

Fiscal 2002

**BUDGET
IN
BRIEF**



Christine Todd Whitman, Governor

**Roland M. Machold
State Treasurer**

**Charlene M. Holzbaur
Director**

**Robert L. Peden
Deputy Director**

**Gary J. Brune
Associate Director**

**Bruce J. Perelli
Assistant Director**

Office of Management and Budget

JANUARY 23, 2001



State of New Jersey

OFFICE OF THE GOVERNOR
PO Box 001
TRENTON NJ 08625-0001

CHRISTINE TODD WHITMAN
Governor



January 23, 2001

Dear Fellow New Jerseyans:

I am pleased to submit my administration's proposed budget for Fiscal Year 2002.

A budget is the story of a state told in numbers, and New Jersey's numbers tell a very impressive story. They include tax cuts that have saved New Jersey taxpayers more than \$12 billion and helped add over 435,000 more jobs to our economy. They also include a commitment to preserving one million more acres of open space and farmland.

As impressive as these numbers are, they only tell part of our story. The goal of this administration has been to help to make New Jersey an even better place in which to live, work, and raise a family. This spending plan advances that goal.

It does so by expanding access to affordable health insurance through our FamilyCare program. It provides funding for schools to attract and retain teachers. It expands prescription assistance to the elderly and community supports for people with disabilities. This proposed spending plan contains a \$200 million high-tech package to secure our state's position as a technological leader, as well as money to keep our water clean.

Our budget will help cities transform rubble-strewn lots into new homes and thriving businesses, as well as create a stable funding source for a world-class park system. It supports additional tax cuts that will increase taxpayer savings to \$15 billion by the end of fiscal 2002.

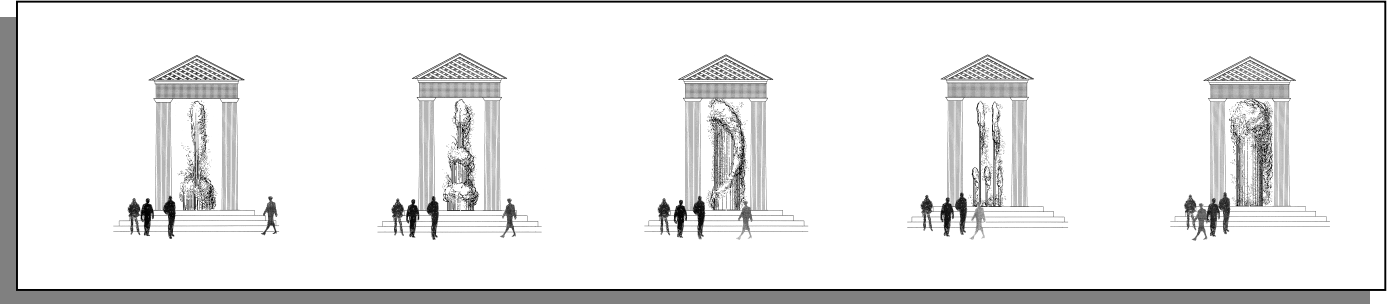
This budget is responsible and balanced. It will return more money to the communities of this state through property tax relief, while preserving a fund balance of one billion dollars.

A budget is the story of a state. With this budget, we continue to make New Jersey's story one of remarkable success.

Yours sincerely,

A handwritten signature in black ink, appearing to read "Christie Whitman".

Christine Todd Whitman
Governor



Confluence by Artist Clyde Lynds

Our cover design features the recently completed fountain seen from the entrance to the New Jersey State Capitol Plaza. The artist created a 35-foot high fountain constructed of stainless steel, aluminum and granite; a granite observation platform engraved with an historic map of Trenton; an oval seating wall with the names of every city and town in New Jersey etched in granite; and two entrance sculptures of stainless steel and cast concrete with fiber-optic embedments that depict the night sky when Trenton became the state capital.

Entitled *Confluence*, this project for the New Jersey State Capitol Plaza was created to be an unique experience that would embody the concept of Trenton as the heart of New Jersey and acknowledge its importance as the capital. Located between the State House Annex and the New Jersey State Library, the artist's design relates visually to the classically informed buildings of the State House and the Annex in an updated, modern way.

Rooted in tradition, the entry sculptures and fountain use technology to make a distinctive contemporary statement. With variety and movement they create an experience both powerful and beautiful to see. Every New Jersey resident will discover some personal relevance here through the naming of their cities and towns on the 500-foot granite seating wall. Others will see a declaration of pride in New Jersey and an affirmation of its future.

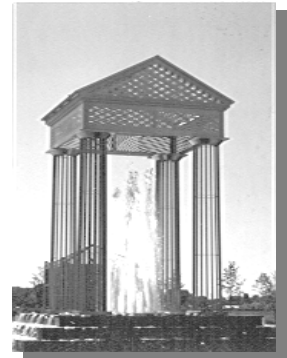
Commissioned by:

- State Capitol Joint Management Commission
- New Jersey Building Authority
- New Jersey State Council on the Arts
- Division of Property Management and Construction

The artwork was made possible through the Public Building Arts Inclusion Act of 1978, which provides up to 1.5% of construction costs on new or renovated State buildings for fine artwork. The New Jersey State Council on the Arts/Department of State administers the program.



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The Whitman Years

Promises Made, Promises Kept

When this Administration took office in 1994, unemployment had been rising and taxes were increasing. We set our sights on leading a comeback to make New Jersey a better place in which to live, work, and raise a family. Our vision was focused, not only on today, but also on the future—a future of opportunity, of security, a future based on mutual respect and responsibility, and one filled with hope for our children. We pledged lower taxes, more efficient government, and a stronger New Jersey so that future generations might enjoy that vision.

Then & Now...

New Jersey's performance during the span of this Administration provides positive indications that those areas in which we have invested are making the State a better place. The economy has grown and is stronger now. Our environment is cleaner and land is being preserved for the enjoyment of generations to come. The well-being of our citizens has improved. And the State of New Jersey's fiscal house is in order. Here are the facts.

The Economy

- New Jersey's per capita personal income increased from \$27,885 in 1994 to \$35,551 in 1999 (the second highest in the nation), an average increase of nearly 6%.
- New Jersey's employment increased from 3,552,800 in 1994 to 3,866,300 in 1999, with jobs shifting from the manufacturing and transportation/utilities sectors to the construction, trade, services and government sectors.
- During this Administration over 439,000 jobs have been created.
- The unemployment rate dropped to a decade low of 3.4% in June 2000 from an average of 6.8% in 1994.
- Gross state product has grown steadily to \$343.9 billion in 2000 from \$255.8 billion in 1994, an average increase of 5%.

The Environment

- This Administration has taken an active role to guarantee that the maximum acreage of open space is safeguarded for future generations.

- Total area of preserved land has grown by 168,626 acres since May 1997 to 1,072,262 by the end of 2000, an increase that totals nearly as much as the Florio, Kean, Byrne, Cahill, and Hughes administrations combined.
- The loss of farmland to development has slowed; in fact, acreage devoted to farming in 1998 actually remained unchanged from the prior year.
- In 1999, there were just 35 beach closings compared to 137 in 1994.
- Harvestable shellfish waters continued to show improvement, almost reaching 88% in 2000.
- The annual number of visitors to State parks rose by 1.6 million or nearly 13%, from 12.5 million in 1994 to an estimated 14.1 million in 2000.
- 1998, the most recent period reported, saw the lowest reading of air pollution in 15 years.
- 56% of municipal solid waste produced in New Jersey is recycled annually.

Society

- The infant mortality rate in the State has declined dramatically for both single and multiple births.
- The number of crimes per 1,000 persons has dropped 13%, from 47.4 in 1994 to 34.2 in 1999.
- The number of clients anticipated to receive Temporary Assistance for Needy Families (TANF) has declined 55%.
- More than 75,000 New Jersey children are enrolled in the KidCare program.

Management of New Jersey

- The total budget for the State has increased by an average growth rate of 5.1% in the eight years since 1994.
- This is the lowest growth rate for an administration since the Driscoll Administration in the early 1950s.
- Growth has only been at an average rate of 3.4% in the Executive Branch, while grants-in-aid and state aid grew by 5.8% on average each year.
- The eight years of budgets have seen a shift to more long-term investment in the State, returning more financial resources to the citizens and local communities, and more efficiencies in the day-to-day operations of the State government.

Share in the Success ...

Under the leadership of this Administration, New Jersey has improved its quality of life by strengthening its economy, preserving its environment, providing for our social needs, and improving the management of our State government. Our tenets are that State government's job is to spend taxpayers' money wisely, to streamline government, and to create an economic climate and quality of life that fosters and sustains prosperity for all.

The Economy

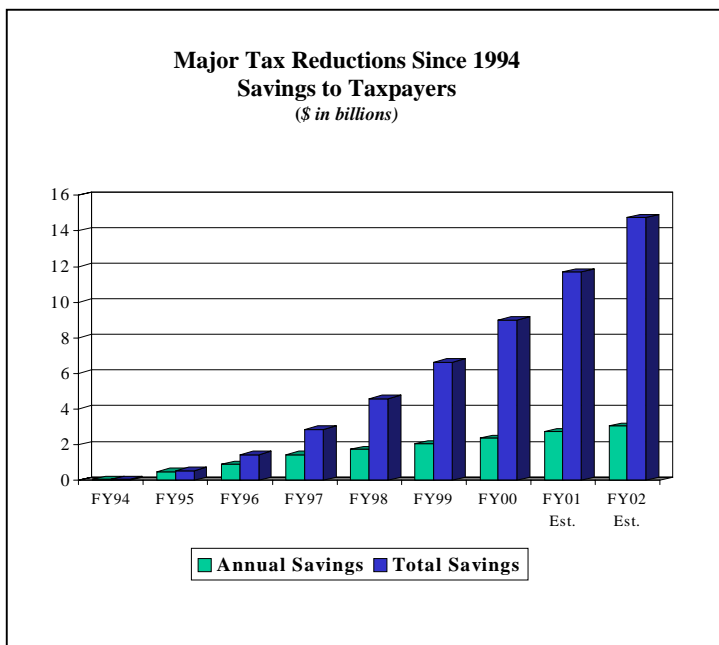
If New Jersey were a nation, its economy would be the 16th largest in the world. A century ago, New Jersey was one of the first truly industrialized states in the nation. Today, it is not water or steam power that runs the real engines of growth in the world economy, but rather innovation and brainpower. New Jersey is

positioned to take full advantage of that growth with a technology presence that is greater than that of the Silicon Valley, and telecommunications and pharmaceutical industries that boast more scientists and engineers per capita than any other state.

The very first executive order of this Administration, in fact, created an Economic Master Plan Commission with the charge to develop a strategic business plan, for it is the economy that fuels what happens in the environment and shapes the well-being of our society. Consequently, addressing over regulation, job creation, and the need to shift economic decision-making to the consumer became critical goals of this Administration. The cornerstones for strengthening the economy have been empowering people by providing record taxpayer relief, revitalizing our cities, creating jobs, and investing in the State's physical and technological infrastructure.

Taxpayer Relief

Foremost in 1994 was our intent to cut taxes. We have delivered taxpayer relief in a variety of shapes and sizes. Collectively, 43 tax cuts, 39 of which are already in place, are projected to save New Jersey taxpayers \$14.7 billion through fiscal 2002. It began on March 7, 1994, when the first income tax reduction in New Jersey's history was signed into law. Reducing the overall tax burden for individuals and corporations is a hallmark of our effort to transfer economic decision-making from the government to the consumer, to increase the State's competitiveness, and to improve New Jersey's ability to attract and retain business and industry.



In the case of property taxes, direct savings have come from added tax deductions, checks to taxpayers, consolidation of operations, and a shift of the burden away from local government. For example, the Property Tax Deduction Act we signed in 1996 allows homeowners to receive additional property tax relief by deducting the amount paid in property taxes from their State income tax. This will provide an estimated \$316 million in additional tax relief in fiscal 2002. Since 1996, this initiative has provided over \$1 billion more in New Jersey taxpayers' wallets.

In addition, the NJ SAVER, the Homestead Rebate Program, and the Property Tax Freeze Program put money directly back in the pockets of our taxpayers as well. NJ SAVER, which we initiated in fiscal 2000, has provided cumulative relief of approximately \$337 million to the State's homeowners through the first two years of this five-year program. Once NJ SAVER is fully phased in, homeowners will receive checks equal to the school taxes paid on the first \$45,000 of their assessed property value. An additional \$270 million in savings will be included in fiscal 2002 bringing the total savings over the first three years to approximately \$607 million.

The Homestead Rebate and Property Tax Freeze Programs are both designed to benefit those homeowners most in need of property tax relief. Homestead Rebate provides annual property tax rebates at a maximum of \$500 to qualified senior, disabled, and low-income homeowners. The cumulative tax savings from this program between fiscal 1994 and fiscal 2002 are approximately \$3.0 billion. The Property Tax Freeze Program, initiated in 2000, provides for a direct State reimbursement to senior and disabled citizens based on their property tax payments, and is determined by comparing tax liability in the current year to the tax liability for the first year in which they became eligible to participate. This program has generated approximately \$10 million in savings for senior and disabled citizens in the last two years.

The current budget also includes \$70 million, an increase of \$25 million, for the second phase of the New Jersey Earned Income Tax Credit (NJ EITC). Our 38th tax cut, the NJ EITC will provide a refundable tax credit to nearly 237,290 working families in an effort to combat poverty. When fully implemented in fiscal year 2004, the NJ EITC will provide a refundable tax credit of over \$800 for a family with two children earning \$10,000 per year, over \$700 for a similar family with annual income of \$15,000, and \$480 for a similar family with an annual income of \$20,000.

Along with providing direct reimbursement to taxpayers, this Administration proposed early on to move the administration of the General Assistance Program from the then existing 567 municipalities to the 21 counties. The consolidation was designed to streamline the process, reduce administrative costs, and ensure consistency among programs.

Reliance on property taxes under this Administration was further reduced by shifting the funding for county courts to the State as part of the judicial unification initiative. In fiscal 1999, that amounted to \$210 million in savings at the county level. And, when a recalculation of certain business personal property tax liabilities would have forced local governments to either increase their tax rates to make up for lost revenue or reduce services, we provided \$33.8 million in the fiscal 2001 budget to replace the lost taxes.

In fiscal 1996, this Administration consolidated 14 separate municipal aid programs into a single municipal block grant program, entitled the Consolidated Municipal Property Tax Relief Program (CMPTR). This

program provides direct aid to local governments with the maximum discretion for municipal purposes. Since fiscal 1996, this program has provided approximately \$756.3 million in aid on an annual basis to the State's current 566 municipalities. We also signed legislation in 1999 to apply an inflationary adjustment to this program. Factoring in the inflation amount for 2000, 2001, and 2002, the cumulative impact of CMPTR is approximately \$5.4 billion in direct aid to local governments, helping to offset local property taxes over this period.

Revitalizing Our Cities

Another component of our policy for strengthening New Jersey's economy is the revitalization of our urban areas so that these historically important centers can regain and enhance their self-reliance. Under this Administration's leadership, the Urban Coordinating Council, a multi-agency initiative, developed an "Urban Tool Kit" designed to address the needs of the State's urban centers. These tools are intended to strengthen the fiscal condition of our urban areas to ensure their future sustainability and include local aid programs, promoting efficiencies at the municipal level, and incentives for private development and investment in urban areas.

Three examples of programs that provide local aid are the Distressed Cities Aid, Extraordinary Aid, and the Municipal Block Grant programs. The Special Municipal Aid Act was signed on July 1, 1999. This new municipal aid program assists municipalities with severe fiscal distress due to the insufficient collection of tax revenues. The program requires an extended level of state oversight through the Local Finance Board and an acceptance of State recommendations to improve efficiency and reduce operating costs.

The Extraordinary Aid program provides emergency tax relief to municipalities that have experienced a catastrophic loss of tax revenues. It is not meant as permanent aid, but rather as a short-term measure to assist towns to address their revenue and spending problems.

Then, in 1995 we signed legislation that set standards for the resolution of disputes between public employee unions and local governments, including a consideration of the financial impact of the contract settlement on the governing unit. This represents the first time ever that the impact of negotiated contract awards on local property taxes was considered.

In order to assist local governments and school boards to minimize their operating costs, we established the Local Government Budget Review group in 1997. The staff reviews municipal and school district budgets and submits reports suggesting ways to reduce costs or increase revenues. Since its inception, this group has identified approximately \$300 million in prospective savings to local entities.

Private investment and development, however, are critical for achieving the self-reliance we want to have happen in our cities. The Fund for Community Economic Development was established by the New Jersey

Economic Development Authority (EDA) as one of our urban initiatives. The approximately \$30 million Fund uses \$7 million in State appropriations to leverage \$22 million in private sector commitments to fund neighborhood-based real estate projects and small business lending programs sponsored by local community development organizations in urban areas. Since 1997, over \$3 million in funding has been provided for 22 projects sponsored by community economic development organizations to improve economic conditions in urban areas. The monies have leveraged total project costs of over \$11.5 million, and are being used to make loans to small businesses and to support needed development projects like supermarkets and community services.

The College and University Homebuyer Program offers financial incentives to faculty and staff members of New Jersey public colleges that are located in city neighborhoods to purchase homes in these urban neighborhoods. Faculty and staff who already own homes in targeted areas may obtain matching funds to apply towards exterior home improvements. Or there is the Downtown Living Program that provided \$7.5 million in low-interest loans to help stimulate development of new market rate rental housing in urban areas.

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 were designed to provide a boost to economic activity in the State's older urban areas. The rehabilitation subcode, developed by the Department of Community Affairs' Codes and Standards Division, has become a model for the rest of the country.

We extended the economic incentives of the State's Urban Enterprise Zone (UEZ) program to seven additional towns when legislation was signed amending the UEZ statute in 1996. East Orange, Guttenberg, Hillside, Irvington, North Bergen, Pemberton, and West New York were established as new zones, benefiting directly from the reduced sales tax, infrastructure investment, job creation, and business tax credits available through the program.

One of the most difficult barriers in the revitalization of our cities is the amount of environmental abuse that has occurred over the years. This Administration has pioneered a number of important, new initiatives to clean up contaminated "brownfield" sites in urban areas so that they may be redeveloped. New Jersey is the only state in the nation with a reimbursement program for private entities conducting voluntary clean ups at brownfield sites. Established with the signing of the Brownfield and Contaminated Site Remediation Act in January 1998, the State brownfield program enables a developer to enter a redevelopment agreement with the State once there is private sector agreement to clean up and reuse a brownfield site. Taxes generated from new businesses operating at a former brownfield site provide funds to reimburse a developer up to 75% of the clean up costs.

One outstanding brownfield reuse project, the Edison Crossroads Retail Center, set the example of how government can partner with the private sector to encourage more clean ups that result in economic growth. The project generated approximately \$2 million in sales tax revenue since businesses opened on the site in early 2000, and the value of real estate that encompasses this project has risen from approximately \$8 million to \$31 million. This investment has created several hundred jobs at the commercial, service, and financial establishments.

In addition, we provided \$15 million to municipalities for the acquisition and remediation of brownfields in cases where the land has no realistic prospect for attracting a private developer. A total of 68 urban municipalities, identified under the Urban Coordinating Council initiative, are eligible to apply for grants from this program, which is administered by the New Jersey Redevelopment Authority.

This Administration also has provided other grants and loans for brownfield clean up. The Economic Development Authority and the Department of Environmental Protection have jointly approved nearly \$69 million since fiscal 1994 for 674 brownfield site projects undertaken by municipalities and private entities that voluntarily conducted remedial actions.

“Open for Business”

Early in this Administration, we recognized two key factors about the State’s business climate: that New Jersey’s evolution from a manufacturing base to a technology and service economy had quickened in pace; and, equally important, that State government needed to adopt a more agile, flexible role in support of the private sector if economic growth was to be sustained. For New Jersey truly to be “Open for Business,” State government would need to be open to change. Embracing new technologies, changes in agriculture, and environmentally friendly businesses are all part of creating a new paradigm of State economic development.

The most compelling change occurred in August 1998 when we signed legislation transforming the Department of Commerce into an independent Commerce and Economic Growth Commission. Using a results-oriented, market-driven approach, the Commission has tailored the State’s economic development programs to reflect the changing needs of New Jersey businesses. This newfound agility includes reallocating resources to emphasize business attraction and expansion, finding qualified people for the job, and improving service to significant sectors of our economy, such as pharmaceuticals and telecommunications. For the first time, the State hired account managers with practical business experience in the sectors most critical to the State’s economy. Not only do they know the businesses they are trying to help, but their customer-focused solutions are helping these businesses help themselves.

We also significantly expanded the role of the Science and Technology Commission. To more closely align research and development grants provided by the Science and Technology Commission with market demand, we implemented a purely competitive grant process in fiscal 1997. Under the Commission's Research and Development Excellence program, higher education institutions now submit proposals for projects that best reflect emerging technology opportunities that can quickly be transitioned into the marketplace. In a related effort, we added \$4.4 million to the Commission's fiscal 1999 budget for a new Technology Transfer program to help downstream research findings into the marketplace and offer interest-free, repayable loans to small New Jersey technology businesses to encourage new technologies and products and retain high-quality technology jobs. Another \$5 million was added in fiscal 2001 to expand the State's network of Specialized Incubators, which provide low-cost office, and light manufacturing and laboratory facilities to support technology companies in New Jersey.

In 1995, we directed the Economic Development Authority to initiate a number of funding and development programs to support our commitment to strengthening New Jersey's high-tech economic base. Core to our policy was the development of a high-tech business park, funding programs, and tax credits. The EDA began development of the first business park in North Brunswick in 1995 to meet the needs of research and development companies, particularly those involved in the biosciences and information technology industries. More than \$50 million has been invested in the first two phases of this premier research park, which now has seven tenants employing more than 400 people in 190,500 square feet of space. Work has begun on the third phase, which will offer 80,000 square feet of new space. This addition will house a Commercialization Center, for which a \$4 million appropriation in the fiscal 2001 budget is serving graduates of incubator facilities and other growing ventures. Based on the success of the North Brunswick center, \$6 million was appropriated in fiscal 2001 to establish a similar technology complex in the southern part of the State. The EDA expects to select a site for the new high-tech business park by the first quarter of 2001.

In support of our commitment to attract and retain high and emerging technology enterprises, the EDA established the New Jersey Seed Capital Program and the New Jersey Technology Funding Program in 1998. These initiatives focus on first and second stage companies, respectively, that face difficulty in raising capital on their own. In the last two years, the EDA has approved a total of \$7.2 million in capital, including nearly \$3.2 million in seed capital for 13 businesses and over \$4 million in technology funding for 8 other enterprises. In September 2000, the EDA Board approved expansion of the Seed Capital Program, raising the amount available from \$3 million to \$5 million and the size of the loans from \$200,000 to \$500,000.

To support the cash needs of biotech and other technology companies that have not yet reached profitability, the Technology Business Tax Certificate Program was launched in 1998. This innovative program has drawn national attention. Working with the Department of the Treasury, EDA approved the transfer of tax credits/loss certificates in 1999 enabling 61 companies to get \$50 million in cash infusions to help sustain their businesses. The program makes \$40 million in awards available annually to New Jersey based technology businesses with 225 employees or less.

We also reaped the benefit of securing direct input from the private sector in the form of a statewide strategic partnership. As a result of recommendations made in the Economic Master Plan prepared at our request, Prosperity New Jersey was created in fiscal year 1996. This program provided business leaders with direct involvement in projects they consider critical to improving New Jersey's business climate.

As a measure of its success within the business community, Prosperity New Jersey has leveraged a total of \$11.5 million in private matching funds to implement its various projects since its inception. For example, the State joined with Prosperity New Jersey to provide \$1 million for a Business Marketing Campaign, and another \$2 million annually for the "Innovative Garden State" campaign, highlighting New Jersey as a leader in the field of high technology. Prosperity New Jersey also invested \$500,000 to create the nation's first "open" state economic development information center, available on the Internet. This one-stop Business Resource Center allows any company to confidentially secure comprehensive information on business relocation or growth opportunities tailored to its specific needs.

We understood, however, that competition among the states for high quality businesses necessitated much more in the way of business incentives for New Jersey to remain competitive. To hone the State's edge in business recruitment and retention, we signed legislation in 1996 creating the Business Employment Incentive Program (BEIP). Using a formula based on the new tax revenues generated by increased business activity and jobs, the BEIP has provided grants to 210 businesses seeking to expand or relocate their operations in New Jersey which will have a cumulative value of \$352 million over the term of the grants. This initiative has leveraged new investment of approximately \$6.8 billion throughout New Jersey, and has helped create a total of 51,000 new jobs.

Based on the most recent data, the pace of business attraction seems to be accelerating markedly. A total of 120 companies committed to relocating to New Jersey in 1999, the highest number of relocations recorded since the State began tracking this activity in 1984. These relocations added 17,500 jobs for New Jerseyans, largely in the areas of high technology, healthcare, logistics, and finance. A portion of this success is attributable to the availability of Business Relocation Assistance Grants (BRAG), which we authorized in 1996. Together, the BEIP and BRAG provide an attractive incentive package as New Jersey competes with other states for business growth and jobs.

Funds also were provided in fiscal 2001 totaling \$2 million for planning grants to any of the 68 Urban Coordinating Council municipalities interested in creating a downtown cyberdistrict. The goal is to attract new technology companies by providing reasonable rents, low-cost Internet access, and high-speed bandwidth. The grants allow interested cities to study the feasibility of a cyberdistrict within their borders.

Key to any business attraction and expansion effort is compliance with the State's regulatory requirements, and environmental permits and licenses head the list. To help businesses navigate their projects through the State's regulatory system, this Administration established the Office of the Business Advocate within the Commerce Commission. For the first time, a central office was established that could identify all of the applications and forms required for a particular project. With the Office of the Business Advocate identifying the extent of the State's permit procedures, companies could devote more time to improving the quality of their applications to satisfy State standards.

The impact of our new paradigm on the State's economy may also be measured in much more practical terms within two key sectors of New Jersey's economy: international trade and tourism. New Jersey's exports increased by \$4.5 billion, or 25%, during our tenure, from \$18.2 billion in 1994 to \$22.7 billion last year, making New Jersey the ninth largest exporting state in the nation. This Administration has established five new foreign trade offices in London, UK, Mexico City, Mexico, Ra'anana, Israel, Cairo, Egypt, and Sao Paulo, Brazil. New Jersey is also the sixth leading state for foreign direct investment, with nearly 600,000 New Jersey jobs resulting from international trade.

Fully aware that tourism represents the second largest business in New Jersey, this Administration doubled the amount of annual State spending for advertising and promotion from \$5.1 million in fiscal 1994 to \$10.3 million in fiscal 2001. Due in part to the establishment of matching requirements on a portion of these monies, this investment leverages an additional \$2.3 million annually in private advertising funds. During these past seven years, total travel expenditures throughout the State's economy increased by an impressive 54%, from \$18 billion when we took office to \$27.7 billion in 1999.

Importantly, we embrace the belief that a healthy economy can be sustained only if business growth is delicately balanced with environmental concern. As a natural extension of that tenet, and, as an example of its validity, we created the Office of Sustainability in 1997 to promote the growth of environmentally friendly or "green" businesses in New Jersey. These emerging companies operate at the point where business and environmental interests intersect, and many need only minor assistance to thrive. To date, this program has approved 11 loans valued at \$2.3 million to companies engaged in pollution prevention, solid waste reduction, renewable energy, and greenhouse gas elimination.

Assistance to farmers is another prime example of this balance. To assist the farm community, this Administration announced a program in fiscal 1999, entitled Conservation Cost Share. This program encourages farmers to adopt best management practices concerning soil conservation and non-point source pollution, including controls over agricultural runoff into nearby streams and lakes. An annual amount of \$2 million is distributed statewide. To encourage farmers to remain on the land, we provided new State annual appropriations that increased to \$1.6 million by fiscal 2001 for soil and water conservation grants. This assistance, which was originally supported from Farmland Preservation bonds, helps ensure the environmental and economic viability of farm operations. In our fiscal 2002 Budget, we recommend an additional appropriation of \$500,000 for a new Farmland Stewardship program. This program targets permanently preserved farms and would provide a 50% cost share grant to eligible farmers. Projects covered by the grants include those that establish new and more profitable agricultural operations and explore marketing strategies, as well as assisting new farmers in planning. All are designed to enhance the economic vitality of farms and help sustain agriculture as a viable way of making a living in New Jersey.

With the advent of energy de-regulation, this Administration seized a rare opportunity to lower the cost of doing business across all market sectors, and to help residents as well. In February 1999, we signed the Electric Discount and Energy Competition Act, providing an automatic rate reduction for all customers of 5% effective August 1999 to be followed by another 5% reduction before July 2002. With the full phase-in, the average residential customer will realize an annual savings of up to \$150. In addition, both commercial and residential energy users have the opportunity to select their energy supplier, and thus achieve additional savings beyond the mandatory rate reductions.

Creating a more favorable climate for the growth of high technology industries in the State has been a key element of this Administration. This climate is critical to building and sustaining a growing workforce.

New Jersey Jobs for the New Economy

The creation of jobs has been a high priority for this Administration. In fact, through our economic incentives, over 439,000 private sector jobs have been created since January 1994. But the New Jersey economy is changing, and the challenge is great to keep pace with its transition from a manufacturing-based economy to one that is oriented toward higher technology.

In fiscal 2001, this Administration initiated a \$165 million program, "New Jersey Jobs for the New Economy," designed to further increase the state's competitiveness in the creation of high technology jobs. The program added new dimensions of research, training, planning, and investment to the existing economic development menu. For example, \$10 million was budgeted for the EDA to invest in a high-tech Venture Fund dedicated solely to New Jersey companies. This new fund has attracted \$27 million in private

monies. The first investments, ranging from \$500,000 to \$3 million, are expected to be made by the first quarter of this year. The EDA will invest \$1 of State money for every \$3 of private money.

A centerpiece of our \$165 million “New Jersey Jobs for the New Economy” initiative targeted \$25 million for higher education institutions. Of the \$25 million, \$10 million was appropriated to build research capacity and to match federal funds available to New Jersey’s six research universities for new research grants in the areas of biomedicine and other technology. The other \$15 million was earmarked for a high-tech workforce program. Nine outstanding high-tech education projects received funds to create a pipeline of graduates to meet future workforce needs. This funding will help New Jersey colleges and universities develop nationally recognized programs of technology excellence spanning all sectors of New Jersey’s higher education system. Targeted areas are Computer Science and Information Technology; Physical, Life and Health Sciences; Engineering and Engineering Technology; and Science and Mathematics Teacher Education.

In conjunction with these initiatives, we also have kept a watchful eye over those who struggle, helping ensure that they were not left behind. For example, in fiscal 1996 we signed legislation broadening the eligibility requirements for Unemployment Insurance (UI) largely by establishing differing tests of “base year” contributions into the system. This initiative increased access to the UI system for 143,000 filers who, due to the nature of their occupations, were formerly unable to receive benefits. Another example has been our WorkFirst, New Jersey welfare reform program which began in 1997. Over \$3 billion in State and federal dollars have been spent to transition people from welfare to work. With the advent of more and more people leaving welfare for gainful employment, the type of assistance provided to clients has changed dramatically during this Administration, with the majority now going to fund support services to remove the barriers and help those now in the workforce sustain their employment including needed child care and transportation assistance.

Investment in Transportation Infrastructure

Increased investment in the State’s transportation infrastructure marked another key priority for this Administration. New Jersey presents unique challenges for mass transit and highway services. Not only is New Jersey the country’s most densely populated state, but much of that population and related job growth exists in widely scattered suburbs which are difficult to serve efficiently with mass transit. Automobile usage is among the highest in the nation, and the State serves as a key transportation corridor between such points as New York City and Philadelphia. Throughout this Administration, we sought to balance these needs, taking from the taxpayers only what was necessary to adequately preserve the existing system and to enhance or integrate it to meet future needs.

Under this Administration, NJ Transit has avoided fare increases on the State's bus and rail systems for an unprecedented ten straight years. Accounting for inflation, NJ Transit's fares cost less today than they did in 1983, saving NJ Transit riders approximately \$800 million.

Stable fares make public transportation a more viable option for countless commuters. More than 366,000 people in New Jersey now utilize public transportation to get to work or recreational destinations every day. This represents an impressive 31% ridership increase over the last decade, which has generated ancillary benefits such as increased work productivity and reduced traffic congestion.

To accommodate future growth, this Administration made significant infrastructure investments designed to meet critical service needs, the most notable of which was the introduction of new public transit service on the Hudson Bergen Light Rail beginning in April 2000. Four years earlier in 1996, the Kearny Connection was completed to permit trains on the Morris and Essex lines to travel directly into midtown Manhattan. The MidTOWN DIRECT service now carries 11,000 daily riders and has helped to escalate real estate values along the Morris and Essex corridor by 10% to 40%.

Other major public transit projects implemented during this Administration include the Secaucus Transfer Station, Montclair Connection, the Southern New Jersey Light Rail System, the Newark Elizabeth Rail Line, and the installation of automatic train control technology to improve rail safety.

In addition to our growth in train service, we approved \$623 million in new bus purchases to upgrade the agency's fleet of transit and cruiser buses. These purchases, which include 1,244 long-distance cruiser buses (\$450 million) and 650 local transit buses (\$173 million), will reduce the average age of the fleet by nearly one-third, from approximately 9 years to 6 years, by fiscal 2004.

As a result of these and other capital investments, the State's transportation system—one of the oldest in the nation—will continue to bring mobility, and economic, environmental, and quality of life benefits for New Jersey residents well into the 21st century.

More than any other single factor, the State's Transportation Trust Fund has given us the capital to accomplish these major investments and it holds the key to ensuring our future mobility. The Transportation Trust Fund (TTF) was refinanced in 1995 and again in 2000 without raising a single penny in new State taxes. This Fund has provided an unprecedented \$6.3 billion in spending to make roads safer and commutes easier. This investment has leveraged an additional \$8 billion in federal aid, yielding a cumulative total of \$14.3 billion for highway and mass transit projects during this time span.

From a planning standpoint, the recently reauthorized Transportation Trust Fund has been called one of the most innovative initiatives in the nation due to its "fix-it first" strategy of repairing the state's aging roads and bridges rather than building new highways that encourage sprawl. Under this Administration, the TTF

has sharpened its focus on addressing traffic congestion and structurally deficient bridges, as well as reducing pedestrian fatalities and expanding the State's network of bicycle paths.

On an annual basis, the TTF spending authority increased by \$435 million or nearly 80% between fiscal 1994, the year before we took office, and fiscal 2002, rising from \$565 million to \$1 billion. This increase was well timed to take advantage of a similar reauthorization of the federal transportation program in 1998. Today, the leveraging power of the reauthorized TTF delivers approximately \$1.2 billion per year in federal grants for highway and transit projects.

To assure financial stability, the amount of State funds constitutionally dedicated to the TTF has increased steadily with each reauthorization. Specifically, the dedication will increase by \$694 million, from \$106 million in fiscal 1994 to over \$800 million by fiscal 2004. The most recent reauthorization by the Legislature expanded the dedication to include the petroleum gross receipts tax and a portion of the sales tax attributable to the sale of new cars.

This Administration also has used the TTF reauthorizations to provide significant property tax relief by providing capital for local jurisdictions that would otherwise have to exclusively use local taxes to fund their projects. Cumulatively, New Jersey has disbursed more than \$860 million in local highway aid for resurfacing and rehabilitation projects since fiscal year 1996. On an annual basis, local highway funding increased by \$50 million, or 50%, from fiscal 1996 (\$100 million) through fiscal 2002 (\$150 million). In addition, State transportation funding to local governments received an additional boost in 1999 when the Statewide Transportation and Local Bridge Bond Act was authorized by New Jersey voters, appropriating \$250 million to local governments to repair, rehabilitate, or replace local bridges. The strategy of substituting State resources in place of local tax revenue has enabled this Administration to reduce or stabilize taxes at the county and municipal levels.

Our commitment to the State's transportation network has been a windfall for the State's economy and economic competitiveness. Nearly \$6 billion in construction contract awards for highway and public transit projects were awarded from fiscal 1994 through fiscal 2000, with an additional \$1 billion projected for fiscal 2001. Based on the assumption that each \$100 million of investment creates or sustains 3,800 jobs, the TTF has supported over 266,000 jobs.

Beyond the abstract statistics of funding levels and jobs created, the higher TTF spending authority, made possible by this Administration's reauthorization, enabled the Department of Transportation to complete a number of key highway projects. The Routes 4 and 17 Interchange in Bergen County and Admiral Wilson Boulevard in Camden County are two prime examples. In November 1999, we opened the newly reconstructed Routes 4 and 17 Interchange—a year-and-a-half ahead of schedule. Built in 1932 as a state-

of-the-art cloverleaf, the interchange is a main transportation connector for one of the most densely populated regions in the Northeast, carrying 285,000 motorists a day. The project had been on the drawing board for 30 years, and its \$120 million cost was fully funded with federal grants.

Along Admiral Wilson Boulevard, a two-mile stretch of U.S. Route 30 in Camden County used by more than 80,000 vehicles daily, many of the businesses had fallen victim to neglect and urban decay. Working with the Delaware River Port Authority, local government, community groups, and business leaders early in 1999, we spearheaded over \$11 million in highway and landscape improvements, construction of a 25-acre park, and a proposal to return businesses and jobs to underutilized industrial properties. Admiral Wilson Boulevard has been transformed, and is considered a major Gateway to the Garden State.

Beginning in fiscal 2001, this Administration set out to improve the State's high-traffic corridors, gateways, and rest areas through a new initiative of intensive maintenance and repair. A total of nearly \$20 million in fiscal 2001 and 2002 provided to the Department of Transportation will increase the frequency of functional maintenance, such as pothole repair, catch basin cleaning, and joint and crack sealing, as well as aesthetic improvements, i.e., litter pickup, on major highway corridors such as I-78, I-80, I-195, and I-295. Central gateways to New Jersey, including the George Washington Bridge and Newark Airport, will also receive more intensive maintenance, as will targeted State rest areas.

To maximize public safety during snow emergencies, we instituted a policy in which DOT mobilizes its field crews prior to the onset of a winter storm. On DOT's part, it has doubled its statewide salt storage capacity from 78,000 tons to over 160,000 tons. This additional capacity has improved the statewide distribution of salting and plowing resources, and provided an expanded capability to handle larger storms, which ultimately means safer driving conditions for New Jersey motorists.

The safety concerns of this Administration also extended to oversized truck traffic. For many years, state and local roads were used by an inordinately high number of interstate trucks, in part to avoid tolls on the New Jersey Turnpike. In 1999, we enacted the nation's most stringent restrictions on oversized trucks to ensure that those traveling through the State use the system of roads best equipped to handle long-haul traffic: the interstates and the Turnpike. Since the restrictions went into effect, truck traffic on Route 31, for example, has dropped by approximately 45%.

To help retain truck traffic on the Turnpike, a pioneering "congestion pricing" strategy was implemented, altering toll prices to encourage non-peak travel. This strategy was extended to the Atlantic City Expressway as well. The State has also implemented a popular new E-ZPass system on each of its three toll roads, with usage approaching 50% on the Turnpike alone.

We have also applied a strategy of prudent cost control to the State's toll road authorities. Throughout the entire term of this Administration, for instance, tolls have not been increased on the Garden State Parkway.

In keeping with our pledge to make more government services accessible on-line, the Division of Motor Vehicles introduced Access DMV in April 2000 to provide New Jerseyans with "around-the-clock" service for renewing registrations for their cars, boats, motorcycles, and trailers via the Internet or telephone. In addition to registration renewals, Access DMV allows motorists to order special interest license plates and change their mailing address at the time of renewal. More than a quarter million people have taken advantage of Access DMV since its inception. There is no extra cost for using Access DMV, and residents can pay their registration fees by credit card. All Access DMV transactions are secure, and confidential records and credit card numbers are protected.

The Environment

One of the greatest assets of New Jersey is the diversity of its environment: From beaches to mountains, from the ocean to rivers and lakes, from rural landscapes to urban streetscapes, from wetlands to farmland and historic sites, and from the air we breathe to the water we drink. In one of the most densely populated states it is paramount to preserve and enhance these precious treasures to sustain our ecosystem, our heritage, our future. Because we recognized the importance of environmental protection to New Jersey, a concerted effort was made to recast the State's efforts to emphasize results-based management, operating efficiencies, and prudent investment choices. The bureaucratic "bean-counting" practices of the past, where the pure number of inspections or fines levied sometimes outweighed the degree of compliance achieved, simply was not providing adequate protection for the environment. Instead, we re-set the focus to emphasize environmental outcomes, judging each regulatory function by its impact on the State's environment, and providing the tools that the Department of Environment Protection needed to successfully make this important transition.

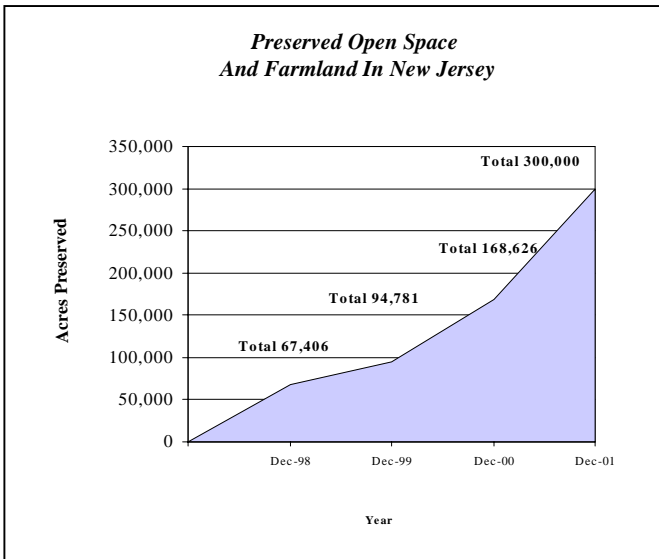
We led an historic effort to address an issue that unites all New Jerseyans: adopting a constitutional dedication for open space, and setting a goal to preserve one million acres in the next ten years. In November 1998, the voters of New Jersey approved by a 2-to-1 margin a ballot measure constitutionally dedicating \$98 million annually for the purpose of preserving open space, farmland, and historic resources. This initiative originated in the interim report of the Governor's Council on New Jersey Outdoors, which recommended the creation of a stable funding source to improve long-range planning and to respond more rapidly to land acquisition opportunities.

To implement the program, this Administration established the Garden State Preservation Trust (GSPT) in June 1999, the financing entity for pay-as-you-go appropriations and bond sales. We set a goal of

preserving one million acres within ten years, of which 300,000 acres would be acquired before the end of this Administration.

From May 1997, when the interim Council report was released, a total of 168,000 acres was either purchased or contracted for preservation by this Administration, as of December 2000. A combination of recently approved and pending legislative bills appropriates an additional \$100 million in resources from the GSPT, which will preserve another combined 35,000 acres of farmland and open space (9,000 farmland acres at \$30 million and 26,000 acres of open space at \$70 million).

Including the anticipated \$200 million in GSPT resources to be made available in fiscal 2002, an additional 100,000 acres will be preserved, which brings our collective total to 300,000 acres of farmland and open space that will be either closed, contracted for, or funded through an appropriation by the end of 2001, in keeping with our original goal.



A look at the history of farmland preservation in New Jersey helps place this accomplishment in perspective. A total of 20,131 acres of farmland were preserved in the State prior to our Administration. From January 1994 to present, however, we have preserved approximately 70,000 more acres of farmland, more than tripling the previous amount in only seven years.

To provide an added incentive to property owners to donate land for open space purposes, we are providing taxpayers with a State income

tax deduction for any property located in New Jersey that is donated to a charitable organization, the federal government, or the State itself. This 1999 initiative was designed to help attain the level of donated acres envisioned as part of the million-acre goal.

To compensate communities on the loss of tax ratables attributable to open space acquisition, this Administration's budgets have increased annual State appropriations for payments in lieu of taxes by \$6.5 million, from \$900,000 in fiscal 1995 to a recommended \$7.4 million in fiscal 2002. This initiative helps ensure that municipalities are not adversely affected as land is taken off the local tax rolls.

As the amount of land in public ownership grows, so the need grows for additional resources to ensure proper stewardship of these places and to optimize the benefits they bring to the State. With this in mind, our fiscal 2002 Budget proposes a separate dedication of \$25 million annually from the State's Realty

Transfer Tax to provide a stable source of capital funding to reconstruct park infrastructure, including roads, trails, and overnight facilities.

In fiscal years 1999 and 2000, we approved a \$5.5 million increase for the park system to hire an additional 100 staff of rangers, maintenance and interpretive personnel, as well as 100 seasonal staff to provide proper maintenance, health and safety code compliance, aesthetic upkeep, customer service, and safety throughout the park system. This staffing increase helps to address the stress brought on the system due to its rising popularity, as parks attendance has increased by 1.6 million annual visitors, or 13%, from 1994 to 2000, with visitors currently totaling an estimated 14.1 million annually.

From a recreation standpoint, the New Jersey shore is a unique resource in which all State residents take pride. It is also a major tourist destination. This Administration recognized the need to protect this treasure by providing a total of \$153 million in State appropriations from fiscal 1995 through fiscal 2002 for beach replenishment and reconstruction, all of which was dedicated from the State's realty transfer fee. We increased the annual dedication by \$10 million, from \$15 million to \$25 million, beginning in fiscal 2000. This investment leverages up to \$60 million annually in federal funds.

Beginning in fiscal 1996, this Administration supplemented the existing funding for coastal monitoring by appropriating approximately \$1 million annually in receipts from shore protection license plates to the Coastal Protection Trust Fund for beach clean up, enforcement activities along coastal waters, construction of sewage pump-out devices at public and private marinas, and implementation of the "New Jersey Adopt a Beach Act." A total of \$7.4 million has been appropriated for beach clean up, resulting in the removal of approximately 900 tons of debris from roughly 18,000 miles of beach during the six years since fiscal 1996.

In some cases, coastal protection also means reversing the failed policies of the past. This Administration spearheaded efforts to end the practice of ocean dumping of dredge spoils, except for the cleanest of material, which is being used to cap insalubrious material unwisely deposited in the past. In 1996 the Port Revitalization, Dredging, Environmental Cleanup, Lake Restoration, and Delaware Bay Area Economic Development Bond Act, authorized a statewide dredging and disposal plan and provided \$185 million to construct a secure containment facility. In the interim, this Administration has chosen a series of innovative uses of dredged spoils. For example, capping abandoned landfills with dredged materials has enabled developers to tap the redevelopment potential of these sites, including the Jersey Gardens Mall along the NJ Turnpike and the planned construction of a golf course in Bayonne. These types of projects are both economically useful and protective of human health and the environment.

Dedication of funds for the environment was not limited to the "green" side of DEP, however. In November 1996, voters approved a dedication of 4% of the annual revenue raised by the State's

Corporation Business Tax (CBT) to support the Department of Environmental Protection's (DEP) Watershed Management, Underground Storage Tank, and Site Remediation programs. This initiative has provided an approximate annual average of \$62 million for these programs, and a cumulative total of \$340 million through fiscal 2002. This total includes \$159 million for site remediation, which DEP has used to begin site cleanup work at more than 50 new sites and pay for ongoing remedial projects at more than 200 active publicly funded sites. This Administration has made prudent use of these CBT funds, enabling the State to avoid approximately \$231 million in future interest payments on debt service for hazardous waste bonds formerly used for site remediation work, and setting aside \$37 million to pay for the clean up of over 90% of the leaking underground storage tanks on State-owned property. In addition, \$113 million appropriated for the removal and clean up of private underground storage tanks. To date, nearly \$57 million in grants and loans have been disbursed, enabling approximately 400 tank owners to satisfy federal requirements.

Contrary to the failed efforts of the past to site controversial hazardous waste facilities within the State, this Administration successfully negotiated an agreement to join South Carolina and Connecticut to create the Atlantic Compact for low-level radioactive waste disposal. The Atlantic Compact provides capacity in South Carolina for New Jersey low-level radioactive waste generators for approximately the next 50 years, and limits fee increases on New Jersey generators to the rate of inflation.

The CBT dedication also enabled the State to significantly expand its efforts in controlling non point source pollution, the most pressing water quality issue facing New Jersey today. Through fiscal 2002, this Administration will provide a total of nearly \$45.2 million in new and recommended appropriations in funding from the CBT dedication (\$37.1 million), the General Fund (\$4.8 million), and the Safe Drinking Water Fund (\$3.3 million) for DEP's Watershed Management program.

This Administration has also paid close attention to local environmental needs, the most prominent of which has been county solid waste debt. In the wake of the State Supreme Court decision in 1997 invalidating New Jersey's solid waste flow control system, this Administration implemented a plan to ensure that no county defaults on its outstanding debt payments for existing solid waste facilities. Beginning in fiscal 1998, an annual appropriation of \$20 million from the General Fund was provided for this purpose. To maximize the efficient use of these funds, each county applicant must undergo and implement the findings of an independent State audit of its operation. In addition, this Administration's plan to convert existing bond fund monies from loans to grants was approved by the voters in November 1998, making available an additional \$85 million for county debt relief. To date, a total of \$96 million has been provided to counties by this Administration, and no county has fallen into default during that time

period. To help resolve the issue for the future, this Administration supports pending legislation to refinance the outstanding county debt.

To ensure the safety of dam structures, we signed a bill in fiscal 2000 authorizing \$9.5 million for dam reconstruction. We also authorized the reallocation of \$10 million from balances remaining from Tropical Storm Floyd Relief, and propose to add \$10 million in capital in fiscal 2002. Collectively, this \$30 million will be used to repair public and privately owned dams throughout the State. In addition, we recommended an additional \$930,000 appropriation to hire ten new Department of Environmental Protection staff to ensure that public and private dams are properly maintained.

The Department has initiated watershed planning activities in all 20 of the state's watershed regions. The program addresses water quality concerns unique to each individual drainage basin by working with local stakeholders such as businesses, water purveyors, wastewater treatment plants, farmers, and environmental organizations to take a holistic approach to account for all known sources of pollution, to assess current water quality conditions, and to identify improvements. Overall, \$6.4 million from Corporation Business Tax funds have been granted to these regional entities to date. In the fiscal 2002 Budget, we propose to expand this effort to provide \$5 million in "Action Now" projects designed to produce immediate water quality benefits.

To create a more efficient regulatory scheme, this Administration targeted budget reductions to eliminate the manual processing of permits and licenses, duplicative data collection, and regulatory oversight that far exceeded the efforts of other states. These practices had gradually generated excessive amounts of administrative staff in the Department, many of whom were ultimately reassigned to other, more pressing tasks.

This Administration also authorized a massive overhaul of the Department's regulatory systems. A management consultant was hired to create a plan to streamline work processes, which DEP implemented by the mid-point of this Administration. Equally important, this Administration approved a \$22 million plan to invest in new technology for DEP, placing it at the cutting edge of environmental management. DEP could now share key permitting and enforcement data across its programs, accept permit applications electronically, and apply artificial intelligence to handle administrative checks and thus accelerate the permit decision-making process. These were the tools that DEP needed, and today those systems are nearly complete.

Our record on the environment has truly been based on results. By providing the resources to get the job done correctly, a great deal of important work has been accomplished, much of which will benefit New Jersey citizens for generations to come.

Society

Making New Jersey a better place in which to live, work, and raise a family is the very core of this Administration's tenets. Improving education, preserving the safety net, and recognizing the importance of our cultural and historical resources, and providing for safe communities, directly contribute to a strong New Jersey and to its future.

Education Reform

Education has been one of our most important challenges and priorities. It is one of the most compelling issues that will determine the kind of place New Jersey will be in the 21st century. Education builds a productive and successful state by preparing our children—the future of this State—to deal with the many challenges of a changing world.

Under New Jersey's Constitution, all students are guaranteed a "thorough and efficient" public school education. We proposed the Core Curriculum Content Standards to define the concept of a "thorough and efficient" education, describing what all students should know and be able to do upon completion of high school, and to introduce accountability as a key component to our education system. The Core Curriculum Content Standards were adopted by the Board of Education in May of 1996, and cover seven traditional content areas: Visual and Performing Arts; Health and Physical Education; Language Arts/ Literacy; Mathematics; Science; Social Studies; and World Languages. Because the main goal of the Department of Education is to prepare students for the workforce, an eighth component, the Cross-Content Workplace Readiness Standard is integrated throughout the seven traditional disciplines, and requires students to develop problem-solving and critical thinking skills to achieve success in all subject matters, and eventually the job market. Between fiscal 1997 and fiscal 2002, almost \$73 million has or will have been provided for a rigorous accountability system to support the Department's development and implementation of the Statewide Assessment Program to measure student attainment of the Core Curriculum Content Standards. This system will ensure that New Jersey students are acquiring the skills needed to compete in the new marketplace.

In May 1997, the State Supreme Court accepted our recommendation to utilize the Core Curriculum Content Standards as the basis of the "thorough and efficient" education promised by the New Jersey Constitution, and later ruled that a system of "whole school reform" was the best approach for children in the 28 Abbott school districts¹ (now 30) to achieve these standards. Essentially, whole-school reform combines into a single program all of the individual educational practices and strategies that have proven to be the most effective in enabling all students to achieve.

Under the Supreme Court's ruling, all Abbott elementary schools were required to implement whole school reform models by June 2000, and secondary schools by January 2001. Currently, 370 schools in the Abbott districts have implemented, or are in the process of implementing, whole school reform models. To date, more than \$19 million has been provided for start-up grants of approximately \$50,000 to each school to assist Abbott districts in achieving these goals. The May 1997 decision required increased funding to the Abbotts at the same level as the wealthiest districts in the State. A later decision allowed for the provision of supplemental funding to those districts if deemed necessary by the Commissioner to implement whole school reform or other required programs and services or to address particularized needs. The Abbott district share of formula aid grew from \$1.85 billion, or 45.5%, in fiscal 1998 to \$2.85 billion, or 49.4% in fiscal 2002.

Recognizing the critical need to begin education early and, going beyond the court mandate, we initiated a program that required full-day/full-year pre-school programs for all three- and four-year-olds in Abbott districts by the 2001-2002 school year. Additionally, the program reduced student-to-staff ratios, provided for master teachers to assist in the oversight of program implementation, and promoted professional development for early childhood teachers.

As a result of a taskforce convened to study early childhood program needs, the Commissioner of Education adopted a comprehensive set of standards in April 2000 which offer school districts an opportunity to enhance children's learning and better prepare them for academic achievement. Professional licensure standards have been amended to require licensure of all pre-school teachers, and district and community providers, with a phase-in period for community providers.

The 2000 Educational Facilities Construction and Financing Act initiated the largest most comprehensive school construction program in the nation, and defined a constitutional standard for all school construction. With this program, this Administration is investing the prosperity dividend in the future of all children and providing property tax relief for all citizens in the State. All districts will see an increase in the level of State support for school construction, and 239 districts will be eligible for support for the first time. The State's program will provide \$8.4 billion to help communities with \$11.5 billion in school improvements over the next ten years, \$6 billion of which is dedicated to the 30 Abbott districts.

The Charter School and School Choice programs offer two alternate routes to educational success for New Jersey students. We signed the State's Charter School Law in 1996. To date, 54 charter schools are in operation with enrollments of approximately 10,000 students. An additional 27 schools applied for charters

¹ An Abbott District refers to one of the 30 identified poor urban school districts recognized for its special needs as a result of the Abbott v. Burke school funding litigation.

for the 2001-2002 school year of which nine were approved. In September 2001, 68 charter schools are scheduled to open their doors to 15,945 students.

The School Choice Program is a five-year pilot program designed to increase educational options for New Jersey students and their families. Under this program, interested districts designate specific open seats into which they will accept non-resident students at the expense of the State. Eleven choice districts will offer approximately 740 seats to out-of-district students during the 2001-2002 school year.

As part of a four-year initiative to promote a positive environment in New Jersey schools, we added \$4.75 million to our fiscal 2001 Budget to support Character Education programs that will be integrated into the existing curriculum. This voluntary program is offered to all districts and puts New Jersey in the forefront of a growing national movement. Research has shown that programs that promote respect, responsibility, and proper conduct can positively affect the environment of schools. During the first year of this initiative, every participating school district and charter school received a minimum of \$4,000 to implement a character education program in at least one school. "Programs of Merit," already certified by DOE, are available to districts or districts may opt to develop their own character development programs.

In a continuing effort to improve teacher quality and provide educators with the support and guidance needed to remain in the classroom, we began a Teacher Quality Mentoring program as a 15-district pilot in fiscal 2001. Currently, new teachers serve their first year under a provisional certification process which requires veteran teachers to mentor them, with the cost of the mentor's stipend to be borne by the new teacher. Under the Teacher Quality Mentoring initiative, the State and the New Jersey Education Association will develop a more vigorous two-year mentoring program with the State assuming the full two-year cost of the mentor's stipend. This more intensive mentoring will not change the current certification process, but rather will provide a vehicle for improved support and assistance to help new teachers adjust to the challenges of teaching and to help new teachers ensure that students achieve the Core Curriculum Content Standards.

In February 2000, the Commissioner of Education approved a set of standards developed by the Professional Teaching Standards Board (PTSB) in response to the State Board of Education's 1998 mandate requiring all teachers to complete 100 hours of continuing education every five years, beginning September 2000. The professional standards were developed with input gained from nearly 3,000 New Jersey educators, state education associations, and national experts. The focus of these standards is on providing quality continuing education that will result in professional growth for educators and enhanced student learning. An initiative begun in fiscal 2001 provides a professional development website—the Virtual Academy NJPEP (Professional Education Port). Teachers can access, via the website, online

training and interactive workshops to assist them in better understanding and implementing the Core Curriculum Content Standards.

The priority for educating our children does not stop with a high school diploma. The importance of continuing education in this day and age is most obvious as witnessed by the job earnings' gap between those who have college degrees and those who do not. Shortly after taking office in January 1994, we called for a new governance structure for higher education in New Jersey, with greater autonomy for colleges and universities at the heart of our recommendation. The result was the Higher Education Restructuring Act of 1994, which was designed to unleash creativity at the institutional level. This tripartite, entrepreneurial governance model consists of the Commission on Higher Education, the Presidents' Council, and the individual trustee boards of higher education institutions.

On January 22, 1999, over 150 institutional leaders, trustees, faculty and union representatives, students, commission members, legislators, and others gathered at Rider University for presentations and to participate in discussions about higher education restructuring in New Jersey. The five-year assessment found that restructuring has improved coordination and collaboration within the higher education system, and made it more responsive to students, the business community, and the State; improved communication among the institutions' Presidents; and unleashed institutional creativity, while maintaining the State's commitment to quality, access, and affordability.

During this Administration, New Jersey joined a growing number of states that tie a portion of spending for public colleges and universities to institutional performance. Our performance funding initiative was implemented to strengthen higher education accountability, foster institutional improvement, and focus on statewide goals. A portion of funding increases for public colleges and universities is based on achieving or making progress toward established measures in four key areas: graduation, transfer and articulation, efficiency and effectiveness, and diversified revenues. Specific benchmarks for each public higher education sector were developed in collaboration with sector representatives to reflect differing missions. Colleges and universities are not compared to each other, but are evaluated with respect to their own performance and improvement.

Our commitment to higher education has not been limited to the senior institutions. In fiscal 1999, we pledged a four-year commitment to increase county college operating aid by \$12 million in each year of this second term, to a total of \$48 million. This agreement represents significant progress toward the desired State funding share of one-third of the total county college operating need, and thus has kept tuition increases at modest levels. The average tuition increase in fiscal 2000 was 1.6% and only .6% in fiscal 2001.

Responding to the changing media for delivering and accessing information, we initiated the New Jersey Virtual University (NJVU) in fiscal 2000. NJVU provides one-stop access via the Internet to an online index of more than 800 distance learning courses and programs offered by 42 participating public and independent colleges and universities throughout New Jersey.

In 1998, this Administration created New Jersey Better Education Savings Trust (NJBEST), a tax-deferred investment plan that makes it easy and convenient to start saving for higher education expenses. Recently, changes were made to lower the program's annual maintenance fees and provide bigger scholarship opportunities and a higher maximum allowable account balance. The impact of these enhancements has been demonstrated by the growth in the number of accounts and the asset balance. In the first six months since the enhancements were made, there has been a 78.8% increase in the number of accounts and the value of all assets has gone from approximately \$8 million to almost \$15 million.

New Jersey has a longstanding commitment to need-based State student assistance programs that keeps a higher education affordable for all residents. The Tuition Aid Grant (TAG) program is New Jersey's flagship, need-based assistance program for college students. The TAG program helps cover a major share of tuition costs for nearly 60,000 students statewide. The State is ranked second in the nation in the percentage of full-time undergraduates receiving need-based grant aid, and sixth in financial aid of any kind as a percentage of total State higher education funding. A recent report in *Postsecondary Education OPPORTUNITY* cited New Jersey as one of the top three states in the nation for providing opportunities for college enrollment for students from families with annual incomes below \$25,000. The report acknowledges New Jersey as a state where a student's chances to attend college have significantly increased over the past seven years.

In fiscal 2002, the State will continue its commitment to the Educational Opportunity Fund (EOF) with recommended funding of \$34.1 million. The EOF, which was established more than 30 years ago, is the State's longest running student aid program, and 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 the cost of books, fees, and room and board as well as a wide array of outreach and support services at community and four-year and independent colleges and universities.

In response to the continuing out-migration of New Jersey high school students, the Outstanding Scholar Recruitment Program (OSRP) was established in fiscal 1997 to increase the enrollment and retention of high achieving New Jersey students at New Jersey institutions. This program provides merit awards to students, based on a combination of class rank and SAT scores, with an annual grant between \$2,500 and \$7,500 to students who enroll and remain in a participating New Jersey institution.

On December 22, 1998, we proposed a \$550 million capital improvement program for New Jersey colleges and universities. The program helps both public and independent colleges and universities address pressing capital renewal and renovation needs. Once those deferred maintenance needs are met, funds may also be used for the construction or improvement of educational facilities, or for technology infrastructure.

In response to the tragic January 2000 dormitory fire at Seton Hall University, we created the Dormitory Safety Trust Fund, a \$90 million program that provides loans to eligible institutions to properly equip dormitories of secondary schools, military schools, and institutions of higher education with automatic fire suppression systems to help ensure the safety of every New Jersey student. These loans are interest-free to higher education institutions, while secondary schools and military institutions will pay a low 2% interest rate.

In fiscal 2000, a \$45 million bond issue was approved for the benefit of public libraries. Eligible project costs include construction of new library buildings; expansion, rehabilitation, or acquisition of existing library buildings; related land acquisition and site improvements; and installation of equipment and building fixtures.

The Higher Education Technology Infrastructure Bond Fund earmarks \$50 million of the \$55 million Bond Fund to assist New Jersey's public and independent colleges and universities, which are required to match funding through institutional funding or corporate support, in developing the infrastructure necessary for high speed voice, video, and data transmissions essential for today's global, and high tech economy. The fund also provides \$5 million for statewide library initiatives through the New Jersey State Library.

Our Seniors

Senior citizens are one of the fastest growing segments of New Jersey's population. In 1997, responding to the needs of this population, we streamlined access to services for the State's elderly population. Prior to that time, over 20 programs for senior citizens were spread among three departments (Health, Human Services, and Community Affairs). Under this Administration, all programs were moved into the newly created Department of Health and Senior Services.

One of the linchpins of the new Department was the creation of New Jersey EASE (Easy Access Single Point of Entry). Seniors and their families can call one toll-free telephone number and get information on transportation, employment, and health screening. In addition, seniors can apply for Meals on Wheels and obtain information on long-term care services through New Jersey EASE.

During fiscal 2000, we recognized the desire of many elderly citizens to remain in the community, and began the ElderCare Initiative. Under this program, seniors have the option of receiving a variety of long-term care services in the community rather than being forced to enter nursing homes. During fiscal 2001,

we expanded upon this program to implement four recommendations from the New Jersey Advisory Council on ElderCare. These recommendations included expanding the delivery of in-home meals and eliminating the waiting list for this service. In addition, we have promoted the growth of Assisted Living Facilities (ALFs) in New Jersey. ALFs are a specialized form of health care designed to allow senior citizens to remain in their own homes by offering a blend of services designed to assist persons who require help with their activities of daily living. Currently there are 102 ALFs licensed in New Jersey.

Recognizing that seniors are often faced with difficult financial choices because of the high price of pharmaceuticals, we are working with the Legislature to enact Senior Gold. This program will build upon the successful Pharmaceutical Assistance to the Aged and Disabled (PAAD) program by providing assistance with pharmaceutical costs for seniors and disabled citizens whose incomes are too high to qualify for PAAD.

Improving the Public Health

This Administration also worked to improve the quality of health care provided to all citizens of New Jersey. With our support, the Legislature enacted the Health Care Quality Act of 1997, which provided safeguards for persons enrolled in managed health plans across the state. As part of this initiative, the Department of Health and Senior Services issued an HMO Consumer Bill of Rights which assures that each HMO member has access to needed health care service; it prohibits “gag rules,” and assures that all medical decisions are made by a physician. In addition, we directed the Department of Health and Senior Services to produce HMO Report Cards to provide information to consumers on the effectiveness of each HMO.

Also, as part of our public health agenda, we reduced the number of individuals without health insurance. During fiscal 1998, we announced the creation of the KidCare Program. KidCare now provides health insurance to 75,000 previously uninsured children, and, as additional benefits, has helped to increase outreach to those children who already qualified for the Medicaid program.

Building upon this successful program, we announced FamilyCare in fiscal 2001. This program provides health insurance to the parents of KidCare children who are at 200% of the federal poverty level as well as singles and childless couples with incomes up to 100% of the federal poverty level. There are currently 60,000 persons enrolled. The fiscal 2002 Budget proposes to expand this program to cover singles and childless couples with incomes up to 200% of the federal poverty level.

In 1993, the place many Medicaid clients received primary health care services was in the emergency rooms in hospitals. During this Administration’s tenure, the Medicaid program has enrolled its clients in managed care to improve their health care delivery and to ensure access to a primary care physician. The

fiscal 2001 and 2002 budgets also included increases for provider reimbursement to further enhance access to needed health care.

Not content with simply expanding health insurance coverage and protecting the rights of managed care consumers, this Administration has moved to improve the health status of the State's citizens. In 1998, New Jersey finalized its settlement with the tobacco industry, and committed this funding for health care and prevention. One of the linchpins of our commitment is a \$30 million program to reduce the use of tobacco. This initiative includes a youth anti-tobacco awareness and leadership campaign, community-based programs, and accessible tobacco dependence treatment programs.

Welfare Reform

In 1997, we implemented WorkFirst, New Jersey's welfare reform program. Since then, over \$3 billion in State and federal dollars have been spent to transition people from welfare to work. Our initiative has seen dramatic results and significantly improved the lives of many of our citizens. The number of individuals on welfare has fallen 55% since the introduction of sweeping welfare reform. In addition, the type of assistance provided to clients has changed dramatically during this Administration. In 1994, 95% of the assistance provided by New Jersey was in the form of cash grants. Today, only 15% of the assistance budget provides cash grants to clients. The majority of the funding is used to provide assistance to foster independence and allow people to remain in the workforce, such as facilitating transportation to their jobs and providing vouchers for child care. By removing the barriers to meaningful employment, WorkFirst has provided the help that families needed to improve the quality of their lives.

Cultural and Historic Preservation

The State of New Jersey has a long and distinguished history of cultural richness and diversity that is unsurpassed in the nation. This Administration has always viewed its role in this area as a special stewardship, revering and protecting the treasures of our common past. A consideration of the various cultural and historic preservation programs and initiatives that this Administration has supported is testimony to the concerns that have guided New Jersey's preservation policies during these years.

The New Jersey Historic Trust has awarded over \$52 million in grants for private historic preservation projects throughout the state. This type of investment encourages and helps to underwrite the preservation of a wide variety of architectural sites maintained by the private sector.

Cultural investments have also helped to revitalize New Jersey's urban areas. For example, the State's commitment to preserving state facilities in the capital has enriched the downtown Trenton area with a vibrant, stable building stock. One of the most visible symbols of the state, the State House dome, underwent a major restoration and was rededicated in 1999. This was the first restoration since the dome's

reconstruction in 1869. The \$9.5 million project was funded with cost savings from other capital projects, private funds, and through the “Dimes for the Dome” program conducted by New Jersey school children.

This Administration initiated or completed a number of other key restoration projects as well. The \$6.8 million restoration of the Old Barracks Museum in Trenton adjacent to the State House extended from 1985 to its completion in 1998. The project involved archeological investigation as well as restoration of the interior, roof, and porches of this Revolutionary War era structure that is once again open for visits by thousands of school children and tourists each year.

The past several years witnessed extensive work in restoring the State House and Annex, including the historic, ornate Senate and Assembly chambers. In addition to the \$144 million restoration of the original buildings, a parking garage was also constructed to provide parking for officials, employees, and visitors.

Six historic townhouses adjacent to Thomas Edison State College in downtown Trenton have been restored and renovated, with an addition created to connect them to the college’s Kelsey Building headquarters. The completed project, at a cost of \$14.4 million, provides office space, meeting rooms, and electronic classrooms for the college, while maintaining the classic facades of the original structures.

The Trenton War Memorial was re-dedicated in January 1999 and reopened for public use as a concert venue after a five-year historic preservation and renovation. The State Archives relocated to newly renovated facilities in the Department of State Building in the State Capitol Complex in Trenton in September 1999. Open to the public in 2000, it includes an improved history research center providing enhanced access to New Jersey government records and historical documents.

While the Battleship New Jersey does not fit the profile of the typical historical structure, a great deal of excitement and interest on the part of New Jersey’s citizens has attended the ship’s progress from storage in Washington state to the Philadelphia Navy Yard for restoration. By preserving the ship as a museum, it will serve as a permanent tribute to the sacrifice and dedication of the thousands of veterans who served on the battleship. In February 2000, the United States Navy selected the Camden Waterfront as a permanent berth for the Battleship New Jersey. A \$6 million State appropriation in fiscal 2000 provided for refurbishment of the battleship and for the creation of an accessible park as part of the revitalization of the Camden Waterfront.

The cultural revival has also benefited the city of Newark, where the New Jersey Performing Arts Center (NJ PAC) opened in 1997. This sparkling new facility was constructed through a combination of funding totaling \$180 million from contributions from corporations, foundations, private donations, the City of Newark, the federal government, and \$62.9 million in Economic Development Bonds issued through the

State. Besides serving as one of the State's premier performing arts arenas, NJPAC has provided 1,000 construction jobs and 75 permanent jobs to help with Newark's economic revitalization.

And in perhaps our most enduring act, we created the Cultural Trust in fiscal 2001 as a permanent endowment for non-profit arts and cultural groups located in New Jersey. The Trust represents a ten-year commitment on the part of the State to provide \$10 million per year to be matched by the private sector—a projected \$200 million investment. Interest earnings from the Fund will help support capital projects for the State's cultural community. In addition, funding for arts projects supported by the Council on the Arts competitive grant program has doubled during this Administration, growing from \$10.6 million in 1994 to \$20 million in 2001, for a cumulative total of \$132 million through fiscal 2002. The accomplishments of this Administration in the field of historic and cultural preservation, as demonstrated by the examples cited above, have a wide range that touches the lives of all of our citizens. In addition, these projects serve as enhancements for those visiting New Jersey. The programs that have been established are the seeds of a strong, vibrant artistic and cultural community that will continue to flourish in the state.

A Safer New Jersey

Fighting crime and protecting the public have been critical elements in this Administration. The crime rate is at its lowest since the mid-1970s. Over the past six years, the number of major crimes in New Jersey declined from 378,302 in 1993 to 277,472 in 1999, a drop of 27%. The most violent offenses, such as murder and rape, have declined by 32% and 36%, respectively. A safer New Jersey does not just mean achieving a lower crime rate, however. It also means increased law enforcement efforts, protecting our children and human rights, working towards safer communities and streets, and investing in the State's prison and State Police systems.

This Administration has taken the necessary measures to ensure that New Jersey communities are safe from violent offenders by implementing two key pieces of legislation, the No Early Release Act in 1997 and the Truth in Sentencing "Three Strikes and You're In" in 1995. The No Early Release Act requires certain violent offenders to serve 85% of their sentences before becoming eligible for parole. Under the "three strikes" provisions, three-time violent offenders may be sentenced to life without parole or an extended term.

To address the growing prison population, this Administration will invest in over 5,627 new bed spaces, by the close of fiscal 2002, a 31% increase from fiscal 1993. In 1997, South Woods Prison in Bridgeton opened its doors with 3,300 new beds to alleviate overcrowding in State and county facilities. In the same year, the Edna Mahan Correctional Facility for Women opened a new unit with 264 beds. Between 1996 and 1997, 920 bed spaces were added at 10 facilities and 732 beds were added as a result of double bunking

between fiscal 1994 and 1995. The Central Reception and Assignment Facility opened in fiscal 1997, and serves as the central processing unit for all adult males sentenced to the Department of Corrections.

Megan's Law, signed in 1994, and the New Jersey Sexually Violent Offender Predator Act, signed in 1998, have furthered this administration's commitment to provide a safer New Jersey, especially for our children. These laws respectively allow New Jersey to register all sex offenders and civilly commit sexually violent offenders who have completed their term of incarceration and need more extensive treatment.

This Administration's efforts to reform New Jersey's juvenile justice system resulted in the creation of the Juvenile Justice Commission (JJC) in fiscal 1996. The Commission coordinates programs previously fragmented across the Departments of Corrections, Human Services, and Law and Public Safety. Some of the reform efforts include an infusion of over \$10 million to develop programs at the local level to divert juvenile offenders and provide drug treatment and aftercare services. The JJC also implemented the State's first juvenile boot camp in fiscal 1996. The program's goal is to provide a structured environment for non-violent juvenile offenders. The program boasts over 580 graduates since fiscal 1996.

In order to improve the operations of the State Police, a \$36 million plan was funded to provide information technology system upgrades key to improving supervision and management. In fiscal 2001, all patrol cars are being equipped with in-car video cameras, and mobile data computers are being installed to provide troopers with immediate access to federal, State, and local databases in their efforts to keep New Jersey safe.

In 1997, we created the Human Relations Council, a permanent independent agency within the Department of Law and Public Safety. The Council's purpose is to reduce prejudice through education, and to address acts of violence and bias based on a victim's race, color, religion, national origin, ethnicity, sexual orientation, gender, or disability. The Office of Bias Crime and Community Relation monitors bias crime in New Jersey, and trains law enforcement officers in the investigation of bias crime, and assists in addressing the concerns of diverse communities.

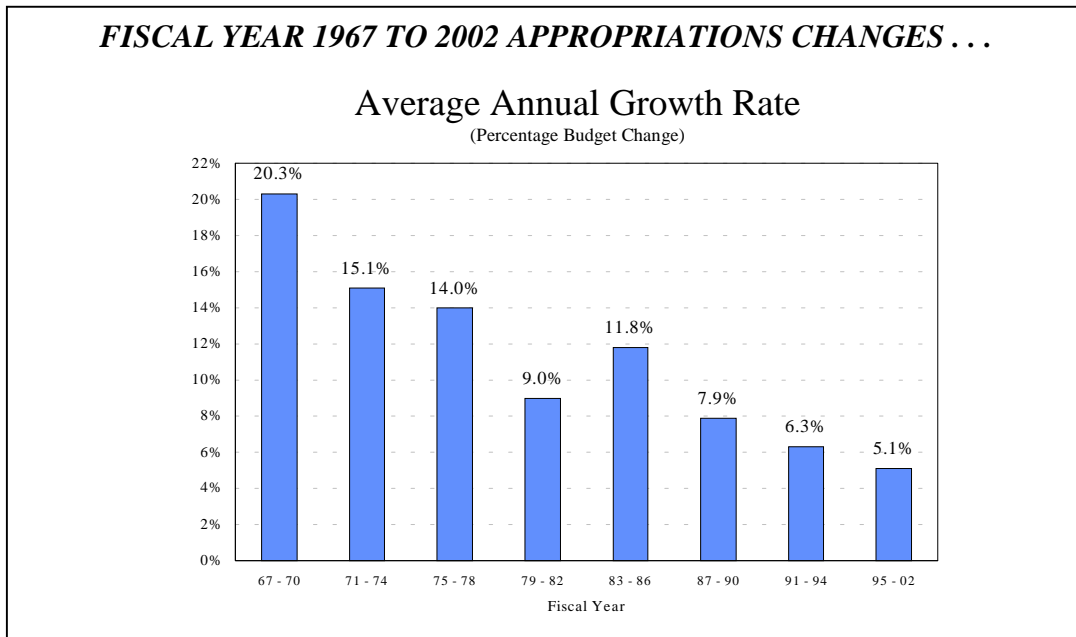
Community Justice grants were created in fiscal 2000 to build collaborative partnerships between the law enforcement community, Human Relations Commissions, schools, and community groups. This is a competitive grant program that awards \$1 million annually to county prosecutors and the State Police with a goal of improving the quality of life in neighborhoods across the State.

We also endorsed a key safety-related program in September 1998 with the signing of the Graduated Drivers License (GDL) legislation. Patterned on the successful efforts of other states in reducing vehicular accidents among young drivers, the GDL program provides for a more gradual introduction to driving,

restricting the hours of operation and providing more privileges under supervised conditions. Once related systems work is completed, this program is expected to be fully operational by July 2002.

Management of New Jersey Government

From the start of our Administration, we have stressed the importance of improving the management of State government. To some degree, this meant making wise investment choices reflecting the best use of the State's limited resources. In other cases, it meant adopting more prudent fiscal practices. Most importantly, however, this Administration has strived to change the way that services are delivered to the average citizen, making it more efficient and responsive while adding customer convenience.



The fiscal 2002 Budget continues the trend of the last eight years to improve upon the fiscal condition of the State. Over the last seven years, the rate of growth in the State's annual budgets has been held to an annual average of 5.1%. This Budget contains only \$33 million in one-time budget solutions, compared to the fiscal 1994 Budget which was balanced with \$1.5 billion of one-shot appropriations. The structural deficit has been greatly reduced by restraining budget growth. Overall budget growth over the eight years is the lowest since the first half of the 1950s. Our prudent management of the State's finances has been recognized by objective outside evaluators, such as the major rating agencies: our bond rating has been upgraded four times since 1994. In each of the last seven years our Budget has received the Distinguished Budget Presentation Award by the Government Finance Officers Association. The State's Comprehensive Annual Financial Report received the Certificate of Achievement for Excellence in Financial Reporting by the Government Finance Officers Association.

Perhaps the best known example of fiscal management during this Administration is the Pension Security Program. In fiscal 1998, the State refinanced its unfunded accrued pension liability by issuing bonds. The unfunded accrued liability represents pension benefits earned in prior years which, according to standard accounting practices, are not yet fully funded. The State's refinancing initiative was quite similar to a homeowner's opportunity to refinance a home mortgage in that the issuance of bonds enabled the State to benefit from a lower interest rate, thereby reducing the State's pension obligation for future taxpayers. That is to say that the Pension Security Program shortened the payment period from 60 years for the unfunded accrued liability to approximately 35 years for debt service on the new bonds. Additionally, by eliminating the unfunded liability, the program enabled the State to use surplus pension funds that had accumulated to pay for the normal annual contribution to the Pension Fund. Through fiscal 2002, this cost avoidance will save New Jersey taxpayers a total of \$2.6 billion. In addition, State employees have benefited from a reduction in the contribution percentage of covered salaries valued at \$623 million for the same time period, largely as a result of the Pension Security program.

The Pension Security Program is representative of the long-term approach we took to meeting critical long-term needs facing New Jersey. As a matter of policy, we have used our bonding capacity, when prudent and fiscally responsible, to ensure that our roads and bridges, correctional facilities, open space, colleges and our schools will be rebuilt, expanded or preserved to benefit New Jerseyans into the future. While debt has grown at an annual rate of less than 7% during this Administration compared to an average growth rate of 9% over the last four administrations, the benefits of these capital investments and projects will yield improved services well into the future.

A vital component to management of New Jersey government is the preservation of the State's infrastructure. This Administration's investment in State capital totals \$5.6 billion over eight years, the largest ever. Projects encompass a very broad range including reconstruction of State institutions, construction of a new Veteran's Nursing Home, refurbishing our State parks, and new prison construction. In addition, New Jersey has taken a bold step to confront a problem most states have yet to deal with: aging schools. Beyond its commitment to paying 100% of the costs of new construction in the Abbott school districts and at least 40% in the remaining school districts, State government will play a major role in verifying that the financing and construction of new schools follow good business practices, including oversight by the newly created Office of Inspector General to ensure that the process is free from fraud and abuse.

In addition to putting the State's fiscal house in order, this Administration has made government work smarter and be more responsive. We have streamlined and simplified processes, strengthened fiscal

controls, improved decision making with better information, reduced the cost of operations, and made it easier for businesses and citizens to interact with the State.

Prior to this Administration, much of the State's revenue and debt collection effort was decentralized in a number of different departments. For instance, to transact business with the State, a company would typically file business taxes with the Department of Treasury, unemployment insurance taxes with the Department of Labor, commercial recording fees with the Department of State, and environmental permit and licensing fees with the Department of Environmental Protection. In fiscal 1997, we re-engineered this effort by consolidating all revenue processing functions as well as most debt collection into a new Division of Revenue within the Department of the Treasury. Besides streamlining businesses' interaction with the State, this initiative strengthened fiscal control and financial accountability.

Beyond streamlining, this effort increased the collection of revenues owed. As an example, consider the collection of motor vehicle surcharges (e.g., driving under the influence or DUI). From the time this Administration shifted the surcharge operation from the Division of Motor Vehicles to a private collection agency and law firms in fiscal 1997, average annual revenue collections nearly doubled, rising from an annual average of \$77 million from fiscal 1984 through fiscal 1995 to an annual average of \$140 million from fiscal 1997 through fiscal 2000. Beyond the fiscal benefits, more aggressive revenue collection has also maximized highway safety as DUI incidents continue to decline in the wake of active enforcement of the law.

"Government that Works," a program which began early in this Administration, has generated savings by targeting waste and instituting better management of the State's resources. In the Department of Human Services alone, over \$2 billion has been saved by systematically reviewing all programs for possible efficiencies while preserving services to those in need. Examples include the closure of the North Princeton Developmental Center and Marlboro Psychiatric Hospital, the sale of the Garden State Health Plan, and federal revenue maximization activities.

New Jersey State government operations are leaner now than they were eight years ago. Excluding growth in the Department of Corrections to handle large increases to the prison population, there are approximately 2,300 fewer State employees on the payroll today compared to January 1994 when this Administration began.

The overtime budget for the Corrections Department is vastly smaller than in previous years due to the abolition of unneeded posts inside the prisons and other reforms. Fiscal 2002 overtime costs are projected to be 58% less than in fiscal 2001.

In fiscal 1995, this Administration sharply accelerated an ongoing Global Maintenance program that centralized the State's payment processing for all computer equipment and software maintenance contracts within the Department of the Treasury. From fiscal 1995 through fiscal 2001, this initiative yielded approximately \$40 million in savings as the State leveraged its buying power with vendors, consolidating over 160 maintenance contracts formerly bid by a variety of State departments into 14 contracts administered by Treasury. The State also eliminated dozens of accounts that were either inactive or duplicative.

We have also invested heavily in information technology in order build our on-line capability and transform New Jersey into the "Online State" and take advantage of the rapidly developing information highway for delivering State services to better serve our citizens. Automobile registrations can now be renewed online. State income tax returns can be filed through personal computers or over the telephone. Most unemployment claims are now initiated over the phone. E-ZPass reduces the wait at toll booths on our toll roads.

Beginning in fiscal 1997, we launched several information technology initiatives to increase the efficiency of the Department of Environmental Protection's (DEP) regulatory operation, reduce the regulatory burden on New Jersey businesses, and deliver services to citizens in a more convenient way. A total of \$22 million has been invested to date. Improvements include online permit applications and Right to Know surveys, as well as the availability of geographic information system data for use by the general public to improve environmental decision-making and to support smart growth initiatives.

The Department of Labor has retooled the State's Unemployment Insurance (UI) system, applying technology to increase customer convenience. Beginning in 1997, UI applicants began to file for benefits over the telephone, thus eliminating the need to stand in line for initial or re-opened claims. The Department also implemented an Interactive Voice Response (IVR) system that automates continued claims. Collectively, the time required for the UI claims process has been cut in half. The system is now available to all residents throughout New Jersey.

Additionally, the Department of Labor secured a three-year federal grant totaling over \$12 million in fiscal 1996 to implement one-stop career centers, which provide access to all training, career counseling, and job placement services for job seekers and employers. A key part of this effort is the Workforce New Jersey Public Information Network (WNJPIN), a home page on the Internet (www.wnjpın.state.nj.us) that lists job openings and resumes in a central location.

In 1996, this Administration officially introduced NJ Telefile, which enables New Jersey residents to file their state income tax returns by touch-tone telephone. This was the first paperless filing program in New

Jersey and one of the first such programs in the country. In 1999, this service was expanded to include NJ SAVER applications. To date, more than 37 million returns and applications have been filed by telephone, saving millions in paper processing costs.

The Treasury Department's Purchase Bureau now provides a comprehensive website for bidding purposes, eliminating reliance by State and local governments on paper-based documents to obtain State contract information. Vendors may register online for the State bidder's list, and certain procurement forms and notices may be downloaded, accelerating delivery of proposal requests and reducing postage and printing expenses. The Bureau also introduced the Procurement Card program in 1998 as a first step toward e-procurement, and has expanded that effort to encompass all departments. Monthly dollar volumes for expenditures using the Procurement Card routinely exceed \$1 million.

In February 1999, we authorized a ten-year driver's license. When fully implemented, the ten-year license will not only provide a welcome convenience to the motoring public, but also will cost less in comparison to the current annual license fee.

Beyond customer convenience, this Administration also focused on making operations more effective. Early on, we put in place a new framework for environmental regulation in New Jersey. In 1995, the New Jersey Department of Environmental Protection was designated as one of the first state environmental agencies to participate in the federal EPA's National Environmental Performance Partnerships (NEPPS) program, which emphasizes results-based management in place of traditional "bean counting" activities. For example, instead of tracking the number of permits issued or penalty fines collected, DEP now stresses outcome-based measures of progress, such as air quality trends. Due in part to this effort, DEP was presented with the Bronze Level of the 2000 Governor's Award for Performance Excellence, as part of the Malcolm Baldrige National Quality Award program, a nationally accepted framework which measures effectiveness of businesses and other organizations. DEP is the first State Department in New Jersey to receive this prestigious award, and is actually the only state environmental agency in the nation to be so recognized for a complete Baldrige-type application. The efforts of DEP are a testament to the importance of finding new and innovative ways to improve the operational effectiveness of State government.

In order to encourage appropriate development in coastal areas, the Department amended its Coastal Area Facility Review Act (CAFRA) regulations to provide for a new sector permit. To qualify, a municipality amends its zoning and development ordinances to come into compliance with all relevant CAFRA regulatory requirements, establishing substantially DEP's development standards and objectives. By substituting municipal development approvals in place of CAFRA permits, DEP has created a more efficient, less costly permitting process that provides certainty without compromising environmental goals.

Finally, to solidify this Administration's strong support of planning, in May 1999, an executive order was signed directing all Cabinet officers to consider the 11 sustainability goals, outlined in New Jersey Future's *Living with the Future in Mind* Sustainable State Report (1999) which were developed with extensive public input, as they make decisions regarding department activities and infrastructure investments, and to require departments and agencies to report annually on their progress.

In addition, in fiscal 2001, this Administration provided \$3 million to the Office of State Planning in the Department of Community Affairs to provide grants to counties and other local agencies to bring their planning efforts in compliance with *The State Development and Redevelopment Plan*, a dynamic tool currently in its second revision process with substantial public input. The plan provides guidance through smart growth strategies for land development and management in the state. Funds are available to local entities in support of our effort to ensure that local growth is consistent with the State Plan provisions for their overall region. Funds are continued for this purpose in fiscal 2002.

In Closing...

It is the confluence of our policies, our programs, and our investment in the economy, the environment, and our society that together create a strong, healthy and sustainable New Jersey. At the end of the day, New Jersey not only strives to be a better place, but it is a better place in which to live, work, and raise a family.

2



Economic Forecast

National Economy Overview

Gross Domestic Product continued to expand through 2000 at a record pace, making it the second best year since 1984. The economic expansion is projected to continue at more moderate rates of 3.0+% in the next two fiscal years.

In 2000, Real Gross Domestic Product (GDP) grew at 5.2%, above the revised 1999 rate of 4.2%. The 117-month expansion through 2000 marks the longest in history, with continued employment growth (2.1%) and mild inflation (3.5%).

Real consumer spending continued to grow at the same record pace of 5.3% set in 1999, the highest rate since the recovery began in 1992. Real consumption of durable goods continued its rapid double-digit surge at 10+%, somewhat below the revised 1999 rate of 12.4%. The cycle of the Federal Reserve's interest rate hikes, turmoil in international currency markets, and stock market fluctuations contributed to recent softness in consumer confidence and spending. NASDAQ closed down 39.2% for the year, posting the worst yearly decline in history. The Dow Jones Industrial Index and S&P 500 also declined by 6.1% and 10.1%, respectively in 2000.

Most national forecasters expect a soft landing scenario with slower GDP growth in 2001 and 2002 but not an economic recession. Uncertainties in the international economies are likely to remain due to oil price and currency issues. The recent interest rate cut by the Federal Reserve with further cuts likely would hold the slide in consumer spending, particularly on durable goods. Business investment is expected to slow down amidst worries of future corporate earnings.

National economic growth will continue in 2001 and beyond at a more moderate pace, with GDP growth in the range of 3.2% to 3.5%. Real consumer spending is expected to moderate in 2001 at 3.0%, as consumers turn more cautious. Income growth is anticipated to remain strong at 5.6% in 2001 and 5.2% in 2002. Employment growth rates are expected to drop below 2% for the first time in seven years but still remain strong. Business investment in durable equipment is expected to slow in 2001 with the real growth rate dropping under 10% for the first time in nine years.

New Jersey Economy Overview

During 2000, the New Jersey economy enjoyed another strong year, making it the second best year since 1988. Employment grew for the eighth consecutive year since the bottom of the recession in 1992. Strong employment growth of 1.5% drove employment to a record level of 3.92 million, adding 439,400 jobs since January 1994. Personal income grew at a record pace of 5.4%, surpassing the growth rate in 1999. Real Gross State Product (GSP) increased 3.5% in 2000, the second highest growth since 1988.

Employment growth has been strong since mid-1996, with growth for the past four years ranging between 1.5% and 2.4%. This is the best growth in the mid-Atlantic region. Although the national employment growth has been above the New Jersey rate since 1987, the difference has narrowed substantially since 1997. Most of the job growth was in the service sector, which increased at 2%, adding over 50,000 jobs in 2000. Construction jobs continued to bounce up at the strong pace set in 1997, increasing at 4.9%, more than double the rate experienced in 1999. Manufacturing jobs declined by 1.4% in 2000, continuing the generally declining trend in this sector. However, job losses in manufacturing were slower in 2000, relative to the steep drop in the previous year.

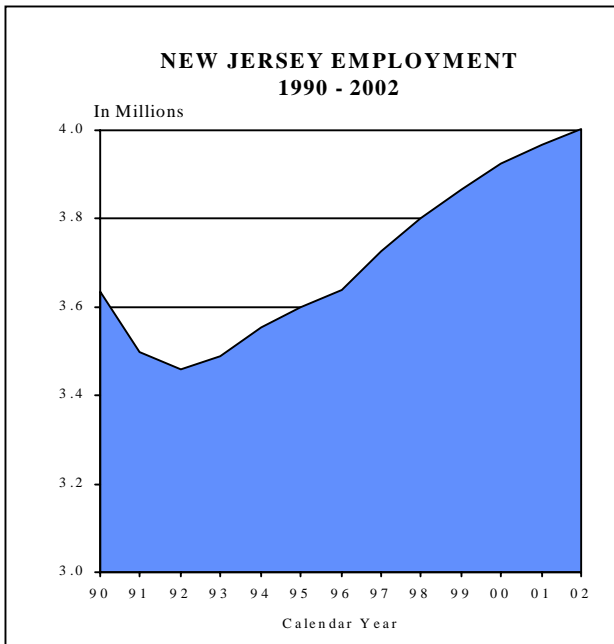
The strong income picture along with a low unemployment rate supported a resurgence in consumer spending. The 8.5% growth in durable goods retail sales surpassed the national rate for the second consecutive year in 2000. New vehicle registrations grew at 10.5%, faster than the national rate, hitting their highest level since 1986. Sales of existing homes fell sharply, in line with the declining trend nationally.

Economic Forecast

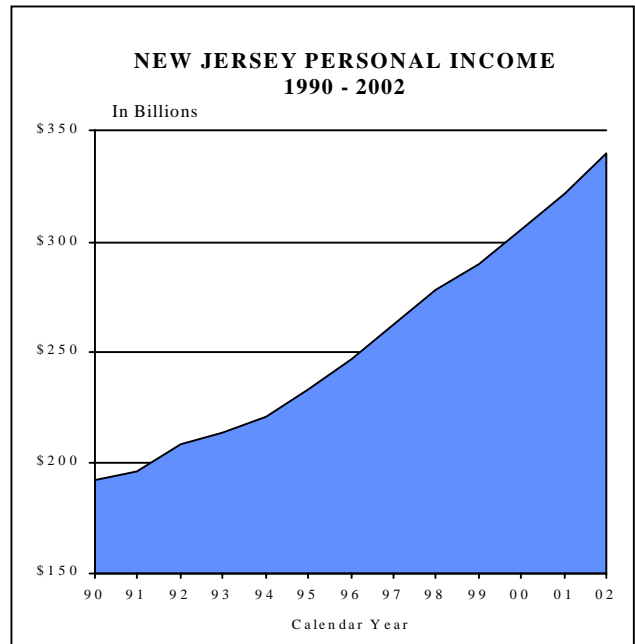
The outlook for the national economy, as well as the New Jersey economy, is for continued growth at lower rates. Even though the economic performance is forecasted to erode somewhat, all national models assign the threat of economic recession during 2001 and 2002 a low probability. The international economic health, particularly of national trading partners, is likely to continue the improvement started during 1999. If productivity holds and the interest rate environment continues to improve, the economy should be able to sail through rough waters without a hard landing. The Consumer Price Index is anticipated to remain modest, at around 2.5% to 3.0% level, in 2001 and 2002.

Continuing healthy employment levels, steady personal income growth and relatively low interest rates will continue to support consumer and business spending. National employment growth is expected to moderate to 2.1% in fiscal 2001 and 1.2% in 2002. Personal income growth is projected to moderate at 5.6% in 2001 and 5.2% in 2002. Consumer durable expenditures are expected to grow at moderate rates of 3.4% in 2001 and bounce up to 4.1% in 2002.

New Jersey enters the new millennium with a strong economy and is expected to follow the general national trend in 2001 and 2002. Employment growth is projected to decline slightly to 1.0% in 2001 and in 2002. Personal income growth is expected to remain above 5.0% for the next two years. Housing starts are expected to ease to around 25,000+ units during the next two years, below the 33,000 units level reached in 1999. New vehicle registrations are projected to moderate from the record set in 2000 but remain strong at 600,000+ units during 2001 and 2002.



Source: New Jersey Department of Treasury
Office of Revenue and Economic Analysis (00 - 02 Projected)



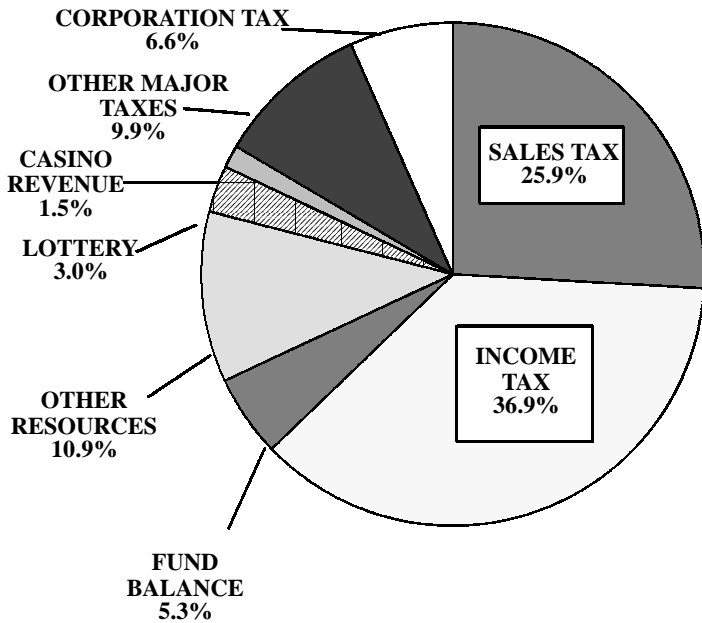
Source: New Jersey Department of Treasury
Office of Revenue and Economic Analysis (00 - 02 Projected)

NEW JERSEY BUDGET

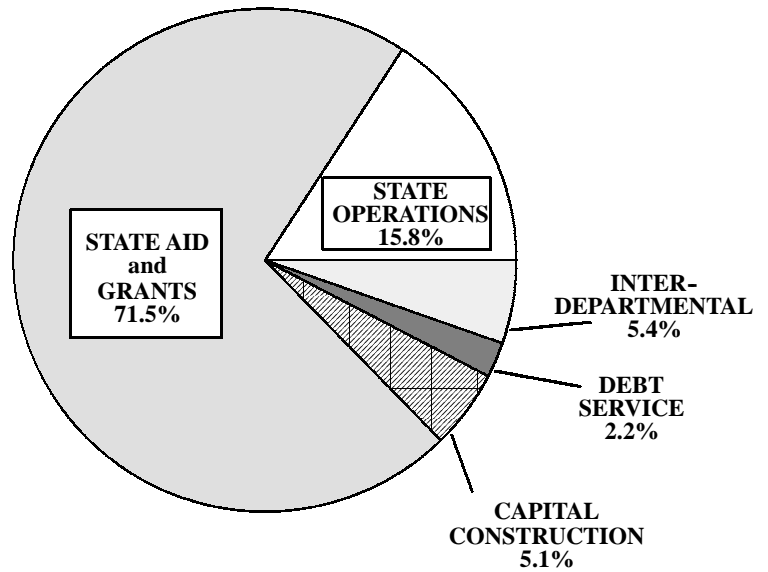
RESOURCES AND RECOMMENDATIONS FOR FISCAL YEAR 2002

ALL STATE FUNDS

Resources



Recommendations



RESOURCES

(\$000)

INCOME TAX	\$8,916,000
SALES TAX	6,247,000
CORPORATION and BANK TAX	1,597,000
LOTTERY REVENUE	715,000
CASINO REVENUE	368,100

OTHER MAJOR TAXES:

Transfer Inheritance	575,000
Motor Fuels	541,000
Motor Vehicle Fees	398,801
Insurance Premium	300,000
Petroleum Products Gross Receipts	220,000
Cigarette	200,000
Realty Transfer	85,000
Alcoholic Beverage Excise	80,000
Tobacco Products Wholesale Sales	15,000
Savings Institutions	14,000
Public Utility Excise	8,700

OTHER RESOURCES 2,593,776

SUB-TOTAL RESOURCES \$22,874,377

ESTIMATED FUND BALANCE, JULY 1, 2001

General Fund	101,370
Surplus Revenue Fund	698,198
Property Tax Relief Fund	477,656
Casino Revenue Fund	1,754
Casino Control Fund	--
Gubernatorial Elections Fund	--

TOTAL \$24,153,355

RECOMMENDATIONS

(\$000)

Education	\$7,335,430
Human Services	3,729,032
Interdepartmental	2,077,276
Treasury	1,793,493
Higher Education	1,548,970
Transportation	1,262,090
Community Affairs	1,096,943
Health and Senior Services	1,049,747
Corrections	955,287
Debt Service	529,402
Law and Public Safety	518,445
Judiciary	452,912
Environmental Protection	373,448
Labor	81,795
Military and Veteran's Affairs	79,260
State	78,197
Legislature	66,179
Banking and Insurance	63,813
Other Departments	62,136
SUB-TOTAL RECOMMENDATIONS	<u>\$23,153,355</u>

ESTIMATED FUND BALANCE, JUNE 30, 2002

General Fund	154,511
Surplus Revenue Fund	698,198
Property Tax Relief Fund	147,291
Casino Revenue Fund	--
Casino Control Fund	--
Gubernatorial Elections Fund	--

TOTAL \$24,153,355

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Revenue Forecast

Fiscal 2001 Anticipated Revenue

The current estimate of \$21.5 billion in total fiscal 2001 revenue is \$343.8 million more than when the Governor certified revenues in June 2000.

The three largest taxes, Gross Income, Sales and Use, and Corporation Business, account for 72% of total revenues and are now forecast to yield \$15.6 billion. This is an increase of \$219.7 million over certified revenues, and primarily reflects an upward revision in the Income Tax estimate (+\$572 million) net of the lowered estimates for the Sales and Corporate taxes (-\$352 million), in line with recent downward swings in revenues due to softness in the economy. Total revenues from other major taxes are revised upward by \$33 million, primarily to incorporate trends in year-to-date collection patterns.

The Sales and Use Tax is estimated to generate \$5.84 billion, a 6% rate of growth compared to the 9% rate originally projected. The estimate was lowered because of the softer than expected level of consumer and business purchases in the last half of 2000 when the effect of interest rate increases, instituted by the Federal Reserve over the past 15 months, started to slow the economy. The historic slump of the financial markets, slowing international growth and corporate profits, and softening consumer confidence put a chill on continued high levels of consumer and business durable goods purchases.

The Gross Income Tax forecast for fiscal 2001 is revised up to \$8.31 billion, an increase of \$572 million over the June 2000 certified revenue estimate. This represents a growth of 15.3% rather than the 7.4% growth rate anticipated in June 2000. Stronger than expected employer withholdings growth of 17.8% for 2000 through November underscores the growth of the 2000 tax base. This is the third consecutive year of double-digit growth and the strongest growth in fifteen years. In addition, the strong flow of estimated payments for tax year 2000, up 20% through November, clearly suggests that 2000 was an extraordinary year. In the past four years estimated payments grew an average 16% annually.

The Corporate Business Tax is revised down by \$168 million to \$1.41 billion for fiscal year 2001. This represents a decline of 2.6% compared to the 3.5% growth in CBT revenues in fiscal 2000. In June the CBT revenues were anticipated to grow nearly 9%. This shift reflects an unexpected weakening in fourth

quarter corporate estimated payments for tax year 2000 which implies weaker tentative payments in April 2001 and smaller estimated payments for tax year 2001.

Fiscal 2002 Revenue Projections

Revenues for fiscal 2002 are expected to grow at a steady pace as the national economy adjusts to more sustainable long-term growth levels.

Sales Tax

The forecast of \$6.25 billion for fiscal 2002 Sales Tax revenue is an increase of \$408 million, or 7.0%, compared to revised fiscal 2001 with a projected growth of 6%. This reflects an expectation of continued growth with improved underlying economic forces compared to fiscal 2001. The benefits of future interest rate cuts are expected to bode well for fiscal 2002 and stabilize consumer confidence and spending by late 2001.

Corporation Business Tax

The forecast of \$1.5 billion for fiscal 2002 Corporation Business Tax revenue is an increase of \$134 million, or 9.5%, compared to fiscal 2001. This increase assumes an underlying growth in gross payments of 2% and refund growth of 10%. It also includes \$200 million in revenue from anticipated legislative changes to minimize the use of tax loopholes and \$36 million in revenue loss from the first year phase-in of the elimination of the tax on subchapter S corporations.

Gross Income Tax

The forecast of \$8.92 billion for fiscal 2002 is an increase of \$606 million, or 7.3%, over fiscal 2001 revenue. This is lower than the strong double-digit growth in recent years reflecting lower employment and stable wage income growth for 2001-2002 compared to the strong growth in the 1998-2000 period and slower growth at the top of the income distribution due to less frantic financial markets. It is anticipated that the tax base (New Jersey Total Income) will spike in 2000 to 10.5% after growing 8.2% in 1998 and 8.0% in 1999 due in part to the explosive growth in the financial markets in late 1999. In 2001 and 2002, the tax base is expected to continue to grow but at more moderate rates of 5.2% and 5.9%, respectively. Growth in the amount of income over \$100,000, which has fueled the GIT revenue growth since 1995, has averaged around 18% annually (1995-1998). It is expected that this slowed to 15% in 1999 and will spike up to 20% in 2000, and then fall back to 9% and 10% in tax years 2001-2002, respectively.

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Budget Highlights

Overview

The fiscal 2002 Budget continues the theme that has become the hallmark of the Whitman Administration, a course characterized by investments that were both compassionate and prudent, by restoring a sense of fiscal responsibility, and by a persistent search for more efficient and effective ways of delivering service and managing State government. Most importantly, the decisions reflected in this Budget convey Governor Whitman's deep, abiding commitment to make a positive difference in the lives of New Jersey's citizens, a difference that is both personal and enduring.

The total budget recommended by the Governor for fiscal 2002 is \$23.1 billion, an increase of \$1.4 billion, or 6.5%, over the current year. Over the eight budgets of the Whitman Administration, the annual growth in appropriations has averaged 5.1%, which compares favorably to the 6.3% mark of the prior administration and represents the lowest rate of growth of any administration since 1954. By practicing fiscal restraint, the Governor also has provided for New Jersey's future. The projected State surplus stands at a record \$1 billion, the highest in State history.

In her State of the State Address, Governor Whitman announced a plan to expand access to quality health insurance, increase our investment in high technology to secure our place in the new economy, and complete her commitment to open space by creating a stable funding source to preserve our State parks. These programs, as well as other areas of significant importance, are recommended for funding increases in the fiscal 2002 Budget.

The major initiatives follow:

NJ Saver

This Budget increases the appropriation for the NJ Saver program by \$270.7 million, or 80%, including \$120.7 million for the third year of the program and an additional \$150 million to accelerate the program by one year, hastening the delivery of tax relief to an estimated 1.9 million eligible homeowners. This acceleration will increase the size of the average payment from a planned \$360 to \$480 for New Jersey families.

Tax Reductions

This Administration has adopted a total of 39 tax reductions thus far, and is proposing an additional four in fiscal 2002 for a total of 43 tax cuts during its tenure. In fiscal 2002 alone, that means that a total of \$3.1 billion dollars that would otherwise have been collected by State government will instead remain with New Jersey citizens and businesses.

Property Tax Relief

Property tax relief increases by \$1.1 billion, or 10.4%, in fiscal 2002. Of this amount, school aid increases by \$637.2 million, or nearly 9.4%, direct relief to taxpayers increases by \$306.9 million, or 30%, and municipal aid rises by \$70.5 million, or 4.3%, all of which are well above the current 2.8% rate of inflation. Property tax relief available in fiscal 2002 totals \$11.1 billion, representing nearly half of the entire State budget.

High Technology

This Budget provides \$41 million for new technology initiatives, most of which are concentrated on bolstering the research capacity of New Jersey's universities and colleges. Specifically, \$15 million will be used to create a New Jersey Fund for Technology Innovation for exactly this purpose. The Budget provides another \$10 million to encourage research partnerships between businesses and higher education institutions, as well as \$10 million in new grants to convert buildings in urban areas for high tech use. A \$5 million increase in Higher Education's existing Excellence in High Tech Workforce program will improve technology offerings in New Jersey colleges and help provide our graduates with the skills that businesses needs to compete in the changing economy.

Higher Education

Including the programs noted above, State support for Higher Education increases by a recommended \$164.4 million, or nearly 10%, in fiscal 2002. Of this amount, a \$73 million increase for senior public colleges and universities includes the fourth consecutive year of performance based incentive funding. An increase of nearly \$13 million is provided to county colleges, further advancing the goal of the State providing a one-third share of operating the county colleges.

Senior Gold

This Budget includes a recommended increase of \$50 million for the new Senior Gold program. Upon passage of proposed legislation, this program will expand eligibility for prescription drug benefits provided through the State's Pharmaceutical Assistance for the Aged and Disabled (PAAD) program by raising the associated income limits by \$10,000.

FamilyCare

The FamilyCare Program, which provides health services to low-income adults who lack medical coverage, will receive an additional \$16 million in State funds to expand coverage to include all uninsured adults without children, both single and married, whose incomes are up to 200% of the federal poverty level. This initiative will add approximately 10,500 adults to the program.

Education

An additional \$52 million is provided in fiscal 2002 for School Construction. The fiscal 2002 Budget recommendation of \$182 million for School Construction will pay for the State portion of associated debt service, pay-as-you-go funding, and aid to localities to offset their costs for recently issued school construction debt.

To improve teacher quality and preparedness, an additional \$27 million is recommended in this Budget. Of this amount, \$12 million will enable the Department of Education to expand the scope of its existing Teacher Quality Mentoring program from the current 15 pilot districts to the entire state and to pay the mentor's stipend on behalf of the teacher. Another \$10 million is recommended to assist New Jersey colleges in creating a new Teacher Preparation program to help meet the rising demand for new teachers. The remaining \$5 million would be appropriated to the Higher Education Student Assistance Authority (HESAA) to expand teacher recruitment in disadvantaged school districts through the use of bonuses tied to multi-year service commitments.

Local Aid

Localities will benefit from a \$43.8 million increase in the Consolidated Municipal Property Tax Relief Aid (CMPTR) program, which includes a merger with the Business Personal Property Tax Depreciation Adjustment funding, forming the single largest municipal aid program in the Budget.

Corrections

By authorizing 296 new custody positions and eliminating unnecessary posts, the Department of Corrections' (DOC) overtime budget will decline by \$35 million in fiscal 2002. This reduction is offset by approximately \$12 million in additional hiring costs to yield a net savings of \$23 million. An anticipated decrease in State inmates housed in county jails will also save an estimated \$21 million. Conversely, an additional \$9.8 million is recommended to complete the overhaul of DOC's data systems to provide centralized information on parole case management, including parole eligibility dates. To provide administrative support for a streamlined parole process, an increase of \$3 million is recommended for

DOC's Discharge Planning program and another \$1.2 million is provided to the Parole Board to hire additional parole counselors and other operational staff.

Mass Transit

The proposed State subsidy to NJ Transit increases by \$71 million, or 34%, to provide for inflationary increases associated with salary contracts and fuel, to provide the operating cost related to the implementation of new service, to comply with federal and State safety programs, and update communications by opening a new rail operations center.

Capital Investment

The Capital appropriation for fiscal 2002 totals \$1.2 billion, which approximates the amount provided in fiscal 2001, the high water mark for capital investment in the history of New Jersey. Most prominently, this appropriation would provide \$710 million for the Transportation Trust Fund. Another \$116 million is recommended for the Department of Environmental Protection, including a new proposed statutory dedication of \$25 million from the State's realty transfer tax as a stable funding source for reconstruction of State park and wildlife facilities and \$10 million to rehabilitate public and private dams. The constitutional dedication of \$98 million is recommended to the Garden State Preservation Trust Fund for open space programs, as is the statutory dedication of \$25 million for Shore Protection. Other major projects include \$12 million for the design of a new State health laboratory, \$11.2 million for the second installment of funding to convert New Jersey Network to digital broadcasting in compliance with federal law, nearly \$10 million to continue technology enhancements to improve State Police management and supervisory capabilities, and \$4 million to complete the Vineland Veterans' Memorial Home.

Fiscal 2002 Budget Compared to Fiscal 2001

When viewed by category of funding, over \$16 billion, or 70%, of the fiscal 2002 Budget is provided either as State Aid (\$9.1 billion, or 40%) or Grants-in-Aid (\$7 billion, or 30%). The Direct State Services (DSS) portion of the Budget totals \$4.8 billion and comprises 21% of the Budget. Importantly, DSS increases by \$126 million, or 2.8%, in fiscal 2002, which almost exactly matches the recent rate of inflation, while State Aid increases by \$688 million, or 8%, and Grants-in-Aid rises by \$583 million, or 9%. This investment allocation directly reflects this Administration's strategy of restraining growth in Direct State Services through operational efficiencies while maximizing tax relief through increased State Aid and service delivery through Grants-in-Aid allocations.

A full listing of the major increases and decreases in the fiscal 2002 Budget is reflected on the chart entitled "Summary of Appropriations – Major Increases and Decreases" within this chapter of the Budget in Brief.

**FISCAL 2002
RECOMMENDED APPROPRIATIONS
MAJOR INCREASES AND DECREASES
(\$ in millions)**

	Increases	Decreases	Net Change
State Operations			
Contractual Salary Increases	100.2		
Employee Benefits	40.4		
Employer Taxes and Fringe	14.8		
Property Rentals	14.8		
Operating Costs - New Beds in Corrections and Juvenile Justice Commission	10.9		
Automated Parole and Case Tracking System	9.8		
Integrated Financial and Administrative Suite Project (IFAAS)	9.0		
Shift of Salary Costs from the TTF to DOT's Operating Budget	7.9		
Watershed Management - CBT Dedication	4.5		
Drug Court Pilot Expansion	4.3		
Narcotic Detectives/Patrol Supervisors Expansion	4.0		
N.C.I.C. 2000 Program Costs	3.9		
Office of Construction Services	3.5		
Watershed Management - Safe Drinking Water Fund	3.3		
Gubernatorial Public Finance Program (GEF)	3.1		
Corrections-Case Management/Discharge Planning	3.0		
Enterprise License Agreements	3.0		
Utilities Expense	2.9		
DYFS District Office Hiring	2.5		
Other (Net)	54.5		
Subtotal State Operations Increases	300.3		
Debt Service on Pension Bonds		(27.7)	
Custody and Non-Custody Overtime Savings in Corrections		(22.9)	
Debt Collection, IT, and Revenue Management System Non-recurring Costs		(15.7)	
Managed Attrition Program for FY 2002		(13.8)	
Enhanced Inspection and Maintenance Non-recurring Costs		(13.0)	
IT Equipment Upgrades		(8.0)	
Graduated Drivers License (GDL)		(7.6)	
Workers' Compensation and Tort Claims Payments Non-recurring Costs		(5.0)	
Reduction of Gateway/Corridor Enhanced Maintenance Program		(3.2)	
FY 2001 Fleet Renewal Management Program Non-recurring Costs		(2.9)	
Pensions		(2.8)	
Ten-Year Drivers License (DDL)		(2.7)	
Revenue Management System Non-recurring Costs		(2.5)	
Other (Net)		(30.6)	
Subtotal State Operations Decreases		(158.5)	
Net Change (State Operations)			141.8

	<u>Increases</u>	<u>Decreases</u>	<u>Net Change</u>
Grants-in-Aid			
NJ SAVER Program	270.7		
Medicaid Growth	103.0		
NJ FamilyCare Growth and Expansion	116.0		
Pharmaceutical Assistance for the Aged/Drugs (PAA/D)	54.9		
Solid Waste Management - County Environmental Investment Debt Service Aid	54.0		
TANF Abbott Expansion	53.0		
Senior Gold	50.0		
Nursing Home Growth	42.5		
NJ Transit Operating Increases	41.9		
Cost of Living Adjustment/Direct Care Salary Supplement	40.1		
Health Care Subsidy Fund Payments	37.9		
Community Services Waiting List - FY2001 and FY 2002	34.7		
Contractual Salary Increases - Higher Education	29.5		
Earned Income Tax Credit - Program Growth	25.0		
Employee Benefits - Higher Education	24.8		
Higher Education Capital Improvement Program	24.7		
Higher Education - Base Adjustment and Performance Funding	21.8		
NJT Leases for Buses and Newark Penn Station	18.2		
Increase Medicaid Physician Reimbursement Fees	17.5		
New Jersey Fund for Technology Innovation	15.0		
Community Transition Initiative - FY 2001 and FY2002	13.0		
Greystone Transition Funding	12.0		
Higher Education - Business and Industry Partnership Fund	10.0		
Cancer Institute of New Jersey	10.0		
Teacher Preparation	10.0		
Urban Area Industrial Reuse Incentive Fund, EDA	10.0		
Children's System of Care Initiative	8.7		
Land Preservation	8.0		
Homestead Property Tax Rebates for Homeowners and Tenants	8.0		
Medical Day Care Growth	7.8		
Liberty Science Center Debt Service	7.7		
Shift of Salary Costs from the Transportation Trust Fund	7.1		
Tuition Aid Grants (TAG)	6.4		
Dormitory Safety Trust Fund	6.1		
Urban Coordinating Council Neighborhood Grants Program	6.0		
Excellence in High-Technology Workforce	5.0		
Teacher Recruitment	5.0		
Division of Criminal Justice - Municipal Mobile Video Recording	2.9		
Increase Personal Care Assistance (PCA) Rates	2.8		
Alternatives to Incarceration - Planning Grants	2.1		
Community Supports to Allow Discharge from Nursing Homes	2.0		
Other (Net)	11.9		
Subtotal Grants-in-Aid Increases	<u>1,237.8</u>		

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	<u>Increases</u>	<u>Decreases</u>	<u>Net Change</u>
Shift Costs to Federal Funds		(407.0)	
Community Affairs Non-recurring Grants		(54.5)	
County/Administrative Federal Enhancements		(40.2)	
Energy Assistance		(23.0)	
County Jail - Decreased Population		(21.3)	
Economic Development Authority Initiatives		(20.0)	
Racing Commission Non-recurring Costs		(18.0)	
Health - Non-recurring Grants		(15.2)	
Medicaid/PAAD Pharmacy Reform		(9.5)	
Deferred Medicaid/PAAD Savings		(8.2)	
Treasury - Non-recurring Grants		(6.0)	
State - Non-recurring Grants		(5.0)	
Biomedical and Other High-Technology Research		(5.0)	
Revenue Development Initiatives		(4.2)	
Third Party Liability (TPL) Initiatives		(4.0)	
Work First Enhanced Federal		(4.0)	
Cranford Township Flood Control Non-recurring Costs		(3.3)	
Human Services - Non-recurring Grants		(2.8)	
Airport Acquisition Projects Non-recurring Costs		(2.5)	
NJ Health ACCESS Transition to FamilyCare		(2.0)	
Cyberdistricts		(2.0)	
Rutgers Athletic Complex		(2.0)	
Other (Net)		(7.4)	
Subtotal Grants-in-Aid Decreases		<u>(667.1)</u>	
Net Change (Grants-in-Aid)			<u>570.6</u>
State Aid			
CEIFA Formula Mandatory Growth (School Aid)	383.2		
Teacher Post Retirement Medical, Debt Service, and Social Security	111.5		
Abbott Supplemental Programs	74.7		
School Construction and Renovation Fund	52.1		
Special Municipal Aid Act	47.0		
CMPTRA Inflation Adjustment	30.8		
State Reimbursement for Veterans' Property Tax Exemptions	18.0		
County College Operating Aid	12.0		
Teacher Quality Mentoring	12.0		
Regional Efficiency Aid	8.3		
Recycling Grants	5.5		
Extraordinary Special Education Costs	5.0		
Debt Service on Pension Obligation Bonds	4.8		
Police and Firemen's Retirement System, Health Benefits	4.7		
Education - Other State Aid	3.2		
Debt Service for the Public Library Project Fund	3.1		
Replacement of Punch Card Voting Machines	3.0		
Other (Net)	8.2		
Subtotal State Aid Increases	<u>787.1</u>		

	<u>Increases</u>	<u>Decreases</u>	<u>Net Change</u>
Solid Waste Management - County Environmental Investment Debt Service Aid		(33.0)	
Business Personal Property Tax Depreciation Adjustment		(20.8)	
South Jersey Port Corporation Property Tax Reserve Fund		(4.0)	
Reimbursement to Municipalities - Senior and Disabled Citizens' Tax Exemptions		(3.3)	
N.C.I.C. 2000 - Final Phase		(2.6)	
State - Non-recurring Grants		(2.0)	
Others (Net)		<u>(7.0)</u>	
Subtotal State Aid Decreases		<u>(72.7)</u>	
Net Change (State Aid)			<u>714.4</u>
Capital Construction			
Design of New Health Lab and Lab Equipment	12.0		
State Lands Stewardship	11.3		
Rutgers Biotech/Genetics and Biomaterials Buildings and Athletic Facilities	10.5		
Dam Repairs	10.0		
Transportation Trust Fund	8.1		
DMV Inspection Station and Customer Service Facilities Improvements	7.5		
NJN Digital Transmission Conversion and Satellite Receiving System	5.4		
Statewide ADA, Open Space, Storage Tanks, and HAZMAT Mitigation	3.5		
IT Network Infrastructure	2.4		
HR 6 Flood Control Projects	<u>2.0</u>		
Subtotal Capital Construction Increases	<u>72.7</u>		
Corrections Bedspace Expansion Projects		(16.0)	
State Police and Juvenile Justice Commission Projects		(15.6)	
Human Services Projects		(9.5)	
Senior Public Institution Capital Projects		(7.0)	
Vineland Veterans' Home and Other Armory Projects		(6.5)	
New Jersey Environmental Management System		(5.0)	
OIT Projects		(4.2)	
South Jersey Port Corporation Pier Renovations		(4.1)	
On-Line State Portal		(3.5)	
Land Acquisition for Montclair State University		(3.5)	
Other (Net)		<u>(4.5)</u>	
Subtotal Capital Construction Decreases		<u>(79.4)</u>	
Net Change (Capital Construction)			<u>(6.7)</u>
Debt Service (Decrease)		<u>(0.6)</u>	<u>(0.6)</u>
GRAND TOTAL	<u><u>\$ 2,397.9</u></u>	<u><u>\$ (978.4)</u></u>	<u><u>\$ 1,419.6</u></u>

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Cross Agency Budget Recommendations

Overview

Many of the Governor's fiscal 2002 budget recommendations for programs and services impact multiple departments and agencies. For example, the State Aid and Local Taxpayer Relief section provides comprehensive information on all State aid and direct tax relief offered to school districts, local governments and individual taxpayers. The Capital Investments and Property Management section addresses pay-as-you-go capital projects, projects funded by bonding, bond indebtedness, property management and lease-purchase agreements through various authorities. The Interdepartmental Accounts section provides information on centrally funded accounts that impact all departments and agencies, such as salary contracts, fringe benefits, and payroll taxes. Investing in Information Technology presents the Office of Information Technology recommended budget and information technology initiatives recommended for the departments and agencies.

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State Aid and Local Relief

Overview

The amount of State Aid and related budget savings available to local governments as property tax relief in fiscal 2002 increases by approximately \$1.044 billion, or 10.4%, to \$11.154 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 \$7.451 billion, an increase of \$637.2 million, or 9.4%. Aid to municipalities will total \$1.728 billion in fiscal 2002, an

FY 2002 SUMMARY - STATE AID, TAX RELIEF & LOCAL SAVINGS INITIATIVES			
(\$ in millions)			
Program	FY 2001	FY 2002	Increase (Decrease)
School Aid	\$6,814.1	\$7,451.3	\$637.2
Municipal Aid	1,657.7	1,728.2	70.5
Other Local Aid	539.3	567.6	28.3
Direct Taxpayer Relief	1,050.1	1,358.5	308.4
Subtotal Direct Aid	\$10,061.2	\$11,105.6	\$1,044.4
Pension Security Program Savings	\$48.7	\$48.7	\$0.0
Grand Totals	\$10,109.9	\$11,154.3	\$1,044.4

increase of 4.3%. Other local aid programs, such as county college aid, transportation projects, and mental health services to local governments, will provide \$567.6 million, an increase of \$28.3 million, or 5.2% above the previous year's amount. \$1.359 billion in relief from local property tax burdens will be provided through direct tax rebates and reductions to property taxpayers in fiscal 2002. This represents an increase of \$308.4 million, or 29.4% above the fiscal 2001 amount.

In addition to State Aid and Direct Taxpayer Relief, local governments will benefit from Pension Security Program (PSP) savings of \$48.7 million in fiscal 2002, a continuation of the fiscal 2001 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 2002 Budget includes \$6.365 billion in formula and other aid to local school districts, an increase of \$473.6 million or 8.0% above fiscal 2001, pursuant to the provisions of the Comprehensive Educational Improvement and Financing Act (CEIFA).

The fiscal 2002 Budget also includes \$182.0 million for school construction and renovation costs associated with the Educational Facilities Construction and Financing Act. These include pay-as-you-go capital, State

debt service, and increased aid for recently issued local debt for school construction. In addition, the State will make payments of \$904.0 million on behalf of local school districts for teachers' retirement benefits and the employer's share of social security payments, an increase of \$111.5 million or 14.1% above fiscal 2001. This increase includes \$80.2 for teachers' post retirement medical benefits and \$31.3 million for social security. In addition to the total State Aid recommendation of \$7.451 billion, local school districts will save \$10.6 million in their Public Employees Retirement System (PERS) costs through savings generated by the Pension Security Program.

SCHOOL AID AND BUDGET SAVINGS			
<i>(\$ in millions)</i>			
Program	FY 2001	FY 2002	\$ Change
School Aid			
Direct Aid	\$5,891.7	\$6,365.3	\$473.6
School Construction & Renovation	129.9	182.0	52.1
Teachers' Retirement Benefits & Social Security	792.5	904.0	111.5
Subtotal School Aid	<u>\$6,814.1</u>	<u>\$7,451.3</u>	<u>\$637.2</u>
School District PSP Savings	<u>10.6</u>	<u>10.6</u>	<u>0.0</u>
Total School Aid and Savings	<u><u>\$6,824.7</u></u>	<u><u>\$7,440.7</u></u>	<u><u>\$616.1</u></u>

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 fiscal 2002 Budget increases Core Curriculum Standards Aid by \$134.8 million to \$3.1 billion. This is the largest single component of the Direct Aid programs. Parity Remedy Aid will grow to

\$439.8 million, and Additional Abbott v. Burke State Aid is estimated to increase \$74.7 million to \$248.7 million. The final amount will be adjusted upwards or downwards after review and approval of the Abbott district budgets in the spring of 2001.

Special Education Aid increases to \$895.5 million, providing \$135.2 million in additional funding for students with disabilities. In addition, \$15 million in Extraordinary Special Education aid is available to districts with per pupil placement costs in excess of \$40,000 or to those districts that experienced enrollments with extraordinarily high numbers of special education students.

The recommended increase of \$43.5 million for Supplemental Core Curriculum Standards Aid reflects continued implementation of the workgroup recommendation, providing 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 \$328.6 million in fiscal 2002. 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 a \$106 million appropriation

in the Department of Human Services budget, which will be used to improve the quality of early childhood programs and to provide full-day/full-year preschool programs for 3- and 4-year-olds in the Abbott districts.

The budget recommendation also includes funding of \$59.1 million for Distance Learning Network Aid, increasing \$2.3 million from fiscal 2001. 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 Budget proposes a \$14 million appropriation to expand the Teacher Quality Mentoring partnership between the State and the New Jersey Education Association (NJEA), providing 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 with the cost of the mentor's stipend to be borne by the State. 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. Currently, the program is successfully operating in 15 pilot districts; however, the increased appropriation will allow the program to be offered to all districts across the State.

The budget recommendation also includes \$97 million for Nonpublic School Aid, an increase of almost \$3.0 million. This includes a recommendation of \$8 million in funding dedicated to technology for nonpublic school students.

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 \$1.728 billion reflects a growth of \$70.5 million, or 4.3% above the fiscal 2001 level of \$1.658 billion. The total recommendation includes \$973.2 million funded from major tax and revenue sources, and \$755 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 Aid (CMPTRA) Program, which will provide \$831.6 million in aid in fiscal 2002. This represents a growth of \$43.9 million above fiscal 2001. The CMPTRA increase includes a growth of \$30.8 million for inflation and an additional \$13.0 million to provide an adjustment to local tax revenues lost due to a revised tax liability calculation for local exchange telephone carriers. The inflation adjustment reflects a growth of approximately 4% based on the Implicit Price Deflator for State and Local Government Purchases, published quarterly by the

U.S. Department of Commerce. The funds for the adjustment for lost revenue from local exchange carriers will provide assistance to those towns where the lost revenue is 1% or more of their 2000 total levy.

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 2002 funding level of \$755 million reflects a statutory increase of \$5 million, according to the provisions of the Energy Utility Property Tax Relief Act.

The fiscal 2002 Budget includes a \$47 million appropriation for Special Municipal Aid. 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

MUNICIPAL AID AND BUDGET SAVINGS			
<i>(\$ in millions)</i>			
	<u>FY 2001</u>	<u>FY 2002</u>	<u>\$ Change</u>
Municipal Aid			
Consolidated Municipal Property Tax Relief Aid	\$787.8	\$831.6	\$43.8
Energy Receipts Property Tax Relief Aid	750.0	755.0	5.0
Special Municipal Aid	0.0	47.0	47.0
Business Personal Property Tax Depreciation	33.9	0.0	(33.9)
Legislative Initiative Block Grant Program	33.8	33.8	0.0
Extraordinary Aid	25.0	25.0	0.0
Regional Efficiency Aid Program	16.8	25.0	8.2
Open Space - Payments in lieu of Taxes	7.1	7.4	0.3
Watershed Moratorium Offset Aid	3.3	3.4	0.1
Subtotal Municipal Aid	<u>\$1,657.7</u>	<u>\$1,728.2</u>	<u>\$70.5</u>
Subtotal Municipal PSP Savings	<u>\$12.8</u>	<u>\$12.8</u>	<u>\$0.0</u>
Total Municipal Aid and Budget Savings	<u><u>\$1,670.5</u></u>	<u><u>\$1,741.0</u></u>	<u><u>\$70.5</u></u>

the Division of Local Government Services in the Department of Community Affairs 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 receiving this aid.

The Legislative Initiative Municipal Block Grant program, initiated in fiscal 1995, is again funded at \$33.8 million. This program provides aid to each municipality on a per capita basis.

Extraordinary Aid is again funded at \$25 million in fiscal 2002. 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 2002 budget also includes \$7.4 million for Open Space Payments in lieu of Taxes, an increase of \$300,000. This funding provides payments to local jurisdictions in lieu of taxes for property preserved under open space and farmland preservation programs.

The fiscal 2002 municipal aid recommendation also includes \$3.4 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. The fiscal 2002 recommended amount reflects full funding for this program, including an inflation increase of \$100,000, according to provisions of the enabling legislation.

The Regionalization Efficiency Development Incentive (REDI) grant program 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 funded at \$25 million, a growth of \$8.2 million above fiscal 2001. This program provides 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 \$12.8 million in PERS savings related to the Pension Security Program in fiscal 2001.

Other Local Aid

In fiscal 2001, the budget provides \$567.6 million in Local Aid through various categorical aid programs, an increase of \$28.3 million, or 5.2%. Aid provided directly to county colleges increases by \$12.8 million to a total of \$203.9 million in fiscal 2002. Besides serving to

OTHER LOCAL AID AND BUDGET SAVINGS			
<i>(\$ in millions)</i>			
	<u>FY 2001</u>	<u>FY 2002</u>	<u>\$ Change</u>
Other Local Aid			
County College Aid	\$191.1	\$203.9	\$12.8
Transportation Trust Fund - Aid For Local Projects	150.0	150.0	0.0
Aid to County Psychiatric Hospitals	87.2	88.7	1.5
Urban Enterprise Zones - Sales Tax Dedication	43.5	47.8	4.3
DCA - Housing and Neighborhood Assistance	16.6	16.6	0.0
Library Aid	15.1	18.5	3.4
Pension Contributions on Behalf of Local Governments	15.6	21.9	6.3
Miscellaneous Programs:	<u>20.2</u>	<u>20.2</u>	<u>0.0</u>
Subtotal Other Local Aid	\$539.3	\$567.6	\$28.3
Other Local PSP Savings	<u>25.3</u>	<u>25.3</u>	<u>0.0</u>
Total Other Local Aid and Budget Savings	<u>\$564.6</u>	<u>\$592.9</u>	<u>\$28.3</u>

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 2002, \$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 \$88.7 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 (UEZ) program. Two critical elements of the 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 2002, Sales Tax receipts totaling \$47.8 million will be retained by municipalities involved in the UEZ program, an increase of \$4.3 million above fiscal 2001 estimates.

In addition to the above, there are a variety of programs directed through several State departments that provide specific types of categorical aid 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 Aid, 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 \$18.5 million in fiscal 2002, an increase of \$3.4 million above the fiscal 2001 amount. The increase includes 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 the Police and Firemen's Retirement System (PFRS) and the Consolidated Police and Firemen's Pension Fund. The cost of these benefits in fiscal 2002 is estimated to be \$21.9 million, an increase of \$6.3 million above fiscal year 2001.

Savings from the Pension Security Program, attributable to other local government entities, are estimated to be \$25.3 million in fiscal 2002. 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 2002 Budget continues significant funding to provide property tax relief directly to local taxpayers. In fiscal 2002, these programs will total approximately \$1.359 billion, an increase of \$308.4 million, or 29.4% over fiscal 2001.

DIRECT TAXPAYER RELIEF			
(\$ in millions)			
	<u>FY 2001</u>	<u>FY 2002</u>	<u>\$ Change</u>
Direct Taxpayer Relief			
NJ SAVER Program	\$336.7	\$607.4	\$270.7
Homestead Rebates	335.1	343.1	8.0
Veterans & Senior/ Disabled Citizens Property Tax Relief	77.3	92.0	14.7
Property Tax Deduction Act	<u>301.0</u>	<u>316.0</u>	<u>13.5</u>
Total Direct Taxpayer Relief	<u>\$1,050.1</u>	<u>\$1,358.5</u>	<u>\$308.4</u>

The NJ SAVER program targets approximately 1.9 million eligible homeowners and is designed to reduce the school tax portion of the local property tax levy. Fiscal 2002 represents \$120.7 million in funding for the third year of the program and an additional \$150 million to accelerate the program by one year. The net increase over fiscal 2001 is \$270.7 million. At the end of the phase-in period, it is expected that this program will provide nearly \$1 billion in direct school tax relief. The average payment in fiscal year 2002 is estimated to be \$480, up from \$240 in fiscal 2001. The actual payment amounts for fiscal 2002 will represent 80% 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. This program will provide \$343.1 million in direct property tax relief in 2002, an increase of \$8 million. Approximately 1.3 million senior/disabled homeowners are eligible to receive rebates in fiscal 2002, averaging \$468. An additional 125,000 senior, disabled, and low-income renters are eligible to receive homestead rebates. The average senior/disabled tenants rebate check 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 average \$60.

Tax relief for veterans, seniors and disabled citizens totals \$92.0 million in fiscal 2002, an increase of \$14.7 million, or 19.0%. The total amount includes \$81.4 million for property tax deductions for veterans, seniors and disabled citizens and \$10.6 million for the Senior and Disabled 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 \$81.4 million included in the fiscal 2002 budget represents an increase of \$14.7 million, or 22%. This amount includes \$18 million for the second 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 2002 budget will allow that amount to grow to \$150. In each successive fiscal year through 2004, the budget will increase to provide an additional \$50 until the total deduction reaches \$250. Senior and disabled property tax deductions decline in fiscal 2002 by \$3.3 million because of a reduction in total qualifiers.

The Qualified Senior and Disabled Citizen Property Tax Freeze appropriation in fiscal 2001 was \$10.6 million for direct property tax relief 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. For the current year, claimants must be age 65 or older or disabled residents with incomes below \$18,587, if single, or \$22,791, 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 up to \$10,000 for calendar 1998 could be deducted from State income tax returns. The Budget reflects an estimated \$15.0 million dollar increase in these savings, resulting in a total of \$316 million in savings in fiscal 2002.

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

	<u>Appropriated Fiscal 2001</u>	<u>Recommended Fiscal 2002</u>	<u>Increase (Decrease)</u>
Direct Aid Programs:			
Core Curriculum Standards Aid	\$2,942,900	\$3,077,724	\$134,824
Abbott v. Burke Parity Remedy	335,907	439,754	103,847
Supplemental Core Curriculum Standards	209,621	253,149	43,528
Early Childhood Aid	313,226	328,552	15,326
Instructional Supplement	17,552	16,180	(1,372)
Demonstrably Effective Program Aid	192,906	197,486	4,580
Rewards and Recognition	10,008	9,968	(40)
Stabilization Aid	135,705	116,650	(19,055)
Stabilization Aid 2	5,070	2,545	(2,525)
Additional Supplemental Stabilization Aid:			
Large Efficient Districts	4,500	5,250	750
High Senior Citizen Concentrations	1,850	1,231	(619)
Regionalization Incentive Aid	17,612	18,295	683
Categorical Aids:			
Distance Learning Network	56,820	59,112	2,292
Adult Education Grants	26,654	28,721	2,067
Bilingual Education	59,250	64,225	4,975
Special Education	760,350	895,520	135,170
County Vocational Education	35,273	38,948	3,675
Pupil Transportation Aid	301,718	301,537	(181)
Aid for Enrollment Adjustments	34,558	13,458	(21,100)
Less:			
Stabilization Aid Growth Limitation	<u>(68,073)</u>	<u>(78,285)</u>	<u>(10,212)</u>
Subtotal	5,393,407	5,790,020	396,613
Debt Service Aid	154,549	\$154,305	(\$244)
School Construction and Renovation Program	129,911	181,993	52,082
Subtotal School Building Aid	<u>284,460</u>	<u>336,298</u>	<u>51,838</u>
Subtotal, Direct Aid Programs	<u>5,677,867</u>	<u>6,126,318</u>	<u>448,451</u>
Other Aid to Education:			
Nonpublic School Aid	94,068	97,018	2,950
Whole School Reform Incentive Grants	12,000	0	(12,000)
Additional Abbott v. Burke State Aid	173,969	248,674 *	74,705
Extraordinary Special Education Costs Aid	10,000	15,000	5,000
School Choice/Charter School Aid	9,000	6,833	(2,167)
Charter Schools - Council on Local	6,000	6,000	0
Mandates Decision Offset Aid			
Character Education	4,750	4,750	0
Teacher Quality Mentoring	2,000	14,000	12,000
Other Aid	31,942	28,722	(3,220)
Subtotal, Other Aid to Education	<u>343,729</u>	<u>420,997</u>	<u>77,268</u>
Subtotal, Department of Education	<u>6,021,596</u>	<u>6,547,315</u>	<u>525,719</u>

State Aid and Local Taxpayer Relief 62

	Appropriated Fiscal 2001	Recommended Fiscal 2002	Increase (Decrease)
Direct State Payments for Education:			
Teachers' Pension Assistance	174,562	242,760	68,198
Debt Service on Pension Obligation Bonds	69,545	72,665	3,120
Pension and Annuity Assistance - Other	27,058	36,029	8,971
Teachers' Social Security Assistance	521,300	552,578	31,278
Subtotal, Direct State Payments for	<u>792,465</u>	<u>904,032</u>	<u>111,567</u>
Grand Total - State Aid for Local School	<u>\$6,814,061</u>	<u>\$7,451,347</u>	<u>\$637,286</u>

* Amount will be adjusted downwards or upwards, as necessary to fulfill the responsibilities of the Commissioner under the Abbott order.

STATE AID, TAX RELIEF & LOCAL BUDGET SAVINGS INITIATIVES
(\$ in millions)

Program	FY 2001	FY 2002	\$ Change	% Change
School Aid				
Direct Aid	\$5,891.7	\$6,365.3	\$473.6	8.0%
School Construction and Renovation	130	182	52	40.1%
Teachers' Retirement Benefits & Social	793	904	112	14.1%
Subtotal School Aid	<u>6,814.1</u>	<u>7,451.3</u>	<u>637.2</u>	9.4%
Municipal Aid				
Consolidated Municipal Property Tax	787.8	831.6	43.8	5.6%
Energy Receipts Property Tax Relief	750.0	755.0	5.0	0.7%
Special Municipal Aid	-	47.0	47.0	-
Business Personal Property Tax	33.9	-	(33.9)	-
Legislative Initiative Block Grant	33.8	33.8	(0.0)	-
Extraordinary Aid	25.0	25.0	-	-
Regional Efficiency Aid Program	16.8	25.0	8.2	48.8%
Open Space - Payments in lieu of Taxes	7.1	7.4	0.3	4.2%
Watershed Moratorium Offset Aid	3.3	3.4	0.1	3.0%
Subtotal Municipal Aid	<u>1,657.7</u>	<u>1,728.2</u>	<u>70.5</u>	4.3%
Other Local Aid				
County College Aid	191.1	203.9	12.8	6.7%
Transportation Trust Fund - Aid For	150.0	150.0	-	0.0%
Aid to County Psychiatric Hospitals	87.2	88.7	1.5	1.7%
Urban Enterprise Zones - Sales Tax	43.5	47.8	4.3	9.9%
DCA - Housing and Neighborhood	16.6	16.6	-	0.0%
Library Aid	15.1	18.5	3.4	22.5%
Pension Contributions on Behalf of	15.6	21.9	6.3	40.4%
Miscellaneous Programs:	20.2	20.2	-	0.0%
Subtotal Other Local Aid	<u>539.3</u>	<u>567.6</u>	<u>28.3</u>	5.2%
Direct Taxpayer Relief				
NJ SAVER Program	336.7	607.4	270.7	80.4%
Homestead Rebates	335.1	343.1	8.0	2.4%
Veterans & Senior/Disabled Citizens	77.3	92.0	14.7	19.0%
Property Tax Deduction Act	301.0	316.0	15.0	5.0%
Subtotal Direct Taxpayer Relief	<u>1,050.1</u>	<u>1,358.5</u>	<u>308.4</u>	29.4%
Subtotal Direct Aid & Taxpayer Relief	<u>10,061.2</u>	<u>11,105.6</u>	<u>1,044.4</u>	10.4%
Pension Security Plan Savings				
School District Pension Security	10.6	10.6	-	-
Municipal Pension Security Program	12.8	12.8	-	-
Other Local Pension Security Program	25.3	25.3	-	-
Subtotal Pension Security Program Savings	<u>48.7</u>	<u>48.7</u>	<u>-</u>	-
Grand Total - Direct Aid & Budget Saving	<u>\$10,109.9</u>	<u>\$11,154.3</u>	<u>\$1,044.4</u>	10.3%

4



Capital Investments and Property Management

Overview

New Jersey's investments in capital provide for many of the critical long-term needs facing the State and for the preservation of existing State assets.

- *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.*

Under this Administration, the State's capital needs have been funded through a combination of pay-as-you-go capital appropriations and the judicious use of long-term debt. Pay-as-you-go capital funds have been used primarily for renovation and preservation of state facilities, life safety and environmental projects such as maintenance of State parks and hazardous waste cleanup. We have used debt to finance critical long-term capital needs such as highway and mass transit improvements, school construction, and preservation of open space. These long-term capital needs are expected to yield substantial benefits for present and future generations. Debt financing over the useful life of these investments is both fiscally responsible and prudent. As a result of these sound fiscal policies, independent rating agencies that monitor the State's business practice upgraded the State's financial ratings four times in the last seven years.

Capital investment for the State from all sources (General Fund, Bonds, federal funds and independent Authorities) in fiscal 2002 will exceed \$4.5 billion. The State is investing heavily to protect the environment, preserve the infrastructure, and maintain essential programmatic services for New Jersey's citizens. For example, to ensure a quality primary and secondary education for the State's youth, the

recommended investment in the school construction program is \$795 million for fiscal 2002 and thereafter is expected to be funded at an annual level of \$840 million until fiscal 2010. Similarly, the fiscal 2002 Transportation program provides \$2.2 billion for improvements to State highways, bridges, and mass transit system. This total is \$200 million more than provided in fiscal 2001.

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 2002, the estimated expenditure for infrastructure improvements will total \$3.6 billion. This investment of State, federal, independent authority, and bond funds is targeted principally for highway and public transportation programs,

INFRASTRUCTURE INVESTMENT AND JOB CREATION -- FISCAL 2002		
<i>(\$ in millions)</i>		
<u>Programs</u>	<u>Estimated Expenditures</u>	<u>Estimated Jobs</u>
Transportation	\$2,150	64,500
Environmental	270	4,600
Local School		
Construction	750	12,800
Higher Education	180	3,100
Other Capital	290	5,000
Totals	<u><u>\$3,640</u></u>	<u><u>90,000</u></u>

hazardous substance abatement projects, shore protection, safe drinking water projects, wastewater treatment programs, and public health and safety improvements. As noted in the accompanying table, the \$3.6 billion will support 90,000 private sector jobs in fiscal 2002, an increase of approximately 28,000 jobs over fiscal 2001.

The annual review process for capital recommendations goes through several stages. This ensures that only the most vital and necessary requests are funded. 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.

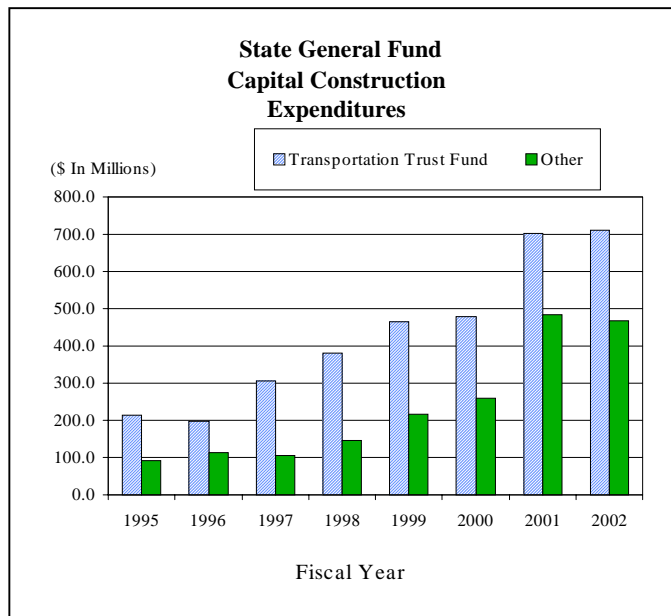
Each capital project request requires an operating impact statement. Departments must document whether a project will cause an increase, decrease, or have no effect on operating budgets, and quantify such information. The impact on operating budgets for fiscal 2002 is marginal in most cases because the recommended capital projects emphasize preservation of investments, rather than new construction.

The Fiscal 2002 Budget

For fiscal 2002, the General Fund recommendation for Capital Construction is \$1.2 billion. Of this amount, \$709.5 million will be used to improve and maintain our transportation infrastructure and provide debt service for the Transportation Trust Fund. To protect our environment, \$46.3 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 for open space programs in fiscal 2002.

The balance of approximately \$300 million is recommended for needed repair and preservation projects at the Departments of Environmental Protection, Human Services, Corrections, Law and Public Safety, the Juvenile Justice Commission, the New Jersey Network, and other State agencies and statewide programs. 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.



Department of Environmental Protection

Protection of the environment and preservation of open space and farmlands remain major priorities of this Administration. The fiscal 2002 Budget recommendation of \$116.2 million concentrates on projects that will protect the health and welfare of state citizens, preserve natural resources, improve recreational activities, and spur economic development.

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. Consequently, the fiscal 2002 Budget proposes a \$25 million statutory dedication from the realty transfer tax for State Lands Stewardship. Of the \$25 million, \$20 million is recommended for parks and forestry recreational program. This is \$7 million more than appropriated in the prior year. The balance of \$5 million is recommended for fish, game and wildlife recreational programs, which is over \$4 million more than was appropriated in fiscal 2001. This will ensure that existing parks, wildlife, and recreation facilities are preserved, enhanced, and maintained. Projects proposed include repair to dams, rehabilitation of historic buildings, renovations to hatcheries, and improvements to roads, parking facilities, and bridges.

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 2002, \$25.5 million is recommended for hazardous discharge cleanup projects and \$20.8 million for loans and grants to both citizens and private businesses to facilitate underground storage tank cleanups.

Shore protection projects continue to revitalize and preserve the state's most valuable tourist attraction. The fiscal 2002 Budget recommends \$25 million from the dedication of the realty transfer tax. This will leverage up to \$57 million in federal funds and \$7.3 million in local funds for a total of \$89.3 million for shore protection and beach replenishment projects. Some of the shore protection projects planned for fiscal 2002 include beach fills at Ocean City, Cape May Inlet and Cape May Meadows, and Asbury Park.

In addition to shore protection, \$8.3 million is recommended for flood control projects to ensure protection of lives and property. This funding will generate an additional \$34.9 million in federal funds and \$2 million in local funds for these important projects. Some of the projects planned under this program include Ramapo River at Oakland, Green Brook, Passaic River, and the Shrewsbury River among others.

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 and wastewater treatment projects. In fiscal 2002, using federal funds, bonds, and other funding sources, the program will finance a total of \$115 million in projects.

Open Space Preservation

In 1998, voters overwhelmingly approved a ten-year initiative to purchase and preserve one million acres of open space. The program provides for purchase of open space, farmland 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 – providing a clean, green, and livable environment.

The fiscal 2002 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 2001 with the goal of preserving 100,000 acres each year.

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 its unique position, New Jersey's transportation system must enable businesses to respond to opportunities. The fiscal 2002 Budget provides \$709.5 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. By a referendum approved by voters in November 2000, the petroleum gross receipts tax and the portion of the sales tax attributable to new car sales are now constitutionally dedicated to the Transportation Trust Fund. When combined with available federal money and bonds issued by the Transportation Trust Fund, the Authority will have approximately \$2.2 billion available for transportation improvement projects in fiscal 2002.

Correctional Facilities

The aging infrastructure, safety, and security needs are of major concern at New Jersey's correctional facilities. To address these issues, this Budget recommends \$22.2 million for increased security and reconstruction and preservation projects. Of this amount, \$5 million is recommended for security improvements, \$7.3 million for fire safety code compliance, \$4.5 million for roof repairs and \$5.4 million for various preservation projects.

Colleges and Universities

New Jersey's colleges and universities are the foundation for economic growth, scientific research, and the development of future leaders, businesspersons, and professionals required to lead New Jersey and the nation into the 21st century. Since 1993, higher education facilities have received capital funding through a series of bond fund programs financed through the Educational Facility Authority (EFA) that provided \$1 billion in capital resources. These included the establishment of the \$100 million Equipment Leasing Fund (ELF) in 1993, the \$220 million Higher Education Facilities Trust Fund (HEFT) in 1994, the \$55 million Higher Education Technology Infrastructure Bond Fund in 1997, and the \$550 million Higher Education Capital Improvement Fund in 2000. In addition, a \$10.5 million General Fund capital appropriation is recommended in fiscal 2002 to support the construction of a new genetics/biomaterials building, a new bioengineering building and for athletic facilities at Rutgers, the State University.

The Equipment Leasing Fund provided higher education institutions with scientific, engineering, technical, computer, and communication equipment to meet new and advanced technology needs to support academic programs and research in science and technology. The Higher Education Facilities Trust Fund provided the necessary resources for construction, development, and improvement of instructional, laboratories,

communication, and research facilities. The Higher Education Technology Infrastructure Fund supplied the colleges and universities with up-to-date telecommunication and information technology, including connectivity within and among institutions, libraries, and elementary and secondary schools. Accordingly, all three of the bond funds served to improve and promote technical and scientific research and education. In fiscal 2001, the ELF program will be re-authorized to provide up to \$100 million in additional funds.

The \$550 million Higher Education Capital Improvement Fund was authorized 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, \$278.6 million has been issued in fiscal 2001, with \$271.4 million anticipated for fiscal 2002. The State will provide two-thirds of the debt service for public institutions and one-half of the debt service for private institutions.

Dormitory Safety Trust Fund Act

The safety of students housed in dormitories at secondary schools, military schools, boarding schools, and at institutions of higher education is a vital concern. Automatic fire suppression systems installed in buildings have been proven as a very effective method of preventing injury, death, and widespread damage. To ensure the safety of our students, the Dormitory Safety Trust Fund Act, enacted in July 2000, will provide up to \$90 million in interest-free and low interest loans financed through the EFA. For eligible higher education institutions, interest-free loans payable over 15 years will be available for installation of fire suppression systems. Private, secondary, and military schools will be eligible for low interest loans. For fiscal 2002, \$9 million is recommended to provide for the debt service cost of these bonds. Installations of fire suppression systems have begun and will be reimbursable from bonds issued by the EFA.

School Construction and Renovation Fund

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

To fund the program, the fiscal 2002 Budget provides a total of \$182 million, including \$65 million from the tobacco settlement, \$50 million from dedicated cigarette tax revenues, \$62 million from State Lottery

proceeds, and \$5 million from the Fund for Free Public Schools. In addition, \$60.7 million will be available from prior year balances. In fiscal 2002, these funds will provide debt service for State bonds issued in fiscal 2001 and 2002 and pay-as-you-go spending of \$100 million. The appropriation will also provide debt service on those projects eligible under the retroactive provisions of the law.

Human Services

The needs of New Jersey citizens who require special care are of utmost importance. The fiscal 2002 Budget provides a \$15.8 million capital program for the Department of Human Services' facilities. Included are \$7 million for a Statewide Automated Child Welfare Information System and \$8.8 million for various safety, preservation, and rehabilitation projects. In addition to these capital recommendations, \$11 million will be available through short term financing to install necessary sprinkler systems at Trenton and Ancora psychiatric hospitals and for three residential centers at the Division of Youth and Family Services.

Department of Law and Public Safety

For fiscal 2002, \$16 million is recommended for capital projects for the Department of Law and Public Safety, the State's lead law enforcement agency. The major projects to be implemented include \$9.7 million to continue technology enhancements for the State Police. These technology enhancements include a Fleet Management System, Accident Reporting Imaging, Missing Persons Tracking System, the Violent Crime Analysis Program, and funding for replacement of computers, servers, and network switches. To ensure that the State Police and other State, local, and federal emergency management personnel can provide the necessary relief in the event of major emergencies, \$1.3 million is recommended for an architectural and engineering study of a new emergency operations center. The balance of \$4.9 million will be used for various preservation, renovation, safety, and critical repair projects.

The Juvenile Justice Commission

For fiscal 2002, the Budget recommends \$9.4 million for the Juvenile Justice Commission. Of this amount, \$2.4 million will be used to upgrade the sewage plant at the New Jersey School for Boys and \$1 million will be used to replace furniture and equipment. The balance of \$6 million is allocated to preservation, safety, and renovation projects.

Department of Military and Veterans' Affairs

This Budget recommends \$7.9 million for various projects for the Department of Military and Veterans' Affairs. Last year's Budget included \$9.3 million to begin the construction of the new Vineland Veterans' Memorial Home. This year, an additional \$3.8 million is recommended for the Vineland Veterans'

Memorial Home to provide for additional space to meet federal regulations. This will complete the funding requirements for the construction of the Home. The balance of \$4.1 million is recommended for various armory preservation, rehabilitation, and safety projects.

Office of Information Technology

This Budget recommends \$6.9 million for acquisition of information technology equipment to upgrade and maintain the State's centralized technology office. Included in the funding is \$3.8 million for Garden State Network core upgrades, expansion of the network to eliminate redundancy, and development of an off site facility for network backup. The funding also provides \$1.2 million to automate the management of state documents and checks. The remaining \$1.9 million will provide for video-conferencing, voice-mail expansion, and other equipment upgrades.

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. Annually, the Department performs over 2 million tests in areas of infectious diseases, drug addiction, and specialized programs for under-served populations. This Budget recommends \$14.1 million for the Department, of which \$12 million is for an architectural and engineering design for a new state health laboratory to replace the existing 36 year-old facility. A new laboratory is necessary because the existing one is obsolete. The infrastructure has deteriorated and there is insufficient space in the existing facility to meet the technological requirements for today's scientific analysis. An additional \$2.1 million is recommended for equipment replacement and automation to ensure that the existing laboratory services are provided.

Public Library Grant Program

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

New Jersey Network

As a result of a Federal Communication Commission ruling that all television stations must convert to digital television, New Jersey Network faces significant capital needs. During the next seven to ten years all TV stations must begin to initiate broadcast in the present analog format as well as in high resolution,

wide screen, and multi-channel digital format. In fiscal 2001, \$5.7 million was appropriated for this purpose, and this Budget includes \$11.2 million to meet the second-year costs of the mandate.

Capitol Complex and Statewide Capital

It is the responsibility of State government to ensure that State buildings are safe, functional, efficient, and attractive for workers and visitors. For the fiscal 2002 Budget, \$12.8 million is recommended for various safety, preservation, and rehabilitation projects within the Trenton Capitol Complex. For statewide capital programs, \$28.6 million is recommended, including \$2.5 million for construction of alternative fuel stations, \$18.8 million to upgrade and improve the Garden State Network, \$3.6 million for computer network security equipment, and \$3.7 million for statewide rehabilitation and renovation projects.

Compliance Mandates

For the fiscal 2002 Budget, \$11 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 at State facilities, such as exposure to asbestos contamination, \$3.5 million is recommended. For removal of State owned underground storage tanks and to consolidate and upgrade the State's fueling sites, \$5 million is recommended. Such funds, combined with the \$20.8 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.

Other Departments and Agencies

The Department of Education will receive \$2.9 million for rehabilitation projects at the Katzenbach School for the Deaf and for projects at the various day schools. For the Department of State, \$800,000 is recommended for computerization and an architectural and engineering study for renovations at the State Library, and \$2 million is allocated for preservation projects at the State Museum and the Archives and Records Management Center. Furthermore, to ensure that the Division of Motor Vehicles provides the best possible services for New Jersey motorists, \$4.8 million is recommended for agency modernization, and \$2.7 million for roofs, HVAC replacements and other preservation projects.

Property Management

For fiscal 2002, \$175.6 million is recommended for office space and other rentals for State agency operations. This represents an increase of \$15.6 million for the Property Rentals budget over fiscal 2001. This recommendation will fund existing and anticipated leases, as well as lease-purchase agreements for buildings that will be eventually owned by the State. 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

New Jersey Building Authority

For the New Jersey Building Authority, \$74.1 million is recommended to meet the debt service for lease-purchase agreements, which is a \$419,000 decrease over fiscal 2001. The Authority last issued bonds in August 2000 for renovations of the Hughes Justice Complex and the Department of Transportation Building. The debt service for the Building Authority includes the South Woods State Prison, State House, State House Annex, Old Barracks, the War Memorial, the Taxation Building, and the Thomas Edison College restoration.

Economic Development Authority

For fiscal 2002, \$99 million is recommended for the Economic Development Authority, a net increase of \$51.1 million over fiscal 2001. Based on anticipated legislation, \$54 million is recommended for debt service on bonds to be issued by the EDA to re-finance county solid waste debt. In addition, \$10 million is recommended for the creation of an Urban Area Industrial Reuse Incentive Fund to initiate a grant program for urban areas to reuse existing buildings primarily for high tech business. Also, \$7.7 million is recommended for debt service on the expansion of the Liberty Science Center. Offsetting these increases is a decrease of \$20 million for one time appropriations provided in fiscal 2001 for Venture Capital (\$10 million), Commercialization Center (\$4 million) and New Technology Center (\$6 million) that will not be required in fiscal 2002.

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

Sports and Exposition Authority

For the fiscal 2002 Budget, \$48.1 million in debt service is recommended for the Sports and Exposition Authority. This is a continuation budget, required to support existing debt service and the Authority's capital renewal program. Projects sponsored by the Authority include Rutgers Stadium, the Meadowlands Complex, the new Atlantic City Convention Center, and the Wildwood Convention Center.

4



Fiscal 2002
Recommended Budget
(In Thousands)

General Fund

Direct State Services
\$1,256,584

Grants-In-Aid
\$596,123

Capital Construction
\$224,569

Total General Fund
\$2,077,276

Total State Recommendation
\$2,077,276

Interdepartmental Accounts

Overview

The fiscal 2002 Budget for all Interdepartmental Accounts totals \$2.077 billion, an increase of \$228.6 million, or 12.4%, over the fiscal 2001 adjusted appropriation of \$1.849 billion. The Interdepartmental Accounts provide funds for the cost of certain services that are administered centrally on behalf of all agencies of State government.

This section focuses on the \$1.450 billion in funding for: salary contracts for State employees; employee benefits; and other obligations and initiatives that benefit all State departments ranging from short-term borrowing costs to major investments in technology. This represents an increase of \$163 million, or 12.6%, over the fiscal 2001 adjusted appropriation of \$1.287 billion.

Highlights of the remaining Interdepartmental Accounts, including property rentals, utilities, insurance, and capital, with a budget recommendation of \$627 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 72,400 full and part-time workers, including 8,600 workers 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 through employee organizations certified or recognized as the exclusive collective negotiation representatives for units of public employees. As of January 2001, unions represent 88.4%, or 64,000 full-time and part-time state employees.

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), and State Policemen’s Benevolent Association (PBA) and two unions, CWA Professional and JCAU that represent Judicial employees have contracts in place for fiscal 2002. These agreements include the following increases in fiscal 2002:

- AFSCME: 2.0% across the board (ATB) increases in July and January plus a bonus;
- CWA: 2.0% ATB increase in July and January;
- IFPTE: 2.0% ATB increase in July and January plus a bonus;
- PBA: 2.0% ATB increase in July and January;
- CWA Professional: 2% ATB increase in July and 1.5% in January and;
- JCAU: 2% ATB increase in July and 1.5% in January

STATE EMPLOYEE UNION AFFILIATION	
<u>Unions</u>	<u>Full-time & Part-time Employees*</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 (IFPTE)	5,000
State Troopers Fraternal Association (STFA)	<u>2,600</u>
Total	<u><u>63,800</u></u>
*Excludes hourly & special services employees	

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

The December 1998 agreement with the State Troopers Fraternal Association (STFA) expired on June 30, 2000. With the exception of increments for eligible employees, no increases will be funded for these employees in fiscal 2002 until a new agreement is ratified.

Fiscal 2002 Budgeted Salary Increases

In fiscal 2002, \$149.8 million is recommended for Salary Increases and Other Benefits and includes \$104.3 million to cover fiscal 2002 employee increments, progressions, and across the board raises for all eligible employees, and bonuses according to contractual agreements. In addition, \$14.2 million is recommended for management and public officers, and bonuses, and \$8.7 million is recommended for Deferred Across the Board salary increases that are to be paid out in fiscal 2002. In fiscal 2001, funding for the State’s 12 colleges and universities’ salary increases was included in the recommendations for Higher Education. In

fiscal 2002, \$29.5 million of funding for these salary increases is included in the Interdepartmental Accounts.

Offsetting the recommended increases is a statewide managed attrition program of approximately \$13.9 million. The attrition program will permit departments to replace on average one of every three State funded employees who terminate voluntarily, assuming a normal attrition rate of approximately 900 per year. The allocation of attrition savings against each Department's salary program allocation will vary and ensures that the most critical staff such as direct care workers in the State's institutions and custody staff in the Department of Corrections are replaced.

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

To recruit and retain qualified employees in today's competitive workforce market, the State must continue to offer attractive benefit packages, while attempting to control growth in the overall cost of programs. The current benefit package includes 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, directly through payroll deductions and through co-payments or deductibles.

For fiscal 2002, a total cost of \$1.265 billion is budgeted to provide fringe benefits to employees of State government and higher education institutions, an increase of \$49.5 million, or 4.1%, compared to fiscal 2001. This \$49.5 million increase includes growth of \$46.0 million for health benefits, and \$31.5 million for employer payroll taxes, and a decrease of \$28.0 million for employee retirement costs.

The actual recommended appropriation for fiscal 2002 is \$52 million less than the budgetary needs due to reimbursement 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.

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

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 2002, 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 \$438.6 million. Of this total amount, the entire normal contribution of \$236.3 million for the defined benefit plans will be offset by surplus assets resulting from the Pension Security Program. The net result is a fiscal 2002 recommended appropriation of \$202.3 million, a decrease of \$28.0 million under fiscal 2001.

The net pension recommendation of \$202.3 million includes \$82.0 million of post retirement medical costs for the Public Employees' Retirement System and \$89.7 million of defined contribution costs for the Alternate Benefits Program. Another \$3.5 million is appropriated for pension funds and other specially legislated retirement provisions. Recommended appropriations for debt service payments on the pension obligation bonds for State and higher education employees total \$27.1 million in fiscal 2002.

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 calendar year 2001. This results in a continuation of the contribution reductions for all members of TPAF by 0.5%, and State members of PERS by 2.0% resulting in savings for employees.

EMPLOYEE BENEFITS		
	Adj. Approp. Fiscal 2001	Recommendation Fiscal 2002
	<i>(\$ in millions)*</i>	
Employee Retirement	\$230.3	\$202.3
Health Benefits	638.9	684.9
Employer Payroll Taxes	<u>398.7</u>	<u>430.2</u>
Subtotal	1,267.9	1,317.4
Fringe Reimbursements	<u>(52.0)</u>	<u>(52.0)</u>
Total Employee Benefits	<u>\$1,215.9</u>	<u>\$1,265.4</u>
*Includes Direct State Services and Grants-In-Aid		

Employee Health Benefits

The cost for health benefits, including medical, prescription drug, dental and vision, for State and higher education employees in fiscal 2002 is projected at \$684.9 million. This is a net increase of \$46.0 million, or approximately 7.2%, above the fiscal 2001 adjusted appropriation of \$638.9 million.

This growth is a result of anticipated rate increases for all State health plans reflecting continued cost escalation in the health care industry. Significant industry trends causing these increases include aggressive advertising of brand name pharmaceuticals, slower growth in managed care enrollment, a movement toward 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 rising health care costs while continuing to meet member needs. These existing and proposed programs are summarized below:

- The Participating Physician Network - The State, through a third party administrator, has access to an extensive network of doctors, hospitals and other health care providers who 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 pay 25% of the premium cost for their coverage; members of the various Health Maintenance Organizations (HMOs) contribute 5% of the premium cost. NJ Plus coverage continues 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 2002 recommendation of \$378.2 million for employer payroll taxes represents an increase of \$31.5 million, or 9.1%, over fiscal 2001. This includes \$363.9 million for the State's portion of the Social Security tax, \$7.9 million for Temporary Disability Insurance (TDI) and \$6.4 million for Unemployment Insurance (UI) liability. The taxable wage base for Social Security will increase from \$76,200 to \$80,400 in calendar year 2001. The taxable wage base for TDI and UI will increase from \$21,200 to \$22,100.

Other Interdepartmental

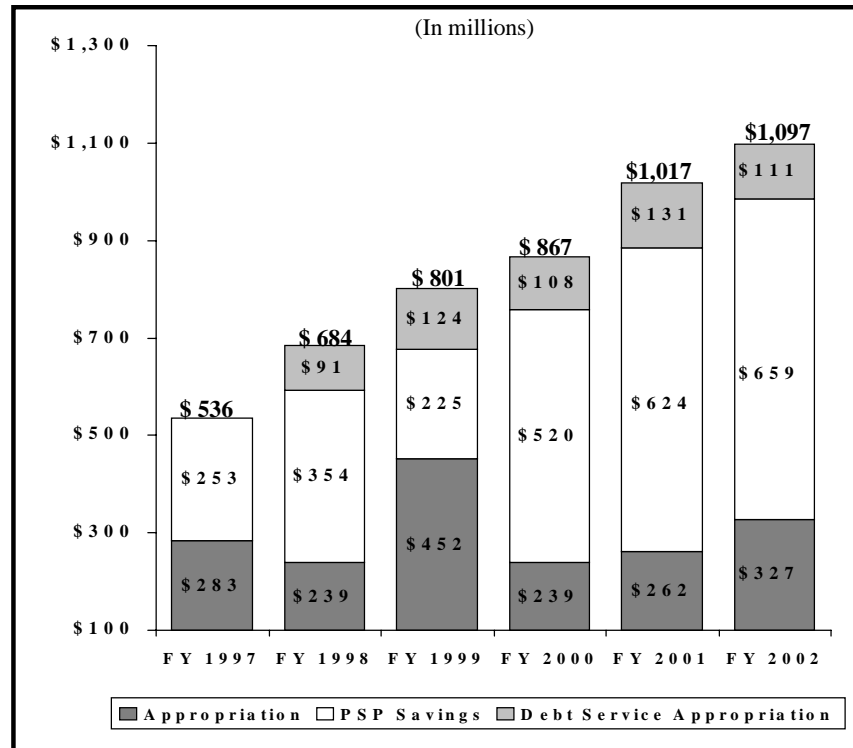
The fiscal 2002 Budget for other interdepartmental accounts totals \$34.7 million, a decrease of \$1.9 million, or 5.3%, less than the fiscal 2001 adjusted appropriation of \$36.7 million.

One of the major services included in fiscal 2002 is \$15.4 million for the Statewide 911 Emergency Telephone System. The remaining interdepartmental needs for fiscal 2002 include \$3 million for interest on interfund borrowing and \$8.1 million for several smaller programs that cross interdepartmental areas. Additionally, this Budget provides \$11.2 million for information technology. Highlights of the information technology initiatives are discussed in the Investing in Information Technology section of this document.

FULL FUNDING FOR STATE RETIREMENT SYSTEMS

The New Jersey Pension Security Program will result in budgetary savings of more than \$2.6 billion through fiscal 2002. This program has allowed the State to fully fund its defined benefit pension systems and to eliminate unfunded accrued liabilities. Associated employee savings resulting from the Pension Security Program as well, Chapter 415, P.L. 1999 will be approximately \$622.6 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 1997-2000 are actuals; fiscal 2001 are estimated and fiscal 2002 are projected.

4

Information Technology



Fiscal 2002
Recommended Budget
(In Thousands)

General Fund

Operating Budget
\$110,179

Capital Investments
\$6,850

Total State Recommendation
\$117,029

New Jersey Technology
Investments
\$35,150

Agency Specific Projects
\$51,133

Overview

The fiscal 2002 Budget for the Office of Information Technology totals \$117.0 million, an increase of \$4.3 million, or 3.8%, over the fiscal 2001 adjusted appropriation of \$112.8 million. Related information technology funding consists of \$35.2 million for New Jersey Technology Investments for the design and implementation of the components to transform New Jersey into the Online State, and \$51.3 million for new or increased funding for ongoing agency information technology specific projects.

The Information Technology (IT) Strategic Planning process, initiated in fiscal 2000, encourages departments to plan for new or changed initiatives and service needs. The annually updated plans are incorporated into the State of New Jersey IT Strategic Plan—providing IT solutions for common business needs. Common needs identified by the departments in their plans were: infrastructure upgrades, continuation of e-government initiatives and security for on-line transactions.

The following are the Office of Information Technology’s major responsibilities:

- Ensure the effective use of information technology throughout State government;
- Provide enterprise-wide leadership and technical support for the State’s use of information technology; and
- Provide a wide range of information technology services to State agencies and other partners of State government including 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.

Fiscal 2002 Budget for Office of Information Technology

The Office of Information Technology's (OIT) operating Budget for fiscal 2002 is recommended at \$110.2 million, an increase of \$8.4 million, or 8.3%, over fiscal 2001. This increase will address telecommunication switching costs associated with the conversion to National Crime Information Center (NCIC) 2000 for the State Police of \$4.8 million, and staff contractual increases of \$2.8 million. The remainder of the increase, \$800,000, will also address increased legal services costs, security concerns and additional telecommunication lines.

This Budget recommends a total of \$6.9 million in capital funding for OIT, including \$3.8 million for upgrades to the Garden State Network (GSN) core within the OIT domain and \$1.2 million to automate the management of documents, specifically checks and official state documents. Also recommended is \$400,000 for the purchase of a video bridging system, which will link videoconferencing equipment and systems at various State agencies. Funding of \$1.5 million is also recommended to transfer several different voice mail systems to the OIT supported "Sonja" system, and to purchase an upgraded automatic cartridge system to replace the present one, which is no longer vendor supported.

Statewide Enterprise Initiatives

The State of New Jersey is committed to using technology effectively to improve the way we deliver government services to the public. To continue these efforts in fiscal 2002, \$35.2 million is recommended for Technology Investments that will benefit all State departments.

Garden State Network (GSN) Improvements

For fiscal 2002, \$18.9 million is recommended to continue improvements to the GSN, and to upgrade departmental network infrastructures to create seamless statewide connectivity. Included in this recommended funding is \$4.6 million for core equipment upgrades to the GSN, \$850,000 for telecommunication switching technology to expand capacity, and \$5 million to continue the agency infrastructure upgrade program in which agencies can obtain funding for infrastructure projects based on demonstrated need. Also included is \$5 million to assist the Departments of Law and Public Safety and Human Services in preparing their networks to handle the capacity required as on-line activities increase, and \$3.4 million to upgrade the infrastructure at the 225 E. State Street office complex shared by a number of departments.

E-Government Implementation

Continuing the work begun in fiscal 2001 on the development of the on-line portal, \$1.9 million is recommended in fiscal 2002 for advancement of the State's web presence. The core structure has been put in place for the on-line portal with several services, such as car registrations, business-related applications and environmental permitting, up and running. Funding in fiscal 2002 will expand the portal with additional services for citizens, businesses and governments and will make the New Jersey Portal more interactive. Included is funding for web content coordination, facilitation and management, and implementation of an intelligent navigation tool which will assist users in reaching the services or information they require. Additionally, funding will be used to determine how to make the State's websites accessible for the disabled.

Security and Contingency Planning

The on-line communications network serving citizens, businesses and governmental entities must be secure to ensure that transactions are safe and user privacy is guaranteed. In fiscal 2002, \$3.6 million is recommended for the implementation of intrusion detection solution and monitoring systems. This funding will build upon the security already in place for the statewide network with additional safeguards for on-line transactions using the New Jersey Portal. An additional \$750,000 will be used to purchase and employ a standardized web tool which departments can access to develop standardized contingency plans and disaster recovery procedures.

Data Integration, Sharing, and Management

A total of \$2 million is recommended in fiscal 2002 to continue to integrate the massive amount of data kept by the State. In order for e-government applications to operate successfully, the data that is either submitted or requested must be readily accessible and in a common, user-friendly format. Funding in fiscal 2002 will build an enterprise integration layer of data that is common to all agencies.

Other Enterprise Technology Initiatives

In fiscal 2002, funding is recommended for three additional initiatives that will benefit all State agencies. Coordination of Geographic Information Systems (GIS) will achieve savings through economies of scale, cost avoidance and redundancy, and improved efficiency at the State agency, county and local levels. Funding of \$2 million will be available in fiscal 2002 to leverage federal funding and cost sharing with locals. In addition to GIS, \$3 million is recommended for the coordinated purchase of software licenses. Additionally, \$1.6 million will be available for departmental technology staff training. The E-Public Health initiative at \$1.5 million is discussed in the departmental initiatives section below.

Departmental Initiatives

A total of \$51.1 million is recommended for new agency-specific projects or increased needs for ongoing projects. This funding, which is budgeted in the respective user agencies, will address such projects as the Department of Community Affairs' on-line municipal budget reporting system, continued funding for enhanced technology for State Police reform, the Department of Human Services' automated Child Welfare system, the development of an integrated financial and administrative suite, and a number of other technology projects.

The State of New Jersey has made significant strides in how it provides services and information to its citizens such as the on-line permitting services provided by the Department of Environmental Protection, electronic tax filing for citizens and businesses by the Department of Treasury and on-line car registration by the Department of Transportation. Funding in fiscal 2002 will ensure that these efforts will continue and that the implementation of the necessary technologies will offer citizens and businesses even greater choices as to how they can interact with government.

Community Affairs

\$1.5 million is recommended to fund development costs for LUBARS, the local unit budget approval and reporting system. When fully implemented, this system will replace each municipality's current paper-based budget and financial report filing with a standardized on-line system.

Corrections

\$10.6 million is recommended for the implementation of an automated parolee case management system. The current manual system is inadequate to meet the needs of a dynamic community-based supervision agency. This system will allow for case planning, risk and needs assessment of clients, remote access, report generation, and real time data update. In addition to system development, funding will provide parole officers with laptop computers.

Education

\$500,000 is recommended for the purchase of *Mentor* software to be used on the Department's web site for teachers. This application will allow NJ teachers to standardize performance-scoring skills.

Environmental Protection

Capital funding of \$1.2 million is recommended to complete wiring upgrades at the Department's main building, which are critical to realizing the full performance potential of the Department's integrated on-line applications. Funding of \$850,000 is also recommended for hardware and software to allow the

agency to expand its on-line efforts. This will enhance the availability of environmental information for the public, and assist the department's staff with equipment needs for their role in promoting on-line business. The Pinelands Commission's development of an on-line system to streamline the development application process is recommended for funding of \$798,000 in fiscal 2002.

Health and Senior Services

\$1.5 million is recommended to web-enable the Birth Certificate system, NJ EASE applications, and begin Internet based registries for Trauma, Pediatric Emergencies, and data collection for EMS programs. This funding will continue the department's efforts in creating the on-line E-Public Health system, eventually providing the medical community with a statewide fully integrated health information network.

Human Services

\$7 million in capital funding is recommended for continued development and implementation of the Statewide Automated Child Welfare Information System (SACWIS). This system when fully implemented will provide the department with an integrated system to coordinate and monitor the needs of foster, adopted and abused children. Additionally, funding of \$696,000 is recommended for the purchase of technology equipment to meet the growing needs of the Medicaid Division.

Law and Public Safety

\$9.7 million in capital funding is recommended to complete the final phase of the multi-year implementation of technology enhancements for State Police Reform. Another \$300,000 is recommended for the Juvenile Justice Commission for staffing for an in-house technology unit.

Military and Veterans' Affairs

Funding of \$2.8 million is recommended for information technology improvements for the Department. These funds will address needs in infrastructure, hardware, software, and information technology staffing. These technology needs were identified in the Department's long-range IT strategic plan as vital in order to support the Department's staff, soldiers, airmen, veterans and community.

State

A total of \$1.4 million in capital funding is recommended for the Division of Records and Archives Management's centralized, micrographic program which will expand and diversify the Division's ability to provide specialized imaging services to State, county and local agencies. Another \$400,000 will be appropriated to the State Library to upgrade and acquire new equipment for users such as patron electronic access stations.

Transportation

A total of \$2.7 million is appropriated to the Department of Transportation in fiscal 2002 to fully fund the implementation of the Graduated License Program and Ten Year License Program. Additional funding of \$500,000 will cover the costs for a feasibility study on the development and maintenance of a computer database to verify insurance information for law enforcement agencies. Another \$826,000 is also recommended to fund 7 staff for DOT/DMV's technology unit as well as 9 staff in the Office of Information Technology dedicated to DOT/DMV projects.

Treasury

Funding of \$9 million is recommended for vendor costs associated with beginning implementation of IFAAS, the state's Integrated Financial and Administrative Suite project. Another \$400,000 is recommended for new technology equipment for Treasury's Management Information Services Unit and \$25,000 will be made available to the NJ Motion Picture and TV Development Commission for the creation of a liaison and contact database.

5



State Department & Commission Budget Recommendations

Overview

The State Department and Commission Budget Recommendations chapter provides information on all State departments and select commissions within the executive branch as well as the Judiciary, which is a separate branch of government. An overview is included for each section that describes major responsibilities, highlights of recent initiatives and accomplishments. A more detailed description of major initiatives and capital projects funded in the current budget year and the recommended programs and budgets for fiscal 2002 are included as well. A discussion of performance indicators is added this year for select agency programs.

5 Agriculture



Fiscal 2002
Recommended Budget
(In Thousands)

General Fund

Direct State Services
\$11,242

Grants-In-Aid
\$3,954

State Aid
\$9,542

Capital Construction
\$50

Total General Fund
\$24,788

Total State Recommendation
\$24,788

Overview

The fiscal 2002 Budget for the Department of Agriculture totals \$24.8 million, an increase of \$764,000, or 3.2%, over the fiscal 2001 adjusted appropriation of \$24.0 million.

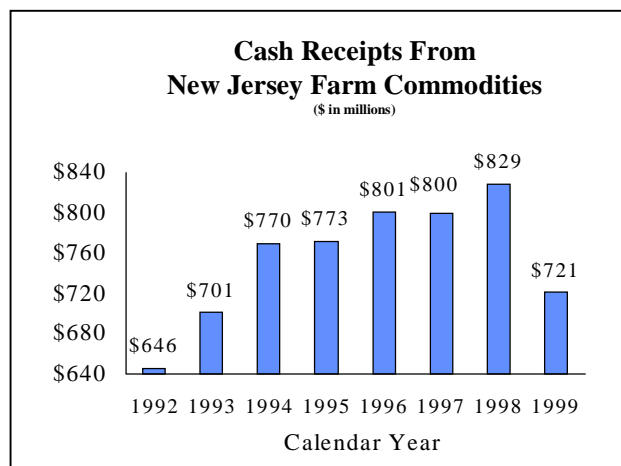
In fiscal 2000, the state's 9,600 farms covered 830,000 acres of land and brought in cash receipts totaling \$721.2 million. The average per acre value of New Jersey farmland was \$7,100, the highest average value in the nation.

The nursery, greenhouse and sod industry remained the leading commodity group in New Jersey agriculture with cash receipts of \$286.3 million. Cash receipts for vegetables totaled \$121.8 million, followed by equine at \$108 million and fruit at \$82.4 million. Field crops brought in nearly \$42.9 million while cash receipts for the state's dairy industry were \$42.1 million and poultry and eggs brought in \$26.8 million.

Central to the business of agriculture in the Garden State is the New Jersey Department of Agriculture (NJDA). The Department works to develop, promote and support New Jersey's agricultural and agribusiness industries while conserving and protecting the natural and renewable resources upon which agriculture depends.

NJDA also administers State and federal programs that protect and benefit consumers and help feed school children, residents in State institutions and the needy around the state.

NJDA's commitment to



...serving its many constituencies efficiently and cost-effectively will guide the Department and the agriculture industry well into the 21st century.

The following are the Department's major responsibilities:

- 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.

Establishment of the Garden State Preservation Trust in 1999 focused public attention on the importance of a strong, productive agricultural industry. Residents and visitors enjoy open space, beautiful scenic vistas, and environmental benefits, such as the wildlife habitats and groundwater recharges that agriculture provides.

During fiscal 2000, the Farmland Preservation Program, administered by the State Agriculture Development Committee, increased the amount of acreage permanently preserved to 64,739 acres. Approximately 70,000 acres were permanently preserved by the end of calendar year 2000.

Fiscal 2002 Budget

The Department's recommended fiscal 2002 Budget is \$24.8 million. This Budget maintains important and effective programs.

Included in the fiscal 2002 Budget is \$183,000 for a West Nile Virus Enhancement Program. Together with an anticipated \$42,000 in funding from the Mosquito Control Commission, the Department will be able to complete diagnostic testing with a focus on the impact of the virus on the state's equine industry.

Funding continues for the Jersey Fresh Marketing program at \$1.2 million and thus will continue to promote the awareness and consumption of New Jersey agricultural products on a state, regional, and international basis.

The Conservation Cost Share Program is recommended to remain at \$2 million in fiscal 2002. This appropriation includes \$1.2 million appropriated to the Department of Agriculture and an additional \$850,000 transferred from the Department of Environmental Protection's Water Management Constitutional Dedication account. This program will provide financial and technical assistance to farmers who implement conservation practices on their farm operations to help control non-point source pollution, such as fertilizer or pesticide runoff. This program helps improve the quality of New Jersey's waterways and ground water.

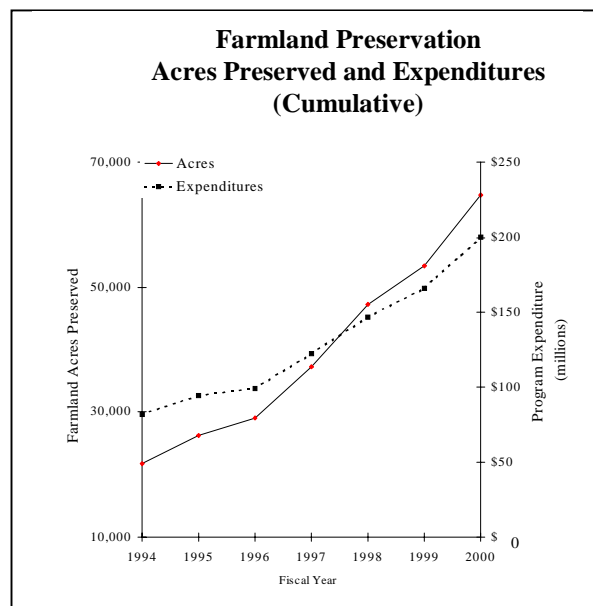
Funding for the School Breakfast Initiative has been increased by \$450,000 to meet the expected demand of New Jersey school districts. With this recommended increase, over \$2.3 million will be available to reimburse school districts. Program goals are to increase school breakfast participation to 40 percent of the participation in the School Lunch Program.

Funding for the Johne's disease control program and the plant pest detection program, provided in fiscal 2001, is continued into fiscal 2002. Johne's disease affects milk production in dairy cows. Continuation level 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 seriously negative economic impacts on the state's dairy farmers.

The plant pest detection program will augment current inspections for foreign plant pests and diseases at New Jersey ports-of-entry as well as at commercial locations throughout the state. 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.

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 by 2010. The SADC continues to encourage potential donors to pursue federal tax benefits created by donation of farmland preservation easements.



The fiscal 2002 Budget provides a \$1.1 million increase in the SADC's Budget. This increase is comprised of four initiatives. Additional staff for \$250,000 in the Farmland Preservation Program are needed to help meet the expanding workload brought about by increased funding provided by the Garden State Preservation Trust Act in recent years. Contributing to the workload are three new preservation programs established in fiscal 2001: SADC direct easement purchase acquisition, planning incentive grants, and non-profit grants. In addition, \$95,000 has been included for legal services due to the anticipated number of

contracts and assessments that are part of the new programs. A new Farmland Stewardship Program provides \$500,000 for 50% cost share grants to eligible farmers for projects designed to enhance the economic viability of their preserved farms. The final initiative provides \$250,000 for grants to counties for the administration of the Farmland Preservation Program. Funding is intended to stimulate involvement and address backlogs in the program by providing matching grants to county agriculture development boards.

Capital Recommendations

The fiscal 2002 Budget recommends \$50,000 to fund a cooling tower at the Philip Alampi Beneficial Insect Laboratory. In fiscal 2001, funds totaling \$150,000 were appropriated to replace two boilers and one cooling tower. This funding will replace the second cooling tower to ensure that beneficial insect colonies are not endangered by excessively high temperature.

5 Banking and Insurance



Fiscal 2002
Recommended Budget
(In Thousands)

General Fund

Direct State Services
\$63,313

Total General Fund
\$63,313

Overview

The fiscal 2002 Budget for the Department of Banking and Insurance totals \$63.3 million, an increase of \$57,000, or 0.1%, over the fiscal 2001 adjusted appropriation of \$63.3 million. This increase reflects additional support for actuarial services and the financial examinations unit.

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

The following are the Division of Banking's major responsibilities:

- 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 following are the Division of Insurance's major responsibilities:

- 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 in order to ensure solvency and appropriate policies for market conduct;
- Aggressively combat insurance fraud through prevention, investigation, and prosecution;
- Improve the efficiency and responsiveness of the rate-making and policy review process; and
- Process claims filed against the Unsatisfied Claim and Judgment Fund.

Highlights of recent Banking initiatives and accomplishments:

- Held three public hearings on the extent and nature of predatory financial practices in New Jersey, collecting testimony from industry representatives, citizen advocacy groups and citizens who believe they have been victimized by a predatory financial practice;
- Instituted a new consumer awareness campaign for high school students through senior citizens to increase financial literacy and teach strategies for avoiding predatory practices;
- Published the Consumer Guide to Bank Fees – the first such consumer guide in the nation – and released an updated Consumer Guide to Bank and Credit Union Fees, which for the first time incorporated fee data for credit unions and contained an in-depth comparison of bank fee charges; and
- Approved charters of six new State chartered banks, for a total of 30 since 1994, with one additional application pending.

Highlights of recent Insurance initiatives and accomplishments:

- Continued implementation of auto reform legislation by proposing changes to the medical fee schedule and by working to develop standards for re-drawing auto rate territories;
- Promulgated regulations that implement the Healthcare Information Networks and Technologies (HINT) law, Act, which establishes procedures for electronic claim filing, adds additional prompt-payment requirements and requires Health Maintenance Organizations (HMOs) to provide an internal and external appeals process for the resolution of claims payments issues;
- Published the Year 2000 New Jersey Homeowners Insurance Price Comparison Survey;
- Developed regulations to license entities that subcontract with HMOs and insurers to provide health care services and assume financial risk;
- Filed suit against recently failed HMOs to seek compensation for their creditors; and
- Based on legislation enacted this year, the Department distributed more than \$16 million through the Insolvent HMO Assistance Association to providers owed payments because of the insolvencies of HIP-NJ and APPP, two former HMOs.

Fiscal 2002 Budget

In the Department's budget, \$297,000 has been added to enhance Insurance operations. Continuing the past policy of this Administration, assessments charged to both the insurance and banking industries cover the State's entire cost associated with their regulation in fiscal 2002. Reductions totaling \$240,000 are recommended due to a loss of banking revenues and a transfer of staff from Banking to Insurance.

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.

Auto Insurance

Reforms of the Automobile Insurance Cost Reduction Act of 1998, which included implementation of tier rating, formed the basis of the promised restructuring of New Jersey's 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 "automobile urban enterprise zones" continues to make auto insurance accessible to drivers in urban areas. Automobile urban enterprise zones, which are comprised of the larger cities in the state, were created through law. The statute requires insurance companies selling auto coverage in the state to insure the same percentage of drivers living in urban enterprise zones as they do in the rest of the state. This reform process continues with the Automobile Territorial Rating Plan Advisory Commission, which will redraw and make recommendations to amend the 50-year-old territory system.

5



Fiscal 2002
Recommended Budget
(In Thousands)

General Fund

Direct State Services
\$20,486

Grants-In-Aid
\$550

Total General Fund
\$21,036

Total State Recommendation
\$21,036

Commerce and Economic Growth

Overview

The fiscal 2002 Budget for the New Jersey Commerce and Economic Growth Commission totals \$21.0 million, a decrease of \$640,000, or 3.0%, under the fiscal 2001 adjusted appropriation of \$21.7 million. The Budget recommended for the Commission will continue the expanded advertising and promotion efforts on behalf of the tourism industry and continue "The Innovation Garden State Marketing Program" to stimulate growth of the state's high technology industry. Recommended funding also will 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 following are the Commission's major functions:

- 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 2002 Budget

The Commission's fiscal 2002 recommendation includes the continuation of \$4 million for 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 trade and investment events to promote increased exports to world markets. Offsetting these amounts is the elimination of \$200,000 in appropriations for the Commission during fiscal 2000 related to International Trade expenses and \$75,000 for one-time development costs for Business Resource Centers.

New Jersey's economy is strong and healthy. Growth in personal income continues to support the robust economy, including retail sales increases and demand for new and existing homes. Business relocations generated an estimated 10,500 new jobs, according to a 1999 Commission study. The Urban Enterprise Zone (UEZ) Program, which will provide \$47.8 million to eligible local governments in fiscal 2002, has helped to create an additional 50,000 full-time jobs. To date, \$9.0 billion has been invested by UEZ businesses in eligible municipalities.

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, Petrochemicals, Pharmaceuticals/Biotechnology, and Telecommunications. These functions are continued in the fiscal 2002 Budget.

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 continues in coordination with the public/private partnership, Prosperity New Jersey. In fiscal 2002, \$2 million in State funds will be combined with \$4 million of private funds for the advertising campaign proclaiming New Jersey as "The Innovation Garden State."

The tourism industry is an economic powerhouse for the New Jersey economy. As the state's second largest industrial sector, tourism generated nearly \$24 billion in fiscal 1999 and 635,000 jobs. Recognizing this, the fiscal 2002 Budget for tourism promotion continues an increase of \$4 million originally funded in fiscal year 2001.

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

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 result, more than \$120 million in sales are projected for New Jersey companies in the near future.

Progress on Select Fiscal 2001 Initiatives

A funding increase of \$4 million was provided in fiscal 2001 for an initiative in the Commerce and Economic Growth Commission to expand the State's efforts to increase tourism.

The *Travel and Tourism Program* is a comprehensive State marketing approach. Progress to date follows:

- Television broadcast and print advertising placement and production are currently underway and include national cable and regional networks, consumer magazines, and international publications.
- Four separate tourism brochures are being developed in five additional languages: Spanish, Portuguese, French, German, and Japanese, and a tourism website continues to be upgraded and expanded to include these additional languages.
- Fishing, Historic, and Culture guides are being developed as complements to the New Jersey's Beaches, Shopping, Golf, and Lighthouses guides already available.
- A new Asian-American guide is being developed which will complement the *African-American Heritage Guide to New Jersey* and the *State of New Jersey's Latino Visitors Guide*. In November 2000, the Documents Association of New Jersey honored the *African-American Heritage Guide to New Jersey* as "State Document of the Year."

5 Community Affairs



Fiscal 2002
Recommended Budget
(In Thousands)

General Fund

Direct State Services
\$38,174

Grants-In-Aid
\$64,465

State Aid
\$18,462

Total General Fund
\$121,101

Property Tax Relief Fund
\$975,842

Total State Recommendation
\$1,096,943

Overview

The fiscal 2002 Budget for the Department of Community Affairs totals \$1.097 billion, an increase of \$52.6 million, or 5.0%, over the fiscal 2001 adjusted appropriation of \$1.044 billion. This is primarily the result of funding increases. This Budget includes an increase of \$52.3 million for five new or expanded municipal aid programs: Consolidated Municipal Property Tax Relief Aid (CMPTRA) (\$43.8 million), Local Unit Budget Approval and Reporting System (LUBARS) (\$1.5 million), Urban Coordinating Council (UCC) Neighborhood Grants Program (\$6 million), and Playground Safety (\$1 million).

The following are the Department's major responsibilities:

- Provide technical, advisory, and financial assistance to communities and individuals so that they may manage their own problems and circumstances—to help people help themselves;
- Provide programs and services that advocate for and represent local government and community group needs such as housing, local government finance, fire safety, child care, women's issues, disabled persons, low-income energy conservation, local police services, local government management, rooming and boarding houses, affordable housing, domestic violence, urban neighborhoods, and many other issues of community interest; and
- Serve as an advocate to coordinate resources to improve New Jersey's communities and the quality of life of individuals.

Highlights of recent Department initiatives and accomplishments:

- Since the adoption of the Rehabilitation Subcode in 1998, which promotes the reuse of older buildings, construction statistics show the amount of money spent on rehabilitation within Newark, Jersey City, Paterson, Elizabeth and Trenton increased from \$179 million to \$341 million;
- Awarded \$9.1 million in Small Cities Community Development Block Grant funds for a variety of projects to benefit low- and moderate-income residents in Atlantic, Burlington, Camden, Cape May, Cumberland, Mercer, Morris, Passaic, Salem, Sussex and Warren counties;
- Committed up to \$5 million as part of a public, private and non-profit sector initiative to revitalize the historic Parkside neighborhood in Camden; and

- Awarded Smart Growth Planning Grants totaling \$1,307,680 for a variety of redevelopment plans or design studies to Stafford Township, Hopewell Township, Warren County, Montville/Parsippany-Troy Hills Townships; Elizabeth City; Seaside Park, Somerset County, Edgewater, Morristown, Metuchen, Holmdel Township, Kenilworth, Camden County, Chesterfield Township/Burlington County, Egg Harbor City, and Newark.

Fiscal 2002 Budget

Financial Assistance

The proposed fiscal 2002 Budget for municipal aid programs includes \$1 billion in State Aid (\$18.5 million from the General Fund and \$975.8 million from the Property Tax Relief Fund) to New Jersey's municipalities. The municipal aid programs are increased a total of \$70.5 million, or 4.3%, over the fiscal 2001 adjusted appropriation.

The fiscal 2002 Budget continues two municipal aid programs created in fiscal 1997: 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, funded at \$25 million, provides annual State-funded property tax credits directly to residents in those communities which have implemented regionalization or other cost-saving measures.

The Special Municipal Aid Act will be funded at \$47 million. This program provides assistance to eligible municipalities experiencing serious fiscal distress. In return for this assistance, each municipality must consent to allow management and fiscal audits performed by the Department. The municipality must implement any fiscal recovery measures identified by these audits.

This Budget provides a recommended increase of \$43.9 million, or 5.6%, in the Consolidated Municipal Property Tax Relief Aid Program. Including an inflation increase and its merging with the Business Personal Property Tax Depreciation Adjustment (VERIZON), a total of \$831.6 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, continues to be funded at \$25 million.

This Budget also provides \$1.5 million for initial software development for the Local Unit Budget Approval and Reporting System (LUBARS). LUBARS, scheduled to be fully implemented in fiscal 2005 at a total cost of \$4 million, will enable the Division of Local Government Services to replace each of the state's 566 municipalities' current paper-based system of budget and financial report filing with a single,

standard web-based model, thereby freeing up departmental resources to focus solely on municipal budgets that are problematic.

The Urban Coordinating Council (UCC) Neighborhood Grants Program, another new initiative in the fiscal 2002 Budget, provides \$6 million in funding for the following four programs: \$2 million for the Police Community Partnerships Program to reduce crime, create safe havens, reduce social disorder, and revitalize neighborhoods; \$1.5 million for the School-Based Youth Services Program to prevent violence and teenage pregnancies through a range of support services in designated schools; \$2 million for the Mental Health and Substance Abuse Program to intercede with youth and young adult offenders with substance abuse and mental health problems prior to release from incarceration; and \$500,000 for the Grants Management Initiative to assist the UCC in expanding technical assistance to urban communities in obtaining matching federal and foundation funding.

This Budget provides \$1 million in matching (one-to-one) grant funding for another new fiscal 2002 initiative entitled Playground Safety. Funding for the latter will provide up to \$10,000 per municipality for enhanced playground safety throughout the state and will be available through the Department's Adopt-A-Neighborhood Program.

This Budget continues funding of \$250,000 for the Domestic Violence Training Cost Reimbursement Program. This 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 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 \$103.6 million to continue the services and programs of this component.

This includes continuation 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 (\$7.5 million), and the College/University Homebuyers' Fund (\$2.5 million).

Also continued is the Brownfields Redevelopment Grants funding of \$15 million. These grants are 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. As a result of the Brownfields Redevelopment Grants initiative, abandoned sites throughout the state are being redeveloped, leading to neighborhood revitalization, new jobs, and an expanded local tax base.

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.

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 2002 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. \$15 million is recommended to assist community organizations and local governments in delivering these services, and includes continued funding of \$750,000 for the Women's Micro-Business Pilot Program located within the Division on Women. This initiative provides 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, is recommended to receive an appropriation of \$2.1 million in fiscal 2002. 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.

Progress on Select Fiscal 2001 Initiatives

In fiscal 2001, \$15 million in new funding was provided for the Brownfields Redevelopment Grants initiative, which builds upon a previous initiative, the New Jersey Redevelopment Authority (NJRA) Urban Site Acquisition Program that provided funds to local governments to acquire or reacquire brownfields sites for potential development. The *Brownfields Redevelopment Grants* initiative works in partnership with other public and private funding sources to provide the funds necessary to remediate brownfields sites in preparation for development or redevelopment. Progress to date includes:

- As of November 2000, 30 proposals have been received totaling \$15.3 million.

- Seven projects have been approved for funding to remove underground storage tanks, clean up contaminated soil, sample soil and groundwater, and other ancillary clean up to prepare the properties for various commercial, industrial, and residential development or redevelopment in Urban Coordinating Council (UCC) cities throughout the state.
- \$1.5 million has been provided to support five projects. Two additional projects have been funded at \$984,000 to complete interim remediation required before a full plan to remediate can be considered. The Brownfields Redevelopment Grants provided 7.5% of the total development costs for the remediation.

5 Corrections



Fiscal 2002
Recommended Budget
(In Thousands)

General Fund

Direct State Services
\$789,386

Grants-In-Aid
\$143,699

Capital Construction
\$22,202

Total General Fund
\$955,287

Total State Recommendation
\$955,287

Overview

The fiscal 2002 Budget for the Department of Corrections totals \$955.3 million, a decrease of \$30.9 million, or 3.1%, under the fiscal 2001 adjusted appropriation of \$986.2 million.

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

The overall inmate population is projected to increase slightly in fiscal 2002. The number of State inmates committed to State corrections facilities, including county backup, is projected to be 30,900 by the end of fiscal 2002, an increase of 480 over the fiscal 2001 year-end projection. The Department also provides a range of programs including academic and vocational training, drug treatment, high supervision electronic monitoring/home confinement, and parole programs designed to reduce offender recidivism and enhance public protection.

The following are the Department's major responsibilities:

- Protect the public by housing and supervising sentenced offenders;
- Provide custody, care, discipline, rehabilitative programs, training, educational opportunities, and treatment of inmates; and
- Cooperate with other law enforcement agencies in pursuit of a unified system of criminal justice.

Highlights of recent Department initiatives and accomplishments:

- The Department recently completed a two-year staffing study by the National Institute of Corrections, which resulted in the recommendation to fund an additional 296 staff in fiscal 2002. This along with other initiatives will reduce overtime hours and result in a projected \$35 million savings in overtime costs.
- The Department will continue its efforts to enhance its data systems, including the automated calculation of parole eligibility dates, case tracking of offenders through the parole process, and automation of certain aspects of the notification to county prosecutors regarding parole releases.

Fiscal 2002 Budget

The Department's recommended Direct State Services and Grants-In-Aid Budgets total \$921 million for fiscal 2002, a net decrease of \$21.6 million, or 2.3%, from the fiscal 2001 adjusted appropriation. This decrease is attributable to reduced overtime hours, reductions in county jail backup costs, and a slower than expected increase in inmate population over the past two fiscal years.

Filling vacancies, adding 296 new custody positions, and a reduction in overtime due to a staffing analysis conducted in consultation with the National Institute of Corrections makes possible a decrease of \$35 million in overtime costs. The net savings after factoring the added costs of new hires is \$22.9 million. In addition, \$4 million is included to staff 352 new bed spaces at Southern State Correctional Facility and \$3.1 million is included to staff the 180 bed Boot Camp expansion at the New Lisbon Developmental Center.

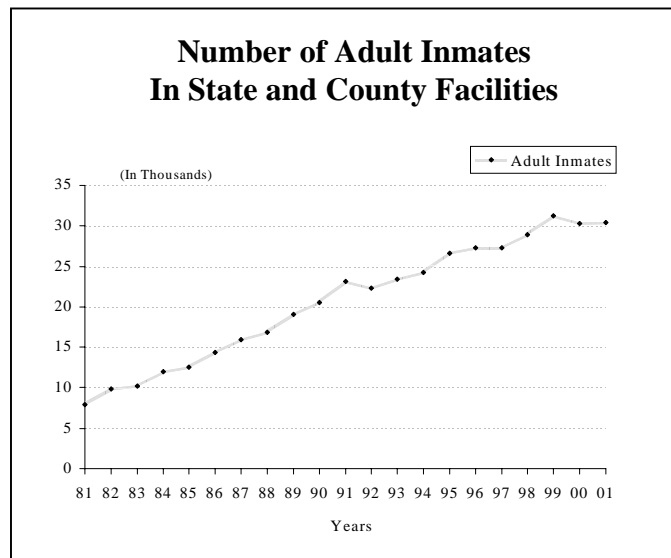
The Budget recommends a \$10.6 million increase for enhancements to the Department's data systems, of which \$800,000 is funded as capital. These funds will complete the overhaul of the Department's data collection and analysis systems. This upgrade will establish a single database to house inmate information for Department and parole tracking, and provide a central database for parole case management information.

Prisons

In fiscal 2002, \$719 million is recommended for State prison facilities and system-wide program support. This amount remains essentially unchanged from the fiscal 2001 adjusted appropriation, providing custody, supervision, education, treatment, and other programs for approximately 27,700 adult inmates in State prison facilities.

The Department will continue to fund the Inmate Work Details Program, which was initiated in 1998. These details provide services to local communities at levels

established in fiscal 2001. This program assisted in the cleanup of Tropical Storm Floyd, the cleanup of local roadways and other similar projects. The Department plans to establish a structured release processing and prosecutorial notification system that will include a formal intake and discharge planning system for all inmates. Funding of \$3 million and 54 positions has been included in fiscal 2002 to

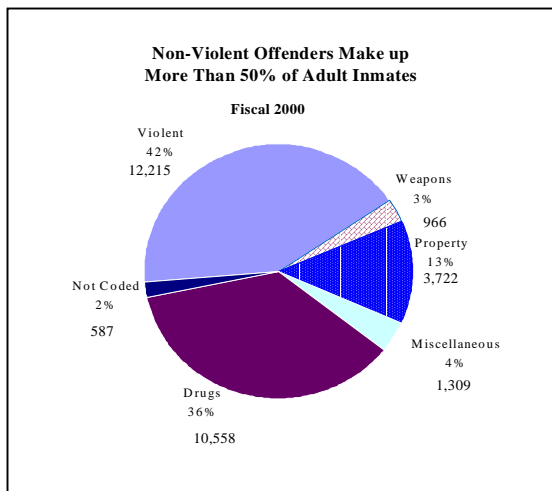


support this initiative. To further enhance security at prisons, two canine perimeter patrols will be funded for a total of \$164,000 at Bayside State Prison and Central Reception and Admissions Facility.

Parole and Community Programs

The Department will continue to supervise offenders who have been released on parole by the State Parole Board. In this regard, parolees requiring intensive supervision are assigned to the following specialized programs: Electronic Monitoring/Home Confinement (EM/HC), Intensive Supervision Surveillance Program (ISSP), and High Impact Intensive Parolee Drug Program (IPDP). The Department's Division of Parole is responsible for monitoring parolee compliance with special release

conditions imposed by the State Parole Board and the collection of fines, penalties and restitution payments owed by parolees.



The link between alcohol, substance abuse, and crime is well established; however, for many inmates their most serious charge is a non-violent drug offense. A Drug Court pilot project, implemented in fiscal 1998, will be continued in fiscal 2002 with 200 residential treatment slots to rehabilitate these types of offenders. The Judiciary oversees intensive drug treatment for

carefully screened non-violent, addicted offenders, with sentencing geared toward residential drug treatment programs in lieu of incarceration. This rigorous residential drug treatment program 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.

State Parole Board

The State Parole Board's budget is recommended at \$12.1 million, an increase of \$1.2 million, or 11.3%. The Parole Board has successfully eliminated all hearing backlogs during fiscal 2001 through extraordinary staff effort exceeding normal case processing volume. In order to sustain this effort in fiscal 2002, funding for Parole Board enhancements is recommended to include an additional 15 Institutional Parole Counselor staff to process caseloads, track and monitor each case, determine parole eligibility and complete other pre-parole related case management functions. Seven more staff will provide related administrative and clerical support, and another six staff are recommended for the development, documentation, testing, and verification of new system applications and enhancements designed to ensure accurate parole eligibility date calculation and strengthen existing business processes.

Capital Recommendations

This year's Budget recommends \$22.2 million for various construction projects at correctional facilities, with an emphasis on bed space preservation, security improvements, safety compliance and system hardware. This recommendation provides funding for:

- Continuation of the Department's Perimeter Security Enhancement program;
- Fire safety repairs, and renovations that will bring correctional facilities into compliance with State code;
- Critical maintenance and facility roof repairs for specific facilities;
- Completion of the Albert Wagner Water Treatment Plant Expansion Program, which was initiated in fiscal 2001; and
- Hardware purchases associated with system upgrades.

5 Education



Fiscal 2002
Recommended Budget
(In Thousands)

General Fund

Direct State Services
\$56,717

Grants-In-Aid
\$6,429

State Aid
\$100,216

Capital Construction
\$2,930

Total General Fund
\$166,292

Property Tax Relief Fund
\$7,169,138

Total State Recommendation
\$7,335,430

Overview

The fiscal 2002 Budget for the Department of Education (DOE) totals \$7.335 billion, an increase of \$582.5 million, or 8.6%, over the fiscal 2001 adjusted appropriation of \$6.753 billion. Over 99% of this amount consists of State Aid payments to local school districts. Increased funding in fiscal 2002 will provide additional State Aid to districts, as well as positioning the Department to implement the provisions of the Educational Facilities Construction and Financing Act signed on July 18, 2000, so that every student will be educated in an safe, secure environment that is conducive to achieving academic success.

The primary mission of the Department of Education is to ensure that all students demonstrate high levels of achievement through attainment of the Core Curriculum Content Standards, which define the knowledge and skills that students must acquire by the time they graduate high school. These 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.

The Department is committed to providing educators with the proper training and skills to assist students in meeting these standards, and ensure that all children are educated in a school system that is both programmatically and fiscally sound. To this end, the Department and the State Board of Education promote policies that will positively impact the social, emotional and intellectual needs of all students.

The following are Department's major responsibilities:

- 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:

- Pursuant to the Educational Facilities Construction and Financing Act, the first of the long-range facilities plans for the Abbott districts was approved in December 2000. The Department intends to grant final approval for the facilities plans of all 30 Abbott districts by February 2000, in addition to approving long-range plans for the 570 non-Abbott districts.
- A total of 370 schools have implemented, or are in the process of implementing, whole school reform curriculum models. When the final cohort is approved early in 2001, a total of 434 elementary and secondary schools in the Abbott districts will have selected a whole school reform model. The Department continues to assist districts with fiscal and programmatic issues related to the implementation of these reform issues.
- There are currently 54 charter schools in operation, with another 9 schools taking a planning year with expected start-up in September 2001. In addition, 27 schools have applied for charters for the 2001-2002 school year. The Department recently announced the approval of nine charters in January 2001.
- The first ten choice districts became operational for the 2000-2001 school year, and an eleventh district is expected to open in September 2001. These eleven choice districts will offer approximately 740 seats to out-of-district students during the 2001- 2002 school year.
- A total of 1,115,000 students are connected to the Internet in New Jersey public schools and approximately 72% of all classrooms now have Internet access. The percentage of schools with distance learning capabilities has also grown to 68%. In addition, the ratio of students sharing each multimedia computer has dropped from 7.2-to-1 to 5.3-to-1 in just one year. The Department's goal is to provide a computer access ratio of 5-to-1.

Fiscal 2002 Budget

The fiscal 2002 Direct State Services Budget continues to support the Department's goals with a recommended budget of \$56.7 million including \$2.8 million for the operation of the Department's Facilities Review Unit. This unit will provide extensive review of facilities plans, and ensure that districts are held strictly accountable for the use of these funds.

With the passage of the Educational Facilities Construction and Financing Act, \$8.4 billion will be made available to school districts across the state as part of the largest, most comprehensive school construction project nationwide. Because the school construction program will address facilities needs in both Abbott and non-Abbott districts, all districts are required to submit five-year facilities plans which will be reviewed by the Department of Education. The State will provide 100% of an Abbott district's approved project costs, while all other districts are guaranteed a minimum of 40% of approved project costs.

The Budget increases funding for New Jersey Professional Education Port (NJPEP), the Virtual Academy, \$500,000 to \$1 million in fiscal 2002. This initiative currently provides online training and interactive workshops to New Jersey teachers, giving them the support needed to bring the Core Curriculum Content

Standards into the classroom. The \$500,000 increase will allow the Department to expand this initiative to include customized scoring modules linked to the State's three assessment levels – the Elementary School Proficiency Assessment; the Grade Eight Proficiency Assessment; and the High School Proficiency Assessment. Using digitized images of actual student papers, teachers will practice applying scoring rubrics to gain a better understanding of performance scoring. By comparing their scoring to the scores assigned by experts, the system gives teachers individualized feedback on their progress.

An increase of \$442,000 is recommended for the Charter School program in fiscal 2002. Of this amount, \$242,000 will provide the Department with the additional staff needed to address the growing demand for charter schools in New Jersey. There are currently more than 10,000 students being educated in New Jersey charter schools. The Budget also provides \$200,000 to support capacity building technical assistance for new charter schools.

As in past years, the Budget provides significant funding to support the Department's implementation of the Statewide Assessment Program. A recommendation of \$16.7 million is included in fiscal 2002. The successful implementation of this program will allow the Department to measure student attainment of the Core Curriculum Content Standards at three grade levels: the Elementary School Proficiency Assessment (ESPA) tests basic skills in Grades 4 and 5, the Grade Eight Proficiency Assessment (GEPA) identifies students in danger of not meeting the standards in Grade 8; and the High School Proficiency Assessment (HSPA) is administered in Grade 11.

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

Grants-In-Aid funding of \$6.4 million is recommended in fiscal 2002. This includes a \$3 million appropriation required under the Educational Facilities Construction and Financing Act to provide additional funding for apprenticeship programs registered by the federal Bureau of Apprenticeship and Training in the United States Department of Labor. Under the provisions of this law, the Department of Education will work with the Department of Labor to establish guidelines for the distribution of funds to eligible entities such as county colleges and vocational schools, with the provision that the majority of funding be allocated to apprenticeship programs in urban areas.

State Aid

School Aid recommended for fiscal 2002 totals almost \$7.3 billion, an increase of \$585.1 million, or 8.8%, over fiscal 2001. Of this amount, over \$6.3 billion in Direct Aid awards represent a \$473.6 million increase over fiscal 2001 funding levels. The remaining \$904 million is allocated for post retirement medical payments and debt service on pension bonds, and the employer's share of social security payments

for teachers made by the State on behalf of local school districts. In addition, \$182 million is provided for the School Construction and Renovation program budgeted in the Department of the Treasury for the Economic Development Authority, bringing total recommended school aid for fiscal 2002 to over \$7.4 billion.

Direct Aid formula increases are generally driven by enrollment growth and the annual increase in the Consumer Price Index (CPI) as required under the Comprehensive Educational Improvement and Financing Act of 1996 (CEIFA). Most of the formula programs incorporate these factors in determining annual funding amounts.

The fiscal 2002 Budget increases Core Curriculum Standards Aid by \$134.8 million to \$3.1 billion. This is the largest single component of the Direct Aid programs. Parity Remedy Aid will grow to \$439.8 million and additional Abbott v. Burke State Aid is estimated to increase \$74.7 million to \$248.7 million. The final amount will be adjusted upward or downward after review and approval of the Abbott district budgets in the spring of 2001.

Special Education Aid increases to \$895.5 million, providing \$135.2 million in additional funding for students with disabilities. In addition, \$15 million in Extraordinary Special Education aid is available to districts with per pupil placement costs in excess of \$40,000 or to those districts that experienced enrollments with extraordinarily high numbers of special education students.

The recommended increase of \$43.5 million for Supplemental Core Curriculum Standards Aid reflects continued 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 \$328.6 million in fiscal 2002. 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 a \$106 million appropriation in the Department of Human Services budget, which will be used to improve the quality of early childhood programs and to provide full-day/full-year preschool programs for 3- and 4-year-olds in the Abbott districts.

The Budget recommendation also includes funding of \$59.1 million for Distance Learning Network Aid, increasing \$2.3 million from fiscal 2001. 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 Budget proposes a \$14 million appropriation to expand the Teacher Quality Mentoring partnership between the State and the New Jersey Education Association (NJEA), providing 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 with the cost of the mentor's stipend to be borne by the State. 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. Currently, the program is operating in 15 pilot districts; however, the increased appropriation will allow the program to be offered to all districts across the state.

The Budget recommendation also includes \$97 million for Nonpublic School Aid, an increase of almost \$3.0 million. This includes a recommendation of \$8 million in funding dedicated to technology for nonpublic school students.

Capital Recommendations

This Budget recommends \$2.9 million for capital projects for the Department of Education. This includes \$1.4 million for various renovation projects at the Marie H. Katzenbach School for the Deaf, \$1.3 million for a roof replacement at the Bergen Regional School, and \$250,000 for preservation projects at the Essex and Middlesex regional schools.

Progress on Select Fiscal 2001 Initiatives

Four new initiatives are being implemented in fiscal 2001: \$4.8 million was provided to support a voluntary, Character Education Program; \$2.0 million for Teacher Quality Mentoring; \$500,000 for the Virtual Academy NJPEP; and \$1.2 million for the NJ GAINS. Progress to date on each initiative follows.

The *Character Education Program* offers funds to school districts and approved charter schools in the state to incorporate character education into the curriculum.

- Through November 2000, 619 of the 627 (i.e., 98%) public school districts and approved charter schools are implementing character education programs in at least one school.
- Participating schools are implementing any one of a variety of well-known Character Education Programs of Merit or other models developed by the schools that promote pro-social student behaviors and creates a positive school climate.
- Each school district receives a minimum of \$4,000; those with enrollments above 1,358 receive an additional \$2.95 per resident student.

The *Teacher Quality Mentoring Program* was funded to expand the state's one-year mentoring program to a two-year program. The program will provide improved support and assistance to new teachers in school districts, on a pilot basis, in an effort to reduce first-year and second-year attrition among novice teachers.

- 15 school districts are involved in the pilot.
- Teacher mentor training, now being developed in collaboration with the New Jersey Education Association, will be conducted during May and June of 2001.

The *Virtual Academy—NJPEP (New Jersey Professional Education Port)* was funded to develop a professional development web site for New Jersey's teachers.

- Website development has resulted in offering teacher professional development and classroom materials and resources, which support the understanding and implementation of the NJ Core Curriculum Content Standards, Frameworks, Skills, and Assessments, as well as the NJ Professional Development Standards. The web site is found at <http://doe.state.nj.us> under the bullet "NJPEP – Virtual Academy."
- As a result of an intensive publicity campaign in school districts, meetings and conventions across the state, the number of NJPEP website visitors has tripled over the past three months.
- New Jersey is the only state to have an extensive professional development website (NJPEP) available for teachers, and has been invited by Massachusetts and Washington to participate in the development of a similar portal website to be shared among the states. Other states also have expressed interest in joining this partnership.
- To support understanding of the Language Arts standards and assessments, a textbook evaluation tool is now available on the website to enable teachers and curriculum coordinators to assess whether the textbooks they are considering meet the NJ standards, skills, and assessments.
- A tutorial, *Interpreting Test Results*, developed by the Rutgers Graduate School of Education, is now available for parents, teachers, and administrators to better understand student performance on the New Jersey Statewide Assessments.

The *NJ GAINS (Gaining Achievement in the New Standards) Program* was funded to build on the previous FANS—Families Achieving the New Standards—Project, which covers math, science, and technology and is still being coordinated by the Math Coalition. GAINS is being implemented to increase parent awareness and understanding of the New Jersey Core Curriculum Content Standards.

- Parent Workshops are under development for Language Arts Literacy and World Languages.
- Teacher training to prepare teachers to conduct the Parent Workshops began in December 2000; Parent Workshops will be conducted during Spring 2001.
- Over 1500 teachers will be trained over two years. It is anticipated that 75% of all districts will have teachers trained and Parent Workshops conducted by the end of fiscal 2002.

5 Environmental Protection



Fiscal 2002
Recommended Budget
(In Thousands)

General Fund

Direct State Services
\$220,520

Grants-In-Aid
\$8,850

State Aid
\$18,070

Capital Construction
\$116,185

Total General Fund
\$363,625

Property Tax Relief Fund
\$9,823

Total State Recommendation
\$373,448

Overview

The fiscal 2002 Budget for the Department of Environmental Protection (DEP) totals \$373.4 million, an increase of \$32.2 million, or 9.4%, over the fiscal 2001 adjusted appropriation of \$341.3 million. Major increases are recommended for watershed-based water quality improvements and State lands stewardship. Other increases will allow DEP to improve air quality by restricting hazardous air pollutants and creating an inventory of mobile sources of air emissions; address nonpoint source pollution by regulating storm sewer systems, fixing septic systems, and regulating agricultural runoff from farms; and protect the state's natural resources by assessing marine fish stocks, managing the bear population, and ensuring dam safety.

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. DEP's Budget also includes funding for the Pinelands Commission and for the administration of the Palisades Interstate Park Commission in conjunction with the State of New York.

The following are the Department's major responsibilities:

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

Highlights of recent Department initiatives and accomplishments:

- The initiation of watershed management planning activities in all 20 of the state's watershed management regions;
- Participation in four lawsuits against midwest coal-fired electric generating plants for violations of the Clean Air Act;

- Preservation of 168,626 acres of open space since May 1997, including 3,102 acres through the permanent retirement of Pinelands Development Credits. Nearly 63,000 acres were preserved during the last calendar year; and
- E-government initiatives that allow businesses to apply for permits and file required reports electronically and allow citizens to identify neighborhood brownfields and contaminated sites over the Internet.

Fiscal 2002 Budget

Watershed Management

The fiscal 2002 Budget recommends an increase of \$9.1 million for watershed management, comprised of an additional \$3.3 million from the Corporation Business Tax (CBT) dedication and other General Fund sources, \$3.3 million from the Safe Drinking Water Fund, and \$2.5 million in new federal funds. This will increase DEP's total budget for watershed management from \$21 million to \$30.1 million, or 43%, made up of \$10.4 million from the CBT, \$4.3 million from the General Fund, and \$15.4 million from federal and other sources. Included in the increase is \$5 million for "Action Now" projects – water quality intervention initiatives that will have an immediate impact on restoring impaired waters. These projects are the result of the stakeholder-based watershed management planning efforts undertaken by the DEP since 1998.

The Watershed Management Program partners the Department with local stakeholders to address water quality and water quantity issues in each watershed. Watershed partners work with DEP to develop solutions to restore impaired waters and maintain clean ones on a "drainage basin" basis rather than a "discharge-by-discharge" basis. Increased funding provided in fiscal 2000 and 2001 allowed the Department to initiate watershed management planning activities in the state's 20 watershed management regions. The fiscal 2002 increase will continue DEP's support of local planning activities, implement Action Now intervention initiatives, undertake river restoration plans, and implement new Watershed Management rules.

Open Space: State and Local Lands Stewardship

The fiscal 2002 Budget proposes a \$25 million statutory dedication from the realty transfer fee for capital improvements in State parks and natural areas. This dedication represents a \$12 million increase over the capital appropriation provided for this purpose in fiscal 2001, and it will advance the Administration's goal to create a world class parks system. The 19 proposed projects will serve to improve New Jersey's recreational areas. The dedication includes \$20 million in parks capital projects, including improvements to day use areas, overnight facilities, roads, parking, and bridges. The remaining \$5 million will fund Fish & Wildlife capital projects including a computerized point-of-sale licensing system, dam repairs, and

improvements to State fish hatcheries. Implementation of the licensing system will improve DEP's efficiency in collecting hunting and fishing fees and will reduce associated administrative costs.

A new \$8 million Land Preservation initiative is added providing grants to municipalities to acquire land at imminent risk of being developed. This new program will enhance all current efforts to permanently preserve land for recreation and conservation purposes by allowing for the purchase of land in an accelerated manner.

The Budget also reflects a \$2.5 million increase for local park development by allocating an increase in federal funds to the Garden State Preservation Trust for this purpose. This will bring annual State funding for local park development from \$10 million to \$12.5 million, providing a 25% increase in project funding for this critical need.

Dam Safety

Several storms over the past few years, including Tropical Storm Floyd, resulted in a number of dam failures in New Jersey. These failures highlighted the need to increase the State's dam repair and inspection efforts. The Budget includes \$10 million from the General Fund for the repair of dams statewide. In addition, \$930,000 is added to the Dam Safety Program to continue an initiative begun in fiscal 2001 nearly doubling the program's staff from 11 to 21, thus allowing the Department to increase its dam inspection efforts. Fiscal 2002 funding for the Dam Safety Program also reflects the transfer to the General Fund of a portion of the program's administrative costs that were previously charged to bond funds.

Clean Air

The Clean Air Compliance Program receives an additional \$220,000 in fiscal 2002 to reduce citizen exposure to air toxics. The funding will enable the Department to restrict hazardous air pollutants by applying new federal air toxic standards at industrial facilities by type of industry. The standards apply to a variety of industries ranging from major pharmaceutical companies to local dry cleaners. An additional \$125,000 is recommended to develop emission inventories of mobile sources of air pollution. This initiative is a natural extension of new funding provided in fiscal 2001 for enhanced air toxics monitoring of stationary sources of air pollution. Combined, these initiatives greatly enhance the State's capacity to address all sources of air pollution.

Nonpoint Source Pollution Initiatives

Increased funding of \$190,000 is provided for other water nonpoint source pollution initiatives. These funds will enable the Department to develop program regulations and permits for county and municipal

government storm sewer systems and facilitate the regulation and permitting of runoff from farms that contribute to surface and ground water pollution.

Marine Fisheries Management

The Budget provides \$260,000 for marine fish stock assessment. Funds will be used to collect population data for selected marine fish species such as summer flounder, bluefish, and sea bass, in order to ensure that these species are not being negatively impacted by point and nonpoint source discharges. This program will also benefit New Jersey fishermen by impacting fishing quotas set by the Atlantic States Marine Fisheries Commission (ASMFC). Because species counts sometimes vary sharply from state to state, quotas set by the ASMFC in the past may have incorrectly reduced the quotas for New Jersey's fishing industry.

Bear Management

The Budget provides \$827,000 for a continuation of the Department's increased bear management efforts begun in fiscal 2001. The bear population has grown and expanded its range in New Jersey, resulting in an increasing number of contacts between people and bears, particularly in rural areas or in areas of new or expanded development. This funding allows the Department to establish a comprehensive bear management strategy aimed at reducing the amount of contact between humans and bears and ensuring the safety of New Jersey's citizens.

West Nile Virus

An increase in excess of \$1.9 million, shared among the Departments of Environmental Protection, Agriculture, and Health and Senior Services, will heighten the State's efforts to track and control the West Nile Virus. This increase in funding will allow for expanded human, mosquito, bird, and equine testing for surveillance and diagnostic purposes to more effectively determine the virus' intensity, geographic spread, and impact.

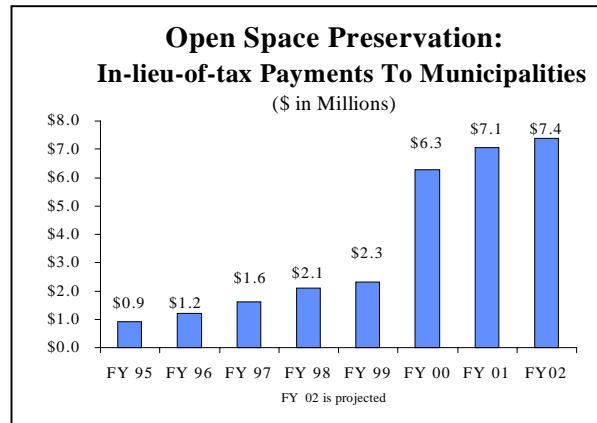
The Department of Environmental Protection's Mosquito Control Commission will receive an increase of \$308,000 for Vector Surveillance and Mosquito Analysis. The Commission also receives a recommendation of \$810,000 in capital funding for heavy equipment replacement. This is an increase of \$560,000 over the Commission's capital appropriation in fiscal 2001. The Department's Division of Fish & Wildlife joins the efforts to monitor the West Nile Virus in fiscal 2001. An additional \$79,000 is recommended to begin a program to monitor the virus in New Jersey's wildlife population.

State Aid: Pinelands Commission

The Pinelands Commission's Budget recommendation reflects an increase of \$1.5 million or 56% above the fiscal 2001 appropriation, for a number of new initiatives. An \$800,000 information technology initiative will enable the Commission to reduce processing time for permit applications, expand participation of municipalities and counties in the implementation of the Pinelands Comprehensive Management Plan, and increase assistance provided to the public. Other budget increases include funding for preservation of historical records through microfilming, structural improvements to the Commission's current office building, and operation and maintenance of the Commission's newly constructed Richard J. Sullivan office building, due to open in fiscal 2002. The Pinelands Development Credit (PDC) permanent retirement program receives a budget recommendation of \$7 million for fiscal 2002 with authority for an additional \$13 million, if required.

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 \$7.4 million in fiscal 2002. The increase of \$300,000 over the fiscal 2001 level is



associated with the preservation of an estimated 13,300 new acres of State and nonprofit owned land during 2000.

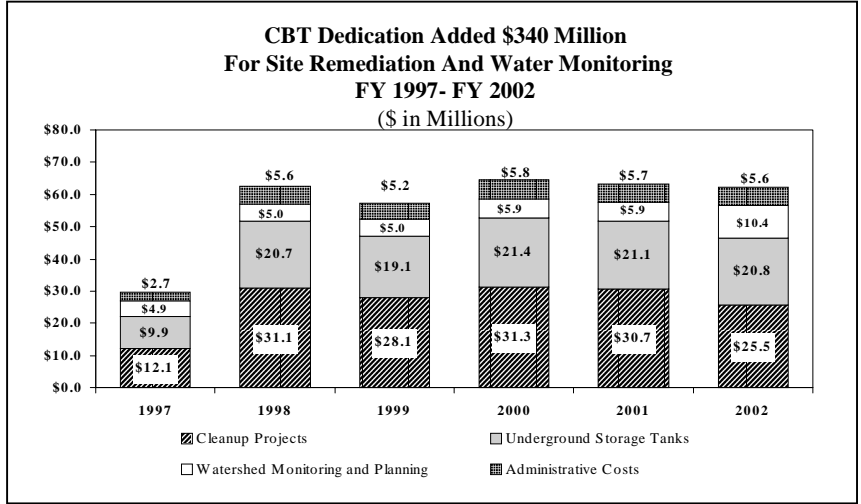
State Aid: Recycling Grants to Localities

In fiscal 2002, the Department will continue providing recycling grants to local governments, despite the continued lack of a dedicated fund for recycling. The fiscal 2002 program will be funded at a level of \$5.5 million from the General Fund.

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 revenue projections, the Department will receive \$62.3

million from the CBT dedication in fiscal 2002. This is a drop of \$1.1 million from the fiscal 2001 funding level, due to the projected drop in CBT revenues. Watershed Planning is allocated one-sixth of the dedication, or \$10.4 million, which represents the constitutional minimum of \$5 million plus the entire \$5.4



million discretionary amount of the dedication. The fiscal 2002 recommendations for the two capital funding areas are \$25.5 million for hazardous discharge remediation capital projects and \$20.8 million for the private underground tank mitigation program. Administration of the hazardous discharge cleanup program is \$5.6 million.

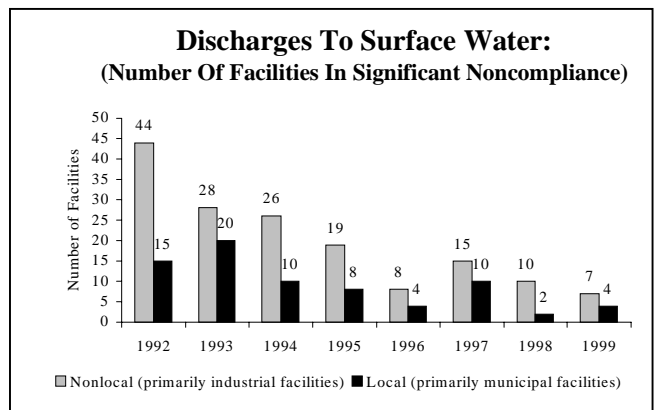
Environmental Improvements

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 emphasizes outcome-based measures of progress, e.g., air quality trends.

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.

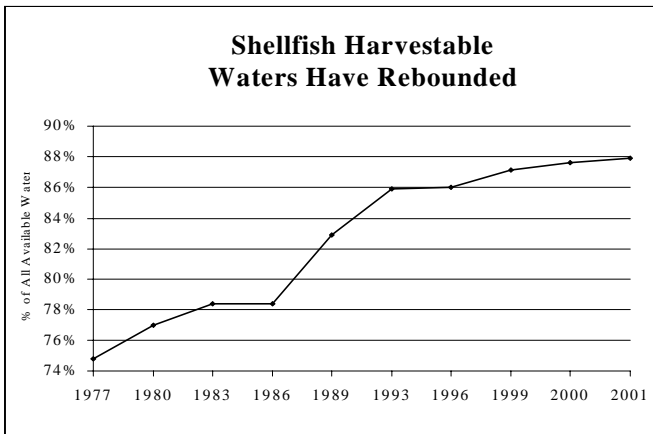
Indicator 1: Status and trends of industrial and municipal facilities in significant noncompliance (SNC) with Surface Water Discharge regulations.



Between 1992 and 1999, the number of facilities in significant noncompliance with their discharge permit requirements decreased from 44 to 7 non local (typically industrial) facilities and from 15 to 4 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 88%.



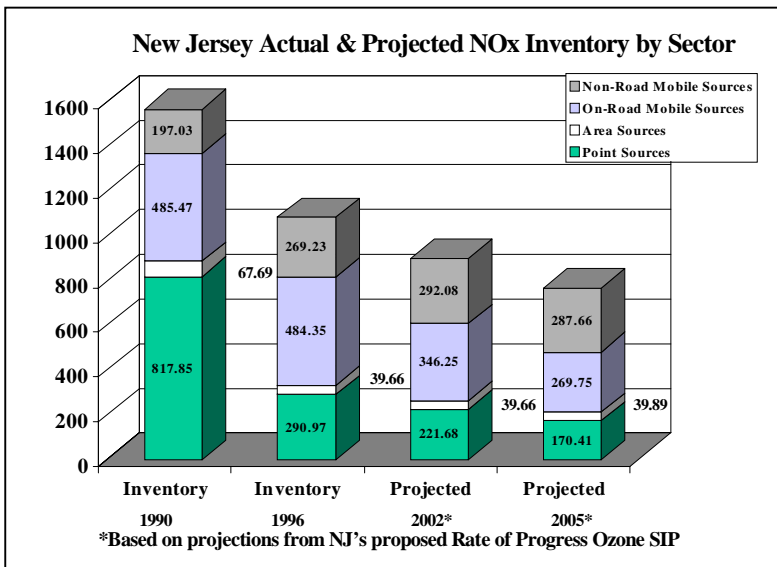
Indicator 3: Percent of community water systems providing drinking water that meets all microbiological and chemical drinking water standards throughout the year.

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.

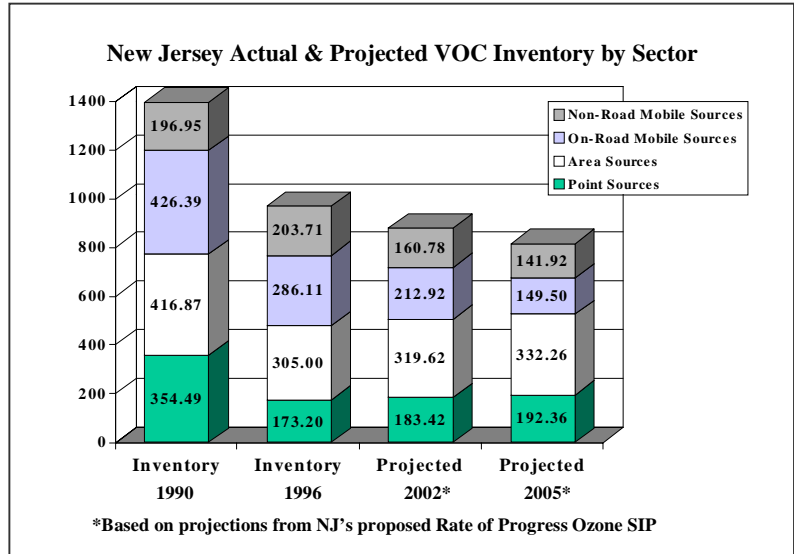
Air Quality Goal: To ensure a high quality of life for the residents of New Jersey by preserving, sustaining, protecting, and enhancing the air environment. Air quality across the state should be healthful for all New Jerseyans and of sufficient purity so as not to degrade the quality of life or cause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

Indicator: Actual and Projected VOC and NOx Emissions Reductions.

Air quality in New Jersey has generally shown marked improvement over time. However, ground level ozone remains New Jersey's challenging air pollutant from a public health perspective. The formation of ozone is caused by precursor emissions – Volatile Organic Contaminants (VOCs) and Oxides of



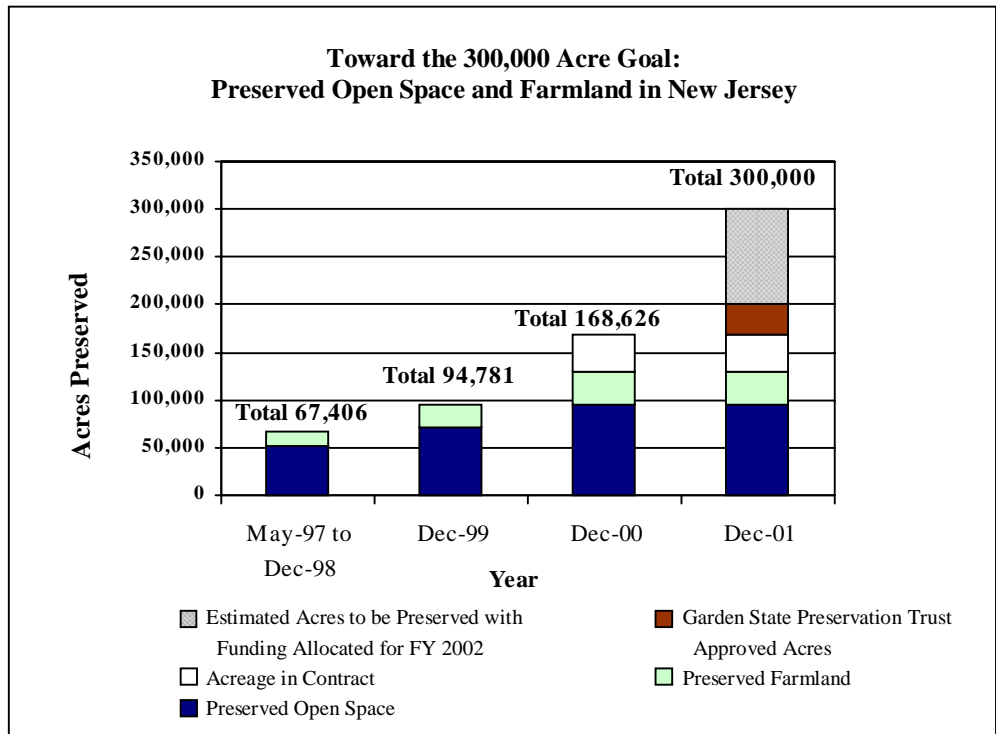
Nitrogen (NOx) – which react in the presence of sunlight and warm temperatures to form ozone. Therefore, reduction of VOC and NOx are necessary to bring ozone to healthful levels. The graphs reflect past and projected improvements in VOC and NOx emissions, based on reductions in solvent usage in industrial facilities and consumer products, upgrades in major power plant controls, as well as improvements in gasoline/diesel fuels and motor vehicle technologies.



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

Indicator: Acres of Permanently Protected Open Space.

Prior to May 1997, approximately 903,636 acres of New Jersey's open space had been preserved, 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. With the passage of the 1998 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 was established for this effort and a new goal to preserve an additional one million

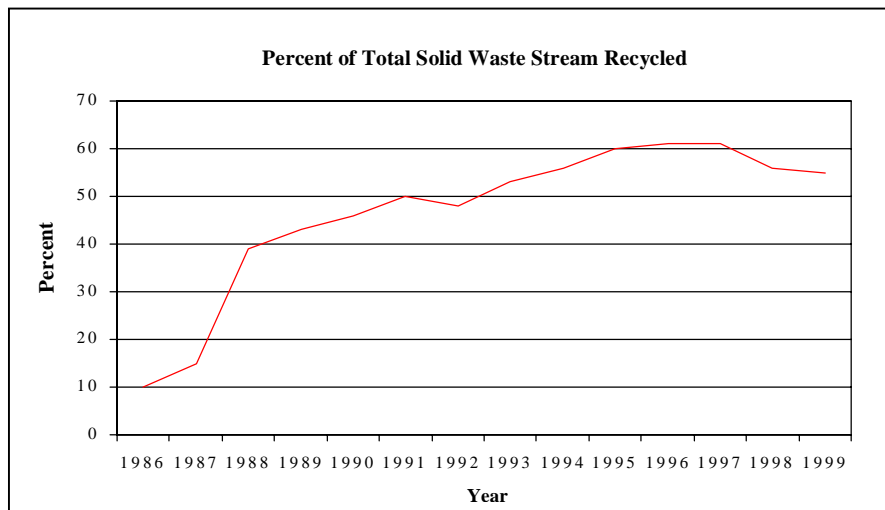
acres was set. A milestone of the new goal was to preserve 300,000 acres by December 31, 2001. As of December 31, 2000, a total of 168,626 acres have been preserved toward the 300,000 acre goal. These acres combined with the number of acres currently approved by the Garden State Preservation Trust and the funding allocated for the purchase of additional acres in fiscal 2001 and 2002, put the 300,000 acre goal well within reach.

Waste Management Goal

Maintain an integrated waste management system that ensures minimized waste generation and disposal; maximizes reuse and recycling; guards against future contaminated sites; and provides long-term capacity assurance that is protective of human health and the environment.

Indicator: Percent of Total Municipal Waste Streams Recycled

In 1996, the funding mechanism for various recycling assistance ended, due to a sunseting of the tax on solid waste which supported these efforts. From calendar years 1987 through 1997, the state showed generally steady increases in recycling rates. However, over the last two years (1998



final data and 1999 preliminary data) those rates have fallen below the state's recycling goals. The DEP believes this drop is at least partly due to the lack of a stable funding source for state assistance to local recycling efforts.

Other Capital Recommendations

The Budget recommends \$116.2 million for capital projects, several of which have already been discussed. Other highlights include \$25 million for Shore Protection, \$8.2 million for H.R. 6 Flood Control, \$810,000 for the Mosquito Control Commission and \$800,000 for the Palisades Interstate Park Commission. The recommended amounts for Shore Protection and H.R. 6 Flood Control will protect lives and property while ensuring that available federal matching funds will be utilized. New equipment will enhance the Mosquito Control Commission's efforts to combat the West Nile Virus. Funds for the Palisades Interstate Park Commission will allow for needed bridge and building repairs. Funding for the State's efforts to preserve

open space, farmland, and historic sites will continue through the constitutional dedication of \$98 million, included annually in the Interdepartmental capital section of the Budget.

Progress on Select Fiscal 2001 Initiatives

In fiscal 2001, a General Fund appropriation of \$3 million supplemented the existing \$5.9 million provided by the Corporation Business Tax dedication for Watershed Management.

The *Watershed Management Planning Program* strives to improve the conditions of, or prevent the further degradation of, State watersheds by partnering with local stakeholders. Progress to date follows:

- Watershed management planning activities have been initiated in all of the 20 watersheds.
- Seven partnerships have identified water quality intervention initiatives that will have an immediate impact on restoring impaired waters. These “Action Now” projects will receive \$5 million in funding in fiscal 2002.
- Ten partnerships have established additional ambient water quality stations to conduct sampling.
- Five partnerships have established technical advisory committees to assess existing water quality (EWQ) and target water quality (TWQ).
- Twelve partnerships have initiated Community Education/Outreach Programs.
- Six partnerships have prepared Watershed Characterization reports, which provide a baseline overview of individual watershed areas.

5 Health and Senior Services



Fiscal 2002
Recommended Budget
(In Thousands)

General Fund

Direct State Services
\$94,165

Grants-In-Aid
\$584,886

State Aid
\$37,485

Capital Construction
\$14,079

Total General Fund
\$730,615

Casino Revenue Fund
\$319,132

Total State Recommendation
\$1,049,747

Overview

The fiscal 2002 Budget for the Department of Health and Senior Services totals \$1.050 billion, a decrease of \$116.8 million, or 10.0%, under the fiscal 2001 adjusted appropriation of \$1.167 billion. This decrease has resulted from the State's ability to generate additional federal dollars for the Department. These federal dollars have enabled New Jersey to continue and expand its commitment to long-term care and health related programs.

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. 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.

The following are the Department's major responsibilities:

- Ensure accessibility to affordable health services that enable all New Jersey residents to achieve optimal health/through disease prevention, promotion of community action, and the protection of those at special risk;
- Oversee the provision of a range of services that promote independence, dignity, and choice for 1.4 million older adults in New Jersey;
- Manage the Pharmaceutical Assistance to the Aged and Disabled Program, which currently enrolls 187,000;
- Inspect and license health care facilities; and
- Manage the State's \$356 million Charity Care Assistance Program, which supports services provided to those without insurance.

Highlights of recent Department initiatives and accomplishments:

- Received a \$2.2 million award from the American Legacy Foundation for a series of mini-summits for teens on the dangers of tobacco;

- Issued annual report cards on Health Maintenance Organizations;
- Increased enrollment in the Early Intervention Program, which provides services to children up to three years of age, by 17%;
- Implemented Supplemental Charity Care Program that provides an additional \$36.2 million of State and federal funding for hospitals and health centers that serve the uninsured; and
- Expanded services to senior citizens, including Meals on Wheels Program, Congregate Housing, Public Guardian, and NJ EASE (Easy Access Single Entry).

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 2002 Budget continues \$23.4 million in funding which qualifies the State for \$21 million in matching federal funds, bringing the total fiscal 2002 recommendation to \$44.4 million.

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

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

For the 31 months between March 1998 and October 2000, the Eldercare Initiative helped approximately 2,400 individuals either return home, with the services they need pre-arranged, or placed them into a more appropriate, community-oriented setting. For fiscal year 2002, the Department estimates that over 2,300 clients will receive community-based services through the NJ EASE Home Care, Caregiver Assistance, and Jersey Assistance for Community Caregivers programs.

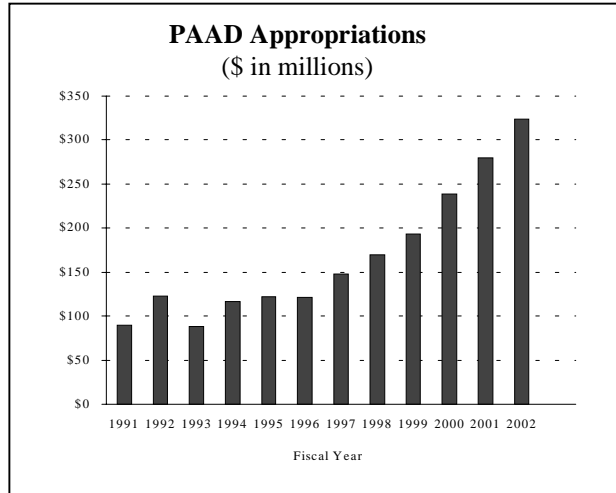
The fiscal 2002 Budget also provides a cost-of-living increase and a salary supplement for direct care workers of \$9.6 million for those community service providers under contract with the Department to provide services to clients. The cost-of-living adjustment, along with the direct care salary supplement, will provide direct care workers with a 3.6% increase in their wages.

Long-Term Care

The recommendation for Medical Day Care is increased by \$7.8 million, or 31.6%, to \$32.5 million to cover the over 25% increase in projected enrollment. In addition, \$400,000 is recommended to add seven

staff to the Office of the Ombudsman, which investigates complaints from nursing home patients, and \$550,000 is recommended to maintain the current level of hospital and nursing home inspections, in spite of federal funding reductions.

The goal is to ensure that all New Jersey seniors are receiving the most appropriate care for their individual needs. However, with over 30,000 Medicaid-eligible seniors currently in nursing homes, cost containment is a substantial concern.



An initiative that will continue to reduce State expenditures for nursing homes in fiscal 2002 is the Intergovernmental Transfer (IGT) Program. 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 revenue expected through this federal fund maximization program will be used to offset State appropriations for Medicaid nursing homes, managed care, drugs, and inpatient hospital expenses, and will free up State funds to enable New Jersey to continue and expand its commitment to 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 incomes 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 \$19,238 for single persons and \$23,589 for married couples.

These programs pay the cost of prescriptions for eligible seniors, less a \$5 co-payment paid by the recipient. In fiscal 2002, PAA/D programs are expected to pay pharmaceutical costs for approximately 194,000 individuals. These programs contain one of the highest income eligibility limits in the country. In addition, there are no deductibles, premiums, or enrollment fees, and a lower co-payment than most other state-funded pharmaceutical programs across the country.

Despite efforts to keep costs affordable, increased spending on prescription drugs is driven by a number of factors, including rising prices, new drugs entering the market, and increased volume. The fiscal 2002 Budget includes a total appropriation of \$360 million for the PAA/D programs.

The Department proposes to implement three new initiatives in addition to efforts continued from fiscal 2001 that reduce the increase to \$46.2 million that otherwise offset the \$54.8 million of cost and caseload increases needed to maintain the PAA/D programs. These savings initiatives include:

- A Voluntary Discount Plan that would allow recipients to purchase prescription drugs from their local pharmacy for a \$2 co-payment in exchange for the pharmacy receiving a lower reimbursement rate. Mail-order could be one component of this initiative;
- An increase in the Average Wholesale Price discount from 10% to 15% for high volume pharmacies;
- Prior authorization of substitutable brand-name drugs; and
- \$4.7 million will also be saved due to the continuation of a fiscal 2001 initiative that would collect reimbursements made for Medicare covered drugs.

Of the combined fiscal 2002 Budget recommendation of \$360 million to fund these programs, \$265.5 million will be funded by the Casino Revenue Fund.

Senior Gold Prescription Program

The fiscal 2002 Budget includes the \$50 million annualized cost of the Senior Gold Prescription Program. This program, which will be implemented after legislation is passed, builds on the success of the PAA/D programs. The proposed legislation for Senior Gold provides drug benefits to those over 65 years of age or those receiving Social Security Disability benefits, who meet the eligibility income limits for the Senior Gold Program, which are expected to be \$10,000 more than those currently in the PAAD program.

Senior Gold participants will be able to receive their prescription drugs at the pharmacy of their choice. Participants in the Senior Gold program will pay a \$15 co-payment plus 50% of the remaining cost of the drug. There will be a catastrophic cap of \$2,000 a year for singles and \$3,000 a year for married couples. After reaching the cap, 100% of their prescription drug cost would be paid by the program and the participant would only pay the \$15 co-payment. Senior Gold is funded from Tobacco Settlement Funds.

Lifeline

The Lifeline Credit Program helps approximately 158,767 low-income aged or disabled homeowners with their home energy costs. The Tenants Lifeline Assistance Program assists 158,774 low-income or disabled renters. Both Lifeline programs provide home energy payments of \$225 per household, and fiscal 2002 funding is continued at \$70.8 million.

Health Programs

Family Health Services

The Division of Family 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 (WIC) with programs that target infant mortality, family planning, diabetes education, and cardiovascular health.

The Division continues the public awareness campaign, entitled Black Infants, Better Survival (BIBS), making New Jersey the first state in the nation to lead a major communications effort targeted at reducing infant mortality among African-Americans.

Outreach programs such as the Healthy Mothers/Healthy Babies Program prevent low-birth weight babies through appropriate prenatal care. In addition, the State mandates testing of all newborns for Phenylketonuria (PKU), Galactosemia, Hypothyroidism, and Sickle Cell Disease.

New Jersey Cancer Education and Early Detection services provide cancer screening, education, and early detection programs related to breast, cervical, prostate and colorectal health services. The Cancer Screening Program, which targets African American women and men, continues in the fiscal 2002 Budget.

The fiscal 2002 Budget recommends State funds of \$24.5 million for the Early Childhood Intervention Program, a federal mandated entitlement program that provides services for those infants and toddlers up to age three who may be developmentally delayed.

Addiction Services

The Division of Addiction Services focuses on reducing the dependence on narcotics, alcohol, tobacco, and other addictive substances through prevention and treatment, especially for vulnerable populations such as pregnant women and adolescents.

A significant focus of this Division is the development and continuation of the tobacco control programs that are funded from the tobacco settlement revenue. The fiscal 2002 Budget recommends that \$30 million be allocated to five tobacco control programs:

- Community Based Tobacco Control programs at \$7.0 million
- Youth Anti-Tobacco Awareness Media Campaign at \$6.3 million
- Smoking Cessation programs for Addicted Adults and Youth at \$8.7 million
- School Based programs for the Prevention of Tobacco Use at \$5.0 million
- Research, Surveillance, Evaluation and Assistance for Anti-Smoking programs at \$3.0 million

These programs 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, "Smoking. Don't Get Sucked In," continues to target children and young adults through various media advertisements, including a website.

Effective fiscal 2001, two new smoking cessation programs were implemented to assist smokers to quit smoking. The New Jersey Quitnet Program, a website, provides assistance to persons trying to quit smoking with online support groups and access to trained counselors. New Jersey Quitline Program, a telephone hotline, enables people to talk directly to a counselor.

Acquired Immune Deficiency Syndrome (AIDS)

The New Jersey Division of AIDS Prevention and Control promotes the health of the people of New Jersey by reducing the spread of AIDS by establishing and maintaining a comprehensive system of HIV/AIDS-related prevention, surveillance, counseling and testing, health, and supportive services. In fiscal 2002, New Jersey's AIDS Drug Distribution Program (ADDP) is expected to serve 4,700 individuals. The fiscal 2002 Budget recommends State funds of \$21.3 million. Including federal funds, HIV/AIDS funding will total \$95.5 million in the fiscal 2002 Budget.

Health Planning And Evaluation

This Budget recommends \$6.5 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.

Charity Care & Subsidized Insurance

Charity Care and Hospital Relief have remained a priority in New Jersey. State law requires that all acute care hospitals provide care to patients, regardless of their ability to pay. The fiscal 2002 recommendation provides \$102.9 million, an increase of \$37.9 million over fiscal 2001 funding, or 58.3%, from the General Fund for Charity Care and the Hospital Relief Fund.

In fiscal 2002, hospitals will receive combined State and federal funds of \$559.2 million in Charity Care Assistance and Hospital Relief Fund payments.

Capital Recommendations

Included in this fiscal 2002 Budget is a recommendation for \$14.1 million in capital projects. Of this amount, \$12 million is for an architectural and engineering design for a new State health laboratory. To ensure that the present health laboratory provides effective services, \$2.1 million is recommended for equipment replacement and automation.

Progress on Select Fiscal 2001 Initiatives

In fiscal 2001, \$11.4 million in new funding was provided to the Department of Health and Senior Services' Health Addiction Services to expand its work in tobacco control.

The *Tobacco Control Program* strives to decrease the acceptability, initiation, and use of tobacco among teens and young adults, decrease environmental tobacco smoke, increase the number of smokers that initiate treatment, and reduce disparities between gender and among racial/ethnic groups related to tobacco use. Progress to date follows:

- A 15% reduction is expected by 2010 in the proportion of middle and high school students using tobacco products, currently at 18.9% and 38.9%, respectively.
- Over 340 teens between the ages of 14 and 17, along with 40 adult mentors, took part in a Statewide Youth Summit, “Kick-Ash Weekend,” held in McAfee, NJ on November 18-19, 2000 to learn how to effectively implement an anti-tobacco program. These students will serve as ambassadors to effectuate change in their schools and communities on anti-tobacco related issues. A \$2.2 million grant was recently received from the American Legacy Foundation to continue this program at the regional level.
- Working with students involved in the Youth Summit, an expanded comprehensive marketing and media campaign, which builds on a national anti-smoking “truth” campaign, is being developed to focus on smoking consequences and the reality of addiction, as well as students, and young adults’ personal freedom and choice not to smoke.
- Increased enforcement at both the local and state levels has begun to educate about and enforce the law prohibiting the sale of tobacco products to minors.
- Smoking cessation treatment options are now available to New Jerseyans: *NJ Quitnet* (www.nj.quitnet.com), an innovative and comprehensive online resource, and *NJ Quitline* (1-866-NJSTOPS), a hotline that offers personal counseling. In addition, counselors will provide in-person, individual counseling in eight pilot sites throughout the state, beginning in winter 2001.
- *Quitnet* had 200,000 hits during the initial six weeks of operation, with 8,000 of those visiting the site extracting information about the program, and 1,000 of those contemplating registering. There are 400 individuals currently registered and proceeding through the online counseling sessions. *Quitline* currently has 200 enrolled in hotline counseling. Successful program completion and follow-up will be monitored.

5 Higher Education



Fiscal 2002 Recommended Budget (In Thousands)

Senior Public Institutions
\$903,488

County Colleges
\$176,713

Independent Colleges
\$26,245

Student Assistance
\$224,408

Other Programs
\$176,931

Total State Higher Education
\$1,534,990

Overview

The fiscal 2002 Budget for Higher Education Services totals \$1.535 billion, an increase of \$110.8 million, or 7.8%, over the fiscal 2001 adjusted appropriation of \$1.424 billion.

The New Jersey system of higher education is guided by a tripartite governance structure. First, 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. Second, the Commission on Higher Education has statewide responsibility for planning, coordination, and advocacy of higher education to the public, the Legislature, and the Administration. Third, 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.

Fiscal 2002 Budget

Teacher Preparation

Funding of \$10 million is being recommended to help colleges and universities improve and expand teacher preparation programs. There is a significant demand for new teachers in New Jersey. Moderate enrollment increases, along with large-scale retirements and continuing resignations, make it essential for New Jersey to increase the number of individuals entering the teaching profession. In addition, New Jersey faces the need for a large number of new teachers to meet the State's Supreme Court mandate for preschool education resulting from the *Abbott v. Burke* decision. Like other states, New Jersey also faces pressure to decrease class sizes in the early grades.

In response to these concerns, the Teacher Preparation Program focuses on four primary goals:

- Move the education of teachers to the top of an institution's agenda, and articulate the centrality of teacher preparation to the roles and missions of institutions, with a particular focus on the role of arts and science faculty;
- Increase the State's capacity to produce highly effective teachers to fulfill ever-growing demands and shortages;
- Improve teacher preparation in a manner that links knowledge and performance expectations for teachers with the content standards for Pre-Kindergarten through grade 12 students; and
- Expand collaborative efforts with pre-Kindergarten through grade 12 schools in areas such as curriculum development, mentoring, and professional development.

Under this program, higher education institutions will develop action plans, and funds will be available for plan implementation following a review by the Commission on Higher Education, in consultation with the Commissioner of Education. These efforts have the potential to significantly advance school reform. They will also positively impact schools statewide and play a particularly important role in the effort to provide parity in the State's Abbott school districts.

Teacher Recruitment

The Administration's new teacher recruitment initiative will help disadvantaged school districts recruit high-achieving new teachers in critical disciplines, including preschool education, mathematics, science, special education, and world languages. New teachers in these disciplines, who graduate from college with at least a 3.0 grade point average and who agree to teach in an eligible district, would receive a recruitment bonus directly from the State. Particular emphasis will be placed on increasing the diversity of the teaching workforce, and on encouraging new teachers to make multi-year service commitments.

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. Four initiatives are designed to improve the workforce, create new jobs and boost the economy, while also enhancing the quality of both public and private higher education in New Jersey.

The first of these programs is the Excellence in High Technology Workforce Program that was launched in fiscal 2001, and that will receive \$20 million in fiscal 2002. This program helps New Jersey colleges and universities improve their strongest science and technology programs. Funding is awarded for projects that range from sophisticated engineering and biomedical programs to improved training for math and science teachers.

Second, the Biomedical and Other Technology Research Program will provide \$5 million in fiscal 2002 to strengthen the State's senior public and private research institutions' ability to apply for matching federal funds, and improve New Jersey's national ranking for high tech federal research grants.

Third, the Higher Ed/Business and Industry Partnership Fund is a new program that will receive \$10 million for fiscal 2002. Funding for this program will provide a pool of matching funds geared towards private research grants. Program funds will aid colleges and universities in establishing relationships with the business community to increase private sector funded research.

New funding of \$15 million is recommended for the New Jersey Fund for Technology Innovation Program. This program builds on prior efforts to encourage research "capacity building" at New Jersey's research universities, by providing funds to acquire and upgrade research equipment and to recruit top research faculty.

Senior Public Colleges And Universities

The total State recommended support for the 12 four-year public colleges and universities, i.e., the "senior public institutions," is \$1.2 billion. This is an increase of \$73.1 million, or 6%, over fiscal 2001, which underscores this Administration's commitment to quality public higher education.

Direct operating aid for the senior public institutions is recommended at \$892.5 million. This amount is \$21.8 million, or 2.5%, more than the previous fiscal year. Included in the increase for these 12 schools is a 1.5% base appropriation adjustment of \$13.1 million and a 1% reserve of \$8.7 million for performance funding, both of which are part of the Administration's four-year vision for predictable funding and performance-based incentive funding. In the absence of significant inflation, these funding recommendations are projected to be sufficient to limit the size of future tuition increases.

The State recommends supplementary salary funding amounting to \$29.5 million to the colleges and universities. This funding provides substantial support for negotiated cost-of-living adjustments for State-funded employees at these institutions. The Budget also continues funding for the fringe benefits of State-funded positions at the colleges and universities. For fiscal 2002, this support is estimated to be nearly \$360 million, an increase of \$24.4 million, or 7.3%, over the previous fiscal year.

County Colleges

The total increase for county colleges in fiscal 2002, including operating aid, fringe benefits, and debt service funding, is \$12.8 million, or 6.7%, more than fiscal 2001. The county college system is composed of 19 institutions, which provide access to higher education for a broad range of New Jersey residents who might otherwise be denied the benefit of a college education. Over 124,000 students are enrolled in the system.

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.

In keeping with their ability to readily adapt to meet the needs of their communities, New Jersey's county colleges have an integral role in the State's high-technology workforce development efforts. WorkFirst New Jersey recipients are eligible to receive high-tech training, which is provided by a number of county colleges and other local providers. County colleges also 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 2002 Budget increases aid to independent colleges and universities by \$1 million, or 4%. There are 14 independent institutions in New Jersey that receive funding through the Independent College and University Assistance Act. These institutions will enroll close to 23,000 full-time-equivalent New Jersey students in fiscal 2002. 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

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 primarily used for deferred capital maintenance needs. Proceeds may fund improvement, expansion, new construction, or reconstruction of institutional infrastructure only after renovations are complete. This comprehensive program continues the commitment by the Administration to make New Jersey colleges and universities among the best in the nation. To date, \$278.6 million in bonds has been issued for projects.

In response to the tragic January 2000 dormitory fire at Seton Hall University, the State created a \$90 million loan program called the Dormitory Safety Trust Fund program. This fund provides loans to eligible institutions to properly equip dormitories of secondary schools, military schools, boarding schools and institutions of higher education with automatic fire suppression systems to help ensure the safety of every New Jersey student.

The Equipment Leasing Fund (ELF) will be renewed in the current year. The ELF provides an ongoing financial mechanism to support the purchase of scientific, engineering, technical, computer, communications, and instructional equipment at higher education institutions. The State will sell \$100 million in bonds and pay three quarters of the debt service. Institutions will be responsible for the

remainder. Proceeds of the bonds will be used to acquire the equipment needed by New Jersey's colleges and universities to develop a high-tech workforce and to keep pace with the rapid changes in technology.

Support is continued in fiscal 2002 for other valuable bond programs. For the \$220 million Higher Education Facilities Trust Fund, the State pays the entire cost of the debt service. This trust fund provides grants to higher education institutions for the cost of construction, renovation, development, extension, and improvement of facilities. 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. This fund earmarks \$50 million to assist New Jersey's public and independent colleges and universities in developing the infrastructure necessary for high-speed voice, video, and data transmissions essential for today's global, high tech economy. The fund also provides \$5 million for statewide library technology initiatives through the New Jersey State Library. Chapter 12 bond proceeds provide a \$330 million self-renewing capital funding program for the community colleges. Under this program, the counties issue bonds for new construction, acquisition, expansion or capital renewal or replacement, and the State shares the debt service equally with the counties. In the current year, the State's share of support was increased by \$25 million (from \$140 million to \$165 million).

Maintaining Affordability

The Budget continues New Jersey's historically strong commitment to student aid as a key ingredient in ensuring access to higher education. 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 \$6.4 million is recommended for Tuition Aid Grants (TAG), the State's flagship undergraduate need-based aid program. The 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. Nearly 60,000 students receive financial support through 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 actual tuition for the neediest students. Funding is also continued for TAG for part-time students participating in the Educational Opportunity Fund Program (EOF).

The State will continue its commitment to the Educational Opportunity Fund with fiscal 2002 funding of \$34.1 million. The EOF, which was established more than 30 years ago, is the State's longest running

student aid program, and provides financial assistance and support services to over 18,000 educationally and economically disadvantaged students. EOF 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, i.e., 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 (including county colleges) and 13 independent institutions.

The Outstanding Scholar Recruitment Program provides merit awards to students based on a combination of class rank and SAT scores. Recommended funding of \$11.4 million will support the fifth year of this program that not only recruits New Jersey's highest-achieving high school students to attend colleges and universities in the state, but also seeks to recognize, value, and support their commitment to achievement.

The 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 also provides three other State-based incentives, including interest earnings free from New Jersey's Gross Income Tax, \$25,000 in savings excluded from consideration of eligibility for State need based aid, and a scholarship to individuals who save through the program for at least four years and then enroll in a New Jersey college or university.

Increasing Access

Funding of \$563,000 is recommended for the maintenance of the on-line articulation system known as ARTSYS. ARTSYS provides a web-based database of course equivalencies and specific articulation agreements, an on-line course catalog, the electronic exchange of transcripts, and electronic transcript evaluation. ARTSYS is a key component of the State's policy to provide a seamless transfer between county colleges and the senior public colleges and universities. Students benefit because they can take courses at a community college secure in the knowledge that those courses will be accepted by the four-year institution to which they transfer.

Capital Recommendations

This Budget recommends \$10.5 million to support the construction of a new genetics/biomaterials building, a new bioengineering building, and for athletic facilities at Rutgers, the State University.

5 Human Services



Fiscal 2002
Recommended Budget
(In Thousands)

General Fund

Direct State Services
\$541,087

Grants-In-Aid
\$2,886,040

State Aid
\$262,771

Capital Construction
\$15,765

Total General Fund
\$3,705,663

Casino Revenue Fund
\$23,369

Total State Recommendation
\$3,729,032

Overview

The fiscal 2002 Budget for the Department of Human Services totals \$3.729 billion, an increase of \$205.9 million, or 5.8%, over the fiscal 2001 adjusted appropriation of \$3.523 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.

The Department of Human Services major responsibilities include:

- Providing institutional and community based services for people with developmental disabilities and mental illness;
- Protecting of children in danger of being abused;
- Encouraging the adoption of children where appropriate and the reunification of the family where appropriate;
- Administering the Medicaid programs for children and families including the KidCare and FamilyCare programs;
- Fostering independence and personal responsibility through the WorkFirst Program; and
- Expanding child care to low income working families.

Fiscal 2002 Budget

The Department of Human Services' fiscal 2002 Budget maintains this Administration's commitment to provide for New Jersey's most vulnerable citizens and, at the same time, emphasizes personal responsibility.

WorkFirst New Jersey

Recommended State funding for the Division of Family Development (DFD) in fiscal 2001 is \$458.6 million, supplemented by \$815.5 million in federal funds. Federal funds include the Temporary Assistance to Needy Families (TANF) Block Grant of \$471 million (including prior year carry-forward funding), the federal Child Care Block Grant of \$101 million, the Child Support Enforcement Program of \$103.1 million, and Food Stamp administration of \$81.6 million.

The WorkFirst 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. 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. In addition that same family receives child care, Medicaid, work supports, transportation, etc.

The WFNJ program has successfully reduced the number of TANF families receiving public assistance. The number of clients has been reduced from 231,273 to 113,263 between fiscal 1998 and 2002, a decrease of 118,010, or 55%. 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 2002 from 35,433 to 61,347, an increase of 25,914 or 73%.

A major policy reflected in the design of WFNJ includes the re-investment of caseload and other program savings to expand other services such as child care and other services that support the growing number of working recipients. The following initiatives are incorporated into the fiscal 2002 Budget.

Child Care Expansion

Child care represents one of the most important priorities for working families. More than \$244 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 as clients move from welfare into jobs. Of the fiscal 2002 Child Care budget, approximately \$55.6 million is allocated for active TANF clients; the balance is for the working poor and low income families. The fiscal 2002 Budget provides a cost-of-living increase of \$3.6 million for those community service providers under contract with the Division and \$4.5 million as a salary supplement for direct care workers. The cost-of-living adjustment,

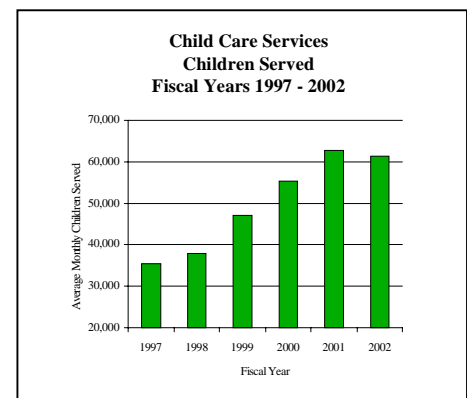
along with the direct care salary supplement, will provide child care workers with a 3.6% increase in their wages.

Earned Income Tax Credit (EITC)

The recommended fiscal 2002 Budget includes \$70 million, an increase of \$25 million, for the second phase of New Jersey's Earned Income Tax Credit (EITC) program. The program is expected to assist approximately 237,290 working families. 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 \$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.

Early Childhood Education

The Abbott Expansion Initiative allocates \$106 million in state funds, an increase of \$37 million, to enhance early childhood education for children. Additional funding in fiscal 2002 will be utilized to expand to full-day programs to three and four year olds that will be available year round in Abbott school districts and will serve 24,000 children.



Kinship Subsidy Program

Kinship care is care provided by relatives to children when the natural parents can no longer provide that care. The Division of Family Development currently has two Kinship Care programs. The Kinship Navigator Service program, budgeted at \$500,000, provides case management services to families to assist in identifying needs and linking those families to available services. The Kinship Care program, budgeted at \$5.7 million, provides assistance to families in securing suitable housing, legal services, respite care, as well as child care vouchers. In fiscal 2002, the Division is also starting a Kinship Subsidy Program, which will be funded from the TANF Block Grant. This initiative will provide additional subsidies to Kinship Care clients. This program will increase from \$162 to \$250 in assistance available to low income family members. The program will cover 5,400 children – 3,000 children currently receiving TANF Child-only grants, 1,200 children in families where the head of household is receiving TANF, but is caring for a relative child, and 1,200 children in kinship families with incomes below 100% of the federal poverty level and not receiving TANF cash assistance.

Case Management Expansion

Case management is being greatly expanded for the TANF, General Assistance (GA), and Food Stamps clients. For those TANF clients that are approaching their 60-month lifetime limit for benefits, over \$26 million of federal TANF Block Grant funding is being invested in case management to determine what the specific needs of these clients are and how to assist them in gaining employment. The Division is also reinvesting \$15 million in state funds for case management services to the General Assistance and Food Stamp populations.

Federal TANF regulations require client work activity participation rates to increase in federal fiscal 2002 from 45% to 50%. New Jersey has incorporated in the Division of Family Development Budget a goal to raise work participation rates to 90% for TANF and GA clients in 2002. WFNJ work activities funding is budgeted at \$126 million in fiscal 2001 and \$133 million in fiscal 2002. These amounts include a reinvestment of \$12.6 million in GA Work Activities. Clients are assisted in job preparation and placement activities and are provided with transportation allowances.

Career Advancement Vouchers

In an effort to assist former TANF clients who have found entry-level employment, career advancement vouchers will be available to provide additional training and assistance to ensure they remain gainfully employed. The long-term success of welfare reform is contingent not only upon former TANF clients achieving entry-level employment, but also their ability to develop and sustain a career. This initiative is budgeted at \$3.8 million in fiscal 2001 and \$5 million in fiscal 2002 from the TANF Block Grant.

Wage Supplement Program

This initiative will pay a TANF wage supplement of \$200 a month to those clients working 20 hours or more, and are receiving a TANF grant of \$200 or less if they have been on assistance for at least five months. The initiative is budgeted at \$1 million in fiscal 2001 and \$2 million in fiscal 2002 from the TANF Block Grant.

Mental Health Assessments

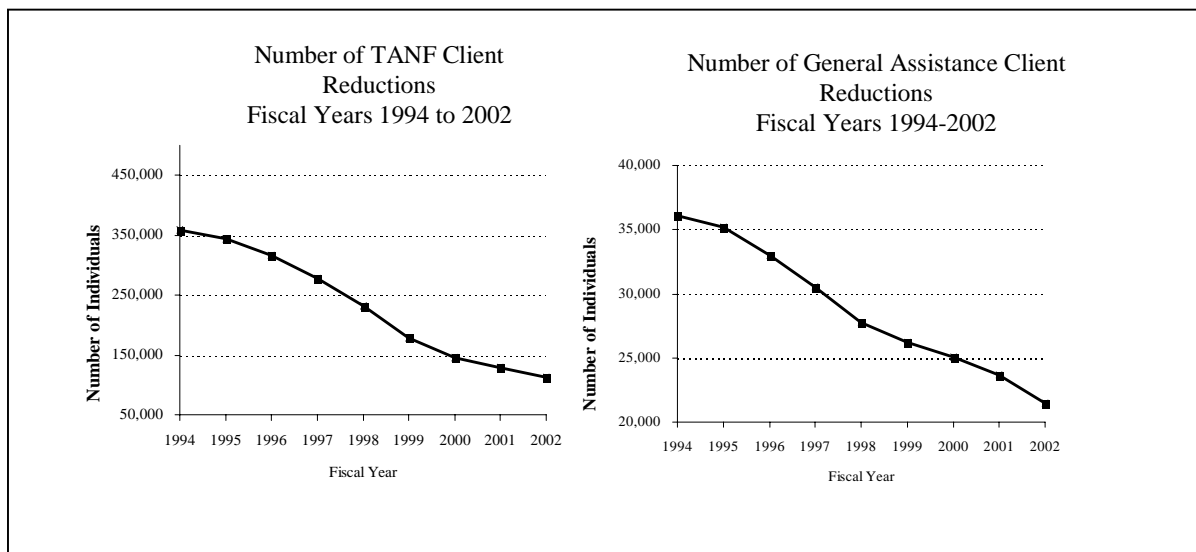
The Division had allocated \$2.4 million in annual TANF funding to provide mental health assessments, referrals and treatment to 600 TANF clients per year at an estimated cost of \$4,000 per client. DFD has also reinvested \$1.6 million in annual state funding to provide the same services for an estimated 400 General Assistance clients.

General Assistance

Needy single individuals and married couples without children receive \$140 per person per month if able to work and \$210 if disabled under the General Assistance (GA) program. Overall, the number of General Assistance Employable clients has declined 42% since fiscal 1994. GA clients are now enrolled in the Family Care Program within the Division of Medical Assistance and Health Services.

INCOME ASSISTANCE PROGRAMS			
FISCAL 2002 BUDGET			
<i>(\$ in millions)</i>			
Program	State Funds	Federal Funds**	Total Funds***
Work First New Jersey (WFNJ)	\$316.2	\$352.7	\$668.9
Child Care	\$62.3	\$181.8	\$244.1
Supplemental Security Income (SSI)*	\$80.0	\$0.0	\$80.0
County Program Administration	\$0.0	\$206.8	\$206.8
Other Federal Programs	\$0.0	\$74.3	\$74.3
Total	\$458.5	\$815.6	\$1,274.1

*Includes State supplement payments and SSI administration fees.
 **Federal Funds include total welfare block grant funds and exclude federal SSI funds of \$885.8 million
 ***Excludes \$209.6 million in WFNJ municipal, county, and Judiciary administrative funds.



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 an alternative to receiving treatment in the more 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. 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 143 contracts with 126 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. The fiscal 2002 Budget provides an increase of \$8.2 million for those community mental health direct care providers under contract with the Division. This appropriation combined with other Departmental funding will provide a salary increase as well as a cost of living increase for direct care workers.

An array of community mental health programs is available 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). A total of 28 teams are operational throughout the state. Clients are anticipated to access PACT services 2,000 times during fiscal 2002.

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.

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.

The fiscal 2002 Budget recommendation includes an additional \$25.7 million in State funds and \$10.1 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, \$3.5 million is included in the appropriation for expanded family support services. Also included in the budget are \$8.9 million in State funds and \$4.9 million in federal funds to annualize the cost of the fiscal 2001 initiative.

The fiscal 2002 Budget also provides funding for an increase for those community service providers under contract with the Department. This funding, combined with balances in other Divisional accounts, will provide a salary increase as well as a cost of living increase for direct care workers.

Care for individuals with developmental disabilities continues to evolve in New Jersey as consumers and their families develop a network of services and supports to help them live in the community. Beginning in fiscal 1998, the Governor's Inclusion Initiative empowered people with disabilities and their loved ones to make decisions in many areas to improve their quality of life and reduce the overall costs of quality care. Self-determination continues to be an option for individuals and their families in fiscal 2002.

When fully implemented, the fiscal 2001 Community Transition Initiative transitions 144 persons from the seven state developmental centers to community programs and housing. The Fiscal 2002 Budget recommendation includes \$10.1 million in State funds and \$3.8 million in federal funds for a new Community Transition initiative that will transition 200 additional persons from the developmental centers.

Office on Disability Services

This Office was established in 1997 to serve as the focal point for the crosscutting 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 or 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.

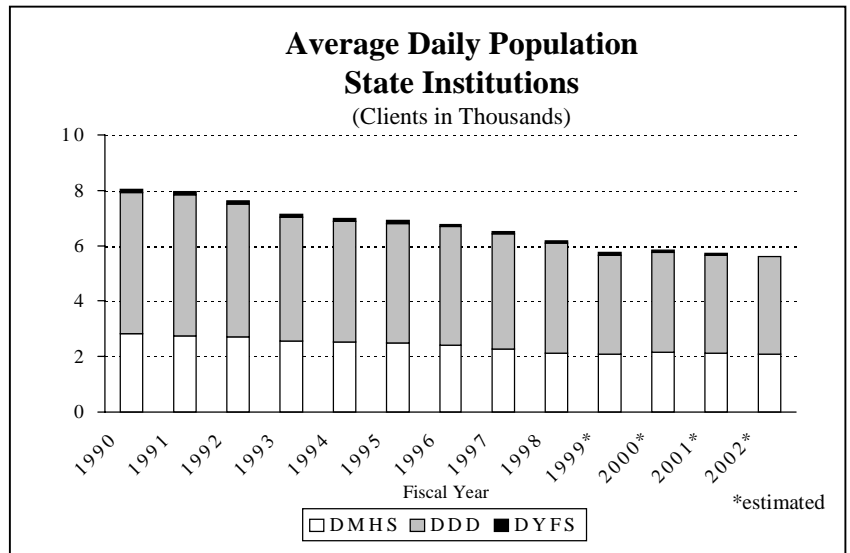
Psychiatric Hospital Care

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 once their clinical diagnosis supports their release.

A total of six psychiatric institutions continue to serve voluntarily admitted or legally committed persons with mental illness. Of these, Greystone Park Psychiatric Hospital provides services to voluntarily and legally committed mentally ill persons from Bergen, Essex, Hudson, Morris, Passaic, and Sussex counties. In fiscal 2001, \$10 million was provided to begin the reconfiguration of the hospital. An increase of \$12 million is recommended for fiscal 2002.

Developmental Centers

In fiscal 2002, New Jersey's seven developmental centers will provide residential, habilitation, and educational services for persons with various degrees of developmental disabilities. In fiscal 2002, an estimated 3,521 individuals will reside in the developmental centers, a reduction of 1,657 or 32% 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.



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 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 by 92 percent, from 1,464 beds in fiscal 1989 to an estimated 119 beds in fiscal 2000.

COMMUNITY CARE PROGRAMS			
APPROPRIATED DOLLARS			
<i>(\$ in thousands)</i>			
<u>Program</u>	<u>State</u>	<u>Federal and All Other</u>	<u>Total</u>
Division of Mental Health Services	\$255,440	\$15,243	\$270,683
Division of Developmental Disabilities	398,637	287,060	685,697
Division of Youth and Family Services	302,563	69,932	372,495
Total	<u>\$956,640</u>	<u>\$372,235</u>	<u>\$1,328,875</u>

INSTITUTIONAL PROGRAMS			
APPROPRIATED DOLLARS			
<i>(\$ in thousands)</i>			
<u>Program</u>	<u>State</u>	<u>Federal and All Other</u>	<u>Total</u>
Division of Mental Health Services	\$207,695	\$1,611	\$209,306
Mental Health Services - County	91,710	---	91,710
Division of Developmental Disabilities	192,109	147,512	339,621
Total	<u>\$491,514</u>	<u>\$149,123</u>	<u>\$640,637</u>

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. Based on current projections, approximately 49,700 children will be served during fiscal 2002.

Services may be provided directly from the Division or from community agencies contracted under its supervision. The fiscal 2002 Budget provides an increase of \$8.7 million for those community direct care providers under contract with the Division. These funds, combined with other Departmental funding, will provide a salary increase and a cost of living increase for direct care workers.

The Division's substitute care programs offer both temporary and permanent care to children whose needs prevent them from remaining in their own homes. Approximately 6,737 foster care placements and 6,810 adoption subsidies are expected in fiscal 2002 at a cost in excess of \$102.4 million.

Since 1997, an infusion of over \$96 million has been made to the Division of Youth and Family Services Budget, an increase of 23%. A few years after implementing significant reforms, including the Foster Care and Permanency Initiative, the Division is making significant 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 946 more certified 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.

The average amount of time a child spends in foster care has dropped from 17.5 months to 16.5 months before returning to their former home. As a result of the Adoption and Safe Families Act (ASFA), the decision for permanency, or the goal of adoption, has been expedited more quickly, as evidenced by the rapid increase in Adoption Resource Center caseload from 2,959 in July 1998 to 4,113 in July 2000, an increase of 39%.

The shorter stays in foster care can be attributed in part to the federal and State changes incorporated in the ASFA. The enabling legislation for New Jersey, signed by the Governor in March 2000, requires DYFS to consider a child's safety and permanent placement 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 36.3 months in 2000. Finalized adoptions increased from 702 in 1999 to 825 in 2000, an improvement of 18% due to the Division's efforts to increase permanent placements for children. Since 1997, a total increase in adoptions from 597 to 825 represents an improvement of 38%.

In fiscal year 2002, the Division will launch a Relative Care Pilot Program. By providing options for formalized placement and permanency with approved relative caregivers who are unable to become certified foster parents, the program will improve safety and expedite permanency for abused and neglected children. The program will serve approximately 2,000 children who have been removed from their parents' home by DYFS due to child abuse or neglect and who have been placed by DYFS with relative caregivers when DYFS has determined the placement is in the child's best interest. Under the new program, the child will receive medical coverage, and relative kinship caregivers who obtain legal guardianship of the child will be eligible for a \$250 per-month/per-child subsidy. Approved relative caregivers must meet standards that are similar to but not as stringent as foster home certification requirements. The program will be funded from the TANF Block Grant.

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 1,839 children (97 in State facilities and 1,742 in private centers) will be served under this program this fiscal year at a cost of \$121.7 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.

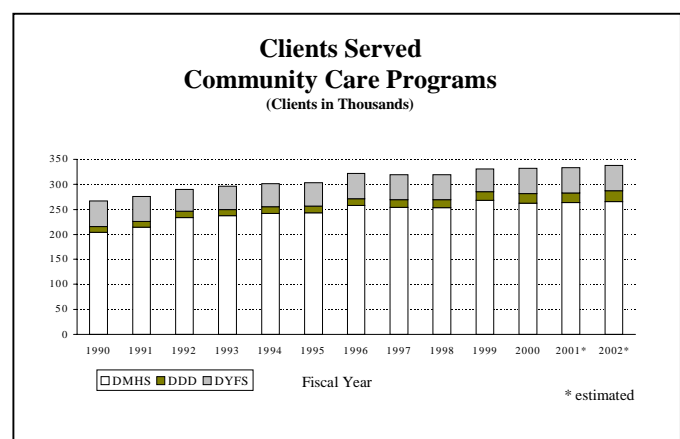
Adequate staffing at the Division of Youth and Family Services is another significant area of reform. In addition to the 369 staff funded through the Children’s Initiative, 68 funded through the Foster Care and Permanency program, this year’s Budget recommends funding to annualize the salaries in the District Office Hiring and provides \$2.5 million to add 80 staff in response to expedited adoptions. These resources will help to maintain a statewide average ratio of one caseworker for every 35 cases, the lowest ratio in approximately ten years.

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, services for pregnancy, substance abuse and violence prevention, as well as recreational and referral activities.

In fiscal 2002, \$11.7 million in State and federal funding is recommended for the School-Based Youth Services Program (SBYSP) to approximately 15 additional sites. Using a competitive bidding process, communities will have an opportunity to apply for up to \$250,000 for each community to replicate the existing, successful programs in a collaborative way. Each community will be able to design its own program, within the model, to address the specific needs of that community.

In an effort to address a critical need, the Division’s Independent Living Services program will provide young adults with rent subsidies, transportation, food allowances, vocational training, and guidance on employment preparedness to help 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.



Medicaid

Overview

Medicaid is the State's principal health care safety net for low-income parents and children, the elderly, and people with chronic illness and disabilities. It provides health services for those who would otherwise have few or no resources for health care. Individuals without health insurance delay or forego needed care, leading to more serious illness, avoidable health problems, and more costly treatment.

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

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 of the total costs of Medicaid under Title XIX of the Social Security Act.

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.

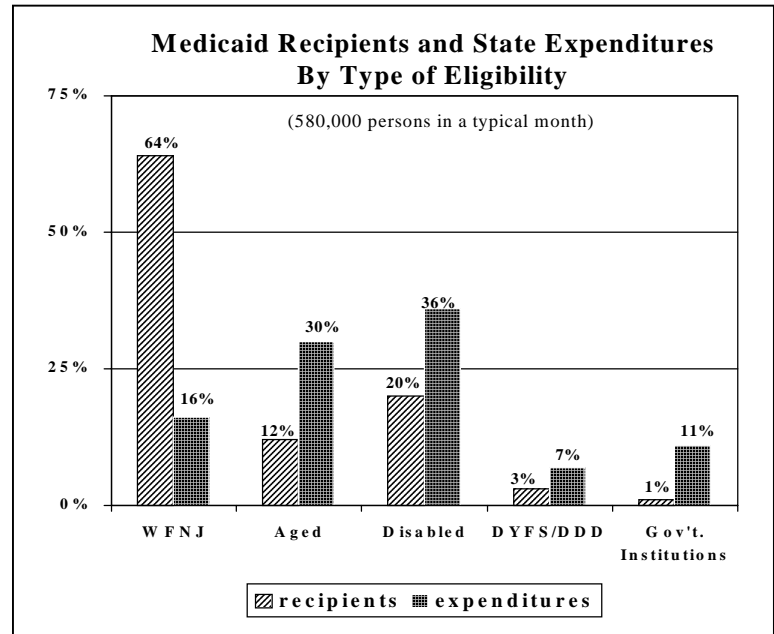
The State has made a major commitment to provide managed care through its contracted network of State-licensed health maintenance organizations (HMOs). Medicaid managed care provides the full scope of traditional acute care medical services, with a special emphasis on preventive medicine, early detection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

Total State expenditures for Medicaid benefits in fiscal 2002 are projected to be \$2.3 billion. Expenditure forecasts are \$1.6 billion for the DHS Division of Medical Assistance and Health Services (DMAHS), and \$212 million for the Department of Health and Senior Services. In addition, \$512 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 \$39 million for NJ KidCare and \$100 million for the NJ Family Care program. State expenditures will be augmented by nearly \$3.7 billion in federal matching funds.

Projected State expenditures for General Medical Services in the Department of Human Services are offset by availability of federal Intergovernmental Transfer funds.

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 369,000 persons, or 64% of all Medicaid recipients, are WFNJ recipients. Payments for medical and health services utilized by this group will account for about \$386 million, or 16%, 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 hospitalization, nursing home care, and intensive community care.

The 119,000 individuals who are disabled or blind comprise 20% of all Medicaid recipients. Services on their behalf will account for over \$837 million, or 36%, of State Medicaid expenditures.

About 71,000 persons, or 12% of all Medicaid beneficiaries, are Supplemental Security Income (SSI) - Aged Medicaid beneficiaries. Services utilized by this group will account for about \$694 million, or 30%, 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 \$175 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 \$257 million, or 11%, of Medicaid expenditures.

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, including:

- Coverage for 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;
- Coverage for children under the age of six in families with incomes up to 133% of the federal poverty level;
- Coverage for pregnant women and infants in families with income up to 185% of the poverty level. This program was expanded in 1999 and now provides pre-natal care services for legal immigrant women at 100% State cost; and
- Coverage for children born after September 30, 1983 in families with incomes up to 100% of the poverty level.

Most recently, the Governor announced that she supports expanding the Medicaid program to include the coverage of low-income, uninsured women who are diagnosed with breast or cervical cancer through the Centers for Disease Control and Prevention screening program. This expansion is pending legislative approval.

New And Expanded Services

NJ KidCare and FamilyCare

The NJ KidCare Children's Health Insurance Program was enacted to reduce the 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 who are not eligible for the existing Medicaid program up to 350% of the federal poverty level, the highest income level in the nation. For a family of four, this translates to an annual income of \$59,675. In addition, the program now includes a presumptive eligibility component to increase outreach and enrollment. There are currently 75,000 children enrolled in NJ KidCare.

Building on the concepts and existing contracts of Medicaid and the NJ KidCare program, in fiscal 2001 the Governor expanded health services to low-income adults who have no medical coverage. This expansion, known as NJ FamilyCare, provides coverage to parents with family income up to 200% of the federal poverty level (FPL). It also provides coverage to adults without children up to 100% of the FPL, including those adults who previously received services through the General Assistance program. Parents with income up to 133% of FPL are covered through an expansion of the Medicaid program. For the remaining individuals, the benefit package is either the same as that provided under the Medicaid program or an HMO benefit package

that mirrors the most widely sold commercial package, including modest co-payments. As in NJ KidCare, premiums only apply to parents with income that exceeds 150% of the FPL. The monthly premium is set at \$25 for the first adult in the family and \$10 for each additional adult member in the household.

NJ Family Care also features a premium assistance program in which the State makes 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.

Subject to the approval of a federal waiver and State legislation, NJ FamilyCare will be expanded to cover adults without children up to 200% of the FPL with the addition of \$16 million of new State funds in fiscal 2002.

Physician Services

The Medicaid Budget request includes \$17.5 million of new State funding to increase the rates paid to physicians beginning January 1, 2002. This will help ensure access to physician services in all parts of the state, and more equitable compensation to physicians who participate in the Medicaid program. This provides a \$70 million increase when fully annualized and combined with federal matching funds. This results on an average rate increase of approximately 80% for physicians in Medicaid fee-for-service and over 30% for those participating in the Medicaid managed care initiative.

Personal Care Assistance

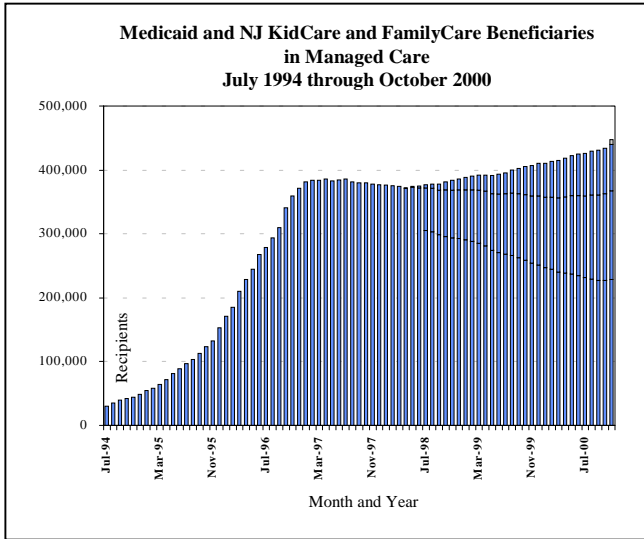
The proposed Budget includes \$2.8 million of new State funding to increase rates paid to personal care assistants participating in the Medicaid program, beginning January 1, 2002. This will ensure that these providers are adequately compensated to meet the needs of Medicaid recipients.

Savings Initiatives

The Administration continues to develop strategies that promote administrative efficiencies and payment economies. Prudent purchasing and savings initiatives have constrained expected growth. Savings initiatives include \$5.5 million from implementation of pharmacy cost control measures and a \$4 million recoupment from other insurers for payments initially made by Medicaid.

Managed Care

Beginning in September 1995, the State began phasing in mandatory managed care for Medicaid-eligible children and parents. There are currently 454,000 enrollees in managed care between Medicaid and the NJ KidCare and FamilyCare programs.



In October 2000, after three years of intensive planning, Medicaid began phasing in mandatory managed care for Medicaid beneficiaries with disabilities and for some aged beneficiaries (those who are not dually eligible for Medicaid and Medicare). Medical services for this population are expected to be delivered in a managed care model throughout the entire state by December 2001.

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 due to 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.

Children's Initiative

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

The initiative provides care-coordination and creates common screening for services to assure that 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 be tailored to the individual child.

This Budget includes \$18.7 million of State funding, an increase of \$8.7 million over fiscal 2001, plus \$29 million in federal matching funds, for a total of \$48 million in new and expanded services for children. Services and resources totaling more than \$215 million will be organized and coordinated to support individualized treatment plans in the community.

The initiative is managed at the Department level and reflects a partnership among the Divisions of Youth and Family Services, Mental Health Services, and Medical Assistance and Health Services.

Capital Recommendations

The needs of New Jersey citizens who require special care are of utmost importance. The fiscal 2002 Budget provides \$15.8 million for essential preservation and improvement projects for Department of Human

Services' facilities. Included are \$7 million for a Statewide Automated Child Welfare Information System, \$500,000 for a fire detection and notification system at Vineland Developmental Center, and \$1 million for environmental assessments for asbestos and biological hazards at various facilities. Other projects provide \$2.6 million for HVAC improvements at New Lisbon Developmental Center, \$1.2 million to replace emergency generators at Woodbridge Developmental Center, \$3 million for drop ceiling replacements at various facilities, and \$500,000 to replace electrical distribution systems at Ancora. In addition, \$11 million will be available through a line-of-credit to install necessary sprinkler systems at Trenton and Ancora psychiatric hospitals and for three residential centers at the Division of Youth and Family Services.

5 Judiciary



Fiscal 2002
Recommended Budget
(In Thousands)

General Fund

Direct State Services
\$452,912

Total General Fund
\$452,912

Total State Recommendation
\$452,912

Overview

The fiscal 2002 Budget for the Judiciary totals \$452.9 million, equaling the fiscal 2001 adjusted appropriation of \$452.9 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 by consolidating activities and streamlining court operations, such as centralizing some purchasing contracts and implementing video technology in courtrooms.

Fiscal 2002 Budget

State funding for the Judiciary in fiscal 2002 totals \$452.9 million. This reflects a continuation of the amount budgeted in fiscal 2001. When combined with federal funding and dedicated revenue, this appropriation will support 432 judgeships and 8,982 operations and administrative personnel.

In addition to the five existing Drug Court Pilots, the fiscal 2002 Budget provides \$4.3 million in new funding for the implementation of two new drug courts. These courts represent an alternative to incarceration for approximately 134 prison-bound individuals in an effort to break the cycle of crime.

In addition to the above-described initiative, it is anticipated that by the end of fiscal 2002, the salaries of judges will be increased by \$3.4 million, or 6%, over fiscal 2000 levels.

5 Labor



Fiscal 2002
Recommended Budget
(In Thousands)

General Fund

Direct State Services
\$57,731

Grants-In-Aid
\$21,624

Total General Fund
\$79,355

Casino Revenue Fund
\$2,440

Total State Recommendation
\$81,795

Overview

The fiscal 2002 Budget for the Department of Labor (NJDOL) totals \$81.8 million, an increase of \$138,000, or 0.2%, over the fiscal 2001 adjusted appropriation of \$81.7 million. This includes continued funding of the supported employment services for severely disabled individuals, cost-of-living increases for the community service providers, and continued funding for the implementation of the Public Works Contractor Registration Act.

In addition to its State appropriations and dedicated funds, the Department administers an array of federal programs totaling \$328 million. Labor provides employment, training, and education services that meet the needs of all citizens.

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:

- Recognized by the National Association of State Information Resource Executives (NASIRE) for its Worker's Compensation Case, Organization, Utilization, Reporting and Tracking System (COURTS);
- Successfully transitioned from the federal Job Training Partnership Act to the new Workforce Investment Act program;
- One-stop offices were opened in Trenton, Deptford and East Orange;
- Unemployment Insurance claimants can file from anywhere in the state by calling one of three Remote Call Centers located in Freehold, Vineland and Union City; and
- Approved for \$1.7 million in federal funding for a public sector only Occupational Safety and Health program.

Fiscal 2002 Budget

Grants-In-Aid funding for Vocational Rehabilitation Services is increased by approximately \$400,000 in fiscal 2002, from \$21.2 million to \$21.6 million, or 1.8%.

This funding will support cost-of-living increases for community service providers in fiscal 2002. 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. In addition, \$650,000 is continued for Sheltered Workshop Transportation. This funding is intended to increase the fiscal 2001 reimbursement rate of 77.5% for transportation to the Sheltered Workshops to between 90 and 100%.

NEW JERSEY'S JOB GROWTH JANUARY 1994 - DECEMBER 2000

January 1994 - December 1994	76,900
December 1994 - December 1995	21,900
December 1995 - December 1996	65,600
December 1996 - December 1997	92,500
December 1997 - December 1998	63,700
December 1998 - December 1999	66,200
December 1999 - December 2000	<u>52,600</u>
Total	<u><u>439,400</u></u>

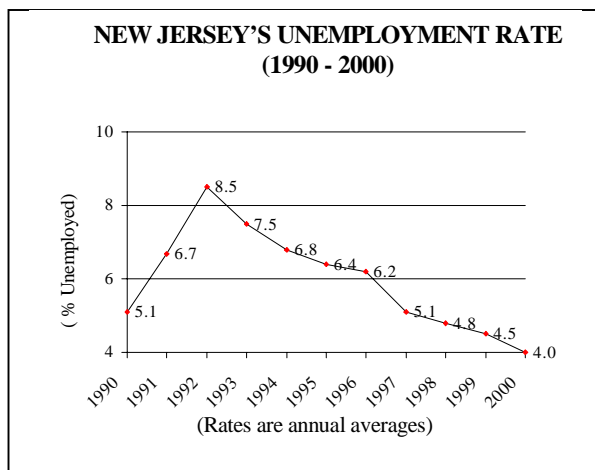
The State budget continues a \$500,000 appropriation to implement a recently enacted law that will require public works contractors to register with the Department to ensure compliance with current labor laws. All registration fees will be retained by the Department to offset operating expenses. During fiscal 2001 approximately 6000 businesses applied for registration under the law that went into effect in April 2000.

New Jersey's Economy

The New Jersey economy continued to advance in 2000. During 2000, an estimated 3,945,000 million individuals were employed in New Jersey. The State's economic expansion has generated a net increase of 439,400 jobs since January 1994, with an unemployment rate of 3.9% as of December 2000. During 2000, the jobless rate averaged 4.0% (see chart below), down significantly from the 8.5% rate recorded in 1992.

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 and additional offices in Vineland and Union City shortly thereafter. Through the Remote Initial claims process, all New Jersey residents can file initial unemployment insurance claims and re-open existing unemployment claims by telephone.

Workers' Compensation

Since 1999, the Department has been in the process of replacing its data management system. Phase I of the project, which was completed in September 1999, allows judicial staff to schedule, hear and research court cases through the use of personal computers. Phase II, the Case, Organization, Utilization, Reporting, and Tracking System (COURTS), was completed in October 2000. The COURT System allows external users to access case database information from their homes. Users are able to access the system using Verisign digital certificates,

WORKERS COMPENSATION RATE

Decreases 1996 - 2001

1996	3.6%
1997	11.2%
1998	9.3%
1999	5.2%
2000	2.4%
2001	<u>2.3%</u>
Six - Year Total	34.0%

which is a system that allows the user to be identified as an authentic user. Phase III is expected to be completed in the near future making New Jersey the first state in the nation to have a fully automated litigation system. The National Association of State Information Resource Executives (NASIRE) recognized New Jersey's COURT System as one of 12 projects nationwide that helps government run more efficiently.

New Jersey continues to see fewer injuries among workers, translating to a steady reduction of workers' compensation premium rates. The year 2001 marks the sixth consecutive year that rates have been reduced. The minimum weekly benefit will increase from \$151 in calendar year 2000 to \$158 in 2001, and the maximum weekly benefit will increase from \$568 in calendar year 2000 to \$591 in 2001.

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. In fiscal 2001, One-Stop offices were opened in Trenton, Deptford and East Orange. The fiscal 2002 budget includes \$3 million to renovate and purchase new furniture for One-Stop Career Centers.

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, the Department of Labor provides job training for the Work First New Jersey welfare reform program. The Department'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 2002, the Workforce Development Partnership Trust Fund will provide \$13 million to the New Jersey Work First program, which helps welfare recipient's transition from public assistance to self-sufficiency.

Customized Training Program								
January 1, 1994 to December 31, 2000								
	1994	1995	1996	1997	1998	1999	2000	Total
Grant Awards (in millions)	\$14	\$20	\$23	\$22	\$38	\$39	\$42	\$198
Company Match (in millions)	\$24	\$37	\$45	\$46	\$50	\$51	\$96	\$445
Companies	144	132	328	170	**675	**585	**3,370	5,404
Trainees	13,140	23,478	24,970	40,490	*49,179	*53,869	*59,371	264,497
*Includes trainees of companies that received English as a Second Language (ESL) grants								
**Includes companies that received ESL grants								
<u>Note:</u> The large number of companies and trainees in year 2000 is due to inclusion of Automotive Repair training for the Division of Motor Vehicles.								

Customized Training Program

The customized training aspect of the WDP program provides matching training grants to employers to upgrade the skills of their workforce. Customized training has become an important component of New Jersey's economic development package. Since January 1, 1994, \$643 million has been provided to upgrade the skills of approximately 265,000 workers employed by 5,404 New Jersey firms. These employers have invested approximately \$445 million in matching training dollars.

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. PERC, along with the PERC Appeal Board, has a combined budget of \$3.2 million in fiscal 2002, including ongoing funding for computer upgrades to carry out responsibilities of the Police and Fire Public Interest Arbitration Reform Act. PERC will complete its state-of-the-art system in December 2001, which will permit better workflow and timely case management updates, thus enabling PERC to respond more effectively to local governments and school districts.

5 Law and Public Safety



Fiscal 2002
Recommended Budget
(In Thousands)

General Fund

Direct State Services
\$417,751

Grants-In-Aid
\$24,010

State Aid
\$6,690

Capital Construction
\$25,344

Total General Fund
\$473,795

Casino Control Fund
\$34,458

Casino Revenue Fund
\$92

Gubernatorial Election Fund
\$10,100

Total State Recommendation
\$518,445

Overview

The fiscal 2002 Budget for the Department of Law and Public Safety totals \$518.4 million, a decrease of \$14.4 million, or 2.7%, under the fiscal 2001 adjusted appropriation of \$532.9 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.

The following are the Department's major responsibilities:

- Protect the lives and property of citizens of New Jersey by providing statewide law enforcement and emergency response services;
- Safeguard the right of citizens of New Jersey to be free from criminal attack by helping to coordinate and enhance the operations and policies of the state's vast law enforcement community, and by investigating and prosecuting those cases that are beyond the jurisdiction of other law enforcement agencies in this state;
- Regulate the manufacture, distribution, sales and transportation of alcoholic beverages within the state;
- Enforce the Consumer Fraud Act and other consumer protection laws; and
- Be responsible for the planning, development, operation and contracting of sanctions and services for juveniles charged as delinquent.

Highlights of recent Department initiatives and accomplishments:

- Represented the interests of New Jersey commuters before the New York Court of Appeals on taxing out-of-state commuters to New York City. As a result of the court's decision, the tax was repealed for all commuters. Over 350,000 commuters in New Jersey, Connecticut and other states were able to apply for a refund of all taxes withheld or paid since July 1, 1999.
- Administered the Community Justice Grant program to strengthen the partnerships between law enforcement and community members, and to assist with improving the quality of life in neighborhoods throughout the State. Grant funding of \$2 million was made available to all 21 County Prosecutor's Offices and the Division of State Police for community justice initiatives.
- Converting all criminal justice agencies communicating with the New Jersey Criminal Justice Information System and the Federal National Crime Information Center (NCIC) to the new NCIC 2000 system. This new system will update technology and add fingerprint and image processing functions.

Fiscal 2002 Budget

State Police

The recommendation for the Division of State Police, excluding Capital funding, is \$231.2 million, an increase of \$7.1 million, or 3.2%, above the fiscal 2001 adjusted appropriation of \$224.1 million. State Police provide law enforcement 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 \$928,000 supports the annualization of salaries for 70 new troopers. An additional \$4 million is provided for training and salaries to support 100 narcotics detectives and patrol supervisors to provide the State Police the necessary personnel to further the implementation of their reform efforts.

Eight State Police training classes will be scheduled in fiscal 2002, allowing the State Police to recruit highly qualified candidates by canvassing colleges and universities. This will provide increased opportunities for women and minorities. These classes are expected to graduate a total of more than 300 new troopers, which will permit reassignment of more experienced troopers to other areas in the State Police such as criminal investigations and drug enforcement to take advantage of that experience and training. The new troopers will bring the total number to more than 1000 graduates in 18 classes since fiscal 1994.

An increase of \$450,000 has been recommended to hire additional technical laboratory staff for DNA testing. This staff will enable the State Police to provide DNA testing of all persons convicted of violent crimes, and will update the State's database of DNA profiles to aid criminal investigations in response to recently enacted legislation.

State Police Information Technology Enhancements

Since fiscal 2000, a total of \$36 million has been funded to the Division of State Police to develop and implement extensive information technology enhancements that will improve automation and data processing capabilities to assist in complying with the mandates of the Federal Consent decree. Some of the enhancements currently underway or operational are:

- A Computer Aided Dispatch (CAD) System that maximizes the efficiency of the current dispatch/radio network, permitting vastly improved service to the public in responding to complaints;
- A Record Management System, integrated with CAD, provides for the “enter once” concept of data collection. This will prevent duplication and redundancy of entering the same data in multiple systems; and
- A Management Awareness and Personnel Performance System (MAPPS) that provides a computerized method to track and manage trooper activities.

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 \$2.9 million is recommended for the first year of a three-year grant program to assist municipalities in equipping more than 5,000 patrol cars with mobile video camera recorders. These mobile cameras will enhance local jurisdictions’ ability to effectively prosecute cases and assist the State in monitoring officer performance. A reduction of \$340,000 is recommended to reduce redundancy in legislative reviews. Functions of the legislative unit will be reassigned to other units in the Department.

Division of Election Management and Coordination

The Division of Election Management and Coordination reviews the validity of all nomination petitions for statewide offices and manages the challenge process; certifies candidates for the primary and general elections; certifies election results; and examines and certifies voting equipment. The fiscal 2002 recommendation includes funding of \$3 million for the replacement of punch card voting machines with electronic voting machines. Also included is \$440,000 for county monitoring and oversight.

Juvenile Justice System

The Juvenile Justice Commission operates and coordinates programs for juveniles involved with the criminal justice system. The fiscal 2002 recommendation, excluding capital, provides funding of \$99.3 million, an increase of \$4.7 million, or 5%, over the fiscal 2001 adjusted appropriation of \$94.6 million.

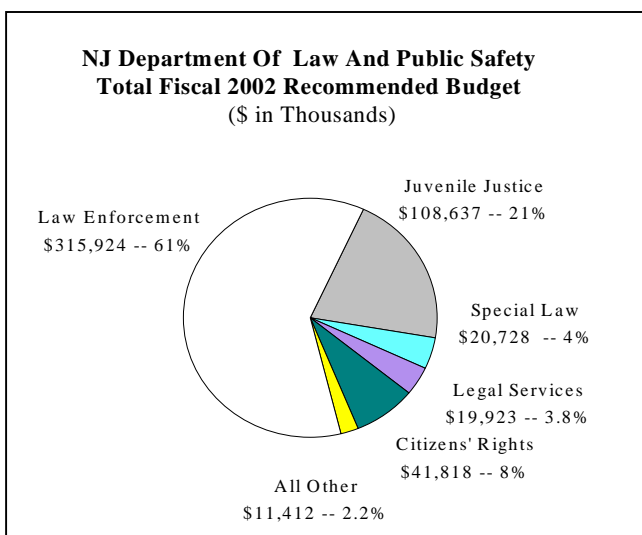
The priority in fiscal 2002 for the Juvenile Justice Commission is to continue to provide the best quality of care possible in its facilities. In fiscal 2002, \$350,000 is recommended to provide more on site medical services to residents in the Residential Group Centers throughout the state. An additional \$398,000 is

recommended to expand training for staff to include state-of-the-art methods to manage the juvenile population in both secure and non-secure facilities.

A total of \$4.2 million is included to complete two new facilities. This includes the new 144-bed facility at the Juvenile Medium Secure Facility in Bordentown, which will permit downsizing of the New Jersey Training School for Boys in Jamesburg. Additionally, the newly constructed Hayes Unit will be used as an orientation unit for juveniles sentenced to the Juvenile Boot Camp program.

In addition, the Commission will fund 32 positions at \$1.2 million to provide additional treatment and program services to juveniles residing in community residential programs and \$300,000 to support 6

positions, which will enhance the Commission's aftercare services for juveniles, especially those graduating from the boot camp program. These positions will be funded by using projected institutional overtime savings. Two-day programs will be eliminated at a savings of \$544,000. The Commission will explore other community options.



Citizens' Rights

A total of \$41.8 million is recommended for Citizens' Rights in fiscal 2002, a decrease of \$1.1 million, or 2.6%, under the fiscal 2001 adjusted appropriation of \$42.9 million. The decrease of \$1.1 million is the result of eliminating one-time funding needed to address the backlog of background checks for Homemaker/Home Health Aides in fiscal 2001. Funds provided for this area ensure fair and equitable treatment of consumers, protect the civil rights of individuals, and assist victims of crime.

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.

Division Of Law

The Division of Law, which provides legal services to all offices, departments, and entities of State government, as well as county Boards of Election and Taxation, is recommended for continuation funding of \$19.9 million in fiscal 2002. 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. Services include representing the State in claims brought against the State and its employees for personal injury, property damage, and contract claims. The Division also prosecutes civil claims on behalf of the State.

New Jersey Racing Commission

A pending legislative supplemental appropriation in fiscal 2001 will provide a total of \$6.3 million for the New Jersey Standardbred Breeders and Owners' Association, including \$202,000 for programs designed to aid horsemen and \$6.1 million to supplement standardbred purses. In addition, a total of \$11.7 million is recommended for the New Jersey Thoroughbred Horsemen's Association, including \$340,000 for programs designed to aid horsemen and horsemen's organizations and \$11.4 million to supplement purses at thoroughbred tracks. Fund balances at the end of fiscal 2001 will be available to supplement purses in fiscal 2002.

Gaming Enforcement

Funded from the receipts of New Jersey's casino industry, \$34.5 million is recommended for the Division of Gaming Enforcement to continue to meet its responsibilities as defined by the Casino Control Act.

Election Law Enforcement Commission

The recommendation for the Election Law Enforcement Commission is \$4.1 million, an increase of \$400,000, or 11%, over the fiscal 2001 adjusted appropriation of \$3.7 million. These funds will permit counties to administer the distribution of ballot statements by the candidates for Governor, providing a forum for candidates to communicate their positions on critical issues to the voting public.

Gubernatorial Elections

The fiscal 2002 Budget recommends an increase of \$3.1 million to the Gubernatorial Elections Fund to provide public financing to qualified candidates in the 2001 Gubernatorial election.

Capital Recommendations

This Budget recommends a total of \$25.3 million for capital projects in the Department of Law and Public Safety. The recommended projects for State Police (\$16 million) will fund critical repairs to roofs, other building systems, and continue information technology upgrades to allow for better management by the State Police. Also recommended is \$9.3 million to address critical capital needs at Juvenile Justice Commission facilities. These funds will provide for improvements in bathroom fixtures and other hardware to reduce the possibility of suicide attempts, additional security enhancements to allow for a safer environment, and repairs to buildings at the New Jersey Training School for Boys in Jamesburg.

5 Military and Veterans' Affairs



Fiscal 2002
Recommended Budget
(In Thousands)

General Fund

Direct State Services
\$70,323

Grants-In-Aid
\$1,044

Capital Construction
\$7,893

Total General Fund
\$79,260

Total State Recommendation
\$79,260

Overview

The fiscal 2002 Budget for the Department of Military and Veterans' Affairs (DMAVA) totals \$79.3 million, a decrease of \$4.6 million, or 5.4%, under the fiscal 2001 adjusted appropriation of \$83.8 million. This decrease is related to a one-time capital expenditure of \$7 million. Included in the capital funding is a \$3.8 million State match anticipated to generate a \$7.1 million federal funds award to reconstruct the Vineland Veterans' Memorial Home. This facility, the last of the three homes to be rebuilt, can accommodate 282 beds. The replacement home will have 332 beds, an Alzheimer's unit, and a domiciliary unit (assisted living complex). This Budget provides the resources needed to operate the three Veterans' Memorial Homes, with the capacity to house 946 residents in fiscal 2002. The number of New Jersey veterans receiving services from the Department is projected to expand to approximately 37,000 in fiscal 2002. The Department of Military and Veterans' Affairs has developed a comprehensive Information Technology (IT) Strategic Plan that furthers the Administration's goal of transforming New Jersey into an online State. This IT initiative takes a major step in supporting the approximately 3,000 employees, 10,000 soldiers and airmen, and 750,000 veterans and their families living in New Jersey. The recommendation of \$2.8 million to implement this strategic plan will allow the Department to hire IT support staff, upgrade and replace its current infrastructure, web enable the Department, and replace existing computer hardware.

The following are the Department's major responsibilities:

- Provide command, control, and services to the members of New Jersey's Army and Air National Guard units;
- Provide services and programs benefiting veterans' residing in the State of New Jersey; and
- Respond and provide support to the United States in time of war and national emergencies and the State for such events as disaster relief and civil disorder.

Highlights of recent Department initiatives and accomplishments:

- Opening of the Korean War Memorial
- Over 1,000 students successfully completed the Challenge Youth Program
- Completion, opening and dedication of the New Menlo Park Veterans' Memorial Home
- Managed and coordinated the transition of the Battleship New Jersey back to the State

Fiscal 2002 Budget

Honoring Our Veterans

The Korean War Memorial was dedicated in November 2000. The Memorial includes six sculptures, two waterfalls, two reflecting pools, and a kiosk located on the historic boardwalk in Atlantic City. The recommendation includes \$45,000 for first year maintenance of the Memorial. This reflects New Jersey's continued commitment to its veterans by providing the needed funds to maintain the Memorial's appearance.

National Guard

The recommended increases to the Division of Military Services Budget include \$165,000 for increased operations to address those facilities that are in the most serious need of repair. There are a total of 33 armories and two air bases that the National Guard operates. Due to the federal/State match program that is in place, the federal government will contribute \$495,000 based on the State's \$165,000 recommendation.

Defense Installations

Additional funding of \$46,000 is recommended 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 protection of New Jersey's eight military bases, which employ approximately 27,000 men and women, is important to the military readiness of our armed forces. These individuals, as well as their families, and some 750,000 retired veterans, contribute significantly to the State's economy. This funding allows New Jersey to develop a proper strategic plan and insures proper representation before the Commission.

Youth Challenge Program

Funding is recommended to continue in the fiscal 2002 Budget for the Challenge Youth Program. By contributing \$256,000 in the Challenge Youth Program grant, the State's total share will have reached \$1.1 million since 1999. This investment has enabled the Department to receive an additional \$1.7 million of federal funds during that same period. Continued funding reflects an ongoing commitment to address at-

risk youths through a program that nurtures a positive self-image and self-discipline. When the current class graduates, over 1000 students will have successfully completed the program since its inception in 1993.

Capital Recommendations

The capital recommendation for the Department totals \$7.9 million. Of this amount, \$3.8 million is recommended for the reconstruction of the Vineland Veterans' Memorial Home and \$4.1 million for various armory preservation and safety projects.

5 Personnel



Fiscal 2002
Recommended Budget
(In Thousands)

General Fund

Direct State Services
\$29,735

Total General Fund
\$29,735

Total State Recommendation
\$29,735

Overview

The fiscal 2002 Budget for the Department of Personnel totals \$29.7 million, an increase of \$0, or 0.0%, over the fiscal 2001 adjusted appropriation of \$29.7 million. With this Budget, the Department will continue initiatives to improve government operations through the introduction of modern human resource management practices. Works in progress are transforming outdated practices to focus on more contemporary human resource strategies.

Crucial to this effort is the customer service based approach to meeting the needs of State and local appointing authorities while continuing to plan traditional human resource services. To accomplish this, the Department has created flexible administrative tools to shape the workforce and facilitate the strategic planning initiatives underway for long-range future government employment in New Jersey.

The following are the Department of Personnel's major responsibilities:

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

Fiscal 2002 Budget

The Department of Personnel is taking the lead in investing in the process by which the workforce is hired, classified, trained and compensated. The objective is to create a blueprint and solid foundation for the future. Within the Department, the Human Resource Development Institute (HRDI) has become the provider of low cost, quality training by pioneering distance

learning, computer-based training, and other high technology applications. The Institute is market driven in its course offerings and easily accessible. HRDI continues the use of adjunct professors with special expertise in complex subject disciplines to further leverage resources. Training and motivation are key to performance enhancement and to the development of staff, fostering opportunities for advancement to supervisory and management positions. This training investment is critical to succession planning throughout government.

To further improve the environment for all employees, HRDI has initiated a training program for the prevention of sexual harassment in the workplace to ensure that all employees are respectful of their fellow co-workers. The Department of Personnel has met with each department to determine the appropriate mode of delivery ranging from train the trainer, disk-based systems, direct delivery, to teleconferencing. The Department is responsible for monitoring and measuring progress on the initiative.

5 State



Fiscal 2002
Recommended Budget
(In Thousands)

General Fund

Direct State Services
\$21,899

Grants-In-Aid
\$35,102

State Aid
\$21,196

Capital Construction
\$13,980

Total General Fund
\$92,177

Total State Recommendation
\$92,177

Overview

The fiscal 2002 Budget for the Department of State excluding Higher Education, totals \$92.2 million, an increase of \$6.8 million, or 8.0%, over the fiscal 2001 adjusted appropriation of \$85.4 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.

The following are the Department's major responsibilities:

- 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.

The following are functions which are in, but not of, the Department:

- 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 2002 Budget

The Department of State's fiscal 2002 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 recommendation also includes \$10 million to continue funding for the New Jersey Cultural Trust that was established in fiscal 2001.

Support of the Arts

The recommendation for Grants-In-Aid is \$30 million, which will maintain level funding for support of the arts in New Jersey.

New Jersey Cultural Trust

In fiscal 2002, \$10 million is recommended to continue funding for the New Jersey Cultural Trust that augments State and federal funding for the arts, history, and humanities in New Jersey. By using private funding to leverage public funding, the Cultural Trust helps to fund capital projects, build endowments, and contribute to the institutional and financial stability of non-profit cultural groups in New Jersey. Private sector funding that meets the purposes of the Trust is matched by the State on a one to one basis, a public/private venture that the State has committed to for a ten-year period.

New Jersey State Council on the Arts

In addition to the \$10 million for the New Jersey Cultural Trust, \$20 million is recommended for cultural project grants through the State Council on the Arts. These funds are to be awarded through the Council's competitive grants award process. 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, over 2,300 New Jersey individuals, families, corporations, schools, civic, and faith groups have endorsed ArtsPlan New Jersey. Its popular support helps achieve the goal of improving the quality of life through advancement of the arts.

In July 2000, the Council on the Arts awarded nearly \$21 million to support over 600 organizations and projects statewide. The awards provide a significant benefit to major arts organizations and county arts agencies. Last year, an estimated 24.9 million people 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 is provided funding of \$3.6 million, the same amount provided in fiscal 2001. This recommendation includes \$1 million for the Many Faces, One Family, (MFOF) and the Personal Responsibility programs, as well as continued funding for the Center for Youth Policy and Programs (CYPP), an information clearinghouse on youth policy and programs. The first major undertaking of the CYPP, the V-Free initiative, seeks to promote violence-free, victim-free, and vandalism-free schools and communities. To date, 30,000 youth have participated in the initiative. The MFOF Program unites business leaders and communities to encourage understanding, tolerance, and appreciation of the diversity that enriches our state. Recently this initiative has expanded its focus, organizing 180

events this year or more than double the number of events in 1999 and 16% more events than just last year. In partnership with the Office of the Attorney General, MFOF will continue to increase the dialogue between members of the police force and the communities they serve.

The fiscal 2002 Budget establishes both the Office of Volunteerism and the Office of Cultural Affairs within the Secretary of State's Office. This distinction will allow these entities to have a specific budget identity.

New Jersey Network

The budget recommendation for the Public Broadcasting Authority (New Jersey Network or NJN) provides \$7.2 million in direct State support, an increase of \$1.63 million, or 30%, above the fiscal 2001 adjusted appropriation. This includes an increase of \$1.1 million for a new initiative to diversify resources to benefit New Jersey citizens, including \$750,000 to increase the operating subsidy to the Public Broadcasting Authority. In order to expand production abilities and generate additional revenue, \$300,000 is recommended for a production site in Atlantic City. Finally, \$60,000 is recommended to hire a grants writer in order to maximize the receipt of federal and other grant funds.

In fiscal 2002, an additional \$11.2 million is recommended in capital funding to expand the State's investment to satisfy the federal mandate for digital television transmission. All commercial and non-commercial television 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. Following the \$5.7 million capital appropriation provided for this purpose in fiscal 2001, this recommendation reflects New Jersey's continued commitment to assisting NJN in their effort to meet this requirement.

State Library

The proposed operating Budget for the New Jersey State Library remains stable at \$3.2 million. This Budget also recommends an increase of \$3.4 million in State Aid. Within State Aid, \$3.1 million will be used for debt service on the Public Library Project Fund and \$300,000 will be used for increased support of the Virtual Library.

The New Jersey Virtual Library is an on-line library designed to meet the needs of New Jersey residents in their pursuit of information and educational opportunities. The New Jersey Virtual Library provides materials targeted to the needs of Kindergarten through grade 12 students, undergraduate and graduate students, teachers, adult learners, and businesses, as well as the average public library user. The Virtual Library will also link other state resources and databases including legislative bills and State department

information. It will be accessible 24 hours a day, seven days a week from homes, schools, dormitories, and offices.

New Jersey Historical Commission

In fiscal 2002, the New Jersey Historical Commission recommendation includes \$4.5 million for its grants program. This reflects a continuation of funding provided through a supplemental appropriation in fiscal 1999. This funding will support research by 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 2002 Budget recommendation includes \$450,000, a continuation of administrative funds provided in fiscal 2001. 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 60%, of the grant money, has been utilized by grantees for project construction expenses.

The War Memorial

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. To establish the War Memorial as a producer of quality concerts and a center for diverse programming, an increase of \$900,000 is recommended to implement a subscription concert series. Attendance is projected to increase by 50,000 from 175,000 in 2001 to 225,000 in 2002, an increase of 28%. Attendance is expected to increase even more with the creation of the War Memorial Presenting Theatre.

Archives and Records Management

The fiscal 2002 Budget for the Division of Archives and Records Management (DARM) is \$1.7 million. An additional \$1.4 million in capital construction funding is being recommended for Specialized Document Imaging Services, which will expand the Department's Centralized Micrographics Program to provide specialized imaging services to State, county, and local agencies. 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 "new" State Archives opened 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 were displayed to the public.

Capital Recommendations

This Budget recommends \$2.0 million to fund four capital projects. For the Records Storage Center, \$1.4 million is provided for a document imaging service for State, county, and local governments. For the State Museum, \$500,000 is recommended to provide a compact storage system that will double its storage capacity, and \$150,000 is recommended to replace auditorium seats, lighting, and curtains.

Additionally, a recommendation of \$800,000 will allow the State Library to continue the modernization of its facilities with a computerized research system for both users and staff (\$400,000). Also provided is \$400,000 to initiate an architectural and engineering cost study to assess and update the Library building program. The study will inventory the Library's collections and determine its growth rate and the impact of new technologies.

5 Transportation



Fiscal 2002
Recommended Budget
(In Thousands)

General Fund

Direct State Services
\$240,582

Grants-In-Aid
\$279,707

Capital Construction
\$716,980

Total General Fund
\$1,237,269

Casino Revenue Fund
\$24,821

Total State Recommendation
\$1,262,090

Overview

The fiscal 2002 Budget for the Department of Transportation totals \$1.262 billion, an increase of \$68.4 million, or 5.7%, over the fiscal 2001 adjusted appropriation of \$1.194 billion. This increase is primarily attributable to additional funding for the New Jersey Transit Corporation to fund new bus and rail service without a fare increase for a record eleventh 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 (NJTC), the nation's third largest provider of bus and commuter rail service, moves approximately 366,000 commuters per day. NJTC operates 714 rail cars on 12 lines and 2,030 buses on 174 routes covering the entire state.

DOT also is 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 following are the Department's major responsibilities:

- Maintain the extensive network of highways, bridges, feeder roads, and bus and rail lines to attain the maximum useful life of the State's investment in transportation;
- 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;
- Promote the safety of the State's transportation systems, consistent with community objectives, to improve highway, rail, and pedestrian safety; and
- Provide consumer-sensitive motor vehicle services in an efficient, timely manner.

Highlights of recent Department initiatives and accomplishments:

- Establishment of the Access DMV On-Line Registration System, which allows motorists to renew their vehicle registrations over the Internet and pay by credit card;
- Reduced auto emissions due to the implementation of the Enhanced Inspection and Maintenance program;
- No New Jersey Transit fare increase for a record eleventh straight year, making fares less expensive now than in 1983 when adjusted for inflation;
- New Jersey Transit annual ridership gains averaging 2.6 percent over the last nine consecutive years;
- Opening of additional stops on the Hudson Bergen Light Rail Transit System; and
- 24-hour a day reduced fares for senior citizens.

Fiscal 2002 Budget

The Direct State Services recommendation of \$245 million is \$12 million, or 5%, less than the fiscal 2001 adjusted appropriation level. This decrease is largely attributable to the elimination of one-time fiscal 2001 supplemental appropriations totaling \$18.4 million, which are primarily in Motor Vehicle Services and are detailed below. New funding of \$15.9 million is recommended in fiscal 2002 for programs in Motor Vehicle Services and Maintenance and Operations.

Within Direct State Services recommended funding, DOT's operating budget (excluding Motor Vehicle Services) totals \$114.2 million, a net increase of \$4.3 million, primarily due to the shift of \$7.9 million in salary costs from the Transportation Trust Fund (TTF) to the Department's operating budget. This shift will allow more TTF funds to be used for brick and mortar construction.

Transportation Trust Fund (TTF)

Funding authorization for transportation capital projects will total \$1 billion in fiscal 2002, an increase of \$100 million over the fiscal 2001 funding level of \$900 million. When factoring in federal funds, available funding authorization in fiscal 2002 for this program will grow to more than \$2.2 billion including federal funds, which will result 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 \$8.1 million, from \$701.4 million in fiscal 2001 to \$709.5 million in fiscal 2002.

In fiscal 2002, the TTF will continue to fund projects promoting economic development, replacing or rehabilitating bridges, and upgrading the quality of highways throughout the state. As an economic instrument, each \$100 million investment in the State's transportation infrastructure creates an additional 3,800 jobs and helps New Jersey to be a more attractive business location for the production and distribution of goods.

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 \$1.4 billion for county and municipal roadway projects, thus reducing the need for local tax dollars to finance infrastructure costs.

DOT will receive a total of \$385 million in State funding and \$798 million in federal funds to continue funding State highway infrastructure projects to further advance the Administration's long term strategic transportation investment strategy – New Jersey FIRST: A Transportation Vision for the 21ST Century.

The following are areas of focus:

- A commitment to reduce and ultimately eliminate the backlog of structurally deficient bridges;
- Continuation of the Emergency Orphan Bridge Repair program;
- Funding for highway drainage projects and a new low-cost, fast track program for fixing flooding problems;
- Increased spending for intersection improvements at problem intersections identified by DOT's Safety Management System;
- Continuation funding for the Portway, which will foster economic growth; and
- Projects to relieve congestion and expand mobility while promoting the State Development and Redevelopment Plan.

Not all funding is focused on improving the State's highway system. Funding is also available for the implementation of the Statewide Bicycle and Pedestrian Master Plan, which provides an action plan for improving the bicycling and walking environment throughout the state.

NJ Transit will receive a total of \$465 million in TTF funding and over \$400 million in federal funds to advance construction of new facilities and urban core initiatives.

Examples of projects that will either be completed or advanced in fiscal 2002:

- Completion of the Montclair Connection, which will give Montclair Branch and Boonton Line riders direct access to midtown Manhattan for the first time;
- Construction of the 33-mile South Jersey Light Rail Transit System, which will operate along the Delaware River between Trenton and Camden;
- Continued acquisition of new buses and rail cars to provide a higher level of service to system users; and
- Annual track rehabilitation to maintain a state of good repair.

Several examples of urban core projects that will either be completed or advanced in fiscal 2002:

- Construction of the second 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; and
- 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.

New Jersey Transit Corporation

The fiscal 2002 State operating subsidy recommended for the NJ Transit Corporation totals \$280 million, an increase of \$71 million, or 34%, more than their \$209 million State grant in the fiscal 2001 Budget:

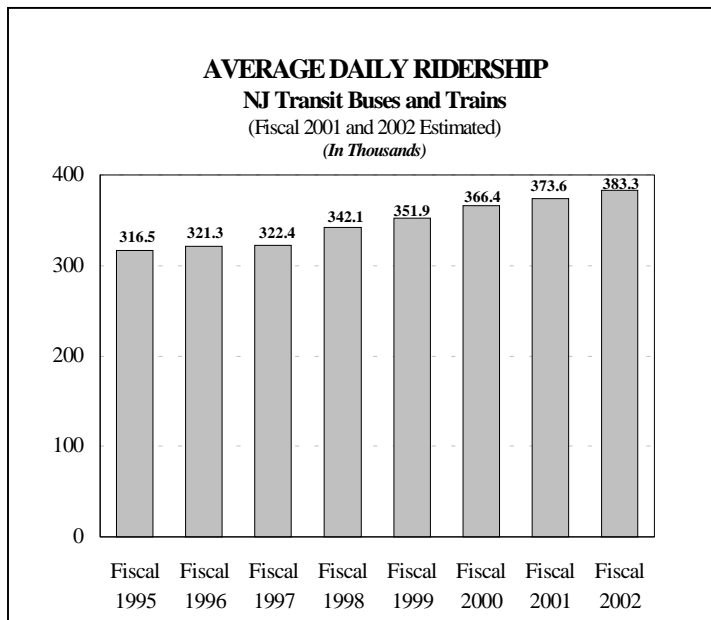
This increase will:

- Fund additional bus and rail service to reduce overcrowding;
- Fund new bus and rail routes;
- Sustain reliability of bus and rail service by expanding vehicle cleaning and various other maintenance programs;
- Meet mandated federal and State safety programs; and
- Update communications by opening a new rail operations center.

Ridership on NJ Transit buses and trains increased to an all time high of more than 214 million annual riders in fiscal 2000. This marked the ninth consecutive year of ridership growth for the agency. The number of passengers continues to grow in fiscal 2001. Ridership gains since 1991 have boosted farebox revenue by over \$148 million, or 43%, thereby offsetting a portion of annual inflationary costs.

Elderly and Handicapped Transportation Services

NJ Transit will receive almost \$25 million from the Casino Revenue Fund in fiscal 2002 to continue developing accessible transportation facilities and services for elderly and disabled residents. This is over \$1 million more than the program received in fiscal 2001. The majority of this recommendation, \$21 million, will be allocated to counties to provide local transportation for the elderly and disabled.



NJ Transit will also continue to receive funding to allow elderly and handicapped citizens to ride buses and trains at half the normal fare around the clock.

Motor Vehicle Services

The fiscal 2002 Budget recommends a Direct State Services appropriation of \$126 million for Motor Vehicle Services (MVS), a \$21 million reduction from the fiscal 2001 adjusted appropriation of \$147 million. In addition, a capital appropriation of \$7.5 million is recommended for fiscal 2002 for agency

modernization and preservation of motor vehicle services facilities. This fiscal 2002 reduction is attributable to the elimination of one-time costs for the following programs: Enhanced Inspection and Maintenance (\$10 million); Graduated Driver's License (\$7.5 million); Private Inspection Facility Subsidy (\$3 million); and the Ten-Year Digitized Drivers' License Program (\$2.7 million). The fiscal 2002 Budget also funds several increases for MVS, including a major Agency Modernization initiative.

Agency Modernization

The Division of Motor Vehicles will receive a total of \$5.5 million in fiscal 2002, with \$700,000 being funded from Direct State Services and the \$4.8 million balance being funded from capital, to begin modernizing each of its 45 agencies. The goal of this initiative is to improve agency efficiency in processing customer transactions and to reduce the waiting time for the public. The largest undertaking will be the rewriting of the Agency computer system, which is over 20 years old. In addition, the Division will be installing a queuing system that uses advanced software to more efficiently regulate the order in which transactions are handled. The Division also will initiate partnerships with commercial vendors to provide additional field sites where motorists can renew their licenses and registrations.

Enhanced Inspection and Maintenance

The fiscal 2002 Budget includes \$26.9 million to continue the Enhanced Inspection and Maintenance (EIM) program, which is required by the federal Clean Air Act. This recommendation comprises almost one-fourth of the MVS Budget, and is \$10 million less than the fiscal 2001 appropriation of \$36.9 million due to the elimination of one-time-costs. The total EIM cost of \$76.5 million will be supported with federal Congestion Mitigation and Air Quality (CMAQ) funds.

In order to reduce the wait time for inspections, a total of 45 additional lanes are being added to the 32 privately run inspection stations through fiscal 2001. New inspection stations were built in Toms River and Freehold to further reduce 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 Driver License Program

The fiscal 2002 Budget recommends funding the Graduated Driver License Program at a level of \$1.8 million. This is a \$7.5 million reduction from the fiscal 2001 adjusted appropriation of \$9.3 million, all of which represents the elimination of startup costs. The Graduated Driver License Act requires MVS to implement phased-in driving privileges for new drivers. The new program, which went into effect January 1, 2001, will allow young drivers additional time to develop their driving skills under supervised

conditions, gradually expanding access to the roadway as they gain experience. This approach, which has also been implemented in many other states, will help improve safety for young drivers and the general public. Parents will receive a new Parent Guidebook to acquaint them with the guidelines and procedures of the new program. Under the Graduated Driver License Program extensive technology improvements will continue in fiscal 2002 to enhance program effectiveness.

Ten-Year Digitized Driver License Program

In fiscal 2002, the Division of Motor Vehicles will continue developing the Ten-Year Digitized Driver License Program (DDL) with \$6.5 million in funding provided in fiscal 2000 and 2001. DDL is projected to be fully implemented by fiscal 2003. An additional \$900,000 is needed in fiscal 2002 for startup and implementation costs. Once the DDL program is fully operational, all of New Jersey's registered drivers will receive digitized licenses that will be renewable after ten years rather than the current four years. This will provide a more convenient arrangement for licensed drivers.

Progress on Select Fiscal 2001 Initiatives

The Department of Transportation began work on two new initiatives in fiscal 2001: the Graduated Driver License Program and the Gateway Enhanced Maintenance Program. Progress to date follows:

The Graduated Driver License (GDL) Program implements the Graduated Driver License Law that was effective January 1, 2001. It creates an extended licensing process for new drivers of passenger vehicles to allow for extended training prior to receiving full driving privileges in an effort to reduce driving fatalities among teenage and first-time drivers and their passengers.

- Effective January 1, 2001, 16 year-olds enter a three-step process, which includes the addition of a *provisional license* at age 17 with certain driving restrictions, and a basic license (with full driving privileges) at age 18.
- A fact sheet about the program is now available at the Department's website, which describes what it is, why we have it, and how it works. Visit <http://www.state.nj.us/transportation>.

The Gateway Enhanced Maintenance Program is establishing and implementing enhanced standard levels of service for overall maintenance of targeted highways, gateway areas, and rest areas in the state, including street sweeping, grass mowing, spraying of curbs and guardrails, weekly litter pick-up, pavement patching, and other maintenance services.

- Services are now provided on a more frequent basis as a proactive approach to preventive maintenance of these roadways and rest areas.
- Roadways are patrolled weekly to identify potholes. Repairs are made within 24 hours of discovery.
- Targeted flood areas are now the focus of an intensive drain cleaning effort. Twelve known clogged inlets are being cleaned monthly.

5 Treasury



Fiscal 2002
Recommended Budget
(In Thousands)

General Fund

Direct State Services
\$260,374

Grants-In-Aid
\$93,800

State Aid
\$189,717

Debt Service
\$423,323

Total General Fund
\$967,214

Property Tax Relief Fund
\$1,064,357

Casino Revenue Fund
\$0

Subtotal Treasury Department
\$2,031,571

Subtotal, In But Not Of,
Agencies
\$178,395

Grand Total State
Recommendation
\$2,209,966

Overview

The fiscal 2002 Budget for the Department of Treasury totals \$2.210 billion, an increase of \$317.2 million, or 16.8%, over the fiscal 2001 adjusted appropriation of \$1.893 billion. The Department of the Treasury is responsible for collecting taxes, managing the State's assets and revenue, and investing and managing 180 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 more 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.

The following are the Department's major responsibilities:

- Plan for, formulate and monitor the annual State Budget;
- Assure financial responsibility and accountability and provide current, relevant financial information for management and the public;
- Administer the tax laws of the State so that all properly due taxes are collected;
- Enhance revenue collection through integrated receipts processing and aggressive management of public accounts receivable;



Treasury
In-But-Not-Of Agencies

Fiscal 2002
Recommended Budget
(In Thousands)

Commerce and Economic
Growth
\$21,036

Science and Technology
\$24,562

Casino Control
Commission
\$25,245

Board of Public Utilities
\$20,733

Ratepayer Advocate
\$4,433

Office of Administrative
Law
\$4,941

Public Defender
\$77,445

Subtotal, In But Not Of,
Agencies
\$178,395

- Provide a centralized purchasing system for goods and services needed to operate all State government departments, and to provide savings opportunities for school districts, county and local governments through cooperative purchasing;
- Plan, program and design and supervise the construction of buildings and facilities for the various State agencies;
- Invest and reinvest funds of the various State agencies and pension funds as effectively as possible;
- Administer all employee benefit programs at minimum cost;
- Provide risk management, loss prevention and claims services, and management of the fire and casualty insurance program to all State agencies;
- Assist local governments and school boards to minimize their operating costs; and
- Operate a central motor pool fleet at the lowest possible cost and provide State agencies with safe operating vehicles.

Highlights of recent Department initiatives and accomplishments:

- Began efforts to automate revenue collection and processing;
- Reduced average life of vehicle fleet to five years from nine years;
- Identified savings of approximately \$120 million for local governments through local government budget review efforts; and
- Increased motor vehicle surcharge collections by 35%.

Fiscal 2002 Budget

The Department's fiscal 2002 operating Budget is recommended at \$260.3 million, a \$7.5 million reduction, or 2.7%, which reflects the elimination of one-time supplemental appropriations and the incorporation of other programmatic efficiencies. The recommended operating budget 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 2002, 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.

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, and to provide preservation funding to the Office of Green Acres, the State Agriculture Development Committee, and the New Jersey Historic Trust. The fiscal 2002 Budget continues a \$500,000 increase, provided in fiscal 2001, for the GSPT to enhance the agency's abilities to achieve their goals.

Earned Income Tax Credit

This Budget includes \$70 million to provide much needed tax relief to the State's neediest families with children. The New Jersey Earned Income Tax Credit (NJ EITC) program provides a tax credit for low- and moderate-income working families, and is expected to benefit 237,290 families in fiscal 2002.

This program is based on the federal earned income tax credit program. The fiscal 2002 credit increases from 10% to 15% of the federal credit. When fully implemented in fiscal 2004, the NJ JEITC will provide 20% of the federal EITC. In fiscal 2002, this program will offer a maximum benefit ranging between \$363 and \$599 per family, depending on family size and income. The NJ EITC will be phased in over four years.

Administration of State Revenues

The Division of Revenue will receive continuation level funding in fiscal 2002 of \$30.5 million, adjusted downward for \$15.2 million in one-time supplemental funding received in fiscal 2001. This amount reflects sufficient funding to accomplish the Division's mission. The Division has expanded optical imaging processing systems to provide better customer service. This initiative, which has increased productivity and eliminated some of the problems associated with the retrieval of paper files, will continue in fiscal 2002.

Funding levels for the administration of the State Lottery and the Casino Control Commission remain stable in fiscal 2002. The Office of Revenue and Economic Analysis has moved to the Division of Taxation and funding has been increased by \$100,000 for additional staff.

Board of Public Utilities

The operating Budget for the Board of Public Utilities (BPU) remains constant at \$20.7 million for fiscal 2002. As a direct result of the BPU's implementation of sound management practices, the BPU has successfully undertaken several legislative mandates without an increase in utility assessments.

In fiscal 2002, the BPU will receive \$500,000 in Direct State Services funding for start-up costs associated with a proposed Energy Research Consortium. This new initiative will include public agencies, industry, and research universities organized to advance the safety, reliability and productivity of New Jersey's energy products and services through a program of pre-competitive research and technology development. The primary focus of the consortium will be to bring together public and private entities to anticipate and solve complex problems related to the generation and use of energy resources in the state. It is anticipated that the Consortium will leverage additional federal and private funds currently available for this type of collaborative research.

Commission on Science and Technology

The fiscal 2002 Budget for the Commission on Science and Technology is recommended to continue at \$24.5 million. The Commission 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. This agency's initiatives are considered an integral part of the Administration's ongoing high-tech budget. For example, the Commission supports seven existing business incubators established in partnership with colleges and universities to help "downstream" theoretical university research into the marketplace. Most importantly, the fiscal 2002 Budget sustains the \$5 million in new funding provided in fiscal 2001 to create an additional 7 to 10 incubators by the end of fiscal 2002.

Office of Administrative Law

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 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 fiscal 2002 Budget for the Office of Administrative Law (OAL) is recommended at \$4.9 million, a \$613,000 increase, or 14%, over the fiscal 2001 adjusted appropriation. The increase supports funding for four judgeships and support staff. In addition, it offsets a loss in judicial hearing revenue due to more cases being settled by mediation. The additional judges, when appointed, will enable the OAL to provide timely services for cases that do not have specific federal or State mandates. Cases that have mandatory hearing requirements, such as special education, human services and lemon law, must comply with timeframes mandated by State or federal requirements. As a result, cases experience delays and become crowded out of the hearing schedule.

The Office of The Public Defender

The State funding recommendation for the Office of the Public Defender in fiscal 2002 totals \$77.4 million, an increase of \$1.9 million, or 3%, over the fiscal 2001 adjusted appropriation of \$75.5 million. This increase is provided to further the goals of the permanency placement efforts required by the Adoption and Safe Families Act. This funding supports salaries for eight additional staff for the Parental Representation Unit, the cost of expert witnesses and pool attorneys to represent parents during termination hearings.

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. The Division of Youth and Family Services have been funding this initiative since fiscal 2001. In fiscal 2002, it is anticipated that the Law Guardian will represent over 17,100 children.

Progress on Select Fiscal 2001 Initiatives

In fiscal 2001, \$5 million in new funding was provided to the Commission on Science and Technology to expand the development of Specialized Business Incubators. Another \$4.9 million was provided in Fiscal 2000 to initiate a Technology Transfer Program. Progress to date on these initiatives includes:

The *Specialized Business Incubators Program* provides start-up firms and small businesses with low-cost office, light manufacturing, and laboratory facilities.

- The seven existing incubators support \$300,000 per year, which leverages \$1.2 million in non-State funding. These incubators house more than 110 companies with over 600 employees.
- Between 10 and 20% of the tenants graduate from the incubators each year.
- More than 80% of all firms graduated from the incubators are still in business in New Jersey.
- Seven to ten new incubators will be under construction or open for business by the end of fiscal 2002. Six feasibility studies and two architectural and engineering designs have been funded to date to build new business incubators.

The *Technology Transfer Program* provides funds to small New Jersey technology businesses to encourage new technologies and products.

- Through October 2000, 59 awards were issued to small-scale technology companies in New Jersey, providing interest-free, repayable loans for up to ten years, thus retaining 450 high quality technology jobs.

In fiscal 2001, \$657,000 was provided to lease purchase alternative fuel vehicles for the Treasury Department vehicle fleet.

The *Alternative Fuel Vehicle Program* has been implemented to achieve environmental benefits through the use of alternative fuel vehicles in the state. Progress to date includes:

- All new vehicle purchases in fiscal 2001 are alternative fuel vehicles, which exceeds federal and State standards of 75% and 80%, respectively; 220 alternative fuel vehicles have been lease purchased through December 2000.
- The program will increase the total number of state fuel locations offering the CNG (compressed natural gas) alternative fuel, the use of which will help reduce greenhouse gas emissions. The fiscal 2002 Budget includes a recommendation for \$2.5 million in capital funding to expand the state's network of alternative fuel stations.

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STATE REVENUES
FISCAL YEARS 2001 AND 2002 ESTIMATES
(\$ in thousands)

	APPROP FY 2001	REVISED FY 2001	CHANGE FY 2001	BUDGET FY 2002	CHANGE FY01 TO FY02
Major Taxes					
Sales Tax	\$6,023,000	\$5,839,000	(\$184,000)	\$6,247,000	\$408,000
Corporation Business	1,582,000	1,413,700	(168,300)	1,548,000	134,300
Motor Fuels	515,000	525,000	10,000	541,000	16,000
Motor Vehicle Fees	406,338	398,189	(8,149)	398,801	612
Transfer Inheritance	575,000	575,000	-	575,000	-
Insurance Premium	300,000	300,000	-	300,000	-
Cigarette	199,000	215,000	16,000	200,000	(15,000)
Petroleum Products Gross Receipts	217,000	217,000	-	220,000	3,000
Public Utility Excise	8,700	8,700	-	8,700	-
Corporation Banks and Financial Institutions	40,000	49,000	9,000	49,000	-
Alcoholic Beverage Excise	80,000	80,000	-	80,000	-
Realty Transfer	80,000	83,000	3,000	85,000	2,000
Savings Institutions	14,000	14,000	-	14,000	-
Tobacco Products Wholesale Sales	12,000	15,000	3,000	15,000	-
Total Major Taxes	10,052,038	9,732,589	(319,449)	10,281,501	548,912
Miscellaneous Taxes, Fees, Revenues					
Medicaid Uncompensated Care	448,299	423,014	(25,285)	416,066	(6,948)
Good Driver	67,716	62,400	(5,316)	62,400	-
Motor Vehicle Inspection Fund	70,245	74,000	3,755	74,050	50
Investment Earnings	26,645	41,456	14,811	44,205	2,749
Public Utility GRFT	68,400	68,400	0	68,400	-
TEFA	147,100	216,000	68,900	176,100	(39,900)
Fringe Benefit Recoveries	164,000	170,500	6,500	176,500	6,000
Other Miscellaneous Revenue	851,969	831,760	(20,209)	879,662	47,902
Total Miscellaneous Taxes, Fees, Revenues	1,844,374	1,887,530	43,156	1,897,383	9,853
Interfund Transfers					
State Lottery Fund	713,000	713,000	0	715,000	2,000
Tobacco Settlement Fund	144,219	153,219	9,000	293,446	140,227
All Other Funds	221,832	257,621	35,789	341,744	84,123
Total Interfund Transfers	1,079,051	1,123,840	44,789	1,350,190	226,350
Total State Revenues General Fund	12,975,463	12,743,959	(231,504)	13,529,074	785,115
Property Tax Relief Fund	7,738,000	8,310,000	572,000	8,916,000	606,000
Casino Control Fund	58,093	61,492	3,399	59,703	(1,789)
Casino Revenue Fund	352,365	352,300	(65)	368,100	15,800
Gubernatorial Election Fund	1,500	1,500	-	1,500	-
Total State Revenues	\$21,125,421	\$21,469,251	\$343,830	\$22,874,377	\$1,405,126

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

	-----Fiscal Year Ending June 30 -----	
	2001 Estimated	2002 Estimated
Beginning Balances July 1		
Undesignated Fund Balances		
General Fund	\$187,769	\$101,370
Surplus Revenue Fund	698,198	698,198
Property Tax Relief Fund	397,717	477,656
Gubernatorial Elections Fund	2,072	-
Casino Control Fund	(1,115)	-
Casino Revenue Fund	-	1,754
Total Undesignated Fund Balances	1,284,641	1,278,978
State Revenues		
General Fund	12,743,959	13,529,074
Property Tax Relief Fund	8,310,000	8,916,000
Gubernatorial Elections Fund	1,500	1,500
Casino Control Fund	61,492	59,703
Casino Revenue Fund	352,300	368,100
Total State Revenues	21,469,251	22,874,377
Other Adjustments		
General Fund		
Balances lapsed	210,570	-
To Gubernatorial Elections Fund	(3,428)	(8,600)
Property Tax Relief Fund		
Balances lapsed	48,150	-
Gubernatorial Elections Fund		
From General Fund	3,428	8,600
Total Other Adjustments	258,720	-
Total Available	23,012,612	24,153,355
Appropriations		
General Fund	13,037,500	13,467,333
Property Tax Relief Fund	8,278,211	9,246,365
Gubernatorial Elections Fund	7,000	10,100
Casino Control Fund	60,377	59,703
Casino Revenue Fund	350,546	369,854
Total Appropriations	21,733,634	23,153,355
Ending Balances June 30		
Undesignated Fund Balances		
General Fund	101,370	154,511
Surplus Revenue Fund	698,198	698,198
Property Tax Relief Fund	477,656	147,291
Gubernatorial Elections Fund	-	-
Casino Control Fund	-	-
Casino Revenue Fund	1,754	-
Total Undesignated Fund Balances	\$1,278,978	\$1,000,000

SUMMARY OF FISCAL YEAR 2000 - 2001 APPROPRIATION RECOMMENDATIONS BY FUND
(\$ in thousands)

-----Year Ending June 30, 2000-----					Year Ending ---June 30, 2002---			
Orig. & (S)Supple- mental	Reapp. & (R)Recpts.	Transfers & (E)Emer- gencies	Total Available	Expended		2000 Adjusted Approp.	Requested	Recom- mended
					General Fund			
\$4,483,171	\$350,718	\$30,196	\$4,864,085	\$4,552,688	Direct State Services	\$4,718,589	\$4,873,582	\$4,829,639
5,340,385	192,092	(9,973)	5,522,504	5,368,861	Grants-in-Aid	5,761,029	6,182,804	6,090,103
1,262,301	126,124	(10,536)	1,377,889	1,111,762	State Aid	843,893	844,747	840,862
880,481	178,810	(2,483)	1,056,808	737,385	Capital Construction	1,183,986	1,337,901	1,177,327
518,724	---	(20,901)	497,823	494,223	Debt Service	530,003	529,402	529,402
12,485,062	847,744	(13,697)	13,319,109	12,264,919	Total General Fund	13,037,500	13,768,436	13,467,333
7,255,265	36,267	1,729	7,293,261	7,193,536	Property Tax Relief Fund	8,278,211	9,246,365	9,246,365
57,945	296	---	58,241	57,475	Casino Control Fund	60,377	59,703	59,703
365,204	43,734	---	408,938	404,758	Casino Revenue Fund	350,546	369,854	369,854
---	---	---	---	---	Gubernatorial Elections Fund	7,000	10,100	10,100
					Grand Total			
\$20,163,476	\$928,041	(\$11,968)	\$21,079,549	\$19,920,688	State Appropriations	\$21,733,634	\$23,454,458	\$23,153,355

SUMMARY OF FISCAL YEAR 2001-2002 APPROPRIATION RECOMMENDATION
(\$ in thousands)

	Fiscal 2001 Adjusted Appropriations	Fiscal 2002 Recommendations	---Change---	
			Dollar	Percent
General Fund and Property Tax Relief Fund				
State Aid and Grants	\$14,883,133	\$16,177,330	\$1,294,197	8.7%
State Operations				
Executive Departments	3,065,230	3,053,964	(11,266)	(0.4%)
Legislature	66,216	66,179	(37)	(0.1%)
Judiciary	452,912	452,912	-	0.0%
Interdepartmental	1,134,231	1,256,584	122,353	10.8%
Total State Operations	4,718,589	4,829,639	111,050	2.4%
Capital Construction	1,183,986	1,177,327	(6,659)	(0.6%)
Debt Service	530,003	529,402	(601)	(0.1%)
Total General Fund and Property Tax Relief	21,315,711	22,713,698	1,397,987	6.6%
Casino Revenue Fund	350,546	369,854	19,308	5.5%
Casino Control Fund	60,377	59,703	(674)	(1.1%)
Gubernatorial Election Fund	7,000	10,100	3,100	44.3%
Grand Total State Appropriations	\$21,733,634	\$23,153,355	\$1,419,721	6.5%

RECOMMENDATIONS BY DEPARTMENT

STATE FUNDS
(\$ in thousands)

	State Operations	Grants- In-Aid	State Aid	Capital Construction	Debt Service	FY 2002 Total Recommended
Legislature	\$66,179	\$0	\$0	\$0	\$0	\$66,179
Chief Executive	6,221	-	-	-	-	6,221
Agriculture	11,242	3,954	9,542	50	-	24,788
Banking and Insurance	63,313	-	-	-	-	63,313
Community Affairs	38,174	64,465	994,304	-	-	1,096,943
Corrections	789,386	143,699	-	22,202	-	955,287
Education	56,717	6,429	7,269,354	2,930	-	7,335,430
Environmental Protection	220,520	8,850	27,893	116,185	106,079	479,527
Health and Senior Services	95,036	903,147	37,485	14,079	-	1,049,747
Human Services	541,087	2,909,409	262,771	15,765	-	3,729,032
Labor	57,731	24,064	-	-	-	81,795
Law and Public Safety	462,401	24,010	6,690	25,344	-	518,445
Military and Veterans' Affairs	70,323	1,044	-	7,893	-	79,260
Personnel	29,735	-	-	-	-	29,735
State	26,556	1,218,461	21,196	24,480	-	1,290,693
Transportation	240,582	279,707	24,821	716,980	-	1,262,090
Treasury	414,314	1,211,938	496,865	6,850	423,323	2,553,290
Miscellaneous Commissions	1,392	-	-	-	-	1,392
Inter-Departmental Accts	1,256,584	596,123	-	224,569	-	2,077,276
The Judiciary	452,912	-	-	-	-	452,912
Total Recommendation	\$4,900,405	\$7,395,300	\$9,150,921	\$1,177,327	\$529,402	\$23,153,355

DEPARTMENT OPERATING BUDGETS

(\$ in thousands)

	Adjusted Approp. FY 2001	Recom- mended FY 2002	Difference 2001-2002	% Change 2001-2002
Legislature	\$66,216	\$66,179	(\$37)	(0.1%)
Chief Executive	6,221	6,221	-	0.0%
Department of Agriculture	10,998	11,242	244	2.2%
Department of Banking and Insurance	63,256	63,313	57	0.1%
Department of Community Affairs	35,586	38,174	2,588	7.3%
Department of Corrections	788,434	789,386	952	0.1%
Department of Education	57,604	56,717	(887)	(1.5%)
Department of Environmental Protection	212,759	220,520	7,761	3.6%
Department of Health and Senior Services	89,816	94,165	4,349	4.8%
Department of Human Services	563,384	541,087	(22,297)	(4.0%)
Department of Labor	57,926	57,731	(195)	(0.3%)
Department of Law and Public Safety	404,793	417,751	12,958	3.2%
Department of Military and Veterans' Affairs	68,207	70,323	2,116	3.1%
Department of Personnel	29,735	29,735	-	0.0%
Department of State	24,485	26,556	2,071	8.5%
Department of Transportation	256,928	240,582	(16,346)	(6.4%)
Department of the Treasury	393,761	389,069	(4,692)	(1.2%)
Miscellaneous Commissions	1,337	1,392	55	4.1%
Inter-Departmental Accounts	1,134,231	1,256,584	122,353	10.8%
The Judiciary	452,912	452,912	-	0.0%
Total Executive Departments	\$4,718,589	\$4,829,639	\$111,050	2.4%



Appropriation Limitations Law

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

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)

<i>Fiscal 1997</i>	\$253,612
<i>Fiscal 1998</i>	\$269,344
<i>Fiscal 1999</i>	\$283,747
<i>Fiscal 2000</i>	\$296,516

According to the US Census Bureau, the population for the State for the last four fiscal years (b) is:

<i>Fiscal 1997</i>	8,054,178
<i>Fiscal 1998</i>	8,095,542
<i>Fiscal 1999</i>	8,143,412
<i>Fiscal 2000</i>	8,414,350

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 2002 is computed by multiplying the base year appropriation (fiscal 2001) 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 3.84% for calculating the fiscal 2002 CAP.

The calculation results in a maximum increase of \$180.5 million over the fiscal 2001 Adjusted appropriation, or a maximum appropriation of \$4.881 billion for Direct State Services for fiscal 2002. The Governor's recommendation for fiscal

2002, for items under the CAP, is \$4.810 billion, or \$71 million under the CAP limit. Data used to compute the appropriation limit are presented in the accompanying tables.

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

	Average Per Capita Personal Income	Percentage Change
Fiscal 1997	\$31,488	
Fiscal 1998	\$33,271	5.66%
Fiscal 1999	\$34,844	4.73%
Fiscal 2000	\$35,239	1.13%

Computation of 2002 Appropriation Subject to Expenditure Limitation Law Percentage
(\$ in thousands)

Appropriation and Adjustments for Fiscal 2001	\$21,733,634
Less Statutory Exemptions:	
Grants-In-Aid	(5,761,029)
State Aid	(843,893)
Capital Construction	(1,183,986)
Debt Service	(530,003)
Property Tax Relief Fund	(8,278,211)
Casino Control Fund	(60,377)
Casino Revenue Fund	(350,546)
Gubernatorial Elections Fund	(7,000)
Less: Funding for Corrections Mental Health Treatment	
Appropriated in accordance with a court settlement	(17,760)
Amount subject to limitation	4,700,829
Fiscal 2001 base subject to percentage limitation	4,700,829
Per capita personal income rate	3.84%
Maximum increase in appropriation for Fiscal 2002 (CAP limitation)	180,512
Maximum appropriation for Fiscal 2002	4,881,341
Fiscal 2002 recommendation	4,829,639
Less: Funding for Corrections Mental Health Treatment	
Appropriated in accordance with a court settlement	(19,520)
Amount of Fiscal 2002 appropriation subject to the CAP Limitation	4,810,119
Amount Over/(Under) the CAP limitation	(\$71,222)

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 year's number. For example:

$$\text{Fiscal 2000} = \frac{\sum(3\text{Qcy99} + 4\text{Qcy99} + 1\text{Qcy00} + 2\text{Qcy00})}{4}$$
Therefore $\text{Fiscal 2000} = \frac{\sum(289,804 + 295,387 + 297,743 + 303,131)}{4}$. Fiscal 2000 = \$296,516.
Personal Income statistics were revised and re-released, October 2000.
- (b) The population figures are from the U.S. Bureau of the Census; figures for 1997, 1998, and 1999 were revised in December 1999. The 2000 figure is the April 2000 Census for New Jersey. The average per capita personal income is found by taking the total personal income and dividing by the State's estimated population.



Casino Revenue Fund

Overview

Total Casino Revenue Fund (CRF) revenues of \$368.1 are projected for fiscal 2002 and it is estimated that appropriations will exceed available resources by \$386.9 million. The total cost for CRF eligible programs for fiscal 2002 is \$756.8 million, an increase of \$48.3 million, or 6.82% over fiscal 2001. Because programs supported by the CRF have grown considerably faster than revenues, the General Fund has had to share in the support of these programs. A prime example is the Pharmaceutical Assistance to the Aged and Disabled (PAAD) program, whose costs are expected to grow 15% while CRF revenues are expected to only grow by 4.5%.

The summary and projection chart at the end of this section illustrates CRF revenues, the programs receiving Fund appropriations over the past several years, and those programs that were intended to be funded through the CRF but were shifted to the General Fund due to insufficient CRF resources. The CRF 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 highlight those areas receiving major appropriations through the Casino Revenue Fund.

Pharmaceutical Assistance to the Aged and Disabled (PAAD): \$265.5 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 \$19,238 for single persons and \$23,589 for married couples.

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 2002, only the Lifeline Credit program is included in the Casino Revenue Fund allocation.

Transportation Assistance: \$24.8 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.

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.

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.

Community Care Alternatives: \$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.

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 with subsidies for meals, housekeeping, and personal services at various congregate housing sites. The goal is to keep the elderly from being placed in nursing homes unnecessarily.

Home Care Expansion Program: \$.4 million

This 100% State funded program provides non-medical care in the homes of disabled persons 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.

CASINO REVENUE FUND SUMMARY AND PROJECTION
(\$ in millions)

	Fiscal 1995	Fiscal 1996	Fiscal 1997	Fiscal 1998	Fiscal 1999	Fiscal 2000	Fiscal 2001	Rec. 2002
Opening surplus	\$24.00	\$0.00	\$12.80	\$0.00	\$0.00	\$0.00	\$0.00	\$1.8
Revenues	301.8	305.7	313.7	325.5	325.0	335.7	350.7	366.5
Lapses and adjustments	4.4	6.8	0.0	0.0	3.2	1.8	1.6	1.6
Total Resources	330.2	312.5	326.5	325.5	328.2	337.5	352.3	369.9
Appropriations								
Property Tax Reduction	17.2	17.2	17.2	17.2	17.2	17.2	17.2	\$0.0 ³
Medical Assistance								
Personal assistance	3.5	3.6	3.7	3.7	3.7	3.7	3.7	3.7
Home care expansion	8.0	8.0	2.4	0.0	1.0	0.7	0.4	0.4
PAAD	122.5	121.3	147.4	166.1	193.6	218.8 ¹	229.9 ²	265.5 ⁴
Community Care	71.7	48.6	18.5	0.8	14.2	3.3	3.3	3.3
Respite care	4.0	4.0	4.0	2.8	4.8	4.8	5.1	5.1
Hearing aid assistance	0.4	0.3	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.	3.6	0.2	0.6	0.6	0.9	0.9	0.9	0.9
Lifeline Credits	43.2	41.9	76.3	76.3	34.6	34.6	34.6	34.6
Transportation Assistance								
Senior citizens and disabled residents	19.4	19.8	21.1	22.2	22.5	22.8	23.8	24.8
Sheltered workshop transportation	1.7	1.7	2.4	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	2.5	2.0	2.0	1.6	1.6	1.6	1.6
Developmental Disabilities	24.5	24.5	24.5	24.5	24.5	19.6	19.6	19.6
Other	5.3	3.7	3.7	4.2	4.5	4.4	5.3	5.3
Total Appropriations	330.2	299.7	326.5	325.5	328.2	337.5	350.5	369.9
Ending Surplus	\$0.0	\$12.8	\$0.0	\$0.0	\$0.0	\$0.0	\$1.8	\$0.0
General Fund Subsidy								
Lifeline	\$36.0	\$39.4	\$0.0	\$0.0	\$36.2	\$36.2	\$36.2	\$36.2
SOBRA for Aged and Disabled	75.4	102.6	105.4	109.6	114.0	118.6	123.8	128.8
CCPED and Waivers	0.0	10.7	81.0	23.3	30.1	38.8	41.2	44.4
Personal Care	0.0	0.0	0.0	76.4	88.8	103.1	96.7	108.7
Senior Citizens Property Tax Freeze	0.0	0.0	0.0	0.0	0.0	23.7	10.6	10.6
PAAD	0.0	0.0	0.0	0.0	0.0	20.0	49.5	58.2
Value of Programs Shifted	\$111.4	\$152.7	\$186.4	\$209.3	\$269.1	\$340.4	\$358.0	\$386.9

Footnotes:

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 and charged to the Tobacco Settlement Trust Fund.

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

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

⁴ In addition to this amount, \$58.2 million has been shifted to the General Fund.

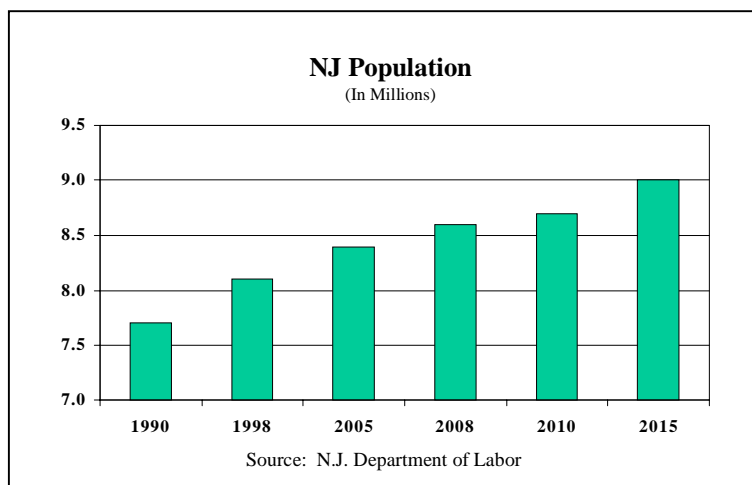


Demographics

Population

The total population of New Jersey is projected to grow from 8,115,000 in 1998 (revised estimate) to 8,436,200 in the year 2005, to 8,607,500 in the year 2008, and to 9,055,400 by the year 2015. 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 36.7 years in 1998, to 38.1 years in 2008, and to 38.5 years in 2015.



Labor Force

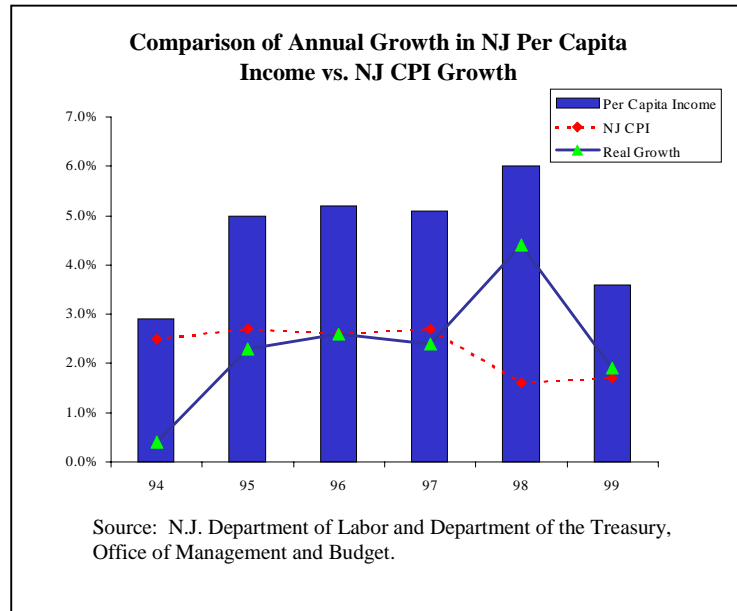
New Jersey's civilian labor force is projected to grow at a faster rate than its population; specifically, the population is projected to grow by 6.1% while the labor force is projected to grow by 8.7% over the 1998–2008 period. The civilian labor force is projected to grow from 4,193,200 in 1998, to 4,559,100 in 2008, and to 4,795,200 in 2015. Females and minorities are projected to account for most of the state's labor force growth between 1998 and 2008. This trend is expected to continue through 2015.

Occupational employment growth between 1998 and 2008 is projected to be dominated by the professional and technical occupational group, which includes computer scientists and systems analysts. Projected growth for service-producing industries (14.7%) from 1998 to 2008 is expected to continue to offset a decline in the goods-producing sector (-4.0%). By 2008, six out of every seven jobs are projected to be in service-producing industries, such as wholesale and retail trade and business and health services. Manufacturing is projected to continue its decline through 2008.

Population and Personal Income Changes

New Jersey's per capita income has continued to experience real growth, i.e., annual growth in excess of consumer price index (CPI) growth, since 1994. The New Jersey CPI is computed on a State fiscal year basis (July–June).

Personal income changes for New Jersey and its neighboring states are illustrated in the tables below. Personal income data is reported on a calendar year basis.



Population and labor force data was provided by the New Jersey Department of Labor's *Projections 2008, New Jersey Employment and Population in the 21st Century*, June 2000.

**1999 PER CAPITA PERSONAL INCOME FOR
THE UNITED STATES, NEW JERSEY AND MIDDLE ATLANTIC STATES
(Calendar Year)**

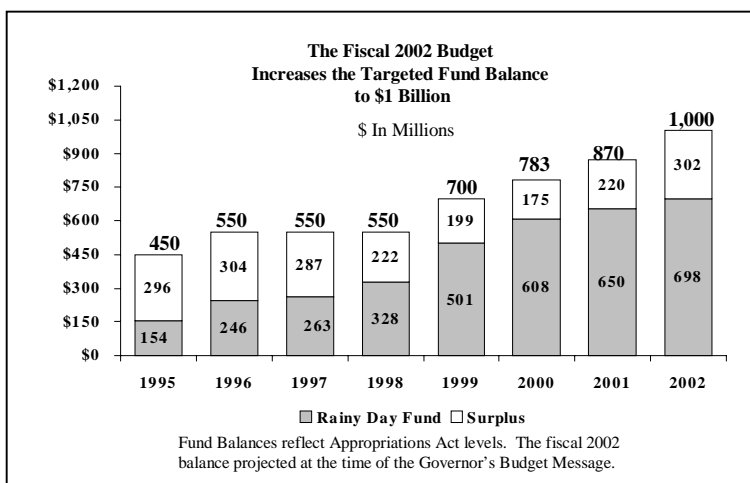
	Amount	1999 Percent of National Average	National Ranking
United States	\$28,542	---	---
New Jersey	\$35,551	125	2
New York	\$33,890	119	3
Maryland	\$32,465	114	4
Delaware	\$30,778	108	10
Pennsylvania	\$28,605	100	15

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



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; and
- The Governor declares an emergency and the Joint Budget Oversight Committee agrees.

Beginning with the fiscal 2001 Appropriations Act, the Rainy Day Fund is capped at \$720 million. 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 drawdowns 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 increase in the Rainy Day Fund balance is the result of revenues and investment earnings in excess of the Appropriations Act.



Workforce

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 services, and to individual employees. The number of full-time employees on the State payroll, excluding the county courts, has decreased by 931 or 1.5%, from the beginning of the Administration in January 1994 to January 2001.

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.

Fiscal 2002 Employee Impact

The fiscal 2002 Budget reflects growth of 1,051 positions, excluding the county courts. Growth in the Department of Corrections is a total of 545 positions, or approximately 52% of the total growth. Of this increase, 296 custody and civilian positions will be funded from overtime savings as a result of reducing posts that were filled on an overtime basis and the elimination of overlap overtime. Two expanded capacity units, which total 532 bed spaces will open in fiscal 2002 and require a staffing level of 161. The formal notification and discharge planning process will require 54 additional staff to implement a formal tracking system that will begin upon intake through discharge. In addition to the staffing increase in the Department and in order to continue to meet mandates, 28 new positions are required for the State Parole Board to maintain the appropriate hearing schedule and improve operations through technology and records management. Other increases include four positions to enhance security through canine patrols and two positions will conduct a study to determine the effectiveness of drug treatment programs within the institutions.

The Department of Health's Senior Gold program will add 51 new staff to manage the program. Funding will come from PAAD Expansion appropriation.

A number of staffing enhancements are recommended in the Department of Human Services including 58 staff to provide mental health treatment services due to the 150 bed expansion for civilly committed sex offenders at the temporary Civilly Committed Sex Offenders Facility Annex at Rahway Camp. Funding is provided for 15 new staff to support the first year of a two year plan to move 200 developmentally disabled

clients from the Department's ICF/MR facilities into community based settings. In addition to the previous two initiatives, 80 new staff will be added for DYFS District offices throughout the state and 34 staff are being added to reduce the Division of Developmentally Disabled's waiting list by placing 500 clients in community based residential settings and 400 clients in day programs.

The Department of Law and Public Safety fiscal 2002 staff level will increase by 164, including 100 new State Troopers, 29 Deputy Attorneys General in the Division of Law and 38 for staffing enhancement in the Juvenile Justice Commission, offset by a small number of staff reductions throughout the Department.

Environmental Protection will receive 27 new staff for a number of new initiatives including 9 staff for Sustainable Water and Fisheries programs, 8 for Clean Air Compliance, and 10 for other programs including enforcement of municipal storm water regulations.

A number of other small staff increases are recommended in the Budget for the Judiciary and several departments.

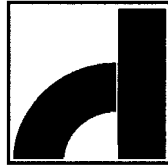
Offsetting these increases is a statewide-managed attrition program, which is anticipated to reduce overall employee growth by approximately 600. The attrition program will permit departments to replace on average of one of three State funded employees who terminate voluntarily, assuming a normal attrition rate of approximately 900 per year. The allocation of attrition will vary from department to department and ensures that the most critical employees such as direct care workers in the State's institutions and custody staff in the Department of Corrections are replaced.

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

Department/Agency	Whitman First Term Begins 1/21/94	As of January 1, 2001	January 1, 2001 vs January 21, 1994	
			Difference	% Difference
Agriculture	240	255	15	6.3%
Banking & Insurance	641	502	(139)	(21.7%)
Chief Executive's Office	144	122	(22)	(15.3%)
Commerce	91	-	(91)	(100.0%)
Community Affairs	979	1,086	107	10.9%
Corrections	8,213	9,465	1,252	15.2%
Parole Board	137	183	46	33.6%
Education	898	915	17	1.9%
Environmental Protection	3,651	3,312	(339)	(9.3%)
Health	1,802	2,036	234	13.0%
Higher Education (Chancellor's Office)	58	-	(58)	(100.0%)
Human Services	19,608	18,001	(1,607)	(8.2%)
Labor	3,623	3,524	(99)	(2.7%)
Public Broadcasting Services	35	38	3	8.6%
Law and Public Safety	6,063	6,841	778	12.8%
Election Law Enforcement Commission	31	49	18	58.1%
Violent Crimes Compensation Board	58	47	(11)	(19.0%)
Executive Comm. On Ethical Standards	7	6	(1)	(14.3%)
Juvenile Justice	1,059	1,529	470	44.4%
Military and Veterans' Affairs	1,470	1,458	(12)	(0.8%)
Personnel	634	426	(208)	(32.8%)
State	191	199	8	4.2%
Commission on Higher Education	17	24	7	41.2%
Public Broadcasting Services	169	153	(16)	(9.5%)
Student Assistance	178	197	19	10.7%
Transportation	4,531	4,095	(436)	(9.6%)
Division of Motor Vehicles	2,321	1,336	(985)	(42.4%)
Treasury	3,503	3,686	183	5.2%
Casino Control Commission	369	333	(36)	(9.8%)
Commerce & Econ. Growth Commission	-	119	119	100.0%
Commission of Science & Technology	6	9	3	50.0%
Office of Administration Law	153	111	(42)	(27.5%)
Office of Information Technology	1,294	1,015	(279)	(21.6%)
Public Defender	900	927	27	3.0%
Board of Public Utilities	303	290	(13)	(4.3%)
Miscellaneous Executive Commissions	-	2	2	100.0%
Subtotal Executive Branch	63,377	62,291	(1,086)	(1.7%)
Legislature	479	505	26	5.4%
Judiciary (Adm. Office of the Courts)	1,655	1,734	79	4.8%
			-	
Statewide Total	65,511	64,530	(981)	(1.5%)
Judiciary (County Courts)*	N/A	7,432	N/A	N/A
Colleges and Universities	25,053	26,300	1,247	5.0%

*** 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).



GOVERNMENT FINANCE OFFICERS ASSOCIATION

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Anne Spray Kinney *Jeffrey L. Eselle*
President Executive Director

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

July 1, 2000. In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan, and as a communications device.

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



Fiscal 2002 Contributors

**Mary Byrne,
Education and
Higher Education**

Chandra Brickner
Annette Garcia
Roy Hambrecht
Tom Solecki
Nicole Yates

**John Geniesse,
Economic
Development**

Roger Bushyeager
Julie Bradley-Hart
Terry Johnson
Adrienne P. Kreipke
Ted Kukowski
Ken Kutch
Mike Lihvarcik
Dennis Rivell
Beth Smollon
Thor Woronczuk

**Ann Kohler,
Health, Human
Services and
Labor**

Rodney Adkins
John Ash
Deborah Byrne
Bill Cranford
Frank Dambeck
Sandy Davis
Stuart Dubin
Valerie Harr

Joanne Mrazik
Vasyl Litkewycz

**Pat Mulligan, Special
Projects**

Christopher Bailey
Ellen Barabas
Anthony Valenzuela

**Barbara Schmidt,
Public
Safety and
Government
Oversight**

Gary Alpert
Heath Bernstein
Steve Dodson
John Dragan
Kim Shidlowski
Melissa Trussell

**Nancy L. Tindall,
Cross-Cutting and
Statewide Analysis**

Rafael Aviles
Kathleen Baker
Barbara Bruschi
Roger Emig
Eileen Goldstein
Norma Kalibbala

**Mike Vrancik,
Treasury
and Municipal Aid**

John Fabiano
Kaitlin Foote
Constance Willett

Other Contributors

Carol Agabiti
Ann Allegretti
Brian Baxter
Nancy Bill
Undra E. Biggs
Valerie Clymer
Ernestine Council
Betty Jane Eddowes
Marianne Fagans
Sandy Gallino
Eileen Geniesse
Thomas Gillen
Kristine Jackowski
Richard Kaluzny
James Kelly
Deborah Koneski
Gleneta Lim
Thomas Moran
Debra Morlock-Wood
Mary Lou Murphy
Catherine Nonamaker
Ben Pulone
Terri Rackison
Michele Ridge
Roxann Robinson
Nancy Schiavone
Sonia Sciandra
Kathy Steepy
Jacki Stevens



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.

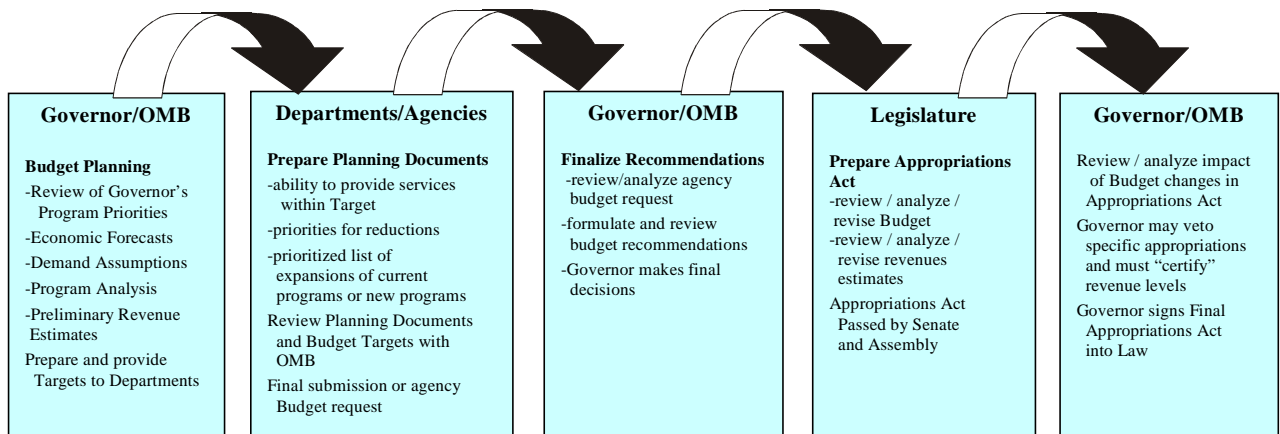
Agencies prepare planning documents which describe (1) their ability to provide current services within the budget target, (2) the agencies’ priorities for reduction of current services if requested, and (3) priority packages representing either expansion of current programs or new programs. The Office 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 the most commonly used definitions of terms used in this document or in State budgeting and accounting procedures.

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

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

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

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

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.

INTERDEPARTMENTAL 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.

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.