u>Adj. Approp.</u> <u>FY 2003</u>	<u>Recomm.</u> <u>FY 2004</u>	<u>Dollar</u> <u>Change</u>	<u>Percent</u> <u>Change</u>	<u>Budget</u> <u>Page</u>
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ENVIRONMENTAL PLANNING AND ADMINISTRATION**DIRECT STATE SERVICES****Special Purpose:**

New Jersey Environmental Management System

	\$2,000	\$1,500	(\$500)	(25.0)%	D-165
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This account finances enhancements to the department's integrated database system. Its purpose is to aid staff in issuing permits and enforcement documents, evaluating compliance, tracking fees and fines, and providing better environmental information to the public. Budget language authorizes this appropriation to be payable from revenues generated by planned fee increases in various programs. The recommended reduction is attributable to savings from non-recurring startup costs.

STATE AID

Grants to Local Environmental Commissions

	\$165	\$0	(\$165)	(100.0)%	D-166
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This program annually awards \$1,000 to \$2,500 matching grants to over 70 municipal environmental commissions and several soil conservation districts to support their efforts in monitoring and assessing local and state environmental issues. Until FY 1996, the program was supported by penalty and fine revenues. Since FY 1996, the General Fund has supported this account.

CAPITAL CONSTRUCTION

Mosquito Control Equipment

	\$125	\$0	(\$125)	(100.0)%	D-166
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These funds are generally used by the State Mosquito Control Commission to replace mosquito control equipment used by counties and the Rutgers' Agricultural Experiment Station.

Language Provisions

NATURAL RESOURCE MANAGEMENT

2003 Appropriations Handbook2004 Budget Recommendations

p. D-150

No comparable language.

In addition to the amount hereinabove for Forest Resource Management, an amount not to exceed \$500,000 shall be made available from the Water Resources Monitoring and Planning-- Constitutional Dedication special purpose account, to support nonpoint source pollution and watershed management programs in the Bureau of Forestry.

Explanation

The proposed language allocates the cited amount to replace General Fund monies that would otherwise be budgeted for forestry operations similar to those referenced therein. The source account is funded from constitutionally dedicated Corporation Business Tax (CBT) revenues annually appropriated for water resources programs. Its recommended increase of \$3.2 million provides sufficient funding to support this and other allocations, as contained in related new language detailed later in this section.

2003 Appropriations Handbook2004 Budget Recommendations

p. B-55

p. D-150

An amount equivalent to 75% of receipts in excess of the amount anticipated from fees and permit receipts from the use of State park and marina facilities, and the unexpended balance as of June 30, 2002 of such receipts, are appropriated for Parks Management, subject to the approval of the Director of the Division of Budget and Accounting.

[An amount equivalent to 75% of receipts] Receipts in excess of the amount anticipated from fees and permit receipts from the use of State park and marina facilities, and the unexpended balance as of June 30, [2002] 2003 of such receipts, are appropriated for Parks Management, subject to the approval of the Director of the Division of Budget and Accounting.

Explanation

This provision is amended to allow all, rather than 75 percent, of "excess" parks and marina revenues to be appropriated directly to the department for Parks Management operations. The amended language is proposed in conjunction with planned rate increases in all State park and marina fees during FY 2004. These increases, projected at \$1.3 million, are intended to offset a portion of the recommended reduction in the Parks Management salary account.

Language Provisions (Cont'd)

2003 Appropriations Handbook

2004 Budget Recommendations

p. B-55

In addition to the amount hereinabove for Park Management, \$550,000 is appropriated from the Clean Communities Fund to offset the cost of Parks' litter pickup program.

No comparable language.

Explanation

The enactment of P.L. 2002, c.128 in December, 2002 revived the Clean Communities program by reinstating the State litter tax, retroactive to January 1, 2002. This act also provides litter tax revenues to support the State recycling grants program, which has been relying on State funds rather than State recycling tax revenues since the tax expired in 1997. Since both grant programs will now be supported by the new litter tax, the allocation for Parks' litter pickup is no longer available for this purpose.



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2004 Budget Recommendations

p. B-55

The amount hereinabove for Shore Protection Fund Projects is payable from the receipts of the portion of the realty transfer tax directed to be credited to the Shore Protection Fund pursuant to section 1 of P.L.1992, c.148 (C.13:19--16.1).

p. D-151

The amount hereinabove for Shore Protection Fund Projects -- Beach Restoration, Shore Protection Fund Projects -- HR--6 Flood Control, and Shore Protection Fund Projects -- Dam Repairs is payable from the receipts of the portion of the realty transfer tax directed to be credited to the Shore Protection Fund pursuant to section 1 of P.L.1992, c.148 (C.13:19--16.1) subject to the enactment of enabling legislation.

Explanation

The current language identifies the funding source, realty transfer tax receipts, of the \$25 million capital appropriation annually dedicated for beach replenishment and shore protection projects. The amended language reflects the Administration's plan to use about half of this appropriation to fund the existing HR6 Flood Control and Dam Repairs accounts, at \$8.3 million and \$4.3 million respectively. The Dam Repairs account would, pursuant to new language explained below, allocate \$1.3 million for dam safety administration. The HR6 Flood Control account provides the State matching share for federally-funded flood control projects. As noted in the recommendation, "enabling" legislation is required to amend P.L. 1992, c.148 to expand the purposes of the dedication beyond shore protection projects. This proposal serves to replace General Fund monies that would otherwise support the recommended total of \$12.5 million for these two non-shore protection accounts.

Language Provisions (Cont'd)

2003 Appropriations Handbook

2004 Budget Recommendations

p. D-150

No comparable language.

An amount not to exceed \$325,000 is allocated from the capital appropriation for Shore Protection Fund Projects -- HR--6 Flood Control for costs attributable to the operation and administration of the State Flood Control Program, subject to the approval of the Director of the Division of Budget and Accounting and subject to the enactment of enabling legislation.

No comparable language.

An amount not to exceed \$1,254,000 is allocated from the capital appropriation for Shore Protection Fund Projects -- Dam Repairs for costs attributable to the operation and administration of the Dam Safety program, subject to the approval of the Director of the Division of Budget and Accounting and subject to the enactment of enabling legislation.

Explanation

These provisions are recommended to provide administrative support for the Dam Safety and Flood Control programs from the Shore Protection Fund. As noted in the preceding explanation, the two accounts are recommended to receive a total of \$12.5 million from the Fund, which is supported by an annual dedication of \$25 million in realty transfer tax revenues. The \$325,000 allocation for the flood control program is needed to offset the depletion of bond monies that were previously used for administrative costs. The dam safety allocation replaces the current General Fund appropriation of \$1.5 million in this Direct State Services account.



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2004 Budget Recommendations

p. D-151

No comparable language.

Of the amount hereinabove for Shore Protection Fund Projects -- Dam Repairs, such sums as are necessary may be transferred to Grants--In--Aid for the repair of non--State owned dams, subject to the approval of the Director of the Division of Budget and Accounting.

Language Provisions (Cont'd)

Explanation

This provision authorizes the transfer of monies from the subject capital account to a grants-in-aid account so grants may be provided to repair privately-owned dams. As previously noted, \$3 million of the \$4.3 million appropriation recommended for this capital account is designated for dam repairs, the same amount appropriated from State funds for this purpose in FY 2003.



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No comparable language.

2004 Budget Recommendations

p. D-151

All natural resource damages recovered by the State shall be deposited in the Hazardous Discharge Site Cleanup Fund, established pursuant to N.J.S.A. 58:10--23.34, and are appropriated for the restoration of natural resources injured by discharges at contaminated sites, or for projects that compensate the public for the lost use of natural resources, and for restoring, conserving and improving parks facilities.

Explanation

This language authorizes and clarifies the utilization of monies recovered by the State from parties responsible for the contamination of natural resources. While some of these funds were used in the past for the restoration of natural resources, the proposed language provides specific direction for any future cost recoveries of this nature.



SCIENCE AND TECHNICAL PROGRAMS

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p. B-57

There is allocated from the Motor Vehicle Inspection Fund, established in subsection j. of R.S.39:8--2, such sums as may be necessary to administer and implement the Inspection and Maintenance program, subject to the approval of the Director of the Division of Budget and Accounting.

2004 Budget Recommendations

No comparable language.

Language Provisions (Cont'd)

Explanation

This provision refers to laws pertaining to the State's efforts to comply with Federal Clean Air Act standards and was first included in the FY 1997 Budget to cover any costs incurred in implementing these standards. The cited Fund is supported by automobile registration fees that are deposited in the General Fund for general purpose expenditures. The language is eliminated because the department receives sufficient funding for its Clean Air Act efforts through regular budgeted appropriations.

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p. B-57

The unexpended balance as of June 30, 2002 in the Action Now Projects -- Safe Drinking Water Fund account is appropriated and up to \$600,000 shall be made available to the Private Well Testing program.

2004 Budget Recommendations

p. D-156

There is appropriated from the Safe Drinking Water Fund an amount not to exceed \$600,000 to administer the Private Well Testing Program.

Explanation

This language is amended to reflect the elimination of the Action Now Projects account, which was included in the FY 2002 Budget to help finance water intervention projects that would have an immediate impact on water quality. Since the account's \$2.5 million appropriation from the Safe Drinking Water Fund was not utilized during FY 2002, the current language reappropriated this amount into FY 2003 and allocated a portion of it to implement the newly established Private Well Testing program. The amended language continues support for the Private Well Testing program but deletes the Action Now account reference because this program has not been incorporated into the present Administration's watershed management policy.

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p. B-57

The unexpended balance as of June 30, 2002 in the Safe Drinking Water Fund account, not to exceed the \$800,000 budgeted for Total Maximum Daily Load (TMDL) activities, is appropriated.

2004 Budget Recommendations

No comparable language.

Language Provisions (Cont'd)

Explanation

The cited account supports the department's regulation and management of the State's drinking water programs. It was increased by \$800,000 in FY 2002 to facilitate water quality assessment efforts, which included contracting for analyses of Total Maximum Daily Load (TMDL) factors in each of the State's 20 watershed management areas. Since these analyses were not conducted in FY 2002, this language was adopted to carry forward \$800,000 from the account to finance these analyses in FY 2003. The provision is not needed in FY 2004 because future TMDL analyses will be funded from dedicated Corporation Business Tax revenues appropriated to the Water Resources Monitoring and Planning - Constitutional Dedication account.



2003 Appropriations Handbook

No comparable language.

2004 Budget Recommendations

p. D-156

Notwithstanding any law to the contrary, funds shall be made available from the Water Resources Monitoring and Planning--Constitutional Dedication special purpose account to support nonpoint source pollution and watershed management programs within the Department of Environmental Protection in the amounts of \$800,000 for Water Monitoring and Planning, \$1,392,000 for New Jersey Geological Survey, \$157,000 for Watershed Management, and \$500,000 for Forestry Management, and \$540,000 shall be made available to support the Conservation Cost Share program in the Department of Agriculture, subject to a Memorandum of Understanding between the Commissioner of the Department of Environmental Protection and the Secretary of Agriculture that the use of the funds shall be consistent with the State's watershed management goals.

Explanation

The subject account is funded by the constitutional dedication of Corporation Business Tax (CBT) revenues that are annually allocated for water resources projects. The FY 2004 recommendation is \$12.4 million, an increase of \$3.2 million over the current appropriation. The proposed language utilizes this increase (plus \$189,000) to replace, and thereby reduce, General Fund obligations in the cited program areas.

The \$157,000 allocation for Watershed Management is \$256,000 less than its current appropriation of \$413,000. However, the recommended appropriation levels for New Jersey Geological Survey, Water Monitoring and Planning, and the Department of Agriculture's program are identical or nearly identical to their current funding levels.

Language Provisions (Cont'd)

SITE REMEDIATION AND WASTE MANAGEMENT

2003 Appropriations Handbook2004 Budget Recommendations

p. D-160

No comparable language.

Of the amount hereinabove appropriated for Hazardous Substance Discharge Remediation--Constitutional Dedication, an amount up to \$5,000,000, as determined by the Director of the Division of Budget and Accounting, shall be made available for site remediation costs associated with State--owned properties.

No comparable language.

Of the unexpended balances in the hereinabove account for Hazardous Substance Discharge Remediation--Constitutional Dedication, such sums as necessary, as determined by the Director of the Division of Budget and Accounting, shall be made available for site remediation costs associated with State--owned underground storage tanks.

Explanation

The subject account is funded by the constitutional dedication of Corporation Business Tax (CBT) revenues that are annually allocated for hazardous site cleanups on privately-owned properties. The FY 2004 recommendation is \$30.7 million, an increase of \$7.8 million over the current appropriation. The proposed language takes advantage of this increase by broadening the authorized use of this dedication to include the financing of site remediations at State-owned properties and at State-owned sites contaminated by underground storage tanks.



COMPLIANCE AND ENFORCEMENT

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p. D-170

No comparable language.

Receipts in excess of the amount anticipated for Air Pollution, Clean Water Enforcement and Solid Waste fines, not to exceed \$1,500,000, are appropriated for the expansion of compliance, enforcement and permitting efforts in the department, subject to the approval of the Director of the Division of Budget and Accounting.

Language Provisions (Cont'd)

Explanation

The proposed language appropriates to the department up to \$1.5 million in fine and penalty receipts that are collected in excess of the amounts anticipated for air pollution, clean water and solid waste enforcement. The "amounts anticipated" refer to projected revenues in *Schedule 1 - State Revenues* of the Budget Recommendation. The appropriated revenues are intended to support the expansion of the department's compliance efforts in the corresponding program areas. Normally, such receipts, along with most other fines collected by the department, are deposited into the General Fund rather than dedicated for program support.



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No comparable language.

2004 Budget Recommendations

p. D-170

Receipts in excess of those anticipated for the Stormwater Management Program are appropriated to the Department for expansion of the Stormwater Management Program to meet new federal mandates relating to the regulation of municipal stormwater management, subject to the approval of the Director of the Division of Budget and Accounting.

Explanation

The proposed language appropriates to the department those regulatory fee receipts that are collected in excess of the amount anticipated from managing the Stormwater Management Program. The "amount anticipated" refers to a portion of the projected revenues listed for the New Jersey Pollutant Discharge Elimination System/Stormwater Permits in *Schedule 1 - State Revenues* of the Budget Recommendation. As stated in the language, the purpose of the appropriation is to provide additional program support to help meet new Federal mandates related to this program.

Discussion Points

1. During last year's budget process, approximately \$18 million in fee revenue increases were proposed to provide more support for various regulatory programs and services. It was then stated that these increases would constitute the first phase of a two-year plan to raise each DEP fee to a level that fully supports the cost of operating its related program. Various fee increases were subsequently implemented during FY 2003, which are reflected in Schedule 1 (page C-10) and Schedule 2 (pages C-17 and 18) of the Recommended Budget.

- **Question:** Please identify the fees to be changed during the remainder of FY 2003 and in FY 2004, accompanied by the following data for each fee: current rate schedule, new rate schedule, additional revenues, designation in Schedules 1 and/or 2 of the Recommended Budget, revenue disposition, date of last rate increase, and effective date of increase. Include any new fees as well as the removal or consolidation of existing fees. Please identify the authority (i.e., legislation, executive order, or agency regulation) for any fee changes or other new State revenue sources reflected in the department's budget.

2. Federal enactments and federal budget proposals often impact significantly on State programs and fiscal resources. For example, federal Superfund monies are listed in Schedule 2 (page C-24) of the Governor's Budget at \$30.5 million in both FY 2003 and FY 2004. However, the Environmental Protection Agency (EPA) announced in October, 2002 that New Jersey would receive \$135 million in Superfund grants in FY 2003.

- **Question:** What impact will the expectation of (a) increased or decreased federal funding, or (b) new or revised federal mandates or matching requirements, have on the department's resources and activities in FY 2004? Please be specific with regard to the expected federal action and the corresponding State or local impact. Is the EPA statement cited above still relevant and, if so, why is the FY 2003 Superfund amount in Schedule 2 listed at \$30.5 million?

3. To address the projected deficit in the proposed FY 2004 State Budget, the department's operating budget was reduced by nearly 4 percent. Salary account savings in both FY 2003 and FY 2004 are projected largely as a result of attrition and the elimination of funded positions vacated through last year's Early Retirement Incentive.

- **Question:** Please discuss any anticipated programmatic impacts resulting from net budget reductions to operating accounts in FY 2004. Will attrition and the early retirement program create any personnel shortages and, if so, where? How many positions, by program area, were or will be vacated by early retirement or attrition during FY 2003 and how many of them, by funding source, are or will be refilled? Are any layoffs projected in FY 2004 and, if so, where?

4. Although the department's capital budget recommendation of \$80.7 million nearly matches the current funding level, no new capital funding is recommended for State parks, forests, historical structures or wildlife management areas. Current budget language appropriating \$550,000 from the Clean Communities Fund for State Parks litter pickup is also eliminated. New budget language does, however, authorize all natural resource damages recovered by the State to be used to restore natural resources injured by discharges at contaminated sites, and for improving parks facilities. According to the Administration, \$8.1 million in such damages were collected in 2002.

Discussion Points (Cont'd)

- **Question:** How much money from natural resources damages is expected to be recovered in FY 2004? What natural resources or parks projects will be supported by these monies? How were these funds spent in the past? If this funding source is not used for natural resources maintenance projects or for parks litter pickup, how will these functions be supported in FY 2004?
5. Grant funding is eliminated for three programs in FY 2004: Statewide Community Forestry (\$500,000), established by the Legislature in FY 2000 to support municipalities and counties with tree planting on publicly owned or controlled lands; Local Environmental Commissions (\$165,000), a longtime program that supported municipal environmental commissions and several soil conservation districts in monitoring and assessing local and state environmental issues; and Statewide Livable Communities (\$5 million), established in FY 2003 to help municipalities build or upgrade playgrounds and other recreational facilities. An additional \$2.05 million in similar grant funds from other departments was also transferred to this latter account to help meet the overwhelming local request for these grants.
- **Question:** Are these programs being suspended or permanently eliminated? What administrative savings, if any, will be realized from the suspension or elimination of these programs? What is the current status of the Community Forestry program's current \$500,000 appropriation? Please provide a list of the grants awarded under the Livable Communities program. Please discuss how local environmental monitoring functions may be affected by the elimination of environmental commission grants.
6. The department was substantially reorganized during 2002, especially in the site remediation, regulation and enforcement areas. In addition, the staff functions of the Delaware & Raritan Canal Commission and the Garden State Preservation Trust are also scheduled to be assumed by the department in FY 2004, thereby allowing their Special Purpose appropriations of \$232,000 and \$468,000 respectively, to be eliminated from the FY 2004 Budget Recommendation.
- **Question:** Please describe the most significant aspects and impacts of the reorganization, particularly in terms of policy goals and anticipated management efficiencies. What savings, if any, are expected from the reorganization? What are the projected impacts, in terms of manpower and net costs, of assuming the staff functions of the Canal Commission and the Preservation Trust? How will the policy development process or independence of the boards of these two agencies be affected by the elimination or replacement of their staffs?
7. As a result of tax reforms enacted in 2002, the department is recommended to receive \$74.9 million in environmentally dedicated revenues from the Corporation Business Tax (CBT), an increase of \$19.1 million over the current CBT funding level. In turn, new budget language is recommended to allocate \$3.4 million from the CBT-funded Water Resources Monitoring and Planning account to various water-related operating accounts in order to replace or augment State appropriations to these accounts.
- **Question:** Please list the operating accounts within the affected budget program classifications where CBT Water Resources monies will be allocated, indicating whether these monies replace or supplement account balances. Are these allocations expected to be temporary or permanent? What are the legal ramifications, if any, regarding the constitutionality of using dedicated CBT monies for these purposes?

Discussion Points (Cont'd)

8. Pursuant to P.L. 1992, c.148, the Shore Protection Fund receives an annual dedication of \$25 million from realty transfer tax revenues. These monies are statutorily required to fund shore protection projects and have been used, for the most part, as the State matching share for federally-funded beach restoration projects. In FY 2004, the Administration proposes to use about half of this appropriation to replace General Fund monies that would otherwise support HR6 flood control (\$8.3 million), dam repairs (\$3 million) and dam safety activities (\$1.3 million), the latter two items being combined in one account ("Shore Protection Fund Projects-Dam Repairs"). This reallocation proposal would require legislation to amend c.148. New language is also proposed that allocates \$325,000 from the new HR6 account for the administration of the State Flood Control Program.

- **Question:** Please provide a spending plan for the shore protection, flood control and dam repair projects scheduled to be financed by the recommended appropriations and any previous appropriations, if applicable. How is the administrative cost of the State Flood Control Program currently supported and why is such support being charged to the Shore Protection Fund in FY 2004? How has the current appropriation of \$3 million for dams been expended? What monies previously appropriated from other funding sources are still available for repairs to State or privately-owned dams?

9. New budget language is proposed that appropriates to the department up to \$1.5 million in fine and penalty receipts in excess of the amounts anticipated for air pollution, clean water and solid waste enforcement. These monies are to be used to support the expansion of the department's compliance efforts in the corresponding program areas. Normally, such receipts, along with most other fines collected by the department, are deposited into the General Fund.

- **Question:** Please explain how these additional funds will be allocated and utilized. What is the anticipated air pollution fine amount for FY 2004? Please discuss the department's enforcement policy or philosophy, particularly in relation to the previous Administration's policy. What are its budgetary ramifications?

10. On March 19, 2003, the State sold \$500 million in bonds to fund the State's Open Space initiative. The bonding is needed to help support the current list of approved and pending Green Acres and Farmland Preservation projects, which had heretofore been funded exclusively on a pay-as-you-go basis through the annual constitutional dedication of \$98 million from State sales tax revenues. The Administration also announced that lower bond interest rates will increase bond revenues by \$100 million more than originally anticipated. The Governor has stated that this increase will help support his policy of channeling more open space money into urban and older suburban communities over the next three years, with the specific goal of creating 200 parks and planting 100,000 trees in these areas.

- **Question:** Please provide an updated spreadsheet detailing the Open Space program's 30-year expenditure and debt service obligation schedule based upon the planned bond issues. Include, if possible, the number of acres expected to be purchased or preserved, projected expenditures for urban areas, and program administration costs. Please provide information concerning the cost and location of the 200 new parks and 100,000 new trees that were mentioned by the Governor.

Background Paper: Shore Protection Fund

One of the most notable features of the Department of Environmental Protection's (DEP) recommended budget is the proposal to expand the use of dedicated revenues to replace, and thereby reduce, General Fund (GF) obligations. One primary example of this strategy concerns the Shore Protection Fund, to which \$25 million in realty transfer fee revenues are annually dedicated to fund shore protection projects. Key changes in the Shore Protection Fund are found on page D-149 of the Budget Recommendation, where its annual appropriation is distributed between three separate line items rather than to the single line item, now called "Shore Protection Fund Projects-Beach Restoration," that has traditionally received the entire appropriation.

In FY 2004, the Administration plans to allocate about \$12.5 million of the Shore Protection Fund appropriation to fund the HR6 Flood Control (\$8.3 million), Dam Repairs (\$3 million), and Dam Safety (\$1.3 million) programs, thereby replacing GF support for these accounts. Hence, the two new line items on page D-149, "Shore Protection Fund Projects-HR6 Flood Control" and "Shore Protection Fund Projects-Dam Repairs," are actually existing accounts transferred from other sections of the budget that have been assigned a new funding source. While new budget language is proposed to authorize these allocations, legislation is also required to expand the purposes of the realty transfer fee dedication accordingly. This paper will focus on the effectiveness of the Shore Protection Fund and its expanded role as proposed in the FY 2004 State Budget.

History

After many years of inconsistent, reactive and uncertain funding for shore protection projects, a stable funding source for such projects was created under P.L.1992, c.148. This law established and annually credited the Shore Protection Fund with \$15 million from the State's share of realty transfer fee revenues and dedicated this sum for shore protection projects, as prioritized by the DEP. A prior law had dedicated another portion of realty transfer fee revenues for affordable housing purposes, with these funds being managed by the Department of Community Affairs.

The aforementioned statute also provides a so-called "poison pill" mechanism to ensure the continued appropriation of dedicated realty transfer fee revenues. This mechanism provides that if the shore protection or neighborhood preservation funds are not appropriated for their dedicated purposes, then neither the State share of the realty transfer fee nor the surcharge for housing purposes will be imposed. Thus, legislation amending P.L. 1992, c.148 would be necessary to implement the diversion of Shore Protection Fund monies, as cited in the Budget Recommendation, without triggering the "poison pill" provision of the act.

Utilization of Project Funding

Prior to 1999, the annual Shore Protection Fund appropriation was primarily used for meeting the State share of federal funding requirements for shore projects supervised by the U.S. Army Corps of Engineers. Since this left little or no State funding for locally-funded projects, legislation was subsequently enacted in 1999 (P.L. 1999, c.71) to increase the annual dedication from the Shore Protection Fund to \$25 million. This increase enabled more types of projects to be funded, such as those that remediate beaches suffering from storm damage or ones that need dune or bulkhead construction. In general, funding commitments from the Shore Protection Fund are made first to cost-share federal projects, and secondly to projects that have been affected by or are vulnerable to coastal storms.

Shore protection efforts generally can be divided into two project types: structural and non-structural. Structural projects include permanent and semi-permanent structures that help slow or redirect erosion, or establish a boundary to protect infrastructure. Examples of such structures

Background Paper: Shore Protection Fund (Cont'd)

include bulkheads, seawalls, groins, breakwaters and revetments. Non-structural projects include beach nourishment (i.e. sand replacement), dune construction and maintenance projects. These projects are generally more temporary in nature than structural projects, and usually cost less initially but require higher maintenance costs.

Beach nourishment projects usually occur after the original construction of a shore protection project is completed. This type of maintenance activity involves the placement of sand on beaches approximately once every six years for a 50-year period. Currently, the federal government funds 65% of the cost of beach nourishment projects.

Project and Funding Parameters

The Army Corps of Engineers undertakes shore protection projects at the request of local sponsors (i.e., the states), and each approved project must be authorized and funded by Congress. Requests for shore protection projects nearly always come from communities where development already exists. Federal policy requires that speculative future development not be used to justify the cost of projects. Projects are constructed only where public access to the beach is assured and adequate parking is provided, and only after thorough studies have determined that a positive benefit-to-cost ratio exists. Although federally-funded projects provide benefits such as shoreline protection, habitat protection and restoration, and the generation of tax dollars associated with the recreational uses of beaches, the primary purpose of each project is storm damage reduction and the protection of life and property.

Federally-funded shore protection projects follow distinct development and construction phases during the life of the project, with each phase requiring different funding ratios among the participating parties. The current funding formula for approved projects, by phase, is as follows:

<u>PHASE</u>	<u>FUNDING OBLIGATION</u>
• Reconnaissance study	100% federal
• Feasibility study	50% federal/50% state
• Planning, engineering and design	75% federal/25% state
• Construction	65% federal/35% local (e.g. 75% state/25% local)
• Periodic nourishment	65% federal/35% local (e.g. 75% state/25% local)

Status of Projects

To date, the Army Corps and the State have undertaken and completed the initial phase of construction in the following shore areas:

- Sea Bright
- Monmouth Beach
- Long Branch
- Asbury Park to Avon-By-The-Sea
- Belmar to Manasquan
- Barnegat Inlet South Jetty
- Great Egg Harbor - Peck Beach (Ocean City)
- Cape May Inlet to Lower Township (Cape May City).

Background Paper: Shore Protection Fund (Cont'd)

As previously noted, before construction may be begin on a federally-funded project, it must undergo a feasibility phase, which generally requires four years, and then a planning, engineering and design phase, which generally requires one to two years. The following projects are either in the feasibility phase or the planning, engineering and design phase:

- Raritan Bay - Clifford Beach
- Raritan Bay - Keyport
- Raritan Bay - Union Beach
- Raritan Bay - Leonardo
- Raritan Bay - Port Monmouth
- Raritan Bay - Highlands
- Manasquan - Barnegat
- Barnegat - Little Egg
- Brigantine Island
- Great Egg - Townsend
- Cape May Meadows - Cape May Point
- Delaware Bay - Villas
- Delaware Bay - Oakwood Beach

Some of the major, ongoing beachfill projects that are recommended for continued support in FY 2004 include:

- *Deal to Asbury Park* -- Entails the placement of 4.3 million cubic yards of beachfill, the extension of 20 existing outfalls, and the modification of ten existing stone groins. The project also provides public access throughout the beachfront.
- *Absecon Island* -- Calls for 6.2 million cubic yards of sand beachfill, dune construction, the extension of existing outfalls, and the construction of 1,600 linear feet of timber bulkhead in Absecon Inlet. The project also provides public access throughout the beachfront.
- *Brigantine Island Beachfill* -- Involves the placement of 648,000 cubic yards of sand beachfill and sand dunes.
- *Townsend's Inlet/Cape May Inlet* -- Includes the placement of 3.2 million cubic yards of sand beachfill and dunes, construction and rehabilitation of stone seawalls in Townsend's and Hereford inlets, and ecosystem restoration at the south end of Stone Harbor.

Other projects recommended for continued construction funding in FY 2004 include the Ocean City beachfill, Cape May Meadows beachfill, Asbury Park/Avon beachfill, Sea Isle City groins and dune repair, Old Bridge groin, and Pennsville bulkhead.

Current and Projected Shore Protection Fund Balances

At the beginning of FY 2003, the Shore Protection Fund had a balance of \$43.1 million, which included \$18.1 million in unexpended funds from previous years. As of April 1, 2003, the Fund's balance was \$38.4 million. The department projects an expenditure level of \$30 million in FY 2003, thereby leaving a Fund balance of \$13.1 million at the end of FY 2003. The Administration states that the Fund's balance plus its recommended \$12.5 million appropriation will leverage up to \$52.6 million in federal funds and \$6.5 million in local contributions in FY 2004.

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

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