

*Fiscal 2011*

# *Citizens' Guide to the Budget*



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**Kim Guadagno, Lieutenant Governor**

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This document is available via the Internet at <http://www.state.nj.us/treasury/omb>



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CHRIS CHRISTIE  
*Governor*

KIM GUADAGNO  
*Lt. Governor*

ANDREW P. SIDAMON - ERISTOFF  
*State Treasurer*

Message from Andrew Sidamon-Eristoff, Treasurer of the State of New Jersey:

Countless hours of work by the Governor's Office, the Office of Management and Budget, and other employees of the Department of Treasury went into making the Fiscal 2011 budget and this guide possible. The goal was to make the FY 2011 *Citizens' Guide to the Budget* a user-friendly tool for New Jersey residents who want to understand their government and how it functions. For every taxpayer who takes the time to read this document, it is the sincere wish of everyone in Treasury that you come away with a greater understanding of how state government works and spends its scarce resources. For all those who worked so very hard to create the guide, let me take this moment to offer my heartfelt thanks.

Sincerely,

A handwritten signature in black ink, appearing to read "Andrew Sidamon-Eristoff".

Andrew Sidamon-Eristoff

# *Fiscal 2011 Citizens' Guide to the Budget*

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## **The Fiscal 2010-2011 *Citizens' Guide to the Budget:* A Summary of the Appropriations Act**

The *Citizens' Guide to the Budget* is published for the people of New Jersey. It increases the transparency of the budget process by providing details of the Appropriations Act, which implements the State's enacted Budget. It outlines what the enacted Budget includes and is designed to help citizens better understand the State's budgetary road map for the current fiscal year.

Planning for the Budget began nearly a year ago, when the Governor's staff, the Treasurer's Office, the Office of Management and Budget, and department managers began preparing the Governor's proposed Budget:

- In March 2010, Governor Chris Christie released his proposed *Budget*, along with the *Budget-in-Brief*, a document outlining the State's fiscal condition and summarizing the Governor's policy initiatives and Budget proposals.
- The Legislature crafted Senate Bill 3000, the Appropriations Act, which modified the Governor's Budget. The Governor signed the Appropriations Act on June 29, just prior to the start of the 2010-2011 fiscal year on July 1.
- The *Appropriations Handbook*, released shortly afterward, provides detailed information about the enacted Budget.
- This document, the *Citizens' Guide to the Budget*, provides the citizens of New Jersey with a summary of the changes in the enacted Budget as agreed to by the Legislature and the Governor and details the State's certified revenue levels. It also includes charts and graphs that help explain the State's fiscal condition, along with specific budgetary information about New Jersey's Fiscal 2010-2011 Budget.
- All of the above documents are available electronically at <http://www.state.nj.us/treasury/omb/index.shtml>

To further the transparency of State government, Governor Christie has unveiled the Government Transparency Center, available 24 hours a day at YourMoney.NJ.Gov. The Center includes revenue and expenditure data, public payroll records, debt information, and selected key department performance measures, along with other valuable information about your State government. All this information can be accessed via: <http://www.yourmoney.nj.gov/>.



# CHAPTER 1: BUDGET HIGHLIGHTS

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## **The FY 2011 Budget: The First Step on a New Path**

New Jersey struggled in fiscal 2010 to cope with a devastating recession that drove unemployment and economic hardship to levels unseen in decades and sent state revenues plunging. The worst economic downturn since the Great Depression left the Garden State with an unemployment rate that exceeded 9% for month after heart-breaking month, and pushed state revenues down about \$5 billion from their peak in 2008. The State also struggled with the inevitable consequences of eight years of irresponsible and unsustainable increases in spending, borrowing and taxation. From the moment Governor Christie took office in January 2010, he let it be known that change had come to Trenton. Faced with an almost \$11 billion deficit – more than one-third of the State’s entire budget and the largest budget gap in state history – he made tough choices and reined in spending for Fiscal 2011. Unlike his immediate predecessors, he did not raise taxes on citizens who already pay the highest property taxes and bear the most onerous burden of State-mandated taxes, fees and tolls in the nation.

The Fiscal Year 2011 Budget was a historical shift away from eight years of State government policies that discouraged economic growth and built increased spending, tax increases and borrowing into both State and local budgets. It is the first step on a new path toward economic growth and affordable government that will mean a better future for New Jersey.

## **Budget Highlights**

- The Budget closes an \$11 billion gap without raising broad-based taxes
- The State spends less than it did six years ago
  - The current Budget spends \$28.4 billion in state resources
  - The Fiscal 2005 Budget spent \$28.6 billion
- The Budget is balanced thanks to more than \$1.9 billion in reductions to base spending
  - It includes reductions in State spending of 4.7%

- It relies on more than \$7 billion in reductions or eliminations in projected growth
- It makes State government more efficient
  - It reduces the size of the State workforce
  - It includes \$50 million in savings resulting from privatization reforms
- Even as it makes State government more efficient, it increases funding for hospitals
  - The Budget includes an additional \$60 million to fund Charity Care

## **Forward to a Better Future**

As singular an accomplishment as this Budget was, it was only one of many reforms planned and executed by the Christie administration in its first six months. The next step in vital reform came shortly after passage of the Budget in June, when the Governor signed legislation that put a 2% cap on local property tax increases.

### *Real Property Tax Reform*

- The reform measure reduces the old cap by half, from 4% to 2%
- It allows local governments to bank unused cap increases for future use, for up to 3 years
- It repeals 10 of the previous 14 cap exemptions. The only remaining exemptions are for:
  - Capital expenditures and debt service payments
  - Pension benefits
  - Health benefits
  - Expenses due to emergencies
- It continues the allowance for increased school enrollment
- It gives the citizens of New Jersey the power to decide their future
  - A majority of local voters can override the levy cap

### *The Toolkit*

To help communities conform to the discipline of the 2% cap, the Governor has proposed a package of fundamental reforms that will provide cities, counties and school districts with the tools they need to bring spending in line with what taxpayers can afford.

This “Toolkit” will:

- Reform arbitration and other rules of collective bargaining
- Prohibit union contracts granted to local employees from exceeding the 2% cap
- Cap the amount of sick and vacation leave that employees can carry forward
- Allow local governments to impose furloughs when necessary

- Reform Civil Service rules to allow for more shared services and increased flexibility in government operations
- Provide municipalities and counties an option to opt out of Civil Service rules
- Require shared business functions across school districts
- Move school and fire district elections to November to encourage greater participation by voters

## **Summary**

Governor Christie's first Budget is the starting point of a four-year process of change that will benefit taxpayers, businesses that create jobs and prosperity, and citizens who have demanded affordable and accountable government.

The *Citizens' Guide* is designed to help explain, in clear and complete detail, the changes that the Governor has worked to bring to hard-pressed citizens.

# ***Where Does the Money Go?***

## ***The Programs and Services Behind the Fiscal 2011 Numbers***

**People Served/  
Items Purchased**

**Helping Those in Need**



124,795,190	Subsidized School Lunches
9,700,000	Hunger Initiative - Food Purchased (lbs)
4,146,000	Home-Delivered Meals to the Aged
4,021,272	Subsidized Drugs for Seniors and Disabled:
324,415	PAAD Annual Prescriptions
895,066	Senior Gold Annual Prescriptions
719,346	Persons Receiving Health Care through Medicaid
306,140	Children and Adults Receiving Health Care via FamilyCare
273,837	Energy Assistance - Tenants and Homeowners Served
161,008	Individuals Receiving Mental Health Services (Community Programs)
105,756	Children Receiving Services from Division of Youth and Family Services (DYFS)
90,000	Temporary Assistance to Needy Families - Recipients
39,421	Cancer Institute of New Jersey - Patient Visits
21,820	Developmentally Disabled Served (Community Programs)
4,300	Adoption Subsidies/Foster Care: Average Daily Populations
4,000	State Rental Assistance - Families Served
	Students Served in After School Programs



**Protecting the Public's Safety**



865,600	State Police Investigations (Criminal, Accident, and General)
232,213	Fire, Housing, and Construction Code Inspections
150,000	State Police - Instances of Aid to Motorists
23,170	Inmates Supervised (Annual Average - Excludes Community Programs)
16,300	Parolees Supervised
1,650	Forest Fire Responses
1,270	State-owned Bridge Safety Inspections
855	Criminal Indictments Obtained - Criminal Justice

**Preserving the Environment**



17,500,000	Parks Visitors Served
25,500	Acres of Open Space Preserved:
15,500	Via Green Acres
10,000	Via Farmland Acres
8,500	Air and Water Pollution Inspections



**People Served/  
Items Purchased**



400,000	Uninsured Primary Care Visits to Federally Qualified Health Centers
320,000	Women, Infants, and Children - Healthcare Recipients
210,000	Children Screened for Lead Poisoning
84,600	Number of Licensed Long Term Care Beds/Slots
75,000	AIDS Clients Tested and Counseled
44,000	Homes Tested for Radon
21,000	Breast Cancer and Cervical Cancer Screenings
8,600	Potable Water Samples Examined
4,425	Food and Milk Samples Examined
3,000	Helicopter Response Missions for Traumatic Injuries
810	Long Term Care Facilities Licensed

**Protecting the Public's Health**

**Transportation Services**



423,445	Average Daily Mass Transit Ridership
13,528	Miles of Roads Maintained
7,530	Emergency and After-Hour Call Responses
3,202	Traffic Signals Maintained
900	Highway Lanes Under Construction
565	Lane Miles Resurfaced

**Serving Businesses**



492,540	State Professional Boards - Total Regulated Licenses
100,000	Real Estate Brokers and Salespersons Licensed
65,000	Insurance Licenses Issued
6,900	Currently Participating Businesses - Urban Enterprise Zones
7,000	Banking Licenses Issued
198	Recipients - Business Employment Incentive Grants

**Educating Our Children**



1,537,324	Standardized Tests Administered
1,439,070	Total Enrollment (Public School System)
833,004	Pupils Transported - Public/Non-Public
201,476	Special Ed Enrollment
148,454	Kindergarten/Preschool Enrollment
25,022	County Vocational Ed Enrollment
24,741	Charter School Enrollment

**People Served/  
Items Purchased**

**Higher Education Student Assistance**



154,278	New Jersey College Loans to State Students (NJCLASS)
82,930	Tuition Aid Grants (TAG, Full and Part Time)
5,754	Coordinated Garden State Scholarship Program Grants (Total)
4,140	NJ Student Tuition Assistance Reward Scholarship (NJSTARS I & II) Grants

**Direct Tax Relief**



997,000	Annual Homestead Rebate (Recipients)
256,256	Veterans Claiming a Property Tax Deduction
159,000	Annual Senior Freeze (Checks)
69,283	Seniors and Disabled Claiming a Property Tax Deduction

**Protecting our Residents**



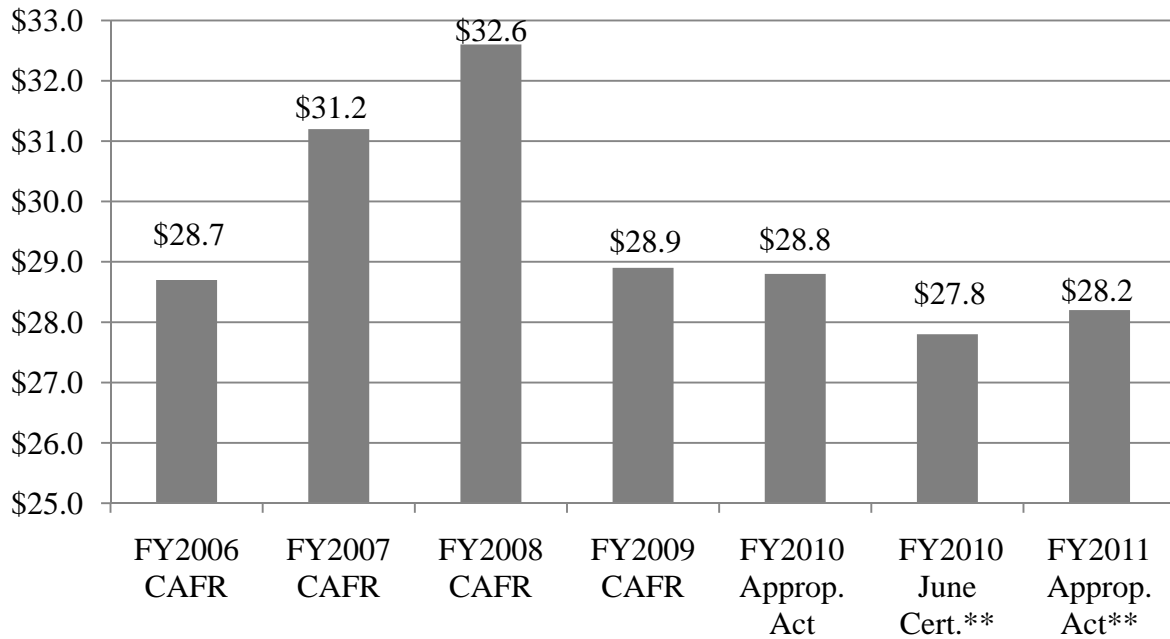
19,000	Mental Health Advocacy - Representation of Individuals at Civil Commitment Hearings - New Cases
8,668	Elder Advocacy - Nursing Home / Boarding Home / Other Facility Visits
8,613	Elder Advocacy - On-Site Investigations Regarding Care / Abuse / Neglect or Patient Funds
1,085	Rate Counsel - Representation of Ratepayers on Cases Involving Utilities and Cable Television

## **Chapter 2: Charts and Graphs**

# History of Total Revenues

## FY 2011 Approximates FY 2006\*

(In Billions)

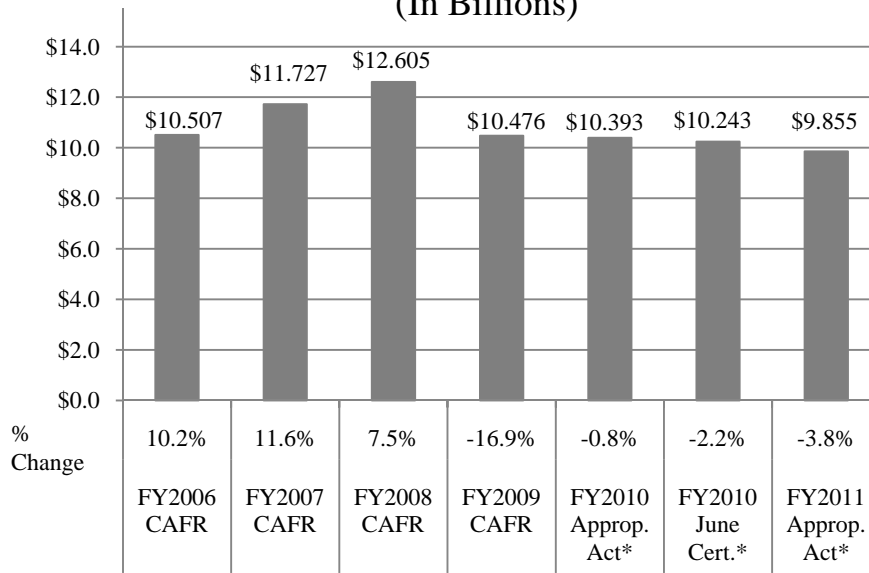


\* Not including federal stimulus aid.

\*\* With solutions

CAFR – Comprehensive Annual Financial Report

## Income Tax (In Billions)



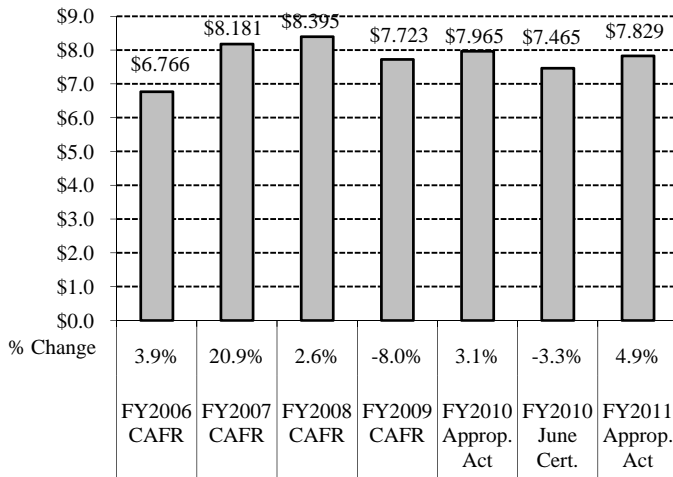
\* These revenues include changes in tax policy.

FY 2009 - Incremental Change in EITC Expansion (\$60 million); Includes \$88.9 million received from the Amnesty program.

FY 2010 - Incremental Change in EITC (\$9.9 million); EITC Federal Reimbursement (\$150 million)

FY 2011 - EITC Federal Reimbursement (\$39 million); Millionaire's Tax Expired 12/31/09

## Sales Tax (In Billions)



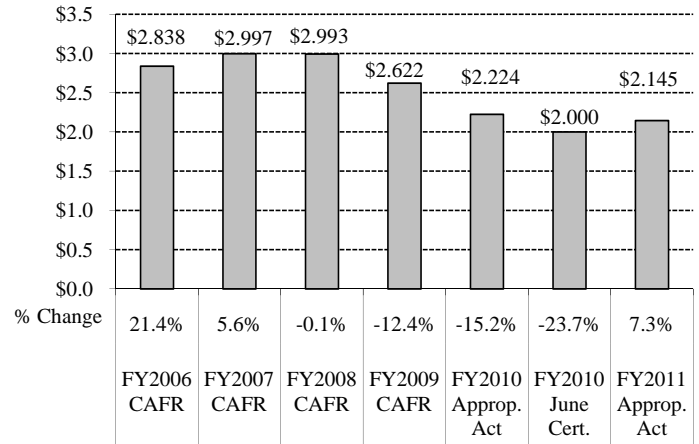
FY2007 changes in tax policy:

- increased Sales Tax rate from 6% to 7%
- broadened Sales Tax base

FY2009 includes \$142.5 million received under the Amnesty program.

Sales Tax excludes the tax on energy.

## Corporation Business Tax (In Billions)



FY2009 includes \$392.6 million received under the Amnesty program.

Corporation Business Tax excludes the tax on energy.

# FY 2010 and FY 2011 Fund Balances

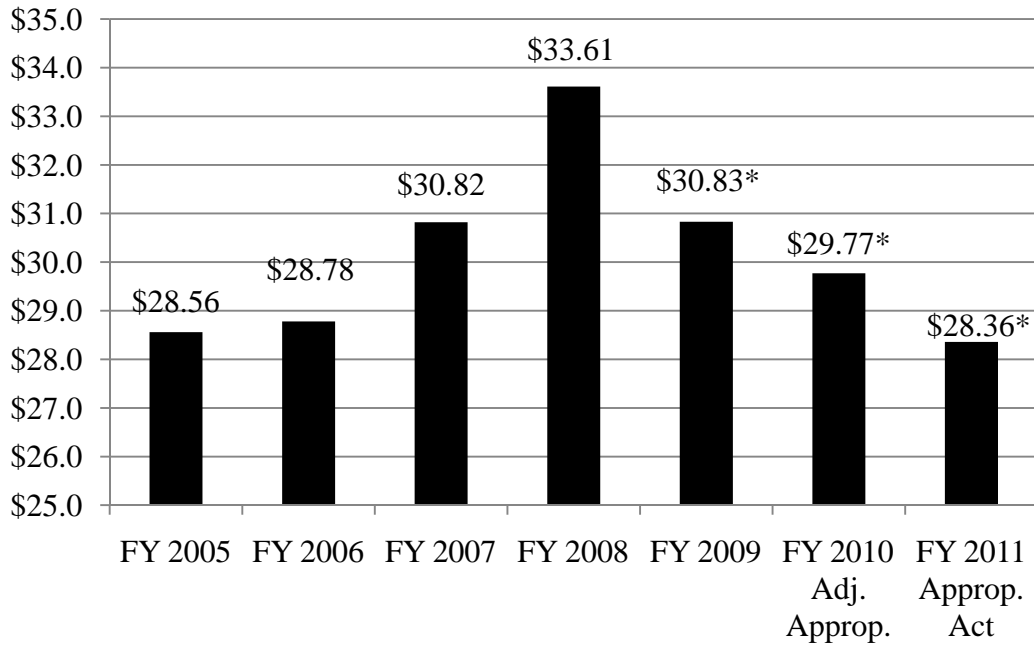
(In Millions)

	FY 2010 June Cert.	-----FY 2011-----		
		Budget	Approp. Act	Budget To Approp.
<b>Opening Surplus</b>	\$ 614	\$ 501	\$ 505	\$ 4
Revenues				
Income	10,243	9,945	9,855	(90)
Sales	7,465	7,855	7,829	(26)
Corporate	2,000	2,145	2,145	-
Other	8,043	8,322	8,333	11
<b>Total Revenues</b>	\$ 27,751	\$ 28,267	\$ 28,162	\$ (105)
ARRA Resources*	2,306	1,033	1,033	-
Lapses/Deappropriations	1,910			
<b>Total Resources</b>	<b>\$ 32,581</b>	<b>\$ 29,801</b>	<b>\$ 29,701</b>	<b>\$ (101)</b>
Appropriations				
Original	\$ 28,990	\$ 28,267	\$ 28,364	\$ 97
Supplemental	780			
Subtotal State Appropriations	\$ 29,770	\$ 28,267	28,364	\$ 97
ARRA Supported Appropriations*	2,306	1,033	1,033	-
<b>Total Appropriations</b>	<b>\$ 32,076</b>	<b>\$ 29,300</b>	<b>\$ 29,397</b>	<b>\$ 97</b>
<b>Projected Surplus</b>	<b>\$ 505</b>	<b>\$ 501</b>	<b>\$ 303</b>	<b>\$ (198)</b>

\*Resources and Appropriations used for budget relief that otherwise would have needed a State Appropriation.

# FY 2011 Spending Is Less Than FY 2005 Expenditure Level

(In Billions)



\*Does not include federal stimulus spending that totaled more than \$4 billion from FY 2009 to FY 2011.

# How FY 2011 Budget Balanced

(In Thousands)

	<u>Governor's Budget</u>	<u>Appropriations Act</u>	<u>Change</u>
FY 2010 Adjusted Appropriation	\$ 29,862,146	\$ 29,770,046	\$ (92,100)
FY 2011 Net Growth	<u>8,540,209</u>	<u>8,727,118</u>	<u>186,909</u>
FY 2011 Total Projected Model	38,402,355	38,497,164	94,809
FY 2011 Base Revenue	<u>27,665,900</u>	<u>27,561,514</u>	<u>(104,386)</u>
FY 2011 Projected Structural Gap	10,736,455	10,935,650	199,195
ACTIONS TO CLOSE STRUCTURAL GAP	\$ 10,736,455	\$ 10,935,650	\$ 199,195
<b>Reductions to Base Budget</b>	<b>\$ 1,947,766</b>	<b>\$ 1,915,859</b>	<b>\$ (31,907)</b>
Homeowner and Tenant Rebates	848,200	848,200	-
Municipal and County Aid	339,021	334,021	(5,000)
Higher Education	175,375	178,376	3,001
Operating Budget and Interdepartmental	173,989	154,731	(19,258)
Medicaid/PAAD	92,929	100,550	7,621
Senior Tax Freeze	53,700	53,700	-
Savings from Privatization	50,000	50,000	-
Human Services Contracts	35,600	35,580	(20)
General Assistance Benefits for the Able-Bodied	23,445	-	(23,445)
Child Care Programs	19,800	21,545	1,745
Employee Actions	8,799	8,799	-
Other	126,908	130,357	3,449
<b>Elimination or Reduction of Projected Growth</b>	<b>\$ 7,082,720</b>	<b>\$ 7,045,469</b>	<b>\$ (37,251)</b>
Pensions	3,060,543	3,063,043	2,500
Limit School Aid Increases	1,677,500	1,677,500	-
Inflationary Increase for Rebates	1,163,100	1,163,100	-
NJ Transit	272,000	272,000	-
Medicaid	236,059	164,932	(71,127)
Rate Inflation for Nursing Homes	56,612	56,612	-
Inflationary Increase for Higher Education	45,994	45,994	-
Other	570,912	602,288	31,376
<b>Elimination of Programs</b>	<b>\$ 198,095</b>	<b>\$ 179,104</b>	<b>\$ (18,991)</b>
Subtotal	\$ 9,228,581	\$ 9,140,432	\$ (88,149)
<b>Enhanced Federal Medicaid Funding</b>	<b>\$ 490,569</b>	<b>\$ 579,000</b>	<b>\$ 88,431</b>
<b>Resource Solutions</b>	<b>\$ 601,549</b>	<b>\$ 600,704</b>	<b>\$ (845)</b>
<b>Supported by Non-State Resources</b>	<b>\$ 415,756</b>	<b>\$ 413,169</b>	<b>\$ (2,587)</b>
<b>Draw Down Fund Balance</b>	<b>\$ -</b>	<b>\$ 202,345</b>	<b>\$ 202,345</b>



# Reliance On Non-Recurring Solutions Reduced From 13% to 7%

(In Thousands)

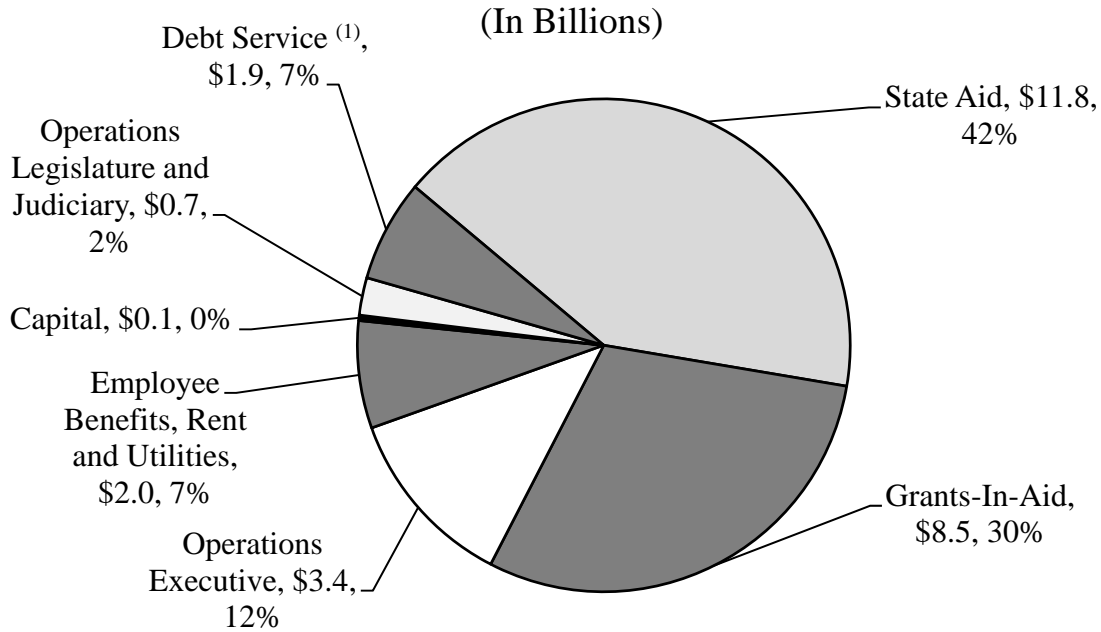
	FY 2010 Approp. Act	FY 2011 Approp. Act
<b>Spend Down Opening Surplus</b>	<b>\$234,000</b>	<b>\$202,345</b>
<b><u>Revenue-Related Initiatives</u></b>		
Income Tax:		
\$400k - \$500k	\$83,000	
> \$500k	\$620,000	
>\$1m	\$200,000	
Property Tax Deduction	\$100,000	
Corporation Business Tax 4% Surcharge	\$80,000	
State Disability Benefit Fund	\$75,000	\$25,000
Workers Compensation Security Fund	\$20,000	
New Home Warranty Fund	\$10,000	\$6,400
Unemployment Insurance Auxiliary Fund	\$2,000	
Universal Services Fund		\$4,900
Medical Malpractice Fund	\$1,800	
Unclaimed Personal Property Escheats - Reform		\$79,580
Earned Income Tax Credit (EITC) - TANF Funding		\$39,000
Global Warming Solutions Fund		\$30,000
State Recycling Fund		\$7,000
Securities Enforcement Fund		\$7,500
Cable TV Universal Access		\$5,600
Hazardous Discharge Site Cleanup Fund		\$5,000
MVC Operational Savings		\$4,300
<b>Subtotal, Revenue-Related Initiatives</b>	<b>\$1,191,800</b>	<b>\$214,280</b>
<b>Debt Restructuring</b>	<b>\$226,000</b>	<b>\$100,000</b>
<b>Federal Stimulus - State Stabilization/Other</b>	<b>\$1,241,000</b>	
<b>Federal Stimulus - Federal Medical Assistance Percentage (FMAP)</b>	<b>\$490,000</b>	<b>\$1,033,000</b>
<b><u>Appropriation-Related Offsets</u></b>		
Medicare Reimbursement for Dual Eligibles	\$94,000	\$107,300
Furloughs	\$87,000	
Surplus Lines - Health Care Subsidy Fund	\$60,000	
FY10 Cost of Living Adjustment in FY11	\$40,300	
Salary Program - Use of Carry forward	\$33,000	
Economic Development Authority - Invest NJ *	\$22,000	
Newark Rent Renegotiations	\$20,000	
Group Health/Accident Insurance Assessment - Health Care Subsidy Fund	\$19,500	
General Assistance Retroactive Rebates	\$13,000	
Housing Mortgage Finance Agency - State Rental Assistance	\$12,000	
South Jersey Transportation Authority - Highway Maintenance	\$8,000	
New Home Warranty Fund	\$7,000	
Workers Compensation Security Fund - Workers Compensation Program	\$7,000	
Shore Protection Restoration	\$6,300	
Spill Compensation Fund - Passaic River Litigation	\$6,000	
Homeland Security	\$3,000	
Medicaid - Reduced State Payment "Clawback"		\$78,000
Neighborhood Preservation - State Rental Assistance		\$32,500
Economic Development Authority - Main Street		\$22,000
NJTransit - Federal Preventive Maintenance		\$20,000
Dental Fund - Use of Fund Balance		\$12,000
Parks - No Net Loss		\$10,000
Cultural Trust		\$4,000
<b>Subtotal, Appropriation-Related Offsets</b>	<b>\$2,395,100</b>	<b>\$1,418,800</b>
<b>GRAND TOTAL</b>	<b>\$3,820,900</b>	<b>\$1,867,080</b>
<b>Total State Appropriation</b>	<b>\$28,990,484</b>	<b>\$28,364,422</b>
<b>Non-Recurring as % of Budget</b>	<b>13%</b>	<b>7%</b>

\*Was not implemented in FY10

# Fiscal 2011

## Where Does the Money Go?

### State Aid and Grants Represent Nearly Three Quarters of the Budget



**Total Budget is \$28.4 Billion**  
**The cost of State Government operations is \$6 billion**

**State Aid:** includes education aid programs, municipal aid, General Assistance, and aid to county colleges.

**Grant-In-Aid:** includes property tax relief programs, Medicaid, Pharmaceutical Assistance to the Aged and Disabled, nursing home and long-term care alternative programs, and support for Higher Education.

**Operations Executive:** includes funding for adult prisons and juvenile facilities, State police and other law enforcement programs, human services institutions, veterans' homes, children and families.

(1) Total Debt Service is \$2.5 billion; School Construction Debt is reflected in State Aid. In addition to the \$2.5 billion of appropriations utilized in support of debt service, the State forgoes more than \$400 million of revenues dedicated to paying off deficit bonds issued in 2002, 2003, and 2004.

# FY 2011 Appropriations Act

(In Thousands)

Department	FY 2010	FY 2011	Change	
	Adjusted Approp.	Approp. Act	\$	%
Chief Executive	\$ 4,703	\$ 4,562	\$ (141)	(3.0)
Agriculture	25,347	19,368	(5,979)	(23.6)
Banking and Insurance	67,668	59,739	(7,929)	(11.7)
Children and Families	1,084,236	1,041,738	(42,498)	(3.9)
Community Affairs	1,125,234	736,287	(388,947)	(34.6)
Corrections	1,146,855	1,080,710	(66,145)	(5.8)
Education	10,162,658	10,377,684	215,026	2.1
Environmental Protection	387,291	381,697	(5,594)	(1.4)
Health and Senior Services	1,299,233	1,174,031	(125,202)	(9.6)
Human Services	4,527,874	4,559,707	31,833	0.7
Labor and Workforce Development	146,584	141,380	(5,204)	(3.6)
Law and Public Safety	579,321	538,993	(40,328)	(7.0)
Military and Veterans' Affairs	90,045	88,730	(1,315)	(1.5)
Public Advocate <sup>(a)</sup>	16,158	-	(16,158)	(100.0)
State	1,279,433	1,155,431	(124,002)	(9.7)
Transportation	1,303,397	1,245,881	(57,516)	(4.4)
Treasury	2,804,856	1,731,045	(1,073,811)	(38.3)
Miscellaneous Commissions	1,456	1,344	(112)	-
<b>Subtotal Executive Branch</b>	<b>\$ 26,052,349</b>	<b>\$ 24,338,327</b>	<b>\$ (1,714,022)</b>	<b>(6.6)</b>
Interdepartmental	\$ 2,986,831	\$ 3,296,010	\$ 309,179	10.4
Legislature	\$ 74,596	\$ 73,815	\$ (781)	(1.0)
Judiciary	656,270	656,270	-	-
<b>Subtotal State Appropriations</b>	<b>\$ 29,770,046</b>	<b>\$ 28,364,422</b>	<b>\$ (1,405,624)</b>	<b>(4.7)</b>
ARRA Supported Appropriations	\$ 2,305,767	\$ 1,033,132	\$ (1,272,635)	(55.2)
<b>Total</b>	<b>\$ 32,075,813</b>	<b>\$ 29,397,554</b>	<b>\$ (2,678,259)</b>	<b>(8.3)</b>

(a) Appropriations for remaining programs can be found in the Department of Treasury.

(b) Does not reflect FY 2010 deappropriations.

# Direct State Services By Department

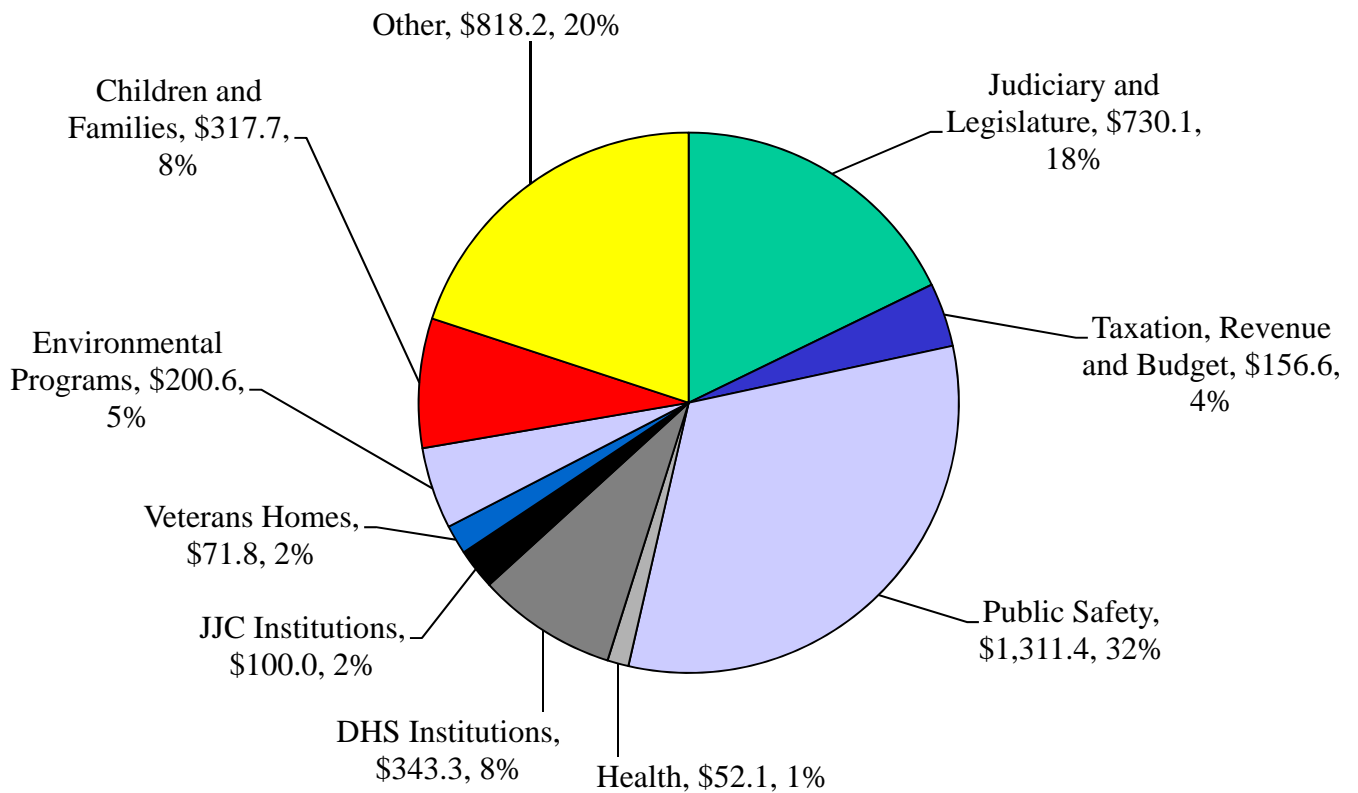
(In Thousands)

Department	FY 2010	FY 2011	Change	
	Adjusted Approp.	Approp. Act	\$	%
Agriculture	\$ 6,881	\$ 6,802	\$ (79)	(1.1)
Banking and Insurance	67,668	59,739	(7,929)	(11.7)
Children & Families	322,118	317,697	(4,421)	(1.4)
Community Affairs	37,846	37,206	(640)	(1.7)
Corrections	996,737	958,470	(38,267)	(3.8)
Education	68,825	64,923	(3,902)	(5.7)
Environmental Protection	215,788	200,559	(15,229)	(7.1)
Health & Senior Services	61,037	52,095	(8,942)	(14.7)
Human Services	493,227	469,854	(23,373)	(4.7)
Labor and Workforce Development	81,406	80,428	(978)	(1.2)
Law & Public Safety	541,748	521,745	(20,003)	(3.7)
Military & Veterans' Affairs	86,871	85,656	(1,215)	(1.4)
Public Advocate	16,158	-	(16,158)	(100.0)
State	31,336	26,966	(4,370)	(13.9)
Transportation	81,964	45,582	(36,382)	(44.4)
Treasury <sup>(a)</sup>	446,735	438,109	(8,626)	(1.9)
Chief Executive	4,703	4,562	(141)	(3.0)
Miscellaneous Commissions	1,456	1,344	(112)	(7.7)
<b>Total Executive Branch</b>	<b>\$ 3,562,504</b>	<b>\$ 3,371,737</b>	<b>\$ (190,767)</b>	<b>(5.4)</b>
<b>Interdepartmental</b>	<b>1,899,952</b>	<b>2,212,814</b>	<b>312,862</b>	<b>16.5</b>
<b>Legislature</b>	<b>74,596</b>	<b>73,815</b>	<b>(781)</b>	<b>(1.0)</b>
<b>Judiciary</b>	<b>656,270</b>	<b>656,270</b>	<b>-</b>	<b>0.0</b>
<b>Total</b>	<b>\$ 6,193,322</b>	<b>\$ 6,314,636</b>	<b>\$ 121,314</b>	<b>2.0</b>

(a) FY 2011 includes appropriations shifted from the Department of Public Advocate.

# Operating Budget

(In Millions)

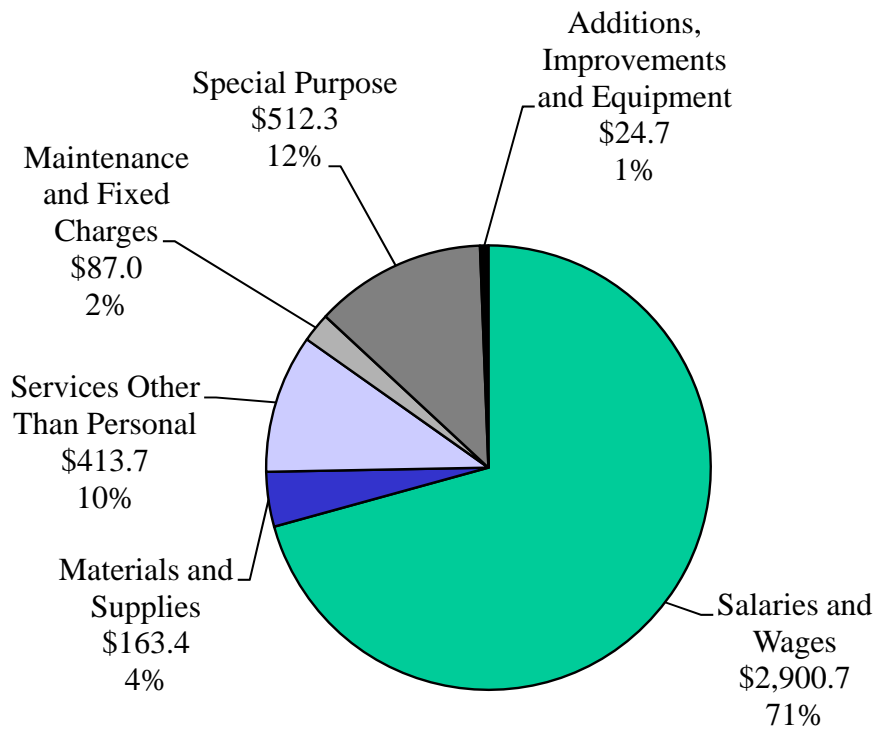


Total Operating Budget is \$4.1 billion

The operating Budget excludes fringe benefits and centrally budgeted costs, and may be further impacted by savings from privatization initiatives.

# Operating Split Between Salaries And Other Costs

(In Millions)



Total Operating Budget is \$4.1 billion

The operating Budget excludes fringe benefits and centrally budgeted costs, and may be further impacted by savings from privatization initiatives.

# Funding for Property Tax Relief

(In Millions)

<u>Programs</u>	<u>FY 2010 Adjusted Approp.</u>	<u>FY 2011 Approp. Act</u>	<u>\$ Change</u>
School Aid	\$ 11,137.3 *	\$ 10,308.1	\$ (829.2)
Municipal Aid	1,909.7	1,463.8	(445.9)
Other Local Aid	770.8 **	663.1	(107.7)
Direct Property Tax Relief	<u>1,688.1</u>	<u>882.3</u>	<u>(805.8)</u>
<b>Total Property Tax Relief</b>	<b><u>\$ 15,505.9</u></b>	<b><u>\$ 13,317.3</u></b>	<b><u>\$ (2,188.6)</u></b>

\* Includes \$1.06 billion in federal stimulus funding.

\*\* Includes \$7.5 million in federal stimulus funding for County College Aid.

# School Aid

(In Millions)

	<b>FY 2010 Adjusted Approp.</b>	<b>FY 2011 Approp. Act</b>	<b>Change</b>
<b>State Aid to School Districts</b>			
Formula Aid	\$ 6,873.5	\$ 6,848.8	\$ (24.7)
Preschool Education Aid	596.1	613.3	17.2
Nonpublic School Aid	100.4	79.5	(20.9)
Extraordinary Special Education Aid	140.1	155.0	14.9
Adult Education	10.0	-	(10.0)
Growth Impact - Payment Changes	(21.5)	109.0	130.5
School Building Aid	99.3	81.3	(18.0)
Debt Service Aid	62.9	56.1	(6.8)
Assessment of EDA Debt Service	-	(21.8)	(21.8)
Other Aid	59.1	59.7	0.6
<b>Total State Aid to School Districts</b>	<b>\$ 7,919.9</b>	<b>\$ 7,980.9</b>	<b>\$ 61.0</b>
<b>Federal Aid to School Districts</b>			
Formula Aid - ARRA	\$ 1,056.9	\$ -	\$ (1,056.9)
<b>Direct State Payments for Education</b>			
Teachers' Pension and Annuity Fund	\$ 95.6	\$ 36.1	\$ (59.5)
Post Retirement Medical	775.5	823.1	47.6
Debt Service on Pension Obligation Bonds	122.3	132.1	9.8
Teachers' Social Security	764.1	788.7	24.6
<b>Total Direct State Payments for Education</b>	<b>\$ 1,757.5</b>	<b>\$ 1,780.0</b>	<b>\$ 22.5</b>
<b>School Construction and Renovation Fund</b>	<b>\$ 403.0</b>	<b>\$ 547.2</b>	<b>\$ 144.2</b>
<b>Total School Aid</b>	<b>\$ 11,137.3</b>	<b>\$ 10,308.1</b>	<b>\$ (829.2)</b>



# Municipal Aid

(In Millions)

	<b>FY 2010 Adjusted Approp.</b>	<b>FY 2011 Approp. Act</b>	<b>Change</b>
	<u>          </u>	<u>          </u>	<u>          </u>
Consolidated Municipal Property Tax Relief Aid (CMPTRA) / Energy Tax Receipts	\$ 1,565.3	\$ 1,293.9	\$ (271.4)
Special Municipal Aid	161.4	-	(161.4)
Urban Enterprise Zones - Sales Tax Dedication	87.6	- *	(87.6)
Trenton Capital City Aid	34.9	-	(34.9)
Extraordinary Aid	24.5	-	(24.5)
Highlands Protection Fund Aid	12.0	4.4	(7.6)
Open Space - Payments In Lieu of Taxes (PILOT)	10.0	6.5	(3.5)
Consolidation Fund / SHARE	8.0	-	(8.0)
Regional Efficiency Aid Program (REAP)	6.0	-	(6.0)
Transitional Aid to Localities	<u>-</u>	<u>159.0</u>	<u>159.0</u>
<b>Total Municipal Aid</b>	<b><u>\$ 1,909.7</u></b>	<b><u>\$ 1,463.8</u></b>	<b><u>\$ (445.9)</u></b>

\* The FY 2011 Appropriations Act authorizes additional funding for the Enterprise Zone Assistance Fund.

# Direct Property Tax Relief

(In Millions)

	<u>FY 2010 Adjusted Approp.</u>	<u>FY 2011 Approp. Act</u>	<u>Change</u>
Homestead Property Tax Credits	\$ 1,044.4	\$ 268.2	\$ (776.2)
Homestead Rebates for Tenants	74.2	-	(74.2)
Property Tax Deduction Act	289.0	365.4	76.4
Senior/Disabled Citizens' Property Tax Freeze	191.5	165.6	(25.9)
Municipal Reimbursement - Veterans' Tax Deductions	69.5	65.4	(4.1)
Municipal Reimbursement - Senior/Disabled Citizens' Tax Deductions	<u>19.5</u>	<u>17.7</u>	<u>(1.8)</u>
<b>Total Direct Property Tax Relief</b>	<b><u><u>\$ 1,688.1</u></u></b>	<b><u><u>\$ 882.3</u></u></b>	<b><u><u>\$ (805.8)</u></u></b>

# Higher Education

(In Millions)

	FY 2010	FY2011	Change	
	Adjusted Approp.	Approp. Act	\$	%
<b>Colleges and Universities</b>				
Senior Public Colleges and Universities	\$ 1,525.3 <sup>(a)</sup>	\$ 1,405.6	\$ (119.8)	(7.9)
County Colleges	226.8 <sup>(b)</sup>	207.3	(19.5)	(8.6)
Independent Colleges and Universities	17.5	0.0	(17.5)	(100.0)
<b>Student Financial Assistance</b>	<b>347.8</b> <sup>(c)</sup>	<b>333.6</b>	<b>(14.1)</b>	<b>(4.1)</b>
<b>Educational Opportunity Fund</b>	<b>41.2</b>	<b>38.9</b>	<b>(2.3)</b>	<b>(5.6)</b>
<b>Facility and Capital Improvement Programs</b>	<b>76.4</b>	<b>72.7</b>	<b>(3.7)</b>	<b>(4.9)</b>
<b>Other Programs</b>	<b>8.8</b>	<b>5.0</b>	<b>(3.8)</b>	<b>(43.5)</b>
<b>Total Higher Education</b>	<b>\$ 2,243.8</b>	<b>\$ 2,063.0</b>	<b>\$ (180.7)</b>	<b>(8.1)</b>

(a) Includes \$32.1 million in ARRA funding for operational support.

(b) Includes \$7.5 million in ARRA funding for operational support.

(c) Includes \$34.1 million in ARRA funding for Tuition Aid Grants (TAG).

# Higher Education

(In Millions)

	FY 2010 Adjusted Approp.	FY2011 Approp. Act	Change	
			\$	%
<b>Senior Public Institutions</b>				
Rutgers University	\$ 293.9	\$ 262.8	\$ (31.1)	(10.6)
UMDNJ	231.0	170.0	(61.0)	(26.4)
NJIT	42.1	37.7	(4.4)	(10.5)
Thomas Edison State College	5.3	1.8	(3.5)	(65.6)
Rowan University	52.8	46.4	(6.4)	(12.2)
New Jersey City University	29.1	26.1	(3.0)	(10.5)
Kean University	37.4	32.8	(4.6)	(12.2)
William Paterson University	36.7	32.7	(4.0)	(10.8)
Montclair State University	43.2	38.6	(4.6)	(10.6)
College of New Jersey	32.8	29.3	(3.5)	(10.6)
Ramapo College of New Jersey	18.0	16.1	(1.9)	(10.4)
Richard Stockton College of New Jersey	22.3	19.8	(2.5)	(11.0)
<b>Subtotal Senior Publics Direct Aid</b>	<b>844.6</b>	<b>714.2</b>	<b>(130.4)</b>	<b>(15.4)</b>
Senior Publics Salary Funding	0.0	0.0	0.0	
Senior Publics Net Fringe Benefits	648.6	691.4	42.8	6.6
<b>Total State Funding to Senior Publics</b>	<b>1,493.2</b>	<b>1,405.6</b>	<b>(87.6)</b>	<b>(5.9)</b>
<b>Federal Aid to Senior Publics</b>				
Federal ARRA Funding	<b>32.1</b>	<b>0.0</b>	<b>(32.1)</b>	<b>(100.0)</b>
<b>County Colleges</b>				
Operating Support <sup>(a)</sup>	141.6	134.8	(6.8)	(4.8)
Fringe Benefits	36.3	38.5	2.2	6.1
Chapter 12 Debt Service	41.4	34.0	(7.4)	(17.9)
<b>Total State Funding to County Colleges</b>	<b>219.3</b>	<b>207.3</b>	<b>(12.0)</b>	<b>(5.5)</b>
<b>Federal Aid to County Colleges</b>				
Federal ARRA Funding	<b>7.5</b>	<b>0.0</b>	<b>(7.5)</b>	<b>(100.0)</b>
<b>Total Independent Colleges and Universities</b>	<b>17.5</b>	<b>0.0</b>	<b>(17.5)</b>	<b>(100.0)</b>
<b>Student Financial Assistance</b>				
Tuition Aid Grants	271.1	294.3	23.2	8.6
Part-Time Tuition Aid Grants for County Colleges	9.6	9.6	0.0	0.1
NJSTARS I & II	18.7	21.1	2.4	13.0
EOF Grants and Scholarships	41.2	38.9	(2.3)	(5.6)
Other Student Aid Programs	14.3	8.6	(5.7)	(39.9)
<b>Total Student Financial Assistance</b>	<b>354.9</b>	<b>372.5</b>	<b>17.6</b>	<b>5.0</b>
<b>Federal Aid to Student Financial Assistance</b>				
Federal ARRA Funding	<b>34.1</b>	<b>0.0</b>	<b>(34.1)</b>	<b>(100.0)</b>
<b>Other Programs</b>				
Capital Grants and Facilities Support	76.4	72.7	(3.7)	(4.9)
All other programs	8.8	5.0	(3.8)	(43.5)
<b>Total Other Programs</b>	<b>85.2</b>	<b>77.6</b>	<b>(7.6)</b>	<b>(8.9)</b>
<b>Grand Total Higher Education</b>	<b>\$ 2,243.8</b>	<b>\$ 2,063.0</b>	<b>\$ (180.7)</b>	<b>(8.1)</b>

(a) Includes funding from Supplemental Workforce Fund for Basic Skills of \$16 million in FY 2010 and \$14.5 million in FY 2011.

# Hospital Funding

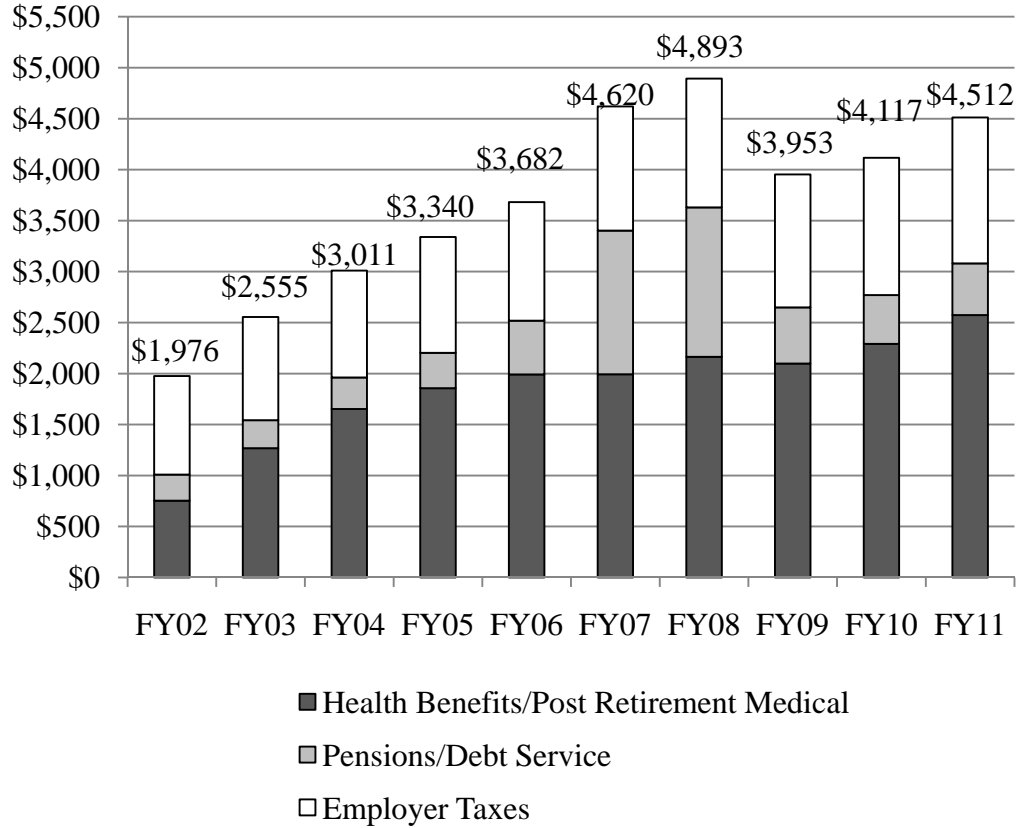
(In Millions)

	<b>FY 2010 Adjusted Approp.</b>	<b>FY 2011 Approp. Act</b>	<b>Change</b>
Charity Care	\$ 555.8 *	\$ 665.0	\$ 109.2
Health Care Stabilization Fund	40.0	30.0	(10.0)
Hospital Relief Offset Payments	191.6	191.6	-
Graduate Medical Education	60.0	60.0	-
.53% Hospital Assessment	(40.0)	(78.7)	(38.7)
<b>TOTAL</b>	<b>\$ 807.4</b>	<b>\$ 867.9</b>	<b>\$ 60.5</b>

\*Appropriation of \$605 million was reduced to close a budget shortfall.

# Employee Benefit Costs

(In Millions)



# Federal Stimulus Funding

(In Thousands)

	<u>FY 2010</u>	<u>FY 2011</u>
Medicaid Funding - Children & Families	\$ 24,000	\$ 26,500
Medicaid Funding - Health	310,401	313,091
Medicaid Funding - Developmental Disabilities	142,506	151,745
Medicaid Funding - Disability Services	45,803	35,362
Medicaid Funding - Medicaid	528,620	496,564
Medicaid Funding - Mental Health	-	3,478
<b>Sub-Total</b>	<b><u>\$ 1,051,330</u></b>	<b><u>\$ 1,026,740</u></b>
DHSS - Early Intervention	10,800	-
Fiscal Stabilization - Education\Higher Education	1,168,245	-
Title IV-E--Foster Care	5,392	6,392
Federal Preventive Maintenance	70,000	-
<b>Total</b>	<b><u>\$ 2,305,767</u></b>	<b><u>\$ 1,033,132</u></b>

Fiscal 2011 savings from Enhanced Medicaid Funding assumes passage of federal legislation extending the enhanced federal match for Medicaid spending through June 30, 2011 at the same federal matching percentage as fiscal 2010.

Enhanced Medicaid Funding reimbursements are determined by the State's actual Medicaid expenditures.

The fiscal 2010 Fiscal Stabilization funding is allocated in accordance with the "American Recovery and Reinvestment Act."

DHSS – Early Intervention funding was received in full during fiscal 2010, however \$6 million of the total \$10.8 million award will be used to offset costs in fiscal year 2011. This will reduce the amount of State funding needed to replace Stimulus funds in fiscal 2011 to \$4.8 million.

# Property Tax Levy Cap Reform

Governor Chris Christie reached a bipartisan consensus with Legislative leaders to provide long-awaited property tax relief by reducing New Jersey's property tax levy cap from 4.0% to 2.0%, eliminating most levy cap exemptions, and giving voters the ultimate authority to exceed the cap. The Governor signed the new cap into law on July 13, 2010.

## **Reduces Levy Cap to 2.0%**

Cuts the old cap in half, from 4.0% to 2.0%, and allows local governments to “bank” unused cap increases for use in future years for up to 3 years.

## **Eliminates Most Cap Exemptions**

Previously, there were 14 cap exemptions or waivers, including a catch-all that allowed for exemptions not covered in the first 13. This reform repeals 10 of those exemptions while continuing the allowance for increased school enrollment, leaving only the following 4 exemptions:

- Capital expenditures and debt service payments
- Pension benefits - if exceeds 2%
- Health benefits - to extent exceeds 2% but capped at State benefits increase
- Expenses connected to a state of emergency

## **Letting the People Decide**

This reform gives the citizens of New Jersey the power to decide their future -- a majority of local voters can override the levy cap.



# Governor's Tool Kit Reforms

## **Municipal and County Tool Kit**

- Reform selection of union contract arbitrators
- Arbitrators must consider contract impact on property taxes
- Arbitrators barred from making contracts that exceed cap
- Eliminate pension eligibility for outside groups
- Cap sick leave and vacation carryforward for current employees
- Eliminate certain civil service protections for shared services
- Allow furloughs by local governments
- Allow counties and municipalities to opt out of civil service
- Reclassify many offenses as minor to avoid hearings
- Employees - revise appeal process to reclassify many offenses as minor
- Revise layoff rules to not bump less senior (but more essential) staff
- Give Civil Service Commission Chair more day-to-day control
- Increase testing and appeal fees for civil service exams
- Allow Civil Service Commission to make seasonal appointments for 9 months
- Allow towns to offset property tax debt against income tax refunds
- Expand parties that can go to Council on Local Mandates

## **Schools Tool Kit**

- No school contract award in excess of levy cap
- School districts can once again impose a "last best offer" contract
- Executive County Superintendent approval of all union and superintendent contracts for schools
- Executive County Superintendent required to implement shared business functions across districts
- Pension reforms similar to those affecting municipalities
- Cap on administrator pay

## **Higher Education Tool Kit**

- Revise fact finder decision standards for new employee contracts
- State colleges/universities employer of record for collective bargaining
- State colleges/universities can hire faculty for probationary period
- Remove classified employees from Civil Service status
- Authorizes State college risk management groups and joint liability funds

## **Election Reform**

- Require only single ballot to each household
- Move school and fire district elections to November

# Comparison of Prior Year Adjusted Appropriations to Appropriation Acts

(In Millions)

Fiscal Year	Approp. Act	Prior Year Adjusted Approp.*	Change	
			\$	%
<b>2011**</b>	\$ 28,364.4	\$ 29,770.0	\$ (1,405.6)	(4.7)
<b>2010***</b>	28,990.5	33,060.6	(4,070.1)	(12.3)
<b>2009****</b>	32,868.5	34,580.6	(1,712.1)	(5.0)
2008	33,470.9	31,020.5	2,450.4	7.9
2007	30,818.7	28,087.7	2,731.0	9.7
<b>2006</b>	<b>27,919.9</b>	<b>28,644.8</b>	<b>(724.9)</b>	<b>(2.5)</b>
2005	28,027.3	24,569.1	3,458.2	14.1
2004	24,003.2	23,726.4	276.8	1.2
2003	23,401.7	23,218.6	183.1	0.8
2002	22,920.7	21,842.8	1,077.9	4.9
2001	21,419.7	20,163.5	1,256.2	6.2
2000	19,514.4	18,482.3	1,032.1	5.6
1999	18,123.8	17,141.3	982.5	5.7
1998	16,786.6	16,256.7	529.9	3.3
<b>1997</b>	<b>15,977.8</b>	<b>16,297.3</b>	<b>(319.5)</b>	<b>(2.0)</b>
1996	15,994.6	15,528.7	465.9	3.0
<b>1995</b>	<b>15,280.7</b>	<b>15,608.7</b>	<b>(328.0)</b>	<b>(2.1)</b>
1994	15,466.9	14,737.5	729.4	4.9
<b>1993</b>	<b>14,625.5</b>	<b>14,955.7</b>	<b>(330.2)</b>	<b>(2.2)</b>
1992	14,651.5	12,638.8	2,012.7	15.9
1991	12,423.8	12,165.9	257.9	2.1
1990	11,995.0	11,904.1	90.9	0.8
1989	11,775.1	10,569.4	1,205.7	11.4
1988	10,396.5	9,355.9	1,040.6	11.1
1987	9,279.4	8,959.2	320.2	3.6
1986	8,681.2	7,946.1	735.1	9.3
1985	7,693.3	6,865.2	828.1	12.1
1984	6,771.8	6,289.5	482.3	7.7
1983	6,181.7	5,741.5	440.2	7.7
1982	5,691.3	5,151.3	540.0	10.5
1981	5,107.1	4,739.6	367.5	7.8
1980	4,652.1	4,436.6	215.5	4.9
1979	4,394.4	4,066.5	327.9	8.1
1978	4,010.6	3,486.2	524.4	15.0
1977	2,853.3	2,674.6	178.7	6.7
<b>1976</b>	<b>2,698.1</b>	<b>2,794.4</b>	<b>(96.3)</b>	<b>(3.4)</b>
1975	2,756.1	2,406.9	349.2	14.5
1974	2,385.7	2,090.5	295.2	14.1
1973	2,047.7	1,822.4	225.3	12.4
1972	1,779.3	1,616.6	162.7	10.1
1971	1,557.5	1,370.0	187.5	13.7
1970	1,334.4	1,136.8	197.6	17.4
1969	1,088.5	1,021.0	67.5	6.6
1968	992.7	888.2	104.5	11.8
1967	876.6	654.9	221.7	33.9
1966	639.4	592.9	46.5	7.8
1965	584.1	554.9	29.2	5.3
1964	543.8	505.9	37.9	7.5
1963	499.4	469.3	30.1	6.4
1962	467.2	437.2	30.0	6.9
1961	431.8	412.3	19.5	4.7
1960	405.1	395.9	9.2	2.3
1959	388.6	340.7	47.9	14.1
1958	342.5	324.2	18.3	5.6
1957	320.8	299.8	21.0	7.0
1956	284.4	247.7	36.7	14.8
1955	234.8	185.2	49.6	26.8
1954	219.7	211.9	7.8	3.7
1953	210.7	179.2	31.5	17.6
1952	176.8	168.6	8.2	4.9
<b>1951</b>	<b>164.1</b>	<b>164.5</b>	<b>(0.4)</b>	<b>(0.2)</b>

\* Original Appropriations Act plus Supplementals

\*\* Excludes federal stimulus aid totaling \$1.03 billion for FY 2011

\*\*\* Excludes federal stimulus aid totaling \$2.3 billion for FY 2010

\*\*\*\* Excludes federal stimulus aid totaling \$753.6 million for FY 2009

# Comparison of Appropriation Acts

(In Millions)

Fiscal Year	Approp. Act	Change	
		\$	%
2011*	\$ 28,364.4	\$ (626.1)	(2.2)
2010**	28,990.5	(3,878.0)	(11.8)
2009***	32,868.5	(602.4)	(1.8)
2008	33,470.9	2,652.2	8.6
2007	30,818.7	2,898.8	10.4
2006	27,919.9	(107.4)	(0.4)
2005	28,027.3	4,024.1	16.8
2004	24,003.2	601.5	2.6
2003	23,401.7	481.0	2.1
2002	22,920.7	1,501.1	7.0
2001	21,419.7	1,905.3	9.8
2000	19,514.4	1,390.6	7.7
1999	18,123.8	1,337.1	8.0
1998	16,786.6	808.8	5.1
1997	15,977.8	(16.8)	(0.1)
1996	15,994.6	713.9	4.7
1995	15,280.7	(186.2)	(1.2)
1994	15,466.9	841.4	5.8
1993	14,625.5	(26.0)	(0.2)
1992	14,651.5	2,227.7	17.9
1991	12,423.8	428.8	3.6
1990	11,995.0	219.9	1.9
1989	11,775.1	1,378.6	13.3
1988	10,396.5	1,117.1	12.0
1987	9,279.4	598.2	6.9
1986	8,681.2	987.9	12.8
1985	7,693.3	921.5	13.6
1984	6,771.8	590.1	9.5
1983	6,181.7	490.4	8.6
1982	5,691.3	584.2	11.4
1981	5,107.1	455.0	9.8
1980	4,652.1	257.7	5.9
1979	4,394.4	383.7	9.6
1978	4,010.6	1,157.3	40.6
1977	2,853.3	155.2	5.8
1976	2,698.1	(58.0)	(2.1)
1975	2,756.1	370.4	15.5
1974	2,385.7	338.0	16.5
1973	2,047.7	268.4	15.1
1972	1,779.3	221.8	14.2
1971	1,557.5	223.0	16.7
1970	1,334.4	245.9	22.6
1969	1,088.5	95.8	9.7
1968	992.7	116.0	13.2
1967	876.6	237.3	37.1
1966	639.4	55.2	9.5
1965	584.1	40.3	7.4
1964	543.8	44.4	8.9
1963	499.4	32.2	6.9
1962	467.2	35.5	8.2
1961	431.8	26.6	6.6
1960	405.1	16.5	4.2
1959	388.6	46.2	13.5
1958	342.5	21.6	6.7
1957	320.8	36.4	12.8
1956	284.4	49.6	21.1
1955	234.8	15.1	6.9
1954	219.7	9.0	4.3
1953	210.7	33.9	19.2
1952	176.8	12.7	7.7
1951	164.1		

\* Excludes federal stimulus aid totaling \$1.03 billion for FY 2011

\*\* Excludes federal stimulus aid totaling \$2.3 billion for FY 2010

\*\*\* Excludes federal stimulus aid totaling \$753.6 million for FY 2009

# **Fiscal Year 2010 Update**

# FY 2010

## Summary of Shortfall

(In Thousands)

	<b>Dec 22</b>	<b>Feb 11</b>	<b>Added June Approp. Act</b>	<b>Total</b>
Revenue Shortfall	\$ 412,050	\$ 1,211,556	\$ 235,405	\$ 1,446,961
Added Spending Needs	350,403	871,662	(92,100)	779,562
Reduced FY09 Ending Surplus	162,000	121,000	-	121,000
<b>Total</b>	<b>\$ 924,453</b>	<b>\$ 2,204,218</b>	<b>\$ 143,305</b>	<b>\$ 2,347,523</b>

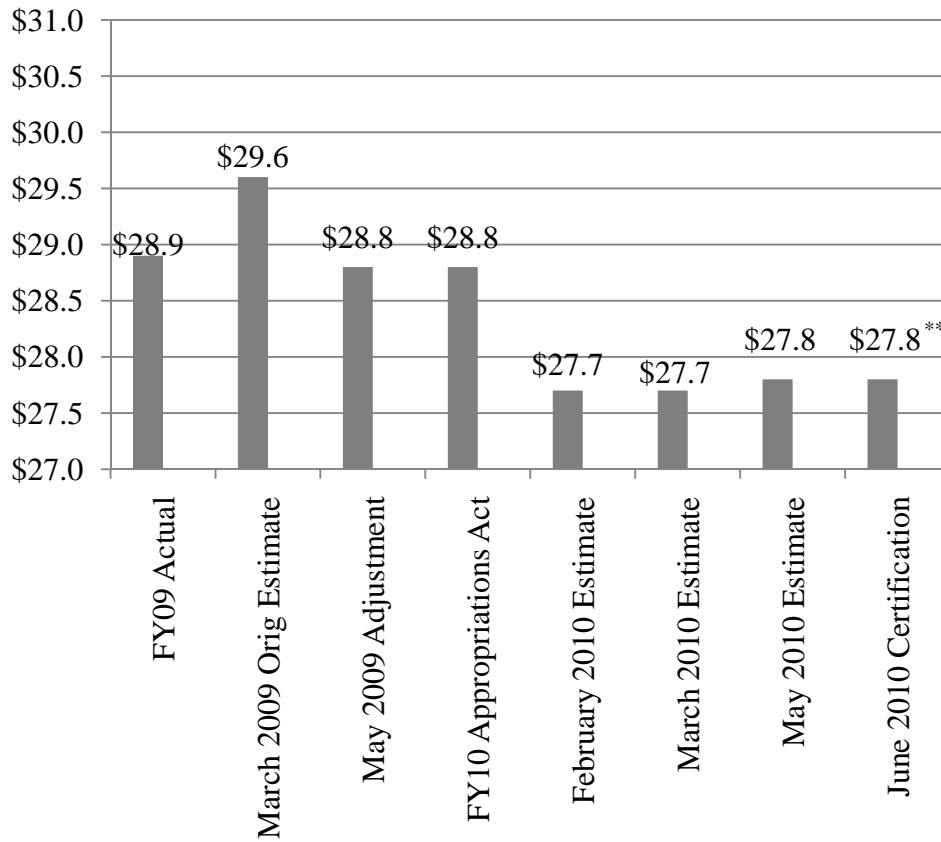
## Summary of Actions

(In Thousands)

	<b>Dec 22</b>	<b>Feb 11</b>	<b>Added June Approp. Act</b>	<b>Total</b>
Budget Cuts	\$ 479,453	\$ 1,054,697	\$ 154,030	\$ 1,208,727
School Aid Excess Surplus	260,000	475,000	(13,617)	461,383
Pensions	100,000	100,000	-	100,000
Retail Margin Fund	-	128,000	11,000	139,000
Clean Energy Fund	-	158,000	-	158,000
Other Revenue Solutions		88,267	25,000	113,267
ARRA funding for TANF to Offset Earned Income Tax Credit	80,000	150,000	-	150,000
Tax compliance effort for Disclosed "Offshore" Income	35,000	5,000	(5,000)	-
Implementation of Powerball	20,000	20,000	-	20,000
<b>Total</b>	<b>\$ 974,453</b>	<b>\$ 2,178,964</b>	<b>\$ 171,413</b>	<b>\$ 2,350,377</b>

# History of FY 2010 Revenues\*

(In Billions)



\* Figures do not include more than \$3 billion in federal stimulus aid.

\*\* Includes solutions

# FY 2010 Revenues

(In Millions)

	FY 2009 CAFR	FY 2010 Approp. Act	FY 2010 June**	CAFR vs. Approp. Act Change		Approp. Act vs. June Change	
				\$	%	\$	%
Income	\$ 10,476	\$ 10,393	\$ 10,243	\$ (83)	(0.8)	\$ (150)	(1.4)
Sales	7,723	7,965	7,465	242	3.1	(500)	(6.3)
Corporate	2,622	2,224	2,000	(398)	(15.2)	(224)	(10.1)
Other*	<u>8,064</u>	<u>8,175</u>	<u>8,043</u>	<u>111</u>	1.4	<u>(132)</u>	(1.6)
<b>Total</b>	<b>\$ 28,885</b>	<b>\$ 28,757</b>	<b>\$ 27,751</b>	<b>\$ (128)</b>	(0.4)	<b>\$ (1,006)</b>	(3.5)
Federal Stimulus Aid	<u>754</u>	<u>2,255</u>	<u>2,306</u>	<u>1,501</u>	199.2	<u>51</u>	2.3
<b>Total with Federal Stimulus Aid</b>	<b><u>\$ 29,639</u></b>	<b><u>\$ 31,012</u></b>	<b><u>\$ 30,057</u></b>	<b><u>\$ 1,373</u></b>	4.6	<b><u>\$ (955)</u></b>	(3.1)

\* All Sales Tax and Corporation Taxes on Energy are included in Other

\*\* FY 2010 includes solutions

# The FY 2010 Budget

(In Millions)

	<u>FY 2010 Approp. Act</u>	<u>FY 2010 Budget</u>	<u>FY 2010 June</u>	<u>Change Budget - June</u>
<b>Opening Surplus</b>	\$ 735	\$ 614	\$ 614	\$ -
Revenues				
Income	10,393	10,393	10,243	(150)
Sales	7,965	7,523	7,465	(58)
Corporate	2,224	2,044	2,000	(44)
Other	8,175	7,760	8,043	283
Total Revenues	\$ 28,757	\$ 27,720	\$ 27,751	31
ARRA Resources*	\$ 2,255	\$ 2,289	2,306	17
Lapses		\$ 2,029	1,910	(119)
<b>Total Resources</b>	<b>\$ 31,747</b>	<b>\$ 32,652</b>	<b>\$ 32,581</b>	<b>\$ (71)</b>
Appropriations				
Original	\$ 28,990	\$ 28,990	\$ 28,990	
Supplemental		872	780	(92)
Subtotal State Appropriations	\$ 28,990	\$ 29,862	\$ 29,770	\$ (92)
ARRA Supported Appropriations*	\$ 2,255	\$ 2,289	\$ 2,306	\$ 17
<b>Total Appropriations with Federal Stimulus Aid</b>	<b>\$ 31,245</b>	<b>\$ 32,151</b>	<b>\$ 32,076</b>	<b>\$ (75)</b>
<b>Projected Surplus</b>	<b>\$ 502</b>	<b>\$ 501</b>	<b>\$ 505</b>	

\*Resources and Appropriations used for budget relief that otherwise would have needed a State Appropriation.





## CHAPTER 3: ECONOMIC OVERVIEW AND REVENUE FORECAST

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### *New Jersey Economic Overview*

As the global economic crisis gripped every state in the country, New Jersey's economy weakened significantly in 2009 and is expected to recover at a moderate pace in 2010, according to an analysis prepared by the Office of Revenue and Economic Analysis, with the help of other units of the Division of Taxation and the Office of Management and Budget.

- Payroll employment decreased at an average annual rate of 3.9% in 2009, following a decrease at an average annual rate of 0.7% in 2008. Employment is projected to decrease by approximately 0.5% in 2010 and increase by an average annual rate of approximately 1% in 2011.
- Following a declining trend during the four quarters in 2009, the preliminary growth rate for personal income increased at a rate of 2.1% for the first quarter of 2010, above the revised growth rate of negative 1.8% for the fourth quarter of 2009. Personal income is expected to grow at an annual average rate of 3% in 2010 and improve to a growth rate of around 4% in 2011.
- The generally declining labor market conditions have kept the State's unemployment rate above 5% for 25 months since June 2008. The State's unemployment rate averaged 9.8% for the first six months of the current calendar year through June 2010, after averaging around 9.2% in 2009. After peaking at 10% in December 2009, the State's unemployment rate appears to be declining slowly, but steadily, reflecting the fact that New Jersey's labor market condition is showing some signs of gradual improvements. The State's unemployment rate declined to 9.6% in June, the third monthly decline in calendar 2010.
- New vehicle registrations declined in calendar year 2009 by 20%, following a 16% decline in 2008. For calendar year 2010 year-to-date through June, new vehicle registrations increased by 10.9% compared to the same period a year ago. New motor vehicle registrations are projected to remain below the 500,000 level in 2010 and continue to improve steadily in 2011.
- The housing sector is expected to remain weak in the months ahead, with housing permits in 2010 to stay below 20,000 units, in part due to the expiration of the federal homebuyer tax credit.
- The State and the nation may experience further near-term deterioration in growth and the expected pace of economic expansion may decline further if consumers, investors and businesses become more concerned about the impact of the reduction in federal economic stimulus on job growth, credit availability, financial market stresses and geopolitical tensions. To a large extent, the future direction of the economy nationally and in the State hinges on assumptions regarding the current recession, energy prices and stability in the financial markets.

## *Fiscal 2011 Revenue Projections*

Total revenues for fiscal 2011 are expected to be \$28.2 billion, which is \$411 million or approximately 1.5% above the revised fiscal 2010 anticipated levels. New Jersey is projecting only moderate changes in base revenues in fiscal 2011. Economic indicators suggest a slow-paced economic recovery will continue in 2010 and improve in 2011.

## **FY 2011 Revenues**

(In Millions)

	<b>FY2010</b> <u>Approp. Act</u>	<b>FY2010</b> <u>Certified</u>	<b>FY2011</b> <u>Approp. Act</u>	<b>Change to</b> <b>Approp. Act</b>	
				<u>\$</u>	<u>%</u>
Income	\$ 10,393	\$ 10,243	\$ 9,855	\$ (538)	(5.2)
Sales	7,965	7,465	7,829	(136)	(1.7)
Corporate	2,224	2,000	2,145	(79)	(3.6)
Other*	<u>8,175</u>	<u>8,043</u>	<u>8,333</u>	<u>158</u>	1.9
<b>Total</b>	<b>\$ 28,757</b>	<b>\$ 27,751</b>	<b>\$ 28,162</b>	<b>\$ (595)</b>	<b>(2.1)</b>
Federal Stimulus Aid	<u>2,255</u>	<u>2,306</u>	<u>1,030</u>	<u>(1,225)</u>	(54.3)
<b>Total with Federal Stimulus Aid</b>	<b><u>\$ 31,012</u></b>	<b><u>\$ 30,057</u></b>	<b><u>\$ 29,192</u></b>	<b><u>\$ (1,820)</u></b>	<b>(5.9)</b>

\* All Sales Tax and Corporation Business Tax on Energy are included in Other

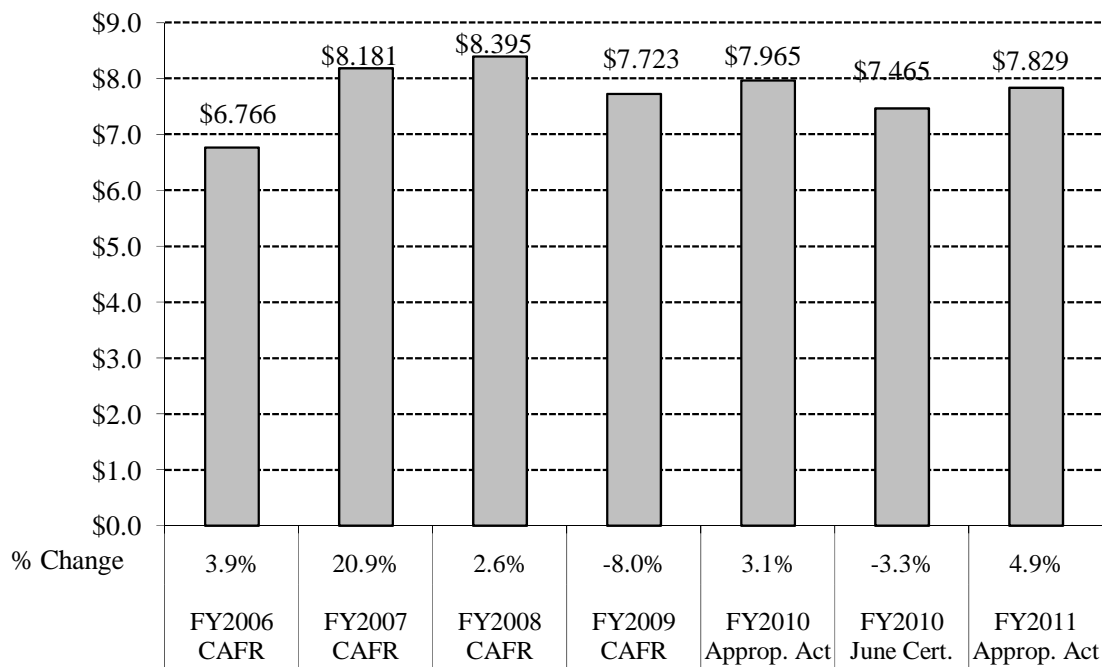
## **Sales Tax**

The forecast of \$7.8 billion in Sales Tax revenue for fiscal 2011 is an increase of \$364 million over the revised fiscal 2010 level. Economic indicators suggest Sales Tax collections should rise as the recovery continues to proceed, though at a slow pace. Forecasts have proven difficult since the nation entered

recession in December 2007. The basic underlying growth rate of 4.9% reflects the anticipated improvements in the economy and consumer spending in fiscal 2011.

## Sales Tax

(In Billions)



FY2007 changes in tax policy:

- increased Sales Tax rate from 6% to 7%
- broadened Sales Tax base

FY2009 includes \$142.5 million received under the Amnesty program.

Sales Tax excludes the tax on energy.

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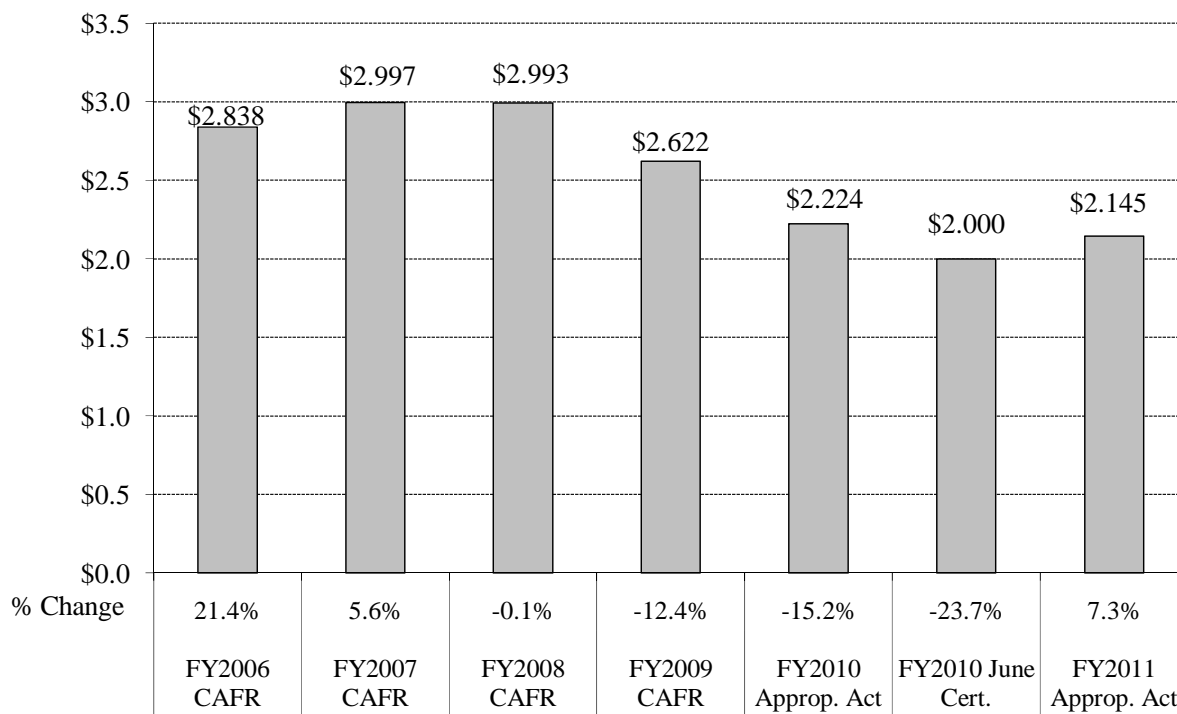
## Corporation Business Tax

The fiscal 2011 Corporation Business Tax (CBT) revenue forecast of \$2.1 billion represents an increase of \$145 million (7.3%), compared to the revised fiscal 2010 level. New Jersey companies are expected to

pay more taxes as the recovery gradually allows them to generate more revenues. The forecast assumes growth in payments for calendar 2010 as pre-tax corporate profitability is projected to improve from the depressed recessionary period and refunds are expected to fall from the unusually high levels paid out in fiscal 2009 and 2010. The 2011 estimate reflects the expiration of the 4% surcharge, and elimination of the throw out and the regular place of business rules under the CBT. The forecast for fiscal 2011 corporate tax collections includes temporary changes in certain tax credit provisions relating to film and biotech credits.

## Corporation Business Tax

(In Billions)



FY2009 includes \$392.6 million received under the Amnesty program.

Corporation Business Tax excludes the tax on energy.  
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## Gross Income Tax

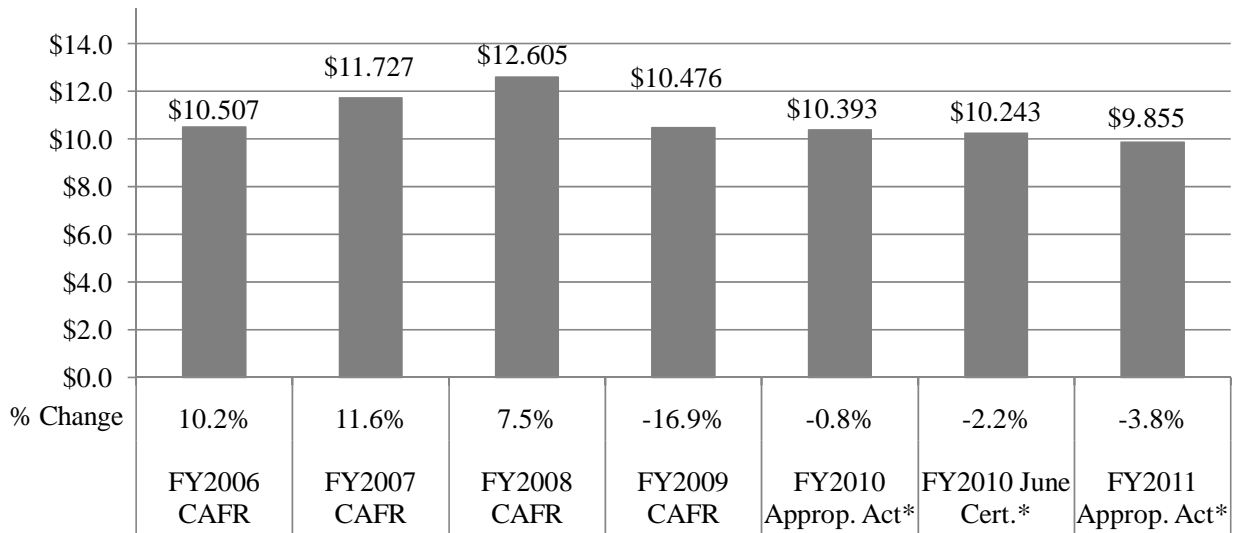
The fiscal 2011 forecast of \$9.9 billion is a decrease of \$388 million over the revised fiscal 2010 level. The fiscal 2011 estimate reflects weak income growth trends and volatility in the financial markets, as well as changes in the tax code. New Jersey instituted a temporary increase in the top rate to 10.75% in tax year 2009, eliminated the property tax deduction for non-seniors earning more than \$250,000 a year, and added a tax on lottery winnings greater than \$10,000. To help revive the state's faltering economy, Governor Christie has decided not to re-institute the temporary tax increase, so the top rate will be 8.97% in fiscal 2011. This forecast includes a \$111 million decline due to the use of Federal Stimulus funds in

fiscal 2010 to offset the State cost of the New Jersey Earned Income Tax Credit (EITC). The forecast of fiscal 2011 income tax collections includes a change in the EITC program whereby the benefit will be 20% of the federal benefit. This represents a decrease from the 2009 tax year when the EITC program was set at 25% of the federal benefit.

The basic underlying growth rate of negative 3.2% over the revised fiscal 2010 level reflects the weakening income growth trends and the probability of slow growth in the financial markets. New Jersey Total Income, which is the tax base, decreased by 3% and 10.7% in tax years 2008 and 2009, respectively, following an increase of 10.2% in tax year 2007. Households reporting over \$100,000 in total income account for around 85% of the income tax revenue. The pace of growth in income for these households fell sharply by 16.9% in tax year 2009. Income for these households is projected to increase by 10.7% in 2010 but the pace will moderate to 3.4% in tax year 2011. These trends are significantly below the double-digit average annual growth rate of close to 13% experienced in the 2004-2007 expansionary period, following the last economic recession.

## Income Tax Revenue Below Actual FY 2006 Collections

(In Billions)



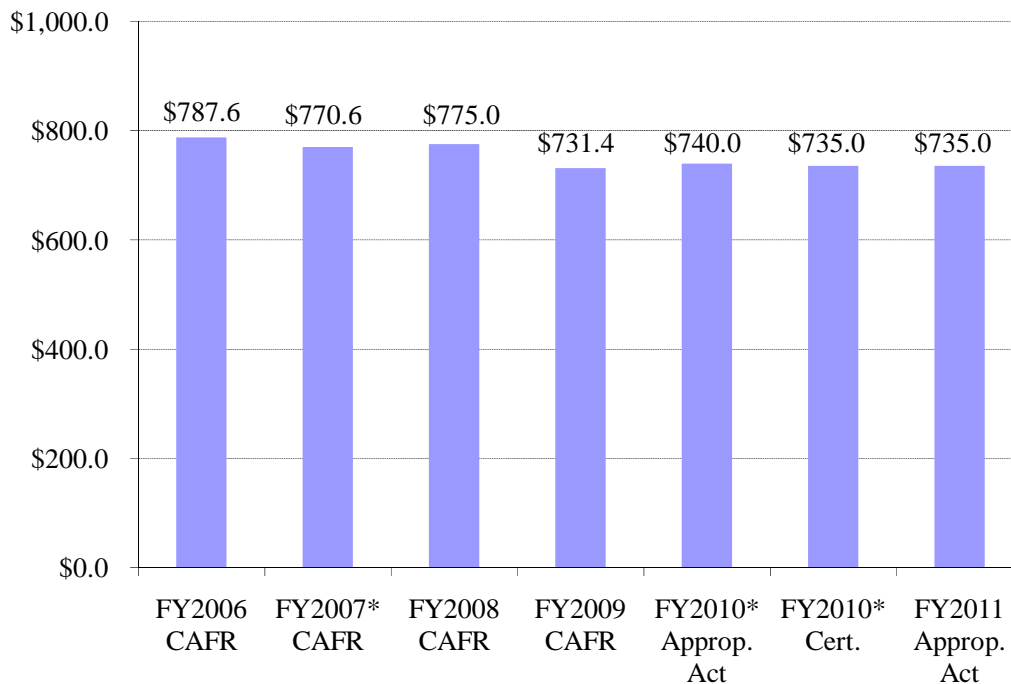
\* These revenues include changes in tax policy.  
 FY 2009 - Incremental Change in EITC Expansion (\$60 million)  
 FY 2009 - Includes \$88.9 million received from the Amnesty program.  
 FY 2010 - Incremental Change in EITC (\$9.9 million)  
 FY 2010 - EITC Federal Reimbursement (\$150 million)  
 FY 2011 - EITC Federal Reimbursement (\$39 million)  
 FY 2011 - Millionaire's Tax Expired 12/31/09  
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## Cigarette Tax

For fiscal 2011, the gross cigarette tax collections are estimated to be \$735 million. This estimate assumes consumption will remain constant with the fiscal 2010 level. From the fiscal 2011 gross collections, \$396.5 million is dedicated to the Health Care Subsidy Fund to assist hospitals with Charity Care and other Uncompensated Care Disproportionate Share Payments (DSH). Also, \$139.5 million has been pledged to bondholders with the issuance of the Cigarette Tax Revenue Bonds, Series 2004. The remaining funds of \$199 million are available to support the General Fund.

## Cigarette Tax Gross Collections

(In Millions)



**\*Tax Rate Change**

FY2007 tax rate change from \$2.40 per pack to \$2.575 per pack.

FY2010 tax rate change from \$2.575 per pack to \$2.70 per pack.

FY2009 includes \$3.8 million received under the Amnesty program.

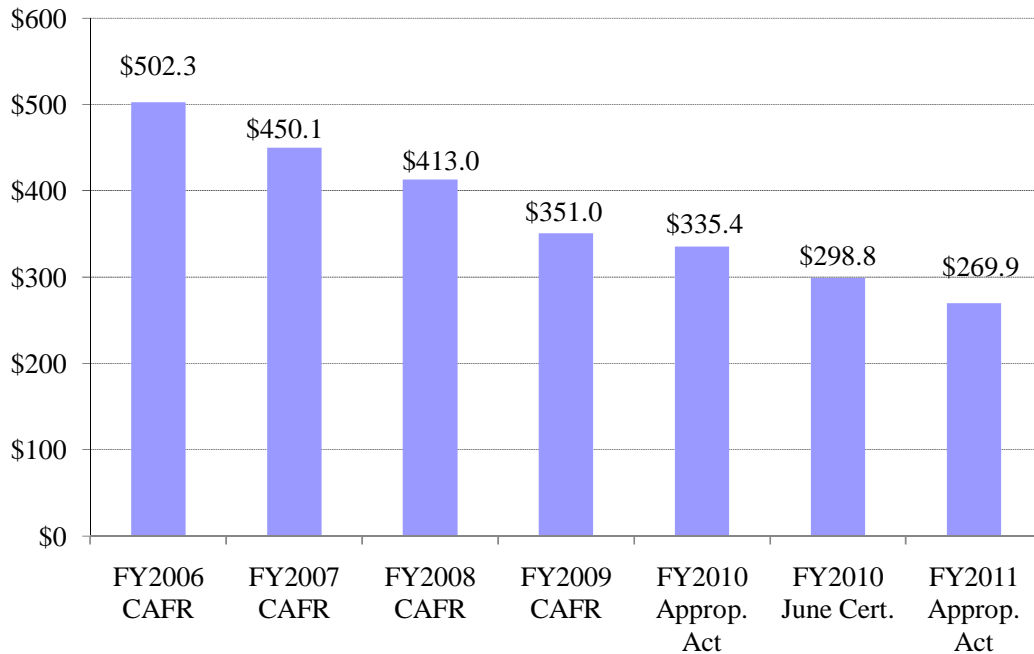
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## Casino Revenue

For fiscal 2011, the forecast is a \$28.9 million, or a 9.7% decline in casino tax collections from the certified fiscal year 2010 estimate. The weak economy and expanding competition from other forms of gambling originating both offshore and from slot machine parlors built in other states are hurting Atlantic City casinos. Total casino tax collections are projected to be \$269.9 million, down from late year estimates of \$298.8 million in fiscal 2010.

## Casino Revenue

(In Millions)



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## Chapter 4: Budget Details



STATE OF NEW JERSEY  
EXECUTIVE DEPARTMENT

REVENUE CERTIFICATION

In accordance with the provisions of Article VIII, Section II, Paragraph 2 of the State Constitution, I hereby certify that the resources listed below are available to support appropriations for the fiscal year ending June 30, 2011.

GENERAL FUND

Undesignated Fund Balance, July 1, 2010	\$ 504,642,000
All Revenues—same as S3000	17,348,770,000
Except for: General Revenue - Fees (Commercial Recording and UCC)	(4,000,000)
Total Resources, General Fund	\$ 17,849,412,000

PROPERTY TAX RELIEF FUND

Undesignated Fund Balance, July 1, 2010	\$ -
All Revenues—same as S3000	10,480,977,000
Total Resources, Property Tax Relief Fund	\$ 10,480,977,000

GUBERNATORIAL ELECTIONS FUND

Undesignated Fund Balance, July 1, 2010	\$ -
All Revenues—same as S3000	700,000
Total Resources, Gubernatorial Elections Fund	\$ 700,000

CASINO REVENUE FUND

Undesignated Fund Balance, July 1, 2010	\$ -
All Revenues—same as S3000	269,852,000
Total Resources, Casino Revenue Fund	\$ 269,852,000

CASINO CONTROL FUND

Undesignated Fund Balance, July 1, 2010	\$ 777,000
All Revenues—same as S3000	65,919,000
Total Resources, Casino Control Fund	\$ 66,696,000

SURPLUS REVENUE FUND

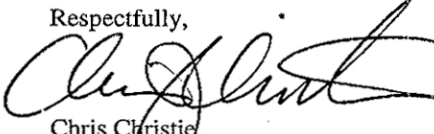
Undesignated Fund Balance, July 1, 2010	\$ -
Total Resources, Surplus Revenue Fund	\$ -


GRAND TOTAL, ALL STATE FUNDS	\$ 28,667,637,000
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FEDERAL FUNDS

Uncertainty over the amount of federal aid which may be available to the State prevents me from making a like certification in the case of federal funds. Federal monies specified in the appropriations bill cannot be regarded as immediately available for expenditure. Pursuant to N.J.S.A. 52:27B-26, I direct that expenditures be permitted under these appropriations only upon determination by the Director of the Division of Budget and Accounting that federal funds to support any expenditure are receivable or have been received by the State.



Respectfully,  
  
 Chris Christie  
 Governor

Attest:  
  
 Jeffrey S. Chiesa  
 Chief Counsel to the Governor

**SUMMARY OF FISCAL YEAR 2010-11 APPROPRIATIONS**

(thousands of dollars)

This table is a summary of appropriations of all State fund sources and the federal stimulus aid. It highlights the percent and total change in appropriations between fiscal years.

	<b>2010 Adjusted Approp.</b>	<b>2011 Approp. Act</b>	<b>----- Change ----- \$</b>	<b>%</b>
<b>GENERAL FUND AND PROPERTY TAX RELIEF FUND</b>				
<b>State Aid and Grants</b>	<b>\$ 21,878,931</b>	<b>\$ 20,434,284</b>	<b>\$ (1,444,647)</b>	<b>(6.6)</b>
<b>State Operations</b>				
Executive Branch	\$ 3,525,936	\$ 3,304,078	\$ (221,858)	(6.3)
Legislature	74,596	73,815	(781)	(1.0)
Judiciary	648,385	656,270	7,885	1.2
Interdepartmental	1,872,097	2,212,814	340,717	18.2
<b>Total State Operations</b>	<b>\$ 6,121,014</b>	<b>\$ 6,246,977</b>	<b>\$ 125,963</b>	<b>2.1</b>
<b>Capital Construction</b>	<b>\$ 1,091,657</b>	<b>\$ 1,121,895</b>	<b>\$ 30,238</b>	<b>2.8</b>
<b>Debt Service</b>	<b>263,615</b>	<b>224,718</b>	<b>(38,897)</b>	<b>(14.8)</b>
<b>TOTAL GENERAL FUND AND PROPERTY TAX RELIEF FUND</b>	<b>\$ 29,355,217</b>	<b>\$ 28,027,874</b>	<b>\$ (1,327,343)</b>	<b>(4.5)</b>
<b>CASINO CONTROL FUND</b>	<b>\$ 70,571</b>	<b>\$ 66,696</b>	<b>\$ (3,875)</b>	<b>(5.5)</b>
<b>CASINO REVENUE FUND</b>	<b>335,441</b>	<b>269,852</b>	<b>(65,589)</b>	<b>(19.6)</b>
<b>GUBERNATORIAL ELECTIONS FUND</b>	<b>8,817</b>	<b>0</b>	<b>(8,817)</b>	<b>(100.0)</b>
<b>GRAND TOTAL STATE APPROPRIATIONS</b>	<b>\$ 29,770,046</b>	<b>\$ 28,364,422</b>	<b>\$ (1,405,624)</b>	<b>(4.7)</b>
<b>FEDERAL STIMULUS AID</b>	<b>\$ 2,305,767</b>	<b>\$ 1,033,132</b>	<b>\$ (1,272,635)</b>	<b>(55.2)</b>

**APPROPRIATIONS**  
**MAJOR INCREASES AND DECREASES**  
**Fiscal 2011 Budget to Appropriation**  
**(\$ In Millions)**

This table summarizes the major increases and decreases in the Fiscal 2011 Appropriations Act since the Governor's recommended Fiscal 2011 Budget and is organized by category.

Categories of appropriations are defined as follows:

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

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

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

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

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

All changes were sponsored by the Executive except as noted in the "House/Sponsor" column.

	<u>House/Sponsor</u>	<u>Increases</u>	<u>Decreases</u>	<u>Net Change</u>
<b>State Operations</b>				
Restoration of Corrections Overtime Funding		7.500		
Maintain Operations at Hagedorn Gero - Psychiatric Hospital	(S) MICHAEL J. DOHERTY	6.372		
Restoration of the State Commission of Investigation	(A) PETER J. BARNES, III	3.539		
Restore State Museum Operating Funding		3.534		
Medicaid Claims Processing		3.051		
Enlisted Supervising Staff at Juvenile Institutions		0.837		
Corporation Business Tax Dedication		0.274		
Local Finance Board Members	(S) BOB SMITH	0.084		
<b>Subtotal - State Operations Increases</b>		25.191		
Unemployment Insurance (Revised Projections)			(6.533)	
Reduces funding for Unemployment Insurance	(A) LOUIS D. GREENWALD		(5.000)	
Reduces appropriations for State Employees' Health Benefits	(A) DECLAN J. O'SCANLON JR		(2.800)	
Reduces State Health Benefits contribution to account for employee contributions	(A) LOUIS D. GREENWALD		(2.200)	
State Comptroller Efficiencies	(A) LOUIS D. GREENWALD		(2.000)	
Reduces appropriations for Social Security Tax - State	(A) DECLAN J. O'SCANLON JR		(1.600)	
Revises employee prescription drugs costs in line with trend	(A) LOUIS D. GREENWALD		(1.500)	

	<u>House/Sponsor</u>	<u>Increases</u>	<u>Decreases</u>	<u>Net Change</u>
Reduces appropriations for Public Employees' Retirement System - Post-Retirement Medical	(A) DECLAN J. O'SCANLON JR		(1.100)	
Additions, Improvements and Equipment (Health Laboratory Services)	(A) LOUIS D. GREENWALD		(0.800)	
Reduced Line of Credit Cost for Human Services Information Technology Equipment			(0.180)	
Civil Service Commission Board Member Salary Cap			(0.003)	
<b>Subtotal - State Operations Decreases</b>			<u>(23.716)</u>	
<b>Net Change (State Operations)</b>				<u>1,475</u>
<b>Grants-In-Aid</b>				
Medicaid Prescription Drugs - Replace One-time Federal Savings		116.609		
Maintain Developmentally Disabled Client Contributions to Care at Current Levels	(S) RONALD L. RICE	10.282		
Maintain Personal Care Assistants Hourly Rate	(A) NELLIE POU	9.669		
Restore State Library Operating Support		4.872		
Cultural Projects	(A) LOUIS D. GREENWALD	4.302		
New Jersey After 3	(A) GARY S. SCHAEER	3.000		
Vocational Rehabilitation Services	(A) VALERIE VAINIERI HUTTLE	3.000		
Medical Day Care Services (Eliminates Co-Pays)	(A) LOUIS D. GREENWALD	2.379		
Restore Funding to Thomas Edison State College		1.821		
Tuition Aid Grants (TAG)		1.700		
Center for Hispanic Policy, Research and Development	(S) M. TERESA RUIZ	1.400		
EOF - Opportunity Program Grants	(S) RONALD L. RICE	1.300		
New Jersey Student Tuition Assistance Reward Scholarship (NJSTARS I and II)	(S) SHIRLEY K. TURNER	1.000		
Medicaid Partial Care Hospital Funding Restoration	(A) JOSEPH R. MALONE, III	0.800		
Corporation Business Tax Dedication		0.194		
Educational Services for Blind Children	(A) VALERIE VAINIERI HUTTLE	0.020		
<b>Subtotal - Grants-In-Aid Increases</b>		<u>162.348</u>		
Medicaid Caseload (Revised Projections)			(35.482)	
Restore General Assistance Cash Grants for Employable Recipients	(A) SHEILA Y. OLIVER		(15.000)	
Medicaid Prescription Drugs (Revised Projections)			(14.681)	
Additional Medicaid Anti-Fraud Savings	(A) LOUIS D. GREENWALD		(10.000)	
Additional Medicaid Prescription Drug Rebates	(A) LOUIS D. GREENWALD		(10.000)	
Do Not Merge State Museum, Library and Thomas Edison State College with Rutgers University			(8.822)	
Designated Industries Debt Service Offset			(5.995)	
Department of Children and Families Trend	(A) DECLAN J. O'SCANLON JR		(5.000)	

	<u>House/Sponsor</u>	<u>Increases</u>	<u>Decreases</u>	<u>Net Change</u>
Health Care Subsidy Fund (Revised Projections)			(4.500)	
Unemployment Insurance (Revised Projections)			(2.997)	
Offset Work First New Jersey Child Care Costs with Dedicated Fund Balances	(A) LOUIS D. GREENWALD		(2.500)	
Reduces salary increase assumption for Alternate Benefits Program	(A) LOUIS D. GREENWALD		(2.500)	
Payments for Lifeline Credits Trend	(A) LOUIS D. GREENWALD		(1.900)	
Reform Co-payment for After School/Summer Child Care			(1.745)	
Prior Year Charity Care Recovery			(0.197)	
<b>Subtotal - Grants-In-Aid Decreases</b>			<u>(121.319)</u>	
<b>Net Change (Grants-In-Aid)</b>				<u>41.029</u>
<b>State Aid</b>				
Restore General Assistance Cash Grants for Employable Recipients	(A) SHEILA Y. OLIVER	36.995		
Solid Waste Management - County Environmental Investment Aid (Revised Projections)		5.000		
Restore Library Network Aid		4.299		
County Prosecutor Funding Initiative Pilot Program		4.000		
Essex County - County Jail Substance Abuse Programs	(S) STEPHEN M. SWEENEY	3.000		
Essex County - County Jail Substance Abuse Programs		2.000		
County Boards of Taxation	(S) PAUL A. SARLO	1.598		
Revised Savings Estimate for Capping State Aid Rates to County Psychiatric Hospitals		1.324		
<b>Subtotal - State Aid Increases</b>		<u>58.216</u>		
Teachers' Social Security Tax	(A) LOUIS D. GREENWALD		(2.800)	
Revised Mental Health State Aid Caseload Estimates			(0.978)	
Reduce County College Operating Aid - Offset by Supplemental Workforce Fund	(A) LOUIS D. GREENWALD		(0.500)	
<b>Subtotal - State Aid Decreases</b>			<u>(4.278)</u>	
<b>Net Change (State Aid)</b>				<u>53.938</u>
<b>Capital Construction</b>				
Corporation Business Tax Dedication		0.672		
<b>Subtotal - Capital Construction Increases</b>		<u>0.672</u>		
<b>Net Change (Capital Construction)</b>				<u>0.672</u>
<b>GRAND TOTAL</b>		<b><u>\$246.427</u></b>	<b><u>(\$149.313)</u></b>	<b><u>\$97.114</u></b>

<p><b>SUMMARY OF CHANGES</b></p> <p><b>Major Agencies</b></p> <p><b>(in thousands)</b></p>
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<b>IPB Fund</b>	<b>Legislature</b>	<b>Amount</b>
<b>**</b>	<b>2010 Adjusted Appropriations</b>	74,810
<b>Department</b>		
<b>DSS</b>	<b>Office of Legislative Services - Master Lease Payment</b>	(781)
<b>DSS</b>	<b>Technology Executive Group (TEG)</b>	(214)
<b>TOTAL FISCAL 2011 REDUCTIONS/INCREASES</b>		<b>(995)</b>
<b>FISCAL 2011 RECOMMENDATION</b>		<b>73,815</b>

<p><b>SUMMARY OF CHANGES</b></p> <p><b>Major Agencies</b></p> <p><b>(in thousands)</b></p>
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<b>IPB Fund</b>	<b>Chief Executive</b>	<b>Amount</b>
<p><b>**</b>      2010 Adjusted Appropriations</p>		<hr/> 4,703
<b>Department</b>		
<p><b>DSS</b>      Office of the Governor</p>		<hr/> (141)
<b>TOTAL FISCAL 2011 REDUCTIONS/INCREASES</b>		<hr/> <b>(141)</b>
<b>FISCAL 2011 RECOMMENDATION</b>		<hr/> <hr/> <b>4,562</b>

# SUMMARY OF CHANGES

## Major Agencies

(in thousands)

IPB Fund	Agriculture	Amount
**	2010 Adjusted Appropriations	25,347
<b>Department</b>		
SA	School Breakfast Program - Eliminate State Subsidy	(3,000)
**P**	School Lunch Program - Reduce Per Meal Reimbursement Rate	(2,446)
SA	School Lunch Program - Eliminate Non-Public Nutrition Aid	(439)
**P**	General Administrative Expenses	(33)
DSS	Affirmative Action / Equal Employment Opportunity	(28)
DSS	State Board of Agriculture Convention Expenses	(18)
SA	Payment in Lieu of Taxes (PILOT) - Trend	(15)
<b>TOTAL FISCAL 2011 REDUCTIONS/INCREASES</b>		<b>(5,979)</b>
<b>FISCAL 2011 RECOMMENDATION</b>		<b>19,368</b>



# SUMMARY OF CHANGES

## Major Agencies

(in thousands)

IPB Fund	Banking and Insurance	Amount
**	2010 Adjusted Appropriations	67,668
<b>Department</b>		
DSS	Industry Funded Staffing Increase	2,179
DSS	Efficiencies in Insurance Fraud Deterrence and Prosecution Jointly Shared with Law and Public Safety	(10,000)
DSS	Real Estate Commission - \$100 per month limit	(78)
DSS	Affirmative Action / Equal Employment Opportunity	(30)
<b>TOTAL FISCAL 2011 REDUCTIONS/INCREASES</b>		<b>(7,929)</b>
<b>FISCAL 2011 RECOMMENDATION</b>		<b>59,739</b>

<p><b>SUMMARY OF CHANGES</b></p> <p><b>Major Agencies</b></p> <p><b>(in thousands)</b></p>
--

IPB Fund	<b>Children and Families</b>	Amount
**	2010 Adjusted Appropriations	1,084,236
		1,084,236
<b>Department</b>		
**P**	Division of Youth and Family Services - Trend	(16,039)
**P**	Increased Federal Claiming	(12,100)
**P**	Contract Efficiencies	(3,994)
GIA	County Human Services Advisory Board - Formula Funding Reduction	(3,200)
**P**	Phase Out of Woodbridge Residential Treatment Center	(2,589)
**P**	Increased Savings from Enhanced Federal Medicaid Matching Percentage (FMAP)	(2,500)
**P**	Increased Savings from Enhanced Title IV-E Match	(1,000)
DSS	Eliminate Tuition Reimbursement for Rutgers Master of Social Work Program	(750)
DSS	Shift NJ Safe Haven Infant Protection Act to Federal Grant	(297)
GIA	Human Services Composite Bond Debt Service	(29)
<b>TOTAL FISCAL 2011 REDUCTIONS/INCREASES</b>		<b>(42,498)</b>
<b>FISCAL 2011 RECOMMENDATION</b>		<b>1,041,738</b>

# SUMMARY OF CHANGES

## Major Agencies

(in thousands)

IPB Fund	Community Affairs	Amount
**	2010 Adjusted Appropriations	1,125,234
<b>Department</b>		
PTRF	Open Space Payments in Lieu of Taxes Transferred from Department of Environmental Protection	6,474
**P**	Lead Hazard Control Assistance Fund	2,000
**P**	Consolidated Municipal Property Tax Relief Aid Reduction	(271,391)
**P**	Special Municipal Aid, Extraordinary Aid, and Trenton Capital City Aid Consolidated into Transitional Aid to Localities	(61,850)
**P**	Affordable Housing	(29,355)
**P**	State Rental Assistance Program	(13,500)
PTRF	Consolidation Fund Elimination	(8,000)
SA	Regional Efficiency Aid Program Elimination	(6,000)
SA	County Prosecutor Funding Initiative Pilot Program Reduction	(4,000)
**P**	Center for Hispanic Policy Research and Development	(2,447)
GIA	Job Training Center for Urban Women and Grants to Hispanic Women's Resource Centers	(735)
GIA	Grant to ASPIRA	(90)
DSS	Affirmative Action / Equal Employment Opportunity	(53)
<b>TOTAL FISCAL 2011 REDUCTIONS/INCREASES</b>		<b>(388,947)</b>
<b>FISCAL 2011 RECOMMENDATION</b>		<b>736,287</b>

# SUMMARY OF CHANGES

## Major Agencies

(in thousands)

IPB Fund	Corrections	Amount
**	2010 Adjusted Appropriations	1,146,855
<b>Department</b>		
**P**	Salary and Overtime Savings	(22,960)
**P**	County Jail Inmate Reduction	(20,453)
**P**	Reduce Shift Overlap	(7,000)
SA	Eliminate Union County Inmate Rehabilitation Services	(3,900)
**P**	Essex County - County Jail Substance Abuse Programs	(3,525)
DSS	Inmate Medical Savings	(3,100)
DSS	Affirmative Action / Equal Employment Opportunity	(655)
DSS	Reduce Inmate Boot Purchases	(400)
**P**	Operational Efficiencies	(106)
DSS	Eliminate Staff Tuition Reimbursement	(75)
<b>Parole Board</b>		
**P**	Salary and Overtime Savings	(3,471)
DSS	Eliminate Financial Aid for Parolees	(500)
<b>TOTAL FISCAL 2011 REDUCTIONS/INCREASES</b>		<b>(66,145)</b>
<b>FISCAL 2011 RECOMMENDATION</b>		<b>1,080,710</b>

# SUMMARY OF CHANGES

## Major Agencies

(in thousands)

IPB Fund	Education	Amount
**	2010 Adjusted Appropriations	10,162,658
<b>Department</b>		
**P**	Growth Impact - Payment Changes	130,460
**P**	School Facilities Programs	97,701
**P**	Preschool Formula Aid	17,236
**P**	Extraordinary Special Education	14,887
SA	Unknown District of Residence	1,725
PTRF	Charter School Aid	904
**P**	Formula Aid	(24,646)
**P**	Nonpublic Aid	(20,942)
**P**	Adult Education	(10,000)
**P**	New Jersey After 3	(7,480)
DSS	Statewide Assessment Savings	(2,031)
**P**	Operational Efficiencies	(1,746)
PTRF	Nonpublic Transportation Aid	(1,667)
GIA	Liberty Science Center	(1,350)
SA	Educational Information and Resource Center	(405)
DSS	Commission on Italian American Heritage Cultural and Educational Program	(110)
GIA	Phase-out Subsidy for Teacher Board Certification	(23)
DSS	State Board of Education	(15)
<b>Teachers Pensions/Social Sec.</b>		
PTRF	Local Retired Employees' Health Benefits (PRM)	47,559
**P**	Teachers' Social Security Tax	24,622
SA	Debt Service - Pension Bonds	9,865
**P**	Teachers' Pensions	(59,518)
<b>TOTAL FISCAL 2011 REDUCTIONS/INCREASES</b>		<b>215,026</b>
<b>FISCAL 2011 RECOMMENDATION</b>		<b>10,377,684</b>

# SUMMARY OF CHANGES

## Major Agencies

(in thousands)

IPB Fund	Environmental Protection	Amount
**	2010 Adjusted Appropriations	387,291
<hr/>		
<b>Department</b>		
**P**	CBT Dedication	6,351
**P**	Parks - Shift to Non-State Funds	(10,568)
PTRF	Open Space Payment in Lieu of Taxes to Department of Community Affairs	(6,474)
PTRF	Phase Out Payment in Lieu of Taxes for Open Space Acquisition	(3,526)
**P**	Operational Efficiencies	(1,584)
DSS	Fish & Wildlife (Shellfish Management Program)- Shift to Non-State Funds	(1,100)
DSS	Parks Management Operational Efficiencies	(1,065)
**P**	Forestry Management - Shift to Non-State Funds	(915)
DSS	Radiation Protection Program - Shift to Non-State Funds	(900)
DSS	Nuclear Emergency Response - Supplemental Not Continued	(685)
DSS	Eliminate Black Bear Management Program	(575)
DSS	Hunting and Fishing Licenses for National Guard and Disabled Veterans - Supplemental Not Continued	(392)
DSS	State Wildlife Management Match - Shift to Non-State Funds	(382)
DSS	Office of Climate Change and Energy - Eliminate State Subsidy	(373)
DSS	Affirmative Action / Equal Employment Opportunity	(98)
<b>Palisades Interstate</b>		
**P**	Funding Shift to CBT Dedication	(310)
<b>Environmental Protection</b>		
**P**	CBT Dedication - Capital	9,138
CC	Shore Protection	6,250
<b>Pinelands Commission</b>		
**P**	Operational Efficiencies	(423)
<b>Environmental Protection</b>		
DS	General Obligation Debt Service	2,500
<b>Highlands Water Protection and Planning Council</b>		
SA	Regional Master Plan	(463)
<b>TOTAL FISCAL 2011 REDUCTIONS/INCREASES</b>		<b>(5,594)</b>
<b>FISCAL 2011 RECOMMENDATION</b>		<b>381,697</b>
		<hr/> <hr/>

# SUMMARY OF CHANGES

## Major Agencies

(in thousands)

IPB Fund	Health & Senior Services	Amount
**	2010 Adjusted Appropriations	1,299,233
<b>Department</b>		
**P**	Health Care Subsidy Fund	49,509
**P**	Nursing Homes/Global Budget for Long Term Care	10,616
GIA	Medical Day Care	9,330
**P**	AIDS Drug Distribution Program (ADDP) Trend	7,458
GIA	Early Intervention Program - Replace Federal Stimulus Funding	4,800
**P**	Public Health, Environmental and Agricultural Laboratory	4,589
GIA	Early Intervention Program Trend	2,449
**P**	Hospital Asset Transformation Program	640
**P**	PAAD and Senior Gold Increased Drug Rebates and Savings from Medicare Changes	(54,630)
GIA	Senior Services - Supplemental Not Continued	(41,858)
GIA	Health Care Subsidy Fund - Federal Waiver	(20,000)
**P**	Medical Day Care Enhanced Prior Authorization	(18,670)
GIA	Anti-Fraud Efficiencies	(15,000)
GIA	Early Intervention Programmatic Efficiencies	(12,000)
GIA	Eliminate Funding for Cancer Research	(10,000)
**P**	Eliminate Funding for Family Planning Services	(7,453)
DSS	Eliminate Tobacco Programs	(7,078)
GIA	Eliminate Rapid AIDS Testing	(4,200)
GIA	Medical Emergency Preparedness for Bioterrorism (MEDPREP) - Eliminate State Subsidy	(4,000)
GIA	Senior Services Trend	(3,151)
**P**	Increased Savings from Enhanced Federal Medicaid Matching Percentage (FMAP)	(2,690)
DSS	Eliminate Funding for New Jersey Domestic Security Preparedness	(2,626)
SA	Eliminate Public Health Priority Funding	(2,400)
DSS	Fiscal Agent Funding to Department of Human Services	(2,273)
GIA	Savings from Enhanced Nursing Home Acuity Audits	(2,250)
GIA	Postpartum Education Program Reduction	(1,550)
**P**	Cancer Programs Reduction	(1,321)
**P**	PAAD and Senior Gold Trend	(910)
DSS	Governor's Council for Medical Research and Treatment of Autism Shift to Non-State Resources	(500)
DSS	Affirmative Action / Equal Employment Opportunity	(33)
<b>TOTAL FISCAL 2011 REDUCTIONS/INCREASES</b>		<b>(125,202)</b>

**SUMMARY OF CHANGES**  
**Major Agencies**  
**(in thousands)**

**IPB Fund**

**Health & Senior Services**

**Amount**

**FISCAL 2011 RECOMMENDATION**

**1,174,031**



<p><b>SUMMARY OF CHANGES</b></p> <p><b>Major Agencies</b></p> <p><b>(in thousands)</b></p>
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IPB Fund	Human Services	Amount
**	2010 Adjusted Appropriations	4,532,596
<hr/>		
<b>Family Development</b>		
**P**	Temporary Assistance for Needy Families (TANF) Block Grant	86,405
**P**	General Assistance and Supplemental Security Income Trend	32,976
**P**	Information Technology	13,540
**P**	Child Care Trend	7,463
GIA	Child Care Electronic Benefit Cards	(15,720)
**P**	Work First New Jersey Child Care - Work Force Development Fund Offset	(15,000)
**P**	Eliminate or Reduce Various Contracts	(9,488)
**P**	Abbott Child Care Phase III	(7,021)
SA	Align Supplemental Security Income Benefits with Federal Policy	(6,735)
SA	Emergency Utility Payments Shift to Non-State Resources	(5,100)
GIA	Reduce Child Care Quality Programs	(4,080)
**P**	General Assistance Program Restrictions	(3,855)
GIA	Eliminate Post-TANF Transportation	(2,798)
GIA	Wrap Around Costs Kinship Care	(1,796)
**P**	Operational Efficiencies	(1,153)
<b>Addiction Services</b>		
**P**	Methadone Treatment Program	1,296
**P**	Community Based Substance Abuse Treatment and Prevention - Restore One-Time Dedicated Resources	1,225
**P**	Human Services Contracts	(5,152)
DSS	Operational Efficiencies	(47)
<b>Central Office/Department Wide</b>		
**P**	Salary Increases - State Employees	4,604
**P**	Information Technology	74
**P**	Operational Shortfalls - Supplemental Not Continued	(32,764)
**P**	Operational Efficiencies	(8,387)
**P**	Community Provider Contract Efficiencies	(5,500)
GIA	Human Services Contracts	(317)
DSS	Affirmative Action / Equal Employment Opportunity	(255)
<b>Developmental Disabilities</b>		
**P**	Reduced One-Time Federal Resources	45,463
**P**	Olmstead and Community Services Waiting List Community Placements	16,188
**P**	Increased Savings from Enhanced Federal Medicaid Matching Percentage (FMAP)	(9,239)

\*\*P\*\* = Parent Record

# SUMMARY OF CHANGES

## Major Agencies

(in thousands)

IPB Fund	<b>Human Services</b>	<b>Amount</b>
GIA	Increased Client Contribution to Care Revenues	(5,073)
DSS	Developmental Center Operational Efficiencies	(3,053)
**P**	Return Out of State Clients to New Jersey	(2,160)
**P**	Human Services Contracts	(2,105)
DSS	Close Vineland Developmental Center West Campus	(163)
**P**	Human Services Composite Bond Debt Service	(115)
<b>Commission for the Blind and Visually Impaired</b>		
GIA	Library for the Blind Equipment Contract	35
**P**	Human Services Contracts	(844)
**P**	Operational Efficiencies	(60)
<b>Hard of Hearing and Hearing Impaired</b>		
**P**	Operational Efficiencies	(29)
<b>Disability Services</b>		
**P**	Growth from Reduced Enhanced Federal Medicaid Matching Percentage (FMAP) Resources	10,441
**P**	Reduce Personal Care Assistance Hourly Rate from \$16.15 to \$15.50	(4,148)
**P**	Disability Services Trend	(3,492)
GIA	Traumatic Brain Injury Fund - Supplemental Not Continued	(2,700)
<b>Mental Health Services</b>		
**P**	Olmstead Community Placements	9,220
**P**	Mental Health State Aid Trend	5,537
**P**	Restore Community Provider Medicaid Claiming Incentive Payments	1,100
**P**	Human Services Contracts	(6,744)
DSS	Mental Health Medicaid Administrative Claim Revenue - Supplemental Not Continued	(6,669)
**P**	Operational Efficiencies	(4,155)
GIA	Community Provider Contract Efficiencies	(3,492)
DSS	Increased Savings from Enhanced Federal Matching Percentage (FMAP)	(3,478)
**P**	Cap County Psychiatric Hospital Reimbursement Rates	(2,433)
<b>Medicaid</b>		
**P**	Medicaid - General Medical Services Trend	216,473
GIA	NJ FamilyCare Trend	95,287
**P**	Growth from Reduced Enhanced Federal Medicaid Matching Percentage (FMAP) Resources	32,056
DSS	Medicaid Claims Processing	3,051
DSS	Fiscal Agent Funding from Department of Health	2,273
GIA	Medicare Reimbursement	(107,300)
GIA	General Assistance Medical Services - Federal Waiver	(90,000)
**P**	Federal "Clawback" Reimbursement	(78,292)

\*\*P\*\* = Parent Record

# SUMMARY OF CHANGES

## Major Agencies

(in thousands)

<b>IPB Fund</b>	<b>Human Services</b>	<b>Amount</b>
GIA	NJ FamilyCare Coverage for Restricted Alien Adults	(29,800)
GIA	Freeze NJ FamilyCare Adult Enrollment	(24,630)
**P**	Medicaid Anti-Fraud	(22,500)
GIA	Medicaid Pharmacy Savings	(13,027)
GIA	Eliminate Non Emergent Orthodontic Services	(3,803)
GIA	Hospice Efficiencies	(1,314)
GIA	Increased Premiums for NJ FamilyCare Adults	(1,149)
GIA	Home Health Efficiencies	(461)
<b>TOTAL FISCAL 2011 REDUCTIONS/INCREASES</b>		<b>27,111</b>
<b>FISCAL 2011 RECOMMENDATION</b>		<b>4,559,707</b>

# SUMMARY OF CHANGES

## Major Agencies

(in thousands)

IPB Fund	Labor and Workforce Development	Amount
**	2010 Adjusted Appropriations	146,584
<b>Department</b>		
GIA	Work First New Jersey Work Activities	(3,311)
**P**	Vocational Rehabilitation Reduction	(500)
GIA	NJ Youth Corps Reduction	(415)
DSS	Eliminate Mine Safety Program	(144)
DSS	Affirmative Action / Equal Employment Opportunity	(33)
DSS	Council on Gender Parity Reduction	(23)
<b>Civil Service Commission</b>		
**P**	Increased Testing Fee	(457)
DSS	Revised Selection and Appointment Process	(113)
DSS	Affirmative Action / Equal Employment Opportunity	(93)
DSS	Merit System Board Filing Fee	(80)
**P**	Civil Service Commission - \$100 per month limit	(35)
<b>TOTAL FISCAL 2011 REDUCTIONS/INCREASES</b>		<b>(5,204)</b>
<b>FISCAL 2011 RECOMMENDATION</b>		<b>141,380</b>

# SUMMARY OF CHANGES

## Major Agencies

(in thousands)

IPB Fund	Law & Public Safety	Amount
**	2010 Adjusted Appropriations	579,321
<b>Department</b>		
DSS	Division of State Police - Digital In-Vehicle Recording	2,896
**P**	Division of State Police	(5,697)
**P**	Division of State Police - MedEvac Helicopter Sale Purchase	(5,098)
**P**	Departmental Operational Efficiencies	(3,805)
**P**	Division of State Police - Salaries	(3,524)
CCF	Division of Gaming Enforcement - Operational Efficiencies	(1,750)
SA	Division of Criminal Justice - Safe and Secure Neighborhoods Program	(900)
**P**	State Match Reduction	(750)
DSS	Affirmative Action / Equal Employment Opportunity	(136)
DSS	Victims of Crime Outreach Program	(35)
<b>Election Law Enforcement</b>		
**P**	Gubernatorial Election Public Financing Funds	(8,817)
DSS	Operational Efficiencies	(84)
<b>State Ethics Commission</b>		
DSS	Operational Efficiencies	(39)
<b>Juvenile Justice Commission</b>		
**P**	Consolidation of the Juvenile Secure Facilities	(4,696)
GIA	Elimination of State Incentive Program	(2,670)
GIA	Elimination of Day Reporting Centers	(900)
GIA	Juvenile Alternative Programs Efficiencies	(660)
**P**	Elimination of Re- Entry Case Management Services	(400)
DSS	Conversion of Juvenile Medical Services	(250)
DSS	Elimination of Gang Management	(150)
<b>Office of Homeland Security and Preparedness</b>		
**P**	Homeland Security Restoration	2,887
SA	Capital for Homeland Security	(5,750)
<b>TOTAL FISCAL 2011 REDUCTIONS/INCREASES</b>		<b>(40,328)</b>
<b>FISCAL 2011 RECOMMENDATION</b>		<b>538,993</b>

# SUMMARY OF CHANGES

## Major Agencies

(in thousands)

IPB Fund	Military & Veterans Affairs	Amount
**	2010 Adjusted Appropriations	90,045
<b>Department</b>		
DSS	Veterans' Haven Expansion	300
DSS	Excess Patient Cost Recovery Revenue - Supplemental Not Continued	(823)
**P**	Operational Efficiencies	(682)
DSS	National Guard Training Center Efficiencies	(100)
DSS	Affirmative Action / Equal Employment Opportunity	(5)
DSS	Governor's Veterans' Services Council Efficiencies	(5)
<b>TOTAL FISCAL 2011 REDUCTIONS/INCREASES</b>		<b>(1,315)</b>
<b>FISCAL 2011 RECOMMENDATION</b>		<b>88,730</b>

<p><b>SUMMARY OF CHANGES</b></p> <p><b>Major Agencies</b></p> <p><b>(in thousands)</b></p>
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<b>IPB Fund</b>	<b>Public Advocate</b>	<b>Amount</b>
**	2010 Adjusted Appropriations	16,158
<b>Office of Public Advocate</b>		
**P**	Elimination of the Department of Public Advocate	(16,158)
<b>TOTAL FISCAL 2011 REDUCTIONS/INCREASES</b>		<b>(16,158)</b>
<b>FISCAL 2011 RECOMMENDATION</b>		<b>0</b>

# SUMMARY OF CHANGES

## Major Agencies

(in thousands)

IPB Fund	State	Amount
**	2010 Adjusted Appropriations	1,279,433
<b>Educational Opportunity Fund</b>		
**P**	Reduce Opportunity Program Grants	(1,391)
GIA	Reduce Supplementary Grants to Institutions	(674)
GIA	Martin Luther King Physician-Dentist Scholarships - No New Recipients	(150)
GIA	Ferguson Law Scholarships - No New Recipients	(65)
<b>Commission on Higher Education</b>		
GIA	Reduce College Bound Program	(1,850)
GIA	Eliminate Higher Education for Special Needs Students	(1,100)
GIA	Continue Phase Out of Minority Faculty Advancement	(108)
GIA	Eliminate New Jersey Transfer Initiative	(82)
DSS	Operational Efficiencies	(20)
<b>Higher Ed Student Assistance Auth.</b>		
**P**	Tuition Aid Grants	23,160
**P**	NJSTARS I and II	2,455
GIA	Social Services Student Loan Redemption Program - No New Recipients	(2,800)
GIA	Coordinated Garden State Scholarship Programs - No New Recipients	(1,783)
GIA	Primary Care Practitioner Loan Redemption - No New Recipients	(500)
**P**	Operating Costs Shift to Non-State Funds	(266)
GIA	Continue Phase Out of Veterinary Medicine Education Program	(254)
GIA	NJ World Trade Center Scholarship - No New Recipients	(248)
GIA	Teaching Fellows Program - No New Recipients	(62)
GIA	Dana Christmas Scholarship for Heroism - No New Recipients	(50)
GIA	Survivor Tuition Benefits Program - No New Recipients	(12)
<b>NJ Institute of Technology</b>		
GIA	Out-Of-State Tuition Assessment	(752)
<b>Public Broadcast Authority</b>		
DSS	New Jersey Network	(2,004)
DSS	Affirmative Action / Equal Employment Opportunity	(14)
<b>Senior Public Colleges</b>		
**P**	Senior Public Institutions Reduction in Operating Support	(95,607)
<b>The State Library of New Jersey</b>		
SA	Reduction of Per Capita Library Aid	(3,500)
DSS	Elimination of the New Jersey Knowledge Initiative	(1,449)
SA	Elimination of the Virtual Library	(1,170)

\*\*P\*\* = Parent Record



# SUMMARY OF CHANGES

## Major Agencies

(in thousands)

IPB Fund	State	Amount
<b>Thomas A. Edison State College</b>		
<b>**P**</b>	State Supported Facilities Costs	(3,400)
<b>UMDNJ</b>		
<b>GIA</b>	Eliminate Stabilization Funding	(30,850)
<b>Department</b>		
<b>**P**</b>	Cultural Projects	3,674
<b>**P**</b>	Battleship New Jersey Museum - Funded in Cultural Projects	(1,740)
<b>DSS</b>	Maintenance of Old Barracks - Funded in Cultural Projects	(375)
<b>DSS</b>	Historic Morven - Compete for Historical Grant	(250)
<b>GIA</b>	Historical Commission Agency Grants	(198)
<b>DSS</b>	New Jersey-Israel Commission - Realign to Office of Programs	(130)
<b>DSS</b>	Reduce Martin Luther King, Jr. Commemorative Commission - Realign to Office of Programs	(92)
<b>DSS</b>	Reduce Amistad Commission - Realign to Office of Programs	(88)
<b>DSS</b>	Personal Responsibility Programs	(76)
<b>GIA</b>	New Jersey Council for the Humanities	(75)
<b>DSS</b>	Division of Election Operating Efficiencies	(52)
<b>DSS</b>	Affirmative Action / Equal Employment Opportunity	(34)
<b>DSS</b>	Line of Credit	(20)
<b>TOTAL FISCAL 2011 REDUCTIONS/INCREASES</b>		<b>(124,002)</b>
<b>FISCAL 2011 RECOMMENDATION</b>		<b>1,155,431</b>

<p><b>SUMMARY OF CHANGES</b></p> <p><b>Major Agencies</b></p> <p><b>(in thousands)</b></p>
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IPB Fund	Transportation	Amount
**	2010 Adjusted Appropriations	1,301,697
		1,301,697
<b>NJ Transit</b>		
GIA	Turnpike Support of New Jersey Transit	(20,000)
CRFS	Transportation Assistance for Senior Citizens and Disabled Residents	(1,134)
<b>Department</b>		
DSS	Winter Operations - Supplemental Not Continued	(29,503)
**P**	Operational Efficiencies	(2,773)
DSS	Additional Construction Work Recoveries - Transportation Trust Fund	(1,955)
DSS	Reduced Services at Rest Areas	(270)
DSS	Affirmative Action / Equal Employment Opportunity	(181)
<b>TOTAL FISCAL 2011 REDUCTIONS/INCREASES</b>		<b>(55,816)</b>
<b>FISCAL 2011 RECOMMENDATION</b>		<b>1,245,881</b>

# SUMMARY OF CHANGES

## Major Agencies

(in thousands)

IPB Fund	<b>Treasury</b>	Amount
**	2010 Adjusted Appropriations	2,804,856
<b>Board of Public Utilities</b>		
GIA	Eliminate New Jersey SHARES Energy Assistance One Time Funding	(5,000)
DSS	Eliminate Carryforward Balances	(3,000)
GIA	Payments for Lifeline Credits Trend	(1,900)
**P**	Operational Efficiencies	(894)
<b>Corrections Ombudsperson</b>		
DSS	Transfer from Public Advocate	517
<b>Division of Elder Advocacy</b>		
DSS	Transfer from Public Advocate	1,289
<b>Division of Rate Counsel</b>		
DSS	Transfer from Public Advocate	5,771
<b>Department</b>		
DSS	Taxation Data Warehouse Completion	(4,826)
**P**	Departwide Operational Efficiencies	(1,592)
DSS	Continued Voluntary Filing of E-File and E-Pay of Tax Returns	(465)
DSS	Reduce or Eliminate Trades Contract	(412)
DSS	Eliminate Need for State Funded Camden Chief Operating Officer	(338)
DSS	Division of Minority and Women Business Development and Office of Supplier Diversity	(267)
<b>Treasury - Casino Control Fund</b>		
**P**	Operational Efficiencies	(2,125)
<b>Science and Technology</b>		
**P**	Eliminate State Funding	(10,433)
<b>State Legal Services</b>		
GIA	Legal Services of New Jersey	(9,700)
GIA	Community Health Law Project	(300)
<b>Treasury-Direct Property Relief</b>		
PTRG	Homestead Rebates - Credits on Local Property Tax Bills Starting May 2011 and Eliminate Tenant Rebates	(848,200)
**P**	Senior and Disabled Citizens' Property Tax Freeze Held at FY10 Levels	(25,900)
PTRF	Senior/Disabled Citizens' and Veterans' Property Tax Deduction Trend	(5,900)
PTRG	Homestead Rebates Trend	(2,200)
<b>Office of State Comptroller</b>		
DSS	Consolidation of Oversight Agencies	3,749
DSS	State Comptroller Efficiencies	(2,000)

\*\*P\*\* = Parent Record

# SUMMARY OF CHANGES

## Major Agencies

(in thousands)

IPB Fund	Treasury	Amount
<b>Treasury-Municipal &amp; County Aid</b>		
PTRF	Municipal Retired Employees' Health Benefits (PRM)	6,124
SA	Debt Service - Pension Bonds	973
**P**	Solid Waste Management - County Environmental Investment Aid Trend	(10,800)
**P**	South Jersey Port Corporation Property Tax Reserve Fund Elimination	(9,130)
SA	Highlands Protection Fund Reduction	(7,600)
**P**	Pensions	(6,001)
**P**	South Jersey Port Corporation Debt Service Reserve Fund Trend	(3,035)
SA	County Boards of Taxation - Supplemental Not Continued	(125)
<b>Office of the Inspector General/Medicaid Inspector General</b>		
DSS	Additional Staffing	819
DSS	Elimination of the Offices of the Inspector General and Medicaid Inspector General	(3,749)
**P**	Operational Efficiencies	(125)
<b>Office of Information Technology</b>		
DSS	Electronic Cost Accounting Timesheet System (ECATS) Maintenance	760
**P**	Operational Efficiencies	(1,021)
DSS	Office of Emergency Telecommunication Services Reduction	(100)
<b>Economic Development Authority Business Assistance</b>		
GIA	InvestNJ Job Creation - Program Elimination	(25,000)
**P**	Business Employment Incentive Program	(19,000)
**P**	InvestNJ Capital - Program Elimination	(8,200)
**P**	Operational Efficiencies	(582)
GIA	Outreach/Marketing of the State	(179)
GIA	NJ Biotech Conference Sponsorship	(25)
<b>Treasury</b>		
DS	Debt Service FY10 Refunding Savings	147,500
DS	Debt Service FY11 Restructuring Savings	(176,000)
**P**	General Obligation Debt Service	(12,897)
<b>Higher Ed - County Colleges</b>		
SA	County College Retired Employees' Health Benefits (PRM)	1,380
**P**	Pensions	851
SA	Debt Service - Pension Bonds	9
**P**	Debt Service for Chapter 12	(7,358)
**P**	County Colleges Reduction in Operating Support	(5,352)
<b>Higher Ed - Indepen. Colleges &amp; Oth</b>		
GIA	Aid to Independent Colleges and Universities	(17,471)

# SUMMARY OF CHANGES

## Major Agencies

(in thousands)

IPB Fund	Treasury	Amount
<b>Miscellaneous Higher Ed.</b>		
GIA	Higher Education Facilities Trust Fund	2
GIA	Equipment Leasing Fund	(3,418)
GIA	New Jersey Marine Sciences Consortium	(426)
GIA	Dormitory Safety Trust Fund	(304)
GIA	Garden State Savings Bonds	(15)
GIA	Higher Education Capital Improvement Program	(6)
<b>Office of Administrative Law</b>		
DSS	Operational Efficiencies	(40)
DSS	Affirmative Action / Equal Employment Opportunity	(6)
<b>Public Defender</b>		
DSS	Division of Mental Health Advocacy Transfer from Public Advocate	4,123
DSS	Dispute Settlement Office Transfer from Public Advocate	491
**P**	Operational Efficiencies	(4,614)
DSS	Line-Of-Credit	(74)
DSS	Affirmative Action / Equal Employment Opportunity	(64)
<b>TOTAL FISCAL 2011 REDUCTIONS/INCREASES</b>		<b>(1,073,811)</b>
<b>FISCAL 2011 RECOMMENDATION</b>		<b>1,731,045</b>

<p><b>SUMMARY OF CHANGES</b></p> <p><b>Major Agencies</b></p> <p><b>(in thousands)</b></p>
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<b>IPB Fund</b>	<b>Miscellaneous Commissions</b>	<b>Amount</b>
<p><b>**</b>      2010 Adjusted Appropriations</p> <p><b>Council on Local Mandates</b></p> <p><b>DSS</b>      Expenses of the Council on Local Mandates</p> <p><b>TOTAL FISCAL 2011 REDUCTIONS/INCREASES</b></p> <p><b>FISCAL 2011 RECOMMENDATION</b></p>		<p>1,456</p> <p>(112)</p> <p><b>(112)</b></p> <p><b>1,344</b></p>

# SUMMARY OF CHANGES

## Major Agencies

(in thousands)

IPB Fund	Inter-departmental	Amount
**	2010 Adjusted Appropriations	2,995,498
<b>Employee Benefits</b>		
**P**	State and College Employees' Health Benefits Programs	113,852
DSS	Restoration of Fiscal 2010 Furlough Savings	86,839
**P**	Employer Taxes (FICA, UI and TDI)	49,265
**P**	Retired Employee Health Benefits (PRM)	44,883
**P**	Debt Service - Pension Bonds	7,761
**P**	Pensions - State and College Employees	(24,864)
DSS	Annualization of FY10 Attrition Savings	(6,686)
GIA	Cap ABP Contributions at Cabinet Salary Level	(2,543)
<b>Inter-departmental</b>		
CC	Building Authority	65,850
CC	Debt Service Restructuring Savings	(51,000)
<b>Other Inter-departmental Accounts</b>		
GIA	Municipal Rehabilitation and Economic Recovery Debt Service	2
GIA	Debt Service Restructuring Savings	(47,000)
DSS	Interest on Short Term Notes	(10,000)
**P**	Business Employment Incentive Program (BEIP) and Designated Industries Debt Service	(6,970)
**P**	New Jersey Sports & Exposition Authority Debt Service	(6,535)
GIA	New Jersey Performing Arts Center Debt Service	(4,310)
GIA	Camden Children's Garden	(625)
GIA	Liberty Science Center Debt Service	(9)
<b>Rentals and Utilities</b>		
**P**	New Health Lab - Utilities and Maintenance Costs	2,172
**P**	Economic Development Authority - Debt Service	1,043
**P**	Clean Energy Fund - Offset State Energy Costs	(12,500)
DSS	Tort Claims Liability - Supplemental Not Continued	(9,752)
DSS	UMDNJ Self-Insurance Reserve Fund	(8,000)
DSS	Fuel and Utilities - Renegotiated Contracts	(5,000)
**P**	Workers' Compensation	(3,200)
DSS	Line of Credit	(3,007)
**P**	Rent Efficiencies	(2,312)
**P**	Household and Security	(923)
DSS	Central Motor Pool Vehicle Recall	(300)

# SUMMARY OF CHANGES

## Major Agencies

(in thousands)

<b>IPB Fund</b>	<b>Inter-departmental</b>	<b>Amount</b>
DSS	Property and Casualty Insurance	(149)
<b>Salary &amp; Other Benefits (Adjustmts)</b>		
**P**	Salary Increases - State Employees	232,786
DSS	Privatization Savings	(50,000)
DSS	Judicial Branch Efficiencies	(39,000)
**P**	Employee Actions - Central Fringe Savings	(5,816)
**P**	FY11 Central Attrition Savings	(3,440)
<b>TOTAL FISCAL 2011 REDUCTIONS/INCREASES</b>		<b>300,512</b>
<b>FISCAL 2011 RECOMMENDATION</b>		<b>3,296,010</b>



<p><b>SUMMARY OF CHANGES</b></p> <p><b>Major Agencies</b></p> <p><b>(in thousands)</b></p>
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IPB Fund	<b>Judiciary</b>	Amount
**	2010 Adjusted Appropriations	656,270
	<b>FISCAL 2011 RECOMMENDATION</b>	<u><u>656,270</u></u>
	<b>GRAND TOTAL -- FISCAL 2011 RECOMMENDATION (Excludes \$1.033 billion in federal stimulus aid)</b>	<u><u>28,364,422</u></u>

# Appendix

**CHRIS CHRISTIE  
GOVERNOR OF NEW JERSEY  
TRANSMITTED TO THE FIRST ANNUAL SESSION  
OF THE TWO HUNDRED AND FOURTEENTH LEGISLATURE  
MARCH 16, 2010**

Mr. President, Madame Speaker, members of the Senate and Assembly:

I am required by statute to report to you today on my plan for the State's Budget for fiscal year 2011. I am required by our State's Constitution to submit a plan in which revenues and expenditures are in balance, and I am required by the duty I have to the people of this state -- and by the moral obligation we all have to the generations who will follow us -- to take bold action now to reverse the direction we have taken for many years.

This is my first full Budget to be presented to this Legislature. And, to be frank, it represents a completely new course:

- A new course that will stop our fiscal hemorrhaging;
- A new course that will fulfill our joint responsibility to leave this State better than we found it; and
- A new course that will make possible a brighter future of growth and opportunity.

My friends, this new course is long overdue. Today, we are fulfilling the promise of a smaller government that lives within its means. Today, we begin doing what we promised we would do. The defenders of the status quo have already begun to yell and scream. They will try to demonize me. They will seek to divide us rather than unite us. But even they know in their hearts, if not yet in their minds -- it is time for a change.

Never forget, some of those shouting the loudest are the architects of the disaster we are now suffering. Do we really want another decade of economic failure? No, this spring it is time to clear away the underbrush to make room for growth. So, today, we stop sweeping problems under the rug. We will not hide our problems until another day. And we are certainly not increasing the tax burden we place upon our people.

Today, we are taking necessary and decisive action to reduce State spending and reform State government. The problems we have hidden for twenty years are evident for all to see. The day of reckoning has arrived.

Some are saying, by their choice of policies, that we should descend further into debt and deficit, and risk driving more people out of the state with "temporary" tax increases that always turn out to be permanent. I say we must face up to our responsibility:

- Cut government spending and end public union excesses that we can no longer afford;
- Reform government to cost less and operate better; and
- Restore some sense of balance to the obligations we take on so that in the future they are both sensible and sustainable.

In short, we can forge a new course. One that brings spending in line with revenues, one that attacks our problems directly so they are shrinking, not growing, and most importantly, one that lays the groundwork for a better tomorrow. Today, I ask you to join me in setting out on this new course.

We did not dig the hole in which we find ourselves in a day or a year. The massive gap between our resources and our appetite has built up over twenty years. It has been dug by a lack of discipline and unwillingness to say no; made deeper by poor policy choices along the way and quick fixes to avoid tough decisions. And now that hole is a Grand Canyon. The distance between New Jersey's projected revenues for next year and the State's spending obligations under current law, if nothing is changed, is \$10.7 billion.

As a percentage of the prior fiscal year's \$29 billion Budget, it is a massive deficit -- the largest deficit of any state in America, and the largest in our own history -- by far. No fiscal crisis we have had in New Jersey's history compares to this one. Therefore, our solutions must set a historic new course -- directly away from the failed tax and spend policies of the past.

## GOVERNOR'S MESSAGE

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In recent years, we have allowed the problem to become bigger through a series of one-time gimmicks that have worsened our situation. This year, for example, some State employees will be given an 11% salary increase, at a cost of \$300 million to the taxpayers, while many New Jerseyans are lucky to even have a job. Incredible.

\$700 million in one-time revenues came in from granting amnesty to tax cheats in another gimmick that was used to paper over problems. As usual, our government spent it all in one year, and built that much more spending into the Budget for this coming year, with no way to pay for it now or in the future. So too were federal stimulus funds for education irresponsibly spent all in one year – and then simply added into the Budget, with no way to pay for it this year.

The attitude has always been the same – continue to spend, continue to borrow, and drop the catastrophic sum of all of these poor choices into the lap of the next guy. Well, time has run out. The bill has come due. Over fifteen years, \$4.7 billion was stolen by both parties from the trust fund set up for unemployment insurance benefits and spent for other purposes. The result, without action, is a crippling tax increase that will kill more jobs in a state that already has the worst unemployment in the region. As you know, on that matter, I have proposed action to cut the punitive payroll tax increase on jobs, make benefits more reasonable, restore health to the trust fund, and prevent future raids. I ask you to pass it now.

Our unemployed fellow citizens need the bridge of compassion provided by unemployment benefits. Playing politics on what is a moderate and needed proposal to fix this system will only threaten to blow up that bridge and hurt families already in crisis. For those who stole the money in the first place, you now have the responsibility to help permanently fix the fund you bankrupted. Over the course of two decades, time and again the State has borrowed to pay its everyday bills. You wouldn't do that in your own home, and we shouldn't do that with your tax dollars. The result is overwhelming. Outstanding direct debt has ballooned from \$3.9 billion in 1989 to \$33.9 billion last year. And total debt, including all obligations, has tripled from \$17 billion to over \$51 billion, just since 2002. Our debt is equal to an obligation of \$4,100 for each and every man, woman, and child in this state – 130% higher than in 2002.

These gimmicks were used, this borrowing was done, for one simple reason: government spent too much money – not only at the State level, but also at the local level. State spending grew 59% from 2001 to 2008, before the current recession forced us to make do with less. That is bad enough, but as you know, more than half of what the State spends every year is sent to local governments in the form of aid for municipal government and school districts. And local government has exercised even less control. Spending at the local government level has risen 69% since 2001.

Even now, in the depths of a great economic crisis, local governments and school boards can't hold back on the pressure that comes from the public sector unions. What is the proof? While New Jersey's private sector lost 121,000 jobs just in 2009, New Jersey's local governments added 11,300 new municipal and school employees. 11,300 new government employees paid for by your taxes just this last year. 11,300 new employees added while you are struggling to keep your job and pay the bills. We must give the voters the tools to stop the madness and stop it this year.

My friends, the taxpayers have paid a steep price for this lack of discipline by their State and local leaders. The litany is well-known to everyone in this room -- and if it is not, it should be. The per-person cost of State and local taxes has tripled in the last two decades. That's right, on a per person basis, New Jerseyans today pay more than three times in State and local taxes than they did 20 years ago. The income growth of our citizens has not kept pace. Yet we continue to hear advocates, I am sure even after today's speech, asking for higher taxes again – for going into your pocket one more time. All while New Jersey residents are the most over-taxed in the country.

We have one of the highest top marginal income tax rates; the second highest sales tax rate; the sixth highest corporate tax rate; and the highest property taxes in the nation. Add it all up, and the sad fact is that we are number one – with more State and local taxes taken as a percentage of income than any other state in America. That is one distinction I am prepared to give up.

Some will say that we should tax our citizens more to keep up with spending growth. They have said it before. They have done it before. They will say it again today. Get ready, it will sound like this; “We need the money,” they will say. “These are good programs,” “it's only fair;” “we'll only tax business, it won't hurt you one bit;” “let others pay more.”

Understand one thing – the actions they will propose will raise taxes on businesses – large and small -- and kill a job market already on life support. If you are unemployed and support tax increases, be ready to stay unemployed. If you are working and support the job-killing taxes that some will advocate today, you may be next to lose your job. These are the facts they will not tell you.

We have the worst unemployment in the region and the highest taxes in America, and that's no coincidence. Is the way to fix that problem to make our taxes even higher? This has been their prescription for the last ten years and the job market in New Jersey is near death. You changed doctors in November for this very reason – now it is time to change medicine, too. Off the temporary high that comes from higher taxes and greater spending. Back to the hard, difficult medicine of fiscal discipline, lower spending and less debt – which in your heart you know will lead to the greater long term health of our state.

If government is left unchecked, with no changes in current law, spending by the State of New Jersey is projected to be \$38.4 billion in the coming fiscal year. This is outrageous. Twenty years ago, when Governor Florio took office, spending was only \$12 billion. If we did nothing, spending will have increased 322% in 20 years – over 16% a year, every year. That's right, State government spending would have gone up at four times the rate of inflation over the last 20 years. Today, we say, stop. The latest estimates from our Department of the Treasury project revenues for the year of \$28.3 billion.

That's a difference of over 10 billion dollars. To make up that deficit with taxes would require New Jersey to more than double income taxes – not just on the rich, not just on someone else, but on every single taxpayer in New Jersey. When some stand up to protest the cuts we make, ask them, would you rather double my income taxes to continue to pay for this government?

Ladies and gentlemen, I was not sent here to approve tax increases; I was sent here to veto them. And mark my words, if a tax increase is sent to my desk, I will veto it. It is time for the tax madness to end. The point is we have tried that route. And it has failed. Previous administrations and legislatures have raised taxes 115 times in the last eight years alone. Raising taxes again on the people of New Jersey, the highest taxed citizens in the country, would be insane.

In the past two years, with higher taxes, revenues have fallen, not risen. One reason is that some people who could leave New Jersey have left the state. A recent study documented this trend. It found that from 2004 to 2008, New Jersey experienced a net outflow of wealth of \$70 billion. Ladies and gentlemen, if you tax them, they will leave. In the past two and one-half years, New Jersey's unemployment rate has more than doubled – from 4.4% to 9.9%. From below the national average to above the national average. There is a cost to all this taxing and spending. It is costing us jobs. That price is unacceptable. I want to put New Jersey back to work.

So today, as promised, I am proposing a new course -- an entirely different course. My Budget proposes to review State government from top to bottom, and bring it under control. My Budget proposes that we reform the way New Jersey government operates; and that we demand reform from the local governments we fund as well. My Budget proposes that we end the days when New Jersey is a national leader in per person taxes, per person debt, and unemployment -- and that we instead turn New Jersey into a national leader in job creation, growth, and opportunity. The time for change has arrived, and it is time to get to work.

I became your governor just eight weeks ago with a mandate from you to do what I said I would do when I asked for the job. To cut the size of our Budget and impose discipline on a government out of control. In those eight weeks I have cut \$13 billion in spending. That is \$1.6 billion per week; \$232 million a day; \$9 million an hour for every hour since I took the oath of office. This Budget, full of tough and painful choices, is part of that effort and keeps faith with my pledge.

There are 2,112 line items in New Jersey's Budget and we have reviewed every one of them. For some we recommend a cut. For some, we ask that they stay intact. For still others, we propose reform. And for those that are not essential, we recommend elimination. Due to the elimination of those unnecessary programs, there will be as many as 1,300 layoffs, beginning January 1, 2011.

In total, the Budget we submit today calls for the State to spend \$28.3 billion in fiscal year 2011. It is a reduction of nearly 9% from the total amount the State spent last year. A 9% drop in one year in State spending – now that is the change we deserve. And it is a reduction of \$10.7 billion below the original Budget projection for the year under current law.

It has been a difficult process to come up with spending cuts of this magnitude. And it will not be easy to enact or implement them. This plan requires sacrifice by all New Jerseyans. But it is a shared sacrifice. And while holding the line is difficult today, it is necessary for a better tomorrow.

## GOVERNOR'S MESSAGE

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The watchwords of this Budget are shared sacrifice and fairness. Individuals contribute, businesses sacrifice, local governments tighten their belts, and we end our addiction to spending. Everyone comes to the center of the room – we jump off the cliff together to stave off certain fiscal death for the hope of economic salvation tomorrow. \$2.9 billion of the budget gap was closed by reforming programs to make them better and more efficient than ever before. Every single department of State government will be reduced:

Agriculture, down 24%;  
Banking, down 12%;  
Children and Families, down 4%;  
Community Affairs, down 35%;  
Corrections, down 7%;  
Environmental Protection, down 2%;  
Education, down 8%;  
Health and Senior Services, down 6%;  
Human Services, down 4%;  
Labor, down 6%;  
Law and Public Safety, down 7%;  
Military Affairs, down 2%;  
The Public Advocate, down 25%;  
State, Transportation and Treasury, down 11%, 4%, and 39%, respectively.

Every department of State government has been asked to tighten its belt. And we will demand local governments do the same. We cannot and should not make State government shrink only to let local government expand.

\$3 billion in savings results from recognizing that our pension system must be reformed before we can or should fund a broken, out-of-control system. The pension system has been so generous that it has created a flood of liabilities. From 2002 to 2008, pension payments to retirees grew 56%, triple the inflation rate. Our benefits are too rich, most public employees contribute too little, and the taxpayers have had enough -- enough of out-of-control pensions to public sector unions while they are losing their own jobs, enough of losing their homes, and then being told by the union bosses that they must pick up the tab for rich pensions at the same time.

The Senate has unanimously approved a plan that is a good start and will have an immediate and material effect in beginning to reform this now unsustainable system. These bi-partisan reforms would limit participation in pension plans to full-time employees, bring a more rational approach to calculating benefits, ask both State and local employees to contribute to the cost of their health plans going forward, and cap large sick leave payments at the local level just as we do for State employees.

I congratulate Senate President Sweeney, Minority Leader Kean, and all members of the Senate for moving this needed legislation forward unanimously. I had hoped the Assembly would have done the same by now given the urgency of the crisis. I urge the Assembly again today to act on these needed pension reforms. And I will sign these bills the moment they hit my desk.

But that is only the beginning. To fix our broken public union pension system, we must repeal the unwarranted 9% pension increase granted by Republicans in 2001 but never paid for by either party. We must do it for current as well as future employees. We must make it among our most urgent work to be done. In taking the broad and decisive action to bring this proposed Budget into balance, it is important to recognize the things we did not do.

In a number of cases, we took action to protect important programs, or those that were vital for the state's most vulnerable populations. This Budget proposes to save property tax relief for fiscal year 2011 by finally reforming the gimmick of politicians sending out rebate checks right before an election. Worse yet, this program cost over \$10 million in interest every year because we borrowed the money we sent back to you in a check with the Governor's name on it. That kind of deceitful politics ends with this budget. We will send you property tax relief, after a break to reform the system, as a direct credit on your property tax bill. No checks, no games, no politicians pushing themselves into your mailbox to get the credit – just direct property tax relief on your property tax bill. The first credits will appear in May 2011, in recognition of the shared sacrifice we all must make.

We took steps to preserve New Jersey's health-related safety net on several fronts:

First, I propose to increase funding in fiscal year 2011 for New Jersey's hospitals. During these difficult economic times, it is a priority to protect our hospitals and those they serve. This budget stands up for our hospitals despite all our other fiscal challenges.

Second, we must continue to fund the enrollment of all eligible children – up to 350% of the federal poverty level – in Medicaid and New Jersey Family Care. The health of all our children is a priority we have protected.

Third, I propose to preserve access to needed medications for our senior citizens. These medications are lifesavers for our seniors. My Budget maintains program eligibility for prescription drugs. In other areas, too, we have tried to maintain the essential even in the context of the broader need to remove the excess.

The Budget maintains funding to keep New Jersey's parks open so that struggling New Jersey families will have an affordable, in-state place to vacation this summer. Because in dire economic times we do not believe anyone should go hungry, we have preserved funding for New Jersey's food banks and expanded eligibility for Food Stamps to 185% of the poverty level.

Closing a nearly \$11 billion budget gap required us to look hard at the biggest category of spending in the Budget – State Aid to school districts. Last year's State Aid included over \$1 billion in one shot federal stimulus money that will not return this year. This type of irresponsible use of stimulus money was a typical election year gimmick used to fool school districts and our citizens. Today, we pay the price for putting off the hard choices; school districts will have \$819 million less than they had last year. These federal dollars are gone because the stewards of last year's Budget decided to spend every nickel in one year rather than spreading these resources over a number of years as the program intended.

We have worked to ensure that no school district in New Jersey will face a reduction in aid that is greater than 5% of its school budget-- so school districts will face a budget cut that is 4% less than the cut in State spending as a whole. During a crisis worsened by the election year foolishness of our predecessors, we keep school aid cuts at less than State spending cuts, and I am also proposing legislation to finally give school districts the power they have repeatedly asked for in collective bargaining and in setting employee benefits so that they can lower the costs of their budgets without affecting learning in the classroom.

Now, let's speak candidly about the costs of our public school system. I am a product of New Jersey's public schools, and proud of it. I honor the service of good, conscientious teachers who care deeply about training the leaders of tomorrow for our state. The leaders of the union who represent these teachers, however, have used their political muscle to set up two classes of citizens in New Jersey: those who enjoy rich public benefits and those who pay for them.

That has created a system that cannot be sustained – a system fueled by mandatory dues of more than \$700 a year taken out of every one of the nearly 200,000 teachers' paychecks. Political muscle fueled by intimidation tactics, political bullying, and smears of public officials who dare to disagree. This conduct has set up an unfair system. Is it fair to have any public employees getting 4-5% salary increases every year, even when inflation is 0%, paid for by citizens struggling to survive? Is it fair to have New Jersey taxpayers foot the bill for 100% of the health insurance costs of teachers and their families from the day they are hired until the day they die? Is it fair that teachers have a better, richer health plan than even State workers and pay absolutely nothing for it?

I believe rank and file teachers know this is not fair and that we can no longer afford to burden our taxpayers with these costs and runaway taxes. The union bosses will tell you, as they always have each time their empire is threatened, that they are protecting our children. This tired song has grown old and inaccurate. Is the way our children learn affected by whether the union gets free family health insurance for life for its members? Does a child learn more if the union gets 5% taxpayer funded raises every year for its members? This is nonsensical and self-serving – and we all know it.

Just how arrogant has the union gotten? By refusing to accept merit pay and use it to reward its best members, the union may have cost New Jersey \$400 million in the Race to the Top school aid from Washington. They did this in a year when they complained about budget cuts; in a year when we could truly use the money. Ask yourself, just who is putting their personal interests ahead of our children's? My proposal is simple: school district employees should pay for a reasonable portion of their health care costs, just like every other New Jerseyan. If we do not end this dual system, State and local government will have to raise taxes endlessly to pay for it. Teachers are not the problem, they get it. Trenton special interests are the problem, and we must stand up to them.

## GOVERNOR'S MESSAGE

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With respect to municipal aid, I am recommending a reduction in various forms of municipal aid of \$445 million, but it has been designed to minimize the effect on any one municipality. I am also ordering the Department of Community Affairs to implement a new, disciplined, and significantly reduced program for the past recipients of Special Municipal Aid and Extraordinary Aid. No longer will we reward cities and towns who irresponsibly spend. The gravy train of this type of aid is ending. Only those who show they are cutting their budgets just as we are, and practicing transparency with the aid, will make the grade for temporary help. The message is simple: we are ending this aid, and soon, so get your act together now.

In the task of getting control of our finances and turning New Jersey around, we cannot do it alone. If we do not see spending control at the county, municipal and school board level, we will be leaving the job undone. Today's pain will have been suffered in vain. So, local governments and school districts must be our partners in this shared sacrifice.

Their spending growth is out of control in large part for the same reasons that State spending has grown – employee costs, health care costs, retirement costs, and a failure to set priorities while establishing reasonable means of control. So today I am introducing in this Budget a series of proposals that constitute a toolkit to protect taxpayers from property tax increases. At the same time, my plan will give local governments and school districts the tools to cut costs so they too can reduce taxes for New Jerseyans.

At its heart is Proposition 2<sup>1/2</sup> -- a constitutional amendment to cap the growth of property taxes at no more than 2<sup>1/2</sup> percent per year. In 1980, the voters in Massachusetts adopted a similar proposition, and the results were striking. While in 1977, Massachusetts had the 3rd highest property tax burden, by 2005 it had dropped to 33rd place. Some will say this will affect the quality of children's education. This is absolutely wrong.

Massachusetts has accomplished this astonishing drop in property taxes while maintaining the number 1 K-12 achievement in America. We must take the same direction. I urge the Legislature to approve this Constitutional Amendment and send it to the voters this November. The voters have waited too long for relief. There is no good reason to take this decision out of voters' hands. If it is right to vote for a constitutional amendment to fund pensions, as many in this Chamber support, I contend we must allow voters to vote for controlling their own property taxes.

But the State should not ask cities and towns to meet a standard that we ourselves are not willing to live up to. Accordingly, I am also proposing that this constitutional amendment cap the growth of State spending at 2<sup>1/2</sup> percent per year. We must also have collective bargaining reform that respects these new caps. Arbitration must be preserved for public employees who cannot strike. But arbitrators cannot act in a vacuum. We must reform the system to allow for recognition of the spending caps and an award's impact on property taxes. Fundamental fairness to both sides requires an arbitration system – but one that is fair to all parties.

We must also have civil service reform. The heart of our proposal is that local government at every level should have the option of opting out of civil service. That tool alone will save an untold amount of taxpayer dollars and make management of our towns better and more professional. This taxpayer's toolkit for property tax reform is one piece of a broader reform agenda that must accompany the spending decisions we are making in this Budget. Both "r" words – reduction and reform -- must be covered as we try to control spending for the long term and attack this budget deficit.

Shortly after taking office, I signed Executive Order No. 15, under which we are reviewing the hundreds of authorities, boards and commissions that populate New Jersey State government. Our goal: to consolidate or eliminate those that should not exist and to end the excessive compensation and pension grabs made by those in this shadow government. We are asking for shared sacrifices to put our house in order – out-of-control authorities and commissions like the Passaic Valley Sewerage Commission must learn that their days of padding their own pockets at the expense of taxpayers are over.

Part of that cleaning up should be to analyze which functions can best be performed by State employees and which by outsiders. For example, the State does not need to be in the business of running parking garages. It does not need its own television network – New Jersey Network can and will succeed as an independent not-for-profit, and we should free it to pursue that path.

Last week, I established a privatization advisory board, to be chaired by former Congressman and State Legislator Dick Zimmer, to examine other opportunities for saving by contracting with competent outside firms. In the past, we've been insufficiently attentive to running State government smarter, cheaper, and more effectively. I am sending to you today dozens of initiatives to do just that – from using Electronic Benefit Transfer cards instead of paper for Child Care payments, to cracking down on Medicaid fraud, to the simple step of using Direct Deposit for State employee salaries.



These are only some of the steps I am including in the proposals I am sending to you today. It is not only our spending plan for next year; it is a blueprint for reform. Because the financial crisis in which we find ourselves, as difficult as it is to resolve today, gives us the chance to lay the foundation for a more solid future tomorrow. We are not turning State government upside down just to solve the crisis this year. We're doing it to reduce the chance that there will be another crisis next year.

We are not cutting spending and trying to reform our habits for the sake of being punitive to those who must change. We're doing it for the sake of giving hope of what real change will bring -- a healthier, more affordable government, and ultimately a better life for the people of New Jersey. Winston Churchill once said that "the pessimist sees difficulty in every opportunity. The optimist sees the opportunity in every difficulty." By that standard, I am an optimist. I see this day, and this time, as an opportunity for New Jersey.

Even as we gather, the newspapers have reported that many of our fellow states are resorting to the techniques and tricks that have gotten New Jersey into so much trouble in the past. In Illinois, they are raising income taxes and increasing borrowing to solve this problem. Sound familiar? Like New Jersey, they will see taxpayers leave, and revenues fall. We have been there already and feel the sting of that failed policy today. In Maryland, they are borrowing to cover current obligations. And in doing so, they are piling one problem on top of another, reducing the creditworthiness of their state, and creating a crisis that will be larger in the future. Hey, we've done that already, too. Today we live with the choking debt service that this failed policy has wrought.

By taking direct, tough action, difficult as it may be, we can turn our crisis into an opportunity. In a competitive national and global economy, we can build a lead on those states. Thirty Seven of Forty Nine other states are electing governors this year. You know nothing tough is going to happen this year in those states. But if we make the tough decisions now, we will be one year ahead of 80% of the states in the race to economic growth. If we fail to act, we will fall even further behind.

Surely the day of reckoning will come for these other states in the coming years. Their need to reform and restructure, like ours, is inevitable. And by going first, we can become first. You see, my goal is for New Jersey to be the leader. Today, we are first in tax burden. We are first in the number of college students who, once educated, leave our state. We are near the top in debt, and number one in getting the least back from Washington for every dollar we pay in taxes. All this must change.

I said eight weeks ago that change has arrived. And today is a key day in implementing and pursuing that change. The reforms we make today -- to streamline the operations of government; to halt the endless parade of new taxes; to lay the groundwork for growth -- can make possible a new kind of leadership.

Where New Jersey is number one in new business creation; where New Jersey is number one in job growth; where New Jersey is number one in educational achievement; and where we lead once again in providing opportunity for our citizens and pride in what we can accomplish together.

There is no question: this has been an incredibly difficult period for our state and its people and the choices I am asking you to make now will not be easy. They are the first step on the path to a brighter future. It has been said that "The important thing is this: to be able at any moment to sacrifice what we are for what we could become."

So while the task ahead of us may not be pleasant, it is essential. We can accomplish something important here in New Jersey. Something big. It is nothing less than the turnaround of our state, and the creation of a brighter future for our children.

So I ask those of you in the Legislature, and all of the citizens of our state, to join me -- in pitching in, in working together -- not only to share in the sacrifices we must make today, but in forging the path to a better tomorrow.

The journey starts today, and I know it will be worth the effort.

May God bless you, may God bless America, and may God continue to bless the great State of New Jersey.

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