



ANALYSIS OF THE NEW JERSEY BUDGET

**DEPARTMENT OF
COMMUNITY AFFAIRS**

FISCAL YEAR

2014 - 2015

NEW JERSEY STATE LEGISLATURE

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Questions or comments may be directed to the OLS Local Government Section (609-847-3875) or the Legislative Budget and Finance Office (609-847-3105).

DEPARTMENT OF COMMUNITY AFFAIRS

Budget Pages..... C-3, C-8, C-10 to C-11, C-17, C-24,
C-26, C-27, D-45 to D-58, F-7, F-9, and
F-10

Fiscal Summary (\$000)

	Expended FY 2013	Adjusted Appropriation FY 2014	Recommended FY 2015	Percent Change 2014-15
State Budgeted	\$461,214	\$760,441	\$792,636	4.2%
Federal Funds	\$787,154	\$429,224	\$422,545	(1.6%)
<u>Other</u>	<u>\$73,452</u>	<u>\$98,844</u>	<u>\$97,509</u>	<u>(1.4%)</u>
Grand Total	\$1,321,820	\$1,288,509	\$1,312,690	1.9%

Personnel Summary - Positions By Funding Source

	Actual FY 2013	Revised FY 2014	Funded FY 2015	Percent Change 2014-15
State	88	91	104	14.3%
Federal	257	265	270	1.9%
<u>Other</u>	<u>555</u>	<u>538</u>	<u>550</u>	<u>2.2%</u>
Total Positions	900	894	924	3.4%

FY 2013 (as of December) and revised FY 2014 (as of January) personnel data reflect actual payroll counts. FY 2015 data reflect the number of positions funded.

Link to Website: <http://www.njleg.state.nj.us/legislativepub/finance.asp>

Highlights

- The Fiscal Year 2015 appropriation for Consolidated Municipal Property Tax Relief Aid (CMPTRA) is unchanged from the Fiscal Year 2014 adjusted appropriation of \$575.852 million. Seven municipalities will continue to receive a portion of their Transitional Aid to Localities awards from prior years as CMPTRA. Budget language provides for the transfer of \$325.174 million from CMPTRA to the Energy Tax Receipts Property Tax Relief Fund to support annual inflation increases in Energy Tax Receipts Property Tax Relief Aid, resulting in no change in combined formula aid distributed through these two programs.
- In May 2013, the State signed an agreement with the federal government for the expenditure of \$1.006 billion in federal Community Disaster Block Grant-Disaster Recovery (CDBG-DR) funds, a portion of the first tranche of CDBG-DR assistance awarded to New Jersey. According to information reported by the Department of Community Affairs as of December 31, 2013, approximately \$986.406 million had been obligated and \$314.140 million had been expended. CDBG-DR funds support homeowner assistance, the construction of affordable housing, economic revitalization, assistance to governmental entities, supportive services, and planning, monitoring, and oversight.
- Although the Budget does not anticipate the receipt of the second tranche of federal CDBG-DR funds, totaling \$1.463 billion, in the remainder of Fiscal Year 2014 or during Fiscal Year 2015, the State submitted, on March 26, 2014, its plan for the allocation of the second round of CDBG-DR funds for review and approval by the federal Department of Housing and Urban Development (HUD). In addition to providing assistance to homeowners and local governments, the State proposes to spend \$500 million on infrastructure projects. HUD has 60 days to review and approve the State plan.
- Funding for Transitional Aid to Localities, is \$121.5 million, an increase of \$27 million from the Fiscal Year 2014 adjusted appropriation of \$94.514 million. Because the Executive plans to lapse an unexpended balance of \$9.2 million, the funding level for Fiscal Year 2015 is an effective increase of \$36.2 million. Changes to budget language would extend Transitional Aid eligibility to local government units other than municipalities, and to localities experiencing severe fiscal distress or financial distress caused by the destruction or loss of a major business ratable.
- The Budget proposes an appropriation of \$8.5 million in State Aid for Consolidation Implementation. According to the Fiscal Year 2015 *Budget Summary* these funds will be used to reimburse local governments, including school districts, that have consolidated or entered into shared services arrangements. A portion of these funds will assist the Camden County Police Force and may also benefit local government units involved in the implementation of the "Property Tax Assessment Reform Act," P.L.2009, c.118 (C.54:1-86 et seq.). The Budget also reflects approval of a Fiscal Year 2014 supplemental appropriation of \$3.2 million for Consolidation Implementation funds distributed to Camden County.

Highlights (Cont'd)

- The Budget does not continue funding for Meadowlands Adjustment Payment Aid. A legislative initiative funded at \$6 million, Meadowlands Adjustment Payment Aid relieved seven municipalities of about 80% of their Calendar Year 2013 inter-municipal tax sharing account obligations. The amount each municipality owes to or receives from the inter-municipal tax sharing account is formula-driven and varies from year to year.
- The recommended funding level for the State Rental Assistance Program (SRAP), \$18.5 million, is unchanged from the Fiscal Year 2014 adjusted appropriation. Through CDBG-DR Action Plan Amendment No. 6, the State has requested federal approval to reallocate \$17 million in federal Hurricane Sandy relief funds intended for project-based rental assistance to provide tenant-based housing vouchers.
- New State funding for affordable housing construction is limited to collections of the additional fee segment of the realty transfer fee above the amount anticipated, and revenues generated by the Statewide non-residential development fee, but only to the extent that they are not needed to provide a minimum funding level of \$20 million for SRAP. These additional revenues are projected to total \$28.9 million. The Executive intends to lapse \$21.2 million from the New Jersey Affordable Housing Trust Fund in Fiscal Year 2014 and to utilize a projected \$10 million increase in revenue to help balance the Fiscal Year 2015 budget.
- The Budget provides \$6.483 million for Open Space Payments in Lieu of Taxes. Eligible municipalities will receive a PILOT payment equal to the amount they received in Fiscal Year 2013 but all payments to municipalities that received less than \$5,000 in Fiscal Year 2010 are eliminated. Although the Fiscal Year 2014 Appropriations Act ended the prefunding of these State Aid payments, there was no reduction in revenue supporting municipal budgets in calendar year 2013.
- The Budget anticipates all sales tax revenue collected in urban enterprise zones (UEZs) as State revenue, diverting about \$80.601 million from the Enterprise Zone Assistance Fund that is normally dedicated to assisting UEZ municipalities in undertaking public improvements and economic development projects. The estimated amount of revenues to be transferred to the General Fund is 11% less than the amount to be transferred (\$90.47 million) in Fiscal Year 2014. According to the Department of the Treasury, sales tax revenues deposited in the Enterprise Zone Assistance Fund will decline in Fiscal Year 2015 because some UEZs are entering the final five years of revenue-sharing, and the amount designated for the Enterprise Zone Assistance Fund will decline from two-thirds of the sales tax revenues collected in the UEZ to one-third of the sales tax revenues collected in the UEZ.
- State funding for all other Grants-in-Aid programs, including Cooperative Housing Inspection, Prevention of Homelessness, Shelter Assistance, Recreation for the Handicapped, and Special Olympics remains unchanged from the Fiscal Year 2014 adjusted appropriation.

Highlights (Cont'd)

Background Papers

- An Overview of Community Development Block Grant
Disaster Recovery (CDBG-DR) Funding.....p. 22
- CDBG-DR Programs: Homeowner Assistance.....p. 26
- CDBG-DR Programs: Rental Housing and Renter Programs.....p. 31
- CDBG-DR Programs: Support for Governmental Entities.....p. 39

Fiscal and Personnel Summary

AGENCY FUNDING BY SOURCE OF FUNDS (\$000)

	Expended FY 2013	Adj. Approp. FY 2014	Recom. FY 2015	Percent Change	
				2013-15	2014-15
General Fund					
Direct State Services	\$49,328	\$39,061	\$39,061	(20.8%)	0.0%
Grants-In-Aid	41,417	41,640	35,640	(13.9%)	(14.4%)
State Aid	11,694	103,314	1,600	(86.3%)	(98.5%)
Capital Construction	0	0	0	0.0%	0.0%
Debt Service	0	0	0	0.0%	0.0%
Sub-Total	\$102,439	\$184,015	\$76,301	(25.5%)	(58.5%)
Property Tax Relief Fund					
Direct State Services	\$0	\$0	\$0	0.0%	0.0%
Grants-In-Aid	0	0	0	0.0%	0.0%
State Aid	358,775	576,426	716,335	99.7%	24.3%
Sub-Total	\$358,775	\$576,426	\$716,335	99.7%	24.3%
Casino Revenue Fund	\$0	\$0	\$0	0.0%	0.0%
Casino Control Fund	\$0	\$0	\$0	0.0%	0.0%
State Total	\$461,214	\$760,441	\$792,636	71.9%	4.2%
Federal Funds	\$787,154	\$429,224	\$422,545	(46.3%)	(1.6%)
Other Funds	\$73,452	\$98,844	\$97,509	3.4%	(1.4%)
Grand Total	\$1,321,820	\$1,288,509	\$1,312,690	(0.7%)	1.9%

PERSONNEL SUMMARY - POSITIONS BY FUNDING SOURCE

	Actual FY 2013	Revised FY 2014	Funded FY 2015	Percent Change	
				2013-15	2014-15
State	88	91	104	18.2%	14.3%
Federal	257	265	270	5.1%	1.9%
All Other	555	538	550	(0.9%)	2.2%
Total Positions	900	894	924	2.7%	3.4%

FY 2013 (as of December) and revised FY 2014 (as of January) personnel data reflect actual payroll counts. FY 2015 data reflect the number of positions funded.

AFFIRMATIVE ACTION DATA

Total Minority Percent	37.8%	38.4%	37.1%	---	---
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Significant Changes/New Programs (\$000)

<u>Budget Item</u>	<u>Adj. Approp. FY 2014</u>	<u>Recomm. FY 2015</u>	<u>Dollar Change</u>	<u>Percent Change</u>	<u>Budget Page</u>
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COMMUNITY DEVELOPMENT MANAGEMENT

Grants-in-Aid

Meadowlands

Adjustment Payment

Aid	\$6,000	\$0	(\$6,000)	(100.0%)	D-47
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A legislative initiative, Meadowlands Adjustment Payment Aid reduced the inter-municipal tax sharing account liabilities in Calendar Year 2013 for seven municipalities. Created in 1972, the Inter-Municipal Tax Sharing Program was established to provide a method of distributing the costs and benefits of economic development and land use decisions made by the New Jersey Meadowlands Commission among the 14 municipalities in the Meadowlands District. According to the "Meadowlands Tax Sharing Payment Schedule" for 2013, seven municipalities benefitted in the following amounts: Secaucus Town (\$2,308,200); Carlstadt Borough (\$1,591,800); Lyndhurst Township (\$538,200); North Bergen Township (\$522,600); Little Ferry Borough (\$422,400); Moonachie Borough (\$338,400); and South Hackensack Township (\$278,400). Meadowlands Adjustment Payment Aid accounted for about 80% of the amount owed to the inter-municipal tax sharing account in Calendar Year 2013.

The amount each municipality owes to or receives from the inter-municipal tax sharing account is formula-driven and varies from year to year. As applied, the tax sharing formula does not include taxes collected from ratables existing before 1970 in the portion of a municipality located in the Meadowlands District. Each municipality retains 60% of those property tax revenues remaining after the payment of county taxes and the deduction of pre-1970 ratables. The remaining 40% of property taxes collected from ratables in the district, minus county taxes, are subject to the tax sharing plan. Each community also receives a payment for school pupils living in residential properties within the Meadowlands District equal to the cost of educating these children that is raised by the property tax levy for school purposes and a payment reflecting the property each municipality has within the Meadowlands District. Municipalities with total credits larger than the amount subject to tax sharing receive payments from the inter-municipal account; municipalities with credits less than the amount subject to tax sharing pay into the inter-municipal account.

All Other Funds

Housing Code

Enforcement	\$2,340	\$5,500	\$ 3,160	135.0%	D-47
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Housing code enforcement revenues support the Bureau of Housing Inspection (BHI) in the Division of Codes and Standards. The Executive Branch has indicated that the anticipated revenue increase is the result of both "expanded economic development" and an adjustment to the fee structure to support increased employee pension and health benefit costs. The BHI oversees the registration and periodic inspection of hotels, motels, and multiple dwellings, as mandated by the "Hotel and Multiple Dwelling Law," P.L.1967, c.76 (C.55:13A-1 et seq.),

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

<u>Budget Item</u>	<u>Adj. Approp.</u> <u>FY 2014</u>	<u>Recomm.</u> <u>FY 2015</u>	<u>Dollar</u> <u>Change</u>	<u>Percent</u> <u>Change</u>	<u>Budget</u> <u>Page</u>
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maintains a Statewide inventory of hotels and multiple dwellings, and administers the State-Local Cooperative Housing Inspection Program. The account above represents in each year the revenue anticipated above \$10.341 million.

Housing Services	\$48,900	\$38,900	(\$10,000)	(20.4%)	D-47
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These revenues, generated by a portion of the State realty transfer fee collections, support the production of affordable housing through the New Jersey Affordable Housing Trust Fund. This decrease corresponds to an increase in anticipated revenue of \$10 million, as reflected in a schedule of non-recurring resources provided by the Executive and as shown on Budget page C-3. New State funding for affordable housing is limited to the anticipated amount of realty transfer fee collections above \$38.184 million, but only to the extent that those funds are not needed for the State Rental Assistance Program. Budget language appropriates at least \$20 million from the New Jersey Affordable Housing Trust Fund for the State Rental Assistance Program.

Uniform Construction Code	\$8,540	\$11,040	\$ 2,500	29.3%	D-47
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Uniform Construction Code revenues support the activities of the Division of Codes and Standards. The Executive Branch has indicated that the anticipated revenue increase is the result of both "expanded economic development" and an adjustment to the fee structure to support increased employee pension and health benefit costs. The division ensures that all buildings are constructed to meet common standards; ensures the competence of local construction code officials through a licensing program; and verifies that all pre-manufactured buildings shipped into New Jersey are in compliance with the "State Uniform Construction Code Act," P.L.1975, c.217 (C.52:27D-119 et seq.) and the "Hotel and Multiple Dwelling Law," P.L.1967, c.76 (C55:13A-1 et seq.). The division also inspects ski lifts, carnival and amusement rides, and liquefied petroleum gas facilities in the interest of public safety, and administers the "New Home Warranty and Builders' Registration Act," P.L.1977, c.167 (C.46:3B-1 et seq.) and the "Retirement Community Full Disclosure Act," P.L.1969, c.215 (C.45:22A-1 et seq.).

ECONOMIC PLANNING, DEVELOPMENT, AND SECURITY

Federal Funds

Community Resources	\$174,625	\$167,862	(\$6,763)	(3.9%)	D-51
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The bulk of the anticipated reduction in federal funds will affect the Low Income Home Energy Assistance Program (LIHEAP) (\$6,475,000). LIHEAP provides financial assistance to low-income families and individuals meet home heating and medically necessary cooling costs. To be eligible for LIHEAP benefits, the applicant household must be responsible for home heating and/or cooling costs, whether billed directly or included in rent, and have a gross income at or

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

<u>Budget Item</u>	<u>Adj. Approp.</u> <u>FY 2014</u>	<u>Recomm.</u> <u>FY 2015</u>	<u>Dollar</u> <u>Change</u>	<u>Percent</u> <u>Change</u>	<u>Budget</u> <u>Page</u>
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below 200% of the federal poverty level (\$47,100 for a family of four). Persons who live in public housing and/or receive rental assistance are not eligible for LIHEAP unless they pay heating and cooling costs directly to the supplier. The amount of the LIHEAP benefit is determined by income, household size, fuel type, and heating region. The medically necessary cooling assistance benefit is set at \$200. According to evaluation data on page D-50 of the Fiscal Year 2015 budget, the department anticipates \$105 million in total LIHEAP assistance payment during the next fiscal year, with an average assistance payment of \$350 per household. Federal allocations of LIHEAP funding are formula-driven.

GOVERNMENT DIRECTION, MANAGEMENT, AND CONTROL

State Aid

**Consolidation
Implementation
(PTRF)**

(S) \$3,200	\$8,500	\$ 5,300	165.6%	D-53
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According to the Fiscal Year 2015 *Budget Summary* these funds will be used to reimburse local governments that have consolidated or entered into shared services arrangements, with an unspecified portion assisting the Camden County Police Department. As indicated by budget language revisions, funds will probably also assist local governments involved in the implementation of the "Property Tax Assessment Reform Act," ("Act") P.L.2009, c.118 (C.54:1-86 et seq.). The Act established a system of countywide property assessment in Gloucester County and requires the State to reimburse municipalities for the cost of property revaluations required for the implementation of that initiative.

Proposed budget language authorizes a wider allocation of Consolidation Implementation funds to assist not just municipalities but any type of local government units that consolidate or annex pursuant to current law. The language appears to confine funding to non-recurring costs that either the Director of the Division of Local Government Services, or for school districts, the Commissioner of Education, determines are necessary to implement the consolidation or annexation. Supplemental appropriations for consolidation implementation funds totaling \$9.25 million in Fiscal Years 2013 and 2014 paid for expenses associated with the new Camden County Police Department and the consolidation of Princeton Borough and Princeton Township.

**Transitional Aid to
Localities (PTRF)**

\$94,514	\$121,500	\$26,986	28.6%	D-53
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Transitional Aid to Localities is the State's foremost discretionary municipal financial assistance program. In Fiscal Year 2014, 10 municipalities submitted applications requesting \$92.715 million in additional State assistance; 9 municipalities were awarded \$85.337 million. Taking into consideration an anticipated lapse of \$9.2 million from the Fiscal Year 2014 appropriation, the recommended funding level is an effective increase of \$36.2 million above net Fiscal Year 2014 Transitional Aid. Seven municipalities (Asbury Park City, Camden City, Chesilhurst

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

<u>Budget Item</u>	<u>Adj. Approp.</u> <u>FY 2014</u>	<u>Recomm.</u> <u>FY 2015</u>	<u>Dollar</u> <u>Change</u>	<u>Percent</u> <u>Change</u>	<u>Budget</u> <u>Page</u>
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Borough, Harrison Town, Lawnside Borough, Maurice River Township, and Newark City) will continue to receive a portion of their Transitional Aid awards from prior years as Consolidated Municipal Property Tax Relief Aid. These municipalities remain eligible to apply for additional State financial assistance.

Proposed changes to budget language would extend eligibility for Transitional Aid to “local government units” other than municipalities (e.g., counties) and local government units that are experiencing financial distress caused by the destruction or loss of a major business ratable. According to Local Finance Notice No. 2014-2, “Aid will only be available to Calendar Year municipalities anticipating difficulties making payments toward nondiscretionary or critical obligations, including, but not limited to, debt service, contractual obligations, and public safety payroll.” However, this notice was issued prior to the Governor’s budget message and does not reflect the broadening of the program intended by recommended language revisions. Transitional Aid recipients typically must submit to broad State oversight of their financial and general management matters, but this can be waived for recipients of aid to compensate for major ratable loss.

Open Space Payments in Lieu of Taxes (PTRF)	\$36 (S) \$538	\$6,483	\$ 5,909	1029.4%	D-54
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The “Garden State Preservation Trust Act,” P.L.1999, c.152 (C.13:8C-1 et seq.) established a sliding scale of payments in lieu of taxation for property purchased by the State to replace the ratable loss incurred by local taxing districts. The Fiscal Year 2015 Budget proposes to restore Open Space Payments in Lieu of Taxes to Fiscal Year 2013 levels. Municipalities would receive a payment equal to two-thirds of their payment in Fiscal Year 2010; payments in amounts less than \$5,000 are eliminated. These State Aid payments would support municipal budgets for Calendar Year 2014. The Fiscal Year 2014 Appropriations Act ended the advance funding of Open Space Payment in Lieu of Taxes to municipalities. In prior fiscal years, the annual Appropriations Act “prefunded” these payments to municipalities for the subsequent municipal Calendar Year budget, i.e., State Fiscal Year 2013 appropriations supported municipal Calendar Year 2013 budgets, which commenced six months after the State fiscal year began.

The Fiscal Year 2014 Appropriations Act appropriated funds to provide payments to two municipalities, Millville City and Passaic City, that operate on the State Fiscal Year. Fiscal Year 2014 budget language also authorized supplemental appropriations of up to \$1.1 million to allow the department to provide State Aid to municipalities that were permitted to anticipate their October 1, 2012 payment in their Fiscal Year 2012 budget. Information available through the New Jersey Comprehensive Financial System indicates that five municipalities received payments totaling \$537,596 in the following amounts: Berkeley Township (\$42,590); Franklin Township – Somerset County (\$70,219); Little Egg Harbor Township (\$149,117); Sandyston Township (\$87,935); and Waterford Township (\$187,735). These one-time awards prevented a one-year loss of aid by these municipalities.

Significant Language Changes

Hackensack Meadowlands Municipal Committee

Deletion

2014 Handbook: p. B-24
2015 Budget: --

~~Notwithstanding the provisions of section 35 of P.L.1975, c.326 (C.13:17-10.1), sections 10 and 11 of P.L.1981, c.306 (C.13:1E-109 and C.13:1E-110), section 8 of P.L.1985, c.368 (C.13:1E-176), or any rules and regulations adopted pursuant thereto, or any order issued by the Board of Public Utilities to the contrary, an amount equal to \$100,000 shall be withdrawn from the escrow accounts by the New Jersey Meadowlands Commission and paid to the State Treasurer for deposit in the General Fund and the amount so deposited shall be appropriated to the New Jersey Meadowland Commission to cover operational costs of the Hackensack Meadowlands Municipal Committee.~~

Explanation

This language provision authorizes \$100,000 to be withdrawn from the escrow accounts of the New Jersey Meadowlands Commission to fund the operational cost of the Hackensack Meadowlands Municipal Committee. Composed of the mayor or elected chief executive of each municipality in the Meadowlands District, the Hackensack Meadowlands Municipal Committee reviews codes and standards, the district master plan and amendments thereto, and development, redevelopment, and improvement plans prior to their final adoption by the Meadowlands Commission. The committee also reviews other matters submitted by the commission when the latter deems advisable. According to the commission, escrow accounts from which funds to support the committee were previously drawn no longer hold any moneys and are now closed. Options for the use of other commission resources to provide support for the committee are under review.

Meadowlands Adjustment Payment Aid

Deletion

2014 Handbook: p. B-25
2015 Budget: --

~~The amount hereinabove appropriated for Meadowlands Adjustment Payment Aid shall be paid in two equal installments on August 15, 2013 and November 15, 2013 to the New Jersey Meadowlands Commission for deposit in the intermunicipal account established pursuant to section 64 of P.L.1968, c.404 (C.13:17-66) and shall be credited to the amount payable by each constituent municipality to that account for adjustment year 2013, in proportion to the amount certified by the commission for payment pursuant to subsection (a) of section 72 of P.L.1968, c.404 (C.13:17-74). To the extent that the amount paid to the intermunicipal account by any constituent municipality for adjustment year 2013 exceeds~~

EXPLANATION: FY 2014 language not recommended for FY 2015 denoted by strikethrough.
Recommended FY 2015 language that did not appear in FY 2014 denoted by underlining.

Significant Language Changes (Cont'd)

~~the amount required after application of credits pursuant to this provision, the commission shall refund the amount of overpayment.~~

Explanation

This language provision prescribes the formula used to determine the distribution of \$6 million in Meadowlands Adjustment Payment Aid. A legislative initiative, Meadowlands Adjustment Payment Aid was intended to reduce municipalities' inter-municipal tax sharing account liabilities in Calendar Year 2013. This language is discontinued because no funding for this aid program is recommended in Fiscal Year 2015. The Inter-Municipal Tax Sharing Program was created in 1972 in order to establish a method of distributing the costs and benefits of economic development and land use decisions made by the New Jersey Meadowland Commission (NJMC) among the 14 municipalities in the Meadowlands District. The Meadowlands Tax Sharing Payment Schedule indicates that seven municipalities (Carlstadt Borough, Little Ferry Borough, Lyndhurst Township, Moonachie Borough, North Bergen Township, Secaucus Town, and South Hackensack Township) provide payments into the inter-municipal account while six municipalities (East Rutherford Borough, the City of Jersey City, Kearny Town, North Arlington Borough, Ridgefield Borough, and Rutherford Borough) receive funds from the inter-municipal tax sharing account. One municipality, Teterboro Borough, is exempt from participating in the tax-sharing program. The NJMC retains no money from the inter-municipal account and serves as the routing agent for monies distributed to Meadowlands District municipalities.



Extraordinary Aid	
Deletion	2014 Handbook: p. B-26 2015 Budget: --

~~Notwithstanding the provisions of any law or regulation to the contrary, no appropriation shall be made for municipal aid from the amounts credited to the Extraordinary Aid account from receipts of the supplemental fee established pursuant to section 2 of P.L.2003, c.113 (C.46:15-7.1).~~

Explanation

Established in 1999, the Extraordinary Aid program provided short-term financial assistance to municipalities experiencing a catastrophic loss of tax ratables or other fiscal difficulties. From Fiscal Year 2004 through Fiscal Year 2011, a portion of the revenues raised by the supplemental fee portion of the realty transfer fee was dedicated towards funding the Extraordinary Aid program. Funding for Extraordinary Aid was discontinued in Fiscal Year

EXPLANATION: FY 2014 language not recommended for FY 2015 denoted by strikethrough.
Recommended FY 2015 language that did not appear in FY 2014 denoted by underlining.

Significant Language Changes (Cont'd)

2011. General Provision No 72 (Page F-9), if approved by the Legislature, would obviate the need to continue this language.

Allocation of Consolidation Implementation Aid

Revision

2014 Handbook: p. B-27
2015 Budget: p. D-54

~~In addition to the amounts hereinabove appropriated for the Department of Community Affairs, in the case of municipalities that consolidate pursuant to any law, including but not limited to P.L.2007, c.63 (C.40A:65-25 et seq.) or a municipality that is wholly annexed by another municipality pursuant to N.J.S.40A:7-1 et seq., there is appropriated such additional sums for non-recurring costs that the Director of the Division of Local Government Services determines necessary to implement such consolidation or annexation, subject to the approval of the Director of the Division of Budget and Accounting.~~

Notwithstanding the provisions of any law or regulation to the contrary, the amount hereinabove appropriated for Consolidation Implementation shall be allocated to provide reimbursement to local government units that consolidate pursuant to any law, including but not limited to P.L.2007, c.63 (C.40A:65-1 et seq.) and P.L.2009, c.118 (C.54:1-86 et seq.), or to a municipality that is wholly annexed by another municipality pursuant to N.J.S.40A:7-1 et seq., for non-recurring costs that the Director of the Division of Local Government Services, or in the case of a school district consolidation the Commissioner of Education, determines to be necessary to implement such consolidation or annexation, subject to the approval of the Director of the Division of Budget and Accounting; provided, however, that in addition to the amounts hereinabove appropriated, there are appropriated such additional sums as are determined to be necessary for reimbursement non-recurring costs associated with local government unit consolidations, subject to the approval of the Director of the Division of Budget and Accounting.

Explanation

As revised, this language broadens eligibility for Consolidation Implementation funds from municipalities to other local government units and to consolidations pursuant to the "Property Tax Assessment Reform Act," (hereinafter "Act") P.L.2009, c.118 (C.54:1-86). Local government units could be defined to include counties, school districts, and perhaps other local entities such as fire districts or regional authorities. The language is revised to specifically permit funding for school district consolidation.

The Act established a pilot program in Gloucester County for the transfer of the municipal property assessment function to the county assessor. The transfer of the assessment function

EXPLANATION: FY 2014 language not recommended for FY 2015 denoted by strikethrough.
Recommended FY 2015 language that did not appear in FY 2014 denoted by underlining.

Significant Language Changes (Cont'd)

required the revaluation of all municipalities within Gloucester County to create uniformity of assessment throughout the county-wide assessment district. The Act also required the Gloucester County to pay the costs associated with the municipal revaluations. The State was to reimburse Gloucester County for the revaluation costs, with monies from either the Sharing Available Resources Efficiently (SHARE) program or the Consolidation Fund, at the end of the three-year period during which the revaluations were to occur. Both of those programs were eliminated at the end of Fiscal Year 2011.

Since Fiscal Year 2013, the department, through supplemental appropriations, has allocated \$9.25 million for Consolidation Implementation. During the Fiscal Year 2014 budget process, the Department of Community Affairs indicated that Fiscal Year 2013 funds would be distributed to local units to assist in the payment of expenses associated with the consolidation of municipalities and local services, including the new Camden County Police Department and the consolidation of Princeton Borough and Princeton Township. Information available through the New Jersey Comprehensive Financial System indicates that \$6.050 million was appropriated for Consolidation Implementation in Fiscal Year 2013. Of that amount, \$814,000 was distributed to Princeton, \$5.036 million was distributed to Camden County, and \$200,000 remains unexpended. A Fiscal Year 2014 supplemental appropriation of \$3.2 million was paid to Camden County only.



Transitional Aid to Localities

Revision	2014 Handbook: p. B-27 2015 Budget: p. D-54
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Notwithstanding the provisions of any law or regulation to the contrary, the amount hereinabove appropriated for Transitional Aid to Localities shall be allocated to provide short-term financial assistance where needed to help a ~~municipality which~~ local government unit that is in serious fiscal distress meet immediate budgetary needs and regain financial stability. A ~~municipality-local unit~~ shall be deemed to be eligible for transitional aid if it is identified by the Director of the Division of Local Government Services (Director) as experiencing serious fiscal distress where the Director determines that, despite local officials having implemented substantive cost reduction strategies, there continue to exist conditions of serious fiscal distress, which may include but shall not be limited to: substantial structural or accumulated deficits; ongoing reliance on non-recurring revenues; limited ability to raise supplemental non-property tax revenues; extraordinary demands for public safety appropriations; and other factors indicating a constrained ability to raise sufficient revenues to meet budgetary requirements that substantially jeopardizes the fiscal integrity of the ~~municipality~~ local unit. ~~Municipalities~~ Local units seeking transitional aid shall file an application on a form prescribed by the Director, which application, among other things, shall set forth the minimum criteria that must be met in order for an application to be

EXPLANATION: FY 2014 language not recommended for FY 2015 denoted by strikethrough.
Recommended FY 2015 language that did not appear in FY 2014 denoted by underlining.

Significant Language Changes (Cont'd)

considered by the Director for a determination of eligibility. The Director shall determine whether a ~~municipality~~ local unit that files an application meeting such minimum criteria is in serious fiscal distress, and if so, what amount of transitional aid should be provided to address ~~the municipality's~~ its serious fiscal distress. The transitional aid shall be provided to the ~~municipality~~ local unit subject to the provisions of subsection a. of section 1 of P.L.2011, c.144 (C.52:27D-118.42a); provided, however, that an amount of Transitional Aid to Localities as determined by the Director of the Division of Local Government Services for a municipality may be deemed to constitute Consolidated Municipal Property Tax Relief Aid in an amount not in excess of the amount of Transitional Aid to Localities such municipality received in the previous fiscal year and shall not reduce the amount of Consolidated Municipal Property Tax Relief Aid such municipality shall receive for the current fiscal year. Provided, however, if the Director of the Division of Local Government Services deems an amount of Transitional Aid to Localities for a municipality as constituting Consolidated Municipal Property Tax Relief Aid pursuant to this provision, that municipality is not relieved from compliance with requirements for transitional aid.

Explanation

This language provision establishes the qualifications and procedures governing the Transitional Aid to Localities financial assistance program for Fiscal Year 2015. The proposed revisions would permit local government units other than municipalities, such as counties, to apply for and receive Transitional Aid. It is not clear which other local government units are expected to apply for additional State financial assistance. Local Finance Notice No. 2014-2, which describes the application process for the Calendar Year 2014 round of Transitional Aid, limits funding eligibility to municipalities but it was issued prior to the Governor's budget message. The Fiscal Year 2015 proposed budget recommends a State aid appropriation of \$121.5 million, an increase of \$26.986 million from the Fiscal Year 2014 adjusted appropriation of \$94.514 million. Nine municipalities received Transitional Aid in Fiscal Year 2014.

Unemployment and Transitional Aid to Localities

Revision

2014 Handbook: p. B-27
2015 Budget: p. D-54

The amount hereinabove appropriated for Transitional Aid to Localities is subject to the following condition: notwithstanding the provisions of R.S.43:21-14, or any other law or regulation to the contrary, the Commissioner of Labor and Workforce Development, in consultation with the Commissioner of Community Affairs, is authorized to enter into individualized payment plan agreements with ~~municipalities~~ local units that receive Transitional Aid for the reimbursement of unemployment benefits paid to former employees of such ~~municipal~~ government units, at reasonable interest rates based on current market

EXPLANATION: FY 2014 language not recommended for FY 2015 denoted by strikethrough.
Recommended FY 2015 language that did not appear in FY 2014 denoted by underlining.

Significant Language Changes (Cont'd)

conditions, and on such other terms and conditions as may be determined to be appropriate by the Commissioner of Labor and Workforce Development. Any ~~municipality~~ local unit that enters into an individualized payment plan agreement pursuant to this section shall be required to expend all funds budgeted for this activity remaining as of the last day of its budget year for the repayment of outstanding obligations under the plan.

Explanation

This language provision is revised to reflect the proposed extension of Transitional Aid eligibility to other local government units. Adopted as part of the Fiscal Year 2012 Appropriations Act, this language provision allows the Commissioner of Labor and Workforce Development, in consultation with the Commissioner of Community Affairs, to establish an individual unemployment fund reimbursement plan for a municipality that receives Transitional Aid in lieu of the standard repayment terms and conditions outlined in current law. During the Fiscal Year 2012 budget process, the department explained that this provision is intended to provide for greater flexibility to lessen the immediate financial burden on Transitional Aid recipients, already coping with difficult fiscal conditions, of reimbursing the unemployment fund.

Transitional Aid Eligibility - Loss or Destruction of Major Business Ratables

Addition

2014 Handbook: —
2015 Budget: p. D-55

Of the amount hereinabove appropriated to Transitional Aid to Localities, an amount may be allocated by the Director of the Division of Local Government Services to provide short-term financial assistance to a local government unit that is determined by the Director to be experiencing financial distress caused by the destruction or loss of a major business ratable. For purposes of this paragraph, a "major local business ratable" means one or more related parcels of property owned by a single business entity, classified as commercial or industrial, which comprised the largest assessed valuation of any one or more line items of taxable property in a municipality, generated an annual PILOT payment in excess of 10% of the total municipal levy, or is otherwise determined by the Director to be of such significance to a municipality that its destruction or loss has resulted in financial distress; provided, however, that notwithstanding the provisions of any law or regulation to the contrary, the Director of the Division of Local Government Services may direct that part of any such allocation be paid to an affected school district or county, or to both, in the same manner as if the award of Transitional Aid were raised as revenue from the municipal tax levy; and provided further that a local government unit determined to be experiencing financial distress because of the loss or destruction shall not be required to be subject to any additional conditions, requirements, orders, or other operational efficiency or oversight measures authorized pursuant to P.L.2011, c.144, except as determined to be appropriate by the Director of the Division of Local Government Services.

EXPLANATION: FY 2014 language not recommended for FY 2015 denoted by strikethrough.
Recommended FY 2015 language that did not appear in FY 2014 denoted by underlining.

Significant Language Changes (Cont'd)

Explanation

As recommended by the Governor, this language provision permits the Director of the Division of Local Government Services to award Transitional Aid to Localities to municipalities and other local government units that are experiencing financial distress due to the destruction or loss of a major local business ratable. A "major local business ratable" is defined as one or more related parcels of property owned by a single business entity, classified as commercial or industrial, which comprised the largest assessed valuation of any one or more line items of taxable property in a municipality, or generated an annual payment-in-lieu of taxes ("PILOT") in excess of 10% of the total municipal levy, OR is otherwise determined by the Director to be of such significance to a municipality that its destruction or loss has resulted in financial distress. The language provides that the Director may require a portion of any Transitional Aid awarded to any municipality pursuant to this section to be distributed to a school district, county, or both, as replacement for revenues otherwise generated through the property tax levy. Local government units that receive Transitional Aid pursuant to this budget language could be subject to limited, if any, additional State oversight of their fiscal affairs.

Distribution and Transfer of Consolidated Municipal Property Tax Relief Aid

Revision

2014 Handbook: p. B-27
2015 Budget: p. D-55

Notwithstanding the provisions of any law or regulation to the contrary, the amount hereinabove appropriated for Consolidated Municipal Property Tax Relief Aid shall be distributed in the same amounts, and to the same municipalities that received funding pursuant to the previous fiscal year's annual appropriations act; provided further, however, that from the amount hereinabove appropriated there are transferred to the Energy Tax Receipts Property Tax Relief Fund account such sums as were determined for fiscal year 2003, fiscal year 2006, fiscal year 2007, fiscal year 2008, fiscal year 2009, fiscal year 2010, fiscal year 2012, fiscal year 2013, ~~and~~ fiscal year 2014, and fiscal year 2015 pursuant to subsection e. of section 2 of P.L.1997, c.167 (C.52:27D-439) as amended by P.L.1999 c.168; and except that, the amount of Consolidated Municipal Property Tax Relief Aid received by a municipality shall be increased by such amounts of Transitional Aid to Localities deemed to constitute Consolidated Municipal Property Tax Relief Aid by the Director of the Division of Local Government Services.

Explanation

As was the case in Fiscal Year 2003, Fiscal Years 2006 to 2010, and Fiscal Years 2012 to 2014, the proposed budget provides that the annual inflation adjustment to the Energy Tax Receipts

EXPLANATION: FY 2014 language not recommended for FY 2015 denoted by strikethrough.
Recommended FY 2015 language that did not appear in FY 2014 denoted by underlining.

Significant Language Changes (Cont'd)

Property Tax Relief Fund (\$5.542 million or 0.5%) be funded by reallocating Consolidated Municipal Property Tax Relief Aid (CMPTRA) rather than by appropriating additional State funds. Municipalities will receive no inflation-based municipal aid increases in Fiscal Year 2015.



Compliance with the Best Practices Inventory	
Revision	2014 Handbook: p. B-28 2015 Budget: p. D-55

Notwithstanding the provisions of any law or regulation to the contrary, the release of the final 5% or \$500, whichever is greater, of the total annual amount due for the current fiscal year from Consolidated Municipal Property Tax Relief Aid to municipalities is subject to the following condition: the municipality shall submit to the Director of the Division of Local Government Services a report describing the municipality’s compliance with the “Best Practices Inventory” established by the Director of the Division of Local Government Services and shall receive at least a minimum score on such inventory as determined by the Director of the Division of Local Government Services; provided, however, that the Director may take into account the particular circumstances of a municipality in computing such score. In preparing the Best Practices Inventory, the Director shall identify best municipal practices in the areas of general administration, fiscal management, and operational activities, as well as the particular circumstances of a municipality, in determining the minimum score acceptable for the release of the final 5% or \$500, whichever is greater, of the total annual amount due for the current fiscal year, but in no event shall amounts be withheld with respect to municipal practices occurring prior to the issuance of the Best Practices Inventory unless related to a municipal practice identified in the Best Practices Inventory established in the previous fiscal year or related to compliance with a statute, regulation, or Executive Order in effect prior to the commencement of the previous fiscal year.

Explanation

This language provision sets the terms and conditions for the municipal Best Practices Inventory established in Fiscal Year 2011. As revised, the language would require the Director of the Division of Local Government to take into account a municipality’s compliance with statutes, regulations, and Executive Orders in effect prior to the commencement of the previous fiscal year when computing its compliance rating with the Best Practices Inventory. The Executive Branch has indicated that the amended language clarifies that withholding penalties are applicable to noncompliance with requirements in longstanding law (i.e., the filing of collective bargaining agreements with the Public Employment Relations Commission and deadlines related to the adoption of the municipal budget and financial reporting).

EXPLANATION: FY 2014 language not recommended for FY 2015 denoted by strikethrough.
Recommended FY 2015 language that did not appear in FY 2014 denoted by underlining.

Significant Language Changes (Cont'd)

The State is permitted to withhold the final 5% or \$500, whichever is greater, of the total amount of Consolidated Municipal Property Tax Relief Aid due to municipalities that do not receive a minimum score indicating compliance with the Best Practices Inventory. The Director may take into account the particular circumstances of a municipality in computing its compliance rating. Municipalities may not be penalized for engaging in practices occurring prior to the issuance of the Best Practices Inventory, unless a particular practice is related to municipal practices identified in the Best Practices Inventory for the previous fiscal year. A similar language provision in the Department of the Treasury budget (page D-405) provides for the withholding of the same percentage or amount of the Energy Tax Receipts Property Tax Relief Aid payment from municipalities that do not meet the minimum best practices standards.

The Fiscal Year 2014 Best Practices Inventory was released on September 3, 2013. Municipalities operating on a Calendar Year or Transition Fiscal Year were required to return their completed inventories to the Division of Local Government Services by October 15, 2013; municipalities operating on the State Fiscal Year calendar were required to meet a deadline of April 1, 2014. The Director of the Division of Local Government Services is charged with identifying best municipal practices in the areas of general administration, fiscal management, and operational activities, as well as how a municipality meets the minimum requirements necessary to receive its final aid payment. For the current fiscal year, municipalities are required to answer 50 questions covering the areas of general management, financial standards and procurement, budget preparation and presentation, health insurance, personnel, and disaster preparedness and resiliency.

Fiscal Year 2015 Distribution of Open Space Payments in Lieu of Taxes

Addition

2014 Handbook: –
2015 Budget: p. D-56

Notwithstanding the provisions of any law or regulation to the contrary, payments to municipalities in lieu of taxes for lands acquired by the State and non-profit organizations for recreation and conservation purposes shall be provided only to municipalities whose payments received in fiscal year 2010 exceeded \$5,000 and shall be provided at two-thirds of the payment amount provided in fiscal year 2010.

EXPLANATION: FY 2014 language not recommended for FY 2015 denoted by strikethrough.
Recommended FY 2015 language that did not appear in FY 2014 denoted by underlining.

Significant Language Changes (Cont'd)

Explanation

This language provision is identical to language included in appropriations acts from Fiscal Year 2011 through Fiscal Year 2013. When originally adopted it reduced Open Space Payments in Lieu of Taxes by one-third and ended all payments to municipalities that received less than \$5,000 in Fiscal Year 2010. The Fiscal Year 2014 Appropriations Act removed this language provision and replaced it with new language intended to end the advance funding of these PILOT payments. Under this language provision, eligible municipalities will receive a PILOT payment equal to the amount they received in Fiscal Year 2013.

Fiscal Year 2014 Distribution of Open Space Payments in Lieu of Taxes

Deletion

2014 Handbook: p. B-28
2015 Budget: –

~~Notwithstanding the provisions of any law or regulation to the contrary, payments to municipalities in lieu of taxes for lands acquired by the State and non profit organizations for recreation and conservation purposes shall be provided only to municipalities operating under the State fiscal year in the amount provided in the previous fiscal year. Municipalities operating under a calendar fiscal year are authorized to continue to anticipate the State's fiscal year 2013 payments in their calendar year 2013 budgets and shall be permitted to anticipate an identical amount in their calendar year 2014 budgets.~~

Explanation

This language provision altered the timetable on which State Aid for Open Space Payments in Lieu of Taxes was provided to municipalities pursuant to the "Garden State Preservation Trust Act," (C.13:8C-1 et seq.) to eliminate the prefunding of this State Aid. In State Fiscal Year 2014, payments were provided to only those municipalities that operate on a July 1 to June 30 fiscal year. State aid payments to "calendar year" municipalities were distributed on October 1, 2012 to support budgets for the fiscal period beginning January 1, 2013. When preparing their budgets for 2014, calendar year municipalities were permitted to anticipate as revenue the amount of the Open Space Payment in Lieu of Taxes they received in Fiscal Year 2013, but this aid will not be funded until the State adopts the Fiscal Year 2015 budget. The proposed budget recommends \$6.483 million for Open Space Payments in Lieu of Taxes. With all municipalities on the same funding timetable, this language is unnecessary.

EXPLANATION: FY 2014 language not recommended for FY 2015 denoted by strikethrough.
Recommended FY 2015 language that did not appear in FY 2014 denoted by underlining.

Significant Language Changes (Cont'd)

Additional Appropriation for Open Space Payments in Lieu of Taxes

Deletion

2014 Handbook: p. B-28
2015 Budget: p.

~~In additional to the amounts hereinabove appropriated for the Department of Community Affairs, an amount not to exceed \$1,100,000 is appropriated to the Open Space Payments in Lieu of Taxes account to provide aid to municipalities in such amounts as the Director of the Division of Local Government Services determines to be necessary to ensure that each municipality receives funding in support of its calendar year 2013 budget not to exceed the amount received in support of its calendar year 2012 budget, subject to the approval of the Director of the Division of Budget and Accounting.~~

Explanation

The Fiscal Year 2014 Appropriations Act ended “prefunding” of Open Space Payments in Lieu of Taxes. State aid payments to “calendar year” municipalities were distributed October 1, 2012 to support budgets for the fiscal period beginning January 1, 2013. However, if a municipality was permitted to anticipate the October 1, 2012 payment in its 2012 budget, the change in timing would have resulted in a one-year loss of revenue in its 2013 budget. This language provision permitted the Department of Community Affairs to appropriate up to \$1.1 million for Open Space Payments in Lieu of Taxes in order to prevent any revenue loss the proposed changes would cause in these situations. According to data posted on the New Jersey Comprehensive Financial System a supplemental appropriation of \$537,596 was allocated to provide Open Space Payment in Lieu of Taxes to five municipalities. With all municipalities on the same funding schedule in Fiscal Year 2015, this language is unnecessary.

Short Term Loans to Fiscally Distressed Municipalities

Revision

2014 Handbook: p. B-29
2015 Budget: p. D-56

The State Treasurer, in consultation with the Commissioner of Community Affairs, is empowered to direct the Director of the Division of Budget and Accounting to transfer appropriations from any State department to any other State department as may be necessary to provide a loan for a term not to exceed ~~30~~ 180 days to a municipality faced with a fiscal crisis, included but not limited to a potential default on tax anticipation notes. Extension of the term of the loan shall be conditioned on the municipality being an “eligible municipality” pursuant to P.L.1987, c.75 (C.52:27D-118.24 et seq.)

EXPLANATION: FY 2014 language not recommended for FY 2015 denoted by strikethrough.
Recommended FY 2015 language that did not appear in FY 2014 denoted by underlining.

Significant Language Changes (Cont'd)

Explanation

The revision to this language provision allows the transfer of State funds for the purpose of making a short-term loan for a longer initial period than currently authorized to a municipality faced with a fiscal crisis, including but not limited to a potential default on tax anticipation notes. The Executive Branch has indicated that extending the maximum loan period will allow local governments to more thoughtfully develop repayment plans. Repayment plans sometimes include the adoption of local bond ordinance to retire the State loan. The bond ordinance and issuance process can take several months. The Executive has also indicated that there are no currently outstanding loans made pursuant to this language.

Short-term loans may be extended only to municipalities eligible for State financial assistance under the "Special Municipal Aid Act," P.L.1987, c.75 (C.52:27D-118.24). Section 3 of P.L.1987, c.75 defines an "eligible municipality" as: (1) a municipality that is qualified to receive assistance under P.L.1978, c.14 (C.52:27-178 et seq.), (2) a municipality under the supervision of the Local Finance Board pursuant to the provisions of the "Local Government Supervision Act (1947), P.L.1947, c.151 (C.52:27BB-1 et seq.), (3) a municipality that has issued qualified bonds pursuant to the provisions of the "Municipal Qualified Bond Act," P.L.1976, c.38 (C.40A:3-1 et seq.), or (4) a municipality identified by the director to be facing serious fiscal distress.

EXPLANATION: FY 2014 language not recommended for FY 2015 denoted by strikethrough.
Recommended FY 2015 language that did not appear in FY 2014 denoted by underlining.

Background Paper: An Overview of Community Development Block Grant-Disaster Recovery (CDBG-DR) Funding

On March 5, 2013, the federal Department of Housing and Urban Development (HUD) issued a Federal Register Notice (FRN) announcing the first allocation of Community Development Block Grant-Disaster Recovery (CDBG-DR) funds made available by the “Disaster Relief Appropriations Act, 2013” (Pub.L. 2013-2). Of a total allotment of \$5.4 billion, New Jersey was awarded \$1.829 billion. On May 2, 2013, HUD and the Department of Community Affairs (DCA) signed a grant agreement that provides for the expenditure of approximately \$1.006 billion of the first tranche (portion) of CDBG-DR funds. CDBG-DR programs are managed by the DCA, the New Jersey Economic Development Authority, the New Jersey Housing and Mortgage Finance Agency (NJHMFA), and the New Jersey Redevelopment Authority (NJRA). This backgrounder will explain the methodology used to determine the allocation of the first tranche of CDBG-DR Funds among five grantees: Connecticut, Maryland, New Jersey, New York, and New York City. It will also provide a brief report regarding the amount of CDBG-DR funds awarded and disbursed to businesses, homeowners, and local governments.

There is very little information in the Governor’s Detailed Budget document regarding the expenditure of these monies. There are several sources, some Internet-based, that provide varying levels of data regarding the allocation of CDBG-DR funds. Interested parties can access information regarding the expenditure of CDBG-DR funds through the “Superstorm Sandy CDBG-DR Dashboard” created by the DCA, the “NJ Sandy Transparency” section of the State Comptroller’s website, and the website of the federal Recovery Accountability and Transparency Board, www.recovery.gov. Federal regulations require the State to submit a quarterly performance report no later than 30 days following the end of each calendar quarter. The quarterly performance reports provide narrative descriptions of program progress and report the total amount expended through each CDBG-DR program for all purposes. The “Superstorm Sandy CDBG-DR Dashboard” displays the amount of assistance awarded and disbursed through the different CDBG-DR programs.

The Disaster Relief Appropriations Act

Enacted into law on January 29, 2013, the “Disaster Relief Appropriations Act, 2013” (hereinafter “Act”) (Pub.L.113-2) appropriated \$16 billion to the federal Department of Housing and Urban Development’s (HUD) “Community Development Fund” for necessary expenses related to disaster relief, long-term recovery, restoration of infrastructure and housing, and economic revitalization in the areas most impacted and distressed by Hurricane Sandy and other eligible events in calendar years 2011, 2012, and 2013 for activities authorized under Title I of the “Housing and Community Development Act of 1974 (42 U.S.C. 5301 et seq.). These funds are to remain available for these purposes until September 30, 2017.

The Act also mandates several requirements regarding the allocation of funds. Funds must be awarded directly to a State or local government as a grantee at the discretion of the Secretary of Housing and Urban Development (hereinafter “Secretary”). The Secretary was required to allocate to each grantee not less than 33% of the funds within 60 days after enactment of the Act, based on the best available data. Prior to the obligation of funds, grantees were required to submit a plan to the Secretary for approval detailing the proposed use of all funds, including criteria for eligibility and describing how the use of these funds will address long-term recovery and restoration of infrastructure, housing, and economic revitalization in the most impacted and distressed areas. In broad terms, each grantee’s action

Background Paper: An Overview of Community Development Block Grant-Disaster Recovery (CDBG-DR) Funding (Cont'd)

plan must contain an impact and unmet needs assessment, a description of the connection between identified unmet needs and the allocation of CDBG-DR resources by the grantee, and a description of how the grantee will encourage the provision of affordable housing and sustainable long-term recovery planning, leverage CDBG-DR funds with non-federal funds to support recovery efforts, and manage program income. The action plan must also describe monitoring standards and procedures to ensure program requirements are met, and must also describe the mechanisms and procedures to prevent fraud, abuse, and mismanagement of funds. New Jersey's CDBG-DR Action Plan and all proposed and approved Action Plan amendments are available through the DCA website at: <http://www.state.nj.us/dca/divisions/sandyrecovery/action/>.

The Allocation Methodology

On March 5, 2013, HUD published a Federal Register Notice (FRN) describing the allocation and permitted uses of the first tranche of CDBG-DR funds. Appendix A of the FRN describes the methodology used to determine the amount of CDBG-DR funds awarded to each grantee. As noted above, CDBG-DR funds must be used to address unmet needs related to the economic revitalization, restoration of housing, and restoration of infrastructure. Unmet needs represent the total amount of financial resources necessary for recovery from a disaster that are not satisfied by other public or private funding sources, such as Federal Emergency Management Agency (FEMA) Individual Assistance, Small Business Administration (SBA) disaster loans, or private insurance. To allocate the first tranche of CDBG-DR funds, HUD estimated the unmet needs for each intended use as follows:

- Economic Revitalization: HUD used the best available data on the amount of damage to businesses applying for an SBA loan that are expected to be denied, usually because of inadequate credit or income to support the needed loan amount.
- Restoration of Housing: HUD used the best available data on the amount of housing damage not likely to be covered by private insurance, SBA disaster loans, or FEMA housing assistance. To target the most impacted and distressed areas, the need calculation was limited to homes with high levels of individual damage.
- Restoration of Infrastructure: Due to time constraints HUD did not use data on infrastructure need for the first allocation of CDBG-DR funds. HUD noted that it intended to obtain better information in infrastructure needs that will be used in a later allocation of CDBG-DR funds. Grantees were permitted to use monies from the first round of funds to begin addressing infrastructure needs.

These estimates are then added together, and an allocation is made among the grantees based on their proportional share of unmet needs.

New Jersey's Allocation of the First Tranche of CDBG-DR Funds

New Jersey received a first round CDBG-DR funding award of \$1.829 billion. At least 80% of the first tranche of federal CDBG-DR funds must address unmet needs within those counties "most impacted and distressed" by Hurricane Sandy. In New Jersey these counties are Atlantic, Bergen, Cape May, Essex, Hudson, Middlesex, Monmouth, Ocean, and Union. Under the grant agreement, funds obligated in the May 2013 grant agreement (\$1.029 billion) must be

Background Paper: An Overview of Community Development Block Grant-Disaster Recovery (CDBG-DR) Funding (Cont'd)

expended within two years, unless the federal Office of Management and Budget approves an extension. If the two year expenditure deadline occurs before September 30, 2017, unexpended funds must be returned to HUD and may be reallocated. After September 30, 2017, any unexpended funds must be returned to the federal Department of the Treasury.

The table below shows the current allocation of the first tranche of CDBG-DR funds, based on the State's CDBG-DR Action Plan and Action Plan Amendments.

Category	Program	Allocation Level
Homeowner Assistance Programs	Reconstruction, Rehabilitation, Elevation, and Mitigation	\$710,000,000
	Homeowner Resettlement Program	\$215,000,000
	Sandy Homebuyer Assistance Program	\$25,000,000
Subtotal		\$950,000,000
Rental Housing and Renter Programs	Fund Restoration of Large Multi-Family Housing	\$179,520,000
	Landlord Rental Repair Program	\$70,000,000
	Predevelopment Loan Fund	\$10,000,000
	Neighborhood Enhancement Program	\$30,000,000
	Incentives for Landlords	\$18,000,000
	Sandy Special Needs Housing Fund	\$25,000,000
Subtotal		\$332,520,000
Economic Revitalization	Grants/Forgivable Loans to Small Businesses	\$100,000,000
	Direct Loans for Small Businesses	\$100,000,000
	Neighborhood and Community Revitalization	\$75,000,000
	Tourism Marketing	\$25,000,000
Subtotal		\$300,000,000
Support for Governmental Entities	FEMA Match Program	\$50,000,000
	Continuation and Enhancement of Essential Public Services	\$60,000,000
	Post Sandy Planning Assistance Grants	\$5,000,000
	Zoning Code Enforcement Grants	\$6,000,000
	Unsafe Structure Demolition Program	\$15,000,000
Subtotal		\$136,000,000
Supportive Services Programs	Supportive Services Program	\$27,000,000
	Lead Hazard Reduction Program	\$5,000,000
Subtotal		\$32,000,000
Planning, Oversight, and Monitoring	Administration	\$79,000,000
Subtotal		\$79,000,000
TOTAL		\$1,829,520,000

Readers should note that the table assumes federal approval of CDBG-DR Action Plan Amendment No. 6, which proposes to transfer \$22 million from the Landlord Incentive Program to the Supportive Services Program and the Lead Hazard Reduction Program. If permitted, \$17 million will be used to provide tenant-based vouchers to increase the provision

Background Paper: An Overview of Community Development Block Grant-Disaster Recovery (CDBG-DR) Funding (Cont'd)

of affordable rental units to low- and moderate-income households. \$5 million would support the implementation of a Lead Hazard Reduction Program. The amendment indicates that community based organizations and local government units having experience administering lead hazard reduction and/or weatherization programs will be permitted apply for funding to support lead hazard abatement, reduction, and remediation efforts. It is not clear from the information available at this time whether Action Plan Amendment No. 6 has been approved and when the funding will available through these programs.

Based on information available through the Superstorm Sandy CDBG-DR Dashboard," the OLS has calculated that New Jersey has awarded \$1.043 billion in federal assistance but only \$230.5 million has been disbursed to businesses, homeowners, and local governments. About 80% of the amount disbursed has been through a single initiative – the Homeowner Resettlement Program.

On November 18, 2013, HUD released an FRN announcing the allocation of the second tranche of CDBG-DR funding. New Jersey was awarded \$1.463 billion. On March 26, 2014 New Jersey submitted Action Plan Amendment No. 7, which outlines the program-level allocation of the second tranche of CDBG-DR funds. HUD has 60 days to review and approve the State plan. As shown in the table below, these funds have been allocated to support programs in 6 categories.

Category	Allocation Level
Homeowner Assistance Programs	\$530,000,000
Rental Housing and Renter Programs	\$245,000,000
Economic Development	\$5,000,000
Infrastructure Programs	\$500,000,000
Support for Local Government Entities	\$100,000,000
Planning, Oversight, and Monitoring	\$83,000,000
TOTAL	\$1,463,000,000

Background Paper: Community Development Block Grant-Disaster Recovery Programs: Homeowner Assistance

New Jersey homeowners were significantly impacted Hurricane Sandy. Data collected by the federal Department of Housing and Urban Development (HUD) and the Federal Emergency Management Agency indicates that almost 60,000 owner-occupied primary residences sustained some amount of physical damage. Approximately two-thirds of those homes sustained severe or major damage. The State has allocated \$950 million from the first tranche of Community Development Block Grant-Disaster Recovery (CDBG-DR) funds for the restoration of storm-damaged homes, to mitigate the impact of increases in flood insurance premiums, promote stable communities, and to support the purchase of new homes in the counties most impacted by Hurricane Sandy.

Reconstruction, Rehabilitation, Elevation, and Mitigation (RREM) Program

The RREM Program is the State's primary source of assistance to homeowners affected by Hurricane Sandy. At a funding level of \$710 million the RREM has received the largest allocation of CDBG-DR funding. The State initially allocated \$600 million to the RREM program. An additional \$110 million was transferred from funds allocated for grants and loans to small businesses to the RREM program because the demand for assistance has exceeded the available funding. The RREM provides grants in amounts not to exceed \$150,000 to eligible homeowners to repair, elevate, or reconstruct their homes. The grant funds are intended to fill the gap between total costs and other funds the homeowner has received to repair the structure from insurance payments, FEMA, the Small Business Administration, or nonprofit foundations. According to the RREM Program Policies and Procedures, 70% of funding is reserved for low-to moderate-income applicants and 30% are reserved for all other eligible applicants.

It is not entirely clear, from the information available, exactly how much RREM assistance has been paid to homeowners for reimbursements and repairs. The CDBG-DR Performance Report for the fourth quarter of 2013 shows that \$208 million was budgeted for the RREM program. Of that amount, \$158 million has been obligated for payment and \$34.925 million has been drawn down. Because the quarterly reports show amounts disbursed through each program for all purposes, is not clear from these data what amount has been expended for program delivery costs and homeowner assistance, respectively. Data in the performance report indicate that the State has signed grant agreements with approximately 1,200 homeowners. The DCA also reported that it was notifying 7,000 unfunded but eligible applicants of their place on the RREM waiting list. The "NJ Sandy Transparency" section of the website for the Office of the State Comptroller (last updated on April 2, 2014) shows that \$222.16 million has been obligated and \$47.11 million has been disbursed through the RREM program. The "Superstorm Sandy CDBG-DR Dashboard" (last updated on April 21, 2014) shows that the \$569.8 million has been awarded and that no funds have been disbursed. Action Plan Amendment No. 7, which outlines the distribution of the second tranche of CDBG-DR funding, proposes to allocate \$390 million for the RREM program.

Applicants must meet six eligibility requirements: (1) the home must have been owner-occupied at the time of the hurricane; (2) the home must have served as the primary residence; (3) the home must have been in one of the nine most impacted and distressed counties; (4) the homeowner must have been registered with FEMA; (5) the homeowner must have an household adjusted gross annual income of less than \$250,000; and (6) the residences must have sustained damage as a result of Hurricane Sandy with a full verified loss of at least \$8,000 or had more than one foot of water as determined by FEMA. All applications received in the

Background Paper: Community Development Block Grant-Disaster Recovery Programs: Homeowner Assistance (Cont'd)

initial phase of RREM will be randomized at the end of the application period to determine their numeric ordering. Funding requests will be prioritized as follows: (1) homes with “substantial damage” as determined by New Jersey floodplain managers, regardless of zone; (2) home with severe/major damage only in flood zones A and V established by FEMA (if demand and funds remain after priority 1); and (3) homes with severe/major damage in all other flood zones (if demand and funds remain after priority 2).

Single family homes, owner-occupied units in multi-unit structures and mixed-used structures, and owned mobile/manufactured homes are eligible for the RREM program. Recreational vehicles and campers are not eligible, even if they are occupied by the applicant as a primary residence. If a structure contains an owner-occupied unit and rental units, the property owner may submit an RREM application for the owner-occupied unit and a Landlord Rental Repair Program application for the rental units. If both applications are selected for assistance, they will be considered together by program managers. Uniform Relocation Act requirements, including notice to existing and prospective tenants and appropriate relocation assistance to displaced households apply to the rental units. Owners of cooperative and condominium units are also eligible for RREM. Applicants are required to obtain the approval of the construction plan by the cooperative or condominium association and must have the association or cooperative provide insurance information before the RREM grant can be awarded.

RREM applications are prioritized in randomized number order until DCA reaches the maximum amount for each program component. Applicants submitted by homeowners whose homes were substantially damaged will be processed in the order in which they are received and prioritized ahead of other applicants whose homes were not substantially damaged until that priority is exhausted. If the program is oversubscribed, the State will review the geographic distribution of applications relative to: (1) the percentage of housing units with major/severe damage as a percentage of all housing units and (2) the percentage of households with major/severe damage that are low- and moderate-income as a percentage of all housing units with major/severe damage. All other applications will be processed in accordance with the stated priorities, in the order in which they are received.

After the application is reviewed, the DCA will transmit to the homeowner one of three notices regarding whether they will receive grant funding. Eligible homeowners will receive a Notice of Preliminary Award to notify them that their application has been selected for processing. The notice includes instructions for documentation the applicant should bring to their initial appointment with RREM program staff. If funds are not available to provide grants to all eligible applicants, a No Funding Notice will be transmitted to eligible applicants who will not receive a RREM grant. These applicants are placed on a waiting list for processing if additional funds become available. Applicants who are determined to be ineligible for the RREM program will be notified in writing through a Notice of Ineligibility.

Applicants who believe that a program decision was made incorrectly or not in compliance with program policies may appeal, in writing, to the DCA within 30 days of receipt of the decision. Information available through the website of the DCA Sandy Recovery Division indicates, “Appeals are limited to actions or decisions that the homeowner believes to be in conflict with stated program policies to be based on contestable information in which the

Background Paper: Community Development Block Grant-Disaster Recovery Programs: Homeowner Assistance (Cont'd)

homeowner has further details to substantiate a determination. Established program policies are not appealable." Applicants may appeal the following RREM program decisions: eligibility determination, determination of rehabilitation vs. reconstruction, accessibility requests, contractor selection, and draw requests. DCA will consider appeals for the following RREM program decisions on a very limited basis: substantial damage determination, assignment of RREM program manager, estimated cost to repair the home, work in place determination environmental review results and required mitigation factors, composite pricing of reconstruction, scope of work, required RREM design costs, enhancement options, and grant award amounts.

Appeal requests are processed and reviewed by the RREM program manager. Appeals are reviewed against program policies and requirements, and applicable local State, and federal law. After review, all appeals are forward to the DCA Sandy Recovery Division Hearing Office. The hearing office conducts a second review of the appeal and, if necessary, hears the applicant's presentation of their appeal. The hearing officer will make a decision and respond to the applicant within 30 days of receiving the appeal from the RREM program manager. Applicants who are dissatisfied with the DCA determination may appeal to the Office of Administrative Law (OAL), and then to the Appellate Division of the New Jersey Superior Court. Procedures for an OAL appeal are provided with the hearing officer's written determination.

Grant recipients must sign an agreement that requires the homeowner to: (1) occupy the damaged dwelling upon completion of rehabilitation or reconstruction; (2) permit authorized representatives of the RREM program manager, Department of Environmental Protection (DEP), and authorized builders to access the site; and (3) maintain flood insurance throughout the repair/reconstruction process and perpetually for the life of the property, and notify subsequent owners of this requirement. If elevation of the property is required, the applicant will commit to elevate the dwelling within four years of the date of loss (October 29, 2012), or sooner, as determined by the Department of Community Affairs (DCA). A lien covenant and/or deed restriction document will be required for applicants who do not complete construction or elevation with a RREM contractor. If applicants, after selecting their own contractor, has been reimbursed for the full grant amount, and elevation and occupancy are not complete, a lien will be filed until all requirements are met. Applicants using an RREM contractor are required to place any private funding, including any moneys that may qualify as a duplication of benefits, in an escrow account to be used as needed to fully fund the rehabilitation and reconstruction of the property. Applicants must authorize the RREM program manager to conduct inspections and authorize payments from RREM program funds and privately escrowed funds to make payments directly to the general contractor.

RREM funds can support either rehabilitation or reconstruction of damaged dwellings. RREM program managers make a recommendation for the reconstruction or rehabilitation pathway based on the ratio of the cost of repair (including elevation if required) to the lowest composite price of a standard mode house of equal number of bedrooms. Ratios greater than or equal to 75% will result in a reconstruction recommendation, while ratios less than 75% will result in a rehabilitation recommendation. Applicants are permitted to select reconstruction or rehabilitation for a home that has the ratio of repair cost to the cost of the lowest composite price standard model home of equal number of bedrooms between 50% and 100%. This is considered cost reasonable. Applicants who choose a reconstruction or rehabilitation pathway

Background Paper: Community Development Block Grant-Disaster Recovery Programs: Homeowner Assistance (Cont'd)

that is not considered cost reasonable will be capped in their award applications at the cost reasonable total development cost of the project established by the RREM project manager.

Grant recipients may use a RREM-assigned contractor or selected their own contractor. RREM-assigned contractors have met the standards of the "RREM Prequalified Contractor Pool." The homeowner and the contractor must sign a contract that is monitored by RREM program managers. Applicants who have an existing executed construction contract are allowed to continue using their pre-existing contractor in lieu of a RREM-assigned contractor. Applicants may also choose to seek and identify their own general contractor if one is not engaged already. The contractor must be registered in New Jersey, must not be on federal or State lists of debarred contractors, and must comply with all required State and federal regulations applicable to the RREM program.

The DCA has adopted policies that permit the payment of grant funds as reimbursement for eligible work undertaken before the date an applicant submitted a RREM application. To exercise the reimbursement option, owners must comply with all program requirements and commit to completion of any remaining work. Reimbursable costs must be reasonable and necessary as determined by DCA. Homeowners are eligible for reimbursement regardless of which option they choose for selecting a contractor. Applicants must have received a preliminary award notification and be otherwise eligible for assistance. Before approval for reimbursement can be given, the dwelling must have passed the required environmental review and the homeowner must retain documentation of expenses for five years. There are four reimbursement options that may be exercised, depending on whether all or a portion of the work has been completed and whether the work will be completed by a homeowner-selected contractor or a RREM-assigned contractor.

Homeowner Resettlement Program

The State has allocated a total of \$215 million for the Homeowner Resettlement Program. This program provides a \$10,000 grant a household is permitted to use towards addressing increases in flood insurance premiums or other needs. Program eligibility is open only to homeowners who have registered with FEMA and whose primary residence sustained a full verified loss of \$8,000 or greater or more than one foot of flooding of damage on the first floor. The residence must be located in one of the nine most impacted and distressed counties. During the initial application phase, 60% of program funds were reserved for low- and moderate-income households and 40% of program funds were reserved for all other households. Prior to the release of funds, the homeowner must sign a promissory note to reside in the county where the damaged residence was located for three years or repay the grant to the State. Homeowner Resettlement grant applications will be reviewed on a first received, first evaluated basis. According to the "Superstorm Sandy CDBG-DR Dashboard" New Jersey has awarded \$182.3 million through the Housing Resettlement Program; \$181.59 million has been disbursed. The State has not proposed any additional allocation of funds for the Homeowner Resettlement Program from the second tranche of CDBG-DR funds.

Sandy Homebuyer Assistance Program

New Jersey's CDBG-DR Action Plan allocated \$25 million for the Sandy Homebuyer Assistance Program (SHAP). Managed by the NJHMFA, SHAP provides eligible low- and moderate-income households loans to purchase a home in the nine counties most impacted by

Background Paper: Community Development Block Grant-Disaster Recovery Programs: Homeowner Assistance (Cont'd)

Hurricane Sandy. Qualified homebuyers may receive up to \$50,000 in assistance in the form of a forgivable subordinate mortgage. There are no monthly payments and the loan is forgiven 20% per year over a 5-year period. Homebuyers must have a credit score of 620 or higher, earn less than or equal to 80% of area median income, qualify for a first mortgage to purchase the unit, and demonstrate their need for assistance in that their mortgage payment must be greater 28% of their gross monthly income. Program participants may purchase a single-family residential property (i.e., attached or detached homes or condominiums) and the home must be the applicant's primary residence.

According to the DCA, 110 applicants have closed on SHAP loans totaling \$5 million; 90 letters committing \$4 million in loan funding have been issued. The remaining funds have been reserved for an additional 400 households. The average loans amount is \$45,000. The DCA noted that while the SHAP funding will finance between 500 and 600 assistance loans, close to 9,000 applications were submitted to the NJHMFA. Over 60% of approved, committed, and closed loans are for homes purchased in Ocean, Monmouth, and Atlantic counties. The State has not recommended any additional allocations of funding for the SHAP from the second tranche of CDBG-DR funding.

The applicant may purchase a manufactured home only if the home is on a foundation permanently affixed to real property owned by the homeowner and secured by a real property first mortgage loan. Applicants selected to receive SHAP assistance are required to complete the process of locating a home to purchase, sign a contract of sale, and obtain mortgage financing from an HMFA-approved mortgage lender. The applicant must provide a housing counselor with a copy of the contract of sale, which is then forwarded to the HMFA for calculation of the final assistance amount and issuance of a commitment letter. The award amount may be adjusted to meet certain requirements based on other financial assistance the buyer receives to purchase the home.

SHAP was introduced as a 90-day pilot program in July 25, 2013. Homebuyers who applied for assistance within that time period were required to already be a resident of any of the nine counties most impacted by Hurricane Sandy. After the initial 90-day time period, the program was open to eligible households purchasing in one of the nine most impacted counties regardless of their address at the time of application. The DCA Sandy Recovery Division website indicates that applications received after September 30, 2013 will continue to be processed on a first-come, first serve basis.

Background Paper: Community Disaster Block Grant - Disaster Recovery Programs: Rental Housing and Renter Programs

According to New Jersey's Community Development Block Grant-Disaster Recovery (CDBG-DR) Action Plan, approximately 27% of all housing damage caused by Hurricane Sandy was inflicted upon the State's rental housing stock. Data collected by the Federal Emergency Management Agency also indicates that about 44,000 households displaced by Hurricane Sandy were receiving rental assistance after the storm. Hurricane Sandy also impacted State and federally subsidized housing, including public housing and units occupied by Housing Choice Voucher recipients. The damage caused by Hurricane Sandy aggravated the shortage of rental housing in New Jersey. In order to replenish the State's rental housing stock, the State allocated \$332.52 million from the first tranche of CDBG-DR funds to support the construction of rental housing, blight reduction, the repair of small rental properties, pre-development costs and project-based rental assistance. The CDBG-DR rental housing and renter programs are as follows:

Fund for the Restoration of Large Multi-Family Housing

The Fund for the Restoration of Large Multi-Family Housing (FRM) is intended to facilitate the creation of affordable housing in the nine counties most impacted and distressed by Hurricane Sandy. The State has allocated \$179.52 million to the FRM. FRM loans are available to projects that receive 9% and 4% federal Low-Income Housing Tax Credits allocated by the New Jersey Housing and Mortgage Finance Agency (NJHMFA), multi-family revenue bonds, conduit bonds, and financing from other CDBG-DR programs. Private for-profit and nonprofit housing developers and public housing authorities capable of developing large multi-family housing developments are eligible to apply for FRM loans. In all cases FRM Program Guidelines require eligible projects to provide rental housing in which some or all of the units are affordable to low- and moderate-income households. Developments may include new construction, conversion of vacant/commercial/industrial buildings, or the substantial rehabilitation of uninhabitable dwellings.

There are four components to the FRM. The first component will leverage zero- and low-interest loans with 9% Low-Income Housing Tax Credits to produce affordable housing. The second component will combine zero- and low-interest loans with the State's allocation of tax exempt bonds and 4% Low Income Housing Tax Credits to create or rehabilitate affordable housing units. This component incentivizes developers to produce mixed-income buildings that provide housing opportunities for both extremely low-income households usually overlooked in traditional tax credit projects (households with incomes between 60% and 80% of Area Median Income (AMI)), and market rate tenants. The third component will utilize "stand-alone" funds to provide zero- and low-interest loans to new multi-family projects; these funds may or may not be used in conjunction with Low-Income Housing Tax Credits. The fourth component will provided \$20 million for repairs to damaged public housing units, federally-owned housing units, and HUD assisted multi-family housing.

Loans are issued at an interest rate of 0% during construction and 1% at permanent roll over. The department also noted that federal regulations allow the NJHMFA to retain payments of principal and interest as program income. A revolving loan fund will be created to use program income for additional disaster recovery activities and will be treated as additional as additional CDBG-DR funds subject to the requirements of the Action Plan.

Background Paper: Community Disaster Block Grant - Disaster Recovery Programs: Rental Housing and Renter Programs (Cont'd)

In response to a Fiscal Year 2015 OLS Discussion Point, the DCA reported that \$159.52 million of FRM funding has been allocated to the first three aforementioned subsidy components of the program. \$153.8 million was awarded as follows: \$108.6 million was awarded with a round of 9% Low-Income Housing Tax Credits; \$43.4 million was awarded with a round of 4% Low-Income Housing Tax Credits; and \$1.8 million was awarded as a “stand-alone” award. The NJHMFA has also awarded \$7 million from the fourth subsidy component to support two public housing repair projects. FRM loan subsidies will support 2,100 affordable housing units in Fiscal Year 2014 and 1,600 affordable housing units in Fiscal Year 2015.

In a press release dated August 15, 2013, the DCA announced that the State committed \$135 million in federal CDBG-DR funds to help create approximately 2,250 affordable housing “opportunities” in the nine counties most impacted and distressed by Hurricane Sandy. The bulk of these funds were awarded through the FRM program while a portion of this allocation was through the Sandy Special Needs Housing Fund. Additional press releases issued in September 2013, December 2013, February 2014, and March 2014 advertised the groundbreaking of affordable housing projects supported by FRM loans in Harrison Town, Long Branch Township, and New Brunswick City. The press releases regarding the developments in Long Branch Township indicate, “During the first three months of lease-up, priority will be given to individuals who registered for Federal Emergency Management Agency assistance or who rented an apartment or owned a primary residence that was no longer habitable because of Sandy damage.”

The FRM Program Guidelines indicate that projects were selected for funding based on the scoring system shown in the table below.

Criteria	Number of Points
Project is Located in One of the Nine Most Impacted and Distressed Counties	25
Readiness to Proceed to Construction and/or Closing with Lender ¹	25
At Least 10% of Units are for Households At or Below 30% of AMI	15
Municipal, County, or Public Housing Authority Support per N.J.A.C.5:80-33.15 (a)4	10
Minimum of 5% of Supportive Housing Units	10
Mixed-Income (Minimum of 20% of Housing Units are Affordable)	10
CDBG Efficiency (Applicant Requests Less than the Per Unit Maximum)	10
Total Points	105

¹ The FRM Program Guidelines define “Readiness to Proceed” to mean that the start of project construction and/or the closing with the lender or syndicator will take place within 90 days of the funding award.

Background Paper: Community Disaster Block Grant - Disaster Recovery Programs: Rental Housing and Renter Programs (Cont'd)

The guidelines indicate that a minimum score of 55 points is required to be eligible for FRM funds. Subject to the availability of funds, the maximum FRM subsidy amount is \$90,000 per unit for projects awarded 9% Low-Income Housing Tax Credits; \$120,000 per unit for projects awarded 4% Low-Income Housing Tax Credits; and \$120,000 per unit for stand-alone projects. There are three types of FRM funding: construction loans, construction loans which convert to permanent financing, and permanent loans for take-out financing. Other loan types may be authorized to ensure project feasibility. Any unit of housing provided for low- and moderate-income households must be occupied by low- and moderate-income households for at least five years.

Action Plan Amendment No. 7, which outlines the State's proposed allocation of the second tranche of CDBG-DR funds, recommends \$200 million for the FRM. Of that amount, \$10 million will be set-aside for public housing. The department has indicated that the second installment of FRM funding will assist projects that receive 4% Low-Income Housing Tax Credits or "stand-alone" funding.

Incentives for Landlords

New Jersey initially allocated \$40 million to the Landlord Incentive Program. On February, 3, the DCA released CDBG-DR Action Plan Amendment No. 6, which proposes to transfer \$22 million from the Landlord Incentive Program to other programs, reducing the funding pool to \$18 million. The amendment noted that the transfer of funds is subject to federal approval of a waiver request submitted on January 9, 2014. In response to a Fiscal Year 2015 OLS Discussion Point the DCA noted that the State has approved 53 applications to support 350 units and provide \$7 million in landlord incentive payments to property owners; approximately \$250,000 has been paid so far. No additional funding is recommended for Incentives for Landlords through the second tranche of CDBG-DR assistance.

Under this program, incentive payments are provided to qualified landlords to quickly address the need for affordable housing following Hurricane Sandy and to meet the immediate needs of displaced low- and moderate-income households. Unit subsidies are provided based on affordability levels mirroring the methodology used for the federal Section 8 Housing Choice Voucher Program. According to the CDBG-DR Action Plan, funding priority will be given to households earning at or below 50% of area median income. Property owners will receive roughly the difference between 30% of the tenant's monthly income and federal fair market rents each month. Rental payments may not exceed: (1) 30% of income for a household earning 80% of area median income and (2) 30% of income for a household earning 50% of area median income for "deeply affordable units." The Action Plan requires that 75% of program funds be allocated to units located in the nine counties most impacted by Hurricane Sandy; the remaining 25% of the funds can be used in all other counties.

Individual grants vary based on county, the property's number of bedrooms, and the tenant's income. Landlords will receive assistance for at least two years. After the second year, the landlord will have to negotiate rents directly with the tenant. Rents will increase to market rate levels after the program is over. The tenant's household income will be certified at the inception of the program and prior to the start of the second year. If household income increases at recertification, the share of the rent paid by the tenant will increase. The DCA will send notices to households on its Section 8 and State Rental Assistance Program waiting lists

Background Paper: Community Disaster Block Grant - Disaster Recovery Programs: Rental Housing and Renter Programs (Cont'd)

announcing the availability of these rental units. The notice will direct household to a list of participating landlords available through the DCA website. The department will also refer individuals to participating landlords.

Landlord Rental Repair Program

The CDBG-DR Action Plan allocated \$70 million to the Fund for the Rehabilitation of Small Rental Properties, also known as the Landlord Rental Repair Program (LRRP). According to the Action Plan, more than 70% of the rental properties in the areas most impacted by Hurricane Sandy have less than 20 units. The LRRP will provide zero-interest, forgivable loans, to "original" and new owners of small rental properties (25 units or less) that sustained significant damage during Hurricane Sandy. LRRP loans are intended to fill the gap between the cost to repair the units and other sources of funding the landlord may have received. Any amounts the landlord received for repairs from private insurance, National Flood Insurance Program, and the Small Business Administration will be subtracted from the total cost of repairs to determine the award amount. Any funds received from a non-profit agency will be subtracted from the total cost of repairs to determine the award amount only if they are dedicated for repair work and result in a duplication of benefits. The maximum LRRP award is \$50,000. If the total amount of funds available is not sufficient to complete the repairs, the landlord is required to identify additional sources of support. Of the total amount allocated, 70% of program funds must benefit rental units in the nine counties most impacted to Hurricane Sandy.

In response to a Fiscal Year 2015 OLS Discussion Point, the DCA noted that 50 landlords have signed grant awards totaling over \$2.2 million to repair, reconstruct, and elevate affordable rental properties. As of March 27, 2014, \$400,000 has been approved for disbursement. The program received 1,405 completed applications; 1,088 applications accounting for 1,933 damaged units have been deemed preliminarily eligible. The timing of repairs is dependent on the pace of the landlord in obtaining a general contractor and the undertaking of repair work. The majority of construction work is expected to take place within the next 15 months. The LRRP application period closed on November 15, 2013. Action Plan Amendment No. 7 does not recommend additional funding for the LRRP from the second tranche of CDBG-DR funding.

To qualify, original owners must have owned the property continuously from the time of the storm until the time of application for assistance. Eligible new owners include those entities that: (1) purchased the property after the storm or have an option to purchase, or other suitable form of site control for an eligible property that sustained a significant amount of damage during the storm; and (2) wish to exercise that option in order to rehabilitate the property. First priority will be given to properties that have mold remediation needs, are less than eight units, or serve the special needs population. The units must be year-round rentals. A property that was not a year-round rental before Hurricane Sandy may be eligible, but the landlord must agree that the units will be used for year-round rentals after they are repaired. Mixed-use properties will be considered for funding, but LRRP loan proceeds cannot be used to repair non-rental units or convert commercial or retail space to rental units.

Owners must agree to lease assisted units to low- and moderate-income households and charge rents that are limited to the lesser of the market rent for the unit or the rent schedule

Background Paper: Community Disaster Block Grant - Disaster Recovery Programs: Rental Housing and Renter Programs (Cont'd)

established by the DCA, which is based on 30% of 80% of the Area Median Income in each of the nine counties most impacted to Hurricane Sandy. Owners of for-profit properties must comply with these limits for the first occupancy of the unit and sign a one-year lease. Nonprofit entities must comply with the unit affordability requirements for five years. If the owner fails to meet these requirements, the loan must be repaid. The loan is forgiven if the occupancy requirements are met. Property owners are permitted to select their own tenants, provided the tenants meet the low- and moderate-income eligibility criteria. Tenant income must be confirmed by the LRRP program before the landlord leases the unit. All landlords need to comply with State and federal fair housing requirements; landlords of properties with five or more units are also required to develop an "Affirmative Fair Housing Marketing Plan".

Property owners who receive LRRP loans will receive construction management services appropriate to the project and the landlord's requested construction path. There are two paths of construction available to LRRP loan recipients: **Assisted Construction Management** and **Landlord-Led Construction Management**. Under Assisted Construction Management, the LRRP Construction Manager assists the landlord or property owner in the selection of a general contractor and in obtaining necessary permits, environmental clearances, and zoning approvals. The qualifications of the general contractor will be reviewed to ensure registration and certification and that work will be completed in accordance with all program requirements. The landlord and the LRRP Construction Manager will approve payments to the general contractor at designated points during construction. If the scope of work for the repairs exceeds the maximum \$50,000 award, the landlord must escrow the funds necessary to complete the work. The Landlord-Led Construction Management path permits the landlord/property owner to engage professionals to design the repairs to a property and the general contractor. The LRRP Construction Manager will approve the scope of the repairs, determine whether or not the general contractor is qualified, review the costs of the repairs for reasonableness, and ensure all environmental clearances are obtained prior to the disbursement of funds. Loan funds can be disbursed periodically during the repair period upon completion of progress inspections by the LRRP Construction Manager or disbursed upon completion of the project.

Under certain conditions, property owners are permitted to receive reimbursement for repairs performed prior to the submittal of an LRRP application. The landlord must provide information and documentation regarding the cost of repairs. The following stipulations apply: (1) If the unit is not ready for occupancy, additional repairs must be suspended until environmental clearance is obtained from the Department of Environmental Protection; (2) Repairs must have been completed prior to the submittal of the LRRP application; (3) All repaired units must be vacant; (4) The property must have 1 to 4 dwellings; (5) The property was not declared substantially damaged by the storm, as determined by a flood plain manager, and is not in a 100-year flood plain; (6) Repairs and associated costs must be validated on-site by the LRRP Construction Manager; and (7) With regard to owner-performed repairs, landlords can receive reimbursement for the cost of materials, but cannot receive reimbursement for their own labor or "sweat equity."

Neighborhood Enhancement Program

Funded at \$30 million the Neighborhood Enhancement Program will provide 0% loans to eligible nonprofit and for-profit developers to purchase and rehabilitate foreclosed, vacant, or

Background Paper: Community Disaster Block Grant - Disaster Recovery Programs: Rental Housing and Renter Programs (Cont'd)

abandoned properties in targeted communities. The program will support efforts to develop a mixed-income model of rebuilding to prevent concentrations of poverty. Applicants are encouraged to develop affordable rental or owner-occupied housing and lease-to-purchase housing opportunities in the nine counties most impacted and distressed by Hurricane Sandy, and other priority areas throughout the State. The maximum award for any single project is \$250,000. Projects awarded funding through the Neighborhood Enhancement Program must provide low- and moderate-income housing. The project must be feasible within funding caps and underwriting standards. Properties must have an unaddressed funding need that prevents full compliance with local building code ordinances. Eligible properties may have seven units or less and units must be affordable at 30% of the gross income of the resident applicant. According to the Superstorm Sandy CDBG-DR Dashboard, the State has awarded \$13,637,730 through the Neighborhood Enhancement Program to support the development of 84 housing units. The State has proposed an allocation of \$20 million for the Neighborhood Enhancement Program from the second tranche of CDBG-DR funds.

Pre-Development Loan Fund for Affordable Housing

With an allocation of \$10 million, the Predevelopment Loan Fund for Affordable Rental Housing serves as a source of low-cost financing to help nonprofit developers cover expenses related to the development of affordable rental properties that are currently unsafe, underutilized, or in foreclosure. Managed by the New Jersey Redevelopment Authority (NJRA), the Predevelopment Loan Fund provides three-year loans in amounts between \$100,000 and \$500,000 per project, at an interest rate not to exceed 2%. The loans are secured by a mortgage on the development site or other collateral satisfactory to the NJRA. Loan funds may be used for a variety of predevelopment costs, including, but not limited to, project feasibility studies, legal fees, soil studies, site preparation, appraisals, and surveys. Predevelopment costs must have been incurred after October 30, 2012 to be eligible for funding. The CDBG-DR Action Plan provides that eligible projects must create new affordable rental housing developments and help to revitalize a community that has been directly or indirectly impacted by Hurricane Sandy. Initial occupancy of the units developed with Predevelopment Loan Fund monies is restricted to households at or below 80% of area median income.

Press releases issued by the DCA on September 6, 2013 and the Governor's Office on November 26, 2013 indicate that \$5.65 million has been awarded from the Predevelopment Loan Fund. Information published in the CDBG-DR Performance Report for the fourth quarter of 2013 indicates that while \$6 million has been budgeted for the Predevelopment Loan Fund and \$5 million has been obligated, no loan funds have drawn down. The program information also indicates that if the Predevelopment Loan Fund is not entirely allocated by the initial funding round, the NJRA will accept applications on a rolling basis until all funds are loaned. During the Fiscal Year 2015 budget process NJRA indicated the first disbursement of funds was on March 21, 2014 but it is not clear what amount has been paid. The NJRA received 14 applications for Predevelopment Loan Funds and indicated that 800 affordable rental units supported by these monies will be available in Fiscal Year 2015. Funds returned to the State as loan repayments may be used for any CDBG-DR programs and are not required to be returned to the federal government.

Background Paper: Community Disaster Block Grant - Disaster Recovery Programs: Rental Housing and Renter Programs (Cont'd)

Sandy Special Needs Housing Fund

The State has allocated \$25 million in CDBG-DR funds to the Sandy Special Needs Housing Fund (SSNHF). The SSNHF is dedicated to the development of permanent supportive housing located in the nine counties most impacted by Hurricane Sandy. Managed by the NJHMFA, the SSNHF provides capital subsidies in the form of loans to for-profit and nonprofit developers of projects that combine rental housing and supportive services. Eligible applicants must be capable of developing and managing the permanent supportive housing project and providing supportive services, directly or indirectly, with the service provider to the targeted special needs population. Loan funds can be used to develop permanent supportive rental housing projects or community residences in which some or all of the units are affordable to low- and moderate-income special needs populations as defined in Special Needs Housing Trust Fund Guidelines. Developers may apply for stand-alone financing or program funding in conjunction with the Low-Income Housing Tax Credit Program, tax-exempt bonds, or the Fund for the Restoration of Multifamily Housing.

The DCA reports that 33 SSNHF applications were submitted to the NJHMFA. Ten zero-interest loans totaling \$12,191,422 have been awarded. The NJHMFA also awarded \$5.3 million to 4 other applicants that received assistance from other CDBG-DR programs. The DCA anticipates that a total of 432 housing units will be created in Fiscal Years 2014 and 2015. No mixed-use projects have been proposed. Federal regulations allow the NJHMFA to retain principal and interest payments as program income that may be used to fund additional disaster recovery activities. The State has proposed an allocation of \$25 million from the second tranche of CDBG-DR assistance for the Sandy Special Needs Housing Fund.

The SSNHF Program Guidelines indicate that projects were selected for funding based on the scoring system shown in the table below.

Criteria	Number of Points
Project is Located in One of the Nine Most Impacted and Distressed Counties	25
CDBG Efficiency (Applicant Requests Less than the Per Unit Maximum and/or less than 80% of total development cost in SSNHF subsidy)	20
Readiness to Proceed to Construction and/or Closing with Lender ²	20
At Least 75% of Units are for Households At or Below 30% of AMI	15
100% Special Needs Units with Support Services	10
Project Meets State Priorities Described in the Target County's Continuum of Care Plan	10
Total Points	100

² The SSNHF Program Guidelines define "Readiness to Proceed" to mean that the start of project construction and/or the closing with the lender or syndicator will take place within 90 days of the funding award.

Background Paper: Community Disaster Block Grant - Disaster Recovery Programs: Rental Housing and Renter Programs (Cont'd)

The SSNHF Program Guidelines indicate that a minimum score of 55 points is required to be eligible for funding. The total maximum subsidy loan for any single SSNHF project may not exceed 80% of total development costs. For projects that are 100% special needs housing, the maximum loan amount is \$2.5 million; for mixed use projects the maximum loan amount is \$100,000 per unit. 75% of SSNHF funding is allocated to households at or below 30% of area media income; 25% of program funding is allocated to benefit households with a gross income between 30% and 80% of area median income. If a unit is supported by an SSNHF loan, it is not eligible for additional subsidies from certain State programs, such as DCA State HOME funds or the NJHMFA Special Needs Housing Trust Fund.

SSNHF subsidy loan amounts cannot exceed the amount required for the project after other forms of assistance have been considered. Other sources of funds include FEMA assistance, SBA loans, private insurance, and other assistance received or reasonably expected to be received for the project. The financing term for SSNHF subsidy loans will be 30 years but applicants may request a minimum term of 20 years or a maximum term of 40 years. Projects financed through the SSNHF program must be occupied by the targeted special needs population for the term of the subsidy loan. Project sponsors must demonstrate that the SSNHF loan will be expended within 2 years and prior to the use of other sources of funds.

Background Paper: Community Disaster Block Grant - Disaster Recovery Programs: Support for Governmental Entities

After Hurricane Sandy, New Jersey's local governments encountered a broad range of financial and planning challenges, including unanticipated storm-related expenses and the loss of ratables and other revenue that continues to hamper the provision of vital public services. Local officials are responsible for reviewing development proposals, inspecting homes and businesses as they are rebuilt in order to ensure that they comply with construction codes, and facilitating the demolition of unsafe structures. As the recovery process continues, local units have started reexamining municipal land use plans and zoning ordinances in an effort to address vulnerabilities that were exposed by the storm. New Jersey has allocated \$136 million from the first tranche of Community Disaster Block Grant-Disaster Recovery (CDBG-DR) funds to support local government entities. This budget background paper reviews five CDBG-DR programs specifically designed to provide assistance to local governments.

Continuation and Enhancement of Essential Public Services

Funded at \$60 million, the Essential Services Grant Program provides financial assistance to local government entities in those instances where federal Community Disaster Loans are either unavailable or insufficient to fund the continuation of eligible essential public services, such as police and fire protection, health and welfare, (including public works, garbage collection and disposal, and water/sewer supply), and education. According to Local Finance Notice (LFN) No. 2013-15, local governments that applied for Community Disaster Loans and continue to experience funding gaps that prevent adoption of a budget that delivers essential services may apply for additional financial assistance through this program. The Division of Local Government Services (DLGS) applied for Essential Services Grants on behalf of municipalities that are either subject to State oversight through the Transitional Aid to Localities Program or under State financial supervision pursuant to the "Local Government Supervision Act (1947)," P.L.1947, c.151 (C.52:27BB-1 et seq.).

The LFN states, "Applying for an Essential Services Grant is a declaration that the local government is incapable of providing essential services due to Superstorm Sandy impacts even after the exhaustion of insurance proceeds and federal assistance, including, but not limited to, FEMA Public Assistance and Community Disaster Loans. Essential services include those services directly necessitated by Superstorm Sandy itself (i.e., extra police patrols, increased public works efforts, or education services for dislocated students) and basic essential services critical to preventing population flight and blight, such as basic public safety, public works, and education services that could not continue to be provided absent an essential services grant."

School districts were not permitted to apply for the first round of Essential Services Grants. If the property tax levy for local or regional school purposes required an "unsustainable school purposes tax rate increase of more than 2%", the municipality was required to apply, on behalf of the school district for additional Essential Services Grant funding in an amount required to limit increases in the school levy to 2% or less. These applications were approved only with the consent of the local or regional school board. The school board must also agree to utilize grant funds to pay for essential school services, as permitted by the federal Department of Housing and Urban Development and otherwise provided for in their Fiscal Year 2014 budgets. School districts are required to account separately for these funds in a manner consistent with federal regulations.

Background Paper: Community Disaster Block Grant - Disaster Recovery Programs: Support for Governmental Entities (Cont'd)

The DLGS used the following criteria when considering Essential Services Grant applications submitted by eligible local units:

- Grants may be made available in communities where Community Disaster Loans were approved by FEMA for one or more local government jurisdictions, but subject to loan caps.
- Grants were generally not available in communities where Community Disaster Loans were not approved by FEMA for one or more local government jurisdictions within all or part of the applicant's boundaries. If a municipality has already been deemed distressed by the State and is under State oversight or supervision, Essential Services Grants may be provided to the extent of revenue losses.
- Applicants must have demonstrated that, absent a grant award, essential services will not be provided. Applicants were required clearly explain what essential services were required as a direct result of Hurricane Sandy.
- Revenue losses must be reasonably anticipated to meet loss requirements in Local Finance Notice No. 2013-10, which clarified eligibility for the Community Disaster Loan Program.
- The Calendar Year 2013 budget must have been introduced and submitted to the DLGS by the application deadline.
- The applicant must have demonstrated actions designed to control costs, such as reductions in nonessential services, freezes in pay increases other than those required by collective bargaining agreements or contracts; or shared services.
- Applicants were required to demonstrate actions to facilitate appropriate and timely reconstruction of public and private property and to enhance local preparedness for future storms.
- Applicants must demonstrate a commitment to update their emergency management plan.
- Awards will not be made to accommodate tax reductions. Tax rates must be stable or increase slightly from 2012 because the federal government will not allow Community Development Block Grants for the purpose of decreasing tax rates. An exception to this criterion was made in those instances where a revaluation that took effect in 2013 triggered a decrease in tax rates even with an increases local levy, absent the impact of Hurricane Sandy.
- Awards were not made to accommodate increases in surplus funds.

The receipt of an Essential Services Grant is conditioned on a local unit:

- Applying for insurance payments and all available federal assistance programs, including the Community Disaster Loan Program, FEMA Public Assistance, and appropriately utilizing all such assistance to the extent available;
- Demonstrating cost restraints to minimize the need for assistance;
- Agreeing to allocate Essential Services Grant funds, if provided, only to essential services in accordance with federal requirements. As noted above, these services include public safety, public works, and other essential services.
- Updating emergency management plans; and
- Demonstrating a commitment to, as appropriate: rebuilding public property, facilitating the construction of ratables in a manner designed to minimize

Background Paper: Community Disaster Block Grant - Disaster Recovery Programs: Support for Governmental Entities (Cont'd)

recurring damage, and pursuing efficiencies through shared services or consolidation as deemed appropriate by local officials to address changed populations or service models.

The chart below lists those units that applied for the calendar year 2013 round of Essential Services Grants, the amount requested by each local unit, and the amount awarded to each local unit.

Local Unit	Amount Requested	Amount Awarded
Asbury Park City	\$350,000	\$350,000
Atlantic City	\$7,497,707	\$7,497,707
Berkeley Township	\$7,000,000	\$0
Brigantine Board of Education	\$24,093	\$24,093
Keansburg Board of Education	\$733,931	\$271,413
Lavallette Board of Education	\$63,000	\$63,000
Little Egg Harbor Board of Education	\$254,128	\$254,128
Ocean County	\$10,000,000	\$7,288,937
Pinelands Board of Education	\$84,208	\$84,208
Sea Bright Borough	\$1,075,000	\$1,075,000
Toms River Township	\$23,000,000	\$15,510,417
Toms River Regional Board of Education	\$12,500,000	\$12,500,000
Totals	\$62,582,067	\$44,918,903

On December 31, 2013, the DLGS issued Local Finance Notice No. 2013-26, "Community Development Block Grant Essential Services Grant Program". This LFN announced the Division's preparations for a second round Essential Services Grants for municipalities, counties, and authorities that: (1) received and will have exhausted Community Disaster Loans by the end of Calendar Year 2014 or Fiscal Year 2015; and (2) demonstrated financial hardship in Calendar Year 2014 or Fiscal Year 2015 directly attributable to Hurricane Sandy (i.e., ratable or revenue sources that have not recovered and/or increases in expenditures) such that the local government will be unable to provide essential services. Eligible counties and municipalities were required to transmit a "Notice of Intent to Apply" and a draft copy of their Calendar 2014 or Fiscal Year 2015 budget to the DLGS no later than January 31, 2014. Final applications, along with a certified copy of the local unit's introduced budget, were required to be submitted by March 14, 2014. School districts were permitted to apply for Essential Services Grants through the Department of Education.

LFN 2013-26 further defines "essential services" as services that ensure the public safety and/or health and welfare of those individuals served by the local government entity. Local units may apply for an Essential Services Grant to fund personnel delivering: 1) existing services that would be eliminated or severely curtailed due to the effect of Hurricane Sandy on the baseline budget; and (2) additional services necessitated by Hurricane Sandy. Grant awards can also be used as reimbursement for costs related to a shared services agreement involving the delivery of essential services. Applicants are required to submit a "grant budget" that lists those employees to be supported by federal assistance; each item in the grant budget is subject to approval by the Director of Local Government Services.

Background Paper: Community Disaster Block Grant - Disaster Recovery Programs: Support for Governmental Entities (Cont'd)

The eligibility criteria for the second round of Essential Services Grant funding are generally similar to those used for the initial round but there are a few new standards. The new requirements mandate local units to: fully exhaust the balance of any Community Disaster Loan by the conclusion of Calendar Year 2014 or Fiscal Year 2015; demonstrate that Hurricane Sandy's impact on revenues and/or expenditures is the reason why the local government cannot adopt a budget that supports the cost of essential services; explain which services would not be provided if an application is not approved and which essential services would be supported by the grant award; and describe efforts to identify opportunities for sharing capital assets or shared services with neighboring communities.

The LFN notes that awards will be based on the availability of funds. The State has allocated \$85 million from the second tranche of CDBG-DR assistance for the Essential Services Grant Program. That amount, combined with about \$15 million remaining from the first round of Essential Services Grant funding, will make about \$100 million available for grant awards. Awards will be made only where the DLGS determines funds are necessary to pay for essential services that cannot be provided absent an award of funds. The LFN further states, "Grants will be conditioned on applicants implementing, or making good faith efforts to implement, cost controls. These conditions may include, but not be limited to: personnel cost restraints; implementation of best practices as identified in the annual Best Practices Inventory; compliance with reports or recommendations issued by the State Comptroller; and implementation of, or reasonable efforts to implement, shared services. The Director reserves the right to impose any budgetary or other conditions on grant awards deemed necessary to fulfill program objectives and ensure the awardee's fiscal integrity."

The DLGS anticipates that 2014 Essential Services Grant awards will be announced by mid-May so that grant amounts can be included in local unit budgets adopted for calendar year 2014. The chart below lists those local units that notified the DLGS of their intent to apply for an Essential Services Grant.

Local Unit	Amount Requested
Atlantic City	\$9,375,000
Berkeley Township	\$3,750,000
Brick Township	\$3,750,000
Downe Township	\$32,264
Highlands Borough	\$340,000
Lavallette Borough	\$42,025
Moonachie Borough	\$391,907
Ocean County	\$9,216,702
Sea Bright Borough	\$2,318,564
Seaside Heights Borough	\$2,905,000
Seaside Park Borough	\$1,500,000
Seaside Park Board of Education	\$194,115
Toms River Fire District No. 1	\$1,162,559
Toms River Township	\$17,500,000
Toms River Regional Board of Education	\$12,405,491
Union Beach Borough	\$466,500
Total Amount Requested	\$65,350,127

Background Paper: Community Disaster Block Grant - Disaster Recovery Programs: Support for Governmental Entities (Cont'd)

FEMA Match for Public Assistance Program

Funded at \$50 million, this program utilizes CDBG-DR monies to support eligible applicants that lack the sources to provide some, or all, of the required matching amount for FEMA Public Assistance projects and other FEMA federally-funded recovery projects that require a cost share. Federal regulations governing the use of CDBG-DR funds provide that "...funds may be used as a matching requirement, share, or contribution for any other Federal program when used to carry count an eligible CDBG-DR activity." According to the FEMA website, the federal share of assistance is not less than 75% of the eligible cost for emergency measures and permanent restoration. The grantee (usually the State) determines how the non-federal share is divided amongst the subgrantees (eligible applicants). Eligible applicants include the State and local governmental entities that have received FEMA Public Assistance and federal funds through other FEMA or CDBG-DR programs that require a cost share. There are no limits on the amount that awarded to any particular governmental unit or a particular project.

According to the CDBG-DR Performance Report for the fourth quarter of 2013, the State has obligated \$35,425,836 in FEMA Match Funds; \$13,811,106.79 has been drawn down. The program narrative indicates that these funds were used to match eligible FEMA Public Assistance projects under Categories A (Debris Removal) and B (Emergency Protective Measures). Debris removal includes the clearance of trees and woody debris; certain building wreckage; damaged and destroyed building contents; sand, mud, silt, and gravel; vehicles; and other disaster-related material deposited on public and, in very limited cases, private property. Emergency protective measures include measures taken before, during, and after a disaster to eliminate an immediate threat to life, public health, or safety, or to eliminate or reduce an immediate threat of significant damage to improved public and private property through cost-effective measures.

The OLS notes that a Fiscal Year 2013 supplemental appropriation of \$20 million was allocated to an Interdepartmental Accounts line-item entitled "Disasters and Emergencies." Information available through the New Jersey Comprehensive Financial System indicates that approximately \$14.4 million was spent in the last fiscal year and that \$5.6 million was carried forward into Fiscal Year 2014. An additional \$20 million was appropriated for "Disasters and Emergencies" by the Fiscal Year 2014 Appropriations Act. Of the total amount available, \$25.6 million, approximately \$193,000 has been expended and \$3.2 million has been placed in budget reserve. Information provided by the Department of the Treasury indicates that \$20 million will lapse to the General Fund at the end of the current Fiscal Year.

CDBG-DR Action Plan Amendment No. 7 allocates an additional \$200 million for a "State and Local Non-Federal Cost Share (Match) Program. If approved, these funds will be used to address State and local matching fund obligations for an expanded set of federal programs. According to Amendment No. 7, the proposed funding level is based on an assessment of existing recovery commitments that require a match and other federal funding reasonably expected to be used in the State's recovery that will require a match. The proposal notes that different federal funding streams can have different cost share requirements. For example, the current non-federal cost share for projects authorized by the U.S. Army Corps of Engineers and which have not received construction funds in the last three years is either 35%

Background Paper: Community Disaster Block Grant - Disaster Recovery Programs: Support for Governmental Entities (Cont'd)

or 50%, depending on the type of project. Projects authorized by the Federal Highway Administration using Sandy Supplemental funding require a 10% or 20% non-federal cost share, also depending on the type of project. It is possible that other federal funding programs not currently identified may include cost share obligations that will be addressed through this program.

Post Sandy Planning Assistance Grants

The Post Sandy Planning Assistance Grant Program was launched in June 2013 with a CDBG-DR allocation of \$5 million to support long range planning for community redevelopment in municipalities and counties that sustained damage from Hurricane Sandy. The Program will offer grants to municipalities and counties to hire planners licensed by the American Institute of Certified Planners and New Jersey Board of Professional Planners (AICP/PP) to address conditions created or exacerbated by Hurricane Sandy, identify approaches to rebuilding that will be more resistant to damage from future storm events, and encourage sustainable economic growth. Funding will be available to the nine counties most impacted and distressed by Hurricane Sandy and to those municipalities within those counties that 1) suffered ratable loss attributable to Hurricane Sandy of at least \$1 million or 1% of the total ratable base; and 2) demonstrate how assistance will lead to greater community resilience. This program is administered by the DCA Office of Local Planning Services (LPS). All funding projects must be overseen by an AICP/PP licensed planner.

According to press release issued by the DCA, on February 19, 2014, the department has received funding Post Sandy Planning Assistance Grant requests totaling \$4.7 million. Additional press releases issued since October 2013 indicate that the department has awarded a total of \$1,857,900 to 38 local governments. New Jersey proposes a second round allocation of \$10 million for the Post Sandy Planning Assistance Grant Program and recommends increasing maximum award amounts to \$200,000 for individual municipal Post Sandy Planning Assistance Grants and to \$5 million for Statewide and regional planning activities. Eligible applicants will include municipalities, departments of State government, State agencies and authorities, nonprofit organizations, colleges, and universities.

Background Paper: Community Disaster Block Grant - Disaster Recovery Programs: Support for Governmental Entities (Cont'd)

According to the Program Description and Guidelines, there are nine eligible grant activities. The table below lists the eligible grant activities and the maximum grant award for each.

Grant Activity	Maximum Grant Award
Strategic Recovery Planning Report	\$30,000
Preparation of Requests for Proposals	\$5,000
Municipal Land Use Law Comprehensive Plans Reexamination Reports Plan Elements Community Resiliency Plans Master Plan Reexamination Reports	\$50,000
Community Development and Neighborhood Plans	\$50,000
Permit and Application Process Quality Improvement	\$25,000
Preparation of Design Standards for Flood Hazard Areas	\$50,000
Capital Improvement Plans	\$30,000
Urban and Suburban Environmental Design	\$50,000
Development Codes, Ordinances, Standards & Regulations	\$20,000

Eligible counties and municipalities must first apply for funding to complete a Strategic Recovery Planning Report or submit an equivalent document for LPS review. Applicants who submit an existing report may, at the same time, request assistance for their next planning priorities. Additional funding requests must be accompanied by a project proposal that specifies the deliverable product, scope of work, and a timetable for the completion of project deliverables, and a cost estimate for professional services. Certain associated expenditures necessary to ensure the quality and completion of the project, such as costs of data collection, software acquisition, and the preparation of maps and studies, may be supported by grant funds if they are itemized and justified in the application. Grant applicants are also advised to secure other sources of funding or commit municipal or county funds to implement plans created through this program. Grants are awarded on a rolling basis following the acceptance of an application for one more eligible grant activities.

After a project is approved for funding, the municipality or county is required to complete a grant agreement with LPS. All grant activities must be completed within 12 months of execution of the agreement. The Program Guidelines indicate that the grant agreement requires that all planning reports supported by grant funds include suggestions for finding additional sources of funding and target dates for implementation of the planning recommendations. Grantees are required to submit monthly reports and a payment schedule based on consultant invoices related to project deliverables. No more than four payments are permitted. LPS will monitor progress toward the completion of the scope of work within the timeline agreed upon by the consultant and the grantee.

Unsafe Structures Demolition Program

In January, HUD approved CDBG-DR Action Plan Amendment No. 4, which, in part, transferred \$15 million in funds allocated to provide grants and loans to small businesses to a new Unsafe Structures Demolition Program. According to the amendment, municipalities are

Background Paper: Community Disaster Block Grant - Disaster Recovery Programs: Support for Governmental Entities (Cont'd)

responsible for addressing unsafe structures within their borders. In many cases, property owners have taken steps to remediate or demolish Sandy-impacted structures. Some municipalities have also established programs where with the consent of the property owner, the town incurs all cost of demolition, provided the structure being demolished is considered by FEMA to be in "imminent danger of partial or total collapse." Through its Private Property Debris Removal (PPDR) program, FEMA will reimburse the municipality for 90% of eligible costs incurred for the demolition.

Despite these efforts, a number of unsafe structures require attention. Many of these structures are vacant or abandoned and the methods commonly used to address Sandy-impacted unsafe structures (i.e., remediation or demolition by the property owner or PPDR-eligible demolition by the municipality with property owner consent) are unavailable. The Unsafe Structures Demolition Program provides funding to State agencies to obtain resources to identify unsafe structures in need of demolition, to demolish unsafe structures, remove debris, and perform any additional activities or address other costs ancillary or related to demolitions. Eligible properties must have been damaged by Hurricane Sandy and identified as an unsafe structure by the DCA Division of Codes and Standards.

On February 28, 2014, Governor Christie issued Executive Order No. 152 (E.O. 152). E.O.152 formally established the Unsafe Structures Demolition Program in the nine counties most impacted and distressed by Hurricane Sandy. The order also sets forth the process that the DCA and property owners must follow after the DCA determines that a structure is eligible for demolition. After these properties are identified and inspected, code enforcement officials must prepare a report that states the nature of the hazard or hazards that resulted in a determination that a property contains a Sandy-impacted eligible structure. The DCA is then required to perform a title search to identify the property owner and notify the owner that their property contains a structure eligible for demolition. Notice must be served on the property owner within the municipality where the structure is located. If the property owner cannot be found at an address within the municipality, then the notice is sent by registered or certified mail to the last known address of the person on file with the municipal tax collector.

Within 15 days from the date the notice is served, the property owner must make one of three choices:

1. Accept the terms and requirements in the notice and indicate a preference for the State to demolish the Sandy-impacted eligible structure in accordance with E.O. 152. The notice must also include a form to be completed by a property owner who accepts the terms of the notice and indicates a preference to have the State demolish the structure. The form is required to specify the conditions necessary to facilitate the demolition of structures in accordance with E.O.152.
2. Accept the terms and requirements in the notice and indicate a preference to perform the demolition themselves. When a property owner decides to demolish the structure without State assistance, the DCA is required to notify the property owner, in writing, of a 90 calendar day deadline to perform the demolition. Otherwise the DCA will proceed with the demolition pursuant to E.O. 152. The property owner may request reasonable extensions of the 90-day demolition period but no extension requests

Background Paper: Community Disaster Block Grant - Disaster Recovery Programs: Support for Governmental Entities (Cont'd)

beyond 180 calendar days from the date of the notice will be approved, absent a showing of good cause.

3. Reject the terms and requirements in the notice. If a property owner rejects the terms of the notice, the DCA is required to transmit an additional notice informing the property owner that they have 15 days to challenge the determination that a structure is eligible for demolition. When this occurs demolition of the structure may not occur until the proceeding concludes with a final agency determination that the structure to be demolished is a Sandy-impacted eligible structure. The appeal hearing must be held within 14 calendar days of the DCA's receipt such a request. The property owner may present evidence that the structure is not a Sandy-impacted eligible structure. The Commissioner of Community Affairs shall render a final agency determination based on the evidence presented by the DCA and the property owner at the hearing. If the appeal is granted, demolition may not proceed. Following a final agency determination, the DCA may proceed with the demolition of the structure.

At the same time notice of the initial DCA determination is sent to the property owner, such notice must also be provided to any lien holder having an interest in the property. The lien holder may request that the Department delay demolition of the structure for a period not to exceed 90 days from the date of the notice. A copy of the request must be provided to the property owner. The request shall be granted upon a showing of good cause. No extensions of the 90-day period are permitted.

Before performing a demolition without consent of the property owner, the DCA must obtain a qualified, independent appraisal of the Sandy-impacted eligible structure. The DCA is required to notify the property owner, at least 10 calendar days prior to the appraisal, of the intended entry into the structure for purposes of performing the appraisal. An appropriately qualified individual must review competing appraisals and that review is binding on the DCA. The New Jersey Department of the Treasury is authorized to enter into contracts necessary for the demolition Sandy-impacted eligible structures identified by the DCA. E.O. 152 also permits the DCA or a municipality to work with a property owner to secure an understanding whereby the property owner agrees to reasonably address the condition of a Sandy-impacted eligible structure within a reasonable period of time.

It is unclear from the information available whether the DCA has started property inspections to determine whether Sandy impacted structures are eligible for demolition and whether any structures have been demolished. The State has proposed an allocation of \$15 million from the second tranche of CDBG-DR funds for the Unsafe Structures Demolition Program.

Zoning Code Enforcement Grant Program for Municipalities

The State has allocated \$6 million in CDBG-DR funds to provide financial support to municipalities for salaries and overhead related to the enforcement of State and local development and zoning code regulations. The grant funds are intended to help municipalities meet the increase in demand for permits and inspections, and respond to an anticipated increase in local inquiries. Funding awards must be used to attend to areas that have begun to deteriorate and where reconstruction will arrest further decline. Program eligibility is restricted

Background Paper: Community Disaster Block Grant - Disaster Recovery Programs: Support for Governmental Entities (Cont'd)

to municipalities located in the nine counties most impacted and distressed by Hurricane Sandy that: 1) reduced assessments pursuant to N.J.S.A.54:4-35.1³ on 100 or more properties after Hurricane Sandy; or 2) have seen 10% increase in zoning application filings since November 1, 2012 that can be ascribed to Hurricane Sandy. This program is administered by LPS.

This program will operate for a maximum of two years. Individual grant awards will be for a term of 12 months and are limited to \$60,000 in a 12 month period. Municipalities are permitted to use these funds to extend the hours of existing staff up to the normal, full-time workday, hire additional technical and administrative staff, procure experts, if necessary, for zoning application hearings, enter into operating leases for equipment, and pay for additional office space, if needed, to expedite local reconstruction of deteriorating properties in areas impacted by Hurricane Sandy. Grant funds may be used to either pay the salaries of municipal employees or to procure staff from private firms on a temporary basis to allow code offices to operate more efficiently but they may not be used to pay overtime. Grant applications will be reviewed on a rolling basis. Applications will be accepted after the first 12 months for a second round of funding if funds allocated to the program have not been exhausted. Grant awards will be processed in the order that application evaluations are completed until such time as program funds are fully committed.

Municipalities can complete and submit applications online. If a municipality does not meet the reduced property assessment criterion, it must provide evidence that it experienced or will experience at least a 10% increase in zoning applications as a result to damage to homes and businesses caused by Hurricane Sandy by submitting data on the number of zoning applications pending as of the date of the grant applications and the percentage increase in zoning applications estimated to be filed in the next calendar year. Applicants must also explain how they intend to use grant funds to efficiently meet the projected increased demand for approval of reconstruction and renovation plans that are vital to recover from damage caused by Hurricane Sandy. The application must also include a 12-month budget that includes projected expenditures for increased salaries, employee benefits, consulting fees, and additional facilities that would be supported by the grant. If a municipality is approved to receive a grant, it must submit a resolution to DCA, adopted by the governing body, agreeing to comply with all CDBG-DR regulations prior to the execution of a grant agreement.

Each grant recipient will receive training in the use of the Sandy Integrated Recovery Operations and Management System (SIROMS), the financial reporting system used by the DCA to account for the expenditure of CDBG-DR funds. Municipalities are required to submit monthly activity reports, reimbursement payment schedules, and leases for additional space or other acceptable supporting documentation. Grant funds are paid on a monthly basis. LPS will monitor financial progress towards the 12-month expenditure budget submitted by the municipality. All reimbursement requests are reviewed and approved by LPS staff and the Sandy Recovery Division prior to requesting a drawdown of funds from HUD.

³ Under current law, a municipal assessor must assess a parcel of real property as that real property exists on October 1 of the pretax year. Section 1 of P.L.1945, c.260 (C.54:4-35.1) permits a municipal assessor, after having received written notice from a taxpayer, to utilize the assessing date of January 1 to adjust assessments to properties that have been materially depreciated as a result of a disaster that occurs between, but not including, October 1 and January 1.

Background Paper: Community Disaster Block Grant - Disaster Recovery Programs: Support for Governmental Entities (Cont'd)

According to the DCA no Zoning Code Enforcement grant awards have yet been finalized. LPS has received completed applications and grant budgets from eight municipalities: Brick Township, Keansburg Borough, Lavallette Borough, Little Egg Harbor Borough, Longport Borough, Sea Bright Borough, Toms River Township, and Union Beach Borough. The DCA has scheduled meetings regarding this program with about ten other municipalities. It is anticipated that grant awards will be announced in May or June. The State proposes an additional allocation of \$5 million for the code enforcement and zoning assistance from the second tranche of CDBG-DR funds.

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Individuals wishing information and committee schedules on the FY 2015 budget are encouraged to contact:

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