

Fiscal 2001

Budget
in
Brief



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JANUARY 24, 2000



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CHRISTINE TODD WHITMAN
Governor

January 24, 2000

Dear Fellow New Jerseyans:

I am pleased to submit my administration's proposed budget for Fiscal Year 2001. This budget will help make New Jersey an even better place in which to live, work, and raise a family.

Our state is enjoying a period of unprecedented economic prosperity. When coupled with a six-year record of prudent and responsible fiscal management here in Trenton, our state's economic strength provides an enormous opportunity – an opportunity I call our prosperity dividend.

This budget funds all the priorities I have set since becoming governor. It includes record amounts of school aid and property tax relief, as well as the funds necessary to make further progress toward our goal of preserving one million acres of open space and farmland over ten years.

The prosperity dividend we are enjoying allows us to do even more for the people of New Jersey. This budget includes nearly half-a-billion dollars in new money for direct relief to taxpayers, including doubling the NJ SAVER property tax rebate, providing working New Jerseyans and their employers with unemployment-tax relief, and creating an Earned Income Tax Credit for New Jersey's working poor.

Our prosperity dividend also allows us to invest more in helping the many faces of our one family who have not enjoyed the full measure of New Jersey's success. People living with disabilities, those who can least afford health insurance, and troubled youngsters will all benefit from investments made in this budget.

We also invest in New Jersey's infrastructure in this budget. The budget includes \$1 billion to improve our system of roads, bridges, and transit systems, helps restore the health of New Jersey's hospital industry, and begins an historic \$9.5 billion modernization and construction program. In addition, this budget creates the New Jersey Cultural Trust, a public-private partnership to support our state's arts and history treasures.

Once again, the budget eliminates the use of one-shot revenue sources, continues our progress in lowering the structural deficit, increases the surplus – to \$850 million – and holds our overall rate of growth to the lowest in 30 years.

As the budget process unfolds, I hope you will share your thoughts and views with me and your legislators. I look forward to working with the Legislature to enact, by June 30, a budget that uses the people's resources to meet the people's priorities.

Yours sincerely,

Christine Todd Whitman
Governor

THE WHITMAN RECORD ...By the Numbers

- \$ 1 Billion** Direct School Property Tax Relief Annually
- 378,600** Jobs added to the New Jersey economy
- 1 Million** Acres to be saved through Governor Whitman's voter-approved preservation plan
- 40** Tax cuts during the Whitman Administration
- 65%** Reduction in welfare caseloads since Governor Whitman took office
- 28 Years** Length of school funding battle resolved by the Whitman Administration's results-oriented plan, based on rigorous academic standards
- 1974** Last time the crime rate was as low as it is today
- 15%** Guaranteed savings for good drivers under Whitman's auto insurance reform.

The Budget, the Budget in Brief, and the Comprehensive Annual Financial Report are available on the Internet @ <http://www.state.nj.us/treasury/omb/publications.htm>

Information on the State House Dome, which appears on the cover of this book, is available on the Internet @ <http://www.state.nj.us/events/dome/>

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OVERVIEW

The fiscal 2001 Budget—the seventh submitted by Governor Christine Whitman—continues the Whitman Administration’s efforts to provide needed services to New Jersey’s citizens in the most efficient manner.

The total budget recommended by the Governor for fiscal 2001 is \$21.253 billion, an increase of \$1.278 billion, or 6.4%, over the current year. Over the seven budgets of the Whitman Administration, the annual growth in appropriations has averaged 4.5%. This compares to 6.3% in the prior administration.

In her State of the State Address, Governor Whitman declared her intention to focus the second half of her second term on strengthening New Jersey in four key areas—expanding the economy, improving education, protecting the environment, and serving the elderly—the four E’s. These areas, as well as other areas of significant importance, have received funding increases in the fiscal 2001 Budget.

Expanding the Economy

Working with the Legislature, this Administration has pursued an aggressive strategy to promote job growth. Business taxes have been reduced or eliminated, 18 new urban enterprise zones have been designated, incentive programs have been launched, and new financial programs have been created to support economic development.

Since the recession in the late 1980’s, during which New Jersey lost approximately 259,000 jobs, the New Jersey economy has recovered every job lost plus an additional 179,500. Over 86% of this expansion, or 378,600 jobs, have been added since January 1994, the beginning of the Whitman Administration. New Jersey now leads the region in job growth.

The State’s ability to work with the business community in creating jobs has been improved by replacing the Department of Commerce and Economic Development with a new autonomous commission, the New Jersey Commerce and Economic Growth Commission.

In the Expanding the Economy program area, the following increases are recommended.

- This budget includes a \$15 million appropriation to Higher Education for excellence in high technology workforce. These excellence grants will improve math and science

programs in New Jersey’s colleges and universities.

- This budget includes a \$10 million appropriation to support Biomedical and other research in technology. This program will provide grants to New Jersey’s universities and challenge them to match these funds with federal grants. New Jersey’s universities currently rank 44th in securing federal research and development funds. These institutions can do better with this expanded State financial support.
- A \$10 million appropriation to the Economic Development Authority will create a venture capital fund which will invest in promising high technology firms so they can continue to grow in New Jersey. This \$10 million will leverage \$30 million in private funds.
- A \$6 million appropriation to the Economic Development Authority will be used to develop a new technology center in South Jersey with the goal of aiding the growth of small to mid-size high technology firms.
- This budget includes \$5 million for the Commission on Science and Technology for new specialized incubators that quick start new businesses by supplying shared laboratory and office space and hands-on help from business and technical experts. It will support ten new incubators around the State, more than doubling the current number.
- A \$4 million appropriation to the Economic Development Authority will be combined with private and other public resources to provide affordable research and development space—a “Commercialization Center”—which will be available to emerging high technology companies.
- This budget includes a \$4 million increase to the Commerce and Economic Growth Commission to promote our travel and tourism industry.
- This budget includes a \$2 million appropriation to the Department of Community Affairs to provide grants to New Jersey’s cities interested in exploring the feasibility of starting cyberdistricts in their downtown areas. These districts will be technology hubs that help small companies tap into high-speed connections and other advantages that only cities can offer.

Strengthening New Jersey

- A \$1 million increase in funding is included for Prosperity New Jersey to market the State as the best place to locate a business—"The Innovation Garden State."

Improving Education

New Jersey schools maintain the distinction of the highest per-pupil expenditures of any state in America. During this Administration, State Aid to schools has increased by 35.6% from \$4.842 billion to \$6.566 billion, an increase of \$1.724 billion. Equally important, the State is now requiring rigorous standards in seven core academic subject areas.

To help students reach these standards, there has been a commitment made to educational technology that will ensure that every public school classroom has computers by the start of the 2001-2002 school year. To better monitor students' progress, the State has instituted a new statewide "early warning test" for all public school fourth graders. And to challenge public schools to reach for excellence, charter schools and public school choice programs have been initiated.

A key to a good education is good teachers. To that end, this budget includes an increase for expanded teacher mentoring.

This budget also maintains this Administration's commitment to keep higher education affordable. During the past six years, the average annual increase in tuition at the senior public colleges and universities was 6.5% compared to 8.1% in the previous Administration, in part because of increases in State support to higher education.

In the area of Improving Education, the following increases are recommended in the fiscal 2001 Budget.

Primary and Secondary Education

- A \$287 million increase in formula aid to New Jersey's schools, including \$99.2 million in Abbott v. Burke parity funding, \$96.8 million for Core Curriculum Standards Aid and \$77.3 million for Special Education.
- An additional \$74 million is provided for Abbott v. Burke Remedy Aid (\$67 million) and Whole School Reform (\$7 million). The Remedy Aid is required under the May 1998 Supreme Court decision upon demonstration by school districts that the aid is needed to maintain foundational

education programs or necessary to provide for the particularized needs of students. The Whole School Reform provides grants to Abbott district schools to improve urban education.

- An \$82.5 million increase is included to fund retirement and social security costs of the State's public school teachers.
- A \$16.4 million increase, bringing the amount to \$128.4 million, is included for school construction and renovations in the Abbott Districts, as required by the Supreme Court decision, and in other school districts. In addition, \$89 million in reappropriated funds will bring the total to \$217.4 million.
- This budget includes an \$8.7 million increase to expand and intensify the mentoring required for newly certified teachers.
- This budget provides a \$6 million increase for School Choice Aid. This Aid will ease the fiscal impact on sending school districts.
- This budget includes \$4.8 million for a character education program, which will incorporate such skills as conflict resolution and anger management into the core curriculum content standards.
- An increase of \$4.5 million for nonpublic school aid is included in this budget.
- An increase of \$2 million is included to continue the development and implementation of the Statewide Assessment Program in order to measure student attainment of the core curriculum content standards.
- A new initiative, "Families Achieving the New Standards" (FANS), in the amount of \$1.2 million will increase parental awareness of the core curriculum content standards.

Higher Education

- This budget includes \$20 million for a 1.5% base appropriation adjustment and a 1% reserve for performance funding as part of a four-year Administration initiative to provide for predictable funding and performance-based incentive funding for the senior public institutions.

Strengthening New Jersey

- Also included is \$23.4 million to fund the contractual salary increases for employees of the senior public institutions.
- Another \$23.5 million is provided for increased fringe benefit costs of these employees.
- This budget includes a \$17.3 million increase for the county colleges and includes the third installment of a four-year plan to increase operating aid to these colleges.
- An \$8.3 million increase in Tuition Aid Grants is included to provide 100% of last year's tuition to the neediest students at public institutions, and fully fund the formula for students attending private institutions.
- An increase of \$2.2 million in the Outstanding Scholar Recruitment Program will allow institutions to recruit an additional class of these high-achieving high school students.
- An increase of \$1.5 million is included for the Educational Opportunity Fund-Article III program to increase the amount of grants received by these needy students.
- An increase of \$1.2 million is included for the statewide implementation of ARTSYS, a system that provides students with a seamless transition from county colleges to four-year schools.
- There is a \$1 million increase for aid to independent colleges and universities, an increase of 4.3%.
- This budget continues the \$98 million annual appropriation for open space acquisition, farmland preservation, and historic preservation. This program will permanently preserve one million acres of open space and farmland over a ten-year period.
- This budget includes \$15 million for Brownfields Redevelopment Grants. These grants will be made available to municipalities for the acquisition and remediation of brownfields where the land has no realistic prospect of attracting a private developer.
- An increase of \$3 million is included for watershed planning. This planning effort is needed to assure an abundant supply of clean water. This appropriation will allow all 20 watersheds in New Jersey to have watershed management plans under way by September 2000. Some of these plans, otherwise, were not scheduled to begin until calendar year 2004.
- This budget includes a \$1 million appropriation to provide soil and water conservation cost share grants to New Jersey's farmers.
- An increase of \$856,000 will expand the water monitoring network for assessing drought conditions and water quality issues.
- An increase of \$580,000 will allow the State to monitor air toxics from four fixed, permanent stations instead of one as is currently done. These sites will allow the State to evaluate long-term public exposure to toxics and will help to determine the sources of these air contaminants.

Protecting the Environment

The federal government has acknowledged the State's innovative commitment to protecting the environment by choosing New Jersey as one of only six original states to participate in the National Environmental Performance Partnership System. This system uses objective indicators to monitor each state's progress toward national goals.

New Jersey has already made progress toward these goals during the Whitman Administration. Air and water quality have improved. The State's recycling rate continues at 62%, one of the highest in the nation.

In the Protecting the Environment program area, the following increases are recommended.

- An increase of \$500,000 is provided to the Mosquito Control Commission for improved surveillance and control of mosquito populations. The recent outbreak of the West Nile Virus revealed the need for this increased effort.
- An increase of \$497,000 for the quality assurance program will better ensure the integrity of data at the State's laboratory facilities. This will enable the Department of Environmental Protection to certify laboratories once every two years, instead of once every three to five years.

Strengthening New Jersey

Serving the Elderly

New Jersey's senior citizen programs are designed to provide independence, dignity and choice for the 1.4 million older adults living in this State.

In the Serving the Elderly program area, the following increases are recommended.

- This budget includes a \$40.2 million increase for the Pharmaceutical Assistance to the Aged and Disabled program to meet the rising cost of drugs and the projected increase in caseload.
- An increase of \$9.5 million is provided for the second installment of the three-year phase in of the ElderCare Initiative, begun in fiscal 2000. The State's \$19.9 million investment will generate \$17.9 million in federal matching funds, providing a total fiscal 2001 appropriation of \$37.8 million. These funds support a variety of programs that increase the choices that seniors have for their long-term care. These programs are: Caregiver Assistance, Jersey Assistance for Community Caregivers, NJ EASE Home Care Program, Respite Care, Community Choice, and Universal Screening.
- An additional \$4.6 million is recommended to implement five ideas of the New Jersey Advisory Council on Elder Care. They are:
 - An additional \$1.1 million to fund criminal background checks for homemaker-home health aides and nurses aides.
 - \$1 million to expand the Meals on Wheels program, fully eliminating the 2,000 person waiting list.
 - \$1 million for Congregate Housing to extend these services to an additional 733 low- and moderate-income seniors.
 - \$1 million for staff and services in the Department of Health and Senior Services to address reported incidence of abuse, neglect, and exploitation of the elderly.
 - \$500,000 to improve NJ EASE care management services by financially supporting counties in their oversight of the services and coordination of cases among provider agencies.

- An \$18.8 million increase is included for cost and caseload growth for Medicaid-eligible seniors in traditional nursing home placements.
- An increase of \$3.4 million is included for medical day care to meet the rapidly expanding caseload in this program.

OTHER FISCAL 2001 IMPACTS OF THE FISCAL YEAR 2001 BUDGET

The Overview section described changes in four key areas—expanding the economy, improving education, protecting the environment, and serving the elderly. However, the fiscal 2001 Budget impacts other program areas that are vitally important to the citizens of New Jersey.

Improving Public Safety

The most recent statewide statistics indicate a continued downward trend in criminal activity throughout New Jersey. Overall, 9% fewer crimes were reported in 1998 than in 1997, while juvenile arrests were down 14%. Tougher criminal statutes, a strong economy and job growth, together with the Administration's efforts to improve law enforcement, corrections, and public safety programs have combined to make New Jersey a safer place to live.

The fiscal 2001 Budget continues this Administration's past efforts and provides funding for additional improvements to the criminal justice system.

Strengthening Law Enforcement

- The Department of Corrections is investing \$2 million in fiscal 2000 to provide ten hours in-service training to all custody staff to improve institutional operations and safety procedures. Building on this for fiscal 2001, a recommendation of \$2.1 million will provide the means to increase the Department's officer recruit training capacity by approximately 400 annually; this will ensure that adequate officer staffing levels will be maintained throughout the correctional system.
- The Juvenile Justice Commission is recommended for \$1.4 million for Enhanced Custody and Non-Custody Training. This training will provide basic training for new Juvenile Correction Officers, in-service training and refresher courses to custody staff, as well as structured training for non-custody staff in

supervision of juvenile offenders, first aid, CPR and crisis intervention.

- Over the last two years, the Department of Law and Public Safety has upgraded State systems and added enhanced image-capable workstations to State Police sites as well as other sites throughout the State to enable law enforcement officials to access the Federal National Crime Information Center (NCIC) for investigatory matters. In fiscal 2001, \$2.6 million is recommended to assist approximately 520 local municipalities in purchasing image-capable workstations to access the federal system through the Division of State Police.
- In fiscal 2001, \$17.3 million has been allocated to the Division of State Police to continue implementation of technical enhancements to the State Police computer network system, an increase of \$7.3 million above the fiscal 2000 appropriation. These enhancements include such items as the expansion of the Computer Aided Dispatch/Record Management System, purchase and support of mobile data terminals in State Police vehicles, and the development of an evidence tracking system.
- The Department of Law and Public Safety is expecting to increase the number of troopers in fiscal 2001 by 250 at a cost of \$6.3 million, including training funds. \$1.8 million of these training funds are reappropriated from fiscal 2000. This will be accomplished by conducting two State Police training classes. In addition, 85 enlisted staff will become available for reassignment by the addition of an equivalent number of civilian staff at a cost of \$3.3 million.

Capacity Building in Corrections

- The Department of Corrections will have increased system capacity by approximately 4,800 spaces from fiscal 1999 to fiscal 2001. This includes institutional bed spaces, community residential treatment, Drug Court programs, and parole alternative programs which utilize low caseload, intensive supervision for certain parolee programs. Included for fiscal 2001 is a 100 bed Women's Assessment Center, which will provide residential substance abuse treatment as well as other programs to meet the specific needs of the female offender. This will be funded by a \$4.4 million federal Violent Offender Incarceration/Truth in Sentencing grant over two years; a State match of \$489,000 is

included. Other capacity building initiatives recommended for fiscal 2001 are:

- 755 additional community residential treatment beds (\$9.7 million) which will provide substance abuse treatment and other services to prepare the inmate for a successful return to society.
- 500 residential spaces (\$6.7 million) for technical parole violators in the Halfway Back Program.
- 730 prison bed spaces, including an additional 180 boot camp beds, are projected to be under construction in fiscal 2001 and are expected to be operational in fiscal year 2002.

Enhanced Juvenile Justice Programs

- The State/Community Partnership Program was established in the Juvenile Justice Commission to improve the counties' juvenile justice systems by implementing early intervention programs and alternatives to incarceration. Funding is continued for this program at \$7.3 million. As an extension to this successful program, a State Incentive Program is recommended at \$3.3 million in fiscal 2001. This program will provide counties the funding to plan and develop community programs for youth who might otherwise be committed to state level juvenile justice programs. This program is projected to provide an additional 90 residential and day program spaces.
- A priority in fiscal 2001 for the Juvenile Justice Commission is to upgrade the quality of care provided in its facilities. In fiscal 2001, \$5.6 million is recommended to increase overall bed space capacity by 250. To alleviate the overcrowding conditions at the New Jersey Training School for boys at Jamesburg and enable correctional staff to provide better supervision and direct care, \$4.4 million is recommended to add 196 beds to the existing space capacity. In addition, 54 new bed spaces at \$1.2 million will be available in four specialized units to provide juvenile offenders with special needs an area to receive the proper treatment. These new units are:
 - The Mental Health and Special Needs Units which will serve juveniles with moderate to serious mental health problems, intellectual deficits, problems presenting vulnerability

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issues and/or severe learning disabilities. These two units will provide 40 new bed spaces.

- The Female Substance Abuse Unit will provide 8 new bed spaces for females who are mentally ill and chemical abusers.
- The “Step Down” for Sex Offenders program will provide 6 new bed spaces for a structural and supervised transitional phase from confinement to community reintegration for juvenile sex offenders.

Improvements in Parole

- The Department of Corrections has improved the parolee/parole officer ratio for general parole caseload from 80 to 1 in fiscal 1998 to a projected ratio of 49 to 1 in fiscal 2001. Also in fiscal 2001, a new parole initiative, the Halfway Back Program, will provide a 500 bed residential program for technical parole violators in lieu of their being returned to prison. Services will include drug treatment and relapse prevention, life skills management, and other areas where offenders are having difficulties adhering to conditions of parole. Successful completion of the program will allow the offender to continue on parole; otherwise, the offender will be returned to incarceration.

Meeting Human Services Needs

Since 1994, the number of families in the Work First New Jersey program has been reduced by more than 64%, including a drop of 230,000 welfare clients since the inception of the welfare reform program.

Since 1995, the State has made a significant commitment to placing the developmentally disabled in the community. The cumulative total cost of the community services waiting list reduction initiatives is \$154.5 million. Over 2,800 clients will have been placed in community residential program and another 1,800 provided with adult day care activity programs.

Welfare reform and community placement exemplify the Whitman Administration’s success in establishing innovative programs to address urgent human services needs. Governor Whitman has also placed an emphasis on prevention and early intervention, which has led to initiatives in areas such as child care, juvenile justice, and drug treatment.

This budget furthers the Whitman Administration’s efforts to enhance the quality of life for all New Jerseyans through strategic, innovative investments in helping those who are in special need.

In the meeting human services needs program area, the following increases are recommended. The increases for the elderly were previously itemized in the Serving the Elderly section.

- An increase of \$108.7 million is included for cost and caseload growth of the Medicaid program.
- There are \$70 million of Tobacco Settlement funds that match \$48.7 million of federal funds and provide for the NJ Family Care program. This program will support comprehensive health insurance to approximately 124,000 low-income adults who have no medical insurance.
- Tobacco Settlement funds in the amount of \$50 million will support the New Jersey Insolvent Health Maintenance Organization Assistance Fund which will be matched by \$50 million from the HMO industry. These monies will reimburse providers for services rendered to subscribers of the two HMO’s that became insolvent.
- This budget provides \$38.9 million for a cost-of-living increase and a direct care worker salary increase for community programs funded through the Departments of Health and Senior Services, Human Services, Labor and the Juvenile Justice Commission.
- An increase of \$31.9 million is included to annualize the cost of developmentally disabled clients moved from the community services waiting list in fiscal 2000 and to move an additional 500 clients in fiscal 2001.
- This budget includes \$15.1 million in additional funding for hospitals that provide health services to uninsured New Jersey residents through Supplemental Charity Care payments.
- An increase of \$11.4 million is included to expand the anti-smoking initiatives.
- This budget includes \$10.0 million for a Children’s Initiative that will expand services for children with serious emotional and behavioral problems who are served by the

Division of Youth and Family Services or the Division of Mental Health.

- This budget includes \$5.7 million to move 144 clients in developmental centers to the community, consistent with the Supreme Court decision that defends the right of the disabled to receive services in the least restrictive setting.
- This budget includes an increase of \$5.3 million from Temporary Assistance to Needy Families (TANF) funds for Kinship Care, a new and expanding initiative that will assist grandparents and other relatives raising children.
- Funding in the amount of \$3.7 million from TANF funds will allow the School Based Youth Services Program to expand to approximately 15 additional sites.
- Included in the budget is \$3.5 million to fund the new 50 bed expansion at the Ann Klein Forensic Center.
- \$3.3 million is included to increase dental provider rates to help ensure continued access to dental care for Medicaid beneficiaries in all parts of the state and provide more equitable compensation to these providers.
- This budget includes \$3 million for a Supportive Housing Initiative through community mental health agencies that will provide rental subsidies with case management services to allow persons with mental illness to be treated in a less restrictive environment.
- A \$3 million program for work and training services for General Assistance clients is included in the budget in order to improve their chances to obtain and hold jobs.
- An increase in the amount of \$3 million from TANF funds will provide housing subsidies for families who have left or are leaving the TANF roles in order to prevent homelessness.
- An increase of \$1.3 million will provide supported employment services for an additional 500 clients in the Vocational Rehabilitation program.
- This budget includes an increase of \$1.1 million from TANF funds to provide transportation services to Work First New Jersey clients.

- \$750,000 is included to fund the SSI Disabled Back-to-Work initiative. Federal legislation has enabled the SSI Disabled Medicaid beneficiaries to return to work without losing their Medicaid coverage. These funds represent the State match.

PROVIDING PROPERTY TAX RELIEF AND OTHER DIRECT AID

This budget includes \$10.106 billion for property tax relief, an increase of \$757 million over the fiscal 2000 amount of \$9.349 billion.

The following increases will provide property tax relief and direct aid to New Jersey's citizens.

- School aid has increased from \$6.100 billion to \$6.566 billion, an increase of \$466 million.
- A \$166.7 million increase is included as phase two of a five-year plan to provide \$1 billion of direct school property tax relief. This program will offset the school taxes that homeowners pay on the first \$45,000 of assessed value on their homes. When fully implemented, New Jersey families will receive, on average, checks in the amount of \$600 each year.
- The budget includes \$49 million for a new State Earned Income Tax Credit program. Approximately 237,000 households will qualify for this program when fully implemented. In fiscal 2004, a family of one adult and two children earning up to \$10,000 per year will qualify for a tax credit of over \$800, with earnings up to \$15,000, the benefit will be \$700, and with earnings up to \$20,000, the benefit will be \$480.
- This budget includes \$33.8 million to offset the loss that municipalities experienced due to the change in the Business Personal Property Tax.
- An increase of \$19.2 million is included for the annual inflator on the Consolidated Municipal Property Tax Relief Aid program.
- The budget includes a \$17.5 million increase for State reimbursement for Veterans' Property Tax Exemptions as a result of a recent voter approved public question to raise the exemption from \$50 to \$250 over five years.

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- Funding for school construction and renovations is increased \$16.4 million, from \$112 million to \$128.4 million.
- Special municipal aid is increased \$14 million from \$40.5 million to \$54.5 million.
- The Homestead Tax Rebate for homeowners and tenants is increased \$8 million. An expanded number of tenants are eligible to receive the rebates due to the New Jersey Saver law.
- The Property Tax Deduction Act, which allows New Jersey taxpayers to deduct property taxes against their gross income subject to the New Jersey Gross Income Tax, will save those taxpayers \$276 million in fiscal 2001, an increase of \$13 million over fiscal 2000.

THE FISCAL 2001 BUDGET COMPARED TO FISCAL 2000

State Aid (Increase of \$467 million or 5.9%)

The recommendation for State Aid is \$8.394 billion, an increase of \$467 million or 5.9%. The State's contribution to support New Jersey's schools in fiscal 2001 is \$6.566 billion, a net increase of \$466 million. This increase includes a \$383.4 million increase in direct aid and an \$82.5 million increase for retirement and social security costs for school teachers. The new school aid law, the Comprehensive Plan for Educational Improvement and Financing Act, identifies core curriculum standards to assure New Jersey's children are taught the skills and knowledge they will need for the future. The new law will allow the State to measure the quality of our educational system by how much our children learn, not by how much we spend. New Jersey continues to rank number one in the nation in the amount spent per pupil.

Municipal Aid is increased \$65 million from \$1.631 billion to \$1.696 billion. The largest increases are \$33.8 million to make up for municipal losses from the change in the Business Personal Property Tax, \$19.7 million for inflation on Consolidated Municipal Property Tax Relief Aid and \$14 million for Special Municipal Aid.

County college aid is increased \$17.3 million to support operating costs (\$12 million), debt service costs (\$4.2 million), and health benefits and pension costs (\$1.1 million).

Other significant State Aid increases (\$ in millions) are:

Veterans' Property Tax Exemptions	17.5
School Construction and Renovations	16.4

Significant reductions in State Aid (\$ in millions) are:

Police and Fire Pensions and Health Benefits	45.2
Senior and Disabled Citizens' Property Tax Freeze	13.1
Solid Waste—Debt Service Aid	13.0
Flood Supplemental	5.0

Grants-In-Aid (Increase of \$376 million or 6.1%)

The recommendation for Grants-In-Aid is \$6.548 billion, an increase of \$376.4 million or 6.1%.

The major increases in grant programs (\$ in millions) are:

New Jersey Saver Program	166.7
Medicaid (Cost and Caseload)	108.7
NJ Transit	97.0
State Earned Income Tax Credit	49.0
Pharmaceutical Assistance to the Aged and Disabled	40.2
Community COLA and Supplemental for Direct Service Workers	38.9
Developmentally Disabled—Community Services Waiting List	30.5
Employee Benefits—Higher Education	23.5
Salary Increases—Higher Education	23.4
Senior Services—Cost and Caseload	22.6
Higher Education Institutions	20.7
Corrections—Capacity Expansion	19.2
Supplemental Charity Care	15.1
Excellence in High Technology Workforce	15.0
Brownfields Development	15.0
ElderCare Initiative	13.0
Cultural Center Trust	10.0
Venture Capital for Start-up Firms (EDA)	10.0
Biomedical and Other Technology Research	10.0
Children's Initiative	10.0
Tuition Aid Grants	8.4
Homestead Rebates	8.0

The major decreases are:

Flood and Drought Supplemental	95.0
Community Affairs—Community Programs	32.8
Medicaid—Savings Initiatives	22.0
Nursing Homes Reimbursement Changes	19.8
Senior and Disabled Citizens' Property Tax Freeze	13.1
Thermal Imaging Cameras	7.5

State Operations (Increase of \$149 million or 3.3%)

The recommendation for State operations for the Executive Departments and Agencies is \$2.926

billion, an increase of \$39.3 million, or 1.4%. The budget recommendation for the Legislative Branch is reduced by \$2.5 million, or 3.9%, to \$61.6 million and the Judicial Branch is increased by \$8.9 million, or 2.2%, to \$419.4 million.

The Interdepartmental accounts reflect a net increase of \$103.2 million to \$1.209 billion.

Significant increases in the State Operations accounts (\$ in millions) are:

Salary Increases	75.2
Employee Benefits	16.6
Enhanced Highway Maintenance	15.0
Health—Anti-Smoking Programs	11.4
Judiciary	8.9
Information Technology—Equipment	
Upgrades Licensing Fees	8.0
Property Rentals	7.4

Some of the significant decreases (\$ in millions) are:

Treasury—Debt Collection and Non-recurring Costs	17.7
Enhanced Inspection and Maintenance	14.1
Year 2000 Data Processing Initiative	10.0
Administration of Disaster Relief	5.0

Capital Construction (Increase of \$275 million or 30.9%)

The recommendation for Capital Construction is \$1.165 billion, an increase of \$274.9 million or 30.9%. The recommendation for the appropriation to the Transportation Trust Fund is increased by \$220.8 million to \$698.6 million. These funds are used to pay debt service for bonds issued by the Transportation Trust Fund Authority, for a pay-as-you-go capital program for highways and capitalized maintenance on New Jersey Transit's buses and rail cars. Funding for the New Jersey Building Authority is increased \$20.4 million for construction projects administered by the Authority. There is also an \$11.5 million Interdepartmental increase for network infrastructure and an increase of \$5.7 million in the Department of Military and Veterans Affairs to rebuild the Vineland Soldiers' Home. Most of the remaining capital funds support environmental programs (\$96.7 million) and the maintenance of state facilities in the Departments of Corrections (\$33.2 million), and Human Services (\$25.3 million). There is \$8.7 million in Law and Public Safety for the purchase of three Medevac helicopters and \$16.7 million, an increase of \$6.9 million, for State Police technology enhancements.

Debt Service (Increase of \$11 million or 2.1%)

The recommendation for Debt Service is \$530.0 million, an increase of \$11.3 million or 2.1%. This reflects the need for \$498.3 million for principal and interest due on bonds outstanding and \$31.7 million for anticipated bond sales.

THE FISCAL 2001 BUDGET COMPARED TO FISCAL 1994

The budget that the Whitman Administration inherited when it took office in fiscal 1994 was \$15.530 billion. The fiscal 2001 Budget is \$21.253 billion, an increase of \$5.723 billion or 36.9%. This represents an average annual increase of 4.5%.

Program areas that have increased the most include:

- State Subsidies to Individuals, which comprises Homestead Rebates (\$340.6 million), Senior Citizen Property Tax Freeze (\$10.6 million), the new Direct School Property Tax Relief Program begun in fiscal 2000 (\$336.7 million), and the new State Earned Income Tax Credit (\$49 million), total \$736.9 million, an increase of \$406.8 million or 123%.
- Public Safety and Criminal Justice has increased \$732 million or 62%, from \$1.231 billion to \$1.963 billion. Of this amount, Judicial Services have increased \$312 million which reflects the state takeover of the court system; programs for the detention and rehabilitation of criminals have increased \$276 million as a result of the increase in the number of prisoners; and a strong commitment to treating juvenile offenders has resulted in a \$52 million, or 140%, increase in Juvenile Services.
- Direct Aid to School Districts has increased \$1.724 billion or 35.6%.
- Higher Education Support has increased by \$479 million or 38.0%, from \$1.262 billion to \$1.741 billion.

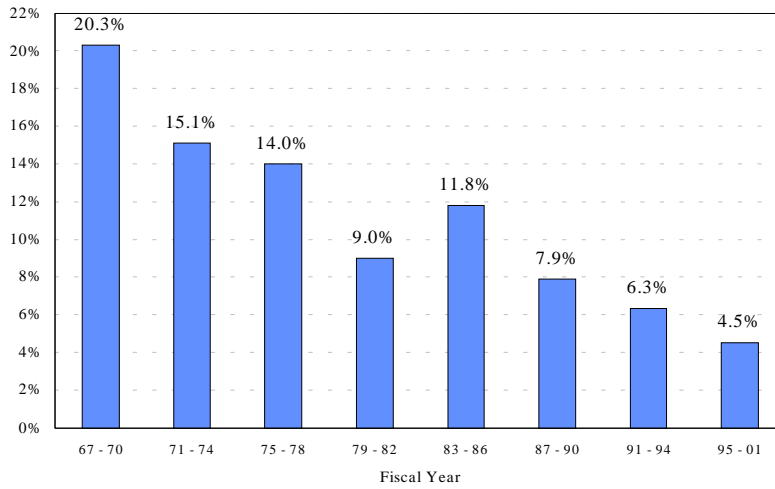
The structural deficit has been reduced from \$1.586 billion in fiscal 1994 to \$326 million in fiscal 2001, a reduction of \$1.260 billion, or 79%. The fiscal 1994 Budget relied upon \$1.135 billion in one-time adjustments and the draw down of \$451 million of surplus. The fiscal 2001 recommendation draws down \$326 million of surplus.

FISCAL YEAR 1967 TO 2001 APPROPRIATIONS CHANGES . . .

The fiscal 2001 Budget continues to hold down growth in State government spending. Over the last seven years, the rate of growth in the State's annual budgets has been held to an annual average of 4.5%.

Average Annual Growth Rate

(Percentage Budget Change)



NEW JERSEY JOBS FOR THE NEW ECONOMY

As part of the Governor's State of the State Message, a \$165 million package—New Jersey Jobs for the New Economy—was announced. This package is designed to make New Jersey more competitive in the creation of high technology jobs and ensure that all New Jersey citizens share in the state's technology advances and economic success. Three components make up this initiative: High-tech Workforce Development—\$23 million; Creating High-tech Jobs: From Research to Retail—\$105 million; and New Jersey Technology Investment—\$37 million.

High-tech Workforce Development

\$15 million is being made available for New Jersey's colleges and universities to develop nationally recognized programs of technology excellence, ensuring that New Jersey businesses have the quality workers they need to succeed. \$3 million in Work First NJ funding will be set aside for 1,000 individuals who have been on public assistance less than 18 months to be trained for high-tech skills. \$5 million will help New Jersey Network (NJN) convert to digital transmission thereby offering a wider range of job training programs.

Creating High-tech Jobs: From Research to Retail

\$10 million in matching state and federal funds for a total of \$20 million will be available to promote economically viable biomedical and other technology research at New Jersey's research colleges and universities. To build on the success of New Jersey's seven existing business incubators, \$5 million is recommended for the Commission on Science and Technology to double the number of business incubators statewide. The Economic Development Authority (EDA) will invest \$4 million of state and \$2 million of private funds in a

Commercialization Center where businesses graduating from a NJ incubator can commercialize their business in an affordable facility. The EDA will also invest \$6 million of state and \$18 million in potential private investment in the development of another high-tech business park. To help small tech firms with venture capital money, the EDA will use \$10 million in seed money and a potential \$30 million in private funds to create a public/private venture fund to invest in small technology firms. \$2 million will be available to the Department of Community Affairs for planning grants to any of the 68 Urban Coordinating Council eligible municipalities in creating a "cyberdistrict" where high-tech companies will be encouraged to locate. Lastly, \$2 million in state funds to be matched by \$6 million in private funds will be available for Prosperity NJ to launch an ad campaign to market New Jersey as the "The Innovation Garden State" to high-tech firms looking to relocate.

New Jersey Technology Investment

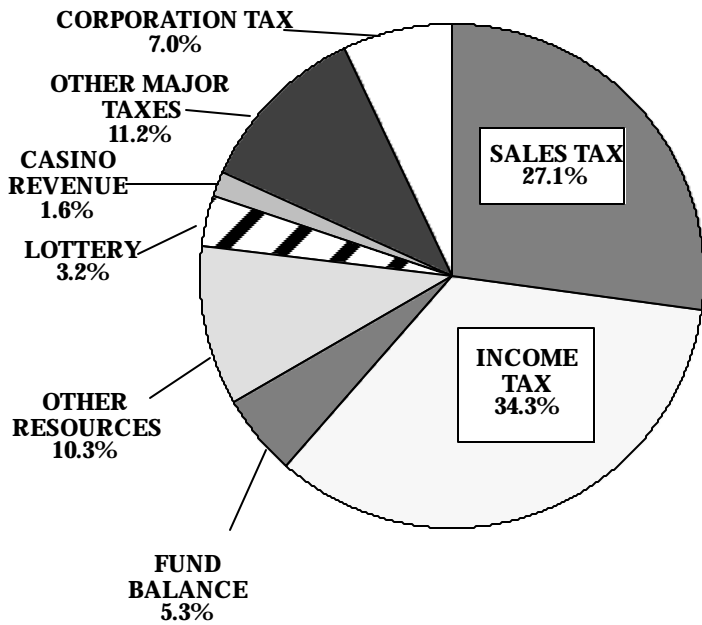
\$16.5 million is being made available in capital funding for upgrades to the Garden State Network (GSN). The GSN, the state's information highway, requires expansion in order to sustain the increased activity associated with New Jersey becoming the Online state. \$9.3 million in capital and direct state funding for the design and implementation of E-Government, this includes upgrades to the existing infrastructure, design and implementation of "portals" – doorways into all available on-line services and the purchase of digital certificates and accompanying hardware and licenses needed to ensure secure transactions. \$900,000 for an assessment and design study to allow agencies to better maintain, share and utilize the massive amounts of data the State must maintain. \$8 million is recommended for upgrades to the State's mainframe computers. \$2.3 million is recommended for the Department of Health and Senior Services to begin implementation of E-Public Health, a statewide public health information network.

NEW JERSEY BUDGET

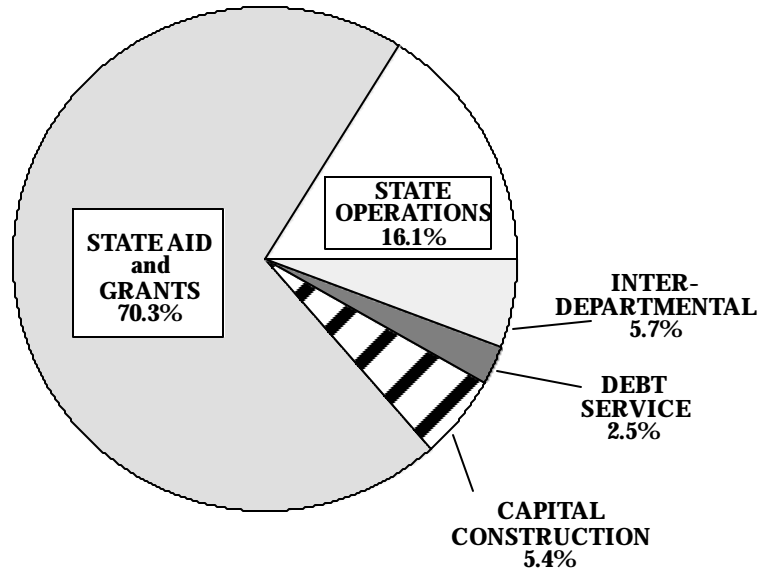
RESOURCES AND RECOMMENDATIONS FOR FISCAL YEAR 2001

ALL STATE FUNDS

Resources



Recommendations



RESOURCES

(\$000)

INCOME TAX	\$7,580,000
SALES TAX	5,993,000
CORPORATION and BANK TAX	1,553,200
LOTTERY REVENUE	713,000
CASINO REVENUE	349,315

OTHER MAJOR TAXES:

Transfer Inheritance	620,000
Motor Fuels and Motor Carriers	530,000
Motor Vehicle Fees	406,338
Insurance Premium	300,000
Petroleum Products Gross Receipts	215,000
Cigarette	199,000
Realty Transfer	78,000
Alcoholic Beverage Excise	76,000
Savings Institutions	19,000
Tobacco Products Wholesale Sales	14,000
Public Utility Excise	8,700

OTHER RESOURCES 2,272,356

SUB-TOTAL RESOURCES \$20,926,909

ESTIMATED FUND BALANCE, JULY 1, 2000

General Fund	206,162
Surplus Revenue Fund	719,533
Property Tax Relief Fund	247,862
Casino Revenue Fund	25
Casino Control Fund	--
Gubernatorial Elections Fund	2,663

TOTAL \$22,103,154

RECOMMENDATIONS

(\$000)

Education	\$6,622,446
Human Services	3,445,293
Interdepartmental	1,951,888
Treasury	1,436,325
Higher Education	1,381,955
Transportation	1,195,078
Health and Senior Services	1,063,363
Community Affairs	1,023,278
Corrections	965,903
Debt Service	530,003
Law and Public Safety	494,935
Judiciary	419,362
Environmental Protection	310,126
Military and Veteran's Affairs	79,814
Labor	79,367
State	73,401
Legislature	61,610
Banking and Insurance	60,575
Other Departments	58,079
SUB-TOTAL RECOMMENDATIONS	<u>\$21,252,801</u>

ESTIMATED FUND BALANCE, JUNE 30, 2001

General Fund	130,820
Surplus Revenue Fund	719,533
Property Tax Relief Fund	--
Casino Revenue Fund	--
Casino Control Fund	--
Gubernatorial Elections Fund	--

TOTAL \$22,103,154

Economic Forecast and Revenue Projections

NATIONAL ECONOMY OVERVIEW

Gross Domestic Product continued to expand through 1999 although, at a slightly lower pace compared to the strong growth rate posted in 1998. The economic expansion is projected to continue at somewhat moderate rates of 3+% in fiscal years 2000 and 2001.

In 1999, Real Gross Domestic Product (GDP) grew at 3.8%, slightly below the revised 1998 rate of 4.3%. The 105-month expansion through 1999 marks the longest in history, with continued strong employment growth (2.2%) and low inflation (2.1%).

Despite some turmoil in international currency markets and concerns over Y2K, Wall Street posted another record year for most major stock indices. The Standard & Poor's 500 Index of equity prices was up nearly 20%, slightly below the strong performance in 1998, while the NASDAQ index shot up 85.6%. Real consumer spending grew 5.2%, up from 4.9% in 1998, the highest rate since the recovery began in 1992. Real consumption of durable goods continued its rapid double-digit surge at 10.9%, slightly under the revised 1998 rate of 11.3%.

Most national forecasters expect GDP growth to slow somewhat in 2000 and improve in 2001 and beyond. Uncertainties in the international economy are likely to remain due to oil price and currency issues. Consumer spending is likely to slow with expectations of higher interest rates in the future. Business investment is expected to slow as profit margins are squeezed, inventory unwinds, and Y2K spending eases.

National economic growth will continue in 2000 and beyond at a more moderate pace, with GDP growth in the range of 3.0% to 3.5%. Real consumer spending is expected to moderate in 2000 at 3.6%, as consumers turn more cautious. Income growth is anticipated to remain strong at 4.8%, down somewhat from the 5+% rate experienced since 1994, but bounce back in 2001. Employment growth rates are expected to drop below 2% for the first time in six years. Business investment in durable equipment is expected to slow in 2000 with the real growth rate dropping under 10% for the first time since 1992.

NEW JERSEY ECONOMY OVERVIEW

The New Jersey economy enjoyed another strong year in 1999, making it the second best year since 1988. Employment grew for the seventh consecutive year since the bottom of the recession in 1992.

Strong employment growth of 1.7% drove employment to a record level of 3.87 million, more than 190,000 jobs above the 1989 pre-recession high. Personal income grew at a record pace for a second consecutive year in 1999, making it the first year since 1992 when the New Jersey growth rate was higher than the U.S. rate. Real Gross State Product (GSP) increased 4.4% in 1999, the second highest growth since 1988.

Employment growth has been strong since mid-1996, with growth for the past eight quarters ranging between 1.6% and 2.5%. This is the best growth in the mid-Atlantic region. Although New Jersey employment growth has been below the national rate since 1987, the gap has been narrowing substantially since 1997. Most of the job growth was in the service sector, which remained strong, close to 3%, for the third straight year. Construction jobs grew close to 2%, continuing the strong trend started in 1997. Manufacturing jobs declined by 2.4% in 1999, in line with the generally declining trend in this sector.

The strong employment and income picture, supplemented by the continuing outstanding performance in the financial markets, fueled a resurgence in consumer spending. New vehicle registrations grew at 7.7%, faster than the national rate, hitting their highest level since 1988. Sales of existing homes surged 13.9%, also outperforming the national rate for the second year since 1997, reaching the highest level in 11 years.

ECONOMIC FORECAST

The outlook for the national economy, as well as the New Jersey economy, is for continued growth at somewhat lower rates. All national forecasting models assign the threat of economic recession during 2000 and 2001 a low probability. The international economic health, particularly of national trading partners, is likely to continue the improvement started during 1999. With the continuing growth in productivity, inflationary pressures are not expected to end the economic expansion anytime soon. The Consumer Price Index is anticipated to increase slightly and hold around 2.5% in both 2000 and 2001.

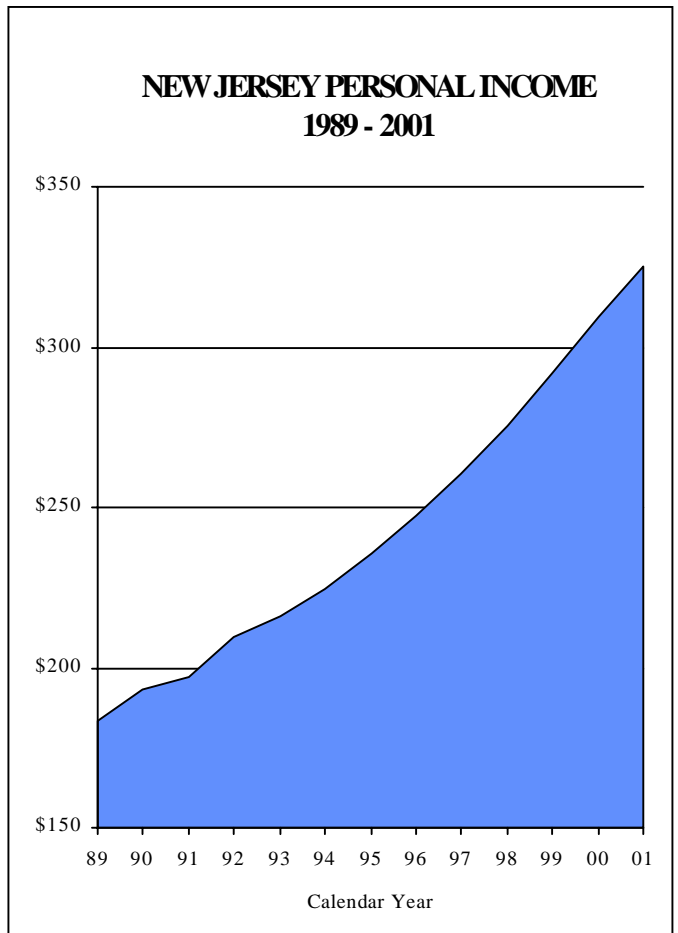
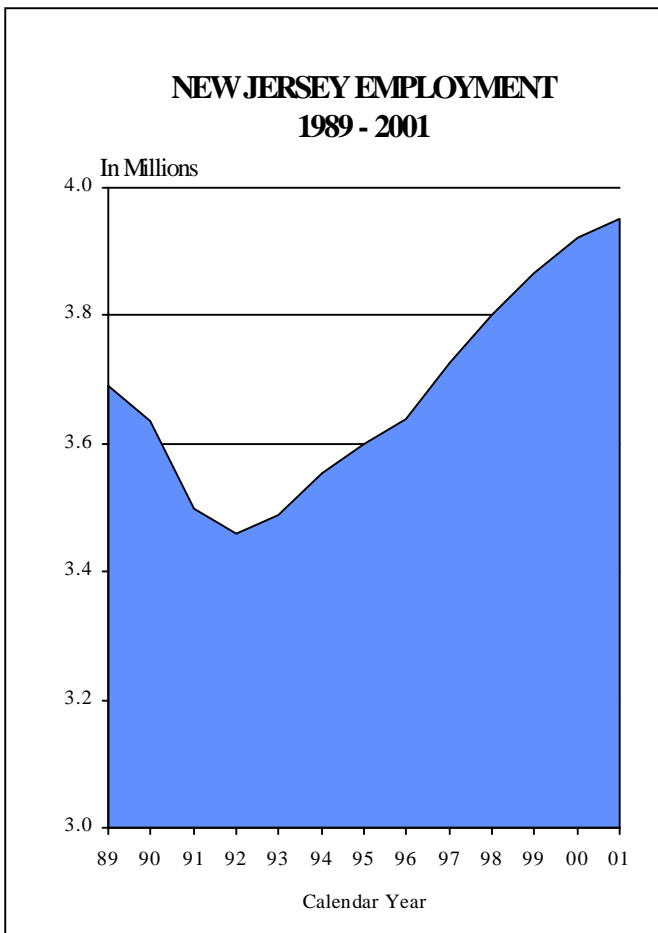
Continuing high levels of employment, steady income growth, and relatively low interest rates will continue to support strong levels of consumer and business spending. National employment growth is expected to moderate to 1.2% in 2000 and 2001. Personal income growth is projected to also moderate in 2000 to 4.8% and then bounce back to

Economic Forecast and Revenue Projections

5.5% in 2001. Consumer durable expenditures are expected to grow at moderate rates of 4.3% in 2000 and 3.5% in 2001.

The New Jersey economy enters the new millennium with a strong economy and is expected to follow the general national trend in 2000 and 2001. Employment growth is projected to decline slightly to 1.5% in 2000 and to 0.7% in 2001.

Personal income growth is expected to remain above 5.0% for the next two years. Housing starts are expected to ease from the 1999 level of 33,000+ units by 4,000 to 5,000 units between 2000 and 2001. New vehicle registrations are projected to remain strong at 560,000+ units during 2000 and 2001, significantly above the 1997-1998 level.



Source: New Jersey Department of Treasury
Office of Revenue and Economic Analysis (99 - 01 Projected)

Source: New Jersey Department of Treasury
Office of Revenue and Economic Analysis (99 - 01 Projected)

Economic Forecast and Revenue Projections

REVENUE FORECAST

REVISIONS TO THE FISCAL 2000 ANTICIPATED REVENUE

The current estimate of \$19.8 billion in total fiscal 2000 revenue is \$503 million more than when the Governor certified revenues in June 1999.

The three largest taxes, Gross Income, Sales and Use, and Corporation Business, account for 71% of total revenues and are now forecast to yield \$14 billion. This is an increase of \$414 million over certified revenues, and primarily reflects an upward revision in the Income Tax and Sales Tax estimates. Total revenues from other major taxes are revised upward by \$18 million, primarily to incorporate positive and negative impacts of the year-to-date collection patterns.

The Sales and Use Tax is estimated to generate \$5.6 billion, a 10.3% rate of growth rather than the 5.5% rate originally projected. This reflects a stronger than expected level of consumer and business purchases in the last half of 1999 and the successful transition to 2000 without any major Y2K disruptions. High levels of consumer confidence, employment, income, and wealth continue to fuel the revenue growth.

The Gross Income Tax forecast for fiscal 2000 is revised to \$7.0 billion, an increase of \$215 million over the June 1999 certified revenue estimate. Stronger than anticipated income and employment growth in 1999 account for part of the change. Personal income is now projected to grow 5.8%, compared to the 4.7% growth estimated in June 1999. Employment growth of 1.7% compares to the 1.5% originally projected. The budget estimate assumed that the financial markets would slow their growth leading to slower income growth in the highest brackets. While some retrenchment in the growth rate is still expected, preliminary data from 1998 returns indicates the base is higher than anticipated. Withholding and estimated payment collections for 1999 continued growing at double-digit rates for a second consecutive year. This suggests that continued strong growth of the economy and the volatility experienced in the financial markets will lead to another substantial gain in the tax base.

The Corporate Business Tax is revised down by \$44 million to \$1.4 billion. Anticipated fiscal 2000 growth of 0.1% compared to fiscal 1999 is low in part because of adjustments for one-time revenues in fiscal 1999 and the provision of \$50 million in expected refunds associated with a new program for the transfer of unused tax credits.

FISCAL 2001 REVENUE PROJECTIONS

Revenues for fiscal 2001 are expected to increase more modestly as the national economy slows to more sustainable long-run growth levels.

Sales Tax

The forecast of \$6.0 billion for fiscal 2001 Sales Tax revenue is an increase of \$418 million, or 7.5%, compared to revised fiscal 2000. This reflects an expectation of continued growth, but a moderation of the underlying economic forces compared to fiscal 2000. Spending in the two key consumer sectors of housing and autos is expected to decline slightly from high 1999 levels and then remain fairly stable for the next two years.

Corporation Business Tax

The forecast of \$1.5 billion for fiscal 2001 Corporation Business Tax revenue is an increase of \$90 million, or 6.4%, compared to fiscal 2000. This increase assumes that the growth of U.S. Corporation before-tax profits, which is a rough proxy for New Jersey business profitability, while still positive, will be lower than in 1999. Profit growth is anticipated to continue in the low single digits through the year 2002. Gross payments for fiscal 2001 are expected to grow at 4% compared to the current 5.4%.

Gross Income Tax

The forecast of \$7.6 billion for fiscal 2001 is an increase of \$545 million, or 7.7%, over fiscal 2000 revenue. This assumes continuation of the strong growth in New Jersey personal income forecasted to grow at 5.8% in 1999, 6.1% in 2000, and 5.2% in 2001. Growth in wage income, which was 7.9% in 1998 and is projected to be 7.4% in 1999, is expected to ease back to 6.1% in 2000 and 4.7% in 2001. Capital gains income that had been growing at annual rates of 25-40% between 1995 and 1999 is expected to grow at 5% in 2000 and 9% in 2001. The tax base, which is New Jersey Gross Income, is anticipated to grow 5.9% in 2000 after exceptionally strong growth of 11.6% in 1998 and 8.4% in 1999, fueled in part by the strong performance of the financial markets. The rapid growth in the amount of income subject to the highest marginal tax rates is expected to slow in 2000 to about 10% from the 19% annual growth experienced in tax years 1996 through 1998, as growth returns to long-term trend levels. Nevertheless, 75% of all income tax revenues will come from incomes of at least \$100,000 in the year 1999, increasing to 77% in tax year 2000.

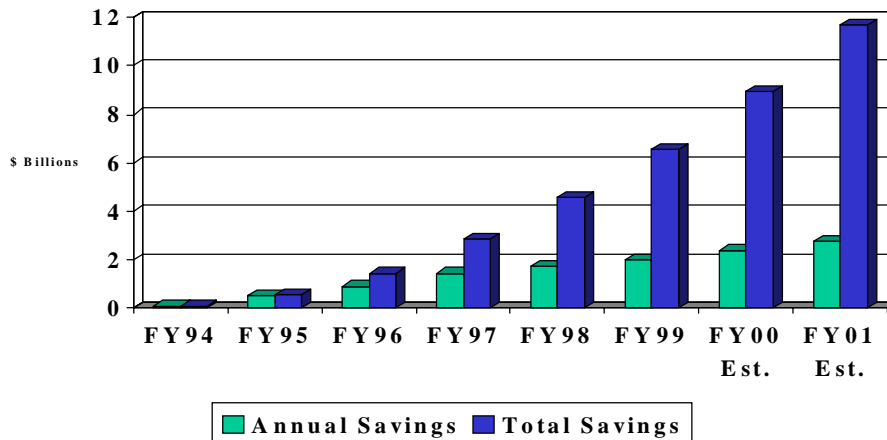
Economic Forecast and Revenue Projections

Other Revenues

Cigarette Excise Tax revenues continue to be adversely impacted by the manufacturers' price increases and Federal Excise Tax increases. Consumption declines of 7% in fiscal 2000 and 6% in fiscal 2001 are anticipated.

Estate taxes are expected to grow about 20% in both fiscal year 2000 and fiscal year 2001. This reflects the high valuations on estates being generated by the performance of the financial markets.

Major Tax Reductions Since 1994 Savings to Taxpayers



The Economy Is Strong

The New Jersey economy has continued to grow since 1993:

- Employment has **grown by 378,600**
- The unemployment rate has **dropped from 7.5 to 4.3%**
- Per capita personal income has grown from \$27,440 in 1993 to a projected \$35,711 in 1999, an **increase of 30.1%**
- The gross state product has grown from \$243.9 billion in 1993 to an estimated \$323.4 billion in 1999, an **increase of 32.6%**

Economic Forecast and Revenue Projection

STATE REVENUES FISCAL YEARS 2000 AND 2001 ESTIMATES (\$ In Thousands)

	APPROP FY 2000	REVISED FY 2000	CHANGE FY 2000	BUDGET FY 2001	CHANGE FY00 TO FY01
Major Taxes					
Sales Tax	\$5,332,500	\$5,575,000	\$242,500	\$5,993,000	\$418,000
Corporation Business	1,439,700	1,396,200	(43,500)	1,486,200	90,000
Motor Fuels	485,000	505,000	20,000	530,000	25,000
Motor Vehicle Fees	384,000	400,333	16,333	406,338	6,005
Transfer Inheritance	510,000	520,000	10,000	620,000	100,000
Insurance Premium	290,000	290,000	-	300,000	10,000
Cigarette	233,000	223,000	(10,000)	199,000	(24,000)
Petroleum Products Gross Receipts	208,000	208,000	-	215,000	7,000
Public Utility Excise	9,200	8,700	(500)	8,700	-
Corporation Banks and Financial Institutions	54,000	54,000	-	67,000	13,000
Alcoholic Beverage Excise	76,000	78,000	2,000	76,000	(2,000)
Realty Transfer	78,000	75,000	(3,000)	78,000	3,000
Savings Institutions	15,000	17,000	2,000	19,000	2,000
Tobacco Products Wholesale Sales	16,000	13,000	(3,000)	14,000	1,000
Total Major Taxes	\$9,130,400	\$9,363,233	\$232,833	\$10,012,238	\$649,005
Miscellaneous Taxes, Fees, Revenues					
Medicaid Uncompensated Care-Acute	188,412	186,664	(1,748)	180,609	(6,055)
Medicaid Uncompensated Care-Psychiatric	164,089	161,254	(2,835)	161,917	663
Good Driver	77,555	78,014	459	67,716	(10,298)
Motor Vehicle Inspection Fund	66,100	70,245	4,145	70,245	-
Investment Earnings	8,792	9,000	208	9,000	-
Public Utility GRFT	68,400	68,400	-	68,400	-
TEFA	176,000	216,700	40,700	205,000	(11,700)
Fringe Benefit Recoveries	151,600	169,592	17,992	171,677	2,085
Special Compensation Fund	31,581	31,581	-	1,581	(30,000)
Other Miscellaneous Revenue	920,888	915,339	(5,549)	884,406	(30,933)
Total Miscellaneous Taxes, Fees, Revenues	\$1,853,417	\$1,906,789	\$53,372	\$1,820,551	(\$86,238)
Interfund Transfers					
State Lottery Fund	713,000	713,000	-	713,000	-
Tobacco Settlement Fund	92,808	92,808	-	174,356	81,548
All Other Funds	263,782	257,910	(5,872)	217,978	(39,932)
Total Interfund Transfers	\$1,069,590	\$1,063,718	(\$5,872)	\$1,105,334	\$41,616
TOTAL STATE REVENUES GENERAL FUND	\$12,053,407	\$12,333,740	\$280,333	\$12,938,123	\$604,383
Property Tax Relief Fund	6,820,000	7,035,000	215,000	7,580,000	545,000
Casino Control Fund	55,166	57,945	2,779	57,971	26
Casino Revenue Fund	332,465	337,615	5,150	349,315	11,700
Gubernatorial Election Fund	1,500	1,500	-	1,500	-
TOTAL STATE REVENUES	\$19,262,538	\$19,765,800	\$503,262	\$20,926,909	\$1,161,109

Financial Summary of the Fiscal 2001 Budget

SUMMARY ESTIMATED REVENUES, EXPENDITURES AND FUND BALANCES (\$ in Thousands)

	-----Fiscal Year Ending June 30 -----	
	2000 Estimated	2001 Estimated
Beginning Balances July 1		
Undesignated Fund Balances		
General Fund	\$ 276,145	\$ 206,162
Surplus Revenue Fund	626,867	719,533
Property Tax Relief Fund	363,802	247,862
Gubernatorial Elections Fund	1,163	2,663
Casino Control Fund	-	-
Casino Revenue Fund	-	25
Total Undesignated Fund Balances	1,267,977	1,176,245
State Revenues		
General Fund	12,333,740	12,938,123
Property Tax Relief Fund	7,035,000	7,580,000
Gubernatorial Elections Fund	1,500	1,500
Casino Control Fund	57,945	57,971
Casino Revenue Fund	337,615	349,315
Total State Revenues	19,765,800	20,926,909
Other Adjustments		
General Fund		
Balances lapsed	117,286	-
To Gubernatorial Elections Fund	-	(2,837)
To Surplus Revenue Fund	(172,666)	-
Disaster Relief Act of 1999	80,000	-
Surplus Revenue Fund		
From General Fund	172,666	-
Disaster Relief Act of 1999	(80,000)	-
Gubernatorial Elections Fund		
From General Fund	-	2,837
Total Other Adjustments	117,286	-
Total Available	21,151,063	22,103,154
Appropriations		
General Fund	12,428,343	13,010,628
Property Tax Relief Fund	7,150,940	7,827,862
Gubernatorial Elections Fund	-	7,000
Casino Control Fund	57,945	57,971
Casino Revenue Fund	337,590	349,340
Total Appropriations	19,974,818	21,252,801
Ending Balances June 30		
Undesignated Fund Balances		
General Fund	206,162	130,820
Surplus Revenue Fund	719,533	719,533
Property Tax Relief Fund	247,862	-
Gubernatorial Elections Fund	2,663	-
Casino Control Fund	-	-
Casino Revenue Fund	25	-
Total Undesignated Fund Balances	\$ 1,176,245	\$ 850,353

Financial Summary of the Fiscal 2001 Budget

SUMMARY OF APPROPRIATIONS MAJOR INCREASES AND DECREASES

This table summarizes the major increases and decreases in the fiscal 2001 Budget, defined as a change of \$2 million or more. Information is organized by category.

Categories of appropriations are defined as follows:

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

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

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

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

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

APPROPRIATIONS MAJOR INCREASES AND DECREASES (\$ In Millions)

	<u>Increases</u>	<u>Decreases</u>	<u>Net Change</u>
State Operations			
Salary Increases	\$ 75.2		
Employee Benefits	16.6		
Enhanced Highway Maintenance Program	15.0		
Health -- Anti-Smoking Programs	11.4		
Judiciary	8.9		
Information Technology -- Licensing Fees and Maintenance for Equipment Upgrades	8.0		
Property Rentals	7.4		
Public Financing of Gubernatorial Elections	7.0		
Juvenile Justice -- Expanded Capacity	5.7		
State Police Reform Package	5.7		
Treasury -- Vehicle Replacements	5.4		
EDA -- Debt Service	4.2		
Travel and Tourism Expansion	4.0		
Ann Klein Forensic Center	3.5		
Watershed Quality Monitoring and Watershed Planning	3.0		
Graduated Drivers License	2.3		
Corrections -- Expanded Custody Recruit Training	2.1		
Education -- Statewide Assessment Program	2.0		
Other (Net)	28.5		
Subtotal State Operations Increases	\$ 215.9		

Financial Summary of the Fiscal 2001 Budget

APPROPRIATIONS MAJOR INCREASES AND DECREASES (\$ In Millions)

	<u>Increases</u>	<u>Decreases</u>	<u>Net Change</u>
Treasury-- Debt Collection and Non-recurring Costs		\$ (17.7)	
Enhanced Inspection and Maintenance -- Federal Funds Offset		(14.1)	
Year 2000 Data Processing Initiative		(10.0)	
Administration of Disaster Relief		(5.0)	
Corrections -- Trainee Salary Savings		(3.9)	
Corrections -- Federal Funds Offset to Operations		(3.5)	
Interest on Interfund Borrowing		(3.0)	
State Police -- NCIC Project		(2.7)	
Legislature		(2.5)	
Physician/Dental Fellowship		(2.5)	
State Police Weapons		(2.1)	
Subtotal State Operations Decreases		<u>\$ (67.0)</u>	
Net Change (State Operations)			<u>\$ 148.9</u>
Grants-in-Aid			
New Jersey Saver Program	\$ 166.7		
Medicaid Services -- Cost and Caseload	108.7		
New Jersey Transit	97.0		
State Earned Income Tax Credit	49.0		
Pharmaceutical Assistance to the Aged and Disabled -- Cost and Caseload	40.2		
Community COLA and Supplement for Direct Service Workers (Various Depts.)	38.9		
Developmentally Disabled -- Community Services Waiting List	30.5		
Employee Benefits -- Higher Education	23.5		
Salary Increases -- Higher Education	23.4		
Senior Services -- Cost and Caseload	22.6		
Higher Education -- Base Adjustment and Performance Funding	20.7		
Corrections -- Capacity Expansion	19.2		
Minimum Charity Care	15.1		
Excellence in High Technology Workforce	15.0		
Brownfields Development	15.0		
ElderCare Initiatives	13.0		
Cultural Center Trust	10.0		
Venture Capital for Start-up Firms (EDA)	10.0		
Biomedical and Other Technology Research	10.0		
Children's Initiative	10.0		
Tuition Aid Grants	8.4		
Homestead Rebates	8.0		
New Technology Center (EDA)	6.0		
Developmentally Disabled -- Community Transition Initiative	5.7		
Science and Technology -- New Specialized Incubators	5.0		
Historical Preservation Grants	4.5		
Commercialization Center (EDA)	4.0		
Medicaid -- Increased Dental Provider Rates	3.2		
Juvenile Justice -- State Incentive Program	3.1		

Financial Summary of the Fiscal 2001 Budget

APPROPRIATIONS MAJOR INCREASES AND DECREASES (\$ In Millions)

	<u>Increases</u>	<u>Decreases</u>	<u>Net Change</u>
Mental Health -- Supportive Housing Initiatives	3.0		
Outstanding Scholar Recruitment Program	2.2		
Community Athletic Complex -- Rutgers	2.0		
Community Affairs -- Cyberdistricts	2.0		
Other (Net)	46.4		
<i>Subtotal Grants-in-Aid Increases</i>	\$ 842.0		
Shift Costs to Federal Funds		\$ (250.0)	
Flood and Drought Supplemental		(95.0)	
Community Affairs -- Non-recurring Grants		(32.8)	
Medicaid -- Savings Initiatives		(22.0)	
Nursing Homes -- Reimbursement Changes		(19.8)	
Senior and Disabled Citizens' Property Tax Freeze		(13.1)	
Health -- Non-recurring Grants		(8.3)	
Thermal Imaging Cameras		(7.5)	
Stevens Institute of Technology		(5.0)	
Human Services -- Non-recurring Grants		(3.9)	
Child Abduction Program		(3.5)	
Business Employment Incentive Program		(3.5)	
<i>Subtotal Grants-in-Aid Decreases</i>		\$ (464.4)	
<i>Net Change (Grants-in-Aid)</i>			\$ 377.6
State Aid			
CEIFA Formula Mandatory Growth (School Aid)	\$ 286.6		
Teachers' Pensions and Social Security	75.4		
Abbott Funding Increase/Whole School Reform	74.0		
Business Personal Property Tax Depreciation Adjustment	33.8		
Inflation on the Consolidated Municipal Property Tax Relief Aid	19.2		
Veterans' Property Tax Exemptions	17.5		
County Colleges	17.3		
School Construction and Renovations	16.4		
Special Municipal Aid	14.0		
Teacher Quality Mentoring	8.7		
Health Benefits -- Board of Education Retirees	7.1		
School Choice	6.0		
Character Education	4.8		
Nonpublic Education Aid	4.6		
Wallkill River Cleanup/River Basin Water Quality	4.5		
NCIC -- Local Law Enforcement Assistance	2.6		
Other (Net)	1.3		
<i>Subtotal State Aid Increases</i>	\$ 593.8		

Financial Summary of the Fiscal 2001 Budget

APPROPRIATIONS MAJOR INCREASES AND DECREASES (\$ In Millions)

	<u>Increases</u>	<u>Decreases</u>	<u>Net Change</u>
Income Maintenance -- Shift to Earned Income Tax Credit		\$ (49.0)	
Police and Fire Pensions and Health Benefits		(45.2)	
Solid Waste -- Debt Service Aid		(13.0)	
DEP -- Non-recurring Projects		(5.1)	
Flood Supplemental		(5.0)	
Extraordinary Aid		(5.0)	
Pinelands Development Credits		(3.0)	
Senior and Disabled Citizens' Tax Exemptions		(2.0)	
<i>Subtotal State Aid Decreases</i>		<i>\$ (127.3)</i>	
<i>Net Change (State Aid)</i>			<i>\$ 466.5</i>
Capital Construction			
Transportation	\$ 220.8		
New Jersey Building Authority	20.4		
Interdepartmental -- Network Infrastructure	11.5		
Law and Public Safety -- Medevac Helicopters	8.7		
Corrections	8.6		
State Police -- Technology Enhancements	6.9		
Construct Replacement -- Vineland Veterans' Home	9.3		
Interdepartmental -- On-Line State Portal	3.5		
Treasury -- E-Government	2.5		
Health -- E-Public Health	2.3		
Morven Renovations	2.2		
<i>Subtotal Capital Construction Increases</i>	<i>\$ 296.7</i>		
Battleship New Jersey		\$ (6.0)	
Higher Education		(4.5)	
New Jersey Aquarium		(3.0)	
Other (Net)		(8.3)	
<i>Subtotal Capital Construction Decreases</i>		<i>(21.8)</i>	
<i>Net Change (Capital Construction)</i>			<i>\$ 274.9</i>
Debt Service (Increase)	<i>\$ 11.3</i>		<i>\$ 11.3</i>
GRAND TOTALS	<i>#####</i>	<i>\$ (680.5)</i>	<i>\$ 1,279.2</i>

Financial Summary of the Fiscal 2000 Budget

SUMMARY OF FISCAL YEAR 2000 - 2001 APPROPRIATION RECOMMENDATIONS BY FUND (thousands of dollars)

-----Year Ending June 30, 1999-----					Year Ending ----June 30, 2000----			
Orig. & (S)Supple- mental	Reapp. & (R)Repts.	Transfers & (E)Emer- gencies	Total Available	Expended		2000 Adjusted Approp.	Requested	Recom- mended
					General Fund			
4,231,045	267,698	-56,481	4,442,262	4,189,200	Direct State Services	4,408,018	4,550,374	4,549,866
4,850,605	240,944	-60,992	5,030,557	4,913,482	Grants-in-Aid	5,348,969	5,622,247	5,552,954
1,315,940	61,977	105,843	1,483,760	1,347,345	State Aid	1,263,051	1,220,820	1,213,285
743,586	111,650	-1,460	853,776	679,647	Capital Construction	889,581	1,295,007	1,164,520
501,142	---	---	501,142	495,546	Debt Service	518,724	530,003	530,003
11,642,318	682,269	-13,090	12,311,497	11,625,220	Total General Fund	12,428,343	13,218,451	13,010,628
6,444,192	31,472	15,404	6,491,068	6,445,015	Property Tax Relief Fund	7,150,940	7,827,862	7,827,862
54,761	472	1	55,234	54,236	Casino Control Fund	57,945	57,971	57,971
341,073	39,923	-1,135	379,861	374,528	Casino Revenue Fund	337,590	349,340	349,340
---	362	---	362	---	Gubernatorial Elections Fund	---	7,000	7,000
					GRAND TOTAL STATE APPROPRIATIONS	19,974,818	21,460,624	21,252,801

SUMMARY OF FISCAL YEAR 2000-2001 APPROPRIATION RECOMMENDATION (thousands of dollars)

	Fiscal Year 2000 Adjusted Appropriations	Fiscal Year 2001 Recommendations	----Change----	
			Dollar	Percent
GENERAL FUND AND PROPERTY TAX RELIEF FUND				
State Aid and Grants	\$ 13,762,960	\$ 14,594,101	\$ 831,141	6.0%
State Operations				
Executive Departments	2,827,456	2,859,701	32,245	1.1%
Legislature	64,094	61,610	(2,484)	(3.9%)
Judiciary	410,472	419,362	8,890	2.2%
Interdepartmental	1,105,996	1,209,193	103,197	9.3%
Total State Operations	4,408,018	4,549,866	141,848	3.2%
Capital Construction	889,581	1,164,520	274,939	30.9%
Debt Service	518,724	530,003	11,279	2.2%
TOTAL GENERAL FUND AND PROPERTY TAX RELIEF FUND	19,579,283	20,838,490	1,259,207	6.4%
CASINO REVENUE FUND	337,590	349,340	11,750	3.5%
CASINO CONTROL FUND	57,945	57,971	26	0.0%
GUBERNATORIAL ELECTION FUND	-	7,000	7,000	100.0%
GRAND TOTAL STATE APPROPRIATIONS	\$ 19,974,818	\$ 21,252,801	\$ 1,277,983	6.4%

Appropriations

RECOMMENDATIONS BY DEPARTMENT

STATE FUNDS (thousands of dollars)

	State Operations	Grants- In-Aid	State Aid	Capital Construction	Debt Service	Total Recommended
Legislature	\$ 61,610	\$ -	\$ -	\$ -	\$ -	\$ 61,610
Chief Executive	5,620	-	-	-	-	5,620
Agriculture	10,150	3,204	9,067	600	-	23,021
Banking and Insurance	60,575	-	-	-	-	60,575
Community Affairs	33,032	58,215	932,031	-	-	1,023,278
Corrections	764,665	168,040	-	33,198	-	965,903
Education	49,836	3,354	6,565,920	3,336	-	6,622,446
Environmental Protection	199,243	850	13,312	96,721	105,910	416,036
Health and Senior Services	86,522	940,310	31,906	4,625	-	1,063,363
Human Services	516,854	2,571,475	331,709	25,255	-	3,445,293
Labor	56,336	23,031	-	-	-	79,367
Law and Public Safety	427,878	18,543	6,290	42,224	-	494,935
Military and Veterans' Affairs	64,400	1,044	-	14,370	-	79,814
Personnel	28,138	-	-	-	-	28,138
State	21,943	1,125,981	18,275	2,887	-	1,169,086
Transportation	224,627	248,097	23,754	698,600	-	1,195,078
Treasury	374,516	875,135	461,929	11,015	424,093	2,146,688
Miscellaneous Commissions	1,300	-	-	-	-	1,300
Inter-Departmental Accts	1,209,193	511,006	-	231,689	-	1,951,888
The Judiciary	419,362	-	-	-	-	419,362
TOTAL RECOMMENDATION	\$ 4,615,800	\$ 6,548,285	\$ 8,394,193	\$ 1,164,520	\$ 530,003	\$ 21,252,801

DEPARTMENT OPERATING BUDGETS

(thousands of dollars)

	Adjusted Approp. FY 2000	Recom- mended FY 2001	Difference 2000-2001	% Change 2000-2001
EXECUTIVE AGENCIES:				
Legislature	\$ 64,094	\$ 61,610	\$ (2,484)	-3.9%
Chief Executive	5,614	5,620	6	0.1%
Department of Agriculture	10,167	10,150	(17)	-0.2%
Department of Banking and Insurance	59,326	60,575	1,249	2.1%
Department of Community Affairs	32,144	33,032	888	2.8%
Department of Corrections	760,616	764,665	4,049	0.5%
Department of Education	47,427	49,836	2,409	5.1%
Department of Environmental Protection	193,153	199,243	6,090	3.2%
Department of Health and Senior Services	73,920	85,651	11,731	15.9%
Department of Human Services	535,618	516,854	(18,764)	-3.5%
Department of Labor	56,015	56,336	321	0.6%
Department of Law and Public Safety	373,984	386,935	12,951	3.5%
Department of Military and Veterans' Affairs	63,322	64,400	1,078	1.7%
Department of Personnel	27,409	28,138	729	2.7%
Department of State	19,780	21,943	2,163	10.9%
Department of Transportation	219,791	224,627	4,836	2.2%
Department of the Treasury	347,920	350,396	2,476	0.7%
Miscellaneous Commissions	1,250	1,300	50	4.0%
Inter-Departmental Accounts	1,105,996	1,209,193	103,197	9.3%
The Judiciary	410,472	419,362	8,890	2.2%
TOTAL EXECUTIVE DEPARTMENTS	\$ 4,408,018	\$ 4,549,866	\$ 141,848	3.2%

State Aid and Local Taxpayer Relief

State Aid, Tax Relief & Local Budget Savings (In Millions)			
	FY 2000	FY 2001	\$ Change
School Aid	\$6,211.9	\$6,694.3	\$482.4
Municipal Aid	1,631.1	1,695.7	64.6
Other Local Aid	569.4	593.0	23.6
Taxpayer Relief	840.5	1,030.6	190.1
State Aid Total	\$ 9,252.9	\$ 10,013.6	\$760.7
PSP Savings	98.7	98.7	-
State Aid & Savings	\$9,351.6	\$10,112.3	\$760.7

OVERVIEW

The amount of State Aid and related budget savings available to local governments as property tax relief in fiscal 2001 increases by approximately \$760.7 million, or 8.1%, to \$10.112 billion. These funds are essential to local government entities, not only to subsidize operating costs, but because they represent property tax relief. School Aid to local school districts totals \$6.694 billion, an increase of \$482.4 million or 7.8%. Aid to municipalities will total \$1.696 billion in fiscal 2001, an increase of 4%. Other local aid programs such as county college aid, transportation projects, and mental health services to local governments, will provide \$593.0 million, an increase of \$23.6 million or 4.1% above the previous year's amount. \$1.030 billion in relief from local property tax burdens will be provided through direct tax rebates and reductions to property taxpayers in fiscal 2001. This represents an increase of \$190.1 million or 22.6% above the fiscal 2000 amount.

In addition to State Aid and Direct Taxpayer Relief, local governments will benefit from Pension Security Program (PSP) savings of \$98.7 million in fiscal 2001, a continuation of the fiscal 2000 amount. A detailed summary of these amounts is displayed in the summary chart at the end of this section.

SCHOOL AID

State Aid for local school districts is the single largest purpose to which State funds are devoted. The fiscal 2001 Budget includes \$5.783 billion in formula and other aid to local school districts, an

increase of \$383.4 million or 7.1% above fiscal 2000, pursuant to the provisions of the Comprehensive Educational Improvement and Financing Act (CEIFA).

State Aid for Local School Districts (In Millions)			
	Approp. FY 2000	Recomm. FY 2001	Increase (Decrease)
Direct Aid	\$5,399.5	\$5,782.9	\$383.4
School Construction	112.0	128.4	16.4
<i>Direct & Other Aid</i>	5,511.5	5,911.3	399.8
Teacher Benefits	700.4	783.0	82.6
Total State Aid	\$6,211.9	\$6,694.3	\$482.4
PSP Savings	21.4	21.4	0.0
Total State Aid & Savings	\$6,233.3	\$6,715.7	\$482.4

The fiscal 2001 Budget also includes \$128.4 million for school construction and renovation debt service costs as a result of the pending statewide school construction program. In addition, the State will make payments of \$782.9 million on behalf of local school districts for teachers' retirement benefits and the employers share of social security payments, an increase of \$82.6 million or 11.8% above fiscal 2000. This increase includes \$45.1 for teachers' post retirement medical benefits and \$29.9 million for social security. In addition to the total State Aid recommendation of \$6.694 billion, local school districts will save \$21.4 million in their Public Employees Retirement System (PERS) costs through savings generated by the Pension Security Program.

School Aid formula increases are generally driven by enrollment growth, the annual increase in the Consumer Price Index (CPI) and changes in individual districts' measure assessed property valuation and income wealth, as required under CEIFA. Working with the Legislature, the administration established workgroups during calendar year 1999 to examine key aspects of the current school aid law. The CEIFA workgroups, as they were called, made recommendations to provide assistance to communities in stabilizing the tax impact caused by funding changes driven by provisions of the school funding law. These included changes in enrollment and wealth, additional aid to districts with higher than average

State Aid and Local Taxpayer Relief

tax rates, and additional special education aid to districts with above average numbers of perceptually impaired students. The fiscal 2001 Budget includes \$87.1 million in additional aid for implementation of these recommendations beyond the amounts that would be provided in accordance with the formulas contained in CEIFA.

The fiscal 2001 Budget increases Core Curriculum Standards Aid by \$96.8 million to \$2.9 billion. This is the largest single component of the formula aid programs. Parity Remedy Aid will grow by \$73.5 million to \$328 million. Additional Abbott v. Burke State aid to these districts is estimated to increase by \$67 million to \$104 million, based on the responsibilities of the Commissioner under the Abbott order. The final amount will be adjusted up or down after review and approval of the Abbott district budgets in the spring of 2000.

Special Education Aid increases to \$760 million, providing \$77.3 million in additional funding for students with disabilities. Included in this increase is \$6.2 million for recognition of a portion of the perceptually impaired students that would have been excluded as part of the cap on these students that is required under CEIFA.

The recommended increase of \$60.3 million for Supplemental Core Curriculum Standards Aid reflects implementation of the workgroup recommendation to provide additional aid to those districts with higher than average tax rates that require a higher local share without this additional aid.

Funding for Early Childhood Program Aid is recommended at \$313.3 million in fiscal 2001, representing a modest increase of \$614,000. This appropriation will continue to fund full-day kindergarten and pre-school programs in districts with high concentrations of disadvantaged students. These funds will be supplemented by \$69 million in federal funds from welfare reform savings to improve the quality of these programs and to implement full-day/full-year preschool programs for approximately 10,000 3- and 4-year-olds in the Abbott districts.

The budget recommendation also includes funding of \$56.8 million for Distance Learning Network Aid, increasing \$2.3 million from fiscal 2000. Per

the requirements of CEIFA, these funds are earmarked for the establishment of a statewide electronic network delivering voice, data, and video communications directly to the classroom. This network, which should be fully implemented by the 2001-2002 school year, will create opportunities for cross-cultural interaction and provide high quality curricula and resources to all students and their teachers.

The fiscal 2001 Budget includes \$12 million for Whole School Reform Incentive Grants for the estimated 240 Abbott schools that will be accepted into the third cohort for implementation of whole school reform. Each school receives a grant of \$50,000.

The budget recommendation also includes \$93.1 million for Nonpublic School Aid, an increase of \$4.5 million. This includes a recommendation of \$8 million to continue funding dedicated to technology for nonpublic school students.

Ten school districts have been approved to participate in the newly established School Choice Program for the 2000-2001 school year. The 2000-2001 school year will be the first in a five-year pilot project designed to test the concept of school choice in New Jersey. The fiscal 2001 Budget includes \$9 million for School Choice/Charter School Aid. This funding will provide aid to the "choice" districts and ease the fiscal impact on sending districts. A portion of this new aid will also provide funds for the education of charter school students moving from nonpublic schools to charter schools.

The budget proposes an \$8.7 million appropriation for a new initiative to support a partnership between the State and the New Jersey Education Association (NJEA) to develop an intensive teacher mentoring program that will provide additional support to novice teachers. The current certification process includes mentoring of each new teacher during his or her first year by a veteran teacher, with the cost of the mentor's stipend being paid by the new teacher. Under this new initiative, the State and the NJEA will develop a more vigorous two-year mentoring program that will not change the current certification process, but rather will provide a vehicle for improved support and assistance. The additional mentoring will focus on helping new teachers adjust to the challenges of

State Aid and Local Taxpayer Relief

teaching, provide support and assistance to improve teacher quality and address the high attrition rate of new teachers. In addition, it will help teachers ensure that students achieve the Core Curriculum Content Standards. The full cost of the mentoring stipends for both years will be assumed by the State.

The budget also proposes funding of \$4.8 million to support a new initiative that will incorporate character education into the curriculum of New Jersey schools. Currently, federal pilot programs offer students vital lessons about proper conduct, anger management, respect and responsibility. Research has shown that programs such as these can result in fewer violent incidents and suspensions, better attendance records, improved test scores, and a lower dropout rate. With help from institutions of higher education, corporations and community groups, this appropriation will allow the State to develop a character education program that will be offered to every school district. This voluntary program, The New Jersey Character Education Partnership, will be free of charge and will put New Jersey in the forefront of a growing national movement.

The Supreme Court previously ruled that Abbott districts would require a significant investment of State funds to address renovation and new construction projects. The fiscal 2001 Budget includes \$128.4 million to finance the school construction initiative currently pending legislative enactment. This amount includes \$62 million in lottery funds, \$50 million from the cigarette tax, \$11.9 million in tobacco settlement revenues and \$4.5 from the Fund for the Free Public Schools. An additional \$89 million in carryforward funds from fiscal 2000 will bring the total available amount in fiscal 2001 to \$217.4 million, an increase of \$105.4 million. Continuation of these amounts will provide sufficient funds to address projected debt service costs of this program for the first five years. In the program's sixth year, debt service will require a General Fund, or other fund source contribution in increments of \$50 million through fiscal year 2010, an amount representing only 5% of overall revenue growth, and, therefore a manageable increase to assume in the future.

Municipal Aid and Budget Savings		
(\$ in Millions)		
	FY2000	FY2001
Consolidated Municipal Property Tax Relief Aid	\$756.4	\$767.9
Municipal Aid Inflation Adjustment Tax Relief	11.5	19.2
Energy Receipts Property Tax Relief Aid	750.0	750.0
Special Municipal Aid	40.5	54.5
Business Personal Property Tax Depreciation	0.0	33.8
Legislative Initiative Block Grant Program	33.0	33.0
Extraordinary Aid	30.0	25.0
Open Space - PILOT Aid	6.3	7.1
Watershed Moratorium Offset Aid	3.4	5.2
Subtotal Municipal Aid	1,631.1	1,695.7
Municipal Pension Security Program Savings	26.0	26.0
Total Municipal Aid and Budget Savings	\$1,657.1	\$1,721.7

MUNICIPAL AID

The fiscal 2001 Budget continues and enhances the State's commitment to provide municipal governments with a stable base of revenue to address their needs for local public services. The recommended amount of \$1.696 billion reflects a growth of \$64.6 million, or 4% above the fiscal 2000 level of \$1.631 billion. The total recommendation includes \$946 million funded from major tax and revenue sources and \$750 million from taxes levied against energy, telecommunications, and water and sewer utilities, pursuant to the Energy Utility Property Tax Relief Act.

The largest program of municipal assistance is the Consolidated Municipal Property Tax Relief (CMPTR) program, which will provide \$787.1 million in aid in fiscal 2001. The fiscal 2001 Budget recommendation includes an increase of \$19.2 million above the fiscal 2000 appropriation for a municipal aid inflation adjustment. The inflation adjustment reflects a growth of approximately 2.5% based on the Implicit Price Deflator for State and Local Government Purchases, published quarterly by the U.S. Department of Commerce. The inflation

State Aid and Local Taxpayer Relief

adjustment begun in fiscal 2000 will be applied to each municipality's Consolidated Municipal Property Tax Relief Aid (CMPTR).

The next largest source of municipal assistance is the distribution of taxes from public utilities, which benefits all of New Jersey's 566 municipalities. The fiscal 2001 funding level of \$750 million remains the same as in fiscal 2000, according to the provisions of the Energy Utility Property Tax Relief Act.

The fiscal 2001 Budget includes a \$54.5 million appropriation for Special Municipal Aid, an increase of \$14 million. This continues funding for a new program created through supplemental legislation in fiscal 2000, directed at urban municipalities with structural deficits that could not be resolved without additional state funds. The enabling legislation gives the Department of Community Affairs, Division of Local Government Services the ability to establish specific criteria for receipt of this aid including, but not limited to, the creation of a financial review board to oversee and audit the finances of any municipality who receives this aid.

The recommendation for municipal aid in fiscal 2001 includes \$33.8 million for the replacement of taxes lost by municipalities due to a recalculation of certain business personal property tax liabilities. The new budget item, Business Personal Property Tax Depreciation Adjustment, will provide an adjustment to the local tax revenues lost due to the new tax liability calculation.

The Legislative Initiative Municipal Block Grant program, initiated in fiscal 1995, is again funded at \$33 million in fiscal 2001. This program provides aid to each municipality on a per capita basis.

Extraordinary Aid is funded at \$25 million in fiscal 2001, a decline of \$5 million from fiscal 2000. The recommended amount is based on projected expenditures in fiscal 2000. The focus of this program will be to provide emergency tax relief to municipalities. These funds are expected to provide short-term assistance to municipalities experiencing a catastrophic loss of ratables.

The fiscal 2001 budget also includes \$7.1 million for Open Space Payment in lieu of Taxes, an increase of nearly \$1 million. This funding provides payments to local jurisdictions in lieu of taxes for property preserved under open space and farmland preservation programs.

The fiscal 2001 municipal aid recommendation also includes \$5.2 million to continue funding for Watershed Moratorium Offset Aid. This program is designed to provide aid to municipalities in recognition of the prohibition on development in certain areas throughout the state. In fiscal 2000, legislation appropriating \$3.4 million was approved that expanded the program and provided funding at \$68.50 per acre for all designated watershed property. Subsequent to the passage of the legislation, it was determined that the initial appropriation was insufficient to address all designated watershed property. The fiscal 2001 recommended amount reflects full funding for this program.

The Regionalization Efficiency Development Incentive grant program (REDI) is again funded at \$10 million. These funds provide incentive grants to local government units to explore the possibility of regionalizing or establishing shared service agreements. The Regional Efficiency Aid Program (REAP) is again funded through a language provision. This program is designed to provide a property tax credit directly to the public to reward local governments for entering into shared service agreements.

In addition to Municipal Aid programs, municipalities will experience \$26 million in PERS savings related to the Pension Security Program in fiscal 2001.

OTHER LOCAL AID

In fiscal 2001, the budget provides \$593 million in Local Aid through various categorical aid programs, an increase of \$23.6 million, or 4.1%.

State Aid and Local Taxpayer Relief

Other Local Aid and Budget Savings		
(\$ in Millions)		
	FY 2000	FY 2001
County College Aid	\$ 174.3	\$ 191.5
Transportation Trust Fund: Aid for Local Projects	150.0	150.0
Aid to County Psychiatric Hospitals	87.2	87.2
Urban Enterprise Zones: Sales Tax Dedication	48.9	54.4
DCA: Housing and Neighborhood Assistance	16.6	16.6
Library Aid	14.1	15.6
Pension Contributions on behalf of Local Governments	58.1	57.5
Miscellaneous Programs	20.2	20.2
Subtotal Other Local Aid	569.4	593.0
Other Local Pension Security Program Savings	51.3	51.3
Total Other Local Aid and Budget Savings	\$ 620.7	\$ 644.3

Aid provided directly to county colleges increases by \$17.2 million to a total of \$191.5 million in fiscal 2001. Besides serving to limit tuition growth, this increase reflects the State's continuing commitment to the educational programs and services offered by these schools.

The annual program of transportation funding through the Transportation Trust Fund includes funding for county and municipal road construction and repair. In fiscal 2001, \$150 million will continue to be allocated among local governments to enable continued improvement in the State's transportation network for which they are responsible.

The State continues to provide substantial funds to three county-operated psychiatric hospitals. It is recommended that \$87.2 million in State Aid be allocated for this purpose, providing 90% of the costs of care and treatment for an average daily population of 730.

Another continuing source of substantial Local Aid is the Urban Enterprise Zone program. Two critical elements of the Urban Enterprise Zone (UEZ) program involve the State's Sales and Use Tax. First, State Sales Tax within the zones is reduced from the normal 6% to 3%. Second, State Sales Tax collections from economic activity within the zones are dedicated to municipalities to fund projects within the zones. In fiscal 2001, Sales Tax receipts totaling \$54.4 million will be retained by municipalities involved in the UEZ program.

In addition to the above, there are a variety of programs directed through several State departments that provide specific types of categorical to local governments. The Department of Community Affairs oversees programs important to meeting basic community needs totaling \$16.6 million. This aid has two major components. Balanced Housing in the amount of \$13.9 million allocates a portion of the State tax on real estate transfers to municipalities that are striving to meet affordable housing requirements. Neighborhood Preservation, budgeted at \$2.75 million, supports multi-year grants to selected municipalities to rejuvenate older neighborhoods.

State Aid to support New Jersey's vast public library system totals \$15.6 million in fiscal 2001, an increase of \$1.5 million above the fiscal 2000 amount. The increase represents funds allocated for debt service for new library construction projects. Of the remaining amount, approximately \$8 million is provided to support the basic operations of each county and municipal library in the state. In addition, \$6 million is allocated for inter-library networking and special developmental projects, greatly expanding citizen access to the rich resources and useful services that New Jersey's public libraries have to offer.

Included in this category are contributions for pensions and related health benefits for Police and Firemen's Retirement System (PFRS) and the Consolidated Police and Firemen's Pension Fund. The cost of these benefits in fiscal 2001 is estimated to be \$57.5 million.

Savings from the Pension Security Program attributable to other local government entities are estimated to be \$51.3 million in fiscal 2001. These savings realized through the Pension Security Program represent a reduction in the liability of other local entities for pension costs.

DIRECT TAXPAYER RELIEF

The fiscal 2001 Budget continues significant funding to provide property tax relief directly to local taxpayers. In fiscal 2001, these programs will total approximately \$1.030 billion, an increase of \$190.1 million, or 22.6% over fiscal 2000.

State Aid and Local Taxpayer Relief

DIRECT TAXPAYER RELIEF		
(In Millions)		
	Fiscal 2000	Fiscal 2001
Direct School Tax Relief	\$170.0	\$336.7
Homestead Rebates	332.6	340.6
Veterans & Senior/Disabled Property Tax Relief	74.9	77.3
Property Tax Deduction Act	263.0	276.0
Total Direct Taxpayer Relief	\$840.5	\$1,030.6

The NJ SAVER program targets approximately 1.9 million homeowners and is designed to reduce the school tax portion of the local property tax levy. Fiscal 2001 represents the second year of a five-year implementation of this program. The budget recommendation adds \$166.7 million to the prior year appropriation of \$170 million, bringing the second year total to \$336.7 million. At the end of the five year phase-in it is expected that this program will provide nearly \$1 billion in direct school tax relief. The average payment estimated in fiscal year 2001 will be \$240, up from \$120 in fiscal 2000. The actual payment amounts for the second year will represent 40% of the amount determined by applying the 1997 equalized school tax rate against the first \$45,000 of assessed value of eligible residential properties.

The Homestead Rebate program provides property tax rebates to senior, disabled, and low-income homeowners and renters. Approximately 1.3 million qualifying senior/disabled homeowners will receive rebates in fiscal 2001, averaging \$468. An additional 125,000 senior, disabled, and low-income renters will receive homestead rebates. The average senior/disabled tenants rebate checks is estimated to be \$463; rebates for approximately 650,000 non-senior/non-disabled tenants with incomes of \$100,000 or less are estimated to be \$40.

Tax relief for veterans, seniors and disabled citizens totals \$77.3 million in fiscal 2001, an increase of \$2.4 million or 3.2%. The total amount includes \$66.7 million for property tax deductions for

veterans, seniors and disabled citizens and \$10.6 million for the Senior and Disabled Citizen Citizen Property Tax freeze.

Deductions from property tax bills for veterans, qualified senior citizens, and disabled citizens and their surviving spouses are provided in the State Constitution (Article VIII, Section I). The State annually reimburses municipalities for the cost of these deductions. The \$66.7 million included in the fiscal 2001 budget represents an increase of \$15.5 million or 30.3%. This reflects the first portion of an increase in the veteran's deduction approved by the voters last November. Veterans had received a \$50 deduction for tax year 1999; the increase in the fiscal 2001 budget will allow that amount to grow to \$100. In each successive fiscal year through 2004 the budget will increase to provide an additional \$50 until the total deduction reaches \$250.

The Qualified Senior and Disabled Citizen Property Tax Freeze will result in an estimated \$10.6 million in direct property tax relief in fiscal 2001 for eligible senior and disabled residents. The reimbursement is calculated based on a formula specified in statute that compares the current year tax liability to the first year in which a taxpayer qualified and filed a claim. To qualify, a claimant must be the owner of the principal residence for which a property tax reimbursement is being sought. Claimants must be age 65 or older or disabled residents with incomes below \$17,918, if single, or \$21,970, if married. The income amounts are adjusted annually based on the maximum cost of living increase for the federal social security program.

The enactment of the Property Tax Deduction Act in June 1996 enabled taxpayers to obtain property tax relief through State income tax deductions. The program was fully implemented in fiscal 1999, when property tax payments assessed for calendar 1998 up to \$10,000 could be deducted from State income tax returns. The fiscal 2001 Budget reflects a \$13 million dollar increase in these savings, resulting in a total of \$276 million in savings in fiscal 2001.

State Aid and Local Taxpayer Relief

STATE AID, TAX RELIEF & LOCAL BUDGET SAVINGS INITIATIVES (In Millions)

Program	FY2000	FY 2001	\$Change
School Aid			
Direct Aid	\$ 5,399.5	\$ 5,782.9	\$ 383.4
School Construction and Renovation	112.0	128.4	16.4
Teachers' Retirement benefits & Social Security	700.4	783.0	82.6
Subtotal School Aid	<u>\$ 6,211.9</u>	<u>\$ 6,694.3</u>	<u>\$ 482.4</u>
Municipal Aid			
Consolidated Municipal Property Tax Relief Aid	\$ 767.9	\$ 787.1	\$ 19.2
Energy Receipts Property Tax Relief Aid	750.0	750.0	-
Special Municipal Aid	40.5	54.5	14.0
Business Personal Property Tax Depreciation	-	33.8	33.8
Legislative Initiative Block Grant Program	33.0	33.0	-
Extraordinary Aid	30.0	25.0	(5.0)
Open Space - Payments in lieu of Taxes	6.3	7.1	0.8
Watershed Moratorium Offset Aid	3.4	5.2	1.8
Subtotal Municipal Aid	<u>\$ 1,631.1</u>	<u>\$ 1,695.7</u>	<u>\$ 64.6</u>
Other Local Aid			
County College Aid	\$ 174.3	\$ 191.5	\$ 17.2
Transportation Trust Fund - Aid For Local Projects	150.0	150.0	-
Aid to County Psychiatric Hospitals	87.2	87.2	-
Urban Enterprise Zones - Sales Tax Dedication	48.9	54.4	5.5
DCA - Housing and Neighborhood Assistance	16.6	16.6	-
Library Aid	14.1	15.6	1.5
Pension Contributions on Behalf of Local Governments	58.1	57.5	(0.6)
Miscellaneous Programs:	20.2	20.2	-
Subtotal Other Local Aid	<u>\$ 569.4</u>	<u>\$ 593.0</u>	<u>\$ 23.6</u>
Direct Taxpayer Relief			
NJ SAVER Program	\$ 170.0	\$ 336.7	\$ 166.7
Homestead Rebates	332.6	340.6	8.0
Veterans & Senior/Disabled Citizens Property Tax Relief	74.9	77.3	2.4
Property Tax Deduction Act	263.0	276.0	13.0
Subtotal Direct Taxpayer Relief	<u>\$ 840.5</u>	<u>\$ 1,030.6</u>	<u>\$ 190.1</u>
Subtotal Direct Aid & Taxpayer Relief	<u>\$ 9,252.9</u>	<u>\$ 10,013.6</u>	<u>\$ 760.7</u>
Pension Security Plan Savings			
School District Pension Security Program Savings	\$ 21.4	\$ 21.4	\$ -
Municipal Pension Security Program Savings	26.0	26.0	-
Other Local Pension Security Program Savings	51.3	51.3	-
Subtotal Pension Security Program Savings	<u>\$ 98.7</u>	<u>\$ 98.7</u>	<u>\$ -</u>
GRAND TOTAL - DIRECT AID & BUDGET SAVINGS	<u>\$ 9,351.6</u>	<u>\$ 10,112.3</u>	<u>\$ 760.7</u>

State Aid and Local Taxpayer Relief

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

	Appropriated Fiscal 2000	Recommended Fiscal 2001	Increase (Decrease)
Direct Aid Programs:			
Core Curriculum Standards Aid	\$ 2,845,062	\$ 2,941,839	\$ 96,777
Abbott v. Burke Parity Remedy	254,433	328,004	73,571
Supplemental Core Curriculum Standards Aid	143,741	204,041	60,300
Additional Supplemental Core Curriculum Standards Aid	32,952	-	(32,952)
Early Childhood Aid	312,707	313,321	614
Instructional Supplement	16,600	17,533	933
Demonstrably Effective Program Aid	190,491	192,874	2,383
Rewards and Recognition	9,975	9,974	(1)
Stabilization Aid	31,470	143,641	112,171
Stabilization Aid 2	32,125	870	(31,255)
Stabilization Aid 3	34,796	-	(34,796)
Supplemental Stabilization Aid	53,025	-	(53,025)
Additional Supplemental Stabilization Aid:			
Large Efficient Districts	7,500	7,500	-
High Senior Citizen Concentrations	921	921	-
Supplemental School Tax Reduction Aid	10,387	-	(10,387)
Categorical Aids:			
Distance Learning Network	54,473	56,812	2,339
Adult Education Grants	26,712	26,618	(94)
Bilingual Education	55,473	59,250	3,777
Special Education	682,251	759,517	77,266
County Vocational Education	34,089	34,608	519
Pupil Transportation Aid	265,789	295,156	29,367
Aid for Enrollment Adjustments	11,896	34,423	22,527
Less:			
Stabilization Aid Growth Limitation	(31,063)	(67,815)	(36,752)
Subtotal	<u>\$ 5,075,805</u>	<u>\$ 5,359,087</u>	<u>\$ 283,282</u>
Debt Service Aid	149,117	152,463	3,346
School Construction and Renovation Program	112,000	128,400	16,400
Subtotal School Building Aid	<u>261,117</u>	<u>280,863</u>	<u>19,746</u>
Subtotal, Direct Aid Programs	\$ 5,336,922	\$ 5,639,950	\$ 303,028
Other Aid to Education:			
Nonpublic School Aid	88,540	93,068	4,528
Whole School Reform Incentive Grants	5,000	12,000	7,000
Additional Abbott v. Burke State Aid	37,000	104,000 *	67,000
Extraordinary Special Education Costs Aid	10,000	10,000	-
School Choice/Charter School Aid	3,000	9,000	6,000
Character Education	-	4,750	4,750
Teacher Quality Mentoring	-	8,700	8,700
Other Aid	31,061	29,879	(1,182)
Subtotal, Other Aid to Education	\$ 174,601	\$ 271,397	\$ 96,796
Subtotal, Department of Education	\$ 5,511,523	\$ 5,911,347	\$ 399,824

State Aid and Local Taxpayer Relief

Direct State Payments for Education:

Teachers' Retirement Benefits	\$ 119,948	\$ 165,070	\$ 45,122
Debt Service on Pension Obligation Bonds	69,191	69,545	354
Pension and Annuity Assistance - Other	19,922	27,058	7,136
Teachers' Social Security Assistance	491,368	521,300	29,932
	<hr/>	<hr/>	<hr/>
Subtotal, Direct State Payments for Education	\$ 700,429	\$ 782,973	\$ 82,544
	<hr/>	<hr/>	<hr/>
GRAND TOTAL - State Aid for Local School Districts	\$ 6,211,952	\$ 6,694,320	\$ 482,368
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* Amount will be adjusted downwards or upwards, as necessary to fulfill the responsibilities of the Commissioner under the Abbott order.

Capital Investments and Property Management

CAPITAL INVESTMENTS

New Jersey's investments in capital are important to both the economy and the citizens of the State.

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

These investments generate economic growth and provide jobs for New Jersey citizens.

CAPITAL INVESTMENTS

The fiscal 2001 Budget makes a strong commitment to both the economy and the quality of life of New Jersey citizens. Major programs that will have a profound effect on life in New Jersey include the

- \$9.4 billion school construction program for new education facilities
- \$2 billion Transportation Trust Fund investment in transportation facilities
- \$200 million invested each year in open space

Capital investment for the State from all sources (General Fund, Bonds, federal funds and Authorities) in fiscal 2001 will exceed \$4.6 billion. In almost every category, the State is investing more in fiscal 2001 than in prior years. The recommended investment in the school construction program is \$500 million higher in fiscal 2001 than that projected in fiscal 2000 and the Transportation program projects \$400 million more in fiscal 2001 than in the prior year.

The State's investment in its infrastructure has a direct and positive impact on economic growth and development, on jobs, and on the environment. For fiscal 2001, the State's estimated expenditure for

infrastructure totals \$3.126 billion, over \$700 million more than in fiscal 2000. This investment of State, federal, independent authority, and bond dollars is targeted for highway and public transportation programs, hazardous substance abatement projects, shore protection, safe drinking water projects, wastewater treatment programs, and public health and safety improvements. The \$3.126 billion will support 74,095 private sector jobs in fiscal 2001, an increase of approximately 16,000 jobs over fiscal 2000.

Infrastructure Improvement Jobs		
Programs FY 01	Estimated Expenditures (in Millions)	Total Jobs
Transportation	\$ 1,600	48,000
Environmental	195	3,335
Local School Construction	750	12,825
Higher Ed.	200	3,420
Other Capital	381	6,515
Totals	\$ 3,126	74,095

CAPITAL FUNDING OVERVIEW

Capital needs of the State government are primarily funded through three methods, which may be used singularly or in combination. The three methods are (1) "pay-as-you-go" capital appropriations, (2) general obligation bond funds, and (3) lease or lease-purchase of facilities for State operations.

"Pay-as-you-go" capital funds are used primarily for renovation and preservation of State properties, highway and mass transit improvements, and environmental projects. This ensures protection of lives and property, preserves the State's capital investments, and helps maintain agency programmatic goals and objectives. Pay-as-you-go capital projects are relatively small in comparison to general obligation bond and lease-purchase projects. Consequently, they are usually funded through annual appropriations from the General Fund.

General obligation bond funds, authorized by State voters, are used to finance more expensive capital construction projects such as new facilities. The projects are expected to have a useful life equal to

Capital Investments and Property Management

the time required to retire the bonds and must yield substantial benefits for present and future generations.

Lease or lease-purchase of facilities postpones or eliminates the immediate costs associated with ownership. The costs of such leases, or lease-purchases, are normally structured to coincide with the useful life expectancy of facilities. This process provides considerable budget flexibility by decreasing the initial cost of securing the facilities, and is an accepted alternate method of financing capital construction.

ANNUAL CAPITAL RECOMMENDATION REVIEW PROCESS

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

In addition to the Commission on Capital Budgeting and Planning, the capital recommendation process includes the Office of Management and Budget, the New Jersey State Planning Commission, the Council of Economic Advisors, and the Office of Public Finance. This ensures a comprehensive review of capital requests necessary to meet the most critical needs of the State.

OPERATING IMPACT OF CAPITAL PROJECTS

Each capital project request requires an operating impact statement. Departments must document whether a project will cause an increase, decrease, or have no effect on operating budgets, and quantify such information. The impact on operating budgets for fiscal 2001 is marginal in most cases because both requested and recommended capital projects emphasize preservation of investments, rather than new construction. Even the proposed investments

in transportation facilities and school construction will have little effect on operating costs since the emphasis is either on replacing in-kind or renovating existing structures as opposed to new construction.

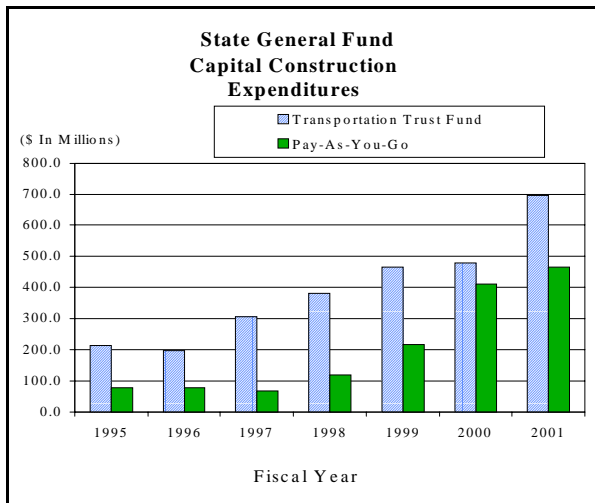
FISCAL 2001 RECOMMENDATION

For fiscal 2001, the General Fund recommendation for Capital Construction is \$1.165 billion. Of this amount, \$698.6 million will be used to improve and maintain our transportation infrastructure and provide debt service for the Transportation Trust Fund. To protect our environment, \$51.1 million is recommended for hazardous waste cleanup and replacement of privately owned underground storage tanks. To ensure that New Jersey's tourist industry continues to expand, \$25 million is provided for shore protection and beach replenishment projects. And to preserve our farmlands, open space, historic sites, and recreational activities, \$98 million is recommended for the Garden State Preservation Trust Fund. This \$98 million, when combined with bonds issued by the Preservation Trust Fund, will provide approximately \$200 million annually for open space programs.

The balance of \$266.3 million is recommended for needed repair and preservation projects at the Departments of Environmental Protection, Human Services, Corrections, the Juvenile Justice Commission, and other State agencies.

Additional funds derived from proceeds of the sale of State surplus properties will supplement capital appropriations. Such funds will be used to renovate facilities, provide additional space in communities for individuals with developmental disabilities, comply with building codes and environmental regulations, and provide access to public buildings in accordance with the Americans with Disabilities Act. Other major construction projects in the Seven-Year Annual Capital Improvement Plan will be funded through existing general obligation bond funds, the New Jersey Building Authority, the New Jersey Economic Development Authority, and the Environmental Infrastructure Trust.

Capital Investments and Property Management



Department of Environmental Protection

Protection of the environment and preservation of open space and farmlands remain major priorities of this Administration. The fiscal 2001 Budget recommendation of \$96.7 million concentrates on projects that will protect the health and welfare of state citizens, preserve natural resources, improve recreational activities, and spur economic development.

The federal mandate for removal of underground oil and gasoline storage tanks is again addressed in this budget. The constitutional dedication of 4% of revenues from the Corporation Business Tax (CBT) continues to provide a stable source of capital funding for hazardous discharge cleanups, underground storage tank upgrades and cleanups, and water quality preservation and monitoring. In fiscal 2001, \$30.3 million is recommended for hazardous discharge cleanup projects and \$20.9 million for loans and grants to both citizens and private businesses to facilitate underground storage tank cleanups.

In addition, \$8.8 million is recommended in the Direct State Services component of the budget for water quality monitoring, planning and management, and \$5.6 million will support the Site Remediation Program's administrative costs. Included in this funding is a program to provide alternate sources of public and/or private water supplies when water supply is suspected of contamination by a hazardous substance.

Shore protection projects continue to revitalize and preserve the state's most valuable tourist attraction. The fiscal 2001 Budget recommends \$25 million from the dedication of the realty transfer fee. This will leverage up to \$60.4 million of federal and \$7.8 million of local funds for a total of \$93 million for shore protection and beach replenishment projects.

Tropical Storm Floyd devastated New Jersey, leaving hundreds homeless and thousands more without power or drinking water. To prevent such consequences in the future, \$6.2 million is recommended for flood control projects to ensure protection of lives and property. This funding will generate an additional \$35.3 million in federal and \$2.1 million in local funds for these important projects.

New Jersey's future depends upon its ability to provide clean water for its citizens and industry. The Environmental Infrastructure Trust Financing Program was created to fund a variety of water quality protection projects. In fiscal 2001, using federal funds, bonds, and other funding sources, the program will finance clean water projects totaling \$76 million.

Dredging, clearing, and deepening of inland waterways will be supported by \$3 million from the Port of New Jersey Revitalization, Dredging, Environmental Cleanup, Lake Restoration, and Delaware Bay Area Economic Development Bond Act of 1996 to ensure that New Jersey fishing industries remain competitive.

As one of the most densely populated states in the nation, New Jersey's parks play a vital role in providing outdoor recreation opportunities, interaction with nature, and in preserving New Jersey's historic treasures. In fiscal 2001, \$7.9 million is recommended to ensure that existing recreation facilities are maintained. In addition, \$1 million is recommended to match a National Park Service grant for the restoration of facilities on Ellis Island. The parks will also have access to additional amounts from central Treasury accounts for accessibility projects, removal of underground storage tanks, and removal of hazardous materials.

Capital Investments and Property Management

Open Space Preservation

In 1998, voters overwhelmingly approved an initiative to purchase and preserve one million acres of open space over the next ten years. The program provides for purchase of open space, farmland preservation and historic preservation, and local park development in urban, suburban, and rural areas. This is a long-term commitment -- a legacy for future generations -- that will provide a clean, green, and livable environment.

The fiscal 2001 Budget reflects the constitutional dedication of \$98 million toward this multi-year initiative. When combined with bonds issued by the Garden State Preservation Trust (GSPT), it is anticipated that approximately \$200 million will be made available for open space and farmland preservation. It will be apportioned among the various types of preservation projects as in fiscal 2000.

It is anticipated that \$20.4 million in debt service costs will be incurred during fiscal 2001, thus \$71.6 of the \$98 million may be applied to pay-as-you-go projects. The remainder of the \$200 million need (\$128.4 million) will be bond-financed.

The GSPT will use \$6 million from fiscal 2000 and \$6 million from fiscal 2001 to fund \$12 million in historic preservation projects throughout the state in fiscal 2001.

As of December 1999, State, county, and local governments preserved 124,432 acres of farmland and open space towards the million-acre goal. The funds approved in fiscal 2001, along with any donations of preserved lands will add substantially to this acreage total. This Administration has set an interim goal of preserving 300,000 acres toward the million-acre goal by the end of her term of office in January 2002.

Together, these programs and funding recommendations will preserve the State's environment, protect lives and property, provide for economic development, create recreational opportunities, and sustain both tourism and jobs.

Transportation Trust Fund

New Jersey lies at the heart of a giant metropolitan area stretching from Boston to Washington, D.C. In

order to take advantage of this unique position, New Jersey's transportation system must enable businesses to respond to opportunities. The fiscal 2001 Budget provides \$698.6 million for the Transportation Trust Fund Authority. These funds are derived from a constitutional dedication of nine cents of the motor fuels tax, funding agreements with the toll road authorities, commercial motor vehicle registration fees, and motor vehicle surcharge revenue. When combined with available federal money and bonds issued by the Transportation Trust Fund, the Authority will have approximately \$2 billion available for transportation improvement projects in fiscal 2001.

Correctional Facilities

Expanding inmate populations and overcrowding continue as problems in New Jersey's correctional facilities. This budget recommends \$33.2 million for construction of new prison facilities, security improvements, and preservation of existing facilities. This includes \$10.2 million for a new 350 bed minimum security prison, the location of which has not yet been determined, and \$3 million for a 200 bed minimum security expansion at Ancora.

Because every effort should be made to return convicted criminals to a productive life as citizens and taxpayers, this budget recommends a \$10.7 million, 180 bed expansion of the Boot Camp in New Lisbon for those individuals who show signs of rehabilitation. The boot camp program has been extremely successful. The recidivism rate is 11% for young inmates who have completed the program, compared to 60% for the overall inmate population.

Colleges and Universities

New Jersey's colleges and universities are the foundation for economic growth, scientific research, development of future leaders, business persons, and professionals required to lead New Jersey and the nation into the 21st century. This budget ensures that New Jersey's colleges and universities will have the resources to prepare our youth for the new millennium.

In the past, higher education facilities have benefited from the \$100 million Equipment Leasing Fund (ELF), the \$220 million Higher

Capital Investments and Property Management

Education Facilities Trust (HEFT), and the \$55 million Higher Education Technology Infrastructure Bond Fund. In the future, this Administration intends to reauthorize the ELF program and continue the HEFT program, issuing new bonds as matured bonds are retired. This will provide the funds necessary to ensure that our higher education facilities are second to none.

In fiscal 2000, the \$550 million Higher Education Capital Improvement Fund was adopted with the intention of providing both public and private higher education institutions with the resources to address pressing capital renewal and renovation needs. For public and private institutions, \$200 million will be available in fiscal 2001. The State will provide two-thirds of the debt service for public institutions and one-half of the debt service for private institutions.

School Construction and Renovation Fund

New Jersey is committed to ensuring a safe and positive learning environment for all children. Responding to the Supreme Court ruling in 1998 that the capital needs in Abbott (special needs) school districts must be met by the State, legislation for a new school construction and renovation program has been introduced. A \$9.4 billion program will provide \$5 billion for Abbott schools and \$4.4 billion for all other local school districts. It will ensure that the needs of all our children are met both now and in the future.

To fund the program, the fiscal 2001 Budget provides a total of \$128.4 million, including \$11.9 million from the tobacco settlement, \$50 million from dedicated cigarette tax revenues, \$62 million from State Lottery proceeds, and \$4.5 million from the fund for free public schools. In addition, \$14 million will be available for the local share of the School Construction and Renovation Fund and \$89 million will be available from balances in the prior year. These funds will provide debt service for up to \$785 million in State bond funds and overall program funding of \$1.17 billion in fiscal 2001, including the creation of a revolving loan fund and bonds issued by local school districts.

Human Services

The needs of New Jersey citizens who require special care are of utmost importance. The fiscal 2001 Budget provides \$25.3 million for essential preservation and improvement projects for Department of Human Services' facilities. These include fire protection systems, renovations to kitchens, upgrading facility mechanical systems, roof replacements, and deferred maintenance that, if further delayed, would require major capital expenditures. In addition, this funding includes \$3.5 million for the implementation of the Statewide Automated Child Welfare Information System (SACWIS).

New Jersey is committed to providing an environment for citizens who require special care where self-sufficiency and a normal life are attainable. Individuals who can lead productive lives with a minimum of care will be provided opportunities to do so. The fiscal 2001 recommendation will supplement the \$116 million appropriated to date from the \$160 million Developmental Disabilities Waiting List Reduction and Human Services Facilities Bond Act of 1994. This Act provides \$30 million for State facilities and \$130 million for community-based facilities. Of the amount available for community facilities, \$80 million is allocated for purchase of facilities to house individuals awaiting placement in communities. These funds will also provide necessary improvements at State and community-based facilities consistent with the Act. The Department will also have capital funding available from the Community Mental Health and Developmental Disability Services Investment Act of 1997. This Act allows the Department to utilize receipts from the sale of Human Services facilities for capital improvements at community-based facilities for persons with mental illness or developmental disabilities.

Department of Law and Public Safety

The Department of Law and Public Safety is the State's lead law enforcement agency. This budget will continue to ensure that it functions at the highest professional level.

Capital Investments and Property Management

For fiscal 2001, a \$31.6 million capital program is recommended for the State Police. This will fund, among other projects, critical repairs to roofs and other building systems (\$1.1 million), completion of the replacement program for obsolete radios (\$1.9 million), and provide facility renovations to accommodate female State troopers (\$2.1 million). In addition, the purchase of three air ambulance helicopters, with a net cost of \$8.7 million (after trade-in), is recommended. This purchase will enable the State Police to provide relief in the event of a major catastrophe. Also included in this recommendation is \$16.7 million to continue the upgrade of the Computer Aided Dispatch/Record Management System, the purchase of mobile computers in State Police vehicles and the development of an Evidence Tracking System.

The Juvenile Justice Commission

The fiscal 2001 Budget recommends \$10.6 million to address critical capital needs at juvenile facilities. Included in this amount is the construction of three vocational buildings to provide the training and skills necessary to secure jobs. In this context, \$300,000 is also recommended for a study at the New Jersey Training School for Boys that will lead to a reduction in the population of the most violent offenders creating an environment at that school where rehabilitation is possible.

The funds recommended for fiscal 2001 will provide for the renovation of housing units, replacement of roofs, and fire and life/safety improvements and help to maintain and preserve existing bed spaces for the rehabilitation of juvenile offenders.

Department of Military and Veterans' Affairs

Last year's budget included \$3.6 million to design a new Vineland Veterans' Home. The fiscal 2001 Capital Construction Budget totals \$14.4 million and includes \$9.3 million to begin the construction of the new Vineland Veterans' Memorial Home. This project will generate \$24 million in federal matching funds, increase capacity from 282 to 332 beds, and provide amenities to make the facility Medicare eligible.

In addition, the fiscal 2001 Budget recommends \$2.7 million to improve existing armories, training

centers, and veterans' homes, and \$2.4 million for the complete rehabilitation of the Department of Military and Veterans' Affairs' Headquarters building.

Office of Information Technology (OIT)

To lead the state into the new millennium, the Governor signed an Executive Order in fiscal 1999 creating an Office of Information Technology. The core mission of OIT is to use technology to make government services more efficient, effective, affordable, accessible, and responsive. The fiscal 2001 Budget recommends a total of \$11 million for OIT. These funds will be used for acquisition of new data-processing equipment and to upgrade and improve operations.

Included in the \$11 million is \$2.5 million for the E-Government Infrastructure project to support an initiative to make New Jersey the "On-line State" and \$4.9 million to continue the consolidation of two data centers. Since fiscal 1998, over \$28 million in capital funding has been appropriated to make technology work in New Jersey.

Department of Health and Senior Services

The Department of Health and Senior Services plays a prominent role in the lives of the citizens of New Jersey. The Public Health and Environmental Laboratory's work was highlighted last year when it worked with the federal Centers for Disease Control to isolate the West Nile encephalitis virus, tested drinking water in parts of the state hit by Tropical Storm Floyd, and tested Kosovo refugees for tuberculosis. In addition, it performed over 2 million other tests in areas of infectious diseases, drug addiction, and specialized programs for underserved populations. With all these demands the existing Public Health Laboratory is barely adequate to the task. It has poor ventilation and inadequate electrical power to run the heavily automated equipment now present in the lab. Consequently, \$750,000 is recommended to determine the location and specifications of a new Public Health Laboratory. An additional \$1.6 million is recommended to upgrade existing laboratory and computer equipment until such time as the study is completed and the future plans for a new laboratory have been determined.

Capital Investments and Property Management

Also, included in this recommendation is \$2.3 million for implementation of "E Public Health." This comprehensive technology initiative will integrate systems to improve data collection, analysis and information exchange.

Public Library Grant Program

Libraries are centers for advancement and learning, and one of the primary education tools in our communities. For thousands of elderly, retired citizens, and school children without computers at home, libraries have been their only link with the information superhighway. An investment in libraries is an investment in the future. The recently approved Library Grant program will provide \$45 million in bonds financed through the Educational Facilities Authority for the construction, rehabilitation, and acquisition of public library facilities. These funds, subject to a 3:1 matching requirement, will leverage a total of \$180 million for library construction throughout the state. This budget includes \$1.5 million for the first year's debt service on these bonds.

Disaster Relief

Calendar year 1999 demonstrated the weather's ability to wreak havoc upon New Jersey's citizens, businesses, and farms. Tropical Storm Floyd's torrential rains and resultant flooding in September 1999 followed a severe summer drought.

In addition to the emergency response by the State Police, National Guard and other State agencies during the flooding, State government enacted the *Emergency Disaster Relief Act of 1999*. It appropriated \$80 million in disaster relief for victims of Tropical Storm Floyd and the drought of 1999.

Twenty million dollars will be provided as financial assistance to farmers who experienced agricultural loss or damage due to the 1999 drought. For flood relief, \$20 million will be provided as grants to individuals within the nine declared counties (Bergen, Essex, Hunterdon, Mercer, Middlesex, Morris, Passaic, Somerset, and Union). There is also aid to the nine counties declared as flood disaster areas from \$20 million in State and federal block grants. Further, \$5 million will be provided to individual municipalities within the declared counties to assist in their recovery. \$10 million

dollars will be reserved to cover flood mitigation and for other uses. The final \$5 million will reimburse State agencies for the costs they incur providing assistance pursuant to this Act.

Capitol Complex

It is the responsibility of State government to ensure that the State buildings in the capital city are safe, functional, and attractive for workers and visitors alike.

For the fiscal 2001 Budget, \$12.4 million is recommended to preserve buildings within the Capitol Complex. This includes funding for energy efficiency projects, roof replacements, elevator upgrades, and security systems.

Compliance Mandates

For the fiscal 2001 Budget, \$17.7 million is recommended to comply with federal and State statutory health and safety mandates. Of this amount, \$2.5 million is for Americans with Disabilities Act projects. These projects will remove physical barriers at State facilities for individuals with disabilities. To eliminate hazardous health conditions such as exposure to asbestos contamination, \$5 million is recommended. For removal of State owned underground storage tanks and to consolidate and upgrade the State's fueling sites, \$10.2 million is recommended. Such funds, combined with the \$20.9 million recommended for the Private Underground Storage Tank Remediation fund within the Department of Environmental Protection, will ensure that New Jersey continues to protect its environment.

GENERAL OBLIGATION DEBT SERVICE

The State provides for many large scale capital construction programs, open space acquisition, and local aid projects through long-term general obligation bonds. These bonds are a debt of the State, backed by its full faith and credit, and must be approved by New Jersey's voters. The Legislature appropriates money authorized by the bond issue, and as funds are needed, bonds are sold, thus incurring debt service obligations.

Capital Investments and Property Management

The fiscal 2001 debt service payments on all outstanding general obligation bonds total \$530 million, an increase of \$11.3 million from fiscal 2000. The projected level of debt service is \$489 million for principal and interest due on bonds outstanding on July 1, 2000, and additional funding of \$41 million is for debt service on bonds projected to be sold in fiscal years 2000 and 2001.

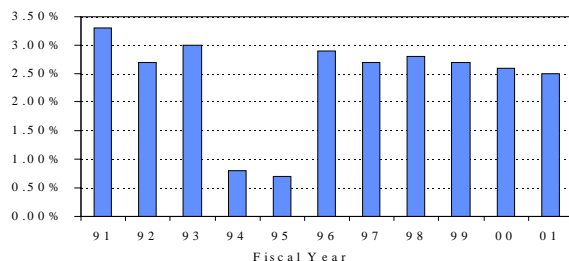
Outstanding general obligation bonded indebtedness for New Jersey as of June 30, 1999 was \$3.65 billion. There is \$1.58 billion of additional long-term debt authorized, but not yet issued, to support future capital projects. This \$1.58 billion includes bonds approved by the voters as of November 1999.

The State Constitution limits the amount of debt that can be created to 1% of the total fiscal appropriation, unless authorized by law and submitted to the voters for approval. Voter authorization, however, is not required for the creation of a debt to refinance existing general obligation debt if the refinancing would produce savings.

Projects supported by general obligation bonds are of economic, social, and environmental importance and include construction of correctional and human services facilities, transportation projects, higher education improvements and environmental projects.

The State manages its debt judiciously. For the last five years there has been no increase in the percentage of debt relative to the overall State budget. The sharp decline in debt service appropriations in fiscal years 1994 and 1995 was the result of general obligation debt refinancing that occurred in fiscal 1993. The debt level has been maintained below 3% since 1992, as indicated on the chart below.

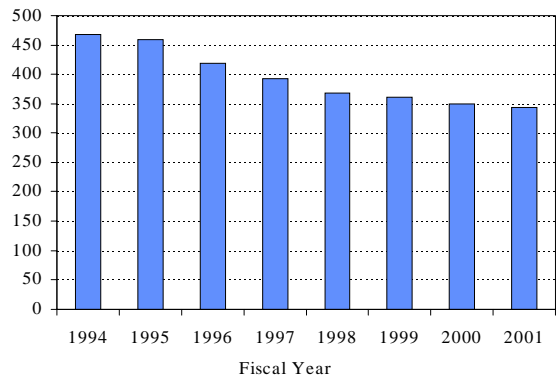
**General Obligation Debt As A Percentage Of State Appropriations
FY 1991 - 2001**



PROPERTY MANAGEMENT

Since 1994, the State has followed recommendations of the statewide facilities master plan regarding current and future office space requirements. Although the majority of those goals have been achieved, the State continues to identify and eliminate excess space and consolidate offices where it is geographically possible. This is achieved by eliminating short-term leases, converting to long-term leases, or relocating employees into state-owned facilities. A major reduction in leased facilities occurred between fiscal years 1994 and 2001.

**Number Of Leased Facilities
FY 1994 - 2001**



For fiscal 2001, \$150.5 million is recommended for office space and other rentals for State agency operations. This represents an increase of \$12.4 million for the Property Rentals budget relative to fiscal 2000. This recommendation will fund existing and anticipated leases, as well as lease-purchase agreements for buildings that will be eventually owned by the State.

Cost-cutting actions to reduce rents have largely been offset by increased competition for space in the real estate market as well as demands for new space by client agencies. An additional \$10.1 million is recommended to support lease consolidation efforts and to provide essential program space for State agencies. Costs for "Other Debt Service Leases and Tax Payments" will increase by \$1.1 million, and \$4.2 million will be required for increased debt service for the Economic Development Authority.

Capital Investments and Property Management

A decrease of \$2 million in maintenance costs is expected for the vacated North Princeton Developmental Center and Marlboro Psychiatric Hospital. Additionally, there will be a decrease of \$985,000 as a result of an increase in rent reimbursements from other sources.

LEASE-PURCHASE AGREEMENTS

Lease-purchase agreements continue to be an important and positive means for obtaining essential office space. Under such agreements, independent authorities such as the New Jersey Building Authority, the Economic Development Authority, and the Sports and Exposition Authority issue bonds and construct facilities. The State occupies such facilities, funds the debt service and, over a defined period of time, secures ownership.

Bond ratings of the various authorities have consistently remained high. The various Authorities' bonds continue to be rated A or A+ to AA-. This translates into favorable borrowing rates for the State's Authorities.

New Jersey Building Authority

For the New Jersey Building Authority, \$79.5 million is recommended to meet the debt service for lease-purchase agreements for buildings constructed in and around Trenton, which is a \$20.4 million increase over fiscal 2000. The Authority last issued bonds in October 1999 for the acquisition of the Hughes Justice Complex and the acquisition of a site and construction for the new Division of Revenue Building. In the near future, the New Jersey Building Authority will undertake renovations of the Hughes Justice Complex, the Department of Transportation building, and the Executive portion of the State House.

The Authority has completed construction of South Woods State Prison (the first State prison project financed by Authority bonds) and has undertaken Capitol Complex historic projects, as well as the State House and Labor Building renovations. Other projects funded through the Building Authority include the Old Barracks Museum, the War Memorial Building, the Taxation Building, and the Department of State Archives Building.

The Authority recently completed two major renovation projects in the City of Trenton: the renovation of the State House Dome, which was

unveiled in June 1999 and the Thomas Edison State College renovations. The \$9.5 million State House Dome renovation project returned the dome, which has presided over the State House since 1889, to a shining reminder of our state's proud history. Dome renovations were paid for with public and private funds. State funds paid for the structural work and repairs, while private donations paid for the gold leaf and interior restoration of the rotunda. Private contributions included the "Dimes for the Dome" program which enlisted New Jersey school children, who raised more than \$48,000 for the gold leaf layered on the dome. The \$14 million renovation of the historic townhouses of Thomas Edison State College will be completed in fiscal 2000. These restoration projects will help preserve the City of Trenton's historic past, while enhancing Trenton as the State's Capital.

Economic Development Authority

For fiscal 2001, \$43.2 million is recommended for the Economic Development Authority, an increase of \$24.2 million over fiscal 2000. The largest part of this increase, \$20 million, is to stimulate nascent technology companies in New Jersey. This initiative includes a \$10 million "Venture Capital" fund that will leverage \$30 million in private funds to help our smaller high-tech firms get the funding support they need. This fund, administered through the EDA, will make equity investments in promising firms that are too small to attract large venture capital funds on their own. There is a shortage of quality laboratory space for new and growing high tech companies, therefore, \$10 million will be used to develop affordable research and development space for New Jersey's emerging technology-based companies which cannot find such space in the private market. Together these initiatives will foster New Jersey as the high-technology state.

Other funding for the Authority finances the debt service of the Trenton Office Complex, construction of the New Jersey Performing Arts Center in Newark, the purchase of the Riverview Building in Trenton, the Camden State Office Building, the Department of Transportation's Cherry Hill facility and the Capital Place One Building in downtown Trenton.

Capital Investments and Property Management

Sports and Exposition Authority

For the fiscal 2001 Budget, \$50 million in debt service is recommended for the Sports and Exposition Authority. This is an increase of \$392,000 over fiscal 2000, and is required to support debt service for the Wildwood Convention Center and the Authority's capital renewal program. These funds also support debt service for projects throughout the state, including Rutgers Stadium, the Meadowlands Complex, and the new Atlantic City Convention Center. The East Hall project that is part of the old Atlantic City Convention Center will be funded

through contributions made by the casino industry. Likewise, the Monmouth Park Racetrack project will be supported by revenues from that facility.

The Wildwood Convention Center is a major effort by the Authority to revitalize the Cape May area. It will be designed and constructed by the Authority at a cost of \$55 million and will serve as an anchor for the city's tourist industry. The Center will be approximately 72,000 square feet and have the capacity to compete for current and future demands for convention space in the Cape May area.

OVERVIEW

Total Casino Revenue Fund revenues of \$347.6 are projected for fiscal 2001 and it is estimated that appropriations will exceed available resources by \$358 million. The total cost for Casino Revenue Fund eligible programs for fiscal 2001 is \$707.3 million, a \$29.4 million increase over fiscal 2000, or 4.3%. Because programs supported by the Casino Revenue Fund have grown considerably faster than revenues, the General Fund has had to share in the support of these programs. A principal cause is the fact that costs for the Pharmaceutical Assistance to the Aged and Disabled (PAAD) program continue to outpace revenues. PAAD costs are expected to grow 17% while Casino Revenues are expected to only grow by 3.5%.

The summary and projection chart at the end of this section illustrates Casino Revenue Fund revenues, the programs receiving Fund appropriations over the past several years, and those programs that were intended to have been funded through the Casino Revenue Fund, but were shifted to the General Fund due to insufficient resources of the Casino Revenue Fund. The Casino Revenue Fund appropriations that have been shifted to the General Fund and other funds over the past several fiscal years are detailed at the bottom of the chart.

SECURING SENIOR SERVICES

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

DESCRIPTION OF MAJOR PROGRAMS

The following program descriptions include those areas receiving major appropriations through the Casino Revenue Fund.

Property Tax Reduction: \$17.2 million

This appropriation provides a \$250 annual property tax reduction for senior and disabled homeowners whose annual income does not exceed \$10,000 (excluding Social Security or pension income in lieu of Social Security). The State annually reimburses

municipalities for the local tax loss resulting from these tax reductions.

Personal Assistance Services Program: \$3.7 million

The Personal Assistance Service program provides attendant care services, such as bathing, dressing, meal preparation, laundry, shopping, household management, and transportation to approximately 550 physically disabled clients.

Home Care Expansion Program: \$443,000

This 100% State funded program provides non-medical care to disabled persons, in their homes, as a means to prevent or postpone the need for long-term nursing home care. This program is available to individuals who have income and assets that exceed Medicaid eligibility thresholds.

Pharmaceutical Assistance to the Aged and Disabled (PAAD): \$229.9 million

The Pharmaceutical Assistance to the Aged and Disabled (PAAD) program provides payments to pharmacies for the cost of prescription drugs for eligible persons. PAAD income eligibility is now indexed to Social Security cost-of-living increases, which raises income eligibility to \$18,587 for single persons and \$22,791 for married couples. An additional \$49.5 million has been shifted to the General Fund and will be charged to the Tobacco Settlement Revenue.

Community Care Alternatives/SOBRA: \$3.3 million

The Community Care Alternatives program was established to consolidate components of the Community Care Programs for the Elderly and Disabled (CCPED) and other long-term care alternatives, and provides an alternative to institutional care for the elderly and disabled. Services available to elderly and disabled individuals in need of nursing home level care include case management, home health, homemaker services, medical day care, non-emergency medical transportation, respite care, and social day care.

The Sixth Omnibus Reconciliation Act (SOBRA) was created to expand Medicaid eligibility beyond its traditional limits and provide Medicaid services to more eligible people. SOBRA was originated in the Casino Revenue Fund, but, due to "crowding out," SOBRA related appropriations, of an estimated \$123.8 million, have been shifted to the General Fund.

Transportation Assistance: \$23.8 million

The New Jersey Transit Corporation administers transportation assistance for senior and disabled citizens primarily by providing support to counties for the development of accessible local transportation services.

**Sheltered Workshop Transportation:
\$2.4 million**

The Sheltered Workshop Transportation program in the Department of Labor's Division of Vocational Rehabilitation Services supports transportation expenses for individuals with severe disabilities. These individuals, many of whom require special transportation to get to and from work, cannot be absorbed in the regular labor market and have become extended employees of community rehabilitation programs.

Congregate Housing Support Services: \$1.9 million

This program provides elderly residents at various congregate housing sites subsidies for meals, housekeeping, and personal services. The goal is to keep the elderly from unnecessary institutionalization in nursing homes.

Lifeline Program: \$34.6 million

PAAD recipients are entitled to Lifeline home energy payments of \$225 annually per household. The Lifeline Tenant Assistance program helps pay home energy costs for renters. The Lifeline Credit program assists homeowners. In fiscal 2001, only the Lifeline Credit program is included.

**Residential Care Developmental Disabilities:
\$19.6 million**

The Division of Developmental Disabilities in the Department of Human Services provides a wide array of residential and support services for individuals in community settings. Residential programs include group homes, supportive living arrangements, supervised apartments, skill development homes, family care homes, and private institutional placements. Many individuals participate in an adult day program, which includes activities, supported employment, and extended employment programs. Day training services are provided for school-age children and Respite/Home Assistance programs provide the necessary supports for families.

Casino Revenue Fund

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

	<u>FISCAL</u> <u>1994</u>	<u>FISCAL</u> <u>1995</u>	<u>FISCAL</u> <u>1996</u>	<u>FISCAL</u> <u>1997</u>	<u>FISCAL</u> <u>1998</u>	<u>FISCAL</u> <u>1999</u>	<u>FISCAL</u> <u>2000</u>	<u>REC.</u> <u>2001</u>
Opening surplus	\$38.80	\$24.00	\$0.00	\$12.80	\$0.00	\$0.00	\$0.00	\$0.00
Revenues	264.9	301.8	305.7	313.7	325.5	325.0	335.7	347.6
Lapses and adjustments	17.3	4.4	6.8	0.0	0.0	3.2	1.8	1.7
TOTAL RESOURCES	\$321.0	\$330.2	\$312.5	\$326.5	\$325.5	\$328.2	\$337.5	\$349.3
PROPERTY TAX DEDUCTION	\$17.2	\$17.2	\$17.2	\$17.2	\$17.2	\$17.2	\$17.2	\$17.2
MEDICAL ASSISTANCE								
Personal assistance	3.4	3.5	3.6	3.7	3.7	3.7	3.7	3.7
Home care expansion	8.0	8.0	8.0	2.4	0.0	1.0	0.7	0.4
PAAD -- expanded	116.8	122.5	121.3	147.4	166.1	193.6	218.8 ¹	229.9 ²
Community care/SOBRA	43.2	71.7	48.6	18.5	0.8	14.2	3.3	3.3
Respite care	3.7	4.0	4.0	4.0	2.8	4.8	4.8	4.8
Hearing aid assistance	0.4	0.4	0.3	0.3	0.3	0.3	0.3	0.3
Statewide birth defects registry	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Health and Senior Services Admin.	4.0	3.6	0.2	0.6	0.6	0.9	0.9	0.9
LIFELINE CREDITS	43.1	43.2	41.9	76.3	76.3	34.6	34.6	34.6
TRANSPORTATION ASSISTANCE								
Senior citizens and disabled residents	19.2	19.4	19.8	21.1	22.2	22.5	22.8	23.8
Sheltered workshop transportation	1.4	1.7	1.7	2.4	2.4	2.4	2.4	2.4
HOUSING PROGRAMS								
Congregate housing support	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9
Safe housing and transportation	2.8	2.8	2.5	2.0	2.0	1.6	1.6	1.6
Developmental Disabilities	24.5	24.5	24.5	24.5	24.5	24.5	19.6	19.6
OTHER	6.9	5.3	3.7	3.7	4.2	4.5	4.4	4.4
TOTAL APPROPRIATIONS	\$297.0	\$330.2	\$299.7	\$326.5	\$325.5	\$328.2	\$337.5	\$349.3
ENDING SURPLUS	\$24.0	\$0.0	\$12.8	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
GENERAL FUND SUBSIDY								
Lifeline	\$37.6	\$36.0	\$39.4	\$0.0	\$0.0	\$36.2	\$36.2	\$36.2
SOBRA for Aged and Disabled	81.7	75.4	102.6	105.4	109.6	114.0	118.6	123.8
CCPED, Home Care Exp., Waivers	0.0	0.0	10.7	81.0	23.3	30.1	38.8	41.2
Personal Care	0.0	0.0	0.0	0.0	76.4	88.8	103.1	96.7
Senior Citizens Property Tax Freeze	0.0	0.0	0.0	0.0	0.0	0.0	23.7	10.6
PAAD -- expanded	0.0	0.0	0.0	0.0	0.0	0.0	20.0 ^a	49.5 ^b
VALUE OF PROGRAMS SHIFTED	\$119.3	\$111.4	\$152.7	\$186.4	\$209.3	\$269.1	\$340.4	\$358.0

Notes:

¹ Includes \$5.1 million of the supplemental appropriation of \$25.1 million; the remaining \$20 million of this amount has been shifted to the General Fund (see ^a) and charged to the Tobacco Settlement Trust Fund.

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

OVERVIEW

This Administration has a continuing commitment to develop a more efficient and streamlined State government. Efforts to limit the workforce have been balanced with the desire to minimize disruption to State programs and to individual employees. The number of full-time employees on the State payroll, excluding the county courts, has decreased by 2,993, or 4.6%, from the beginning of the Administration in January 1994 to January 2000.

These reductions were accomplished through a combination of attrition and layoffs. Attrition has occurred in cases in which employees voluntarily separated and have not been replaced. There are no layoffs planned for fiscal 2001.

FISCAL 2001 EMPLOYEE IMPACT

The fiscal 2001 Budget reflects a net growth of 647 positions, excluding the county courts.

Of the 647 positions, almost half (280) are recommended for the Department of Law and Public Safety to support State Police reform and to staff expanded juvenile facilities.

A total of 126 positions are recommended for the Department of Corrections, primarily to reduce overtime costs of custody food service and to expand training of correctional officers.

In the Department of Human Services, a total of 123 positions are recommended to staff the expansion of the Ann Klein Forensic Center and to increase placement of developmentally disabled persons into community residential settings.

The Department of Labor will receive 22 positions to ensure that public works contractors comply with labor laws.

A total of 21 positions are recommended for the Department of State to develop youth policies and programs, support student transfer and articulation from county colleges to senior public institutions, and increase public broadcasting services.

The Department of Environmental Protection will receive 16 positions for the maintenance of parks, dredging of coastal waterways, and reduction of greenhouse gas emissions.

The Department of Education will receive ten positions to support charter schools, urban school reform, and early childhood programs.

An additional 49 positions are recommended for various department initiatives in the Departments of Agriculture, Banking and Insurance, Health and Senior Services, Military and Veterans Affairs, Transportation, and Treasury.



PAID LEAVE FOR SCHOOL INVOLVEMENT

Volunteers can help make New Jersey schools a better place to learn

- Participating in special events: coaching, science fairs, career days
- Sharing a special skill or interest: helping with enrichment activities, guest speakers
- Helping teachers: lending a hand in the classroom
- Helping kids: mentoring, tutoring, helping with homework

State employees are encouraged to become involved in their child's school

- Offering **Paid Leave for School Involvement**
- Enables state employees to take up to two hours per month to volunteer
- If only 15% of the state's workforce volunteered, it would generate 240,000 hours of service to schools
- 240,000 hours of service have a value of about \$5 million

Workforce

FULL-TIME PAID EMPLOYEE COUNT COMPARISON (ALL FUND SOURCES)

DEPARTMENT/AGENCY	WHITMAN FIRST TERM BEGINS 1/21/94	AS OF JANUARY 1, 2000	JANUARY 1, 2000 vs JANUARY 21, 1994	
			DIFFER- ENCE	% DIFFER- ENCE
AGRICULTURE	240	245	5	2.08%
BANKING & INSURANCE	641	472	(169)	(26.37%)
CHIEF EXECUTIVE'S OFFICE	144	123	(21)	(14.58%)
COMMERCE	91	-	(91)	(100.00%)
COMMUNITY AFFAIRS	979	1,022	43	4.39%
CORRECTIONS	8,213	9,215	1,002	12.20%
- PAROLE BOARD	137	175	38	27.74%
EDUCATION	898	860	(38)	(4.23%)
ENVIRONMENTAL PROTECTION	3,651	3,203	(448)	(12.27%)
HEALTH	1,802	1,956	154	8.55%
HIGHER EDUCATION (CHANCELLOR'S OFFICE)	58	-	(58)	(100.00%)
HUMAN SERVICES	19,608	17,427	(2,181)	(11.12%)
LABOR	3,623	3,546	(77)	(2.13%)
- PUBLIC EMPLOYEES RELATIONS COMMISSION	35	38	3	8.57%
LAW & PUBLIC SAFETY	6,063	6,666	603	9.95%
- ELECTION LAW ENFORCEMENT COMMISSION	31	38	7	22.58%
- VIOLENT CRIMES COMPENSATION BOARD	58	50	(8)	(13.79%)
- EXECUTIVE COMM. ON ETHICAL STANDARDS	7	7	-	0.00%
- JUVENILE JUSTICE	1,059	1,439	380	35.88%
MILITARY AND VETERANS' AFFAIRS	1,470	1,426	(44)	(2.99%)
PERSONNEL	634	422	(212)	(33.44%)
STATE	191	185	(6)	(3.14%)
- COMMISSION ON HIGHER EDUCATION	17	23	6	35.29%
- PUBLIC BROADCASTING AUTHORITY	169	149	(20)	(11.83%)
- STUDENT ASSISTANCE	178	191	13	7.30%
TRANSPORTATION	4,531	3,800	(731)	(16.13%)
- DIVISION OF MOTOR VEHICLES	2,321	1,271	(1,050)	(45.24%)
TREASURY	3,503	3,599	96	2.74%
- CASINO CONTROL COMMISSION	369	325	(44)	(11.92%)
- COMMERCE & ECON. GROWTH COMMISSION *	-	117	117	100.00%
- COMMISSION ON SCIENCE & TECHNOLOGY	6	8	2	33.33%
- OFFICE OF ADMINISTRATIVE LAW	153	115	(38)	(24.84%)
- OFFICE OF INFORMATION TECHNOLOGY	1,294	996	(298)	(23.03%)
- PUBLIC DEFENDER	900	901	1	0.11%
- BOARD OF PUBLIC UTILITIES	303	292	(11)	(3.63%)
MISCELLANEOUS EXECUTIVE COMMISSIONS	-	2	2	100.00%
SUBTOTAL EXECUTIVE BRANCH	63,377	60,304	(3,073)	(4.85%)
LEGISLATURE	479	484	5	1.04%
JUDICIARY (ADM. OFFICE OF THE COURTS)	1,655	1,730	75	4.53%
STATEWIDE TOTAL	65,511	62,518	(2,993)	(4.57%)
JUDICIARY (COUNTY COURTS)*	N/A	7,308	N/A	N/A
COLLEGES AND UNIVERSITIES	25,053	25,792	739	2.95%

*** NOTE:**

- The State takeover of the County Courts was implemented in January of 1995
- The Department of Commerce and Economic Development was reorganized effective September 1, 1998 as the New Jersey Commerce and Economic Growth Commission (in-but-not-of the Department of Treasury).

Interdepartmental Accounts

INTERDEPARTMENTAL ACCOUNTS FISCAL 2001 RECOMMENDED BUDGET (In Thousands)	
General Fund	
Direct State Services	\$ 1,209,193
Grants-In-Aid	511,006
Capital Construction	231,689
Total General Fund	\$ 1,951,888
Grand Total State Recommendation	\$ 1,951,888

OVERVIEW

The fiscal 2001 Budget for all Interdepartmental Accounts totals \$1.952 billion, an increase of \$180.8 million, or 10.2%, over the fiscal 2000 adjusted appropriation of \$1.771 billion. The Interdepartmental Accounts provide funds for the cost of certain services that are administered centrally on behalf of all agencies of State government.

The focus of this section, with a recommended budget of \$1.400 billion, is on interdepartmental salary contract funding, employee benefits, and other obligations and initiatives that benefit all State departments ranging from short-term funding costs to major investments in technology. This represents an increase of \$113 million, or 8.8%, over the fiscal 2000 adjusted appropriation of \$1.287 billion.

Highlights of the remaining Interdepartmental Accounts, including property rentals, utilities, insurance, and capital, with a budget recommendation of \$552 million, are discussed in the Capital Investments and Property Management section of this document.

SALARY INCREASES FOR STATE EMPLOYEES

The State, excluding higher education's senior public institutions, employs approximately 72,800 full-time and part-time workers, including those currently on paid or unpaid leave. The State is covered by the New Jersey Public Employer-Employee Relations Act, as amended, NJSA 34:13A-1, et seq. This Act guarantees public employees the right to negotiate collectively

STATE EMPLOYEE UNION AFFILIATION	Full-time & Part-time Employees*
<u>Unions</u>	
Communications Workers of America (CWA)	32,300
Judicial Employee Unions	8,300
American Federation of State, County and Municipal Employees (AFSCME)	8,200
Policemen's Benevolent Association (PBA)	7,400
International Federation of Professional and Technical Engineers (IFPIE)	5,000
State Troopers Fraternal Association (STFA)	2,600
Total	63,800
*Excludes hourly & special services employees	

through employee organizations certified or recognized as the exclusive collective negotiation representatives for units of public employees. As of January 2000, 87.6%, or 63,800, full-time and part-time state employees are represented by unions.

Employee Contract Status

Contracts with the American Federation of State, County and Municipal Employees (AFSCME), International Federation of Professional and Technical Engineers (IFPTE), and Communication Workers of America (CWA), which collectively represent 45,500 employees, expired on June 30, 1999. Their current contracts, ratified during the summer and fall of 1999, are effective from July 1, 1999 to June 30, 2003.

These agreements will result in the following increases in fiscal 2001:

- AFSCME: 2.5% across the board (ATB) increase in July plus a minimum \$450 bonus
- CWA: 3.5% ATB increase, 2% to be paid in July plus 1.5% in January
- IFPTE: 3.0% ATB increase in July plus a minimum \$450 bonus

In addition, eligible employees represented by these unions will continue to receive annual increments.

The contract with the Policemen's Benevolent Association (PBA) also expired on June 30, 1999;

Interdepartmental Accounts

negotiations are still underway between the State and PBA.

The December 1998 agreement with the State Troopers Fraternal Association (STFA) runs through June 30, 2000. During fiscal 2000, members of this union received ATB increases of 3.5% in July and 1.5% in January. With the exception of increments for eligible employees, no increases will be funded for these employees in fiscal 2001 until a new agreement is ratified.

All agreements with Judiciary-related unions expire on June 30, 1999 or June 30, 2000; new agreements have not yet been reached. The Judiciary recently implemented a new classification and compensation system that replaces increments, which were paid to eligible union employees, with progression increases based on employee performance.

FISCAL 2001 BUDGETED SALARY INCREASES

In fiscal 2001, \$160.7 million is recommended for Salary Increases and Other Benefits, an increase of \$98.5 million over fiscal 2000. This includes \$69.6 million to cover fiscal 2001 employee increments, progressions, and across the board raises for all eligible employees, and bonuses according to contractual agreements. Also included is \$5.6 million to fund fiscal 2001 salary increases based on the Legislature's recent action.

The fiscal 2001 Budget total also includes \$50.5 million for across the board increases and bonuses for employees represented by unions whose contracts settled, or are expected to settle, after the start of fiscal 2000. Also included is \$4.6 million to fund fiscal 2000 salary increases based on the Legislature's recent action. Normally, funding in the Interdepartmental Accounts is allocated annually to the departments, where it becomes part of each agency's adjusted appropriation. However, at the time the fiscal 2000 appropriation was finalized, the cost associated with these ATBs and bonuses could not be accurately determined for the contracts not yet settled. Since the additional costs for fiscal 2000 will require a supplemental appropriation, the \$55.1 million will be carried in the fiscal 2001 Interdepartmental Accounts rather than in each agency's base budget.

In fiscal 2000, funding for the State's 12 colleges and universities' salary increases was included in the recommendations for Higher Education. In fiscal 2001, \$23.4 million of funding for these salary increases is included in the Interdepartmental Accounts.

In addition to salary increases, this section of the Budget continues to provide \$7 million for payment of unused accumulated sick leave. Employees are permitted to accumulate earned sick days. Upon retirement, the retiree is paid for unused sick days at 50% of the normal pay rate, up to a maximum amount of \$15,000.

EMPLOYEE FRINGE BENEFITS

In order to keep the State's workforce competitive, it must be able to attract and retain qualified employees. To accomplish this objective, the State offers its employees competitive salaries and attractive benefit packages, including a wide variety of medical and dental plans, defined benefit and defined contribution pension plans, and a deferred compensation program. While State or federal law mandates some of these benefits, others are the result of negotiations with unions representing various employee groups. Members of the State workforce contribute toward most of their benefits, either directly through payroll deductions or through co-payments or deductibles.

For fiscal 2001, a total cost of \$1.255 billion is budgeted to provide fringe benefits to employees of State government and higher education institutions, an increase of \$91.8 million, or 7.9%, compared to fiscal 2000. This \$91.8 million increase includes growth of \$34.3 million for employee retirement costs, \$35.9 million for health benefits, and \$21.6 million for employer payroll taxes.

The actual recommended appropriation for fiscal 2001 is \$52 million less than the budgetary needs due to reimbursements from the State's medical school. Fringe benefit costs for primary and secondary schools as well as community colleges are included in the State Aid and Local Taxpayer Relief section of this document.

Interdepartmental Accounts

The major components of the Direct State Services and Grants-In-Aid costs for employee fringe benefits are reflected in the chart below.

	Adjusted Approp. Fiscal 2000	Recommendation Fiscal 2001
	(\$ in millions)*	
Employee Retirement	\$186.5	\$220.8
Health Benefits	602.3	638.2
Employer Payroll Taxes	374.8	396.4
Subtotal	1,163.6	1255.4
Fringe Reimbursements	-	(52.0)
Total Employee Benefits	\$1,163.6	\$1,203.4

*Includes Direct State Services and Grants-In-Aid

Employee Retirement

All State employees and most employees of counties, municipalities, and school districts are members of one of the seven State retirement systems. The Public Employees' Retirement System (PERS) and the Teachers' Pension and Annuity Fund (TPAF), created by acts of the State Legislature in 1920 and 1919, respectively, are the major plans in terms of membership. The Police and Firemen's Retirement System (PFRS), created in 1944, covers State, county, and municipal police and firefighters.

State law regulates administration of the retirement systems. The law provides that all defined benefit pension plans are subject to actuarial valuation every year and actuarial experience studies every three years. Such valuations and studies ensure that these programs are adequately funded and recognize the costs resulting from experience and legislative changes in benefits paid.

The State's total cost for fiscal 2001, including actuarially determined normal costs, post retirement medical costs for PERS and TPAF State employees, and debt service payments on the pension obligation bonds, is projected at \$439.1 million. Of this total amount, the entire normal contribution of \$218.3 million for the defined benefit plans will be offset by surplus assets resulting from the Pension Security Program. The net result is a fiscal 2001 recommended appropriation of \$220.8 million, an increase of \$34.3 million over fiscal 2000. Approximately \$25 million of this increase is

attributable to pension bond debt service cost savings that were recognized in fiscal 2000 and will not be available again in fiscal 2001.

The net pension recommendation of \$220.8 million includes \$75.9 million of post retirement medical costs for the Public Employees' Retirement System and \$87.6 million of defined contribution costs for the Alternate Benefits Program. Another \$2.6 million is appropriated for pension funds and other specially legislated retirement provisions. Scheduled debt service payments on the pension obligation bonds for State and higher education employees total \$54.7 million in fiscal 2001.

Full funding of the retirement systems as well as the availability of significant asset surpluses will again translate to lower pension contribution rates for many employees in fiscal 2001. Contributions for all members of TPAF will be decreased again this year by 0.5%, resulting in fiscal 2001 savings of approximately \$28.9 million. As a result of recent legislation, contributions for State members of PERS will decrease by 2%, with employee savings of \$66.1 million.

Employee Health Benefits

The cost for health benefits, including medical, prescription drug, dental and vision, for State and higher education employees in fiscal 2001 is projected at \$638.2 million. This is a net increase of \$35.9 million, or approximately 6%, above the fiscal 2000 adjusted appropriation of \$602.3 million.

This growth is a result of anticipated rate increases for all State health plans, reflecting continued cost escalation in the health care industry. Significant industry trends causing these increases include aggressive advertising of brand name pharmaceuticals, slower growth in managed care enrollment, a movement towards less restrictive forms of managed care, and an aging workforce that requires more medical services.

The State has instituted several programs during the past few years to combat these rising medical costs and make employee health care programs more efficient than ever. These existing and proposed programs are summarized below:

- The Participating Physician Network - The State, through a third party administrator, has

Interdepartmental Accounts

access to an extensive network of doctors, hospitals and other health care providers that are required to furnish significant discounts to employees using their services.

- **Premium Sharing** – Consistent with practices in the private sector and most state governments, the State is requiring additional premium cost sharing from its employees. Effective July 1, 2000, all participants in the traditional health program will pay 25% of the premium cost for their coverage; members of the various Health Maintenance Organizations (HMOs) will contribute 5% of the premium cost. NJ Plus coverage will continue to be free for both employees and dependents.
- **Self-Funding of Health Plans** – For many years, the State has successfully self-funded its traditional indemnity plan and NJ Plus managed care plan. This self-funding approach reduces administrative costs by eliminating insurance company charges and certain premium taxes. Many of the State's HMOs are now being self-funded.

Employer Payroll Taxes

The fiscal 2001 recommendation of \$396.4 million, for employer payroll taxes represents an increase of \$21.6 million, or 5.8%, over fiscal 2000. This increase includes \$382.4 million for the State's

portion of the Social Security tax, \$7.5 million for Temporary Disability Insurance (TDI) and \$6.5 million for Unemployment Insurance (UI) liability. The taxable wage base for Social Security will increase from \$72,600 to \$76,200 in calendar year 2000. The taxable wage base for TDI and UI will increase from \$20,200 to \$21,200.

OTHER INTERDEPARTMENTAL

The fiscal 2001 Budget for other interdepartmental accounts totals \$36.2 million, a decrease of \$25.3 million, or 41.2%, less than the fiscal 2000 adjusted appropriation of \$61.5 million.

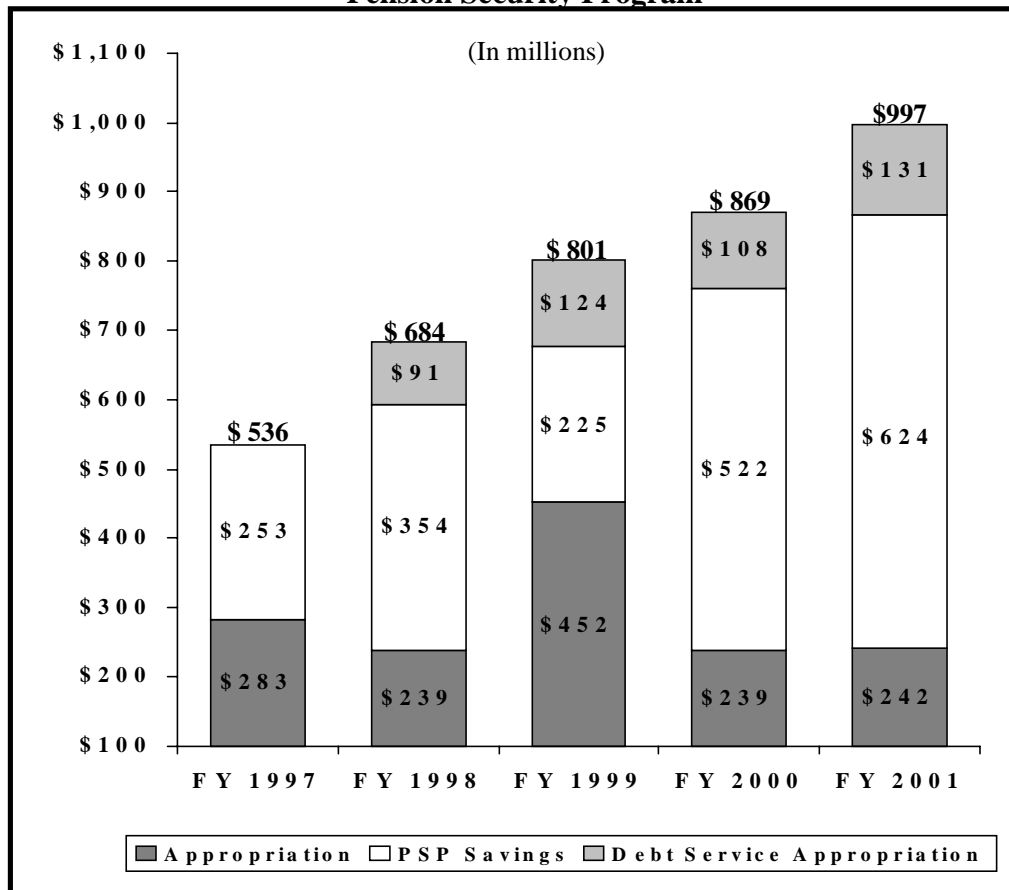
The decline is attributed to \$25 million in one-time emergency funds for flood and drought relief. One of the major services included in fiscal 2001 is \$15.8 million for the Statewide 911 Emergency Telephone System.

The remaining interdepartmental needs for fiscal 2001 include \$3 million for interest on interfund borrowing and \$5.2 million for several smaller programs that cross interdepartmental areas. Additionally, this budget provides \$12.2 million for information technology. Highlights of the information technology initiatives are discussed in the Investing in the Information Technology section of this document.

FULL FUNDING FOR STATE RETIREMENT SYSTEMS

The New Jersey Pension Security Program will result in budgetary savings of nearly \$2 billion through fiscal 2001. This program has allowed the State to fully fund its defined benefit pension systems and to eliminate unfunded accrued liabilities. Associated employee savings will be approximately \$244 million for the same period.

**Costs and Savings
Pension Security Program⁽¹⁾**



⁽¹⁾ Includes actuarially determined normal costs, post retirement medical costs, and debt service costs for Public Employees' Retirement System, Teachers' Pension and Annuity Fund, Police and Firemen's Retirement System, State Police Retirement System, Judicial Retirement System, Prison Officers' Pension Fund, and Consolidated Police and Firemen's Pension Fund. Dollars for fiscal 1997-1999 are actuals; fiscal 2000 are estimated and fiscal 2001 are projected.

Investing in Information Technology

INFORMATION TECHNOLOGY FISCAL 2001 RECOMMENDED BUDGET (In Thousands)	
Office of Information Technology	
Operating Budget	\$101,713
Capital Investments*	11,015
Grand Total State Recommendation	\$112,728
New Jersey Technology Investments	\$37,000
Agency Specific Projects *	\$27,390
*Some funding related to NJ Technology Investments is also included within the capital and agency projects totals.	

OVERVIEW

The fiscal 2001 Budget for the Office of Information Technology totals \$112.7 million, an increase of \$12.7 million, or 13%, over the fiscal 2000 adjusted appropriation. Related information technology funding consists of \$37 million for New Jersey Technology Investments for the design and implementation of the components to transform New Jersey into the Online State, and \$27 million for new or increased funding for ongoing agency information technology specific projects.

FISCAL 2001 BUDGET

Continuing to demonstrate the commitment to make New Jersey the Online State, \$37 million is recommended for New Jersey Technology Investments which will benefit all state departments and help position New Jersey to enter the 21st Century.

The following initiatives are included:

- \$16.5 million in capital funding for necessary upgrades and improvements to the Garden State Network—the State’s information highway
- \$9.3 million in direct state services and capital funds for design, implementation and infrastructure upgrades for E-Government—doorways through which citizens, businesses, and governments can enter and quickly reach the information they need
- \$900,000 for research and design to improve the management of data utilized in the provision of services to citizens, businesses, and local governments

- \$8 million for upgrades to the state’s large mainframe computers
- \$2.3 million in capital funds in the Department of Health and Senior Services for development and implementation of the E-Public Health initiative

The Office of Information Technology operating budget for fiscal 2001 is recommended at \$101.7 million, an increase of \$14 million, or 17.2%, over fiscal 2000. This includes funding of \$6.4 million for higher maintenance charges associated with previous upgrades to the State’s mainframe computers. The increase also includes \$3.2 million for rising telecommunications charges and additional funding of \$4.4 million to address contractual salary increases and 10 new staff in connection with GovConnect and Enhanced 911 services.

Funding for new agency-specific projects or increased needs for ongoing projects totaling \$27 million is also recommended. This funding in the respective agencies will address such projects as the Department of Environmental Protection’s environmental management system, enhanced technology enabling State Police reform, and a number of other technology projects.

The State of New Jersey has the unprecedented opportunity to make significant strides in how it provides services and information to its citizens. Effective use of rapidly changing technology allows the state to offer citizens and businesses greater choices as to how they can interact with government. The Chief Information Officer (CIO) and the Office of Information Technology (OIT) are working to implement measures moving us in this direction.

YEAR 2000 REMEDIATION

The State of New Jersey took a proactive approach in its preparation for the Year 2000. The majority of the work focused on “mission critical” systems, i.e., those systems listed as top priority to ensure the delivery of crucial public services.

Over the past three fiscal years, \$63.9 million was appropriated centrally for Y2K remediation costs, and agencies were responsible for the remainder of the total estimated remediation cost of \$120 million. State systems encountered no Y2K-related computer failures on January 1, 2000, and there were no disruptions in services to the citizens of New Jersey. Remediation has been a success, and this proactive

approach will serve as a model in helping to achieve the State's technology goal to become the Online State.

STATEWIDE INITIATIVES

In fiscal 2000, all departments participated in an Information Technology (IT) Strategic Planning process resulting in the development of departmental strategic plans for technology. These plans were then incorporated into the Executive Statewide IT Strategic Plan—providing IT solutions for common business needs. Three major statewide initiatives were identified: improving the State's information highway, providing online access to State services, and managing State data.

The fiscal 2001 Budget provides funding for initiatives which will transform New Jersey into the Online State:

Garden State Network Improvements (GSN)

In order to support the many ongoing and planned applications, both by OIT and the agencies, the State's information highway must be a reliable online service. \$16.5 million in capital funding is being made available to continue necessary improvements to the GSN. These improvements will also upgrade the departmental connections to the GSN. This recommendation promotes the concept of statewide regional "server farms." Grouping or consolidating large enterprise-type servers into "farms" allows for equipment standardization thus enabling the network to run faster and to process transactions more efficiently. The CIO and the majority of the larger information technology-using departments will be asked to enter into agreements that the purchase of all new large servers will be done through this consolidated process thereby ensuring statewide compatibility and standardization.

E-Government Implementation

Although there are online applications available now, the concept of a "portal," which will take a customer into all applicable online services, needs to be developed. Funding for the design and implementation of portals or doorways where citizens, businesses, and governments can transact business online in a secure environment is recommended at \$9.3 million. Included is funding of \$800,000 for portal and e-payment capability inventory and design, \$2.5 million for digital government certificates which ensure the security of online transactions and \$3.5 million in capital funding for hardware purchases associated with implementation of certificates. Standardization and

savings for the agencies will be achieved through volume purchase of certificates. Included in the OIT capital recommendation is \$2.5 million for equipment purchases to ensure that the infrastructure upon which E-Government transactions will process is current and capable of handling this increased business.

The Department of Health and Senior Services' initiative, E-Public Health, is also a part of making New Jersey the Online State. \$2.3 million of capital funding is included in this budget to develop and begin implementation of this statewide health network.

Data Integration, Sharing, and Management

\$900,000 is recommended in this fiscal year's budget to fund an assessment and design study of the State's data management needs. The State maintains a massive amount of information. This data is kept in a variety of databases and configurations. Integration of this data will allow for better management and sharing of common data by agencies.

Information Technology Equipment Upgrades

The number of transactions occurring electronically has increased greatly over the past fiscal year. The State's large mainframe computers must have the capacity to handle all of this increased traffic. \$8 million is being made available in fiscal 2001 for necessary upgrades to the State's mainframe computers.

OFFICE OF INFORMATION TECHNOLOGY

The Office of Information Technology's mission is to ensure the effective use of information technology throughout State government. OIT provides enterprise-wide leadership and technical support for the State's use of information technology. OIT is responsible for providing a wide range of information technology services to State agencies and other partners of State government. These include Internet-based application planning and development, wide and local area network planning, design, and management, data center operations, general application planning and development, end-user support, and a combination of consulting and project management functions.

Transition 21

OIT's Strategic Plan sets forth a comprehensive strategy to support the IT needs of state government and achieve synergies through an enterprise-wide approach to information management and

Investing in Information Technology

telecommunications. The OIT Strategic Plan focuses on the following five strategic directions based on the enterprise strategic plan: transforming OIT into a client-focused broker of effective IT solutions; promoting a flexible and highly cost-effective IT infrastructure; enhancing government service delivery through innovative IT uses; sustaining a highly competent, well-motivated staff; and continually improving OIT's internal systems and procedures.

Focus areas

OIT has identified major focus areas within which work has already been accomplished and future work needs to be done. Several of these areas coordinate with and complement the work needed for the enterprise initiatives identified above.

Network Upgrades and Security—New Jersey needs a high-speed reliable network to provide Internet-based applications and digital government. The Garden State Network supports every State IT project that uses network connectivity. In order to meet the increasing demands on the GSN, several upgrades have been completed, bandwidth has been increased, and the mainframe has been upgraded. Funding of \$8 million is included in the fiscal 2001 Budget for any additional upgrades. Security issues are being addressed through the use of Public Key Infrastructure (PKI): encrypting messages, sending digital signatures, and providing user identification.

E-Government—The highly successful New Jersey Saver Tax Rebate Program in fiscal 2000 serves as a prime example of the potential of E-Government to provide citizens and the State with electronic interaction. OIT and its client agencies are developing online employment filing, small business registration, and other applications.

Data Sharing and Integration—It is common in state government for each agency to maintain a separate database for data management. New Jersey's citizens may have to submit the same information in a number of formats. OIT will be working with the CIO, in the enterprise data management initiative, to consolidate generic information into one large database that is accessible to every state agency. One-Ease E-Link (OEL) is an example of a current data sharing and integration project. This partnership of the Departments of Labor, Human Services, and Health and Senior Services, local governments, and not-for-profit collects common eligibility screening and case management data using a software package to integrate their data.

Geographic Information System Technology (GIS)—The state is currently organizing digital geographic information to develop a coordinated network of GIS capacity across the state. This will result in a network of shared data and tools that support many of the daily decisions that cut across agencies at all levels of government. Through the Office of GIS, a home base has been created to enable State agencies to develop, maintain, and share statewide geographic data sets and knowledge. This will improve efficiency in government and maximize the use of GIS technology as a decision-making, mapping, and support tool.

CAPITAL RECOMMENDATIONS

This budget recommends a total of \$11 million for OIT, of which \$2.5 million was previously discussed as part of New Jersey Technology Investment. The funds will be used for acquisition of data-processing equipment to upgrade and improve operations. Included in the \$11 million are \$4.9 million to consolidate two data centers and \$3.6 million for the upgrade of facilities and purchase of information technology equipment in support of operations.

DEPARTMENTAL INITIATIVES

The recommended fiscal 2001 Budget for department-specific information technology projects is \$27 million.

Agriculture

\$450,000 in capital funding is recommended to replace wiring in the Health and Agriculture building enabling the department to support web-based applications.

Community Affairs

\$775,000 in funding is recommended to continue the replacement of all internal systems, enabling the department to communicate electronically, both internally and with other governmental units.

Education

\$2.2 million additional funding to continue the efforts in bringing the distance learning network to the state's schoolchildren.

Environmental Protection

\$1.9 million is recommended for completion of the New Jersey Environmental Management System (NJEMS).

Health and Senior Services

\$665,000 in capital funding is recommended for building wiring upgrades in conjunction with the Department of Agriculture project. \$450,000 in capital funding is also recommended for computerized laboratory equipment. \$2.3 million for E-Public Health is discussed above.

Human Services

\$3.5 million in capital funding is recommended for development and implementation of the Statewide Automated Child Welfare Information System (SACWIS).

Judiciary

\$3.9 million is recommended for the rewrite of the Family Automated Case Tracking System and for the development and testing of electronic filing in Civil-Law Division and dissolution cases.

Law and Public Safety

\$7.3 million is recommended to continue multi-year implementation of enhancements to the State Police recommended to match municipal contributions to purchase necessary equipment to connect to the National Crime Information Center and \$350,000 is recommended to purchase a comprehensive case tracking system for the Division of Civil Rights.

State

\$300,000 is recommended for a new integrated archives and records management data processing system.

Transportation

\$700,000 of additional funding is recommended to continue support of the digitized license initiative.

BUSINESS INCUBATORS

Growing Strong Technology Businesses for New Jersey

New Jersey is increasing the network of technology business incubators from seven to 17.

These innovative and entrepreneurial enclaves are administered through New Jersey's universities and colleges.

Incubators provide start-up firms and small businesses with critical assistance including low cost office, light manufacturing and laboratory facilities.

Economic Success To Date

Number of firms operating in NJ business incubators	111
Number of people employed by incubator tenants	478
Job growth of tenants while in incubator	211%
Total revenue of incubator clients	\$38.5 million
Number of firms graduated to date	104
Number of graduated firms still in business in NJ	80
Average length in incubation	2.3 years
Success rate of graduated companies	77%

Agriculture

AGRICULTURE FISCAL 2001 RECOMMENDED BUDGET (In Thousands)	
General Fund	
Direct State Services	\$ 10,150
Grants-In-Aid	3,204
State Aid	9,067
Capital Construction	<u>600</u>
Total General Fund	<u>\$ 23,021</u>
Grand Total State Recommendation	<u>\$ 23,021</u>

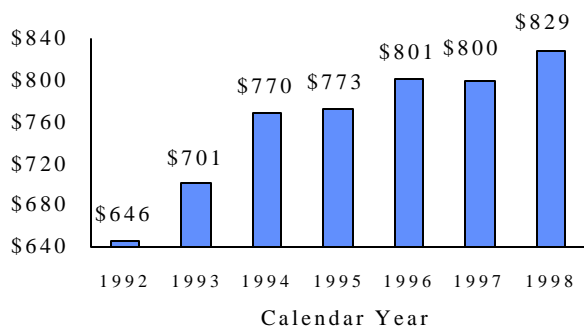
OVERVIEW

Excluding a \$20 million decrease attributable to the one-time cost of tropical storm and drought relief, the fiscal 2001 Budget for the New Jersey Department of Agriculture represents an increase of \$205,000 or .9%.

Most recent figures, as of fiscal 1998, indicate that the State's 9,600 farms covered 830,000 acres of land and brought in cash receipts totaling over \$828 million. The average per acre value of New Jersey farmland was \$7,000 in fiscal 1998, the highest average value in the nation.

The nursery, greenhouse, and sod industry remained the leading commodity group in New Jersey agriculture with cash receipts of \$299 million. Cash receipts for vegetables totaled almost \$201 million, followed by fruit at nearly \$100 million, and equine at \$97 million. Field crops brought in over \$58 million while cash receipts for the State's dairy industry were almost \$45 million; poultry and eggs brought in just over \$25 million.

**Cash Receipts From
New Jersey Farm Commodities**
(in millions)



The Department offers a number of programs that provide hundreds of thousands of nutritious meals every day to school children, the needy, and the institutionalized.

The Department's major responsibilities are to

- preserve farmland;
- expand domestic and foreign markets for New Jersey's agricultural products;
- protect livestock, food crops, and other plant resources from pests, disease, and contaminants;
- conserve soil, water, and natural resources through non-point source pollution and erosion control programs; and
- supply New Jersey's schools and non-profit organizations with federally donated food commodities.

Highlights of recent Department initiatives and accomplishments:

- Preserved an estimated 60,000 acres under the Farmland Preservation program as of January 31, 2000
- Served 84,000 breakfasts to children under the School Breakfast program
- Promoted awareness and consumption of New Jersey produced agricultural products under the Jersey Fresh Marketing program
- Improved the quality of New Jersey's waterways and ground water under the Conservation Cost Share program
- Continued support for the Right to Farm program
- Expanded the Johne's Disease program, which assists the State's dairy farmers
- Encouraged the aquaculture industry
- Expanded the Plant Pest Detection program

The establishment of the Garden State Preservation Trust in 1999 helped to focus public attention on the importance of a strong, productive agricultural industry. Both residents and visitors enjoy the open space, beautiful scenic vistas, and environmental benefits, such as wildlife habitats and groundwater recharges that agriculture provides.

During fiscal 2000, the Farmland Preservation program, administered by the State Agriculture Development Committee and fueled by the new stable funding source, increased the amount of acreage permanently preserved to 60,000 acres with another 10,000 acres in process.

With a \$1.9 million special initiative begun in fiscal 2000, the Department continues the critical process of increasing the number of school districts statewide that participate in the federally reimbursed school breakfast program. The benefits of the program are well documented and will help New Jersey's school children become better students and, ultimately, better citizens.

The increase of the Jersey Fresh Matching Grant program to \$250,000 in fiscal 2001 will create nearly \$1 million worth of additional publicity for the Garden State's home-grown products, festivals, tours, and other promotional efforts at the local level.

In the face of the devastation caused by the almost unprecedented drought that hit New Jersey's farms during the summer of 1999, the Department administered the \$20 million 1999 Drought Relief Grant program, which was designed to help offset some of the losses suffered by producers. Beginning in July, the Department also staffed a special toll-free agricultural drought hotline to help producers with a variety of drought-related problems from credit extensions to domestic crises.

FISCAL 2001 BUDGET

The Department's recommended fiscal 2001 Budget is \$23 million. The fiscal 2001 proposed budget continues several important and effective department initiatives.

Second year funding for the ongoing School Breakfast program, combined with \$23.1 million in federal dollars, will increase the number of school breakfasts served to school age children in districts participating in the program. This state funding is expected to increase the number of students receiving school breakfasts by approximately 5,300 or 5%.

The Jersey Fresh Marketing program remains level funded at \$1.2 million and thus will continue to promote the awareness and consumption of New Jersey produced agricultural products on a state, regional, and international basis.

The Conservation Cost Share program is recommended to remain at \$2 million in fiscal 2001. This appropriation includes \$1.2 million appropriated to the Department of Agriculture in Grants-In-Aid and an additional \$850,000 transferred from the Department of Environmental

Protection's Water Resources Monitoring and Planning-Constitutional Dedication account. This program is expected to permit the funding of financial and technical assistance to farmers who implement conservation practices on their farm operations to help control non-point source pollution on their land. This important program helps to improve the quality of New Jersey's waterways and ground water.

The proposed fiscal 2001 Budget also continues support for the Right to Farm program which assists County Agriculture Development Boards in settling complaints between farmers and their suburban neighbors.

Another \$75,000 is provided to expand the three-year-old Johne's Disease testing program which the department has been offering to dairy farmers in conjunction with the New Jersey Agricultural Extension Service. Johne's Disease affects milk production in dairy cows and is always fatal to the animal. The additional funding will support a voluntary program for testing all New Jersey dairy herds, with the intention of reducing and eventually eliminating the disease and its economic impact on the State's dairy farmers.

The proposed budget also recommends a special \$100,000 Plant Pest Detection program to augment current inspections for foreign plant pests and diseases at New Jersey ports-of-entry as well as at commercial locations throughout the state. These exotic pests pose growing serious economic and aesthetic threats to the State's agricultural industry, forested lands, and residential properties because of the expansion of international trade and travel.

CAPITAL RECOMMENDATIONS

This budget recommends \$600,000 to fund two capital projects. The first will replace one boiler and two cooling towers at the Phillip Alampi Beneficial Insect Laboratory for \$150,000. The second capital project will replace data network wiring and associated equipment on those floors of the Health and Agriculture Building utilized by the Department of Agriculture; it will cost \$450,000. Due to the nature of these recommendations, a change in operating costs is not anticipated.

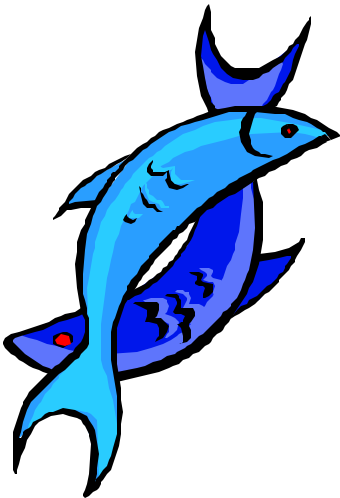
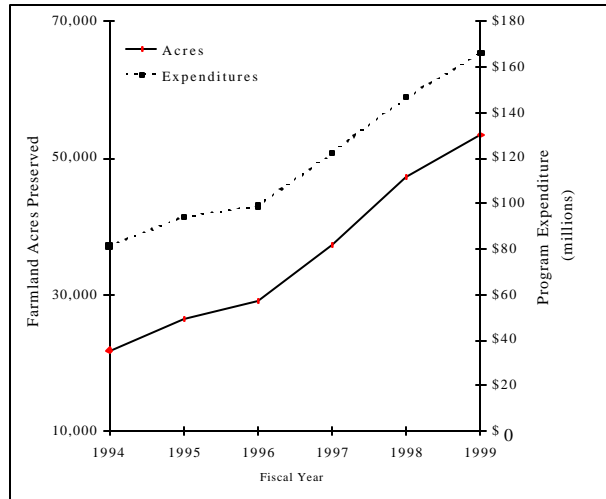
FARMLAND PRESERVATION

The State Agriculture Development Committee (SADC), which administers the Farmland Preservation program, has primary responsibility for the farmland preservation component of the 1998 constitutional dedication of funding for open space, farmland, and historic preservation. These funds will be used to provide grants to counties, municipalities, and non-profit groups to purchase farmland and development easements, as well as for direct state acquisition of farmland, to accomplish the goal of preserving 500,000 acres of farmland in the next decade. The SADC continues to encourage potential donors to pursue the federal tax benefits of the donation of farmland preservation easements.

The proposed budget also provides a \$475,000 increase in the SADC's administrative budget to cover additional staff and administrative expenses related to a minimum five-fold increase in acquisition funding resulting from the Garden State Preservation Trust Act, the implementation of three new funding programs, and a greater emphasis on

the more labor-intensive fee simple program in which the SADC acquires farms and auctions them to private owners with agricultural deed restrictions.

**Farmland Preservation
Acres Preserved and Expenditures
(Cumulative)**



AQUACULTURE DEVELOPMENT

The New Jersey Aquaculture Development Act was signed into law in 1997 to support "farming" of fish, mollusks, crustaceans, and aquatic plants.

Aquaculture has a long history in New Jersey: oyster culture was underway at the beginning of the 1800's, and a private trout hatchery operated in the 1860's.

New Jersey's 30 aquafarms and seven hatcheries are an important way to meet increased demand for quality fish and seafood.

The economic contribution of aquaculture to New Jersey is over \$84 million annually.

The major species presently cultured in New Jersey is the hard clam, which has risen from 11,000 bushels in 1990 to 59,000 bushels in 1998.

BANKING AND INSURANCE	
FISCAL 2001 RECOMMENDED BUDGET	
(In Thousands)	
General Fund	
Direct State Services	\$ 60,575
Total General Fund	<u>60,575</u>
Grand Total State Recommendation	<u>\$ 60,575</u>

OVERVIEW

The fiscal 2001 Budget for the Department of Banking and Insurance totals \$60.6 million, an increase of \$1.2 million, or 2.1%, over the fiscal 2000 adjusted appropriation of \$59.3 million. This increase reflects additional support for actuarial services, supervision, and examination of financial institutions, and financial examinations of Health Maintenance Organizations (HMOs).

The Department regulates the insurance and banking industries. The Department will continue efforts to eliminate duplicative regulatory demands and streamline consumer-related financial services provisions.

The Division of Banking's major responsibilities are to

- examine and regulate State-chartered banks and savings and loan associations, credit unions, consumer loan companies, mortgage bankers and brokers, insurance finance companies, and pawnbrokers;
- license consumer lenders;
- review and process applications for charters, branches, relocations, acquisitions, mergers, bulk sales, stock conversions, and auxiliary offices; and
- investigate written complaints filed by consumers against State-regulated financial institutions.

The Division of Insurance's major responsibilities are to

- ensure that fair and equitable insurance markets exist to provide full availability of reliable insurance coverage;

- protect the public from unlawful or unfair practices by insurance or real estate agents, brokers, solicitors, and salespersons;
- examine, monitor, and investigate the affairs of insurance companies authorized to do business in New Jersey to ensure solvency and proper market conduct policies;
- aggressively combat insurance fraud through prevention, investigation, and prosecution;
- improve the efficiency and responsiveness of the rate-making and policy review form process; and
- process claims filed against the Unsatisfied Claim and Judgment Fund.

Highlights of recent Banking initiatives and accomplishments:

- Participated in passage of the Trust Modernization Act, which authorizes reciprocal trust activities across state lines
- Participated in passage of the Licensed Lenders Clean-up Act, which made significant clarification in the law regarding the assignment of second lien residential mortgage loans
- Approved charters of three new banks, for a total of 27 approved since 1994, with four additional applications pending

Highlights of recent Insurance initiatives and accomplishments:

- Restructured automobile insurance from a surcharge system to a tier rating system, resulting in an overall 15% rate reduction for New Jersey drivers
- Adopted medical protocol regulations to reduce overuse and fraud in automobile insurance medical treatment and support the reductions necessary to sustain the rate decrease
- Instituted an educational campaign on shopping for insurance which increased searches for the lowest prices/best coverage by 20%
- Completed payment to doctors and hospitals that participated in the rehabilitation plan for HIP Health Plan of NJ

FISCAL 2001 BUDGET

In the Department's budget, \$138,000 has been added in support of Banking functions and \$879,000 has been added to enhance Insurance operations. Continuing the policy of the Administration in fiscal

Banking and Insurance

2001, fees charged to both industries cover the State's entire cost associated with their regulation.

Fraud Prevention

The Division of Insurance Fraud Prevention is responsible for investigating allegations of insurance fraud and for developing and implementing programs to prevent insurance fraud and abuse. Various amendments to the Fraud Prevention Act have expanded the scope of the Division's investigations not only to those cases reported by property and casualty companies, but also to those cases reported by life and health insurance companies, investigations of fraud within insurance companies, and rate evaders.

An Ombudsman's Office was established in the Division of Insurance to investigate consumer complaints regarding insurance policies, including the payment of claims. These services will continue to reduce insurance fraud during fiscal 2001.

Auto Insurance

The reforms of the Automobile Insurance Cost Reduction Act of 1998, included with the implementation of tier rating, have put New Jersey well on its way toward the promised restructuring of its auto insurance system. In addition to providing an overall 15% reduction in premiums for New Jersey drivers, medical protocols were adopted that ensure that medically necessary treatment is provided to those who are truly injured, while reducing overuse and fraud in the treatment of injuries from auto accidents. Procedures on determining standards for treatment of injured persons and determining reimbursement for medically necessary care for injuries sustained in automobiles will continue to be monitored with assistance from the newly formed Personal Injury Protection Advisory Committee.

Tier rating has eliminated surcharges for motor vehicle violations and inexperienced drivers, and has enhanced competition among insurers. Implementation of the basic policy encourages motorists who otherwise would be uninsured to obtain required insurance coverage.

Expansion of urban enterprise zones continues to make auto insurance accessible to drivers in urban

areas. This reform process will continue with the Automobile Territorial Rating Plan Advisory Commission, which will redraw and make recommendations to amend the 50-year-old territory system.

HIP Rehabilitation & Liquidation

In May 1998, the Department received a financial statement from HIP Health Plan of New Jersey (HIP) indicating that the company was in serious financial difficulty. Despite repeated efforts by Department staff to investigate the causes of the financial decline and to require the company to develop a business plan to reverse the situation, the company was unable to meet statutory net worth requirements. As a result, the Department placed the company under administrative supervision in September 1998. With court approval, the Department took over operations of HIP on November 21, 1998.

As a part of the attempted rehabilitation of HIP, the Department was able to negotiate agreements with doctors and hospitals to continue to provide health care services to HIP members from November 21, 1998 through March 31, 1999. The Department and the providers agreed to a payment rate of 75% of the rate contracted with HIP. Doctors and hospitals who were party to the agreement continued to see HIP patients even after regular payments had been interrupted.

Ultimately, attempts to rehabilitate the company were unsuccessful and HIP closed its operations on March 31, 1999. On April 9, 1999, with court approval, the company was placed in liquidation.

The company remains in liquidation. With the Department's efforts in marshalling available assets, it has met the commitment of the 75% payment for services provided during the rehabilitation period. Through January 3, 2000, \$56.5 million has been paid to doctors and hospitals under the 75% agreement.

Legislation is currently pending that will address claims owed to providers for services to consumers before the State took control of HIP and APP.

COMMUNITY AFFAIRS	
FISCAL 2001 RECOMMENDED BUDGET	
(In Thousands)	
General Fund	
Direct State Services	\$ 33,032
Grants-In-Aid	58,215
State Aid	<u>109,971</u>
Total General Fund	\$ 201,218
Property Tax Relief Fund	<u>822,060</u>
Grand Total State Recommendation	\$
<u>1,023,278</u>	

OVERVIEW

The fiscal 2001 Budget for the Department of Community Affairs totals \$1.023 billion in State appropriations, a decrease of \$19.6 million, or approximately 2%, from the fiscal 2000 adjusted appropriation of \$1.043 billion. This is primarily the result of not funding one-time grants included in the fiscal 2000 budget process. This budget includes \$52 million for five new and/or expanded municipal aid programs: Consolidated Municipal Tax Relief Aid (CMPTRA), up \$19.2 million; Special Municipal Aid, up \$14 million; Watershed Moratorium Offset Aid, up \$1.8 million; Brownfields Redevelopment Grants, funded at \$15 million; and Cyberdistricts, funded at \$2 million. Otherwise, the recommended funding level for the Department is a continuation of fiscal 2000 funding.

The Department of Community Affairs provides technical, advisory, and financial assistance to communities and individuals. Services are provided through partnerships with public, private, and non-profit entities in an effort to improve the quality of life of New Jerseyans.

The Department provides services that advocate for and represent local government and community group needs. It has been at the forefront in finding solutions to the challenges of municipalities, from community development to financial stability.

The Department's services include housing assistance, building safety, local government financial assistance and oversight, and other programs which benefit traditionally under-represented groups.

FISCAL 2001 BUDGET

As noted earlier, certain aid programs (CMPTRA, Watershed Moratorium, and Special Municipal Aid), receive significant increases in funding over the fiscal 2000 levels. Of the total fiscal 2001 recommendation, \$201 million represents General Fund appropriations and \$822 million is provided from the Property Tax Relief Fund.

FINANCIAL ASSISTANCE

The proposed fiscal 2001 Budget for municipal aid programs includes \$932 million in State Aid (\$110 million from the General Fund and \$822 million from the Property Tax Relief Fund) to New Jersey's municipalities. The municipal aid programs are increased a total of \$30 million over the fiscal 2000 adjusted appropriation, while one-time grants totaling \$6 million that were funded in fiscal 2000 are not included in fiscal 2001. Overall, the recommended State Aid appropriation represents an increase of \$24 million over fiscal 2000.

The fiscal 2001 Budget continues two municipal aid programs created in fiscal 2000: the Regional Efficiency Development Incentive Grant Program (REDI) and the Regional Efficiency Aid Program (REAP). The REDI program, funded at \$10 million, provides financial incentives to local governments and school districts to explore consolidation, regionalization, and the implementation of joint services. The REAP program provides annual State-funded property tax credits directly to residents in those communities which have implemented regionalization or other cost-saving measures. A language provision included in the budget will allow up to \$25 million for the REAP program, as needed.

This budget recommends an increase of \$19.2 million, or 2.5%, in the Consolidated Municipal Property Tax Relief Aid program. Including a cost-of-living increase, a total of \$787 million will be provided for the single largest municipal aid program in the budget. The State Aid recommendation will provide municipal governments with a growing base of revenue to address their needs for local public services. In addition, the Extraordinary Aid program, which provides short-term assistance to municipalities experiencing a catastrophic loss of tax ratables, would be funded at \$25 million in this budget, a decrease of \$5 million from fiscal 2000.

Community Affairs

The Special Municipal Aid Act program would be funded at \$54.5 million, an increase of \$14 million over the fiscal 2000 appropriation. This program provides assistance to eligible municipalities experiencing serious fiscal distress. In return for this assistance, each recipient municipality must agree to allow management and fiscal audits to be performed by the Department. Any fiscal recovery measures identified by these audits must be implemented by the municipality.

The Watershed Moratorium Offset Aid program, which provides for annual payments to certain municipalities to help offset the loss of property tax revenues due to the imposition of a moratorium on watershed lands, would be funded at \$5.2 million. This budget recommendation represents an increase of \$1.8 million over the fiscal 2000 amount for this program. This increase is comprised of two components—an annual inflator that is tied to the increase or decrease in the CPI (an increase of 2.5%), and an expansion of the program to include every municipality in New Jersey that contains watershed property within its borders.

This budget continues funding of \$250,000 for the Domestic Violence Training Cost Reimbursement program. The program provides reimbursements to local law enforcement agencies for the costs of undertaking legislatively mandated training on methods of addressing domestic violence, as well as neglect and abuse of the elderly and disabled.

COMMUNITY DEVELOPMENT

The fiscal 2001 Recommended Budget includes an appropriation of \$15 million for the Brownfields Redevelopment Grants program. Grants will be made available to municipalities for the acquisition and remediation of brownfields in cases where the land has no realistic prospect of attracting a private developer. The grants will be available to 68 eligible municipalities, which include Urban Coordinating Council (UCC) neighborhoods that have adopted a redevelopment plan, and will enable municipalities to cleanup and assemble sites that stand in the way of redevelopment plans. This initiative fills a gap in New Jersey's brownfields programs by providing grants to municipalities for site acquisition and cleanup. Until now, grants were only available to communities for investigation of site contamination. As a result of the Brownfields Redevelopment Grants program, abandoned sites throughout the state will be redeveloped, leading to revitalized neighborhoods, new jobs, and an expanded local tax base.

This budget also includes funding of \$2 million for Cyberdistricts, a new initiative that will offer planning grants to any of the 68 Urban Coordinating Council municipalities interested in exploring the feasibility of starting a cyberdistrict in their downtown. A cyberdistrict is an area of a city where young and growing technology companies are encouraged to set up shop, attracted by reasonable rents, low-cost Internet access, and high-speed bandwidth.

The fiscal 2001 Budget continues the same level of funding for two Special Urban Services programs that were created in fiscal 2000 as part of an economic revitalization effort: the Downtown Living Initiative, which provides low-interest loans to spur construction in urban areas at \$7.5 million, and the College/University Homebuyers' Fund at \$2.5 million.

The Community Development component of the Department's budget provides for community housing needs and enforces safety codes and standards for buildings and other structures. This budget recommends \$68 million to continue the services and programs of this component.

The Department continues to provide a record level of affordable housing opportunities through the New Jersey Housing and Mortgage Finance Agency, the Division of Housing and Community Resources, and the Council on Affordable Housing. The Urban Home Ownership Recovery Program (UHORP) provides opportunities and incentives for home ownership in the State's urban areas. Through UHORP, the Urban Coordinating Council (UCC), and various affordable housing rental initiatives, the Department is furnishing the tools necessary to create self-sufficient urban neighborhoods.

New Jersey is the first state in the nation to develop a code of standards that specifically focuses on the rehabilitation of existing buildings. Sensible building standards that remove costly disincentives to rehabilitating existing structures will provide a boost to economic development and affordable housing activity in the state's older areas.

The Office of Neighborhood Empowerment serves, in concert with the Urban Coordinating Council, to reverse a trend of adversity that has plagued New Jersey's urban centers. This office is defined by its collaborative work with community leaders to rebuild New Jersey's cities, one neighborhood at a time.

SOCIAL SERVICES

The Social Services component of the Department's budget supports community-based assistance programs and statewide advocacy efforts targeted to the needs of women, the Hispanic community, and economically disadvantaged groups. Fiscal 2001 resources will continue a wide variety of services and programs including aid to community resource and action centers and assistance to displaced homemakers, victims of domestic violence, Hispanic citizens, and the urban poor. This budget will allocate \$12.6 million to assist community organizations and local governments in delivering these services. This includes funding of \$750,000 for a new program, the Women's Micro-Business Pilot program, within the Division on Women. This new initiative would provide loans and/or loan guarantees to qualified recipients from three

certified nonprofit community development corporations selected by the Department.

STATE PLANNING

The Office of State Planning, which was transferred from the Department of the Treasury to the Department of Community Affairs in fiscal 1999, would receive an appropriation of approximately \$2 million in fiscal 2001. The Office staffs the New Jersey State Planning Commission and the New Jersey Brownfields Task Force. Through the State Development and Redevelopment Plan, the Office works to improve the efficiency and reduce the costs of land development and infrastructure in New Jersey by expanding areas of coordination and cooperation among State and local agencies.



Urban CYBERDISTRICTS

Governor Whitman's \$165 million high-tech economic package includes a total of \$2 million in planning grants to any of the 68 Urban Coordinating Council (UCC) municipalities interested in creating a downtown cyberdistrict. The grants will allow interested cities to study the feasibility of a cyberdistrict within their borders.

Once established, the prospect of inexpensive office space and the availability of high-speed Internet access will draw high-tech companies to the areas. The rebirth of Newark's old Macy's department store is only one example of how creating an ample tele-data infrastructure attracted a developer who purchased the vacant store, renovated it, and then leased several floors of the 1.2 million square foot building to high-tech companies.

Brownfields Redevelopment Program

This new program provides an additional \$15 million to the New Jersey Redevelopment Authority (NJRA) and expands the Urban Site Acquisition Program (NJUSA), which received initial funding in fiscal 1999 through a \$25 million State grant.

The Brownfields Redevelopment Program provides grants to municipalities for site acquisition and cleanup where the land has no realistic prospect of attracting a private developer without such assistance and the only impediment to redevelopment is the lack of funding. The limited potential uses of brownfields, when weighed against cleanup costs, often discourage private development, unless there is State assistance.

Until now, grants were available to municipalities for the investigation of site contamination, but not for site acquisition or site remediation. These grants will be available to any of the 68 Urban Coordinating Council (UCC) eligible municipalities that include UCC neighborhoods. Two major grant requirements are an interested developer and an adopted redevelopment plan.

Corrections

CORRECTIONS	
FISCAL 2001 RECOMMENDED BUDGET	
(In Thousands)	
General Fund	
Direct State Services	\$ 764,665
Grants-In-Aid	168,040
Capital Construction	<u>33,198</u>
Total General Fund	<u>\$ 965,903</u>
Grand Total State Recommendation	<u>\$ 965,903</u>

OVERVIEW

The fiscal 2001 Budget for the Department of Corrections, excluding the Parole Board, totals \$955 million, an increase of \$31 million, or 3.4%, over the fiscal 2000 adjusted appropriation of \$924.2 million. This increase reflects the Department's need to increase capacity due to anticipated growth in the inmate population. The total recommended budget including the Parole Board is \$965.9 million.

The Department of Corrections is responsible for the confinement of criminal offenders and preparation for their return to the community.

Longer sentences have resulted in a growing inmate population. The number of State inmates committed to State corrections facilities is projected to be approximately 33,500 by the end of fiscal 2001, an increase of 1,500 over the fiscal 2000 year-end projection. In addition to inmates in State prisons, State inmates are also housed in county facilities and community residential treatment facilities. The Department also provides an array of programs including drug treatment, high supervision electronic monitoring/home confinement, and parole programs designed to reduce offender recidivism and enhance public protection.

The Department's major responsibilities are to

- protect the public by housing and supervising sentenced offenders;
- provide custody, care, discipline, training, and treatment of persons committed to State correctional institutions;
- provide rehabilitative programs, training and educational opportunities to inmates; and

- cooperate with other law enforcement agencies in pursuit of a unified system of criminal justice.

Highlights of recent Department initiatives and accomplishments:

- Implementation of random drug testing of staff as a component of the Department's Zero Tolerance Drug Policy
- Receipt of approximately \$21 million in federal funds under the Violent Offenders/Truth in Sentencing program to support various initiatives including the construction of a new 350 bed unit at Southern State Correctional Facility, which is projected to be operational in fiscal 2002
- Assistance to seven New Jersey towns in clean-up efforts following Tropical Storm Floyd through the Department's Inmate Labor Program

FISCAL 2001 BUDGET

The Department's recommended operating and Grants-In-Aid budget is \$922.6 million for fiscal 2001 and represents a net increase of \$23 million, or 2.5%, from fiscal 2000 adjusted appropriations. It will increase system capacity by 1,355 spaces, and continue funding of the alternative programs and inmate educational programs.

The operating budget contains funding for continuation of 200 residential substance abuse treatment bed spaces for the Drug Court program and provides \$2.1 million for the Department to expand custody staff training capabilities.

Grants-In-Aid spending is projected to increase by \$19.2 million to \$168 million in fiscal 2001. A recommendation of \$97.1 million, which reflects an increase of \$2.9 million, will provide funding to reimburse counties for the cost of housing State inmates. An additional \$9.7 million is included in the Purchase of Community Services account for an additional 755 halfway house beds in fiscal 2001. A new initiative, the Halfway Back program, is recommended for \$6.6 million and will support a 500 bed residential program for technical parole violators to receive additional treatment in lieu of being returned to more costly prison incarceration.

PRISONS

In fiscal 2001, \$695 million is recommended for State prison facilities and system-wide program support. This amount represents an increase of \$3.6 million from fiscal 2000, which will provide custody, supervision, education, treatment, and other programs for approximately 24,000 adult inmates in State prison facilities.

**Number of Adult Inmates
In State and County Facilities**
An Increase of More Than Four-fold Since 1981



In fiscal 2001, the Department expects to receive approximately \$4.4 million in federal Violent Offender Incarceration/Truth In Sentencing funding to open a 100 bed Women’s Assessment Center; a State match of \$489,000 is included in the fiscal 2001 recommendation. The Center will provide residential substance abuse treatment and other programs addressing the specific needs of the female offender. In addition, an increase of \$410,000 in the Paying Communities Back program will expand the number of inmate work details from ten to thirteen in fiscal 2001. This program engages inmates in service projects which benefit communities.

CAPITAL RECOMMENDATIONS

This budget recommends \$33.2 million for various construction projects at adult correctional facilities, with an emphasis on additional bed spaces and security improvements. This recommendation provides funding to construct 730 minimum security bed spaces to address the increase in inmate population and to reduce the backlog of State inmates in county facilities. Bed spaces will be added through the construction of a new 350 bed dormitory, a 180 bed expansion of the Boot Camp on the grounds of the New Lisbon Developmental

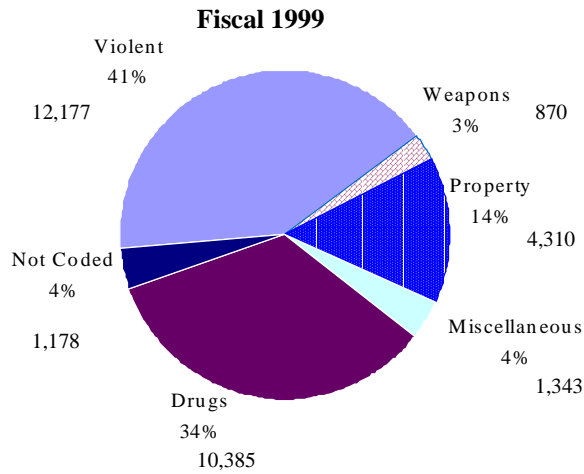
Center and a 200 bed expansion of the minimum security unit located at Ancora. Since these facilities are expected to become operational some time in fiscal 2002, a change in operating costs is not anticipated in fiscal 2001. The other recommended projects will maintain and provide for prison bed spaces and support facilities, rectify code compliance issues, and address safety concerns. Some of the proposed work includes replacing essential building components and upgrading facility infrastructure to ensure the safety of both staff and inmates.

PAROLE AND COMMUNITY PROGRAMS

The Intensive Supervision/Surveillance Program (ISSP) provides enhanced law enforcement, surveillance, and management of caseloads of no more than 25 parolees who are at risk of failing regular parole. This program is funded to support 1,425 participants. The Electronic Monitoring/Home Confinement (EM/HC) program provides an intensive reintegration program for selected inmates who have been certified for parole and who are nearing their release dates. Program participants wear electronic surveillance transmitters and undergo random surveillance and drug testing. Four hundred inmates are projected to participate during fiscal 2000 and again in fiscal 2001. The High Impact Diversion program provides intensive supervision for those parolees who are in danger of being returned to prison. This highly structured supervision program will support 700 participants in fiscal 2001. The Intensive Parole Drug Treatment program, which provides low caseload supervision and counseling for parolees with a history of drug-related problems, will continue with funding to support 650 participants in fiscal 2001.

The link between alcohol, substance abuse, and crime is well established. For many inmates, a drug offense is their most serious charge with no convictions for violent crimes. A Drug Court pilot project, implemented in fiscal 1998, will be continued in fiscal 2001 with 200 residential treatment slots. This project involves the Judiciary in overseeing intensive drug treatment for carefully screened non-violent, addicted offenders and allows sentencing these offenders to residential drug treatment programs in lieu of incarceration. This rigorous residential drug treatment program for selected offenders is operated by the Department of Health and Senior Services’ network of private community drug treatment providers. Subsequent community supervision is provided by the Judiciary’s Probation Division. Outpatient aftercare treatment is part of the offender’s probation plan.

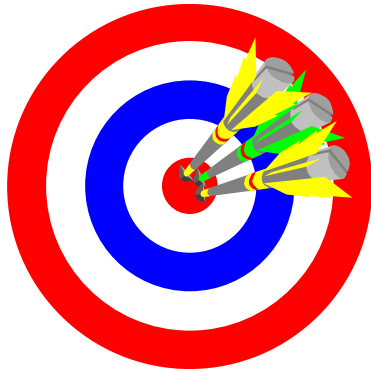
Non-Violent Offenders Make up More Than 50% of Adult Inmates



The Purchase of Community Services programs in the Grants-In-Aid budget are recommended at \$62.5 million, an increase of \$9.7 million. This will support 3,447 contracted community bed spaces, an increase of 755 bed spaces over fiscal 2000. All halfway house programs are privately operated.

STATE PAROLE BOARD

The State Parole Board's budget is recommended at \$10.2 million, an increase of \$354,000 or 3.6%. The Board's Eligibility Determination and Monitoring program will be expanded in fiscal 2001 to improve parole processing procedures. Expansion of the Board in fiscal 2000 included the addition of a fourth adult panel to keep pace with the increasing number of hearings and reviews due.



Project PRIDE

Since 1998, Project PRIDE (Promoting Responsibility in Drug Education) has brought minimum custody offenders from any of the state's correctional facilities into schools or other community programs serving youth to talk about the consequences of drug and alcohol abuse. The goal of this major initiative of the Department of Corrections is to reduce adolescent use of drugs and alcohol. Sixth, seventh, and eighth graders are targeted, although Project PRIDE addresses youths up to the twelfth grade.

Project PRIDE is, in part, a response to some of the shocking statistics reported by the Department of Health and Human Services—on seventh and eighth graders:

- 53% have tried alcohol
- 38% have smoked cigarettes
- 12% have experimented with marijuana
- 1% have already used heroin

In less than two-years, Project PRIDE has reached well over 20,000 New Jersey youths, helping to promote responsibility in drug education.

EDUCATION	
FISCAL 2001 RECOMMENDED BUDGET	
(In Thousands)	
General Fund	
Direct State Services	\$ 49,836
Grants-In-Aid	3,354
State Aid	297,504
Capital Construction	<u>3,336</u>
Total General Fund	\$ 354,030
Property Tax Relief Fund	<u>6,268,416</u>
Grand Total State Recommendation	<u>\$6,622,446</u>

OVERVIEW

The fiscal 2001 Budget for the Department of Education (DOE) totals \$6.622 billion, an increase of \$470.7 million, or 7.7%, over the fiscal 2000 adjusted appropriation of \$6.152 billion. Over 99% of this amount consists of State Aid payments to local school districts. The fiscal 2001 increase provides additional resources to fund increases in State Aid and reflects the implementation of recommendations made to address concerns with the district-by-district aid allocations under the Comprehensive Educational Improvement and Financing Act (CEIFA).

The primary mission of the Department of Education is to create the opportunity for all students in all districts to demonstrate high levels of achievement through attainment of the Core Curriculum Content Standards. In support of its mission, the Department establishes standards and designs assessments which link directly to those standards; assures accountability for reaching established standards with a system of rewards and sanctions; provides assistance for the achievement of the established standards; and engages the public in discussion and debate.

The Department's major responsibilities are to

- administer State education law;
- distribute State Aid;
- review and audit local public school district budgets and regulate their operations;
- provide technical assistance to districts in designing and implementing new educational programs;
- ensure accountability for public funds by motivating schools to provide high quality and cost-efficient programs; and

- provide appropriate educational opportunities for students with disabilities.

Highlights of recent Department initiatives and accomplishments:

- Establishment of preschool programs for Abbott district 3- and 4-year-olds
- Acceptance of a total of 155 Abbott district schools into the first and second cohorts for implementation of whole school reform
- Approval of 15 new Charter Schools in 1999, bringing the total to 47 operating Charter Schools serving nearly 9,000 students in the 1999-2000 school year
- Adoption of regulations requiring the continuing education of teachers and educational services personnel and establishment of the Professional Teaching Standards Board
- Expansion of the Families Achieving the New Standards (FANS) project aimed at helping parents gain a better understanding of the State's academic standards

FISCAL 2001 BUDGET

The fiscal 2001 Direct State Services Budget continues to support the Department's goals with a recommended budget of \$49.8 million, an increase of \$2.4 million over fiscal 2000.

In its effort to prepare students for success in higher education and the workplace, the Department is committed to enhancing the knowledge and skills of New Jersey teachers. A \$500,000 appropriation is recommended to create a "Virtual Academy" for teachers as a new initiative that will further the State's commitment to education, providing teachers with the professional support necessary to help students achieve their goals. This program will utilize technology to offer interactive workshops and online training to New Jersey public school teachers. It will give teachers the innovative support needed to bring the new Core Curriculum Content Standards into the classroom. Utilization of interactive technologies will allow for real-time updates to materials and procedures, ensuring that teachers and administrators have up-to-date and accurate information, and will enable teachers to participate in professional development activities without leaving the workplace.

The remainder of the Department's operating increase is mainly attributed to a recommended appropriation of \$16.7 million to continue a multi-year effort to implement the Statewide Assessment

Education

Program, an increase of \$2 million over fiscal 2000. The implementation of this program will allow the Department to measure student attainment of the Core Curriculum Content Standards, which were adopted by the Board of Education in May 1996. These standards specifically define the knowledge and skills that students must acquire by the time they graduate high school. The standards cover visual and performing arts, health and physical education, language arts literacy, mathematics, science, social studies, and world languages, in addition to workplace readiness skills that span all areas of instruction. Upon completion, the Statewide Assessment program will test student achievement in all content areas at three grade levels. To date, fourth grade students have been tested in the language arts literacy, science, and mathematics components of the new standards. Students in the eighth grade have been tested in the language arts literacy and mathematics components. The Department continues to work with parents and educators so that the assessment program is crafted in the best possible manner to ensure that children are acquiring the skills needed to compete in the 21st century workplace.

Grants-In-Aid recommended funding will increase by \$800,000 for a total of \$3.4 million in fiscal 2001. This increase includes the recommendation of a \$1.2 million appropriation for the Families Achieving the New Standards (FANS) project, which is aimed at helping parents gain a better understanding of the Core Curriculum Content Standards. The three major goals of this project are to inform parents about the State's new academic standards, involve parents in helping their children to reach these standards, and encourage parents to support local efforts to implement the standards in their curricula. FANS was originally launched in fiscal 1998 with a federal grant to the New Jersey Mathematics Coalition to focus on the mathematics and science components of the Core Curriculum Content Standards. The infusion of State dollars will develop FANS programs in the remaining content areas, allowing parents to become more effective partners in their children's education.

The budget for the Department of Education continues to support the Marie H. Katzenbach School for the Deaf, with a recommended appropriation of \$3.1 million.

STATE AID

School Aid recommended for fiscal 2001 totals \$6.6 billion, an increase of \$466 million, or 7.6%, over fiscal 2000. Of this amount, over \$5.783 billion in

Direct Aid awards represents a \$383.4 million increase over fiscal 2000 funding levels. The remaining \$783 million is allocated for post retirement medical payments and debt service on pension boards, and the employer's share of social security payments for teachers made by the State on behalf of local school districts. Giving consideration to the \$128.4 million for the School Construction and Renovation program contained in the Department of the Treasury State Aid, total recommended school aid for fiscal 2001 is \$6.694 billion.

The budget proposes an \$8.7 million appropriation for a new initiative to support a partnership between the State and the New Jersey Education Association (NJEA) to develop an expanded teacher mentoring program that will provide additional support to novice teachers. The current certification process includes mentoring of each new teacher during his or her first year by a veteran teacher, with the cost of the mentor's stipend being paid by the new teacher. Under this new initiative, the State and the NJEA will develop a more vigorous two-year mentoring program that will not change the current certification process, but rather will provide a vehicle for improved support and assistance. The additional mentoring will focus on helping new teachers adjust to the challenges of teaching and on helping teachers ensure that students achieve the Core Curriculum Content Standards. The full cost of the mentoring stipends for both years will be assumed by the State.

The budget also proposes funding of \$4.8 million to support a new initiative that will incorporate character education into the curriculum of New Jersey schools. Currently, federal pilot programs offer students vital lessons about proper conduct, anger management, respect, and responsibility. Research has shown that programs such as these can result in fewer violent incidents and suspensions, better attendance records, improved test scores, and a lower dropout rate. With help from institutions of higher education, corporations, and community groups, this appropriation will allow the State to develop a character education program that will be offered to every school district. This voluntary program, The New Jersey Character Education Partnership, will be free of charge and will put New Jersey in the forefront of a growing national movement.

Direct Aid formula increases are generally driven by enrollment growth and the annual increase in the Consumer Price Index (CPI) as required under CEIFA. Most of the formula programs incorporate

these factors in determining annual funding amounts. The CEIFA workgroup recommendations provide for assistance to communities in stabilizing the tax impact of significant changes in enrollment and wealth, additional aid to those districts with higher than average tax rates, and additional special education aid to districts with above average numbers of perceptually impaired students. The fiscal 2001 Budget includes \$87.1 million in additional Direct Aid for implementation of these recommendations beyond the amounts that would be provided in accordance with the formulas contained in CEIFA.

The fiscal 2001 Budget increases Core Curriculum Standards Aid by \$96.8 million to \$2.9 billion. This is the largest single component of the Direct Aid programs. Parity Remedy Aid will grow to \$328 million and additional Abbott v. Burke State Aid is estimated to increase \$67 million to \$104 million. The final amount will be adjusted after review and approval of the Abbott district budgets in the spring of 2000. The amount needed will be increased or decreased based on the results of that review.

Special Education Aid increases to \$760 million, providing \$77.3 million in additional funding for students with disabilities. Included in this increase is \$6.2 million for recognition of a portion of the perceptually impaired students that would have been excluded as part of the cap on these students that is required under CEIFA.

The recommended increase of \$60.3 million for Supplemental Core Curriculum Standards Aid reflects implementation of the workgroup recommendation to provide additional aid to those districts with higher than average tax rates that require a higher local share without this additional aid.

Funding for the Early Childhood program is recommended at \$313.3 million in fiscal 2001. This appropriation will continue to fund full-day kindergarten and pre-school programs in districts with high concentrations of disadvantaged students. These funds will be supplemented by \$69 million in federal funds from welfare reform savings to improve the quality of these programs and to implement full-day/full-year preschool programs for 3- and 4-year-olds in the Abbott districts by fiscal year 2002.

The budget recommendation also includes funding of \$56.8 million for Distance Learning Network Aid, increasing \$2.3 million from fiscal 2000. Per

the requirements of CEIFA, these funds are earmarked for the establishment of a statewide electronic network delivering voice, data, and video communications directly to the classroom. This network, which should be fully implemented by the 2001-2002 school year, will create opportunities for cross-cultural interaction and provide high quality curricula and resources to all students and their teachers.

The fiscal 2001 Budget includes \$12 million for Whole School Reform Incentive Grants for the estimated 240 Abbott schools that will be accepted into the third cohort for implementation of whole school reform. This represents an increase of \$7 million from the fiscal 2000 appropriation.

The budget recommendation also includes \$93.1 million for Nonpublic School Aid, an increase of \$4.5 million. This includes a recommendation of \$8 million in funding dedicated to technology for nonpublic school students.

Ten school districts have been approved to participate in the newly established School Choice program for the 2000-2001 school year. The 2000-2001 school year will be the first in a five-year pilot project designed to test the concept of school choice in New Jersey. The fiscal 2001 Budget includes \$9 million for School Choice/Charter School Aid. This funding will provide aid to the "choice" districts and ease the fiscal impact on sending districts. A portion of this new aid will also provide funds for the education of charter school students moving from nonpublic schools to charter schools.

CAPITAL RECOMMENDATIONS

This budget recommends \$3.3 million for capital projects, an increase of \$1.5 million over fiscal 2000. The majority of this recommendation, or \$2.6 million, is for replacement roofs, heating, ventilation and air conditioning systems, and the installation of sprinkler systems at the Regional Day schools. The balance of \$746,000 is recommended for preservation projects at the Marie H. Katzenbach School for the Deaf. Due to the nature of these recommendations, a change in operating costs is not anticipated.

Environmental Protection

ENVIRONMENTAL PROTECTION FISCAL 2001 RECOMMENDED BUDGET (In Thousands)	
General Fund	
Direct State Services	\$ 199,243
Grants-In-Aid	850
State Aid	13,312
Capital Construction	<u>96,721</u>
Total General Fund	\$ <u>310,126</u>
Grand Total State Recommendation	\$ <u>310,126</u>

OVERVIEW

The Direct State Services recommendation for the Department of Environmental Protection (DEP) is \$199 million, a \$6 million, or 3.1%, increase over the fiscal 2000 budget level. The total budget is \$310 million, a decrease of \$1 million under the fiscal 2000 adjusted appropriation of \$311 million. This overall decrease is attributable to the elimination of several nonrecurring budget items. The budget includes significant initiatives that increase individual program areas. Major increases are recommended for the assessment of nonpoint source pollution in watershed management areas, the continued development of a state-of-the-art environmental management information system, improved monitoring of the state's water and air, and for payments in lieu of taxes to municipalities. In addition, the Department plans to reinstate a \$5 million State Recycling Grants program in fiscal 2001 after a three-year hiatus. The Palisades Interstate Park Commission's budget recommendation also includes increases for Park maintenance and security.

DEP manages the state's environment to ensure clean air and water, plentiful open space, and recreational opportunities. These measures preserve the quality of life and enhance economic vitality throughout the Garden State.

The Department's major responsibilities are to

- regulate pollution discharges through a network of permit and enforcement programs;
- oversee the remediation of hazardous waste sites;
- operate a statewide system of parks, forests, and wildlife management areas for recreation;
- protect beaches and shore areas from coastal storm damage; and
- preserve precious open space.

Highlights of recent Department initiatives and accomplishments:

- The commitment to initiate watershed management planning activities in all 20 of the state's watershed management regions by September 2000
- Imminent completion of the New Jersey Environmental Management System (NJEMS), which will simplify and speed up permit application processes and make the Department more informed and responsive
- An international agreement with the Netherlands to address global warming through a greenhouse gas emissions trading program
- An environmental equity permit review policy that is recognized by the U.S. Environmental Protection Agency (EPA) as a national model

FISCAL 2001 BUDGET

Highlights of the Department's budget:

Watershed Management

The fiscal 2001 recommendation includes an increase of \$3 million for watershed management. This increase supplements the \$5.9 million constitutional dedication of the Corporation Business Tax for watershed monitoring and planning.

The Department has made a commitment to initiate watershed management planning activities in all 20 of the state's watershed management regions during fiscal 2000. Watershed management means addressing water quality and water quantity issues on a drainage basin basis rather than a discharge by discharge basis. Through the watershed management program, DEP works with local stakeholders to assess the quality of the water in each watershed and to develop solutions to restore impaired waters and maintain clean ones. The fiscal 2001 increase for watershed planning will ensure that the momentum continues in this program and ultimately leads to reduced point and nonpoint source pollution and improved water resources.

New Jersey Environmental Management System (NJEMS)

The capital budget provides \$5 million to complete the New Jersey Environmental Management System (NJEMS), the first comprehensive environmental management information system in the nation.

NJEMS will incorporate the latest advances in information technology to improve how the Department regulates, interacts with, and provides services to the regulated communities and to citizens. This \$23 million comprehensive, integrated management information system has been in development since 1997 and is expected to be completed during fiscal 2001. Other states and the U.S. Environmental Protection Agency are using NJEMS as a model for developing their own environmental information management systems. NJEMS will also assist in the Department's efforts to identify and measure environmental indicators.

Water Monitoring

An \$856,000 increase for the Water Quality Management/NJ Geological Survey program will expand the State's water monitoring network. Enhancements will provide telemetry for drought monitoring at reservoirs, streams, wells, and precipitation, and will provide for new bacteriological monitoring.

Air Monitoring—Air Toxics Infrastructure

Air Monitoring receives \$580,000 to create an air toxics infrastructure. Funds will be used to upgrade air monitoring equipment at three additional sites around the state in addition to the current Camden site; to develop an ongoing inventory tracking system for currently unmeasured airborne toxics; and to analyze and evaluate the health risks of these toxics to the New Jersey public.

Quality Assurance

A \$497,000 increase for the Quality Assurance program will better ensure the integrity of data

measured at the State's lab facilities.

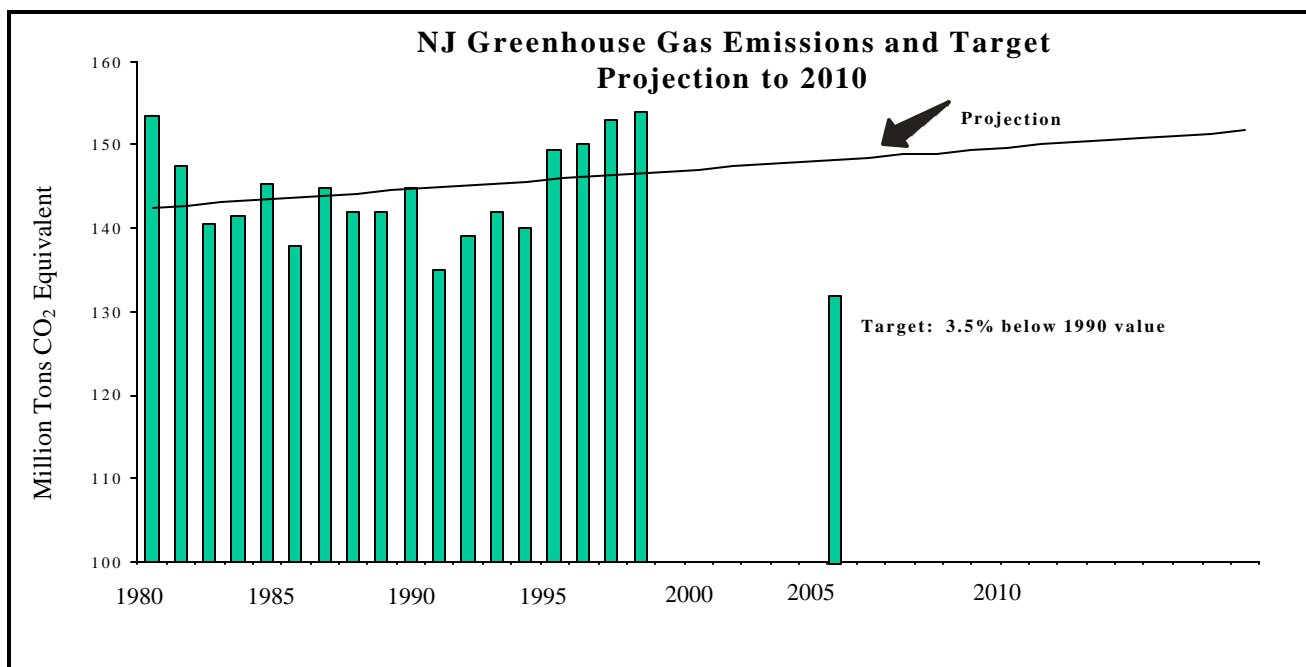
Recycling Grants to Localities

In fiscal 2001, DEP plans to resume its Recycling Grant program for municipalities and counties. This program had been supported by a solid waste tax which sunset in December 1996. Since 1997, no recycling grants have been made. In fiscal 2001, DEP will use the balance of the State Recycling Fund to implement a \$5 million grants program.

Greenhouse Gas Action Plan

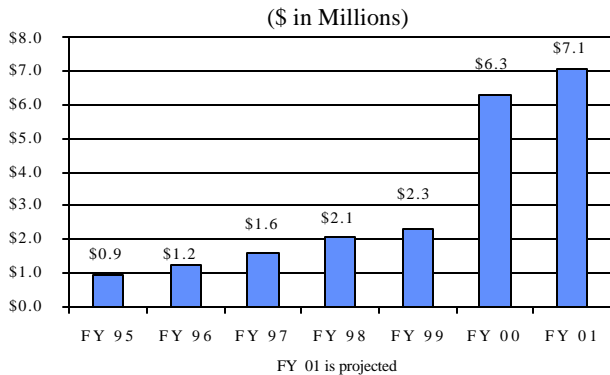
In fiscal 2001, \$320,000 in a combination of new and existing resources will be devoted to the implementation of the Greenhouse Gas Action Plan. DEP has pledged to reduce greenhouse gas levels in New Jersey to 3.5% below the 1990 levels by 2005. The Greenhouse Gas Action Plan establishes strategies across all industry sectors for effective reduction of greenhouse gas emissions, and it supports development, demonstration, and commercialization of new environmental technologies.

New Jersey greenhouse gas emissions have risen steadily since 1990 and, left unchecked, could lead to global warming. Sea-level rise threatens the state's fragile coastline and coastal ecosystems, as well as the shore tourism economy. In December 1999, the Department signed an agreement with the Netherlands to address global warming and related sea-level rise through the establishment of a greenhouse gas trading emissions program. This international agreement, the first of its kind, will help New Jersey to attain its greenhouse gas reduction goal.



Environmental Protection

Open Space Preservation: In-lieu-of-tax Payments To Municipalities



State Aid: Payments in Lieu of Taxes

As a result of the Administration's 1999 Open Space initiative, municipalities are now being compensated for State-protected land at a higher rate than ever before. State payments to municipalities in lieu of tax ratables have increased from a level of \$2.3 million in fiscal 1999 to a projected \$7.1 million in fiscal 2001. The increase of \$800,000 over the fiscal 2000 level is associated with the preservation of an estimated 8,500 new acres of State and nonprofit owned land during 1999.

State Aid: Mosquito Control

This summer's outbreak of West Nile Virus (WNV) has prompted the Governor to recommend additional funding for mosquito control. The Mosquito Control Commission's budget is increased by \$500,000 for a total operating budget of \$970,000. Funds will be used to purchase new spraying equipment and to monitor the mosquitoes and birds involved in WNV. In addition, the Commission receives \$250,000 in capital funds for equipment replacement.

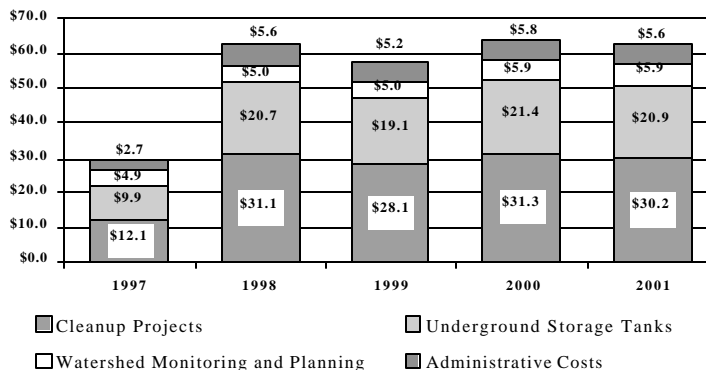
Corporation Business Tax Dedication

The 1996 constitutional dedication of 4% of the annual revenue raised from the State's Corporation Business Tax (CBT) continues to provide funds to finance the cleanup of privately owned underground storage tanks, remediation of contaminated sites, watershed monitoring and planning, and the Department's administrative costs. According to current CBT projections, the Department will receive \$62.6 million from the CBT dedication in fiscal 2001. This is a drop of \$1.8 million from the fiscal 2000 funding level and is a result of the fact that fiscal 2000 CBT revenues are projected to be less than actual fiscal 1999 revenues. This adjusts the fiscal 2001 dedication. The \$1.8 million decrease in fiscal 2001 does not affect Watershed Planning, which will be funded at \$8.9 million just as in fiscal 2001. The other three funding areas are reduced proportionately, as depicted in the accompanying chart. The fiscal 2001 recommendation provides \$30.2 million for hazardous discharge remediation projects and \$20.9 million to fund the private underground tank mitigation program. Administration of the hazardous discharge cleanups program is funded at \$5.6 million.

Other Capital Recommendations

This budget recommends a total of \$96.7 million for capital projects, several of which have already been discussed. The recommended amounts for Shore Protection (\$25 million) and HR6 Flood Control (\$6.2 million) will protect lives and property while ensuring that available federal matching funds will be utilized. To continue the historic preservation of Ellis Island, \$1 million is recommended to match a grant from the National Park Service. Including Palisades Interstate Park and Ellis Island, a total of \$8.8 million is recommended for recreational development at various park and wildlife facilities.

**CBT Dedication Added \$276.4 Million
For Site Remediation And Water Monitoring
FY 1997- FY 2001**
(\$ in Millions)



ENVIRONMENTAL IMPROVEMENTS

The Department of Environmental Protection continues to implement its comprehensive system of managing for environmental results through participation in the National Environmental Performance Partnership System (NEPPS). This management system de-emphasizes activity-based measures of performance (e.g., number of permits issued or penalty fines collected) in favor of outcome-based measures of progress (e.g., air quality trends).

During 1999, DEP negotiated a new, more comprehensive NEPPS Performance Partnership Agreement with EPA Region 2 which contains additional indicators to measure the state's progress in maintaining or improving New Jersey's environment. Also, a new brochure, "A Guide to Environmental Indicators in New Jersey," was published detailing the use of environmental indicators within DEP's Results-Based Management System.

Environmental indicators that are actively in use at DEP, and the most recent measurement data available, follow:

Water Quality Goal: New Jersey waters (tidal and non-tidal) will support human and ecosystem health and applicable uses, such as recreation, fishing, drinking water supply, agriculture, and industry.

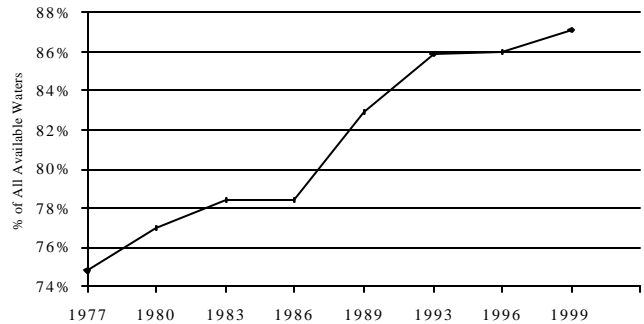
Indicator 1: Status and trends of industrial and municipal facilities in significant noncompliance (SNC) with Surface Water Discharge regulations.

Between 1992 and 1998, the number of facilities in significant noncompliance with their discharge permit requirements decreased from 44 to 10 non-local (typically industrial) facilities and from 15 to 2 local (typically municipal) facilities.

Indicator 2 Status and trends of shellfish harvest classification as percentage of all available waters.

New Jersey has opened additional water for shellfish harvesting each year since 1988. Over the past 20 years, the overall availability of ocean waters for shellfish harvesting has increased from 74% to over 87%.

Shellfish Harvestable Waters Have Rebounded

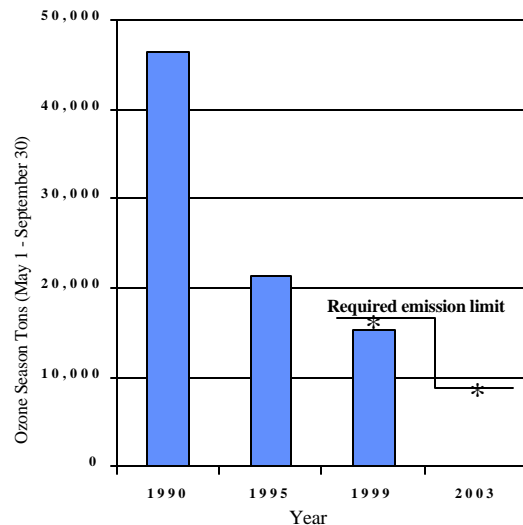


Air Quality Goal: To ensure a high quality of life for the residents of New Jersey by preserving, sustaining, protecting, and enhancing the air environment. Air quality across the state should be healthful for all New Jerseyans and of sufficient purity so as not to degrade the quality of life or cause undue economic loss.

Indicator: NO_x emissions from major industrial sources.

In 1999, DEP implemented the second phase of the nitrogen oxide (NO_x) emission control program for major industrial boilers, the NO_x Budget Program. Reduction of 67% from 1990 emission levels was achieved in 1999, exceeding the predicted reduction of 63%. Phase 3, beginning in 2003, is expected to further reduce NO_x emissions by over 80% from 1990 levels.

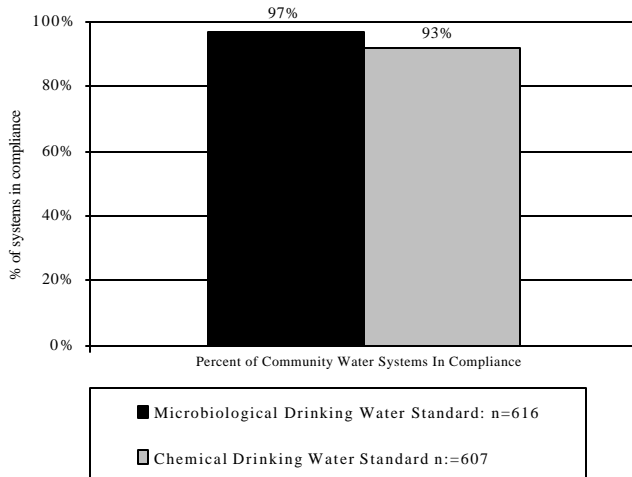
Nitrogen Oxide Emissions From Major Industrial Sources



Environmental Protection

Drinking Water Quality Goal: Every person in New Jersey will have safe drinking water.

SAFE DRINKING WATER RULE COMPLIANCE 1998



Indicator: Percent of community water systems providing drinking water that meets all microbiological and chemical drinking water standards throughout the year.

In 1998, over 97% of community water systems that sampled for total coliform bacteria met the microbiological drinking water standard, and 93% of community water systems that sampled for chemical parameters met all chemical drinking water standards.

Open Space Goal: Maintain, enhance, and restore functioning ecosystems and sustainable communities.

Indicator: Acres of Permanently Protected Open Space.

Approximately 936,000 acres of New Jersey's open space have been preserved as of December 31, 1999, including lands managed by federal, State, and local governments, interstate agencies and nonprofit organizations, and lands protected under the Department of Agriculture's Farmland Preservation Program. DEP's Green Acres Program has assisted in the acquisition of more than 447,000 acres. The passage of the 1998 open space referendum will enable the preservation of one million more acres of open space by 2009.



- With the passage of a State constitutional amendment dedicating \$98 million annually from sales and use taxes for open space, farmland, and historic preservation, a stable source of State funding has been established for this effort.
- More than one million acres have already been preserved for public recreation.
- More than 411,000 acres have already been preserved through the Green Acres program.
- More than 60,000 acres of farmland have already been preserved through the Farmland Preservation program.
- The State's goal is to preserve a million acres – half the available land remaining in New Jersey – by 2008.
- State efforts will continue to preserve an average of 100,000 acres per year over the next decade.
- The State, local governments, a private foundation and a housing developer have agreed to preserve 4,100 acres of pine forest and cedar swamps for southern New Jersey's next generations.
- The Garden State Preservation Trust oversees the progress toward achieving the goal of preserving an additional one million acres.

HEALTH AND SENIOR SERVICES	
FISCAL 2001 RECOMMENDED BUDGET	
(In Thousands)	
General Fund	
Direct State Services	\$ 85,651
Grants-In-Aid	658,676
State Aid	31,906
Capital Construction	<u>4,625</u>
Total General Fund	\$ 780,858
Casino Revenue Fund	<u>282,505</u>
Grand Total State Recommendation	<u>\$1,063,363</u>

OVERVIEW

The fiscal 2001 Budget for the Department of Health and Senior Services totals \$1.06 billion. These funds will be used to continue or expand upon the Department's long-term care initiatives, community and public health-related programs, and public awareness campaigns.

The mission of the Department of Health and Senior Services is to provide accessible, affordable health services that enable all New Jersey residents to achieve optimal health, through disease prevention, the promotion of community action, the protection of those at special risk, and the provision of services to senior citizens. To this end, the Department combines the traditional mission of public health with a new mission of providing high quality services that promote independence, dignity, and choice for 1.4 million older adults in New Jersey. The Department of Health and Senior Services has formed partnerships with other State departments, federal agencies, health care facilities, private foundations, and concerned organizations, to help ensure the health of all of New Jersey residents.

SENIOR SERVICES

Community Based Services

One of the primary goals of the Senior Services Division is to provide seniors with long-term care options, other than nursing homes, that provide cost effective services and enhance independence for the individual. The fiscal 2001 Budget includes an increase of \$9.5 million for the second installment of the three-year phase-in of the ElderCare Initiative. The fiscal 2001, \$19.9 million investment also qualifies the state for \$17.9 million in matching federal funds, bringing the total fiscal 2001

appropriation to \$37.8 million. After the three-year phase-in period, the programs created within and supported by the ElderCare Initiative will receive \$60 million in combined federal and State funding annually.

These funds will support a variety of programs that increase the number of choices seniors have for their long-term care. The programs provided through the ElderCare Initiative include the:

- Caregiver Assistance Program
- Jersey Assistance for Community Caregivers
- NJ EASE Home Care Program
- Respite Care Program
- Community Choice Program
- Universal Screening Program

The ElderCare Initiative, through the Community Choice program, has already helped approximately 700 nursing home residents either return to their homes and link them with the services they need, or place them into a more appropriate, community-oriented setting. By the end of fiscal 2001, the Department estimates that over 2,200 clients will receive community-based services through the NJ EASE Home Care, Caregiver Assistance, and Jersey Assistance for Community Caregivers programs alone.

The New Jersey Advisory Council on Elder Care recently released its report on the future service needs of New Jersey's senior citizens. Of the 36 recommendations included in the report, many have already begun to be implemented through the ElderCare Initiative. An additional \$3.5 million in funding has been recommended in fiscal 2001 to implement four of the Council's ideas. Of this amount, \$1 million will expand the delivery of in-home meals through the Meals on Wheels program, fully eliminating the current 2,000-person waiting list. Congregate Housing Services will receive \$1 million to extend their care management, nutrition, personal assistance, and housekeeping services to an additional 733 low- and moderate-income seniors. New Jersey's older, more vulnerable adults will receive expanded protection through a \$1 million increase in staff and services designed to address reported incidents of abuse, neglect, and exploitation. An additional \$500,000 will improve NJ EASE Care Management Services by allowing counties to hire more supervisory staff to oversee the system and coordinate cases among provider agencies.

The programs provided through the ElderCare Initiative, along with the additional funding of the

Health and Senior Services

New Jersey Advisory Council on Elder Care's recommendations, are part of a comprehensive community-based strategy that provides home and community alternatives to traditional long-term care.

The fiscal 2001 Budget also provides a cost-of-living increase of \$1 million for those community service providers under contract with the Department to provide services for seniors, and an additional \$1 million as a salary supplement for senior services' direct care workers. The cost-of-living adjustment, along with the direct care salary supplement, will provide direct care workers with a 3.6% increase in their wages.

Long-Term Care

The fiscal 2001 Budget reflects nursing home cost and caseload growth of approximately \$18.8 million in order to continue providing Medicaid eligible seniors with traditional nursing home placement. In addition, the appropriation for Medical Day Care is increased by \$3.4 million in fiscal 2001 due to rapidly expanding caseload growth.

The goal is to ensure that all New Jersey seniors are receiving the most appropriate care for their individual needs. However, with over 35,000 Medicaid-eligible seniors currently in nursing homes, cost containment is a substantial concern. The fiscal 2001 Budget includes savings initiatives totaling \$19.8 million. Of this amount, \$6.4 million in savings will be realized by eliminating a duplicative reimbursement to nursing homes for maintenance equipment. Medical moveable equipment will not be affected by this change. The Department is also planning to adopt a change in the reimbursement calculation for nursing homes. Instead of recalculating nursing home rates annually, based on the previous year's costs, an inflation factor will be added to the previous year's reimbursement rate. This initiative is expected to save the State \$12 million while giving nursing homes greater freedom to allocate their resources. Additional savings of \$1.4 million will be realized through a fiscal 2000 initiative, which modified reimbursement cost centers.

An initiative that will greatly reduce State expenditures for nursing homes in fiscal 2001 is the Intergovernmental Transfer. Through this initiative, the State will maximize federal resources for nursing homes by claiming additional federal matching funds for enhanced State payments to some county-owned and operated nursing homes. The \$250 million in revenue expected through this federal fund maximization will be used to offset the Medicaid nursing home appropriation and will free

up State funds to provide increased services in other health care programs.

PHARMACEUTICAL ASSISTANCE FOR THE AGED AND DISABLED

The Pharmaceutical Assistance to the Aged (PAA) program provides prescription drug benefits to persons over 65 years of age with an income of up to \$9,000 for single persons and \$12,000 for married couples. Senior citizens above this income limit and the disabled may receive benefits through the Pharmaceutical Assistance to the Aged and Disabled (PAAD) program. The current income eligibility for PAAD is \$18,587 for single persons and \$22,791 for married couples. Both of these programs (PAA/D) reduce the cost of prescription drugs for low-income seniors and people with disabilities.

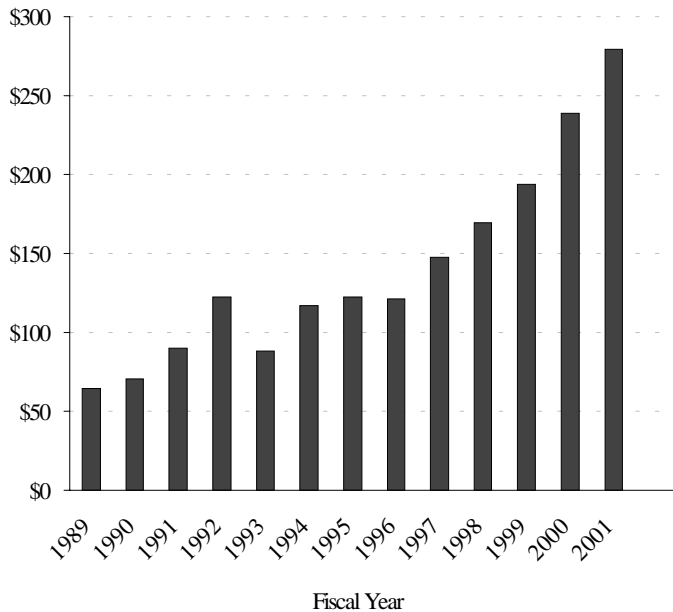
These programs pay the cost of prescriptions for eligible aged and individuals with disabilities, less a \$5 co-payment paid by the recipient. In fiscal 2001, PAA/D programs are expected to pay pharmaceutical costs for approximately 179,825 individuals. New Jersey's PAA/D programs have the highest income eligibility limits, no deductibles, premiums, or enrollment fees, and a lower co-payment than many other state-funded pharmaceutical programs across the country.

Despite efforts to keep costs affordable, costs continue to accelerate due to rapidly rising drug costs along with slight but steady utilization growth. The fiscal 2001 Budget includes total cost and caseload increases of \$44.4 million for the PAA/D programs. Of this 17% cost increase over the fiscal 2000 adjusted appropriation, approximately 12% can be attributed to increasing prescription drug costs. Some of this cost increase is due to the fact that PAAD recipients are requesting newer and more expensive drugs in response to the successful marketing campaigns of pharmaceutical companies.

In order to achieve savings in PAA/D, the Department is pursuing efforts to collect reimbursements made for Medicare covered drugs. These efforts should result in a \$4 million savings to the PAA/D programs, while keeping all benefits and reimbursement rates to pharmacies at their current level. With these savings initiatives, the PAA/D programs will see a net growth of \$40.4 million in fiscal 2001.

Of the combined fiscal 2001 Budget recommendation of \$313.5 million to fund these programs, \$229.9 million will be funded by the Casino Revenue Fund.

PAAD Appropriations (\$ in millions)



LIFELINE

The Lifeline Credit program helps approximately 154,084 low-income aged or disabled homeowners with their home energy costs. The Tenants Lifeline Assistance program assists 160,760 low-income or disabled renters. Both Lifeline programs provide home energy payments of \$225 per household, and fiscal 2001 funding is continued at \$70.8 million.

PUBLIC HEALTH

The Department of Health and Senior Services continues to be confronted with significant changes in the scope and complexity of public health challenges. Promoting public health in this context involves not only preventing disease, but also promoting community awareness and action and protecting those at special risk. The budget includes a capital recommendation of \$2.3 million for E-Public Health to promote communication both within the Department and to the public. Once fully implemented, E-Public Health will assist the Department in monitoring infectious diseases; develop a long distance learning system to improve the public health workforce; allow monitoring of quality of care in hospital settings; alert hospitals to emerging diseases and outbreaks; create a hospital outcome performance report; improve the evaluations and frequency of the Nursing Home Report Card; and link existing health databases.

FAMILY HEALTH SERVICES

The Division of Health Services is comprised of several units devoted to maternal, child, and community health services, as well as public health protection and disease prevention. It incorporates the Supplemental Nutrition Program for Women, Infants, and Children with programs that target infant mortality, family planning, diabetes education, and cardiovascular health.

The Department launched a two-year, \$1 million public awareness campaign in May 1999, entitled *Black Infants, Better Survival (BIBS)*, making New Jersey the first state in the nation to lead a major communications effort targeted at Black infant mortality reduction. In September 1999, the Department launched the second stage of the campaign: a grassroots community outreach program focused on Black women of childbearing age and their families. And in October 1999, the Department announced the third stage of the campaign: the establishment of a Black Infant Mortality Reduction and Resource Center at the Northern New Jersey Maternal Child Health Consortium, and a professional education program implemented in a variety of ways, including a printed brochure, a web site targeted to health care professionals, and a CME program for physicians in conjunction with the Academy of Medicine of New Jersey.

Outreach programs such as the Healthy Mothers/Healthy Babies program continue their efforts to prevent low-birth-weight babies through appropriate prenatal care. In addition, all newborns are screened for neonatal illnesses in order to identify and treat problems as early as possible. The Department expects to meet its fiscal 2001 goal by screening an estimated 110,000 newborns for neonatal deficiencies such as Phenylketonuria (PKU), galactosemia, hearing deficiencies, hypothyroidism, and sickle cell anemia.

During fiscal 2000, \$2.7 million was added to the Department of Health and Senior Services' budget to begin a new Cancer Screening program targeted for African American women and men. In the fiscal 2001 Budget, this funding has been continued to provide cancer screening, education, and early detection programs throughout the state. Fiscal 2001 funding is specifically targeted for the expansion of breast and cervical screening services

Health and Senior Services

and the development of prostate and colorectal cancer screening services. As part of this program, the Department will look to minority community-based organizations as a source of education, outreach, and referral.

The Early Childhood Intervention program is a federal entitlement program which provides services for those infants and toddlers up to age three who may be developmentally delayed. The fiscal 2001 Budget recommends funding of \$22.3 million for the Early Childhood Intervention program. This is consistent with fiscal 2000 funding, for which a supplemental appropriation of \$2.5 million is anticipated in addition to the \$19.8 million original appropriation. As an entitlement program, budget language has been included which would allow for additional funding to be made available for the Early Childhood Intervention program in case of increased need. Established in 1998, the Early Intervention System Stakeholder Task Force has issued recommendations to create a more efficient and effective family-centered, result based program. In fiscal 2001, the Task Force will assist the Department by continuing to evaluate the system and identify quality improvement opportunities, as well as provide guidance on the development of an electronic management information system for the statewide network.

The fiscal 2001 Budget provides a cost-of-living increase of \$1.2 million for those community service providers under contract with the Division of Family Health Services and the Division of Public Health Protection Services, and \$1.4 million as a salary supplement for direct care workers. The cost-of-living adjustment, along with the direct care salary supplement, will provide direct care workers with a 3.6% increase in their wages.

ADDICTION SERVICES

The fiscal 2000 Budget appropriated \$18.6 million from anticipated tobacco settlement revenue to develop five new tobacco control programs. The fiscal 2001 Budget includes \$11.4 million above the existing funding for a total State appropriation of \$30 million. These expanded tobacco control programs will be funded through the tobacco settlement revenue.

The five programs created as part of New Jersey's comprehensive tobacco control program are designed to partner with community leaders, health professionals, advocacy groups, and educators in order to significantly decrease tobacco use among all populations. The Youth Anti-Tobacco

Awareness Media Campaign will receive \$8.3 million in fiscal 2001. This program has already begun to create an anti-smoking media campaign targeting children and young adults. Building upon the Department's "Don't Get Sucked In" media campaign, the Youth Anti-Tobacco Awareness Media Campaign hopes to encourage communication and collaboration between youth and their parents. In fiscal 2001, \$6 million will support a Smoking Cessation program for Addicted Adults and Youth. The Smoking Cessation program will actively involve physicians in treating and referring patients, attempt to incorporate nicotine addiction treatment into non-medical settings such as senior centers and health clubs, and develop culturally appropriate programs for targeted audiences.

The Department is also investing an additional \$3 million this year in anti-smoking research, evaluation, and assistance programs to help determine which tobacco control programs are successful. School-based prevention programs will receive funding of \$3.6 million to continue teaching youth the skills necessary to resist or successfully stop smoking. Community-based programs, funded at \$9.1 million, will build on local efforts to promote change in the way tobacco is promoted, sold, and used. Together, these programs provide a comprehensive plan to combat tobacco use among New Jerseyans.

The fiscal 2001 Budget provides a cost-of-living increase of \$1.6 million for those community service providers under contract with the Division of Addiction Services, and \$1.1 million as a salary supplement for direct care workers. The cost-of-living adjustment, along with the direct care salary supplement, will provide direct care workers with a 3.6% increase in their wages.

ACQUIRED IMMUNE DEFICIENCY SYNDROME (AIDS)

The New Jersey Division of AIDS Prevention and Control has been nationally recognized for its work to decrease perinatal HIV transmission. Although HIV/AIDS is still a major public health concern, data has shown that State efforts to educate providers and women about the benefits of ZDV (AZT) use to prevent perinatal transmission of HIV have been successful. There has been a decrease in the transmission rate from 21% among infants born to HIV-infected mothers in 1993, to 9% in 1997, to an estimated 5% in 1998. In addition, New Jersey's AIDS Drug Distribution Program (ADDP) has changed its eligibility criteria, allowing even more

residents access to life-supporting and life-sustaining therapies. In fiscal 2001, over 4,200 individuals are expected to receive benefits through ADDP.

The fiscal 2001 Budget represents a continuation of \$19.2 million in State funds. An increase of \$10 million in federal funds will result in total HIV/AIDS funding of \$91.8 million in fiscal 2001.

The fiscal 2001 Budget provides a cost-of-living increase of \$862,000 for those community service providers under contract with the Division of AIDS Prevention and Control, and \$1.2 million as a salary supplement for direct care workers. The cost-of-living adjustment, along with the direct care salary supplement, will provide direct care workers with a 3.6% increase in their wages.

HEALTH PLANNING AND EVALUATION

This budget will continue to provide \$6.4 million in funding to enable the Department to inspect health care providers. In addition, the Department will conduct annual reviews of all residential health care facilities to ensure that patient care is adequate. Staff has been reallocated to respond to all complaints at these facilities.

Following State precedent of assessing an industry for State-performed oversight functions, the Department of Health and Senior Services has proposed a \$2 per covered life annual assessment of HMOs in order to support its oversight of quality in managed care plans. As reported in the Department's annual HMO Report Card, New Jersey HMO's quality of service lags behind that of plans both nationally and in other Middle Atlantic States. The funds collected through this assessment will enable the Department to expand the number and type of oversight activities such as the HMO Report Card, HMO network adequacy evaluation, complaint investigation, and appeals of coverage denials. The Department plans to use this fee to increase its proactive approach to managed care oversight in order to promote better health care service to all New Jersey residents.

CHARITY CARE & SUBSIDIZED INSURANCE

Charity Care and New Jersey KidCare have remained a priority in New Jersey. State law requires that all acute care hospitals provide care to

patients, regardless of their ability to pay. The fiscal 2001 recommendation provides \$65 million in General Fund moneys for Charity Care, the Hospital Relief Fund, and New Jersey KidCare. In order to comply with federal requirements and maximize federal reimbursements, \$32.8 million of hospital relief payments will be provided for in the Hospital Relief Offset Payment account in the Department of Human Services' Medicaid budget instead of the Hospital Relief Fund within the Hospital Subsidy Fund account in the Department of Health and Senior Services.

The fiscal 2001 budget includes a \$15.1 million appropriation, with a matching federal amount, to provide additional assistance to hospitals. This appropriation, known as the Supplemental Charity Care Fund, requires that hospitals provide charity care in excess of 1% of their annual revenues before being eligible to receive money from the fund.

In fiscal 2001, hospitals will receive combined State and federal funds of \$523 million in addition to the amount appropriated through the Supplemental Charity Care Fund.

CAPITAL RECOMMENDATIONS

This budget recommends \$4.6 million for five capital projects. Health's laboratories will receive two new and eight replacement lab analysis systems, for both the Public Health Laboratory and the Environmental and Chemical Laboratory, at a cost of \$720,000. Clinical Laboratory Services automation upgrades at a cost of \$190,000 will improve data collection from these laboratories' analytical systems. This budget also recommends \$750,000 to determine the location of, and the specifications for, a new state health laboratory. The replacement of network wiring and equipment at five Department of Health locations will cost \$665,000.

The fiscal 2001 Budget includes a capital recommendation of \$2.3 million for E-Public Health, a comprehensive technological initiative designed to promote communication both within the Department and to the public. As the first phase of a multi-year initiative, the \$2.3 million capital appropriation will help build the Department's technological infrastructure in order to improve data collection, analysis, and information exchange.

Human Services

HUMAN SERVICES	
FISCAL 2001 RECOMMENDED BUDGET	
(In Thousands)	
General Fund	
Direct State Services	\$ 516,854
Grants-In-Aid	2,548,106
State Aid	331,709
Capital Construction	<u>25,255</u>
Total General Fund	\$ 3,421,924
Casino Revenue Fund	<u>23,369</u>
Grand Total State Recommendation	<u>\$ 3,445,293</u>

OVERVIEW

The fiscal 2001 Budget for the Department of Human Services totals \$3.445 billion, an increase of \$162 million, or 4.9%, over the fiscal 2000 adjusted appropriation of \$3.283 billion. The Department is also expected to receive \$3.143 billion in federal funds in fiscal 2001, bringing the departmental total budget to \$7.2 billion, including federal and other funding sources.

The Department of Human Services is the largest agency in State government, with over 17,000 employees. It is the State's social services agency, serving more than one million of New Jersey's most vulnerable citizens, or about one of every eight New Jersey residents. Among them are abused and neglected children; troubled youth and families; the poor; and persons who are mentally ill, developmentally disabled, blind, visually impaired, and deaf and hard-of-hearing. The Department works to keep families together and to serve people in their own communities.

FISCAL 2001 BUDGET

The Department of Human Services' fiscal 2001 Budget maintains this Administration's commitment to provide for New Jersey's most vulnerable citizens and, at the same time, emphasizes personal responsibility through the Work First New Jersey welfare reform initiative.

The budget contains the following initiatives and new investment strategies:

- Family Care
- Earned Income Tax Credit (EITC)
- Early Childhood Education

- Cost-of-Living Adjustment & Salary Supplement for Direct Care Workers
- Community Services Waiting List Initiative
- Supportive Housing for persons with Mental Illness
- Ticket-to-Work Program
- Children's Initiative
- School-Based Youth Program Expansion
- Kinship Care
- Child Care Expansion
- Subsidies for Head Start
- Transitional Transportation
- Access to Dental Services
- Expansion of Training Services for General Assistance Recipients
- County Training in Work First New Jersey
- Housing
- Community Transition Initiative
- Expansion of the Ann Klein Forensic Center
- Statewide Automated Child Welfare Information System (SACWIS)
- Domestic Violence Initiative
- Independent Living Initiative

WORK FIRST NEW JERSEY

Recommended State funding for the Division of Family Development (DFD) in fiscal 2001 is \$447.2 million, supplemented by \$817.3 million in federal funds. Federal funds include the Temporary Assistance to Needy Families (TANF) block grant of \$510.8 million (including prior year carry-forward funding), the federal Child Care block grant of \$79.4 million, the Child Support Enforcement program of \$109.4 million, and Food Stamp administration of \$78.2 million.

In addition to new state spending, the Division of Family Development is using Temporary Assistance for Needy Families (TANF) block grant funding to significantly expand services for Abbott School districts, TANF clients, and the working poor.

The Work First New Jersey (WFNJ) program is designed to increase the economic self-sufficiency of individuals and families who receive public assistance by requiring participation in work activities for those needing assistance in entering the labor market. Work activities emphasize job skills training in the work place, rather than in the classroom. While adults are required to take personal responsibility in moving toward self-sufficiency, a safety net is maintained to protect

children. WFNJ encourages work by permitting clients to keep a greater share of their cash assistance when starting employment.

An average family receiving TANF cash assistance is composed of a single parent and two dependent children. That family receives a maximum of \$424 per month in welfare assistance payments and is eligible for food stamps and Medicaid.

The WFNJ program has successfully reduced the number of TANF families receiving public assistance. The number of clients has been reduced from 359,374 to 129,430 between fiscal 1994 and 2001, a decrease of 229,944 or 64%. As clients leave welfare for work, the monthly average number of children served through day care and other services has increased between fiscal 1997 and 2001 from 35,433 to 61,017, an increase of 25,584 or 72%.

A major policy reflected in the design of WFNJ includes the re-investment of program savings for child care and other services that support the growing number of working recipients. The following re-investment strategies are incorporated into the fiscal 2001 Budget.

Expansion of Child Care

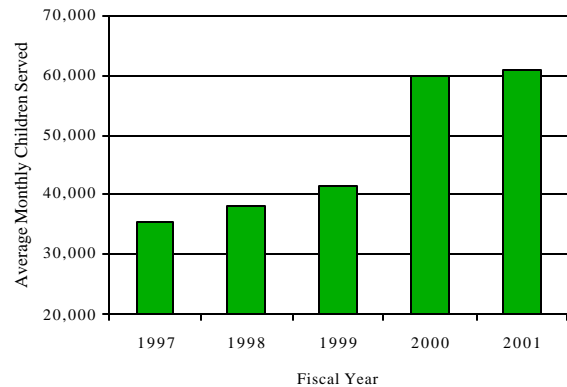
Child care represents the single most important priority for working families. More than \$264.2 million in State and federal funds are recommended for child care. It is important to note that New Jersey is now spending more for child care on non-TANF clients than for TANF clients. Of the fiscal 2001 Child Care budget, approximately \$72 million is allocated for active TANF clients; the balance is being budgeted for the working poor. The fiscal 2001 Budget provides a cost-of-living increase of \$4.1 million for those community service providers under contract with the Division and \$5.1 million as a salary supplement for direct care workers. The cost-of-living adjustment, along with the direct care salary supplement, will provide direct care workers with a 3.6% increase in their wages.

Earned Income Tax Credit (EITC)

The recommended fiscal 2001 budget includes \$49 million for a bold new initiative, the New Jersey Earned Income Tax Credit (EITC) program. This program will allow working families with children to receive tax credits. The program is expected to assist approximately 237,290 families in an effort to combat poverty. When fully implemented in fiscal 2004, the EITC program will provide an annual

refundable tax credit of over \$800 for a family of one adult and two children earning up to \$10,000 per year, over \$700 for a similar family with an annual income of \$15,000, and \$480 for a similar family with an annual income of \$20,000.

**Child Care Services
Children Served
Fiscal Years 1997 - 2001**



Early Childhood Education

The new Abbott Expansion initiative allocates \$69 million in federal TANF dollars to enhance early childhood education for children. This program will raise preschool rates for 33,000 slots and also expand half-day school year programs for 10,000 children to full-day, full year programs.

This initiative will also provide additional funding to licensed childcare providers in an effort to completely eliminate co-payments for early childhood services in the Abbott school districts.

Head Start childcare programs are currently half-day programs that are available 10 months out of the year. This additional funding will be utilized to expand to full-day programs that will be available year round in Abbott school districts. Funding will also be used to purchase educational toys and additional equipment that will be needed to service this increased Head Start population.

Transitional Housing Services

Housing subsidies for preventing homelessness will be available for those families who have left or are currently leaving the Work First New Jersey program for employment. This program, along with an expansion of the Social Services for the Homeless program, will assist families with emergency shelter, food, and prevention services

Human Services

such as rent security deposits, utility deposits, and limited back rent owed.

Kinship Care

Kinship Care is a new and expanding initiative for fiscal 2001. This program will assist grandparents and other relatives raising children. The Navigator Service program will provide case management services to families to identify needed services, link families to available services, and/or provide assistance to purchase services or items not available through existing programs. Additional assistance could be provided to help pay for camp, furniture, more suitable housing, legal services, respite care, or other approved expenditures. Vouchers will also be provided to assist low-income families caring for a relative child with the expense of childcare programs.

Transportation

The post-TANF transportation initiative has two components. One program is the extension of WorkPass, which is a transit pass, in the 14 participating counties for six additional months—three months at full subsidy and three months at 50% subsidy. As additional counties participate in the program, WorkPass will automatically be expanded. Another component will provide block grants to all counties to develop programs that address the needs identified for TANF and low-income working families in their Coordinated County Transportation Plans.

Work Programs

Federal TANF regulations require client work activity participation rates to increase in federal fiscal 2001 from 40% to 45%. New Jersey has incorporated in the Division of Family Development budget an expectation that this work participation rate will increase to 82%. WFNJ work activities funding is budgeted at \$100 million in both fiscal 2000 and 2001. Clients are assisted in job preparation and placement activities and are provided with transportation allowances. Food stamp clients are also required to participate in work activities or lose their benefits. An amount totaling \$4.5 million is continued in fiscal 2001 for eligible legal aliens who are denied federal food stamp benefits as a result of changes in federal law and are eligible to receive State-funded food stamp benefits under WFNJ.

General Assistance

Needy single individuals and married couples without children receive \$140 per person per month

General Assistance (GA) program. Recipients are also eligible to receive homemaker services, prescription drugs, physicians' services, and employment and training services.

Included in this budget is an expansion of \$3 million in work and training services for GA clients. Overall, the number of General Assistance Employable clients has declined 34% since fiscal 1994. Using the same proven success of the Work First program, additional reductions in caseloads can be applied to this population. Services for the General Assistance Unemployable clients include SSI Attorney Fees, Long-term Housing for the Chronically Impaired, and Vocational Rehabilitation.

Substance Abuse Services

Substance abuse treatment services will continue to be provided to assist individuals in obtaining and maintaining employment. In conjunction with the Department of Health and Senior Services, almost 3,000 welfare recipients will receive substance abuse treatment services statewide. The initiative is funded in the Division of Family Development at \$18.8 million and in the Department of Health and Senior Services at \$1.3 million.

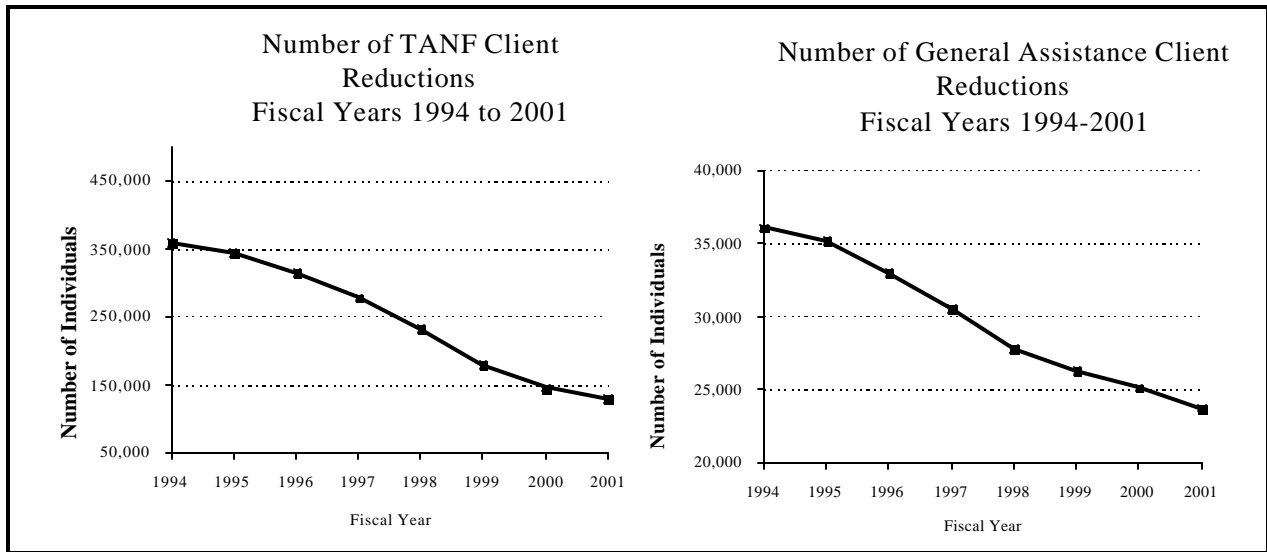
CAPITAL RECOMMENDATIONS

This budget includes \$21.8 million for essential preservation projects. These include upgrading facility mechanical systems, roof replacement, and deferred maintenance, which, if further delayed, would require major capital expenditures. Also recommended is funding to allow the Department to begin to identify and test environmental hazards before they become emergencies. These projects are required to maintain the existing facility infrastructure in support of the clients and staff of the Department.

The fiscal 2001 Budget includes \$3.5 million for the purchase of software to continue the development of the Statewide Automated Child Welfare Information System (SACWIS). Federal matching funds are available for the development of this system. The system will enhance case management, simplify referral and access to services, and will facilitate interaction with other State, county and private agencies. This is a five-year project that is expected to be fully operational by 2005.

INCOME ASSISTANCE PROGRAMS FISCAL 2001 BUDGET (\$ in millions)				
INCOME ASSISTANCE PROGRAM	STATE FUNDS	FEDERAL FUNDS	LOCAL FUNDS	TOTAL FUNDS
Work First New Jersey (WFNJ)	\$ 307.9	\$ 315.7	\$ 6.9	\$ 630.5
Child Care	\$ 62.3	\$ 217.6	\$ -	\$ 279.9
Supplemental Security Income (SSI)	\$ 77.1	\$ -	\$ -	\$ 77.1
County Program Administration	\$ -	\$ 207.2	\$ -	\$ 207.2
Other Federal Programs	\$ -	\$ 74.4	\$ -	\$ 74.4
TOTAL	\$ 447.3	\$ 814.9	\$ 6.9	\$ 1,269.1

Federal Funds include total welfare block grant funds and exclude federal SSI funds of \$817.8 million
Excludes \$121.8 million in WFNJ municipal, county, and Judiciary administrative funds.



Human Services

COMMUNITY, SOCIAL, AND INSTITUTIONAL SERVICES

Community Services for the Mentally Ill

The Division of Mental Health Services offers community mental health programs to persons with mental illness as alternatives for such adults and children receiving treatment in the most restrictive environment of state and county psychiatric institutions. Clinical intervention permits clients to function as independently as possible in the community. Emergency services, provided on a 24-hour basis, assist individuals by providing crisis intervention assessment, intensive supervision, and medication monitoring. Community residential services provide the least restrictive environment necessary to ensure safety and help the client to live independently. Partial care services provide several hours of daily program involvement to increase the individuals' independence and community living skills. People who are not in an immediate crisis are treated on an outpatient basis; such services may include individual, group, or family therapy, medication monitoring, and clinical assessment.

The Division maintains 141 contracts with 124 private community mental health agencies and two mental health centers associated with the University of Medicine and Dentistry of New Jersey. Services are provided to persons who previously have been in psychiatric institutions, are at risk of psychiatric hospitalization, or are in need of outpatient treatment. These persons are expected to access community mental health services nearly 269,000 times during fiscal 2001. The fiscal 2001 Budget provides a cost-of-living increase of \$4.2 million for those community mental health service providers under contract with the Division and an additional \$3.5 million to provide a salary supplement for direct care workers. The cost-of-living adjustment, along with the direct care salary supplement, will provide direct care workers with a 3.6% increase in their wages.

An array of mental health programs in the community is designed to divert admissions from the State psychiatric hospitals. The Program for Assertive Community Treatment (PACT), an intensive mobile treatment program, is designed to address the needs of people with mental illness who have not fully responded to traditional methods of treatment. The range of direct services include ongoing mental health treatment, medication education, counseling, assistance in meeting basic social service needs, and assistance with activities of daily living. The program is available 24 hours a

day, seven days a week. PACT teams are composed of seven to nine professionals and paraprofessionals from various disciplines (e.g., psychiatrist, physician, registered nurse, clinician, substance abuse specialist, vocational specialist, mental health advocate). PACT caseloads range between 56 and 72 clients. A total of 28 teams are operational in 16 of the State's 21 counties. Clients are anticipated to access PACT services 1,825 times during fiscal 2001 at a cost of \$16.3 million.

In addition to PACT, other community mental health programs remain operational to reduce admissions to psychiatric hospitals. These include integrated case management, drop-in centers, intensive family support services, supported housing, and crisis residences.

The budget contains \$3 million for a supportive housing initiative to provide a rental subsidy with case management for a total of 367 clients. Of this amount, \$2.2 million will provide for subsidized housing. Community mental health agencies will provide case management funded by the remaining \$800,000. Eligible clients in group homes or supervised apartments will be able to take advantage of moving into less restrictive settings. This program will allow at least 165 State hospital patients to move into the less restrictive settings which the former clients had vacated. As a result, both community clients and hospital patients will be offered less restrictive settings appropriate for their care.

In continuing efforts to implement the recommendations of the Governor's Task Force for the Review and Treatment of the Criminally Insane, this budget includes \$3.5 million in operating funds for two new residential buildings at the Ann Klein Forensic Center. Occupancy for 50 patients is expected to be available in May 2000.

Youth and Family Services

The Division of Youth and Family Services (DYFS) is the State's primary provider of social services within the community. DYFS focuses much of its activity on abused, neglected, and troubled children and their families. Current projections indicate that approximately 51,000 children will be served during fiscal 2001.

Services may be provided directly from the Division or from community agencies contracted under its supervision. The fiscal 2001 Budget provides a cost-of-living increase of \$5.1 million for those community service providers under contract with the Division and \$2.6 million as a salary supplement for

direct care workers. The cost-of-living adjustment, along with the direct care salary supplement, will provide direct care workers with a 3.6% increase in their wages.

Since 1997, an infusion of \$88 million has been made to the Division of Youth and Family Services budget, an increase of 21%. A year after implementing significant reforms, including the Foster Care and Permanency Initiatives, the Division is making progress toward improving the State foster care system and moving children more quickly into permanent homes. A major campaign to recruit foster parents—the linchpin of any child protective system—aided by an average increase of 30% in foster care payments, has resulted in more foster homes and the ability to retain more foster parents. Other improvements in the foster care system include increased training hours (from 10 hours to 24 hours) for new foster parents and enhanced training for foster parents caring for children with special needs.

One year after the Foster Care and Permanency Initiative was implemented, the average amount of time a child spends in foster care has dropped from 22.8 months to 20.9 months before returning to their former home. Children who are targeted for adoption saw their average foster care stay reduced from 24.4 months to 23.5 months.

The shorter stays in foster care can be attributed in part to the federal and State changes incorporated in the Adoption and Safe Families Act (ASFA). The enabling legislation for New Jersey, signed by the Governor in March, requires DYFS to consider a child's safety and permanency as its main focus. The law sets strict time limits for DYFS and the courts to decide on a child's future and move him or her into a permanent home.

An historic partnership with the courts will move children in foster care into permanent homes more quickly. An improvement has been seen in achieving termination of parental rights through the Family Court. For example, it took an average of 39 months in 1998 for children removed from their homes and targeted for adoption to get legal clearance from the courts as compared to the average of 33.5 months in 1999. Finalized adoptions increased from 597 in 1997 to 805 in 1998, an improvement of 35% due to the Division's efforts to increase permanent placements for children.

The Division's substitute care programs offer both temporary and permanent care to children whose needs prevent them from remaining in their own

homes. Foster care is for children whose families are unable to provide appropriate care for them. Adoption subsidies are provided to encourage the permanent placement of children with special needs, as well as those that are hard to place. Approximately 6,801 foster care placements and 6,694 adoption subsidies are expected in fiscal 2001. The cost of these placements will exceed \$94 million.

Private and State-operated residential treatment centers, as well as group and treatment homes, provide a more intensive educational and supportive environment for children who are hard to place. It is estimated that approximately 1,792 children (91 in State facilities and 1,701 in private centers) will be served under this program this fiscal year at a cost of \$120 million.

Community-based family support services are designed to assist families in crisis and to preserve and strengthen families. "Wrap-around" services provide a network of family-oriented services individually tailored around a child with serious emotional or behavioral problems. Other contracted services developed and monitored by the Division include homemaker, companionship, employment, housing, legal, and psychological services.

Fiscal 2001 funding to the Child Protection Initiative is continued at the fiscal 2000 level. These resources will maintain a Statewide average ratio of one caseworker for every 35 cases, the lowest ratio in approximately ten years. This initiative supports 315 caseworkers, 54 support staff, mobile phones, and enhanced caseworker training to enable the Division to better identify and protect abused or neglected children.

One million dollars is included to implement the New Jersey Homeless Youth Act in fiscal 2001. This program provides street outreach programs which help homeless youth find temporary shelter, obtain food, counseling, referral services, and medical care.

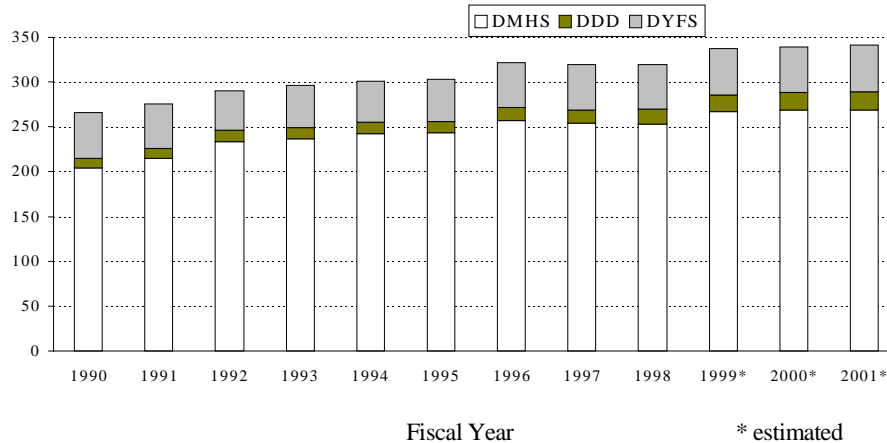
The School-Based Youth Services Program (SBYSP) provides comprehensive services on a one-stop shopping basis in or near schools. SBYSP is a proactive program that focuses on addressing teenagers in a holistic fashion. All programs provide a set of core services which include mental health, health and employment counseling, and pregnancy, substance abuse and violence prevention services, as well as recreational and information and referral activities.

Human Services

The budget recommends a \$3.7 million increase to expand the School-Based Youth Services Program (SBYSP) to approximately 15 additional sites, bringing the total funding for this program to \$11.7 million in state and federal funding. Communities will have an opportunity to create a collaborative program through a competitive bidding process and apply for up to \$250,000 to replicate the existing, successful programs. Each community will be able to design the program, within the model, so that it addresses the needs of that community.

In an effort to address a critical need, \$1.5 million has been budgeted for Independent Living Services within the Division of Youth and Family Services. This funding will provide young adults with rent subsidies, transportation, food allowances, vocational training, and employment preparedness guidance to assist individuals who are aging out of regular DYFS services and need assistance with life skills training. This initiative will also assist clients in completing their high school education and other educational goals.

Clients Served Community Care Programs (Clients in Thousands)



Community Services for the Developmentally Disabled

The Division of Developmental Disabilities offers a wide array of residential and support services for individuals in community settings. Residential programs include group homes, supportive living arrangements, supervised apartments, skill development homes, family care homes, and private institutional placements. Individuals residing in family care homes lead productive lives. Most have full-time jobs and are active members of the community. Group homes offer around-the-clock staff supervision with most of the residents participating in adult day programs or work.

Many other individuals who live with their families participate in adult day programs, which include adult activities, supported employment, and extended employment programs. School-aged children receive day training. Respite/home assistance programs provide families short-term relief from the often difficult task of caring for a developmentally disabled family member at home.

The fiscal 2001 Budget recommendation includes an additional \$19.2 million in State funds and \$7.1 million in federal funds to phase in services for 500 people from the community services waiting list and 400 people from the day program waiting list. In an effort to avoid costly out-of-home placements and keep families together, \$3.3 million is included for expanded family support services. Also included in the budget is an additional \$12.8 million in State funds and \$6.4 million in federal funds to annualize the cost of the fiscal 2000 initiative.

Since 1995, the community services waiting list reduction initiatives' cumulative total is \$154.5 million and, when fully implemented, will have placed 2,807 individuals in community residential programs and provided 1,775 individuals with adult day care activity programs. A total of \$10.6 million is included for expanded family support services. Over the past several years, the community services waiting list has grown by approximately 400 clients annually. Except for a number of individuals who have declined services, by the end of fiscal 2001, the Division will be offering placement services to those individuals added to the urgent category of the waiting list as of March 1997.

The fiscal 2001 Budget also provides a \$7.2 million cost-of-living increase for those community service providers under contract with the Division and \$5.8 million as a salary supplement for direct care workers. The cost-of-living adjustment, along with

the direct care salary supplement, will provide direct care workers with a 3.6% increase in their wages.

Care for individuals with developmental disabilities continues to evolve in New Jersey. Consumers and their families are creating an individual network of services and supports which they have chosen to help them live in the community. Self-determination began in fiscal 1998 as the Governor's Inclusion Initiative. People with disabilities and their loved ones are being empowered to make the decisions to improve their quality of life, and reduce overall costs. Self-determination continues to be an option for individuals and their families in fiscal 2001.

The fiscal 2001 Budget recommendation includes \$5.7 million in State funds and \$2 million in federal funds for a Community Transition initiative. This new initiative addresses the need to phase-in the transition of 144 persons from the developmental centers to the community.

Office on Disability Services

This Office was established in 1997 to serve as the focal point for the cross-cutting disability issues and concerns of all New Jerseyans with disabilities and their families. As a State-level coordinating body, the Office operates a comprehensive information and referral system and also issues a statewide resource directory. This Office serves as a "single point of entry" for persons with disabilities who require services, but may not meet the requirements for disability-specific programs presently offered by the Department of Human Services and other state departments. The Office on Disability Services will continue to improve the delivery of services, help reduce duplication, and improve the efficiency of efforts to support independence for people of all ages with disabilities. The New Jersey Cash and Counseling Demonstration Project is supported by a three-year grant of \$600,000 from the Robert Wood Johnson Foundation. This Office also administers the New Jersey Personal Assistance Services Program, funded by \$6.1 million in General and Casino Revenue Fund dollars.

Psychiatric Hospital Care

Psychiatric hospitals in New Jersey provide medical intervention, a protective therapeutic environment, and various rehabilitative, vocational, and treatment services. The goal of treatment is to limit the duration of institutionalization so patients can return to the community as rapidly as clinically appropriate with community care support, if necessary.

A total of six psychiatric institutions continue to serve voluntarily admitted or legally committed persons with mental illness.

The Hagedorn Gero-Psychiatric Hospital will continue to serve those who have an additional need for nursing and medical care, as well as provide for other new admissions. Of the total of 100 new beds, which opened on May 4, 1998 an average daily population of 94 are being treated in fiscal 2000.

The Arthur Brisbane Child Treatment Center will continue to serve pre-adolescent school-age children and adolescents who have been legally committed.

The Ann Klein Forensic Center will be expanded by 50 new bed spaces in fiscal 2001 so that some patients may be removed from other state psychiatric hospitals and placed into the more secure facility to receive more suitable treatment services. A total of 77 new employees will be added to the staff. This expansion implements recommendations of the Governor's Task Force for the Review and Treatment of the Criminally Insane.

Greystone Park Psychiatric Hospital provides services to voluntarily and legally committed mentally ill persons from Bergen, Essex, Hudson, Morris, Passaic, and Sussex counties.

Trenton Psychiatric Hospital provides services to voluntarily and legally committed mentally ill persons from Mercer, Middlesex, Monmouth and Union counties.

Ancora Psychiatric Hospital continues to be the largest State facility with an anticipated average of 600 patients a day. The Arthur Brisbane Child Treatment Center will remain the smallest facility with an anticipated average of 40 patients per day.

In fiscal 1995, the total State psychiatric hospital population was 2,488. In fiscal 2001, without Marlboro Psychiatric Hospital, the total State population is estimated to be 2,070. This is a reduction of 418 beds (17%) as a result of patients who no longer remain institutionalized but instead

are accessing mental health services in the community.

In addition to the State psychiatric hospitals, there are six county-operated psychiatric hospitals. State aid to these counties provides funds for 90% of the maintenance costs of county patients. The average daily population of patients residing in these facilities is estimated to be 682 for fiscal 2001. The largest population is in Essex, averaging 283, and the smallest in Union, averaging 14.

Developmental Centers

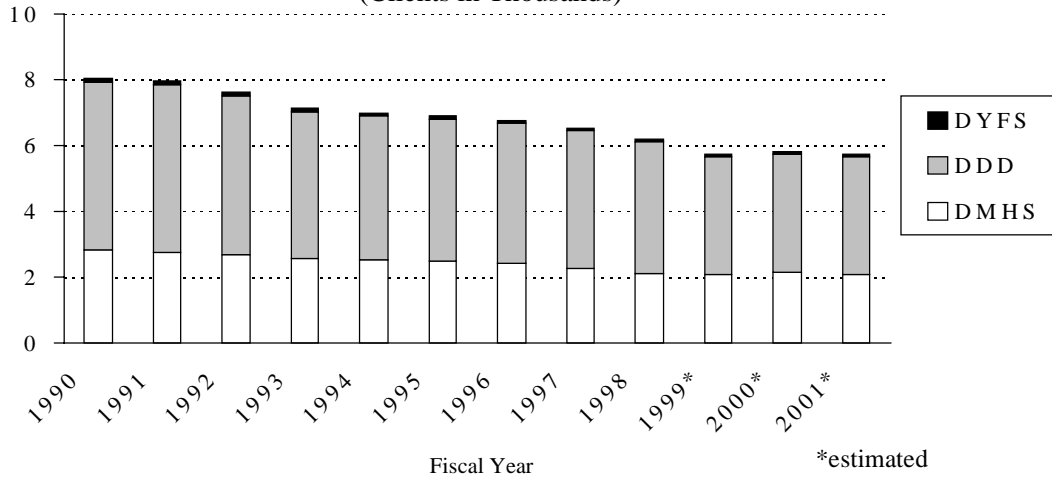
In fiscal 2001, New Jersey's seven developmental centers will provide residential, habilitation, and educational services for persons with developmental disabilities. In fiscal 2001, an estimated 3,578 individuals will reside in the developmental centers, a reduction of 1,600, or 31%, from the 5,178 residents living in institutional facilities in fiscal 1989. New Jersey is committed to reducing the populations in developmental centers while providing a wide variety of residential and support services in the community.

The Community Transition initiative will provide 144 additional individuals the opportunity to transition from a developmental center to a community setting developed to meet their individual needs. The individuals transferring to the community will be chosen from a group of approximately 700 individuals whose Individual Habilitation Plans recommend community placement, and whose families have expressed support for such action. The fiscal 2001 Budget recommendation includes combined State and federal funds of \$7.7 million for this new initiative.

Efforts have been made to reduce the number of beds that do not meet federal certification standards, such as room size, bed space configuration, or some other physical characteristic of the building. Certified beds provide for federal cost sharing on a 50-50 basis. Overall, New Jersey has reduced the number of non-certified beds from 1,464 beds in fiscal 1989 to an estimated 119 beds in fiscal 2000.

**Average Daily Population
State Institutions**

(Clients in Thousands)



**COMMUNITY CARE PROGRAMS
APPROPRIATED DOLLARS**

(\$ in thousands)

Program	State	Federal and All Other	Total
Division of Mental Health Services	\$ 224,855	\$ 11,870	\$ 236,725
Division of Developmental Disabilities	349,169	263,850	613,019
Division of Youth and Family Services	295,301	60,503	355,804
TOTAL	<u>\$ 869,325</u>	<u>\$ 336,223</u>	<u>\$ 1,205,548</u>

**INSTITUTIONAL PROGRAMS
APPROPRIATED DOLLARS**

(\$ in thousands)

Program	State	Federal and All Other	Total
Division of Mental Health Services	\$ 195,048	\$ 1,611	\$ 196,659
Mental Health Services - County	87,171	---	87,171
Division of Developmental Disabilities	151,406	147,582	298,988
TOTAL	<u>\$ 433,625</u>	<u>\$ 149,193</u>	<u>\$ 582,818</u>

Medicaid

OVERVIEW

Medicaid is the State's principal health care safety net for the needy. It serves those who would otherwise be part of the large pool of persons who have no resources for health care. Individuals without health insurance do not receive preventive care and have limited access to medical services, reducing the overall well-being of the State's population.

Medicaid is administered by the Department of Human Services (DHS), except for long term care services which are administered by the Department of Health and Senior Services. The federal government reimburses approximately half the total costs of Medicaid under Title XIX of the Social Security Act.

The policy goals of Medicaid are to provide access to quality care and to maintain or extend programs to meet the health care needs of the needy and uninsured within the overall context of prudent purchasing and good fiscal management.

Medicaid covers a full range of inpatient and outpatient hospital services, physician visits, dental care, prescription drugs, medical supplies, medical transportation, home health services, personal care services, long-term care, and community-based care alternatives.

The State has made a major commitment to provide managed care through its contracted network of State-licensed health maintenance organizations (HMOs). Medicaid managed care provides the full scope of traditional acute care medical services, with a special emphasis on preventive medicine, early detection and treatment of medical conditions, and continuity of care.

Total State expenditures for Medicaid benefits in fiscal 2001 are projected to be \$2.496 billion. Expenditure forecasts are \$1.650 billion for the DHS Division of Medical Assistance and Health Services (DMAHS), and \$395 million for the Department of Health and Senior Services. In addition, \$452 million in State funds will be spent for services on behalf of Medicaid-eligible persons in intermediate care facilities for the mentally retarded (ICF/MRs) and in community care waiver programs administered by the DHS Division of Developmental Disabilities. Additionally, State dedicated funds will contribute \$27 million for NJ KidCare benefits and \$70 million for the NJ Family Care program. State expenditures will be augmented by nearly \$3 billion in federal matching funds.

Over the last seven years, New Jersey has constrained the growth of Medicaid expenditures through the implementation of cost efficiencies, recoveries, innovative initiatives, managed care, and fraud and abuse deterrence. This cost-conscious approach has resulted in cumulative savings of more than \$460 million per year to the State Budget compared to the trend of spending prior to 1994.

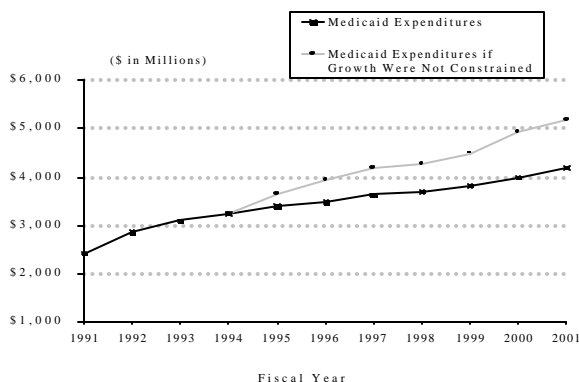
Medicaid expenditures for General Medical Services in DMAHS are projected to grow from \$1.5 billion in fiscal 2000 to \$1.6 billion in fiscal 2001. This growth will be partially offset by \$22 million in savings initiatives, and is augmented by \$5.2 million in new priority initiatives that will be detailed below.

MEDICAID RECIPIENTS

The single largest group of persons eligible for Medicaid are low-income children and adults who also receive cash assistance benefits through the State's Work First New Jersey program (WFNJ) or who have eligibility through various non-cash assistance expansions of Medicaid. About 370,000 persons, or 64% of all Medicaid recipients, are WFNJ recipients. Payments for medical and health services utilized by this group will account for about \$442 million, or 18% of State Medicaid expenditures.

The second largest group of recipients are lower income aged or blind persons and people with disabilities, whose numbers have been increasing in recent years. This group tends to require a more intensive and costly mix of services, such as

Medicaid Expenditures
State General Fund and Matching Federal Funds
Compared to Expenditures If Growth Were Not Constrained
(DMAHS & DHSS)



hospitalization, nursing home care, and intensive community care.

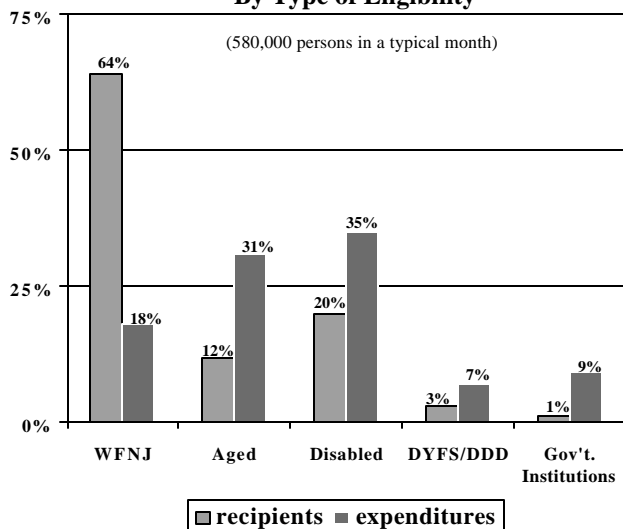
About 70,000 persons, or 12% of all Medicaid beneficiaries, are SSI-Aged Medicaid beneficiaries. Services utilized by this group will account for about \$766 million, or 31% of State expenditures.

The 116,000 individuals who are disabled or blind comprise 20% of all Medicaid recipients. Services on their behalf will account for over \$878 million, or 35% of State Medicaid expenditures.

About 17,000 persons, or 3% of all Medicaid recipients, receive community services through the Division of Developmental Disabilities or the Division of Youth and Family Services. Medical services on their behalf account for \$179 million, or 7% of Medicaid expenditures.

Less than 5,000 persons, or 1% of all Medicaid beneficiaries, are institutionalized individuals without developmental disabilities, who reside in State and county psychiatric hospitals or veterans' homes. Services utilized by this group account for \$231 million, or 9% of Medicaid expenditures.

**Medicaid Recipients and State Expenditures,
By Type of Eligibility**



MEDICAID EXPANSIONS

Eligibility in the Medicaid program was initially linked to participation in the Aid to Families with Dependent Children (AFDC) program for low-income children and caregivers, and the Supplemental Security Income (SSI) program for

low-income aged, blind, or disabled persons. Three years ago federal and State laws were changed to de-link Medicaid eligibility from welfare cash assistance. As a result, more persons than ever before receive Medicaid benefits without cash assistance.

New Jersey has demonstrated its commitment to maintaining and expanding its health safety net for low-income children and vulnerable adults through its implementation of most federally authorized, State-option Medicaid eligibility expansions. The first expansion of Medicaid beneficiaries included pregnant women, children up to age two, and SSI-related aged, blind, and disabled persons with incomes up to 100% of the federal poverty level. Additional federal legislation established Medicaid coverage for children under the age of six in families with incomes up to 133% of the federal poverty level. A subsequent expansion allowed Medicaid coverage for pregnant women and infants in families with income up to 185% of the poverty level. The program was expanded in 1999 and now provides pre-natal care services for legal immigrant women at 100% State cost. The State has phased in coverage for children born after September 30, 1983 in families with incomes up to 100% of the poverty level.

Despite all these Medicaid expansions, years of steady economic growth and increasing employment opportunities have resulted in an absolute decline in the number of persons receiving Medicaid benefits. However, Medicaid's overall costs continue to go up because of the increasing proportion of services provided to aged and disabled recipients.

NEW AND EXPANDED SERVICES

Dental Services

The Medicaid budget request includes \$3.2 million of funding to pay increased dental provider rates. This will help ensure access to dental services in all parts of the State, and more equitable compensation to dental providers who participate in the Medicaid program.

Early and Periodic Screening, Diagnosis and Treatment

The proposed budget includes \$1.2 million to provide an incentive to physicians to submit encounter data on early childhood health screening, including lead screening, so the State can be absolutely certain that children are receiving

Medicaid

adequate evaluation, diagnosis, treatment, and preventive care.

Ticket-to-Work

New assistive technologies are making it possible for certain disabled persons to return to work. Until recently, these persons would become income-ineligible for Medicaid. New Jersey is one of the first states in the country to take steps to help these individuals to become a part of the mainstream economy. The proposed budget will include \$750,000 to continue Medicaid coverage for these individuals as they re-enter the workforce.

Hospital Relief Offset Payments

In order to comply with federal requirements and maximize federal reimbursements, the Medicaid budget includes a new \$32.8 million line item entitled the Hospital Relief Offset Payment account. A corresponding reduction of \$32.8 million has been made in the Health Care Subsidy Fund in the Department of Health and Senior Services which supports the Hospital Relief Fund.

MEDICAID SAVINGS INITIATIVES

In the absence of cost containment measures, State DMAHS Medicaid expenditures in fiscal 2001 are projected to grow \$108.7 million over the fiscal 2000 adjusted appropriation. Medicaid continues to develop strategies that promote administrative efficiencies and payment economies. Prudent purchasing and savings initiatives have effectively offset this predicted growth by \$22 million.

Recoupment of \$9 million is anticipated from other insurers, such as Blue Cross/Blue Shield, of payments initially made by Medicaid.

Medicaid is expanding managed care to the aged and disabled. This will increase access and improve coordination of care, and avoid costs of \$4 million. The savings will result from avoidance of unnecessary or ineffective services and the avoidance of uncoordinated or conflicting therapies that may cause more harm than good.

An additional \$4 million will result from four fiscal 2000 savings initiatives that had delayed start-up.

Savings of \$2 million are anticipated from enforcing policies that prohibit reimbursement for cyclical discharge and readmission of patients to hospitals, except in circumstances of documented medical necessity.

Medicaid expects to recoup nearly \$2 million from improved management of eligibility determinations and from buying into employer-sponsored health insurance that may be available through another member of the family.

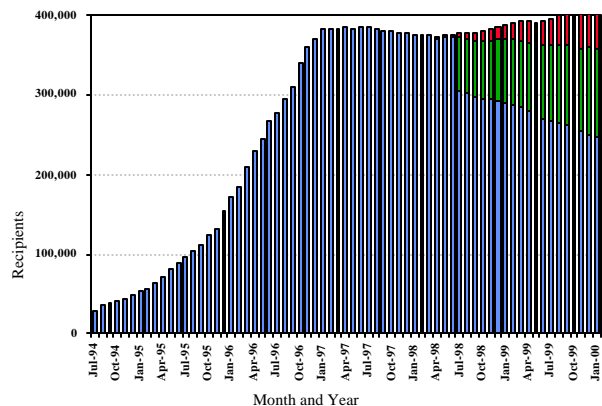
Savings of \$1 million are anticipated from actions that will gain for the Medicaid program the usual and customary best prices on goods and services offered to other large purchasers.

MEDICAID MANAGED CARE

Beginning in September 1995, the State began phasing in mandatory managed care for Medicaid-eligible children and parents. There are currently 400,000 enrollees in managed care between Medicaid and the NJ KidCare program. In addition, about 8,800 aged, blind, or disabled persons are voluntarily enrolled.

Medicaid managed care provides many beneficiaries with their first continuous primary care provider. Both a healthier population and long-term cost avoidance in the Medicaid program will be attained from the emphasis on preventive health and the avoidance of more costly types of medical care, such as hospitalization and emergency room treatment in non-emergency situations.

Medicaid and NJ KidCare Beneficiaries in Managed Care
July 1994 through December 1999



DMAHS will soon be launching a mandatory managed care program for many of its disabled beneficiaries and some of its aged beneficiaries (those who are not dually eligible for Medicaid and Medicare). This program has been under development for several years, and every effort has been made to ensure a successful relationship between participants and providers. DMAHS anticipates signing contracts with health maintenance organizations early in the year 2000. Enrollment is expected to begin in Spring 2000 and to phase in over one year's time.

NJ KIDCARE

The NJ KidCare Children's Health Insurance program was enacted to address the substantial number of children without health insurance coverage. This expansion of coverage is 35% State funded and 65% federally funded.

The NJ KidCare program provides a comprehensive array of health services to children up to 350% of the federal poverty level, who are not eligible for the existing Medicaid program. New Jersey is ahead of all other states in extending eligibility to this level of family income. In addition, the program now includes a presumptive eligibility component to increase outreach and enrollment, which has reached 55,000 children.

NJ FAMILY CARE

A new program is being developed to provide a comprehensive array of health services to low-income adults who have no other medical coverage. It underscores this Administration's commitment to extend further the State's health care safety net. This new program will build on the concepts and existing contracts of Medicaid and the NJ KidCare program.

NJ Family Care will provide coverage to parents with family income up to 200% of the federal poverty level (FPL). It will also provide coverage to childless adults up to 100% of the FPL, including those adults who currently receive services through the General Assistance program. Parents with income up to 133% of FPL will be covered through an expansion of the Medicaid program. For the remaining individuals, the benefit package will either be the same as that provided under the Medicaid program or an HMO benefit package that

mirrors the most widely sold commercial package, including modest copayments. As in NJ KidCare, premiums will only apply to parents with income that exceeds 150% of the FPL. The monthly premium will be set at \$25 per person.

NJ Family Care will also feature a premium assistance program in which the State will make payments to families and individuals to subsidize the enrollment in qualified employer-sponsored insurance plans in order to support the employer-based system of health insurance.

CHILDREN'S INITIATIVE

Beginning with the Fiscal 2001 Budget, the Department of Human Services will begin a multi-year initiative focusing on children with emotional and behavioral disturbances. This Children's System of Care Initiative will restructure publicly funded systems that serve troubled children.

The initiative will provide care coordination and create common screening for services to assure that these children and their families receive appropriate care for the appropriate length of time.

This system calls for pooling resources of \$167 million currently supporting many children's programs and managing those resources so that services are expanded and can be tailored to the individual child. The success of the initiative can be objectively measured by decreasing rates of out-of-home placements, and improved child and family outcomes. Currently, 72% of all expenditures for children with serious emotional problems are for the residential costs of care. This initiative will invest resources in case management, family supports, and beneficial therapies for emotionally disturbed children.

This budget includes \$10 million of new State funding, plus \$29 million in new federal matching funds, for a total of \$39 million in new and expanded services for children. Services and resources totaling more than \$206 million will be organized and coordinated to support individualized treatment plans in the community.

The initiative will be managed at the Department level and reflect a partnership between the Division of Youth and Family Services, the Division of Mental Health Services, and the Division of Medical Assistance and Health Services.

LABOR	
FISCAL 2001 RECOMMENDED BUDGET	
(In Thousands)	
General Fund	
Direct State Services	\$ 56,336
Grants-In-Aid	<u>20,591</u>
Total General Fund	\$ 76,927
Casino Revenue Fund	<u>2,440</u>
Grand Total State Recommendation	<u>\$ 79,367</u>

OVERVIEW

The fiscal 2001 Budget for the Department of Labor (NJDOL) totals \$79.4 million, an increase of \$2 million, or 2.6%, over the fiscal 2000 adjusted appropriation of \$77.4 million. This includes expansion of the supported employment services for severely disabled individuals, cost-of-living increases for the community service providers, and funding for the implementation of a new program to register public works contractors. Offsetting these increases are reductions for anticipated salary savings through attrition and other cost efficiencies, and elimination of one-time supplemental funding for automation costs.

In addition to its State funding and State Trust Fund the Department administers an array of federal programs totaling \$345 million. Labor provides employment, training, and education services that meet the needs of all citizens. The State's Workforce Readiness System is part of a nationwide effort to establish a world class workforce that can compete in the global marketplace.

The Department's major responsibilities are to

- identify employment opportunities and provide marketable skills training to the state's workers, job seekers, and students;
- encourage businesses to create workplaces where high quality jobs add value to goods and services;
- ensure compliance with the State's wage and hour laws; and
- oversee income maintenance to the unemployed and disabled during employment search or temporary disability.

Highlights of recent Department initiatives and accomplishments:

- Expansion of One-Stop Career Center offices
- Establishment of Reemployment Call-In Centers
- Federal approval of Unified Workforce Development Plan

FISCAL 2001 BUDGET

Grants-In-Aid funding for Vocational Rehabilitation Services is increased by \$1.7 million in fiscal 2001, from \$18.9 million to \$20.6 million, or 9%. This includes a major investment to help those New Jersey citizens with significant disabilities participate in today's thriving economy. Existing federal vocational rehabilitation funds may only be used to provide the initial intensive phase of services necessary to prepare these individuals for employment in the community. Ongoing "follow-along" services are needed to maintain and support these individuals at their worksites. Increased funding of \$1.3 million for these "follow-along" supported employment services will enable an additional 500 disabled clients to work and contribute to the economy. An additional \$371,000 will support cost-of-living increases for community service providers in fiscal 2001. The cost-of-living adjustment, along with the direct care salary supplement, will provide direct care workers with a 3.6% increase in their wages.

The State budget also recommends an additional \$500,000 to implement a recently enacted law that will require public works contractors to register with the Department to ensure compliance with current labor laws. It is estimated that between 7,000 and 10,000 businesses will apply for registration under the law that goes into effect in April 2000.

New Jersey's Economy

The New Jersey economy continued to advance at a vigorous pace in 1999. During 1999, the Garden State reached a record high employment of nearly 3.9 million individuals. The State's economic expansion has generated a net increase of 378,600 jobs since January 1994, with an unemployment

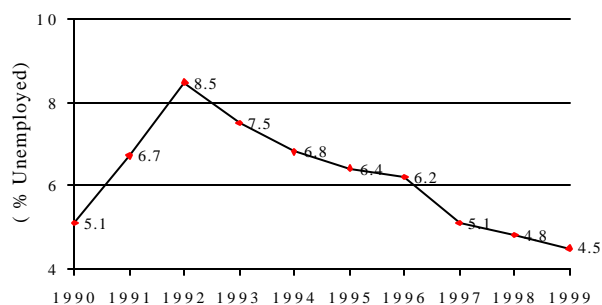
rate of 4.3% as of November 1999. During 1999, the jobless rate averaged 4.5%, down significantly from the 8.5% rate recorded in 1992.

**NEW JERSEY'S JOB GROWTH
JANUARY 1994 - NOVEMBER 1999**

January 1994 - December 1994	76,900
January 1995 - December 1995	21,900
January 1996 - December 1996	65,600
January 1997 - December 1997	92,500
January 1998 - December 1998	66,600
January 1999 - November 1999	<u>55,100</u>

Total: 378,600

**NEW JERSEY'S UNEMPLOYMENT RATE
(1990 - 1999)**



(Rates are annual averages)

Unemployment Insurance

The federally funded Unemployment Insurance (UI) program is administered by the New Jersey Department of Labor. Unemployment benefits are financed through employer and employee taxes.

Currently, there are 33 local offices statewide where citizens may register in person for unemployment benefits. In response to the U.S. Department of Labor's request that states begin filing claims remotely, the Department opened its first Re-employment Call-In Center (RCC) in Freehold, New Jersey in July 1998. This service is presently available to residents in parts of Monmouth, Ocean, and Middlesex counties. A second RCC opened in Union City in July 1999 and serves residents of Bergen, Hudson, Morris, and Passaic counties; a third center, located in Vineland, opened in November 1999. Through the Remote Initial Claims process, clients will be able to file initial unemployment insurance claims and re-open

existing unemployment claims by telephone.

As the result of a healthy economy and a low unemployment rate, the Administration has recommended a reduction to the unemployment insurance tax contribution for all covered employers and employees for fiscal 2001. New Jersey's Unemployment Insurance Trust Fund balance is currently 2.3% of total wages, which compares favorably to the national average of 1.5%. The current reserve balance would pay over two years' worth of unemployment benefits without any additional collections, which also compares favorably to the national average.

Under this proposal, employer tax contributions to the Unemployment Insurance Trust Fund will be reduced from \$930 million annually to \$800 million, a \$130 million, or 14%, decrease. The \$130 million, or .2%, annual contribution to the Trust Fund by all covered employees will be suspended. However, employee contribution portions for health care and workforce development will remain intact in order to continue these worthwhile programs.

Workers' Compensation

New Jersey has been identified as one of the safer states in the nation, with a private sector accident rate approximately 22% below the national average.

Fewer injuries have meant substantial savings for New Jersey employers as the number of workers' compensation claims filed has fallen over the past several years. This has translated to a steady reduction of workers' compensation premium rates.

One-Stop Career System

New Jersey's One-Stop Career System offers a wide range of employment and training services to businesses and job seekers through numerous points of access. Affiliated sites offer basic intake, job match, assessment, and occupational training opportunities throughout the state.

An important complement to the numerous local offices is the Workforce New Jersey Public Information Network (WNJPIN), New Jersey's One-Stop home page on the Internet. The home page address is: <http://wnjpin.state.nj.us>

Enhancements to the computerized Job Bank and Talent Bank resulted in over 1,333,000 personal

1996	3.6%
1997	11.2%
1998	9.3%
1999	5.2%
<u>2000</u>	<u>2.4%</u>
Five- Year Total	31.7%

computer visits to WNJPIN by job seekers and employers seeking workers since its inception in 1995. The Job Bank/Talent Bank includes employer job listings and job seeker resumes, and provides its users easy, direct, no fee access.

Workforce Development

The Workforce Development Partnership (WDP) program, funded through a dedicated assessment on workers and their employers, is a key component in the State's effort to train workers and job seekers to meet employers' needs, and to move people from welfare to work. A model program for other states, Workforce Development grants are awarded to individuals seeking to enhance existing job skills or to acquire new skills, and to private companies under the customized training component of the program.

Through an interagency agreement between the Departments of Labor and Human Services since 1997, the Department of Labor has provided job training for the Work First New Jersey welfare reform program. Labor's job training efforts for the disadvantaged are concentrated at the local county social services agency offices, where participants gain immediate access to all One-Stop Career Center services.

In fiscal 2001, \$38.9 million of the cost of the New Jersey Work First program, which helps welfare recipients transition from public assistance to self-sufficiency, will be offset by the reserve balances in the Workforce Development Partnership Trust Fund.

Customized Training Program

The customized training aspect of the WDP program provides matching training grants to employers to upgrade the skills of their workforce.

This training assistance helps companies remain competitive in the global economy, and provides an incentive for companies to remain in New Jersey or to relocate from other states as long as they do not create unemployment in their former location.

Customized training has become an important component of New Jersey's economic development package. Since January 1, 1994, over \$400 million has been provided to upgrade the skills of approximately 191,000 workers employed by 1,523 New Jersey firms. These employers have invested over \$250 million in matching training dollars.

An independent evaluation of the WDP program conducted in 1999 by the Edward J. Bloustein School of Planning & Public Policy at Rutgers University reported many positive outcomes from employers with regard to customized training. Ninety-five percent of employers indicated that they would recommend that other companies participate in the initiative, with over two-thirds of those firms reporting that their customized training grant had a significant positive impact on the company. Over 64% of firms also reported that they now provide more frequent training to more employees than they did prior to receipt of the customized training grant.

PUBLIC EMPLOYMENT RELATIONS COMMISSION

The Public Employment Relations Commission (PERC) is an independent agency within the Department of Labor which resolves disputes between public employees and their employers. The New Jersey Employer-Employee Relations Act of 1968 established PERC's authority. PERC, along with the PERC Appeal Board, has a combined budget of \$2.9 million in fiscal 2001.

PERC's budget continues funding for computer upgrades to carry out responsibilities of the Police and Fire Public Interest Arbitration Reform Act. The final phase of migrating PERC from an antiquated computer system to a more state-of-the-art system will be accomplished in fiscal 2001.

Computer upgrades will permit better work flow and timely case management updates, thus increasing productivity and efficiency. The technology upgrades will allow PERC to respond efficiently and effectively to local governments and school districts.

CUSTOMIZED TRAINING PROGRAM							
January 1, 1994 to December 31, 1999							
	<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>Total</u>
Grant Awards (in millions)	\$14	\$20	\$23	\$22	\$36	\$37	\$152
Company Match (in millions)	\$24	\$37	\$45	\$46	\$50	\$51	\$253
Companies	144	132	328	170	492	257	1,523
Trainees	13,140	23,478	24,970	40,490	43,020	45,636	190,734

Law and Public Safety

LAW AND PUBLIC SAFETY FISCAL 2001 RECOMMENDED BUDGET (In Thousands)

General Fund		
Direct State Services	\$	386,935
Grants-In-Aid		18,543
State Aid		6,290
Capital Construction		<u>42,224</u>
Total General Fund	\$	453,992
Casino Control Fund		33,851
Casino Revenue Fund		92
Gubernatorial Election Fund		<u>7,000</u>
Grand Total State Recommendation	\$	<u>494,935</u>

OVERVIEW

The fiscal 2001 Budget for the Department of Law and Public Safety totals \$494.9 million, an increase of \$37.8 million, or 8.3%, over the fiscal 2000 adjusted appropriation of \$457.2 million.

The Department of Law and Public Safety, under the direction of the Attorney General, provides statewide law enforcement, emergency response services, and enforcement of marine, civil rights, and consumer laws. It provides legal services to State agencies and regulation of the gaming industry, alcoholic beverages, boxing, and the racing industry.

The Office of Highway Traffic and Safety manages a variety of federally funded programs designed to prevent traffic accidents and fatalities on state highways.

The Election Law Enforcement Commission, the Executive Commission on Ethical Standards, the Victims of Crime Compensation Board, and the Juvenile Justice Commission are agencies that are in, but not of, the Department of Law and Public Safety.

FISCAL 2001 BUDGET

STATE POLICE

The recommendation for the Division of State Police, including Capital funding, is \$249.8 million, an increase of \$16.5 million, or 7%, over the fiscal 2000 adjusted appropriation of \$233.3 million. State Police provide police services throughout the state and patrol all major state highways. Other

services include investigation of organized crime, racketeering, narcotics, and white-collar crime.

A recommendation of \$2.6 million will assist approximately 520 local municipalities in purchasing image-capable workstations to access the Federal National Crime Information Center 2000 (NCIC 2000) for investigatory matters through the Division of State Police. This access will allow more efficient and prompt information regarding wanted persons, missing persons, and stolen property for local law enforcement. This is the third and final phase of this project executed in cooperation with the FBI.

State Police Reform

Excluding a \$16.7 million recommendation for capital projects, \$10.2 million for State Police reforms will be implemented to improve operations. Included in this recommendation is \$600,000 for staff associated with implementation of the State Police technology enhancements. A total of \$3.5 million is recommended for improvements in recruitment, testing and promotion, and to provide management and legal oversight to implement recommendations of the reform, an increase of \$1.3 million. Also included is \$174,000 for a new State Police Cadet pilot program.

Two State Police training classes will be scheduled in fiscal 2001, allowing the State Police to recruit additional candidates by canvassing colleges and universities for highly qualified applicants, and to increase the participation of women and minorities. These classes are expected to graduate a total of about 250 new troopers. These new graduates will offset the normal/routine attrition that occurs and provide an increase of 70 new enlisted personnel that will be assigned to a number of State Police functions including road patrol and investigations. The cost of the additional 70 troopers totals \$2.7 million and is part of the fiscal 2001 recommendation. They will be the sixth and seventh classes of State Police officers to graduate during this Administration, bringing the total number of graduates to more than 800 since fiscal 1994.

The Civilian-Trooper Redeployment initiative will provide an additional 25 civilian staff and \$800,000 in new funding in fiscal 2001 to perform administrative functions currently performed by troopers. This new funding, coupled with the \$2.7 million in fiscal 2000, provides a total of \$3.2 million and 85 civilians to this initiative and will enable an equivalent number of troopers to be reassigned to supervisory and investigatory functions.

OTHER LAW ENFORCEMENT

The Division of Criminal Justice investigates criminal activity, enforces the State's antitrust laws, and prosecutes crimes including organized crime and related illicit activities. Additional funding of \$700,000 is recommended for expansion of the Corruption Prosecution Unit to investigate and prosecute corruption by law enforcement officials on the state, county, and local levels.

The Safe and Secure Communities program will have provided approximately \$81.1 million from fiscal 1994 through fiscal 2001 in law enforcement personnel and equipment grants to over 170 municipalities statewide. The Safe and Secure Communities program is recommended for \$3.6 million in fiscal 2001 and, when combined with fine and penalty receipts, will continue to provide \$10.5 million to support the salaries of approximately 370 local police officers.

ELECTION LAW ENFORCEMENT COMMISSION

The recommendation for the Election Law Enforcement Commission is \$3.6 million, an increase of \$1 million, or 38.5%, over the fiscal 2000 adjusted appropriation of \$2.6. The Election Law Enforcement Commission is recommended to receive \$600,000 for additional temporary staff to operate the Gubernatorial Public Finance program during fiscal 2001 and 2002. Funding for nine additional permanent technical staff is also recommended at \$385,000 to support the Commission's recently instituted interactive web site, as well as the implementation of electronic filing for candidates. Candidate filings and contribution data are available in database format at this site for searches and information retrieval. Information contained on this web site is available to the general public.

JUVENILE JUSTICE COMMISSION

The Juvenile Justice Commission operates and coordinates programs for juveniles involved with the criminal justice system. The fiscal 2001 recommendation, excluding capital, provides funding of \$91.1 million, an increase of \$10 million, or 12.4%, over the fiscal 2000 adjusted appropriation of \$81.1 million. When combined with education aid, capital, and federal funds, the overall spending authority for the Commission totals \$141.9 million for fiscal 2001.

The priority in fiscal 2001 for the Juvenile Justice Commission is to upgrade the quality of care

provided in its facilities. In fiscal 2001, \$5.6 million is recommended to increase the overall bed space capacity by 250. To alleviate the overcrowding conditions at the New Jersey Training School for Boys at Jamesburg and enable correctional staff to provide better supervision and direct care, \$4.4 million is recommended to fund the operating costs of 196 new beds being added to existing space capacity. In addition, 54 new bed spaces at an operating cost of \$1.2 million will be available in four specialized units to provide juvenile offenders with special needs an area to receive proper treatment. These new units are the Mental Health Unit, Special Needs Unit, Female Substance Abuse Unit and the "Step Down" for Sex Offenders Unit. All of these additional bed spaces will improve the Commission's effectiveness in educating and rehabilitating juveniles in its care.

The State/Community Partnership program was established in the Juvenile Justice Commission to improve the counties' juvenile justice systems by implementing early intervention programs and alternatives to incarceration. Funding is continued for this program at \$7.3 million. Accompanying this program is a \$3.3 million new State Incentive program in fiscal 2001. This program will provide counties the funding to plan and develop additional community programs for selected youth who might otherwise be committed to state level juvenile justice programs. This program will further expand sentencing options available to judges by increasing residential and day program slots by approximately 90 and will stimulate the development of innovative correctional responses at the county level.

Funding is recommended at \$1.4 million for Enhanced Custody and Non-Custody training. This increase will provide expanded basic training for new Juvenile Correction officers, in-service training and refresher courses to custody staff including semi-annual firearms re-certifications, and structured training for non-custody staff in supervising juvenile offenders, first aid, CPR, and crisis intervention.

CITIZENS' RIGHTS

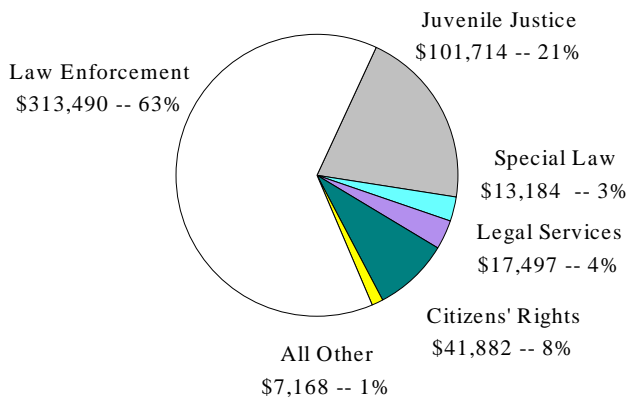
A total of \$41.8 million is recommended for Citizens' Rights in fiscal 2001, an increase of \$1.5 million, or 3.7%, over the fiscal 2000 adjusted appropriation of \$40.3 million. The divisions under this area ensure the fair and equitable treatment of consumers, protect the civil rights of individuals, and assist victims of crime. Included in this recommendation is funding for consumer oriented programs such as the statewide inspection of weight and measure devices, regulation of charitable organizations, and monitoring of legalized games of

Law and Public Safety

chance laws. A recommendation of \$1.1 million is included to fund criminal background checks for homemaker-home health aides and nurses aides. The Victims of Crime Compensation Board, an agency in, but not of, the Department is recommended for the continuation of \$150,000 for outreach and education programs.

The Division on Civil Rights investigates complaints and disputes related to equal opportunity in employment, housing, public accommodations, and the extension of credit or making of loans. Complaints are either resolved by the Division or recommended for prosecution. The Division also promotes equal opportunity through educational outreach programs. In fiscal 2001, the Administration has recommended \$350,000 to develop a comprehensive automated case tracking system. This system will provide legal staff with better caseload management to search for prior complaints and to enable staff to reference previous cases with similar circumstances.

**NJ Department Of Law And Public Safety
Total Fiscal 2001 Recommended Budget**
(\$ in Thousands)



DIVISION OF LAW

The Division of Law is recommended for continuation funding of \$17.5 million. In addition to this funding, \$6.5 million is recommended in the Departments of Corrections, Environmental Protection, Health and Senior Services, and Human Services to support legal service costs. The Division of Law provides legal services to all offices, departments, and entities of State government, as well as county Boards of Election and Taxation. The Division renders written legal opinions to government agencies, makes appearances at hearings, and represents the State in litigation and appeals in State and federal courts and

in administrative hearings and proceedings. Its services include representing the State in all claims brought against the State and its employees for personal injury, property damage, and contract claims. The Division also prosecutes civil claims on behalf of the State.

GAMING ENFORCEMENT

Funded from the receipts of New Jersey's casino industry, \$33.9 million is recommended for the Division of Gaming Enforcement to continue to meet its responsibilities as defined by the Casino Control Act. This recommendation provides continuation funding of \$1.6 million for increased fringe benefit costs.

GUBERNATORIAL ELECTIONS

The fiscal 2001 Budget recommends an increase of \$7 million to the Gubernatorial Elections Fund to provide public financing to qualifying candidates in the 2001 gubernatorial primary election.

VOTER REGISTRATION

The Administration's successful implementation of the National Voter Registration Act of 1993, commonly called the Motor Voter law, halted a declining trend in the number of registered voters. Due to the widespread availability of voter registration services and forms at various State and county agencies, through citizens' interest groups, and at motor vehicle agencies, the number of registered voters stands at 4.4 million, up from 3.9 million in 1994, a 12.8% increase.

CAPITAL RECOMMENDATIONS

This budget recommends a total of \$31.6 million for capital projects in the Department of Law and Public Safety. The recommended projects for State Police (\$6.2 million) will fund critical repairs to roofs, other building systems, and complete the replacement of obsolete police radios. Funds are also included to purchase three medevac helicopters to replace inefficient aging units. The fiscal 2001 funding of \$8.7 million is the cost of purchasing these helicopters. They will be used to support the Air Ambulance Program, which provides statewide emergency coverage in catastrophic injury instances. Also included in this recommendation is \$16.7 million to continue the upgrade of the Computer Aided Dispatch/Record Management System, the purchase of mobile computers in State Police vehicles, and the development of an Evidence Tracking System.

This budget also recommends \$10.6 million to address critical capital needs at Juvenile Justice Commission facilities. Such funds, combined with \$3.5 million from the 1994 Developmental Disabilities Waiting List Reduction and Human

Services Facilities Bond funds, will address rehabilitation of housing units, replacement of roofs, and fire and life/safety improvements throughout the Juvenile Justice system.



New Jersey Crime Statistics

Over the past 6 years, the number of major crimes in New Jersey declined from 378,302 in 1993 to 296,638 in 1998, a **drop of 21.6%**. The worst crimes showed even greater reductions.

- Murder - **Down 23.3%**
- Robbery - **Down 35.1%**
- Burglary - **Down 29.0%**
- Rape - **Down 26.7%**
- Aggravated Assault - **Down 20.4%**

Military and Veterans' Affairs

MILITARY AND VETERANS' AFFAIRS FISCAL 2001 RECOMMENDED BUDGET

(In Thousands)

General Fund

Direct State Services	\$ 64,400
Grants-In-Aid	1,044
Capital Construction	<u>14,370</u>

Total General Fund \$ 79,814

Grand Total State Recommendation \$ 79,814

OVERVIEW

The fiscal 2001 Budget for the Department of Military and Veterans' Affairs (DMAVA) totals \$79.8 million, an increase of \$5.4 million, or 7.2%, over the fiscal 2000 adjusted appropriation of \$74.4 million. This amount includes \$14.4 million in recommended capital funding. Included in the capital funding is a \$9.3 million State match anticipated to generate a \$24 million federal funds award to reconstruct the Vineland Veterans' Memorial Home. While this facility is currently the last of the three existing homes to be rebuilt and can accommodate 282 beds, the replacement home will have 332 beds, an Alzheimer's unit, and an assisted living complex.

The number of New Jersey veterans receiving services from the Department is projected to expand to approximately 38,000 in fiscal 2001. The budget provides the resources needed to operate the three Veterans' Memorial Homes, projected to serve 912 residents in fiscal 2001. This increase of 59 residents reflects a 6% increase from fiscal 2000 due to full occupancy at the newly reconstructed Menlo Park Veterans' Home.

In regard to burial services provided to veterans, the number of annual interments at the Brigadier General Doyle Memorial Cemetery is projected to exceed the previous year by more than 200, as funding for additional burials is included in this budget.

The New Jersey Army National Guard has stabilized at approximately 7,500 authorized positions and the New Jersey Air National Guard at approximately 2,500 authorized positions. In keeping with the National Guard mission to protect life and property, and preserve peace, order, and public safety during times of emergency, the New Jersey National Guard played a major role during and after Tropical Storm Floyd in 1999. Additionally, the Army Guard

continues to assist law enforcement agencies and community-based organizations in support of the President's National Guard Drug Control Strategy.

HONORING OUR VETERANS/FISCAL 2001 BUDGET

The budget includes capital funding in the amount of \$14.4 million, of which \$9.3 million in State match funds is anticipated to generate a \$24 million federal funds award for the reconstruction of the Vineland Veterans' Memorial Home. Once completed, all eligible veterans will have access to increased bed space, an Alzheimer's Unit, and an assisted living complex.

During fiscal 2001, the Brigadier General Doyle Memorial Cemetery is projected to receive additional federal funds totaling \$3 million for the construction of lawn crypts. As a result, \$150,000 in new State funding is recommended for cemetery crypt maintenance needs. Other recommended increases to the Division of Services to Veterans include \$462,000 for Honor Guard support services, \$136,000 for the establishment of a State Benefits Bureau, and \$100,000 to support food service needs at the Vineland Veterans' Memorial Home.

Funding is continued in the fiscal 2001 Budget for the new Vietnam Veterans' Educational Center, along with funding for the Vietnam Veterans' Memorial. Additionally, there is continued support for the New Jersey Korean War Veterans' Memorial Committee's effort to construct the New Jersey Korean War Veterans' Memorial on the historic boardwalk in Atlantic City. The memorial will feature a Wall of Honor displaying the names of the 800 young men from New Jersey who died on the battlefields of Korea.

TRANSITIONAL HOUSING FOR VETERANS

The Transitional Housing Program for veterans continues to be successful. During fiscal 2000 the program maintained a residency level of 50 veterans and is projected to be at the same level in fiscal 2001. The addition of a multi-purpose dining room to the facility will be completed in fiscal 2001. The dining room will allow residents to enjoy meals together and programs, while also serving as an educational/learning center.

NATIONAL GUARD

Recommended increases to the Division of Military Services budget include \$250,000 to allow the New

Military and Veterans' Affairs

Jersey Guard to act as host for the US National Guard Association Conference and \$125,000 to fund an increase in overhead costs and environmental oversight at both the Atlantic City and McGuire air bases.

The New Jersey National Guard is an integral component of New Jersey's emergency management and planning operation. It maintains an aggressive recruitment and retention program, resulting in 32 consecutive months of 100 plus enlistments. Through a community outreach program and the expanded use of armories as interactive community resource centers, there has been a significant increase in the activities occurring at these facilities.

Tropical Storm Floyd, described by many as the flood of the century, had a severe impact on eight counties and numerous cities and towns throughout New Jersey. In response to this natural disaster, the New Jersey National Guard provided around-the-clock support and assistance to the citizens of stricken communities. More than 1,800 New Jersey National Guard members participated, including members from 32 armories and two air bases, which were mobilized to meet Floyd's challenge. Guard support services included personal rescue, sandbag operations in Roselle Park, security of threatened communication centers, and the strengthening of electrical lines in various New Jersey counties. Overall, this effort reflected the true spirit of the National Guard.

DEFENSE INSTALLATIONS

Continuation funding is included in this budget to ensure that New Jersey's interests are properly represented before the federal government's Base Realignment and Closure Commission (BRAC). BRAC makes recommendations on the economic and military viability of existing Department of Defense installations within New Jersey and whether these facilities should continue to operate or close. The Commission is responsible for the

protection of New Jersey's eight military bases, which employ approximately 27,000 men and women. These individuals, as well as their families, and retired veterans contribute significantly to the State's economy. This funding allows New Jersey to develop a proper strategic plan and insures the State's aggressive representation before the Commission.

NJ YOUTH CHALLENGE PROGRAM

This budget provides \$864,000, including an increase of \$123,000, as the required State matching share for the federally funded portion of the New Jersey Youth Challenge Program. The funding increase reflects a continuing commitment to address at-risk youths through a program which nurtures a positive self-image and self-discipline. When the current class graduates, over 800 students will have successfully completed the program since its inception in 1993.

CAPITAL RECOMMENDATIONS

The fiscal 2000 Appropriations Act provided \$3.6 million for the Architectural and Engineering Design Study for a new Vineland Veterans' Memorial Home. This budget recommends \$9.3 million to match \$24 million of federal funding for the construction of a new home. The replacement home would have 332 beds (vs. 282 beds for the present facility) but would produce no net increase in operating costs because of Medicare eligibility. New Jersey thus continues to fulfill its commitment to our aged veterans and their families.

Similarly, New Jersey supports its National Guard infrastructure by providing \$2.7 million to improve its existent armories, training center, as well as veterans' homes and veterans' transitional housing. This budget also contains \$2.4 million for a complete rehabilitation of DMAVA's Headquarters building.

Personnel

PERSONNEL	
FISCAL 2001 RECOMMENDED BUDGET	
(In Thousands)	
General Fund	
Direct State Services	\$ 28,138
Total General Fund	\$ 28,138
Grand Total State Recommendation	\$ 28,138

OVERVIEW

The fiscal 2001 Budget for the Department of Personnel totals \$28.1 million, an increase of \$729,000, or 2.7%, over the fiscal 2000 adjusted appropriation of \$27.4 million. This increase is primarily attributable to the implementation of a \$750,000 sexual harassment training program.

In order to keep the State's workforce competitive, the Department has planned a strategic course in fiscal 2001 that builds on the successes of recent civil service reform efforts. While many of the traditional human resource services will continue to be provided to State and local appointing authorities, new themes will direct the efforts of Department staff and recast the core mission of the Department in terms of the Governor's goal of Merit System Reform.

The Department's major responsibilities are to

- administer a comprehensive personnel system based on merit;
- provide State and local employees with a fair and impartial forum for dispute resolution;
- offer training programs and quality cost-effective staff development services to meet the demands of State and local government agencies;
- respond expeditiously to the needs of State and local appointing authorities by providing qualified eligible candidates to fill vacant positions; and
- administer the State's Equal Employment Opportunity and Affirmative Action Programs, and assist agencies in developing and implementing their Affirmative Action Plans;

- develop recommendations to implement a State compensation policy designed to effectively manage, maintain, and develop its human resources.

Department's initiatives:

- Overhaul of the classification and compensation system to provide incentives and benefits to the full workforce in all State agencies
- New programs designed to develop a workforce culture directed at attracting and retaining talented staff
- Adoption of new layoff rules that base layoff decisions on both seniority and annual job performance evaluations

FISCAL 2001 BUDGET

In fiscal 2001, the Department will continue its efforts towards overhauling the classification system to simplify human resource management and enhance the compensation plan to incorporate the pay-for-performance concept. A key component of the enhanced compensation plan is the Performance Assessment Review (PAR). Its purpose is to fairly evaluate employee work performance and establish a development plan for improving productivity.

The Human Resource Development Institute (HRDI) plans to promote its services to local government employees, showing the comparative advantages and cost-effectiveness of HRDI training over other training providers. This training can provide the desired developmental path for both new and experienced employees, improving individual skills as well as enhancing job performance.

In order to support the Governor's commitment of creating a workplace that is respectful to all employees, HRDI is developing a training program for the prevention of sexual harassment and discrimination in the workplace. This training covers the complaint procedure to be followed in the event of an allegation of inappropriate or unlawful behavior. Managers have been trained but the real success of the program depends on training of all employees. State Affirmative Action Officers will be trained on the investigative and legal aspects of sexual harassment under this initiative.

Profile of a State Employee

- Average Age 44
- Avg. Salary \$42,949
- Avg. Length of Service 13 yrs
- Education
 - High School 52.0%
 - Post HS 48.0%
- Gender
 - Female 54%
 - Male 46%
- Minorities 35%



STATE FISCAL 2001 RECOMMENDED BUDGET (In Thousands)	
General Fund	
Direct State Services	\$ 17,537
Grants-In-Aid	34,702
State Aid	18,275
Capital Construction	2,887
Total General Fund	\$ 73,401
Grand Total State Recommendation	\$ 73,401

OVERVIEW

The fiscal 2001 Budget for the Department of State, excluding Higher Education, totals \$73.4 million, an increase of \$17.6 million, or 31.6%, over the fiscal 2000 adjusted appropriation of \$55.8 million.

The Department of State oversees cultural and historic programs through the New Jersey State Council on the Arts, the New Jersey State Museum, the New Jersey Historical Commission, the New Jersey Historic Trust, the Old Barracks, the War Memorial, Archives and Records Management, and the Martin Luther King, Jr. Commission. The Public Broadcasting Authority, the New Jersey State Library, and the Commission on Higher Education are in, but not of, the Department.

Major departmental responsibilities are to

- support the arts, museum services, and the development of historical resources;
- plan and coordinate the Many Faces, One Family (MFOF) initiative through public awareness campaigns; and
- provide funding for general government services such as management of the State’s archives.

Major functions which are in, but not of, the Department are to

- provide thoughtful, quality programs through the State’s only statewide non-commercial television station;
- plan and coordinate the State’s higher education system through the Commission on Higher Education; and
- maintain the New Jersey State Library.

FISCAL 2001 BUDGET

The Department of State’s fiscal 2001 Budget includes \$20 million in New Jersey State Council on the Arts grants, \$17.5 million in Direct State Services, and \$2.7 million in State Aid for the Newark Museum. The budget recommendation also includes \$10 million to establish the New Jersey Cultural Trust.

Support of the Arts

The budget recommendation for Grants-In-Aid is \$30 million, an increase of \$11.3 million, or 61.4%, over the fiscal 2000 adjusted appropriation of \$18.6 million.

New Jersey Cultural Trust

In fiscal 2001, \$10 million is recommended for the establishment of the New Jersey Cultural Trust, an exciting Administration initiative which will augment State and federal funding for the arts, history and humanities in New Jersey. By using private funding to leverage public funding, the Cultural Trust will help fund capital projects, build endowments, and contribute to the institutional and financial stability of non-profit cultural groups in New Jersey. Thus all private sector funding that meets the purposes of the Trust will be matched by the State on a 1:1 basis, a public/private venture that the State will enter into for a period of ten years.

New Jersey State Council on the Arts

In addition to the \$10 million for the New Jersey Cultural Trust, an increase of \$1.3 million for the New Jersey State Council on the Arts is recommended for fiscal 2001 consistent with this Administration’s commitment to raise funding to \$20 million. These funds are to be awarded through the Council’s competitive grants award process. This funding increase will allow the Council to provide additional grants or larger grants to eligible arts organizations. Since fiscal 1994, the Arts Council’s Grants-In-Aid budget has increased by \$9.8 million or 96%.

Since its inception in the spring of 1998, ArtsPlan New Jersey has been endorsed by over 2,300 New Jersey individuals, families, corporations, schools, civic, and faith groups. Its popular support helps achieve the goal of improving the quality of life through advancement of the arts.

In July 1999, the Council on the Arts awarded over \$17 million in funding that will support over 600 organizations and projects statewide. The awards represent a significant increase to major arts organizations, county arts agencies, and funding for 13 new projects. Last year, an estimated 17.6 million people, of which 3.8 million were children, attended and benefited from the programs and projects supported by the Arts Council.

Office of the Secretary of State

The Office of the Secretary of State, which was formerly funded with off-budget receipts, is provided a State appropriation of \$3.6 million, including \$1 million for the Many Faces, One Family, (MFOF) and the Personal Responsibility programs. This is an increase of \$582,000, or 20%, over the fiscal 2000 adjusted appropriation for the Center for Youth Policy and Programs (CYPP), an Administration initiative created in April 1999, which serves as an information clearinghouse on youth policy and programs. The first major undertaking of the CYPP, the recently unveiled V-Free initiative, seeks to promote violence-free, victim-free, and vandalism-free schools and communities. To date, 25,000 youth have participated in the initiative. The Many Faces, One Family (MFOF) program unites business leaders and communities to encourage understanding, tolerance, and appreciation of the diversity which enriches our state. In the coming year, the initiative is poised to expand its focus. In partnership with the Office of the Attorney General, MFOF will help increase the dialogue between members of the police force and the communities they serve.

New Jersey Network

The budget recommendation for the Public Broadcasting Authority (New Jersey Network or NJN) provides \$5.5 million in direct state support, an increase of \$580,000, or 12%, above the fiscal 2000 adjusted appropriation. In addition, \$4.7 million in capital funding has been recommended to meet the first year costs associated with digital conversion. NJN faces significant capital needs to meet a federal mandate for High Definition Television transmission. This is a result of the Federal Communication's ruling that all commercial and non-commercial TV stations must begin transmission in digital format in 2003. During the seven-to-ten-year transition period, all TV stations must broadcast in the present analog format as well as in high resolution, wide screen, multi-channel digital format. Other recommended increases include \$290,000 to allow for extension of the broadcast day from 18 to 24 hours, which will enable expansion of the viewer base and help NJN

garner more private sector support. In addition, \$120,000 is recommended to enable NJN to meet the standards for National Public Radio membership requirements, and allow for strengthening the radio signal to enhance sound quality and increase the listening audience.

State Library

The proposed budget for the New Jersey State Library remains stable at \$3.1 million. The recommendation of \$400,000 in the fiscal 2001 Budget will allow the State Library to continue the modernization of its facilities, with a computerized research staff for both users and staff.

New Jersey Historical Commission

In fiscal 2001, the New Jersey Historical Commission will again receive \$4.5 million for its grant program. This reflects a continuation of funding provided by means of a supplemental appropriation in fiscal 1999. This funding will support and provide research for historical organizations, museums, libraries, and other similar organizations with collections or programming related to the history of New Jersey.

New Jersey Historic Trust

The fiscal 2001 Budget recommendation includes \$450,000, a continuation of administrative funds provided in fiscal 2000. In addition, the second phase of the restoration of Morven is recommended at \$2.3 million to provide a historic facility for temporary exhibits, conferences, and an archive and research center for New Jersey cultural history.

Since 1990, the New Jersey Historic Trust, through its Historic Preservation Bond Grant program, has awarded over \$52 million to 182 historic projects throughout the state. As of November 1999, \$31 million, or 59.7% of the grant money, has been utilized by grantees for project construction expenses.

The War Memorial

State support for the War Memorial will continue in fiscal 2001, offset by revenues generated by events held at this newly reopened facility. On January 12, 1999, the Trenton War Memorial was reopened for public use following a meticulous \$35 million historic preservation and renovation which took nearly five-years to complete. Upon reopening, the Trenton War Memorial was rededicated to honor those who served with courage, dignity, and patriotism in the armed forces of the United States of America. Returned to its original Italian Renaissance splendor and enhanced by state-of-the-

art technical theatre upgrades and acoustical improvements, over 70 events have been held in the main theater to date, attracting more than 85,000 in attendance. A marvel for the young and old alike, more than 26,000 school children attended student matinees and over 91 other events. Meetings, receptions, banquets, and ceremonies have brought in thousands more. It is envisioned that the War Memorial will ultimately be supported solely by event-generated revenues.

Archives and Records Management

The fiscal 2001 Budget for the Division of Archives and Records Management (DARM) is \$1.9 million, an increase of \$639,000, or 52%, over the fiscal 2000 adjusted appropriation.

An additional \$232,000 is being recommended for a design study to expand the Records Center which is

rapidly approaching its design capacity. In September 1999, the State Archives relocated to specially renovated facilities in the Department of State building, nearly tripling the Archives' space, and allowing for a significant expansion of the Archives' public programs. The State Archives will open to the public in 2000 featuring an improved history research center and an exciting New Jersey Heritage Gallery, where changing exhibitions of such treasures as the U.S. Bill of Rights, the Ratification of the U.S. Constitution, and the State's impressive collection of Civil War battle flags will be displayed to the public.

By the end of calendar 2000, the public will have web access to DARM's extensive databases on New Jersey government records.

CONTINUING OUR HISTORIC PRESERVATION AND SUPPORT TO THE ARTS

- \$55,000 has been dedicated to restore and preserve the New Jersey monuments at Gettysburg National Park. In the Battle of Gettysburg, 51,000 men were killed, wounded, or captured; 6,000 New Jerseyans lost their lives.
- The multi-faceted approach to the restoration of the State House Dome enabled citizens young and old to become part of preserving our heritage. Trenton was the site of the turning point of the American Revolutionary War and, as such, the New Jersey State House, with its newly restored Dome, provides a link to the past while serving the citizens of New Jersey well into the new millennium.
- The War Memorial was reopened on January 12, 1999 after a nearly five-year renovation project that restored the National Historic Site to its original splendor.
- The New Jersey State Museum continues to be considered a major international institution in the field of Natural History discovery and interpretation in geology, paleontology, and astronomy. As an example, it debuted a major exhibition in December 1999 titled *Unseen Treasures: Imperial Russia and the New World*, which includes over 300 art objects and artifacts from Russia's famed State Historical Museum and State Archive.
- The Garden State Preservation Trust Fund, through the Garden State Open Space Trust Fund Act, authorizes that .25% of 1% of sales tax be designated to finance a New Jersey Historic Trust grant fund. The fund assists capital preservation projects through capital preservation and historic site management grants.

TRANSPORTATION	
FISCAL 2001 RECOMMENDED BUDGET	
(In Thousands)	
General Fund	
Direct State Services	\$ 224,627
Grants-In-Aid	248,097
Capital Construction	698,600
Total General Fund	\$ 1,171,324
Casino Revenue Fund	\$ 23,75
Grand Total State Recommendation	<u>\$ 1,195,078</u>

OVERVIEW

The fiscal 2001 Budget for the Department of Transportation totals almost \$1.2 billion, an increase of \$323 million, or 37%, over the fiscal 2000 adjusted appropriation of \$872 million. This increase is primarily attributable to additional funding for the Transportation Trust Fund to reduce the amount of debt issued, and the New Jersey Transit Corporation to eliminate the need for a fare increase on NJ Transit buses and trains for a record tenth consecutive year.

The Department of Transportation (DOT) constructs, reconstructs, and maintains the State highway and mass transit systems within a complex transportation network through its operating and capital budgets.

The New Jersey Transit Corporation (NJT), the nation's third largest provider of bus and commuter rail service, moves approximately 359,600 commuters per day. NJT operates 714 rail cars on 12 lines and 2,081 buses on 174 routes covering the entire state.

DOT is also responsible for motor vehicle related services such as annual vehicle inspections, processing vehicle registrations and drivers' licenses, and overseeing the private network of motor vehicle agencies.

The Department's major responsibilities are to

- maintain the extensive network of highways, bridges, feeder roads, and bus and rail lines to realize the maximum useful life of the State's transportation investments;
- reduce congestion to enable businesses to distribute goods rapidly, promoting economic growth;

- improve mobility to expand access to employment and housing opportunities, enhancing the quality of life; and
- promote the safety of the State's transportation system consistent with community objectives, to improve highway, rail, and pedestrian safety.

FISCAL 2001 BUDGET

The Direct State Services recommendation of \$225 million is \$5 million, or 2%, more than the fiscal 2000 Budget level. This net increase is the result of increases totaling \$21 million offset by reductions totaling \$16 million. The bulk of the reductions, \$14 million, is the result of a similar amount of federal dollars being made available for the Enhanced Inspection and Maintenance program.

Within Direct State Services recommended funding, DOT's operating budget (excluding the Division of Motor Vehicles) totals \$102 million, an increase of almost \$15 million, for a new Gateway Corridor Maintenance program designed to establish "standard levels of service" for both aesthetics and maintenance on targeted roadways.

TRANSPORTATION TRUST FUND (TTF)

Funding for transportation capital projects will total \$1 billion in fiscal 2001, composed of \$830 million in spending from the Transportation Trust Fund and \$170 million from the recently passed 1999 Statewide Highway and Local Bridge Bond Fund. The \$1 billion will fund the state's critical highway and mass transportation infrastructure needs. When factoring in federal funds including NJ Transit, available funding for this program will grow to almost \$2 billion, resulting in the largest annual construction program in the Department's history.

To support this program, the General Fund appropriation to the TTF will increase by \$220.8 million, or 46%, from \$477.8 million in fiscal 2000 to \$698.6 million in fiscal 2001.

This increase will provide added "pay-as-you go" funding totaling \$161.3 million, thereby reducing the need to incur debt. When factoring in federal funds, 55% of projects in fiscal 2001 will be funded "pay-as-you go," while the remaining 45% will be funded by bonds.

In fiscal 2001, the TTF will continue to fund projects promoting economic development, replacing or rehabilitating bridges, and upgrading the quality of highways throughout the state.

Transportation

As an economic instrument, each \$100 million investment in the State's transportation infrastructure creates an additional 3,000 jobs, and helps New Jersey to be a more attractive business location for the production and distribution of goods.

Funding highway improvements is a high priority due to a number of significant conditions.

- New Jersey roads are the busiest in the nation with 63.3 million vehicle miles of travel annually. This translates into each mile of highway carrying an average 2.6 million miles of travel annually, almost double the national average of 1.4 million.
- NJ averages more than three times the national average for licensed drivers per lane mile, second only to Hawaii.
- NJ's mass transportation systems are used daily by 359,600 NJ Transit bus and rail customers.
- Seven percent of New Jersey's vehicle miles of travel are attributable to trucks. There are over 58,000 trucks registered in New Jersey, and hundreds of thousands that are registered in other states but travel our highways.

Local Aid Funding Highlights

The Transportation Trust Fund (TTF) will provide \$150 million in local aid to improve local roads. This is a \$20 million increase over the \$130 million recommended by statute. Since its inception in 1984, the TTF has provided over \$1.3 billion for county and municipal roadway projects, thus reducing the need for local tax dollars to finance infrastructure costs.

State Highway Funding Highlights

DOT will receive a total of \$460 million in State funding and \$686 million in federal funds to continue funding State highway infrastructure projects which foster economic growth, such as

- the "Portway," a multi-modal freight initiative
- traffic congestion reduction
- Route 9, Edison Bridge (new structure)
- Route 21, viaduct, Newark (replacement)
- Route 35 Victory Bridge (replacement)
- Route 71, Monmouth University (pedestrian walkway improvements)

Not all funding is focused on improving the State's highway system. Funding is available for the implementation of the Statewide Bicycle and Pedestrian Master Plan, which provides a policy and action plan for improving the bicycling and walking environment throughout the state.

Mass Transit Funding Highlights

NJ Transit will receive a total of \$390 million in TTF funding and over \$307 million in federal funds to advance construction of new facilities and urban core initiatives.

Examples of new facility construction new projects that will either be completed or advanced in fiscal 2001 are the

- completion of the Montclair Connection, which will give Montclair Branch and Boonton Line riders direct access to midtown Manhattan for the first time; and
- construction of the 33-mile South Jersey Light Rail Transit System, which will operate along the Delaware River waterfront between Trenton and Camden.

Urban Core Initiatives

Several examples of urban core projects that will either be completed or advanced in fiscal 2001 are the

- completion of the first phase of the Hudson Bergen Light Rail Transit System, which is expected to be the second busiest light rail system in the country serving more than 100,000 riders daily by 2010;
- implementation of the Secaucus Transfer project, a new rail station that will permit commuters to transfer from the Main, Bergen County, Pascack Valley and Port Jervis lines to trains operating on the Northeast Corridor;
- completion of a new rail station linking NJ Transit rail riders with the monorail system at Newark International Airport; and
- extension of the Newark City Subway linking Broad Street Station and Newark Penn Station, which is the first segment of the Newark Elizabeth Rail Link which links Newark Penn Station, the New Jersey Performing Arts Center, Washington Park/Broad Street, and the new baseball complex currently under construction.

NEW JERSEY TRANSIT CORPORATION

The fiscal 2001 State Budget for the NJ Transit Corporation totals \$248 million, an increase of almost \$97 million, or 64%, more than their \$151 million State grant in the fiscal 2000 Budget.

In previous years the State permitted NJ Transit to use TTF dollars if capitalized maintenance extended the useful life of the asset by at least two-years. In the fiscal 2001 Budget, capitalized maintenance can only be charged to the TTF if the asset's useful life is extended by a minimum of five-years.

This recommendation includes funding for a major policy change, which provides an added \$45 million to fund non-routine maintenance costs which were formerly funded within the Transportation Trust Fund. This funding shift will reduce the amount of "soft-costs" (e.g., not spent on bricks and mortar construction) within the Transportation Trust Fund by a corresponding amount.

This remaining increase will allow NJ Transit to

- sustain reliability of bus and rail service by expanding vehicle cleaning and various other maintenance programs;
- meet mandated federal and State safety programs; and
- fund implementation of the 24-hour senior citizens reduced fare program.

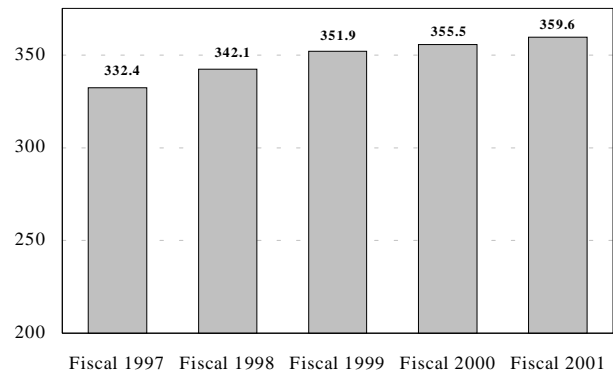
Other highlights:

- No fare increase or bus or rail service reduction for a record tenth straight year;
- When factoring in the effects of inflation, NJ Transit's current fares cost less than in 1983; the Consumer Price Index has increased by approximately 30% since the agency's last fare increase in 1990; and
- The strong economy, in concert with the lack of fare increases, has led to ridership gains in eight consecutive years.

Ridership on NJ Transit buses and trains increased to an all time high of more than 200 million annual riders in fiscal 1999. This marked the eighth consecutive year of ridership growth for the agency. The number of passengers continues to grow in fiscal 2000.

Ridership gains since 1991 have boosted farebox revenue by over \$100 million, or 31%, thereby

AVERAGE DAILY RIDERSHIP
NJ Transit Buses and Trains
(Fiscal 2000 and 2001 Estimated)
(In Thousands)



offsetting annual inflationary costs and reductions to NJ Transit's State subsidy without the need for service-level reductions or fare increases. Prior to fiscal 2001, State operating assistance was reduced in five of the last seven years.

New Jersey Transit has developed innovative financing strategies to increase revenues further, such as leveraged lease agreements for 181 rail cars and 30 locomotives. From fiscal 1990 to the present, NJ Transit has received a total financial benefit of more than \$100 million from the sale and lease back of rail cars, locomotives, buses, and facilities.

Elderly and Handicapped Transportation Services

NJ Transit will receive a total of \$24 million in fiscal 2001 to continue developing accessible transportation facilities and services for elderly and disabled residents. This amount is almost \$1 million more than the program received in fiscal 2000. The majority of this appropriation, \$20 million, will be allocated to counties to provide local transportation for the elderly and disabled.

MOTOR VEHICLE SERVICES

The fiscal 2001 Budget recommends an appropriation of \$122 million for Motor Vehicle Services (MVS).

In fiscal 2001, federal funds will displace over \$14 million in State funds previously used to fund the Enhanced Inspection and Maintenance program.

In fiscal 2001, the public can register their automobiles via online. As part of the online

Transportation

initiative, MVS contracted with a private vendor to deliver automated registration renewals via the Internet or through a voice-response telephone system. New Jersey automobile owners can now register their vehicles in the comfort of their own home at no additional charge.

Enhanced Inspection Maintenance

The fiscal 2001 Budget includes funding for the Enhanced Inspection and Maintenance (EIM) program, which is required by the federal Clean Air Act. At a cost of \$32 million to the State, this makes up almost one-third of MVS's budget. The balance of the \$73.8 million cost for EIM is paid for with federal Congestion Mitigation and Air Quality (CMAQ) funds.

In order to reduce the wait time for inspections, a total of 21 additional lanes were added to the 32 privately run inspection stations during fiscal 2000. In addition, 22 more lanes will be constructed as required by the EIM contract. New inspection

stations were built in Toms River, Freehold, and Somerville to further mitigate waiting time.

The private contractor administering the EIM program is being held accountable to meet performance standards regarding waiting times in vehicle inspection lanes, hours of operation, and testing accuracy.

Graduated Drivers License

The Graduated Drivers License Act requires MVS to implement phased-in driving privileges for new drivers. The new system, which went into effect January 1, 2001, will allow young drivers to develop their driving skills under supervised conditions, gradually expanding access to the roadway as they gain experience. This approach, which has also been implemented in many other states, will help improve safety for young drivers and the general public. The learners permit fee will increase from \$5 to \$10 in order to cover costs of the program.

NEW JERSEY FIRST...

...Future Investments & Reinvestments in Transportation

A Transportation Vision for the 21st Century

New Jersey needs to repair our overused and aging transportation infrastructure, replace buses and rail cars, build new rail projects and integrate all of our modes of transportation to better serve our citizens. These transportation investments will improve our quality of life by reducing highway congestion, increasing public transit and improving safety for motorists and pedestrians.

New Jersey FIRST builds on six fundamentals...

- FIX IT FIRST!
- Plan today...
- Plan for safety...
- Plan for greater efficiency tomorrow...
- Alleviate congestion
- ENJOY YOUR DESTINATION!

The Transportation Trust Fund (TTF) is the vehicle for realizing this vision. In fiscal 2001, \$830 million from the TTF will be added to federal and Statewide Highway and Local Bridge monies to fund \$2 billion in transportation capital projects.

DEPARTMENT OF THE TREASURY			
FISCAL 2001 RECOMMENDED BUDGET			
(In Thousands)			
General Fund			Treasury In, But Not Of, Agencies
Direct State Services	\$ 232,290		Commerce and Economic Growth Commission
Grants in Aid	68,000		Commission on Science and Technology
State Aid	203,773		Casino Control Commission
Capital Construction	11,015		Board of Public Utilities
Debt Service	424,093		Ratepayer Advocate
			Office of Administrative Law
			Public Defender
Total General Fund	\$ 939,171		Subtotal In, But Not Of, Agencies
			166,681
Property Tax Relief Fund	737,386		
Casino Revenue Fund	17,180		
Subtotal Treasury Department	\$ 1,693,737	Grand Total State Recommendation	\$ 1,860,418

OVERVIEW

The fiscal 2001 Budget for the Department of the Treasury totals \$1.860 billion, an increase of \$240.3 million, or 14.8%, over the fiscal 2000 adjusted appropriation of \$1.620 billion. The majority of the increase in Treasury’s budget is due to additional funding for Property Tax Relief initiatives. The Department of the Treasury is responsible for collecting taxes, managing the State’s assets, including revenue from several State departments, and investing and managing 165 funds, including various pension funds. The Department is also charged with providing statewide support services for all State agencies and managing the State lottery.

Organizationally within the Department of the Treasury, but autonomous in their operations, are the Board of Public Utilities, the Ratepayer Advocate, the Casino Control Commission, the Commerce and Economic Growth Commission, the Commission on Science and Technology, the Office of Administrative Law, the Office of the Public Defender, the State Legal Services Office, and the Office of Information Technology (OIT). A complete description of OIT can be found in the “Investing in Information Technology” section of this document.

The Economic Development Authority (EDA) provides long-term low interest financing to private companies for constructing, acquiring, and enlarging industrial plants and certain other business facilities. The agency works with the New Jersey Commerce and Economic Growth Commission to promote

capital investment in the state as a means of increasing the number of private sector jobs.

FISCAL 2001 BUDGET

The Department’s fiscal 2001 operating budget is recommended at \$232 million, a \$4.8 million reduction, and will allow the Department to continue to fulfill its responsibilities effectively. The other major items in the Treasury budget, including Homestead Rebates, State Aid and Property Tax Relief initiatives, and capital and debt service funding, are discussed elsewhere in this document.

In fiscal 2001, the Department will continue efficiency initiatives begun in prior fiscal years. These initiatives include the review of local budgeting by the Local Government Budget Review group, the use of an automated management system by the Distribution Center, and the sustained use of a global maintenance program, which has realized significant savings in the areas of computer and copier maintenance and software support.

Fiscal 2001 will mark the third consecutive year that the State has replaced a significant portion of its once aging fleet. The initial \$15 million investment, in fiscal 1999, allowed the State Police to purchase 836 vehicles, and the Treasury Department fleet was able to purchase 507 vehicles. To satisfy alternative fuel requirements, 195 of these vehicles use compressed natural gas, and another 13 were converted from standard gasoline. As a result of this multi-year initiative, the average age of a vehicle is

Treasury

9 years with 127,000 miles, instead of 11 years with 150,000 miles.

Fiscal 2001 funding will be used to replace 949 of the oldest and highest mileage fleet passenger sedans and vans. The average age of the fleet is expected to drop from 9 years, to the project's overall goal of 6 years. Of the 949 vehicles, 491 use compressed natural gas as fuel.

The Local Government Budget Review (LGBR) group reviews municipal and school district budgets to assist local governments and school boards in minimizing operating costs. This unit submits reports suggesting ways in which costs and the revenue necessary to support these costs (primarily property taxes) can be reduced. Suggestions and recommendations from reports completed to date, could save over \$288 million to local entities. In fiscal 2000, the number of teams was expanded to accelerate the completion of reports for municipalities and school districts waiting for review. The unit is in the process of developing a benchmarking publication that will be available to interested local officials to assist in establishing goals and reducing costs.

Since solid waste haulers are no longer required to use in-county facilities, the LGBR unit investigated cost savings opportunities to assist counties in addressing debt obligations associated with the construction of resource recovery facilities, transfer stations, and/or landfills. The unit has completed 13 audits of county solid waste operations, and identified over \$120 million of one-time and permanent operational savings opportunities.

This budget recommends upgrading the Public Contracts Affirmative Action Office to the Division of Contract Compliance and Equal Employment Opportunity in Public Contracts. This action will expand the staff and allow greater concentration on public agency review and contracts. The role of the agency is to ensure that every contractor or vendor that is awarded a public contract takes action to assure that equal employment opportunities exist. Additional staff and a funding increase of \$375,000 will permit the Division to more effectively perform statutory requirements.

GARDEN STATE PRESERVATION TRUST

The Garden State Preservation Trust's (GSPT) mission is to oversee New Jersey's progress toward achieving the goal of preserving an additional one million acres of open space and farmland beyond

that already preserved in the state, and also to provide preservation funding to the Office of Green Acres, the State Agriculture Development Committee, and the New Jersey Historic Trust. The GSPT will monitor progress toward achieving specific policy objectives for open space and farmland preservation, including protection of the State's water supplies, preservation of the agricultural land base, and protection of contiguous and diverse wildlife habitats and greenways.

EARNED INCOME TAX CREDIT

This budget includes \$49 million for a new initiative to provide much needed tax relief to the State's neediest families with children. The New Jersey Earned Income Tax Credit (NJEITC) program provides a tax credit for low and moderate-income working families, and is expected to benefit 237,290 families in fiscal 2001.

This new program is based on the federal earned income tax credit program and will provide a refundable credit administered through the income tax. Refundable means that eligible families will receive the full amount of the tax credit, regardless of tax liability. The amount by which the credit exceeds taxes owed will be paid as a refund. If a family has no income tax liability, the family will receive the entire NJEITC as a refund. In fiscal 2001, this program will offer a maximum benefit ranging between \$229 to \$394 per family, depending on family income. The NJEITC will be phased in over four years. For fiscal 2001, the NJEITC will be 10% of the federal EITC; when fully implemented in fiscal 2004, the NJEITC will provide 20% of the federal EITC.

ADMINISTRATION OF STATE REVENUES

The mission of the Division of Revenue is to define and effectively administer policies and procedures related to the management and processing of cash receipts, accounts receivables, collections, and refunds on a centralized statewide basis.

In an attempt to be more customer service oriented, the Division has expanded optical imaging processing systems. This initiative should increase productivity, and eliminate problems associated with the retrieval of paper files.

In an effort to make it easier for New Jersey residents to comply with tax paying requirements, the Division began accepting credit card payments on March 1, 1999 for personal income tax payments. The Division is looking to extend the use of credit

card payments to include other taxes and fees to build upon the success of this program. During fiscal 2000, the Division will provide expanded direct data access and customer service applications for the business community. These services will facilitate the flow of commerce in the state by providing online access to vital information such as commercial lien notes and custom designed status updates on business entities and filings.

To further maximize revenue collections and increase operating efficiencies, the Division will procure database information from a financial services firm. This action will allow the Division to identify businesses operating in the State that are not currently on the client registration table, bring these businesses into compliance with the State's tax and corporate filing regulations, and identify entities that have either gone out of business or changed locations.

The Division of Revenue is also responsible for debt collection, including third-party contracts with PAYCO for tax delinquencies and Lockheed-Martin for motor vehicle surcharges. In fiscal 1999, PAYCO collected \$51 million in delinquent taxes and Lockheed-Martin collected \$146.4 million in surcharges. In addition, the Division's Set-off of Individual Liability (SOIL) unit collected \$15.1 million for various State agencies. Initially, the SOIL program was established to capture income tax overpayments and homestead rebates for application toward delinquent child support accounts. Because of the effectiveness of the initial SOIL program, there are now 51 State agencies, 24 county agencies, 10 State colleges and universities, and 566 municipal tax collector offices participating in this program.

NEW JERSEY LOTTERY

The New Jersey Lottery continues to be a national leader in lottery administration. In 1998 (the last complete year for which data is available), the New Jersey Lottery ranked among the highest of state lotteries in government revenue as a percent of sales with 39.4%. Almost 40 cents of every dollar used to purchase a New Jersey Lottery ticket went to support education in the state and State institutions.

The New Jersey Lottery has been able to generate this exceptional rate of revenue to the State at an administrative rate well below other states. In 1998, it cost New Jersey 21.4 cents to generate each dollar of State lottery revenue. For that same period, the 38 other states that have lotteries generated a dollar of revenue at an average rate of 49.7 cents.

BOARD OF PUBLIC UTILITIES

The budget for the Board of Public Utilities (BPU) will increase \$1.8 million to \$19.1 million. This increase is the first of the current Administration. As a direct result of the BPU's implementation of sound management practices, the BPU has successfully undertaken several legislative mandates without needing an increase in utility assessments.

In fiscal 2001, the BPU will continue to adhere to a zero growth strategy. However, increased funding is necessary to replace prior year funds that are no longer available to cover shortages in direct appropriations for mandated, but unfunded, activities. The BPU will also be filling previously vacant, but unfunded, positions in critical areas identified in its current reorganization plan. This is being done as the agency transitions from the developmental stage to the implementation and oversight stage of competition.

CASINO CONTROL COMMISSION

The fiscal 2001 Budget is recommended at \$24.1 million, an increase of .1% over the fiscal 2000 adjusted appropriation. The budget is funded through fees and assessments on the casino industry in Atlantic City. Its strict regulatory efforts have played a major role in legitimizing the casino industry in the United States. Through its stringent licensing standards and its continuous scrutiny over ongoing operations of the casinos, the Commission has instilled significant public confidence in the integrity of the industry. Further, the financial community has continued to express its confidence in the legitimacy of gaming in Atlantic City through its investment of more than \$6 billion in Atlantic City. This investment has created an industry that generates hundreds of millions of dollars of tax revenue annually. More than 48,000 new jobs have been created in the casino industry, along with tens of thousands of jobs in ancillary industries.

For fiscal 2001, the Commission will continue to deal with the challenges that new technology has brought to the casino industry. The coins and currency that are now used will eventually be replaced, in large part, by systems that function as an electronic banking service. The Commission's challenge will be to evaluate the new gaming systems and develop appropriate internal controls and audit techniques.

In addition to its role as a watchdog of the casino industry which has invested large sums of money to revitalize Atlantic City, the Commission itself has

become a partner in this effort. Contributions to the Atlantic City Fund, established in Chapter 18 of the Public Laws of 1995, are based on the difference between the Commission's and the Division of Gaming Enforcement's fiscal 1995 budget authorization and the actual expenses of these agencies in fiscal 1996-1999. To date, the Atlantic City Fund has received \$27.6 million through the fiscal prudence of both the Commission and the Division on Gaming Enforcement. These funds are used for revenue enhancing economic development projects other than casino hotels. A new ice skating rink, the city's Ocean Life Center, and a minor league baseball stadium were funded through the Atlantic City Fund. By the end of the eight-year existence of the Fund on June 30, 2003, contributions will total \$55.2 million.

COMMISSION ON SCIENCE AND TECHNOLOGY

The Commission on Science and Technology is an in, but not of, agency within the Department of the Treasury and was created in order to encourage and facilitate the development of scientific and technological programs that can advance economic development and employment in the State of New Jersey. The fiscal 2001 Budget for the Commission on Science and Technology is recommended at \$23.9 million, a \$5 million increase from the fiscal 2000 Budget. The \$5 million increase was provided as part of the Administration's high-tech budget package and is to be used to build upon the success of New Jersey's seven existing business incubators and to meet the demand for incubator space. The increase will more than double the number of incubators statewide. The incubators, established in partnership with colleges and universities, help provide a bridge between theoretical university research and the practicalities of the marketplace. Business incubation programs create new jobs, approximately 13 jobs per firm, 486 jobs per incubator.

OFFICE OF ADMINISTRATIVE LAW

State funding for the Office of Administrative Law (OAL) in fiscal 2001 totals \$3.4 million. This reflects a continuation of the amount budgeted in fiscal 2000.

The Office of Administrative Law, which is in, but not of, the Department of the Treasury, is legislatively charged with the development and administration of a fair and uniform system of administrative practice and procedure in the Executive Branch of government. The OAL conducts hearings for most State agencies and supervises the rulemaking activities for all State agencies. The complexity and breadth of matters heard by the OAL may range from a multi-million-dollar utility rate case to a proposed driver's license suspension of 30 days.

THE OFFICE OF THE PUBLIC DEFENDER

The State funding recommendation for the Office of the Public Defender in fiscal 2001 increased .6% from \$70.2 million to \$70.6 million. This increase reflects an increase of \$602,000 for representation of civilly committed sexual offenders in the Department of Corrections and a decrease of \$210,000 for staff attrition.

The Office of the Public Defender, which is in, but not of, the Department of the Treasury, provides representation to citizens of New Jersey in their dealings with government agencies and the private sector. Constitutionally guaranteed legal representation is provided to indigent defendants in criminal matters.

The Law Guardian Unit, which is statutorily responsible for representing the interests of all children involved in child abuse and neglect cases, will continue to respond to the anticipated increase in foster care cases associated with the implementation of the Adoption and Safe Families Act. Funding for this initiative is being provided by the Division of Youth and Family Services during fiscal 2001.

COMMERCE & ECONOMIC DEVELOPMENT FISCAL 2001 RECOMMENDED BUDGET (In Thousands)	
General Fund	
Direct State Services	\$ 20,268
Grants-in-Aid	<u>550</u>
Total General Fund	\$ <u>20,818</u>
Grand Total State Recommendation	\$ <u><u>20,818</u></u>

OVERVIEW

The fiscal 2001 Budget for the New Jersey Commerce and Economic Growth Commission totals \$20.8 million, an increase of \$4.3 million, or 26.4%, over the fiscal 2000 adjusted appropriation of \$16.5 million. The increased budget recommended for the Commission will significantly expand advertising and promotion efforts on behalf of the tourism industry and launch a new marketing campaign, "The Innovation Garden State," to stimulate growth of the state's high technology industry. Additional funding will also provide greater opportunities for New Jersey companies to generate new business in foreign markets.

The New Jersey Commerce and Economic Growth Commission was established by law in September 1998 out of what was previously the Department of Commerce and Economic Development. The Commission was patterned after similar models in other states that have improved their business recruitment and retention capabilities by streamlining bureaucracy and providing greater operational flexibility. Simply stated, the Commission is empowered to act more like the businesses it serves.

The Commission's major functions include:

- Business Attraction
- Business Retention and Expansion
- Business Advocacy
- International Trade
- Accounts Management
- Sustainable Businesses
- Urban Programs

- Development of Small Businesses, Women- and Minority-Owned Enterprises
- Travel and Tourism

FISCAL 2001 BUDGET

For fiscal 2001, the budget continues to support and assist New Jersey Commerce's efforts to attract and retain jobs in key industry sectors, eliminate administrative hurdles encountered by businesses, and enhance business outreach efforts.

The Commission's fiscal 2001 recommendation includes increases of \$4 million for expanded television, radio and print advertising, and promotion of the tourism industry; \$1 million to be added to existing state and private funds to promote New Jersey's high-technology industry; and \$200,000 for additional trade and investment events to promote increased exports to world markets. Offsetting these increases is the elimination of \$775,000 in one-time appropriations for the Commission during fiscal 2000.

ECONOMIC PERFORMANCE

New Jersey's economy is strong and healthy. With lower taxes and fewer regulations, the state has achieved an economic performance over the past year that ranks among the greatest in its history. New Jersey's economic expansion is now over eight years old; each month's growth sets a new all-time record for total employment in the state. Growth in personal income continues to support the robust economy, including retail sales increases and demand for new and existing homes.

Thanks to pro-growth policies, 116 companies announced their intentions to relocate in New Jersey during 1998, the highest total recorded since 1984. These relocations generated an estimated 10,500 new jobs, according to a 1999 Commission study.

BUSINESS ATTRACTION, RETENTION, AND EXPANSION

During this Administration, the following major programs have been introduced to encourage firms to invest in the state, particularly in our urban centers:

- Business Employment Incentive Program
- Landfill and Brownfield Clean-Up Financing
- Expansion of the State's Urban Enterprise Zone Program

Commerce and Economic Growth

- Authorization for the Department of Environmental Protection to issue “letters of no further action” to allow redevelopment of contaminated sites that do not pose a threat to adjoining properties

The Urban Enterprise Zone (UEZ) Program has created more than 50,000 full-time jobs with more than \$8.9 billion invested by UEZ businesses.

To coordinate state assistance and technical services, New Jersey has added account experts in several industries: Business Services, Finance, Insurance and Real Estate, Food Processing, Pharmaceuticals/Biotechnology, Petrochemicals, and Telecommunications.

The Commission’s efforts to attract, retain, and expand businesses impacted approximately 25,000 jobs in the year ending June 30, 1999. Nearly 10,000 jobs were retained through increased focus on the State’s existing businesses during this time period, while another 7,800 jobs were created through expansion of those existing businesses. An additional 7,400 jobs were created from the Commission’s business attraction outreach program.

Some of these successes are:

- AK Stamping, Inc. of Mountainside received financing assistance for new equipment and training and, as a result, 200 jobs were maintained;
- Merck and Company expanded operations in New Jersey and added 500 new jobs as the result of assistance provided by the Commission; and
- National Discount Brokers Group relocated operations from New York to Jersey City, creating 600 new jobs.

As the state enters a new century and an expanded, global economy, a major effort to make New Jersey a leader in developing the high-technology industry is being launched in coordination with the public/private partnership, Prosperity New Jersey. In fiscal 2001, \$2 million in State funds will be combined with \$4 million of private funds to embark on a major new advertising campaign proclaiming New Jersey as “The Innovation Garden State.”

TOURISM INDUSTRY

The tourism industry is an economic powerhouse for the New Jersey economy. As the state’s second largest industrial sector, tourism generated \$26.1 billion last year and 635,000 jobs. Recognizing this, the fiscal 2001 Budget for tourism promotion is recommended for an increase of \$4 million, or more than 63%, from \$6.3 million to \$10.3 million.

Of this increase, \$2 million will be used to increase television and radio advertising and expand the estimated reach in the New York/New Jersey/Philadelphia and Washington, D.C. markets from 80% to 90% of adults aged 24-54. Increased television and radio advertising funding will be utilized to expand the market reach for the spring/summer tourism campaign, the “Fall for New Jersey” campaign and the “Ski New Jersey” winter campaign, and enable New Jersey to compete with its neighboring states for tourists. Print advertising in consumer and trade magazines as well as newspapers will be increased by \$1 million in order to promote New Jersey’s tourism attractions nationwide. The remaining \$1 million of the increase will be utilized for expansion of tourism brochure publication and distribution and installation of travel information kiosks at the State’s nine welcome and tourist information centers.

More visitors spending money year-round in New Jersey means more economic growth and job creation. Enhancing New Jersey’s image as an ideal vacation destination also supports New Jersey’s overall appeal to businesses and residents.

INTERNATIONAL EFFORTS

New Jersey is the seventh leading state in foreign direct investment, and the ninth leading state in exports, with \$22 billion worth of New Jersey goods exported overseas annually. An additional \$200,000 is recommended in fiscal 2001 for trade and investment events where New Jersey businesses and foreign companies meet face-to-face in order to maximize their potential for new business.

The New Jersey Commerce and Economic Growth Commission’s international program was further enhanced by the State’s largest ever trade mission to South America in March 1999. The mission to Brazil, Argentina, and Chile was designed to increase exports, investments, and bilateral trade between New Jersey and South America. As a

Commerce and Economic Growth

result, more than \$120 million in sales are projected for New Jersey companies in the near future.

The state is still benefiting from nearly \$300 million in solid prospects developed as a result of a trade

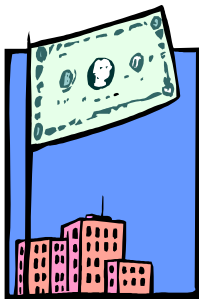
mission to the Republic of Mexico in September 1998. To further promote and increase bilateral trade with Mexico, a New Jersey Trade Office was opened in Mexico City in July 1999.

NEW JERSEY'S ECONOMY...STRONG AND GROWING

- New Jersey's economic climate received "honor roll" status from the Corporation for Enterprise Development's 13th Annual *Development Report Card*, in Capacity, Performance, and in Business Vitality.
- The Garden State is the 8th largest state economy. Not since 1987 and 1988 has the State had a similar economic performance.
- The Governor's Council of Economic Advisors has identified five "growth clusters" that impact the state's economy: high-technology, health, financial, entertainment, and logistics.
 - Employment exceeds 1.3 million in these growth clusters, and includes one-third of those employed in New Jersey.
 - Almost one half of the State's estimated 78,000 statewide jobs added in 1999 were created in the five growth clusters.
 - Expanding the most was the technology cluster which added nearly 14,000 jobs, a 5.2 % increase.
- Unemployment declined to 4.3% in November 1999.



PROSPERITY FOR THE NEW CENTURY



- Through *Prosperity New Jersey*, "The Innovation Garden State" public/private sector marketing campaign promotes NJ's attributes and business-friendly climate to attract new businesses to the state.
- The nation's first "open" state economic development web-based information center, the Business Resource Center, has been launched on the INTERNET at WWW.NJBRC.ORG. The web site includes information on population, employment, industry profiles, workforce/education, research and technology, and international business.
- The Commerce and Economic Growth Commission's 1999 Business Relocation Report identified 116 companies committing to relocate to New Jersey, the highest number of relocations since the inception of the study in 1984. This means 10,500 new jobs for New Jerseyans.
 - Nearly 10,000 jobs were retained in the state through an increased focus on existing businesses.
 - Over 7,800 new jobs were created through the expansion of these existing businesses.

Higher Education

HIGHER EDUCATION FISCAL 2001 RECOMMENDED BUDGET (In Thousands)	
General Fund	
Senior Public Institutions	\$ 1,206,079
County Colleges	191,478
Independent Colleges & Universities	24,245
Student Assistance Programs	212,945
Other Programs	106,516
Total General Fund	<u>\$ 1,741,263</u>
Grand Total State Recommendation	<u>\$ 1,741,263</u>

OVERVIEW

The fiscal 2001 Budget for Higher Education Services totals \$1.741 million, an increase of \$109.7 million, or 6.8%, over the fiscal 2000 adjusted appropriation of \$1.632 million.

The New Jersey system of higher education is guided by a tripartite governance structure. The governing boards of the public higher education institutions are accountable to the public for the fulfillment of each institution's mission, the furtherance of statewide goals, and the effective management of the institutions. The Commission on Higher Education has statewide responsibility for planning, coordination, and advocacy of higher education to the public, the Legislature, and the Administration. The Presidents' Council is responsible for program review and the nurturing of collegiality and cooperation among its members to achieve statewide goals. The Council also provides information and research about higher education and advises the Commission, the Legislature, and the Administration.

HIGHER EDUCATION FOR THE NEW ECONOMY

New Jersey's higher education institutions have an integral role in the Administration's efforts to meet the emerging high-technology workforce needs and make the State more competitive in the creation of high technology jobs. Two new initiatives will assist in these efforts while also enhancing the quality of both public and private higher education in New Jersey.

The first of these new programs is the \$15 million Excellence in High Technology Workforce. This program will enable New Jersey's colleges and

universities to develop nationally recognized programs of technology excellence, ensuring that all New Jersey businesses have the quality workers they need to succeed. Competitive grants administered by the Commission on Higher Education will strengthen programs, from entry-level certificates to advanced degrees. The program will target four areas: computer science and information technology; the physical, life, and health sciences; engineering and engineering technology; and, science and mathematics teacher education.

Biomedical and Other Technology Research is a component of the Administration's effort to make New Jersey a leader in the creation of the high-technology jobs. The State will provide \$10 million to its public and private research universities. The funds from this program will enable these institutions to win new federal grants in science and technology. The research universities will use the State dollars as matching funds for these new research grants.

Funding of \$350,000 is included for the newly developed Statewide Network. This broadband data and video network was developed with dedicated funds from the Higher Education Technology Infrastructure Fund. The network significantly raises the technology standard and level of applications for participating institutions. Among other things, it will allow institutions to better fulfill workforce development needs, increase access to higher education through distance learning, and engage in more advanced public and private sector research.

SENIOR PUBLIC COLLEGES AND UNIVERSITIES

The total State support for the 12 four-year public colleges and universities (the "senior public institutions") is \$1.2 billion. This is an increase of \$61.1 million, or 5.3%, which underscores this Administration's commitment to quality public higher education.

Direct operating aid for the senior public institutions is recommended at \$846.7 million. This amount is \$17.4 million, or 2.1%, more than the previous fiscal year. Included in the increase for these 12 schools is a 1.5% base appropriation adjustment (\$12.4 million) and a 1% reserve for performance funding (\$8.3 million) less \$3.2 million for one-time appropriations.

The base appropriation adjustment and performance incentive funding components are part of the four-year vision developed by the Administration that provides for predictable funding and performance-based incentive funding. These modest annual increases in public funding, coupled with each institution's commitment to efficient operations, should provide quality educational environments for New Jersey residents. Further, given the present low inflationary times, these funding procedures are projected to be sufficient to limit the size of future tuition increases.

Fiscal 2001 will be the second year for Performance Incentive Funding. Performance Incentive Funding allows for institutions to be measured against their own performance rather than against each other, so that each may potentially receive 100% of its performance funding allotment. The colleges and universities are assessed on the following agreed upon measures:

- improving graduation rates while striving to minimize the average time to complete a degree;
- improving transfer and articulation rates between two- and four-year institutions by encouraging senior public institutions to accept more community college transfer students;
- improving institutional efficiency and effectiveness by limiting the number of programs with extremely low enrollments through joint or collaborative efforts among institutions, and by assessing how well graduates are prepared academically; and
- developing more diversified revenues by increasing funding from non-student based sources.

The State will again provide supplementary salary funding amounting to \$23.4 million to the colleges and universities. This funding provides substantial support for negotiated cost-of-living adjustments for State-funded employees at these institutions. Each of the three research universities negotiates separate contracts and the State negotiates on behalf of the other senior public higher education institutions.

The budget also continues funding for the fringe benefits of State-funded positions at the colleges and universities. For fiscal 2001, this support is estimated to be nearly \$336 million, an increase of \$20.2 million or 6.4%.

COUNTY COLLEGES

The total increase for fiscal 2001, including operating aid, fringe benefits and debt service funding, is \$17.3 million or 10%. The county college system is composed of 19 institutions. These institutions, with a student enrollment in excess of 121,000, provide access to higher education for a broad range of New Jersey residents who might otherwise be denied the benefits of a college education.

Fiscal 2001 marks the third year of the four-year plan in which direct State operating aid will increase by \$12 million, a 9.1% increase. Over the four years, state operating aid will increase by \$48 million. This multi-year plan will see the State's share of the operating costs of county colleges move toward the recommended share of one-third. The remaining support will be provided equally by the individual counties and student tuition and fees.

The students are direct beneficiaries of these increases in State aid. In fiscal 1999, there were no tuition increases at the county colleges. In fiscal 2000, tuition was level at many institutions and rose only slightly at others. Students will, again, see only modest or no tuition increases in fiscal 2001.

Of the increase in direct State operating aid, 1% of the prior year's operating aid, or \$1.3 million, will be earmarked for performance-based funding. Target areas are similar to those of the senior public colleges and universities, but with different measures. The measures and benchmarks are the products of a series of discussions with members of the county college community. Increased support and accountability will help shape a dynamic county college sector that produces high quality graduates.

In keeping with their ability to readily adapt to meet the needs of their communities, New Jersey's county colleges will have an integral role the State's high-technology workforce development efforts. Work First New Jersey recipients will be eligible to receive high-tech training which will be provided by a number of county colleges and other local providers. Further, the county colleges will assist in creating high-tech jobs by working in partnership with the Commission on Science and Technology to establish business incubators.

INDEPENDENT COLLEGES AND UNIVERSITIES

The fiscal 2001 Budget increases aid to independent colleges and universities by \$1 million or 4.3%.

Higher Education

There are 14 independent institutions in New Jersey receiving funding through the Independent College and University Assistance Act. These institutions will enroll more than 23,000 full-time-equivalent New Jersey students in fiscal 2001. Additionally independent colleges and universities receive support through other state-funded programs, including facilities bond funds, programs for special student populations, and student grant, scholarship, and loan programs.

CAPITAL SUPPORT

In fiscal 2001, the Equipment Leasing Fund (ELF) will be renewed. The State will sell \$100 million of bonds and pay three quarters of the debt service. The institutions will be responsible for the remaining share. Proceeds of the bonds will be used to acquire the equipment needed by New Jersey's colleges and universities both to develop a high-tech workforce and conduct research in technology.

The Higher Education Capital Improvement Program (HECIP) Fund is a \$550 million bond program implemented in fiscal 2000. The State pays two-thirds of the debt service for the senior publics and one half for independent institutions. Bond proceeds are used for deferred capital maintenance needs. These projects will help both senior public and independent colleges and universities address pressing capital renewal and renovation needs, as well as make health and safety improvements needed to maintain a safe educational and working environment.

Support is continued in fiscal 2001 for other valuable bond programs. For the \$220 million Higher Education Facilities Trust Fund, the State pays the entire cost of the debt service. Colleges and universities are required to match funding (through institutional funds or corporate support) provided under the \$55 million Higher Education Technology Infrastructure Bond Fund. In addition, county colleges may utilize these Chapter 12 bond funds for facilities construction and renovation.

An appropriation of \$2 million to Rutgers University will provide the University's contribution toward the development of a new 6,000-seat baseball stadium and community park to be built along the Camden Waterfront. As proposed, the baseball stadium will be owned by the Cooper's Ferry Development Association while it is being constructed. When completed in spring 2001, Rutgers will own the stadium and operate it in conjunction with the Atlantic League.

MAINTAINING AFFORDABILITY

The budget continues the strong commitment to student aid as a key ingredient in ensuring access to higher education and affordability by recommending an additional \$12.4 million in aid. Funding is continued for an array of programs designed to help students meet the costs of their education. New Jersey ranks near the top nationwide in several key areas: State-funded grant aid to full-time undergraduate students; percentage of full-time undergraduates receiving such aid; and total State grants for student aid as a percentage of total State operating support for higher education institutions.

An additional \$8.4 million is recommended for the State's flagship undergraduate aid program. The Tuition Aid Grants (TAG) program covers a major share of tuition costs for students at public colleges and universities and up to half of the average tuition costs at independent colleges and universities. These grants are a fundamental ingredient in providing access and affordability. Nearly 60,000 students participate in this program. The recommended funding increase would allow for a TAG award increase up to 100% of the tuition charges in the prior academic year for students attending New Jersey's public colleges and universities. These award increases effectively close the gap between TAG award levels and prior-year tuition for the neediest students. Funding is also continued for TAG for part-time students participating in the Educational Opportunity Fund program.

Funding for the Educational Opportunity Fund (EOF) is being increased by \$1.5 million. The EOF, which was established more than 30 years ago, is the State's longest running student aid program. It is one of the nation's most comprehensive and successful state-supported efforts to provide access to higher education for disadvantaged students. EOF provides supplemental financial aid to help cover college costs (books, fees, room and board). Further, to ensure a viable opportunity to succeed and graduate, EOF supports a wide array of campus-based outreach and support services at 28 public (includes county colleges) and 13 independent institutions. The additional funding will be used to increase the amount of financial assistance received by more than 13,000 participating students.

The Outstanding Scholars Recruitment Program provides merit awards to students based on a combination of class rank and SAT scores. Additional funding of \$2.2 million, for a total of \$11.4 million, will support the fourth year of this

pilot program that not only recruits New Jersey's highest-achieving high school students to attend colleges and universities in the state, but seeks to recognize, value, and support their commitment to achievement.

The New Jersey Better Educational Savings Trust (NJBEST) program continues to offer an attractive option for parents to save for their children's college education. Changes in the IRS tax code permitted states to develop college savings programs in which federal taxes are deferred on the interest earned until such time as the funds are used to pay for higher education. NJBEST provides three important additional State-based incentives, including interest earnings free from New Jersey's Gross Income Tax, \$25,000 in savings excluded from consideration of eligibility for State need based aid, and a scholarship to individuals who save through the program for at least four years and then enroll in a New Jersey college or university. In fiscal 2001, the scholarship program will be expanded to offer a maximum scholarship of \$1,500 to eligible beneficiaries, dependent on the number of years enrolled in the savings plan. Participants who save in the program longer than four years and who continue to make annual contributions of at least \$300, will receive an additional \$250 scholarship for every two years the minimum contribution is satisfied.

Currently there are over 1,900 accounts with an asset balance of \$6 million. The rate of return for investments in 1999 was 12.6%.

In fiscal 2001, an additional \$400,000 is recommended for program enhancements to continue to make this an attractive investment option for families saving for college expenses. To maximize the potential for long-term returns, an age-sensitive investment strategy will be utilized to invest more aggressively when the child is young and more conservatively as the child nears college age. For convenience and ease of investment, state employees will now have the option to choose automatic deductions from their bi-weekly paychecks, as a way to contribute to established accounts. (A minimum investment of \$12.50 per pay period is required.) In addition, the annual maintenance fee will be reduced nearly 70% (from \$15 to \$5), and investment fees will be decreased 50% (account holders will pay a fee equal to .05% of annual investment earnings).

INCREASING ACCESS

Funding of \$1.2 million is being recommended for the development and implementation of an online articulation system known as ARTSYS. ARTSYS will allow for a web-based database of course equivalencies and specific articulation agreements, an online course catalog, the electronic exchange of transcripts, and electronic transcript evaluation. The implementation of ARTSYS is a key component of the State's desire to provide a seamless transfer between county colleges and the senior public colleges and universities. Strengthened articulation is also a component of Performance Incentive Funding for both the two- and four-year public institutions.

The budget increases funding for the Higher Education for Special Needs Students by \$350,000 or 46.7%. This program subsidizes eight regional centers that provide comprehensive support services, such as orientation, academic advisement, counseling, and tutoring to approximately 800 students. The regional centers also deliver technical assistance to all of the colleges and universities on issues related to services for students with disabilities. The increased funding will provide greater subsidies to the centers, allow for more diagnostic assessments, and outreach about where the program may be expanded.

The budget for the Education of Language Minority Students program is increased by \$200,000 or 50%. New Jersey has one of the largest populations of immigrants. This program provides academic and support programs that help integrate those with limited English proficiency into the State's higher education system. Nearly 12,000 students with almost 100 different language backgrounds are served by this program.

Additional funding of \$150,000 is recommended for the New Jersey Marine Sciences Consortium (NJMSC). The NJMSC consists of a group of 28 colleges and universities in New Jersey, southern New York, and eastern Pennsylvania who conduct joint research, education, and outreach services in marine sciences. The additional funding will provide the State match for the federally funded New Jersey Sea Grant College Program.

Judiciary

JUDICIARY	
FISCAL 2001 RECOMMENDED BUDGET	
(In Thousands)	
General Fund	
Direct State Services	\$ 419,362
Total General Fund	\$ 419,362
Grand Total State Recommendation	\$ 419,362

OVERVIEW

The fiscal 2001 Budget for the Judiciary totals \$419.4 million, an increase of \$8.9 million, or 2.2%, over the fiscal 2000 adjusted appropriation of \$410.5 million.

As the result of a constitutional amendment approved by New Jersey's voters on January 1, 1995, approximately 7,700 county judicial and probation services employees became State employees. Their salary, health benefits, and pension costs became part of the State Budget. The Judiciary's budget increased from \$107.7 million in fiscal 1994, prior to court unification, to \$353.4 million in fiscal 1996, the first full year of State funding. Since then, the Judiciary has worked to achieve economies in its budget through consolidation of activities and streamlining court operations, such as centralizing some purchasing contracts and using video technology in courtrooms.

FISCAL 2001 BUDGET

The fiscal 2001 Budget recommendation for the Judiciary funds increases \$4.1 million for Child Support and Enforcement, \$3.9 million for Information Services, and \$916,000 for Trial Court Services. This, combined with federal funding and dedicated revenue, will support 432 judgeships and 8,971 operations and administrative personnel.

Continued in fiscal 2001 are 12 judgeships and associated support staff funded by \$3.3 million from a supplemental appropriation late in fiscal 1999.

The fiscal 2001 Budget provides an additional \$4.1 million to increase the State match portion of the federal Child Support and Paternity Program, Title IV-D, to \$22.6 million. This increase was necessitated by contractual increases in both salaries and fringe benefits, and the continued process of equalizing pay for judicial employees throughout the state after court unification. For fiscal 2001, the federal share of this program is approximately \$50 million for a program total of \$72.6 million.

An additional \$2.2 million is recommended to modernize the Family Automated Case Tracking System (FACTS). This system is designed to provide case tracking and information availability to the Judiciary and other law enforcement personnel. This initiative will provide for improved user interface and security and will modernize the system to allow it to be technically supported in the future.

Further, \$1.7 million is recommended to provide for electronic filing of pleadings in Civil Law and Family Dissolution cases. The intent is to reduce the reliance on paper. Another benefit will be to reduce the need for clerical staff to process mail and handling fees through the automated notice system and charge accounts, which will be debited through the filing process.

The fiscal 2001 recommendation also includes \$386,000 to continue drug court activities previously federally funded in Camden and Essex counties. These courts are targeted for non-violent drug offenders in an effort to break the cycle of crime. Finally, \$530,000 is recommended to make the first of three payments on a three-year Line of Credit purchase of furniture for vicinages' expanding operations.

In addition to the above described initiatives, it is anticipated that by the end of fiscal 2003, the salaries of judges will be increased by \$11.6 million, a 23% increase over fiscal 1999 levels.

RAINY DAY FUND

The Surplus Revenue Fund Act (P.L. 1990, c. 44) requires the Governor to include in the annual Budget to the Legislature an estimate of the credit to be made to the Surplus Revenue Fund (Rainy Day Fund). The Rainy Day Fund receives 50% of the amount by which the General Fund revenues in a given fiscal year exceed the amount of revenue certified by the Governor in the annual Appropriations Act for the same fiscal year.

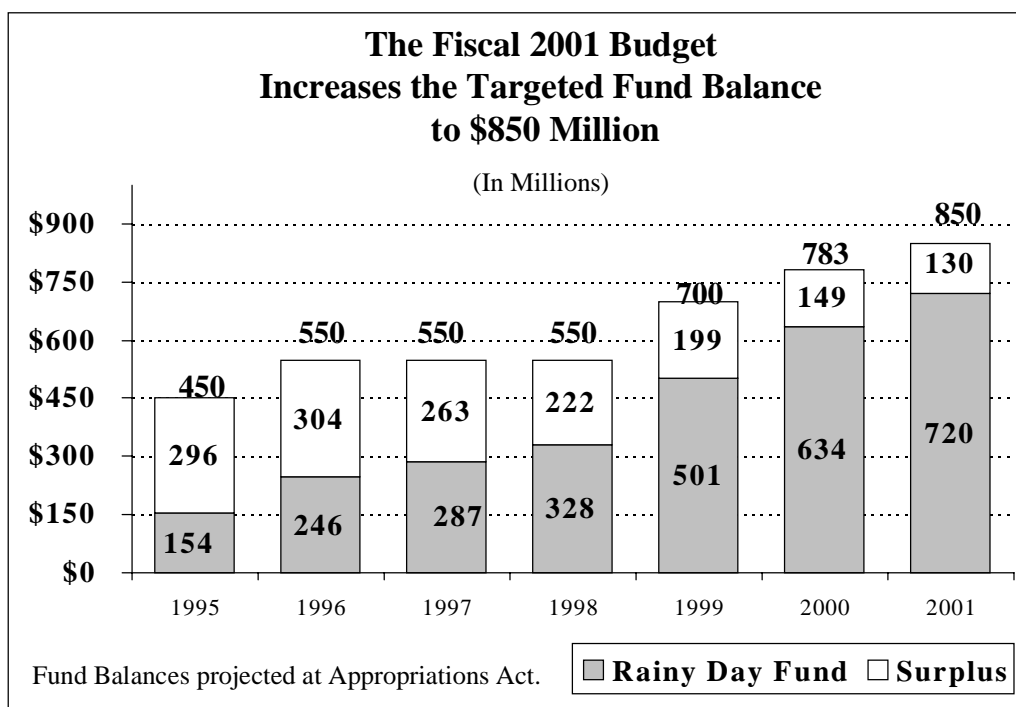
The objective of this fund is to increase the stability of the State's revenues and expenditures. Primary benefits of this fund are: creating a cushion to cover unexpected cash flow problems, providing a reserve against unforeseen events such as natural disasters that may require an immediate response, and providing contingency assistance by setting aside surplus revenues during times of prosperity and using them during an economic slowdown. Appropriations may be made from the Rainy Day Fund under the following circumstances:

- The Governor finds that actual revenues are below the level certified in the Appropriations Act;
- The Legislature determines that appropriating from the fund is preferable to raising taxes;

- The Governor declares an emergency and the Joint Budget Oversight Committee agrees.

A proposal in the fiscal 2001 Budget is to cap the Rainy Day Fund at \$720 million, which is the current estimate of the Fund's balance on June 30, 2001. A Rainy Day Fund balance of \$720 million is sufficient, and any future payments to the Fund will be diverted to a new Debt Retirement Fund and applied to the retirement of State long-term obligations, as the Treasurer shall determine. However, if there are draw downs from the Rainy Day Fund, as happened in fiscal 2000 for Tropical Storm Floyd, which reduced the balance below \$720 million, no amount will be deposited in the Debt Retirement Fund until the Rainy Day Fund is restored to \$720 million.

The fiscal 2000 beginning balance of \$627 million will be increased by investment earnings of \$32 million and by an additional \$141 million, which is 50% of the excess projected General Fund revenues for fiscal 2000. A decrease of \$80 million, which was appropriated in fiscal 2000 to assist flood victims, results in a projected ending balance of \$720 million for fiscal 2000. The beginning balance for fiscal 2001 is \$720 million.



Appendix

IMPACT OF STATE APPROPRIATION LIMITATIONS LAW ON APPROPRIATIONS FOR FISCAL 2001

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

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

Under the formula in the law, the maximum appropriation for fiscal 2001 is computed by multiplying the base year appropriation (fiscal 2000) subject to the percentage limitation by the average three-year growth rate in per capita personal income calculated on a fiscal basis. This percentage is 4.98 for calculating the fiscal 2001 CAP.

The calculation results in a maximum increase of \$218 million over the fiscal 2000 Adjusted appropriation, or a maximum appropriation of \$4.610 billion for Direct State Services for fiscal 2001. The Governor's recommendation for fiscal 2001, for items under the CAP, is \$4.532 billion, or \$78.6 million under the CAP limit. Data used to compute the appropriation limit are presented in the accompanying tables.

According to the U.S. Department of Commerce, Bureau of Economic Analysis, the total income(a) for the State for the last four fiscal years is:

(\$ in Millions)	
Fiscal 1996	240,947
Fiscal 1997	254,093
Fiscal 1998	267,684
Fiscal 1999	283,411

According to the US Census Bureau, the population for the State for the last four fiscal years^(b) is:

Fiscal 1996	8,009,624
Fiscal 1997	8,054,178
Fiscal 1998	8,095,542
Fiscal 1999	8,143,412

The average per capita personal income^(c) for the State and the average percentage change for the last four fiscal years is:

	<u>Average Per Capita Personal Income</u>	<u>Percentage Change</u>
Fiscal 1996	30,082	
Fiscal 1997	31,515	4.76%
Fiscal 1998	33,035	4.82%
Fiscal 1999	34,802	5.35%

**Computation of 2001 Appropriation Subject to Expenditure Limitation Law Percentage
(\$ in Thousands)**

Appropriation and Adjustments for Fiscal 2000	\$19,974,818
Less Statutory Exemptions:	
Grants-In-Aid	(\$5,348,969)
State Aid	(\$1,263,051)
Capital Construction	(\$889,581)
Debt Service	(\$518,724)
Property Tax Relief Fund	(\$7,150,940)
Casino Control Fund	(\$57,945)
Casino Revenue Fund	(\$337,590)
Gubernatorial Elections Fund	\$0
Less: Funding for Corrections Mental Health Treatment Appropriated in accordance with a court settlement	(\$16,000)
 Amount subject to limitation	 \$4,392,018
 Fiscal 2000 base subject to percentage limitation	 \$4,392,018
Per capita personal income rate	4.98%
 Maximum increase in appropriation for Fiscal 2001	 \$218,722
Maximum appropriation for Fiscal 2001	\$4,610,740
Fiscal 2001 recommendation	\$4,549,865
Less: Funding for Corrections Mental Health Treatment Appropriated in accordance with a court settlement	(\$17,760)
Amount of Fiscal 2001 appropriation subject to the CAP Limitation	\$4,532,105
 Amount Over/(Under) the CAP limitation	 <u>(\$78,635)</u>

Note:

- (a) Seasonally adjusted quarterly personal income is provided by the U.S. Department of Commerce, Bureau of Economic Analysis. Fiscal calculations are performed by the NJ Department of the Treasury, Office of Management and Budget. Each fiscal was calculated by summing the 3rd and 4th quarters of the previous calendar year with the 1st and 2nd quarters of the year being calculated. The summation is divided by four to estimate the fiscal's number. For example:
Fiscal 1999 = $\Sigma(3Qcy98+4Qcy98+1Qcy99+2Qcy99)/4$.
Therefore Fiscal 1999 = $\Sigma(278,572+280,078+285,782+289,211)/4$. Fiscal 1999 = \$283,411.
Personal Income statistics were revised and re-released, October, 1999.
- (b) The population figures are from the U.S. Bureau of the Census; figures were revised in December, 1999.
- (c) The average per capita personal income is found by taking the total personal income and dividing by the State's estimated population.

Appendix

NEW JERSEY DEMOGRAPHICS

Population

The total population of New Jersey is projected to grow from 8,019,494 in 1996 (revised estimate) to 8,191,300 in the year 2000; to 8,436,600 in the year 2006, and to 8,601,500 by the year 2010. It is also projected that the state's population will continue to grow in the 21st century, but at a slower rate than that of the nation.

In concert with the aging of the nation's population, the state's median age is projected to increase from 35.0 years in 1996, to 35.9 years in 2000, and to 37.1 years in 2010.

Labor Force

New Jersey's civilian labor force is projected to grow at a faster rate than its population; specifically, the population is projected to grow by 5.6%, while the labor force is projected to grow by 7.3% over the 1996–2006 period.

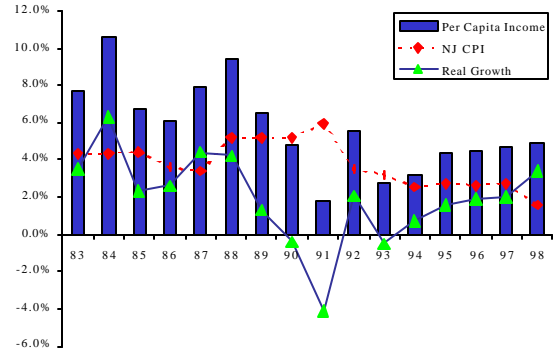
The civilian labor force is projected to grow from 4,162,600 in 1996, to 4,284,00 in 2000, to 4,467,700 in 2006, and to 4,634,600 in 2010.

Occupational employment growth is projected to be dominated by professional, paraprofessional, technical, and service occupations.

Population and Personal Income Changes

New Jersey's per capita income continues to experience real growth, i.e., annual growth in excess of consumer price index (CPI) growth, since 1994. The New Jersey Consumer Price Index is computed on a State fiscal year basis (July–June).

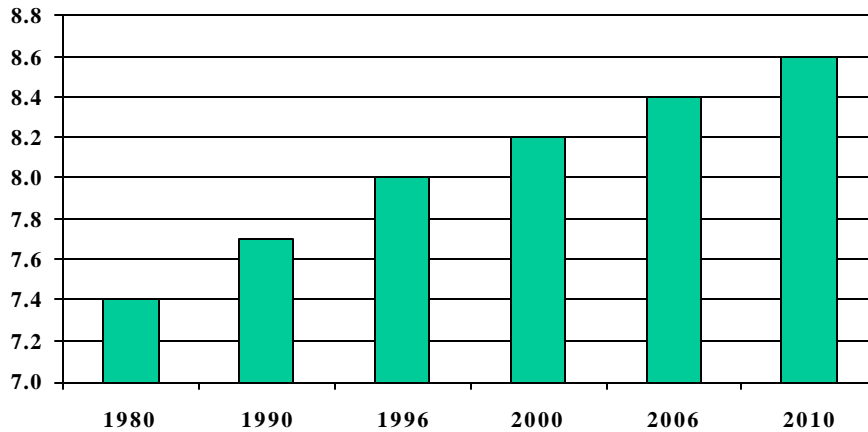
Comparison of Annual Growth in NJ Per Capita Income vs. NJ CPI Growth



Source: N.J. Department of Labor and Department of the Treasury, Office of Management and Budget.

Personal Income changes for New Jersey and its neighboring states are illustrated in the tables found on the next two pages. Personal Income data is reported on a calendar year basis (January–December).

NJ Population
(In Millions)



Source: N.J. Department of Labor

**1998 PER CAPITA PERSONAL INCOME FOR
THE UNITED STATES, NEW JERSEY AND MIDDLE ATLANTIC STATES
(Calendar Year)**

	1998 Percent		
	<u>Amount</u>	<u>of National Average</u>	<u>National Ranking</u>
United States	\$26,482	---	---
New Jersey	33,953	128	2
New York	31,679	120	4
Maryland	30,023	113	5
Delaware	29,932	113	6
Pennsylvania	26,889	102	16

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

**PER CAPITA PERSONAL INCOME
NEW JERSEY, SELECTED NEIGHBORING STATES AND THE UNITED STATES
1983-1998
(Calendar Year)**

<u>Calendar Years</u>	<u>Per Capita Personal Income</u>			
	<u>New Jersey</u>	<u>New York</u>	<u>Pennsylvania</u>	<u>United States</u>
1983	\$15,080	\$14,038	\$12,199	\$12,356
1984	16,680	15,615	13,200	13,571
1985	17,807	16,613	14,104	14,410
1986	18,900	17,709	14,845	15,106
1987	20,391	18,871	15,765	15,945
1988	22,302	20,433	16,927	17,038
1989	23,751	21,820	18,264	18,153
1990	24,883	23,106	19,371	19,156
1991	25,328	23,600	19,975	19,623
1992	26,749	24,801	20,950	20,547
1993	27,457	25,373	21,635	21,220
1994	28,333	26,242	22,343	22,056
1995	29,568	27,587	23,268	23,059
1996	30,892	29,015	24,533	24,164
1997	32,356	30,250	25,670	25,288
1998	33,953	31,679	26,889	26,482

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



GOVERNMENT FINANCE OFFICERS ASSOCIATION

*Distinguished
Budget Presentation
Award*

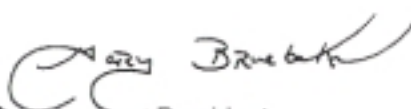
PRESENTED TO

State of

New Jersey

For the Fiscal Year Beginning

July 1, 1999


President


Executive Director

The Government Finance Officers Association of the United States and Canada (GFOA) presented an award of Distinguished Budget Presentation to the State of New Jersey for its annual budget for the fiscal year beginning July 1, 1999.

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

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

Memorializing the Accomplishments of

Russell H. Mullen, Jr.

Assistant Director

Office of Management and Budget

1980 – 1999

Whose contributions and dedication greatly enhanced the professionalism of OMB during his nineteen years of service to the State of New Jersey.

“Russ embodied the commitment, loyalty, creativity, and productivity characteristic of great civil servants, his accomplishments inspired others to raise their standards. His dedication to his chosen profession and his sense of fairness will be remembered by us all.”

– From Russ Mullen Memorial Service September, 1999



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THE STATE BUDGET PROCESS

The fiscal year for New Jersey State government, which includes the Legislature, the Judiciary, and all Executive Branch departments and agencies, is from July 1 to June 30 of the following year. For example, “fiscal year 2000” refers to the fiscal year ending June 30, 2000 (The federal government’s fiscal year begins October 1, and ends on September 30.)

In the past, the budget process in New Jersey has had several variations, including Zero Based Budgeting (ZBB) and the Planning, Programming and Budgeting System (PPBS).

The current process, the Integrated Planning and Budgeting Process, uses several of the key features of all previous budget processes, and is designed to result in planning driven budgets. Implementation of the process usually begins during the month of April some fifteen months prior to the year for which the budget will be effective.

The planning framework that begins this process each year includes reviews of the Governor’s program priorities, economic forecasts, demand assumptions and analyses of selective program areas. General guidance is provided to each State agency, usually in August - September.

Agencies prepare planning documents which describe (1) their ability to provide current services within the budget target, (2) the agencies’ priorities for reduction of current services if requested, and (3) priority packages representing either expansion of current programs or new programs. The Office of Management and Budget (OMB) reviews the planning documents with the agencies and budget targets are agreed upon. The planning portion of the process is then culminated by the final submission of the agency budget request to OMB.

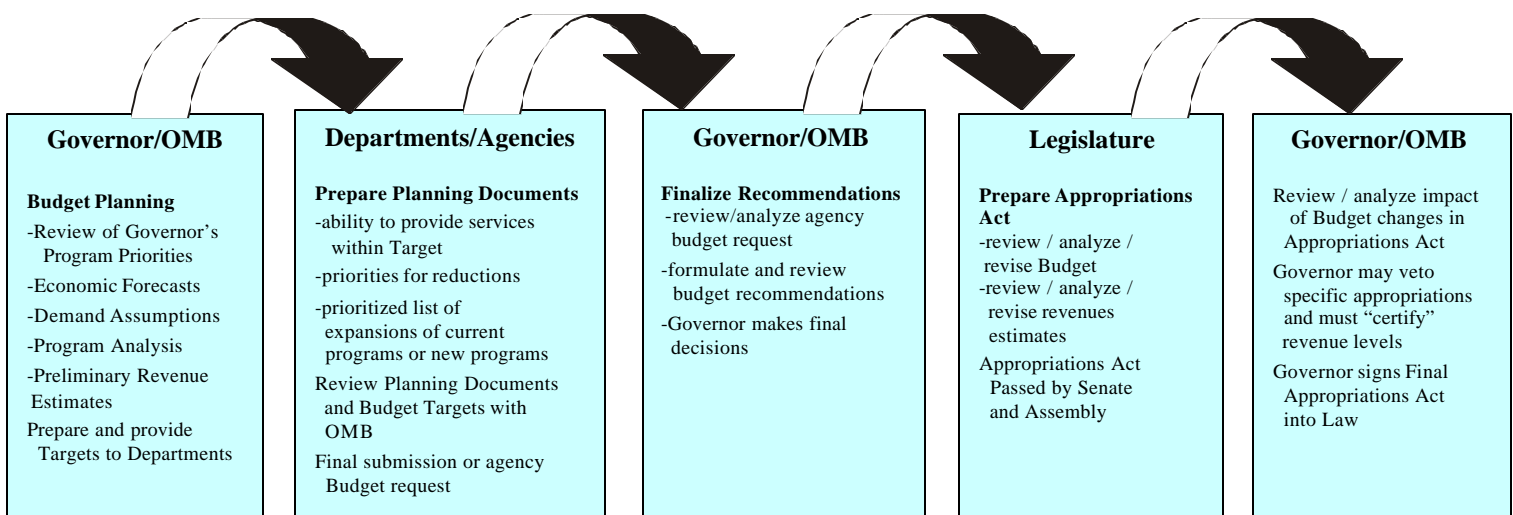
During the months of December and January, the Director of the Office of Management and Budget reviews budget recommendations with the Governor, the State Treasurer and the Governor’s staff. The Governor makes the final decisions in January. The Budget Message, representing the Governor’s recommendations

on how revenues should be allocated, is delivered to the Legislature on or before the third Tuesday following the first meeting of the State Legislature, except in the year when the Governor is inaugurated, when it must be transmitted on or before February 15 (although the Legislature may extend this deadline under unusual circumstances). From year to year, the Budget probably is the single most important policy statement that the Governor makes.

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

The Budget, including changes made by the Legislative Committees, must then be approved by the Senate and the Assembly; and, according to the New Jersey Constitution, a balanced budget must be approved and signed by the Governor before July 1. After the Legislature passes the Appropriations Act, the Governor has the power to veto specific appropriations (line items), or Appropriation Language segments, which may have been added by the Legislature as a result of its review of the Governor’s proposals. The line-item veto allows the Governor to reshape the final Budget and ensure that appropriations do not exceed the certified level of revenues. (As part of the final Appropriations Act, the Governor must “certify” the level of revenues in order to meet the constitutional requirement of a balanced budget.) The final approved budget, which includes the Governor’s line item vetoes and certification of revenues, is the Appropriations Act. Once the budget is enacted, it becomes an effective tool for fiscal control and monitoring program effectiveness.

As part of the first execution phase of the Budget process, and to ensure that State monies are spent according to the intent of the Budget, all state departments are required by appropriations language included in the Budget to submit quarterly spending plans to the Office of Management and Budget and the Legislative Budget Officer.



Glossary

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

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

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

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

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

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

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

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

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

CAPITAL CONSTRUCTION— One of the major subdivisions of the State budget, this category includes funds budgeted for:

1. Acquisition of or option to buy land and right-of-way and existing improvements therein, regardless of cost.
2. New buildings and structures not attached to or directly related to any existing structures, regardless of cost.
3. Projects whose estimated cost including land, planning, furnishing and equipping, is usually \$50,000 or more regardless of the construction involved.

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

CASINO REVENUE FUND— Accounts for the tax on gross revenues generated by the casinos. Gross revenue refers to the total of all sums actually received by a licensee from gaming operations, less the total sums paid out as winnings to patrons. Appropriations from this fund must be used for reductions in property taxes, utility charges and other specified expenses of eligible senior and disabled citizens.

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

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

FISCAL YEAR— A twelve-month period of time to which the annual budget applies and at the end of which the State determines its financial position and the results of its operations. New Jersey State government has a July 1 to June 30 fiscal year.

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

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

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

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

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

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

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

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