

State of New Jersey

# The Governor's FY 2016 Budget Detailed Budget



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**Office of Management and Budget**  
February 24, 2015

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**Office of Management and Budget  
February 24, 2015**

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GOVERNMENT FINANCE OFFICERS ASSOCIATION

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**July 1, 2014**

Executive Director

*The Government Finance Officers Association of the United States and Canada (GFOA) presented a Distinguished Budget Presentation Award to the State of New Jersey, for the Annual Budget beginning July 01, 2014.*

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

*This award is valid for a period of one year only. We believe our current budget continues to conform to program requirements, and we are submitting it to GFOA to determine its eligibility for another award.*

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## Governor's Message





CHRIS CHRISTIE  
GOVERNOR OF NEW JERSEY  
TRANSMITTED TO THE FIRST ANNUAL SESSION  
OF THE TWO HUNDRED AND SIXTEENTH LEGISLATURE  
FEBRUARY 24, 2015

Senate President Sweeney, Speaker Prieto, Lt. Governor Guadagno, members of the Legislature, friends, fellow New Jerseyans: I come before you today to present my budget for the fiscal year 2016. For the sixth time in a row, the budget I present is balanced. For the sixth time, it includes no new taxes on the people of New Jersey.

Spending is again held in line, at \$33.8 billion, \$2.3 billion less in discretionary spending than in fiscal year 2008. I am not talking about spending adjusted for inflation – I am saying that in nominal dollars, New Jersey has not increased spending over where we were in fiscal year 2008. That is because when we arrived here, spending had risen 58% in the previous eight years. Taxes were increased 115 times. Jobs and people were leaving the state. Unemployment was too high. We had to change direction. And we got it done.

The reason was simple: my goal, then and now, was to make New Jersey a home for an opportunity-filled economy. To attract private sector jobs to the state. To protect our hard-working taxpayers. To provide good paying careers for our children.

We are making record investments in aid to our schools, and this year again I propose to do that for a fifth straight year, with an increase over last year to bring total school aid to over \$12.7 billion. For the last four years, we have worked to support the priority of higher education, and this budget again does that, with over \$2.2 billion for higher education, including a \$20 million increase in Tuition Assistance Grants.

In addition, we have been able in this budget to fund key new initiatives -- like the single point of entry for addiction services that I spoke about in my State of the State message; the expansion of drug courts so we can provide non-violent offenders with mandatory treatment instead of incarceration; and Opportunity Scholarships to give students in failing school districts a choice. And we continue in this budget to support key priorities like municipal aid and property tax relief at current levels.

But we should make no mistake. New Jersey, like the majority of states in America, and like our Federal government, faces significant fiscal challenges. I am here today to speak the truth and stand up for our hard working taxpayers.

For this coming year, we project that revenues will increase by 3.8%, in line with our recent experience. This means an increase of a little over a billion dollars a year in State revenues with no new taxes. And yet, all of that increase in revenues is eaten up by growth in three areas: pension, health benefits and debt service. And the biggest of those growing obligations which, limits our ability to invest in other priorities, is the growth in the State's payment into the pension system. Let me remind you, we are not alone in facing this dilemma. In state after state, pensions, health care costs and debt service are crushing the ability of states to finance schools, colleges, new technology and new infrastructure. I will not willingly sit by and let this continue. New Jersey deserves solutions to these problems.

The budget I put before you today would have New Jersey taxpayers make a \$1.3 billion dollar payment to the pension system for fiscal year 2016. This is the largest single pension payment that has ever been made in New Jersey history. And that means that during this Administration, we will have contributed more in total to the pension system than any other Administration in New Jersey history. By nearly double. That's right. Since 2010, including the commitment we are making today, we will have contributed to the pension system nearly \$4.2 billion.

Let me put this in perspective for you. From 1994 – 2009, the 15 years before our arrival to Trenton, the total contribution to the pension system was \$3.4 billion. In my five years, we have beat that by nearly \$800 million. Those are the facts.

An eagerness to please and to say what people wanted to hear in the past has led to high levels of State employee benefits without the willingness to actually fund those benefit levels. Now, years later, these false promises and a failure to pay into an ever-growing system have put us in a position where the system is underfunded, and the payments necessary to catch up will destroy our ability to invest in our children's future. If we do not reform, next year we would be asked to spend nearly \$8 billion on pension and health benefits. Health costs alone consume nearly 10 percent of the budget. If we continue to do nothing, spending on pension and health benefits will make up 23% of New Jersey's budget. And in the years ahead, that percentage will grow even larger, making it impossible for the State to do much else to invest in a better New Jersey. This is not the path forward I want for our state.

I want to improve learning and provide the tools for reform of failing school districts. I want to provide more affordable college tuition and invest in research at our state colleges and universities. I want to fund successful drug and mental health treatment that will save lives. And I want to lighten the tax burden on our hardworking taxpayers who work day in and day out and are frustrated that they can't get ahead. But we can't pursue these priorities – today or tomorrow – if we don't tackle the problem of pension and health benefits.

That is the problem New Jersey faces today. Imagine if we had not put into place our 2011 pension and benefit reforms. The media continue to try to convince the public that making smaller than planned pension payments has eliminated the effectiveness of these reforms. Nothing could be farther from the truth. The increased employee contributions, the ending of COLAs, the increased

# GOVERNOR'S MESSAGE

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retirement age, along with our record-setting payments, has this system healthier than when we found it 5 years ago. That does not mean our work is finished. But without these reforms, the system itself would already be close to broke.

So I did not come here today just to identify the problem, shrug my shoulders and return to business as usual. There are solutions and my work in this regard began months ago. Last year, I appointed an independent nonpartisan New Jersey Pension and Health Benefits Study Commission to come up with creative recommendations for making the system reliable for the beneficiaries but manageable for the state.

The members of this Commission have been working diligently and collaboratively over the last several months, working on new ideas and meeting and consulting closely with beneficiary groups to forge a proposal that reflects their views and gives them a stake. The Commission understood its charge to think outside the box, and to be dynamic in its approach to solving this problem. I want to thank Thomas Healey, Ray Chambers and the rest of the members of the Commission for leading this effort and for bringing together different points of view, an array of thinkers and multiple stakeholders. The result is innovative and real. It is a national model.

In addition to proposing reforms, I gave the Commission an even more difficult job. I authorized them to begin direct negotiations, on my behalf, with the New Jersey Education Association, to change this broken system in order to bring security to their members and fairness to New Jersey's hardworking taxpayers.

For the last five months, the Commission has worked with the NJEA to find common ground. What have been the results of these negotiations? I am pleased to announce today that the Commission, with my support, has reached an unprecedented accord with the NJEA on a "Roadmap for Reform" to solve our long-term problems with the pension and health benefit systems. While this Roadmap is with the NJEA today, I hope other unions will follow suit tomorrow. The recommendations by the Commission that make up the Roadmap are far-reaching and groundbreaking. At their core they seek to bring fairness to a system that has long been unjust and create parity between public and private sector employees.

For example, the State has been paying for the pension costs and retiree health care costs for local employees who have never worked a day in their careers for the State. In addition, the level of health care benefits enjoyed by public employees and retirees has been significantly more attractive than what the average worker in the private sector receives. Does that sound fair to you? The Commission has proposed ways to fix this.

The Roadmap calls for the existing pension plan to be frozen and to be replaced by a new plan. Both the existing plan and the new plan would be transferred to a Trust overseen by the NJEA. But the Roadmap also requires the State to make periodic contributions each fiscal year to the Trust in order to pay off the unfunded liability of the existing plan over a period of 40 years. To ensure the State meets this obligation and the payment is enforced, a Constitutional Amendment would be voted on this November. The payment amounts and percentages of annual increases are subject to further discussion.

The Roadmap also recognizes that the State must achieve sufficient savings in health care costs if we are going to be able to pay off the unfunded pension liability and to make required contributions to the new plan. It is expected that the unions will work with representatives from the State and from the Commission to attain the required savings in health care costs from a variety of sources - including embracing innovative plan-design initiatives, wellness programs and other ways of providing incentives to participants to stay healthy. If those savings are not identified by June 2015, the Roadmap provides that the State Legislature will not be asked to put a Constitutional Amendment on the November 2015 ballot.

Imagine, after years of disagreement and, at times, acrimony - we have come together on a negotiated and signed Roadmap to fix the largest hurdle to New Jersey's long-term fiscal stability. After months of hard work behind the scenes, and with months more to come, we are on the verge of proving to our citizens once again that we can make government work for them - the people who pay the bills.

Today, I am embracing the Roadmap and also endorsing the entirety of the Commission's proposed plan, a series of reform proposals that will fundamentally change the pension and benefit systems so that there is fairness. If we enact these reforms, and at the same time guarantee the certainty of a pension funding payment with a Constitutional Amendment, we are sending a clear set of signals:

- We are signaling to beneficiaries that the State can be counted on to make its payment;
- We are signaling to new beneficiaries that they will have control over their own retirement plans;
- We are signaling to existing beneficiary groups their union will control their own investments and their own destiny;
- And we are signaling to those evaluating the State's financial condition that the State's obligation to the system is a known number that is manageable on a long-term basis.

The numbers do not lie and we don't need any court to tell us we have a serious problem. I have stood behind this podium for five years speaking candidly about this problem. We acted in 2011 to acknowledge and begin to repair this serious problem. We now have a bipartisan reform plan which can, once and for all, fix this problem. No one branch of government can wish or order this problem away. We must do it together. Together, I know we can get this done. We have proven time and again that even when we look like we're not going to make it work and that politics and partisan interests have won out, we flip the script. We do it differently. We get it done.

## GOVERNOR'S MESSAGE

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I am committed to working with each and every one of you in good faith to make a promise to the people of this state that we will not push this off...we will not leave it for another day... for another year... for another generation. We will tackle this problem now and we will solve it. That is what real leadership produces for our people. Real leadership produced the 2011 reforms which took our system off life support. That was a success. Those reforms were in the best interest of all New Jerseyans when we passed them. The steps we've taken since then have been reasonable, necessary and in the interests of our citizens as well.

Adopting the reform plan roadmap agreed to by the Commission and the NJEA by June will return the system to health. The work that has already taken place lays the groundwork for adopting this creative compromise solution. Inaction is unacceptable. Repeating the mistakes of the past would be irresponsible. Let me be very clear about that because there are politicians, some who may be in this very room, who will tell you that we don't need further pension and health benefit reform. They will tell you that this will just go away if we ignore it. They will tell you that this is solvable if we just raise taxes. But we cannot tax our way out of this problem. To do so would require increasing the sales tax to 10% or increasing the income tax by 29% just to close the pension-funding gap.

Is there really anyone in this room who is willing to foist a 10% sales tax on our taxpayers? Anyone who thinks our citizens deserve and can afford a 29% income tax increase on all our hardworking taxpayers? I do not and will not. They will tell you that it won't impact you, and that it's going to be somebody else's problem. That someone else will pay. You know that is not true.

We need to act now because the longer we resist change ... the longer we resist imagining a different future ... the longer we push off the inevitable because it's easier to let it be someone else's problem, the harder it will be to solve the problem, and the greater the impact will be on every other New Jersey priority, each year. Sometimes it doesn't seem immediately apparent, but this problem is eating us away little by little. Every increase in the dollars devoted to pension and health benefits is a decrease in dollars invested in other priorities, creating a series of missed opportunities to build a better New Jersey.

We will miss the opportunity to give our young children the chance to be successful with a quality education no matter where they live....

We miss the opportunity to give a second chance to those battling drug addiction or reentering society from prison to become valued and contributing members of the community....

We will miss the opportunity to boost take home pay for working class taxpayers by providing tax relief and new jobs which lead to fulfilling careers.

This is the cost of inaction. This is the cost of doing nothing. This is the cost of pushing this off to somebody else. There is no one else. There is no one else but us. And that is why I am here today to ask you to do what may be politically difficult, but what is morally the right thing to do. This is the type of leadership our state requires. Coming together. Thinking differently. Fighting for all the people. Addressing the long-term. This is how we get things done.

I will never stop working to fix the problems we have previously ignored. I will never stop telling the hard truths. I will never give up on New Jersey. That is why the people have sent me to this chair twice and we will not stop fighting for them until my last day as Governor. Through our ability to bring people together who have not agreed in the past, we are setting a national trend. By putting forward new solutions to age old problems, we are creating a national model. By signing this Roadmap with the teachers union, we are showing government can work for all our hardworking taxpayers. That is my pledge to you today and if you are willing to stand up and work with me toward a better tomorrow, I will work with you.

Thank you, God bless you, and God bless the great State of New Jersey.





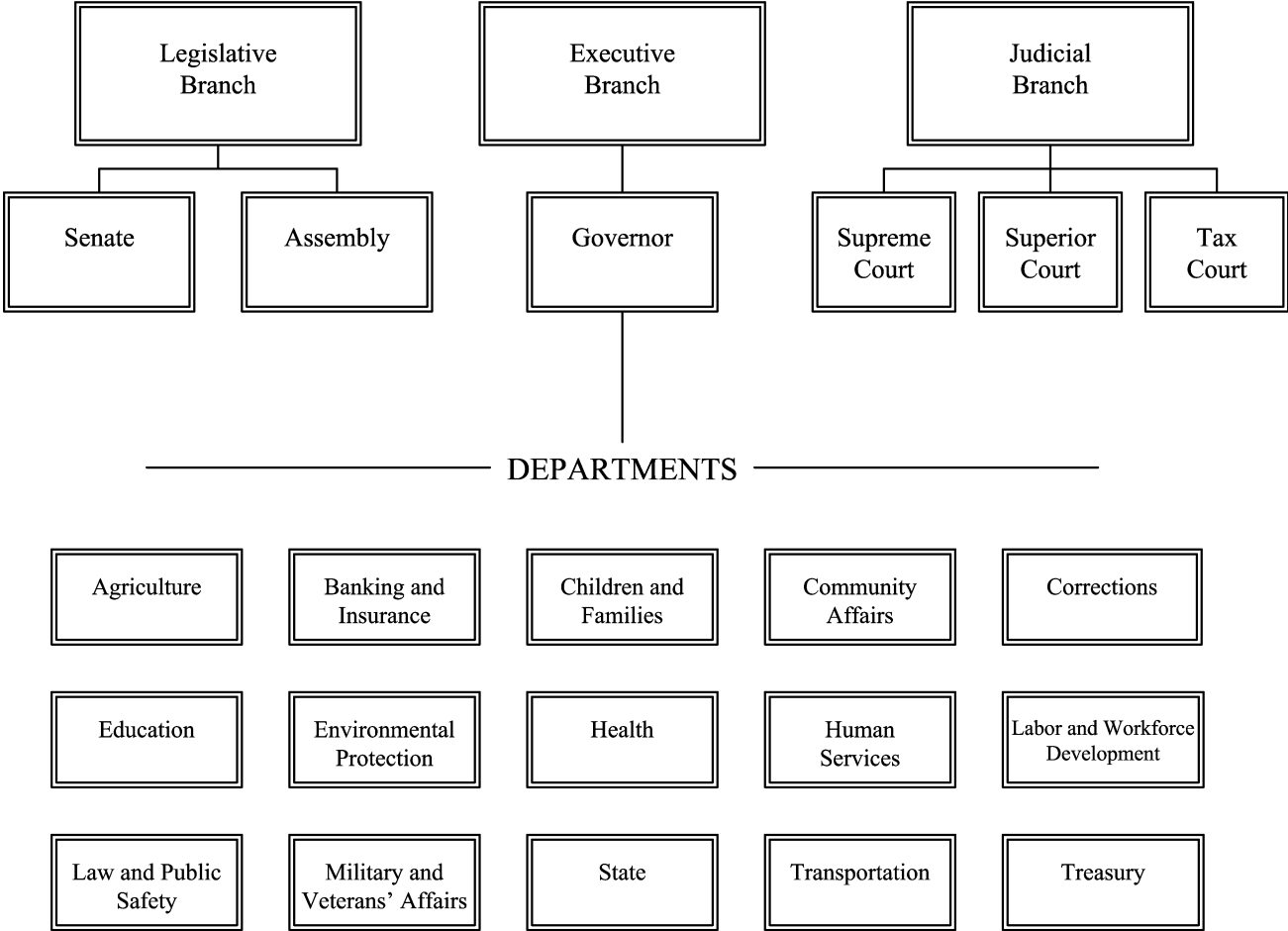
## **General Information**

More information can be found in the Reader's  
Guide to the Budget on the Treasury/OMB  
website:

[www.state.nj.us/treasury/omb](http://www.state.nj.us/treasury/omb)



ORGANIZATION OF NEW JERSEY STATE GOVERNMENT



# GENERAL INFORMATION

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## Glossary of Budget Terms

<b>TERM</b>	<b>DESCRIPTION</b>
<b>ADDITIONS, IMPROVEMENTS AND EQUIPMENT</b>	Additions and improvements which are less than \$50,000 in cost and the purchase of equipment such as vehicles, office equipment and information processing equipment.
<b>ADJUSTED APPROPRIATION</b>	The total of an original appropriation, all supplemental appropriations, certain allotments from interdepartmental appropriations and other budgetary adjustments.
<b>ALL OTHER FUNDS</b>	Revenues, other than Federal, that are not anticipated as resources to support the annual State budget. Upon receipt, these funds become appropriated, as provided by the language of the Appropriations Act.
<b>ALL OTHER POSITION</b>	A position specifically approved and funded by non-state, non-federal sources in a salary object account.
<b>ALLOTMENT</b>	An allocation of a portion of an appropriation to make it available for encumbrance or disbursement by the agency to which appropriated, and usually applying to a period of time; e.g., a calendar quarter.
<b>ANTICIPATED RESOURCES</b>	The sum of the estimated surplus at the end of the prior fiscal year, together with all estimated revenues for the General Fund from all sources, including taxes and license fees, other miscellaneous departmental and interfund transfers.
<b>ANTICIPATED REVENUE</b>	Estimated revenues to be realized in any fiscal year that have been anticipated as General Fund resources to support the appropriations made, or undesignated fund balance projected, in the annual Appropriations Act.
<b>APPROPRIATED REVENUE</b>	Revenues not previously anticipated or budgeted, which upon receipt increase appropriation balances as authorized in the Appropriations Act, and from which agencies may incur obligations or make expenditures for specific purposes.
<b>APPROPRIATION</b>	The sum of money authorized by an act of the Legislature for expenditure for a particular fiscal year.
<b>BLOCK GRANT</b>	An amount allotted by the Federal government to the State to be allocated to a particular program area within general guidelines as the State determines.
<b>BOND</b>	A funding tool representing a written promise to pay a specific sum of money in the future plus interest.
<b>BOND FUND</b>	A fund that receives proceeds from the issuance of bonds, and from which all proper expenditures for the purposes for which the bonds were authorized are paid.
<b>BUDGET REQUEST</b>	The request of each spending agency for an appropriation or permission to spend during the next ensuing fiscal year.
<b>CAPITAL CONSTRUCTION</b>	Funds budgeted for: (1) acquisition of or option to buy land and right-of-way and existing improvements therein, regardless of cost, (2) new buildings and structures not attached to or directly related to any existing structures, regardless of cost, (3) projects whose estimated cost, including land, planning, furnishing and equipping, is usually \$50,000 or more, regardless of the construction involved, with a useful life of at least ten years, (4) any addition or improvement that is \$50,000 or more.
<b>CATEGORICAL GRANT</b>	An amount allotted by the federal government to the State to be allocated to a particular program area for a specific purpose or mandate of the federal government
<b>CONTINGENCY APPROPRIATION</b>	An appropriation to provide for unforeseen expenditures or for anticipated expenditures of uncertain amounts.
<b>DEBT SERVICE</b>	Resources to finance payment of general long-term debt principal and interest.
<b>DEDICATED FUND</b>	A fund normally contained in the General Fund, consisting of resources owned by the State, the use of which is constrained, either by statutory specification, dedication or other restriction, or a particular purpose or program.
<b>DIRECT STATE SERVICES</b>	General operating costs of State government, including programs providing services directly to the public.
<b>DISBURSEMENT</b>	Payment of money out of any public fund or treasury (See also EXPENDITURE) .
<b>ENCUMBRANCE</b>	A reservation of funds for future payment (disbursement) to liquidate an obligation incurred, usually supported by the issuance of a purchase order or the execution of a contract calling for payment in the future.
<b>ENDING BALANCE</b>	The amount of funds remaining in an account or fund at the end of the fiscal year.



## GENERAL INFORMATION

<b>TERM</b>	<b>DESCRIPTION</b>
<b>EVALUATION DATA</b>	The quantitative expression of the end products produced or other elements involved in the work of an organization.
<b>EXCESS RECEIPTS</b>	Any receipts collected by an agency in excess of anticipated resources in the annual Appropriations Act. Such excess receipts may either be appropriated for the agency's use or credited to the General Fund undesignated fund balance.
<b>EXPENDITURE</b>	Denotes charges incurred, whether paid or unpaid, thus including both disbursements and liabilities.
<b>FEDERAL POSITION</b>	A position specifically approved and funded by federal funds in a salary object account.
<b>FRINGE BENEFITS</b>	Payments made by the State for retirement, social security, health and dental insurance contributions, workers' compensation, unemployment, survivors' and disability insurance.
<b>FUND BALANCE -- DESIGNATED</b>	Unexpended and unencumbered appropriations that are authorized to continue into the subsequent fiscal year (See also REAPPROPRIATION).
<b>FUND BALANCE -- UNDESIGNATED</b>	Fund equity unrestricted and available for appropriation.
<b>GRANTS-IN-AID</b>	Grants-in-Aid are generally the second largest portion of appropriations and consist of payments to individuals and public or private agencies for benefits to which a recipient is entitled by law or for the provision of services on behalf of the State.
<b>ITEM OF APPROPRIATION</b>	The spending authority identified by an organization code, appropriation source and program code, unique to the item, and may include a number of object accounts within a program.
<b>INTERDEPARTMENTAL ACCOUNTS</b>	A group of accounts to which are appropriated funds for payment for or on behalf of all State agencies of rent, employee benefits and contingency funds or for certain specified purposes.
<b>LANGUAGE RECOMMENDATIONS</b>	Language located at the end of a statewide program, department or in the General Provisions section, that provides specific spending or budget authority and/or places limitations on such authority.
<b>LAPSE</b>	The automatic termination of an appropriation. At the end of the Appropriation period, any unexpended or unencumbered balances revert to the fund from which it was originally appropriated.
<b>LINE OF CREDIT</b>	Competitively bid, low interest cost funding for the procurement of the State's short term (3 years) equipment needs, specifically computers, furniture and vehicles.
<b>LINE ITEM</b>	Any single line account for which an appropriation is provided. Includes appropriations made to specific object accounts.
<b>MAINTENANCE AND FIXED CHARGES</b>	Routine repair and maintenance of buildings, property and equipment required to keep them in operation and prevent deterioration.
<b>MATCHING FUNDS</b>	Provisions in a grant agreement that require the government or agency receiving the grant to commit a certain amount of funding to a program before funding is made available by the granting authority.
<b>MATERIALS AND SUPPLIES</b>	Tangible consumable items used for operations, but not for the maintenance of machinery or equipment.
<b>NON-STATE FUND (ACCOUNT)</b>	Any fund or account with proceeds arising from a source other than the General Fund, typically from Federal or foundation grants, pooled inter-governmental funds or service charges.
<b>OBJECT CATEGORY</b>	A group of objects of similar character categorized for classification purposes.
<b>OBJECTIVE</b>	A statement of specific, intended, measurable accomplishments related directly to the need, problem or opportunity the services to the client are designed to address.
<b>OBLIGATION</b>	An amount the State may be required legally to meet out of its resources, including actual liability and unliquidated encumbrances.
<b>ORIGINAL APPROPRIATION</b>	An appropriation made in the annual Appropriations Act.
<b>PERSONAL SERVICES PROGRAM</b>	An appropriation supporting State employee salaries and wages and other employee benefits.
<b>PROGRAM CLASSIFICATION</b>	A group of related activities directed toward the accomplishment of an identifiable objective; it is established by statute, executive order or departmental order; it is distinguishable by its clientele, organization, subject matter or process.
<b>REAPPROPRIATION</b>	An operating program function, consisting of closely related activities with an identifiable objective or goal.
<b>RECEIPTS</b>	The appropriation in any fiscal year of funds remaining unexpended at the end of the preceding fiscal year that are specifically appropriated in the succeeding fiscal year (See also FUND BALANCE).
<b>RECEIVABLE</b>	A general term for cash received, which may either satisfy a receivable, be a conversion of another asset or a refund of a prior expenditure; it may also represent revenues earned or realized.
<b>RECEIVABLE</b>	An anticipated sum of money that is treated as revenue because it has been earned and is due. Such sums are available for expenditure by State agencies when properly authorized.

# GENERAL INFORMATION

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<b>TERM</b>	<b>DESCRIPTION</b>
<b>REVENUES</b>	Funds received from taxes, fees or other sources that are treated as State income and used to finance expenditures.
<b>REVOLVING FUND (ACCOUNT)</b>	A fund or account established to finance (1) State activities of a business or commercial nature or (2) the operation of an intragovernmental service agency or enterprise that generates receipts from the sale of commodities or services.
<b>SERVICES OTHER THAN PERSONAL</b>	The cost of purchased services that are primarily non-personal or of a contract nature under which no employer-employee relationship is established.
<b>SPECIAL PURPOSE APPROPRIATION</b>	A type of appropriation that includes monies for personal services, non-personal services, maintenance, etc., but which is appropriated as a single amount and which does not specify amounts for individual objects of expenditure.
<b>SPECIAL REVENUE FUNDS</b>	Funds used to account for resources legally restricted to expenditure for specified purposes.
<b>STATE AID</b>	State Aid generally is the largest portion of appropriations and includes payments to or on behalf of local government entities, including counties, municipalities and school districts, to assist them in carrying out their local responsibilities.
<b>STATE POSITION</b>	A position specifically approved and funded by a State appropriation in a salary object account.
<b>STATE TREASURY</b>	All funds deposited to the credit of the State. It includes the General Fund and funds from all other sources.
<b>STATEWIDE PROGRAM</b>	A functional grouping of related program classifications that contribute to satisfaction of some broader objective.
<b>STATUTE</b>	A written law enacted by a duly organized and constituted legislative body.
<b>SUPPLEMENTAL</b>	An appropriation made in addition to the annual Appropriations Act.
<b>SURPLUS</b>	Revenue exceeding expenditures over a given period of time. (See also FUND BALANCE) .
<b>TRANSFER</b>	A transaction that reallocates all or part of any item of appropriation to another item of appropriation.
<b>TRUST AND AGENCY FUNDS</b>	Funds used to account for assets held in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds.

### THE STATE BUDGET PROCESS

The State Budget Process is designed to produce budget decisions based on performance, with a focus on furthering agency core missions. The State budget cycle is on a fiscal year basis, extending from July 1 to June 30 of the following year.

New Jersey's budget process is comprehensive and inclusive, involving every department and agency in the Executive Branch, the Legislature, the Judicial Branch, and through a series of public hearings, the citizens of the state. The budget process begins in the summer prior to the following fiscal year with preliminary projections of revenues and expenditures, which are the basis for development of budget and performance targets for each branch, department and agency. Individual departments and agencies are required to prepare a funding plan or strategy for operating within the established preliminary budget level in the following fiscal year, which funding plan or strategy includes an analysis of the costs, benefits and priorities of every program. The funding plans and strategies are the foundations for revenue and spending decisions that are ultimately incorporated into the Governor's budget recommendations.

The New Jersey Statutes contain provisions concerning the budget and appropriations process. On or before October 1 in each year, each Department, Board, Commission, Office or other Agency of the State must file with the Director of the Office of Management and Budget (Budget Director) a request for appropriation or permission to spend specifying all expenditures proposed to be made by such spending agency during the following fiscal year. The Budget Director then examines each request and determines the necessity or advisability of the appropriation request. On or before December 31 of each year or such other time as the Governor may request, after review and examination, the Budget Director submits the requests, together with his or her findings, comments and recommendations, to the Governor. It is then the responsibility of the Governor to examine and consider all requests and formulate his or her budget recommendations.

The Governor's budget message is presented by the Governor during an appearance before a joint session of the State Legislature which, by law, is convened on or before the fourth Tuesday in February in each year. The Governor's budget includes the proposed complete financial program of the State government for the next ensuing fiscal year, and sets forth in detail each source of anticipated revenue and the purposes of recommended expenditures for each spending agency (N.J.S.A. 52:27B-20). The financial program included in the Governor's budget is then subject to a process of legislative committee review. After completion of the legislative committee review process, the budget, in the form of an appropriations bill, must be approved by the Senate and Assembly and must be submitted to the Governor for review.

Upon submission of the appropriations bill enacted by the State Legislature, the Governor may approve the bill, revise the estimate of anticipated revenues contained therein, delete or reduce appropriation items contained in the bill through the exercise of his or her line-item veto power, or veto the bill in its entirety. As with any gubernatorial veto, such action may be reversed by a two-thirds vote of each House of the State Legislature. In addition to anticipated revenues, the annual Appropriations Act also provides for the appropriation of non-budgeted revenue, including primarily federal funds, to the extent such revenue may be received and permits the corresponding increase of appropriation balances from which expenditures may be made.

During the course of the fiscal year, the Governor may take steps to reduce State expenditures if it appears that revenues have fallen below those originally anticipated. There are additional means by which the Governor may ensure that the State does not incur a deficit. Under the State Constitution, no supplemental appropriation may be enacted after adoption of an Appropriations Act except where there are sufficient revenues on hand or anticipated, as certified by the Governor, to meet such appropriation.

If a general appropriation law is not enacted prior to the July 1 deadline, under Article VIII, Section 2, para. 2 of the State Constitution, no monies can be withdrawn from the State Treasury.

#### **Capital Budgeting Process**

The annual review process for capital spending requests and recommendations, which runs somewhat parallel to the process described above, has several stages. All State departments requesting capital funding must submit a seven-year Capital Improvement Plan to the New Jersey Commission on Capital Budgeting and Planning. Each capital project request must include an operating impact statement. The Commission schedules public hearings, analyzes the capital requests and recommends projects to the Governor. The Governor, in turn, recommends projects in the proposed budget.

More detailed information may be found on OMB's website at [www.state.nj.us/treasury/omb/](http://www.state.nj.us/treasury/omb/).

# GENERAL INFORMATION

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## STATE FINANCIAL POLICIES

### **Basis of Budgeting**

The basis of budgeting in New Jersey is in accordance with generally-accepted accounting principles (GAAP) for governments as it applies to fund financial statements prescribed by the Governmental Accounting Standards Board (GASB). The State's budgetary basis differs from that utilized to present financial statements such as the State's audited Comprehensive Annual Financial Report (CAFR) in that encumbrances are recognized as expenditures and transactions are only for the current fiscal year. In accordance with Governmental GAAP, revenues are estimated and recognized when they can be accrued; that is, when they become both measurable and available to finance expenditures of the fiscal period for governmental funds. Appropriations are recommended at a level sufficient to recognize all accrued expenditures applicable to the fiscal period.

### **Budgetary Control**

Pursuant to Article VIII, Section II, para. 2 of the State Constitution, no money may be drawn from the State Treasury except for appropriations made by law. In addition, all monies for the support of State government and all other State purposes, as far as can be ascertained or reasonably foreseen, must be provided for in one general appropriations law covering one and the same fiscal year. No general appropriations law or other law appropriating money for any State purpose may be enacted if the amount of money appropriated therein, together with all other prior appropriations made for the same fiscal year, exceeds the total amount of revenue on hand and anticipated to be available for such fiscal year, as certified by the Governor.

Budgetary control is maintained at the item of appropriation level, meaning the spending authority associated with an organization, appropriation source and program classification. Internal transfers within programs are permitted subject to certain constraints, while transfers between programs or above designated levels require the approval of the Legislature. When appropriations are based on anticipated revenues, spending authority is reduced by the amount of any deficiency in actual revenues. Other budget changes not authorized by specific language provisions must be approved by the Legislature.

Appropriations are authorized for expenditures during the fiscal year and for a period of one month thereafter. Unencumbered appropriations lapse at year end, unless otherwise specified. Non-lapsing balances are considered automatically reappropriated as authorized by statute or by the Appropriations Act.

### **Balanced Budget**

A balanced budget must be established at the start of the fiscal year (July 1) and be maintained at the end of the fiscal year. New Jersey's Constitution states: "No general appropriation law or other law appropriating money for any State purpose shall be enacted if the appropriation contained therein, together with all prior appropriations made for the same fiscal period, shall exceed the total amount of revenue on hand and anticipated which will be available to meet such appropriations during such fiscal period, as certified by the Governor."

The determination of a balanced budget is based on the revenues and expenditures for all funds according to GAAP. The official revenue estimate for the fiscal year is established and certified by the Governor. If the Appropriations Act enacted by the Legislature exceeds the revenue estimates plus any available surplus, the Governor has the authority and the duty either to veto the entire appropriations bill or to reduce the amount of appropriations to produce a budget that is balanced against the total resources available.

The long term goal is to achieve a structural balance between ongoing operating expenditures and revenues. The rate of growth in direct services provided by the State should be constrained, both in total appropriations and in its relative portion of the State Budget. The overarching goal is to identify the most efficient way to provide current services or to expand services within the current budgeted resources. Fund balances may be used to support unforeseen or unpredictable expenditures that require supplemental appropriations. If budget adjustments are necessary to maintain balance during a fiscal year, actions are typically implemented by OMB acting at the direction of the State Treasurer and the Governor.

### HOW THE BUDGET IS ORGANIZED

The budget is divided into major sections as described below:

The **Governor's Budget Message** describes in general terms the policies and new initiatives, as well as the reductions and efficiencies in the Governor's budget. The Governor's Message generally includes a description of the state's economic situation and the expected impact of projected economic trends on the state's fiscal condition. The Governor's Message may also include broad programmatic goals for each of the individual State departments or major segments of the government, as well as policy directions for the upcoming fiscal year.

The **Summaries of Appropriations** section includes a selection of tables and charts designed to summarize the Governor's recommendations.

The **Summaries of Revenues, Expenditures and Fund Balances** section provides information on the revenue and expenditure assumptions incorporated in the Governor's budget recommendations, and the resulting fund balances for all funds maintained by the State.

The **Department and Branch Recommendations** section is the largest section of the budget and includes the greatest detail on proposed appropriations. It is divided into categories based on the source and use of appropriations, which is then organized by governmental branch and sorted in alphabetical order by agencies or executive departments. The major subdivisions of this section are described in detail in the Reader's Guide to the Budget, found at [www.state.nj.us/treasury/omb](http://www.state.nj.us/treasury/omb).

The **Debt Service** section of the budget depicts the amounts necessary to pay principal and interest due on capital projects financed by general obligation bonds of the State. The primary method for financing capital projects is through the sale of bonds. No debt can be issued by the State without approval by a majority of the legally qualified voters. This section also includes a brief description of the active bond issues financed by current debt service appropriations.

The **General and Federal Funds Language Provisions** subdivision of the budget establishes authority beyond the specificity of the detailed line-item budgets for both general and federal funds. These provisions apply to broad areas of the budget, such as entire funds or appropriations in general, and in some cases mandate additional administrative requirements related to the enactment of the budget. These Language provisions also authorize adjustments for reorganizations and corrections to the Appropriations Act after its enactment.

# NOTES