Summaries of Appropriations

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

THE BUDGET IN BRIEF

GENERAL FUND

Resources

(thousands of dollars)

Undesignated fund balance, July 1, 2008	951,118	
Revenues anticipated and adjustments	18,407,311	
Total Resources		19,358,429
Recommendations		
Direct State Services	6,430,073	
Grants-in-Aid	8,987,453	
State Aid	1,886,206	
Capital Construction	1,196,029	
Debt Service	405,897	
Total Recommendations		18,905,658
Long Term Obligation and Capital Expenditure Reserve, June 30, 2009		334,069
Undesignated fund balance, June 30, 2009		118,702

SURPLUS REVENUE FUND

Resources

Undesignated fund balance, July 1, 2008	481,398	
Adjustments	(100)	
Undesignated fund balance, June 30, 2009		481,298

PROPERTY TAX RELIEF FUND

Resources

Undesignated fund balance, July 1, 2008	---	
Revenues anticipated	13,556,600	
Total Resources		13,556,600
Recommendations		
Grants-in-Aid	1,886,000	
State Aid	11,670,600	
Total Recommendations		13,556,600
Undesignated fund balance, June 30, 2009		---

GUBERNATORIAL ELECTIONS FUND

Resources

Undesignated fund balance, July 1, 2008	1,253	
Revenues anticipated and adjustments	3,827	
Total Resources		5,080
Recommendations		
Public Financing of Elections		5,080
Undesignated fund balance, June 30, 2009		---

CASINO CONTROL FUND

Resources

Undesignated fund balance, July 1, 2008	300	
Revenues anticipated	75,139	
Total Resources		75,439
Recommendations		
Regulation of Casino Gambling		75,439
Undesignated fund balance, June 30, 2009		---

CASINO REVENUE FUND

Resources

Undesignated fund balance, July 1, 2008	---	
Revenues anticipated	425,826	
Total Resources		425,826
Recommendations		
Programs for senior citizens and handicapped persons		425,826
Undesignated fund balance, June 30, 2009		---

FY 2009 Budget
Executive Summary

The proposed FY 2009 Budget has been reduced by $500 million compared to the FY 2008 Budget signed into law last June. Actual reductions, however, total $2.7 billion in order to offset mandatory cost pressures that would have otherwise brought spending to $35.7 billion in the next fiscal year. With all cuts and restraints combined, FY 2009 appropriations total $32.97 billion, compared to $33.47 billion in the FY 2008 Appropriations Act.

The FY 2009 Budget represents a turning point in the fiscal management of the State. New Jersey has historically taken a short term view to balancing the budget. With reliance on short term fixes, non-recurring revenues, one-time actions and reductions to support higher spending, budgets to date have simply failed the most fundamental test of matching recurring expenses with recurring revenues. As we approach FY 2009 and beyond, the choices we face today have been set in large part by the decisions of yesterday. This budget begins the process of unwinding the ties that bind New Jersey's ability to fund its priorities and prevent our citizenry from controlling their own fiscal destiny. However, simply cutting expenditures is not sufficient.

Changing course will be neither easy nor painless. This budget resets our spending to more closely match our revenues and thus requires many unpleasant choices about which activities, services and benefits are most critical.

The choices are unavoidable, because the revenues to sustain current levels of appropriations are simply unavailable. Below are some of the significant aspects of the FY 2009 Budget:

- Reduces the size and the cost of government by over $350 million;
- Provides $16.7 billion in property tax relief, an increase over the current year, including $11.5 billion in support for preschool-12 education and funding for the new school formula;
- Reduces the reliance on non-recurring resources from $1.8 billion to less than $600 million;
- Protects programs that provide public safety and those programs that service and protect the needs of the most vulnerable;
- Incorporates fair and common sense apportionment of reductions.

Finally, the budget **DOES NOT RELY ON ANY NEW OR INCREASED TAXES.**

As with the current year, nearly three-quarters of the budget will continue to support State aid and grants, which reach millions of New Jerseyans through hundreds of valued programs, ranging from property tax rebates for working families to prescription assistance to our senior citizens. Hundreds of millions of dollars in budget reductions are recommended, but great care has been taken to blunt the impact on this majority portion of State spending.

Defining the Problem and How it was Solved

When the FY 2009 Budget planning process began in earnest last fall, baked in spending pressures grew the budget from the $33.47 billion in the current FY 2008 Budget to an estimated $35.7 billion. This growth was based on contractual, mandatory and statutory increases including over $500 million in additional costs for the new school funding formula.

As the process moved forward, it became clear that the growth in revenues fell far short of matching the pace of spending growth. Revenues were projected to total less than $32.5 billion.

The difference between the projected revenues of $32.5 billion and the projected spending level of $35.7 billion represented the $3.2 billion structural shortfall. In keeping with the principle to not close this shortfall through new or increased taxes, we approached budget balancing through spending constraints, reductions and other actions.

We closed the $3.2 billion structural gap with $2.7 billion in actions that impact spending and using a $500 million portion of the $834 million of excess surplus that is projected by the end of the current year.

Nearly $1.7 billion, or over 61%, of the spending actions are actual reductions to the base budget. The other $1 billion represents reductions or limitations of growth and other actions to offset spending.

Reducing the Size and Cost of Government

The budget will reduce the size and cost of State government by over $350 million and the number of employees by a minimum of 3,000 through a combination of an Early Retirement Incentive Program (ERI), attrition and targeted layoffs. The operating budgets of the executive departments have been decreased directly by $193 million. For the first time in the last 35 years EVERY executive branch department will have its operating budget reduced. In addition, departments will have to realize the impact of savings of $136 million from the Early Retirement Program and $25 million through procurement efficiencies.

The budget calls for the elimination of three Cabinet level agencies – the Departments of Agriculture and Personnel and the Commerce Commission. The essential functions of these agencies will be consolidated into other executive branch departments or agencies. These savings result from the elimination of administrative functions, including three cabinet level positions, and efficiencies gained through consolidation.

The budget for the executive branch includes $209 million in employee related savings through an ERI, targeted layoffs and the elimination of funding for positions that have been vacant due to the hiring freeze that has already reduced the payroll by nearly 2,000 employees since Governor Corzine took office.

The Judiciary and the Legislature also will face reductions of $27 million and $1 million, respectively.

In contrast to previous early retirement programs, this initiative will provide strict controls on the back filling of employees so as to not erase ERI cost saving benefits to the State.

The combination of initiatives to reduce the number of State employees is anticipated to induce departments and agencies to further streamline and prioritize their functions and programs.

Increasing Property Tax Relief and Support for Education and the New School Funding Formula

Despite the need to reduce spending by $2.7 billion, total recurring property tax relief will increase by $73 million from the amount spent in the current year. This budget will provide nearly $16.7 billion in total property tax relief which still represents more than 50% of the budget.

The core components of the property tax relief include:

- $11.5 billion in support of preschool-12 education;
- $2.5 billion in direct relief to taxpayers;
- $1.8 billion in aid to municipalities; and
- $800 million in other local aid

The $11.5 billion in support of preschool-12 education is $600 million above the FY 2008 appropriation, and represents over one-third of the total budget. Of this increase, approximately $530 million is in the form of additional direct aid to school districts under the new school funding formula, which increases relief to all school districts, including boosts of 10% to 20% to a majority of the districts.

Despite fiscal pressures, this budget allocates $2.5 billion for direct property tax relief. This funding ensures that 1.6 million homeowners will continue to receive average rebates of approximately $1,000.

In all, 90% of homeowners will continue to receive rebates while 1.2 million homeowners, or 70%, will receive the same rebate amount that they received last year. The preservation of these benefits is achieved, and more than $300 million in savings are realized, by reducing income eligibility limits – from $250,000 to $150,000 – and lowering the level of rebates for those between $100,000 and $150,000 from 15% of property taxes paid to 10%.

The increase in rebates provided to renters in the current budget will be rolled back to the previous level with the exception of the inflationary increase that was provided in FY 2008. A portion of the savings from this change will be redirected to vouchers for rental assistance.

This budget will also provide $169 million in funding for the Senior Tax Freeze program, an increase of $16 million, or more than 10%. The program will provide 158,000 residents with checks averaging $1,069, which is $125 more than FY 2008 average checks. The Governor is also proposing that the income limit for the program be increased to $75,000 and that these 150,000 to 200,000 newly eligible homeowners would receive a reimbursement of two thirds of their property tax increase.

The budget will also include a reduction in the level of aid to municipalities. The budget will provide over $1.8 billion in aid to municipalities, a decrease of approximately $190 million, which represents less than 10% of the amount provided in the current year.

A portion of the reduction in municipal aid will be targeted to those municipalities with populations of less than 10,000. This group of towns will be given priority standing in the awarding of the $32 million in grants from a state fund that encourages consolidation and shared services.

Reducing Reliance on Non-Recurring Resources

Continuing the trend of the first two Corzine Administration budgets, the use of non-recurring resources, excluding prior year surplus, has been decreased from $220 million to $69 million. This represents a 96% reduction from the $2.7 billion average during the FY 2003 to FY 2006 period.

This budget will, however, still require the use of $500 million of the $834 million excess surplus that is anticipated to be available at the end of the current year. In comparison, the FY 2008 Budget relied on nearly $1.6 billion of excess surplus to support spending.

The unused portion of the excess surplus will be deposited into a special reserve fund to support long term liabilities such as pensions, including the cost of the proposed Early Retirement Program and post retirement medical benefits, as well as funding necessary capital investment.

Fair and Common Sense Apportionment of Reductions

As was noted in the section on how the budget was balanced, nearly $1.7 billion of the $2.7 billion in spending actions represent actual reductions in base spending levels. The reduction in the size and cost of government discussed in the previous section is $350 million of the $1.7 billion. The remainder of the actual reductions in spending necessarily impact the nearly 75% of the budget that is distributed in the form of State aid and grants.

The budget attempts to spread the impact of these reductions as evenly as possible so that no one area or group of citizens is disproportionately affected.

Higher Education

The budget will provide overall support for higher education of $2.098 billion, which represents an overall reduction of $76 million from the $2.174 billion spent in the current year.

State support for the senior public colleges and universities will total $1.437 billion, a decrease of $63 million from the current level of $1.499 billion. Direct operating support for the state's public colleges and universities will decrease from $901 million to $805 million. This reduction will be offset by the State providing over $38 million to fund negotiated salary increases.

The State support for the county colleges will total $222 million, a decrease of $11 million from the current level of $233 million. Direct operating aid will be decreased by 10%, from $163 million to $147 million, while State support for debt service on capital projects will increase from $35 million to $40 million.

The State support for the private colleges and universities will also be reduced by 10% from $20 million to $18 million.

The budget will provide $323 million in funding for various tuition assistance programs, a net increase of $14 million. The Tuition Aid Grant (TAG) program will receive $245 million in funding, a net increase of $15 million. The program, however, will be adjusted to limit the TAG awards to incoming freshmen at the State's private colleges and universities to the level of TAG awards at Rutgers. In addition, the Outstanding Scholars program will continue to be phased out and income limits will be placed on the NJ STARS program.

Hospitals

The budget will provide $902 million in State and federal support for hospitals' Charity Care, Hospital Relief payments, Graduate Medical Education (GME), cancer grants and other programs. This is a reduction of $143.5 million from the current $1.045 billion level.

The budget will provide $608 million for the Charity Care program, a reduction of $108 million from the current level of $716 million. The formula to distribute these funds will be adjusted to maintain necessary support for essential hospitals and updated based on current service data. A portion of the $608 million will not be distributed but instead will be held in a newly created Health Care Stabilization Fund to assist hospitals facing specific financial needs during the fiscal year.

In addition, the budget will reduce Hospital Relief Offset Payments from $203 million to $183 million and the Graduate Medical Education program will be reduced from $60 million to $50 million. A new $15 million appropriation will be included to support hospitals that plan to close facilities through the use of the Hospital Asset Transformation Program.

Finally, grants for cancer facilities and research will be reduced from $66.5 million to $46 million. A portion of the money will be allocated to the nationally designated Cancer Institute of New Jersey in New Brunswick as well as appropriations to support debt service at specific facilities. The final portion will be available for grants to other cancer centers for research funding and will be distributed based on the determination of the Commissioner of Health and Senior Services.

Other Areas

On a much smaller scale the budget impacts other programs that the State supports such as arts, history and tourism funding and many other important programs. The budget impact on these programs is presented in a more detailed section of the Budget in Brief.

In spite of the fact that the budget decreases overall, there are some important increases in the budget not previously mentioned. These represent important commitments and include $60.9 million for community placement costs for the Divisions of Developmental Disabilities and Mental Health Services, a $60 million increase in support for NJ Transit, and $41 million to annualize the Cost-of-Living increase for Community Providers. There is also $15 million to enhance the State Rental Assistance Program.

Conclusion

The $32.969 billion budget proposed by the Governor delivers on the first component of the four point program outlined in the State of the State address. In fact, it exceeds the goal of freezing spending by actually reducing spending by over $500 million.

This budget also takes a step toward achieving the second component of the Governor’s plan by significantly reducing the use of non-recurring revenues and moving the budget toward a balance between spending and recurring revenues. Legislation will be needed to require the Executive and Legislative branches of government to limit growth in future spending to certifiable revenues.

The third component of the Governor’s plan will require that the voters be allowed to amend the New Jersey Constitution to limit future state borrowing.

Finally, there must be a continued discussion to develop realistic alternatives to pay down the State’s debt and fund vital capital investments.

The ability to pay down the State's debt and reduce the annual debt service is an important component to limiting future spending increases while at the same time maintaining programs and services. Preliminary estimates reflect that even after the precedent-setting actions taken in this budget to cut spending and reduce the reliance on non-recurring actions, the State is still likely to face a structural deficit of approximately $1.7 billion in FY 2010, even without meeting an actuarially required contribution to the State's pension fund. State revenue increases simply cannot keep pace with increases in mandatory spending. The reduction in half of the State's debt would result in a debt service savings of at least $1 billion, which would be just over one-half of the projected deficit for FY 2010. The reduction in debt service is an action that has no impact on any State service or program. Absent a reduction in an area such as debt service, the State will continually need to reduce base spending to offset mandatory and contractual increases.

Setting A New Course For New Jersey

New Jersey's Fiscal Dilemma – Historical Context

Nearly 20 years have elapsed since the State of New Jersey's Budget was considered to be "structurally sound." During that time, Administrations of both parties have balanced the State Budget through temporary solutions, many of which were politically expedient, and by deferring embedded -- and growing -- structural problems to future years. As a result, a shortfall that was fairly modest at its onset has evolved into a full-fledged financial emergency, one that now threatens to paralyze our ability to invest in our future and fund the public's priorities.

The duration of our fiscal dilemma is now matched by its depth. The annual deficit between the cost of current services and ongoing revenues has remained stubbornly high, totaling an estimated $3.2 billion in fiscal 2009 and representing nearly 10% of the entire State Budget. If the Budget had assumed full funding of the State's pension obligation, spending in fiscal 2009 would have increased by $780 million and the projected deficit would have totaled approximately $4 billion. A lack of fiscal discipline, and an absence of political will, has gradually ground down our financial underpinnings.

While the root causes are well documented, a few fundamental myths persist: that the problem is temporary and sometimes prone to exaggeration; that it derived largely from mismanagement by a select few; that the Budget is replete with low-value, "discretionary" programs operated primarily by State employees; and that the simple elimination of waste, fraud and abuse could erase most of the problem. In short, while efforts to root out inefficiency are steadfast and unyielding, the perception that such efforts alone will bring the Budget into balance is unrealistic.

The plain facts bear repeating. This fiscal predicament is long-standing and growing. Shortsighted fiscal policies, as detailed in the following pages, have not been limited in time and scope, but rather were conveniently embraced on a fairly consistent basis.

As to Direct State Services, that portion of the State Budget represents only 20% of the total, down from 25% just ten years earlier.[1] And while added pressure is being brought to bear on remaining areas of waste, including the creation of the new Office of the State Comptroller, the size of the problem extends far beyond what can reasonably be associated with inefficiency. Rather, fundamental choices are necessary to limit spending to only the most essential services.

New Jersey's fiscal policies have more resembled a patchwork quilt than a long-range financial blueprint. Though the natural rate of growth in recurring revenues has been fairly strong over time at 2% to 3% annually, the rate of spending growth has been far greater at 6% to 7%. Along the way, major tax revenues were reduced without corresponding cuts to programs, thus compounding the gap. In the absence of a long-range view, new programs were added without fully accounting and budgeting for their inevitable future growth. Expensive federal mandates triggered spending increases for programs such as education and child welfare. In response, the State simply tried to maintain the status quo. A "credit card culture" pervaded considerations of debt, where fiscal control has been particularly hard to enforce. Today, New Jersey's bonded indebtedness totals $32 billion, approximately triple the amount that existed just ten years ago, leaving State residents with one of the highest debt burdens in the country.

Finally, in a more subtle but significant way, aging infrastructure and ongoing demographic changes have exerted steady but powerful pressure to spend. The public's perception of that reality, however, has historically been fairly low. For example, much of the infrastructure work that has been accomplished was supported through State borrowing. With borrowing costs now approaching $3 billion in State spending, this "hidden expense" is clearly crowding out important programs and services in the Budget, including those for our children, senior citizens, and highly vulnerable populations.

[1] Based on FY1998 appropriation, adjusted for cost shifts.

The public budget debate must be refocused. Realistically, the debate should no longer center on achieving balance by cutting the "trove" of well-funded, "discretionary" programs. In fact, this trove does not exist. Fundamental spending reform, particularly of the magnitude required to re-establish the State's fiscal balance, necessitates deep cuts to critical programs that are highly valued by taxpayers and budget stakeholders across the state.

That particular task poses an immense challenge. Many of the State's largest programs and services have survived periods of dire fiscal constraint for one simple reason: they are vitally important. That importance extends not only to those who benefit. It is also an extension of how we view ourselves and the type of society we choose to live in. This includes a basic safety net for the poor, the infirm, and the elderly through programs such as Medicaid, child welfare, long-term care for the mentally ill and the disabled, and Pharmaceutical Assistance for the Aged and Disabled (PAAD). It also includes property tax relief, education, health, public safety, environmental protection, and transportation, each of which enjoys high levels of public support. Clearly, the hard part is not merely cutting the Budget, but rather doing it in a way that is responsible and humane.

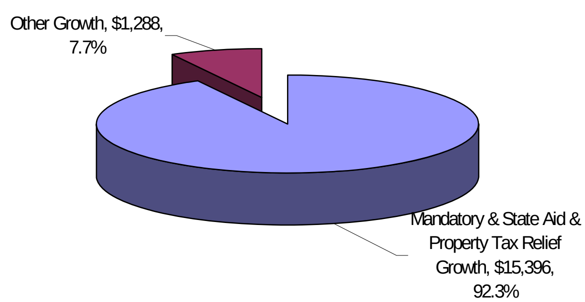
The next section outlines important details in each of these areas, providing a reference point for Governor Corzine's proposed reforms, which are outlined later in this chapter.

Spending and Revenue Growth

Spending growth in the State Budget is driven by three basic forces: mandatory growth required to fund the current level of services, State Aid for localities and property tax relief, and discretionary growth (i.e., "Other Growth"). Powerful cost drivers such as school enrollment growth, medical inflation, and increases in social service caseloads exert just as much influence on spending as any set of discrete policy decisions. Moreover, these factors are heavily influenced by ongoing changes in the economy, population shifts, and demographics, each of which evolves independently, outside of the State budget process.

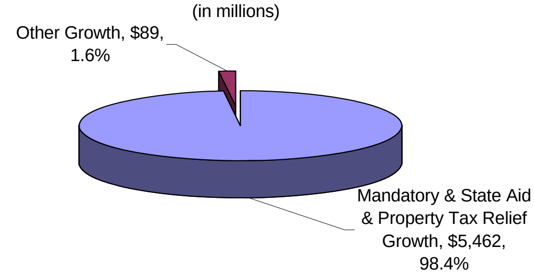
The first set of accompanying pie charts compares the growth in State funds over the past ten years with the growth recognized during the first two years of the Corzine Administration. In each case, the lion's share of the growth is categorized as either mandatory or as related to State Aid and property tax relief. In a key difference, however, the ten-year trend clearly exhibits a much higher rate of growth for discretionary spending (i.e., "Other Growth") at nearly 8%, than the amount attributed to the first two years of the Corzine Administration, which was less than 2%. That is, over 98% of the budget growth funded during this Administration was either mandatory in nature or related to State Aid and property tax relief.

Components of Growth - FY 1998 to FY 2008
(in millions)



Total Budget Growth - $16,684

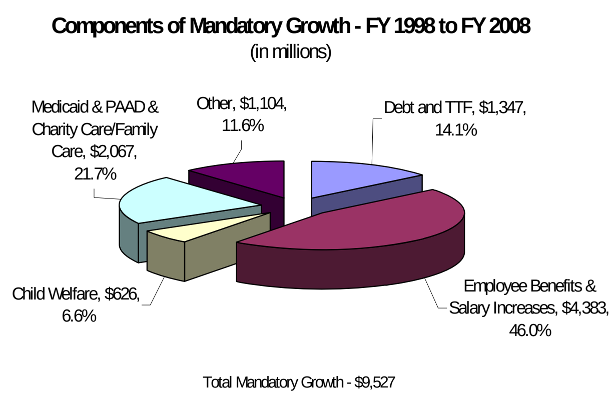
Components of Growth - Corzine Administration (FY 2006 to FY 2008)
(in millions)

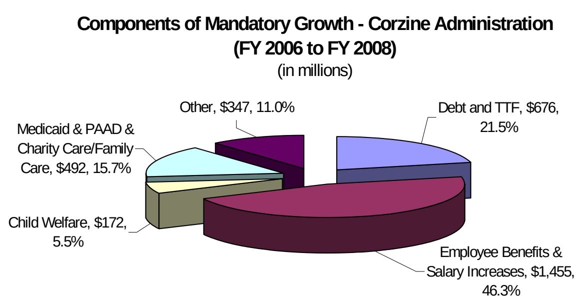


Total Budget Growth - $5,551

98% of spending growth during this Administration was Mandatory or related to State Aid or Property Tax Relief.

As illustrated in the accompanying charts titled "Components of Mandatory Growth," the basic components of mandatory growth are somewhat predictable. Consistently, nearly half of this growth relates to employee benefits, reflecting rising costs for health benefits as well as statutory commitments for pension obligations. As a result of actions taken prior to the Corzine Administration, growth attributable to debt service rose significantly, from the historical benchmark of 14% to nearly 22%, largely for one reason: a massive bond refinancing implemented in fiscal 2006. This maneuver generated one year of budget relief but triggered a large annual cost spike in debt service of over a quarter billion dollars beginning in fiscal 2007, the first year of the Corzine Administration. (See "Shortsighted Fiscal Decisions" below for other, similar examples.) Conversely, the percentage of growth attributable to social service programs (including "Child Welfare") actually declined under this Administration, from the historical rate of 28% to approximately 21%, as the federal government assumed more of the cost of drug coverage for seniors, Medicaid beneficiaries, and the disabled through the Medicare Part D program.





Growth in mandatory spending is concentrated in four areas: health-related, child welfare, debt and employee benefits.

Most important is the relationship between average annual spending growth and "normal" revenue growth (i.e., the amount attributable to an ongoing expansion of the State economy, absent tax increases). In recent years, annual spending growth has ranged from $1.6 billion to $2.8 billion, or approximately 6% to 7% of total spending, while "normal" growth in major taxes (i.e., Income, Sales, and Corporate Business Tax) has hovered around 2% to 3%, or between $500 million and $700 million annually. The resulting gap is a key component of the annual State Budget deficit.

Shortsighted Fiscal Decisions

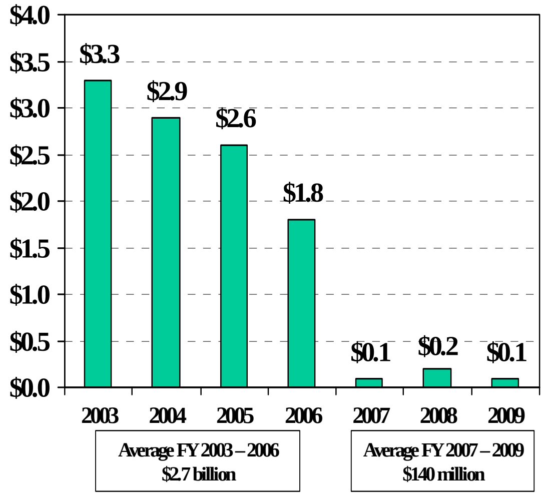
In a practice that spanned multiple budgets crafted under both political parties, increased spending has been consistently supported through a series of one-time revenues. Future costs were simply viewed as someone else's problem. Benefits were liberally expanded, despite the lack of an identified source of funding for the cost growth that was likely to follow. Budget flexibility was gradually hamstrung by the dedication of base revenues for specific program interests, as fiscal integrity gave way to narrow, special interests. This collective shortsightedness is illustrated in the examples listed below, all of which are prime factors in our current fiscal dilemma.

Reliance on Non-Recurring Revenues

The accompanying chart depicts the historical use of non-recurring revenue, including diversions of dedicated and trust fund revenues and securitization of future revenue streams to fund current operating costs. As one point of reference, non-recurring revenues accounted for 12% to 14% of total appropriations in fiscal 2003 and 2004. This short-sighted approach has been virtually eliminated during the Corzine Administration, however. As illustrated in the chart, the use of dedicated funds to balance the State Budget has decreased by 96% when compared to the period of fiscal 2003 to 2006. Because revenue diversions in those prior periods simply masked the imbalance between spending and ongoing revenues, it merely postponed the day of reckoning we now face.

Diversions from Dedicated Funds Down by 96% Compared to FY 2003 – FY 2006

(In Billions)



Embedded in the chart is over $5 billion of debt that was securitized by dedicated revenues to pay for operating costs from fiscal 2003 through fiscal 2005. This activity included securitizations related to the Tobacco Settlement in fiscal 2003 ($1.6 billion) and fiscal 2004 ($1.6 billion), as well as two other deals anchored by a dedication of cigarette tax revenue and a surcharge on unsafe driver violations in fiscal 2005 ($1.9 billion). In each case, the resulting revenue was used to temporarily plug a hole in the State Budget that immediately reappeared in the following year. The debt service on these issuances totals approximately $11.7 billion, and the cost of that liability will not be fully paid until 2043. Essentially, the State will pay nearly 40 years of debt service for 1 year's worth of operating costs.

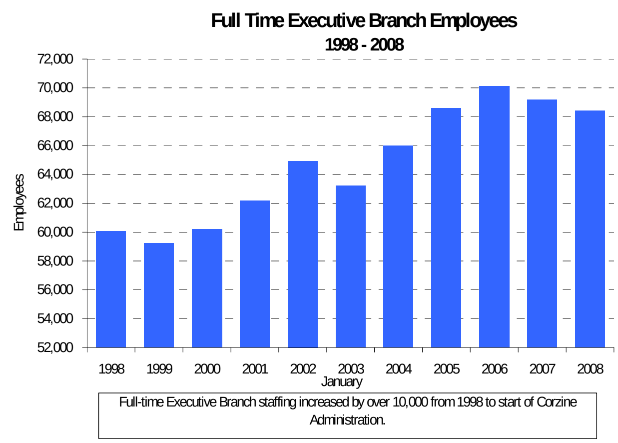
Unfortunately, the use of non-recurring revenues for ongoing costs is a longstanding practice, one that actually dates back much earlier than fiscal 2003. At best, it may be described as imprudent. At worst, it is disingenuous.

Dedication of General Fund Resources

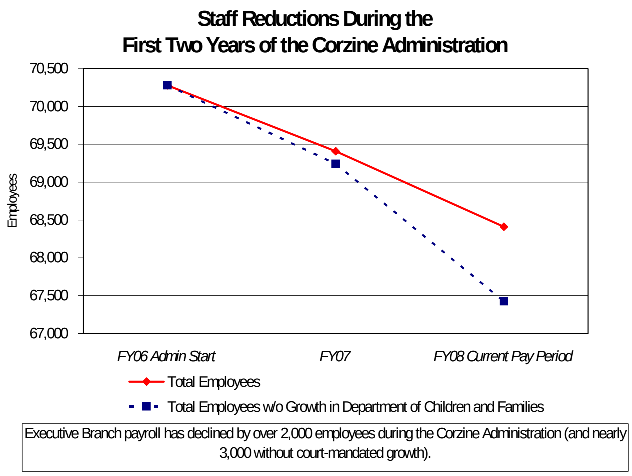
In an effort to ensure resources for narrow programmatic interests, a variety of funding dedications have been added to the State Budget over time. Dedications are authorized by the State Constitution (e.g., Open Space, Transportation Trust Fund) or statute (e.g., program fees). While the dedication of new resources is essentially budget neutral, the commitment of *existing* General Fund revenues sharply limits flexibility in handling cost growth, forcing program cuts in unrelated areas to make up the difference.

Rapid Growth in State Workforce

As shown on the accompanying chart entitled "Full Time Executive Branch Employees," the total number of Executive Branch employees grew by over 10,000 staff (i.e., nearly 17%) from fiscal 1998 (60,051) through fiscal 2006 (70,126, just prior to this Administration). This increase was concentrated primarily in the Departments of Human Services, Corrections, and Law and Public Safety and the Motor Vehicle Commission. Based on the average salary and fringe benefit rate that existed in fiscal 2006 (i.e., $54,000 and 32.8%, respectively), these additional employees cost approximately $720 million annually as of that fiscal year. While a portion of these new staff was added in response to federal or court mandates (e.g., child welfare, accreditation of Human Services institutions) or emergent circumstances (e.g., security concerns following September 11th), others were based on policy decisions, including the need to expand or improve service.

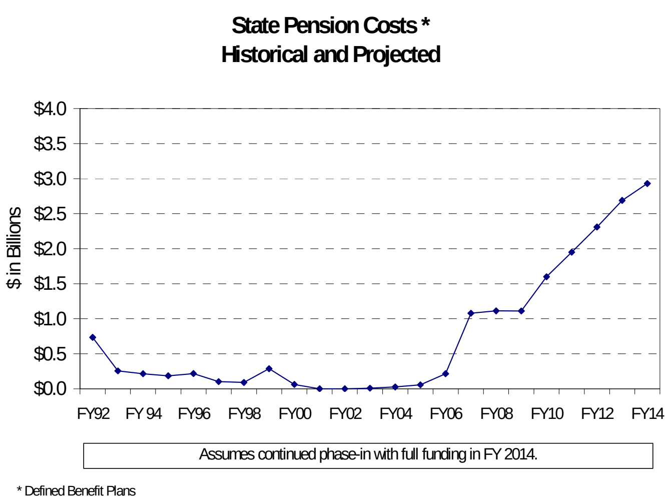


Conversely, since the start of this Administration, the full-time payroll has declined by nearly 2,000 employees. This number increases to almost 3,000 if court-mandated growth related to child welfare is set aside. This decrease is illustrated in the accompanying chart, "Staff Reductions During the First Two Years of the Corzine Administration."



Pension Contributions

Unfortunately, the history of policy decisions affecting the State pension system is symptomatic of the State's general fiscal malaise, as it exhibits many of the same imprudent financial practices that plague the State Budget. The accompanying chart, "State Pension Costs – Historical and Projected," depicts the roller coaster ride of State pension appropriations that has depleted system reserves and left us with a strong case of fiscal whiplash.



The seeds of this problem were sown in the mid-1990s, when New Jersey sold pension bonds and re-valued its pension investments (from their original "book" value to their current market value). These tactics enabled the State to avoid making its normal appropriations into the system, thus relinquishing those resources to support other programs. The pension funds were invested in the stock market and, initially, produced a sizeable balance. That balance provided a convenient rationalization for two things: 1) the elimination of State and local government contributions (i.e., pension "holidays") totaling an estimated $8 billion over seven years; and 2) an expansion of benefits through changes in the calculation of pension benefit payments. From fiscal 1997 through 2005, no appropriations were made to the Public Employees' Retirement System (PERS), the State's largest system. Similarly, from fiscal 2000 through 2005, no appropriations were provided to the next largest system, the Teachers' Pension and Annuity Fund (TPAF).

Beginning in fiscal 2000, however, the value of the State's pension investments declined precipitously due to the stock market crash, resulting in an asset loss of approximately $20 billion (24%) by the end of fiscal 2002. Income tax receipts over this same period also were adversely affected. However, instead of instituting deep program cuts to re-align budget expenses with available revenues, the State shorted the pension system by substituting excess pension assets in place of the normal cash appropriation. The Benefit Enhancement Fund, which was originally created to support some of the aforementioned benefit expansions, was also tapped for this purpose.

This combination of asset losses and increased benefits triggered a rapid and steady increase in the system's unfunded liability (i.e., degree to which the actuarially-determined obligations exceed the value of pension assets). From fiscal 2004 to the present, the unfunded liability more than doubled, from $12 billion to approximately $25 billion, of which $16.6 billion represents the State's liability.

Today, the assets in the pension system have been depleted-- including the Benefit Enhancement Fund, which has been completely exhausted-- yet the long-term obligation remains and in fact is growing. The growth of these obligations has been curbed to some degree by the Corzine Administration's policy to resume cash contributions. The first two Corzine Administration budgets allocated approximately $2.2 billion in cash contributions to the five defined-benefit pension systems, which is greater than the amount of cash contributed to those systems over the previous 15 years combined. To continue to address this obligation, our current pension appropriation of $1.1 billion is expected to nearly triple to $3 billion by fiscal 2014, a level that is likely to squeeze considerable flexibility out of the State Budget.

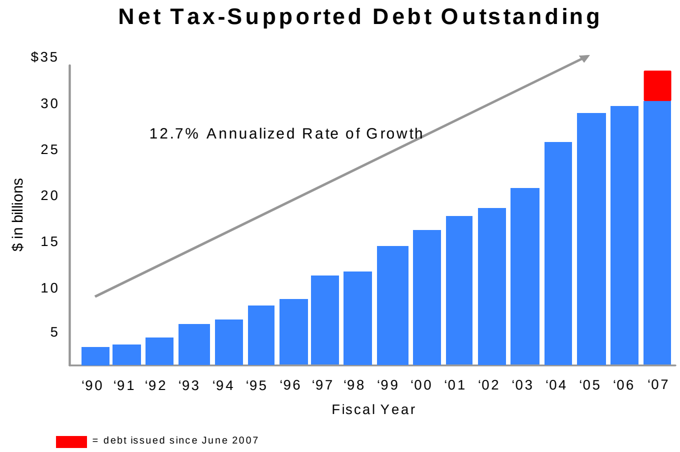
State Debt – The "Credit Card Culture"

In recent years, the State has used debt both to balance its annual budgets and as a convenient response to unrelenting spending pressures. Each tactic is problematic, representing prime examples of the "credit card culture" that characterized our past view of debt obligations.

Clearly, the issuance of long-term debt to balance an annual operating budget is an imprudent strategy, just as it would be for an individual family. While debt proceeds provide short-term relief, the bonds must be repaid, with interest, thus dramatically escalating the ultimate cost of current services. The mere fact that this particular debt was supported by a dedicated funding source is a weak rationale.

While the capital needs of our State are vast and growing, some degree of restraint is also needed in choosing what problems to address with debt, how much to invest, and how to efficiently control that spending. The State simply does not have the resources to be "all things to all people." Decisions on school construction, transportation, open space, and other worthy programs must be subjected to rigorous analysis, and a sense of fiscal discipline, to ensure the most effective use of limited funds.

In the early 1990s, New Jersey's debt service was manageable--as a percentage of State Personal Income, it was consistent with the average for all states. Every year since then, however, New Jersey's debt level has exceeded this average. The accompanying chart, "Net Tax-Supported Debt Outstanding," shows that the level of outstanding State debt has increased by almost 13% per year since 1990.



Net Tax-supported debt has grown at a compounded rate of 12.7% since 1990.

This increase is due primarily to the State's issuance of "contract debt," namely that which has not been approved by the public but rather is issued by independent authorities. In contrast, the amount of "general obligation" debt, which is approved by the voters and carries the full faith and credit of the State of New Jersey, remains at the same level as it was in 1990, at $3 billion.

The result of this increase is that, by fiscal 2008, New Jersey residents faced the third highest total debt burden in the nation. To pay off this debt, each and every resident of the State—every man, woman, and child—would owe $3,700. In contrast, the median debt burden per capita in the U.S. is under $800.

What are the true impacts of the State's credit card culture? Not only does this reliance place an ever-growing burden on State residents and businesses, but debt payments essentially "crowd out" appropriations needed for education, health care, property tax relief, and other key programs. Debt service, which solely represents past obligations, will cost the State $2.6 billion in the current fiscal year. This amount, which the State is required to pay to satisfy the holders of its bonds, represents approximately 8% of the total State Budget.

Even this troubling level of debt masks the absolute level of the State's long-term obligations. It excludes the full cost of the State's legal and ethical obligation to pay pension and medical benefits for State and local retired employees. Adding the total amount of costs for these obligations to the State debt, as illustrated in the accompanying chart, reveals that the State actually faces a long-term obligation estimated at $115 billion. (This amount includes a local share of $8 billion in unfunded pension liabilities.)

Long Term Obligations	
Debt	$32 billion
Unfunded Pension Liability[1]	$25 billion
Post Retirement Medical Liability	$58 billion
Total	**$115 billion**

[1] Excludes "current" pension obligation

Due to its structural imbalance, the State currently is not fully funding its annually required contributions, which is the amount needed just to keep pace with its obligations and not fall further behind. As illustrated in the accompanying chart, the State appropriated $4.8 billion for these obligations in fiscal 2008, representing 14% of the total Budget. Nevertheless, this amount represents less than half of its estimated annually required contribution of $9.8 billion. Fully funding this year's contributions to meet long-term obligations would require 29% of the entire State budget, a staggering sum which would trigger massive cuts in all other spending. Instead, the failure to provide these required contributions adds an additional $5 billion to the State's long-term obligations, further exacerbating the structural imbalance in future years. This ever-growing cycle requires drastic measures to right the fiscal ship and to keep New Jersey from sinking more deeply into debt.

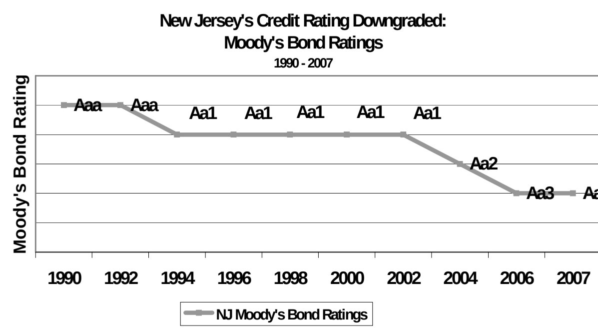
Shortfall in Contributions to Long-Term Debt

	Annually Required Contribution FY2008	Amount Budgeted in FY 2008	Contribution Shortfall
Debt Service	$2.6 billion -	$2.6 billion =	$0 billion
Pension Contribution	$2.3 billion -	$1.1 billion =	$1.2 billion
Post Retirement Medical Liability	$4.9 billion -	$1.1 billion =	$3.8 billion
Total	**$9.8 billion** -	**$4.8 billion** =	**$5.0 billion**

Shortfall in FY2008 contributions adds $5 billion to long-term debt obligation.

New Jersey's Lower Credit Rating Imposes Additional Costs

As recently as 1992, New Jersey had the highest possible credit rating, with Moody's Investors Service rating the State's bonds as Aaa. Since then, Moody's has downgraded New Jersey's credit ratings on three separate occasions, as seen on the accompanying chart, "New Jersey's Credit Rating Downgraded." The State's current rating is Aa3.



Moody's has downgraded NJ's credit rating three times since 1992, the last time NJ had the highest rating of Aaa.

These downgrades are further validation of the State's deteriorating fiscal situation. Moreover, they represent additional costs for the State. As of September 2007, New Jersey's relative income-tax-adjusted interest rates were higher on its bonds than 32 other states, all of which had higher credit ratings from Moody's. Paying more debt-related interest simply means that the State has fewer funds available to pay for current services. To create a more proper balance, and to chart a new direction for the future, it is critical that the State devise a plan for fiscal discipline in decisions involving long-term debt.

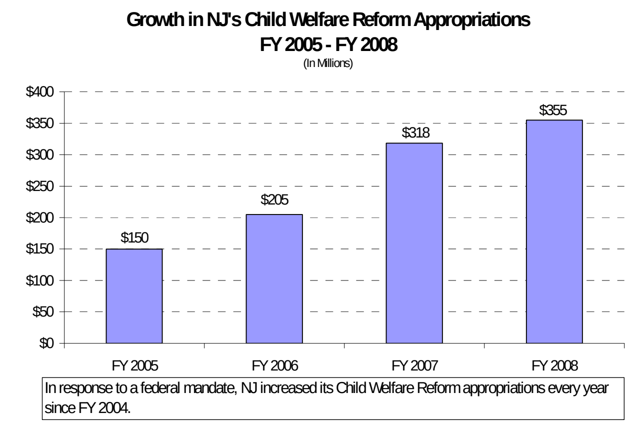
Federal Mandates

Some of the State's most significant spending demands are triggered by mandates imposed by federal courts and by the federal government. Implementation is costly and the State is often given little discretion. To the extent that other, less costly program alternatives could have been chosen instead, these mandates limit the State's ability to address other pressing needs.

Two prime examples of federal mandates in the area of public education are the *No Child Left Behind (NCLB)* Act and the additional services to special education children required under the *Individuals with Disabilities Education Act* (IDEA). The NCLB of 2001 changed the federal government's role in K-12 education by focusing on school success as measured by student achievement. As a condition of receipt of federal Title 1 funding, all public schools must administer annual tests in reading and math, and administer the science test once every 3 years, to each student in grades 3 through 8. Schools must administer these tests once more to students sometime between Grades 10 and 12. The federal resources that were provided for the increased testing did not cover the additional cost, however. The fiscal 2008 and 2009 State support for testing totals $20.7 million, an increase of $6 million from fiscal 2003 expenditures of $14.7 million. It is important to note that NCLB is up for reauthorization in the U.S. Congress; changes from that process could further increase State costs.

As a second example, at the time the federal government enacted IDEA in 1975, it committed to funding 40% of the cost of educating a special education child. Unfortunately, the federal government has never come close to fulfilling this obligation. Federal Funds Information Services estimates that New Jersey would have received more than $500 million in additional federal funding in fiscal 2007 if the federal government had fully funded its commitment.

This pattern repeats itself across several other programs. For example, since fiscal 2004, the State of New Jersey's child welfare agency has been under a federal court order. The Modified Settlement Agreement is a direct result of a federal lawsuit with plaintiff's counsel, Children's Rights, Inc. This settlement agreement mandates the Department of Children and Families to meet specific requirements agreed to by both parties. If the provisions are not met, the plaintiff can request a court intervention. As a result, the State has provided the Department of Children and Families with approximately $355 million more in fiscal 2008 than in fiscal 2004, in order to accomplish the provisions. The yearly increase in appropriations since fiscal 2004 is illustrated in the accompanying chart, "Growth in NJ's Child Welfare Reform Appropriations."



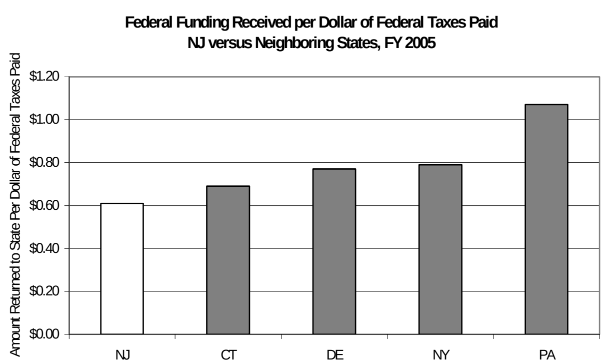
Note: In FY 2007, a shift of $31.8 m from the Department of Human Services is included.

The State also must respond to a federal court mandate when deciding how to provide services for its developmentally disabled and mental health clients. The U.S. Supreme Court ruled in its *Olmstead* decision that every state must ensure that such residents are served in the most appropriate setting possible. If capable, these residents must be allowed to transfer from developmental centers and mental health hospitals to community residential programs or their own homes. As a direct response to the *Olmstead* mandate, the State provided the Divisions of Developmental Disabilities and Mental Health Services with an additional $20.5 million in fiscal 2007 and $48.4 million in fiscal 2008.

Lack of Federal Support

A related constraint for New Jersey, despite the efforts of the entire Congressional delegation, is the paucity of federal aid received in comparison to most other states. New Jersey taxpayers pay much more in federal taxes than they receive back in federal benefits. According to the Tax Foundation, New Jersey has never been higher than 48th in the nation since 1981, and typically has ranked last among the states.

For the most recent year analyzed, fiscal 2005, the Tax Foundation found that New Jersey residents received only 61 cents in federal benefits for every dollar that they paid in federal taxes, the lowest ratio in the nation. The accompanying chart, "Federal Funding Received per Dollar of Federal Taxes Paid," illustrates how much less New Jersey receives than even its neighboring states. As a result, the burden falls more heavily on the State to make up the difference.



In FY 2005, NJ received 61 cents back for every dollar sent to the federal government, which was the worst ratio in the nation.

Source: Tax Foundation

Moreover, the federal government actually has reduced funding in recent years for a wide variety of programs across all states, including New Jersey. In just one example, the federal Department of Health and Human Services issued a series of new regulations in the past year altering the Medicaid program. The national Center on Budget and Policy Priorities (CBPP) estimates that these regulations, if not modified, would reduce federal Medicaid funds for all states by $15 billion over the next five years. Because these are changes in regulation, they do not require the approval of the U.S. Congress. Other proposed changes, such as those affecting the federal State Children's Health Insurance Program (SCHIP), would adversely impact states like New Jersey which, due to the higher costs of living in the Northeast, provide coverage to children and families at higher levels of income.

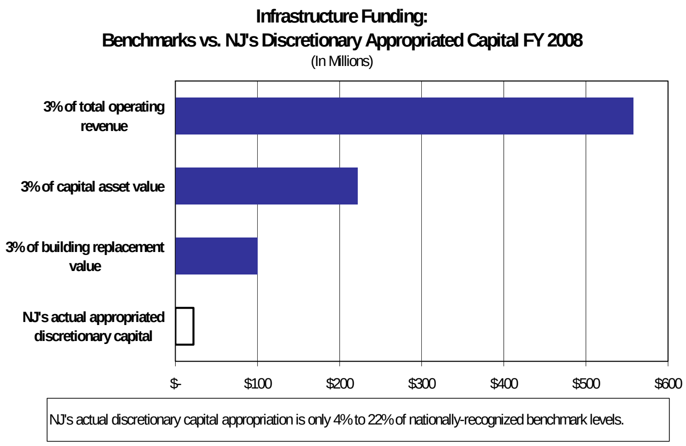
Finally, the President's proposed Fiscal 2009 Federal Budget recommends additional decreases in funding. In a report dated February 4, 2008, the CBPP estimates that, if the President's proposed budget were to be enacted, New Jersey would suffer cuts in federal funding of over $540 million, after adjusting for inflation. This ongoing pattern of reduced federal aid adds to the uncertainty and fiscal stress that the State experiences as it struggles to maintain key services while complying with mandated requirements.

The Impact of Aging Infrastructure

Families in New Jersey understand very well the temptation to cut spending on home maintenance projects during difficult financial times. However, they also realize that continuing to do so year after year converts small problems into major and costly emergency repairs. The very same dynamic holds true for State government, but the scale is greater and the stakes are higher.

What should the State be setting aside for infrastructure maintenance? There are a number of different nationally-recognized standards which are typically based on 3% of either total operating revenue, or the value of land, buildings and equipment, or the value of buildings only. These standards would require annual appropriations ranging from $100 million to $558 million.

In reality, the State spends far less than any of these recommended amounts. Though the State presently appropriates $1.2 billion in capital each year, 98% of this amount is dedicated to specific needs, including $895 million for the Transportation Trust Fund. Excluding those amounts, as well as capital appropriated to interdepartmental accounts, only $22 million was provided in fiscal 2008 for the remaining State departments. The following chart, "Infrastructure Funding," illustrates the gap that exists between State capital funding and the national standards.

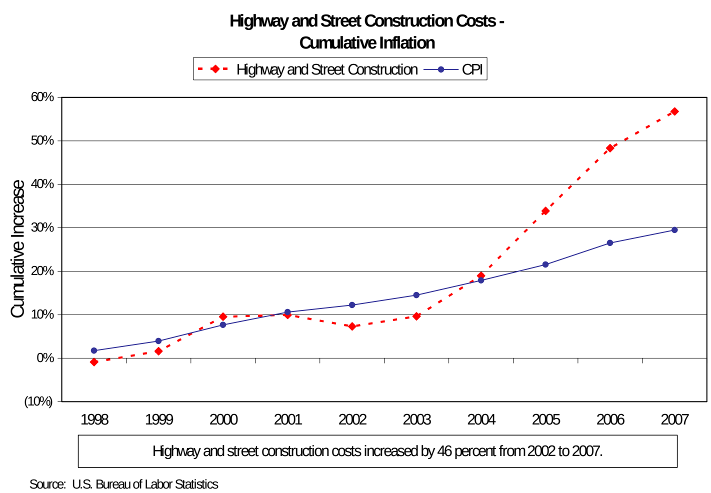


The aforementioned $22 million in discretionary capital also pales when compared to the departments' annual capital request, which in fiscal 2009 totaled $863 million. Those requests reflect an assortment of needs ranging from various institutions for the developmentally disabled, mentally ill, veterans, and juveniles, to correctional facilities, environmental infrastructure, information technology, and other assets.

For example, while the State estimates that $60 million is needed to repair and replace aging roofs, only $8.3 million is recommended for fiscal 2009. Similarly, the Department of Corrections requested $87 million for its facilities, but only $13.9 million was recommended. Consistently under-funding means that the backlog of maintenance needs continues to grow. Equally important, this situation increases pressure on agency operating budgets, which are already stretched thin.

Generally, State facilities are far older than those of states in other regions of the country. A 2008 analysis using data from the State's Land and Buildings Asset Management (LBAM) system found that the average State-owned building of 1,000 or more square feet is 49 years old. Certain key buildings are even older—the average Human Services facility is 57 years old and the average Education and Juvenile Justice facilities are 58 years old. Three of the State's corrections facilities were first opened in the late 1800s. While this need is rarely discussed in budget debates, the cost of maintaining buildings which date back to the Eisenhower administration (or earlier) is a significant cost driver.

Moreover, the rate of inflation for infrastructure maintenance has been rising faster than the Consumer Price Index (CPI). For example, while the CPI increased at an annualized rate of 2.9% from 2002 to 2007, inflationary costs for highway and street construction rose at an annualized rate of 7.9% over the same period. The accompanying chart, "Highway and Street Construction Costs—Cumulative Inflation," illustrates this increased inflationary pressure that the State faces with regard to roadways.

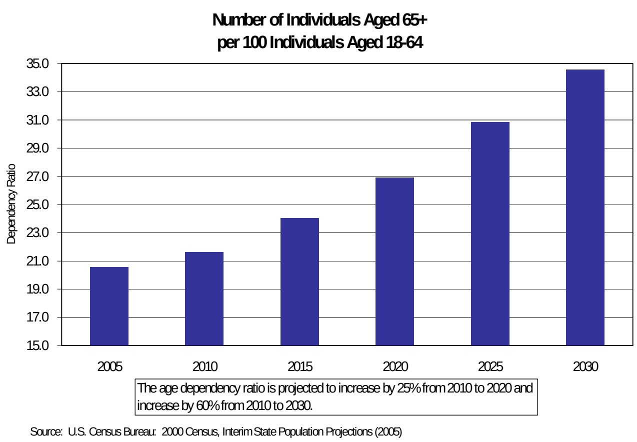


Going forward, the State will need to identify a fiscally prudent solution to this problem, one that provides an adequate stream of capital funding for all departments while providing relief to agency operating budgets.

Demographic-Related Cost Growth

Changing demographics exert constant but subtle pressures on the State Budget by increasing the demand for services at a rate that outpaces the growth in revenue. Trends in age distribution and immigration each contribute to this structural imbalance, along with population density and development characteristics unique to New Jersey.

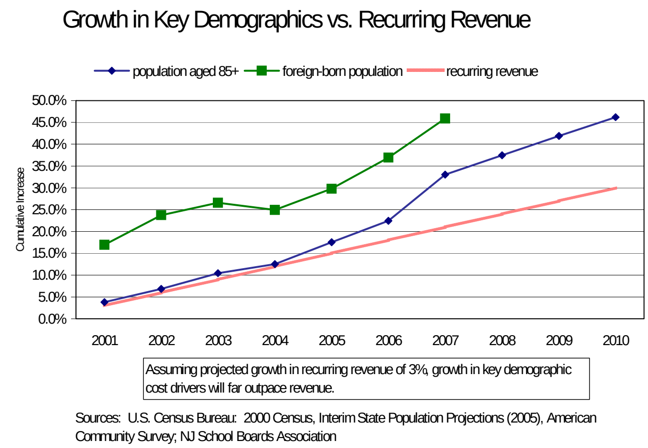
With the Baby Boom generation beginning to retire and life expectancies continuing to grow, seniors will comprise an increasingly larger share of the population. For example, the New Jersey population aged 85 and older grew by 33% from 2000 to 2007 compared to 5.3% for the general population, and its rate of growth is expected to rise in the coming years. Projected growth for those aged 65-84 is more modest but also is increasing at a rate that outpaces the general population. The resulting increase in the ratio of elderly to the working-age population is illustrated in the accompanying chart.



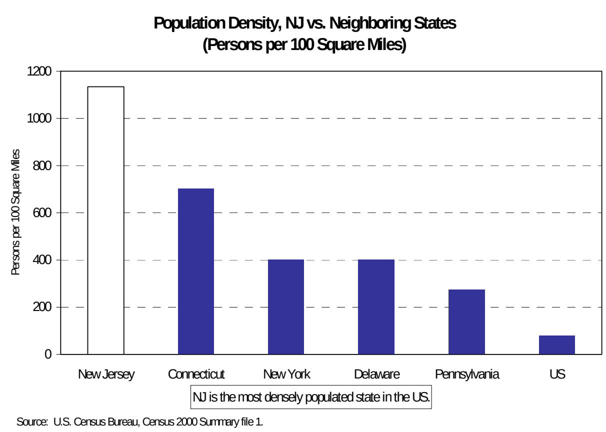
This increase will have a two-fold impact on the State Budget: 1) it will decrease tax revenue, as a greater share of the population will pass its peak earning and spending years; and 2) it will increase demand for State services, as a greater share of the population will require services such as health and prescription drug benefits.

Immigration is also a factor, as the percent of foreign-born residents increased by almost 46% from 2000 to 2007. This increase was driven by authorized immigration, as the share of total immigrants arriving without authorization declined from 2000 to 2006. Newly-arrived immigrant populations traditionally require higher levels of government assistance over their first few years, as they make the transition towards becoming citizens.

The accompanying chart displays growth rates for these key demographics compared with projected growth in recurring State revenue. As illustrated, the disparity in growth between cost drivers and recurring revenue is likely to pose budget challenges for years to come.



Population density and development patterns also play a role in State expenditures by increasing the use of highway and mass transit systems, increasing demand for social services, and triggering spikes in school enrollment. New Jersey is the most densely populated state in the country in terms of persons per square mile (as shown in the accompanying chart) and in housing units per square mile, with both measures far exceeding the national average and that of neighboring states.



While overall growth in school enrollment has been flat in recent years, increasing suburbanization and development has spawned pockets of high growth, with 52 school districts realizing enrollment increases of 25% or more from 2000 to 2007. This growth, combined with rising special education enrollment, leads to increased school expenditures even when total enrollment stabilizes.

Where We Are Headed Without Fiscal Reform

As noted earlier, spending has grown at an annual clip of 6% to 7%. In contrast, base revenues (without any tax increases or any non-recurring enhancements) tend to grow at an annual pace of 2% to 3%. As noted in the accompanying chart, this set of circumstances is projected to trigger a deficit of $1.7 billion, assuming that the State's Pension contribution is set at 65%. If that contribution were fully funded, an additional $800 million in spending would be required and the deficit would grow to $2.5 billion. Beyond fiscal 2010, the structural gap will continue so long as mandatory spending growth exceeds the increase is base revenues, thus requiring additional reductions to the base budget or tax increases.

Projected Shortfall Continues Into FY 2010

(In Millions)

	FY2009	FY2010	DIFF $	DIFF %
OPENING FUND BALANCE	$ 1,434	$ 600	$ (834)	(58.2)
REVENUES				
Income	$ 12,866	$ 13,638	$ 772	6.0
Sales	8,710	8,971	261	3.0
Corporate	2,460	2,460	-	-
Other	8,433	8,433	-	-
Total Revenues	$ 32,469	$ 33,502	$1,033	3.2
TOTAL RESOURCES	$ 33,903	$ 34,102	$ 199	0.6
RECOMMENDATIONS/PROJECTIONS	$ 32,969	$ 35,179	$2,210	6.7
FUND BALANCE		$ (1,077)		
Long Term Obligation and Capital Expenditure Fund	$ 334			
Required Ending	600	$ 600		
Fund Balance with Required Ending		$ (1,677)		

Governor's Plan to Restore Fiscal Balance

In his January 2008 State of the State address, the Governor outlined four elements required for the "transformational change" that is necessary to rebuild New Jersey's financial foundation. His financial restructuring proposals are designed to ensure that government officials cannot return to the ways of the past, when gimmicks, unfunded liabilities, and irresponsible borrowing became accepted budgeting practices.

The four tenets for financial restructuring and stability include:

Spending Freeze

The Governor's first objective, to freeze spending at its current level, was meant to provide a "timeout" so that the base budget could be re-set to match recurring revenues. In fact, the Fiscal 2009 Budget actually reduces spending *below* the amount originally budgeted for the current year by $502 million, or nearly 2%.

Legislation: Recurring Spending and Revenue

Next, the Governor proposed that legislation be enacted to prohibit future spending levels from exceeding certified, recurring revenues. Given the depth of our fiscal problem, several years of sharp restrictions on spending are required before true fiscal balance is achieved. This legislative restriction will permanently instill a sense of fiscal discipline, thus avoiding potential backsliding. Instead, the use of one-time revenue (including any previous year's surplus) will be limited to debt relief, supplemental payments for pension and healthcare, and capital projects.

Voter Approval of New Debt

The third aspect of this plan is to amend the State Constitution to end easy access to borrowing without voter approval. Doing so will eliminate ongoing attempts to circumvent the voters, as evidenced by approximately $24 billion in contract debt issued without public authorization over the past decade. Specifically, the amendment would require that all debt which does not have a dedicated source of revenue be approved by the voters.

Financial Restructuring/Debt Reduction Plan

Finally, the Governor proposes to capture the value of our toll roads to pay down 50% of State debt and fund transportation improvements. By creating a non-political Public Benefit Corporation to manage the operation of the New Jersey Turnpike, the Garden State Parkway, and the Atlantic City Expressway, funds can be raised to pay down existing debt, immediately eliminating approximately one-third of the State's structural deficit. In addition, a permanent source of funding for the Transportation Trust Fund will support maintenance, repairs and upgrades to our vital transportation network for decades to come. Nonetheless, the Governor is open to an alternative solution that achieves these same goals, assuming it is viable.

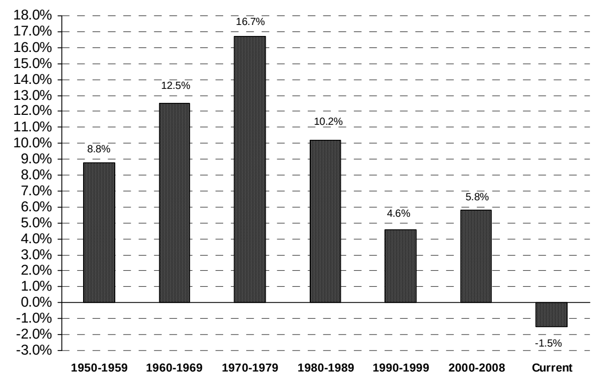
Fiscal 2009 Governor's Budget – Implementing the Plan

The structural deficit of $3.2 billion that the State faced for fiscal 2009 simply represents the difference between a projected spending level of $35.7 billion and the $32.5 billion in estimated revenue. As noted earlier, the projected deficit would have totaled approximately $4 billion if the Budget had assumed full funding of the State's pension obligation, which would have increased spending by $780 million.

Given that the Fiscal 2008 Appropriations Act totaled $33.5 billion, the Governor's commitment to keep spending flat required at least $2.2 billion in budget cuts and growth constraints. In actuality, the Fiscal 2009 Budget is *lower* than the final Fiscal 2008 Budget by $502 million, and that cut is *in addition to* the aforementioned $2.2 billion in cuts required to achieve a flat Budget.

To provide some historical context, the spending level in the enacted Appropriations Act has been equal to or lower than the previous year only four times in the past 50 years. More typically, the State Budget has grown from year-to-year, as evidenced by an average annual growth rate of approximately 10% over the 50 year period and 7% over the past ten years. Clearly, holding spending flat against the prior year, much less reducing it further, is no small feat.

Average Change in Budgets Over Almost 6 Decades



*Data compares Recommended Budget to the prior fiscal year's Appropriations Act.

Highlights of the proposed fiscal 2009 savings initiatives totaling $2.7 billion are detailed below, divided between Base Budget Reductions of $1.7 billion and Revised Growth Projections of $1 billion.

Base Budget Reductions

The $1.7 billion in cuts to base appropriations include several initiatives originally proposed by the Governor's Commission on Government Efficiency and Reform (GEAR), such as a proposed Early Retirement Incentive Program (ERI) as well as several departmental consolidations. The largest proposed reductions are listed below:

Direct State Services

This Budget reduces the size of State government operations by over $350 million through a combination of an ERI program, attrition, and targeted layoffs. This amount includes $193 million in direct reductions to agency budgets. For the first time in the last 35 years, the operating budget of each Executive Branch agency will be reduced. In addition, the departments will have to realize other savings to offset the $161 million impact of the proposed ERI program ($136 million, net savings) and centrally-budgeted procurement savings ($25 million) once those reductions are fully allocated.

The State will incur some related costs that partially offset the salary-related savings, including unemployment insurance and the creation of a contractually-required displaced worker pool. The associated savings will annualize to a higher amount in fiscal 2010 and beyond. For example, the ERI savings of $136 million in fiscal 2009 is projected to annualize to approximately $161 million in fiscal 2010. The program will have limits on eligibility as well as a hard cap on backfilling such that only 10% of the positions vacated by retirement will be allowed to be refilled. This approach preserves the associated budget savings.

Overall, the Fiscal 2009 Budget reduces the Executive Branch workforce by over 3,000 employees, net of new hires, in addition to the decline of nearly 2,000 that has already occurred since the start of this Administration. This Budget also recommends the elimination or consolidation of State agencies, specifically the Department of Agriculture, the Department of Personnel and the New Jersey Commerce Commission, resulting in savings and efficiencies.

Every effort has been made to eliminate duplication and promote efficiencies; however, several of these employee reductions will result in fewer services or longer waiting times. For example, the Department of Environmental Protection (DEP) will be limiting park services based on an $8.8 million reduction.

Other major Base Budget reductions are detailed below:

- $519 million (including fiscal 2008 under-spending) by eliminating property tax rebates for individuals earning more than $150,000; reducing or freezing rebates to homeowners who earn less than $150,000; and scaling back tenant rebates. (See Chapter 2 for a detailed review of these reductions);
- $190 million in Municipal Aid programs, including the elimination of the 2008 Municipal Property Tax Assistance, Municipal Efficiency Promotion Aid, and Municipal Homeland Security Assistance Aid programs (total savings of $100 million) as well as a proportional reduction in the Consolidated Municipal Property Tax Relief Aid (CMPTRA) program ($25 million); elimination of CMPTRA to towns with populations below 5,000 ($22 million); a 50% reduction in CMPTRA to towns with populations between 5,000 and 10,000 ($15 million); a 5% reduction to Special Municipal Aid, Extraordinary Aid, and Trenton Capital City Aid (total savings of $11 million); elimination of the REAP and SHARE programs (total savings of $12 million); and a reduction to the Consolidation Fund ($5 million). (See Chapter 2 for a detailed review of these reductions);
- $144 million reduction related to hospitals, including $129 million in State funds and $15 million in federal funds. This includes a net reduction to Charity Care of $108 million; however, it should be noted that the Charity Care allocation of $608 million in fiscal 2009 includes a new Health Care Stabilization Fund for distressed hospitals as well as a new distribution formula that reflects the most recent utilization patterns. In addition, reductions are recommended to Hospital Relief Offset Payments ($10 million State funds, $10 million federal funds); Cancer Grants ($21 million); and Graduate Medical Education ($5 million State, $5 million federal). There is also a budget increase proposed for the Hospital Asset Transformation program of $15 million;
- $115 million reduction in operating support for public and independent colleges, including a 10% reduction in State support ($108 million) as well as a cut in the subsidy for out-of-state students attending a public, four-year institution ($7 million). This total reduction will be offset by providing over $38 million to fund negotiated salary increases for public, four-year institutions;
- $45 million saved in appropriations to nursing homes by limiting inflation adjustments to only high-occupancy Medicaid facilities and not rebasing costs for any nursing home facilities;
- $34 million from shifting all discretionary capital appropriations to a Special Reserve for Capital Projects;

- $21 million in initiatives to reduce costs in State pharmaceutical assistance programs. Included is an increase in co-payments for Pharmaceutical Assistance for the Aged and Disabled (PAAD) clients, from $5 per prescription to $6 for generic and $7 for brand name drugs, saving a collective $7 million. This is the first co-pay increase in 16 years. The new co-payments represent only 9% of what drugs would cost if not for Medicare Part D. In comparison, the increased co-payment implemented in fiscal 1993 represented 13% of the cost of drugs at that time.
- The Medicaid program includes a $6 co-pay on all emergency room visits that are not a true emergency to save $550,000 and a $2 co-pay on prescription drugs that saves $7 million in fiscal 2009. The $2 co-pay will have a monthly cap of $10 per recipient.

See the chart entitled “Appropriations - Major Increases and Decreases” later in this document for a full listing of other reductions proposed for fiscal 2009.

Revised Growth Projections

The $1 billion in growth adjustments reflects a refinement of cost estimates (i.e., based on more accurate information), growth offset by other funding sources, and decisions not to recognize certain costs due to budget constraints. Examples of the latter include the following:

- $403 million in anticipated growth is eliminated as the State’s contribution to the pension systems will be essentially flat; specifically, the fiscal 2009 recommendation for the five defined benefit plans will equal the amount appropriated in fiscal 2008;
- $82 million in inflationary aid to localities for Energy Tax Receipts and the Consolidated Municipal Property Tax Relief Aid (CMPTRA) programs;
- $42 million from not providing a new cost of living increase to community providers;
- $40 million in additional subsidy payments to NJ Transit;
- $32 million in operating assistance for Higher Education institutions.

Finally, there are no new Governor’s Initiatives in this Budget.

In addition to the aforementioned $2.7 billion in growth restraints and budget cuts, $500 million of the projected ending fund balance for fiscal 2008 will be used to balance the Fiscal 2009 Budget, thus fully addressing the total projected deficit of $3.2 billion.

Department Consolidations

Governor Corzine’s comprehensive plan to restructure government operations includes the elimination of three State agencies – the Department of Personnel, the Department of Agriculture, and the New Jersey Commerce Commission. Many vital functions that these departments perform will be consolidated with other agencies where similar functions are performed. This realignment of divisions will save administrative and overhead costs, as well as eliminate redundancy and duplication of effort. The elimination of these three agencies is expected to save $2.5 million per year in fiscal 2009 and beyond.

Citizen Savings Ideas

During a recent series of town meetings, Governor Corzine received numerous suggestions from citizens and other concerned parties on how to cut State spending. In mid-February of 2008, the Governor announced the establishment of a website to formally gather these ideas for active consideration. The web tool, which can be found at www.nj.gov/governor, has a button for “Direct Citizen Input on Reducing Spending” which leads to a standard reporting form.

Through February 23, 2008, over 1,250 responses have been received. In certain cases, the State has already moved to implement the reforms suggested, or plans to do so in fiscal 2009. Some examples include:

Reduce Energy Costs - The Department of Treasury’s Office of Energy Savings has embarked on several initiatives, including: consolidated purchasing of electricity and natural gas; replacement of antiquated boilers, air conditioning, and heating systems with energy-efficient equipment; and a new, centralized system for tracking energy cost and use. (See Chapter 3 for additional details.)

State Cars – Several comments were received concerning the sheer number of State cars and their corresponding cost. During the Corzine Administration, the total number of State cars issued to employees for work-related duty has declined by 917, or 9% (net of cars added for the Department of Children and Families to comply with court mandates). In addition, the State has received special approval from the U.S. Department of Energy to purchase more fuel efficient vehicles for its fleet, including Hybrid Electric Vehicles, instead of the Alternate Fuel Vehicles normally required. A review committee will evaluate agency requests to ensure that only the most efficient models are purchased.

Maximize Use of Existing Equipment – Through the establishment of a centralized warehouse for used furniture and computers, the Department of Treasury's Division of Property Management and Construction has successfully reduced State spending by requiring agencies to re-use existing assets. In addition, a moratorium on furniture procurement instituted in 2006 appears to be a prime factor in a 78% decline in furniture expenditures from fiscal 2005 to fiscal 2008 to date.

Consolidate Office Leases – In cooperation with the Legislature's State Leasing and Space Utilization Committee, an effort is currently underway to maximize the use of existing space. Savings of over $3 million are anticipated in fiscal 2009. (See Chapter 3 for additional details.)

State Employee Contribution to Health Care – Several respondents encouraged the State to reconsider what its employees contribute toward their health care coverage. As of July 1, 2007, in agreements with the Communications Workers of America, the American Federation of State, County, and Municipal Employees, and the International Federation of Professional and Technical Engineers, active State employees in those unions (as well as certain other non-union employees) are now required to contribute 1.5% of their salary to offset health care costs. Increased co-pays for doctor and emergency visits and for prescription drugs also are required.

The health plans also have been changed to replace the Traditional and NJ PLUS plans with a preferred provider organization, which is expected to yield long-term savings.

Increased Employee Pension Contributions – Similar to the above suggestion, other respondents asked that the State re-think how much State and local employees contribute towards their pension costs. Legislation enacted in 2007 (Chapter 103, P.L. 2007) increased State and local employees' contributions to the two largest pension systems by 10%, from 5% to 5.5% of their annual salaries. This increased contribution is helping reduce the unfunded liabilities in these systems.

Higher Retirement Age– The same legislation noted above also increased the retirement benefit age for new public employees, from 55 to 60 years.

Pension Alternative for New Staff – Legislation in 2007 (Chapter 92, P.L. 2007) requires all newly-appointed and newly-elected officials to enroll in the Defined Contribution Retirement Program, guaranteeing that the other pension systems serve only career State and local government employees. The other pension reform legislation referred to earlier (Chapter 103, P.L. 2007) limits the salary used in pension benefit calculations for new employees to the maximum level covered under Social Security. Pension benefits for earnings in excess of that level will be determined through the Defined Contribution Retirement Program. These changes are expected to help contain future cost increases to the existing pension systems.

Critical Growth Needs Recognized

While deep cuts are required to reduce overall appropriations, this Budget does include spending growth, though it is targeted to certain critical areas.

School Aid

By far the most prominent example of critical growth is School Aid, which increases by a total of $614 million or nearly 6%. The primary increase is for the new school formula, which increases by $515 million. Additionally, noteworthy increases are also provided for debt service for the School Construction and Renovation Fund ($59 million) and Preschool programs ($27 million). (See Chapter 2 for further details.)

Olmstead Decision: Mental Health and Developmentally Disabled

This Budget provides $60.9 million in State funds to support the Division of Developmental Disabilities and the Division of Mental Health Services in placing individuals ready to transition from developmental centers and psychiatric hospitals into community residences. Federal funds are expected to supplement these efforts. These initiatives are in line with the U.S. Supreme Court's *Olmstead* decision which held that, as appropriate, persons with developmental disabilities and mental illness have the right to live in community rather than institutional settings. The $60.9 million amount includes $39 million provided in fiscal 2009 for new placements as well as $21.9 million in annualized costs from placements that are expected in fiscal 2008. In addition, with the approval of a plan that supports future year costs with ongoing revenues, the Division of Developmental Disabilities will be able to provide community residential placements to persons on the Community Services Waiting List.

State Rental Assistance Program

The State Rental Assistance Program (SRAP), established in 2005, provides tenant-based rental assistance (i.e., housing vouchers), as well as project funding to encourage developers to build affordable housing units. The program is a supplement to federal Section 8 rental assistance. The fiscal 2009 recommended funding for SRAP is increased by $15 million. This program is a Governor's priority and is part of an initiative to preserve 100,000 affordable housing units over the next 10 years.

New Jersey Transit

A budget increase of $60 million is provided, raising the annual State subsidy from the existing $298 million to $358 million.

Higher Education

Over $38 million is provided for negotiated salary increases in public, four-year institutions.

Senior Freeze

A budget increase of $16 million is recommended to increase property tax reimbursements through the Senior Tax Freeze program. In fiscal 2009, this program will provide 158,000 residents with checks averaging $1,069, which is $125 more than fiscal 2008 average checks. The Governor is also proposing that the income limit for the program be increased to $75,000 and that these newly eligible homeowners would receive a reimbursement of two thirds of their property tax increase beginning in fiscal 2010.

The FY 2009 Budget

(In Millions)

	FY 2008 Adjusted Approp	FY 2009 Budget	Change $	Change %
Opening Surplus	**$ 2,588**	**$ 1,434**	**$ (1,154)**	**(44.6)**
Revenues				
Income	12,212	12,926	714	5.8
EITC Expansion	(40)	(60)	(20)	50.0
Sales	8,490	8,710	220	2.6
Corporate	2,675	2,460	(215)	(8.0)
Other	8,635	8,433	(202)	(2.3)
Total Revenues	$ 31,972	$ 32,469	497	1.6
Lapses	493			
Total Resources	**$ 35,053**	**$ 33,903**	**$ (1,150)**	**(3.3)**
Appropriations				
Original	$ 33,471	$ 32,969	(502)	(1.5)
Supplemental	148			
Total Appropriations	**$ 33,619**	**$ 32,969**	**$ (650)**	(1.9)
Fund Balance	**$ 1,434**	**$ 600**		
Long Term Obligation and Capital Expenditure Fund		**$ 334**		

Property Tax Relief

OVERVIEW

Governor Corzine's Fiscal 2009 Budget is dramatically different. Historically, this particular chapter has been devoted to describing a number of new programs proposed for various State departments, including the Governor's highest priorities. This year, however, the narrative reflects the severity of New Jersey's fiscal condition, and is limited to outlining the Governor's ongoing efforts to provide property tax relief to the citizens of the State.

The four major components of this relief are summarized in the accompanying chart, "Funding for Property Tax Relief." Despite the need to reduce projected spending by $2.7 billion, total recurring property tax relief will increase by $73 million from the amount spent in the current year. Furthermore, total property tax relief will still represent approximately 50% of the State Budget, at nearly $16.7 billion.

Funding for Property Tax Relief

(In Millions)

Programs	FY2008 Adjusted Approp.	FY2009 Budget	$ Change
School Aid	$ 10,930.2	$ 11,544.3	$ 614.1
Municipal Aid	1,996.8	1,807.2	(189.6)
Other Local Aid	842.2	826.8	(15.4)
Direct Taxpayer Relief	2,850.0	2,514.0	(336.0)
Total Direct Aid	**$ 16,619.2**	**$ 16,692.3**	**$ 73.1**

The first section describes Governor Corzine's efforts at providing direct property tax relief to the citizens of New Jersey. These programs play a vital role in ameliorating the burden of the property tax while helping improve the quality of life for all residents.

The second section focuses on School Aid, by far the largest source of property tax relief for the citizens of this State. The section outlines Governor Corzine's changes in how the State will fund public schools. The new funding formula will guarantee greater equity and predictability in how school districts receive State funding, and ensure that all the State's children receive a "thorough and efficient" system of education, as promised by New Jersey's Constitution.

The last section describes property tax relief to the State's municipal and county governments.

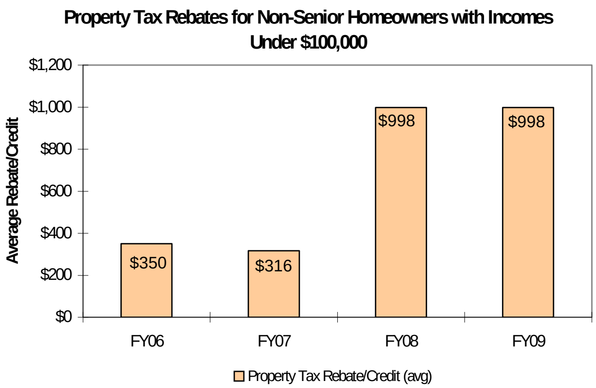
Direct Taxpayer Relief

The Fiscal 2009 Budget allocates $2.5 billion for property tax relief through direct cash payments or credits to State residents. The programs that provide these benefits are described below.

Homestead Rebates

The cornerstone of the direct property tax relief programs is the Homestead Property Tax Credit/Rebate program for homeowners and tenants, funded at $1.7 billion in fiscal 2009. Budget constraints require that the Homestead Rebate program be cut back, eliminating the highest income earners from the program and reducing rebates for homeowners with incomes in excess of $100,000 and for certain renters.

The homeowner portion of the fiscal 2009 Homestead Credits/Rebates for Homeowners program, recommended at $1.6 billion, will continue to provide property tax relief to New Jersey homeowners with gross income of $150,000 and less. More than 90% of the recipients from last year will still receive a rebate. Homestead Rebates will be calculated as 10-20% of the first $10,000 of a homeowner's 2006 property tax bill. The degree of benefit is determined by income. Nearly 1.6 million homeowners will receive rebates at an overall average of $1,020 per homeowner.



Rebates for non-senior homeowners have grown by $648 on average since fiscal 2006.

An estimated 500,000 seniors will receive average rebate checks of $1,266 while over 1 million non-seniors will receive average rebate checks of $904. Overall, more than 1.2 million homeowners will receive the same rebate levels that they received in fiscal 2008.

FY 2009 Homestead Rebate Benefits Homeowners*

Homeowner Income	Projected Number of Recipients	Percent of 2006 Property Taxes	Average Benefit
$0-100,000	1,230,000	20%	$1,115
$100,001-150,000	325,000	10%	$665
Total	1,550,000		$1,020

* includes senior and non-senior recipients

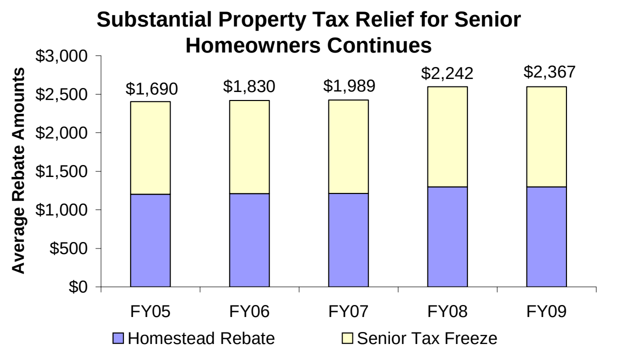
The tenant portion of funding for Homestead Property Tax Rebates for Tenants is $124 million in fiscal 2009, a decrease of $127 million from the fiscal 2008 level. More than 800,000 tenants will also continue to receive direct property tax relief in the form of rebates through the Homestead Rebates for Tenants program. Homestead rebates are provided to reimburse a portion of tenants' rent costs. The rebate for approximately 715,000 non-seniors will be $80 in fiscal 2009. Senior tenants will continue to receive substantial rebate checks – averaging $690. As in fiscal 2008, this group will receive a rebate between the minimum $160 and the maximum $860 in fiscal 2009. In an effort to address renters' needs, $15 million of the savings derived from this funding reduction will be channeled into the State Rental Assistance Program to provide additional opportunities for housing for low income families.

Senior Tax Freeze

The State will continue to provide a 100% reimbursement of property tax increases for low- and middle-income seniors through the Senior and Disabled Citizens Property Tax Reimbursement (Senior Tax Freeze) program. This program freezes property taxes for low- and middle-income seniors, reimbursing them for any property tax increases that were assessed after they joined the program. The Fiscal 2009 Budget recommends a 10% increase in funding, or $16 million, over the prior year, resulting in rebate checks that will average a record high $1,069 for approximately 158,000 total participants.

The Senior Tax Freeze program is funded at $169 million in fiscal 2009 to provide an average rebate of $1,234 for 130,000 repeating participants ($160 million) and $308 for 28,000 new participants ($9 million). Income eligibility levels have increased 3.3%, based on the Social Security Administration's cost-of-living-adjustment, to $45,135 if single and $55,343 if married. The Governor is further proposing that eligibility for the Senior Tax Freeze program be expanded to include seniors with incomes up to $75,000 and that these 150,000 to 200,000 newly eligible homeowners would receive a reimbursement of two thirds of their property tax increases. Reimbursements to these newly eligible seniors would begin in fiscal 2010.

Senior homeowners who are currently eligible for the Senior/Disabled Citizens' Property Tax Freeze program receive substantial property tax relief, both from the Senior Freeze program as well as the previously-mentioned Homestead Rebate for Homeowners program. In fiscal 2009, these senior homeowners will receive an average combined reimbursement of $2,367, more than 40% higher than the fiscal 2006 combined reimbursement of $1,690. Seniors taking advantage of both programs will receive combined benefits averaging more than a third of their total property tax bill.



The average combined reimbursement for property taxes to senior homeowners eligible for the Homestead Rebate and Property Tax Freeze programs climbed 40%, from $1,690 in fiscal 2005 to an estimated $2,367 in fiscal 2009, comprising more than one-third of their property tax bill.

Property Tax Deductions

Since fiscal 2004, the State has provided the constitutionally-mandated maximum property tax deduction of $250 to veterans and eligible senior and disabled residents on their property tax bills. Approximately 360,000 veterans, seniors and disabled citizens are expected to apply for this deduction in fiscal 2009. The State has allocated $92 million in the Fiscal 2009 Budget to reimburse municipalities for reduced tax collections.

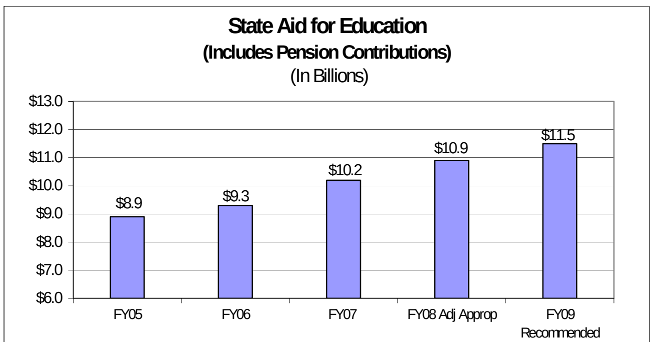
Eligible homeowners and tenants who pay property taxes, either directly or through rent, on their principal residence in New Jersey are eligible for either a deduction or a refundable credit on their New Jersey resident income tax return. The property tax deduction against State income tax liability will save middle-income taxpayers an estimated $536 million in fiscal 2009. This is $34 million, or 6.7%, higher than the previous fiscal year.

School Aid-- New Formula

New Jersey schools are among the best in the country, with exemplary educational outcomes. In fact, the test scores from the National Assessment of Educational Progress (NAEP) this year showed that progress continues to be made in closing the achievement gap for African American and Hispanic students in New Jersey. The State's foremost goal is to continue this progress under the new school funding formula, which was enacted in January 2008.

In order to sustain these high and improving achievement levels, the State has invested significant resources into K-12 public education and early childhood education. When State Aid and local tax levy contributions are combined, current per pupil spending on education in New Jersey is the highest in the nation.

Total State Aid for education, including the State's contributions to teachers' pensions and benefits, is $11.5 billion. This represents 35% of the State's budget, an increase of $614.1 million over fiscal 2008. Of that, about $7.8 billion in formula aid for K-12 education will be distributed in accordance with the School Funding Reform Act of 2008, an increase of $514.6 million from fiscal 2008. The Budget also includes $600.9 million for the School Construction and Renovation Program and $103 million in School Building Aid. The combined total of these two programs represents an increase of $48.5 million over the fiscal 2008 adjusted appropriation for these categories of aid. This funding will service State school construction debt on new and existing bond issues, as well as provide aid for qualifying local debt issued for school construction. The Budget provides $2.3 billion in payments on behalf of local school districts for teachers' retirement benefits and the employers' share of Social Security payments. This represents an increase of $31.4 million over the fiscal 2008 adjusted appropriation and protects property taxpayers from shouldering these costs.



State Aid for Education has increased 29% since fiscal 2005.

The Governor's goal for the new school funding formula is to bring greater equity and predictability to State funding for school districts in a manner that fulfills the State's constitutional obligation to provide a "thorough and efficient" system of education to all students in New Jersey. To that end, the new formula replaces the former unpredictable, ad-hoc system of distributing State Aid with a more streamlined approach that accounts for the needs of all students. As evidence of this more streamlined approach, the new formula collapses 23 aid categories into 8.

The development of the new formula was done carefully to ensure that the new system will be constitutional: the adequacy budget allocates similar resources to similarly situated students, regardless of their zip code. The formula allocates additional resources to support students who live in districts with high concentrations of poverty, regardless of whether that student resides in a low-income urban school district or another low-income district. By calculating aid based on the student population rather than district location, the new formula will distribute aid equitably during periods of changing demographics and enrollment shifts. This is critical because our state is clearly experiencing demographic shifts that will lead to changes in districts' needs. At this point, about 49% of all low-income students in New Jersey live outside of the Abbott districts. Furthermore, the majority of public school African American students and Hispanic students are enrolled in the non-Abbott districts. The new school funding formula provides a more equitable manner for distributing School Aid in the face of these changing demographics; it provides a consistent way to determine the needs of students; and apportions State Aid after considering each school district's ability to pay, based on the aggregate income and the property values of that district.

Adequacy Budgets

The per pupil amounts for students without special needs; at-risk students (defined as those eligible for free- and reduced-price meals); students with limited English proficiency; and students that are both at-risk and limited English proficient are the building blocks of the adequacy budget. The adequacy budget represents the sum of these per pupil figures as applied to projected 2008 enrollment data for each district. This is a notable departure from past practice; due to budgetary constraints in recent years, the calculation of formula aid using enrollment data has not occurred since 2002.

State and Local Share

Once the adequacy budget is determined for each district, the formula includes a calculation to determine what portion of the adequacy budget will be paid for by the State and what portion by the local taxpayers, giving consideration to the districts' ability to pay.

Outcomes of the New Formula

All school districts will see an increase of at least 2% during the first year of the new formula, with the majority (58%) receiving an increase greater than the minimum 2%. Of the 594 regular and vocational school districts, 23% will receive increases of 10% and an additional 22% will receive increases of 20%.

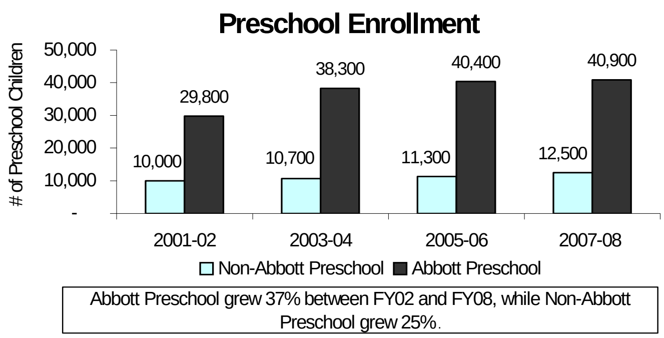
In general, the new formula will provide the largest increases to districts that have been spending below their adequacy budgets and districts wherein the local taxpayers have been shouldering more than their local fair share.

Special Education

Unlike prior formulas, the new school funding formula recognizes the actual statewide costs of special education services. It will provide significant increases in aid for special education students and also includes reforms to Extraordinary Special Education Costs Aid. The School Funding Reform Act of 2008 continues reimbursements for high cost students via an application process, with cash payments of approved amounts made in the subsequent year, and increases the State support level. The State will reimburse direct instructional and support services for fiscal 2009 costs in fiscal 2010 at varying levels, depending upon the special education student's placement. In the Fiscal 2010 Budget, the Governor will recommend increasing further the reimbursement level provided under the new funding formula. Under the Governor's planned recommendations, reimbursements for per pupil costs above $40,000 will be at 95% for in-district placements with non-disabled peers, and at 85% for placements in a separate public school program for students with disabilities. Reimbursements for per pupil costs above $55,000 for private school placements will be at 85% of tuition costs.

Preschool

New Jersey is leading the country in the level of resources invested per student in high-quality, full-day preschool for three- and four-year-old students. The Fiscal 2009 Budget provides $26.9 million in increased funding for preschool programs for at-risk students. The Abbott preschool program, which is currently funded at almost $480 million, provides nearly 41,000 three- and four-year-old students in the 31 Abbott districts with high quality early childhood experiences. These high quality programs require the use of an approved curriculum, small student-teacher ratios, and the use of certified teachers, among other requirements. Enrollment in Abbott preschool has grown steadily over time, as noted in the accompanying chart:



Studies such as the Abbott Preschool Program Longitudinal Effects Study (APPLES) and the Five-State Prekindergarten Study have begun to demonstrate the notable, positive impact of the Abbott preschool program on student outcomes in later grades. Upon entry to kindergarten, children who attended the Abbott preschool program performed significantly better on language and math measures than those who did not. In kindergarten and first grade these differences were still observed. Children who attended preschool for two years perform nearly two times as well as children who did not attend preschool on measures of language, and 70% better on math measures. In addition, the latest increases in NAEP reading scores suggest that preschool, in addition to a focus on early literacy, has had a significant beneficial impact on outcomes for children.

The Governor seeks to expand upon the success of the Abbott preschool program by offering this high quality, full-day preschool program to at-risk three- and four-year-olds in districts throughout the state. Preschool education aid will be provided for all students that reside in "A" and "B" District Factor Group (DFG) districts and all students in "CD" DFG districts where 40% or more of the students are at-risk. In addition, the Governor seeks to provide preschool opportunities to at-risk students in all other districts by providing preschool education aid for every at-risk student in those districts. This preschool expansion is an exciting and promising opportunity to replicate the gains that have been made in the Abbott districts in other communities across the state. The expansion will be phased in over six years and will ultimately provide preschool opportunities for approximately 30,000 additional students.

In fiscal 2008, the State began to lay the groundwork for this expansion by awarding Preschool Quality Enhancement grants to 14 early childhood providers, serving nearly 3,000 children in non-Abbott districts. These grants were designed to offer resources for providers to begin adopting the quality standards that will be required for programs under the preschool expansion, and will support fiscal 2008 and 2009 program costs. Furthermore, funds from the Fiscal 2008 Budget are being used to conduct a needs assessment of the capacity that currently exists to accommodate the large-scale preschool expansion included in the School Funding Reform Act of 2008.

Fiscal 2009 will be a planning year for preschool expansion in most districts. Over the course of fiscal 2009, the Department of Education will use the results from the needs assessment for policy and planning decisions that will guide preschool expansion. In light of this planning period, non-Abbott recipients of Early Childhood Program Aid and the Early Launch to Learning Initiative will receive inflationary increases in preschool funding. Abbott programs will be funded based on their approved 2008-2009 plans.

Accountability Measures

The Governor recognizes that additional funding for school districts must be accompanied by accountability measures, to ensure that funds are spent appropriately. To that end, where appointed thus far, the Executive County Superintendents are closely reviewing school district budgets and identifying room for efficiencies and shared services opportunities. Under the authority of the School District Fiscal Accountability Act, the Department of Education is also relying on State fiscal monitors in seven districts to provide daily oversight of purchasing and other financial decisions. Lastly, the Department of Education continues to implement the Quality Single Accountability Continuum (QSAC), which assesses all school districts in the areas of (1) program and instruction, (2) governance, (3) operations management, (4) financial management, and (5) personnel. At this stage, 151 districts have undergone QSAC reviews or are close to completing the review process, and the districts' scores in the five areas under review will be used to place highly skilled professionals where necessary and to formulate short and longer-term improvement plans for districts. The QSAC reviews also have been used to demonstrate where districts have made noteworthy progress, such as the changes in governance in Jersey City that will lead to the return of local control of that school district.

School Construction

The new school funding formula does not address the school construction needs facing districts across the State. Most notably, the State has a constitutional obligation to provide 100% of the financing for school facilities in the New Jersey Schools Development Authority (SDA) (formerly Abbott) districts. In 2000, the State authorized $6 billion in bonds to fund school construction projects in the SDA districts. However, at this stage, those funds have been expended or obligated.

The Governor has asked the Legislature to increase the bond authorization for SDA school facilities projects by $2.5 billion, to move forward with several stalled projects as well as with health and safety projects. The debt service on this $2.5 billion authorization will be funded via a legislative dedication of a portion of the revenue raised by the State income tax. This Budget does not assume additional bond issues beyond the current authorization, since the current authorization will provide sufficient funds for any work performed during fiscal 2009. However, the legislative authorization for the additional funding is needed at this time to ensure adequate funding is available to complete any new work that is initiated.

Municipal Aid

The Fiscal 2009 Budget provides more than $1.8 billion in municipal aid to New Jersey's 566 municipalities. While this represents a $190 million decrease, it is less than a 10% reduction over the previous year's funding and reflects the State's fiscal crisis.

This Budget recommends a $62 million reduction in the Consolidated Municipal Property Tax Relief Aid program. Specifically, it eliminates $22 million in funding for municipalities below 5,000 in population, reduces funding by $15 million (50%) for municipalities between 5,000 and 10,000 in population, and reduces an additional $25 million spread proportionally among the remaining municipalities receiving aid from this program. The Energy Tax Receipts Property Tax Relief Fund program continues to be funded at $788.5 million, providing a combined total aid distribution between these two programs of $1.56 billion in fiscal 2009. In addition, funding for three smaller municipal aid programs is eliminated in fiscal 2009, including:

- Municipal Efficiency Promotion Aid Program - $34.8 million
- 2008 Municipal Property Tax Assistance - $32.6 million
- Municipal Homeland Security Assistance Aid - $32 million

This Budget also reduces the Consolidation Fund appropriation by $5 million, to a total of $10 million, and eliminates the $4.2 million appropriation for the Sharing Available Resources Efficiently (SHARE) program. However, the SHARE grant program can continue in fiscal 2009 by utilizing surplus balances from prior years totaling nearly $7 million. The Consolidation Fund, which was newly created in fiscal 2008, will also mitigate the impact of eliminating the SHARE appropriation, as both programs aim to encourage consolidation and shared services through incentives and technical assistance to local units of government.

Given the Consolidation Fund's recommended funding of $10 million for fiscal 2009, the remaining $15 million balance from its fiscal 2008 appropriation, and the SHARE program's $7 million balance, there will be a total of $32 million available to assist with local consolidations. In keeping with the State's commitment to helping local governments operate more efficiently, municipalities with populations below 10,000, which are targeted for a portion of the municipal aid reductions discussed above, will receive priority standing in receiving assistance from these funds.

Funding for the Regional Efficiency Aid Program (REAP), $8 million, is also recommended for elimination in the Fiscal 2009 Budget. Since fiscal 2003, REAP assistance totaling nearly $60 million has been limited to 14 towns which achieved the largest per capita savings through consolidation of municipal services. The State payment provided an incentive and reward for their efforts to consolidate, but after six years of such payments, it is time to allow the residents of these towns to benefit from consolidations that have been implemented as a result of previous incentives.

The appropriation for the Special Municipal Aid program in fiscal 2009 is $145.4 million, representing a 5% reduction over the previous year's funding. This program provides assistance to municipalities facing severe fiscal conditions in recovering from fiscal distress and improving management and financial practices. As a condition of receiving such assistance, municipalities must agree to stringent controls as set forth by the Special Municipal Aid Act. Funding for the Trenton Capital City Aid program is also reduced by 5%, to $35.6 million.

This Budget also recommends a 5% reduction of $1.7 million in the Extraordinary Aid program. Funded at $32.3 million, this program provides aid to municipalities facing unexpected increases in costs that would otherwise lead to an unacceptably high spike in municipal tax rates.

Other Local Aid

The Fiscal 2009 Budget also provides over $825 million in county and other local aid. It recommends reducing the County Solid Waste Debt Service Aid program by $5 million, to a total of $30 million. Over the past few years, several counties and county solid waste authorities that receive this assistance have successfully improved their finances and operations, thus reducing their reliance on State Aid to meet their debt service obligations.

Reflecting progress toward consolidating 911 call centers across the state, funding for Enhanced 911 Grants is reduced by $2.5 million, to a total of $12.4 million in fiscal 2009. This program provides grants to countywide and local 911 call centers for operations, equipment, and to study consolidation opportunities. This reduction represents the continuing efforts of the New Jersey 911 Commission and the Office of Emergency Telecommunications Services to exclusively target these grants toward countywide and other high-volume call centers, in order to continue encouraging consolidation. A 2006 study commissioned by the State and conducted by the John J. Heldrich Center for Workforce Development at Rutgers University concluded that consolidated call centers that cover larger areas are more efficient by every known measure. Furthermore, because small call centers are easily overwhelmed in a crisis situation, consolidation offers an opportunity to save money *and* significantly bolster public safety by improving service.

Management Efficiencies

Overview

This Budget continues Governor Corzine's efforts at transforming State government—making it more efficient while providing better services at the lowest possible cost to the taxpayers. The Administration will work to identify new cost-saving initiatives, and will adopt the most innovative efforts and best practices being employed in other states and sectors.

The remainder of this chapter reports on proposed initiatives for fiscal 2009, and highlights the savings that have resulted from current initiatives. Common sense efforts such as these reduce recurring spending needs, helping the Administration achieve true structural balance in the State's Budget.

Energy Savings

The Department of Treasury's Office of Energy Savings works with State agencies to increase energy efficiency, reduce energy consumption and cost, and improve the procurement of energy. In the past year alone, this work included the following accomplishments:

- Led a consortium of State agencies, authorities, and colleges in conducting the State's first online, reverse auction for the purchase of electricity. The new energy contracts deliver significant value in terms of price certainty and cost control for State government in this time of volatile energy prices. For example, wholesale electricity prices have increased by 22% since May 2007 when the auction was held, yet these contracts are expected to deliver a 1.2% reduction in the State's electricity price, which will carry forward for three years. Based on the current market, this equates to $23 million in avoided energy costs for the State.
- Restructured the State's existing natural gas supply contract, which had three years remaining and pricing which was considerably higher than the current market. By adding one year and blending the lower futures price into the current term, an immediate 5% price reduction was achieved. The new contract is expected to deliver $4.1 million in cost avoidance over the next three years.
- Implemented immediate energy conservation measures in State buildings, which are expected to reduce energy consumption by more than 22 billion BTUs, reduce energy costs by more than $800,000, and reduce greenhouse gas emissions by 3,000 metric tons. These measures include relatively simple practices such as set-point changes for building control systems, reduced off-hours operation of lighting and climate control systems, and more frequent changes of air filters.
- Launched $6.9 million in energy savings projects at nine State facilities. The facilities include Woodbine Developmental Center, Trenton Psychiatric Hospital, the Roebling and Taxation Buildings, the Trenton Office Complex, the Justice Complex, and the State House. Improvements include upgrades to building controls, lighting, and climate control systems, as well as added insulation, all of which will yield cost savings and environmental benefits. When fully implemented, these projects are expected to deliver $1.3 million in annual energy cost savings and pay for themselves in fewer than six years. They will also reduce carbon dioxide emissions by 6,900 metric tons annually. New climate control systems at Woodbine and Trenton will benefit nearly 1,000 developmentally disabled and mental health clients, and are part of a larger, long-term effort across all Human Services institutions.
- The U.S. Department of Energy approved funding for a Statewide Energy Tracking System that will permit the Department of Treasury to centrally monitor energy consumption and cost. The system also provides for Energy Star scoring which will help departments understand their energy needs and target their efforts to reduce usage.

Workers' Compensation and Sick Leave Injury

The State's costs for Workers' Compensation (WC) claims have risen from $41 million in fiscal 2003 to $68.9 million in fiscal 2007, an increase of over 68%. For the Sick Leave Injury (SLI) program, an additional $13.4 million was spent in fiscal 2007, accounting for 65,472 lost work days.

To address the problem of steadily increasing costs for the WC and SLI programs, the State has taken steps to implement better management and control of these compensation programs.

- In March 2007, Governor Corzine signed legislation upgrading the former Bureau of Risk Management to a Division reporting directly to the Treasurer. The new Division of Risk Management (DRM) will have expanded authority to monitor and regulate both WC and SLI benefits throughout State government departments.
- Changes presently underway will consolidate the administration of SLI claims into one agency – DRM. New regulations and revised standard procedures will eliminate redundancies in claims review, previously shared by the Department of Personnel and DRM. Changes will ensure consistency and accuracy in claims management, factors important to reducing costs and increasing efficiency.
- DRM has issued a new Request for Proposal (RFP) for workers' compensation managed care services. The goal is to retain a provider network certified by the Department of Banking and Insurance as having doctors knowledgeable in the application of workers' compensation laws and regulations, and in providing medical care for workers' compensation cases. The new RFP emphasizes that medical management of claims must include a provider program to support a claimant's return to work as soon as possible.

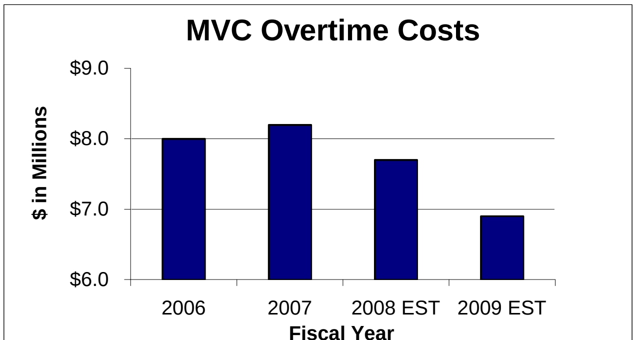
Motor Vehicle Commission

Based on its blueprint for the future, *MVC Forward – Strategies for Excellence,* the Motor Vehicle Commission (MVC) plans to implement several operational efficiencies in fiscal 2009 that will save an estimated $5.0 million.

The Commission plans to save $1.1 million by eliminating the Mobile Unit and the Tiger Team. Respectively, those programs provide licensing services to senior centers and employee training at field agencies. Service for seniors will be addressed by scheduling appointments at local agencies and using NJ Transit's Senior Shuttle for transportation purposes. Since MVC is in its fifth year of issuing digital driver licenses, there is no longer a need for the Tiger Team to provide on-site employee training at MVC's field agencies.

A total of $1.6 million will be saved through implementation of an office supply control program and utilization of cooperative purchasing. Implementation of an office supply control program will maximize the use of existing supplies in the MVC-maintained warehouse and the State-run distribution center before orders may be placed with higher-priced, outside vendors.

In fiscal 2009, MVC's advertising contract will be reduced by $700,000 (50%) through the use of existing in-house staff to perform the graphics design element of the MVC website. The current vendor will continue to support web services such as the motorcycle safety campaign, inspection/vehicle maintenance functions and cinema screen ads. This division of labor will enable MVC to continue expanding its web-related services, which are instrumental in reducing motorist volume at the agencies. Furthermore, to provide additional operational flexibility, an alternate workweek program has been proposed mainly for the field agencies. As illustrated in the accompanying chart, "MVC Overtime Costs," the program is expected to reduce overtime costs in fiscal 2009 by approximately $1.6 million, or 21%.



The proposed MVC alternate workweek program is expected to reduce overtime costs by approximately $1.6 million, or 21%, in fiscal 2009.

Electronic Catalog

The State currently uses multiple information technology (IT) interfaces to purchase nearly $1 billion of goods and services a year, resulting in a process that is both time-consuming and unwieldy. As part of the Division of Purchase and Property's drive to modernize procurement practices, a state-of-the-art, web-based electronic catalog (eCatalog) is being developed to facilitate communication between the vendor community, agency buyers and local government entities.

The eCatalog system, when fully implemented, will save time and increase efficiency in the processing of over 85,000 annual purchase orders. Presently, State procurement staff must issue separate purchase orders even for related items. Features of eCatalog include a "shopping cart" and search capabilities common to many of today's Internet-based applications, thus vastly simplifying the procurement process. A successful pilot at the State's Distribution and Support Services center reduced the time for processing purchase orders by two-thirds (i.e., from an average of 30 minutes to 10 minutes).

To provide added leverage for volume price discounts, eCatalog will capture data on items procured not only by State agencies but also by local government entities. Comprehensive data on vendor sales will be collected electronically, thus negating the need for time-consuming vendor surveys and providing new strategic sourcing opportunities.

A particularly valuable function will be the ability to centrally implement a freeze function that will control expenditures on commodities and services placed under various spending moratoria. For example, the State has issued a moratorium on the purchase of furniture, IT equipment and related services. The eCatalog system will ensure that restrictions on such purchases will be enforced.

With a fiscal 2009 allocation of $800,000, eCatalog can be fully implemented in six months, including the training of agency staff.

Contractor Responsibility

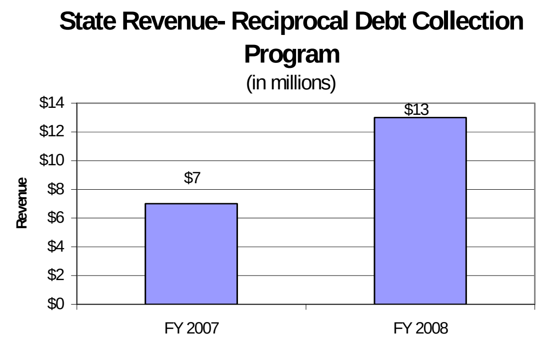
The State's current system for evaluating contractors is somewhat fragmented and the information that is gathered is not managed in a central, coordinated manner. Since contractors often work for more than one agency, this situation may permit certain vendors to receive additional work despite a history of poor performance. Other states such as Pennsylvania, Massachusetts, Connecticut, and Michigan have implemented "central evaluation" programs as a way to open new lines of communication between state agencies, and it is proposed that New Jersey consider this approach beginning in fiscal 2009.

Specifically, it is recommended that a "contractor responsibility" file be created as a pilot program for construction-related contracts issued by the Schools Development Authority (SDA), Division of Property Management and Construction (DPMC) and the Building Authority. This database would contain a comprehensive, detailed list of performance information (much of which already exists) that could be considered by the affected agencies, thus providing a key management tool to improve effectiveness and efficiency. While data access would be sharply restricted for privacy purposes, it would provide a means for agencies to collectively assess the past performance of a contractor, thus elevating the importance of performance measurement in contract considerations. This program, which would not require additional staffing or statutory changes, will be developed during fiscal 2009 through a joint effort of the Office of Management and Budget (OMB) and the affected agencies, with legal guidance from the Office of the Attorney General.

Debt Collection Improvements

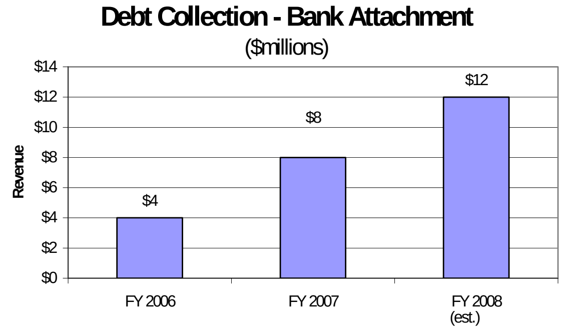
The efficient collection of outstanding debt is a key component of any financial system. The Department of Treasury has implemented several improvements to maximize the collection of State taxes, along with non-tax revenues such as assessments, overpayments, fines, and fees.

Recognizing that a sizeable portion of debtors owe money to both the federal government and the State, the Legislature enacted a law in 2006 (P.L. 2006, c. 32) authorizing a reciprocal debt collection agreement with the federal government. New Jersey and Maryland were the only two states chosen to participate in this pilot program. Unlike past agreements, which were largely limited to the collection of tax debt owed by individuals, this compact includes both tax and non-tax debt and is specifically designed to also identify amounts owed by businesses and vendors. The federal and State accounting systems were modified to automatically offset their respective debt amounts owed, with debt-related information being exchanged daily. If, for example, a debtor owes money to the State, planned disbursements to that debtor by the federal government are reduced and these funds instead are forwarded to the State of New Jersey. As shown in the accompanying chart, "State Revenue—Reciprocal Debt Collection Program," since the inception of this effort, the State has realized over $20 million in new tax revenue. This new revenue includes $7 million in fiscal 2007 and $13 million to date in fiscal 2008.



The State has realized over $20 million in new revenue from the Reciprocal Debt Collection Program.

The Division of Taxation has also made good use of several new debt collection tools that have been provided through changes in State law. For example, legislation enacted in 2004 authorized the Division to secure information from financial institutions (e.g., banks) on accounts held in the name of tax debtors once the debt was covered by judgment. The subsequent levies of the matched accounts generated $4 million in fiscal 2006, $8 million in fiscal 2007, and at its present pace will total $12 million in the current year. (See accompanying chart.) Additional revenue is anticipated in future years as the Division expands the reach of the program to a greater number of banks.



Annual revenue from Bank Attachment, a new debt collection tool, has grown steadily since authorized in fiscal 2006.

In the area of non-tax debt, OMB and the Division of Revenue (DOR) followed up on recent studies performed by the State Auditor regarding the status of agency collection efforts. Based on these findings, the Administration supports pending legislation (S472/A2236) that would formally recognize DOR as the State's central debt management agency. In addition, the bill codifies existing administrative requirements mandating the referral of debt to DOR after 90 days; improves accountability by requiring agencies to annually certify the amount of debt owed; and calls for annual reporting to both the Legislature and the Governor's Office.

Division of Taxation - Auditing Efficiencies

In fiscal 2007, the Division of Taxation implemented a new tax compliance system known as ESKORT, which is designed to improve case management and audit support and thus increase the efficiency of the audit process. Formerly, much of the audit data and related reports were stored in paper files, which reduced staff productivity and inhibited coordination within the Division.

In the new system, auditors can share a "common" set of work papers with consistent and verified computations. Taxpayer and tax return information from various mainframe systems are electronically pre-populated into an Electronic Case File (ECF), virtually eliminating tedious transcription and data-entry by auditors and the storage of paper files. Auditors may now access third party information (e.g., federal data) that is directly imported into the ECF and can extract data directly for the purpose of audit selection.

Presently, over 500 key pieces of information may be extracted from the ECF for reporting purposes or for analysis by the Division's data warehouse unit. Various audit units are being phased-in and trained, so that by the end of fiscal 2008 the majority of the Division's audit units (i.e., approximately 470 employees) are expected to have access to ESKORT. The system is expected to yield significant improvement in productivity (i.e., audit completions) once fully implemented.

Space Utilization Initiative

In fiscal 2008, the State initiated a statewide assessment of owned and leased buildings with the goal of maximizing the use of existing office space. For the first time, a comprehensive set of information was captured in one system, namely the Land and Building Asset Management System (LBAM), which now serves as a central repository for all of the State's leased and owned assets. Formerly, key information such as square footage, lease duration, and staff occupancy was scattered across multiple systems, none of which provided a complete picture of the current situation.

Under this initiative, all departments report the use of work space and distribution of employees by program. As agencies continue to downsize, opportunities arise to re-evaluate the need for existing workspace. By comparing existing space usage metrics to private industry standards and implementing technologies designed to reduce storage needs, such as electronic imaging storage, Treasury's Division of Property Management and Construction (DPMC) is able to reduce lease costs and efficiently manage State-owned buildings. Ongoing initiatives include the "restacking" of existing buildings, which makes it possible to eliminate new leases in areas where surplus space is available.

In fiscal 2009, there will be a renewed emphasis on consolidating agency staff from leased facilities with expiring rent contracts to vacant space in State-owned facilities. The ongoing attrition of employees has increased the amount of vacant office space, and several leases that were originally envisioned have either been eliminated or deferred. The State Leasing and Space Utilization Committee (SLSUC) will continue to play a vital role in reviewing agencies' long-term plans, including potential relocations and reductions for the next 5 to 10 years.

As illustrated in the accompanying table, "Office Space Consolidation," a savings of $5.1 million is anticipated from the termination or renegotiation of 13 leases over the next 2 years. The savings include 8 leases in fiscal 2009 ($3.3 million) and 5 leases in fiscal 2010 ($1.8 million). Savings are also expected in later years, as additional leases are retired.

Office Space Consolidation

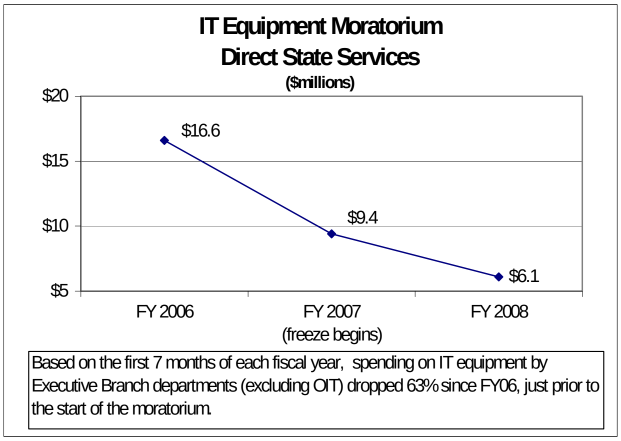
Action	Savings
Close / Renegotiate 8 Leases In FY 2009	$3.3 million
Close 5 Leases in FY 2010	1.8 million
Total Savings From Lease Consolidation	$5.1 million

Government Advantage -- New Banking Platform

In fiscal 2007, over $3.6 million in additional interest income was earned by placing certain State bank accounts on a new billing platform. Through this relatively simple cash management technique, the "Government Advantage" program enables New Jersey to earn interest income in place of standard (i.e., lower) earnings credits on all residual Demand Deposit Account cash balances.

Information Technology (IT) Moratorium

The moratorium on the purchase of information technology (IT) equipment instituted at the beginning of fiscal 2007 reduced IT hardware expenditures among Executive Branch agencies by 63% from fiscal 2006 to fiscal 2008 to date, as illustrated in the accompanying chart, "IT Equipment Moratorium." Expenditures for Direct State Services (DSS) have declined by $10.4 million.



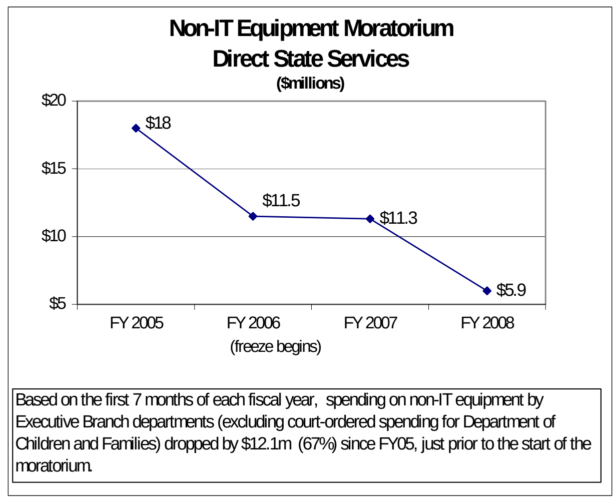
Excluded from the moratorium are certain one-time investments deemed essential for better service delivery to the residents of the state, such as upgrades at the Motor Vehicle Commission and needed statewide IT infrastructure. All such special purpose projects must be approved by the Office of Information Technology (OIT) and OMB before they can go forward.

To reduce the cost of essential technology upgrades, New Jersey has joined 44 other states under the Western States Contracting Alliance (WSCA) to take advantage of the buying power of this larger entity, and thus obtain the lowest prices from vendors. Using this increased buying power, the Division of Purchase and Property (DPP) was able to reduce the price of a standard personal computer from $774 under the old contract to $565 under WSCA. The first computer procurement under the WSCA contract was November 23, 2007. Since that time, personal computer spending is down 20% from the previous contract. Savings are expected to continue in fiscal 2009 through the discounted pricing advantages made possible through WSCA, and to increase as new categories of IT equipment, such as monitors, servers and printers, are negotiated through WSCA in fiscal 2009.

A significant advantage to the WSCA contract is that pricing is based on three standard configurations of laptops and desktops, preventing agencies from purchasing more computer power than they need. Under the old contract, standard configurations were not available, and agencies could load expensive features onto the equipment they bought. Now, under the moratorium and with the WSCA pricing in place, agencies must justify their request for new equipment, and demonstrate a specific need for any additional features.

Non-IT Equipment Moratorium

A joint OMB and Division of Purchase and Property (DPP) directive issued in July 2006 extended the spending moratorium to purchases of all equipment. State government procurements now subject to review and approval by OMB include those for vehicles, furniture, office use unrelated to computers (e.g., copiers), equipment for building maintenance, food preparation, communications (e.g., radios), medical and hospital, classroom instruction, agriculture and conservation, and scientific study.



Comparing the first seven months of fiscal 2008 with the same period prior to the moratorium reveals that spending by Executive Branch departments on items covered in the directive dropped by 67%. The slowdown in procurement of a wide range of equipment avoided costs of approximately $12.8 million. This moratorium policy will continue through fiscal 2009.

Email Systems Consolidation

In fiscal 2008, the State appropriated a total of $1.1 million to OIT for its Email Systems Consolidation initiative. Currently, the State supports multiple email applications across its agencies. This initiative will move all Executive Branch email users onto a single software platform, which will provide the following benefits:

- Eliminates the need to support, upgrade, and maintain multiple email systems;
- Improves interagency communication by ensuring email, directory, and scheduling compatibility and synchronization; and
- Reduces costs through a single statewide email client licensing agreement.

By the end of fiscal 2008, OIT plans to use the $1.1 million provided to complete the software and hardware infrastructure that will facilitate the new statewide email system.

OIT has already renegotiated the State's client licensing agreement by taking advantage of the increased buying power of this consolidated system. Under the previous agreement, client licenses cost $43 per user. Now, it will cost agencies that have to purchase new licenses only $29 per user, a savings of almost one-third. Since nearly 60% of Executive Branch agencies currently operate some version of the planned email system, this initiative leverages the State's existing investment in licenses. From late fiscal 2008 and into fiscal 2009, the remaining agencies will begin purchasing new email client licenses and will thus benefit from these cost savings. The overall plan is for most agencies to have completely migrated to the new system by the end of fiscal 2009.

Electronic Cost Accounting Timesheet System (eCATS)

In fiscal 2008, the State appropriated $5.8 million to OIT for the expanded use of the electronic Cost Accounting Timesheet System (eCATS) across all State agencies. Until now, most agencies have been using an application called TALRS (Time and Leave Reporting System), which is an antiquated, manual entry system that is costly to maintain and difficult to adapt to changing functional requirements. Through eCATS, the State will be able to process payrolls in a more accurate, timely, and detailed manner, substantially reducing processing and recordkeeping costs.

Specific eCATS benefits include:

- The State will no longer have to administer or maintain multiple employee timekeeping systems;
- Agencies will no longer have to perform manual cost accounting for federal reporting and salary cost analysis;
- Employees will no longer have to complete, collect, approve, and file paper timesheets or leave slips;
- Automates the paper-based payroll submissions process and reduces the manual effort to key the payrolls each pay period; and
- Departments will use a simple web-based application that can be accessed from any internet connection.

In one example of cost savings, the Department of Human Services' fiscal 2009 budget has been reduced by $2.8 million due to the implementation of eCATS. Of this amount, $1.8 million is attributable to the attrition of payroll clerks who manually enter time sheets in the current timekeeping system. An additional $1 million will be saved through improved monitoring of overtime made possible by a combination of eCATS and a separate biometric-based time clock system in the State's developmental centers and mental health hospitals.

Currently, four State departments and agencies are using eCATS, including the Departments of Transportation, Labor and Workforce Development, Environmental Protection, and the Motor Vehicle Commission. The rollout will continue on a staggered schedule, including several weeks of testing, to ensure no disruption to the State's payroll system. By the end of fiscal 2008, two more departments will be added -- the Department of Health and Senior Services and the Department of Education. In fiscal 2009, another five departments are currently scheduled to implement eCATS. The remaining agencies are currently in the design phase, with implementation expected to begin in late fiscal 2009.

eCATS Anticipated Implementation Schedule		
FY08	**FY09**	**FY09-FY10**
Education	Banking and Insurance	Community Affairs
Health and Senior Services	Children and Families	Corrections
	Human Services	Judiciary
	Office of Information Technology	Law and Public Safety
	Treasury	Military and Veterans Affairs
		State
Those departments currently using eCATS include Environmental Protection, Labor, Transportation and the Motor Vehicle Commission.		

Data Center Consolidation

In fiscal 2008, the State appropriated $900,000 to OIT for the implementation of its Data Center Consolidation initiative. Data centers typically house mainframes, network infrastructure, servers, and storage devices, along with the backup power systems and environmental controls necessary to ensure efficient operations and prevent systems failure. Currently, several agencies host their own data centers, and a section of OIT's data center facility houses its print operations. Through this initiative, OIT will move its print operations into a separate facility and incorporate several agency data centers into its own. This will allow OIT to utilize its entire raised floor data center space for its intended use and limit the need for agencies to build their own.

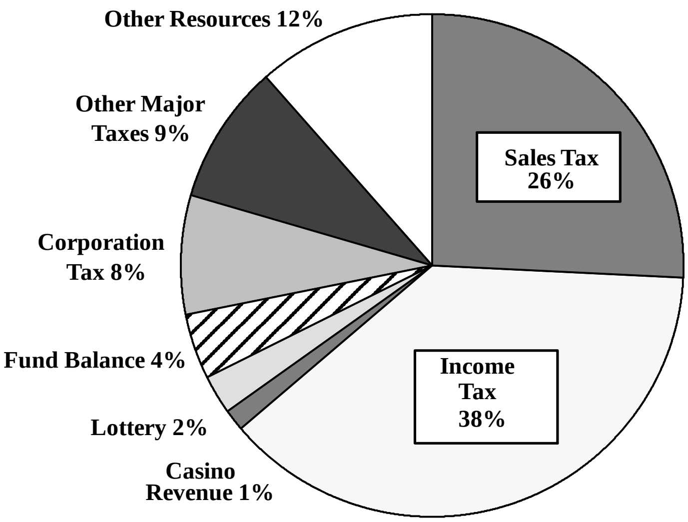
Due to the Data Center Consolidation initiative, the Departments of Transportation, Human Services, and Treasury were able to forego building their own new or expanded data centers, at an estimated cost avoidance of at least $2.5 million. Moreover, the data center space at those agencies can be converted back into office space. Following initial infrastructure improvements at its data center facility, OIT will begin incorporating several agency data centers in early fiscal 2009. Overall, this initiative will increase operational efficiency by pooling available infrastructure, resources, and personnel, thus improving the maintenance of the State's critical networking, data storage, and application management needs. This will also allow the agencies to take greater advantage of the State's disaster recovery capabilities.

Medicaid: Day-Specific Eligibility

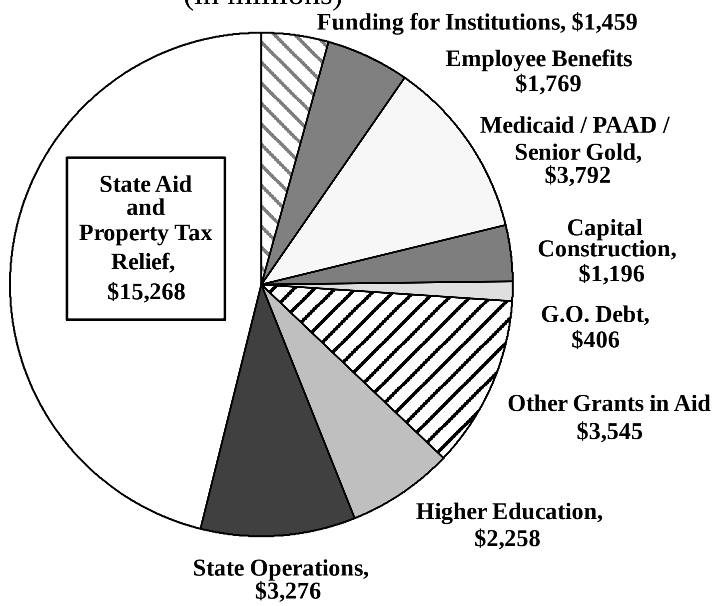
By issuing plastic identification cards to all Medicaid beneficiaries, the Department of Human Services no longer has to wait until month's end to deny coverage to those who exceed eligibility requirements. By denying coverage to ineligible beneficiaries before month's end, the State will save $2.8 million beginning January 1, 2009. This savings will annualize to $5.5 million in fiscal 2010.

RESOURCES AND RECOMMENDATIONS FOR FISCAL YEAR 2009
ALL STATE FUNDS

Resources



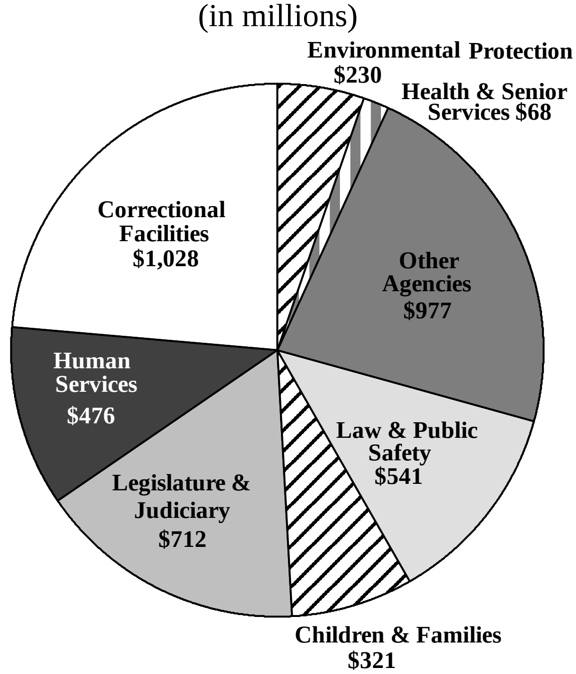
Recommendations
(in millions)



RESOURCES
(in thousands)

Income Tax	$12,866,000
Sales Tax	8,710,000
Corporation and Bank Tax	2,593,000
Lottery Revenue	853,000
Casino Revenue	426,000
Other Major Taxes:	
Transfer Inheritance	665,000
Motor Fuels	565,000
Insurance Premium	466,000
Motor Vehicle Fees	407,000
Realty Transfer	377,000
Petroleum Products Gross Receipts	230,000
Cigarette	228,000
Alcoholic Beverage Excise	93,000
Tobacco Products Wholesale Sales	15,000
Public Utility Excise	11,000
Other Resources	3,964,000
Subtotal Resources	**32,469,000**
Estimated Fund Balance July 1, 2008:	
Fund Balance	1,434,000
TOTAL	**$33,903,000**

STATE OPERATIONS
(in millions)



SUMMARY OF APPROPRIATIONS
MAJOR INCREASES AND DECREASES

This table summarizes the major increases and decreases in the Fiscal 2009 Budget and is organized by category.

Categories of recommended appropriations are defined as follows:

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

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

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

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

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

APPROPRIATIONS
MAJOR INCREASES AND DECREASES
(millions of dollars)

	Increases	Decreases	Net Change
State Operations			
Salary Increases – State Employees (Prior to Savings from Employee Actions)	$ 183.553		
State Active and Retiree Employee Health Benefits	22.448		
Employer Taxes	10.372		
Judiciary – Drug Court and Intensive Supervision for Reduced Prison Costs	7.036		
Debt Service	4.710		
Program Costs to Divert Technical Parole Violators	3.131		
Division of State Police	2.740		
Legislation for Sex Offender Monitoring	1.233		
Subtotal - State Operations Increases	***$ 235.223***		
Early Retirement Incentive Program Savings		$ (135.878)	
Net Employee Savings		(72.959)	
Judiciary Efficiencies		(27.000)	
Procurement Savings		(25.000)	
State Trooper Rural Patrol		(20.500)	
Motor Vehicles Commission Reimbursement		(20.000)	
Other Statewide Non–salary Operational Efficiencies		(14.772)	
Office of Information Technology One Time Costs		(7.000)	
Department of Children and Families Equipment/Training Academy		(6.000)	
Rent Consolidations		(5.223)	
Corporation Business Tax Dedication		(4.876)	
Corrections and Juvenile Justice Shift Overlap Savings		(4.804)	
Transportation Shift to Federal Resources		(4.680)	
Medical Emergency Disaster Preparedness Shift to Federal Resources		(4.000)	
Verizon Contract Savings		(2.230)	
Reduce Travel & Tourism – Advertising & Promotion		(1.855)	

APPROPRIATIONS
MAJOR INCREASES AND DECREASES
(millions of dollars)

	Increases	Decreases	Net Change
Elimination of Prison Details		(1.663)	
Network Infrastructure – Shift to Non–State Resources		(1.500)	
Legislature Efficiencies		(1.075)	
Higher Education Student Assistance Authority – Shift to Non–State Resources		(0.428)	
Jersey Fresh – 50% Reduction		(0.400)	
Other (Net)		(19.676)	
Subtotal - State Operations Decreases		***$ (381.519)***	
Net Change (State Operations)			***$ (146.296)***
Grants–In–Aid			
Developmental Disabilities and Mental Health Community Placements	$ 60.878		
NJ Transit Operating Subsidy	60.000		
Medicaid/General Assistance Health Care	51.620		
Community Provider COLA	40.555		
Senior Public Institutions Salary Program	38.485		
Business Employment Incentive Program (BEIP) PAYGO	27.000		
Tuition Aid Grants	20.736		
Senior/Disabled Citizens' Property Tax Freeze	16.000		
State Rental Assistance Program	15.000		
Pensions – Higher Education	8.811		
Employer Taxes – Higher Education	7.717		
Active and Retiree Employee Health Benefits – Higher Education	6.517		
Election Law Enforcement Commission – Gubernatorial Election Costs	5.080		
Early Childhood Intervention	5.000		
Child Welfare Reform	3.000		
HESAA OB/GYN Loan Redemption Program	1.000		
NJSTARS I & II – Net of New Family Income Cap	0.893		
Subtotal - Grants-In-Aid Increases	***$ 368.292***		
Homestead Rebates for Homeowners		$ (345.000)	
Homestead Rebates for Tenants		(127.000)	
Hospital Funding		(108.000)	
Senior Public Colleges and Universities		(89.338)	
NJ FamilyCare Shift to Federal Funds		(80.000)	
Homestead Rebates Impact of FY2008 Overfunding		(62.000)	
Medicaid/PAAD Pharmaceutical Savings		(44.938)	
Nursing Homes Rate Savings		(44.636)	
Medicaid Enhanced Anti–Fraud		(27.750)	
Debt Service		(22.547)	
Cancer Research		(20.500)	
County Jail Inmate Reduction		(15.000)	
Reduce Prisoner Population – Expansion of Community Alternatives		(14.107)	
Child Behavioral Health Underspending		(11.800)	
Eliminate Preschool Expansion and Enhancement Grants		(10.000)	
Corporation Business Tax Dedication		(8.066)	
State Recycling Fund One Time Cost		(8.000)	
Medicaid Rx $2 Co–Payment/$6 ER		(7.550)	
Tuition Policy for Out–of–State Undergraduate Students		(7.083)	
PAAD Co–payment to $6 Generic, $7 Brand Name		(7.000)	
Children's Partial Hospitalization		(6.047)	
Tamiflu Prescription Medicine One Time Cost		(6.000)	

APPROPRIATIONS
MAJOR INCREASES AND DECREASES
(millions of dollars)

	Increases	Decreases	Net Change
Medical Day Care Rates Savings		(6.000)	
Reduce Council on the Arts – Cultural Projects		(5.923)	
New Jersey Stem Cell Research Institute		(5.500)	
Cap Tuition Aid Grants for Independent Institutions at Rutgers' Levels		(5.400)	
Reform Co–payment for After School/Summer Child Care		(4.270)	
Senior Gold – Require Enrollment in Medicare Part D		(3.400)	
Reduce Outstanding Scholars Recruitment Program		(3.386)	
Liberty Science Center		(2.750)	
Enhanced 911 Grants		(2.500)	
Newark Museum		(2.270)	
Independent Colleges and Universities		(2.044)	
Commission on Science and Technology Grant Program		(1.500)	
Boys and Girls Clubs of NJ		(1.400)	
Battleship New Jersey Museum		(1.300)	
New Jersey Manufacturing Extension Program		(1.200)	
Statewide Systemic Initiative to Reform Mathematics and Science Education		(1.200)	
Historical Commission Grants		(1.102)	
Eliminate Commerce Commission		(1.000)	
Office of Faith Based Initiatives		(1.000)	
Small Business Development Centers		(1.000)	
Center for Hispanic Policy, Research, and Development		(0.900)	
Mobile Health Van Pilot Program		(0.900)	
Big Brothers/Big Sisters		(0.700)	
Agriculture Conservation Assistance Program		(0.600)	
State Incentive Program Unused Capacity		(0.600)	
Vocational Rehabilitation Grants		(0.500)	
Eliminate Commerce Commission Division of Business Services		(0.450)	
Reduce New Jersey After 3		(0.400)	
Lake Hopatcong Commission		(0.400)	
New Jersey Center for Outreach Services for the Autism Community (COSAC)		(0.350)	
NJ Agricultural Experiment Station –– Food Innovation Research and Extension Center		(0.300)	
Soil and Water Conservation Grants		(0.300)	
Paper Mill Playhouse		(0.250)	
NJ Symphony		(0.250)	
New Jersey Performing Arts Center		(0.250)	
New Jersey State Association of Jewish Federations – Naturally Occurring Retirement Communities (NORC) Pilot Program		(0.250)	
Center for Great Expectations		(0.250)	
Rutgers Camden Center for the Arts –– Walter K. Gordon Theater		(0.250)	
Camden Eye Center		(0.250)	
New Jersey Institute of Disabilities		(0.250)	
Cultural Trust Grants		(0.220)	
The Children's Institute, Verona		(0.200)	
Hemophilia Services		(0.200)	
Municipal Park Initiative – Park Ranger Program		(0.200)	
Historical Commission – Grants in New Jersey History		(0.189)	
Limit CEO Salaries and Lobbyists' Funding in Providers Contract		(0.164)	
New Jersey Marine Science Consortium		(0.150)	
Grant to ASPIRA		(0.150)	

APPROPRIATIONS
MAJOR INCREASES AND DECREASES
(millions of dollars)

	Increases	Decreases	Net Change
Durand Academy and Community Services, Gloucester County – Land Acquisition		(0.150)	
Museum for Contemporary Sciences		(0.150)	
NJ Council for the Humanities		(0.135)	
Amanda's Easel		(0.125)	
NJ Ellis Island Foundation		(0.100)	
Thomas Edison Museum		(0.100)	
Montclair Art Museum		(0.100)	
AIDS Resource Foundation		(0.100)	
Rutgers –– Oral History Archive		(0.100)	
Aspergers Syndrome Vocational, Educational and Social Training (VEST) Program, Jewish Family Services Inc., Teaneck		(0.100)	
NJ Fire and EMS Crisis Intervention Services Telephone Hotline		(0.095)	
National Alliance on Mental Illness – New Jersey		(0.090)	
Phase–Out Subsidy for Teacher Board Certification		(0.085)	
Lenape Regional Performing Arts Center		(0.075)	
Bergen Performing Arts Center		(0.075)	
Dante Hall Theater of the Arts		(0.050)	
Latino Regional Health Fairs and Social Service Programs		(0.050)	
Victims of Crime Compensation Agency – New Jersey Crime Victims Law Center		(0.050)	
Oskar Schindler Performing Arts Center		(0.050)	
Violence Prevention Institute		(0.050)	
Civil Air Patrol		(0.035)	
Boheme Opera New Jersey		(0.025)	
Other (Net)		(13.531)	
Subtotal - Grants-In-Aid Decreases		***$ (1,151.801)***	
Net Change (Grants-In-Aid)			***$ (783.509)***
State Aid			
Education Formula Aid	$ 514.619		
School Construction and Renovation Fund Debt Service	58.434		
Preschool Formula Aid	26.908		
Local School Districts Teacher Social Security Payments	22.400		
General Assistance (GA) and Supplemental Security Income (SSI) Caseload Increases	10.638		
Debt Service	8.923		
Union County Inmate Rehabilitation Services	4.000		
County Psychiatric Hospitals	3.352		
Local Employee Benefits	2.386		
Teachers' Pension and Annuity Fund	0.936		
County Prosecutors and Officials Salary Increase	0.320		
Open Space Payments in Lieu of Taxes	0.172		
Other (Net)	7.891		
Subtotal - State Aid Increases	***$ 660.979***		
Consolidated Municipal Property Tax Relief		$ (62.044)	
Eliminate Municipal Efficiency Promotion Aid		(34.825)	
Eliminate 2008 Municipal Property Tax Assistance		(32.600)	
Eliminate Municipal Homeland Security Assistance Aid		(32.000)	
County College Operating Support		(16.344)	
Charter School Hold Harmless Funding		(11.500)	

APPROPRIATIONS
MAJOR INCREASES AND DECREASES
(millions of dollars)

	Increases	Decreases	Net Change
Presidential Primary Election One Time Cost		(10.515)	
Flood Funding One Time		(8.000)	
Regional Efficiency Aid Program (REAP)		(8.000)	
Special Municipal Aid Reduction		(7.650)	
Reduce State Share of County Psychiatric Hospital Costs		(6.298)	
Consolidation Fund Reduction		(5.000)	
Senior/Disabled Citizens' and Veterans' Tax Deductions – Participation Decrease		(5.000)	
Sharing Available Resources Efficiently (SHARE)		(4.200)	
Elderly and Handicapped Transportation Services		(3.910)	
Other School Aid		(2.871)	
Neighborhood Preservation Program for Neighborhood Rehabilitation		(2.750)	
Teacher Quality Mentoring		(2.500)	
Trenton Capital City Aid Reduction		(1.875)	
Extraordinary Aid Reduction		(1.700)	
Post–Retirement Medical – Teachers' Pension and Annuity Fund		(1.010)	
Delaney Hall		(1.000)	
State Library – Reduce Per Capita Aid 10%		(0.867)	
Pinelands Commission		(0.780)	
County Environmental Health Act		(0.753)	
Evening School for Foreign–Born Residents		(0.211)	
South Jersey Port Corporation Property Tax Reserve Fund (PILOT)		(0.110)	
Retrofit Subsidy for School Bus Crossing Arms One Time		(0.100)	
NJSIAA Steroid Testing – Shift to Non–State Resources		(0.050)	
County College Employee Benefits		(0.011)	
Subtotal - State Aid Decreases		***$ (264.474)***	
Net Change (State Aid)			***$ 396.505***
Capital Construction			
NJ Building Authority	$ 1.851		
Subtotal - Capital Construction Increases	***$ 1.851***		
Special Reserve for Capital Projects		$ (34.069)	
Eliminate Garden State Preservation Trust Supplemental Funding		(25.000)	
Corporation Business Tax Dedication		(18.623)	
Modular Units at Bayside		(5.440)	
Other (Net)		(3.255)	
Subtotal - Capital Construction Decreases		***$ (86.387)***	
Net Change (Capital Construction)			***$ (84.536)***
Debt Service			
General Obligation Debt Service		$ (32.900)	
Subtotal - Debt Service Decreases		***$ (32.900)***	
Net Change (Debt Service)			***$ (32.900)***
GRAND TOTAL	***$ 1,266.345***	***$ (1,917.081)***	***$ (650.736)***

TABLE I
SUMMARY OF FISCAL YEAR 2008–09 APPROPRIATION RECOMMENDATIONS
(thousands of dollars)

Table I is a summary of appropriations of all State fund sources. It highlights the percent change in appropriations between fiscal years.

	2008 Adjusted Approp.	2009 Recommended	Change Dollar	Change Percent
GENERAL FUND AND PROPERTY TAX RELIEF FUND				
State Aid and Grants	**24,810,047**	**24,430,259**	**–379,788**	**% – 1.5**
State Operations				
Executive Branch	3,757,226	3,564,709	–192,517	–5.1
Legislature	76,508	75,669	–839	–1.1
Judiciary	629,131	636,167	7,036	1.1
Interdepartmental	2,138,643	2,153,528	14,885	0.7
Total State Operations	**6,601,508**	**6,430,073**	**–171,435**	**% – 2.6**
Capital Construction	**1,280,565**	**1,196,029**	**–84,536**	**–6.6**
Debt Service	**438,797**	**405,897**	**–32,900**	**–7.5**
TOTAL GENERAL FUND AND PROPERTY TAX RELIEF FUND	***33,130,917***	***32,462,258***	***-668,659***	**% – 2.0**
CASINO CONTROL FUND	**75,439**	**75,439**	---	---
CASINO REVENUE FUND	**412,983**	**425,826**	**12,843**	**3.1**
GUBERNATORIAL ELECTIONS FUND	---	**5,080**	**5,080**	---
GRAND TOTAL STATE APPROPRIATIONS	***33,619,339***	***32,968,603***	***-650,736***	**% – 1.9**

TABLE II
SUMMARY OF FISCAL YEAR 2008–09 APPROPRIATION RECOMMENDATIONS
(thousands of dollars)

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

Year Ending June 30, 2007: Orig. & (S)Supple-mental	Reapp. & (R)Recpts.	Transfers & (E)Emer-gencies	Total Available	Expended		2008 Adjusted Approp.	Year Ending June 30, 2009: Requested	Recom-mended
					General Fund			
6,218,863	790,885	15,906	7,025,654	6,540,431	Direct State Services	6,601,508	6,432,001	6,430,073
8,865,710	300,713	–25,323	9,141,100	8,643,576	Grants–in–Aid	9,255,467	9,347,659	8,987,453
1,790,210	60,865	–1,770	1,849,305	1,735,166	State Aid	1,840,302	1,921,917	1,886,206
1,238,779	228,955	11,278	1,479,012	1,241,131	Capital Construction	1,280,565	1,196,029	1,196,029
427,785	---	---	427,785	427,783	Debt Service	438,797	405,897	405,897
18,541,347	*1,381,418*	*91*	*19,922,856*	*18,588,087*	***Total General Fund***	*19,416,639*	*19,303,503*	*18,905,658*
11,886,721	**7,489**	**–103,479**	**11,790,731**	**11,695,964**	**Property Tax Relief Fund**	**13,714,278**	**13,556,600**	**13,556,600**
73,439	**887**	---	**74,326**	**73,063**	**Casino Control Fund**	**75,439**	**75,439**	**75,439**
518,981	**9,522**	---	**528,503**	**459,978**	**Casino Revenue Fund**	**412,983**	**425,826**	**425,826**
---	---	---	---	---	**Gubernatorial Elections Fund**	---	**5,080**	**5,080**
31,020,488	***1,399,316***	***-103,388***	***32,316,416***	***30,817,092***	***GRAND TOTAL STATE APPROPRIATIONS***	***33,619,339***	***33,366,448***	***32,968,603***

TABLE III
SUMMARY OF APPROPRIATIONS BY ORGANIZATION

(thousands of dollars)

Table III shows comprehensive prior year financial data, current year appropriations, and budget year recommendations by major spending category, governmental branch, and department.

Year Ending June 30, 2007							Year Ending June 30, 2009	
Orig. & (S)Supple– mental	Reapp. & (R)Recpts.	Transfers & (E)Emer– gencies	Total Available	Expended		2008 Adjusted Approp.	Requested	Recom– mended
					DIRECT STATE SERVICES			
					Legislative Branch			
11,681	4,485	178	16,344	11,565	Senate	11,959	11,959	11,959
18,096	2,921	178	21,195	18,779	General Assembly	18,402	18,402	18,402
28,883	2,244	1,331	32,458	30,844	Legislative Support Services	30,797	29,958	29,958
15,233	8,349	–500	23,082	16,519	Legislative Commission	15,350	15,350	15,350
73,893	***17,999***	***1,187***	***93,079***	***77,707***	***Total Legislative Branch***	***76,508***	***75,669***	***75,669***
					Executive Branch			
4,924	1,620	---	6,544	5,275	Chief Executive	5,428	5,293	5,293
8,994	3,244	302	12,540	11,376	Department of Agriculture	9,721	7,930	7,930
68,944	1,725	870	71,539	68,336	Department of Banking and Insurance	72,127	70,340	70,340
272,646	11	13,628	286,285	282,907	Department of Children and Families	326,958	320,636	320,636
37,009	35,919	–4,278	68,650	63,612	Department of Community Affairs	40,991	39,574	39,574
942,404	1,259	57,954	1,001,617	994,270	Department of Corrections	1,028,994	1,027,707	1,027,707
57,542	2,386	27,398	87,326	85,346	Department of Education	78,410	74,998	74,998
241,208	45,044	7,640	293,892	277,371	Department of Environmental Protection	249,653	230,046	230,046
79,177	24,226	11,070	114,473	95,026	Department of Health and Senior Services	73,714	68,234	68,234
78,306	*24,201*	*10,956*	*113,463*	*94,078*	*(From General Fund)*	*72,843*	*67,363*	*67,363*
871	*25*	*114*	*1,010*	*948*	*(From Casino Revenue Fund)*	*871*	*871*	*871*
452,155	113,172	69,711	635,038	536,247	Department of Human Services	515,948	475,962	475,962
61,849	55,763	67	117,679	111,777	Department of Labor and Workforce Development	64,973	64,881	64,881
570,356	190,541	–12,577	748,320	650,620	Department of Law and Public Safety	578,440	541,566	541,566
526,265	*190,318*	*–12,577*	*704,006*	*607,024*	*(From General Fund)*	*532,349*	*495,475*	*495,475*
43,999	*223*	---	*44,222*	*43,590*	*(From Casino Control Fund)*	*45,999*	*45,999*	*45,999*
92	---	---	*92*	*6*	*(From Casino Revenue Fund)*	*92*	*92*	*92*
86,826	6,481	2,485	95,792	92,416	Department of Military and Veterans' Affairs	92,315	90,273	90,273
23,990	6,478	–327	30,141	27,214	Department of Personnel	22,824	20,597	20,597
19,420	3,261	197	22,878	15,493	Department of the Public Advocate	20,357	17,466	17,466
24,448	3,519	193	28,160	24,686	Department of State	41,759	37,492	35,564
96,451	4,617	2,965	104,033	102,054	Department of Transportation	103,851	82,404	82,404
456,909	200,101	–104,771	552,239	507,937	Department of the Treasury	505,709	466,184	466,184
427,469	*199,437*	*–104,771*	*522,135*	*478,464*	*(From General Fund)*	*476,269*	*436,744*	*436,744*
29,440	*664*	---	*30,104*	*29,473*	*(From Casino Control Fund)*	*29,440*	*29,440*	*29,440*
1,407	7	11	1,425	1,424	Miscellaneous Commissions	1,456	1,456	1,456
3,506,659	***699,374***	***72,538***	***4,278,571***	***3,953,387***	***Total Executive Branch***	***3,833,628***	***3,643,039***	***3,641,111***
3,432,257	*698,462*	*72,424*	*4,203,143*	*3,879,370*	*(From General Fund)*	*3,757,226*	*3,566,637*	*3,564,709*
73,439	*887*	---	*74,326*	*73,063*	*(From Casino Control Fund)*	*75,439*	*75,439*	*75,439*
963	*25*	*114*	*1,102*	*954*	*(From Casino Revenue Fund)*	*963*	*963*	*963*
					Interdepartmental Accounts			
155,490	4,988	10,700	171,178	169,689	Property Rentals	177,431	150,477	150,477
120,711	2,832	---	123,543	121,678	Insurance and Other Services	111,489	110,907	110,907
1,647,708	8,000	34,924	1,690,632	1,620,735	Employee Benefits	1,755,524	1,768,831	1,768,831
36,278	695	34,196	71,169	45,508	Other Interdepartmental Accounts	14,143	4,175	4,175
118,860	47,232	–124,931	41,161	10,488	Salary Increases and Other Benefits	13,900	53,308	53,308
65,916	924	–19,813	47,027	38,764	Utilities and Other Services	66,156	65,830	65,830
2,144,963	***64,671***	***-64,924***	***2,144,710***	***2,006,862***	***Total Interdepartmental Accounts***	***2,138,643***	***2,153,528***	***2,153,528***

Year Ending June 30, 2007: Orig. & (S)Supple-mental	Reapp. & (R)Recpts.	Transfers & (E)Emer-gencies	Total Available	Expended		2008 Adjusted Approp.	Year Ending June 30, 2009: Requested	Recom-mended
					DIRECT STATE SERVICES			
					Judicial Branch			
567,750	9,753	7,219	584,722	576,492	The Judiciary	629,131	636,167	636,167
567,750	***9,753***	***7,219***	***584,722***	***576,492***	***Total Judicial Branch***	***629,131***	***636,167***	***636,167***
6,293,265	***791,797***	***16,020***	***7,101,082***	***6,614,448***	***Total Direct State Services***	***6,677,910***	***6,508,403***	***6,506,475***
6,218,863	*790,885*	*15,906*	*7,025,654*	*6,540,431*	*(From General Fund)*	*6,601,508*	*6,432,001*	*6,430,073*
73,439	*887*	---	*74,326*	*73,063*	*(From Casino Control Fund)*	*75,439*	*75,439*	*75,439*
963	*25*	*114*	*1,102*	*954*	*(From Casino Revenue Fund)*	*963*	*963*	*963*
					GRANTS–IN–AID			
					Executive Branch			
5,025	412	730	6,167	5,751	Department of Agriculture	4,975	4,075	4,075
676,769	10	10,443	687,222	656,341	Department of Children and Families	753,952	755,067	755,067
61,845	13,274	6,603	81,722	73,563	Department of Community Affairs	54,255	64,860	64,860
133,151	4,402	–41	137,512	136,668	Department of Corrections	151,098	121,591	121,591
39,713	---	579	40,292	36,054	Department of Education	31,688	18,453	18,453
27,165	17,240	–750	43,655	4,744	Department of Environmental Protection	35,947	19,481	19,481
1,743,326	14,232	–12,166	1,745,392	1,515,465	Department of Health and Senior Services	1,663,074	1,488,342	1,488,342
1,426,416	*4,735*	*–12,052*	*1,419,099*	*1,256,783*	*(From General Fund)*	*1,403,266*	*1,229,394*	*1,229,394*
316,910	*9,497*	*–114*	*326,293*	*258,682*	*(From Casino Revenue Fund)*	*259,808*	*258,948*	*258,948*
3,795,427	196,537	–21,119	3,970,845	3,871,598	Department of Human Services	3,973,332	3,933,433	3,933,433
3,631,689	*196,537*	*–21,119*	*3,807,107*	*3,708,626*	*(From General Fund)*	*3,860,488*	*3,802,976*	*3,802,976*
163,738	---	---	*163,738*	*162,972*	*(From Casino Revenue Fund)*	*112,844*	*130,457*	*130,457*
56,973	16	---	56,989	56,908	Department of Labor and Workforce Development	72,175	71,964	71,964
54,533	*16*	---	*54,549*	*54,468*	*(From General Fund)*	*69,735*	*69,524*	*69,524*
2,440	---	---	*2,440*	*2,440*	*(From Casino Revenue Fund)*	*2,440*	*2,440*	*2,440*
22,469	98	---	22,567	21,949	Department of Law and Public Safety	28,085	32,503	32,503
22,469	*98*	---	*22,567*	*21,949*	*(From General Fund)*	*28,085*	*27,423*	*27,423*
---	---	---	---	---	*(From Gubernatorial Elections Fund)*	---	*5,080*	*5,080*
1,544	69	184	1,797	1,786	Department of Military and Veterans' Affairs	3,044	3,174	3,174
1,183,738	10,938	–189	1,194,487	1,182,894	Department of State	1,256,428	1,505,725	1,159,575
300,700	3,167	140	304,007	300,808	Department of Transportation	298,200	358,200	358,200
1,587,898	36,625	3,171	1,627,694	1,466,097	Department of the Treasury	2,807,533	2,308,921	2,294,865
404,110	*35,156*	*3,171*	*442,437*	*320,290*	*(From General Fund)*	*403,533*	*422,921*	*408,865*
1,183,788	*1,469*	---	*1,185,257*	*1,145,807*	*(From Property Tax Relief Fund)*	*2,404,000*	*1,886,000*	*1,886,000*
9,635,743	***297,020***	***-12,415***	***9,920,348***	***9,330,626***	***Total Executive Branch***	***11,133,786***	***10,685,789***	***10,325,583***
7,968,867	*286,054*	*–12,301*	*8,242,620*	*7,760,725*	*(From General Fund)*	*8,354,694*	*8,402,864*	*8,042,658*
1,183,788	*1,469*	---	*1,185,257*	*1,145,807*	*(From Property Tax Relief Fund)*	*2,404,000*	*1,886,000*	*1,886,000*
483,088	*9,497*	*–114*	*492,471*	*424,094*	*(From Casino Revenue Fund)*	*375,092*	*391,845*	*391,845*
---	---	---	---	---	*(From Gubernatorial Elections Fund)*	---	*5,080*	*5,080*
					Interdepartmental Accounts			
760,407	2,800	–13,032	750,175	736,677	Employee Benefits	745,469	768,514	768,514
---	11,189	10	11,199	10,838	Other Interdepartmental Accounts	---	---	---
---	---	---	---	---	Salary Increases and Other Benefits	---	38,485	38,485
136,436	670	---	137,106	135,336	Aid to Independent Authorities	155,304	137,796	137,796
896,843	***14,659***	***-13,022***	***898,480***	***882,851***	***Total Interdepartmental Accounts***	***900,773***	***944,795***	***944,795***
10,532,586	***311,679***	***-25,437***	***10,818,828***	***10,213,477***	***Total Grants-in-Aid***	***12,034,559***	***11,630,584***	***11,270,378***
8,865,710	*300,713*	*–25,323*	*9,141,100*	*8,643,576*	*(From General Fund)*	*9,255,467*	*9,347,659*	*8,987,453*
1,183,788	*1,469*	---	*1,185,257*	*1,145,807*	*(From Property Tax Relief Fund)*	*2,404,000*	*1,886,000*	*1,886,000*
483,088	*9,497*	*–114*	*492,471*	*424,094*	*(From Casino Revenue Fund)*	*375,092*	*391,845*	*391,845*
---	---	---	---	---	*(From Gubernatorial Elections Fund)*	---	*5,080*	*5,080*

Year Ending June 30, 2007 Orig. & (S)Supple- mental	Reapp. & (R)Recpts.	Transfers & (E)Emer- gencies	Total Available	Expended		2008 Adjusted Approp.	Year Ending June 30, 2009 Requested	Recom- mended
					STATE AID			
					Executive Branch			
11,727	2,593	−7	14,313	11,150	Department of Agriculture	11,727	10,873	10,873
1,216,361	9,533	−86,457	1,139,437	1,131,779	Department of Community Affairs	1,212,608	1,020,284	1,020,284
154,889	*9,533*	*−2,249*	*162,173*	*155,028*	*(From General Fund)*	*92,036*	*55,906*	*55,906*
1,061,472	*---*	*−84,208*	*977,264*	*976,751*	*(From Property Tax Relief Fund)*	*1,120,572*	*964,378*	*964,378*
10,314,002	14,244	−19,191	10,309,055	10,213,262	Department of Education	10,930,218	11,544,311	11,544,311
840,315	*8,224*	*80*	*848,619*	*802,205*	*(From General Fund)*	*916,206*	*1,015,495*	*1,015,495*
9,473,687	*6,020*	*−19,271*	*9,460,436*	*9,411,057*	*(From Property Tax Relief Fund)*	*10,014,012*	*10,528,816*	*10,528,816*
20,566	140	155	20,861	20,271	Department of Environmental Protection	21,197	19,236	19,236
11,066	*140*	*155*	*11,361*	*11,203*	*(From General Fund)*	*11,369*	*9,236*	*9,236*
9,500	*---*	*---*	*9,500*	*9,068*	*(From Property Tax Relief Fund)*	*9,828*	*10,000*	*10,000*
9,552	---	---	9,552	9,417	Department of Health and Senior Services	9,552	9,552	9,552
416,855	3,618	251	420,724	412,408	Department of Human Services	429,546	449,394	449,394
1,522	---	---	1,522	1,448	Department of Labor and Workforce Development	1,522	1,522	1,522
16,000	6,858	---	22,858	15,323	Department of Law and Public Safety	24,000	16,000	16,000
25,550	---	---	25,550	25,408	Department of State	46,065	36,548	34,681
34,930	---	---	34,930	34,930	Department of Transportation	36,928	33,018	33,018
34,930	*---*	*---*	*34,930*	*34,930*	*(From Casino Revenue Fund)*	*36,928*	*33,018*	*33,018*
461,008	29,899	---	490,907	444,857	Department of the Treasury	464,145	484,797	450,953
302,734	*29,899*	*---*	*332,633*	*291,576*	*(From General Fund)*	*298,279*	*317,391*	*283,547*
158,274	*---*	*---*	*158,274*	*153,281*	*(From Property Tax Relief Fund)*	*165,866*	*167,406*	*167,406*
12,528,073	***66,885***	***-105,249***	***12,489,709***	***12,320,253***	***Total Executive Branch***	***13,187,508***	***13,625,535***	***13,589,824***
1,790,210	*60,865*	*−1,770*	*1,849,305*	*1,735,166*	*(From General Fund)*	*1,840,302*	*1,921,917*	*1,886,206*
10,702,933	*6,020*	*−103,479*	*10,605,474*	*10,550,157*	*(From Property Tax Relief Fund)*	*11,310,278*	*11,670,600*	*11,670,600*
34,930	*---*	*---*	*34,930*	*34,930*	*(From Casino Revenue Fund)*	*36,928*	*33,018*	*33,018*
12,528,073	***66,885***	***-105,249***	***12,489,709***	***12,320,253***	***Total State Aid***	***13,187,508***	***13,625,535***	***13,589,824***
1,790,210	*60,865*	*−1,770*	*1,849,305*	*1,735,166*	*(From General Fund)*	*1,840,302*	*1,921,917*	*1,886,206*
10,702,933	*6,020*	*−103,479*	*10,605,474*	*10,550,157*	*(From Property Tax Relief Fund)*	*11,310,278*	*11,670,600*	*11,670,600*
34,930	*---*	*---*	*34,930*	*34,930*	*(From Casino Revenue Fund)*	*36,928*	*33,018*	*33,018*
					CAPITAL CONSTRUCTION			
					Legislative Branch			
---	288	---	288	117	Legislative Support Services	---	---	---
---	***288***	*---*	***288***	***117***	***Total Legislative Branch***	*---*	*---*	*---*
					Executive Branch			
---	1,799	---	1,799	---	Department of Agriculture	250	---	---
10,000	---	2,881	12,881	6,916	Department of Children and Families	---	---	---
---	8,517	−1	8,516	1,125	Department of Corrections	3,936	---	---
2,450	1,638	---	4,088	1,168	Department of Education	2,800	---	---
116,767	114,270	−9,118	221,919	99,251	Department of Environmental Protection	117,024	92,611	92,611
---	246	---	246	98	Department of Health and Senior Services	---	---	---
7,700	20,653	−2,881	25,472	10,044	Department of Human Services	2,800	---	---
1,500	13,122	---	14,622	4,195	Department of Law and Public Safety	3,800	---	---
2,590	2,465	925	5,980	1,565	Department of Military and Veterans' Affairs	1,318	---	---
---	1,624	---	1,624	1,157	Department of State	---	---	---
895,000	191	---	895,191	895,000	Department of Transportation	895,000	895,000	895,000
---	20,419	8,879	29,298	11,760	Department of the Treasury	6,500	---	---
---	2	---	2	---	Miscellaneous Commissions	---	---	---
1,036,007	***184,946***	***685***	***1,221,638***	***1,032,279***	***Total Executive Branch***	***1,033,428***	***987,611***	***987,611***

Year Ending June 30, 2007: Orig. & (S)Supple- mental	Reapp. & (R)Recpts.	Transfers & (E)Emer- gencies	Total Available	Expended		2008 Adjusted Approp.	Year Ending June 30, 2009: Requested	Recom- mended
					CAPITAL CONSTRUCTION			
					Interdepartmental Accounts			
202,772	43,721	10,593	257,086	208,735	Capital Projects - Statewide	247,137	208,418	208,418
202,772	***43,721***	***10,593***	***257,086***	***208,735***	***Total Interdepartmental Accounts***	***247,137***	***208,418***	***208,418***
1,238,779	***228,955***	***11,278***	***1,479,012***	***1,241,131***	***Total Capital Construction***	***1,280,565***	***1,196,029***	***1,196,029***
					DEBT SERVICE			
					Executive Branch			
64,664	---	-1	64,663	64,663	Department of Environmental Protection	56,790	59,735	59,735
363,121	---	1	363,122	363,120	Department of the Treasury	382,007	346,162	346,162
427,785	---	---	***427,785***	***427,783***	***Total Executive Branch***	***438,797***	***405,897***	***405,897***
427,785	---	---	***427,785***	***427,783***	***Total Debt Service***	***438,797***	***405,897***	***405,897***
31,020,488	***1,399,316***	***-103,388***	***32,316,416***	***30,817,092***	***GRAND TOTAL-STATE APPROPRIATIONS***	***33,619,339***	***33,366,448***	***32,968,603***
18,541,347	*1,381,418*	*91*	*19,922,856*	*18,588,087*	*(From General Fund)*	*19,416,639*	*19,303,503*	*18,905,658*
73,439	*887*	---	*74,326*	*73,063*	*(From Casino Control Fund)*	*75,439*	*75,439*	*75,439*
11,886,721	*7,489*	*-103,479*	*11,790,731*	*11,695,964*	*(From Property Tax Relief Fund)*	*13,714,278*	*13,556,600*	*13,556,600*
518,981	*9,522*	---	*528,503*	*459,978*	*(From Casino Revenue Fund)*	*412,983*	*425,826*	*425,826*
---	---	---	---	---	*(From Gubernatorial Elections Fund)*	---	*5,080*	*5,080*

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

Table IV shows prior year expenditures, current year appropriations, and budget year request & recommendations by Category or Purpose within fund and major spending category.

	2007 Expenditures	2008 Adjusted Appropriation	2009 Requested	2009 Recom- mended
General Fund--				
Direct State Services--				
Personal Services	2,954,824	3,121,965	3,035,825	3,035,090
Materials and Supplies	255,631	241,545	243,292	243,204
Services Other Than Personal	505,140	468,009	460,742	460,714
Maintenance and Fixed Charges	256,942	275,703	232,561	232,489
Improvements and Equipment	44,405	34,182	29,145	29,140
Employee Pension and Health Benefits	1,620,735	1,755,524	1,768,831	1,768,831
Special Purpose	902,754	704,580	661,605	660,605
Total Direct State Services	*6,540,431*	*6,601,508*	*6,432,001*	*6,430,073*
Grants-in-Aid--				
Employee Benefits-Colleges and Universities	736,677	745,469	768,514	768,514
Rutgers, The State University	309,280	328,595	342,120	290,581
University of Medicine and Dentistry of New Jersey	220,231	231,112	272,336	208,671
New Jersey Institute of Technology	47,182	49,098	122,690	42,685
State Colleges and Universities	276,717	292,572	413,560	262,619
Other Higher Education Programs	71,192	105,821	133,890	132,321
Student Aid-Scholarships and Grants	290,187	308,963	322,806	322,806
Support of Independent Higher Education Institutions	21,978	21,672	32,115	19,628
Correctional Facilities	136,668	151,098	121,591	121,591
Support of the Arts	24,530	28,718	18,930	18,930
Transit Subsidy	300,700	298,200	358,200	358,200

	2007 Expenditures	2008 Adjusted Appropriation	2009 Requested	2009 Recom- mended
Welfare Support Programs	249,174	277,025	269,216	269,216
Medicaid	3,372,174	3,549,540	3,394,848	3,394,848
Pharmaceutical Assistance Programs	19,065	77,018	55,566	55,566
Children and Families	656,341	753,952	755,067	755,067
Services for the Developmentally Disabled	548,960	519,119	548,359	548,359
Community Mental Health Services	280,428	304,887	324,887	324,887
AIDS Progams	22,434	31,000	31,309	31,309
Other Health and Human Services Programs	291,033	496,265	388,119	388,119
Economic Development	272,724	326,716	332,122	332,122
Other Grants-In-Aid	495,901	358,627	341,414	341,414
Total Grants-in-Aid	*8,643,576*	*9,255,467*	*9,347,659*	*8,987,453*
State Aid--				
Aid to County Colleges	173,537	177,959	201,448	167,604
Educational	802,205	916,206	1,015,495	1,015,495
Cash Assistance and County Welfare Administration	292,777	287,507	307,301	307,301
Health and Senior Services and Human Services	129,048	151,591	151,645	151,645
Aid to Counties and Municipalities	305,574	259,471	209,447	207,580
Other State Aid	32,025	47,568	36,581	36,581
Total State Aid	*1,735,166*	*1,840,302*	*1,921,917*	*1,886,206*
Capital Construction--				
Transportation Trust Fund	895,000	895,000	895,000	895,000
Environmental	3,288	---	---	---
Educational	1,168	2,800	---	---
Institutional	11,169	6,736	---	---
Constitutionally Dedicated Projects	190,201	209,234	190,611	190,611
All Other	140,305	166,795	110,418	110,418
Total Capital Construction	*1,241,131*	*1,280,565*	*1,196,029*	*1,196,029*
Debt Service--				
Principal	254,245	267,075	248,112	248,112
Interest	173,538	171,722	157,785	157,785
Total Debt Service	*427,783*	*438,797*	*405,897*	*405,897*
Total General Fund	***18,588,087***	***19,416,639***	***19,303,503***	***18,905,658***
Property Tax Relief Fund--				
Aid to County Colleges	27,640	35,139	40,026	40,026
Educational	9,411,057	10,014,012	10,528,816	10,528,816
Direct Property Tax Relief	1,241,220	2,501,000	1,978,000	1,978,000
Aid to Municipalities	1,016,047	1,164,127	1,009,758	1,009,758
Total Property Tax Relief Fund	***11,695,964***	***13,714,278***	***13,556,600***	***13,556,600***
Casino Control Fund--				
Enforcement	43,590	45,999	45,999	45,999
Administration	29,473	29,440	29,440	29,440
Total Casino Control Fund	***73,063***	***75,439***	***75,439***	***75,439***

	2007 Expenditures	2008 Adjusted Appropriation	2009 Requested	2009 Recom– mended
Casino Revenue Fund––				
Medicaid	159,882	109,186	125,500	125,500
Pharmaceutical Assistance Programs	214,762	215,473	215,912	215,912
Programs for Senior Citizens and the Disabled	85,334	88,324	84,414	84,414
Total Casino Revenue Fund	***459,978***	***412,983***	***425,826***	***425,826***
Gubernatorial Elections Fund––				
Public Financing of Gubernatorial General Election	---	---	5,080	5,080
Total Gubernatorial Elections Fund	---	---	***5,080***	***5,080***
GRAND TOTAL STATE APPROPRIATIONS	***30,817,092***	***33,619,339***	***33,366,448***	***32,968,603***

DEDICATED FUNDS

Summary of Appropriations by Department

(thousands of dollars)

Year Ending June 30, 2007 Orig. & (S)Supple-mental	Reapp. & (R)Recpts.	Transfers & (E)Emer-gencies	Total Available	Expended		2008 Adjusted Approp.	Year Ending June 30, 2009 Requested	Recom-mended
					PROPERTY TAX RELIEF FUND			
					Grants-In-Aid			
					Department of the Treasury			
1,183,788	1,469	---	1,185,257	1,145,807	Homestead Exemptions	2,404,000	1,886,000	1,886,000
1,183,788	*1,469*	---	*1,185,257*	*1,145,807*	*Total Department of the Treasury*	*2,404,000*	*1,886,000*	*1,886,000*
1,183,788	*1,469*	---	*1,185,257*	*1,145,807*	*Total Grants-In-Aid - Property Tax Relief Fund*	*2,404,000*	*1,886,000*	*1,886,000*
					State Aid			
					Department of Community Affairs			
1,061,472	---	-84,208	977,264	976,751	Local Government Services	1,120,572	964,378	964,378
1,061,472	---	*-84,208*	*977,264*	*976,751*	*Total Department of Community Affairs*	*1,120,572*	*964,378*	*964,378*
					Department of Education			
5,838,335	6,020	-11,191	5,833,164	5,827,483	General Formula Aid	5,899,113	6,989,490	6,989,490
86,979	---	---	86,979	85,434	Miscellaneous Grants-In-Aid	108,909	67,774	67,774
65,578	---	---	65,578	65,578	Bilingual Education	65,578	---	---
199,512	---	---	199,512	199,512	Programs for Disadvantaged Youth	266,310	---	---
896,420	---	---	896,420	896,420	Special Education	896,420	718,131	718,131
38,948	---	---	38,948	38,948	General Vocational Education	38,948	---	---
313,047	---	---	313,047	313,037	Student Transportation	316,247	296,774	296,774
65,195	---	---	65,195	65,195	Facilities Planning and School Building Aid	158,391	161,187	161,187
1,969,673	---	-8,080	1,961,593	1,919,450	Teachers' Pension and Annuity Assistance	2,264,096	2,295,460	2,295,460
9,473,687	*6,020*	*-19,271*	*9,460,436*	*9,411,057*	*Total Department of Education*	*10,014,012*	*10,528,816*	*10,528,816*
					Department of Environmental Protection			
9,500	---	---	9,500	9,068	Administration and Support Services	9,828	10,000	10,000
9,500	---	---	*9,500*	*9,068*	*Total Department of Environmental Protection*	*9,828*	*10,000*	*10,000*
					Department of the Treasury			
99,100	---	---	99,100	95,413	Reimbursement of Senior/ Disabled Citizens' and Veterans' Tax Deductions	97,000	92,000	92,000
31,534	---	---	31,534	30,228	Consolidated Police and Firemen's Pension Fund	33,727	35,380	35,380
27,640	---	---	27,640	27,640	Aid to County Colleges	35,139	40,026	40,026
158,274	---	---	*158,274*	*153,281*	*Total Department of the Treasury*	*165,866*	*167,406*	*167,406*
10,702,933	*6,020*	*-103,479*	*10,605,474*	*10,550,157*	*Total State Aid - Property Tax Relief Fund*	*11,310,278*	*11,670,600*	*11,670,600*
11,886,721	***7,489***	***-103,479***	***11,790,731***	***11,695,964***	***Total Property Tax Relief Fund***	***13,714,278***	***13,556,600***	***13,556,600***

Year Ending June 30, 2007: Orig. & (S)Supple-mental	Reapp. & (R)Recpts.	Transfers & (E)Emer-gencies	Total Available	Expended		2008 Adjusted Approp.	Year Ending June 30, 2009: Requested	Recom-mended
					CASINO CONTROL FUND			
					Direct State Services			
					Department of Law and Public Safety			
43,999	223	---	44,222	43,590	Gaming Enforcement	45,999	45,999	45,999
43,999	*223*	---	*44,222*	*43,590*	*Total Department of Law and Public Safety*	*45,999*	*45,999*	*45,999*
					Department of the Treasury			
29,440	664	---	30,104	29,473	Administration of Casino Gambling	29,440	29,440	29,440
29,440	*664*	---	*30,104*	*29,473*	*Total Department of the Treasury*	*29,440*	*29,440*	*29,440*
73,439	*887*	---	*74,326*	*73,063*	*Total Direct State Services - Casino Control Fund*	*75,439*	*75,439*	*75,439*
73,439	***887***	---	***74,326***	***73,063***	***Total Casino Control Fund***	***75,439***	***75,439***	***75,439***
					CASINO REVENUE FUND			
					Direct State Services			
					Department of Health and Senior Services			
871	25	114	1,010	948	Programs for the Aged	871	871	871
871	*25*	*114*	*1,010*	*948*	*Total Department of Health and Senior Services*	*871*	*871*	*871*
					Department of Law and Public Safety			
92	---	---	92	6	Operation of State Professional Boards	92	92	92
92	---	---	*92*	*6*	*Total Department of Law and Public Safety*	*92*	*92*	*92*
963	*25*	*114*	*1,102*	*954*	*Total Direct State Services - Casino Revenue Fund*	*963*	*963*	*963*
					Grants-In-Aid			
					Department of Health and Senior Services			
529	---	---	529	529	Family Health Services	529	529	529
30,629	---	---	30,629	28,828	Medical Services for the Aged	29,129	27,830	27,830
271,075	9,497	---	280,572	214,762	Pharmaceutical Assistance to the Aged and Disabled	215,473	215,912	215,912
14,677	---	-114	14,563	14,563	Programs for the Aged	14,677	14,677	14,677
316,910	*9,497*	*-114*	*326,293*	*258,682*	*Total Department of Health and Senior Services*	*259,808*	*258,948*	*258,948*
					Department of Human Services			
22,934	---	---	22,934	22,168	Purchased Residential Care	22,934	22,934	22,934
2,208	---	---	2,208	2,208	Social Supervision and Consultation	2,208	2,208	2,208
7,374	---	---	7,374	7,374	Adult Activities	7,374	7,374	7,374
131,222	---	---	131,222	131,222	Disability Services	80,328	97,941	97,941
163,738	---	---	*163,738*	*162,972*	*Total Department of Human Services*	*112,844*	*130,457*	*130,457*
					Department of Labor and Workforce Development			
2,440	---	---	2,440	2,440	Vocational Rehabilitation Services	2,440	2,440	2,440
2,440	---	---	*2,440*	*2,440*	*Total Department of Labor and Workforce Development*	*2,440*	*2,440*	*2,440*

Year Ending June 30, 2007							Year Ending June 30, 2009	
Orig. & (S)Supple- mental	Reapp. & (R)Recpts.	Transfers & (E)Emer- gencies	Total Available	Expended		2008 Adjusted Approp.	Requested	Recom- mended
483,088	*9,497*	*-114*	*492,471*	*424,094*	*Total Grants-In-Aid - Casino Revenue Fund*	*375,092*	*391,845*	*391,845*
					State Aid			
					Department of Transportation			
34,930	---	---	34,930	34,930	Railroad and Bus Operations	36,928	33,018	33,018
34,930	---	---	*34,930*	*34,930*	*Total Department of Transportation*	*36,928*	*33,018*	*33,018*
34,930	---	---	*34,930*	*34,930*	*Total State Aid - Casino Revenue Fund*	*36,928*	*33,018*	*33,018*
518,981	***9,522***	---	***528,503***	***459,978***	***Total Casino Revenue Fund***	***412,983***	***425,826***	***425,826***
					GUBERNATORIAL ELECTIONS FUND			
					Grants-In-Aid			
					Department of Law and Public Safety			
---	---	---	---	---	Election Law Enforcement	---	5,080	5,080
---	---	---	---	---	*Total Department of Law and Public Safety*	---	*5,080*	*5,080*
---	---	---	---	---	*Total Grants-In-Aid - Gubernatorial Elections Fund*	---	*5,080*	*5,080*
---	---	---	---	---	***Total Gubernatorial Elections Fund***	---	***5,080***	***5,080***
12,479,141	***17,898***	***-103,479***	***12,393,560***	***12,229,005***	***Total Appropriation***	***14,202,700***	***14,062,945***	***14,062,945***

FY 2009 Budget Highlights

Budget spends $500 million less than the current budget.

Budget includes $2.7 billion in actions to reduce spending to offset growth areas.

Budget reduces the size and cost of government by $350 million through reductions in workforce, consolidation of departments and other actions.

Every Executive branch department operating budget is reduced.

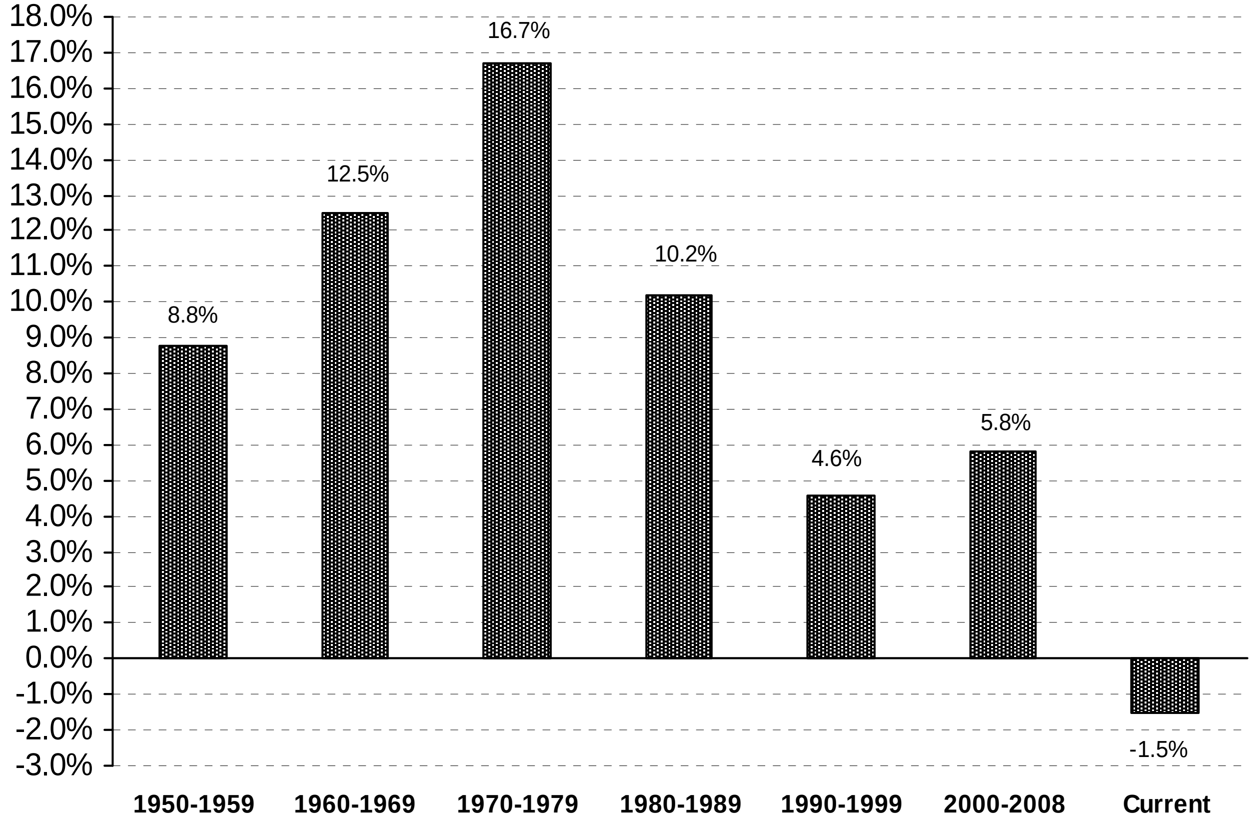
Budget increases bring total funding for property tax relief to $16.7 billion – approximately 50% of the budget.

Budget protects core responsibilities of government – educating our children; providing public safety; and caring for the most vulnerable.

Budget dramatically reduces the gap between recurring revenues and recurring expenses by significantly reducing one time revenues from $1.8 billion to less than $600 million.

Budget does not include any new or increased taxes.

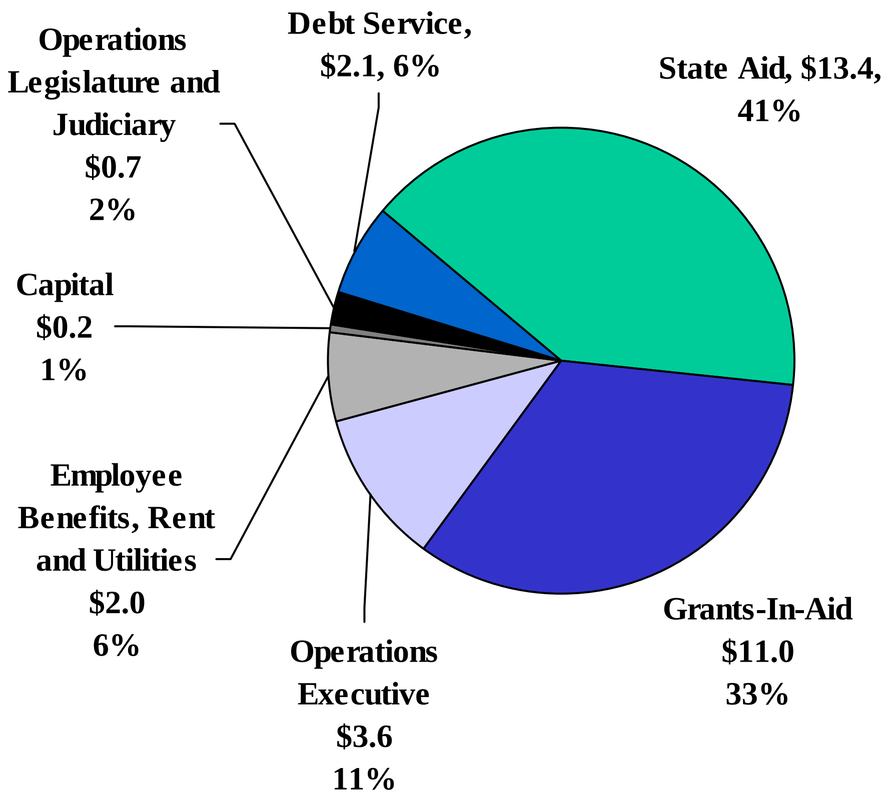
Average Change in Budgets Over Almost 6 Decades



Data compares Recommended Budget to the Prior Fiscal Year's Appropriations Act

Where Does the Money Go – State Aid and Grants Represent Nearly Three Quarters of the Budget

(In Billions)



Total Debt Service $2.7 billion; School Construction Debt Service is reflected in State Aid

Total Budget is $33 Billion

Nearly three quarters of every dollar goes to Property Tax Relief and Grants in Aid

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

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

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

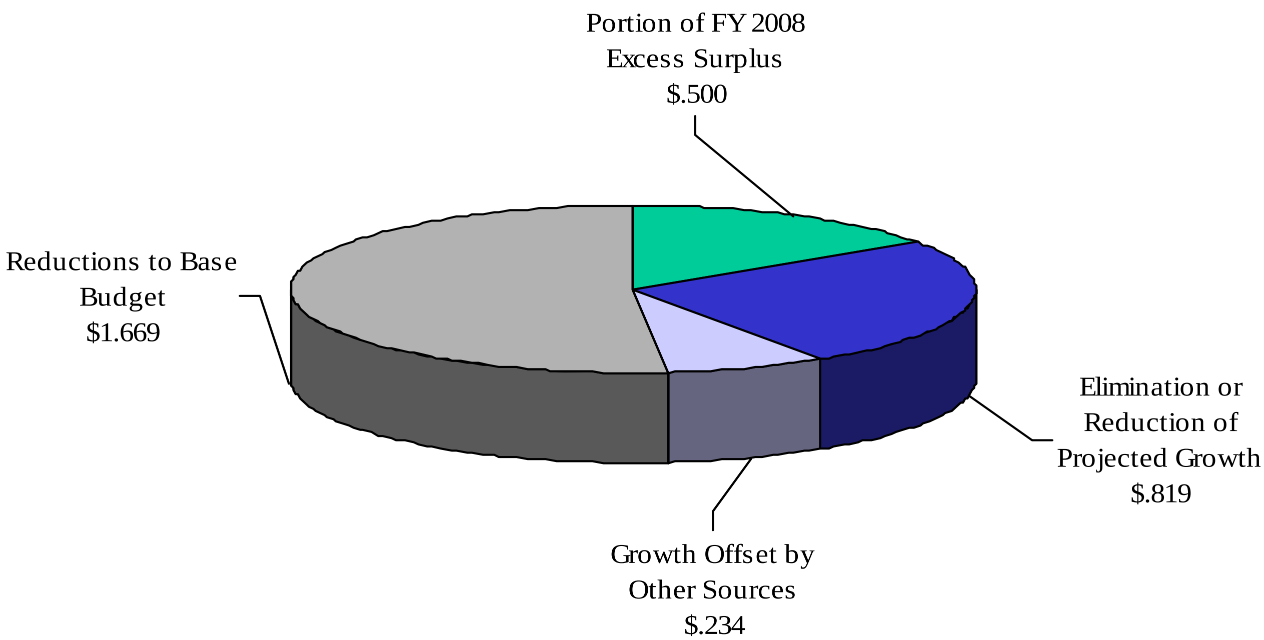
How FY 2009 Budget Balanced

(In Thousands)

FY 2008 Adjusted Appropriation		$33,619,339
FY 2009 Growth Net		2,071,435
Total Projected FY 2009 Model		35,690,774
FY 2009 Base Revenue		32,468,603
FY 2009 Projected Structural Gap		3,222,171
ACTIONS TO CLOSE STRUCTURAL GAP		$3,222,171
Use of portion of FY 2008 excess surplus		500,000
Elimination or reduction of projected growth		819,220
Growth offset by other sources		233,985
Reductions to base budget		1,668,966
Operating budget and Interdepartmental	324,140	
Homeowner and Tenant Rebates	519,000	
Municipal and County Aid	202,195	
Hospitals	143,500	
Medicaid/Family Care/PAAD	177,801	
Higher Education	132,956	
Other	169,374	

FY2009 Actions to Close the Gap

(In Billions)



Total $3.2 billion

FY 2009 Deferrals/Decreases

(In Millions)

DEFERRALS	
Pension Contribution *	$403.4
No Inflation for Municipal Aid	82.0
No New Community Provider COLA for 2009	42.4
Reduce NJ Transit Increase	40.0
No Growth in Higher Education Operating	32.3
DECREASES	
Employee Related Savings/Operating	$324.1
Homeowner Rebates	345.0
Tenant Rebates	127.0
Municipal Aid	189.8
Hospital Reductions	143.5
NJ FamilyCare (due to increased federal funds)	80.0
College and University Operating Support (net of salary contract funding)	76.0
Savings from Enhanced Medicaid Fraud Prevention	28.0
Savings from Smarter Procurements	25.0
Garden State Preservation Trust Bridge Funding	25.0
State Police Rural Patrol	20.5

* Assumed 65% funding level. However, full funding would have been a $1.2 billion increase.

Includes only amounts above $20 million

FY 2009 Increases

(In Millions)

School Aid (excludes school construction)	$555.6
School Construction Debt Service	58.5
Developmentally Disabled/Mental Health Community Programs	60.9
NJ Transit	60.0
Annualization of January 2008 Provider COLA	40.6
Active and Retiree Health Care and Pensions	28.0
Business Employment Incentive Program Grants	27.0
Senior/Disabled Citizens' Property Tax Freeze	16.0
State Rental Assistance Program	15.0
Tuition Assistance Grants	14.9

Includes only a sampling of increases

Funding for Property Tax Relief

(In Millions)

Programs	FY2008 Adjusted Approp.		FY2009 Budget	$ Change
School Aid	$ 10,930.2		$ 11,544.3	$ 614.1
Municipal Aid	1,996.8		1,807.2	(189.6)
Other Local Aid	842.2		826.8	(15.4)
Direct Taxpayer Relief	2,850.0	*	2,514.0	(336.0)
Total Direct Aid	**$ 16,619.2**		**$ 16,692.3**	**$ 73.1**

* Reflects fiscal 2008 expended

Taxpayer Relief

(In Millions)

PROGRAM DESCRIPTION	FY2008 Adjusted Approp.		FY2009 Budget	Change $	Change %
School Aid					
Direct Aid	$ 8,010.7		$ 8,544.9	$ 534.2	6.7
School Building Aid	655.4		703.9	48.5	7.4
Teachers' Retirement Benefits & Social Security	2,264.1		2,295.5	31.4	1.4
Subtotal School Aid	**$ 10,930.2**		**$ 11,544.3**	**$ 614.1**	5.6
Municipal Aid					
Consolidated Municipal Property Tax Relief Aid (CMPTRA)	$ 835.4		$ 773.4	$ (62.0)	(7.4)
* Energy Tax Receipts Property Tax Relief Aid	788.5		788.5	-	-
Special Municipal Aid	153.0		145.4	(7.6)	(5.0)
Trenton Capital City Aid	37.5		35.6	(1.9)	(5.1)
Municipal Efficiency Promotion Aid Program	34.8		-	(34.8)	-
Extraordinary Aid	34.0		32.3	(1.7)	(5.0)
2008 Municipal Property Tax Assistance	32.6		-	(32.6)	-
Municipal Homeland Security Assistance	32.0		-	(32.0)	-
Consolidation Fund / SHARE	19.2		10.0	(9.2)	(47.9)
Highlands Protection Fund Aid	12.0		12.0	-	-
Open Space - Payments in Lieu of Taxes	9.8		10.0	0.2	2.0
Regional Efficiency Aid Program (REAP)	8.0		-	(8.0)	-
Subtotal Municipal Aid	**$ 1,996.8**		**$ 1,807.2**	**$ (189.6)**	(9.5)
Other Local Aid					
County College Aid	$ 233.1		$ 221.6	$ (11.5)	(4.9)
* Transportation Trust Fund - Local Project Aid	172.0		175.0	3.0	1.7
Aid to County Psychiatric Hospitals	122.0		119.1	(2.9)	(2.4)
Employee Benefits on behalf of Local Governments	94.3		96.6	2.3	2.4
* Urban Enterprise Zones - Sales Tax Dedication	85.0		87.0	2.0	2.4
County Solid Waste Debt	35.0		30.0	(5.0)	(14.3)
General Assistance Administration	26.0		29.7	3.7	14.2
Library Aid	18.5		17.7	(0.8)	(4.3)
DCA - Housing and Neighborhood Assistance	16.7		13.9	(2.8)	(16.8)
911 Enhancement	14.9		12.4	(2.5)	(16.8)
Voter Verified Paper Audit Trail	10.0		10.0	-	-
County Prosecutors	8.0		8.0	-	-
County Environmental Health Act	3.5		2.7	(0.8)	(22.9)
SJPC Property Tax Reserve Fund (PILOT)	3.2		3.1	(0.1)	(3.1)
Subtotal Other Local Aid	**$ 842.2**		**$ 826.8**	**$ (15.4)**	(1.8)
Direct Taxpayer Relief					
Homestead Property Tax Credits/Rebates for Homeowners	$ 1,850.0	**	$ 1,593.0	$ (257.0)	(13.9)
Homestead Rebates for Tenants	248.0	**	124.0	(124.0)	(50.0)
Senior/Disabled Citizens' Property Tax Freeze	153.0		169.0	16.0	10.5
Municipal Reimbursement--Veterans' Tax Deductions	75.0		71.5	(3.5)	(4.7)
Municipal Reimbursement--Senior/Disabled Citizens' Tax Deductions	22.0		20.5	(1.5)	(6.8)
* Property Tax Deduction Act	502.0		536.0	34.0	6.8
Subtotal Direct Taxpayer Relief	**$ 2,850.0**		**$ 2,514.0**	**$ (336.0)**	(11.8)
GRAND TOTAL - TAXPAYER RELIEF	**$ 16,619.2**		**$ 16,692.3**	**$ 73.1**	**0.4**

* Not part of State Budget
** Reflects fiscal 2008 expended
FY08 excludes one-time funding for GSPT, Presidential Primary and Flood Relief

Direct Property Tax Relief

(In Millions)

	FY2008 Adjusted Approp.		FY2009 Budget	$ Change
Homestead Property Tax Credits/Rebates for Homeowners	$ 1,850.0	**	$ 1,593.0	$ (257.0)
Homestead Rebates for Tenants	248.0	**	124.0	(124.0)
Senior/Disabled Citizens Property Tax Freeze	153.0		169.0	16.0
Property Tax Deduction Act	502.0		536.0	34.0
Municipal Reimbursement - Veterans' Tax Deductions	75.0		71.5	(3.5)
Municipal Reimbursement - Senior/Disabled Citizens' Tax Deductions	22.0		20.5	(1.5)
Total Direct Property Tax Relief	**$ 2,850.0**		**$ 2,514.0**	**$ (336.0)**

**Reflects fiscal 2008 expended

Municipal Aid

(In Millions)

	FY2008 Adjusted Approp.	FY2009 Budget	$ Change
Consolidated Municipal Property Tax Relief Aid (CMPTRA)	$ 835.4	$ 773.4	$ (62.0)
Energy Tax Receipts Property Tax Relief Aid	788.5	788.5	-
Special Municipal Aid	153.0	145.4	(7.6)
Trenton Capital City Aid	37.5	35.6	(1.9)
Municipal Efficiency Promotion Aid Program	34.8	-	(34.8)
Extraordinary Aid	34.0	32.3	(1.7)
2008 Municipal Property Tax Assistance	32.6	-	(32.6)
Municipal Homeland Security Assistance	32.0	-	(32.0)
Consolidation Fund / SHARE *	19.2	10.0	(9.2)
Highlands Protection Fund Aid	12.0	12.0	-
Open Space - Payment In Lieu of Taxes (PILOT)	9.8	10.0	0.2
Regional Efficiency Aid Program (REAP)	8.0	-	(8.0)
Total Direct Municipal Aid	**$ 1,996.8**	**$ 1,807.2**	**$ (189.6)**

* FY 2008 will carryforward $22 million

School Aid

(In Millions)

	FY2008 Adjusted Approp.	FY2009 Budget	$ Change
Formula Aid	$ 7,265.4	$ 7,780.0	$ 514.6
Preschool Programs	516.9	543.8	26.9
Nonpublic School Aid	104.7	104.7	-
Other Aid	123.7	116.4	(7.3)
Total Direct School Aid	**$ 8,010.7**	**$ 8,544.9**	**$ 534.2**
Teachers' Pension and Annuity Fund	$ 692.3	$ 693.3	$ 1.0
Post Retirement Medical	751.1	750.1	(1.0)
Debt Service on Pension Obligation Bonds	103.5	112.5	9.0
Teachers' Social Security	717.2	739.6	22.4
Total Direct State Payments for Education	**$ 2,264.1**	**$ 2,295.5**	**$ 31.4**
School Construction and Renovation Fund	$ 542.4	$ 600.9	$ 58.5
Debt Service Aid	113.0	103.0	(10.0)
Total School Building Aid	**$ 655.4**	**$ 703.9**	**$ 48.5**
Total School Aid	**$ 10,930.2**	**$ 11,544.3**	**$ 614.1**

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

	Expended Fiscal 2007	Adjusted Appropriation Fiscal 2008	Requested Fiscal 2009	---Recommended Fiscal Year 2009--- General Fund	Property Tax Relief Fund	Total
Formula Aid Programs:						
Equalization Aid	$ -	$ -	$ 5,666,191	$ 305,505	$ 5,360,686	$ 5,666,191
Core Curriculum Standards Aid	3,080,164	3,083,218	-	-	-	-
Supplemental Core Curriculum Standards Aid	251,768	251,768	-	-	-	-
Educational Adequacy Aid	-	-	8,167	-	8,167	8,167
Early Childhood Aid	330,630	330,630	-	-	-	-
Preschool Education Aid	-	-	543,839	-	543,839	543,839
Instructional Supplement	15,621	15,621	-	-	-	-
Demonstrably Effective Program Aid	199,512	199,512	-	-	-	-
Stabilization Aid	111,626	111,626	-	-	-	-
Stabilization Aid 2	2,491	2,491	-	-	-	-
Stabilization Aid 3	11,402	11,402	-	-	-	-
Adjustment Aid	-	-	849,115	-	849,115	849,115
Additional Supplemental Stabilization Aid:						
Large Efficient Districts	5,250	5,250	-	-	-	-
High Senior Citizen Concentrations	1,231	1,231	-	-	-	-
Regionalization Incentive Aid	18,295	18,295	-	-	-	-
Security Aid	-	-	223,792	-	223,792	223,792
Adult Education Grants	28,721	28,721	-	-	-	-
Bilingual Education	65,578	65,578	-	-	-	-
Special Education Aid	896,420	896,420	-	-	-	-
Special Education Categorical Aid	-	-	718,131	-	718,131	718,131
County Vocational Education	38,948	38,948	-	-	-	-
Transportation Aid	312,947	316,147	296,774	-	296,774	296,774
School Choice	8,306	8,306	7,851	-	7,851	7,851
Abbott-Bordered District Aid	21,903	21,903	-	-	-	-
Aid for Enrollment Adjustments	16,456	16,456	-	-	-	-
Consolidated Aid	129,684	129,684	-	-	-	-
Above Average Enrollment Growth	17,575	17,575	-	-	-	-
Additional Formula Aid	86,772	179,378	-	-	-	-
Targeted At-Risk Aid	-	66,798	-	-	-	-
Adult Education	-	10,000	10,000	-	10,000	10,000
Full-Day Kindergarten Supplemental Aid	-	26,182	-	-	-	-
Less:						
Stabilization Aid Growth Limitation	(73,576)	(73,576)	-	-	-	-
Growth Savings - Payment Change	(10,250)	(8,450)	(3,960)	-	(3,960)	(3,960)
Subtotal, Formula Aid Programs	**$ 5,567,474**	**$ 5,771,114**	**$ 8,319,900**	**$ 305,505**	**$ 8,014,395**	**$ 8,319,900**
School Construction and Renovation Fund	339,799	542,439	600,873	542,736	58,137	600,873
Debt Service Aid	116,907	112,997	103,050	-	103,050	103,050
Subtotal, School Building Aid	**$ 456,706**	**$ 655,436**	**$ 703,923**	**$ 542,736**	**$ 161,187**	**$ 703,923**
TOTAL FORMULA AID	**$ 6,024,180**	**$ 6,426,550**	**$ 9,023,823**	**$ 848,241**	**$ 8,175,582**	**$ 9,023,823**

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

	Expended Fiscal 2007	Adjusted Appropriation Fiscal 2008	Requested Fiscal 2009	---Recommended Fiscal Year 2009--- General Fund	Property Tax Relief Fund	Total
Other Aid to Education:						
Nonpublic School Aid	$ 108,183	$ 104,664	$ 104,664	$ 104,664	$ -	$ 104,664
Education Opportunity Aid	1,575,055	1,727,294	-	-	-	-
Abbott Preschool Expansion Aid	224,925	255,900	-	-	-	-
Early Launch to Learning Initiative	2,155	2,675	-	-	-	-
High Expectations for Learning Proficiency	16,954	16,900	-	-	-	-
Payment for Children with Unknown District of Residence	30,200	31,710	33,296	-	33,296	33,296
Extraordinary Special Education Aid	51,993	52,000	52,000	52,000	-	52,000
General Vocational Aid	4,847	4,860	4,860	4,860	-	4,860
Additional School Building Aid (Debt Service)	23	-	-	-	-	-
Educational Information & Resource Center	450	450	450	450	-	450
Charter School Aid	14,296	22,643	24,478	-	24,478	24,478
Charter Schools - Council on Local Mandates Decision Offset Aid	9,728	13,335	-	-	-	-
Teacher Quality Mentoring	2,489	2,500	-	-	-	-
Other Aid	8,829	4,641	5,280	5,280	-	5,280
Subtotal, Other Aid to Education	**$ 2,050,127**	**$ 2,239,572**	**$ 225,028**	**$ 167,254**	**$ 57,774**	**$ 225,028**
Subtotal, Department of Education	**$ 8,074,307**	**$ 8,666,122**	**$ 9,248,851**	**$ 1,015,495**	**$ 8,233,356**	**$ 9,248,851**
Direct State Payments for Education:						
Teachers' Pension and Annuity Fund	661,383	661,383	661,383	-	661,383	661,383
Teachers' Pension and Annuity Fund - Post Retirement Medical	580,831	642,445	638,219	-	638,219	638,219
Teachers' Pension and Annuity Fund - Non-Contributory	26,790	30,952	31,888	-	31,888	31,888
Debt Service on Pension Obligation Bonds	95,097	103,472	112,510	-	112,510	112,510
Post Retirement Medical Other Than TPAF	97,618	108,694	111,910	-	111,910	111,910
Teachers' Social Security Assistance	677,236	717,150	739,550	-	739,550	739,550
Subtotal, Direct State Payments for Education	**$ 2,138,955**	**$ 2,264,096**	**$ 2,295,460**	**$ -**	**$ 2,295,460**	**$ 2,295,460**
TOTAL	**$ 10,213,262**	**$ 10,930,218**	**$ 11,544,311**	**$ 1,015,495**	**$ 10,528,816**	**$ 11,544,311**

Higher Education

(In Millions)

	FY2008 Adjusted Approp.	FY2009 Budget	Change $	Change %
Colleges and Universities				
Senior Public Colleges and Universities	$ 1,499.9	$ 1,436.7	$ (63.2)	(4.2)
County Colleges	233.1	221.6	(11.5)	(4.9)
Independent Colleges and Universities	20.4	18.4	(2.0)	(10.0)
Student Financial Assistance	**268.3**	**282.1**	**13.8**	**5.2**
Educational Opportunity Fund	**40.6**	**40.6**	**-**	**-**
Facility and Capital Improvement Programs	**93.4**	**88.1**	**(5.3)**	**(5.7)**
Other Programs	**18.1**	**10.7**	**(7.4)**	**(41.1)**
Total Higher Education	**$ 2,173.8**	**$ 2,098.2**	**$ (75.6)**	**(3.5)**

Higher Education

(In Millions)

	FY2008 Adjusted Approp.	FY2009 Budget	$ Change
Senior Public Institutions			
Rutgers University	$ 328.6	$ 290.6	$ (38.0)
UMDNJ	231.1	208.7	(22.4)
NJIT	49.1	42.7	(6.4)
Thomas Edison State College	6.0	5.4	(0.6)
Rowan University	38.7	34.7	(4.0)
New Jersey City University	32.9	29.5	(3.4)
Kean University	42.5	38.1	(4.5)
William Paterson University	41.3	37.2	(4.1)
Montclair State University	48.6	43.7	(4.9)
College of New Jersey	37.0	33.3	(3.7)
Ramapo College of New Jersey	20.5	18.2	(2.2)
Richard Stockton College of New Jersey	25.1	22.6	(2.6)
Subtotal Senior Publics Direct Aid	$ 901.4	$ 804.6	$ (96.8)
Senior Publics Salary Funding	-	38.5	38.5
Senior Publics Net Fringe Benefits	598.5	593.6	(4.9)
Total Senior Publics	**$ 1,499.9**	**$ 1,436.7**	**$ (63.2)**
County Colleges			
Operating Support	$ 163.4	$ 147.1	$ (16.3)
Fringe Benefits	34.5	34.5	--
Chapter 12 Debt Service	35.1	40.0	4.9
Total County Colleges	**$ 233.1**	**$ 221.6**	**$ (11.5)**
Total Independent Colleges and Universities	**$ 20.4**	**$ 18.4**	**$ (2.0)**
Student Financial Assistance			
Tuition Aid Grants (TAG)	$ 230.2	$ 245.1	$ 14.9
Part-time TAG for County Colleges	5.5	6.0	0.5
NJSTARS I & II	13.8	14.7	0.9
EOF Grants and Scholarships	40.6	40.6	-
Loan Forgiveness for Mental Health Workers	3.5	3.5	-
Other Student Aid Programs	15.3	12.9	(2.4)
Total Student Financial Assistance	**$ 308.9**	**$ 322.7**	**$ 13.8**
Other Programs			
Capital Grants and Facilities Support	$ 93.4	$ 88.1	$ (5.3)
New Jersey Stem Cell Research Institute	5.5	-	(5.5)
All Other Programs	12.6	10.7	(1.9)
Total Other Programs	**$ 111.5**	**$ 98.8**	**$ (12.7)**
Grand Total Higher Education	**$ 2,173.8**	**$ 2,098.2**	**$ (75.6)**

Hospital Funding – State and Federal

(in Millions)

	FY08	FY09	Change
Charity Care/Health Care Stabilization Fund	$716.0	$608.0	($108.0)
Hospital Relief Offset Payments	203.0	183.0	(20.0)
Cancer Grants	66.5	46.0	(20.5)
Graduate Medical Education	60.0	50.0	(10.0)
Hospital Asset Transformation Program	-	15.0	15.0
TOTAL	**$1,045.5**	**$902.0**	**($143.5)**

State Budget

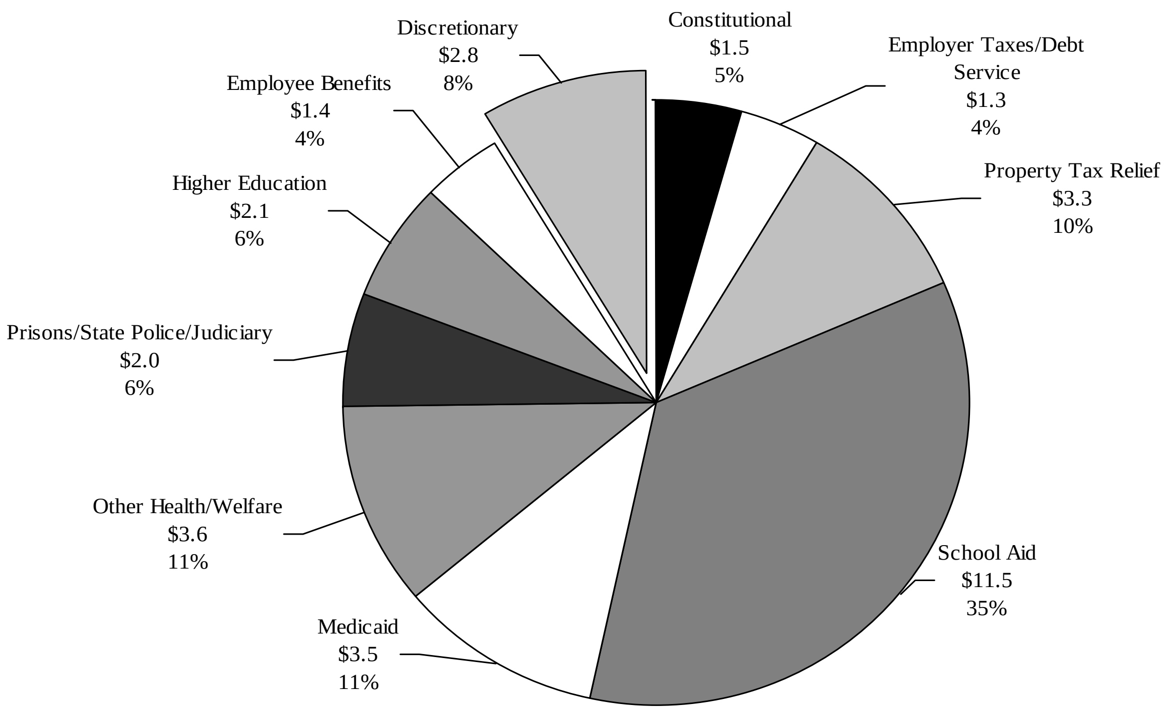
(In Thousands)

	FY 2008 Adjusted Appropriation	FY 2009 Budget	$ Change	% Change
Chief Executive	$ 5,428	$ 5,293	$ (135)	(2.5)
Agriculture	26,673	22,878	(3,795)	(14.2)
Banking and Insurance	72,127	70,340	(1,787)	(2.5)
Children and Families	1,080,910	1,075,703	(5,207)	(0.5)
Community Affairs	1,307,854	1,124,718	(183,136)	(14.0)
Corrections	1,184,028	1,149,298	(34,730)	(2.9)
Education	11,043,116	11,637,762	594,646	5.4
Environmental Protection	480,611	421,109	(59,502)	(12.4)
Health and Senior Services	1,746,340	1,566,128	(180,212)	(10.3)
Human Services	4,921,626	4,858,789	(62,837)	(1.3)
Labor and Workforce Development	138,670	138,367	(303)	(0.2)
Law and Public Safety	634,325	590,069	(44,256)	(7.0)
Military and Veterans' Affairs	96,677	93,447	(3,230)	(3.3)
Personnel	22,824	20,597	(2,227)	(9.8)
Public Advocate	20,357	17,466	(2,891)	(14.2)
State	1,344,252	1,229,820	(114,432)	(8.5)
Transportation/NJ Transit	1,333,979	1,368,622	34,643	2.6
Treasury	4,165,894	3,558,164	(607,730)	(14.6)
Miscellaneous Commissions	1,456	1,456	-	-
Subtotal Executive Branch	$ 29,627,147	$ 28,950,026	$ (677,121)	(2.3)
Interdepartmental	$ 3,286,553	$ 3,306,741	$ 20,188	0.6
Legislature	$ 76,508	$ 75,669	$ (839)	(1.1)
Judiciary	629,131	636,167	7,036	1.1
Total	$ 33,619,339	$ 32,968,603	$ (650,736)	(1.9)

Growth in Judiciary for incarceration diversion programs generates savings in the Department of Corrections, Grants in Aid.

Fiscal Year 2009

(In Billions)



Total Spending $33 Billion

Direct State Services
By Department

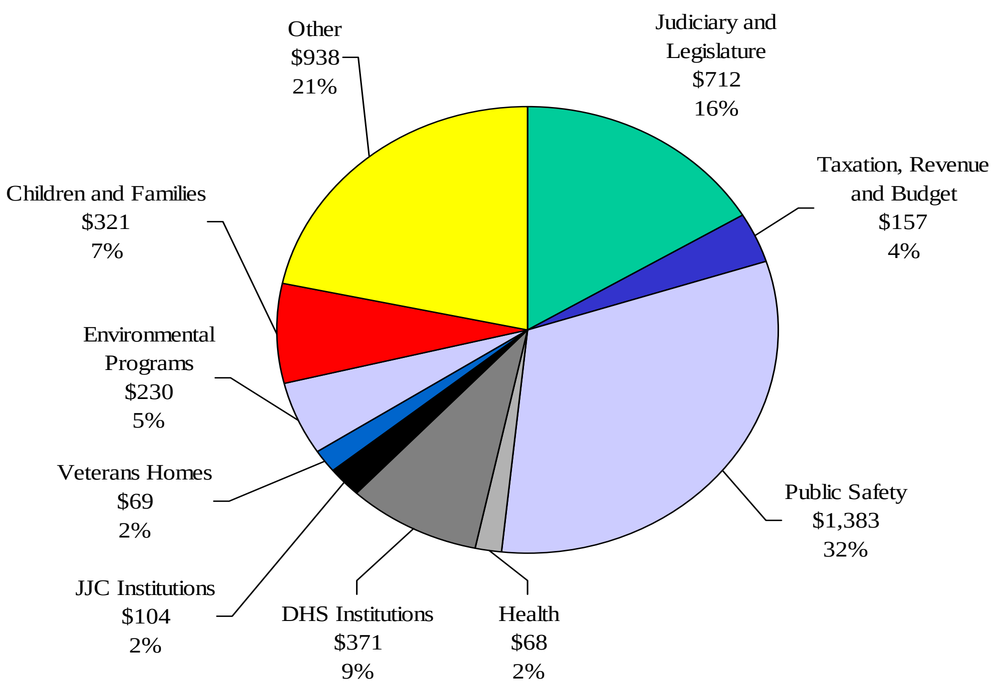
(In Thousands)

Department	FY2008 Adjusted Approp.	FY2009 Budget	Change $	Change %
Chief Executive	$ 5,428	$ 5,293	$ (135)	(2.5)
Agriculture	9,721	7,930	(1,791)	(18.4)
Banking and Insurance	72,127	70,340	(1,787)	(2.5)
Children & Families	326,958	320,636	(6,322)	(1.9)
Community Affairs	40,991	39,574	(1,417)	(3.5)
Corrections	1,028,994	1,027,707	(1,287)	(0.1)
Education	78,410	74,998	(3,412)	(4.4)
Environmental Protection	249,653	230,046	(19,607)	(7.9)
Health & Senior Services	73,714	68,234	(5,480)	(7.4)
Human Services	515,948	475,962	(39,986)	(7.8)
Labor	64,973	64,881	(92)	(0.1)
Law & Public Safety	578,440	541,566	(36,874)	(6.4)
Military & Veterans' Affairs	92,315	90,273	(2,042)	(2.2)
Personnel	22,824	20,597	(2,227)	(9.8)
Public Advocate	20,357	17,466	(2,891)	(14.2)
State	41,759	35,564	(6,195)	(14.8)
Transportation	103,851	82,404	(21,447)	(20.7)
Treasury	505,709	466,184	(39,525)	(7.8)
Miscellaneous Commissions	1,456	1,456	-	-
Total Executive Branch	**$ 3,833,628**	**$ 3,641,111**	**$ (192,517)**	(5.0)
Interdepartmental	**2,138,643**	**2,153,528**	**14,885**	0.7
Legislature	**76,508**	**75,669**	**(839)**	(1.1)
Judiciary	**629,131**	**636,167**	**7,036**	1.1
Total	**$ 6,677,910**	**$ 6,506,475**	**$ (171,435)**	(2.6)

Departmental budgets will be further impacted by the Early Retirement Incentive (ERI) and other employee actions reflected in Interdepartmental, $136 million, and procurement savings, $25 million.
Growth in Judiciary for incarceration diversion programs generates savings in the Department of Corrections, Grants in Aid.

Operations Budgets

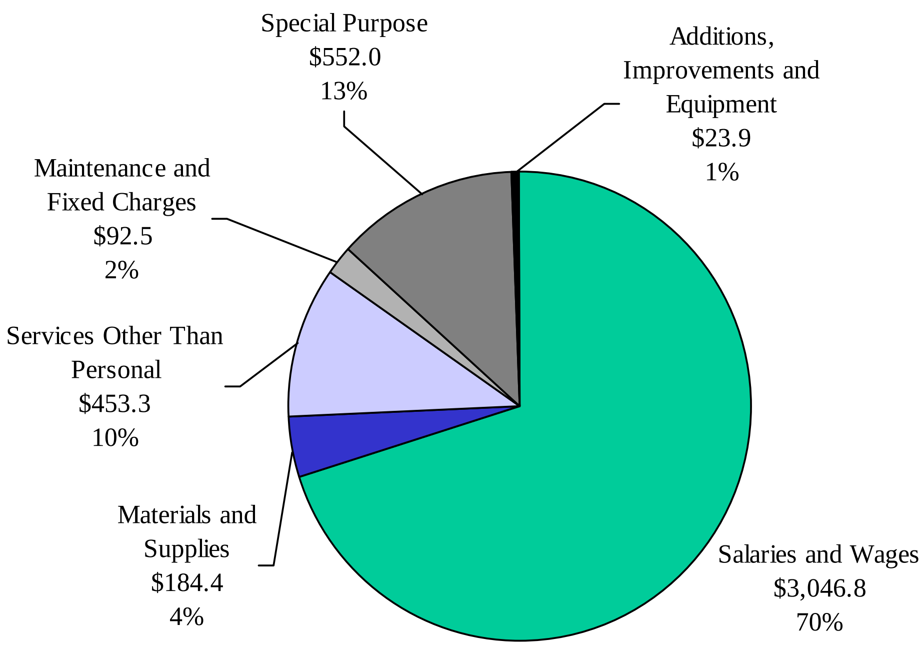
(In Millions)



Total Operating Budget is $4.4 billion

Operating Split between Salaries and Other Costs

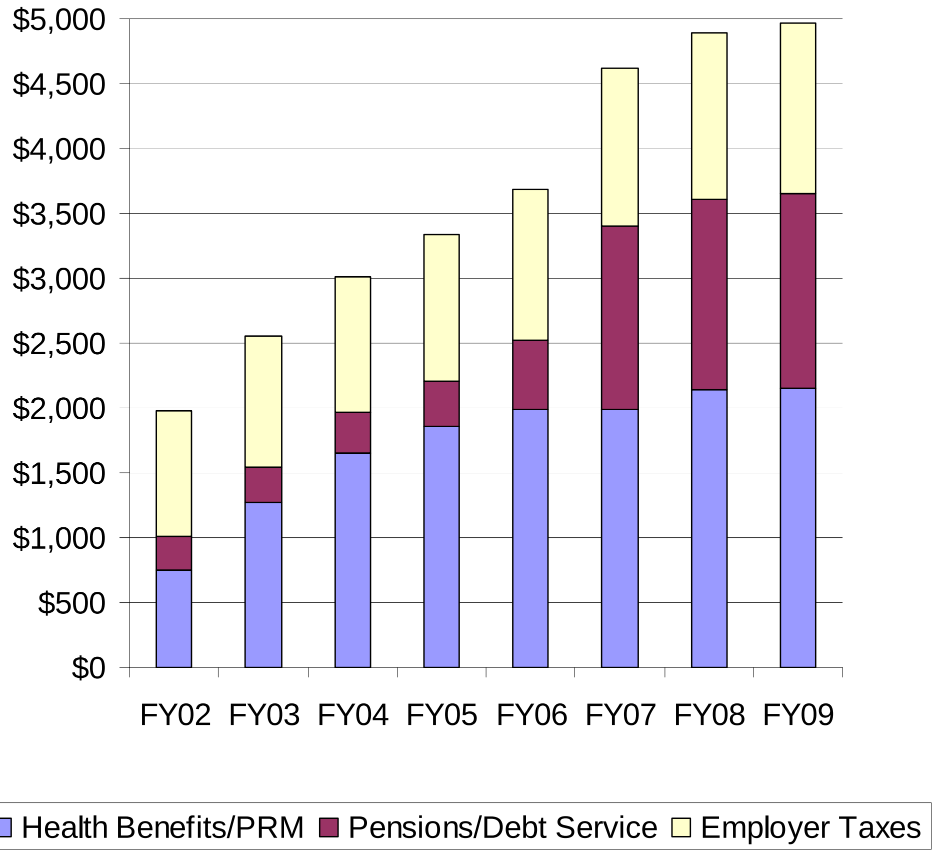
(In Millions)



Total Operating Budget is $4.4 billion

Employee Benefit Costs

(In Millions)



Comparison of Budget Message to Adjusted Appropriation

Fiscal Year	ORIGINAL BUDGET RECOMMENDATIONS	PRIOR YEAR ADJUSTED APPROPRIATION	$$ CHANGE	% % CHANGE
2009	$ 32,968.6	$ 33,619.3	$ (650.7)	-1.94%
2008	$ 33,291.7	$ 31,060.4	$ 2,231.3	7.18%
2007	$ 30,874.5	$ 28,265.3	$ 2,609.2	9.23%
2006	$ 27,412.3	$ 28,400.4	$ (988.2)	-3.48%
2005	$ 26,259.8	$ 24,542.3	$ 1,717.5	7.00%
2004	$ 23,701.8	$ 24,042.8	$ (341.0)	-1.42%
2003	$ 23,663.2	$ 23,319.6	$ 343.6	1.47%
2002	$ 23,153.4	$ 21,733.6	$ 1,419.7	6.53%
2001	$ 21,252.8	$ 19,974.8	$ 1,278.0	6.40%
2000	$ 19,160.5	$ 18,363.5	$ 797.1	4.34%
1999	$ 17,953.3	$ 17,039.1	$ 914.2	5.37%
1998	$ 16,420.9	$ 16,217.8	$ 203.1	1.25%
1997	$ 15,984.7	$ 16,109.1	$ (124.4)	-0.77%
1996	$ 15,987.4	$ 15,503.6	$ 483.8	3.12%
1995	$ 15,377.4	$ 15,499.9	$ (122.5)	-0.79%
1994	$ 15,649.6	$ 14,745.4	$ 904.3	6.13%
1993	$ 15,706.7	$ 15,003.7	$ 703.0	4.69%
1992	$ 14,310.5	$ 12,577.1	$ 1,733.5	13.78%
1991	$ 12,145.6	$ 12,148.0	$ (2.5)	-0.02%
1990	$ 12,090.0	$ 11,877.0	$ 213.0	1.79%
1989	$ 11,806.2	$ 10,497.3	$ 1,308.9	12.47%
1988	$ 10,179.9	$ 9,289.6	$ 890.2	9.58%
1987	$ 9,281.5	$ 8,996.9	$ 284.6	3.16%
1986	$ 8,824.5	$ 7,923.0	$ 901.5	11.38%
1985	$ 7,574.6	$ 6,886.1	$ 688.5	10.00%
1984	$ 6,799.6	$ 6,288.6	$ 511.0	8.13%
1983	$ 6,373.4	$ 5,743.5	$ 630.0	10.97%
1982	$ 5,635.1	$ 5,124.7	$ 510.4	9.96%
1981	$ 5,114.2	$ 4,736.4	$ 377.7	7.97%
1980	$ 4,655.5	$ 4,413.0	$ 242.6	5.50%
1979	$ 4,407.3	$ 4,062.4	$ 344.9	8.49%
1978	$ 4,001.7	$ 3,381.0	$ 620.7	18.36%
1977	$ 2,762.8	$ 2,704.5	$ 58.4	2.16%
1976	$ 2,816.1	$ 2,765.5	$ 50.6	1.83%
1975	$ 2,753.0	$ 2,402.1	$ 350.9	14.61%
1974	$ 2,380.6	$ 2,072.1	$ 308.5	14.89%
1973	$ 2,406.8	$ 1,823.6	$ 583.2	31.98%
1972	$ 1,784.0	$ 1,609.0	$ 175.0	10.87%
1971	$ 1,590.1	$ 1,358.3	$ 231.8	17.06%
1970	$ 1,361.9	$ 1,136.0	$ 225.9	19.88%
1969	$ 1,064.2	$ 1,005.3	$ 58.9	5.86%
1968	$ 998.8	$ 890.5	$ 108.4	12.17%
1967	$ 906.1	$ 647.9	$ 258.2	39.85%
1966	$ 646.8	$ 590.2	$ 56.6	9.59%
1965	$ 589.9	$ 549.9	$ 40.0	7.27%
1964	$ 547.5	$ 510.3	$ 37.1	7.28%
1963	$ 500.0	$ 470.8	$ 29.2	6.21%
1962	$ 467.4	$ 437.7	$ 29.7	6.79%
1961	$ 431.4	$ 407.2	$ 24.2	5.95%
1960	$ 403.3	$ 393.5	$ 9.8	2.49%
1959	$ 399.7	$ 336.3	$ 63.3	18.84%
1958	$ 342.5	$ 323.7	$ 18.8	5.80%
1957	$ 315.5	$ 298.1	$ 17.3	5.81%
1956	$ 257.3	$ 221.8	$ 35.5	16.03%
1955	$ 235.4	$ 223.2	$ 12.2	5.46%
1954	$ 219.3	$ 220.8	$ (1.4)	-0.65%
1953	$ 196.4	$ 183.7	$ 12.7	6.90%
1952	$ 169.7	$ 168.9	$ 0.8	0.50%
1951	$ 164.1	$ 164.3	$ (0.2)	-0.13%

Comparison of Budget Message to Prior Fiscal Year Appropriations Act

Fiscal Year	ORIGINAL BUDGET RECOMMENDATIONS	PRIOR YEAR APPROPRIATIONS ACT	$$ CHANGE	% % CHANGE
2009	$ 32,968.6	$ 33,470.9	$ (502.3)	-1.50%
2008	$ 33,291.7	$ 30,818.7	$ 2,473.0	8.02%
2007	$ 30,874.5	$ 27,919.9	$ 2,954.6	10.58%
2006	$ 27,412.3	$ 28,027.3	$ (615.0)	-2.19%
2005	$ 26,259.8	$ 24,003.2	$ 2,256.6	9.40%
2004	$ 23,701.8	$ 23,401.7	$ 300.1	1.28%
2003	$ 23,663.2	$ 22,920.7	$ 742.5	3.24%
2002	$ 23,153.4	$ 21,419.7	$ 1,733.7	8.09%
2001	$ 21,252.8	$ 19,514.4	$ 1,738.4	8.91%
2000	$ 19,160.5	$ 18,123.8	$ 1,036.8	5.72%
1999	$ 17,953.3	$ 16,786.6	$ 1,166.7	6.95%
1998	$ 16,420.9	$ 15,977.8	$ 443.0	2.77%
1997	$ 15,984.7	$ 15,994.6	$ (9.9)	-0.06%
1996	$ 15,987.4	$ 15,280.7	$ 706.7	4.63%
1995	$ 15,377.4	$ 15,466.9	$ (89.6)	-0.58%
1994	$ 15,649.6	$ 14,625.5	$ 1,024.1	7.00%
1993	$ 15,706.7	$ 14,651.5	$ 1,055.2	7.20%
1992	$ 14,310.5	$ 12,423.8	$ 1,886.7	15.19%
1991	$ 12,145.6	$ 11,995.0	$ 150.6	1.26%
1990	$ 12,090.0	$ 11,775.1	$ 314.9	2.67%
1989	$ 11,806.2	$ 10,396.5	$ 1,409.7	13.56%
1988	$ 10,179.9	$ 9,279.4	$ 900.5	9.70%
1987	$ 9,281.5	$ 8,681.2	$ 600.3	6.92%
1986	$ 8,824.5	$ 7,693.3	$ 1,131.2	14.70%
1985	$ 7,574.6	$ 6,771.8	$ 802.8	11.86%
1984	$ 6,799.6	$ 6,181.7	$ 617.9	10.00%
1983	$ 6,373.4	$ 5,691.3	$ 682.1	11.99%
1982	$ 5,635.1	$ 5,107.1	$ 528.0	10.34%
1981	$ 4,736.4	$ 4,652.1	$ 84.4	1.81%
1980	$ 4,655.5	$ 4,394.4	$ 261.2	5.94%
1979	$ 4,407.3	$ 4,010.6	$ 396.6	9.89%
1978	$ 4,001.7	$ 2,853.3	$ 1,148.4	40.25%
1977	$ 2,762.8	$ 2,698.1	$ 64.7	2.40%
1976	$ 2,816.1	$ 2,756.1	$ 60.0	2.18%
1975	$ 2,753.0	$ 2,385.7	$ 367.3	15.40%
1974	$ 2,380.6	$ 2,047.7	$ 332.9	16.26%
1973	$ 2,406.8	$ 1,779.3	$ 627.5	35.27%
1972	$ 1,784.0	$ 1,557.5	$ 226.5	14.54%
1971	$ 1,590.1	$ 1,334.4	$ 255.7	19.16%
1970	$ 1,361.9	$ 1,088.5	$ 273.4	25.12%
1969	$ 1,064.2	$ 992.7	$ 71.5	7.20%
1968	$ 998.8	$ 876.6	$ 122.2	13.94%
1967	$ 906.1	$ 639.4	$ 266.8	41.72%
1966	$ 646.8	$ 584.1	$ 62.7	10.73%
1965	$ 589.9	$ 543.8	$ 46.1	8.48%
1964	$ 547.5	$ 499.4	$ 48.1	9.63%
1963	$ 500.0	$ 467.2	$ 32.7	7.01%
1962	$ 467.4	$ 431.8	$ 35.6	8.24%
1961	$ 431.4	$ 405.1	$ 26.2	6.47%
1960	$ 403.3	$ 388.6	$ 14.7	3.78%
1959	$ 399.7	$ 342.5	$ 57.2	16.71%
1958	$ 342.5	$ 320.8	$ 21.6	6.74%
1957	$ 315.5	$ 284.4	$ 31.1	10.92%
1956	$ 257.3	$ 234.8	$ 22.5	9.58%
1955	$ 235.4	$ 219.7	$ 15.8	7.18%
1954	$ 219.3	$ 210.7	$ 8.6	4.10%
1953	$ 196.4	$ 176.8	$ 19.6	11.09%
1952	$ 169.7	$ 164.1	$ 5.6	3.43%
1951	$ 164.1	$ 159.5	$ 4.6	2.88%

Projected Shortfall Continues Into FY 2010

(In Millions)

	FY2009		FY2010	-------DIFF------- $	%
OPENING FUND BALANCE	$ 1,434		$ 600	$ (834)	(58.2)
REVENUES					
Income	$ 12,866		$ 13,638	$ 772	6.0
Sales	8,710		8,971	261	3.0
Corporate	2,460		2,460	-	-
Other	8,433		8,433	-	-
Total Revenues	$ 32,469		$ 33,502	$ 1,033	3.2
TOTAL RESOURCES	$ 33,903		$ 34,102	$ 199	0.6
RECOMMENDATIONS/PROJECTIONS	$ 32,969		$ 35,179	$ 2,210	6.7
Aid to Education		$ 620			
Pensions at 65% *		500			
Employee Benefits (other than pensions)		300			
Medicaid		225			
Salary Increases		200			
Homestead Rebates / Senior Freeze		105			
NJ Transit		100			
Debt Service		80			
Municipal Aid Inflation		80			
FUND BALANCE			$ (1,077)		
Long Term Obligation and Capital Expenditure Fund	$ 334				
Required Ending	600		$ 600		
Fund Balance with Required Ending			$ (1,677)		

* If funded at 100%, $1.3 billion would be required and shortfall increases to $2.48 billion