

**Fiscal 2004**

**BUDGET  
IN  
BRIEF**



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JAMES E. MCGREEVEY  
Governor

April, 2003

Dear Friend,

The fiscal year 2004 State Budget proposal that I present to the Legislature and the public reinforces my key priorities in education, children, taxpayer relief and smart growth. It is an important step in re-establishing fiscal responsibility throughout State government. In the face of severe fiscal pressures, this \$23.7 billion plan increases State Aid to school districts, expands spending on Early Childhood, provides new funding for improvements to the Division of Youth and Family Services, and preserves the core value of property tax relief programs for individuals. Though many difficult choices were made to address a \$5 billion shortfall in the fiscal 2004 Budget, this spending plan holds the line on income, sales, and corporate taxes.

I have recommended property tax relief totaling more than \$12 billion, more than half of the entire State Budget. Most of this spending is attributable to School Aid, which at \$8.1 billion represents 34 percent of total State appropriations. Another \$1.7 billion is provided for Municipal Aid, continuing the current level of assistance to our municipalities and counties. Even in the face of record shortfalls, I have maintained my commitment to our children and our communities.

But like every family and business in New Jersey, State government must "live within its means" in this era of austerity. To restore fiscal stability, I have proposed the elimination of over 100 programs and line items, saving an estimated \$300 million in State funds. Another \$15 million will be saved by reducing programs or line items by 50 percent or more. Finally, where budget growth was not mandated by the State Constitution, contract, or federal mandate, I have recommended that it be sharply constrained, yielding another \$2.4 billion in cost avoidance. As a result, the budgets of nearly every State department, agency, and commission will be lower in fiscal 2004 than in fiscal 2003.

As this budget unfolds, I hope that you will share your thoughts and views with your legislators and me. I look forward to working with the Legislature to enact a fiscally responsible budget that enhances our quality of life and makes New Jersey a better place for our children.

With all good wishes,

A handwritten signature in black ink that reads "James E. McGreevey". The signature is stylized with a large, looping initial "J" and a long horizontal stroke at the end.

James E. McGreevey  
Governor



# CONTENTS

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## Letter from the Governor

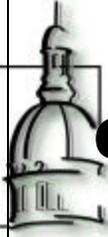
### Overview

Budget Highlights	1	Health & Senior Services	53
Economic Forecast	16	Higher Education	56
Revenue Forecast and Initiatives	19	Human Services	60
Financial Summaries (Tables)	24	Judiciary	64
		Labor	65
		Law & Public Safety	68
		Military & Veterans' Affairs	71
		Personnel	72
		State	74
		Transportation	76
		Treasury	80
		Capital & Debt Service	84
		Interdepartmental	90
		Miscellaneous Commissions	93

### Recommendations

Agriculture	37		
Banking & Insurance	39		
Community Affairs	41		
Corrections	44		
Education	47		
Environmental Protection	50		

### Appendix



## **OVERVIEW**

*The Overview section includes Budget Highlights, which briefly describe the savings and ongoing initiatives with major budget impact and related tables; Economic Forecast with a national perspective as well as New Jersey's economic picture; Revenue Forecast and Initiatives, which include fiscal 2003 anticipated revenue for the State along with fiscal 2004 revenue projections, and revenue initiatives; and Financial Summaries—various tables and charts of revenue resources and budget recommendations for fiscal 2004.*



## OVERVIEW

Against a backdrop of severe fiscal constraint gripping nearly every state in the nation, Governor James E. McGreevey proposes a \$23.702 billion fiscal 2004 Budget for New Jersey that adheres closely to his guiding principles of fiscal responsibility, government accountability, and core priorities in education, children, taxpayer relief, and smart growth.

Like countless families and businesses throughout New Jersey, State government must tighten its belt in this era of austerity. More than any budget in recent memory, the plan presented here was forged from a firm commitment for the State to “live within its means.” In short, this Budget is the product of many difficult choices.

But amid crisis, there is opportunity. Opportunity to rethink the basic mission of State government, and opportunity to identify the programs and services that New Jerseyans hold most dear. A strict new calculus now drives each budget decision: every dollar saved is one more dollar to educate a young child, to secure our safety, to ensure critical tax relief, and to care for the neediest among us.

With those tenets firmly in mind, this Administration led a concerted effort to review every program and line item and to reduce spending where appropriate. In total, 108 programs and line items of varying sizes will be completely eliminated in fiscal 2004, saving over \$300 million in State funds. Another 19 programs or line items have been reduced by 50 percent or more, yielding an additional \$15 million in cost reductions. Where budget growth was not mandated by the State constitution, contract, or federal mandate, it was sharply constrained, providing a cost avoidance that totaled \$2.4 billion.

As a result, the budgets of nearly every State department, agency, and commission have been

reduced in fiscal 2004. In Direct State Services, the only increases are reflected in the Interdepartmental budget (\$224 million) due to unavoidable growth in pension costs, health benefits, and salary contracts, and in Human Services (\$7.2 million), owing to an initiative to ensure the Division of Youth and Family Services (DYFS) has the resources necessary to protect children.

Governor McGreevey has proposed fiscal solutions to address budget deficits totaling \$6.3 billion, including a \$1.3 billion shortfall in fiscal 2003 and a projected deficit of nearly \$5 billion in fiscal 2004. Despite these fiscal pressures, however, this Budget is crafted to increase the projected closing surplus from \$100 million to \$250 million in fiscal 2004.

Perhaps most importantly, Governor McGreevey’s Budget proposes to:

- Hold the line on income, sales, and corporate taxes;
- Increase formula-related and supplemental School Aid by \$100 million and School Construction by \$96 million;
- Preserve the core value of property tax relief programs for individuals: NJ Saver checks averaging \$500 will continue for nearly 900,000 homeowners with annual incomes of \$100,000 or less and Homestead Rebate checks benefiting a total of 1.6 million residents will remain at the current maximum of \$775.

## Fiscal Responsibility

### Fiscal 2003—Current Year Shortfall

A deficit of approximately \$1.3 billion was projected for fiscal 2003, due primarily to the following:

- Sluggish revenue growth, with sales and income taxes on a pace to generate approximately \$500 million less than

originally projected. Shortfalls in other revenues will be offset by greater than anticipated collections in the Corporate Business Tax.

- Delays in securing nearly \$392 million in anticipated federal funds for a requested pharmaceutical waiver (\$62 million) and Intergovernmental Transfer (IGT) payments (\$330 million).
- Higher than anticipated supplemental spending, including \$60 million for court-mandated, Abbott Supplemental Aid, \$50 million for post retirement medical costs, and \$47 million for county solid waste debt service.

The Governor took decisive action to offset the deficit, triggering the use of \$413 million in remaining funds from the first Tobacco Securitization initiative and identifying approximately \$700 million of current year spending authority for lapse to the General Fund. With regard to the latter, the Governor's fiscal 2003 solutions included:

- Delaying payments totaling \$361 million, including \$296 million for School Aid, \$43 million to colleges and universities, and \$22 million to NJ Transit;
- Underspending \$134 million across many programs, including NJ SAVER (\$45 million), short term borrowing (\$37 million), Abbott Preschool (\$30 million), and Homestead Rebates (\$8 million);
- Achieving debt service savings of \$68 million;
- Lapsing balances from the Second Injury Fund (\$20 million) and other miscellaneous accounts (\$117 million).

Finally, the use of \$166 million from higher-than-anticipated receipts from the Tax Amnesty program will be used as budget relief in fiscal 2003.

As a result of these actions, the fiscal 2003 Budget is expected to close with a fund balance of \$100 million.

## **Fiscal 2004—Preserving Vital Services**

The projected fiscal 2004 deficit of approximately \$5 billion represents 21% of the total recommended fiscal 2004 Budget of \$23.7 billion. An unprecedented combination of factors have coincided to restrain revenue growth, including sluggish economic growth affecting much of the national economy, a drop in capital gains and bonuses related to the downturn in the stock market, and the failure of the federal government to provide increased state aid as part of its proposed economic stimulus plans.

Base revenues for fiscal 2004 are estimated at \$22.9 billion, including an estimated \$1.1 billion from securitizing the remainder of tobacco settlement proceeds. This represents a *reduction* of \$314 million from the adjusted fiscal 2003 revenues.

The significance of this decline is best understood by contrasting it with the projected growth in the budget. To accommodate cost increases attributable to statutory requirements (\$1.5 billion), constitutional dedications (\$586 million), contracts and debt service (\$650 million), and federal mandates/decisions (\$434 million), as well as the elimination of one-time funding sources (\$453 million), a budget totaling \$27.7 billion would have been required in fiscal 2004. Since much of this growth is unavoidable or of highest priority, the resulting \$5 billion deficit represents a fiscal challenge of immense proportion.

To restore fiscal stability, the Governor proposes a combination of \$1.3 billion in spending reductions, \$2.4 billion in reduced growth, and \$1.2 billion in additional revenue initiatives. (With respect to the revenue items, some are reflected in the Budget as revenue increases and others as appropriation reductions offset with corresponding revenue; however, all are characterized as "revenue-related initiatives" for the purpose of this summary.)

Specifically, the budget plan recommends revenue enhancements totaling \$891 million, the most prominent of which are summarized below:

- \$250 million from additional tobacco securitization;
- \$140 million from a 7% hotel/motel tax, much of which will be paid by travelers from other states;
- \$93 million from an increase in the Realty Transfer Tax, the base amount of which was last raised in 1975;
- \$90 million from raising the 8% Casino Revenue tax 10%;
- \$78 million from a 40 cent increase in the cigarette tax;
- \$72 million surcharge on utility bills to support energy assistance programs for seniors and the disabled;
- \$62 million from more aggressive collection of outstanding debt, including an amnesty on certain motor vehicle surcharges and collection of hospital debt to offset charity care costs;
- \$46 million from a franchise fee on wireless telephone service to support the ongoing cost of security and counter-terrorism, including State Police costs for heightened levels of alert as well as operation of the statewide 911 calling system;
- \$45 million from the imposition of a sales tax on complimentary rooms and meals.

In addition, \$220 million in trust fund balances are recommended for transfer to the General Fund. Key initiatives include:

- \$47.5 million from the Workforce Development Fund to support job training costs in Human Services' Workfirst program;
- \$25 million from the Housing and Mortgage Finance Authority (HMFA) to support housing-related programs;
- \$30.4 million in available balances from the Economic Development Authority to offset related State appropriations for pension bonds (\$22.6 million), the Heldrich Center in New Brunswick (\$4 million), Nanotechnology and

Cooperative Marketing (\$3.3 million) in the Commerce Commission, and the NJ Performing Arts Center in Newark (\$.5 million);

- \$30 million from the State Disability Benefits (TDI) Fund;
- \$15 million from the Stock Workers' Compensation Security Fund;
- \$12.6 million from a legislative initiative to expand the dedication to Shore Protection to include flooding and dam repair projects.

Increased fees and fines will provide \$82 million in new revenue. Most prominently, a new assessment on nursing home providers (\$18.5 million) will largely be funded through increased federal Medicaid payments. Co-payments of \$3 are proposed for drug prescriptions secured through the Medicaid program (\$17.1 million) and for services provided by Personal Care Attendants (\$12.7 million).

Finally, \$36 million in asset sales are assumed for the North Princeton and Marlboro facilities (\$26 million) and the lease/leaseback of certain properties (\$10 million).

(See *Revenue Forecast and Initiatives* section for further details on revenue-related items.)

On the spending side, budget growth has been suppressed significantly. As previously noted, approximately \$2.4 billion (67%) of the \$3.6 billion in budget increases originally projected for fiscal 2004 has been suspended or offset. Cost increases that have been curtailed include:

- \$731 million in cost avoidance in pensions through the use of a five-year contribution phase-in and assets within the Benefit Enhancement Fund;
- \$512 million in projected growth in School Aid (\$413 million) and School Construction debt service (\$99 million);
- \$325 million in Charity Care payments assuming enactment of legislation to continue the redirection of Unemployment Insurance funds to support this critical program;

- Federal funding attributable to the Intergovernmental Transfer program, economic stimulus or other federal aid.

Much of the remaining growth of \$1.2 billion that is recommended for fiscal 2004 is either mandated by the State constitution, statutory dedications, existing contracts, federal requirements, or debt service commitments. Given the lackluster revenue outlook, it was necessary to offset a good portion of this growth with significant cuts to appropriations. Specifically, the Budget provides for:

- \$330 million reduction in Medicaid attributable to increased federal funds from either the Intergovernmental Transfer (IGT) program, economic stimulus or other federal aid;
- \$210 million as a result of limiting the NJ SAVER program to an income cap of \$100,000 (\$171 million) and recalculating program participation levels (\$39 million);
- \$113.5 million in reductions to senior public colleges and universities (\$101 million), county colleges (\$8 million), and independent colleges and universities (\$4.5 million);
- \$89 million in pharmaceutical-related reductions in the PAAD, Senior Gold and Medicaid programs, including a preferred drug list, average wholesale price discount, and mandatory generic substitution;
- \$76 million in FamilyCare reductions
- \$32 million in reductions to cultural, arts and history grants.

Within the \$1.2 billion of growth that *is* recommended in this Budget, employee benefits collectively represent nearly 50% percent of the total. On a cumulative basis, the sum of nearly \$585 million in growth is proposed as benefits for State employees (\$300 million), teachers (\$194 million), college employees (\$76 million), and local government staff (\$15 million). More specifically, costs include post retirement medical (\$285 million), health benefits (\$126 million), pension contributions (\$28 million), and, in the case of State employees, contractual salary increases (\$82 million). Other significant

increases include the aforementioned growth for formula-related and supplemental School Aid (\$100 million) and School Construction (\$96 million).

### **Fiscal 2004 Budget Compared to Fiscal 2003 Budget**

When viewed by category of funding, the recommended Fiscal 2004 Budget is allocated as follows:

- \$17.1 billion (72%) is either State Aid (\$9.9 billion, 42%) or Grants (\$7.2 billion, 30%).
- Direct State Services (DSS) totals \$5.2 billion (22%), virtually the same as in fiscal year 2003 and includes \$3.6 billion for operating departments which is \$146 million, or 3.9%, below the current year level and \$1.6 billion for central costs including employee benefits which is \$224 million, or 16.8%, above the current year levels.
- Importantly, Direct State Services funding increases by only 1.5% while State Aid increases by 4%.
- Grants decline by \$776 million (9.7%).
- General obligation debt service declines by \$36.7 million, nearly an 8% reduction from the current year. Total debt service (including contract debt), however, is \$1.59 billion, an increase of \$139 million. In addition, \$38 million in debt service is being offset through revenues from EDA, HMFA and EFA.

See the Summary of Major Increases and Decreases in the *Financial Summaries* section for a full listing of the recommendations in the fiscal 2004 Budget.

### **Management Efficiencies**

#### **Re-engineering**

The Department of Treasury has embarked on a number of re-engineering projects with the primary goal of improving service delivery and constraining costs. Ongoing studies include the following:

- Examination of the operation of the Investments Division;
- Comprehensive assessment of existing office leases to maximize the use of available space;
- Energy procurement aggregation in which the State has joined with other entities such as toll road authorities, colleges, and NJ Transit to maximize our market presence as we approach the full deregulation of energy in August, 2003;
- Energy audits of the largest state facilities to identify where the use of energy-efficient lighting and equipment would reduce our costs;
- Contract with a pool of collection agencies to pursue outstanding debt owed to the State, including “second referral” debt collectors who will be paid higher fees to track down aged and high volume cases;
- Study to identify savings within the State Health Benefits Program, which is experiencing strong, upward cost pressure.

#### **Sports and Exposition Authority**

For the first time since fiscal 1999, the operating subsidy to the New Jersey Sports and Exposition Authority is proposed for elimination in fiscal 2004. At the request of the Governor, the Authority has aggressively reduced staff and unnecessary operating costs and implemented a revised plan for events at Giants Stadium in 2003 that is projected to increase net revenues significantly.

#### **Auto Inspections**

This Administration is finalizing a new agreement on the operation of the State’s motor vehicle inspection system with Parsons Infrastructure, the private contractor assigned to operate the system. A total savings of approximately \$17 million will be realized, largely by exempting new cars from their first biennial inspection. This initiative effectively eliminates approximately 20% of the State’s biennial inspections and ends the practice of paying millions to inspect new cars which, by their very nature, pose little chance of failing. The new agreement also increases fines for poor

service, requires Parsons to pay for property maintenance, and eliminates an existing contract for public relations and advertising.

#### **NJ Transit**

The New Jersey Transit Corporation continues to exemplify strong leadership in the area of cost containment and innovative finance. Through innovative use of cross-border leasing of rolling stock, NJ Transit expects to generate \$20 million in new revenue in fiscal 2004.

Operationally, the Corporation will eliminate more than 8% of its non-agreement workforce through an early retirement program, elimination of vacancies and abolishment of certain administrative positions. In addition, electronic maintenance functions will be consolidated and the number of automobiles that are not assigned to revenue-related operations will be significantly reduced. Collectively, management efficiencies are expected to save about \$47 million in fiscal 2004, a significant factor in eliminating the need to increase NJ Transit’s subsidy.

### **GOVERNOR MCGREEVEY’S PRIORITIES**

#### **Education**

##### **Early Childhood—The Preschool Advantage**

This Administration recognizes that building a solid educational foundation begins at the preschool level, particularly for at-risk students in New Jersey’s special needs districts. The State’s approach to early childhood education is comprehensive, involving both the Departments of Education and Human Services. It integrates educational, social, and family programs so that children can develop the academic and social skills needed for kindergarten, higher grades and life after graduation from school.

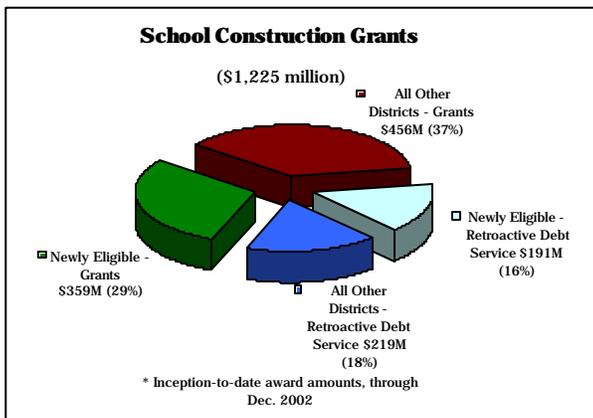
The Abbott Implementation and Compliance Coordinating Council, created by Governor McGreevey’s Executive Order #6, included early childhood education as one of its principal areas of focus. As a result of the collaborative efforts of the council and stakeholders, the Department of Education issued guidelines that will assist Abbott School Districts to plan, develop, and

realize high quality early childhood education programs for three- and four-year olds within three years. The approved 2003-2004 preschool plans followed those guidelines.

The fiscal 2004 Budget provides \$142.4 million in the Department of Education and \$114.5 million in the Department of Human Services for the expansion of Abbott preschool programs. Increased funding of \$39 million over the projected fiscal 2003 actual spending amount will accommodate an increase from the fall 2002 enrollment.

**School Construction**

The fiscal 2004 Budget includes a \$96.5 million increase for the State’s School Construction program. The Educational Facilities Construction and Financing Act of 2000 initiated the largest, most comprehensive school construction program in the nation and defined a constitutional standard for all school construction. The new program gives all school districts an increased percentage of State support for eligible project costs. From the inception of the program through December 2002, 145 of the 239 districts that would have received no State funding under the prior law have submitted one or more school construction projects and been approved to receive almost \$550 million in State support in the form of debt service aid or grants from the NJ Schools Construction Corporation, a subsidiary of the Economic Development Authority (EDA). This represents 45% of the total \$1.2 billion in approvals. As a “new “ form of State Aid, the School Construction program provides a massive infusion of dollars into local school districts to help them keep pace with the demand for expanded facilities and a quality learning environment.



See the section below on “Taxpayer Relief” for information on School Aid).

**Taxpayer Relief**

Despite the unprecedented structural budget problems continuing to face New Jersey, Governor McGreevey has not only preserved current property tax relief programs but has provided an increase of \$234 million (2%) over fiscal 2003 (including local pension savings). The Fiscal Year 2004 Budget provides over \$12 billion direct or indirect property tax relief to New Jersey communities and citizens, representing more than half of the entire State Budget.

These funds are essential to local schools and governments, not only to subsidize operating costs, but because they represent property tax relief. State Aid consists of school aid, municipal aid, other local aid, and local property tax relief. In addition to State and Direct Taxpayer Relief, local governments will benefit from the Pension Security Program (PSP) and the Police and Firemen’s Retirement System (PFRS) savings of \$347 million in fiscal 2004. (See the Fiscal 2004 Taxpayer Relief table for a detailed listing of these amounts).

**School Aid**

State Aid for local school districts is the single largest purpose to which State funds are devoted. In recognition of the continued high priority given to education by this administration, the fiscal 2004 Budget includes \$6.8 billion in direct aid to local school districts.

The Budget also provides \$111.5 million for school construction and renovation costs associated with the Educational Facilities Construction and Financing Act, an increase of \$96.5 million over fiscal 2003. This includes State debt service and increased aid for recently issued local debt for school construction.

The Budget provides \$1.2 billion in payments on behalf of local districts for teachers’ retirement benefits and the employer’s share of social security payments. This represents an increase

of \$203.8 million above fiscal 2003 and shields property taxpayers from shouldering these costs. The fiscal 2004 Budget recommendation includes an increase of \$100 million in formula-related and supplemental school aid - \$50 million for Abbott districts and \$50 million for other districts. No district will receive less aid than in the 2002-2003 school year. Beyond the Abbott districts, wealthy districts (I & J) will receive level funding and the majority of other districts will receive a slight increase in aid.

### **Municipal Aid**

The fiscal 2004 Budget continues to fulfill Governor McGreevey's promise to New Jersey's 566 municipalities that their State funding will be held harmless, despite the ongoing downturn in State revenues.

The two major municipal aid categories, Consolidated Municipal Property Tax Relief and Energy Receipts Property Tax Relief, are funded at a combined total of almost \$1.6 billion, which includes an upward adjustment of nearly \$8 million for inflation. This increased funding will provide both reliability and stability for municipalities as they prepare their budgets and make long-term fiscal plans. The Budget also includes funding for:

- Special Municipal Aid at \$38.5 million, representing a reduction of \$3 million;
- Legislative Initiative Block Grant Program at \$34.8 million;
- State payments in lieu of taxes for open space at \$8 million;
- Trenton Capitol City Aid at \$16.5 million.

In addition, beginning in July 2004, municipalities and counties will begin to receive a portion of the \$140 million in revenue generated from the enactment of an additional 7% tax on hotels and motels (see Revenue Forecast and Initiatives Section for a detailed description of this new tax). It is anticipated that municipalities that host hotels, motels and other facilities covered under the new tax, as well as neighboring towns and county governments, will benefit from this additional aid.

### **Other Local Aid**

In fiscal 2004, the Budget provides \$583.8 million in local aid through various aid programs, an increase of \$38.4 million, or 7%. As noted on the Fiscal 2004 Taxpayer Relief chart, several of the programs received continuation funding in fiscal 2004. Areas of change are highlighted below:

- County Colleges: Totaling \$205.3 million in fiscal 2004, County College Aid provides \$4.0 million of increased funding for pension and health benefits and debt service requirements.
- Urban Enterprise Zones (UEZ): Two critical elements of the UEZ program involve the State's Sales and Use Tax. Under this program, the Sales Tax within the zones is reduced from the normal 6% to 3% and those receipts are dedicated to the UEZ municipalities to fund projects within the zones. In fiscal 2004, municipalities involved in the UEZ program will retain Sales Tax revenues totaling \$41.8 million.
- Library Aid: Of the \$16.8 million allocation, approximately \$8.7 million will support the basic operations of each county and municipal library, and \$6.7 million is set aside for inter-library networking and special developmental projects.
- Pension Contributions for Localities: Contributions for pensions and related health benefits for the Police and Firemen's Retirement System (PFRS) and the Consolidated Police and Firemen's Pension Fund are also included in this category. The cost of these benefits in fiscal 2004 is estimated to be \$38.6 million, an increase of \$7.2 million from fiscal 2003. (Local governments will avoid approximately \$214 million in increased pension costs due to the State's initiative to phase-in the increased costs.)

### **Direct Property Tax Relief**

By continuing essential property tax relief programs, this Budget provides almost \$1.5

billion in rebates and State-funded tax deductions to New Jersey property taxpayers.

The fiscal 2004 Homestead Rebate program, funded at \$499.7 million, remains at the fiscal 2003 maximum rebate amount of \$775, providing property tax relief to an estimated 1.6 million senior/disabled homeowners and tenants with taxable incomes of \$100,000 or less.

To make it possible for the State to invest in our children though increased aid to Education, the fiscal 2004 Budget caps NJ SAVER eligibility to incomes under \$100,000 compared to the fiscal 2003 level of \$200,000. This reduced cap allows \$171 million to be shifted to Education, leaving an appropriation of \$470.2 million for the NJ SAVER program. NJ SAVER rebates, which will remain at the fiscal 2003 average of \$500, are expected to provide property tax relief to over 900,000 households.

A total of \$23 million allocated for the Senior and Disabled Citizens' Property Tax Freeze program will provide the 104,000 qualified seniors who participated in the fiscal 2003 program with a rebate check in fiscal 2004. Although income eligibility thresholds increase from \$38,475 to \$39,475 if single or \$47,177 to \$48,404 if married, this Budget will limit participation to those individuals who received a Senior Tax Freeze rebate for tax year 2001. Rebates will not exceed the amount paid during tax year 2001.

In accordance with the State constitution, this Budget provides the fourth and final property tax deduction increase, from \$200 to \$250, for eligible veterans. Qualified senior and disabled residents will continue to receive a \$250 property tax deduction, which brings the total cost of the State's reimbursement to municipalities for all qualified veterans, seniors and disabled residents to \$109 million.

The property tax deduction will save property tax owners \$347 million against their State income tax liability in fiscal 2004, an increase of \$11.9 million or 3.6%. The Earned Income Tax Credit (EITC) program will increase from 17.5% to 20% of the corresponding federal benefit level for families, and the \$86 million cost of the

program will be paid from federal welfare block grant funds in fiscal 2004.

## **Smart Growth and the Environment**

### **Shore Protection and Inland Water Projects**

Legislation will be introduced to broaden the existing statutory dedication of \$25 million in realty transfer tax revenue for Shore Protection to include inland flood control and dam repair projects. A total of \$13 million in Shore Protection capital carried forward into fiscal 2003 within the Department of Environmental Protection (DEP) and a like amount is projected to rollover into fiscal 2004. By expanding the list of projects considered eligible under the dedication, a budget savings of \$12.6 million will be realized in fiscal 2004, eliminating planned capital appropriations for flood control (\$8.3 million) and dam repairs (\$3.1 million) and a Direct State Services appropriation for dam safety administration (\$1.2 million).

Since nearly 80% of flood control projects are funded from federal funds, and given the public safety benefits of these projects, broadening the statutory dedication to ensure the required State match is a cost effective investment during times of fiscal constraint. Equally important, a more flexible dedication will enable the State to advance the highest priority water resource projects, including pressing work on public and private dams. The remaining portion of the dedication attributable to Shore Protection is expected to leverage approximately \$52.6 million in federal funds and \$6.5 million in local funds for beach replenishment projects, including work in Townsend Inlet, Raritan Bay, Absecon Island and from Asbury Park to Deal. Flood control projects will include Ramapo River at Oakland, Green Brook, the Harrison/Passaic River and the Mahwah/Suffern River, for which DEP will leverage \$30 million in federal (HR-6) funds and \$2.5 million from local governments.

### **Brownfields**

In November, 2003, voters will be asked to approve a broadened use of the existing constitutional dedication of the Corporation Business Tax (CBT) to include brownfield remediation. Presently, one-third of the 4

percent dedication of CBT funds to the Department of Environmental Protection (DEP) is constitutionally earmarked to remediate spills from private underground storage tanks. This program, which is administered by the Economic Development Authority (EDA) on behalf of DEP, receives an appropriation of approximately \$19 million annually. Demand for such funding has waned in recent years, however, and a balance of roughly \$80 million is projected in that fund by fiscal 2004. At the same time, the EDA has largely exhausted the resources in its Hazardous Discharge Site Remediation Fund, which provides grants and low-interest loans to municipalities for brownfields projects. Merging the two funds would provide critical flexibility in allocating existing resources and will stimulate private investment in redevelopment projects that often hold the key to revitalizing our urban areas and older suburbs.

#### **Legal Assistance – Smart Growth**

A new appropriation of \$250,000 will be provided to the Office of the Attorney General in the Department of Law and Public Safety to provide legal support to municipalities that become embroiled in disputes with developers over local development issues. This initiative will provide deputy attorney general (DAG) services to towns whose local budget is not equipped to pay for adequate legal assistance to successfully defend the State's smart growth policies.

#### **Open Space**

As noted during Governor McGreevey's State of the State speech, an initiative is underway to provide an additional \$100 million by 2009 for the purchase of open space and farmland throughout New Jersey. Through the use of innovative financing, more resources will be made available to support the purchase of additional tracts of land that are currently under development pressure, expanding a critical element of our long-term Smart Growth strategy.

#### **Motor Vehicles Commission**

In legislation signed into law on January 28, 2003, the Division of Motor Vehicles (DMV) in the Department of Transportation (DOT) was

abolished and replaced by the New Jersey Motor Vehicle Commission (NJMVC). The Commission will assume an "in but not of" status within DOT. The basic goal of the Commission is to increase customer satisfaction and convenience, enhance security, reduce processing time, and provide more accurate information to the motoring public. As an important step in that direction, the bill authorizes the Commission to reverse the privatization of the local service agencies and convert those staff to career service status as State employees.

The fiscal 2004 Budget allocates \$200 million in revenue for the Commission that would otherwise accrue to the General Fund, essentially moving that operation "off-budget." The Commission will also have access to \$150 million in capital from securitizing the existing motor vehicle surcharge revenue dedicated to the Market Transition Facility (MTF) Fund. The legislation authorizes fee increases of \$7 on vehicle registrations and \$6 on driver licenses, which are estimated to raise approximately \$42 million annually. These additional resources will enable the Commission to revamp its antiquated computer system, an investment that is key to improving service delivery and operational efficiency. New staff are being added as well, including 76 positions assigned to accelerate response time at the telephone center, reduce wait time for customers at regional centers and local agencies, and improve driver testing services.

#### **Health and Welfare**

##### **DYFS Reform Initiative**

As the State's child welfare and protective services agency, the Division of Youth and Family Services (DYFS) focuses on the needs of abused, neglected and troubled children. Through a combination of State and federal funds, DYFS is appropriated more than \$530 million to ensure the safety and well-being of children throughout New Jersey.

Demonstrating the Governor's commitment to strengthening child welfare and protective services, the fiscal 2004 Budget includes \$14.3

million in funding for the “Children First” Reform Initiative. The initiative will add 273 full-time positions to reduce caseload ratios, enhance supervision and ensure case practice accountability. Further, the “Children First” Reform Initiative funds operational enhancements for field workers that include additional vehicles, mobile phones and security personnel.

This initiative is coupled with a 70 percent increase in capital funding for the State Automated Child Welfare Information System (SACWIS), from \$3.3 million in fiscal 2003 to \$5.6 million in fiscal 2004. When fully implemented, SACWIS will provide automated case management tools that will enable front line staff to track the tens of thousands of children DYFS cares for each year.

#### **Prescription Drugs – Seniors**

The Budget includes a number of changes to the Pharmaceutical Assistance to the Aged and Disabled Program (PAAD) designed to reduce overall program costs. In fiscal 2004, the Department of Health and Senior Services will implement a polypharmacy program designed to review the prescriptions of individuals who receive over 10 prescriptions each month. The program is designed to improve the quality of care provided to the client while reducing costs. In addition, the Budget assumes that reimbursements to pharmacies will be based on the Average Wholesale Price (AWP) minus 15% instead of the current 10% discount. A mandatory generic substitution program will be implemented as well as a voluntary mail order program.

Costs will be further reduced through the implementation of a preferred drug list for PAAD and Senior Gold, as well as a program for supplemental rebates from manufacturers. Finally, PAAD clients with assets in excess of \$75,000 for single individuals and \$100,000 for married couples will be moved from PAAD to the Senior Gold Program. (The asset test will exclude the value of homes and primary automobiles owned by seniors and the disabled.) These clients will continue to remain eligible for Lifeline and Hearing Aid Assistance.

#### **Long Term Care**

The Budget also includes a number of changes in Medicaid nursing home reimbursement. First, the budget includes \$2 million to restore the target occupancy rate for nursing homes to 85%. In addition, nursing home rates will not be re-based during fiscal 2004. The rates, however, will be adjusted for inflation.

Finally, the Budget assumes the implementation of a new assessment on nursing home beds valued at \$18.5 million, as well as \$440 million in federal funding which may take the form of Intergovernmental Transfer (IGT), economic stimulus, or other federal aid. In terms of budget savings, the \$440 million in federal resources is reflected as both a reduction in State appropriations for nursing homes (\$330 million) and in the elimination of anticipated growth for that program (\$110 million).

The Budget also includes funding for an additional 375 Assisted Living slots. The Assisted Living Program provides a cost-effective alternative to nursing home care for the Medicaid population.

#### **Lifeline – Energy Assistance**

In fiscal 2004, energy assistance grants provided to senior citizens and the disabled through the Lifeline program will be moved from the Department of Health and Senior Services to the Board of Public Utilities and funded from an assessment on residential and commercial energy bills. Funding and eligibility for the program will not change. Rather, an annual total of \$72.4 million will be collected from ratepayers by various public utilities and deposited in the Board of Public Utilities’ Universal Service Fund, thus completely offsetting the current State appropriation for Lifeline. The BPU will administer the program through an interagency agreement with the Department of Health and Senior Services (DHSS) governing the continued use of DHSS’ existing Lifeline staff to maximize efficiency. Because the Lifeline program was formerly funded from the Casino Revenue Fund (CRF), this shift also provides an opportunity to redirect existing CRF revenue to other, pressing needs for seniors and the disabled. This initiative, which benefits tenants and

homeowners, creates a steady funding source to help needy seniors and disabled individuals pay for the cost of energy.

### **Family Care**

New Jersey expanded health insurance coverage for children in 1998 in response to the passage of the federal State Children's Health Insurance Program (SCHIP). Today, more than 93,000 children are enrolled in the State's SCHIP -- NJ FamilyCare. The program was expanded to cover parents up to 200% of the federal poverty level and other adults. However, to ensure that resources are available to continue serving children and lowest-income parents, NJ FamilyCare enrollment will be limited in fiscal 2004 to parents up to 134% of the federal poverty level. Eligibility for children in KidCare will remain unchanged at 350% of poverty, one of the highest benefit levels in the nation. Most importantly, the fiscal 2004 Budget ensures continued access to quality health care for all uninsured low-income children in New Jersey. State funding for adults and children in NJ FamilyCare and KidCare will total \$133 million in fiscal 2004.

### **Medicaid Reductions**

New Jersey currently offers one of the richest Medicaid benefit packages in the country, which includes not only services that are federally mandated but also all of the optional services, including prescription drugs, home health, podiatry, optometry and others. As a necessary cost-saving measure, and to ensure that health services can continue to be provided to as many of New Jersey's most vulnerable citizens as possible, the service package will put limits on dental coverage and chiropractor services for non-pregnant adults. These actions will save an estimated \$15 million in fiscal 2004.

### **Prescription Drugs - Medicaid**

With spending on prescription drugs for Medicaid clients projected to increase, the Division of Medical Assistance and Health Services (DMAHS) will take measures in fiscal 2004 to control those escalating costs. The Division anticipates saving \$61 million in State funds through several measures which include: implementing a preferred drug list; a

supplemental manufacturer's rebate program; requiring prescriptions to be filled with a generic drug when available and appropriate; increasing the pace in which generic prescriptions are introduced in the market and reducing reimbursement to pharmacies to the Average Wholesale Price (AWP) minus 15%. The Division also proposes to bring its purchasing practices more in line with the commercial market by leveraging its purchasing power, requiring an increased discount on prescription drugs, and charging non-pregnant adults a \$3 co-payment per prescription for drugs received through the fee-for-service system.

The Department of Human Services will promote the use of appropriate generic drugs in the State psychiatric hospitals. The Department will also maximize federal reimbursements in Integrated Case Management and behavioral health services for people with mental illness.

### **Homeland Security**

The Governor's Budget provides \$94.8 million in funding for security and counter-terrorism initiatives derived from a combination of State appropriations (\$24 million) and off-budget spending supported by the existing surcharge on car rentals (\$19.7 million), a new franchise fee on wireless telephone service (\$46.1 million), and balances within the Emergency Medical Technician Training (EMT) Fund (\$5 million). Most of this investment ensures continuation funding for existing initiatives, essentially sheltering them from possible reduction during a time of fiscal constraint.

Specific allocations from these various sources are summarized below:

- \$46.1 million in revenue from a new franchise fee on wireless telephone services will offset \$31.3 million in State Police salaries, a \$12.8 million lease payment on the State's 911 emergency system, and \$2 million for security at our nuclear power plants;
- \$24 million in State appropriations will support other initiatives including \$6.1 million in debt service costs and a \$3.8 million pay-as-you-go appropriation for

the new Technology Center/Troop C Headquarters in Hamilton as well as \$4.4 million for equipment to outfit the new State Police Forensic Lab;

- \$19.7 million from the existing car rental surcharge will support \$7.5 million for the existing MEDPREP program in the Department of Health and Senior Services, \$7.2 million for the Office of Counter-terrorism, and \$5 million in State Police salaries;
- \$5 million from the Emergency Medical Technician Training (EMT) Fund will also be used for MEDPREP, yielding a total of \$12.5 million for that program.

### **Higher Education**

The Budget provides \$1.78 billion in overall support of the State's higher education system in fiscal 2004, a \$26.4 million reduction in funding from the fiscal 2003 level. While all sectors – senior publics, county colleges, and independents - will experience reduced operational and special purpose grant support due to limited State resources, the increased cost of pension and benefits totaling \$70.1 million in fiscal 2004 for institutional personnel has been funded.

Also included is a \$5.8 million increase in Tuition Aid Grant funding to provide sufficient resources for an additional 2,000 award recipients projected for fiscal 2004. This increase, together with the continuation of funding for Educational Opportunity Fund programs, will insure that the State's students in need of financial assistance will be supported at current award levels. The Outstanding Scholar Recruitment Program, which provides merit based scholarships, is funded in fiscal 2004 to cover the costs of existing recipients; due to fiscal constraints, support for incoming freshmen has not been funded for this program in fiscal 2004.

### **Employee Benefits**

The projected growth in State pension contribution requirements is \$759 million, from \$130 million in fiscal 2003 to \$889 million in fiscal 2004. In light of the current fiscal situation and to ensure that resources are available for the most critical programs, a five-year contribution phase-in approach has been developed to systematically and rationally phase-in state pension contributions. Coupled with the use of assets set aside in the Benefit Enhancement Fund for the future costs of the "n/55" benefit enhancement of the Public Employees Retirement System - State and Teacher's Pension and Annuity Fund members, which was enacted in 2001, this action reduces the net pension contribution for fiscal 2004 from \$889 million to \$158 million, a drop of \$731 million.

The last time the State fully funded its pension contribution requirements was fiscal 1996. Since fiscal 1997, the surplus assets created by the effects of the Pension Security Proposal (Chapters 114 and 115, P.L. 1997) and the significant investment returns of the late 1990's have been used to cover most of the State's pension contribution requirements. The recent economic downturn resulted in investment losses in the pension funds which have essentially depleted the surplus assets of most of the pension systems, however.

State and higher education employees' health benefits and post retirement medical benefits increase by \$126 million and \$285 million, respectively, which reflects anticipated premium rate increases effective January 1, 2004. Growth in health benefits is the result of higher utilization experiences and increasing health care costs.

**FISCAL 2004 TAXPAYER RELIEF**  
(\$ in Millions)

<b>PROGRAM DESCRIPTION</b>	<b>FY 2003 Adj. Approp</b>	<b>FY 2004 Budget</b>	<b>\$ Change</b>	<b>% Change</b>
<b>School Aid</b>				
Direct Aid	\$ 6,707.1	\$ 6,780.6	\$ 73.5	1.1%
School Construction and Renovation	15.0	111.5	96.5	643.3%
Teachers' Retirement Benefits & Social Security	1,004.4	1,208.2	203.8	20.3%
<b>Subtotal School Aid</b>	<b>\$ 7,726.5</b>	<b>\$ 8,100.3</b>	<b>\$ 373.8</b>	<b>4.8%</b>
<b>Municipal Aid</b>				
Consolidated Municipal Property Tax Relief Aid	\$ 835.5	\$ 835.5	\$ -	0.0%
Energy Receipts Property Tax Relief Aid	755.0	762.7	7.7	1.0%
Special Municipal Aid	41.5	38.5	(3.0)	-7.2%
Legislative Initiative Block Grant Program	34.8	34.8	-	0.0%
Extraordinary Aid	30.5	25.0	(5.5)	-18.0%
Trenton Capitol City Aid	16.5	16.5	-	0.0%
Regional Efficiency Aid Program (REAP)	9.0	9.0	-	0.0%
Open Space - Payments in Lieu of Taxes	8.0	8.0	-	0.0%
<b>Subtotal Municipal Aid</b>	<b>\$ 1,730.8</b>	<b>\$ 1,730.0</b>	<b>\$ (0.8)</b>	<b>0.0%</b>
<b>Other Local Aid</b>				
County College Aid	\$ 201.3	\$ 205.3	\$ 4.0	2.0%
Transportation Trust Fund - Local Project Aid	150.0	150.0	-	0.0%
Aid to County Psychiatric Hospitals	94.5	93.5	(1.0)	-1.1%
General Assistance Administration	21.5	21.5	-	0.0%
Urban Enterprise Zones - Sales Tax Dedication	13.1	41.8	28.7	219.1%
DCA - Housing and Neighborhood Assistance	16.7	16.3	(0.4)	-2.4%
Library Aid	16.9	16.8	(0.1)	-0.6%
Pension Contributions on behalf of Local Governments	31.4	38.6	7.2	22.9%
<b>Subtotal Other Local Aid</b>	<b>\$ 545.4</b>	<b>\$ 583.8</b>	<b>\$ 38.4</b>	<b>7.0%</b>
<b>Direct Taxpayer Relief</b>				
Direct School Tax Relief Program (NJ SAVER) a	\$ 680.2	\$ 470.2	\$ (210.0)	(30.9%)
Homestead Rebates b	514.3	499.7	(14.6)	-2.8%
Senior/Disabled Citizens' Property Tax Freeze	23.0	23.0	-	0.0%
Municipal Reimbursement--Veterans' Tax Deductions	69.7	83.0	13.3	19.1%
Municipal Reimbursement--Senior/Disabled Citizens' Tax Deductions	26.0	26.0	-	0.0%
Property Tax Deduction Act	335.1	347.0	11.9	3.6%
<b>Subtotal Direct Taxpayer Relief</b>	<b>\$ 1,648.3</b>	<b>\$ 1,448.9</b>	<b>\$ (199.4)</b>	<b>(12.1%)</b>
<b>Pension Savings</b>				
School District Pension Security Program Savings	\$ 13.3	\$ 28.9	\$ 15.6	117.3%
Municipal Pension Security Program Savings	16.1	34.9	18.8	116.8%
Other Local Pension Security Program Savings	31.9	69.0	37.1	116.3%
Police & Firemen's Retirement System Pension Offset Savings	263.2	214.0	(49.2)	-18.7%
<b>Subtotal Pension Savings</b>	<b>\$ 324.5</b>	<b>\$ 346.8</b>	<b>\$ 22.3</b>	<b>6.9%</b>
<b>GRAND TOTAL - TAXPAYER RELIEF</b>	<b>\$ 11,975.5</b>	<b>\$ 12,209.8</b>	<b>\$ 234.3</b>	<b>2.0%</b>

a does not reflect underspending of \$45 million in FY03

b does not reflect underspending of \$9.3 million in FY03

**STATE AID FOR LOCAL SCHOOL DISTRICTS  
CONSOLIDATED SUMMARY  
GENERAL FUND AND PROPERTY TAX RELIEF FUND  
(thousands of dollars)**

---Recommended Fiscal Year 2004---

	Expended Fiscal 2002	Adjusted Appropriation Fiscal 2003	Requested Fiscal 2004	General Fund	Property Tax Relief Fund	Total
<b>Formula Aid Programs:</b>						
Core Curriculum Standards Aid	3,076,068	3,080,318	3,080,318	1,176,530	1,903,788	3,080,318
Abbott v. Burke Parity Remedy	405,264	512,656	512,656	-	512,656	512,656
Supplemental Core Curriculum Standards Aid	251,768	251,768	251,768	-	251,768	251,768
Early Childhood Aid	330,630	330,630	330,630	-	330,630	330,630
Instructional Supplement	15,621	15,621	15,621	-	15,621	15,621
Demonstrably Effective Program Aid	199,512	199,512	199,512	-	199,512	199,512
Rewards and Recognition	9,957	9,957	-	-	-	-
Stabilization Aid	111,626	111,626	111,626	-	111,626	111,626
Stabilization Aid 2	2,491	2,491	2,491	-	2,491	2,491
Stabilization Aid 3	11,402	11,402	11,402	-	11,402	11,402
Additional Supplemental Stabilization Aid:						
Large Efficient Districts	5,250	5,250	5,250	-	5,250	5,250
High Senior Citizen Concentrations	1,231	1,231	1,231	-	1,231	1,231
Regionalization Incentive Aid	18,295	18,295	18,295	-	18,295	18,295
Categorical Aids:						
Distance Learning Network	59,162	59,162	-	-	-	-
Adult Education Grants	28,721	28,721	10,322	-	10,322	10,322
Bilingual Education	65,578	65,578	65,578	-	65,578	65,578
Special Education	896,420	896,420	896,420	-	896,420	896,420
County Vocational Education	38,948	38,948	38,948	-	38,948	38,948
Pupil Transportation Aid	303,456	303,187	303,187	-	303,187	303,187
School Choice	1,945	3,755	6,537	-	6,537	6,537
Aid for Enrollment Adjustments	16,456	16,456	16,456	-	16,456	16,456
Consolidated Aid	-	-	148,526	-	148,526	148,526
<b>Less:</b>						
Stabilization Aid Growth Limitation	(73,576)	(73,576)	(73,576)	-	(73,576)	(73,576)
Growth Savings - Payment Change	-	-	(5,000)	-	(5,000)	(5,000)
<b>Subtotal, Net T&amp;E Budget</b>	<b>5,776,225</b>	<b>5,889,408</b>	<b>5,948,198</b>	<b>1,176,530</b>	<b>4,771,668</b>	<b>5,948,198</b>
School Construction and Renovation Fund	20,505	15,017	111,528	111,528	-	111,528
Debt Service Aid	169,053	137,858	129,101	129,101	-	129,101
<b>Subtotal, School Building Aid</b>	<b>189,558</b>	<b>152,875</b>	<b>240,629</b>	<b>240,629</b>	<b>-</b>	<b>240,629</b>
<b>TOTAL FORMULA AID</b>	<b>5,965,783</b>	<b>6,042,283</b>	<b>6,188,827</b>	<b>1,417,159</b>	<b>4,771,668</b>	<b>6,188,827</b>

**STATE AID FOR LOCAL SCHOOL DISTRICTS  
CONSOLIDATED SUMMARY  
GENERAL FUND AND PROPERTY TAX RELIEF FUND  
(thousands of dollars)**

---Recommended Fiscal Year 2004---

	<b>Expended Fiscal 2002</b>	<b>Adjusted Appropriation Fiscal 2003</b>	<b>Requested Fiscal 2004</b>	<b>General Fund</b>	<b>Property Tax Relief Fund</b>	<b>Total</b>
<b>Other Aid to Education:</b>						
Nonpublic School Aid	87,489	100,899	95,276	95,276	-	95,276
Additional Abbott v. Burke State Aid	367,613	365,548	401,758	-	401,758	401,758
Abbott Preschool Expansion Aid	-	142,400	142,400	-	142,400	142,400
Payment for Children with Unknown District of Residence	13,610	13,610	17,217	-	17,217	17,217
Extraordinary Special Education Costs Aid	15,078	15,000	15,000	-	15,000	15,000
General Vocational Aid	5,277	5,460	5,460	5,460	-	5,460
Additional School Building Aid (Debt Service)	5,475	4,532	1,599	-	1,599	1,599
Educational Information & Resource Center	450	450	450	450	-	450
Charter School Aid	5,058	14,500	9,000	-	9,000	9,000
Charter Schools - Council on Local Mandates Decision Offset Aid	4,231	5,600	5,300	-	5,300	5,300
Character Education	4,691	4,750	4,750	-	4,750	4,750
Teacher Quality Mentoring	5,769	-	2,000	-	2,000	2,000
Other Aid	3,814	7,098	3,078	2,678	400	3,078
<b>Subtotal, Other Aid to Education</b>	<b>518,555</b>	<b>679,847</b>	<b>703,288</b>	<b>103,864</b>	<b>599,424</b>	<b>703,288</b>
<b>Subtotal, Department of Education</b>	<b>6,484,338</b>	<b>6,722,130</b>	<b>6,892,115</b>	<b>1,521,023</b>	<b>5,371,092</b>	<b>6,892,115</b>
<b>Direct State Payments for Education:</b>						
Teachers' Pension and Annuity Fund - Post Retirement Medical	-	302,605	442,658	442,658	-	442,658
Debt Service on Pension Obligation Bonds	72,665	76,899	86,704	86,704	-	86,704
Post Retirement Medical Other Than TPAF	36,057	48,349	67,738	67,738	-	67,738
Teachers' Social Security Assistance	544,872	576,550	611,143	611,143	-	611,143
<b>TOTAL</b>	<b>7,137,932</b>	<b>7,726,533</b>	<b>8,100,358</b>	<b>2,729,266</b>	<b>5,371,092</b>	<b>8,100,358</b>



# ECONOMIC FORECAST

## National Economic Overview

Gross Domestic Product growth remained sluggish in 2002 following the steep economic slowdown that began in 2001. The bursting of the equity “bubble” in calendar year 2000 and the tragic events of September 11, 2001 capped an extraordinary period of growth in the U.S. economy. After a year of adjustments and mixed economic performance in 2002, the economy is expected to grow at a modest pace in 2003.

In 2002, real Gross Domestic Product (GDP) grew at a slow but steady pace of 2.0+% average annual rate, which was above the anemic 2001 growth rate of 0.2%. Employment growth remained essentially flat at -0.8% after stagnation began in 2001 following eight straight years of strong growth at 2.0%–3.0% annually through 2000. Inflation remained mild, well below 3.0% last year. The National Bureau of Economic Research, which dates the business cycles, has noted several positive economic trends last year but is waiting to officially mark the end of the recession that began in March 2001.

The stock market continued to remain volatile throughout the past year with the turmoil adversely affecting consumer confidence. NASDAQ closed down 32.0%, a steeper decline compared to 2001 (-21.0%). The S & P 500 and Dow Jones Industrial indexes also continued the slide, dropping 23.0% and 17.0%, respectively. The Conference Board’s Consumer Confidence Index fell 14.3 points below the same reading a year ago to 80.3 in December 2002.

Real consumer spending grew at 3.0%, above the revised 2.5% rate in 2001. Real consumption of durable goods grew at a relatively healthier pace of 6.7% in 2002 as compared to 6.0% in 2001, but was below the strong 2000 growth of 8.2%. The durable goods

sector was boosted by extraordinary auto sales due to zero-percent financing and other incentive packages. The housing sector also remained resilient despite layoffs and rising unemployment. With the multiple federal interest rate cuts and historically low mortgage rates, the housing sector posted another strong year in 2002 with a record of nearly six million in home sales during the year.

Most national forecasters are cautiously optimistic and expect acceleration in the pace of economic activity as 2003 progresses.

Uncertainties surrounding future terrorist attacks and the course of the current war on terrorism and instability in the international economy due to oil price and currency issues are likely to remain. The ENRON, WorldCom and other corporate failures have also shaken investor confidence. Weakness in the future corporate earnings outlook is likely to hold down business investments. Although the Federal Reserve is currently maintaining a neutral bias, any shift in the Fed’s interest rate policy to higher rates will also affect future consumer spending.

The national economy is expected to grow modestly, with real Gross Domestic Product (GDP) growth around 2.5% in 2003. Real consumer spending is expected to moderate in 2003 at 2.7%, as consumers turn more cautious. Income growth is expected to pick up at 4.7% in 2003 and increase to 6.4% in 2004. Employment is expected to grow at an average annual rate close to 1.0% in 2003 after a negative growth (-0.8%) for the first time in eleven years in 2001. Business investment in durable equipment is expected to turnaround substantially (around 8.0%) in 2003 after two straight years of negative growth.

## New Jersey Economic Overview

During calendar year 2002, New Jersey’s economy continued at a sluggish pace similar to the rest of the nation. The economic slowdown

began in 2001 with average annual employment sliding to 0.7%, which marked the slowest pace since the last recovery began in 1993.

Employment stagnated in 2002 with payroll employment growth falling by 0.4% in 2002. Most of the job losses in New Jersey were concentrated in the manufacturing sector, which has been declining for several decades. More than 70,000 manufacturing jobs in New Jersey have been lost since the early nineties. Transportation and utilities lost the second largest number of jobs (approximately 6,000) last year. Overall the service industry added over 3,500+ jobs while most other sectors, including Trade, Finance, Insurance and Real Estate and Government remained essentially flat.

Personal income growth moderated at 4.0%, better than the 3.0% in 2001 but remained substantially below the revised 9.9% record pace set in 2000. Real Gross State Product (GSP) continued to grow slowly at 2.3% in 2002.

New Jersey's unemployment rate of 5.6% was below the tri-state neighboring state average last year. This, along with a relatively steady income scenario, kept consumer spending resilient in New Jersey. In 2002, retail sales grew at 9.5%, which was significantly above the year ago rate of 4.9%. Promotional financing kept auto sales strong in New Jersey. New vehicle registrations remained above the 600,000 level for the third consecutive year but the growth rate of registrations was 1.2% below the 2001 level. Sales of existing homes continued to slide, consistent with prior year trends.

### **Economic Projections**

The national economy, as well as the New Jersey economy, is expected to grow at a moderate pace in 2003. In the last Federal Reserve meeting (on 12/10/02), the Federal Reserve left the monetary policy unchanged maintaining that available economic indicators were not inconsistent with the economy moving past its economic "soft spot". Some positive evidence of moderate improvements in capital

spending in two of the Federal Reserve districts were also noted in the last Federal Reserve Economic Review (11/27/02). Given the strong productivity growth and low interest rates, economic activity is expected to pick up as Calendar Year 2003 rolls on. However, the timing and strength remain uncertain due to the persistent weakness in business capital spending across the nation.

Global Insight (formerly DRIWEFA), Economy.Com, Rutgers Economic Advisory Service and other forecast models are all optimistic about a steadily improving economy in 2003. A boost in business capital spending is very crucial, however, to keep the economy on track for a consistent economic recovery. The Consumer Price Index is anticipated to remain modest, below 3% in 2003 and 2004.

Both national and state unemployment rates, which are lagging indicators, are expected to stabilize in 2003. National employment is expected to pick up at a 2.3% growth rate in 2004 after a moderate growth of 0.7% in 2003. Personal income growth is projected to grow at 4.7% in 2003 and increase at a faster rate in 2004. After a moderate paced growth around 2.6% in 2003, real consumer durable expenditures are expected to accelerate above 6.0% rate in 2004.

New Jersey personal income growth is expected to grow modestly around 4.0%+ in 2003 and stay close to 4.5% in 2004. The rate of inflation in New Jersey is expected to remain modest. Housing starts are expected to ease to around 28,000+ units in 2003 and continue to ease further in 2004. New vehicle registrations are projected to soften but remain above 600,000 units in 2003 and 2004.

New Jersey's economy is expected to continue following the national trend in 2003 and 2004. Employment growth is projected to remain close to 1.0% in 2003 but improve to 1.7% in 2004. It is important to note that the future direction of economic recovery nationally and in New Jersey to large extent hinges on the assumption of no further terrorist attacks, supportive monetary

and fiscal stimulus, minimal disruptions from corporate collapses, and no further turmoil in the financial markets.

The state and the nation may experience further near-term slow growth and the expected recovery may stall into early 2003 if consumers, investors, and businesses become more concerned about the geopolitical conditions. However, the fundamentals of the State economic health remain stable and the long run prospects for economic growth of the State in 2003 and beyond are favorable.



# REVENUE FORECAST AND INITIATIVES

## FISCAL YEAR 2003 ANTICIPATED REVENUE

The current estimate of \$23.2 billion in total fiscal 2003 revenue is \$86 million, or 0.4%, less than when the Governor certified revenues in June 2002, when adjusted for the impact of the recently enacted motor vehicle legislation.

The three largest taxes, Gross Income, Sales and Use, and Corporation Business account for approximately 65% of total State revenues and are now forecast to yield \$14.94 billion. This is a decrease of \$352 million over certified revenues, reflecting downward revisions in Gross Income (-\$332 million) and Sales and Use (-\$172 million) and an upward revision in Corporation Business (+\$152 million). The downward revisions in revenues are due to the delay in the anticipated recovery of the economy. The upward Corporate Business revision reflects the preliminary assessment of collections under the business tax reforms enacted last year.

The Sales and Use Tax is estimated to generate \$6.0 billion in fiscal 2003, virtually unchanged from the level collected last year, which included \$89 million in net amnesty revenue. Adjusting for amnesty, we anticipate a 2.0% base growth compared to the 4.9% rate originally projected. This is slightly weaker than the 2.9% base growth experienced in fiscal 2002. The estimate was lowered as the expected economic recovery stalled in the second half of 2002 as a result of new weakness in the financial markets, and rising consumer and business concern over geopolitical risks. Consumer confidence stabilized in the first quarter after declining significantly in 2001 and began improving in the second quarter before dropping 30 points between May and December 2002.

The Gross Income Tax (GIT) forecast for fiscal 2003 is revised down to \$6.97 billion, a decrease of \$332 million compared to the June 2002 certified revenue estimate. This represents a 1.6% base growth rather than the 6.5% anticipated in June 2002. Employer

withholdings are expected to grow by about 1% in calendar year 2002. This is better than the 3% decline of 2001 but still weaker than anticipated in June. The delayed economic recovery in the second half of 2002 and continued uncertainty in the financial markets account for the decline.

The Corporation Business Tax (CBT) is revised up by \$152 million to \$1.98 billion for fiscal 2003. This represents an 86.7% growth compared to the 72.3% anticipated in June. The actual impact of the CBT reforms enacted last year will not be felt until tentative returns are filed by the calendar year taxpayers in April.

## FISCAL 2004 REVENUE PROJECTIONS

Total revenues for fiscal 2004 are expected to be \$23.9 billion, approximately \$675 million or 2.9% above the revised fiscal 2003 anticipated total. Revenue growth in fiscal 2004 is expected to be modest as the national economy pulls out of the current slow down and adjusts to more sustainable long-term growth levels.

A positive economic sign for the State is that new business filings in the State reached 66,559 in calendar year 2002. This is an all time high and reverses a down-tick recorded during the previous year. In 2002, 66,559 new businesses filed as either a new corporation or pass through entity, such as Limited Liability Company (LLC) or Limited Partnership, an increase of 13% over the 58,747 new business entity filings in 2001. New filings in these two categories totaled 59,368 in 2000. Voluntary business liquidations totaled 10,562 in 2002 compared to 8,945 in 2001, which still leaves the net increase at nearly 6,000 new entities.

### Sales and Use Tax

The forecasted \$6.33 billion for fiscal 2004 Sales Tax revenue represents the \$6.29 billion base estimate plus \$45 million from the imposition of the sales tax on "casino comps." The forecasted \$6.29 billion for fiscal 2004 Sales Tax revenues is an increase of \$289 million, or 4.8%, compared to revised fiscal 2003 revenue. This reflects an expectation of continued improvement in the underlying economic

fundamentals during fiscal 2004. The favorable low-interest environment is expected to sustain consumer spending. Improved earnings and growth prospects are expected to encourage more business investment by mid-2003.

### **Corporation Business Tax**

The fiscal 2004 CBT revenue forecast of \$1.82 billion represents a decrease of \$152 million (or 7.7%), compared with revised fiscal 2003 revenue. This assumes an underlying growth of 3.5% in gross payments and refund growth of 10% in fiscal 2004. It also adjusts for the one-time nature of several fiscal 2003 provisions including the retro-active element of the tax year 2002 reforms and the acceleration of the third estimated payment for 2003 for selected large taxpayers.

### **Gross Income Tax**

The fiscal 2004 forecast of \$7.49 billion is an increase of \$528 million, or 7.6%, over revised fiscal 2003 revenue. This is a reflection of the anticipated economic recovery by the second half of 2003 and continuation into 2004. New Jersey Total Income, which is the tax base, is expected to drop by 6.2% in calendar year 2001 after experiencing a record 10.8% growth in 2000. In calendar years 2002 and 2003, the tax base is projected to grow at 1.2% and 4.3%, respectively. Growth is projected to match the forecasted personal income growth rates of 4.5% to 4.8% in 2004 and beyond. This compares to a 1991-99 average annual growth of 5.4%. The amount of income on tax returns reporting over \$100,000 in total income, which grew at an 18% average annual rate (1995-2000), fueled the GIT revenue growth since 1995. It is expected to decline by 11.1% in 2001 after spiking at 19.9% in 2000, and rebound to 1.2% growth in 2002 and stabilize in the 7% range beyond 2002 as the economy recovers.

### **FISCAL 2004 REVENUE INITIATIVES**

The proposed fiscal 2004 Budget anticipates \$23.9 billion in revenue, representing an increase of approximately \$675 million, or 2.9%, from the fiscal 2003 revised revenue. The fiscal 2004 revenue is supported by approximately \$989 million in new revenue. These new revenues can be categorized as follows: revenue enhancements and special revenue opportunities. Revenue enhancements are

changes resulting in the continuation of revenue in future years, whereas special opportunities represent revenues available only for the current budget. Descriptions of major revenue initiatives proposed in the fiscal 2004 Budget follow.

### **REVENUE ENHANCEMENTS**

#### **Farmers' Income Averaging**

The Administration proposes to amend the Gross Income Tax law to permit individual farmers to average their gross farm income by allocating it to the prior three years. Like the federal provision for farmer income averaging, this would help New Jersey farmers manage the extremely cyclical nature of their business.

#### **Casino Revenue Tax**

The proposed fiscal 2004 Budget assumes \$90 million in new revenue from an increase in the Casino Revenue Fund tax from the current 8% to 10%. The current 8% tax is imposed on gross casino revenues and has not been increased since its inception in 1978.

#### **Impose Sales Tax on Complimentary Rooms and Meals**

The proposed fiscal 2004 Budget assumes \$45 million in revenue from the imposition of a sales tax on complimentary rooms and meals. Under current law, the compensating use tax is only imposed on tangible property and certain services. In the casino and hotel/motel industry, millions of dollars in complimentary meals, rooms, and show tickets are given to guests free of charge, which if they had been purchased, would have been subject to the sales tax. There is no logical reason for allowing a business to give away lodging without tax consequences when had they given away a tangible property, it would have been subject to a tax.

#### **Hotel/Motel Occupancy**

The proposed fiscal 2004 Budget assumes \$140 million in new revenue from a 7% tax on hotel/motel occupancy. The occupancy tax would apply to all entities that are currently taxed under the Sales and Use Tax - hotels, motels, conference centers, bed and breakfast inns, spas, guesthouses and campgrounds. This tax is estimated to raise \$140 million in new revenue. A portion of the revenue generated by

this new tax will be distributed, beginning in July 2004, to the municipality in which the facility is located. In addition, funds will be distributed to counties and the neighboring municipalities, in which there are no facilities, to help offset the cost of providing the necessary infrastructure and services needed to support these types of facilities.

This tax rate is significantly below the tax rate levied in other Middle Atlantic/Northeast areas such as Boston, New York City, Philadelphia, and Washington, D.C.

### **Increase the Realty Transfer Fee**

Approximately \$93 million in additional revenue will be collected in fiscal 2004 through an increase in the State portion of the realty transfer fee. The fee, which is applied per \$500 of property sale, presently totals \$2.50. Of that amount, \$1.25 is deposited to the State's General Fund, \$.50 is retained by the respective counties, and \$.75 (per \$500 for property sales above \$150,000) is dedicated to the State's Neighborhood Preservation program. Under the new proposal, the current \$1.25 dedication to the State would remain unchanged for sales below \$150,000, however that State portion of the fee would be increased by \$1.50 (i.e., from \$1.25 to \$2.75) for property sold in excess of \$150,000. The entire \$93 million generated by this increase will be deposited into the State's General Fund. The realty transfer fee has not been increased since 1975.

### **Increase the Cigarette Tax by 40 Cents**

The proposed fiscal 2004 Budget assumes \$78 million in additional revenue from a 40 cent increase in the cigarette tax, from \$1.50 to \$1.90. New Jersey is currently at a competitive disadvantage with Pennsylvania and Delaware, whose tax is only \$1.00 and \$0.24 per pack, respectively. The potential increase of New Jersey's tax will not change this competitive disadvantage. New York and New York City both have a tax of \$1.50 per pack.

### **Universal Service Fund**

In fiscal 2004, energy assistance grants provided to senior citizens and the disabled through the Lifeline program will be funded from an assessment on energy bills. Pending approval

by the Board of Public Utilities (BPU), an annual total of \$72.4 million will be collected by various public utilities through the Board of Public Utilities' Universal Service Fund, thus completely offsetting the current State appropriation for Lifeline. The BPU will administer the program through an interagency agreement with the Department of Health and Senior Services (DHSS) governing the continued use of DHSS' existing Lifeline staff to maximize efficiency. Because the Lifeline program was formerly funded from the Casino Revenue Fund (CRF), this shift also provides an opportunity to redirect existing CRF revenue to other pressing needs for seniors and the disabled. This initiative, which includes tenants and homeowners, creates a steady funding source to help New Jersey seniors and disabled pay for the cost of energy.

### **Various Fee Adjustments**

Through increases to fees and fines spread across multiple State agencies, nearly \$15 million in new revenue will be raised in fiscal 2004. In each case, the State is currently subsidizing a significant portion of the cost of related programs and services. Increasing revenues from fees and fines appropriately places a greater share of the cost of these programs on the users and relinquishes State appropriations for other critical needs. The fee increases proposed in the fiscal 2004 Budget include:

- Real Estate Commission—The New Jersey Real Estate Commission (NJREC) issues licenses for real estate salespersons, real estate brokers, real estate broker salespersons, real estate instructors, real estate schools, and real estate additional teaching locations. An increase in those fees will provide an additional \$4.5 million of revenue. The license fees for salespersons, brokers, broker salespersons and branch offices have not been increased since 1983. License fees for instructors, schools and other teaching locations first became effective in 1994 and have not been increased since their implementation. However, the costs of regulating this industry and the operations of the NJREC have increased, thus necessitating a fee increase.

- **Uniform Construction Code** – An increase of approximately 40 percent in the construction code fee will provide \$2.7 million to support Smart Growth Planning Grants to localities. The fees per thousand dollars of construction value will rise by 75 cents for new construction (i.e., from the current \$1.90 to \$2.65) and 39 cents for other construction (i.e., from 96 cents to \$1.35).
- **Right to Know** – The State has been partially subsidizing this program, which provides information on the presence of hazardous substances in the community and the workplace through the joint efforts of the Departments of Environmental Protection, Health and Senior Services, and Labor. To eliminate the \$2.1 million subsidy, the minimum assessment on employers will be increased from \$50 to \$75 and the per employee fee would rise from \$2 to \$4.
- **Alcohol Beverage Control** – A varying set of increases is proposed for licenses and permits related to retail, social affairs, and catering operations, as well as alcohol beverage wholesalers, producers and distributors. The changes are expected to generate \$2.0 million annually.
- **Unemployment Insurance Fines** – A statutory increase in the penalties levied on employers who fail to comply with reporting requirements under the State’s Unemployment Insurance law is projected to raise \$2.5 million. Of these funds, \$2.0 million will be reallocated to the General Fund, and the balance will be used to offset the cost of employment-related services provided by the Department of Labor.
- **Non-Criminal Checks**- The existing fees for non-criminal fingerprint and name search requests will be increased in fiscal 2004 by 20 percent, generating \$1.7 million in receipts. This new revenue will be deposited into the General Fund to offset the State’s cost of responding to

requests from local governments. Specifically, the existing fingerprint fee will increase by \$5, from the current \$25 to \$30, and the fee for criminal history name checks will rise by \$3, from \$15 to \$18. Beyond governmental entities, these fees are typically paid by attorneys-at-law, private detectives, and citizens interested in determining a person’s qualifications for employment or certain volunteer work. Factoring in the proposed increase, the higher fees will still be consistent with other states; including Connecticut which charges \$50 for fingerprint and name checks, and New York which charges employers \$50. These fees were last raised in 1994, and legislation will be required to authorize the increase proposed for fiscal 2004.

## **SPECIAL REVENUE OPPORTUNITIES**

### **Tobacco Securitization**

In FY 2003, New Jersey elected to securitize its annual receipts from the Tobacco Master Settlement Agreement (MSA). Through the sale of \$1.8 billion in tobacco bonds, the 2003 Budget as adopted captured \$1.075 billion of securitization proceeds, as well as an additional \$413 million to address budgetary shortfalls later in the fiscal year. Required reserves accounted for the remaining \$300 million. Essentially, securitization poses an alternative similar to that of the State Lottery: an immediate, lump sum payment in place of smaller, annuity-type payments distributed over many years. Both options represent the same benefit value when adjusted for inflation or market interest rates. The State is essentially transferring the possible actual and perceived risks to investors resulting from reduced, stalled, or halted payments by the tobacco manufacturers under the Master Settlement Agreement. More specifically, there would be an out-year risk to the current “annuity” method as the annual payments may go down due to inflation or variances in cigarette consumption. Securitization provides budgetary certainty against that risk. The State will essentially transfer the balance of its expected tobacco settlement revenues (TSRs) to a special-purpose entity – The Tobacco Settlement Financing Corporation -- whose sole purpose is to issue bonds backed by these

receipts. The special-purpose entity pledges a portion of each annual TSR to pay the debt service. The State is legally separate from the entity and, therefore, does not put its own credit rating at risk. It is important to note that New Jersey does not surrender the future receipt of MSA proceeds. MSA payments are in perpetuity, and New Jersey will regain full use of the receipts after the tobacco bonds are paid in full.

In FY 2004, the budget anticipates \$1.325 billion in net proceeds from the securitization of the remaining portion of the State's projected revenues under the settlement agreement.

### **Fund Reallocations**

Approximately \$93 million in diversions from various funds is accounted for in the fiscal 2004 Budget. Specifically, the budget assumes the diversions of balances or revenues from the following funds:

- State Disability Fund—\$30 million
- Workforce Development Partnership Program—\$30 million
- Stock Workers' Compensation Security Fund—\$15 million
- New Jersey Redevelopment Authority—\$9 million
- Economic Development Authority —\$4 million
- Enterprise Zone Assistance Fund—\$3 million (interest only)
- Other Miscellaneous Funds—\$2 million

### **Enhanced Collections**

More aggressive pursuit of outstanding debt owed to the State is expected to generate approximately \$32 million in new revenue in fiscal 2004. Presently, approximately \$1.1 billion is overdue from motor vehicle surcharges alone. Legislation will be sought to authorize an amnesty program that will be limited to non-DUI cases, an effort that is projected to generate \$21 million in new revenue in fiscal 2004. SurchARGE violators who fail to respond to the amnesty will be contacted by private collection agencies contracted with the Department of the Treasury. In certain instances, higher fees will be paid to a second-referral debt collector as an incentive to pursue aged debt and high volume cases. A request for proposals for second referral debt collection has been released and a contract

employing a pool of collection agencies is expected to be in place prior to the start of fiscal 2004. Working closely with the Treasury's Division of Revenue (DOR), the contract is expected to raise approximately \$9.8 million in new revenue from surcharge debt as well as non-surchARGE debt. The latter includes an estimated \$1 million from an expanded interagency agreement between DOR and the Department of Environmental Protection (DEP) that consolidates responsibility for overdue penalties and fees from DEP's enforcement and permitting programs, simultaneously streamlining the current collection effort and strengthening the "polluter pays" principle.

In addition, legislation will be sought to expand the number of State payments to individuals or businesses for which Set-Off Individual Liabilities (SOIL) program matches may be applied. The current SOIL program matches debtors against files of recipients of State checks, including Gross Income Tax refunds, and NJ SAVER or Homestead Rebate programs. The expanded list will include payments related to the State pension system as well as payments to Medicaid providers. In addition, reciprocity agreements with surrounding states would create setoff capabilities that do not exist today. This initiative is expected to generate approximately \$1.4 million in new revenue in fiscal 2004.

### **Hospital Bad Debt Collections**

Legislative authority will also be requested to assign outstanding debt owed to private hospitals to the State for collection purposes, an action that will generate an estimated \$30 million in revenue to offset the cost of existing charity care payments. Each year, hospitals absorb approximately \$1 billion in "bad debt", much of which represents the failure to pay recognized co-payments and other charges not covered by medical insurance. Following the exhaustion of the hospitals' own debt collection efforts, the accounts would be processed through the Department of the Treasury's existing SOIL program for matching of debtors who receive certain State issued checks. If SOIL fails to produce a match, the accounts will be forwarded to the second referral debt collection agencies. Through an innovative "gainsharing" agreement, revenue collections will be divided between the State and the hospitals.

**SUMMARY**  
**ESTIMATED REVENUES, EXPENDITURES AND FUND BALANCES**  
**(thousands of dollars)**

	-----Fiscal Year Ending June 30-----	
	<b>2003</b>	<b>2004</b>
	<u>Estimated</u>	<u>Estimated</u>
Beginning Balances July 1		
Undesignated Fund Balances		
General Fund	\$ 292,255	\$ 100,000
Surplus Revenue Fund	-	-
Property Tax Relief Fund	-	-
Gubernatorial Elections Fund	-	1,500
Casino Control Fund	-	-
Casino Revenue Fund	-	-
	<u>292,255</u>	<u>101,500</u>
<b>Total Undesignated Fund Balances</b>		
State Revenues		
General Fund	15,789,733	15,783,065
Property Tax Relief Fund	6,966,000	7,493,820
Gubernatorial Elections Fund	1,500	1,500
Casino Control Fund	62,737	62,737
Casino Revenue Fund	357,860	512,200
	<u>23,177,830</u>	<u>23,853,322</u>
<b>Total State Revenues</b>		
Other Adjustments		
General Fund		
Balances lapsed	313,156	-
To Property Tax Relief Fund	(10,108)	-
To Casino Revenue Fund	(7,108)	-
Property Tax Relief Fund		
From General Fund	10,108	-
Balances lapsed	387,605	-
Casino Revenue Fund		
From General Fund	7,108	-
Health Benefits/Dental/Prescription-Activity-GF	(26,578)	-
	<u>674,183</u>	<u>-</u>
<b>Total Other Adjustments</b>		
<b>Total Available</b>	<u>24,144,268</u>	<u>23,954,822</u>
Appropriations		
General Fund	16,251,350	15,768,065
Property Tax Relief Fund	7,363,713	7,493,820
Gubernatorial Elections Fund	-	-
Casino Control Fund	62,737	62,737
Casino Revenue Fund	364,968	377,200
	<u>24,042,768</u>	<u>23,701,822</u>
<b>Total Appropriations</b>		
Ending Balances June 30		
General Fund	100,000	115,000
Surplus Revenue Fund	-	-
Property Tax Relief Fund	-	-
Gubernatorial Elections Fund	1,500	3,000
Casino Control Fund	-	-
Casino Revenue Fund	-	135,000 <sup>(a)</sup>
	<u>101,500</u>	<u>253,000</u>
<b>Total Undesignated Fund Balances</b>	<u>\$ 101,500</u>	<u>\$ 253,000</u>

(a) It is anticipated that \$135 million of General Fund Appropriations will be transferred to the Casino Revenue Fund thus reducing the Casino Revenue Fund surplus to \$0 and increasing the General Fund surplus to \$250 million.

**STATE REVENUES**  
**FISCAL YEARS 2003 AND 2004 ESTIMATES**  
(\$ in thousands)

	<b>* APPROP ACT FY2003</b>	<b>* REVISED FY2003</b>	<b>CHANGE FY2003</b>	<b>FY2004</b>	<b>CHANGE FY03 TO FY04</b>
<b>Major Taxes</b>					
Sales Tax	\$6,172,000	\$6,000,000	(\$172,000)	\$6,333,800	\$333,800
Corporation Business	1,823,000	1,975,000	152,000	1,823,000	(152,000)
Corporation Energy	6,500	12,100	5,600	-	(12,100)
Motor Fuels	536,000	530,000	(6,000)	544,000	14,000
Motor Vehicle Fees	273,870	281,486	7,616	233,979	(47,507)
Transfer Inheritance	530,000	420,000	(110,000)	378,000	(42,000)
Insurance Premium	345,000	348,000	3,000	356,000	8,000
Cigarette	487,000	446,000	(41,000)	499,000	53,000
Petroleum Products Gross Receipts	225,000	215,000	(10,000)	221,000	6,000
Public Utility Excise	8,700	8,700	-	8,700	-
Corporation Banks and Financial Institutions	52,000	79,000	27,000	79,000	-
Alcoholic Beverage Excise	79,000	82,000	3,000	83,000	1,000
Realty Transfer	96,000	110,000	14,000	210,000	100,000
Savings Institution	5,000	19,000	14,000	20,000	1,000
Tobacco Products Wholesale Sales	13,000	10,000	(3,000)	10,000	-
<b>Total Major Taxes</b>	<b>10,652,070</b>	<b>10,536,286</b>	<b>(115,784)</b>	<b>10,799,479</b>	<b>263,193</b>
<b>Miscellaneous Taxes, Fees, Revenues</b>					
Medicaid Uncompensated Care	414,196	465,697	51,501	455,139	(10,558)
Good Driver	61,000	61,000	-	61,000	-
Motor Vehicle Inspection Fund	75,350	76,709	1,359	76,710	1
Public Utility GRFT	69,000	69,000	-	69,000	-
TEFA	226,241	219,536	(6,705)	175,111	(44,425)
Fringe Benefit Recoveries	195,825	207,825	12,000	217,650	9,825
Other Miscellaneous Revenue	1,114,737	1,015,589	(99,148)	1,214,762	199,173
<b>Total Miscellaneous Taxes, Fees, Revenues</b>	<b>2,156,349</b>	<b>2,115,356</b>	<b>(40,993)</b>	<b>2,269,372</b>	<b>154,016</b>
<b>Interfund Transfers</b>					
State Lottery Fund	797,000	783,000	(14,000)	783,000	-
Tobacco Settlement/Securitization	1,351,706	1,768,590	416,884	1,447,943	(320,647)
All Other Funds	580,464	586,501	6,037	483,271	(103,230)
<b>Total Interfund Transfers</b>	<b>2,729,170</b>	<b>3,138,091</b>	<b>408,921</b>	<b>2,714,214</b>	<b>(423,877)</b>
<b>Total State Revenues General Fund</b>	<b>15,537,589</b>	<b>15,789,733</b>	<b>252,144</b>	<b>15,783,065</b>	<b>(6,668)</b>
Property Tax Relief Fund	7,297,500	6,966,000	(331,500)	7,493,820	527,820
Casino Control Fund	62,737	62,737	-	62,737	-
Casino Revenue Fund	364,800	357,860	(6,940)	512,200	154,340
Gubernatorial Election Fund	1,500	1,500	-	1,500	-
<b>TOTAL STATE REVENUES</b>	<b>\$23,264,126</b>	<b>\$23,177,830</b>	<b>(\$86,296)</b>	<b>\$23,853,322</b>	<b>\$675,492</b>

\* Note: For comparability purposes, the FY03 Appropriations Act has been restated to reflect the DMV legislation along with the FY03 Revised Revenues.

**SUMMARY OF FISCAL YEAR 2003 - 2004 APPROPRIATION RECOMMENDATIONS BY FUND**  
(\$ in Thousands)

<b>Orig. &amp; (S) Supplemental</b>	<b>Reapp. &amp; (R) Recpts.</b>	<b>Transfers &amp; (E) Emergencies</b>	<b>Total Available</b>	<b>Expended</b>		<b>2003 Adjusted Approp.</b>	<b>Requested</b>	<b>Recommended</b>
\$4,728,765	\$405,838	\$159,591	\$5,294,194	\$4,843,150	General Fund			
6,135,805	611,183	(102,540)	6,644,448	5,652,995	Direct State Services	\$5,015,984	\$5,284,290	\$5,093,786
1,662,166	144,329	(128,304)	1,678,191	1,498,271	Grants-in-Aid	6,405,148	6,139,019	5,841,960
1,075,562	310,523	311	1,386,396	1,012,181	State Aid	3,337,592	3,923,220	3,373,947
469,215	---	---	469,215	451,176	Capital Construction	1,021,951	1,024,444	1,024,444
					Debt Service	470,675	433,928	433,928
<b>\$14,071,513</b>	<b>\$1,471,873</b>	<b>(\$70,942)</b>	<b>\$15,472,444</b>	<b>\$13,457,773</b>	<b>Total General Fund</b>	<b>\$16,251,350</b>	<b>\$16,804,901</b>	<b>\$15,768,065</b>
8,712,516	10,926	126,088	8,849,530	8,539,047	Prop. Tax Relief Fund	7,363,713	7,493,820	7,493,820
61,044	1,130	1	62,175	59,562	Casino Control Fund	62,737	62,737	62,737
362,354	66,136	---	428,490	428,021	Casino Revenue Fund	364,968	377,200	377,200
11,200	---	---	11,200	11,200	Gubernatorial Elections Fund	---	---	---
9,147,114	78,192	126,089	9,351,395	9,037,830		7,791,418	7,933,757	7,933,757
					Grand Total			
<b>\$23,218,627</b>	<b>\$1,550,065</b>	<b>\$55,147</b>	<b>\$24,823,839</b>	<b>\$22,495,603</b>	<b>State Appropriations</b>	<b>\$24,042,768</b>	<b>\$24,738,658</b>	<b>\$23,701,822</b>

**SUMMARY OF FISCAL YEAR 2003 - 2004 APPROPRIATION RECOMMENDATION**  
(\$ in Thousands)

	<b>Adjusted Appropriations</b>	<b>Fiscal 2004 Recommendations</b>	<b>----Change----</b> <b>Dollar</b>	<b>Percent</b>
<b>General Fund and Property Tax Relief Fund</b>				
State Aid and Grants	\$17,106,453	\$16,709,727	(\$396,726)	-2.3%
State Operations				
Legislature	3,106,535	2,966,702	(\$139,833)	-4.5%
Judiciary	74,571	70,779	(\$3,792)	-5.1%
Interdepartmental	504,703	502,164	(\$2,539)	-0.5%
<b>Total State Operations</b>	<b>1,330,175</b>	<b>1,554,141</b>	<b>\$223,966</b>	<b>16.8%</b>
	<b>5,015,984</b>	<b>5,093,786</b>	<b>\$77,802</b>	<b>1.6%</b>
Capital Construction				
Debt Service	1,021,951	1,024,444	\$2,493	0.2%
	470,675	433,928	(\$36,747)	-7.8%
<b>TOTAL GENERAL FUND AND PROPERTY TAX RELIEF FUND</b>	<b>23,615,063</b>	<b>23,261,885</b>	<b>(353,178)</b>	<b>-1.5%</b>
CASINO REVENUE FUND				
CASINO CONTROL FUND	364,968	377,200	12,232	3.4%
GUBERN ELECTION FUND	62,737	62,737	---	0.0%
	---	---	---	0.0%
<b>GRAND TOTAL STATE APPROPRIATIONS</b>	<b>24,042,768</b>	<b>23,701,822</b>	<b>(340,946)</b>	<b>-1.4%</b>

**RECOMMENDATIONS BY DEPARTMENT**  
**STATE FUNDS**  
(in thousands)

	<b>State Operations</b>	<b>Grants- In-Aid</b>	<b>State Aid</b>	<b>Capital Construction</b>	<b>Debt Service</b>	<b>2004 Total Recommend</b>
Legislature	\$70,779	\$ ---	\$ ---	\$ ---	\$ ---	\$70,779
Chief Executive	5,529	---	---	---	---	5,529
Agriculture	9,384	436	8,642	---	---	18,462
Banking and Insurance	68,018	---	---	---	---	68,018
Community Affairs	33,282	22,200	976,915	---	---	1,032,397
Corrections	831,125	87,113	---	---	---	918,238
Education	59,077	2,623	8,100,358	---	---	8,162,058
Environmental Protection	206,692	---	14,708	80,680	68,053	370,133
Health and Senior Services	68,717	719,726	50,054	620	---	839,117
Human Services	667,985	3,224,110	289,245	5,600	---	4,186,940
Labor	60,018	33,719	---	---	---	93,737
Law and Public Safety	438,389	18,822	4,820	4,346	---	466,377
Military and Veterans' Affairs	68,675	1,044	---	165	---	69,884
Personnel	25,936	---	---	---	---	25,936
State	19,712	1,005,229	16,827	---	---	1,041,768
Transportation	87,213	260,027	25,458	738,800	---	1,111,498
Treasury	379,277	1,189,334	413,315	---	365,875	2,347,801
Miscellaneous Commissions	1,373	---	---	---	---	1,373
Interdepartmental Account	1,554,141	621,239	---	194,233	---	2,369,613
The Judiciary	502,164	---	---	---	---	502,164
<b>Total Recommendation</b>	<b>\$5,157,486</b>	<b>\$7,185,622</b>	<b>\$9,900,342</b>	<b>\$1,024,444</b>	<b>\$433,928</b>	<b>\$23,701,822</b>

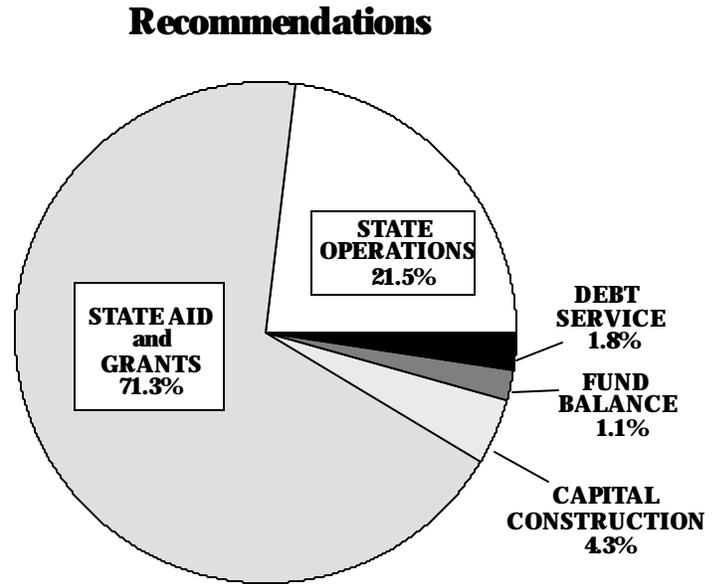
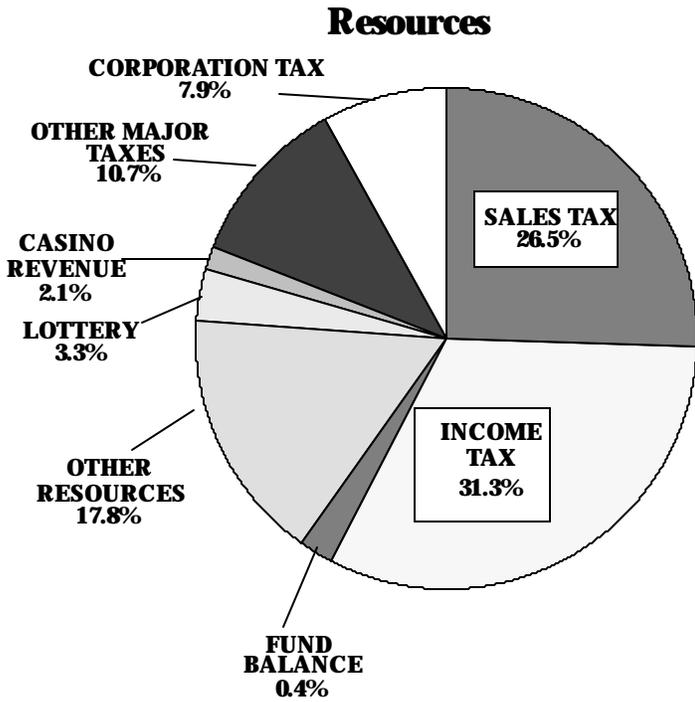
**DEPARTMENT OPERATING BUDGET**  
(in thousands)

	<b>Adjusted Approp FY 2003</b>	<b>Recom- mended FY 2004</b>	<b>Difference 2003-2004</b>	<b>% Change 2003-2004</b>
Total State Appropriations				
State Operations				
Legislature	\$74,571	\$ 70,779	\$ (3,792)	-5.1%
Chief Executive	5,945	5,529	(416)	-7.0%
Department of Agriculture	10,031	9,384	(647)	-6.5%
Department of Banking and Insurance	68,959	68,018	(941)	-1.4%
Department of Community Affairs	38,365	33,282	(5,083)	-13.2%
Department of Corrections	834,128	831,125	(3,003)	-0.4%
Department of Education	63,155	59,077	(4,078)	-6.5%
Department of Environmental Protection	214,898	206,692	(8,206)	-3.8%
Department of Health and Senior Services	102,877	68,717	(34,160)	-33.2%
Department of Human Services	660,811	667,985	7,174	1.1%
Department of Labor	61,392	60,018	(1,374)	-2.2%
Department of Law and Public Safety	477,046	438,389	(38,657)	-8.1%
Department of Military and Veterans' Affairs	74,148	68,675	(5,473)	-7.4%
Department of Personnel	26,711	25,936	(775)	-2.9%
Department of State	24,262	19,712	(4,550)	-18.8%
Department of Transportation	101,924	87,213	(14,711)	-14.4%
Department of the Treasury	404,188	379,277	(24,911)	-6.2%
Miscellaneous Commissions	1,395	1,373	(22)	-1.6%
Interdepartmental Accounts	1,330,175	1,554,141	223,966	16.8%
The Judiciary	504,703	502,164	(2,539)	-0.5%
<b>Total Executive Departments</b>	<b>\$5,079,684</b>	<b>\$5,157,486</b>	<b>\$77,802</b>	<b>1.5%</b>

# NEW JERSEY BUDGET

## RESOURCES AND RECOMMENDATIONS FOR FISCAL YEAR 2004

### ALL STATE FUNDS



#### RESOURCES

(\$000)

INCOME TAX	\$7,493,820
SALES TAX	6,333,800
CORPORATION and BANK TAX	1,902,000
LOTTERY REVENUE	783,000
CASINO REVENUE	512,200

#### OTHER MAJOR TAXES:

Motor Fuels	544,000
Cigarette	499,000
Transfer Inheritance	378,000
Insurance Premium	356,000
Motor Vehicle Fees	233,979
Petroleum Products Gross Receipts	221,000
Realty Transfer	210,000
Alcoholic Beverage Excise	83,000
Savings Institutions	20,000
Tobacco Products Wholesale Sales	10,000
Public Utility Excise	8,700

OTHER RESOURCES 4,264,823

SUB-TOTAL RESOURCES \$23,853,322

#### ESTIMATED FUND BALANCE, JULY 1, 2003

General Fund	100,000
Surplus Revenue Fund	--
Property Tax Relief Fund	--
Casino Revenue Fund	--
Casino Control Fund	--
Gubernatorial Elections Fund	1,500
<b>TOTAL</b>	<u><b>\$23,954,822</b></u>

#### RECOMMENDATIONS

(\$000)

Education	8,162,058
Human Services	4,186,940
Interdepartmental	2,369,613
Treasury	2,046,098
Higher Education	1,307,387
Transportation	1,111,498
Community Affairs	1,032,397
Corrections	918,238
Health and Senior Services	839,117
Judiciary	502,164
Law and Public Safety	466,377
Environmental Protection	370,133
Labor	93,737
Legislature	70,779
Military and Veteran's Affairs	69,884
Banking and Insurance	68,018
Other Departments	87,384

SUB-TOTAL RECOMMENDATIONS \$23,701,822

#### ESTIMATED FUND BALANCE, JUNE 30, 2004

General Fund	115,000
Surplus Revenue Fund	--
Property Tax Relief Fund	--
Casino Revenue Fund	135,000(a)
Casino Control Fund	--
Gubernatorial Elections Fund	3,000
<b>TOTAL</b>	<u><b>\$23,954,822</b></u>

(a) It is anticipated that \$135 million of General Fund Appropriations will be transferred to the Casino Revenue Fund thus reducing the Casino Revenue Fund surplus to \$0 and increasing the General Fund surplus to \$250 million.

**SUMMARY OF APPROPRIATIONS  
MAJOR INCREASES AND DECREASES**

This table summarizes the major increases and decreases in the fiscal 2004 Budget and is organized by category.

Categories of appropriations are defined as follows:

**State Operations** consists of programs and services operated directly by the State government. The largest single component is for the salary and benefits of State employees. This portion of the budget is subject to the spending limitations imposed by the Cap Law.

**Grants-in-Aid** appropriations are for programs and services provided to the public on behalf of the State by a third party provider, or grants made directly to individuals based on assorted program eligibility criteria. The Medicaid program, the Tuition Assistance Grant Program, Homestead Rebates, payments for State inmates housed in county jails, public transportation aid and funding for State Colleges and Universities fall into this category.

**State Aid** consists of payments to or on behalf of counties, municipalities, and school districts to assist them in carrying out their local responsibilities. In addition to School aid, this category of expenditure includes the Consolidated Municipal Property Tax Relief program, the Municipal Block Grant program and other forms of municipal aid. It also includes funding for county colleges, local public assistance and county psychiatric hospital costs.

**Debt Service** payments represent the interest and principal on capital projects funded through the sale of general obligation bonds.

**Capital Construction** represents pay-as-you-go allocations for construction and other infrastructure items.

**APPROPRIATIONS  
MAJOR INCREASES AND DECREASES  
(\$ In Millions)**

	<u>Increases</u>	<u>Decreases</u>	<u>Net Change</u>
<b>State Operations</b>			
Post Retirement Medical - State Employees	\$ 102.265		
Employee Health Benefits	84.581		
Contracted Salary Increases	82.304		
Employer Taxes	25.484		
Prison Operating Costs	20.143		
DYFS Reform Initiative	14.312		
Employer Pension Contributions - PFRS	6.274		
Central Rent	5.211		
Line of Credit - Equipment	5.058		
Corporate Business Tax (CBT) Dedication - Hazardous Waste/Watershed	4.910		
Reduction of Federal Funding - State Criminal Alien Assistance	3.000		
Civilly Committed Sex Offender Unit	2.892		
Bioterrorism Laboratory Rent	2.025		
Student Registration and Record System	1.500		
Department of Corrections Shift Change	1.460		
Child Welfare Unit - Division of Law	1.430		
Statewide 911 Emergency System	1.343		
Office of Government Integrity	1.000		
Teacher Preparation	0.850		
Annualization of DYFS District Office Hiring Initiative	0.754		
Smart Growth Enforcement	<u>0.250</u>		
<b>Subtotal - State Operations Increases</b>	<b><u>\$ 367.046</u></b>		

**APPROPRIATIONS  
MAJOR INCREASES AND DECREASES  
(\$ In Millions)**

	<u>Increases</u>	<u>Decreases</u>	<u>Net Change</u>
Wireless Communication/Cell Tower Assessment		\$ (46.098)	
Short Term Borrowing		(37.000)	
Tobacco Control Programs		(20.000)	
One-time Component - Sergeants and Lieutenants Contracts		(16.150)	
Early Retirement Sick Leave		(13.231)	
Early Retirement Incentive Extensions		(12.468)	
Debt Service On Pension Bonds		(12.376)	
Annualized Attrition		(8.569)	
Work First New Jersey - Technology		(7.345)	
Replace Deteriorated Modular Prison Units		(5.338)	
Department of Transportation Efficiencies		(5.264)	
Emergency Medical Technicians Fund - Medprep Offset		(5.000)	
Office of Information Technology Efficiencies		(4.537)	
Maximize CBT for Watershed Protection Programs		(3.389)	
Newborn Screening, Shift to Hospital Charges		(3.252)	
Eliminate Expansion of Cancer Initiatives		(3.250)	
Department of Health and Senior Services Efficiencies		(3.105)	
Student Statewide Testing Program		(2.963)	
Department of Corrections Efficiencies		(2.797)	
Division of Revenue Technology Upgrades		(2.503)	
State Police Recruit Class		(2.500)	
Public Advocate		(2.500)	
Parks Efficiencies/Increase Park Fee Revenues		(2.300)	
Department of Environmental Protection Efficiencies		(1.839)	
Increase Highway Occupancy Permit Fees		(1.700)	
Reduce Juvenile Justice Non-mandatory Staff Training		(1.400)	
Department of Military and Veterans Affairs Efficiencies		(1.305)	
Eliminate Office of Neighborhood Empowerment		(1.291)	
Dam Safety Administration from Shore Protection		(1.254)	
HMFA Balances - Boarding Home Regulation Assistance		(1.053)	
Public Health Protection Services Promotion		(1.000)	
Governor's Literacy Initiative		(1.000)	
Promoting Awareness and Participation in State Programs		(1.000)	
Close Springfield Rest Area		(1.000)	
Eliminate Local School Contracting Oversight and Assistance		(0.930)	
Eliminate Personal Responsibility Program		(0.850)	
Labor Standards and Safety - Wage and Hour Penalties		(0.750)	
Department of Education Efficiencies		(0.708)	
Inmate Clothing		(0.700)	
Eliminate Council on the Arts		(0.581)	
New Jersey Network Efficiencies		(0.577)	
Commission on Higher Education		(0.558)	
Department of Military and Veterans Affairs - Shift State to Federal		(0.553)	
Division of Insurance Efficiencies		(0.527)	
Eliminate Historic Site Management		(0.500)	
Electronic Benefits Transfer		(0.500)	
Emergency Allowances to Parolees Shifted to Non-Profit Organizations		(0.500)	
Eliminate Historical Commission		(0.500)	

**APPROPRIATIONS**  
**MAJOR INCREASES AND DECREASES**  
**(\$ In Millions)**

	<u>Increases</u>	<u>Decreases</u>	<u>Net Change</u>
Contingency Funds		(0.500)	
Woman's Assessment Center		(0.489)	
Juvenile Justice State Match		(0.476)	
Eliminate Garden State Preservation Trust Office		(0.468)	
Division of Investments Study		(0.425)	
Eliminate Motion Picture & TV Development Commission		(0.409)	
Chief Executive Efficiencies		(0.405)	
Eliminate Cultural Trust		(0.385)	
Casualty Insurance Policy Premiums		(0.350)	
Department of Personnel Efficiencies		(0.350)	
Eliminate Taxation Advertising Funds		(0.300)	
War Memorial Operations		(0.285)	
Eliminate Office of Volunteerism		(0.259)	
Eliminate BEST Commission		(0.245)	
Board of Public Utilities Efficiencies		(0.241)	
Eliminate Support of Delaware and Raritan Canal Commission		(0.232)	
Office of Smart Growth Efficiencies		(0.205)	
Agriculture Promotion/Market Development		(0.200)	
Architect and Contractor Fee - Division of Property Management		(0.200)	
Youth Challenge Program Reduction		(0.200)	
Main Street New Jersey		(0.200)	
Eliminate Italian American Heritage Commission		(0.135)	
Holocaust Education		(0.122)	
Eliminate Plant Pest Detection Program		(0.100)	
Ratepayer Advocate Efficiencies		(0.086)	
Eliminate Office of Cultural Affairs		(0.085)	
Department of Agriculture Efficiencies		(0.085)	
Eliminate Local Finance Board Members' Salaries		(0.084)	
Eliminate Wine Promotion Program		(0.060)	
Governmental Accounting Standards Board		(0.032)	
Department of Personnel Merit System Board		(0.028)	
Eliminate Advisory Council to Promote the Profession of Nursing		(0.025)	
Executive Commission Efficiencies		(0.022)	
Martin Luther King, Jr. Commemorative Commission		(0.020)	
Eliminate Newark Drum and Bugle Corps - Armory Rental Subsidy		(0.020)	
Other (Net)		<u>(37.005)</u>	
<b><i>Subtotal - State Operations Decreases</i></b>		<b><u>\$ (289.244)</u></b>	
<b><i>Net Change (State Operations)</i></b>			<b><u>\$ 77.802</u></b>
<b>Grants-in-Aid</b>			
Medicaid/General Assistance Health Care Growth	\$ 215.883		
Employee Health Benefits - Higher Education	41.754		
Nursing Homes and Alternatives	40.668		
General Fund Contribution to Health Care Subsidy Fund	25.200		
Replace HMFA Funds in Lifeline	25.000		
Post Retirement Medical - Higher Education	15.307		
Municipal Rehabilitation and Economic Recovery Act - EDA	10.939		
Employer Pension Contributions, Higher Education - PFRS/ABP	10.816		

**APPROPRIATIONS  
MAJOR INCREASES AND DECREASES  
(\$ In Millions)**

	<u>Increases</u>	<u>Decreases</u>	<u>Net Change</u>
Greystone Redirection II	10.000		
Corrections Community Programs	9.435		
General Assistance Support Services	6.300		
Tuition Aid Grants	5.801		
Higher Education Capital Improvement Program	5.667		
Developmental Disabilities Waiting List Placements	5.646		
Higher Education Equipment Leasing Fund	5.125		
Employer Taxes - Higher Education	3.162		
Children's System of Care Initiative (CSOCI)	3.000		
Horse Racing Litigation Settlement	2.500		
Senior Gold	1.817		
Replace One-time Funds in Substance Abuse	1.700		
Higher Education Dormitory Safety Trust Fund	1.470		
State Match - Increase Halfway Back and Day Reporting	0.730		
Kinship Child Care	0.500		
Sports and Exposition Authority Debt Service	0.360		
Technology Infrastructure Bond Fund	<u>\$ 0.026</u>		
<b><i>Subtotal - Grants-in-Aid Increases</i></b>	<b><u>\$ 448.806</u></b>		
Federal Revenue Maximization - IGT/Stimulus/Other Initiatives		\$ (330.000)	
NJ SAVER - \$100K Income Threshold		(170.670)	
Senior Public Colleges and Universities		(101.335)	
Pharmaceutical Assistance for the Aged & Disabled Waiver		(83.373)	
Family Care: Eliminate All but Non-Alien Parents Below 133%		(75.814)	
NJ SAVER - Recalculated Program Participation		(39.344)	
Implement a Preferred Drug List/Medicaid and PAAD		(31.500)	
Freeze Medicaid Outpatient Hospital Rates		(24.030)	
Business Employment Incentive Program Moratorium		(23.500)	
Family Development Programs Shifted to Federal		(21.916)	
Average Wholesale Price Discount - Medicaid/PAAD/Senior Gold		(20.959)	
Nursing Homes Provider Assessment		(18.500)	
Eliminate Council on the Arts Grants		(18.000)	
Implement \$3 Co-payment for Medicaid Prescription Drugs		(17.098)	
Eliminate Optional Medicaid Services: Dental and Chiropractic		(15.044)	
Homestead Rebate Adjustment		(14.666)	
Personal Care Attendants		(12.690)	
Mandatory Generic Substitution - Medicaid and PAAD		(11.948)	
Eliminate Research and Development - Science and Technology		(11.825)	
Eliminate Cultural Trust		(10.000)	
Maximize DYFS and Mental Health Federal Revenues		(9.745)	
Eliminate Annual Recalculation of Nursing Home Rates		(9.375)	
Eliminate Statewide Livable Communities		(9.000)	
Eliminate Hospital Assistance Grants		(7.000)	
Abbott Preschool Recalculation - Department of Human Services		(6.500)	
HMFA Balances - Community Service Waiting List, Congregate Housing and Senior Housing		(6.388)	
Delaney Hall Drug Treatment Program		(6.000)	
Alternative Parole Programs		(5.960)	

**APPROPRIATIONS**  
**MAJOR INCREASES AND DECREASES**  
**(\$ In Millions)**

	<u>Increases</u>	<u>Decreases</u>	<u>Net Change</u>
Reduce Reimbursement for Nursing Home Bedholds		(5.200)	
Eliminate Statewide Livable Communities		(5.000)	
Sports and Exposition Authority Operating Subsidy		(5.000)	
Aid to Independent Colleges		(4.485)	
Maximize Federal Funds in ElderCare		(4.277)	
January 2004 Assets Test for PAAD Eligibility - Net of Senior Gold Increase		(4.243)	
Eliminate Historical Grants		(4.102)	
Outpatient Hospital Ambulatory Payment Groups		(3.750)	
Liberty Science Center Educational Services		(3.550)	
Eliminate Freshmen Class Outstanding Scholars Recruitment Program		(3.436)	
Eliminate Bound Brook Borough and Manville Flood Aid		(3.320)	
Family Friendly Centers and School Based Youth Services		(3.312)	
Department of Human Services Contract Reform		(3.293)	
Commerce - Nanotechnology		(3.000)	
Cooper Children's Hospital		(3.000)	
Eliminate Higher Education Non-Recurring Teacher Preparation		(3.000)	
Reduce Higher Education Incentive Endowment Fund and Eliminate Scholarly Chair		(2.575)	
Eliminate Business Assistance Grants		(2.044)	
Statewide Cultural Enrichment Grants		(2.000)	
Cancer Institute of New Jersey		(2.000)	
Shift AIDS Grants to Federal Funds		(2.000)	
Eliminate Human Services' Social Services Emergency Grants		(2.000)	
Developmental Disabilities Adult Activities		(2.000)	
Eliminate Drug Utilization Review Council		(1.959)	
Commerce - Travel and Tourism Cooperative Marketing		(1.850)	
Implement Co-payments for Medicaid Non-emergent Services Provided In Outpatient Setting		(1.800)	
Eliminate Life Skills Academy		(1.500)	
Statewide Local ADA Compliance		(1.500)	
Qualified Municipality Economic Opportunity Fund		(1.500)	
Eliminate Statewide Local Tourism Development		(1.500)	
Reduce Pharmacy Costs at State Psychiatric Hospitals		(1.500)	
Breaking The Cycle		(1.500)	
50% Center for Hispanic Policy		(1.365)	
Kinship Subsidy		(1.250)	
Clinical Review for Polypharmacy - PAAD		(1.250)	
Commerce and Economic Growth Commission Efficiencies		(1.040)	
Eliminate Brownfields Redevelopment Grants - Community Affairs		(1.000)	
ElderCare Advisory Commission Efficiencies		(1.000)	
Faith Based Grants		(1.000)	
Eliminate Community Justice Grant		(1.000)	
Shift Portion of Soil and Water Conservation Grants to Garden State Preservation Trust		(0.819)	
Scholarly Chairs and Other Support to Independent Institutions		(0.815)	
Jones Farm Prison Opening		(0.686)	
General Assistance Work Activities		(0.650)	
Department of Community Affairs Efficiencies		(0.578)	
50% Grants to Displaced Homemaker Centers		(0.500)	
Eliminate Garden State Cancer Center		(0.500)	

**APPROPRIATIONS  
MAJOR INCREASES AND DECREASES  
(\$ In Millions)**

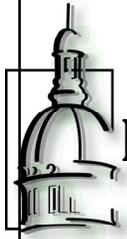
	<u>Increases</u>	<u>Decreases</u>	<u>Net Change</u>
Eliminate Kinship Care Navigator		(0.500)	
Eliminate Statewide Community Forestry		(0.500)	
Coordinated Garden State Scholarship Programs		(0.500)	
NJ Performing Arts Center Debt Service, EDA		(0.434)	
Asthma Nebulizers		(0.318)	
Implement Licensing Fees for Mental Health Programs Licensed by DMHS		(0.316)	
New Jersey Youth Corps Reduction		(0.300)	
Projected Bond Premiums - Equipment Leasing Fund		(0.300)	
Projected Bond Premiums - Dormitory Safety Trust Fund		(0.300)	
Eliminate Dover Free Clinic		(0.250)	
Eliminate St. Barnabas Hospital - Neurology Institute		(0.250)	
Research Under Contract with the Institute of Medical Research		(0.250)	
Camden Optometric Eye Center		(0.250)	
Teacher Recruitment		(0.249)	
50% Arthritis Quality of Life Initiative Act		(0.232)	
Professional Development Training Centers		(0.225)	
Eliminate Drugs are Ugly and Uncool		(0.211)	
Family Planning Services		(0.200)	
Grants to Hispanic Women's Resource Centers		(0.200)	
Prevention Related Activities Earmarked for Consumers Under Age 21		(0.150)	
Earned Income Tax Credit Marketing		(0.140)	
50% Huntington's Disease		(0.138)	
Testing for Specific Hereditary Diseases		(0.133)	
Home Care Expansion		(0.119)	
Hemophilia Services		(0.104)	
Vocational Adjustments Centers		(0.104)	
50% Tourette's Syndrome		(0.100)	
Marine Science Consortium		(0.100)	
Governor's School		(0.100)	
Eliminate New Jersey Museum of Agriculture		(0.090)	
50% SIDS Assistance Act		(0.087)	
Low Vision Equipment Reduction		(0.080)	
Cleft Palate Programs		(0.061)	
Emergency Medical Services Grants		(0.058)	
Eliminate Hamilton Township Scrap Tire Removal		(0.056)	
50% ASPIRA Grants		(0.050)	
Hearing Aid Assistance		(0.050)	
Eliminate Trenton Urban Gardening		(0.050)	
Eliminate Camden Urban Gardening		(0.050)	
Shift Commission for the Blind Services to Federal		(0.048)	
Eliminate Council of Economic Advisors		(0.045)	
Chronic Renal Disease Services		(0.041)	
Farm Management & Training Initiative		(0.024)	
Survivor Tuition Benefits		(0.015)	
Miss New Jersey Scholarship Program		(0.009)	
Other (Net)		<u>(0.350)</u>	
<b>Subtotal - Grants-In-Aid Decreases</b>		<b><u>\$ (1,224.966)</u></b>	
<b>Net Change (Grants-In-Aid)</b>			<b><u>\$ (776.160)</u></b>

**APPROPRIATIONS  
MAJOR INCREASES AND DECREASES  
(\$ In Millions)**

	<u>Increases</u>	<u>Decreases</u>	<u>Net Change</u>
<b>State Aid</b>			
Post Retirement Medical - Teachers' Pension and Annuity Fund	\$ 140.053		
School Aid CEIFA/Supplemental Programs	100.000		
School Construction	96.511		
Local School Districts - Teacher Social Security Payments	34.593		
Post Retirement Medical, Local School Districts - Non-TPAF	19.389		
Aid to County Colleges - Replace Supplemental Workforce Fund	15.000		
State Reimbursement for Veterans' Property Tax Deductions	13.281		
Local Police and Firemen's Pension Contribution	9.658		
General Assistance	8.875		
Debt Service - Higher Education, Chapter 12	7.400		
Post Retirement Medical - Local Police and Firemen	4.970		
Supplementary Security Income	4.130		
Post Retirement Medical - County Colleges	3.058		
Teacher Mentoring Program	2.000		
Alternate Benefits Program Employer Contributions - County Colleges	1.606		
Early Childhood Intervention Program	1.500		
Public Library Project Fund	0.566		
Elderly/Handicapped Transportation - Casino Revenue Fund Dedication	0.524		
Other (Net)	<u>2.469</u>		
<b>Subtotal - State Aid Increases</b>	<b><u>\$ 465.583</u></b>		
Eliminate Statewide Local Domestic Preparedness Equipment		\$ (9.000)	
Aid to County Colleges - Operational Aid		(8.000)	
Other Education Aid		(7.093)	
HMFA Balances - General Assistance/Emergency Assistance		(6.112)	
Extraordinary Aid		(5.500)	
Charter School Aid		(5.500)	
School Aid Growth Savings - Payment Change		(5.000)	
Eliminate Public Health Priority Funding		(4.100)	
Nonpublic Additional School Aid From Prior Year Receipts		(4.000)	
Extended Polling Hours		(3.252)	
Special Municipal Aid		(3.000)	
Additional School Building Aid		(2.933)	
Eliminate Newark Museum		(2.700)	
Nonpublic Technology Initiative		(2.000)	
Eliminate Department of Education District Reorganization Initiatives		(2.000)	
South Jersey Port Corporation Debt Service Reserve Fund		(1.016)	
County Psychiatric Hospitals		(1.000)	
State Library Development Aid		(0.570)	
LINCS - Local Information Network and Communications System		(0.480)	
Neighborhood Preservation		(0.350)	
Eliminate Local Environmental Commissions Funding		(0.165)	
State Library - Emergency Aid/Incentive Grants		(0.100)	
Municipal Membership - Building Codes Association		<u>(0.046)</u>	
<b>Subtotal - State Aid Decreases</b>		<b><u>\$ (73.917)</u></b>	
<b>Net Change (State Aid)</b>			<b><u>\$ 391.666</u></b>

**APPROPRIATIONS**  
**MAJOR INCREASES AND DECREASES**  
**(\$ In Millions)**

	<u>Increases</u>	<u>Decreases</u>	<u>Net Change</u>
<b>Capital Construction</b>			
New Jersey Building Authority Debt Service Including State Police Emergency Operations Center and State Museum	\$ 21.862		
CBT Dedication - Site Remediation and Underground Storage Tanks	14.210		
Statewide Fire, Life Safety, Security and Renovation Projects	9.695		
Youth and Family Services - Technology	5.600		
State Trooper Hamilton Facility	5.031		
Department of Environmental Protection Fire Alarm Upgrade	<u>0.922</u>		
<b>Subtotal - Capital Construction Increases</b>	<b><u>\$ 57.320</u></b>		
Department of Environmental Protection Projects		\$ (14.275)	
Human Services Projects		(7.500)	
Transportation Trust Fund - Debt Issuance Delay/Refunding Savings		(6.200)	
Law and Public Safety Projects		(6.000)	
New Jersey Building Authority - State Police Training Center		(5.000)	
State House Security Upgrade/Lease Renovations		(4.080)	
Other (Net)		<u>(11.772)</u>	
<b>Subtotal - Capital Construction Decreases</b>		<b><u>\$ (54.827)</u></b>	
<b>Net Change (Capital Construction)</b>			<b><u>\$ 2.493</u></b>
<b>Debt Service</b>			
HMFA Balances - General Obligation Debt Service		\$ (11.434)	
Other (Net)		<u>(25.313)</u>	
<b>Subtotal - Debt Service Decreases</b>		<b><u>\$ (36.747)</u></b>	
<b>Net Change (Debt Service)</b>			<b><u>\$ (36.747)</u></b>
<b>GRAND TOTAL</b>	<b><u>\$1,338.755</u></b>	<b><u>\$ (1,679.701)</u></b>	<b><u>\$ (340.946)</u></b>



## RECOMMENDATIONS

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*The Recommendations chapter provides information on all State departments and select commissions within the Executive Branch as well as the Judiciary, which is a separate branch of government. An overview is included for each agency that describes its mission, goals, and objectives. A brief description of major savings initiatives and capital projects and the recommended programs and budgets for fiscal 2004 are included as well. Due to pressing fiscal constraints, many hard choices were necessary to balance program and service needs within the State's limited resources. The key decisions resulting from that process are highlighted in each agency.*

*Many of the Governor's fiscal 2004 Budget recommendations for programs and services impact multiple departments and agencies. For example, the Capital and Debt Service section addresses pay-as-you-go capital projects, projects funded by bonding, bond indebtedness, property management, and lease-purchase agreements through various authorities. The Interdepartmental section provides information on centrally funded accounts that impact all departments and agencies, such as salary contracts, fringe benefits, and payroll taxes.*



## FISCAL 2004 RECOMMENDED BUDGET

	(In Thousands)
Direct State Services	\$9,384
Grants-In-Aid	\$436
State Aid	\$8,642
<b>Total General Fund</b>	<b>\$18,462</b>
<b>Total State Recommendation</b>	<b>\$18,462</b>

### OVERVIEW

The mission of the Department of Agriculture is to promote and provide high-quality, nutritious, abundant, safe, and affordable food and other agricultural products; to enhance the economic viability of the agriculture industry and foster opportunities for farm profitability; to preserve and protect agricultural and natural resources; and to provide leadership and excellence in services to New Jersey agriculture and the consuming public.

The Department's goals are to:

- Preserve farms.
- Protect and conserve natural and agricultural resources.
- Protect producers and consumers by ensuring safe, high-quality agricultural products and services.
- Support and expand profitable, innovative agricultural and food industry development.
- Provide access to fresh and nutritious foods for children, the needy, and other New Jersey citizens.
- Promote agricultural education awareness and involvement.
- Guarantee the delivery of quality services by a well-trained and motivated workforce.

*The Fiscal 2004 Budget for the Department of Agriculture totals \$18.5 million, a decrease of \$2.1 million, or 10.3%, under the fiscal 2003 adjusted appropriation of \$20.6 million.*

### BUDGET STATUS

The following describes recommended changes to the agency's appropriation as well as continued funding for major programs.

#### Preservation and Conservation

The Farmland Preservation Program purchases development easements on farms and purchases farmland outright for permanent preservation, helping to ensure a stable land base for agriculture and protecting the quality of life in communities throughout the State. Since its inception, the Garden State Preservation Trust Act has provided a total of \$313 million for farmland preservation, including \$73 million in fiscal 2003. Counting the 20,000 acres which are expected to be preserved in fiscal 2003, a total of 950 farms covering 115,000 acres will have been preserved through the farmland preservation since it began in 1983. To date, New Jersey has preserved approximately 12 percent of its estimated 830,000 acres of available farmland – a higher percentage than any other state. The State's farmland preservation program helps meet the goal for smart growth by keeping communities green, open and productive.

An additional \$100 million will be devoted over the life of the program to open space and farmland preservation throughout New Jersey. Another incentive for conservation is the implementation of a limited time capital gains tax waiver, for landowners who sell their property to the State's open space program.

The Soil and Water Conservation Grant Program provides up to 50% in matching grants for soil and water conservation projects to landowners enrolled in either the State's eight-year preservation program or the permanent Farmland Preservation Program. In addition to a State appropriation of \$361,000, the Garden

State Preservation Trust (GSPT) will fund \$819,000 of the total \$1.2 million program. Funding from the GSPT is being used for conservation projects on permanently preserved farms.

The Conservation Cost Share Program helps to improve the quality of New Jersey's waterways and ground water by providing financial and technical assistance to farmers who implement conservation practices that control non-point source pollution. To maximize program assistance to farmers and provide increased environmental benefits to the State, this funding is combined with the federal Environmental Quality Incentive Program. In fiscal 2004, the Conservation Cost Share Program's funding of \$540,000 will be provided through the Corporate Business Tax (CBT) dedication for Watershed Management, which funds similar non-point source pollution projects in the Department of Environmental Protection. New federal funds in the Farm Bill are expected to provide New Jersey farmers with additional resources for conservation projects.

#### **Continuing Programs**

The Department coordinates its Jersey Fresh marketing with the Commerce Commission's fall

advertising campaign, as well as with the New Jersey State Lottery, to maximize its impact. In addition, funding for Promotional Marketing Development matching grants of \$75,000 in fiscal 2004 enables agricultural organizations to carve out their own promotional or educational Jersey Fresh niche through such efforts as festivals and farm market promotional events.

The School Breakfast Program reimburses school districts that provide breakfast to students. The program received approximately \$1.6 million in fiscal 2003 and funding will continue in fiscal 2004 at that level. This will allow for approximately 90,000 breakfasts to be served each day. The State Aid appropriations for the School Lunch Program will continue at \$6.6 million.

#### **Program Eliminations**

State funding for the Wine Promotion Program (\$60,000) and the Plant Pest Detection Program (\$100,000) is not recommended in fiscal 2004 due to budgetary constraints. In addition, the grant to the New Jersey Museum of Agriculture (\$90,000), a private not-for-profit educational institution, and the Farm Management and Training Initiative (\$24,000) are not recommended in fiscal 2004.



# BANKING AND INSURANCE

## FISCAL 2004 RECOMMENDED BUDGET

	(In Thousands)
Direct State Services	\$68,018
<b>Total General Fund</b>	<b>\$68,018</b>
<b>Total State Recommendation</b>	<b>\$68,018</b>

### OVERVIEW

The mission of the Department of Banking and Insurance is to regulate the banking, insurance and real estate industries in a professional and timely manner that protects and educates consumers, and promotes the growth, financial stability, and efficiency of those industries.

The Department's goals are to:

- Ensure the solvency of the financial institutions and insurers through regular financial examinations and analysis.
- Protect the public from unlawful or unfair practices by insurers, financial institutions, and real estate licensees and promptly investigate complaints filed by consumers and aggressively prosecute violators.
- Issue licenses to qualified individuals and companies to provide Banking, Insurance, and Real Estate services to New Jersey citizens.
- Improve the efficient and effective review of insurance rates and forms.
- Apply technology, where appropriate, to improve its ability to work with the public and regulated industries.

*The Fiscal 2004 Budget for the Department of Banking and Insurance totals \$68.0 million, a decrease of \$941,000, or 1.4%, under the fiscal 2003 adjusted appropriation of \$69.0 million.*

In addition to the mission to regulate the banking, insurance and real estate industries, \$29.9 million of the Department's budget is used to fund the activities of the Office of the Fraud

Prosecutor in the Department of Law & Public Safety.

### BUDGET STATUS

The following describes recommended changes to the agency's appropriation as well as continued funding for major programs.

The Department's Budget seeks to maintain services while reducing costs. The Department's proposed budget of \$68 million is \$941,000 less than the fiscal 2003 adjusted appropriation of \$68.9 million. The Department has achieved organizational efficiencies without sacrificing its core mission of regulating the industry and protecting the public. Savings of \$527,000 is possible due to organizational efficiencies identified by the Department in non-operating costs of \$250,000, consolidating the Office of Anti-Fraud Compliance for \$176,000, and reorganizing the Office of the Ombudsman for \$101,000.

The Real Estate Commission is proposing to increase the licensing fees for salespersons and brokers which will generate an additional \$4.5 million in revenue. It is expected that legislation will be introduced shortly to accomplish this change. The licensing fees have not been raised since 1983.

Department has achieved the following initiatives and will continue to work toward its goals by:

- Increasing consumer access and awareness.
- Developing a predatory lending and pay day loan strategy, which includes community outreach, financial education, stronger penalties, and government coordination.
- Adopting new rules and developed systems to implement the new "Insurance Producer Licensing Act",

which facilitates licensing processing and enhances efficiency.

- Initiating a comprehensive and thoughtful approach to insurance in critical areas such as automobile and medical malpractice.

Consumer protection remains a significant part of the Department's focus. The Department will continue to focus its attention on matters of importance to consumers and make it easier for citizens to have their concerns addressed in a timely and efficient manner through the opening of the Newark Consumer Center.



## FISCAL 2004 RECOMMENDED BUDGET

	(In Thousands)
Direct State Services	\$33,282
Grants-In-Aid	\$22,200
State Aid	\$17,646
<b>Total General Fund</b>	<b>\$73,128</b>
Property Tax Relief Fund	\$959,269
<b>Total State Recommendation</b>	<b>\$1,032,397</b>

### OVERVIEW

The Department of Community Affairs (DCA) has many responsibilities, but one common mission – to help people and communities to help themselves. Through its divisions and agencies, in partnership with public, private, and non-profit entities, the Department provides a variety of services and programs to improve the quality of life in New Jersey. Departmental activities are designed to:

- Assist local governments.
- Improve communities.
- Revitalize cities.
- Create housing opportunities.
- Ensure fire and building safety.
- Promote smart growth.
- Empower women.
- Advocate on behalf of the State's Latino community.

This budget recommendation includes a number of reductions in various programs, reflecting the difficult decisions required to address the continuing revenue shortfall in fiscal 2004. Some of DCA's key programmatic reductions include an elimination of \$1.0 million for Brownfields Redevelopment Grants in concert with statewide consolidation of all brownfield efforts within the Economic Development Authority; 50% funding decreases for the Center for Hispanic Policy, Grants to Displaced Homemaker Centers, and Grants to Hispanic Women's Resource Centers of \$1.362 million, \$500,000, and \$200,000, respectively; as well

as the elimination of the Historic Site Management initiative at \$500,000.

*The Fiscal 2004 Budget for the Department of Community Affairs totals \$1.032 billion, a decrease of \$22.6 million, or 2.1%, under the fiscal 2003 adjusted appropriation of \$1.055 billion.*

### BUDGET STATUS

The following describes recommended changes to the agency's appropriation as well as continued funding for major programs.

#### Municipal Aid

Even in these difficult economic times, the State is providing more than \$1.7 billion in municipal aid during fiscal 2004, reflecting the State's continuing commitment to provide municipal governments with a stable base of revenue to address their needs for local public services.

Municipal aid programs budgeted through the Department of Community Affairs include \$836 million for Consolidated Municipal Property Tax Relief Aid, which is the single largest municipal aid program in the State Budget. The Special Municipal Aid Act, which provides assistance to eligible communities experiencing serious fiscal distress, is funded at approximately \$39 million in this Budget. Extraordinary Aid will be funded at \$25 million, while the Legislative Municipal Block Grant Program will be funded at approximately \$35 million. This Budget also provides funding of \$16.5 million for the Trenton Capitol City Aid program.

#### Smart Growth

The Office of Smart Growth is housed within DCA and consists of professional and support staff to carry out the objectives of the Governor's Smart Growth Policy Council and the State

Planning Commission. It is the intention of the Office of Smart Growth to focus new growth into redevelopment of our older urban and suburban areas, protect existing open space, conserve natural resources, increase transportation options and transit availability, stabilize property taxes, provide affordable housing, and promote coordination among State agencies with an emphasis on efforts to consolidate state redevelopment initiatives.

The Budget allows the Department to continue successful initiatives that are assisting communities in improving their neighborhoods and downtowns.

The Neighborhood Preservation Program provides direct financial and technical assistance to municipalities over a three- to five- year period to revitalize “threatened, but viable” neighborhoods.

### **Affordable Housing**

The Individual Development Account Program (IDA) provides very low-income individuals, at or below 200% of the official poverty level with the opportunity to accumulate funds to purchase a home, continue their education or to start a small business. Over a three-year period, an IDA participant’s savings account will be matched dollar for dollar by public funds. As part of the program, the participant must attend economic literacy training. This training will provide a basic understanding of the use of budgets, saving accounts, credit and financial services and will teach the participant how to reach their savings goals.

The Housing Opportunity Fund will pool \$30 million of Housing Mortgage Finance Agency (HMFA) and DCA dollars to create a single multi-purpose resource for the production and preservation of housing. The change also makes it more efficient for developers to access government funding. It will use \$270 million in State resources over four years to attract an additional \$2.2 billion to invest in New Jersey housing.

The Housing Works Program will provide employer-assisted housing by involving employers in the planning of residential

development near jobs. The initiative will establish partnerships between large private employers and municipalities to address housing problems that may impede economic growth. A State investment of \$6 million from HMFA funding, and \$6 million from the Balanced Housing Program will provide seed money to be matched with \$12 million of employer contributions.

Affordable housing developments across the State will receive key funding from the Department’s Neighborhood Preservation Balanced Housing Program. The funds, derived from a portion of the State Realty Transfer Fee, represent an important investment in safe, decent, and affordable housing.

The Department will receive funding for a variety of programs targeted to assist citizens in need. During a period of economic downturn, such programs are especially important. The State continues to fund existing programs and initiatives including: 1) the Division on Women’s Displaced Homemaker Centers, which offers job counseling and other support services to women who have lost the income of a spouse, and 2) the Center for Hispanic Policy, Research and Development, which ensures the empowerment of the Latino/Hispanic community through financial and technical assistance to community based organizations, and other activities.

### **Historic Trust**

Pursuant to Governor McGreevey’s Reorganization Plan No. 002-2002, the Historic Trust has been transferred to the Department of Community Affairs as “an in-but-not-of” agency. Since 1990, the Historic Trust, through its Historic Preservation Bond Grant Program, has awarded over \$52 million to 182 historic projects throughout the State. An additional \$13.4 million has been awarded for historic projects through the Garden State Preservation Bond Grant Program to 87 grantees to date. In total, over \$65.6 million has been awarded to 269 historic projects.

### **Government Records Council**

As an “in-but-not-of” agency, the Government Records Council provides a wide range of technical, educational, printed and web-based assistance and guidance to the public and government records custodians concerning the Open Public Records Act. It resolves access to records complaints received from the public with intervention, mediation, investigation and adjudication.



**FISCAL 2004  
RECOMMENDED BUDGET**

	(In Thousands)
Direct State Services	\$831,125
Grants-In-Aid	\$87,113
Capital Construction	\$0
<b>Total General Fund</b>	<b>\$918,238</b>
<b>Total State Recommendation</b>	<b>\$918,238</b>

**OVERVIEW**

The mission of the New Jersey Department of Corrections is to ensure that all persons committed to the State’s correctional institutions are confined with the level of custody necessary to protect the public, and that they are provided with the care, discipline, training, and treatment needed to prepare them for reintegration into the community.

The Department’s goals and objectives are to:

- Control Costs and Improve Productivity and Operational Efficiency
- Expand Treatment and Rehabilitation Services
- Expand Community Programs and Reintegration Services
- Improve Academic and Educational Programs

The Department will accomplish these goals and objectives by:

- Maximizing the Use of Technology to Improve Service Delivery and Costs
- Expanding Inmate Public Service Programs and Outreach Efforts
- Evaluating and Measuring Program Effectiveness
- Enhancing Emergency Response Capability
- Expanding Inmate Work Programs

*The Fiscal 2004 Budget for the Department of Corrections totals \$918.2 million, a decrease of \$1.4 million, or 0.2%, under the fiscal 2003 adjusted appropriation of \$919.7 million.*

**BUDGET STATUS**

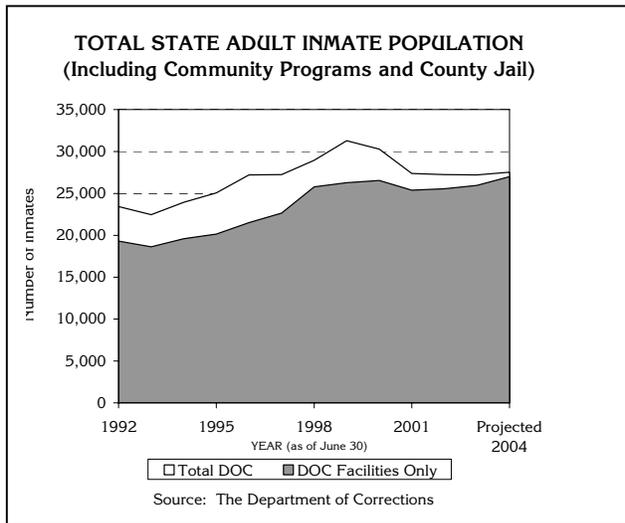
The following describes recommended changes to the agency’s appropriation as well as continued funding for major programs.

**Prisons**

The Division of Operations is responsible for 14 major institutions - 12 men’s correctional facilities, one women’s correctional institution, and the central reception/intake unit. Collectively, county jails, community treatment programs and these facilities, which are diverse and unique in their operations, house approximately 27,000 inmates in minimum, medium, and maximum security levels. The maximum security New Jersey State Prison contains the State’s Capital Sentence Unit. The Adult Diagnostic and Treatment Center operates a rehabilitative program for habitual sex offenders. Northern State Prison contains the Security Threat Group Management Unit, which houses gang members considered a threat to the safety of the institutions and individuals. The Edna Mahan Correctional Facility, New Jersey’s only correctional institution for women, houses inmates at all security levels.

In fiscal 2004, \$757.5 million is recommended for State prison facilities and system-wide program support, a net decrease of \$3.1 million from the fiscal 2003 adjusted appropriation. Components of the change are a net reduction of \$12.8 million resulting from the closure of deteriorated modular units at Southern State Correctional Facility; increases of \$7.5 million to fund the opening of a new 352 bed unit at Southern State Correctional Facility; \$2.9 million to fund civilly committed sex offenders; and \$3

million to offset the projected loss of federal funds for housing criminal aliens.



Funding of \$21.1 million is recommended for the purchase of services for approximately 975 inmates incarcerated in county penal facilities. This represents a net decrease of \$7.9 million from the fiscal 2003 adjusted appropriation due primarily to an increase in the number of parolee alternative supervision slots for technical parole violators rather than returning them to correctional facilities (see State Parole Board section for program details), and some expansion of double bunking in the institutions.

### Programs and Community Services

The Division of Programs and Community Services offers an array of institutional and community-based programs for offenders, including community labor assistance, academic and vocational educational programs, recreational programs, library (lending and law) services, and substance abuse treatment. The Division contracts with private and non-profit providers throughout the State to provide community-based residential treatment programs for offenders under community supervision.

In fiscal 2004, an \$8.9 million increase is recommended for Community Service Programs, primarily to replace \$8.6 million in one-time surplus funds carried forward from fiscal 2003. Due to fiscal constraints, \$1.5

million funding for the Life Skills Academy program is eliminated in fiscal 2004.

### State Parole Board

The State Parole Board’s mission is to promote the effective and efficient assessment of inmates prior to parole and the efficient supervision of parolees after they have attained parole status. The Division of Parole is responsible for monitoring parolee compliance with special release conditions imposed by the State Parole Board and the collection of fines, penalties, and restitution payments owed by parolees.

A significant number of inmates with parole release dates participate in community release programs. The Board has also diverted a number of offenders to Alternative Sanction/Special Caseload Programs where they can receive additional attention. Parolees who are identified as requiring intensive supervision or who have demonstrated societal integration difficulties are assigned to these alternative programs.

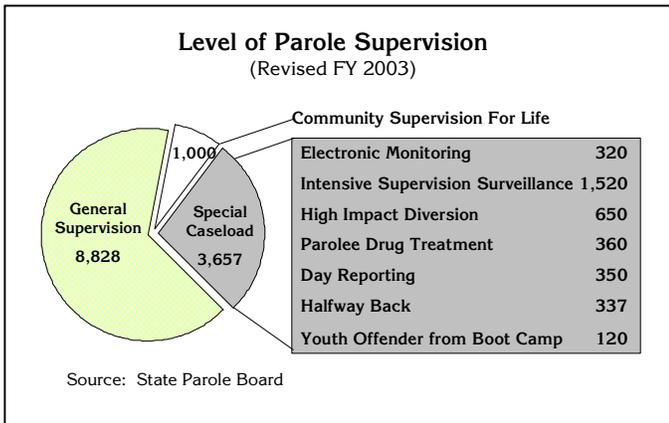
The fiscal 2004 Budget for the State Parole Board totals \$60.2 million, an increase of \$5.3 million, or 9.6%, over the fiscal 2003 adjusted appropriation of \$54.9 million. This increase includes \$4.9 million to place additional technical parole violators in the alternative parole programs specifically designed to offer specialized help in social, medical, job search training, drug treatment, or where a higher level of supervision can be implemented rather than have them returned to the prison system. It is anticipated a corresponding cost savings of \$10.9 million in the Department of Corrections will result by utilizing these less expensive but more result-oriented alternative programs. This will produce a net savings to the State of \$6.0 million.

In fiscal 2004, funding for alternative programs supports Electronic Monitoring/Home Confinement (\$5.0 million), Intensive Supervision Surveillance Program (\$5.1 million), High Impact Division Program (\$3.5 million), and Intensive Parolee Drug Program (\$2.3 million).

A part of the Mutual Agreement Program or MAP, was transferred in fiscal 2003 from the Department of Corrections to the State Parole Board and has a budget recommendation of \$3.1 million. This program provides inpatient and outpatient substance abuse treatment to parolees in need of these services. A new residential treatment program, the Re-Entry Substance Abuse Program, is part of the expanded alternatives initiative. It has a recommended budget of \$2.1 million.

technical parole violators to provide a highly supervised resident environment which will concentrate services in the areas of the offenders' highest needs such as addictive or chemical dependencies or life skills development. The program is operated by third-party providers and is funded with both federal and State funds. The total funding for the program in fiscal 2004 will be \$10.7 million, of which \$3 million is State funding.

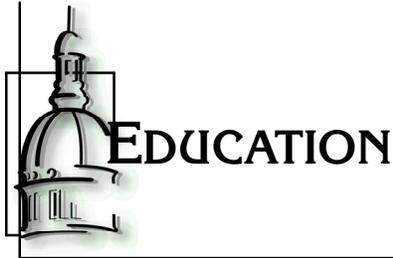
The Day Reporting Centers are operated by third-party providers and are funded with federal funds and a state match. Fiscal 2004 funding for the Day Reporting Program is \$6.1 million, of which \$552,000 is State funding.



### Capital Recommendations

For a description of capital projects, see the Capital and Debt Service section of this chapter.

The Halfway Back Program was initiated in fiscal 2002 to reduce recidivism. It is designed for



## FISCAL 2004 RECOMMENDED BUDGET

	(In Thousands)
Direct State Services	\$59,077
Grants-In-Aid	\$2,623
State Aid	\$2,729,266
Capital Construction	\$0
<b>Total General Fund</b>	<b>\$2,790,966</b>
Property Tax Relief Fund	\$5,371,092
<b>Total State Recommendation</b>	<b>\$8,162,058</b>

### OVERVIEW

The primary mission of the Department of Education is to provide leadership so that all children receive a meaningful and effective education. The Department will provide leadership for improvement in all districts. It will foster a system of education that facilitates continued success through flexibility, innovation and competition.

The Department's primary and immediate objective is to realize the goal that every child will read at or above grade level by the end of third grade. This includes recognition that quality early childhood education programs with a rich literacy curriculum are part of the overall solution. As noted below, the State is investing resources specifically directed to achieve this goal.

The Department has realigned its priorities to become an educational leader and a partner with school districts. The Department's responsibility to safeguard taxpayers' investments, ensure compliance with federal and State laws, and assure the health and safety of facilities continues, but the Department is placing new emphasis on service and support to school districts. A new set of guiding principles directs the organization and function of the Department:

- It must be a service and support, mission-driven organization.
- It should seek the involvement of people and providers with direct experience and expertise in fulfilling its mission.

- It should enlist a broad group of stakeholders in redefining achievement and workplace readiness.
- It should develop incentives and accountability measures to improve performance with fewer resources.
- It should continue to evaluate the effectiveness of its efforts and those entities it supports through a centralized data base information system.

The Department will ensure accountability for public dollars by motivating schools to provide high-quality and cost-efficient programs, and assist school districts in providing a safe and drug-free learning environment in all schools. Department staff will demonstrate professional conduct that reflects high integrity and respect for the diversity of all people, and the Department will model this conduct with all local school employees.

In support of its mission, the Department:

- Establishes standards and designs assessments which link directly to those standards.
- Assures accountability for reaching established standards with a system of rewards and sanctions.
- Provides assistance for the achievement of established standards through professional development, support of model programs, serving as a "clearinghouse" for sound practices, promoting the effective use of technology, and supporting school-business partnerships.
- Engages the public in discussion and debate.

*The Fiscal 2004 Budget for the Department of Education (DOE) totals \$8.162 billion, an increase of \$367.6 million, or 4.7%, over the fiscal 2003 adjusted appropriation of \$7.795 billion.*

## **BUDGET STATUS**

The following describes recommended changes to the agency's appropriation as well as continued funding for major programs.

### **School Aid**

School Aid for fiscal 2004 is recommended at \$8.1 billion, an increase of \$373.8 million from fiscal 2003. This figure includes \$6.8 billion in Direct Aid awards to school districts. It also provides \$1.2 billion for post-retirement medical benefits and debt service on pension bonds and the employer's share of social security payments for teachers made by the State on behalf of local school districts.

The fiscal 2004 Budget recommendation includes an increase of \$100 million in formula-related and supplemental school aid - \$50 million for Abbott districts and \$50 million for other districts. Direct Aid includes the consolidation and redistribution of distance learning network aid, rewards and recognition, and aid for approved adult education and post-graduate programs in a manner that ensures that no district experiences a loss and provides additional aid to other than the wealthiest districts based on projected October 2003 enrollments.

### **School Construction**

School Aid also includes \$111.5 million for the School Construction and Renovation Program. The fiscal 2004 funding will provide for State debt service and increased aid for recently issued local debt for school construction. Under the Educational Facilities Construction and Financing Act (EFCFA), the State will provide 100% of an Abbott district's approved construction/renovation project costs, while all other districts are guaranteed a minimum of 40% of approved project costs. This program makes funding for facilities available to 239 districts that were not eligible under the prior debt service program and provides a significant increase in support to all other districts.

The fiscal 2004 Direct State Services Budget of \$59.1 million includes \$3.0 million for the operation of the Department's Office of

Facilities. This office will provide extensive review of proposed facilities projects as well as ensure that districts are held strictly accountable for their use of these funds. The office will work with the New Jersey Schools Construction Corporation (SCC), a newly formed subsidiary of the Economic Development Authority (EDA). Under EFCFA, the EDA was tasked with the job of constructing school facilities projects in the 30 Abbott districts and the approximately 31 districts with an operating budget State support ratio of 55% or higher.

The Long Range Facilities Plans have been approved for the Abbott districts. The SCC is approving school facilities projects in these districts, acquiring land and beginning construction of the first new schools approved and designed under the school construction program. The SCC also will continue working with the non-Abbott districts that opt to enter into grant agreements with the SCC for the State's share of the approved eligible project costs. The Corporation has begun streamlining procedures and regulations for procurement in accordance with Executive Order #24. Under the revised process, it is anticipated that the program will require \$1 billion in additional resources in fiscal 2004 for capital construction and grants, which are planned in two \$500 million bond issues.

### **Early Childhood Education**

Under the Comprehensive Educational Improvement and Financing Act of 1996 (CEIFA), all districts awarded Early Childhood Aid were required to provide full-day kindergarten and half-day preschool programs for four-year-olds by the 2001-2002 school year. For Abbott districts, the preschool requirement was expanded to full-day, full-year programs for three- and four-year-olds. It is expected that the number of Abbott preschoolers served in fiscal 2004 will continue to grow from the fall 2002 enrollments. If approved enrollment levels of 42,000 are achieved, 80% of the potential student population will be served. The Budget provides \$142.4 million for the expansion of preschool programs in these districts, an increase of \$30 million above the fiscal 2003 spending level.

### **Governor's Literacy Program**

The Budget provides \$9 million for reading coaches and other forms of reading assistance to schools, children and communities. These efforts will help achieve the goal that every student will be able to read at or above grade level by the third grade. The \$1 million decrease in funding leaves adequate funds to support the operation of the program in its second year.

### **Teacher Enhancement Programs**

The Budget recommends \$850,000 for teacher preparation programs, which include development of a summer institute to provide intensive training to potential teachers choosing the alternate route and grants to help teachers seeking National Board of Professional Teaching Standards certification.

Funding is recommended to support efforts to increase the retention rates of new teachers by funding the Teacher Mentoring Program at \$2.0 million in fiscal 2004. This program reimburses districts for the stipends paid to experienced teachers to serve as mentors to new teachers.

### **Student Registration and Record System**

The fiscal 2004 Budget recommends \$1.5 million in funding to establish a comprehensive web-based education data warehouse that will enable the State to determine the effectiveness and efficiency of its public education system by providing essential information about educational performance of individual students.

### **Grants-in-Aid**

Appropriations of \$225,000 for professional development training centers and \$318,000 for

asthma nebulizers are eliminated in fiscal 2004 as the program requirements have been satisfied. The Liberty Science Center subsidy of \$250,000 was eliminated because of fiscal constraints.

### **Continuing Programs**

The Budget continues to support the Marie H. Katzenbach School for the Deaf, providing \$2.9 million in fiscal 2004.

The development of new assessments to determine student achievement of the Core Curriculum Content Standards continues in this Budget by funding Statewide Assessments at \$13.2 million, a decrease of almost \$3.0 million from fiscal 2003. This reflects a reduced need in State funding for the program based on the recently awarded contract and the availability of federal funds for testing.

The Budget continues to support \$1.7 million, a \$100,000 reduction from fiscal 2003, for grants to six higher education institutions for the Governor's School Program, a summer residential program at State college campuses offering intensive experiences for artistically and academically talented high school students. It is assumed that the grantees will pursue alternative funding sources or reduce their costs.

The Budget provides \$619,000 for the third year of recruitment incentives to increase the number of preschool teachers in all Abbott school districts. The teachers will receive partial forgiveness of outstanding student loans and/or a tuition coupon for graduate education in a New Jersey institution.



# ENVIRONMENTAL PROTECTION

## FISCAL 2004 RECOMMENDED BUDGET

	(In Thousands)
Direct State Services	\$206,692
Grants-In-Aid	\$0
State Aid	\$4,255
Capital Construction	\$80,680
<b>Total General Fund</b>	<b>\$291,627</b>
Property Tax Relief Fund	\$10,453
<b>Total State Recommendation</b>	<b>\$302,080</b>

## OVERVIEW

The mission of the Department of Environmental Protection is to serve the residents of New Jersey by preserving, sustaining, protecting and enhancing public health, natural resources, and the environment, while ensuring sustainable economic growth. The Department will accomplish its mission in partnership with the general public, businesses, the environmental community and all levels of government.

The Department's goals include: combating sprawl, securing a clean water future, protecting communities from toxics, preserving the state's natural treasures, and promoting 21<sup>st</sup> century stewardship of the environment and the organization. Its objectives are to:

- Develop and enforce reasonable, clear, and scientifically based standards to protect human health, the environment and natural resources.
- Protect the public trust through sound management and restoration of natural resources.
- Promote private stewardship and innovation in preventing pollution and in protecting and restoring the environment and natural resources, while promoting biodiversity and protecting the water supply through land acquisition, enforcement and conservation.

- Promote sustainable living, including conservation of water and energy, use of environmentally friendly building materials, promotion of renewable energy, and the reduction of waste through recycling and reuse programs.
- Ensure public access to safe local parks, the waterfront, protected open space, and historic and natural resources.
- Assist the Department and its partners in decision-making through increased availability of access to facility and resource data, using the most advanced information systems.
- Ensure the environment and natural resources of all communities receive equal protection and benefits under the Department's regulations and programs.
- Employ a decision-making process that is open, comprehensive, timely, predictable and efficient and enhance environmental awareness and stewardship through education and communication.

*The Fiscal 2004 Budget for the Department of Environmental Protection (DEP), excluding Debt Service, totals \$302.1 million, a decrease of \$13.9 million, or 4.4%, under the fiscal 2003 adjusted appropriation of \$316.0 million.*

## BUDGET STATUS

The following describes recommended changes to the agency's appropriation as well as continued funding for major programs.

### Parks Management

In order to maintain the many parks, forests and natural areas in the state, an across-the-board fee increase will be implemented for fiscal 2004. This fee increase is a way to maintain key services in a difficult budget. The last fee increase for the parks was in 1991. As a percent of total operations, New Jersey's park

fees are among the lowest in the Northeast at 14%, with other states having fee revenue in the 30% range. The number of State parks has not expanded in seven years, and over the next three years this Administration will look to create or upgrade 200 local parks and add at least two State parks. The Governor's open space policy aims to preserve unspoiled land by discouraging undue growth and improve cities.

### **Shore Protection, Flood Control, and Dam Repair**

The fiscal 2004 Budget provides \$25 million for shore protection and other natural resources engineering projects from the Realty Transfer Fee, pending the enactment of legislation to broaden the allowable uses of the Shore Protection Fund. Beach restoration projects are recommended at a level of \$12.5 million, which, combined with \$13.1 million in unexpended balances from fiscal 2003, will make a total of \$25.6 million available for shore protection in fiscal 2004. These funds will leverage up to \$52.6 million in federal funds and \$6.5 million in local funds for beach replenishment projects. The projects planned for fiscal 2004 include beach fills at Townsend Inlet, Raritan Bay, Absecon Island, and Asbury Park to Deal.

Changes to the Shore Protection Fund dedication are being sought to allow other projects, including inland flood control and dam repairs, to be funded from the \$25 million dedication in fiscal 2004. To protect lives and property, \$8.3 million is recommended for flood control projects. These funds will generate an additional \$30 million in federal funds and \$2.5 million in local funds. Projects planned include the Ramapo River at Oakland, the Green Brook, the Harrison/Passaic River and the Mahwah/Suffern River. Funding of \$4.2 million from the dedication will be made available for private and public dam repairs and the associated administrative costs of the Dam Safety program.

### **Corporation Business Tax**

The 1996 constitutional dedication of 4% of the annual revenue raised from the State's Corporation Business Tax (CBT) continues to provide funds to finance the cleanup of privately

owned underground storage tanks, remediation of contaminated sites, watershed monitoring and planning, and the Department's administrative costs. According to current CBT revenue projections, the Department will receive \$74.9 million from the CBT dedication in fiscal 2004. This is an increase of \$19.1 million from fiscal 2003 funding levels.

For fiscal 2004, \$30.7 million will be dedicated to the clean-up of hazardous waste sites, up \$7.8 million from fiscal 2003. Funding for the remediation of private underground storage tanks will increase \$6.4 million from fiscal 2003 to \$25.0 million. Funding available for administrative costs associated with the clean-up of hazardous sites will increase by \$1.7 million in fiscal 2004, from \$5.0 million to \$6.7 million. Watershed Management program funding will increase from \$9.3 million in fiscal 2003 to \$12.5 million in fiscal 2004. Of the total increase in CBT Watershed, \$3.4 million will offset current General Fund appropriations for water resource management programs, generating savings in the following programs: \$1.4 million for New Jersey Geological Survey, \$157,000 for Watershed Management, \$800,000 for Water Monitoring and Planning, \$500,000 for Forest Resource Management and \$540,000 for the Conservation Cost Share program in the Department of Agriculture.

### **Right to Know**

All companies in the state are annually assessed a fee to administer the Worker and Community Right to Know Act, a program that provides information to residents and workers about the presence of hazardous substances in the community and workplace. For fiscal 2004, the minimum assessment paid by companies with less than 26 employees will be raised from \$50 to \$75 and the per employee fee paid by companies with 26 or more employees will be raised from \$2 to \$4. These increases will yield an additional \$2.1 million in annual revenue to the Worker and Community Right to Know Fund. Fees for this program have not changed since 1991. These increases will allow the fund to fully support Worker and Community Right to Know programs in the Departments of Environmental Protection, Health and Senior Services, and Labor.

### **Community Revitalization: Brownfields and Open Space**

The Department's newly created Office of Brownfields will help towns plan for the remediation and reuse of industrial sites whereby these sites can be reused for not only commercial space, but homes, parks, and schools. There are an estimated 1,300 brownfield sites in New Jersey. Policy changes will focus on reducing uncertainties and inefficiencies in existing site remediation regulations and broadening the scope of potential uses for brownfield sites. To generate additional funding sources for these remediation efforts, pending legislation will reallocate \$30 million from the Hazardous Discharge Fund of 1986, already appropriated to the Department of Environmental Protection, and make these funds available for Hazardous Discharge Site Remediation Fund loans and grants through the NJ Economic Development Authority. This will make additional funding available without incurring any cost to the General Fund. Additionally, \$9 million of prior State appropriations to the New Jersey Redevelopment Authority for grants to localities for remediation efforts, will be funded instead through the Hazardous Discharge Fund, thereby generating savings of \$9 million.

The Garden State Preservation Trust has approved a new financing structure, beginning in fiscal 2003, that will allow the State to minimize interest and debt service costs to taxpayers while maximizing the proceeds generated for the open space program. The plan will provide the Garden State Preservation Trust an additional \$100 million, through the use of current interest and zero coupon bonds, to expedite the preservation of New Jersey's critical open space. The Governor's Anti-Sprawl agenda sets new priorities for open space preservation, and the new financing plan will increase the funding resources available to accomplish these goals.

### **Reductions**

The total operating budget for the State's parks, including cost savings achieved through administrative efficiencies and the fee increase offset, will decrease from \$34.1 million in fiscal 2003 to \$30.5 million in fiscal 2004, down \$3.6 million or 10.5%. Historically, many positions in the parks have remained unfilled and this Budget recognizes savings through the elimination of funding for those vacant positions. The fiscal 2004 Budget also reflects the elimination of funding for the support of the Delaware and Raritan Canal Commission.

Line of credit financing reductions will generate savings of \$854,000, and nonrecurring start-up costs for New Jersey Environmental Management System (NJEMS) generate savings of \$500,000. Other reductions include a cost shift of \$228,000 to federal funding sources in the Water Supply program, \$194,000 in Policy, Planning and Science programs, and \$100,000 in administrative efficiencies in the Department's central services account.

All DEP grant programs are eliminated. This includes the \$5 million Statewide Livable Communities grant program, the \$500,000 Statewide Community Forestry program, and the \$165,000 Local Environmental Commissions state aid program.

The fiscal 2004 budget recommends a decrease of \$1.5 million in the Department's salary accounts associated with savings from the fiscal 2003 attrition program and the assumption that only one of every three retirees who took advantage of the Early Retirement Incentive (ERI) program will be replaced. This Budget also recommends a reduction of \$611,000 in the salary accounts for staff who were granted extensions up to June 30, 2003 under the ERI program.



# HEALTH AND SENIOR SERVICES

## FISCAL 2004 RECOMMENDED BUDGET

	(In Thousands)
Direct State Services	\$67,846
Grants-In-Aid	\$467,150
State Aid	\$50,054
Capital Construction	\$620
Total General Fund	\$585,670
Casino Revenue Fund	\$253,447
Total State Recommendation	\$839,117

## OVERVIEW

The mission of the Department of Health and Senior Services is to foster accessible health and senior services of the highest quality for all people in New Jersey to ensure optimal health, dignity, and independence. The Department's initiatives prevent disease, promote and protect the well-being at all life stages, and encourage informed choices that enrich the quality of life for individuals and communities. This mission is accomplished through leadership, collaborative partnerships, accountability, advocacy—especially for those with the greatest need—and a strong commitment to informing and serving the diverse health needs for New Jersey citizens.

The Department's objectives are to:

- Prepare New Jersey to rapidly detect, identify, and respond to health-related aspects of biological, chemical, radiological, nuclear, explosive, and incendiary acts of terrorism as well as natural disasters and disease outbreaks.
- Eliminate disparities in health care access, treatment, and clinical outcomes between racial, ethnic, and socioeconomic populations, in part through cultural competency, education, and partnering with minority-oriented health organizations.
- Implement science evidence-based primary and secondary prevention programs designed to decrease mortality

rates of health conditions such as heart disease, cancer, and stroke, and promote longer and healthier lives.

- Strengthen New Jersey's public health infrastructure by adopting and implementing best practice standards, creating a comprehensive communications system that links health care providers and institutions statewide, and forms a coordinated disease surveillance and response network.
- Provide high quality services that promote independence, dignity, and choice for older adults in New Jersey.
- Optimize access to the highest quality health care for the people of New Jersey.

*The Fiscal 2004 Budget for the Department of Health and Senior Services totals \$839.1 million, a decrease of \$475.1 million, or 36.2%, under the fiscal 2003 adjusted appropriation of \$1.314 billion.*

## BUDGET STATUS

The following describes recommended changes to the agency's appropriation as well as continued funding for major programs.

## HEALTH SERVICES

Recognizing the fiscal constraints faced by the State, the fiscal 2004 Budget eliminates funding for the following programs: Public Health Priority Funding (\$4.1 million), Local Health Department Information Network (LINCS), St. Barnabas Hospital-Neurology Institute, Emergency Medical Services, Drugs are Ugly and Uncool Campaign, Primary Care Services - Dover Free Clinic, Electronic Death Certificate, Timely Issuance of Export Certificate, Human Exposure to Hazardous Waste, Testing for Specific Hereditary Disease, the Advisory Council to Promote the Profession of Nursing, and Vocational Adjustment Centers. Funding for the Animal Control Program and Rabies Control Program were moved to dedicated accounts

where they are supported by fees. Funding for newborn screening will be entirely supported by fees assessed to hospitals. Funding for various anti-smoking initiatives will be reduced from \$30 million to \$10 million and the program will be focused on preventing young people from taking up the habit. Funding for Tourette Syndrome Association of New Jersey, SIDS Assistance Act, Services to Victims of Huntington's Disease, Chronic Renal Disease Services, Hemophilia Services, Cleft Palate Programs, AIDS Grants, Identification System for Children's Health and Disabilities, and Medical Waste Management Program have also been reduced.

The fiscal 2004 Budget provides \$18 million in funding for the Cancer Institute of New Jersey, \$2 million less than in fiscal year 2003. Due to fiscal constraints, the funding for Expansion of Cancer Initiatives of \$3.25 million has been eliminated, together with the \$.5 million for the Garden State Cancer Center.

### **Early Childhood Intervention Program**

The Early Childhood Intervention Program is a federal mandated entitlement program which provides services for those infants and toddlers up to age three who may be developmentally delayed. The fiscal 2004 Budget recognizes the historical growth experienced by the program. However, the Budget also assumes that the program will be restructured to reduce costs by \$3.5 million during fiscal 2004 and that \$4.0 million will be transferred from the Catastrophic Illness in Children Relief Fund to offset growth.

### **SENIOR SERVICES**

The fiscal 2004 Budget continues funding for the Department's major programs. Funding is provided to continue the Pharmaceutical Assistance to the Aged and Disabled Program, which provides needed pharmaceutical services to seniors and disabled clients with incomes below \$20,016 if single and \$24,542 if married. Clients are required to pay a \$5.00 copayment for each prescription. The Budget also includes funding for the Senior Gold Program that provides pharmaceutical services to aged and disabled clients with incomes below \$30,016 if single and \$34,542 if married. Senior Gold

clients pay a \$15.00 copayment and 50% of the remaining cost of the drug.

The Budget includes a number of changes to the Pharmaceutical Assistance to the Aged and Disabled Program (PAAD) designed to reduce overall program costs, including:

Implementation of a polypharmacy program designed to review the prescriptions of individuals who receive over 10 prescriptions each month. The program is designed to improve the client safety while reducing costs. Estimated savings are \$1.25 million.

A decrease in the reimbursement to pharmacies, which will be based on the Average Wholesale Price (AWP) minus 15%, rather than the current discount of 10%. Estimated savings are \$9.2 million.

Establishment of a mandatory generic substitution program as well as a voluntary mail order program. Estimated savings are \$3.9 million.

Implementation of a preferred drug list, as well as a program for supplemental manufacturer rebates. Estimated savings are \$7.4 million.

Establishment of an Assets Test for beneficiaries. PAAD clients with assets in excess of \$75,000 for single individuals and \$100,000 for married couples will be moved from PAAD to the Senior Gold Program. These clients will, however, continue to receive Lifeline benefits and Hearing Aid Assistance. Estimated savings are \$4.2 million.

The Budget also includes a number of changes in Medicaid nursing home reimbursement. First, the budget includes funding to restore the target occupancy rate for nursing homes to 85%, at a cost of \$2.0 million. In addition, nursing home rates will not be rebased during fiscal 2004 to save \$9.4 million. The rates will, however, be adjusted for inflation.

Finally, the Budget assumes the implementation of an assessment on nursing home days. This assessment will increase federal Medicaid dollars received by the State. Funding for the Arthritis

Quality of Life Program and the Elder Care Advisory Commission Initiative is reduced by \$1.2 million.

The Budget reflects a \$330 million increase in federal funding from the Intergovernmental Transfer (IGT) Program, which results in an equivalent lowering of State funding to nursing homes. The Budget also includes funding for an additional 375 Assisted Living slots. The Assisted Living Program provides a cost effective alternative to nursing home care for the Medicaid population.

#### **Lifeline – Energy Assistance**

In fiscal year 2004, energy assistance grants provided to senior citizens and the disabled through the Lifeline program will be moved from the Department of Health and Senior Services to the Board of Public Utilities and funded from an assessment on residential and commercial energy bills. Funding and eligibility for the program will not change. An annual total of \$72.4 million will be collected from ratepayers

by various public utilities and deposited in the Board of Public Utilities' Universal Service Fund, thus completely offsetting the current State appropriation for Lifeline. The BPU will administer the program through an interagency agreement with the Department of Health and Senior Services (DHSS) governing the continued use of DHSS' existing Lifeline staff to maximize efficiency. Because the Lifeline program was partially funded from the Casino Revenue Fund (CRF), this shift also provides an opportunity to redirect existing CRF revenue to other pressing needs for seniors and the disabled. This initiative, which includes tenants and homeowners, creates a steady funding source to help New Jersey seniors and disabled pay for the cost of energy.

#### **HEALTH PLANNING and EVALUATION**

The fiscal 2004 Budget continues funding for Charity Care payments to hospitals. The State's cost for this program increases by \$25.2 million in fiscal year 2004 due to a reduction in other funding sources utilized for Charity Care.



# HIGHER EDUCATION

## FISCAL 2004 RECOMMENDED BUDGET

	(In Thousands)
Senior Public Institutions	\$767,420
County Colleges	\$200,333
Independent Colleges	\$20,000
Student Assistance	\$229,046
Other Programs	\$90,588
<b>Total State Higher Education</b>	<b>\$1,307,387</b>

### OVERVIEW

The mission of higher education is to better humankind—morally, intellectually, physically, and materially—and to educate citizens and leaders for a diverse and complex society. The higher education system is dedicated to serving all residents who have the interest and potential to learn, regardless of their economic circumstances. By placing teaching and learning at the core of its mission, the higher education system in New Jersey prepares individuals for fulfilling lives, rewarding careers, and lifelong learning. Through research, colleges and universities enhance teaching and learning, increase knowledge, and improve the quality of life.

The system of higher education in the State of New Jersey has a tripartite structure consisting of the higher education institutions, the Commission on Higher Education, and the New Jersey Presidents' Council.

The 31 public institutions and the 25 private institutions of higher education have clearly differentiated missions, and offer diverse opportunities to meet the needs of students, the State, and society, including undergraduate, graduate, and professional degree programs; research; academic support; and noncredit offerings, such as job training and continuing education. Many institutions also offer community services, including recreational and

cultural events, as well as support and technical assistance for small businesses.

The Higher Education Restructuring Act of 1994 created the New Jersey Commission on Higher Education to provide coordination, planning, policy development, and advocacy for the State's higher education system in collaboration with the New Jersey Presidents' Council.

The Presidents' Council is an advisory body composed of the presidents of all public institutions of higher education and those independent institutions receiving State aid. The presidents of proprietary institutions participate as non-voting members. The Council makes recommendations on new programs, regional alliances, budget and student aid levels, licensure, and the statewide higher education master plan.

*The Fiscal 2004 Budget for Higher Education Services totals \$1.307 billion, a decrease of \$80.5 million, or 5.8%, under the fiscal 2003 adjusted appropriation of \$1.388 billion.*

Note that the fringe benefit contribution is not included in the fiscal data box; this appropriation appears in the *Interdepartmental* section of the Budget.

### BUDGET STATUS

The following describes recommended changes to the agency's appropriation as well as continued funding for major programs.

The fiscal 2004 total recommended funding to the Commission on Higher Education is \$962,000. This is a decrease of \$588,000 under the fiscal 2003 level.

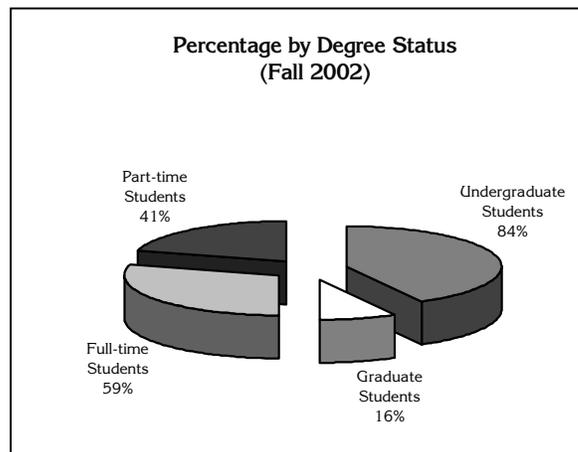
The State's 12 senior public colleges and universities operate autonomously, each with its own board of trustees, to develop and carry out

its mission. The recommended direct operating aid and fringe benefit funding to the 12 four-year public colleges and universities is \$1.23 billion for fiscal 2004. This represents a net decrease of \$35.9 million under the fiscal 2003 level, with an increase of \$65.4 million in fringe benefit funding offsetting a reduction of \$101.3 million in direct institutional grants.

There are 14 independent institutions in New Jersey that receive funding through the Independent College and University Assistance Act and participate in other State funded programs, including facilities bond funds, programs for special student populations, and student grant, scholarship, and loan programs. The fiscal 2004 Budget recommends funding to the independent colleges and universities in the amount of \$20 million for direct operating aid, a reduction of \$4.49 million under the fiscal 2003 adjusted appropriation.

The county college system is composed of 19 institutions that provide access to higher education for a broad range of New Jersey residents, many of whom might otherwise be denied the benefit of a college education. Total services and recommended funding for the county colleges, including operating aid, fringe benefits, and debt service funding, is \$205.3 million for fiscal 2004, an increase of \$4 million from fiscal 2003. Of this amount \$5 million will be funded from the Department of Labor Supplemental Workforce Fund for Basic Skills. Direct aid to the county colleges is \$152.6 million, a reduction of \$8 million under the fiscal 2003 level.

The figures that follow provide institution enrollments and degree status for New Jersey's



public and private colleges and universities.

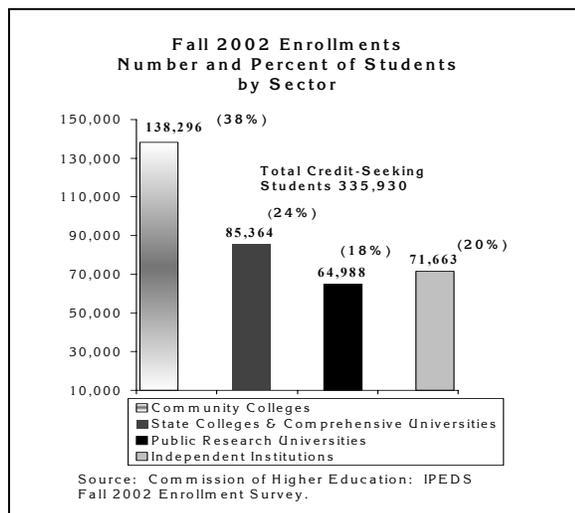
### Expanding Educational Opportunity

New Jersey's historically strong commitment to student aid is a key ingredient for ensuring access to higher education. Program options address need-based and merit-based funding, specialty grants, and savings incentives.

The Higher Education Student Assistance Authority (HESAA) was established to be the primary source for financial aid information and services in the Garden State for students interested in pursuing their education beyond high school. Funding to HESAA of \$2.3 million is recommended for fiscal 2004.

New Jersey's Tuition Aid Grant (TAG) Program is one of the nation's largest financial aid programs, and New Jersey ranks among the top states in providing need-based aid. Depending on need, a TAG award can cover a significant portion of the tuition cost. Approximately one in every three full-time New Jersey students receives a TAG, and awards may be used at New Jersey postsecondary institutions, including community colleges, State colleges, and private institutions. Total recommended funding for the TAG program in fiscal 2004 is \$175.7 million, providing a projected 53,400 grants. This is a \$5.8 million increase from the fiscal 2003 level.

The Educational Opportunity Fund (EOF) is New Jersey's oldest and one of the nation's most comprehensive State-supported efforts to



provide access to higher education for students who are economically and educationally disadvantaged. To ensure those students most in need have an opportunity to attend college, the Fund provides supplemental financial aid to help cover college costs (e.g., books, fees, room and board) that are not covered by the Tuition Aid Grant Program. To ensure a viable opportunity for students to succeed and graduate, the Fund also supports a wide array of campus-based outreach and support services at 28 of the public, and 13 of the independent institutions.

Over 18,000 educationally and economically disadvantaged students were helped in fiscal 2003. The State will continue the fiscal 2003 level of funding for EOF grants in fiscal 2004 with a recommendation of \$35.1 million.

The Outstanding Scholar Recruitment Program provides merit scholarships to students based on a combination of class rank and SAT scores. The program not only recruits New Jersey's highest-achieving high school students to attend colleges and universities in the State, but also seeks to recognize, value, and support their commitment to achievement. Due to fiscal constraints, funds will not be available to support an incoming freshman cohort, but will provide support for those already in the program. This will result in a savings of \$3.4 million in fiscal 2004.

The New Jersey Better Educational Savings Trust (NJBEST) Program continues to offer an attractive option for parents to save for their children's college education. Changes to the IRS tax code permitted states to develop college savings programs in which earnings are tax-free if used for qualified higher education expenses. NJBEST also provides three other State-based incentives, including interest earnings free from New Jersey's Gross Income Tax, \$25,000 in savings excluded from consideration of eligibility for State need-based aid, and a scholarship to individuals who save through the program for at least four years and then enroll in a New Jersey college or university. An estimated 18,000 participants are saving for higher education expenses through this program.

NJ Transfer, an online articulation system, is a key component of the State's policy to provide seamless transfer between county colleges and the senior public colleges and universities. It provides a web-enabled database of course equivalencies and specific articulation agreements, an online course catalog, the electronic exchange of transcripts, and electronic transcript evaluation. Students benefit because they are able to take courses at a community college, secure in the knowledge that those courses will be accepted by the four-year institution to which they will transfer. In light of fiscal budget constraints, maintenance funding of \$563,000 is recommended for fiscal 2004, the same funding level as in fiscal 2003.

### **State Library**

The State Library, associated with Thomas A. Edison State College, collects and maintains library resources, providing information to State government and the general public. Additionally, the Library provides consulting and technical assistance to institutional, public, school, and special libraries. This Budget includes a Direct State Services recommendation of \$3.3 million and a State Aid recommendation of \$16.8 million.

### **Capital Recommendations**

The Educational Facilities Authority provides assistance to the public and private colleges and universities of New Jersey by giving them access to tax-exempt financing through a public financial agency. This supports the infrastructure and capital needs of the various New Jersey educational institutions.

In fiscal 2004, support is continued for debt service costs of a variety of valuable higher education capital programs, including the \$550 million Higher Education Capital Improvement Program, the \$100 million Equipment Leasing Fund, the \$55 million Higher Education Technology Infrastructure Bond Fund, the \$220 million Higher Education Facilities Trust Fund, and the \$90 million Dormitory Safety Trust Fund. Debt service for these programs in fiscal 2004 is recommended at \$78.5 million, an increase of \$11.7 million over fiscal 2003.

The Dormitory Safety Trust Fund Program provides low interest or interest-free loans to eligible institutions to properly equip dormitories of secondary schools, military schools, boarding schools, and institutions of higher education with automatic fire suppression systems to help ensure the safety of every student. All \$90 million is expected to be bonded in fiscal 2003 and have a 15-year life. Debt service for fiscal 2004 is recommended at \$10 million, an increase of \$1.2 million over fiscal 2003.

Under the \$55 million Higher Education Technology Infrastructure Bond Fund, colleges and universities are required to match funding (through institutional funds or corporate support) for all projects. This bonding program earmarks \$50 million to assist New Jersey's public and independent colleges and universities in developing the infrastructure necessary for high-speed voice, video, and data transmissions essential for today's global, high-tech economy. The Fund also provides \$5 million for statewide library technology initiatives through the New Jersey State Library. Debt service for fiscal 2004 is recommended at \$6.45 million, an increase of \$26,000 over fiscal 2003.

County colleges are eligible to participate in the Chapter 12 bond program, a \$330 million self-renewing capital funding mechanism specifically for these institutions. Counties or eligible authorities issue bonds for new construction, acquisition, expansion, or capital renewal or replacement, and the State shares the debt service equally with the counties. In fiscal 2004, debt service payments by the State are anticipated to be \$24.9 million. This is an increase of \$7.4 million over the fiscal 2003 projected debt service.



# HUMAN SERVICES

## FISCAL 2004 RECOMMENDED BUDGET

	(In Thousands)
Direct State Services	\$667,985
Grants-In-Aid	\$3,128,347
State Aid	\$289,245
Capital Construction	\$5,600
<b>Total General Fund</b>	<b>\$4,091,177</b>
Casino Revenue Fund	\$95,763
<b>Total State Recommendation</b>	<b>\$4,186,940</b>

### OVERVIEW

*The Fiscal 2004 Budget for the Department of Human Services totals \$4.187 billion, a decrease of \$650,000, or 0.0%, under the fiscal 2003 adjusted appropriation of \$4.188 billion.*

The New Jersey Department of Human Services (DHS) is the state's social services agency that serves about one million of the state's most vulnerable citizens. The department is dedicated to providing high quality services and resources to protect, assist and empower: children at risk; economically disadvantaged individuals and families; and people with disabilities. The department emphasizes PeopleFIRST in the delivery of services and strives to ensure a seamless array of services through partnerships and collaboration with communities statewide.

### BUDGET STATUS

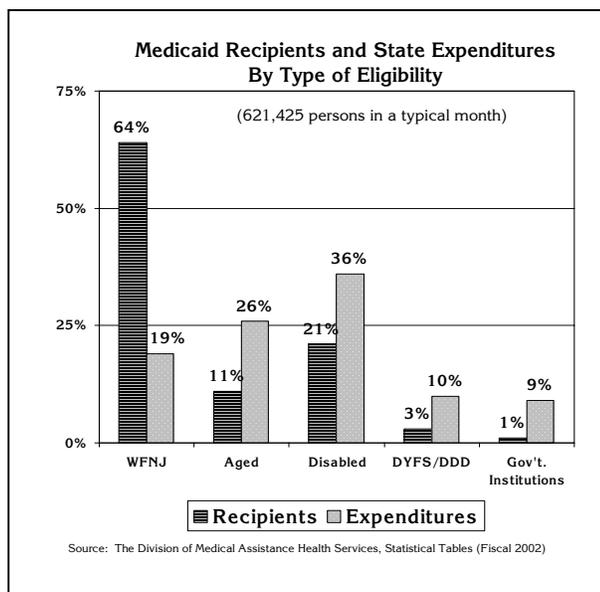
The following describes recommended changes to the agency's appropriation as well as continued funding for major programs. The Department of Human Services's fiscal 2004 budget contains a responsible level of funding which provides for the critical needs of the State's most vulnerable populations.

The Department of Human Services State fiscal 2004 budget, exclusive of capital construction, is recommended at \$4.181 billion, an increase of \$1 million over the fiscal 2003 adjusted appropriation. The Department is also expected to receive \$3.736 billion in federal funds for fiscal 2004. As in other areas of the State's budget, there are proposed changes to enhance revenues, in fee supports and in services, which will continue to enable the most needy individuals and families access to reasonable, responsible care.

### Supporting Economically Disadvantaged Individuals and Families

In this budget year, the Department continues to support the efforts of people who are leaving welfare for work, or people who are struggling economically, by continuing to provide the following: child care subsidies, child support enforcement, funding for Abbott Early Childhood Education programs, emergency housing assistance (funded with dollars from the Housing and Mortgage Finance Authority), payments to kinship caregivers, work readiness activities, mental health treatment, and transportation subsidies. During fiscal 2004, \$1.3 million was added to provide psychotropic medications to people who have left General Assistance to pursue employment. Recognizing lower than anticipated costs, the Budget reduces funding for Abbott Expansion by \$6.5 million and Breaking the Cycle by \$1.5 million. Other small reductions occurred in General Assistance Work Activities. Family Day Care Provider Registration and Mini Child Care Grants will be funded with federal funds.

## Division of Medical Assistance and Health Services



While 71% of Medicaid clients receive physical health care coverage through a managed care network, the remaining are still covered under fee-for-service. In addition, all Medicaid clients receive substance abuse and mental health services on a fee-for-service basis. As part of the State's effort to lower costs by encouraging clients to seek care in the most appropriate setting and to encourage clients to voluntarily enroll in managed care, the Division of Medical Assistance and Health Services (DMAHS), the State's Medicaid agency, will institute an expanded co-pay schedule. This year, DMAHS will begin to charge non-pregnant adults who are on Medicaid or are receiving other health care services through DMAHS a \$3 co-pay for each outpatient hospital visit. Outpatient clients will also be charged \$25 for any emergency room visit that is not considered an emergency. It is estimated this initiative will save the State \$2 million. Also, there will be no increase in rates for fee-for-services outpatient hospitals due to the Division capping reimbursement rates.

Additionally, DMAHS will increase the federal government's share of providing emergency health care services to children under the care of the Division of Youth and Family Services, the state's primary child protection agency. This

move will increase federal funding for these services, which are currently paid for entirely with state funds, by \$5.5 million.

New Jersey expanded health insurance coverage for children in 1998 through the federal State Children's Health Insurance Program (SCHIP). Today, more than 93,000 children are enrolled in the State's SCHIP -- NJ FamilyCare. The program had been expanded to cover parents up to 200% of the federal poverty level and other adults. However, to ensure that resources are available to continue serving children and lowest-income parents, the DMAHS will limit NJ FamilyCare enrollment in fiscal 2004 to children up to 350% of the federal poverty level and their parents up to 134% of the federal poverty level. This measure allows the State to continue to focus on providing health access to uninsured children in New Jersey. In fiscal year 2004, State funding for FamilyCare adults in NJ FamilyCare will be \$133 million, a reduction of \$76 million.

In an effort to continue serving the largest number of people possible while trying to limit costs in a difficult budget year, the DMAHS will reduce the availability of health care services not required under federal Medicaid rules. New Jersey currently offers one of the richest Medicaid benefit packages in the country, which includes not only services that are federally mandated, but also most of the services that are considered optional for the Medicaid program, including prescription drugs, home health, podiatry, optometry and others. As a necessary cost-saving measure and so that health services can continue to be provided to as many of New Jersey's most vulnerable citizens as possible, DMAHS will limit dental coverage and chiropractor services for non-pregnant adults. This will reduce Medicaid costs by \$15 million (dental) and \$44,000 (chiropractic).

With spending on prescription drugs for Medicaid clients projected to increase, DMAHS will take measures in fiscal 2004 to control those escalating costs. The Division anticipates saving \$63 million in State funds through several measures which include: implementing a preferred drug list, a supplemental manufacturer's rebate program, requiring

prescriptions to be filled with a generic drug when available and appropriate; increasing the pace with which generic prescriptions are introduced in the market and increasing the discount to pharmacies from the Average Wholesale Price (AWP) minus 10% to AWP minus 15%. The Division also proposes to bring its purchasing practices more in line with the commercial market by leveraging its purchasing power, requiring an increased discount on prescription drugs, and charging non-pregnant adults a \$3 co-payment per prescription for drugs received through the fee-for-service system.

The Department will promote the use of appropriate generic drugs in the State psychiatric hospitals. The Department will also continue to maximize federal reimbursements for behavioral health services for people with mental illness.

### **Division of Youth and Family Services**

As the State's child welfare and protective services agency, the Division of Youth and Family Services (DYFS) focuses on the needs of abused, neglected and troubled children. Through a combination of State and Federal funds, DYFS is recommended to receive more than \$530 million to ensure the safety and well-being of children throughout New Jersey.

### **DYFS Reform Initiative**

Demonstrating the Governor's commitment to strengthening child welfare and protective services, the fiscal 2004 budget includes \$14.3 million in funding for a DYFS Reform Initiative. The initiative will add 273 full-time positions to reduce caseload ratios and enhance the effectiveness of the agency to fulfill its mission to protect children – representing the fourth-consecutive year of position growth in the Division. Further, the Reform Initiative funds operational enhancements for field workers that include additional vehicles, mobile phones and security personnel.

This initiative is coupled with a 54 percent funding increases for the State Automated Child Welfare Information System (SACWIS) from \$3.3 million in fiscal 2003 to \$5.6 million in

fiscal 2004. To be implemented before the close of fiscal 2005, SACWIS will provide automated case management tools to assist front line staff manage caseloads.

### **Community Services**

The Division of Developmental Disabilities (DDD) will continue to provide essential services to developmentally disabled consumers in New Jersey. To that end, additional funding of \$3.0 million is provided in fiscal 2004 to continue the placement of developmentally disabled consumers in the community, continuing the Division's commitment to complete the various Community Services Waiting List (CSWL) Transition initiatives. An additional \$2.6 million has been added for deferred costs for clients placed in fiscal 2003.

The Division will also develop a new initiative to enhance in-home support services, day programming and other needed services to individuals (some of whom may already be on the CSWL) living at home with their families. This new initiative, announced last fall, addresses the reality that the DDD caseload has doubled in the last decade, with many more consumers living at home with their families. This new initiative will expand services to these individuals and will be developed in concert with community stakeholders and will be funded entirely through increasing the amount of Medicaid federal funds received by the State of New Jersey.

The principal features of this new initiative are: an increase in community-based services including respite and day programming; an increase in federal Medicaid funding for these services under the State's federal Community Care Waiver; and an increase of consumer contributions.

Personal Care Services in the Division of Disabilities Services (DDS) as well as the Division of Medical Assistance and Health Services will implement a \$3.00 co-pay for Personal Care Services. This will allow continuation of services to the most needy home-based individuals. Besides this cost share provision, DDS will cap in-home service hours for some clients.

In the Division of Mental Health Services, additional funding of \$10 million has been added to the fiscal 2004 community services budget to enhance admission diversion services and increase the number of supervised housing placements. This effort is part of the Redirection 2 Initiative.

### **Children's System of Care Initiative**

The Children's System of Care Initiative will continue the transition (begun during fiscal 2003) of appropriate DYFS Residential services into this initiative, which is designed to provide more effective holistic case management and services for seriously emotionally and behaviorally involved children. It also continues to phase in new geographic areas as the department moves toward a statewide system of care. The initiative is refocusing its efforts on: urban areas; increasing community input; and joining forces with other state and local child-serving agencies to better coordinate care. This initiative has been highly successful in leveraging federal funds in order to fuel its continued growth.

### **Institutional Care**

The State maintains six psychiatric facilities to serve voluntarily admitted or legally committed persons with mental illness. This includes one facility for pre-adolescent school age children and adolescents who have been legally committed and a forensic center on the grounds of Trenton Psychiatric Hospital. New Jersey counties operate a total of six psychiatric hospitals. State aid to counties provides funds for 90 % of the maintenance costs of county

patients. Based on projected expenses, funding to support the county hospitals is reduced by \$1.0 million. The State maintains seven developmental centers, which provide residential, habilitation, and educational services for the developmentally disabled.

As part of a sweeping effort to improve quality of care and maintain federal certifications, the department continued to increase staffing in the state's psychiatric hospitals and developmental centers. Compared to January 2002, more than 630 direct care staff will be added to the state's six psychiatric hospitals and seven developmental centers.

In order to further improve quality and oversight of department services, the Department's Office of Program Integrity and Accountability has begun the process of centralizing incident reporting and will centralize, streamline and standardize licensing and inspection functions that have historically operated in separate divisions independent of each other.

The Department's Division of Deaf and Hard of Hearing opened its long-awaited assistive devices demonstration center in New Brunswick's Joseph Kohn Rehabilitation Center. As a result of this initiative, New Jersey's deaf, late deafened hard of hearing and deaf-blind residents now have the opportunity to try out a wide range of devices with no pressure to buy.

### **Capital Recommendations**

For a description of capital projects, see the *Capital and Debt Service* section of this chapter.



## JUDICIARY

### FISCAL 2004 RECOMMENDED BUDGET

	(In Thousands)
Direct State Services	\$502,164
<b>Total General Fund</b>	<b>\$502,164</b>
<b>Total State Recommendation</b>	<b>\$502,164</b>

#### OVERVIEW

The Judiciary is an independent branch of government constitutionally entrusted with the fair and just resolution of disputes in order to preserve the rule of law and to protect the rights and liberties guaranteed by the Constitution and laws of the United States and this State.

The Judiciary is organized into 15 vicinages encompassing the 21 counties in the State and the Administrative Office of the Courts, which provides administrative services to the courts. Approximately seven million new cases are filed in New Jersey's courts every year, including six million in Municipal Court and one million in Superior Court. These cases address matters concerning civil, criminal and family law.

The Judiciary is continuously working to improve the quality of justice in New Jersey focusing on fairness, economy, convenience, accessibility, consistency and timeliness. To this end, the Judiciary is implementing uniform statewide operations to ensure fairness and efficiency, utilizing technology to save time and money, and taking steps to provide more convenient access to court services and information. Ongoing efforts to improve the quality of the Judiciary's services in the coming year will include enhancements to the municipal traffic ticket e-payment system, additional statewide "best practice" initiatives, and improved timeliness of case resolution. Through these efforts, we will continue to earn the trust and confidence of those we serve.

*The Fiscal 2004 Budget for the Judiciary totals \$502.2 million, a decrease of \$2.5 million, or 0.5%, under the fiscal 2003 adjusted appropriation of \$504.7 million.*

The \$2.5 million decrease is due to the non-recurring costs associated with the early retirement program.

#### BUDGET STATUS

The following describes recommended changes to the agency's appropriation as well as continued funding for major programs.

##### Drug Courts

The Drug Court Program, an alternative to incarceration, provides court-supervised treatment for carefully screened, non-violent offenders with addictions. The program's purpose is to break the cycle of drug-driven crime through treatment and close supervision of eligible offenders. The pilot drug courts in Camden, Essex, Mercer, Passaic and Union vicinages initially provided the framework for the statewide project. The Judiciary added five more drug courts in fiscal 2002: Bergen, Cumberland/Gloucester/Salem, Monmouth, Morris/Sussex and Ocean vicinages. The fiscal 2004 funding recommendation for the Drug Court Program is \$18.4 million, of which \$12.4 million is designated for the Department of Health and Senior Services for drug treatment.

##### Kinship Legal Guardianship

The fiscal 2004 funding recommendation for the Kinship Legal Guardianship Program is \$3.2 million, virtually the same level of funding as fiscal 2003. The program addresses the needs of children who cannot reside with their parents due to the parents' inability to provide appropriate care. The program allows relatives to assume full responsibility for the child. Relatives must provide for the child's health, protection, education, and maintenance until the child reaches age 18. The Kinship Legal Guardianship Program was created to establish a more stable and permanent alternative to custody or long-term foster care.



## FISCAL 2004 RECOMMENDED BUDGET

	(In Thousands)
Direct State Services	\$60,018
Grants-In-Aid	\$31,279
Total General Fund	\$91,297
Casino Revenue Fund	\$2,440
Total State Recommendation	\$93,737

### OVERVIEW

The mission of the Department of Labor is to maintain a responsive and dynamic approach to serving the workforce needs of New Jersey's employers and workers through programs that enhance the quality of the State's labor force and labor market activities. The Department offers job training to align worker skills with business needs, ensures safe and equitable working conditions, and provides wage replacement benefits to workers idled due to layoffs or temporary disability.

*The Fiscal 2004 Budget for the Department of Labor (NJDOL) totals \$93.7 million, a decrease of \$2.9 million, or 3.0%, under the fiscal 2003 adjusted appropriation of \$96.6 million.*

### BUDGET STATUS

The following describes recommended changes to the agency's appropriation as well as continued funding for major programs.

#### Supplemental Workforce Fund for Basic Skills (SWFBS)

The New Jersey Supplemental Workforce Fund for Basic Skills (P.L. 2001, c. 152) provides for the redirection of a portion of employer and employee contributions that would otherwise have gone to the Unemployment Insurance Trust Fund. The primary goal of the Basic Skills program is to promote adult literacy in the workplace by providing basic skills training for

unemployed and employed workers. The funds are to be used as follows: 24% - One-Stop Career Centers; 28% - Workforce Investment Boards; 38% - Individual employers, employer organizations, labor organizations, community-based organizations, or educational institutions; 10% - To the Department for administrative costs of the program (the Department's Budget includes \$2 million provided from the Fund for this purpose).

In addition, \$5 million will be used in fiscal 2004 to offset the cost of Basic Skills education at New Jersey's 19 Community Colleges.

#### Workforce Development

In fiscal 2004, the Workforce Development Partnership Fund will provide \$97.5 million to strengthen job training efforts, including a \$47.5 million transfer from the WDP to offset State appropriations for the Department of Human Services' Work First New Jersey program. The Workforce Development Partnership (WDP) program, funded through a dedicated assessment on workers and their employers, is a key component in the State's effort to train workers and job seekers to meet employer's needs and to move people from welfare to work. The customized training aspect of the WDP program provides matching grants to employers to upgrade the skills of their workforce. Customized training is an important component of the State's economic development package. Since January 1, 1994, \$248 million has been provided in State funding to train 351,421 workers employed by 6,348 firms. These employers have invested approximately \$416 million in matching training dollars.

Funding for the John J. Heldrich Center for Workforce Development is continued at \$4 million and will be supported by non-state resources. The Center provides an independent source of analysis for reform and innovation in

policy-making and employs cutting-edge research and evaluation projects to identify best practices in workforce development and employment and workplace policy. It is also engaged in significant partnerships with the private sector to design effective education and training programs and is committed to assisting job seekers and workers attain the information, education, and skills training they need to move up the economic ladder.

### **Workplace Standards**

The Workplace Standards program is responsible, in part, for the Prevailing Wage Act, which addresses most publicly funded construction projects including school construction. The Divisions of Wage and Hour Compliance, and Public Safety and Occupational Safety and Health are responsible for administering and enforcing a wide variety of labor laws providing employees with safe and equitable working conditions; protecting our good faith employers from unfair competition by employers who willfully violate our labor laws; and protecting the public from various hazardous business operations. This program will receive \$5.2 million in fiscal 2004, a decrease of \$982,000 from the fiscal 2003 adjusted appropriation. However, the recently enacted P. L. 2002, Chapter 95, which increases administrative penalties for prevailing wage violations, is anticipated to produce sufficient revenue to continue to fully support the operations of the Workplace Standards programs.

This Budget also reflects Reorganization Plan 002-2002, which became effective January 17, 2003, and transfers the asbestos and mechanical inspection functions from the Department of Community Affairs to the Department of Labor, whose core mission includes the functions of worker and workplace safety. A total of \$561,000 and 31 staff positions are reflected in the budget. Revenue generated by the asbestos licensing and the boiler inspections is also reflected in the budget and is used to offset the costs of operating and managing these programs.

### **Unemployment Insurance**

The New Jersey Department of Labor administers the federally funded Unemployment Insurance (UI) program. The primary function of this program is to provide wage replacement benefits to workers who have become involuntarily unemployed. The program provides a safety net for New Jersey workers and their families during periods of economic downturn. New Jersey's December 2002 unemployment rate of 5.5 percent was down from November's rate of 5.6 percent. The rate has remained within a narrow range of 5.3 percent to 5.6 percent since March 2002. The federal Temporary Extended Unemployment Compensation (TEUC) program that ended December 28, 2002, was extended by Congress in early January. This extension means that unemployed workers that exhausted regular benefits and could not file TEUC claims on or after December 28, 2002, may now file claims.

### **Vocational Rehabilitation Services**

State funding for the Vocational Rehabilitation Services program is recommended at \$32.1 million for fiscal 2004. The Vocational Rehabilitation Services program enables individuals with disabilities to achieve employment outcomes consistent with their strengths, priorities, needs, abilities and capabilities. A broad range of medical and training services are provided to assist in preparing for and acquiring employment, including Sheltered Workshop Support, which offers adult training services for individuals who need help with basic vocational skills and supported employment services that include on-site job coaches.

### **Trust Funds**

The diversion of contributions to several trust funds will continue to be used to support health care and other issues in fiscal 2004. A total of \$325 million from employer and employee contributions that would have otherwise been earmarked for the Unemployment Insurance Fund will once again help support health care programs. The UI Trust Fund cash balance on December 30, 2002, was \$2.3 billion. The Budget also utilizes \$30 million from the State Disability Insurance Program. The Fund will

continue to pay disability payments and support the administrative operation of the State Disability Insurance program.

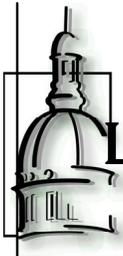
### **Workers' Compensation**

The Division of Workers' Compensation continues to fulfill the mandate of the Workers' Compensation Law (NJSA 34:15-1 et seq.) by providing effective and efficient services to the injured workers of New Jersey and their employers, by providing a forum in which a fair and impartial hearing can determine compensation, and if found, appropriate compensation to such workers for their disabilities. The Division's fiscal 2004 Budget recommendation is continued at \$11.9 million. In the spring of 2003, Phase III of the Division's

Case, Organization, Utilization, Reporting, Tracking System (COURTS) is expected to be fully implemented. This is a nationally recognized system that will reduce the volume of data entry and improve the quality of data submitted for workers' compensation cases.

### **PUBLIC EMPLOYMENT RELATIONS COMMISSION**

The Public Employment Relations Commission (PERC) is an independent agency within the Department of Labor that resolves disputes between public employees and their employers. The New Jersey Employer-Employee Relations Act of 1968 established PERC's authority. PERC, along with the PERC Appeal Board, has a combined budget of \$3.1 million in fiscal 2004.



# LAW AND PUBLIC SAFETY

## FISCAL 2004 RECOMMENDED BUDGET

	(In Thousands)
Direct State Services	\$402,498
Grants-In-Aid	\$18,822
State Aid	\$4,820
Capital Construction	\$4,346
<b>Total General Fund</b>	<b>\$430,486</b>
Casino Control Fund	\$35,799
Casino Revenue Fund	\$92
<b>Total State Recommendation</b>	<b>\$466,377</b>

## OVERVIEW

The Department of Law and Public Safety, under the direction of the Attorney General, handles very diverse and complex responsibilities, primarily focused on the safety and protection of the lives and property of New Jersey citizens. Statewide law enforcement and emergency response services have become a critical area of concern in light of recent threats of domestic terrorism. Other equally important functions of this department are protecting civil rights, enforcing consumer protection laws, and acting as the legal representative of State interests in all legal matters. In addition, public confidence is maintained in the operation of the alcoholic beverage, gaming, racing, and boxing industries.

The Department's goals and objectives include:

- Providing and maintaining general statewide police, investigative, intelligence, counter-terrorism and emergency services; support and coordination of State and local law enforcement agencies; maintaining and operating criminal records and identification systems.
- Providing a single, centralized agency to help coordinate the State's counter-terrorism and preparedness efforts, protecting the State against the threat of future terrorist attacks through increased

information gathering and analysis in partnership with federal, local and state agencies.

- Providing day and residential programs for juvenile offenders throughout the State, protecting the public from juvenile criminal offenders. Planning, development, operation and contracting of sanctions and services for juveniles charged as delinquent.
- Preventing and eliminating practices of discrimination against persons because of race, creed, color, national origin, ancestry, sex, age, marital status, mental or physical handicap, or nationality.
- Protecting the rights of consumers and enforcing public protection laws and the Consumer Fraud Act, working towards the goals of preventing fraud, unfair dealings in advertising or sales techniques. Activities also include the regulation of buying and selling of securities, fund raising organizations, employment agencies, bingo games and raffles, and uniform standards of weights and measures.
- Issuing licenses to manufacturers, transporters, warehouses, and wholesalers of alcoholic beverages and supervising State and municipal retail liquor licensing to foster responsibility and moderation in the sale and consumption of alcoholic beverages.
- Maintaining the integrity of gaming, horse racing, and boxing industries through regulations, investigations, and prosecutions.
- Developing innovative State and local programs to reduce and prevent injuries and fatalities through a statewide highway traffic safety program.

*The Fiscal 2004 Budget for the Department of Law and Public Safety totals \$466.4 million, a decrease of \$55.4 million, or 10.6%, under the*

*fiscal 2003 adjusted appropriation of \$521.8 million.*

## **BUDGET STATUS**

The following describes recommended changes to the agency's appropriation as well as continued funding for major programs.

### **Office of the Attorney General**

As head of the Department of Law and Public Safety, the Attorney General serves as the state's chief law enforcement officer and legal advisor, and is responsible for the management and administration of the department.

The fiscal 2004 Budget recommendation includes \$1 million to enhance the ability of the Office of Government Integrity, in concert with the Division of Criminal Justice, to uncover and prosecute public corruption. In addition, \$250,000 is included for smart growth enforcement, which will provide towns with the full legal weight of the State Attorney General to fight developers who want to build in over-developed or protected areas.

### **State Police**

The fiscal 2004 recommendation for the Division of State Police is \$215.5 million, a decrease of \$37.6 million, or 14.9% below the fiscal 2003 adjusted appropriation of \$253.1 million. Most of the reduction in funding will be supported by revenue generated from the agency surcharge on vehicle rentals (\$5 million), and a proposed wireless communication/cell tower assessment (\$32.1 million out of an expected \$46.1 million in revenue). The State Police provide law enforcement services throughout the State and patrol all major state highways. Other functions include investigation of organized crime, racketeering, narcotics, and white-collar crime, and the provision of statewide security services at nuclear power stations and other critical facilities.

At the end of fiscal 2003, a class of 100 State Police recruits, supported by the General Fund, will be graduating from the academy. These new graduates will offset the normal attrition that occurs annually.

## **Division of Law**

The Division of Law, which provides legal services to all offices, departments, and entities of State government, as well as county Boards of Election and Taxation, is recommended for State funding of \$19.5 million in fiscal 2004. Included in the \$19.5 million is an increase of \$1.4 million for additional positions for a Child Welfare Unit, which will provide legal services to the Division of Youth and Family Services (DYFS). The Division will receive over \$46.9 million in reimbursements for legal services rendered from State agencies and third parties, such as the federal government, for a total budget of \$66.4 million. The Division renders written legal opinions to governmental agencies, makes appearances at hearings, and represents the State in litigation and appeals in State and federal courts, and in administrative hearing and proceedings to protect the rights of DYFS children.

### **Election Management and Coordination**

The Division of Election Management and Coordination reviews the validity of all nomination petitions for statewide offices and manages the challenge process. It certifies candidates for the primary and general elections, certifies election results, and examines and certifies voting equipment.

### **Election Law Enforcement Commission**

The Election Law Enforcement Commission assures the reporting of contributions received and expenditures made in furtherance of the nomination, election, or defeat of candidates for State, county, and local public office. Additionally, the Commission assures the quarterly reporting of financial activity of political committees and lobbyists, and provides partial public funding of gubernatorial elections. The fiscal 2004 Budget recommendation continues funding at \$2.9 million.

### **Juvenile Justice Commission**

The fiscal 2004 recommendation for the Juvenile Justice Commission is \$99 million, a decrease of \$2.1 million, 2.1% from the fiscal 2003 adjusted appropriation of \$101.1 million

due to planned operational efficiencies. The New Jersey Juvenile Justice Commission is the single State agency mandated by legislation to lead and implement the reform of the juvenile justice system. The Commission promotes public safety and serves youth through a continuum of services, including prevention, intervention, incarceration, education, and aftercare. This is accomplished in collaboration with families, communities, and governmental agencies. The Commission serves as an advocate for youth, crime victims, and citizens of the State by emphasizing youth accountability and affording opportunities for adjudicated youth to become independent, productive, and law-abiding citizens.

### **Victims of Crime Compensation Board**

The Victims of Crime Compensation Board (VCCB) compensates victims of violent crimes and the dependents of deceased victims for

unreimbursed medical expenses, loss of earnings and certain other expenses resulting from those crimes. Funding is recommended for the VCCB at \$5.5 million in fiscal 2004, which will permit the VCCB to continue to provide the same level of services as in fiscal 2003.

In fiscal 2003, the Board will pay an estimated \$14.6 million in compensation to approximately 1,500 claimants. As a result of the September 11<sup>th</sup> tragedy and implementation of an outreach program developed to inform victims of its services, the VCCB is faced with an increased claims workload. The VCCB received \$4 million in federal funds in fiscal 2003 to provide aid to victims of the World Trade Center tragedy.

### **Capital Recommendations**

For a description of capital projects, see the *Capital and Debt Service* section of this chapter.



# MILITARY AND VETERANS' AFFAIRS

## FISCAL 2004 RECOMMENDED BUDGET

	(In Thousands)
Direct State Services	\$68,675
Grants-In-Aid	\$1,044
Capital Construction	\$165
<b>Total General Fund</b>	<b>\$69,884</b>
<b>Total State Recommendation</b>	<b>\$69,884</b>

## OVERVIEW

The Department's mission and major responsibilities are to:

- Support New Jersey Homeland Security by providing specialized teams and training to emergency first responders, and supplemental security and protection of critical New Jersey facilities and infrastructure.
- Provide the highest quality support and assistance to New Jersey's veterans and their families.
- Provide modernized combat ready military units to mobilize and deploy in support of the state and national strategy.
- Provide quality units and individuals that are organized, properly equipped, and trained to protect life and property.
- Preserve peace, order, and public safety in support of local, State, and national civil authorities.
- Provide the highest quality support and assistance to our New Jersey National Guard families.

*The Fiscal 2004 Budget for the Department of Military and Veterans' Affairs (DMAVA) totals \$69.9 million, a decrease of \$7.1 million, or 9.2%, under the fiscal 2003 adjusted appropriation of \$77.0 million.*

## BUDGET STATUS

The following describes recommended changes to the agency's appropriation as well as continued funding for major programs.

### Support to Our Veterans

Construction on the new New Jersey Veterans Memorial Home in Vineland has begun with the anticipated completion in fiscal 2005. The State has contributed \$17.7 million to leverage \$35 million in federal funds to construct the new state of the art facility. Due to modern efficiencies designed in its construction, operating costs will be reduced without a reduction in service to veterans.

### Homeland Security

The Department has completed the construction of a new, state of the art command and control center, the Homeland Security Center of Excellence (HSCE), at their headquarters in Lawrenceville. The new facility, partially funded through the \$850,000 supplemental appropriation in the fiscal 2002 New Jersey Domestic Security Preparedness Act, will provide the Department a centralized point to coordinate the response to both natural and unnatural disasters.

### Capital Recommendations

For a description of other capital projects, see the *Capital and Debt Service* section of this chapter.



**FISCAL 2004  
RECOMMENDED BUDGET**

	(In Thousands)
Direct State Services	\$25,936
<b>Total General Fund</b>	<b>\$25,936</b>
<b>Total State Recommendation</b>	<b>\$25,936</b>

**OVERVIEW**

The mission of the Department of Personnel is to attract, develop, and retain a high quality workforce for State government, and to partner with management and labor to develop a fair and efficient human resource delivery system that rewards quality, merit, and productivity. In carrying out its mission, the Department will serve as a catalyst in working smarter to serve its customers better.

The Department’s major objectives are to:

- Administer the New Jersey Merit System for all government employees.
- Provide a fair and impartial forum for dispute resolution.
- Offer cost effective training programs and staff development services.
- Respond expeditiously to recruitment needs by providing qualified, eligible candidates to fill vacant positions.
- Administer Equal Employment Opportunity and Affirmative Action programs and assist agencies in developing and implementing Affirmative Action Plans.

The Department of Personnel has embarked on a course of action that emphasizes certain new strategic initiatives to improve management of public sector employees throughout State and local Merit System jurisdictions in New Jersey. Paramount in this effort is the recognition that the success of all future initiatives will depend on forging new union and management partnerships, built on trust and mutual respect.

The Department will re-design its operational processes by assessing current activities, benchmarking, and adopting best practices from other government agencies and private industry. Rather than automate the inefficient solutions from the past, the Department will use technology to support well-engineered, effective, smart systems. Regardless of the type of work process addressed, a sincere sense of customer focus will drive these efforts.

*The Fiscal 2004 Budget for the Department of Personnel totals \$25.9 million, a decrease of \$775,000, or 2.9%, under the fiscal 2003 adjusted appropriation of \$26.7 million.*

**BUDGET STATUS**

The following describes recommended changes to the agency’s appropriation as well as continued funding for major programs.

**State and Local Government Operation**

This area is charged with planning, scheduling, and conducting examinations. To accommodate applicants, examinations are often administered in the evening and on Saturdays. To prevent rising overtime costs associated with test administration, the Department developed an innovative plan that adjusted employees’ work schedules to match the needs of the applicants.

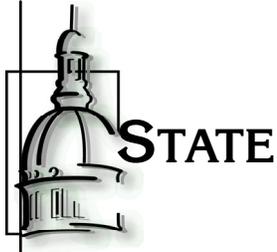
The Department expects to further reduce duplication by consolidating all Human Resource functions through shared services centers. In fiscal 2003, the Department continued toward this goal by creating two more Human Resource shared services centers for the Departments of Agriculture and Community Affairs.

This operation will be funded at \$14.5 million in fiscal 2004. This includes a reduction of \$350,000 for consulting services used to

validate civil service tests and operational efficiency.

### **Human Resource Development**

The Human Resource Development Institute (HRDI) provides quality, cost-effective individual and organizational development services that support their business objectives and creation of a learning government. HRDI uses the latest technology to work smarter and meet the needs of its customers. HRDI is on the cutting edge of training innovation through the use of videoconference-training sessions with the capacity to broadcast any meeting or training program to any other site. HRDI also offers a self-paced learning lab equipped with the latest equipment for self-study courses via the Internet, CD-ROM or video. Additionally, HRDI offers Internet-based courses so users can complete the training at any place where they have Internet access. On-line registration and a course catalog is available on their net site to offer easy access and convenience to HRDI customers.



## FISCAL 2004 RECOMMENDED BUDGET

	(In Thousands)
Direct State Services	\$16,457
Grants-In-Aid	\$2,800
State Aid	\$16,827
<b>Total General Fund</b>	<b>\$36,084</b>
<b>Total State Recommendation</b>	<b>\$36,084</b>

### OVERVIEW

The mission of the Department of State has been to advance and support the arts and historic heritage of New Jersey through public participation in cultural programs, educating the State's citizens in the areas of history and the arts, and the collection of fine and decorative art objectives, ethnological and archaeological material, and scientific specimens. However, the severity of the budgetary crisis forced difficult decisions regarding grant support for cultural and community based entities. The Department of State's fiscal 2004 appropriation for grants-in-aid is reduced by 87.3%. These reductions include the elimination of funding for the following grant programs: Support of the Arts (\$18.6 million), Historical Commission (\$4.6 million), and the Cultural Trust (\$10.4 million).

The Department also provides records administration and records management services, and non-commercial educational television, radio services, and public broadcasting services to the State's citizens.

*The Fiscal 2004 Budget for the Department of State excluding Higher Education, totals \$36.1 million, a decrease of \$41.9 million, or 53.7%, under the fiscal 2003 adjusted appropriation of \$78.0 million.*

### BUDGET STATUS

The following describes recommended changes to the agency's appropriation as well as continued funding for major programs.

### Grants-in-Aid

The Council on the Arts, Historical Commission and the Cultural Trust will continue to exist, although the administrative costs associated with these programs have been eliminated from the fiscal 2004 budget. The continuing involvement of the respective advisory boards will ensure that cultural organizations in the State have some form of counseling and support.

The Council on the Arts consists of 17 public members. These members will continue to monitor the operation of past grantees and foster and promote performing and creative arts throughout New Jersey.

The Historical Commission also consists of 17 members. These experts in New Jersey history will advise agencies concerned with the preservation and promotion of New Jersey's rich history. Beginning in fiscal 1999, the State has appropriated between \$3.5 and \$4.5 million annually for New Jersey Historical Commission grants. These grants have been available for Special Projects, Research, Publications and Media, General Operating Support and minigrants. Past year grantees will need to identify other sources of funding or reduce costs in fiscal 2004.

The New Jersey Cultural Trust consists of 15 voting members. The Trust was created to match private dollars to State dollars on a 1:1 basis. Since its establishment in fiscal year 2000, the Cultural Trust board has certified \$39.4 million in private donations to the endowments of various cultural organizations throughout the State. To date, the State has provided \$22 million to the Trust. Due to budgetary restrictions, the State will not match additional donations in fiscal 2004.

The State Aid appropriation of \$2.7 million to the Newark Museum is eliminated in fiscal 2004. The Faith Based grant program was transferred from the Department of Community Affairs to the Department of State in fiscal 2003 pursuant to Executive Order 31. In fiscal 2004, \$2 million is appropriated for grants that enable faith-based organizations to undertake a variety of social service activities. This is a reduction of \$1 million compared to the fiscal 2003 adjusted appropriation.

An appropriation for \$800,000 remains in Museum Services to satisfy the State's contractual obligation to the Marriott Corporation in relation to the public/private partnership with the War Memorial. The War Memorial will continue its efforts to increase revenues and attendance levels at the historic site.

#### **Office of the Secretary of State**

In the interest of fiscal responsibility, the fiscal 2004 appropriation for the Office of the Secretary of State of \$2.9 million represents a reduction of \$1.7 million or 36.6% from the fiscal 2003 adjusted appropriation. Several programs previously funded in the Office of the Secretary of State have been eliminated. These programs are the Office of Volunteerism, which coordinated Statewide volunteer efforts and an annual conference on volunteerism, Personal Responsibility which promoted youth-centered programs such as the V-free (Violence-, Vandalism- and Victim- free schools and communities) initiative, and the Office of Cultural Affairs, which coordinated State funded programs supporting arts, history and other cultural organizations.

The fiscal 2004 budget also reflects the proposed transfer of the federally funded Americorps program from the Department of Education to the Department of State. This is

expected to take place in the spring of 2003 through an executive order. The Department will be able to utilize its past experience with the Office of Volunteerism to maximize this program. Americorps works to strengthen New Jersey communities and the civic character of New Jersey citizens through service. The priority areas are education, human need, public safety, homeland security and environmental need.

#### **New Jersey Network**

The fiscal 2004 Budget recommendation for the Public Broadcasting Authority (New Jersey Network- NJN) is \$6.1 million, which represents a decrease of \$725,000 or 11.8% of the fiscal 2003 adjusted appropriation. This decrease in funding includes the elimination of two programs, the Audience and Revenue Growth Initiative (\$140,000) and the Extended Broadcast Day Initiative (\$290,000). The additional reduction of \$295,000 will be realized through attrition and other efficiencies. The fiscal 2004 appropriation will allow the Authority to continue its operations and programming.

#### **Archives and Records Management**

The fiscal 2004 Budget for the Division of Archives and Records Management is recommended at \$1.6 million. This represents a \$200,000 decrease in funding largely due to a reduction in debt service costs. Currently the State has a decentralized system for records management. In conjunction with the administration, the Division of Archives and Records Management is working to develop a more effective method to store State, county and local records through the implementation of a State-wide Specialized Document Imaging Services System. This is now increasingly important with the recent enactment of the Open Public Records Act.



# TRANSPORTATION

## FISCAL 2004 RECOMMENDED BUDGET

	(In Thousands)
Direct State Services	\$87,213
Grants-In-Aid	\$260,027
Capital Construction	\$738,800
<b>Total General Fund</b>	<b>\$1,086,040</b>
Casino Revenue Fund	\$25,458
<b>Total State Recommendation</b>	<b>\$1,111,498</b>

## OVERVIEW

The mission of the Department of Transportation (DOT) is to provide reliable transportation and motor vehicle services that support and improve the safety and mobility of people and goods in New Jersey in an environmentally sound, socially responsible manner.

The mission and goals of the Department will be carried out by maximizing funding and prioritizing expenditures, preserving existing infrastructure, and making efficient use of technology, all within a context of continuous improvement. Specific objectives include to:

- Reduce congestion and delay in public transportation services and the highway network.
- Rebuild, modernize, and maintain bridges, highways, aviation, maritime, and rail systems.
- Promote safer travel through better educated drivers in motor vehicle operation and safety, security standards in the license approval process, vehicle safety, and traffic control.
- Consider environmental issues-air, water, habitat, and other natural resources-in the selection and development of transportation projects.
- Expanding opportunities for non-motorized transportation through construction of bikeways and bicycle-compatible roadways.

- Craft an aviation strategy for the future as part of the State Airport System Plan.
- Initiate a “Smart Move” program to install quick-fix ITS improvements at key locations in the state which will include variable message signs, highway advisory radio, video cameras to detect congested areas, use of traffic operations center to monitor traffic, and generation of real time traffic condition information for websites and radio stations.
- Enhance safety programs such as rail highway grade crossings, installation of raised pavement markers, relocation of fixed objects near highways, and installation of rumble strips.
- Invest in rail freight improvements, implementing cost-effective projects identified in the State Rail Plan.

*The Fiscal 2004 Budget for the Department of Transportation totals \$1.111 billion, a decrease of \$29.4 million, or 2.6%, under the fiscal 2003 adjusted appropriation of \$1.141 billion.*

## BUDGET STATUS

The following describes recommended changes to the agency’s appropriation as well as continued funding for major programs.

### Maintenance and Operations

The fiscal 2004 recommendation for maintenance, operations and management of the State highway system is reduced by \$14.7 million or 14% from fiscal 2003 due to staffing efficiencies and other reductions, including:

- Substitution of new highway occupancy permit revenue for General Fund appropriation (\$1.7 million). Fees for the performance of work over, under, or within any portion of State highway rights-of-way and DOT property are being increased to cover the cost of administering the program. Highway

Occupancy Application and Permit fees have not been raised in over 15 years.

- Closure of the Springfield Rest Area on Route 295 (\$1 million). The Department will continue to maintain the Deepwater, Harding and Knowlton rest areas.

### **Local Aid and Economic Development**

With new dedicated and federal funding in fiscal 2004, DOT will implement the following local aid programs in a more expedited manner: Park and Ride, Local Aid for Centers of Place, Transportation Equity Act for the 21<sup>st</sup> Century (TEA-21), Waterborne Facilities, and Bridge Bond as well as multiple federal programs. These programs support local transportation infrastructure requirements and smart growth goals.

### **24 Hour Centralized NJDOT Dispatch Operation**

The State will expand its existing Traffic Operations Central Dispatch Unit to a 24 hour/7 days a week function with a combination of new federal resources (\$142,000) and a reallocation of existing departmental resources (\$50,000). DOT currently handles more than 20,000 emergency calls annually. With this increase, it is estimated that the handling time for incoming calls will decrease 80% from a current level of approximately 10-15 minutes to approximately 2-3 minutes. Incoming emergency calls include: electrical/traffic signals, maintenance complaints and related emergencies, traffic operations, pothole hotlines, amber alert, accident related calls, as well as snow and winter-related issues.

### **New Jersey Motor Vehicle Commission**

The DOT budget reflects the establishment of the New Jersey Motor Vehicle Commission (NJMVC), which was created to replace the Division of Motor Vehicles (DMV). The Commission will operate autonomously "in but not of" the Department of Transportation with dedicated revenues in lieu of a State General Fund appropriation. All of DMV's career service employees have been transferred to the New Jersey Motor Vehicle Commission where they

will retain their present career status. The Commission is tasked with being a more modern and citizen-oriented organization. Its goals are to increase customer satisfaction, reduce processing time, produce effective customer transactions without an office visit, generate secure documents, and efficiently communicate accurate information to New Jersey state residents. The Commission will continue all functions and programs formerly conducted by the DMV, including inspection and maintenance. The Commission is expected to have total dedicated resources of \$274 million in fiscal year 2004:

- \$151 million of current General Fund appropriations now to be directly dedicated to the Commission, including \$18 million for fringe benefits and rent and \$3 million reallocated from the non-DMV portion of DOT.
- An additional dedication of \$49 million, which includes \$20 million to replace the loss of federal funds for the Enhanced Inspection and Maintenance program, \$17 million to replace funding for the Automobile Insurance Guaranty fund supported programs in fiscal 2003, and an increase of \$9 million to address other pressing Fix DMV needs. Federal funds of approximately \$45 million a year for Enhanced Inspection and Maintenance were only available for the first three years of the program. Those federal funds were partially replaced in the fiscal 2003 Budget, and the balance will be replaced by dedicating revenue to the NJMVC. Surpluses in the Automobile Insurance Guaranty Fund were utilized in fiscal 2003 to reduce the General Fund appropriation to DMV. That will not be continued in fiscal 2004, requiring replacement by General Fund resources.
- \$42 million to be raised from two new service charges that the Commission will impose: a \$6 increase on all license renewals and an \$7 increase on vehicle registrations.
- \$32 million from sources currently dedicated to the Division of Motor

Vehicles, including but not limited to insurance company payments for the Security Responsibility program, fees for the Commercial Vehicle Enforcement Fund program, and fees for the school bus and motorbus inspection program.

### **Transportation Trust Fund (TTF)**

The State funding authorization for the Transportation Trust Fund (TTF) totals \$1.162 billion in fiscal 2004, \$212 million more than the TTF statute requires largely because of funding required for the Hudson-Bergen Light Rail System. The total capital funding authorization in fiscal 2004, including federal grants allocated to the Department of Transportation and the New Jersey Transit Corporation, is \$2.5 billion. To support this program, the General Fund appropriation to the TTF will be \$738.8 million, plus an estimated \$46 million in interest earnings, refunding savings, and debt issuance delay savings. In fiscal 2004, the TTF will continue to fund projects promoting economic development, replacing or rehabilitating bridges, and upgrading the quality of highways throughout the State. Each \$100 million investment in the State's transportation infrastructure creates an additional 3,800 jobs and establishes New Jersey as an attractive business location for the production and distribution of goods.

The TTF will continue to provide \$150 million in local aid to improve local roads. This is an increase of \$20 million over the amount recommended by statute. Since the TTF's inception in 1984, it has provided over \$1.8 billion for county and municipal roadway projects, thus reducing the need for local tax dollars to finance infrastructure costs.

The Department of Transportation will receive \$440 million in TTF funding and over \$799 million in federal funds to continue State highway projects.

Included in the TTF is the capital authorization for NJ Transit totaling \$1 billion including \$572 million in TTF funding and more than \$490

million in federal funds. These funds will be used to construct new facilities and urban core initiatives, including additional direct access rail connections, completion of a light rail system, and track rehabilitation.

### **Bus and Rail Services**

Through a series of cost-cutting initiatives and management efficiencies, the fiscal 2004 State operating subsidy recommended for the NJ Transit Corporation will remain at the fiscal 2003 level of \$260 million. Although State funding will remain flat, the agency will continue to expand and add capacity to the public transportation system.

NJ Transit's recommended fiscal 2004 operating budget includes approximately \$55 million in management efficiencies/cost savings comprised of:

- The elimination of more than 8 percent (over 150 positions) of the non-agreement work force, through early retirement, elimination of vacancies and the abolishment of certain administrative positions.
- Reductions in the number of automobiles in the non-revenue fleet.
- Improved training practices to reduce the cost of pre-mature dropout of new hires.
- Consolidation of electronic ticketing maintenance functions.
- Improved computer systems to reduce paperwork.
- Proceeds from the sale and leaseback of rolling stock.

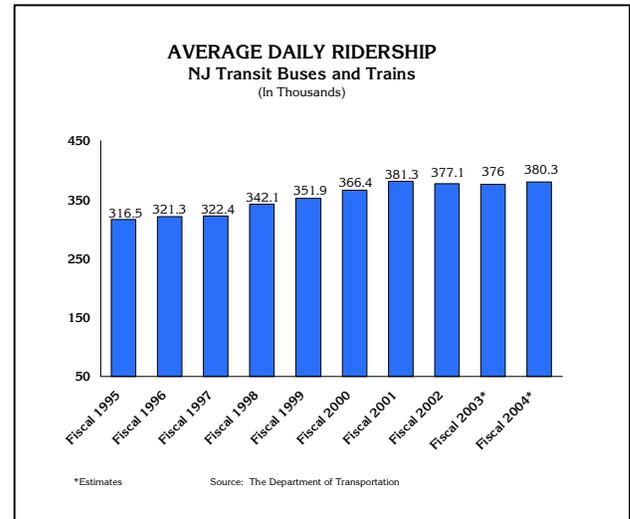
As a result of this belt-tightening, there will not be a fare increase in 2003.

NJ Transit will continue to fund projects such as the operation and extension of the Hudson Bergen Light Rail in Bayonne, the implementation of the Secaucus Transfer Rail service, and the South Jersey Light Rail service that will expand the availability of rail transportation in Southern New Jersey. All these projects will be completed and operational

during fiscal 2004. To upgrade the quality of service, NJ Transit is in the process of purchasing 1,360 cruiser buses, 200 single rail cars, 33 diesel locomotives, and as a result of \$250 million in Port Authority funding, 100 bi-level rail cars to be delivered to NJ Transit between fall 2005 and March 2007 to provide more capacity on the Northeast Corridor. In addition, NJ Transit is initiating the design and construction of two combined rail stations and parking decks (one adjacent to Montclair University, and one in Ramsey, New Jersey) to address growth in parking demands due to the expanded use of the Montclair Connection and the future opening of the Secaucus Transfer Station. These two projects are scheduled to be completed in 2004.

Ridership on New Jersey Transit buses and trains increased to a record high of more than 380,000 million annual riders in fiscal 2001, or growth of more than 3%, bringing the total growth over the last 10 years to more than 20%.

NJ Transit will receive \$25.5 million from the Casino Revenue Fund in fiscal 2004 to provide accessible transportation facilities and service for elderly and disabled residents. This is \$600,000 more than in fiscal 2003. The majority of this recommendation, \$21.6 million, will be allocated to counties to provide local transportation for elderly and disabled residents.





**FISCAL 2004  
RECOMMENDED BUDGET**

	(In Thousands)
Direct State Services	\$241,113
Grants-In-Aid	\$82,840
State Aid	\$77,721
Debt Service	\$365,875
Total General Fund	\$767,549
Property Tax Relief Fund	\$1,128,144
<b>Subtotal Treasury Department</b>	<b>\$1,895,693</b>
Commerce and Economic Growth	\$12,241
Science and Technology	\$0
Casino Control Commission	\$26,938
<b>Board of Public Utilities</b>	<b>\$21,324</b>
Office of Administrative Law	\$5,060
Public Advocate	\$0
Public Defender	\$79,037
Ratepayer Advocate	\$5,805
Subtotal, In But Not Of, Agencies	\$150,405
Total State Recommendation	\$2,046,098

**OVERVIEW**

The mission of the Department of the Treasury is to formulate and manage the State’s Budget, generate and collect revenues, disburse the appropriations used to operate New Jersey State government, provide direct support to the citizens of our State, manage the State’s physical and financial assets and obligations in an effort to protect and enhance the value of those assets, and to provide statewide support services that enable State and local government to accomplish their goals.

The Department’s overriding goal is to ensure the most beneficial use of fiscal resources and revenues to meet the needs of the citizens of New Jersey within a policy framework set by the Governor. Its objectives are to:

- Provide current, relevant financial information for management and the public.
- Administer the tax laws of the State to ensure that all taxes due are collected.

- Enhance revenue collection through integrated receipts processing and aggressive management of public accounts receivable.
- Provide for a centralized purchasing system for goods and services.
- Plan, program, design, and supervise the construction of buildings and facilities for the various State agencies.
- Invest and reinvest funds of the various State agencies and pension funds as effectively as possible.
- Administer all employee benefit programs at minimum cost.
- Provide risk management, loss prevention, and claims services and management of the fire and casualty insurance program to all State agencies.
- Operate a central motor pool fleet at the lowest possible cost and provide State agencies with safe operating vehicles.

*The Fiscal 2004 Budget for the Department of Treasury totals \$2.046 billion, a decrease of \$277.8 million, or 12.0%, under the fiscal 2003 adjusted appropriation of \$2.324 billion.*

**BUDGET STATUS**

The following describes recommended changes to the agency’s appropriation as well as continued funding for major programs.

The Department of Treasury has eliminated the administration of the Garden State Preservation Trust Fund. The Departments of Environmental Protection, Agriculture, and Community Affairs will absorb administrative responsibilities for this program. In addition, the administrative budget for the Budget Efficiency Savings Team Commission (BEST) is eliminated, as this program has accomplished the administration’s objectives and will no longer be required. The New Jersey Motion Picture and Television Development Commission is also eliminated.

## **Taxpayer Relief**

Even in this current era of fiscal austerity, the fiscal 2004 Budget continues to provide significant property tax relief funding directly to local taxpayers. Because of the State's commitment to provide property tax relief to its citizens, fiscal 2004 direct taxpayer relief programs will total approximately \$1.449 billion. Included in the fiscal 2004 recommendation for direct tax relief is a continuation of the NJ SAVER program at \$470.2 million. This Budget will limit the NJ SAVER rebates to those applicants earning less than \$100,000, so that the State can serve those families in greatest need of property tax relief. NJ SAVER checks will remain at last year's level averaging \$500 in direct relief. The fiscal 2004 Homestead Rebate program, which is funded at \$499.7 million, will provide direct property tax relief to qualified senior/disabled homeowners and tenants with taxable incomes of \$100,000 or less at the fiscal 2003 maximum rebate amount of \$775. The Budget also provides the fourth and final Constitutional amendment increase of \$50, from \$200 to \$250, in the property tax deduction for eligible veterans. During fiscal year 2004, the Senior Tax Freeze is funded at \$23 million. Although income eligibility thresholds increase, from \$38,475 to \$39,475 if single or \$47,177 to \$48,404 if married, this Budget will limit participation only to those individuals who received a Senior Tax Freeze rebate for tax year 2001 and rebates will not exceed the amount paid during tax year 2001.

## **Property Assessment Management System**

The implementation of the New Jersey Property Assessment Management System will continue in fiscal 2004 with no new funding. This system is the primary source of real property information utilized by county tax boards and municipal assessors and is used to generate tax lists, notices of assessment, and various reports.

## **Board of Public Utilities**

The Board of Public Utilities (BPU) regulates the rates for such essential services as natural gas, electricity, water, sewer, and telecommunications including cable television. In fiscal 2004, energy assistance grants provided to senior citizens and the disabled through the

Lifeline program will be funded from an assessment on energy bills. Pending approval by the Board of Public Utilities, an annual total of \$72.4 million will be collected by various public utilities through the Board of Public Utilities' Universal Service Fund, thus completely offsetting the current State appropriation for Lifeline. The BPU will administer the program through an interagency agreement with the Department of Health and Senior Services (DHSS) governing the continued use of DHSS' existing Lifeline staff to maximize efficiency. Because the Lifeline program was formerly funded from the Casino Revenue Fund (CRF), this shift also provides an opportunity to redirect existing CRF revenue to other pressing needs for seniors and the disabled. This initiative, which includes tenants and homeowners, creates a steady funding source to help New Jersey seniors and disabled pay for the cost of energy. Of the \$22.9 million recommended in fiscal 2004, \$1.6 million is funded through Universal Service Fund for the Energy Assistance Program administrative costs and \$21.3 million is derived entirely from assessments levied on various utilities conducting business within the State. This funding will ensure that the BPU is as publicly responsive as possible in the face of the Board's changing structure and responsibility.

## **Ratepayer Advocate**

The Division of the Ratepayer Advocate (RPA) represents the interests of all consumers of regulated utility services: gas, electric, water, wastewater, telecommunications, and cable TV, including residential, small business, commercial, and industrial ratepayers. The \$5.8 million allocated to the RPA in fiscal 2004 is derived entirely from assessments levied separately from the BPU on various utilities conducting business within the State. This funding will allow the RPA to meet its goals and objectives by continuing to protect ratepayers, including participating in the ongoing restructuring of the State's telecommunications and cable TV services.

## **Casino Control Commission**

The Casino Control Commission is responsible for the regulations of the operations of the 12 existing casino hotel complexes in Atlantic City.

One casino license was eliminated as the Claridge had petitioned the Commission to merge into Bally's Park Place. However, the Commission anticipates that the new, 2,010-room Borgata casino hotel will open in the summer of 2003. The Commission's oversight duties include the licensing of all casino operators, employees, and ancillary companies conducting business with the casino industry. Despite the increased responsibilities for the new casino hotel and several additions to existing casino hotels, the Commission will be able to meet its objectives within the \$26.9 million continuation level funding in fiscal 2004. The Commission is supported solely from licensing fees and assessments on the casino industry.

### **Commerce & Economic Growth**

The Commission was created in 1998 out of what was previously the Department of Commerce and Economic Development. The Commission's main focus is on the attraction, expansion, and retention of businesses in New Jersey. In addition, the Commission maintains an active role in fostering international trade with New Jersey businesses. The Commerce and Economic Growth Commission also actively promotes the tourism industry, the State's second largest industrial sector.

The Budget recommendation for the Commerce and Economic Growth Commission is \$16.3 million in fiscal 2004, a reduction of \$3.3 million. This is attributable to reductions in Advertising and Promotion, the Business Retention, Expansion and Attraction program and the elimination of a grant for Statewide Local Tourism Development. The grant for nanotechnology is reduced by \$500,000 in fiscal 2004. These funds provide for public/private partnerships to transform laboratory research and design into commercial products and processes addressing critical issues from health care to the security and quality of our water systems.

### **Commission on Science and Technology**

Due to severe fiscal constraints, the amount appropriated for Science and Technology grants, including Business Assistance and Research and Development, is eliminated in fiscal year 2004.

The Commission, which was established pursuant to P.L. 1985 c. 102 and consists of 15 members including leaders in technological business, the Commissioner of Education, the Commissioner of Commerce and Economic Development, a member of the Governor's staff and members of the General Assembly and State Senate, will continue to function in a limited capacity. The future of the commission and its programs will be considered in light of the report to be issued by Rutgers University's National Center of Public Productivity, in accordance with the requirements of the fiscal year 2003 Appropriations Act.

### **Public Advocate**

Due to fiscal constraints, funding for the Department of Public Advocate has been eliminated in fiscal 2004.

### **Office of Information Technology**

The Office of Information Technology's (OIT) operating budget for fiscal 2004 included in the Revolving Fund section, is recommended at \$97.3 million; this amount is \$4.2 million lower than fiscal 2003 to reflect reimbursements anticipated from client agencies. OIT is the central organization for the management and delivery of the State of New Jersey's information technology and telecommunications infrastructure. OIT provides services in digital government, web development, geographic information systems (GIS), emergency telecommunications (9-1-1), homeland security, and disaster recovery in addition to its core responsibilities of application management (development and maintenance), data center operations, and telecommunications. OIT maintains the NJ State Portal, New Jersey government's window to the Internet.

### **Office of Administrative Law**

The Office of Administrative Law (OAL) is legislatively charged with the development and administration of a fair and uniform system of administrative practice and procedure in the Executive Branch of State government. It serves as a facilitator between the public and State agencies in the development and implementation of, accessibility to, and compliance with, the regulatory process, which

includes the impartial and expeditious resolution of disputes and the public's guarantee to notice of, and opportunity to comment on, agency rulemakings. In fiscal year 2004, funding is recommended at \$5 million.

**Office of the Public Defender**

In fiscal year 2004, the recommended appropriation for the Office of the Public Defender (OPD) is \$79 million. This represents a \$61,000 reduction from the fiscal year 2003 adjusted appropriation. This is attributable to savings associated with a reduced line of credit cost and efficiencies in technological staffing. The OPD is constitutionally mandated to provide legal representation for indigent defendants. This level of funding ensures that the constitutional guarantees of counsel in criminal cases are met.



# CAPITAL AND DEBT SERVICE

## FISCAL 2004 RECOMMENDED BUDGET

	(In Thousands)
Environmental Protection	\$80,680
Human Services	\$5,600
Law and Public Safety	\$4,346
Transportation	\$738,800
Interdepartmental	\$194,233
All Other	\$785
Total Capital Construction	\$1,024,444
Total General Obligation Debt Service	\$433,928
Total State Recommendation	\$1,458,372

## OVERVIEW

New Jersey's investments in capital projects provide for many of the critical short and long-term needs facing the State. These investments are necessary to preserve existing State assets in buildings and equipment, to protect the infrastructure, and to provide for various improvements that safeguard the life, safety, and well being of the citizens of the State. For example:

- Investments in the State's transportation system facilitate the movement of goods and services, promoting commerce and industry.
- Investments in wastewater treatment and water supply facilities provide for a clean and healthy environment.
- Investments in open space protect our supplies of clean drinking water and provide valuable recreational activities for both present and future generations.
- Investments in both local and higher education facilities are investments in the future of New Jersey's youth.
- Capital investments generate economic growth and provide jobs for New Jersey citizens.

The State's capital needs are funded through a combination of pay-as-you-go capital appropriations and long-term debt. Pay-as-you-

go capital funds are primarily used for renovations and preservation of state facilities, life/safety improvements, environmental projects, and hazardous waste cleanup. Long-term debt is used to finance capital needs such as highway and mass transit improvements, school construction, and preservation of open space. It is an equitable method of distributing costs and benefits because it yields substantial benefits to both present and future generations.

The process for funding capital projects goes through several levels of review to ensure that only the most vital requests are recommended. All State departments requesting capital funding must submit a seven-year Capital Improvement Plan to the New Jersey Commission on Capital Budgeting and Planning. The Commission schedules public hearings for each agency, analyzes the capital requests, and recommends projects to the Governor. The Governor, in turn, selects projects to be funded in the annual Budget.

The capital program recommended for fiscal 2004 continues to emphasize the importance of

- Improvements to highways and mass transit facilities
- Protection of the environment
- Elimination of hazardous waste
- Preservation of open space
- Life safety protection and preservation of capital assets

*The Fiscal 2004 Budget for Capital & Debt totals \$1.458 billion, a decrease of \$34.3 million, or 2.3%, under the fiscal 2003 adjusted appropriation of \$1.493 billion.*

## BUDGET STATUS

For fiscal 2004, the General Fund recommendation for Capital Construction is \$1.02 billion. Of this amount, \$738.8 million (72%) will be used to improve and maintain the State's highways, bridges, and mass

transportation systems and to provide debt service for the Transportation Trust Fund. To protect the environment, \$55.7 million is recommended for hazardous waste cleanup and replacement of privately owned underground storage tanks. To ensure that New Jersey's tourist industry continues to expand, \$25 million is provided for shore protection, beach replenishment, dam repairs, and flood control projects. And to preserve our farmlands, open space, historic sites, and recreational areas, \$98 million is recommended for the Garden State Preservation Trust Fund.

The balance of approximately \$107 million is recommended for needed repairs, preservation, debt service, and life/safety projects at the Departments of Environmental Protection, Law and Public Safety, the Juvenile Justice Commission, and the New Jersey Building Authority. Included in this amount is \$9.7 million allocated to a new Interdepartmental account for Fire Life Safety and Renovation to fund the most critical projects within the State. In addition to the General Fund Capital, capital construction projects also will be funded with federal funds, general obligation bond funds, and bonds issued by independent authorities such as the New Jersey Building Authority, the New Jersey Economic Development Authority, and the Sports and Exposition Authority. (See the "Property Management" section at the end of this Capital segment for details on these projects.)

### **Impact of Capital Funding Recommendations on the Operating Budget**

The investment decisions made as part of the Capital budget often have a direct impact on associated operating costs. A prime example of this is in New Jersey Transit.

The expansion in transit services currently underway is in large part associated with the Secaucus Transfer project, which will open in fiscal 2004. Building upon the recently opened Montclair Connection Midtown Direct service, the new 7<sup>th</sup> Avenue Concourse in New York Penn Station and the extension of light rail service to Hoboken, the Secaucus Transfer project will connect all of the rail lines in North Jersey and

provide residents of Bergen and Passaic Counties with access to nearly 400,000 jobs in Newark and Manhattan. The agency is expanding peak period rail service by 25% to 30% on select North Jersey rail lines as part of the Secaucus Transfer effort. These improvements, however, will have an annual operating costs impact of over \$35 million. Also in fiscal 2004, NJ Transit will open the Southern New Jersey Light Rail transit system, extend the Hudson-Bergen light rail system into Bayonne, and continue implementation of expanded bus service on select routes. It is anticipated that these new services will result in increased bus and rail ridership, however, NJ Transit's operating costs are projected to increase by over \$20 million.

In fiscal 2004, NJ Transit will receive the last of 289 new buses. It is estimated that these new buses will save the agency up to \$9 million per year in maintenance costs.

### **Transportation**

New Jersey lies at the heart of a giant metropolitan area stretching from Boston to Washington, D.C. To take advantage of this unique position, New Jersey's highways, buses, and rails must provide businesses with a responsive transportation system that moves products and people effectively. To ensure such a system, the fiscal 2004 Budget provides \$738.8 million for the Transportation Trust Fund Authority. The funds are derived from a constitutional dedication of nine cents of the motor fuels tax, constitutionally dedicated sales tax and constitutionally dedicated petroleum gross receipts tax. When combined with matching federal funds and bonds issued by the Transportation Trust Fund Authority, approximately \$2.5 billion will be available in fiscal 2004 for highways, bridges, and mass transit projects.

The mass transit and highway projects funded from the Transportation Trust Fund will reduce congestion throughout the State, providing a key element for economic growth and productivity. Ancillary benefits include a reduction in vehicle emissions, an important factor in attaining Clean Air Act goals, and the timely completion of

critical repairs, thus avoiding more costly reconstruction projects in the future.

### **The Environment**

Protection of the environment continues to be a major State priority. The fiscal 2004 Budget recommends \$80.7 million for the Department of Environmental Protection for projects that protect the health and safety of state citizens, preserve natural resources, improve recreational activities, and spur economic development.

For fiscal 2004, \$55.7 million is recommended for remediation of contaminated hazardous waste sites and for removal of leaking underground gasoline and fuel oil storage tanks. Funding is derived from the constitutional dedication of 4% from the revenues of the Corporation Business Tax (CBT). Of the \$55.7 million recommended, \$25 million is dedicated for the removal of privately owned underground oil and gasoline storage tanks. These funds, which are provided as loans or grants, are administered by the Economic Development Authority (EDA). The balance of \$30.7 million is for hazardous waste cleanup projects administered by the Department of Environmental Protection.

Legislative changes to the Shore Protection Fund program are being sought to allow inland flood control and dam repair projects to be funded from the \$25 million dedication in fiscal 2004. Through a combination of projected carry forward and the annual dedication, sufficient resources are available to advance critical projects in all of these categories under a broadened dedication. Due to the current budget restraints, many of the dam and flood control projects would not have moved forward in the absence of dedicated funding. Under an expanded dedication, the State will continue to maximize non-state resources as well. Specifically, the Shore Protection funds will leverage up to \$52.6 million in federal funds and \$6.5 million in local funds for beach replenishment projects. The projects planned for fiscal 2004 include beach fills at Townsend Inlet, Raritan Bay, Absecon Island, and Asbury Park to Deal. To protect lives and property, \$8.3 million is recommended for flood control projects. These funds will generate an additional

\$30 million in federal funds and \$2.5 million in local funds. Projects planned include the Ramapo River at Oakland, the Green Brook, the Harrison/Passaic River and the Mahwah/Suffern River.

### **Open Space Preservation**

In 1998, voters overwhelmingly approved a ten-year initiative to preserve one million acres of open space. The program provides for purchase of open space, farmland and historic preservation, and local park development in urban, suburban, and rural areas. Green Acres does not own the land that is purchased; instead, the land is assigned to the divisions within the Department of Environmental Protection, Agriculture, and other departments for management. This is a long-term commitment—a legacy for future generations—to provide a clean, green, and livable environment. The fiscal 2004 Budget reflects the constitutional dedication of \$98 million toward this multi-year initiative to preserve open space.

The Garden State Preservation Trust has approved a new financing structure, beginning in fiscal 2003, that will allow the State to minimize interest and debt service costs to taxpayers while maximizing the proceeds generated for the open space program. The plan will provide the Garden State Preservation Trust an additional \$100 million, through the use of current interest and zero coupon bonds, to expedite the preservation of New Jersey's critical open space. The Governor's Anti-Sprawl agenda sets new priorities for open space preservation, and the new financing plan will increase the funding resources available to accomplish these goals.

### **Colleges and Universities**

New Jersey's colleges and universities are the foundation for economic growth, scientific research, and the development of future leaders, businesspersons, and professionals required to lead New Jersey and the nation into the 21<sup>st</sup> century. Since 1993, higher education facilities have received over \$1 billion in capital funds through a series of bond fund programs financed through the Educational Facility Authority. These funds included \$100 million

from the Equipment Leasing Fund of 1993 (reauthorized in 2001 for an additional \$100 million), \$220 million from the Higher Education Facilities Trust Fund of 1994, \$55 million from the Higher Education Technology Infrastructure Bond Fund of 1997, and \$550 million from the Higher Education Capital Improvement Fund of 2000.

Three of the bond funds were specifically authorized to expand research capabilities and to improve the teaching of science and technology: the Equipment Leasing Fund provided the institutions with scientific, engineering, computer, and communication equipment to support academic programs and research in science and technology; the Higher Education Facilities Trust Fund provided the resources for construction, development, and improvements to laboratories, communication, and research facilities; and the Higher Education Technology Infrastructure Fund supplied the colleges and universities with modern telecommunication and information technology, linking them to other institutions, libraries, and research facilities. The fourth bond fund, the \$550 million Higher Education Capital Improvement Fund, was authorized in 2000 to preserve capital assets. This fund provided public and private higher education institutions with the resources to address pressing capital renewal and renovation needs. Since fiscal 2001, \$473 million has been approved for various projects at public and private institutions, with \$77 million yet to be allocated.

#### **Dormitory Safety Trust Fund Act**

Adequate fire protection must be provided for students residing in dormitories at our secondary schools and colleges. In 2000, the \$90 million Dormitory Safety Trust Fund Act was enacted to fund automatic fire suppression systems. Since 2001, \$74 million in bonds have been sold to finance such systems, with the balance of \$16 million to be allocated in, or before, fiscal 2004. Interest-free loans are available for eligible higher education institutions to install fire suppression systems, while private secondary and military schools are eligible for low interest loans.

#### **School Construction and Renovation Fund**

New Jersey is committed to ensuring a safe and positive learning environment for all children. Responding to the Supreme Court ruling in 1998 that the capital needs in Abbott (special needs) school districts must be met by the State, legislation for a new school construction and renovation program, the Educational Facilities Construction and Financing Act, was signed into law on July 18, 2000. The Act established an \$11.5 billion school construction and renovation program that provides \$6 billion for Abbott schools and \$5.5 billion for all other local school districts. The State's share of the program will total \$8.4 billion, including 100% of eligible construction costs in Abbott districts and at least 40% of eligible costs in other districts. This will ensure that our children's needs are met, now and in the future.

For fiscal 2004, \$111.5 million is recommended for the School Construction and Renovation Program. This funding will provide for state debt service and increased aid for recently issued local debt for school construction.

Long Range Facilities Plans have been approved for the Abbott districts. The Economic Development Authority (EDA) is approving school facilities projects in these districts and construction is beginning of the first new schools under the school construction program. The EDA also will continue working with the non-Abbott districts that seek grant agreements with the Authority for the State's share of the eligible project costs.

#### **Public Library Grant Program**

Libraries are centers for advancement, learning, and education in our communities. The recently approved Library Grant program will provide \$45 million in bonds financed through the Educational Facilities Authority for the construction, expansion, rehabilitation, and acquisition of public library facilities and library equipment. These funds, which will be subject to 3-to-1 matching requirement, will leverage \$180 million for library construction throughout the State.

### **Security and Compliance Mandates**

For fiscal 2004, \$7 million is recommended to comply with federal and State mandates and to provide increased security in State buildings. To comply with the Americans with Disabilities Act, \$2 million is recommended to remove physical barriers in State facilities for individuals with disabilities. And, because of the September 11 terrorist attack, \$3 million is provided to increase security in State buildings, supplementing the \$3 million appropriated in fiscal 2003. To eliminate hazardous health conditions, such as exposure to asbestos, \$2 million will be provided from the Corporate Business Tax (CBT) dedication for hazardous site remediation.

### **Other Departments and Agencies**

To ensure that the Department of Health and Senior Services has the ability to respond quickly and effectively in emergencies, \$620,000 is provided for equipment at the public health laboratories and for laboratory renovations. This is a continuation budget that ensures availability of equipment and other resources.

For the Department of Human Services, \$5.6 million is recommended for the State Automated Child Welfare Information System, a federal initiative to improve the administration of Child Welfare and Foster Care programs. The information system will improve case managements and the supervision of case-carrying workers; identify and help allocate resources; provide for budgeting, contracting, quality assurance, program planning, and other fiscal controls; interface with other Divisions; and provide for a timely allocation and accurate distribution of federal funds.

Funding of \$3.8 million is recommended for the Department of Law and Public Safety to complete the State Police Troop "C" Complex in Hamilton. The Complex is scheduled to be opened in fiscal 2004, and furniture and equipment are necessary for the operation of the complex.

For the Juvenile Justice Commission, \$500,000 is recommended for suicide prevention improvements at various juvenile detention sites.

This Budget recommends \$165,000 for the Department of Military and Veterans' Affairs to renovate three existing buildings at the National Guard Training Center in Sea Girt to provide a central location for the Youth Challenge program. Due to expanded military requirements, this program must be relocated from Fort Dix. The Department provides a 22 week, in-resident mentoring program to assist at-risk youths in obtaining their GED and the life skills necessary to mature into productive citizens.

### **PROPERTY MANAGEMENT**

For fiscal 2004, \$150.0 million is recommended for rental of office space and other leases necessary for State operations and for expenses associated with such rentals. The recommendation will fund existing and anticipated leases, increases in the cost of leases, lease-purchase agreements for buildings that will be eventually owned by the State, and payments for parking, snow removal, security, moving expenses, taxes and payments in lieu of taxes. New initiatives include provisions for a temporary bio-terrorism laboratory to ensure health and safety of New Jersey citizens and for warehousing space for the Judiciary. In addition to the lease expenses, \$26.4 million is also recommended for utilities and maintenance related services for State-owned buildings.

#### **Lease-Purchase Construction**

Lease-purchase is an important means of obtaining essential facilities necessary for state operations and a method to promote economic growth, development, and revitalization of urban areas. Under lease-purchase agreements, semi-autonomous authorities such as the New Jersey Building Authority, the Economic Development Authority, and the Sports and Exposition Authority issue bonds to construct facilities in partnership with the State. The State leases such facilities, funds the debt service, and at the end of a defined period secures ownership.

Beginning in fiscal 2003, the Division of Property and Management Construction has initiated a strategic planning process to maximize the property rental resource. To date, the Division has eliminated 22 previous leases, filled previously vacant space and consolidated agencies into contiguous leased space to reduce property rental costs.

For the New Jersey Building Authority, \$78.6 million is recommended for fiscal 2004 to pay the debt service on lease-purchase construction. Bonds issued by the Building Authority will fund construction of the South Woods State Prison (\$24.2 million, debt service) as well as renovations to the State House, the State House Annex, the Old Barracks, the War Memorial, the Taxation Building, the Justice Complex, and Thomas Edison State College (\$54.4 million, debt service).

The Authority is also initiating the construction of the State Police Emergency Management and Operations Center, State Museum renovations, and is completing the construction of the State Police Hamilton Complex. The Emergency Management and Operations Center will provide state-of-the-art communications and support capability in a new 47,000 square foot facility in West Trenton. The facility will be sized to accommodate staff from the State Police, Federal Emergency Management Administration (FEMA), and utility company representatives, and is expected to serve a vital role in the coordination of the State's emergency response efforts, including homeland security and storm events.

Similarly, the multi-purpose State Police facility in Hamilton will provide a new headquarters for Troop C of the State Police as well as a new communications tower which will consolidate the communications services of the Department of Transportation, the Department of Personnel and the State Police. Finally, the State Museum project will reconstruct that facility's antiquated heating, ventilation and air-conditioning systems and replace the existing roof and windows, all of which are key to preserving the museum's valuable collections and ensuring its continued accreditation.

Excluding the Local School Construction Program, \$33.5 million is recommended for the debt service for Economic Development Authority (EDA) in fiscal 2004. Among other ongoing projects, the recommendation will finance the debt service for the construction of the New Jersey Performing Arts Center, purchase of the Camden State Office Building, and renovations to the Capital Place One Building. In addition, the recommendation will also provide debt service for the construction of the Trenton Office Complex, the Department of Transportation's Cherry Hill facility, Liberty State Park renovations, and the "Green Lights" energy savings initiatives. In addition, the EDA will issue \$175 million of bonds to fund the Municipal Rehabilitation and Economic Recovery Act projects.

The recommendation for the Sports and Exposition Authority for the fiscal 2004 Budget is \$49.2 million. This is a continuation budget, required to support existing debt service and the Authority's capital renewal program. Projects sponsored by the Authority include Rutgers Stadium, the Meadowlands Complex, the new Atlantic City Convention Center, and the Wildwood Convention Center.

Also, it should be noted that the operating subsidy to the Sports Authority, which was \$5 million in fiscal 2003, has been eliminated in fiscal 2004. This reduction in General Fund support was achieved via a series of management efficiencies and cost cutting initiatives that will allow the Authority to continue to function without the need for State support.



# INTERDEPARTMENTAL

## FISCAL 2004 RECOMMENDED BUDGET

	(In Thousands)
Direct State Services	\$1,554,141
Grants-In-Aid	\$621,239
Capital Construction	\$194,233
<b>Total General Fund</b>	<b>\$2,369,613</b>
<b>Total State Recommendation</b>	<b>\$2,369,613</b>

### OVERVIEW

The Interdepartmental Accounts provide funds for the cost of certain services that are administered centrally on behalf of all agencies of State government.

This section focuses on State employees' salary contracts, employee benefits, and other obligations and initiatives that benefit all State departments ranging from short-term borrowing costs to major investments in technology. Other Interdepartmental Accounts include property rentals, utilities, insurance, and capital, and are discussed in the *Capital and Debt Service* section.

*The Fiscal 2004 Budget for all Interdepartmental Accounts totals \$2.370 billion, an increase of \$325.1 million, or 15.9%, over the fiscal 2003 adjusted appropriation of \$2.045 billion.*

### BUDGET STATUS

The following describes recommended changes to the agency's appropriation as well as continued funding for major programs.

#### Salary Increases

The State of New Jersey, excluding higher education's senior public institutions, employs approximately 79,900 full-time and part-time workers. The State is covered by the New Jersey Public Employer-Employee Relations Act, as amended, NJSA 34:13A-1, et seq. This

Act guarantees public employees the right to negotiate collectively through employee organizations certified or recognized as the exclusive collective negotiation representatives for units of public employees. As of January 2003, unions represented 84.1%, or 67,200 full-time and part-time State employees.

STATE EMPLOYEE UNION AFFILIATION	Full-time & Part-time Employees *
Communications Workers of America (CWA)	34,000
Judicial Employee Unions	8,400
American Federation of State, County and Municipal Employees (AFSCME)	8,900
Policemen's Benevolent Association (PBA)	8,000
International Federation of Professional and Technical Engineers (IFPTE)	5,200
State Troopers Fraternal Association (STFA)	<u>2,700</u>
<b>Total</b>	<b><u>67,200</u> *</b>

\*Excludes hourly & special services employees

In fiscal 2004, \$93.3 million is recommended for Salary Increases and Other Benefits including \$82.3 million to cover fiscal 2004 employee increments, progressions, across-the-board raises for all eligible employees, and bonuses according to contractual agreements along with any deferred costs for the same contracts.

In addition to salary increases, this section of the Budget provides \$11 million for payment of unused accumulated sick leave. Employees are permitted to accumulate earned sick days. Upon retirement, the retiree is paid for unused sick days at 50% of the normal pay rate, up to a maximum amount of \$15,000.

## Employee Contract Status

Contracts are in place for the three largest unions in the Division of State Police, including the State Trooper Fraternal Association, State Trooper NCO and State Trooper Superior Officers. Members will receive a 4.0% across-the-board (ATB) increase in July 2003.

The two unions that represent Judicial employees – CWA professional and the Judiciary Council of Affiliated Unions (JCAU) – will receive 2.0% ATB in July and 2.5% in January. Additionally, members will receive 4.15% salary progression (4.75% for judges' secretaries) in January.

The State is presently negotiating the remaining union contracts to be in place for fiscal year 2004, including the American Federation of State, County, and Municipal Employees (AFSCME); International Federation of Professional and Technical Engineers (IFPTE); Communication Workers of America (CWA); and the Policemen's Benevolent Association (PBA).

## Employee Fringe Benefits

For fiscal 2004, a total cost of \$1.7 billion is budgeted to provide fringe benefits to employees of State government and higher education institutions, an increase of \$274.8 million, or 18.8%, compared to fiscal 2003. The major components of the Direct State Services and Grants-In-Aid costs for employee fringe benefits are reflected in the chart below.

<b>EMPLOYEE BENEFITS</b>		
<i>(\$ in millions)</i>		
	<b>Adjusted Appropriation Fiscal 2003</b>	<b>Recommendation Fiscal 2004</b>
Employee Retirement	\$231.8	\$351.7
Health Benefits	831.1	957.4
Employer Payroll Taxes	441.3	449.9
Subtotal	1,504.2	1,759.0
Fringe Reimbursements	-45.3	-25.3
<b>Total Employee Benefits</b>	<b>\$1,458.9 *</b>	<b>\$1,733.7 *</b>

\*Includes Direct State Services and Grants-In-Aid

## Employee Retirement

All State employees and most employees of counties, municipalities, and school districts are members of one of the seven State retirement systems: the Public Employees' Retirement System (PERS), the Teachers' Pension and Annuity Fund (TPAF), the Police and Firemen's Retirement System (PFRS), Consolidated Police and Firemen's Pension Fund, State Police Retirement System, Judicial Retirement System, and Prison Officer's Pension Fund. The law provides that all defined benefit pension plans are subject to actuarial valuation every year and actuarial experience studies every three years.

Growth in employee retirement costs in fiscal 2004 is largely due to depletion of surplus assets of the pension systems and depletion of the PERS and TPAF post-retirement medical reserves. Additionally, there are substantial increases in health care costs for retired employees. In fiscal 2003 surplus pension assets and post-retirement medical reserves used to offset pension contributions and post-retirement medical costs totaled \$328.5 million.

The State's total cost for fiscal 2004, including actuarially determined normal costs, post-retirement medical costs for PERS and TPAF State employees, and debt service payments on the pension obligation bonds, is projected at \$635.7 million, excluding benefit enhancement costs (in accordance with P.L. 2001, c.133) of \$29.0 million. Of this total amount, surplus assets will offset normal contributions equal to \$77.4 million for the defined benefit plans; and State PERS and TPAF Benefit Enhancement Fund reserves will offset normal contributions equal to \$29.1 million. Additionally, a five-year phase-in of pension contributions for the defined benefit plans yields \$177.5 million in savings. The net result is a fiscal 2004 recommended appropriation of \$351.7 million, an increase of \$119.8 million or 51.7% over fiscal 2003.

The net pension recommendation of \$351.7 million includes \$175.5 million of post-retirement medical costs for PERS; \$2.0 million of post-retirement medical costs for TPAF; \$11.8 million of pension contribution costs for PFRS; \$111.4 million of pension contribution

costs for the Alternate Benefits Program; and \$3.5 million of pension contribution costs for the Judicial Retirement System. Another \$1.9 million is appropriated for pension funds and other specially legislated retirement provisions. Recommended appropriations for debt service payments on the pension obligation bonds for State and higher education employees total \$45.6 million in fiscal 2004.

### **Employee Health Benefits**

The cost for health benefits, including medical, prescription drug, dental, and vision, for State and higher education employees in fiscal 2004 is projected at \$957.4 million. This is a net increase of \$126.3 million, or approximately 15.2%, above the fiscal 2003 adjusted appropriation of \$831.1 million. This growth is a result of anticipated rate increases for all State health plans, reflecting continued cost escalation in the health care industry.

### **Employer Payroll Taxes**

The fiscal 2004 recommendation of \$424.6 million for employer payroll taxes (\$449.9 million reduced by \$25.3 million in fringe reimbursements) represents an increase of \$28.6 million, or 7.2%, over fiscal 2003. This includes \$410.8 million for the State's portion of the Social Security tax, \$9.2 million for Temporary Disability Insurance (TDI), and \$4.7 million for Unemployment Insurance (UI) liability. The taxable wage base for Social Security will increase from \$84,900 to \$87,000 in calendar year 2003. The calendar year 2003 taxable wage base for TDI and UI will increase from \$23,500 to \$23,900.



# MISCELLANEOUS COMMISSIONS

## FISCAL 2004 RECOMMENDED BUDGET

	(In Thousands)
Direct State Services	\$1,373
<b>Total General Fund</b>	<b>\$1,373</b>
<b>Total State Recommendation</b>	<b>\$1,373</b>

### OVERVIEW

Miscellaneous Commissions are agencies with missions that extend beyond a single department within the State. In some instances, they may extend to one or more states, and were created as an interstate-federal compact. For example, an interstate commission operates in conjunction with executive departments in several states, with each member state exercising equal power in the decision making process. Such compacts are necessary, as an action taken by one state frequently has ramifications in another state.

Services are provided in two distinct areas: science and technical programs, and governmental review. The Delaware River Basin Commission and the Interstate Environmental Commission are engaged in science and technology programs, and governmental review activities are conducted by the Council on Local Mandates.

*The Fiscal 2004 Budget for Miscellaneous Commissions totals \$1.4 million, a decrease of \$22,000, or 1.6%, under the fiscal 2003 adjusted appropriation of \$1.4 million.*

### BUDGET STATUS

The following describes recommended changes to the agency's appropriation as well as continued funding for major programs.

### Delaware River Basin Commission

This Commission, under the Delaware River Basin Compact, operates as a regional agency for the planning, conservation, utilization, development, management, and control of water and related natural resources of the Delaware River Basin. The Compact includes Delaware, New Jersey, New York, the Commonwealth of Pennsylvania, and the federal government. Each year the Commission proposes a water resources program to be undertaken in conjunction with other governmental and private agencies, organizations, and individuals over a six-year period or other reasonable, specified time period. The Commission is empowered to allocate the waters of the Basin to and among the states and their respective political subdivisions, and to impose related conditions, obligations, and release requirements, subject to certain limitations. Also, it is empowered to acquire, operate, and control projects and facilities for the storage and release of waters, and may assess the cost for water users. The Commission may conduct investigations and surveys, and design, acquire, construct, operate, and maintain projects and facilities for the purpose of controlling potential pollution, abating existing pollution, and for reducing flood damage. Additionally, it has the power to restrict the use of property within areas of flood plain in order to minimize flood hazard.

The Commission provides for the development of water-related public sports and recreational facilities through the construction, maintenance, and administration of such facilities. It may develop and operate, or authorize to be developed and operated, dams and related facilities and equipment for the purpose of generating hydroelectric power. The fiscal 2004 recommendation of \$857,000 represents a decrease of \$10,000 in New Jersey's share of the Commission's budget.

### **Interstate Environmental Commission**

The Commission is a tri-state agency created by the states of New Jersey, New York, and Connecticut through enabling legislation and a tri-state compact. The Commission plans and coordinates activities designed to abate water pollution in waterways common to the three states. It establishes rules, regulations, and orders related to its purpose and may rely on the courts for enforcement, if required. In addition, the Commission is the official planning and coordinating agency for the New Jersey, New York, and Connecticut air quality control region, though it does not have air pollution abatement enforcement powers. The Commission's program plan is designed to provide an effective coordinated approach to regional environmental problems. The Commission conducts research, testing, and development, and disseminates data to other public and private organizations or agencies. It does sampling to track sources of air pollutants and refers complaints, with data

necessary to support corrective action, to the appropriate agency or agencies of the states. The fiscal 2004 recommendation of \$383,000 reflects a decrease of \$5,000 in New Jersey's contribution to the Commission's total operating budget.

### **Council On Local Mandates**

The nine-member Council was created by Chapter 24, P.L. 1996 to implement the constitutional amendment approved by New Jersey voters in the 1995 general election. The Council reviews complaints filed by counties, municipalities or school districts, or by a county executive or elected mayor, and issues written rulings on whether a statute, rule, or regulation constitutes an impermissible, unfunded State mandate. The fiscal 2004 recommendation is \$133,000, which reflects a \$7,000 decrease from fiscal 2003 adjusted appropriation of \$140,000.



# APPENDIX

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## **Special Topics**

Appropriation Limitations Law	1
Casino Revenue Fund	3
Demographics	5
Workforce	6

## **Miscellaneous**

Distinguished Budget Presentation Award	10
The State Budget Process	11
Glossary	13



# APPROPRIATION LIMITATIONS LAW

The State Appropriations Limitation Act (P.L. 1990, c.94), commonly called the CAP law, limits the growth of appropriations in the Direct State Services section of the Budget, which encompasses the operations of State government. Exempt from the limitation are Grants-in-Aid; State Aid to counties, municipalities, local school districts, and other instrumentalities; federal funds appropriations; Capital Construction and Debt Service; and monies deposited in and expended from the Property Tax Relief Fund, the Casino Control Fund, the Casino Revenue Fund, and the Gubernatorial Elections Fund.

The law provides that the CAP may be exceeded upon passage of a bill making an appropriation approved by a two-thirds vote of all members of each legislative body.

Under the formula in the law, the maximum appropriation for fiscal 2004 is computed by multiplying the base year appropriation (fiscal 2003) subject to the percentage limitation by the average three-year growth rate in per capita personal income calculated on a fiscal basis. The fiscal 2004 CAP is calculated using 3.48%.

<b>STATE INCOME <sup>(a)</sup></b>	
(\$ in millions)	
Fiscal 1999	284,210
Fiscal 2000	301,599
Fiscal 2001	324,401
Fiscal 2002	332,014

(a) See Notes at the end of this subsection.  
Source: U.S. Department of Commerce, Bureau of Economic Analysis

The calculation results in a maximum increase of \$174.5 million over the fiscal 2003 Adjusted Appropriation, or a maximum appropriation of \$5.015 billion for Direct State Services for fiscal 2004. The Governor's recommendation for fiscal 2004, for items under the CAP, is \$5.073 billion, or \$117 million under the CAP limit. Data used to compute the appropriation limit are presented in the accompanying tables.

The average per capita personal income for the State and the average percentage change for the last four fiscal years are displayed below.

<b>STATE POPULATION <sup>(b)</sup></b>	
Fiscal 1999	8,143,412
Fiscal 2000	8,433,276
Fiscal 2001	8,511,116
Fiscal 2002	8,590,300

(b) See Notes at the end of this subsection.  
Source: U.S. Bureau of the Census data.  
(State Pop. Estimates, April 1, 2001- July 1, 2002)

	<b>State Average Per Capita Personal Income <sup>(c)</sup></b>	<b>Percentage Change</b>
Fiscal 1999	34,901	
Fiscal 2000	35,763	2.47%
Fiscal 2001	38,115	6.58%
Fiscal 2002	38,650	1.40%

(c) See Notes at the end of this subsection.  
Source: U.S. Bureau of the Census data.  
(State Pop. Estimates, April 1, 2001- July 1, 2002)

**Computation of 2004 Cap  
Subject to Expenditure Limitation Law Percentage  
(\$ In Thousands)**

Appropriation and Adjustments for Fiscal 2003	24,192,139
Adjustment: For Restoration from Cash Management Reserve (a)	20,000
Adjustment: For Shift of Division of Motor Vehicles Off-Budget	(149,371)
 Less Statutory Exemptions:	
Grants-In-Aid	(6,405,148)
State Aid	(3,337,592)
Capital Construction	(1,021,951)
Debt Service	(470,675)
Property Tax Relief Fund	(7,363,713)
Casino Control Fund	(62,737)
Casino Revenue Fund	(364,968)
Gubernatorial Elections Fund	
Less: Funding for Corrections Mental Health Treatment Appropriated In Accordance With A Court Settlement	(20,478)
 Amount Subject to Limitation	 5,015,506
 Fiscal 2003 Base Subject to Percentage Limitation	 5,015,506
Per Capita Personal Income Rate	3.48%
 Maximum Increase in Appropriation for Fiscal 2004	 174,540
Maximum Appropriation for Fiscal 2004	5,190,046
<b>Fiscal 2004 Recommendation</b>	<b>5,093,786</b>
Less: Funding for Corrections Mental Health Treatment Appropriated In Accordance With A Court Settlement	(20,478)
Amount of Fiscal 2004 Appropriation Subject to the CAP Limitation	<u>5,073,308</u>
 Amount Over/(Under) the CAP Limitation	 <u><u>(116,738)</u></u>

(a) For the purposes of calculating the State Appropriations Limitation Act P.L. 1990 c.94 (C.52:9H-24 et seq.) the recovery of funds from the Cash Management Reserve Fund may be treated as a "base appropriation" in accordance with the provisions on page B-190 of the FY 2003 Appropriations Handbook.



# CASINO REVENUE FUND

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## OVERVIEW

The Casino Revenue Fund (CRF) was established in 1976 with the provision that State revenues derived from casino gambling would be applied solely for the purpose of “providing funding for reductions in property taxes, rental, telephone, gas, electric, and municipal utilities charges of eligible senior citizens and disabled residents of the State in accordance with such formulae as the Legislature shall by law provide.” The Fund’s authorized use was expanded in 1981 to include additional or expanded health services or benefits, transportation services, or benefits to eligible senior and disabled residents.

Total Casino Revenue Fund revenues of \$512.2 million, including \$0.7 million from the Casino Simulcasting Fund, are projected for fiscal 2004. This amount includes \$90 million from an increase in the Casino Revenue Tax from 8% to 10%. This tax increase, along with the implementation of a federal waiver for the PAAD program has allowed for some programs previously funded through general fund appropriations to be shifted to the Casino Revenue Fund. In addition to these new revenues, the Lifeline program has been shifted out of the Casino Revenue Fund and is now funded through the Board of Public Utilities. As a result of new revenue and the Lifeline shift, the Casino Revenue Fund is projected to have a \$135 million surplus in fiscal 2004.

The summary and projection table at the end of this section illustrates CRF revenues and the programs receiving Fund appropriations over the past several years. Some CRF appropriations have been shifted to the General Fund and other funds over the past several fiscal years (see the General Fund Subsidy section of the table).

## BUDGET INITIATIVES AND ONGOING PROGRAMS

The following programs are currently receiving major appropriations through the Casino Revenue Fund:

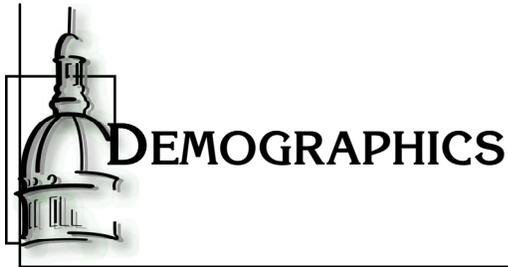
- Pharmaceutical Assistance to the Aged and Disabled (PAAD)— \$209.7 million
- Transportation Assistance— \$25.5 million
- Residential Care Developmental Disabilities— \$19.6 million
- Personal Assistance Services Program— \$3.7 million
- Community Care Alternatives— \$30.7 million
- Sheltered Workshop Transportation— \$2.4 million
- Waiver Initiatives---\$16.5
- Home Care Expansion Program— \$200,000
- Personal Care---\$55.9

**CASINO REVENUE FUND SUMMARY AND PROJECTION**  
(\$ In Millions)

	FISCAL 1997	FISCAL 1998	FISCAL 1999	FISCAL 2000	FISCAL 2001	FISCAL 2002	FISCAL 2003	REC. 2004
Opening surplus	\$12.80	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Revenues	313.7	325.5	325.0	335.7	347.0	350.0	355.0	511.0
Lapses and adjustments	0.0	0.0	3.2	1.8	0.0	14.2	9.8	1.2
<b>TOTAL RESOURCES</b>	<b>\$326.5</b>	<b>\$325.5</b>	<b>\$328.2</b>	<b>\$337.5</b>	<b>\$347.0</b>	<b>\$364.2</b>	<b>\$364.8</b>	<b>\$512.2</b>
<b>PROPERTY TAX DEDUCTION</b>	\$17.2	\$17.2	\$17.2	\$17.2	\$17.2	\$0.0 <sup>3</sup>	\$0.0 <sup>3</sup>	\$0.0 <sup>3</sup>
<b>MEDICAL ASSISTANCE</b>								
Personal assistance	3.7	3.7	3.7	3.7	3.7	3.7	3.7	3.7
Home care expansion	2.4	0.0	1.0	0.7	0.5	0.4	0.3	0.2
PAAD -- expanded	147.4	166.1	193.6	218.8 <sup>1</sup>	229.9 <sup>2</sup>	257.9	259.9	209.7
Community care and Waivers	18.5	0.8	14.2	3.3	1.6	3.0	3.3	47.2
Respite care	4.0	2.8	4.8	4.8	4.8	5.2	5.4	5.4
Hearing aid assistance	0.3	0.3	0.3	0.3	0.2	0.2	0.3	0.2
Statewide birth defects registry	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Health and Senior Services Admin.	0.6	0.6	0.9	0.9	0.9	0.9	0.9	0.9
Personal Care	0	0	0	0	0	0	0	55.9
<b>LIFELINE CREDITS</b>	76.3	76.3	34.6	34.6	32.7	34.7	34.6	0.0 <sup>6</sup>
<b>TRANSPORTATION ASSISTANCE</b>								
Senior citizens and disabled residents	21.1	22.2	22.5	22.8	25.7	24.8	24.9	25.5
Sheltered workshop transportation	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4
<b>HOUSING PROGRAMS</b>								
Congregate housing support	1.9	1.9	1.9	1.9	0.5	3.3	1.9	0 <sup>4</sup>
Safe housing and transportation	2.0	2.0	1.6	1.6	1.6	1.7	1.7	0.6 <sup>4</sup>
Developmental Disabilities	24.5	24.5	24.5	19.6	19.6	19.6	19.6	19.6
<b>OTHER</b>	3.7	4.2	4.5	4.4	5.2	5.9	5.4	5.4
<b>TOTAL APPROPRIATIONS</b>	<b>\$326.5</b>	<b>\$325.5</b>	<b>\$328.2</b>	<b>\$337.5</b>	<b>\$347.0</b>	<b>\$364.2</b>	<b>\$364.8</b>	<b>\$377.2</b>
<b>ENDING SURPLUS</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$135.0<sup>8</sup></b>
<b>GENERAL FUND SUBSIDY</b>								
Lifeline	\$0.0	\$0.0	\$36.2	\$36.2	\$36.2	\$36.2	\$11.2 <sup>6</sup>	\$0.0 <sup>6</sup>
SOBRA for Aged and Disabled	105.4	109.6	114.0	118.6	123.8	128.8	133.9	139.3
Community Care and Waivers	81.0	23.3	30.1	38.8	41.2	41.2	45.9	0.0
Personal Care	0.0	76.4	88.8	103.1	96.7	116.2	130.2	76.1
Senior Citizens Property Tax Freeze	0.0	0.0	0.0	23.7	10.6	10.6	23.0	23.0
PAAD -- expanded	0.0	0.0	0.0	20.0 <sup>1</sup>	49.5	92.9 <sup>7</sup>	68.4 <sup>5</sup>	0.0 <sup>5</sup>
<b>VALUE OF PROGRAMS SHIFTED</b>	<b>\$186.4</b>	<b>\$209.3</b>	<b>\$269.1</b>	<b>\$340.4</b>	<b>\$358.0</b>	<b>\$425.9</b>	<b>\$412.6</b>	<b>\$238.4</b>

**Notes:**

- Includes \$5.1 million of the Supplemental Appropriation of \$25.1 million; the remaining \$20 million of this amount has been shifted to the General Fund and charged to the Tobacco Settlement Trust Fund.
- In addition to this amount, \$49.5 million has been shifted to the General Fund and charged to the Tobacco Settlement Trust Fund.
- The Property Tax Deduction appropriation has been shifted to the Property Tax Relief Fund.
- In addition to this amount, funding will be provided through a dedicated fund from resources within the Home Mortgage Financing Authority.
- Fiscal 2003 and 2004 assumes the implementation of a federal PAA/D Waiver effective April 1, 2002. Fiscal 2003 includes a Supplemental Appropriation of \$62.5 million.
- In fiscal 2004, the Lifeline program will be funded through the Board of Public Utilities.
- Includes Supplemental Appropriation of \$25 million, \$21.3 of which was unexpended and carried forward to be a resource in fiscal 2003.
- It is anticipated that \$135 million of General Fund appropriations will be transferred to the Casino Revenue Fund, thus reducing the Casino Revenue Fund surplus to \$0 and increasing the General Fund surplus to \$250 million.



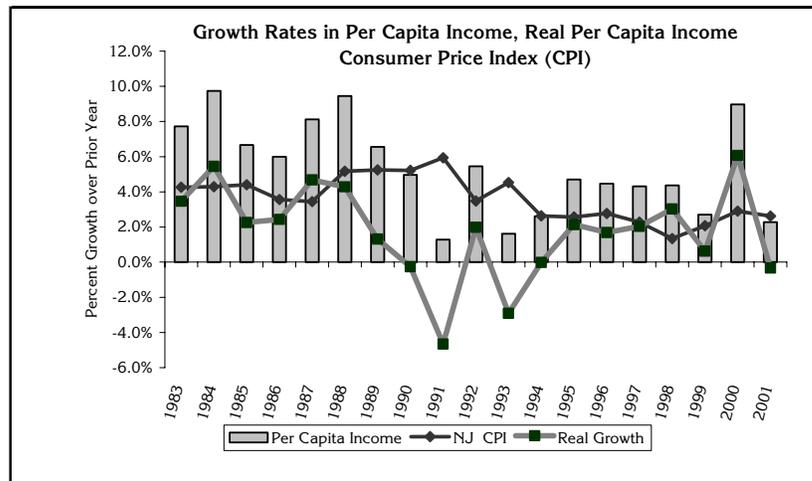
### Population and Personal Income

The total population of New Jersey is 8.6 million, based on the latest update of the U.S. Bureau of the Census in July 2002.

New Jersey's per capita income has failed to experience real growth, i.e., annual growth in

excess of consumer price index (CPI) growth, for the first time since 1993 (see figure below).

New Jersey has the highest rank for per capita personal income of the mid-Atlantic states (see table below).



**PER CAPITA PERSONAL INCOME FOR  
THE UNITED STATES, NEW JERSEY, AND MIDDLE ATLANTIC STATES  
(2001 Calendar Year)**

	Amount	Percent of National Average	National Ranking
United States	\$30,472	---	---
New Jersey	\$38,509	126	3
New York	\$39,019	118	4
Maryland	\$35,118	115	5
Delaware	\$32,472	107	11
Pennsylvania	\$30,720	101	15

Source: U.S. Department of Commerce, Bureau of Economic Analysis.



**OVERVIEW**

The number of State funded full time positions in FY2004 is 49,746, a reduction of 594 compared to mid FY2003 (December 27, 2002).

Due to severity of the State’s fiscal crisis in fiscal 2004, 108 budget line items were eliminated and another 19 were reduced by 50% or more. While these reductions may result in program staff being reassigned or absorbed into other operations of the Departments, the following full-time employee (FTE) reductions are more likely than others to result in layoffs since the programs are self contained and vacancies in the host department are constrained.

	FTE
Elimination of Council of the Arts	(12)
Elimination of Personal Responsibility (Dept. of State)	(9)
Eliminate Grant Funding for Research and Development	(8)
Eliminate Historical Commission	(7)
Reduce Commission on Higher Education	(6)
Eliminate Motion Picture & TV Development Commission	(5)
NJN Extended Broadcast Day	(4)
Elimination of Garden State Preservation Trust Office	(4)
Elimination of Cultural Trust Administration	(4)
NJN Audience and Revenue Growth	(3)
Evaluation of Human Exposure to Hazardous Waste	(2)
Elimination of Office of Volunteerism	(2)
Eliminate Office of Cultural Affairs	(1)
Electronic Death Certificate	(1)
TOTAL	(68)

The FY2004 Budget also features some increases to funded positions, notably the Division of Youth and Family Services (DYFS) and staffing at the State institutions for the developmentally disabled and the State Psychiatric Hospitals. In fiscal 2004, 273 new positions (all funds) are being added to DYFS. This increase is mostly comprised of caseworkers and other support staff that enable caseloads to be reduced or be handled in a more effective manner. Including federal funds, the FY2004 Budget supports 398 more staff at DYFS than were on board when Governor McGreevey took office. Staff at the Divisions of Developmental Disabilities and the Mental Health and Hospitals within the Department of Human Services will increase by 630 compared to the beginning of the McGreevey Administration to continue addressing federal certification requirements.

The Department of Law and Public Safety is recommended to receive a \$1 million increase to the Division of Criminal Justice and the Office of Government Integrity in order to enhance their ability to uncover and prosecute public corruption. Also within the Department, funds are included for a trooper class that will provide replacements for attrition that will occur during fiscal 2004.

Other significant position changes in fiscal 2004 are 77 new positions for the opening of a new 352 bed unit at Southern State Correctional Facility. Funding is also provided for 11 staff for the reopening of the Jones Farm prison detail, which had been closed due to renovations.

**WORKFORCE**  
1/25/02 vs. 12/27/02

	State		All Other		Total	
	EMPLOYEES	EMPLOYEES	EMPLOYEES	EMPLOYEES	EMPLOYEES	EMPLOYEES
	01/25/02	12/27/02	01/25/02	12/27/02	01/25/02	12/27/02
AGRICULTURE	169	147	89	100	258	247
BANKING AND INSURANCE	2	2	511	484	513	486
CHIEF EXECUTIVE OFFICE	152	118	0	---	152	118
COMMUNITY AFFAIRS	227	186	848	798	1,075	984
CORRECTIONS (Balance)	8,998	8,936	450	408	9,448	9,344
- Parole Board	713	699	0	---	713	699
EDUCATION	466	440	536	480	1,002	920
ENVIRONMENTAL PROTECTION	2,405	2,258	1,033	990	3,438	3,248
HEALTH AND SENIOR SERVICES	943	854	1,211	1,099	2,154	1,953
HUMAN SERVICES (Total)	13,459	13,619	5,664	5,659	19,123	19,278
- Management and Budget	318	312	149	148	467	460
- Medical Assistance	197	163	419	358	616	521
- Disability Services <sup>(a)</sup>	0	0	0	0	0	0
- Family Development	240	221	208	188	448	409
- Commission for the Blind and Visually Impaired	182	165	96	87	278	252
- Youth and Family Services	2,910	2,950	702	690	3,612	3,640
- Deaf and Hard of Hearing	6	6	0	---	6	6
- Developmental Disabilities	4,794	4,930	4,056	4,152	8,850	9,082
- Mental Health and Hospitals	4,812	4,872	34	36	4,846	4,908
LABOR (Balance)	241	219	3,265	3,270	3,506	3,489
- Public Employee Relations Commission	35	36	0	---	35	36
LAW & PUBLIC SAFETY (Balance)	4,703	4,592	2,659	2,545	7,362	7,137
- Election Law Enforcement Commission	49	46	0	---	49	46
- Violent Crimes Compensation Board	48	46	0	---	48	46
- Executive Commission on Ethical Standards	9	8	0	---	9	8
- Juvenile Justice	1,203	1,153	428	432	1,631	1,585
MILITARY AND VETERANS' AFFAIRS	1,308	1,211	149	147	1,457	1,358
PERSONNEL	425	367	13	9	438	376
STATE (Balance)	141	132	62	55	203	187
- Commission on Higher Education	22	20	2	2	24	22
- New Jersey Network	120	117	40	40	160	157
- Higher Education Student Assistance Authority	29	27	183	166	212	193
TRANSPORTATION	3,026	2,794	1,083	981	4,109	3,775
- Motor Vehicle Services <sup>(b)</sup>	0	0	1,331	1,334	1,331	1,334
TREASURY (Balance)	3,391	3,146	494	458	3,885	3,604
- Casino Control Commission	---	---	334	325	334	325
- Office of Administrative Law	110	99	10	10	120	109
- Office of Information Technology	---	---	1,043	929	1,043	929
- Public Defender	949	876	1	1	950	877
- Commission on Science and Technology	9	8	0	---	9	8
- Board of Public Utilities / Ratepayer Advocate	---	---	305	319	305	319
MISCELLANEOUS COMMISSIONS	2	2	0	---	2	2
<b>TOTAL EXECUTIVE BRANCH</b>	<b>43,354</b>	<b>42,158</b>	<b>21,744</b>	<b>21,041</b>	<b>65,098</b>	<b>63,199</b>
			Reduced workforce by approximately 2,000			
JUDICIARY (Administrative Office of the Courts)	1,549	1,493	261	260	1,810	1,753
JUDICIARY (County Courts)	6,324	6,183	1,251	1,182	7,575	7,365
<b>TOTAL JUDICIARY</b>	<b>7,873</b>	<b>7,676</b>	<b>1,512</b>	<b>1,442</b>	<b>9,385</b>	<b>9,118</b>
LEGISLATURE	481	506	---	---	481	506
<b>GRAND TOTAL</b>	<b>51,708</b>	<b>50,340</b>	<b>23,256</b>	<b>22,483</b>	<b>74,964</b>	<b>72,823</b>

**Notes:**

(a) Human Services Division of Disability Services did not exist prior to FY2003.

(b) All filled and funded FTE data moved to 'All Other' category to allow for comparison as a result of DMV legislation.

**STATE FUNDED WORKFORCE**  
**12/27/02 vs. FY 2004 FUNDED POSITIONS COMPARISON**

	State	
	EMPLOYEES 12/27/02	FY 2004 FUNDED POSITIONS
AGRICULTURE	147	150
BANKING AND INSURANCE	2	2
CHIEF EXECUTIVE OFFICE	118	113
COMMUNITY AFFAIRS	186	187
CORRECTIONS (Balance)	8,936	8,753
- Parole Board	699	709
EDUCATION	440	441
ENVIRONMENTAL PROTECTION	2,258	2,292
HEALTH AND SENIOR SERVICES	854	884
HUMAN SERVICES (Total)	13,619	14,088
- Management and Budget	312	289
- Medical Assistance	163	141
- Disability Services <sup>(a)</sup>	0	19
- Family Development	221	219
- Commission for the Blind and Visually Impaired	165	164
- Youth and Family Services	2,950	3,277
- Deaf and Hard of Hearing	6	9
- Developmental Disabilities	4,930	5,012
- Mental Health and Hospitals	4,872	4,958
LABOR (Balance)	219	223
- Public Employee Relations Commission	36	40
LAW & PUBLIC SAFETY (Balance)	4,592	4,593
- Election Law Enforcement Commission	46	45
- Violent Crimes Compensation Board	46	49
- Executive Commission on Ethical Standards	8	9
- Juvenile Justice	1,153	1,148
MILITARY AND VETERANS' AFFAIRS	1,211	1,213
PERSONNEL	367	370
STATE (Balance)	132	97
- Commission on Higher Education	20	14
- New Jersey Network	117	109
- Higher Education Student Assistance Authority	27	27
TRANSPORTATION	2,794	2,792
- Motor Vehicle Services <sup>(b)</sup>	0	0
TREASURY (Balance)	3,146	3,110
- Casino Control Commission	---	---
- Office of Administrative Law	99	105
- Office of Information Technology	---	---
- Public Defender	876	877
- Commission on Science and Technology	8	0
- Board of Public Utilities / Ratepayer Advocate	---	---
MISCELLANEOUS COMMISSIONS	2	2
<i>EXECUTIVE BRANCH</i>	<u>42,158</u>	<u>42,442</u>
	Less: <u>1,000</u>	<u>41,442</u>
JUDICIARY (Administrative Office of the Courts)	1,493	1,543
JUDICIARY (County Courts)	6,183	6,255
<i>TOTAL JUDICIARY</i>	<u>7,676</u>	<u>7,798</u>
LEGISLATURE	506	506
<i>GRAND TOTAL</i>	<u>50,340</u>	<u>49,746</u>

**Notes:**

(a) Human Services Division of Disability Services did not exist prior to FY2003.

(b) All filled and funded FTE data moved to 'All Other' category to allow for comparison as a result of DMV legislation.

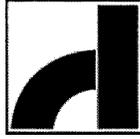
**NON STATE FUNDED WORKFORCE  
12/27/02 vs. FY 2004 FUNDED POSITIONS COMPARISON**

	All Other	
	EMPLOYEES 12/27/02	FY 2004 FUNDED POSITIONS
AGRICULTURE	100	93
BANKING AND INSURANCE	484	491
CHIEF EXECUTIVE OFFICE	---	---
COMMUNITY AFFAIRS	798	807
CORRECTIONS (Balance)	408	422
- Parole Board	---	---
EDUCATION	480	511
ENVIRONMENTAL PROTECTION	990	1,018
HEALTH AND SENIOR SERVICES	1,099	1,133
HUMAN SERVICES (Total)	5,659	5,936
- Management and Budget	148	145
- Medical Assistance	358	397
- Disability Services <sup>(a)</sup>	0	10
- Family Development	188	201
- Commission for the Blind and Visually Impaired	87	94
- Youth and Family Services	690	733
- Deaf and Hard of Hearing	---	---
- Developmental Disabilities	4,152	4,318
- Mental Health and Hospitals	36	38
LABOR (Balance)	3,270	3,303
- Public Employee Relations Commission	---	---
LAW & PUBLIC SAFETY (Balance)	2,545	2,603
- Election Law Enforcement Commission	---	---
- Violent Crimes Compensation Board	---	---
- Executive Commission on Ethical Standards	---	---
- Juvenile Justice	432	449
MILITARY AND VETERANS' AFFAIRS	147	160
PERSONNEL	9	28
STATE (Balance)	55	66
- Commission on Higher Education	2	2
- New Jersey Network	40	40
- Higher Education Student Assistance Authority	166	166
TRANSPORTATION	981	1,047
- Motor Vehicle Services <sup>(b)</sup>	1,334	1,422
TREASURY (Balance)	458	482
- Casino Control Commission	325	340
- Office of Administrative Law	10	11
- Office of Information Technology	929	929
- Public Defender	1	2
- Commission on Science and Technology	---	---
- Board of Public Utilities / Ratepayer Advocate	319	346
MISCELLANEOUS COMMISSIONS	---	---
<i>TOTAL EXECUTIVE BRANCH</i>	<u>21,041</u>	<u>21,807</u>
JUDICIARY (Administrative Office of the Courts)	260	291
JUDICIARY (County Courts)	1,182	1,162
<i>TOTAL JUDICIARY</i>	<u>1,442</u>	<u>1,453</u>
LEGISLATURE	---	---
<i>GRAND TOTAL</i>	<u><u>22,483</u></u>	<u><u>23,260</u></u>

**Notes:**

(a) Human Services Division of Disability Services did not exist prior to FY2003.

(b) All filled and funded FTE data moved to 'All Other' category to allow for comparison as a result of DMV legislation.



GOVERNMENT FINANCE OFFICERS ASSOCIATION

*Distinguished  
Budget Presentation  
Award*

PRESENTED TO

**State of New Jersey  
New Jersey**

For the Fiscal Year Beginning  
**July 1, 2002**

President

Executive Director

*The Government Finance Officers Association of the United States and Canada (GFOA) presented a Distinguished Budget Presentation Award to the State of New Jersey, for its annual budget for the fiscal year beginning July 1, 2002.*

*In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan, and as a communications device.*

*This award is valid for a period of one year only. We believe our current budget continues to conform to program requirements, and we are submitting it to GFOA to determine its eligibility for another award.*



# THE STATE BUDGET PROCESS

The current budget process, the Integrated Planning and Budgeting Process, was first implemented for the production of the fiscal 1991 Budget, replacing other systems such as Zero-Based Budgeting (ZBB) and the Planning, Programming, and Budget System (PPBS). It uses several key features from previous budget processes, and is designed to result in planning-driven budgets. Implementation of the process usually begins during the month of April, some fifteen months prior to the year for which the budget will be effective. The State Budget cycle is set on a fiscal year basis, which extends from July 1 to June 30 of the following year.

To formally initiate the process, the Office of Management and Budget (OMB) provides salary projection reports and technical budget instructions to the departments in June. Among other things, this enables the agencies to determine how their base budget should be arranged, including any desired reallocations, in the coming budget year. Any recommended changes identified later with the budget process are then applied to this base.

The ensuing planning process includes reviews of the Governor's program priorities, economic forecasts, demands assumptions, and analyses of selective program areas. General guidance is provided to each State agency in August by OMB, including preliminary budget targets.

Agencies prepare planning documents which describe (1) their ability to provide current services within the budget target (including projections of mandatory growth), (2) the agencies' priorities for reduction of current services if requested, and (3) priority packages representing either expansion of current programs or new programs. The Office of Management and Budget (OMB) reviews the planning documents with the agencies from November through December, and preliminary recommendations are agreed upon.

During the months of December and January, the Director of OMB reviews budget

recommendations with the State Treasurer, the Governor, and the Governor's staff. Normally, the Governor makes the final decisions in January.

The planning portion of the process culminates in the final submission of the agency budget request to OMB in January, which is forwarded to the Legislature. The Budget Message, representing the Governor's recommendations on how revenues should be allocated, is delivered to the Legislature on or before the third Tuesday following the first meeting of the State Legislature, except in the year when the Governor is inaugurated. For that year, the Budget Message must be transmitted on or before February 15 (although the Legislature may extend this deadline under unusual circumstances). From year to year, the Budget is the single most important policy statement that the Governor makes.

The annual review process for capital spending requests and recommendations, which runs somewhat parallel to the process described above, has several stages. All State departments requesting capital funding must submit a seven-year Capital Improvement Plan to the New Jersey Commission on Capital Budgeting and Planning. Each capital project request requires an operating impact statement. Departments must document whether a project will have an affect on operating budgets and must quantify such information. The Commission schedules public hearings for each agency, analyzes the capital requests, and recommends projects to the Governor. The Governor, in turn, selects projects to be recommended in the annual Budget.

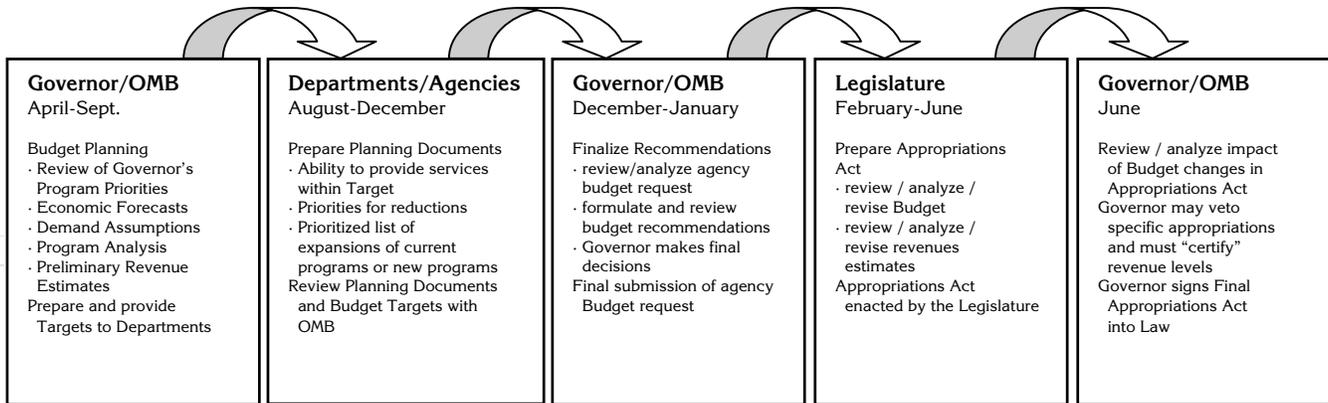
The Legislature, through a series of hearings conducted by its Appropriations Committees, reviews the Budget and makes changes. The Legislature also reviews the revenue estimates included in the Governor's Budget and, based upon several additional months of actual revenue collections in the current fiscal year,

makes adjustments to the Budget’s revenue projections and surplus estimates.

The Budget, including changes made by the Legislative Committees, then must be approved by the Senate and the Assembly; and, according to the New Jersey Constitution, a balanced Budget must be approved and signed by the Governor before July 1. After the Legislature passes the Appropriations Act, the Governor has the power to veto specific appropriations (line items), or appropriation language segments, some of which may have been added by the Legislature as a result of its review. The line-item veto allows the Governor to reshape the final Budget and ensure that appropriations do not exceed the certified level of revenues. (As part of the final Appropriations Act, the Governor must “certify” the level of revenues in order to meet the constitutional requirement of a balanced budget.) The final approved Budget,

which includes the Governor’s line-item vetoes and certification of revenues, is the Appropriations Act. Once the budget is enacted, it becomes an effective tool for fiscal control and monitoring program effectiveness.

Throughout the course of the fiscal year, the Legislature has the authority to pass legislation that provides funding for programs and projects above and beyond those provided for in the Budget. The additional amounts of funding provided by these acts of the Legislature are referred to as “supplemental appropriations.” The Director of Management and Budget also has statutory authority to authorize supplemental appropriations at any time during the fiscal year by virtue of authorizing budget language contained in the Appropriations Act. This is accomplished and documented by the issuance of Directory Letters from OMB.





This glossary contains the most commonly used definitions of terms used in this document or in State budgeting and accounting procedures.

**ACT**—A bill passed by the Legislature and signed into law by the Governor.

**ADJUSTED APPROPRIATION**—The total of an original appropriation, all supplemental appropriations, and certain allotments from Inter-departmental appropriations.

**APPROPRIATION**—The sum of money authorized by an act of the Legislature for expenditure during a particular fiscal year.

**APPROPRIATION ACT**—The Act passed by the New Jersey Legislature to appropriate, on an annual basis, the resources of the State for operating grants-in-aid, state aid, capital, and debt service expenses.

**APPROPRIATION LIMITATIONS ACT (CAP LAW)**—The Act that limits the growth of the Direct State Services subdivision of the State budget based upon the average annual percentage increase in per capita income over the four fiscal years prior to the base year.

**AUTHORITIES**—Legally separate entities that are not operating departments of the State. Their powers are generally vested in the governing boards, which are appointed by the Governor with the approval of the State Senate. They are not subject to State constitutional restrictions on the incurrence of debt, and may issue bonds and notes within legislatively authorized amounts.

**BLOCK GRANT**—An amount allotted by the federal government to the State to be allocated to a particular program area within general guidelines as the State determines.

**BOND FUND**—A fund into which are received the proceeds from the issuance of bonds, and from which are paid all proper expenditures for the purposes for which the bonds were authorized.

**BUDGET**—The proposed financial plan of the State government for the fiscal year, setting forth the anticipated resources from all sources and proposed appropriations.

**BUDGET CYCLE**—The four major phases which constitute the traditional budget cycle: (1) central and agency planning, (2) agency/executive preparation, (3) legislative review, and (4) execution and evaluation.

**BUDGET REQUEST**—The request, required by law, of each spending agency for an appropriation or permission to spend during the next ensuing fiscal year.

**CAPITAL CONSTRUCTION**—One of the major subdivisions of the State budget, this category includes funds budgeted for (1) the acquisition of or option to buy land and right-of-way and existing improvements therein, regardless of cost; (2) new buildings and structures not attached to or directly related to any existing structures, regardless of cost; (3) and projects whose estimated cost including land, planning, furnishing, and equipping, is usually \$50,000 or more regardless of the construction involved.

**CASINO CONTROL FUND**—Accounts for fees from the issuance and annual renewal of casino licenses, work permit fees, and other license fees. Appropriations are made to fund the operations of the Casino Control Commission and the Division of Gaming Enforcement.

**CASINO REVENUE FUND**—Accounts for the tax on gross revenues generated by the casinos. Gross revenue refers to the total of all sums actually received by a licensee from gaming

operations, less the total sums paid out as winnings to patrons. Appropriations from this fund must be used for reductions in property taxes, utility charges, and other specified expenses of eligible senior and disabled citizens.

**COMMISSION**—An in-but-not-of agency with autonomous authority or power to perform a specific task or duty.

**DEBT SERVICE**—One of the major subdivisions of the State budget, this category provides the resources to finance payment of general long-term debt principal and interest, such as bond issues or other long-term financing.

**DIRECT STATE SERVICES**—One of the major subdivisions of the State Budget, this category includes all general operating costs of State government, including programs that provide services directly to the public.

**FISCAL YEAR**—A twelve-month period of time to which the annual budget applies and at the end of which the State determines its financial position and the results of its operations. The fiscal year for New Jersey State government is from July 1 to June 30 of the following year. It is generally identified by the year in which this time period ends (e.g., Fiscal Year 2002 is from July 1, 2001 through June 30, 2002).

**FRINGE BENEFITS**—Payments made by the State for retirement, social security, health and dental insurance contributions, workers' compensation, unemployment, and survivors' and disability insurance.

**FUND**—A fiscal and accounting entity established for the purpose of achieving specified objectives or carrying on certain activities.

**GENERAL FUND**—The funds into which all State revenues, not otherwise restricted by statute, are deposited and from which appropriations are made. The largest part of the total financial operations of the State are accounted for in the General Fund. Revenues received from taxes, most federal revenue, and certain miscellaneous revenue items are recorded in the General Fund. The

Appropriation Acts enacted by the Legislature provide the basic framework for the operation of the General Fund.

**GRANTS-IN-AID**—One of the major subdivisions of the State budget, this category includes all payments not otherwise defined as State Aid, made to individuals, public agencies, or private agencies for benefits or services of three types: benefits to which the recipient is entitled by law or regulation; provision of services for which the State has primary responsibility; and subsidies and provision of services for which the State has no responsibility, but which it elects to provide.

**IN BUT NOT OF**—State agencies that are administratively within a specified department, but are autonomous in their operations (e.g., the Office of Information Technology and Commission of Science and Technology are both in-but-not-of the Department of the Treasury).

**INTERDEPARTMENTAL ACCOUNTS**—A group of accounts to which funds are appropriated for payment for or on behalf of all State agencies of rent, employee benefits, and contingency funds for certain specified purposes.

**MATCHING FUNDS**—A type of grant that requires the government or agency receiving the grant to commit a certain amount of funding to a program before funding is made available by the granting authority.

**MISSION**—A statement of a department's or agency's overall purpose(s).

**OBJECTIVE**—A statement of specific, intended, measurable accomplishments related directly to the need, problem, or opportunity the services to the client are designed to address.

**PAY-AS-YOU-GO**—Also known as PAYGO, capital projects funded entirely in the current fiscal year's appropriations with cash rather than debt.

**PERFORMANCE MEASUREMENT**—A process of regular data collection and reporting to track

work produced and results achieved as they relate to stated goals and objectives.

**PROPERTY TAX RELIEF FUND**—Accounts for revenues from the New Jersey Gross Income Tax. Revenues realized from the Gross Income Tax are dedicated by the State Constitution. All receipts from taxes levied on personal income of individuals, estates, and trusts must be appropriated exclusively for the purpose of reducing or offsetting property taxes. Annual appropriations are made from the fund, pursuant to formulae established by the Legislature, to counties, municipalities, and school districts.

**RAINY DAY FUND**—A reserve into which certain revenues are deposited when the amount collected exceeds the amount anticipated. The balance in this fund may be appropriated upon certification by the Governor that anticipated revenues are less than those certified or to meet emergencies.

**REVOLVING FUND**—A fund (or an account within any fund) established to finance State activities of a business or commercial nature, or

the operation of an intragovernmental service agency or enterprise, which generates receipts (income) from the sale of commodities or services. Such receipts are available for the continuing operation of the activity or enterprise.

**STATE AID**—One of the major subdivisions of the State Budget; this category shall mean monies paid by the State to a local government or to a non-governmental agency and expenses incurred by a State department or agency on behalf of a local unit of government.

**STRATEGIC PLANNING**—The process of making present decisions on the allocation of people, assets, and priorities to reach an agreed upon objective, after consideration of needs and constraints.

**SUPPLEMENTAL APPROPRIATIONS**—Supplemental appropriations are amounts in addition to the annual appropriations established by the appropriations Act and are authorized by the enactment of legislation throughout the fiscal year.