NJ DEPARTMENT OF THE
TREASURY

Treasury Explains:

The State Budget Process

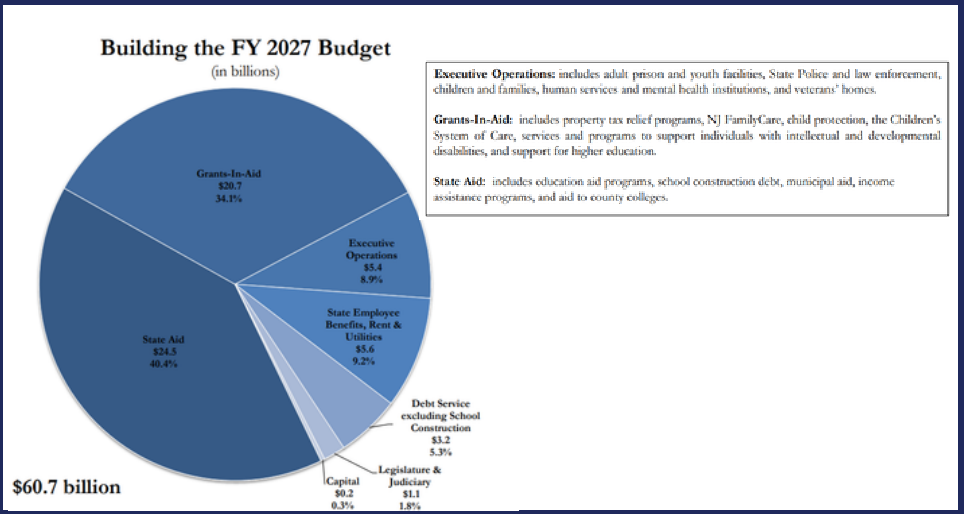
Understanding the State Budget Process

The State Fiscal Year runs from July 1 to June 30.

The process begins in the preceding August, when agencies begin planning for the upcoming year. In September, the Office of Management and Budget (OMB) provides salary projections, budget instructions, and guidance for developing preliminary budgets. Agencies then submit their spending requests for their existing programs, identify potential reductions, and propose any new or expanded programs.

From November through mid-January, OMB reviews the agencies' plans and develops recommendations. In January and February, these recommendations are reviewed with the State Treasurer. The Governor makes the final decisions.

On the fourth Tuesday in February, the Governor presents the Budget Message to the Legislature. The Legislature then reviews the Governor's Budget through hearings where testimony is solicited from the public and members of the Governor's cabinet and other agencies, adjusts revenue estimates, and makes changes. Under the State Constitution, the Senate and Assembly must pass a balanced budget by July 1. After passage, the Governor can sign the budget, veto it entirely, or make line-item veto changes before approving what becomes the final Appropriations Act.



How the Budget is Organized

The Governor's Budget is divided into major sections that explain where the State's money comes from, how it is allocated, and the policies shaping those decisions. Each section provides a different view of the State's financial plan.

The Governor's Budget Message

- Summaries of Appropriations
- Summaries of Revenues, Expenditures, and Fund Balances

Department and Branch Recommendations

- Budget Recommendations Overview
- Capital Construction and Debt Service
- General and Federal Fund Language Provisions
- Revolving Funds

Appendices

- Select Program Areas: Statements of Estimated Revenues; Expenditures and Fund, Balances of the State's Special Revenue, Capital Projects, and Trust Funds (excluding Pension Trust Funds).

Top Spending Categories

1. K-12 Funding Formula
2. NJ FamilyCare (Medicaid)
3. State Pension Contribution
4. Health Benefits
5. Debt Service
6. Direct Property Tax Relief

Key Terms

Balanced Budget - A constitutionally mandated financial plan that ensures that all appropriated expenditures are paid for, ensuring the State never spends more money than it collects.

Line Item Veto - The Governor's constitutional power to reduce or completely eliminate specific items in the State's annual Appropriations Act.

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July

The fiscal year begins July 1.

August

The Office of Management and Budget provides general guidance, as well as salary and techincal budget documents for the upcoming fiscal year.

September

Agencies formulate their proposed plans, including reductions and growth that may be required to meet their program objectives and legal mandates.

October

The agencies and divisions continue calculating their predicted expenses.

November

The Office of Management and Budget analyzes the agencies' and divisions' expenditure plans.

December

The Office of Management and Budget provides recommendations on the agencies' and divisions' plans.

January

The Governor, State Treasurer, and Director review and analyze budget requests.

February

The Governor makes final decisions and notifies the legislature of the proposed budget in the Governor's Budget Message.

March

The Detailed Budget is published.

April

The Legislature conducts public hearings to review the Governor's Proposed Budget. The first hearings are with the Office of Legislative Services and the Treasurer concerning the revenue projections for the next fiscal year.

May

There are two types of hearings, public and departmental, which continue throughout May. The hearings conclude with the May Revenue Update hearings of the Office of Legislative Services and the State Treasurer.

June

The budget must be approved by the Senate and the Assembly. Then the Governor must approve the Appropriations Act, issue any line-item vetoes, and certify State revenues.

THE BUDGET IS PASSED BY JUNE 30.