

LOCAL FINANCE NOTICECHRISTINE TODD WHITMAN
GOVERNORJANE M. KENNY
COMMISSIONERSTEPHEN R. SASALA II
ACTING DIRECTOR**CY 1999 CERTIFICATION OF STATE AID**

On January 25, 1999, Governor Whitman presented her FY 2000 budget to the State Legislature. The transmission of the budget authorizes the Division to provide calendar year 1999 State aid revenue estimates to municipal governments. The enclosed Certification of State Aid shows the calculation of aid for the municipality and shall be used in preparing the revenue section of CY 1999 budgets. The balance of this Notice provides detailed information on the aid programs. The final section includes information on payment schedules.

Total direct aid to all municipalities is again increased by the appropriation for Energy Receipts Tax increasing from \$745 million to \$750 million. **As in past years, all aid allocations are subject to passage of the State's budget.** In summary, there are four major State aid programs which are shown on Sheet 5 of the budget. They are:

1. Consolidated Municipal Property Tax Relief Aid (CMPTRA)
2. Energy Receipts Tax/Supplemental Energy Receipts Tax
3. Legislative Initiative Municipal Block Grant
4. Extraordinary (Discretionary) Aid

Chief Financial Officers are asked to distribute this information to elected officials and staff as appropriate.

Consolidated Municipal Property Tax Relief Aid

The CMPTRA consolidation program continues with a change from last year. The budget anticipates the passage of legislation that provides an increase to the net CMPTRA amount. This is done by increasing the net CMPTRA amount by the CAP index rate for the calendar year. For Calendar 1999, this amount is 1.5 percent. The certification shows the new total, taking into account the net CMPTRA payment (which continues to include the 1994 pension credit), and the 1.5 percent increase.

As in the past, for those municipalities that have a negative, or credit, CMPTRA allocation (resulting from pension savings in excess of the CMPTRA amount), CMPTRA is to be budgeted as \$0, and the remaining credit is applied against the municipality's Energy Receipts Tax allocation. The amount of the remaining credit is **not** shown on the Certification, but should be calculated locally and included in the introduced budget. The Aid Payment Certification issued in July will reflect the proper payment. These municipalities received a 1.5 percent increase on their original (gross) CMPTRA amount; this reduces the amount of the deduction that is taken off the Energy Receipt Tax allocation.

Municipalities with fire districts must continue to pass through the amount of 1994 Supplemental Fire Services Program funding that was provided to fire districts in their borders. The amount of the offset is a permanent appropriation equal to the CY 1994 allocation for the program. The offsetting appropriation should be shown on Sheet 24, entitled "SFSP Fire District Payment." Where there is more than one fire district, the allocation is the same as the certification provided in 1995 (LFN FD-95-1). No additional certification will be provided. Payments to the fire district must be made by the end of the calendar year.

As in the past, aid amounts have been rounded to the nearest dollar. If municipal records suggest differences, beyond the inflation increase and rounding, from the CY 1998 receipts, Chief Financial Officers can call the Division at (609) 292-4656 for clarification and assistance.

Energy Receipts Tax

The Energy Receipts Tax was described in Local Finance Notice MC-97-6 (Energy Deregulation and Utility Taxes). For CY1999/FY2000, the third \$5 million dollar increase brings the total appropriation to \$750 million. For CY 1999 budget purposes, the appropriation is broken into two components, Energy Receipts Tax (ERT) and Supplemental Energy Receipts Tax (S-ERT). The ERT totals just under \$715 million statewide, the S-ERT, just over \$35 million. While the \$715 will be distributed in payments made between July 15 and December 1, the S-ERT will be a single payment around June 15. The Aid Payment Certification issued in July will show both payments, but CFO's should be aware that **the S-ERT payment will be made before the Certification is issued.**

Legislative Initiative Municipal Block Grant

This program is included in the Governor's budget at the \$33 million level, which is the same as last year. The full amount is to be anticipated.

Extraordinary Aid

The Governor's budget makes a significant change to the SMPTR Discretionary, by refocusing as "Extraordinary Aid," and reducing the appropriation to \$20 million. While based on the same enabling law, the focus of aid awards will be based on the need to address short term needs that result from some form of fiscal shock. Applications and instructions are being revised to reflect the new emphasis and a separate Local Finance Notice is being prepared for mailing to municipal clerks shortly. To be considered for funding, applications are due **by March 19**. The budget must be introduced, the Annual Financial Statement, and, if not already submitted, the 1997 audit must be submitted to the Division at the time application is made. Given the reduction in funding, those municipalities that have consistently received aid in the past should expect limits on awards this year.

Payment Schedule

The single aid payment schedule for CMPTR and ERT continues. A final aid certification payment schedule will be provided prior to the first payment on July 15 and will follow the same format as last year:

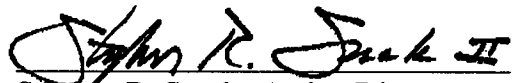
Aid Payment Schedule

July 15	35%
August 1	10%
September 1	30%
October 1	15%
November 1	5%
December 1	5%

Payments to most municipalities are made electronically through the Automated Clearing House payment system. In order for this system to work properly, any changes in the municipality's depository bank must be reported to the Division, as soon as possible, so the necessary changes can be made in the payment computer system. If your bank or account number changes, please contact the Division's State Aid Unit at (609) 984-2132.

Appointment of Director

Finally, I am pleased to announce that Al Steinberg, currently serving as Chief Financial Officer of the Borough of Scotch Plains, will be joining the Division as Director on February 8, 1999. It has been an honor for me to serve as Acting Director for the last 7 months, and I look forward to working with him in my capacity as DCA Deputy Commissioner.



Stephen R. Sasala, Acting Director
Division of Local Government Services

Enclosure

Distribution:

Calendar Year Municipal Chief Financial Officers
CFO to distribute to Registered Municipal Accountant and other officials as appropriate