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AN ACT reforming annual State revenue estimating and reporting, and executive State budget presentation and revenue certification processes, amending P.L.1944, c.112 and P.L.1979, c.8 and supplementing Title 52 of the Revised Statutes.

Reforms annual State revenue estimating and reporting, and executive State budget presentation and revenue certification processes.

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PRIME Sponsor _____ / _____

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Same as _____ 12/13 Same as _____ 14/15

Suggested allocation: s.1: C.52:27B-20b; ss.4, 5, & 6: C.52:27B-20c, 20d, 20e; s.8: effective date

AN ACT reforming annual State revenue estimating and reporting, and executive State budget presentation and revenue certification processes, amending P.L.1944, c.112 and P.L.1979, c.8 and supplementing Title 52 of the Revised Statutes.

BE IT ENACTED by the Senate and General Assembly of the State of New Jersey:

1. (New section) a. The State Treasurer, ex officio, and the Legislative Budget and Finance Officer, ex officio, shall, together with a third public member who shall be jointly selected thereby, constitute a New Jersey Revenue Advisory Board that shall provide the Governor and the Legislature with advisory consensus forecasts of State revenues anticipated to be received by the State during:

(1) the present and next commencing fiscal year to support annual State appropriations; and

(2) the next two ensuing fiscal years thereafter to support annual State appropriations.

b. The public member shall be qualified by education, training or experience related to State tax policy and revenue analysis. The public member selected shall not be an individual who is holding elective office. The public member selected shall serve for a term of three years and may be reappointed for successive terms. A vacancy in the public member position of the group shall be filled by the joint selection of the other members. For purposes of board membership, any vacancy in the Office of the State Treasurer shall be filled by the acting State Treasurer as designated by law by the Governor, and any vacancy in the position of Legislative Budget and Finance Office shall be filled by the Executive Director of the Office of Legislative Services.

c. The New Jersey Revenue Advisory Board shall organize as soon as practicable, but no later than the 10th day after the selection of its public member. The board chairperson shall be designated from among its ex officio members to serve as chairperson on a rotating basis with the State Treasurer serving during the fiscal year commencing July 1, 2015 and during each fiscal year commencing in odd-numbered years and the Legislative Budget and Finance Officer serving as chairperson during fiscal years commencing in even-numbered years. The chairperson shall appoint a secretary who need not be a member of the board.

d. The New Jersey Revenue Advisory Board shall convene one or more public hearings at the place or places it designates during the second quarter of each State fiscal year. The board shall receive public testimony and may invite such other participants who, in the judgment of the board, may provide guidance on the current conditions in, and probable outlook for, the performance of the economy of the State, as well as the effect of such conditions and such performance on State revenues.

EXPLANATION – Matter enclosed in bold-faced brackets [thus] in the above bill is not enacted and is intended to be omitted in the law.

Matter underlined thus is new matter.

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e. The New Jersey Revenue Advisory Board shall conduct public meetings at the place or places it designates,

(1) one of which shall be on or before January 15 of each State fiscal year to adopt the advisory consensus forecasts required pursuant to paragraphs (1) and (2) of subsection a. of this section, and

(2) one of which shall be on or before May 15 of each State fiscal year to readopt or revise the advisory consensus forecasts required pursuant to paragraph (1) of subsection a. of this section.

The board may meet and hold additional public meetings at the times and in the places as the chairperson deems necessary and appropriate to fulfill the duties of the board including but not limited to providing periodic revisions to previous advisory consensus State revenue forecasts. The board shall be entitled to call to its assistance, and avail itself of the services of, the employees of any State department, board, bureau, commission, or agency as it may require and as may be available for its purposes.

f. The members of the New Jersey Revenue Advisory Board shall serve without compensation for their service on the board, but may be reimbursed for travel and other miscellaneous expenses necessary to perform their duties, within the limits of the funds appropriated or otherwise made available to the board for its purposes or as may be reimbursed by the agency in which the members may serve.

g. A government record for the purposes of P.L.1995, c.23 (C.47:1A-1.1 et al.) shall not include the following: any memorandum, correspondence, notes, report or other communication prepared by, or for the specific use of, a member of the New Jersey Revenue Advisory Board in the course of the board's or board member's consultations, deliberations or official duties as a board member, except that this provision shall not apply to an otherwise publicly accessible report submitted to the New Jersey Revenue Advisory Board or its members, or the advisory consensus State revenue forecasts required by this section to be prepared and adopted by the board.

2. Section 11 of article 3 of P.L.1944, c.112 (C.52:27B-20) is amended to read as follows:

11. The Governor shall examine and consider all requests for appropriations, together with the findings and recommendations of the Director of the Division of Budget and Accounting, and shall formulate the Governor's budget recommendations, which shall be presented as a budget message by the Governor during an appearance before a joint session of the Legislature which shall be convened at 12 noon on a date on or before the fourth Tuesday in February in each year.

The budget message shall include the proposed complete financial program of the State Government for the next ensuing fiscal year, and shall set forth in columnar form detailed as to each

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source of anticipated revenue and the purposes to which the recommended appropriations and permissions to spend shall apply for each spending agency in substantially the following form:

A. Revenues for the General Fund, other budgeted State revenues, all other dedicated funds, Federal aid funds, and trust funds:

(1) An estimate of all balances to be on hand on the first of July next ensuing which are to be available for appropriations, supported by the calculations used in arriving at the estimated figures;

(2) An estimate of the anticipated revenues from all sources applicable to the next ensuing budget period, together with the actual amount earned from each source during the last two completed fiscal [year] years, [and the] an estimate of revenues expected to be earned from each source for the current fiscal year, and projections of revenues expected to be earned from each source for each of the second and third fiscal years after the current fiscal year.

(3) An explanation of any variance of the estimates with respect to current and next ensuing fiscal year for item (2) above compared to the advisory consensus forecasts of State revenues prepared by the New Jersey Revenue Advisory Board pursuant to section 1 of P.L. , c. (C.) (pending before the Legislature as this bill).

B. (Deleted by amendment, P.L.2003, c.275).

C. Appropriations. The total of the appropriations recommended for the ensuing fiscal year in substantially the following form:

Detailed Budget:

(1) An itemized statement of the amounts of all [appropriation] appropriations [requests] and [requests for permission] permissions to spend recommended by the Governor from the General State Fund, other budgeted State revenues, other dedicated funds and Federal aid and trust funds;

(2) [An itemized statement of the amounts recommended by the Governor with respect to item (1) above;

(3)] An itemized statement of all amounts appropriated and permissions granted for the current fiscal year with respect to item ["1"] (1) above;

[(4)] (3) An itemized statement of all amounts appropriated and permissions granted for the last preceding fiscal year with respect to item (1) above detailed as to annual and supplemental appropriations, transfers of appropriations, State Emergency Fund allotments, and permission to spend, as the case may be, and showing also total expenditures, reserves, lapses and unencumbered balances;

[(5)] (4) In addition, such other statistical information as may more fully show comparisons and costs of the several departments, (cf: P.L.2003, c. 275, s.1)

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3. (New section) The Governor shall, together with the Governor's budget recommendations, which shall be presented as a budget message by the Governor pursuant to section 11 of article 3 of P.L.1944, c.112 (C.52:27B-20), present:

a. For the ensuing fiscal year a comparison of recommended appropriations amounts to statutory amounts, in an appendix included in the published detailed Governor's budget recommendations described in section 11 of article 3 of P.L.1944, c.112 (C.52:27B-20), set forth in column form as a convenient comparison of current services basis budget amounts for State pension system employer contributions, State Aid for education, Municipal Aid; and programs of direct taxpayer property tax relief, with the differences, if any, of these amounts required for these programs if the State were to fund all of its statutory obligations at the current or normal service levels for these programs.

b. For each of the next two fiscal years following the ensuing fiscal year, an itemized statement of the amounts projected by the Governor with respect to item (1) of subsection C. of section 11 of article 3 of P.L.1944, c.112 (C.52:27B-20), adjusted for current services basis budgeting for program specific inflation, previously enacted program expansions and eliminations, and caseload or population changes accompanied by specific statements of underlying assumptions and methods used to calculate all current services basis amounts.

4. Section 15 of P.L.1979, c.8 (C.52:11-68) is amended to read as follows:

15. It shall be the duty of the Legislative Budget and Finance Officer to:

a. At the request of the Legislature or any member thereof, collect and assemble factual information relating to the fiscal affairs of the State;

b. At the request of the Legislature or any member thereof, examine requests for appropriations and receive and investigate the truth, fairness and correctness of all claims against the State for payment of which appropriations are to be requested;

c. Report to the Legislature through the [Joint Appropriations Committee] budget and appropriations committees, or in such other manner as shall be directed by the Legislature, upon the foregoing and as to any other matter which may be of assistance to [said committee] the budget and appropriations committees or the Legislature in forming an independent judgment in the determination of any fiscal matters before it and [attend upon] assist the [Joint Appropriations Committee] budget and appropriations committees during [its sittings and] any budget or revenue hearings thereof and perform such services for [it as it] the committees as they shall direct;

d. Provide the Legislature with expenditure information and, upon request, performance analyses of programs and transactions.

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(cf: P.L.1985, c.162, s.12)

5 (New section) The Director of the Division of Budget and Accounting in the Department of the Treasury, in consultation with the Legislative Budget and Finance Officer and the Office of Information Technology, shall design, develop, and maintain a single, public searchable Internet database, that contains and displays information on the amounts of all appropriations and permissions to spend recommended by the Governor for the current and next ensuing fiscal year, that will allow users to customize and display for budget program classification, consisting of an operating program function of closely related activities with an identifiable objective or goal, that may be within one or across more than one spending agency or unit, summaries of related appropriations that may appear at different locations within the Governor's budget message.

6. (New section) After submission of the Governor's budget message to the Legislature pursuant to section 11 of article 3 of P.L.1944, c.112 (C.52:27B-20), the State Treasurer shall, after the second public meeting of the New Jersey Revenue Advisory Board required by subsection e. of section 1 of P.L. , c. (C.) (pending before the Legislature as this bill) and before May 31 annually, appear before the Legislature's budget and appropriations committees with a report of any revisions to the estimates of the amount of revenue collected and anticipated to be collected by the State to support appropriations for the current fiscal year and to support appropriations for the ensuing fiscal year as had been provided in the Governor's budget message. If the State Treasurer reports to the committees any downward revisions to the these estimates compared to the estimates presented in the Governor's budget recommendations made pursuant to section 11 of article 3 of P.L.1944, c.112 (C.52:27B-20), the State Treasurer shall report therewith any changes in appropriations recommended for the current and next ensuing fiscal year.

7. (New section) a. Each annual appropriations bill which has passed the Legislature shall include a display in the preamble of the bill the various items of State revenue anticipated to be collected by the State to support appropriations for that fiscal year that the Legislature has determined shall be available to support those appropriations, and which shall be thereby deemed recommended by the Legislature. The Governor shall not certify the total amount of revenue on hand and anticipated which will be available to meet all appropriations for that fiscal year pursuant to the Governor's responsibility under Article VIII, Section II, paragraph 2 of the New Jersey Constitution prior to the passage by the Legislature of an annual appropriations bill.

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b. The Governor shall include with the certification of revenue for the annual appropriations bill a contingency plan describing specific action to be undertaken by the Governor or the Legislature to address a potential revenue shortfall for the fiscal year equal to 3% of the total appropriations approved for that fiscal year plus the amount by which the certified revenues exceed the final advisory consensus forecast of New Jersey Revenue Advisory Board for that fiscal year except to the extent that the difference reflects a policy change made subsequent to the board's final advisory consensus forecast.

c. Each Governor, within a 30 day period before the last day of that Governor's tenure in office, shall certify the total amount of revenue on hand and anticipated which will be available to meet all appropriations for the current fiscal year and recommend to the Legislature a contingency plan describing specific action to be undertaken by the next Governor or the Legislature to address a potential revenue shortfall for the fiscal year if such a potential revenue shortfall is indicated in the certification of revenue required pursuant to this subsection.

8. Section 37 of article 3 of P.L.1944, c.112 (C.52:27B-46) is amended to read as follows:

37. The Director of the Division of Budget and Accounting shall prepare, within 60 days following December 31 and 90 days following the last day in which annual appropriations are available for expenditure during each fiscal year, a complete report showing:

a. Balance sheet of all assets and liabilities for all State funds.

b. Statement of [General State Fund] accrued revenues as compared with anticipated revenues of the General State Fund, the Property Tax Relief Fund, the Casino Revenue Fund, and other budgeted State funds.

c. Summary report of the General State Fund, the Property Tax Relief Fund, the Casino Revenue Fund, and other budgeted State funds showing the condition of the appropriations, which shall reflect the original appropriation, supplemental appropriations, appropriated revenue, reappropriations, transfers to and from, allotments from the emergency fund and expenditures made against such appropriations.

d. [Such] Statement of miscellaneous revenues itemized by department, major sources of budgeted federal aid itemized by department, itemized information on income to the General State Fund and other budgeted State revenues from major dedicated and trust funds, sales and use tax collections by industry sector codes, and such other information as [he] the director may deem necessary and proper.

Such [statement] report, certified by the director, shall be transmitted forthwith to the Governor, and shall be and remain a public document on file in the office of the director, subject to inspection by any citizen of the State, who shall have the right to

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make or obtain copies thereof under such reasonable regulations as the director may prescribe. Copies of [said statement] the report shall be transmitted at the same time to the President of the Senate, the Speaker of the General Assembly, the chairman of the respective appropriation committees, the State Treasurer and the State Auditor.

In addition the director shall prepare, publish and make public a summarized monthly report of the General State Fund, the Property Tax Relief Fund, and the Casino Revenue Fund no later than [30 days] the 10th working day following the end of each month which shall reflect the accrued revenues as compared with anticipated revenues for the prior month, itemized by revenue source for major taxes, [by department for miscellaneous revenues, by department for major sources of Federal aid budgeted and with information on income to the General State Fund from the major dedicated and trust funds.] including collections of such accrued revenue by separate components of each such major tax, including but not limited to withholding and estimated payments by taxpayers of gross income tax, by collection methods such as by regular periodic taxpayer returns and through taxpayer compliance programs and other special efforts, and tax refund payments made therefrom and refund applications pending thereunder The monthly report shall reflect the condition of the appropriations, any revisions to the most recent projection or certification of anticipated revenue and other such data [which] as the director shall determine.

Copies of the monthly reports shall be transmitted at the same time to the President of the Senate, the Speaker of the General Assembly, the chairs of the respective appropriation and budget committees, the State Treasurer, the Legislative Budget and Finance Officer and posted on the official website of the Division of Budget and Accounting in the Department of the Treasury and remain posted for the duration of the next three State fiscal years.

(cf: P.L.1977, c.158, s.1)

9. This act shall take effect immediately.

STATEMENT

This bill reforms several important phases in the annual State budget process to make more transparent and publicly available information that is considered by the executive and legislative branches in enacting the State annual appropriations act. The bill modernizes statutes that have guided several important aspects of the process since the middle of the previous century. These include annual State revenue estimating and reporting, executive presentation of budget recommendations, revenue certification, and budget contingency planning.

This bill establishes a joint legislative and executive branch New Jersey Revenue Advisory Board to provide consensus revenue

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forecasting advice for State budget purposes. More than half the states (28) successfully employ a “consensus forecasting” process. A consensus process has the virtue of eliminating controversy and allows the participants to focus more clearly on the underlying budgetary issues each year. In addition, the process outlined in this bill will provide greater public input and transparency to the revenue forecast.

The New Jersey Revenue Advisory Board will consist of the State Treasurer, ex officio, the Legislative Budget and Finance Officer, ex officio, and a third public member jointly selected by the two State officials. The third public member will be qualified by education, training or experience related to State tax policy and revenue analysis. The advisory board will hold at least one public hearing during the second quarter of each State fiscal year to receive public testimony and invite participants who can provide guidance on the current conditions in, and probable outlook for the performance of, the economy of the State, as well as the effect of such conditions and such performance on State revenues. The board will adopt its advisory consensus forecasts at a public meeting held on or before January 15 of each State fiscal year and readopt or revise the advisory consensus forecast for the current and ensuing fiscal year at a public meeting held on or before May 15 of each fiscal year.

The existence of the board will encourage collaboration in formulating the professional forecasting advice given by State budget officials on State revenues. It is intended to promote agreed-upon revenue estimates as a starting point for the budget-making policy debates involving the executive and legislative branches, and encourage a more thorough and regular public discussion of State revenue estimates in advance of State budget deadlines.

The bill also requires the Governor's budget message to the Legislature to include an explanation of any difference between the Governor's revenue estimates and the board's consensus estimates for the current and next fiscal year. The budget message will also be required to include for the next fiscal year for certain major appropriations programs a comparison of recommended budget amounts and statutorily required amounts. Also to be included for two subsequent fiscal years is a comparison of all recommended appropriations to appropriations projected to be required on a current services basis budgeting method. Also, the revenue estimates in the budget message will cover the previous two fiscal years, the current fiscal year, the next fiscal year, and include projections for two ensuing fiscal years thereafter.

The bill also establishes in statute the responsibilities of the Legislative Budget and Finance Officer in the Office of Legislative Services and the State Treasurer to assist the Legislature's budget and appropriations committees during their budget and revenue hearings. After the May public meeting of the Revenue Advisory

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Board the State Treasurer is required to appear before the committees to report on any revisions to revenue estimates for the current and ensuing year compared to the estimates in the budget message. The State Treasurer must also report any changes in appropriations recommended for the current and next ensuing fiscal year compared to the recommendations in the budget message.

The bill also directs the Director of the Division of Budget and Accounting in the Department of the Treasury, in consultation with the Legislative Budget and Finance Officer and the Office of Information Technology, to design, develop, and maintain a single, public searchable Internet database, that contains and displays information on the amounts of all appropriations recommended by the Governor for the current and next ensuing fiscal year, that will allow users to customize and display recommended spending for budget program classifications that often appear at different locations within the Governor's budget message.

The bill also formalizes in statute certain responsibilities of both branches in revenue certifications. While the bill does not change the State constitutional responsibility given exclusively to the Governor to certify State revenue available to support annual State appropriations, the Legislature must follow the custom of listing anticipated revenues in the preamble of the annual budget bill which will be considered the Legislature's recommendations of revenue to support annual appropriations. The Governor shall not certify the total amount of revenue on hand and anticipated to balance the budget before the passage of an annual appropriations bill by the Legislature. The Governor shall include with the certification of revenue for the annual budget bill a contingency plan describing specific action to be undertaken by the Governor or the Legislature to address a potential revenue shortfall for the fiscal year equal to 3% of the total appropriations approved for that fiscal year plus the amount by which the certified revenues exceed the final advisory consensus forecast of New Jersey Revenue Advisory Board except to the extent that the difference reflects a policy change made subsequent to the board's final forecast. An outgoing Governor, within a 30 day period before the last day of that Governor's term, will be required to recertify State revenue for the current fiscal year and provide to the Legislature a contingency plan recommending specific action to be undertaken by the next Governor or the Legislature to address a potential revenue shortfall for the fiscal year if the recertification so indicates.

The bill also improves the disclosure required for monthly and annual reporting of State revenue collections. The bill brings the State funds and revenues monthly reporting requirements statute up to date. This reporting requirement, added to the responsibilities of the Director of the Division of Budget and Accounting in 1944, was last amended in 1977. The provisions of this bill will enhance the current practice of monthly reporting to include the condition and income of all major State funds, including prompt disclosure of the

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State's accrued revenues as compared with anticipated revenues, itemized by revenue source for major taxes. Detailed monthly reporting will include collections of such accrued revenue by separate components of each such major tax, including but not limited to withholding and estimated payments by taxpayers of gross income tax, by collection methods such as by regular periodic taxpayer returns and through taxpayer compliance programs and other special efforts, and tax refund payments made and refund applications pending. The bill requires that the monthly report to be completed and published no later than the 10th working day following the end of each month, instead of at the end of the following month.

Annual revenue reporting will also include a statement of miscellaneous revenues itemized by department, major sources of budgeted federal aid itemized by department, itemized information on income to the General State Fund and other budgeted State revenues from major dedicated and trust funds, and sales and use tax collections by industry sector codes.

The bill also expands the reporting requirement to include the Property Tax Relief Fund and the Casino Revenue Fund. The bill requires that the monthly reports be transmitted to the President of the Senate, the Speaker of the General Assembly, the chairs of the respective appropriation and budget committees, the State Treasurer, the State Auditor and posted online on the official website of the Division of Budget and Accounting in the Department of the Treasury for the duration of three consecutive fiscal years.

Reforms annual State revenue estimating and reporting, and executive State budget presentation and revenue certification processes.

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