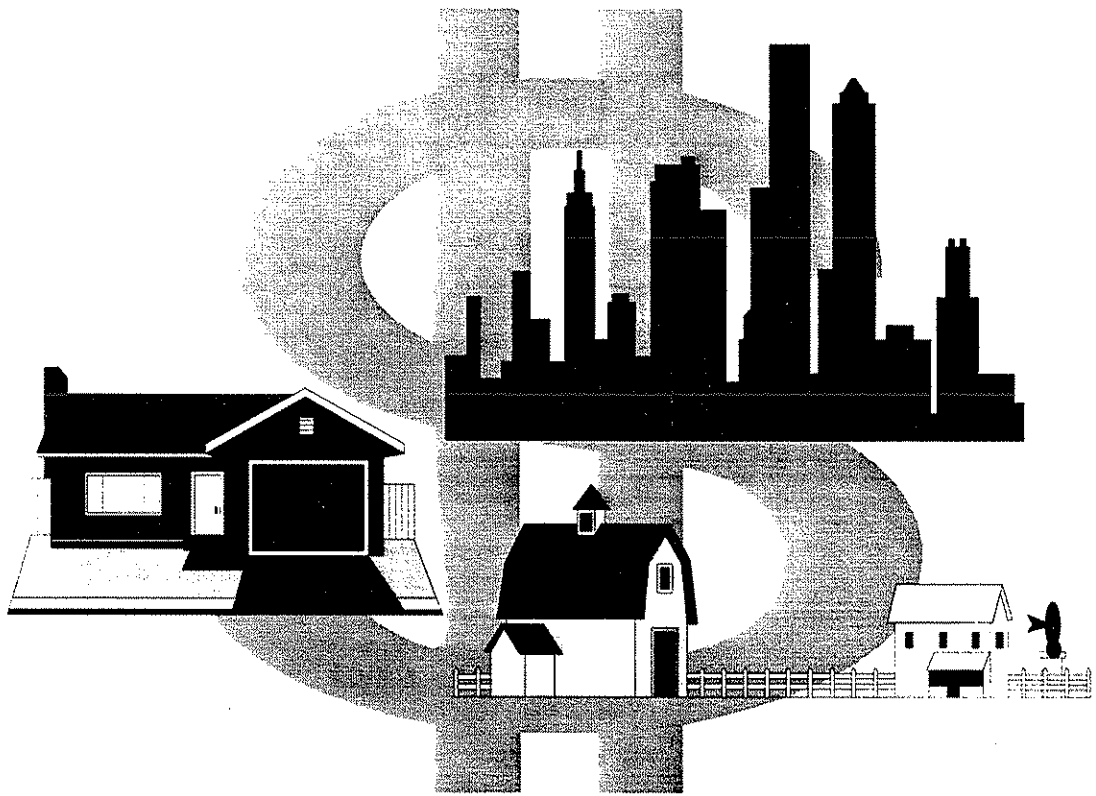


# Summary of State Aid Programs for Municipalities



## Senate Bipartisan Task Force on Municipal Aid Reform

Office of Legislative Services  
October 1994

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**M**embers of the  
**Senate Bipartisan Task Force on Municipal Aid Reform:**

**Senator Andrew R. Ciesla, Chairman**  
Republican, District 10

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Republican, District 24

**Senator John J. Mathuessen**  
Republican, District 4

**Senator John A. Lynch**  
Democrat, District 17

**Senator Bernard F. Kenny, Jr.**  
Democrat, District 33

**S**chedule of Public Hearings:

October 25, 1994  
Trenton  
State House, Room 319  
10:00 - 3:00

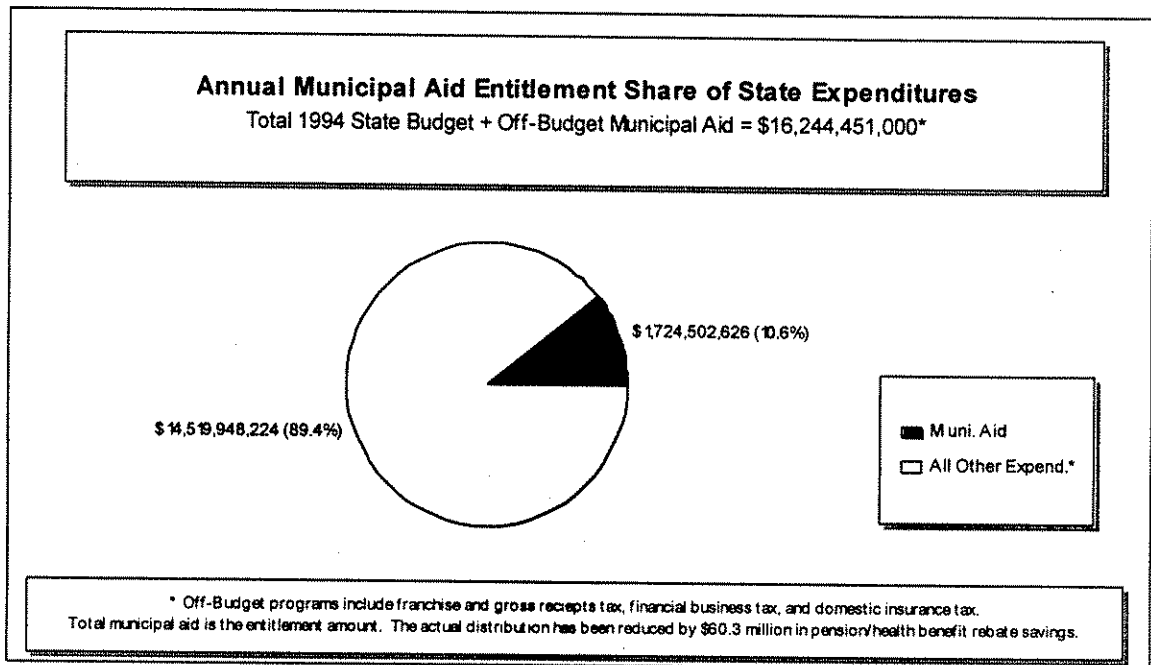
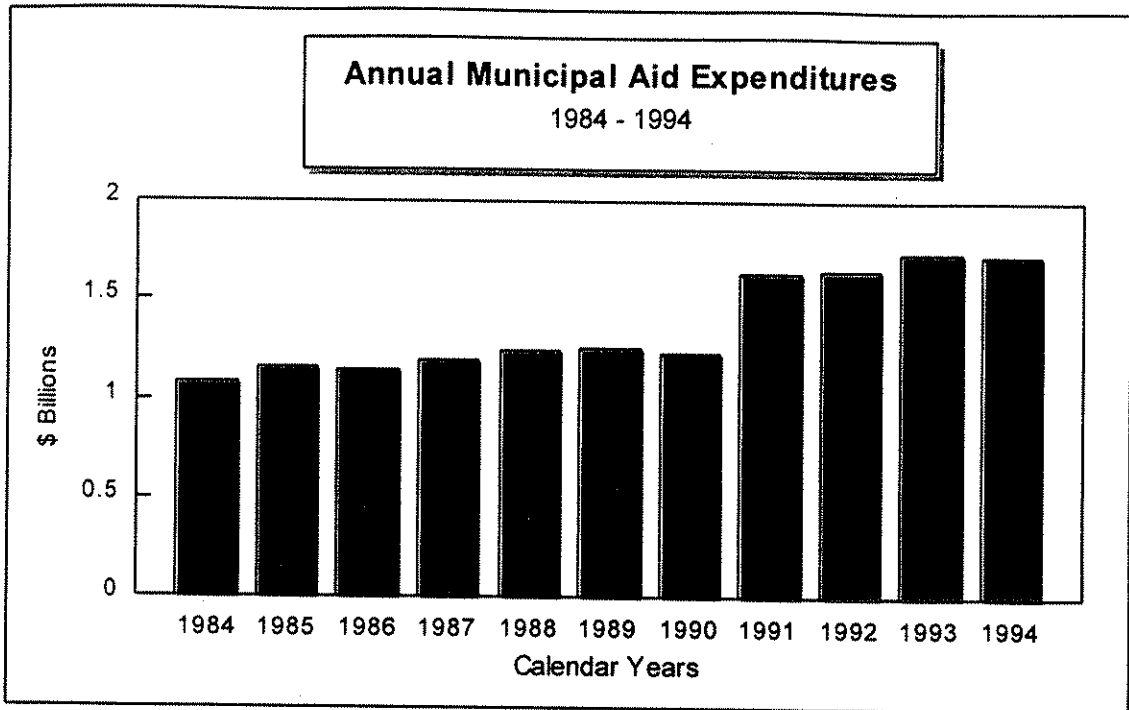
November 16, 1994  
Atlantic City  
Annual Convention of the League of Municipalities  
Convention Center, Room 209  
2:00 - 3:30

December 6, 1994  
Lyndhurst  
Hackensack Meadowlands Development Commission  
1 Dekorte Park Plaza  
10:00 - 3:00

## Summary of State Aid Programs for Municipalities

This report summarizes the following State aid programs for the State's municipalities. Each program has two pages of information that consist of a brief discussion of the program's history and characteristics, plus two charts which display annual funding levels and the program's funding as a share of total municipal aid funding.

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TOTAL STATE AID DISTRIBUTED  
DEPARTMENTS OF THE TREASURY AND COMMUNITY AFFAIRS  
CALENDAR YEARS 1984 to 1994

STATE AID PROGRAM	1984	1985	1986	1987	1988	1989
Business Personal Property Tax Replacement	\$158,703,841	\$158,703,834	\$158,703,834	\$158,703,834	\$158,703,834	\$158,703,834
Class II Railroad Property	0	719,402	792,809	809,000	809,000	809,000
Densely Populated Municipal Aid	0	0	0	0	0	0
Depressed Rural Centers Aid	0	0	512,798	518,000	518,000	518,000
Domestic Insurance Tax	14,701,756	16,887,651	20,224,731	20,575,038	22,203,222	22,904,675
Financial Business Tax	1,604,575	1,602,934	1,488,047	1,046,746	1,714,642	3,808,847
Add'l Franchise & Gross Receipts Tax Program	0	0	0	0	0	0
Franchise & Gross Receipts Tax Program	651,000,000	685,000,000	685,000,000	685,000,000	685,000,000	685,000,000
Leg Initiative Mun Block Grant (Per Capita Aid)	0	0	0	0	0	0
Municipal Purpose Tax Assistance Fund	59,932,862	62,067,934	29,999,947	29,999,844	30,000,000	30,000,000
Municipal Revitalization Aid (Distressed Cities)	0	0	16,350,000	67,820,234	118,450,000	118,365,000
Payments in Lieu of Taxes (PILOT)	14,351,925	14,079,308	13,000,000	13,500,000	18,355,352	18,356,000
Franchise Tax on Telecommunications	0	0	0	0	0	0
Revenue Sharing	50,000,000	50,000,000	50,000,000	50,000,000	50,000,000	50,000,000
Safe and Clean Neighborhoods	25,811,016	25,811,016	25,823,289	25,889,170	25,889,169	26,192,596
Supplemental Safe and Clean - Fire Services	0	8,000,000	8,000,000	7,999,996	7,999,992	8,000,000
Supplemental Safe and Clean - Police Services	0	24,914,578	24,901,710	24,835,831	24,999,665	24,697,391
Senior/Veterans/Disabled Exemptions	66,493,782	64,942,841	65,294,525	63,623,616	62,716,964	61,106,213
SMPTR-Additional Urban Aid	0	0	0	0	0	0
SMPTR-Discretionary Aid	0	0	0	0	0	0
SMPTR-Formula and Hold Harmless	0	0	0	0	0	0
Urban Aid	40,094,148	40,067,869	40,026,451	40,301,265	40,801,033	40,088,371
<b>Total All Aid Entitlement</b>	<b>\$1,082,693,905</b>	<b>\$1,152,797,367</b>	<b>\$1,140,118,141</b>	<b>\$1,190,622,572</b>	<b>\$1,248,160,873</b>	<b>\$1,248,549,927</b>
<b>Est Pension/Health Benefits Rebate Savings</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total All Aid Distributed</b>	<b>\$1,082,693,905</b>	<b>\$1,152,797,367</b>	<b>\$1,140,118,141</b>	<b>\$1,190,622,572</b>	<b>\$1,248,160,873</b>	<b>\$1,248,549,927</b>

**TOTAL STATE AID DISTRIBUTED  
DEPARTMENTS OF THE TREASURY AND COMMUNITY AFFAIRS  
CALENDAR YEARS 1984 to 1994**

STATE AID PROGRAM	1990	1991	1992	1993	1994
Business Personal Property Tax Replacement	\$158,703,834	\$158,703,834	\$158,703,834	\$158,703,834	\$158,703,834
Class II Railroad Property	809,000	809,000	809,000	809,000	809,000
Densely Populated Municipal Aid	0	33,000,001	33,000,001	33,000,001	25,000,000
Depressed Rural CentersAid	518,000	518,000	518,000	518,000	518,000
Domestic Insurance Tax	17,470,511	17,145,218	25,693,599	23,666,544	19,573,850
Financial Business Tax	6,118,106	4,241,718	4,403,026	3,454,807	NA
Add'l Franchise & Gross Receipts Tax Program	0	0	0	77,000,000	40,000,000
Franchise & Gross Receipts Tax Program	685,000,000	685,000,000	685,000,000	685,000,000	685,000,000
Leg Initiative Mun Block Grant (Per Capita Aid)	0	0	0	0	33,000,000
Municipal Purpose Tax Assistance Fund	30,000,000	30,000,000	30,000,000	30,000,002	30,000,000
Municipal Revitalization Aid (Distressed Cities)	134,000,000	164,000,000	164,000,000	164,000,000	164,000,000
Payments in Lieu of Taxes (PILOT)	18,356,000	19,035,000	19,034,502	34,884,583	34,853,000
Franchise Tax on Telecommunications	0	6,500,011	6,500,005	6,499,999	6,500,000
Revenue Sharing	20,000,000	0	0	0	0
Safe and Clean Neighborhoods	26,300,588	26,261,351	26,301,509	26,288,030	26,352,724
Supplemental Safe and Clean - Fire Services	8,000,000	8,000,010	7,999,995	7,999,999	8,000,000
Supplemental Safe and Clean - Police Services	24,589,412	24,628,649	24,588,486	24,601,961	24,537,269
Senior/Veterans/Disabled Exemptions	59,967,964	59,583,109	58,877,014	58,146,849	57,883,896
SMPTR-Additional Urban Aid	0	25,000,000	25,000,000	25,000,000	25,000,000
SMPTR-Discretionary Aid	0	30,000,000	30,000,000	30,000,000	30,000,000
SMPTR-Formula and Hold Harmless	0	304,997,993	309,580,836	310,691,200	314,043,000
Urban Aid	40,131,559	40,125,185	40,145,384	40,417,497	40,728,053
<b>Total All Aid</b>	<b>\$1,229,964,972</b>	<b>\$1,637,549,080</b>	<b>\$1,650,155,191</b>	<b>\$1,740,682,306</b>	<b>\$1,724,502,626</b>
<b>Est Pension/Health Benefits Rebate Savings</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-60,324,770</b>
<b>Total All Aid</b>	<b>\$1,229,964,972</b>	<b>\$1,637,549,080</b>	<b>\$1,650,155,191</b>	<b>\$1,740,682,306</b>	<b>\$1,664,177,856</b>

## **BUSINESS PERSONAL PROPERTY TAX REPLACEMENT**

**History:** Prior to 1968, local governments collected the tax on business personal property. In 1968, the State assumed responsibility for collecting and distributing the business personal property tax. The State set up a business personal property tax replacement program which was designed to distribute these revenues to municipalities. A "save-harmless" measure assured municipalities of no less than the greater of their business personal property taxes in 1964, 1965, 1966, or 1967. Any excess revenues from four replacement tax sources over the "save-harmless" requirement was distributed to all municipalities by formula. In 1977, the business personal property law was amended. P.L. 1977, c.4 repealed the business personal property tax on all business machinery and equipment acquired on or after January 1, 1977. P.L. 1977, c.3 provided an annual State appropriation of not less than \$158,703,834, the amount certified on October 15, 1976. In addition, the law directed that aid be distributed among municipalities in accordance with the October 15, 1976 certification. These distributions to municipalities have been frozen since that time.

**Source of Funds:** Revenues from these taxes have been declining since 1968. In FY 1994, the last year in which the State actually collected any revenues from these taxes, approximately \$8.0 million was collected; \$158,703,834 was distributed to municipalities. In FY 1995, this program was funded entirely by General Fund and Property Tax Relief Fund resources.

**Amount of State Aid Distributed:** Frozen at \$158,703,834 since 1976.

**Data about Recipients:** (CY 1994)

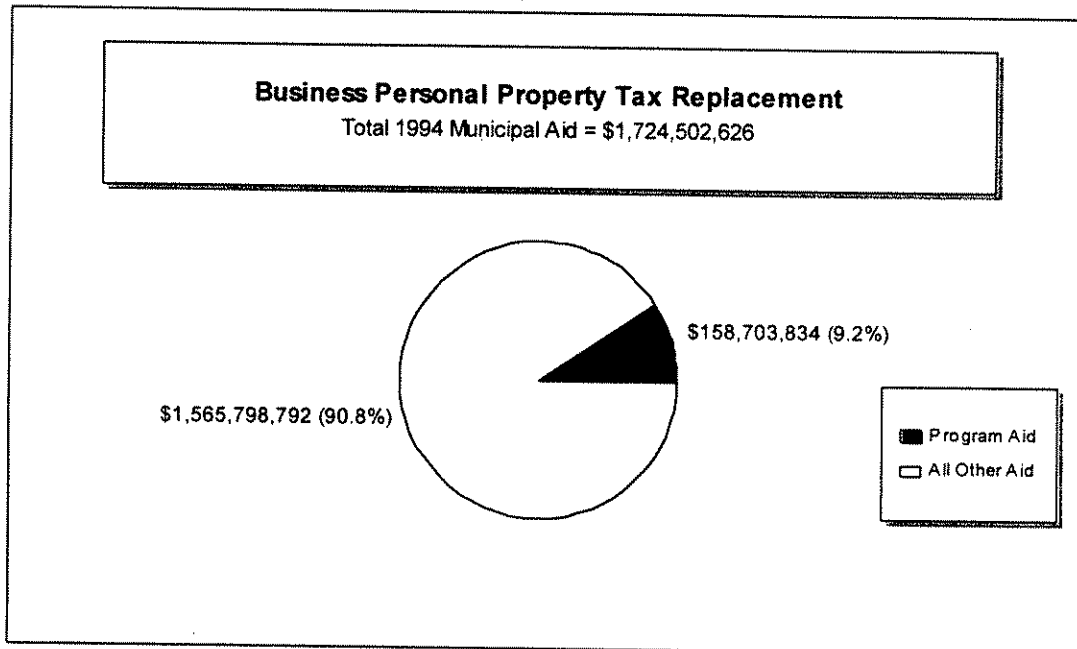
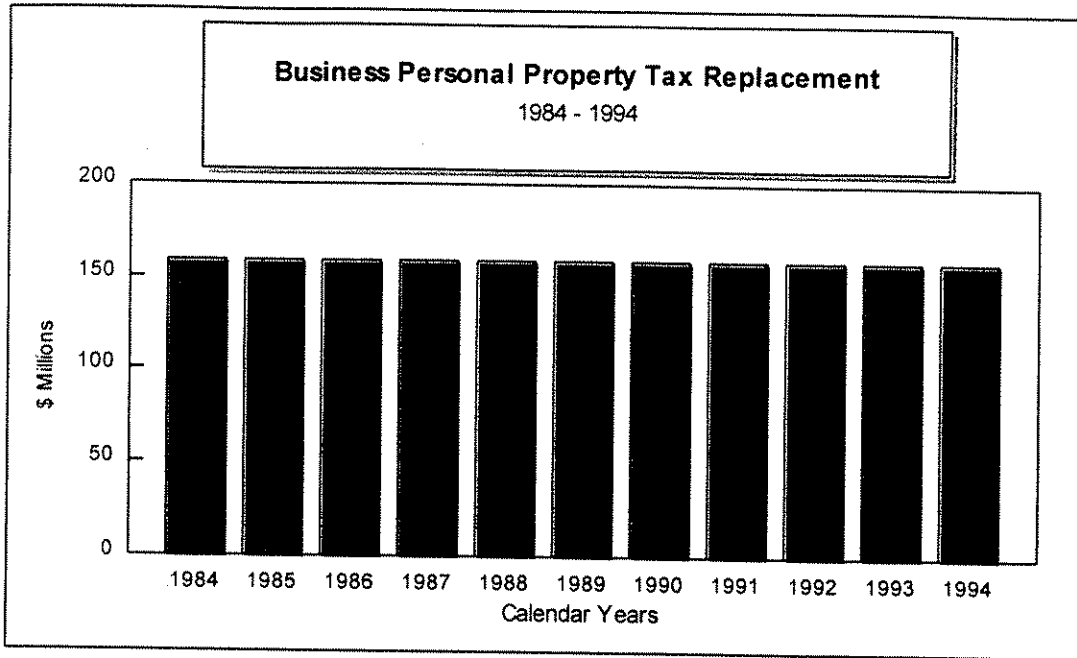
Number of Recipients	567
Smallest Distribution	\$14 (Interlaken Borough, Monmouth Co)
Largest Distribution	\$19,172,987 (Newark City, Essex Co)
Average Distribution	\$279,901
Median Distribution	\$82,811

**Application:** None

**Criteria to Receive Aid:** In 1968, a "save harmless" measure assured municipalities that they would receive no less than the greater of their business personal property taxes in 1964, 1965, 1966, or 1967. Distributions to municipalities have been frozen at the amount certified on October 15, 1976.

**Cost of Administration:** This program is administered by the Division of Taxation in the Department of the Treasury. Since the distribution of this aid has been frozen, administrative costs are limited to printing and mailing checks to the municipalities which receive this aid.





**CLASS II RAILROAD PROPERTY (P.L.1966, c.139)**

**History:** In 1948, railroad tax law distinguished three classes of property: Class I (mainstem railroad bed); Class II (all other real estate used for railroad purposes, including buildings, roadbed other than main stem, tracks, water tanks, riparian rights, docks, wharves, and piers); and Class III (facilities used in passenger service, including land, stations, terminals, roadbeds, tracks, appurtenances, ballast and all structures used in connection with rendering passenger service). The railroad property tax is a State tax on Class II property.

**Source of Funds:** Railroad property tax on Class II property.

**Amount of State Aid Distributed:** Since CY 1989, the State has distributed \$809,000.

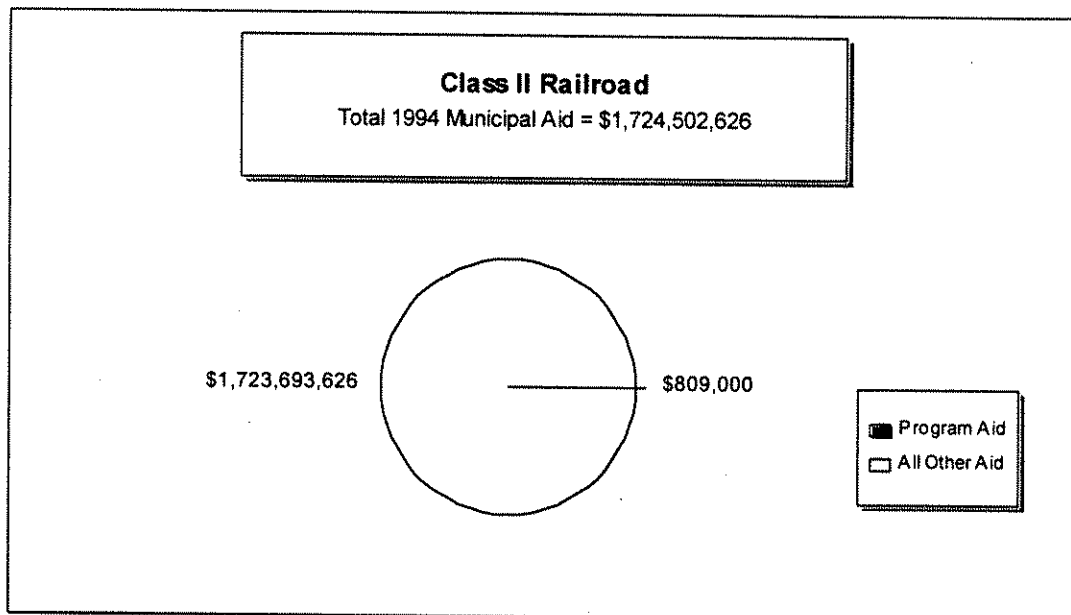
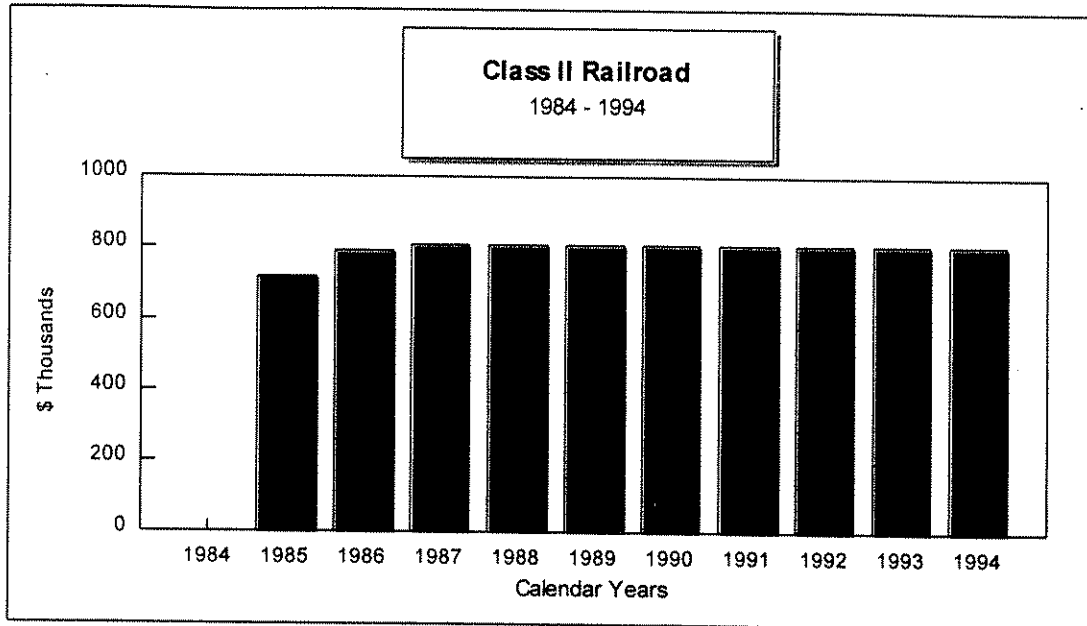
**Data about Recipients:** (CY 1993)

Number of Recipients	44
Smallest Distribution	\$832 (Maplewood Twp, Essex Co)
Largest Distribution	\$458,751 (Hoboken City, Hudson Co)
Average Distribution	\$18,386
Median Distribution	\$1,818

**Application:** None

**Criteria to Receive Aid:** Since 1984, aid has been distributed only to those municipalities in which Class II railroad property owned by New Jersey Transit Corporation is located. Railroad property not used for railroad purposes is assessed and taxes locally. The value of this Class II property is multiplied by the general property tax rate for the base year (1966).

**Cost of Administration:** This program is administered by the Division of Taxation in the Department of the Treasury.



## DENSELY POPULATED MUNICIPAL AID (P.L.1990, c.85)

**History:** This program was funded for the first time at \$33.0 million in FY 1992. Funds were distributed to 26 municipalities in Bergen, Essex, Hudson, Passaic and Union counties based on population density. These funds are to be used to reduce the municipal property tax. The amount of these funds and their distribution was frozen through FY 1995. In FY 1995, Governor Whitman recommended that this program be phased out. The FY 1995 Appropriations Act (P.L. 1994, c. 67) appropriated \$25.0 million. Funds were reduced proportionately to each municipality entitled to receive these funds.

**Source of Funds:** Property Tax Relief Fund

**Amount of State Aid Distributed:**

CY 1991	\$33 million
CY 1992	\$33 million
CY 1993	\$33 million
CY 1994	\$25 million

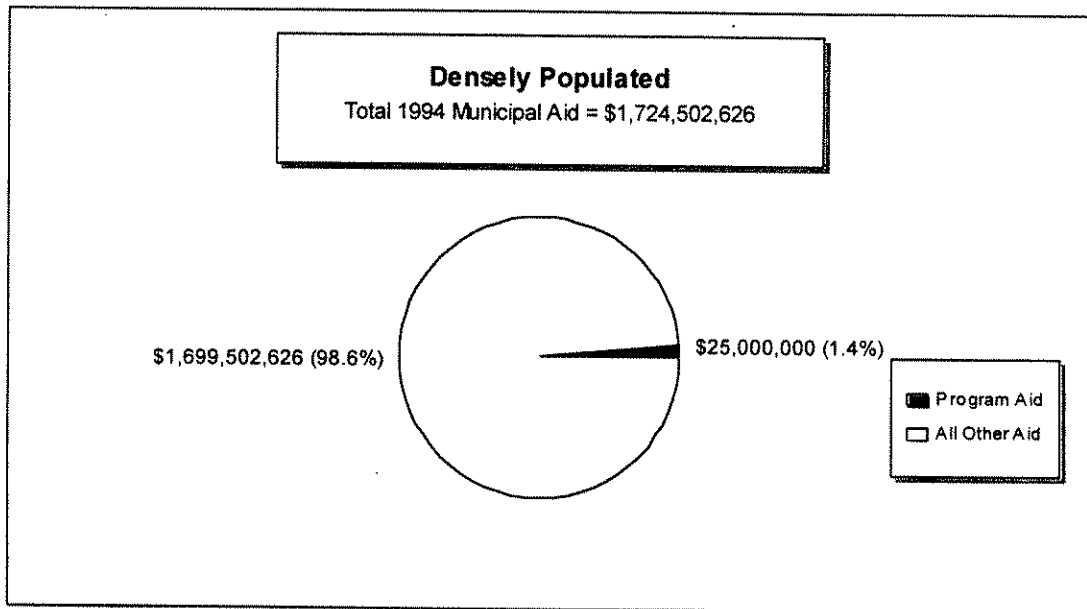
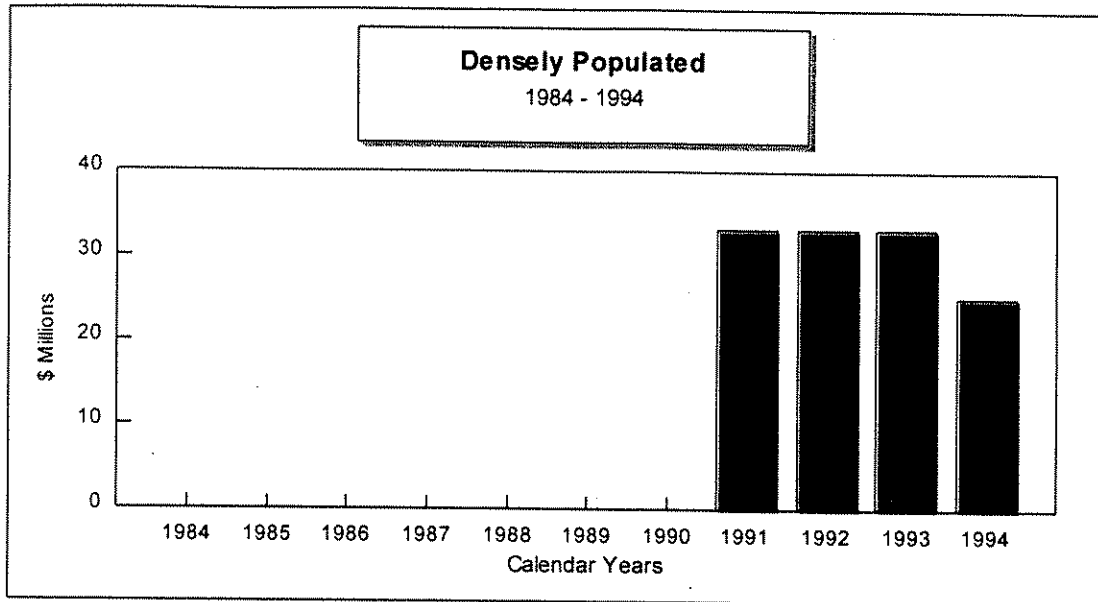
**Data about Recipients:** (CY 1994)

Number of Recipients	26
Smallest Distribution	\$268,041 (Caldwell Twp., Essex Co)
Largest Distribution	\$2,954,545 (Fort Lee Borough, Bergen Co)
Average Distribution	\$961,538
Median Distribution	\$605,072

**Application:** None

**Criteria to Receive Aid:** CY 1992 was the first distribution under this aid program. To receive this aid, a municipality must have a population density that exceeds 6 times the State population density; must have population that exceeds 7,500 residents; and must be located in one of the five most densely populated counties. No municipality can receive more than \$3,900,000 and no municipality can receive additional aid under the "urban aid" law (P.L. 1978, c.14). In CY 1993 funds were distributed to the same municipalities in the same amounts as in CY 1992. In CY 1994, funds were reduced proportionately to each of the municipalities entitled to receive these funds.

**Cost of Administration:** This program is administered by the Office of Management and Budget in the Department of the Treasury. Since the distribution of this aid has been frozen, administrative costs are limited to printing and mailing checks to the 26 municipalities which receive this aid.



**DEPRESSED RURAL CENTERS AID (P.L.1977, c.260)**

**History:** This program was established in 1977 to help small municipalities which have suffered chronic economic decline because of changes in the patterns of transportation, commerce and land development. The aid is provided to assist these municipalities to maintain adequate municipal services.

**Source of Funds:** General Fund

**Amount of State Aid Distributed:** \$518,000 in each year since 1977.

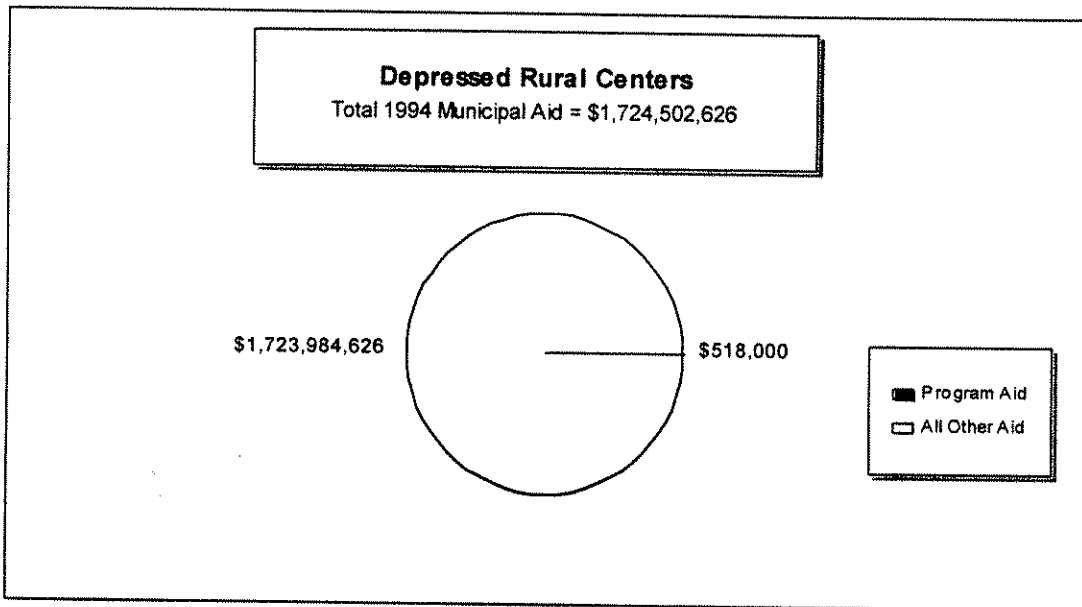
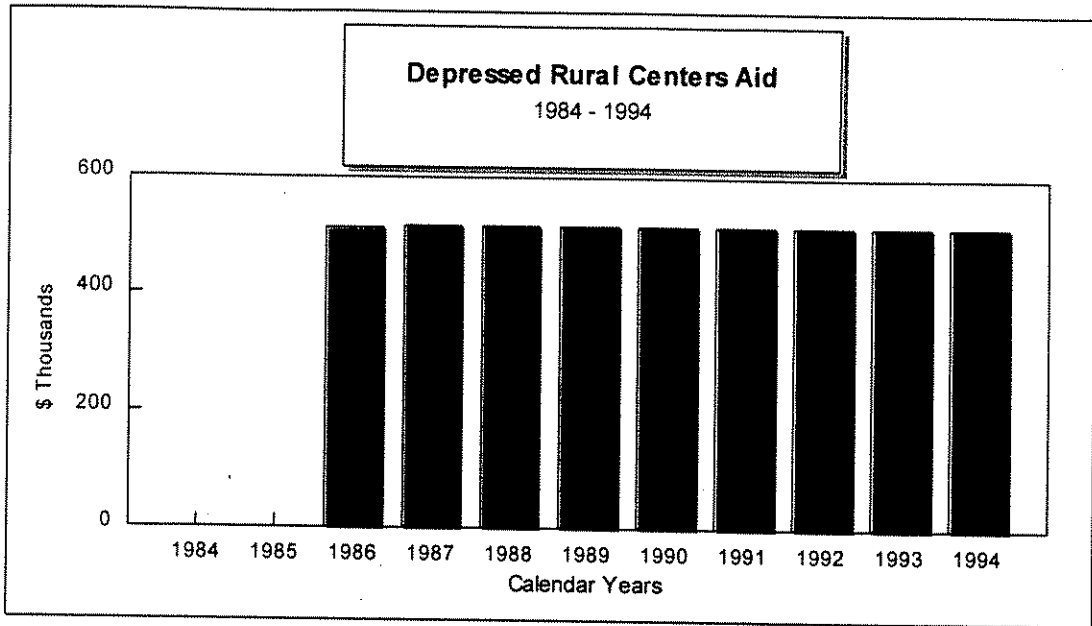
**Data about Recipients:** (CY 1994)

Number of Recipients	20
Smallest Distribution	\$9,461 (Califon Borough, Hunterdon Co.)
Largest Distribution	\$49,983 (Winfield Twp, Union Co.)
Average Distribution	\$25,900
Median Distribution	\$24,088

**Application:** None

**Criteria to Receive Aid:** Program eligibility is based on population, population density, rates, effective local tax rates and per capita income. Funds are distributed to eligible municipalities by formula based on population. Since FY 1986, aid has been distributed to the same municipalities at the same level based on provisions in the annual appropriations act.

**Cost of Administration:** This program is administered by the Division of Local Government Services in the Department of Community Affairs.



## DOMESTIC INSURANCE TAX (P.L.1981, c.183)

**History:** Insurance companies operating in New Jersey, both domestic (organized under the laws of this State) and foreign (organized under the laws of any other State) pay State taxes based on their New Jersey premiums. The laws establishing these taxes provided that 87.5 percent of the liability was payable to the municipality and 12.5 percent was payable to the county where the companies' principal offices were located.

The local franchise taxes were repealed in 1982. P.L. 1981, c.183 provided that payments be made to municipalities and counties to prevent financial hardship caused by the repeal of these taxes.

**Source of Funds:** Insurance premiums taxes. Off budget revenue. (An off budget revenue is one in which the revenue source and the appropriated funds are not included as line items in the appropriations act.)

### Amount of State Aid Distributed:

CY 1990	\$17,470,511
CY 1991	\$17,145,218
CY 1992	\$25,693,599
CY 1993	\$23,666,544
CY 1994	\$19,573,850

### Data about Recipients: (CY 1994)

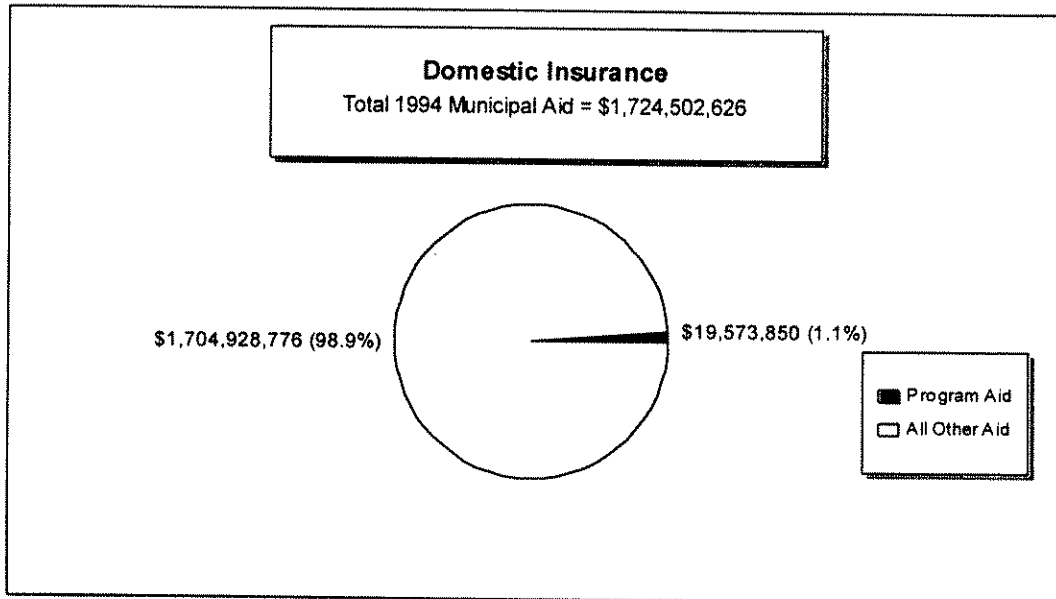
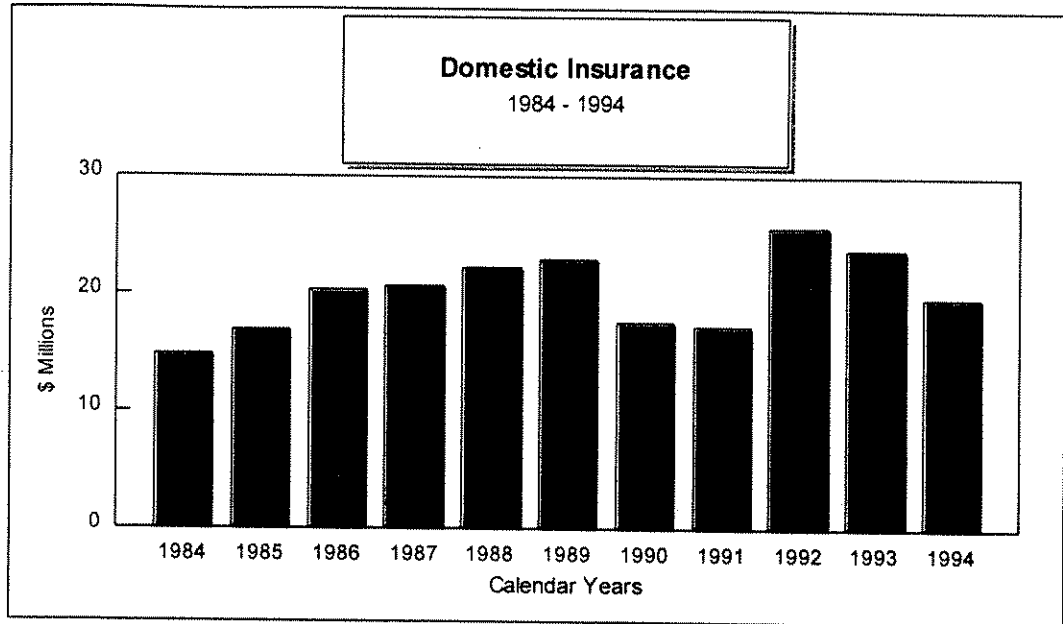
Number of Recipients	14
Smallest Distribution	\$1 (Holland Twp, Hunterdon Co)
Largest Distribution	\$14,363,106 (Newark City, Essex Co)
Average Distribution	\$1,398,132
Median Distribution	\$71,326

**Application:** None

**Criteria to Receive Aid:** Payments are made each August 1 to the municipality and county in which a domestic insurance company's principal office was situated on January 1, 1981. The law states that these payments should be equal to the amount of franchise taxes received in calendar year 1980 increased by the percentage change in all taxes paid by all insurance companies for the current and immediately preceding tax years. If the principal office of the domestic insurance company moves from the municipality, the payment stops after a five year phase down.

**Cost of Administration:** This program is administered by the Division of Taxation in the Department of the Treasury.





**FINANCIAL BUSINESS TAX (P.L.1946, c.174)**

**History:** In 1946 an excise tax was imposed on certain financial businesses. The tax equals 9 percent of allocated net income and 1.5 percent of allocated net worth.

**Source of Funds:** Tax on certain financial businesses. Off budget revenue.

**Amount of State Aid Distributed:**

CY 1990	\$6,118,106
CY 1991	\$4,241,718
CY 1992	\$4,403,026
CY 1993	\$3,454,807
CY 1994	Not Available

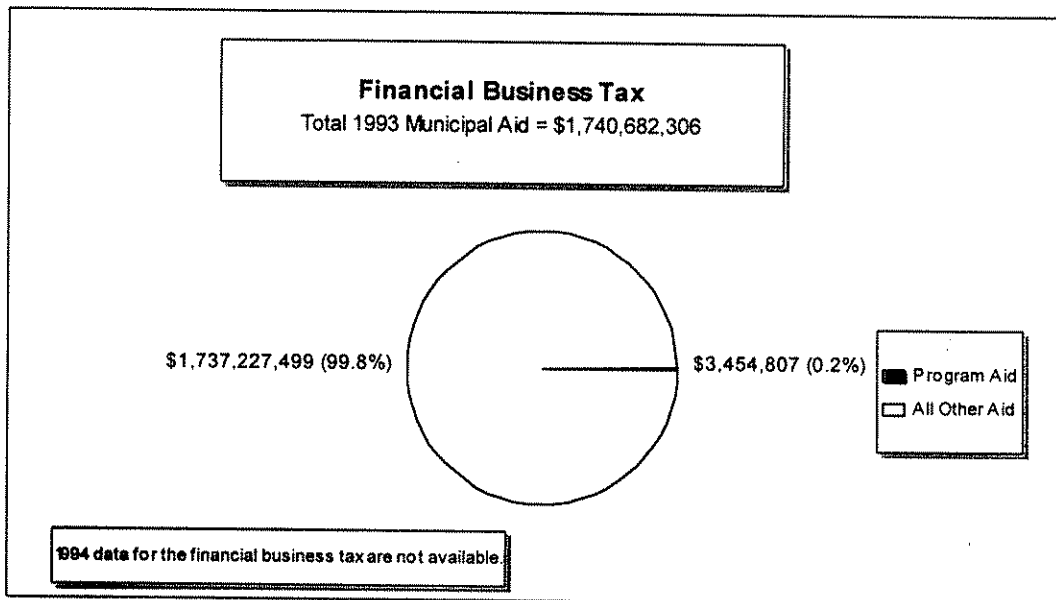
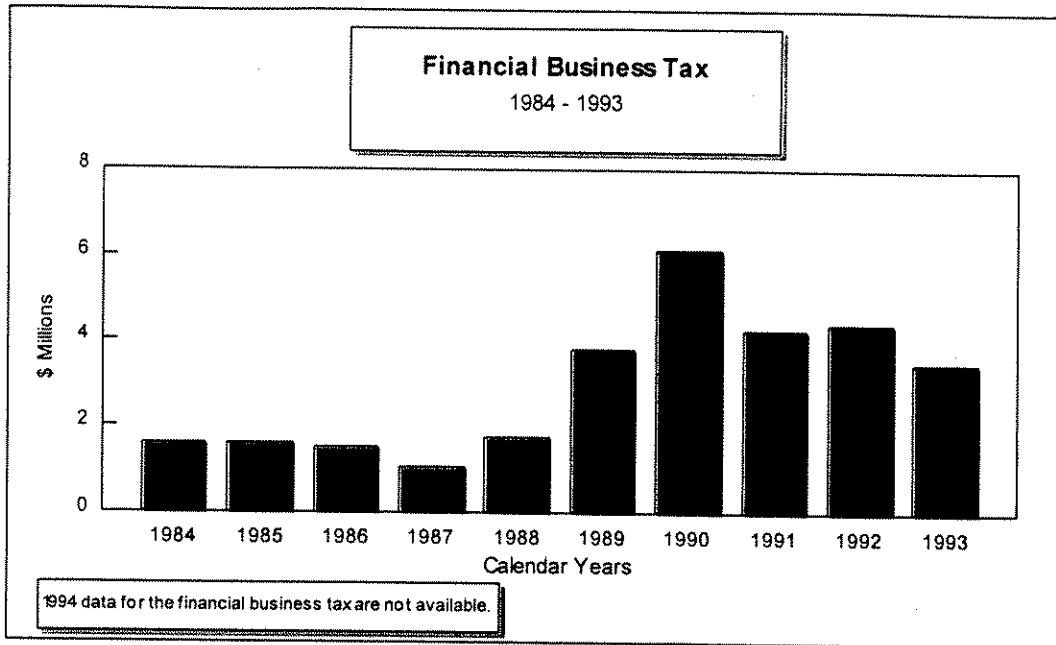
**Data about Recipients:** (CY 1993)

Number of Recipients	121
Smallest Distribution	9 towns receive \$1
Largest Distribution	\$807,463 (Franklin Twp, Somerset Co)
Average Distribution	\$28,552
Median Distribution	\$2,029

**Application:** None

**Criteria to Receive Aid:** Under the statute, the State retains 50 percent of the revenue for the General Fund, 25 percent goes to municipalities and 25 percent goes to counties based on the proportion of deposits in the municipality or county to the total deposits of the institution in the State. Since FY 1986, the State has retained the county share through budget language.

**Cost of Administration:** This program is administered by the Division of Taxation in the Department of the Treasury.



## FRANCHISE AND GROSS RECEIPTS TAX PROGRAM (P.L.1940, c.4 & 5)

**History:** This is an off budget program. Although it has no actual line item appropriation in the annual budget, language in the annual appropriations act limits the amount of funds distributed to municipalities.

In 1982, the State began to retain for State purposes a portion of the regular apportionment of franchise and gross receipts taxes as directed by footnote language in the FY 1983 State budget. This footnote language has been included in all subsequent State budgets. In 1991, the State's maximum amount of retention from regular collections was capped at the 1992 amount (\$245 million) and the minimum to be distributed to municipalities was set at \$685 million. An additional \$77 million was distributed to municipalities in CY 1993 and \$40 million was distributed in CY 1994. These additional funds were distributed in CY 1993 and CY 1994 to each municipality in proportion to the amount of franchise and gross receipts aid allocated to each municipality in the prior calendar year.

**Source of Funds:** Public utility franchise and gross receipts taxes which are collected by the State. Off budget revenue.

### Amount of State Aid Distributed:

CY 1990	\$685 million
CY 1991	\$685 million
CY 1992	\$685 million
CY 1993	\$762 million (includes an additional \$77 million)
CY 1994	\$725 million (includes an additional \$40 million)

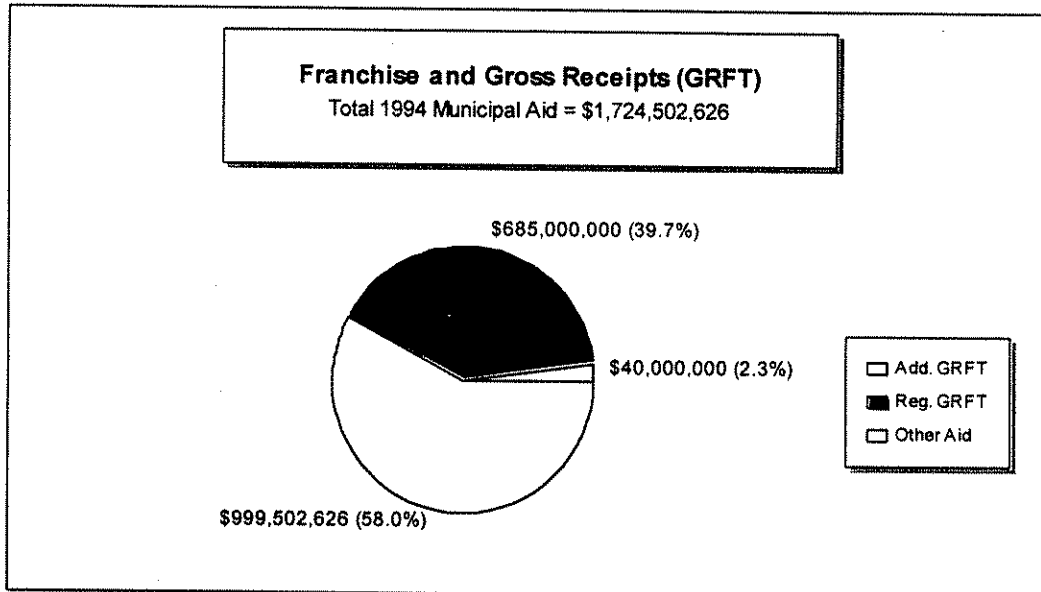
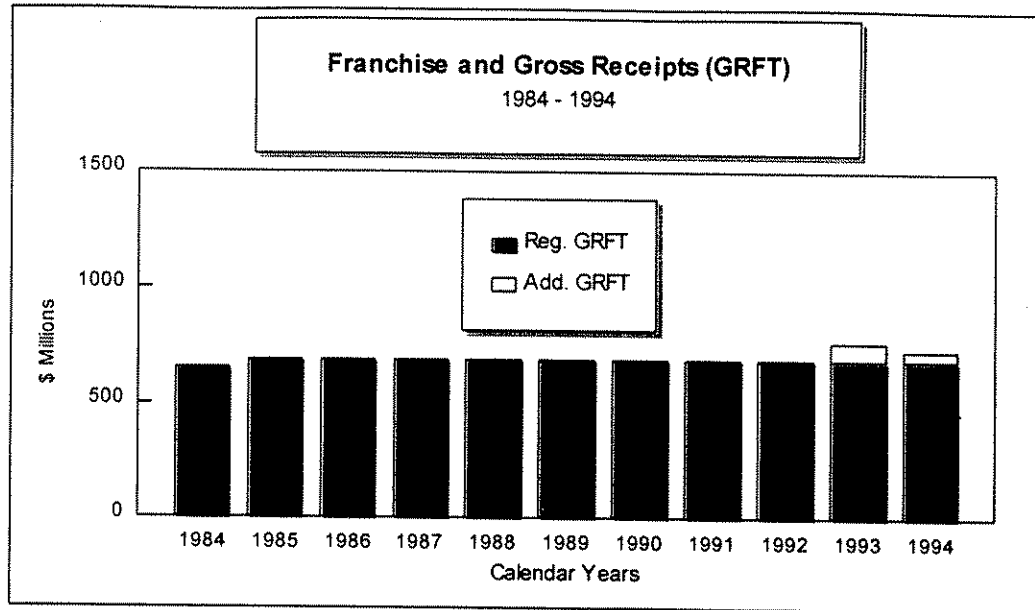
### Data about Recipients: (CY 1994-\$685 million)

Number of Recipients	567
Smallest Distribution	\$887 (Tavistock Borough, Camden Co)
Largest Distribution	\$28,961,980 (Jersey City, Hudson Co)
Average Distribution	\$1,208,113
Median Distribution	\$486,764

**Application:** None

**Criteria to Receive Aid:** Aid is distributed based on a municipality's proportionate share of public utility assets and revenue. No municipality may receive more than \$700 per capita and each must maintain a minimum local purpose tax rate in order to remain eligible for aid.

**Cost of Administration:** This program is administered by the Division of Taxation in the Department of the Treasury. Several people are assigned part time to the administration of this program.



**LEGISLATIVE INITIATIVE MUNICIPAL BLOCK GRANT (PER CAPITA AID)**

**History:** The program was funded and established in the FY 1995 Appropriations Act (P.L. 1994, c.67). As this program is established in the annual appropriations act, it will expire at the end of FY 1995.

**Source of Funds:** General Fund

**Amount of State Aid Distributed:** \$33 million was appropriated in FY 1995.

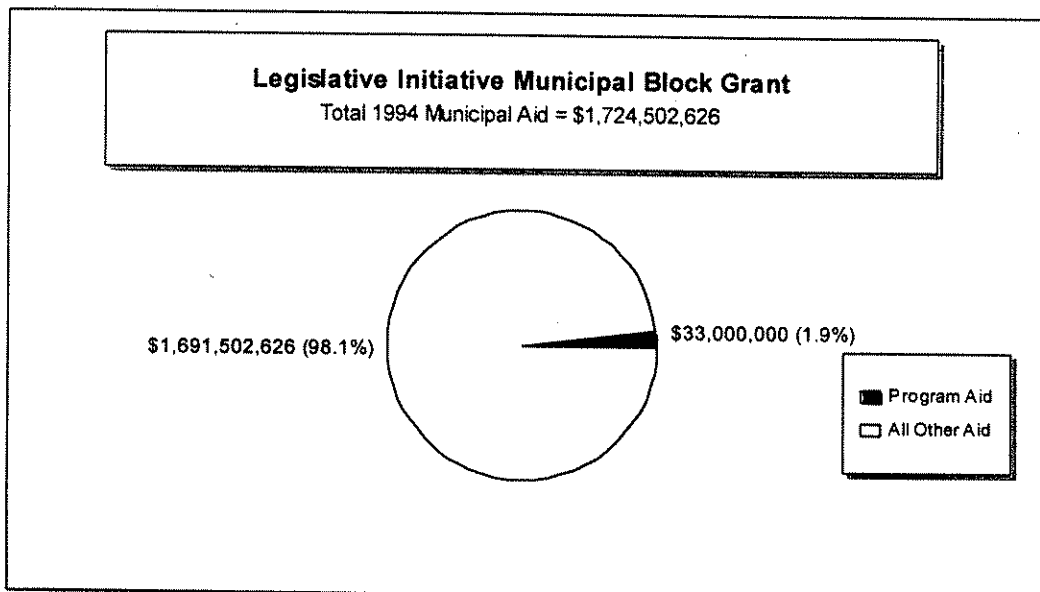
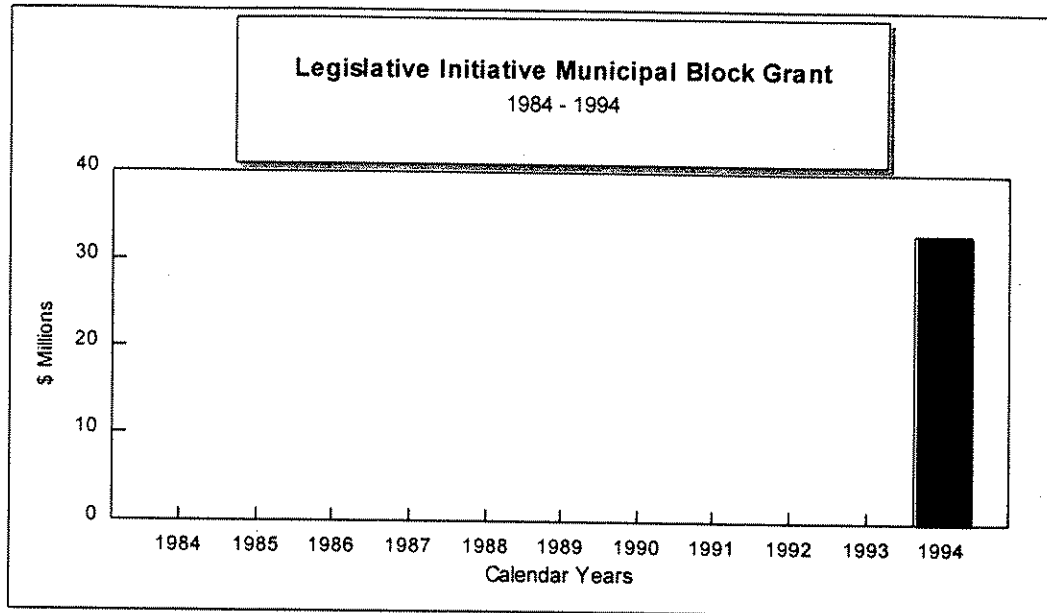
**Data about Recipients:** (CY 1994)

Number of Recipients	567
Smallest Distribution	\$51 (Tavistock Borough, Camden Co.)
Largest Distribution	\$1,174,890 (Newark City, Essex Co.)
Average Distribution	\$58,201
Median Distribution	\$31,185

**Application:** None

**Criteria to Receive Aid:** Every municipality receives aid based on the ratio of its municipal population to the total State population.

**Cost of Administration:** This program is administered by the Division of Local Government Services in the Department of Community Affairs.



## MUNICIPAL PURPOSE TAX ASSISTANCE FUND (P.L.1980, c.12)

**History:** The Municipal Purposes Tax Assistance Fund (MPTAF) was created in 1980 to redistribute revenues from utility-rich communities. The legislation which created the MPTAF requires municipalities to maintain a minimum tax rate and limits the amount a municipality can receive from the franchise and gross receipts tax program to \$700 per capita. Municipalities which do not maintain a minimum tax rate or which receive over \$700 per capita, forfeit funds to the MPTAF.

**Source of Funds:** Public utility franchise and gross receipts taxes which are collected by the State. In calendar year 1993, 42 utility-rich communities contributed \$64.9 million to this fund, of which \$30 million was redistributed to 389 other municipalities under the MPTAF formula. A municipality must have a municipal purposes tax rate of \$.10 or above for three consecutive tax years in order to receive aid.

**Amount of State Aid Distributed:** For the last ten years, the State has distributed \$30 million in every year except in CY 1984 and CY 1985 when the State distributed \$59.9 million and \$62.1 million respectively.

**Data about Recipients:** (CY 1994)

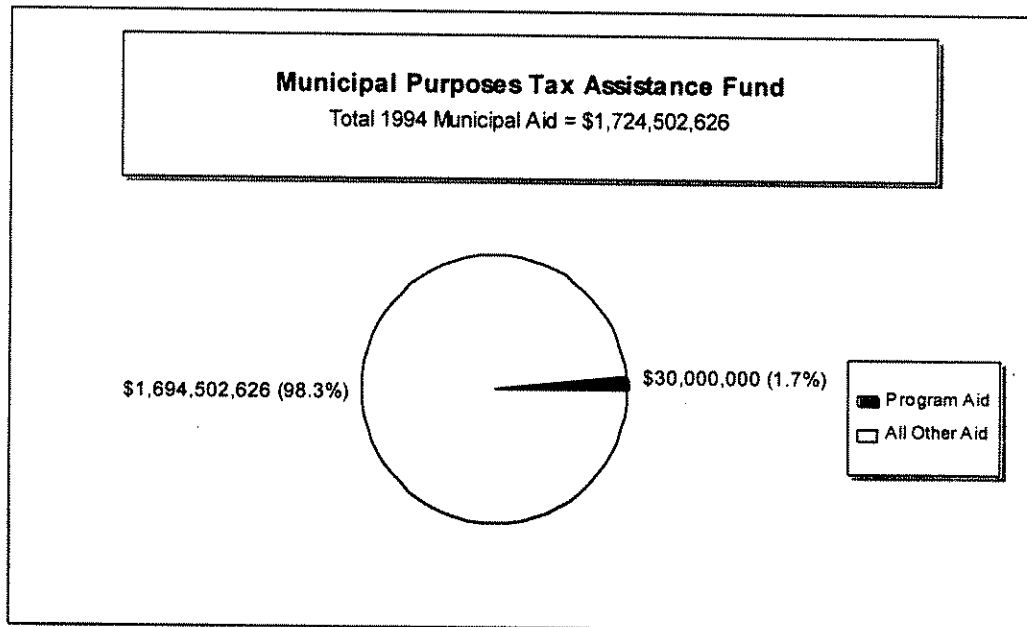
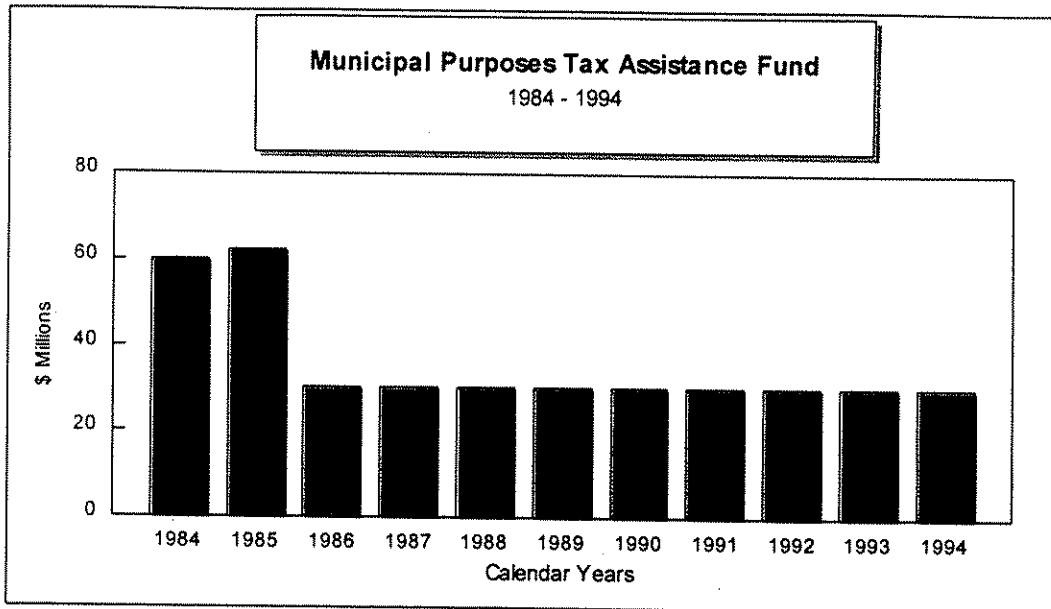
Number of Recipients	373
Smallest Distribution	\$197 (Pahaquarry Twp, Warren Co)
Largest Distribution	\$3,193,480 (Newark City, Essex Co)
Average Distribution	\$80,429
Median Distribution	\$18,357

**Application:** None

**Criteria to Receive Aid:** To qualify for aid, a municipality must have a minimum equalized municipal purposes tax rate for the preceding tax year and a minimum municipal index of equalized valuation per capita. Aid is distributed based on a formula. The amount to each municipality is determined by property tax effort and property tax wealth relative to property tax effort and the property tax wealth of the municipalities that qualify for a share of the distribution. The actual share of the total available is a per capita amount weighted by the ratio of a municipality's equalized valuations per capita to the state average equalized valuations per capita. Each municipality must maintain a minimum municipal purposes tax rate for three years.

**Cost of Administration:** This program is administered by the Division of Taxation in the Department of the Treasury. Several people are assigned part time to the administration of this program.





## **MUNICIPAL REVITALIZATION AID - DISTRESSED CITIES PROGRAM ( P.L.1987, c.75)**

**History:** This State aid program was established in 1986 to provide technical assistance and funding to fiscally distressed municipalities. This program provides short-term State assistance in the form of either grants, loans or loan guarantees to help eligible municipalities meet their immediate budgetary needs and regain their financial stability, affording them an opportunity to develop, revive and expand their economic bases.

**Source of Funds:** General Fund

**Amount of State Aid Distributed:** Since CY 1991, the State has distributed \$164 million. Prior to that, the State distributed \$16.4 million in 1986, \$67.8 million in 1987, \$118.5 million in 1988, \$118.4 million in 1989 and \$134 million in 1990.

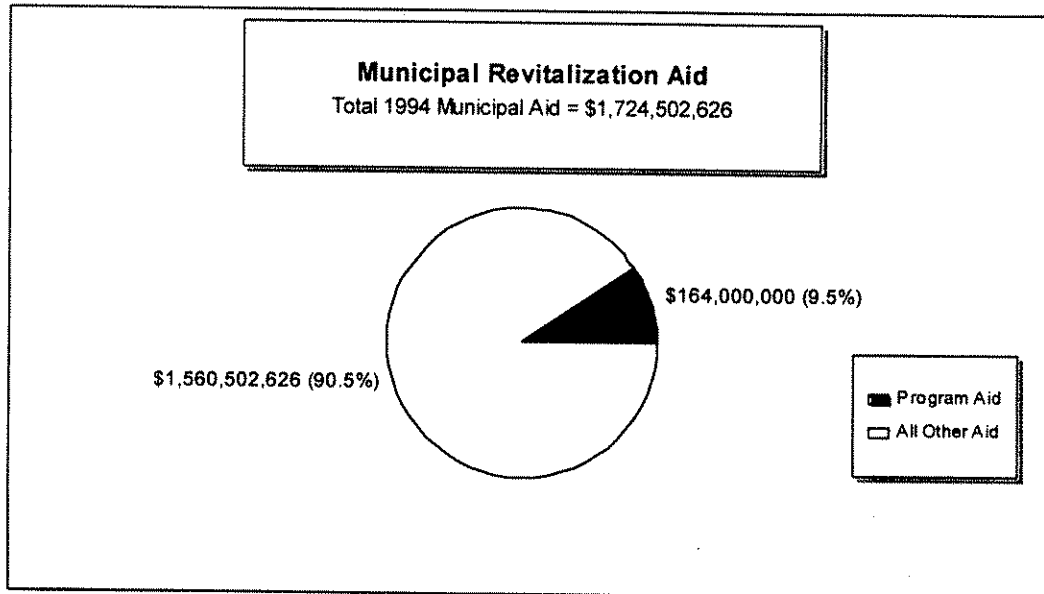
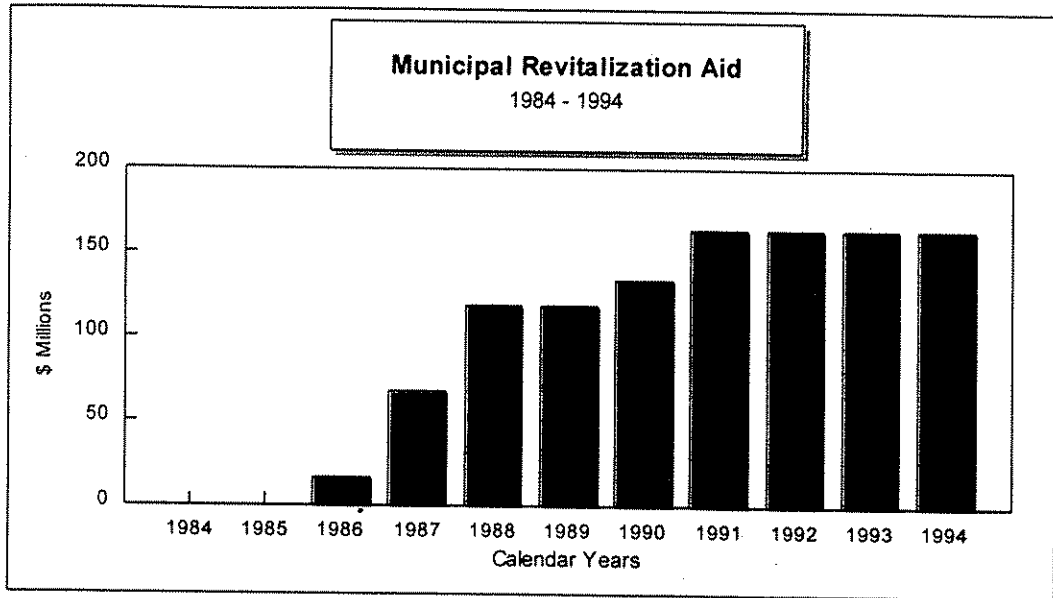
**Data about Recipients:** (CY 1994)

Number of Recipients	52
Smallest Distribution	\$85,000 (Bridgeton City, Cumberland Co.)
Largest Distribution	\$16,385,000 (Camden City, Camden Co.)
Average Distribution	\$3,153,846
Median Distribution	\$1,450,000

**Application:** After review of detailed applications, whenever the director of Local Government Services in the Department of Community Affairs finds that a municipality is experiencing fiscal distress, he notifies the Local Finance Board and recommends an allocation. The Local Finance Board then meets to review and modify or approve the director's findings.

**Criteria to Receive Aid:** Aid distribution under this program is discretionary. The finding of fiscal distress in an eligible municipality can be based on the municipality's tax rate, cash deficit, insufficient percentage of tax collections, insufficient collection of other revenues, over-anticipation of the revenues of prior years, non-liquidation of interfund transfers, reliance on emergency authorizations, continual rollover of tax anticipation notes, or other factors indicating a constrained ability to raise sufficient revenues to meet its budgetary needs.

**Cost of Administration:** This program is administered by the Division of Local Government Services in the Department of Community Affairs. A total of \$1 million is annually appropriated for the administrative costs of this program. When needed, the division provides technical assistance to municipalities.



## **PAYMENTS IN LIEU OF TAXES - PILOT (P.L.1977, c.272)**

**History:** The PILOT program reimburses municipalities for loss of property taxes due to the tax exempt status of State-owned property and land. In FY 1995, the State will distribute a total of \$34.9 million. Since 1989, essentially two PILOT programs have existed: the regular program which distributes annually \$13.5 million to all municipalities with State-owned property and the special PILOT program which, in FY 1995, will distribute an additional \$21.4 million to four municipalities.

In CY 1994, the regular PILOT program (\$13.5 million) is funded at approximately 34 percent of the amount needed to fully fund the program (\$39.7 million). Thus, most eligible municipalities receive 34 percent of their entitlement.

The special PILOT program, which is established annually in the appropriations act, will distribute an additional \$21.4 million in FY 1995. Recipients of this aid include Camden (\$3.2 million), Ewing (\$2.8 million), Newark (\$1.9 million) and Trenton (\$13.5 million).

**Source of Funds:** General Fund

### **Amount of State Aid Distributed:**

CY 1990	\$18,356,000
CY 1991	\$19,035,000
CY 1992	\$19,034,502
CY 1993	\$34,884,583
CY 1994	\$34,853,000

### **Data about Recipients:** (CY 1994)

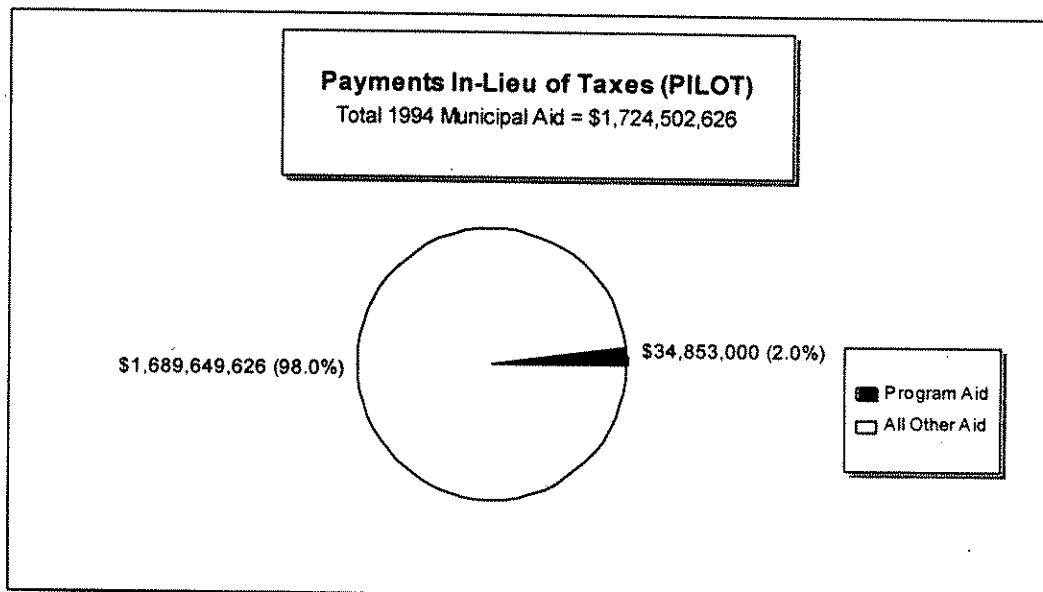
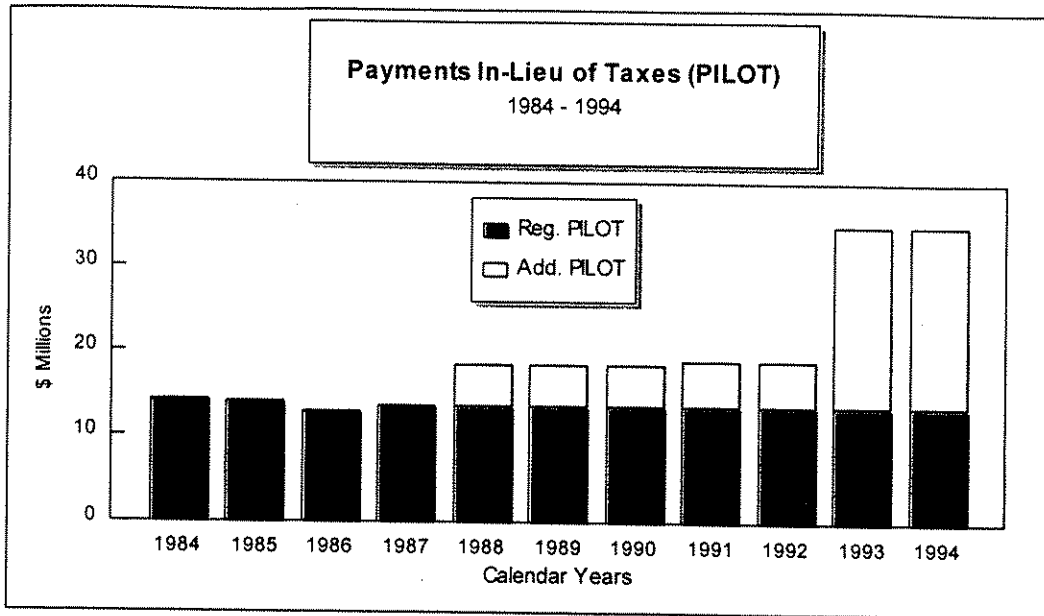
Number of Recipients	219
Smallest Distribution	\$355 (Branchburg Twp, Somerset Co.)
Largest Distribution	\$16,276,124 (Trenton City, Mercer Co.)
Average Distribution	\$159,146
Median Distribution	\$4,375

**Application:** None

**Criteria to Receive Aid:** Aid for the regular PILOT program is distributed based on the total assessed value of State-owned land and buildings in a municipality times the effective local purposes tax rate. Payments are limited to 35 percent of the local purpose tax levy. Because the program has not been fully funded in recent years, the total entitlement under the regular program is reduced proportionately (e.g. in CY 1994, each municipality will receive 34 percent of its entitlement). No aid is provided for either school or county-owned land and buildings.

The special PILOT program has distributed aid to Camden, Ewing, Newark and Trenton since FY 1989.

**Cost of Administration:** This program is administered by the Division of Taxation in the Department of the Treasury.



**PAYMENTS TO MUNICIPALITIES TO REPLACE THE FRANCHISE TAX ON TELECOMMUNICATIONS (P.L.1989, c.2, s.5)**

**History:** This program was funded for the first time at \$6.5 million in FY 1992. It replaces the franchise tax on telecommunications carriers which previously had been paid to local governments.

**Source of Funds:** General Fund; previously public utility franchise and gross receipts taxes.

**Amount of State Aid Distributed :** \$6.5 million in each year since CY 1991.

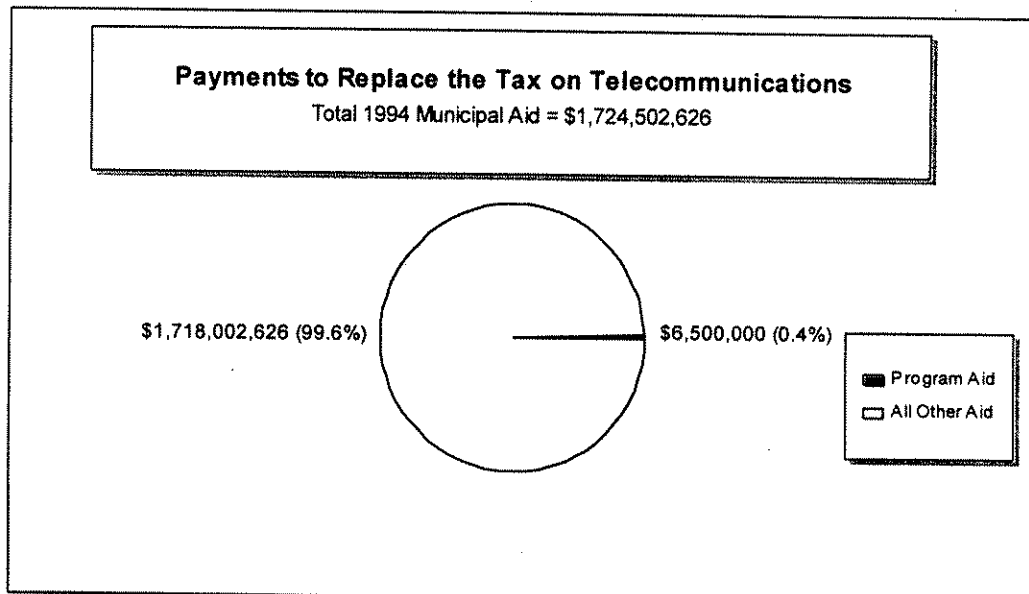
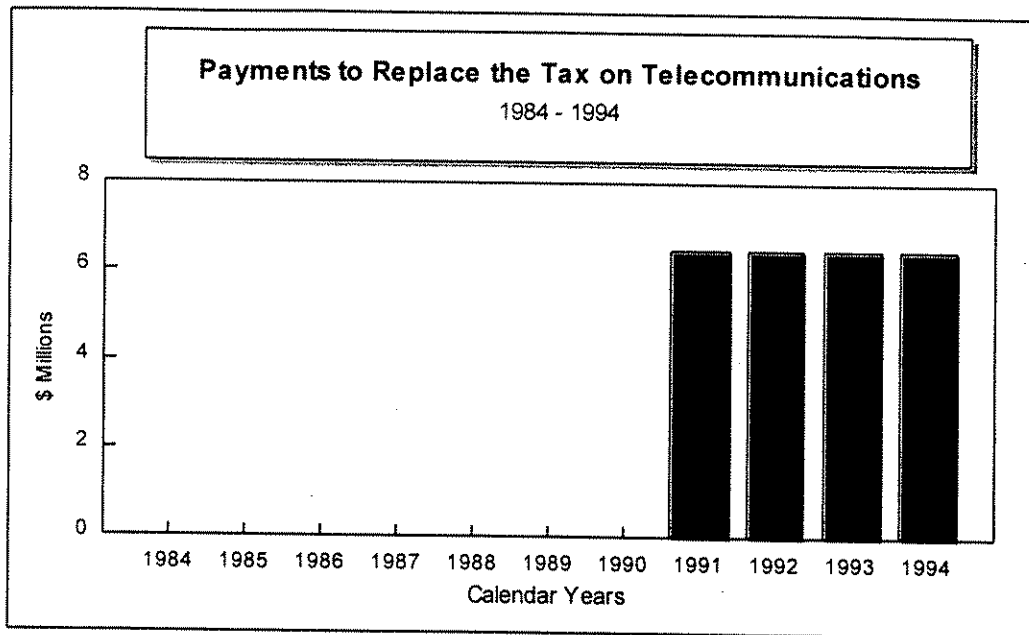
**Data about Recipients: (CY 1994)**

Number of Recipients	383
Smallest Distribution	\$4 (Pahaquarry Twp, Warren Co)
Largest Distribution	\$1,874,326 (Hamilton Twp, Mercer Co)
Average Distribution	\$16,971
Median Distribution	\$379

**Application:** None

**Criteria to Receive Aid:** The apportionment of the \$6.5 million is made in accordance with the 1989 apportionment of revenue from telecommunications carriers other than local exchange telephone companies. Approximately \$5.9 million is distributed to the same municipalities in the same amount as was distributed in CY 1991. The balance of the \$6.5 million, or \$572,379, is distributed to those municipalities who are eligible to receive payments under the municipal purposes tax assistance program. The \$5.9 million distribution is frozen; the \$572,379 distribution changes each year. The \$572,379 is available because the distribution to two municipalities is capped by either the \$700 per capita limitation (West Amwell Township) or the \$.10 local general tax rate limitation (Pennsville Township).

**Cost of Administration:** This program is administered by the Division of Taxation in the Department of the Treasury.



## REVENUE SHARING (P.L. 1976, c.73)

**History:** This program was established in 1976 to provide assistance to municipalities to support programs which would benefit all local taxpayers.

**Source of Funds:** Property Tax Relief Fund

**Amount of State Aid Distributed:** \$50 million in each year from CY 1976 to CY 1989; \$20 million in CY 1990, after which the distribution stopped.

**Data about Recipients:** (CY 1989 - \$50 million)

Number of Recipients	559
Smallest Distribution	\$101 (Tavistock Borough, Camden Co.)
Largest Distribution	\$2,514,717 (Newark City, Essex Co.)
Average Distribution	\$89,445
Median Distribution	\$45,707

(CY 1990 - \$20 million)

Number of Recipients	519
Smallest Distribution	\$57 (Tavistock Borough, Camden Co.)
Largest Distribution	\$386,426 (Woodbridge Twp, Middlesex Co.)
Average Distribution	\$38,536
Median Distribution	\$24,259

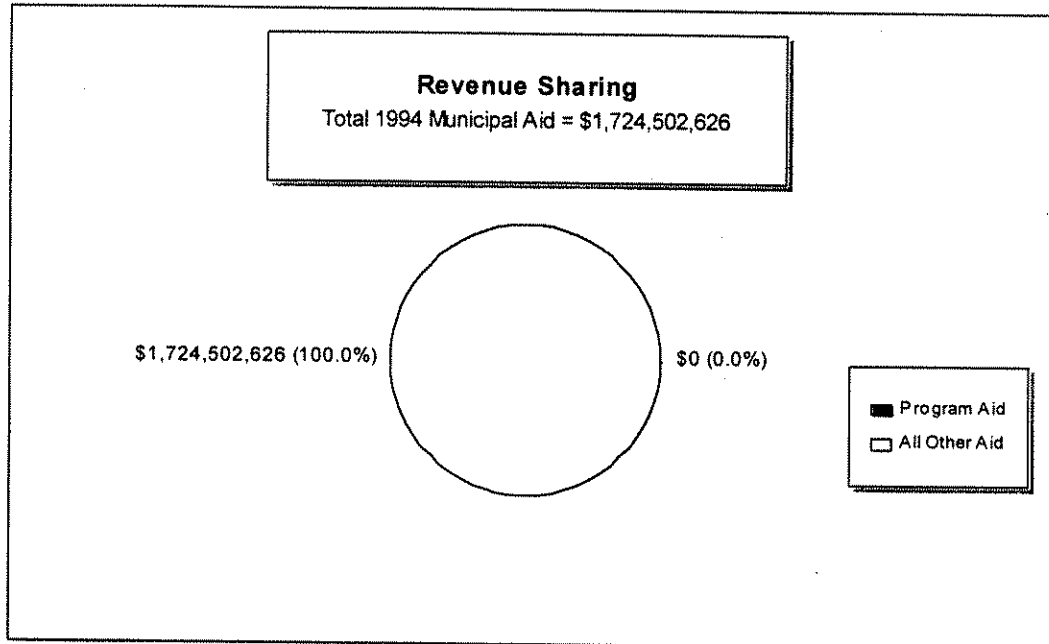
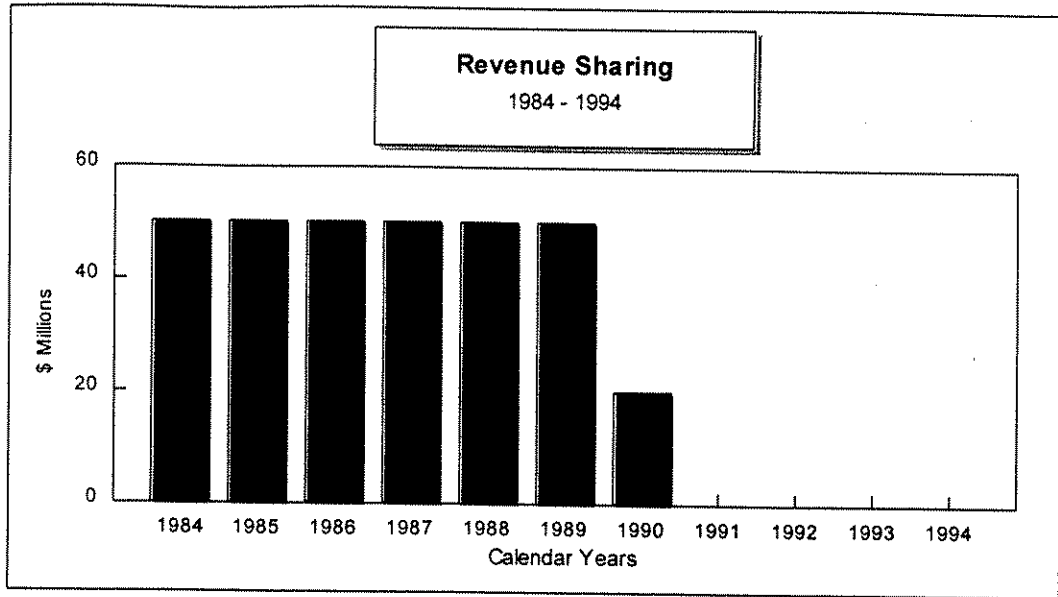
**Application:** None

**Criteria to Receive Aid:** Only municipalities with an effective tax rate in excess of \$1.00 per \$100.00 of true valuation were entitled to receive aid. Aid was distributed on a proportional basis using the proportional share of the qualifying municipality's population to the total population of all qualifying municipalities in the State. Distributions to municipalities were frozen by language in the annual appropriations acts at the amounts distributed in CY 1977.

In CY 1990, (the last year in which this aid was distributed), language in the appropriations act eliminated payments from this program to municipalities entitled to receive aid under the "urban aid" program. In addition, it limited the amounts received by other eligible municipalities to approximately 60 percent of the revenue sharing funds they had received in the previous fiscal year.

**Cost of Administration:** This program no longer exists.





**SAFE AND CLEAN NEIGHBORHOODS (P.L.1979, c.118)**

**History:** This State aid program was established in 1979 to provide aid to certain municipalities to upgrade and augment certain municipal services and programs relating to safe and clean neighborhoods. Funds were to be used to provide for additional walking police officers, their related expenses, supervisors and other neighborhood improvements.

**Source of Funds:** General Fund

**Amount of State Aid Distributed:**

CY 1990	\$26,300,588
CY 1991	\$26,261,351
CY 1992	\$26,301,509
CY 1993	\$26,288,030
CY 1994	\$26,352,724

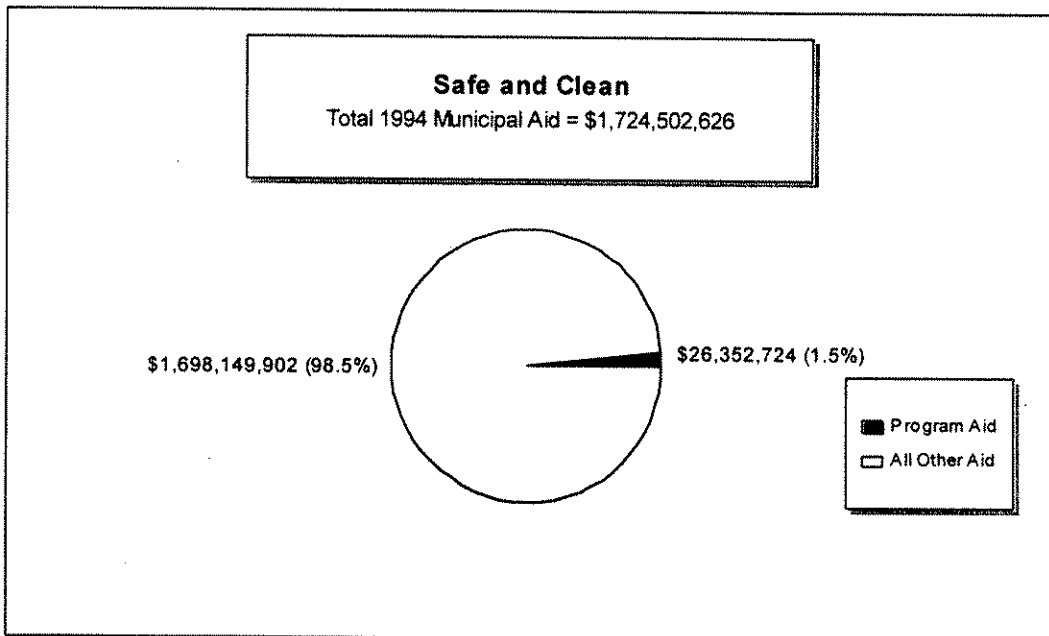
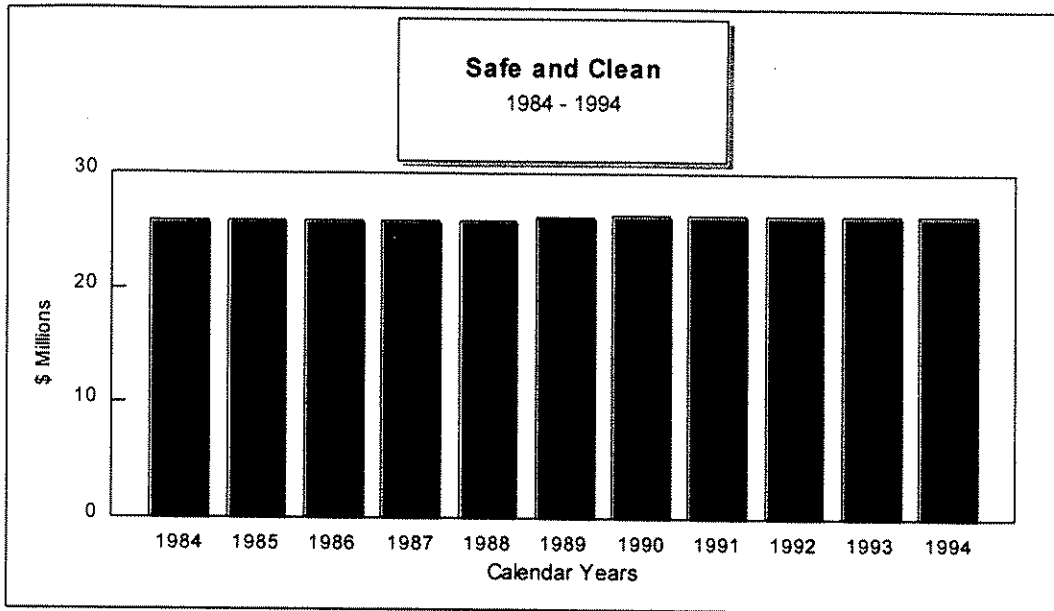
**Data about Recipients:** (CY 1994)

Number of Recipients	58
Smallest Distribution	\$22,320 (Garfield City, Bergen Co.)
Largest Distribution	\$2,107,138 (Trenton City, Mercer Co.)
Average Distribution	\$454,357
Median Distribution	\$165,239

**Application:** Each qualifying municipality applies to the director of Local Government Services in the Department of Community Affairs for matching funds equal in value to \$1.00 for each dollar appropriated for an approved municipal program.

**Criteria to Receive Aid:** Aid is distributed to qualifying municipalities by formula. Urban aid recipients and municipalities that received funding in 1985 are eligible. Municipalities that received this aid in 1985 continue to receive the same amount. New qualifying municipalities receive 2/3 of the amount they receive under urban aid as determined by the director of Local Government Services.

**Cost of Administration:** This program is administered by the Division of Local Government Services in the Department of Community Affairs.



## **SUPPLEMENTAL SAFE AND CLEAN - FIRE SERVICES (P.L.1985, c.295)**

**History:** This State aid program was established in 1985 to supplement the Safe and Clean Neighborhoods Act of 1979. The purpose was to provide State support to help eligible municipalities and fire districts hire additional full-time uniformed fire fighters and/or purchase emergency equipment.

**Source of Funds:** General Fund

**Amount of State Aid Distributed:** Since CY 1985, the State has distributed \$8 million annually.

**Data about Recipients:** (CY 1994)

Number of Recipients	559*
Smallest Distribution	\$4 (Tavistock Borough, Camden Co.)
Largest Distribution	5 municipalities receive \$448,250
Average Distribution	\$14,311
Median Distribution	\$3,818

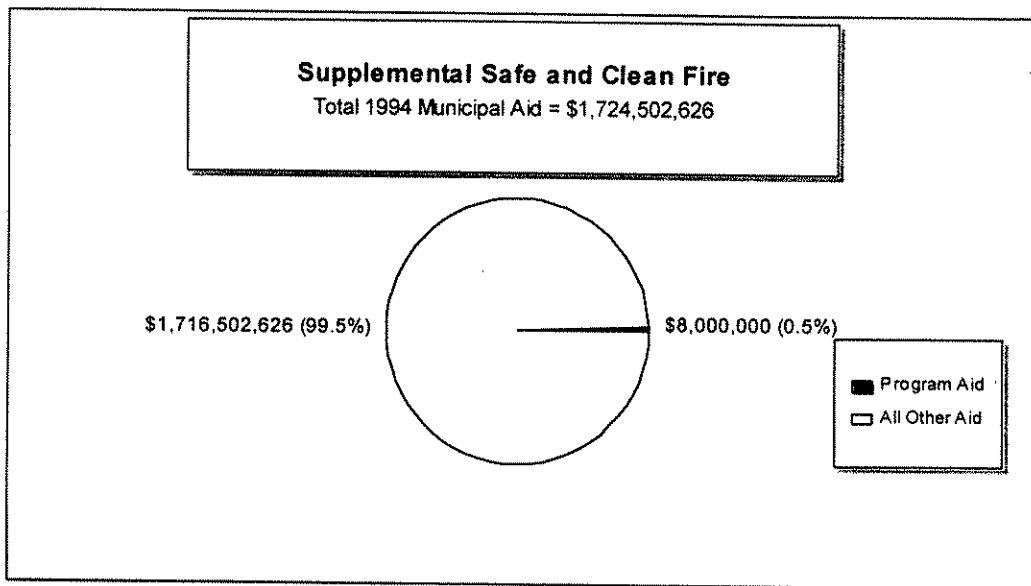
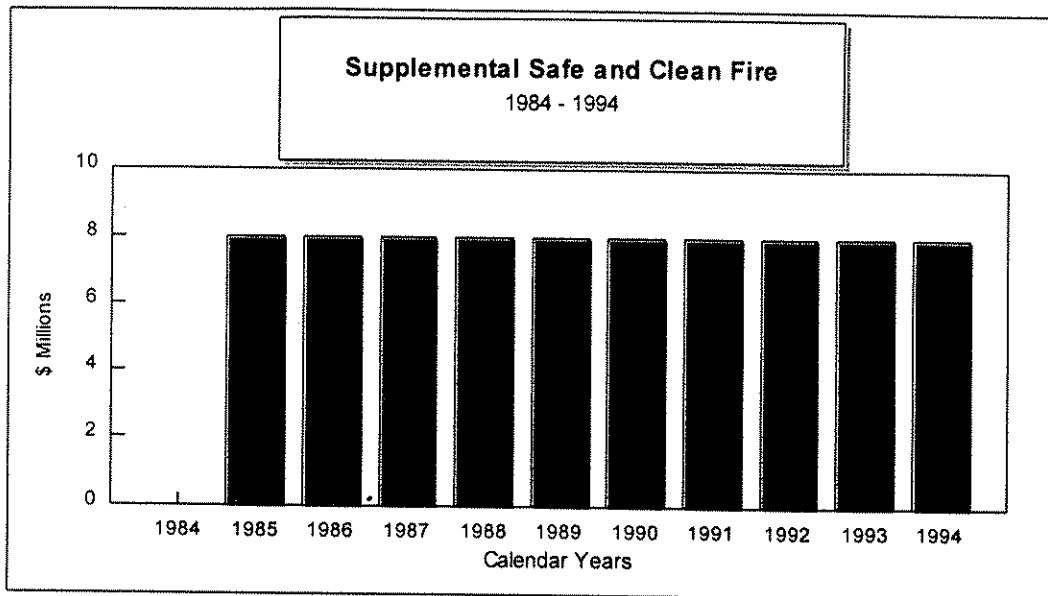
\* 8 municipalities receive no aid, including Pahaquarry, Teterboro, Rockleigh, Lower Alloways Creek, Ridgefield, Upper Twp., Holland and Blairstown.

**Application:** Each qualifying municipality applies to the director of Local Government Services in the Department of Community Affairs for matching funds equal in value to either 25 percent or 10 percent of the amount provided under this program depending on whether the municipality qualifies for Safe and Clean aid or not and has a paid or part-paid fire department. Municipalities with volunteer fire departments must provide matching funds of 10 percent of the amount provided by this program.

**Criteria to Receive Aid:** Sixty-five percent of the appropriation is distributed to Safe and Clean recipients which maintain a paid or part-paid fire department. These funds are distributed in the same proportion as the Safe and Clean Neighborhoods funds. Municipalities are required to provide matching funds from other sources equal to 25 percent of the amount provided under this program.

Thirty-five percent of the fund is distributed to other Safe and Clean recipients which maintain a volunteer fire department and to other municipalities which received aid under the Revenue Sharing program (P.L. 1976, c.73), based on population. The last distribution from the Revenue Sharing program was in CY 1990.

**Cost of Administration:** This program is administered by the Division of Local Government Services in the Department of Community Affairs.



**SUPPLEMENTAL SAFE AND CLEAN - EXPANDED POLICE SERVICES (P.L.1985, c.170)**

**History:** This State aid program was established in 1985 to supplement the Safe and Clean Neighborhoods Act of 1979. The purpose was to provide State support to help municipalities expand their police services by hiring full-time uniformed police officers.

**Source of Funds:** General Fund

**Amount of State Aid Distributed:**

CY 1990	\$24,589,412
CY 1991	\$24,628,649
CY 1992	\$24,588,486
CY 1993	\$24,601,961
CY 1994	\$24,537,269

**Data about Recipients:** (CY 1994)

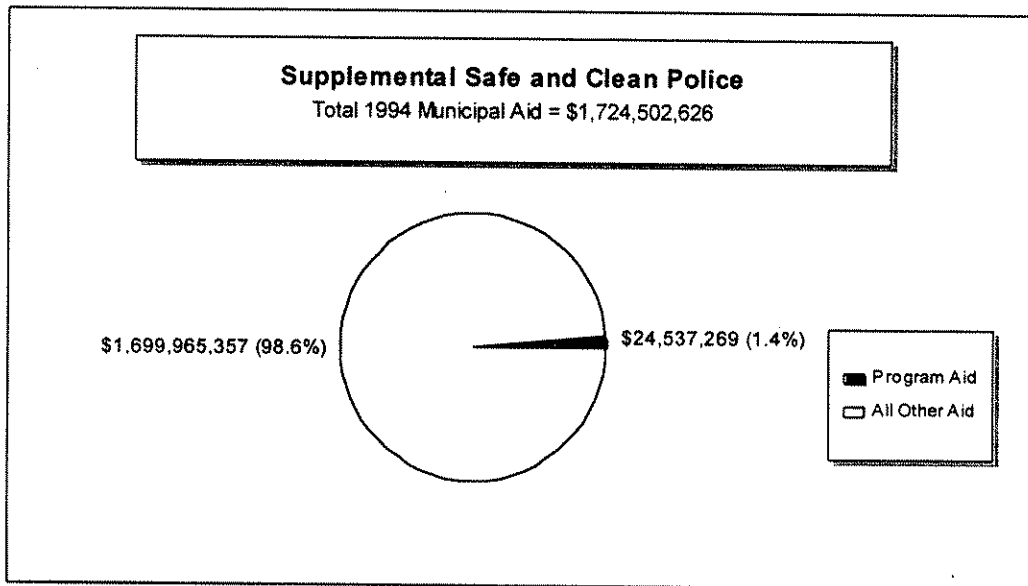
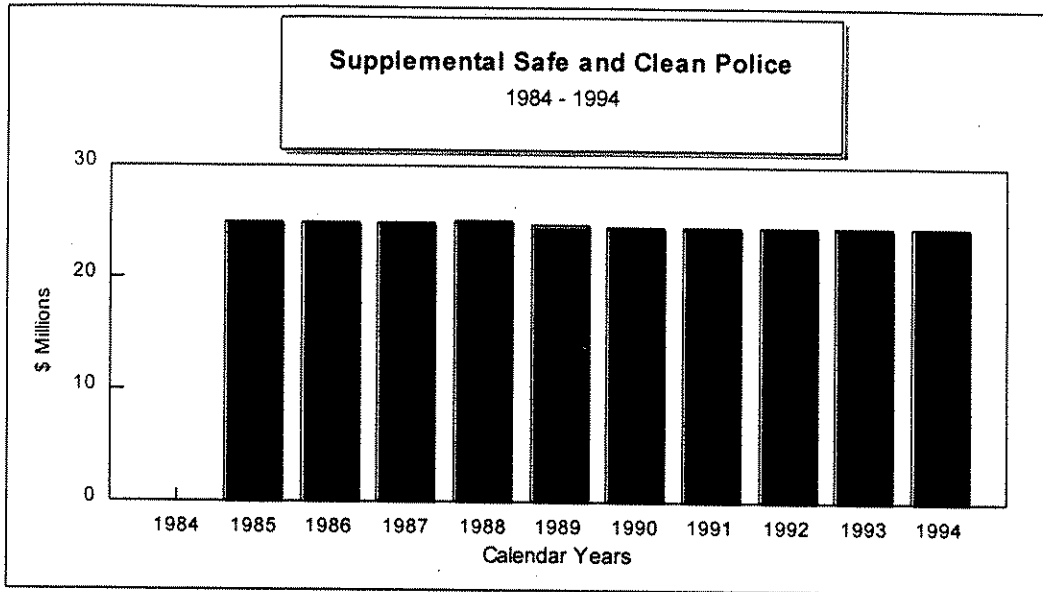
Number of Recipients	478
Smallest Distribution	10 municipalities receive \$1,139
Largest Distribution	5 municipalities receive \$1,275,285
Average Distribution	\$51,333
Median Distribution	\$17,092

**Application:** Each qualifying municipality applies to the director of Local Government Services in the Department of Community Affairs for matching funds equal in value to either 25 percent of the amount provided under this program or 50 percent of the cost of employing the additional police officers.

**Criteria to Receive Aid:** Sixty-five percent of the fund is distributed to Safe and Clean recipients to provide a uniform percentage increase in proportion to the amount received under the Safe and Clean Neighborhoods Act of 1979. Municipalities are required to provide matching funds from other sources equal to 25 percent of the amount provided under this program.

Thirty-five percent of the fund is distributed to other eligible municipalities based on the number of uniformed police officers as of 1985.

**Cost of Administration:** This program is administered by the Division of Local Government Services in the Department of Community Affairs. Language has been included in the FY 1993, 1994 and 1995 Appropriations Acts to permit the department to streamline the administration of this program.



**SUPPLEMENTAL MUNICIPAL PROPERTY TAX RELIEF - ADDITIONAL URBAN AID  
(P.L.1991, c.63)**

**History:** This State aid program was established in 1991 to provide property tax relief in the form of State aid to all municipalities. The law stipulates that this aid must be used by each municipality to reduce the amount a municipality is required to raise by local purpose tax levy for municipal purposes.

**Source of Funds:** Property Tax Relief Fund

**Amount of State Aid Distributed:** Since 1991, \$25 million annually has been distributed through this program.

**Data about Recipients:** (CY 1994)

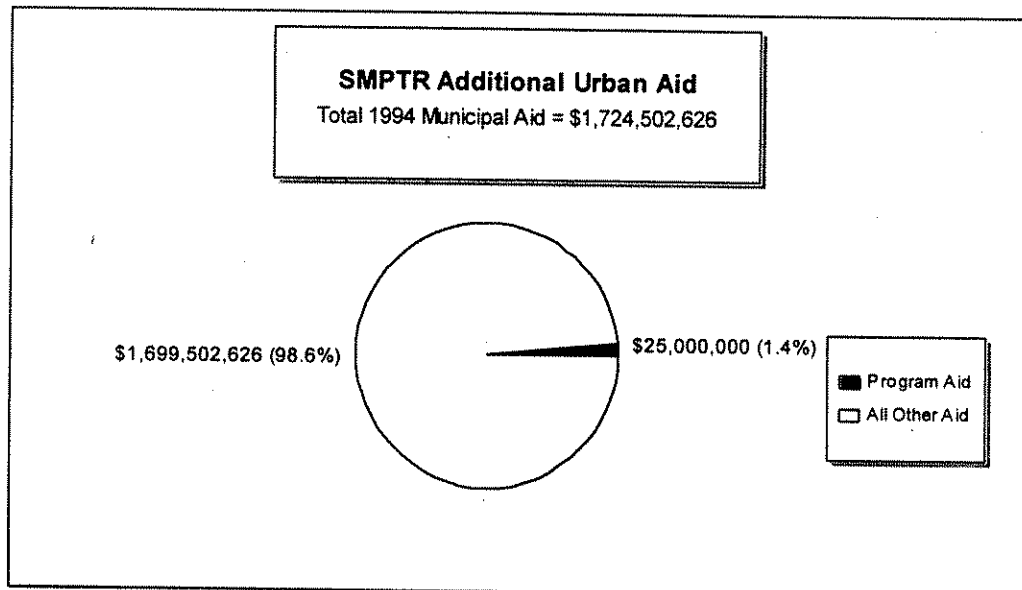
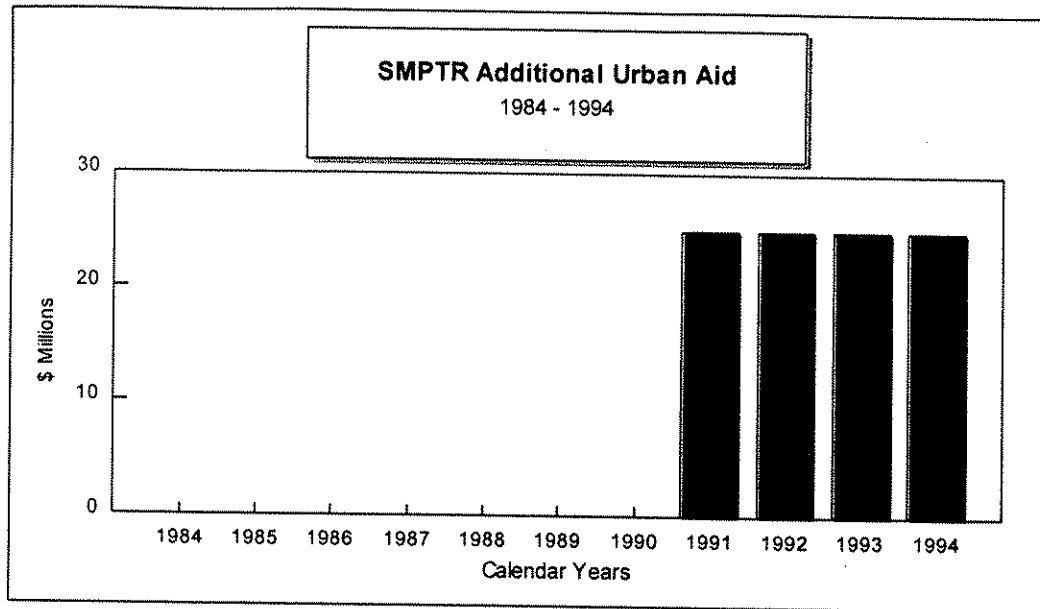
Number of Recipients	53
Smallest Distribution	\$20,551 (Garfield City, Bergen Co.)
Largest Distribution	\$6,845,797 (Newark City, Essex Co.)
Average Distribution	\$471,698
Median Distribution	\$99,610

**Application:** None

**Criteria to Receive Aid:** This aid is distributed according to the provisions of the Urban Aid program (P.L. 1978, c.14). This provides a uniform percentage increase in the amount apportioned to urban aid municipalities.

**Cost of Administration:** This program is administered by the Division of Local Government Services in the Department of Community Affairs.





**SUPPLEMENTAL MUNICIPAL PROPERTY TAX RELIEF - DISCRETIONARY AID  
(P.L.1991, c.63)**

**History:** This State aid program was established in 1991 to provide property tax relief in the form of State aid to all municipalities. The law stipulates that this aid must be used by each municipality to reduce the amount a municipality is required to raise by local purpose tax levy for municipal purposes.

**Source of Funds:** Property Tax Relief Fund

**Amount of State Aid Distributed:** Since 1991, \$30 million annually has been distributed through this program.

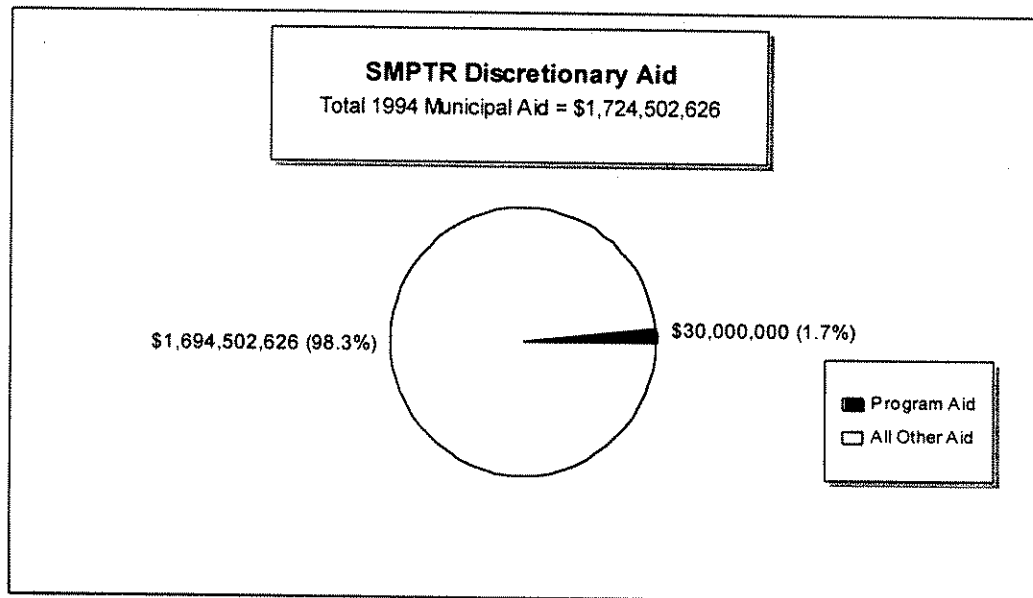
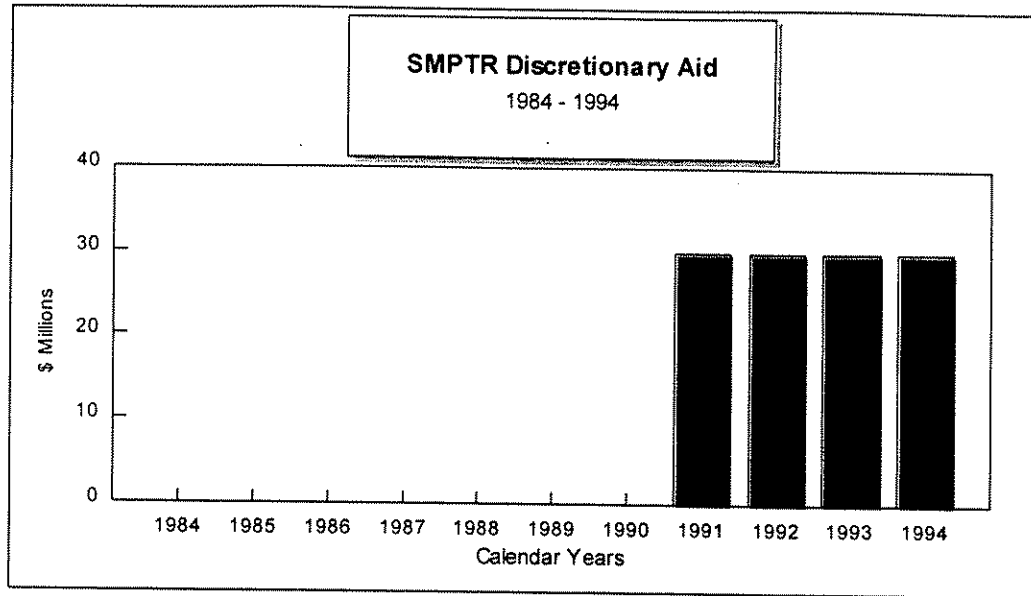
**Data about Recipients:** (CY 1994)

Number of Recipients	101
Smallest Distribution	\$9,000 (Andover Borough, Sussex Co.)
Largest Distribution	\$1,950,000 (Manchester Twp, Ocean Co.)
Average Distribution	\$588,235
Median Distribution	\$200,000

**Application:** Yes

**Criteria to Receive Aid:** The allocation of these funds is discretionary and the funds are available to all municipalities. Applications are evaluated on statutory criteria including whether a municipality is experiencing fiscal distress, whether the cost of providing municipal services is extraordinarily high, and whether the tax base is inadequate to meet property tax demands. Applicants which receive more than \$500,000 in aid from the Municipal Revitalization Program are not eligible.

**Cost of Administration:** This program is administered by the Division of Local Government Services in the Department of Community Affairs.



**SUPPLEMENTAL MUNICIPAL PROPERTY TAX RELIEF - FORMULA AND HOLD HARMLESS AID (P.L.1991, c.63)**

**History:** This State aid program was established in 1991 to provide property tax relief in the form of State aid to all municipalities. The law stipulates that this aid must be used by each municipality to reduce the amount a municipality is required to raise by local purpose tax levy for municipal purposes.

**Source of Funds:** Property Tax Relief Fund

**Amount of State Aid Distributed:**

CY 1991	\$304,997,993
CY 1992	\$309,580,836
CY 1993	\$310,691,200
CY 1994	\$314,179,566 (Entitlement)

Note: Amounts in addition to the original appropriation in CY 1991 are for hold harmless provisions.

In CY 1994, the actual distribution of aid is reduced by approximately \$60 million from the \$314.2 million entitlement. This reduction is spread among municipalities to offset the rebate of accumulated surplus in the State Health Benefits Fund and to anticipate savings in State fiscal year municipalities due to a reduction of employers' contributions to the Public Employees Retirement System and the Police and Firemen's Retirement System.

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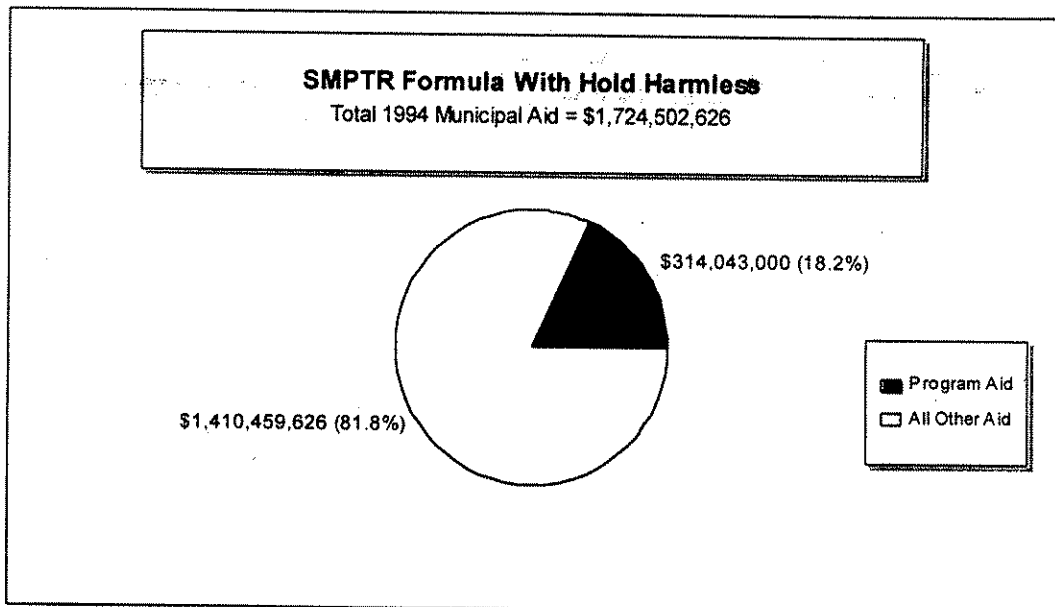
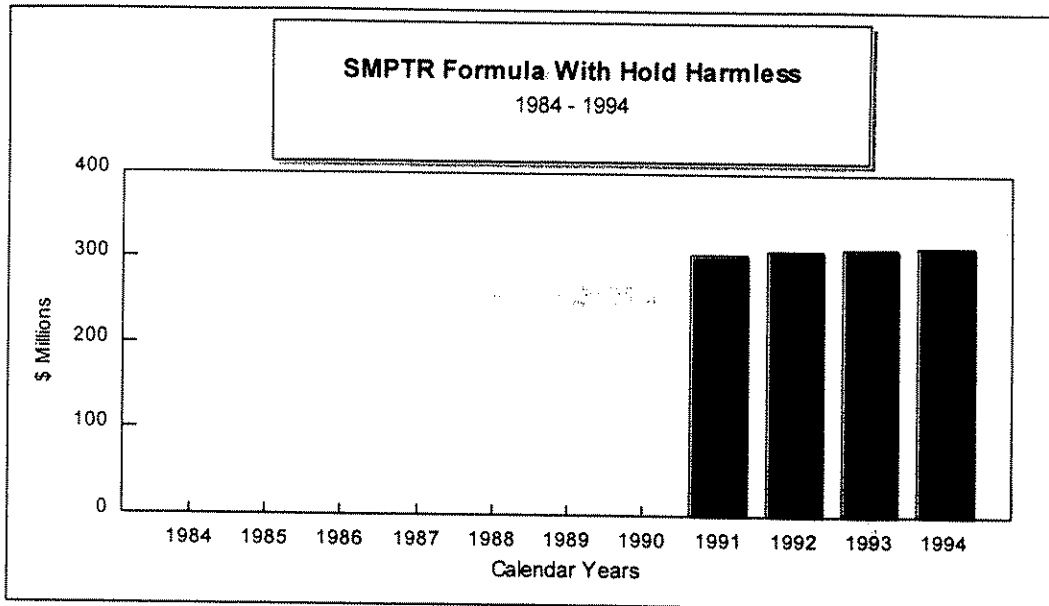
**Data about Recipients: (CY 1994)**

Number of Recipients	567
Smallest Distribution	\$500 (Teterboro Borough, Bergen Co.)
Largest Distribution	\$11,765,698 (Newark City, Essex Co.)
Average Distribution	\$554,109
Median Distribution	\$266,888

**Application:** None

**Criteria to Receive Aid:** Aid is distributed on a per capita basis depending on a municipality's equalized tax rate. The law provides four different levels of per capita aid depending on each municipality's equalized tax rate relative to the Statewide aggregate equalized tax rate (e.g. a municipality with an equalized tax rate at least twice the Statewide aggregate equalized tax rate receives \$72.76 per capita while a municipality with an equalized tax rate less than 75 percent of the Statewide aggregate equalized tax rate receives \$22.73 per capita).

**Cost of Administration:** This program is administered by the Division of Local Government Services in the Department of Community Affairs.



**MUNICIPAL (URBAN) AID (P.L.1978, c.14)**

**History:** This State aid program was established in 1978 to help eligible municipalities maintain and improve municipal services and offset local property taxes.

**Source of Funds:** General Fund

**Amount of State Aid Distributed:**

CY 1990	\$40,131,559
CY 1991	\$40,125,185
CY 1992	\$40,145,384
CY 1993	\$40,417,497
CY 1994	\$40,728,053

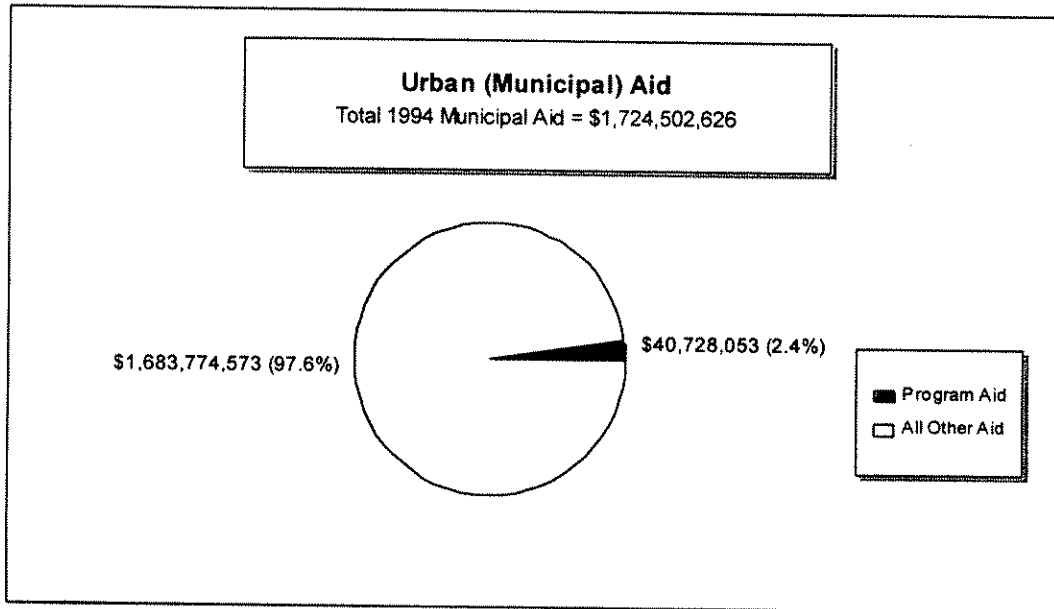
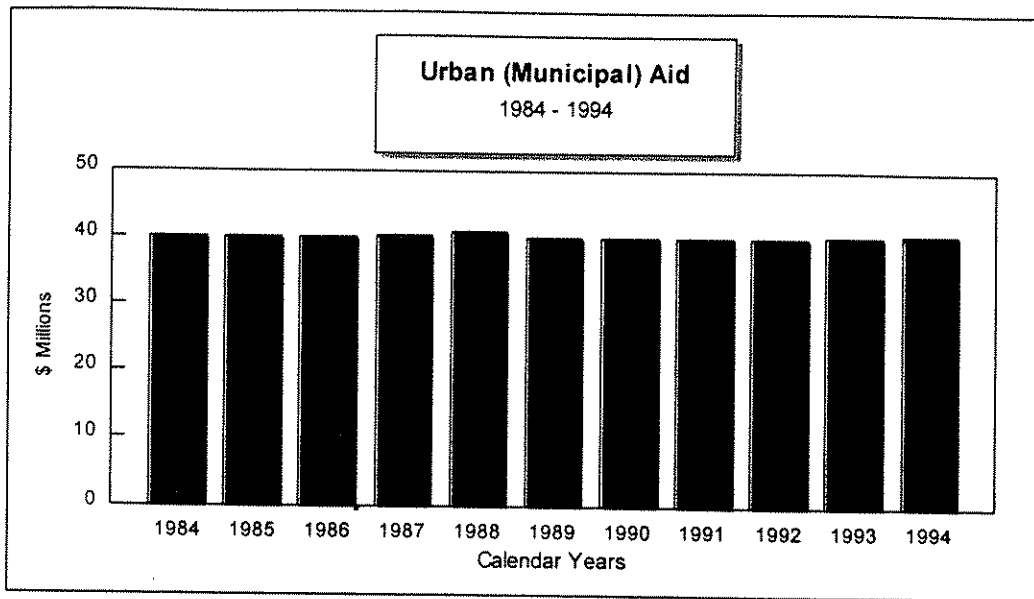
**Data about Recipients: (CY 1994)**

Number of Recipients	53
Smallest Distribution	\$33,480 (Garfield City, Bergen Co.)
Largest Distribution	\$11,152,639 (Newark City, Essex Co.)
Average Distribution	\$768,454
Median Distribution	\$172,800

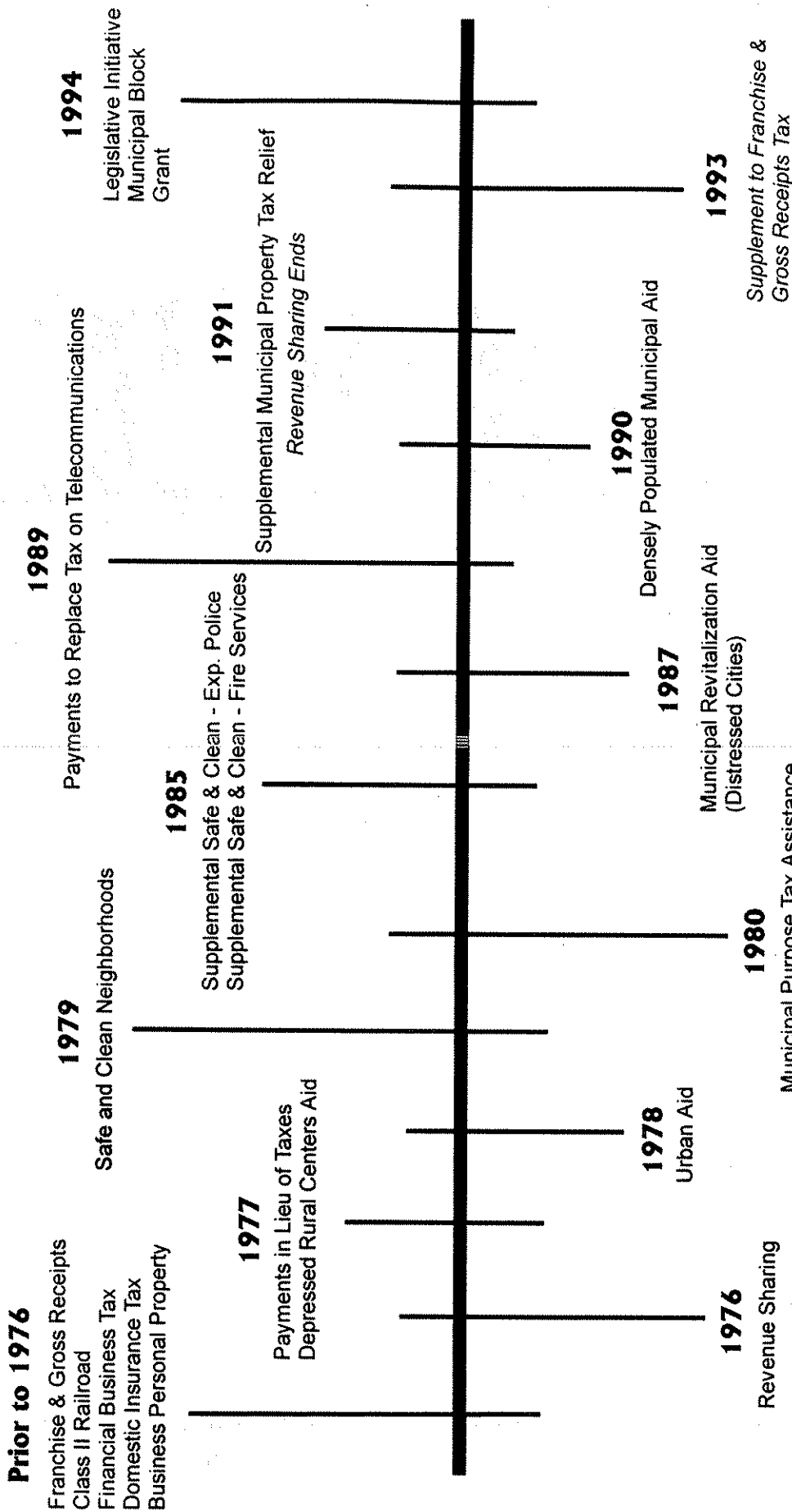
**Application:** None

**Criteria to Receive Aid:** Program eligibility is based on population, effective tax rate, equalized valuation per capita, incidence of welfare recipients and publicly financed dwelling units for low-income families. Funding is distributed by a formula in which the ratio of a municipality's welfare cases to total welfare cases for all eligible municipalities is weighted at 60 percent and the ratio of a municipality's property wealth to total wealth for all eligible municipalities is weighted at 40 percent. It is intended to provide more funding to municipalities with high welfare caseloads and low property wealth. Hold harmless provisions exist for both qualification and distribution of aid under this program.

**Cost of Administration:** This program is administered by the Division of Local Government Services in the Department of Community Affairs.



# Time Line of Enactment of State Aid Programs for Municipalities



Acknowledgement: Marc Pfeiffer, Department of Community Affairs.



1. The first part of the document discusses the importance of maintaining accurate records of all transactions and activities. It emphasizes that this is crucial for ensuring transparency and accountability in the organization's operations.

2. The second part of the document outlines the various methods and tools used to collect and analyze data. It highlights the need for robust data management systems that can handle large volumes of information efficiently.

3. The third part of the document focuses on the role of technology in modern data analysis. It discusses how advanced software solutions can help in identifying trends, patterns, and anomalies in the data, thereby providing valuable insights for decision-making.

4. The fourth part of the document addresses the challenges associated with data security and privacy. It stresses the importance of implementing strong security protocols and ensuring that all data is protected from unauthorized access and breaches.

5. The fifth part of the document concludes by summarizing the key findings and recommendations. It reiterates the importance of a data-driven approach and encourages the organization to continue investing in its data infrastructure and capabilities.

