

## Municipal State Aid Information

### **What is State Aid?**

State Aid consists of 2 components:

1. Energy franchise taxes received in lieu of real estate taxes from public utilities
  - These fees were formerly sent from the utilities directly to municipalities to help offset costs incurred by the municipalities. Public utilities do not pay property taxes; they pay energy franchise taxes. In 1998, the State of New Jersey determined that the State, not the individual municipalities, should collect the fees and create a department that would then in turn “send” the funds back to the appropriate municipality. Over time, the State has reclassified these funds as “State Aid.”
2. Consolidated Municipal Property Tax Relief (CMPTRA)
  - This aid is a basket of various local fees that were formerly collected in most cases directly by municipalities. Similar to energy receipts over time these fees were collected by the State and returned to communities to help off-set the need for property tax revenue to fund budgets.

### **Recent History Regarding the Loss of State Aid**

The State of New Jersey enacted legislation in 1999 providing that for each year subsequent to State Fiscal Year 2002 Energy Tax Receipt (ETR) revenue and CMPTRA distributions to municipalities would annually increase to reflect cost of living increases and inflation. However, in 2009 the New Jersey Legislature agreed to a change in the formula used to calculate ETR and CMPTRA aid to municipalities, establishing a “need-based” formula that has resulted in reductions to municipal state aid totaling millions of dollars. Ultimately, the State has used what were once dedicated municipal revenues (now relabeled as “State Aid”) as a mechanism for balancing the State Budget. This reduction in State aid has exacerbated the local property tax budget problems.

### **The Impact on Hardyston**

Each year since the changes in the funding formula, Hardyston’s CMPTRA aid has been reduced to the point where the Township now receives less than \$50,000 per year and the increases that were to occur relative to energy receipts were either compensated by losses in CMPTRA aid or not applied at all. The chart below depicts the overall impact to the Township of Hardyston relative to the aggregate total of State Aid lost within the last 10 years.

This loss is in addition to other annual aid reductions, which include the elimination of \$50,000 formerly provided to municipalities that have their own police departments, an additional approximately \$25,000 in legislative aid and a reduction of approximately \$80,000 annually in watershed moratorium offset aid since 2009.

## State Aid Impact Calculation

Year	Actual Amount Received	State Aid Formula	Excess/ (Deficit)
2001	661,304	661,304	-
2002	661,720	677,837	(16,117)
2003	669,954	684,615	(14,661)
2004	687,982	701,730	(13,748)
2005	687,982	726,291	(38,309)
2006	687,982	758,974	(70,992)
2007	687,981	800,718	(112,737)
2008	645,171	840,753	(195,582)
2009	629,042	895,402	(266,360)
2010	500,403	895,402	(394,999)
2011	500,403	913,310	(412,907)
	<u>7,019,924</u>	<u>8,556,337</u>	<u>(1,536,413)</u>

