



Summaries of Appropriations

This section includes a selection of tables and charts which summarize the Governor's Budget recommendations, and highlight significant changes and policy initiatives.

SUMMARIES OF APPROPRIATIONS

THE BUDGET IN BRIEF

GENERAL FUND

Resources

(thousands of dollars)

Undesignated fund balance, July 1, 2007	782,559	
Revenues anticipated	19,073,237	
Property Tax Relief Fund (Dedication)	(698,000)	
Total Resources		19,157,796
Recommendations		
Direct State Services	6,554,236	
Grants-in-Aid	9,120,081	
State Aid	1,687,220	
Capital Construction	1,245,659	
Debt Service	440,398	
Total Recommendations		19,047,594
Undesignated fund balance, June 30, 2008		110,202

SURPLUS REVENUE FUND

Resources

Undesignated fund balance, July 1, 2007	489,798	
Undesignated fund balance, June 30, 2008		489,798

PROPERTY TAX RELIEF FUND

Resources

Undesignated fund balance, July 1, 2007	668,000	
Revenues anticipated	12,351,000	
Property Tax Relief Fund (Dedication)	698,000	
Total Resources		13,717,000
Recommendations		
Grants-in-Aid	2,404,000	
State Aid	11,313,000	
Total Recommendations		13,717,000
Undesignated fund balance, June 30, 2008		---

GUBERNATORIAL ELECTIONS FUND

Resources

Undesignated fund balance, July 1, 2007	700	
Revenues anticipated	700	
Total Resources		1,400
Recommendations		
Public Financing of Elections		---
Undesignated fund balance, June 30, 2008		1,400

CASINO CONTROL FUND

Resources

Undesignated fund balance, July 1, 2007	---	
Revenues anticipated	74,039	
Total Resources		74,039
Recommendations		
Regulation of Casino Gambling		74,039
Undesignated fund balance, June 30, 2008		---

CASINO REVENUE FUND

Resources

Undesignated fund balance, July 1, 2007	---	
Revenues anticipated	453,103	
Total Resources		453,103
Recommendations		
Programs for senior citizens and handicapped persons		453,103
Undesignated fund balance, June 30, 2008		---

NOTES

Budget Highlights

OVERVIEW

Governor Jon S. Corzine's proposed \$33.3 billion Fiscal 2008 Budget builds on the actions taken in the first year of his Administration to restore fiscal stability and structural soundness to New Jersey's finances. This Budget represents another step in the multi-year process to bring the State's resources and spending needs into true balance. This budget continues the fundamental principle outlined last year that we, as a State, must pay the bills for the current operation of State government and, to the greatest extent possible, fund these costs with recurring revenues.

The proposed Budget is a fair, responsible and prudent plan that meets the responsibilities of government and the needs of the people of New Jersey. The Budget is balanced with increased revenues generated from the State's economy and without temporary gimmicks that simply defer costs to next or succeeding years.

For the first time since 2001 the proposed Budget does not include any tax increases. In fact, this Budget provides \$64 million in tax relief to almost 300,000 New Jersey families through the expansion of the Earned Income Tax Credit (EITC) to working singles and families with incomes between \$20,000 and \$40,000. In addition, the Budget provides a benefit of \$275 million in tax savings for businesses due to the expiration of certain business taxes, thus improving New Jersey's economic climate.

This Budget focuses the vast majority of the increased spending on addressing the state's most pressing issue – the ever increasing burden of property taxes on citizens of New Jersey.

Over \$16.6 billion, or 50 cents of every dollar, is dedicated to relieving the property tax burden in New Jersey. This represents a \$1.8 billion increase over fiscal 2007 and constitutes over 80% of the total spending increase in the State Budget.

The major components of this \$16.6 billion include:

- \$3 billion for direct relief to taxpayers – including a \$1.2 billion increase in direct relief to the citizens of the State. The largest component of this \$3 billion is the \$2 billion for expanded Homestead Property Tax Credits. This will provide over 1.9 million New Jerseyans with an average \$1,000 property tax credit/rebate. Through an appropriation of \$250 million, this same program will increase rebates from the current \$75 up to \$350 for 550,000 tenants with incomes at or below \$50,000.
- \$11 billion in aid to support education, which represents a \$580 million increase over the current year. Included within this \$11 billion is \$8 billion of direct aid to school districts and approximately \$3 billion of payments that the State makes on behalf of districts for teacher benefits and debt service on schools.

All of the State's school districts will be eligible for this increase in aid. This Budget represents the first major increase in State support to the "non-Abbott" districts in three years and the largest dollar increase since fiscal 2000. Many of these districts are struggling to maintain educational quality while at the same time not further overburdening property taxpayers. Each of these districts will receive a base increase of 3% and a substantial number also will benefit from targeted programs that will provide aid to districts with higher levels of low income students and those that provide full-day kindergarten.

- \$2.6 billion in aid to municipalities, counties and other local agencies, which represents an increase of approximately \$40 million. The major portion of this increase is a 2% increase in state aid to each municipality in

SUMMARIES OF APPROPRIATIONS

the State and a \$20 million fund to assist in the consolidation of government services.

Other major features of this budget include:

- \$400 million in spending increases when the \$1.8 billion increase in property tax relief is excluded. This represents less than a 2% increase in overall State spending.
- \$700 million in mandatory growth for programs such as debt service, contractual salary and benefit obligations, court ordered child welfare funding and Medicaid cost increases, federal mandates, or offsets to federal cutbacks. This \$700 million increase is partially offset by other savings initiatives throughout the Budget.
- Spending increases limited to areas that are important to the citizens and the economy of the State. These include:
 - \$30 million for supporting individuals with developmental disabilities and mental illness
 - \$26 million for cost of living adjustments for community providers
 - \$10 million for stem cell research grants, an increase of \$5 million
 - \$10 million for grants to assist districts in expanding and enhancing preschool
 - \$5 million for addressing the needs of the autism community
 - \$5 million to improve access to health care for children
 - \$2.3 million for arts and history
 - \$1 million for added support services for returning veterans
- Total support of nearly \$2.2 billion for the State's higher education system including an additional \$50 million in operating aid to the State's public and private universities and colleges to offset a portion of the reduction necessitated by budget pressures last year. In addition the Budget will provide an increase of almost \$22 million above the current appropriation of \$228.3 million to support the

State's Tuition Assistance Grant program (TAG) and the NJ STARS program.

- Continued savings from management efficiencies such as:
 - the elimination of 400 political appointees
 - a reduction of 1,300 employees net of payroll increases in areas such as child welfare, homeland security, and the public advocate
 - technology improvements
 - suspension of purchases of new office furniture and office space
 - freeze on promotions and employee travel
 - energy conservation
 - auction of 1,200 State cars
- Immediate savings and substantial future savings from the recently completed negotiations with the State's civilian employees that yielded cost sharing arrangements for pension and health care benefits.
- Reduces the use of dedicated, non-recurring revenues to approximately \$300 million, which is well below the range of \$1.8 billion to \$3.3 billion that was implemented in past budgets.

The Fiscal 2008 Budget is responsibly balanced without new taxes or tax increases. This Budget meets landmark objectives to ease the property tax burden, and devotes the overwhelming majority (80%) of new spending for this purpose. It also contains modest, but important, new investments in stem cell and autism research, the new Office of the Comptroller, and progressive tax relief for 300,000 working families.

However, it is clear that the State's current fiscal situation prevents properly addressing many needs to improve our State. Although the Budget increases direct educational aid to districts by \$310 million, many school districts will continue to struggle to maintain a quality education that meets the needs of all the children in the State regardless of where they live. Although the Budget provides a \$30 million increase in support of individuals with developmental disabilities and mental illness, it falls short of providing all the funds necessary to meet appropriate

levels of care and community placements needs. There are many other areas of this Budget that stakeholders will point to as deserving of more funding than is available. This only underscores the budgetary challenge that Governor Corzine inherited upon taking office. His first two budgets represent the initial steps in a multi-year process to match ongoing spending needs with ongoing fiscal resources, while starting to address overdue areas of investment.

Despite the progress in matching recurring revenues to recurring expenditures, the structural deficit still exists and presents an impediment to the investments that must be made to keep New Jersey competitive. Next year, New Jersey still faces an estimated \$2.5 billion structural shortfall in fiscal 2009. This shortfall will be compounded over the next five years due to numerous mandatory spending pressures:

- Debt service is projected to increase from \$2.7 billion to \$3.4 billion;
- Health care costs for active and retired State employees are projected to double, from \$1.4 billion to \$2.8 billion;
- Post-retirement medical benefits for retired teachers are projected to more than double, from \$750 million to \$1.8 billion; and
- Pension costs are projected to increase from \$1.3 billion to \$3.3 billion.

Constrained spending flexibility will also make it difficult to invest in capital programs, such as building facilities for preschool and full day kindergarten; building schools and expanding higher education facilities; creating affordable housing; expanding mass transit in South Jersey and throughout the State; and preserving open space.

New Jersey is clearly at a crossroads. The traditional options are fairly clear – raise taxes, layoff State employees and/or significantly reduce programs that benefit the citizens of the State and the economy of the State. As a new alternative, Governor Corzine has directed the State Treasurer and the Transportation Commissioner to study the feasibility of asset monetization. Potentially, asset monetization could be used to reduce the onerous burden that existing State debt has on the State Budget and/or create capital to invest in pressing public needs.

Asset monetization has been done in several states and around the globe successfully, it is being studied in almost every state in America. Its potential is too significant to ignore. The Administration is undertaking a rigorous analysis to analyze its appropriateness and the types of conditions necessary to protect the public interest. For example, if concerns such as ensuring high standards of operations, maintenance, safety, and security of a State asset cannot be met, the State will not proceed.

The Administration is committed to giving this concept the same level of focus that we have given to property tax relief and reform.

The consequences of doing nothing and continuing with investment-free budgets are severe. We simply cannot allow the New Jersey to slip into fiscal paralysis, hamstrung by debt from making capital improvements that are so critical to our state's long term financial prosperity.

Reforming the Budget Process

Governor Corzine has also called on the Legislature and the Executive Branch to reform the budget process to provide more transparency and accountability. Building on a proposal first presented by Senate President Codey, the Governor has called on the legislative leaders to agree to the following process for this budget cycle:

- All requested changes to the Governor's proposed Budget to be submitted in early June, and the requests to include a description of the proposed change as well as disclosure of any relationship the sponsor of the proposal may have with the recipient of the funds;
- Introduction of a Budget bill no later than June 20th;
- Requirement of at least one public hearing on the introduced Budget bill;
- Final passage of the Budget bill no later than June 27th so that the Governor has at least three days to review;
- Treasurer to prepare an "Appropriations Act In Brief" that describes the enacted Budget

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and also provides a list of all changes made to the Governor's proposed budget and which legislator was responsible for the change.

Current Year Budget – Fiscal Context

Before focusing on the Fiscal 2008 Budget, it is important to take stock of how New Jersey is faring in the current budget year, fiscal 2007. The following section sketches the current economic conditions that New Jersey faces; updates the latest revenue information for the remainder of this fiscal year; and outlines the budget actions – both in terms of supplemental spending increases and new savings initiatives – that the State has taken over the eight months since fiscal 2007 began.

New Jersey Economic Overview

New Jersey's economy continued to expand during calendar year 2006 following a steady recovery in 2005, albeit at a somewhat slower pace.

- Payroll employment increased by 1.2% in calendar 2005 and another 0.8% in 2006, continuing a positive trend for the thirty-fifth consecutive month. Employment growth is projected to continue at 0.7% in 2007 and 0.8% for 2008.
- The 2006 growth rate for personal income is expected to average 6.6%. Personal income is expected to grow an additional 4.9% in 2007 and improve to 5.2% in 2008.
- New Jersey's unemployment rate dropped for the third straight month in December 2006 to 4.2%, bringing the State below the August peak rate of 5.3% and below the neighboring tri-state average.
- New vehicle registrations in 2006 remained above the 600,000 level for the seventh consecutive year, and are anticipated to remain above that level for 2007.
- The housing sector weakened in 2006 with sales of existing homes declining by 16.7% and housing starts down by 14.8%. However, the housing sector is expected to stabilize in 2007 and 2008.

- Real Gross State Product (GSP) grew at 2.1% in 2005 and 2.4% in 2006. Projections are for growth of 2.2% in 2007 and 2.6% in 2008.
- The rate of inflation is expected to remain modest.

Fiscal 2007 Anticipated Revenue

The current estimate of \$30.8 billion in total fiscal 2007 revenue is \$199 million higher than when the Governor certified revenues in June 2006. The three major taxes that account for 73% of total state revenues are expected to yield \$22.6 billion:

- The Gross Income Tax forecast for fiscal 2007 is revised slightly downward by \$10 million to \$11.5 billion.
- The Sales and Use Tax is estimated to generate \$8.4 billion in fiscal 2007, a \$59 million decrease from original projections.
- The Corporation Business Tax (CBT) is estimated to generate \$231 million above the original estimate for a total of \$2.7 billion. The CBT reflects better than anticipated profit growth in 2006.

Current Budget Conditions

Spending in the current year budget has been moderated through several spending controls, including an ongoing hiring freeze and various moratoria on certain non-salary expenses, including equipment and furniture. In comparison to prior years, the required list of supplemental appropriations is fairly modest, totaling only \$241 million (see highlights below). In keeping with past practice, under-spending has been identified in several accounts and those funds will be lapsed to the General Fund to help offset current year costs. Revenues are slightly above the original estimate that was reflected in the Fiscal 2007 Appropriations Act. Combined with a higher-than-expected opening balance, this will enable the State to close the current year with a projected year-end fund balance of \$1.9 billion.

Managing the Current Budget – Fiscal 2007 Supplementals

Some of the larger supplemental spending needs projected for fiscal 2007 are summarized below:

- \$17 million - Projected spending for Nursing Homes exceeds available resources in the current year;
- \$15 million - A shortfall in Title IV-E federal funding related to the Department of Children and Families' caseload in foster care, subsidized adoption, and family support services;
- \$12.4 million - Jersey City Medical Center requires additional state aid because costs have exceeded the individual federal reimbursement cap and cannot be recovered from federal revenue;
- \$12 million - Early Childhood Intervention Program shortfall, based on current spending trends;
- \$10 million - Snow removal;
- \$10 million - Enacted legislation (S-494) has established a new substance abuse treatment program (i.e., the needle exchange program), providing substance abuse treatment beds and outreach through the Department of Human Services' Division of Addiction Services.

See chart entitled "FY 2007 Supplementals" in the back of this document for a detailed list of current year supplementals.

Fiscal 2007 Saving Initiatives

A number of savings initiatives were implemented during fiscal 2007 to help constrain cost growth and eliminate low priority spending. The primary areas are outlined below:

Reductions in Unclassified Positions in State Agencies

At the onset of the Administration, Governor Corzine made a pledge to reduce the number of unclassified positions in Executive agencies by 50%, a reduction equal to slightly under 400 positions. Unclassified

positions are those held by workers who are not career civil service employees.

By December 31, 2006, Executive Branch agencies had eliminated 391 unclassified positions. Through this action, the Administration has saved an estimated \$20 million a year for the State's General Fund.

Hiring Freeze

A very stringent hiring freeze, combined with the previously-mentioned reduction of almost 400 unclassified positions, has resulted in a workforce that has 1,300 fewer employees to date, compared to the beginning of the Corzine Administration. This reduction is net of growth in high priority areas, such as the Department of Children and Families (DCF), where the State has added approximately 400 employees. Attrition will continue to reduce the workforce in fiscal 2008. The value of attrition, management savings, and reductions in unclassified positions totaled \$64 million in fiscal 2007. This amount is a permanent reduction to the salary base. The Fiscal 2008 Budget recommends a further reduction of \$25 million by continuing the hiring freeze and other management efficiency efforts. See Chapter 3 for further details about this hiring freeze.

State Moratoria on Spending

In addition to staffing controls, the State also implemented new restrictions in fiscal 2007 to slow the pace of spending on information technology (IT) equipment and services, other equipment, and office furniture. Comparing spending in the first seven months of fiscal 2007, from July 2006 through January 2007, against the same period in fiscal 2006, suggests a significant slowdown in expenditure rates of almost \$16 million from State-funded accounts. Over this same time period, expenditure rates in non-State funded accounts fell by millions of dollars more. While not all of these reductions may be directly attributable to the various spending moratoria, the trends in spending are heading lower, saving money for the citizens of this State. Chapter 3 provides further details about the various moratoria and the slowdown in spending in specific categories of equipment, services, and office furniture.

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Fiscal Solvency

To fully understand the difficult set of choices represented in the State Budget, some context is required concerning New Jersey's "structural deficit." Simply put, a structural deficit arises when the rate of growth in ongoing revenues fails to keep pace with the rate of growth for expenditures required to maintain the current level of service. New Jersey is not unique in this regard, as many states face deficits at the start of their budget deliberations. The goal, however, is to minimize the size of the deficit without resorting to easy fixes and fiscal gimmicks that compound the problem in the future. As summarized below, this Administration has adopted just that approach, and consequently is making clear progress in restoring fiscal responsibility.

Constraints in Crafting the Fiscal 2008 Budget

This subsection describes many of the constraints associated with the Fiscal 2008 Budget in order to provide context for the decisions that were required. The goal of this Administration is to continue to make the difficult decisions now, in order to create conditions for a brighter future for the State and its citizens.

The State's Major Cost Drivers

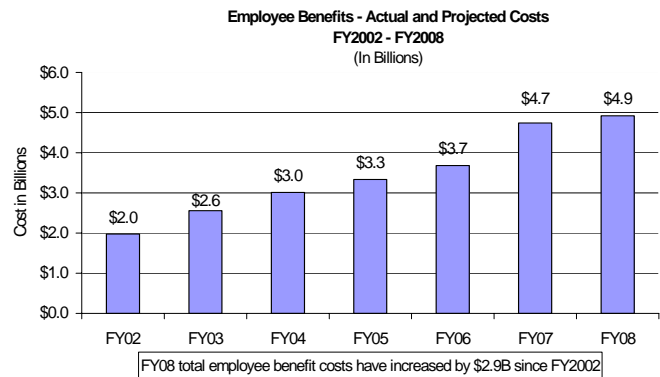
Budget growth required to maintain the current level of State service is primarily attributable to four cost drivers: fringe benefits, Medicaid, debt, and pensions. The best way to appreciate the aggressive cost growth in these areas is to view it over time, as depicted on the charts that follow. These four programs collectively require \$1 billion in budget growth in fiscal 2008, or over 70% of the \$1.4 billion total budget growth required to maintain current services.

Employee Benefits

Within the State Budget, employee benefits are defined as pensions, health benefits, post retirement medical costs, and employer payroll taxes. State appropriations support not only active and retired State employees, but also employees of senior public colleges and universities, school districts, and certain local governments.

Due in part to the breadth of coverage provided, employee benefits comprise 14.8% of the State's Fiscal 2008 Budget, compared to 8.8% in fiscal 2002. The appropriation for these fixed costs has grown by \$2.9 billion, or 148%, from approximately \$2 billion in fiscal 2002 to almost \$4.9 billion in fiscal 2008. (This includes approximately \$0.2 billion in debt service on Pension Obligation bonds in fiscal 2008.) As noted on the chart entitled, "Employee Benefits – Actual and Projected Costs," the dramatic rate of growth in fiscal 2007, which required increased pension funding of nearly \$800 million, will be tempered in fiscal 2008.

In fiscal 2008, the combined budget growth for fringe benefits and pensions of \$480 million was reduced to \$166 million through savings from contract negotiations and by reducing the pension funding phase-in from 60% to 50%.



Footnote: FY07 represents projected costs; FY08 is recommended

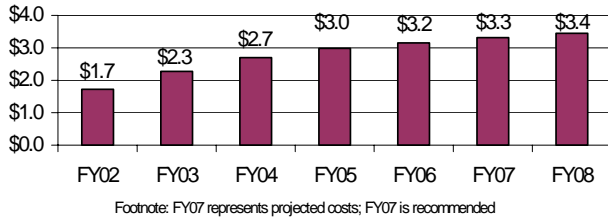
Fringe Benefits

Health benefits for active school district and local employees are not a State responsibility; however, per statute, the State must fund the health insurance costs of retired teachers and certain public employees who have 25 or more years of service prior to retirement. The State also funds the cost of teachers' federal social security taxes, even though the State does not negotiate teacher contracts. The total amount budgeted in fiscal 2008 for all of these fringe benefits is \$3.4 billion.

In fiscal 2008, health benefits costs for active and retired members will increase to \$2.2 billion, or 44% of total employee benefits costs. Payments for

eligible retired school district employees are expected to total \$751 million, or nearly 35% of the \$2.2 billion appropriation in fiscal 2008. The remaining \$1.2 billion is budgeted for employer taxes.

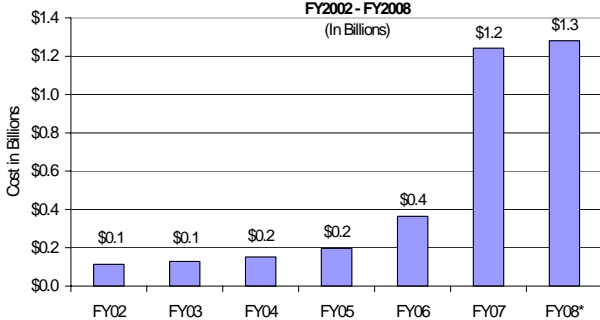
NJ State Fringe Benefits
(In Billions)



Pensions

In fiscal 2008, pension costs for active and retired members comprise 26%, or almost \$1.3 billion, of employee benefit costs. The chart entitled “Pensions – Actual and Projected Costs” illustrates the actual and projected costs of pension contributions from fiscal 2002 to fiscal 2008. Pension costs have consistently increased since fiscal 2002, with significant growth of 241% occurring between fiscal 2006 and fiscal 2007. In that year alone, State funding for the defined benefit plans exceeded the total combined amount from the prior ten years. The Fiscal 2008 Budget assumes a 50% phase-in for the defined pension plans, or almost \$1.1 billion of the \$2.2 billion required to fund pensions at 100%. In fiscal 2007, the phase-in was funded at 57.5% of the recommended contribution.

Pensions - Actual and Projected Costs
FY2002 - FY2008
(In Billions)



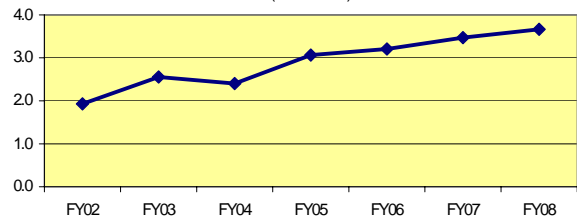
The total State appropriation for Fringe Benefits and Pensions in fiscal 2008 equals \$4.7 billion (i.e., excluding \$0.2 billion in Pension Obligation debt service.)

Medicaid

This Administration is committed to providing the State’s residents with access to health care, and Medicaid, a federal-State program, is a key component of this commitment. Similar to most states, New Jersey has faced rising Medicaid costs, placing added stress on the State’s budget. As the chart below illustrates, State expenditures on Medicaid have almost doubled since fiscal 2002, and are budgeted at approximately \$3.7 billion in fiscal 2008.

From fiscal 2003 to fiscal 2006, average annual Medicaid costs have grown at nearly three times the rate of inflation. In fiscal 2008, budget growth totals \$272 million (i.e., before subtracting savings solutions), and reflects rising caseloads, medical inflation, increasing utilization, and a shortfall in federal grants for the State Children’s Health Insurance Program (SCHIP).

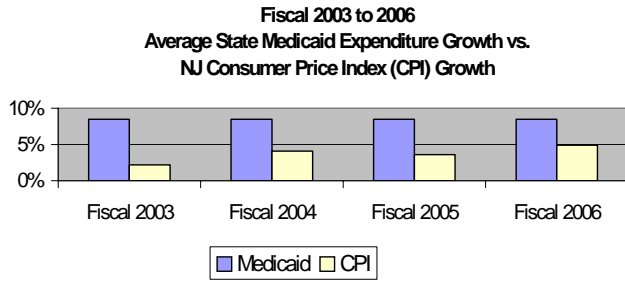
State Medicaid Expenditures: Fiscal Year 2002 to 2008
(\$ in Billions)



Since fiscal 2002, State Medicaid expenditures have almost doubled.

The following chart illustrates the gap in recent years between the average yearly increase in State spending on Medicaid and the actual annual increase in the inflation rate. With Medicaid costs increasing so rapidly, the State must spend more than the rate of inflation each year just to purchase the same amount of health care.

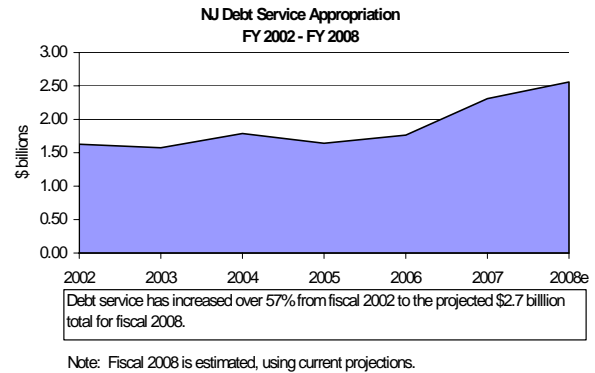
SUMMARIES OF APPROPRIATIONS



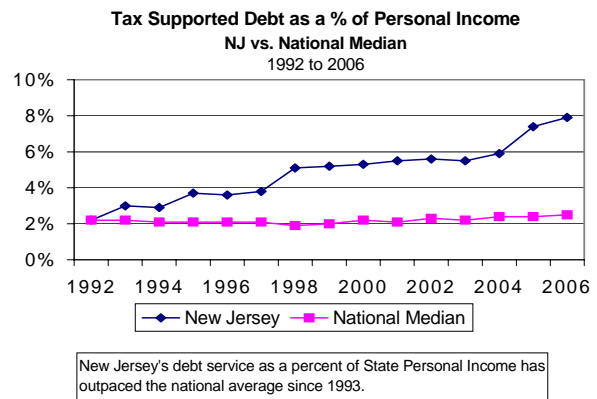
The State Children's Health Insurance Program (SCHIP) is the source of federal funding for the NJ FamilyCare program. Because of historic underfunding by the federal government, NJ FamilyCare faces a substantial shortfall in fiscal 2008. In the past, Congress has allowed money to be redistributed from states that did not use their SCHIP allotments. This year, however, NJ FamilyCare will run out of money by May 2007, if no new money is redistributed beyond the steps that Congress has already taken. This Budget assumes that Congress will act to restore the necessary funding. The only funding for SCHIP to replace lost federal funds in fiscal 2008 is \$40 million needed for the decrease in the federal matching rate for parents from 65% to 50%. (See Chapter 2 for more details.)

Debt Service

In fiscal 2008, total debt service will equal \$2.7 billion (including debt service related to revenue bonds). This includes an increase of \$247 million, or 10.7%, over the fiscal 2007 adjusted appropriation for debt funded from State appropriation. Most of this increase is attributable to past decisions on how debt would be structured and when debt service payments would be made. The major components of this growth include increased appropriations for School Construction, General Obligation, Transportation Trust Fund Authority, and Pension Obligation bonds. In total, debt service comprises 7.7% of the total General Fund appropriation for the entire Budget.



New Jersey's tax-supported debt represented approximately 8% of personal income in 2006, far exceeding the national median of 2.5%. In broad terms, rising debt service represents an opportunity cost for the State, limiting budget flexibility and redirecting resources away from other critical programs.

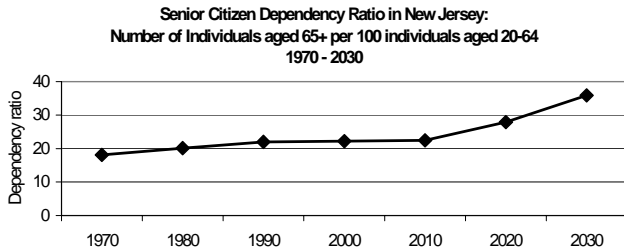


Beyond these cost drivers, other prime factors are demographic pressures, federal budget cuts, and a rapidly aging infrastructure, as outlined below:

Demographic Pressures

Though policy issues such as School Aid formulas, property tax relief, debt, and health care typically form the core of the annual budget debate, there are other, more subtle yet powerful pressures on spending, including natural increases in population and changing demographics. For example, population growth is a prime factor in increasing school and higher education enrollment and social service caseloads. Additionally, a gradual increase in average lifespan has spawned the need for more services for seniors, including costly pharmaceutical

and medical costs. (See chart below for one illustration of the impact of such demographic changes.) New Jersey’s cost of living, population density, and foreign-born residents consistently rank among the highest in the nation, providing an added impetus to expand services.

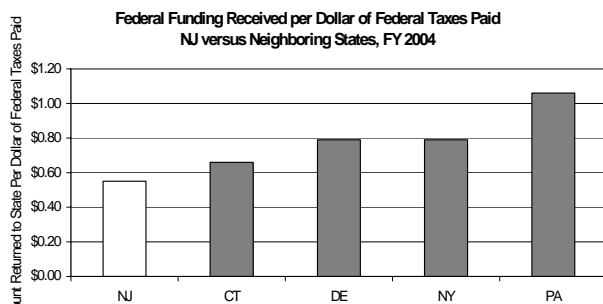


The senior citizen dependency ratio increased by more than 20% from 1970 to 2000, and is projected to increase by an additional 60% from 2000 to 2030.

Source: U.S. Census Bureau, Population Division, Interim State Population Projections, 2005 and U.S. Census Bureau, 1970, 1980 and 1990 Census.

Impact of the Federal Budget on New Jersey

Historically, New Jersey residents have consistently sent more in federal taxes to Washington, DC, than the State has received back in federal funding. New Jersey is one of only 18 such “net donor” states. In fiscal 2004, New Jersey received only 55 cents from the federal government for every dollar that residents paid in federal taxes, worse than its neighboring states or any other state in the nation (see chart below). In contrast, 32 states received more than a dollar back for every dollar sent, with 4 of these states receiving \$1.75 or more.



In FY 2004, NJ received 55 cents back for every dollar sent to the federal government, which was the worst ratio in the nation

Source: Federal Funds Information for the States, Issue Brief 06-44, October 25, 2006.

Examining data from fiscal 1984, fiscal 1994, and fiscal 2004, New Jersey has never been higher than

49th among the 50 states in terms of how much funding it receives back from the federal government for every dollar of federal taxes paid by its residents.

Secondly, the federal government has continued its recent trend of reducing its aid to all states, and New Jersey has been impacted by these reductions as well. In comparing the high points for individual federal grants from fiscal 2002 through fiscal 2007, the State lost approximately \$1.2 billion in the human services and health areas *alone*, including \$473 million in the Intergovernmental Transfer program. Based on President Bush’s proposed federal budget for fiscal 2008, New Jersey may lose an additional \$348 million across all its federal programs.

As just one example of how such trends impact the State, the federal government made a commitment to pay 40% of per pupil expenditures for the State’s special education pupils, under the Individuals with Disabilities Education Act (IDEA). Unfortunately, the federal government has never come close to meeting this obligation. Proposed federal funding for IDEA in fiscal 2008 would only fund 16% of this obligation. This *Budget in Brief* will highlight similar examples of the impact of losses in federal funding in the description of individual program areas in Chapter 2.

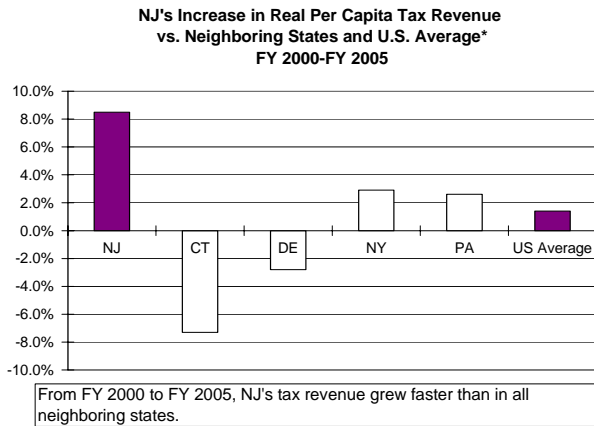
Age of the State’s Infrastructure

The age of New Jersey’s infrastructure is also worth mentioning, particularly in the key areas of transportation, environment, corrections, and human services, where facilities are far older and, consequently, in greater need of rehabilitation than in most other states. As a case in point, nearly 70% of the State’s prisons and human services institutions are more than 30 years old, and these institutions house approximately half of the State’s total inmate, mental health, and developmentally disabled populations. (Forty percent of these facilities are over 50 years old.) Three of the State’s corrections facilities were first opened in the late 1800s. Physical plant of such age requires constant repair and maintenance. Though relatively unnoticed, there is strong, persistent pressure on agency maintenance budgets to keep pace with these needs.

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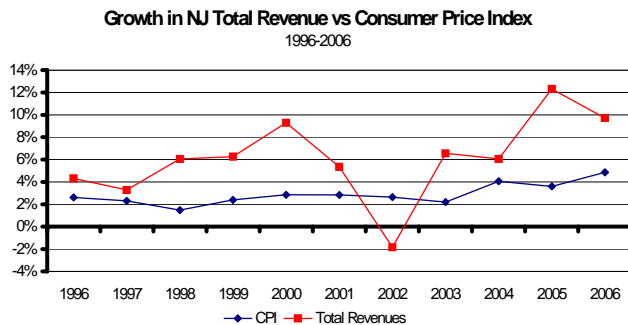
Revenue Growth Comparison

On the revenue side, the State's historical growth rate has been fairly strong by most comparisons. From fiscal 2000 to fiscal 2005, the increase in real per capita revenue collection far exceeded our neighboring states and the national average.



* The Council of State Governments, The Book of States 2006, p.334.

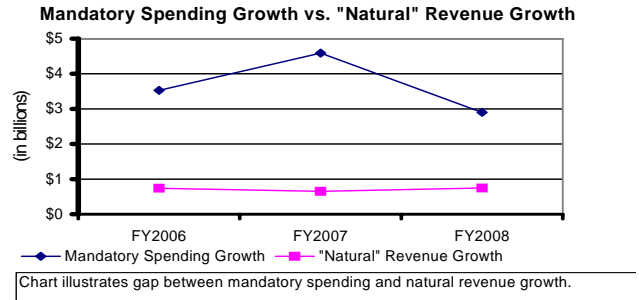
State revenue growth also is above the rate of inflation in all fiscal years except for the recession of 2001 - 2002. (See chart below.)



Note: Chart excludes Tobacco Securitization and New Revenue Securitization for FY03, FY04, and FY05.

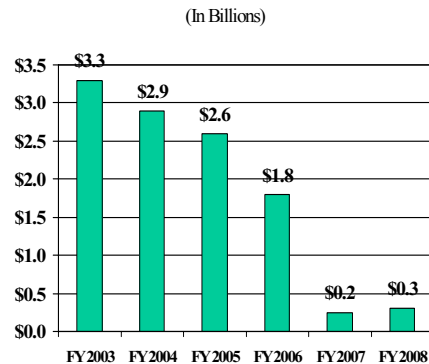
Total revenue growth includes an amount that represents "natural" growth, or that which results from the normal expansion of the State's economy. The relationship of natural revenue growth to spending growth is a key component of the State's structural deficit. From fiscal 2007 to fiscal 2008, total recommended budget growth of \$2.9 billion (i.e., before subtracting savings solutions) includes \$1.4 billion just to maintain current services. Therefore, since natural revenue growth is projected at \$743 million in fiscal 2008, this amount represents only

half of the amount required solely to *maintain current services*. Viewed another way, though the State's rate of revenue growth is fairly robust, it is not sufficient to offset the expected growth in current costs, much less new initiatives. (See chart below.)



To begin to address this issue, the Administration's first two proposed budgets adopt a consistent strategy of matching ongoing expenditures with ongoing resources. As depicted on the chart below, this has resulted in a precipitous drop in the State's reliance on non-recurring resources. From fiscal 2003 through 2006, one-time diversions from various special revenue and trust funds averaged \$2.7 billion annually; however, that average dropped nearly 90%, to approximately \$300 million annually, during the first two years of this Administration. In addition, a total of \$687 million in spending reductions are proposed for fiscal 2008, maintaining downward pressure on costs. Additional details on these savings ideas are found in Chapter 3.

Diversions from Dedicated Funds Down by More Than 80% Compared to the Average of Last 5 Years



Note: Excludes \$80 million of one-time revenues for capital improvement projects in FY07.

Summary - Balancing the Fiscal 2008 Budget

The total State appropriation of \$33.3 billion in the Fiscal 2008 Budget includes \$2.2 billion in net budget growth. To support these needs, this Budget employs \$668 million in dedicated sales tax revenue deferred from fiscal 2007 for property tax relief; \$672 million from stronger revenue collections and aggressive spending restraints in the current year; \$150 million generated through improved debt management, debt collection initiatives and spending savings and constraints; and \$743 million in natural revenue growth projected in fiscal 2008. An ending surplus of \$601 million is projected which, based on recent experience, will provide sufficient flexibility to manage fiscal conditions during the coming budget year.

The following three chapters will examine in more detail the proposed Fiscal 2008 Budget. Chapter 2 describes the recommended policy initiatives that, taken as a whole, will improve the lives of the residents of this State. Chapter 3 will highlight the progress that this Administration is making in reducing costs and increasing State government's efficiency and effectiveness for its customers, the citizens of New Jersey. Chapter 4 forecasts the level of revenue for fiscal 2008, and outlines a number of initiatives that will help the State enhance its ability to collect revenue in a fair and efficient manner.

<i>The FY 2008 Budget</i>				
(In Millions)				
	FY2007 Adjusted Approp.	FY2008 Budget	%	
	_____	_____	Change	
Opening Surplus	\$ 1,779	\$ 1,941	9.1	
Revenues				
Income				
Base	11,465	12,415	8.3	
EITC Expansion		(64)		
Sales				
Base	8,425	8,778	4.2	
Corporate				
Base	2,710	2,342	(13.6)	
Other				
Base	8,223	8,094	(1.6)	
Additions		387		
Total Revenues	\$ 30,823	\$ 31,952	3.7	
Lapses	400			
Total Resources	\$ 33,002	\$ 33,893	2.7	
Appropriations				
Original	\$ 30,819	\$ 33,292	8.0	
Supplemental	242			
Total Appropriations	\$ 31,061	\$ 33,292	7.2	
Fund Balance	\$ 1,941	\$ 601		

Proposed FY08 Budget Policy Initiatives

OVERVIEW

This chapter provides details of recommended policy initiatives set forth in the Fiscal 2008 Budget. The first section highlights major initiatives that would impact the lives of every State resident. Descriptions of the remaining initiatives come next, and are grouped by policy category.

Property Tax Relief

In fiscal 2008, Governor Corzine’s Budget provides a historic commitment to relieve the property tax burden in New Jersey, both in the total amount committed – \$16.6 billion – and the increase over fiscal 2007 – \$1.86 billion. With the \$16.6 billion commitment, the Governor has set aside approximately 50 cents of every dollar in the Fiscal 2008 Budget for property tax relief. The centerpiece of this commitment is more than \$2.2 billion in funding for direct property tax relief in the form of a Homestead Property Tax Credit or a Homestead Rebate, which is over \$1.1 billion higher than the benefit in the Fiscal 2007 Budget. The relief amounts to a 20 percent credit off most residential tax bills.

Nearly two million homeowners will receive the direct and immediate relief – at an average of \$1,000 per homeowner. An additional 800,000 tenants will benefit from doubled funding of the tenants relief program. This Budget also fully funds the Senior Tax Freeze program, along with deductions for veterans and senior/disabled citizens, as well as property tax deductions for income tax filers.

In addition, the Corzine budget helps relieve the property tax burden while investing in our children by including an increase in support for education of approximately \$580 million, including State assumption of locally-based costs for teachers’ pensions, social security, and post-retirement medical benefits. Of this amount, an increase of over \$300 million is allocated for direct aid for school districts. With these increases, state aid for education totals nearly \$11 billion, which equals almost one third of the Fiscal 2008 Budget.

Funding for Property Tax Relief			
(In Millions)			
Programs	FY2007 Adjusted Approp.	FY2008 Budget	\$ Change
School Aid	\$ 10,297.7	\$ 10,876.8	\$ 579.1
Municipal Aid	1,917.5	1,937.5	20.0
Other Local Aid	811.6	830.9	19.3
Direct Taxpayer Relief	<u>1,714.9</u>	<u>2,959.1</u>	<u>1,244.2</u>
Total Direct Aid	<u>\$ 14,741.7</u>	<u>\$ 16,604.3</u>	<u>\$ 1,862.6</u>

Investments in municipalities and counties will further support property tax relief, including a 2% increase in formula municipal aid and a \$15 million increase in shared services and consolidation incentives.

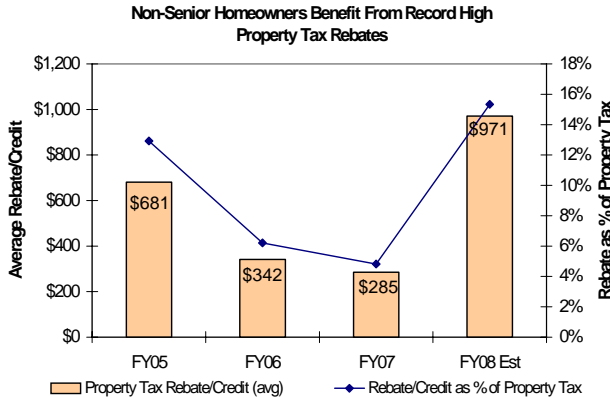
These efforts, combined with the reform initiatives that Governor Corzine worked on

with the Legislature to establish a four percent growth cap on local property tax increases, the new Office of the Comptroller, and similar legislative initiatives, will significantly lower the rate at which property taxes have historically risen.

Homestead Property Tax Credits/Rebates

The Fiscal 2008 Budget allocates \$2.2 billion toward direct property tax relief through the Homestead Property Tax Credit/Rebate for Homeowners program. This is the highest level of direct property tax relief ever appropriated in a single year. The

program, which will provide significant tax relief for an estimated 1.9 million New Jersey taxpayers, includes record high rebates for 82% of homeowners (1.5 million). The remaining 18% of homeowners (340,000), whose current rebates are higher than the new fiscal 2008 rebate formula would provide, will continue to receive a level benefit.



Rebates for non-senior homeowners will grow by nearly \$700 on average, outpacing average increases in property taxes and increasing the credit to up to 20% of the property tax bill (15% on average across all income levels).

The degree of benefit will be determined by income. Homeowners will receive a percentage of the first \$10,000 of their 2006 property taxes as a property tax credit/rebate in fiscal 2008. Also, for the first time since fiscal 2004, the property tax credit/rebate program will be extended to homeowners whose income exceeds \$200,000. The following chart details the new program benefits for homeowners.

Homeowner Income	Projected Recipients	Percent of Property Taxes	Average Benefit
\$0-100,000	1,338,000	20%	\$1,115
\$100,001-150,000	343,000	15%	\$960
\$150,001-250,000	206,000	10%	\$745

Funding for Homestead Property Tax Rebates for Tenants is doubled to \$251 million in fiscal 2008 to provide a rebate to nearly 800,000 tenants. The maximum rebate amount for approximately 550,000 low-income non-senior tenants has been increased as displayed in the chart below. The formula targets new and significant relief to lower-income tenants whose property tax-inflated rental costs are among the highest in the nation. Tenants with income in excess

of \$50,000 but less than \$100,000 will receive a maximum rebate of \$80 that has been adjusted for a 3.9% cost-of-living-adjustment. Rebates for senior tenants will be increased for a 3.9% cost-of-living-adjustment as well.

Tenant Income (Non-Seniors)	Projected Recipients	Maximum Benefit
\$0-20,000	230,000	\$350
\$20,001-35,000	194,000	\$300
\$35,001-50,000	129,000	\$200
\$50,001-100,000	132,000	\$80

Tenant Income (Seniors)	Projected Recipients	Maximum Benefit
\$0-70,000	96,000	\$860
\$70,001-100,000	1,500	\$160

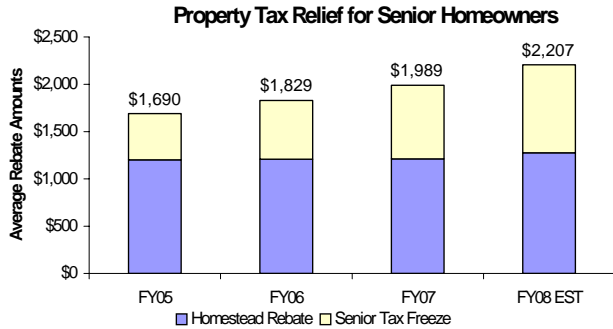
Senior Tax Freeze

The State will continue to provide a 100% reimbursement of property tax increases for low- and middle-income seniors through the Senior and Disabled Citizens Property Tax Reimbursement (Senior Tax Freeze) program. This program freezes property taxes for low- and middle-income seniors, reimbursing them for any property tax increases that were assessed after they joined the program. The Fiscal 2008 Budget recommends a 21% increase in funding, or \$26.5 million, over the prior year, resulting in rebate checks that will average a record high \$931 for approximately 164,000 total participants.

The Senior Tax Freeze program is funded at \$153 million in fiscal 2008 to provide an average rebate of \$1,077 for 134,000 repeating participants (\$144.2 million) and \$281 for 30,000 new participants (\$8.4 million). Income eligibility levels have increased 4.1%, based on the Social Security Administration's cost-of-living-adjustment, to \$43,693 if single and \$53,575 if married.

Total property tax relief through the Homestead Property Tax Credits/Rebates program and the Senior Tax Freeze program for eligible senior homeowners will increase to \$2,207 in fiscal 2008 (see chart below).

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The average combined reimbursement for property tax increases to senior homeowners eligible for the Property Tax Freeze program climbed from \$1,690 in fiscal 2005 to an estimated \$2,207 in fiscal 2008, comprising more than one-third of their property tax bill.

Property Tax Deductions

Since fiscal 2004, the State has provided the constitutionally-mandated maximum property tax deduction of \$250 to veterans and eligible senior and disabled residents on their property tax bills. Approximately 375,000 veterans, seniors and disabled citizens are expected to apply for this deduction in fiscal 2008. The State has allocated \$99 million in the Fiscal 2008 Budget to reimburse municipalities for reduced tax collections.

Eligible homeowners and tenants who pay property taxes, either directly or through rent, on their principal residence in New Jersey are eligible for either a deduction or a refundable credit on their New Jersey resident income tax return. The property tax deduction against State income tax liability will save middle-income taxpayers an estimated \$456 million in fiscal 2008. This is \$24 million or 5.5% higher than the previous fiscal year.

Municipal Aid

The Fiscal 2008 Budget provides nearly \$2 billion in municipal aid to New Jersey's 566 municipalities. Newly created is the 2008 Municipal Property Tax Assistance program at \$32.6 million. This funding represents a 2% growth of formula-based municipal aid, namely, Consolidated Municipal Property Tax Relief Aid and Energy Tax Receipts Property Tax Relief Fund aid. The \$32.6 million will be allocated proportionately to New Jersey's 566 municipalities.

The Consolidation Fund, newly funded at \$15 million in fiscal 2008, will augment the existing Sharing

Available Resources Efficiently (SHARE) program funding to encourage consolidation and shared services. The nearly \$20 million total for the Consolidation Fund and SHARE will allow the State to develop new incentives for municipalities, counties, and other local units to conduct their work more efficiently.

The appropriation for the Special Municipal Aid program in fiscal 2008 is \$132 million, representing 39% growth over the previous year's funding. This program provides assistance to municipalities facing severe fiscal conditions in recovering from fiscal distress and improving management and financial practices. As a condition of receiving such assistance, municipalities must agree to stringent controls as set forth by the Special Municipal Aid Act.

While level funding totaling \$1.7 billion is sustained in fiscal 2008 for several municipal aid programs outlined below, one-time legislative grants of \$35.9 million to certain municipalities have been discontinued. A substantial portion of the \$1.7 billion provides level funding to the State's two largest municipal aid programs, the Consolidated Municipal Property Tax Relief Aid program at \$835.4 million and the Energy Tax Receipts Property Tax Relief Fund program at \$788.5 million. Other programs that will continue to provide assistance at the fiscal 2007 level are listed below.

- Legislative Initiative Municipal Block Grant - \$34.8 million
- Municipal Homeland Security Assistance Aid - \$32 million
- Trenton Capital City Aid - \$16.5 million
- Highlands Protection Fund Aid - \$12 million
- Open Space Payments in Lieu of Taxes - \$9.5 million

This Budget also recommends reducing the Extraordinary Aid program by \$18 million, to \$25 million. This program provides aid to municipalities facing unexpected increases in costs that would otherwise lead to an unacceptably high spike in municipal tax rates. The provision of the 2008 Municipal Property Tax Assistance program at \$33

million is expected to mitigate the need for Extraordinary Aid in fiscal 2008.

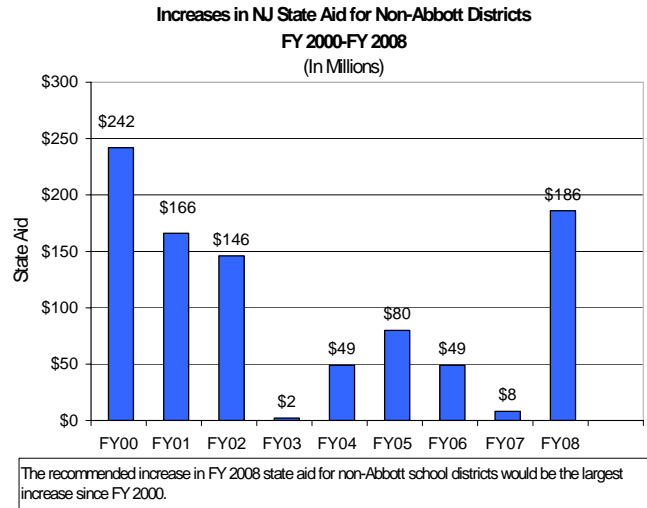
Funding for the Regional Efficiency Aid Program (REAP), \$11 million, is recommended for elimination in the Fiscal 2008 Budget. Since fiscal 2003, REAP assistance totaling \$52 million has been limited to 14 towns which achieved the largest per capita savings through consolidation of municipal services. The State payment provided an incentive and reward for their efforts to consolidate, but after five years of such payments, it is time to allow the residents of these towns to benefit from consolidations that have been implemented as a result of previous incentives.

School Aid Funding for Non-Abbott Districts

Governor Corzine recognizes the critical importance of adopting a new school funding formula and will work persistently toward that goal over the next year. For the Fiscal 2008 Budget, interim steps will be taken to target additional state aid to districts that are struggling to meet the educational needs of their students. All non-Abbott districts will receive a minimum 3% increase in formula aid. Beyond the across-the-board increase, additional aid will be targeted toward educational priorities that focus on the individual needs of the children. Additional resources will be provided for non-Abbott communities with high concentrations of children living in poverty. New aid will be provided to support expansion and enhancement of preschool and full-day kindergarten programs and for literacy programs. For further information on these new categories of aid, please see “School Aid,” later in this Chapter.

As shown in the chart “Increase in NJ State Aid for Non-Abbott Districts”, the Budget will provide a \$186 million increase in formula aid to these districts. This represents the largest increase in aid to non-Abbotts since fiscal 2000 and the largest percentage increase since fiscal 2001, and nearly equals the combined total increase received from fiscal 2003 to fiscal 2007. The increases are targeted to districts with the highest needs. The common methodology for comparing districts is through their District Factor Group (DFG), the approximate measure of a community’s relative socioeconomic status, which range from DFG “A” districts to DFG “J” districts. The neediest districts, DFG “A” and “B”, will see

average increases of 10.3% and 9%, respectively, and DFG “CD” districts will have average increases of 8%. The most affluent districts, DFG “J” will receive the 3% inflationary increase. These amounts exclude State payments made on behalf of the districts for pensions, Social Security, and post retirement medical benefits.



Stem Cell Research

Governor Corzine has spearheaded efforts to vault New Jersey to the forefront in stem cell research, with investments that have the potential to save and extend lives and lead us to cures that have previously been beyond our grasp. These investments will position New Jersey as a world leader in cutting edge research and yield results that could touch lives around the globe.

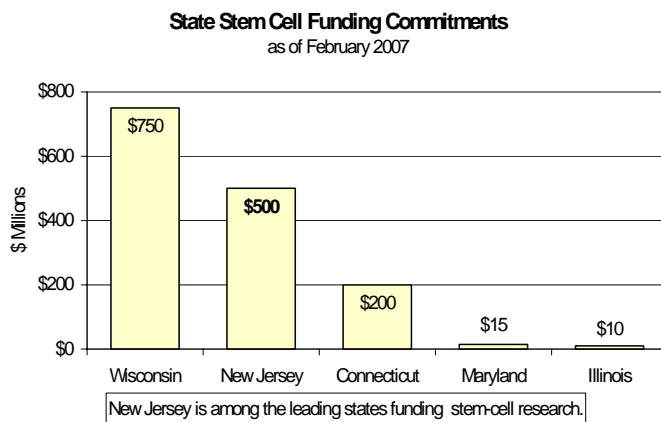
Our efforts have the potential to impact people the world over, in ways we can’t yet imagine. The true scope of this initiative may not be felt for a decade or even longer - when people around the world live vastly improved lives because of the work that will be done right here in New Jersey. For over a century, this has been our legacy as a state and we are preserving it.

We are creating a statewide laboratory of interconnected research and collection centers that will help attract the best minds currently engaged in the field of stem cell research. The work performed in New Jersey’s stem cell research centers will soon

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stand as a shining beacon leading other researchers forward and giving hope to millions afflicted with incurable and untreatable injuries and diseases.

Altogether, New Jersey will commit more than \$500 million to stem cell research – building new facilities, recruiting new world-class researchers, and providing stable funding for our growing stem cell research community. These investments put us among the leading states in new stem cell investments, and with our long-established dominance in pharmaceuticals, will make New Jersey the most exciting and attractive place in the world for stem cell researchers and companies to locate.



Note: California not shown, since California's \$3 billion commitment is being legally disputed.

This Budget doubles the funding to \$10 million in fiscal 2008 for stem cell research grants through the Commission on Science and Technology, and continues to provide \$5.5 million for the New Jersey Stem Cell Research Institute in New Brunswick. These investments build on the foundation that we have already established to ensure that New Jersey remains a leader in stem cell research.

In fiscal 2007, \$270 million was authorized to build stem cell research centers and facilities for cancer and biomedical research in New Jersey:

- \$150 million to build the Stem Cell Institute in New Brunswick;
- \$50 million to build stem cell research facilities at the New Jersey Institute of Technology in Newark;

- \$50 million to a biomedical research center in Camden, which will be operated by a consortium of Rutgers, the Coriell Institute for Medical Research, the Robert Wood Johnson Medical School at Camden, and the Cancer Institute of New Jersey, South Jersey;
- \$10 million to the Garden State Cancer Center, in Belleville; and,
- \$10 million for the Eli Katz Umbilical Cord Blood Program, in Allendale, for cord blood collection in support of stem cell research.

In the coming year, Governor Corzine will work with the Legislature to secure passage and voter approval of a significant bond issue to provide a stable source of support for the researchers in these new laboratories. In the absence of support at the federal level, New Jersey's commitment to this critical research will ensure our continuing status as the medicine chest to the nation and the world.

EITC Expansion

The Earned Income Tax Credit (EITC) is a targeted income tax benefit that helps low-income working individuals earn their way out of poverty and into self sufficiency. A major impact of the credit is to lessen the burden of payroll taxes for Social Security and Medicare that disproportionately affect lower income workers. Most EITC dollars go to working people who are raising children. In addition to the federal program first enacted in 1975, New Jersey has had a state EITC since 2000. Out of the 19 states and the District of Columbia that have a state EITC, New Jersey is the only state that cuts off eligibility below the level set by the federal program – a hard cut-off at \$20,000 rather than a gradual decline.

The fiscal 2008 budget includes \$64 million to expand the state EITC eligibility to match the federal criteria. The credit, the amount of which is determined by income and family size, will now be available for families with up to \$39,783 in earnings for a married family with two or more children (\$37,783 for a single head of household with two or more children adjusted annually for inflation). Additionally, workers without children will be eligible to receive EITC benefits for the first time. An estimated 292,600 workers will benefit from this expanded eligibility, which would increase total

program participation to approximately 500,000 workers.

This expansion would be the first step in a three step commitment to low-income workers. Step two, in fiscal 2009, would require raising the benefit level from 20% of the federal credit to 22.5%, and step three, in fiscal 2010, would involve raising the benefit level to 25% of the federal benefit.

Economic Growth

As a central focus of his administration, Governor Corzine in fiscal 2007 established the Office of Economic Growth (OEG). In September 2006, the Office unveiled the Governor's Economic Growth Strategy, aimed at building New Jersey's economic base and growing jobs. The strategy is organized around six core priorities to ensure that State government 1) supports economic growth; 2) develops a world-class workforce; 3) supports smart, sustainable growth and infrastructure investments; 4) supports and encourages innovation; 5) encourages entrepreneurship and growth of small, minority-owned and women-owned businesses; and 6) enhances global competitiveness of New Jersey's businesses and expands access to international trade opportunities.

Under the direction of the OEG, the Governor's Strategy is being implemented, strengthening New Jersey's business climate. These achievements include:

- Secured commitments from dozens of companies – including Bayer, Unilever, Citigroup and Campbell Soup Company – to expand in New Jersey, resulting in nearly 11,500 new jobs;
- Implemented Governor Corzine's Executive Order 34, establishing the Division of Small, Women and Minority Business Development;
- Established a new State business website (www.nj.gov/business) and a centralized business hotline (866-534-7789) to facilitate "one-stop" service delivery;
- Launched the Edison Innovation Fund to grow high tech businesses, with an initial commitment of \$150 million from the

Economic Development Authority and leveraging funds from private sources;

- Created the Urban Fund to stimulate investment in urban communities with an initial investment of \$185 million from the Economic Development Authority and also leveraging private sector funds;
- Established partnerships and utilized technology to promote business and commerce between New Jersey-based companies and foreign businesses.

Other Key Initiatives

In addition to the major policy initiatives outlined thus far, there are a myriad of other key programs that provide important services to citizens across the State. Many of these are noted in the sections that follow. The sections include brief narratives detailing critical budget issues and decisions for fiscal 2008.

Education

Support to education comprises over one-third of the Fiscal 2008 Budget, or nearly \$11 billion of the \$33.3 billion total State appropriation. This represents an increase of nearly \$580 million from fiscal 2007. Some of the more prominent programs are described below.

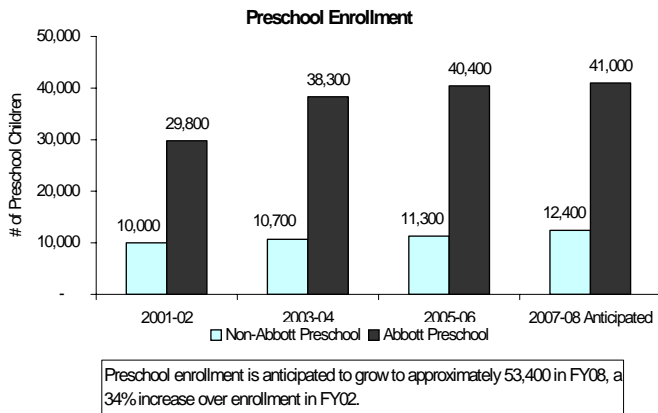
The Preschool Advantage

The importance of a quality education during a child's early years cannot be overstated. In light of this, the State has maintained a firm commitment to enhance preschool services for our children. Through the joint efforts of the Departments of Education and Human Services, the State comprehensively integrates educational, social, and family programs to promote academic and social development. The quality of this effort has attracted national attention, as the National Institute for Early Education Research continues to rank New Jersey's Abbott Preschool program as one of the best in the nation.

As the following "Preschool Enrollment" chart illustrates, the Department of Education expects preschool enrollment in the Abbott districts to grow to 41,000 for the 2007-2008 school year, a level that is approximately 38% higher than when the program

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began in the 2001-2002 school year. This year's growth represents a small increase in what has become a program with leveling enrollments. If these enrollment levels are achieved, approximately 80% of all general education three and four-year-olds in the Abbott districts will be enrolled in a high-quality preschool program.



Since fiscal 2003, state aid has been provided to fund the dramatic increase in preschool enrollment in the Abbott districts. The Fiscal 2008 Budget recommendation includes \$246.3 million for Abbott Preschool Expansion Aid, as well as \$99.1 million in the Department of Human Services for programs offered before and after school for Abbott preschoolers.

A second form of state preschool aid—Early Childhood Program Aid—supports an additional 43,400 preschoolers and kindergartners in 132 high poverty districts around the State. The Fiscal 2008 Budget recommends \$330.6 million for this program. In fiscal 2005, a new category of early childhood state aid, the Early Launch to Learning Initiative, was introduced. The \$3 million recommended for this program in the Fiscal 2008 Budget will allow the program to run at the same level as fiscal 2007, increasing access to high-quality preschool for four-year-olds by creating new or expanded preschool programs in the low income districts that have participated in the program since its inception in fiscal 2005. In fiscal 2008, eligible districts will receive additional resources for early childhood and literacy programs through two new categories of school aid, Full-Day Kindergarten Supplemental Aid and Targeted At-Risk Aid. (See School Aid)

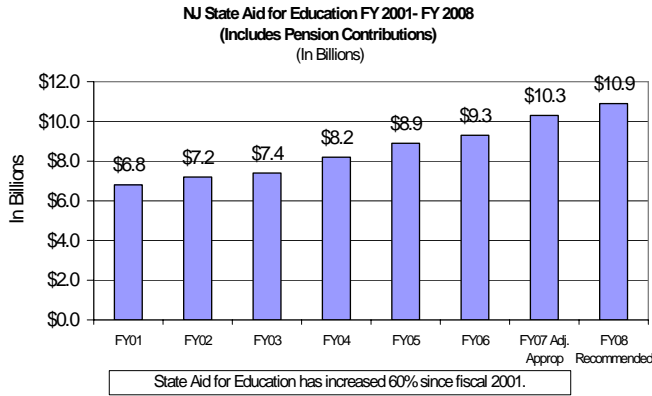
Governor Corzine is deeply committed to expanding high-quality preschool opportunities for all low-income students across the state. He recognizes that the current “patchwork” approach to early childhood education is inequitable. Three and four-year-old children in non-Abbott districts also need access to high-quality programs so they can enter school ready to learn. In the current system, there are some cases where Abbott students and non-Abbott students attend programs in the same community-based child care centers. In these settings, the non-Abbott families must pay for the programs, while the students who live in an Abbott district receive the program for free. Even if the children have the same demographic characteristics, their mere geographic difference determines whether they receive a free high-quality program or a costly one.

In order to address these inequities, high-quality preschool must be made available to all low-income students. In the Fiscal 2008 Budget, Governor Corzine has included \$10 million for the Preschool Expansion and Enhancement Grant program to improve the quality of preschool providers in non-Abbott districts. The appropriation will also support an independent needs assessment to determine what steps and resources will be needed to create a seamless preschool system for all low-income students.

The grants will be targeted to providers that serve the neediest students in non-Abbott districts. There will be a strong emphasis on expanding the capacity of Head Start providers, who serve students at or below 100% of the federal poverty level. The grants will be used to support certification efforts for classroom teachers, selection of a research-based curriculum and professional development, and other steps necessary to align these programs with the high-quality Abbott preschool programs.

School Aid

State aid for school districts is the single largest purpose to which State funds are devoted, with a total recommended amount of over \$10.9 billion for fiscal 2008, as seen in the chart below. This number includes the significant contributions the State makes on behalf of local school districts for employee benefits and provides increases in funding for all New Jersey schools.



Overall, the Fiscal 2008 Budget recommends an increase of over \$300 million in school formula aid, including funding for new programs targeted to districts with the highest needs. It also includes \$557 million for the School Construction and Renovation program and \$113 million in School Building Aid. The combined total of these two programs represents an increase of \$188.4 million over the fiscal 2007 adjusted appropriation for these categories of aid. This funding will service State school construction debt on new and existing bond issues, as well as provide aid for qualifying local debt issued for school construction.

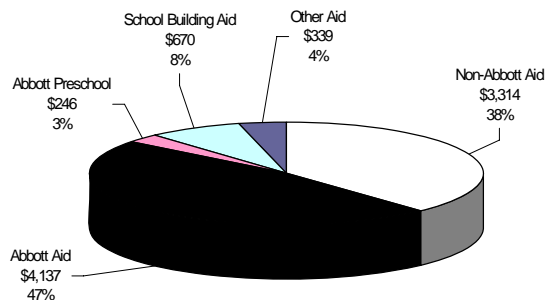
Increases in the Teachers’ Pension and Annuity Fund, post-retirement medical benefits, and Social Security payments made by the State on behalf of the districts provide valuable contributions to local school districts both financially and educationally, since pension and benefits assist in recruiting and retaining qualified teachers. In fiscal 2008, these payments will increase \$61.9 million, to nearly \$2.3 billion. With these increases, it is anticipated that the State will support 44% of the total per pupil costs.

This Budget includes funding to ensure that parity is guaranteed for all Abbott districts. There are a limited number of Abbott districts in fiscal 2008 that are projected to be below the court-ordered parity with the wealthiest districts. A \$124.2 million increase in Education Opportunity Aid will allow for a 3% increase in state aid for the Abbott districts that are already at parity. However, the specific allocation to individual districts will be determined by the Department of Education via the Abbott budget review process.

This Budget also includes a \$3.1 million increase in Abbott Preschool Expansion Aid, an increase of \$19.1 million over projected actual fiscal 2007 spending for the program. As discussed above in the “Preschool Advantage” section, these funds are combined with Early Childhood Program Aid to support high quality, full-day, full-year preschool programs in all of the Abbott districts.

The Fiscal 2008 Budget recognizes that, due to a combination of increases in state aid and no required local levy increase in Abbott districts from 1997 through 2006, there are Abbott districts with relatively low total equalized tax rates. As a condition of receiving Education Opportunity Aid, Abbott districts below 120% of the state average total equalized tax rate will be required to contribute a greater local share toward the costs of educating students in those districts. The increased local share will not exceed \$125 per household and will not exceed the 4% tax levy cap adjusted for enrollment growth. This is the second year in which Abbott districts with relatively low tax rates have been asked to increase their local share to assist in supporting the costs of educating students. This requirement is part of the Administration’s effort to ensure that Abbott districts are contributing their fair share toward the cost of education.

Components of State Aid for Education in New Jersey, FY2008
(In Millions)



In addition, the State provides nearly \$2.3 billion in benefit payments for public school teachers.

This Budget provides \$92.6 million for a 3% increase in state aid to non-Abbott districts in order to recognize the financial hardship caused by years of limited or no state aid increases. Since school formula aid has not been updated for changes in demographics and special education needs in recent years, all districts can use additional funding to

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address the individual needs of their students. Aid to nonpublic schools also will increase 3%.

An Administration priority for education is ensuring that high quality early childhood education serves as the foundation for continued academic success for all students. This foundation includes a focus on the quality of students' kindergarten experiences. The benefits of full-day kindergarten have been documented in many studies. The Fiscal 2008 Budget includes \$26.2 million for Full-Day Kindergarten Supplemental Aid, a new program to assist districts currently providing full-day kindergarten. The Governor recognizes that districts that have used local resources to expand to full-day kindergarten deserve additional support from the State to provide this educational benefit to students and their families. The additional funding will benefit 185 districts and allow for quality enhancement. Funding will be distributed on a wealth-equalized basis in accordance with the current method used to fund the first half-day of kindergarten. The long-term goal will be to increase the number of full-day kindergarten programs.

Finally, this Budget recognizes that there are districts all across the state with high concentrations of low-income students who qualify for free and reduced price meals, and additional funding will be provided to such districts through another new category of school aid, Targeted At-Risk Aid. Districts with concentrations of 15% to 20% of students qualifying for free or reduced price meals will receive an additional \$250 per low-income student. Districts with concentrations greater than 20% will receive \$500 per low-income student under this new aid category. These additional funds must be spent on programs that will help close the achievement gap for the low-income students in these communities, such as literacy programs, preschool, and full-day kindergarten. Qualifying districts may use the funds to start new programs or enhance the quality of existing programs. This new State funding program recognizes that per-pupil spending in many non-Abbott districts with high concentrations of poverty is well below the state average and the average per-pupil spending in the Abbott districts. More than 200 districts will benefit from this new funding.

Promoting Literacy

The Department of Education's Office of Literacy provides for the development of statewide math and reading literacy policies, along with support for literacy programs throughout the state. The increased attention being given to the instruction of students in the primary grades has resulted in gains in student achievement across New Jersey. However, according to assessment data, these gains are not sustained during the middle grades. In order to change this trend, significant changes in schools at all levels are required.

A grant from the National Governor's Association has allowed the Department's Adolescent Literacy Policy and Planning Committee to develop a research-based strategy that includes a comprehensive instructional model and intensive training program to improve literacy instruction and outcomes for middle school students. This program, Literacy is Essential to Adolescents' Development and Success (LEADS), began in three school districts in the summer of 2005. In fiscal 2007, the Department expanded the program to eight districts, and the proposal for the Fiscal 2008 Budget expands it to 18 districts.

Department staff also provides ongoing professional development to these districts, as well as to a consortium of 45 non-Abbott Special Education Literacy districts that are focused on reducing the classification of students affected by literacy deficiencies. The Department's literacy specialists assist in Literacy Assessment Team reviews, provide help to State intervention districts, and oversee the implementation of multiple literacy grant programs.

Special Education Grants

Federal funding for special education falls short of federal pledges and shortchanges the needs of special education students. When the Individuals with Disabilities Education Act (IDEA) was established, the federal government promised to pay 40% of the per pupil expenditure. The federal government has never fully funded IDEA and for fiscal 2008 proposed funding is approximately 16% of the federal obligation. Governor Corzine recognizes this shortfall and in fiscal 2007 established a grant program to assist school districts in meeting the high costs of special education in New Jersey, which currently has an estimated 203,000 special education

students aged 3 to 21 throughout its public school system.

The Fiscal 2007 Budget included \$15 million to support students with autism spectrum disorders as well as \$4.5 million in new grants for local school districts to develop or enhance their special education programs. Continued funding for these grants does not appear in the Fiscal 2008 Budget, as these are multi-year programs with a grant period beginning in fiscal 2007. Therefore, expenditures for fiscal 2008 related to these grants will be supported by the fiscal 2007 appropriation. The autism grant program will run for 15 months from April 1, 2007 to June 30, 2008. The special education grant program will run for 25 months from June 1, 2007 to June 30, 2009.

The autism grants will be used to help districts with autism program planning and start-up costs, as well as professional development, personnel costs, special education teachers, program coordinators, behavior intervention specialists, parent outreach, transition planning, assistive technology, and instructional support. Individuals with autism have marked deficits in areas such as attention, imitation, communication, socialization, and motivation – skills that are the foundation for early education. This effort will be augmented by a \$5 million Governor’s Initiative in fiscal 2008 in the Department of Human Services for Addressing the Needs of the Autism Community. (For further details, see the “Human Services” section later in this chapter.) Approximately 7,400 New Jersey children between the ages of 5 and 21 have been diagnosed with autism spectrum disorders, and a recently released report from the U.S. Centers for Disease Control and Prevention found the highest rate for autism in northern New Jersey.

School Construction

As defined by the Educational Facilities Construction and Financing Act of 2000 (EFCFA), New Jersey’s school construction program is the largest in the nation. This law established a comprehensive program for the financing, design, renovation, repair, and new construction of primary and secondary schools throughout the state. The New Jersey Schools Construction Corporation (SCC), a subsidiary of the New Jersey Economic Development Authority and one of the State entities that has a role

in administering the school construction program, is responsible for financing, designing, and constructing all of the school facilities projects in the Abbott districts and in districts that receive 55% or more in State funding for education. In addition, the SCC monitors the disbursement of grants previously approved for any of the remaining districts. To date, the SCC has opened 32 new schools and completed 31 projects involving additions and major renovations in Abbott districts, along with 354 health-and-safety projects. A total of 70 projects are currently underway, ranging from the construction of new schools to rehabilitating the interiors of existing schools.

EFCFA allocated \$8.6 billion for school construction programs for districts across New Jersey, of which \$6 billion was for Abbott districts, \$2.5 billion was for non-Abbott districts, and \$100 million was for vocational schools. Currently, all funds allocated have been spent or obligated. As a result, in February 2006, Governor Corzine issued Executive Order No. 3 that established the Interagency Working Group on School Construction (Working Group) to review the SCC and develop recommendations for reform.

Over the last year, the Working Group has completed three reports, which have described the reform efforts at the SCC and described the need for additional school construction projects. These reports outlined a methodology to prioritize projects consistent with the State’s educational policy. The original process funded projects as they were submitted for approval, rather than weighing their need relative to the limited resources available. In addition, the SCC has reformed its operational and financial management practices, making them more transparent and effective.

Furthermore, in school construction cases where there have been delays or cost over-runs, the SCC has begun legal efforts to recover funds on behalf of taxpayers. Recent efforts include suits for the recovery of the additional costs of projects affected by professional design errors; environmental cleanups incurred in connection with new school construction; and delays in project completions.

The Working Group has also provided details on the need for additional school construction projects. Based on the 2000 Long Range Facilities Plans, there

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are 315 unfunded school construction projects. While DOE is in the process of reviewing and approving the 2005 Long Range Facilities Plans, it is anticipated that substantial needs still exist.

The Working Group strongly recommends legislative reforms that will address the following five core issues: program governance; increasing the role, responsibilities, and accountability of school districts; land acquisition; the project approval process; and project delivery.

Youth ChalleNGe

The Youth ChalleNGe program assists at-risk youth in a highly disciplined environment to get their General Educational Development (GED) high school

diploma. It is operated by the New Jersey National Guard (NG), which proactively changes the attitudes and future paths of youth who have problems with substance abuse and other criminal activity before it is too late.

Funding for this program is allocated on a 60% - 40% matching split between federal and state governments. The fiscal 2008 increase of \$350,000 will increase the number of graduates from 200 to 350 students per year.

Youth ChalleNGe has been recognized nationally for “Academic Excellence” and has a post-graduation job placement rate of over 80%.

Higher Education

One of New Jersey’s greatest strengths is its highly educated population. Sustained investment in higher education is vital to New Jersey’s long-term economic and social health.

Accordingly, this Budget provides \$2.2 billion in overall support of the State’s higher education system in fiscal 2008. This Budget maintains New Jersey’s commitment to a diversified, accessible system of higher education. In particular, programs providing need-based financial

assistance to students receive an increase of \$16 million in fiscal 2008, to \$236.3 million. This represents 88% of the total \$268.3 million in student financial aid, and assures that our neediest students will not be denied the opportunity to go to college.

participation, including volunteer work, voting, and blood donation. New Jersey’s highly-educated workforce is also a key inducement to companies seeking to expand in or relocate to the Garden State.

The table summarizes recommended fiscal 2008 Higher Education funding by major program area. The overall increase of \$49.3 million from fiscal 2007 is largely due to increased operating support of \$50 million distributed proportionally to all higher education institutions and

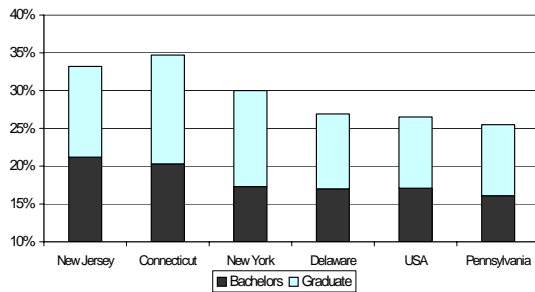
	FY2007 Adjusted Approp.	FY2008 Budget	Change \$	%
Colleges and Universities				
Senior Public Colleges and Universities	\$ 1,468.5	\$ 1,490.8	\$ 22.3	1.5
County Colleges	217.5	232.0	14.5	6.7
Independent Colleges and Universities	19.5	20.4	0.9	4.4
Student Financial Assistance	250.2	268.3	18.1	7.2
Educational Opportunity Fund	40.6	40.6	-	-
Facility and Capital Improvement Programs	98.5	93.4	(5.1)	(5.2)
Other Programs	18.3	16.9	(1.4)	(7.6)
Total Higher Education	\$ 2,113.1	\$ 2,162.4	\$ 49.3	2.3

\$18.1 million for student aid programs, offset by anticipated savings in fringe benefits costs for college employees and other minor adjustments. Net fringe benefit savings of \$24.4 million are expected to result from the recently negotiated State labor contracts; however, this Budget fully funds the employer share of expected fringe benefits costs for State-funded employees of colleges and universities under the new contracts.

Student Financial Assistance

Even in this time of fiscal austerity, this Budget provides \$268.3 million in fiscal 2008 for the various student financial assistance programs, administered by the Higher Education Student Assistance Authority. An increase of approximately \$16 million is recommended for need-based student assistance programs, and an additional \$5.8 million is targeted for the New Jersey STARS merit programs. Funding for other non-need-based student aid programs is reduced by \$3.8 million. Overall, this Budget increases funding for student assistance by \$18.1 million, or 7.2%, from fiscal 2007.

Educational Attainment
percentage of adults with a bachelor's degree or higher



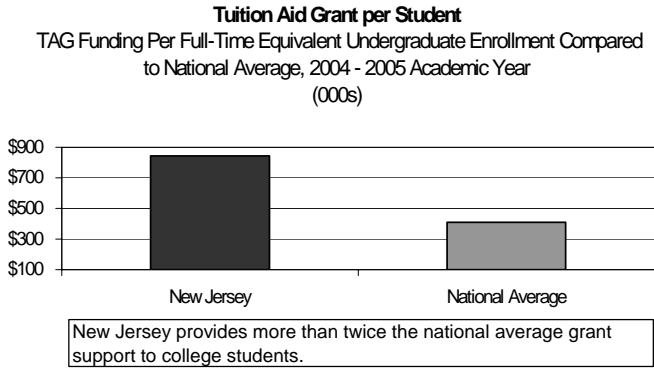
More than 33% of adults in New Jersey have completed at least a four-year college degree or better, compared with less than 27% nationally.

Higher education benefits both the individual and society in a variety of ways. Educated individuals are less likely to be unemployed or live in poverty. Research has shown that, in addition to contributing more to tax revenues than others do, adults with higher levels of education are less likely to depend on social safety-net programs, generating decreased demand on public budgets. Higher levels of education also correlate with higher levels of civic

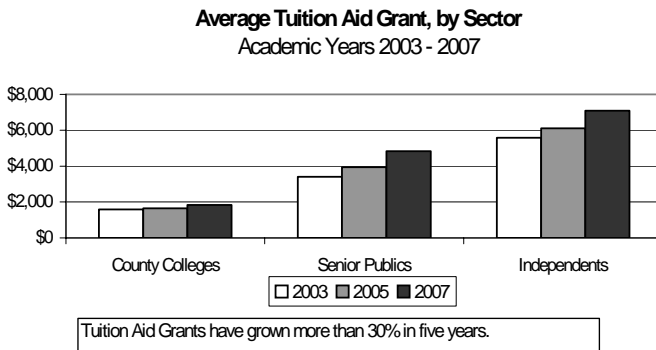
SUMMARIES OF APPROPRIATIONS

Tuition Aid Grants

New Jersey's student financial assistance programs continue to be among the strongest in the nation. New Jersey's flagship Tuition Aid Grant (TAG) program provides more than twice the national average grant support per student.



New Jersey's need-based TAG program generously supports low-income students at the State's senior public institutions, independent institutions, and county colleges.



This Budget provides \$230.2 million for the TAG program for full-time students in fiscal 2008, an increase of \$15.5 million. In addition, \$5.5 million is included for the Part-Time TAG for County Colleges program that was initiated in fiscal 2004. The \$553,000 increase in this program will support 10,627 recipients during fiscal 2008, 686 more than in fiscal 2007, with a \$517 average award.

NJ Educational Opportunity Fund

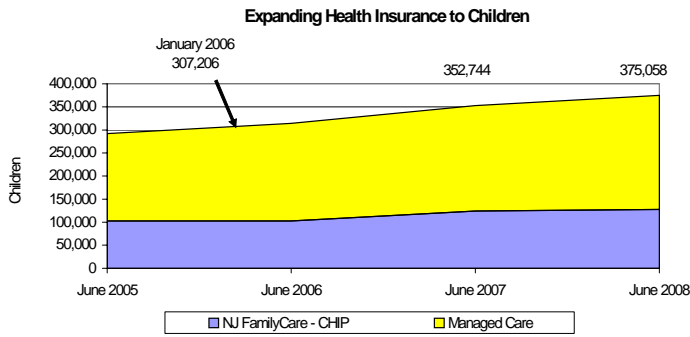
The New Jersey Educational Opportunity Fund (EOF) was created by law in 1968 to ensure meaningful access to higher education for those who come from backgrounds of economic and educational disadvantage. This Budget maintains EOF funding at \$40.6 million in fiscal 2008; these programs will assist low-income New Jersey residents who are capable and motivated, but lack adequate preparation for college study, through a variety of programs such as Opportunity Program Grants, Supplementary Education Program Grants, the C. Clyde Ferguson Law Scholarships, and the Martin Luther King Physician-Dentist Scholarships.

Health Care Initiatives

Access to Healthcare for Children

Governor Corzine has recommended \$5 million in growth for the Division of Medical Assistance and Health Services (DMAHS) to provide better medical care for our most vulnerable children by increasing reimbursements to pediatric service providers. The fact that New Jersey has the lowest Medicaid reimbursement rates in the nation has created a barrier to accessing care. Increasing the funding for pediatric services as of January 1, 2008, will increase access to primary care services and result in fewer Medicaid resources being spent on expensive and less appropriate settings such as hospital emergency rooms. In recommending these funds, the Governor has reaffirmed his position to provide quality medical coverage for this most vulnerable population.

In the Fiscal 2007 Budget, the Governor made it a priority to provide health insurance to 50,000 uninsured children by the end of fiscal 2007. This initiative is on track and by fiscal 2008 the State expects to reach 68,000 children through the Medicaid and NJ FamilyCare programs.



Personal Assistance Services Program

Growth of \$3.5 million in the Personal Assistance Services Program (PASP) in the Division of Disability Services (DDS) is recommended to allow 150 potential beneficiaries to enroll in the program, which would eliminate the existing waiting list. PASP makes it possible for adults with physical disabilities to work, go to school, and engage in their communities by providing help with the activities of daily living.

Office of the Medicaid Inspector General

Governor Corzine has made it a priority to reduce fraud, waste, and abuse in the State’s Medicaid program. As part of that effort, this Budget assumes the enactment of pending legislation entitled the “Medicaid Program Integrity and Protection Act,” which establishes the Office of the Medicaid Inspector General to coordinate such efforts. To ensure the integrity of the new Office, the legislation places it within the existing Office of the Inspector General, completely independent of the Department of Human Services; \$3 million is available to support its operations during fiscal 2008.

There are other promising initiatives already underway. In one prime example, Medicaid has implemented a claims software product that automatically audits and adjusts professional billing errors to avoid overpayments. This initiative alone is projected to save the State \$11 million during fiscal 2008.

Updated Charity Care Formula

The New Jersey Hospital Care Payment Assistance Program (Charity Care) provides uninsured patients the opportunity to receive inpatient and outpatient services at acute care hospitals throughout the State of

New Jersey at a reduced cost or at no cost at all. To qualify, the resident must be ineligible for any private or governmental sponsored coverage (such as Medicaid) and meet both income and asset eligibility criteria.

For the first time in five years, Governor Corzine is recommending that the outdated Charity Care formula be changed. In fiscal 2008, the Charity Care allocation will incorporate the most recent Charity Care cost reports available. By using the most recent cost data, the Charity Care allocation of \$583.4 million will more accurately reflect the costs that hospitals are incurring to treat the uninsured.

Global Budgeting—Nursing Homes

The objective of global budgeting is to promote the independence and choice of senior citizens and individuals with disabilities to live in their homes and communities. New Jersey strives to redirect long-term care away from an over-reliance on institutional care towards more home and community-based options. On April 21, 2005, an Executive Order established a “money follows the person” pilot program in Atlantic and Warren counties and set aside funding in fiscal year 2006 to rebalance long-term care. A total of \$30 million (State and federal) was appropriated for this Global Budget program and used to transition individuals out of nursing facilities and into less expensive community-based options. Assuming the pilot program proves to be successful and cost effective, global budgeting will be carried out statewide beginning in March of 2008. The program will operate within the existing level of funding as cited in the Independence, Dignity, and Choice in Long-Term Care Act, which was signed into law by Governor Corzine in June 2006. The Act will continue to ensure the reallocation of Medicaid long-term care expenditures to create a more appropriate balance between funding for institutional care and care provided in the community.

Promoting Women’s Health

In fiscal 2007, the rising cost of healthcare, combined with declining federal support, led Governor Corzine to commit \$2 million for the promotion of women’s health through family planning services in the Department of Health and Senior Services’ Division of Family Health Services.

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As a result of this commitment, the program is currently on target to reach 4,500 new clients by the end of this fiscal year. To continue this positive momentum, Governor Corzine has expanded his commitment in fiscal 2008 by increasing family planning funding by an additional \$500,000.

Family planning services may be the only source of primary care for low income and working poor families who would otherwise not seek traditional preventive health care. These services help prevent unintended pregnancies, lower the rate of abortion and sexually transmitted diseases, and lower the risk of infant mortality. Funding also allows for prenatal care, HIV testing and counseling, and essential screenings for breast and cervical cancer, hypertension, and diabetes. New Jersey receives a solid benefit from this funding as every public dollar spent on family planning services saves an estimated \$3 in associated Medicaid costs.

Health Drug Price Website

In fiscal 2007, Governor Corzine signed legislation which established the New Jersey Prescription Drug Retail Price Registry. The registry is available through the Division of Consumer Affairs website and will provide consumers with retail information for the 150 most frequently prescribed prescription drugs in the State.

The Director of the Division of Consumer Affairs, in consultation with the Commissioners of Human Services and Health and Senior Services will obtain drug price information for these prescription drugs that will allow consumers to comparison shop for drugs by name, dosage, and zip code. Consumers can then use this information to determine which pharmacies have the best price on prescription drugs they frequently purchase.

Medicaid and Long-Term Care

In the Departments of Health and Senior Services and Human Services, the recommended Medicaid State Budget is \$3.7 billion. Much of the cost increase that is required for Medicaid is attributable to the NJ FamilyCare and Managed Care programs.

The fiscal 2008 growth for the NJ FamilyCare program is \$61.1 million, or 51% over the fiscal 2007 appropriation. The majority of this growth is

attributable to the State assuming costs that were previously funded by the federal government through the State Children's Health Insurance Program (SCHIP). The Fiscal 2008 Budget assumes that, beginning on October 1, 2007, the federal match on parents (excluding pregnant women) decreases from 65% to 50%.

In addition, more families will receive health insurance benefits. Legislation, sponsored by Senator Vitale in 2004 (the "Family Health Care Coverage Act"), expands health insurance enrollment to include eligible beneficiaries with income between 100% and 133% of the federal poverty level (FPL) over a three year period. Beginning September 1, 2007, enrollment will be expanded to eligible beneficiaries whose income does not exceed 133% FPL. The Medicaid Managed Care program also includes funding to expand health insurance benefits as part of Governor Corzine's initiative to expand health insurance to uninsured children.

The combined budget growth in both programs will provide health insurance to 68,000 additional children in fiscal 2008 compared to fiscal 2006.

Funding for prescription drugs will remain flat due to continued savings from the federal Medicare Part D program.

The Fiscal 2008 Budget continues to support senior services and long term care alternative programs by recommending \$859.1 million.

To help offset growth, the following cost containment measures have been taken in various Medicaid programs resulting in a total savings of \$38.2 million:

- Moving certain Managed Care populations into a capitation plan in which the State pays health maintenance organizations (HMO) a fixed capitation rate per beneficiary so that the HMOs become responsible for the service costs to providers.
- Auditing long-term care facilities to identify unnecessary spending.
- Requiring prior authorization of prescription drugs in the General Assistance program to offset drug inflationary growth.

- Eliminating 50% of the annual inflationary increase to Nursing Homes and Medical Day Care providers.
- Eliminating bed hold reimbursement to Nursing Homes - The occupancy rate in nursing facilities has been declining due, in part, to patients being transitioned to home and community based services. As a result, it is unnecessary for facilities to hold beds when patients enter a hospital.
- Cost sharing – New Jersey is one of only five states that does not require any type of cost sharing for Medicaid services. As a result, the following cost share initiatives are recommended to offset cost growth:
 - A \$2 co-payment for all prescription drugs, capped at \$10 per month per beneficiary.
 - A \$3 co-payment on outpatient hospital visits and a \$6 co-payment on all non-emergent visits to a hospital emergency room, capped at \$12 per month per beneficiary.
 - A \$3 co-payment in the Medical Day Care program.

Federal Impact – SCHIP

The State Children's Health Insurance Program (SCHIP) is the source of federal funding for the NJ FamilyCare program (parents and children). FamilyCare serves nearly 700,000 in New Jersey, 75% of them children. Approximately 225,000 individuals are supported by SCHIP funding. The program provides health insurance to families based on income. It is free for a family of four with a yearly income of up to \$31,000. It charges a sliding scale for premiums and co-pays for a family of four with a yearly income up to about \$73,000.

The program was authorized by Congress in 1997. Because of historic underfunding by the federal government, NJ FamilyCare faces a substantial shortfall of approximately \$200 million over State fiscal years 2007 and 2008. In the past, Congress has allowed money to be redistributed from states that did not use their SCHIP allotments. This year, however, NJ FamilyCare will run out of money by May 2007, if

no new money is redistributed beyond the steps that Congress has already taken.

In addition to creating a problem for fiscal 2007, if funds are not restored in fiscal 2008 during the SCHIP reauthorization process beyond the amount that President Bush is proposing, the existing program supported by SCHIP will have to be restructured and additional resources will need to be found beyond what is included in the State's Fiscal 2008 Budget. This Budget assumes that Congress will act to restore the necessary funding. The only funding for SCHIP to replace lost federal funds in fiscal 2008 is \$40 million needed for the decrease in the federal matching rate for parents from 65% to 50%. Historically, the State had been able to take advantage of a 65% federal match on all State expenditures.

Federal Impact – Medicare Part D

Beginning on January 1, 2006, Medicare Part D benefits were coordinated with the Pharmaceutical Assistance to the Aged and Disabled (PAAD), Senior Gold, and Medicaid Prescription Drug Programs, thus offering Medicaid dual eligibles (those eligible for Medicaid and Medicare) and senior citizens a federal prescription drug benefit. Medicare is now the primary prescription drug coverage for these beneficiaries. As a result, the State pays for drugs not covered by the Prescription Drug Plan (PDP) to make certain that access to drugs for seniors is not diminished. In keeping with past practice, PAAD and Senior Gold beneficiaries are responsible only for their respective co-payments.

The PAAD and Senior Gold programs effectively enrolled 177,000 beneficiaries into a Medicare Plan that best met their needs based on their prescription drug utilization. While enrollment in Medicare Part D is not mandatory for Senior Gold, more than 60% of beneficiaries in this program have voluntarily enrolled. This enrollment effort has resulted in savings for the State beyond those originally anticipated. Accordingly, the PAAD and Senior Gold budgets will be reduced by approximately \$73 million in fiscal 2008.

There are currently 144,000 dual-eligibles enrolled in Medicare Part D. There has been a 57% reduction in prescription drug expenditures as a result of the new federal program, but these savings have been offset

by a loss in pharmaceutical manufacturer rebates shifting to the Part D plans and increased State-only expenditures from co-payments on behalf of dual-eligibles. Further, the State is responsible for reimbursing the federal government for what it would have paid for dual-eligible prescriptions prior to the implementation of Medicare Part D. This is commonly referred to as the clawback and is estimated to cost the State \$286 million in fiscal 2008.

The Fiscal 2008 Budget recommendation includes funding to cover the copays and wraparound for dual-eligibles, the clawback, and nearly a quarter of a billion dollars in State funds for those clients not enrolled in Part D, such as those aged, blind and disabled without Medicare and prescription drugs for behavioral health services for the three quarters of a million clients in managed care.

Cost Shifts in Medicaid – Reporting Requirements

The Bush administration is proposing a number of regulatory changes that may shift costs to the State. For example, the federal Centers for Medicare and Medicaid (CMS) plan to require submission of a four page form for each governmental provider including government financial reports and the provider's appropriations or contractual reimbursements. Submission is required for all governmental providers initially and for each future Medicaid State Plan Amendment (SPA). These requirements will increase existing work and may impact Medicaid reimbursement for at least 150 governmental providers participating in the Medicaid program. These providers include State, county, and locally operated medical facilities (hospitals, nursing homes, developmental centers, and residential treatment centers); school districts; and distinct agencies (DDD Community Care Waiver and DYFS). Using current assumptions, most governmental providers should be approved by CMS. However, county operated providers and school districts will require legal analysis to assure compliance.

Human Services

Developmental Disabilities and Mental Health Placements

In fiscal 2007, Governor Corzine provided \$3 million for housing capital, a \$50 million, three-year

institutional placement and home supports initiative for the Division of Developmental Disabilities (DDD), and \$10 million for a similar program in the Division of Mental Health Services (DMHS). The Governor remains committed to providing greater options and capacity to fully integrate the developmentally disabled and mentally ill into their communities through placement from institutions and home supports for families.

An additional \$10.1 million is proposed for DDD, which is dedicated towards consumers in the community, both in residential placements and in their own homes. This will help fund the Real Life Choices program, which enables individuals to continue living at home by self-directing services specific to their needs; new family support funding to expand respite care hours; the placement of individuals on the Community Services Waiting List who require immediate housing and support services; and continuation of day program services for individuals aging out of the educational system.

In DMHS, \$20 million will be dedicated to two main areas – continuing to implement the recommendations of the Mental Health Task Force and building on last year's initiative to begin placing individuals ready to live in the community out of psychiatric hospitals, as well as providing housing and supports for the mentally ill who would otherwise be homeless or living in conditions without access to care.

Addressing the Needs of the Autism Community

Governor Corzine proudly announces a \$5 million initiative to address autism in our communities. Based on recent studies, New Jersey's rate of diagnoses is 10.6 cases per 1,000 children, or 1 in every 95. When compared to the national average of 1 in every 150 children, it is clear that New Jersey needs to take greater steps in providing services, such as respite care, job coaching, transportation, and home supports. In addition, portions of this amount will fund research grants to various organizations to better coordinate State health policy which impacts the autism community.

Community Provider Cost of Living Adjustment

In concert with efforts to serve New Jersey's most vulnerable citizens, the State's network of community providers has become indispensable in the delivery of

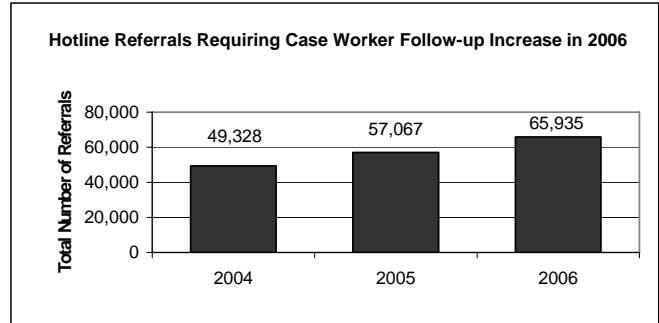
direct care to the developmentally disabled, mentally ill, and vulnerable children and families in our communities. Governor Corzine recognizes the important role these professionals fill, as well as the pressures that rising staff, energy, and transportation costs place on agencies. In order to maintain this high quality care, the Governor proposes a 2% community provider cost of living adjustment, beginning January 1, 2008 for providers contracting with the Departments of Human Services, Children and Families, Health and Senior Services, Labor and Workforce Development, and the Juvenile Justice Commission.

Federal Impact - Welfare-to-Work

The federal Deficit Reduction Act of 2005 requires states to document that 50% of families receiving welfare are engaged in work and job preparation activities. In order to provide opportunities for participants to become gainfully employed and to comply with federal regulations, growth is required in the following areas, which were funded by one-time federal resources in fiscal 2007: \$14.4 million for work activity program slots in the Department of Labor and Workforce Development; \$9.7 million for child care slots so parents can work effectively, in the Department of Human Services’ Division of Family Development; and \$4 million for a system to report hours worked.

Department of Children and Families

In fiscal 2007, one of Governor Corzine’s top priorities was turning around New Jersey’s child welfare system through the creation of the State’s first cabinet agency devoted to safeguarding vulnerable children and strengthening their families. Since that time, the Department of Children and Families (DCF) has aggressively implemented a data-driven reform plan, measuring performance and outcome targets for children in areas including referrals for abuse/neglect investigations, finalized adoptions, licensed resource families and staff caseloads. In fiscal 2008, DCF will continue to implement the requirements of the settlement agreement. Investments in children and families will grow in the Division of Youth and Family Services (DYFS) by \$20.5 million in fiscal 2008 due to the caseload increases, an additional \$29.5 million for annualized program and staff costs, and \$7 million for other services.



In calendar 2006, DCF experienced an historic surge in the number of calls reporting child abuse and neglect to the Statewide Central Registry hotline, but due to investment in staff and systems, the caseloads continued to decline. By November 2006, DYFS was on target in hiring caseload-carrying staff, having achieved 95% of the fiscal 2007 goal of 2,444. Additionally, DCF licensed 1,280 new resource (foster and adoptive) families in calendar 2006, more than in either of the prior two years, and the agency achieved its first net gain of 209 families in at least five years. Most notably, over this same period DCF made substantial progress in building specialized adoption practices in DYFS local offices, which enabled the State to exceed its target of 1,100 finalized adoptions by 275.

DCF is also engaged in an ambitious “right-sizing initiative” with counties and community organizations to identify the needs of children with mental health issues and build a continuum of services that can be accessed before crisis situations develop. A large part of this effort to improve outcomes requires a substantial investment in training staff. In fiscal 2006, DCF embarked on a pre-service training program for new workers that included a new, mandatory module on abuse and neglect investigative training. DCF trained more than three times as many DYFS staff in calendar 2006 than in the previous year, and more than doubled the number of training courses delivered to staff, supervisors, and managers across the agency.

Public Safety

Homeland Security

Governor Corzine recognizes that protecting New Jersey’s citizens and critical assets is the top priority

SUMMARIES OF APPROPRIATIONS

for the State of New Jersey. We have entered into a new threat era with acts of terrorism, natural disasters, catastrophic events, and pandemics that requires a new all-hazard operations paradigm in our approach to homeland security and emergency preparedness.

Because of our State's location and our highly developed infrastructure, funding is needed to protect New Jersey's ports, chemical plants, bridges, tunnels, highways, and transit systems. Governor Corzine will continue the funding of \$15 million for homeland security needs throughout the State, supporting critical projects such as interoperable communications, tools for intelligence sharing, and enhanced infrastructure protection.

In March of 2006, Governor Corzine signed an executive order to establish the Office of Homeland Security and Preparedness (OHSP). The Office provides oversight for all homeland security and counter-terrorism related efforts. The Office has multiple responsibilities including, but not limited to, the following:

- **Grants** — Oversees and distributes discretionary State and federal homeland security preparedness funds solely on basis of risk (i.e., threat, vulnerability and consequence).
- **Preparedness Exercises** — Conducts regular exercises, such as tabletops (i.e., drills) and other simulations, to assess and prepare responses for terrorist and "all hazards" incidents.
- **Training** — Provides training to law enforcement personnel and other individuals involved with homeland security and emergency preparedness responsibilities.
- **Investigations** — Conducts joint investigations related to potential terrorist activities with the New Jersey State Police, the FBI's Joint Terrorism Task Forces, and other entities.
- **Intelligence Gathering and Sharing** — Collects, analyzes and shares intelligence data affecting New Jersey with the proper public agencies and private sector groups.
- **Clearinghouse for Legislation** — Reviews all State legislation concerning counter-terrorism and preparedness issues and makes recommendations to Governor's Office.
- **Protecting Critical Infrastructure** — Works with private industry, which controls 85% to 90% of New Jersey's critical facilities, to protect those facilities against potential terrorism and other hazardous incidents.
- **Protecting Civil Rights and Liberties** — Works with the New Jersey Office of Public Advocate, which has established a public ombudsman to help ensure that citizens' rights and civil liberties are protected, in matters of homeland security and preparedness issues.

Federal Impact – Homeland Security Grants

The President's budget request for federal fiscal 2008 includes an overall reduction for the federal Department of Homeland Security's major homeland security grant programs.

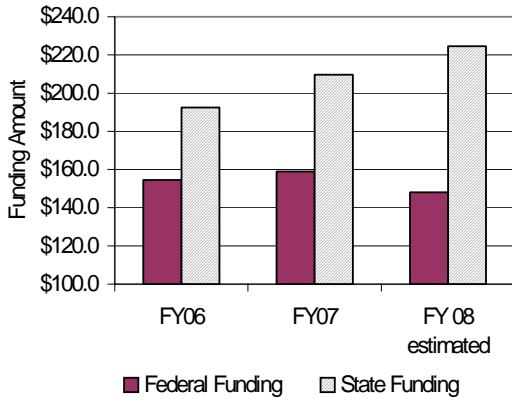
Two of the grants, the State Homeland Security Grant Program and the Law Enforcement Terrorism Prevention Program are shared by State and local governments, with 20% allocated to the State and 80% allocated to the counties/municipalities. The third major homeland security grant is the Urban Area Security Initiative, funding for which is fully dispersed to the counties for local use.

For the three major homeland security grants, the amounts allocated by the federal government to be shared by all 50 states have been significantly reduced. The State Homeland Security Grant Program has a proposed appropriation of \$187 million nationally, which represents \$338 million less than the federal fiscal 2007 level of \$525 million. This is a 64% reduction in one of the largest resources from the federal government for homeland security funding. The Law Enforcement Terrorism Prevention Program proposed appropriation is also reduced by 30% to \$263 million, down by \$112 million from the federal fiscal 2007 level of \$375 million. The Urban Area Security Initiative is also reduced by 22% to \$600 million, a cut of \$170 million from the federal fiscal 2007 level of \$770 million.

In forecasting the grant awards, there are two distinct amounts that are allocated to each state. There is a base amount, which is equal for every state, and there is also an amount allocated based on a risk formula. The greater the risk for terrorist threats, the greater the amount allocated to that particular state. The new

risk formula for federal fiscal 2008 has not yet been approved by Congress. Once approved, New Jersey will know if overall homeland security related funding was increased or decreased for the new federal fiscal year.

New Jersey Homeland Security Funding
(in millions)



Over a three year period, State funding has increased while federal funding has gone down for Homeland Security.

State Police

Based on P.L. 2005, c.311, the motor vehicle registration surcharge dedicated to the Division of State Police increased from \$1.00 to \$4.00 per registration. This funding provides for the purchase of new helicopters, maintenance of the existing fleet and the operation of the New Jersey Emergency Medical Service Helicopter Program as well as training of new State Trooper recruit classes. The Emergency Medical Service Helicopter Program is run by both the Department of Law and Public Safety and the Department of Health and Senior Services. A small portion of this revenue is shared with the Department of Health and Senior Services. The surcharge increase of \$3.00 is estimated to increase revenues by \$25.6 million for a total of \$34.2 million in fiscal 2008.

The Division of State Police will use a portion of this revenue for its helicopter replacement program. The new helicopters will contain the most updated equipment to ensure reliability and safety.

In addition, this revenue will support new recruit training classes. The State Police will provide two new training classes that will graduate 200 new State

troopers in fiscal 2008. With attrition, New Jersey will increase the total number of State troopers from 2,963 to 3,067 by the end of fiscal 2008. (See chart entitled “New Jersey State Trooper Strength”.)

The Division will also use the revenue to purchase new State trooper vehicles. With a three year line-of-credit, the Division will purchase 250 vehicles in fiscal 2008. Because of the annual continuation of this revenue source, the Division is able to plan for the purchase of new vehicles to replace high-mileage vehicles on an ongoing basis.

New Jersey State Trooper Strength

Year	Number of Troopers Beginning of Year	Academy Graduates	Annual Attrition	Number of Troopers End of Year
FY 1998	2,585	112	(86)	2,611
FY 1999	2,611	150	(82)	2,679
FY 2000	2,679	0	(99)	2,580
FY 2001	2,580	165	(92)	2,653
FY 2002	2,653	228	(103)	2,778
FY 2003	2,778	80	(120)	2,738
FY 2004	2,738	50	(136)	2,652
FY 2005	2,652	279	(117)	2,814
FY 2006	2,814	214	(71)	2,957
FY 2007	2,957	102	(96) *	2,963 *
FY 2008	2,963 *	200	(96) *	3,067 *

* Projected
(a) FY 2008 numbers assume the following:
- 146th class expected to graduate in July of 2007 - 50 Troopers
- 147th class expected to graduate in September of 2007 - 50 Troopers
- 148th class expected to graduate in January of 2008 - 100 Troopers

Domestic Violence

Nationwide, one in four women report they have been physically or sexually assaulted by an intimate partner. Domestic violence affects families of all different backgrounds, and survivors of domestic violence need support and security. In fiscal 2007, Governor Corzine committed an additional \$1 million to address violence against women through the Department of Law and Public Safety’s (LPS) Division of Criminal Justice STOP Violence Against Women Act and the Victims of Crime Act. In fiscal 2008, Governor Corzine increased his commitment by an additional \$500,000 for a total increase of \$1.5 million since he took office. LPS distributes grants to support domestic violence survivors through non-profit agencies and other programs. These programs provide legal and medical assistance, counseling, and access to other important community programs to address domestic violence and related issues. This

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increase will ensure that many more women and their families will receive the support they need.

Fighting Gang-Related Violence

Gangs and gang related violence are an increasing threat in New Jersey's cities and suburban areas. This budget includes funding in the Departments of Law and Public Safety and Corrections to address gang related issues. In fiscal 2008, \$1 million of Governor's Priority funding is continued in the State Parole Board to provide alternative community programs for parolees affiliated with gangs. Operation CeaseFire reduces gun violence by improving arrest rates, decreasing retaliation, and changing the culture of violence through community outreach.

Fiscal 2008 funding for Operation CeaseFire includes an increase to \$850,000 to support continued efforts to address crime such as prevention, enforcement, and reentry. These initiatives will be coordinated by the Attorney General's recently reorganized units within the Division of Criminal Justice and the New Jersey State Police.

Project Phoenix and related gang prevention activities, funded at \$150,000 in fiscal 2008, provide educational information on the danger of gang involvement to high risk school districts targeted through the Juvenile Justice Commission.

Helping Troubled Youth: The Juvenile Detention Alternatives Initiative

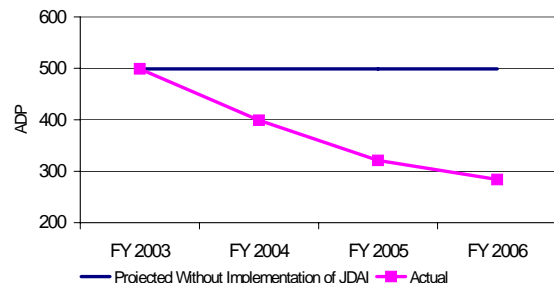
The Juvenile Detention Alternatives Initiative (JDAI) was developed in response to national trends reflecting a drastic increase in the use of secure detention for juveniles despite large decreases in juvenile arrests. This situation ultimately resulted in the overcrowding of youth detention centers nationwide.

The goal of JDAI is to reduce the number of youth inappropriately held in secure detention while maintaining public safety and ensuring that these youth appear for scheduled court dates. The JDAI also works to improve conditions in secure detention for youth who require that level of supervision. To address these issues, the program focuses on a number of core strategies including: the implementation of effective admissions policies and

practices; the enhancement of juvenile alternatives to secure detention; the identification of strategies to reduce racial disparities in secure detention; the reduction of delays in case processing that could unnecessarily extend the stay at a secure facility; and challenges presented by "special populations", including youth admitted for violations of probation and youth awaiting dispositional placement.

The JDAI, currently funded through a private grant from the Annie E. Casey Foundation, exists in five counties in New Jersey. Results in the five pilot counties have been dramatic. Comparing 2003, before the implementation of this program, to 2006, the average daily population (ADP) for detention centers in New Jersey has decreased by 43.1%. These reductions primarily impact minority youth. Through this Governor's initiative, the program will be expanded to ten counties in fiscal 2008.

Detention Centers' Average Daily Population (ADP) Decreases with the Implementation of the Juvenile Detention Alternative Initiative (JDAI)



In FY 2003, prior to the implementation of JDAI, the juvenile detention center ADP in 5 pilot counties averaged 499 juveniles/day. After JDAI, the ADP decreased by 43.1%, or 215 juveniles/day within 3 years.

Providing Appropriate Treatment for Juveniles

The Juvenile Justice Commission (JJC) currently administers the Life Skills and Leadership Academy (LSLA), which provides 50 secure care beds for juvenile offenders. The program is no longer cost effective because the level of security, which is currently provided by uniformed correction officers, exceeds the safety and security parameters required for these juvenile residents.

The juvenile population enrolled in the LSLA can be managed in a less restrictive environment. Therefore, JJC is converting the LSLA to a more appropriate program delivery system by contracting with a third-party provider, Project Use, to establish a residential program with age appropriate educational, social, and

work skills training. These learning skills should better equip these youths to re-enter the community. By completing this conversion, the JJC will increase residential and transitional living bed space by 50 and reduce secure bed space by the same amount. A fiscal savings of \$1.6 million is achieved through this conversion.

Supporting Re-Entry to Combat Recidivism

Sound re-entry policy and programs reduce recidivism, promote individual responsibility, and help former prisoners become productive members of their communities. This Budget provides \$1 million to the Department of Corrections for a new re-entry initiative to assist and guide inmates on re-entry into community life.

Proposed Salary Increases for Judges

The last salary increase for New Jersey judges was authorized by legislation signed on January 1, 2000. Since that three-step increase was implemented, New Jersey judges have fallen nearly \$25,000 behind their federal counterparts. First-year attorneys at some of the state's largest law firms are offered starting salaries higher than a Superior Court judge's salary of \$141,000.

The State is losing experienced judges and recruitment of highly qualified attorneys for positions on the bench will be hampered without an alignment of judicial salaries with the federal bench and with other states. In the past three years, 73 New Jersey judges have left the bench. Of those, 26 retired at the mandatory retirement age of 70. An additional 47, or 64 % of the experienced judges who left the bench, did so for other employment.

For these reasons, the Fiscal 2008 Budget provides the first phase of an initiative that will help prevent New Jersey judges from falling even further behind. This will serve to ensure the quality of New Jersey's court system and retain experienced judges by providing salary increases over a three year period. Fiscal 2008 will see judges' salaries increase by approximately 5.7%.

Employee Benefits Reform

Recent contract negotiations between the State and representatives of its public employees show a

commitment from the Administration to control rising employee benefit costs. Consistent with recommendations from the Joint Legislative Committee for Public Employee Benefits Reform, the proposal includes provisions that would increase cost-sharing of health care benefits for active and retired State employees and also increase employee contributions to the State's pension systems. The negotiated agreement would become effective July 1, 2007, and exclude members of the Judicial and State Police unions, whose contracts expire on June 30, 2008.

The agreement requires active State employees to contribute 1.5% of their salary towards health care costs. Contributions towards the cost of health care for local employees and educators are negotiated at the local level. Health plan changes are also projected to yield long-term savings replacing the Traditional and NJ Plus plans with a preferred provider organization (PPO). Active State employees in the State Health Benefit Program (SHBP) will also pay increased co-pays for doctor and emergency visits and for prescription drugs.

The negotiated pension benefit reforms will require legislative action. They include creating a defined contribution plan to cover earnings in excess of the social security cap for new hires, increasing employee pension contributions for all employees, and increasing the retirement benefit age for newly hired members. Effective July 1, 2007, a defined contribution pension plan will be created to cover earnings above the social security limit cap of \$97,500 for new State, municipal, and educational employees. Other reforms in pending legislation related to pensions for newly elected and appointed officials would also reduce future pension cost increases.

Anticipated savings are also projected by increasing employee contributions to the PERS and TPAF pension systems from the current 5% to 5.5% of an employee's annual salary. The increase in employee contributions begins to address the substantial unfunded liabilities in the systems.

For PERS and TPAF members hired on or after July 1, 2007, the retirement age will be increased from 55 to 60. When those members retire between ages 55 and 60, their retirement benefit will be reduced by 1%

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per year prior to age 60. For those members who retire prior to age 55, a continuation of the current 3% reduction will apply for every year below age 55.

To help offset the increase in member cost-sharing for health benefits and the increase in pension contributions, salary increases of 3% in years one and two and 3.5% in years three and four will be paid to State employees for a net increase of 11% over four years. Unlike many earlier contracts, the proposed contract calls for an even distribution of salary increases across the full term of the agreement, rather than being back-loaded.

The Administration supports this proposal based on its emphasis on reducing long-term costs and providing long-term stability and security to the pension and health benefit system. While the agreement will produce savings this year, the real benefits will be felt over the next two or three decades.

Over the long run, this agreement will protect the stability and solvency of the benefit structure for taxpayers and public employees alike.

Environment

The Fiscal 2008 Budget continues to fund critical Department of Environmental Protection (DEP) programs, including the Watershed Restoration Projects program, the Diesel Emissions Reduction program, the Shore Protection program, and the Highlands Council. Additionally, as a result of a recent change in the constitutional dedication of 4% of the Corporation Business Tax (CBT), a new appropriation of \$19.1 million is recommended for Recreational Land Development, providing capital funding for parks, forestry, wildlife management areas, and historic sites. New funding is also provided for non-lethal Black Bear Management and for an Ocean/Wind Power Ecological Baseline Study.

Watershed Restoration Projects

The Fiscal 2008 Budget continues Corporation Business Tax (CBT) dedication funding for Watershed Restoration Projects at \$2.7 million, augmenting the \$5 million appropriated for this purpose in fiscal 2007. Individual regional watershed and stormwater management committees have

identified close to \$100 million in watershed restoration projects that are necessary to address the ongoing sedimentation and pollution of impaired ponds and streams. With the funding provided in fiscal 2007, the Department of Environmental Protection has initiated four projects:

- Wreck Pond Restoration Plan – Watershed Restoration. The Department is working with Monmouth County on upstream erosion and pollution prevention projects to reduce the sediment accumulation in Wreck Pond, whose discharge is the source of most of New Jersey’s ocean beach closings (i.e., in fiscal 2005, it accounted for 45 out of 52 beach closings in the state);
- Pequannock River Temperature Impairment – Characterization, Assessment and Management Plan;
- Delaware and Raritan Canal Tributary Assessment and Nonpoint Source Management Project with Franklin Township; and
- Strategic Water Quality Improvement Plan for Surface Water Quality Improvements of the Long Swamp Creek Watershed.

The fiscal 2008 appropriation will enable DEP to complete these projects and also restore other watersheds including Greenwood Lake, Lake Carasaljo, Rockaway River, Cooper River and the Sandler’s Woods portion of Newton Creek. The Department will continue to use these CBT funds to match federal grant monies.

Diesel Emissions Reduction

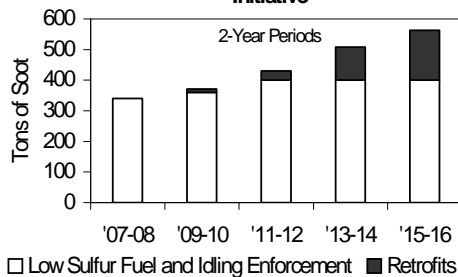
The Corporation Business Tax dedication for the Diesel Risk Reduction program will amount to \$21.6 million in fiscal 2008, bringing total State appropriations for diesel emissions to over \$59 million since the program was initiated in fiscal 2006. The program is on the verge of adopting rules to implement the Diesel Retrofit Law, which aims to reduce diesel exhaust emission levels through the use of ultra-low-sulfur diesel fuel, prevention of idling, and retrofitting of 40,000 vehicles, with initial focus on school buses, garbage trucks, and transit buses.

Specific requirements for school buses include the installation of closed crankcase ventilation technology

to prevent under-hood engine emissions from entering the cabin. Other vehicles are required to install tailpipe control technology to reduce fine particle emissions and public exposure to diesel exhaust. Once the rules are adopted, certain procedures (e.g., fleet inventory and fleet plan submission by vehicle owners and State contracts with authorized installers of retrofit devices) must be followed for installers to be reimbursed.

To date, this program’s outreach efforts have resulted in the installation of over 4,000 “No Idling Zone” signs throughout the state and nearly 100 school districts have signed a No Idling Pledge for buses. The program continues to promote idling alternatives, including electrification of truck stops and rest areas. Additionally, the Diesel Risk Reduction program is expected to complete a study to assess the need to further reduce cabin pollution levels in school buses.

Harmful Soot Reduced through Diesel Emissions Reduction Initiative



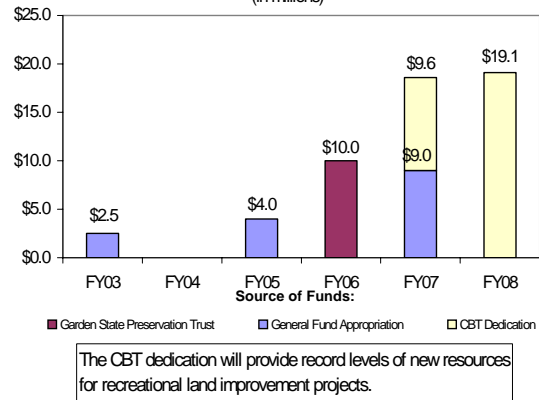
By 2016, the Diesel Emissions Reduction program will have eliminated 565 tons of soot from the atmosphere.

Recreational Land Development – Constitutional Dedication

The recent constitutional amendment dedicates \$19.1 million of Corporation Business Tax (CBT) revenue to State parks, forests, wildlife management areas and historic sites to begin to address an estimated \$250 million in deferred capital and maintenance needs. As dictated by the constitutional amendment, annual funding will range from \$14 million to \$19 million through 2015 and is expected to grow to over \$30 million annually thereafter. This marks the first time that a stable source of capital funding has been provided for the State’s natural resource facilities, thus enabling the Department of Environmental Protection to create a long-term plan to preserve those assets.

Specific projects consist of restorations to State-owned historic sites (e.g. Waterloo Village, Walt Whitman House, the homestead of Dr. James Still), construction of a new forest nursery pesticide building, urban park development, and renovations to various recreational areas throughout the state. DEP will also undertake critical health and safety improvements, including demolition of unsafe structures, asbestos removal, lead abatement, air quality improvements, and fire safety projects.

State Capital for Parks, Forestry, and Wildlife More Than Doubles With CBT Dedication
(in millions)



The CBT dedication will provide record levels of new resources for recreational land improvement projects.

Black Bear Management

Reflecting Governor Corzine’s commitment to non-lethal black bear management, the proposed Fiscal 2008 Budget recommends \$850,000 in new funding for research, education, and control. Non-lethal management is consistent with the decision to cancel a six-day bear hunt in fiscal 2007. Following the lifting of a 35-year ban in 2003, two hunts resulted in the killing of approximately 600 bears.

Human safety concerns are a critical aspect of black bear management. The state’s growing black bear population has adapted to living in close proximity to people, taking advantage of human-derived food sources. Through public education, however, people can learn how to modify their behavior and take the precautions necessary to avoid conflicts with bears. With some modest adjustments and adherence to common-sense regulations, public safety can be ensured.

Shore Protection Projects

As in previous years, \$25 million will be appropriated for the Shore Protection program to protect and

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replenish New Jersey's public beaches. This dedicated appropriation will leverage up to \$49 million in federal funding and \$6 million in local funds. The projects planned for fiscal 2008 include beach fills and construction of public access points at Long Beach Island, North Wildwood and Ocean City. In fiscal 2007, the program completed beach replenishment in Surf City and intends to continue existing projects for shoreline stabilization in Island Beach State Park, bulkhead installation in Keyport and Waretown, and flume reconstruction in Fletcher Lake.

Highlands Water Protection and Planning Council

The \$3 million recommended in the Fiscal 2008 Budget for the Highlands Council will continue to fund the Council's operations as well as the adoption of the Regional Master Plan. The November 2006 release of the draft Regional Master Plan marked a historic moment for the Council. The Plan outlined the regional land use policies and strategies required to satisfy the provisions of the Highlands Water Protection and Planning Act, and will guide future land use, water resource protection, land preservation, and economic development for the Highlands region. The next phase of development includes completion of the final Plan, evaluation of municipal proposals and ordinances for 88 municipalities and seven counties to ensure conformance with the Plan, and project review. The successful implementation of the Plan is essential to the protection of 859,000 acres of land in northern New Jersey that provide over 115 billion gallons of water each year to State residents, businesses and industries.

Ocean/Wind Power Ecological Baseline Study

The Fiscal 2008 Budget provides a total of \$4.5 million in dedicated funding, which includes \$2 million from the Clean Energy Fund, to support an Ocean/Wind Power Ecological Baseline Study. In April 2006, the Blue Ribbon Panel on Development of Wind Turbine Facilities in Coastal Waters recommended baseline studies of New Jersey's coastal waters to develop spatial and temporal information regarding ocean uses and living natural resources. The scope of work includes the collection of field data over an 18-month period on the distribution, abundance and migratory patterns of avian, marine mammal, marine turtle, and other species in a study area extending approximately 15

miles offshore and 1,000 square miles in size. The results of this study will help to inform the decision to place up to 80 wind turbines, which will provide a new source of clean energy for the state. In addition, these studies will provide significant data to better understand and characterize the natural resources in the offshore waters of New Jersey, allowing the State to develop a more comprehensive strategy for our ocean resources.

Federal Impact - Clean Water State Revolving Fund

The President's Fiscal 2008 Budget continues to reduce funding for the Clean Water State Revolving Fund (SRF) program. Over the past four years, federal funding for New Jersey's Clean Water SRF program has declined 51%, from \$54.7 million in fiscal 2004 to \$26.7 million proposed in fiscal 2008. This ongoing reduction will significantly impede the New Jersey Environmental Infrastructure Financing program's ability to satisfy localities' growing demand for zero- and low-interest loans, which finance clean water infrastructure improvement projects. In the last year alone, the number of applications for local clean water projects increased 29%, from 42 applications in 2006 to 54 applications in 2007. It is estimated that the current need for these projects in the State amounts to \$15 billion.

Veterans' Affairs

Support Services for Returning Veterans

The State of New Jersey is grateful to the veterans of Iraq and Afghanistan for serving with honor, decency, and resolve. They have earned our respect, admiration, and appreciation. Currently serving in Iraq and Afghanistan, there are 3,169 active duty soldiers, 862 federal reserve troops who had been on inactive status but were called up, and 898 New Jersey Army and Air National Guard, for a total of nearly 5,000. As of February 2007, we have lost 84 New Jerseyans in these conflicts. This initiative will provide \$1 million in grants through the Department of Military and Veterans' Affairs to provide support to returning veterans and their families. This support will be made available through grants. The funds will be used specifically to aid veterans returning from Iraq and Afghanistan and give them priority service, in order to assist their rehabilitation and help them to reintegrate back into the community.

Post Traumatic Stress Disorder Treatment for Veterans

Beyond celebrating their safe return, Governor Corzine recognizes the need for support programs that assist veterans in acclimating to civilian life with their families and loved ones. In response to current conflicts and the deployment of New Jersey members of the Armed Forces and National Guard, particularly in Afghanistan and Iraq, the number of counseling sessions for post traumatic stress disorder is projected to grow to 16,848 in fiscal 2008, an increase of 161% over the past three years. To ensure that our men and women in uniform receive the services they need, the Governor is committed to meeting the increased demands by providing an additional \$500,000 of funding in fiscal 2008, for a total of \$1.3 million.

World War II Memorial

To honor the State's veterans of World War II, who made the greatest sacrifice in our behalf, this Budget provides an additional \$1 million toward the construction of the World War II Memorial in Trenton. When combined with appropriations from prior years, this increase raises the State's total commitment to this project to \$3.6 million.

Supporting New Jersey's Citizens

The following proposals highlight some of the Governor's other initiatives, including help for hungry children and their parents.

Fighting Hunger

In one of the most affluent states in the nation, approximately 1.6 million New Jerseyans still go to bed hungry, including roughly 470,000 children. That is why, despite severe fiscal constraints, Governor Corzine found it unacceptable to leave these individuals behind in the Fiscal 2007 Budget. The Fiscal 2008 Budget will continue last year's commitment and invest an additional \$1 million in the Department of Agriculture's Food Distribution Program, which services the major Emergency Feeding Organizations (EFOs) and 660 food pantries, soup kitchens, and homeless shelters. This \$4 million will be used to purchase 6.3 million pounds of nutrient-dense food, with first priority given to food items grown and/or produced in New Jersey. (To the extent available, purchasing priorities are to buy

locally first, regionally second and nationally third.) The funding will enable the Department to expand the amount of food available for the 1.6 million New Jerseyans living below 185% of the federal poverty standard.

The Department of Agriculture purchased approximately 4.7 million pounds of food in fiscal 2007 with these funds. For the first time in several years, the purchases included turkeys for Thanksgiving and Christmas. The cost of those items had increased in recent years, which had prevented many of the EFOs from purchasing those commodities. We have a moral responsibility to support New Jersey's most vulnerable citizens. This investment continues last year's important strides toward alleviating hunger in the state.

Improving Services for Hispanic Communities

Furthering the progress of New Jersey's Hispanic community through cooperation and collaboration with community-based organizations is an integral part of the economic and social success of New Jersey. Recognizing that many Hispanic families and individuals face challenges and obstacles in attaining necessary services, the Governor is increasing the budget of the Center for Hispanic Policy Research and Development in the Department of Community Affairs by \$1 million in fiscal 2008. This increase will strengthen existing programs and provide funds for new programs administered by Hispanic community-based and nonprofit organizations whose primary focus is to address the economic, educational, and social needs of the Hispanic community in New Jersey.

Arts and History

In fiscal 2008, \$25.6 million is recommended for arts and history grants funded by dedicated revenues derived from the State hotel and motel occupancy fee (P.L. 2003, c. 114). This is an increase of \$2.3 million over fiscal 2007 funding of \$23.3 million. Included are the following:

- The Council on the Arts will receive \$21.0 million to support cultural projects, an increase of \$1.9 million.

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- The New Jersey Historical Commission is recommended to receive \$3.8 million for the New Jersey Historical Commission's agency grants, an increase of \$346,000.
- The New Jersey Cultural Trust will receive \$720,000, which is the same level of funding as in fiscal 2007.

Proposed FY08 Budget Management Efficiency and Savings Measures

OVERVIEW

The Fiscal 2008 Budget reflects a major emphasis on making State government more efficient. This chapter reports on new efficiency efforts for fiscal 2008 and highlights savings from initiatives that began in previous fiscal years. These efforts are central to the Corzine Administration's efforts to help achieve structural balance in the budget through minimizing recurring spending needs.

Office of the State Comptroller

The newly created Office of the State Comptroller is a critical component of Governor Corzine's commitment to sound fiscal management and honest and efficient government in New Jersey. The creation of this new office is based on a simple, fundamental idea that already is applied across all sectors of our society and economy: People who work in an organization will perform more honestly and efficiently if they know their organization will be subjected to a regular audit by a professional, independent auditor. The State Comptroller will apply this basic idea to government at all levels in New Jersey and help control state and local spending and root out waste, fraud and abuse that fuel our property tax problem and also dissipate State resources.

The State Comptroller, who will be appointed by the Governor (with the advice and consent of the Senate) for a six-year term, will have broad authority to conduct financial audits and performance reviews of all State agencies, public institutions of higher education, independent State authorities, units of local government, and boards of education. Also, in order to prevent improper expenditures from occurring in the first place, the State Comptroller will have the authority to closely monitor large-scale procurements and to halt them in any case where procurement laws and rules are not being followed.

Fiscal 2008 will be the first year of existence for this new office. It has a recommended budget of \$9.0 million and a staff of 59. The Office of the State Comptroller will perform its functions in cooperation

with the Office of the Inspector General, the Departments of Law and Public Safety, Education, Treasury, Transportation, and Community Affairs (Division of Local Government Services), and the Office of the State Auditor.

Hiring Freeze

This Administration has enacted a stringent hiring freeze on State employment. This freeze, when combined with the reduction of almost 400 unclassified positions, has reduced the State's workforce to date by 1,300 employees, compared to the number at the beginning of the Corzine Administration. This reduction is net of growth in high priority areas, such as the Department of Children and Families (DCF), where the State has added approximately 400 employees. DCF will increase its staffing level by over 600 employees between now and the end of fiscal 2008, in order to meet staffing ratios that were negotiated as part of the settlement agreement with Children's Rights, Inc. At the same time, attrition will continue to reduce the workforce in other areas.

In fiscal 2007, the State saved \$64 million through attrition, management savings, and reductions in unclassified positions. This total is a permanent reduction to the State's salary base. For fiscal 2008, the Administration recommends the continuation of the hiring freeze and other management efficiencies, for a further reduction of at least \$25 million.

Moratoria on State Agency Spending

In fiscal 2007, the State implemented new restrictions to slow the pace of spending on information technology (IT) equipment and services, equipment, and office furniture. The following section details these moratoria. The chart below identifies categories of non-salary State spending that appear to be trending down. Specifically, the chart compares spending in the first seven months of fiscal 2007—from July 2006 to January 2007—with the corresponding time period one year earlier, in fiscal 2006. It shows a spending slowdown in the four

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identified categories of almost \$16 million in State funds alone. While not every dollar in spending reductions can be directly attributable to the moratoria, these trend lines reflect the Corzine Administration's approach to efficiency in State government operations.

Spending Category	Slowdown in State Spending from 1 st 7 Months of FY2007 (in millions)
IT Equipment	\$8.6
IT (Consultant Services)	\$1.0
Equipment (other than IT)	\$3.8
Office Furniture	\$2.2
Total	\$15.6

Cost Efficiencies - IT Moratorium

Beginning with an Office of Management and Budget (OMB) directive in July 2006, the purchase of IT equipment was constrained during fiscal 2007. Subsequently, the IT moratorium established through Executive Order 42 in November 2006 expanded these restrictions to include IT services (e.g., consultants). Critical ongoing projects were exempted, including initiatives whose disruption would increase future costs or trigger a significant loss of investment, as well as emergency maintenance, repairs and supplies under \$2,500, and projects mandated by the federal government.

Nonetheless, IT expenditures from State funds declined by \$8.6 million in equipment and an additional \$1 million in consultant services, in the first seven months of fiscal 2007 as compared to the same period in the previous fiscal year. Spending from other non-State funds dropped by over \$16 million, with savings mostly attributable to fewer equipment orders. Though some of this reduction may be ascribed to the vagaries of equipment purchasing from year-to-year, overall the spending trend is clearly down.

Spending Moratorium on Non-IT Equipment

In addition to the spending moratorium on information technology (IT) equipment, the Office of Management and Budget also heightened its scrutiny of other equipment purchases in fiscal 2007. Such

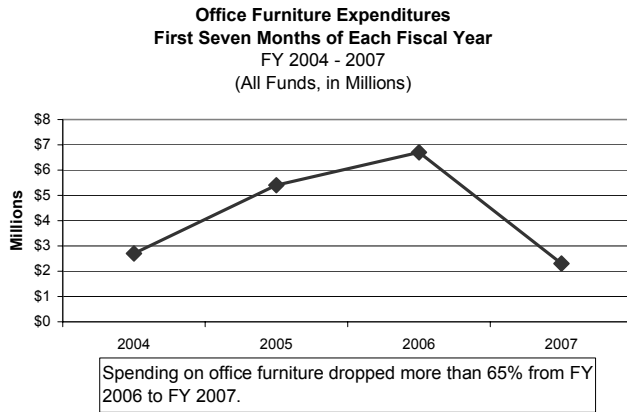
purchases include vehicles, telephones, fax machines, and photocopiers, as well as equipment for food preparation, laundry, and science and engineering. A comparison of the first seven months of fiscal 2006 and fiscal 2007 suggests a spending slowdown of \$3.8 million in State funds, a decrease of almost 11% in non-IT equipment spending, though some of this decline may be due to the influence of other factors, as well.

Furniture Moratorium and Re-use

Office furniture also falls under the State's spending moratoria. In an on-going initiative, the Treasury Department's Division of Property Management and Construction (DPMC) consolidated the collection of used furniture from various State agencies, centralizing it in one location. DPMC redistributes this furniture to other State agencies, thus avoiding the cost of new purchases. This initiative has produced savings of \$2.2 million in State funds from July 2006 to January 2007, compared to the same time period in fiscal 2006, and savings of an additional \$2.2 million in non-State funds.

Prior to DPMC's initiative, used office furniture was haphazardly stored and inefficiently managed. These assets often occupied costly leased space or were discarded altogether. Through aggressive central management at its First Avenue warehouse in Trenton, DPMC has created a central catalog of used furniture that departments must consult before purchasing new items and made it possible to achieve warehouse lease efficiencies. DPMC also has arranged a new partnership with the Juvenile Justice Commission in which a team of nine juveniles restores damaged furniture to its original condition while earning a salary and gaining critical job training skills.

The success of this program goes beyond one year's savings, however. When judged over time, spending from all funds for office furniture was rising significantly in recent years, more than doubling from \$2.7 million in the first seven months of fiscal 2004 to \$6.7 million in the first seven months of fiscal 2006. This initiative has restricted furniture purchases to \$2.3 million for the first seven months of fiscal 2007.



Re-using Personal Computers

Building on the success of the furniture initiative, DPMC recently expanded the program to include the recycling of surplus personal computers. In partnership with the Office of Information Technology, DPMC refurbishes used computers for approximately \$200 per unit. Doing so generates savings of roughly 80% compared to the average cost of buying a new computer, which is approximately \$1,000. All State departments seeking to order new computers now are referred first to DPMC, to see if their needs can be satisfied from this inventory of used computers. As a result of this partnership, orders for new computers by Executive agencies in fiscal 2007 are expected to drop by \$1.3 million.

Enhanced Debt Collection

The Fiscal 2008 Budget includes several debt collection efficiencies that are projected to generate a total of \$47 million in new revenue. Several of the more prominent proposals are described below, each of which could be a significant source of delinquent or deficient tax revenue. In addition, each will require authorizing legislation:

Sale of Business Assets and Liquor Licenses

This proposal would amend the Uniform Procedure Law to authorize collection of all outstanding tax liabilities prior to the purchase of a business, and upon the annual renewal or purchase of a liquor license. Current law limits such collections solely to the amount owed in sales tax.

Business Assistance Grants - Tax Clearance

A wide variety of State agencies (e.g., Labor, Board of Public Utilities), as well as independent authorities (e.g., Economic Development Authority) award grants and loans to businesses for various projects totaling an estimated \$1 billion per year. Unlike individual taxpayers who are subject to Treasury's existing Setoff of Individual Liability (SOIL) program, most businesses receiving State assistance are not presently checked for tax compliance. It is proposed that business applicants voluntarily agree to a tax clearance check as a standard grant or loan condition. The Division of Taxation would determine whether a tax debt exists, and the business would pay that amount before any grants could be issued. A three-year sample data match between one of the State's major business assistance programs and State debt collection records indicated a total of \$28 million in potentially outstanding taxes.

Bank Attachment – Expand to Jointly-Held Accounts

In a law enacted in 2004, the Division of Taxation was authorized to request deposit information from banks when a tax judgment has been secured against a bank customer. In a limited effort over the past two years involving only three banks, Taxation successfully recovered \$6 million from individual bank accounts. This proposal would require disclosure of all bank account information for any accounts in which at least one account holder is a Taxation judgment debtor.

In addition, the Fiscal 2008 Budget recommends a new appropriation of \$276,000 to support eight additional Taxation field staff. These investigators would be used to expand the bank attachment program to up to 30 additional banking institutions.

Arbitrary Assessments

It is proposed that a 10% cost-of-collection fee be imposed on arbitrary assessments, which result when a taxpayer fails to file or fails to register to conduct business. Current law authorizes such fees upon the filing of a formal judgment. Since 1996, when the fee was challenged as being limited to judgments only, the State has not collected this fee, and therefore has lost an estimated \$1 million per year in revenue. This

SUMMARIES OF APPROPRIATIONS

proposal would clarify that the fee could be levied before a judgment is issued, thus enabling Taxation to recover its costs for tracking down such debtors.

Lottery Winnings – Tax Clearance

For individuals who win Lottery payouts of \$600 or more, the Division of Lottery will verify with the Division of Taxation that no tax debt is owed to the State. If debt is owed, it will be deducted from the winnings. This process would mirror Lottery's current process for checking on past-due child support and student loans and would require a statutory change to effectuate.

Personal Liability for Responsible Officers

This proposal would impose personal liability on officers who serve as the State's fiduciary agent for the collection of certain State taxes and fees (e.g., 911 Emergency Response fee, Atlantic City Luxury Tax). This reform is particularly important to ensure compliance by small businesses.

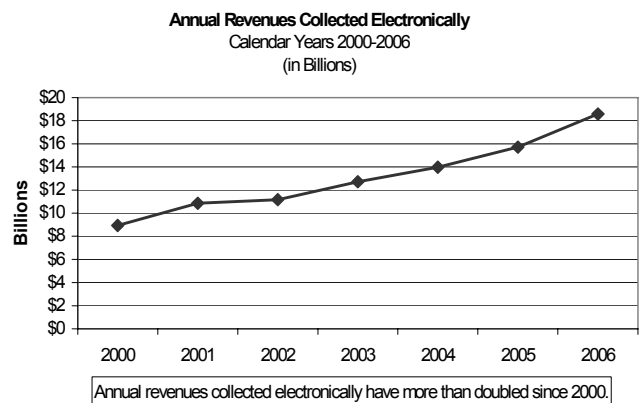
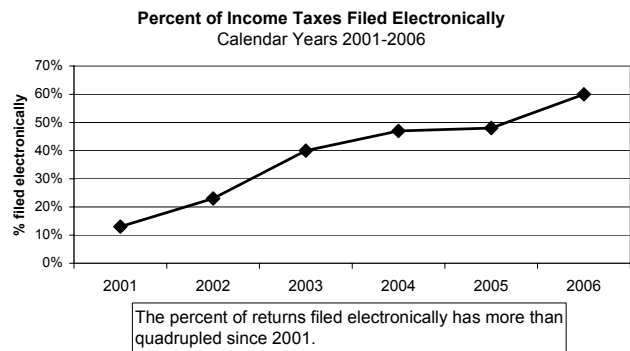
Electronic Filing

The State's rapidly expanding electronic filing (i.e., e-filing) options have increased the number of e-filing transactions from 1.9 million in fiscal 2000 to 4.3 million in fiscal 2006. Today, nearly \$20 billion of revenue is processed electronically, compared to only \$9 billion six years ago. Programs that increase the speed and accuracy of transactions with the State for taxpayers and employers, while at the same time reducing expenditures for the State, are a "win-win" in government redesign.

The New Jersey Division of Revenue has expanded its electronic filing and processing to the point that paper transactions, which require more staff resources for data entry and manual tasks, have been reduced from 87% of all tax filings in 2001 to only 40% by 2006.

The electronic filing initiative has produced recurring annual savings for the Division. By the end of the current fiscal year, the Division of Revenue will have reduced its operating budget by \$3 million since fiscal 2005.

The State continues to expand its efforts in this area. In January 2008, in conjunction with the Department of Labor and Workforce Development, the Division will lower the threshold at which employers must use electronic filing for their quarterly wage reports from businesses with ten employees to those with five employees. In addition, e-filing is now available for a wide range of payment types, including individuals filing their income taxes and businesses filing sales and other corporate taxes.



Restructuring Information Technology

In a report published in July 2006, Governor Corzine's Commission on Government Efficiency and Reform (GEAR) identified a critical need to overhaul and modernize the State's information technology (IT) systems, pointedly mentioning "...a lack of accountability, control, monitoring and oversight of State department and agency information technology projects." By reinforcing the role of the Office of Information Technology (OIT), the goal is

to bolster the State’s IT infrastructure, create a comprehensive business plan for statewide IT services, coordinate planning across departments, and identify potential management efficiencies. Reforms implemented during fiscal 2007 have addressed, and, in several cases exceeded, GEAR’s initial objectives.

As a first step, the Governor signed Executive Order 42 in November 2006, authorizing the following organizational changes:

IT Governing Board

Established an IT Governing Board to determine strategic direction, standards, and funding priorities. The Board shall consist of 9 voting members including a chairperson appointed by the Governor, the State Treasurer, three Executive Branch commissioners, three public members, and the Chief Technology Officer described below.

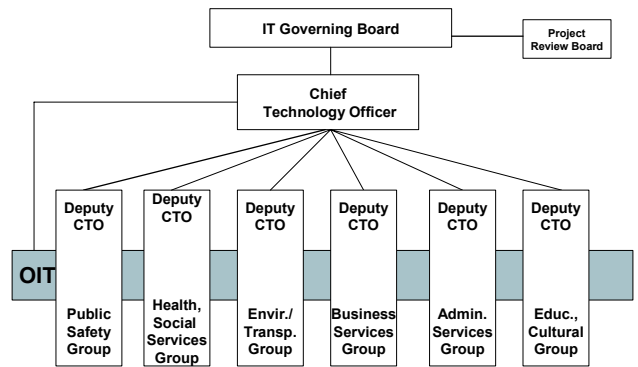
Chief Technology Officer (CTO) and Deputy CTOs

Established the position of the Chief Technology Officer (CTO) and provided for the appointment of up to six Deputy Chief Technology Officers. Serving at the pleasure of the Governor, the CTO will coordinate information technology operations across the entire Executive Branch. The six deputy chief technology officers will be responsible for IT management, planning and budgeting in single areas of interest that span multiple agencies, namely:

- Public Safety
- Health and Social Services
- Education, Cultural, and Intellectual Services
- Environmental and Transportation Services
- Business and Community Services
- Administrative Services

The deputy CTOs, who will be primarily selected from existing staff, will provide the oversight necessary to coordinate similar IT services across departmental boundaries and serve at the pleasure of the CTO.

Statewide Information Technology Governance Model



Project Review Board

Created a Project Review Board (PRB) to review and monitor large scale IT projects. In the past, control over such procurement was decentralized among the affected departments, yielding a costly patchwork of fragmented and isolated IT systems. The PRB, which will report to the new Governing Board, presently includes representatives from OIT, the Division of Purchase and Property and the Office of Management and Budget within the Department of Treasury. This collaboration will provide a fresh, objective view for the purpose of quality assurance and priority-setting.

The Board plans to review all of the State’s major, long-term IT projects, which will collectively cost a projected \$500 million to develop, applying stringent management principles as a way of leveraging the State’s investment. PRB reviews have already begun on Human Services’ new child support (NJKids) and consolidated assistance (CASS) projects as well as the Motor Vehicle Commission’s Motor Vehicle Automated Transaction System (MATRX).

Strategic Planning

In fiscal 2007, OIT initiated a detailed strategic planning process that required agencies to project their IT service needs for both new systems and ongoing services for the next three years. This plan should drive each individual department’s entire IT thrust, from the service level agreements that are struck with OIT to the equipment that is purchased.

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This process will be fully integrated into the State's budget process during the fiscal 2009 cycle.

Elimination of OIT Revolving Fund

Since its inception in 1984, OIT's operating budget has been funded through a revolving fund, with appropriations placed in the respective user departments that were billed for service. While the intent was to create a relationship between desired service levels and appropriations, that plan never fully materialized. Although the billing process approximated each department's service usage on various mainframes and servers, it was not equitable or completely accurate. Instead, related State appropriations were routinely swept into the revolving fund to offset OIT's fixed cost of service.

In fiscal 2008, the State-funded portion of the revolving fund has been eliminated and the supporting appropriations have been moved from the departments to OIT. OIT will continue to bill for services funded from non-state funds, which comprise about 60% of its operation. Besides eliminating an unproductive billing process, this initiative provides OIT with some degree of certainty and flexibility in operating the State's core IT infrastructure.

IT Maintenance Savings

Annually, OIT spends approximately \$10 million to maintain the State's core distributed environment (i.e., non-mainframe assets). In fiscal 2008, OIT will seek to leverage such expenses across all agencies, realizing better vendor pricing through the existing State global maintenance contract. In addition, OIT will identify instances where it would be economical to eliminate costly "24/7" type coverage in favor of "per incident" coverage, particularly for modern equipment with a good track record for repairs. A savings of \$500,000 is anticipated.

Telephone Monitoring

Late in fiscal 2007, OIT will implement a new, automated phone monitoring system that will eliminate the existing, manual-intensive process of issuing individualized, paper-based, toll statements each month to State employees for the purpose of tracking external phone calls. The new system will

improve productivity by enabling OIT to search for anomalies and suspicious patterns of usage from a central location. In addition, OIT will publish new guidelines establishing a monthly threshold below which reimbursement will not be sought, eliminating the unproductive pursuit of insignificant charges. This initiative will relinquish five OIT staff to analyze data, rather than merely assembling and sorting it, and effectively eliminate the printing of 30,000 paper bills each month. Savings of \$360,000 is projected from reduced printing costs alone.

Future Efforts

OIT will also be focusing on several other key initiatives throughout fiscal 2008, including:

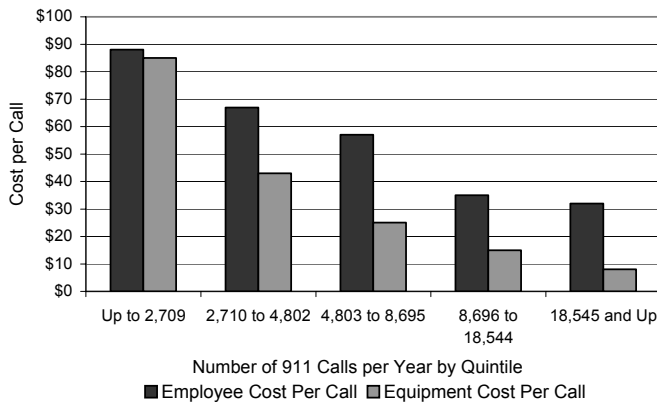
- **Data Sharing:** Establish a common, core set of data that can be shared across all levels of government, negotiating comprehensive data sharing agreements with local and county organizations.
- **Mobile Workforce:** Automate field operations by providing IT systems and infrastructure to support the direct delivery of agency services in the field, where appropriate.
- **Shared Infrastructure:** Redeploy and consolidate underused infrastructure and services to support agencies' growing demands.
- **Self Service:** Aggressively expand e-Government/e-Commerce to provide more residents and clients with quick, easy options for accessing government services.
- **Procurement:** Work with the Purchase Bureau to aggregate IT purchase requests and maximize the State's purchasing power. Early indications suggest a significant potential to reduce IT hardware costs with this approach, particularly if the effort includes local governments.

Consolidation of 911 Call Centers

In October 2006, the John J. Heldrich Center for Workforce Development, Rutgers University, completed a study commissioned by the Office of Management and Budget concerning the potential for consolidation of the State's local 911 system. The study confirmed that the existing system, which includes approximately 200 primary Public Service

Answering Points (PSAPs) and 100 secondary Public Service Dispatch Points (PSDPs) spread across a multitude of municipalities and counties, is significantly overbuilt. This finding was bolstered by a November 2006 report, issued by the Joint Legislative Committee on Government Consolidation and Shared Services, which recommended that the State’s 911 Commission be given the specific authority to consolidate PSAPs on an as-needed basis.

Local 911 Call Centers: Employee and Equipment Cost per Call Categorized by Annual Call Volume Per Center



Costs per 911 call decrease significantly as call center volume increases. Source: Heldrich Center/PSAP Survey, Verizon, and OETS, 2005.

Within the existing system, New Jersey has a relatively high number of very small 911 call centers, with 36% of PSAPs receiving less than one call per hour. On the other hand, only 15% of the existing PSAPs handle nearly 80% of all 911 calls. The Heldrich Center report concluded that these larger PSAPs are more efficient by every known measure. Furthermore, because small 911 centers are easily overwhelmed in a crisis situation, consolidation offers an opportunity to save money *and* significantly bolster public safety by improving service.

The Fiscal 2008 Budget recommends action on two of the key recommendations of the Heldrich Center report, both of which support efforts toward future consolidation:

- To improve the collection of financial and performance information on PSAP and dispatch operations, 911 grants and state Aid to localities that are issued through the Department of Community Affairs’ existing Municipal Homeland Security Assistance Aid program will be predicated on the

submission of budget, staffing, and call volume data to the State’s Office of Emergency Telecommunications Services (OETS) during fiscal 2008.

- To target the issuance of State grants for 911 operations and equipment to the most efficient PSAPs, the Budget empowers OETS to set grant criteria. Effective with the fiscal 2008 grants, the 911 Commission recently adopted OETS’ recommendation that requires all PSAPs to certify that they use a minimum of two call takers per shift in order to qualify for State assistance. This level of service, which is typical of larger 911 centers, will support future consolidation efforts and enhance public safety.

Rent Consolidation

In fiscal 2007, the Department of the Treasury’s Division of Property Management and Construction (DPMC) conducted audits of State-owned buildings in the Trenton area, as well as all leased facilities, to identify opportunities for reducing lease costs. Due to a reduction in workforce initiated by the Governor, DPMC and State departments collaborated to identify initiatives that would enable the State to either close leases or relinquish existing office space for staff associated with new or enhanced programs. As a result, nine leases will be eliminated from the Fiscal 2008 Budget, generating a reduction of \$1.8 million in rent expense. The audits also identified opportunities to consolidate into existing vacant space as a means of absorbing five new or enhanced programs, generating \$1.7 million in cost avoidance.

The Joint Space Utilization Committee is expanding this inquiry, requiring all agencies to justify their current allocations and project future requirements for office space. This information will be captured in the State’s Land, Building, and Asset Management system (LBAM), and will be used for future space planning initiatives.

Roofs – Central Account (Capital)

The Fiscal 2008 Budget recommends a total of \$7 million in capital funding for roofing projects that were previously deferred. In a break with past practice, these funds have been budgeted in a central (i.e., Interdepartmental) account so that projects may

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be prioritized across departments. After first creating a statewide database of roof conditions, the Department of Treasury's Office of Management and Budget and its Division of Property Management and Construction will rank projects based on a set of specific criteria, including the importance of the facility, its age, and potential operating savings. By appropriating funds within a central account an added degree of flexibility and accountability will be provided, thus ensuring that the maximum number of projects can be funded at the lowest responsible cost.

Automated Records Management Systems

In an interagency effort involving the Department of Treasury's Office of Management and Budget (OMB), Division of Revenue (DOR) and Office of Information Technology (OIT), as well as the Department of State's Division of Archives and Records Management (DARM), strict procedures were established in July 2006 for the review and approval of new automated records management systems and services. The initiative, which applies to all Executive Branch departments, requires agencies to first consult the considerable expertise that exists in DOR, DARM, and OIT before supplementing or replacing paper-based records with new automated systems or services.

Up until now, individual departments would independently purchase new automated systems and services, including electronic imaging and related technologies, with quality varying significantly across agencies. There was little attempt to leverage these investments across other departments with similar needs under the new effort. As of fiscal 2007, agencies must submit proposals including a detailed conceptual design or requirements statement, along with a cost/benefit analysis. The joint review will establish whether departments can avoid unnecessary expenditures by taking advantage of unused capacity in the State's existing systems (e.g., DOR imaging), some of which fluctuates seasonally, and whether proposed new systems will be compatible with other affected departments.

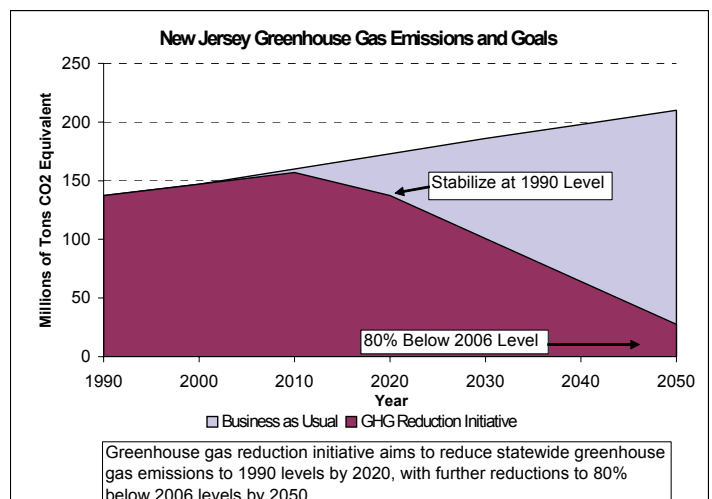
In sum, this initiative will help State government save money, streamline records management operations, and maximize the benefits of standardization and resource sharing across agency lines.

Energy Savings and Efficiencies

This Administration is committed to maintaining New Jersey's status as a leader in the effort to curb greenhouse gases. Moreover, with the actions it is taking to save energy at its own facilities, the State is striving to show how conserving energy helps the environment while generating savings for taxpayers. The following policy initiatives illustrate the steps the State is taking to save energy and combat global warming.

Reducing Greenhouse Gases

On February 13, 2007, the Governor signed Executive Order 54, establishing a goal of reducing statewide greenhouse gas emissions to 1990 levels by 2020, with further reductions to 80% below 2006 levels by 2050. The Order mandates that the Department of Environmental Protection work with the Board of Public Utilities, the Department of Transportation, and the Department of Community Affairs, to evaluate methods to meet or exceed the 2020 target reductions and to develop a 1990 greenhouse gas emission inventory and a monitoring system to track progress. The Order also requires the Director of Energy Savings to develop targets and implement strategies to reduce energy use by State facilities and vehicle fleets.



Lighting Reduction

With the signing of Executive Order 11, Governor Corzine created the position of the Director of Energy Savings within the Department of Treasury. The Director is responsible for implementing a program to increase energy efficiency, reduce energy usage, and improve the procurement of energy for all State facilities. The Executive Order mandates the performance of energy audits at State buildings, the purchase of energy-efficient products, and the development of a plan for the use of renewable energy and advanced energy sources. Since the issuance, off-peak lighting restrictions have been implemented in State offices located in the city of Trenton, resulting in a reduction of more than 3.5 million kilowatt hours per year and generating fiscal 2008 savings of \$250,000 in the central fuel and utility account.

Capital Investments – State Facilities

To reduce energy use in State facilities, the Fiscal 2008 Budget authorizes \$10 million in critical capital investments from the Clean Energy Fund, a dedicated program administered by the Board of Public Utilities that supports energy efficiency investments by businesses, residents and governmental entities. The projects chosen for the \$10 million, all of which were approved by the Commission on Capital Budgeting and Planning, were drawn from a larger list of nearly \$90 million in energy-saving needs identified by various departments during the Fiscal 2008 Budget process. The facilities affected include institutions that house sensitive clients as well as major office buildings, all of which are in dire need of new energy-efficient support systems. Major projects include:

- Heating, Ventilating, and Air Conditioning (HVAC) at various Human Services institutions (\$6 million);
- Automated energy control (i.e., pneumatic) systems in State office buildings (\$2.8 million);
- Boiler at Agriculture’s Beneficial Insect Laboratory (\$275,000);
- Energy efficiency study, State-owned facilities (\$200,000)

To achieve maximum energy efficiency, these investments will be subject to the review of the Department of Treasury’s Director of Energy Savings.

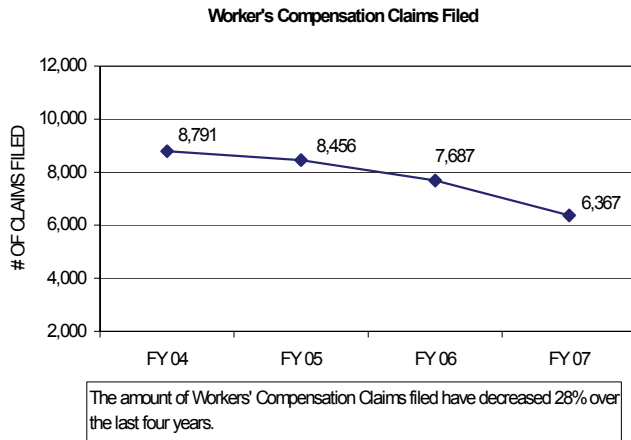
Energy Monitoring

This budget provides funding from the Petroleum Overcharge Reimbursement Fund to institute a centralized Energy Tracking System (ETS) to determine current levels of energy performance for State facilities and develop a cost-effective, targeted strategy for reducing consumption, cost, and related greenhouse gas emissions. In addition, by tracking ongoing energy performance, the ETS will increase accountability for all State agencies. The State spends well over \$100 million a year on energy and utility costs for its facilities and institutions. Thus, ETS will serve as the foundation for a sustainable energy management program that will save the State millions each year and be a major contributor to New Jersey’s greenhouse gas reduction initiative. The Office of Energy Savings is preparing a Request for Proposal for such a system to be used statewide, with oversight by the Director of Energy Savings.

Risk Management

A consultant report commissioned by the Department of Treasury in 2005 suggested numerous management reforms for the State’s Workers Compensation program that are gradually being implemented by the Bureau of Risk Management (BRM). One of the key suggestions was to expand BRM’s investigative staff to increase the number of field investigations and improve the overall administration of claims. In response, the Bureau hired seven new investigators, an increase of 100% over BRM’s existing investigatory staff. This enabled BRM to assign more reasonable caseloads consistent with industry standards. Due in part to that initiative, there was a noticeable decrease in the number of Workers Compensation claims reported for fiscal 2006 as compared to fiscal 2005. Specifically, 2006 claims fell 9% from the number of claims filed in fiscal 2005. This trend has continued into fiscal 2007 (see chart below). To sustain this progress, BRM will need to retain key investigative staff to provide a degree of continuity in this program.

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efficiencies totaling \$50 million. Savings will be realized across the various departments, each of which will be asked to identify efficiency gains through such means as: utilization of internal economies-of-scale; consolidation of functions; and improvements in operating methods.

Over the past few months, the BRM has partnered with other agencies to obtain accurate information regarding the true value of State-owned assets. As a result, several facilities were removed from BRM's property schedule, thus lowering the cost of related insurance premiums by \$150,000. In addition, the Bureau has established a "First Response" team of trained Treasury staff who can respond to notifications from State agencies regarding potential damage to state property. Since BRM is responsible for the handling of all claims or loss to state property, this early notification system mitigates losses and helps improve the accuracy of claims.

Pending legislation (S-45) would establish the Bureau of Risk Management as a discrete Treasury Division, reporting directly to the State Treasurer. If passed with the recommendations added by the Governor, this legislation will empower Risk Management to establish a Statewide Risk Management Committee, establish programs to protect agencies' physical assets, and implement safety programs. These reforms would help arrest claims growth, improve claims management, and substantially improve workplace safety, thus accomplishing the combined goal of reducing costs to the taxpayer while protecting the health and welfare of public workers, clients, and visitors.

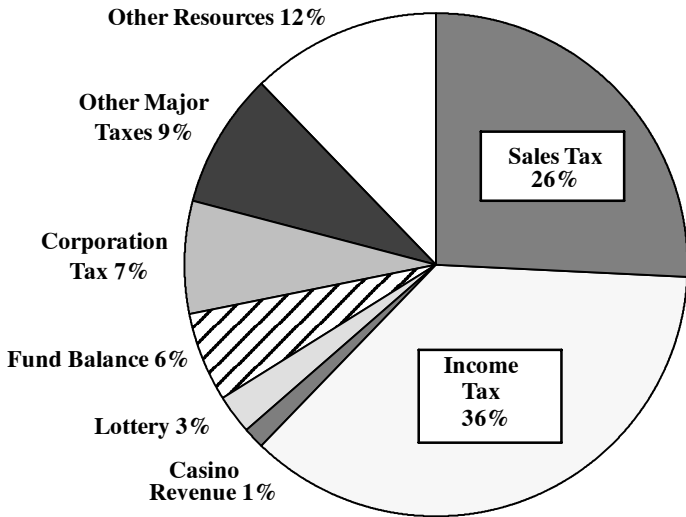
Statewide Management Efficiency Savings

This Budget assumes \$25 million in savings from management efficiencies in fiscal 2008. This initiative is similar to that implemented in the Fiscal 2007 Budget, which recommended management

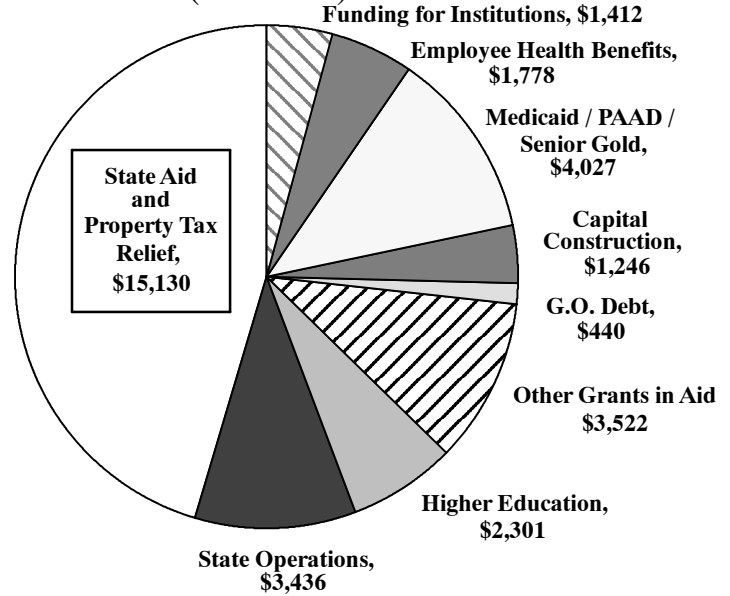
SUMMARIES OF APPROPRIATIONS

**RESOURCES AND RECOMMENDATIONS FOR FISCAL YEAR 2008
ALL STATE FUNDS**

Resources



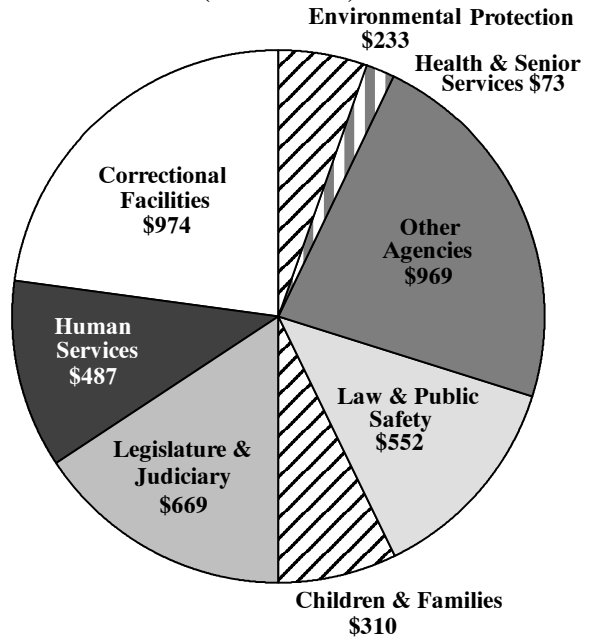
**Recommendations
(in millions)**



**RESOURCES
(in thousands)**

Income Tax	\$12,351,000
Sales Tax	8,778,000
Corporation and Bank Tax	2,342,000
Lottery Revenue	848,000
Casino Revenue	453,000
Other Major Taxes:	
Transfer Inheritance	602,000
Motor Fuels	580,000
Insurance Premium	503,000
Realty Transfer	380,000
Motor Vehicle Fees	278,000
Cigarette	252,000
Petroleum Products Gross Receipts	237,000
Alcoholic Beverage Excise	94,000
Tobacco Products Wholesale Sales	14,000
Public Utility Excise	11,000
Other Resources	4,229,000
Subtotal Resources	31,952,000
Estimated Fund Balance July 1, 2007:	
General Fund	1,941,000
TOTAL	\$33,893,000

**STATE OPERATIONS
(in millions)**



SUMMARIES OF APPROPRIATIONS

MAJOR INCREASES AND DECREASES

This table summarizes the major increases and decreases in the Fiscal 2008 Budget, and is organized by category. Categories of recommended 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, Tuition Aid Grant Program, Homestead Rebates, payments for State inmates housed in county jails, and funding for New Jersey Transit and 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 Aid 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 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.

MAJOR INCREASES AND DECREASES (\$ In Millions)

	<u>Increases</u>	<u>Decreases</u>	<u>Net Change</u>
State Operations			
Salary Increase - State Employees	\$ 169.495		
State Active and Retiree Employee Health Benefits	126.268		
Employer Taxes	38.777		
Pension - State Employees	24.068		
Child Welfare Reform	16.347		
Office of the State Comptroller	9.000		
Debt Service - Pension	6.229		
Replace Federal Funds - Human Services	6.203		
Greystone Facility Debt Service	4.514		
Statewide Education Assessment	4.500		
Education Staffing	3.865		
Enhanced Mental Health Hospital Staffing	3.498		
Ancora Renovations Debt Service	3.250		
State Library - New Jersey Knowledge Initiative	3.000		
Corporate Business Tax Dedication	2.226		
Property Assessment and Management System (PAMS)	1.900		
Mental Health Staffing for Community Programs	1.310		
Pharmaceutical Assistance to the Aged and Disabled (PAAD)	1.079		
Prison Inmate Re-entry Initiative	1.000		
Pharmaceutical Assistance to the Aged and Disabled (PAAD) Imaging Project	1.000		

SUMMARIES OF APPROPRIATIONS

MAJOR INCREASES AND DECREASES (\$ In Millions)

	<u>Increase</u>	<u>Decrease</u>	<u>Net Change</u>
Black Bear Management Program	0.850		
Garden State Network Increase for Leased Lines	0.744		
Developmental Disabilities Staffing for Community Programs	0.717		
Property Insurance Premiums	0.707		
State Museum Re-opening Costs	0.700		
Addiction Services Staffing	0.607		
Expand Challenge Youth Program	0.350		
Fuel/Utilities/Rent	0.329		
Medicare Part D Staffing	0.277		
Bank Attachment - Expanded Staff	0.276		
Heat Pumps for DEP Facility	0.250		
Council on Gender Parity	0.095		
Delaware River Basin Commission	<u>0.036</u>		
<i>Subtotal - State Operations Increases</i>	<u>\$ 433.467</u>		
Employee Benefit Negotiation Savings		\$ (37.763)	
Debt Service		(32.156)	
Management Efficiencies		(25.000)	
Passaic River Litigation		(12.000)	
Tort Claims		(11.000)	
Snow Removal - Winter Operations		(10.000)	
Division of Investments/Pension Fund		(8.687)	
Inspection of Health Care Facilities		(5.550)	
Automated Child Support Enforcement System (ACSES)		(5.156)	
Investments - Consultants for Diversification Initiative		(4.700)	
Taxation - Fees for Collection Services		(3.500)	
Geographic Information Systems		(2.500)	
Statewide 911 Emergency Telephone System Reduction		(2.500)	
OIT Efficiencies		(1.910)	
Literacy Program Administration		(0.950)	
Casualty Insurance Premiums		(0.929)	
Department of Corrections Efficiencies		(0.746)	
Victims of Crime Compensation Volunteer Board		(0.400)	
Energy Efficiency		(0.400)	
Time and Leave Reporting Migration Acceleration		(0.250)	
Smart Growth Enforcement		(0.250)	
Office of Administrative Law Efficiencies		(0.208)	
Department of Transportation Efficiencies		(0.192)	
Department of Environmental Protection Efficiencies		(0.137)	
Nursing Incentive Program		(0.086)	
Commission on Higher Education Efficiencies		(0.035)	
Other (Net)		<u>(8.169)</u>	
<i>Subtotal - State Operations Decreases</i>		<u>\$ (175.174)</u>	
<i>Net Change (State Operations)</i>			<u>\$ 258.293</u>

SUMMARIES OF APPROPRIATIONS

MAJOR INCREASES AND DECREASES (\$ In Millions)

	<u>Increase</u>	<u>Decrease</u>	<u>Net Change</u>
Grants-In-Aid			
Property Tax Credits/Rebates for Homeowners	\$ 1,068.712		
Medicaid/General Assistance Health Care	220.926		
Homestead Rebates for Tenants	125.000		
Senior Public Colleges and Universities - Increase Base Operating Support	41.415		
Child Welfare Reform	39.747		
TANF Work Activities and Case Management	28.089		
Senior/Disabled Citizens' Property Tax Freeze	26.500		
Community Provider COLA	25.282		
Family Development - Substance Abuse Treatment Services	19.442		
Correctional Programs	19.047		
Mental Health Community Programs	18.690		
Debt Service	17.160		
Pensions - Higher Education	16.437		
Tuition Aid Grants	15.992		
Cancer Research	14.750		
Senior Public Colleges and Universities - Portion of Salary Increase	11.047		
Preschool Expansion and Enhancement Grants	10.000		
Developmental Disabilities Community Programs	9.365		
Active and Retiree Employee Health Benefits - Higher Education	6.877		
NJSTARS I & II	5.789		
Stem Cell Research Grants	5.000		
Early Childhood Intervention	5.000		
Addressing Needs of the Autism Community	5.000		
Medicaid - Access to Health Care for Children	5.000		
JJC - Juvenile Detention Alternative Initiative (JDAI)	4.000		
Personal Assistance Service Program	3.500		
Cancer Institute of New Jersey	3.000		
Employer Taxes - Higher Education	2.466		
Arts/History Programs - 10% Increase	2.257		
Developmental Disabilities - ICF/MR Provider Tax Regulations Change	1.100		
Hunger Initiative/Food Assistance Program	1.000		
Support Services for Returning Veterans	1.000		
Center for Hispanic Policy, Research and Development	1.000		
Independent Colleges and Universities	0.954		
Post-Traumatic Stress Disorder	0.500		
Promoting Women's Health	0.500		
Addressing Violence Against Women	0.500		
Fort Monmouth Economic Revitalization Planning Authority	<u>0.150</u>		
<i>Subtotal - Grants-In-Aid Increases</i>	<u>\$ 1,782.194</u>		
Pharmaceutical Assistance to the Aged and Disabled (PAAD)		\$ (70.000)	
Jersey City Medical Center		(38.100)	
Hospital Assistance Grants		(35.200)	
Cancer Research		(32.000)	
Health Care Subsidy Fund		(23.500)	

SUMMARIES OF APPROPRIATIONS

MAJOR INCREASES AND DECREASES (\$ In Millions)

	<u>Increase</u>	<u>Decrease</u>	<u>Net Change</u>
Nursing Home/Medical Day Care Rates		(23.000)	
Reform Co-Payment for After School/Summer Child Care		(20.000)	
In-District Autism and Special Education Grants		(19.500)	
Medicaid Rx \$2 Co-Payment		(6.981)	
Cancer Institute of New Jersey, South Jersey - Debt Service		(6.900)	
Tuition Policy for Out-of-State Undergraduate Students		(5.071)	
Medical Day Care \$3 Co-Payment		(5.000)	
Trinitas Hospital - Debt Defeasance		(4.700)	
St. Mary Hospital, Hoboken		(4.000)	
Capital Improvements for Homeless Shelters		(4.000)	
Outstanding Scholars Recruitment Program		(3.261)	
Developmental Disabilities - Group Home Capital Improvements		(3.000)	
AIDS Drug Distribution Program		(3.000)	
Senior Gold		(2.500)	
Corporate Business Tax Dedication		(2.465)	
Capital Improvements for Child Advocacy Centers		(2.000)	
Addiction Services - Substance Abuse Treatment Capital		(2.000)	
Solaris Health System		(1.800)	
Newark Museum		(1.570)	
Capital Improvements for Women's Shelters		(1.500)	
Life Skills Academy		(1.500)	
Battleship New Jersey Museum		(1.500)	
Boys and Girls Clubs of New Jersey		(1.500)	
Lourdes Health System - Osborn Family Clinic		(1.500)	
Enroll Developmental Disability Clients in HMOs		(1.347)	
Literacy Grants		(1.275)	
Bloomfield College - Academic Center		(1.000)	
Palisades Medical Center		(1.000)	
Family Development - Breaking the Cycle		(1.000)	
Larc School Bellmawr		(1.000)	
Capital Improvements for Storing Food for Food Banks		(1.000)	
UMDNJ - NJ Cares Program		(0.800)	
Big Brothers/Big Sisters		(0.650)	
Ellis Island New Jersey Foundation		(0.600)	
Medicaid Co-Payment on Emergency Room Visits		(0.550)	
Wynona M. Lipman Child Advocacy Center		(0.511)	
Paterson Library		(0.500)	
Piscataway Community Center		(0.500)	
Community YMCA of Red Bank - ESL Program		(0.500)	
Cerebral Palsy of Middlesex County		(0.500)	
Capital Improvements for Rape Care Centers		(0.500)	
Rutgers Camden Performing Arts Center		(0.450)	
Coordinated Garden State Scholarship Programs		(0.427)	
Wood-Ridge Brownfields Projects		(0.350)	
Camden Optometric Eye Center		(0.350)	

SUMMARIES OF APPROPRIATIONS

MAJOR INCREASES AND DECREASES (\$ In Millions)

	<u>Increase</u>	<u>Decrease</u>	<u>Net Change</u>
St. Barnabas Neurological Center		(0.350)	
John S. Watson Institute for Public Policy		(0.314)	
United Way 2-1-1		(0.300)	
Asperger's Syndrome Pilot Program		(0.300)	
Commission on Higher Education - NJ Transfer		(0.297)	
Passaic County Domestic Violence Training Program		(0.250)	
West New York Senior Outreach Transportation Program		(0.250)	
Court Appointed Special Advocate Program		(0.200)	
Latino Institute		(0.200)	
Hemophilia Association of New Jersey		(0.200)	
Montclair Art Museum		(0.200)	
Area Health Education Centers		(0.160)	
Sewell Boys and Girls Club Renovation - Mantua Township		(0.150)	
UMDNJ Clinical Affiliation Contract		(0.150)	
Center for Great Expectations		(0.125)	
NJ Fire and EMS Crisis Intervention Services Telephone Hotline - UMDNJ		(0.095)	
Institute for Advanced Study, Park City Mathematics Institute		(0.080)	
Institute for Advanced Study, Discrete Mathematics and Computer Science Center		(0.080)	
Trenton Catholic Charities		(0.075)	
Lawrence Non-Profit Housing Inc.		(0.075)	
Belleville Township - Disabled American Veterans		(0.075)	
Lawrence Neighborhood Center - After School Program		(0.075)	
Mentor Power		(0.075)	
Passaic PRIDE Program		(0.050)	
United Jewish Appeal of River Edge - Capital Improvements		(0.050)	
Community Theater of Morristown		(0.050)	
NJIT CIM Technology Program		(0.050)	
Barnesboro Fire House (Mantua) - Roof Repair		(0.040)	
Voices for Patient Protection		(0.032)	
Other (Net)		<u>(10.386)</u>	
Subtotal - Grants-In-Aid Decreases		<u>\$ (356.592)</u>	
Net Change (Grants-In-Aid)			<u>\$ 1,425.602</u>
State Aid			
Education Formula/Supplemental Programs	\$ 216.844		
School Construction and Renovation Fund Debt Service	192.194		
Education Targeted At-Risk Aid	66.798		
Special Municipal Aid	37.300		
2008 Municipal Property Tax Assistance	32.600		
Post-Retirement Medical - Teachers' Pension and Annuity Fund	29.746		
Full-Day Kindergarten Supplemental Aid	26.182		
Local School Districts Teacher Social Security Payments	25.400		
Consolidation Fund	15.000		
County Psychiatric Hospitals	13.864		
Debt Service - Pensions-BOE	8.375		
County College Operating Support	7.631		

SUMMARIES OF APPROPRIATIONS

MAJOR INCREASES AND DECREASES (\$ In Millions)

	<u>Increase</u>	<u>Decrease</u>	<u>Net Change</u>
Charter School Aid	5.720		
General Assistance/Supplemental Security Income	4.197		
Abbott Preschool Expansion Aid	3.100		
Nonpublic School Aid	3.049		
Elderly and Handicapped Transportation Services	1.998		
Debt Service	0.964		
Local Employee Benefits	0.932		
County College Employee Benefits	0.925		
Other (Net)	<u>0.173</u>		
<i>Subtotal - State Aid Increases</i>	<u>\$ 692.992</u>		
Special Municipal Aid - One-Time		\$ (80.000)	
Newark Municipal Assistance		(24.000)	
Extraordinary Municipal Aid		(18.000)	
Regional Efficiency Aid Program (REAP)		(10.992)	
TANF Federal Block Grant Balances		(9.000)	
TANF Caseload Trend		(4.000)	
Trenton Municipal Assistance		(4.000)	
East Orange Municipal Assistance		(1.900)	
Irvington Municipal Assistance		(1.900)	
Teachers' Pension and Annuity Fund		(1.520)	
Ewing Municipal Assistance		(1.500)	
East Brunswick School District		(1.300)	
Edison School District		(1.300)	
Montclair Board of Education - Minority Student Achievement Network		(1.000)	
Gloucester City Municipal Assistance		(0.950)	
Orange Municipal Assistance		(0.950)	
Lawrence Township (Mercer) School District Extraordinary Aid		(0.675)	
Bloomfield Municipal Assistance		(0.665)	
Cherry Hill Township - Library Debt Service		(0.500)	
Mosquito Control Program		(0.300)	
West Deptford Township - Diesel-Fired Electric Generator		(0.200)	
South Plainfield School District		(0.195)	
Logan Township Sidewalk Improvements		(0.110)	
Paulsboro Borough - Property Acquisition and Demolition Costs		(0.050)	
Mercer Shared Services		<u>(0.015)</u>	
<i>Subtotal - State Aid Decreases</i>		<u>\$ (165.022)</u>	
<i>Net Change (State Aid)</i>			<u>\$ 527.970</u>
Capital Construction			
Capital Improvements for State Parks and Recreation Areas	\$ 10.059		
Energy Efficiency - Statewide Projects	10.000		
NJ Building Authority	6.536		
World War II Memorial	1.000		
Other (Net)	<u>11.075</u>		
<i>Subtotal - Capital Construction Increases</i>	<u>\$ 38.670</u>		

SUMMARIES OF APPROPRIATIONS

MAJOR INCREASES AND DECREASES (\$ In Millions)

	<u>Increase</u>	<u>Decrease</u>	<u>Net Change</u>
Corporate Business Tax Dedication - Other		\$ (19.790)	
Statewide Automated Child Welfare Information System		(10.000)	
Capital Improvements for Sheltering Homeless Veterans		<u>(2.000)</u>	
<i>Subtotal - Capital Construction Decreases</i>		<u>\$ (31.790)</u>	
<i>Net Change (Capital Construction)</i>			<u>\$ 6.880</u>
Debt Service			
General Obligation Debt Service	<u>\$ 12.613</u>		
<i>Subtotal - Debt Service Increases</i>	<u>\$ 12.613</u>		
<i>Net Change (Debt Service)</i>			<u>\$ 12.613</u>
GRAND TOTAL	<u>\$2,959.936</u>	<u>(\$728.578)</u>	<u>\$2,231.358</u>

SUMMARIES OF APPROPRIATIONS

TABLE I
SUMMARY OF FISCAL YEAR 2007-08 APPROPRIATION RECOMMENDATIONS
(thousands of dollars)

Table I shows the appropriations from all State sources by Fund. It highlights the percent change in appropriations between fiscal years.

	2007 Adjusted Approp.	2008 Recommended	----- Change ----- Dollar	Percent
GENERAL FUND AND PROPERTY TAX RELIEF FUND				
State Aid and Grants	22,599,541	24,524,301	1,924,760	% 8.5
State Operations				
Executive Branch	3,539,079	3,522,973	-16,106	-0.5
Legislature	75,080	74,638	-442	-0.6
Judiciary	597,398	594,398	-3,000	-0.5
Interdepartmental	2,049,648	2,362,227	312,579	15.3
Total State Operations	6,261,205	6,554,236	293,031	% 4.7
Capital Construction	1,238,779	1,245,659	6,880	0.6
Debt Service	427,785	440,398	12,613	2.9
TOTAL GENERAL FUND AND PROPERTY TAX RELIEF FUND	30,527,310	32,764,594	2,237,284	% 7.3
CASINO CONTROL FUND	74,039	74,039	---	---
CASINO REVENUE FUND	459,029	453,103	-5,926	-1.3
GRAND TOTAL STATE APPROPRIATIONS	31,060,378	33,291,736	2,231,358	% 7.2

TABLE II
SUMMARY OF FISCAL YEAR 2007-08 APPROPRIATION RECOMMENDATIONS
(thousands of dollars)

Table II shows comprehensive prior year financial data, current year appropriations, and budget year recommendations by fund and major spending category.

Year Ending June 30, 2006						Year Ending June 30, 2008		
Orig. & (S)Supple- mental	Reapp. & (R)Recpts.	Transfers & (E)Emer- gencies	Total Available	Expended		2007 Adjusted Approp.	Requested	Recom- mended
					General Fund			
5,933,843	589,086	40,664	6,563,593	6,099,019	Direct State Services	6,261,205	6,555,028	6,554,236
8,107,067	397,615	-39,559	8,465,123	8,189,816	Grants-in-Aid	8,941,505	9,267,166	9,120,081
1,595,005	46,101	1,915	1,643,021	1,538,495	State Aid	2,231,339	1,696,589	1,687,220
1,091,220	210,483	-1,355	1,300,348	1,102,132	Capital Construction	1,238,779	1,245,659	1,245,659
169,326	---	---	169,326	169,323	Debt Service	427,785	440,398	440,398
16,896,461	1,243,285	1,665	18,141,411	17,098,785	Total General Fund	19,100,613	19,204,840	19,047,594
10,606,600	407,101	-47,411	10,966,290	10,934,203	Property Tax Relief Fund	11,426,697	13,717,000	13,717,000
71,285	874	---	72,159	71,116	Casino Control Fund	74,039	74,039	74,039
511,311	165,650	---	676,961	669,159	Casino Revenue Fund	459,029	453,103	453,103
2,025	---	---	2,025	1,788	Gubernatorial Elections Fund	---	---	---
28,087,682	1,816,910	-45,746	29,858,846	28,775,051	GRAND TOTAL STATE APPROPRIATIONS	31,060,378	33,448,982	33,291,736

SUMMARIES OF APPROPRIATIONS

TABLE III
SUMMARY OF APPROPRIATIONS BY ORGANIZATION
(thousands of dollars)

Year Ending June 30, 2006					Year Ending June 30, 2008		
Orig. & (S)Supplemental	Reapp. & (R)Recpts.	Transfers & (E)Emergencies	Total Available	Expended	2007 Adjusted Approp.	Requested	Recommended
<u>DIRECT STATE SERVICES</u>							
Legislative Branch							
11,644	3,006	625	15,275	10,791	11,859	11,859	11,859
18,192	3,447	500	22,139	19,218	18,274	18,274	18,274
29,068	2,661	923	32,652	30,878	29,714	29,272	29,272
15,269	7,223	---	22,492	14,400	15,233	15,233	15,233
74,173	16,337	2,048	92,558	75,287	75,080	74,638	74,638
Executive Branch							
4,972	1,299	210	6,481	4,860	5,056	5,056	5,056
9,215	2,613	551	12,379	11,074	9,088	9,238	9,238
67,037	5,815	756	73,608	65,605	70,311	70,311	70,311
182,509	75	8,494	191,078	190,875	293,103	309,450	309,450
36,008	40,429	-7,224	69,213	56,926	38,773	38,678	38,678
909,913	1,502	25,863	937,278	929,625	963,938	974,226	974,226
60,694	9,414	13,620	83,728	75,524	69,518	76,733	76,733
221,540	40,111	9,105	270,756	254,163	243,643	233,056	233,056
63,676	13,981	19,822	97,479	95,341	76,587	73,116	73,116
62,805	13,938	19,691	96,434	94,324	75,716	72,245	72,245
871	43	131	1,045	1,017	871	871	871
571,697	18,045	53,437	643,179	532,721	478,095	487,175	487,175
60,696	41,001	732	102,429	97,273	63,169	63,264	63,264
566,510	196,800	15,643	778,953	656,407	567,658	551,496	551,496
523,819	196,738	15,643	736,200	613,969	522,967	506,805	506,805
42,599	62	---	42,661	42,346	44,599	44,599	44,599
92	---	---	92	92	92	92	92
85,851	4,369	2,275	92,495	89,468	89,016	88,906	88,906
24,540	6,852	483	31,875	28,730	22,687	22,437	22,437
16,004	2,222	-107	18,119	14,211	19,202	19,202	19,202
26,505	1,122	1,646	29,273	27,757	23,715	27,812	27,020
99,675	4,777	4,280	108,732	106,868	99,204	88,712	88,712
415,542	107,779	-17,796	505,525	470,870	479,910	458,455	458,455
386,856	106,967	-17,796	476,027	442,100	450,470	429,015	429,015
28,686	812	---	29,498	28,770	29,440	29,440	29,440
1,428	---	4	1,432	1,425	1,408	1,444	1,444
3,424,012	498,206	131,794	4,054,012	3,709,723	3,614,081	3,598,767	3,597,975
3,351,764	497,289	131,663	3,980,716	3,637,498	3,539,079	3,523,765	3,522,973
71,285	874	---	72,159	71,116	74,039	74,039	74,039
963	43	131	1,137	1,109	963	963	963

SUMMARIES OF APPROPRIATIONS

TABLE III
SUMMARY OF APPROPRIATIONS BY ORGANIZATION
(thousands of dollars)

Year Ending June 30, 2006					Year Ending June 30, 2008			
Orig. & (S)Supple- mental	Reapp. & (R)Recpts.	Transfers & (E)Emer- gencies	Total Available	Expended		2007 Adjusted Approp.	Requested	Recom- mended
<u>DIRECT STATE SERVICES</u>								
Interdepartmental Accounts								
147,220	6,060	4,976	158,256	154,160	Property Rentals	163,490	167,431	167,431
101,333	16,217	-655	116,895	113,952	Insurance and Other Services	122,211	108,489	108,489
1,442,797	---	15,529	1,458,326	1,446,297	Employee Benefits	1,651,624	1,778,023	1,778,023
79,722	1,610	13,918	95,250	69,617	Other Interdepartmental Accounts	36,107	13,143	13,143
147,624	37,612	-128,789	56,447	8,337	Salary Increases and Other Benefits	10,300	223,145	223,145
35,184	1,574	655	37,413	37,264	Utilities and Other Services	65,916	71,996	71,996
1,953,880	63,073	-94,366	1,922,587	1,829,627	Total Interdepartmental Accounts	2,049,648	2,362,227	2,362,227
Judicial Branch								
554,026	12,387	1,319	567,732	556,607	The Judiciary	597,398	594,398	594,398
554,026	12,387	1,319	567,732	556,607	Total Judicial Branch	597,398	594,398	594,398
6,006,091	590,003	40,795	6,636,889	6,171,244	Total Direct State Services	6,336,207	6,630,030	6,629,238
5,933,843	589,086	40,664	6,563,593	6,099,019	(From General Fund)	6,261,205	6,555,028	6,554,236
71,285	874	---	72,159	71,116	(From Casino Control Fund)	74,039	74,039	74,039
963	43	131	1,137	1,109	(From Casino Revenue Fund)	963	963	963
<u>GRANTS-IN-AID</u>								
Executive Branch								
1,575	452	480	2,507	2,157	Department of Agriculture	5,025	4,875	4,875
541,692	159	24,673	566,524	565,978	Department of Children and Families	708,517	751,524	751,524
55,710	39,409	7,795	102,914	87,717	Department of Community Affairs	61,845	50,260	50,260
138,654	---	-271	138,383	132,899	Department of Corrections	133,151	150,698	150,698
18,129	---	-222	17,907	17,163	Department of Education	39,713	28,938	28,938
750	5,369	16,734	22,853	5,206	Department of Environmental Protection	27,165	24,700	24,700
1,592,488	181,940	-18,819	1,755,609	1,696,846	Department of Health and Senior Services	1,792,676	1,581,045	1,581,045
1,261,776	16,333	-18,688	1,259,421	1,208,340	(From General Fund)	1,484,824	1,281,117	1,281,117
330,712	165,607	-131	496,188	488,506	(From Casino Revenue Fund)	307,852	299,928	299,928
3,528,651	255,512	-29,316	3,754,847	3,676,405	Department of Human Services	3,733,581	3,983,504	3,983,504
3,385,807	255,512	-29,316	3,612,003	3,533,653	(From General Fund)	3,620,737	3,870,660	3,870,660
142,844	---	---	142,844	142,752	(From Casino Revenue Fund)	112,844	112,844	112,844
47,282	---	-3,000	44,282	44,252	Department of Labor and Workforce Development	56,973	71,579	71,579
44,842	---	-3,000	41,842	41,812	(From General Fund)	54,533	69,139	69,139
2,440	---	---	2,440	2,440	(From Casino Revenue Fund)	2,440	2,440	2,440
23,202	---	20	23,222	22,985	Department of Law and Public Safety	22,469	27,938	27,938
21,177	---	20	21,197	21,197	(From General Fund)	22,469	27,938	27,938
2,025	---	---	2,025	1,788	(From gubernatorial Elections Fund)	---	---	---
1,544	15	---	1,559	1,450	Department of Military and Veterans' Affairs	1,544	3,044	3,044
1,251,942	14,664	37,163	1,303,769	1,270,304	Department of State	1,184,238	1,373,427	1,235,601
273,700	2,182	93	275,975	273,786	Department of Transportation	298,200	298,200	298,200
1,036,285	418,739	-21,104	1,433,920	1,407,856	Department of the Treasury	1,588,090	2,827,865	2,818,606
239,797	18,686	-21,104	237,379	213,522	(From General Fund)	404,302	423,865	414,606
796,488	400,053	---	1,196,541	1,194,334	(From Property Tax Relief Fund)	1,183,788	2,404,000	2,404,000
8,511,604	918,441	14,226	9,444,271	9,205,004	Total Executive Branch	9,653,187	11,177,597	11,030,512
7,237,095	352,781	14,357	7,604,233	7,375,184	(From General Fund)	8,046,263	8,358,385	8,211,300
796,488	400,053	---	1,196,541	1,194,334	(From Property Tax Relief Fund)	1,183,788	2,404,000	2,404,000
475,996	165,607	-131	641,472	633,698	(From Casino Revenue Fund)	423,136	415,212	415,212
2,025	---	---	2,025	1,788	(From gubernatorial Elections Fund)	---	---	---

SUMMARIES OF APPROPRIATIONS

TABLE III
SUMMARY OF APPROPRIATIONS BY ORGANIZATION
(thousands of dollars)

Year Ending June 30, 2006					Year Ending June 30, 2008			
Orig. & (S)Supplemental	Reapp. & (R)Recpts.	Transfers & (E)Emergencies	Total Available	Expended	2007 Adjusted Approp.	Requested	Recommended	
GRANTS-IN-AID								
Interdepartmental Accounts								
673,658	352	-2,600	671,410	668,121	Employee Benefits	758,504	749,905	749,905
54,925	44,482	-15,780	83,627	41,757	Other Interdepartmental Accounts	---	---	---
35,546	---	-35,546	---	---	Salary Increases and Other Benefits	---	11,047	11,047
105,843	---	10	105,853	104,754	Aid to Independent Authorities	136,738	147,829	147,829
869,972	44,834	-53,916	860,890	814,632	Total Interdepartmental Accounts	895,242	908,781	908,781
9,381,576	963,275	-39,690	10,305,161	10,019,636	Total Grants-in-Aid	10,548,429	12,086,378	11,939,293
8,107,067	397,615	-39,559	8,465,123	8,189,816	(From General Fund)	8,941,505	9,267,166	9,120,081
796,488	400,053	---	1,196,541	1,194,334	(From Property Tax Relief Fund)	1,183,788	2,404,000	2,404,000
475,996	165,607	-131	641,472	633,698	(From Casino Revenue Fund)	423,136	415,212	415,212
2,025	---	---	2,025	1,788	(From gubernatorial Elections Fund)	---	---	---
STATE AID								
Executive Branch								
11,727	1,023	---	12,750	10,132	Department of Agriculture	11,727	11,727	11,727
1,034,515	3,923	-58,059	980,379	964,815	Department of Community Affairs	1,213,540	1,153,568	1,153,568
107,446	3,923	---	111,369	95,812	(From General Fund)	152,068	87,196	87,196
927,069	---	-58,059	869,010	869,003	(From Property Tax Relief Fund)	1,061,472	1,066,372	1,066,372
9,361,268	12,090	3,008	9,376,366	9,335,039	Department of Education	10,297,668	10,866,744	10,866,744
654,245	5,042	-7,640	651,647	624,590	(From General Fund)	1,283,865	795,907	795,907
8,707,023	7,048	10,648	8,724,719	8,710,449	(From Property Tax Relief Fund)	9,013,803	10,070,837	10,070,837
19,072	151	1,000	20,223	19,674	Department of Environmental Protection	20,716	20,416	20,416
10,072	151	1,000	11,223	11,013	(From General Fund)	11,216	10,916	10,916
9,000	---	---	9,000	8,661	(From Property Tax Relief Fund)	9,500	9,500	9,500
9,552	---	---	9,552	9,309	Department of Health and Senior Services	9,552	9,552	9,552
468,633	621	8,639	477,893	460,241	Department of Human Services	417,105	427,166	427,166
1,522	---	---	1,522	1,506	Department of Labor and Workforce Development	1,522	1,522	1,522
8,030	14,647	---	22,677	13,320	Department of Law and Public Safety	23,030	26,545	26,545
18,537	---	---	18,537	18,232	Department of State	18,520	19,520	18,520
34,352	---	---	34,352	34,352	Department of Transportation	34,930	36,928	36,928
34,352	---	---	34,352	34,352	(From Casino Revenue Fund)	34,930	36,928	36,928
472,261	20,694	-84	492,871	446,096	Department of the Treasury	460,868	472,829	464,460
305,241	20,694	-84	325,851	294,340	(From General Fund)	302,734	306,538	298,169
167,020	---	---	167,020	151,756	(From Property Tax Relief Fund)	158,134	166,291	166,291
11,439,469	53,149	-45,496	11,447,122	11,312,716	Total Executive Branch	12,509,178	13,046,517	13,037,148
1,595,005	46,101	1,915	1,643,021	1,538,495	(From General Fund)	2,231,339	1,696,589	1,687,220
9,810,112	7,048	-47,411	9,769,749	9,739,869	(From Property Tax Relief Fund)	10,242,909	11,313,000	11,313,000
34,352	---	---	34,352	34,352	(From Casino Revenue Fund)	34,930	36,928	36,928
11,439,469	53,149	-45,496	11,447,122	11,312,716	Total State Aid	12,509,178	13,046,517	13,037,148
1,595,005	46,101	1,915	1,643,021	1,538,495	(From General Fund)	2,231,339	1,696,589	1,687,220
9,810,112	7,048	-47,411	9,769,749	9,739,869	(From Property Tax Relief Fund)	10,242,909	11,313,000	11,313,000
34,352	---	---	34,352	34,352	(From Casino Revenue Fund)	34,930	36,928	36,928

SUMMARIES OF APPROPRIATIONS

TABLE III
SUMMARY OF APPROPRIATIONS BY ORGANIZATION
(thousands of dollars)

Year Ending June 30, 2006					Year Ending June 30, 2008		
Orig. & (S)Supple- mental	Reapp. & (R)Recpts.	Transfers & (E)Emer- gencies	Total Available	Expended	2007 Adjusted Approp.	Requested	Recom- mended
<u>CAPITAL CONSTRUCTION</u>							
Legislative Branch							
---	289	---	289	---	---	---	---
---	289	---	289	---	---	---	---
Executive Branch							
---	993	---	993	---	---	250	250
3,500	4,582	---	8,082	5,276	10,000	---	---
5,000	5,667	---	10,667	2,777	---	3,936	3,936
1,050	844	---	1,894	227	2,450	2,800	2,800
84,263	117,638	-23,854	178,047	77,463	116,767	107,271	107,271
---	443	---	443	317	---	---	---
8,100	11,071	---	19,171	1,879	7,700	2,800	2,800
4,805	11,050	1,545	17,400	6,823	1,500	3,800	3,800
175	2,797	77	3,049	661	2,590	1,165	1,165
---	2	---	2	---	---	---	---
---	619	1,100	1,719	180	---	---	---
805,000	---	---	805,000	805,000	895,000	895,000	895,000
---	7,276	3,058	10,334	507	6,916	6,500	6,500
---	2	---	2	---	---	---	---
911,893	162,984	-18,074	1,056,803	901,110	1,042,923	1,023,522	1,023,522
Interdepartmental Accounts							
179,327	47,210	16,719	243,256	201,022	195,856	222,137	222,137
179,327	47,210	16,719	243,256	201,022	195,856	222,137	222,137
1,091,220	210,483	-1,355	1,300,348	1,102,132	1,238,779	1,245,659	1,245,659
<u>DEBT SERVICE</u>							
Executive Branch							
24,675	---	---	24,675	24,673	64,664	56,790	56,790
144,651	---	---	144,651	144,650	363,121	383,608	383,608
169,326	---	---	169,326	169,323	427,785	440,398	440,398
169,326	---	---	169,326	169,323	427,785	440,398	440,398
28,087,682	1,816,910	-45,746	29,858,846	28,775,051	31,060,378	33,448,982	33,291,736
STATE APPROPRIATIONS					31,060,378	33,448,982	33,291,736
16,896,461	1,243,285	1,665	18,141,411	17,098,785	19,100,613	19,204,840	19,047,594
71,285	874	---	72,159	71,116	74,039	74,039	74,039
10,606,600	407,101	-47,411	10,966,290	10,934,203	11,426,697	13,717,000	13,717,000
511,311	165,650	---	676,961	669,159	459,029	453,103	453,103
2,025	---	---	2,025	1,788	---	---	---

SUMMARIES OF APPROPRIATIONS

TABLE IV
SUMMARY OF APPROPRIATIONS BY CATEGORY OR PURPOSE
(thousands of dollars)

	2006	2007	2008	2008
	Expenditures	Adjusted	Requested	Recom-
		Appropriation		mended
General Fund--				
Direct State Services--				
Personal Services	2,823,049	2,869,816	3,117,708	3,116,916
Materials and Supplies	226,352	239,330	244,724	244,724
Services Other Than Personal	494,295	453,081	453,265	453,265
Maintenance and Fixed Charges	243,147	262,791	254,004	254,004
Improvements and Equipment	47,211	35,143	35,371	35,371
Employee Pension and Health Benefits	1,446,297	1,651,624	1,778,023	1,778,023
Special Purpose	818,668	749,420	671,933	671,933
<i>Total Direct State Services</i>	<u>6,099,019</u>	<u>6,261,205</u>	<u>6,555,028</u>	<u>6,554,236</u>
Grants-in-Aid--				
Employee Benefits-Colleges and Universities	668,121	758,504	749,905	749,905
Rutgers, The State University	356,160	309,370	331,600	321,737
University of Medicine and Dentistry of New Jersey	247,081	220,731	258,131	231,160
New Jersey Institute of Technology	52,112	47,182	50,775	48,490
State Colleges and Universities	300,352	276,717	386,703	288,293
Other Higher Education Programs	65,263	99,158	104,897	104,571
Student Aid-Scholarships and Grants	266,565	290,870	308,963	308,963
Support of Independent Higher Education Institutions	25,959	21,878	30,902	21,672
Correctional Facilities	132,899	133,151	150,698	150,698
Support of the Arts	30,030	24,532	24,173	24,173
Transit Subsidy	273,700	298,200	298,200	298,200
Welfare Support Programs	273,232	258,454	270,707	270,707
Medicaid	3,259,714	3,359,452	3,554,847	3,554,847
Pharmaceutical Assistance Programs	67,540	172,974	106,898	106,898
Children and Families	565,978	708,517	751,524	751,524
Services for the Developmentally Disabled	476,939	498,568	508,886	508,886
Mental Health Services	264,579	270,178	277,633	277,633
AIDS Programs	22,972	32,369	30,442	30,442
Other Health and Human Services Programs	377,032	501,566	390,364	390,364
Economic Development	138,694	322,504	338,395	338,395
Other Grants-In-Aid	324,894	336,630	342,523	342,523
<i>Total Grants-in-Aid</i>	<u>8,189,816</u>	<u>8,941,505</u>	<u>9,267,166</u>	<u>9,120,081</u>
State Aid--				
Aid to County Colleges	179,008	175,993	186,918	178,549
Educational	624,591	1,283,865	795,907	795,907
Cash Assistance and County Welfare Administration	323,917	293,930	285,127	285,127
Health and Senior Services and Human Services	145,633	132,727	151,591	151,591
Aid to Counties and Municipalities	235,716	298,379	227,386	226,386
Other State Aid	29,630	46,445	49,660	49,660
<i>Total State Aid</i>	<u>1,538,495</u>	<u>2,231,339</u>	<u>1,696,589</u>	<u>1,687,220</u>

SUMMARIES OF APPROPRIATIONS

TABLE IV
SUMMARY OF APPROPRIATIONS BY CATEGORY OR PURPOSE
(thousands of dollars)

	2006 Expenditures	2007 Adjusted Appropriation	2008 Requested	2008 Recom- mended
Capital Construction--				
Transportation Trust Fund	805,000	895,000	895,000	895,000
Educational	227	2,450	2,800	2,800
Institutional	4,656	7,700	6,736	6,736
Constitutionally Dedicated Projects	174,431	200,212	199,481	199,481
All Other	117,818	133,417	141,642	141,642
<i>Total Capital Construction</i>	<u>1,102,132</u>	<u>1,238,779</u>	<u>1,245,659</u>	<u>1,245,659</u>
Debt Service--				
Principal	13,670	254,246	267,075	267,075
Interest	155,653	173,539	173,323	173,323
<i>Total Debt Service</i>	<u>169,323</u>	<u>427,785</u>	<u>440,398</u>	<u>440,398</u>
<i>Total General Fund</i>	<u>17,098,785</u>	<u>19,100,613</u>	<u>19,204,840</u>	<u>19,047,594</u>
Property Tax Relief Fund--				
Aid to County Colleges	25,439	27,500	33,464	33,464
Educational	8,710,449	9,013,803	10,070,837	10,070,837
Direct Property Tax Relief	1,293,315	1,282,888	2,503,100	2,503,100
Aid to Municipalities	905,000	1,102,506	1,109,599	1,109,599
<i>Total Property Tax Relief Fund</i>	<u>10,934,203</u>	<u>11,426,697</u>	<u>13,717,000</u>	<u>13,717,000</u>
Casino Control Fund--				
Enforcement	42,346	44,599	44,599	44,599
Administration	28,770	29,440	29,440	29,440
<i>Total Casino Control Fund</i>	<u>71,116</u>	<u>74,039</u>	<u>74,039</u>	<u>74,039</u>
Casino Revenue Fund--				
Medicaid	139,581	110,686	109,186	109,186
Pharmaceutical Assistance Programs	443,757	262,017	255,593	255,593
Programs for Senior Citizens and the Disabled	85,821	86,326	88,324	88,324
<i>Total Casino Revenue Fund</i>	<u>669,159</u>	<u>459,029</u>	<u>453,103</u>	<u>453,103</u>
Gubernatorial Elections Fund--				
Public Financing of Gubernatorial General Election	1,788	---	---	---
<i>Total Gubernatorial Elections Fund</i>	<u>1,788</u>	<u>---</u>	<u>---</u>	<u>---</u>
GRAND TOTAL STATE APPROPRIATIONS	<u>28,775,051</u>	<u>31,060,378</u>	<u>33,448,982</u>	<u>33,291,736</u>

SUMMARIES OF APPROPRIATIONS

DEDICATED FUNDS

Summary of Appropriations by Department (thousands of dollars)

Orig. & (S)Supple- mental	Year Ending June 30, 2006				Expended		Year Ending —June 30, 2008—		
	Reapp. & (R)Recpts.	Transfers & (E)Emer- gencies	Total Available	Total Available			2007 Adjusted Approp.	Requested	Recom- mended
						PROPERTY TAX RELIEF FUND			
						Grants-In-Aid			
						Department of the Treasury			
796,488	400,053	---	1,196,541	1,194,334		Homestead Exemptions	1,183,788	2,404,000	2,404,000
<u>796,488</u>	<u>400,053</u>	<u>---</u>	<u>1,196,541</u>	<u>1,194,334</u>		<i>Total Department of the Treasury</i>	<u>1,183,788</u>	<u>2,404,000</u>	<u>2,404,000</u>
796,488	400,053	---	1,196,541	1,194,334		<i>Total Grants-In-Aid - Property Tax Relief Fund</i>	<u>1,183,788</u>	<u>2,404,000</u>	<u>2,404,000</u>
						State Aid			
						Department of Community Affairs			
927,069	---	-58,059	869,010	869,003		Local Government Services	1,061,472	1,066,372	1,066,372
<u>927,069</u>	<u>---</u>	<u>-58,059</u>	<u>869,010</u>	<u>869,003</u>		<i>Total Department of Community Affairs</i>	<u>1,061,472</u>	<u>1,066,372</u>	<u>1,066,372</u>
						Department of Education			
5,669,554	7,048	46,779	5,723,381	5,716,734		General Formula Aid	5,443,623	5,973,838	5,973,838
80,529	---	4,501	85,030	85,016		Miscellaneous Grants-In-Aid	86,979	94,209	94,209
65,578	---	---	65,578	65,578		Bilingual Education	65,578	65,578	65,578
199,512	---	---	199,512	199,512		Programs for Disadvantaged Youths	199,512	266,310	266,310
896,420	---	---	896,420	896,420		Special Education	896,420	896,420	896,420
38,948	---	---	38,948	38,948		General Vocational Education	38,948	38,948	38,948
---	---	---	---	---		Office of School Choice	---	---	---
307,287	---	1,867	309,154	308,067		Pupil Transportation	313,047	313,047	313,047
20,454	---	---	20,454	20,454		Facilities Planning and School Building Aid	23	158,391	158,391
1,428,741	---	-42,499	1,386,242	1,379,720		Teachers' Pension and Annuity Assistance	1,969,673	2,264,096	2,264,096
<u>8,707,023</u>	<u>7,048</u>	<u>10,648</u>	<u>8,724,719</u>	<u>8,710,449</u>		<i>Total Department of Education</i>	<u>9,013,803</u>	<u>10,070,837</u>	<u>10,070,837</u>
						Department of Environmental Protection			
9,000	---	---	9,000	8,661		Administration and Support Services	9,500	9,500	9,500
<u>9,000</u>	<u>---</u>	<u>---</u>	<u>9,000</u>	<u>8,661</u>		<i>Total Department of Environmental Protection</i>	<u>9,500</u>	<u>9,500</u>	<u>9,500</u>
						Department of the Treasury			
109,000	---	---	109,000	98,981		Reimbursement of Senior/ Disabled Citizens' and Veterans' Tax Deductions	99,100	99,100	99,100
29,464	---	---	29,464	27,336		Consolidated Police and Firemen's Pension Fund	31,534	33,727	33,727
28,556	---	---	28,556	25,439		Aid to County Colleges	27,500	33,464	33,464
<u>167,020</u>	<u>---</u>	<u>---</u>	<u>167,020</u>	<u>151,756</u>		<i>Total Department of the Treasury</i>	<u>158,134</u>	<u>166,291</u>	<u>166,291</u>
9,810,112	7,048	-47,411	9,769,749	9,739,869		<i>Total State Aid - Property Tax Relief Fund</i>	<u>10,242,909</u>	<u>11,313,000</u>	<u>11,313,000</u>
<u>10,606,600</u>	<u>407,101</u>	<u>-47,411</u>	<u>10,966,290</u>	<u>10,934,203</u>		<i>Total Property Tax Relief Fund</i>	<u>11,426,697</u>	<u>13,717,000</u>	<u>13,717,000</u>

SUMMARIES OF APPROPRIATIONS

DEDICATED FUNDS

Summary of Appropriations by Department (thousands of dollars)

Year Ending June 30, 2006					Year Ending June 30, 2008			
Orig. & (S)Supple- mental	Reapp. & (R)Recpts.	Transfers & (E)Emer- gencies	Total Available	Expended		2007 Adjusted Approp.	Requested	Recom- mended
					CASINO CONTROL FUND			
					Direct State Services			
					Department of Law and Public Safety			
42,599	62	---	42,661	42,346	Gaming Enforcement	44,599	44,599	44,599
<u>42,599</u>	<u>62</u>	<u>---</u>	<u>42,661</u>	<u>42,346</u>	<i>Total Department of Law and Public Safety</i>	<u>44,599</u>	<u>44,599</u>	<u>44,599</u>
					Department of the Treasury			
28,686	812	---	29,498	28,770	Administration of Casino Gambling	29,440	29,440	29,440
<u>28,686</u>	<u>812</u>	<u>---</u>	<u>29,498</u>	<u>28,770</u>	<i>Total Department of the Treasury</i>	<u>29,440</u>	<u>29,440</u>	<u>29,440</u>
<u>71,285</u>	<u>874</u>	<u>---</u>	<u>72,159</u>	<u>71,116</u>	<i>Total Direct State Services - Casino Control Fund</i>	<u>74,039</u>	<u>74,039</u>	<u>74,039</u>
<u>71,285</u>	<u>874</u>	<u>---</u>	<u>72,159</u>	<u>71,116</u>	<i>Total Casino Control Fund</i>	<u>74,039</u>	<u>74,039</u>	<u>74,039</u>
					CASINO REVENUE FUND			
					Direct State Services			
					Department of Health and Senior Services			
871	43	131	1,045	1,017	Programs for the Aged	871	871	871
<u>871</u>	<u>43</u>	<u>131</u>	<u>1,045</u>	<u>1,017</u>	<i>Total Department of Health and Senior Services</i>	<u>871</u>	<u>871</u>	<u>871</u>
					Department of Law and Public Safety			
92	---	---	92	92	Operation of State Professional Boards	92	92	92
<u>92</u>	<u>---</u>	<u>---</u>	<u>92</u>	<u>92</u>	<i>Total Department of Law and Public Safety</i>	<u>92</u>	<u>92</u>	<u>92</u>
<u>963</u>	<u>43</u>	<u>131</u>	<u>1,137</u>	<u>1,109</u>	<i>Total Direct State Services - Casino Revenue Fund</i>	<u>963</u>	<u>963</u>	<u>963</u>
					Grants-In-Aid			
					Department of Health and Senior Services			
529	---	---	529	529	Family Health Services	529	529	529
30,531	---	---	30,531	29,467	Medical Services for the Aged	30,629	29,129	29,129
284,768	165,607	---	450,375	443,757	Pharmaceutical Assistance to the Aged and Disabled	262,017	255,593	255,593
14,884	---	-131	14,753	14,753	Programs for the Aged	14,677	14,677	14,677
<u>330,712</u>	<u>165,607</u>	<u>-131</u>	<u>496,188</u>	<u>488,506</u>	<i>Total Department of Health and Senior Services</i>	<u>307,852</u>	<u>299,928</u>	<u>299,928</u>
					Department of Human Services			
22,934	---	---	22,934	22,842	Purchased Residential Care	22,934	22,934	22,934
2,208	---	---	2,208	2,208	Social Supervision and Consultation	2,208	2,208	2,208
7,374	---	---	7,374	7,374	Adult Activities	7,374	7,374	7,374
110,328	---	---	110,328	110,328	Disability Services	80,328	80,328	80,328
<u>142,844</u>	<u>---</u>	<u>---</u>	<u>142,844</u>	<u>142,752</u>	<i>Total Department of Human Services</i>	<u>112,844</u>	<u>112,844</u>	<u>112,844</u>

SUMMARIES OF APPROPRIATIONS

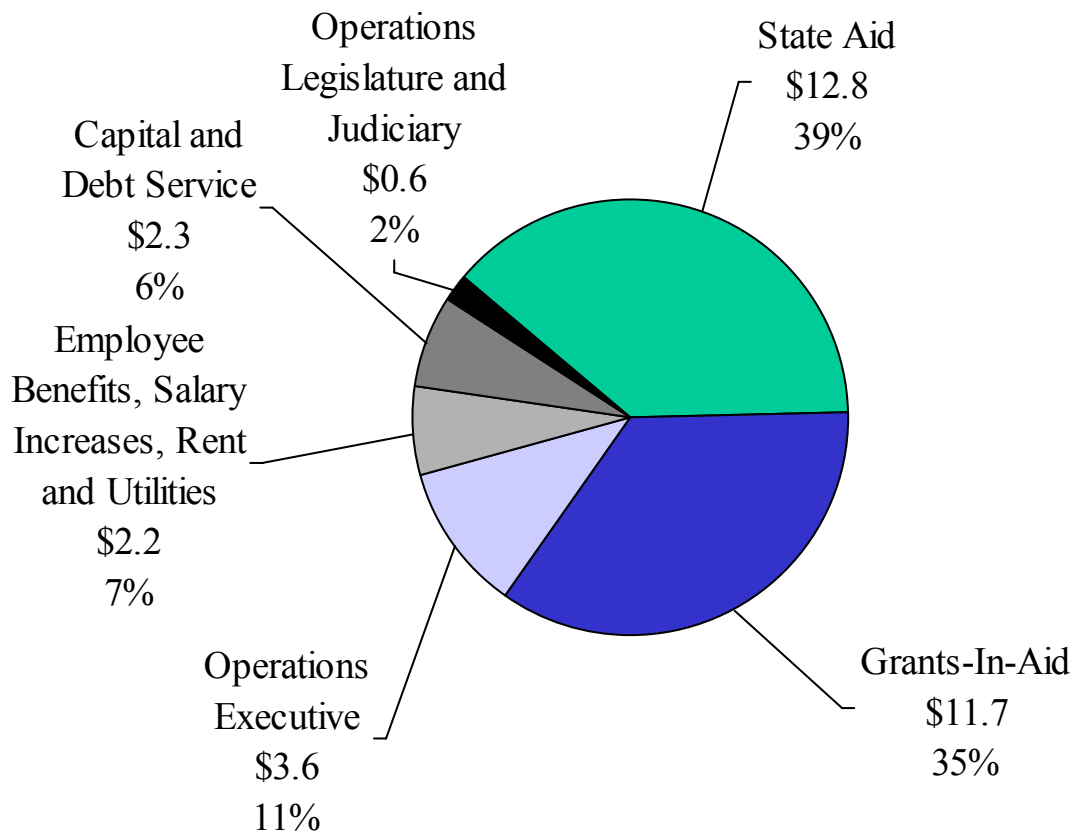
DEDICATED FUNDS

Summary of Appropriations by Department (thousands of dollars)

Year Ending June 30, 2006					Year Ending June 30, 2008		
Orig. & (S)Supple- mental	Reapp. & (R)Recpts.	Transfers & (E)Emer- gencies	Total Available	Expended	2007 Adjusted Approp.	Requested	Recom- mended
2,440	---	---	2,440	2,440	Department of Labor and Workforce Development		
					Vocational Rehabilitation Services		
					2,440	2,440	2,440
2,440	---	---	2,440	2,440	<i>Total Department of Labor and Workforce Development</i>		
					2,440	2,440	2,440
475,996	165,607	-131	641,472	633,698	<i>Total Grants-In-Aid - Casino Revenue Fund</i>		
					423,136	415,212	415,212
					State Aid		
					Department of Transportation		
					Railroad and Bus Operations		
34,352	---	---	34,352	34,352	34,930	36,928	36,928
34,352	---	---	34,352	34,352	<i>Total Department of Transportation</i>		
					34,930	36,928	36,928
34,352	---	---	34,352	34,352	<i>Total State Aid - Casino Revenue Fund</i>		
					34,930	36,928	36,928
511,311	165,650	---	676,961	669,159	<i>Total Casino Revenue Fund</i>		
					459,029	453,103	453,103
					GUBERNATORIAL ELECTIONS FUND		
					Grants-In-Aid		
					Department of Law and Public Safety		
					Election Law Enforcement		
2,025	---	---	2,025	1,788	---	---	---
2,025	---	---	2,025	1,788	<i>Total Department of Law and Public Safety</i>		
					---	---	---
2,025	---	---	2,025	1,788	<i>Total Grants-In-Aid - Gubernatorial Elections Fund</i>		
					---	---	---
2,025	---	---	2,025	1,788	<i>Total Gubernatorial Elections Fund</i>		
					---	---	---
11,191,221	573,625	-47,411	11,717,435	11,676,266	<i>Total Appropriation</i>		
					11,959,765	14,244,142	14,244,142

Where Does the Money Go – State Aid and Grants Represent 74% of Budget

(In Billions)



74 cents of every dollar goes to Property Tax Relief and Grants in Aid

State Aid: includes Education Aid programs, Municipal Aid, Property Tax Relief programs, General Assistance, and Aid to County Colleges.

Grant-In-Aid: includes Property Tax Relief programs, Medicaid, Pharmaceutical Assistance for the Aged and Disabled, Nursing Home and long-term care alternative programs, and support for Higher Education.

Operations Executive: includes funding for adult prisons and juvenile facilities, State Police and other Law Enforcement programs, Human Services institutions, Veterans Homes, and the new Children and Families and the Public Advocate Departments.

FY 2007 Supplementals

(In Millions)

Employee Benefits	\$ 60.0
Debt/Insurance/Other Central Costs/Torts	24.4
Nursing Homes	17.0
Children and Families	15.0
Jersey City Medical Center ⁽¹⁾	12.4
Early Childhood Intervention	12.0
UI/Noncontributory Insurance	11.4
Rent	11.0
Addiction Services	10.0
Snow Removal	10.0
DHS Child Support Systems	9.0
Fair and Clean Elections	7.7
Senior Tax Freeze	7.6
Asset Diversification	4.7
Abbott School Aid Appeals	3.8
Taxation Collection Services	3.5
Medicaid Office of Inspector General	3.0
Other Spending Issues	19.1
Total Appropriation/Spending Issues	\$ 241.6

(1) Replaces unavailable federal funds

Property Tax Relief and Mandatory Growth Greater Than Overall Growth

(In Millions)

Property Tax Relief		\$ 1,847.6
New Credit / Rebate Program		
Homeowners	1,068.7	
Tenants	125.0	
Existing Direct Relief Programs		
Senior and Disabled Property Tax Freeze	26.5	
School Formula Aid	309.8	
Other School Aid	23.4	
Teacher Pension, Social Security and Post Retirement Medical	53.6	
School Construction Debt Service	192.2	
Municipal Aid (1)	20.0	
County Colleges and Psychiatric Hospitals	28.4	
Salary Increase State/Higher Education Employees	248.8	
Medicaid/General Assistance Health Care	185.4	
Child Welfare Reform	55.1	
Employer Taxes (2)	43.7	
Employees Pension (2)	39.6	
Employees Active and Retirees Health Benefits (2)	28.9	
TANF Work Activities and Case Management	28.1	
Correctional Programs	27.8	
General Obligation and Other Debt Service	20.6	
Tuition Aid Grants and NJ STARS I+II	21.9	
Replace Federal Revenue	19.0	
Early Childhood Intervention	5.0	
Statewide Education Assessment	4.5	
Enhanced Mental Health Staffing	3.5	
Transportation for the Elderly	2.0	
		<u>\$ 2,581.5</u>

(1) one time \$80m for Special Municipal Aid netted out of base for FY07 - was FY06 cost

(2) State, Higher Education, County Colleges and Municipalities

SUMMARIES OF APPROPRIATIONS

Funding for Property Tax Relief

(In Millions)

<u>Programs</u>	<u>FY2007 Adjusted Approp.</u>	<u>FY2008 Budget</u>	<u>\$ Change</u>
School Aid	\$ 10,297.7	\$ 10,876.8	\$ 579.1
Municipal Aid	1,917.5	1,937.5	20.0
Other Local Aid	811.6	830.9	19.3
Direct Taxpayer Relief	<u>1,714.9</u>	<u>2,959.1</u>	<u>1,244.2</u>
Total Direct Aid	<u><u>\$ 14,741.7</u></u>	<u><u>\$ 16,604.3</u></u>	<u><u>\$ 1,862.6</u></u>

SUMMARIES OF APPROPRIATIONS

Taxpayer Relief

(In Millions)

PROGRAM DESCRIPTION	FY2007	FY2008	Change	
	Adjusted Approp.	Budget	\$	%
School Aid				
Direct Aid	\$ 7,613.9	\$ 7,942.7	\$ 328.8	4.3
School Building Aid	481.6	670.0	188.4	39.1
Teachers' Retirement Benefits & Social Security	2,202.2	2,264.1	61.9	2.8
Subtotal School Aid	\$ 10,297.7	\$ 10,876.8	\$ 579.1	5.6
Municipal Aid				
Consolidated Municipal Property Tax Relief Aid (CMPTRA)	\$ 835.4	\$ 835.4	-	-
* Energy Tax Receipts Property Tax Relief Aid	788.5	788.5	-	-
Special Municipal Aid	94.7	132.0	37.3	39.4
Legislative Initiative Municipal Block Grant Program	34.8	34.8	-	-
2008 Municipal Property Tax Assistance	-	32.6	32.6	-
Municipal Homeland Security Assistance	32.0	32.0	-	-
Extraordinary Aid	43.0	25.0	(18.0)	(41.9)
Consolidation Fund / SHARE	4.2	19.2	15.0	357.1
Trenton Capitol City Aid	16.5	16.5	-	-
Highlands Protection Fund Aid	12.0	12.0	-	-
Regional Efficiency Aid Program (REAP)	11.0	-	(11.0)	(100.0)
Open Space - Payments in Lieu of Taxes	9.5	9.5	-	-
Municipal Assistance - Legislative Earmarks	35.9	-	(35.9)	(100.0)
Subtotal Municipal Aid	\$ 1,917.5	\$ 1,937.5	\$ 20.0	1.0
Other Local Aid				
County College Aid	\$ 217.5	\$ 232.0	\$ 14.5	6.7
* Transportation Trust Fund - Local Project Aid	175.0	175.0	-	-
Aid to County Psychiatric Hospitals	108.2	122.0	13.9	12.8
Employee Benefits on behalf of Local Governments	93.3	94.3	0.9	1.0
* Urban Enterprise Zones - Sales Tax Dedication	90.0	85.0	(5.0)	(5.6)
County Solid Waste Debt	40.0	35.0	(5.0)	(12.5)
General Assistance Administration	26.0	26.0	-	-
Library Aid	18.5	18.5	-	-
DCA - Housing and Neighborhood Assistance	16.7	16.7	-	-
911 Enhancement	14.9	14.9	-	-
County Prosecutors	8.0	8.0	-	-
County Environmental Health Act	3.5	3.5	-	-
Subtotal Other Local Aid	\$ 811.6	\$ 830.9	\$ 19.3	2.4
Direct Taxpayer Relief				
Homestead Property Tax Credits/Rebates for Homeowners	931.3	2,000.0	1,068.7	114.8
Homestead Rebates for Tenants	126.0	251.0	125.0	99.2
Senior/Disabled Citizens' Property Tax Freeze	126.5	153.0	26.5	20.9
Municipal Reimbursement--Veterans' Tax Deductions	76.4	76.4	-	-
Municipal Reimbursement--Senior/Disabled Citizens' Tax Deductions	22.7	22.7	-	-
* Property Tax Deduction Act	432.0	456.0	24.0	5.6
Subtotal Direct Taxpayer Relief	\$ 1,714.9	\$ 2,959.1	\$ 1,244.2	72.6
GRAND TOTAL - TAXPAYER RELIEF	\$ 14,741.7	\$ 16,604.3	\$ 1,862.6	12.6

* Not part of State budget

SUMMARIES OF APPROPRIATIONS

Direct Property Tax Relief (In Millions)

	FY2007 Adjusted Approp.	FY2008 Budget	\$ Change
Homestead Property Tax Credits/Rebates for Homeowners	\$ 931.3	\$ 2,000.0	\$ 1,068.7
Homestead Rebates for Tenants	126.0	251.0	125.0
Senior/Disabled Citizens Property Tax Freeze	126.5	153.0	26.5
Property Tax Deduction Act	432.0	456.0	24.0
Municipal Reimbursement - Veterans' Tax Deductions	76.4	76.4	-
Municipal Reimbursement - Senior/Disabled Citizens' Tax Deductions	22.7	22.7	-
Total Direct Property Tax Relief	\$ 1,714.9	\$ 2,959.1	\$ 1,244.2

School Aid

(In Millions)

	FY2007 Adjusted Approp.	FY2008 Budget	\$ Change
Formula/Supplemental Programs	\$ 7,132.9	\$ 7,349.8	\$ 216.9
Abbott Preschool Expansion	243.2	246.3	3.1
Nonpublic School Aid	101.6	104.7	3.1
Targeted At-Risk Aid	-	66.8	66.8
Full-Day Kindergarten Supplemental Aid	-	26.2	26.2
Preschool Expansion and Enhancement Grants	-	10.0	10.0
Other Aid	136.2	138.9	2.7
Total Direct School Aid	\$ 7,613.9	\$ 7,942.7	\$ 328.8
Teachers' Pension and Annuity Fund	\$ 693.9	\$ 692.3	\$ (1.6)
Post Retirement Medical	721.4	751.1	29.7
Debt Service on Pension Obligation Bonds	95.1	103.5	8.4
Teachers' Social Security	691.8	717.2	25.4
Total Direct State Payments for Education	\$ 2,202.2	\$ 2,264.1	\$ 61.9
School Construction and Renovation Fund	\$ 364.8	\$ 557.0	\$ 192.2
Debt Service Aid	116.8	113.0	(3.8)
Total School Building Aid	\$ 481.6	\$ 670.0	\$ 188.4
Total School Aid	\$ 10,297.7	\$ 10,876.8	\$ 579.1

SUMMARIES OF APPROPRIATIONS

STATE AID FOR LOCAL SCHOOL DISTRICTS
CONSOLIDATED SUMMARY
GENERAL FUND AND PROPERTY TAX RELIEF FUND
(In Thousands)

---Recommended Fiscal Year 2008---

	Expended Fiscal 2006	Adjusted Appropriation Fiscal 2007	Requested Fiscal 2008	General Fund	Property Tax Relief Fund	Total
Formula Aid Programs:						
Core Curriculum Standards Aid	\$ 3,079,572	\$ 3,080,318	\$ 3,080,318	\$ 117,746	\$ 2,962,572	\$ 3,080,318
Supplemental Core Curriculum Standards Aid	251,768	251,768	251,768	-	251,768	251,768
Early Childhood Aid	330,630	330,630	330,630	-	330,630	330,630
Instructional Supplement	15,621	15,621	15,621	-	15,621	15,621
Demonstrably Effective Program Aid	199,512	199,512	199,512	-	199,512	199,512
Stabilization Aid	111,626	111,626	111,626	-	111,626	111,626
Stabilization Aid 2	2,491	2,491	2,491	-	2,491	2,491
Stabilization Aid 3	11,402	11,402	11,402	-	11,402	11,402
Additional Supplemental Stabilization Aid:						
Large Efficient Districts	5,250	5,250	5,250	-	5,250	5,250
High Senior Citizen Concentrations	1,231	1,231	1,231	-	1,231	1,231
Regionalization Incentive Aid	18,295	18,295	18,295	-	18,295	18,295
Categorical Aids:						
Adult Education Grants	28,721	28,721	28,721	-	28,721	28,721
Bilingual Education	65,578	65,578	65,578	-	65,578	65,578
Special Education	896,420	896,420	896,420	-	896,420	896,420
County Vocational Education	38,948	38,948	38,948	-	38,948	38,948
Pupil Transportation Aid	308,064	312,947	312,947	-	312,947	312,947
School Choice	10,209	8,306	8,306	-	8,306	8,306
Abbott-Bordered District Aid	19,691	21,903	21,903	-	21,903	21,903
Aid for Enrollment Adjustments	16,456	16,456	16,456	-	16,456	16,456
Consolidated Aid	130,127	129,684	129,684	-	129,684	129,684
Above Average Enrollment Growth	12,098	17,575	17,575	-	17,575	17,575
Additional Formula Aid	90,000	86,772	179,378	-	179,378	179,378
Targeted At-Risk Aid	-	-	66,798	-	66,798	66,798
Full-Day Kindergarten Supplemental Aid	-	-	26,182	-	26,182	26,182
Less:						
Stabilization Aid Growth Limitation	(73,576)	(73,576)	(73,576)	-	(73,576)	(73,576)
Growth Savings - Payment Change	(37,616)	(8,450)	(8,450)	-	(8,450)	(8,450)
Subtotal, Net T&E Budget	\$ 5,532,518	\$ 5,569,428	\$ 5,755,014	\$ 117,746	\$ 5,637,268	\$ 5,755,014
School Construction and Renovation Fund	233,821	364,846	557,040	511,646	45,394	557,040
Debt Service Aid	119,809	116,826	112,997	-	112,997	112,997
Subtotal, School Building Aid	\$ 353,630	\$ 481,672	\$ 670,037	\$ 511,646	\$ 158,391	\$ 670,037
TOTAL FORMULA AID	\$ 5,886,148	\$ 6,051,100	\$ 6,425,051	\$ 629,392	\$ 5,795,659	\$ 6,425,051

SUMMARIES OF APPROPRIATIONS

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

---Recommended Fiscal Year 2008---

	Expended Fiscal 2006	Adjusted Appropriation Fiscal 2007	Requested Fiscal 2008	General Fund	Property Tax Relief Fund	Total
Other Aid to Education:						
Nonpublic School Aid	\$ 110,951	\$ 101,615	\$ 104,664	\$ 104,664	\$ -	\$ 104,664
Education Opportunity Aid	1,522,831	1,555,056	1,679,294	-	1,679,294	1,679,294
Abbott Preschool Expansion Aid	203,940	243,200	246,300	-	246,300	246,300
Early Launch to Learning Initiative	2,187	3,000	3,000	-	3,000	3,000
High Expectations for Learning Proficiency	14,901	16,900	16,900	-	16,900	16,900
Payment for Children with Unknown District of Residence	28,700	30,200	31,710	-	31,710	31,710
Extraordinary Special Education Costs Aid	52,000	52,000	52,000	52,000	-	52,000
General Vocational Aid	4,854	4,860	4,860	4,860	-	4,860
Additional School Building Aid (Debt Service)	775	23	-	-	-	-
Educational Information & Resource Center	450	450	450	450	-	450
Charter School Aid	12,638	15,058	17,943	-	17,943	17,943
Charter Schools - Council on Local Mandates Decision Offset Aid	7,821	10,500	13,335	-	13,335	13,335
Character Education	4,736	-	-	-	-	-
Teacher Quality Mentoring	2,499	2,500	2,500	-	2,500	2,500
Other Aid	12,947	9,111	4,641	4,541	100	4,641
Subtotal, Other Aid to Education	\$1,982,230	\$2,044,473	\$2,177,597	\$166,515	\$2,011,082	\$2,177,597
Subtotal, Department of Education	\$7,868,378	\$8,095,573	\$8,602,648	\$795,907	\$7,806,741	\$8,602,648
Direct State Payments for Education:						
Teachers' Pension and Annuity Fund	68,115	661,383	661,383	-	661,383	661,383
Teachers' Pension and Annuity Fund - Post Retirement Medical	545,309	616,540	642,445	-	642,445	642,445
Teachers' Pension and Annuity Fund - Non-Contributory	26,401	32,471	30,952	-	30,952	30,952
Debt Service on Pension Obligation Bonds	86,940	95,097	103,472	-	103,472	103,472
Post Retirement Medical Other Than TPAF	89,358	104,854	108,694	-	108,694	108,694
Teachers' Social Security Assistance	650,538	691,750	717,150	-	717,150	717,150
Subtotal, Direct State Payments for Education	\$1,466,661	\$2,202,095	\$2,264,096	\$ -	\$2,264,096	\$2,264,096
TOTAL	\$9,335,039	\$10,297,668	\$10,866,744	\$795,907	\$10,070,837	\$10,866,744

SUMMARIES OF APPROPRIATIONS

Municipal Aid (In Millions)

	<u>FY2007 Adjusted Approp.</u>	<u>FY2008 Budget</u>	<u>\$ Change</u>
Consolidated Municipal Property Tax Relief Aid (CMPTRA)	\$ 835.4	\$ 835.4	\$ -
Energy Tax Receipts Property Tax Relief Aid	788.5	788.5	-
Special Municipal Aid	94.7	132.0	37.3
Legislative Initiative Municipal Block Grant Program	34.8	34.8	-
2008 Municipal Property Tax Assistance	-	32.6	32.6
Municipal Homeland Security Assistance	32.0	32.0	-
Extraordinary Aid	43.0	25.0	(18.0)
Consolidation Fund / SHARE	4.2	19.2	15.0
Trenton Capitol City Aid	16.5	16.5	-
Highlands Protection Fund Aid	12.0	12.0	-
Regional Efficiency Aid Program (REAP)	11.0	-	(11.0)
Open Space - Payment In Lieu of Taxes (PILOT)	9.5	9.5	-
Municipal Assistance - Legislative Earmarks	<u>35.9</u>	<u>-</u>	<u>(35.9)</u>
Total Direct Municipal Aid	<u>\$ 1,917.5</u>	<u>\$ 1,937.5</u>	<u>\$ 20.0</u>

Higher Education

(In Millions)

	FY2007 Adjusted Approp.	FY2008 Budget	Change \$	%
Colleges and Universities				
Senior Public Colleges and Universities	\$ 1,468.5	\$ 1,490.8	\$ 22.3	1.5
County Colleges	217.5	232.0	14.5	6.7
Independent Colleges and Universities	19.5	20.4	0.9	4.4
Student Financial Assistance	250.2	268.3	18.1	7.2
Educational Opportunity Fund	40.6	40.6	-	-
Facility and Capital Improvement Programs	98.5	93.4	(5.1)	(5.2)
Other Programs	18.3	16.9	(1.4)	(7.6)
Total Higher Education	\$ 2,113.1	\$ 2,162.4	\$ 49.3	2.3

SUMMARIES OF APPROPRIATIONS

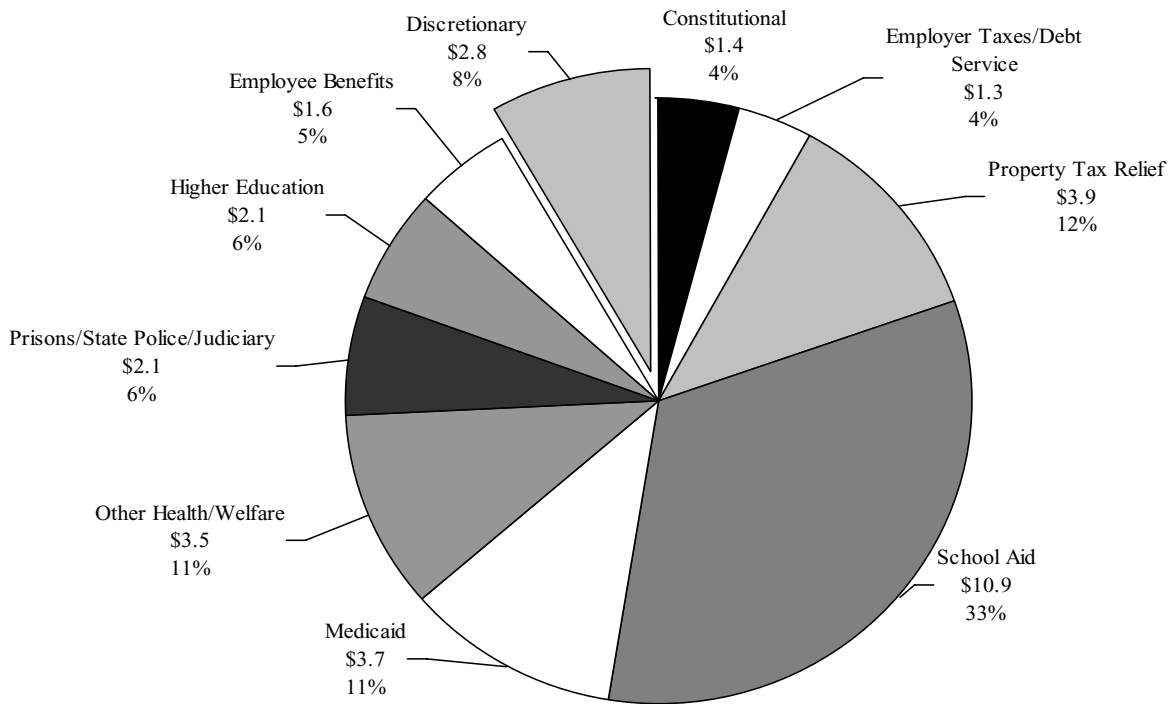
Higher Education

(In Millions)

	FY2007 Adjusted Approp.	FY2008 Budget	\$ Change
Senior Public Institutions			
Rutgers University	\$ 309.4	\$ 321.7	\$ 12.3
UMDNJ	220.7	231.2	10.5
NJIT	47.2	48.5	1.3
Thomas Edison State College	6.2	5.9	(0.3)
Rowan University	36.5	38.2	1.7
New Jersey City University	31.0	32.5	1.5
Kean University	39.6	41.2	1.6
William Paterson University	39.0	40.9	1.9
Montclair State University	46.1	48.0	1.9
College of New Jersey	35.0	36.6	1.6
Ramapo College of New Jersey	19.6	20.2	0.6
Richard Stockton College of New Jersey	23.7	24.8	1.1
Subtotal Senior Publics Direct Aid	\$ 854.0	\$ 889.7	\$ 35.7
Senior Publics Salary Funding	-	11.0	11.0
Senior Publics Net Fringe Benefits	614.5	590.1	(24.4)
Total Senior Publics	\$ 1,468.5	\$ 1,490.8	\$ 22.3
County Colleges			
Operating Support	155.8	163.4	7.6
Fringe Benefits	34.2	35.1	0.9
Chapter 12 Debt Service	27.5	33.5	6.0
Total County Colleges	217.5	232.0	14.5
Total Independent Colleges and Universities	19.5	20.4	0.9
Student Financial Assistance			
Tuition Aid Grants (TAG)	214.7	230.2	15.5
Part-time TAG for County Colleges	4.9	5.5	0.6
NJSTARS I & II	8.0	13.8	5.8
EOF Grants and Scholarships	40.6	40.6	-
Loan Forgiveness for Mental Health Workers	3.5	3.5	-
Other Student Aid Programs	19.0	15.2	(3.8)
Total Student Financial Assistance	\$ 290.8	\$ 308.9	\$ 18.1
Other Programs			
Capital Grants and Facilities Support	98.5	93.4	(5.1)
New Jersey Stem Cell Research Institute	5.5	5.5	-
All Other Programs	12.8	11.4	(1.4)
Total Other Programs	\$ 116.8	\$ 110.3	\$ (6.5)
Grand Total Higher Education	\$ 2,113.1	\$ 2,162.4	\$ 49.3

Fiscal Year 2008

(In Billions)



Total Spending \$33.3 Billion

SUMMARIES OF APPROPRIATIONS

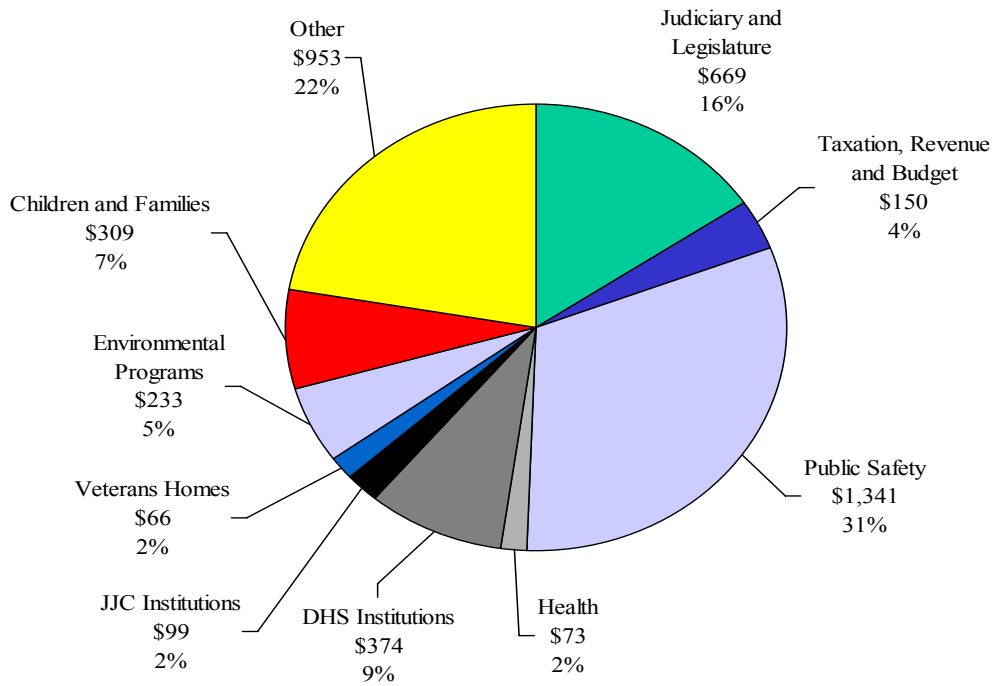
Total Direct State Services By Department

(In Thousands)

	FY2007		FY2008		Change	
	FY2007 Appropriation	Adjusted Appropriation	Recommendation	\$	%	
Chief Executive	\$ 4,924	\$ 5,056	\$ 5,056	\$ -	-	
Agriculture	8,994	9,088	9,238	150	1.7%	
Banking and Insurance	68,944	70,311	70,311	-	-	
Community Affairs	36,914	38,773	38,678	(95)	-0.2%	
Corrections	942,404	963,938	974,226	10,288	1.1%	
Education	57,542	69,518	76,733	7,215	10.4%	
Environmental Protection	238,217	243,643	233,056	(10,587)	-4.3%	
Health & Senior Services	79,177	76,587	73,116	(3,471)	-4.5%	
Human Services-Other	37,841	46,986	44,919	(2,067)	-4.4%	
Central Office	30,696	17,115	26,036	8,921	52.1%	
Developmental Disabilities	95,188	107,470	108,901	1,431	1.3%	
Medical Assistance	25,641	25,229	24,249	(980)	-3.9%	
Mental Health	264,015	281,295	283,070	1,775	0.6%	
Labor	61,849	63,169	63,264	95	0.2%	
Law & Public Safety	146,894	149,066	145,376	(3,690)	-2.5%	
State Police	306,524	300,478	291,593	(8,885)	-3.0%	
Division of Law	17,052	17,010	16,010	(1,000)	-5.9%	
Juvenile Justice Commission	98,507	101,104	98,517	(2,587)	-2.6%	
Military & Veterans' Affairs	86,411	89,016	88,906	(110)	-0.1%	
Personnel	23,990	22,687	22,437	(250)	-1.1%	
Public Advocate	19,420	19,202	19,202	-	-	
State	13,213	13,447	13,752	305	2.3%	
Public Broadcasting	5,604	5,759	5,759	-	-	
State Library	4,570	4,509	7,509	3,000	66.5%	
Transportation	86,448	99,204	88,712	(10,492)	-10.6%	
Treasury	408,776	479,910	458,455	(21,455)	-4.5%	
Miscellaneous Commissions	1,407	1,408	1,444	36	2.6%	
Total Executive Branch	<u>\$ 3,171,162</u>	<u>\$ 3,320,978</u>	<u>\$ 3,288,525</u>	<u>\$ (32,453)</u>	<u>-1.0%</u>	
Legislature	\$ 73,451	\$ 75,080	\$ 74,638	\$ (442)	-0.6%	
Judiciary	567,750	597,398	594,398	(3,000)	-0.5%	
Subtotal Operations-Base	<u>\$ 3,812,363</u>	<u>\$ 3,993,456</u>	<u>\$ 3,957,561</u>	<u>\$ (35,895)</u>	<u>-0.9%</u>	
Children and Families	\$ 272,646	\$ 293,103	\$ 309,450	\$ 16,347	5.6%	
Total Operating Departments	<u>\$ 4,085,009</u>	<u>\$ 4,286,559</u>	<u>\$ 4,267,011</u>	<u>\$ (19,548)</u>	<u>-0.5%</u>	
Interdepartmental						
Other	\$ 70,642	\$ 46,407	\$ 23,443	\$ (22,964)	-49.5%	
Pension, Health Benefits & PRM	1,240,387	1,306,687	1,391,877	85,190	6.5%	
Employer Taxes	340,337	344,937	386,146	41,209	11.9%	
Insurance, Utilities, and Other	325,617	351,617	347,916	(3,701)	-1.1%	
Salary Program	107,860	-	212,845	212,845	-	
Subtotal Interdepartmental	<u>\$ 2,084,843</u>	<u>\$ 2,049,648</u>	<u>\$ 2,362,227</u>	<u>\$ 312,579</u>	<u>15.3%</u>	
Total	<u>\$ 6,169,852</u>	<u>\$ 6,336,207</u>	<u>\$ 6,629,238</u>	<u>\$ 293,031</u>	<u>4.6%</u>	

Operations Budgets

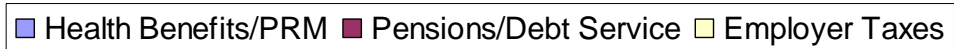
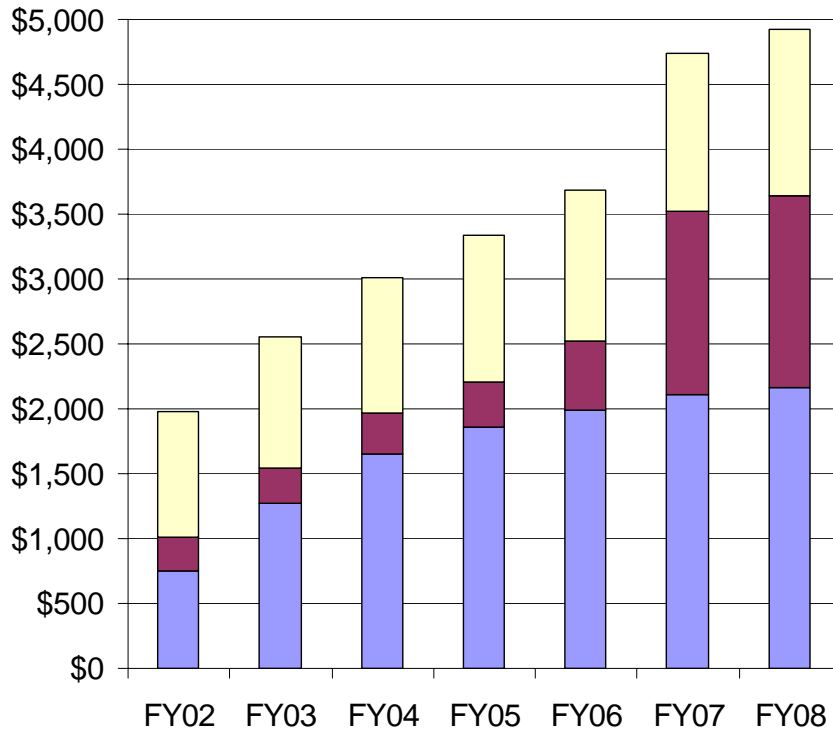
(In Millions)



Total Operating Budget is \$4.3 billion

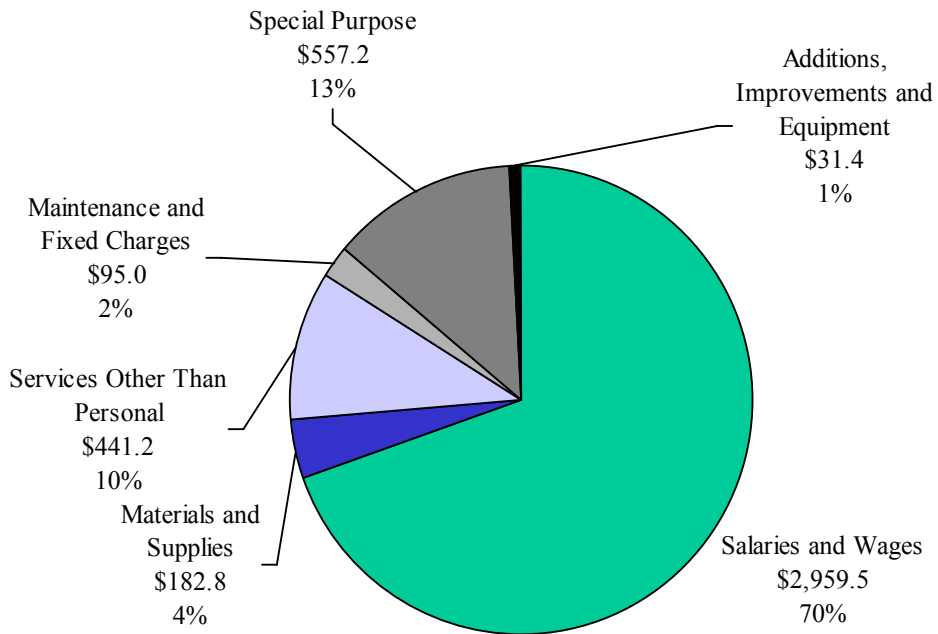
Employee Benefit Costs

(In Millions)



Operating Split between Salaries and Other Costs

(In Millions)



Total Operating Budget is \$4.3 billion

SUMMARIES OF APPROPRIATIONS

Projected Shortfall Continues Into FY 2009

(In Millions)

	FY2008	FY2009	-----DIFF-----	
			\$	%
OPENING FUND BALANCE				
Sales Tax Dedication	\$ 668	\$ -	\$ (668)	-
Other	1,273	601	\$ (672)	-52.79%
REVENUES				
Income	12,351	13,500	1,149	9.3%
Sales	8,778	9,000	222	2.5%
Corporate	2,342	2,200	(142)	-6.1%
Other	8,094	8,200	106	1.3%
FY 2008 Revenue Solutions	387	-	(387)	-
Total	\$ 31,952	\$ 32,900	\$ 948	3.0%
RECOMMENDATIONS/PROJECTIONS				
Employee Benefits (other than pensions)	\$ 33,292	\$ 35,404	\$ 2,112	6.3%
Pensions 60%		\$445		
Aid to Education		340		
Medicaid		330		
One-Time Balances		320		
Salary Increases		300		
Homestead Credits/Rebates		160		
Debt Service		120		
Annualized Community Programs		57		
		40		
FUND BALANCE				
Sales Tax Dedication	-	-		
Other	\$ 601	\$ (1,903)		
Required Ending		\$ 601		
Fund Balance with Required Ending		\$ (2,504)		

Fiscal 2008

Summary of Recommendations by Statewide Program (In Billions)

