

**Fiscal 2003**

**BUDGET  
IN  
BRIEF**



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**Office of Management and Budget  
April 2002**



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JAMES E. MCGREEVEY  
Governor

April, 2002

Dear Friend,

Last week, I proposed a balanced budget that protects New Jersey's hardworking families, serves as a blueprint for the future, and resolves a deficit of historic proportions by restoring fiscal responsibility.

We are not increasing the sales tax or the income tax. Just as important, we are protecting property tax relief for families through the NJ Saver and Homestead Rebate programs, and increasing income eligibility levels for the senior citizen property tax freeze. Furthermore, this budget maintains state aid to schools and local governments at FY02 levels.

This financial plan embodies my commitment to a core set of priorities: to ensure quality in education, invest in our schools so we can ensure every child is able to read at or above grade level by the third grade, enhance public safety and security, strengthen cancer research and treatment, and preserve health care.

We put the taxpayers first while protecting what matters most to New Jersey's future – our children and our schools, the health of our people, and the safety and security of our families and communities.

This budget will make New Jersey live within its means. Ensuring its approval will be a collective effort, requiring support from legislators on both sides of the aisle, community leaders, residents, businesses and educators. We look forward to working with you on the budget and other important issues in the days ahead. Thank you.

With all good wishes,

James E. McGreevey

A handwritten signature in blue ink, reading "James E. McGreevey", with a large, stylized flourish extending to the right.



### **Washington Crossing the Delaware River— Annual Re-enactment**

New Jersey/Pennsylvania

Photo: New Jersey Commerce and Economic Growth Commission

The Battle of Trenton in December of 1776 was the turning point of the Revolutionary War, leading to other successful military advances by the Continental Army.



### **Princeton University Chapel**

Princeton, New Jersey

Photo: Denise Applewhite

The Chapel was dedicated on May 31, 1928, replacing Marquand Chapel, which was destroyed by fire in 1920. It is used for Opening Exercises and Baccalaureate Services.



### **State House Dome**

Trenton, New Jersey

Photo: Tiffany Ruocco, Director of Photography, Office of the Governor

The State House Dome, renovated in 1999, stands 145 feet tall. New Jersey's original State house was built in 1792 and displayed a small bell tower.



### **Abraham Lincoln**

Currently on display in the State House Rotunda in Trenton, New Jersey

Photo: Beth Sottung

On loan from the New Jersey State Museum Collection, Gift of Elizabeth S. Kean in memory of Robert W. Kean, FA1986.64

The bronze sculpture with a stone base is a reproduction of the Lincoln Memorial statue, recreated by Daniel Chester French in 1916. Lincoln visited New Jersey on February 21, 1861, upon a request from Governor Charles S. Olden. Lincoln was on his way to Washington, DC for his Inauguration as the 16th President of the United States.

For information about New Jersey State government or agency programs and services, visit New Jersey's website at: [www.state.nj.us](http://www.state.nj.us)

# *A Spirit Renewed*

Amidst the sorrow and tragedy of September 11<sup>th</sup>, a quieter but equally powerful story emerged. Steeled by the sacrifices of the victims and their families, Americans re-discovered the values that we hold dear and the liberties that we sometimes take for granted. An outpouring of concern and generosity, of people helping people, formed a lasting tribute to those who suffered. The spirit of a nation was renewed.

Part of that story took place in New Jersey, and State government played a critical role. Acting quickly, the State established a Family Assistance Center at Liberty State Park in Jersey City. Using staff drawn from several State departments, the Center helped nearly 9,000 family members apply for benefits and resolve technical questions and also provided victims' loved ones with crisis counseling services and free ferry transportation to ground zero. This entire effort was monitored by the newly created Office of Recovery and Victim Assistance, which reports directly to the Governor.

The Legislature also did its part. On October 4, 2001, legislation was enacted authorizing State agencies to extend time requirements and filing deadlines for affected families when applying for benefits. Sponsored by Assemblymen Jack Collins and Joseph Doria and Senators John Bennett and Richard Codey, the New Jersey Victims Assistance Act (A-22) and the Declaration of Death Act (A-21) accelerated the receipt of State benefits and assistance at a time when it was needed most.

Most recently, legislation (S-206) was signed on January 11, 2002 creating the New Jersey World Trade Center Scholarship Fund, a public/private partnership that will offer victims' children and spouses scholarships for undergraduate education at any college or university. The bill, whose primary sponsors included Senators John Bennett and Richard Codey as well as Assemblymen Joseph Azzolina, Paul DiGaetano, Tom Kean, Richard Bagger, John Wisniewski, Arline Friscia, and Neil Cohen, provides a gift of hope to those who sacrificed so much.



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## 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 2002 anticipated revenue for the State along with fiscal 2003 revenue projections, and revenue initiatives; and Financial Summaries—various tables and charts of revenue resources and budget recommendations for fiscal 2003.*



# BUDGET HIGHLIGHTS

## OVERVIEW

The State's budget plan for fiscal year 2003 reflects Governor James E. McGreevey's commitment to restoring fiscal responsibility, meeting the challenge of closing the largest budget deficit in New Jersey's history, and addressing core priorities of his administration in the areas of education and early childhood literacy, cancer research, and homeland security.

In a year when the State is facing difficult choices and the worst fiscal crisis in its history—a shortfall of \$5.3 billion—Governor McGreevey has put forth a balanced budget and a blueprint for the future that protects New Jersey's hardworking families and puts State government on the right track.

The Governor's Budget proposes setting clear priorities and protecting what matters most to New Jersey's future—our children and our schools, the health of our people, and the safety and security of our families and communities. His Budget also proposes:

- Restoring fiscal responsibility and tackling waste and mismanagement.
- Closing the budget deficit.
- Holding the line on sales and income taxes.
- Protecting property tax relief programs, such as NJ Saver and the Homestead Rebate.

In less than three months since taking office, Governor McGreevey has proposed fiscal solutions to close a total of \$8.3 billion in budget deficits, which includes the nearly \$3 billion deficit in the Fiscal Year 2002 Budget that he confronted upon taking office, as well as the \$5.3 billion structural deficit in the Fiscal Year 2003 Budget. The budget for fiscal year 2003 is prudently crafted to move New Jersey forward, to preserve programs and services to the citizens of the State, and to protect property tax relief.

The proposed Fiscal Year 2003 Budget totals \$23.663 billion, which is \$343 million (1.5 %) above the adjusted fiscal year 2002 appropriation level of \$23.320 billion.

The 1.5% growth in the proposed Budget is significantly less than the 6.5 % growth in the proposed Fiscal Year 2002 Budget and is 75% less than the average annual growth rate over the past 20 years (5.9 %).

## Fiscal Responsibility

### Fiscal Year 2002—Solving the Current Year Deficit

Upon assuming office in January 2002, Governor McGreevey faced a current year operating deficit of nearly \$3 billion, or approximately 13% of the original fiscal year 2002 State appropriation. Several factors contributed to the severe deficit problem:

- Overly optimistic revenue projections in the State budget adopted in June 2001.
- A downturn in the economy, exacerbated by the events of September 11.
- Ongoing, supplemental spending during the first half of fiscal year 2002.

Mindful that one-half of the fiscal year had already elapsed by the time his term began, the Governor took decisive action to offset the deficit of nearly \$3 billion. After a line-by-line budget review of every State department, the McGreevey Administration identified a total of \$1.7 billion in funds that could be used to help close the budget deficit. The Governor's fiscal year 2002 solutions included:

- 5% reductions in the budgets of State departments, as well as the elimination of idle balances, cancellation of aged obligations from prior years, and a freeze on hiring, travel, and equipment purchases.
- \$430 million in revenue initiatives, including \$150 million from a new tax

amnesty program, \$105 million from the extension of the Transitional Energy Facilities Assessment (TEFA), and the remainder from other fund balances.

- Reducing supplemental appropriations by almost \$70 million.
- Shifting \$720 million in balances from the Rainy Day Fund to the General Fund. As structured, the shift provided \$500 million of that balance for budgeting flexibility in fiscal year 2003.
- A total of \$325 million will be redirected from the Unemployment Insurance Trust Fund in fiscal year 2002, an amount that is approximately 10% of the Fund's \$3.5 billion undesignated balance as of June 2001.

### Fiscal Year 2003—Balancing the Budget

The projected current deficit of approximately \$5.3 billion for the Fiscal Year 2003 Budget is the product of declining revenues and structural growth in key programs. This deficit represents a staggering 22% of the total projected Fiscal Year 2003 Budget of \$23.663 billion. The current \$5.3 billion projection has been adjusted down from the February estimate of \$6 billion due to an increase in projected base revenue and a reduction in the size of the projected fiscal year 2003 closing surplus.

To restore fiscal stability, the Governor proposes a combination of \$2.9 billion in additional revenues and \$2.4 billion in spending constraints and reductions that are in keeping with the Governor's commitment to ensure that New Jersey lives and operates within its means.

The \$2.9 billion revenue enhancements include over \$1 billion from restructuring the Corporation Business Tax and closing tax loopholes, increasing certain taxes, repealing tax breaks, and statutory amendments to hold the State harmless from recent federal changes to the corporate tax code and the estate tax. If New Jersey does not address the recent federal change that accelerated depreciation for businesses, the State will lose at least \$100 million in tax revenues next year, and even more during each of the following two years.

If New Jersey does not address recent federal changes to the estate tax law, and allows the estate tax to expire, the State will lose \$72 million in estate tax revenues in fiscal year 2003 and nearly \$700 million over the next five years. If the estate tax is permitted to expire, the primary beneficiaries would be the families of the wealthiest 2% of New Jerseyans. At least two states have already decoupled from the federal changes, while others are considering it. This proposal would have no impact on the overwhelming majority of State residents.

Other components of this \$1 billion solution package are:

- \$627 million from a restructuring of the Corporation Business Tax to account for the changing pattern of corporate tax filings.
- \$200 million from a 50-cent increase in the cigarette tax, from the current tax of 80 cents to \$1.30 per pack.

The remaining revenue initiatives are the securitization of \$1.1 billion from tobacco settlement monies, transferring \$373 million in idle trust fund balances to the General Fund, and \$75 million in increases in user fees in cases where the State costs exceed current charges. (See *Revenue Forecast and Initiatives* section.)

On the spending side, anticipated budget growth has been sharply curtailed, and in some cases eliminated, across State government. Specifically, a total of approximately \$2.4 billion of the approximately \$2.9 billion in budget growth originally projected for fiscal year 2003 has been suspended or offset. The Budget provides level funding of municipal and school formula aid, so school districts and local communities will receive at least as much aid as they received in fiscal year 2002. The Budget also preserves critical services and protects property tax relief. In addition, the Budget provides for:

- Level funding for New Jersey Transit at \$260 million, which will protect service to rail and bus commuters.
- The redirection of an additional \$325 million in surplus revenues from the Unemployment Insurance Fund to offset



State appropriations for health care costs. Approximately 75% of this amount will be restored to the UI Fund, however, through a planned distribution of \$242 million of federal Reed Act monies authorized in the Economic Stimulus legislation signed by the President on March 9, 2002.

- The Budget assumes that the State will receive \$478 million of federal funds in two key areas:
  - an extended phase-out of the Intergovernmental Transfer funds (IGT), resulting in an offset of \$330 million in federal funding for State costs related to nursing home care. Similar IGT funding has been received by Wisconsin, New York, Virginia, and Florida.
  - a federal waiver for PAAD program costs, providing an additional \$148 million in federal funds for New Jersey for fiscal year 2003.

### **Fiscal Year 2003 Budget Compared to Fiscal Year 2002 Budget**

When viewed by category of funding, \$17 billion, or 72%, of the Fiscal Year 2003 Budget is provided either as State Aid (\$9.4 billion, or 40%) or Grants-in-Aid (\$7.6 billion, 32%). The Direct State Services (DSS) portion of the Budget totals \$5.1 billion and comprises 22% of the Budget. Importantly, Direct State Services funding increases by \$217 million, or 4.4%, in fiscal year 2003, while State Aid increases by \$212 million, or 2.3%, and Grants-in-Aid declines by \$59 million, or .8%.

Executive department operating budgets have increased by .5%. The remainder of the Direct State Services increase is the result of higher fringe benefits costs and negotiated salary increases. (See the Summary of Major Increases and Decreases in the *Financial Summaries* section for a full listing of the recommendations in the Fiscal Year 2003 Budget.)

### **Management Efficiencies**

The Budget anticipates significant savings through a variety of management efficiencies

that will eliminate wasteful spending and require State government to maximize its resources.

The Budget also provides for \$87.6 million in program eliminations and \$31.4 million in attrition savings.

The Governor's Budget provides \$250,000 for the operations of the BEST (Budget Efficiency Savings Team) Commission, which was created by Executive Order. The Commission, which includes some of New Jersey's top business leaders, is identifying ways for the State to cut waste and operate more efficiently. This appropriation will cover the cost of support services that the Commission requires to carry out its tasks.

The Budget also provides for a New Car Inspection Waiver program in fiscal year 2003, pending EPA and legislative approval, exempting the owners of new cars from their first scheduled biennial inspection. Instead, new cars would first be inspected at year four of ownership. This initiative would prospectively eliminate approximately 20% (600,000) of the State's biennial inspections and end the practice of paying millions to inspect cars which, by their very nature, pose little chance of failing. The estimated savings total approximately \$6.8 million in fiscal year 2003 (and \$13.6 million annually thereafter) assuming a planned implementation date of January 1, 2003.

The Budget maintains the commitment to retain baseline 5%, across-the-board efficiencies enacted as part of the fiscal year 2002 deficit reduction, while enacting further efficiencies to help offset structural budget growth pressures. These efficiencies include:

- \$76 million in savings through an Employee Salary Savings Initiative. The initiative eliminates cabinet and managerial salary increases, and establishes an aggressive attrition program with the implementation of an early retirement program.
- \$48 million in savings achieved by limiting eligibility for the NJ SAVER program to those applicants with incomes of less than \$200,000; the

savings will be placed in a separate fund and dedicated to paying down outstanding State debt.

- Reduction in the State workforce: The total workforce on January 25, 2002 was 74,964. Of this, 52,984 are supported by State funds. The Fiscal Year 2003 Budget projects this number to decrease by slightly over 1,000 to 51,962.
- Department reductions implemented by cabinet members. For example, a planned reorganization and redesigning of the Department of Education to better balance oversight and support for teaching and learning has achieved a reduction in the Department's workforce and will further improve efficiency while reducing bureaucracy.

## **NEW INITIATIVES OF THE MCGREEVEY ADMINISTRATION**

Governor McGreevey has chosen new investments for the Fiscal Year 2003 Budget with extreme care, targeting increases in a few select areas that reflect his top priorities. These priorities include:

- \$10 million for early childhood literacy programs.
- \$162.4 million for preschool programs in the Abbott school districts, as required by the New Jersey Supreme Court.
- \$57.5 million in new spending for homeland security.
- \$37 million for cancer research.
- \$10 million to re-establish the Department of the Public Advocate.

### **Literacy**

The Fiscal Year 2003 Budget includes the cornerstone of Governor McGreevey's education plan—a literacy program that will include providing reading coaches in under-performing elementary schools to ensure that all students are reading at or above grade level by the end of the third grade.

A new State appropriation of \$10 million represents the first installment of a four-year,

\$40 million commitment. State resources will be supplemented by \$18.4 million in aid for a new federal program, "Reading First," which has the same goal.

The Budget also ensures the implementation of the Library Construction Program by providing \$1.4 million for debt service to finance the State's share of capital costs for new construction and expansion of approved libraries throughout the State.

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

Governor McGreevey recognizes that building a solid educational foundation begins at the pre-school 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 school.

The Fiscal Year 2003 Budget provides a total increase of \$162.4 million for preschool programs in the Department of Education (\$142.4 million) and the Department of Human Services (\$20 million). The \$142.4 million in Abbott Preschool Expansion Aid will fund the increase in costs between fiscal years 2002 to 2003 for the approved preschool programs for three- and four-year-olds in Abbott districts.

Abbott district enrollment for preschoolers is projected to grow to over 39,000 in fiscal year 2003, an increase of nearly 50% from enrollment levels in the fall of 2001. The Budget also recommends \$126 million in the Department of Human Services for programs held before and after school and during the summer for these eligible preschool children, an increase of \$20 million from fiscal year 2002.

### **Other Highlighted Education Initiatives**

- \$10.3 million in increased funding for School Choice and Charter School Aid to shield local taxpayers from added

expenses related to growing enrollment in these schools.

- \$4.8 million continued appropriation for Character Education programs.
- \$4.5 million increase for Teacher Mentoring Aid.
- \$99.6 million in funding from a State appropriation and other sources to support the State's \$8.6 billion school construction program, which provides funding to all districts throughout the State for eligible costs.
- \$1 million for Teacher Recruitment in special needs districts. The appropriation funds the second year of a four-year program.

### **No Child Left Behind**

Federal funds provide an important supplement to State appropriations for education. The Fiscal Year 2003 Budget includes a \$131.4 million increase (19.4%) in federal grants from the prior year, largely due to the enactment of the "No Child Left Behind Act."

Programs with significant increases include Title I Grants to Local Educational Agencies (\$41.9 million, or 19.5%) and Special Education (\$37.2 million, or 16%). The Class Size Reduction program and Eisenhower Professional Development State Grants program were combined into the Improving Teacher Quality program, generating \$17.6 million (37%) in new funding to New Jersey.

New Jersey also will receive \$8.9 million for the development and implementation of the new testing requirements that will be used as a measure of accountability for the increased federal support.

### **Higher Education**

The proposed Fiscal Year 2003 Budget provides nearly \$1.8 billion in aid to the Higher Education community. Of that amount, \$1.2 billion represents operating support for Rutgers, UMDNJ, NJIT, and the eight State colleges and universities. The Budget will fund the State's full obligation for the cost of fringe benefits for the colleges and universities, including the \$26.5

million increase for fiscal year 2003. Funding includes:

- \$155.8 million operating aid for the county colleges, the same level of funding as the current year.
- \$24.5 million in operating aid to the State's private colleges and universities, the same level of appropriation provided in the current year.
- \$170 million for the Tuition Aid Grant (TAG) program, an increase of \$2.4 million. All other tuition assistance programs, such as EOF and Outstanding Scholars, have been funded at the current year levels.
- \$5.3 million in grants to colleges and universities to expand and improve Teacher Preparation programs, including \$2.3 million for staff hired in fiscal year 2002 for these purposes.
- \$2.2 million for the Incentive Endowment Fund.

### **Homeland Security**

The Governor's Budget provides \$66 million in funding for security initiatives designed to protect the safety of New Jersey families and communities.

#### **Office of Counter-Terrorism**

On January 24, 2002, Governor McGreevey created the Office of Counter-Terrorism (OCT) to provide a uniform, cohesive, and coordinated response to the threats posed to our State by the tragic events of September 11. The Office has begun to meet the enormous challenge of coordinating the State's response and intelligence capabilities with federal, State, county and local law enforcement agencies, as well as the National Guard.

The Office will coordinate training and information gathering at all levels of law enforcement. This coordination is essential to maximizing available resources and facilitating the exchange of information among law enforcement agencies.

The Office of Counter-Terrorism will continue its partnership with the Domestic Security

Preparedness Task Force to ensure that non-law enforcement government agencies, as well as private industry, develop and implement the practices to ensure the safety of the State's infrastructure.

The OCT will serve as a focal point for all State agencies. It will develop, implement, and monitor Statewide counter-terrorism grant programs, and conduct programs and financial audits to ensure compliance with federal and State program requirements in order to effectively leverage all available resources to meet the vital public safety goals and objectives.

The Budget provides \$6.9 million to expand the OCT. When combined with the \$2.7 million supplemental appropriation initially provided in fiscal year 2002, New Jersey will provide \$9.6 million to support a staff of 90 investigators, attorneys, and intelligence experts.

The Department expects to secure federal counter-terrorism grants from the Department of Justice totaling approximately \$5 million to complement this effort.

### **Public Health Preparedness**

Following the advice of the Medical Emergency and Disaster Prevention and Response Expert Panel ("MEDPREP"), the Fiscal Year 2003 Budget provides \$25 million to the Department of Health and Senior Services to advance a series of recommendations issued by MEDPREP to further prepare our public health and health care systems to prevent and respond to acts of terrorism and other emergencies that may result in mass casualties and/or mass exposures. This funding will complement State and federal funding to meet the following primary objectives:

- Establish an incident command structure to respond more effectively to emergencies and disasters.
- Improve real time communications between and among hospitals, emergency medical services, other first responders and the State on disease surveillance and response using various technologies.
- Provide necessary training to the health care workforce on the clinical diagnosis

and management of those exposed, infected, injured, and/or contaminated; develop plans and procedures for population control and mass treatment including vaccinations.

- Purchase and distribute antibiotics, antidotes, and personal protective and decontamination equipment.
- Support necessary drills and training exercises; enhance public education and notification; and standardize training and equipment for, and coordination of, hazardous materials response units.
- Expand laboratory testing capability for chemical, biological, and radioactive agents and establish formal relationships with other laboratories within the State.
- Provide surge capacity testing and back-up services; and inventory Statewide mental health programs.

Under a pending federal bio-terrorism grant totaling just over \$27 million, New Jersey has earmarked \$23.7 million to establish an Office of Public Health Preparedness in the Department of Health and Senior Services and upgrade the Department of Environmental Protection's existing Environmental Hotline Unit for reliable 24/7 emergency notification and dispatch services.

The federal funds would also establish a Health Operations Center to support on-site tactical operations in response to terrorist acts, build testing capacity for rapid identification, and deploy a web-based electronic disease reporting system involving local health departments, clinical labs, and private physicians.

The remaining \$3.5 million would support a new Hospital Bio-terrorism Preparedness program to coordinate hospital efforts to manage potential epidemics on a regional level, and to prepare a plan for emergency communications.

### **Other Security Investments**

The Budget includes a number of other initiatives to enhance the security of New Jersey communities and businesses. The Governor proposed that the State dedicate \$100 million over the next four years to create a state-of-the-

art training facility for State and local law enforcement, as well as a new State Police headquarters and emergency management center to replace outdated facilities:

- \$5 million has been budgeted for the design and engineering of a new State Police Professional Training Center as well as a new headquarters building. When completed, the Training Center will serve as a central state-of-the-art site for training State troopers and police from throughout New Jersey.
- \$5.4 million in fiscal year 2003 will finance payments for laboratory and communications equipment purchased for the State Police's new \$83 million Forensic Laboratory and Troop C Headquarters in Hamilton. This facility, supported by New Jersey Building Authority financing, is expected to open in the spring of 2003.
- Another Building Authority project is the \$24 million, state-of-the-art Emergency Management Center at the State Police Headquarters in Ewing Township. A debt service appropriation of \$1.9 million is included in the budget for this initiative.
- \$30 million is anticipated and earmarked within the Federal Fiscal Year 2002 Budget to modernize the State Police radio system.

The McGreevey Administration recommends a \$6.5 million appropriation to the Department of Transportation to develop a new Digitized Drivers License system. The September 11 attacks underscored security concerns over falsification of identifying documents. Supported by a surcharge on licenses, the program will furnish a digitized color picture and signature on new and renewed licenses.

The State will address September 11-related disruptions to New Jersey's transportation and commuting patterns by applying for \$190 million in federal funds designated within the Federal Fiscal Year 2002 Budget. These funds will expand ferry service between New Jersey and Manhattan and accelerate improvements to PATH and NJ Transit systems linking New Jersey to New York City.

In recognition that disaster recovery efforts must include the State's core data systems, the Budget proposes \$5.7 million for the Office of Information Technology (OIT). A distributed recovery capability for data processing services is a key element of security preparedness. The OIT Availability and Recovery Site (OARS) will extend the Garden State Network to a new, in-state site equipped with automatic, 24-hour backup capability.

The Budget also includes \$4.5 million to fund the construction of the computer data bases and networks needed to implement the Insurance Verification system, a key auto insurance reform that the Governor committed to during his campaign. The system will provide up-to-date information for law enforcement during traffic stops concerning whether a driver's insurance policy has lapsed for lack of payment.

## Cancer Research

Following through on a campaign promise, the Governor proposes an increase of \$37 million for cancer research and treatment.

Most prominently, an appropriation of \$28 million is earmarked to the Cancer Institute of New Jersey (CINJ) through the Department of Health. Established in 1990, the Cancer Institute is the only center in New Jersey designated by the National Cancer Institute and is one of only 13 NCI-designated cancer centers in the nation. Together with \$15 million previously appropriated to the University of Medicine and Dentistry of New Jersey from fiscal year 2001 through fiscal year 2003, a total of \$43 million will be invested in the Cancer Institute initiative.

In addition, the Budget proposes \$8 million to expand cancer initiatives within the Department of Health and Senior Services (\$7 million) and for the Garden State Cancer Center (\$1 million). New State funds are also provided for an International Conference on New Initiatives in Cancer and Chronic Illness that will highlight new developments in cancer research and treatment (\$500,000) and to support a public health "SWAT" team to investigate cancer

clusters, providing rapid response and analysis (\$500,000).

## Department of the Public Advocate

Governor McGreevey's Fiscal Year 2003 Budget provides \$10 million for the re-establishment of the Department of the Public Advocate, which was abolished in 1994. Key functions of the Public Advocate will include:

- Enhanced consumer protection and advocacy on behalf of the indigent, elderly, children, and others who are not able to protect themselves as individuals or as a class.
- Consolidation of ombudspersons, guardians, and the ratepayer advocate, making greater use of alternative dispute resolution to resolve complaints or grievances.

Pending passage of enabling legislation, the appropriation recommended for the Department of the Public Advocate is listed as a line item within the Department of Treasury budget.

## Taxpayer Relief

Despite the unprecedented structural budget problems facing New Jersey, Governor McGreevey has not only protected the current property tax relief programs but has provided an increase of almost \$370 million (3.2%) over fiscal year 2002. The Fiscal Year 2003 Budget provides nearly \$12 billion in direct or indirect property tax relief to New Jersey communities and citizens, representing approximately 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 Aid 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 approximately \$312 million in Fiscal Year 2003. (See the Fiscal Year 2003

Taxpayer Relief table at the end of this section 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 high priority given to education by this Administration, the Fiscal Year 2003 Budget includes \$6.6 billion in direct aid to local school districts.

The fiscal year 2003 spending plan also provides \$44.6 million for school construction and renovation costs associated with the Educational Facilities Construction and Financing Act and will be supplemented by \$55 million from other sources. This includes State debt service and increased aid for recently issued local debt for school construction.

The Budget provides \$977.6 million 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 \$71.9 million above fiscal year 2002 and shields property taxpayers from shouldering these costs.

The Fiscal Year 2003 Budget recommendation for most categories of Direct Aid is at the same level as in fiscal 2002. Court-mandated funding under the *Abbott v. Burke* parity remedy will grow to \$512.7 million.

## Municipal Aid

The Budget fulfills Governor McGreevey's promise to suburban and urban communities that their State funding will be held harmless despite a serious downturn in State revenues. Meeting this commitment, and providing an increase in funding for various tax relief programs, will enable municipalities to hold the line on property taxes. The Budget provides a \$13.8 million increase in the Special Municipal Aid category, increasing total program aid to \$52.5 million, to give the Commissioner of the Department of Community Affairs the resources to assist municipalities hard-pressed by unique fiscal problems.

The two major municipal aid categories, Consolidated Municipal Property Tax Relief and Energy Receipts Property Tax Relief, are funded at a combined total of \$1.6 billion. This will maintain reliability and stability for municipalities as they prepare their budgets and make long-term fiscal plans. The Budget also provides for:

- Increasing Extraordinary Aid by \$5 million.
- Maintaining full funding for the \$35 million Legislative Initiative Block Grant Program.
- Increasing to \$8 million State payments in lieu of taxes for open space.

### Other Local Aid

In fiscal year 2003, the Budget provides \$612.6 million in local aid through various categorical aid programs, an increase of \$33.3 million, or 5.7%. As noted on the Fiscal Year 2003 Taxpayer Relief chart, several of the programs received continuation funding in fiscal year 2003. Areas of change are highlighted below:

- County Colleges: County College Aid decreases slightly by \$2.1 million to a total of \$201.6 million in fiscal year 2003 due to lower debt service requirements.
- Aid to County Psychiatric Hospitals: The Budget recommends \$94.5 million, or an increase of \$2.8 million, to provide continued support to county-operated psychiatric hospitals.
- Urban Enterprise Zones (UEZ): Two critical elements of the UEZ program involve the State's Sales and Use Tax. Under the 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 year 2003, Sales Tax revenues totaling \$79.0 million will be retained by municipalities involved in the UEZ program, an increase of \$21.6 million above fiscal year 2002 estimates.
- Library Aid: State Aid to support New Jersey's vast public library system totals \$16.9 million in fiscal year 2003, an increase of \$1.5 million above the fiscal

year 2002 amount. The increase includes funds allocated for debt service for new library construction projects. Of the remaining amount, approximately \$8.7 million is provided to support the basic operations of each county and municipal library and \$6.7 million is 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 year 2003 is estimated to be \$31.4 million, an increase of \$9.5 million from fiscal year 2002.

### Direct Property Tax Relief

The Budget includes \$1.6 billion in direct relief to property taxpayers in the form of rebates and State-funded tax deductions, approximately the same amount as that provided in fiscal year 2002.

The Budget preserves these programs as essential components of relief for property taxpayers. It provides for a \$25 increase in the maximum Homestead Rebate, up to \$775, for senior citizens and the disabled. The Budget provides a \$50 increase in the property tax deduction for veterans, an increase of 31.5%. Qualified senior and disabled residents will continue to receive a \$250 property tax exemption. The total cost of the State's reimbursement to municipalities for veterans, seniors, and disabled residents is \$95.7 million. The Budget also assumes nearly \$328 million in revenues lost in property taxes deducted from State income tax returns. This is an increase of \$11 million, or 3.5%.

The Budget funds the NJ SAVER rebate program as a major offset to rising property taxes. The Budget proposes limiting NJ SAVER rebates to those households earning less than \$200,000 so that the State can serve families in greatest need of property tax relief. NJ SAVER

checks will remain at last year's levels, an average of \$500 in direct relief. The NJ SAVER program is expected to provide property tax relief to 1.4 million households at a cost of \$679.1 million.

The fiscal year 2003 Homestead Rebate program is funded at \$514.3 million, an increase of \$13.7 above the current year. This growth is driven by a statutory change that increases the maximum rebate for senior/disabled homeowners and tenants from \$750 to \$775. The program will provide aid to \$1.6 million homeowners and tenants with incomes of \$100,000 or less in fiscal year 2003.

The Property Tax Freeze sets aside a record \$18 million, a 70% increase, to freeze the taxes of qualified seniors. The income eligibility thresholds under the Property Tax Freeze program have been increased substantially, from \$18,587 to \$38,475 if single, or \$22,791 to \$47,177 if married, which is expected to double the number of senior citizens eligible to take advantage of the program.

## **Health and Welfare**

The Budget provides funding to continue staffing increases in the Department of Human Services, which began in fiscal year 2002, to address federal institutional certification requirements and to increase DYFS staffing to ease workload concerns. The total staff increase between the beginning of fiscal year 2002 and fiscal year 2003 is approximately 1,200. The additional staff will not only improve the delivery of services to patients but will ensure that New Jersey retains its accreditation and averts the risk of losing federal funding.

The Budget provides New Jersey physicians with an increase in Medicaid reimbursement rates, beginning July 1, 2002. By raising the reimbursement rate by \$8.75 million, the State will trigger equal matching funds from the federal government, extending a total benefit of \$17.5 million to eligible doctors. The increase addresses concerns that many physicians are leaving the Medicaid program due to poor and inconsistent reimbursement practices.

The Budget also calls for no changes in benefits, co-payments, or eligibility for the Pharmaceutical Aid for the Aged and Disabled (PAAD) program, retaining prescription help for seniors and disabled at a time of rising costs and fiscal distress. The Budget anticipates the State will achieve \$148 million in program savings by acquiring federal funds through a federal waiver.

The Governor's Budget proposes an increase of \$4 million to transition an additional 1,500 elderly citizens from nursing homes to assisted living arrangements over the next four years. Of the 1,500 new placements, an estimated 375 slots would be made available in the first year, fiscal year 2003.

The fiscal year 2003 spending plan continues level funding of \$18.7 million for the Children's System of Care Initiative (CSOCI), which leverages State and federal resources to deliver an array of individualized, direct mental health services to children and families with acute needs. The level funding triggers a draw-down of \$200 million in federal funds and would expand the program to facilitate the establishment of the Wynona M. Lipman Education and Treatment Center.

The Budget provides for a 2% cost-of-living adjustment (COLA) increase for community care providers effective July 1, 2002. The COLA will assist the State's goal of recruiting workers for positions in community-based housing programs, thus addressing a sizable waiting list of community slots for the developmentally disabled.

The Budget proposes to spend \$17 million to fully fund the redirection program at Greystone Psychiatric Hospital. The program is designed to support the construction of a modern hospital to replace Greystone, moving psychiatric patients to new facilities or community placements, and providing necessary mental health services for patients who are moving to community facilities or who are ready to be discharged from State residential care. This spending is designed to move patients out of institutional settings and into more appropriate treatment settings.



The new Budget includes \$3.3 million for the development of a Statewide Automated Child Welfare Information System (SACWIS). The SACWIS will provide the Division of Youth and Family Services with a single data base system to better track children and families in the system.

The Budget provides a modest housing subsidy from federal block grant monies to help offset the financial impact when families receiving public assistance reach the five-year time limit.

The Budget also provides:

- \$776,000 for continued funding for childhood lead poisoning prevention and control.
- A shift in costs to require HMOs to pay \$2.5 million for the State's appeals and monitoring program to protect managed care consumers. This will provide stable funding for this program to protect the health care rights of employees and consumers.
- Maintaining the \$800,000 in increased funding to track and control West Nile Virus provided between fiscal year 2000 and fiscal year 2002.

The Budget provides \$30 million for the Comprehensive Tobacco Control Program, which is intended to reduce the use of tobacco and exposure to environmental tobacco smoke. The program combats the ill-effects of tobacco products through community-based tobacco control partnerships, a youth anti-tobacco awareness media campaign, smoking cessation, school-based prevention programs, and research, surveillance, evaluation, and assistance for anti-smoking programs.

The Division of Addiction Services, within the Department of Health and Senior Services, administers the federally funded \$3.2 million World Trade Center: New Jersey Recovers Project. The project offers counseling and other assistance to people who have developed alcohol and/or substance abuse problems as a result of the WTC attacks. These free and confidential services are available to families of the WTC attack victims, survivors of the WTC attacks, witnesses of the attacks and/or collapse

of the WTC, all rescue workers, and people who lost their jobs as a result of the attacks.

## **Smart Growth and the Environment**

### **Efficient Government**

The Department of Environmental Protection (DEP) will be upgrading and enhancing the efficiency of the New Jersey Environmental Management System (NJEMS), its permit review process, through \$3.8 million in revenue derived from increased operator/permitting fees. These fees have been frozen for several years, which placed the burden of increased costs for permit administration on the shoulders of State taxpayers.

The DEP has been integrating its internal databases through NJEMS. The overall goal of NJEMS is to provide the DEP with an information system that enables the most informed environmental decision-making possible, at all levels of government, as well as to provide the public with better access to environmental information affecting their communities. DEP program staff are now using NJEMS to develop and issue permits, evaluate compliance, issue enforcement documents, and track fees and fines. NJEMS will eventually enable the DEP to assess facilities from a multimedia perspective, advance pollution prevention goals, monitor environmental indicators, and streamline regulatory compliance. This investment will enable the DEP to improve its delivery of services, and will make the information in NJEMS more easily available to county and local governments as well.

### **Watershed Management**

Through the Watershed Management Planning Program, the DEP partners with local stakeholders to address water resource issues in each watershed. Watershed management planning offers the opportunity to integrate water supply issues with the need to maintain or restore water quality and protect aquatic ecosystems. Watershed planning can also work hand-in-hand with smart growth, by identifying ways to address water quality issues that are

expected to arise as an area changes and undergoes additional development.

In fiscal year 2003, the Watershed Management Planning Program will receive \$10.6 million of the total DEP funding allocated from the State's Corporation Business Tax (CBT). In addition, the Budget proposes a General Fund appropriation of \$945,000.

### **Protecting the Jersey Shore**

The Jersey Shore, the State's most valuable tourist attraction, is integral to the State's economy. To protect the beaches, the Fiscal Year 2003 Budget maintains \$25 million for shore protection from the Realty Transfer Fee. These funds will leverage up to \$34 million in federal funds and \$4 million in local funds for beach replenishment projects. The projects planned for fiscal year 2003 include beach fills at Townsend Inlet, Cape May Inlet, Manasquan Inlet, Barnegat Inlet, Cape May City, and Lower Township.

### **Operating/Permitting Fees**

Many of the DEP's fees have been frozen for several years. Fees for New Jersey Pollutant Discharge Elimination System (NJPDDES) permits have not increased since 1993, fees for Treatment Works Approvals (TWAs) have not increased since 1989, and several other fees are currently capped at 1995 levels. Fee revenues now fall far short of the cost of operating the programs that charge fees. As a result, the permit applicants and others who generate the work for these programs pay less and less of the cost. The burden instead falls on the State's taxpayers to make up the difference.

To reduce this inequity, the Fiscal Year 2003 Budget recommends a combined increase of nearly \$18 million in fees for the following services: New Jersey Pollutant Discharge Elimination System (NJPDDES) permits, stormwater permits, treatment works approvals, air Operating Permits, solid and hazardous waste, land use regulation, and the Environmental Infrastructure Financing Program. The proposed increase represents the first phase of a two-year plan to increase each fee to a level that fully supports its related program.

**FISCAL 2003 TAXPAYER RELIEF**  
**(\$ in Millions)**

<b>Program</b>	<b>FY 2002</b>	<b>FY 2003</b>	<b>\$ Change</b>	<b>% Change</b>
<b>School Aid</b>				
Direct Aid	\$ 6,453.6	\$ 6,641.2	\$ 187.6	2.9%
School Construction and Renovation	82.0	44.6	(37.4)	-45.6%
Teachers' Retirement Benefits & Social Security	905.7	977.6	71.9	7.9%
<b>Subtotal School Aid</b>	<b>\$ 7,441.3</b>	<b>\$ 7,663.4</b>	<b>\$ 222.1</b>	<b>3.0%</b>
<b>Municipal Aid</b>				
Consolidated Municipal Property Tax Relief Aid	\$ 835.2	\$ 835.2	\$ -	0.0%
Energy Receipts Property Tax Relief Aid	755.0	755.0	-	0.0%
Special Municipal Aid	38.7	52.5	13.8	35.7%
Legislative Initiative Block Grant Program	34.8	34.8	-	0.0%
Extraordinary Aid	25.0	30.0	5.0	20.0%
Regional Efficiency Aid Program (REAP)	20.0	9.0	(11.0)	(55.0%)
Regional Efficiency Development Incentive Grant Program	5.0	-	(5.0)	(100.0%)
Watershed Moratorium Offset Aid	3.4	-	(3.4)	(100.0%)
Open Space - Payments in Lieu of Taxes	7.4	8.0	0.6	8.1%
<b>Subtotal Municipal Aid</b>	<b>\$ 1,724.5</b>	<b>\$ 1,724.5</b>	<b>\$ -</b>	<b>0.0%</b>
<b>Other Local Aid</b>				
County College Aid	\$ 203.7	\$ 201.6	\$ (2.1)	(1.0%)
Transportation Trust Fund - Local Project Aid	150.0	150.0	-	0.0%
Aid to County Psychiatric Hospitals	91.7	94.5	2.8	3.1%
General Assistance Administration	22.5	22.5	-	0.0%
Urban Enterprise Zones - Sales Tax Dedication	57.4	79.0	21.6	37.6%
DCA - Housing and Neighborhood Assistance	16.7	16.7	-	0.0%
Library Aid	15.4	16.9	1.5	9.7%
Pension Contributions on behalf of Local Governments	21.9	31.4	9.5	43.4%
<b>Subtotal Other Local Aid</b>	<b>\$ 579.3</b>	<b>\$ 612.6</b>	<b>\$ 33.3</b>	<b>5.7%</b>
<b>Direct Taxpayer Relief</b>				
Direct School Tax Relief Program (NJ SAVER)	\$ 727.4	\$ 679.1	\$ (48.3)	(6.6%)
Homestead Rebates	500.6	514.3	13.7	2.7%
Senior/Disabled Citizens' Property Tax Freeze	10.6	18.0	7.4	69.8%
Municipal Reimbursement--Veterans' Tax Exemptions	53.0	69.7	16.7	31.5%
Exemptions	28.3	26.0	(2.3)	(8.1%)
Property Tax Deduction Act	316.8	327.8	11.0	3.5%
<b>Subtotal Direct Taxpayer Relief</b>	<b>\$ 1,636.7</b>	<b>\$ 1,634.9</b>	<b>\$ (1.8)</b>	<b>(0.1%)</b>
<b>Subtotal Direct Aid &amp; Taxpayer Relief</b>	<b>\$ 11,381.8</b>	<b>\$ 11,635.4</b>	<b>\$ 253.6</b>	<b>2.2%</b>
<b>Pension Savings</b>				
School District Pension Security Program Savings	\$ 10.6	\$ 10.6	\$ -	0.0%
Municipal Pension Security Program Savings	12.8	12.8	-	0.0%
Other Local Pension Security Program Savings	25.3	25.3	-	0.0%
Police & Firemen's Retirement System Pension Offset Savings	150.0	263.2	113.2	75.5%
<b>Subtotal Pension Savings</b>	<b>\$ 198.7</b>	<b>\$ 311.9</b>	<b>\$ 113.2</b>	<b>57.0%</b>
<b>GRAND TOTAL - TAXPAYER RELIEF</b>	<b>\$ 11,580.5</b>	<b>\$ 11,947.3</b>	<b>\$ 366.8</b>	<b>3.2%</b>

**STATE AID FOR LOCAL SCHOOL DISTRICTS  
CONSOLIDATED SUMMARY  
GENERAL FUND AND PROPERTY TAX RELIEF FUND  
(\$ in Thousands)**

---Recommended Fiscal Year 2003---

	<b>Expended Fiscal 2001</b>	<b>Adjusted Appropriation Fiscal 2002</b>	<b>Requested Fiscal 2003</b>	<b>General Fund</b>	<b>Property Tax Relief Fund</b>	<b>Total</b>
<b>Formula Aid Programs:</b>						
Core Curriculum Standards Aid	2,942,595	3,080,318	3,080,318	890,866	2,189,452	3,080,318
Abbott v. Burke Parity Remedy	370,941	429,056	512,656	-	512,656	512,656
Supplemental Core Curriculum Standards Aid	209,621	251,768	251,768	-	251,768	251,768
Early Childhood Aid	313,226	330,630	330,630	-	330,630	330,630
Instructional Supplement	17,552	15,621	15,621	-	15,621	15,621
Demonstrably Effective Program Aid	192,906	199,512	199,512	-	199,512	199,512
Rewards and Recognition	10,008	9,957	9,957	-	9,957	9,957
Stabilization Aid	135,705	111,626	111,626	-	111,626	111,626
Stabilization Aid 2	5,070	2,491	2,491	-	2,491	2,491
Stabilization Aid 3	-	11,402	11,402	-	11,402	11,402
Additional Supplemental Stabilization Aid:						
Large Efficient Districts	4,500	5,250	5,250	-	5,250	5,250
High Senior Citizen Concentrations	1,850	1,231	1,231	-	1,231	1,231
Regionalization Incentive Aid	17,612	18,295	18,295	-	18,295	18,295
Categorical Aids:						
Distance Learning Network	56,820	59,162	59,162	-	59,162	59,162
Adult Education Grants	26,654	28,721	28,721	-	28,721	28,721
Bilingual Education	59,250	65,578	65,578	-	65,578	65,578
Special Education	760,350	896,420	896,420	-	896,420	896,420
County Vocational Education	35,273	38,948	38,948	-	38,948	38,948
Pupil Transportation Aid	301,777	303,187	303,187	-	303,187	303,187
School Choice	1,009	1,945	3,755	-	3,755	3,755
Aid for Enrollment Adjustments	34,558	16,456	16,456	-	16,456	16,456
<b>Less:</b>						
Stabilization Aid Growth Limitation	(68,073)	(73,576)	(73,576)	-	(73,576)	(73,576)
<b>Subtotal, Net T&amp;E Budget</b>	<b>5,429,204</b>	<b>5,803,998</b>	<b>5,889,408</b>	<b>890,866</b>	<b>4,998,542</b>	<b>5,889,408</b>
School Construction and Renovation Fund	65,525	81,993	44,600	44,600	-	44,600
Debt Service Aid	154,933	140,873	137,858	137,858	-	137,858
<b>Subtotal, School Building Aid</b>	<b>220,458</b>	<b>222,866</b>	<b>182,458</b>	<b>182,458</b>	<b>-</b>	<b>182,458</b>
<b>TOTAL FORMULA AID</b>	<b>5,649,662</b>	<b>6,026,864</b>	<b>6,071,866</b>	<b>1,073,324</b>	<b>4,998,542</b>	<b>6,071,866</b>

**STATE AID FOR LOCAL SCHOOL DISTRICTS  
CONSOLIDATED SUMMARY  
GENERAL FUND AND PROPERTY TAX RELIEF FUND  
(\$ in Thousands)**

---Recommended Fiscal Year 2003---

	<b>Expended Fiscal 2001</b>	<b>Adjusted Appropriation Fiscal 2002</b>	<b>Requested Fiscal 2003</b>	<b>General Fund</b>	<b>Property Tax Relief Fund</b>	<b>Total</b>
<b>Other Aid to Education:</b>						
Nonpublic School Aid	86,543	97,043	92,899	92,899	-	92,899
Whole School Reform Incentive Grants	11,053	-	-	-	-	-
Additional Abbott v. Burke State Aid*	177,682	348,674	305,674	-	305,674	305,674
Abbott Preschool Expansion Aid	-	-	142,400	-	142,400	142,400
Payment for Children with Unknown District of Residence	13,529	13,610	13,610	-	13,610	13,610
Extraordinary Special Education Costs Aid	10,067	15,000	15,000	-	15,000	15,000
County Special Services Tuition Stabilization	433	250	-	-	-	-
General Vocational Aid	5,460	5,460	5,460	5,460	-	5,460
Additional School Building Aid (Debt Service)	6,458	5,484	4,532	-	4,532	4,532
Educational Information & Resource Center	400	450	-	-	-	-
Charter School Aid	5,020	6,000	14,500	-	14,500	14,500
Charter Schools - Council on Local Mandates Decision Offset Aid	4,699	5,600	5,600	-	5,600	5,600
Character Education	4,735	4,750	4,750	-	4,750	4,750
Teacher Quality Mentoring	1,135	2,000	6,460	-	6,460	6,460
Other Aid	7,428	4,430	3,098	2,578	520	3,098
<b>Subtotal, Other Aid to Education</b>	<b>334,642</b>	<b>508,751</b>	<b>613,983</b>	<b>100,937</b>	<b>513,046</b>	<b>613,983</b>
<b>Subtotal, Department of Education</b>	<b>5,984,304</b>	<b>6,535,615</b>	<b>6,685,849</b>	<b>1,174,261</b>	<b>5,511,588</b>	<b>6,685,849</b>
<b>Direct State Payments for Education:</b>						
Teachers' Pension Assistance	174,562	244,464	275,800	275,800	-	275,800
Debt Service on Pension Obligation Bonds	69,545	72,665	76,899	76,899	-	76,899
Pension and Annuity Assistance - Other	30,829	36,029	48,349	48,349	-	48,349
Teachers' Social Security Assistance	510,280	552,578	576,550	576,550	-	576,550
<b>TOTAL</b>	<b>6,769,520</b>	<b>7,441,351</b>	<b>7,663,447</b>	<b>2,151,859</b>	<b>5,511,588</b>	<b>7,663,447</b>

\* The recommended fiscal 2003 appropriation for Additional Abbott v. Burke State Aid will be adjusted downwards or upwards, as necessary, to fulfill the responsibilities of the Commissioner under the Abbott order.



# ECONOMIC FORECAST

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## National Economic Overview

After a record year in 2000, Gross Domestic Product growth slowed significantly 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. The slowdown will continue through the middle of 2002 and moderate growth is expected to return in the second half of the year.

In 2001, real Gross Domestic Product (GDP) grew at 1.0%, far below the revised 2000 rate of 4.1%. Employment growth fell below 0.5%, adding less than 500,000 jobs during 2001 after eight straight years of strong growth at 2.0%–3.0%. Inflation remained mild, under 3.0% last year. The National Bureau of Economic Research, which dates the business cycles, marked last March to be the start of the current economic recession when the first sustained job decline began.

The stock market remained volatile throughout the past year with the turmoil adversely affecting consumer confidence. NASDAQ closed down 21.0% for the year, continuing the steep decline (39.0%) from 2000. The S & P 500 and Dow Jones Industrial indexes also continued the slide, dropping 13.0% and 7.0%, respectively. The Conference Board’s Consumer Confidence Index fell 34 points below the same reading a year ago to 94.6 in December 2001.

Real consumer spending softened, growing at 2.8%, compared to the revised 2000 rate of 4.8%. Real consumption of durable goods also moderated at 5.6% after rapid double-digit surges in 1999 (12.4%) and 2000 (10.0%). The durable goods sector was boosted by extraordinary auto sales due to zero-percent financing and other promotional 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 a record 6 million+ in home sales in 2001.

Most national forecasters do not expect the recession to continue beyond the spring of 2002 and the national economy is expected to recover starting in the second half of the year. 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 failure has also shaken investor confidence. Weakness in the future corporate earnings outlook is likely to hold down business investments. Any shift in the Federal Reserve’s interest rate policy to higher rates will affect future consumer spending.

National economic growth is expected to improve slowly, with real GDP growth in the range of 1.0% to 1.5% in 2002. Real consumer spending is expected to moderate in 2002 at 1.4%, as consumers turn more cautious. Income growth is expected to remain weak, around 2.0+%, in 2002 but bounce back to 5.0+% in 2003. Employment growth rates for 2002 are expected to be negative for the first time in eleven years and remain around 1.0% in 2003. Business investment in durable equipment is expected to continue its slide at -3.7% in 2002.

## New Jersey Economic Overview

During 2001, New Jersey experienced an economic slowdown like the rest of the nation. Although average annual employment grew for the ninth consecutive year, it marked the slowest pace since the recovery began in 1993 and is well below the strong 2.5% growth in 2000. The average annual rate of growth in employment fell to 0.7% in 2001. Although the post-attack relocation of businesses from New York City gave a boost to end-of-year employment in the State, New Jersey lost over 14,000 jobs since December 2000. Some of the jobs transferred to New Jersey are short-term and will move back to New York City in 2002. The Department of Labor estimates that approximately 7,200

layoffs resulted from the World Trade Center disaster, largely in the transportation and service sectors. This estimate is based on an analysis of unemployment claims after September 11, 2001.

After growing consistently at a healthy annual average pace of 2.1% to 2.6% since 1997, employment stagnated during most of 2001. Construction jobs continued to grow, but at a much slower 2.5% average annual rate, substantially below the 7.0+% rate posted in the previous two years. Finance, insurance and real estate, and government sectors grew at an average annual rate of around 2.0%.

Most of the job losses were concentrated in the manufacturing sector, which has been declining for more than a decade. That trend accelerated during the current recession. More than 70,000 manufacturing jobs in New Jersey have been lost since the early nineties. See figure on employment trends.

Personal income growth moderated at 4.5%, substantially below the record pace of 8.0+% set in 2000. Real Gross State Product (GSP) grew at an anemic rate below 2.0% in 2001, the lowest rate in the nine years since recovery began in 1992. See figure for trends in personal income growth.

The steady income scenario, along with the lowest unemployment rate among the neighboring Mid-Atlantic states, kept consumer spending resilient in New Jersey. Although, the pace of retail sales of durable goods moderated in 2001, the 4.1% growth surpassed the national rate for the fourth consecutive year in 2001. New vehicle registrations remained above the 600,000 level for the second consecutive year; however, the growth rate of registrations fell sharply to -3.5% in 2001, significantly below the growth in 1999 and 2000. October and November 2001 were exceptionally good months in terms of growth in auto sales and registrations, due primarily to promotional financing. Sales of existing homes continued to slide, consistent with the prior year.

## **Economic Projections**

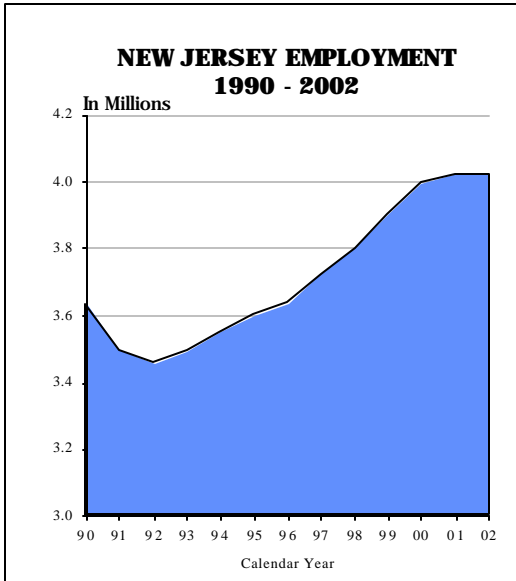
The national economy, as well as the New Jersey economy, is expected to come out of the recession in 2002. This bodes well for New Jersey, since for the past 30 years the State employment and income have mirrored the national trend, not in amplitude but in terms of timing. According to the Federal Reserve's Beige Book (January), a recovery is expected to begin by mid-year 2002, but the timing and strength remain uncertain due to persistent weaknesses across most of the nation. DRI-WEFA, Economy.Com, and other forecast models are all optimistic about an economic recovery, albeit slow, in 2002. The international economic health, particularly of national trading partners, is likely to continue the improvement started during 1999. If business spending picks up in the wake of continued reduction in inventories and if consumer confidence holds, the economy should be in solid recovery in 2003. The Consumer Price Index is anticipated to remain modest, at around 2.5+%, in 2002 and 2003.

Both national and state unemployment rates, which are lagging indicators, are expected to rise in 2002 despite the projected recovery later this year. That recovery is expected to be weak at first before accelerating in 2003. As the economy continues to pull out of recession, steady personal income growth and relatively low interest rates will enable consumer spending to lead the economic recovery. National employment is expected to pick up at a 1.0+% growth rate in 2003 after declining in 2002. Personal income growth is projected to drop to 2.2% in 2002 but bounce up to 5.2% in 2003. Real consumer durable expenditures are expected to increase to 7.6% in 2003 after declining by 1.0% in 2002.

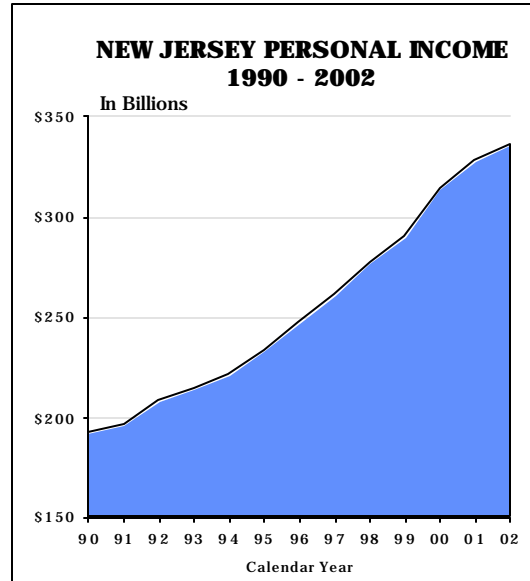
New Jersey personal income growth is expected to dip to 2.3% in 2002 and then pick up at 4.5% in 2003. Housing starts are expected to ease to around 26,000+ units during the next two years, substantially below the 34,000+ units level reached in 2000. New vehicle registrations are projected to moderate from the near record set in 2000 but remain close to 600,000 units in 2002 and increase above that level in 2003.

New Jersey's economy is expected to follow the national trend in 2002 and 2003. Employment growth is projected to remain flat in 2002 but grow moderately at 1.0% in 2003. It is important to note that the future direction of economic

recovery, nationally and in New Jersey, to a large extent hinges on the assumption of no further terrorist attacks, supportive monetary and fiscal stimulus, and prevention of corporate collapses similar to ENRON.



Source: New Jersey Department of the Treasury  
Office of Revenue and Economic Analysis  
(2001 - 2002 Projected)



Source: New Jersey Department of the Treasury  
Office of Revenue and Economic Analysis  
(2001 - 2002 Projected)





# REVENUE FORECAST AND INITIATIVES

## FISCAL YEAR 2002 ANTICIPATED REVENUE

The current estimate of \$20.9 billion in total 2002 revenue is \$2.0 billion less than when the Acting Governor certified revenues in June 2001.

The three largest taxes, Gross Income, Sales and Use, and Corporation Business account for approximately 69% of total State revenues and are now forecast to yield \$14.4 billion. This is a decrease of \$2.2 billion over certified revenues, and primarily reflects downward revisions in Gross Income (-\$1.3 billion), Corporation Business (-\$711 million), and Sales and Use (-\$186 million). The downward swings in revenues are due to the recessionary conditions in the economy. Miscellaneous taxes, fees, and revenues are now expected to generate an additional \$118.2 million, primarily from the Transitional Energy Facilities Assessments (TEFA).

The Sales and Use Tax is estimated to generate \$6.0 billion in fiscal year 2002, a moderate 3.3% growth compared to the 6.2% rate originally projected. The estimate was lowered as the economy was dragged into a recession, which started during the second half of 2000, and was compounded by the events of September 11. The slumping financial markets, deteriorating corporate profits, and layoffs adversely affected both business investments and consumer purchases of durable goods. Consumer confidence declined significantly in 2001, dropping more than 48 points between July 2000 and December 2001.

The Gross Income Tax forecast for fiscal year 2002 is revised down to \$7.3 billion, a decrease of \$1.3 billion compared to the June 2001 certified revenue estimate. This represents an 8.7% decline rather than the 7.2% growth anticipated in June 2001. Such a strong decline is not surprising given that 2000 was the last

year of the financial bubble, yielding extraordinarily high revenue. Employer withholdings fell by 3% in calendar year 2001, against the double-digit growth of 17% in 2000, underscoring the decline in the 2001 tax base. This was exacerbated further by weaker than anticipated estimated payments, which fell by 21% in 2001 after growing at 29% the year before.

The Corporation Business Tax (CBT) is revised down by \$711 million to \$1.1 billion for fiscal year 2002. This represents a decline of 14.7% compared to the 10.3% decline in fiscal year 2001. In June the CBT revenues were anticipated to grow nearly 40%, due largely to the \$420 million in additional revenues generated by legislation directed towards limited liability companies (LLCs). This downward shift in the CBT estimate is in line with sinking corporate profits and the generally weak economy in 2001. The revised estimate also reflects a downward revision in the anticipated LLC net revenue yield.

## FISCAL YEAR 2003 REVENUE PROJECTIONS

Total revenues for fiscal year 2003 are expected to be \$23.7 billion, approximately \$2.9 billion above the revised fiscal year 2002 anticipated total. Any growth in revenues in fiscal year 2003 is expected to be modest at best as the national economy pulls out of the current recession and adjusts to more sustainable long-run growth levels.

### Sales Tax

The forecasted \$6.2 billion for fiscal year 2003 Sales Tax revenues is an increase of \$276 million, or 4.6%, compared to revised fiscal year 2002 revenues. This reflects an expectation of continued improvement in the underlying economic fundamentals during fiscal year 2003. The favorable low-interest environment is expected to reinforce growing consumer confidence and spending by mid-2002.

### **Corporation Business Tax**

The fiscal year 2003 CBT revenue forecast of \$1.8 billion represents an increase of \$711 million (or 64%), compared with revised fiscal year 2002. This upward revision assumes an underlying negative growth of 10.3% in gross payments and refund growth of 12.6% in fiscal year 2003. It also adjusts for the one-time nature of part of the initial LLC revenue gain and discounts the likelihood of substantial LLC prepayments for 2003. There is an additional \$25 million loss due to legislative changes relating to effluent and energy equipment, and Neighborhood Revitalization. It also includes adjustments for the restructuring of the tax.

### **Gross Income Tax**

The fiscal year 2003 forecast of \$7.8 billion is an increase of \$486 million, or 6.7%, over revised fiscal year 2002. Although this appears impressive compared to the steep expected decline in fiscal year 2002, it remains well below the double-digit growth rates in the previous three fiscal years. This is a reflection of the economic slowdown and turmoil after the financial markets peaked in 2000. New Jersey Total Income, which is the tax base, is expected to drop by over 3% in fiscal year 2001 after peaking at a record 11.8% growth rate in the previous year. In 2002 and 2003, the tax base is projected to grow at 4.3% and 4.9%, respectively, approaching the 1991-99 average growth of 5.4% by 2004. The amount of income on tax returns reporting over \$100,000 in total income, which grew at the 18% average annual rate (1995-2000), fueled the GIT revenue growth since 1995. It is expected to decline by 7% in 2001 after spiking at 20%+ in 2000, and rebound to the 7%-8% range in 2002 and 2003 as the economy recovers.

### **FISCAL YEAR 2003 REVENUE INITIATIVES**

The proposed Fiscal Year 2003 Budget anticipates \$20.8 billion in existing revenue, representing an increase of approximately \$400 million, or 2%, from the fiscal year 2002 existing base revenue. The existing revenue base is supplemented by approximately \$2.9 billion in new revenue. These new revenues can be categorized as follows: revenue enhancements and special revenue opportunities.

### **REVENUE ENHANCEMENTS**

Revenue enhancements proposed for fiscal year 2003, are permanent changes resulting in the continuation of this revenue in future years. Descriptions of the enhancements proposed in the Fiscal Year 2003 Budget follow.

#### **Restructuring of the Corporation Business Tax**

The Budget proposes restructuring business taxes to restore balance to the State's mix of tax revenues and to bring fairness to corporate tax policy. A restructured CBT would broaden the tax base, wipe out a myriad of loopholes and tax shelters, restore simplicity and provide a lower tax rate for small businesses. The new alternative minimum assessment would cap tax bills at approximately \$5 million to prevent a disparate impact on any one corporate taxpayer.

For two decades the CBT has eroded as a viable and reliable source of revenue and has declined as a proportionate share of the total revenue collected from all taxes. In 1982, the CBT brought in \$838 million, about 15% of the State's total tax revenue. By fiscal year 1997 this proportion had dropped to 8% and by fiscal year 2001 it declined further to 6.6%. Without corrective action the CBT is projected to collect only \$820 million in fiscal year 2003, a drop to 4% of total State revenue. (See Figure 1A.)

In contrast, wage earners have shouldered an increasingly larger share of the cost of State government. Individual income taxes were 22.7% of State revenues in fiscal year 1982, but will make up 35% of State revenues in fiscal year 2002. Likewise, the sales tax as a share of State revenues rose from 23.5% in fiscal year 1982 to 28.6% in fiscal year 2002. (See Figure 1B.)

Despite unprecedented growth in corporate profits, the amount of funds collected through the CBT remained virtually level for most of the past decade. Since fiscal year 2000, however, revenues collected from the CBT have sharply declined. The projected collections of \$820 million in fiscal year 2003 would be less than revenues collected from the CBT in 1982, 20 years ago. (See Figure 2.)

This precipitous drop will be compounded by a provision in the recently enacted federal economic stimulus package. It is estimated that

the asset depreciation provision of this new law will reduce CBT collections by at least \$100 million in fiscal year 2003, and by even more in the following two years.

In 1999, the last tax year for which statistics are available, nearly 77% of all companies — 201,258 out of 262,341 corporations—paid only the statutory minimum tax of \$200. Of those minimum taxpayers, 141,811 corporations were going concerns with economic activity, as opposed to shell corporations. (See Figures 3-5.)

Of the 50 companies with the largest payrolls in New Jersey, 30 of them paid only the \$200 minimum in corporate income taxes.

Of the 50 largest employers, as measured by the number of employees, 15 paid less than \$50,000 in corporate income taxes, even including all of their subsidiaries. Nine of those employers paid less than \$400 dollars per related company. In total, those companies paid \$345 million in corporate income taxes, but 91% of those revenues came from only 10 of those companies.

There are a variety of reasons for the erosion of the CBT, including tax loopholes and accounting maneuvers. For example, multi-state corporations are able to transfer profits off their New Jersey books, and into out-of-state companies, to reduce their New Jersey net income to little or nothing—thus avoiding New Jersey taxes. The CBT also fails to reach many companies that have no physical presence in New Jersey, but send their sales forces into New Jersey's lucrative market. Those companies are able to entirely avoid New Jersey corporate taxes.

Uncorrected, the CBT in fiscal year 2003 would hit a level of zero growth as compared with 1982. Over this same period, the Gross Income Tax has increased by 518% and the sales tax increased by 377%.

Governor McGreevey is proposing a reform of the CBT that would increase revenues to \$1.8 billion, the level anticipated by the Legislature last year when it enacted the Fiscal Year 2002 Budget. It will take a year for the CBT reforms to take effect, so the Governor will propose

immediate steps to recoup revenues by establishing an alternative system.

The proposal will provide for an alternative minimum assessment that prevents corporations from avoiding payment of the State CBT, while protecting small businesses. The alternative system will be based not just on corporate profits, or on a company's physical presence in the state, but on their economic presence in New Jersey, including their payroll, property, and sales within the state.

The proposal also will reduce the rate that small businesses currently pay under the regular CBT.

Loopholes will be closed that allow larger corporations to shelter income and pay only the minimum \$200 to the State. This alternative minimum assessment will be based on three measures of economic activity:

- Corporate Sales
- Payroll
- Property

The alternative minimum assessment will also apply to out-of-state companies that have a significant economic presence in New Jersey but currently pay no New Jersey corporate taxes. The corporation would calculate its tax under the current corporate business tax structure and under the alternate assessment, and would pay the greater of the two.

The alternative minimum assessment would be capped at approximately \$5 million, and no business subject to the alternative minimum assessment would pay more than that amount.

Of the revenue generated by the alternative minimum assessment, an estimated 70% will be derived from corporate sales, 20% will be derived from corporate payroll, and 10% will be derived from corporate property. The rates applied to the three factors will range from 1/10 of 1% (.001) to half of 1% (.005). The combined rate for all three factors will not exceed 1%.

The brackets for each factor will be established so that small businesses are not affected by the alternative minimum assessment. For example, the first \$1 million of sales, the first \$200,000 in payroll, and the first \$500,000 of property would

be totally exempt from the alternative minimum assessment.

### **Increase the Cigarette Tax by 50 Cents**

The proposed Fiscal Year 2003 Budget assumes \$200 million in additional revenue from a 50-cent increase in the cigarette tax, from 80 cents to \$1.30. Many other states are currently considering an increase in their cigarette taxes. New York is currently considering a proposal to increase the current tax from \$1.11 to \$1.50. Maryland is considering a 50-cent increase in the current 66 cents per pack tax. New Jersey is currently at a competitive disadvantage with Pennsylvania, whose tax is only 31 cents per pack. The potential increase of New Jersey's tax will not change this competitive disadvantage the State has with Pennsylvania.

## **SPECIAL REVENUE OPPORTUNITIES**

### **Tobacco Securitization**

New Jersey expects to receive approximately \$8 billion over the next 25 years in payments resulting from the tobacco settlement. This translates to about \$300 million per year in fiscal year 2003 and beyond. The 2003 Budget proposes that New Jersey join the list of 28 other states and local governments that have issued bonds backed by Tobacco Settlement Receipts (TSRs). The State will essentially transfer a portion of its expected TSRs to a special-purpose entity 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 will continue to spend the remaining portion, if any, as it sees fit. The State would be legally separate from the entity and, therefore, would not put its own credit rating at risk.

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 will provide budgetary certainty against that risk.

The combination of tobacco settlement and tobacco securitization will provide over \$1.3 billion in revenue. A detailed plan of this proposal will follow.

### **Fund Reallocations**

Approximately \$370 million in diversions from various funds is accounted for in the Fiscal Year 2003 Budget. Specifically, the budget assumes the diversions of balances or revenues from the following funds:

- Escheats—\$209 million
- UMDNJ Self Insurance Fund—\$50 million
- Workforce Development Partnership Program—\$30 million
- TANF payment for EITC—\$23 million
- Loan payments for debt service—\$25 million
- Supplemental Workforce for Basic Skills—\$15 million
- Economic Development Authority Interest on School Construction—\$7.8 million
- Garden State Preservation Trust—\$7.3 million
- Enterprise Zone Assistance Fund—\$6 million (interest only)

### **Various Fee Adjustments**

Approximately \$75 million in additional revenue can be collected in fiscal year 2003 through the increase in the number of fees. A portion of these fee increases represents an attempt to raise the fee to a level closer to the cost for providing a service. The fee increases proposed in the Fiscal Year 2003 Budget include:

- Increase license and registration restoration fees from \$50 to \$100 (\$12.4 million).
- Eliminate the discount for the bulk purchase of driver's abstracts by insurance companies and credit companies (\$27 million).
- Increase commercial truck/tractor registration fees by \$2 per 1,000 pounds (\$9.4 million).

- Increase boat registration fees (\$2.5 million).
- Increase various DEP fees to more accurately reflect the cost of providing the various approvals (\$18 million).
- Increase various fees in the Department of Agriculture to more accurately reflect the cost of providing various services (\$0.4 million).
- Increase fees for corporate filing and other corporate certificates (\$2.7 million).
- Impose new fees on HMOs to fund the oversight by the Department of Health (\$2.5 million).

### **Amend State Estate Tax to Offset Federal Tax Changes**

Changes to the State Estate Tax could generate \$72 million in revenues for fiscal year 2003. The recently enacted federal estate tax law limits the amount of revenues the State currently collects. The majority of the states (37) have a tax structure similar to New Jersey and will lose revenue based on federal tax changes. Most of these states are now considering changes to recoup the expected revenue losses. Wisconsin and Rhode Island have already enacted changes.

### **Abrogate Reciprocal Agreement with Pennsylvania**

The Fiscal Year 2003 Budget assumes \$37.5 million in additional income tax revenues through the abrogation of New Jersey's reciprocal agreement with Pennsylvania. Under the current agreement effective January 1978, Pennsylvania residents deriving income from New Jersey are not subject to taxation in Pennsylvania with respect to compensations earned there. Voiding the agreement would subject Pennsylvania residents to New Jersey taxes on any income earned in New Jersey. The Division of Taxation states that when the reciprocal agreement was entered into in 1978 the tax rates in New Jersey were 2% and 2.5%, similar to Pennsylvania. Now, however, the New Jersey rates have risen to a top rate of 6.37%

while Pennsylvania's rate is 2.8%. The disparity in rates has increased New Jersey's costs associated with this agreement.

### **Delay of Next Phase of Sub-chapter S Tax Reduction**

The delay of the next phase of the Subchapter S reductions that were approved in February 2001 will generate \$36 million in revenue for the Fiscal Year 2003 Budget. For Subchapter S corporations with a net income above \$100,000, the tax is scheduled to be reduced from 1.33% to 0.67% for tax periods July 1, 2002 to June 30, 2003. Repeal of this phase of the tax reduction, as well as the reduction from 0.67% to 0% effective July 1, 2003, would save \$36 million in fiscal year 2003 and an additional \$36 million in fiscal year 2004. Subchapter S corporations would still receive the benefit of a reduction from 2% to 1.33%.

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

The Fiscal Year 2003 Budget projects \$33 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.

### **Other Tax Changes and Miscellaneous Revenue**

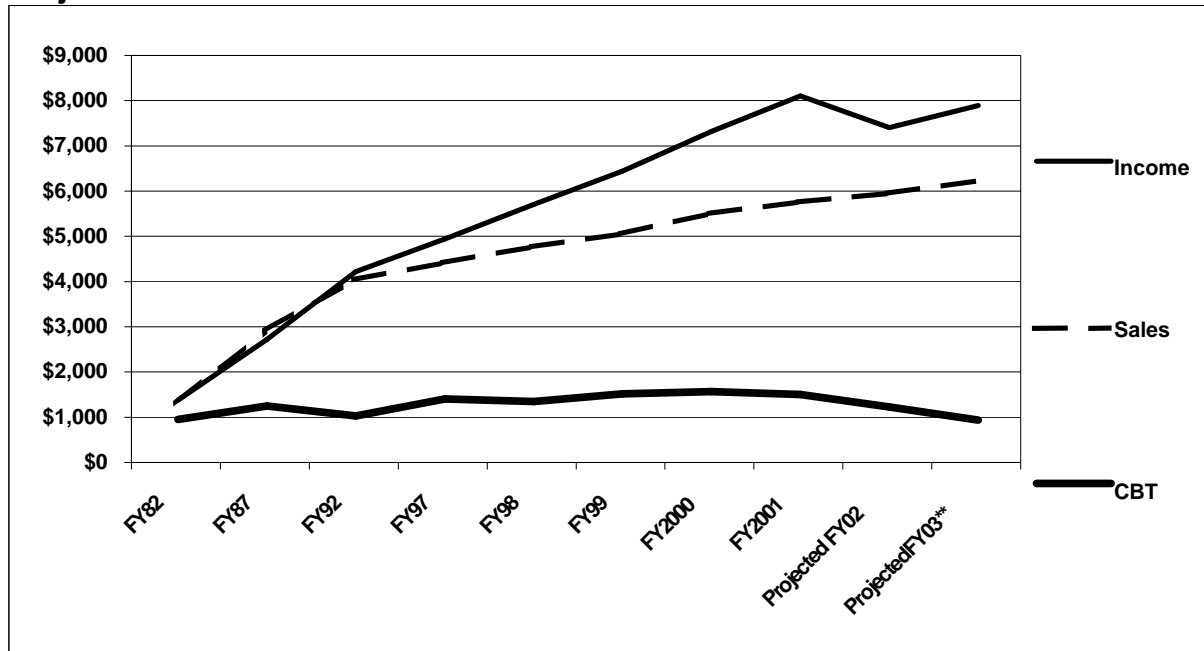
The repeal of the recently enacted tax decrease for cigars and other tobacco products such as smokeless tobacco will provide \$7 million in revenue.

The Fiscal Year 2003 Budget also includes \$32.8 million in county payments under the solid waste restructuring program.

FIGURE 1A

## Erosion of the CBT over 20 years

Major Revenues in millions



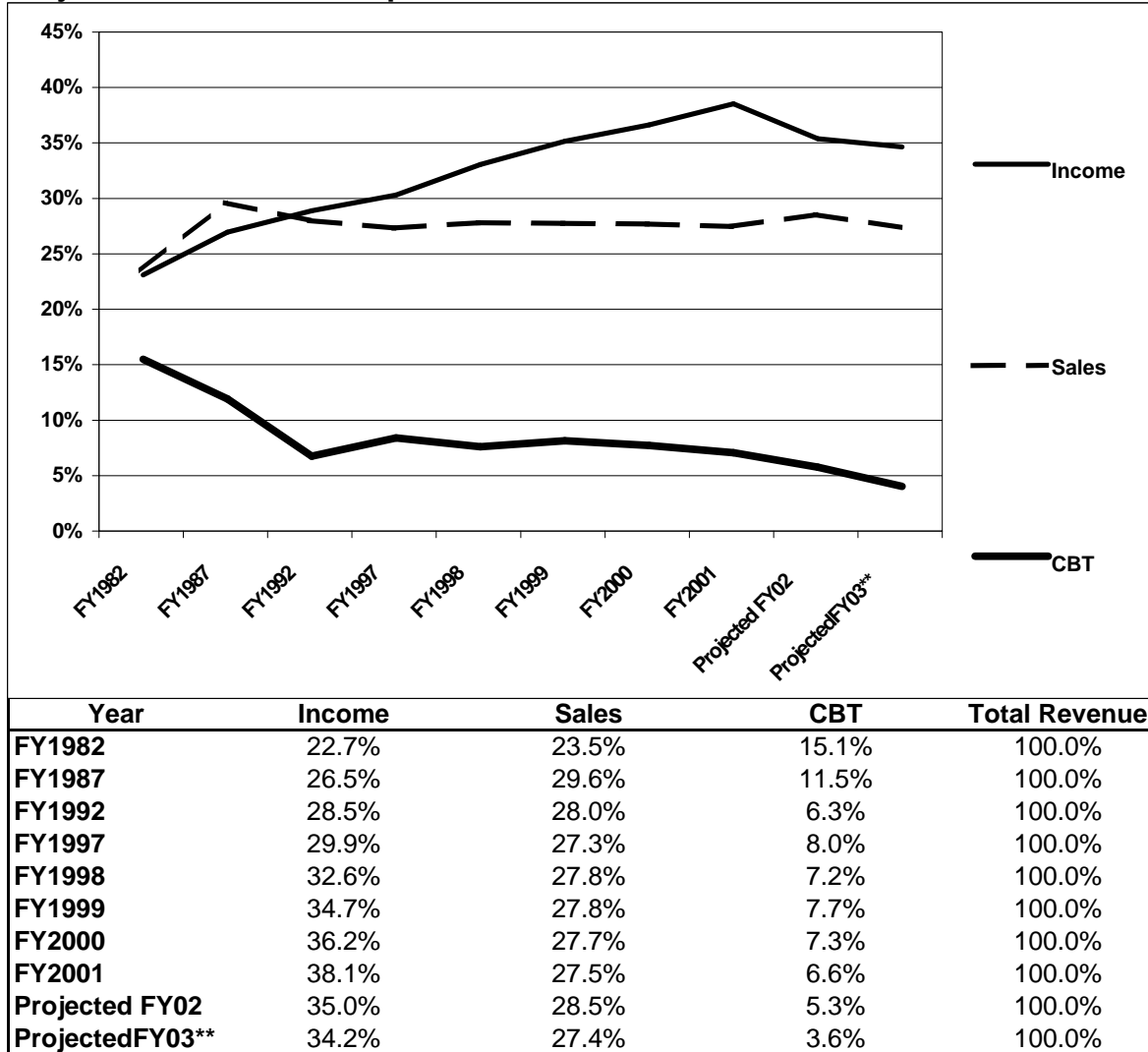
Year	Income	Sales	CBT	Total Revenue
FY82	1,259.0	1,304.7	837.8	5,555.9
FY87	2,605.9	2,910.7	1,129.2	9,827.4
FY92	4,101.9	4,037.8	910.7	14,415.8
FY97	4,825.4	4,415.4	1,286.5	16,154.9
FY98	5,590.6	4,766.2	1,231.6	17,132.4
FY99	6,323.9	5,054.4	1,402.9	18,206.5
FY2000	7,205.3	5,508.1	1,452.1	19,897.2
FY2001	7,989.2	5,758.7	1,389.5	20,960.9
Projected FY02	7,291.0	5,951.0	1,112.0	20,856.0
ProjectedFY03**	7,777.0	6,227.0	820.0	22,733.0

\*\*Projected FY2003 is shown with CBT revenue if no CBT restructuring takes place

FIGURE 1B

## Erosion of the CBT over 20 years

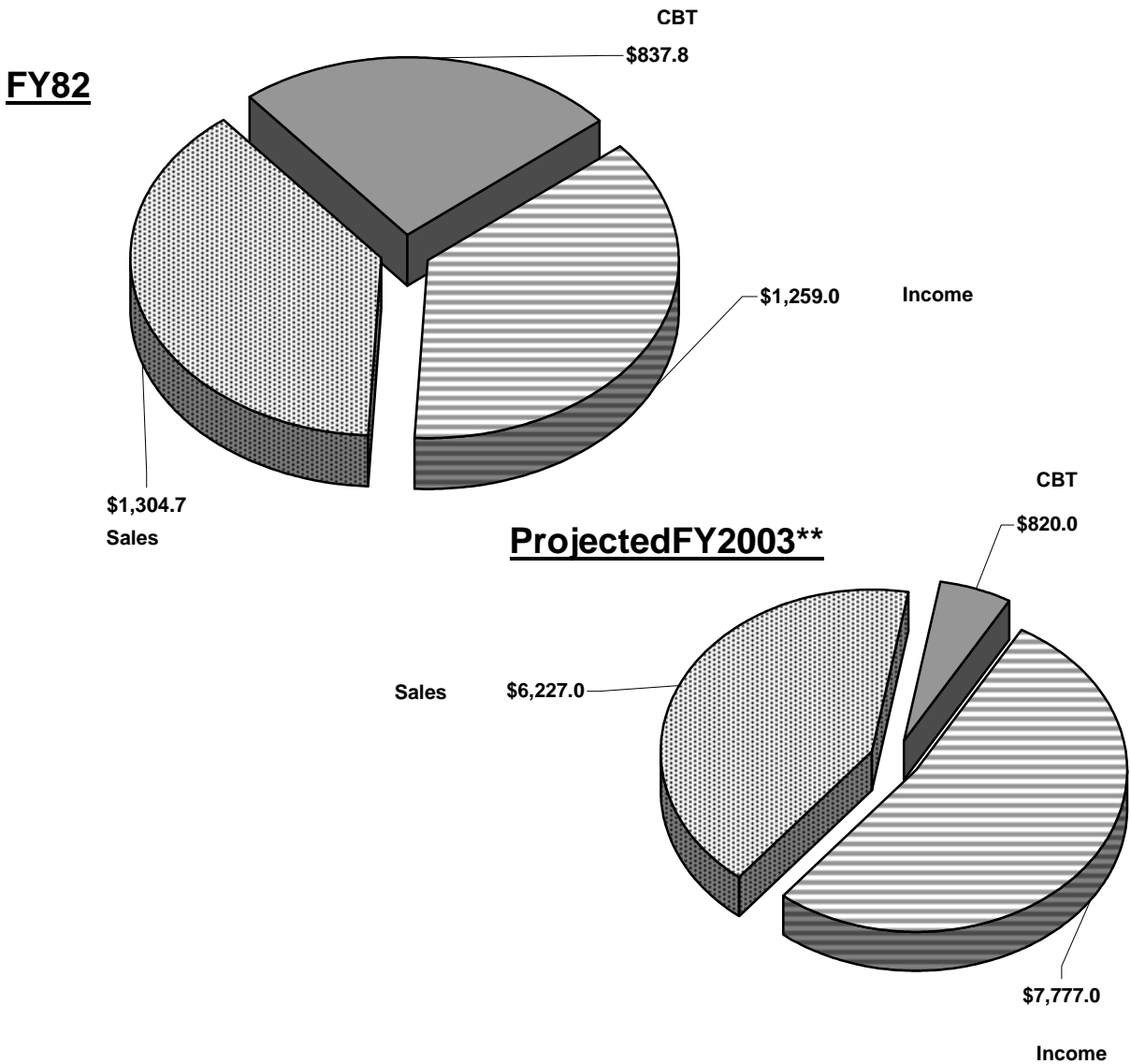
### Major Revenues as a Proportion of Total Revenue



\*\*Projected FY2003 is shown with CBT revenue if no CBT restructuring takes place

**FIGURE 2**

<b>Actual Revenues from Major Taxes (in millions)</b>				
<b>Year</b>	<b>Income</b>	<b>Sales</b>	<b>CBT</b>	<b>Total</b>
FY82	1,259.0	1,304.7	837.8	5,555.9
FY87	2,605.9	2,910.7	1,129.2	9,827.4
FY92	4,101.9	4,037.8	910.7	14,415.8
FY97	4,825.4	4,415.4	1,286.5	16,154.9
FY98	5,590.6	4,766.2	1,231.6	17,132.4
FY99	6,323.9	5,054.4	1,402.9	18,206.5
FY2000	7,205.3	5,508.1	1,452.1	19,897.2
FY2001	7,989.2	5,758.7	1,389.5	20,960.9
ProjectedFY2002	7,291.0	5,951.0	1,112.0	20,856.0
ProjectedFY2003**	7,777.0	6,227.0	820.0	22,733.0



\*\*Projected FY2003 is shown with CBT revenue if no CBT restructuring takes place



FIGURE 3

**Corporate Profit (in billions) versus CBT in subsequent fiscal year**

Year	Profit	CBT
CAL1990/FY91	15.55	1.08
CAL1991/FY92	16.35	0.91
CAL1992/FY93	17.16	0.96
CAL1993/FY94	19.01	1.06
CAL1994/FY95	21.29	1.09
CAL1995/FY96	24.77	1.17
CAL1996/FY97	27.50	1.29
CAL1997/FY98	30.15	1.23
CAL1998/FY99	27.69	1.4
CAL1999/FY00	29.39	1.45
CAL2000/FY01	31.21	1.39

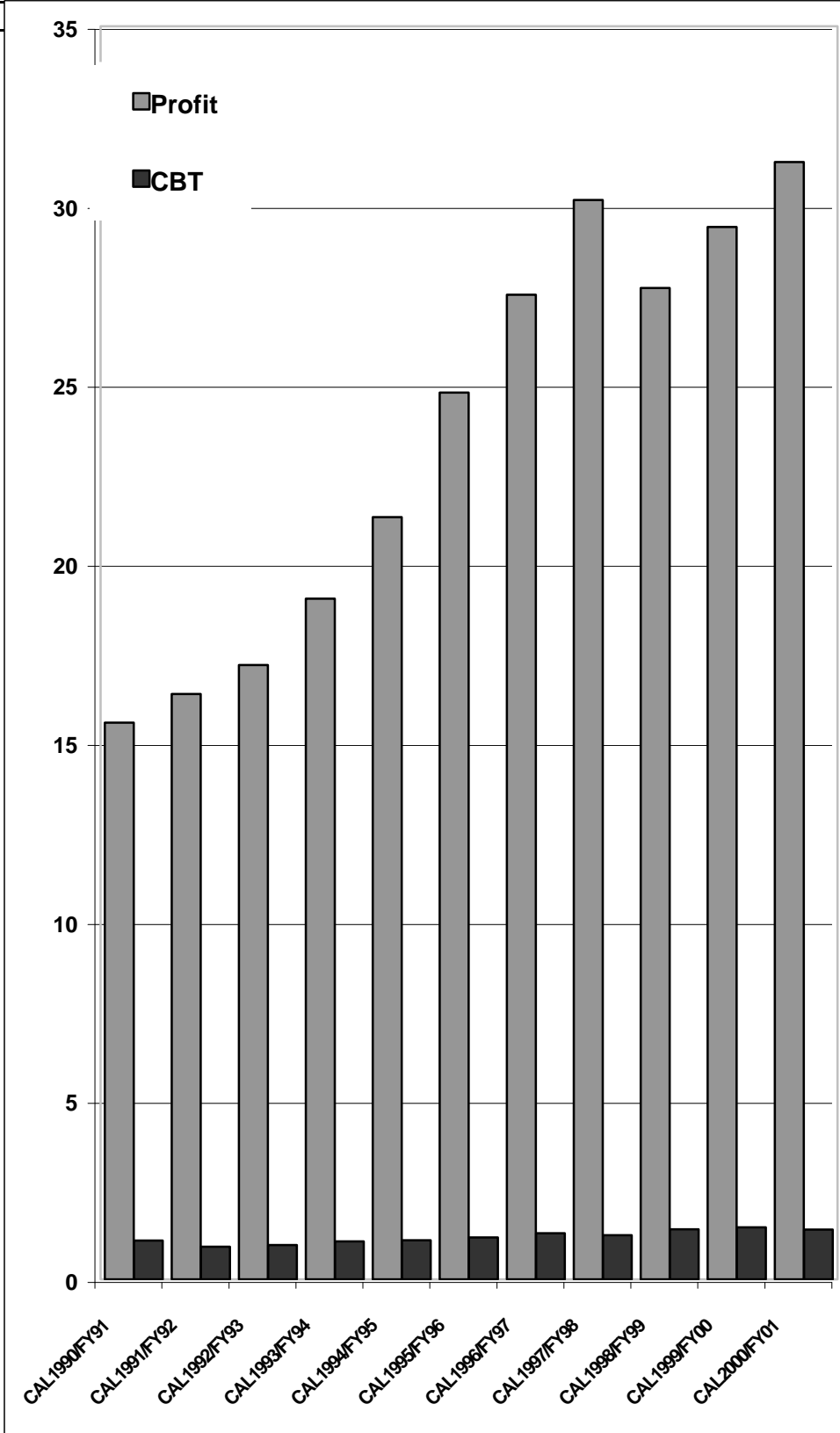


FIGURE 4

### Business Tax Credits 1989-1998

Year	Amount
1989	\$1,908,183
1990	\$1,230,769
1991	\$1,062,000
1992	\$1,444,006
1993	\$2,059,873
1994	\$46,431,685
1995	\$52,502,614
1996	\$40,574,581
1997	\$46,558,267
1998	\$87,664,886

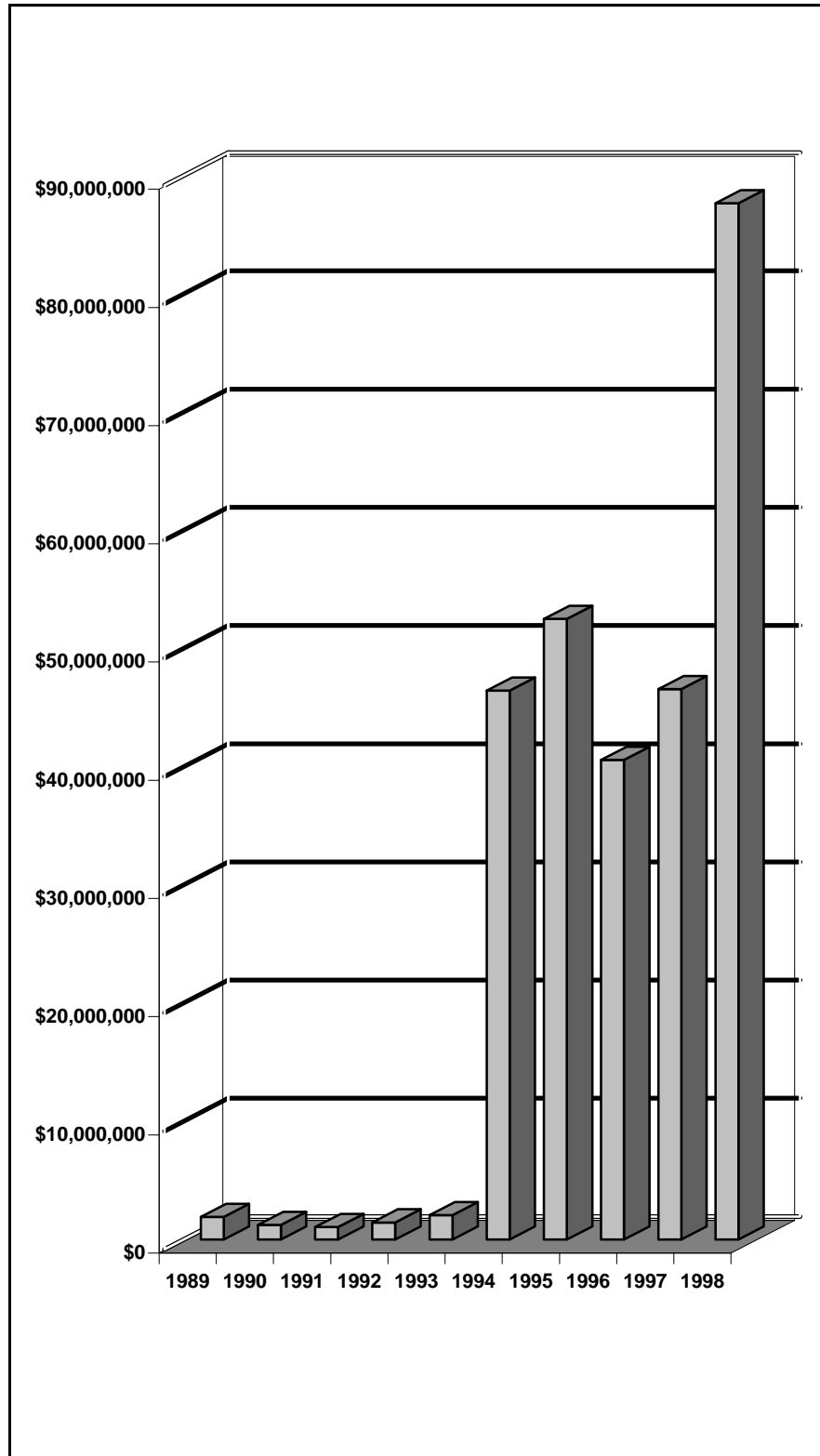
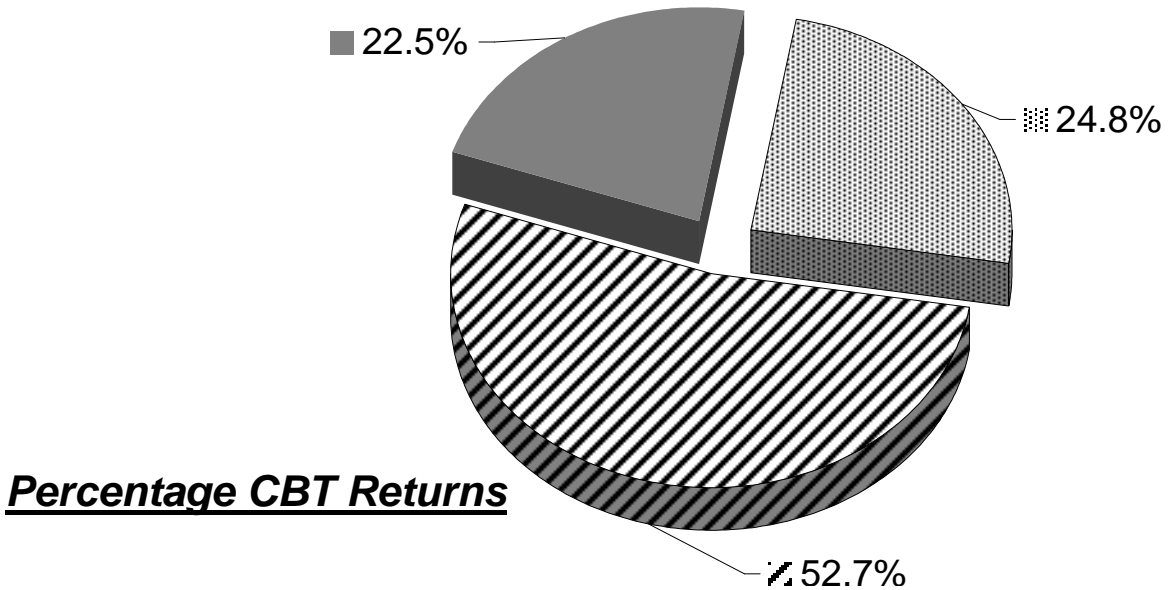
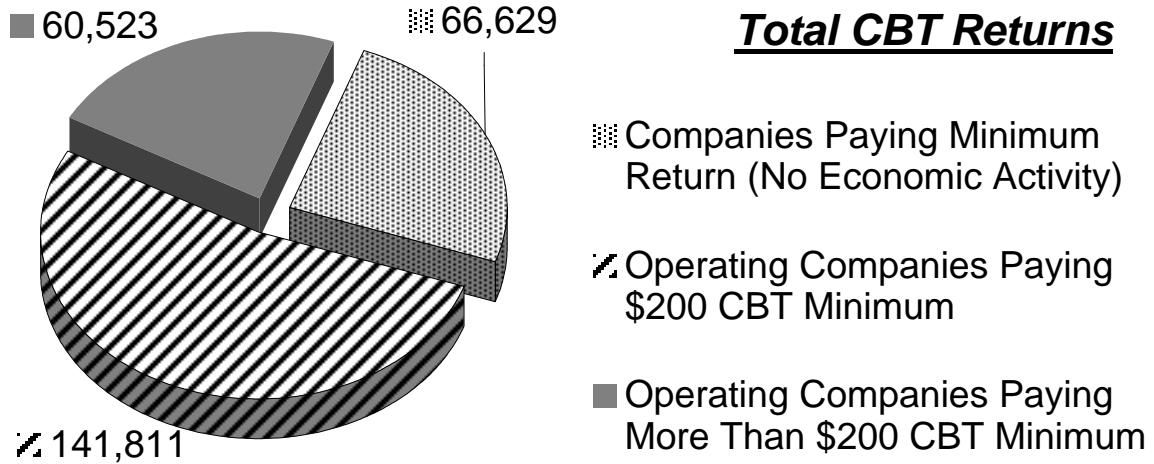


FIGURE 5

# 1998 Tax Year Total CBT Returns



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

	Fiscal Year Ending June 30	
	2002 Estimated	2003 Estimated
Beginning Balances July 1		
Undesignated Fund Balances		
General Fund	\$ 388,698	\$ 435,000
Surplus Revenue Fund	720,000	---
Property Tax Relief Fund	159,965	65,000
Gubernatorial Elections Fund	---	---
Casino Control Fund	(1,900)	---
Casino Revenue Fund	---	---
Debt Avoidance and Retirement Fund	20,802	---
<b>Total Undesignated Fund Balances</b>	<b>1,287,565</b>	<b>500,000</b>
State Revenues		
General Fund	13,149,100	15,536,745
Property Tax Relief Fund	7,291,000	7,776,971
Gubernatorial Elections Fund	1,500	1,500
Casino Control Fund	64,637	62,737
Casino Revenue Fund	350,000	360,000
<b>Total State Revenues</b>	<b>20,856,237</b>	<b>23,737,953</b>
Other Adjustments		
General Fund		
Balances lapsed	1,377,249	---
To Gubernatorial Elections Fund	(9,700)	---
To Casino Revenue Fund	(12,741)	---
From Surplus Revenue Fund	720,000	---
From (To) Debt Avoidance and Retirement Fund	20,802	(48,286)
Surplus Revenue Fund		
To General Fund	(720,000)	---
Debt Avoidance and Retirement Fund		
From (To) General Fund	(20,802)	48,286
Property Tax Relief Fund		
Balances lapsed	298,538	---
Gubernatorial Elections Fund		
From General Fund	9,700	---
Casino Revenue Fund		
From General Fund	12,741	---
<b>Total Other Adjustments</b>	<b>1,675,787</b>	<b>---</b>
<b>Total Available</b>	<b>23,819,589</b>	<b>24,237,953</b>
Appropriations		
General Fund	15,198,408	15,398,459
Property Tax Relief Fund	7,684,503	7,841,971
Gubernatorial Elections Fund	11,200	---
Casino Control Fund	62,737	62,737
Casino Revenue Fund	362,741	360,000
<b>Total Appropriations</b>	<b>23,319,589</b>	<b>23,663,167</b>
Ending Balances June 30		
Undesignated Fund Balances		
General Fund	435,000	525,000
Surplus Revenue Fund	---	---
Property Tax Relief Fund	65,000	---
Gubernatorial Elections Fund	---	1,500
Casino Control Fund	---	---
Casino Revenue Fund	---	---
Debt Avoidance and Retirement Fund	---	48,286
<b>Total Undesignated Fund Balances</b>	<b>\$ 500,000</b>	<b>\$ 574,786</b>

**STATE REVENUES****FISCAL YEARS 2002 AND 2003 ESTIMATES**

(\$ in Thousands)

	<b>APPROP ACT FY2002</b>	<b>REVISED FY2002</b>	<b>CHANGE FY2002</b>	<b>FY2003</b>	<b>CHANGE FY02 TO FY03</b>
<b>Major Taxes</b>					
Sales Tax	\$5,758,670	\$5,830,000	(\$307,000)	\$6,110,000	\$6,227,275
Corporation Business	1,302,893	1,236,000	(587,000)	921,000	1,823,000
Corporation Energy	86,593	-	(13,700)	12,500	31,400
Motor Fuels	516,413	529,000	(8,000)	529,000	528,000
Motor Vehicle Fees	444,281	393,410	(3,391)	392,368	451,876
Transfer Inheritance	478,061	518,000	(22,000)	476,000	560,000
Insurance Premium	309,149	307,000	4,000	310,000	318,000
Cigarette	228,404	219,000	(2,000)	212,000	412,000
Petroleum Products Gross Receipts	215,811	215,000	(9,000)	219,000	225,000
Public Utility Excise	8,852	8,700	-	8,700	-
Corporation Banks and Financial Institutions	51,972	67,000	-	67,000	70,000
Alcoholic Beverage Excise	79,889	73,000	(9,000)	74,000	-
Realty Transfer	79,062	86,000	(1,000)	95,000	88,000
Savings Institution	3,860	6,000	(5,000)	5,000	5,000
Tobacco Products Wholesale Sales	14,110	12,000	(3,000)	13,000	13,000
<b>Total Major Taxes</b>	<b>9,578,020</b>	<b>9,517,510</b>	<b>(966,091)</b>	<b>9,444,568</b>	<b>10,837,251</b>
<b>Miscellaneous Taxes, Fees, Revenues</b>					
Medicaid Uncompensated Care	395,752	406,190	(5,853)	414,196	414,196
Good Driver	60,327	61,400	400	61,000	61,000
Motor Vehicle Inspection Fund	73,609	75,300	1,250	75,350	75,350
Investment Earnings	43,243	-	(29,205)	-	-
Public Utility GRFT	70,226	68,400	-	68,400	-
TEFA	231,778	125,200	(1,200)	-	226,241
Fringe Benefit Recoveries	199,363	199,000	3,000	202,000	207,000
Other Miscellaneous Revenue	827,988	866,547	(27,997)	882,747	960,115
<b>Total Miscellaneous Taxes, Fees, Revenues</b>	<b>1,902,286</b>	<b>1,802,037</b>	<b>(59,605)</b>	<b>1,703,693</b>	<b>2,012,302</b>
<b>Interfund Transfers</b>					
State Lottery Fund	697,397	747,000	(18,000)	797,000	797,000
Tobacco Settlement/Securitization	134,319	365,204	-	295,000	1,351,706
All Other Funds	259,685	430,607	2,670	184,978	538,486
<b>Total Interfund Transfers</b>	<b>1,091,401</b>	<b>1,542,811</b>	<b>(15,330)</b>	<b>1,276,978</b>	<b>2,687,192</b>
<b>Total State Revenues General Fund</b>	<b>12,571,707</b>	<b>12,862,358</b>	<b>(1,041,026)</b>	<b>12,425,239</b>	<b>15,536,745</b>
Property Tax Relief Fund	7,989,222	7,138,000	(1,407,150)	7,820,000	7,776,971
Casino Control Fund	57,313	62,736	3,033	62,956	62,737
Casino Revenue Fund	341,991	343,000	(20,000)	353,100	360,000
Gubernatorial Election Fund	730	1,500	-	1,500 *	-
<b>TOTAL STATE REVENUES</b>	<b>\$20,960,963</b>	<b>\$20,407,594</b>	<b>(\$2,465,143)</b>	<b>\$20,662,795</b>	<b>\$23,737,953</b>

\* Excluded from General Fund Revenue

**SUMMARY OF FISCAL YEAR 2002 - 2003 APPROPRIATION RECOMMENDATIONS BY FUND**  
 (\$ in Thousands)

-----Year Ending June 30, 2001-----						Year Ending ---June 30, 2003---		
Orig. & (S)Supple- mental	Reapp. & (R)Recpts.	Transfers & (E)Emer- gencies	Total Available	Expended		2002 Adjusted Approp.	Requested	Recom- mended
					General Fund			
\$4,754,382	\$426,522	\$70,492	\$5,251,396	\$4,894,425	Direct State Services	\$4,850,272	\$5,080,997	\$5,079,135
5,808,436	269,830	(140,641)	5,937,625	5,218,164	Grants-in-Aid	6,083,554	6,319,327	6,054,020
842,458	263,990	(32,804)	1,073,644	761,946	State Aid	2,695,133	2,742,525	2,722,355
1,188,068	327,195	(8,341)	1,506,922	1,170,999	Capital Construction	1,075,562	1,044,424	1,049,101
530,003	---	---	530,003	525,046	Debt Service	493,887	493,848	493,848
<b>\$13,123,347</b>	<b>\$1,287,537</b>	<b>(\$111,294)</b>	<b>\$14,299,590</b>	<b>\$12,570,580</b>	<b>Total General Fund</b>	<b>\$15,198,408</b>	<b>\$15,681,121</b>	<b>\$15,398,459</b>
8,298,794	31,661	(517)	8,329,938	8,240,146	Prop Tax Relief Fund	7,684,503	7,841,971	7,841,971
59,443	594	---	60,037	58,690	Casino Control Fund	62,737	62,737	62,737
350,140	53,977	---	404,117	398,843	Casino Revenue Fund	362,741	360,000	360,000
11,100	---	---	11,100	11,100	Gubernatorial Elections Fund	11,200	---	---
<b>\$21,842,824</b>	<b>\$1,373,769</b>	<b>(\$111,811)</b>	<b>\$23,104,782</b>	<b>\$21,279,359</b>	<b>Grand Total</b>	<b>\$23,319,589</b>	<b>\$23,945,829</b>	<b>\$23,663,167</b>
					State Appropriations			

**SUMMARY OF FISCAL YEAR 2002 - 2003 APPROPRIATION RECOMMENDATION**  
 (\$ in Thousands)

	Adjusted Appropriations	Fiscal 2003 Recommendations	---Change---	
			Dollar	Percent
<b>General Fund and Property Tax Relief Fund</b>				
State Aid and Grants	\$16,463,190	\$16,618,346	\$155,156	0.90%
State Operations				
Executive Departments	3,167,097	3,193,860	26,763	0.80%
Legislature	72,380	70,219	(2,161)	(3.0%)
Judiciary	479,035	487,672	8,637	1.80%
Interdepartmental	1,131,760	1,327,384	195,624	17.30%
<b>Total State Operations</b>	<b>4,850,272</b>	<b>5,079,135</b>	<b>228,863</b>	<b>4.70%</b>
Capital Construction	1,075,562	1,049,101	(26,461)	(2.5%)
Debt Service	493,887	493,848	(39)	0.00%
<b>Total General Fund and Property Tax Relief Fund</b>	<b>22,882,911</b>	<b>23,240,430</b>	<b>357,519</b>	<b>1.60%</b>
Casino Revenue Fund	362,741	360,000	(2,741)	(0.8%)
Casino Control Fund	62,737	62,737	---	0.00%
Gubernatorial Election Fund	11,200	---	(11,200)	(100.0%)
<b>Grand Total State Appropriations</b>	<b>\$23,319,589</b>	<b>\$23,663,167</b>	<b>\$343,578</b>	<b>1.50%</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>2003 Total Recommend</b>
Legislature	70,219	---	---	---	---	70,219
Chief Executive	5,424	---	---	---	---	5,424
Agriculture	10,731	2,254	8,642	---	---	21,627
Banking and Insurance	68,123	---	---	---	---	68,123
Community Affairs	37,271	37,041	979,564	---	---	1,053,876
Corrections	774,729	89,435	---	2,900	---	867,064
Education	55,683	13,551	7,618,847	400	---	7,688,481
Environmental Protection	218,980	500	15,009	86,165	76,833	397,487
Health and Senior Services	130,496	830,901	39,969	650	---	1,002,016
Human Services	626,790	3,234,277	280,925	7,500	---	4,149,492
Labor	60,293	33,719	---	---	---	94,012
Law and Public Safety	467,937	19,822	9,272	7,828	---	504,859
Military and Veterans Affairs	68,812	1,044	---	1,779	---	71,635
Personnel	27,195	---	---	---	---	27,195
State	27,362	1,134,003	19,575	---	---	1,180,940
Transportation	268,255	260,027	24,934	745,000	---	1,298,216
Treasury	408,087	1,369,156	381,052	5,500	417,015	2,580,810
Miscellaneous Commissions	1,392	---	---	---	---	1,392
Interdepartmental Account	1,327,384	573,864	---	191,379	---	2,092,627
The Judiciary	487,672	---	---	---	---	487,672
<b>Total Recommendation</b>	<b>5,142,835</b>	<b>7,599,594</b>	<b>9,377,789</b>	<b>1,049,101</b>	<b>493,848</b>	<b>23,663,167</b>

**DEPARTMENT OPERATING BUDGET**  
(\$ in Thousands)

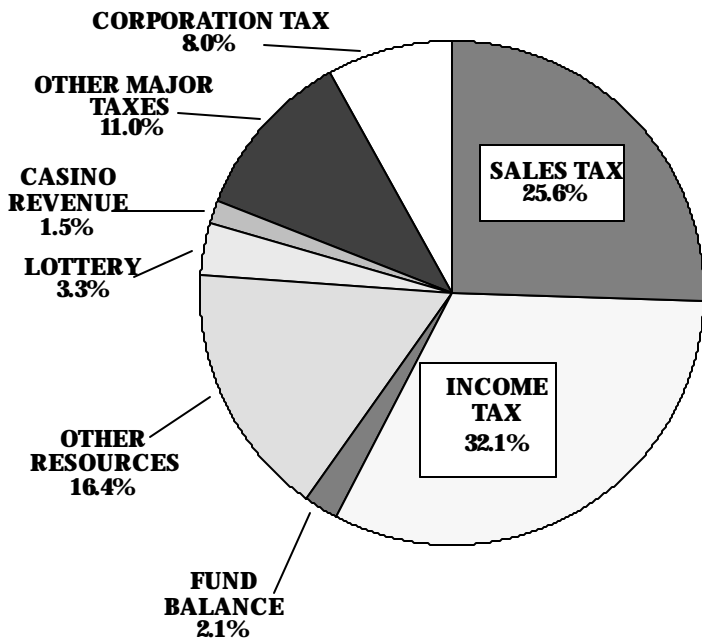
	<b>Adjusted Approp. FY 2002</b>	<b>Recom- mended FY 2003</b>	<b>Difference 2002-2003</b>	<b>% Change 2002-2003</b>
Total State Appropriations				
State Operations				
Legislature	\$72,380	\$70,219	(\$2,161)	(3.00%)
Chief Executive	5,718	5,424	(294)	(5.10%)
Department of Agriculture	11,392	10,731	(661)	(5.80%)
Department of Banking and Insurance	68,164	68,123	(41)	(0.10%)
Department of Community Affairs	39,466	37,271	(2,195)	(5.60%)
Department of Corrections	790,358	774,729	(15,629)	(2.00%)
Department of Education	57,620	55,683	(1,937)	(3.40%)
Department of Environmental Protection	226,956	218,980	(7,976)	(3.50%)
Department of Health and Senior Services	103,667	130,496	26,829	25.90%
Department of Human Services	579,402	626,790	47,388	8.20%
Department of Labor	58,560	60,293	1,733	3.00%
Department of Law and Public Safety	484,034	467,937	(16,097)	(3.30%)
Department of Military and Veterans' Affairs	72,037	68,812	(3,225)	(4.50%)
Department of Personnel	29,541	27,195	(2,346)	(7.90%)
Department of State	28,144	27,362	(782)	(2.80%)
Department of Transportation	241,900	268,255	26,355	10.90%
Department of the Treasury	443,646	408,087	(35,559)	(8.00%)
Miscellaneous Commissions	1,392	1,392	---	0.00%
Interdepartmental Accounts	1,131,760	1,327,384	195,624	17.30%
The Judiciary	479,035	487,672	8,637	1.80%
<b>Total Executive Departments</b>	<b>\$4,925,172</b>	<b>\$5,142,835</b>	<b>\$217,663</b>	<b>4.40%</b>

## NEW JERSEY BUDGET

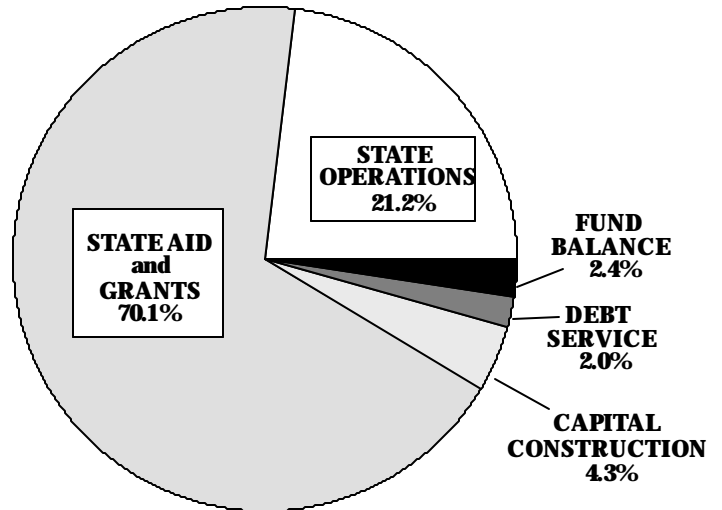
### RESOURCES AND RECOMMENDATIONS FOR FISCAL YEAR 2003

#### ALL STATE FUNDS

#### Resources



#### Recommendations



#### RESOURCES

(\$000)

INCOME TAX	\$7,776,971
SALES TAX	6,227,275
CORPORATION and BANK TAX	1,924,400
LOTTERY REVENUE	797,000
CASINO REVENUE	360,000

#### OTHER MAJOR TAXES:

Transfer Inheritance	560,000
Motor Fuels	528,000
Motor Vehicle Fees	451,876
Cigarette	412,000
Insurance Premium	318,000
Petroleum Products Gross Receipts	225,000
Realty Transfer	88,000
Alcoholic Beverage Excise	76,000
Tobacco Products Wholesale Sales	13,000
Public Utility Excise	8,700
Savings Institutions	5,000

OTHER RESOURCES 3,966,731

SUB-TOTAL RESOURCES \$23,737,953

#### ESTIMATED FUND BALANCE, JULY 1, 2002

General Fund	435,000
Surplus Revenue Fund	--
Property Tax Relief Fund	65,000
Debt Retirement Fund	--
Casino Revenue Fund	--
Casino Control Fund	--
Gubernatorial Elections Fund	--
<b>TOTAL</b>	<b><u>\$24,237,953</u></b>

#### RECOMMENDATIONS

(\$000)

Education	\$7,688,481
Human Services	4,149,492
Interdepartmental	2,092,627
Treasury	1,850,235
Higher Education	1,419,900
Transportation	1,298,216
Community Affairs	1,053,876
Health and Senior Services	1,002,016
Corrections	867,064
Law and Public Safety	504,859
Debt Service	493,848
Judiciary	487,672
Environmental Protection	320,654
Labor	94,012
State	74,330
Military and Veteran's Affairs	71,635
Legislature	70,219
Banking and Insurance	68,123
Other Departments	55,908
<b>SUB-TOTAL RECOMMENDATIONS</b>	<b><u>\$23,663,167</u></b>

#### ESTIMATED FUND BALANCE, JUNE 30, 2003

General Fund	525,000
Surplus Revenue Fund	--
Property Tax Relief Fund	--
Casino Revenue Fund	--
Casino Control Fund	--
Gubernatorial Elections Fund	1,500
Debt Avoidance and Retirement Fund	48,286
<b>TOTAL</b>	<b><u>\$24,237,953</u></b>



**SUMMARY OF APPROPRIATIONS  
MAJOR INCREASES AND DECREASES**

This table summarizes the major increases and decreases in the Fiscal 2003 Budget, defined as a change of \$2 million or more. Information 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>			
Contractual Salary Increases	\$ 113.2		
Employer Taxes	59.8		
Employee Benefits	59.0		
Debt Service on Pension Bonds	33.1		
Human Services Staffing	27.1		
Enhanced Inspection & Maintenance	26.0		
Medical Emergency Disaster Preparedness for Bioterrorism	25.0		
Establish the Department of the Public Advocate	10.0		
Human Services Technology	10.0		
Expansion of Cancer Initiatives	8.0		
Establish the Office of Counter-Terrorism	6.9		
State Police Forensic Laboratory Equipment	5.4		
Drug Court Programs	5.2		
Digitized Drivers' License	5.0		
Insurance Verification	4.0		
NJ Environmental Management System	3.8		
State Police Technology Enhancements	3.5		
Nanotechnology and Other Technologies	3.0		
Increased Juror Fee	2.0		
Route 29 Tunnel	1.9		
Other (Net)	<u>30.3</u>		
<b>Subtotal State Operations Increases</b>	<u>\$ 442.2</u>		

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

	<b>Increases</b>	<b>Decreases</b>	<b>Net Change</b>
Pensions/Post Retirement Medical (PRM)		(30.8)	
FY 2002 Annualized Attrition		(14.1)	
Domestic Security Preparedness		(14.0)	
Central Rent		(12.0)	
State Police Rural Patrol Reduction		(11.7)	
Gubernatorial Election Fund - Public Financing Program		(11.2)	
Property Assessment Management System (PAMS)		(8.5)	
Institutional Inmate Population Decline - Institutional Impact		(8.3)	
Tax Amnesty Administration Costs		(7.0)	
New Car Waiver		(6.8)	
Automated Parole and Case Tracking System		(4.9)	
State Police Recruit Training		(4.7)	
Local Government Budget Review		(4.0)	
Statewide 911 Emergency Telephone System		(3.9)	
Environmental Testing Laboratory		(3.0)	
Enterprise License Agreement		(3.0)	
Corrections Overtime Reduction Initiative		(2.7)	
Action Now Projects - Safe Drinking Water Fund		(2.5)	
Commerce Business Marketing Campaign		(2.0)	
Equipment Reductions		(1.2)	
Other (Net)		(84.0)	
<b>Subtotal State Operations Decreases</b>		<b>\$ (240.3)</b>	
<b>Net Change (State Operations)</b>			<b>\$ 201.9</b>
<b>Grants-in-Aid</b>			
Medicaid Mandatory Growth	187.7		
Nursing Homes and Alternatives	72.2		
Pharmaceutical Assistance for the Aged & Disabled (PAAD) / Senior Gold Growth	60.5		
FamilyCare	48.1		
Welfare Growth Offset with Revenue	36.5		
Solid Waste Management Offset with Revenue	36.2		
Higher Education Health Benefits and Employer Taxes	29.3		
Community Providers Cost of Living Adjustment	29.2		
Cancer Institute of New Jersey	28.0		
Division of Youth and Family Services - Grants	24.5		
Federal Reallocation for DHS Institutional Certification	20.3		
DHS Abbott Preschool Growth	20.0		
Homestead Rebates	13.7		
Equipment Leasing Fund- Debt Service	10.7		
Governor's Literacy Initiative	10.0		
Senior and Disabled Citizens' Property Tax Freeze	7.4		
Community Services Waiting List Initiative	5.7		
Institutional Inmate Decline - County and Community Programs	5.1		
Home Assistance Growth	4.5		
Higher Education Capital Improvement Program--Debt Service	4.4		
Tuition Aid Grants (TAG)	2.3		
Family Development Homeless Prevention Initiative	2.0		
Other (Net)	34.9		
<b>Subtotal Grants-in-Aid Increases</b>	<b>\$ 693.2</b>		

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

	<u>Increases</u>	<u>Decreases</u>	<u>Net Change</u>
Unemployment Insurance Diversion Savings		(180.3)	
Pharmaceutical Assistance to the Aged & Disabled (PAAD) Federal Waiver		(147.8)	
Senior Public Colleges and Universities		(64.3)	
NJ SAVER		(48.3)	
Community Affairs Non-recurring Grants		(38.1)	
Essex / Mercer County		(28.7)	
Housing Mortgage Finance Support for Lifeline		(25.0)	
Treasury Non-recurring Grants		(17.2)	
Hospital Rate Increase		(15.0)	
Excellence in High Technology Workforce		(15.0)	
Spousal Impoverishment		(12.2)	
Health Non-recurring Grants		(10.6)	
Physician Fee Increase		(8.8)	
Teacher Preparation and Recruitment		(8.7)	
Clean Water Initiatives		(6.0)	
Sports and Exposition Authority Operations		(6.0)	
Supplemental for Horse Racing Industry		(6.0)	
Biomedical and Other Technology Research		(5.0)	
Physician Reimbursement for ER Services		(5.0)	
Cathedral Health System, Newark		(5.0)	
Specialized Incubators Program		(4.8)	
Increase in Medicaid Reimbursement to Offset Expense		(4.5)	
Brownfields Redevelopment Grants		(4.0)	
Historic and Arts Grants		(4.0)	
Technology Transfer Program		(4.0)	
Fairleigh Dickinson University Distance Learning		(3.9)	
State Non-recurring Grants		(3.6)	
Human Services Non-recurring Grants		(3.4)	
Environmental Protection Non-recurring Grants		(3.2)	
Apprenticeship Program		(3.0)	
Municipal Mobile Video Program		(2.9)	
Outpatient Hospital Ambulatory Payment Groups (APGs)		(2.6)	
Incentive Grant Fund		(2.5)	
Downtown Living Initiative		(2.0)	
Other (Net)		(29.4)	
		<u>          </u>	
<b>Subtotal Grants-in-Aid Decreases</b>		<b>\$ (730.8)</b>	
<b>Net Change (Grants-in-Aid)</b>			<b><u>          </u> \$ (37.6)</b>
<b>State Aid</b>			
Abbott Preschool Expansion	142.4		
Teachers' Post-retirement Medical, Debt Service, and Social Security	71.9		
CEIFA / Supplemental Programs - Education	37.6		
State Reimbursement for Veterans' Property Tax Exemptions	16.7		
Special Municipal Aid	13.8		
Charter Schools / School Choice	10.3		
Pension Contributions on Behalf of Local Government	9.5		
General Assistance Cost Increases	6.5		

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

	<b>Increases</b>	<b>Decreases</b>	<b>Net Change</b>
Extraordinary Aid	5.0		
Teacher Mentoring	4.5		
County Psychiatric Hospitals	2.8		
County College Fringe Benefits and PRM	2.4		
Other (Net)	2.8		
<b><i>Subtotal State Aid Increases</i></b>	<b>\$ 326.2</b>		
School Construction and Renovation		(37.4)	
Regional Efficiency Aid Program (REAP)		(11.0)	
Regional Efficiency Development Incentive (REDI)		(5.0)	
County College Capital Projects (Chapter 12) Debt Service		(4.6)	
Watershed Moratorium Offset Aid		(3.4)	
Voting Machine Replacement		(3.0)	
Safe and Secure Neighborhoods		(2.6)	
Others (Net)		(53.4)	
<b><i>Subtotal State Aid Decreases</i></b>		<b>\$ (120.4)</b>	
<b><i>Net Change (State Aid)</i></b>			<b>\$ 205.8</b>
 <b>Capital Construction</b>			
Transportation Trust Constitutionally Dedicated Growth	60.0		
Building Authority Debt Service - State Police Emergency Operations Center and Other Projects	22.9		
State Police Technology Projects	6.0		
OIT Availability and Recovery Site	5.5		
New State Police Training Facility	5.0		
Statewide Facility Security Projects	4.2		
DHS Automated Child Welfare System	3.3		
<b><i>Subtotal Capital Construction Increases</i></b>	<b>\$ 106.9</b>		
Transportation Trust Toll Road Contributions		(24.5)	
Parks and Other DEP Projects		(21.1)	
State Complex Facilities Projects		(17.9)	
Corrections Projects		(16.3)	
State Police and Juvenile Justice Commission Projects		(12.3)	
Dam Repairs		(11.7)	
Rutgers Projects		(6.5)	
DMV Inspection Station and Customer Service Improvements		(6.0)	
Vineland Veterans' Home and Other Projects		(4.2)	
Battleship New Jersey		(3.5)	
Other (Net)		(9.4)	
<b><i>Subtotal Capital Construction Decreases</i></b>		<b>\$ (133.4)</b>	
<b><i>Net Change (Capital Construction)</i></b>			<b>\$ (26.5)</b>
<b>Debt Service</b>			<b>\$ -</b>
<b>GRAND TOTALS</b>	<b>\$ 1,568.5</b>	<b>\$ (1,224.9)</b>	<b>\$ 343.6</b>

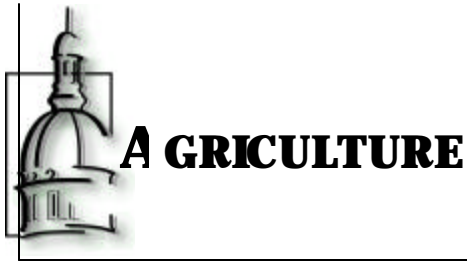


## **RECOMMENDATIONS**

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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 2003 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 2003 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 2003 RECOMMENDED BUDGET

	(In Thousands)
Direct State Services	\$10,731
Grants-In-Aid	\$2,254
State Aid	\$8,642
<b>Total General Fund</b>	<b>\$21,627</b>
<b>Total State Recommendation</b>	<b>\$21,627</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 2003 Budget for the Department of Agriculture totals \$21.6 million, a decrease of \$3.4 million, or 13.5%, under the fiscal 2002 adjusted appropriation of \$25.0 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 protect the quality of life in communities throughout the State. In fiscal 2002, for the third year in a row, the Farmland Preservation Program received \$80 million in funding from the Garden State Preservation Trust Act. A total of 127 farms covering 14,168 acres were permanently preserved in fiscal 2001, bringing statewide preservation totals to 583 farms covering 80,543 acres since the program's inception in 1983. In fiscal 2002, another 8,352 acres of farmland have been preserved to date.

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. This program will receive \$1.2 million in fiscal 2003, a reduction of \$400,000 that more accurately reflects the actual spending history under the program.

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.** The Conservation Cost Share Program will be funded at \$750,000 in fiscal 2003. A \$400,000 reduction from the previous fiscal year, this level is sufficient to address the existing rate of program spending and the expected ongoing impact of multi-year grants. New federal funds in the Farm Bill pending before Congress are expected to provide additional resources for these conservation grants.

State funding for both the Farmland Stewardship Program and the Farmland Administration County Grant Program will be reduced by \$250,000 in each program. These programs were proposed in fiscal 2002 to enhance funding for farmland preservation at a time when revenues were anticipated to be higher than are currently projected. While these reductions will result in elimination of the Farmland Administration County Grant Program, federal funding is being explored to continue the Farmland Stewardship Program.

**Continuing Programs**

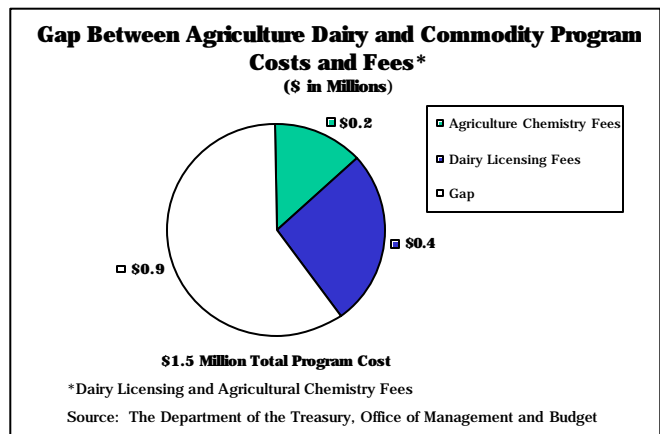
Funding for Promotional Marketing Development matching grants is reduced by \$150,000 to a level of \$100,000 in fiscal 2003, based on a revised plan addressing the most efficient use of funds. The Department will coordinate its Jersey Fresh marketing with the Commerce Commission's fall advertising campaign to extend its reach in a more cost effective manner.

The School Breakfast Program reimburses school districts that provide breakfast to students. Funding is recommended at \$1.5 million in fiscal 2003, a reduction of \$900,000, which more accurately reflects the level sufficient to continue the program at its current

capacity. The State Aid appropriations for the School Lunch Program are held flat at \$7 million, however.

Stores licensed to sell milk in New Jersey currently pay a licensing fee based on the volume of milk sold, pursuant to State law. These licensing fees have not been raised since 1983 (see figure below). A fee increase would enable the Department of Agriculture to continue to administer a Dairy Program, which would ensure a stable, competitive milk marketing system. The administration of this program assures that the dairy industry and the consumer continue to benefit through effective milk control regulation.

Feed, fertilizer, and lime manufacturers and distributors currently pay registration and inspection (tonnage) fees for these products, pursuant to State law. These Agricultural Chemistry fees have not been raised since the 1970s (see figure below). Most of the industry affected by this fee proposal is located outside of New Jersey. A fee increase would enable the Department of Agriculture to expand testing of products to maintain label standards.





# BANKING AND INSURANCE

## FISCAL 2003 RECOMMENDED BUDGET

	(In Thousands)
Direct State Services	\$68,123
<b>Total General Fund</b>	<b>\$68,123</b>
<b>Total State Recommendation</b>	<b>\$68,123</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 they regulate through regular financial examinations.
- Protect the public from unlawful or unfair practices by promptly investigating complaints filed by consumers and aggressively combat fraud.
- Issue licenses to individuals and companies to provide Banking, Insurance, and Real Estate services to New Jersey citizens.
- Improve the efficiency and effectiveness of the review of insurance rates and forms.
- Apply technology, where appropriate, to improve our ability to work with the public and regulated industries.
- Develop and implement programs to prevent fraud and abuse.

*The Fiscal 2003 Budget for the Department of Banking and Insurance totals \$68.1 million, a decrease of \$41,000, or 0.1%, under the fiscal 2002 adjusted appropriation of \$68.2 million.*

## BUDGET STATUS

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

Recognizing the difficult fiscal times, the Department's proposed budget is slightly less than last year. The Department will continue to fulfill its mission by consolidating functions, where appropriate.

Banking and Insurance priorities for the coming year include expanded use of technology to improve how we interact with the companies and the consumers. Among the efforts under way are:

- Allowing consumers to file complaints via the internet.
- Providing information on the individuals we license on our web site.
- A new licensing system for insurance producers that offers online renewal.
- Permit property and casualty companies to file rates and policy forms electronically.

Consumer protection remains a significant part of the Department's focus. We intend to focus our attention on matters of importance to consumers. All of the units within the Department that serve insurance consumers will be consolidated during this budget cycle. Our aim is to make it easier for citizens to have their concerns addressed in a timely and efficient manner through the new Office of Consumer Protection Services.





# COMMUNITY AFFAIRS

## FISCAL 2003 RECOMMENDED BUDGET

	(In Thousands)
Direct State Services	\$37,271
Grants-In-Aid	\$37,041
State Aid	\$18,042
<b>Total General Fund</b>	<b>\$92,354</b>
Property Tax Relief Fund	\$961,522
<b>Total State Recommendation</b>	<b>\$1,053,876</b>

## OVERVIEW

The Department of Community Affairs 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.

The Department's 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.

*The Fiscal 2003 Budget for the Department of Community Affairs totals \$1.054 billion, a decrease of \$64.0 million, or 5.7%, under the fiscal 2002 adjusted appropriation of \$1.118 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 holding municipal aid steady during fiscal 2003, reflecting the State's commitment to provide municipal governments with a stable base of revenue to address their needs for local public services. The recommended amount of \$1.72 billion continues municipal aid at the same amount as the previous fiscal year.

This Budget provides \$835.2 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 \$52.5 million in this Budget. The Extraordinary Aid Program will be funded at \$30 million, while the Legislative Municipal Block Grant Program will be funded at \$34.8 million. Funding of \$3.4 for the Watershed Moratorium Offset Aid program is not continued in fiscal 2003.

## Smart Growth

The Department is taking a leadership role in the implementation of smart growth in New Jersey. Governor McGreevey's Executive Order No. 4 created a Smart Growth Policy Council comprised of Cabinet members and senior administration officials who will work together to make the principles of smart growth a reality.

A new Office of Smart Growth also will be established. This office, housed within DCA, will consist of professional and support staff to carry out the objectives of the Governor's Smart Growth Council. It also will incorporate the Office of State Planning and provide administrative support to the New Jersey State Planning Commission.

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.

The Main Street New Jersey Program at DCA is providing the tools municipalities need to restore the vibrancy of their downtown areas. Main Street provides communities with technical assistance and training to improve the economy, appearance, and image of their central business districts.

Funding for the Downtown Living Initiative is \$2.5 million in fiscal 2003. The Brownfields Redevelopment Grant program is funded at \$1 million in fiscal 2003.

### **Affordable Housing**

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 Faith-Based Community Development Initiative, a program providing grants that enable faith-based organizations to undertake a range of social service activities, 2) 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 3) 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.



# CORRECTIONS

## FISCAL 2003 RECOMMENDED BUDGET

	(In Thousands)
Direct State Services	\$774,729
Grants-In-Aid	\$89,435
Capital Construction	\$2,900
<b>Total General Fund</b>	<b>\$867,064</b>
<b>Total State Recommendation</b>	<b>\$867,064</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:

- Minimize overtime costs and to maintain an appropriate level of supervision to ensure the safety of institutional employees and to protect the public.
- Ensure the maximum utilization of institutional bedspaces.
- Finalize a web-based offender information system, which will enable the public to review information related to an inmate's location, status, and projected release date.
- Continue to enhance the discharge planning and notification process for all inmates scheduled for release to the community.

The Department will accomplish these goals and objectives by:

- Recruiting and training custody officer recruits on a timely basis to fill funded custody positions.
- Continuously monitoring both custody and civilian staffing levels, evaluating operating needs to consider alternate staffing assignments to enhance

institutional operating efficiency and reduce costs.

- Reviewing both general and specialized bedspace needs to ensure offenders are appropriately housed consistent with their custody status and treatment needs.
- Including in the discharge planning process a comprehensive pre-release review of the inmate's record to verify parole eligibility or sentence expiration date.
- Automating the notification to county prosecutors to enhance compliance with appropriate statutory requirements.

*The Fiscal 2003 Budget for the Department of Corrections totals \$867.1 million, a decrease of \$32.5 million, or 3.6%, under the fiscal 2002 adjusted appropriation of \$899.6 million.*

## BUDGET STATUS

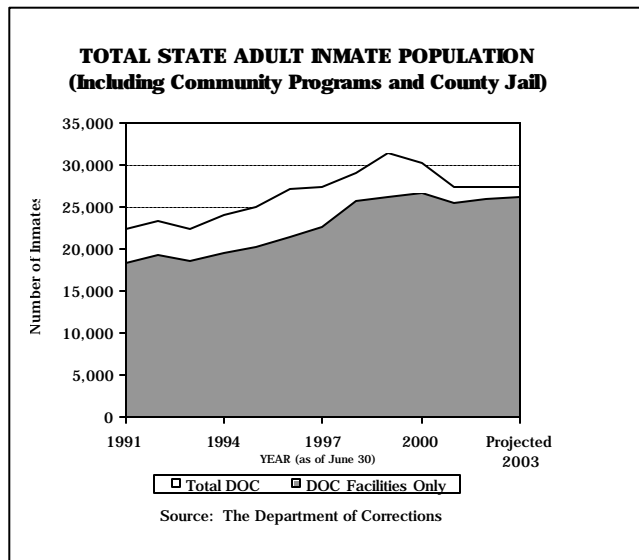
The following describes recommended changes to the agency's appropriation as well as continued funding for major programs.

### 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, 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 2003, \$702 million is recommended for State prison facilities and system-wide program support. This amount represents a net decrease of \$13.4 million from the fiscal 2002 adjusted appropriations due primarily to the enhanced utilization of institutional bedspaces and the further reduction in custody uniform overtime costs.



The decline in inmate population (see figure above) has allowed the Department to institute initiatives, which include consolidations, unit closures, and double bunking reductions. These initiatives resulted in a savings of \$7.7 million due to reductions of posts and non-salary costs. In addition to maximizing operating efficiency, these initiatives enhance institutional security. A decrease of \$5.4 million is due primarily to the annualized operating savings for fiscal 2002 initiatives such as hiring staff to reduce overtime. In addition, \$800,000 is recommended for the needed replacement of custody staff body armor.

Funding of \$29 million is recommended for the purchase of services for approximately 1,300 inmates incarcerated in county penal facilities. This represents a net increase of \$13 million from the fiscal 2002 adjusted appropriation which was supplemented by \$22.2 million of one-time carry forward funds. Although there is

a net increase, this was reduced by a \$9.6 million savings initiative that reduced the county jail back-up by 400 inmates maximizing the utilization of institutional bedspaces through the consolidation of specialized beds and conversion of underutilized units.

**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 2003, \$811,000 is recommended to continue the NuWay Drug Treatment Program, an existing therapeutic community drug treatment program at South Woods State Prison, previously supported by a federal grant.

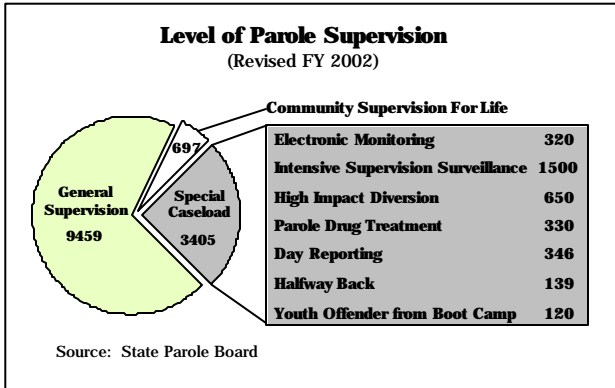
**State Parole Board**

During fiscal 2002, the Division of Parole Supervision within the Department of Corrections was transferred to the State Parole Board to promote the effective and efficient assessment of inmates prior to parole and supervision of parolees. The Division 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.

The Fiscal 2003 Budget for the State Parole Board totals \$53.6 million, a decrease of \$2 million, or 3.6%, of the fiscal 2002 adjusted appropriation of \$55.6 million.

The State Parole Board continues to supervise offenders who have been released on parole, those who have been sentenced by the courts to Community Supervision for Life, and certain inmates with parole release dates that participate in community release programs (see

figure below). The Board has diverted a significant number of offenders from re-entry to correctional facilities through the proper and appropriate use of available Alternative



Sanction/Special Caseload Programs (ASP). Parolees who are identified as requiring intensive supervision are assigned to these ASPs. In fiscal 2003, funding for these programs supports Electronic Monitoring/Home Confinement (\$4.4 million), Intensive Supervision Surveillance

Program (\$5.1 million), High Impact Program (\$4.2 million), and Intensive Parolee Drug Program (\$2.6 million).

The Halfway Back Program was initiated in fiscal 2002 to reduce recidivism and focus on assisting the parolee with treatment of addictive and chemical behaviors and the transitioning of parolees back into society. The program is operated by third-party providers and is funded from 90% federal funds and 10% State matching funds. The total funding for the program in fiscal 2003 is estimated at \$8 million.

The Day Reporting Centers are operated by third-party providers and are funded with 90% federal and 10% State matching funds. Fiscal 2003 funding for the Day Reporting Program is estimated at \$5.7 million.

**Capital Recommendations**

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



## FISCAL 2003 RECOMMENDED BUDGET

	(In Thousands)
Direct State Services	\$55,683
Grants-In-Aid	\$13,551
State Aid	\$2,107,259
Capital Construction	\$400
<b>Total General Fund</b>	<b>\$2,176,893</b>
Property Tax Relief Fund	\$5,511,588
<b>Total State Recommendation</b>	<b>\$7,688,481</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 will be 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 will invest resources specifically directed to achieve this goal.

The Department will realign 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 will continue, but the Department will place new emphasis on service and support to school districts. A new set of guiding principles will direct 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 that 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 2003 Budget for the Department of Education (DOE) totals \$7.688 billion, an increase of \$258.2 million, or 3.5%, over the fiscal 2002 adjusted appropriation of \$7.430 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 2003 is recommended at \$7.7 billion. This figure includes over \$6.6 billion in Direct Aid awards to school districts. It also provides \$978 million 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.

### **School Construction**

In addition, \$44.6 million is provided for the School Construction and Renovation Program budgeted in the Department of the Treasury. The fiscal 2003 funding, which will be supplemented by \$55 million in other resources, will provide for State debt service and increased aid for recently issued State and local debt for school construction. Under the Educational Facilities Construction and Financing Act, 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.

The fiscal 2003 Direct State Services Budget of \$55.7 million includes \$4 million for the operation of the Department's Facilities Review Unit. This Unit 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 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 beginning construction of the first new schools approved and designed under the school construction program. The EDA also will continue working with the non-Abbott districts that opt to enter into grant agreements with the Authority for the State's share of the approved eligible project costs.

### **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. Although the fiscal 2003 recommendation of \$330.6 million for Early Childhood Aid is unchanged from fiscal 2002, the Abbott districts will receive \$142.4 million in Abbott Preschool Expansion Aid to provide funding for the increase in costs of their approved preschool programs from fiscal 2002 to 2003. This new category of aid will supplement the other State aid awarded to Abbott districts and provide the resources required to meet the Supreme Court's mandate to offer preschool programs for three- and four-year-old children in the State's poorest communities. It is expected that the number of Abbott preschoolers served in fiscal 2003 will grow to over 39,000 from the 26,500 enrolled in the fall of 2001. The Department of Human Services will receive \$126 million in funding for the before-school, after-school, and summer programs for these children, an increase of \$20 million over the amount provided in the current year.

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

The Budget provides \$10 million — the first installment in a four-year \$40 million program — 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.

### **Continuing Programs**

The Budget continues to support the Marie H. Katzenbach School for the Deaf, providing \$2.9 million in fiscal 2003.

Funding continues to support efforts to increase the retention rates of new teachers by funding the Teacher Mentoring Program at \$6.5 million

in fiscal 2003. These funds will reimburse districts for the first-year mentor costs for 7,200 traditional and 2,600 alternate route teachers. This program, which began as a pilot in fiscal 2001, reimburses districts for the stipends paid to experienced teachers to serve as mentors to new teachers.

The development of new assessments to determine student achievement of the Core Curriculum Content Standards continues in this Budget by funding Statewide Assessments at \$16.7 million. This will be supplemented by \$8.9 million in federal funds for expanded testing required by fiscal 2006.

The Budget continues to support \$1.8 million 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.

The Budget provides \$1 million for recruitment incentives to increase the number of preschool teachers in all Abbott school districts. This will provide the second year of funding for a four-year program initiated in fiscal 2002 to provide cash and non-cash incentives for new preschool teachers. In the program's first year, 323 eligible applicants were provided cash incentives and laptop computers. In the remaining three years of the program, these teachers will receive partial forgiveness of outstanding student loans and/or a tuition coupon for graduate education in a New Jersey institution.

### **Capital Recommendations**

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





# ENVIRONMENTAL PROTECTION

## FISCAL 2003 RECOMMENDED BUDGET

	(In Thousands)
Direct State Services	\$218,980
Grants-In-Aid	\$500
State Aid	\$4,556
Capital Construction	\$86,165
<b>Total General Fund</b>	<b>\$310,201</b>
Property Tax Relief Fund	\$10,453
<b>Total State Recommendation</b>	<b>\$320,654</b>

## OVERVIEW

The mission of the Department of Environmental Protection is to assist the residents of New Jersey in preserving, sustaining, protecting, and enhancing the environment to integrate environmental quality, public health, and economic vitality. The Department will accomplish its mission in partnership with the general public, the business community, the environmental community, and all levels of government.

The Department's goals include clean air, clean and plentiful water, safe and healthy communities, healthy ecosystems, abundant open spaces, and open and effective government. Its objectives are to:

- Regulate pollution discharges through a network of permit and enforcement programs.
- Oversee the remediation of hazardous waste sites.
- Operate a statewide system of parks, forests, and wildlife management areas for recreation.
- Regulate development on environmentally sensitive land, such as freshwater wetlands, the Pinelands, coastal areas, and flood plains.
- Protect beaches and shore areas from coastal storm damage.
- Preserve precious open space.

*The Fiscal 2003 Budget for the Department of Environmental Protection (DEP), excluding Debt Service, totals \$320.7 million, a decrease of \$69.9 million, or 17.9%, under the fiscal 2002 adjusted appropriation of \$390.5 million.*

## BUDGET STATUS

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

### Managing Better with Less Resources

Not all changes will happen with money. Great results will be realized with better, smarter management. The DEP is taking a close look at how efficiently and effectively public funds are spent through the Department. Well-intended program initiatives currently underway may not deliver the environmental and public health results and protections that the citizens of the State would expect. In addition to environmental programs supported through fiscal 2003 funding, additional program shifts—by creating, discontinuing, or modifying programs—may occur through internal department reforms.

### Open Space: Smart Growth and Community Revitalization

Over the past several years, the DEP's conservation and preservation programs have helped fund the acquisition of a substantial amount of open space. However, past acquisitions have focused on meeting goals to acquire a specific number of acres. As a result, the past acquisition strategy has missed opportunities to create and expand parks where more people can use them, especially in the urban and older suburban areas where much of the State's population lives. In these places, people have too little park space nearby and too little access to the parks that exist.

Moving forward, DEP will work to ensure that its Green Acres program is focused not only on the

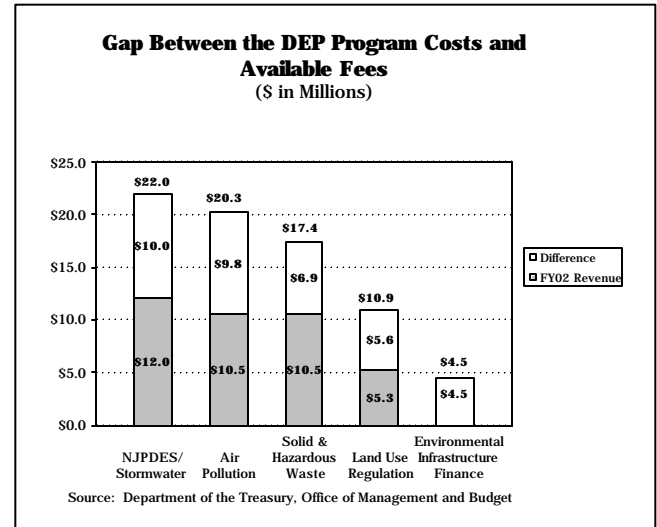
quantity of open space, but also the quality of the space acquired. The Garden State Preservation Trust Act, the funding source for the more recent acquisitions, dedicates an additional \$98 million annually through the year 2009. Land purchased through the Green Acres program becomes part of the State's system of historic sites, parks, forests, natural, and wildlife management areas. Open space purchases should support the long-term protection of our State's precious drinking water resources, wildlife, and other natural resources—but these purchases also should support public access for recreational use, and the linkage of parks by pedestrian paths and bikeways.

As a result of the 1999 Open Space initiative, municipalities are compensated at a higher rate for State-protected land. State payments to municipalities in lieu of tax ratables have increased from a level of \$2.3 million in fiscal 1999 to a projected \$8 million in fiscal 2003. The proposed increase of \$630,000 over the fiscal 2002 level is associated with the preservation of an estimated 21,900 new acres owned by the State and nonprofit organizations during 2001.

### Operating/Permitting Fees

Many of the DEP's fees have been frozen for several years. Fees for New Jersey Pollutant Discharge Elimination System (NJPDES) permits have not increased since 1993; fees for Treatment Works Approvals (TWAs) have not increased since 1989; and several other fees are currently capped at 1995 levels. Fee revenues now fall far short of the cost of operating these programs (see figure above). As a result, the permit applicants and others who generate the work of these programs pay less and less of the cost and the burden instead falls on the State's taxpayers to make up the difference.

To reduce this inequity, the Fiscal 2003 Budget recommends a combined increase of nearly \$18 million in fees for the following services: New Jersey Pollutant Discharge Elimination System (NJPDES) permits, storm water permits, treatment works approvals, air operating permits, solid and hazardous waste, land use regulation, and the Environmental Infrastructure Financing Program. The proposed increase



represents the first phase of a two-year plan to increase each fee to a level that fully supports its related program.

### New Jersey Environmental Management System (NJEMS)

The DEP has been integrating its internal databases through NJEMS. The overall goal of NJEMS is to provide the DEP with an information system that enables the most informed environmental decision-making possible, at all levels of government, as well as to provide the public with better access to environmental information affecting their communities. DEP program staff is now using NJEMS to develop and issue permits, evaluate compliance, issue enforcement documents, and track fees and fines. NJEMS will eventually enable the DEP to assess facilities from a multimedia perspective, advance pollution prevention goals, monitor environmental indicators, and streamline regulatory compliance.

Over the past several years, the DEP has invested substantial money and staff time to transition its regulatory programs to the integrated NJEMS. However, much of the investment remains to be paid off by improvements in efficiency and in making better information available to support decision-making. The system needs a number of enhancements to promote sharing and access to information and correct difficulties identified through experience.

For this reason, the Fiscal 2003 Budget recommends using \$3.8 million of the fee increases described above to enhance and maintain NJEMS. This investment will enable the DEP to improve its delivery of services, and will make the information in NJEMS more easily available to county and local governments as well.

### **Watershed Management**

Through the Watershed Management Program, the Department partners with local stakeholders to address water resource issues in each watershed. Watershed Management offers the opportunity to integrate water supply issues with the need to maintain or restore water quality and protect aquatic ecosystems. Watershed planning can also work hand-in-hand with smart growth by identifying ways to address water quality issues that are expected to arise as an area changes and undergoes additional development.

Watershed planning in New Jersey, however, has not yet begun to achieve its potential, or to make the best use of scarce funds. In fiscal 2002, the program received a funding increase of \$9.1 million, which included \$3.3 million from the Safe Drinking Water Fund, and \$2.5 million in new federal funds. This increase funded planning by local entities on a watershed scale and projects to address localized problems in the short term. The task now before the DEP is to develop funding strategies aimed at targeting watershed planning investments where they can do the most good.

In fiscal 2003, the Watershed Management Program will receive \$10.6 million of the total DEP funding allocated from the State's Corporation Business Tax (CBT). In addition, the Budget proposes a General Fund appropriation of \$945,000. This General Fund component includes a reduction of \$850,000 from the fiscal 2002 appropriation of \$1.8 million, which will be offset by the DEP retaining \$850,000 of the CBT dedication previously transferred to the Department of Agriculture. The Department of Agriculture, in turn, will seek increased federal funds from the Farm Bill pending before Congress.

### **Protecting the Jersey Shore**

The Jersey Shore, the State's most valuable tourist attraction, is integral to the State's economy. To protect the beaches, the fiscal 2003 Budget maintains \$25 million for shore protection from the Realty Transfer Fee. These funds will leverage up to \$34 million in federal funds and \$4 million in local funds for beach replenishment projects. The projects planned for fiscal 2003 include beach fills at Townsend Inlet, Cape May Inlet, Manasquan Inlet, Barnegat Inlet, Cape May City, and Lower Township.

### **Flood Control/Dams**

To protect lives and property, \$8.6 million is recommended for flood control projects. These funds will generate an additional \$33.1 million in federal funds and \$2.6 million in local funds. Projects planned include the Ramapo River at Oakland, the Green Brook, the Passaic River, and the Mill Brook. Additionally, \$5 million will be made available to address dam repairs in fiscal 2003.

### **West Nile Virus**

The State Mosquito Control Commission is vital in the State's efforts to control the impact of mosquitoes on public health and welfare. The Commission offers aid to county mosquito control units, administers the State Airspray Program, and conducts service and research projects to determine the virus' intensity, geographic spread, and impact. Between fiscal 2000 and fiscal 2002, the Commission received increases totaling \$800,000 to heighten the State's efforts to track and control the West Nile Virus. These increases are maintained in the Fiscal 2003 Budget. In addition, the Commission received a recommended increase of \$125,000 in capital funding to replace heavy equipment.

### **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 \$63.8 million from the CBT dedication in fiscal 2003. This is an increase of \$1.5 million from fiscal 2002 funding levels.

Funding available for administrative costs associated with the clean-up of hazardous sites will increase by \$0.1 million in fiscal 2003, from \$5.6 million to \$5.7 million. In fiscal 2003, \$21.3 million will go toward the remediation of underground storage tanks, an increase of \$0.5 million from fiscal 2002. For fiscal 2003, \$20.4 million will be dedicated to the clean-up of hazardous waste sites, up \$0.6 million from fiscal 2002. This increase will allow the Department to pursue new clean-up projects. Funding dedicated to the Watershed Management Program will increase from \$10.4 million in fiscal 2002 to \$10.6 million in fiscal 2003.

### **Water Pollution Control**

State appropriations to the Wastewater Facilities Regulation-Water Pollution Control Program and the Environmental Enforcement-Water Pollution Control Program are recommended to be reduced by \$665,000 and \$285,000, respectively. These decreases will be completely offset through reimbursements from a federal grant.

### **Program Eliminations**

The Black Bear Response Management Program, a relatively new, unproven program, is not recommended for continuation into fiscal 2003 due to budgetary constraints, a savings of \$1.1 million. In addition, funding for the Black Fly Grant Program is not recommended in fiscal 2003. These programs were initiated at a time when State revenues were thought to be more robust and cannot be sustained under the current fiscal conditions. The \$60,000 appropriation for the Major Hazardous Waste Facilities Siting Commission also is eliminated. The Department will assume the responsibilities of the Commission's staff.



# HEALTH AND SENIOR SERVICES

## FISCAL 2003 RECOMMENDED BUDGET

	(In Thousands)
Direct State Services	\$129,625
Grants-In-Aid	\$522,607
State Aid	\$39,969
Capital Construction	\$650
<b>Total General Fund</b>	<b>\$692,851</b>
Casino Revenue Fund	\$309,165
<b>Total State Recommendation</b>	<b>\$1,002,016</b>

## 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:

- 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.
- 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.
- 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.

- 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.
- 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 2003 Budget for the Department of Health and Senior Services totals \$1.002 billion, a decrease of \$148.7 million, or 12.9%, under the fiscal 2002 adjusted appropriation of \$1.151 billion.*

## BUDGET STATUS

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

## HEALTH SERVICES

### Public Health Infrastructure/Bioterrorism Preparedness

With the events of September 11, 2001 and subsequent anthrax incidents, which affected the citizens of New Jersey, enhancements were implemented to prevent and respond to potential acts of terrorism. Recent legislation, including the New Jersey Domestic Security Preparedness Act, commits \$9 million among various departments to increase their anti-terrorism efforts and aid disaster victims and their families. The Department has received a total of \$3.25

million of this funding, which will continue in fiscal 2003, to:

- Establish a program of laboratory services to provide for the prompt and accurate detection and analysis of biological and chemical agents that may be used in terrorist acts—\$1.8 million.
- Fund a program of disease surveillance and investigation—\$1.45 million.

In addition, the Department will receive a total of \$27.2 million in new federal funding in fiscal 2002. Of that amount, \$3.5 million is from the Health Resources Services Administration to upgrade the preparedness of our State's hospitals, community health centers, and emergency medical services to respond to acts of bioterrorism. The remaining \$23.7 million is from the Centers for Disease Control and Prevention to support public health preparedness for bioterrorism, infectious diseases, and other emergencies.

#### **Medical Emergency and Disaster Prevention and Response Expert Panel**

Following the advice of the Medical Emergency and Disaster Prevention and Response Expert Panel ("MEDPREP"), the Fiscal 2003 Budget allocation provides \$25 million to advance a series of recommendations issued by MEDPREP to further prepare our public health and health care systems to prevent and respond to acts of terrorism and other emergencies that may result in mass casualties and/or mass exposures. This funding will complement State and federal funding to meet the following primary objectives:

- Establish an incident command structure to respond more effectively to emergencies and disasters.
- Improve real time communications between and among hospitals, emergency medical services, other first responders, and the State on disease surveillance and response using various technologies.
- Provide necessary training to the health care workforce on the clinical diagnosis and management of those exposed, infected, injured, and/or contaminated.

- Develop plans and procedures for population control and mass treatment including vaccinations.
- Purchase and distribute antibiotics, antidotes, and personal protective and decontamination equipment.
- Support necessary drills and training exercises.
- Enhance public education and notification.
- Standardize training and equipment for, and coordination of, hazardous materials response units.
- Expand laboratory testing capability for chemical, biological, and radioactive agents, and establish formal relationships with other laboratories within the State.
- Provide surge capacity testing and back-up services.
- Inventory Statewide mental health programs.

#### **Expansion of Cancer Initiatives**

Following through on a campaign promise, the Governor proposes an increase of \$37 million for cancer research, education, and treatment. Most prominently, an appropriation of \$28 million is earmarked to the Cancer Institute of New Jersey through the Department of Health. Together with \$15 million previously appropriated to the University of Medicine and Dentistry of New Jersey (UMDNJ) from fiscal 2001 through fiscal 2003, a total of \$52 million will be available for this initiative. Established in 1990, the Cancer Institute is the only center in New Jersey designated by the National Cancer Institute (NCI) and is one of only 13 NCI-designated cancer centers in the nation. The recommended increase of \$28 million will be used to attract and retain medical staff, expand research and treatment, upgrade facilities, and provide additional screening services. In sum, this initiative reaffirms New Jersey's commitment to improving the quality of care, and is a major step toward establishing the institute as the premiere cancer research facility.

An additional \$500,000 will be used to hold an International Conference on New Initiatives in Cancer and Chronic Illness that will highlight

new developments in cancer research and treatment. The final \$500,000 is recommended to support a public health "SWAT" team to investigate cancer clusters, providing rapid response and analysis. Funding will be added in the amount of \$7 million for the expansion of other Cancer initiatives and an additional \$1 million will be provided to the Garden State Cancer Center.

### **Comprehensive Tobacco Control Program**

The New Jersey Comprehensive Tobacco Control Program is an enrollment based program designed to reduce the sickness, disability, and death associated with the use of tobacco and exposure to environmental tobacco smoke. The program partners with community leaders, health professionals, advocacy groups, and educators in order to provide New Jersey residents with the knowledge and tools to significantly decrease tobacco use among all populations. The Fiscal 2003 Budget recommends \$30 million for the program, which consists of the following five focused tobacco control programs/areas:

- Community-Based Tobacco Control Partnerships
- Youth Anti-Tobacco Awareness Media Campaign
- Smoking Cessation Programs for Addicted Adults and Youth
- School-Based Programs for the Prevention of Tobacco Use
- Research, Surveillance, Evaluation, and Assistance for Anti-Smoking Programs

### **New Jersey Recovers Project**

The Division of Addiction Services administers the federally funded \$3.2 million World Trade Center (WTC): New Jersey Recovers Project, which offers counseling and other assistance to people who have developed alcohol and/or substance abuse problems as a result of the WTC attacks. These free and confidential services are available to families of the WTC attack victims, survivors of the WTC attacks, witnesses of the attacks and/or collapse of the WTC, all rescue workers, and people who lost their jobs as a result of the attacks.

### **Eliminating Health Disparities**

Much has been learned in the last 20 years on how to prevent and treat HIV infection, but these messages do not always get through to those in greatest need. The Department is committed to making the highest quality of prevention and treatment efforts available to those at greatest need, especially for people in our cities, and those in culturally diverse communities. This year \$2 million will support multiple efforts that include: Project IMPACT, to improve the comprehensiveness of HIV prevention and treatment for African Americans in 10 urban centers; a Faith-based Initiative of \$400,000 that spreads the message through communities of faith, including support of the Day of Awareness of HIV in the Black Community; and support for a Latino Initiative for HIV/AIDS Awareness.

The Office of Minority and Multicultural Health was created with the passage of A-2204. This amended bill clarifies the populations that the Office serves with the goal of eliminating racial and ethnic disparities. The corresponding appropriation of \$1.5 million allows the Office to award grants to community-based providers to reduce racial/ethnic disparities in the areas of pediatric asthma, diabetes, and heart disease/stroke.

### **HEALTH CARE DELIVERY**

#### **Charity Care and Subsidized Insurance**

Charity Care and Hospital Relief have remained a priority in New Jersey. State law requires that all acute care hospitals provide care to patients, regardless of their ability to pay. Current law fully phases out the Unemployment Insurance diversion in fiscal 2003. This Budget anticipates enactment of new legislation for a diversion of \$325 million in both fiscal 2002 and fiscal 2003 in order to maintain this important health safety net program. This results in a reduction in the fiscal 2003 appropriation to the Health Care Subsidy Fund.

**SENIOR SERVICES**

**Intergovernmental Transfer (IGT) Program**

The Fiscal 2003 Budget assumes a continuation of federal IGT funds, which will be used to offset Medicaid nursing home costs.

**Community-based Programs**

Community-based programs provide medical and health-related services to seniors and those who are disabled, but still living in their own homes. For example, the Medical Day Care Program provides medical, nursing, social, and rehabilitation services, and transportation to and from adult day care centers. An increase to \$49 million, up \$16.5 million over fiscal 2002, is recommended in fiscal 2003 to cover a projected 18% growth in enrollment.

The Community Care Programs for the Elderly and Disabled (CCPED) provide case management, home health, medical transportation, respite care, and social day care services. For fiscal 2003, the CCPED program will total \$27.3 million, an increase of \$1.5 million.

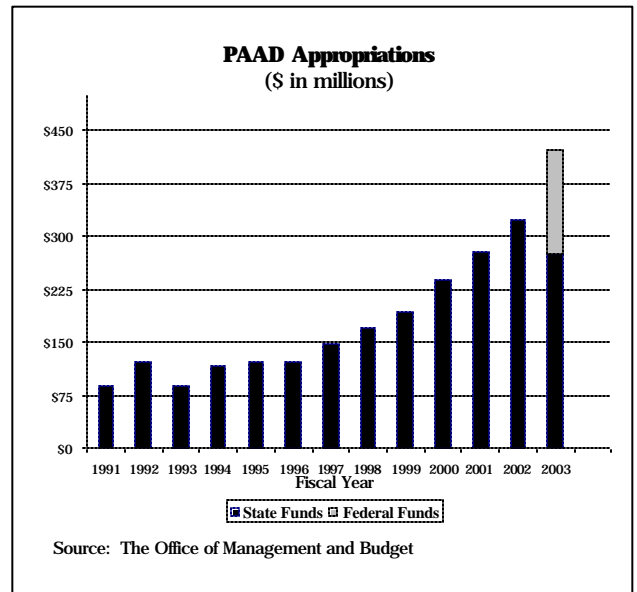
Funding for the ElderCare Program will continue at \$19.8 million. This program consists of the fully State-funded Jersey Assistance for Community Caregiving (JACC), a home and community-based program which provides adult day care, case management, respite care, homemaker services, home modifications, and transportation. The Caregiver Assistance Program (CAP) provides similar services as JACC, but receives a combination of federal and State-matched funding.

The Fiscal 2003 Budget of \$14 million is recommended for four Assisted Living Medical Waiver Programs, which fall under the title of Nursing Home Alternatives. These programs currently serve 1,500 frail elderly persons, increasing to 1,875 in fiscal 2003.

**Disabled (PAAD)/Senior Gold**

The Pharmaceutical Assistance to the Aged and Disabled (PAAD) and Senior Gold Programs provide prescription drug benefits to persons over 65 years of age or permanently disabled.

These programs contain one of the highest income eligibility limits in the country, as well as no deductibles, premiums, or enrollment fees, and a lower co-payment than most other states' pharmaceutical programs. In fiscal 2003, approximately 282,000 individuals will receive benefits through these programs. The Fiscal 2003 Budget provides a total State and Casino Revenue Fund amount of \$350.1 million, \$37.1 million of which will be funded through the Master Settlement Agreement Funds with the Tobacco Industry for Senior Gold, and \$255 million funded by the Casino Revenue Fund for PAAD.



The Department of Health and Senior Services will be pursuing a waiver in order to obtain \$148 million in federal cost sharing for pharmacy services for most PAAD eligibles (see figure above). This will be transparent to beneficiaries in the program.





# HIGHER EDUCATION

## FISCAL 2003 RECOMMENDED BUDGET

	(In Thousands)
Senior Public Institutions	\$868,670
County Colleges	\$201,567
Independent Colleges	\$24,485
Student Assistance	\$225,268
Other Programs	\$99,910
<b>Total State Higher Education</b>	<b>\$1,419,900</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 2003 Budget for Higher Education Services totals \$1.420 billion, a decrease of \$95.1 million, or 6.3%, under the fiscal 2002 adjusted appropriation of \$1.515 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 higher education appropriation as well as continued funding for major programs.

The fiscal 2003 total recommended funding to the Commission on Higher Education is \$1.46 million. This is a reduction of \$96,000 from fiscal 2002.

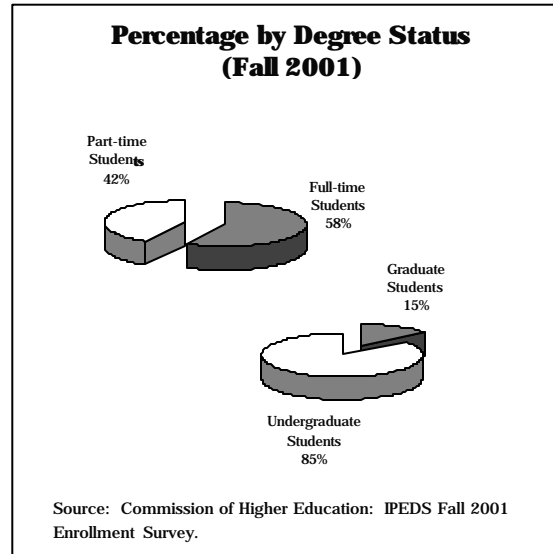
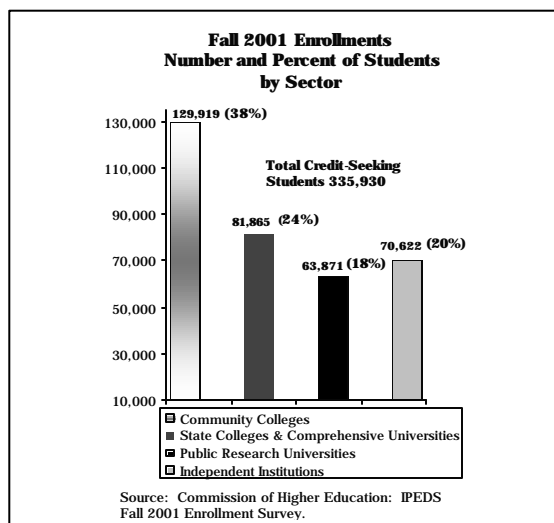
The State's 12 senior public colleges and universities operate autonomously, each with its own board of trustees to develop and carry out

its mission. The recommended direct operating aid and fringe benefit funding to the 12 four-year public colleges and universities is \$1.24 billion for fiscal 2003. This represents a decrease of \$45.3 million from fiscal 2002, excluding one-time capital appropriations.

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 2003 Budget recommends funding to the independent colleges and universities in the amount of \$24.5 million for direct operating aid, the same funding as in fiscal 2002.

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 \$201.6 million for fiscal 2003, a decrease of \$2.1 million from fiscal 2002 due to a reduction in debt service requirements. Direct aid to the county colleges remains at \$155.8 million, the same funding level as in fiscal 2002.

The figures that follow provide institution enrollments and degree status for New Jersey's public and private colleges and universities.



### Preparing New Teachers

There continues to be a significant demand for new teachers in New Jersey. Enrollment increases, along with large-scale teacher retirements and continuing resignations make it essential for New Jersey to focus attention on preparing students for the teaching profession. The Teacher Preparation Program was funded at \$10 million in fiscal 2002, with \$7.7 million as one-time grant funding and \$2.3 million to continue as ongoing support for new staff hired at participating institutions. The fiscal 2003 recommendation provides an additional \$3 million to support new one-time grants to help colleges and universities expand their teacher preparation programs.

### 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. Due to current fiscal constraints, funding to HESAA of \$2.2 million is recommended for fiscal 2003, which represents a decrease of \$857,000 over fiscal 2002.

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 2003 is \$169.9 million, providing a projected 51,000 grants, an increase of 2,000 over the fiscal 2002 level. This is an increase of \$2.4 million from fiscal 2002.

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 2002. The State will continue the fiscal 2002 level of funding for EOF grants in fiscal 2003 with a recommendation of \$34.1 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. The State will continue the fiscal 2002 level of funding for scholarships in fiscal 2003 with a recommendation of \$11.4 million.

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.

ARTSYS, 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 2003, the same funding level as in fiscal 2002.

#### **State Library**

The State Library, associated with Thomas 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 Service recommendation of \$3.3 million and a State Aid recommendation of \$16.9 million.

Included as savings initiatives are a number of one-time programs funded in fiscal 2002 that, although worthwhile, will not be continued in

fiscal 2003. The anticipated savings in fiscal 2003 from discontinued programs is \$42.3 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 2003, 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 2003 is recommended at \$81.2 million, an increase of \$15 million over fiscal 2002.

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 2002 and have a 15-year life. Debt service for fiscal 2003 is recommended at \$8.9 million, a decrease of \$113,000 over fiscal 2002.

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 2003 is recommended at \$6.4 million, an increase of \$19,000 over fiscal 2002.

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 2003, debt service payments by the State are anticipated to be \$22.6 million. This is a reduction of \$4.6 million over the fiscal 2002 projected debt service.



# HUMAN SERVICES

## FISCAL 2003 RECOMMENDED BUDGET

	(In Thousands)
Direct State Services	\$626,790
Grants-In-Aid	\$3,210,908
State Aid	\$280,925
Capital Construction	\$7,500
<b>Total General Fund</b>	<b>\$4,126,123</b>
Casino Revenue Fund	\$23,369
<b>Total State Recommendation</b>	<b>\$4,149,492</b>

## OVERVIEW

The New Jersey Department of Human Services (DHS) is the State's social services agency and serves more than one million of New Jersey's most vulnerable citizens. The Department's mission is to provide for those who lack the basic requirements of life: food, clothing, shelter, and medical care.

The Department's key objectives are to:

- Protect children at risk.
- Help keep families together.
- Assist economically disadvantaged individuals and families.
- Support persons with disabilities to live fuller, healthier, and more self-sufficient lives.

The Fiscal 2003 Budget provides funding to continue staffing increases in the Department of Human Services, begun in fiscal 2002, to address federal institutional certification and to further increase the Division of Youth and Family Services' staffing to ease workload concerns. The total staff increase, between the beginning of fiscal 2002 and fiscal 2003, is in excess of 1,200.

*The Fiscal 2003 Budget for the Department of Human Services totals \$4.149 billion, an increase of \$330.0 million, or 8.6%, over the fiscal 2002 adjusted appropriation of \$3.820 billion.*

## BUDGET STATUS

The following describes recommended changes to the agency's appropriation as well as continued funding for major programs. This budget reflects the State's commitment to making investments where they will do the most good for New Jersey's most vulnerable residents.

### Mental Health

The Division of Mental Health Services provides institutional and community-based services for people with mental illness. The Fiscal 2003 Budget allocates an additional \$8.3 million for the hiring of new staff in the State's psychiatric hospitals to improve care and strengthen accreditation.

The Budget also proposes \$17 million for Redirection II: A Statewide Quality of Care Improvement Initiative, a multi-year plan to expand and strengthen community mental health services, develop community residential programs for 388 persons who no longer require hospitalization, and replace Greystone Park Psychiatric Hospital with a smaller, more efficient hospital. With this funding, the State will develop supervised housing placements and other placements for patients at four State psychiatric hospitals who are capable of living in the community with the proper supports and programs. Also, community programs across the State will be expanded, such as Programs for Assertive Community Treatment and Integrated Case Management Services, which are designed to assist patients in re-adapting to community living. The funding will also enable the Division to begin the design of the new hospital at the Greystone site.

### Developmental Disabilities

The Division of Developmental Disabilities provides habilitation services focusing on physical, emotional, and social development. This year, the Budget continues to support improvement in the quality of care in the State's seven developmental centers by providing \$14 million to support new staff.

The Division also offers a wide array of residential and support services, such as day programming and Family Support, for individuals living in the community. Residential programs include group homes, supportive living arrangements, supervised apartments, skill developmental homes, family care homes, and private institutional placements.

The Community Services Waiting List (CSWL), which began in 1995, funds residences for people with disabilities living with their families. This Waiting List has been restructured to more accurately reflect the urgency for residential placements. This year, the Department is planning to make adjustments to the placement process to make it more effective and efficient.

The fiscal 2003 recommendation includes \$54.2 million in State funds and \$64.6 million in federal and other funds to continue placement activities without interruption for all individuals in CSWL initiatives from past years. To continue these worthwhile efforts, the Fiscal 2003 Budget includes \$5.7 million that will enable the Division to begin planning for a new Community Placement Initiative for people with developmental disabilities.

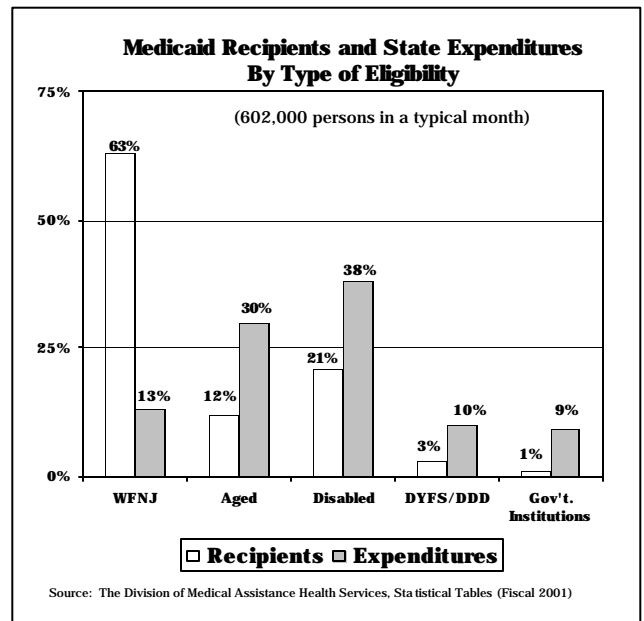
### Children's System of Care

Nearly \$100 million in State funds will be provided in fiscal 2003 for the Children's System of Care Initiative, a comprehensive system of care for children, adolescents, and young adults in New Jersey who are in need of mental health services and related supports. While already in six counties, the Fiscal 2003 Budget will enable the Initiative to expand into additional counties.

### Health Services

Funding for Medicaid, the State's principal health care safety net for more than 680,000

low-income parents and children, the elderly, and people with chronic illnesses and disabilities will continue at the level of \$2 billion. The figure below provides the percentage breakdown of the recipients served and the proportion of State expenditures for each client group.



The State has made a major commitment to provide managed care through its contracted network of state-licensed health maintenance organizations (HMOs). More than 69% of New Jersey's Medicaid enrollees receive their acute care medical services through an HMO. This Budget commits funds to shore up the Medicaid health infrastructure by providing a rate increase to HMOs and an increase for physicians who accept Medicaid patients.

New Jersey FamilyCare is a health insurance program providing affordable health coverage for New Jersey's uninsured families, couples without dependent children, and single adults who are not eligible for Medicaid. There are currently about 94,000 children and more than 163,000 adults enrolled in the FamilyCare program. Funding for FamilyCare will continue in fiscal 2003 at the level of \$229.4 million, which reflects the State's continued investment in providing health coverage for children and families.

### **Youth and Family Services**

The Division of Youth and Family Services (DYFS) is the State's family and child protection/child welfare agency. DYFS focuses much of its activity on abused, neglected, and troubled children, and their families. The number of children, on the DYFS caseload has increased in recent years and is currently about 52,000.

The Division's substitute care programs offer both temporary and permanent care to children whose needs prevent them from remaining in their homes. Approximately 6,714 foster care placements and 7,376 adoption subsidies are expected in fiscal 2003 at a cost in excess of \$100 million.

The Budget supports \$19.8 million in growth in the Division for residential, substitute care, and family support programs. Moreover, this Budget attempts to address the long-standing need to provide additional services for children aging out of foster care by providing an additional \$1 million to provide services for these youth. In the Department of Human Services, 77 new positions are being created in the Division of Youth and Family Services (DYFS), at a cost of \$2.5 million. This is the third consecutive annual increase of \$2.5 million to improve caseload ratios at the District Offices.

### **Family Development Services**

The Division of Family Development's (DFD) primary task is to direct the State welfare program, Work First New Jersey (WFNJ), and other supports for working families such as Food Stamps, child care, child support, and energy assistance. The WFNJ program is designed to increase the economic self-sufficiency of individuals and families who receive public assistance. The two components of the WFNJ program are Temporary Assistance for Needy Families (TANF) and General Assistance (GA).

The Budget includes \$2 million in TANF funds and \$2 million in State funds to provide housing subsidies to TANF and GA clients who have reached the 60-month limit and are in exempt status beginning April 1, 2002. The TANF funds will provide a \$150 per month rental subsidy to an estimated more than 1,000 TANF clients.

State funds will provide 12 months of rental assistance at \$150 per month for an estimated 830 GA clients. A GA case management component is also included for \$500,000.

To comply with federal mandates, \$4.9 million is appropriated to develop a system to identify third party medical coverage of non-custodial parents and to extend that coverage to their children.

This Budget reflects the State's commitment to children and families by continuing to fund a fourth year of a child care subsidy for more than 7,000 working families that was due to expire this year. The Division of Family Development will also continue to fund in fiscal 2003 Kinship Care Subsidies (\$36.6 million), Emergency Rental and Housing Assistance (\$13.8 million), Mental Health Assessments (\$4 million), and Wage Supplements (\$3.6 million). These programs operate with State and federal funds.

In addition to these programs, the Division partners with the Department of Education in contributing to the Abbott Early Childhood Education Program. The \$126 million provided for this program, which reflects a \$20 million increase this budget year, will provide three- and four-year-olds with full-day childcare and educational programs. This funding will provide for an additional 7,000 pre-school-aged children in the Abbott districts.

### **Keeping Pace with Inflation**

A 2% cost of living increase, effective July 1, 2002, at a cost of \$24.3 million, is being recommended to help contracted agencies that provide services for people with disabilities and troubled children to continue current services.

### **Capital Recommendations**

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



## **FISCAL 2003 RECOMMENDED BUDGET**

	(In Thousands)
Direct State Services	\$487,672
<b>Total General Fund</b>	<b>\$487,672</b>
<b>Total State Recommendation</b>	<b>\$487,672</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.

Three goals characterize the Judiciary's priorities: to be a unified justice system that offers the same high quality of services in every courthouse in the State, to earn the respect and confidence of an informed public, and to seek, continuously, to improve service.

Achieving these goals will require ongoing efforts to develop and implement best practices on a consistent basis throughout the Judiciary. This will include consistency in case management, processes, and procedures throughout the State; equality in delivery of programs in every vicinage; and implementation of systems to provide accountability for performance.

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. The subject matter of these cases range from education, the environment, wills, crimes, contracts, and car accidents, to health care, taxes, adoptions, divorces, defective products, and the basic rights of Americans, such as freedom of speech.

*The Fiscal 2003 Budget for the Judiciary totals \$487.7 million, an increase of \$8.6 million, or 1.8%, over the fiscal 2002 adjusted appropriation of \$479.1 million.*

Included in the \$8.6 million increase is \$5.2 million for the Drug Court Programs, \$3.1 million for Drug Treatment for the Department of Health and Senior Services, and \$2.1 million for additional judgeships and court operations.

### **BUDGET STATUS**

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

#### **Kinship Legal Guardianship**

The fiscal 2003 funding recommendation for the Kinship Legal Guardianship Program is \$3.1 million. A supplemental appropriation of \$1.9 million was provided in fiscal 2002. The program addresses the needs of children who cannot reside with their parents due to the parents' inability to provide appropriate care. Rather than terminate the parents' rights, 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 while reducing the need to terminate parental rights.

#### **Drug Courts**

The fiscal 2003 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. With the signing of legislation on September 6, 2001, the program obtained six new judgeships as of January 1, 2002 and expanded from five to ten drug courts on April 1, 2002.



The Drug Court Program, as 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 Judiciary added five

drug courts in fiscal 2002 to the already existing five pilot programs. The pilot drug courts are in Camden, Essex, Mercer, Passaic and Union vicinages. New programs in fiscal 2002 include the Bergen, Cumberland/ Gloucester/Salem, Monmouth, Ocean, and Morris/Sussex vicinages.



## FISCAL 2003 RECOMMENDED BUDGET

	(In Thousands)
Direct State Services	\$60,293
Grants-In-Aid	\$31,279
<b>Total General Fund</b>	<b>\$91,572</b>
Casino Revenue Fund	\$2,440
<b>Total State Recommendation</b>	<b>\$94,012</b>

### 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 2003 Budget for the Department of Labor (NJDOL) totals \$94.0 million, an increase of \$2.4 million, or 2.6%, over the fiscal 2002 adjusted appropriation of \$91.6 million.*

### BUDGET STATUS

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

#### Basic Skills Literacy

The recently enacted New Jersey Act for Supplemental Workforce Funds for Basic Skills will expand State efforts to promote adult literacy in the workplace through increased funding for the Basic Skills Training Program. The program will provide basic skills training for unemployed and employed workers and will receive approximately \$20 million in fiscal 2003 through the redirection of contributions from

employers and workers that would otherwise have gone to the Unemployment Insurance Trust Fund. The funds are allocated 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.)

#### Transitioning Youths with Disabilities into Employment

A new Grant-in-Aid appropriation in the amount of \$395,000 will be provided to meet the unique needs of youths with disabilities as they complete their high school education and move into the job market, further their vocational training, or attend college. The funds will be used to provide specialized counselors to act as liaisons with local educational programs, and provide services to individuals in need of vocational rehabilitation. The State funds will be used to match \$1.5 million in federal funds.

#### Continuing Programs

The Fiscal 2002 Appropriations Act provided additional funds for two Grants-in-Aid initiatives that will be continued in fiscal 2003. The first Grant-In-Aid appropriation, totaling \$4 million, was provided to the New Jersey Redevelopment Authority for a portion of the costs associated with the acquisition, site preparation, design, and construction of the Heldrich Center for Workforce Development in New Brunswick. As of March 2002, land acquisition and demolition for the project is nearly complete, and the design phase is underway. Ground breaking for the construction phase of the \$115 million

project is set for October 1, 2002. The second appropriation of \$4.6 million was issued to the Sheltered Workshop Support Program. The additional funds provide 104 additional extended employment slots for individuals, and increase the rate of reimbursement for the existing 2,617 employment slots, which provide long-term rehabilitation for severely disabled individuals.

**Workforce Development**

The Workforce Development Program (WDP) will provide approximately \$92 million to bolster job training efforts in fiscal 2003. Funded through contributions from employers and workers, the WDP enables New Jersey workers to upgrade their skills to satisfy pressing demands of business for a high quality labor force. For example, the customized training component of the WDP provides State-funded matching grants to employers, promoting retention and expansion of existing jobs even as businesses retool to meet the changing market demands (see table below). Since January 1, 1994, \$222 million has been provided in State funding to train 308,521 workers employed by 5,923 New Jersey firms. These employers have invested an additional \$375 million in matched training dollars for a total investment of \$597 million.

The Fiscal 2003 Budget also assumes a \$35 million transfer from the WDP to offset State appropriations for the Department of Human Services' Work First New Jersey Program, an increase of \$30 million above the amount provided in fiscal 2002.

**Unemployment Insurance**

The New Jersey Department of Labor administers the federally funded Unemployment Insurance Program (UI). The primary function of this program is to provide wage replacement benefits to workers who have become involuntarily unemployed. The Department has implemented technological enhancements which allow workers to access UI benefits using an automated phone system, while continuing to maintain traditional walk-in employment and training service centers. UI benefits are financed through contributions from employers and workers to the UI fund. Administrative costs are financed through a grant from the United States Department of Labor.

The recently enacted Job Creation and Worker Assistance Act of 2002 (i.e., Economic Stimulus bill), which was signed into law by President Bush on March 9, 2002, provided a distribution of \$242 million in Reed Act funds to New Jersey for the payment of unemployment benefits and administrative costs in the Unemployment Insurance (UI) and Employment Services (ES) Program. These funds have been deposited directly into New Jersey's UI Trust Fund. The Department will utilize \$37 million of this amount in fiscal 2003 to improve service to claimants by modernizing the benefit payment system and upgrading the existing One-Stop Offices throughout the State, including technology investments to enhance job opportunities.

**Unemployment Insurance Trust Fund**

To help balance the State Budget, legislation has been enacted to redirect a total of \$650

**Customized Training Program  
January 1, 1994 to December 31, 2001**

	1994	1995	1996	1997	1998	1999	2000	2001	Total
Grant Awards (in millions)	\$14	\$20	\$23	\$22	\$38	\$39	\$42	\$24	\$222
Company Match (in millions)	\$24	\$37	\$45	\$46	\$50	\$51	\$96	***\$26	\$375
Companies	144	132	328	170	**675	**585	**3,370 <sup>1</sup>	**519	5,923
Trainees	13,140	23,478	24,970	40,490	*49,179	*53,869	*59,371 <sup>1</sup>	*44,024	308,521

\* Includes trainees of companies that received English as a Second Language (ESL) grants

\*\* Includes companies that received ESL grants

\*\*\* Amount of "match" indicative of downturn in general economy but still exceeds required minimum.

<sup>1</sup> The large number of companies and trainees in year 2000 is due to the inclusion of 2,760 private motor vehicle inspection stations, and 7,093 trainees for emission testing certification, respectively.

million from the Unemployment Insurance Trust Fund in fiscal 2002 and fiscal 2003 (\$325 million in each year). The Fund had an undesignated balance of \$3.5 billion at the close of fiscal 2001. As of the fourth quarter of calendar year 2001, the U.S. Department of Labor ranked New Jersey's UI Trust Fund balance as the second largest in the country. A healthy fund balance is projected for the end of fiscal 2003 despite the redirection of \$650 million to the General Fund. That balance represents an estimated 17 months of benefit payments, which approximates the 18-month standard that is generally recognized as the desired goal for most states.

### **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 fair and impartial hearings can determine compensability, and, if found appropriate, compensation to such workers for their disabilities. The Division's fiscal 2003 recommendation for this program remains

unchanged at \$11.8 million. Phase III of the Division's nationally recognized COURTS System, (Case, Organization, Utilization, Reporting and Tracking System) is anticipated to be implemented by mid-calendar year 2002. This phase, responsive to the passage of recent legislation, will provide the means for the electronic filing of court documents, as well as generate annual operational cost savings.

### **Workplace Standards**

State funding for the Workplace Standards Program is being recommended at \$5.9 million for fiscal 2003, which is \$166,000, or 2.8%, less than fiscal 2002. 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.



# LAW AND PUBLIC SAFETY

## FISCAL 2003 RECOMMENDED BUDGET

	(In Thousands)
Direct State Services	\$432,046
Grants-In-Aid	\$19,822
State Aid	\$9,272
Capital Construction	\$7,828
<b>Total General Fund</b>	<b>\$468,968</b>
Casino Control Fund	\$35,799
Casino Revenue Fund	\$92
<b>Total State Recommendation</b>	<b>\$504,859</b>

### OVERVIEW

The mission of the New Jersey Department of Law and Public Safety is to protect and enhance the safety and interests of every New Jersey citizen through an integrated system of law enforcement and regulatory services coordinated at the State, county, and local levels; advocate for the public in matters where the rights and interests of the public are at issue; and represent the interests of the State and its agencies in all legal matters.

The Department's goals and objectives include:

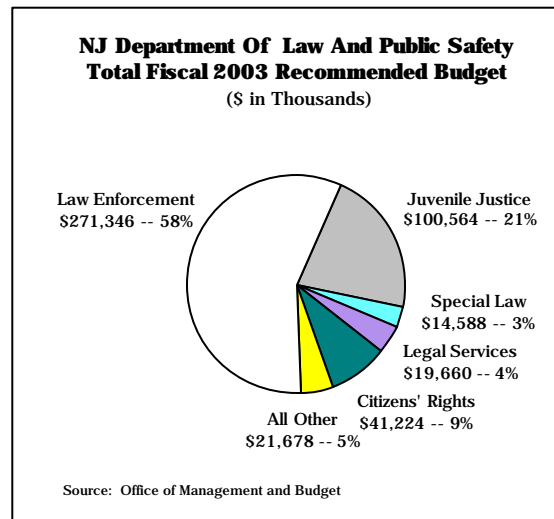
- Providing and maintaining general statewide police, investigative, intelligence, and emergency services; support for State and local law enforcement agencies; and criminal records and identification systems.
- Reducing fatalities and injuries through a statewide highway traffic safety program.
- Investigating and prosecuting illegal discrimination.
- Protecting against consumer fraud and unprofessional conduct through public education and prosecution.
- Administering and coordinating the implementation of election laws.
- Fostering moderation and responsibility in the sale and consumption of alcoholic beverages.

- Maintaining the integrity of the gaming and horse racing industries through investigations and prosecutions.

*The Fiscal 2003 Budget for the Department of Law and Public Safety totals \$504.9 million, a decrease of \$37.9 million, or 7.0%, under the fiscal 2002 adjusted appropriation of \$542.8 million.*

### BUDGET STATUS

The following describes recommended changes to the agency's appropriation as well as continued funding for major programs. See figure below for a breakdown of the Budget by functional area.



### Homeland Security

New State funding totaling \$15 million is recommended for the Department to enhance counter-terrorism efforts. Of the above amount, \$6.9 million will be used to expand the newly created Office of Counter-Terrorism. This amount will be in addition to the \$2.7 million supplemental appropriation provided in fiscal 2002, increasing the total funding to \$9.6 million that will support a staff of 90 investigators, attorneys, and intelligence experts. Another

\$5.4 million will be used to satisfy the line of credit payments on laboratory and communications center equipment for the new forensic laboratory and new State Police Troop C Headquarters. In addition, funding of \$5 million is recommended for the design and engineering of a new State Police professional training center, as well as new headquarters buildings. When completed, the training center will serve as a central state-of-the-art site for training State troopers and police throughout New Jersey.

Working closely with the Domestic Security Preparedness Task Force, the Office of Counter-Terrorism will coordinate the security-related efforts of all State departments and local law enforcement agencies. The Department is also pursuing federal counter-terrorism grants from the Department of Justice totaling approximately \$5 million to complement this effort.

#### **State Police**

The fiscal 2003 recommendation for the Division of State Police is \$235.6 million, a \$8.6 million net decrease under the fiscal 2002 adjusted appropriation of \$244.2 million. The State Police Operations decrease is largely due to an \$11.7 million reduction based on the assumption that municipalities that receive rural policing services will begin to assume a portion of these costs.

Other highlighted changes include an increase of \$2.1 million for the annualization of operating costs and \$3.5 million, which is recommended to continue the modernization of the State Police's computer systems to further reform efforts.

The Municipal Mobile Video Grant program in the Division of Criminal Justice was not implemented in fiscal 2002 and will not continue in fiscal 2003, saving \$2.9 million.

#### **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. Fiscal 2003 funding is recommended at \$9.2 million, a decrease of \$3 million, or 25% under the fiscal 2002 adjusted appropriation of \$12.2 million. The decrease is in State Aid and is the result of one-time funding for voting machine replacements in fiscal 2002.

#### **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 2003 recommendation for the Election Law Enforcement Commission is \$2.8 million, a decrease of \$12.4 million, or 82%, under the fiscal 2002 adjusted appropriation of \$15.2 million. Since there is no gubernatorial election in fiscal 2003, funding for the Gubernatorial Public Finance Program, the Ballot Statement Program, and the additional staff for the Public Finance Program is not necessary.

#### **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 \$19.7 million in fiscal 2003. The Division will receive over \$46.2 million in reimbursements from State agencies and third parties, such as the federal government for legal services rendered for a total budget of \$65.9 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 hearings and proceedings. Services include representing the State in claims brought against the State and its employees for personal injury, property damage, and contract claims. The Division also prosecutes civil claims on behalf of the State.

### **Juvenile Justice Commission**

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. These services include 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, victims, and citizens of the State by emphasizing youth accountability and affording opportunities for adjudicated youth to become independent, productive, and law-abiding citizens.

Funding is recommended at \$98.7 million, a net decrease of \$1.5 million, or 1.5%, under the fiscal 2002 adjusted appropriation of \$100.2 million.

The net decrease of \$1.5 million is due primarily to operational reductions of \$698,000 and program start-up delays and non-recurring costs of \$1.1 million. These reductions are offset by a \$324,000 increase in cost-of-living adjustments for grant providers.

### **Capital Recommendations**

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



# MILITARY AND VETERANS' AFFAIRS

## FISCAL 2003 RECOMMENDED BUDGET

	(In Thousands)
Direct State Services	\$68,812
Grants-In-Aid	\$1,044
Capital Construction	\$1,779
<b>Total General Fund</b>	<b>\$71,635</b>
<b>Total State Recommendation</b>	<b>\$71,635</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 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.
- Aggressively support operations other than war.
- Provide the highest quality support and assistance to New Jersey's veterans and their families.
- Provide the highest quality support and assistance to our New Jersey National Guard families.

*The Fiscal 2003 Budget for the Department of Military and Veterans' Affairs (DMAVA) totals \$71.6 million, a decrease of \$8.8 million, or 10.9%, under the fiscal 2002 adjusted appropriation of \$80.4 million.*

## BUDGET STATUS

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

The Fiscal 2003 Budget for the Department of Military and Veterans' Affairs (DMAVA) provides the resources to operate three Veterans Memorial Homes, the Brigadier General Doyle Veterans Cemetery, the Veterans Haven Transitional Housing Program, the Korean and Vietnam War Memorials, and various other veterans entitlements and Grant-In-Aid programs.

Additionally, funding is provided for the operations and maintenance of various National Guard facilities that house and support the programs of New Jersey's 7,400 Army National Guard Soldiers and 2,500 Air National Guardsmen and women, the National Guard Youth Challenge program, and Homeland Security mission.

Highlights of recent Departmental initiatives and accomplishments are: National Guard support to September 11<sup>th</sup> Disaster Recovery; National Guard support to New Jersey's Homeland Security specifically providing security at New Jersey airports, key designated infrastructure, and power generating stations; Air National Guard units deployed overseas in support of U.S. led operations for the War on Terrorism; Air National Guard units protecting America's airways flying Combat Air Patrols throughout the eastern United States; and Commencement of a federally funded \$5 million Brigadier General Doyle Veterans Cemetery capital improvement plan.

### Support to Our Veterans

At \$350,000, the Governor's budget continues to fund the Vietnam Memorial and Educational



Center at the same rate as last year. This will allow us to continue to provide meaningful educational programs for our school children and residents, maintain the Memorial and grounds in a manner that honors those who have served, and make some needed improvements to the parkway view of the memorial.

Increased funding for the Korean War Memorial from \$45,000 to \$90,000 will allow us to complete the kiosk component of the memorial and maintain the Memorial in a manner that honors those who have served.

The continuing commitment of \$1.9 million for the operations of the Doyle Cemetery, combined with the U.S. Department of Veterans' Affairs increase in Plot Interment Allowance, will allow us to increase the number of grounds workers at the cemetery to keep pace with the increasing mortality of our World War II veterans.

The Doyle Cemetery Honor Guard is funded at \$462,000, the same level as last year. This commitment to our veterans will allow us to render honors to all veterans interred at the cemetery as well as two off-site burials a day.

Funding for Veterans Haven at \$400,000 is at the same rate as last year. This funding, along with the continuing commitment from the U.S. Department of Veterans' Affairs and the U.S. Department of Housing and Urban Development (HUD), will allow us to continue to run this vital transition program for our homeless veterans.

An additional \$94,000 is recommended as a State match for a \$358,000 HUD grant for the continuing operations of the Veterans Haven Transitional Housing Program. This program provides temporary housing, counseling, and occupational training for homeless veterans in assisting their transition back to society.

The Fiscal 2003 Budget proposal increases the State match for the construction of the new New Jersey Veterans Memorial Home at Vineland by \$1 million. The groundbreaking will occur in August 2002 and the total State commitment is \$17.7 million matched by \$35 million in federal funding. The Department will have three state-of-the-art facilities at the conclusion of this

construction. The New Jersey Veterans Memorial Home at Menlo Park is one of the few veterans' homes in the nation that has an active Adult Day Care Unit with a continued State commitment.

### **National Guard**

This recommendation provides an additional \$250,000 in State share to match \$750,000 in federal funds to support increased activities and related operational and maintenance costs for Army and Air National Guard facilities.

### **Homeland Security**

In accordance with the New Jersey Domestic Security Preparedness Act, this Department has the responsibility of training and equipping domestic emergency response teams in support of New Jersey's Homeland Security program. These teams serve as first responders for disaster recovery related to acts of terrorism, weapons of mass destruction incidents, and other public safety emergencies. The Department received a supplemental appropriation in fiscal 2002 to initiate this program. Included in this Budget is language which allows remaining funds to be carried forward and the program to continue in fiscal 2003. This Budget also includes \$280,000 to support operations of the Weapons of Mass Destruction (WMD) program. This program provides direct assistance to civil authorities and enables this Department to maintain a WMD response capability.

In fiscal 2003, the Department will establish, in partnership with military, academic, community, and federal and State government entities, a Regional Center of Excellence for Homeland Security in New Jersey. This Center will be dedicated to doctrine development, education, research, and training in support of New Jersey's Homeland Security programs and initiatives. The recently formed National Guard Civil Support Detachment will be dedicated to this effort.

### **Capital Recommendations**

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



## FISCAL 2003 RECOMMENDED BUDGET

	(In Thousands)
Direct State Services	\$27,195
<b>Total General Fund</b>	<b>\$27,195</b>
<b>Total State Recommendation</b>	<b>\$27,195</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 to achieve the objective of 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 for fiscal 2003 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. Trust and

mutual respect will define future work environments that foster improved productivity and employee satisfaction.

The Department will re-design its operational process through continual improvement focused on streamlining all functions in the various divisions. The approach features assessment of current activities, benchmarking, and the adoption of best practices now in use throughout other government agencies and private industry. The use of technology will support well-engineered, effective, smart systems and not merely automate the inefficient solutions from the past. Regardless of the type of work process addressed, a sincere sense of customer focus will drive these efforts.

*The Fiscal 2003 Budget for the Department of Personnel totals \$27.2 million, a decrease of \$2.3 million, or 7.9%, under the fiscal 2002 adjusted appropriation of \$29.5 million.*

### BUDGET STATUS

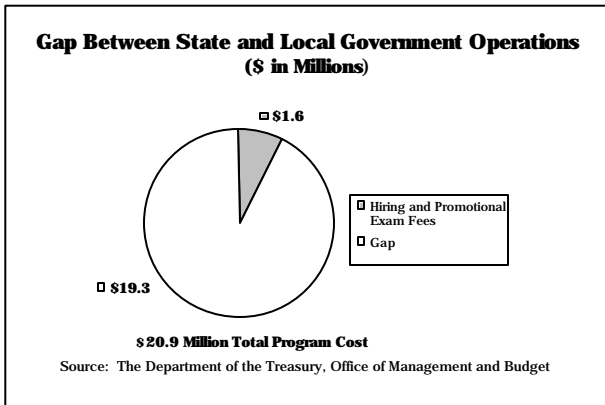
The following describes recommended changes to the agency's appropriation as well as continued funding for major programs.

#### State and Local Government Operation

This area of Personnel 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 their applicants' needs. This plan will result in a projected overtime savings of over 75%, or \$80,000, for the remainder of fiscal 2002.

In addition, the current fee charges associated with hiring and promotional examinations have been reviewed. Because of the cost of operating

and administering these tests far exceeds the current revenue (see figure below), it is proposed that application fees associated with non-public safety positions be raised by \$10.00 through legislation. These fees were last raised in 1993. The Department will retain \$450,000 from its fee increase to offset the cost of administering the tests.

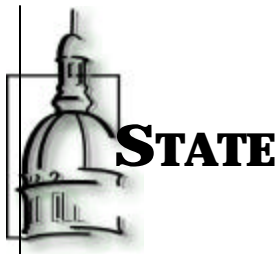


government. HRDI provides government employees with training and professional development opportunities most relevant to their jobs, usually with a significant savings on tuition costs. The HRDI will assist state, local, and municipal governments in the streamlining efforts to work smarter and serve the public better. It is proposed that the Department retain an additional \$420,000 of revenue from its expanded services.

Due to the completion of the two-year Prevention of Sexual Harassment Training Program, funding in the amount of \$750,000 was eliminated in fiscal 2003. This program enhanced the State workplace environment, and was consistent with the recent court decisions requiring employers to take proactive steps to prevent harassment and discrimination. The training also relieved taxpayers of the high cost of employment litigation for State agencies.

### Human Resource Development

The Human Resource Development Institute (HRDI) delivers high-quality, comprehensive training for all segments and levels of



## FISCAL 2003 RECOMMENDED BUDGET

	(In Thousands)
Direct State Services	\$23,653
Grants-In-Aid	\$31,102
State Aid	\$19,575
<b>Total General Fund</b>	<b>\$74,330</b>
<b>Total State Recommendation</b>	<b>\$74,330</b>

### OVERVIEW

The mission of the Department of State is 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. By supporting New Jersey's arts, the Department of State is assisting some of the finest theaters, orchestras, dance companies, museums, and performing arts centers in the country.

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 2003 Budget for the Department of State excluding Higher Education, totals \$74.3 million, a decrease of \$6.7 million, or 8.2%, under the fiscal 2002 adjusted appropriation of \$81.0 million.*

### BUDGET STATUS

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

#### Culture and the Arts

The mission of the New Jersey State Council on the Arts (NJSCA) is to improve the quality of life of this State, its people, and communities by helping the arts to flourish. The NJSCA has

established a competitive program for the granting of funds appropriated by State and federal governments to art organizations and artists in New Jersey. Programs, such as touring exhibitions, summer festivals, and the artists-in-the-schools are designed to involve more segments of New Jersey society directly with the arts. The Grants-In-Aid recommendation in fiscal 2003 totals \$18 million, a reduction of \$2 million.

In fiscal 2003, \$10 million is recommended to continue funding for the New Jersey Cultural Trust. The goal of the Trust is the establishment of a stable source of funding for the arts, history, and humanities by leveraging private funding with State funding. The Cultural Trust helps to fund capital projects, build endowments, and contribute to the institutional and financial stability of non-profit cultural groups in New Jersey. During the first round of applications, more than \$27 million in private funding was raised.

#### Office of the Secretary of State

The Office of the Secretary of State is provided funding of \$4.1 million. Personal responsibility programs, such as the Center for Youth Policy and Planning (CYPP), allow the Department to continue its leadership and public awareness campaign designed to encourage individuals and groups to gain a greater understanding and appreciation of each other. The mission of CYPP is to provide information and services geared toward childhood literacy for the State's citizens.

#### New Jersey Network

The Fiscal 2003 Budget recommendation for the Public Broadcasting Authority (New Jersey Network—NJN) is \$9.4 million. This represents an increase in funding due to costs associated with the financing of Phase III of NJN's digital conversion. Funding for Phase IV of NJN's digital television conversion will be deferred until fiscal 2004.

### **Historic Preservation**

In fiscal 2003, the New Jersey Historical Commission recommendation includes \$2.5 million for its grant program. This represents a \$2 million reduction for a program initiated in fiscal 1999 at \$4.5 million. This funding supports research by historical organizations, museums, libraries, and other similar organizations with collections or programming related to the history of New Jersey.

While the New Jersey Historical Commission assists historical entities with operational costs and research expenses, the New Jersey Historic Trust is the only non-profit historic preservation organization in New Jersey, created by State law in 1967.

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. The Fiscal 2003 Budget recommendation includes \$458,000 for administrative expenses associated with the disbursement of grants by the Historic Trust.

On January 12, 1999, the Trenton War Memorial was reopened for public use following a meticulous \$35 million historic preservation and renovation. The War Memorial is entering an exciting new phase in fiscal 2003. In partnership with the new Marriott Hotel, scheduled to open this spring, the War Memorial will increase revenues and attendance levels. Funding is recommended to continue at \$535,000 for fiscal 2003.

### **Archives and Records Management**

The Fiscal 2003 Budget for the Division of Archives and Records Management is \$1.9 million. It is expected that revenues will increase by nearly \$150,000, or 10%, as a result of the Specialized Document Imaging Services system. This initiative will provide specialized imaging services to State, county, and local agencies.



## **FISCAL 2003 RECOMMENDED BUDGET**

	(In Thousands)
Direct State Services	\$268,255
Grants-In-Aid	\$260,027
Capital Construction	\$745,000
<b>Total General Fund</b>	<b>\$1,273,282</b>
Casino Revenue Fund	\$24,934
<b>Total State Recommendation</b>	<b>\$1,298,216</b>

## **OVERVIEW**

The mission of the Department of Transportation 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.

*The Fiscal 2003 Budget for the Department of Transportation totals \$1.298 billion, an increase of \$56.0 million, or 4.5%, over the fiscal 2002 adjusted appropriation of \$1.242 billion.*

## **BUDGET STATUS**

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

### **Route 29 Tunnel**

The new Route 29 Tunnel, which opened in March 2002, was built to alleviate the congestion that existed where Route 29 adjoined Lambertson Road in Trenton, and to improve safety conditions for pedestrians in this congested area. The Route 29 Tunnel is one-half mile long, with approximately one and one-quarter miles of adjoining roadways; \$1.9 million is recommended to cover operations, annually, beginning in fiscal 2003.

### **Driver Licensing and Insurance**

In fiscal 2002, the Division of Motor Vehicles began development of the Digitized Driver License Program (DDL) with \$1.5 million in funding. A recommended appropriation of \$6.5 million is included in the Fiscal 2003 Budget to administer the program. Once the DDL program is fully operational, all of New Jersey's registered drivers will receive licenses with a digitized color picture and signature when they renew or submit a change request. All pictures and signatures will be stored in the Motor Vehicle database to prevent fraud. In addition, for people residing in New Jersey on a temporary visa, the expiration date of their driver's license shall be set on or before the expiration of their authorization to be in the United States, providing an added degree of security. Finally, though a ten-year renewal was originally proposed, the timeline has been reverted to the four-year renewal cycle to enhance security.

The Fiscal 2003 Budget recommends funding the Graduated Driver License Program, which was initiated in January 2001, at a level of \$1.3 million, a \$500,000 reduction from the fiscal 2002 adjusted appropriation of \$1.8 million.

This reflects the elimination of a one-time cost for the driver testing application implemented in fiscal 2002. The Graduated Driver License Act requires Motor Vehicle Services to implement phased-in driving privileges for new drivers. The program allows young drivers additional time to develop their driving skills under supervised conditions, gradually expanding access to the roadway as they gain experience. This approach, which has been implemented in many other states, will help improve safety for young drivers and the general public. Parents will receive a new Parent Guidebook to acquaint them with the guidelines and procedures of the program.

Also recommended is \$4.5 million for the new Insurance Verification Program, which received \$500,000 in fiscal 2002 for a feasibility study. As required under the Insurance Reform Act of 1998, this funding will be used to develop a computer database to verify owners' and registrants' compliance with New Jersey's insurance requirements. The objective is to enable law enforcement officers to verify insurance coverage at a vehicle stop, allow municipal courts to verify insurance during court proceedings, and permit verification of insurance during the motor vehicle inspection process. In addition, it will provide information to the Department of Banking and Insurance for fraud investigations.

### **Inspection and Maintenance**

The Fiscal 2003 Budget includes \$46.5 million to continue the Enhanced Inspection and Maintenance (EIM) Program, which is required by the federal Clean Air Act. This funding represents a \$19.2 million net change over fiscal 2002. This change is a result of a \$26 million increase in State funding required because the eligibility period for use of the federal Congestion Mitigation and Air Quality (CMAQ) funds for this project has expired, and a \$6.8 million decrease, a savings resulting from the New Car Inspection Waiver.

The New Car Inspection Waiver will be incorporated into the Enhanced Inspection and Maintenance (EIM) Program in fiscal 2003, pending EPA and legislative approval. This proposal would exempt the owners of new cars

from their first scheduled biennial inspection (i.e., at year two). Instead, new cars would first be inspected at year four of ownership. This initiative would prospectively eliminate approximately 20% (600,000) of the State's biennial inspections and end the practice of paying millions to inspect cars which, by their very nature, pose little chance of failing. Since the failure rate of new cars at their first inspection is miniscule (i.e., less than 1% of total new cars), the impact on emissions is expected to be negligible. The savings, however, are quite significant, totaling approximately \$6.8 million in fiscal 2003, and \$13.6 million annually thereafter, assuming a planned implementation date of January 1, 2003. New Jersey will be following the example set by several other states, including California, Minnesota, Georgia, Maryland, Arizona, and Colorado, which have successfully implemented a new car waiver to reduce costs without sacrificing air quality.

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

The State funding authorization for the Transportation Trust Fund (TTF) totals \$1.108 billion in fiscal 2003, approximately the same as in fiscal 2002, and \$158 million more than the TTF statute requires. The total capital funding authorization in fiscal 2003, including federal grants allocated to the Department of Transportation and the New Jersey Transit Corporation, is \$2.4 billion. To support this program, the General Fund appropriation to the TTF will be \$745 million, an increase of \$35.5 million from fiscal 2002. In fiscal 2003, 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 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 \$1.7 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 \$385 million in TTF funding and over \$850 million in federal funds to continue State highway projects.

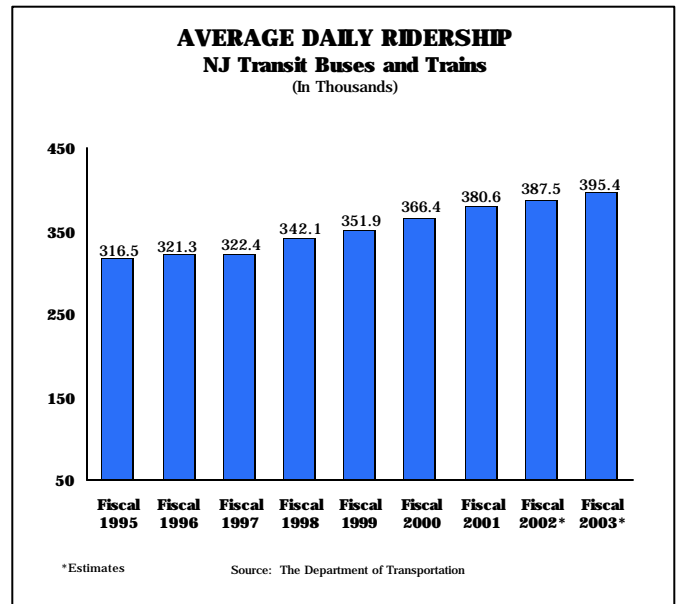
The capital authorization for NJ Transit totals \$1 billion including \$573 million in TTF funding and over \$438 million in federal funds. These funds will be used to construct new facilities and urban core initiatives, including additional direct access rail connections, completion of a light rail system, and track rehabilitation.

**Bus and Rail Services**

Through a series of cost-cutting initiatives, management efficiencies, and increased farebox revenue generated by a fare increase, the fiscal 2003 State operating subsidy recommended for the NJ Transit Corporation will remain at the fiscal 2002 level of \$260 million. Although State funding will remain flat, the agency will continue to expand bus and rail service by increasing service in response to overcrowding and changing travel patterns resulting from the September attacks on the World Trade Center.

Transit will continue to fund projects like the second phase of the Hudson Bergen Light Rails, the Secaucus Transfer, and the Montclair Connection that will expand the availability of rail transportation. To upgrade the quality of service, NJ Transit is in the process of purchasing 1,244 cruiser buses, 265 single rail cars, and 231 bi-level rail cars.

Ridership on New Jersey Transit buses and trains increased to a record high of more than 380 million annual riders in fiscal 2001, which includes growth of more than 3%, bringing the total growth over the last 10 years to more than 30% (see figure below).



NJ Transit will receive \$24.9 million from the Casino Revenue Fund in fiscal 2003 to provide accessible transportation facilities and services for elderly and disabled residents. This is \$113,000 more than in fiscal 2002. The majority of this recommendation, \$21.2 million, will be allocated to counties to provide local transportation for elderly and disabled residents.





**FISCAL 2003  
RECOMMENDED BUDGET**

	(In Thousands)
Direct State Services	\$242,921
Grants-In-Aid	\$31,500
State Aid	\$55,130
Debt Service	\$417,015
<b>Total General Fund</b>	<b>\$746,566</b>
Property Tax Relief Fund	\$1,335,826
<b>Subtotal Treasury Department</b>	<b>\$2,082,392</b>
Commerce and Economic Growth	\$18,165
Science and Technology	\$14,544
Casino Control Commission	\$26,938
Board of Public Utilities	\$20,732
Office of Administrative Law	\$5,394
Public Advocate	\$10,000
Public Defender	\$79,320
Ratepayer Advocate	\$4,535
<b>Subtotal, In But Not Of, Agencies</b>	<b>\$179,628</b>
<b>Total State Recommendation</b>	<b>\$2,262,020</b>

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 2003 Budget for the Department of Treasury totals \$2.262 billion, a decrease of \$97.2 million, or 4.1%, under the fiscal 2002 adjusted appropriation of \$2.359 billion.*

**BUDGET STATUS**

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

**Property Assessment Management System**

The implementation of the New Jersey Property Assessment Management System will continue in fiscal 2003 with no new funding. An \$11 million project to re-write this system, which 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, was initiated in fiscal 2002.

**BEST Commission**

The BEST (Budget Efficiency Savings Team) Commission will receive a \$250,000

appropriation in fiscal 2003. The Commission, which was created by Executive Order will work with the new Administration to identify and recommend ways for the State to cut waste and to operate more effectively and efficiently.

This appropriation will provide for the cost of support services that the Commission may incur in carrying out its assigned tasks.

### **Local Government Review**

This Budget recommendation eliminates the Local Government Budget Review Unit for a savings of \$4 million. As of February 2001, this Unit, which was established in 1996 to assist local governments and school boards to minimize their operating costs, had completed reviews of 28 school districts, 30 municipalities, and 2 utilities authorities. The staff prepared reports suggesting ways to reduce costs and maximize associated revenue. It is anticipated that the remaining work for this Unit will be completed by June 30, 2002.

### **Taxpayer Relief**

The Fiscal 2003 Budget continues to provide significant property tax relief funding directly to local taxpayers, even in this current era of fiscal austerity. Because of the State's ongoing commitment to its citizens in offsetting their high property taxes, fiscal 2003 direct taxpayer relief programs will total approximately \$1.635 billion, essentially the same level of funding as fiscal 2002.

Included in the fiscal 2003 recommendation for direct tax relief is a continuation of the NJ SAVER program at \$679.1 million. The Budget proposes limiting the NJ SAVER rebates to those applicants earning less than \$200,000 so the State can serve families in greatest need of property tax relief. NJ SAVER checks will remain at last year's level, an average of \$500 in direct relief. The Homestead Rebate program is funded at \$514.3 million, an increase of \$13.7 million. This reflects the statutory increase of \$25, from \$750 to \$775, for those qualified to receive the maximum rebate amount. The Budget provides a \$50 increase in the property tax deduction for veterans. The Senior Tax Freeze is funded at \$18 million. This amount

reflects the increase in the income thresholds, from \$18,587 to \$38,475 if single, or \$22,791 to \$47,177 if married. It is expected that the number of senior citizens participating in this program will double.

Within the Department of the Treasury, but autonomous in their operations, are the Board of Public Utilities, the Ratepayer Advocate, the Casino Control Commission, the Commerce and Economic Growth Commission, the Commission on Science and Technology, the Office of Administrative Law, the Office of the Public Defender, the State Legal Services Office, and the Office of Information Technology (OIT).

### **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. The \$20.7 million allocated to the BPU in fiscal 2003, unchanged from fiscal 2002, which is derived entirely from assessments levied on various utilities conducting business within the State, will enable the Board to effectively address utility security, the implementation of deregulation, service reliability, and rate issues. In addition, the Board must continue to be responsive, accountable, knowledgeable, and accessible to the public. This funding will ensure that the BPU is as responsive as possible in the face of the Board's changing structure and responsibility.

### **Ratepayer Advocate**

The Division of the Ratepayer Advocate (RPA) represents, protects, and advances 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 \$4.5 million allocated to the RPA in fiscal 2003, unchanged from fiscal 2002, 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. In addition, the Commission anticipates that the new, 2,010-room Borgata casino hotel will open in the spring of 2003. This oversight includes the licensing of all casino operators, employees, and ancillary companies conducting business with the casino industry. The Fiscal 2003 Budget recommendation will provide \$26.9 million in funding from the Casino Control Fund for these activities and for overseeing the collection of all license fees and taxes. The Casino Control Fund is supported by licensing fees.

### **Commerce & Economic Growth**

The Budget for the Commerce and Economic Growth Commission is recommended to be \$18.2 million in fiscal 2003, a reduction of \$2.5 million. This is attributable to reductions in advertising and promotion, and the elimination of the Business Marketing Campaign. An additional \$3 million for nanotechnology offsets these reductions. 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.

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.

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

Funding for the Commission on Science and Technology is reduced by \$8.8 million in fiscal 2003, reflecting the elimination of funding for the New Specialized Incubators and Technology Transfer programs.

### **Public Advocate**

As proposed, the Fiscal 2003 Budget provides \$10 million to re-establish the Department of Public Advocate. Pending legislation to create a separate department for the Public Advocate and establishing specific statutory functions, the operational funding for this agency is provided through the Department of Treasury in the fiscal 2003 spending plan. This confirms the Administration's commitment to restore the Department to give citizens an advocate to represent their interests, and to fight waste and mismanagement in government. Public Advocate's key goals include investigating waste, mismanagement, and inefficiencies in State government; providing effective advocacy on behalf of children, the elderly, ratepayers, including auto insurance ratepayers, and the "voiceless"; providing residents with answers about government services and solving their problems; and prioritizing mediation throughout State agencies.

### **Office of Information Technology**

The Office of Information Technology's (OIT) operating budget for fiscal 2003, included in the Revolving Fund section, is recommended at \$103.5 million; this amount is unchanged from fiscal 2002. As the State's central information processing entity, OIT is responsible for mainframe applications, and operates the Garden State Network, the statewide-integrated communications network, that carries data and voice transmissions for all of State government. The OIT also 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 2003, funding is

recommended at \$5.4 million for the operational Budget offices.

The OAL anticipates that up to eight new Administrative Law Judges will be appointed during fiscal year 2002. The additional judges, when appointed, will enable OAL to provide timely services for cases that do not have specific federal or State mandates in fiscal 2003.

**Office of the Public Defender**

The Office of the Public Defender (OPD) provides legal representation to citizens unable to afford legal counsel in their dealings with government agencies and the private sector, as well as to ensure that the constitutional guarantees of counsel in criminal cases are met.

Through its Law Guardian Program, the Office of the Public Defender also represents abused and neglected children in Family Court proceedings.

It also conducts institutional abuse investigations at residential facilities, group homes, and day-care centers operated by the Division of Youth and Family Services. The Office of Dispute Settlement, another OPD civil program, which provides mediation and other dispute resolution services to resolve complex public interest disputes and civil litigation, will continue to be funded at \$328,000.

For the OPD to fully implement its portion of the Kinship Legal Guardianship Program, enacted by P.L. 2001, c. 250, the fiscal 2003 recommendation is \$1.7 million, an increase of \$847,000 and 35 positions. In order to meet this legislative mandate, the OPD provides legal counsel to indigent parents and children under Titles 9 (abuse and neglect) and 30 (termination of parental rights). The Kinship Legal Guardianship Program also contains responsibilities that are administered and funded through the Judiciary.



# CAPITAL AND DEBT SERVICE

## FISCAL 2003 RECOMMENDED BUDGET

	(In Thousands)
Environmental Protection	\$86,165
Human Services	\$7,500
Law and Public Safety	\$7,828
Transportation	\$745,000
Interdepartmental	\$191,379
All Other	\$11,229
<b>Total Capital Construction</b>	<b>\$1,049,101</b>
Total General Obligation Debt Service	\$493,848
<b>Total State Recommendation</b>	<b>\$1,542,949</b>

## OVERVIEW

New Jersey's investments in capital projects provide for many of the critical 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 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. Since long-term capital needs yield substantial benefits to both present and future generations, it is an equitable method of distributing costs and benefits.

The process for funding capital projects goes through several levels of review to ensure that only the most vital requests are recommended. See *The State Budget Process* in the Appendix for more detailed coverage of this process.

*The Fiscal 2003 Budget for Capital & Debt totals \$1.543 billion, a decrease of \$26.5 million, or 1.7%, under the fiscal 2002 adjusted appropriation of \$1.569 billion.*

## BUDGET STATUS

For fiscal 2003, the General Fund recommendation for Capital Construction is \$1.049 billion. Of this amount, \$745 million (71%) 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, \$47.4 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, \$25.0 million is provided for shore protection and beach replenishment 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 \$133.6 million is recommended for needed repairs, preservation, and life/safety projects at the Departments of

Environmental Protection, Human Services, Corrections, Law and Public Safety, the Juvenile Justice Commission, Military and Veterans' Affairs, the Building Authority, and other State agencies. In addition to the General Fund Capital, capital construction projects also will be supported 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 Exhibition Authority.

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

Dedicated funding for transportation will result in savings not only to the State but also its citizens by:

- Adding new bus and rail lines to reduce congestion, pollution, and wear-and-tear on the State's highway infrastructure.
- Purchasing new buses, locomotives, and rail cars to reduce fuel consumption, or to reduce pollution by running on alternative fuels.
- Reducing congestion thereby reducing transportation costs by allowing goods to move more freely.
- Repairing and replacing various components of the highway and mass transit system to reduce maintenance costs, and replace outdated and inefficient systems.

The fire/life safety projects recommended for funding will generate operating budget savings by:

- Repairing leaking water, sewer, and steam lines.
- Repairing leaking roofs and roofs that have reached their useful lives.
- Replacing outdated and inefficient fire suppression systems, laboratory equipment, and locking systems in correctional facilities.
- Replacing outdated laboratory equipment to more accurately and efficiently test samples.

Several examples of the operating impact of capital funding recommendations in fiscal 2003 are:

- NJ Transit is in the process of constructing a new \$450 million major commuter rail transfer station in Secaucus where its Main, Bergen, and Pascack Valley Lines intersect the Northeast Corridor (NEC) Line. Passengers on the Main, Bergen, Pascack Valley, and Port Jervis lines will be able to transfer to the NEC Line for more direct rail service to Midtown Manhattan via Penn Station NY and to southern New Jersey via Penn Station Newark. Located in the New Jersey Meadowlands, the project is being constructed as part of a potential public/private partnership, which would include the development of a major commercial center. The operating impact of this project is estimated at \$54.5 million.
- The Montclair Connection will reroute all Boonton Line trains onto the Montclair Branch, through Newark and to Hoboken. This will provide access from points on the Boonton Line to the Newark Broad Street station. The Montclair Branch's electrification will be extended to Great Notch, allowing Midtown Direct service from the Montclairs directly to New York Penn Station. Operating costs associated with the implementation of this service are estimated at \$9 million.
- The purchase of 289 new buses will generate savings of \$8.9 million over a three-year period between fiscal 2002 and 2004 due to a reduction in maintenance costs. Of the \$8.9 million, \$3.3 million will be realized in fiscal 2003.
- The opening of a new tunnel to reduce congestion and improve traffic flow in downtown Trenton will increase operating costs by \$1.9 million. The increased costs are the result of additional staffing needs required to monitor and maintain the tunnel operating systems, and provide appropriate emergency services.

### **The Environment**

The protection of the environment is a major State priority. The Fiscal 2003 Budget recommends \$86 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 2003, \$47.4 million is available for remediation of contaminated hazardous waste sites and for the removal of leaking underground gasoline and fuel oil storage tanks. Funding is derived from the constitutional dedication of 4% of the revenues from the Corporation Business Tax. Of the \$47.4 million recommended, \$21.3 million is provided as loans or grants to private businesses and citizens for removal of leaking underground oil and gasoline storage tanks. The balance of \$26.1 million is for hazardous waste site cleanup projects.

The Jersey Shore, the State's most valuable tourist attraction, is integral to the State's economy. To protect the beaches, the Fiscal 2003 Budget makes available \$25 million for shore protection projects. These funds will leverage up to \$34 million in federal funds and \$4 million in local funds for beach replenishment projects. The projects planned for fiscal 2003 include beach fills at Townsend Inlet, Cape May Inlet, Manasquan Inlet, Barnegat Inlet, Cape May City, and Lower Township.

To protect lives and property, \$8.6 million is recommended for flood control projects. These funds will generate an additional \$33.1 million in federal funds and \$2.6 million in local funds. Projects planned include the Ramapo River at Oakland, the Green Brook, the Passaic River, and the Mill Brook. In fiscal 2003, \$5 million will be made available to address dam repairs statewide.

### **Open Space Preservation**

In 1998, voters overwhelmingly approved a ten-year initiative to purchase and 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 it

acquires; instead, land is assigned to divisions within the departments for management. This is a long-term commitment, a legacy for future generations to provide a clean, green, and livable environment.

The Fiscal 2003 Budget reflects the constitutional dedication of \$98 million to continue this multi-year initiative to preserve open space.

### **Transportation**

New Jersey lies at the heart of a giant metropolitan area stretching from Boston to Washington, D.C. To take advantage of its 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 2003 Budget provides \$745 million for the Transportation Trust Fund Authority. The funds are derived from constitutional dedications of nine cents of the motor fuels tax, the petroleum gross receipts tax, and a portion of the sales tax. When combined with matching federal funds and bonds issued by the Transportation Trust Fund Authority, approximately \$2.4 billion will be available in fiscal 2003 for highways, bridges, and mass transit projects.

### **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 in the 21<sup>st</sup> century. Since 1993, higher education facilities 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 four 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.

To preserve capital assets, the \$550 million Higher Education Capital Improvement Fund was authorized in 2000. This bond fund provided public and private higher education institutions with the resources to address pressing capital renewal and renovation needs. Since fiscal 2001, \$278.1 million has been approved for various projects at public and private institutions, with \$271.9 million to be issued by the end of fiscal 2003.

### **Dormitory Safety**

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, \$73.8 million in bonds have been sold to finance such systems, with the balance of \$16.2 million to be allocated in, or before, fiscal 2003. 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**

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 the 30 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.

The School Construction and Renovation Program is funded at \$44.6 million. This fiscal 2003 funding, supplemented by \$55 million in other resources, will provide for State debt service and increased aid for recently issued State and local debt for school construction.

The 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 beginning construction of the first new schools approved and designed under the school construction program. The EDA also will continue working with the non-Abbott districts that opt to enter into grant agreements with the Authority for the State's share of the approved eligible project costs.

### **Public Libraries**

Libraries are centers for advancement and learning, and are one of the primary educational tools 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, subject to a three-to-one matching requirement, will leverage \$180 million for library construction throughout the State.

### **Security and Compliance Mandates**

For fiscal 2003, \$13.7 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. To eliminate hazardous health conditions, such as exposure to asbestos, \$2 million is recommended. And, because of the September 11 terrorist attacks, an initial \$4.2 million is provided to increase security in State buildings.

### **Other Departments and Agencies**

This Budget recommends \$2.9 million for various capital projects at correctional facilities, with an emphasis on fire code compliance, roof repairs, and other critical repairs. Specifically, this recommendation provides funding to:

- Install, repair, and maintain fire safety alarms and suppression systems in institutions to comply with the New Jersey Fire Safety Code.
- Replace a stairwell at Albert C. Wagner Correctional Facility to prevent injury to inmates and staff.
- Upgrade a surveillance system at Northern State Prison to maintain security and safety.

For essential projects for the Department of Education, \$400,000 is provided for renovations of water supply systems at the Katzenbach School for the Deaf and sprinkler systems and roof repairs at the Regional Day Schools.

The Department of Human Services is provided \$4.2 million for: replacement of steam and condensate lines at Trenton Psychiatric Hospital to reduce energy costs and ensure facility safety, and to upgrade the fire detection and suppression system at the J. Kohn Rehabilitation Center for the Blind.

The State Automated Child Welfare Information System (SACWIS) is a federal initiative to improve the administration of the Title IV-B (Child Welfare) and Title IV-E (Foster Care) programs. This information system will improve case management and the supervision of case-carrying workers; the identification, allocation, and utilization of resources; budgeting, contracting, and fiscal controls; quality assurance and program planning; interface with

other Divisions; and the claiming of federal funds. This initiative is funded at \$3.3 million.

Funding of \$6 million is recommended for the Division of State Police for the purchase of a new Computer Aided Dispatch system. This system will enable the State Police to better collect, store, and report on trooper activity data to enhance and maintain compliance with the consent decree.

The following Juvenile Justice Commission projects are recommended for a total of \$1.8 million from the fiscal 2003 Capital Budget:

- Suicide Prevention Improvements at the Juvenile Medium Security Facility (\$500,000). This funding will be used for the purchase of safe furniture, and the removal and replacement of various fixtures and other items.
- Security Enhancements at Valentine Hall (\$343,000). This funding will be used for the installation of a new duress alarm system.
- Cell Door and Locking Systems at Valentine Hall (\$485,000). This project is part of the ongoing funding request that, due to fire safety egress issues, seeks to install electromechanical door release locks on all cells, sally ports, and exits, with installation of new cell doors, if required.
- Critical Repairs at Juvenile Service Facilities (\$500,000). This funding represents the ongoing need to repair or replace aged or deteriorating structural components and mechanical systems at both the Commission's secure and community residential facilities.

This Budget recommends \$1.8 million for capital improvements for the Department of Military and Veterans' Affairs. Included is an additional \$1 million for the construction of a replacement 300-bed Veterans Memorial Home in Vineland, New Jersey. This new facility, which will be constructed in four phases, will consist of 240 long-term care beds, a 32-bed Special Needs section, and a 28-resident Assisted Living unit. This additional funding, which is matched with \$1.9 million in federal funds, supports final design and construction cost estimates and

enables the project to be bid and construction to begin in fiscal 2003. There is also \$379,000 in fire and life safety projects for various National Guard armories and \$300,000 to upgrade and install security systems and provide force protection enhancements.

A reliable and quick recovery of stored system data is essential to State operations. To ensure that such capabilities exist, \$5.5 million is recommended to implement the Availability and Recovery Site projects. This will ensure that the Office of Information Technology has the ability to recover data within 24 hours.

To preserve State buildings in the Trenton Capitol Complex and to ensure the health and safety of State employees, \$4.7 million is recommended. This funding will upgrade buildings to comply with fire codes, renovate office space to provide for life/safety improvements, and preserve the integrity of the War Memorial.

In addition, \$5 million is recommended for design costs associated with the construction of the New Jersey Police Learning Center.

### **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 uses such facilities, funds the debt service, and, at the end of a defined period, secures ownership.

For the New Jersey Building Authority, \$77 million is recommended for fiscal 2003 to meet the debt service for lease-purchase agreements. At present, the Authority is initiating the construction of the State Police Emergency Operations Center and is completing the State Police Hamilton Complex. The debt service for the Building Authority also pays for the construction of the South Woods State Prison and 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.

For fiscal 2003, \$84.2 million is recommended for debt service for the Economic Development Authority (EDA). Of this amount, \$59.2 million will be used to re-finance county solid waste debt. Among other projects, the recommendation will finance the Authority's debt service for the construction of the Trenton Office Complex and the New Jersey Performing Arts Center, the purchases of the Camden State Office Building, and renovations to the Capital Place One Building in downtown Trenton.

For the Fiscal 2003 Budget, \$48 million in debt service is recommended for the Sports and Exposition Authority 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.



# INTERDEPARTMENTAL

## FISCAL 2003 RECOMMENDED BUDGET

	(In Thousands)
Direct State Services	\$1,327,384
Grants-In-Aid	\$573,864
Capital Construction	\$191,379
<b>Total General Fund</b>	<b>\$2,092,627</b>
<b>Total State Recommendation</b>	<b>\$2,092,627</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 2003 Budget for all Interdepartmental Accounts totals \$2.093 billion, an increase of \$282.3 million, or 15.6%, over the fiscal 2002 adjusted appropriation of \$1.810 billion.*

### BUDGET STATUS

The following describes recommended changes to the Interdepartmental appropriation.

#### Salary Increases

The State of New Jersey, excluding higher education's senior public institutions, employs approximately 81,200 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 2002, unions represented 85.6%, or 69,500 full-time and part-time State employees.

#### Employee Contract Status

Contracts are in place for fiscal 2003 with the American Federation of State, County, and Municipal Employees (AFSCME); International Federation of Professional and Technical Engineers (IFPTE); Communication Workers of America (CWA); State Policemen's Benevolent Association (PBA); State Troopers Fraternal Association (STFA); and two unions that represent Judicial employees—CWA professional and the Judiciary Council of Affiliated Unions (JCAU). See chart on Union Affiliation. These agreements include the following increases in fiscal 2003:

- AFSCME: 2.0% across-the-board (ATB) increases in July and 2.5% in January, plus a bonus.
- CWA: 2.0% ATB increases in July and 2.5% in January.
- IFPTE: 2.0% ATB increases in July and 2.5% in January, plus a bonus.
- PBA: 2.0% ATB increases in July and 2.5% in January.
- CWA Professional: 2.0% ATB increase in July and 2.0% in January.
- JCAU: 2.0% ATB increase in July and 2.0% in January.
- STFA: 4.0% in July.

In addition, eligible employees represented by these unions will continue to receive annual increments. The Judiciary has implemented a classification and compensation system that replaces increments, which were paid to eligible union employees, with progression increases based on employee performance.

<b>STATE EMPLOYEE UNION AFFILIATION</b>	
<b>Unions</b>	<b>Full-time &amp; Part-time Employees*</b>
Communications Workers of America (CWA)	36,000
Judicial Employee Unions	8,600
American Federation of State, County and Municipal Employees (AFSCME)	8,700
Policemen's Benevolent Association (PBA)	8,000
International Federation of Professional and Technical Engineers (IFPTE)	5,400
State Troopers Fraternal Association (STFA)	2,800
<b>Total</b>	<b>69,500</b>

\*Excludes hourly & special services employees

In fiscal 2003, \$120.2 million is recommended for Salary Increases and Other Benefits including \$113 million to cover fiscal 2003 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.

This amount includes savings from a continued attrition of \$17.3 million. Employees exempted from the attrition program include State Troopers, Correctional and Parole Officers, Human Services institutional staff, and Veterans homes in the Department of Military and Veterans' Affairs.

In addition to the attrition program, the State will also achieve savings from an early retirement incentive program, reductions of temporary staffing services, and other actions. These savings will be achieved in the agency budgets and will be utilized to offset the costs of the existing salary contracts.

In addition to salary increases, this section of the Budget continues to provide \$7 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 Fringe Benefits**

For fiscal 2003, a total cost of \$1.4 billion is budgeted to provide fringe benefits to employees of State government and higher education

institutions, an increase of \$144.6 million, or 12%, compared to fiscal 2002. 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 2002</b>	<b>Recommendation Fiscal 2003</b>
Employee Retirement	\$201.7	\$203.2
Health Benefits	699.9	781.0
Employer Payroll Taxes	378.1	410.2
Subtotal	1,279.7	1,394.4
Fringe Reimbursements	-71.5	-41.5
<b>Total Employee Benefits</b>	<b>\$1,208.2 *</b>	<b>\$1,352.9 *</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), and the Police and Firemen's Retirement System (PFRS). The law provides that all defined benefit pension plans are subject to actuarial valuation every year and actuarial experience studies every three years.

The State's total cost for fiscal 2003, 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 \$423.2 million. Of this total amount, surplus assets will offset normal contributions equal to \$254.2 million for the defined benefit plans. Additionally, use of PRM Reserves and other savings initiatives will further offset normal contributions by \$92 million. The net result is a fiscal 2003 recommended appropriation of \$203.2 million, an increase of \$1.5 million, or less than 1% (0.7%) over fiscal 2002.

The net pension recommendation of \$203.2 million includes \$36.7 million of post-retirement medical costs for the Public Employees' Retirement System; post-retirement medical

costs for the Teachers' Pension and Annuity Fund will be offset with reserve funds; \$95.7 million of defined contribution costs for the Alternate Benefits Program; and \$8.5 million of defined contribution costs to the Judicial Retirement System. Another \$2 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 \$60.4 million in fiscal 2003.

### **Employee Health Benefits**

The cost for health benefits, including medical, prescription drug, dental, and vision, for State and higher education employees in fiscal 2003 is projected at \$781 million. This is a net increase of \$81.1 million, or approximately 11.6%, above the fiscal 2002 adjusted appropriation of \$699.9 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 2003 recommendation of \$368.7 million for employer payroll taxes represents an increase of \$62 million, or 20.2%, over fiscal 2002. This includes \$357 million for the State's portion of the Social Security tax, \$8.5 million for Temporary Disability Insurance (TDI), and \$3.2 million for Unemployment Insurance (UI) liability. The taxable wage base for Social Security will increase from \$79,800 to \$83,400

in calendar year 2002. The taxable wage base for TDI and UI will increase from \$23,000 to \$23,900.

### **Other Interdepartmental Accounts**

The Fiscal 2003 Budget for other interdepartmental accounts totals \$62.3 million, a decrease of \$20.3 million, or 24.6%, less than the fiscal 2002 adjusted appropriation of \$82.6 million.

One of the major services included in fiscal 2003 is \$11.5 million for the Statewide 911 Emergency Telephone System. The remaining interdepartmental needs for fiscal 2003 include \$37 million for interest on short-term notes, \$3.2 million for interest on interfund borrowing, and \$4.7 million for several smaller programs. Additionally, this Budget provides \$5.9 million for information technology.

The New Jersey Consolidated Energy Savings Program (NJCESP) has been established to reduce the cost of energy for New Jersey State departments and agencies, colleges, universities, and authorities. As part of this effort, approximately 15% of the total electrical load will be procured from renewable, or "green power" sources. The green power procurement helps New Jersey to meet federal environmental regulations and aids in the development of clean energy markets. The State will seek federal government approval to reimburse the cost premium for green power from the Petroleum Overcharge Reimbursement Fund.



## MISCELLANEOUS COMMISSIONS

### FISCAL 2003 RECOMMENDED BUDGET

	(In Thousands)
Direct State Services	\$1,392
<b>Total General Fund</b>	<b>\$1,392</b>
<b>Total State Recommendation</b>	<b>\$1,392</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 2003 Budget for Miscellaneous Commissions totals \$1.4 million, the same level as the fiscal 2002 adjusted appropriation.*

### 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 2003 recommendation of \$867,000 represents 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 2003 recommendation of \$388,000 reflects 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 2003 recommendation is \$137,000, which, in conjunction with the prior year carry-forward funds of approximately \$48,000, is sufficient to support continuing services.



# APPENDIX

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## **Special Topics**

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# 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 2003 is computed by multiplying the base year appropriation (fiscal 2002) subject to the percentage limitation by the average three-year growth rate in per capita personal income calculated on a fiscal basis. The fiscal 2003 CAP is calculated using 4.50%.

The calculation results in a maximum increase of \$219.7 million over the fiscal 2002 Adjusted Appropriation, or a maximum appropriation of \$5.103 billion for Direct State Services for fiscal 2003. The Governor's recommendation for fiscal 2003, for items under the CAP, is \$5.059 billion, or \$44 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 INCOME <sup>(a)</sup></b> <b>(\$ in millions)</b>	
Fiscal 1998	\$269,369
Fiscal 1999	\$284,204
Fiscal 2000	\$299,495
Fiscal 2001	\$321,990

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

<b>STATE POPULATION <sup>(b)</sup></b>	
Fiscal 1998	8,095,542
Fiscal 1999	8,143,412
Fiscal 2000	8,429,007
Fiscal 2001	8,484,431

<sup>(b)</sup> See Notes at the end of this subsection.  
Source: U.S. Bureau of the Census data. (State Pop. Estimates, April 1, 2000-July 1, 2001)

	<b>State Average Per Capita Personal Income <sup>(c)</sup></b>	<b>Percentage Change</b>
Fiscal 1998	\$33,274	
Fiscal 1999	\$34,900	4.89%
Fiscal 2000	\$35,531	1.81%
Fiscal 2001	\$37,951	6.81%

<sup>(c)</sup> The average per capita personal income is found by taking the total personal income and dividing by the State's estimated population.

**Computation of 2003 Cap  
Subject to Expenditure Limitation Law Percentage  
(\$ In Thousands)**

Appropriation and Adjustments for Fiscal 2002	23,319,589
Adjustment: For Restoration from Cash Management Reserve (a)	52,800
Less Statutory Exemptions:	
Grants-In-Aid	(6,083,554)
State Aid	(2,791,133)
Capital Construction	(1,075,562)
Debt Service	(493,887)
Property Tax Relief Fund	(7,588,503)
Casino Control Fund	(62,737)
Casino Revenue Fund	(362,741)
Gubernatorial Elections Fund	(11,200)
Less: Funding for Corrections Mental Health Treatment Appropriated In Accordance With A Court Settlement	(20,025)
Amount Subject to Limitation	4,883,047
Fiscal 2002 Base Subject to Percentage Limitation	4,883,047
Per Capita Personal Income Rate	4.50%
Maximum Increase in Appropriation for Fiscal 2003	219,737
Maximum Appropriation for Fiscal 2003	5,102,784
<b>Fiscal 2003 Recommendation</b>	<b>5,079,135</b>
Less: Funding for Corrections Mental Health Treatment Appropriated In Accordance With A Court Settlement	(20,025)
Amount of Fiscal 2003 Appropriation Subject to the CAP Limitation	5,059,110
Amount Over/(Under) the CAP Limitation	<b>(43,674)</b>

(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-214 of the FY 2002 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 \$360 million, including \$2.0 million from the Casino Simulcasting Fund, are projected for fiscal 2003. Because programs supported by the CRF have grown considerably faster than revenues, the General Fund has had to share in the support of these programs. A prime example is the Pharmaceutical Assistance to the Aged and Disabled (PAAD) Program, where gross costs are expected to grow 21% while CRF revenues are expected to grow only by 3%. Due to the implementation of a federal waiver during fiscal 2003, the General Fund’s contribution to the PAAD Program will be reduced from \$106.2 million in fiscal 2002 to \$21.2 million in fiscal 2003.

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. The 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)— \$255.1 million
- Lifeline Program— \$34.6 million
- Transportation Assistance— \$24.9 million
- Residential Care Developmental Disabilities— \$19.6 million
- Personal Assistance Services Program— \$3.7 million
- Community Care Alternatives— \$3.3 million
- Sheltered Workshop Transportation— \$2.4 million
- Congregate Housing Support Services— \$1.9 million
- Home Care Expansion Program— \$400,000

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

	<b>FISCAL 1996</b>	<b>FISCAL 1997</b>	<b>FISCAL 1998</b>	<b>FISCAL 1999</b>	<b>FISCAL 2000</b>	<b>FISCAL 2001</b>	<b>FISCAL 2002</b>	<b>REC. 2003</b>
Opening surplus	\$0.00	\$12.80	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Revenues	305.7	313.7	325.5	325.0	335.7	347.0	350.0	360.0
Lapses and adjustments	6.8	0.0	0.0	3.2	1.8	0.0	12.7	0.0
<b>TOTAL RESOURCES</b>	<b>\$312.5</b>	<b>\$326.5</b>	<b>\$325.5</b>	<b>\$328.2</b>	<b>\$337.5</b>	<b>\$347.0</b>	<b>\$362.7</b>	<b>\$360.0</b>
<b>PROPERTY TAX DEDUCTION</b>	\$17.2	\$17.2	\$17.2	\$17.2	\$17.2	\$17.2	\$0.0 <sup>3</sup>	\$0.0 <sup>3</sup>
<b>MEDICAL ASSISTANCE</b>								
Personal assistance	3.6	3.7	3.7	3.7	3.7	3.7	3.7	3.7
Home care expansion	8.0	2.4	0.0	1.0	0.7	0.5	0.4	0.4
PAAD -- expanded	121.3	147.4	166.1	193.6	218.8 <sup>1</sup>	229.9 <sup>2</sup>	257.9 <sup>4</sup>	255.1
Community care/SOBRA	48.6	18.5	0.8	14.2	3.3	1.6	3.3	3.3
Respite care	4.0	4.0	2.8	4.8	4.8	4.8	5	5.3
Hearing aid assistance	0.3	0.3	0.3	0.3	0.3	0.2	0.3	0.3
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.	0.2	0.6	0.6	0.9	0.9	0.9	0.9	0.9
<b>LIFELINE CREDITS</b>	41.9	76.3	76.3	34.6	34.6	32.7	34.6	34.6
<b>TRANSPORTATION ASSISTANCE</b>								
Senior citizens and disabled residents	19.8	21.1	22.2	22.5	22.8	25.7	24.8	24.9
Sheltered workshop transportation	1.7	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	1.9	0.5	1.9	1.9
Safe housing and transportation	2.5	2.0	2.0	1.6	1.6	1.6	1.6	1.6
Developmental Disabilities	24.5	24.5	24.5	24.5	19.6	19.6	19.6	19.6
<b>OTHER</b>	3.7	3.7	4.2	4.5	4.4	5.2	5.8	5.5
<b>TOTAL APPROPRIATIONS</b>	<b>\$299.7</b>	<b>\$326.5</b>	<b>\$325.5</b>	<b>\$328.2</b>	<b>\$337.5</b>	<b>\$347.0</b>	<b>\$362.7</b>	<b>\$360.0</b>
<b>ENDING SURPLUS</b>	<b>\$12.8</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>GENERAL FUND SUBSIDY</b>								
Lifeline	\$39.4	\$0.0	\$0.0	\$36.2	\$36.2	\$36.2	\$36.2	\$11.2 <sup>5</sup>
SOBRA for Aged and Disabled	\$102.6	\$105.4	\$109.6	\$114.0	\$118.6	\$123.8	\$128.8	\$133.9
CCPED and Waivers	10.7	81.0	23.3	30.1	38.8	41.2	44.4	45.8
Personal Care	0	0.0	76.4	88.8	103.1	96.7	108.7	128.2
Senior Citizens Property Tax Freeze	0.0	0.0	0.0	0.0	23.7	10.6	10.6	10.6
PAAD -- expanded	0.0	0.0	0.0	0.0	20.0 <sup>a</sup>	49.5 <sup>b</sup>	106.2	21.2 <sup>6</sup>
<b>VALUE OF PROGRAMS SHIFTED</b>	<b>\$152.7</b>	<b>\$186.4</b>	<b>\$209.3</b>	<b>\$269.1</b>	<b>\$340.4</b>	<b>\$358.0</b>	<b>\$434.9</b>	<b>\$350.9</b>

**Notes:**

<sup>1</sup> 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 (see a) and charged to the Tobacco Settlement Trust Fund.

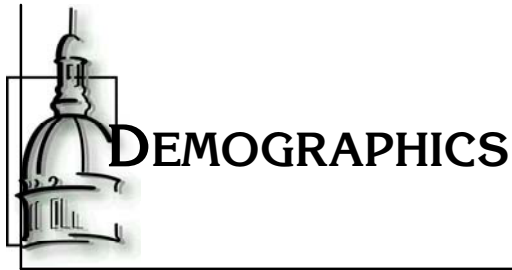
<sup>2</sup> In addition to this amount, \$49.5 million has been shifted to the General Fund (see b) and charged to the Tobacco Settlement Trust Fund.

<sup>3</sup> In fiscal 2002, the Property Tax Deduction appropriation has been shifted to the Property Tax Relief Fund.

<sup>4</sup> Due to insufficient Casino Revenue Funds, additional expenditures have been shifted to the General Fund. The General Fund also anticipates a \$25 million supplemental appropriation.

<sup>5</sup> In addition to this amount, \$13.8 million has been appropriated through a dedicated fund from resources within the Home Mortgage Financing Authority.

<sup>6</sup> Fiscal 2003 assumes the implementation of a federal PAA/D Waiver, effective October 1, 2002, of \$147.8 million that will offset the General Fund's PAA/D expenditures.



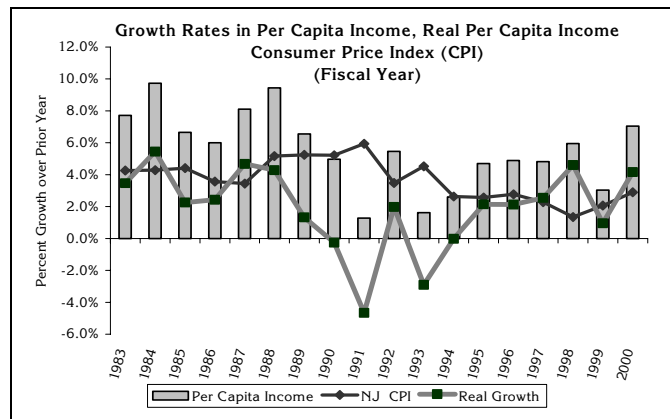
### Population and Personal Income

The total population of New Jersey is 8.5 million, based on the latest update of the U.S. Bureau of the Census in July 2001.

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

excess of consumer price index (CPI) growth, 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 (2000 Calendar Year)			
	Amount	Percent of National Average	National Ranking
United States	\$29,451	---	---
New Jersey	\$37,112	126	3
New York	\$33,890	117	4
Maryland	\$34,502	114	5
Delaware	\$31,074	106	12
Pennsylvania	\$29,533	100	15

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



## OVERVIEW

Accounting for total resources and impacts from across the board salary reductions, the number of full-time positions funded from all sources in fiscal 2003 is 74,748, a decrease of approximately 216 staff compared to actual January 25, 2002 levels. The number of full-time State funded positions is 51,962 for fiscal 2003, a net reduction of 1,022 employees compared to actual January 25, 2002 payroll counts attributed to an aggressive, managed attrition program, an early retirement program, and other actions, including a reduction in force. Continuation of an attrition program will reduce payrolls by 800 during fiscal 2003.

The major changes to employee counts by department are summarized below.

In the Department of Corrections, a reduction of 43 staff will occur through attrition due to a declining prison population and consolidation of prison posts. Within Environmental Protection, the Black Bear Response Team is eliminated, as this function will be absorbed by local law enforcement.

In the Department of Human Services, 77 new positions are being created in the Division of Youth and Family Services (DYFS), at a cost of \$2.5 million. This is the third consecutive annual increase of \$2.5 million to improve caseload ratios at the District Offices. The Fiscal 2003 Budget also provides funding to continue staffing increases in the Department of Human Services, begun in fiscal 2002, to address federal institutional certification and to further increase DYFS staffing to ease workload concerns. The total staff increase, between the beginning of fiscal 2002 and fiscal 2003, is in excess of 1,200.

In the Department of Law and Public Safety, 65 new positions are being added to the Office of Counter-Terrorism. These staff will investigate, plan, and coordinate New Jersey's counter-terrorism efforts.

The Fiscal 2003 Budget re-establishes the Department of Public Advocate, which was disassembled in 1994. The Department will enhance consumer protection and advocacy of the indigent, elderly, children, and others who are not able to protect themselves as individuals or as a class. The fiscal 2003 recommendation includes 109 new positions to provide the necessary programmatic and administrative support for the Department of the Public Advocate pursuant to passage of enabling legislation.

Within the Department of Transportation, 25 new positions are added for the Route 29 Tunnel: 10 maintenance workers and crew supervisors for roadway and tunnel maintenance, 10 staff to maintain 24/7 systems monitoring, and 5 additional staff for 24/7 emergency service patrol coverage. This staffing includes operation of the ventilation system and various other operating systems. Also within the Department of Transportation, the School Bus Inspection Program is establishing 12 new positions, as the present staffing level in the Program does not allow it to meet the legislative mandate regarding the turnaround time for reinspection. As a result, DOT is proposing to establish three teams to handle reinspections. This increase should bring the reinspection time from the current five days closer to the mandated three days. The cost of the new staff will be offset by new reinspection fees, which are not currently charged.

**OFFICE OF MANAGEMENT AND BUDGET**  
**PAID FULL-TIME EMPLOYEE vs FULL-TIME TARGET COMPARISON**

	State			All Other			Total		
	EMPLOYEES	EMPLOYEES	FY 2003	EMPLOYEES	EMPLOYEES	FY 2003	EMPLOYEES	EMPLOYEES	FY 2003
	12/01/00 (PP #25)	01/25/02 (PP #03)	FUNDED POSITIONS	12/01/00 (PP #25)	01/25/02 (PP #03)	FUNDED POSITIONS	12/01/00 (PP #25)	01/25/02 (PP #03)	FUNDED POSITIONS
AGRICULTURE	164	169	179	92	89	88	256	258	267
BANKING AND INSURANCE	103	106	102	396	407	458	499	513	560
CHIEF EXECUTIVE OFFICE	122	152	121	---	---	---	122	152	121
COMMUNITY AFFAIRS	242	258	267	834	848	855	1,076	1,106	1,122
CORRECTIONS (Balance)	8,518	8,998	8,967	468	450	485	8,986	9,448	9,452
- Parole Board	679	713	802	---	---	---	679	713	802
EDUCATION	429	492	491	477	510	583	906	1,002	1,074
ENVIRONMENTAL PROTECTION	2,265	2,405	2,478	1,042	1,033	1,070	3,307	3,438	3,548
HEALTH AND SENIOR SERVICES	781	943	942	1,241	1,211	1,371	2,022	2,154	2,313
HUMAN SERVICES (Total)	12,592	13,459	13,797	5,425	5,664	5,831	18,017	19,123	19,628
- Management and Budget	307	318	318	143	149	145	450	467	463
- Medical Assistance	189	197	169	398	419	435	587	616	604
- Family Development	237	240	235	201	208	214	438	448	449
- Commission for the Blind and Visually Impaired	183	182	179	94	96	95	277	278	274
- Youth and Family Services	2,647	2,910	3,076	667	702	677	3,314	3,612	3,753
- Deaf and Hard of Hearing	5	6	6	---	---	---	5	6	6
- Developmental Disabilities	4,488	4,794	4,902	3,886	4,056	4,229	8,374	8,850	9,131
- Mental Health and Hospitals	4,536	4,812	4,912	36	34	36	4,572	4,846	4,948
LABOR (Balance)	204	210	212	3,346	3,265	3,293	3,550	3,475	3,505
- Public Employee Relations Commission	38	35	41	---	---	---	38	35	41
LAW & PUBLIC SAFETY (Balance)	4,286	4,703	4,784	2,544	2,659	2,735	6,830	7,362	7,519
- Election Law Enforcement Commission	48	49	51	---	---	---	48	49	51
- Violent Crimes Compensation Board	47	48	52	---	---	---	47	48	52
- Executive Commission on Ethical Standards	6	9	9	---	---	---	6	9	9
- Juvenile Justice	1,107	1,203	1,182	414	428	465	1,521	1,631	1,647
MILITARY AND VETERANS' AFFAIRS	1,314	1,308	1,323	150	149	177	1,464	1,457	1,500
PERSONNEL	421	425	413	13	13	14	434	438	427
STATE (Balance)	133	141	144	67	62	61	200	203	205
- Commission on Higher Education	23	22	22	1	2	2	24	24	24
- New Jersey Network	115	120	120	39	40	40	154	160	160
- Higher Education Student Assistance Authority	31	29	27	165	183	195	196	212	222
TRANSPORTATION	4,176	4,172	4,287	1,264	1,268	1,286	5,440	5,440	5,573
- Motor Vehicle Services	---	0	0	---	0	0	0	0	0
TREASURY (Balance)	3,163	3,391	3,362	519	494	494	3,682	3,885	3,856
- Casino Control Commission	---	---	---	333	334	364	333	334	364
- Commerce and Economic Growth Commission	---	0	0	---	0	0	0	0	0
- Office of Administrative Law	101	110	115	10	10	11	111	120	126
- Office of Information Technology	---	---	---	1,016	1,043	1,022	1,016	1,043	1,022
- Public Defender	929	949	982	2	1	2	931	950	984
- Commission on Science and Technology	9	9	9	---	---	---	9	9	9
- Board of Public Utilities / Ratepayer Advocate	---	---	---	289	305	332	289	305	332
MISCELLANEOUS COMMISSIONS	2	2	2	---	---	---	2	2	2
<b>SUBTOTAL EXECUTIVE BRANCH</b>	<b>42,048</b>	<b>44,630</b>	<b>45,283</b>	<b>20,147</b>	<b>20,468</b>	<b>21,234</b>	<b>62,195</b>	<b>65,098</b>	<b>66,517</b>
LEGISLATURE	504	481	550	---	---	---	504	481	550
JUDICIARY (Administrative Office of the Courts)	1,463	1,549	1,625	261	261	272	1,724	1,810	1,897
<b>STATEWIDE TOTAL (w/o Courts)</b>	<b>44,015</b>	<b>46,660</b>	<b>47,458</b>	<b>20,408</b>	<b>20,729</b>	<b>21,506</b>	<b>64,423</b>	<b>67,389</b>	<b>68,964</b>
JUDICIARY (County Courts)	6,164	6,324	6,504	1,232	1,251	1,280	7,396	7,575	7,784
<b>GRAND TOTAL</b>	<b>50,179</b>	<b>52,984</b>	<b>53,962</b>	<b>21,640</b>	<b>21,980</b>	<b>22,786</b>	<b>71,819</b>	<b>74,964</b>	<b>76,748</b>
		Less: Attrition Savings	(800)						(800)
		Less: Unfunded Salary Program Need	(1,200)						(1,200)
		Net Funded Positions for FY 2003	51,962						74,748



GOVERNMENT FINANCE OFFICERS ASSOCIATION

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*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, 2001.*

*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.

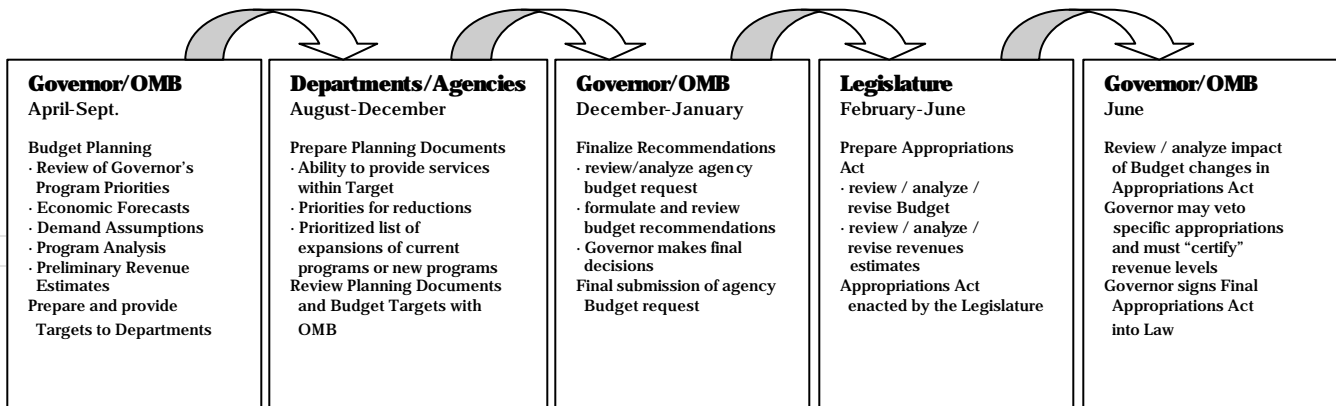
The Legislature, through a series of hearings conducted by its Appropriations Committees, reviews the Budget and makes changes. The Legislature also reviews the revenue estimates included in the Governor's Budget and, based upon several additional months of actual revenue collections in the current fiscal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



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