

STATE OF NEW JERSEY

BUDGET



FISCAL YEAR 2004 - 2005

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February 24, 2004

**JAMES E. MCGREEVEY
GOVERNOR OF NEW JERSEY
TRANSMITTED TO THE FIRST ANNUAL SESSION
OF THE TWO HUNDRED AND ELEVENTH LEGISLATURE**

Mr. President , Mr. Speaker, Distinguished members of the Legislature, honored guests, fellow New Jerseyans ...

It has been a long time coming ... Painful decisions and tough choices... Late nights and fights against special interests that were accustomed to having their way.

But today, we know our choices and decisions have put New Jersey on the right track.

Our children's reading and math scores are among the best in the nation. We have created some of the highest standards for new teachers anywhere.

We have stood up to the developers with the nation's toughest standards to protect our drinking water and our open space.

And today, our tax system is fairer ... unemployment is down and job creation is up ... our economy is the envy of the northeast ... and after years of moving in the wrong direction, New Jersey is on the right track.

Together, under the skillful hand of Treasurer McCormac, the leadership of Speaker Sires and Senate President Codey ... Majority Leaders Kenny and Roberts ... Budget Chairmen Bryant and Greenwald ... and Appropriations Chairwoman Watson-Coleman, we reigned in government spending ... and balanced the budget without an increase in the sales or income tax.

I know it hasn't been easy.

At every turn, the special interests opposed us, but unlike the government in Washington, we stood our ground -- we made the tough choices, and we fought the tough fights.

We offered the people of New Jersey straight talk and we never promised a free ride nor suggested that everyone could have everything.

We asked sacrifice from every resident of New Jersey ... every part of our state ... and every level of government.

These shared sacrifices have yielded better times and brighter days and an economy whose recovery endorses our actions.

Today, New Jersey is moving in the right direction. And we didn't get here by accident.

New Jersey is moving in the right direction because our decisions have been guided by clear principles that have made us stronger ... that have made us better ... that have made us a national leader, with other states following our example.

Today's budget is shaped by the same principles that have governed our decisions in each of the budgets I have presented to this legislature.

Our first priority has been protecting the hard working taxpayers of New Jersey, and this budget is once again balanced without raising sales or income taxes.

Next, we have continued to make investments where they would create the greatest opportunity: in our economy -- to create the jobs of today... in record investments in education -- to create the workforce of tomorrow.

We have also lived up to our commitment to protect the most vulnerable among us -- from children in foster care, the developmentally disabled, to seniors who need affordable prescription drugs.

Lastly, we have insisted that state government live within its means and we have refused to spend money that we don't have.

And those choices have put New Jersey on the right track.

From the day I took office we began restoring fairness to a tax system that had been allowed to benefit the few at the expense of the many.

For too long, too many giant corporations in New Jersey avoided paying their fair share while hard-pressed middle-class families bore the brunt of the tax burden.

New Jersey has many upstanding corporate citizens, but many billion dollar companies paid only \$200 in taxes while middle class families were paying \$2,000. That was wrong and we changed it.

GOVERNOR'S MESSAGE

For twenty-five years, casinos didn't see a single tax increase while middle class families shouldered a bigger burden. That was wrong and we changed it.

We heard the dire predictions about the consequences that would befall our state if we restored fairness to the system.

We were told that asking twelve casinos to pay their fair share to support 220,000 seniors would destroy the economy of an entire region of the state.

We were told that closing loopholes in the corporate business tax would destroy our economy and cost tens of thousands of jobs.

Every one of those predictions has been proven false.

Today our tax system is fairer ... we are adding a record number of new businesses ... and our economy has created more jobs than all the states in the northeast combined.

And those decisions have built a better New Jersey. A New Jersey that is moving in the right direction. As we have restored fiscal responsibility, our economy has responded with growth that is the envy of the nation.

While the Administration in Washington has lost two million jobs, we in New Jersey have added 40,000 since the Legislature passed my first budget.

Our unemployment rate has been lower than the national average for nine straight months. Our enhanced business and job attraction program has approved 25 new companies and 3,500 jobs in the six months since we signed it into law.

We have had a record number of new business filings two years in a row -- 70,000 new businesses started in New Jersey last year alone.

Our economic development authority has increased its financing by over 60 percent and generated 1 billion dollars in new investment.

Our Camden redevelopment plan has generated over 1 billion dollars in private capital investment.

Our investment in the Meadowlands will generate 1.4 billion dollars in economic activity and create 20,000 new jobs.

But don't simply take my word that we are a national leader in creating jobs and growing businesses. This month's Inc. Magazine looked at the top cities in America in which to do business.

Here's what they found. Two New Jersey cities were in the top 10 places in America and a third is in the top 25. No other state in the Northeast can make that claim.

Talking about their survey -- with three New Jersey areas among the national leaders -- Inc. Magazine wrote, quote: "These are among the unexpected places where businesses are adding jobs most rapidly and many people are moving in search of new lives, creating tremendous opportunities for entrepreneurs."

All of these things are happening because WE made the hard decisions... WE made the right decisions ... WE imposed the necessary fiscal discipline ... and WE always put the hard working families of New Jersey first.

The record is irrefutable; so here it is -- no rhetoric, just the facts.

We dedicated over half of the State budget -- 12.3 billion dollars -- to property tax relief.

Fifty cents of every dollar collected by the State of New Jersey goes back to the taxpayers through aid to their towns, school districts, and direct property tax relief for homeowners.

We provided more aid to local school districts than has ever been provided in history.

We spent four billion dollars to literally re-build our school system by saying to every community that if you need to build a new school, local taxpayers don't have to do it alone.

We balanced two budgets and eliminated over 14 billion dollars in deficits without raising the sales or income tax.

We closed a billion dollars of corporate tax loopholes.

That's a billion dollars that won't have to be paid by New Jersey's hard working families ... a billion dollars in cuts to vital programs they will not have to endure.

We cut spending on government operations and held overall spending below the rate of inflation for two years in a row -- no one has done that in nearly fifteen years.

When we took office the fiscal reserve was zero. And in the face of enormous deficits, we have rebuilt our budget reserve to 400 million dollars.

In contrast, the Administration in Washington has given tax breaks to the people who need it the least ... and somehow ... managed to turn a record surplus into a historic, half trillion dollar deficit ... all on the way to losing over two million jobs.

We should be proud of the job we did, how we did it, and what we have done to get the New Jersey economy moving in the right direction.

Now, we must remain true to the fiscal discipline that has brought us to this point.

We cannot do as they have done in Washington and embrace fiscal irresponsibility as the path to economic salvation.

For the third year in a row this budget is balanced ... without an increase in the sales or income tax.

We have reduced the use of one-time revenues by 1 billion dollars and we have used state dollars to replace the 500 million dollars in aid the Federal government has slashed.

Borrowing is down from last year, and unlike the past, every dollar borrowed is paid for with a dedicated source of new revenue.

For the third year in a row, spending on government operations is down.

I am proud that we are investing more money in our schools, in municipal aid to keep property taxes down, in health care for seniors and women and homeland security to keep our families safe.

And for those who want to argue that there is too much spending, show me the specific reductions you want to make in aid to school districts or senior property tax relief or veterans care or DYFS reform.

We are on the right track. We are beginning to reap the rewards from two years of hard choices and tightened belts.

We can use the dividends of our fiscal discipline to build a New Jersey where every parent in every community has access to high quality pre-school and after school programs.

Last week, New Jersey's pre-school program was honored by the National Institute for Early Education Research for having both the highest pre-school standards and the most comprehensive access for low income children anywhere in America.

You should be proud that as a result of the investments you have made over the past two years, we have increased enrollment in our Abbott pre-school program by 40% and set a national standard for excellence.

That is the type of achievement and success that was intended by the Supreme Court and it is having a measurable impact on the educational achievements of our children.

But the value of pre-school is universal and too many parents are still finding that high quality and affordable pre-school is out of their reach.

And that means too many of our children are missing out on early learning experiences that can influence the rest of their lives.

Today, I propose to bring the same commitment ... the same high pre-school standards that won New Jersey national acclaim to suburban communities all across New Jersey.

With your help, this budget will provide 15 million dollars to expand high quality pre-school to 20,000 additional four- year-olds in the next year.

And we will invest an additional 15 million dollars to start "New Jersey After 3", the nation's first statewide public/private after-school program that will serve 20,000 children next year alone.

And that will build a better New Jersey.

We can use the dividends of our difficult decisions to invest in job creation.

GOVERNOR'S MESSAGE

We can build a New Jersey where every high school graduate who wants more education or job training can find it close to home at an affordable price.

Research tells us that students who obtain an associate's degree will earn 400,000 dollars more over their lifetime than a high school graduate. And 95% of community college graduates stay in New Jersey.

These students will become the foundation of our workforce and we must make sure that the benefits of a community college education are within their reach.

We must invest in them so that they can invest in themselves.

This budget will open up a new door of opportunity for 9,000 high school students.

Today I'm calling on this Legislature to create the New Jersey Stars Program, the first New Jersey program to guarantee that every student who performs at the top of his or her high school class will have access to a college education.

To the high school students in New Jersey -- this budget poses a challenge.

If you graduate in the top 20% of your class, the State will make sure that your tuition at a community college is covered.

You do the work... you make the grades... and our NJSTARS program will cover the cost.

And that will keep the New Jersey economy moving in the right direction.

Our economy will grow in proportion to the skills of our workforce and our community colleges are the backbone of New Jersey's job training efforts.

Last year they provided training for over 50,000 employees at over 500 companies.

In order to expand our community college job training partnership, this budget will increase the community college construction and renovation program by 100 million dollars.

This will provide job training to 30,000 additional members of the workforce through the construction of new classrooms, laboratories, and training facilities at community colleges across this state.

There have been no better proponents of the community college system than Speaker Sires and Senator Bryant.

They have been champions of these two initiatives, and they deserve special recognition for their efforts to make sure that higher education is within the reach of everyone.

Thanks to both of you.

Capacity constraints are being felt across our system of higher education.

Our economy cannot afford to let the doors of an affordable quality education at our state universities close to our own high school graduates because of a growing lack of space. Or force others out of state.

This is an investment we must make.

I am asking the Legislature to look at the community college model for capacity expansion and work with us to create similar opportunities for universities and colleges to meet their growing capacity demands.

And together, by building more classrooms, we will build a better New Jersey workforce and keep our economy on the right track.

Our state colleges and universities have also shared in the budget sacrifices of the last two years. And so today, I am asking this legislature to increase funding for our state colleges and universities by 70 million dollars .

Together, they serve over 157,000 New Jersey students every day. It is our obligation to support them.

To keep our economy growing, there are several concrete steps we should take to invest in the industries that offer the highest-paying jobs and the greatest opportunities for growth:

First, we should provide new resources for growing high-tech companies by increasing by 50% the funding for the technology tax credit transfer program;

Second, we should encourage collaboration with our universities by dedicating half of these additional funds to high-tech companies working in our new innovation zones;

Third, we should duplicate the success of our enhanced jobs attraction program with a new jobs retention program that reflects the realities of today's economy.

We have worked together with business to create jobs and now we must work together to keep the good-paying jobs we already have.

As we keep our jobs in New Jersey ... as we invest in the workers of today and the innovators of tomorrow, we will build a stronger economy for New Jersey.

With the fruits of our shared sacrifice, we can invest in the health care of New Jersey, and this budget fully funds our Family Care program.

We can build a New Jersey where access to mammograms is within the reach of every woman and our seniors are given new choices for long term care.

And with an increase in the cigarette tax, we can provide a dedicated funding source and an increase in aid for charity care assistance for our hospitals.

As our seniors confront long term care decisions, they deserve the same respect, dignity, and choices that they have earned through a lifetime of hard work.

Today, I am proposing to fundamentally change the way our state funds the long term care of our senior citizens.

For too long, government has forced seniors to choose between going into a nursing home or giving up the government funds which pay for their care.

For the first time ever, our budget will provide the flexibility we need to allow more seniors to live with dignity at home ... or with a relative ... and still receive the money that New Jersey has earmarked for their long-term care.

This puts the choice for long term care where it belongs -- with seniors and their families -- not with government bureaucrats.

This has been a top priority of AARP. We can thank them for all their efforts by creating this landmark "Senior Care" program and telling every family in New Jersey that the proper care of our seniors should be a choice made by them and no one else.

And that will build a better, a more compassionate New Jersey.

Last year, we asked casinos to pay their fair share to support our prescription drug program and, as a result, our budget provides full funding for PAAD and Senior Gold without any changes in eligibility.

But now, I need bi-partisan support to make sure New Jersey seniors and our prescription drug program receive our fair share from Washington.

Join with me ... with AARP ... and let's send Washington a message:

New Jersey's prescription drug program is better, more generous. And we won't stand idly by if they insist on replacing New Jersey's program with Washington's.

As we look to the most pressing health needs in our state, there are few more important than the investments we are making in cancer research and cancer care.

This budget continues the cutting edge research and care being provided by the Cancer Institute of New Jersey and South Jersey's new Cancer Institute.

But access to preventive screenings like mammograms is the most important weapon we have in this deadly fight.

As I have visited with women across this state to talk about our effort to require insurance companies to cover mammograms for women under forty, I have been struck by the one request I have heard at every forum in every county.

They say: 'Governor, make the insurance companies cover mammograms -- but you must also do something to help the thousands of women without any insurance. They need your help.'

I cannot accept that in a state of our wealth and compassion that any woman should have to forego a mammogram because she doesn't have insurance --

GOVERNOR'S MESSAGE

So I ask you to support my proposal to double state funding to help women without insurance receive breast and cervical cancer screenings.

And together, we will provide mammograms for 15,000 women next year.

And that will build a better, a healthier New Jersey.

Our nation's veterans deserve a special place of recognition and gratitude for the sacrifices they have made so we may enjoy the freedoms that we do.

Across the state, our budget will provide new funding to make sure that as our veterans grow old, they are cared for with the dignity and thanks they have earned.

This spring, we will open the Old Glory Wing in Menlo Park and add room for 40 new residents.

In Paramus, we will begin the construction of a new all-purpose activities room, improving the quality of life for 336 residents.

And in Vineland, we will provide room for 68 more veterans with a new building at the Vineland Veterans home.

And these steps will help our Congressional delegation send a message to the Administration in Washington that we need to expand health care for veterans, not close their hospitals.

As we care for the men and women who have served our country, we must ensure that those who now serve our state on the home front of the war against terrorism are given the tools to do their jobs.

So I ask you to support a new cell tower assessment with all proceeds dedicated to improving 9-1-1 emergency response systems, hiring 200 more State troopers in addition to the 200 already planned for this year, and providing 400 new State Trooper patrol cars.

And that will build a better, a safer New Jersey.

It was less than two months ago that so many of us joined together with Christopher Reeve and countless families to usher in a new era of hope in New Jersey.

Everyday as I travel around this state, I meet people who thank us for our courage and our faith.

My friends, the hope that burns so deeply in these families, their faith that science will discover a cure, must be answered in this budget.

We cannot be satisfied with simply passing stem cell research legislation.

We have an obligation to every patient afflicted with Parkinsons, to every family that has watched a loved one suffer from ALS or Alzheimer's, to seize the opportunity before us.

Today, I propose to go where no other state has gone -- to invest State funds in your courage and the hopes of so many families -- with the creation of a new research institute, the New Jersey Institute for Stem Cell Research.

To start this project and to attract the top researchers and investigators to New Jersey, this budget will provide 6.5 million dollars in initial funding that will leverage additional private research dollars from across this country.

It will put New Jersey at the forefront of medical and pharmaceutical research in this country. And it will put us one step closer to fulfilling our dream -- that some scientist will find a cure for the incurable.

And that will build a better, a more courageous, New Jersey.

These investments in jobs, in education, and in health care for our citizens reflect the priorities of our government. They are all things that will build a better state and will keep New Jersey moving on the right track.

But ultimately, societies are judged by the way they provide for those who cannot care for themselves.

As part of this budget, I am asking each of you to consider the most basic of governmental responsibilities -- the protection of children who cannot protect themselves.

No one can be proud that there are parents who neglect and abuse their children or that our government has too often failed to intervene as quickly as it should have.

For too long, the Division of Youth and Family Services has been unable to meet its critical mission.

So we have taken an unprecedented step. We have enlisted outside experts and subjected the State to their scrutiny because we will do whatever it takes to make this right.

I am not afraid of the scrutiny because we cannot -- we must not -- tolerate failure.

Less than one week ago, Human Services Commissioner Jim Davy handed me a comprehensive plan to reinvent the state's child welfare system.

It is bold... it is thorough...and it is necessary.

It will not be inexpensive, but it will pale in comparison to the cost of inaction.

In this budget, I propose a 125 million dollar increase in funding for the Department of Human Services to adopt this ambitious reform plan -- which will reduce caseloads and rebuild DYFS from the ground up.

I know this is a significant investment to make, but we must be prepared to match the outrage of our rhetoric with the conviction to act.

I need your input in this process ... but let me be clear -- I am prepared to fight for the necessary funding.

And I am prepared to veto any budget that does not do right by our children.

Together we will build a safer New Jersey for our children.

Today, I have talked a great deal about the decisions we have made to restore fiscal discipline and revitalize our economy.

I have spoken about the priorities of our state and the investments I want to make in jobs, in health care, and in the education of our children.

And as our state revenues increase, our schools must receive first priority for funding.

I am extremely proud that the largest single increase in this budget will be for school funding.

This budget will double the increase in aid that was given last year.

We will provide an additional 100 million dollars to Abbott school districts and an additional 100 million dollars to non-Abbott school districts.

This will enable every school district to receive a 3% increase in aid ... but we will also target additional aid to specific communities in need.

We will provide 5 million dollars in special aid to help certain non-Abbott schools implement efficient and effective programs to raise their student achievement.

We will provide 5 million dollars to be awarded to the twenty school districts that best demonstrate the efficiency and effectiveness that promotes high student achievement.

And we have set aside 5 million dollars to help our fastest-growing communities cope with the increased school costs of a rising population.

But we must do more to help these fast growing communities. So when you send me a budget, also send me impact fee property tax relief legislation.

New homes bring new students who are forcing growing towns to meet growing educational costs. So let's pass this bill so that we can give our towns more tools to protect their taxpayers.

And this increased aid will build a better New Jersey and keep our schools on the right track.

I am extremely proud that we have achieved the important goal laid out by the Supreme Court and we have eliminated the fiscal gap between Abbott and wealthier school districts.

But New Jersey's system of school finance will not be effective until it addresses the educational needs of all students regardless of their hometown.

There are too many children who have precisely the same challenges as children in Abbott districts, but because of where they live, they don't receive the educational support that other children receive.

GOVERNOR'S MESSAGE

Our effort has produced encouraging evidence that some of our Abbott districts are producing inspiring student results that exceed those in many suburban districts, even as some Abbotts are not making the progress that we hoped.

Our funding approach must assure everyone that we are demanding both educational excellence and accountability for every school district in the state.

On the issue of spending by school districts, I want to be clear.

My Administration is prepared to be an advocate for the children and the taxpayers of this state against inefficient and ineffective spending.

This budget will place limits on the administrative expenses of school districts so parents can know that their tax dollars are going into the classroom and not into the bureaucracy.

We are providing a significant increase in aid to local school districts, but we will not tolerate inefficient and ineffective spending that accomplishes nothing but an increase in local property taxes.

So I have instructed Commissioner Librera to use the powers of his office to review school district spending to make sure school budgets is funding actual educational achievement.

Let me summarize once again what we are doing to provide new and immediate property tax relief in this budget.

We are devoting fully half of the budget to direct and indirect property tax relief programs.

We are doubling funding for the Senior Citizen property tax freeze program and bringing all of last year's applicants into the program. This will allow 130,000 seniors to have their property taxes frozen.

We are preserving the homestead rebate for 1.6 million people, the veterans property tax deduction for 320,000 residents, and the New Jersey Saver for 1.2 million taxpayers all at their current levels.

We are maintaining the maximum \$10,000 property tax deduction for two million taxpayers.

We are increasing school aid by more than \$200 million for a historic total of 8.7 billion dollars.

We are providing special aid for the fastest growing communities and calling on the Legislature to provide additional aid to these towns by passing impact fee legislation.

We are quadrupling last year's increase in municipal aid by 32 million dollars for a total of 1.8 billion dollars.

We are building on the work of Assembly Majority Leader Roberts and Senate Minority Leader Lance and doubling funding for REDI grants to promote efficiencies and shared services.

We are creating new Taxpayer Hero grants to reward Mayors that hold the line on property taxes.

And we are continuing the effort to eliminate wasteful and unnecessary bureaucracies and provide local taxpayers accountability for their tax dollars.

Everything we have here is far more than we were able to do in our last two budgets.

Everything we do here places the emphasis where it belongs -- on bringing property relief to every taxpayer in this state.

But I do not want to leave anyone with the impression that this budget is the end of the discussion. It is only the beginning and I will be back.

I refuse to allow another year to go by without asking this legislature to do more.

The realities are stark ... the challenges immense ... and the consequences of inaction are simply unacceptable.

No branch, no level of government can do this alone. We must do it together and we must do it this year.

The dictionary defines a Budget as "An itemized summary of probable expenditures and income for a given period."

Those of us who have been through the budget battles before know it is so much more than a list of probable expenditures and income ... or a series of lines with numbers.

Its meaning is much deeper than the phrases that we casually toss around -- revenue estimates... income projections... line-items ... and yes, securitizations.

It embodies the aspirations of a generation of children who want to go to college and the hopes of a legion of families who want to see their loved ones receive better health care.

This book reflects the conscience of our state and the collective compassion of our citizenry.

It is our document of accountability to the public for the taxes they pay and the services they receive.

In years past, it has reflected the tough choices of a difficult time. Today, it reflects the investments of a state that has put itself back on the right track.

Investments that mean more children will be able to go to pre-school ... and more young people will be able to afford college ... Choices that mean more workers will be able to take advantage of job training ... and more companies will come to New Jersey.

Priorities that mean more seniors will have access to affordable prescriptions... and more women will have access to mammograms...

And values that mean more of our most vulnerable young people will finally be given the protection they deserve.

For two years, we have made tough choices to meet the burden of tough times.

We have asked for sacrifices as we have demanded fairness. So today we can say New Jersey has turned the corner and is now moving in the right direction.

The future of New Jersey is brighter today than it was two years ago -- not simply by the actions of government, but through the hard work of the people and businesses of this great state.

This is what happens when we join in common purpose to pursue a common vision. We have laid the groundwork for a better tomorrow.

In the months ahead I look forward to working with the bi-partisanship leadership of the Legislature, Speaker Sires, Senate President Codey, the Majority Leaders Roberts and Kenny, budget and appropriations chair persons, Greenwald, Bryant, and Watson-Coleman as well as Minority Leaders Lance and DeCroce and budget officers Littell and Malone.

The challenges continue... the fight for tax fairness goes on... and the tough choices don't go away. But today, thanks to that fiscal discipline we have shown, we are beginning to see the fruits of our labors.

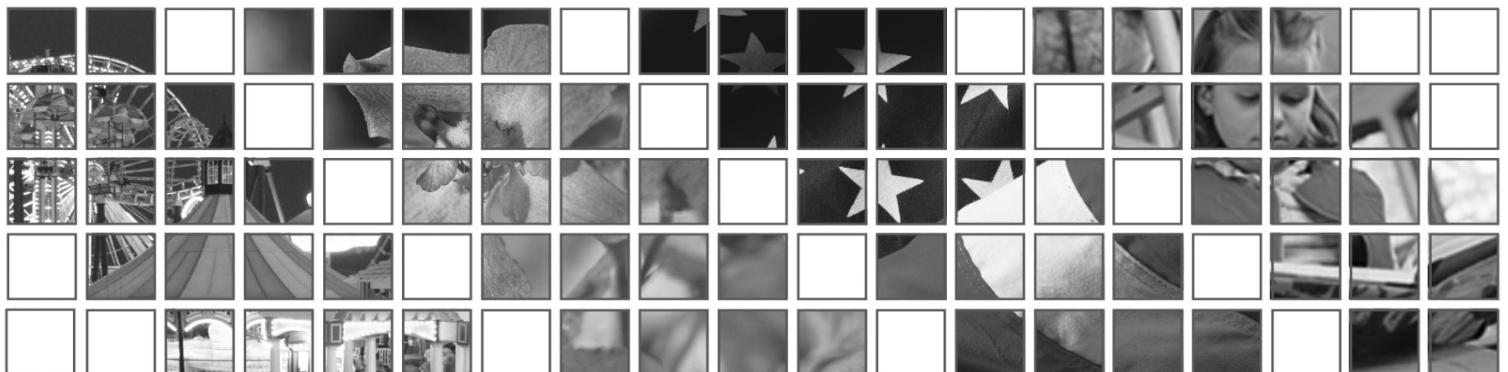
We have put New Jersey on the right track and we are moving in the right direction.

The sun is rising on the New Jersey horizon and greater hope and opportunities are here for all our citizens.

Now, let's get to work.

Reader's Guide

This section of the Budget is designed to assist readers with interpreting and understanding the content of the Governor's annual budget proposal. Included are brief descriptions of the major sections of the Governor's Budget, a guide to reading the financial tables included in the budget summaries, and a brief description of New Jersey's budget process.



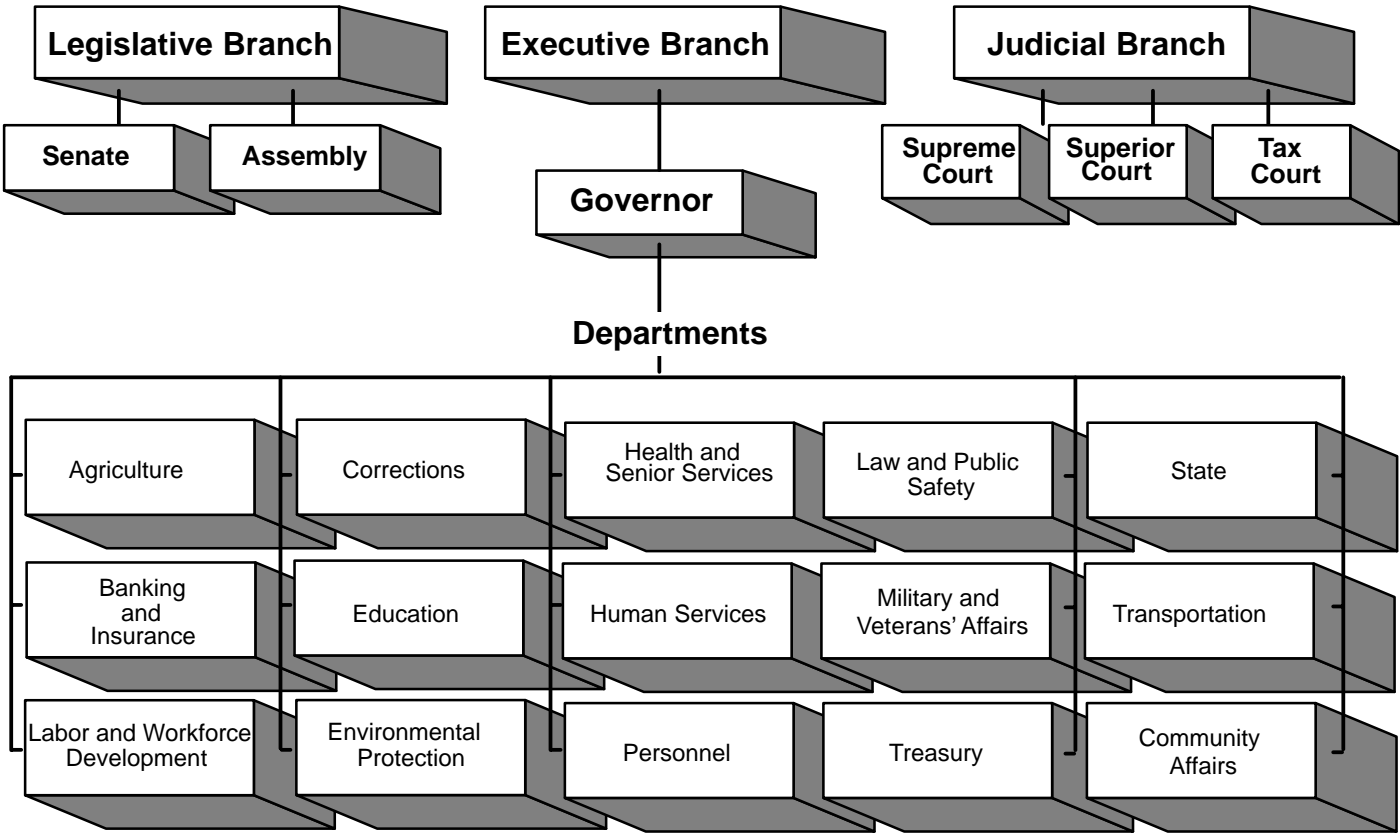
Background

The State of New Jersey was one of the original thirteen colonies, and was the third state to ratify the United States Constitution in 1787. New Jersey's governmental structure is similar to the federal model, with three separate branches of government – a Legislative Branch, a Judicial Branch and an Executive Branch. The original State Constitution was adopted on July 2, 1776 and was subsequently superseded in 1844 and 1947.

The Constitution of the State requires a balanced budget and restricts State long-term borrowing to one percent of total appropriations, unless higher amounts are specifically approved by voters at a general election. Short-term borrowing to cover cash flow needs, provided such borrowing is repaid within the same fiscal year, is not prohibited by the Constitution, and is authorized in the Annual Appropriations Act.

A State Government Organization chart is provided below:

ORGANIZATION OF NEW JERSEY STATE GOVERNMENT



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 August. 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 September 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 mid January, and preliminary recommendations are agreed upon.

During the months of January and February, 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 February.

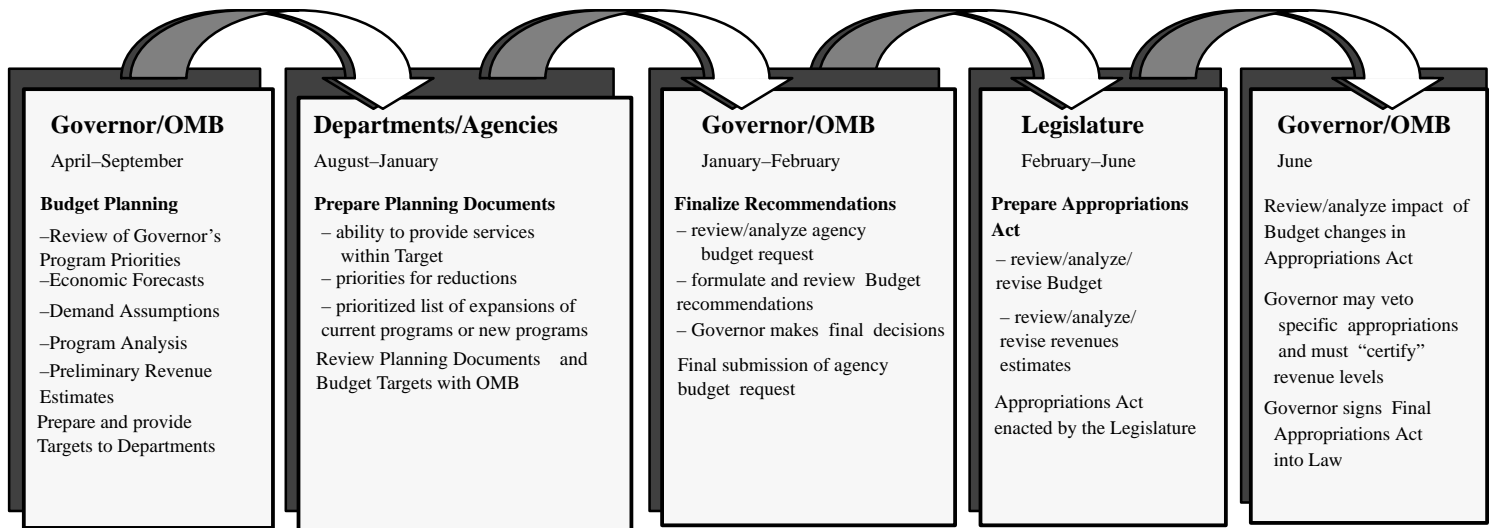
The planning portion of the process culminates in the final submission of the agency budget request to OMB in February, which is forwarded to the Legislature. The Budget Message, representing the Governor's recommendations on how revenues should be allocated, is delivered to the Legislature on or before February 24th of each year. 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.



HOW THE BUDGET IS ORGANIZED

The New Jersey State Budget is divided into five major sections, which provide information on a broad range of budget related topics, including anticipated state revenues, gubernatorial policies and new initiatives, and agency programmatic achievements. The major sections are described below:

- 1.) The ***Governor’s Budget Message*** describes in general terms the policies and new initiatives as well as the reductions and efficiencies proposed in the Budget. The Governor’s Message generally includes a description of the economic situation within the state and the expected impact of projected economic trends on the state’s fiscal condition. The Governor’s Message may also include broad programmatic goals for each of the individual State departments or major segments of the government as well as policy directions for the upcoming fiscal year.
- 2.) The ***Summaries of Appropriations Section*** of the Budget includes a selection of tables and charts designed to summarize the Governor’s recommendations and highlight the major changes included within the proposed Budget. For instance, the *Budget in Brief* provides a summary of total revenues and recommendations for each of the state’s major fund categories, such as the General Fund, Casino Revenue Fund, and Property Tax Relief Fund. This section also includes a number of fiscal tables which explain the Governor’s recommendations at various, significant levels of aggregation.

Summary of Appropriation Recommendations
Summary of Appropriation Recommendations by Fund
Summary of Appropriation Recommendations by Organization
Summary of Appropriations by Category or Purpose
Summary of Appropriations by Statewide Program
Appropriations – Major Increases and Decreases

Also included within this section is the *Major Highlights* of the fiscal year 2005 Budget, which discusses the major programmatic and operational impact of the budget proposals.

Additional summaries of major increases and decreases, and charts and graphs depicting significant programmatic or fiscal trends included within the FY 2005 Budget are also included within this section.

- 3.) The ***Summaries of Revenues, Expenditures and Fund Balances*** section provides an overview of the state’s economy and revenue outlook and the impact that anticipated economic trends will have on the state’s revenue estimates. The tables included within this section highlight the state’s major revenue sources, such as the income tax, sales tax, corporation tax, etc., and provide year-to-year comparisons and projections for the fiscal year 2005 budget year. Most of the schedules and exhibits in this section are displayed by *Fund*. For the purposes of state financial accounting, funds are accounting entities which segregate financial resources according to the purposes for which they may be used.

READER'S GUIDE

This section includes four "major schedules" which provide detail of actual and estimated revenues and expenditures by department. Within each department, individual revenue sources are shown, including those which are dedicated to support specific functions or programs and are derived from fees, fines, or charges for services, which are established by law or agency regulation.

Schedule I depicts anticipated revenue which, together with estimated beginning Undesignated Fund Balance (Surplus), provide the resources for the recommended appropriations summarized in **Schedule III** (Expenditures Budgeted).

Schedules II & IV enumerate estimated revenues and expenditures on an as received basis over and above the general revenues and specific line item appropriations shown in **Schedules I & III**.

- 4.) The **Budget Recommendations** section is the largest section of the Budget and includes the greatest detail on proposed appropriations. It is divided into categories based on the source and use of appropriations; and is organized by Governmental Branch and sorted in alphabetical order by agencies or executive departments. The major sub-divisions of this section are summarized below:

- a. Department and Branch Recommendations
(Direct State Services, Grants-In-Aid, State Aid and Capital Construction)
- b. Debt Service
- c. General and Federal Fund Language Provisions
- d. Revolving Funds
- e. Appendices

4.A.) Budget Recommendations – Overview

For fiscal 2005, the Budget displays all of a department's non-debt appropriations in a single subdivision of the document. The separate sub-divisions for Direct State Services (i.e. funds to support operations), Grants-In-Aid, State Aid and Capital Construction are now shown together in a consolidated display. Appropriations for Dedicated Funds (e.g. Property Tax Relief Fund, Casino Revenue Fund, etc.) are also included in the consolidated departmental presentation. An aggregate view of appropriation recommendations affecting State Aid, the Casino Revenue Fund, etc., are presented in new summaries in the "Summaries of Appropriations" section.

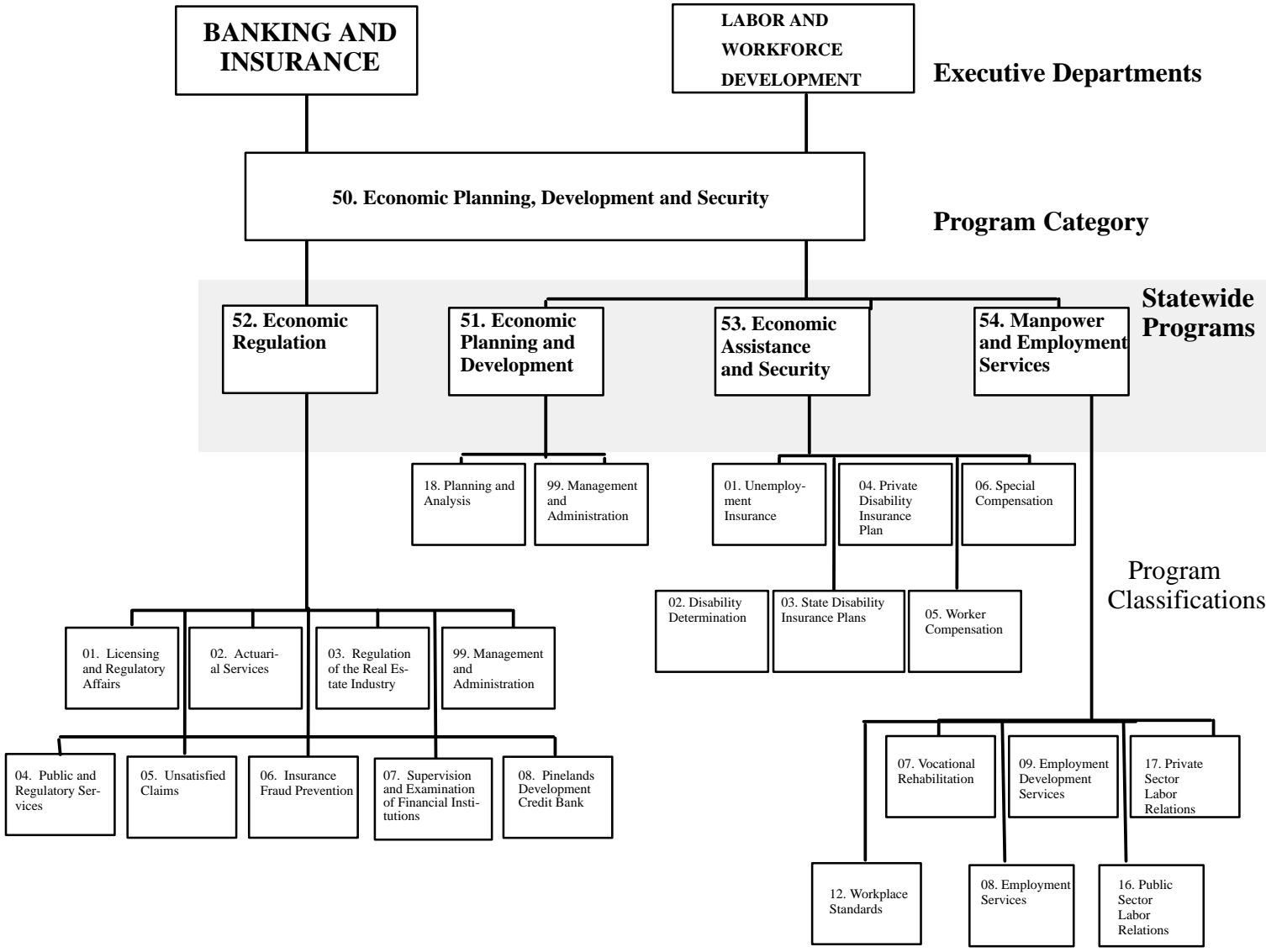
These changes were made to better organize program descriptions and operating and evaluation data with the relevant appropriation recommendations. This consolidated presentation will provide readers with a comprehensive view of all of a department's operations, across all spending categories and funds. This should help New Jersey citizens better understand the relationships between *all* of the recommendations affecting departmental programs.

Each of the sub-sections of the *Budget Recommendation* section follow a consistent hierarchical order – Department, Program Category, Statewide Program, Organization and/or Program Classification. Individual departmental presentations are grouped by "Statewide Program" which represent a high level, functional grouping of related programs contributing to a broad statewide objective. Statewide Programs generally span several departments. Examples of Statewide Programs include Public Safety and Criminal Justice, Natural Resource Management, and Parole and Community Programs.

Below Statewide Programs, the Budget presentation is further broken down into "Program Classifications," which represent a lower level, operating program function, consisting of closely related activities with identifiable objectives or goals. Examples of program classifications include Water Supply Management, Forestry Management, Shellfish and Marine Fisheries Management, in the Department of Environmental Protection. Detailed descriptions of agency program classifications are provided at the beginning of each statewide program presentation within a department, along with objectives for the entire statewide program.

In the Department of Labor and Workforce Development for example, all programs are grouped under the broad **Program Category** of *Economic Planning, Development and Security*. They are further divided into the following four **Statewide Programs**: 1.) *Economic Planning and Development*, 2.) *Economic Regulation*, 3.) *Economic Assistance and Security*, and 4.) *Manpower and Employment Services*. Each of these **Statewide Programs** are made up of a number of individual program classifications. **Program Categories and Statewide Programs** generally span multiple departments.

The programmatic hierarchy of two State departments, Banking and Insurance and Labor and Workforce Development, is shown on the facing page. Note that the Statewide Program, Economic Regulation, is common to both.



READER'S GUIDE

4.B.) Budget Recommendations – Descriptions of Sub-Divisions

Detailed descriptions of the sub-divisions of the *Budget Recommendations Section* are provided below:

- a.) *Department and Branch Recommendations* is the sub-division of the Budget that relates to the appropriations and expenditures that support operations of State agencies, grants and state aid. In addition to appropriation and expenditure data, agency objectives, descriptions of agency programs and programmatic evaluation data are detailed. Federal and non-state funds are also included here.

Each statewide program presentation includes relevant *Evaluation Data*, which provide comparative measurements of agency workload, effectiveness, and/or efficiency. This information shows the impact of the recommended funding level on an agency's activities.

Information is provided on the number of employees and funded positions within each department. The actual number of employees reported may be less than the number of positions allocated to an agency and is dependent upon authorized hiring levels and other factors. Position and Personnel data are summarized to the program classification level, and include information on the current year, two prior years, and a projection for the budget request year.

The *Appropriations Data* component includes detailed funding recommendations from the General Fund and Dedicated Funds by program classification, fund category (Direct State Services, Grants-In-Aid, State Aid and Capital Construction) and object of expenditure. The *General Fund* represents the collection of all State revenues, not otherwise restricted by statute. There are four major funds dedicated by the Constitution for specific purposes. The *Property Tax Relief Fund*, financed by the personal income tax, provides aid to local schools and municipalities as well as the Homestead Rebate Program, which offsets a portion of an individual's property taxes. The *Casino Revenue Fund*, the proceeds of a tax upon casino revenues, funds new or expanded programs for the elderly and the disabled. The *Casino Control Fund* represents the cost of regulating the casino industry, as charged to that industry. And the *Gubernatorial Elections Fund* consists of designated contributions by taxpayers for the public financing of gubernatorial elections. By examining changes in the program classification recommendations vis-à-vis prior year spending levels and other programs, readers will be able to ascertain savings and efficiencies as well as the relative priority that is being placed on specific agency program activities.

Various fund appropriations are broken down into categories based on how the appropriations will be used. *Direct State Services* represent funding to support the administration and direct operations of State programs. Objects of expenditure such as state employee salaries, materials and supplies, (paper, printing etc.), services other than personal (telephones, postage, software, consultant services) maintenance, equipment and special purpose accounts are included in this category. Contracted services, such as the operations of motor vehicle agencies, are also paid out of direct state services.

Grants-In-Aid appropriations represent funding of grants made to individuals and various public and private agencies, for services that are considered the overall responsibility of the State but that are provided by third parties. The largest grant-in-aid program is Medicaid, but others include block grants to senior public colleges and universities, subsidy assistance to NJ Transit, and tuition assistance programs. The State's Homestead Rebate program and the Direct School Tax Relief program are also funded in the Grants-In-Aid component.

State Aid is the recommendation for payments by the State to or on behalf of a local unit of government (county, municipality, or school district) to assist this local government in carrying out its responsibilities. The largest state appropriations are for aid to local schools.

Capital Construction contains the recommendations, by capital project within department, for current (pay-as-you-go) projects, as opposed to those funded by long-term bonds. A capital project includes the acquisition of land, new structures and equipment, and other projects whose estimated cost of land, planning, furnishing and equipping is estimated to be \$50,000 or more. Projects or acquisitions under \$50,000 are appropriated in the maintenance accounts in Direct State Services.

Language Recommendations, the final, significant item of this budget sub-division are included at the end of statewide program or departmental presentations. These language provisions are as significant as the fiscal recommendations because they provide the Department, the Legislature, or the Director of the Division of Budget and Accounting with specific budget and/or spending authority or establish limits on such authority. It is through budget language, that prior year balances are appropriated for current year expenses or lapsed, and that departments are incentivized allowing retention of fine or fee revenue above a specific predetermined amount.

- b.) The *Debt Service* sub-division depicts the amounts necessary to pay principal and interest due on capital projects financed by general obligation bonds of the State. The primary method for financing of capital projects is through the sale of bonds. No debt can be issued by the State without approval by a majority of the legally qualified voters. This section also includes a brief description of the active bond issues financed by current Debt Service appropriations. Historically, New Jersey Debt Service payments average approximately three percent of the total General Fund appropriations.
- c.) The *Language Provisions* sub-division of the Budget establishes authority beyond the specificity of the detailed line-item budgets for both general and federal funds. They apply to broad areas of the budget such as entire funds, appropriations in general and in some cases mandate additional administrative requirements related to the enactment of the budget. Language also authorizes adjustments for reorganizations and corrections to the appropriations act after its enactment.

- d.) *Revolving and Other Funds* is the sub-division of the Budget that depicts programs or agencies not provided with direct appropriations, but rather operate from fees charged for services or commodities provided to other State agencies. Examples include print shops, laundries, and information processing services.
- 5.) The *Appendix* includes Statements of Estimated Revenues, Expenditures and Fund Balances of the State's Special Revenue, Capital Projects and Trust Funds (excluding Pension Trust Funds). The statements include the actual revenues and expenditures for the fiscal year ended June 30, 2002, presented in accordance with generally accepted accounting principles, as well as estimated amounts for fiscal 2003 and fiscal 2004.

Special Revenue Funds (Appendix 1A) are used to account for proceeds of specific revenue sources (other than special assessments, expendable trusts or for major capital projects) that are legally restricted to expenditures for specified purposes.

Capital Projects Funds (Appendix 1B) are used to account for financial resources to be used for the acquisition or construction of major capital facilities for State use. Funds granted to other units of government for facilities are not classified as Capital Project Funds and are included as expenditures of Special Revenue Funds. Various Capital Projects Funds include funds both for capital facilities for State use and for grants to other units of government.

Trust Funds (Appendix 1C) are used to account for assets held by the State in a trustee capacity for individuals, private organizations, other governments and/or other funds.

Other exhibits in the appendix include a listing of programs eligible for support from the Lottery Fund in addition to other special summaries.

BASIS OF BUDGETING

An annual budget is prepared for the General Fund and certain special revenue funds (Casino Control, Casino Revenue, Gubernatorial Elections, and Property Tax Relief funds). The Legislature enacts the Budget through passage of specific departmental appropriations, the sum of which may not exceed estimated revenues and the Governor is responsible for the final certification of revenue.

The Governor's budget is prepared in accordance with generally accepted accounting principles (GAAP). Revenues are recognized when susceptible to accrual; that is, when they are both measurable and available to finance expenditures of the fiscal period. Significant revenue sources which are susceptible to accrual include sales tax, individual income taxes, corporate income taxes and federal grants.

Appropriations are recommended at a level sufficient to recognize all accrued expenditures applicable to the fiscal period. Expenditures are recorded on an accrual basis when the related liability is incurred. Disbursements for prepaid expenses, inventory items, and fixed assets are recorded when expenditures are incurred. Expenditures for principal and interest on general obligation long-term debt are recognized when due.

The use of the term "expended" to report the most recent actual year activity in the budget is not in strict accordance with GAAP, in that this amount includes encumbrances which under GAAP are reservations of fund balance, not expenditures.

RELATIONSHIP TO THE COMPREHENSIVE ANNUAL FINANCIAL REPORT

The Department of the Treasury, OMB, issues the Comprehensive Annual Financial Report (CAFR) which includes all funds. The State's budgetary basis differs from that utilized to present financial statements in conformance with generally accepted accounting principles (GAAP). The main differences between the budgetary basis and the GAAP basis are that under the budgetary basis encumbrances are recognized as expenditures, the federal revenue related to such encumbrances is also recognized, and the budgetary basis reflects transactions only for the current fiscal year. In addition, the budgetary basis does not accrue the value of food stamps.

BUDGETARY CONTROL

Budgetary control is maintained at the item of appropriation level. "Item of appropriation" means the spending authority associated with an organization, appropriation source, and program classification, as identified by line-items in the Appropriations Act. Internal transfers within programs are permitted within certain constraints, transfers between program or over designated levels require the approval of the legislature. In cases where appropriations are based on anticipated revenues, spending authority will be reduced by the amount of the deficiency. Other changes to the budget not authorized by specific language provision, must be approved by the legislature in a supplemental appropriation.

YEAR END BALANCES

Appropriations are authorized for expenditures during the fiscal year and for a period of one month thereafter, and unencumbered appropriations lapse at year end, unless otherwise specified by the Appropriations Act. Non-lapsing balances are considered automatically reappropriated as authorized by statute or by the appropriations act.

READER'S GUIDE

10. PUBLIC SAFETY AND CRIMINAL JUSTICE 12. LAW ENFORCEMENT

OBJECTIVES

PROGRAM CLASSIFICATIONS

1. To prosecute all criminal appeals.

09. **Criminal Justice.** Exercises functions pertaining to enforcement and prosecution of criminal activities in the State.

EVALUATION DATA

	Actual FY 2002	Actual FY 2003	Revised FY 2004	Budget Estimate FY 2005
PROGRAM DATA				
Criminal Justice				
Complaints, Inquiries, Other Matters (Closed)	3,343	5,571	6,000	6,000
PERSONNEL DATA				
Position Data				
State Supported	359	368	354	424

APPROPRIATIONS DATA (thousands of dollars)

Year Ending June 30, 2003					Year Ending June 30, 2005				
Orig. & (S)Supple- mental	Reapp. & (R)Recpts.	Transfers & (E)Emer- gencies	Total Available	Expended	Prog. Class.	2004 Adjusted Approp.	Requested	Recom- mended	
Distribution by Program									
22,507	4,646	712	27,865	27,121	Criminal Justice	09	21,691	28,291	28,291
22,507								1	28,291
690								5	625
447								7	477
2,321								1	4,631
2,321								1	4,631
17,559								1	23,691
								0	1,000
								0	1,000
4,948								0	3,600
4,948								0	3,600
<u>1,000</u>	<u>---</u>	<u>---</u>	<u>1,000</u>	<u>1,000</u>	<i>Total Capital Construction</i>		<u>---</u>	<u>---</u>	<u>---</u>
23,507	4,646	712	28,865	28,121	TOTAL STATE APPROPRIATIONS		---	---	---
Federal Funds									
59,655	14,486	-151	73,990	31,803	Criminal Justice	09	42,574	33,350	33,350
59,655	14,486	-151	73,990	31,803	<i>Total Federal Funds</i>		42,574	33,350	33,350
All Other Funds									
	1,136				Criminal Justice	09	34,850	34,760	34,760
	16,125 ^R	1,975	19,236	8,583	<i>Total All Other Funds</i>		34,850	34,760	34,760
	17,261	1,975	19,236	8,583					
83,162	36,393	2,536	127,091	68,507	GRAND TOTAL		99,115	96,401	96,401

Reading the Budget Tables

The Appropriation summaries and individual agency Budgets included in the New Jersey Budget document generally follow a consistent format, an annotated version of which is shown on the following pages.

Notes — Direct State Services – General Fund

(a) The fiscal 2004 appropriation has been adjusted for the allocation of salary program.

Language Recommendations — Direct State Services – General Fund

The unexpended balance as of June 30, 2004 in the Victim Witness Advocacy Fund account, together with receipts derived.

A statement of specific, measurable accomplishments related to the need, problem or opportunity the program is designed to address

Program Classification Account code.

Evaluation Data provides measurements of workload effectiveness and efficiency.

The Original and Supplemental column represents the original appropriation for fiscal year 2003 as enacted by the Legislature on July 1, 2002. This column also includes the total of all supplemental appropriations which were enacted by the Legislature and signed into law by the Governor during fiscal year 2003.

Reappropriations and Receipts column contains two separate items: Reappropriations, which represent funds that remained unexpended from a prior fiscal year and were made available for spending purposes in the budget year. Reappropriations are usually restricted to certain programs or accounts with multi-year obligations, such as Capital Accounts, where rehabilitation or construction projects typically take several years. Receipts represent dedicated taxes or fees which are credited to a specific account or agency. An example of receipts are funds collected for Hunters and Anglers' programs from license fees Receipts are indicated by a superscript "R".

Transfers and Emergencies are either Transfers, which represents monies which were either transferred between departments and agencies or between fund categories, or Emergencies, which represent an allocation of funds to an agency from the State Emergency Fund to meet unanticipated spending requirements. In the tables within the Budget Recommendation section, emergency transfers are indicated by a superscript "E".

Total Available is the total of the original and supplemental appropriations plus any reappropriations and receipts plus or minus transfers and emergency funds.

The Expended Amount represents total disbursements and obligations made in fiscal year 2003.

10. PUBLIC SAFETY AND CRIMINAL JUSTICE
12. LAW ENFORCEMENT

OBJECTIVES

PROGRAM CLASSIFICATIONS

1. To provide statewide law enforcement services.

09. Criminal Justice. Exercises functions pertaining to enforcement and prosecution of criminal activities in the State.

EVALUATION DATA

PROGRAM DATA	Actual FY 2002	Actual FY 2003	Revised FY 2004	Budget Estimate FY 2005
Criminal Justice				
Complaints, Inquiries, Other Matters (Closed)	6,027	6,689	7,000	7,000
PERSONNEL DATA				
Position Data				
State Supported	3,158	3,236	3,216	3,387

APPROPRIATIONS DATA
(thousands of dollars)

Year Ending June 30, 2003					Year Ending June 30, 2005			
Orig. & (S)Supplemental	Reapp. & (R)Recpts.	Transfers & (E)Emergencies	Total Available	Expended	Prog. Class.	2004 Adjusted Approp.	Requested	Recommended
17,559	4,646	682	22,887	22,143				
17,559	4,646	682	22,887	22,143				
152,359	5,514 ^R	3,315	161,188	144,517				
152,359	5,514	3,315	161,188	144,517				
—	—	—	—	—				
—	—	—	—	—				
4,948	—	30	4,978	4,978				
4,948	—	30	4,978	4,978				
4,948	—	30	4,978	4,978				
1,053	1,177	(14)	2,216	665				
1,053	1,177	(14)	2,516	665				
1,053	1,177	(14)	2,516	665				
218,368	21,359	3,992	243,719	236,439				
59,655	14,486	(151)	73,990	31,803				
59,655	14,486	(151)	73,990	31,803				
—	1,136	1,975	19,236	8,583				
—	16,125 ^R	1,975	19,236	8,583				
—	17,261	1,975	19,236	8,583				
295,785	108,360	21,821	425,966	347,051				

Notes — Direct State Services — General Fund

(a) The fiscal year 2004 appropriation has been adjusted for the allocation of salary program.

Language Recommendations — Direct State Services — General Fund

The unexpended balance as of June 30, 2004 in the Victim Witness Advocacy Fund account, together with receipts derived.

Program Category—The broadest grouping of programs presented in the Budget document.

Statewide Program—A high level, functional grouping of related programs.

Program Classes—low level, operating program functions grouped together under statewide programs. It is the level at which Appropriations are made.

Adjusted Appropriation represents the current fiscal year appropriation, adjusted to include any distributions made from central, interdepartmental accounts to cover employee cost of living adjustments, etc., as well as any supplemental appropriations which were enacted prior to the printing of the Budget or anticipated through year end.

The Requested column represents the amount requested by the various Executive departments, and agencies and other branches of government.

The Recommended Budget column represents the Governor's proposal to the Legislature.

Other Related Appropriations, also called below-the-line appropriations, are summarized in the Direct State Services presentation in order to provide an overview of agency budgets encompassing all spending categories and funding sources.

Appropriation Language is as important as the fiscal recommendations. It sets limits and conditions on the use of appropriations.

READER'S GUIDE

GLOSSARY

This glossary contains definitions of terms used in this budget, or in State budgeting and accounting procedures. It is not intended to be an exhaustive dictionary of accounting and budgeting terms, but does define the most commonly used terminology.

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

ADDITIONS, IMPROVEMENTS AND EQUIPMENT— Additions and improvements which are less than \$50,000 in cost and the purchase of equipment such as vehicles, office equipment and information processing equipment. Any addition and improvement that is \$50,000 or more or is for a new structure is classified as Capital Construction.

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

ALL OTHER FUNDS— Revenues, other than Federal, which are not anticipated as resources to support the annual State budget. Upon receipt, these funds become appropriated, as provided by the language of the Appropriations Act.

ALLOTMENT— An allocation of a portion of an appropriation to make it available for encumbrance or disbursement by the agency to which appropriated, and usually applying to a period of time; e.g., a calendar quarter. In the instance of Inter-departmental appropriations, allotments made to the various agencies simultaneously transfer appropriations and make them available for encumbrance or disbursement by the agency.

ANTICIPATED RESOURCES— For each fiscal year, is the sum of the estimated surplus at the end of the prior fiscal year, together with all estimated revenues for the General Fund from all sources, including taxes and license fees, other miscellaneous departmental Federal aid and revenues of trust funds which are not within the General Treasury.

ANTICIPATED REVENUE— That portion of estimated revenues to be realized in any fiscal year which have been anticipated as General Fund resources to support the appropriations made, or undesignated fund balance projected, in the annual Appropriations Act. Such revenues are not available for expenditure unless appropriated by the Legislature.

APPROPRIATED REVENUE— Those revenues not previously anticipated or budgeted, which upon receipt increase appropriation balances as authorized in the Appropriations Act, and from which agencies may incur obligations or make expenditures for specific purposes.

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.

ATTRITION— A means of reducing the number of employees by not refilling positions vacated through resignation, reassignment, transfer, retirement or means other than layoffs.

BEGINNING BALANCE— The amount of funds available at the start of a state fiscal year that is left over from the previous year.

BILL— A proposed law.

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— A funding tool representing a written promise to pay a

specific sum of money in the future plus interest. In New Jersey, bonds are used to finance capital improvements.

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.

BUDGETED POSITION— A position specifically approved and funded by a State appropriation in a salary object account.

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— This category includes funds budgeted for:

1. 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. Projects whose estimated cost including land, planning, furnishing and equipping, is usually \$50,000 or more regardless of the construction involved with a useful life of at least ten years.

CAPITAL PROJECT FUNDS— Account for financial resources for the acquisition or construction of major capital facilities.

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.

CATEGORICAL GRANT— An amount allotted by the Federal government to the State to be allocated to a particular program area for a specific purpose or mandate of the Federal government.

CERTIFICATES OF PARTICIPATION— Certificates which are sold to investors to raise cash to purchase equipment through a master lease-purchase agreement. The principal and interest on the certificates are paid from appropriations made to agencies which obtained equipment through the master lease-purchase program. (See also MASTER LEASE PROGRAM.)

CHART OF ACCOUNTS— A systematic structure for appropriating and recording accounting information pertaining to the financial activities of the State.

CONTINGENCY APPROPRIATION— An appropriation to provide for unforeseen expenditures or for anticipated expenditures of uncertain amounts.

CONTROL ACCOUNT— Denotes an account established for the purpose of receiving and holding unallocated appropriations or appropriated receipts pending transfer to operating, or expenditure accounts.

GLOSSARY

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.

DEDICATED FUND— A fund normally contained in the General Fund, consisting of resources owned by the State, the use of which is constrained, either by statutory specification, dedication or other restriction, or a particular purpose or program. Receipts from a specific revenue source may be dedicated by the annual Appropriations Act or other legislation, to be used for some specific purpose.

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

DISBURSEMENT— Payment of money out of any public fund or treasury. (See also EXPENDITURE.)

EMERGENCY FUND— A sum appropriated, within the Contingency Appropriation, for allotment to agencies to meet emergency conditions.

EMERGENCY TRANSFER— The allocation of funds to an agency from the Emergency Fund to meet unanticipated expenditures.

ENCUMBRANCE— A reservation of funds for future payment (disbursement) to liquidate an obligation incurred, usually by the issuance of a purchase order or the execution of a contract calling for payment in the future.

ENDING BALANCE— The amount of funds remaining in an account at the end of the fiscal year.

EVALUATION DATA— The quantitative expression of the end products produced or other elements involved in the work of an organization.

EXCESS RECEIPTS— Any receipts by an agency in excess of anticipated resources in the annual Appropriations Act. Such excess receipts may either be appropriated for the agency's use by the annual Appropriations Act, or may be considered as an overrun of anticipations and, therefore, credited to the General Fund undesignated fund balance.

EXPENDITURE— Denotes charges incurred, whether paid or unpaid, thus including both disbursements and liabilities. (See also DISBURSEMENT and ENCUMBRANCE.)

EXPENDITURE ACCOUNT— An account in which expenditure transactions are recorded, normally termed an object account; as opposed to a control account in which expenditures may not be recorded.

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. New Jersey State government has a July 1 to June 30 fiscal year.

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

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

FUND BALANCE—DESIGNATED— Unexpended and unencumbered appropriations which are authorized to continue into the subsequent fiscal year. (See also REAPPROPRIATION.)

FUND BALANCE—UNDESIGNATED— Fund equity unrestricted and available for appropriation.

GAAP— Generally Accepted Accounting Principles—The rules and procedures necessary to define uniform account and financial reporting standards, including broad guidelines and detailed practices. The Governmental Accounting Standards Board (GASB) promulgates accounting principles for state and local governments.

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.

GENERAL TREASURY— Consists of all funds over which the State Treasurer is custodian and/or funds of which the State of New Jersey is the owner or beneficial owner.

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.

ITEM OF APPROPRIATION — Means the spending authority identified by an organization code, appropriation source, and program code, unique to the item, and may include a number of object accounts within a program or specific appropriations made to Special Purpose, Grants-In-Aid, State Aid, or Capital Construction line item.

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

INTERFUND TRANSFER— An amount transferred from one fund to another, normally authorized by the annual Appropriations Act.

LANGUAGE RECOMMENDATIONS - Language located at the end of a statewide program or department, which provides specific spending or budget authority and/or places limitations on such authority.

LAPSE— The automatic termination of an appropriation. Appropriations are made for a single fiscal year. At the end of this period, any unexpected or unencumbered balances revert (lapse) to undesignated fund balance in the General Fund, or to the fund from which originally appropriated, unless specifically appropriated again in the succeeding fiscal year.

LIABILITY— Debt or other legal obligation arising out of transactions in the past which must be liquidated, renewed, or refunded at some future date. This term does not include encumbrances.

LINE ITEM— Any single line account for which an appropriation is provided in an Appropriations Act. Includes appropriations made to specific object accounts such as Materials and Supplies or any Special Purpose, Grants-In-Aid, State Aid or Capital Construction account.

MAINTENANCE AND FIXED CHARGES— Constitute the routine repair and maintenance of buildings, property and equipment required to keep them in operation and prevent deterioration.

MASTER LEASE PROGRAM— A program of financing selected equipment including computers, vehicles and furniture purchases, over multiple years through the issuance of Certificates of Participation. The State of New Jersey, as lessee, is obligated to make payments equal to principal and interest of the certificates. (See also CERTIFICATES OF PARTICIPATION.)

GLOSSARY

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.

MATERIALS AND SUPPLIES— Materials and supplies are defined as tangible consumable items used for operations not for the maintenance of machinery or equipment.

NON-BUDGETED POSITION— A position, established on a temporary basis, for a limited period of time, using funds available from a Special Purpose appropriation, from balances available from unfilled budgeted positions, or from funds provided as a lump sum amount in a salary appropriation.

NON-STATE FUND (ACCOUNT)— Any fund (or account within a fund) within the General Treasury, the proceeds of which arise from a source other than the General Fund, typically from Federal or foundation grants, pooled inter-governmental funds, or service charges. (See also **REVOLVING FUND**.)

OBJECT ACCOUNT— This term applies to account classification to identify funds for articles purchased or services obtained (as distinguished from the results obtained from expenditures).

OBJECT CATEGORY— A group of objects of similar character categorized for classification purposes. Examples are personal services, materials and supplies, services other than personal, and maintenance and fixed charges.

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.

OBLIGATION— An amount which the State may be required legally to meet out of its resources. It includes not only an actual liability, but also an unliquidated encumbrance, established by the issuance of a purchase order, the execution of a contract calling for payment at some future date, or a liability established in any other lawful way for future payment of a specified amount of money. An obligation normally results in an encumbrance in an appropriation account.

ORGANIZATION— Any State government entity which is established by statute, executive order or departmental order, to carry out one or more programs, for which a separate appropriation is made.

ORIGINAL APPROPRIATION— An appropriation made in the annual Appropriations Act.

PERSONAL SERVICES— An appropriation supporting State employee salaries and wages and other employee benefits.

PROGRAM— A group of related activities directed toward the accomplishment of an identifiable objective; it is established by statute, executive order or departmental order; it is distinguishable by its clientele, organization, subject matter or process.

PROGRAM CLASSIFICATION— An operating program function, consisting of closely related activities with an identifiable objective or goal, which is treated as an identifiable appropriation item.

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.

REAPPROPRIATION— The appropriation in any fiscal year of funds remaining unexpended at the end of the preceding fiscal year. (See also **FUND BALANCE—DESIGNATED**.)

RECEIPTS— A general term for cash received which may either satisfy a receivable, be a conversion of another asset or a refund of a prior expenditure; it may also represent revenues earned or realized.

RECEIVABLE— An anticipated sum of money which is treated as revenue because it has been earned and is due. Such sums are available for expenditure by State agencies when properly authorized.

REFERENCE KEY (REF. KEY)— A columnar heading in the appropriation data section of each program budget which identifies to which program classification a particular account relates.

REQUEST YEAR— The fiscal year for which a budget request is made.

REVENUE ACCOUNT— An account established for the purpose of recording the receipt of revenues from a specific source.

REVENUES— Funds received from taxes, fees or other sources that are treated as income to the state and are used to finance expenditures.

REVOLVING FUND (ACCOUNT)— A fund (or an account within any fund) established to finance (1) State activities of a business or commercial nature or (2) 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.

SERVICES OTHER THAN PERSONAL— Charges to this series of accounts represent the cost of purchased services which are primarily non-personal or of a contract nature under which no employer-employee relationship is established.

SPECIAL PURPOSE APPROPRIATION— A type of appropriation which includes monies for personal services, non personal services, maintenance, etc. but which is appropriated as a single amount and which does not specify amounts for individual objects of expenditure.

SPECIAL REVENUE FUNDS— These funds are used to account for resources legally restricted to expenditure for specified current operating purposes.

SPENDING AGENCY— Any department, board, commission, officer or other State agency to or for which an appropriation is made.

STATE AID— One of the major subdivisions of the State budget; this category shall mean:

1. Monies paid by the State to a local government or to a nongovernmental agency for:
 - a. Assistance distributed to local governments according to a formula.
 - b. Assistance provided to aid local governments according to carry out activities which are the responsibility of the local unit.
 - c. Grants-in-Aid to non-governmental agencies for functions carried out on behalf of a local unit of government.
 - d. Payments specifically designated by law as State Aid.
2. Expenses incurred by a State department or agency on behalf of a local unit of government. Such expenditures may include:
 - a. Monies budgeted by the State to make payments on behalf of local government.
 - b. Administrative costs of State Aid programs.
 - c. Costs of State personnel engaged in services normally provided and paid for by a local government.

GLOSSARY

STATE APPROPRIATIONS LIMITATION ACT— The Act which 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.

STATE TREASURY— A term used generally to refer to all funds (monies) deposited to the credit of the State of New Jersey. It includes the General Fund and funds from all other sources.

STATEWIDE PROGRAM— A functional grouping of related program classifications which contribute to satisfaction of some broader objective or objectives. Each Statewide program is presented as a separate component of the total budget of a department or agency.

STATUTE— A written law enacted by a duly organized and constituted legislative body.

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 APPROPRIATION— An appropriation made in addition to (or supplemental to) the annual Appropriations Act.

SURPLUS— Revenue exceeding expenditures over a given period of time. Also see FUND BALANCE.

TRANSFER (OF APPROPRIATION)— A transaction which reallocates all or part of any item in an appropriation to another item in that appropriation.

TRUST AND AGENCY FUNDS— These funds are used to account for assets held in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds.

UNEXPENDED BALANCE— The remaining appropriation balance in an account after charging all disbursements and encumbrances.

VETO— An official action by the governor to nullify legislative action.