Fiscal Year 1996

Budget in Brief

Christine Todd Whitman, Governor

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JANUARY 23, 1995

GOVERNMENT FINANCE OFFICERS ASSOCIATION

Distinguished Budget Presentation Award

PRESENTED TO

State of New Jersey

For the Fiscal Year Beginning

July 1, 1994

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, 1994.

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. 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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CHRISTINE TODD WHITMAN
Governor

January 23, 1995

Dear Citizen:

As I present my second State Budget proposal to the Legislature and to the people of New Jersey, I am pleased to report that it reflects the priorities and policies I have been pursuing since taking office a year ago.

When I ran for Governor, I asserted my belief that the people of New Jersey were overtaxed. I pledged to cut state income taxes for most New Jersey residents by 30 percent over three years.

This month, we reached the halfway point in meeting that commitment.

This budget gets us the rest of the way -- and gets us there a year early. I am proposing an additional 15 percent tax cut for families with taxable income up to $80,000 and for individuals earning up to $40,000. This tax cut will keep hundreds of millions of dollars more in the hands of taxpayers.

When I ran for Governor, I also stated my conviction that New Jersey's businesses -- especially the small businesses that create the lion's share of jobs in our state -- were overtaxed.

I am building on the progress we made last year in cutting business taxes by proposing three important tax relief measures. I am asking the Legislature to initiate the repeal of the telecommunications sales tax by eliminating the tax on Yellow Pages advertising. I am proposing to cut the corporate income tax rate for small corporations with income up to $100,000 to 7.5 percent -- the lowest in the region. And I am asking for a change in corporate tax policy to encourage multi-state companies to invest and employ people in our state by double-weighting the sales factor when computing New Jersey taxable income.

Enactment of these proposals will help fuel the economic growth that created more than 63,000 new jobs in New Jersey last year.

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This budget is balanced because we have shown that government can break its long-standing bad habits of too much spending and too little accountability. We are making government work not for itself but for those it is meant to serve.

I encourage you to examine the state budget as closely as you examine your household budget. You should hold this budget to the same standards you hold your own budget -- looking to get the most for your hard-earned dollar.

I hope you will share with me and with your representatives in the Legislature any suggestions or comments you may have. Our system works best when everyone participates. Together, we can continue to make our state a leader, an innovator, and a place of opportunity into the 21st century.

Yours sincerely,

Christine Todd Whitman
Governor

Foundations of the Fiscal 1996 Budget

The fiscal 1996 Budget is built on a few fundamental goals:

- Smarter, leaner, more efficient State Government
- Lowered tax rates for individuals and businesses to revitalize the economy and improve New Jersey's business climate
- Provision of essential services
- Reduced reliance on one–time, extraordinary budget balancing maneuvers

It is a budget that represents a commitment to promises made. It will change many of the business practices of the state government.

The fiscal 1996 Budget recommends $16.0 billion in appropriations. This is a $483.8 million, or 3 percent, increase compared to fiscal 1995. The projected year end surplus is $500 million.

State Aid funding has been increased by $233 million and includes increased funding for school aid in order to ensure that all New Jerseyans are provided with the quality education they deserve. It also maintains level Municipal Aid.

RECOMMENDATIONS BY DEPARTMENT
STATE FUNDS
(thousands of dollars)

	State Operations	Grants In–Aid	State Aid	Capital Construction	Debt Service	Total Recom–mendation
Legislature	$ 50,347	$ —	$ —	$ —	$ —	$ 50,347
Chief Executive	4,809	—	—	—	—	4,809
Agriculture	8,905	6,302	—	—	—	15,207
Banking	6,626	—	—	—	—	6,626
Commerce and Econ Dev	20,344	14,684	3,648	—	6,338	45,014
Community Affairs	25,564	30,108	813,023	—	—	868,695
Corrections	583,193	117,187	—	—	—	700,380
Education	37,430	15,028	4,747,168	679	—	4,800,305
Environmental Protection	182,028	—	5,192	15,000	112,444	314,664
Health	33,425	42,735	18,371	—	—	94,531
Human Services	608,425	2,687,588	551,075	—	—	3,847,088
Insurance	30,022	—	—	—	—	30,022
Labor	57,928	16,496	—	—	—	74,424
Law and Public Safety	281,928	265	9,000	—	—	291,193
Military and Veterans Aff	55,161	1,145	—	—	—	56,306
Personnel	**29,240**	—	—	—	—	**29,240**
State	824,099	42,762	1,720	—	—	868,581
Transportation	163,747	219,750	19,865	261,262	—	664,624
Treasury	223,297	506,823	213,691	—	347,548	1,291,359
Miscellaneous Execut Com	1,910	—	—	2	—	1,912
Inter–Departmental Accts	1,576,869	—	—	—	—	1,576,869
The Judiciary	355,253	—	—	—	—	355,253
TOTAL RECOMMENDATION	**$5,160,550**	**$3,700,873**	**$6,382,753**	**$276,943**	**$466,330**	**$15,987,449**

DEVELOPING THE FISCAL 1996 BUDGET

One of the basic building blocks of the proposed budget is Governor Whitman's continued reengineering of State government operations. Last year's budget, which represented the first real decrease in State appropriations in years, began the process. A year later, the process is much further along, and a number of significant initiatives have been started. State government has to be streamlined, and this budget moves in that direction by providing the full range of essential services *within its means*. As a result, spending on Executive Branch operations will once again be below the previous year's levels, a reduction of $129 million or almost 4 percent.

As with last year's budget, tax reductions for individuals and businesses are major parts of the budget plan. Tax reductions transfer economic decision making from the government to the consumer and the competitive marketplace. Tax reductions for individuals allow them to keep more of the money they earn and spend it in ways that have a direct benefit to themselves and to New Jersey's economy. Business tax reductions make New Jersey more competitive and will help in the retention of existing jobs and the creation of new business opportunities.

The fiscal 1996 budget represents the realization of Governor Whitman's commitment on tax reductions, and while taxpayers at all income levels will benefit, those at the lowest levels will enjoy the greatest percentage savings. In addition, this budget incorporates the elimination of the Sales Tax on Yellow Pages advertising and provides additional tax reductions for small business owners and New Jersey corporations.

The fiscal 1996 budget recognizes that essential services must be maintained. None have been cut. Instead, the budget reflects the kind of changes that have been going on in the private sector for years. Old, inefficient service delivery systems have been eliminated. Where appropriate, the service delivery responsibility for certain activities will be transferred to the private sector, on the basis of competitive contracting. In some cases, where programs have outlived their original purposes or mandates, they have been eliminated.

This budget is built on prudent revenue estimates and genuine spending reductions based on improvements in operational efficiency and smarter, leaner State government.

DEPARTMENT OPERATING BUDGETS
($ in thousands)

	FY 1995 Adjusted Appropriation	FY 1996 Recommendation	Difference	% Difference
EXECUTIVE AGENCIES:				
Governor's Office	$4,809	$4,809	$ —	0.0%
Agriculture	$9,443	$8,905	($538)	–5.6%
Banking	$7,104	$6,626	($478)	–6.7%
Commerce	$17,917	$20,344	$2,427	13.5%
Community Affairs	$26,702	$25,199	($1,503)	–5.6%
Corrections and Parole	$620,064	$583,193	($36,871)	–5.9%
Education	$37,061	$37,430	$369	0.9%
Environmental Protection	$193,495	$182,028	($11,467)	–5.9%
Health	$34,742	$33,192	($1,550)	–4.4%
Human Services	$612,431	$598,283	($14,148)	–2.3%
Insurance	$31,264	$30,022	($1,242)	–3.9%
Labor	$60,917	$57,928	($2,989)	–4.9%
Law and Public Safety	$257,760	$252,685	($5,075)	–1.9%
Military & Veterans' Affairs	$56,441	$55,161	($1,280)	–2.2%
Personnel	$31,611	$29,240	($2,371)	–7.5%
State	$823,151	$824,099	$948	0.1%
Transportation	$208,750	$163,747	($45,003)	–21.5%
Treasury	$208,689	$200,222	($8,467)	–4.0%
Mis. Exec. Commissions	$1,910	$1,910	$ —	0.0%
Total Executive Departments	$3,244,261	$3,115,023	($129,238)	–3.9%

FISCAL 1996 BUDGET PROBLEMS

Crafting a budget is never easy, even in good times when revenues outpace expenditures and surplus funds are available to fund discretionary programs. In any budget, elected officials and governmental executives must cope with a wide range of competing policy choices constrained by limited resources. And, in many cases, choice is limited by federal mandates, existing contracts, or State Constitutional requirements. In tough times, the process is even more difficult. A recession causes demand for services to rise at a time when revenues are declining. In the early 1990s, when New Jersey was mired in its worst recession since the Great Depression and the State faced substantial deficits, the decision was made to use a number of measures to balance the budget which deferred problems (and ultimate solutions) to sometime in the future.

In order to understand completely the fiscal 1996 budget, it is useful to understand first the $1.8 billion in largely inherited problems that needed to be confronted.

Problem: $362 million for Debt Service

This increase of $362 million is attributable to a December 1992 Refunding Bond sale of $1.8 billion, which allowed for the majority of debt service payments in fiscal 1994 and 1995 to be made through an escrow account created from a portion of the bond proceeds. In fiscal 1996 the escrow account will be depleted, and additional funds must be appropriated to make the necessary debt service payments.

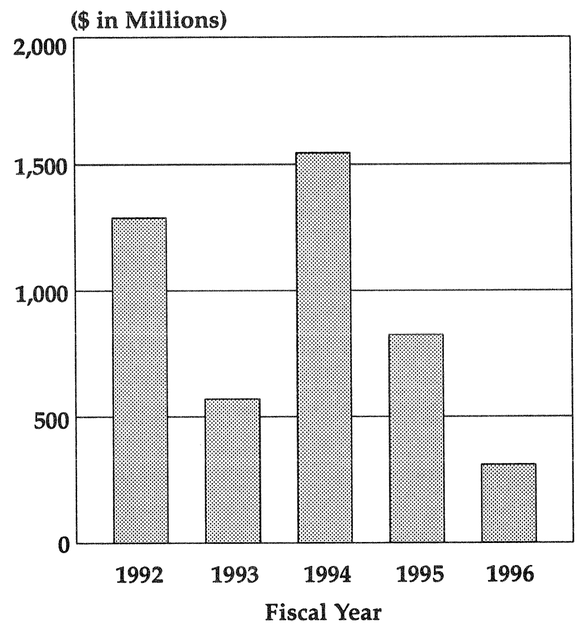
Problem: $450 million for Abbott v. Burke

On July 12, 1994, the New Jersey Supreme Court declared the Quality Education Act of 1990 unconstitutional and gave the Executive and Legislature until fiscal 1998 to achieve "substantial equivalence" between spending on pupils in poor urban districts and spending on their counterparts in wealthy suburban districts. Moreover, the Court required that the relative disparity, which was estimated at approximately $450 million in total, be "further addressed in both school years 1995–1996 and 1996–1997" or it would again intervene.

Problem: $887 million to replace non–recurring items

Since 1987, New Jersey's ongoing expenditures for new and existing programs have exceeded recurring revenues by a total of $7.3 billion. (This is known, in budget parlance, as a "structural deficit.") Between 1990 and 1994, New Jersey's budget was balanced with more than $4.1 billion in one–time items. To bridge this gap and submit a balanced budget as required by the State Constitution, the State's existing surplus was spent down, and a number of extraordinary one–time actions were taken. In fiscal 1994 alone, one–time items totalling $1.5 billion were used to balance the budget. The current budget has reduced the reliance on one–time items from $887 million to $348.1 million.

HISTORY OF
ONE–TIME BUDGET REMEDIES



It should be remembered that one–time financial transactions should not always be considered irresponsible. The government just as the private sector needs to base budget decisions on sound business principles which sometimes include non–recurring revenue. But balancing the budget using non–recurring revenue or deferred expenses from ill–advised practices has been stopped.

Other Issues

In addition to the inherited problems identified above, several other large, additional funding needs must be addressed in fiscal 1996, including the full–year costs of the State's January 1, 1995 assimilation of the county court system as required by the approved 1993 constitutional amendment, increased costs for state and school employee benefits, and reauthorization of New Jersey Transportation Trust Fund.

A new approach was required to address existing program requirements, fund new priority programs, and fill the existing gap between revenues and expenditures brought about by the inherited problems. The new solution was "Government That Works" — Governor Whitman's initiative to make New Jersey government smarter, leaner, and more efficient. The approach used:

- Examine all existing programs carefully for waste and inefficiencies;
- Improve program effectiveness;
- Contracting the operations of some activities; and
- Make New Jersey government smarter, leaner and more efficient in all aspects by:
  - More appropriate use of balances currently resident in various accounts.

Make Government More Responsive

What does a "more responsive government" mean? In this Budget, it means a government that listens to its taxpayers and lives within its means. It means a government that provides necessary services quickly and effectively. It means a government that strives to be efficient so that individuals who receive services do not have to deal with an ever–burgeoning bureaucracy and layer upon layer of regulation and paperwork. And it means a government that is honest and forthright. This Budget reflects such a government.

TAX REDUCTIONS

Personal Income Tax Reductions

In last year's Budget Address, Governor Whitman committed to a tax cut for low–income families of 30 percent by 1997. In this, her second budget, Governor Whitman *fulfills* that promise *a year early.* This tax reduction is based on the belief that when the government has more money, it should be returned to the taxpayers–not spent by the government.

Individuals with incomes below $7,500 will continue to pay no State income tax. Individuals in the lowest tax bracket (up to $40,000 for singles, $80,000 for married couples) will receive an additional 15 percent tax cut, for a total reduction of 30 percent. Individuals earning between $40,000 and $75,000 (between $80,000 to $150,000 for couples) will receive an additional 7.5 percent reduction, for a total of 15 percent. And, wage earners in the highest tax bracket will receive an additional 3 percent cut for a total reduction of 9 percent.

Business Tax Reductions

In addition to the cuts in the personal income tax, this Budget reflects a number of new tax initiatives aimed at helping New Jersey's businesses *create jobs* and be more competitive.

First, it proposes a reduction from 9 percent to 7.5 percent in the Corporation Business Tax rate for small businesses with New Jersey net income under $100,000. Small businesses are the engine driving New Jersey out of the recession, and this reduction will provide significant tax relief to a very important segment of the economy. This also means that New Jersey will have the lowest Corporation Business Tax rate in the region for small businesses.

The second reduction affects the technical basis for computing New Jersey taxable income under the Corporation Business Tax for companies with multi–state operations. Currently, New Jersey is one of two major industrial states that uses a formula based on the simple average of the proportions of property, payroll, and sales receipts the corporation has in our state. The proposal would double–weight the sales receipts factor to give a tax preference to corporations that have a higher proportion of production facilities than sales in the state. This change provides an incentive for companies to invest capital and to employ people in New Jersey. It will also keep our tax policy competitive with other states.

The third business tax reduction repeals the Sales and Use tax on yellow pages advertising that was implemented in 1991. This tax reduction will provide needed tax relief for the many small businesses that use the yellow pages as the primary advertising medium. Thousands of small businesses absolutely depend on this form of advertising for much of their business outreach. It is the first step in Governor Whitman's commitment to address the Sales Tax on telecommunications services.

MAINTAIN COMMITMENT TO MUNICIPALITIES

Providing assistance and support to municipalities has been one of the most important functions of State government. The State distributes large amounts of fiscal assistance to offset property taxes and support local services, assures regulatory oversight of local budgeting and fiscal affairs, and provides assistance in improving local operational and managerial practices.

The goal of the Fiscal Year 1996 Budget is to maintain the best features of this support system while making strides to correct existing weaknesses and shortcomings. This goal will be achieved through a three–part municipal assistance package.

Stable Fiscal Assistance For Municipalities

This Budget works in concert with fiscal 1995 appropriations to maintain municipal aid at virtually the same level as the previous year. This establishes a stable base of support for municipalities for fiscal 1996. The level of State support for municipal budgets for local fiscal 1996 will be $1.678 billion, compared to $1.670 billion in the prior fiscal year. To achieve this level of support, the Governor recommends that an additional $85 million in Franchise and Gross Receipts Taxes be appropriated from fiscal 1995 to augment a fiscal 1996 funding base of $1.593 billion. This additional fiscal 1995 appropriation will eliminate excess retention by the state of utility taxes earmarked for local use, consistent with the previous two fiscal years.

STABLE FISCAL ASSISTANCE FOR MUNICIPALITIES

- Distribute $85 Million Additional Franchise and Gross Receipts Taxes
- Restore $27 Million of FY 1995 Aid Cuts predicated on One–Time Health Benefit Fund Rebates
- Consolidate Municipal Aid Formulas, Freeze Existing Distribution Pattern
- Total Municipal Aid Virtually Equal From Municipal Standpoint
- No Municipal Losses Except for Density Aid Recipients

In addition, this Budget continues the policy begun last year of conveying state fiscal assistance to municipalities through a combination of aid payments and state–initiated local budget savings and mandate relief. Municipal aid offsets of about $104 million are recommended, which correspond to the full level of municipal pension cost savings from the pension system reforms initiated last year. This Budget also restores a $27 million fiscal 1995 cut in municipal aid funding which, for the municipalities involved, was offset by Health Benefit Fund rebates. These rebates were funded from a non–recurring fund surplus, so failure to restore aid would have unfairly penalized those municipalities.

Municipal Aid Consolidation

Municipal officials frequently complain that the municipal aid system is too confusing, too complicated, and too uncertain, making the already challenging task of local budget creation and financial administration all the more difficult. The principal reason for this is fragmentation — too many aid programs have been developed over the years that distribute widely ranging sums of money in an uncoordinated fashion, and often work at cross–purposes. Furthermore, the process for determining the amount of aid each municipality will receive from both formula–based and discretionary aid programs is not synchronized with municipal budget preparation timetables. This causes delay in receipt of funds, excessive reliance on temporary budgets, and reduced flexibility to respond to changes.

This Budget improves this system by reducing the number of major municipal aid programs from eighteen to four. This is achieved by consolidating different aid programs into a new, single program, Consolidated Municipal Property Tax Relief Aid (one of the old programs will be eliminated). Funds distributed to each municipality from this program will match exactly the amount of aid received from those fourteen programs in fiscal 1995. In addition, the fiscal 1996 distribution of $685 million from Franchise and Gross Receipts taxes will be identical to the previous year's distribution.

Under this new approach, every municipality will know exactly the amount of non–discretionary municipal aid it can anticipate, as soon as the State budget is introduced. This allows municipal officials to move forward with certainty of the resources they will receive from the State, without fear that changes in aid will occur after it is too late for them to plan how to adapt to these changes.

This Budget also calls for a standard schedule of aid payments for major aid programs. This schedule vastly improves upon the current uncoordinated payment timetable. Municipalities now receive no aid in the first half of the calendar year, and most are forced to wait until the final month of their fiscal year to receive a large share of total aid payments. The revised payment timetable will provide proportionally larger payments in months when no property tax collections are scheduled and puts all municipalities on a current cash–flow basis by the end of their third fiscal quarter. This change will greatly improve municipal cash flow and facilitate cash management planning, allowing greater returns on municipal investments.

Enhancing Fiscal Responsibility

The provision of municipal aid in predictable and stable amounts, the timely announcement of the amount each municipality will be receiving, and the payment of aid on sensible schedules which better address municipal fiscal realities — these are important steps in reducing the friction which has increasingly entered into the fiscal relationship between the State and municipal governments. More steps are planned to improve this situation.

New Jersey's municipalities and counties are among the last in the country to adopt Generally Accepted Accounting Principles (GAAP) as their standard for accounting and financial reporting. New Jersey school districts made the conversion to GAAP a few years ago, and the time has come for other local government entities to take this important step. Conversion to GAAP is essential to seeing a clearer picture of financial conditions, to improving fiscal planning, and to upgrading internal controls and management practices. In keeping with the "State mandate – State pay" principle, this Budget allocates $6 million plus in–kind assistance from the Department of Community Affairs to underwrite the conversion to GAAP accounting and reporting. This sum will provide a stipend to county and municipal governments to offset their costs, as well as fund State costs of coordinating the conversion to GAAP.

STABLE FUNDING FOR MUNICIPALITIES

- Predictable & Stable Municipal Aid, Timely Announcement of Aid Levels
- $6 Million State Aid to Underwrite Conversion to GAAP
- Municipal Aid Cash Flow Improvements

The state has offered help to municipalities looking to cut costs. The Local Government Budget Review teams, created last year, have completed their work in several municipalities. These efforts have revealed many opportunities for cost reductions, operating improvements, and management initiatives which, if acted upon by local officials, could yield property tax reductions averaging 10 percent below current levels. This team's invaluable services will remain available upon request in fiscal 1996.

PROVIDE QUALITY EDUCATION FOR ALL NEW JERSEYANS

This Budget takes several steps to assure quality education for all pupils in New Jersey's public schools. First and foremost, it takes seriously the requirement that the resources available to children in poor communities equal those of children in wealthy ones. These poorest districts, known as the special needs districts, receive $100 million in additional foundation aid.

Second, for the first time since 1992–1993, funding will recognize that some districts have experienced significant increases in their enrollments, both in regular and in special education. The fiscal 1996 Budget provides that these districts will receive additional aid, approximately $47 million in Foundation Aid and $19 million for Special Education. Wealthier districts will only receive it for special education students, consistent with past and present formulas. Those districts that have experienced declining enrollments will not have their aid reduced, however, enabling them to continue their educational programs.

Unfortunately, not all districts appropriately target funding to the classroom. Although this may be a local choice, the state's taxpayers should not subsidize it. Therefore, this Budget proposes that districts that have spent more than 30 percent above the median on administration have their aid reduced by the excess amount, subject to some limits. This reduction– $11.4 million in all – will signal that the State will not condone wasteful budgeting at the local level.

The State does wish to encourage comprehensive, coordinated education, which is best provided by districts that comprise all grades from kindergarten through high school. Accordingly, the fiscal 1996 Budget provides modest grants to such districts: $30,000 to each such district enrolling under 2,500 pupils, and $60,000 to each K–12 district with 2,500 or more students. These districts must not spend 30 percent or more above the median on administration and must meet State certification requirements to receive these grants, which will total $8.4 million.

Finally, the Budget continues to phase out Transition Aid, which replaced minimum aid for most of the wealthy districts, and which the Supreme Court indicated may be unconstitutional. An additional one–third reduction ($19 million) will be taken as part of this multi–year phase out. Desegregation aid ($7 million), a misnamed program, is eliminated. Changes are also proposed to the Transportation Aid ($28 million) formula, which has cost New Jersey taxpayers money while providing no extra benefits to the students being transported. These changes, which are discussed further in the "Components," will not affect the quality of education provided in the classroom.

SPUR ECONOMIC DEVELOPMENT

Government has a responsibility to engender a healthy economic environment that will allow all its citizens the best chance to share in prosperity. To promote economic development, government needs to provide an efficient and effective infrastructure to move goods, services, and people. It needs a responsive regulatory environment that ensures public safety but does not impede business, and it needs a strong partnership between government and business. To achieve these goals, this Budget provides funding in several key areas that will help spur economic development in New Jersey.

Reauthorize New Jersey's Transportation Trust Fund

The transportation system is essential to the State's economic well–being. Because New Jersey is at the geographic center of the largest continuous metropolitan region in the country, an extensive highway and mass transit network is critical to sustaining an attractive business environment and increasing mobility for state residents. Investment in the State's transportation infrastructure also stimulates the economy, with each $100 million investment creating over 3,800 jobs. Therefore, the transportation budget, with its emphasis on preserving infrastructure, positions New Jersey favorably for continuing economic growth in fiscal 1996.

In New Jersey, the State's share of highway, bridge, public transportation, and local road and bridge projects is paid by the Transportation Trust Fund. This Trust Fund is presently financed by dedicating part of the motor fuels tax, heavy–truck registrations, and toll road contributions. Because the current Trust Fund is scheduled to expire in 1995, new legislation is needed to reauthorize this program.

The Fiscal Year 1996 Budget proposes reauthorizing the program which provides an additional $3.6 billion in State dollars over a four–year period. When federal funds are included, the total Trust Fund spending level will exceed $6.6 billion and support 254,400 jobs. The Trust Fund will be expanded to provide capital and operating funds to upgrade the State's vehicle inspection system to Clean Air Act standards, eliminating the potential loss of federal highway funds due to non–compliance.

TRANSPORTATION TRUST FUND INITIATIVE

- No new gas tax increase.
- $3.6 billion in new State funding over a four–year period. New federal dollars will add another $3 billion.
- Increases Local Aid funding by $50 million a year.
- Increases funding for highway and mass transit construction projects by $200 million a year.
- No New Jersey Transit fare increases.
- Creates 254,400 jobs.
- Meets all Federal Clean Air Act operating and construction needs.
- Constitutionally dedicates 3 cents of the existing gasoline tax.

To fund this higher spending level, existing motor vehicle registration fees collected under the Fair Automobile Insurance Reform Act will be extended and reallocated to the Trust Fund beginning in fiscal 1997. Also, the State's voters will be asked to dedicate constitutionally an additional 3 cents of the existing gas tax to transportation uses. If approved, this would increase the amount of constitutionally dedicated gas tax from 2.5 cents to 5.5 cents. Finally, the existing $1.2 billion of outstanding Trust Fund debt will be restructured to a 20–year debt to more closely reflect the useful life of its assets.

In fiscal 1996, the spending authority for projects in the reauthorized Trust Fund will total $880 million, an increase of $315 million from the current $565 million funding level. This increase includes $200 million for highways and mass transit, $50 million for Clean Air projects, and $50 million for local road construction. The local aid increase will allow local governments to fund additional roadway projects without affecting local property taxes. Also, through a new operating subsidy ranging from $15 million in fiscal 1996 to $45 million in fiscal 1998, fares on the State's trains and buses will not be raised during the reauthorization period.

What Can the Trust Fund Deliver?

Illustrative $1.5 Billion Program

Category	Yearly	NJDOT—$909 Million
Roadway Rehabilitation	$ 330 million	Rehabilitation of approximately 1,200 lane miles or 11% of the total 10,735 lane miles. Reconstruction, drainage, intersection improvements, signs, shoulder rehabilitation, lighting, signals, jughandles, interchange improvements.
Bridge*	$ 300 million	35 state bridges rehabilitated or replaced. 55 local bridges rehabilitated or replaced; repairs to 120 other bridges.
Resurfacing	$ 77 million	Approximately 1,600 lane miles of the total 10,735 lane miles or 15% of the system.
Local Aid	$ 150 million	$50 million increase.
Roadway Maintenance	$ 33 million	Guiderail repair, line striping, signal relamping, drainage repairs, underground structures, structural steel concrete repairs.
Aviation	$ 19 million	Airport safety, expansion, and facilities.
		NJ Transit—$591 million
Rail Program	$ 235 million	Rehabilitation of tracks, bridges, signals and tunnels; line connections and upgrades; replace, overhaul rolling stock; stations and terminals; part/rides and communications.
Bus Program	$ 90 million	Rolling stock; bus maintenance facilities; signs and shelters; park/rides and terminals.
Urban Core	$ 250 million	Secaucus Transfer Waterfront Light Rail, engineering for connection to Sports Complex.
Initiatives	$ 16 million	Burlington/Gloucester connection and West Shore rail restoration.

Pare Unnecessary Regulations

Governmental regulations are necessary to protect the environment and public health and safety. However, regulations must be implemented in a manner that minimizes the impact on the State's economy. This Administration is implementing changes to eliminate regulatory duplication between State agencies, remove administrative obstacles, and adopt federal standards where appropriate. Innovative methods of regulation, including the use of market–based incentives, will be encouraged. Much of this effort is concentrated in the Department of Environmental Protection (DEP), the State's primary regulatory agency. In the midst of an ongoing debate about the level of acceptable health risk and the cost of achieving health standards, the Department has laid the groundwork for comprehensive changes in its regulatory scheme.

To avoid inefficient regulation of small pollution sources, the Department has changed some reporting requirements in certain programs. For example, DEP adopted regulations changing reporting requirements for the Right to Know program, which collects chemical inventory data from 33,000 industrial businesses. By raising the reporting threshold to 500 pounds and adopting the Environmental Protection Agency's (EPA's) list of regulated substances, DEP reduced the number of reportable substances from 3,000 to 800 and decreased the number of businesses required to report.

For those firms still affected, the cost of compliance will drop, as they will no longer need to report small quantities of toxics which pose a minimal threat. As a result, emergency response teams will be able to focus on the most hazardous substances at a given industrial site.

In December 1994, DEP issued a facility–wide permit to the Schering–Plough Corporation, the first of its kind nationally. More than 60 permits formerly filed separately by Schering–Plough with DEP were combined into one document. By developing a pollution prevention plan, the company reduced its use of freon, a chemical which depletes ozone in the upper atmosphere, by 140,000 pounds annually, and completely eliminated other hazardous substances. These actions will save Schering–Plough $300,000 per year. This program will be expanded to another 17 companies by September 1995.

REGULATORY REFORMS

- Eliminate Duplication and Overlap
- Adopt Federal Standards Where Appropriate
- Use Innovative, Market–Based Incentives
- Remove Administrative Barriers
- Establish Thresholds

DEP is also taking steps to change regulations that exceed federal standards. For example, the Department is drafting a rule to reclassify a number of waste oils (e.g., used motor oil) so that they are no longer treated as hazardous wastes. This change principally affects oil refineries, heavy industry, and the automobile business. Since DEP categorized waste oil as hazardous in 1983, EPA has established standards for used–oil processors and transporters that ease requirements for oil recycling. By adopting federal regulations, DEP will promote competition and reduce costs as fees are eliminated for waste manifests, permits, and inspections.

Other State agencies are also streamlining their regulatory processes. For instance, the Board of Public Utilities developed a set of guidelines enabling commercial and industrial firms to purchase natural gas in the open market. This change gives New Jersey businesses a greater degree of control over their energy costs and improves their competitive position. In addition, the Office of Business Ombudsman in the Department of State is coordinating interagency efforts to streamline state regulations. This Office is drafting a Regulatory Reform Report to provide specific department–by–department recommendations.

Prosperity New Jersey

Prosperity New Jersey, a proposal emanating from the Economic Master Plan, will be a statewide strategic economic partnership designed to strengthen the overall competitive business climate in New Jersey. This new organization will be launched in 1995. This partnership will leverage limited public resources to encourage and support initiatives by the private, academic, and voluntary sectors.

Marketplace opportunities would be encouraged in industries that are already well–established in the State such as telecommunications and health care, as well as new emphasis on international trade initiatives related to the GATT and NAFTA treaties and seed capital for technology development.

Prosperity New Jersey

- Foster the creation of Business Development Networks by region or industry
- Strengthen and expand workforce training options
- Revitalize New Jersey urban centers

The Business Development Networks, while initially requiring state investment, will gradually move towards self–sufficiency through memberships, fee–for–service operations, and federal contracts.

New Jersey Community Development Bank

The New Jersey Community Development Bank will create access to capital for businesses located within the State's urban areas through the creation of a statewide network of banks. In many instances, commercial lenders are forced to reject loan applications in such communities because of subordinate debt or a lack of equity. A fund will be established to provide gap financing in order to encourage conventional loans by commercial lenders. The fund initially will be capitalized with commitments of $40 million over five years. Of that total, $10 million will be provided by the State through a $2 million annual appropriation. The remaining $30 million will be provided by private–sector entities that have a vested interest in promoting economic development within the State's urban areas.

RESTORE ACCOUNTABILITY

The Fiscal Year 1996 Budget continues this Administration's commitment to accountability. The Legislature reinforced this commitment when it proposed language in the Fiscal Year 1995 Appropriations Act that required moving the Department of Community Affairs and Department of Environmental Protection programs currently supported by fees, fines, and penalties "on budget". This concept was supported by the Governor; however, the language was vetoed because it did not provide any flexibility in the administration of these programs. The Fiscal Year 1996 Budget recommends that $99 million of program costs, previously supported "off budget" by fees, fines, and penalties be brought on budget with direct General Fund appropriations. These fees, fines, and penalties will now be anticipated as General Fund revenue. Requiring a line–item budget for these programs will provide more information about how these funds will be used. This will increase the accountability of those managing these programs.

The following table shows, by department, the amounts that have been brought on budget for fiscal 1996.

Department	$ In Millions
Treasury	$27.8
Insurance	20.0
Environmental Protection	19.6
Law and Public Safety	10.3
Labor	10.0
Interdepartmental	6.6
Health	3.2
Education	.9
Community Affairs	.6
TOTAL	$99.0

For the Department of Environmental Protection, most of the on–budget increase is reflected in the appropriations for Management and Regulatory Affairs programs. This adjustment more accurately reflects the true cost of DEP's central administration, legal affairs, and communications offices, which formerly were supported through internal reallocations of fee and fine revenues by DEP. In addition, a total of $8.5 million in appropriations will be made from DEP bond funds, including $3.9 million for Green Acres and $3 million for the Water Supply Bond Fund, to support administrative costs related to bond fund projects.

The Department of Insurance fee programs are brought on budget for fiscal 1996. The two major programs are the Fair Automobile Insurance Reform Act (FAIR Act) and the Fraud Prevention Act.

The major programs in Treasury that are brought on budget are the Insurance Premium Tax ($19.6 million) and the Financial Business Tax ($4.2 million). In addition, Treasury will provide $4.5 million to three agencies previously funded from dedicated sources: the Division of the Ratepayer Advocate, the Bureau of Travel Services, and the Capital City Redevelopment Corporation.

In July 1994, the Division of the Ratepayer Advocate was merged with the Board of Public Utilities (BPU) and transferred to the Department of Treasury as part of the Public Utilities Restructuring Act. The entire BPU, including Ratepayer Advocate, is now supported by assessments on public utilities. However, in previous budgets, the Ratepayer Advocate was funded by charging utilities for litigation costs. This shift of funding brings Ratepayer Advocate into conformance with the rest of BPU.

The major program brought on budget in the Department of Labor is the administrative costs of the Workforce Development program ($6.5 million).

The major programs brought on budget in the Department of Law and Public Safety are the Securities Bureau ($3.2 million), the Office of Weights and Measures ($2.6 million), and Legalized Games of Chance ($1.4 million).

The Interdepartmental on–budget item is the property rental costs associated with the programs moved on–budget.

Adequate Ending Fund Balance

This Administration is committed to the objective that a budget should contain a projected ending fund balance of at least three percent. This Budget meets that objective by including a projected ending fund balance of $500 million or 3.1 percent. This balance provides the safety net of funds necessary to deal with reasonable changes in funding needs and/or downturns in revenue collections, without creating a fiscal crisis.

NEW INITIATIVES

In any budget, there are special needs that must be addressed. This Administration is committed to addressing these areas in a compassionate way, with as little institutionalization and administrative overhead as possible.

Juvenile Justice Reform

The rising tide of juvenile crime requires an immediate response to combat this serious and complex issue. The 1983 Juvenile Code authorizes a variety of disposition alternatives, but with no funding. In December 1994, the Governor's Advisory Council on Juvenile Justice completed its report on the juvenile justice system in New Jersey. To begin implementation of the Council's recommendations, this Budget includes an initial funding of $10 million as a down payment on the future of youth in New Jersey. The funds will implement State–level treatment and aftercare services for juvenile sex offenders. Additionally, it will provide incentives for counties to develop alternatives for juvenile detention to alleviate overcrowding, with due concern for offender rehabilitation and public safety.

Higher Education

When this Administration restructured how the State would govern higher education, it promised continued support to all the institutions of higher learning in the state — public and private, junior and senior. This Budget provides that support in several key ways. First, the State will continue its basic operating support for the colleges at current levels, with increases. Second, through the Tuition Assistance Grant and Educational Opportunity Fund programs, State appropriations for direct assistance for our neediest students will be increased. Finally, this Budget includes funding for two initiatives, the Equipment Leasing Fund and the Higher Education Facilities Trust Fund, which will help the state's colleges keep pace with technological changes. In addition, over $290 million in employee salary and fringe benefit costs are fully funded.

Developmentally Disabled Waiting–List Reductions

Approximately 300 persons on the Division of Developmental Disabilities Community Services Waiting–List will relocate from their own homes to community residences that meet their special needs. This relocation will be funded by a $5 million community services waiting–list reduction initiative included in the Fiscal Year 1996 Budget. The capital costs associated with this initiative are available through the $160 million Bond Act of 1994 for upgrading institutions and expanding community placements.

Veterans' Long–Term Health Care Alternative

The Department of Military and Veterans' Affairs will initiate a new program of alternative long–term health care for veterans. This Budget includes recommended funding of $720,000 for fiscal 1996. The program will provide eligible veterans with in–home care, such as visiting nurse services, for those cases where substantially more costly nursing–home care can be avoided. Thus, not only will cost savings be realized, but more veterans will be able to continue living in their familiar home environment.

Institutional Closures

Services for persons with developmental disabilities and those with mental illness are provided most effectively in the community. Closing State institutions as institutional residents are placed in the community offers the added advantage that community services are also less expensive than institutional alternatives.

The fiscal 1996 budget provides $8.5 million to support two facility closures, the Marlboro Psychiatric Hospital, scheduled to close in fiscal 1996 and a state developmental center the closing of which is to be determined in the near future, planned for closure commencing in fiscal 1997.

The funds provided will help to support the start–up of additional community programs into which mental health and developmental disabilities clients will be placed as facilities close. The programs developed will include a variety of alternative residential living arrangements such as group homes and supervised apartments, day activities, and expanded treatment facilities which meet client needs, such as community mental health centers.

Institutional savings realized through facility closures will be redirected to these new community programs to support them on an ongoing basis.

Summary of Initiatives

- Juvenile Justice Reform ($10 million)
- Higher Education ($53.7 million)
  - Increase Current Operating Support ($9.5 million)
  - Increasing Financial Aid for Eligible Students
  - Equipment Leasing ($16.3 million)
  - Higher Education Facilities Trust ($18.8 million)
- Veterans' Long Term Health Alternative Care ($0.7 million)
- Prosperity New Jersey ($1.5 million)
- NJ Community Development Bank ($2 million)
- Community Services Waiting–List Reduction ($5 million)
- Institutional Closures ($8.5 million)

Deliver Smarter, Leaner, More Efficient Government

Being responsive to public demand is making government smarter, leaner, and more efficient. To meet this challenge, this Administration has embarked on a comprehensive course of action to improve and streamline government, and make the best use of available resources and revenues.

A major effort in this approach is to scrutinize all areas within State government to determine the best ways to effect savings. Some of the ways the Fiscal Year 1996 Budget seeks to make government smarter, leaner, and more efficient are:

- Develop comprehensive solutions that are cost effective, but still maintain services;
- Deregulate areas where inefficient bureaucracy results in inadequate levels of service;
- Pursue competitive contracting in areas where qualified vendors can provide equal or enhanced levels of service at lower costs to the State;
- Find additional sources of revenue to help ensure that New Jersey receives its fair share of federal dollars;
- Eliminate duplicative or unnecessary activities and, as a consequence, reduce the workforce with an emphasis on streamlining management and administrative overhead.
- Implement smarter business practices through cost cutting measures and the use of enhanced technology.

DEVELOP AND IMPLEMENT SMARTER SOLUTIONS

There are many aspects involved in making government work smarter. Few are as fundamental as providing tax relief to the citizens of New Jersey and ensuring that the State receives its fair share of federal dollars. Some, such as the deregulation efforts within the Department of Environment Protection, focus on making government more responsive to business needs and issues. But in many cases, smarter government means developing and implementing good, cost–effective solutions that improve the State's ability to deliver required services at the most reasonable cost.

Clean Air Act And The DMV/DOT Merger

This Administration's response to the federal Clean Air Act of 1990 is a prime example of approaching a problem and developing a comprehensive solution that addresses not just the immediate problem, but encompasses the goals of streamlining government in the most cost–effective manner. Not only has the federally mandated vehicle inspection program been developed, but this Budget also recommends the merger of the Division of Motor Vehicles (DMV) with the Department of Transportation (DOT).

Clean Air/TTFA Facts

- Penalty for non–compliance with federal Clean Air Act of 1990 is the withholding of federal highway monies and wastewater treatment funds.
- The Clean Air Act requires, as proposed by the Whitman Administration, a dedicated funding source that does not rely on future uncommitted annual appropriations.
- Savings are achieved by consolidating functions.
- Department of Transportation has expertise in large–scale contract administration and oversight: no consultant needed.

The Clean Air Act requires states that exceed federal health standards for carbon monoxide and ozone levels must develop and implement an enhanced inspection and maintenance program for cars and light trucks. Failure to adopt the Clean Air Act standards can result in significant sanctions against the State, including the loss of New Jersey's share of valuable federal highway and wastewater treatment funds. Additionally, industry growth will be severely constrained.

The methods to achieve the goal of reducing air pollution are detailed in the regulations issued by the U.S. Environmental Protection Agency (EPA). These regulations are intended to "provide the States with continued reasonable flexibility to fashion effective, reasonable, and fair programs for the affected consumer."

With this in mind, the previous Administration's estimate for complying with the Clean Air Act was approximately $781 million. This estimate was based on the use of the untested emissions testing equipment preferred by EPA, and the building and staffing of 74 additional inspection lanes.

Instead of implementing this solution, this Administration proposed an alternative program that meets the clean air requirements and is both cost–conscious and convenient for the motorists and taxpayers of the State.

Subsequent negotiations with the federal government have led to a system with a biennial testing program, the use of a more effective, practical, and efficient alternative to the EPA's pressure and purge test and the use of less costly emissions testing equipment. The State will also be allowed to continue using private inspection facilities for newer vehicle testing and will allow older vehicles that fail at the central facilities to be reinspected and repaired at these facilities. The projected cost of this program, which still meets the emissions reduction standards established by the EPA, is $420 million, which is a reduction of $361 million compared to the previous Administration's approach.

To fund the vehicle inspection program mandated by the Clean Air Act, this Administration decided to utilize the reauthorized Transportation Trust Fund. This led to the decision to merge DMV with the Department of Transportation. This merger will create a governmental structure which will provide the direction and guidance necessary to promote the development and maintenance of an integrated, safe, efficient and cost effective network of transportation and vehicle services for the people of the State. It will also promote efficient management of motor vehicle and transportation related activities and the grouping of similar functions within agencies and facilitate the streamlining of many management and administrative functions.

An added benefit of this merger is the potential for securing additional federal Congestion Mitigation Air Quality funds for Clean Air activities.

The expanded Department of Transportation will be responsible for the operation of the regional service centers and inspection stations which will continue to provide their current level of services. The Department will also continue to administer driving and vision tests for new drivers in the state along with ensuring compliance with the federal Commercial Motor Vehicle Safety Act, which mandates testing of rule enforcement for commercial truck drivers in the State. Other functions will include removing dangerous drivers from the road and educating and rehabilitating suspended drivers.

Currently, 24 of the 49 agencies are operated by private contractors, therefore, this Budget recommends the privatization of the remaining 25 State–operated motor vehicle agencies for an additional $4.0 million savings.

Government That Works

An important tool in making government smarter is the "Government That Works" initiative. "Government That Works" is New Jersey's ongoing, comprehensive effort to restructure government procedures. The process entails re–examining operations, identifying problem areas, and developing cost–effective solutions.

Some of the major "Government That Works" initiatives included in the Fiscal Year 1996 Budget are:

- Reduction of Correction Officer Overtime—Corrections officer overtime costs have grown. Several initiatives are being undertaken to achieve a savings of $13 million in fiscal 1996. These include:
  - Reassignment of another 89 correction officers, currently performing communications and scheduling tasks, to custody posts and replacing them with lower–salaried civilian staff, and
  - Implementation of an aggressive program to reduce sick leave usage.
- State Racing Program—The State Racing Commission ensures the integrity of the sport through the oversight, monitoring, and investigation of the operations of the pari–mutual pool, as well as blood and urine testing, licensing, fingerprinting and screening of all personnel associated with a race track. To effect a savings of $2.9 million, legislation is being prepared to require the racing industry to reimburse the State for the full cost of these regulatory responsibilities.
- Human Services Initiatives—The Department of Human Services, as the largest department in the State of New Jersey, is a focal point of "Government That Works". Total savings for this department related to "Government That Works" initiatives is $130.8 million.
  - HMO Program—Medicaid is undertaking a large initiative to mandate participation in Health Maintenance Organizations (HMOs) which will enhance access to services for those eligible for Medicaid. In April 1995, three counties (Camden, Gloucester, and Hudson) will begin shifting Medicaid families with dependent children to a managed care system, allowing them to choose from participating HMOs in their area. One of the advantages of this shift is that HMOs provide access to primary care with an emphasis on prevention and "wellness", thus, reducing the cost of treating medical needs that have become more difficult. Also, providing care in a physician's office is less expensive than in an emergency room.

- Pharmacy Benefits Manager—The Department of Human Services also operates the Pharmaceutical Assistance to the Aged and Disabled (PAAD) program, which pays for the prescription costs of eligible senior and disabled individuals, minus a co–payment. This Budget anticipates the services of a Pharmacy Benefits Manager that will reduce program costs while maintaining access and services to individuals. It is expected that the Benefits Manager will implement a mail–order system, negotiate the best possible prices with suppliers, and ensure maximum utilization of generic prescription drugs, where possible.
- Adult Activity Centers (Developmental Disabilities)—Currently, 79 community adult activity centers for developmentally disabled clients are privately operated. This Budget recommends competitively contracting the operations of the remaining 17 State–operated centers for a saving of $2.3 million.
- Day Care Centers, the Teaching Family Program, and Cedar Grove Residential Center—Other service areas where pursuing a competitive bid situation makes economic sense are three programs within the Division of Youth and Family Services (DYFS). The first initiative entails contracting the operations of five State–operated day care centers handling 498 children. This effort, which begins on July 1, 1995, will generate an annual savings of $1.8 million. The other two affected DFYS programs are the Teaching Family program and Cedar Grove Residential Center, which provide intensive treatment services for seriously emotionally disturbed adolescents. Contracting these two programs will result in savings of $710,000.
- The Department of Human Services administers the State's welfare assistance programs for our neediest citizens. To address problem areas, this Budget recommends limiting the payment rate that providers can charge for emergency housing to General Assistance and AFDC clients to save the State $1.7 million in temporary housing costs. Case management services will be targeted to 500 disabled welfare clients to accelerate their shift to the federally–supported Social Security Disability Program. These clients will receive enhanced benefits while saving the State $1.6 million. In addition, a pilot program will be established to refer 100 AFDC welfare clients to a private job placement firm so that they can become employed sooner and save the State over $300,000.

- Human Services—A State savings of $5 million is anticipated from contracting certain institutional support services, such as janitorial and housekeeping, building maintenance and groundskeeping, and food preparation throughout the Department.
- Sale of Garden State Health Plan

  As indicated earlier, a program is underway to move Medicaid toward managed health care at a time when privately offered HMO services are being expanded. Thus, the State no longer plans to provide direct HMO services through the Garden State Health Plan (GSHP). This Budget anticipates that the sale of the GSHP will result in at least $15 million.

Competitive Contracting

As part of the State's goal to work smarter, it is recognized that in certain instances, private vendors may be able to perform State services at reduced costs, while still maintaining, or improving on the levels of service. Therefore, this Budget reflects a number of competitive contracting initiatives in addition to those associated with the "Government That Works" efforts.

- Military and Veterans' Affairs—This Budget reflects the implementation of a competitive bid initiative which is similar to one identified for Human Services, contracting the Paramus Veterans' Memorial Home to a private provider with expected savings of $2 million for half of fiscal 1996.
- Office of Administrative Law—Not all private contracting initiatives realize a reduction in the Budget. Some just make good business sense and allow the State to provide better service to its citizens. An example of this is the privatization of the publication operations within the Office Administrative of Law (OAL). The General Fund will not be significantly affected by this initiative, because in past years, the annual cost of publication operations was approximately $2 million and was supported by its users. An added benefit of this initiative is that the New Jersey Administrative Code and Register, which in the past were only available in hard copy, will now be available on optical computer disks (CD–ROM). By contracting this service to a private vendor, the State does not need to invest in the necessary advanced technology, but can still provide citizens with enhanced service.
- Treasury—The Division of Property Management, is responsible for the management, maintenance and day–to–day operations of State owned and leased facilities. These services include janitorial services in various State owned buildings in the capital complex. It is anticipated that contracting these services will save $800,000.

FISCAL YEAR 1996 STATE HEALTH BENEFITS INITIATIVES

The State of New Jersey currently provides free health insurance for employees and their dependents. The Fiscal Year 1996 budget proposes modifications in financing the State Employees' Health Benefits plan to contain costs while maintaining access to quality health care. The changes include an emphasis on managed care which is consistent with the present trend in the delivery of health services in the public and private sectors. A second component of the proposal introduces the concept of shared responsibility for medical costs by both the employee and the employer. This policy is practiced by 43 states having some form of premium sharing, as well as 85% of employers nationwide. This budget reflects smarter government practices in the area of health care by eliminating duplicative coverage and taking advantage of changes in the Federal Medicare and Tax laws.

- **Changing the Standard Health Benefits Plan—** The Traditional indemnity plan (Blue Cross/Blue Shield, with Prudential Major Medical) is currently the "benchmark", or free health plan. Although it is one of the most expensive plans it does not offer the advantages of a managed care program.

  Beginning in fiscal 1996, the State will adopt NJ Plus as the new "benchmark". The NJ Plus program combines the benefits of a managed care program with freedom of choice for employees and their dependents, by allowing them to pursue medical services outside the network.

HEALTH PLAN COMPARISONS
Bi–Weekly Premium Contributions as of July 1

	NJ Plus & US Health Care	11 Other HMO'S Average	Traditional Plan
Single	$0.00	$6.95	$19.85
Husband & Wife	$0.00	$16.18	$38.65
Family	$0.00	$16.08	$46.42
Parent & Child(ren)	$0.00	$7.81	$26.92

  Since managed care costs are negotiated, the provider is given the incentive to emphasize preventive health care, thereby avoiding more costly acute care. The State will continue to offer all existing health plans. For those employees who elect to remain in a more expensive health plan, they will have the option of paying the difference between NJ Plus and their plan of choice. As a result of this proposal, the State will realize a savings of $40 million while employees receive a full array of medical services including preventive care at a nominal cost.

- **Premium Sharing for Non–aligned Employees** —Consistent with national trends in the financing of health insurance in fiscal 1996, New Jersey will introduce a premium sharing arrangement for its Executive Branch non–aligned (non–union) employees. The non–aligned group represents 9.5% of the State workforce including the Higher Education institutions. A premium sharing arrangement of 20% will be phased–in over a three year period, so that in fiscal 1996 the employee will be paying approximately 7% of the cost of the "benchmark" plan, i.e. New Jersey Plus. The additional premium sharing will add from approximately $5 to $15 per payperiod to the cost of the benchmark change.

- **Eliminate Dual Premium Payment**—This initiative eliminates the inefficient practice which allows two State employees, who are married, each to enroll for family coverage in an HMO. For example, if a married couple is enrolled in two separate family HMO policies, the State pays two separate premiums which only achieves the same coverage as one premium but at twice the price (payment). This double coverage is costly and wasteful. If married employees enroll in one family policy, the State pays one premium, saving the State an estimated $4 million in fiscal 1996 without causing any decrease in the family's health coverage.

- **Eliminate Medicare Part B**—Eliminating the Medicare Part "B" reimbursement is a change in the State law which is long overdue. According to current New Jersey law, active State employees over the age of 65 must enroll in Medicare, pay the Medicare premium, and then file for a reimbursement to the State for the cost of the premium. Since these employees are still on the payroll, they are already covered by the State as their primary health insurer. The enrollment requirement in Medicare is unnecessary. Legislation will be introduced to eliminate the required enrollment in Medicare after age 65 for active employees, saving the employee needless paperwork and the taxpayers $1.5 million. The Social Security Administration has assured New Jersey officials that our over age 65 active workforce will be allowed to re–enroll in Medicare when they retire without penalty.

- **After–Tax Advantages of Pre–Tax Premium Payment (Section 125 of the Internal Revenue Code)**—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 beginning in Fiscal Year 1996, enabling them to use pre–tax dollars to pay the costs associated with the change in the health benefit plan benchmark and premium sharing. Since employees already pay premiums for dental coverage these premiums can also be paid with pre–tax dollars.

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 Year 1996.

MAKE GOVERNMENT MORE EFFICIENT

It is essential that the State realize savings through the implementation of initiatives that make government more efficient. These include consolidating similar activities, reducing overhead associated with vehicle usage and facilities, and making better use of technology in the delivery of services.

Consolidations

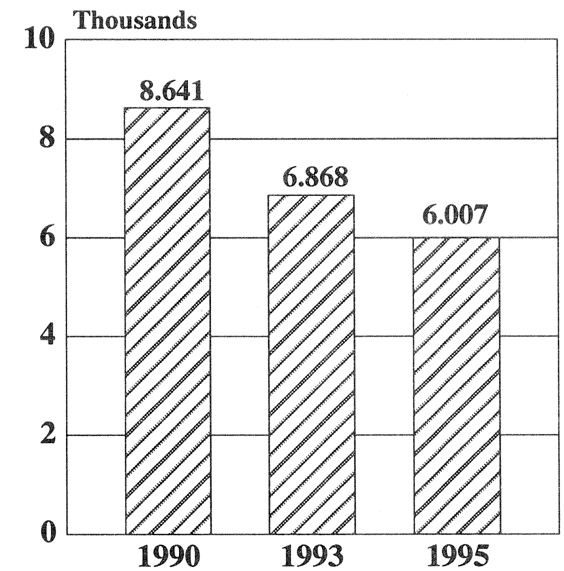
- **Cemetery Board**—As promised in Governor Whitman's inaugural address, the Department of Banking's Cemetery Board, which regulates nondenominational cemeteries, will be transferred to the Department of Law & Public Safety, Division of Consumer Affairs. This consolidation will result in a 50 percent reduction in staffing costs with no decrease in regulatory oversight.
- **Welfare**—This Budget recommends consolidating the administration of the General Assistance (GA) program from 560 municipalities to twenty–one counties. By using superior county data processing capabilities for payment fraud control while also improving services to welfare clients, State government will save $1.4 million annually. Also, a comprehensive audit is scheduled for those large municipalities that will be exempt from the consolidation of the General Assistance program in fiscal 1996. As a result of management improvements and strengthened fraud controls, $5.0 million in state welfare payment savings will occur.

State Vehicle Reductions

Over the past five years the State has reduced the size of the State vehicle fleet through recalls based on reduction targets allocated to departments. To further reduce vehicle costs, the State must now exercise a more selective approach.

The General Services Administration (GSA) has proposed a car–by–car audit of the remaining vehicles in the State fleet to determine additional areas of savings. The audit would entail each driver completing a mandatory trip log, identifying certain data pertaining to usage. The audit's findings will either identify additional recalls, suggest savings through usage reduction, or justify the current number of vehicles and their usage. (Note that where mileage exceeds 1,100 miles per month, it is more economical to assign the use of a state vehicle than to reimburse employees for personal vehicle usage.) However, in anticipation of the results of the audit findings, this Budget includes a reduction of $1 million.

VEHICLE REDUCTION



Total Number of Passenger Vehicles

Energy Audit

The General Services Administration is conducting energy audits of all State facilities to identify ways to reduce energy consumption. The State expects to save $1 million in fiscal 1996 through this program.

For example, the recent audit conducted at the Hughes Justice Complex recommended the installation of energy efficient lighting, energy efficient motors for HVAC and elevators, installation of a computerized energy management system, and the application of insulation panels to the exterior of the building. These measures will be implemented at other State facilities where appropriate.

The benefits to the State include reduction of operational costs due to lower utility bills, the use of "Standard Offer Payments" (payments from utility companies as an incentive to reduce peak energy demand) to finance the cost of the improvements, and the knowledge that the State is meeting its responsibility as a good consumer by managing it energy usage. The benefits of these audits will be expanded to municipalities and school districts.

Enhanced Technology

- Treasury—The Department of the Treasury is redesigning its front end tax processing and accounting systems. The project will include reengineering current business processes and the acquisition of a document processing system as part of an overall plan which is expected to result in the future consolidation of revenue functions from across the government. This will improve efficiency by eliminating paper transactions and improving the electronic data transmission between banks, the division, and other government agencies. Additionally, electronic methods for the submission of tax return information will be developed. This initiative will eliminate a significant amount of manual effort in the processing of State income tax returns and, as a result, eliminate $1.1 million in intermittent employee salary expenses and $739,000 in computer maintenance costs in fiscal 1996. It is projected that recurring savings of $4 million can be achieved within two or three years from the implementation of this initiative.
- Human Services—This Budget broadens the reliance on automation to ensure that welfare benefits go to only those who are eligible and in need. The Electronic Benefit Transfer (EBT) system, which pays welfare benefits and food stamps to clients electronically, will be expanded from three pilot counties to a statewide basis in fiscal 1996. A reduction in payment fraud as a result of expanding EBT will generate $1.7 million in state welfare savings. By automating the county welfare overpayment collection process, an additional $700,000 in State savings will be achieved in fiscal 1996.

MAKE GOVERNMENT LEANER

A government that works smarter should maximize the use of its available resources to accomplish more with less. Perhaps the best way to downsize government is through the elimination of unnecessary programs and/or services and the streamlining of management and administrative overhead. This Budget does both.

- **Division of Gaming Enforcement**—A $5.1 million reduction has been made in this division's budget based on an agreement with the Casino Control Commission, the casino industry, and legislative leadership to streamline the regulation and operation of the casinos in New Jersey. The proposed changes include reducing regulatory involvement in purely business–related decisions of the casinos and eliminating duplication of efforts by the Division and the Casino Control Commission. It is also proposed that savings realized by the casinos resulting from the reduced regulatory costs go into a fund for financing economic development projects in Atlantic City.
- **Environmental Protection**—In conjunction with the deregulation efforts within Environmental Protection, this Budget reflects significant streamlining of many of the managerial and administrative functions within the department. It is anticipated that these efforts to make the department more efficient will produce a minimum savings of $3.7 million. Other efficiencies will save an additional $5.6 million in operations.

  Another area of scrutiny within the Department is the use of the 40–hour work week in many areas. Due to deregulation and other streamlining initiatives, many areas no longer require the longer work week. Therefore, it is expected that approximately 1,800 employees will move to 35–hour work week positions with a corresponding reduction in pay, saving the State approximately $6.7 million.
- **Department of Transportation**—The implementation of a more efficient allocation of staff on limited–demand drawbridges and various management improvements within the areas of finance and administration will result in a $3.4 million savings.

CHANGING THE STATE WORKFORCE

A result of the efforts to make government smarter, leaner, and more efficient is a change in the size and cost of the State's workforce. Many of the initiatives highlighted in the previous section directly affect the workforce. The following table summarizes these impacts.

STATE EMPLOYEE IMPACTS

$ (Millions)	Employee Reduction	
$33.2	2,199	**Contracting Initiatives**
67.3	812	**Agency Programmatic Initiatives**
10.4	345	**Agency Attrition Initiatives**
110.9	*3,356*	***Total Employee Reductions***

OTHER BUDGET IMPACTS

$ (Millions)	Employee Reduction	
48.9		**Health Benefit Program Changes**
13.0		**Correction Officer Overtime Reduction**
6.7	—	**DEP work week Changes (40 hr. to 35 hr.)** (expected to affect approximately 1,800 employees)
$179.5	3,356	**Total Employee Related Impact**

Workforce Profile (Current and Historic)

The workforce peaked late in calendar 1990 at 71,324 employees. The most current employee count is 64,285 or 7,039 below the peak and down 1,232 from the beginning of this Administration.

The fiscal 1994–1995 reduction of the State workforce has been achieved through the elimination of the Department of Higher Education and the Department of the Public Advocate, layoffs, and a controlled attrition program.

Reduction Goals

This budget accelerates the State's continuing efforts to reduce its workforce. In the fiscal 1995 Budget, this Administration anticipated that the funded position level, or the target level for the size of the workforce, would be reduced from 66,142 to 64,349. Reductions in the workforce were then implemented through various initiatives including a statewide attrition program and layoff. As of January 1995, the size of the workforce is 64,285, which is 64 lower than the goal that was established for June 1995.

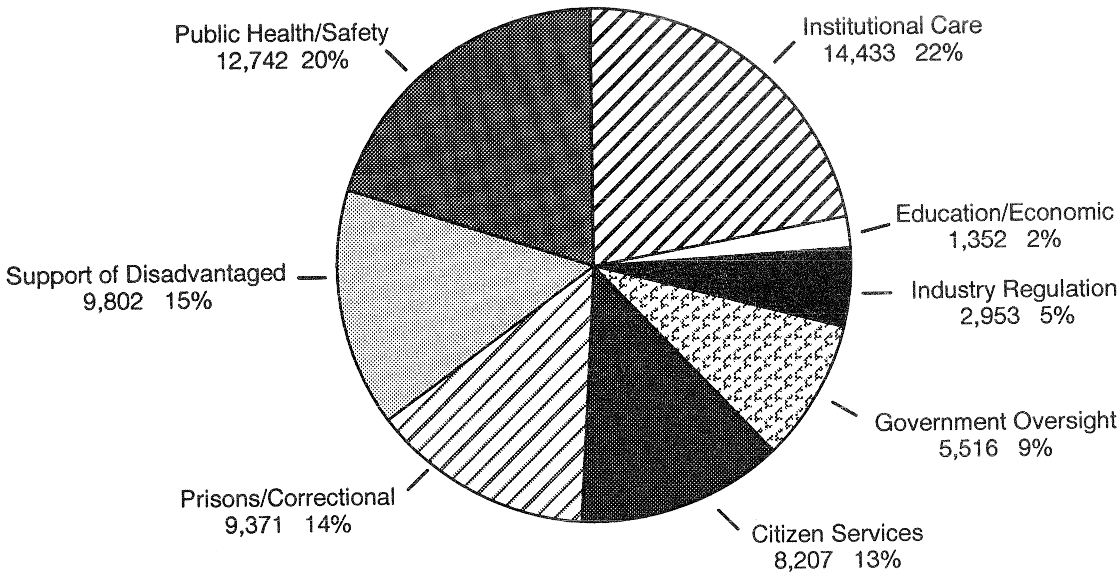
One of the charts also identifies the impact of the fiscal 1996 initiatives and sets the goal of 60,929 full–time non–county court employees for July 1, 1996. When this goal is achieved, this Administration will have reduced the State workforce by approximately 4,600 employees, or over 7 percent, in two and a half years.

GOVERNMENT SERVICES AS STAFFED BY NEW JERSEY'S WORKFORCE (EXCLUDING COLLEGES AND UNIVERSITIES)

	FEB 1994		DEC 1994		DIFFERENCE		PERCENT	
INSTITUTIONAL CARE		**14,951**		**14,433**		**(518)**		**(3.46)**
Centers for the Developmentally Disabled	8,718		8,458		(260)		(2.98)	
Psychiatric Hospitals	5,061		4,817		(244)		(4.82)	
Veterans' Nursing Homes	1,172		1,158		(14)		(1.19)	
PUBLIC HEALTH and SAFETY		**12,812**		**12,742**		**(70)**		**(0.55)**
Health	1,491		1,497		6		(0.40)	
Environmental Protection	2,854		2,634		(220)		(7.71)	
State Police	3,405		3,589		164		4.82	
Justice								
– The Courts	1,667		1,700		33		1.98	
– Civil	1,695		1,607		(88)		(5.19)	
– Criminal	1,405		1,399		(6)		(0.43)	
National Guard and Veteran Programs	295		336		41		13.90	
SUPPORT FOR THE DISADVANTAGED		**9,889**		**9,802**		**(87)**		**(0.88)**
Unemployment, Disability, Employment Services	3,776		3,941		165		4.37	
Youth and Family Services	3,261		3,116		(145)		(4.45)	
Medical Assistance (Medicaid)	919		867		(52)		(5.66)	
Economic Assistance (Welfare)	465		458		(7)		(1.51)	
Programs for the Deaf and Blind	309		291		(18)		(5.83)	
Human Services Community Programs (DDD & DMH)	1,159		1,129		(30)		(2.59)	
PRISONS AND CORRECTIONAL PROGRAMS		**9,450**		**9,371**		**(79)**		**(0.84)**
CITIZEN SERVICES		**8,555**		**8,207**		**(348)**		**(4.0)**
Transportation and Roads	4,587		4,317		(270)		(5.89)	
Motor Vehicles	2,400		2,360		(40)		(1.67)	
State Parks, Forestry & Natural Resource Management	923		916		(7)		(0.76)	
Community Programs	222		220		(2)		(0.90)	
Public Broadcasting Authority	169		146		(23)		(13.61)	
Library, Museum and Arts	254		248		(6)		(2.36)	
GOVERNMENT OVERSIGHT		**5,635**		**5,516**		**(119)**		**(2.11)**
General Services, State Planning, Governor's Office, etc.	1,219		1,216		(3)		(0.25)	
Taxation	1,380		1,359		(21)		(1.52)	
Data Processing and Telecommunications	1,205		1,173		(32)		(2.66)	
Pensions, Investments	443		409		(34)		(7.67)	
Office of Management & Budget	262		257		(5)		(1.91)	
Personnel and Training	648		634		(14)		(2.16)	
Legislature	478		468		(10)		(2.09)	
INDUSTRY REGULATION		**2,869**		**2,953**		**84**		**2.93**
Legalized Games of Chance	942		934		(8)		(0.85)	
Housing and Fire Safety	739		716		(23)		(3.11)	
Insurance	521		513		(8)		(1.54)	
Licensed Occupations/Professional Regulation	274		259		(15)		(5.47)	
Banking	122		124		2		1.64	
Commercial Recording	104		103		(1)		(0.96)	
Board of Public Utilities	167		304		137		82.04	
EDUCATION		**1,115**		**1,047**		**(68)**		**(6.10)**
ECONOMIC DEVELOPMENT		**301**		**305**		**4**		**1.33**
TOTAL WORKFORCE		**65,577**		**64,376**		**(1,201)**		**(1.83)**

GOVERNMENT SERVICES AS STAFFED BY NEW JERSEY'S WORKFORCE AS OF DECEMBER 1994

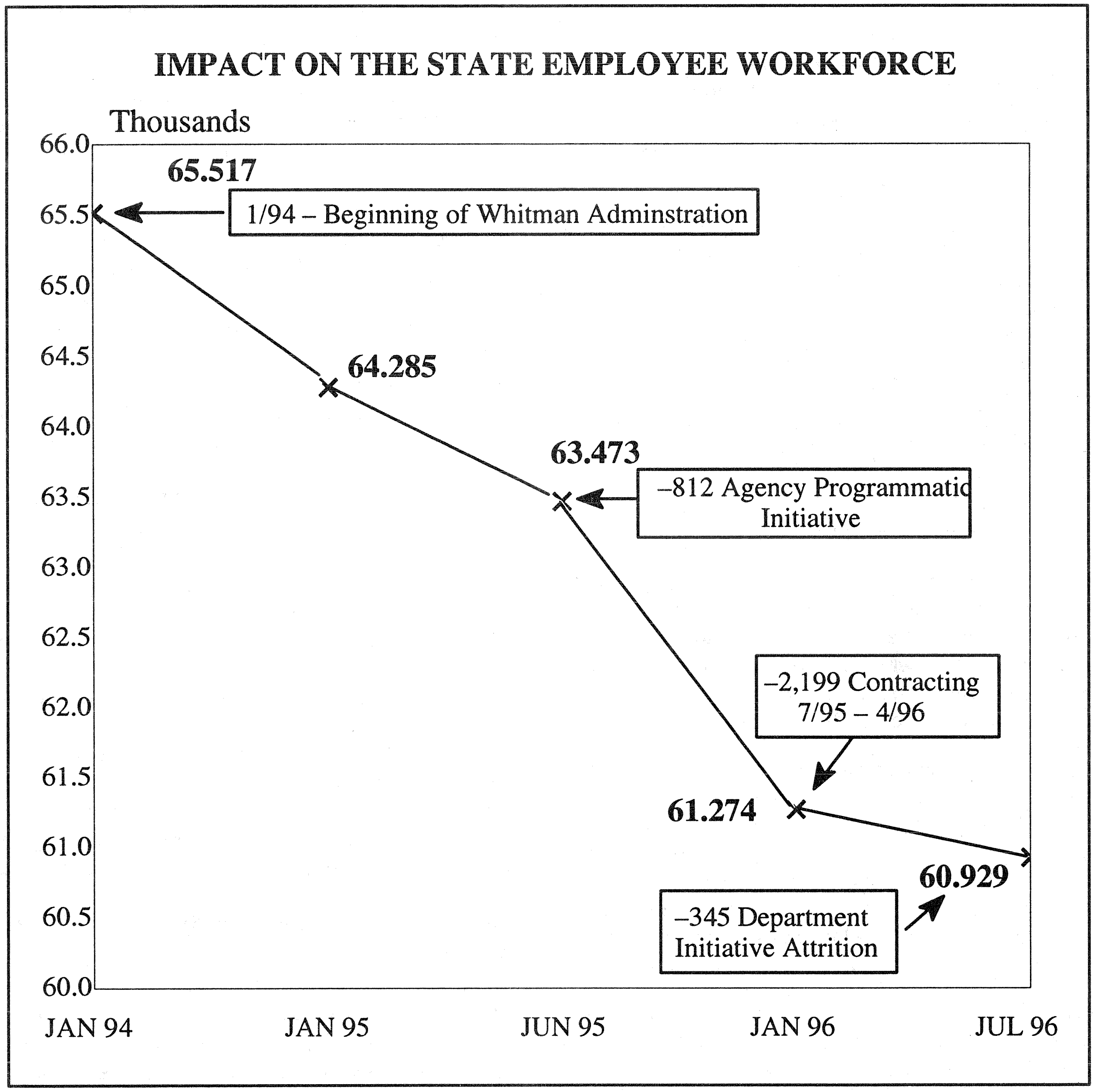
TOTAL WORKFORCE – 64,400



Excludes Colleges and Universities

STATEWIDE COUNT
FULL–TIME EMPLOYEES

YEAR	EMPLOYEES
1982	58,178
1983	58,840
1984	60,345
1985	62,966
1986	65,087
1987	66,770
1988	70,144
1989	69,943
1990	71,324
1991	66,524
1992	67,094
1993	64,700
1994	65,600
1995 ... CURRENT	64,285



Note: Does not include 7,700 county court employees who became state employees 1/1/95.

National Economy — Overview

The revenue projection on which the Budget is based is derived from an assessment of national and state economic trends and forecasts. This is particularly true for the projection of tax revenue. Additionally, non–tax revenues from a wide range of sources, such as the lottery fees and federal aid are an integral part of the Budget's revenue base.

The U.S. economy in 1994 continued the expansion begun in late 1993. Despite repeated increases in interest rates throughout 1994, both consumers and businesses continued to spend at rates not seen since 1988. This surprised economic forecasters, who had assumed that these rates of growth were not sustainable and had expected them to slow early in 1994. But it is expected that, when all the numbers are in, real Gross Domestic Product (GDP) will show a 3.7% growth in 1994.

As job growth accelerated from the modest rates seen during the early recovery from the 1990 recession, consumer confidence climbed, lifting the sales of new cars and other durables in 1994. Employment growth is expected to continue at 2.5%, with the unemployment rate falling to 5.8%, which is at full–employment levels. Consumer spending in real terms is expected to increase by 3.4%, with durable goods up by 8.2%.

Business investment spending, particularly in equipment, is forecast to grow in 1994 at 12.2%. This continued growth at a double–digit rate is fueled by competitive pressure to increase productivity, strong cash flow, and high production rates. Additionally, due to strong economic recoveries in Europe and Japan, coupled with a weak dollar, export demand is high. Exports are expected to increase 7.7% in 1994.

Thus real GDP, consumer spending, business investment spending, and exports have all shown steady and strong growth through late 1994. However, as a response to this strength, and despite moderate inflation, the Federal Reserve raised interest rates six times during the year. This rise in rates will undermine the recovery in residential housing, and is expected to have a negative effect on motor vehicle sales and capital investment.

Through 1995 and into 1996, the national economy is expected to continue growing, but at a slower and more sustainable rate. However, continued strong growth in early 1995 may force the Federal Reserve to raise interest rates more than the expected 100–150 basis points, which would increase the likelihood of a "boom–bust" scenario, with 1995 growth higher and 1996 growth lower than is currently anticipated.

NEW JERSEY ECONOMY — OVERVIEW

New Jersey's protracted economic recovery from the 1990–1991 recession continued through 1994, and began to generate internal momentum due to increases in employment and income levels. The spring and summer months of 1994 showed the most robust growth yet.

Employment growth is broad–based, with business services and trade leading the way. The latest statistics available show employment increasing at an accelerating rate through the first three quarters of 1994. Since the recession low of March 1992, 45% of the jobs lost have been recovered, for a total job gain of 118,700.

Job creation averaged 5,500 per month, or an increase of 1.6%, in the first ten months of 1994. New Jersey's unemployment rate declined to 6.7%, a one–percentage–point improvement compared to last year. Although job creation did not match the pace of the nation as a whole, the gap between the US and NJ unemployment rates narrowed significantly.

Since March of 1994, the average factory workweek is at a post–World War II high, and even though manufacturing jobs still trend downward, that trend has moderated considerably.

Income growth is close to the level of national rates after trailing during the recession, with NJ personal income growing 4.6% in the first half of the year. Consumer spending, after five years of real declines, spurted upwards in 1994; retail sales in the State are up 8.6% from 1993. The only sector whose recovery apparently peaked is housing, where new housing construction declined from 1993 due to the rise in mortgage interest rates. At an annual rate of 26,000 units in 1994, permits are down 11% from 1993, but are well above the depressed levels of 1990 through 1992.

ECONOMIC FORECAST — NEW JERSEY

The New Jersey economy is expected to continue growing through 1996, although at a rate slightly below the nation as a whole. Corporate down–sizing, occurring across the nation, is especially felt here due to the large concentration of corporate headquarters within the State. Additionally, due to the NJ residential and commercial building boom of the 1980s, the need for new construction will be limited for the remainder of the decade.

State employment levels should reach their pre–recession peak in early 1997, growing 1.8% in 1995 and 1.5% in 1996. The unemployment rate will continue its descent, reaching 6.0% in 1996. Income growth is expected to be 6.2% in 1995 and 5.5% in 1996, with total wage and salary growth slightly above 6% for each year. Retail sales growth will moderate as pent–up demand is satisfied, but the retail area will achieve still healthy growth rates of 5.9% in 1995 and 5.4% in 1996. New car sales will continue to recover with a 5.1% increase in 1995, before falling to a 1.8% increase in 1996.

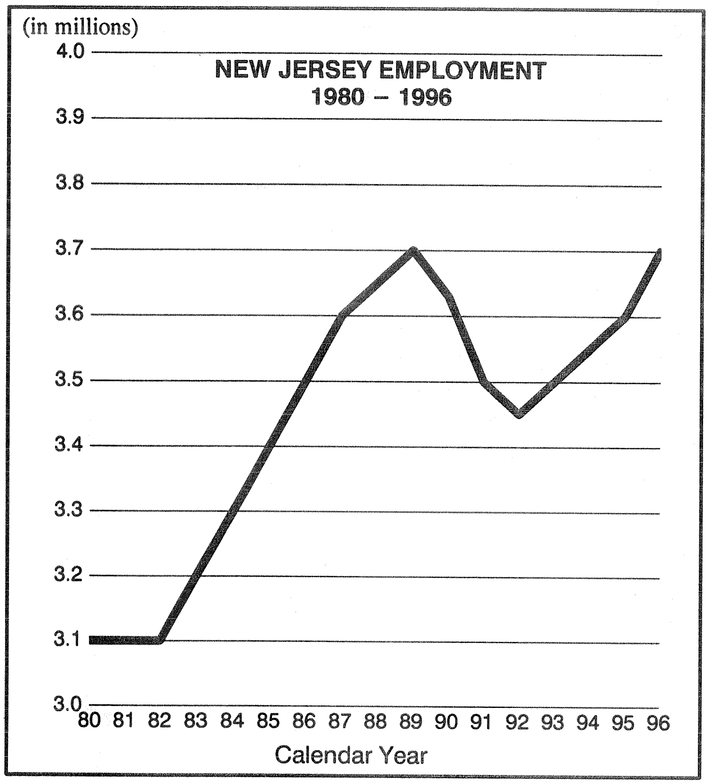
Thus overall, the economic forecast for New Jersey is definitely a positive one. With competitive advantages including a highly educated workforce, an existing business base at the forefront of technology, and proximity to New York and Philadelphia financial centers, New Jersey is poised to maintain strong sustainable growth in key areas. These areas include business services, communications, information technology, financial services, biomedical products, and advanced machinery. Also, our access to excellent port facilities bodes well for our trade industry, as European economies recover and international trade expands.

NEW JERSEY CONSUMER DEMAND PATTERNS
CALENDAR 1980 – 1996
(DURABLE GOODS SALES AND TOTAL SALES)

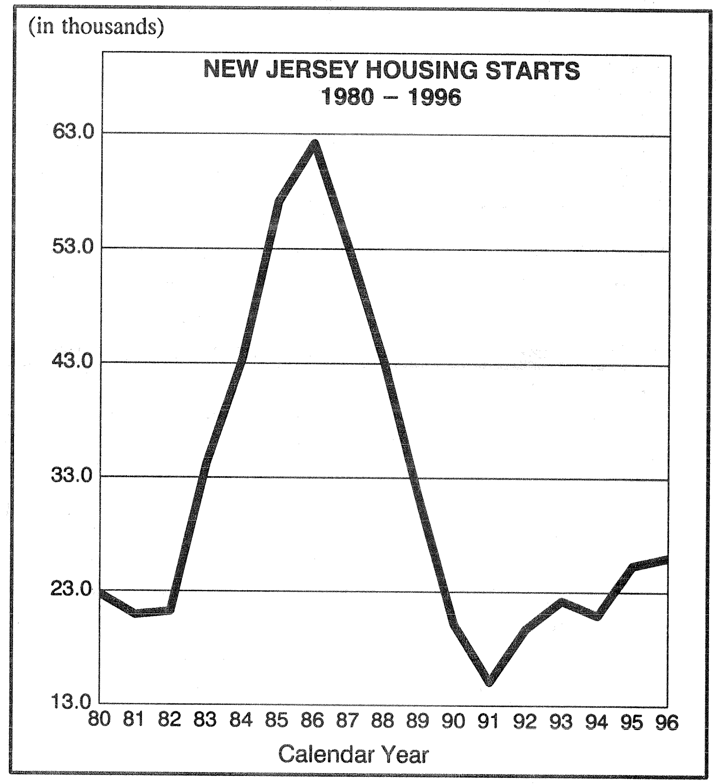
($ in billions)

	DURABLE GOODS	ANNUAL PERCENT CHANGE	TOTAL SALES	ANNUAL PERCENT CHANGE
1982	$11.82	N.A.	$37.59	9.8
1983	13.16	11.3	40.43	7.6
1984	15.10	14.8	44.35	9.7
1985	17.54	16.2	48.19	8.7
1986	20.86	18.9	52.47	8.9
1987	22.76	9.1	56.97	8.6
1988	24.46	7.5	62.00	8.8
1989	24.71	1.0	63.74	2.8
1990	25.57	3.5	65.60	2.9
1991	24.53	–4.1	64.79	–1.2
1992	24.32	–0.9	66.18	2.1
1993	25.41	4.5	67.26	1.7
1994 E	26.97	11.6	71.76	8.6
1995 E	28.86	7.0	76.00	5.9
1996 E	30.39	5.3	80.09	5.4

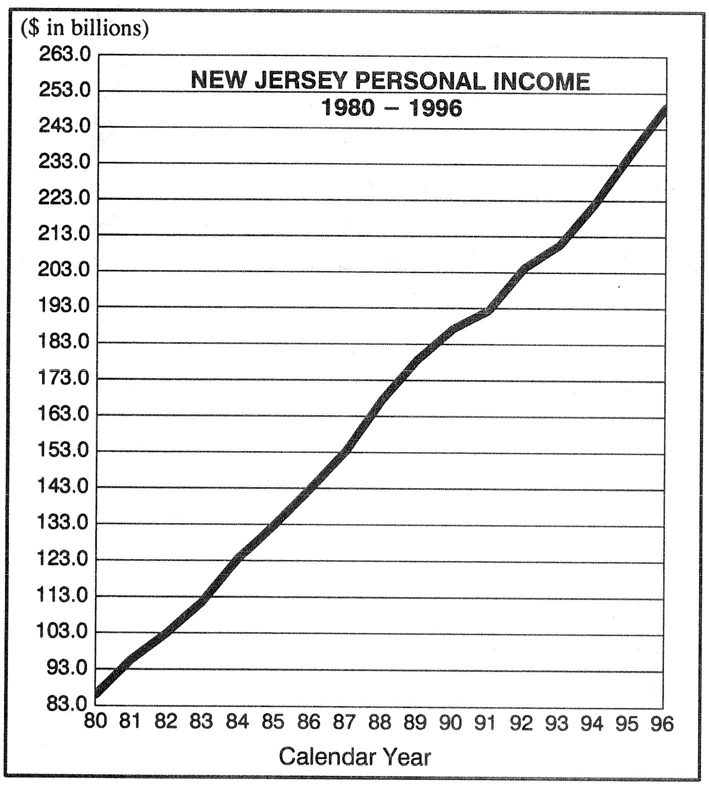
Source: New Jersey Division of Taxation.
E = Estimated.



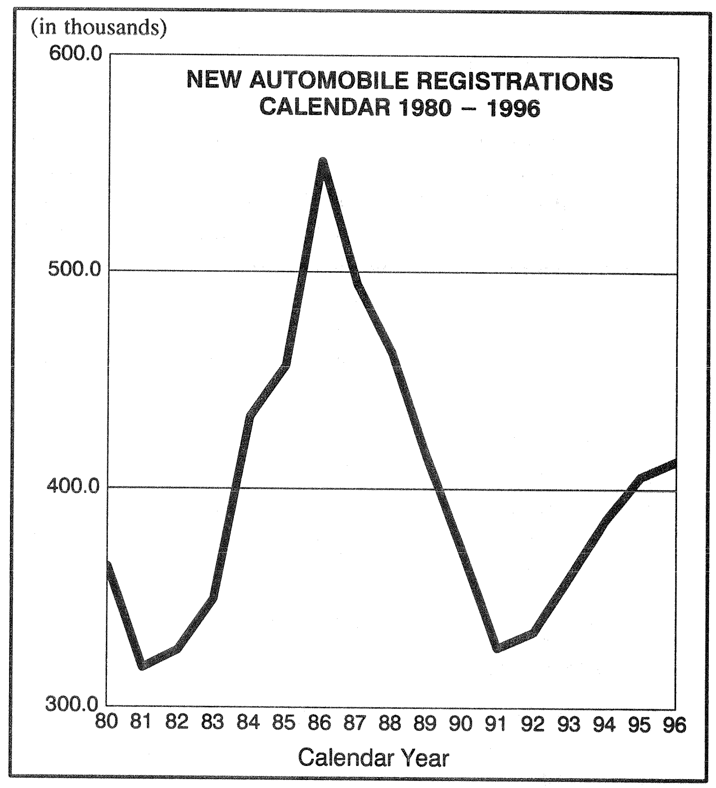
Source: New Jersey Division of Taxation



Source: New Jersey Division of Taxation



Source: New Jersey Division of Taxation



Source: New Jersey Division of Taxation

Revenue Forecast

REVISIONS TO FISCAL YEAR 1995 ANTICIPATED REVENUE

The current estimate of $15.056 billion in total revenue is $295 million more than when revenues were certified by the Governor in June, 1994.

The three largest taxes, Gross Income Tax, Sales & Use Tax, and the Corporate Business Tax which account for 64.4 percent of total revenue, are now forecast to yield $9.7 billion. This increase of $303 million, primarily in Sales and Corporate Business tax, reflects a stronger economic performance in the second half of 1994 than originally anticipated. The total revenues from all other major tax sources is revised upward by $37 million.

The Sales Tax is now estimated to generate $4.016 billion, a 7.8 percent rate of growth rather than the 4.5 percent growth originally projected. This reflects the impact of almost 10 percent growth experienced in the July–November period fueled by durable goods sales growth of 10–12 percent. Steady but more moderate growth of 6–7 percent is anticipated in the balance of the fiscal year as pent–up demand pressures are exhausted and the national economy starts to slow in response to higher interest rates. A $9 million negative impact from higher federal taxes on cigarettes which was originally included in the estimate has been eliminated.

The Corporate Business Tax is projected to generate $1.054 billion, or $133 million more than originally anticipated. This primarily reflects a significantly improved profit outlook for 1994 and 1995. The original forecast assumed after tax profit growth of 7.5 percent for 1994 slowing to 3.5 percent for 1995. This is now revised to 14 percent and 10 percent for 1994 and 1995, respectively. Since the economic recovery began in 1992, growth in New Jersey Corporate Tax liability has paralleled the trend in national profit growth. It is assumed that this pattern will continue in the forecast period.

The Gross Income Tax forecast is revised to $4.630 billion, an increase of $48 million. The 1994 employment growth has been revised upward from 1.5 percent to 1.7 percent reflecting a somewhat stronger economic picture than originally anticipated.

FISCAL YEAR 1996 REVENUE PROJECTIONS

Revenues for fiscal 1996 are expected to increase, albeit at a slowing rate, as the national economy slows to more sustainable long–term growth rates. New Jersey year–to–year growth rates, however, should be interpreted cautiously because of the presence of a number of initiatives that change the collection base in fiscal 1996 and thus distort the nominal growth rates.

These initiatives are comprised of business and individual tax reductions as well as compliance programs and clarifications to the existing tax structure. This Administration is committed to the concepts of fairness and equity in tax policy which encourage tax reductions to spur economic development while at the same time insisting that individual and corporate citizens pay their fair share. In working toward these goals the Treasurer, in 1994, formed a Tax Advisory Group to discuss the state's overall tax structure. The Group is comprised of various taxpayers, members of the accounting and legal practitioner communities as well as legislators. Several of the tax proposals included in this budget have been analyzed and supported by this Group.

SALES TAX: The forecast of $4.274 billion is an increase of $258 million or 6.4 percent compared to fiscal 1995. This represents the net impact of an underlying economic growth of 5.5 percent and a number of policy initiatives affecting sales tax collections.

The underlying economic growth of 5.5 percent reflects the anticipated slowing of the economy as higher interest rates begin to take effect. Forecasted growth in employment and personal income should continue to fuel the expansion in retail sales although slowdowns in two key sectors are expected. The NJ housing sector was weak in 1994 and is expected to show little growth in 1995–96. Auto sales, after strong 7–8 percent growth in 1993 and 1994, are expected to grow at modest rates of 5 percent and 2 percent in 1995 and 1996, respectively.

There are policy changes that will impact the overall collections of this tax. The largest of these is eliminating the current retail sales tax on alcoholic beverages and replacing it with a tax collected at the wholesale level. In anticipation of this change, the Sales Tax revenue estimate for fiscal 1996 has been reduced $115 million. It should be noted, however, that the same policy change has resulted in an increased anticipation in another major tax revenue category by $145 million. The wholesale tax produces a net revenue gain to the State through improved compliance and more efficient collections.

The proposed repeal of the sales tax on yellow pages advertising is expected to reduce collections in fiscal 1996 by $20 million. In addition, the completed expansion of the Urban Enterprise Zone Program (UEZ) to ten new zones for a total of 20 zones involving 22 municipalities, will reduce the collections at the State level by $30 million. Since qualified businesses in the UEZ's may charge a reduced sales tax rate and the tax collected is for the benefit of the zone, about $15 million of the reduction will shift from the General State Fund directly to the municipalities in which the new zones have been designated.

A series of proposed initiatives to improve the administration and equity of the existing tax structure are projected to generate an additional $96 million in new revenue. These actions include technical amendments to the sales tax to clarify the treatment of store coupons, wrapping supplies incidental to the sale of tangible property, admission charges for public entertainment, the use of auto dealer license plates, casual sales of used airplanes, and pre–written computer software.

The Division of Taxation will also initiate a series of programs to enhance compliance with existing tax laws. The major impact on sales tax will be a project to audit the tax liability for the last 5 years of retailers involved in selling liquor by the drink. This has been an area of compliance problems since the tax was shifted to the retail level in fiscal 1991. A program to recover outstanding tax liabilities from vendors doing business with the state by diverting current payments to such vendors is also proposed. This extends to businesses a process for collecting outstanding tax bills that has successfully been applied to individuals since 1981.

CORPORATE BUSINESS TAX: The forecast of $1.098 billion is an increase of $44 million or 4.2 percent over fiscal 1995. This assumes that national profit growth, which is the basic force driving the tax liability growth, is 10 percent for 1995 and 3.5 percent for 1996.

The baseline growth will be reduced by two policy initiatives proposed in this budget. One will change the formula used by corporations with multi–state operations to allocate income to New Jersey. Currently New Jersey is one of only two major industrial states that uses a formula based on the simple average of the proportions of property, payroll, and sales receipts the corporation has in the taxing state. The proposal would double–weight the sales receipts factor to give a tax preference to corporations that have a higher proportion of production facilities than sales in the state. The second is a proposal to reduce the corporate tax rate on net income from 9 percent to 7.5 percent for small businesses with net income up to $100,000. These proposals are expected to reduce revenues by $47 million.

These reductions are offset by $38 million in increased revenues resulting from new tax compliance activity. The main initiative will expand current efforts to register non–New Jersey corporations who operate in New Jersey but have failed to get authorization and file appropriate tax returns. This improves compliance with existing laws and promotes fair competition with corporations that are responsible tax payers. The review of outstanding tax liabilities with vendors doing business with the state will also impact corporate collections.

GROSS INCOME TAX: The forecast of $4.670 billion is an increase of $40 million or 0.9 percent over fiscal 1995. This represents an underlying growth in total New Jersey gross income of 6.4 percent for 1995 and 5.7 percent for 1996. Total income grew 4.7 percent in 1993 and is projected to grow 5.9 percent in 1994.

The proposed third phase of the tax reduction package is estimated to reduce the 1996 tax year liability by an additional $560 million. This results in a reduction of fiscal 1996 collections of $247 million. The proposed 1996 tax reduction represents a $1.2 billion cumulative reduction in tax liability since the program began in 1994. This completes the Governor's gross income tax reduction plan.

FISCAL 1996
PROPOSED TAX REDUCTION PROGRAM

Gross Income Tax

	Married Filing Jointly				Single Filers		
Taxable Income	**CY94**	**CY95**	**Proposed CY96**	**Taxable Income**	**CY94**	**CY95**	**Proposed CY96**
$7,500–$80,000	5.0%	15.0%	30.0%	$3,750–$40,000	5.0%	15.0%	30.0%
$80,000–$150,000	5.0%	7.5%	15.0%	$40,000–$75,000	5.0%	7.5%	15.0%
$150,000 and up	5.0%	6.0%	9.0%	More than $75,000	5.0%	6.0%	9.0%

Corporate Business Tax

- Reduce rate for small businesses under $100,000 from 9% to 7.5%
- Double–weighting of Corporate sales factor for multi–state income allocation purposes

Sales and Use Tax

- Eliminate sales tax on advertising in Yellow Pages

MAXIMIZING FEDERAL REIMBURSEMENTS

The State is aggressively pursuing the amount of federal reimbursement received for services provided and costs incurred. This budget reflects a number of significant initiatives designed to maximize the receipt of federal funds, which, at more than $4.8 billion, comprise approximately 21% of total annual state spending.

- $7.9 million for an increase in claims for federal reimbursements for services provided in institutions and community programs for the developmentally disabled. These funds will be earned by reducing the client eligibility determination backlog; better management of client placements in developmental center certified beds; and the development of a division automated system which will initially be directed at enhanced revenue claiming processes.
- $2.9 million related to the Hunterdon Developmental Center hospital unit that will be certified and eligible for a $2.9 million federal reimbursement as of fiscal 1996.
- $5.8 million for two county psychiatric hospitals that will be eligible for federal reimbursement for the first time in fiscal 1996.
- $22 million for reimbursable mental health services provided by community general hospitals under contract with the Division of Mental Health and Hospitals. Additional federal reimbursement totaling $10 million for these services has been determined to be claimable for fiscal 1994 and 1995 as retroactive and current reimbursement. In fiscal 1996, $12 million in reimbursements will become available to offset Grants–In–Aid appropriations to these facilities.
- $14 million for federal Medicaid funding for the General Assistance nursing home costs that are currently supported by state funds.
- $70 million which will recognize fringe benefits paid by the State to the University of Medicine and Dentistry as Medicaid uncompensated care costs. Federal reimbursement of $42.5 million will be received for fiscal 1994 and 1995 and $27.5 million is anticipated for fiscal 1996.
- $13.5 million in new federal funding for the placement of children in residential, day treatment and foster care facilities. The cost of these placements are currently 100% state funded. This is a joint effort between the Divisions of Juvenile Services and Youth and Family Services.
- $4 million in new federal reimbursements for psychological and therapeutic services provided by private agencies under contract with the Division of Youth and Family Services. These reimbursements will offset state appropriations for these purposes.
- In addition, New Jersey is implementing a new program to maximize federal funds that involves all Executive departments.

NEW JERSEY LOTTERY REVENUE

In fiscal 1996, the State Lottery is estimated to generate $630 million. A revenue to the General Fund, it is used to support programs in State Institutions, education and higher education.

SURPLUS REVENUE FUND (RAINY DAY FUND)

The Surplus Revenue Fund Act (P.L. 1990, c. 44) requires that the Governor include in her annual budget to the Legislature an estimate of the credit to be made to the Surplus Revenue Fund. The amount estimated by the Governor for this purpose shall not be less than 50 percent of the difference between the amount certified by her as anticipated General Fund revenue, upon approval of the fiscal 1995 Appropriations Act, and the revised amount of General Fund revenue for fiscal 1995 anticipated in the fiscal 1996 budget. The certified General Fund revenue anticipation in the fiscal 1995 Appropriations Act was $9.82 billion. The revised estimate for fiscal 1995 anticipated General Fund revenue is $10.08 billion, a $260 million increase. Therefore, 50% of this amount, or $130 million, will be dedicated to the Rainy Day Fund.

ANTICIPATED REVENUES
($ in millions)

	Estimated FY 1995	Estimated FY 1996
Major Taxes:		
Income Tax	$ 4,630.0	$ 4,670.0
Sales Tax	4,016.0	4,274.0
Corporation Business Tax	1,054.0	1,098.0
Other Major Taxes & Fees:		
Motor Fuels	465.0	490.0
Motor Vehicle Fees	390.0	390.0
Transfer Inheritance	290.0	305.0
Cigarette	247.0	245.0
Insurance Premium	264.6	280.6
Petroleum Products Gross Receipts	205.0	221.0
Alcoholic Beverage Wholesale Sales	110.0	145.0
Public Utility Excise	136.0	125.0
Alcoholic Beverage Excise	78.0	78.0
Banks/Financial Institutions	99.0	109.0
Realty Transfer	49.0	53.0
Savings Institutions	19.0	18.0
Motor Fuel Use	8.0	9.0
Business Personal Property	3.0	—
Tobacco Products – Wholesale	4.0	4.0
Miscellaneous Taxes & Fees:		
Public Utility Gross Receipts and Franchise Tax	275.0	270.0
Medicaid/Uncompensated Care – Ongoing	459.6	419.8
Inter–Departmental Accounts	216.9	210.9
Human Services	118.7	150.2
All Other Miscellaneous	624.2	839.1
Interfund Revenues:		
State Lottery Fund	629.0	630.0
All Other Interfund	320.6	214.3
Casino Revenue Fund	285.5	285.4
Casino Control Fund	57.0	52.2
Gubernatorial Election Fund	1.5	1.5
Total Revenue	**$15,055.6**	**$15,588.0**

REVENUE PROJECTIONS FOR FISCAL YEAR 1995 – 1996
THREE MAJOR TAXES
($ in millions)

	ORIGINAL FISCAL YEAR 1995	REVISED FISCAL YEAR 1995	FISCAL YEAR 1996	DOLLAR CHANGE	PERCENT CHANGE
Sales	$3,894*	$4,016	$4,274	$258	6.4%
Income	4,582	4,630	4,670	40	0.9
Corporation	921*	1,054	1,098	44	6.4

*Original fiscal 1995 amounts for Sales and Corporation have been increased by $24 and $6 respectively to include the anticipation for the Enhanced Tax Compliance Effort. In addition, Sales was reduced by $110 for Alcoholic Beverage Wholesale Sales to be comparable with FY 95 and FY 96.

ADJUSTED RATE OF CHANGE IN THE THREE MAJOR TAXES
FISCAL 1985 – 1996

	Sales	Income	Corporation
1985	14.5%	11.7%	18.1%
1986	11.9	13.0	11.4
1987	11.6	27.0	9.5
1988	6.9	(2.4)	(1.5)
1989	1.1	12.8	1.7
1990	1.7	2.1	(15.5)
1991	(8.0)	(6.2)	(10.0)
1992	1.1	(8.6)	5.5
1993	5.5	4.6	10.1
1994	3.5	5.1*	13.4
1995E	8.1	11.1*	9.4
1996E	5.5	9.9*	4.0

NOTE: Corporation growth rate is for net income tax liability in the prior income year, Sales and Income growth is for collections in the fiscal year.

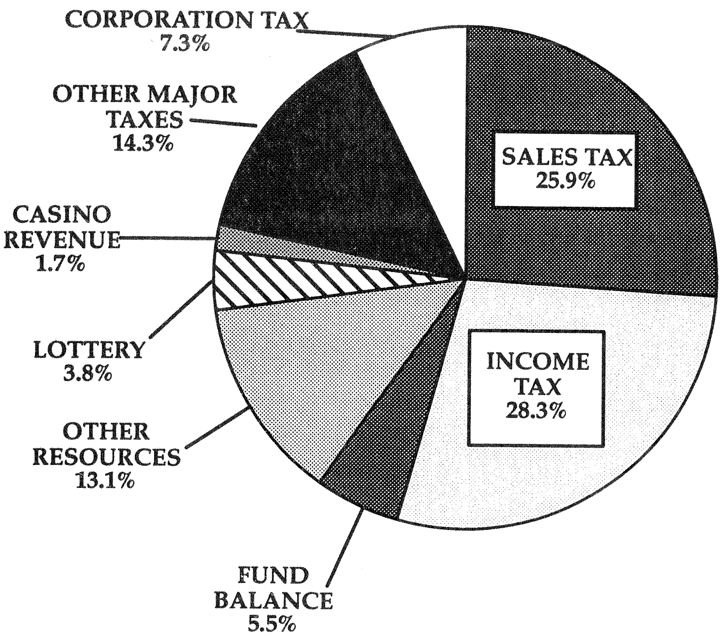
Growth rates represent collections (net income liability) adjusted to remove the impact of base, rate, or one–time collection changes to permit comparison to the prior year's collection (liability).

*adjusted to remove the cumulative impact of all the tax reductions.

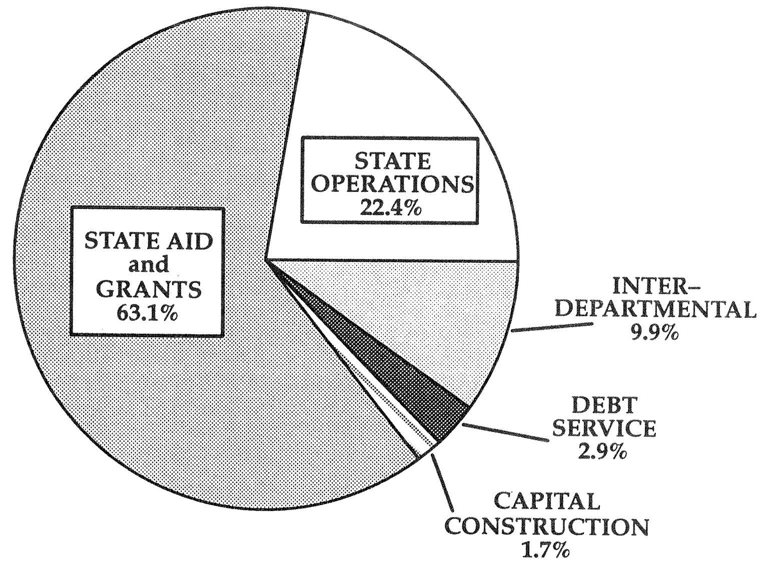
NEW JERSEY BUDGET

RESOURCES AND RECOMMENDATIONS FOR FISCAL YEAR 1996
ALL STATE FUNDS

Resources



Recommendations



RESOURCES

($000)

SALES TAX	$4,274,000
INCOME TAX	4,670,000
CORPORATION and BANK TAX	1,207,000
LOTTERY REVENUE	630,000
CASINO REVENUE	285,400
OTHER MAJOR TAXES:	
Motor Fuels	499,000
Motor Vehicles	390,000
Inheritance	305,000
Insurance Premiums	280,574
Cigarette	245,000
Beverage Excise and Wholesale Sales	223,000
Petroleum Products Gross Receipts	221,000
Public Utilities	125,000
Realty Transfer	53,000
Savings Institutions	18,000
Tobacco Products Wholesale Sales	4,000
OTHER RESOURCES	2,157,992
SUB–TOTAL	$15,587,966
FUND BALANCE, JULY 1, 1995	
General Fund	$399,296
Surplus Revenue Fund	288,649
Property Tax Relief Fund	210,030
Casino Revenue Fund	8
Casino Control Fund	—
Gubernatorial Elections Fund	1,500
TOTAL	$16,487,449

RECOMMENDATIONS

($000)

Education	$4,800,305
Human Services	3,847,088
Interdepartmental	1,576,869
Higher Educational Services	1,110,460
Community Affairs	868,695
Corrections	700,380
Transportation	664,624
Treasury	624,941
Debt Service	466,330
Judiciary	355,253
Law and Public Safety	291,193
Environmental Protection	202,220
Health	94,531
Other Departments	87,816
State	76,991
Labor	74,424
Military and Veterans' Affairs	56,306
Legislature	50,347
Commerce	38,676
SUB–TOTAL RECOMMENDATION	$15,987,449
ESTIMATED FUND BALANCE, JUNE 30, 1996	
General Fund	$207,351
Surplus Revenue Fund	288,649
Property Tax Relief Fund	—
Casino Revenue Fund	1,000
Casino Control Fund	—
Gubernatorial Elections Fund	3,000
TOTAL	$16,487,449

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

	Fiscal Year Ending June 30 1995 Estimated	1996 Estimated
Beginning Balances July 1		
Undesignated Fund Balances		
General Fund	925,980	399,296
Surplus Revenue Fund	158,878	288,649
Property Tax Relief Fund	155,357	210,030
Gubernatorial Elections Fund	—	1,500
Casino Control Fund	359	—
Casino Revenue Fund	24,012	8
Total Undesignated Fund Balances	*1,264,586*	*899,483*
State Revenues		
General Fund	10,081,549	10,578,840
Property Tax Relief Fund	4,630,000	4,670,000
Gubernatorial Elections Fund	1,500	1,500
Casino Control Fund	57,012	52,226
Casino Revenue Fund	285,500	285,400
Total State Revenues	*15,055,561*	*15,587,966*
Other Adjustments		
General Fund		
Balances lapsed	89,438	—
To Casino Revenue Fund	(20,690)	—
To Surplus Revenue Fund	(129,771)	—
Miscellaneous	(6,500)	—
Surplus Revenue Fund		
From General Fund	129,771	—
Casino Revenue Fund		
From General Fund	20,690	—
Total Other Adjustments	*82,938*	—
Total Available	*16,403,085*	*16,487,449*
Appropriations		
General Fund	10,540,710	10,770,785
Property Tax Relief Fund	4,575,327	4,880,030
Casino Control Fund	57,371	52,226
Casino Revenue Fund	330,194	284,408
Total Appropriations	*15,503,602*	*15,987,449*
Ending Balances June 30		
Undesignated Fund Balances		
General Fund	399,296	207,351
Surplus Revenue Fund	288,649	288,649
Property Tax Relief Fund	210,030	—
Gubernatorial Elections Fund	1,500	3,000
Casino Control Fund	—	—
Casino Revenue Fund	8	1,000
Total Undesignated Fund Balances	*899,483*	*500,000*

SUMMARY OF FISCAL YEAR 1994–1995 APPROPRIATION RECOMMENDATIONS
(thousands of dollars)

	Fiscal Year 1995 Adjusted Appropriations	Fiscal Year 1996 Recommendations	Change Dollar	Change Percent
GENERAL FUND AND PROPERTY TAX RELIEF FUND				
State Aid and Grants	$ 9,601,344	$ 9,810,050	$ 208,706	2.1%
State Operations				
Executive Departments	$ 3,244,261	$ 3,115,023	$(129,238)	–3.9%
Legislature	49,678	50,347	669	1.3%
Judiciary	235,569	355,253	119,684	50.8%
Interdepartmental	1,441,071	1,576,869	135,798	9.4%
Total State Operations	$ 4,970,579	$ 5,097,492	$ 126,913	2.5%
Capital Construction	444,589	276,943	(163,646)	–37.1%
Debt Service	103,525	466,330	362,805	350.4%
TOTAL GENERAL FUND AND PROPERTY TAX RELIEF FUND	*$ 15,116,037*	*$ 15,650,815*	*$ 534,778*	*3.5%*
CASINO REVENUE FUND	**330,194**	**284,408**	**(45,786)**	**–13.9%**
CASINO CONTROL FUND	**57,371**	**52,226**	**(5,145)**	**–8.9%**
GRAND TOTAL STATE APPROPRIATIONS	*$ 15,503,602*	*$ 15,987,449*	*$ 483,847*	*3.1%*

SUMMARY OF FISCAL YEAR 1995–96 APPROPRIATION RECOMMENDATIONS BY FUND
(thousands of dollars)

	Year Ending June 30, 1994						Year Ending June 30, 1996	
	Orig. & (S)Supple–mental	Reapp. & (R)Recpts.	Transfers & (E)Emer–gencies	Total Available	Expended	1995 Adjusted Approp.	Requested	Recom–mended
General Fund								
Direct State Services	4,506,334	224,244	42,236	4,772,814	4,537,891	4,970,579	5,295,437	5,097,492
Grants–in–Aid	3,177,626	33,906	–43,759	3,167,773	2,942,585	3,169,693	3,162,084	3,145,442
State Aid	2,057,709	27,711	16,995	2,102,415	2,050,645	1,856,324	1,798,631	1,784,578
Capital Construction	444,022	39,617	77	483,716	368,480	440,589	410,493	276,943
Debt Service	119,939	—	—	119,939	119,938	103,525	466,330	466,330
Total General Fund	*10,305,630*	*325,478*	*15,549*	*10,646,657*	*10,019,539*	*10,540,710*	*11,132,975*	*10,770,785*
Property Tax Relief Fund	4,862,217	87	1,782	4,864,086	4,597,186	4,575,327	4,880,030	4,880,030
Casino Control Fund	57,371	70	—	57,441	55,555	57,371	52,226	52,226
Casino Revenue Fund	296,955	—	—	296,955	283,767	330,194	284,408	284,408
Gubernatorial Elections Fund	7,800	—	—	7,800	7,695	—	—	—
GRAND TOTAL STATE APPROPRIATIONS	*15,529,973*	*325,635*	*17,331*	*15,872,939*	*14,963,742*	*15,503,602*	*16,349,639*	*15,987,449*

SUMMARY OF APPROPRIATIONS
MAJOR INCREASES AND DECREASES

This table summarizes the major increases and decreases in the fiscal year 1996 budget, defined as a change of $1.0 million or more compared to the fiscal year 1995 appropriation. Information is organized by fund and by category.

Categories of appropriations are defined as follows:

State Operations consist 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 Municipal Revitalization program, the Supplemental Municipal Property Tax Relief 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)

		Increases	Decreases	Net Change Dollars
General Fund				
State Operations				
Judiciary (Court takeover less efficiencies)		119.7		
Employee Contracts				
Gross Increase	55.7			
Savings from Initiatives	(5.0)			
Net Increase		50.7		
Employee Benefits				
Gross Increase	95.0			
Savings from Initiatives	(53.9)			
Net Increase		41.1		
Property Rentals		28.7		
Repayment of TDI		13.0		
Juvenile Justice Reform		10.0		
Higher Education Institutions		6.5		
Property and Liability Insurance		2.9		
Legislature – State Capitol Joint Management		2.9		
Commerce–New Jersey Community Development Bank		2.0		
Commerce – Prosperity New Jersey		1.5		
Veteran's Outreach and Assistance		1.2		
Division of Developmental Disabilities Institutional Closing – Staff		1.0		
Subtotal State Operations		*281.2*		
Correctional programs			(36.9)	
Consultant Study Findings	(9.0)			
Non–salary reductions	(7.9)			
Custody Overtime	(13.0)			
Attrition	(6.6)			
Other (net)	(0.4)			
Transportation (DMV)			(25.0)	
Merger Savings	(10.0)			
Contract Agencies	(4.0)			
Shift Inspections to Transportation Trust Fund	(11.0)			
Transportation – State Highway Facilities			(12.6)	
Police Exam Settlement			(8.0)	
Transportation – Management and Administration			(7.6)	
Department of Human Services – Contracting Institutional Support Services			(5.0)	
Department of Human Services – Division of Family Development			(4.9)	
State – National Voter Registration Act			(4.0)	
Department of Environmental Protection – Planning and Administration			(3.7)	
Department of Law and Public Safety – Racing Commission (Shift to Fees)			(2.9)	
Department of Environmental Protection – Solid Waste Management			(2.9)	
Treasury – Taxation			(2.8)	
Department of Human Services – Division of Youth and Family Services (Contracting)			(2.4)	
Department of Personnel			(2.4)	
Department of Human Services – Adult Activities (Contracting)			(2.3)	
Treasury – Office of Management and Budget			(2.0)	
Department of Military and Veterans' Affairs – Paramus (Contracting)			(2.0)	
Treasury – (Purchase, Pensions, Property)			(1.7)	
Department of Environmental Protection – Water Pollution Control			(1.4)	
Department of Labor – Employment Services			(1.3)	

	Increases	Decreases	Net Change Dollars
Department of Insurance		(1.2)	
Treasury – Lottery		(1.2)	
Education – Katzenbach School (Tuition offset)		(1.1)	
Department of Environmental Protection – Air Pollution Control		(1.0)	
Department of Labor – Workplace Standards		(1.0)	
Utilities		(1.0)	
Other		(15.9)	
Subtotal State Operations Decreases		*(154.2)*	
Net Change (State Operations)			127.0
Grants–in–Aid			
Higher Education – Facilities Trust Fund	18.8		
Higher Education – Equipment Leasing	16.3		
Corrections – Community Services	14.6		
Corrections – County Backup	8.3		
Division of Developmental Disabilities – Community COLA	8.3		
Mental Health – Community COLA	5.3		
Division of Developmental Disabilities – Institutional Closure Initiative	5.1		
Division of Developmental Disabilities – Group Homes	4.3		
Lifeline	3.3		
Mental Health – Marlboro Closure Initiative	2.4		
Higher Education – Educational Opportunity Fund	1.8		
Division of Developmental Disabilities – Waiting List	1.0		
Subtotal Grants–in–Aid Increases	*89.5*		
Department of Human Services – Medical Services		(52.2)	
New Jersey Transit		(20.0)	
Division of Developmental Disabilities – Community Services (Federal Offsets)		(14.4)	
Higher Education – Student Assistance		(8.2)	
Pharmaceutical Assistance to the Aged and Disabled		(5.6)	
Division of Developmental Disabilities – Administrative Savings		(4.9)	
Commerce – Science and Technology		(2.7)	
Other		(5.8)	
Subtotal Grants–in–Aid Decreases		*(113.8)*	
Net Change			(24.3)
State Aid (General Fund and Property Tax Relief Fund)			
School Aid	327.7		
Restoration of Health Benefit Rebate Offsets	27.1		
Aid for GAAP Accounting Implementation	6.0		
County Colleges	5.4		
Public Health Funding	3.9		
Other	2.0		
Subtotal State Aid Increases	*373.7*		
Municipal Aid – (Offset for Pension Savings)		(68.8)	
Legislative Initiative Municipal Block Grant		(33.0)	
Income Maintenance		(26.3)	
Densely Populated Municipalities		(8.0)	
World Cup Municipal Aid		(2.0)	
Education – Library Network		(1.5)	
County Psychiatric		(1.1)	
Subtotal State Aid Decreases		*(140.7)*	
Net Change			233.0
Capital Construction (Decrease)		(163.6)	(163.6)
Debt Service (Increase)	362.8		362.8
Casino Revenue			
PAAD (Grants)	2.8		
Lifeline (Grants)	2.3		
Subtotal Casino Revenue Increases	*5.1*		
Medicaid		(46.9)	
Department of Community Affairs Boarding Home Rental Assistance		(1.6)	
Other		(2.4)	
Subtotal Casino Revenue Decreases		*(50.9)*	
Net Change			(45.8)
Casino Control			
Gaming Enforcement		(5.1)	
Net Change			(5.1)
GRAND TOTALS	1,112.3	(628.3)	484.0

Major Components

This section serves as a guide to better understand the Fiscal Year 1996 Budget. Most of the $15.987 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)

	Fiscal 1996
School Aid	$4,112
Employee Benefits – Education	443
Municipal Aid.	1,674 *
Homestead Rebates	319
Higher Education	1,111
Civil and Criminal Justice	1,011
Environmental Protection	187
Transportation and Transit Subsidy	403 **
Public Health	95
Human Services Programs:	
—Family Development	535
—Medicaid	1,863
—Pharmaceutical Assistance and Lifeline	257
—Community Services and Institutional Programs	1,183
Employee Benefits	1,181
Public Infrastructure and the Transportation Trust Fund	743

* 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 $15.987 billion total.

** In addition to this amount, an authorization of $880 million for the Transportation Trust Fund is discussed in this section.

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.

School Aid

The State provides more than $4.7 billion of the almost $12 billion spent on education. In other words, the State pays approximately $4,129 per pupil of the total cost. Aid is distributed for regular, on–going education programs in local districts, as well as for the additional costs of pupils with special requirements. Taken as a whole, the various State aid programs are intended to assure each child a complete education from kindergarten through high school, while also promoting greater equity among school districts in their educational spending and property tax rates.

The State Supreme Court, in July 1994, reiterated the decision in its 1990 ruling in *Abbott v. Burke*, which had found that poorer urban school districts lack sufficient financial resources to assure that these children would receive the thorough and efficient education required by the State Constitution. Both in its original 1990 finding and in its 1994 ruling, the Court decreed that the State must provide increased aid to such districts, to enable them to spend for regular school programs at the same per–pupil level as wealthier suburban districts. The Court also insisted that the State address the additional educational needs presented by predominantly poor children.

The Legislature passed the Quality Education Act of 1990 (QEA) and identified 30 of the poorest urban areas as special needs districts for purposes of meeting the Court mandate of achieving equity in school spending. QEA also established the current formulas for distributing State aid to school districts. However, the 1994 ruling found the QEA unconstitutional because of its "failure to assure parity of regular education expenditures between the special needs districts and the more affluent districts."

In reaffirming its *Abbott* decision, the Court required the State to adopt a new set of funding formulas that would assure attainment of the parity objective by the 1997–98 school year. In addition to stating that parity should be substantially achieved in 1997–1998, the Court said it expected the State to address the continuing disparity in the intervening school years: 1995–96 and 1996–97. New school funding legislation must be adopted by September 1996, said the Court, or it "will consider applications for relief."

Because such legislation will require extensive public debate, an interim funding plan will be required for fiscal 1996, which will be the first school year to be funded since the Court's most recent decision.

In order to address the Court's expectation that visible progress toward parity should be made in fiscal 1996, the recommended Budget provides for an increase of $181 million in formula aid for local school districts.

Special needs districts will receive $100 million of the increase in State formula aid. On average, these 30 districts will be brought to 86 percent of parity *vis–a–vis* the benchmark group of the state's most affluent districts. All other districts will receive a total of $47 million. In addition, districts whose enrollment of special education pupils has increased since 1991 will share another $19 million in aid. Furthermore, the direct State support for the school teachers' pension and Social Security accounts will increase by $149 million.

Although most districts will receive increased or at least level funding, some will receive less as a result of three changes. First, the fiscal 1996 Budget continues the phase–out of Transition Aid, consistent with the mandate of the Court that general aid to the wealthiest districts be eliminated. Furthermore, some Transition Aid districts also benefited from Desegregation Aid, which was reduced by half in fiscal 1995 and which is being eliminated altogether this year. Despite the name of this program, not all districts spent the money on desegregation purposes. Finally, this Budget begins to solve two unfair elements of the Transportation Aid formula: giving greater aid to more densely populated districts than to those where students live further apart, and giving districts additional aid for some students who receive special educational services but who are driven to school on regular school buses.

As a result of changes that slowed the phase–in of actuarially–revised mortality assumptions regarding future liabilities of the Teachers Pension and Annuity Fund (TPAF), a significant reduction was effected in the payments required for fiscal years 1994 and 1995. Although the amount required for fiscal 1996 will increase, it will be at a much lower level than the State would have been required to make in the absence of the recent revisions. Annual payments to the TPAF had been approaching $400 million before the reforms were instituted.

The social security tax that will be due for 1995–1996 is expected to increase by $22.5 million, reflecting the rising salaries of teachers. As a result of more moderate settlements in teacher salary contracts recently, the increase in the State's social security payment will not be as steep as it has been in previous years. However, because all the pension and social security costs for teachers are borne by the State, neither of these expenses will affect local school district budgets or local taxes.

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

	Expended Fiscal 1994	Appropriated Fiscal 1995	Requested Fiscal 1996	Recommended Fiscal Year 1996: Gen'l Fund	Recommended Fiscal Year 1996: Property Tax Relief Fund	Recommended Fiscal Year 1996: Total
Formula Aid Programs:						
Foundation Aid	$2,537,486	$2,568,324	$2,713,148	$903,947	$1,809,201	$2,713,148
Incentive for Comprehensive Districts	—	—	8,400	—	8,400	8,400
Categorical Aids:						
Bilingual Education	57,386	57,386	57,455	—	57,455	57,455
Aid for At Risk Pupils	292,986	292,986	292,930	—	292,930	292,930
Special Education	582,477	582,500	601,039	—	601,039	601,039
County Vocational Education	28,702	28,722	28,690	—	28,690	28,690
Pupil Transportation Aid	263,849	263,849	249,430	—	249,430	249,430
Transition Aid	85,629	57,087	38,203	—	38,203	38,203
Debt Service Aid	69,944	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)*
Reduction for Excessive Administrative Expenditures	—	—	*(11,394)*	—	*(11,394)*	*(11,394)*
Subtotal, Formula Aid Programs	3,918,459	3,791,078	4,006,633	903,947	3,102,686	4,006,633
Other Aid to Education:						
Nonpublic School Aid	65,563	69,586	69,586	69,586	—	69,586
Payments for Children with Unknown District of Residence	6,705	6,224	6,418	6,418	—	6,418
Minimum Teacher Starting Salary	298	250	100	100	—	100
Aid to Districts with Senior Citizen Concentrations	1,651	—	—	—	—	—
County College Urban Education	450	450	450	450	—	450
Education Excellence Initiative	300	1,000	—	—	—	—
Desegregation Aid	12,729	7,000	—	—	—	—
Adult & Continuing Education	2,348	2,448	2,448	2,448	—	2,448
General Vocational Aid	6,657	6,821	6,821	6,821	—	6,821
School Nutrition	6,565	6,565	6,565	6,565	—	6,565
Additional School Building Aid (Debt Service)	16,284	14,841	12,607	12,607	—	12,607
Education Information and Resource Center	504	504	—	—	—	—
State–operated School District Differential Aid	25,000	25,000	—	—	—	—
Other Aid	558	801	175	175	—	175
Subtotal, Other Aid to Education	145,612	141,490	105,170	105,170	—	105,170
Subtotal, Department of Education	4,064,071	3,932,568	4,111,803	1,009,117	3,102,686	4,111,803
Direct State Payments for Education:						
Teachers' Pension Assistance	116,900	47,035	170,254	—	170,254	170,254
Pension & Annuity Assistance – Other	6,542	8,120	10,820	10,820	—	10,820
Teachers' Social Security Assistance	386,763	420,179	442,679	—	442,679	442,679
TOTAL	$4,574,276	$4,407,902	$4,735,556	$1,019,937	$3,715,619	$4,735,556

Municipal Aid

Providing financial assistance to municipalities has been one of the most important aspects of State government, and the fiscal 1996 Budget continues a substantial commitment to local government. Total aid to municipalities, both unrestricted and restricted, will amount to $1.68 billion in fiscal 1996, most of it in the form of unrestricted aid. In terms of local impact, municipal aid is virtually equal to last year.

Providing aid without restrictions will allow municipalities and counties the flexibility to set their own priorities. Unrestricted aid also uses the state's power to raise broad–based taxes to meet local needs and mitigates inequities among municipalities. Since the federal government eliminated its most flexible aid programs, General Revenue Sharing and the Comprehensive Employment and Training Act (CETA), unrestricted state aid has assumed additional importance in municipal budgets.

Until this year, New Jersey municipalities have benefited from as many as 18 major aid programs. In FY 1996, fourteen of these programs will be consolidated into a single aid program, and the total number of unrestricted aid programs will shrink to four. Most aid will continue to be distributed exactly as it was under the former range of programs.

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 and counties is in the form of unrestricted aid. Appropriations totaling $1.59 billion are recommended for fiscal 1996. Of this amount, $908 million are funded from major tax and revenue sources and $685 million are from dedicated public utility taxes. The fiscal 1996 Budget will reduce this bottom line by $103.6 million, substituting aid payments for state–initiated local budget savings on a dollar–for–dollar basis. This technique, in concert with newly recommended fiscal 1995 supplemental appropriations, enables the state to provide a level of assistance virtually equal to that of the previous year. Furthermore, only those municipalities affected by the reduction to Aid to Densely Populated Municipalities will experience a net decrease in resources. The chart below summarizes the total two–year package.

The largest program of municipal aid will be the newly recommended Consolidated Municipal Property Tax Relief Program. This program comprises $857.3 million in aid distributed under 14 programs in fiscal 1995. In fiscal 1996, this one program will replicate dollar for dollar the amount each municipality received under those programs last year. It will also provide hold–harmless aid which will guarantee that 96% of the State's municipalities receive at least the amount aid they received in fiscal 1994–95.

The next largest source of unrestricted State aid is the distribution of Public Utility Franchise and Gross Receipts Taxes, from which all of New Jersey's 567 municipalities benefit. The fiscal 1996 funding level will again be $685 million, and the distribution will be frozen to replicate last year's payout.

Aid to Densely Populated Municipalities, $17 million, was directed to the most densely populated municipalities in the most densely populated counties in the state, but which are ineligible for Municipal Aid. Twenty–six municipalities benefit from this program; the aid they receive helps defray the high cost of basic municipal services which tends to result from high population density.

The Discretionary Aid Component of the Supplemental Municipal Property Tax Relief Program provides $30 million with which the State can 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)

Program	MUNICIPAL FY 1994–95: From State FY 1994	MUNICIPAL FY 1994–95: From State FY 1995	MUNICIPAL FY 1994–95: Total	MUNICIPAL FY 1995–96: From State FY 1995	MUNICIPAL FY 1995–96: From State FY 1996	MUNICIPAL FY 1995–96: Total
Franchise and Gross Receipts Taxes	$40.0	$685.0	$725.0	$85.0	$685.0	$770.0
Consolidated Municipal Property Tax Relief Aid	—	—	—	—	861.4	861.4
Programs Consolidated (See Below)		890.3	890.3	—	—	—
Supplemental Municipal Property Tax Relief Discretionary Aid	—	30.0	30.0	—	30.0	30.0
Aid to Densely Populated Municipalities	—	25.0	25.0	—	17.0	17.0
Total Before Offsets	**$40.0**	**$1,630.3**	**$1,670.3**	**$85.0**	**$1,593.4**	**$1,678.4**
Display: Municipal Aid Offsets:						
Local Cost Savings From Pension Restructuring	—	(34.9)	(34.9)	—	(103.6)	(103.6)
Health Benefit Fund Rebates	—	(27.1)	(27.1)	—	—	—
Net Municipal Aid Appropriated	**$40.0**	**$1,568.3**	**$1,608.3**	**$85.0**	**$1,489.8**	**$1,574.8**

Programs Consolidated

Legislative Initiative Block Grant Program
Supplemental Municipal Property Tax Relief Aid:
  Formula/Hold–Harmless Aid
  Additional Urban Aid
Municipal Revitalization Aid
Business Personal Property Tax Replacement Aid
Safe and Clean Neighborhoods Aid (three programs)
Municipal (Urban) Aid
Payments in Lieu of Taxes on State Property
Municipal Purposes Tax Assistance Aid
Insurance Premiums Taxes
Payments to Replace Telecommunications Franchise Taxes
Financial Business Taxes
Payments in Lieu of Taxes, Class II Railroad Property

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 seniors and disabled homeowners receive $250. The State annually reimburses municipalities for cost of these deductions, estimated at $57.9 million for fiscal 1996.

A new program is recommended to fund the costs of conforming 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 development of best practices. In keeping with the principle of State mandate–State pay, $6 million in grants and in–kind services from the Department of Community Affairs will be provided to meet the costs of this effort.

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.

MAJOR RESTRICTED AID PROGRAMS

PROGRAM	FISCAL YEAR 1996 FUNDING ($ in millions)
Veterans' and Senior/Disabled Citizens' Property Tax Deductions	$ 57.9
Fair Housing Aid	13.9
Aid for GAAP Conversion	6.0
Neighborhood Preservation	2.8
Total	$ 80.6

The Homestead Rebate Program

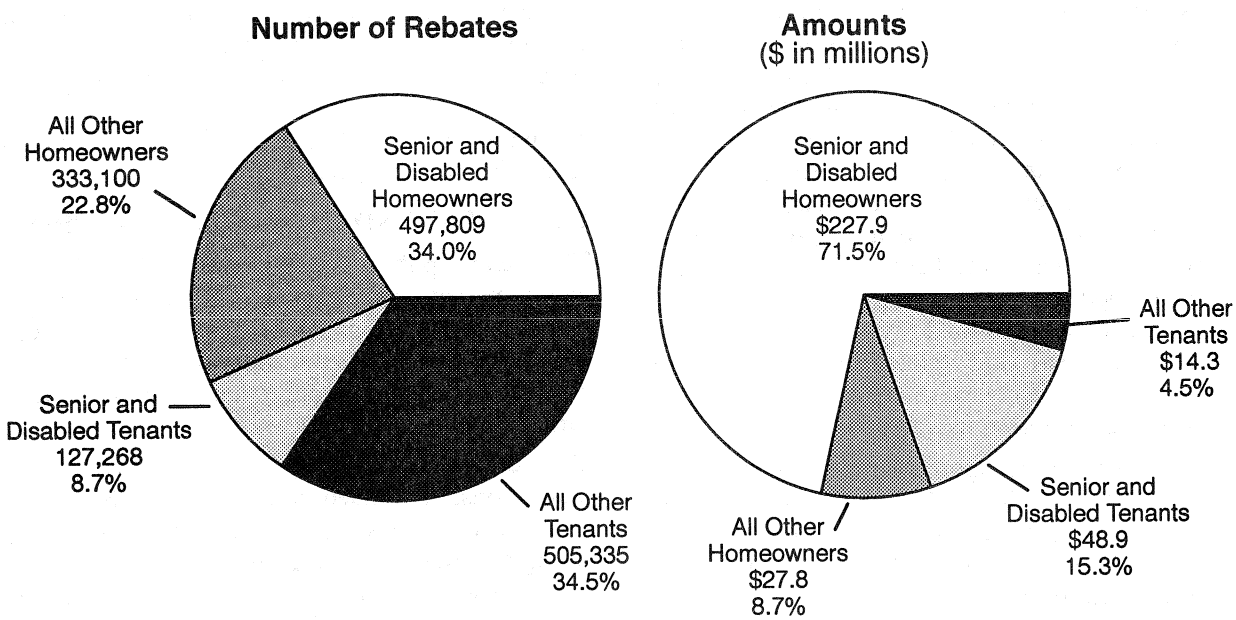
The Homestead Rebate Program emphasizes tax relief by direct payment to individual households. By the close of fiscal 1995 about 1.46 million households will have received rebates totaling $319 million. The average rebate increased to $220 per household, up from last year's average of $215.

Of the total, more than 625,000 senior and disabled households received rebates totaling $277 million. Rebates averaging $462 went to 498,000 senior and disabled homeowners. Over 127,000 senior and disabled tenant households were granted average rebates of $388.

All other households whose income does not exceed $40,000 receive a fixed amount of $90 for homeowners; $30 for tenants. Approved claims for these households totaled 838,000, worth $42.1 million. Over 333,000 homeowners received $28 million in rebates, while 505,000 tenant households received $14.3 million.

The Fiscal Year 1996 Budget provides $319 million for the program, continuing it on the same scale as fiscal 1995. For all these households, the program provides a needed counterbalance to property tax burdens which can threaten their economic security.

DISTRIBUTION OF HOMESTEAD REBATES
Fiscal Year 1995



Higher Education

The fundamental purpose for supporting New Jersey's higher education system is to ensure that the state's continuing and long–term educational and workforce needs are satisfied. Future economic growth will depend on new technologies developed through university research. Our colleges and universities produce the research and researchers, as well as the skilled workforce, essential to the vitality of the state's economy. Higher education provides job training and other career advancement opportunities for the state's citizens. The community colleges, in particular, are important resources for economic development initiatives as they develop 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 1996, the State will support New Jersey's higher education system with $1.1 billion in direct appropriations, including $757.9 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 $156.8 million in direct assistance to students is provided from several sources, primarily the Tuition Aid Grant and the Educational Opportunity Fund programs. Operational aid for the county colleges total $128.6 million, largely for their educational and related expenses. The independent colleges and universities are recommended to receive $20.2 million in fiscal 1996.

In addition to these direct appropriations, the State will provide an estimated $356.2 million to the twelve senior public institutions: $18.6 million to support the cost of estimated salary increments and $337.6 million to support employee fringe benefits.

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 which can provide up to 100 percent of tuition costs. The Tuition Aid Grant (TAG) program, with resources of $132.1 million ($114.6 million appropriation plus an expected $17.5 million in unexpended money from the prior fiscal year), is designed to keep college accessible and affordable for New Jersey students. These grants provide tuition assistance based on financial need, with maximum awards being provided to the neediest students. The fiscal 1996 program represents an increase of approximately $10 million compared to actual awards in fiscal 1995, providing for a modest increase in both the number of awards and the value of the grant to 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 1996 funding of $30.4 million will permit an increase of $105 in the average academic year undergraduate EOF grant.

New Jersey College Loans to Assist State Students (NJCLASS), a supplemental loan program also helps finance college education for middle–income families in New Jersey. The program is funded from the proceeds of tax–exempt bonds issued by the New Jersey Higher Education Assistance Authority. These loans are available for undergraduate and graduate students, regardless of family income.

COLLEGE AND UNIVERSITY SUPPORT

The State's public colleges and universities operate autonomously in most areas. The senior institutions' State appropriations subsidize approximately 60 percent of the cost of educational and related functions. Students share the remaining cost through payment of tuition and various fees.

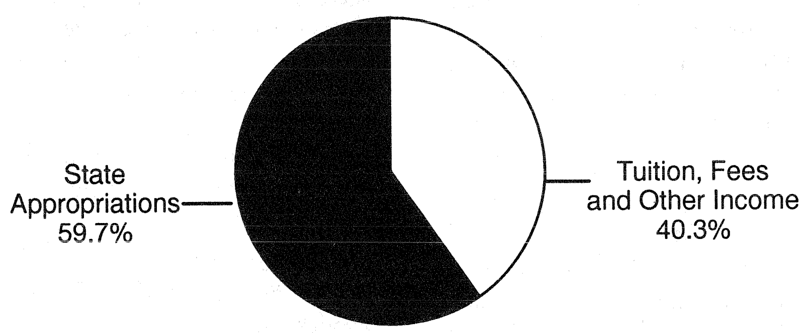
The community college system, comprising 19 institutions, is funded jointly by the State and the individual counties. These institutions provide access to higher education for a broad range of New Jersey residents who might otherwise be denied the benefits of a college education. Most of the state aid directly supports the operational costs of these institutions. State aid also meets one half of the debt service on eligible bonds sold by counties to acquire, construct, and renovate community college facilities, and it pays for part of the employee benefits provided to community college faculty and staff.

There are 15 independent institutions in New Jersey receiving funding through the Independent College and University Assistance Act.

FISCAL YEAR 1996
STATE APPROPRIATION FOR SENIOR PUBLIC HIGHER EDUCATON INSTITUTIONS
($ in thousands)

Thomas A. Edison State College	$4,725
Rowan College of New Jersey	32,377
Jersey City State College	27,896
Kean College of New Jersey	31,616
William Paterson College of New Jersey	35,068
Montclair State College	39,900
Trenton State College	32,611
Ramapo College of New Jersey	17,272
Richard Stockton State College	19,023
Total State Colleges	$240,488
Rutgers, The State University	258,006
Agricultural Experiment Station	22,350
University of Medicine and Dentistry of New Jersey	192,209
New Jersey Institute of Technology	44,883
Total Universities	$517,448
Total Appropriation	**$757,936**

FISCAL YEAR 1996
SUPPORT OF EDUCATION AND GENERAL SERVICES AT STATE COLLEGES AND UNIVERSITIES*



*Excludes University of Medicine and Dentistry of New Jersey and the Agricultural Experiment Station because of their unique funding.

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 Equipment Leasing Fund and the Higher Education Facilities Trust Fund. 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. The Higher Education Facilities Trust Fund will support the cost of construction, renovation, or improvement of instructional, laboratory, communication, and research facilities related to future industry and workforce needs. Although primarily intended to benefit New Jersey's colleges and universities, this program will also stimulate the creation of jobs in the State's construction industry impacting New Jersey's economy far in excess of the $220 million in the Trust Fund.

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 more than 73 percent of the department's budget, recommended at $252.7 million for fiscal 1996. 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.

In addition, three 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; and the Violent Crimes Compensation Board.

The Division of Motor Vehicles and the Office of Highway Traffic Safety are recommended to be merged with the Department of Transportation. Besides the savings that will be realized by consolidating functions, this merger will help develop an integrated, safe, efficient and cost effective network of transportation and vehicle services for the residents of New Jersey.

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. This reduced level of spending, coupled with proposed regulatory changes in the gaming laws and regulations, will make for a more cost–effective gaming environment in New Jersey.

LAW ENFORCEMENT

The fiscal 1996 recommendation for the Division of State Police is $156.3 million to continue providing vital 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.

Other programs such as the Automated Fingerprint Identification System (AFIS), Computer Aided Dispatch (CAD), and Computerized Criminal History records (CCH) will continue to provide support in the day–to–day operations of the State's law enforcement agencies.

The State's law enforcement efforts will be further enhanced by the 85 members of the State Police 115th Trooper Class, who are expected to graduate in 1995. With support from indirect cost recoveries from the independent authorities which contract for State Police services, the State Police 116th Trooper Class will be enrolled and graduated in fiscal 1996.

The Division of Criminal Justice, Narcotics, Organized Crime and Racketeering, and Office of the State Medical Examiner programs 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 year 1996 the combined recommendation of these three programs is $28.8 million, to continue their activities at current levels.

The Safe and Secure Communities program is recommended at $9.0 million for fiscal 1996 and will provide much needed financial assistance to municipalities to continue paying for salaries of police officers and for the purchase of law enforcement related equipment.

CITIZENS' RIGHTS

A total of $38.7 million is recommended in fiscal 1996 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 inspection of weight and measuring devices statewide, regulation of charitable organizations, and monitoring of the State's legalized games of chance laws.

In fiscal 1996, the New Jersey Cemetery Board is recommended to be made a part of the Division of Consumer Affairs. It is expected that this consolidation will result in a 50 percent reduction in the cost of the program.

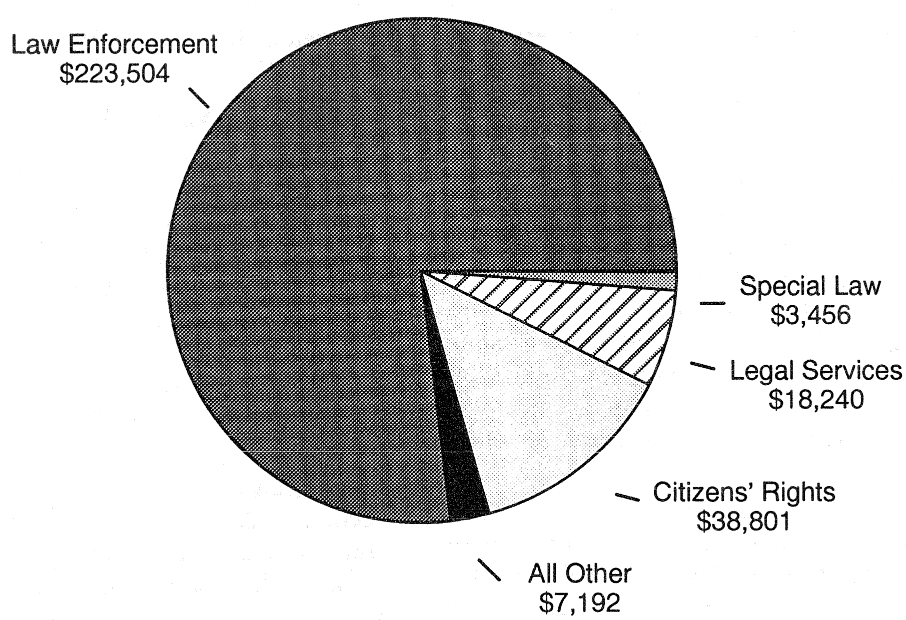
The Division on Civil Rights continues to promote outreach by providing educational and preventive information and programs to clients. Complaints or disputes related to equal opportunity in employment, housing, public accommodations and the extension of credit or making of loans are investigated and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

The state professional boards regulate the practices of the respective professions, occupations and trade.

LEGAL SERVICES

The Division of Law, which provides a wide range of legal services to all State agencies, is recommended at $18.2 million.

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



FISCAL YEAR 1996 BUDGET

Corrections and Parole

The Department of Corrections is responsible for the confinement of criminals and the preparation of these individuals for return to the community. The number of State inmates continues to grow and is projected to reach almost 26,000 by the end of fiscal 1996.

The Department's recommended budget is $692.6 million for fiscal 1996. This will provide custody, care, supervision and treatment for approximately 74,000 inmates and parolees. The Department's operating budget of $575.4 million is nearly $37 million less than in fiscal 1995 as the result of savings to be achieved through a number of "Government That Works" initiatives. However, grants–in–aid payments to house State inmates in county jails and private community halfway house programs will increase by nearly $23 million to $117.2 million as the inmate population is projected to grow by 100 per month during fiscal 1996.

PRISONS

A total recommendation of $513.8 million for the State prison facilities will continue the present level of custody, supervision, education, treatment, and other programs for approximately 20,000 adult inmates. The recommendation of $93.5 million to counties will provide funding to handle the population of State inmates in county facilities. Should a significant number of State inmates need to be removed from the county jails, funding will be reallocated to other programs.

Custody overtime in the prisons is being reduced by $13 million as a result of several managerial initiatives being instituted by the Department. The fiscal 1996 Budget also anticipates $6.6 million in salary savings for civilian (non–custody) positions that become vacant and will not be refilled.

The Department has made a significant reduction in non–salary accounts, such as food and medical services, by foregoing the normal inflationary cost increase ($5.9 million) and making another $7.9 million reduction in these accounts. These reductions will be accomplished by a variety of efficiencies and improved operating procedures. An additional $9 million reduction is incorporated into the budget to reflect recommendations contained in a management consultant's initial review of departmental operations.

Among the few increases in the Department's budget is $1.3 million in the "Boot Camp" appropriation representing the annualized cost of this program. A total of $4.3 million is budgeted in fiscal 1996 for a 100–bed program. This program is intended to deter youthful offenders from a criminal lifestyle through a regimen of physical conditioning, discipline, and classroom activity.

Plans are proceeding to build a 3,000–bed prison in Bridgeton. It is expected that construction will begin in fiscal 1995.

PAROLE AND COMMUNITY PROGRAMS

The fiscal 1996 recommendation of $24.5 million will support the supervision of approximately 48,000 parolees as well as inmates assigned to the Intensive Supervision/Surveillance Program (ISSP) or assigned to halfway houses. The ISSP is an alternative to returning parole violators to institutional confinement. Inmates who are within six months of their parole date or parole eligibility hearing date participate in this program in lieu of serving their sentence in an institution or halfway house.

The Purchase of Community Services programs are recommended for $22.1 million, an increase of $14.6 million. This large increase supports the Department's efforts to increase the number of bedspaces in halfway houses operated by private providers. Approximately 700 bedspaces will be added in fiscal 1995 and 1996, which will help reduce the county backup. Included in these new bedspaces are the 68 bedspaces in Newark House, which the Department is closing in fiscal 1995; this was the only halfway house operated by Corrections. In fiscal 1996, all halfway house programs will be operated by private providers.

The Parole Board's budget is recommended at $7.8 million. This is the same amount as in fiscal 1995. This will allow the Board to keep pace with the increasing number of hearings and reviews that are needed due to the growing inmate population.

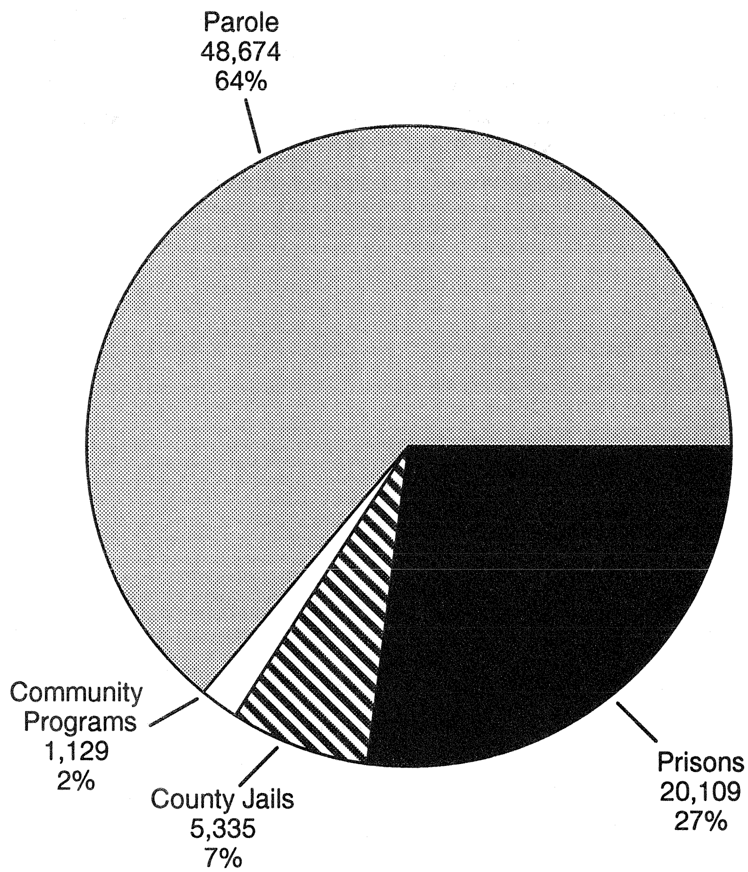
The Judiciary and Court Unification

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. Included among the costs assumed by the State are salaries, health benefits, and pension payments of approximately 7,700 county judicial and probation services employees. State assumption of funding will be phased in over the years 1995, 1996, and 1997.

The Judiciary's operating budget increased from $110.1 million in fiscal 1994 to $235.6 million in fiscal 1995. The Fiscal Year 1995 Budget included six–month funding for court unification, beginning in January 1995 through June 1995. This Budget, however, includes a full year of funding at a total cost of $254.9 million, an increase of $125 million from fiscal 1995. Overall, the Judiciary's budget increases to $355.3 million.

As part of the phase–in of State funding, the State will receive reimbursement from the counties of $181.4 million and $31.5 million in certain fees, fines, and assessments formerly collected by the counties. When the cost of fringe benefits and salary increases are included, the net cost impact on the State will be approximately $118 million in fiscal 1996.

NUMBER OF INMATES AND PAROLEES UNDER DEPARTMENT OF CORRECTIONS SUPERVISION ENDING FISCAL YEAR 1996



TOTAL UNDER SUPERVISION = 75,247

DEPARTMENT OF ENVIRONMENTAL PROTECTION

Efforts to protect the environment are primarily focused on safeguarding the public health and preserving our quality of life. In a densely populated state like New Jersey, the importance of this commitment cannot be understated. Environmental risk must be minimized in the most cost effective manner, in part by allocating the State's limited resources to address the most pressing environmental problems. By being selective with our environmental investments, it is possible to protect our resources and accommodate necessary economic growth.

This challenge falls to the Department of Environmental Protection (DEP), the State's principal regulatory agency. As part of its regulatory responsibilities, DEP sets pollution standards, establishes permit requirements, and enforces environmental laws. The Department also oversees the remediation of contaminated sites (i.e., hazardous waste cleanup) and provides recreational opportunities through the operation of a statewide system of parks and forests. The Budget includes a total Direct State Services appropriation of $182 million for DEP.

IMPROVING EFFICIENCY

Although DEP's fiscal 1996 recommended appropriation level of $182 million represents an $11.5 million reduction from the fiscal year 1995 appropriation of $193.5 million, DEP will continue essential levels of service in all of its programs. Funding will be eliminated for approximately 160 staff, or nearly 5 percent of DEP's total employees.

These budget reductions occur in four general areas: elimination of administrative overlap and duplication, program consolidations, targeted operations reductions to specific programs, and minor funding shifts to non–state sources.

The largest reduction occurs in DEP's Management and Regulatory Affairs programs, which were reduced by $3.7 million or 17 percent. These cuts principally affect DEP's central administration, including programs such as Personnel, Fiscal Operations, Central Services, and Information Resources. The Department plans to contract out for medical services, consolidate accounting and procurement functions, and centralize administrative units. Training costs for data processing staff will be exclusively provided by the State's Human Resource Development Institute (HRDI). The reduction in the Department's personnel function will bring DEP more in line with staffing standards in other State agencies and in environmental protection departments within surrounding states. Approximately 90 management staff will be affected.

DEP's geological survey work, including subsurface investigations and geophysics, will be contracted out or shifted to the Spill Compensation Fund yielding a savings of $.7 million. An additional $.7 million in administrative costs will be saved through consolidating Toxic Catastrophe Prevention into Right to Know, and Stormwater Permitting into Water Pollution.

Several Solid Waste programs will be reduced by $.5 million. DEP will restructure its Solid and Hazardous Waste Disclosure program and improve efficiency in the Medical Waste program with potential fee reductions and rule changes.

In its enforcement programs, the Department has established an Alternate Dispute Resolution process, a form of mediation which resolves enforcement disputes in a timely, cost efficient manner. Cases which were routinely referred to the Division of Law for litigation will be internally reviewed. Acting as an impartial third party, DEP's Office of Dispute Resolution will meet informally with the permittee and see where compromise can be reached saving an estimated average of $20,000 per case. The Budget includes a reduction of $.5 million in legal costs for Deputy Attorney General services in the Division of Law.

The Department also plans to reduce the work–week of approximately half of its employees resulting in budget savings of $6.7 million. This initiative will align the workweek in DEP with that of comparable job titles in other state agencies. This change is not expected to reduce DEP's level of service, and may encourage participation in alternate work schedules which allow employees to work a week's worth of hours in four days rather than five.

PERMITTING REFORMS

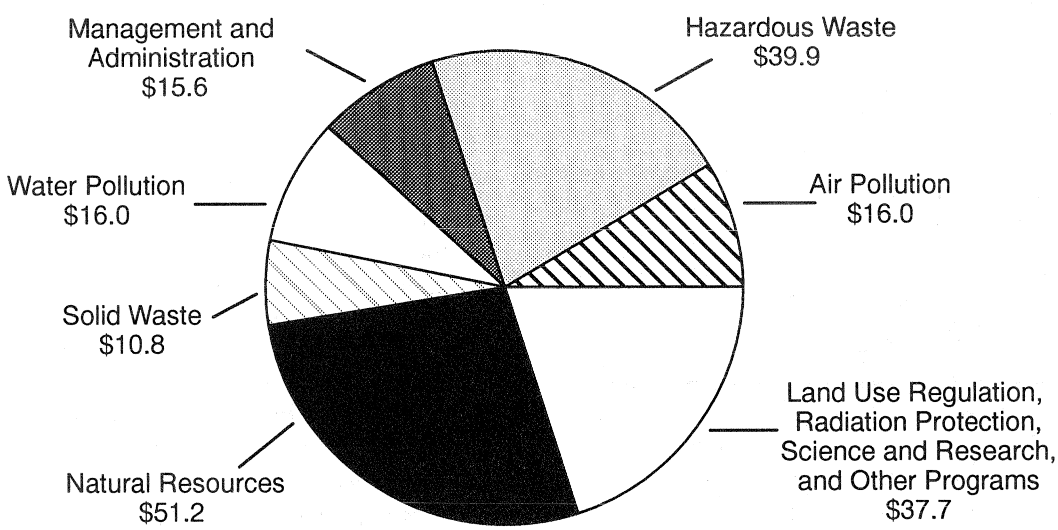
The Department has implemented several new initiatives to make its permitting process more responsive, timely, and efficient. The use of general permits, which incorporate similar activities under one, comprehensive review, will be expanded. In the case of Air Pollution, approximately 50 percent of preconstruction permits will be converted to general permits, requiring only a seven day notice of registration. Also, more permittees will be allowed to draft their own permits, enabling DEP to concentrate on substantive permit decisions. DEP has also implemented a pollution threshold in its Treatment Works program, which oversees sewer construction. By raising the discharge threshold from 2,000 to 8,000 gallons per day, DEP reduced the number of construction projects requiring permits, without threatening public health. This approach saves time and money for the applicant and DEP, and is likely to be expanded to other permitting programs.

BRINGING DEP "ON–BUDGET"

The Fiscal Year 1996 Budget for the Department constitutes a substantial departure from the practice of prior years' budgets. Consistent with the Governor's commitment to bring DEP "on budget", the fiscal year 1996 recommendation displays DEP's full spending authority for fees, penalties, trust funds, special revenue, and bond fund administration as a State appropriation. This budget also ends the dedication of fee revenue. All of these changes result in a budget which is easier to understand, more amenable to oversight, and more flexible in allocating resources to critical programs. Moreover, these changes have been accomplished in a manner which is revenue–neutral to the State.

DEPARTMENT OF ENVIRONMENTAL PROTECTION

FISCAL YEAR 1996 BUDGET
($ in Millions)



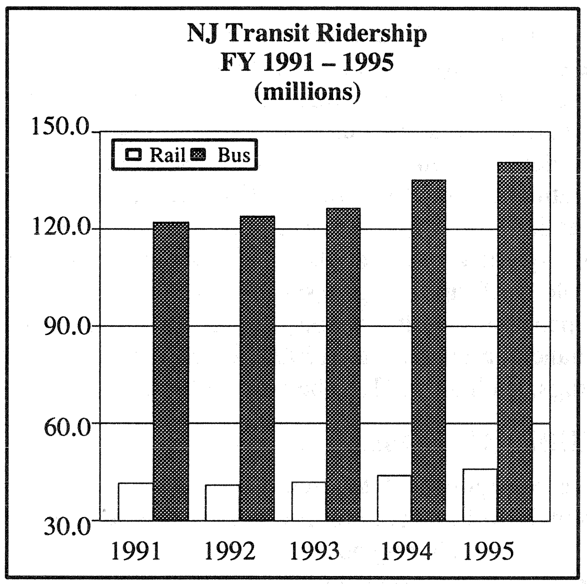
Total $187.2*

*Includes $5.1 million in State–Aid.

TRANSPORTATION

As a result of the Governor's commitment to making government more efficient, the mission of the Department of Transportation (DOT) will be expanded in fiscal 1996 to include the Division of Motor Vehicles (DMV). In addition to performing traditional transportation functions, DOT will also be responsible for automobile registration and inspection services, including compliance with vehicle emission standards pursuant to the federal Clean Air Act. Merging DMV into Transportation will yield significant savings in administrative costs and enable the State to finance capital improvements to DMV's inspection stations from the Transportation Trust Fund, thereby averting potential Clean Air sanctions.

The remaining DMV functions such as administering driving and vision tests, suspending licenses for dangerous drivers, and testing commercial truck drivers under the federal Commercial Motor Vehicle Safety Act will also be merged into DOT. The Department will oversee the operation of 49 motor vehicle agencies, including the contracting out of 25 agencies currently run by the State.



DOT's total expenditures of $664.1 million have four major components. The Department's $163.7 million operating budget funds roadway maintenance, snow removal, regulatory functions, department administration, and all Division of Motor Vehicles activities. The public transportation subsidy of $219.2 million makes public transportation a cost–effective alternative. The State contribution to the Transportation Trust Fund of $261.3 million will allow DOT to preserve existing highway infrastructure, make capital improvements to public transit services, and expand automated traffic management to promote mobility and improve air quality in New Jersey. Also, NJ Transit will receive $19.9 million in Casino Revenue Funds to develop accessible public transportation facilities for the elderly and disabled.

The fiscal 1996 operating budget of $163.7 million is $45 million less than the fiscal 1995 adjusted appropriation of $208.7 million. This decrease will not affect current service levels. The bulk of the reductions will be achieved through administrative savings generated by the DMV merger, shifting operating costs for Clean Air and DOT capital projects to the Transportation Trust Fund, and contracting out selected functions. Increased federal resources will offset some of the State funding reductions in highway maintenance.

The New Jersey Transit Corporation was rated as the top public transit agency in the country for 1994 by the American Public Transit Association. Each day, NJ Transit moves 331,000 passengers along 12 rail lines and 177 bus routes throughout the state. During a time when other regional transit systems have experienced significant ridership losses, NJ Transit's ridership has been steadily increasing. NJ Transit's ridership growth is attributable to improvements in on–time performance and service quality and an effective marketing program.

The State appropriation to New Jersey Transit of $219.2 million in fiscal 1996 is $20 million lower than fiscal 1995. As with DOT, NJ Transit will be able to absorb this reduction through a series of managerial efficiencies and by using additional revenue generated by ridership growth to offset the need for State dollars. NJ Transit will be able to maintain current service levels with no fare increase for the fifth consecutive year and continue funding the statewide phase–in of paratransit services pursuant to the federal Americans with Disabilities Act.

The annual capital program, which is funded through the Transportation Trust Fund, will be one of the largest in the Department's history over $1.0 billion dollars when combined with federal funding. The rehabilitation and replacement of bridges on both State and local roads is a priority. Other investments in traffic management systems and motorist advisory systems will relieve congestion and safety problems through more efficient movement of traffic, thus avoiding the need for costly roadway expansion. Additional investment in public transit facilities and equipment will provide additional options for New Jersey commuters, improving mobility and air quality for State citizens and visitors to the State. The use of toll road authority funds will offset the need for the State to provide matching funds to draw down federal aid.

Public Health

The mission of the Department of Health has been transformed from detecting and preventing the spread of communicable diseases, to fostering accessible, affordable health care for all residents of New Jersey. The Department 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 8.2 in fiscal 1996. 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 1996, the Department's goal is to screen 122,000 newborns for neonatal deficiencies such as Phenylketonuria (PKU), galactosemia, hypothyroidism, and sickle cell anemia.

The fiscal 1996 Budget will continue to provide basic public health services to the citizens of New Jersey, but with an continued emphasis on doing it more efficiently and with less bureaucracy. The Department's budget continues to provide funding to non–profit organizations that support local community–based health services. The Department was able to effectuate reductions in tuberculosis treatment and family planning costs without eliminating services, through the increased maximization of federal revenue.

In health planning the emphasis has mainly been concerned with 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 in fiscal 1993, this budget aims to downsize the regulatory side and shift the focus to providing consumers with information about health care. This will give consumers of health care information they need to make informed choices in the new, deregulated hospital environment. One such example is managed care. The Department is changing its monitoring approach from a retrospective case review and complaint investigation to a statistical–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.

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 have been reallocated to respond to all complaints at these facilities.

ACQUIRED IMMUNE DEFICIENCY SYNDROME (AIDS)

The Budget recommends $15.1 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 24,015 cases have been reported in New Jersey, and more than 424,055 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. This program provides financial assistance to 1,200 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, crowded prisons, non–compliance with medication regimens, and the AIDS epidemic. Particularly alarming is the appearance of drug–resistant strains of TB, which 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 LABORATORIES

The Public Health Laboratory provides a comprehensive range of timely diagnostic services to most 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.

Family Development

The State's social welfare assistance programs are placing a greater emphasis on reuniting and strengthening the family as a means of obtaining self–sufficiency, through the creation of the Family Development Program (FDP).

The funding recommended for the Division of Family Development (DFD) in fiscal 1996 is $510.5 million, a decrease of $27.7 million or 5 percent. This decrease is attributable primarily to $40.5 million of Government That Works Initiatives intended to streamline welfare administration and offsets $12.8 million in cost associated with client caseload increases.

Aid for Families with Dependent Children (AFDC) is the largest program. Welfare clients are automatically eligible for Food Stamps and for Medicaid. The average family is composed of a single parent and two dependent children, who receive a maximum of $424 per month in welfare assistance payments.

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 1996. In an effort to maximize federal funds, more than 1,000 GA nursing home patients will be shifted to the federal Medicaid program, saving the state $13 million while preserving client services.

The Family Development Program (FDP) significantly expands current education, training, and employment opportunities for welfare recipients. The Family Development Program moves beyond the federal Job Opportunities and Basic Skills (JOBS) legislation, by placing a greater emphasis on education and training, including higher education, to help clients to pursue careers and a life independent of welfare. Regulations have been changed to encourage the formation of families by allowing AFDC benefits to continue following marriage. Comprehensive services are provided to other family members, not just the head of household, so that the cycle of welfare dependency and poverty can be broken. Health care coverage has been extended from one to two years following employment to encourage self–sufficiency.

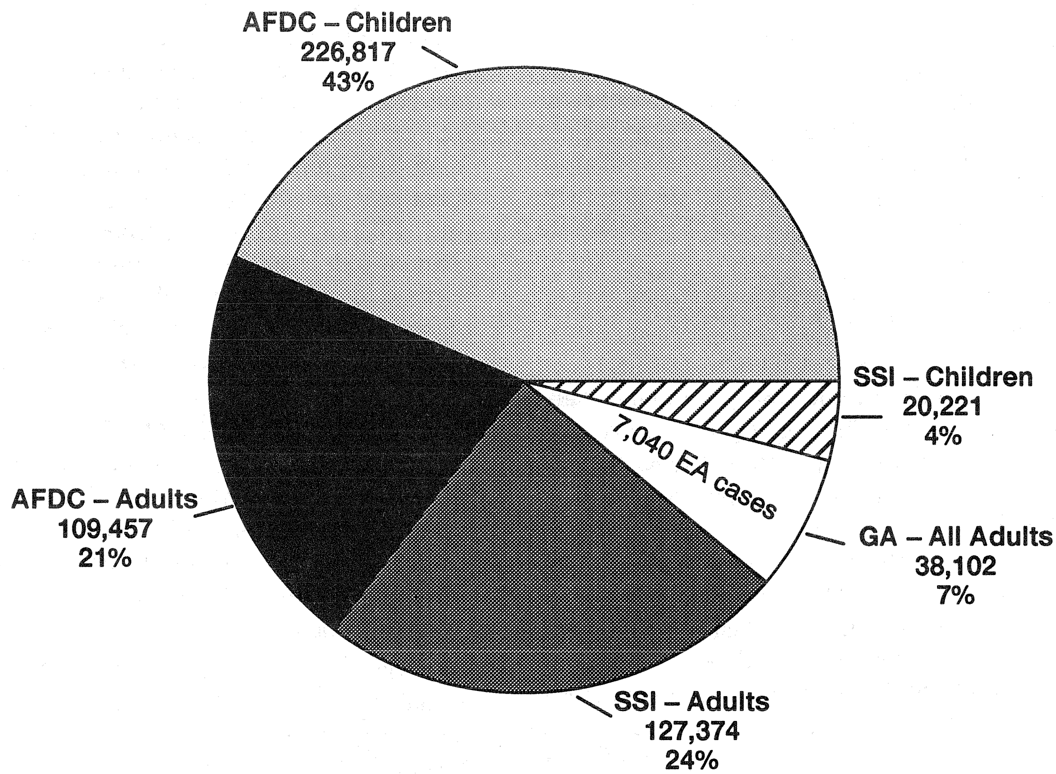
AFDC families were eligible for FDP in fiscal 1995. As a result, funding for JOBS is displayed as part of FDP funds. FDP is also available in Trenton and Camden for GA recipients. The Budget includes $40 million for welfare reform training to provide services for an estimated caseload of 51,500 in fiscal 1996. Additionally, $8 million is recommended from the New Jersey Workforce Development Partnership Fund for job readiness and training activities.

INCOME ASSISTANCE PROGRAMS
FISCAL YEAR 1996 BUDGET
($ IN MILLIONS)

INCOME ASSISTANCE PROGRAM	STATE FUNDS	FEDERAL FUNDS	LOCAL FUNDS	TOTAL FUNDS
AFDC	$200.8	$214.8	$20.5	$436.1
GENERAL ASSISTANCE (GA)	$177.6	—	—	$177.6
EMERGENCY ASSISTANCE (EA)	$24.8	$21.4	$2.2	$48.4
SSI	$67.4	$787.5	—	$854.9
FAMILY DEVELOPMENT/JOBS	$39.9	$54.2	—	$94.1
TOTAL	$510.5	$1,077.9	$22.7	$1,611.1

NEW JERSEY INCOME ASSISTANCE PROGRAMS
FISCAL YEAR 1996 CASELOAD

NUMBER OF INDIVIDUALS



This chart includes participants funded from all funding sources.

THE MEDICAID PROGRAM

Medicaid is the State's health care program for the needy. Medicaid for which the State will expend $1.9 billion in fiscal 1996, 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. Starting in April 1995, the State will undertake a major managed care initiative.

Medicaid has been utilized to expand services to broader populations. Yet Medicaid coverages still are not fully accessible in certain portions of the State. Consequently, 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 are individuals who 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 fiscal years while the SSI population has been steadily increasing.

For Medicaid, as for the average health care consumer, the cost of care varies greatly depending upon the type of service received. That is, if an individual is hospitalized, the cost will be high; a routine doctor's visit is relatively low. Thus, although AFDC recipients constitute 62 percent of all Medicaid recipients, they account for only 31 percent of Medicaid expenditures. The composite average Medicaid State cost for an AFDC recipient is $162 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 15 percent of Medicaid recipients and now account for 32 percent of expenditures. This is largely explained by the provision of nursing home and hospital care to a growing number of elderly persons. Disabled and blind eligibles comprise 23 percent of Medicaid recipients and account for 37 percent of expenditures because of their high utilization of medical services and prescription drugs related to the particular disability.

No services provided at the State's option have been eliminated nor have any eligibility categories. A major objective is achievement of administrative efficiencies. An example is implementation of a point–of–sale pharmacy claim system to prevent prescription abuse, avert potentially dangerous prescription drug combinations, and provide the pharmacy with immediate access to patient eligibility data.

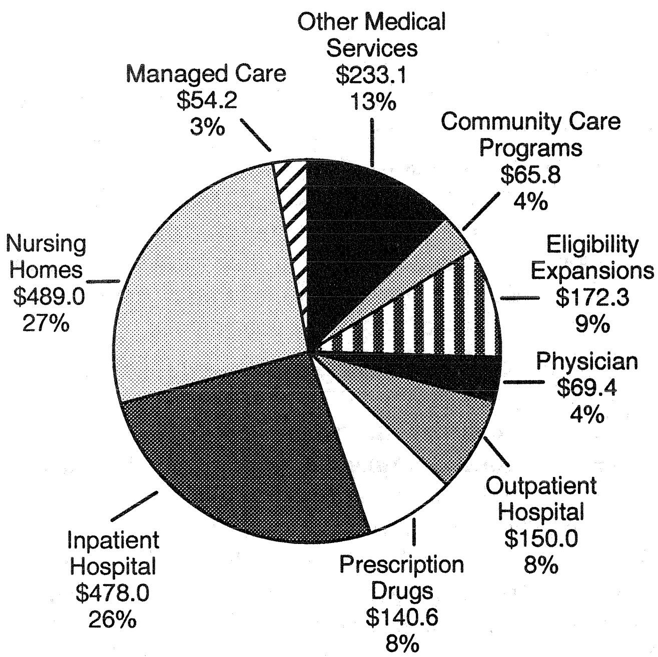
Starting in fiscal 1995, the State will be phasing in mandatory managed care for AFDC clients. The process will begin in Camden, Gloucester and Hudson Counties, followed by Essex County in October, 1995. Enrollment is projected to be approximately 67% by the end of the fiscal year, out of a possible 450,000 eligibles. Managed care will provide the full scope of medical services by 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.

MEDICAID EXPANSIONS

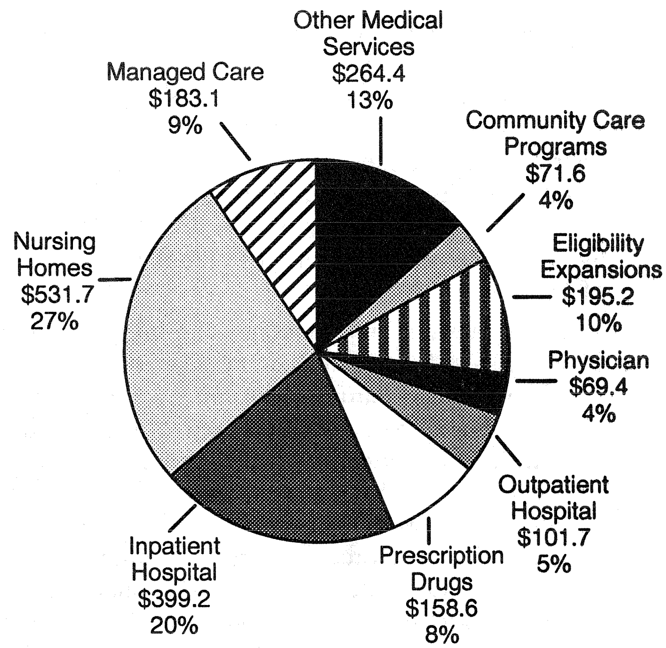
The Medicaid program serves persons who would otherwise be part of the growing pool of those without resources for health care. Those without health care insurance tend to receive limited health care, particularly preventive health care, reducing the overall well–being of the State's population.

Consequently, Medicaid services have been made available to New Jersey residents with incomes above AFDC or SSI eligibility limits but at or near the federal poverty level. These individuals receive benefits under the New Jersey's Medicaid expansion program called New Jersey Care. The first expansion of eligibles included pregnant women, children up to age two, plus aged, blind and disabled persons. A subsequent expansion extended Medicaid coverage to pregnant women, and children to age one, with family income up to 185 percent of the poverty level. Additional expansions have targeted older children. Each of these expansions reduces the level of uncompensated care in the State, provides services to persons before a health crisis develops, and receives 50 percent federal matching funds. This budget does not propose any additional expansions.

MEDICAID GRANTS–IN–AID
General and Casino Revenue Funds
($ in Millions)



FY95 Total – $1,831.4



FY96 Total – $1,974.9*

***Includes $60 milion carryforward from FY'95 and $71.6 million from Health Care Subsidy Fund.**

PHARMACEUTICAL ASSISTANCE TO THE AGED AND DISABLED

The Pharmaceutical Assistance to the Aged and Disabled (PAAD) program reduces the cost of prescription drugs to a vulnerable segment of the population. This program pays the full cost of prescriptions for eligible individuals, less a copayment to be paid by the recipient. PAAD serves over 237,000 aged and disabled persons and is recommended at $172.7 million for fiscal 1996.

The financial savings to individuals for prescription drugs is substantial. The typical elderly person averages over 22 prescriptions per year at an average cost of $41.44, resulting in a $930 savings. For a disabled individual, the average savings is $1,544, based on an average of 32 prescriptions per year at an average cost of $48.57.

The program has three distinct eligibility groupings. These generally reflect the program's evolution, in which income standards for eligibility were increased in consideration of cost of living increases, or expanded to include new participants. 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 with a higher income, up to $13,650 if single and $16,750 if married. Eligibility was also expanded to include persons deemed disabled under federal Social Security criteria. All disabled individuals with incomes up to $13,650 (single)/$16,750 (married) were funded by the Casino Revenue Fund.

Social Security payments are a large part of the earnings of PAAD recipients. Each year, a cost–of–living adjustment (COLA) is added to Social Security so that these earnings keep pace with inflation. The January 1995 COLA will cause about 3,600 recipients to become ineligible for PAAD because it puts their earnings over the maximum allowable under the program. The Administration, however, recommends an increase in the income caps— to $16,624 for single persons and $20,383 for married couples— so that no one becomes ineligible for program benefits because of the 2.8 percent Social Security COLA in January, 1995.

The State initiated a pharmaceutical manufacturers' rebate program in July, 1992, similar to the federally mandated rebate for the Medicaid program. Under this program, pharmaceutical manufacturers that participate in the PAAD program are required to provide rebates to New Jersey, reflecting a "bulk purchase" discount. Nearly $40 million in rebates is expected in fiscal year 1996.

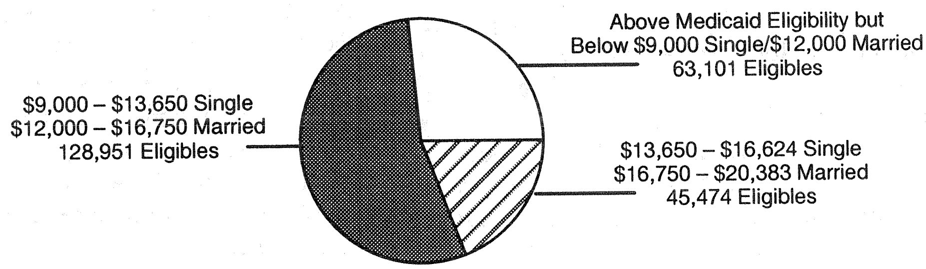
This Budget proposes that PAAD contract with a Pharmacy Benefits Manager to reduce costs while maintaining access and services to individuals. It is envisioned that the benefits manager will implement a mail order system and negotiate the best possible prescription prices with suppliers. Mail order will allow the delivery of drugs to those recipients who have no means of getting to the pharmacy, especially during the harsh winter months. A network of pharmacies strategically located throughout the State will help ensure geographic proximity to those who prefer face–to–face contact with their pharmacists.

The dramatic increase in drug costs—average prescription prices were around $12.00 in 1982 versus $45.00 today— combined with the growth in recipients has placed a significant financial burden on the Casino Revenue Fund. In addition to supporting the PAAD program, the CRF funds other worthwhile programs to the State's elderly and disabled residents. However, the growth of these programs is exceeding the Fund's growth in revenues. In order to keep costs down while maintaining a high level of services, PAAD will actively pursue the use of generic drugs wherever possible. The copay on brand–name drugs will be changed to $7.00 as an incentive to purchase generic drugs, which on average cost 30 percent less than brand–name drugs. Some of these savings will be passed on to program recipients by way of a reduction in the copayment from $5.00 to $2.00 for generic drug purchases. Although the copay on brand–name drugs will be changed, the PAAD program will still pick up nearly 85 percent of the costs of these drugs.

LIFELINE

In addition to pharmaceutical assistance, PAAD eligibility also confers entitlement to Lifeline home energy payments of $225 annually per household. The Lifeline Tenants program is funded from the General Fund while the Lifeline Credit program for homeowners is funded from the Casino Revenue Fund. Total Lifeline benefit expenditures of $81.2 million are anticipated in fiscal year 1996.

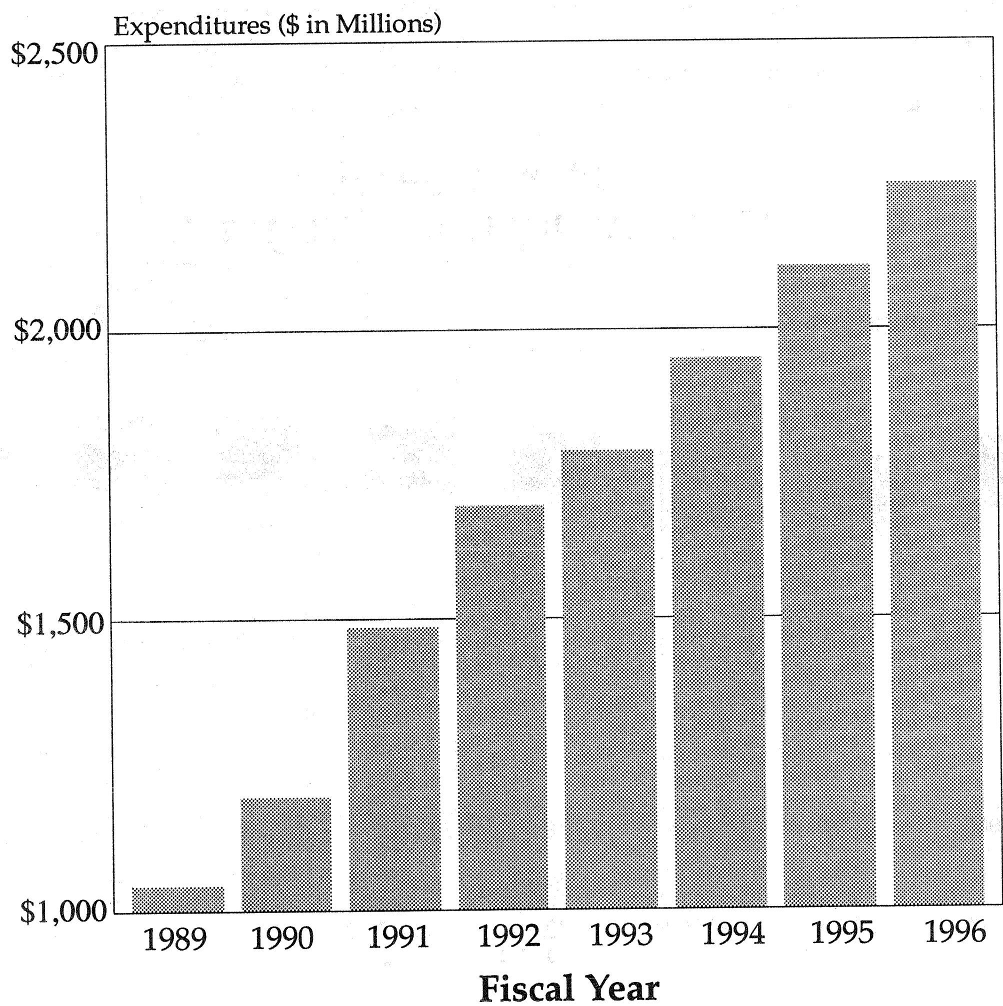
PHARMACEUTICAL ASSISTANCE TO THE AGED AND DISABLED
FISCAL YEAR 1996 ELIGIBLES BY INCOME



ANNUAL INCOME ELIGIBILITY LIMITS

Medical Assistance and Health Services

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



Fiscal Year 1996 includes $60 million carry forward from Fiscal Year 1995 and $71.6 million from the Health Care Subsidy Fund.

Community, Social and Institutional Services

Community and Social Services

Community Mental Health—Mental Health community services are provided by 179 contracted private community mental health agencies and by two mental health centers associated with the University of Medicine and Dentistry of New Jersey. These 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. Community mental health centers are contacted by clients more than 242,000 times each year.

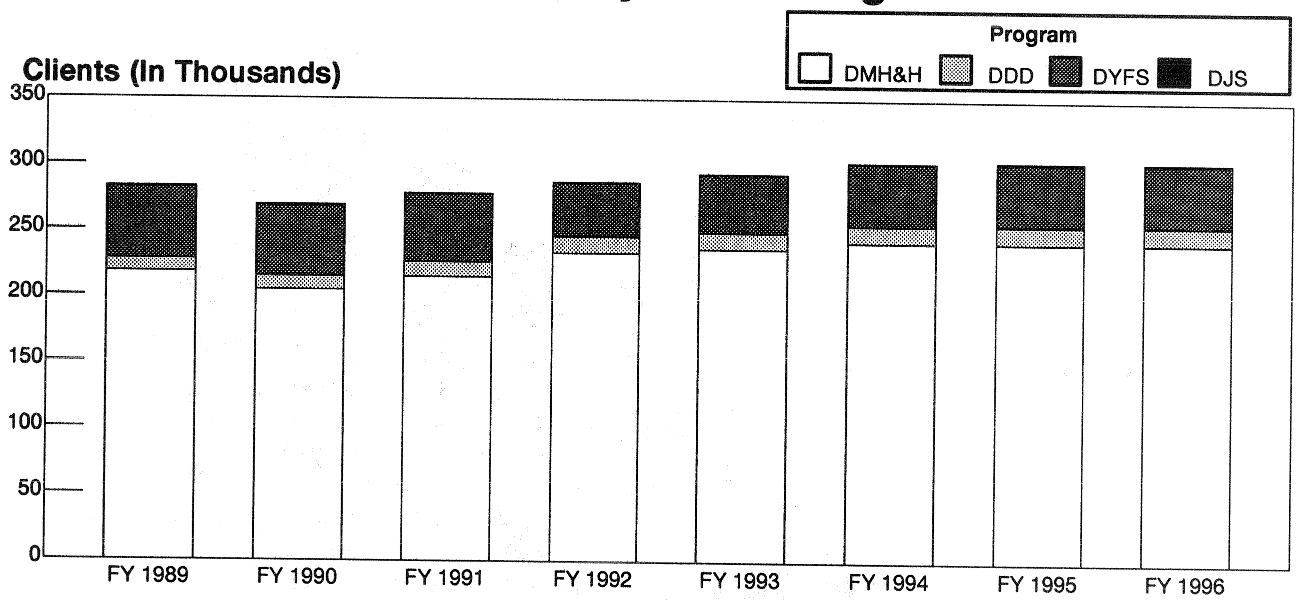
The major goal of clinical intervention is to enable clients to relieve distress and permit them to function as independently as possible, using a variety of services. Emergency services—provided on a 24–hour basis—stabilize individuals through assessment, intensive supervision, medication monitoring 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 1992, a major initiative was undertaken to reduce the overall population of the major State psychiatric hospitals by placing 450 patients in alternative treatment programs in the community.

Community programs will again expand over a three–year period commencing fiscal year 1996 due to the closure of Marlboro Psychiatric Hospital, as noted below in the Institutional Care section. A $2.4 million appropriation is recommended to support the creation of an expanded community mental health services infrastructure, in addition to savings realized from closing the facility.

Clients Served Community Care Programs



	FY 1989	FY 1990	FY 1991	FY 1992	FY 1993	FY 1994	FY 1995	FY 1996
DYFS	54.216	53.419	51.407	49.439	44.112	47.314	47.500	47.500
DDD	9.706	10.370	11.378	12.632	12.601	13.048	13.636	13.776
DMH&H	218.116	204.621	214.851	233.389	236.743	242.159	242.159	242.159
DJS	0.747	0.821	0.744	0.788	0.61	0.704	0.737	0.737

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 47,500 children will be served during fiscal 1996.

The Division's substitute care programs offer temporary or permanent care to clients whose needs prevent them from remaining in their own homes. Probably the best known alternative is foster care for children whose families are unable to provide appropriate care for them. The number of foster care placements is expected to remain relatively stable during fiscal 1996, which is true of all major placements served by the Division of Youth and Family Services with the exception of subsidized adoption placements. Adoption subsidies are provided to encourage the permanent placement of children with special needs and are expected to increase by approximately 283 placements in fiscal 1996. A total of $2.7 million is provided in the budget to support this growth.

Community–based family support services are designed to assist families in crisis and to preserve and strengthen families. "Wrap–around" services, one of these supports, provides a network of family–oriented services individually tailored around a child with serious emotional or behavioral problems. Some other contracted services developed and monitored by the Division are homemaker, companionship, employment, housing, legal, and psychological/therapeutic services. Also included in this budget is $1.1 million to continue the Children and Families Initiative, which provides a variety of prevention and primary care services to at–risk families.

The Fiscal Year 1996 Budget will also include new federal reimbursements for psychological/therapeutic services that have not been claimed in the past, as well as new Emergency Assistance recoveries for foster care placements. Both of these initiatives will result in state savings of $9.0 million in this Budget.

Another major component of DYFS community services is child care. DYFS subsidizes approximately 226 community day care centers. This Budget recommends the contracting of the remaining five State–operated centers, saving $1.8 million with no impact on the 498 children served. Purchase of day care is also subsidized through vouchers, which give a family the ability to purchase its own choice of day care.

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.

As developmentally disabled individuals move through the series of community services, they develop the skills associated with living a more normal life.

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

This Budget recommends funding for 781 individuals to be placed in private institutions, 136 in family care, 1,502 in skill development homes, 3,438 in group homes and supervised apartments, and 5,899 in adult activities.

A $5 million community services waiting list reduction initiative is included in this Budget. Approximately 300 clients currently living in their own homes will be relocated to various kinds of community residences that meet their special needs. The capital costs associated with this initiative are available in the $160 million Bond Act of 1994 for upgrading institutions and expanding community placements.

Community programs will also grow as a result of closing a developmental center. Institutionalized clients will be relocated to community placements over a two–year period commencing in fiscal 1997. A $6.1 million appropriation is recommended in fiscal 1996 to support the creation of expanded community programs, in preparation for the depopulation of the facility commencing in fiscal 1997.

Juvenile Community Programs—The Division of Juvenile Services incorporates 25 residential group centers and 24 day programs. The Division works with local governments, communities, and other institutions to develop innovative measures such as the Union County Adolescent Substance Abuse program, which offers six–month treatment for juvenile offenders with documented drug or alcohol addiction problems. This program contracts with the Urban League of Union County, Inc., which provides counseling, referral, and employment placement for youth from the program. The budget continues to support such cooperative initiatives between the public and private sectors that represent smarter and leaner approaches to government.

A budget of $26.2 million is recommended for the Division of Juvenile Services for fiscal 1996 to provide care, supervision, and treatment for approximately 750 young people.

INSTITUTIONAL CARE

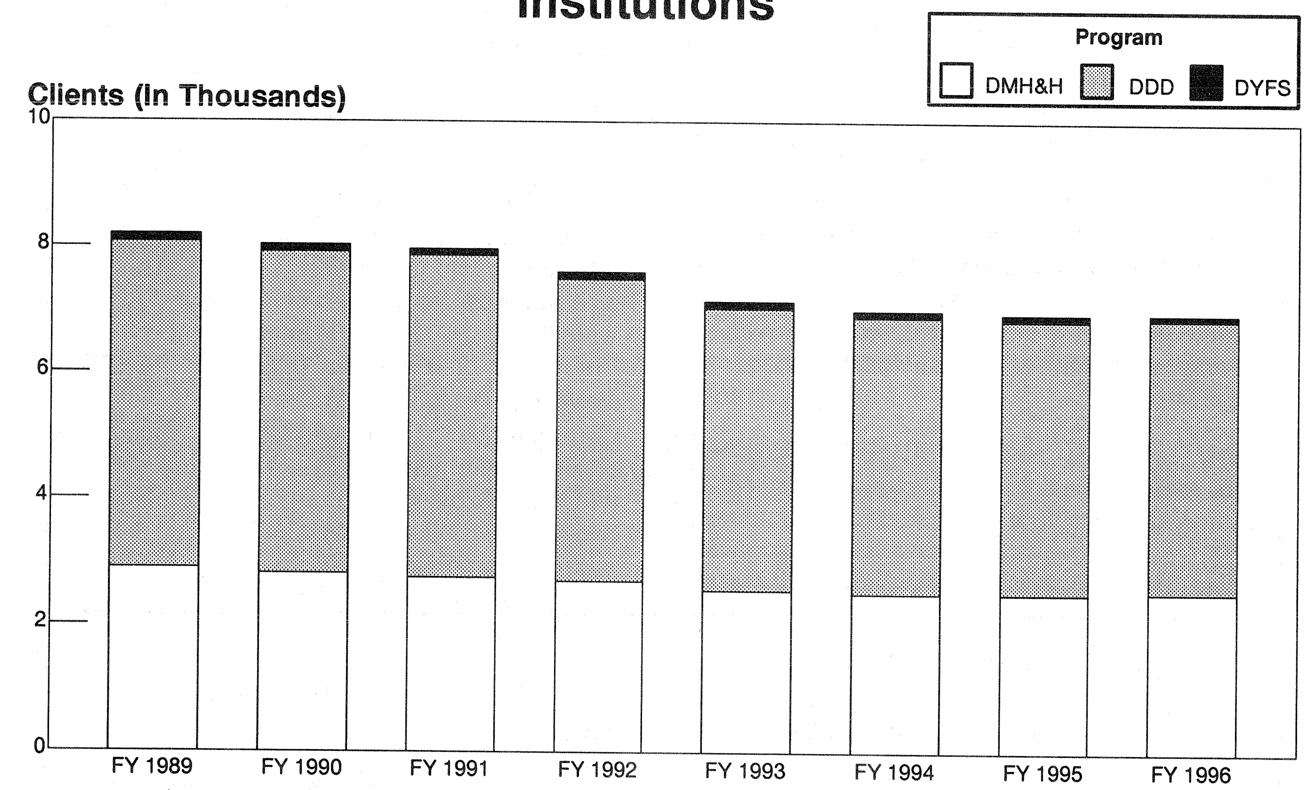
Psychiatric Hospital Care—The State maintains seven psychiatric hospitals to serve voluntarily or legally committed mentally ill persons. The facilities include one geriatric facility for those who have an additional need for nursing and medical care, and one facility for pre–adolescent school age children and adolescents who have been legally committed. In 1996, the number of patients at the mental health institutions is anticipated to average 2,530. Marlboro Psychiatric Hospital is the largest of the hospitals, averaging 751 patients on any given day. The Arthur Brisbane Child Treatment Center, the smallest facility, houses an average of 38 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 678. Essex is the largest of the hospitals, averaging 293 patients. The smallest and newest hospital is Runnells in Union County, averaging 14 patients. The State provides funds for 90 per cent of the maintenance costs of county patients.

A $2.4 million institutional closure initiative is included in the fiscal year 1996 recommendation which will provide funds to develop community placement programs for patients upon discharge to the community.

Average Daily Population
Institutions



DYFS	0.121	0.112	0.107	0.115	0.113	0.105	0.105	0.088
DDD	5.178	5.109	5.11	4.8	4.478	4.383	4.338	4.338
DMH&H	2.9	2.814	2.752	2.696	2.556	2.512	2.506	2.530

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 1996, an estimated 4,338 individuals will reside in the centers, a reduction of 840 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 State recently closed two facilities that had not been certified under the federal Intermediate Care Facilities/Mental Retardation (ICF/MR) program, the Edward R. Johnstone Training and Research Facility and the Developmental Center at Ancora, further reducing the number of non–certified beds in New Jersey. In recent years, the budget has also included separate initiatives to reduce the number of non–certified bedspaces at Vineland (256 beds) and Woodbine Developmental Centers (100 beds) through a depopulation initiative to place clients in community programs.

In fiscal 1995, 247 non–certified ICF/MR beds at Vineland and North Jersey Developmental Centers were converted to certified status and in fiscal 1996, an additional 51 non–certified ICF/MR beds at Hunterdon Developmental Center will be converted to certified status.

Overall, New Jersey will have reduced the number of non–certified beds from 1,464 in fiscal 1989 to 284 by the end of fiscal 1996 through depopulation of clients to community care and conversion of bedspace to certified status.

A $6.1 million institutional closure initiative is included in the fiscal 1996 recommendation which will provide funds 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. A planning activity with community involvement will take place in fiscal 1996 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
Division of Mental Health and Hospitals	$ 150,889	$ 12,140	$ 163,029
Division of Developmental Disabilities	191,147	165,876	357,023
Division of Youth and Family Services	230,861	87,305	318,166
Division of Juvenile Services	17,942	8,296	26,238
TOTAL	$ 590,839	$ 273,617	$ 864,456

INSTITUTIONAL PROGRAMS
APPROPRIATED DOLLARS
($ in thousands)

Program	State	Federal and All Other	Total
Division of Mental Health and Hospitals (State)	$ 222,176	$ 1,972	$ 224,148
Division of Mental Health and Hospitals (County)	78,267	—	78,267
Division of Developmental Disabilities	208,819	114,178	322,997
TOTAL	$ 509,262	$ 116,150	$ 625,412

EMPLOYEE BENEFITS

The State of New Jersey, in common with most employers, 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 the 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 1996, the effect of the pension modifications instituted in fiscal 1994 continue to be reflected in reduced costs to the State for this benefit. Similarly, increases in the cost of health insurance coverage are minimized, primarily as a result of the commitment of the State to administer this program as efficiently as possible.

EMPLOYEE PENSIONS

The Fiscal Year 1996 Budget recommendation assumes approximately $176.7 million in continuing savings in the various State pension systems. Those savings are due to actuarial, structural, and accounting changes, which allowed the State to realize savings without changing or reducing benefits in fiscal 1994. Those changes will continue to save the State millions in the upcoming years. The pension systems affected include the Public Employees' Retirement System, the Teachers' Pension and Annuity Fund for State members, the Police and Firemen's Retirement System, the State Police, and the Judicial Retirement Systems. The above systems, together with the Prison Officer's Retirement System, and the Alternate Benefits Program for Higher Education, total $297.7 million in recommended funding in this budget.

STATE EMPLOYEES' HEALTH BENEFITS

The fiscal 1996 recommendation of $538.6 million in the State's health insurance account reflects no increase in the Traditional and New Jersey Plus plan premiums, and an average decrease in the the various HMO's of 4.9 percent as health insurance rates in New Jersey continue to improve. Since fiscal 1977, the average annual growth rate in the State employees' health benefits account has been 15.9 percent, as illustrated by the accompanying table. In fiscal 1996, the state increase is only 2.22 percent, and would have been less if not for the inclusion of County Court personnel for the full year.

GROWTH 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	12.0% *
1996	2.22%

* Does not include County Court personnel in fiscal 95. County Court personnel cost estimates are $21 million in fiscal 95.

Several changes to financing health benefits are being proposed in this budget. These options include changing the standard free plan offered to state employees, eliminating dual coverage, eliminating the Medicare Part B reimbursement for active employees and instituting premium sharing for non–aligned (non–union) employees. We expect these changes to lay the groundwork for similar savings at county and local levels.

PUBLIC INFRASTRUCTURE

The State provides for its capital needs – land, buildings, and other improvements – in a number of ways, which may be used singularly or in combination. First, 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 approved by the voters. Projects funded with bonds are expected to have a useful life at least equal to to the time required to retire the bonds. The cost of facilities funded through 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 to address repairs, renovations, improvements, and absolutely necessary capital replacements. For fiscal 1996, capital funding is being recommended at a minimum level of $277 million. This includes recommended funding for Shore Protection ($15 million), the State Library ($679,000), and the Transportation Trust Fund ($261.3 million). The $261.3 for the Transportation Trust Fund, when combined with other available funds, will provide $880 million for transportation improvements. In addition, $10 million from the sale of surplus State property will fund repairs and renovations of existing facilities. Other recommendations from the Capital Plan for new construction, renovations and additions will be funded through alternative funding sources such as Public Purpose Bond Funds, or will be referred to the New Jersey Building Authority or the Economic Development Authority for funding.

Environmental Protection

The Budget recommends $15 million for Shore Protection projects. This funding is expected to leverage an additional $25 to $30 million in federal and local funding to maintain the Jersey shore, one of the premier tourist attractions of the State. The Shore Protection Program will provide $2.2 million to do additional US Army Corps of Engineers Feasibility Studies, $8.65 million for two beachfill projects at the Asbury/Manasquan Shore Inlet and Long Branch/Loch Arbour area. These projects will generate $23.8 million in federal and local matching funds.

Transportation Trust Fund

The Transportation Trust Fund, which will be reauthorized for fiscal 1996, will increase the annual spending for State and local highway construction projects and for mass transit operations and capital projects by $315 million. The Trust Fund will also become the financing mechanism for the State's compliance with the federal Clean Air Act relating to motor vehicle inspections.

Correctional Facilities

The Budget does not include a capital recommendation for the Department of Corrections, since the Department has both funding from prior year appropriations and previously approved bond funds that can be used to fund a broad range of projects essential to the safe and efficient operation of the prisons and their support systems. In addition, the New Jersey Building Authority is funding the development of a new $200 million, 3,000–bed prison in Bridgeton.

Colleges and Universities

This budget provides significant funding for the capital needs of the State's colleges and universities through the Higher Education Facilities Trust (HEFT). Funds are provided through bonds issued by the Educational Facilities Authority, with debt service payments supported through proceeds from the State Lottery.

Human Services

The voter–approved $160 million Human Services bond fund will provide for future capital needs for Department of Human Services institutions and community–based facilities. Up to $30 million of the amount authorized can be used for projects in state–owned and operated institutions. The remaining $130 million is for the expansion and maintenance of community facilities. The Department is developing a master plan for the allocation of funding to meet program objectives. Separate plans for both institutions and community facilities are being developed for approval by the Legislature.

The Clean Air Act

Initial funding for Clean Air Act projects had been made from pay–as–you–go capital construction appropriations. However, because of the penalties associated with non–compliance with the vehicle inspection provisions of the Clean Air Act, specifically the withholding of federal highway monies, a funding mechanism with more certainty is needed. The fiscal 1996 budget, in reauthorizing the Transportation Trust Fund, proposes the funding of the Inspection and Maintenance program from the Trust Fund.

Compliance Mandates

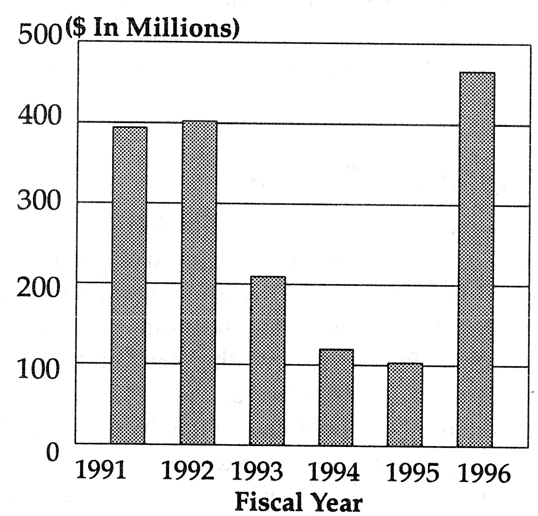
Funding for compliance with statutory mandates, including the Americans with Disabilities Act, underground tank removal and replacement, and hazardous material removal and mitigation, will be provided from the proceeds of the sale of surplus State property. For the first time, the State is reviewing its portfolio of properties with a strategic view toward those that will be needed for future State operations and those that are not.

DEBT RESTRUCTURING

The State finances capital construction, land acquisition, local aid, or other program needs through voter–approved long–term general obligations bonds. These bonds are considered debt and are backed by the full faith and credit of the State. 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 monies authorized by the bond. As the actual funds are needed for the appropriations, the State sells bonds, thus incurring debt service payments – principal and interest – to bondholders.

The fiscal 1996 debt service payments on all outstanding general obligation bonds amount to $466.3 million. This recommendation for fiscal 1996 is an increase of $362.8 million from fiscal 1995. This increase is attributable to a December, 1992 Refunding Bond sale of $1.8 billion which allowed for the majority of debt service payments to be made through an escrow account created from a portion of the bond proceeds. In fiscal 1996 there is a need to appropriate funds which are no longer paid from the escrow account. The fiscal 1996 figure also includes interest payments of $5.8 million as a result of a November, 1994 bond sale in the amount of $59 million, and $9.5 million for interest payments for a proposed fiscal 1996 bond sale of approximately $250 million.

Debt Service
FY1991 – FY1996



PROPERTY RENTALS (MAJOR)

Office space and other rentals for State agencies are paid from the Property Rentals account, which is recommended at $226.8 million for fiscal 1996. This account also supports lease–purchase rental agreements for buildings whose titles will pass to the State upon the final lease payment.

The rent account contains funding for existing and anticipated leases as well as lease purchase agreements. In order to maximize the State's use of space, the Department of Treasury contracted with a consultant to examine current and future space requirements for state government, and development of a State–Wide Space Utilization Master Plan.

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. The increase in debt service requirements for the Building Authority is primarily attributable to bonds sold to finance the Bridgeton Prison. Other projects which were financed through this sale of bonds 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 1996 payment in the amount of $7.3 million. The Economic Development Authority payment of $14.2 million is required to fund the payments for the Trenton Office Complex and other lease–purchase agreements. This figure also includes funding for a potential bond sale by the EDA to help construct the Newark Performing Arts Center.

The Sports and Exposition Authority is recommended at $35.3 million for fiscal 1996. 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 1996

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 for 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 1996 is computed by multiplying the base year appropriation (fiscal 1995) 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 3.67 for calculating the fiscal 1996 CAP.

The calculation results in a maximum increase of $182,420,000 over the fiscal 1995 Adjusted Appropriation, or a maximum appropriation of $5,152,999,000 for Direct State Services for fiscal 1996. The Governor's recommendation for fiscal 1996 is $5,097,492,000 or $55,507,000 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 for the State for the last four fiscal years is:

	($ millions)
Fiscal Year 1991	$190,007
Fiscal Year 1992	$196,974
Fiscal Year 1993	$208,167
Fiscal Year 1994	$215,401

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

Fiscal Year 1991	7,767,000
Fiscal Year 1992	7,813,000
Fiscal Year 1993	7,859,000
Fiscal Year 1994	7,904,000

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

	Average Per Capita Personal Income	Percentage Change
Fiscal Year 1991	$24,463	—
Fiscal Year 1992	$25,211	3.06%
Fiscal Year 1993	$26,488	5.07%
Fiscal Year 1994	$27,252	2.88%

Computation of 1995 Appropriation Subject to Expenditure Limitation Law Percentage

($ in Thousands)

Appropriation and Adjustments for Fiscal Year 1995	$15,503,602
Less Statutory Exemptions:	
Grants–in–Aid	(3,169,693)
State Aid	(1,856,324)
Capital Construction	(440,589)
Debt Service	(103,525)
Property Tax Relief Fund	(4,575,327)
Casino Control Fund	((57,371)
Casino Revenue Fund	(330,194)
Amount subject to limitation	$4,970,579

Fiscal year 1995 base subject to percentage limitation	$4,970,579
Per capita personal income rate	x 3.67%
Maximum increase in appropriation for fiscal year 1996	$182,420
Maximum appropriation for fiscal year 1996	$5,152,999
Fiscal year 1996 recommendation	$5,097,492
Amount Over/(Under) the CAP limitation	($55,507)

Appendix
New Jersey Demographics

The State 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 7,879,000 in 1993.

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 17 departments of the Executive Branch of State government. The maximum number permitted by the State Constitution is 20.

POPULATION CHANGES

	Population (Thousands)				Population Per Square Mile	Annual Rate of Growth (Percent)			
	Census 1970	Census 1980	Census 1990	Estimates 1993	1993	1960 to 1970	1970 to 1980	1980 to 1990	1990 to 1993
United States	203,302	226,546	248,710	257,908	73	1.26	1.09	0.94	1.12
Northeast	49,061	49,135	50,809	51,355	316	0.94	0.02	0.34	0.33
New England	11,847	12,348	13,207	13,230	211	1.21	0.42	0.67	0.05
Middle Atlantic	37,213	36,787	37,602	38,125	383	0.86	–0.12	0.22	0.42
New York	18,241	17,558	17,990	18,197	385	0.94	–0.38	0.24	0.35
New Jersey	7,171	7,365	7,730	7,879	1,062	1.69	0.27	0.49	0.59
Pennsylvania	11,801	11,864	11,882	12,048	269	0.42	0.05	0.01	0.43

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

STATE OF NEW JERSEY
THIRTY LARGEST
NON–GOVERNMENTAL EMPLOYERS
1993

Company	New Jersey Employees
AT&T	51,000
Wakefern Food Corp.	25,000
The Prudential Insurance Co.	18,385
Bell Atlantic–New Jersey, Inc.	14,996
Pathmark Stores, Inc.	14,524
United Parcel Service	12,933
Marriott Corp	12,700
Johnson & Johnson	12,500
Public Service Enterprise Group	12,428
Great Atlantic & Pacific Tea.	12,000
Sears, Roebuck & Co	11,000
Merrill Lynch & Co., Inc	9,000
Martin Marietta	7,800
Merck	7,369
Hoffman–LaRoche Inc	7,378
Continental Airlines	7,200
General Motors Corp	6,215
Bellcore..	6,210
Trump Taj Mahal Casino Resort	6,099
K–Mart	6,050
First Fidelity Bancorporation	6,000
Acme Markets, Inc.	5,816
Bristol–Myers Squibb Company	5,700
Bally's Park Place, Inc.	5,409
Schering–Plough Corp.	5,230
UJB Financial Corp.	5,113
ITT Corp.	5,000
General Public Utilities Corp.	4,811
J.C. Penney Co., Inc.	4,800
Automatic Data Processing	4,700

Source: New Jersey Business and Industry Association Annual Top 100 Employers, 1994.

TOTAL PERSONAL INCOME
NEW JERSEY, SELECTED NEIGHBORING STATES AND THE UNITED STATES
1982– 1993
(Dollars in Millions)

Calendar Years	Total Personal Income: New Jersey	New York	Pennsylvania	United States
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

Calendar Years	Total Personal Income As a Percent of 1973 Base: New Jersey	New York	Pennsylvania	United States
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

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

1993 PER CAPITA PERSONAL INCOME FOR
THE UNITED STATES, NEW JERSEY AND THE MIDEAST REGION

	Amount	1993 Percent of National Average	National Ranking
United States	$20,817	—	—
Mideast Region	24,083	116	2
District of Columbia	29,836	144	—
New Jersey	26,732	129	2
New York	24,771	119	3
Maryland	23,920	115	5
Delaware	21,735	105	13
Pennsylvania	21,241	102	16

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

PER CAPITA PERSONAL INCOME
NEW JERSEY, SELECTED NEIGHBORING STATES AND THE UNITED STATES
1982–1993

Calendar Years	Per Capita Personal Income: New Jersey	New York	Pennsylvania	United States
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

Calendar Years	Per Capita Personal Income As a Percent of United States: New Jersey	New York	Pennsylvania
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

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

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