

STATE OF NEW JERSEY

BUDGET



FISCAL YEAR 2003 - 2004

JAMES E. McGREEVEY, Governor

John E. McCormac, CPA
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

February 4, 2003



GOVERNMENT FINANCE OFFICERS ASSOCIATION

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For the Fiscal Year Beginning
July 1, 2002

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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, for its annual budget for the fiscal year beginning July 1, 2002.

In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan, and as a communications device.

This award is valid for a period of one year only. We believe our current budget continues to conform to program requirements, and we are submitting it to GFOA to determine its eligibility for another award.

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

Mr. President, Mr. Speaker, Members of the Legislature, Honored guests, Fellow New Jerseyans...

Ladies and gentlemen. I would ask us all to stand in prayerful remembrance of those who lost their lives in the tragic event of this past Saturday.

The words of the poet Steven Spender are most appropriate.

"I think continually of those who are truly great ... born of the sun, they traveled a short while toward the sun, and left the vivid air signed with their honor."

Thank you.

We know why we are here today.

This is not a time for flowery rhetoric. It is a time for straight talk about tough choices.

... Time to confront the facts and to make difficult but necessary decisions.

When we met last year, New Jersey confronted a \$9 billion deficit, the largest budget deficit in our history.

I said we were going to balance the budget without raising the income tax or sales tax. And we did.

I said we were going to restore fiscal responsibility and live within our means. And we did.

We reduced the state workforce and kept spending below the rate of inflation.

We began to take responsibility for our fiscal actions and put an end to the mismanagement that characterized basic operations of government.

But despite those efforts, a perfect economic storm has battered our economy and created a \$5 billion deficit.

We do not face an ideological or partisan problem -- we face a simple math problem.

Let's get right to the facts.

Last year the state collected \$23.4 billion in revenue. This year, revenue is estimated to be less than \$22 billion.

We face an immediate revenue shortfall of over \$1.4 billion.

If we simply do nothing and let our fixed costs grow, state spending will increase to \$27 billion as a result of growth in federally mandated programs, debt payments and contractual obligations, such as pensions and health benefits.

Less revenue plus higher costs equals a \$5 billion deficit.

Let me repeat that -- the state of New Jersey starts out this budget year \$5 billion in the red.

By any definition, a \$5 billion deficit is a crisis, formed by the confluence of three forces that came together to create the fiscal equivalent of the perfect storm.

Unlike the movie, this perfect storm is not the product of a random collision of natural forces, but rather the collision of a national economic downturn, 10 years of fiscal irresponsibility, and a federal government that has turned its back on states all across the nation.

First, New Jersey has been battered by a weak national economy that has hit almost every state.

GOVERNOR'S MESSAGE

Across the nation, state after state confronts the worse financial conditions since World War II.

46 states face a combined budget deficit of \$75 billion.

And the national economic downturn has been exacerbated in New Jersey by the after-shocks of September 11th and the dramatic downturn in the stock market.

While we continue to have the highest per capita income in the country, in the last three years, tax revenue from capital gains has fallen 65% from \$1.17 billion to \$395 million.

When the national economy falters, every state suffers. But like New York and Connecticut, New Jersey has been hit even harder because of our economy's reliance on Wall Street and the financial markets.

Second, there was a calculated decision over the past 10 years to borrow and spend at unprecedented levels with a complete disregard for sound fiscal policy.

Our leaders gambled that the good economic times would continue forever and today we all are paying the price.

Tax cuts enacted during the last decade lowered state revenues by \$1.8 billion for this year alone and nearly \$15 billion since 1994.

But it's not the tax cuts themselves that were so irresponsible.

Even conservative supply side economists would say -- when you cut taxes you have to cut spending.

But government failed to cut spending and appeased every interest group at every turn.

In fact, from 1994 to 2001, spending in New Jersey rose by more than 50%.

Instead of cutting spending, the state borrowed \$2.8 billion to pay the pension fund.

If government had just borrowed money, that would have been bad enough.

But government didn't just borrow -- it back loaded the debt payments.

While these pension bond payments will cost taxpayers \$163 million this year, before long these payments will rise to half a billion a year.

Because they back-loaded the payments, it will cost taxpayers over \$10 billion to pay this debt back.

The investments we must now postpone ...

the aid we must now deny to worthy programs ...

and the soaring cost of debt service ... are all the inescapable consequences of those reckless fiscal policies...

... policies that will burden this state's taxpayers for years, if not decades to come.

The third factor contributing to our budgetary crisis is that the federal government, once a responsible partner, has utterly failed to meet its financial responsibility to the states.

In the past weeks, we have heard the State of the Union speech and the administration's economic program, and yet in neither did we hear President Bush offer one dime of help for states all over the nation.

Let's start with the fact that New Jersey, so far, has been denied the same federal health care waivers worth hundreds of millions of dollars that other states have received.

If seniors in Wisconsin and Florida deserve federal assistance for essential health care, then seniors in New Jersey deserve it too.

For 28 years, states like Connecticut, New York, Pennsylvania, and New Jersey have done the right thing and protected our seniors with the finest

prescription drug programs, saving the federal government tens of billions of dollars in Medicaid costs.

But this bi-partisan model for prescription drug benefits -- the landmark PAAD program -- is being used against us in our effort to obtain federal assistance to alleviate 220 million dollars in annual costs.

In a bizarre game of bureaucratic brinksmanship, the federal government has suggested we terminate our program and then apply for federal assistance to restart it.

We will not allow New Jersey seniors to be used as pawns in the cynical game where some states are rewarded for ignoring the needs of the elderly, and others like New Jersey are penalized for doing the right thing.

We have done right by our seniors. It is time for the federal government to do right by New Jersey.

Let me be blunt: the power over these waivers resides exclusively with the Bush Administration. And I am calling on every member of this legislature to join me in urging the President to treat New Jersey fairly.

Since September 11th, New Jersey has been on the front line in the battle against terrorism, paying the costs of protecting our ports, tunnels, and bridges and for emergency services like EMT, police and fire.

Local and state officials, in the most difficult of economic times, have worked diligently to meet the new homeland security responsibilities with new training, new resources, new communications systems, increased medical readiness and a higher level of vigilance.

We have acted first, and asked for assistance later.

But for all the talk about homeland security in Washington, hundreds of millions of dollars in assistance has been promised, but not delivered.

We have met our commitments. It is time for the federal government to live up to theirs.

Washington must realize that for a real national economic recovery to take hold it must begin in the states.

From health care to homeland security, the federal government must become a responsible fiscal partner.

We face this budget mired in a national economic downturn -- piled on top of a decade of fiscal irresponsibility -- and capped by a federal government in Washington that has turned its back on us.

That is the sad explanation for our \$5 billion perfect storm.

Many of the same economic forces that pummeled state government have hit families just as hard.

As I listen to people all across New Jersey, I have seen family after family cutting back on their budgets.

They are making painful choices. People are doing with less, postponing spending on things that only a year ago were necessities.

As usual, the hard working families of New Jersey are leading by example. We in government can do no less.

Each of us in this state -- freeholders, mayors, school boards and citizens alike -- has a responsibility to share in the sacrifices by doing more with less.

The budget I present today stays true to our core values, demands sacrifices from everyone, and refuses to spend money we do not have.

As hard as our decisions have been, there are things that we will not do.

We are not raising the corporate business tax.

GOVERNOR'S MESSAGE

We are not raising the sales tax.

And we are not raising the income tax.

As I said, New Jersey is not alone in facing a budget crunch.

But even though we have cut this budget to its core, we have not cut education aid nor increased the sales tax on clothing like New York State.

We have not released prison inmates like Kentucky and Arkansas.

We are not closing schools one day a week as in Colorado, Louisiana, and New Mexico.

Nor are we eliminating state aid to counties and municipalities as Kansas and Massachusetts have proposed.

I empathize with those governors, and I will cut to the bone, but I refuse to cut the heart out of our mission to help and protect our citizens.

However, no one should doubt my commitment to restore fiscal responsibility and sanity to state spending. I will not watch this state teeter into bankruptcy.

This budget has not been easy and it has tested every value that I hold dear. It contains cuts that I abhor and eliminates programs that I support.

I have made cuts in every department and to every constituency group.

I have done my best to protect the most vulnerable in our society, but this budget will undoubtedly cause difficulties for many citizens.

But we have made the difficult choice of eliminating the NJ saver for households with incomes between \$100,000 and \$200,000 per year in order to fund \$200 million worth of education aid to our communities;

We have preserved property tax rebates for 1.6 million senior citizens and for 900,000 middle class families;

We save more than \$100 million by cutting aid to colleges and universities.

We save \$38 million by eliminating the Business Employment Incentive Program and \$15 million by eliminating Science and Technology grants.

We have eliminated health grants and programs totaling \$53 million;

And we have made unprecedented cuts in culture and the arts: eliminating entirely all Arts Council grants, the Cultural Trust, the Historical Commission, and the Historic Site Management Program;

We have eliminated the \$32 million in special block grant programs.

And we have found additional cuts totaling hundreds of millions in vital programs like Family Care, Medicaid, Work First, anti-smoking programs, inpatient hospital reimbursements, dental and chiropractic services among others;

These cuts were especially difficult to make and they will cause real and immediate pain for many people.

Let me be clear: I didn't run for office to make these kinds of cuts and to cause people pain.

I take no pride in having to announce these measures. But I also have to be responsible and make sure that we put this state on sound financial footing.

NJ TRANSIT has reduced 150 management positions and cut \$55 million in administrative costs. As a result of this belt-tightening, there will not be a fare increase in 2003.

For the first time, a state budget will provide no operating subsidy to the Sports and Exposition Authority.

The operating budget of state government will be down 5%.

I will cut the Governor's Office budget by 10% and I have asked the Legislature to postpone consideration of one of my legislative priorities, the Public Advocate. This will save an additional \$2.5 million.

As important as this proposal is, we must do more with less and it will not be funded in this budget.

Working through the Attorney General and the Ratepayer Advocate, we will maintain our commitment to a strong pro-consumer agenda.

Last year I proposed to save money by merging the State's toll authorities and next week, we will keep that commitment when legislation is introduced to merge the New Jersey Turnpike and the New Jersey Highway Authorities.

We have cut an unprecedented \$1.3 billion in spending and saved an additional \$2.4 billion from slowing the growth of mandatory programs.

In total, we have eliminated over one hundred and nine programs of varying sizes saving nearly \$300 million. Over 300 groups will be affected by these cuts.

I made choices I did not like because I made decisions I refused to avoid. And frankly, we have done more than cut waste -- we have made cuts that cause real pain to real people.

I understand that some of these cuts will defer our ability to address long festering problems.

But we face this crisis in large part because of the lack of will to make hard choices even in good times.

So now, those of us in this chamber -- Democrats and Republicans, must do what those before us refused -- and with a far heavier price.

Just as those who receive state services are being asked to share this burden, so are the people who deliver those services.

State workers are hardworking, diligent employees who perform valuable services for our citizens. But we must have a leaner government.

So as we cut government and eliminate programs, there will be downsizing and attrition that will reduce the state payroll by 1,000 workers.

There will be those who say we have not cut enough. But overall, state spending has increased slightly more than 1% from last year, even with a mandatory debt service payment of \$1.5 billion.

By comparison, in his State of the Union address, President Bush said the federal budget would grow by 4%, even with the largest deficits in history.

Let me be clear. Any increase in the overall spending level of this budget is due entirely to the legacy of debt and the failed fiscal promises of the previous administration.

This budget has already inflicted too much harm on the most vulnerable in our society.

I will not make further cuts to the safety net for women and children in order to make a political statement about the level of government spending. I will not engage in that type of politics.

To those who will fault this budget or say we should cut more, I repeat my invitation to sit down with Treasurer McCormac to tell us what else you would like to eliminate.

To those who want to spend more money, I say show me the money. Show me the money because I will not let this State spend money it does not have.

To those who choose to be critical rather than constructive -- do not play numbers games with this budget. There is too much hardship created by too few dollars.

GOVERNOR'S MESSAGE

Do not mislead and call an increase in paying off old debt more spending.

Do not deceive and call previously contracted increases more spending.

And most of all, do not avoid your responsibility to be part of the solution.

If you persist in arguing that spending has grown, then look no further than the votes many of you cast during the last administration.

Political posturing will not solve our problems. Straight talk and fiscal discipline will.

Even with all these cuts -- even with slashing the size, scope, and bureaucracy of government -- there is still a need for new revenue sources to meet obligations we cannot ignore.

These are not decisions I welcome but they are necessary.

We will generate \$1.3 billion from securitizing the remainder of the tobacco settlement.

We will increase the tax on tobacco by forty cents in order to raise \$80 million.

We will fund the obligation on homeland security that the federal government has walked away from with a surcharge on wireless companies.

We will generate \$140 million through a 7% hotel tax that will be shared among state, local, and county governments. This will provide additional dollars to invest in our communities and keep property taxes down.

For those who reject what I have proposed in this budget or who want these remedies taken off the table, it is your responsibility to find alternatives of equal value to replace them.

But as much as we must cut, there is one place where we draw the line and say, despite the gravity of the situation, we must make additional major investments.

There is no more important investment than our children, their education, and their future.

We have made the tough choices and the hard cuts elsewhere so we can invest in New Jersey's public school children.

It has not been easy, but I am proud to say that this budget will increase local school aid to our communities by \$200 million.

That's \$200 million to make our schools better and keep property taxes under control.

\$100 million will be used to make debt payments for the construction of new schools and \$100 million will go to your communities to improve the quality of local education.

Our efforts to cut the red tape and build new schools will not only benefit local taxpayers and school districts, it will grow our economy and create over 14,000 good paying jobs this year alone.

This education investment I have outlined will be in addition to the \$8 billion already provided in local school aid.

Providing this increase was exceptionally difficult, and I want to be clear about the choices it will require.

The only way we can increase school aid is to eliminate the NJ Saver for those with incomes above \$100,000.

While 10 years ago Homestead Rebates were eliminated for families earning over \$40,000, this modification will ensure that the NJ Saver continues for families and seniors with the greatest need.

And to those who are losing rebates, you will know that the savings are not going to state government, but to invest in our children's education.

In this budget, we have made tough decisions about priorities.

We have cut government and eliminated scores of programs that I support in order to provide school aid.

It is time for municipal, county, and school board officials to demonstrate the same level of responsibility.

We cut the state workforce last year by 2,000 workers. Yet at the municipal and school level, over 5,000 new workers were added.

Local education employment in 2002 grew 50% faster than the national average.

Last year the property tax levy in New Jersey went up by 1.1 billion dollars as the direct result of increased spending by municipalities and school boards. This simply cannot continue.

If the state government can reduce its workforce and cut spending, then so can every other level of government.

If state government can forego raising taxes, then so can every county, municipality, and school board.

In my State of the State speech, I outlined educational initiatives such as improved teacher preparation and our continued effort to make New Jersey a national leader in early childhood literacy.

This budget reflects those priorities and contains funding for teacher mentoring and preparation, as well as funding to continue the successful reading coaches program.

I also want to be responsible to the students and families struggling to pay for college tuition. So despite the cuts in aid to state colleges and universities, funding for tuition assistance grants will be increased.

This will ensure that every student who received a grant last year, will receive one this year and there will be funding for this year's high school graduates.

In difficult economic times, we must fight to keep our commitments to our larger goals.

I have a vision of New Jersey as a national leader in medical research.

In last year's budget we provided \$20 million for cancer research.

This budget will continue our efforts by providing \$18 million for New Jersey's battle to fight cancer.

At a time when the President has recognized the gravity of the AIDS crisis in Africa, we must recognize that AIDS is reaching epidemic proportions in our own state, growing fastest among African American women.

As Corretta Scott King said, "AIDS is a global crisis ... a national crisis ... and a local crisis ..." and it is time for our State to act.

My budget calls for a two million dollar down payment into education and prevention programs that have been proven to save lives.

We have a fundamental obligation to protect those who cannot protect themselves.

The death of Faheem Williams and the abuse of his brothers was an inexcusable failure of family and government.

We have to be honest with each other. There are no quick and simple solutions. But there are immediate steps we must take.

DYFS is undergoing a structural overhaul to provide more accountability and a renewed focus on its core mission of child protection.

But as I demand accountability from workers, I have a responsibility to provide them with the resources and tools to do their jobs.

DYFS will be one of the few areas of State government to receive an increase in funding.

DYFS now relies on one of the nation's oldest and most antiquated child tracking systems. Caseworkers resort to flash cards and post-it notes to recall the status of the 48,000 children they now serve.

GOVERNOR'S MESSAGE

My budget will invest \$5.6 million, so New Jersey can join the other 46 States that use the State Automated Child Welfare Information System, a state-of-the-art child tracking system.

In addition, I am proposing a \$14.3 million "Children First" initiative to hire additional DYFS caseworkers, supervisors, and case practice specialists.

In some DYFS offices, a case was sidelined simply when an adult refused to produce an at-risk child. Not any more.

Case practice specialists will ensure that DYFS does everything in its power, including going to court, to locate and meet with every child for whom there is an open allegation of abuse.

To assist in this effort, I propose to spend \$1.4 million to create a new unit in the Office of the Attorney General that will focus exclusively on DYFS and child safety.

These are lean economic times that have forced us to reduce spending and make agonizing decisions about our future.

But even in these most difficult of times, we must lay the groundwork that will support job growth and economic expansion.

This budget maintains our \$2.5 billion commitment to infrastructure spending. This spending supports over 100,000 jobs.

We must make it easier and more attractive for companies to do business in New Jersey.

Labor Commissioner Kroll has already moved to consolidate the workforce development and job training programs across State government into one efficient program.

We must also do the same for business programs.

I will also initiate a statewide review of business regulations to see what can be eliminated or streamlined. In my State of the State speech, I spoke

about the pressing need to stop the mindless rampage of over-development that is destroying our communities, jeopardizing our water supplies, increasing traffic and congestion and driving up property taxes.

And I am committed to working with this Legislature to pass an anti-sprawl package that provides for regional planning, impact fees, and more power for municipalities to stop unwanted growth.

But I am equally committed to ensuring that development and economic expansion occur in the right way and in the right places.

We can restore the splendor of our older communities all across New Jersey. But we must make them a priority and focus the resources of State government on their revitalization.

I will ask you to enact legislation to bring all the redevelopment powers from the New Jersey Redevelopment

Authority and the Housing and Mortgage Financing Agency into one combined agency.

And I will consolidate the brownfields redevelopment functions that are split among four agencies into the Economic Development Authority.

We must do more than talk about encouraging the right kind of growth, we must be prepared to act to make this growth a reality.

Individuals and government have spoken for years about redeveloping the Meadowlands.

But talk doesn't create jobs or generate more tax revenue to keep property taxes down.

In two weeks, the State will designate a development team for the Meadowlands project, to spend \$1 billion of private, not State money, on this project.

This project will create more than 20,000 full-time construction jobs, more than 20,000 permanent full-

time jobs and generate more than two billion dollars in economic activity.

This is the type of economic growth and re-development that will work for our neighborhoods and work for our State.

Balancing this budget in the face of a \$5 billion deficit has been exceedingly painful. And the months ahead will not be easy.

There are those who will legitimately express concern about the program cuts and eliminations that have been made.

Others will say that we haven't cut enough and still others will criticize the methods for raising revenue.

People will be hurt by the cuts we have laid out.

In the past week, I have met with many groups and individuals who will feel the impact of these cuts most directly.

This is not a budget of excess -- it is a budget of bare essentials.

Yet despite all the obstacles we refused to raise the sales tax, the income tax or the corporate tax.

We cut waste -- we even cut worthy programs and we made hard choices.

We were always guided by our principles.

We will not spend money we do not have.

We will not balance the budget on the backs of hard working families.

We must preserve and enhance the values and quality of life embodied by New Jerseyans from the Delaware to the Shore and from High Point to Cape May.

And we must never forget that by working together we can create opportunity, build stronger communities, and take more responsibility for the future of our state.

Because we made those hard choices, because we stayed true to our values, we were able to do what few thought possible.

We increased state aid to education and we increased state aid to municipalities.

We invested in our children -- in their education, their health, and their safety.

To those who want to find fault with this budget, I offer a simple set of guidelines.

For every dollar you want to add, show me where you will cut.

And for those who say cut more, tell us where and how much.

Every generation has faced its challenges. Ours is no different.

The generations that have come before us have not merely overcome challenge, they have prospered and left to their children a better place.

Working together, so, too, will we.

Thank you and let's get to work.



READER'S GUIDE

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



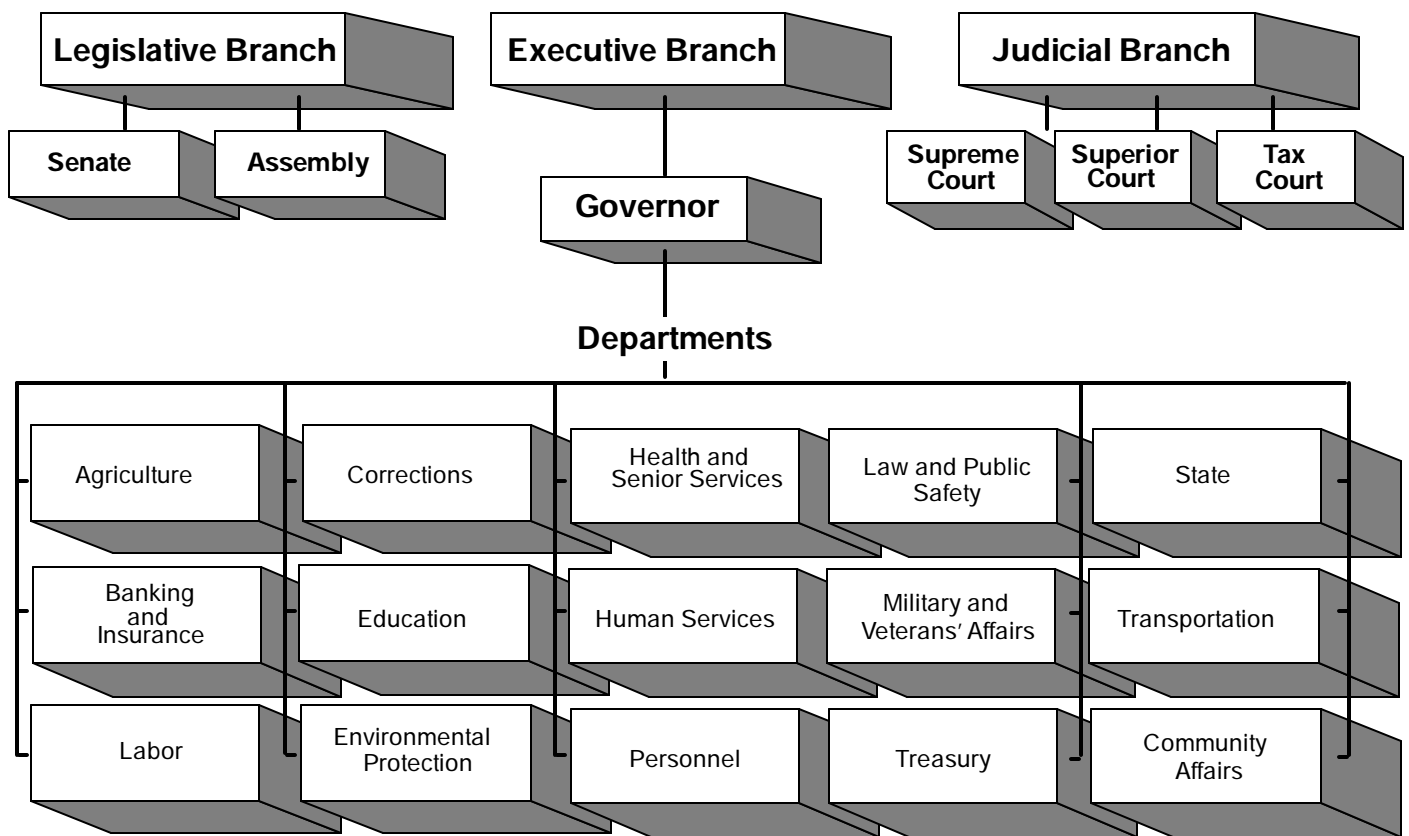
Background

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

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

A State Government Organization chart is provided below:

ORGANIZATION OF NEW JERSEY STATE GOVERNMENT



THE STATE BUDGET PROCESS

The current budget process, the Integrated Planning and Budgeting Process, was first implemented for the production of the fiscal 1991 Budget, replacing other systems such as Zero- Based Budgeting (ZBB) and the Planning, Programming, and Budget System (PPBS). It uses several key features from previous budget processes, and is designed to result in planning-driven budgets. Implementation of the process usually begins during the month of April, some fifteen months prior to the year for which the budget will be effective. The State Budget cycle is set on a fiscal year basis, which extends from July 1 to June 30 of the following year.

To formally initiate the process, the Office of Management and Budget (OMB) provides salary projection reports and technical budget instructions to the departments in June. Among other things, this enables the agencies to determine how their base budget should be arranged, including any desired reallocations, in the coming budget year. Any recommended changes identified later with the budget process are then applied to this base.

The ensuing planning process includes reviews of the Governor's program priorities, economic forecasts, demands assumptions, and analyses of selective program areas. General guidance is provided to each State agency in August by OMB, including preliminary budget targets.

Agencies prepare planning documents which describe (1) their ability to provide current services within the budget target (including projections of mandatory growth), (2) the agencies' priorities for reduction of current services if requested, and (3) priority packages representing either expansion of current programs or new programs. The Office of Management and Budget (OMB) reviews the planning documents with the agencies from November through December, and preliminary recommendations are agreed upon.

During the months of December and January, the Director of OMB reviews budget recommendations with the State Treasurer, the Governor, and the Governor's staff. Normally, the Governor makes the final decisions in January.

The planning portion of the process culminates in the final submission of the agency budget request to OMB in January, which is forwarded to the Legislature. The Budget Message, representing the Governor's recommendations on how revenues should be allocated, is delivered to the Legislature on or before the third Tuesday following the first meeting of the State Legislature, except in the year when the Governor is inaugurated. For that year, the Budget Message must be transmitted on or before February 15 (although the Legislature may extend this deadline under unusual circumstances). From year to year, the

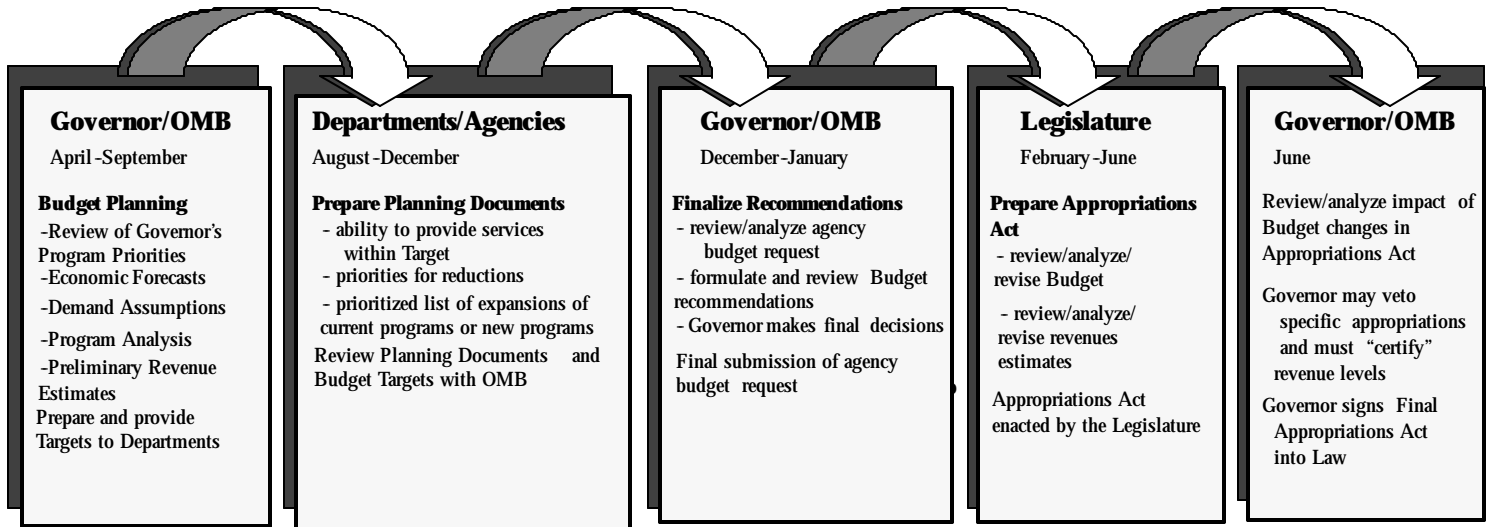
Budget is the single most important policy statement that the Governor makes.

The annual review process for capital spending requests and recommendations, which runs somewhat parallel to the process described above, has several stages. All State departments requesting capital funding must submit a seven-year Capital Improvement Plan to the New Jersey Commission on Capital Budgeting and Planning. Each capital project request requires an operating impact statement. Departments must document whether a project will have an affect on operating budgets and must quantify such information. The Commission schedules public hearings for each agency, analyzes the capital requests, and recommends projects to the Governor. The Governor, in turn, selects projects to be recommended in the annual Budget.

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

The Budget, including changes made by the Legislative Committees, then must be approved by the Senate and the Assembly; and, according to the New Jersey Constitution, a balanced Budget must be approved and signed by the Governor before July 1. After the Legislature passes the Appropriations Act, the Governor has the power to veto specific appropriations (line items), or appropriation language segments, some of which may have been added by the Legislature as a result of its review. The line-item veto allows the Governor to reshape the final Budget and ensure that appropriations do not exceed the certified level of revenues. (As part of the final Appropriations Act, the Governor must "certify" the level of revenues in order to meet the constitutional requirement of a balanced budget.) The final approved Budget, which includes the Governor's line-item vetoes and certification of revenues, is the Appropriations Act. Once the budget is enacted, it becomes an effective tool for fiscal control and monitoring program effectiveness.

Throughout the course of the fiscal year, the Legislature has the authority to pass legislation that provides funding for programs and projects above and beyond those provided for in the Budget. The additional amounts of funding provided by these acts of the Legislature are referred to as "supplemental appropriations." The Director of Management and Budget also has statutory authority to authorize supplemental appropriations at any time during the fiscal year by virtue of authorizing budget language contained in the Appropriations Act. This is accomplished and documented by the issuance of Directory Letters from OMB.



HOW THE BUDGET IS ORGANIZED

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

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

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

Also included within this section is the *Major Highlights* of the fiscal year 2004 Budget, which discusses the major programmatic and operational impact of the budget proposals.

Additional summaries of major increases and decreases, and charts and graphs depicting significant programmatic or fiscal trends included within the FY 2004 Budget are also included within this section.

- 3.) The **Summaries of Revenues, Expenditures and Fund Balances** section provides an overview of the state's economy and revenue outlook and the impact that anticipated economic trends will have on the state's revenue estimates. The tables included within this section highlight the state's major revenue sources, such as the income tax, sales tax, corporation tax, etc., and provide year-to-year comparisons and projections for the fiscal year 2004 budget year. Most of the schedules and exhibits in this section are displayed by *Fund*. For the purposes of state financial accounting, funds are accounting entities which segregate financial resources according to the purposes for which they may be used.

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

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

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

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

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

4.A.) Budget Recommendations - Overview

For fiscal 2004, the Budget displays all of a department's non-debt appropriations in a single subdivision of the document. The separate sub-divisions for Direct State Services (i.e. funds to support operations), Grants-In-Aid, State Aid and Capital Construction are now shown together in a consolidated display. Appropriations for Dedicated Funds (e.g. Property Tax Relief Fund, Casino Revenue Fund, etc.) are also included in the consolidated departmental presentation. An aggregate view of appropriation recommendations affecting State Aid, the Casino Revenue Fund, etc., are presented in new summaries in the "Summaries of Appropriations" section.

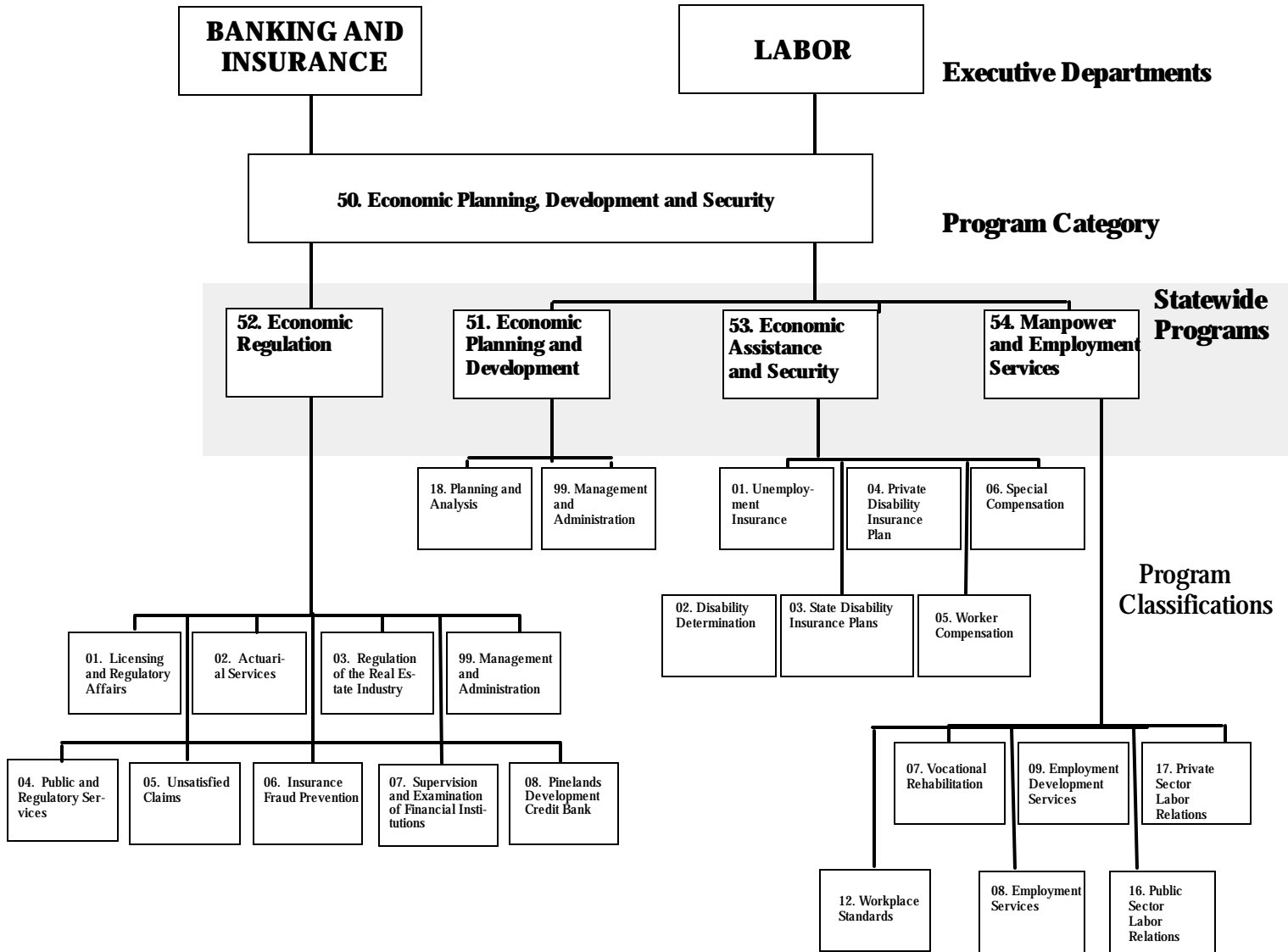
These changes were made to better organize program descriptions and operating and evaluation data with the relevant appropriation recommendations. This consolidated presentation will provide readers with a comprehensive view of all of a department's operations, across all spending categories and funds.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

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

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

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

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



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

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

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

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

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

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

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

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

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

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

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

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

- d.) *Revolving and Other Funds* is the sub-division of the Budget that depicts programs or agencies not provided with direct appropriations, but rather operate from fees charged for services or commodities provided to other State agencies. Examples include print shops, laundries, and information processing services.
- 5.) The **Appendix** includes Statements of Estimated Revenues, Expenditures and Fund Balances of the State's Special Revenue, Capital Projects and Trust Funds (excluding Pension Trust Funds). The statements include the actual revenues and expenditures for the fiscal year ended June 30, 2001, presented in accordance with generally accepted accounting principles, as well as estimated amounts for fiscal 2002 and fiscal 2003.

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

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

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

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

BASIS OF BUDGETING

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

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

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

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

RELATIONSHIP TO THE COMPREHENSIVE ANNUAL FINANCIAL REPORT

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

BUDGETARY CONTROL

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

YEAR END BALANCES

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

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**10. PUBLIC SAFETY AND CRIMINAL JUSTICE
12. LAW ENFORCEMENT**

OBJECTIVES

- 1. To prosecute all criminal appeals.

PROGRAM CLASSIFICATIONS

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

EVALUATION DATA

	Actual FY 2001	Actual FY 2002	Revised FY 2003	Budget Estimate FY 2004
PROGRAM DATA				
Criminal Justice				
Complaints, Inquiries, Other Matters (Closed)	3,343	5,571	6,000	6,000
PERSONNEL DATA				
Position Data				
State Supported	359	368	354	424

APPROPRIATIONS DATA
(thousands of dollars)

Year Ending June 30, 2002					Year Ending June 30, 2004				
Orig. & (S) Supplemental	Reapp. & (R) Recpts.	Transfers & (E) Emergencies	Total Available	Expended	Prog. Class.	2003 Adjusted Approp.	Requested	Recommended	
22,507	4,646	712	27,865	27,121	Criminal Justice	21,691	28,291	28,291	
22,507							1	28,291	
690							5	625	
447							7	477	
2,321							1	4,631	
2,321							1	4,631	
17,559							1	23,691	
---							0	1,000	
---							0	1,000	
4,948							0	3,600	
4,948							0	3,600	
1,000	---	---	1,000	1,000	Total Capital Construction	---	---	---	
23,507	4,646	712	28,865	28,121	TOTAL STATE APPROPRIATIONS	---	---	---	
					Federal Funds				
59,655	14,486	-151	73,990	31,803	Criminal Justice	42,574	33,350	33,350	
59,655	14,486	-151	73,990	31,803	Total Federal Funds	42,574	33,350	33,350	
					All Other Funds				
---	1,136	1,975	19,236	8,583	Criminal Justice	34,850	34,760	34,760	
---	17,261	1,975	19,236	8,583	Total All Other Funds	34,850	34,760	34,760	
83,162	36,393	2,536	127,091	68,507	GRAND TOTAL	99,115	96,401	96,401	

Reading the Budget Tables

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

Notes -- Direct State Services - General Fund

(a) The fiscal 2003 appropriation has been adjusted for the allocation of salary program.

Language Recommendations -- Direct State Services - General Fund

The unexpended balance as of June 30, 2003 in the Victim Witness Advocacy Fund account, together with receipts derived.

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

Program Classification Account code.

Evaluation Data provides measurements of workload effectiveness and efficiency.

The Original and Supplemental column represents the original appropriation for fiscal year 2002 as enacted by the Legislature on July 1, 2001. This column also includes the total of all supplemental appropriations which were enacted by the Legislature and signed into law by the Governor during fiscal year 2002.

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

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

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

The Expended Amount represents total disbursements and obligations made in fiscal year 2002.

10. PUBLIC SAFETY AND CRIMINAL JUSTICE

12. LAW ENFORCEMENT

OBJECTIVES

PROGRAM CLASSIFICATIONS

1. To provide statewide law enforcement services.

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

EVALUATION DATA

PROGRAM DATA	Actual FY 2001	Actual FY 2002	Revised FY 2003	Budget Estimate FY 2004
Criminal Justice				
Complaints, Inquiries, Other Matters (Closed)	6,027	6,689	7,000	7,000
PERSONNEL DATA				
Position Data				
State Supported	3,158	3,236	3,216	3,387

APPROPRIATIONS DATA
(thousands of dollars)

Year Ending June 30, 2002					Year Ending June 30, 2004			
Orig. & (S)Supplemental	Reapp. & (R)Recpts.	Transfers & (E)Emergencies	Total Available	Expended	Prog. Class.	2003 Adjusted Approp.	Requested	Recommended
17,559	4,646	682	22,887	22,143				
17,559	4,646	682	22,887	22,143				
152,359	5,514 ^R	3,315	161,188	144,517				
152,359	5,514	3,315	161,188	144,517				
---	---	---	---	---				
---	---	---	---	---				
---	---	---	---	---				
4,948	---	30	4,978	4,978				
4,948	---	30	4,978	4,978				
4,948	---	30	4,978	4,978				
1,053	1,177	(14)	2,216	665				
1,053	1,177	(14)	2,516	665				
1,053	1,177	(14)	2,516	665				
218,368	21,359	3,992	243,719	236,439				
DIRECT STATE SERVICES								
Distribution by Fund and Program								
Criminal Justice					09	18,091	23,691	23,691
Total Direct State Services						18,091^(a)	23,691	23,691
Distribution by Fund and Object								
Personal Services:								
Salaries and Wages						142,686	154,537	154,537
Total Personal Services						142,686	154,537	154,537
GRANTS-IN-AID								
Distribution by Fund and Program								
Criminal Justice					09	---	1,000	1,000
Total Grants-in-Aid						---	1,000	1,000
Distribution by Fund and Object								
Human Relations Council					09	---	1,000	1,000
STATE AID								
Distribution by Fund and Program								
Criminal Justice					09	3,600	3,600	3,600
Total State Aid						3,600	3,600	3,600
Distribution by Fund and Object								
Safe and Secure Neighborhoods Program					09	3,600	3,600	3,600
CAPITAL CONSTRUCTION								
Distribution by Fund and Program								
State Police Operations					06	7,425	15,741	5,831
Total Capital Construction						7,425	15,741	5,831
Distribution by Fund and Object								
HVAC Renovation					11	7,425	15,741	5,831
Grand Total State Appropriation						243,975	274,046	264,136
OTHER RELATED APPROPRIATIONS								
Federal Funds								
Criminal Justice					09	42,574	33,350	33,350
Total Federal Funds						42,574	33,350	33,350
All Other Funds								
Criminal Justice					09	34,850	34,760	34,760
Total All Other Funds						34,850	34,760	34,760
GRAND TOTAL ALL FUNDS						403,717	428,317	418,407

Notes -- Direct State Services - General Fund

(a) The fiscal year 2003 appropriation has been adjusted for the allocation of salary program.

Language Recommendations -- Direct State Services - General Fund

The unexpended balance as of June 30, 2003 in the Victim Witness Advocacy Fund account, together with receipts derived.

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

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

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

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

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

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

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

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

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GLOSSARY

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

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

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

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

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

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

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

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

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

APPROPRIATION— The sum of money authorized by an act of the Legislature for expenditure during a particular fiscal year.

APPROPRIATION ACT— The Act passed by the New Jersey Legislature to appropriate, on an annual basis, the resources of the State for operating grants-in-aid, state aid, capital, and debt service expenses.

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

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

BILL— A proposed law.

BLOCK GRANT— An amount allotted by the Federal government to the State to be allocated to a particular program area within general guidelines as the State determines.

BOND— A funding tool representing a written promise to pay a

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

BOND FUND— A fund into which are received the proceeds from the issuance of bonds, and from which are paid all proper expenditures for the purposes for which the bonds were authorized.

BUDGET— The proposed financial plan of the State government for the fiscal year, setting forth the anticipated resources from all sources and proposed appropriations.

BUDGET CYCLE— The four major phases which constitute the traditional budget cycle: (1) central and agency planning, (2) agency/executive preparation, (3) legislative review, and (4) execution and evaluation.

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

BUDGET REQUEST— The request, required by law, of each spending agency for an appropriation or permission to spend during the next ensuing fiscal year.

CAPITAL CONSTRUCTION— This category includes funds budgeted for:

1. Acquisition of or option to buy land and right-of-way and existing improvements therein, regardless of cost.
2. New buildings and structures not attached to or directly related to any existing structures, regardless of cost.
3. Projects whose estimated cost including land, planning, furnishing and equipping, is usually \$50,000 or more regardless of the construction involved with a useful life of at least ten years.

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

CASINO CONTROL FUND— Accounts for fees from the issuance and annual renewal of casino licenses, work permit fees, and other license fees. Appropriations are made to fund the operations of the Casino Control Commission and the Division of Gaming Enforcement.

CASINO REVENUE FUND— Accounts for the tax on gross revenues generated by the casinos. Gross revenue refers to the total of all sums actually received by a licensee from gaming operations, less the total sums paid out as winnings to patrons. Appropriations from this fund must be used for reductions in property taxes, utility charges and other specified expenses of eligible senior and disabled citizens.

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

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

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

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

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

GLOSSARY

DEBT SERVICE— One of the major subdivisions of the State budget, this category provides the resources to finance payment of general long-term debt principal and interest, such as bond issues or other long-term financing.

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

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

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

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

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

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

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

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

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

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

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

FISCAL YEAR— A twelve-month period of time to which the annual budget applies and at the end of which the State determines its financial position and the results of its operations. New Jersey State government has a July 1 to June 30 fiscal year.

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

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

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

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

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

GENERAL FUND— The funds into which all State revenues, not otherwise restricted by statute, are deposited and from which appropriations are made. The largest part of the total financial operations of the State are accounted for in the General Fund. Revenues received from taxes, most Federal revenue and certain miscellaneous revenue items are recorded in the General Fund. The Appropriation Acts enacted by the Legislature provide the basic framework for the operation of the General Fund.

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

GRANTS IN AID— One of the major subdivisions of the State budget, this category includes all payments not otherwise defined as State Aid, made to individuals, public agencies or private agencies for benefits or services of three types: benefits to which the recipient is entitled by law or regulation; provision of services for which the State has primary responsibility; and subsidies and provision of services for which the State has no responsibility, but which it elects to provide.

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

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

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

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

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

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

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

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

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

READER'S GUIDE

GLOSSARY

MATCHING FUNDS— A type of grant that requires the government or agency receiving the grant to commit a certain amount of funding to a program before funding is made available by the granting authority.

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

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

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

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

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

OBJECTIVE— A statement of specific, intended, measurable accomplishments related directly to the need, problem or opportunity the services to the client are designed to address.

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

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

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

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

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

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

PROPERTY TAX RELIEF FUND— Accounts for revenues from the New Jersey Gross Income Tax. Revenues realized from the Gross Income Tax are dedicated by the State Constitution. All receipts from taxes levied on personal income of individuals, estates, and trusts must be appropriated exclusively for the purpose of reducing or offsetting property taxes. Annual appropriations are made from the fund, pursuant to formulae established by the Legislature, to counties, municipalities, and school districts.

RAINY DAY FUND— A reserve into which certain revenues are deposited when the amount collected exceeds the amount anticipated. The balance in this fund may be appropriated upon certification by the

Governor that anticipated revenues are less than those certified or to meet emergencies.

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

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

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

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

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

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

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

REVOLVING FUND (ACCOUNT)— A fund (or an account within any fund) established to finance (1) State activities of a business or commercial nature or (2) the operation of an intragovernmental service agency or enterprise, which generates receipts (income) from the sale of commodities or services. Such receipts are available for the continuing operation of the activity or enterprise.

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

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

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

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

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

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

GLOSSARY

STATE APPROPRIATIONS LIMITATION ACT— The Act which limits the growth of the Direct State Services subdivision of the State budget based upon the average annual percentage increase in per capita income over the four fiscal years prior to the base year.

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

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

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

STRATEGIC PLANNING— The process of making present decisions on the allocation of people, assets and priorities to reach an agreed upon objective, after consideration of needs and constraints.

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

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

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

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

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

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