STATE OF NEW JERSEY

BUDGET

FISCAL YEAR 2007 - 2008

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February 22, 2007

GOVERNMENT FINANCE OFFICERS ASSOCIATION

Distinguished Budget Presentation Award

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For the Fiscal Year Beginning

July 1, 2006

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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 the Annual Budget beginning July 01, 2006.

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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Governor’s Message

JON S. CORZINE
GOVERNOR OF NEW JERSEY
TRANSMITTED TO THE SECOND ANNUAL SESSION
OF THE TWO HUNDRED AND TWELFTH LEGISLATURE
FEBRUARY 22, 2007

Good morning.

Thank you, President Codey and Speaker Roberts for allowing me to deliver my address five days early. After last year, we can probably use the extra time.

I'd like to start today with a simple thank you to all the members of the Legislature – and to the retiring members in particular. The last 15 months have had their moments. We have dealt with a lot. I think we all know there's more to do – a lot more. And I'll talk about that in a moment.

But let's get to the budget. As you know, a budget is more than just a set of numbers. It touches on every aspect of every life in our state. It's inevitable that when we talk about the budget we talk about the challenges people face.

But amidst all the fiscal terms – unfunded liabilities, structural deficits, and monetization – let's not lose sight of why budgets matter. They matter because they impact peoples' lives – today, tomorrow, and far into the future.

That said, the proposal I will present next week is a very good budget for the people of New Jersey. It confirms the Legislature's and my commitment to meaningful property tax relief. It does this in the context of the fiscal principles we established and fought for last year. It's financially disciplined and restrained. It's responsibly balanced with honest numbers. We don't rely on any strategies that mortgage our future.

It's the first budget in six years with no new taxes or tax increases. In fact, the only tax change proposed is a tax cut – a progressive cut for almost 300,000 working families.

This budget provides the largest increase in direct property tax relief in New Jersey history and the first real increase in school and municipal aid in a number of years. Finally, this budget preserves the safety net for the most vulnerable in our society – our seniors, the poor, the mentally ill, and the physically disabled.

After last year, some might label this budget boring. I suspect that nowadays in Trenton, boring's not such a bad thing. So, let me quickly review the numbers.

First and foremost, this is a property tax relief budget. The credit program is fully funded. 1.9 million of 2 million property taxpayers will receive an average of $1,000 in relief – $750 of which is new money. Half a million tenants will see their $75 checks increased to as high as $350.

Year over year, there's $580 million more in aid to education. For the first time in many years, aid to every single school district will be increased. New aid will be dedicated toward educational priorities that focus on the individual needs of children. In particular, non–Abbott communities with high concentrations of children living in poverty will receive more funding. And there are new incentives for full day kindergarten and expanded pre–school. Our focus on individual children is conceptually consistent with the new funding formula being developed for the FY 2009 budget.

Finally, for the first time in three years, there will be an across–the–board two percent increase in municipal aid. Over 80 percent – or more than $1.8 billion – of all new spending in this budget reflects our mutual efforts to provide more property tax relief and more aid to schools and local governments.

The overwhelming majority of the remaining new spending is driven by the cumulative impact of obligations created over the last 15 years. Specifically, the budget contains $730 million more than last year to meet healthcare costs for state workers and retirees, contractual salary increases, court–ordered Abbott and child welfare funding and Medicaid increases, federal mandates, or offsets to federal cutbacks.

Reflecting fiscal realities, this budget regrettably has few new initiatives – although the painful spending cuts we saw last year are limited. I must say, it's frustrating to have so few financial resources to invest in our future. I didn't run for public office to be a number cruncher, or to play scrooge. Like so many of you, I sought to serve because I care passionately about making New Jersey a better place for our families and communities.

So recognizing the constraints, I've made an allowance of roughly $100 million for new initiatives that will have both short- and long-term paybacks:

> There is $9 million for the new comptroller's office to root out waste, prevent fraud and reduce spending;
>
> There is $20 million for a consolidation fund to provide meaningful incentives for schools and local governments to share services and reduce costs, an idea promoted by Speaker Roberts;
>
> There is $10 million for stem cell research grants – and $5 million for autism;
>
> And finally, as part of a broader anti-poverty initiative, we are seeking $64 million to raise the threshold to $40,000 for Earned Income Tax Credits. Today, New Jersey cuts off EITC eligibility at $20,000.

This change will mean almost 300,000 working families will receive a double tax cut – one from New Jersey and the other from Washington. Considering our tough budget last year, I'm very pleased we could fund these modest, but important, initiatives.

Still, I'm almost embarrassed to highlight them because they are a fraction of what really should be done. So let me summarize the spending. In short, almost 50 cents of every dollar in this $33 billion budget goes to property tax relief. That's a total of $16.6 billion. Overall spending is up 7.2 percent from last year – or $2.2 billion. However, setting aside the growth in property tax relief and the increases in school and municipal aid, spending is up a mere 2 percent, year over year. Let me repeat – less than two percent.

Now, let me break down and explain how we pay for this net $2.2 billion in new spending. First, $665 million is a non-recurring use of the dedicated FY 2007 half penny. We've benefited from two years of value in this budget – which I accept will be an issue in FY 2009.

Second, $670 million is a result of stronger FY 2007 revenues – coupled with spending restraints and efficiencies that built up surplus. This came from a lot of hard work. Four hundred – or one-half – of all political appointees were eliminated; the headcount was reduced by 1,300 across government even as we added staff for Homeland Security, Children and Families, and the Public Advocate. Technology improvements paid dividends; new furniture and office space purchases were suspended.

Travel and promotions were, and still are, frozen; 1,200 state cars were auctioned; and energy conservation achieved savings. All these actions have lowered the cost of doing business, and will be pursued vigorously in the '08 cycle.

Third, an additional $150 million was saved through better management of state debt, minor spending reductions, and initiatives like improved debt collection. Finally, our '08 budget includes almost $750 million projected revenue growth as a result of strong economic expansion. Growing our revenue base is part of our long-term strategy to stabilize the state's finances. It's also fundamental to our economic objectives.

It's why we are giving so much focus to creating a better business climate. Although we're far from taking a victory lap, we have had some great wins. Campbell's Soup, Bayer Pharmaceutical, Unilever, Citigroup and Verizon are all making significant New Jersey expansions with good, high-paying jobs. And there are others in the pipeline.

So that's the budget outline. Most of it expected – $33 billion spent, $33 billion raised. Those are the facts – so let's talk about the future. The real news of this budget isn't what's in it but rather what's not, and what will never be in future budgets unless, together, we do something to further restructure the state's finances.

Spending for individuals with mental illness and developmental disabilities is up, but only a fraction of what is truly needed to provide proper care and housing. Just consider the tragedies at Ancora in the last six months. Autism rates among children in New Jersey appear to be the highest in the nation, but we've only touched the surface of the necessary response.

Hospitals are treating more and more of the uninsured, but we haven't been able to increase charity care funding. In fact, the only items that are fully funded are mandatory costs over which we have little discretion.

The constant focus on short-term priorities without consideration of long-term costs has led to financial decisions that hang over the state today, tomorrow, and far into the future. We must break with the patterns of the past. To do that, we need to build greater public confidence in the actions of government – especially when it comes to transparency and accountability of the purse strings. We have tough choices coming, and the public needs to trust that we are working for them – not ourselves, not our friends, not for anyone else.

We have to openly debate and defend our priorities, choices, and decisions. And to be more precise, we have to put an end to the midnight spending sprees. I applaud President Codey for the steps he has proposed to bring greater openness to the budgetary process. To reinforce those efforts, I am sending a letter today to the legislative leadership of both parties, outlining further steps to build public accountability – including in the executive branch.

Specifically, the Legislature's proposed budget should be available for public review seven days prior to final passage. In addition, the executive branch needs three days after passage to allow for a thorough review. And, finally, treasury will prepare a "Budget in Brief" that summarizes the enacted budget just as it does for the Governor's proposal, the public can see how we've appropriated their money. The Codey package of reforms plus my recommendations should be implemented this cycle. Together, let's open up the process.

Now, if our only objective was to meet the constitutional obligation to balance revenues and expenditures, our job would be hard, but not impossible. What is becoming impossible is to balance the budget consistent with the letter and the spirit of the constitution, meeting mandated and committed costs while still making necessary investments for our future.

Let's examine history to see why. Right or wrong, in the '90s, the state issued bonds to fill an unfunded pension liability – and then took a 10-year holiday from making contributions. Right or wrong, in this decade, the state borrowed against the tobacco settlements to balance its operating budget.

Right or wrong, in both decades, the state provided employee benefit enhancements and undertook borrowing – for important things like school construction – without any means to finance the carrying costs or pay back our borrowed obligation. As a result of these kinds of decisions, the unfunded liability of today's pension system is nearly $25 billion, and our unfunded healthcare liability approaches an incredible $80 billion.

If that weren't bad enough, we remain one of only six states with a structural deficit after four and a half years of national economic expansion. And our debt burden, per capita, is the third highest in the nation. As serious as these financial challenges are, the problem goes beyond how money was raised, spent, or promised.

We are paying huge sums of money every year to meet court orders on Abbott and child welfare because responsibilities to the most vulnerable were long neglected. Not only have children suffered unnecessarily, our failure to invest appropriately has cost more in the long run than to have done it right in the first place. Unfortunately, I fear we are perilously close to additional court-ordered mandates.

Yes, we've started to wean ourselves off the gimmicks and borrowings that were used to meet the letter of our constitutional obligations. We've stopped the annual raid on the unemployment insurance fund. And we ended inappropriate bonding. Because of spending controls, the half penny, and fewer uses of one-shots, the structural deficit has been reduced – for the moment. But like Freddy Krueger, it'll be back. Next year, we estimate we begin the budget season $2.5 billion in the hole, give or take a few dollars.

This year, we're in the eye of the hurricane. But no one should let the calm of the '08 budget lull them into a false sense of security. Just look at the mandatory cost increases we face. In the next five years, total debt service will increase from $2.7 billion to $3.4 billion, assuming expected borrowing for school construction, open space, and stem cell research. Healthcare costs for state workers and retirees are projected to double – from $1.4 billion to $2.8 billion in five years. Post-retirement medical costs for teachers are expected to more than double – from $750 million this year to $1.8 billion in just five years.

Fortunately, people are living longer – that's a good thing. But it means pension liabilities are increasing faster. It also means that in five years, our required pension contribution will be $3.3 billion instead of $1.3 billion today.

Let's get real – there is no way to close the structural deficit with the avalanche of growing fixed costs that hang over the state. It's just not going to happen unless we change. So we have choices to make – tough choices. We can continue struggling every year – scraping by with duct tape and baling wire, and pulling together no frill, investment-free budgets. Or we can change course.

Keep in mind that we have one of the best performing public school systems in America; we have one of the most educated, best trained workforces; we have an expansive transportation and mass transit network; and, we have the highest median income in the nation. I could go on. But some future Governor isn't going to be able to make those statements if we choose a path of just "getting by".

If we want universal pre-K and kindergarten, where are the resources? If we want to build new schools and expand higher education facilities, where are the resources? If we want to build mass transit in South Jersey, where are the resources? If we want to revitalize brownfields, purchase open space, and ensure compensation for Highlands farmers, where are the resources? Again, I could go on. How can we do any of these when future revenues are already spoken for? We all have a vision for a brighter New Jersey, but today we can't afford the investments to make our vision a reality.

To a large degree, this year's budget was decided well before I became governor. We need to make choices that will change old paradigms so that future budgets are not tied up in knots. One choice is to stand pat – just chip away at the structural deficit, and resign ourselves to a more limited future.

A second choice is to raise taxes – and there are a lot of unattractive options on this path that could well erode New Jersey's competitiveness and make our state less affordable. We could raise the top income tax rate even higher, we could push more middle-class families into higher tax brackets, we could expand the sales tax to professional services, or we could increase the gas tax. Need I go on?

If tax increases are the way, we can probably find an option or a series of options that can generate the revenue to make some, but not all of the investments we need; that's what we have done in the past. But I ask, what is the net effect? A third choice is to lay off thousands of state workers and dramatically cut services where no legal mandates exist. This means people who work in areas where the state has some "discretion" – healthcare personnel, prison guards, environmental officers, motor vehicle workers, and state police among others. Consider – every thousand workers laid off potentially saves $50 million per year. So to fund $500 million, we would need to lay off 10,000 workers. You get the math.

Or, we can search for other ways to raise the revenue needed to restructure the state's long-term finances. Some would suggest VLT's or Keno – and we're looking at them – but no one suggests these

activities would solve the problem by themselves. So, we pretty much know the impact of more tax hikes or massive layoffs, and we can all handicap the likelihood of either happening.

The one option that is new and that we are now studying is asset monetization. It's something that has been implemented in other states and successfully around the globe. I think it's fair to say that most governmental entities across the country are examining its feasibility and appropriateness. The economic potential from restructuring the state's interest in our asset portfolio is too significant to ignore whether that asset is the Turnpike, the lottery, naming rights, air rights, or whatever.

Potentially, asset monetization could reset the state's finances by dramatically reducing our debt burden, and consequently reducing debt service. Monetization could free up as much as a billion dollars or more in every year's budget – long into the future.

Just look at what debt service is doing to the state budget today. It consumes every dollar brought in from corporate taxes. We spend twice as much to pay investors as we do to support student aid, charity care, prescription drugs and parks combined. The debt service payments made every year could more than fund the universal health care initiative that I'm working on with Senator Vitale.

I know others are interested as well. Asset monetization gives us the potential to reduce our crushing debt burden – and meet New Jersey's long-term capital needs in a way no other alternative provides. Now let me be clear – borrowing to meet operating expenses is a terrible idea. And transferring an interest in a state asset to fund operating expenses is worse. And it is not under consideration.

What we have done under the guidance of Treasurer Abelow and Commissioner Kolluri is undertake a thorough and intellectually rigorous analysis of public-private partnership structures or public ownership options. Make no mistake – with any proposal, we would insist on protective conditions. If we can't ensure that the high standards of operations and maintenance will continue, we won't proceed. If we can't ensure public safety will be maintained, we won't proceed. If we can't ensure the state will maintain oversight in the governance of the asset, we won't proceed.

If we can't ensure that price increases will be predictable and reasonable, we won't proceed. Today, we're not ready with recommendations. When we are ready, we'll be back. We intend to give asset monetization, and all its derivatives, the same level of serious focus we've given to property tax relief and reform. To take this option off the table is to accept some combination of hand-to-mouth budgets without capital or social investments. Whatever choices we make, I think it's time for a new paradigm for the state's fiscal future. So that's the budget for 2008 and a perspective on our financial future.

But before I close, let me touch on some unfinished business. Yesterday, the state reached a tentative agreement with our public employees. The agreement reached is the result of the collective bargaining process – one I deeply respect. These were not easy negotiations – not by any stretch. But the outcome was a sea-change in public employee bargaining. I suspect that both sides found the outcome less than ideal. But bargaining requires give-and-take – and this agreement represents compromise on both sides. It creates a defined contribution pension plan for new state, municipal, and educational employees with earnings above $97,000. We'll be the first state in the Northeast to make this change.

It also increases the retirement age for new employees to 60. Both of these changes only apply to new hires because existing hires have non-forfeitable rights that were obligated by court decisions and statute. The agreement calls for progressive healthcare contributions by state employees. It includes plan-design changes that should both benefit employees and cost the state less. Our public employees will make additional pension contributions. And the state will contribute at least $1 billion to the pension fund for the next three years.

The agreement contains wage increases of 3% in each of years one and two of the contract – and 3.5% in years three and four. It also includes workplace and grievance rule changes, changes to pension governance and a more precise definition of "essential employees." While the agreement will produce savings this year, the real benefits will be felt over the next two or three decades – long after all of us are gone – and will result in hundreds of millions of dollars of savings. Over the long run, this agreement will protect the stability and solvency of the benefit structure for taxpayers and public employees alike.

I want to acknowledge the goodwill and hard work of all our public employees – and thank those at the bargaining table who chose to make it happen. Our career employees serve our people well – and I commend them. I also want to thank Senator Scutari, Assemblywoman Pou and other members of the pension and health benefit committee who worked for months to frame the issues that led to this agreement.

Now, we all have to work together to turn these agreements into law, by revisiting the still pending proposals from the special session. The same reforms that emerged from collective bargaining need to be applied to elected and appointed officials in a consistent and coherent manner.

It has always been my view that career employees were not the source of benefit abuses that have so infuriated the public. Applying these negotiated reforms across the board to all public officials and employees will eliminate most, if not all, of the most egregious abuses of the system.

Now that we have established a pension and benefit reform package, we have two additional topics to address. Each has been long debated and is well understood by the public. Dual office-holding is an obstacle to achieving the common good we all desire. I cannot tell you how strongly I feel about ending it – now.

To that end, I am pleased to announce that Speaker Roberts and President Codey have made a personal commitment that a ban on dual office-holding will be passed and sent to my desk before it's time to sign this budget. This is a reform that is long overdue – as are bans on pay-to-play and wheeling. If we're truly serious about restoring the public's trust in government, about restoring their trust in us, it's time to act on these reforms sooner rather than later.

So let me close. The budget I present to you is in far better shape than it has been in years. There are no new taxes and no old gimmicks. There is more direct property tax relief than ever. Schools and local governments are finally receiving overdue aid. But when we look to the long-term, the situation is filled with challenges.

Now is the time to change the paradigm. Now is when we should decide to build the capacity to invest in New Jersey's future. We demonstrated on property taxes we can take on tough tasks and make progress. We must demonstrate on ethics that we can end the toxic mix of money and politics. The public has entrusted all of us to choose and chart a way forward.

A hero of my youth, Dag Hammarskjold, said it best: "Only he who keeps his eye fixed on the far horizon will find the right road." Let's stay focused on that far horizon, and let's find a path to a tomorrow that's worthy of a state as great as ours.

Readers Guide

Summarizes the many Departments, Agencies, and Organizations that comprise New Jersey State Government and includes a brief background statement on the history of New Jersey Government. Individual displays of the seventeen Executive Branch Departments can be found in the Department and Branch Recommendations section of this document.

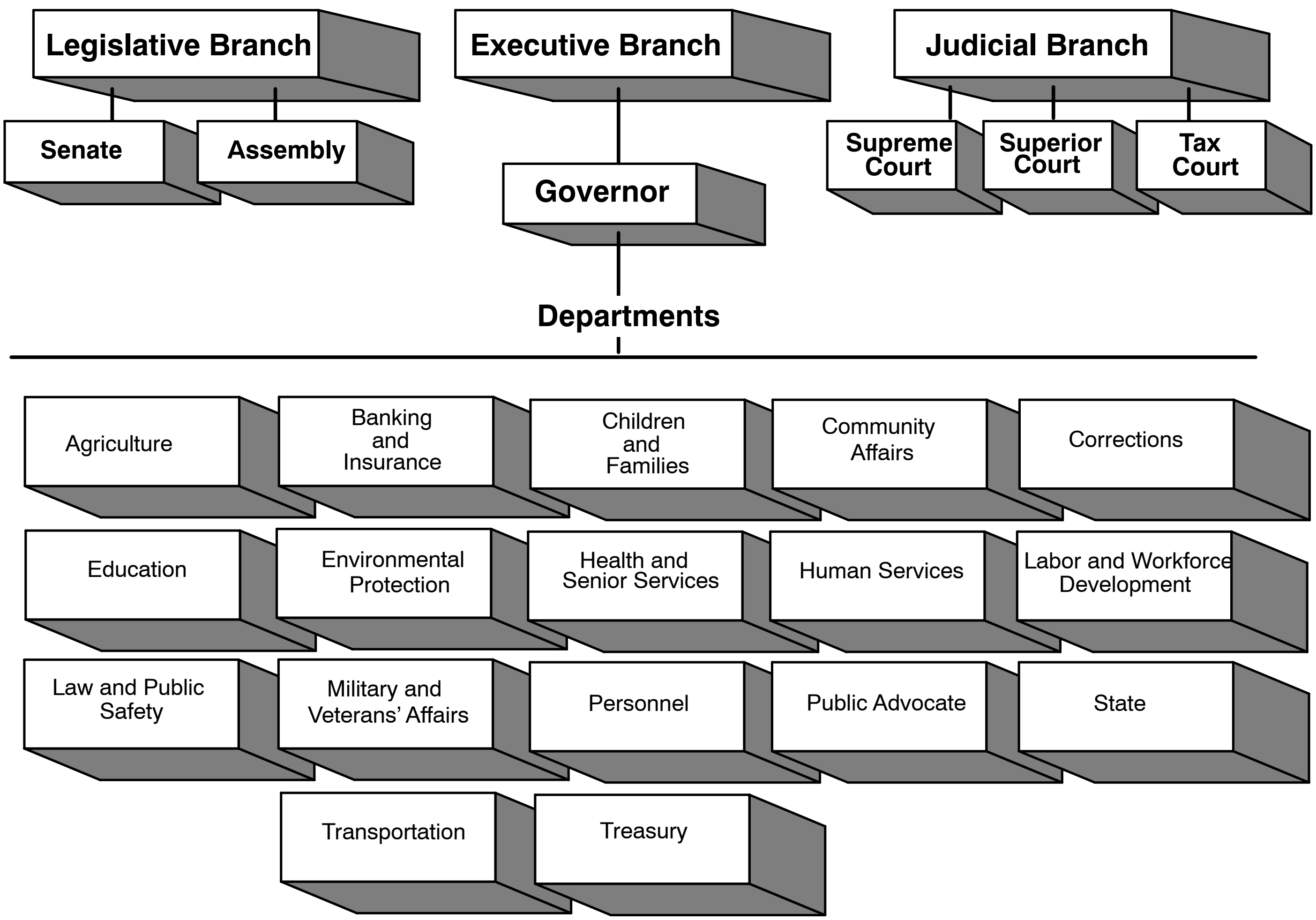
The Readers Guide is designed to assist readers with interpreting and understanding the content of the Governor's annual budget proposal. Included are brief descriptions of the major sections of the Governor's Budget, a guide to reading the financial tables included in the budget summaries, and a brief 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 1% 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.

ORGANIZATION OF NEW JERSEY STATE GOVERNMENT



WHAT'S NEW IN THE GOVERNOR'S BUDGET

The Fiscal 2008 Governor's Budget Message continues changes made in format, content and design that are meant to improve its usefulness as a communications device and to ease the reader's ability to navigate the document. Specifically, the document includes the following changes:

Significant Financial Policies
The key financial policies that guide the compilation of the Governor's Budget Message have been consolidated into one new section that appears in the Reader's Guide on page A-8.

Upgraded Demographics Section
Several new charts have been added in the Appendix section of the Governor's Budget Message, including new information on projected population growth, dependency ratio projections for senior citizens and youth, and higher education attainment.

Glossary – Definition of Acronyms
The State Budget often includes acronyms that were heretofore undefined. The Glossary has been expanded to include a definition of the more significant acronyms currently in use.

Upgraded Index
Typically, readers who are interested in information on a particular program or organization turn to the index. Heretofore, the Budget index was limited to accounts totaling $10 million or more, as well as major areas of spending such as departments, divisions, programs, and fund categories. In the Fiscal 2008 Budget, the index includes entries for:

All special revenue funds, trust funds, and capital project funds, including their analogous appropriations and budget language;
All accounts valued at $3 million or more (i.e., threshold reduced from previous $10 million);
Re-ordered index titles to place the most likely object of a reader's search at the front (e.g., "Pharmacy Services, Consulting");
Programs mentioned in previous Budget-in-Briefs but not in the index, as well as common program terms that differ from the title of corresponding appropriations (e.g., Charity Care);

Organization Charts
In recent years, a series of high-level organization charts preceded the Reader's Guide for the purpose of highlighting the major programs operated by various departments and the existence of "in-but-not-of" agencies that are housed within those departments for display purposes. This year, those organization charts have been relocated to appear just prior to the department budgets that they refer to.

Workforce Chart
The workforce chart displayed in the Appendix has been modified to include a more relevant view of position data including positions data at the start of the Corzine Administration, current year employee counts and recommended funded levels for FY 2008. These changes provide the reader with a more comprehensive presentation as well as a better understanding of the trends in the numbers of positions funded in the State Budget.

Besides providing a context for key budget decisions, these changes are designed to quickly pinpoint desired information, clarify how major services are organized, and improve the transparency of the document.

Government Finance Officers Association (GFOA) – Budget Award
New Jersey is one of only seven states to receive GFOA's Distinguished Budget Presentation Award. Fiscal 2007 marked the 16th consecutive year that New Jersey has been recognized by GFOA. The other states that recently received the award were Pennsylvania, Illinois, North Dakota, Tennessee, West Virginia, and Rhode Island.

THE STATE BUDGET PROCESS

The current budget process, the Integrated Planning and Budgeting Process, was first implemented for the production of the fiscal year 1990 – 1991 State 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 budget process usually begins during the month of April, some 15 months prior to the year for which the budget will be effective. The State Budget cycle is set on a fiscal year basis, which extends from July 1 to June 30 of the following year.

To formally initiate the process, the Office of Management and Budget (OMB) provides salary projection reports and technical budget instructions to the departments in August. Among other things, this enables the agencies to determine how their base budgets, including any desired reallocations, should be arranged in the coming budget year. Any recommended changes, later identified in 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 by OMB to each State agency in September, including preliminary budget targets.

Agencies prepare planning documents that 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. OMB reviews the planning documents with the agencies from November through mid January, when preliminary recommendations are agreed upon.

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

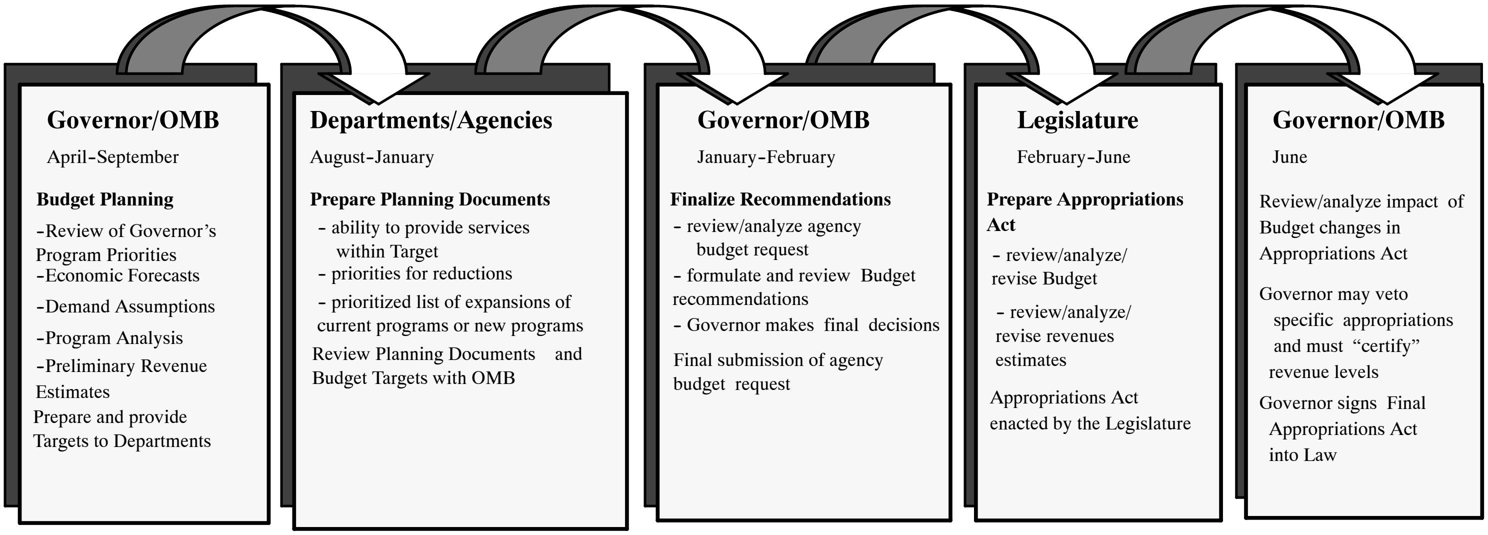
The planning portion of the budget process culminates in the final submission of the agency budget request to OMB in February which is forwarded to the Legislature. The Budget Message, representing the Governor's recommendations on how revenues should be allocated, is delivered to the Legislature on or before the fourth Tuesday in February of each year (unless superceded by legislation). From year to year, the Budget is the single most important policy statement that the Governor makes as it allocates the State's resources for programs and services.

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 effect 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 as an Appropriations Act 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 that 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 tables that explain the Governor's recommendations at various, significant levels of aggregation:

   Summary of Resource and Appropriation Recommendations

   Major Increases and Decreases of State Appropriations

   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

   Also included within the summaries of appropriations section is the *Budget Highlights*, a narrative that discusses the major programmatic and operational impact of the budget proposals. Additional summaries, charts, and graphs depicting significant programmatic or fiscal trends included at the end of this section.

3. The ***Summaries of Revenues, Expenditures and Fund Balances Section*** provides an overview of the economy, 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 (i.e. income tax, sales tax, and corporation tax), and provide year-to-year comparisons and projections for fiscal 2008. Most of the schedules and exhibits in this section are displayed by fund. For the purposes of State financial accounting, funds are accounting entities that segregate financial resources according to the purposes for which they may be used.

This section also includes four "major schedules" that 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), provides 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 which is then organized by Governmental Branch, and sorted in alphabetical order by agencies or executive departments. The major subdivisions of this section are summarized below:

    Department and Branch Recommendations (Direct State Services, Grants-In-Aid, State Aid, and Capital Construction)

    Debt Service

    General and Federal Fund Language Provisions

    Revolving Funds

    Appendices

a. **Budget Recommendations Overview**

For fiscal 2008, the Budget displays all of a department's non-debt appropriations in a single subdivision of the document. The separate subdivisions for Direct State Services (i.e. funds to support operations), Grants-In-Aid, State Aid, and Capital Construction are illustrated 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 effecting State Aid, the Casino Revenue Fund, etc., are presented in summaries in the *Summaries of Appropriations* section.

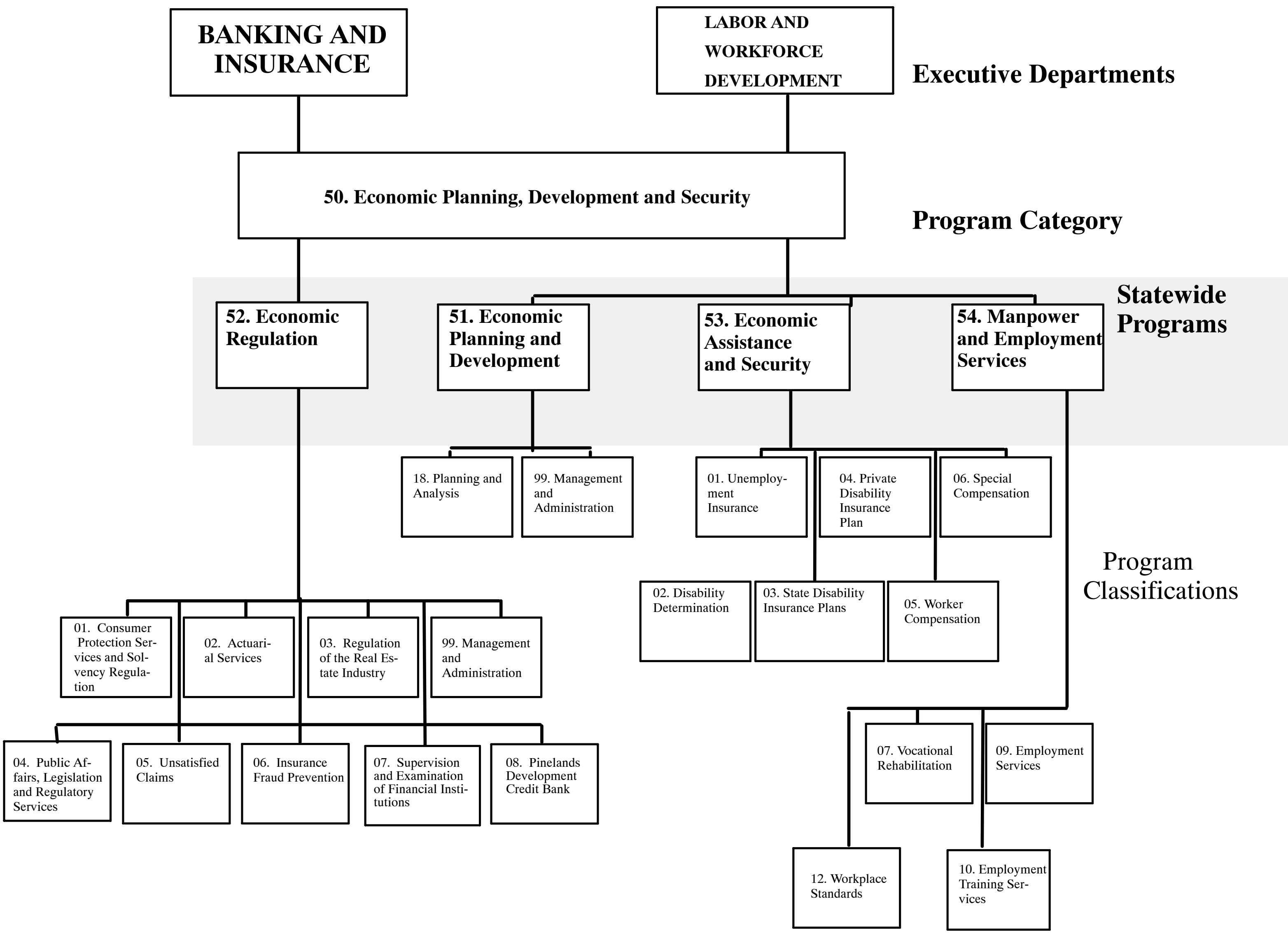
This consolidated presentation provides readers with a comprehensive view of all of a department's operations, across all spending categories and funds and provides New Jersey citizens with a better understanding of the relationships between all of the recommendations affecting departmental programs.

Each of the subsections 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 in the Department of Environmental Protection include Water Supply Management, Forestry Management, and Shellfish and Marine Fisheries Management. 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.

For example, in the Department of Labor and Workforce Development 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: *(51) Economic Planning and Development, (53) Economic Assistance and Security,* and *(54) Manpower and Employment Services.* Each of these Statewide Programs are made up of a number of individual program classifications. Program Categories and Statewide Programs generally span multiple departments.

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


BANKING AND INSURANCE
LABOR AND WORKFORCE DEVELOPMENT
Executive Departments
50. Economic Planning, Development and Security
Program Category
Statewide Programs
52. Economic Regulation
51. Economic Planning and Development
53. Economic Assistance and Security
54. Manpower and Employment Services
18. Planning and Analysis
99. Management and Administration
01. Unemployment Insurance
04. Private Disability Insurance Plan
06. Special Compensation
Program Classifications
02. Disability Determination
03. State Disability Insurance Plans
05. Worker Compensation
01. Consumer Protection Services and Solvency Regulation
02. Actuarial Services
03. Regulation of the Real Estate Industry
99. Management and Administration
07. Vocational Rehabilitation
09. Employment Services
04. Public Affairs, Legislation and Regulatory Services
05. Unsatisfied Claims
06. Insurance Fraud Prevention
07. Supervision and Examination of Financial Institutions
08. Pinelands Development Credit Bank
12. Workplace Standards
10. Employment Training Services

b. **Budget Recommendations - Descriptions of Subdivisions**

Detailed descriptions of the subdivisions of the *Budget Recommendations Section* are provided below:

i. *Department and Branch Recommendations* is the subdivision of the Budget that relates to the appropriations and expenditures that support operations of State agencies, grants to individuals, and aid to local government jurisdictions. 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 by funding source and to the program classification, and include information on the current year, two prior years, and a projection for the budget request year.

   The appropriations data 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 represents funding to support the administration and direct operation 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 for 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 New Jersey 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 or additions, improvements, and equipment accounts in Direct State Services.

   Language Recommendations, the final, significant item of this budget subdivision 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.

ii. The *Debt Service* subdivision 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.

iii. The *Language Provisions* subdivision 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.

iv. *Revolving and Other Funds* is the subdivision 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, 2006, presented in accordance with generally accepted accounting principles, as well as estimated amounts for fiscal 2007 and fiscal 2008.

   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.

   Private Purpose 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 resources, and the Governor is responsible for the final certification of revenue.

New Jersey's Budget is prepared in accordance with generally-accepted accounting principles (GAAP) as it applies to fund financial statements prescribed by the Governmental Accounting Standards Board (GASB) with certain exceptions. GAAP is the same basis used in preparation of the fund financial statements section of the State audited Comprehensive Annual Financial Report. Specifically, revenues are estimated and recognized when they can be accrued (i.e., when they become both measurable and available to finance expenditures of the fiscal period.) Appropriations are recommended at a level sufficient to recognize all accrued expenditures and outstanding obligations to support program operations for the fiscal period. Goods and services delivered during a fiscal period are accrued as expenditures if not actually paid for by year-end. (See section C, "Summaries of Revenues, Expenditures and Fund Balances", for further details.)

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 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.

SIGNIFICANT FINANCIAL POLICIES

A summary of New Jersey's significant financial management policies is presented below. Where applicable, sections of this document that contain additional information are noted.

Balanced Budget

Legal Requirements:

New Jersey's State Constitution states the following: "No general appropriation law or other law appropriating money for any State purpose shall be enacted if the appropriation contained therein, together with all prior appropriations made for the same fiscal period, shall exceed the total amount of revenue on hand and anticipated which will be available to meet such appropriations during such fiscal period, as certified by the Governor."

Policy Requirements:

A balanced budget must be established at the start of the budget fiscal year (i.e., first of July) and be maintained at fiscal year-end. This determination is based on the revenues and expenditures for all funds, the accounting basis for which is Generally Accepted Accounting Principles (GAAP) with exceptions. In conjunction with the Appropriations Act enacted by the Legislature, the official revenue estimate for the budget year is established and certified by the Governor. If the appropriations approved by the Legislature exceed the revenue estimates plus any available surplus, the Governor has the authority and the duty either to veto the entire appropriation bill or to reduce the amount of appropriations to produce a budget that is balanced against the total resources available.

As a matter of policy, the Governor's Budget seeks to limit appropriations to the amount of annual revenues anticipated for a given fiscal year. For the long term, the goal is to achieve a structural balance between ongoing operating expenditures and revenues for all fund types. However, fund balances may be used to support unforeseen or unpredictable expenditures that require supplemental appropriations. If budget adjustments are necessary to maintain balance during a fiscal year, those actions are typically implemented by the Department of Treasury's Office of Management and Budget acting at the direction of the State Treasurer and the Office of the Governor.

Use of One-Time Revenues

Use of revenue generated from a one-time source will be minimized. To the extent that such revenue is used, it will be targeted to offset non-recurring costs, including capital projects and debt retirement, to the extent possible. This will help create a structural balance between revenues and expenditures going forward.

Cost of State Operations

To help achieve a long-term structural balance between ongoing revenues and spending, the rate of growth in direct services provided by the State should be constrained, both in total appropriations and in its relative portion of the State Budget. The overarching goal is to identify the most efficient way to provide current services or to expand services within the current budgeted resources. This may include staffing reductions across State departments as well as aggressive implementation of management efficiencies and service consolidations.

State Appropriations Limitation (Cap Law)

The State Appropriations Limitation Act (P.L. 1990, c.94), commonly referred to as the CAP law, limits the growth of appropriations in the Direct State Services portion of the Budget, which encompasses the operations of State government. By statute, the maximum appropriation for a given fiscal year is determined by multiplying the base (i.e., current) year appropriation by the average three-year growth rate in per capita personal income calculated on a fiscal year basis. The State may exceed the maximum appropriations if a bill making an appropriation is agreed to by a two-thirds vote of all members of each legislative body. In the Fiscal 2008 Budget, Governor Corzine has held the State to a higher standard by presenting a Budget plan that is well below the statutory cap. (See section H of this document for the calculation affecting the coming fiscal year.)

Surplus Revenue (i.e., Rainy Day) Fund

As a financial contingency, New Jersey sets aside monies in a restricted reserve fund entitled the Surplus Revenue Fund (i.e., Rainy Day Fund). By law (i.e., NJSA C52:9H-14, et seq.), the Surplus Revenue Fund receives 50 percent of the difference between the amount of revenue certified by the Governor in the annual Appropriations Act for the fiscal year immediately preceding the fiscal year of the budget recommendation and the actual collections realized for that year. (Note: income tax revenue is excluded from this calculation.) The balance in this fund, which is reflected within the State's total undesignated fund balance, may be appropriated upon certification by the Governor that anticipated revenues are less than those certified, or upon a finding by the Legislature that an appropriation from the Surplus Revenue Fund is more prudent fiscally than raising new tax revenue to offset such a revenue decline, or to address emergencies.

Capital Improvement Plan

The State statute that created the Commission on Capital Budgeting and Planning requires the development of an annual Capital Improvement Plan. The Plan addresses both short and long-term investments, including a seven-year projection of capital needs by department and project category and an identification of how the recommended projects should be funded. Stakeholder input is derived through public hearings organized by the Commission. Though it is published separately, the Plan's recommendations are coordinated with the annual Governor's Budget Message. (See the Capital Construction and Debt Service section of this document for further details.)

Contingency Planning

To guide financial decisions and contingency planning during emergencies, natural disasters, or other unexpected events, a formal process has been implemented. Each department creates a business continuity plan that list staffing protocols and information technology procedures for outages that cover different lengths of time. The plans, which are filed with the Department of Law and Public Safety's (L&PS) State Government Operations Group and are coordinated with its Office of Homeland Security, are updated twice per year. The final product improves the State's general management oversight and its ability to take timely action.

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 2005	Actual FY 2006	Revised FY 2007	Budget Estimate FY 2008
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, 2006								Year Ending June 30, 2008	
Orig. & (S)Supple-mental	Reapp. & (R)Recpts.	Transfers & (E)Emer-gencies	Total Available	Expended		Prog. Class.	2007 Adjusted Approp.	Requested	Recom-mended
					Distribution by Program				
22,507	4,646	712	27,865	27,121	Criminal Justice	09	21,691	28,291	28,291
22,507								*1*	*28,291*
690								5	625
447								7	477
2,321									
								1	4,631
2,321								*1*	*4,631*
17,559									
								1	*23,691*
---								0	1,000

								0	*1,000*
4,948									
								0	3,600
4,948									
								0	*3,600*

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.

Orig. & (S)Supple-mental	Reapp. & (R)Recpts.	Transfers & (E)Emer-gencies	Total Available	Expended		Prog. Class.	2007 Adjusted Approp.	Requested	Recom-mended
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	09	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 16,125 R	1,975	19,236	8,583	Criminal Justice	09	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*

Notes -- Direct State Services - General Fund

(a) The fiscal 2007 appropriation has been adjusted for the allocation of salary program.

Language Recommendations -- Direct State Services - General Fund

The unexpended balance at the end of the preceding fiscal year in the Victim Witness Advocacy Fund account, is appropriated for the same purposes 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 2006 as enacted by the Legislature on July 1, 2005. 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 2006.

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 2006.

10. PUBLIC SAFETY AND CRIMINAL JUSTICE
12. LAW ENFORCEMENT

OBJECTIVES

1. To provide statewide law enforcement services.

PROGRAM CLASSIFICATIONS

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

EVALUATION DATA

	Actual FY 2005	Actual FY 2006	Revised FY 2007	Budget Estimate FY 2008
PROGRAM DATA				
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, 2006								Year Ending June 30, 2008	
Orig. & (S)Supple-mental	Reapp. & (R)Recpts.	Transfers & (E)Emer-gencies	Total Available	Expended		Prog. Class.	2007 Adjusted Approp.	Requested	Recom-mended
					DIRECT STATE SERVICES				
					Distribution by Fund and Program				
17,559	4,646	682	22,887	22,143	Criminal Justice	09	18,091	23,691	23,691
17,559	***4,646***	***682***	***22,887***	***22,143***	***Total Direct State Services***		***18,091***(a)	***23,691***	***23,691***
					Distribution by Fund and Object				
					Personal Services:				
152,359	5,514R	3,315	161,188	144,517	Salaries and Wages		142,686	154,537	154,537
152,359	*5,514*	*3,315*	*161,188*	*144,517*	*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				
4,948	---	30	4,978	4,978	Criminal Justice	09	3,600	3,600	3,600
4,948	---	***30***	***4,978***	***4,978***	***Total State Aid***		***3,600***	***3,600***	***3,600***
					Distribution by Fund and Object				
4,948	---	30	4,978	4,978	Safe and Secure Neighborhoods Program	09	3,600	3,600	3,600
					CAPITAL CONSTRUCTION				
					Distribution by Fund and Program				
1,053	1,177	(14)	2,216	665	State Police Operations	06	7,425	15,741	5,831
1,053	***1,177***	***(14)***	***2,516***	***665***	***Total Capital Construction***		***7,425***	***15,741***	***5,831***
					Distribution by Fund and Object				
1,053	1,177	(14)	2,516	665	HVAC Renovation	11	7,425	15,741	5,831
218,368	***21,359***	***3,992***	***243,719***	***236,439***	***Grand Total State Appropriation***		***243,975***	***274,046***	***264,136***
					OTHER RELATED APPROPRIATIONS				
					Federal Funds				
59,655	14,486	(151)	73,990	31,803	Criminal Justice	09	42,574	33,350	33,350
59,655	***14,486***	***(151)***	***73,990***	***31,803***	***Total Federal Funds***		***42,574***	***33,350***	***33,350***
					All Other Funds				
---	1,136 16,125R	1,975	19,236	8,583	Criminal Justice	09	34,850	34,760	34,760
---	***17,261***	***1,975***	***19,236***	***8,583***	***Total All Other Funds***		***34,850***	***34,760***	***34,760***
295,785	***108,360***	***21,821***	***425,966***	***347,051***	***GRAND TOTAL ALL FUNDS***		***403,717***	***428,317***	***418,407***

Notes -- Direct State Services - General Fund

(a) The fiscal year 2007 appropriation has been adjusted for the allocation of salary program.

Language Recommendations -- Direct State Services - General Fund

The unexpended balance at the end of the preceeding fiscal year in the Victim Witness Advocacy Fund account, is appropriated for the same purpose.

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.

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 that 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 interdepartmental appropriations, and other budgetary adjustments

ALL OTHER FUNDS — Revenues, other than Federal, that 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

ALL OTHER POSITION — A position specifically approved and funded by non-state, non-federal sources in a salary object account

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

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 and interfund transfers.

ANTICIPATED REVENUE — That portion of estimated revenues to be realized in any fiscal year that 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 for a particular fiscal year

APPROPRIATIONS ACT — The Act passed by the New Jersey Legislature to appropriate, on an annual basis, the resources of the State for state operations, 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

BALANCED BUDGET - A budget in which proposed expenditures do not exceed actual and estimated revenues and surplus. The State Constitution requires the Governor to propose a balanced budget and prohibits the appropriation of funds in excess of actual and estimated revenue and surplus

BEGINNING BALANCE — The resources available at the start of a state fiscal year that are carried over from the prior fiscal 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

BLS — Bureau of Labor Statistics

BOND — A funding tool representing a written promise to pay a specific sum of money in the future plus interest

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

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 that 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 — 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
4. Any addition or improvement that is $50,000 or more

CAPITAL PROJECT FUNDS — Account for financial resources for the acquisition, construction, or renovation 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 taxes imposed on the casinos and other related activities. 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

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

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

GLOSSARY

CSP — Child Support Programs

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

DEP — Department of Environmental Protection

DFD — Division of Family Development of the Department of Human Services

DHSS — Department of Health and Senior Services.

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

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

EDA — Economic Development Authority.

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

ENCUMBRANCE — A reservation of funds for future payment (disbursement) to liquidate an obligation incurred, usually supported 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 or fund at the end of the fiscal year.

EOF — Educational Opportunity Fund.

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

EXCESS RECEIPTS — Any receipts collected 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 appropriation account in which expenditure transactions are recorded, normally termed an object account

FEDERAL POSITION — A position specifically approved and funded by Federal Funds in a salary object account

FEMA — Federal Emergency Management Agency

FHWA — Federal Highway Administration

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 that 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 accounting 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:

1. Benefits to which the recipient is entitled by law or regulation
2. Services for which the State has primary responsibility
3. Subsidies and provision of services for which the State has no responsibility, but which it elects to provide

ICF/MR — Intermediate Care Facility / Mental Retardation

ITEM OF APPROPRIATION — 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, Capital Construction or Debt Service line items

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 or for certain specified purposes

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

GLOSSARY

LANGUAGE RECOMMENDATIONS — Language located at the end of a statewide program, department or in the General Provisions section, that 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 unexpended 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 that must be liquidated, renewed, or refunded at some future date. This term does not include encumbrances

LINE OF CREDIT — The State's line of credit program, which was first implemented in 1995, provides the State with competitively bid, low interest cost funding for the procurement of the State's short term (3 yrs) equipment needs, specifically computers, furniture, and vehicles

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, Capital Construction or Debt Service 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

MATCHING FUNDS — Provisions in a grant agreement that require 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 — Tangible consumable items used for operations but not for the maintenance of machinery or equipment

MSW — Master of Social Work

NJBEST — New Jersey Better Educational Savings Trust

NJN — New Jersey Network

NJPDES — New Jersey Pollutant Discharge Elimination System

NJSA — New Jersey Statutes Annotated

NJSEA — New Jersey Sports and Exposition Authority

NJSIAA — New Jersey State Interscholastic Athletic Association

NJTPA — New Jersey Training Partnership Act

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 — Part of the chart of accounts to classify articles purchased or services obtained.

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 that 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 that 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

PAAD — Pharmaceutical Assistance for the Aged and Disabled

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 that 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 individuals, counties, municipalities, and school districts

PSE&G — Public Service Electric and Gas

REAPPROPRIATION — The appropriation in any fiscal year of funds remaining unexpended at the end of the preceding fiscal year that are specifically appropriated in the succeeding 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 that 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 — A columnar heading in the appropriation data section of each program budget which identifies a program classification to which 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

GLOSSARY

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 that generates receipts (income) from the sale of commodities or services. Such receipts are available for the continuing operation of the activity or enterprise

SACWIS — Statewide Automated Child Welfare Information System

SERVICES OTHER THAN PERSONAL — The cost of purchased services that are primarily non-personal or of a contract nature under which no employer-employee relationship is established

SFEA — State Facilities Education Act

SPECIAL PURPOSE APPROPRIATION — A type of appropriation that 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 — Funds used to account for resources legally restricted to expenditure for specified purposes in accordance with enabling legislation.

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

SSA — Social Security Administration

SSI — Supplemental Security Income

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 in carrying out activities that are the responsibility of the local unit
   c. 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

STATE APPROPRIATIONS LIMITATION ACT — The Act that 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 SUPPORTED POSITION — A position specifically approved and funded by a State appropriation in a salary object account

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 that 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.)

SURPLUS REVENUE 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. (Rainy Day Fund)

TANF — Temporary Assistance for Needy Families

TEFAP — Temporary Emergency Food Assistance Program

TPAF — Teachers' Pension and Annuity Fund

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

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

UMDNJ — University of Medicine and Dentistry of New Jersey

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

WFNJ — Work First New Jersey