

Fiscal Year 1997

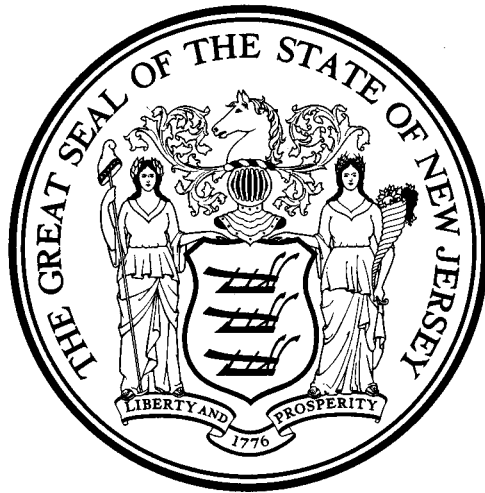
*Budget
in
Brief*



Christine Todd Whitman, Governor

Fiscal Year 1997

*Budget
in
Brief*



Christine Todd Whitman, Governor

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JANUARY 29, 1996



GOVERNMENT FINANCE OFFICERS ASSOCIATION

*Distinguished
Budget Presentation
Award*

**PRESENTED TO
State of New Jersey**

**For the Fiscal Year Beginning
July 1, 1995**

President

Executive Director

The Government Finance Officers Association of the United States and Canada (GFOA) presented an award for Distinguished Budget Presentation to the State of New Jersey for its annual budget for the fiscal year beginning July 1, 1995.

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

The award is valid for a period of one year only. This is the fifth consecutive year that New Jersey has won this award. We believe our current budget continues to conform to program requirements, and we are submitting it to GFOA to determine its eligibility for another award.



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STATE OF NEW JERSEY
OFFICE OF THE GOVERNOR
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CHRISTINE TODD WHITMAN
GOVERNOR

January 29, 1996

Dear Citizen:

The fiscal 1997 State budget proposal that I present to the Legislature and the public is a document that reflects my commitment to put New Jersey first.

The foundation of my administration has been to implement policies that place the needs of citizens before those of State government. It also demonstrates my commitment to a more efficient government.

This \$15.9 billion budget fulfills my promise to contain the rate of growth of State government by reducing appropriations for fiscal 1997 by \$124 million.

In conjunction with my effort to curb overall spending, this balanced budget also reduces the size of State government by consolidating two departments into one. The consolidation of the Departments of Banking and Insurance represents the elimination of the third department of State government since I took office.

While this budget maintains my promise of leaner government, it keeps as a top priority government's obligation to provide essential services to citizens who need our help the most.

The process that shaped this budget document involved every department of State government. Balancing program costs against each department's core mission yielded a prudent and responsible spending plan that is based on priority policy considerations.

My budget proposes increasing funding for a number of initiatives that put New Jersey first.

Funding for initiatives to spur continued job growth in New Jersey is a priority in this budget. I have proposed \$100 million in direct appropriations to fulfill this commitment.

To keep our neighborhoods safe, the Juvenile Justice Commission will be provided more than \$93 million, and Megan's Law will be funded at almost \$700,000.

Because the education our children receive today is essential to their future success, my budget provides, for the third consecutive year, a substantial payment in a good-faith effort to comply with the Abbott vs. Burke Supreme Court decision. For fiscal 1997, I am proposing an additional \$60 million for the Special Needs districts.

My budget also supports New Jersey towns and cities in their efforts to hold the line on property tax rates with more than \$1.5 billion in stable municipal aid.

In preparing this budget, my foremost concern was for the people of New Jersey. My goal was to draft a budget that continued my efforts to put New Jersey first by paring the size and expense of State government, increasing program efficiencies, and providing the essential services on which New Jerseyans depend.

Please take the time to review the budget that I have proposed. For the third consecutive year, I have presented a balanced budget that redirects the energies and initiatives of State government to meet the present and future needs of our citizens. I am proud of our continuing efforts to keep New Jersey first.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Christine Todd Whitman', with a long horizontal flourish extending to the right.

Christine Todd Whitman
Governor

OVERVIEW

The fiscal 1997 Budget recommends \$15.98 billion in appropriations, a decrease of \$124 million, or 0.8 percent compared to fiscal 1996. This is the third budget presented by Governor Whitman and the second one to cut appropriations from previous year levels.

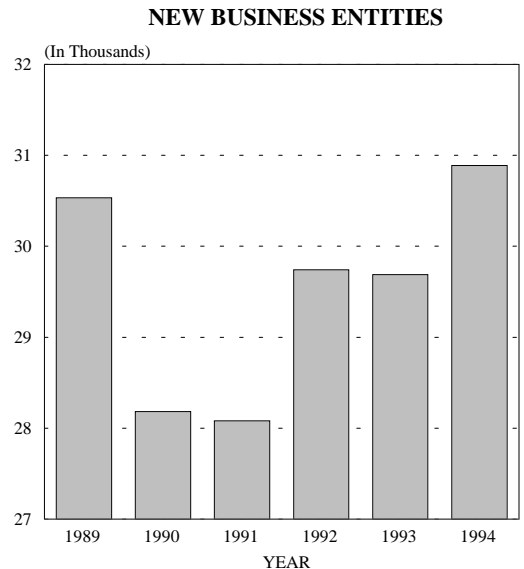
This Budget is based on a single theme of putting "New Jersey First":

- Stimulate New Jersey's Economy
 - Continue implementation of personal and business tax reductions
 - Provide \$100 million in direct appropriations to stimulate economic development
- Constrain the Growth of Government
 - Reduce government spending
 - Merge departments
 - Maintain essential services
 - Re-engineer business practices of agencies
- Provide Quality Education
 - Increase School Aid consistent with Abbott v. Burke
 - Fund Technology Grants
 - Fund Tuition Aid Grant Program for students at \$137.7 million
- Provide Safer Neighborhoods
 - Create and Fund Juvenile Justice Commission at \$93.2 million
 - Fund Megan's Law at \$690,000
 - Maintain commitment to municipal aid
- Maintain Fiscal Integrity
 - Maintain appropriate budget surplus
 - Create Division of Revenue to maximize collections

STIMULATE NEW JERSEY'S ECONOMY

This Administration's efforts in cutting taxes and targeting spending programs have helped stimulate economic development and have placed New Jersey in an enviable position with respect to jobs and new business growth, both regionally and nationally. Since taking office, Governor Whitman has stressed that New Jersey is "open for business" and the proof is in the results. Since January 1994, the Garden State has achieved a net gain of nearly 116,000 jobs. During calendar year 1994, almost 31,000 new business entities were established in New Jersey.

In addition, this Budget contains other initiatives to help move the State's economy forward. The



investment of the Transportation Trust Fund and an expanded capital spending plan, coupled with the 1995 Green Acres Bond Act funding, will contribute to an even stronger economy.

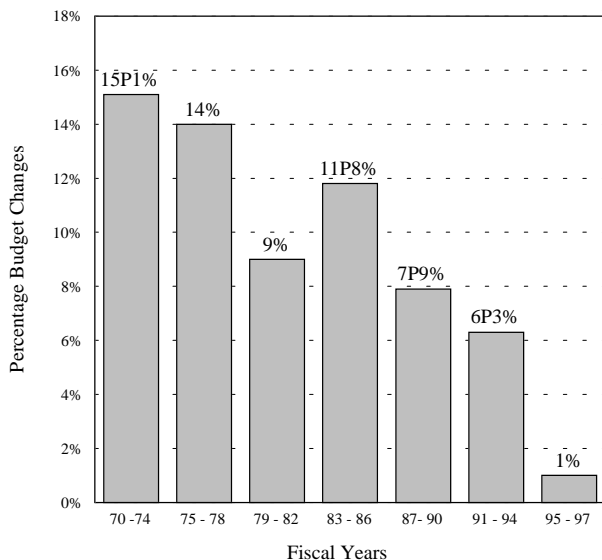
This Budget also makes a significant investment in programs that support the development and vitality of the State's economy. The Department of Commerce and Economic Development is spending more than \$14 million annually through Prosperity New Jersey and other economic development initiatives. The Department of Agriculture spends \$2.6 million per year on marketing services. Overall, there is a direct State budgetary investment of nearly \$40 million for economic development and an additional \$50 million dedicated to workforce development programs in the Department of Labor. Also, there is nearly \$15 million in grant programs funded by the Commission on Science and Technology

In her first budget address, Governor Whitman made a commitment to a 30 percent cut in personal income taxes for four out of five New Jersey families by 1997. This Budget reflects the full implementation of the Governor's commitment, one year early. The budget also reflects the repeal of the sales tax on yellow pages advertising, effective April 1, 1996, and corporate tax cuts through double-weighting of the sales factor in the formula for allocating income to New Jersey, as well as a rate reduction for small businesses, both of which will go into effect on July 1, 1996.

CONSTRAIN GROWTH OF GOVERNMENT

The Whitman Administration has established a goal of permanently ending the cycle of unconstrained growth in State spending. In the previous three administrations, the rates of growth in annual spending were 6.3 percent, 7.9 percent, and 11.8 percent, respectively. In the early 1970's, annual budget growth averaged more than 15.1 percent. For the first three years of this Administration, the rate of increase has dropped to 1 percent annually, which is significantly below the rate of inflation.

**FISCAL YEAR 1970 TO 1997
APPROPRIATION CHANGES
(AVERAGE ANNUAL GROWTH RATE)**



Last year, all State agencies began working at the Governor's direction on a strategic planning process that focused on defining their core missions and evaluating and ranking their programs in priority order. Agencies prepared business plans in which they were encouraged to develop alternatives and sensible reallocations of resources to achieve program effectiveness and maintain essential services. As a result of that process, cabinet officers were able to identify economies and efficiencies to produce real savings throughout State government.

For example, the Department of Environmental Protection is now successfully implementing an alternative dispute resolution program. As a result, compliance violations are being resolved cooperatively, without expensive litigation, saving money for the State and regulated businesses.

The critical examination of core missions by state agencies led to a major initiative to redefine the way the State regulates the financial marketplace. As a result, it is proposed in the fiscal 1997 Budget that

the Departments of Banking and Insurance be consolidated into one department. The creation of the proposed Department of Banking and Insurance represents State government's recognition of the changes that are taking place in the financial services sector of the economy. As regulated industries evolve, government agencies should likewise evolve, re-examining their policies, practices, and structure to keep pace with industry trends and to accommodate future changes without sacrificing their responsibilities to the public and to the industries. As financial services companies redefine their industries, the State must re-engineer its regulatory system to be flexible enough to ensure solvency and protect the public while facilitating economic growth.

Economies in the administrative and licensing functions will produce initial reductions in expenditures of approximately \$2 million in fiscal 1997. In fiscal 1998, continued re-engineering efforts will result in the consolidation of functions, diminishing or completely eliminating duplicative activities and their associated costs to the regulated industries.

Through prioritization some lower priority programs have been eliminated and a number of programs have been redefined. This will necessarily result in a reduction in the number of State employees. Overall, there will be 1,200 fewer jobs at the end of the fiscal year, although many of these reductions will be achieved through attrition, rather than direct employee layoff.

The budget for the operations of State government has been reduced by \$138.2 million compared to current appropriations. The most significant reductions are recommended for: Treasury (17%), Personnel (15%), Transportation (14%), and Health (12%). Overall, spending on agency operations is reduced by more than three percent.

SUMMARY OF APPROPRIATIONS (\$ in Millions)

| | Fiscal Year 1996 | Fiscal Year 1997 | \$ Change |
|-----------------------|---------------------|---------------------|----------------|
| Direct State Services | 5,233.3 | 5,095.1 | (138.2) |
| Grants in Aid | 3,745.6 | 3,665.2 | (80.4) |
| State Aid | 6,446.8 | 6,395.0 | (51.8) |
| Capital Construction | 217.1 | 366.3 | 149.2 |
| Debt Service | 466.3 | 463.1 | (3.2) |
| | <u>16,109.1</u> | <u>15,984.7</u> | <u>(124.4)</u> |

PROVIDE QUALITY EDUCATION

This Budget puts the school children of New Jersey first. School aid is increased by \$60 million in order to fund court-approved levels of funding in the 30 special-needs districts, and provide other program

increases for school districts throughout New Jersey. Overall, there is a \$64 million increase in State aid to education. This Budget continues the school efficiency program which uses rewards and penalties to get more money into the classroom where it belongs. Districts that control and target spending will be rewarded, and those that are not making an efficient use of resources will be subject to sanctions.

The recommended appropriation for aid to higher education, while reduced for the state colleges and universities, reflects prudent decisions that will require these colleges to manage their resources more effectively and efficiently. In putting the student first, the budget for higher education contains \$23.1 million in additional appropriations for the Tuition Aid Grant program to maintain level awards to over 55,000 New Jersey students. In addition, the Educational Opportunity Fund is increased by \$1.0 million. The county colleges, which have more students in attendance than any other group of the higher education system, have an overall increase of \$.8 million. The higher education budget includes an additional \$12.2 million of funding over fiscal 1996 levels in support of the Higher Educational Facilities Trust Fund or HEFT.

The recommendations for higher education also include a provision that would have the University Hospital pay more for the fringe benefits of its employees.

PROVIDE SAFER NEIGHBORHOODS

This Administration's efforts to reform New Jersey's juvenile justice system achieved a new level with the creation of the Juvenile Justice Commission, a new agency which will combine and coordinate programs previously operated in the departments of Law and Public Safety, Corrections, and Human Services. In addition to the resources transferred to the Commission from these agencies, an infusion of \$10 million has been provided in the fiscal 1996 Budget to reform the system further through a new State/Community Partnership Grant Program and enhancement of State-level treatment of juvenile sex offenders and aftercare services for juveniles released from institutions or community residential programs.

The fiscal 1997 Budget recommends an additional \$1.1 million to improve the quality of drug counseling, case management, and crisis intervention services at the New Jersey Training School for Boys. Funding is also provided for the establishment of a secure care facility for up to 40 juvenile females at the former Johnstone Developmental Center site. A juvenile "boot camp"

for 60 offenders is scheduled to start up before the end of fiscal 1996. An increase of \$1.0 million is recommended so that community residential and day facilities can operate at their full capacity which, in turn, will help alleviate overcrowding in the institutions.

The need to develop local community alternatives is the impetus for the State/Community Partnership Program, which will provide \$6.9 million in grants to counties to design and implement early intervention programs, such as drug treatment counseling and community mentoring, reducing reliance on State institutions and county detention centers.

Legal services required in connection with the implementation of "Megan's Law" are funded at \$690,000.

Aid to Local Governments

This Budget continues to put property taxpayers first. The amount of State aid to local governments provides sufficient resources to permit local officials to hold the line on taxes.

| STATEWIDE TOTAL PROPERTY TAX LEVY 1985 - 1995 | | |
|---|------------------|---------------------|
| YEAR | TOTAL LEVY | PERCENT INCREASE |
| 1985 | \$5,582,390,989 | |
| 1986 | \$6,159,434,925 | 10.3% |
| 1987 | \$6,829,752,376 | 10.9% |
| 1988 | \$7,755,666,442 | 13.6% |
| 1989 | \$8,726,832,862 | 12.5% |
| 1990 | \$9,783,837,590 | 12.1% |
| 1991 | \$9,922,588,261 | 1.4% |
| 1992 | \$10,324,378,979 | 4.0% |
| 1993 | \$10,757,596,440 | 4.2% |
| 1994 | \$11,274,908,734 | 4.8% |
| 1995 | \$11,725,900,000 | 4.0% |

*Includes School Tax Levy

Court unification and the three-year phase-in of State funding of the county courts begun in 1995 is already responsible for producing significant property tax savings. With full State funding in 1998, property taxpayers will save nearly \$240 million annually.

This Budget continues the work of the Treasury Department's Local Government Budget Review Program, which sends teams of fiscal managers into municipalities and school districts, on request, in cooperation with the Departments of Education and Community Affairs, and has resulted in

recommendations which, if implemented, will result in property tax reductions averaging more than 10 percent in the jurisdictions for which reviews have been completed.

A constitutional amendment approved by voters last November, providing for State Mandate/State Pay, will help prevent increases to the property tax burden by prohibiting new programs or services to be mandated by the State without funding. In fact, legislation was recently signed which actually eliminates or modifies a number of State mandates on municipalities.

The Governor's support of meaningful reform of the binding arbitration system for negotiating police and firefighter contracts will also help control local property taxes.

To aid local governments in achieving the most cost effective purchasing practices, a Procurement Task Force has been formed within the Department of the Treasury. The objective of the Task force is to examine the existing procurement program for government entities in New Jersey, identify what works well, what needs to be changed, and develop an action plan for implementing recommended improvements.

Also, a new initiative is proposed in the Department of Community Affairs to encourage local cooperative efforts. The \$500,000 Joint Services Incentive Aid initiative represents a commitment to the pursuit of creative solutions in the battle against inefficiency in government. The program will provide transitional and incentive funding to spur local collaborative projects, reward and publicize noteworthy efforts, and develop better ways to save dollars and serve taxpayers.

MAINTAIN FISCAL INTEGRITY

It should be noted that the balancing of the fiscal 1997 Budget is due in part to this Administration's efforts to achieve economies in the current fiscal year. As a result, the originally estimated fiscal 1996 year ending surplus of \$549 million is now projected to grow to \$890 million by June 30, 1996.

The recommended appropriation of \$15.98 billion includes funding of \$5.1 billion for the operations of State Government. This is \$138 million less than the current year and reflects the fundamental changes in spending identified by departments in their business plans. Grants, which provide funds to community based non-profit organizations and similar service providers, total \$3.67 billion, a 2.1 percent reduction compared to fiscal 1996. State aid to local governments, school districts, or non-governmental agencies totals \$6.4 billion, a reduction of \$52 million. The budget also

recommends a \$149 million increase in capital construction and a slight decrease in debt service.

This Budget anticipates total revenues of \$15.6 billion. General Fund revenues are projected to be \$10.65 billion and the Property Tax Relief Fund, supported by the dedicated revenues of the Gross Income Tax, is estimated to provide \$4.6 billion. In addition, the budget anticipates that the Casino Revenue Fund will provide \$324 million for support of programs for the aged and disabled. The fiscal 1997 Budget estimates an ending, undesignated surplus of \$550 million on June 30, 1997. This surplus is both reasonable and prudent and provides an appropriate reserve against economic uncertainty.

This Budget also anticipates significant savings and economies by taking advantage of federal block grant reforms proposed by Congress to target the money where it is most needed and to administer these programs at lower cost. Our anticipation of block grant funding has been prudent. We must wait until the Federal budget deliberations conclude and the specific programs have been defined before anticipating final Federal funding levels.

Mindful of the goal that the government must take all reasonable steps to ensure that financial obligations are fairly imposed and enforced, the Administration recently completed an assessment of the Executive Branch's revenue collection and debt recovery policies, practices and procedures. The conclusions reached during this study point to a need for the State to improve accountability and consistency in its collection efforts.

To this end, during fiscal 1997, a Division of Revenue in the Department of the Treasury will be created to begin the consolidation of accounts receivable and cash receipts functions from various agencies. At the same time, the consolidated operations will be re-engineered to simplify reporting requirements of individuals and businesses. An operational savings of \$1 million from the initial consolidations is anticipated in this Budget. Improved collection rates in each of the functions are also expected to occur as the consolidations are implemented.

The fiscal 1997 Budget also reflects an aggressive and expanded tax audit and collection effort to be directed primarily at cash businesses. The Budget calls for expansion of the number of auditors and investigators to collect \$30 million in additional sales, corporation and personal income taxes.

INCREASE TARGETED PROGRAMS

While the Whitman Administration has emphasized reducing the size (and expenditures) of government,

we continue to recognize the importance of continued or expanded funding in targeted areas.

By way of illustration, in 1995, the New Jersey voters approved the dedication of an additional portion of the Motor Fuels Tax to the Transportation Trust Fund. This has permitted the State to expand transportation improvement projects as well as to find economies and savings within the Fund.

New Jersey benefits from a strong infrastructure of land, roads, buildings, and other capital assets to serve the needs of citizens of the State now and in the future. To that end, this budget makes a commitment to an expansion of the Transportation Trust Fund as the appropriations from that program grow by \$107.9 million from \$196.6 million in the current year to \$304.5 million in fiscal 1997. This appropriation level is sustained by the constitutional dedication of 7 cents of the motor fuels tax (an increase of 4.5 cents over fiscal 1976), and contributions from the State's toll road authorities.

The Transportation Trust Fund will also provide for a \$1.3 billion transportation improvement plan. It is anticipated that, between 1996 and the year 2000, the Transportation Trust Fund, when combined with federal funds, will finance a \$6.8 billion investment in transportation infrastructure.

In addition, there is an increase of \$149 million in capital funding, including a new \$40 million program to make investments in the State's infrastructure. The capital appropriation includes \$15 million for shore protection. There is more than \$44.4 million recommended for funding salary increases and other employee contract costs.

SUMMARY

This Budget is based on the principles outlined at the beginning of this section. Just as important, the process of building the budget with recommended funding levels has included a program-by-program analysis of the government and the services that are provided to our citizens. These decisions have resulted in reduced taxes imposed upon our citizens and better targeting of State Government expenditures. This Budget, indeed, puts New Jersey First.

**RECOMMENDATIONS BY DEPARTMENT
STATE FUNDS
(thousands of dollars)**

| | State Operations | Grants- In-Aid | State Aid | Capital Construction | Debt Service | Total Recom- mendation |
|-------------------------------|-----------------------------|---------------------------|----------------------|---------------------------------|-------------------------|---------------------------------------|
| Legislature | \$50,055 | --- | --- | --- | --- | \$50,055 |
| Chief Executive | 5,003 | --- | --- | --- | --- | 5,003 |
| Agriculture | 8,255 | 3,299 | --- | 65 | --- | 11,619 |
| Banking and Insurance | 39,198 | --- | --- | --- | --- | 39,198 |
| Commerce and Economic Dev. | 19,055 | 14,684 | 3,148 | --- | 6,153 | 43,040 |
| Community Affairs | 24,296 | 29,768 | 840,764 | --- | --- | 894,828 |
| Corrections | 565,469 | 133,906 | --- | 13,815 | --- | 713,190 |
| Education | 34,484 | 8,944 | 4,848,038 | 1,868 | --- | 4,893,334 |
| Environmental Protection | 168,261 | --- | 7,315 | 15,000 | 108,456 | 299,032 |
| Health | 29,303 | 43,887 | 18,371 | 326 | --- | 91,887 |
| Human Services | 590,738 | 2,597,606 | 444,644 | 4,897 | --- | 3,637,885 |
| Labor | 56,592 | 19,396 | --- | --- | --- | 75,988 |
| Law and Public Safety | 336,976 | 12,982 | 3,600 | 12,277 | --- | 365,835 |
| Military and Veterans Affairs | 53,507 | 970 | --- | 277 | --- | 54,754 |
| Personnel | 24,699 | --- | --- | --- | --- | 24,699 |
| State | 839,908 | 46,537 | 2,000 | 2,350 | --- | 890,795 |
| Transportation | 163,676 | 223,150 | 21,807 | 304,500 | --- | 713,133 |
| Treasury | 198,634 | 530,138 | 205,311 | --- | 348,474 | 1,282,557 |
| Miscellaneous Executive Comm. | 1,978 | --- | --- | 2 | --- | 1,980 |
| Inter-Departmental Accounts | 1,537,005 | --- | --- | 10,900 | --- | 1,547,905 |
| The Judiciary | <u>348,017</u> | <u>---</u> | <u>---</u> | <u>---</u> | <u>---</u> | <u>348,017</u> |
| TOTAL RECOMMENDATION | <u>\$5,095,109</u> | <u>\$3,665,267</u> | <u>\$6,394,998</u> | <u>\$366,277</u> | <u>\$463,083</u> | <u>\$15,984,734</u> |

**DEPARTMENT OPERATING BUDGETS
(\$ in thousands)**

| | FY 1996 Adjusted Appropriation | FY 1997 Recommendation | Difference | Difference |
|------------------------------------|---|-----------------------------------|--------------------|-------------------|
| EXECUTIVE AGENCIES: | | | | |
| Chief Executive | \$5,003 | \$5,003 | --- | --- |
| Agriculture | 8,960 | 8,255 | (705) | -7.8% |
| Banking and Insurance | 41,243 | 39,198 | (2,045) | -4.9% |
| Commerce | 19,921 | 19,055 | (866) | -4.3% |
| Community Affairs | 25,324 | 23,996 | (1,328) | -5.2% |
| Corrections | 583,312 | 565,469 | (17,843) | -3.0% |
| Education | 37,611 | 34,484 | (3,127) | -8.3% |
| Environmental Protection | 185,708 | 168,261 | (17,447) | -9.3% |
| Health | 33,327 | 29,176 | (4,151) | -12.4% |
| Human Services | 591,438 | 590,738 | (700) | -0.1% |
| Labor | 58,299 | 56,592 | (1,707) | -2.9% |
| Law and Public Safety | 313,273 | 302,033 | (11,240) | -3.5% |
| Military & Veterans Affairs | 57,553 | 53,507 | (4,046) | -7.0% |
| Personnel | 29,062 | 24,699 | (4,363) | -15.0% |
| State | 839,878 | 839,908 | 30 | --- |
| Transportation | 189,600 | 163,676 | (25,924) | -13.6% |
| Treasury | 212,636 | 176,124 | (36,512) | -17.1% |
| Miscellaneous Exec. Commissions | <u>1,910</u> | <u>1,978</u> | <u>68</u> | <u>3.5%</u> |
| Total Executive Departments | <u>\$3,234,058</u> | <u>\$3,102,152</u> | <u>(\$131,906)</u> | <u>-4.0%</u> |

GOOD GOVERNMENT

Good Government should ensure the basic elements of life for those who cannot provide for themselves, but it cannot be expected to do so regardless of citizens' ability to provide for themselves. Good government recognizes that resources are finite; the addition or continuation of programs and services not absolutely essential to New Jerseyans and not absolutely appropriate for delivery by government diminishes resources that could be directed to essential programs and services. This reality forces some difficult choices, but choices from which New Jersey must not, and this Administration will not, retreat.

This is a true challenge. It is relatively simple to cut taxes and return money to our citizens, where it belongs. It is much more difficult to cut taxes and return government to where it belongs - providing services and assistance which are appropriate, efficient, and of high quality. Without the discipline that lower tax rates should have imposed in the past, New Jersey State government expanded into areas of service, assistance, and methods of delivery that went beyond its mission, and were not efficient. We must streamline, consolidate, reduce, eliminate where appropriate, or privatize programs, services, and entitlements while insisting on congruence between the fiscal 1997 core mission and our resources.

This year's Budget process has been productive. The cabinet officers have made some careful decisions in formulating their budget recommendations. Each department evaluated each of its programs in light of its core mission and then prioritized each and every program. Low priority programs were then earmarked for elimination or reduction. Other programs were examined for opportunities to reduce cost through streamlining, consolidating, or privatizing. These good government decisions are reflected in this Budget.

RESTRUCTURING THE ORGANIZATION OF GOVERNMENT

CONSOLIDATION

Through the consolidation of related functions which are now dispersed throughout the State's organizational structure, this Budget proposes to deliver more integrated and effective services at a lower cost in many program areas.

Banking and Insurance -- The proposal to merge the departments of Banking and Insurance into a single Department of Banking and Insurance would reduce the number of State Departments to sixteen --

down from the nineteen that existed when Governor Whitman took office in January 1994.

The fiscal 1997 Budget recommendation of \$39 million for the newly formed Department provides a \$2 million savings over the combined Departments' fiscal 1996 Budgets. This savings stems from an initial integration of the administrative and licensing functions from each department and will be followed by additional savings in fiscal 1998, when the common functions of licensing, examinations, and complaint investigations are re-engineered into a single streamlined and integrated department. As a single organizational entity, the Department of Banking and Insurance will be well-suited to regulate industries which are now evolving, eliminate duplicative regulatory demands on New Jersey's banking and insurance industries, and streamline the provision of consumer related financial services.

Juvenile Justice Commission -- Pursuant to P.L.1995,c.284, this Administration has created the Juvenile Justice Commission, a new agency which combines juvenile-related programs previously provided by the departments of Law and Public Safety, Corrections, and Human Services. The \$68.4 million operating and grants budget for the Commission includes \$6.9 million for establishment of the State/Community Partnership Grant Program, which provides grants to communities to design early intervention programs. The fiscal 1997 Budget also provides \$3.1 million for increased treatment of juvenile sex offenders and aftercare services for juveniles released from State programs and institutions.

- **Division of Revenue** -- The Administration recognizes that the State's overall collection and debt recovery policies, practices, and procedures are in need of re-engineering. To improve the efficiency of the processes and to ensure that the State's financial obligations are met, the fiscal 1997 Budget recommends the creation of the Division of Revenue within the Department of the Treasury.

This Division will provide one central location for revenue management and collection. Through the re-engineering of the State's collection activities, financial accountability and fiscal control will be strengthened, receipts processing and debt collection will be streamlined, duplicative efforts will be eliminated, and businesses and individuals will be made more accountable for their obligations to the State.

The first phase of the consolidation will include the transfer of debt collection-related activities from the departments of Treasury, Law and Public Safety, Corrections, Human Services, and Transportation. Additionally, the collection activities from certain fee generating programs will be centralized into the Division of Revenue, such as housing inspection, fire safety, and professional boards' licensing fees. Additional phase-ins will include receipts processing units and other departmental collection activities.

This Budget recognizes a \$1 million administrative savings in fiscal 1997 from these consolidations, but expects greater savings in future years.

ELIMINATION AND REDUCTION

Where low priority or duplicative programs have been identified, this Budget recommends their elimination. If there are some elements of a program determined to fulfill an essential function, that program has been reviewed and, where possible, recommended for reduction of redundant or unnecessary elements while preserving aspects critical to the program's primary mandate. Examples of the proposed reductions include:

- **Agriculture**
Agricultural Museum -- This Budget proposes to eliminate the grants-in-aid program which funds the museum for a savings of \$265,000.
The museum is not an essential component of the State's marketing efforts to develop agricultural business. This State subsidy should be replaced with non-State revenue from agribusiness benefactors.
- **Education**
Transition Aid -- For school districts whose resources are sufficient to support their foundation budget through local tax resources, the Quality Education Act of 1990 provides that General Formula Aid be phased out over time. In the interim, these districts are to receive Transition Aid from the Department of Education, but in declining amounts. Last year, the districts received a total of \$38 million in such aid. For fiscal 1997, the total Transition Aid to all districts will be 50 percent less, or \$19 million, and fiscal 1997 will be the last year such aid is given.
- **Environmental Protection**
Declassification of Used Oil -- The Department of Environmental Protection (DEP) currently classifies used oils as a hazardous waste. This classification exceeds the federal standards established in the Resource Conservation

Recovery Act (RCRA). DEP plans to publish a regulation in March 1996 to end the current practice of classifying used oils as a hazardous waste.

Used oils comprise approximately 40 percent of the waste manifests that DEP presently tracks. This means that there would be 40 percent fewer manifests, which should reduce the workload within DEP's Hazardous Waste program. Based on this declassification initiative, the Department projects a reduction of \$324,000 to this program in fiscal 1997.

- **Human Services**
Graduate Medical Education -- In fiscal 1997, Medicaid will continue to provide the Graduate Medical Education (GME) subsidy but will limit the subsidy to 18 major teaching hospitals, which are those with a minimum of 45 full-time equivalents in all approved and accredited residencies. Reimbursement will be based on Medicare cost reimbursement principles. This initiative reduces the Medicaid reimbursement for GME by \$17.7 million in fiscal 1997.
- Nursing School Subsidy Program** -- The original purpose of this program was to provide an incentive for prospective nursing students to work at the Department of Human Services' institutions during the statewide nursing shortage in the 1980's. Since the shortage of nurses no longer exists, the need to provide an incentive is no longer necessary. A savings of \$534,000 in fiscal 1997 would result from this program elimination.
- Consultation and Education Programs** -- The Department recommends eliminating a number of consultation and education programs for a savings of \$1.3 million in fiscal 1997. These mental health services are available through other community providers and schools and regarded as outside the core mission of the Department of Human Services.
- **Law & Public Safety**
The New Jersey State Racing Commission -- This Budget recommends no longer funding the State Racing Commission's unnecessary licensing and enforcement activities for the State's horse racing industry. A reduction of \$1.4 million, or one half of the current appropriation, is being recommended for the fiscal 1997 Budget. The remaining appropriation will allow the Commission to perform its essential regulatory functions to maintain the integrity of the sport.

- **Personnel**
Human Resources Development Institute (HRDI) -- This Budget recommends a reduction in training services provided by HRDI for a savings of \$2.1 million in fiscal 1997. This reduction will not jeopardize the continuation of high-priority training services to the State's workforce. Training services that are not a high priority will be eliminated.

DOWNSIZING

The goal of downsizing the State workforce and developing a more efficient, streamlined government has been balanced against the need to minimize disruption to State programs and individual employees.

- **Fiscal 1995 and Fiscal 1996 Changes in the State Workforce**
 In the two years since the beginning of the Whitman Administration, the number of State employees on the payroll has decreased by 2,930, or 4.5 percent, as shown below and detailed on the table on the following page. (These counts exclude county court, college and university employees.) These staffing reductions have been achieved through a variety of downsizing strategies as outlined below.

| DOWNSIZING STRATEGIES (January 1994 to December 1995) | |
|---|---------------------|
| Attrition | 1,916 |
| Layoff (Competitive Contracting and Agency Initiatives) | <u>1,014</u> |
| Total Downsizing | 2,930 |

Controlled Attrition -- A controlled attrition program requires agency heads to manage with reduced salary budgets but allows them only limited opportunity to replace staff who leave. Agencies are given the flexibility to reallocate staff as necessary. This controlled attrition program accounts for a staffing decrease of over 1,900 employees statewide over the past two years. Controlled attrition has been aggressively implemented as a downsizing strategy because this program:

- focuses responsibility on agency management to prioritize use of staff;

- is more humane and less disruptive than layoffs, and
- takes advantage of voluntary attrition initiated by employees.

Administration of Layoff Programs -- The fiscal 1996 Budget anticipated that contracting initiatives would impact 2,199 and other agency reductions would impact 812 employees. However, the Department of Personnel (DOP) initiated a hiring freeze in March as part of the pre-layoff process, thus generating vacancies in funded programs. DOP required agencies to review resumes of displaced employees before granting approval to recruit from outside of State government. In addition, agencies were to shift employees targeted for lay-off to non-State funded programs.

As a result of these efforts, the number of actual layoffs in fiscal 1995 and in the first half of fiscal 1996 was reduced to 263 and 751 workers, respectively.

In the latter half of fiscal 1996 (January through June 1996), attrition of 460 employees and layoff of 424 employees is anticipated.

- **Fiscal 1997 Employee Impacts**
 Based upon agency program initiatives, employee reductions of 1,220 are anticipated in fiscal 1997. These reductions will be achieved through a variety of strategies including continuation of the controlled attrition program throughout all of fiscal 1997. The following chart identifies the fiscal 1997 employee reductions.

| PROJECTED EMPLOYEE REDUCTION FISCAL 1997 | |
|---|-------------------|
| Attrition | 406 |
| Layoff | <u>814</u> |
| Total Employee Reduction | 1,220 |

FULL-TIME PAID EMPLOYEE COUNT COMPARISON
 (ALL FUND SOURCES)
 (excludes Colleges and Universities)

| DEPARTMENT/AGENCY | WHITMAN TERM BEGINS 01/21/94 | DECEMBER 1994 | DECEMBER 1995 | DECEMBER 1995 vs JANUARY 21, 1994 | |
|---|---------------------------------------|------------------|------------------|--------------------------------------|-----------------------|
| | | | | DIFFERENCE | PERCENT DIFFERENCE |
| AGRICULTURE | 202 | 201 | 203 | 1 | 0.50% |
| BANKING & INSURANCE | 648 | 639 | 620 | (28) | (4.32%) |
| CHIEF EXECUTIVE OFFICE | 144 | 134 | 134 | (10) | (6.94%) |
| COMMERCE | 94 | 99 | 90 | (4) | (4.26%) |
| - PUBLIC BROADCASTING AUTHORITY | 169 | 148 | 153 | (16) | (9.47%) |
| - COMMISSION ON SCIENCE & TECHNOLOGY | 6 | 6 | 6 | 0 | 0.00% |
| COMMUNITY AFFAIRS | 966 | 936 | 932 | (34) | (3.52%) |
| CORRECTIONS | 8,686 | 8,692 | 8,722 | 36 | 0.41% |
| - PAROLE BOARD | 137 | 146 | 147 | 10 | 7.30% |
| EDUCATION | 946 | 927 | 948 | 2 | 0.21% |
| ENVIRONMENTAL PROTECTION | 3,674 | 3,542 | 3,380 | (294) | (8.00%) |
| HEALTH | 1,486 | 1,505 | 1,512 | 26 | 1.75% |
| HIGHER EDUCATION (CHANCELLOR'S OFFICE) | 58 | 0 | 0 | (58) | (100.00%) |
| HUMAN SERVICES | 20,417 | 19,593 | 18,984 | (1,433) | (7.02%) |
| LABOR | 3,758 | 3,957 | 3,853 | 95 | 2.53% |
| - PUBLIC EMPLOYEES RELATIONS COMMISSION | 35 | 35 | 36 | 1 | 2.86% |
| LAW & PUBLIC SAFETY | 6,073 | 6,208 | 6,131 | 58 | 0.96% |
| - ELECTION LAW ENFORCEMENT COMMISSION | 31 | 30 | 29 | (2) | (6.45%) |
| - VIOLENT CRIMES COMPENSATION BOARD | 58 | 53 | 55 | (3) | (5.17%) |
| - EXECUTIVE COMMISSION ON ETHICAL STANDARDS | 7 | 7 | 7 | 0 | 0.00% |
| MILITARY AND VETERANS' AFFAIRS | 1,470 | 1,485 | 1,458 | (12) | (0.82%) |
| PERSONNEL | 625 | 590 | 555 | (70) | (11.20%) |
| STATE | 262 | 264 | 263 | 1 | 0.38% |
| - OFFICE OF ADMINISTRATIVE LAW | 153 | 141 | 136 | (17) | (11.11%) |
| - PUBLIC DEFENDER | 900 | 829 | 826 | (74) | (8.22%) |
| - COMMISSION ON HIGHER EDUCATION | 17 | 20 | 19 | 2 | 11.76% |
| TRANSPORTATION | 4,531 | 4,318 | 4,278 | (253) | (5.58%) |
| - DIVISION OF MOTOR VEHICLES | 2,377 | 2,314 | 1,642 | (735) | (30.92%) |
| TREASURY | 4,597 | 4,443 | 4,479 | (118) | (2.57%) |
| - CASINO CONTROL COMMISSION | 369 | 361 | 343 | (26) | (7.05%) |
| - STUDENT ASSISTANCE | 178 | 190 | 190 | 12 | 6.74% |
| - BOARD OF PUBLIC UTILITIES | 303 | 305 | 302 | (1) | (0.33%) |
| SUBTOTAL EXECUTIVE BRANCH | 63,377 | 62,118 | 60,433 | (2,944) | (4.65%) |
| LEGISLATURE | 479 | 467 | 470 | (9) | (1.88%) |
| JUDICIARY (ADMINISTRATIVE OFFICE OF THE COURTS) | 1,655 | 1,700 | 1,678 | 23 | 1.39% |
| STATEWIDE TOTAL | 65,511 | 64,285 | 62,581 | (2,930) | (4.47%) |
| JUDICIARY (COUNTY COURTS) * | N/A | N/A | 7,449 | 7,449 | 100.00% |

* Note: The State takeover of the County Courts was implemented in January of 1995.

PRIVATIZATION

In some instances, government is a more capable manager than provider of service. Wherever competitive contracting with the private sector can provide necessary services more efficiently and effectively, it has been recommended.

- **Corrections** -- The State will realize considerable savings in the Department of Corrections through efforts to privatize inmate health care and food services.

In December 1995, the Department awarded a contract to a private vendor to provide comprehensive inmate health care services. This private, fully integrated managed care plan will save the State \$17 million annually, beginning in fiscal 1997. Corrections' operating budget is reduced by \$13 million and an additional \$4 million is saved in employee fringe benefits. With an increasing inmate population this contract will achieve in the future even greater success in containing costs.

Food services will be privatized on a pilot basis at two adult correctional facilities. In addition, at the 12 other adult facilities, the Department itself will implement an initiative to reduce the cost of department-provided food services. The privatization approach will be compared to Departmental internal initiatives to determine the most successful strategy. These comparative initiatives are expected to result in a \$2.2 million savings in fiscal 1997. We expect greater savings in future years as the lessons learned from both approaches are applied across all facilities.

Finally, we plan to initiate various privatization efforts in the Department that are expected to yield \$1 million in savings. Furthermore, the experience we gain from this effort will be used to evaluate the feasibility of privatizing other correctional functions in an effort to realize even greater savings in the future.

- **Human Services** -- The Division of Youth and Family Services (DYFS) will contract with a private, managed-care organization for the operation of a full range of therapeutic placement and in-home services. We expect to save \$1.5 million annually, without negatively affecting the number of families served or the quality of the care delivered.

Like many states, New Jersey supplements federal disability payments to clients under a separate program administered by the Social Security Administration. In October 1993, SSA began to charge states to administer their

supplemental disability program. For fiscal 1997, we will privatize the administration of this program, and we anticipate an annual savings of \$750,000.

- **Transportation** -- In the Department of Transportation, New Jersey Transit will privatize the bus service for the 300 line, which provides transport from Penn Station in New York City to Newark Airport. Through competitive bidding, we expect to save \$2 million annually.

OPTIMIZING THE RESOURCES OF GOVERNMENT

EFFECTIVENESS AND EFFICIENCY

In the past the State may not have been as efficient or effective in providing services as it could have been. We are recommending cuts to many programs to eliminate waste and duplication while delivering quality service to the public and making the programs more efficient. We believe that quality should be measured by the services rendered not by the dollars spent.

- **Administrative Procedure Improvements**
Department of Human Services
Intercept State Tax Refunds-Welfare Overpayments -- The Department of the Treasury has a Set-Off of Individual Liabilities (SOIL) Program which intercepts State income tax refunds and homestead rebates due individuals who owe money to the State. At times General Assistance benefits are paid to individuals before verification of eligibility. To assist in the recovery of these overpaid welfare benefits, municipalities will be able to forward overpayment information to the State's SOIL program. This program should yield savings of approximately \$1 million in the fiscal 1997 Budget.

Community Service Contracts -- The Department of Human Services has almost \$850 million in contracts with community agencies to provide programs for the mentally ill, developmentally disabled, and youth and families in need. By implementing contract reforms such as competitive bidding, limiting the use of cost-reimbursement contracts, and establishing performance standards, savings of approximately \$13.5 million can be achieved.

Medicaid-Recovery of Durable Medical Equipment -- The Department of Human Services proposes a savings of \$2 million through the effective management of durable medical equipment. To accomplish the

management of this costly inventory, the Department will create a computer system to track assignments of equipment to clients. Through this system, durable medical equipment will be recovered from those no longer in need and made available to others so that no need goes unmet.

Institutional Operations Changes -- This Budget recommends reductions in the operation of the State's mental hospitals which will not change their accreditation status or adversely impact quality of care. A \$5 million reduction is achieved in mental health services by changes in administrative procedures.

Medical Claim Processing -- By changing the system in which medical providers submit claims directly to Medicaid for services to General Assistance clients, rather than to the Municipal Welfare Agencies, overpayment errors will be greatly reduced or eliminated. For this reason, a reduction of \$430,000 is reflected in the fiscal 1997 Budget.

Department of Environmental Protection

Permit Processing -- The Department continues to streamline its permitting activities while maintaining its commitment to environmental quality and the reduction of program costs. In fiscal 1997, re-engineering of the permitting process will produce savings of \$2.7 million. Streamlining efforts have already reduced the permit review timeframes in spite of an increase in permit applications. During fiscal 1997, a variety of management improvements will be made to the permitting process which will enable staff to concentrate on the most critical pollution sources, eliminate duplicate reviews, and utilize data in a more efficient manner.

Department of Law and Public Safety

Marine Police -- The Department of Law and Public Safety will reduce the number of Marine Police Officers in low priority assignments. A savings of \$2 million is expected from this initiative.

Department of Agriculture

Agriculture Grants -- The Production Efficiency Grant (PEG) and the Business Incentive Grant (BIG) programs were implemented as part of the Agricultural Economic Recovery Development Initiative in January 1993. To qualify, a grant applicant must meet lenient criteria. The applicant must be engaged in farming, with a gross income over \$40,000 and labor costs which exceed \$5,000

annually. In fiscal 1994 and 1995, over 90 percent of applicants received a grant award. The programs' funding formulas do not differentiate between farmers on the basis of their individual means to support their businesses. The grant programs do not effectively target the awards and grants to those farmers truly in need of the State's support and incentives.

In fiscal 1997, these grant programs will be converted to a below-market loan program. As loans are repaid, the Department will make additional loans to other farmers. This should permit a gradual elimination of the existing State appropriation over three to four years while continuing to meet the needs of our State's farmers.

- **Leased Space Reductions**

DYFS -- A number of DYFS sites, located within four counties, will be consolidated to more cost effective and accessible space that yields rental savings.

DOT -- The Department of Transportation will reduce the number of regional field offices located throughout the state from five to three. This consolidation of facilities, in keeping with the Administration's goal of leaner and smarter government, will eliminate duplicative managerial positions without any adverse effects on services provided.

- **Managed Care**

Department of Human Services

Medicaid - Home Health Care/Outpatient -- The Department recommends Medicaid engage a consultant to determine the most prudent reimbursement methodology for both home health care and outpatient hospital services. This initiative will eliminate a complex administrative system and save the state an estimated \$2.8 million.

Medicaid Managed Care Enrollment -- Managed care reduces both duplicative service delivery and utilization of inappropriate or less economical forms of health care, such as emergency room visits. The fiscal 1997 Budget achieves savings of \$5.5 million by expediting the enrollment process for approximately 490,000 welfare eligible clients into managed care.

Department of Corrections

Prisoner Managed Care -- The privatization initiative in inmate health care makes use of a comprehensive managed care plan. It is

projected to yield fiscal 1997 Budget savings of \$17 million.

- **Labor Relations**

Employee Compensation and Health Care Initiatives -- Over the past 10 years, unionized employees have received salary increases averaging approximately 3.9 percent per year in addition to performance increments which range between 3.7 and 5 percent of salary. Spurred by the need to limit the cost of government, the Whitman administration has negotiated four-year contracts covering fiscal years 1996 to 1999, which provide for an unprecedented 2-year salary freeze during fiscal 1996 and fiscal 1997.

Further, the recently signed union contracts reflect several changes in the financing of health benefit costs. These changes are designed to control costs and encourage employees to enroll in managed care programs, consistent with the current trend in employer-provided health coverage in the public and private sectors.

Salaries and Wages -- Agreements have been reached with the Communications Workers of America (CWA), American Federation of State, County, and Municipal Employees (AFSCME), and International Federation of Professional and Technical Engineers (IFPTE) which collectively represent approximately 48,000 workers.

Unionized employees will be granted a one-time bonus of \$250 each in April 1997. However, unlike across-the-board increases, the cost of the bonus is not added to the employee's salary base and therefore does not compound the cost to the State in future years. In the third and fourth year of the contracts, employees will receive fixed dollar amounts to be added to base salary. The terms of the contract with the CWA, the largest employee union, are outlined on the following page.

- **Health Care Initiatives**

Fiscal 1997 -- The Budget for fiscal 1997 employee health benefits is \$449 million, a reduction of \$29.5 million or 6.2% when compared to expected expenditures for fiscal 1996. Blue Cross and Blue Shield of New Jersey has been awarded the contract to administer the traditional indemnity and NJ Plus portions of the health benefits program. This change, effective January 1, 1996, is expected to yield improved service and cost savings for both plan participants and the State of New Jersey.

| CHANGE IN STATE EMPLOYEES' HEALTH BENEFITS APPROPRIATIONS | |
|---|-------------|
| Fiscal Year | Growth Rate |
| 1990 | 33.56% |
| 1991 | 17.40% |
| 1992 | 25.11% |
| 1993 | 6.25% |
| 1994 | (8.36%) |
| 1995 | 12.00% |
| 1996 | 2.22% |
| 1997 | (6.17%) |

The recently signed union contracts with AFSCME, IFPTE, and CWA initiate the concept of shared responsibility for medical costs by both the employee and the employer. Premium sharing is required by 95 percent of New Jersey private employers and 43 other State governments. The contracts also provide for the elimination of duplicative coverage (i.e., employees covered both as themselves and as dependents of other State employees) and allows the State to take advantage of changes in the federal Medicare and tax laws.

| Fiscal 1997 Health Benefit Budget Reductions (in millions) | |
|---|----------------|
| Premium Sharing for Traditional Plan | \$ 15.8 |
| Shift to Managed Care | \$ 3.7 |
| Lower HMO Rates | \$ 8.1 |
| Eliminate Medicare Part B Coverage | <u>\$ 1.9</u> |
| Total | \$ 29.5 |

Premium Sharing for Traditional Plan Coverage--Consistent with practices in the private sector, and most state governments, the State of New Jersey is requiring some cost sharing from employees who select the traditional indemnity plan coverage. Effective July 1, 1996, premium sharing will be phased in, based on the salary of the employee. NJ Plus and HMO coverage will continue to be free for both employees and dependents.

The State is expected to realize a savings of \$15.8 million as a result of premium sharing while employees continue to have a variety of free health coverage choices.

EMPLOYEE CONTRACT FINANCIAL TERMS

| Fiscal Year | 1996 | 1997 | 1998 | 1999 |
|------------------|------|---------------|--------------|--------------|
| Bonus | --- | \$250 4/12/97 | --- | --- |
| Wages | --- | --- | \$840 7/1/97 | \$840 7/1/98 |
| Increases | --- | --- | \$420 1/1/98 | \$525 1/1/99 |

EMPLOYEE CONTRACT HEALTH BENEFIT TERMS

| Fiscal Year | 1996 | 1997 | 1998 | 1999 |
|------------------------------|-------------------------------------|--|--|------|
| Free Health Insurance | Traditional & Managed Care Coverage | 16 Health Maintenance Organizations (HMO's) & NJ Plus (Point of Service coverage) | | |
| Premium Sharing | N/A | Employees hired after 12/8/95 pay full difference | | |
| | | Employees earning \$50,000 or more pay the full difference | Employees earning \$40,000 or more pay the full difference | |
| | | Employees earning under \$50,000 pay one percent of their salary but no less than \$20 per month | Employees earning under \$40,000 pay one percent of their salary but no less than \$20 per month | |

Managed Care Savings -- From 1992 through 1995 there was a 7.3 percent shift of State employees from traditional coverage to managed care. That trend is expected to accelerate with the implementation of premium sharing for traditional coverage. The Budget for fiscal 1997 assumes an additional 20 percent shift to managed care for an anticipated savings of \$3.7 million. A 3.6 percent decline in HMO rates is expected to result in additional savings of \$8.1 million.

Eliminate Dual Coverage -- This initiative eliminates the inefficient practice that allows two State employees who are married each to enroll for family coverage in an HMO. This double coverage is costly and wasteful. Under this new policy, married employees may elect only one HMO family policy. Therefore, the State will pay only one premium, allowing the State to accrue additional savings without causing any loss in the family's health coverage. These reductions are reflected in the savings amounts associated with premium sharing for traditional coverage and the shift to managed care mentioned above.

Eliminate Medicare Part B Coverage -- Reimbursement for Medicare Part B for active employees is no longer necessary because of changes in the Federal laws. Currently, the employee health plan provides primary coverage for active employees and their spouses, age 65 and over. Since neither the employee nor the State derives benefit from the Medicare coverage, it is being eliminated, resulting in estimated savings of \$1.9 million.

Changes in Retiree Health Benefit Coverage - Only 48 percent of New Jersey private sector employers provide any medical coverage for their retirees. Of those employers that do provide such coverage, 91 percent require retiree contributions. This concept of shared responsibility for medical costs is appropriate for State retirees and has been integrated into the health benefit plan. Health benefits will continue to be free for current retirees and for anyone who accrues 25 years of pension credit by July 1, 1997. Retirees who accrue 25 years of service after July 1, 1997 are subject to the same health benefit terms as active employees. These savings will grow each year thereafter, as more employees retire having attained their 25 years of service after July 1, 1997.

Flexible Spending Account for Medical Care - Under Section 125 of the Internal Revenue Code, the federal government allows employees

to pay for their health benefits contributions on a pre-tax basis. The State of New Jersey plans to offer this tax advantage to State employees as soon as enabling legislation permits during fiscal 1996. In addition, employees will save federal income taxes through these reductions in their taxable income. Pre-tax premiums will reduce the average employee's Social Security and Medicare payments (FICA), and the State will realize an equal amount of savings in FICA, estimated at approximately \$1 million in fiscal 1997.

ENHANCED TECHNOLOGY

Enhanced use of technology is important in the development of initiatives for good government. With rapid and significant changes in available technologies, there are new options and methods which can be used to improve services to clients and reduce costs.

- **Department of Human Services**
Approximately \$5.8 million in annual savings will be achieved as a result of minor software and procedure changes. These include increasing recoveries of third party liabilities for Medicaid Inpatient Hospital claims, stricter enforcement of the Medicaid personal care utilization limit of 25 hours per week for mental health clinic services, and interception of State tax refunds for individuals who had received previously unrecoverable overpayments from the General Assistance Program.
- **Centralized Services**
Technology can enable the centralization of functions with resulting efficiencies of scale. A \$1 million saving in the DMV budget is anticipated from the establishment of a fee driven on-line system at car dealerships to facilitate approximately one million transactions annually. A new time reporting system at the Department of Environmental Protection contributes to the efforts of the Department to reduce central management costs by over \$2 million.
- **Re-engineered Services**
Technology can enable the re-engineering of processes for improved service or major savings. The re-engineering of the procurement, management and inventory processing of materials used by New Jersey Transit will produce savings estimated to be \$1.7 million annually.
Technology can supplement the use of staff to perform essential functions. The Department of

Corrections has identified tower sites at eight correctional facilities which can be secured through the use of state of the art security and detection systems. When fully implemented, the action is expected to save over \$8.8 million annually by the redeployment of 171 custody staff to roving patrols, perimeter security and other institutional posts often staffed today by overtime personnel.

PRUDENT FISCAL MANAGEMENT

In any large organization, the maximization of resources means controlling costs. This can be accomplished by avoiding unnecessary costs, adopting sound fiscal practices in the management of trust fund balances, and ensuring that other governmental entities assume their share of costs. This Budget recommends a variety of options ranging from eliminating unnecessary steps in review processes to upgrading plant facilities reducing sewage and hauling expenses.

- **Cost Efficiencies**

Administrative Staff Management -- One way to maintain program effectiveness is to avoid costs which do not add value to a program. For example, the fiscal 1997 Budget recommends a \$2.4 million savings in the administrative budget of Department of Environmental Protection. Reductions in the financial reporting, communications, personnel and data processing areas have been identified.

Alternative Dispute Resolution -- The Department of Environmental Protection's new policy of emphasizing compliance through mutually agreeable solutions for inspection violations will result in reduced litigation in enforcement related matters. The Department of Environmental Protection, in fiscal 1997, will reduce litigation expenses for a savings of approximately \$1.2 million.

Return DYFS Youths to NJ -- The Division pays an average of \$50,000 per youth for residential placements outside New Jersey. The Arthur Brisbane Child Treatment Center now has a reduced hospital census. The fiscal 1997 Budget recommends that the open bed space be used to bring at least 10 youths housed out of state back to New Jersey for a savings of \$500,000.

Corrections Department Policy Changes-- The Department of Corrections, in conjunction with a management consulting group, identified approximately \$2 million in fiscal 1997 savings through reductions in inmate payroll

expenditures and reductions in employee meal accounts.

- **Fund Management**

Through more appropriate management of accumulated funds, this Administration will assure that all our financial resources are not allowed to sit idle.

Temporary Disability Insurance Fund -- The TDI program fills the gap between Unemployment Insurance and Workers Compensation by partially replacing earnings lost due to accident or sickness which is not related to employment. The TDI Fund Balance is currently at a level substantially more than is needed to pay benefit claims. The fiscal 1997 Budget anticipates a lapse of \$250 million to the General Fund.

Sanitary Landfill Contingency Fund -- This Fund is used to pay damage claims filed by residences and businesses impacted by a landfill operation, as well as clean-up costs to close a landfill properly. The Fund is supported from a dedicated tax on waste deposited in sanitary landfills in the State. The Fund currently totals \$32 million. After deducting \$15 million in active claims a remaining balance of \$17 million remains. Historically, annual claims costs have totaled less than \$1 million. Thus the fiscal 1997 Budget recommends a withdrawal of \$11.3 million from the Landfill Fund to the General Fund.

Realty Transfer Tax -- These taxes are exceeding anticipated levels by more than \$4 million for fiscal 1996. This will allow us, from these resources, to fund the \$2 million Shelter Assistance Program.

New Home Warranty Fund -- This Fund will earn projected interest for fiscal 1996 of \$4 million. The rate of earnings on this Fund is exceeding inflationary factors. Prudent financial management will allow an interfund transfer of \$3.25 million for fiscal 1997. This will be a long-term, if not permanent, revenue gain for the State. The principal of the Fund, approximately \$60 million, will not be impaired.

- **Federal Funds**

Federal Grant Management -- For fiscal 1997, the State will take advantage of every possible source of federal funds. New Jersey will achieve this through obtaining direct grants or by assuring full reimbursement of all federally-refundable charges across all relevant programs in the State.

Federal Block Grant Reforms - Congress has adopted block granting and other reform proposals which will allow individual states broad discretion in spending federal funds. Managing more effectively entails, for example: prudent purchasing of goods and services, efficient use of bed spaces, shifting clients into managed care programs and controlling pharmaceutical prices through flat dispensing fees.

Department of Transportation -- This Department will take advantage of the new federal National Highway Systems Act and replace State funding with federal grants for supporting highway maintenance activities. The State will save \$9 million in fiscal 1997 from this new federal grant opportunity.

Department of Human Services -- The Division of Youth and Family Services (DYFS) has received approval from the federal government to submit a claim for 50 percent federal funding for children residing in therapeutic foster homes and group home settings. This claim, retroactive to fiscal 1994, represents a one-time recovery of \$4.8 million. Furthermore, DYFS federal revenue will increase on an annual recurring basis by \$1.5 million.

Department of Law and Public Safety -- This Department will use \$900,000 of federal grant monies to offset the salaries of Marine Police officers in fiscal 1997. This will take advantage of a recent ruling by the US Coast Guard that allows such action.

Department of Military and Veterans' Affairs This department's better management of patient spaces in three of its veterans' homes, along with an increase in the federal per diem reimbursement rate, will save the State \$700,000 in fiscal 1997.

- **Enforcement**

The integrity of State programs demands vigorous pursuit and prosecution of fraud and abuse.

Recovery of Funds Due to the State--The recovery of \$7 million of receivables in medical assistance will be achieved through expanded and enhanced financial examinations. This will be accomplished without any adverse impact on the clients who rely on these services. \$2.3 million is targeted for recovery from more aggressive pursuit of outstanding unpaid pharmaceutical manufacturers rebates by centralizing and better coordinating the State's

recovery process. \$4.7 million is targeted for recovery from improved audits and collections of recoveries from third parties, increased recoveries of overpayments and retroactive rate adjustments from medical providers.

Fraud and Abuse Prevention and Prosecution--The aggressive investigation and prosecution of fraud and abuse not only improves program integrity and reduces costs but also provides a deterrent to future potential fraud and abuse. \$1 million has been targeted for recoveries from medical assistance providers through more vigorous investigation and prosecution of fraud and abuse.

While aggressive investigation and prosecution of fraud and abuse is effective, the prevention of fraud and abuse is less expensive and preferable to all concerned. Eligibility abuse prevention in the General Assistance program will include expanding the eligibility determination process to include home visitation of new applicants. A savings of \$3.2 million is targeted from the rejection of ineligible applications. Abuse of State supported pharmaceutical services will be reduced through the assignment of a single providing pharmacy for selected clients of General Assistance and Medicaid. This reduction in the opportunity for fraud and abuse is targeted to save \$6 million. Better control, standardization, and use of non-reproducible and non-erasable prescription forms is expected to save another \$1.2 million while further reducing the opportunity for drug abuse.

Economic Forecast and Revenue Projections

NATIONAL ECONOMY -- OVERVIEW

The US economy continued to enjoy moderate growth rates in 1995 as the Federal Reserve Board's 1994 strategy of raising interest rates appears to have achieved the desired "soft landing." The national economy has now completed the cyclical recovery from the 1990 recession and is at a sustainable Gross Domestic Product growth rate of between 2% and 3%, which is the long-run limit set by labor force and productivity gains. Two reductions in interest rates in June and December signaled the Federal Reserve's assessment that the economy is now operating in an environment of moderate growth and low inflation.

Real Gross Domestic Product growth averaged 3.2% in 1995 after strong 4.1% growth in 1994. Consumer spending in real terms increased by about 3%, with durable goods stronger, though early fall sales show some slowing. Retail spending during the December holiday season increased by 1.6%. Residential housing appears to have plateaued at levels about 2% below last year.

Employment growth slowed to a 2.3% rate. The unemployment rate remained in the 5.4% to 5.7% range, which many economists considered the natural rate consistent with a lack of inflationary pressure. Job growth has been strong in the service sector but manufacturing jobs are on the decline. Major downsizing continues in the communications and utilities industries, and merger and consolidation activity is ongoing in the financial sectors. Wage and price inflation both remained modest at rates of less than 3%.

NEW JERSEY ECONOMY -- OVERVIEW

The state economy generated good overall growth for 1995. Economic activity remained strong, with many key economic indicators providing the second best (after 1994) performance since 1988. Most of the strength came early in the year, followed by lower growth rates of employment, income, and spending in the spring. In midsummer the economy appeared stagnant before employment growth resumed. Corporate restructuring in the

manufacturing and finance sectors has continued to offset some of the strong growth in services.

Employment gains for the year through November were 37,500 jobs, or 1.6% ahead of the comparable period last year. This brings the employment gain since the recession low of May 1992 to 177,100, or 67% of the jobs lost in the recession. The unemployment rate averaged 6.4% for 1995 compared to 6.8% for 1994. Retail sales in the state for 1995 were up 3.1% through August, with non-durables actually declining. Car sales and residential construction have both fallen since the Spring and have posted declines for the year.

ECONOMIC FORECAST -- NEW JERSEY

The New Jersey economy is expected to continue following the general growth trends of the national economy. Moderate US real Gross Domestic Product growth of 2.5% and 2.4% for 1996 and 1997, respectively, is expected. Wage and price growth will continue at a modest 3% rate.

Early 1995 saw the end of the rebound phase of recovery from the 1989-1992 recession. The New Jersey economy, although growing relatively better than most other states in the Northeast, still suffers from high wage, housing, and energy costs. Continuing trends in corporate downsizing will generate job losses; this will moderate the outlook for employment growth.

New Jersey employment levels should finally reach their pre-recession peak in early 1998, growing 1.6% in 1995, 1.1% in 1996, and 1.0% in 1997. The unemployment rate is likely to remain in the 6% range. Income growth in 1995 is estimated at 5.1% and forecast to be 4.2% in 1996 and 1997, with total wage and salary growth 4.2% for 1995, and 4.3% for 1996 and 1997. Retail sales growth are expected to decline from 1994's extraordinary 8.1% level to 3.5% in 1995, but then show growth of 5.3% in 1996, and 4.1% for 1997. Car sales are forecast to decline by 2% for 1995 but show some positive growth at 2.7% in 1996. Housing starts are projected to decline 4.2% in 1995 and grow 1.7% in 1996. Both sectors are forecast to be flat for 1997.

Economic Forecast and Revenue Projections

REVENUE FORECAST

REVISIONS TO FISCAL 1996 ANTICIPATED REVENUE

The current estimate of \$15.49 billion in total fiscal 1996 revenue is \$85 million less than when revenues were certified by the Governor in June, 1995.

The three largest taxes, Gross Income Tax, Sales and Use Tax, and Corporation Business Tax, account for 65% of total revenue and are now forecast to yield \$10 billion. This is a decrease of \$26 million or 0.3% and reflects a downward revision to the Gross Income and Sales Tax estimates and an upward revision to the Corporation Business Tax estimate. The total revenues from other major taxes are revised downward by \$27 million primarily due to lower than anticipated year-to-date collections in the motor fuel excise tax, the transfer and inheritance taxes, the petroleum gross receipts tax, and the realty transfer tax.

The Sales Tax is now estimated to generate \$4.31 billion, a 4.3% rate of growth rather than the 5.4% rate originally projected. This reflects a sharper than anticipated pull-back by consumers after the explosive growth in demand for durables in the second half of 1994. Negative growth in both housing starts and new vehicle sales since the second quarter of 1995 underscore this retrenchment. An increase of \$50 million is still anticipated in the second half of the year from a special audit project of retail stores with liquor licenses.

The Corporate Business Tax is projected to generate \$1.2 billion, or \$53 million more than originally anticipated. The forecast for the 1995 growth in before-tax profits for US corporations made by WEFA, Inc., has been raised to 7.1% from the 5.3% rate originally projected. Since the economic recovery began in 1992, growth in New Jersey Corporate Business Tax liability has paralleled the trend in national profits growth.

The Gross Income Tax forecast is revised to \$4.55 billion. This decrease of \$33 million or .7% reflects an economy growing somewhat less vigorously than originally anticipated. The projection for NJ Personal Income growth in 1995 has been revised downward from 5.5% to 5.1% and, for 1996, from 5.0% to 4.2%. NJ employment growth in both 1995 and 1996 also has been revised downward by 0.3% in each year.

FISCAL 1997 REVENUE PROJECTIONS

Revenues for fiscal 1997 are expected to increase modestly as both the state and national economies settle into their long-term growth rates.

SALES TAX:

The forecast of \$4.40 billion for fiscal 1997 Sales Tax revenue is an increase of \$93 million or 2.2% compared to fiscal 1996. This represents the net impact of an underlying growth rate of 4.2% and several policy changes affecting sales tax collections.

This underlying growth reflects a return to a modest growth after the extraordinary growth in 1994 and the sharp falloff in 1995. Employment growth is expected to slow to about 1% in 1996 and 1997. Personal Income growth is expected to slow to 4.2% in both years. Two key sectors driving sales tax collections, new housing and automobile sales, are expected to be virtually flat in 1996 and 1997.

Two policy changes will negatively impact these revenues. One is the repeal of the sales tax on telephone directory advertising, the "yellow pages" tax, which was proposed in the fiscal 1996 Budget. This becomes effective in April 1996 at a cost of \$9 million and is expected to generate an additional \$28 million revenue loss in fiscal 1997 when fully implemented. The second policy change is the expansion of the Urban Enterprise Zone program from 22 zones in fiscal 1995 to 28 zones in fiscal 1997. This program is projected to reduce sales tax collections to the General Fund by about \$110 million.

CORPORATE BUSINESS TAX:

The forecast of \$1.21 billion for fiscal 1997 Corporate Business Tax revenue is an increase of \$12 million or 1.0% compared to fiscal 1996. This assumes that before-tax profits will grow at 3.6% in 1996 and 1.9% in 1997. This reflects the cyclical slowing of the national economy from the strong profit growth posted in 1994 (13.4%) and 1995 (7.1%).

The impact of two policy changes proposed in the Governor's Budget Message last year and enacted into law in 1995 also limit the expected revenue growth. One is the change in the formula used by corporations with multi-state operations to allocate income to New Jersey. For corporate tax years starting after June 30, the formula will double-weight the sales receipts factor to give a tax preference to corporations that have a higher concentration of payroll and facilities in New Jersey. The other policy change is the introduction of a 7.5% rather than a 9% tax rate for small corporations that have net income up to \$100,000. These changes will reduce revenues by about \$10 million as they start to be phased-in during fiscal

Economic Forecast and Revenue Projections

1997. An additional \$8 million revenue offset is expected due to New Jersey's recognition in 1994 of the federal depreciation schedule (MACRS) for plant and equipment expenditures.

GROSS INCOME TAX:

The forecast of \$4.61 billion for fiscal 1997 Gross Income Tax revenue is an increase of \$63 million or

1.4% over fiscal 1996. This represents an underlying growth in New Jersey personal income of 4.2% in 1996 and 1997 compared to 5.1% growth in 1995. The forecast includes the full impact of the final phase of the Governor's three year tax rate reduction program. Fiscal 1997 revenues are \$334 million lower than they would have been if the 1996 rate reduction had not been enacted.

Economic Forecast and Revenue Projections

STATE REVENUES REVISED FISCAL YEAR 1996 PROJECTIONS

(thousands of dollars)

| | APROP ACT FY 96 | REVISED FY 96 | DOLLAR CHANGE | PERCENT CHANGE |
|--|---------------------|---------------------|-------------------|-------------------|
| Major Taxes | | | | |
| Sales | \$4,356,000 | \$4,310,000 | \$(46,000) | -1.06% |
| Corporation Business | 1,145,000 | 1,198,000 | 53,000 | 4.63% |
| Motor Fuels | 480,000 | 465,000 | (15,000) | -3.13% |
| Motor Vehicle Fees | 420,000 | 430,000 | 10,000 | 2.38% |
| Transfer Inheritance | 305,000 | 290,000 | (15,000) | -4.92% |
| Insurance Premium | 270,000 | 270,000 | --- | --- |
| Cigarette | 245,000 | 249,000 | 4,000 | 1.63% |
| Petroleum Products Gross Receipts | 213,000 | 200,000 | (13,000) | -6.10% |
| Public Utility Excise | 125,000 | 134,000 | 9,000 | 7.20% |
| Corporation Banks and Financial Institutions | 70,000 | 70,000 | --- | --- |
| Alcoholic Beverage Excise | 78,000 | 78,000 | --- | --- |
| Realty Transfer | 53,000 | 45,000 | (8,000) | -15.09% |
| Savings Institution | 20,000 | 20,000 | --- | --- |
| Motor Fuel Use - Motor Carrier | 9,000 | 9,000 | --- | --- |
| Tobacco Products Wholesale Sales | 4,000 | 5,000 | 1,000 | 25.00% |
| Total Major Taxes | \$7,793,000 | \$7,773,000 | \$(20,000) | -0.26% |
| Miscellaneous Taxes, Fees, Revenues | | | | |
| Public Utility Gross Receipts & Franchise Taxes | \$270,000 | \$275,000 | \$5,000 | 1.85% |
| Fair Housing Tax | 16,325 | 16,325 | --- | --- |
| Medicaid Uncompensated Care | 419,843 | 405,343 | (14,500) | -3.45% |
| Motor Vehicle Surcharge Program | 139,000 | 45,000 | (94,000) | -67.63% |
| Market Transition Facility | --- | 94,000 | 94,000 | 100.00% |
| Other Interdepartmental Accounts | 273,889 | 272,671 | (1,218) | -0.44% |
| School Based Medicaid | 85,000 | 45,000 | (40,000) | -47.06% |
| Other Miscellaneous Revenue | 772,393 | 766,405 | (5,988) | -0.78% |
| Total Miscellaneous Taxes, Fees, Revenues | \$1,976,450 | \$1,919,744 | \$(56,706) | -2.87% |
| Interfund Transfers | | | | |
| State Disability Benefit Fund General Account | 25,767 | 25,767 | --- | --- |
| State Lottery Fund | 645,500 | 645,500 | --- | --- |
| All Other Funds | 203,995 | 218,088 | 14,093 | 6.91% |
| Total Interfund Transfers | \$875,262 | \$889,355 | \$14,093 | \$1.61% |
| Total State Revenues General Fund | \$10,644,712 | \$10,582,099 | \$(62,613) | -0.59% |
| Property Tax Relief Fund | \$4,580,000 | \$4,547,000 | \$(33,000) | -0.72% |
| Casino Revenue Fund | 300,700 | 308,300 | 7,600 | 2.53% |
| Casino Control Fund | 51,226 | 53,791 | 2,565 | 5.01% |
| Gubernatorial Election Fund | 1,500 | 1,500 | --- | --- |
| Total State Revenues | \$15,578,138 | \$15,492,690 | \$(85,448) | -0.55% |

Economic Revenue and Forecast Projections

STATE REVENUES

FISCAL YEAR 1997 PROJECTIONS

(thousands of dollars)

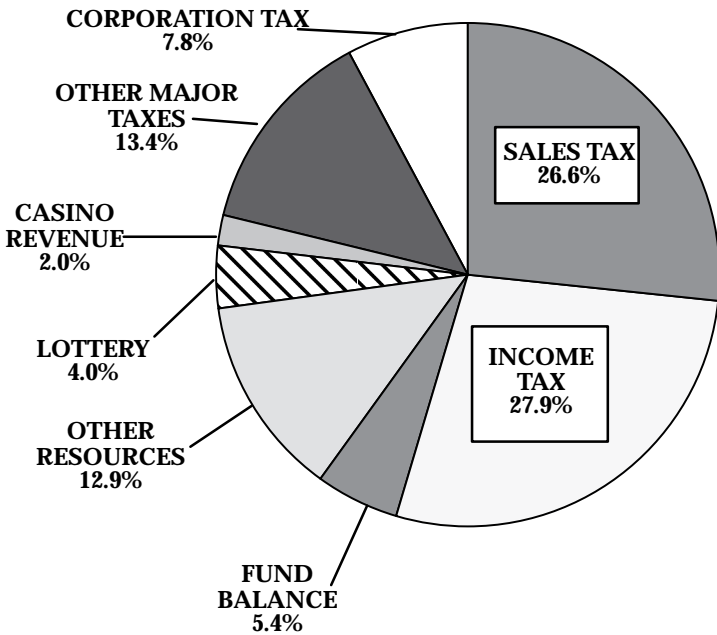
| | REVISED FY 96 | FY 97 | DOLLAR CHANGE | PERCENT CHANGE |
|--|---------------------|---------------------|--------------------|-------------------|
| Major Taxes | | | | |
| Sales | \$4,310,000 | \$4,403,000 | \$93,000 | 2.16% |
| Corporation Business | 1,198,000 | 1,210,000 | 12,000 | 1.00% |
| Motor Fuels | 465,000 | 490,000 | 25,000 | 5.38% |
| Motor Vehicle Fees | 430,000 | 424,000 | (6,000) | -1.40% |
| Transfer Inheritance | 290,000 | 290,000 | --- | --- |
| Insurance Premium | 270,000 | 280,000 | 10,000 | 3.70% |
| Cigarette | 249,000 | 250,000 | 1,000 | 0.40% |
| Petroleum Products Gross Receipts | 200,000 | 200,000 | --- | --- |
| Public Utility Excise | 134,000 | 127,000 | (7,000) | -5.22% |
| Corporation Banks and Financial Institutions | 70,000 | 78,000 | 8,000 | 11.43% |
| Alcoholic Beverage Excise | 78,000 | 77,000 | (1,000) | -1.28% |
| Realty Transfer | 45,000 | 47,000 | 2,000 | 4.44% |
| Savings Institution | 20,000 | 20,000 | --- | --- |
| Motor Fuel Use - Motor Carrier | 9,000 | 9,000 | --- | --- |
| Tobacco Products Wholesales Sales | 5,000 | 5,000 | --- | --- |
| Total Major Taxes | \$7,773,000 | \$7,910,000 | \$137,000 | 1.76% |
| Miscellaneous Taxes, Fees, Revenues | | | | |
| Public Utility Gross Receipts & Franchise Taxes | 275,000 | 220,000 | (55,000) | -20.00% |
| Fair Housing Tax | 16,325 | 18,325 | 2,000 | 12.25% |
| Medicaid Uncompensated Care | 405,343 | 363,461 | (41,882) | -10.33% |
| Motor Vehicle Surcharge Program | 45,000 | 53,000 | 8,000 | 17.78% |
| Market Transition Facility | 94,000 | --- | (94,000) | -100.00% |
| Other Interdepartmental Accounts | 272,671 | 283,465 | 10,794 | 3.96% |
| School Based Medicaid | 45,000 | --- | (45,000) | -100.00% |
| Other Miscellaneous Revenue | 766,405 | 685,081 | (81,324) | -10.61% |
| Total Miscellaneous Taxes, Fees, Revenues | \$1,919,744 | \$1,623,332 | \$(296,412) | -15.44% |
| Interfund Transfers | | | | |
| State Disability Benefit Fund General Account | 25,767 | 274,767 | 249,000 | 966.35% |
| State Lottery Fund | 645,500 | 665,500 | 20,000 | 3.10% |
| All Other Funds | 218,088 | 184,161 | (33,927) | -15.56% |
| Total Interfund Transfers | \$889,355 | \$1,124,428 | \$235,073 | \$26.43% |
| Total State Revenues General Fund | \$10,582,099 | \$10,657,760 | \$75,661 | 0.71% |
| Property Tax Relief Fund | 4,547,000 | 4,610,000 | 63,000 | 1.39% |
| Casino Revenue Fund | 308,300 | 323,875 | 15,575 | 5.05% |
| Casino Control Fund | 53,791 | 51,661 | (2,130) | -3.96% |
| Gubernatorial Election Fund | 1,500 | 1,500 | --- | --- |
| Total State Revenues | \$15,492,690 | \$15,644,796 | \$152,106 | 0.98% |

NEW JERSEY BUDGET

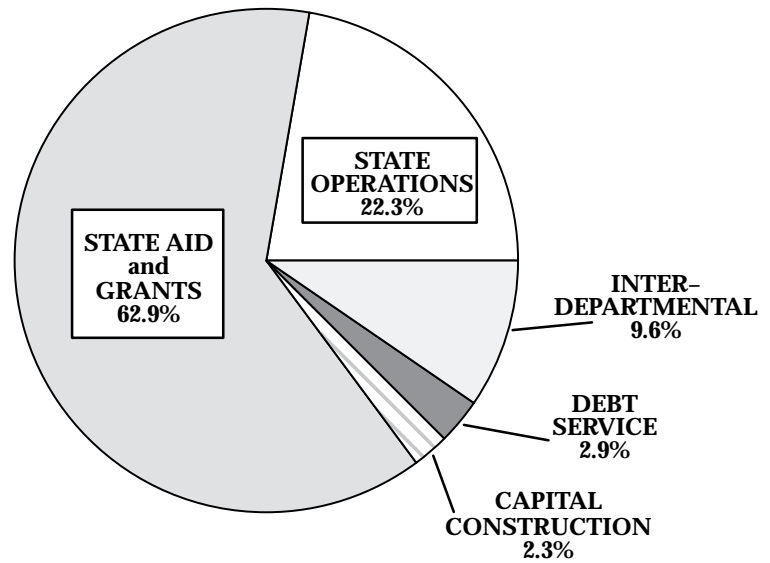
RESOURCES AND RECOMMENDATIONS FOR FISCAL YEAR 1997

ALL STATE FUNDS

Resources



Recommendations



RESOURCES

| | (\$000) |
|-----------------------------------|---------------------|
| INCOME TAX | \$4,610,000 |
| SALES TAX | 4,403,000 |
| CORPORATION and BANK TAX | 1,288,000 |
| LOTTERY REVENUE | 665,500 |
| CASINO REVENUE | 323,875 |
| OTHER MAJOR TAXES: | |
| Motor Fuels and Motor Carriers | 499,000 |
| Motor Vehicles | 424,000 |
| Inheritance | 290,000 |
| Insurance Premiums | 280,000 |
| Cigarette | 250,000 |
| Petroleum Products Gross Receipts | 200,000 |
| Public Utilities | 127,000 |
| Alcohol Beverage Excise | 77,000 |
| Realty Transfer | 47,000 |
| Savings Institutions | 20,000 |
| Tobacco Products Wholesale Sales | 5,000 |
| OTHER RESOURCES | 2,135,421 |
| SUB-TOTAL | \$15,644,796 |
| FUND BALANCE, JULY 1, 1996 | |
| General Fund | \$607,058 |
| Surplus Revenue Fund | 263,257 |
| Property Tax Relief Fund | -- |
| Casino Revenue Fund | -- |
| Casino Control Fund | 17,026 |
| Gubernatorial Elections Fund | 2,597 |
| TOTAL | \$16,534,734 |

RECOMMENDATIONS

| | (\$000) |
|--|---------------------|
| Education | \$4,893,334 |
| Human Services | 3,637,885 |
| Interdepartmental | 1,547,905 |
| Higher Educational Services | 1,151,242 |
| Community Affairs | 894,828 |
| Corrections | 713,190 |
| Transportation | 713,133 |
| Treasury | 594,946 |
| Debt Service | 463,083 |
| Law and Public Safety | 365,835 |
| Judiciary | 348,017 |
| Environmental Protection | 190,576 |
| Health | 91,887 |
| State | 78,690 |
| Labor | 75,988 |
| Military and Veterans' Affairs | 54,754 |
| Legislature | 50,055 |
| Banking and Insurance | 39,198 |
| Commerce | 36,887 |
| Other Departments | 43,301 |
| SUB-TOTAL RECOMMENDATION | \$15,984,734 |
| ESTIMATED FUND BALANCE, JUNE 30, 1997 | |
| General Fund | \$275,741 |
| Surplus Revenue Fund | 263,257 |
| Property Tax Relief Fund | -- |
| Casino Revenue Fund | 11,002 |
| Casino Control Fund | -- |
| Gubernatorial Elections Fund | -- |
| TOTAL | \$16,534,734 |

Financial Summary of the Fiscal Year 1997 Budget

SUMMARY ESTIMATED REVENUES, EXPENDITURES AND FUND BALANCES (thousands of dollars)

| | -----Fiscal Year Ending June 30----- | |
|---|--------------------------------------|-------------------|
| | 1996 | 1997 |
| | Estimated | Estimated |
| Beginning Balances July 1 | | |
| Undesignated Fund Balances | | |
| General Fund | 569,209 | 607,058 |
| Surplus Revenue Fund | 263,257 | 263,257 |
| Reserve Fund | --- | --- |
| Property Tax Relief Fund | 119,269 | --- |
| Gubernatorial Elections Fund | 1,097 | 2,597 |
| Casino Control Fund | (2,565) | --- |
| Casino Revenue Fund | <u>---</u> | <u>17,026</u> |
| <i>Total Undesignated Fund Balances</i> | <u>950,267</u> | <u>889,938</u> |
| State Revenues | | |
| General Fund | 10,582,099 | 10,657,760 |
| Property Tax Relief Fund | 4,547,000 | 4,610,000 |
| Gubernatorial Elections Fund | 1,500 | 1,500 |
| Casino Control Fund | 53,791 | 51,661 |
| Casino Revenue Fund | <u>308,300</u> | <u>323,875</u> |
| <i>Total State Revenues</i> | <u>15,492,690</u> | <u>15,644,796</u> |
| Other Adjustments | | |
| General Fund | | |
| Balances lapsed | 511,100 | --- |
| To Property Tax Relief Fund | (42,261) | --- |
| To Gubernatorial Elections Fund | --- | (1,603) |
| To Reserve Fund | (150,000) | --- |
| From Reserve Fund | 150,000 | --- |
| Miscellaneous | 7,000 | --- |
| Reserve Fund | | |
| From General Fund | 150,000 | --- |
| To General Fund | (150,000) | --- |
| Property Tax Relief Fund | | |
| From General Fund | 42,261 | --- |
| Balances lapsed | 29,600 | --- |
| Gubernatorial Elections Fund | | |
| From General Fund | --- | 1,603 |
| Casino Revenue Fund | | |
| Balances lapsed | <u>8,400</u> | <u>---</u> |
| <i>Total Other Adjustments</i> | <u>556,100</u> | <u>---</u> |
| <i>Total Available</i> | <u>16,999,057</u> | <u>16,534,734</u> |
| Appropriations | | |
| General Fund | 11,020,089 | 10,987,474 |
| Property Tax Relief Fund | 4,738,130 | 4,610,000 |
| Gubernatorial Elections Fund | --- | 5,700 |
| Casino Control Fund | 51,226 | 51,661 |
| Casino Revenue Fund | <u>299,674</u> | <u>329,899</u> |
| <i>Total Appropriations</i> | <u>16,109,119</u> | <u>15,984,734</u> |
| Ending Balances June 30 | | |
| Undesignated Fund Balances | | |
| General Fund | 607,058 | 275,741 |
| Surplus Revenue Fund | 263,257 | 263,257 |
| Reserve Fund | --- | --- |
| Property Tax Relief Fund | --- | --- |
| Gubernatorial Elections Fund | 2,597 | --- |
| Casino Control Fund | --- | --- |
| Casino Revenue Fund | <u>17,026</u> | <u>11,002</u> |
| <i>Total Undesignated Fund Balances</i> | <u>889,938</u> | <u>550,000</u> |

Financial Summary of the Fiscal Year 1997 Budget

SUMMARY OF FISCAL YEAR 1996-97 APPROPRIATION RECOMMENDATIONS (thousands of dollars)

| | Fiscal Year 1996 Adjusted Appropriations | Fiscal Year 1997 Recommendations | -----Change----- | |
|--|---|--|----------------------------|--------------|
| | | | Dollar | Percent |
| GENERAL FUND AND PROPERTY TAX RELIEF FUND | | | | |
| State Aid and Grants | \$ 9,893,389 | \$ 9,730,885 | \$ (162,504) | -1.6% |
| State Operations | | | | |
| Executive Departments | \$ 3,234,058 | \$ 3,102,152 | \$ (131,906) | -4.1% |
| Legislature | 52,846 | 50,055 | (2,791) | -5.3% |
| Judiciary | 357,558 | 348,017 | (9,541) | -2.7% |
| Interdepartmental | <u>1,536,967</u> | <u>1,537,005</u> | <u>38</u> | 0.0% |
| Total State Operations | \$ <u>5,181,429</u> | <u>5,037,229</u> | <u>(144,200)</u> | -2.8% |
| Capital Construction | 217,071 | \$ 366,277 | 149,206 | 68.7% |
| Debt Service | 466,330 | 463,083 | (3,247) | -0.7% |
| TOTAL GENERAL FUND AND PROPERTY TAX RELIEF FUND | <u>\$ 15,758,219</u> | <u>\$ 15,597,474</u> | <u>\$ (160,745)</u> | -1.0% |
| CASINO REVENUE FUND | 299,674 | 329,899 | 30,225 | 10.1% |
| CASINO CONTROL FUND | 51,226 | 51,661 | 435 | 0.8% |
| GUBERNATORIAL ELECTION FUND | <u>---</u> | <u>5,700</u> | <u>5,700</u> | N/A |
| GRAND TOTAL STATE APPROPRIATIONS | <u>\$ 16,109,119</u> | <u>\$ 15,984,734</u> | <u>\$ (124,385)</u> | -0.8% |

SUMMARY OF FISCAL YEAR 1996-97 APPROPRIATION RECOMMENDATIONS BY FUND (thousands of dollars)

| -----Year Ending June 30, 1995----- | | | | | Year Ending -----June 30, 1997----- | | | |
|-------------------------------------|-------------------------|----------------------------------|----------------------------|----------------------------|---|----------------------------|----------------------------|--|
| Orig. & (S)Supple- mental | Reapp. & (R)Recpts. | Transfers (E)Emer- gencies | Total Available | Expended | 1996 Adjusted Approp. | Requested | Recom- mended | |
| | | | | | General Fund | | | |
| \$4,771,236 | \$272,217 | \$194,877 | \$5,238,330 | \$5,068,854 | \$5,181,429 | \$5,084,974 | \$5,037,229 | |
| 3,170,125 | 154,062 | -24,607 | 3,299,580 | 3,108,685 | 3,161,649 | 3,065,659 | 3,052,874 | |
| 1,547,381 | 33,360 | -154,730 | 1,426,011 | 1,357,184 | 1,993,610 | 2,083,446 | 2,068,011 | |
| 440,679 | 73,884 | -227 | 514,336 | 289,791 | 217,071 | 560,070 | 366,277 | |
| <u>103,525</u> | <u>---</u> | <u>---</u> | <u>103,525</u> | <u>103,522</u> | <u>466,330</u> | <u>463,083</u> | <u>463,083</u> | |
| <u>\$10,032,946</u> | <u>\$533,523</u> | <u>\$15,313</u> | <u>\$10,581,782</u> | <u>\$9,928,036</u> | <u>\$11,020,089</u> | <u>\$11,257,232</u> | <u>\$10,987,474</u> | |
| | | | | | Property Tax Relief Fund | | | |
| \$5,055,433 | \$423 | \$-7,892 | \$5,047,964 | \$5,018,420 | \$4,738,130 | \$4,610,000 | \$4,610,000 | |
| 57,371 | 25 | --- | 57,396 | 55,106 | 51,226 | 51,661 | 51,661 | |
| 317,496 | 57,558 | -1 | 375,053 | 363,842 | 299,674 | 329,899 | 329,899 | |
| <u>---</u> | <u>---</u> | <u>---</u> | <u>---</u> | <u>---</u> | <u>---</u> | <u>5,700</u> | <u>5,700</u> | |
| <u>\$15,463,246</u> | <u>\$591,529</u> | <u>\$7,420</u> | <u>\$16,062,195</u> | <u>\$15,365,404</u> | <u>\$16,109,119</u> | <u>\$16,254,492</u> | <u>\$15,984,734</u> | |
| | | | | | GRAND TOTAL STATE APPROPRIATIONS | | | |

Financial Summary of the Fiscal Year 1997 Budget

SUMMARY OF APPROPRIATIONS MAJOR INCREASES AND DECREASES

This table summarizes the major increases and decreases in the fiscal year 1997 budget, defined as a change of \$1.0 million or more compared to the fiscal year 1996 appropriation. Information is organized by fund and by category.

Categories of appropriations are defined as follows:

State Operations consists of programs and services operated directly by the State government. Funding is largely for the salary and benefits of State employees, as well as faculty and staff at the State colleges and universities. This portion of the budget is subject to the spending limitations imposed by the Cap Law.

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

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

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

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

APPROPRIATIONS MAJOR INCREASES AND DECREASES (\$ In Millions)

| | <u>Increases</u> | <u>Decreases</u> | <u>Net Change Dollars</u> |
|--|------------------|------------------|-----------------------------------|
| General Fund | | | |
| State Operations | | | |
| Salary Contract | 47.4 | | |
| South Woods State Prison (Bridgeton) | 19.2 | | |
| Essex I and Essex II Settlement | 17.5 | | |
| Juvenile Services | 5.5 | | |
| Public Defender | 3.4 | | |
| Department of Commerce - NJ Economic Development Authority Act | 2.0 | | |
| Department of Human Services - Medical Assistance | 1.9 | | |
| Department of Human Services - Family Development | 1.4 | | |
| Subtotal State Operations Increases | 98.3 | | |
| Department of Corrections (excluding South Woods State Prison) | | (37.0) | |
| Department of Treasury | | (36.5) | |
| Department of Environmental Protection | | (17.4) | |
| Department of Transportation (excluding Division of Motor Vehicles) | | (13.9) | |
| Department of Law and Public Safety | | (11.3) | |
| Division of Motor Vehicles - Enhanced Inspection and Maintenance Program | | (10.9) | |
| Workers Compensation | | (10.0) | |
| Facilities for the Developmentally Disabled | | (9.6) | |
| Employee Benefits | | (9.5) | |
| Judiciary | | (9.5) | |
| Property Rentals | | (7.9) | |
| Psychiatric Hospitals | | (7.5) | |
| Department of Personnel | | (4.4) | |
| Department of Health | | (4.2) | |
| Department of Military and Veteran's Affairs | | (4.0) | |
| Department of Education | | (3.1) | |
| Furlough Savings | | (3.0) | |
| Department of Human Services - Management and Budget | | (2.6) | |
| State Capitol Joint Management Commission | | (2.6) | |

Financial Summary of the Fiscal Year 1997 Budget

| | <u>Increases</u> | <u>Decreases</u> | <u>Net Change Dollars</u> |
|--|------------------|------------------|-----------------------------------|
| Department of Banking and Insurance | | (2.0) | |
| Tort Claims | | (2.0) | |
| Office of Legislative Services | | (1.8) | |
| Department of Labor | | (1.7) | |
| Department of Community Affairs | | (1.3) | |
| Division of Youth and Family Services | | (1.2) | |
| Public Broadcasting | | (1.0) | |
| Other (Net) | | <u>(26.6)</u> | |
| Subtotal State Operations Decreases | | (242.5) | |
| Net Change (State Operations) | | | <u>(144.2)</u> |
| Grants-in-Aid (General Fund and Casino Revenue Fund) | | | |
| Higher Education - Tuition Aid Grants | 23.1 | | |
| Higher Education - Facilities Debt Service | 12.2 | | |
| Department of Human Services - Community Mental Health | 12.0 | | |
| Corrections - County Backup | 4.3 | | |
| Corrections - Purchase Community Services | 2.2 | | |
| Transportation - Assistance for Senior and Disabled Citizens | 1.9 | | |
| Higher Education - Opportunity Program Grant | <u>1.0</u> | | |
| Subtotal Grants-in-Aid Increases | 56.7 | | |
| Medicaid | | (62.2) | |
| Pharmaceutical Assistance for the Aged and Disabled | | (21.9) | |
| New Jersey Transit | | (11.6) | |
| Lifeline | | (9.7) | |
| Division of Youth and Family Services Grants | | (6.0) | |
| Community Affairs Grants | | (3.3) | |
| Goodstarts | | (3.1) | |
| New Jersey Symphony | | (3.0) | |
| Agriculture Productivity Grants | | (2.7) | |
| Division for the Developmentally Disabled - Community Programs | | (2.1) | |
| Liberty Science Center - School Visit Subsidy | | (1.7) | |
| Aid to Independent Colleges | | (1.5) | |
| Corrections - Amer-I-Can Program | | (1.5) | |
| Other (Net) | | <u>(6.7)</u> | |
| Subtotal Grants-in-Aid Decreases | | (137.0) | |
| Net Change | | | <u>(80.3)</u> |
| State Aid (General Fund and Property Tax Relief Fund) | | | |
| School Aid | 63.7 | | |
| Other (Net) | <u>0.9</u> | | |
| Subtotal State Aid Increases | 64.6 | | |
| Income Maintenance (Welfare) | | (101.2) | |
| Aid to Densely Populated Municipalities | | (8.0) | |
| Safe and Secure Neighborhoods | | (5.4) | |
| Veterans, Senior and Disabled Tax Deductions | | (2.1) | |
| Library Aid | | <u>(1.6)</u> | |
| Subtotal State Aid Decreases | | (118.3) | |
| Net Change | | | <u>(53.7)</u> |
| Capital Construction (Increase) | <u>149.2</u> | | <u>149.2</u> |
| Debt Service (Decrease) | | <u>(3.2)</u> | <u>(3.2)</u> |
| Casino Revenue and Casino Control (excluding Grants-In-Aid) | <u>2.1</u> | | <u>2.1</u> |
| Gubernatorial Elections Fund | <u>5.7</u> | | <u>5.7</u> |
| GRAND TOTALS | <u>376.6</u> | <u>(501.0)</u> | <u>(124.4)</u> |

Components of the Budget

MAJOR COMPONENTS

This section serves as a guide to better understand the fiscal 1997 Budget. Most of the \$15.985 billion Budget can be explained by a relatively few major programs or functions. Taken together, they comprise more than 90 percent of the State Budget.

These components, summarized below, are described in this section.

| COMPONENTS OF THE BUDGET | |
|--|--------------------|
| (\$ in millions) | |
| | <u>Fiscal 1997</u> |
| School Aid----- | \$4,158 |
| Employee Benefits - Education----- | 678 |
| Municipal Aid.----- | 1,644 * |
| Homestead Rebates ----- | 322 |
| Higher Education----- | 1,148 |
| Civil and Criminal Justice----- | 1,401 |
| Environmental Protection----- | 176 |
| Transportation and Transit Subsidy ----- | 409 ** |
| Public Health----- | 92 |
| Human Services Programs: | |
| —Family Development ----- | 430 |
| —Medicaid ----- | 1,780 |
| —Pharmaceutical Assistance and Lifeline ----- | 217 |
| —Community Services and Institutional Programs ----- | 1,066 |
| Employee Benefits ----- | 1,200 |
| Public Infrastructure and the Transportation Trust Fund----- | 762 |
| <p>* Includes \$685 million in dedicated taxes for information purposes. When we speak of these components totalling more than 90 percent of the budget, we control for this amount. It is not part of the \$15.985 billion total.</p> | |
| <p>** In addition to this amount, an authorization of \$700 million for the Transportation Trust Fund is discussed in this section.</p> | |

In addition to the State appropriations listed above, some of these programs entail significant federal and other revenues. These are discussed in the relevant sections.

Components of the Budget

SCHOOL AID

Two main emphases characterize the State's education funding recommendation for fiscal 1997: State aid for New Jersey's special needs districts will increase by \$60 million to continue reducing the parity gap between these 30 districts and the State's wealthier suburban districts, and a new \$10 million program will provide school districts with funds to support their acquisition of the hardware, software, and infrastructure required for the emerging technology necessary to support the education of our children.

In its most recent (July 1994) ruling in the *Abbott v. Burke* case, the New Jersey Supreme Court found the Quality Education Act of 1990 to be unconstitutional because it failed to ensure that the special needs districts would achieve per-pupil spending parity with the average wealthy district. The Court stated that it expected to see the spending gap eliminated by the 1997-98 school year; and it stipulated that, by September 1996, the Legislature should enact new school funding legislation that would establish this objective permanently.

After an extended period of public hearings and town meetings, the Commissioner of Education recommended, in his "Comprehensive Plan for Educational Improvement and Financing," an innovative approach toward achieving the Court's *Abbott* requirement. This far-ranging, complex proposal will be the subject of intense legislative and public discussion over the coming months.

Once the debate is concluded and legislation is enacted, New Jersey will have a long-term method for financing its public schools. This process will be brought to conclusion in September 1996 and take effect in the 1997-98 school year. Therefore, until then, an interim funding arrangement for fiscal 1997 will be necessary. Because it is impossible to predict what the final legislation will be, the interim

plan must be carefully designed as a temporary solution.

Thus, the recommended funding program for the 1996-97 school year holds most aid programs unchanged from the current year. The increase in basic Foundation Aid for the special needs districts will raise them, as a group, to almost 90 percent of parity compared to the wealthier suburban districts. A few districts will lose aid because their enrollments have declined fairly substantially over the past five years, while their entitlements have been held constant throughout this period. Districts entitled to Transition Aid will receive their next to last installment in fiscal 1997, as this temporary program is finally phased out in fiscal 1998.

In addition, the State will begin implementing the School Efficiency Act, which levies penalties against districts whose administrative expenditures are determined to be excessive, and also provides rewards to districts whose administrative costs are deemed reasonable. All told 175 districts will receive rewards of \$6.6 million, while 63 districts will be penalized by the same amount.

School districts' entitlements under other categories of aid (Bilingual, At-Risk, Special Education, Vocational Education, Pupil Transportation, and Debt Service aid) will remain unchanged.

Increases in spending for education also are recommended in the Teachers' Pension and Annuity Fund payments which the State makes on behalf of school districts. The increase in pension payments will be partly offset by a decline in the amount required for the employers' share of school employees' Social Security coverage.

In total, State Aid for local school districts will increase to more than \$4.8 billion in fiscal 1997. This level of support constitutes more than 38 percent of the cost of New Jersey's public schools.

Components of the Budget

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

| | Expended Fiscal 1995 | Appropriated Fiscal 1996 | Requested Fiscal 1997 | ----Recommended Fiscal Year 1997---- | | |
|---|-------------------------|-----------------------------|--------------------------|--------------------------------------|-----------------------------|--------------------|
| | | | | General Fund | Property Tax Relief Fund | Total |
| Formula Aid Programs: | | | | | | |
| Foundation Aid | \$2,562,199 | \$2,713,148 | \$2,769,591 | \$1,255,227 | \$1,514,364 | \$2,769,591 |
| School Efficiency Program Rewards | --- | 8,670 | 6,600 | --- | 6,600 | 6,600 |
| Restoration of Penalties for Excessive Administrative Expenditures | --- | 9,666 | --- | --- | --- | --- |
| Categorical Aids: | | | | | | |
| Technology Grants | --- | --- | 10,000 | 10,000 | --- | 10,000 |
| Bilingual Education | 57,386 | 57,455 | 57,454 | --- | 57,454 | 57,454 |
| Aid for At Risk Pupils | 292,986 | 292,930 | 292,930 | --- | 292,930 | 292,930 |
| Special Education | 582,500 | 601,039 | 601,054 | --- | 601,054 | 601,054 |
| County Vocational Education | 28,722 | 28,690 | 28,690 | --- | 28,690 | 28,690 |
| Pupil Transportation Aid | 263,849 | 249,430 | 247,206 | --- | 247,206 | 247,206 |
| Transition Aid | 57,087 | 38,203 | 19,101 | --- | 19,101 | 19,101 |
| Debt Service Aid | 69,594 | 69,945 | 69,945 | --- | 69,945 | 69,945 |
| Less: | | | | | | |
| Health Insurance Premium Rebate Offset | (88,508) | --- | --- | --- | --- | --- |
| Savings from Pension Funding Changes | (41,213) | (41,213) | (41,213) | --- | (41,213) | (41,213) |
| Reduction for Excessive Administrative Expenditures | --- | (9,666) | (6,603) | --- | (6,603) | (6,603) |
| Subtotal, Formula Aid Programs | 3,784,602 | 4,018,297 | 4,054,755 | 1,265,227 | 2,789,528 | 4,054,755 |
| Other Aid to Education: | | | | | | |
| Nonpublic School Aid | 61,457 | 69,586 | 69,586 | 69,586 | --- | 69,586 |
| Payments for Children with Unknown District of Residence | 5,695 | 6,418 | 6,418 | 6,418 | --- | 6,418 |
| Minimum Teacher Starting Salary | 29 | 100 | 10 | 10 | --- | 10 |
| County College Urban Education | 450 | 450 | 450 | 450 | --- | 450 |
| Education Excellence Initiative | 1,000 | 1,800 | --- | --- | --- | --- |
| Desegregation Aid | 6,965 | --- | --- | --- | --- | --- |
| Adult & Continuing Education | 2,441 | 2,448 | 2,448 | 2,448 | --- | 2,448 |
| General Vocational Aid | 6,688 | 6,821 | 6,821 | 6,821 | --- | 6,821 |
| School Nutrition | 6,562 | 6,565 | 6,565 | 6,565 | --- | 6,565 |
| Additional School Building Aid (Debt Service) | 14,695 | 12,607 | 10,685 | 10,685 | --- | 10,685 |
| Education Information and Resource Center | 504 | 450 | 360 | 360 | --- | 360 |
| State-operated School District Differential Aid | 25,000 | 22,000 | --- | --- | --- | --- |
| Other Aid | 695 | 1,502 | 175 | 175 | --- | 175 |
| Subtotal, Other Aid to Education | 132,181 | 130,747 | 103,518 | 103,518 | --- | 103,518 |
| Subtotal, Department of Education | 3,916,783 | 4,149,044 | 4,158,273 | 1,368,745 | 2,789,528 | 4,158,273 |
| Direct State Payments for Education: | | | | | | |
| Teachers' Pension Assistance | 47,035 | 170,254 | 236,476 | --- | 236,476 | 236,476 |
| Pension and Annuity Assistance - Other | 10,542 | 10,820 | 12,409 | 12,409 | --- | 12,409 |
| Teachers' Social Security Assistance | 394,474 | 442,679 | 429,368 | --- | 429,368 | 429,368 |
| TOTAL | \$4,368,834 | \$4,772,797 | \$4,836,526 | \$1,381,154 | \$3,455,372 | \$4,836,526 |

Components of the Budget

MUNICIPAL AID

Providing financial assistance to municipalities has been one of the most important aspects of State government, and the fiscal 1997 Budget continues a substantial commitment to local government. Total aid to municipalities, both unrestricted and restricted, will amount to \$1.64 billion in fiscal 1997, most of it in the form of unrestricted aid. Unrestricted aid from general resources is virtually equal to last year. Due to the significant decline of Gross Receipts and Franchise Taxes, after record-high levels in fiscal 1995, some municipalities may be faced with reduced municipal aid resources.

Providing aid without restrictions will allow municipalities and counties the flexibility to set their own priorities.

The fiscal 1997 Budget continues each major unrestricted aid program at last year's funding level, providing municipal governments with a stable base of revenue to address their needs for local public services. With the consolidation of multiple aid programs in fiscal 1996, the number of major unrestricted aid programs has been reduced to five. The integrated expedited aid payment schedule now allows better municipal investment planning and cash management. The structural cash flow problem which forced municipalities to issue Tax Anticipation Notes has been remedied.

Restricted-use State aid helps target resources to particular activities, programs, and projects undertaken by local governments. It is also targeted to particular municipalities that need additional resources to meet basic service needs and responsibilities.

UNRESTRICTED AID

Most State aid to municipalities is in the form of unrestricted aid. Appropriations totaling \$1.51 billion are recommended for fiscal 1997. Of this amount, \$828 million are funded from major tax and revenue sources and \$685 million are from dedicated public utility taxes. An \$8 million reduction in Aid to Densely Populated Municipalities, the third of four planned reductions as the program is phased out, is the only reduction this budget makes to unrestricted programs. The chart below summarizes the municipal aid funding recommendation.

The largest program of municipal aid is the Consolidated Municipal Property Tax Relief Program which comprises \$858 million in aid previously distributed under 15 programs. This one program replicates dollar for dollar the amount each municipality received under those programs before

consolidation. Savings to municipalities of \$104 million from state - initiated pension restructuring are netted against this aid. These savings were achieved in the first year of pension reform and will recur annually.

The next largest source of unrestricted State aid is the distribution of Public Utility Gross Receipts and Franchise Taxes, from which all of New Jersey's 567 municipalities benefit. The fiscal 1997 funding level will again be \$685 million, maintaining the state's commitment to this required funding level, despite a projected \$155 million (15%) erosion of these tax revenues from fiscal 1995 to fiscal 1997. This problem is expected to worsen beyond fiscal 1997, as suppliers and consumers take advantage of opportunities to avoid this tax, which places New Jersey's major energy providers at a significant competitive disadvantage.

The Discretionary Aid Component of the Supplemental Municipal Property Tax Relief Program provides \$30 million which enables the State to respond to short-term municipal fiscal problems. These funds have not been consolidated in order to maintain the system's flexibility and responsiveness to emerging problems.

| MUNICIPAL AID SUMMARY | | |
|--|---------------------|---------------------|
| (\$ in Millions) | | |
| | Fiscal Year 1996 | Fiscal Year 1997 |
| Consolidated Municipal Property Tax Relief Aid | \$754.6 | \$755.0 |
| Legislative Initiative Block Grant Program | 33.0 | 33.0 |
| SMPTR Discretionary Aid | 30.0 | 30.0 |
| Aid to Densely Populated Municipalities | 17.0 | 9.0 |
| Other | 1.7 | 1.0 |
| Gross Receipts and Franchise Tax-Base* | 685.0 | 685.0 |
| TOTAL AID | \$1,521.3 | \$1,513.0 |
| DISPLAY: Municipal Aid Offsets | | |
| Local Cost Savings From Pension Restructuring | \$103.0 | \$103.0 |
| Health Benefit Fund Rebates | --- | --- |
| TOTAL, Municipal Aid/Budget Savings | \$1,624.3 | \$1,616.0 |

* NOTE: Prior Year Adjusted GRFT Not Reported

RESTRICTED AID

The State's interest in supporting specific local programs and services is demonstrated by restricted or categorical aid. This form of state-local partnership is an important means of attaining mutually desired public service goals while respecting specific local needs and conditions.

The State Constitution provides deductions from property tax bills for veterans and qualified senior citizens, disabled citizens and their surviving spouses. Veterans receive a \$50 deduction, while

Components of the Budget

seniors and disabled homeowners receive \$250. The State annually reimburses municipalities for the cost of these deductions, estimated at \$55.8 million for fiscal 1997.

Another substantial and growing source of restricted aid is the Urban Enterprise Zone Program. Eighteen new zones have been added in the past two years, bringing the total number to 28. Two critical elements of the Urban Enterprise Zone Program involve the state's sales and use tax. First, sales taxes within the zones are abated from the normal 6% to 3%. Second, state sales tax collections from economic activity within the zones are dedicated to municipalities to fund projects within the zone. The fiscal 1997 value of state assistance from this policy is \$110 million -- \$55 million in abated sales taxes, and \$55 million in municipal aid from dedicated sales tax collections with not more than 1/3 going to municipal services.

This budget again supports voluntary efforts to conform municipal and county accounting and financial reporting systems to Generally Accepted Accounting Principles (GAAP). The conversion of current systems to GAAP will help strengthen local financial administration, provide a truer picture of the financial condition of municipalities to citizens, and will permit State reviewers to make better comparisons among local units as they lend assistance to local officials seeking economies, improvements, and the development of best practices. \$3 million in grants and in-kind services from the Department of Community Affairs will be available to aid those local officials who elect to adopt these accounting principles.

A new initiative is proposed in the Department of Community Affairs to encourage local cooperative service efforts. The \$500,000 Joint Services Incentive Aid initiative represents a commitment to the pursuit of creative solutions in the battle against inefficiency in government. The program will provide transitional and incentive funding to spur local collaborative projects, reward and publicize noteworthy efforts, and develop better ways to save dollars and serve taxpayers.

Other restricted aid programs funded through the Department of Community Affairs are particularly important to meeting basic community needs. Fair Housing Aid, \$13.9 million, allocates a portion of the state tax on real estate transfers to municipalities who are striving to meet affordable housing requirements. Neighborhood Preservation, \$2.75 million, supports multi-year grants to selected municipalities to rejuvenate older neighborhoods.

| RESTRICTED - USE AID PROGRAMS | |
|--|-----------------|
| FISCAL 1997 FUNDING | |
| (\$ in Millions) | |
| PROGRAM | |
| Veterans and Senior/Disabled Citizens | |
| Property Tax Deductions | \$ 55.8 |
| Urban Enterprise Zone - Sales Tax Dedication | 55.0 |
| Fair Housing Aid | 13.9 |
| Aid For GAAP Conversion | 3.0 |
| Neighborhood Preservation | 2.8 |
| Joint Services Incentive Aid | 0.5 |
| Total | \$ 131.0 |

Components of the Budget

THE HOMESTEAD REBATE PROGRAM

The Homestead Rebate Program emphasizes property tax relief by direct payment to individual households. By the close of fiscal 1996 about 1.45 million households will have received rebates totaling \$322 million. The average rebate increased to \$223 per household, up from last year's average of \$220.

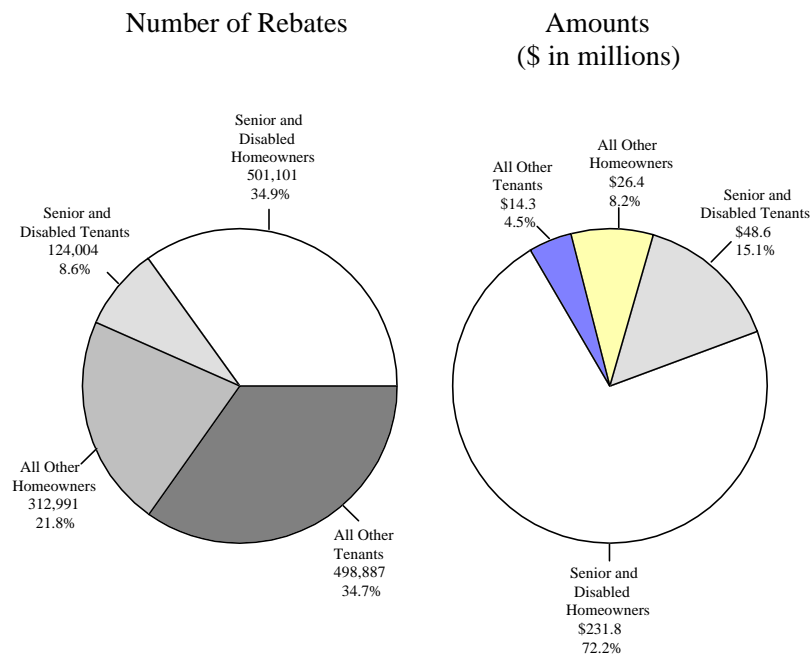
Of the total, more than 625,000 senior and disabled households received rebates totaling \$280 million. Rebates averaging \$463 went to 501,000 senior and disabled homeowners. Over 124,000 senior and disabled tenant households were granted average rebates of \$392.

All other households whose income does not exceed \$40,000 receive a fixed amount of either \$90 for homeowners or \$30 for tenants. Approved claims for these households totaled 812,000, worth \$40 million. Nearly 313,000 homeowners received \$26 million in rebates, while 499,000 tenant households received \$14 million.

The fiscal 1997 Budget provides \$322 million for the program, continuing it on the same scale as fiscal 1996.

DISTRIBUTION OF HOMESTEAD REBATES

Fiscal Year 1996



HIGHER EDUCATION

The fundamental purposes for supporting New Jersey's higher education system are to ensure that the State's citizenry is educated to participate in civic and cultural life and to ensure that New Jersey's workforce has the knowledge and skills to compete in today's global economy. Higher education also provides job training and other career advancement opportunities for the State's citizens. Future economic growth will also partially depend on new technologies developed through university research. The colleges are important resources for economic development initiatives as they devise new curricula and partnership agreements with private enterprises. New Jersey's colleges and universities provide comprehensive educational services and are major employment centers.

For fiscal 1997, the State will support New Jersey's higher education system with \$1.15 billion in direct appropriations, including \$772.1 million for the autonomous, public institutions: Rutgers, the State University; the University of Medicine and Dentistry of New Jersey (UMDNJ); the New Jersey Institute of Technology (NJIT); and eight state colleges and one state teaching university. Approximately \$179.8 million in direct assistance to students is provided from several sources, primarily the Tuition Aid Grant and the Educational Opportunity Fund programs. Aid for the county colleges totals \$128.8 million, including \$100.2 million for operational costs. The independent colleges and universities are recommended to receive a total of \$20.2 million in fiscal 1997.

In addition to these direct appropriations, the State will provide an estimated \$257 million in support of employee fringe benefits and \$2.3 million for facility renewal projects at the senior public institutions.

ACCESSIBILITY AND AFFORDABILITY

A college education has become one of the most expensive items in a family's budget. In recognition of this, the State provides direct aid to financially needy students through grants that cover a major share of tuition costs. In fiscal 1997, \$20.7 million will be added to the Tuition Aid Grant (TAG) program to supplant funds from prior year balances that were utilized in fiscal 1996. Total program resources will increase by \$6.7 million and will provide grants to an additional 2,600 students. With total resources of \$141.5 million (a \$137.7 appropriation plus an expected \$3.0 million in unexpended funds from the prior fiscal year and \$0.8 million in federal support), TAG will keep college accessible and affordable for thousands of New Jersey students. TAG grants provide tuition

assistance based on financial need, with maximum awards provided to the neediest students. The fiscal 1997 program will provide grants for over 55,000 New Jersey students at both public and private colleges. The Equal Opportunity Fund (EOF) program provides direct grants and support services to educationally and economically disadvantaged students from across the state. The fiscal 1997 funding of \$32.2 million will provide grants and support services to nearly 18,000 disadvantaged students.

New Jersey College Loans to Assist State Students (NJCLASS), a supplemental loan program, also helps finance college costs for New Jersey families. The program is funded from the proceeds of tax-exempt bonds issued by the New Jersey Higher Education Assistance Authority. These low interest loans are available for undergraduate and graduate students regardless of family income. The Authority expects to provide \$25 million in additional funds in fiscal 1997.

COLLEGES AND UNIVERSITIES

In 1994, the Higher Education Restructuring Act continued a transition to autonomous operation for the State's twelve senior public colleges and universities. The senior institutions' Boards of Trustees were given broader authority in a variety of areas, including general authority over personnel decisions and establishing student tuition and fees. In order to reach the overall goal of reduced State spending, State colleges and senior research institutions will be required to pay salary increments and a share of employee fringe benefits.

The community college system, comprising 19 institutions, is funded by the State, the individual counties, and student tuition and fees. These institutions provide access to higher education for a broad range of New Jersey residents who might otherwise be denied the benefits of a college education. Most of the State aid directly supports the operational costs of these institutions. In addition, State aid meets one half of the debt service cost for eligible bonds sold by counties to acquire, construct, and renovate community college facilities. In fiscal 1997, the State's contribution to this debt service will increase \$3.5 million, for a total of \$10.6 million. The State also pays for part of the employee benefits provided to community college faculty and staff.

There are 14 independent institutions in New Jersey receiving funding through the Independent College and University Assistance Act. These colleges will

Components of the Budget

enroll an estimated 20,500 full-time equivalent New Jersey students in fiscal 1997.

OTHER HIGHER EDUCATION PROGRAMS

In fiscal 1997, the College Bound program, which provides academic enrichment, counseling, and a collegiate experience for disadvantaged junior high and high school students, is being transferred from the Department of Education to the Commission on Higher Education. This transfer will provide a better transition of students from pre-college to college-level support programs.

KEEPING PACE WITH TECHNOLOGY

To assist New Jersey's institutions of higher education in keeping pace with technological changes, this budget provides funding for two key programs: the \$100 million Equipment Leasing Fund (ELF) and the \$220 million Higher Education

Facilities Trust Fund (HEFT). The Equipment Leasing Fund provides an ongoing financing mechanism to support the purchase of scientific, engineering, technical, computer, communications, and instructional equipment at our colleges and universities. State support of \$19.3 million pays three-quarters of the debt service on ELF bonds, with the colleges paying the remaining share. State funding of \$21.0 million, an increase of \$12.2 million, pays the entire cost of debt service on HEFT bonds, which support the cost of construction, renovation, or improvement of instructional, laboratory, communication, and research facilities related to future industry and work force needs. These two programs help to keep New Jersey competitive by ensuring that our college students have access to up-to-date equipment and facilities.

| Fiscal Year 1997 | | | |
|--|-----------|---|------------------|
| Direct State Appropriations for | | | |
| Senior Public Higher Education Institutions | | | |
| (\$ in thousands) | | | |
| Montclair State University | \$40,713 | Rutgers, the State University | \$262,788 |
| William Paterson College of New Jersey | 35,604 | University of Medicine and Dentistry of | |
| Trenton State College | 33,085 | New Jersey | 196,047 |
| Rowan College of New Jersey | 32,928 | New Jersey Institute of Technology | 46,136 |
| Kean College of New Jersey | 32,044 | Agriculture Experiment Station | 22,642 |
| Jersey City State College | 28,330 | | |
| Richard Stockton College of New Jersey | 19,321 | Total Universities | \$527,613 |
| Ramapo College of New Jersey | 17,490 | | |
| Thomas A. Edison State College | 4,963 | Total Appropriation | \$772,091 |
| Total State Colleges | \$244,478 | | |

CIVIL AND CRIMINAL JUSTICE

A major portion of New Jersey's State Budget is devoted to ensuring the safety of its citizens through law enforcement, the prosecution of crime, the administration of cases in the civil and criminal court systems, and the incarceration or alternative supervision of convicted offenders. In addition, the public is protected through the enforcement of consumer and civil rights laws, and the regulation of certain industries.

LAW AND PUBLIC SAFETY

The Department of Law and Public Safety, under the direction of the Attorney General, is the State's primary civil and criminal law enforcement agency. Law enforcement comprises 75 percent of the Department's operations budget of \$238.8 million in fiscal 1997. The Department is also responsible for protecting consumers and civil rights; providing legal services to state agencies; and regulating the alcoholic beverage, boxing, and racing industries. Although the Division of Motor Vehicles was merged into the Department of Transportation in fiscal 1996, the Office of Highway Traffic Safety remains in the Department to channel federal funds to programs that reduce and prevent traffic accidents and fatalities.

In addition, four agencies are administratively located "in but not of" the Department of Law and Public Safety: the Election Law Enforcement Commission; the Executive Commission on Ethical Standards; the Violent Crimes Compensation Board; and the new Juvenile Justice Commission.

Funded from the receipts of New Jersey's casino industry, \$29.2 million is recommended for the Division of Gaming Enforcement to continue to meet its responsibilities as defined by the Casino Control Act. Regulatory changes in the gaming laws and regulations implemented in fiscal 1996 have resulted in a more cost-effective gaming environment in New Jersey.

The fiscal 1997 Budget recommends an appropriation of \$5.7 million to the Gubernatorial Elections Fund to provide public financing to qualifying candidates in the 1997 gubernatorial primary election.

LAW ENFORCEMENT

The recommendation for the Division of State Police is \$161.0 million to continue providing services including investigation, arrest, and prosecution related to organized crime, racketeering, narcotics, and white-collar crime; ongoing patrol functions that deter criminal and traffic violations;

response to toxic and hazardous materials accidents; and assistance in statewide efforts to provide a clean environment for the citizens of the State.

The graduation of the 85 members of the 116th State Police Trooper Class in fiscal 1996 ensures the continued strength of the State Police in protecting the citizens of the State through patrol of the highways and rural areas and through criminal investigation.

The Division of Criminal Justice and Office of the State Medical Examiner provide less visible but equally important functions, such as investigating all violent and suspicious deaths, enforcing the State's antitrust laws, prosecuting criminal activities in the state, and disrupting and eradicating organized crime groups and related illicit enterprises. In fiscal 1997, it is recommended that the four counties for which the State Medical Examiner provides services be required to perform their own medical examinations for a savings of \$2.8 million. All 21 counties should have the responsibility for providing the appropriate services. The State will continue to provide oversight of the county medical examinations.

In an effort to make the most cost-effective use of law enforcement resources, the Department recommends a reduction of \$2.0 million to the Marine Police. This function, which has its greatest activity during the peak boating months of May to September, will be streamlined through revision of work schedules and assignments.

The fiscal 1997 Budget also recommends a \$1.4 million reduction to the State Racing Commission. The remaining appropriation will enable the Commission to perform the essential regulatory activities to maintain the integrity of the sport.

The recommended appropriation for the Safe and Secure Communities program is \$3.6 million for fiscal 1997 which, combined with fine and penalty receipts, will continue to support the salaries of 370 local police officers.

JUVENILE JUSTICE COMMISSION

This Administration's efforts to reform New Jersey's juvenile justice system achieved a new level with the creation of the Juvenile Justice Commission, a new agency which will combine and coordinate programs previously operated in the departments of Law and Public Safety, Corrections, and Human Services. In addition to the resources transferred to the Commission from these agencies, an infusion of \$10 million has been provided in the fiscal 1996 budget. The system has been reformed through a new State/Community Partnership Grant

Components of the Budget

Program and enhancement of State-level treatment of juvenile sex offenders and aftercare services for juveniles released from institutions or community residential programs.

The recommended fiscal 1997 funding level for the Commission is \$93.2 million of which \$55.7 million is in the operating budget. This includes funding for the two juvenile correctional institutions: the New Jersey Training School for Boys and the Juvenile Medium Security Center which, together, house approximately 600 juvenile offenders. Capital funding of \$11.5 million is being provided to improve deteriorated physical conditions at the Training School. An additional \$1.1 million will improve the quality of drug counseling, case management, and crisis intervention services at the Jamesburg institution.

Funding is also provided for the establishment of a secure care facility for up to 40 juvenile females at the former Johnstone Developmental Center site. A juvenile "boot camp" for 60 male offenders is scheduled to open before the end of fiscal 1996.

More than 700 juveniles are provided treatment and educational services in State-operated and contracted community residential and day treatment programs. These programs provide an alternative to incarceration for those juveniles who respond more effectively to less restrictive, community-based programs and provide a transition to enable juveniles to integrate into society after a term of incarceration. An increase of \$1.0 million is recommended so that community facilities can operate at their full capacity that, in turn, will help alleviate overcrowding in the institutions.

The need to develop local community alternatives is the impetus for the State/Community Partnership Program, which will provide \$6.9 million in grants to counties to design and implement early intervention programs, such as drug treatment counseling and community mentoring, reducing the reliance on State institutions and county detention centers. This new program, coupled with grant programs transferred from the Department of Human Services, results in total Grant-in-Aid funding of \$12.7 million recommended in fiscal 1997.

CITIZENS' RIGHTS

A total of \$38.2 million is recommended in fiscal 1997 to ensure the fair, equitable and competent treatment of New Jersey consumers, as well as to protect the civil rights of individuals and to assist the victims of violent crimes. Included in this recommendation is funding for consumer-oriented programs like the statewide inspection of weight and

measuring devices, regulation of charitable organizations, and monitoring of the State's legalized games of chance laws.

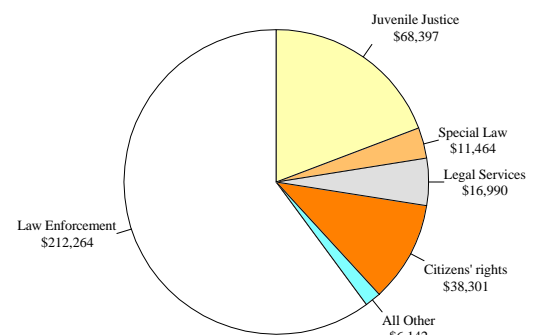
The Division on Civil Rights continues to promote outreach by providing educational and preventive information and programs to clients. Complaints or disputes related to equal opportunity in employment, housing, public accommodations and the extension of credit or making of loans are investigated and either resolved or recommended for prosecution.

The State professional boards regulate the practices of the respective professions, occupations and trades.

LEGAL SERVICES

The Division of Law, which provides a wide range of legal services to all State agencies, is recommended at \$17 million. The Division of Law provides legal services to all officers, departments, agencies and instrumentalities of State government, as well as County Boards of Election and Taxation. In addition to providing day-to-day counseling and advice, the Division renders written legal opinions on questions concerning constitutional and statutory authority and operations, makes appearances at State hearings, and represents the State in litigation and appeals in both State and Federal courts. Its services also include representing the State in all claims brought against the State and its employees for personal injury, property damage and contract claims, as well as prosecuting all claims for property damage on behalf of the State.

NEW JERSEY
DEPARTMENT OF LAW AND PUBLIC SAFETY
(\$ in Thousands)



CORRECTIONS AND PAROLE

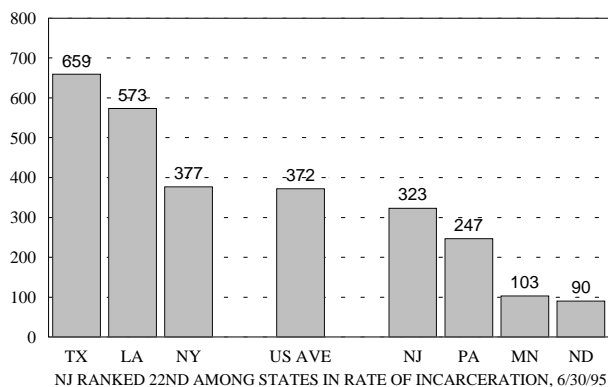
The Department of Corrections is responsible for the confinement of offenders and the preparation of these individuals for return to the community. The number of State inmates continues to grow and is projected to exceed 28,000 by the end of fiscal 1997.

The Department's recommended budget is \$691.6 million for fiscal 1997. This will provide custody, care, supervision and treatment for approximately 83,000 inmates and parolees. The Department's operating budget of \$557.7 million is \$17.7 million less than in fiscal 1996. Grants-in-aid payments to house State inmates in county jails and private community halfway house programs will increase by \$4.9 million to \$133.9 million, as the inmate population is projected to grow by 125 per month during fiscal 1997.

As the result of P.L. 1995, c. 284, responsibility for approximately 600 juvenile offenders housed in the New Jersey Training School for Boys and the Juvenile Medium Security Center was transferred to the new Juvenile Justice Commission.

Although New Jersey has experienced accelerated growth over several years in its adult inmate population, its rate of incarceration of 323 per 100,000 population is below the national average of 372 per 100,000 population.

INMATES PER 100,000 POPULATION



PRISONS

A total recommendation of \$486.9 million in fiscal 1997 for the State prison facilities will provide custody, supervision, education, treatment, and other programs for more than 21,000 adult inmates. This includes \$19.9 million for start-up and operating costs related to the anticipated opening in March 1997 of the first phase of the South Woods State Prison in Bridgeton. The first 960 beds of the

planned 3,200 bed facility will help reduce the number of State inmates who need to be housed in county jails. During fiscal 1996, prison capacity was expanded by more than 1,200 bed spaces through double bunking in order to relieve overcrowding in the county jails. A recommendation of \$114.2 million will provide funding for per diem payments to counties to house State inmates. Should a significant number of these inmates need to be removed from the county jails, funding will be reallocated accordingly.

Initiatives begun in fiscal 1996 in the major cost areas of inmate health care and food services will produce significant savings in prison operating costs in fiscal 1997. In December 1995, a contract was awarded to a private vendor to provide comprehensive inmate health care services, including medical, psychological, dental, pharmaceutical, and acute and emergency hospital care. The use of a private, fully integrated, managed care plan for the inmates is projected to save the State \$17 million, of which \$13 million will be realized in the Department's operating budget and \$4 million in employee fringe benefits.

Privatization of food services will initially be implemented on a pilot basis at two facilities. At the Department's other 10 adult facilities, "best practices" initiatives, such as a centralized menu and use of federal and private source surplus foods, will be implemented and then evaluated on the basis of performance and cost in comparison to the privatized facilities. During fiscal 1997, savings of \$2.2 million are expected to be realized from these "competing" initiatives.

During fiscal 1997, it is expected that contracts will be awarded for the private operation of prison commissaries, as well as for the maintenance of physical plant at all facilities. In addition, the Department expects to achieve nearly \$27 million of savings in custody overtime costs in fiscal 1997 from various management initiatives begun in fiscal 1996.

PAROLE AND COMMUNITY PROGRAMS

The fiscal 1997 recommendation of \$27.6 million will support the supervision of nearly 55,000 parolees including inmates assigned to the Intensive Supervision/Surveillance Program (ISSP) and the Electronic Monitoring/Home Confinement Program (EM/HC). The ISSP is a program for "hard to manage" parolees who would otherwise have to be returned to institutional confinement. The EM/HC program provides an intensive reintegration program

Components of the Budget

for selected inmates who have been certified for parole and who are nearing their release dates.

The Purchase of Community Services programs are recommended for \$19.7 million. This will support nearly 1,000 contracted community bed spaces, including a privately operated 400-bed drug and alcohol treatment facility. All halfway house programs are privately operated.

The Parole Board's budget is recommended at \$7.8 million, the same amount as in fiscal 1996. This will allow the Board to keep pace with the number of hearings and reviews that are needed.

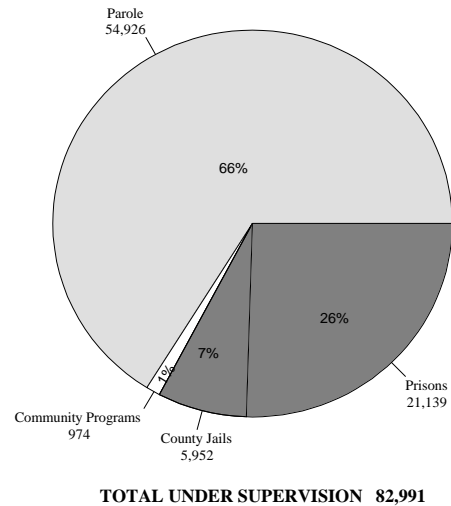
THE JUDICIARY AND COURT UNIFICATION

As a result of a constitutional amendment approved by New Jersey's voters, on January 1, 1995 the costs of trial court operations and probation services shifted from the counties to the State. Approximately 7,700 county judicial and probation services employees became State employees and their salary, health benefit, and pension costs are now paid by the State. State assumption of funding is being phased in over the years 1995, 1996, and 1997.

The Judiciary's operating budget has increased from \$110.1 million in fiscal 1994, prior to court unification, to \$357.5 million in fiscal 1996, the first full year of State funding. The recommended budget for fiscal 1997 is \$348 million, a reduction of \$9.5 million primarily due to available federal reimbursement for child support related activities.

As part of the phase-in of State funding, the State receives a declining level of reimbursement from the counties. In fiscal 1997, as a result of the decrease in reimbursement, the State will receive \$119 million in reimbursement from the counties. This is \$60 million less than the reimbursement in fiscal 1996, which produces a \$60 million reduction in county property taxes in fiscal 1997. As a result of court unification, the State will realize an estimated \$15 million of escheated funds currently held by the trial courts.

NUMBER OF INMATES AND PAROLEES UNDER DEPARTMENT OF CORRECTIONS SUPERVISION ENDING FISCAL YEAR 1997



ENVIRONMENTAL PROTECTION

As the State's principal regulatory agency, the Department of Environmental Protection's (DEP) policies and processes have both environmental and economic ramifications. Though these are often portrayed as competing priorities, in fact they are complementary: businesses naturally thrive in states that offer a clean environment, and revenues from a vibrant economy strengthen protection efforts.

Perhaps more than any other State agency, DEP has undertaken a comprehensive reexamination of its role and priorities. The Department has embraced the "Netherlands" model of environmental regulation, retaining its traditional role of setting and enforcing pollution standards but providing industry with flexibility to pursue innovative solutions. Long term environmental goals intended to ensure a sustainable future will be established with specific targets to measure progress along the way. DEP will focus more on environmental results, rather than the specific method for which businesses achieve those results.

DEP will emphasize:

- clear, predictable standards
- pollution prevention
- facility-wide permitting
- resource allocation based on health risks
- cooperative resolution of violations
- market based incentives
- eliminating regulatory barriers to technology

By identifying management efficiencies and targeting limited resources to areas of greatest risk, DEP will attain the same degree of environmental protection at less cost. This approach underscores the fact that environmental protection is not measured merely in the number of staff or the amount of funding assigned, but rather by tangible improvements in the quality of our water and air as well as our quality of life.

The fiscal 1997 Budget recommendation for DEP's regulatory and natural resource programs is \$175.6 million, including State Aid.

REGULATORY REFORM

DEP has retained a management consultant to re-engineer the Department's permitting, enforcement, and central management functions, and to integrate its fragmented data processing systems. This review will identify activities that provide the greatest degree of environmental benefit, eliminating duplicative or inefficient processes. Redesign of existing data systems will automate data entry,

broaden access to permit information (e.g., electronic bulletin boards), and generate critical management reports for planning purposes. The consultant's preliminary report will be completed by February 1996, and will be implemented during fiscal 1997.

In the interim, DEP has used internal review teams to streamline its permitting process. The Department has simplified reviews of low-impact activities and combined similar activities under one permit. DEP's "permit at risk" program allows pollution control equipment to be installed while the permit review is ongoing, thus accelerating environmental improvements and enabling businesses to proceed with critical process changes.

Certain sewer treatment permits have been delegated to local authorities, eliminating duplicative oversight. The Department also has begun to convert water quality permits from a site-specific to a watershed basis, improving coordination among DEP programs and providing a more accurate assessment of the cumulative impact of pollutants. Due in part to these efficiency measures, a savings of \$2.7 million is reflected in DEP's permitting programs in the fiscal 1997 Budget.

DEP will also consolidate the majority of its Medical Waste program into the Department of Health (DOH), saving the State \$1 million. This consolidation will place emphasis on facilities that generate the most waste (i.e., hospitals, clinics), while allowing DOH to address complaints on an ongoing basis.

Reforms of DEP's inspection activities have also proved beneficial. Alternative dispute resolution, grace periods for minor violations, and voluntary enforcement audits are some of the measures DEP now employs to resolve inspection violations. As a result, cases referred to the Office of Administrative Law declined by 59 percent from fiscal 1994 to fiscal 1995. Due to reduced litigation expenses, a budget savings of \$1.2 million will be realized in fiscal 1997.

Processes will also be streamlined in DEP's central management areas such as personnel, finance, and communications. For example, DEP has automated the tracking of benefit time by using an optical scanner, thus eliminating the need for time-consuming key-punching. This reduced the administrative process from 120 hours per pay period to 24 hours. Generally, the need for central management support is expected to decline as DEP re-engineers its operating programs, yielding a savings of \$2.4 million.

Components of the Budget

The operation of the State parks system is seasonal in nature, with only 15 percent of attendance and 11 percent of security incidents occurring during the winter months (i.e., November through February). Given the seasonal demand for services and the use of full time staff, the “cost per visit” incurred to operate parks and historic sites during the winter is more than double the summer cost. As a pilot program, DEP will reallocate funds from full-time to seasonal positions in selected parks. In addition, historic sites with low attendance will be staffed on a rotating basis, mid-level management will be reduced, and park guards will replace rangers at parks that have a low number of security incidents. These measures will generate a savings of \$1.3 million without disrupting essential services. All parks will remain open for public use.

The Clean Communities program, funded by a tax on litter-generating products, provides grants to localities for litter pickup services. By converting the program to a block grant, the need for administrative costs within DEP is eliminated. As a result, a total of \$.7 million will be redirected to offset the Division of Parks’ litter program, which was formerly supported with State appropriations.

MONITORING THE ENVIRONMENT

DEP’s new regulatory approach also raises the importance of monitoring and planning efforts. The fiscal 1997 budget reallocates \$700,000 within DEP’s Science and Research program for a new initiative to develop indicators that monitor environmental conditions. This program will provide DEP with a critical planning tool for assessing environmental progress and for allocating resources.

Environmental indicators also form the basis of a joint agreement between DEP and the federal Environmental Protection Agency (EPA). Through pilot programs in drinking water, air quality, and water quality, DEP and EPA will identify key environmental goals and allocate federal grant monies in a flexible manner to achieve the greatest benefit. Reducing rigidity in the federal grant process will enable program managers to focus on environmental outcomes, not bureaucratic processes.

Beyond planning efforts, there is tangible evidence that the State’s environment has improved. The State’s recycling rate has increased from 8 percent in 1985 to 55 percent in 1994, an outgrowth of the State’s mandatory recycling law. The acres of water open to shellfish harvesting have increased by 70,000 acres, from 525,000 acres in 1976 to 595,000 acres in 1995. Thus, of the total of 700,000 acres of shellfish beds in New Jersey, 85 percent are

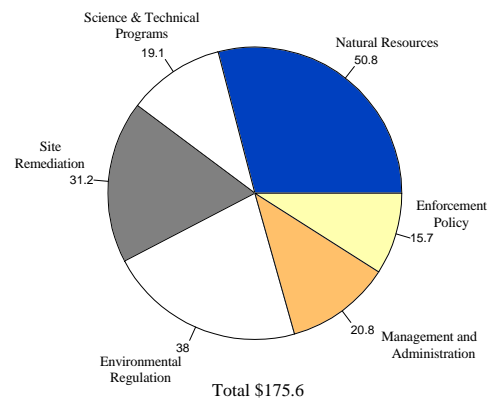
now harvestable. This is a clear measure of water quality, since shellfish require clean water to thrive. Such progress is largely attributable to DEP’s efforts to improve wastewater treatment plants in surrounding drainage areas.

Similarly, beach closings have dropped by 99 percent, from a high of 803 in 1988 to 4 in 1995. Though this measure is affected by rainfall patterns, these improvements are the direct result of DEP’s wastewater investments, non-point source pollution controls, and coordination with neighboring states.

The State’s air pollution levels have also improved. The average number of days per year in which the State’s air quality exceeded the ozone standard has dropped by 63 percent, from an annual average of 32 days from 1976 through 1991 to an annual average of 12 days from 1992 to 1995. DEP’s implementation of Clean Air plans restricting pollution discharges is largely responsible for this progress.

By making prudent decisions about where to invest its resources, DEP will continue these positive trends in fiscal 1997.

DEPARTMENT OF ENVIRONMENTAL PROTECTION
FISCAL YEAR 1997 BUDGET
(\$ in Millions)



TRANSPORTATION

The Department of Transportation (DOT) maintains a vast network of roadways, mass transit, and paratransit facilities which provide key benefits for enhancing the quality of life in our highly urbanized corridor state. By reducing congestion, DOT enables businesses to distribute goods rapidly, promoting economic growth. By improving our mobility, DOT expands access to employment and housing opportunities, enhancing our quality of life.

BLUEPRINT FOR TRANSPORTATION SERVICES

In September 1995, DOT issued a series of principles to guide its future policies and investment priorities for the State's transportation system. They are summarized below:

- Accelerate the delivery of capital projects
- De-emphasize projects that face insurmountable obstacles
- Coordinate the multimodal nature of New Jersey's transportation system
- Use new technology to improve system efficiency
- Streamline regulations

The Department has aggressively pursued each of these areas. DOT recognized that the pre-construction cost to plan and design transportation projects in New Jersey is twice the industry average, and that projects take an average of eight years before construction begins. To address this, DOT has contracted out for design services and has eliminated projects that are hopelessly bogged down by community opposition or environmental considerations. In their place, the Department will invest in projects that face fewer obstacles, yet offer comparable congestion and air quality benefits.

DOT is also coordinating services among the State's three toll roads, including a regional approach to electronic toll and traffic management systems. A new initiative to give buses priority at points such as the Raritan River Crossing on the Garden State Parkway is also underway. These projects promise significant reductions in traffic congestion and savings in travel time.

In the face of formidable obstacles to highway expansion such as the cost of land acquisition, community pressures, and environmental concerns (e.g., air quality and wetlands preservation), DOT has sought to manage the existing system to its fullest potential. Electronic road signs are now used to inform travelers of current traffic conditions. The Department has also synchronized traffic signals on

highly congested roadways such as Route 18 in Middlesex County, resulting in traffic improvements at a fraction of the cost of highway expansion. In the near future, DOT will use camera surveillance technology linked by fiber optic lines to centrally control traffic flow at critical intersections.

In the area of regulatory reform, DOT has simplified its administration of the Employer Trip Reduction program mandated by the federal Clean Air Act, providing affected businesses with more flexible measures to reach compliance. Pending legislation, DOT has developed an alternative procedure for adopting traffic control rules that should reduce processing time by up to five months.

FISCAL 1997 BUDGET

The Department's operating budget for highway operations and the Division of Motor Vehicles (DMV) has been reduced by nearly \$26 million, from \$189.6 million in fiscal 1996 to \$163.7 million in fiscal 1997. Passage of the National Highway Systems Act in 1995 by the federal government has enabled DOT to transfer \$9 million in maintenance work to federal funds from State expense. This change also provides states with additional flexibility to pursue a more cost effective Enhanced Inspection and Maintenance program, as required under the federal Clean Air Act.

DMV currently contracts with one private agency to handle auto-related transactions for all car dealerships. DOT plans to replace this particular agency with an on-line computer system located at participating auto dealerships. New car dealers would have the option of paying a transaction fee to use the new system or sending their business to the nearest motor vehicle agency. This initiative will save \$1 million.

The consolidation of DOT's regional maintenance yards will save an additional \$800,000. Currently, there are five regional offices. By eliminating duplicative management functions, DOT will reorganize statewide operations into three locations, without affecting service delivery.

The Department also plans to raise \$11 million in new revenue through the sale of selected database information. This information is of interest to insurance companies and other entities seeking to analyze trends on driver safety. Several other states, including New York and Connecticut, have successfully sold these types of records. To protect the privacy of the public, DMV will ensure that certain aspects of a driver's file cannot be accessed by the ultimate buyer.

Components of the Budget

NEW JERSEY TRANSIT

For the sixth consecutive year, New Jersey Transit will not raise fares for bus and rail riders. By restructuring service, increasing federal and Trust Fund reimbursements for capital maintenance work, and reducing liability claims, NJ Transit will absorb inflationary cost increases and a projected loss of federal operating aid. In addition, the State's subsidy for mass transit will be reduced by \$11.6 million, from \$234.2 million in fiscal 1996 to \$222.6 million in fiscal 1997, through a series of cost cutting initiatives including privatizing selected bus lines, reducing advertising, cutting materials and fuel costs, and reducing liability claims.

NJ Transit also expects ridership to continue to increase in fiscal 1997 due to the lack of a fare increase and record on-time performance levels. Future riders will benefit from the completion of the Kearny Connection, which will allow a one seat ride to mid-town Manhattan for all Morris, Essex, Somerset, and Union County riders by linking the Morris and Essex Line with the Northeast Corridor.

NJ Transit continues to receive acknowledgments as a leader in implementing new technologies by receiving the Management Innovation Award for its bus simulation program from the American Public Transportation Association.

TRANSPORTATION TRUST FUND

The Transportation Trust Fund finances the State's share of highway, bridge, public transportation, and local government road and bridge projects. Through the Transportation Trust Fund Authority, bonds are issued to supplement the State's contributions to the fund.

In fiscal 1997 the amount of motor fuels tax constitutionally dedicated to the Transportation Trust Fund will increase by 4.5 cents to a total of 7 cents. This voter supported action will increase the total amount of revenue constitutionally dedicated to the fund from \$100 million to \$280 million. This increase in dedicated funding will continue to allow the Department to fund large dollar projects that will enhance public safety and relieve traffic congestion.

In fiscal 1997, the State appropriation to the Transportation Trust Fund will increase by \$107.9 million, from \$196.6 million to \$304.5 million. The appropriation will be provided from contributions from the State's toll road authorities (\$24.5 million) and by the dedicated gas tax revenues (\$280 million). This level of funding will leverage a total State spending authorization of \$700 million, which will match over \$600 million in federal aid (excluding \$300 million for NJ Transit) to generate a total capital program of \$1.3 billion. Of this amount, \$867 million is set aside for highway construction, \$258 million for mass transit facilities, and approximately \$236 million for local road projects.

Over this past year the Trust Fund financed major projects such as the Routes 1 and 9 Viaduct in Newark (\$110 million) and Route 287 (\$40 million), which will rehabilitate the existing roadways in addition to providing new safety enhancements and relieving congestion.

PUBLIC HEALTH

The Department of Health has been confronted with significant changes in the scope and complexity of public health problems, of which AIDS is a prime example. Promoting public health in this context involves not only preventing disease but also promoting community awareness and action and protecting those at special risk.

No one is at greater risk than a newborn child, and one of the Department's goals is to reduce infant mortality from 8.9 per 1,000 live births in fiscal 1992 to 8.1 in fiscal 1997. Outreach programs such as the Healthy Mothers/Healthy Babies Program attempt to prevent low-birth-weight babies through appropriate prenatal care. In addition, all newborns are screened for neonatal illnesses in order to identify and treat problems as early as possible. In fiscal 1997, the Department's goal is to screen 120,000 newborns for neonatal deficiencies such as Phenylketonuria (PKU), galactosemia, hypothyroidism, and sickle cell anemia.

The fiscal 1997 Budget will continue to provide basic public health services to the citizens of New Jersey, with a continued emphasis on greater efficiency and less bureaucracy. The Department's budget continues to provide funding to non-profit organizations that support local community-based health services.

In health planning, the emphasis has mainly focused on the regulatory side of the health care industry. The Department believes that it should get out of the regulatory business whenever possible and appropriate in order to let market forces operate. Continuing a trend begun with the deregulation of hospital rates, this budget aims to downsize the regulatory side and shift the focus to providing consumers with information about health care. This will give health care consumers the information they need to make informed choices in the new, deregulated hospital environment. One such example is managed care. Last year, the Department began to change its monitoring approach from a retrospective case review and complaint investigation to a statistically-based, epidemiologic evaluation of the health status of the population served by each managed care plan. This approach will allow the Department to provide consumers and health benefits managers with comparative data to identify the "best choices" in the managed care arena.

However, there are clearly times when government must regulate areas of the health care industry. One such example is HMOs. The Department (along with the Department of Insurance) has proposed updating HMO regulations for the first time since

1978. The regulations, as proposed, will require the recertification of HMOs every three years, the establishment of an external appeal process, as well as an external quality audit of each HMO. However, the most significant new requirement is that HMOs will report their success in achieving key preventive health indicators like immunization and mammography rates. Again, the focus is on consumer choice and quality assurance.

This Budget will continue to provide funding to enable the Department to inspect health care providers and to provide a wide array of laboratory services to State and federal agencies, physicians, clinics, hospitals, local health departments, and other health care parties. In addition, the Department will conduct annual reviews of all residential health care facilities in order to ensure that patient care is adequate. Staff has been reallocated to respond to all complaints at these facilities.

ACQUIRED IMMUNE DEFICIENCY SYNDROME (AIDS)

The Budget recommends \$14.4 million for the fight against AIDS, which continues to be a public health priority in New Jersey. New Jersey now ranks fifth nationally in the number of confirmed cases of AIDS, and third in the number of pediatric cases. Since 1980, more than 28,232 cases have been reported in New Jersey, and more than 510,310 in the United States.

This Budget continues a number of activities at their current levels. Education and technical assistance will be provided to health care professionals and the public. Cooperative action among public and private agencies, organizations and groups will be encouraged, leading to the development of community-based counseling and treatment services. In addition, funding is recommended for early intervention programs that treat HIV-positive individuals with anti-viral drugs to help prolong life and mitigate symptoms, thereby preventing expensive hospitalization and improving the quality of their lives. This program provides financial assistance to 2,100 clients for the purchase of drugs, such as AZT, to be used in their treatment.

TUBERCULOSIS

The resurgence of tuberculosis (TB), a disease once thought to be under control, is attributable to a variety of factors, including poverty in the inner cities, non-compliance with medication regimens, and the AIDS epidemic. Particularly alarming is the appearance of drug-resistant strains of TB, which

Components of the Budget

become even more difficult to treat if the patient does not complete a standard regimen of medication. Multiple drug-resistant TB is fatal in 50 to 80 percent of those who contract it. This budget continues funding to treat and control the increase in drug-resistant tuberculosis. These funds will be used for intensified treatment, rapid laboratory identification, and stricter supervision to ensure that clients are completing their prescribed regimen of medication.

PUBLIC HEALTH LABORATORY

The Public Health Laboratory provides a comprehensive range of diagnostic services to parties in the identification and control of disease and environmental threats. The service will continue to be provided on a 24-hour, seven-day-a-week basis. In addition, the Department has established a national model for computerized laboratory reporting of diseases. This allows for easier tracking and monitoring of diseases.

SUBSIDIZED INSURANCE PROGRAM

Last year, New Jersey launched a subsidized insurance program called *Health ACCESS New Jersey*. This program was designed as a broad-

based initiative for the uninsured. To date, more than 18,000 individuals have received coverage under this program. A logical next step is a model program called *Children First*, that will provide health insurance for 100,000 children whose families have incomes up to 250 percent of the federal poverty level and who do not qualify for Medicaid. With these small investments in primary/preventive care, vast sums of funds will be saved in the future. The funding for this program will be part of the charity care solution being considered by the Legislature.

ELECTRONIC TRANSMISSION OF DATA

Quick, accurate, and reliable information is an absolute necessity in the field of health care. The Department is engaged in four major data initiatives: a Health Information Network (HINT) project, an electronic birth certificate system, a statewide immunization network, and a cancer registry. These systems will not only provide more reliable data, but will reduce burdensome paperwork and record keeping.

HUMAN SERVICES PROGRAMS

FAMILY DEVELOPMENT

New Jersey's social welfare assistance programs, operated by the Department of Human Services, will be reformed to increase the economic self-sufficiency of individuals and families who receive public assistance. This coincides with federal efforts to return to the states the ability to customize their welfare operations through the use of a national block grant program. More clients will be required to participate in work activities or lose their benefits. While adults will be required to take personal responsibility in moving toward self-sufficiency, a viable safety net will be maintained to protect children. Benefits will no longer be guaranteed but instead will be limited over the adult's life.

Teen parents will be required to attend school to receive benefits. They will no longer be permitted to obtain their own welfare grant by living independently but will be required to live at home or in an adult-supervised setting. Personal responsibility and self-sufficiency by age 18 will be the goal.

While more clients will be required to participate in work activities, the emphasis will shift from education and long-term training to immediate job placement. Food Stamp clients for the first time will be required to participate in work activities or lose their benefits.

The funding recommended for the Division of Family Development (DFD) in fiscal 1997 is \$405 million and will be supplemented with \$395 million in federal funds available under the Temporary Assistance to Needy Families (TANF) block grant.

An average family receiving Aid for Families with Dependent Children (AFDC), the largest program, is composed of a single parent and two dependent children. That family receives a maximum of \$424 per month in welfare assistance payments and is automatically eligible for Food Stamps and Medicaid.

Single individuals and married couples without children are eligible for the State-funded General Assistance (GA) program. Recipients who are employable receive \$140 per month while those who are unemployable receive \$210 per month. Recipients are also eligible to receive homemaker services, pharmaceuticals, physicians' services, and employment and training services in select locations. Additionally, 7,000 GA recipients will receive temporary rental assistance and emergency housing assistance in fiscal 1997.

Twenty percent of the AFDC families will participate in work activities. The Budget includes \$40.4 million for welfare reform training to provide services for an estimated caseload of 63,000 in fiscal 1997. Additionally, \$43.3 million in federal funding is recommended for training and \$26 million for child care while \$8 million is recommended for job readiness and training activities from the New Jersey Workforce Development Partnership Fund.

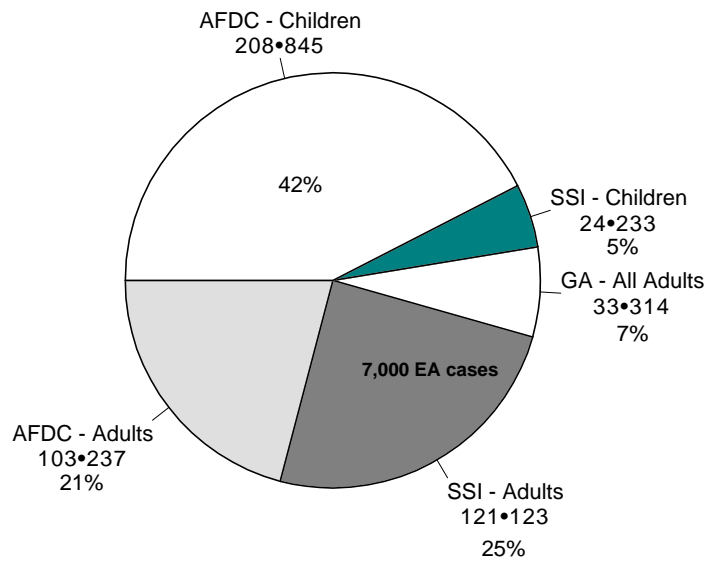
In the GA program, implementing new fraud initiatives to protect against prescription drug abuse and home visits to verify home address is expected to save \$8.2 million. Pharmacy rebates will result in additional savings of \$2 million while automation enhancements to intercept state income tax refunds and homestead rebates from recipients who have been overpaid will save \$1 million.

**INCOME ASSISTANCE PROGRAMS
FISCAL YEAR 1997 BUDGET
(\$ IN MILLIONS)**

| INCOME ASSISTANCE PROGRAM | STATE PROGRAM | FEDERAL FUNDS | LOCAL FUNDS | TOTAL FUNDS |
|----------------------------------|----------------------|----------------------|--------------------|--------------------|
| AFDC | \$135.0 | \$254.3 | \$18.5 | \$407.8 |
| GENERAL ASSISTANCE (GA) | \$140.1 | -- | -- | \$140.1 |
| EMERGENCY ASSISTANCE (EA) | \$21.7 | \$21.7 | \$2.0 | \$45.4 |
| SSI | \$67.8 | \$779.5 | -- | \$847.3 |
| FAMILY DEVELOPMENT/JOBS | \$40.4 | \$43.3 | -- | \$83.7 |
| TOTAL | \$405.0 | \$1,098.8 | \$20.5 | \$1,524.3 |

**NEW JERSEY INCOME ASSISTANCE
PROGRAMS
FISCAL YEAR 1997 CASELOAD**

NUMBER OF INDIVIDUALS



Includes participants funded from all funding sources.

MEDICAID

Medicaid is the State's health care program for the needy, administered by the Department of Human Services. It covers a full range of inpatient and outpatient hospitalization services, physician visits, dental care, prescription drugs, medical supplies, medical transportation, home health services, and long-term care. The State is also undertaking a major managed care initiative. Managed care will provide the full scope of medical services under contract with Health Maintenance Organizations (HMOs) licensed to operate in the State. The goals are to increase access to primary care services, improve wellness, and encourage preventive health care practices.

State expenditures for Medicaid in fiscal 1997 will be \$1.78 billion (mostly from the General Fund, but also including \$73 million for health care services for elderly and disabled beneficiaries in the community).

The central policy dilemma of Medicaid is how to balance three often conflicting goals -- controlling expenditures, providing access to quality care, and dealing with pressures for program expansion to meet the health care needs of the uninsured.

Many of the recipients of Medicaid also receive cash assistance through such programs as Aid to Families with Dependent Children (AFDC) and Supplemental Security Income (SSI). Numerically, AFDC recipients comprise the largest group of eligibles. However, there has been little growth of AFDC eligibles in recent years, while the SSI population has been steadily increasing. Although AFDC recipients numerically are 59 percent of all Medicaid recipients, medical and health services in their behalf account for only 23 percent of Medicaid expenditures. The composite average Medicaid State cost for an AFDC recipient is about \$282 per month.

A second Medicaid eligibility group consists of low-income persons who meet the federal Social Security criteria of age, disability, or blindness. Aged eligibles comprise 14 percent of Medicaid recipients and account for 28 percent of its expenditures. Disabled or blind eligibles comprise 22 percent of Medicaid recipients and account for 32 percent of expenditures. This is because the medical and health needs of the elderly and disabled tend to be more intensive kinds of services (such as inpatient hospitalization, nursing home care, and community care) and therefore more costly. Medicaid-eligible persons in government institutions represent less than 1% of Medicaid recipients but account for an additional 8 percent of Medicaid expenditures. The remaining 9% of expenditures

include services provided to developmentally disabled and services within DYFS.

Starting in June 1995, the State began phasing in mandatory managed care for AFDC clients in Camden, Gloucester and Hudson Counties, to be followed by Essex County in January 1996. Total Medicaid enrollment in managed care (AFDC and other categories) is currently 207,000, and is projected to be 280,000 by the end of fiscal 1996, and 400,000 in January 1997.

Medicaid is developing initiatives which promote administrative efficiencies and payment economies. An example is the implementation of a computer system to prevent prescription abuse, avert potentially dangerous prescription drug combinations, and provide pharmacies with immediate access to patient eligibility data.

MEDICAID EXPANSIONS

The Medicaid program serves those who would otherwise be part of the growing pool of persons without resources for health care. Those without health care insurance tend to receive limited health care, particularly preventive health care, reducing the overall well-being of the State's population.

Consequently, Medicaid services have been made available to New Jersey residents with incomes above AFDC or SSI eligibility limits up to and beyond the federal poverty level.

The first expansion of eligibles included pregnant women, and children up to age two, as well as aged, blind and disabled persons with incomes up to 100% of the poverty level. A subsequent expansion allowed Medicaid coverage for pregnant women and infants with family income up to 185% of the poverty level. Additional federal legislation has allowed Medicaid coverage for children under the age of 6 up to 133% of poverty, and for children under the age of 19 up to 100% of poverty.

Each of these expansions reduces the level of uncompensated care in the State and provides services to persons before health crises develop.

LONG-TERM CARE

Medicaid has long utilized home health and community care programs to forestall the need for elderly and disabled Medicaid beneficiaries to enter nursing homes. This enables Medicaid clients to remain in their own homes and results in savings to the State budget. Medicaid, in cooperation with the Department of Health, is also starting to develop new modes of long-term care, recognizing that there should be a wider range of more appropriate and less costly alternatives for frail and incapacitated persons than just traditional nursing homes.

Components of the Budget

PHARMACEUTICAL ASSISTANCE TO THE AGED AND DISABLED

The purpose of the Pharmaceutical Assistance to the Aged and Disabled (PAAD) program in the Department of Human Services is to reduce the cost of prescription drugs for a vulnerable segment of the population. This program pays the cost of prescriptions for eligible aged and disabled individuals, less a \$5 copayment paid by the recipient. PAAD currently pays pharmaceutical costs for 203,000 aged and 21,500 disabled persons.

The financial savings to individuals for prescription drugs is substantial. The typical elderly person averages over 21 prescriptions per year at an average cost of \$40, resulting in a savings of \$735. The savings for a typical disabled individual is \$1,240 based on an average of 31 prescriptions per year at an average cost of \$45.

The program eligibility groupings reflect PAAD's evolution. The original program was established in 1975 for persons over 65 years old with incomes under \$9,000 if single, or under \$12,000 if married. When resources were made available from the Casino Revenue Fund (CRF) in 1981, pharmaceutical assistance was extended to aged individuals of higher income, and also to persons determined disabled under federal Social Security criteria. The income eligibility standard for both groups became \$13,650 if single, or \$16,750 if married, and resources for both expansions have always come from the CRF. Recent legislation has added a cost-of-living adjustment to the PAAD income eligibility criteria raising income eligibility to \$17,056 for single persons and \$20,913 for married couples. This was long needed in order to prevent persons from being squeezed off PAAD when their social security income increased but PAAD income limits did not. PAAD income eligibility criteria now parallel the increases in Social Security, and keep pace with inflation.

The State initiated a pharmaceutical manufacturers' rebate program in July 1992 similar to the federally mandated rebate on prescription drugs in the Medicaid program. Under the rebate program in PAAD, participating pharmaceutical manufacturers

are required to provide rebates to New Jersey, reflecting a "bulk purchase" discount. Rebates of \$29 million are expected in fiscal year 1997.

An automated system is being implemented in the PAAD program as well as in regular Medicaid that will enable electronic eligibility verification and on-line submission and adjudication of pharmaceutical claims. This will make transactions easier for both the client and the pharmacist. Medicaid is also implementing a prospective drug utilization review system which will detect inappropriate or conflicting drug therapies, and increase the well-being of clients by preventing dangerous medical complications.

In 1982 the average prescription cost was \$9.00; in 1995 the average prescription cost was \$39.00 -- a fourfold increase. The dramatic increase in drug costs combined with accelerating growth in the number of recipients and in utilization has placed great financial pressure on the Casino Revenue Fund. In addition to supporting the PAAD program, the CRF supports other worthwhile programs for the State's elderly and disabled residents, as discussed in an appendix. However, the growth of program expenditures has far exceeded the Fund's revenue capacity.

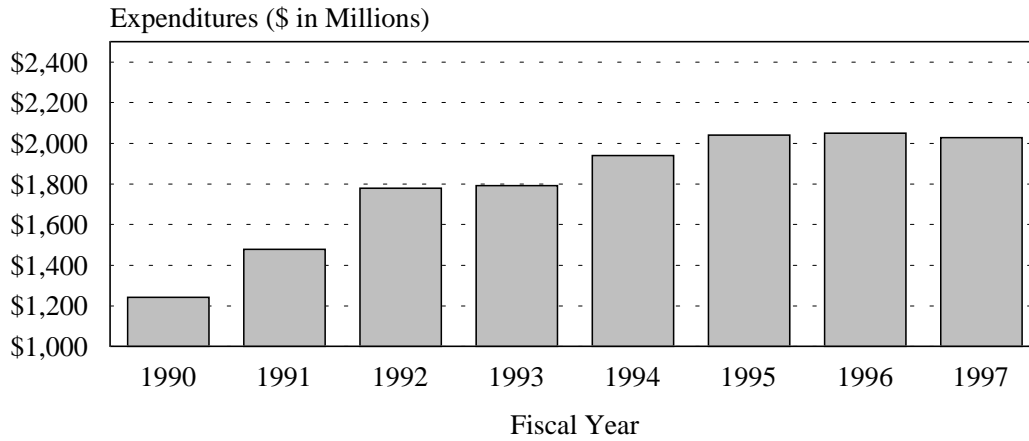
This Budget anticipates savings in this program of approximately \$30 million. The Administration looks forward to working with the Legislature to develop methodologies to achieve those savings in FY97.

LIFELINE

In addition to pharmaceutical assistance, PAAD eligibility also confers entitlement to Lifeline home energy payments of \$225 annually per household. One Lifeline program helps lower-income aged or disabled renters, and the other assists lower-income aged or disabled homeowners with the costs of home energy. The fiscal 1997 Budget recommends that both the Tenants Lifeline Assistance Program and the Lifeline Credit Program be funded from the Casino Revenue Fund.

MEDICAL ASSISTANCE AND HEALTH SERVICES

**State Expenditures for Medicaid, Pharmaceutical Assistance, and Lifeline
(General Fund and Casino Revenue Fund)**



Components of the Budget

COMMUNITY, SOCIAL AND INSTITUTIONAL SERVICES

COMMUNITY AND SOCIAL SERVICES

In fiscal 1997, the Department of Human Services will focus on reforming policy and practice related to contracting for community services. Several ideas such as introducing competition, giving agencies greater flexibility, establishing minimum performance standards, and terminating cost reimbursement contracts will be considered.

Community Services for the Mentally Ill —The Division of Mental Health Services maintains 182 contracts with private community mental health agencies and two mental health centers associated with the University of Medicine and Dentistry of New Jersey, to provide community mental health services. Services are provided to persons who have previously been in institutions, are at risk of psychiatric hospitalization, or suffer from emotional distress in daily living. In fiscal 1997 community mental health centers will be contacted by clients nearly 239,000 times.

The major goal of clinical intervention is to enable clients to relieve distress and permit them to function as independently as possible, using a variety of services. Emergency services--provided on a 24-hour basis-- stabilize individuals through assessment, intensive supervision, medication

monitoring and general crisis intervention. Residential services provide a live-in setting, in the least restrictive environment necessary, that ensures safety and helps the client live independently. Treatment is provided on an outpatient basis to people who are not in an immediate crisis; such services may include individual, group, or family therapy, medication monitoring, clinical assessment, and outreach. Partial care settings provide several hours of daily program involvement to increase the client's independence and community living skills.

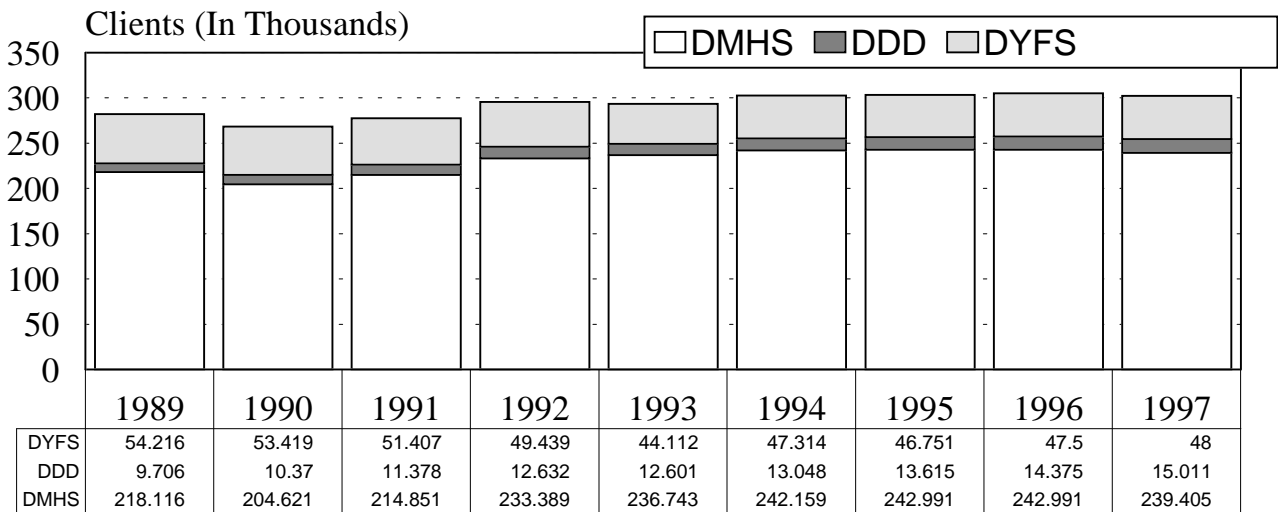
Clinical case management ensures that clients receive services that are unified, coordinated, and integrated to meet their specific needs. Community treatment often provides an alternative to institutionalization for adults and children.

In fiscal 1996, a major initiative was undertaken to reduce the overall population of the major State psychiatric hospitals.

Community programs will expand over a three-year period preceding the closure of Marlboro Psychiatric Hospital. A \$15.5 million increase to \$17.9 million appropriation is recommended to support the creation of an expanded community mental health service infrastructure.

CLIENTS SERVED

COMMUNITY CARE PROGRAMS



Fiscal Year

Youth and Family Services—The Division of Youth and Family Services (DYFS) is the State's primary provider of social services within the community. DYFS focuses much of its activity on abused, neglected, and delinquent children and their families. Services may be provided directly from the Division or from community agencies contracted under its supervision. Current projections indicate that approximately 48,000 children will be served during fiscal 1997.

The Division's substitute care programs offer both temporary and permanent care to clients whose needs prevent them from remaining in their own homes. Foster care is for children whose families are unable to provide appropriate care for them. Adoption subsidies are provided to encourage the permanent placement of children with special needs. The number of foster care placements and adoption subsidies are each expected to reach approximately 6,000 in fiscal 1997. Private and state-operated residential treatment centers provide a more intensive educational, therapeutic, and support environment for children who cannot be served in less restrictive community-based settings. It is anticipated that approximately 1,308 children (80 in state facilities and 1228 in private centers) will be placed this fiscal year at a cost of \$66 million.

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

Another major component of DYFS community services is child care, which is funded at almost \$50 million in this budget. DYFS subsidizes approximately 223 community day care centers throughout the state and also provides day care vouchers, which gives families the ability to purchase their own choice of day care.

The fiscal 1997 Budget incorporates many initiatives that will result in savings to the state while preserving the number of families served or the quality of their care. Having a managed care organization operate a full continuum of therapeutic placement and in-home services is expected to save \$3.0 million annually. Permitting social service agencies under contract with the Division to charge fees to those families that can afford it will save an additional \$3.0 million annually.

New federal reimbursements that have not been claimed in the past are also included in the fiscal 1997 Budget. These reimbursements, for services provided to children residing in therapeutic foster homes, will result in savings to the State of \$1.5 million.

Community Services for the Developmentally Disabled- The Division of Developmental Disabilities offers a wide array of residential and support services for individuals in community settings. Residential programs include group homes, supportive living arrangements, supervised apartments, skill development homes, family care homes, and private institutional placements. Many individuals also participate in an adult day program, which includes adult activities, supported employment, and extended employment programs. School aged children receive day training. Respite/Home Assistance programs provide families short-term relief from the often difficult task of caring for a developmentally disabled family member at home.

Residential programs represent a continuum of living arrangements. Individuals residing in family care homes lead productive lives with very little supervision. Most have full-time jobs and are active members of the community. Group homes offer around-the-clock staff supervision with most of the residents participating in an adult day program.

This Budget recommends funding for 781 individuals to be placed in private institutions, 136 in family care, 1,685 in skill development homes, 3,839 in group homes and supervised apartments, and 6,104 in adult activities.

Community programs will grow as a result of closing the North Princeton Developmental Center. A \$5.1 million appropriation will allow those institutionalized clients to be relocated to community placements over a two-year period commencing late in fiscal 1997.

Juvenile Community Programs - Pursuant to P.L.1995, c.284, the Division of Juvenile Services has been transferred to the newly established Juvenile Justice Commission in the Department of Law and Public Safety.

INSTITUTIONAL CARE

Psychiatric Hospital Care—The State maintains seven psychiatric hospitals to serve voluntarily or legally committed mentally ill persons. The facilities include one geriatric facility for those who have an additional need for nursing and medical care and one facility for pre-adolescent school age children and adolescents who have been legally committed. In 1997, the number of patients at the

Components of the Budget

mental health institutions is anticipated to average 2,138. Ancora Psychiatric Hospital, the largest of the hospitals is anticipated to average 562 patients a day. The Arthur Brisbane Child Treatment Center, the smallest facility, will house an average of 42 patients.

The psychiatric hospitals provide medical intervention, a protective therapeutic environment, and various rehabilitative, vocational, and treatment services. The goal of treatment is to prevent acute illness or to limit its duration so that patients can return to the community as rapidly as possible, with community care support if necessary.

Counties operate a total of six psychiatric hospital facilities. The combined number of patients at these county hospitals averages 682. Essex is the largest of the hospitals, averaging 297 patients. Union is the smallest, averaging 14 patients. State aid to counties provides funds for 90 per cent of the maintenance costs of county patients.

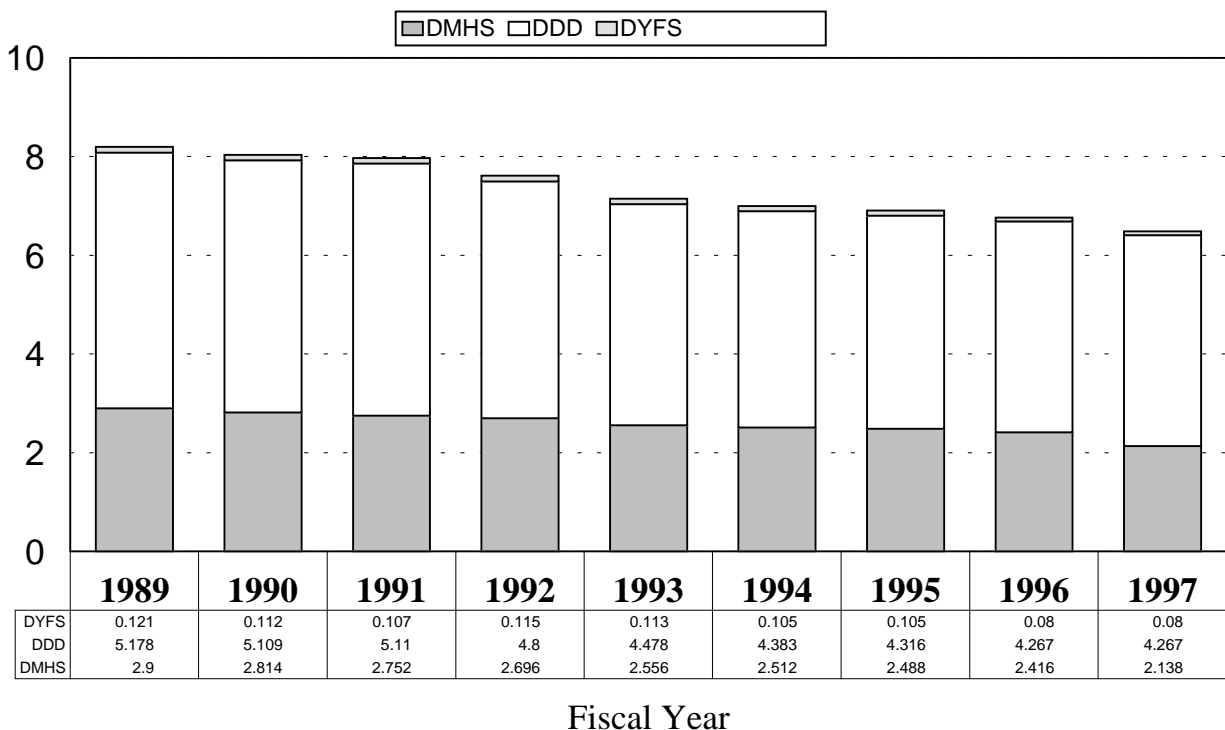
A total of \$17.9 million is included in the fiscal 1997 recommendation, to continue an institutional closure initiative which will provide funds to develop community placement programs for patients upon discharge to the community.

Developmental Centers—Developmental centers provide residential, habilitation, and educational services for the developmentally disabled. These facilities traditionally have been viewed as places that provide food, shelter, and basic care for their residents.

In fiscal 1997, an estimated 4,267 individuals will reside in the centers, a reduction of 911 from the 5,178 residents living in institutional facilities in 1989. New Jersey is committed to reducing the populations in developmental centers while providing a wide variety of residential and support services in the community. The Department of Human Services has closed two developmental centers, and is in the process of closing a third. Additionally, efforts have been directed towards reducing the number of beds that do not meet federal certification standards.

Overall, New Jersey will have reduced the number of non-certified beds from 1,464 in fiscal 1989 to 284 in fiscal 1997 through the expansion of community care alternatives and conversion of bedspace to certified status.

Average Daily Population Institutions



Components of the Budget

A \$5.1 million institutional closure initiative is recommended to develop community placements into which institutionalized clients will begin to be relocated in fiscal 1997. Savings realized from the facility closure will support these new community

programs on an ongoing basis. Planning with community involvement will continue to make certain that new community placements meet the needs of each client moved out of an institution.

COMMUNITY CARE PROGRAMS APPROPRIATED DOLLARS (\$ in Thousands)

| Program | State | Federal and All Other | Total |
|--|--------------------------|--------------------------|--------------------------|
| Mental Health Services | \$ 163,297 | \$ 12,783 | \$ 176,080 |
| Division of Developmental Disabilities | 189,884 | 173,088 | 362,972 |
| Division of Youth and Family Services | <u>223,398</u> | <u>91,790</u> | <u>315,188</u> |
| TOTAL | <u>\$ 576,579</u> | <u>\$ 277,661</u> | <u>\$ 854,240</u> |

INSTITUTIONAL PROGRAMS APPROPRIATION DOLLARS (\$ in Thousands)

| Program | State | Federal and All Other | Total |
|--|--------------------------|--------------------------|--------------------------|
| Division of Mental Health Services | \$ 216,496 | \$ 1,611 | \$ 218,107 |
| Mental Health Services | 78,267 | --- | 78,267 |
| Division of Developmental Disabilities | <u>194,550</u> | <u>114,578</u> | <u>309,128</u> |
| TOTAL | <u>\$ 489,313</u> | <u>\$ 116,189</u> | <u>\$ 605,502</u> |

Components of the Budget

EMPLOYEE BENEFITS

The State of New Jersey offers a variety of benefits to its employees. While some of the benefits are required by State or federal law, others are the result of negotiations with unions representing various employee groups. Members of the State workforce contribute toward some of their benefits, either directly through payroll deductions or through copayments or deductible clauses in the specific agreements.

In fiscal 1997, the cost of providing employee benefits will total \$1.2 billion. This represents a net decrease of \$30 million, as compared to the fiscal 1996 Adjusted Appropriation.

EMPLOYEE PENSIONS

The fiscal 1997 Budget recommends a \$371.8 million appropriation for the seven State retirement systems and other special retirement acts. This amount includes \$120.9 million for the Public Employees Retirement System, \$105 million for the Police and Firemen's Retirement System, \$40.8 million for the State Police Retirement System, and \$16.9 million for the Judicial Retirement System. A recommendation of \$72.7 million is made for the Alternate Benefits Program, which covers the faculty at the state's colleges and universities. The remaining State pension recommendations represent appropriations to smaller pension funds and other specially legislated retirement provisions and total \$15.5 million.

STATE EMPLOYEES' HEALTH BENEFITS

The fiscal 1997 recommendation provides \$449.1 million for the State Employees Health Benefit Program, \$69.3 million for the Prescription Drug Program, \$18.6 million for the Dental Care Program, and \$1.7 million for the Vision Care Program. The total recommendation for these programs of \$538.7 million, reflects a net decrease of \$25.6 million (4.5%) from the fiscal 1996 appropriation of \$564.3 million. These savings will be realized through cost containment efforts, including reductions in HMO rates. There are no projected fiscal 1997 increases in the Traditional and New Jersey Plus plan premiums, and the weighted average rates for the various HMO's are expected to decline by 3.6%.

Several changes in the financing of health benefit costs have been negotiated in union contracts (with AFSCME, IFPTE and CWA) and are being proposed in this Budget. These options include requiring premium sharing from state employees who choose traditional health coverage, eliminating overlapping HMO coverage for family members,

and eliminating the Medicare Part B reimbursement for active employees. These changes will lay the groundwork for similar savings at county and local levels.

In addition, the State continues to educate the workforce about the various methods available to save on personal health expenses while helping the State contain costs. These efforts, combined with changes in union contracts, have caused a 7.3% shift of employees from the Traditional plan to managed care plans between 1992 and 1995.

SALARY INCREASES AND OTHER BENEFITS

| | 1992 | 1993 | 1994 | 1995* | Change 1992/1995 |
|---------------------|---------------|---------------|---------------|---------------|-----------------------------|
| Traditional | 41.1% | 38.6% | 35.8% | 33.8% | -7.3% |
| Managed Care | 58.9% | 61.4% | 64.2% | 66.2% | 7.3% |
| Total | <u>100.0%</u> | <u>100.0%</u> | <u>100.0%</u> | <u>100.0%</u> | |

** Includes County Court personnel.*

The fiscal 1997 Budget provides \$44.7 million for salary increases in accordance with contractual agreements with various State employee unions. Approximately \$16.3 million of this amount will be paid to employees in April 1997 in the form of a one-time bonus of \$250 per employee. These fiscal 1997 bonus payments will not be added to the employee base salary. Therefore, unlike an across-the-board increase, the cost of the bonus payments will not be compounded in future years.

The recommendation of \$3.3 million for unused accumulated sick leave payments to retiring employees remains level with fiscal 1996. Employees are permitted to accumulate earned sick days. Upon retirement, the retiree is paid for unused sick days at 50 percent of the normal pay rate, up to a maximum payout of \$15,000.

In addition, the fiscal 1997 Budget includes savings of \$3 million to be achieved through the statewide furlough program. This program, instituted as a pilot in fiscal 1992, allows State employees to take time off without pay, if approved by management.

PUBLIC INFRASTRUCTURE

The State provides for its capital needs -- land, buildings, and other improvements -- through a number of funding mechanisms, which may be used singularly or in combination. First, pay-as-you-go funding is provided primarily for repairs, renovations and additions to State-owned facilities. Projects funded with pay-as-you-go capital are generally not suitable for funding with bonds. Second, a needed facility may be acquired or built directly with financing from bonds. Projects funded with bonds are expected to have a useful life at least equal to the time required to retire the bonds. The cost of facilities funded through General Obligation bonds appears as Debt Service appropriations. Third, the State rents space, or enters into lease-purchase arrangements funded through the Property Rentals account. This Budget places increasing emphasis on alternative funding sources to maintain State-owned facilities with recognition of the generally accepted business practice of structuring financing to coincide with the useful life of the State's capital investments.

CAPITAL CONSTRUCTION

The pay-as-you-go Capital Construction Budget is a result of the development and submission of seven-year capital plans by agencies, the review and recommendations of the New Jersey Commission on Capital Budgeting and Planning, and the selection by the Governor of the projects to be funded in the budget. For fiscal 1997, capital funding is being recommended at \$366.3 million. This includes recommended funding for Shore Protection (\$15 million) and the Transportation Trust Fund (\$304.5 million). Other recommendations in this Budget will provide for needed repairs at various Human Services, Corrections, and Juvenile Justice facilities. In addition, proceeds from the sale of surplus State property will fund repairs and renovations of existing facilities and assist in compliance with building codes and environmental regulations. Other recommendations from the Capital Plan for new construction, renovations and additions will be funded through other funding sources such as General Obligation Bond Funds, or will be referred to the New Jersey Building Authority or the Economic Development Authority for funding.

Environmental Protection

The fiscal 1997 Budget recommends \$15 million for Shore Protection projects; this could leverage up to an additional \$33 million of federal and local funding to maintain the Jersey shore, one of the premier tourist attractions of the State. The *Green*

Acres, Farmland and Historic Preservation, and Blue Acres Bond Act of 1995 referendum was approved in the November 1995 general election. This Act provides significant funding for open space acquisition and recreational facility development (\$250 million), protection of environmentally sensitive coastal areas (\$15 million) and inland flood plains (\$15 million), and historic preservation (\$10 million) along with farmland preservation (\$50 million).

Transportation Trust Fund

The fiscal 1997 Budget includes \$304.5 million for the Department of Transportation. These funds will be used to pay debt service for bonds issued by the Transportation Trust Fund Authority, a pay-as-you-go capital program, and capital maintenance assistance for New Jersey Transit Corporation. These funds are provided by a constitutional dedication of 7 cents of the motor fuels tax and funding agreements with the toll road authorities. When combined with available federal funds, the Transportation Trust Fund will generate over \$1.3 billion in transportation improvement projects in fiscal 1997.

Correctional Facilities

The fiscal 1997 Budget includes a recommendation of \$13.8 million for various construction projects at adult correctional facilities. These projects maintain prison bed spaces and support facilities, as well as addressing various code compliance issues. These projects include replacing essential building components such as roofs, HVAC, electrical systems, upgrading facility infrastructure, expanding food service facilities, and the necessary repair and installation of fire suppression and alarm systems.

In 1995, the State began construction of the new 3,188 bed South Woods State Prison in Bridgeton, the first prison financed by the New Jersey State Building Authority, and the largest construction project ever undertaken by the State. This project, when completed, will provide much-needed relief from prison overcrowding. The first 960 beds will be available for occupancy by March 1997. The fiscal 1997 Budget includes \$19.9 million for the operation of South Woods, funding 564 positions. This state-of-the-art facility, when fully completed, will provide 1,200 permanent jobs.

Colleges and Universities

This Budget provides \$2.3 million in capital funds for the State colleges and universities to help preserve critical equipment and building systems. In

Components of the Budget

addition, through fiscal 1997 and beyond, \$220 million is available through the Higher Education Facilities Trust Fund (HEFT), and \$100 million has already been allocated from the Higher Education Equipment Leasing Fund (ELF) to meet the capital needs of New Jersey colleges. Such bonds, issued by the Educational Facilities Authority and supported through proceeds from the State Lottery, provide for major construction and reconstruction projects and for purchase of scientific and technical equipment necessary for teaching and research.

Human Services

The Governor's fiscal 1997 Budget includes \$4.9 million for the Department of Human Services to provide funding for the most essential preservation projects, including upgrading facility mechanical systems, roof replacement projects, and deferred maintenance projects which, if not addressed, would require major capital expenditures. These capital funds will supplement the recent \$52 million appropriation from the 1994 Developmental Disabilities Waiting List Reduction and Human Services Facility Bond Fund, which provides funding for major State and community-based facility projects.

The Juvenile Justice Commission

The creation of a separate Juvenile Justice Commission is the result of a recommendation by the Advisory Council on Juvenile Justice. Because of unprecedented increases in serious and violent crimes committed by juveniles, the Council was directed by the Governor to present a plan for reforming the existing system for juvenile justice. The Council found, that because the system was administered by several departments, there had been a lack of the centralized authority, leadership, and advocacy.

Because of the urgency of certain Juvenile Justice requests, some capital projects could not wait until fiscal 1997 for relief. Therefore, the Governor directed that \$13.1 million from Departments of Corrections and Human Services bond funds be used in fiscal 1996 to address the construction of housing units and the repair of the food service building at Jamesburg, and to provide a facility to house the girls secure program, which currently shares space in the Juvenile Medium Security prison.

The Governor's fiscal 1997 Budget recommends \$11.5 million for Juvenile Justice capital projects, thereby ensuring that the Commission has the necessary resources to address critical capital needs. Such funds, combined with available bond funds,

will provide for construction of housing units, renovation of food service facilities, replacement of roofs, and upgrades to utilities at virtually all juvenile justice sites.

Compliance Mandates

The fiscal 1997 Budget includes a recommendation of \$10 million for compliance with federal and State statutory mandates such as: the Americans with Disabilities Act (ADA), Leaking Underground Storage Tank Removal, and mitigation of unhealthy conditions caused by the presence of hazardous materials.

Funds provided for ADA projects will be used to remove physical barriers that prevent access to State facilities by both citizens and employees.

The State has recently completed a comprehensive inventory of all State-owned underground storage tanks. The fiscal 1997 Budget includes \$4 million to meet the December 1998 deadline for the replacement or upgrade of underground tanks to the standards required by both State and federal law. Additional funds will be provided from the sale of surplus State property.

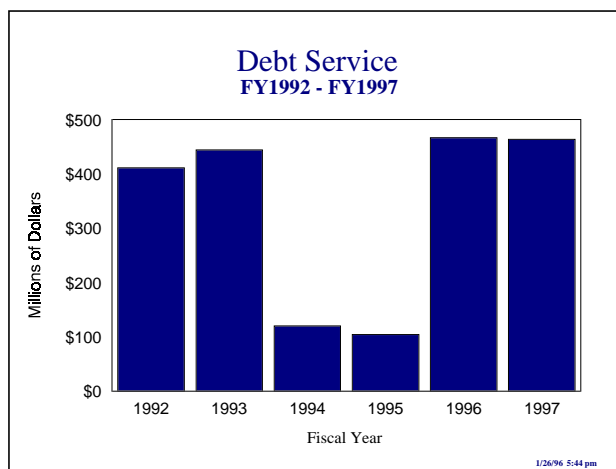
GENERAL OBLIGATION DEBT SERVICE

The State finances capital construction, land acquisition, and local aid projects through voter-approved long-term general obligation bonds. These bonds represent a debt of the State and are backed by its full faith and credit. Once bond authorizations, including the purpose and dollar amount, have been approved by the Governor, the Legislature, and the New Jersey voters, specific appropriations are made by the Legislature for part or all of the moneys authorized by the bond. As the actual funds are needed, the State sells bonds, thus incurring debt service payments -- principal and interest -- to bondholders.

The State also reviews outstanding debt interest rates for possible refinancing opportunities as the interest rates change. Where feasible, these opportunities afford the State a mechanism to achieve savings by taking advantage of a favorable interest rate market.

The fiscal 1997 debt service payments on all outstanding general obligation bonds amount to \$463.1 million. This is a decrease of \$3.2 million from fiscal 1996. The projected level of debt service reflects \$457 million for principal and interest due on bonds outstanding on July 1, 1996, and additional funding of \$22.7 million for proposed bond sales, offset by an estimated savings of \$16.6

million as a result of a proposed refinancing of general obligation bonds at a more favorable interest rate. The proposed refinancing is anticipated to yield a total of \$26.6 million in savings, \$10 million in fiscal 1996 and \$16.6 million in fiscal 1997. In addition, by delaying a bond sale in fiscal 1996, the State has avoided a \$9.5 million debt service payment.



PROPERTY RENTALS (MAJOR)

Office space and other rentals for State agencies are paid from the Property Rentals account, which is recommended at \$213.8 million for fiscal 1997. This account contains funding for existing and anticipated leases as well as lease-purchase rental agreements for buildings whose titles will pass to the State upon the final lease payment.

The State has contracted with a private consultant to review current and future leased and owned office space requirements (not including institutional facilities) and has completed a State-Wide Master Plan. The report outlines achievable targets of facility eliminations and geographic consolidations to produce immediate savings with additional savings projected in future years. The report also contains recommendations on the State's policy for leased versus owned space based on comparisons of New Jersey's portfolio to other states. As a result of the recommendations, the Property Rentals budget reflects a savings of \$4.3 million.

Under lease-purchase agreements, the State funds the New Jersey Building Authority's debt service of \$36.4 million for recently constructed buildings in and near Trenton. On September 13, 1995 a ground breaking ceremony was held at the site of the South Woods State Prison, in Bridgeton, to commemorate the first State prison project financed by Authority bonds. Other projects financed through the Authority include historical renovations of the Old Barracks, the War Memorial Building and brownstone structures adjacent to the State House, and renovation and reconstruction projects at the Labor Building, the Taxation Building, the Education Building, and the State House Complex.

The Richard J. Hughes Justice Complex has been financed by the Mercer County Improvement Authority under a lease-purchase agreement with a fiscal 1997 payment in the amount of \$7.3 million. The Economic Development Authority payment of \$18.5 million is required to fund the payments for the Trenton Office Complex and other lease-purchase agreements. This figure also includes funding for a projected bond sale by the EDA to help construct the Newark Performing Arts Center, fund the purchase of the Riverview Building, and fund the Green Lights Energy Program. This energy program entails the installation of energy efficient lighting, fans, and motors in State and lease-purchase facilities. These improvements will result in actual energy savings; additionally, the State will receive incentive payments for energy reduction from utility companies.

The Sports and Exposition Authority appropriation is recommended at \$32.9 million for fiscal 1997. This debt service requirement supports projects throughout the State, including renovations at the Rutgers Stadium, the Meadowlands Complex, and Monmouth Racetrack.

Impact of State Appropriation Limitations Law on Appropriation for Fiscal Year 1997

The State Appropriations Limitation Act (P.L. 1990, c.94), commonly called the CAP law, limits the growth of appropriations in the Direct State Services sections of the Budget, which encompasses the operations of state government. Exempt from the limitation are Grants-in-Aid; State Aid to counties, municipalities, local school districts, and other instrumentalities; federal funds appropriations; Capital Construction and Debt Service; and monies deposited in and expended from the Property Tax Relief Fund, the Casino Control Fund, the Casino Revenue Fund, and the Gubernatorial Elections Fund.

The law provides that the CAP may be exceeded upon passage of a bill making an appropriation approved by a two-thirds vote of all members of each legislative body.

Under the formula in the law, the maximum appropriation for fiscal 1997 is computed by multiplying the base year appropriation (fiscal 1996) subject to the percentage limitation by the average three year growth rate in per capita personal income calculated on a fiscal basis. This percentage is 3.95 for calculating the fiscal 1997 CAP.

The calculation results in a maximum increase of \$204,666,000 over the fiscal 1996 Adjusted Appropriation, or a maximum appropriation of \$5,386,095,000 for Direct State Services for fiscal 1997. The Governor's recommendation for fiscal 1997 is \$5,037,229 or \$348,866,000 under the CAP limit.

Data used to compute the appropriation limit are presented in the accompanying tables.

According to the U.S. Department of Commerce, Bureau of Economic Analysis, the total income^(a) for the State for the last four fiscal years is:

(\$ millions)

| | |
|-----------------------|-----------|
| Fiscal Year 1992..... | \$196,974 |
| Fiscal Year 1993..... | \$208,167 |
| Fiscal Year 1994..... | \$215,401 |
| Fiscal Year 1995..... | \$224,912 |

According to the U.S. Census Bureau, the population for the State for the last four fiscal years^(b) is:

| | |
|-----------------------|-----------|
| Fiscal Year 1992..... | 7,813,000 |
| Fiscal Year 1993..... | 7,859,000 |
| Fiscal Year 1994..... | 7,904,000 |
| Fiscal Year 1995..... | 7,948,000 |

The average per capita person income^(c) for the State and the average percentage change for the last three fiscal years is:

| | Average Per Capita Personal Income | Percentage Change |
|-----------------------|--|----------------------|
| Fiscal Year 1992..... | \$25,197 | -- |
| Fiscal Year 1993..... | \$26,479 | 5.09% |
| Fiscal Year 1994..... | \$27,206 | 2.75% |
| Fiscal Year 1995..... | \$28,298 | 4.01% |

**Computation of 1996 Appropriation Subject to Expenditure Limitation Law Percentage
(\$ in Thousands)**

| | |
|---|--------------|
| Appropriation and Adjustments for Fiscal Year 1996..... | \$16,109,119 |
| Less Statutory Exemptions: | |
| Grants-in-Aid..... | (3,161,649) |
| State Aid..... | (1,993,610) |
| Capital Construction..... | (217,071) |
| Debt Service..... | (466,330) |
| Property Tax Relief Fund..... | (4,738,130) |
| Casino Control Fund..... | (51,226) |
| Casino Revenue Fund..... | (299,674) |
| Amount subject to limitation..... | \$ 5,181,429 |

| | |
|---|-------------|
| Fiscal year 1996 base subject to percentage limitation..... | \$5,181,429 |
| Per capita personal income rate..... | x 3.95% |
| Maximum increase in appropriation for fiscal year 1997..... | 204,666 |
| Maximum appropriation for fiscal year 1997..... | 5,386,095 |
| Fiscal year 1997 recommendation..... | 5,037,229 |
| Amount Over/(Under) the CAP limitation..... | (\$348,866) |

Note:

- (a) Seasonally adjusted quarterly personal income is provided by the U.S. Department of Commerce, Bureau of Economic Analysis. Fiscal year calculations are performed by the New Jersey Department of the Treasury, Office of Management and Budget. Each fiscal year was calculated by summing the 3rd and 4th quarters of the previous calendar year with the 1st and 2nd quarters of the year being calculated. The summation is divided by four to estimate the fiscal year's number. For example:

$$FY95 = \Sigma(3Qcy94+4Qcy94+1Qcy95+2Qcy95)/4$$
- (b) The FY95 population figure is an estimate based on U.S. Census Bureau data as adjusted by the New Jersey Department of the Treasury, Office of Management and Budget.
- (c) The average per capita personal income is found by taking the total personal income and dividing by the population, as determined by the U. S. Census Bureau.

Appendix

New Jersey Demographics

New Jersey was one of the original thirteen colonies and was the third state to ratify the United States Constitution in 1787. The original State Constitution was adopted on July 2, 1776 and was subsequently superseded by the State Constitution of 1844. A new State Constitution was prepared by a constitutional convention in 1947 and was ratified by voters of the State in the general election held November 4, 1947.

According to the United States Bureau of the Census, the population of New Jersey was 7,172,112 in 1970, 7,365,011 in 1980, 7,730,000 in 1990 and 7,904,000 in 1994.

The State capital is Trenton (population 88,675); the State's largest city is Newark (population 275,221). Other major cities and townships include Jersey City (population 228,537); Paterson (population 140,891); Elizabeth (population 110,002); Woodbridge (population 93,086); Edison (population 88,680) and Camden (population 87,492). New Jersey's principal manufacturing industries produce chemicals and pharmaceuticals, electrical equipment and

instruments, printing, machinery and food products. Other economic activities include services, wholesale and retail trade, insurance, tourism, petroleum refining and truck farming.

The State Constitution provides for a bicameral legislature which meets in annual sessions. Members of the State Senate are elected to terms of four years, except for the election following a decennial census, in which case the election is for a term of two years. Members of the General Assembly are elected to terms of two years. The Governor is elected to a term of four years.

There are presently 17 departments of the Executive Branch of State government. This Budget proposes the consolidation of the separate Departments of Banking and Insurance into one department; if enacted, there would be 16 departments. The maximum number permitted by the State Constitution is 20.

POPULATION CHANGES

| | Population (Thousands) | | | | Population Per Square Mile 1994 | Annual Rate of Growth (Percent) | | | |
|-----------------|------------------------|----------------|----------------|-------------------|---|------------------------------------|--------------------|--------------------|--------------------|
| | Census 1970 | Census 1980 | Census 1990 | Estimates 1994 | | 1960 to 1970 | 1970 to 1980 | 1980 to 1990 | 1990 to 1994 |
| | United States | 203,302 | 226,546 | 248,710 | | 260,341 | 74 | 1.26 | 1.09 |
| Northeast | 49,061 | 49,135 | 50,809 | 51,396 | 317 | 0.94 | 0.02 | 0.34 | 0.27 |
| New England | 11,847 | 12,348 | 13,207 | 13,270 | 211 | 1.21 | 0.42 | 0.67 | 0.11 |
| Middle Atlantic | 37,213 | 36,787 | 37,602 | 38,125 | 383 | 0.86 | -0.12 | 0.22 | 0.32 |
| New York | 18,241 | 17,558 | 17,990 | 18,169 | 385 | 0.94 | -0.38 | 0.24 | 0.23 |
| New Jersey | 7,172 | 7,365 | 7,730 | 7,904 | 1,065 | 1.69 | 0.27 | 0.49 | 0.52 |
| Pennsylvania | 11,801 | 11,864 | 11,882 | 12,052 | 269 | 0.42 | 0.05 | 0.01 | 0.33 |

Source: U.S. Department of Commerce, Bureau of the Census

TOTAL PERSONAL INCOME
NEW JERSEY, SELECTED NEIGHBORING STATES AND THE UNITED STATES
1982- 1994
(Dollars in Millions)

| <u>Calendar Years</u> | <u>Total Personal Income</u> | | | |
|-----------------------|------------------------------|-----------------|---------------------|----------------------|
| | <u>New Jersey</u> | <u>New York</u> | <u>Pennsylvania</u> | <u>United States</u> |
| 1982..... | \$102,941 | \$229,054 | \$136,752 | \$2,683,456 |
| 1983..... | 111,524 | 245,407 | 143,070 | 2,857,710 |
| 1984..... | 123,702 | 270,682 | 154,170 | 3,144,363 |
| 1985..... | 132,761 | 289,199 | 164,473 | 3,368,069 |
| 1986..... | 142,751 | 310,608 | 174,959 | 3,579,783 |
| 1987..... | 153,396 | 329,553 | 184,305 | 3,789,297 |
| 1988..... | 167,602 | 353,658 | 196,483 | 4,061,806 |
| 1989..... | 178,582 | 377,342 | 211,739 | 4,366,135 |
| 1990..... | 187,167 | 401,833 | 224,628 | 4,665,420 |
| 1991..... | 192,341 | 413,726 | 234,648 | 4,840,768 |
| 1992..... | 204,091 | 437,119 | 247,115 | 5,135,062 |
| 1993..... | 210,622 | 450,754 | 255,921 | 5,359,589 |
| 1994..... | 219,269 | 467,512 | 267,501 | 5,649,010 |

| <u>Calendar Years</u> | <u>Total Personal Income</u> <u>As a Percentage of 1973 Base</u> | | | |
|-----------------------|---|-----------------|---------------------|----------------------|
| | <u>New Jersey</u> | <u>New York</u> | <u>Pennsylvania</u> | <u>United States</u> |
| 1982..... | 234.1 | 211.7 | 225.7 | 245.7 |
| 1983..... | 253.6 | 226.8 | 236.1 | 261.7 |
| 1984..... | 281.3 | 250.2 | 254.5 | 287.9 |
| 1985..... | 301.9 | 267.3 | 271.5 | 308.4 |
| 1986..... | 324.6 | 287.1 | 288.8 | 327.8 |
| 1987..... | 348.8 | 304.6 | 304.2 | 346.9 |
| 1988..... | 381.1 | 326.9 | 324.3 | 371.9 |
| 1989..... | 406.1 | 348.8 | 349.5 | 399.7 |
| 1990..... | 425.6 | 371.4 | 370.8 | 426.2 |
| 1991..... | 437.3 | 382.4 | 387.3 | 443.2 |
| 1992..... | 464.1 | 404.0 | 407.9 | 470.2 |
| 1993..... | 478.9 | 416.6 | 422.4 | 490.7 |
| 1994..... | 498.7 | 432.1 | 441.5 | 517.2 |

Source: U.S. Department of Commerce, Bureau of Economic Analysis

**1994 PER CAPITA PERSONAL INCOME FOR
THE UNITED STATES, NEW JERSEY AND THE MIDDLE ATLANTIC REGION**

| | <u>Amount</u> | <u>1994 Percent of National Average</u> | <u>National Ranking</u> |
|----------------------|---------------|---|-------------------------|
| United States | \$21,699 | --- | --- |
| Mid-Atlantic Region | 24,718 | 114 | 2 |
| District of Columbia | 30,555 | 141 | --- |
| New Jersey | 27,742 | 128 | 2 |
| New York | 25,731 | 119 | 3 |
| Maryland | 24,847 | 115 | 5 |
| Delaware | 23,015 | 106 | 11 |
| Pennsylvania | 22,195 | 102 | 17 |

Source: U.S. Department of Commerce, Bureau of Economic Analysis

**PER CAPITA PERSONAL INCOME
NEW JERSEY, SELECTED NEIGHBORING STATES AND THE UNITED STATES
1982-1994**

| <u>Calendar Years</u> | <u>Per Capita Personal Income</u> | | | |
|-----------------------|-----------------------------------|-----------------|---------------------|----------------------|
| | <u>New Jersey</u> | <u>New York</u> | <u>Pennsylvania</u> | <u>United States</u> |
| 1982..... | \$13,853 | \$13,022 | \$11,545 | \$11,583 |
| 1983..... | 14,933 | 13,874 | 12,085 | 12,223 |
| 1984..... | 16,458 | 15,252 | 13,047 | 13,332 |
| 1985..... | 17,546 | 16,253 | 13,971 | 14,155 |
| 1986..... | 18,726 | 17,415 | 14,847 | 14,906 |
| 1987..... | 19,995 | 18,440 | 15,603 | 15,638 |
| 1988..... | 21,729 | 19,709 | 16,584 | 16,610 |
| 1989..... | 23,114 | 20,983 | 17,844 | 17,690 |
| 1990..... | 24,182 | 22,322 | 18,884 | 18,667 |
| 1991..... | 24,744 | 22,925 | 19,638 | 19,199 |
| 1992..... | 26,098 | 24,138 | 20,601 | 20,131 |
| 1993..... | 26,732 | 24,771 | 21,241 | 20,781 |
| 1994..... | 27,742 | 25,731 | 22,195 | 21,699 |

| <u>Calendar Years</u> | <u>Per Capita Personal Income As a Percentage of United States</u> | | |
|-----------------------|--|-----------------|---------------------|
| | <u>New Jersey</u> | <u>New York</u> | <u>Pennsylvania</u> |
| 1982..... | 120 | 112 | 100 |
| 1983..... | 122 | 114 | 99 |
| 1984..... | 123 | 114 | 98 |
| 1985..... | 124 | 115 | 99 |
| 1986..... | 126 | 117 | 100 |
| 1987..... | 128 | 118 | 100 |
| 1988..... | 131 | 119 | 100 |
| 1989..... | 131 | 119 | 101 |
| 1990..... | 130 | 120 | 101 |
| 1991..... | 129 | 119 | 102 |
| 1992..... | 130 | 120 | 102 |
| 1993..... | 129 | 119 | 102 |
| 1994..... | 128 | 119 | 102 |

Source: U.S. Department of Commerce, Bureau of Economic Analysis

CASINO REVENUE FUND

DESCRIPTION OF MAJOR PROGRAMS

I. Property Tax Reduction \$17.2 million

- Number of clients served: 68,720 recipients funded by CRF
- Other funding source: Property Tax Relief Fund - \$21.7 million
- This appropriation partially supports the cost of property tax deductions for senior and disabled citizens. The Constitution provides a \$250 annual property tax deduction for senior and disabled homeowners whose annual income does not exceed \$10,000 (excluding Social Security, or pension income in lieu of Social Security). The State annually reimburses municipalities for the local tax loss resulting from these tax reductions. The total cost of these reimbursements in fiscal 1996 (which covers calendar year 1995 tax bill deductions) is estimated at \$38.9 million; \$17.2 million is funded from the Casino Revenue Fund (CRF), with the balance of \$21.7 million funded from the Property Tax Relief Fund.

II. Community and Personal Care \$69.1 million

- Administration: The administrative costs of community care programs for aged and disabled persons (in the Division of Medical Assistance and Health Services) have been shifted from the Casino Revenue Fund to the General Fund in the fiscal 1997 Budget. The administrative costs of Pharmaceutical Assistance and the Lifeline Programs, traditionally funded from the Casino Revenue Fund, were also shifted to the General Fund. The total of these administrative costs in fiscal 1996 amounted to \$10.1 million.
- Included in the \$69.1 million are the following programs:
 - A. Community Care Initiative \$18.0 million
 - Number of clients served: 3,450 individuals
 - Other funding sources:
 - Health Care Subsidy Fund \$1.5 million
 - Federal \$19.5 million
 - A federal waiver permitting home and community based services for the elderly and disabled was approved October 1, 1983. In order to be eligible, individuals must be 65 or over, or determined disabled under the Social Security Act, and be in need of nursing home level of care. Under the waiver, seven services are available including case management, home health,

homemaker services, medical day care, non-emergency medical transportation, respite care, and social day care.

- The program had sufficient State funding for 2,800 individuals and 100 openings reserved for new alternatives to nursing home care. The community care services and the long term care alternatives receive 50% federal matching funds. Additionally, the fiscal 1997 Budget recommends that the Home Care Expansion Program, funded entirely from the Casino Revenue Fund at present, be rolled into the Community Care Program because the income eligibility and effective assets of the two programs are so close. This conversion will create 550 additional openings in Community Care for former HCEP beneficiaries, and will earn 50% federal matching funds.
- B. Model Waivers \$10.3 million
 - Number of clients served: 400 individuals
 - Other funding source: Federal \$10.3 million
 - New Jersey is currently operating four waiver programs for disabled adults and children. To be eligible individuals must be in need of institutional level of care. The waivers offer all the services of the regular Medicaid program, plus case management provided by a nurse or social worker. Model Waiver III additionally provides for private duty nursing. Each individual's service package must cost no more than the cost of institutional care. A maximum of 50 individuals are funded by each of the first two waivers, 150 by the third waiver, and 150 individuals at present in the three year old traumatic brain injury waiver. All four waiver programs are federally matched.
- C. Personal Care Assistant/Homemaker Services \$40.8 million
 - Number of clients served: 5,650 average monthly recipients
 - Other funding source: Federal \$40.8 million
 - Personal care services consist of health and hygiene assistance in tasks of daily living performed by certified personal care assistants and/or homemaker/home health aides in an eligible recipient's home, rooming house, or boarding home. The target population is Supplemental Security Income (SSI) elderly or disabled persons eligible for Medicaid, who are chronically

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incapacitated. There is a limitation of 25 hours of service per week, which can be extended to 40 hours with prior approval from the Medicaid District Office.

III. Respite Care **\$4.0 million**

- Number of clients served: 2,100 cases
- Respite care provides short-duration relief to the regular caregivers of elderly persons. This is a State continuation of a former federally funded demonstration program. Federal matching funds ceased in federal fiscal year 1992 at the conclusion of the program's demonstration period. Respite care is capped at \$3,000 per case.

IV. Pharmaceutical Assistance to the Elderly and Disabled (PAAD)

\$107.5 million (CRF)

- Number of clients projected: 123,000 elderly and 19,000 disabled individuals (average monthly eligibles)
- Other funding: General Fund \$38.2 million provides pharmaceutical benefits for 52,000 additional lower-income elderly persons per month.
- Administrative costs have been shifted to the General Fund as noted above.
- The Pharmaceutical Assistance to the Aged and Disabled (PAAD) program provides payments to pharmacies for the wholesale cost of prescription drugs for eligible persons after deducting the required \$5 copayment from the recipient.

The original General Fund PAAD program had income caps of \$9,000 for single persons and \$12,000 for married couples. Legislation in 1981 increased the income eligibility limits and enabled many additional aged persons, plus persons determined disabled under federal Social Security criteria, to receive PAAD benefits. The expansions have been funded from the Casino Revenue Fund since its outset.

PAAD income eligibility limits were subsequently increased in 1982, 1985, 1987, 1991, and 1993. The last expansion, in January 1995, indexed PAAD income eligibility standards to Social Security cost-of-living increases. The current eligibility limits are \$17,056 for single persons and \$20,913 for married couples. PAAD income eligibility is also used as the basis for eligibility in the Lifeline Programs which will be discussed subsequently.

V. Lifeline Programs **\$71.5 million (CRF)**

- Number of clients served: 318,000 households
- Administrative costs have been shifted to the General Fund as noted above.
- PAAD recipients are also entitled to Lifeline home energy payments of \$225 annually per household. Participants in the Supplemental Security Income program are also eligible for Lifeline. There are two Lifeline programs, one for tenants and one for homeowners. The Lifeline Tenant Assistance Program is expected to help pay home energy costs for 165,000 renter-occupied households. The Lifeline Credit Program will assist 152,000 owner-occupied households.

VI. Transportation Assistance **\$21.8 million**

- The senior and disabled citizens assistance is administered through the New Jersey Transit Corporation. Of the amount available, 85 percent is allocated to support county development of accessible feeder and local transportation services. The remaining 15 percent is used by the New Jersey Transit Corporation to improve access to its buses and rail facilities, including the purchase and installation of wheelchair lifts for new buses and the construction of elevators at key rail stations. The recommended amount is set by formula and represents 7.5% of the prior year actual Casino Revenue Fund revenue and investment income.

VII. Sheltered Workshop

Transportation **\$1.7 million**

- Number of clients served: 2,815 eligible recipients
- During fiscal 1996, a total of \$1.7 million in Casino Revenue Funds will be used to support the Sheltered Workshop Transportation program in the Department of Labor's Division of Vocational Rehabilitation Services. The funds support the transportation expenses for individuals with severe disabilities. These individuals cannot be absorbed in the regular labor market and have become extended employees of community rehabilitation programs. Many of these individuals require special transportation to get to and from work. A total of 2,815 eligible individuals are anticipated to benefit from this service.

VIII. Residential Care Developmental Disabilities **\$24.5 million**

- Number of clients served: 13,368 recipients

- Other funding source(s):
 - General Fund - \$162.7 million
 - Federal - \$149.0 million
- The Division of Developmental Disabilities provides a wide array of residential and support services for individuals in community settings. Residential programs include group homes, supportive living arrangements, supervised apartments, skill development homes, family care homes and private institutional placements. Many individuals also participate in an adult day program which includes adult activities, supported employment and extended employment programs. Day training services are provided for school aged children. Respite/Home Assistance programs provide the necessary supports for families, relieving families for a short time from the often difficult task of caring for a developmentally disabled family member at home. The CRF supplements General Fund appropriations for these types of services.

IX. All Others \$12.6 million

- Included in all other programs within the Casino Revenue Fund are:
 - A. Personal Attendant Program \$3.7 million
 - Number of clients served: 583
 - Other funding source(s): General Fund - \$2.5 million
 - \$3.7 million is designated to provide attendant care services to approximately 583 physically disabled clients in all twenty-one counties. Personal attendants are individuals with training or experience in providing home services, who directly assist a physically disabled person in carrying out routine non-medical tasks such as bathing, dressing, transfer to a wheelchair, meal preparation, laundry, shopping, household management and transportation.
 - B. Congregate Housing Support Services, \$1.9 million, provides residents at various congregate housing sites throughout the State subsidies for meals, housekeeping and personal services. The goal is to keep the elderly from unnecessary institutionalization in nursing homes. These services support 1,900 clients.
 - C. Senior Citizen Safe Housing and Transportation, \$2.4 million, affords senior citizens living in congregate housing sites to remain active by providing tenants shuttle services to go food and clothes shopping. In addition, these funds provide increased security at senior citizen housing sites. Approximately 20,000 clients are assisted with these services.
 - D. Home Delivered Meals, \$1.0 million, supplements the federally supported home delivery meal program for elderly residents throughout the State. The State funds augment this program to allow for the delivery of meals on weekends and holidays. 282,000 meals are provided to 2,400 clients.
 - E. Adult Protective Services, \$1.7 million is used to develop a coordinated system of services for the protection of 4,200 elderly and disabled adults from abuse. The program, recently transferred from the Department of Human Services to the Department of Community Affairs, has established a central registry to maintain and analyze information regarding reported cases of neglect and abuse. It also establishes protective service providers in each county to receive complaints and initiate appropriate services for the abused as well as the abuser.

Five staff administer the above programs (B through E) in the Department of Community Affairs from the Casino Revenue Fund.
 - F. Alzheimer's Disease Demonstration Day Care Program, \$900,000, provides services to victims of Alzheimers disease in adult day care centers as well as supportive services for their families.
 - G. Statewide Birth Defects Registry, \$500,000, allows the Department of Health to register children with birth defects and thus make it possible to follow up on treatment and provide otherwise unavailable services.
 - H. Other programs include hearing aid assistance (\$300,000), Health Department administration (\$100,000), and home health aid certification (\$100,000).

Appendix

CASINO REVENUE FUND SUMMARY AND PROJECTION (IN MILLIONS)

| | FISCAL 1990 | FISCAL 1991 | FISCAL 1992 | FISCAL 1993 | FISCAL 1994 | FISCAL 1995 | FISCAL 1996 | GOV. REC 1997 |
|--|----------------|----------------|----------------|----------------|----------------|----------------|----------------|---------------------|
| RESOURCES | | | | | | | | |
| Opening surplus | \$195.9 | \$174.7 | \$116.3 | \$0.0 | \$38.8 | \$24.0 | \$0.0 | \$17.0 |
| Revenues | 248.3 | 246.4 | 256.5 | 259.8 | 264.9 | 301.8 | 308.3 | 323.9 |
| Lapses and adjustments | 10.5 | 15.6 | 4.2 | 33.2 | 17.3 | 4.4 | 8.4 | 0.0 |
| TOTAL RESOURCES | \$454.7 | \$436.7 | \$377.0 | \$293.0 | \$321.0 | \$330.2 | \$316.7 | \$340.9 |
| PROPERTY TAX ASSESSMENT | | | | | | | | |
| Property tax deduction | 17.2 | 17.2 | 17.2 | 17.2 | 17.2 | 17.2 | 17.2 | 17.2 |
| MEDICAL ASSISTANCE | | | | | | | | |
| Personal attendant (DYFS) | 3.0 | 3.0 | 3.2 | 3.3 | 3.4 | 3.5 | 3.6 | 3.7 |
| Home Care Expansion Program (1) | 8.0 | 8.0 | 8.0 | 8.0 | 8.0 | 8.0 | 8.0 | 0.0 |
| Pharmaceutical Assistance to the Elderly and Disabled (PAAD) | 70.5 | 89.8 | 122.6 | 88.3 | 116.9 | 122.4 | 121.2 | 107.5 |
| Community and personal care | 52.1 | 66.9 | 91.5 | 36.2 | 43.2 | 71.7 | 48.6 | 69.1 |
| Geriatric health assessment centers | 0.6 | 0.6 | 0.6 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Family care givers | 0.1 | 0.1 | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Respite care | 2.0 | 3.5 | 2.0 | 3.5 | 3.7 | 4.0 | 4.0 | 4.0 |
| Hearing aid assistance | 1.5 | 1.5 | 1.2 | 0.4 | 0.4 | 0.4 | 0.3 | 0.3 |
| Statewide birth defects registry | 0.5 | 0.5 | 0.5 | 0.5 | 0.5 | 0.5 | 0.5 | 0.5 |
| Health Dept & health services admin | 5.5 | 4.2 | 4.5 | 4.0 | 4.0 | 3.6 | 0.2 | 0.1 |
| LIFELINE PROGRAMS | 65.2 | 69.2 | 69.5 | 36.5 | 43.1 | 43.2 | 41.9 | 71.5 |
| TRANSPORTATION ASSISTANCE | | | | | | | | |
| Senior citizens and disabled residents | 16.7 | 18.3 | 18.6 | 18.6 | 19.2 | 19.4 | 19.8 | 21.8 |
| Sheltered workshop transportation | 1.4 | 1.4 | 1.4 | 1.4 | 1.4 | 1.7 | 1.7 | 1.7 |
| HOUSING PROGRAMS | | | | | | | | |
| Congregate housing support | 1.8 | 1.7 | 1.7 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 |
| Boarding home rental assistance | 3.2 | 3.2 | 3.2 | 3.2 | 3.2 | 1.6 | 0.0 | 0.0 |
| Housing options for senior citizens | 0.1 | | | | | | | |
| Home health aide certification | | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 |
| Senior citizens safe housing & transportation | 3.0 | 3.0 | 3.0 | 3.0 | 2.8 | 2.8 | 2.5 | 2.4 |
| Adult day care program, Alzheimers Disease | 1.0 | 1.0 | 1.0 | 1.0 | 0.9 | 0.9 | 0.9 | 0.9 |
| Home delivered meals expansion program | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 |
| Residential care/Developmental Disabilities | 24.1 | 24.6 | 24.5 | 24.5 | 24.5 | 24.5 | 24.5 | 24.5 |
| Protective services of the elderly and disabled | 1.5 | 1.5 | 1.6 | 1.6 | 1.7 | 1.7 | 1.7 | 1.7 |
| TOTAL APPROPRIATIONS | \$280.0 | \$320.3 | \$377.0 | \$254.2 | \$297.0 | \$330.2 | \$299.7 | \$329.9 |
| ENDING SURPLUS | \$174.7 | \$116.3 | \$0.0 | \$38.8 | \$24.0 | \$0.0 | \$17.0 | \$11.0 |

(1) In fiscal 1997 Home Care Expansion Program is shifted to Medicaid's Community Care Programs to gain federal matching funds.