

Fiscal 2000

*Budget
in
Brief*



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JANUARY 25, 1999



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CHRISTINE TODD WHITMAN
Governor

January 25, 1999

Dear Fellow New Jerseyans:

I am pleased to submit my administration's budget proposal for fiscal 2000. This sound, balanced, ambitious budget funds the priorities we share as citizens of New Jersey: good schools, safe streets, affordable health care, thriving communities, and open land preserved for all time. At the same time, this budget supports the first year of my proposal to return to New Jersey families \$1 billion each year in property tax rebates, phased in over five years.

With this \$19.16 billion spending plan, New Jersey again fulfills the school funding parity called for by the State Supreme Court, and fully accounts for enrollment changes in our schools. We also increase our commitment to higher education by \$70 million, for a total of more than \$1.6 billion to help keep college affordable for New Jersey families. In fact, well over one-third of our entire budget is devoted to serving our students.

This budget also funds two new State Trooper classes of 50 candidates, supports two new initiatives to improve our cities, funds an incentive program to encourage local government consolidations, supplies a cost-of-living increase for community social service providers, and begins a three-year plan to offer seniors and caregivers more support and more choices for longterm care. What's more, it makes \$900 million available through our Transportation Trust Fund for vital projects in fiscal 2000.

This budget continues our progress in lowering the structural deficit. It increases our capital spending by over 15 percent. It sets aside a \$750 million surplus, including a record amount in our rainy day fund. And with this proposal, the average budget growth rate over the first six years of my tenure will remain lower than that of any administration in at least three decades.

I look forward to working with the Legislature to enact, by June 30, a budget that enables New Jersey government to continue meeting the priorities of our citizens efficiently and responsively. I encourage you to review the budget I have proposed and to share your comments with me and with your legislators.

We are fast approaching a new millennium. Together, let's build a future for New Jersey even better than its proud past.

Sincerely yours,

A handwritten signature in black ink, appearing to read "Christine Whitman".

Christine Todd Whitman
Governor

THE WHITMAN RECORD ...By the Numbers

\$ 1 Billion	Direct School Property Tax Relief
342,700	Jobs added to the New Jersey economy
1 Million	Acres to be saved through Whitman's voter-approved preservation plan
Seventeen	Tax cuts enacted during the Whitman administration
45%	Reduction in welfare caseloads since Governor Whitman took office
28 Years	Length of school funding battle resolved by the Whitman administration's results-oriented plan, based on rigorous academic standards
1974	Last time the crime rate was as low as it is today
15 Percent	Guaranteed savings for good drivers under Whitman's auto insurance reform.



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The Budget, the Budget in Brief, and the Comprehensive Annual Financial Report are available on the Internet @ <http://www.state.nj.us/treasury/omb/ombhome.htm>

Information on the War Memorial Building, which appears on the cover of this book, is available on the Internet @ <http://www.state.nj.us/warmemorial/wartex.html>

OVERVIEW

The fiscal 2000 Budget -- the sixth submitted by Governor Christine Whitman -- continues the Whitman Administration's efforts to provide needed services to New Jersey's citizens in the most efficient manner.

In her State of the State Address, Governor Whitman declared her intention to deliver on her promise to provide property tax relief thereby making New Jersey more affordable for its citizens. Other priorities of the Governor include preserving open space, giving the seniors more options for long-term care, improving the quality of our children's teachers, and making our streets safer.

- This Budget includes \$200 million as phase one of a five year plan to provide \$1 billion of direct school property tax relief. This program will offset the school taxes homeowners pay on the first \$45,000 of assessed value on their homes. When fully implemented, New Jersey families will receive, on average, checks in the amount of \$600 each year.
- This Budget also includes \$23.7 million to provide a homestead property tax reimbursement to over 200,000 senior and disabled homeowners, whose property taxes are effectively frozen under recently enacted legislation.
- This Budget includes \$11.5 million to provide an inflationary increase to the Consolidated Municipal Property Tax Relief Aid.
- This Budget includes \$10 million for the Regional Efficiency Development Incentive Grant Program (REDI), which will provide financial incentives to local governments and school districts to study ways to consolidate, regionalize, and implement joint services in order to achieve property tax relief.
- Included in the Budget is \$92.8 million in revenue from the recent settlement with the tobacco industry. New Jersey will receive approximately \$7.6 billion over the next 25 years. Programs funded from this revenue include \$18.6 million for anti-smoking initiatives -- a \$7.3 million media campaign, \$2.6 million for cessation programs for addicted adults and children, \$1.7 million for research, surveillance, evaluation and assistance for anti-smoking programs, \$2.2

million for a school based prevention program, and \$4.8 million for a community based tobacco control program. The remaining \$74.2 million will be used to fund health programs, such as state employees' health benefits (\$36.4 million), ElderCare initiatives (\$10.3 million), Pharmaceutical Assistance to the Aged claims (\$8.7 million), substance abuse initiatives (\$3.0 million) and cancer screening (\$2.7 million).

- This Budget includes an increase of \$48 million, for a total of \$98 million, to fund the voter approved referendum on open space acquisition, farmland preservation and historic preservation. Over the next ten years, one million acres of open space and farmland will be saved through this program. In addition, over this same period, \$100 million of this funding will be used for urban, suburban, and rural park development, and \$63 million to preserve historic sites.
- This Budget includes a \$10.3 million downpayment on a three year, comprehensive, \$60 million program for seniors and their caregivers so that only those seniors who absolutely need to be in nursing homes are placed there.
- This Budget includes \$10 million for two new urban initiatives. The Downtown Living initiative commits \$7.5 million for low interest loans to spur the construction of market rental housing in urban areas. The College/University Homebuyers' Fund in the amount of \$2.5 million offers financial incentives to entice faculty and staff members of New Jersey's state colleges, universities, and community colleges located in city neighborhoods to buy or renovate homes there.
- This Budget continues to provide the necessary funds for New Jersey to meet the State Supreme Court's mandate for parity in school funding.
- To help assure that New Jersey has the best teachers, \$950,000 has been added to this Budget. Of this amount, \$750,000 will be used as seed money for Professional Development Schools, placing the continuing education of teachers training under the governance structure of a board comprised of K-12 and college faculties. The remaining

New Jersey: Leading the Way

\$200,000 will be used to create a teacher recruitment clearinghouse capacity within the Department of Education to help school districts recruit prospects from the top universities here at home and across the nation.

- This Budget includes \$1.9 million in additional funding to support two State Police classes, with 50 graduates from each class, to continue the trend that has crime in New Jersey reaching a 24 year low in 1997 and having an additional drop of 10% in the first six months of 1998.

BUDGET HIGHLIGHTS

The total Budget recommended by the Governor for fiscal 2000 is \$19.161 billion, an increase of \$797 million, or 4.3%, over the current year. Over the six budgets of the Whitman Administration, the annual growth in appropriations has averaged 3.6%. This compares to 6.3% in the prior administration.

THE FISCAL 2000 BUDGET COMPARED TO FISCAL 1994

The Budget that the Whitman Administration inherited when it took office in fiscal 1994 was \$15.530 billion. The fiscal 2000 Budget is \$19.160 billion, an increase of \$3.630 billion or 23.4%. This represents an average annual increase of 3.6%.

Program areas that have increased the most include:

- State Subsidies to Individuals, which comprises Homestead Rebates (\$324.6 million), Senior Citizen Property Tax Freeze (\$23.7 million), and the new Direct School Property Tax Relief Program (\$200.0 million) total \$548.3 million, an increase of \$218 million or 66%.
- Improving Public Safety has increased \$620 million or 51%. Of this amount, Judicial Services have increased \$284 million which reflects the state takeover of the court system; programs for the detention and rehabilitation of criminals have increased \$201 million as a result of the increase in the number of prisoners; and strong commitment to treating juvenile offenders has resulted in a \$38 million, or 97% increase in Juvenile Services.
- Direct Aid to School Districts has increased \$1.265 billion, or 31.1%.

- Higher Education Support has increased by \$341 million, or 27.0%.
- Programs that provide health services to citizens of New Jersey as well as other services to senior citizens and veterans have increased \$407 million, or 14.8%.

The structural deficit has been reduced from \$1.586 billion in fiscal 1994 to \$352 million in fiscal 2000, a reduction of \$1.234 billion, or 77.8%. The fiscal 1994 Budget relied upon \$1.135 billion in one-time adjustments and the draw down of \$451 million of surplus. The fiscal 2000 recommendation has \$50 million in one-time adjustments and draws down \$302 million of surplus.

FISCAL 2000 IMPACT OF THE BUDGET

Additional funding is dedicated to program initiatives which stress the following:

Improving Education

New Jersey schools maintain the distinction of the highest per-pupil expenditures of any state in America. During the Whitman Administration, direct State Aid to schools has increased by 31.1%. Equally important, State Aid is now tied to student achievement of rigorous standards in seven core academic subject areas.

To help students reach these standards, there has been a commitment made to educational technology that will ensure that every public school classroom has computers by the start of the 2001-2002 school year. To better monitor students' progress, the State has instituted a new statewide "early warning test" for all public school fourth graders. And to challenge public schools to reach for excellence, Governor Whitman signed legislation to permit charter schools and has called for a public school choice program throughout the state.

A key to a good education is good teachers. To that end, this Budget provides new funding to recruit the best new teachers and to assure that the continuing education of our teachers is first rate.

This Budget also maintains the Whitman Administration's commitment to keep higher education affordable. During the past five years, the average annual increase in tuition at the senior public colleges and universities was 6.5% compared to 8.1% in the previous Administration, in part because of increases in State support to higher education.

New Jersey: Leading the Way

This Budget also includes \$500,000 to provide a central source of information on courses and programs offered over the Internet or through other technologies -- the New Jersey Virtual University. This initiative will allow citizens who would like to earn college credits but are unable to attend traditional colleges to do so using distance learning.

To be specific:

- In funding the Comprehensive Educational Improvement and Financing Act, direct School Aid is increased \$317.7 million. Included in this increase is \$97.5 million for Core Curriculum Standards Aid, \$43.3 million for Parity Remedy, \$44.2 million for special education, \$32.6 million for school facilities and school debt service, and \$4.2 million for transportation aid.
- An increase of \$3.4 million is included to implement the long range plan for full implementation of the statewide assessment program by fiscal 2002. These funds will support field testing of certain components and the implementation of other parts of the Grade 4 Elementary School Proficiency Assessment, the Grade 8 Early Warning Test and the Grade 11 High School Proficiency Test.
- An increase of \$950,000 is included, of which \$750,000 is seed money for Professional Development Schools, placing the continuing education of teachers' training under the governance structure of a Board comprised of K-12 and college faculties. The remaining \$200,000 will support a teacher recruitment clearinghouse capacity within the Department of Education to help school districts recruit teachers.
- Included in the Budget for Higher Education is an increase of \$26.5 million in direct aid to the senior public colleges and universities; a \$14.5 million increase in aid to county colleges, including a \$12 million increase for operational costs and a \$1.7 million increase for Chapter 12 debt service; a \$1 million increase for independent colleges and universities; a \$3.2 million increase for the outstanding scholars recruitment program, which attracts New Jersey's best and brightest students to pursue higher education at New Jersey's colleges and universities; and a \$7.8 million increase for tuition aid grants.

- Also included for Higher Education is \$12.4 million for the debt service on a new \$550 million higher education facilities bond issue. Under this program, the State pays two-thirds of the debt service and the institutions pay one-third for all senior public institutions. For private institutions, it is a 50/50 sharing formula.

Improving Public Safety

In calendar 1997, crime rates in New Jersey reached a 24-year low. Statistics for the first half of calendar 1998 reflect an additional 10% reduction.

This Administration has promoted safer communities by enacting a series of new laws that mandate longer sentences for violent criminals and better protections for law abiding families. These include Megan's Law, Three Strikes and You're In, the Law Enforcement Officers Protection Act, the No Early Release Act, and a package of parole reforms to keep dangerous criminals behind bars longer.

During this Administration, prison populations have increased by 22%, and convicts are serving longer sentences. This Budget will enable the State to continue its commitment to punishing criminals, protecting law-abiding citizens, and providing for the public safety.

- A \$14 million increase is included to provide enhanced mental health services within the Department of Corrections.
- A \$12.9 million increase is included to increase the number of community beds contracted by the Department of Corrections by 545.
- A \$7.5 million increase is included to operate a civilly committed sexual offender facility that will house 150 offenders.
- A \$5.7 million increase for 764 new police vehicles is included.
- A \$3.1 million increase is included to meet an increased inmate population as a result of double bunking.
- A \$2.5 million increase is included for phase II of the Federal National Criminal Information Center (NCIC) system, which will add enhanced image capable workstations to State Police and other sites.

New Jersey: Leading the Way

- A \$2 million increase is included to provide training for custody staff in the Department of Corrections.
- A \$1.9 million increase is included for two State Police Classes that will graduate 50 troopers each.
- A \$1.5 million increase is included for an Urban Search and Rescue program.
- A \$1.3 million increase is included for a Human Relations Council, which will address the problem of bias and violent acts based on the victims' race, color, religion, ethnicity, sexual orientation, gender or disability.
- A \$1 million increase is included to establish a Youth Violence Initiative in the family courts.
- A \$1 million increase is included for 25 additional probation officers to reduce caseloads per officer.

Improving the Environment

The federal government has acknowledged the State's innovative commitment to protecting the environment by choosing New Jersey as one of only six original states to participate in the National Environmental Performance Partnership System. This system uses objective indicators to monitor each state's progress toward national goals.

New Jersey has already made progress toward these goals during the Whitman Administration. Air and water quality have improved. The state's recycling rate continues to increase and more waters have been declared open for shellfish harvesting.

This Budget will continue the state's environmental progress and begin the quest for one million new acres of open space and farmland within the next decade.

Funding in the amount of \$98 million is included for the constitutional dedication for open space, farmland, and historic preservation, as overwhelmingly approved by the public in the November 3, 1998 voter referendum on open space. This constitutional dedication will be used to leverage an additional \$1 billion in bonds to fund open space over the next decade. Funds will be used to assist counties, municipalities, and nonprofits in their land preservation efforts, as well as for direct State acquisition of open space. In combination with local match funding and

donations, the constitutional dedication will enable the preservation of one million acres of farmland, parkland, watershed protection lands, greenways, nature trails, and stream corridors. The funds will also be used for urban, suburban, and rural park development.

Other Budget highlights in the environmental protection program areas include:

- As a result of the strong economy, the amount of Corporation Business Tax dedicated to DEP increases by a total of \$12.6 million, including \$7.3 million for hazardous substance discharge remediation and an increase of \$4.2 million for private underground tank remediation.
- An increase of \$9.1 million is included for the capital needs of parks, natural areas, and historic sites.
- An increase of \$3.5 million is included for the operations of parks and historic sites, including facilities maintenance.

Developing a Strong Economy

Working with the Legislature, the Whitman Administration has pursued an aggressive strategy to spark job growth. Several business taxes have been reduced or eliminated, new urban enterprise zones have been designated, a business incentive program has been launched, the State Transportation Trust Fund has been renewed at record funding levels, and new financing programs have been created to support economic development.

Since the recession, during which New Jersey lost approximately 259,000 jobs, the New Jersey economy has recovered every job lost plus an additional 126,200. Nearly 85% of this expansion, or 324,700 jobs, have been added since January 1994, the beginning of the Whitman Administration. New Jersey now leads the region in job growth.

The State's ability to work with the business community in creating jobs has been improved by replacing the Department of Commerce and Economic Development with a new autonomous independent commission, the New Jersey Commerce and Economic Growth Commission.

Specific changes in the fiscal 2000 Budget include:

- An increase of \$200 million in the annual spending cap for the Transportation Trust Fund (TTF) to fund the State's critical highway and mass transportation infrastructure. This will

increase the spending authorization from \$700 million to \$900 million. When factoring in federal dollars (including NJ Transit), available funding for this program in fiscal 2000 will grow to almost \$1.9 billion, making this the largest annual construction program in the Department of Transportation's history.

- An increase of \$1 million is included for an expanded economic development television campaign to convey the benefits of relocating a business to New Jersey.

Meeting Human Services Needs

Since 1994, the state's welfare rolls have been reduced by more than 45%, including a drop of 106,100 welfare clients since the inception of the welfare reform program, Work First New Jersey.

The State has also doubled the community placement rate for the developmentally disabled of any previous administration, providing for every person with developmental disabilities who was on the urgent waiting list for community placement when Governor Whitman first took office with appropriate support services in community settings.

Welfare reform and community placement exemplify the Whitman Administration's success in establishing innovative programs to address urgent human services needs. Governor Whitman has also placed an emphasis on prevention and early intervention, which has led to initiatives in areas such as child care, juvenile justice, and drug treatment.

This Budget furthers the Whitman Administration's efforts to enhance the quality of life for all New Jerseyans through strategic, innovative investments in helping those who are in special need.

To be specific:

- An increase of \$12.1 million is included to annualize the costs of clients moved from the DDD Community Services Waiting List to community programs. A new initiative of \$15 million is included, funded from new revenues generated by the Department and federal matching funds.
- A net increase of \$94.9 million is included for the Human Services Medicaid program.
- An increase of \$18.6 million is included for an anti-smoking campaign, smoking cessation programs, school based programs for the prevention of tobacco use, and other programs.

- A \$10.3 million downpayment on a three-year, comprehensive \$60 million (\$36 million State/\$24 million federal) commitment to seniors and caregivers so that only those seniors who absolutely need to be in nursing homes are placed there, is included. Programs will be tailored to meet the individual needs of each senior -- whether it be assisted living, respite care for caregivers or financial assistance to families to help make ends meet.
- An increase of \$2.5 million is included for Family Friendly centers, a program promoting greater use of existing schools for after school youth activities and adult education programs.
- An increase of \$1.1 million is included for the full operation of the new Veterans' Memorial Home at Menlo Park.

PROVIDING PROPERTY TAX RELIEF

- A \$200 million increase is included as phase one of a five year plan to provide \$1 billion of direct school property tax relief. This program will offset the school taxes homeowners pay on the first \$45,000 of assessed value on their homes. When fully implemented, New Jersey families will receive, on average, checks in the amount of \$600 each year.
- A \$23.7 million increase is included to provide homestead property tax reimbursements to over 200,000 senior and disabled homeowners, whose property taxes are effectively frozen under recently enacted legislation.
- \$10 million is included for a Regional Efficiency Development Incentive Grant program which will provide financial incentives to local governments and school districts to study ways to consolidate, regionalize and implement joint services in order to achieve property tax relief. Those towns and school districts that implement shared services will be rewarded with a new type of State Aid in the form of direct payments to property taxpayers.

THE FISCAL 2000 BUDGET COMPARED TO FISCAL 1999

State Aid (Increase of \$106 million or 1.4%)

The recommendation for State Aid is \$7.621 billion, an increase of \$106 million or 1.4%.

The State's contribution to support New Jersey's schools in fiscal 2000 is \$6.030 billion, a net increase of \$93.3 million. This increase includes a

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\$318 million increase in direct aid and a \$225 million decrease for pension and social security costs for school teachers, which is primarily a result of the use of surplus assets in the pension fund. The new school aid law, the Comprehensive Plan for Educational Improvement and Financing Act, identifies core curriculum standards to assure New Jersey's children are taught the skills and knowledge they will need for the future. The new law will allow the State to measure the quality of our educational system by how much our children learn, not by how much we spend. New Jersey continues to rank number one in the nation in the amount spent per pupil.

County college aid is increased \$14.5 million to support operating costs (\$12 million), debt service costs (\$1.7 million) and health benefits and pension costs (\$800,000).

The only significant reduction in State Aid is a \$10 million reduction to Extraordinary Aid.

Grants-In-Aid (Increase of \$377 million or 7.5%)

The recommendation for Grants-In-Aid is \$5.391 billion, an increase of \$377.4 million or 7.5%.

The major increases in grant programs (\$ in millions) are:

Medicaid (Human Services)	94.9
Health Care Subsidy Fund Payments	55.6
Sports Authority -- Debt Service and Operations	17.7
Community Programs -- DDD	13.6
Purchase of Community Services -- Corrections	12.9
Long Term Care Growth	11.0
ElderCare (Long Term Care Alternatives)	10.3
PAAD	8.7
DYFS -- Grant Programs	8.4
Tuition Aid Grants	7.8
Urban Initiative - Downtown Living	7.5

The major decreases are:

NJ Transit	45.2
Inmates Incarcerated in County Penal Facilities	28.4
Redeveloping Abandoned Urban Properties	25.0
ACCESS Program (primarily due to transfer of eligible children to KidCare)	10.5

State Operations (Increase of \$192 million, or 4.1%)

The recommendation for State operations for the Executive Departments and Agencies is \$2.831 billion, an increase of \$119.1 million, or 3.6%. The

Budget recommendation for the Legislative Branch is reduced by \$2.8 million, or 4.5%, to \$57.7 million and the Judicial Branch is increased by \$8.5 million, or 2.2%, to \$391.7 million.

The Interdepartmental accounts reflect a net increase of \$67.1 million to \$1.578 billion.

Significant changes in the Interdepartmental accounts (\$ in millions) are:

Increases:	
Employee Benefits	84.2
Salary Increases	19.9
Tobacco Settlement Health Programs	18.6
Decreases:	
Year 2000 Data Processing Phasedown	21.9

The net increase in the Executive Departments' operating budgets reflect a mix of increases and decreases.

Some of the significant increases (\$ in millions) are:

State Police	15.1
Corrections -- Mental Health Treatment	14.0
Transportation -- Maintenance and Operations	13.9
Corrections -- Civilly Committed Sexual Offender Facility	7.5
Health Benefits Coordinator	7.1
Criminal Justice	5.6
Parks Management	3.5
Education -- Statewide Assessment Program	3.4
Cancer Screening	2.7

Some of the significant decreases (\$ in millions) are:

Purchasing	9.3
Revenue Division	7.7
Property Management	4.7
Taxation Division	3.0
Pensions and Benefits	2.7

Capital Construction (Increase of \$104 million, or 15.6%)

The recommendation for Capital Construction is \$771.4 million, an increase of \$104.2 million, or 15.6%. The recommendation for the appropriation to the Transportation Trust Fund is increased by \$12.6 million to \$477.8 million. These funds are used to pay debt service for bonds issued by the Transportation Trust Fund Authority, for a pay-as-you-go capital program for highways and capitalized maintenance on New Jersey Transit's buses and rail cars. Funding for the Department of Environmental Protection shows an increase of \$21.9 million to

\$88.4 million due to an increase in Corporation Business Taxes which are partially dedicated to environmental programs (\$11.5 million increase) and an increase for natural resources (\$9.1 million). In addition, \$15 million, representing the dedication of a portion of the Realty Transfer Tax, is recommended for shore protection. Most of the remaining capital funds support the maintenance of

state facilities in the Departments of Corrections (\$24 million), Human Services (\$23.8 million), and Law and Public Safety (\$14.5 million).

Debt Service (Increase of \$18 million or 3.5%)

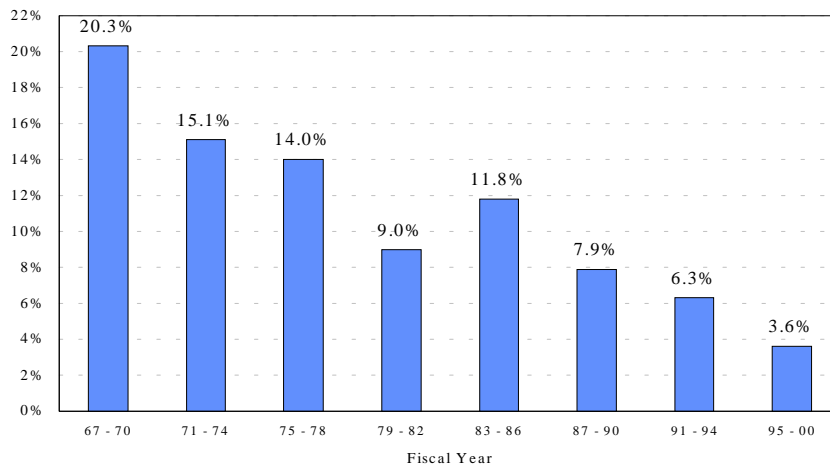
The recommendation for Debt Service is \$518.7 million, an increase of \$17.6 million, or 3.5%. This reflects the need for \$479.7 million for principal and interest due on bonds outstanding and \$39 million for anticipated bond sales.

FISCAL YEAR 1967 TO 2000 APPROPRIATION CHANGES . . .

The fiscal 2000 Budget continues to hold down growth in State government spending. Over the last six years, the rate of growth in the State's annual budgets has been held to an annual average of 3.6%.

Average Annual Growth Rate

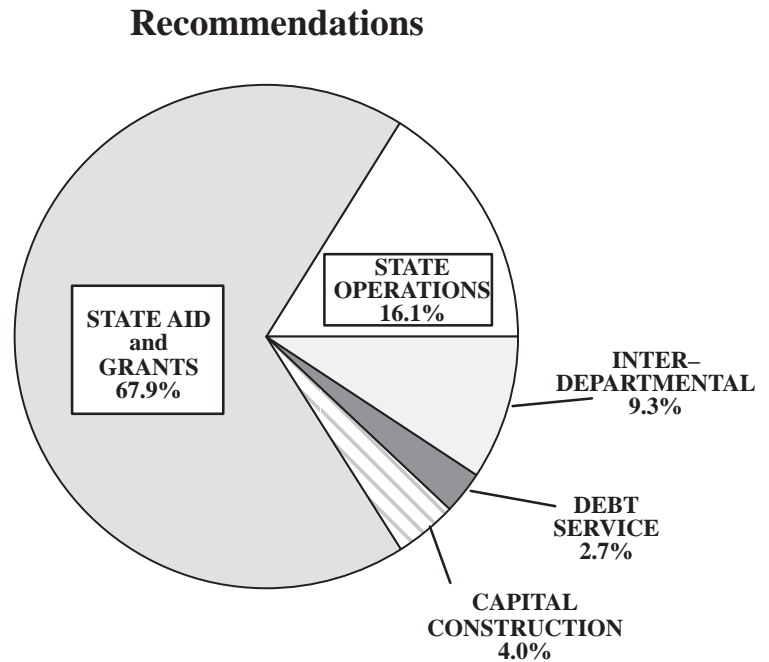
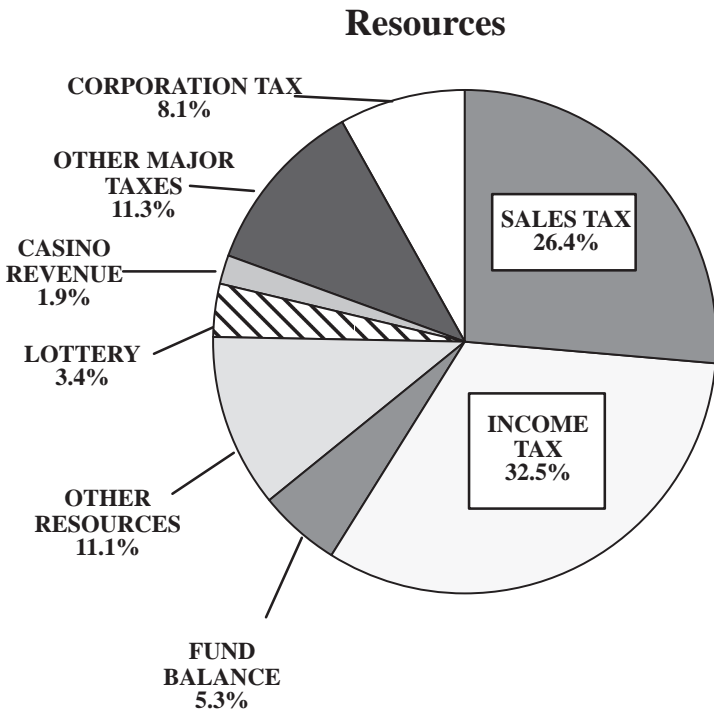
(Percentage Budget Change)



NEW JERSEY BUDGET

RESOURCES AND RECOMMENDATIONS FOR FISCAL YEAR 2000

ALL STATE FUNDS



RESOURCES

	(\$000)	
INCOME TAX	\$6,477,000	
SALES TAX	5,258,000	
CORPORATION and BANK TAX	1,605,600	
LOTTERY REVENUE	670,000	
CASINO REVENUE	384,766	
OTHER MAJOR TAXES:		
Motor Fuels and Motor Carriers	470,000	
Motor Vehicle Fees	375,137	
Transfer Inheritance	470,000	
Insurance Premium	316,000	
Petroleum Products Gross Receipts	212,000	
Cigarette	211,000	
Realty Transfer	85,000	
Alcoholic Beverage Excise	77,000	
Savings Institutions	25,000	
Tobacco Products Wholesale Sales	13,000	
Public Utility Excise	9,200	
OTHER RESOURCES	2,200,433	
SUB-TOTAL RESOURCES	\$18,859,136	
ESTIMATED FUND BALANCE, JULY 1, 1999		
General Fund	311,328	
Surplus Revenue Fund	634,217	
Property Tax Relief Fund	104,440	
Casino Revenue Fund	17	
Casino Control Fund	—	
Gubernatorial Elections Fund	1,500	
TOTAL	\$19,910,638	

RECOMMENDATIONS

	(\$000)	
Education	\$6,079,817	
Human Services	3,167,207	
Interdepartmental	1,778,545	
Higher Ed.	1,273,338	
Health and Senior Services	1,206,379	
Treasury	1,014,127	
Community Affairs	926,093	
Corrections	879,219	
Transportation	853,770	
Debt Service	518,724	
Law and Public Safety	418,373	
Judiciary	391,653	
Environmental Protection	287,120	
Labor	76,170	
Military and Veterans' Affairs	66,487	
Banking and Insurance	58,745	
Legislature	57,683	
State	51,821	
Other Departments	55,275	
SUB-TOTAL RECOMMENDATIONS	\$19,160,546	
ESTIMATED FUND BALANCE, JUNE 30, 2000		
General Fund	112,875	
Surplus Revenue Fund	634,217	
Property Tax Relief Fund	—	
Casino Revenue Fund	—	
Casino Control Fund	—	
Gubernatorial Elections Fund	3,000	
TOTAL	\$19,910,638	

Economic Forecast and Revenue Projections

NATIONAL ECONOMY - OVERVIEW

The national economy continued its strong performance of 1997 through 1998, contrary to most forecasts for a slow down in growth during 1998. However, a moderate decline in growth compared to this strong performance is projected for fiscal years 1999 and 2000.

In 1998, Real Gross Domestic Product (GDP) grew at 3.7%, just slightly under the revised 1997 rate of 3.9%. The 93 month expansion became the second longest in history, with continued strong employment growth (2.5%) and low inflation (1.6%).

Wall Street weathered unsettling international financial news with the help of lower domestic interest rates to generate another record year. Most major stock indices finished the year at record levels, with the Standard & Poor's 500 Index of equity prices up 26.7% in 1998. Real consumer spending grew 4.8%, up from 3.4% in 1997, the highest rate since the recovery began in 1992. Real consumption of durable goods surged even more, increasing 9.3% compared to 6.8% in 1997.

Most national forecasters expect growth to slow in 1999 and again in 2000 before stabilizing at long-term sustainable rates. Uncertainties in the international economy are likely to remain. Consumer spending is likely to slow as low to negative savings rates are redressed. Business investment is likely to slow as profit margins are squeezed and inventory accumulation and Y2K spending ease.

National economic growth will continue in 1999 and beyond at a more moderate pace, with GDP growth in the range of 1.8 to 2.2%. Real consumer spending is expected to moderate in 1999 at 2.8%, as consumers turn more cautious. Income growth is anticipated to remain strong at 4.2%, but down somewhat from the 5+% rates of the past five years. Employment growth rates are expected to drop below 2% for the first time in five years. Business investment in durable equipment is expected to slow in 1999 with the real growth rate dropping under 10% for the first time since 1992.

NEW JERSEY ECONOMY - OVERVIEW

The New Jersey economy enjoyed another outstanding year in 1998, making 1997-1998 the best two year period since 1987-1988. Strong employment growth of 2.1% drove employment to a level of 3.82 million, more than 116,000 jobs above the 1989 pre-recession high. Personal income grew 5.5%, better than the 5.3% growth in 1997 and

higher than the U.S. 1998 growth rate of 4.9%. Real Gross State Product (GSP) increased 3.5% in 1998, the highest growth in 10 years.

Employment growth has been strong since mid-1996, with growth for the past eight quarters ranging between 1.7 and 2.4%. This is the best growth in the mid-Atlantic region. Although New Jersey employment growth has been below the national rate since 1987, the gap substantially narrowed in 1997 and 1998. Construction jobs grew 4.6% in 1998 continuing the strong 5% growth seen in 1997. Manufacturing jobs declined by 0.4% in 1998. Aggregate growth in the service sector remained strong at 3% for the second straight year.

The strong employment and income picture, supplemented by the continuing four-year boom in the financial markets, fueled a resurgence in consumer spending. New vehicle registrations hit their highest level since 1988. Sales of existing homes surged 14% to new record levels, outperforming the national rate for the second straight year.

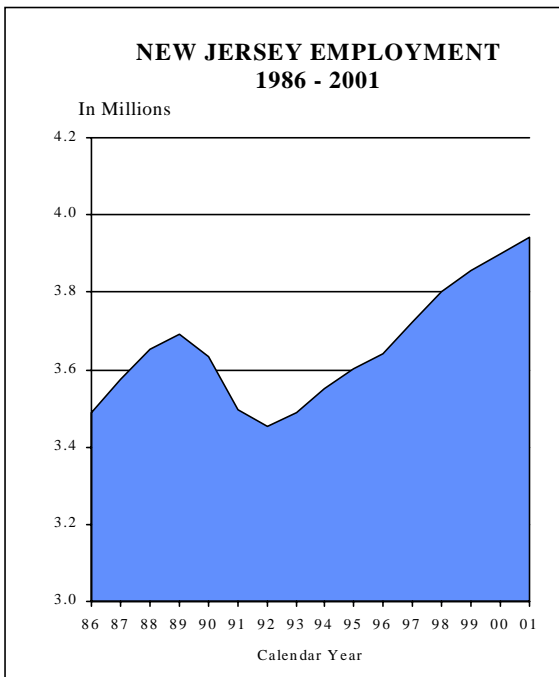
ECONOMIC FORECAST

National forecasting models put the threat of international economic instability generating a recession by 2000 at 20-30%, a lower probability than predicted in September 1998. Inflationary pressures are expected to remain in check even though there is a tightening of labor markets. The Consumer Price Index is anticipated to increase only slightly to 2% in both 1999 and 2000.

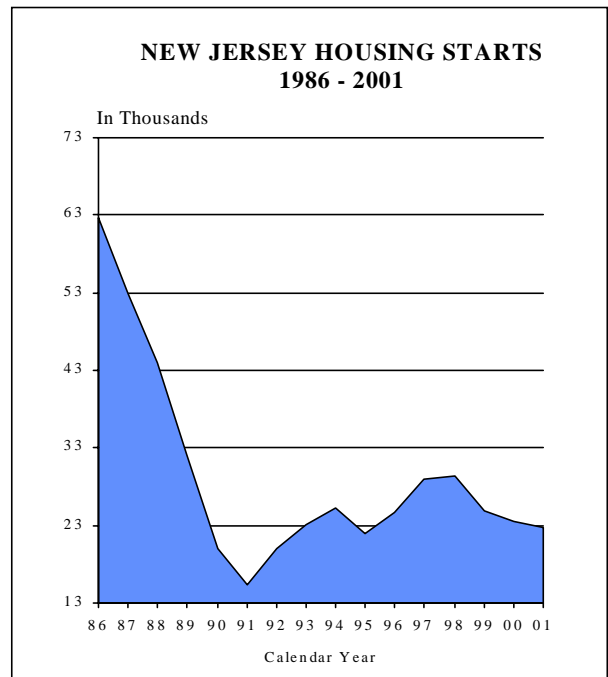
Continuing high levels of employment, steady income growth, and low interest rates will continue to support strong consumer and business spending. National employment growth is expected to moderate to 1.3% in 1999 and 2000. Personal income growth is projected to also moderate in 1999 to 4.2% and then bounce back to 4.8% in 2000. Consumer durable expenditures are expected to ease back into the 5 to 5.5% range in 1999 and thereafter.

The New Jersey economy is expected to track the national trend to slower growth in 1999 and beyond. Employment growth is projected to decline to 1.4% in 1999 and to 1.1% in 2000. Personal income growth is expected to remain in the 4.5% range for the next two years. Housing starts are expected to ease from 1997-1998 levels of 28,000 units to 25,000 in 1999 and to stabilize in the 23,000 unit range in 2000. New vehicle registrations/sales are projected to fall back to 1997 levels of 335,000 units but rebound to almost 346,000 units in 2000.

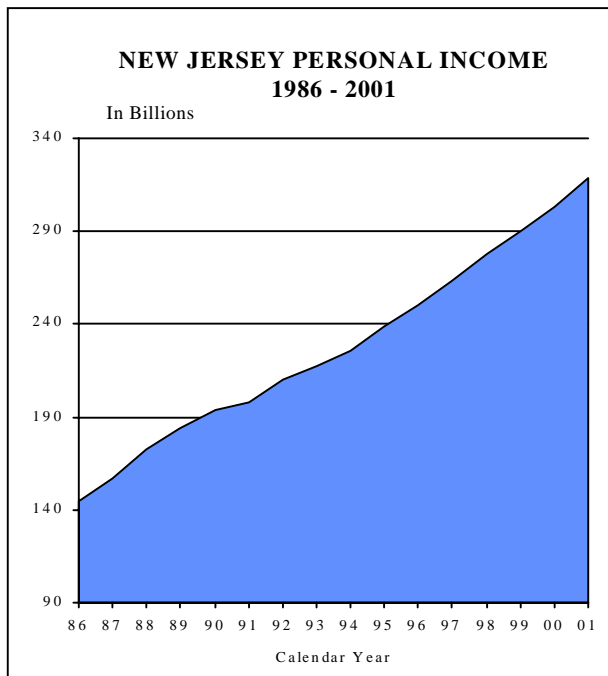
Economic Forecast and Revenue Projections



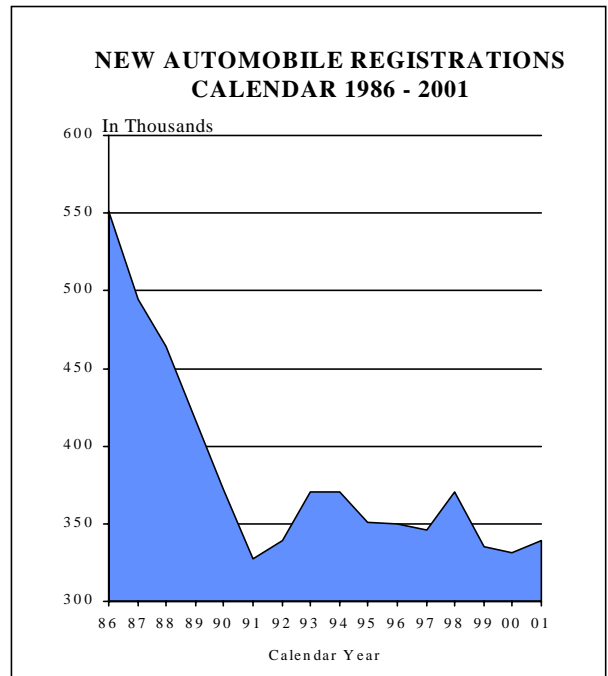
Source: New Jersey Division of Taxation (98 - 01 Projected)



Source: New Jersey Division of Taxation (98 - 01 Projected)



Source: New Jersey Division of Taxation (98 - 01 Projected)



Source: New Jersey Division of Taxation (98 - 01 Projected)

Economic Forecast and Revenue Projections

REVENUE FORECAST

REVISIONS TO THE FISCAL 1999 ANTICIPATED REVENUE

The current estimate of \$18 billion in total fiscal 1999 revenue is \$275 million more than when revenues were certified by the Governor in June 1998.

The three largest taxes, Gross Income, Sales and Use, and Corporation Business, account for 70% of total revenues and are now forecast to yield \$12.6 billion. This is an increase of \$239 million over certified revenues, and primarily reflects an upward revision in the Income Tax and Corporation Business Tax estimates. Total revenues from other major taxes are revised upward by \$45 million, primarily to incorporate positive and negative impacts of the year-to-date collection patterns.

The Corporation Business Tax is estimated to generate \$1.5 billion, a 20% rate of growth rather than the 12.1% rate originally projected. This reflects the strong gross payment (payments excluding refunds and enforcement revenues) growth experienced since September, as taxpayers increased the level of 1998 payments in the second half of the year to offset low payment growth in the first half. The level of refund payments also retreated after an unusually high surge a year ago.

The Gross Income Tax forecast for fiscal 1999 is revised to \$6.1 billion, an increase of \$132 million over the June 1998 certified revenue estimates. Stronger than anticipated income and employment growth in 1998 account for part of the change. Personal income is now projected to grow 5.5%, compared to the 5% growth estimated in June 1998. Employment growth of 2.1% compares to the 2% originally projected. The Budget estimate assumed that part of the 1997 growth in the tax base was attributable to the one-time effect of reducing the federal tax rate on capital gains realizations. The growth of the tax base in the highest bracket was assumed to decline significantly from the high rates of 1997. While some retrenchment in the growth rate is occurring as expected, collections for 1998 suggest that continued strong growth of the economy and the volatility experienced in the financial markets will lead to another substantial gain in the tax base.

FISCAL 2000 REVENUE PROJECTIONS

Revenues for fiscal 2000 are expected to increase more modestly as the national economy slows to more sustainable long-run growth levels.

Sales Tax

The forecast of \$5.3 billion for fiscal 2000 Sales Tax revenue is an increase of \$243 million, or 4.8%, compared to revised fiscal 1999. This reflects an expectation of continued growth, but a moderation of the underlying economic forces compared to fiscal 1999. Spending in the two key consumer sectors of housing and autos is expected to decline from high 1998 levels and to remain fairly weak for the next two years.

Corporation Business Tax

The forecast of \$1.6 billion for fiscal 2000 Corporation Business Tax revenue is an increase of \$78 million, or 5.3%, compared to fiscal 1999. This increase assumes that the growth of U.S. Corporation before-tax profits, which is a proxy for New Jersey business profitability, will continue to slow in 1999. Profit growth is anticipated to remain in the low single digits through the year 2000. Gross payments for fiscal 2000 are expected to grow at 6% compared to the current 10%.

Gross Income Tax

The forecast of \$6.5 billion for fiscal 2000 is an increase of \$412 million, or 6.8%, over fiscal 1999 revenue. This represents a moderation of the 5.5% growth in New Jersey personal income forecast for 1998 to about 4.5% in both 1999 and 2000. Growth in wage income, which had been 6.4% in 1997 and 6.9% in 1998, is expected to ease back to 5.8% in 1999 and 2000. The tax base, New Jersey Gross Income, is anticipated to grow 3.9% in 1999 after exceptionally strong growth of 9.3% in 1997 and 7.8% in 1998, fueled in part by the strong financial market performance. The rapid growth in the amount of income subject to the highest marginal tax rates is expected to slow in 1999 to about 6% from the 15-20% growth experience in fiscal years 1997 and 1998, as growth returns to long-term trend levels.

Other Revenues

Cigarette Excise Tax revenues will be adversely impacted by the manufacturers' price increases instituted in November 1998. Consumption declines will cause fiscal 1999 to be \$26 million lower and another \$20 million lower in fiscal 2000 as the impact is annualized. Increases in the retail price of cigarettes will increase Sales Tax collections by \$6 million in fiscal 1999 and another \$3 million in fiscal 2000, partially offsetting the negative impact on the Excise Tax.

Economic Forecast and Revenue Projections

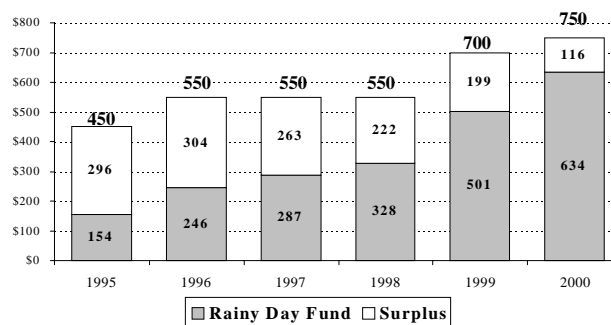
The Economy Is Strong

The New Jersey economy has continued to grow since 1993:

- Employment has **grown by 342,700**.
- The unemployment rate has **dropped from 7.5 to 4.9%**.
- The number of new business incorporations has **grown** every year since 1993, from 2,467 in 1993 to 2,871 in 1997, an **increase of 16.4%**.
- Per capita personal income has grown from \$27,474 in 1993 to \$32,233 in 1997, an **increase of 17.3%**.
- The gross state product has grown from \$243.9 billion in 1993 to an estimated \$265.8 billion in 1997, an **increase of 9%**.

The Fiscal 2000 Budget Increases the Targeted Fund Balance to \$750 Million

(In Millions)



Fund Balances projected at Appropriations Act.

Economic Forecast and Revenue Projection

STATE REVENUES FISCAL YEARS 1999 AND 2000 ESTIMATES (\$ In Thousands)

	APPROP FY 1999	REVISED FY 1999	CHANGE FY 1999	BUDGET FY 2000	CHANGE FY99 TO FY00
Major Taxes					
Sales Tax	\$5,005,000	\$5,015,000	\$10,000	\$5,258,000	\$243,000
Corporation Business	1,381,000	1,478,000	97,000	1,555,600	77,600
Motor Fuels	481,741	465,000	(16,741)	470,000	5,000
Motor Vehicle Fees	358,763	375,998	17,235	375,137	(861)
Transfer Inheritance	384,000	410,000	26,000	470,000	60,000
Insurance Premium	291,000	307,000	16,000	316,000	9,000
Cigarette	270,000	237,000	(33,000)	211,000	(26,000)
Petroleum Products Gross Receipts	196,459	210,000	13,541	212,000	2,000
Public Utility Excise	7,000	9,200	2,200	9,200	-
Corporation Banks and Financial Institutions	42,000	47,000	5,000	50,000	3,000
Alcoholic Beverage Excise	73,000	77,000	4,000	77,000	-
Realty Transfer	67,000	78,000	11,000	85,000	7,000
Savings Institutions	25,000	25,000	-	25,000	-
Tobacco Products Wholesale Sales	13,000	13,000	-	13,000	-
Total Major Taxes	\$8,594,963	\$8,747,198	\$152,235	\$9,126,937	\$379,739
Miscellaneous Taxes, Fees, Revenues					
Medicaid Uncompensated Care-Acute	183,827	181,594	(2,233)	188,893	7,299
Medicaid Uncompensated Care-Psychiatric	155,729	156,148	419	164,573	8,425
Good Driver	97,467	99,890	2,423	77,555	(22,335)
Motor Vehicle Inspection Fund	64,400	66,400	2,000	66,100	(300)
Investment Earnings	15,000	5,772	(9,228)	5,772	-
Public Utility GRFT	60,000	68,400	8,400	68,400	-
TEFA	282,000	230,400	(51,600)	175,000	(55,400)
Fringe Benefit Recoveries	131,521	133,500	1,979	138,300	4,800
Special Compensation Fund	1,558	1,581	23	31,581	30,000
Other Miscellaneous Revenue	862,419	901,368	38,949	923,863	22,495
Total Miscellaneous Taxes, Fees, Revenues	\$1,853,921	\$1,845,053	(\$8,868)	\$1,840,037	(\$5,016)
Interfund Transfers					
State Lottery Fund	665,500	665,000	(500)	670,000	5,000
Tobacco Settlement Fund	-	-	-	92,808	92,808
All Other Funds	253,257	254,487	1,230	266,088	11,601
Total Interfund Transfers	\$918,757	\$919,487	\$730	\$1,028,896	\$109,409
TOTAL STATE REVENUES GENERAL FUND	\$11,367,641	\$11,511,738	\$144,097	\$11,995,870	\$484,132
Property Tax Relief Fund	5,933,000	6,065,000	132,000	6,477,000	412,000
Casino Control Fund	54,761	55,343	582	55,166	(177)
Casino Revenue Fund	330,165	328,165	(2,000)	329,600	1,435
Gubernatorial Election Fund	1,500	1,500	-	1,500	-
TOTAL STATE REVENUES	\$17,687,067	\$17,961,746	\$274,679	\$18,859,136	\$897,390

Financial Summary of the Fiscal 2000 Budget

SUMMARY ESTIMATED REVENUES, EXPENDITURES AND FUND BALANCES (\$ in Thousands)

	-----Fiscal Year Ending June 30 -----	
	1999 Estimated	2000 Estimated
Beginning Balances July 1		
Undesignated Fund Balances		
General Fund	\$ 228,264	\$ 311,328
Surplus Revenue Fund	534,110	634,217
Property Tax Relief Fund	494,937	104,440
Gubernatorial Elections Fund	-	1,500
Casino Control Fund	(582)	-
Casino Revenue Fund	-	17
Total Undesignated Fund Balances	1,256,729	1,051,502
State Revenues		
General Fund	11,511,738	11,995,870
Property Tax Relief Fund	6,065,000	6,477,000
Gubernatorial Elections Fund	1,500	1,500
Casino Control Fund	55,343	55,166
Casino Revenue Fund	328,165	329,600
Total State Revenues	17,961,746	18,859,136
Other Adjustments		
General Fund		
Balances lapsed	196,519	-
To Surplus Revenue Fund	(100,107)	-
Surplus Revenue Fund		
From General Fund	100,107	-
Total Other Adjustments	196,519	-
Total Available	19,414,994	19,910,638
Appropriations		
General Fund	11,525,086	12,194,323
Property Tax Relief Fund	6,455,497	6,581,440
Gubernatorial Elections Fund	-	-
Casino Control Fund	54,761	55,166
Casino Revenue Fund	328,148	329,617
Total Appropriations	18,363,492	19,160,546
Ending Balances June 30		
Undesignated Fund Balances		
General Fund	311,328	112,875
Surplus Revenue Fund	634,217	634,217
Property Tax Relief Fund	104,440	-
Gubernatorial Elections Fund	1,500	3,000
Casino Control Fund	-	-
Casino Revenue Fund	17	-
Total Undesignated Fund Balances	\$ 1,051,502	\$ 750,092

Financial Summary of the Fiscal 2000 Budget

SUMMARY OF APPROPRIATIONS MAJOR INCREASES AND DECREASES

This table summarizes the major increases and decreases in the fiscal 2000 Budget, defined as a change of \$1.0 million or more. Information 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, the Tuition Assistance Grant Program, Homestead Rebates, payments for State inmates housed in county jails, public transportation aid, and funding for State Colleges and Universities fall into this category.

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

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

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

APPROPRIATIONS MAJOR INCREASES AND DECREASES (\$ In Millions)

	<u>Increases</u>	<u>Decreases</u>	<u>Net Change Dollars</u>
State Operations			
Employee Benefits	\$ 84.2		
Interdepartmental Salary Increases	19.9		
Health -- Anti-Smoking Programs	18.6		
State Police	15.1		
Highway Facilities -- Maintenance and Operations	13.9		
Judiciary	8.5		
Corrections -- Civilly Committed Sexual Offender Facility	7.5		
Health Benefits Coordinator	7.1		
Correctional Institutions	6.7		
Criminal Justice	5.6		
Environmental Protection -- Parks and Historic Sites	3.5		
Education -- Statewide Assessment Program (Grades 4, 8, 11)	3.4		
Health -- Cancer Screening	2.7		
Corrections -- Staff Training Enhancement	2.0		
Youth and Family Services -- Foster Care Initiative	2.0		
Corrections -- Parolee Drug Treatment	1.3		
Law and Public Safety -- Legal Services	1.2		
Menlo Park Soldier's Home	1.1		
Education -- Professional Development	1.0		
Other (Net)	56.3		
Subtotal State Operations Increases	\$ 261.6		

Financial Summary of the Fiscal 2000 Budget

**APPROPRIATIONS
MAJOR INCREASES AND DECREASES
(\$ In Millions)**

	<u>Increases</u>	<u>Decreases</u>	<u>Net Change Dollars</u>
Year 2000 Data Processing Initiative		\$ (21.9)	
Treasury -- Purchasing and Inventory Management		(9.3)	
Treasury -- Division of Revenue		(7.7)	
Interdepartmental Initiatives		(7.0)	
Property Rentals		(5.1)	
Treasury -- Property Management and Construction		(4.7)	
Treasury -- Division of Taxation		(3.0)	
Legislature		(2.8)	
Treasury -- Pensions and Benefits		(2.7)	
Emergency Services Fund		(1.5)	
Motor Vehicle Services		(1.5)	
Insurance and Other Services		(1.3)	
Treasury -- Commercial Recording		(1.2)	
		\$ (69.7)	
<i>Subtotal State Operations Decreases</i>			
<i>Net Change (State Operations)</i>			\$ 191.9
Grants-in-Aid			
Direct Property Tax Relief Grants	\$ 200.0		
Medicaid Services	94.9		
Health Care Subsidy Fund	55.6		
State Colleges and Universities	26.5		
Senior and Disabled Citizens -- Property Tax Freeze	23.7		
Sports and Exposition Authority -- Operations and Debt Service	17.7		
Developmentally Disabled -- Community Services	13.6		
Corrections -- Community Services	12.9		
Higher Education -- Capital Improvement Program Debt Service	12.4		
Senior Services -- ElderCare	10.3		
Pharmaceutical Assistance to the Aged and Disabled	8.7		
Youth and Family Services	8.4		
Tuition Aid Grants	7.8		
Downtown Living Initiative	7.5		
Senior Services -- Nursing Homes	6.1		
Liberty Science Center	6.0		
Senior Services -- Medical Day Care	5.6		
Mental Health -- Community Services	3.5		
Cultural Projects	3.0		
College/University Homebuyers' Fund	2.5		
Criminal Justice -- Human Relations Council	1.0		
Independent Colleges and Universities	1.0		
	\$ 528.7		
<i>Subtotal Grants-in-Aid Increases</i>			
Railroad and Bus Operations		\$ (45.2)	
Corrections -- County Penal Facilities		(28.4)	
Redeveloping Abandoned Urban Properties		(25.0)	
Community Affairs -- Community Resource Grants		(22.1)	

Financial Summary of the Fiscal 2000 Budget

APPROPRIATIONS MAJOR INCREASES AND DECREASES (\$ In Millions)

	<u>Increases</u>	<u>Decreases</u>	<u>Net Change Dollars</u>
Health -- ACCESS Program		(10.5)	
Downtown Business Improvement Loan Fund		(5.0)	
Trenton Hotel Project		(5.0)	
Morris County Life Safety Center		(2.0)	
Historical Society Relocation		(1.2)	
Other (Net)		<u>(6.9)</u>	
Subtotal Grants-in-Aid Decreases		<u>\$ (151.3)</u>	
Net Change (Grants-in-Aid)			<u><u>\$ 377.4</u></u>
State Aid			
Direct School Aid	\$ 317.7		
Teachers' Social Security	23.3		
County Colleges	14.5		
Special Assistance -- City of Camden	12.0		
Consolidated Municipal Property Tax Relief Aid	11.5		
Regional Efficiency Development Incentive Grants	10.0		
Environmental Protection -- Payments In Lieu of Taxes	2.2		
Consolidated Police and Firemen's Pension Fund	2.1		
School Breakfast	<u>1.7</u>		
Subtotal State Aid Increases	<u>\$ 395.0</u>		
Teachers' Retirement Benefits		\$ (247.7)	
Community Affairs -- Extraordinary Aid		(10.0)	
Reimbursement of Senior/Disabled Citizens and Veterans Tax Deductions		(2.4)	
SSI -- Administrative Fee to SSA		(2.3)	
Watershed Moratorium Offset		(2.0)	
General Assistance		(1.9)	
Other (Net)		<u>(22.7)</u>	
Subtotal State Aid Decreases		<u>\$ (289.0)</u>	
Net Change (State Aid)			<u><u>\$ 106.0</u></u>
Capital Construction			
Interdepartmental -- Open Space	\$ 48.0		
Environmental Protection	21.9		
Transportation	12.6		
Human Services	12.4		
Corrections	<u>12.1</u>		
Subtotal Capital Construction Increases	<u>\$ 107.0</u>		
Capital Construction (Decrease)		<u>\$ (2.8)</u>	
Net Change (Capital Construction)			<u><u>\$ 104.2</u></u>
Debt Service (Increase)	<u>\$ 17.6</u>		<u><u>\$ 17.6</u></u>
GRAND TOTALS	<u><u>\$ 1,309.9</u></u>	<u><u>\$ (512.8)</u></u>	<u><u>\$ 797.1</u></u>

Financial Summary of the Fiscal 2000 Budget

SUMMARY OF FISCAL YEAR 1999 - 2000 APPROPRIATION RECOMMENDATIONS BY FUND (thousands of dollars)

-----Year Ending June 30, 1998-----					Year Ending ----June 30, 2000----			
Orig. & (S)Supple- mental	Reapp. & (R)Recpts.	Transfers & (E)Emer- gencies	Total Available	Expended	1999 Adjusted Approp.	Requested	Recom- mended	
General Fund								
4,443,702	232,187	-30,399	4,645,490	4,457,248	Direct State Services	4,610,890	4,803,244	4,802,400
4,072,377	174,712	34,699	4,281,788	4,180,345	Grants-in-Aid	4,401,508	4,595,876	4,554,011
1,652,042	49,982	-13,263	1,688,761	1,629,452	State Aid	1,344,395	1,553,536	1,547,801
538,075	74,280	-1,403	610,952	496,982	Capital Construction	667,151	984,735	771,387
483,710	---	---	483,710	478,894	Debt Service	501,142	518,724	518,724
11,189,906	531,161	-10,366	11,710,701	11,242,921	Total General Fund	11,525,086	12,456,115	12,194,323
5,537,859	---	672	5,538,531	5,509,701	Property Tax Relief Fund	6,455,497	6,581,440	6,581,440
54,761	353	---	55,114	53,079	Casino Control Fund	54,761	55,166	55,166
348,394	33,191	---	381,585	373,538	Casino Revenue Fund	328,148	329,617	329,617
10,396	2	150	10,548	10,129	Gubernatorial Elections Fund	---	---	---
17,141,316	564,707	-9,544	17,696,479	17,189,368	GRAND TOTAL STATE APPROPRIATIONS	18,363,492	19,422,338	19,160,546

SUMMARY OF FISCAL YEAR 1999-2000 APPROPRIATION RECOMMENDATION (thousands of dollars)

	Fiscal Year 1999 Adjusted Appropriations	Fiscal Year 2000 Recommendations	----Change----	
			Dollar	Percent
GENERAL FUND AND PROPERTY TAX RELIEF FUND				
State Aid and Grants	\$ 12,201,400	\$ 12,683,252	\$ 481,852	3.9%
State Operations				
Executive Departments	2,656,049	2,774,711	118,662	4.5%
Legislature	60,452	57,683	-2,769	(4.6%)
Judiciary	383,163	391,653	8,490	2.2%
Interdepartmental	1,511,226	1,578,353	67,127	4.4%
Total State Operations	4,610,890	4,802,400	191,510	4.2%
Capital Construction	667,151	771,387	104,236	15.6%
Debt Service	501,142	518,724	17,582	3.5%
TOTAL GENERAL FUND AND PROPERTY TAX RELIEF FUND	17,980,583	18,775,763	795,180	4.4%
CASINO REVENUE FUND	328,148	329,617	1,469	0.4%
CASINO CONTROL FUND	54,761	55,166	405	0.7%
GRAND TOTAL STATE APPROPRIATIONS	\$ 18,363,492	\$ 19,160,546	\$ 797,054	4.3%

Appropriations

RECOMMENDATIONS BY DEPARTMENT STATE FUNDS (thousands of dollars)

	State Operations	Grants- In-Aid	State Aid	Capital Construction	Debt Service	Total Recommended
Legislature	\$ 57,683	\$ -	\$ -	\$ -	\$ -	\$ 57,683
Chief Executive	5,495	-	-	-	-	5,495
Agriculture	8,897	1,604	8,867	1,153	-	20,521
Banking and Insurance	58,745	-	-	-	-	58,745
Community Affairs	28,854	37,340	859,899	-	-	926,093
Corrections	757,252	98,010	-	23,957	-	879,219
Education	46,339	1,363	6,030,265	1,850	-	6,079,817
Environmental Protection	188,114	350	10,262	88,394	92,649	379,769
Health and Senior Services	74,149	1,103,740	26,982	1,508	-	1,206,379
Human Services	569,379	2,190,505	383,523	23,800	-	3,167,207
Labor	54,895	21,275	-	-	-	76,170
Law and Public Safety	384,702	15,596	3,600	14,475	-	418,373
Military and Veterans' Affairs	62,043	1,044	-	3,400	-	66,487
Personnel	28,009	-	-	-	-	28,009
State	16,332	860,579	16,812	2,128	-	895,851
Transportation	204,061	149,097	22,811	477,801	-	853,770
Treasury	342,324	830,804	257,911	12,396	426,075	1,869,510
Miscellaneous Commissions	1,250	-	-	-	-	1,250
Inter-Departmental Accts	1,578,353	79,667	-	120,525	-	1,778,545
The Judiciary	391,653	-	-	-	-	391,653
TOTAL RECOMMENDATION	\$ 4,858,529	\$ 5,390,974	\$ 7,620,932	\$ 771,387	\$ 518,724	\$ 19,160,546

DEPARTMENT OPERATING BUDGETS (thousands of dollars)

	Adjusted Approp. FY 1999	Recom- mended FY 2000	Difference 1999-2000	% Change 1999-2000
EXECUTIVE AGENCIES:				
Legislature	\$ 60,452	\$ 57,683	\$ (2,769)	-4.6%
Chief Executive	5,473	5,495	22	0.4%
Department of Agriculture	9,296	8,897	(399)	-4.3%
Department of Banking and Insurance	57,908	58,745	837	1.4%
Department of Community Affairs	28,376	28,854	478	1.7%
Department of Corrections	724,273	757,252	32,979	4.6%
Department of Education	42,168	46,339	4,171	9.9%
Department of Environmental Protection	182,636	188,114	5,478	3.0%
Department of Health and Senior Services	48,961	73,278	24,317	49.7%
Department of Human Services	533,962	569,379	35,417	6.6%
Department of Labor	55,086	54,895	(191)	-0.3%
Department of Law and Public Safety	330,489	352,359	21,870	6.6%
Department of Military and Veterans' Affairs	59,583	62,043	2,460	4.1%
Department of Personnel	27,609	28,009	400	1.4%
Department of State	16,335	16,332	(3)	0.0%
Department of Transportation	190,880	204,061	13,181	6.9%
Department of the Treasury	341,839	319,409	(22,430)	-6.6%
Miscellaneous Commissions	1,175	1,250	75	6.4%
Inter-Departmental Accounts	1,511,226	1,578,353	67,127	4.4%
The Judiciary	383,163	391,653	8,490	2.2%
TOTAL EXECUTIVE DEPARTMENTS	\$ 4,610,890	\$ 4,802,400	\$ 191,510	4.2%

State Aid and Local Taxpayer Relief

PROPERTY TAX RELIEF PROGRAMS & INITIATIVES			
(In Millions)			
	FY 1999	FY 2000	\$ Change
School Aid	\$5,012.1	\$5,329.8	\$317.7
Municipal Aid	1,564.0	1,592.5	28.5
Other Local Aid	494.9	512.1	17.2
Taxpayer Relief	628.2	849.5	221.3
Direct Aid Total	\$7,699.2	\$8,283.9	\$584.7
PSP Savings	101.0	94.0	(7.0)
Direct Aid & Savings	\$7,800.2	\$8,377.9	\$577.7

State Aid for Local School Districts			
(\$ In Millions)			
	Approp. FY 1999	Recomm. FY 2000	Increase (Decrease)
Formula Aid	\$4,877.3	\$5,207.6	\$330.3
Other Aid	134.8	122.2	(\$12.6)
Formula & Other Aid	5,012.1	5,329.8	317.7
Teacher Benefits	924.9	700.5	(\$224.4)
Total State Aid	\$5,937.0	\$6,030.3	\$93.3
PSP Savings	20.4	20.4	0.0
Total State Aid & Savings	\$5,957.4	\$6,050.7	\$93.3

OVERVIEW

State Aid to local governments remains one of the most important aspects of the State Budget in fiscal 2000. State Aid funds provided to counties, municipalities, and school districts represent the most significant portion of the overall fiscal 2000 State Budget recommendation. These funds are essential to local government entities, not only to subsidize operating costs, but because they represent property tax relief. The amount of Direct Aid and related budget savings, available to local governments as property tax relief, in fiscal 2000 increases by approximately \$578 million, to \$8.378 billion. School Aid to local school districts totals \$5.330 billion. Aid to municipalities will total \$1.593 billion in fiscal 2000. Other local aid programs such as county college aid, transportation projects, and mental health services to local governments, will provide an additional \$512 million. An additional \$849 million in relief from local tax burdens will be provided through direct tax rebates and reductions to taxpayers. In addition to State Aid and Direct Taxpayer Relief, local governments will benefit from Pension Security Program (PSP) savings of \$94 million in fiscal 2000, a decrease of \$7 million from fiscal 1999. A detailed summary of these amounts is displayed in the Property Tax Relief Programs & Initiatives chart at the end of this section.

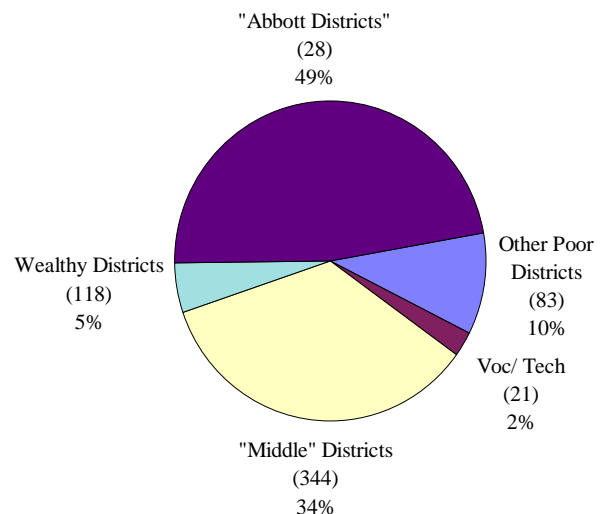
SCHOOL AID

State Aid for local school districts is the single largest purpose to which State funds are devoted. Pursuant to the provisions of the Comprehensive Educational Improvement and Financing Act (CEIFA), the fiscal 2000 State Budget includes \$5.330 billion in formula and other aid to local school districts, an increase of \$317.7 million.

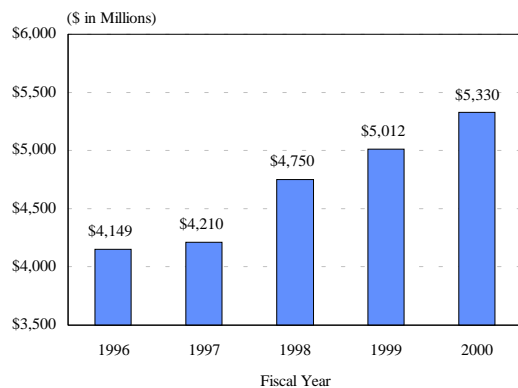
In addition, the State will make payments of \$700.5 million on behalf of local school districts for teachers' pension and social security. The decrease, in the fiscal 2000 recommendation of \$224.4 million from fiscal 1999, does not reflect any change in teacher benefits, but rather a reduction in required contributions, due to the availability of Pension Security Program (PSP) generated surplus. In addition to the fiscal 2000 State Aid recommendation of \$6.030 billion, local school districts will reduce their pension costs by \$20.4 million through the Pension Security Program.

The largest single aid increase in the area of Formula Aid is Core Curriculum Standards Aid, which increases by approximately \$97.4 million to \$2.845 billion in fiscal 2000. Other significant aid increases include: Special Education Aid, up \$44.2 million; and Early Childhood Aid, up \$10 million.

Fiscal 2000 Recommended Education Formula Aid Distribution



Total Direct School Aid By Fiscal Year



CEIFA requires a consideration of each school district's wealth and income so that the poorest districts will receive the greatest percentage of aid. In fact, the 28 Abbott districts, with less than 25% of the State's students, would receive 49% of the aid provided.

In accordance with CEIFA, the fiscal 2000 school aid amounts for each local district reflect the use of updated income and enrollment data. In fiscal 2000, information derived from the Division of Taxation's Gross Income Tax files for 1996, supplemented by other data on local district per capita income was used to calculate the local fair share amounts.

The fiscal 2000 School Aid recommendation is based on actual pupil enrollment data for all districts for the first time since fiscal 1993. Consistent with the provisions of CEIFA, this means that some districts will see a net increase in aid while others will experience a decline in their total School Aid amount. The budget recommendation for fiscal 2000 includes \$27.8 million in Stabilization Aid funding to guarantee that no district will experience a loss of aid greater than 2% of their net budget for school year 1998-1999.

Pupil Transportation Aid is increased for fiscal 2000 by \$4.2 million. This reflects the funding level for fiscal 1999, adjusted for the change in the CPI. The allocation of this aid to individual districts will be based on the CEIFA formula prorated for the fiscal 2000 adjusted amount. It is anticipated that the Legislative Transportation Study Commission will recommend changes in the current pupil transportation formula later this year to provide for a more efficient system of funding pupil transportation. New Jersey currently spends more per pupil for transportation aid than any other state.

Abbott v. Burke Parity Remedy Aid will increase by \$43.3 million for school year 1999-2000. This funding provides the aid necessary to ensure that per pupil spending in the Abbott districts is consistent with the average per pupil amounts in the wealthiest school districts. The recommended amount for fiscal 2000 will be supplemented by carryforward balances from this program, resulting from enrollment adjustments which occurred in fiscal 1999.

The Early Childhood Program, recommended at \$312.6 million for fiscal 2000, an increase of \$10 million, targets the creation of full-day kindergarten and half-day pre-school programs in districts with high concentrations of disadvantaged students. The \$190.4 million recommended in fiscal 2000 for Demonstrably Effective Program Aid also targets funds to districts with high concentrations of low income students. It recognizes that many disadvantaged districts, especially the Abbott districts, face particular challenges such as drugs, violence, lack of parental education and support, and unemployment, and require essential support systems to counteract the negative educational effects these influences have on children.

The fiscal 2000 Budget includes \$54.5 million in continued funding for Distance Learning Network Aid, an important new technology initiative. This program combines the resources and expertise of local schools, businesses, the higher education community, and the State to produce a system to provide high quality educational offerings through interactive, electronic teaching technology.

Continued in fiscal 1999 is funding for a \$10 million program of rewards and recognition for schools that perform at high levels. This program will serve to highlight school districts that demonstrate high levels of attainment as measured by the academic performance of their students.

The fiscal 2000 Budget includes \$50 million from the Cigarette Tax dedicated revenues for the School Construction and Renovation Fund. These funds, along with a balance of approximately \$32 million from fiscal 1999 appropriated for the same purpose, will be available to provide resources for a school construction initiative expected to exceed \$5.3 billion for Abbott districts' facilities as well as other school district facility requirements statewide.

The Supreme Court previously ruled that Abbott districts would require a significant investment of State funds to address renovation and new construction projects. A preliminary survey has

State Aid and Local Taxpayer Relief

indicated that the facilities cost in Abbott Districts will total approximately \$2.6 billion. Up to \$2.7 billion may be provided in a cost-sharing arrangement between the State and other local school districts to address their facility requirements. Legislation to implement this initiative is expected to be enacted during the current legislative session.

Other aid to local districts is recommended at \$122.2 million in fiscal 2000. This category includes Nonpublic School Aid recommended at \$80.5 million, Payment for Children with Unknown District of Residence at \$12.4 million, and Extraordinary Special Education Costs Aid at \$10 million.

MUNICIPAL AID

MUNICIPAL AID AND BUDGET SAVINGS		
(In Millions)		
	FY 1999	FY 2000
Consolidated Municipal Property		
Tax Relief Aid	\$756.0	\$756.0
Municipal Aid Inflation Adjustment		
Tax Relief	0.0	11.5
Energy Receipts Property		
Tax Relief Aid	745.0	750.0
REDI Program Grants	0.0	10.0
Legislative Initiative Block Grant		
Program	33.0	33.0
Extraordinary Aid	30.0	20.0
Special Assistance to the		
City of Camden	0.0	12.0
Subtotal Municipal Aid	\$1,564.0	\$1,592.5
Municipal PSP Savings	29.5	24.8
Total Municipal Aid and		
 Budget Savings	\$1,593.5	\$1,617.3

The fiscal 2000 Budget continues and enhances the State's commitment to provide municipal governments with a stable base of revenue to address their needs for local public services. The recommended amount of \$1.593 billion reflects a growth of \$28.5 million above the fiscal 1999 level of \$1.564 billion. The total recommendation includes \$843 million funded from major tax and revenue sources and \$750 million from taxes levied against energy, telecommunications, and water and sewer utilities, pursuant to the Energy Utility Property Tax Relief Act. In addition, Pension Security Program savings passed on to municipalities total \$24.8 million.

The largest program of municipal assistance is the Consolidated Municipal Property Tax Relief (CMPTR) Program, which will provide \$756 million in aid in fiscal 2000. This program replicates dollar for dollar the amount each municipality received under those programs before consolidation of 15 programs in fiscal 1996.

The fiscal 2000 Budget recommendation includes an increase of \$11.5 million above the fiscal 1999 appropriation for a municipal aid inflation adjustment. The inflation adjustment reflects a growth of approximately 1.5% based on the Implicit Price Deflator for State and Local Government Purchases, published quarterly by the U.S. Department of Commerce. This adjustment will be applied to each municipality's Consolidated Municipal Property Tax Relief Aid (CMPTR) beginning in fiscal 2000. Rather than provide additional funds to increase local government spending, the enabling legislation requires that the additional funds be used by municipal governments to offset increases in the local property tax levy.

The next largest source of municipal assistance is the distribution of taxes from public utilities, which benefits all of New Jersey's 566 municipalities. The fiscal 1999 funding level of \$745 million will be increased by \$5 million in fiscal 2000 to \$750 million per the provisions of the Energy Utility Property Tax Relief Act.

The Regionalization Efficiency Development Incentive Grant Program (REDI), one of two new programs included in the fiscal 2000 Budget based on recommendations of the Governor's Property Tax Commission, is funded at \$10 million in fiscal 2000. The REDI program will provide an incentive to municipalities and local school districts to study consolidation or shared services by providing financial assistance for those studies.

The Regional Efficiency Aid Program (REAP) will provide tax relief to local taxpayers in direct proportion to the amount of services they share with neighboring towns and school districts. This program, funded through Budget language provisions, will provide a property tax credit directly to the public, a reward to local governments and boards of education for entering into shared service agreements, and will allow the State to provide aid based on local performance and cost effectiveness. The REAP program will award aid based on a formula that provides a sliding scale of "points" based on the type of service regionalized. A dollar amount will be set for each point, taking into account population and granting additional

State Aid and Local Taxpayer Relief

incentives to fiscally stressed municipalities and to those agencies that provide the shared service. The fiscal 2000 Budget will allow up to \$25 million for this purpose, for a combined \$35 million REAP and REDI program recommendation.

The Legislative Initiative Municipal Block Grant Program, initiated in fiscal 1995, is again funded at \$33 million in fiscal 2000. This program provides aid to each municipality on a per capita basis.

Extraordinary Aid, funded at \$20 million in fiscal 2000, replaces Discretionary Aid. The focus of this program will be to provide emergency tax relief to municipalities. These funds are expected to provide short term assistance to municipalities experiencing a catastrophic loss of ratables.

The fiscal 2000 Budget includes a \$12 million appropriation for Special Assistance to the City of Camden. This funding underscores the State's commitment to work in partnership with the city, under the auspices of the Local Finance Board, to promote the revitalization of Camden.

In addition to Direct Aid programs, municipalities will experience \$24.8 million in PERS savings related to the Pension Security Program in fiscal 2000.

OTHER LOCAL AID

OTHER LOCAL AID PROGRAMS AND BUDGET SAVINGS (in Millions)		
	FY1999	FY2000
County College Aid	\$ 159.8	\$174.3
Transportation Trust Fund - Aid For Local Projects	130.0	130.0
Aid to County Psychiatric Hospitals	80.3	80.3
Urban Enterprise Zones - Sales Tax Deduction	65.0	65.3
DCA-Housing & Neighborhood Assistance	16.6	16.6
Library Aid	14.1	14.1
Pension Contributions on Behalf of Local Governments	9.3	11.3
Miscellaneous Programs	19.8	20.2
Subtotal Other Local Aid	\$ 494.9	\$ 512.1
Pension Security Program Savings	51.1	48.8
Total Local Aid & Budget Savings	\$ 546.0	\$ 560.9

In fiscal 2000, the budget provides \$512.1 million in Local Aid through various categorical aid programs. In addition, other local entities will obtain budget savings of \$48.8 million through the Pension Security Program. This form of State/local partnership is an important means of attaining mutually desired public service goals while respecting specific local needs and conditions.

Aid provided directly to county colleges increases by \$14.5 million to a total of \$174.3 million in fiscal 2000. This reflects the State's increased commitment to the educational programs and services offered by these schools.

The annual program of transportation funding through the Transportation Trust Fund includes funding for county and municipal road construction and repair. In fiscal 2000, \$130 million will be allocated among local governments to enable continued improvement in the State's transportation network for which they are responsible.

The State continues to provide substantial funds to three county operated psychiatric hospitals. It is recommended that \$80.3 million in State Aid be allocated for this purpose, providing 90% of the costs of care and treatment for an average daily population of 730.

Another continuing source of substantial Local Aid is the Urban Enterprise Zone program. Two critical elements of the Urban Enterprise Zone (UEZ) Program involve the State's Sales and Use tax. First, State Sales Tax within the zones is reduced from the normal 6% to 3%. Second, State Sales Tax collections from economic activity within the zones are dedicated to municipalities to fund projects within the zones. In fiscal 2000, Sales Tax receipts will be reduced by \$65.3 million which is retained by municipalities involved in the UEZ program.

In addition to the above, there are a variety of programs directed through several State departments that provide specific types of Direct Aid to local governments and communities. The Department of Community Affairs oversees programs important to meeting basic community needs totaling \$16.6 million. There are two major components of this aid: Balanced Housing in the amount of \$13.9 million allocates a portion of the State tax on real estate transfers to municipalities that are striving to meet affordable housing requirements; Neighborhood Preservation, at \$2.75 million, supports multi-year grants to selected municipalities to rejuvenate older neighborhoods.

State Aid to support New Jersey's vast public library system totals \$14.1 million. Nearly \$8 million is provided to support the basic operations of each county and municipal library in the State. In addition, \$6 million is allocated for inter-library networking and special developmental projects,

State Aid and Local Taxpayer Relief

greatly expanding citizen access to the rich resources and useful services New Jersey's public libraries have to offer.

Included in this category are contributions for pensions and related health benefits for Police and Firemen's Retirement System (PFRS) and the Consolidated Police and Firemen's Pension Fund. The State Budget includes \$11.3 million for this purpose in fiscal 2000.

Savings from the Pension Security Program attributable to other local government entities are estimated to be \$48.8 million in fiscal 2000, a decrease of approximately \$2.3 million from fiscal 1999. These savings represent a reduction in the liability of other local entities for pension costs based on savings realized through the Pension Security Program.

DIRECT TAXPAYER RELIEF

DIRECT TAXPAYER RELIEF		
(In Millions)		
	Fiscal 1999	Fiscal 2000
Direct School Tax Relief	0.0	200.0
Homestead Rebates	324.6	324.6
Veterans & Senior/Disabled Property Tax Deductions	53.6	51.2
Qualified Senior & Disabled Tax Freeze	0.0	23.7
Property Tax Deduction Act	250.0	250.0
Total Direct Taxpayer Relief	628.2	849.5

In addition to, appropriations to, or on behalf of, local governments, the fiscal 2000 Budget implements policies that include significant funding to provide property tax relief to local taxpayers. In fiscal 2000, these programs will total approximately \$849.5 million, an increase of \$221.3 million over fiscal 1999.

The fiscal 2000 budget includes \$200 million in new funding for a Direct School Property Tax Relief Program. This amount represents the first year of a five year, \$1 billion program, the largest property tax relief program ever provided by the State of New Jersey. When this program is fully implemented, the average New Jersey family will receive about \$600 a year, which is equivalent to about one-third of the average local school tax bill in New Jersey.

The program is designed to provide annual checks mailed directly to approximately 2,675,000 taxpayers. An estimated 1,900,000 homeowners will receive checks equal to a portion of the school taxes paid on the assessed value of owner-occupied, primary residences. Amounts by municipality/school district will be determined by applying the equalized school tax rate against the first \$45,000 of assessed value of eligible residential properties. In fiscal 2000, homeowners will receive 20% of this amount in the form of a direct rebate check. Each year the amount will increase by 20% until the program is fully implemented in fiscal 2004.

The existing Homestead Rebate Program will continue with some modifications. This program will provide approximately \$324.6 million in property tax relief in fiscal 2000 through direct payment to individual households. In fiscal 1999 there were an estimated 1,300,000 households participating in the Homestead Rebate Program, with an average rebate of approximately \$243. The fiscal 2000 recommendation is based on the same number of participants and average rebate amount.

Under the provisions of the new Direct School Property Tax Relief Program, homeowners who qualify for homestead rebates can either receive their regular homestead rebate check or opt to participate in the new program, depending on which program yields the greater benefit.

Currently, in addition to senior citizens who qualify for Homestead Rebates, other households whose income does not exceed \$40,000 received a fixed amount of either \$90 for homeowners or \$30 for tenants. When the new program is fully implemented, approximately 650,000 non-senior tenants with incomes up to \$100,000 will receive a \$100 Homestead Rebate, while New Jersey's 125,000 senior tenants will remain eligible for an average \$413 Homestead Rebate benefit.

The specific eligibility criteria of the Direct School Property Tax Relief Program as well as the changes discussed above for the Homestead Rebate Program will be included in the enabling legislation expected to be enacted during the current legislative session.

The State Constitution (Article VIII, Section I) provides deductions from property tax bills for veterans, and qualified senior citizens and disabled citizens and their surviving spouses. Veterans receive a \$50 deduction, while seniors and disabled homeowners may receive up to \$250. Qualified senior and disabled citizens include those with incomes not in excess of \$10,000 annually,

State Aid and Local Taxpayer Relief

excluding federal Social Security Act benefits, any other federal pension, disability, or retirement programs, or pension, disability or retirement programs of any state or political subdivision. Surviving spouses of residents who meet the above requirements are entitled to the same deductions provided they remain unmarried and a resident of the same dwelling house for which the deduction was originally granted. The State annually reimburses municipalities for the cost of these deductions, estimated at \$51.2 million for fiscal 2000.

The Qualified Senior and Disabled Citizen Property Tax Freeze will result in an estimated \$23.7 million in direct property tax relief in fiscal 2000 for eligible senior and disabled residents. The reimbursement will be calculated based on a

formula, specified in the statute, that compares the current year tax liability to the tax liability for the first year in which a taxpayer qualified. Qualified residents must be the owner of the principal residence for which a property tax reimbursement is being sought. Claimants must be age 65 or older or disabled residents with incomes below \$17,918, if single, or \$21,970, if married.

The enactment of the Property Tax Deduction Act in June 1996 enabled taxpayers to obtain property tax relief through State income tax deductions. The program was fully implemented in fiscal 1999, when property tax payments assessed for calendar 1998 up to \$10,000 could be deducted from State income tax returns, reducing net tax burdens by \$250 million. The fiscal 2000 Budget assumes a continuation of these savings.

State Aid and Local Taxpayer Relief

PROPERTY TAX RELIEF PROGRAMS & INITIATIVES (In Millions)

Program	FY 1999	FY 2000	\$Change
School Aid			
Direct Aid	\$ 5,012.1	\$ 5,329.8	\$ 317.7
Subtotal School Aid	\$ 5,012.1	\$ 5,329.8	\$ 317.7
Municipal Aid			
Consolidated Municipal Property Tax Relief Aid	\$ 756.0	\$ 756.0	\$ -
Municipal Aid Inflation Adjustment Tax Relief	-	11.5	11.5
Energy Receipts Property Tax Relief Aid	745.0	750.0	5.0
Regionalization Efficiency Development Incentive Grants	-	10.0	10.0
Legislative Initiative Block Grant Program	33.0	33.0	-
Extraordinary Aid	30.0	20.0	(10.0)
Special Assistance to the City of Camden	-	12.0	12.0
Subtotal Municipal Aid And Budget Savings	\$ 1,564.0	\$ 1,592.5	\$ 28.5
Other Local Aid And Budget Savings			
County College Aid	\$ 159.8	\$ 174.3	\$ 14.5
Transportation Trust Fund - Aid For Local Projects	130.0	130.0	-
Aid to County Psychiatric Hospitals	80.3	80.3	-
Urban Enterprise Zones - Sales Tax Dedication	65.0	65.3	0.3
DCA - Housing and Neighborhood Assistance	16.6	16.6	-
Library Aid	14.1	14.1	-
Pension Contributions on Behalf of Local Governments	9.3	11.3	2.0
Miscellaneous Programs:	19.8	20.2	0.4
Subtotal Other Local Aid And Budget Savings	\$ 494.9	\$ 512.1	\$ 17.2
Direct Taxpayer Relief			
Direct School Property Tax Relief Program	\$ -	\$ 200.0	\$ 200.0
Homestead Rebates	324.6	324.6	-
Veterans & Senior/Disabled Citizens Property Tax Deductions	53.6	51.2	(2.4)
Qualified Senior and Disabled Citizen Property Tax Freeze	-	23.7	23.7
Property Tax Deduction Act	250.0	250.0	-
Subtotal Direct Taxpayer Relief	628.2	849.5	221.3
Subtotal Direct Aid & Taxpayer Relief	\$ 7,699.2	\$8,283.9	\$584.7
Pension Security Program Savings			
School District Pension Security Program Savings	\$20.4	\$20.4	\$ -
Municipal Pension Security Program Savings	29.5	24.8	(4.7)
Other Local Pension Security Program Savings	51.1	48.8	(2.3)
Subtotal Pension Security Program Savings	\$101.0	\$94.0	\$(7.0)
Grand Total Direct Aid & Budget Savings	\$ 7,800.2	\$ 8,377.9	\$ 577.7

State Aid and Local Taxpayer Relief

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

	Appropriated Fiscal 1999	Requested Fiscal 2000	Increase (Decrease)
Formula Aid Programs:			
Core Curriculum Standards Aid	\$ 2,747,601	\$ 2,845,060	\$ 97,459
Abbott v. Burke Parity Remedy	249,834	293,175	43,341
Supplemental Core Curriculum Standards Aid	157,296	136,069	(21,227)
Additional Supplemental Core Curriculum Standards Aid	32,952	32,952	-
Early Childhood Aid	302,527	312,573	10,046
Instructional Supplement	17,417	16,603	(814)
Demonstrably Effective Program Aid	187,328	190,385	3,057
Rewards and Recognition	10,011	9,977	(34)
Stabilization Aid	47,781	32,712	(15,069)
Stabilization Aid II	30,249	27,789	(2,460)
Supplemental Stabilization Aid	56,175	53,026	(3,149)
Additional Supplemental Stabilization Aid:			
Large Efficient Districts	6,000	3,000	(3,000)
High Senior Citizen Concentrations	921	921	-
Supplemental School Tax Reduction Aid	15,926	10,387	(5,539)
Categorical Aids:			
Distance Learning Network	52,225	54,481	2,256
Adult Education Grants	25,007	26,394	1,387
Bilingual Education	53,178	55,477	2,299
Special Education	637,941	682,125	44,184
County Vocational Education	32,151	34,089	1,938
Pupil Transportation Aid	261,078	265,264	4,186
Aid for Enrollment Adjustments	-	8,096	8,096
Less:			
Abbott District Excess Surplus Reduction	(10,043)	-	10,043
Stabilization Aid Growth Limitation	(181,397)	(60,688)	120,709
subtotal	\$ 4,732,158	\$ 5,029,867	\$ 297,709
Debt Service Aid	112,946	127,701	14,755
School Construction and Renovation Fund	32,195	50,000	17,805
subtotal School Building Aid	\$ 145,141	\$ 177,701	\$ 32,560
Subtotal, Formula Aid Programs	\$ 4,877,299	\$ 5,207,568	\$ 330,269
Other Aid to Education:			
Nonpublic School Aid	82,695	80,510	(2,185)
Payment for Children with Unknown District of Residence	10,056	12,356	2,300
Extraordinary Special Education Costs Aid	10,000	10,000	-
County Special Services Tuition Stabilization	2,500	2,500	-
Additional School Building Aid (Debt Service)	7,655	7,147	(508)
Other Aid	21,897	9,728	(12,169)
Subtotal, Other Aid to Education	\$ 134,803	\$ 122,241	\$ (12,562)
Subtotal, Department of Education	\$5,012,102	\$5,329,809	\$317,707
Direct State Payments for Education:			
Teachers' Retirement Benefits	371,487	119,975	(251,512)
Debt Service on Pension Obligation Bonds	68,297	69,191	894
Pension and Annuity Assistance - Other	17,006	19,922	2,916
Teachers' Social Security Assistance	468,068	491,368	23,300
Subtotal, Direct State Payments for Education	\$ 924,858	\$ 700,456	\$ (224,402)
GRAND TOTAL - State Aid for Local School Districts	\$ 5,936,960	\$ 6,030,265	\$ 93,305

Capital Investments and Property Management

CAPITAL INVESTMENTS

New Jersey's investment in capital is important to both the economy and the citizens of New Jersey.

- Investment in the state's transportation system facilitates the movement of goods and services.
- Investments in wastewater treatment and water supply facilities provide for a clean and healthy environment.
- Investments in "open space" provide valuable recreation both for ourselves and future generations.
- Investments in both local and higher education facilities are investments in the future of New Jersey.

All of these investments provide jobs for New Jersey citizens.

CAPITAL FUNDING OVERVIEW

Capital needs of the State are primarily funded through three methods, which may be used singularly or in combination. The three methods are pay-as-you-go capital appropriations, general obligation bond funds, and lease or lease-purchase of facilities for State operations.

Pay-as-you-go capital is used primarily for renovations and preservation of State properties, highway and mass transit improvements, and environmental projects. This ensures protection of lives and property and serves to maintain agency programmatic goals and objectives. Pay-as-you-go capital projects are often relatively small and are usually funded through annual appropriations from the General Fund.

General obligation bond funds, authorized by the State's voters, are used to finance more expensive capital construction projects such as new facilities. The projects are expected to have a useful life equal to the time required to retire the bonds and must yield substantial benefits, not only for the present, but for future generations as well.

Lease or lease-purchase of facilities postpones or eliminates the cost associated with State ownership and is normally structured to coincide with the useful life expectancy of a facility. This is an

accepted alternate method of financing capital construction because it provides considerable budget flexibility.

ANNUAL CAPITAL RECOMMENDATION REVIEW PROCESS

The annual review process for capital recommendations involves several stages to ensure that only the most vital and necessary requests are recommended for funding. All State departments requesting capital funding must submit a seven-year capital improvement plan to the New Jersey Commission on Capital Budgeting and Planning. The Commission analyzes the capital requests, schedules public hearings for each agency, and recommends projects to the Governor. The Governor, in turn, selects projects to be funded in the annual Budget.

In addition to the Commission on Capital Budgeting and Planning, the capital recommendation process includes the Office of Management and Budget, the New Jersey State Planning Commission, the Council of Economic Advisors, and the Office of Public Finance. This ensures a comprehensive review of capital requests necessary to meet the most critical needs of the State.

OPERATING IMPACT OF CAPITAL PROJECTS

A mandatory provision for each capital project request requires departments to submit an operating impact statement. Departments must document whether a project will increase, decrease, or have no effect on operating budgets, and quantify such information. Because both requested and recommended capital projects for fiscal 2000 emphasize preservation of investments, rather than new construction, impact on operating budgets is in most cases marginal.

JOBS THROUGH CAPITAL INVESTMENTS

The State's investment in its infrastructure has a direct and positive impact on economic growth and development, jobs, and the environment. For fiscal 2000, the State's estimated expenditure for capital investments from all sources totals \$2.4 billion, over \$300 million more than in fiscal 1999. This investment of State, federal, independent authority, and bond dollars is targeted for highway and public transportation programs, hazardous substance abatement projects, shore protection, safe drinking

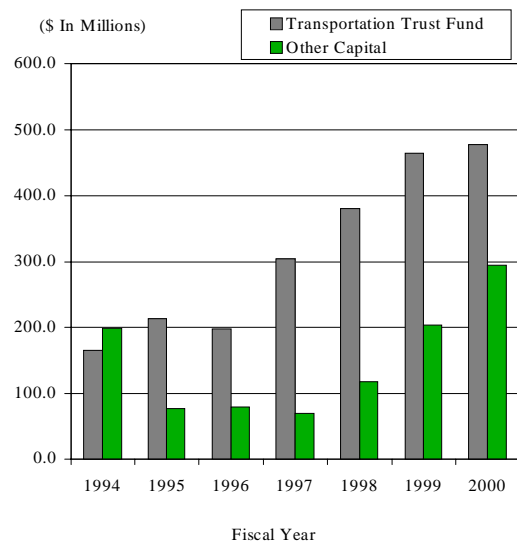
Capital Investments and Property Management

water projects, wastewater treatment programs, and public health and safety improvements. This \$2.4 billion will support approximately 58,000 private sector jobs in fiscal 2000, an increase of approximately 3,000 jobs over fiscal 1999. Of these, 35,000 jobs are directly related to the construction industry. These jobs, in turn, will generate an additional 23,000 jobs in manufacturing, retail, services, finance, real estate, and other employment categories.

for individuals with developmental disabilities, comply with building codes, and environmental regulations, and provide access to public buildings in accordance with the Americans with Disabilities Act. Major construction projects in the seven-year Annual Capital Improvement Plan will also be funded through sources such as existing general obligation bond funds, the New Jersey Building Authority, and the New Jersey Economic Development Authority.

Infrastructure Improvement Jobs (State and Non-State Funds)		
Programs FY 2000	Estimated Expenditures (in Millions)	Total Jobs
Transportation	\$1,300	39,000
Environmental	454	7,764
Local School Facility Aid	250	4,275
Higher Ed.	275	4,703
Other Capital	122	2,086
Totals	\$2,401	57,828

**State General Fund
Capital Construction
Expenditures**



FISCAL 2000 RECOMMENDATION

For fiscal 2000, \$771.4 million is recommended for capital construction programs. This is an increase of \$104.2 million over fiscal 1999, and is the largest capital program in the State's history. Of this amount, \$477.8 million is to improve and maintain our transportation infrastructure and provide debt service for the Transportation Trust Fund; \$58.7 million is for hazardous waste cleanup and replacement of privately owned underground storage tanks; \$15 million is for shore protection; and \$98 million is for open space preservation. The balance of \$121.9 million will provide for needed repair and preservation projects at the Departments of Environmental Protection, Human Services, Corrections, Juvenile Justice, and other State departments and agencies.

Additionally, funds derived from proceeds of the sale of surplus State property will supplement capital appropriations and will be used to renovate facilities, provide additional community placements

Department of Environmental Protection

Protection of the environment and preservation of open space remains a major concern of this Administration. Consequently, the fiscal 2000 Budget recommendation of \$88.4 million is \$21.9 million more than was provided in fiscal 1999.

The federal mandate for removal of underground oil and gasoline storage tanks is again addressed in this Budget. The constitutional dedication of 4% of revenues from the Corporation Business Tax (CBT) continues to provide a stable source of capital funding for hazardous discharge cleanups, underground storage tank upgrades and cleanups, and water quality preservation and monitoring. In fiscal 2000, \$35.4 million will be recommended for hazardous discharge projects; \$23.3 million will provide loans and grants to both citizens and private businesses to facilitate underground storage tank cleanups.

Capital Investments and Property Management

In addition, \$5 million is recommended in the Direct State Services component of the Budget for water quality monitoring, planning and management, and \$6.1 million will support the Site Remediation Program's administrative costs. Also included in this funding is a program that provides alternate sources of public or private water supplies when a water supply is suspected of contamination by a hazardous substance.

Shore protection projects continue to revitalize and preserve the State's most valuable tourist attraction. The fiscal 2000 Budget recommends \$15 million from the dedication of the realty transfer fee. This should leverage up to \$37 million of federal and \$5 million of local funds. And flood control projects are recommended at \$2.3 million to ensure protection of lives and property.

New Jersey's future depends upon its ability to provide clean, usable water for its citizens and industry. Consequently, the Environmental Infrastructure Financing Program was created to finance and ensure numerous clean water programs, standards, treatment facilities, and other improvements. In fiscal 2000, the Program, using federal funds, bonds, and other funding sources, is planning to finance over 30 clean water projects, totaling between \$150 million and \$200 million.

To ensure that New Jersey ports remain competitive, dredging, clearing, and deepening of navigation channels will be supported by \$27 million from the Port of New Jersey Revitalization, Dredging, Environmental Cleanup, Lake Restoration, and Delaware Bay Area Economic Development Bond Act of 1996. It is expected that this will generate an additional \$74.6 million in federal and Port Authority funds.

Open Space Preservation

In 1998, voters overwhelmingly approved an Administration initiative to purchase and preserve one million acres of open space over the next ten years. Therefore, the fiscal 2000 Budget will provide a constitutional dedication of \$98 million annually toward this multi-year, \$1 billion dollar program. (This funding is in addition to the \$88.4 million recommended for the Department of Environmental Protection. However, since it applies to programs at several departments, it is recommended to be appropriated in the Interdepartmental Capital section of the Budget.) The program will provide for open space and farmland preservation, historic preservation and park development in urban, suburban and rural areas. This is a long-term commitment that will

provide a clean, green, and livable environment and leave a legacy of open space to future generations. Furthermore, to ensure that existing recreational space is maintained, \$12.4 million is recommended for renovation and upkeep of existing recreation facilities. This is \$9 million more than was appropriated in fiscal 1999.

Together, these programs and funding recommendations will preserve the State's environment, protect lives and property, provide for economic development, recreational opportunities, and sustain both tourism and jobs.

Transportation Trust Fund

The fiscal 2000 Budget provides \$477.8 million for the Department of Transportation. These funds are derived from a constitutional dedication of nine cents of the motor fuels tax, funding agreements with the toll road authorities, commercial motor vehicle registration fees, and motor vehicle surcharge revenue. When combined with available federal money, the Transportation Trust Fund will have approximately \$1.9 billion available for transportation improvement projects. The funds will pay debt service for bonds issued by the Transportation Trust Fund Authority, support pay-as-you-go highway improvements, and provide for capital improvement for mass transit.

Correctional Facilities

The fiscal 2000 Budget recommends \$24 million for various construction projects at adult correctional facilities, with an emphasis on preservation and security improvements. This recommendation is double the fiscal 1999 appropriation. Recommended projects will maintain and provide for prison bed spaces, support facilities, rectify code compliance issues, and address safety concerns. Some of the proposed work includes replacing essential building components, upgrading facility infrastructure, and repairing and installing fire suppression and alarm systems.

Colleges and Universities

For fiscal 2000, for New Jersey's senior colleges and universities, this Administration is recommending \$12.4 million in debt service for the first year for a new multi-year \$550 million capital improvement program, funded from bonds. The program will help both senior public and private higher education institutions to address pressing capital renewal and renovation needs. For public institutions, there will be \$500 million available, with the State providing two-thirds of the

Capital Investments and Property Management

debt service. For private colleges there will be \$50 million available, with the State providing one-half of the debt service.

School Construction and Renovation Fund

The Supreme Court ruled in 1998 that the Abbott (special needs) school districts would require State funds totaling approximately \$2.6 billion for renovation and new construction of schools. This Administration is proposing a \$5 billion program that will provide \$2.6 billion for Abbott and \$2.4 billion for all other local school districts as well.

The fiscal 2000 Budget includes \$50 million from dedicated cigarette tax revenues for the School Construction and Renovation Fund. This money, along with a balance of approximately \$32 million from a fiscal 1999 appropriation, is available to provide debt service for up to \$500 million in bond funds as a first step in this initiative.

Human Services

The fiscal 2000 Budget includes \$23.8 million for essential preservation projects for the Department of Human Services. These include upgrading facility mechanical systems, roof replacement, and deferred maintenance which, if further delayed, would require major capital expenditures. A major component of this recommendation is \$7.5 million for construction of two residential buildings for criminally involved patients at the Forensic Psychiatric Hospital.

In addition, the \$23.8 million will supplement \$88 million appropriated to date from the \$160 million Developmental Disabilities Waiting List Reduction and Human Services Facility Bond Act of 1994. This Act provides \$30 million for State facilities and \$130 million for community based facilities. Of the amount available for community facilities, \$80 million is allocated for the purchase of facilities to house individuals awaiting placement in communities. These funds will also provide necessary improvements at State and community-based facilities consistent with the Act. The Department will also have capital funding available from the "Community Mental Health and Developmental Disability Services Investment Act" (P.L. 1997, c.258). This act allows the Department to utilize receipts from the sale of Human Services facilities for capital improvements at community based facilities for persons with mental illness or developmental disabilities.

Department of Law and Public Safety

For fiscal 2000, a total of \$5.8 million is recommended for the State Police. This will fund critical repairs to roofs and other building systems (\$2 million), continue implementation of the Computer Aided Dispatch and Records Management System (\$2.5 million), and replacement of obsolete police radios (\$1.3 million). These funds will enable the State Police to function more efficiently and effectively in their efforts to reduce crime and to provide for a more safe and secure environment for the citizens of New Jersey.

The Juvenile Justice Commission

The fiscal 2000 Budget recommends \$8.6 million to address critical capital needs at juvenile facilities. Such funds, combined with \$3.5 million from the 1994 Developmental Disabilities Waiting List Reduction and Human Services Facilities Bond Funds, will address rehabilitation of housing units, replacement of roofs, and fire and life/safety improvements. These funds will help to maintain and preserve the existing bed space, thereby providing the necessary support for rehabilitation of juvenile offenders.

Department of Agriculture

The fiscal 2000 recommendation for the Department of Agriculture is \$1.15 million. These funds are necessary to renovate the Beneficial Insect Laboratory and to improve facilities at Stone Tavern. The improvements to the Horse Park at Stone Tavern, totaling \$1 million, will permit scheduling of additional equestrian events. This, in turn, will establish the Horse Park as a first class exhibition facility and will contribute to the economic growth of the area.

Office of Information Technology (OIT)

During fiscal 1999, the Governor signed an Executive Order creating an Office of Information Technology in, but not of, the Department of the Treasury. This organization assumed all responsibilities of the former Office of Telecommunications and Information Systems. The core mission of OIT is to use technology to make government services more affordable, accessible, and responsive.

The fiscal 2000 Budget recommends a total of \$12.4 million for OIT. The funds will be used for acquisition of data-processing equipment to upgrade

Capital Investments and Property Management

and improve operations. Included in the \$12.4 million is \$2 million for a unified, statewide radio communications network, and \$4.9 million to continue consolidation of two data centers.

Capitol Complex

For the fiscal 2000 Budget, \$4 million is recommended to preserve buildings within the Capitol Complex. In addition, \$2 million is recommended for energy efficiency projects both within the Capitol Complex and statewide. The New Jersey Building Authority is also financing \$115 million of historic renovation and preservation projects at various locations within the Capitol Complex.

Compliance Mandates

For the fiscal 2000 Budget, \$16.5 million is recommended to comply with federal and State statutory mandates. Of this amount, \$3 million is for Americans with Disabilities Act projects which will remove physical barriers at State facilities for individuals with disabilities. For the fiscal 2000 Budget, \$3.5 million is recommended to mitigate hazardous conditions such as materials containing asbestos and polychlorinated biphenyls (PCB) contamination.

In addition, \$10 million is provided to remove State owned underground storage tanks and to consolidate and upgrade the State's fueling sites. Such funds, combined with the \$23.3 million recommended for private underground storage tank replacements administered by the Department of Environmental Protection, will ensure that New Jersey continues to protect its environment.

GENERAL OBLIGATION DEBT SERVICE

The State provides for many large scale capital construction programs, open space acquisition, and local aid projects through long-term general obligation bonds. These bonds are a debt of the State, are backed by its full faith and credit, and must be approved by New Jersey's voters. The Legislature appropriates money authorized by the bond issue, and as funds are needed, bonds are sold, thus incurring debt service obligations.

The fiscal 2000 debt service payments on all outstanding general obligation bonds total \$518.7 million. This is an increase of \$17.6 million from fiscal 1999. The projected level of debt service is \$479.7 million for principal and interest

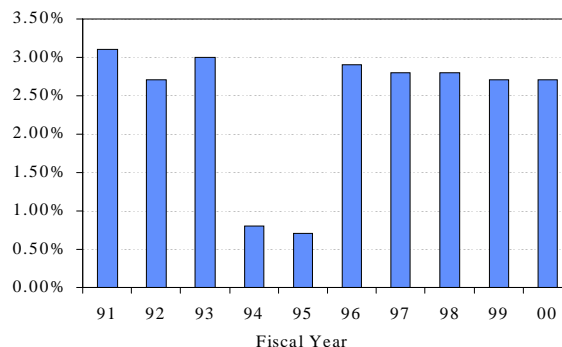
due on bonds outstanding on July 1, 1999, and additional funding of \$39 million for proposed bond sales in fiscal years 1999 and 2000.

The outstanding general obligation bonded indebtedness for New Jersey as of June 30, 1998 was \$3.6 billion. There is \$1.45 billion of additional long-term debt authorized, but not issued, to support future capital projects. This \$1.45 billion includes bonds approved by the voters as of November 1998.

The State Constitution limits the amount of debt that can be created to 1% of the total fiscal year appropriation, unless authorized by law and submitted to the voters for approval. Voter authorization, however, is not required for the creation of a debt to refinance the general obligation debt if refinancing produces savings.

Projects supported by general obligation bonds are of economic, social, and environmental importance and include construction of correctional and human services facilities, transportation projects, higher education improvements (including Advanced Technology Centers), and environmental abatement projects.

General Obligation Debt As A Percentage Of State Appropriations FY 1991 - 2000



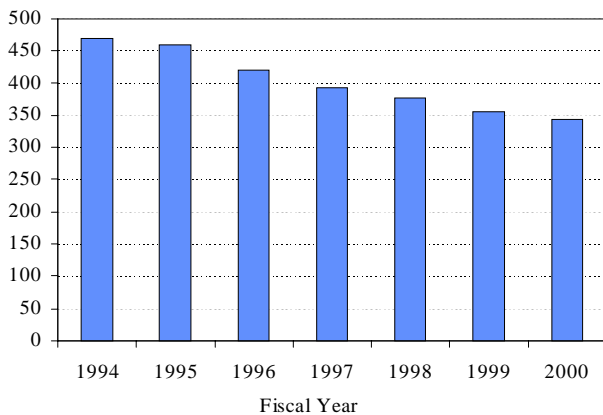
The State manages its debt judiciously. For the last five years there has been no increase in the percentage of debt relative to the overall State budget. The sharp decline in debt service appropriations in fiscal years 1994 and 1995 was the result of general obligation debt refinancing that occurred in fiscal 1993. The debt level has been maintained below 3% since 1992, as indicated on the chart.

Capital Investments and Property Management

PROPERTY MANAGEMENT

Since 1994, the State has followed recommendations of the statewide facilities master plan regarding current and future office space requirements. Although the majority of those goals have been achieved, the State, nevertheless, continues to identify and eliminate excess space and consolidate offices where it is geographically possible. This is achieved by eliminating short-term leases, converting to long-term leases, or relocating employees into state owned facilities. Consequently, a major reduction in leased facilities occurred between fiscal years 1994 and 2000.

**Number Of Leased Facilities
FY 1994 - 2000**



For fiscal 2000, \$203.3 million is recommended for office space and other rentals for State agency operations. This represents a decrease of \$5.1 million for the Property Rentals budget relative to fiscal 1999. This recommendation will fund existing and anticipated leases, as well as lease-purchase agreements for buildings that will be eventually owned by the State.

Cost-cutting actions to reduce rents have largely been offset by increased competition for space in the real estate market as well as demands for new space by client agencies. Consequently, an additional \$4.5 million is recommended to support lease consolidation efforts and to provide essential program space for State agencies. Costs for "Other Debt Service Leases and Tax Payments" will increase by \$1.3 million, and \$922,000 will be required for increased debt service for the Economic Development Authority. Because rent

reimbursement from other sources will decrease, the State will have to pick up the costs, requiring an additional \$392,000.

Offsetting these increases is a \$1 million initiative to curtail agency office renovation and other special projects in leased facilities. A decrease of \$2.5 million in maintenance costs is expected for the vacated North Princeton Developmental Center and Marlboro Psychiatric Hospital. Additionally, there will be a decrease of \$6.4 million as a result of the New Jersey Building Authority's acquisition of the Hughes Justice Complex and the availability of balances from fiscal 1999. Also, the South Jersey Port Corporation Debt Service Reserve Fund will be reduced by \$2.3 million.

LEASE-PURCHASE AGREEMENTS

Lease-purchase agreements continue to be an important and positive means for obtaining essential office space. Under such agreements, independent authorities, such as the New Jersey Building Authority, the Economic Development Authority, and the Sports and Exposition Authority issue bonds and construct facilities. The State occupies such facilities, funds the debt service and, over a defined period of time, secures ownership.

Bond ratings of the various authorities have consistently remained high. Furthermore, in December 1998, Standard & Poors affirmed its confidence in New Jersey's fiscal management, and upgraded the various authorities' bonds, from either A or A+ to AA-. This translates into more favorable borrowing rates for the State's Authorities.

New Jersey Building Authority

For the New Jersey Building Authority, \$59.1 million is recommended to meet the debt service for lease-purchase agreements for buildings constructed in and around Trenton. The Authority last issued bonds in September 1997 for restoration of the State House Complex and construction of South Woods State Prison (the first State prison project financed by Authority bonds), Capitol Complex historic projects, as well as the State House and Labor Building renovations. Other projects funded through the Building Authority include the Old Barracks, the War Memorial Building, the Taxation Building, and the Department of State Building.

Capital Investments and Property Management

Included in the New Jersey Building Authority debt service is funding for the Garden State Savings Bonds program. The purpose of this program is to encourage families to save for their children's college education by offering tax free bonds which can be used to reduce State college tuition costs.

In the near future, the New Jersey Building Authority will acquire the Hughes Justice Complex. The Complex, previously financed by the Mercer County Improvement Authority, will be refinanced by the Building Authority, resulting in budgetary savings of \$6 million over several years.

The Authority recently completed two major renovation projects in the City of Trenton, specifically, the War Memorial Building and the Old Barracks Museum, which re-opened in December 1998. The \$34 million War Memorial renovation project returned the 67 year-old facility to its original condition, and the facility will once again be used for concerts, political functions, and meetings. Also, the \$7 million restoration to the Old Barracks Museum returned the historic landmark to its Colonial-era appearance. Other projects expected to be completed in 1999 include a \$12 million restoration of the State House dome and a \$14 million renovation of the historic townhouses of Thomas Edison State College. These restoration projects will help preserve the City of Trenton's historic past, while enhancing Trenton's position as the State's Capitol.

Economic Development Authority

For fiscal 2000, \$19 million is recommended for the Economic Development Authority, an increase of \$919,000 over fiscal 1999. Funding for the Authority finances the debt service of the Trenton

Office Complex, construction of the New Jersey Performing Arts Center in Newark, the purchase of the Riverview Building in Trenton, and the anticipated purchase of the Camden State Office Building.

Part of the funding for the Authority is for the Green Lights Energy Program. This program provides for installation of energy efficient lighting, fans, and motors in State owned and lease-purchase facilities. The State will continue to reap savings from energy efficiencies from this effort and will receive incentive payments for energy consumption reductions from utility companies amounting to \$540,000 annually.

Sports and Exposition Authority

For the fiscal 2000 Budget, \$55.6 million in debt service is recommended for the Sports and Exposition Authority. This is an increase of \$21.7 million over fiscal 1999, and is required to support debt service for the Wildwood Convention Center, the Monmouth Park Racetrack, the Authority's capital renewal program, and East Hall of the old Atlantic City Convention Center. These funds also support debt service for projects throughout the state, including Rutgers Stadium, the Meadowlands Complex and the new Atlantic City Convention Center.

The Wildwood Convention Center is a major effort by the Authority to revitalize the Cape May area. It will be designed and constructed by the Authority at a cost of \$65.5 million, and will serve as an anchor for the city's tourist industry. The Center will be approximately 72,000 square feet and have the capacity to compete for current and future demands for convention space in the Cape May area.

OVERVIEW

The programs which originated within the Casino Revenue Fund or were created to be funded within the Casino Revenue Fund total \$647.5 million, a \$50.2 million increase since fiscal 1999. Total Casino Revenue Fund revenues of \$329.6 are projected for fiscal 2000. It is estimated that appropriations will exceed available revenues by \$317.9 million in fiscal 2000. Because programs supported by the Casino Revenue Fund have grown considerably faster than revenues, the General Fund has had to subsidize program spending. A principal cause is the fact that costs for the Pharmaceutical Assistance to the Aged and Disabled (PAAD) program continue to outpace revenues and are "crowding out" other programs supported by the Casino Revenue Fund. For example, the Senior Citizens Property Tax Freeze Act, enacted in 1998 in order to freeze property taxes for eligible seniors at 1997 levels, was to be entirely funded by the Casino Revenue Fund. However, due to the insufficient resources of the Casino Revenue Fund, the Senior Citizens Property Tax Freeze appropriation of \$23.7 million is being financed by the Property Tax Relief Fund.

The summary and projection chart at the end of this section illustrates Casino Revenue Fund revenues, the programs receiving Fund appropriations over the past several years, and those programs that could have been funded through the Casino Revenue Fund but were shifted to the General Fund due to insufficient resources of the Casino Revenue Fund. The Casino Revenue Fund appropriations that have been shifted to the General and other funds over the past several fiscal years are detailed at the bottom of the chart.

SECURING SENIOR SERVICES

The Casino Revenue Fund was established in 1976 with the provision that State revenues derived from casino gambling would be applied solely for the purpose of "providing funding for reductions in property taxes, rental, telephone, gas, electric, and municipal utilities charges of eligible senior citizens and disabled residents of the State in accordance with such formulae as the Legislature shall by law provide." The Fund's authorized use was expanded in 1981 to include additional or expanded health services or benefits, transportation services or benefits to eligible senior and disabled residents.

DESCRIPTION OF MAJOR PROGRAMS

The following program descriptions include those areas receiving major appropriations through the Casino Revenue Fund.

- **Property Tax Reduction - \$17.2 million**
This appropriation provides a \$250 annual property tax reduction for senior and disabled homeowners whose annual income does not exceed \$10,000 (excluding Social Security, or pension income in lieu of Social Security). The State annually reimburses municipalities for the local tax loss resulting from these tax reductions.
- **Personal Assistance Services Program - \$3.7 million**
The Personal Assistance Service program provides attendant care services, such as bathing, dressing, meal preparation, laundry, shopping, household management and transportation, to approximately 550 physically disabled clients.
- **Home Care Expansion Program - \$743,000**
This 100% State funded program provides non-medical care to disabled persons, in their homes, as a means to prevent or postpone the need for long term nursing home care. This program is available to individuals who have income and assets that exceed Medicaid eligibility thresholds.
- **Pharmaceutical Assistance to the Aged and Disabled (PAAD) - \$206.7 million**
The Pharmaceutical Assistance to the Aged and Disabled (PAAD) program provides payments to pharmacies for the cost of prescription drugs for eligible persons. PAAD income eligibility is now indexed to Social Security cost-of-living increases, which raises income eligibility to \$18,151 for single persons and \$22,256 for married couples.
- **Community Care Alternatives/SOBRA - \$3.3 million**
The Community Care Alternatives Program was established to consolidate components of the Community Care Programs for the Elderly and Disabled (CCPED) and other long-term care

Casino Revenue Fund

alternatives, and provides an alternative to institutional care for the elderly and disabled. Services available to elderly and disabled individuals in need of nursing home level care are: case management, home health, homemaker services, medical day care, non-emergency medical transportation, respite care, and social day care.

The Sixth Omnibus Reconciliation Act (SOBRA) was created to expand Medicaid eligibility beyond its traditional limits and provide Medicaid services to more eligible people. SOBRA was originated in the Casino Revenue Fund, but due to "crowding out", recent SOBRA appropriations have been shifted to the General Fund.

- **Lifeline Programs - \$34.6 million**

PAAD recipients are entitled to Lifeline home energy payments of \$225 annually per household. The Lifeline Tenant Assistance Program helps pay home energy costs for renters. The Lifeline Credit Program assists home owners. In fiscal 2000, only the Lifeline Credit Program is included as a Casino Revenue Fund appropriation recommendation.

- **Transportation Assistance - \$22.8 million**

The New Jersey Transit Corporation administers transportation assistance for senior and disabled citizens primarily by providing support to counties for the development of accessible local transportation services.

- **Sheltered Workshop Transportation - \$2.4 million**

The Sheltered Workshop Transportation program in the Department of Labor's Division of Vocational Rehabilitation Services supports transportation expenses for individuals with severe disabilities. These individuals, many of

whom require special transportation to get to and from work, cannot be absorbed in the regular labor market and have become extended employees of community rehabilitation programs.

- **Congregate Housing Support Services - \$1.9 million**

This program provides elderly residents at various congregate housing sites subsidies for meals, housekeeping and personal services. The goal is to keep the elderly from unnecessary institutionalization in nursing homes.

- **Residential Care Developmental Disabilities - \$24.5 million**

The Division of Developmental Disabilities in the Department of Human Services provides a wide array of residential and support services for individuals in community settings. Residential programs include group homes, supportive living arrangements, supervised apartments, skill development homes, family care homes and private institutional placements. Many individuals participate in an adult day program which includes activities, supported employment and extended employment programs. Day training services are provided for school age children and Respite/Home Assistance programs provide the necessary supports for families.

- **Waivers**

Waiver programs for disabled adults and children offer services of the regular Medicaid program in addition to case management provided by a nurse or social worker. Although the waivers were originated in the Casino Revenue Fund, their \$38.8 million appropriation has been shifted to the General Fund.

Casino Revenue Fund

CASINO REVENUE FUND SUMMARY AND PROJECTION (\$ In Millions)

	<u>FISCAL</u> <u>1993</u>	<u>FISCAL</u> <u>1994</u>	<u>FISCAL</u> <u>1995</u>	<u>FISCAL</u> <u>1996</u>	<u>FISCAL</u> <u>1997</u>	<u>FISCAL</u> <u>1998</u>	<u>FISCAL</u> <u>1999</u>	<u>REC</u> <u>2000</u>
Opening surplus	\$0.0	\$38.8	\$24.0	\$0.0	\$12.8	\$0.0	\$0.0	\$0.0
Revenues	259.8	264.9	301.8	305.7	313.7	325.5	325.0	328.4
Lapses and adjustments	33.2	17.3	4.4	6.8	0.0	0.0	3.2	1.2
TOTAL RESOURCES	\$293.0	\$321.0	\$330.2	\$312.5	\$326.5	\$325.5	\$328.2	\$329.6
PROPERTY TAX DEDUCTION	\$17.2	\$17.2	\$17.2	\$17.2	\$17.2	\$17.2	\$17.2	\$17.2
MEDICAL ASSISTANCE								
Personal assistance	3.3	3.4	3.5	3.6	3.7	3.7	3.7	3.7
Home care expansion	8.0	8.0	8.0	8.0	2.4	0.0	1.0	0.7
PAAD -- expanded	88.3	116.8	122.5	121.3	147.4	166.1	193.6 ¹	206.7
Community care/SOBRA	36.2	43.2	71.7	48.6	18.5	0.8	14.2	3.3
Respite care	3.5	3.7	4.0	4.0	4.0	2.8	4.8	4.8
Hearing aid assistance	0.4	0.4	0.4	0.3	0.3	0.3	0.3	0.3
Statewide birth defects registry	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Health and Senior Services Admin.	4.0	4.0	3.6	0.2	0.6	0.6	0.9	0.9
LIFELINE CREDITS	36.5	43.1	43.2	41.9	76.3	76.3	34.6	34.6
TRANSPORTATION ASSISTANCE								
Senior citizens and disabled residents	18.6	19.2	19.4	19.8	21.1	22.2	22.5	22.8
Sheltered workshop transportation	1.4	1.4	1.7	1.7	2.4	2.4	2.4	2.4
HOUSING PROGRAMS								
Congregate housing support	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9
Safe housing and transportation	3.0	2.8	2.8	2.5	2.0	2.0	1.6	1.6
Developmental Disabilities	24.5	24.5	24.5	24.5	24.5	24.5	24.5	24.5
OTHER	6.9	6.9	5.3	3.7	3.7	4.2	4.5	3.7
TOTAL APPROPRIATIONS	\$254.2	\$297.0	\$330.2	\$299.7	\$326.5	\$325.5	\$328.2	\$329.6
ENDING SURPLUS	\$38.8	\$24.0	\$0.0	\$12.8	\$0.0	\$0.0	\$0.0	(\$0.0)
PROGRAMS SHIFTED TO THE GENERAL FUND								
Lifeline	\$39.9	\$37.6	\$36.0	\$39.4	\$0.0	\$0.0	\$36.2	\$36.2
SOBRA for Aged and Disabled	67.8	81.7	75.4	102.6	105.4	109.6	114.0	118.6
CCPED, Home Care Exp., Waivers	0.0	0.0	0.0	10.7	81.0	23.3	30.1	38.8
Personal Care	0.0	0.0	0.0	0.0	0.0	76.4	88.8	100.6
Senior Citizens Property Tax Freeze	0.0	0.0	0.0	0.0	0.0	0.0	0.0	23.7
VALUE OF PROGRAMS SHIFTED	\$107.7	\$119.3	\$111.4	\$152.7	\$186.4	\$209.3	\$269.1	\$317.9

Notes:

¹ Includes supplemental appropriation of \$14.3 million.

Workforce

OVERVIEW

This Administration has a continuing commitment to develop a more efficient and streamlined State government. Efforts to downsize the workforce have been balanced with the desire to minimize disruption to State programs and to individual employees. The number of full time employees on the State payroll, excluding the county courts, has decreased by 4,093, or 6.2%, from the beginning of the Administration in January 1994 to January 1999. The total number of employees has decreased from 65,511 to 61,418.

These reductions were accomplished through a nearly equal combination of attrition and layoffs. Attrition has occurred in cases in which employees voluntarily separated and have not been replaced. Layoffs have resulted from the implementation of various programmatic changes. Such changes have involved contracting for certain services determined to be more efficiently provided by the private sector and/or a variety of agency re-engineering initiatives.

FISCAL 2000 EMPLOYEE IMPACT

The fiscal 2000 Budget reflects projected growth of 400 employees offset by the reduction of an estimated 345 employees, resulting in a net increase of 55 employees, excluding the county courts.

Of the employee growth, 95 are recommended in the Department of Corrections to staff a new facility for civilly committed sex offenders. The Department of Human Services will have 46 new staff to provide psychiatric treatment for these offenders. Human Services is also adding 20 staff to implement initiatives to reduce Medicaid fraud and abuse.

In the Department of Environmental Protection, staffing for improved operation and maintenance of State parks and forests will be increased by 100 during fiscal years 1999 and 2000. In the county courts, 25 new juvenile probation officers are recommended to reduce caseloads and 21 new staff are recommended for a Youth Violence Initiative.

All employee reductions are expected to be accomplished through the use of a managed attrition program. The program will be based on historical attrition rates; public safety, parks and forestry, and direct care positions will be exempted. This focuses responsibility on agency management to prioritize use of staff by permitting departments to replace three out of five employees who leave in non-exempt positions.

Profile of a State Employee

- Average Age 44
- Average Salary \$41,395
- Average length of service 12 yrs
- Education
 - High School 57.6%
 - Post High School 42.4%
- Gender
 - Female 54%
 - Male 46%
- Minorities 35%



**FULL-TIME PAID EMPLOYEE COUNT COMPARISON
(ALL FUND SOURCES)**

DEPARTMENT/AGENCY	WHITMAN FIRST TERM	WHITMAN'S SECOND TERM	JANUARY 1999	JANUARY 1999 vs JANUARY 21, 1994	
	BEGINS 1/21/94	JANUARY 1998		DIFFER- ENCE	% DIFFER- ENCE
AGRICULTURE	240	239	239	(1)	(0.42%)
BANKING & INSURANCE	641	561	471	(170)	(26.52%)
CHIEF EXECUTIVE'S OFFICE	144	114	124	(20)	(13.89%)
COMMERCE	91	108	-	(91)	(100.00%)
COMMUNITY AFFAIRS	979	922	974	(5)	(0.51%)
CORRECTIONS	8,213	9,084	9,258	1,045	12.72%
- PAROLE BOARD	137	158	161	24	17.52%
EDUCATION	898	830	870	(28)	(3.12%)
ENVIRONMENTAL PROTECTION	3,651	3,058	3,085	(566)	(15.50%)
HEALTH	1,802	1,790	1,859	57	3.16%
HIGHER EDUCATION (CHANCELLOR'S OFFICE)	58	-	-	(58)	(100.00%)
HUMAN SERVICES	19,608	17,914	16,928	(2,680)	(13.67%)
LABOR	3,623	3,743	3,624	1	0.03%
- PUBLIC EMPLOYEES RELATIONS COMMISSION	35	39	39	4	11.43%
LAW & PUBLIC SAFETY	6,063	6,105	6,486	423	6.98%
- ELECTION LAW ENFORCEMENT COMMISSION	31	39	44	13	41.94%
- VIOLENT CRIMES COMPENSATION BOARD	58	50	47	(11)	(18.97%)
- EXECUTIVE COMM. ON ETHICAL STANDARDS	7	7	6	(1)	(14.29%)
- JUVENILE JUSTICE	1,059	1,319	1,423	364	34.37%
MILITARY AND VETERANS' AFFAIRS	1,470	1,357	1,366	(104)	(7.07%)
PERSONNEL	634	431	409	(225)	(35.49%)
STATE	191	235	165	(26)	(13.61%)
- COMMISSION ON HIGHER EDUCATION	17	20	20	3	17.65%
- PUBLIC BROADCASTING AUTHORITY	169	135	133	(36)	(21.30%)
TRANSPORTATION	4,531	3,958	3,815	(716)	(15.80%)
- DIVISION OF MOTOR VEHICLES	2,321	1,670	1,299	(1,022)	(44.03%)
TREASURY	4,797	4,369	4,474	(323)	(6.73%)
- CASINO CONTROL COMMISSION	369	336	336	(33)	(8.94%)
- COMMERCE & ECON. GROWTH COMMISSION *	-	-	108	108	100.00%
- COMMISSION ON SCIENCE & TECHNOLOGY	6	6	4	(2)	(33.33%)
- OFFICE OF ADMINISTRATIVE LAW	153	117	114	(39)	(25.49%)
- PUBLIC DEFENDER	900	837	862	(38)	(4.22%)
- STUDENT ASSISTANCE	178	192	198	20	11.24%
- BOARD OF PUBLIC UTILITIES	303	307	298	(5)	(1.65%)
MISCELLANEOUS EXECUTIVE COMMISSIONS	-	1	2	2	100.00%
SUBTOTAL EXECUTIVE BRANCH	63,377	60,051	59,241	(4,136)	(6.53%)
LEGISLATURE	479	464	471	(8)	(1.67%)
JUDICIARY (ADM. OFFICE OF THE COURTS)	1,655	1,698	1,706	51	3.08%
STATEWIDE TOTAL	65,511	62,213	61,418	(4,093)	(6.25%)
JUDICIARY (COUNTY COURTS)*	N/A	7,009	7,176	N/A	N/A
COLLEGES AND UNIVERSITIES	25,053	25,332	25,583	530	2.12%

*** NOTE:**

- The State takeover of the County Courts was implemented in January of 1995
- The Department of Commerce and Economic Development was reorganized effective September 1, 1998 as the New Jersey Commerce and Economic Growth Commission (in-but-not-of the Department of Treasury).

Interdepartmental Accounts

INTERDEPARTMENTAL ACCOUNTS	
FISCAL 2000 RECOMMENDED BUDGET	
(In Thousands)	
General Fund	
Employee Benefits	\$1,225,395
Salary Increases & Other Benefits	44,077
Other Interdepartmental	35,978
Rentals, Utilities, Insurance & Other Services	272,903
Total Direct State Services	\$1,578,353
Grants-In-Aid	79,667
Capital Construction	120,525
Total General Fund	\$1,778,545
Grand Total State Recommendation	\$1,778,545

OVERVIEW

The Interdepartmental Accounts provide funds for the cost of certain services which are administered centrally on behalf of all agencies of State government. The fiscal 2000 recommendation for all Interdepartmental Accounts totals \$1.8 billion, as compared to \$1.6 billion in fiscal 1999. The focus of this section is on interdepartmental salary contract funding, employee benefits, and contingency reserves, with a recommended budget of \$1.3 billion. Highlights of the remaining interdepartmental accounts including property rentals, utilities, insurance, Grants-in-Aid, and capital, with a recommended budget of \$473.1 million, are discussed in the Capital Investments and Property Management section of this document.

SALARY INCREASES AND RELATED BENEFITS FOR STATE EMPLOYEES

In fiscal 2000, \$38.4 million is recommended for Salary Increases and Other Benefits. This includes employee increments, deferred increments, and across the board raises from employee contracts ending June 30, 1999. Also recommended are increases in accordance with contractual agreements with the Judiciary employee unions running through fiscal 2000. In addition, this total includes employee increments, across the board raises and maintenance allowances in accordance with contractual agreements with the State Troopers Fraternal Association of New Jersey (STFA) through fiscal 2000.

Funding in this central account is allocated each year to the departments, where it becomes part of each agency's adjusted appropriation. This recommendation does not include funding for higher education's senior public institutions.

In addition to salary increases, this section of the Budget also provides \$5.7 million for payment of unused accumulated sick leave. Employees are permitted to accumulate earned sick days. Upon retirement, the retiree is paid for unused sick days at 50% of the normal pay rate, up to a maximum pay out of \$15,000.

In order to continue the Administration's efforts to streamline government, the fiscal 2000 Budget recommends a program of statewide managed attrition, which is expected to provide \$8.9 million in savings including fringe benefits.

Public Employer-Employee Relations Act

The State of New Jersey, excluding higher education's senior public institutions, employs approximately 71,600 full-time and part-time workers, including those currently on paid or unpaid leave. The State is covered by the New Jersey Public Employer-Employee Relations Act, as amended, NJSA 34:13A-1, et seq. This Act guarantees to public employees the right to negotiate collectively through employee organizations certified or recognized as the exclusive collective negotiation representatives for units of public employees. As of December 1998, 90%, or 63,000, full-time and part-time state employees are represented by unions.

STATE EMPLOYEE UNION AFFILIATION	
<u>Unions</u>	<u>Full-time Employees</u>
Communications Workers of America (CWA)	31,700
Judicial Employee Unions	8,200
American Federation of State, County and Municipal Employees (AFSCME)	8,100
Policemen's Benevolent Association (PBA)	7,400
International Federation of Professional and Technical Engineers (IFPTE)	4,900
State Troopers Fraternal Association (STFA)	<u>2,700</u>
Total	63,000

Interdepartmental Accounts

Employee Compensation

Contracts with the Policemen's Benevolent Association (PBA), American Federation of State, County and Municipal Employees (AFSCME), International Federation of Professional and Technical Engineers (IFPTE), and Communication Workers of America (CWA), which collectively represent approximately 52,100 union employees, expire June 30, 1999.

In December 1998 an agreement was arbitrated between the State of New Jersey and the State Troopers Fraternal Association (STFA). The agreement runs from fiscal 1996 through fiscal 2000. The contract provides a one year salary freeze during 1997 and across the board salary increases of 3.75% in fiscal years 1998 and 1999, 3.5% on July 1, 1999 and 1.5% on January 1, 2000. Eligible employees represented by this union continue to receive annual performance increments.

In 1998, the State settled with the Probation Association of New Jersey (PANJ), the Communications Workers of America (CWA) and the Judiciary Council of Affiliated Unions (JCAU) which represent Judiciary union employees. Terms of these agreements run from January 1995 through June 2000. The Judiciary has begun to implement a new classification and compensation system effective July 1, 1998. A significant component of the new system replaces increments with increases based on performance.

EMPLOYEE FRINGE BENEFITS

An important part of investing in New Jersey is to attract and retain qualified employees, including those who teach our children, protect our neighborhoods and provide services for those in need. In order to accomplish this objective, the State of New Jersey offers its employees competitive salaries and attractive benefit packages, including a wide variety of medical and dental plans, defined benefit and defined contribution pension plans and a deferred compensation program. While some of these benefits are mandated by State or federal law, others are the result of negotiations with unions representing various employee groups. Members of the State workforce contribute toward most of their benefits, either directly through payroll deductions or through co-payments or deductibles.

For fiscal 2000, a total of \$1.2 billion is budgeted to provide fringe benefits to employees of State government and higher education institutions, an increase of \$84.2 million, or 7.4%, compared to fiscal 1999. Fringe benefit costs for primary and

secondary schools as well as community colleges are included in the State Aid and Local Taxpayer Relief section of this document.

The major components of the Direct State Services appropriation for employee fringe benefits for fiscal 1999 and 2000 are as follows:

	Adjusted Approp. Fiscal 1999	Recommendation Fiscal 2000
(\$ in millions)		
Employee Retirement	\$210.5	\$232.8
Health Benefits	556.5	618.1
Employer Payroll Taxes	372.6	372.2
Initiative Fringe Costs	<u>1.6</u>	<u>2.3</u>
Total Direct State Services- Employee Benefits	<u>\$1,141.2</u>	<u>\$1,225.4</u>

Employee Retirement

All State employees and most employees of counties, municipalities, and school districts are members of one of the seven State retirement systems. The Public Employees' Retirement System (PERS) and the Teachers' Pension and Annuity Fund (TPAF), created by acts of the State Legislature in 1920 and 1919 respectively, are the major plans in terms of membership. The Police and Firemen's Retirement System (PFRS), created in 1944, covers State, county, and municipal police and firefighters.

State law regulates administration of the retirement systems. The law provides that all defined benefit pension plans are subject to actuarial valuation every year and actuarial experience studies every three years. Such valuations and studies ensure that these programs are adequately funded and recognize the costs resulting from experience and legislative changes in benefits paid.

The State's total contribution for fiscal 2000, including normal costs, post retirement medical costs for PERS and TPAF State employees, and debt service payments on the pension obligation bonds is projected at \$404.9 million. However, the State will apply \$172.1 million of surplus pension assets made available as a result of the Pension Security Program against the actuarially determined normal contribution for the current year. The net result is a fiscal 2000 contribution of \$232.8 million, an increase of \$22.3 million compared to fiscal 1999.

Interdepartmental Accounts

This recommendation of \$232.8 million includes \$54.2 million for the Public Employees' Retirement System, \$62.5 million for the Police and Firemen's Retirement System, \$81.4 million for the Alternate Benefit Program and \$2.6 million for the Teachers' Pension and Annuity Fund. State pension recommendations of \$1.8 million represent appropriations to smaller pension funds and other specially legislated retirement provisions. Scheduled debt service payments on the pension obligation bonds covering State employees total \$30.3 million in fiscal 2000.

Full funding of the retirement systems as well as the availability of significant asset surpluses will translate to lower pension contribution rates for many State employees in fiscal 2000. Contributions for members of TPAF and PERS have been decreased by .5% both in fiscal 1999 and fiscal 2000, reducing each employee's payroll contribution from 5% to 4.5%. This lower pension contribution rate will result in fiscal 2000 savings of \$28 million and \$15.6 million, respectively, for members of TPAF and PERS.

State Employee Health Benefits

The cost for health benefits, including medical, prescription drug, dental and vision, for State employees in fiscal 2000 is projected at \$618.1 million. This is an increase of \$61.6 million above the fiscal 1999 adjusted appropriation of \$556.5 million. This growth is a result of anticipated rate increases for all State health plans, reflecting continued cost escalation in the health care industry. Significant industry trends causing these increases include aggressive advertising of expensive, brand name pharmaceuticals, higher premiums to offset declining insurance industry profits, an aging population and adverse selection in the traditional indemnity-type health care programs.

The State has instituted several programs during the past few years to combat these rising medical costs. In addition, new savings initiatives will be implemented in fiscal 2000 to make employee health care programs more efficient than ever. These existing and proposed programs are summarized below:

- The Participating Physician Network - The State, through one of its third party administrators, has access to an extensive network of doctors, hospitals and other health care providers that are required to furnish significant discounts to employees using their services. Savings from this network totaled approximately \$35 million in calendar 1997.

- Managed Care Options - The State has encouraged employees to take advantage of the broad range of managed care options offered through the State Health Benefits Program. Currently, employees can choose among nine Health Maintenance Organizations and one Point of Service plan. These managed care options offer employees lower co-payments and excellent preventive care while simultaneously reducing overall medical costs charged to the State.
- Computerized Audit Software - The State's health care claims are processed by its third party administrators using state-of-the-art software programs, insuring that all claims are thoroughly scrutinized before being paid. Comprehensive system edits safeguard against erroneous claims, improper coding, inflated invoices, and other inappropriate billing practices. The State will be instituting new audit programs in fiscal 2000 that will provide for the continued integrity of these claims processing systems.
- Self-Funding of Health Plans - The State has successfully self-funded its traditional indemnity and NJ Plus health plans for many years. This self-funding approach reduces administrative costs by eliminating insurance company charges and certain premium taxes. Several of the managed care programs are now being self-funded, with expected savings of approximately \$4 million in fiscal 2000.

Employer Payroll Taxes

The fiscal 2000 recommendation of \$372.2 million for employer payroll taxes includes \$356.9 million for the State's portion of the Social Security tax, \$6.7 million for Temporary Disability Insurance (TDI) and \$8.6 million for Unemployment Insurance (UI) liability. The taxable wage base for Social Security will increase from \$68,400 to \$72,600 in calendar year 1999. The taxable wage base for TDI and UI will increase from \$19,300 to \$20,200.

OTHER INTERDEPARTMENTAL

Funds in other interdepartmental accounts will provide for several additional interdepartmental needs. \$36 million is needed in fiscal 2000 to cover these costs. One of the major services included in this amount is \$15.4 million for the Statewide 911 Emergency Telephone System.

The remaining interdepartmental needs for fiscal 2000 include \$6 million for interest on interfund borrowing, and \$4.6 million for several smaller programs that cross interdepartmental areas. Highlights of the \$10 million for Year 2000 Data Processing Initiatives are discussed in the Information Technology section of this document.

State Employees' Benefits

- State employees receive with pay: 13 holidays, 15 sick days, 3 administrative leave days, and an average of 20 vacation days.
- Employees with 30 years of service in the Public Employees Retirement System (PERS) can retire at age 55 and receive pensions equal to 50% of the average of their highest three years of salary.
- Employees and their dependents are offered a choice of nine HMOs or the NJ PLUS point of service program, at no cost to the employee. Employees may opt for a traditional Blue Cross/Blue Shield indemnity plan which is the only plan requiring employee contributions.
- The employee prescription drug program allows employees and their dependents to obtain brand name drugs for a \$5 co-pay or generic drugs for a \$1 co-pay. No co-payment is required for prescription drugs acquired through the State's mail order pharmaceutical program.
- Employees receive paid life insurance equivalent to a minimum of one and one-half times annual salary.

Investing in Information Technology

INFORMATION TECHNOLOGY FISCAL 2000 RECOMMENDED BUDGET (\$ Thousands)	
Year 2000 Remediations	\$ 10,000
Office of Information Technology	
Operating Budget	86,849
Capital Investments	12,396
Grand Total State Recommendation	<u>\$109,245</u>
Note: Additional Information: Technology funding is available for agency specific projects.	

OVERVIEW

Seeking to make New Jersey government more responsive, efficient, and productive, a number of measures have been implemented to enhance the State's ability to use technology. These changes will transform the way citizens and businesses interact with and receive government information and services.

- A Chief Information Officer (CIO) was appointed in the Governor's Office to develop a statewide plan for the use of information technology throughout State departments.
- The Office of Information Technology (OIT), created through Executive Order, is being re-designed to identify, implement, and promote technologies which support the State's business goals.
- Oversight of OIT by a public/private board is ensuring that the best practices from both sectors are applied to State government.

THE VISION-- 2000 AND BEYOND

The CIO's vision is to make New Jersey "the on-line State" -- one which will provide New Jersey residents, businesses, and visitors with the highest level of government services. This will be accomplished by strategically investing in technology, and developing partnerships to deliver responsive business solutions; creating a collaborative and challenging work environment; and providing easy access to timely and accurate information.

Through an enterprise-wide strategic planning process, current information technology capabilities and future needs are being identified. Opportunities for technology consolidation and resource savings will emerge through the development of enterprise vision, goals and strategies. Additionally, a standard open architecture for networks and systems will facilitate a single, efficient statewide network infrastructure.

To accomplish these information technology goals and objectives, it is necessary to invest in the State's technology workforce, supporting the professional growth and development of Information Technology (IT) employees. A multi-department Personnel Team is assisting in the design of a comprehensive training and development program beginning with an IT skills assessment program.

OFFICE OF INFORMATION TECHNOLOGY

The Office of Information Technology is focusing on its core mission of using technology to make government services more affordable, accessible, and responsive. OIT assumed the responsibilities of providing IT services to State agencies, including Internet and Intranet planning and development, network management, data center operations, and client server application development. OIT's current responsibilities include:

- maintaining over 450 agency business systems;
- managing the technological and physical infrastructure of the enterprise server (i.e., mainframe) environments 24 hours per day, 7 days per week;
- operating and maintaining the Garden State Network, a heavily used statewide network funded by Executive Branch departments, allowing State agencies, counties, municipalities, police, local school boards, and libraries to communicate with each other;
- providing the State's agencies with uninterrupted access to the Internet;
- maintaining the State's web server, which is accessed over 500,000 times per day; and
- managing the State's telephone services, including over 79,000 phones and 55 Centrex systems.

The OIT organization will also address issues related to technology research, business process analysis, desktop support, and statewide project coordination. High among the priorities of the Office of Information Technology in fiscal 2000 are: Year 2000 compliance, disaster recovery, organization transition, skills assessment, and the establishment of a server farm.

The fiscal 2000 operating budget of \$86.8 million and \$12.4 million in capital, increases of \$6.5 million and \$4.9 million, respectively, from fiscal 1999, will allow OIT to augment current service levels through expanded staff training, employee retention, and development of an Intranet service for local governments. Included in the recommended funding is:

- \$1.8 million in increased training funds to ensure that OIT staff are trained and current in all relevant technologies. The Administration is making a commitment to the professional growth and development of the State's IT employees. OIT recognizes the importance for staff to keep up with technology changes and to be well trained and knowledgeable about the best solutions to client information technology needs.
- \$771,000 continuation funding for GovConnect, a government to government network, being built upon the existing Garden State Network infrastructure.

In fiscal 1999, the Division of Pensions in the Department of the Treasury is providing funding for the initial development and first year operating costs. Initially, municipalities will be able to electronically transmit their Report of Contributions to the Division of Pensions. Beginning in fiscal 2000, OIT will assume responsibility for ongoing operational costs. GovConnect will be extended to other local users who transmit information to and receive information from the State, such as municipal budget submissions and required school district reports. OIT, in conjunction with the New Jersey Institute of Technology (NJIT), will oversee this service.

- \$12.4 million of capital funding is recommended for fiscal 2000. Included in the funding is: \$4.9 million to continue data center consolidations begun in fiscal 1998, and \$2 million to support the needs of New Jersey's law enforcement and public safety communities for a unified radio communication network,

allowing multiple agencies to transmit and receive unrestricted communications. Begun in fiscal 1999, this project will assess the current infrastructure in place at State agencies using wireless communication, develop recommendations for an integrated system, and implement solutions to ensure inter-operability among users.

STATEWIDE INITIATIVES

The fiscal 2000 Budget recognizes three statewide initiatives which will benefit multiple agencies:

- **Centralized Geographic Data Management System-** In fiscal 1999, the Geographic Information System (GIS) team is organizing an Internet-based GIS clearinghouse that will allow users to search GIS data from multiple sources through a single, central repository. Building on this base, in fiscal 2000 a centralized unit will be implemented which will allow agencies to consult with in-house experts. This centralized unit will also research and identify available grant funding, thereby leveraging State funds.
- **Document Storage and Retrieval-** Beginning in fiscal 1999, standards and procedures for imaging technology will be developed for all State agencies. The centralized analytical unit will work with departments to plan and develop workflow and imaging projects. A final phase will establish a centralized processing and storage function. Funding for the centralized unit will be obtained through reallocation of agency savings.
- **Integrated Financial and Administrative System-** Beginning in fiscal 1999, an evaluation will be conducted to determine the feasibility of acquiring and implementing an integrated financial and administrative system. This enterprise-wide initiative will establish the core environment for the State's financial, human resource, and other central administrative processing functions.

YEAR 2000 REMEDIATION

The Year 2000 problem (also known as Y2K) is not limited to government operations. All technology dependent businesses have been working to ensure that computer systems recognize and react correctly to the January 1, 2000 date. New Jersey began its remediation efforts in fiscal 1998. These remediations will continue through fiscal 1999 and into fiscal 2000. New Jersey's citizens should not anticipate any major disruptions in State services through the turn of the century.

Investing in Information Technology

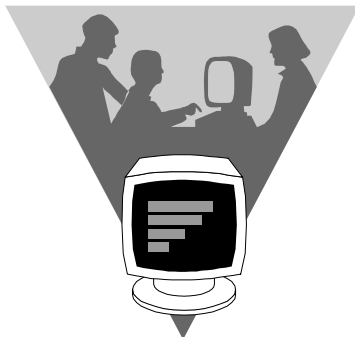
In fiscal years 1998 and 1999, \$15 million and \$31.9 million, respectively, in State funds were appropriated centrally to address needed remediations.

The fiscal 2000 Budget recommends an additional \$10 million to be appropriated centrally. The total cost to remediate Y2K impacts is projected at \$120 million, approximately half of which is funded from

State special purpose appropriations. The balance derives from agency base budgets and non-State fund sources.

Fiscal 2000 funding will continue to address Y2K impacts in the Division of Motor Vehicle systems, OIT mainframe applications, statewide telecommunications and building facilities including Heating, Ventilation and Air Conditioning (HVAC), security, and fire suppression systems.

Year 2000



Beginning in fiscal 1998, the State of New Jersey embarked on its single, largest computer based technology project ever--to ensure that not only software, hardware, applications, and networks but building security systems, heating and air conditioning systems, and telecommunications systems continue to function properly beyond the turn of the next century.

Historically, the Year 2000 problem, also known as Y2K, arose from the practice of using two-digit date fields to identify years in computer systems in order to preserve valuable memory space. Considering the extensive use of dates by computers to make calculations tied to financial investments, payroll, license renewals, fire systems in buildings, telephones, and timed security systems, the scope of Year 2000 impact becomes apparent.

This problem is worldwide; total costs could hit \$1 trillion--\$600 billion before 2000 and \$400 billion after, according to a statement in *Business Week* by the Gartner Group, Inc., a technology consulting firm in Stamford, Connecticut. The costs anticipated to remediate Y2K impacts in New Jersey State government are estimated at \$120 million.

New Jersey's efforts to remediate these impacts include:

Beginning in fiscal 1998, departments were required to submit three-year comprehensive plans dealing with their Y2K impacts in six areas: hardware, software, applications, networks, telecommunications, and facilities.

In fiscal 1998, the Chief Information Officer imposed a moratorium on all non-Year 2000 data processing activities until required remediations to the State's mission critical systems have been completed.

In fiscal 1998 and 1999, \$46.9 million was appropriated centrally to address needed remediations; funding in fiscal 2000 of \$10 million will continue to address statewide Y2K impacts in departmental systems, statewide telecommunications, and building facilities.

Based on the Office of Information Technology's reports to date, approximately 75% of centrally maintained State systems are complete; departmental systems are in varying stages of remediation, and all systems are expected to be complete and tested prior to the beginning of the year 2000.

AGRICULTURE	
FISCAL 2000 RECOMMENDED BUDGET	
(In Thousands)	
General Fund	
Direct State Services	\$ 8,897
Grants-In-Aid	1,604
State Aid	8,867
Capital Construction	<u>1,153</u>
Total General Fund	\$ <u>20,521</u>
Grand Total State Recommendation	\$ <u>20,521</u>

OVERVIEW

The existence of a strong agricultural industry is important to all New Jerseyans, from the thousands of people it employs to the millions of visitors and residents who enjoy the open space and farms, beautiful scenic vistas and environmental benefits such as wildlife habitat and groundwater recharge that agriculture provides. The state's 9,400 farms covered 830,000 acres of land and brought in cash receipts totaling \$801 million, or .3% of gross state product in 1997. The average per acre value of New Jersey farmland was \$8,290, the highest average value in the nation.

PROGRAM GOALS, ACCOMPLISHMENTS

The Department's primary goals are as follows:

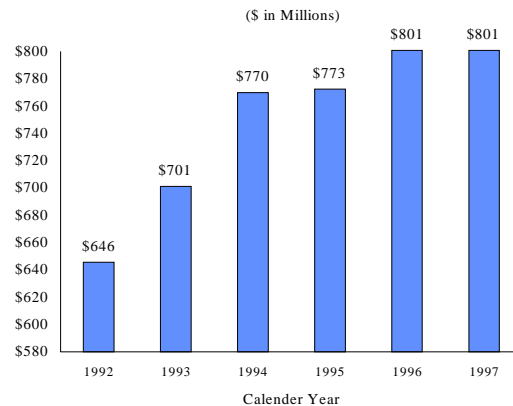
- Preserve farmland
- Expand domestic and foreign markets for New Jersey's agricultural products
- Protect livestock, poultry, food crops, and other plant resources from disease and contaminants
- Conserve soil, water, and natural resources through non-point source pollution and erosion control programs
- Supply New Jersey schools and non-profit organizations with federally donated agricultural commodities and funding for child nutrition programs

The beginning of fiscal 1999 was exciting for the State's Farmland Preservation Program, with the permanent preservation of the 50,000th acre of farmland followed by overwhelming voter approval of an open space and farm preservation initiative. This stable funding source, combined with amendments to the state's Right to Farm Act signed into law by the Governor during the summer of 1998, provides a solid cornerstone for the future of the agriculture industry in the Garden State.

In 1997, the nursery, greenhouse and sod industry remained the leading commodity group in New Jersey agriculture with cash receipts of \$255 million.

Cash receipts for vegetables totaled \$166 million, followed by fruit at \$118 million and the horse industry at \$101 million. Field crops brought in nearly \$67 million, while cash receipts for the state's dairy industry were \$41 million, poultry and eggs generated \$26 million, and \$27 million was generated from other farm products.

**Cash Receipts From
New Jersey Farm Commodities**



The Jersey Fresh program, supported by a \$1.2 million appropriation, continued to reach growing numbers of consumers. The program received national recognition and won a major state marketing campaign award from a national trade journal.

The Horse Park of New Jersey at Stone Tavern in Monmouth County accomplished another step in its master development plan with the addition of a covered grandstand and vendor area. Following a tremendously successful 1998 season, Park management looks forward to the 1999 return of the United States Dressage Federation's Regional Dressage Finals and has received a three-year commitment from another major regional breed group show as well.

Finally, the Department's Aquaculture Development program saw the establishment and inaugural session of the Aquaculture Advisory Council. A report on minimizing regulatory hurdles facing aquaculture development is expected shortly and will guide efforts to create a business friendly, environmentally sound regulatory policy and framework for this fledgling industry.

FISCAL 2000 BUDGET

The Department's recommended fiscal 2000 Budget is \$20.5 million, representing a \$1.5 million, or an 8% increase, from the fiscal 1999 appropriation of \$19 million.

Agriculture

In a new \$1.7 million initiative, the Department will subsidize 10 cents of the cost of breakfast for lower income children at school districts participating in the School Breakfast Program. These funds are in addition to as much as \$18 million to be provided by the federal government in fiscal 2000. The federal government reimburses \$1.04 for free breakfasts, 75 cents for reduced price breakfasts and 25 cents for paid breakfasts. In fiscal 1998, approximately 14 million breakfasts were served. The additional State funding is expected to increase the number of breakfasts served by up to 5% annually. As studies have shown, children are better prepared to learn with a nutritious breakfast.

The Department's fiscal 2000 Budget continues a successful initiative started in fiscal 1999. Funding for the Conservation Cost Share program remains at \$2 million. By providing financial and technical assistance to farmers who implement best management practices to control non-point source pollution on their land, this important program helps to protect and improve the quality of New Jersey's waterways and ground water. An apparent \$850,000 reduction in fiscal 2000 State funding for the Conservation Cost Share program actually reflects allocation of that sum from the Department of Environmental Protection's (DEP) appropriation for Watershed Monitoring and Planning, which is funded from the constitutionally dedicated Corporate Business Tax (CBT). Since agricultural runoff represents a significant source of non-point source pollution affecting water quality in New Jersey's watersheds, this reallocation is consistent with the goals of the DEP program, and is thus eligible for CBT funding.

The proposed fiscal 2000 Budget also provides an additional \$100,000 to assist County Agriculture Development Boards (CADB) in settling right to farm disputes. Revisions to the State's Right to Farm Act enacted in 1998 will help to protect New Jersey farmers against frivolous and nuisance complaints. A key improvement to the law was a provision for mediation of right to farm disputes by the county boards. Increased funding will enable the State to reimburse counties for the costs of providing this service.

The Department proposes to expand the existing Jersey Fresh matching program by \$100,000. These additional funds leverage industry advertising efforts. Commodity groups design and implement promotional programs that benefit their own product and the Jersey Fresh promotional campaign.

The fiscal 2000 Budget also includes \$100,000 for computer upgrades. The acquisition of newer technology will enable the Department to use more powerful software products, improve processing time, and provide greater processing capacity. New computer equipment will reduce annual maintenance costs by up to 60%, thus providing considerable savings to the State.

A new appropriation is also recommended for payments in lieu of taxes. This \$25,000 item will be used to make payments to a municipality when the State Agriculture Development Committee resells land that had been deed-restricted.

In another resource protection effort overseen by the Department, the annual gypsy moth aerial spray and monitoring program, combined with the effect of a naturally occurring gypsy moth virus, have virtually eliminated the damage caused by this voracious predator of the state's hardwood trees. Recent surveys conducted by the Department predict an infestation of just 1,300 acres compared to the more than 80,000 acres of trees affected a decade ago. Accordingly, the recommended fiscal 2000 Budget has been reduced by \$35,000.

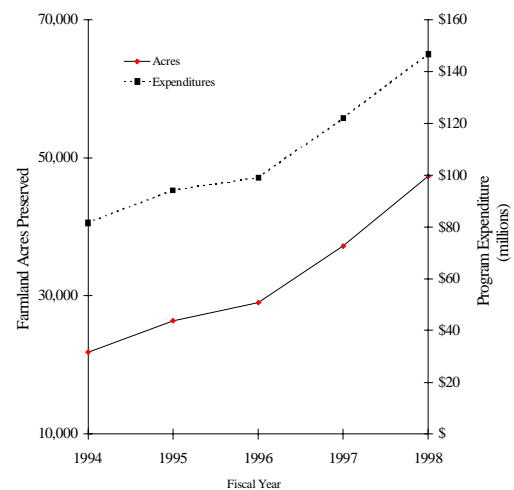
CAPITAL RECOMMENDATIONS

The fiscal 2000 capital funding recommendation for the Department of Agriculture is \$1.15 million. These funds will provide renovations to the Beneficial Insect Laboratory at \$153,000 and major facility improvements to the Horse Park at Stone Tavern at \$1 million.

FARMLAND PRESERVATION

The Department will be responsible for farmland preservation activities funded from the 1998 constitutional dedication for open space, farmland, and historic preservation. The State Agriculture Development Committee (SADC) will provide grants to counties to fund a portion of the cost of the purchase of farmland preservation easements. The SADC continues to encourage potential donors to

**Farmland Preservation
Acres Preserved And Expenditures
(Cumulative)**



pursue the tax benefits of a donation of farmland preservation easements.

**BANKING AND INSURANCE
FISCAL 2000 RECOMMENDED BUDGET
(In Thousands)**

General Fund	
Direct State Services	\$ 58,745
Total General Fund	\$ 58,745
Grand Total State Recommendation	\$ 58,745

OVERVIEW

The Department of Banking and Insurance regulates the insurance and banking industries. For fiscal 2000, the Department will continue efforts to eliminate duplicative regulatory demands and to streamline consumer related financial services provisions.

Banking Responsibilities

As a part of its banking regulation responsibilities, each State-chartered bank and savings and loan association is examined to determine whether the bank is conducting its business in conformity with the laws of the State and with safety to its depositors, other creditors, and the public. The Department is also empowered to examine mortgage bankers, mortgage brokers, insurance premium finance companies, consumer loan companies, secondary mortgage companies, credit unions, and pawnbrokers.

The Department reviews and processes applications by depository institutions for new charters, branches, relocations, plans for acquisition, mergers, bulk sales, stock conversions, and auxiliary offices, and for licensing all consumer lenders. Written complaints filed by consumers against State regulated institutions are investigated. In addition, the Department ensures institutional compliance with the federal Community Reinvestment Act which requires financial institutions to reinvest their assets in the communities they serve.

Insurance Responsibilities

The Division of Insurance provides effective monitoring and regulation of the insurance industry, assures fair markets and rates for all authorized lines

of insurance, and monitors the real estate industry to ensure that professional standards are observed and maintained.

Fraud Prevention

The Division of Insurance Fraud Prevention was created under the "New Jersey Insurance Fraud Prevention Act," P.L. 1983, c. 320 (C.17:33A-1 et seq.), and is responsible for investigating allegations of insurance fraud and for developing and implementing programs to prevent insurance fraud and abuse. Various amendments to the Fraud Prevention Act have expanded the scope of the Division's investigations not only to those cases reported by property and casualty companies, but also to those cases reported by life and health insurance companies, investigations of fraud within insurance companies, and rate evaders.

Auto Insurance

Reduction of automobile insurance premiums is a major objective of this Administration. During fiscal 1999, the Office of the Insurance Fraud Prosecutor was established in the Division of Criminal Justice of the Department of Law and Public Safety in order to provide more effective investigation and prosecution of insurance fraud matters. The investigatory component of the Division of Fraud Prevention in the Department of Banking and Insurance was formally consolidated into the Office of the Insurance Fraud Prosecutor in Law and Public Safety. In addition, an Ombudsman's Office was established in the Division of Insurance to investigate consumer complaints. These services will continue to reduce insurance fraud during fiscal 2000.

FISCAL 2000 BUDGET

The fiscal 2000 Budget recommendation for the Department of Banking and Insurance totals \$58.7 million, representing an increase of \$837,000 over the fiscal 1999 adjusted appropriation. Of this amount \$254,000 has been added in support of Banking functions and \$583,000 has been added to enhance insurance operations. Continuing the policy of the Administration in fiscal 2000, fees charged to both industries cover the State's entire cost associated with their regulation.

Auto Insurance Cost Reduction Act of 1998

- Governor Whitman promised, in her January 1998 State of the State Message, to reduce auto insurance costs by reducing fraud, containing the costs of medical treatment and providing an affordable insurance policy.
- Sweeping auto reform legislation was signed into law on May 19, 1998, and auto insurance rates will be reduced by 15% early in 1999.
- The following regulations have been adopted to implement the 15% rate rollback:
 - **New medical protocols** - to reduce unnecessary and fraudulent treatment of auto accident injuries.
 - **New personal injury protection limits** - to allow consumers to choose the amount of medical insurance they need.
 - **New “named driver exclusion”** - to save money by keeping driving age teens from driving the expensive family car.
 - **New lawsuit threshold** - to limit suits for pain and suffering to only the most serious injuries.
 - **New arbitration system** - to provide independent reviews by medical professionals in disputed auto insurance claims.
 - **New buyers guide and coverage selection forms** - to help consumers make informed choices about choosing the right auto insurance coverage.
 - **New basic policy** - provides affordable coverage and brings uninsured drivers into the system.

COMMUNITY AFFAIRS	
FISCAL 2000 RECOMMENDED BUDGET	
(In Thousands)	
General Fund	
Direct State Services	\$ 28,854
Grants-In-Aid	37,340
State Aid	<u>62,036</u>
Total General Fund	\$ 128,230
Property Tax Relief Fund	<u>797,863</u>
Grand Total State Recommendation	<u>\$ 926,093</u>

OVERVIEW

The Department of Community Affairs provides technical, advisory, and financial assistance to communities and individuals. Services are provided through partnerships with public, private, and non-profit entities in an effort to improve the quality of life of New Jerseyans.

Serving as a conduit through which advocacy for and representation of local government and community group needs are provided, the Department has been at the forefront in finding solutions to the challenges of municipalities, from community development to financial stability.

The Department's services include: housing assistance; building safety; local government financial assistance and oversight; and other programs which benefit traditionally under represented groups.

FISCAL 2000 BUDGET

The fiscal 2000 Budget allocates \$926.1 million in total State appropriations to the Department of Community Affairs. This Budget includes \$43.5 million for five new and expanded municipal aid programs. The total fiscal 2000 Budget reflects a decrease of \$23 million from the fiscal 1999 adjusted appropriation. This is primarily the result of not funding one-time grants included in the fiscal 1999 Budget process. Otherwise, the recommended funding level for the Department as a whole is a continuation of fiscal 1999 amounts. Of the total fiscal 2000 recommendation, \$128 million represents General Fund appropriations and \$798 million is provided in the Property Tax Relief Fund.

FINANCIAL ASSISTANCE

The proposed fiscal 2000 Budget for the Department would appropriate \$860 million in State Aid (\$62 million) from the General Fund and Property Tax Relief Fund \$798 million from the to New Jersey's municipalities. This sum is an increase of \$21 million over the fiscal 1999 adjusted appropriation.

The fiscal 2000 Budget includes two new municipal aid programs: the Regional Efficiency Development Incentive Grant Program (REDI) and the Regional Efficiency Aid Program (REAP). The REDI program, funded at \$10 million, will provide financial incentives to local governments and school districts to explore consolidation, regionalization and the implementation of joint services. The REAP program will provide annual State-funded property tax credits directly to residents in those communities which have implemented regionalization and other cost saving measures. A language provision included in the Budget will allow up to \$25 million from surplus as needed.

This Budget recommends an increase of \$11.5 million, or 1.5%, in the Consolidated Municipal Property Tax Relief Aid program. Including this cost of living increase, a total of \$768 million would be provided for the single largest municipal aid program in the State Budget. The State Aid recommendation will continue to provide municipal governments with a stable base of revenue to address their needs for local public services.

The Extraordinary Aid program, funded at \$20 million, replaces Discretionary Aid, and will provide short-term assistance to municipalities experiencing a catastrophic loss of tax ratables. The inclusion of \$12 million in special assistance to the City of Camden underscores the State's commitment to work in partnership with the City, under the auspices of the Local Finance Board, to promote the revitalization of Camden. In addition, one-time grants totaling \$2.5 million that were funded in fiscal 1999 are not included in fiscal 2000.

COMMUNITY DEVELOPMENT

The Community Development component of the Department's budget provides for community housing needs, and enforces safety codes and standards for buildings and other structures. This Budget recommends \$50 million to effectuate the services and programs of this component.

Community Affairs

The Department continues to provide a record level of affordable housing opportunities through the New Jersey Housing and Mortgage Finance Agency, the Division of Housing and Community Resources, and the Council on Affordable Housing. The Urban Home Ownership Recovery Program (UHORP) provides opportunities and incentives for home ownership in the state's urban areas. Through UHORP, the Urban Coordinating Council (UCC), and various affordable housing rental initiatives, the Department is furnishing the tools necessary to create self-sufficient urban neighborhoods.

The Office of Neighborhood Empowerment serves, in concert with the Urban Coordinating Council, to reverse a trend of adversity which has plagued New Jersey's urban centers. This office is defined by its collaborative work with community leaders to rebuild New Jersey's cities, one neighborhood at a time.

This Budget maintains resources for housing assistance programs, furthering efforts to put more units of safe, decent housing within the financial grasp of low and moderate income households. These programs serve to prevent homelessness, to fund shelters for the homeless, and to preserve neighborhoods.

The fiscal 2000 Recommended Budget includes funding of \$10 million for two new Special Urban Services programs: the Downtown Living Initiative and the College/University Homebuyers' Fund. The Downtown Living Initiative commits \$7.5 million in low interest loans to spur construction of market-rental housing in urban areas, seeking to "reintroduce" middle income households to urban neighborhoods as part of the economic revitalization of the area. The College/University Homebuyers' Fund, at \$2.5 million, will offer financial incentives to faculty and staff members of New Jersey state colleges, universities and community colleges located in city neighborhoods to purchase homes there. In addition, faculty and staff who already own homes in the target areas may obtain matching funds toward exterior home improvements.

New Jersey is the first state in the nation to develop a code of standards that specifically focuses on the rehabilitation of existing buildings. Sensible building standards that remove costly disincentives

to rehabilitating existing structures will provide a boost to economic development and affordable housing activity in the state's older areas.

The Division of Building Code Review was transferred from the Department of the Treasury during fiscal year 1998. Inspection programs for ski lifts, asbestos, boilers, liquefied petroleum gas and carnival rides were transferred from the Department of Labor. These transfers to DCA eliminated duplicate inspections and created a more efficient building and safety inspection system.

SOCIAL SERVICES

The Social Services component of the Department's budget supports community based assistance programs and statewide advocacy efforts targeted to the needs of women, the Hispanic community, and economically disadvantaged groups. Fiscal 2000 resources will continue a wide variety of services and programs including aid to community resource and action centers, and assistance to displaced homemakers, victims of domestic violence, Hispanic citizens, and the urban poor. This Budget will allocate \$11.6 million in State funds in the form of payments to community organizations and local governments to help deliver these services. The fiscal 2000 Budget recommends an increase in funding for the following programs: Recreation for the Handicapped, an additional \$150,000 over the current appropriation of \$500,000; and the Special Olympics, an additional \$75,000 over the current appropriation of \$375,000.

STATE PLANNING

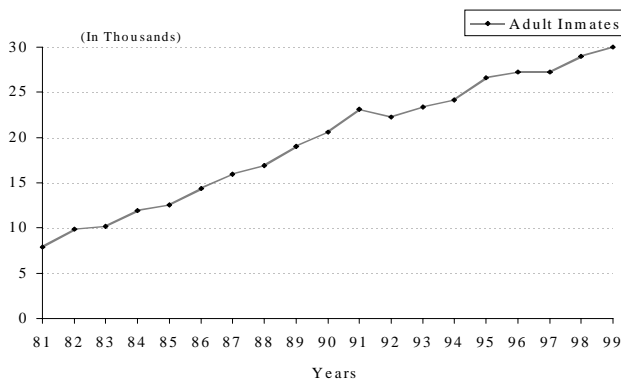
The Office of State Planning, which was transferred from the Department of the Treasury to the Department of Community Affairs in fiscal 1999, will receive an increase of \$445,000 to allow it to meet added responsibilities and to complete an impact study on the State Development and Redevelopment Plan. The Plan addresses such vital issues as protecting and improving water quality, urban revitalization, affordable housing, congested highways, and vanishing farmlands, forests, and open space by encouraging State agencies, local and county governments to work together from a common strategic plan. The Office of State Planning also provides technical assistance to cities interested in developing plans for the redevelopment of "brownfields" sites in urban areas.

CORRECTIONS	
FISCAL 2000 RECOMMENDED BUDGET	
(In Thousands)	
General Fund	
Direct State Services	\$ 757,252
Grants-In-Aid	98,010
Capital Construction	<u>23,957</u>
Total General Fund	\$ 879,219
Grand Total State Recommendation	<u>\$ 879,219</u>

OVERVIEW

The Department of Corrections is responsible for the confinement of criminal offenders and preparation for their return to the community. The impact of increased law enforcement efforts and tough sentencing laws has resulted in more offenders being incarcerated for longer periods of time. The number of State inmates committed to State corrections facilities is projected to be about 30,000 by the end of fiscal 2000.

Number of Adult Inmates
An Increase of More Than Five-fold Since 1980



For the last four years and for fiscal 2000, the Department of Corrections' Budget reflects efforts to ensure that there is sufficient prison space for those offenders who need to be confined. Additionally, the Department provides an array of programs including halfway houses, drug treatment, high supervision electronic monitoring/home confinement, and parole programs designed to reduce offender recidivism and enhance public protection.

FISCAL 2000 BUDGET

The Department's recommended operating and Grants-in-Aid budget, excluding the Parole Board, is \$845.7 million for fiscal 2000 and represents a net increase of \$16.8 million from fiscal 1999 adjusted appropriations. It will provide for expansion of State prison bed capacity and alternative programs. This means more secure facility space for inmates and greater parole supervision for parolees, which will allow for a more effective reintegration back into the community.

The Department's operating budget, excluding the Parole Board, will increase by \$32.4 million to \$747.7 million. The operating budget contains additional funding for enhanced mental health treatment services for State prisoners, \$7.5 million additional funding for a Civilly Committed Sex Offender Facility, and \$3.1 million to cover the costs of double bunking an additional 420 prisoners in State facilities.

Grants-in-Aid spending, which includes payments to counties for State inmates, is projected to decline by \$15.6 million to \$98 million in fiscal 2000. The filling of slots in expanded community supervision programs, together with a reduction in the parole hearings backlog, and additional double bunking in State prisons will contribute to fewer State inmates being housed in county facilities. A recommendation of \$43.4 million, which reflects a reduction of \$28.4 million, will provide funding to reimburse counties for the cost of housing State inmates. An additional \$12.9 million is included in the Purchase of Community Services account for an additional 545 halfway house beds in fiscal 2000.

PRISONS

In fiscal 2000, \$689.7 million is recommended for State prison facilities and system-wide program support. This amount represents an increase of \$31.8 million from fiscal 1999, which will provide custody, supervision, education, treatment, and other programs for more than 24,000 adult inmates at State prison facilities in State prison facilities.

In an effort to protect children and families, \$9.5 million of the Department's Budget will be used to operate a secure facility to house civilly committed sex offenders. In August 1998, the New Jersey Sexually Violent Predator Act was signed. This will allow New Jersey to civilly commit sexually violent predators who have completed their term of incarceration. This Act, recommended by the Task Force for the Review of the Treatment of the

Corrections

Criminally Insane, is similar to a Kansas Act that has been upheld by the U.S. Supreme Court. A site for New Jersey's permanent facility has not been determined but the program will begin at a temporary site in August 1999.

CAPITAL RECOMMENDATIONS

The fiscal 2000 Budget recommends \$24 million for various construction projects at adult correctional facilities, with an emphasis on preservation and security improvements. This recommendation is double the fiscal 1999 appropriation. Recommended projects will maintain and provide for prison bed spaces and support facilities, rectify code compliance issues, and address safety concerns. Some of the proposed work includes replacing essential building components, upgrading facility infrastructure, and repairing and installing fire suppression and alarm systems. Because of the emphasis on preservation, these projects are not expected to impact operating costs.

PAROLE AND COMMUNITY PROGRAMS

In fiscal 2000, \$507,000 in funding is included for a new Violent Offender Fugitive Recovery program. This program will create three special teams of parole officers who will work with federal, state, and local law enforcement agencies to apprehend and re-incarcerate parolees who have violated the terms of their parole. \$122,000 is funded to expand the sex offender surveillance/recovery unit that will provide enhanced tracking, random drug testing, and supervision of paroled sex offenders.

The Intensive Supervision/Surveillance Program (ISSP) provides enhanced law enforcement, surveillance, and risk management for caseloads of no more than 25 parolees who are at risk of failing regular parole. This program is funded to support 1,425 participants. The Electronic Monitoring/Home Confinement (EM/HC) program provides an intensive reintegration program for selected inmates who have been certified for parole and who are nearing their release dates. Program participants wear electronic surveillance transmitters and undergo random surveillance and drug testing. During fiscal 1998, 284 inmates participated in this program. 400 inmates are projected to participate during fiscal 1999 and again in fiscal 2000. The High Impact Diversion Program provides intensive supervision for those parolees who are in danger of being returned to prison. This highly structured supervision program will support 700 participants in fiscal 2000. The Intense Parole Drug Treatment Program, which provides intensive, low caseload supervision for parolees with a history of drug

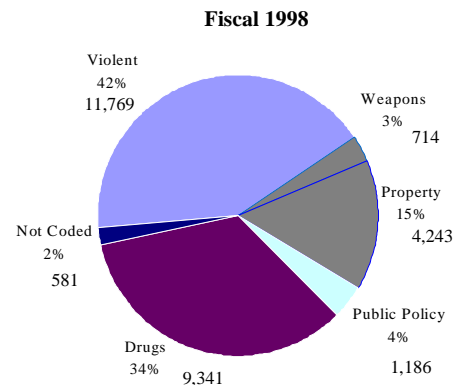
related problems, will increase from 325 participants funded in fiscal 1999 to 650 in fiscal 2000 with the addition of \$1.3 million.

The link between alcohol and substance abuse and crime is well established. For many inmates, a drug offense is their most serious charge with no convictions for violent crimes. A "drug court" pilot project, implemented in fiscal 1998, will be continued in fiscal 2000. This pilot project involves the Judiciary in overseeing intensive drug treatment for carefully screened non-violent, addicted offenders. A rigorous residential drug treatment program for selected offenders is operated by the Department of Health and Senior Services' network of private community drug treatment providers. Subsequent community supervision is provided by the Judiciary's Probation Division.

COMMUNITY PROGRAMS

The Purchase of Community Services programs, in the Grants-in-Aid budget, are recommended at \$52.8 million, an increase of \$12.9 million. This will support 2,692 contracted community bed spaces, an increase of 545 bedspaces over fiscal 1999. All halfway house programs are privately operated.

Non-Violent Offenders Make up More Than 50% of Adult Inmates



STATE PAROLE BOARD

The State Parole Board's Budget is recommended at \$9.6 million, an increase of \$616,000. \$265,000 of this increase is recommended to fund an additional Board panel to hear adult parole cases and thereby reduce the backlog of more than 2,500 cases; \$251,000 of this increase will fund Information systems; and \$100,000 will be utilized for Parole Board determinations. Expansion of the Board last occurred in fiscal 1988 when the State prison population was 16,000, over half of the current population level. This will allow the Board to keep pace with the number of hearings and reviews.

EDUCATION	
FISCAL 2000 RECOMMENDED BUDGET	
(In Thousands)	
General Fund	
Direct State Services	\$ 46,339
Grants-In-Aid	1,363
State Aid	829,003
Capital Construction	<u>1,850</u>
Total General Fund	\$ 878,555
Property Tax Relief Fund	<u>5,201,262</u>
Grand Total State Recommendation	<u>\$6,079,817</u>

OVERVIEW

The primary mission of the Department of Education is to ensure that every New Jersey student has an equal opportunity to receive a thorough and efficient education. Initiatives are designed to further the Department’s mission of significantly raising student achievement.

The Department is charged with: the distribution of State Aid; the review and audit of local public school district budgets and the regulation of their operations; providing technical assistance to districts in designing and implementing new educational programs; ensuring accountability for public funds by motivating schools to provide quality programs in an efficient manner supporting pre-school, vocational, and adult educational programs; and providing appropriate educational opportunities for students with disabilities.

The Department is also responsible for the operation of the Marie H. Katzenbach School for the Deaf and Regional Day Schools for the Handicapped.

OPERATING BUDGET

The fiscal 2000 operating Budget continues to support the Department’s goals with a recommended budget of \$46.3 million. This represents an increase of \$4.1 million over fiscal 1999.

With the adoption of Core Curriculum Content Standards in May 1996, New Jersey students will be expected to attain proficiency in a very specific set of skills covering a broad range of disciplines. The curriculum covers traditional subjects including mathematics, science, social studies, visual and performing arts, health and physical education, language arts, and world literacy, as well as workplace readiness skills such as critical thinking

and decision making. Mastery of these standards will prepare New Jersey students for success in higher education and in the workplace.

In an effort to help students meet the rigorous expectations of the Core Curriculum Content Standards, the Department is firmly committed to enhancing the knowledge and skills of New Jersey teachers. In May 1998, the Board of Education adopted rules mandating the continuing education of teachers and educational services personnel. Beginning in January 2000, affected personnel will be required to complete 100 hours of State approved continuing education every five years. Approved programs and professional standards will be developed under the direction of a State Professional Teaching Standards Board (PTSB). The fiscal 2000 Budget recommendation for creation of the Board is \$242,000.

In addition, the budget recommendation includes \$950,000 for creation of three Professional Development Centers for teachers. These training centers are intended to emulate the “teaching hospitals” of the health profession, combining both theory and practice, to provide more meaningful teaching opportunities for New Jersey educators. In conjunction with this new initiative, the State Board of Education has been asked to require that all new candidates for teacher certification in New Jersey be required to carry at least a B average. This will serve to raise the academic quality of all new teachers.

In accordance with guidelines laid out in the Comprehensive Educational Improvement and Financing Act (CEIFA), the Department is continuing to develop an extensive testing system that will measure a student’s success in attaining proficiency in the Core Curriculum Content Standards. This Statewide Assessment Program will examine student performance at three grade levels: a basic skills test will be administered to Grade 4 pupils; an early warning test in Grade 8 will identify students in danger of not meeting expected standards; and a high school proficiency test will be given to those in Grade 11. Implementation of this testing program empowers the Department to assess the effectiveness of New Jersey schools, thus ensuring accountability of public funds. To this end, the fiscal 2000 Budget includes a recommendation of \$14.7 million to support this program. This represents an increase of \$3.4 million from the fiscal 1999 appropriation.

Education

The Department will act as a catalyst for improvements in districts where pupils are not achieving the Core Curriculum Content Standards. In cases where school performance is found to be lacking, the Commissioner of Education is given broad powers to ensure that performance is improved. The Department will continue to foster a climate that stimulates excellence and innovation for districts where pupils are performing at high standards. The Administration is firmly committed to offering all children an equal opportunity for success in education.

The Budget recommendation for the Department of Education includes State support for the Marie H. Katzenbach School for the Deaf. The recommended level of support for the Katzenbach School for fiscal 2000 reflects an increase of \$156,000, from \$2.9 million to \$3.1 million.

STATE AID

School Aid recommended for fiscal 2000 totals \$6.03 billion. Of this amount, \$700 million is allocated for Teachers' Pension and Social Security payments made by the State on behalf of local school districts. The remainder, almost \$5.33 billion in Direct Aid awards, represents a \$317.7 million increase over fiscal 1999 funding levels. This increase in Direct Aid is driven by two factors: enrollment growth and the annual increase in the Consumer Price Index (C.P.I.). Most of the Direct Aid formula programs incorporate these factors in determining annual funding amounts.

The fiscal 2000 Budget increases Core Curriculum Standards Aid by \$97 million to \$2.8 billion. This is the largest single component of the Direct Aid programs. Parity Remedy Aid will grow to \$293.2 million.

A \$10 million increase is recommended for the Early Childhood program, bringing fiscal 2000 funding to \$312.6 million. This appropriation will continue to fund full-day kindergarten and pre-school programs in districts with high concentrations of disadvantaged students. The Budget recommendation also includes funding of \$54.5 million for Distance Learning Network aid, up \$2.3 million from fiscal 1999.

Per the requirements of CEIFA, these funds are earmarked for the establishment of a statewide electronic network delivering voice, data, and video communications directly to the classroom. This network, which should be fully implemented by the 2001- 2002 school year, will create opportunities for

cross-cultural interaction and provide high quality curricula and resources to all students and their teachers.

The fiscal 2000 Budget continues to recommend support for programs that promote efficient and effective practices in New Jersey schools. A \$10 million appropriation is recommended for the Rewards and Recognition aid program, which offers monetary incentives to districts that achieve superior academic results. The program serves to highlight exceptional performance as a model for other districts to emulate. Demonstrably Effective Program aid will increase by \$3 million to \$190.4 million in fiscal 2000. This program supports the implementation of proven programs and services designed to increase success rates in low achieving districts.

The fiscal 2000 Budget includes \$50 million from the Cigarette Tax dedicated revenues for the School Construction and Renovation Fund. These funds, along with a balance of approximately \$32 million from fiscal 1999 appropriated for the same purpose, will be available to provide resources for a school construction initiative expected to exceed \$5.3 billion for Abbott districts facilities as well as other school district facility requirements statewide. It is envisioned that these funds will provide debt service funding for approximately \$500 million in bond funds to be directed toward this initiative. The Supreme Court previously ruled that Abbott districts would require a significant investment of State funds to address renovation and new construction projects. A preliminary survey has indicated that the facilities cost in Abbott Districts will total approximately \$2.6 billion. The remaining State and local school district resource needs will require as much as \$2.7 million. Legislation to implement this initiative is being prepared for introduction during the current legislative session.

CAPITAL RECOMMENDATIONS

For the Department of Education, \$1.8 million is recommended in capital funding. This will provide \$460,000 to the Marie H. Katzenbach School for the Deaf for preservation and fire protection projects.

The balance of \$1.4 million is recommended for roof replacements and preservation projects at the Regional Day Schools. Due to the nature of these recommendations there is no anticipated impact on operating costs.



EDUCATION POLICIES AT WORK

Accountability

- **Annual School Report Cards**, available in electronic format on the Department of Education(DOE) website at <http://www.state.nj.us/education>, contain financial, demographic, personnel, student, and performance information for every school building in the State since 1995. Report cards are distributed to all parents and staff.

Health and Safety

- **The Student's Codes of Conduct: A Guide to Policy Review and Code Development** established statewide standards to assist schools in their goal of reducing violence and disruptive behavior.

Efficiency

- **The Comparative Spending Guide**, an annual DOE publication, reports on the spending practices of comparable districts.

Environmental Protection

ENVIRONMENTAL PROTECTION FISCAL 2000 RECOMMENDED BUDGET (In Thousands)

General Fund	
Direct State Services	\$ 188,114
Grants-In-Aid	350
State Aid	10,262
Capital Construction	88,394
Debt Service	<u>92,649</u>
Total General Fund	<u>\$ 379,769</u>
Grand Total State Recommendation	<u>\$ 379,769</u>

OVERVIEW

The Department of Environmental Protection (DEP) manages the state's environment to ensure clean air and water, plentiful open space, and recreational opportunities. These measures preserve the quality of life and enhance economic vitality throughout the Garden State. The Department regulates pollution discharges through a network of permitting and enforcement programs, oversees the remediation of hazardous waste sites, operates a statewide system of parks, forests, and wildlife management areas for recreation, protects beaches and shore areas from coastal storm damage, and preserves precious open space for use by future generations.

Budget Highlights

- Total budget increase of \$29.2 million, excluding debt service.
- \$98 million for open space acquisition, farmland preservation, and historic preservation, budgeted in Interdepartmental- Capital.
- Major new investments in State Parks staffing and operations (\$3.5 million) and Land Use Regulation (\$578,000).
- Increase of \$12.6 million in the Corporation Business Tax dedication for hazardous waste cleanup and underground storage tanks.

FISCAL 2000 BUDGET

The fiscal 2000 Budget recommends \$287.1 million for the Department's operations, grants, State Aid, and capital projects — a \$29.2 million, or 11%, increase over the fiscal 1999 level.

The Department's budget, excluding capital and debt service, increases by \$7.3 million, or 4%, from \$191.4 million in fiscal 1999 to \$198.7 million in fiscal 2000. Highlights of the Department's budget include:

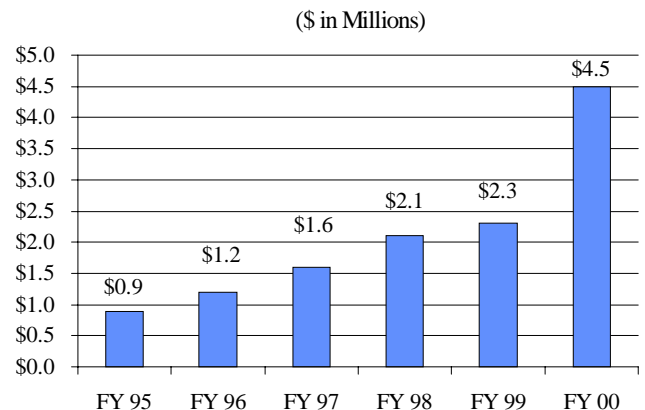
- **State Parks Staff and Operations**

A \$3.5 million increase in fiscal 2000 supplements a \$2 million base budget increase in fiscal 1999 for a two-year increase of \$5.5 million, or 25%, for the State parks. The two-year funding increase supports nearly 100 more full time staff, or a 23% increase, and 100 additional seasonal staff, or a 16% increase. This new funding will increase the number of security and maintenance staff and expand interpretive programs.

- **Payments in Lieu of Taxes - Open Space**

A revised compensation formula for State payments to municipalities is pending in the enabling legislation for the 1998 constitutional dedication on open space. This increase will add \$2.2 million to the Department's State Aid budget, an increase of nearly 100%.

Open Space Preservation: In-lieu-of-tax Payments To Municipalities



- **Land Use Regulation**

An increase of 13 full time staff will help reduce permit review times for land use permits.

- **Hazardous Discharge Cleanup**

Higher Corporation Business Tax revenues increase the amount allocated for Hazardous Discharge Cleanup administrative costs by \$1.1 million in fiscal 2000.

Capital Recommendations

The capital budget reflects the largest component of the DEP increase with an additional \$21.9 million in fiscal 2000. This includes an \$11.5 million increase attributable to the Corporation Business Tax dedication for DEP's Site Remediation and Underground Storage Tank programs. Those programs will be funded at a level of \$35.4 million and \$23.3 million, respectively.

Capital recommendations for DEP total \$88.4 million. Shore Protection (\$15 million) and Flood Control (\$2.3 million) funding is recommended to ensure that available federal matching funds will be utilized. Other major capital investments include \$10.4 million for recreational development at various State park and wildlife facilities, including Palisades Interstate Park and High Point Monument, and a \$2 million State appropriation, potentially supplemented by federal funds, for the restoration of historic buildings on Ellis Island.

OPEN SPACE PRESERVATION

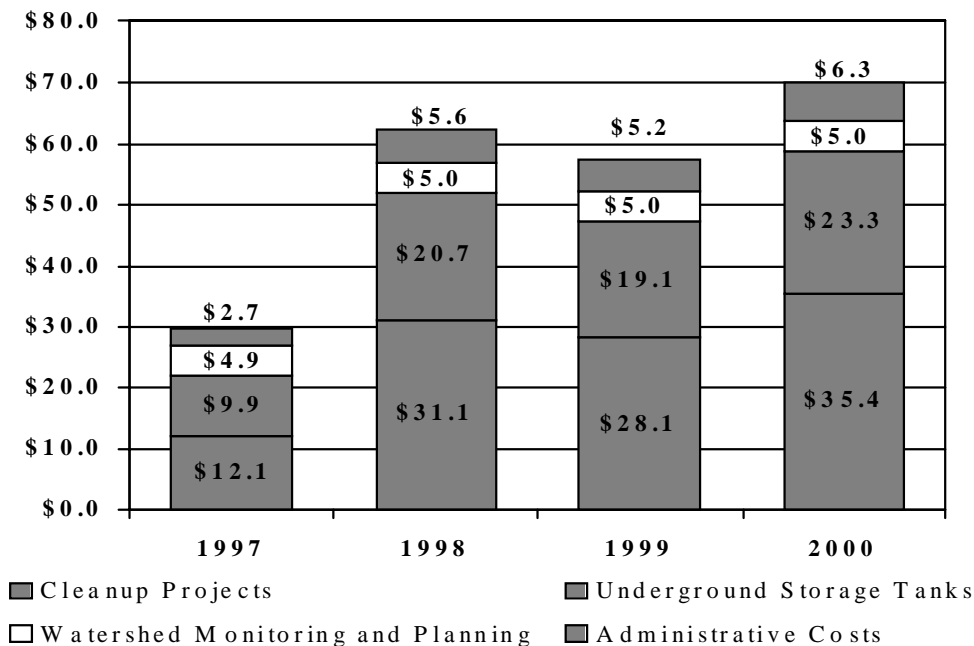
DEP will have primary responsibility for the open space preservation component of the 1998 constitutional dedication for open space, farmland,

and historic preservation. Over the next ten years, this dedication will permanently preserve one million acres of open space and farmland. Funds will be used for loan and grant assistance to counties, municipalities, and nonprofit organizations in their land acquisition efforts, as well as for direct State acquisition. The Department will also oversee the \$100 million portion of the open space dedication allocated for local park development.

SITE REMEDIATION - DEDICATION OF THE CORPORATION BUSINESS TAX

The 1996 constitutional dedication of 4% of the annual revenue raised from the State's Corporation Business Tax (CBT) continues to provide funds to finance the cleanup of privately owned underground storage tanks, remediation of contaminated sites, watershed monitoring and planning, and the Department's administrative costs. According to current CBT projections, the Department will receive \$70 million from the CBT dedication in fiscal 2000, bringing the cumulative total allocated since 1996 to \$219.4 million. The accompanying chart outlines the programmatic distribution of these funds.

**CBT Dedication Added \$219.4 Million
For Site Remediation And Water Monitoring
FY 1997- FY 2000**
(\$ in Millions)



Environmental Protection

ONGOING DEP INITIATIVES

The fiscal 2000 Budget supports the following DEP program initiatives:

- **Watershed Management**
To address more “nonpoint” source pollutants, such as fertilizers, litter, street oils, etc., that wash into the state’s waterways, the Department continues to develop its watershed management program. This program is primarily funded with \$5 million from the CBT dedication. In fiscal 1999, DEP allocated \$850,000 for the Department of Agriculture to implement nonpoint source pollution control measures on agricultural land. This effort will continue in fiscal 2000.
- **Environmental Infrastructure Financing**
In its first eleven years, the New Jersey Environmental Infrastructure Financing Program loaned over \$1.4 billion to municipalities to meet their wastewater and stormwater infrastructure needs. In fiscal 2000, the program expects to provide a record level of funding for drinking water and clean water infrastructure projects. Total funding will be approximately \$150 million, an increase of nearly 50% over the 1998 level of \$106.5 million. A major 1998 project was the desalination plant for Cape May City. The first of its kind in the Northeast, the desalination plant will reduce the strain on local aquifers by allowing the city to draw water from wells with brackish water.
- **NJ Environmental Management System**
DEP’s New Jersey Environmental Management System (NJEMS) will be further enhanced in fiscal 2000 to include a redesigned New Jersey Pollutant Discharge Elimination System (NJPDDES) and Treatment Works Approval (TWA) permitting system.
- **Environmental Equity**
The State’s pilot program to promote “environmental equity” in minority and urban areas has been recognized as a model for other states. The USEPA has awarded New Jersey a \$100,000 grant to develop a pilot program to prevent the creation of new environmental problems in areas where pollution of air, water or soil may be disproportionately high.
- **Brownfields**
Streamlining the cleanup process under DEP’s Voluntary Cleanup Program has provided greater incentives for private parties and local governments to remediate contaminated sites. During fiscal 1998 alone, over 2,000 Voluntary Cleanup Agreements were signed, and this

record pace of cleanup is projected to continue through fiscal 2000. DEP’s Voluntary Cleanup Program is the most active in the country and has been a model for other states.

- **Ocean Monitoring Network**
The National Resources Defense Council (NRDC) ranks New Jersey as first among the states for tracking water quality and protecting public health at beaches. The report cites New Jersey for consistently reducing its number of beach closings as well as being the only state to have a bacteria standard, a testing protocol and mandatory beach closings as part of its Cooperative Coastal Monitoring Program.

ENVIRONMENTAL IMPROVEMENTS

The Department of Environmental Protection continues to implement its comprehensive system of managing for environmental results through participation in the National Environmental Performance Partnership System (NEPPS). This management system de-emphasizes activity-based measures of performance (e.g., number of permits issued or penalty fines collected) in favor of outcome-based measures of progress (e.g., air quality trends).

Two new DEP publications, issued in December 1998, demonstrate the Governor’s commitment to report on the State’s progress in improving New Jersey’s quality of life. The Department’s environmental quality summary report, entitled “New Jersey’s Environment 1998,” is designed to enable the general public to understand and evaluate New Jersey’s progress toward meeting its environmental goals. An “Environmental Indicators Technical Report” provides supporting data and background.

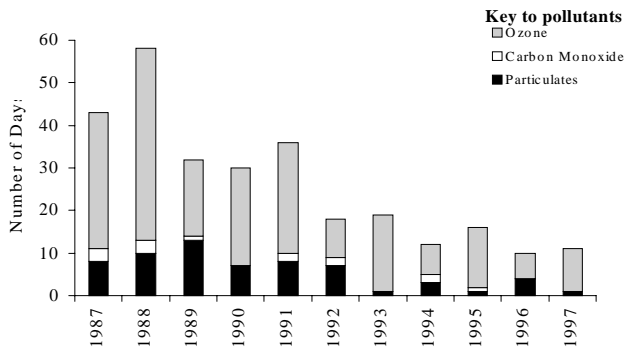
Environmental indicators that are actively in use at DEP, and the most recent measurement data available, follow:

Air Quality Goal: To ensure a high quality of life for the residents of New Jersey by preserving, sustaining, protecting, and enhancing the air environment. Air quality across the state should be healthful for all New Jerseyans and of sufficient purity so as not to degrade the quality of life or cause undue economic loss.

Indicator 1: Air pollution levels converted to pollutant standards index (PSI) - -

Daily air quality ratings, based on measurements of five major air pollutants, are compiled in a composite indicator called the Pollutant Standards Index, which is based on a national system. Depending on the score, the air quality in the region represented by air monitors is declared good, moderate, or unhealthful. Eleven days had unhealthful air quality ratings in 1997, the most recent year for which complete data is available. The number of days with unhealthful air quality ratings since 1987 has generally been reduced.

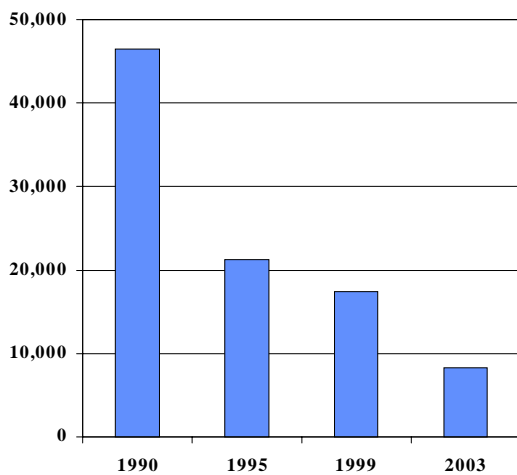
**Number Of PSI Unhealthful Days
(By Year and Pollutant)**



Indicator 2: NO_x reductions in New Jersey due to power plant controls - -

Starting next year, major industrial boilers will start implementing the second phase of the oxide nitrogen (NO_x) emission control program. Predicted reductions for this phase in 1999 will be 63% from 1990 levels. The final phase three in 2003 will further reduce NO_x emission levels from these facilities by over 80%.

**Nitrogen Oxide Emission Reductions
Ozone Season Tons (May 1 - Sept. 30)**



Water Quality Goal: New Jersey waters (tidal and non-tidal) will support human and ecosystem health and applicable uses, such as recreation, fishing, drinking water supply, agriculture, and industry.

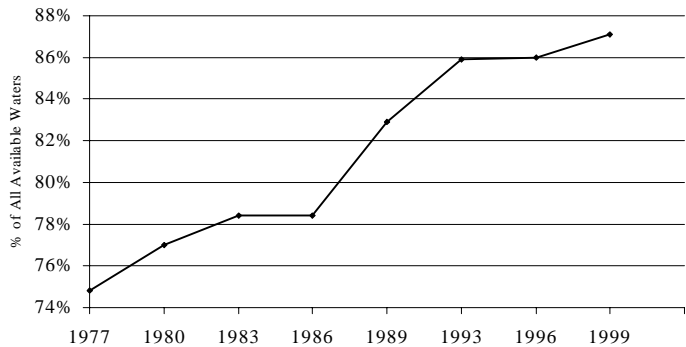
Indicator 1: Status and trends of industrial and municipal facilities in significant noncompliance (SNC) with Surface Water Discharge regulations - -

Between 1992 and 1997, the number of facilities in significant noncompliance with their discharge permit requirements decreased from 44 to 18 non local (typically industrial) facilities and from 15 to 11 local (typically municipal) facilities.

Indicator 2: Status and trends of shellfish harvest classification as percentage of all available waters -

New Jersey has opened additional water for shellfish harvesting each year since 1988. Over the past 20 years, the overall availability of ocean waters for shellfish harvesting has increased from 74% to over 87%.

**Shellfish Harvestable
Waters Have Rebounded**



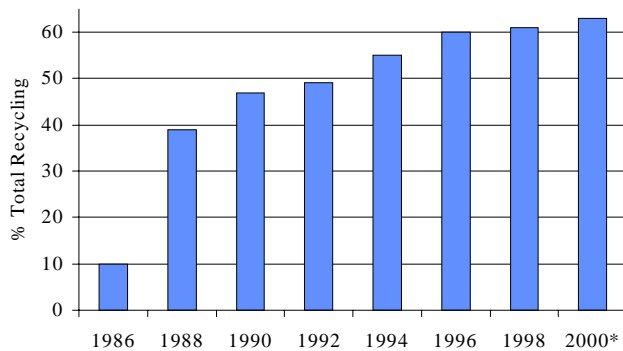
Waste Management Goal: Maintain an integrated waste management system that ensures minimized waste generation and disposal; maximizes reuse and recycling; guards against future contaminated sites; and provides long-term capacity assurance that is protective of human health and the environment.

Indicator: Percent of total and municipal waste streams recycled - -

Preliminary data for 1997 indicates that New Jersey has maintained its previous record of 60% of waste materials recycled. As such, New Jersey has increased its recycling goals to 65% of the total solid waste stream and 50% of the municipal waste stream by the end of the year 2000.

Environmental Protection

New Jersey's Recycling Rate



* Projected

Open Space Goal: Maintain, enhance, and restore functioning ecosystems and sustainable communities.

Indicator: Acres of Permanently Protected Open Space --

More than 905,000 acres of New Jersey's open space have been preserved as of November 1998, including lands managed by federal, State, and local governments, interstate agencies and nonprofit organizations, and lands protected under the Department of Agriculture's Farmland Preservation Program. DEP's Green Acres Program has assisted in the acquisition of more than 411,685 acres. The passage of the 1998 open space referendum will enable the preservation of one million more acres of open space over the next ten years.



- With the passage of a State constitutional amendment dedicating \$98 million annually from sales and use taxes for open space, farmland, and historic preservation, a stable source of State funding has been established for this effort.
- More than 905,000 acres have already been preserved for public recreation.
- More than 411,000 acres have already been preserved through the Green Acres program.
- More than 50,000 acres of farmland have already been preserved through the Farmland Preservation program.
- State efforts will continue to preserve an average of 100,000 acres per year over the next decade.

HEALTH AND SENIOR SERVICES
FISCAL 2000 RECOMMENDED BUDGET
(In Thousands)

General Fund	
Direct State Services	\$ 73,278
Grants-In-Aid	845,738
State Aid	26,982
Capital Construction	<u>1,508</u>
Total General Fund	\$ 947,506
Casino Revenue Fund	<u>258,873</u>
Grand Total State Recommendation	<u>\$1,206,379</u>

OVERVIEW

During fiscal 1997, a new Department of Health and Senior Services was created. More than 20 State and federal programs for senior citizens that were once administered by four State departments: Health, Human Services, Community Affairs, and Banking and Insurance were consolidated within the Department. The expanded Department combines the traditional mission of public health with a new mission of providing high quality services that promote independence, dignity and choice for 1.4 million older adults in New Jersey. The fiscal 2000 recommendation of \$1.2 billion for the Department of Health and Senior Services includes a total funding increase of \$93.2 million over the fiscal 1999 appropriation.

SENIOR SERVICES

As the number of New Jersey residents over 85 years of age is expected to increase by almost 75% during the next decade, one of the primary goals of the Senior Services Division is to provide seniors with long-term care options other than nursing homes, that provide cost effective services, and enhance independence for the individual. To this end, the fiscal 2000 Budget includes a \$10.3 million ElderCare Initiative which recognizes the desire of many seniors to have nontraditional choices for long-term care. As part of a three year phase-in project, the ElderCare Initiative will work in partnership with New Jersey EASE (Easy Access, Single Point-of-Entry) and the Department's existing programs as a comprehensive community based strategy that provides home and community alternatives to traditional long term care. The long-term care alternatives provided through this new initiative will enable the State to adapt varying services to fit the background, needs, and

preferences of New Jersey's diverse senior population and ensure that they maintain their independence and privacy. After the three year phase-in period, the programs created within and supported by the ElderCare Initiative will receive \$60 million in combined federal and State funding annually.

Already available in 13 counties, NJ EASE is a State initiative developed with a number of county governments to create a new and easy way for seniors and their families to learn about services within their communities. Instead of contacting multiple agencies, seniors can now call one number in their county to get information on programs providing transportation, employment, and health screening; to learn about options for long-term care; and to receive assistance in enrolling for Medicaid, Pharmaceutical Assistance to the Aged and Disabled, and other State supported services. The Department plans to have NJ EASE fully operational in all 21 counties by the end of fiscal 2000.

Long-Term Care

The fiscal 2000 Budget reflects nursing home cost and caseload growth of approximately \$20 million in order to continue providing Medicaid eligible seniors with traditional nursing home placement. In addition, the appropriation for Medical Day Care is increased by \$6 million in fiscal 2000 due to rapidly expanding caseload growth.

With over 35,000 Medicaid eligible seniors currently in nursing homes, cost containment is a substantial concern. Several initiatives designed to improve the quality of care in nursing homes and create financial savings are proposed in fiscal 2000. The State's goal is to ensure that all New Jersey seniors are receiving the most appropriate care for their distinct and individual needs.

The fiscal 2000 Budget includes savings initiatives totaling \$14.4 million to help offset the cost and caseload growth of the nursing home population. Nursing homes currently receive 18 months worth of inflation increases in their rates every 12 months. Correcting this anomaly will save \$6 million. The Department is also eliminating a duplicative reimbursement to nursing homes for maintenance equipment, which should save \$1 million. Another initiative to be implemented in the coming fiscal year will ensure that nursing facilities bill Medicare for the first 20 days of any eligible's stay before billing Medicaid. Because Medicare will pay for the cost of the first 20 days of nursing home care

Health and Senior Services

without any cost to the State, New Jersey's Medicaid program is projected to save \$1 million. These initiatives, as well as several smaller savings, will offset the cost and caseload growth in long-term care.

Other Social Services

The State is also committed to meeting the needs of the senior population by providing meals, transportation, employment opportunities, and a variety of other social services dedicated to the elderly. It is estimated that almost 3 million meals will be delivered in fiscal 2000. The increase in personal care services provided is projected to surpass five times the number provided four years ago.

PHARMACEUTICAL ASSISTANCE TO THE AGED AND DISABLED

The Pharmaceutical Assistance to the Aged (PAA) program provides prescription drug benefits to persons over 65 years of age with an income of up to \$9,000 for single persons or \$12,000 for married couples. Senior citizens above this income limit and the disabled may receive benefits through the Pharmaceutical Assistance to the Aged and Disabled (PAAD) program, which is funded entirely from the Casino Revenue Fund. The current income eligibility for PAAD is \$18,151 for single persons and \$22,256 for married couples. Both of these programs (PAA/D) reduce the cost of prescription drugs for low-income seniors and people with disabilities.

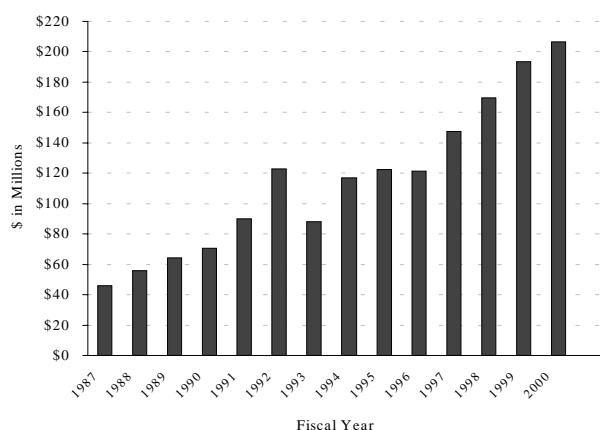
These programs pay the cost of prescriptions for eligible aged and disabled individuals, less a \$5 co-payment paid by the recipient. PAA/D currently pays pharmaceutical costs for approximately 193,343 individuals. New Jersey's PAA/D programs have the highest income eligibility limits, no deductibles, premiums, or enrollment fees, and a lower co-payment than many other State funded pharmaceutical programs across the country.

The PAA/D programs remain the most generous pharmaceutical assistance programs in the nation, with a combined fiscal 2000 Budget recommendation of \$232.5 million. Of the combined recommendation, \$206.7 million is for the PAAD Program, funded by the Casino Revenue Fund.

Despite cost containment efforts, costs continue to accelerate due to rapidly rising drug costs along with slight but steady utilization growth. The fiscal

2000 Budget includes \$27 million in cost and caseload increases for the PAA/D programs, offset by savings initiatives totaling \$18.3 million. In order to achieve savings in PAA/D, the Department plans to require that all pharmacies participating in the Medicaid and PAA/D programs bill Medicare for diabetic supplies and Medicare covered drugs before billing PAA/D. This initiative is expected to save the State \$8.7 million in fiscal 2000. The Department will substantially reduce the outstanding PAA/D rebate disputes with the pharmaceutical industry. The fiscal 2000 Budget assumes resolution of \$7.2 million of outstanding disputed manufacturer's rebates.

PAAD Appropriations



LIFELINE

The Lifeline Credit Program, with approximately 154,000 recipients, helps lower-income aged or disabled homeowners with their home energy costs. The Tenants Lifeline Assistance Program, with 161,000 recipients, assists low-income or disabled renters. Both Lifeline programs provide home energy payments of \$225 per household, and are fully funded in fiscal 2000 for a total of \$70.8 million.

PUBLIC HEALTH

The Department of Health and Senior Services continues to be confronted with significant changes in the scope and complexity of public health challenges. Promoting public health in this context involves not only preventing disease but also promoting community awareness and action and protecting those at special risk. The Department's projected public health fiscal 2000 expenditures are \$121.6 million, an increase of \$20.6 million over the fiscal 1999 budget.

TOBACCO SETTLEMENT

This Budget proposes to enhance the health of New Jersey residents by reducing drug, alcohol, and tobacco abuse. An increase of \$18.6 million, from anticipated tobacco settlement revenue, is included within Addiction Services to develop five new programs. A Youth Anti-Tobacco Awareness Media Campaign budgeted at \$7.3 million will create an anti-smoking media campaign which will target children and young adults. A Smoking Cessation Program for Addicted Adults and Youth provides \$2.6 million to establish a toll-free hotline and incentives to public and private health care plans to include comprehensive cessation services. The Department is investing \$1.7 million in anti-smoking research, evaluation, and assistance programs. Funding of \$2.2 million will focus on school-based prevention funding programs to teach youth skills to resist or successfully stop smoking. Community based programs, funded at \$4.8 million, will build on local efforts to promote change in communities to alter the way tobacco is promoted, sold and used.

FAMILY HEALTH SERVICES

No one is at greater risk than a newborn child is, and one of the Department's goals is to reduce infant mortality from 8.9 per 1,000 live births in 1992 to 4.1 in fiscal 2000 through a combination of prenatal care and neonatal screening. For example, the Department of Health and Senior Services has undertaken a number of programs to improve the health of minorities by ensuring their access to health care. Through the Black Infant Mortality Initiative, the Department is working with a Blue Ribbon Panel to reduce the high infant mortality rate in the Black community. This includes a major public awareness campaign to direct women to prenatal care and other programs. In the area of cardiovascular health, the Department is committed to improving minorities' access to cardiac surgery and preventive health programs by holding hospitals accountable for their performance in this area.

Outreach programs such as the Healthy Mothers/Healthy Babies Program continue their attempts to prevent low-birth-weight babies through appropriate prenatal care. In addition, all newborns are screened for neonatal illnesses in order to identify and treat problems as early as possible. In

fiscal 2000, the Department's goal is to screen 110,000 newborns for neonatal deficiencies such as Phenylketonuria (PKU), galactosemia, hearing deficiencies, hypothyroidism, and sickle cell anemia.

The disparity in cancer incidence and mortality rates between African Americans and other New Jerseyans is alarming. The Budget has set aside \$2.7 million in additional funding to the Department of Health and Senior Services to begin a new Cancer Screening program targeted for African American women and men. This new initiative will promote cancer screening, education, and early detection programs throughout the state.

In April 1998, the Department established an Early Intervention System Stakeholder Task Force. The charge of the Task Force is to recommend ways to create a more efficient and effective family-centered outcome driven program. This requires goals that are balanced and fiscally responsible while meeting the needs of children with disabilities and their families. The Department will also implement a new identification system for children's health and disabilities for \$900,000. The program will provide information on types and volumes of children's health and disability indicators.

ACQUIRED IMMUNE DEFICIENCY SYNDROME (AIDS)

The Budget represents a continuation of \$16.6 million in State funds, and a projected \$64 million in federal funds to combat AIDS, an increase of almost \$5 million over the 1999 budget. New Jersey ranks fifth nationally in the number of confirmed cases of AIDS, and third in the number of pediatric cases. Since 1981, more than 37,100 AIDS cases have been reported in New Jersey, and more than 664,000 in the United States as of September 30, 1998.

HEALTH PLANNING AND EVALUATION

This Budget will continue to provide \$6.4 million in funding to enable the Department to inspect health care providers. In addition, the Department will conduct annual reviews of all residential health care facilities to ensure that patient care is adequate. Staff has been reallocated to respond to all complaints at these facilities.

Health and Senior Services

CHARITY CARE & SUBSIDIZED INSURANCE

Charity Care and New Jersey KidCare have remained a priority in New Jersey. The fiscal 2000 recommendation provides \$99.7 million in General Fund moneys for Charity Care, the Hospital Relief Fund and New Jersey KidCare, an increase of \$55.6 million over fiscal 1999. Under the Charity Care system, hospitals are reimbursed, based upon a formula, for services provided for uninsured clients. In fiscal 2000, hospitals will receive \$421 million from the Health Care Subsidy fund, as well as matching federal moneys. The ACCESS program, recommended at \$7.5 million, continues to decline as enrollees join private insurance plans and eligible children are transferred to the New Jersey KidCare program. For fiscal 2000, funding is provided to expand KidCare to 350% of the federal poverty level.

PUBLIC HEALTH LABORATORY

Laboratory Services performs a range of comprehensive analytical and diagnostic services in the identification and control of disease and environmental threats. Services, offered on a 24-hour, seven days a week basis, are provided in five primary categories: Bacteriology, Virology, Serology, Inborn Errors of Metabolism, and Environmental and Chemical. The Department has also established a national model for computerized laboratory reporting of diseases which allows for easier tracking and monitoring of diseases.

CAPITAL RECOMMENDATIONS

For fiscal 2000, \$1.5 million is recommended to automate clinical laboratory services and purchase necessary laboratory equipment.

NEW JERSEY CONTINUES EFFORTS TO PREVENT THE SPREAD OF AIDS

New Jersey has taken the following initiatives in the area of AIDS/HIV prevention and treatment:

- Early Prevention Programs- Statewide centers provide medical management of persons with HIV and regularly scheduled medical assessments;
- Passage of legislation requiring doctors to counsel pregnant women about the advantages of HIV testing;
- Encouragement of pregnant women infected with HIV to take AZT, which has been shown to reduce the risk of transmission to unborn children;
- Encouragement of more people to test for HIV by converting HIV testing from blood analysis to the non-invasive OraSure HIV Testing System;
- World AIDS Day of Learning for New Jersey youth each year - Peer leaders from high schools around the state gather to learn more about HIV and AIDS prevention, and then bring the message back to their fellow students.

TOBACCO SETTLEMENT

The State will receive \$92,808,000 in tobacco settlement funds which will allow for:

- Funding of various anti-smoking initiatives focused on children and teenagers;
- Funding of early cancer detection and screening for African Americans and other programs which focus on preventive medicine;
- Funding for expansion of community long term care options for seniors;
- Funding for growth in the Pharmaceutical Assistance to the Aged and Disabled and other health related programs.

HUMAN SERVICES	
FISCAL 2000 RECOMMENDED BUDGET	
(In Thousands)	
General Fund	
Direct State Services	\$ 569,379
Grants-In-Aid	2,162,284
State Aid	383,523
Capital Construction	<u>23,800</u>
Total General Fund	\$3,138,986
Casino Revenue Fund	<u>28,221</u>
Grand Total State Recommendation	<u>\$3,167,207</u>

OVERVIEW

The Department of Human Services' fiscal 2000 Budget maintains this Administration's commitment to provide for New Jersey's most vulnerable citizens and, at the same time, emphasizes personal responsibility through the Work First New Jersey welfare reform initiative.

The Department of Human Services' State fiscal 2000 Budget is recommended to grow from \$3.024 billion to \$3.167 billion, an increase of \$143 million. The Department is also expected to receive \$2.849 billion in federal funds in fiscal 2000. The net change reflects many increases and decreases. The State Budget increases are mostly related to maintaining current services and are, therefore, driven by inflation, caseload changes, and greater utilization.

The Budget contains several new initiatives including a \$9.2 million cost of living increase effective January 1, 2000 to community providers who care for the clients of the Department. The Budget includes a \$12.1 million increase to reflect full annual operating costs of the Developmental Disabilities Community Services Waiting List (CSWL) initiative begun in fiscal 1999. The Budget also includes a new CSWL initiative in fiscal 2000, valued at \$15 million and funded from increased revenues generated by the Department.

The Budget includes \$500,000 to implement a centralized information and referral system that specifically addresses the needs of grandparents and other relatives who have taken on the role of raising children of family members. There is capital funding to expand Forensic Psychiatric Hospital, consistent with P.L. 1998, Chapter 111, legislation designed to improve security at State psychiatric

hospitals. There is also \$455,000 for competency evaluations for individuals at risk, also consistent with this legislation.

The Department's Budget continues the theme of reducing costs without reducing services. New Medicaid fraud and abuse initiatives are estimated to save \$19.5 million, along with \$4.6 million in savings because Medicare will pick up the costs of certain drugs.

CAPITAL RECOMMENDATIONS

The fiscal 2000 Budget includes \$23.8 million for essential preservation projects. These include upgrading facility mechanical systems, roof replacement, and deferred maintenance, which, if further delayed, would require major capital expenditures. A major component of this recommendation is \$7.5 million for construction of two residential buildings at the Forensic Psychiatric Hospital for patients from correctional facilities.

WORK FIRST NEW JERSEY

The Work First New Jersey (WFNJ) program is designed to increase the economic self-sufficiency of individuals and families who receive public assistance by requiring participation in work activities for those needing assistance in entering the labor market. Work activities emphasize job skills training in the work place rather than in the classroom. While adults are required to take personal responsibility in moving toward self-sufficiency, a safety net is maintained to protect children. WFNJ encourages work by permitting clients to keep a greater share of their cash assistance when starting employment.

Recommended State funding for the Division of Family Development (DFD) in fiscal 2000 is \$492.1 million, supplemented by \$724.3 million in federal funds. Federal funds include the Temporary Assistance to Needy Families (TANF) block grant of \$432.1 million for fiscal 2000 and the federal Child Care block grant of \$76.9 million.

The WFNJ program has successfully reduced the number of public assistance clients and children served. There has been a reduction in public assistance clients from 378,920 to 202,326, a decrease of 176,594 (47%) between fiscal years 1995 and 2000. As clients leave welfare for work, the monthly average number of children served

Human Services

through day care and other services has increased between fiscal years 1997 and 2000 from 35,433 to 57,933, an increase of 22,500 (64%).

A major policy strategy reflected in the design of WFNJ includes the re-investment of program savings for child care and other services that support the growing number of working recipients. For example, investments in information systems technology will result in a more efficiently operated welfare program and meet federal mandates in child support. In fiscal 1999, \$25.8 million in State and federal funds was invested in information technology; in fiscal 2000, \$29 million is recommended.

Client work activity participation rates increased in federal fiscal 1999 from 25% to 30%. In addition, the 24-month work requirement of WFNJ becomes effective in February 1999. By targeting both new applicants and those receiving benefits for at least 24 months, clients will be afforded work opportunities. This requires an additional \$22.1 million in State and federal funds. Clients are assisted in job preparation and placement activities, and they are provided with transportation allowances. Food stamp clients are also required to participate in work activities or lose their benefits. Eligible legal aliens who are denied federal food stamp benefits as a result of changes in federal law are eligible to receive State funded food stamp benefits under WFNJ. A total of \$1 million is recommended for these benefits.

Several new program initiatives are recommended in this Budget. Included in this Budget is \$8 million of emergency housing assistance benefits for disabled welfare clients which will serve as a bridge until they are able to locate permanent housing. The second year extension of Medicaid benefits for working families is fully funded in fiscal 2000, though now relying on federal matching funds to support the cost of benefits. Also, \$11 million in required State matching funds (in addition to funds from the Department of Labor) for the Welfare to Work Grant is recommended in fiscal 2000. The Grant will support work or work-readiness activities for WFNJ recipients with additional barriers to employment such as poor work history or deficient educational skills. State funding for the Grant will come from the New Jersey Workforce Development Partnership Fund, and will be matched with federal funds.

Regular and current child support payments, coupled with earnings from employment, allows families to maintain self-sufficiency, thus achieving

In fiscal 2000, the Budget steps up efforts to control General Assistance (GA) program pharmaceutical and other medical spending. GA medical expenses are expected to soar from \$31.9 million in fiscal 1997 to \$51 million in fiscal 1999, a 60% increase in just two years. While some of this increase is the positive result of successfully prolonging the lives of those with AIDS through expensive drug therapies, the Department will be expanding upon proven cost savings strategies in order to preserve services to the truly needy.

The fastest growing expense of the GA program is prescription drugs. Controlling GA program pharmaceutical costs will result in savings of \$6.7 million from implementing prior authorization for prescription drug approval, pharmaceutical lock-in to one pharmacy for targeted clients, an on-line eligibility point-of-sale system to track clients and prescriptions, manufacturer's pharmaceutical rebates for AIDS medications, and a cost effective method for purchasing nutritional supplements. In addition, savings of \$2.5 million will result from prior approval of GA medical services.

Substance abuse treatment services will continue to be provided to assist individuals in obtaining and maintaining employment. In conjunction with the Department of Health and Senior Services, almost 3,000 welfare recipients will receive substance abuse treatment services statewide. The initiative is funded in the Division of Family Development at \$18.75 million and in the Department of Health and Senior Services at \$1.25 million.

Child care represents the single most important priority for working families as well. More than \$249 million in State and federal funds are recommended for child care for New Jersey families, which represents an increase of \$13.1 million. This increase includes \$12.4 million for almost 3,000 additional slots for families that require child care after they leave welfare.

The Budget also supports additional day care services for children through Bright Beginnings Expansion which includes capital renovations and equipment to increase child care capacity for pre-kindergarten programs in Abbott school districts (\$10 million over fiscal years 1999 and 2000), and through scholarships for day care workers which increase their professional skills for providing day care services to children (\$2 million), the goal of the WFNJ program. Support of families in order to maintain self-sufficiency reduces the need for financial assistance from the State.

An average family receiving TANF cash assistance is composed of a single parent and two dependent children. That family receives a maximum of \$424 per month in welfare assistance payments and is eligible for Food Stamps and Medicaid.

General Assistance program. Recipients are also eligible to receive homemaker services, pharmaceuticals, physicians' services, and employment and training services in select locations.

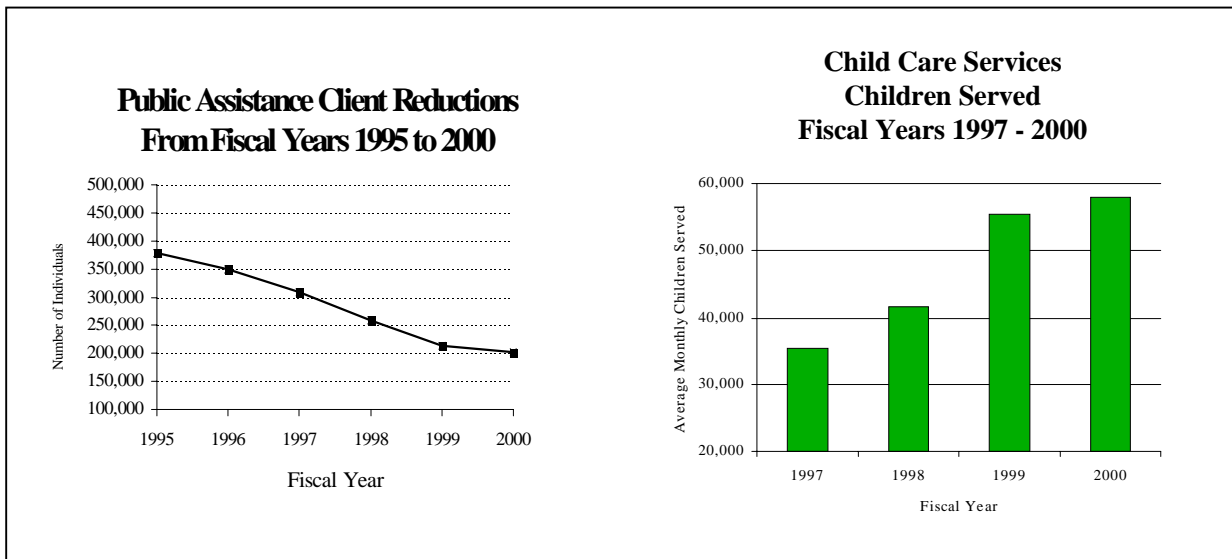
Needy single individuals and married couples without children receive \$140 per person per month if able to work and \$210 if disabled under the

INCOME ASSISTANCE PROGRAMS FISCAL 2000 BUDGET (\$ in millions)

INCOME ASSISTANCE PROGRAM	STATE FUNDS	FEDERAL FUNDS (1)	LOCAL FUNDS	TOTAL FUNDS (2)
Work First New Jersey (WFNJ)	\$ 363.9	\$ 265.5	\$ 10.0	\$ 639.4
Child Care	\$ 56.4	\$ 192.9	\$ -	\$ 249.3
Supplemental Security Income (SSI)	\$ 71.8	\$ -	\$ -	\$ 71.8
County Program Administration	\$ -	\$ 186.7	\$ -	\$ 186.7
Child Support Program	\$ -	\$ 56.1	\$ -	\$ 56.1
Other Federal Programs	\$ -	\$ 23.1	\$ -	\$ 23.1
TOTAL	\$ 492.1	\$ 724.3	\$ 10.0	\$ 1,226.4

(1) Federal Funds include total welfare block grant funds and exclude federal SSI funds of \$817.8 million.

(2) Excludes \$121.8 million in WFNJ municipal, county, and Judiciary administrative funds.



Human Services

COMMUNITY, SOCIAL AND INSTITUTIONAL SERVICES

COMMUNITY AND SOCIAL SERVICES

Community Services for the Mentally Ill — The Division of Mental Health Services offers community mental health programs to treat persons afflicted with mental illness. These programs provide alternatives to institutionalization for such adults and children. Clinical intervention permits clients to function as independently as possible, using a variety of services. Emergency services, provided on a 24-hour basis, assist individuals by providing crisis intervention assessment, intensive supervision, and medication monitoring. Residential services provide the least restrictive environment necessary to ensure safety and help the client to live independently. Partial care services provide several hours of daily program involvement to increase the client's independence and community living skills. People who are not in an immediate crisis are treated on an outpatient basis; such services may include individual, group, or family therapy, medication monitoring, and clinical assessment.

The Division maintains 143 contracts with 119 private community mental health agencies and two mental health centers associated with the University of Medicine and Dentistry of New Jersey. Services are provided to persons who previously have been in psychiatric institutions, are at risk of psychiatric hospitalization, or are in need of outpatient treatment. The mental health providers will be accessed by clients nearly 258,000 times during fiscal 2000. The fiscal 2000 Budget provides a new cost of living increase of \$2.1 million for those community mental health service providers under contract with the Division and \$1.7 million to fully fund the fiscal 1999 cost of living increase.

The Program for Assertive Community Treatment (PACT), a new intensive mobile treatment program, is designed to address the needs of people with mental illness who have not fully responded to traditional methods of treatment. The range of direct services include: on-going mental health treatment, medication education, counseling, assistance in meeting basic social service needs, and assistance with activities of daily living. The program is available 24 hours per day, seven days per week. PACT teams are composed of seven to nine professionals and paraprofessionals from various disciplines (i.e., physicians, nurses, social workers). A total of 27 teams are operational in 14 of the state's 21 counties. PACT services are

anticipated to be accessed by clients 1,800 times during fiscal 2000 at a cost of \$15.7 million.

In addition to PACT, other community mental health programs are operational to divert admission to the State psychiatric hospitals. These include drop-in centers, intensive family support services, supported housing, and crisis residence.

In continuing efforts to implement the recommendations of the Governor's Task Force for the Review and Treatment of the Criminally Insane, this Budget includes \$7.5 million for the construction of two residential buildings at Forensic Psychiatric Hospital for criminally involved patients. Operating funds for the new buildings, however, will not be needed until fiscal 2001. Also provided is \$455,000 to enable the Division to conduct competency evaluations at county jails by court appointed licensed psychiatrists and psychologists consistent with newly enacted legislation.

Youth and Family Services — The Division of Youth and Family Services (DYFS) is the State's primary provider of social services within the community. DYFS focuses much of its activity on abused, neglected, and delinquent children and their families. Current projections indicate that approximately 48,500 children will be served during fiscal 2000.

Services may be provided directly from the Division or from community agencies contracted under its supervision. The fiscal 2000 Budget provides a new cost of living increase of \$2.0 million for those community service providers under contract with the Division and \$2.65 million to fully fund the fiscal 1999 cost of living increase.

The Division's substitute care programs offer both temporary and permanent care to clients whose needs prevent them from remaining in their own homes. Foster care is for children whose families are unable to provide appropriate care for them. Adoption subsidies are provided to encourage the permanent placement of children with special needs. Approximately 6,600 foster care placements and 6,051 adoption subsidies are expected in fiscal 2000. The cost of these placements will exceed \$88 million.

The Foster Care and Permanency Initiative, funded at \$22.1 million in fiscal 2000, creates a framework for major changes in foster care and permanency. This program is targeted at improving foster care by increasing payments for foster parents, improving

screening and training for perspective parents, and establishing back-up emergency support services for foster parents and children. Specific corrective goals of the program include reducing from two years to one year the average time youngsters spend in foster care before they rejoin their birth parents or are adopted permanently. Program goals are aimed at keeping siblings together during placement in foster homes, and reducing the number of times children will be moved from one home to another. The program added 79 permanent staff in fiscal 1999 to focus on recruitment, planning, training, and certification for foster parents and improving permanency for children in out-of-home placements

Private and State-operated residential treatment centers provide a more intensive educational and supportive environment for children who are hard to place. It is estimated that approximately 1,567 children (91 in state facilities and 1,476 in private centers) will be served under this program this fiscal year at a cost of \$96 million.

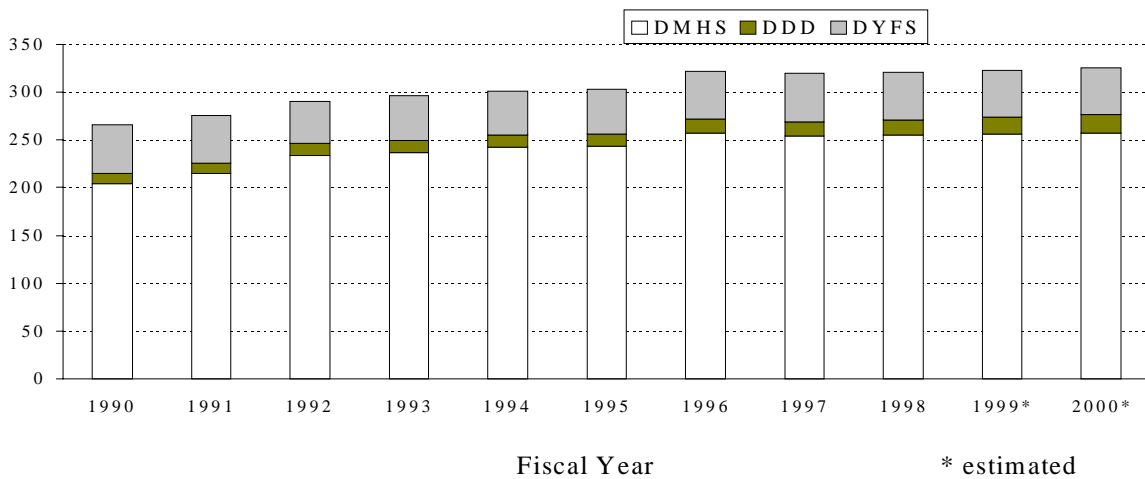
Community-based family support services are designed to assist families in crisis and to preserve and strengthen families. "Wrap-around" services provide a network of family-oriented services

individually tailored around a child with serious emotional or behavioral problems. Other contracted services developed and monitored by the Division include homemaker, companionship, employment, housing, legal, and psychological services.

Fiscal 2000 funding to the Child Protection Initiative, aimed at the commitment to improve the child welfare system, is continued at the fiscal 1999 level. These resources will maintain the caseworker ratio of one caseworker for every 35 cases, the lowest ratio in approximately ten years. This initiative supports 315 caseworkers, 54 support staff, mobile phones and enhanced caseworker training to enable the Division to better identify and protect abused or neglected children.

Family Friendly Centers are provided \$2.5 million in fiscal 2000. This program promotes greater use of existing schools for after-school youth activities and provides adult education programs such as parent training, adult literacy, and computer workshops. This budget also includes \$1.5 million to expand current services provided by the four Regional Diagnostic and Treatment Centers.

Clients Served Community Care Programs (Clients in Thousands)



Human Services

Community Services for the Developmentally Disabled — The Division of Developmental Disabilities offers a wide array of residential and support services for individuals in community settings. Residential programs include group homes, supportive living arrangements, supervised apartments, skill development homes, family care homes, and private institutional placements. Individuals residing in family care homes lead productive lives with very little supervision. Most have full-time jobs and are active members of the community. Group homes offer around-the-clock staff supervision with most of the residents participating in adult day programs.

Many other individuals participate in adult day care programs, which include adult activities, supported employment, and extended employment programs. School-aged children receive day training. Respite/home assistance programs provide families short-term relief from the often difficult task of caring for a developmentally disabled family member at home.

The fiscal 2000 Budget recommendation includes \$15 million to phase in services for an additional 500 people from the community services waiting list and 400 people from the day program waiting list. In an effort to avoid costly out-of-home placements and keep families together, \$3 million also has been allocated for expanded family support services. This initiative will grow to \$34.2 million in fiscal 2001.

When fully implemented, the Community Services waiting list reduction initiatives since fiscal 1995 will amount to \$109 million annually. A total of 2,307 individuals will have been placed in community residential programs and 1,375 individuals in adult day care activity programs. In total, \$7.3 million will be allocated for expanded family support services. Over the years, the Community Services waiting list has grown by approximately 400 clients annually. Except for a small number of individuals who have declined services, everyone who was in the urgent category of the waiting list prior to May of 1996 has either been provided with a community residential service or will have a program developed for them by the end of fiscal 1999.

The fiscal 2000 Budget also provides a new cost of living increase of \$3.5 million for those community service providers under contract with the Division and \$3.2 million to fully fund the fiscal 1999 cost of living increase.

Care for individuals with developmental disabilities continues to evolve in New Jersey. Consumers and their families are creating an individual network of services and supports which they have chosen to help them live in the community. Self-determination began in fiscal 1998 as the Governor's Inclusion Initiative. People with disabilities and their loved ones are being empowered to make the decisions to improve their quality of life, and reduce overall costs. Self-determination continues to be an option for individuals and their families in fiscal 2000.

Office on Disability Services—This office was established to serve as the focal point for the cross-cutting disability issues and concerns of all New Jerseyans with disabilities and their families. As a State level coordinating body, the program will work to create a comprehensive information and referral system. The program will offer a "single point of entry" for persons with disabilities who require services but may not meet the requirements for disability-specific programs presently offered by the Department of Human Services and other departments of State government. The fiscal 2000 Budget continues \$450,000 to enable the Office on Disability Services to improve the delivery of services, help reduce duplication, and improve the efficiency of efforts to support independence for people of all ages with disabilities. This office also administers the New Jersey Personal Assistance Services Program, funded at \$6.1 million in General and Casino Revenue Fund dollars.

INSTITUTIONAL CARE

Psychiatric Hospital Care— Psychiatric hospitals in New Jersey provide medical intervention, a protective therapeutic environment, and various rehabilitative, vocational, and treatment services. The goal of treatment is to limit the duration of institutionalization so that patients can return to the community as rapidly as possible, with community care support if necessary.

Marlboro Psychiatric Hospital officially closed on July 1, 1998. Former patients had been redirected to other State psychiatric hospitals, community mental health provider agencies or services of the Division of Developmental Disabilities. This reduces the number of psychiatric institutions to serve voluntarily admitted or legally committed persons with mental illness to six statewide.

Senator Garrett W. Hagedorn Gero-Psychiatric Hospital will continue to serve those who have an additional need for nursing and medical care as well as provide for other new admissions. A total of 100 new beds opened on May 4, 1998 to address the realignment of hospital admissions.

Arthur Brisbane Child Treatment Center will continue to serve pre-adolescent school age children and adolescents who have been legally committed.

The Forensic Hospital, is currently fully accredited and is eligible for \$10 million in cost reimbursements under the federal Medicare and Medicaid programs.

Greystone Park Psychiatric Hospital provides services to voluntarily and legally committed mentally ill persons from Bergen, Essex, Hudson Morris, Passaic and Sussex counties.

Trenton Psychiatric Hospital is federally accredited and is eligible for cost reimbursements under the federal Medicare and Medicaid programs. It also operates a federally approved psychiatric residency training program.

Ancora Psychiatric Hospital will continue to be the largest State facility with an anticipated average of 600 patients a day. Arthur Brisbane Child Treatment Center will remain the smallest facility with an anticipated average of 40 patients per day.

In fiscal 1995, the total State psychiatric hospital population was 2,488. In fiscal 2000, without Marlboro Psychiatric Hospital, the total State population is estimated to be 1,970. This is a

reduction of 518 beds (21%) for patients who no longer remain institutionalized but instead are accessing mental health services in the community.

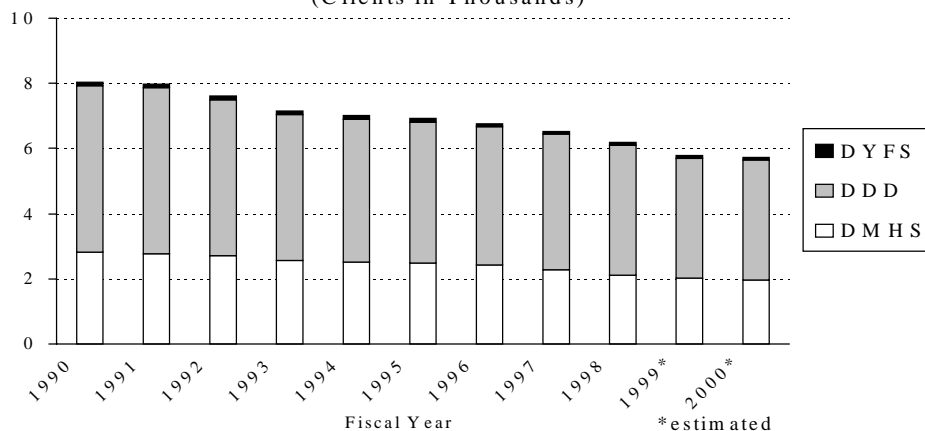
In addition to the State psychiatric hospitals, there are six county-operated psychiatric hospitals. State aid to these counties provides funds for 90% of the maintenance costs of county patients. The average daily population of patients residing in these facilities is estimated to be 688 for fiscal 2000. The largest population is at Essex, averaging 291, and the smallest at Union, averaging seven.

Developmental Centers—In fiscal 2000, New Jersey's seven developmental centers will provide residential, habilitation, and educational services for the developmentally disabled. In fiscal 2000, an estimated 3,660 individuals will reside in the developmental centers, a reduction of 1,518 or 29% from the 5,178 residents living in institutional facilities in fiscal 1999. New Jersey is committed to reducing the populations in developmental centers while providing a wide variety of residential and support services in the community.

Efforts have been made to reduce the number of beds that do not meet federal certification standards, such as room size, bedspace configuration, or some other physical characteristic of the building. Certified beds provide for federal cost-sharing on a 50-50 basis. Overall, New Jersey has reduced the number of non-certified beds from 1,464 in fiscal 1989 to 150 in fiscal 1999 through the expansion of community care alternatives and the conversion of non-certified bedspace to certified status.

Average Daily Population State Institutions

(Clients in Thousands)



Human Services

**COMMUNITY CARE PROGRAMS
APPROPRIATED DOLLARS**
(\$ in thousands)

Program	State	Federal and All Other	Total
Division of Mental Health Services	\$ 211,398	\$ 9,027	\$ 220,425
Division of Developmental Disabilities	260,889	275,439	536,328
Division of Youth and Family Services	209,457	93,063	302,520
TOTAL	\$ <u>681,744</u>	\$ <u>377,529</u>	\$ <u>1,059,273</u>

**INSTITUTIONAL PROGRAMS
APPROPRIATED DOLLARS**
(\$ in thousands)

Program	State	Federal and All Other	Total
Division of Mental Health Services	\$ 188,751	\$ 1,611	\$ 190,362
Mental Health Services - County	80,300	---	80,300
Division of Developmental Disabilities	194,054	117,856	311,910
TOTAL	\$ <u>463,105</u>	\$ <u>119,467</u>	\$ <u>582,572</u>

Catastrophic Illness in Children Relief Fund

More Than \$40 Million Awarded

The Catastrophic Illness in Children Relief Fund (Fund) offers a financial safety net to families struggling with health care costs incurred on behalf of a child under the age of 19. This Fund was established by the Catastrophic Illness in Children Relief Fund Act, *N.J.S.A. 26:2-148 et seq.*, in November 1989. The Act was the result of concern expressed by the public, service professionals and legislators that some families may lack sufficient resources to assume the cost of health care that has been provided for a child and has not been fully covered by insurance, state or federal program or other resource.

The Act was not targeted to a specific categorical illness or condition but broadly defined in terms of the financial impact on the family. Accordingly, the Act's definition of "catastrophic illness" is an economic one and is measured in terms of the financial consequences of health care expenses on the family, rather than on traditional diagnostic classifications or acuity of illness.

The Fund is administered by the Catastrophic Illness in Children Relief Fund Commission which is in, but not of, the Department of Human Services. Its membership of 11 consists of: 4 members ex officio (Commissioners of the State departments of Human Services, Health and Senior Services, Banking and Insurance, and the State Treasurer), and 7 members appointed from the public by the Governor with the advice and consent of the Senate for terms of 5 years.

The Catastrophic Illness in Children Relief Fund is collected from an annual surcharge of \$1 per employee for all employers subject to the New Jersey Unemployment Compensation Law. In fiscal 1998, new revenue to the Fund totaled \$6,045,285. Since the inception of the program, over \$40 million has been awarded in 2,050 grants, ranging from \$476 to \$566,804 to eligible families.

Medicaid

OVERVIEW

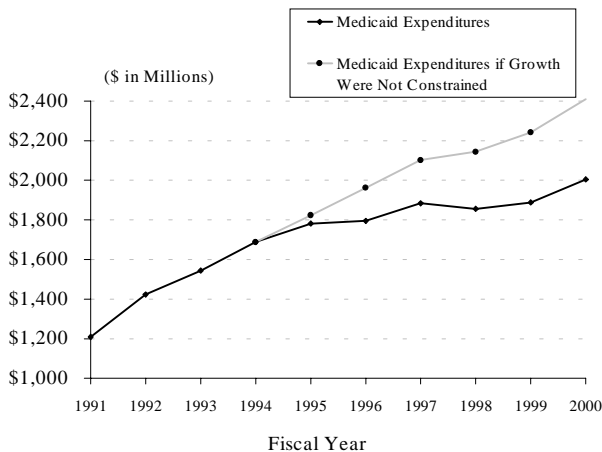
Medicaid is the State's principal health care safety net for the needy. It serves those who would otherwise be part of the growing pool of persons who have no resources for health care. Individuals without health insurance tend to receive limited medical services, particularly preventive care, reducing the overall well-being of the State's population.

Medicaid is administered by the Department of Human Services (DHS) in cooperation with the Department of Health and Senior Services. Approximately half of the total costs of Medicaid medical and health care is reimbursed by the federal government under Title XIX of the Social Security Act.

Medicaid covers a full range of inpatient and outpatient hospital services, physician visits, dental care, prescription drugs, medical supplies, medical transportation, home health services, personal care services, and long-term care.

The State also has made a major commitment to provide managed care through its contracted network of nine State-licensed health maintenance organizations (HMOs). Medicaid managed care provides the full scope of traditional medical services, with a special emphasis on preventive medicine, early detection and treatment of medical conditions, and continuity of care.

Actual General Fund Medicaid Expenditures Compared to Expenditures If Growth Were Not Constrained (DMAHS & DHSS)



Direct State expenditures for Medicaid benefits in fiscal 2000 are projected to be \$1.384 billion by the DHS Division of Medical Assistance and Health Services (DMAHS), and \$619 million by the Department of Health and Senior Services, for a total of \$2.003 billion. State expenditures will be supplemented by \$2.084 billion in federal matching funds. In addition, \$670 million in State and federal funds are spent for services on behalf of Medicaid-eligible persons in intermediate care facilities for the mentally retarded (ICF/MRs) and in community care waiver programs administered by the DHS Division of Developmental Disabilities.

Over the last five years, New Jersey has constrained the growth of Medicaid through the implementation of cost efficiencies, recoveries, innovative initiatives, managed care, and fraud and abuse deterrence. This cost conscious approach has resulted in more than \$400 million in savings per year to the State Budget compared to the trend of previous spending.

The policy goals of Medicaid are to provide access to quality care and to maintain or extend programs to meet the health care needs of the needy and uninsured, within the overall context of prudent purchasing and good fiscal management.

MEDICAID RECIPIENTS

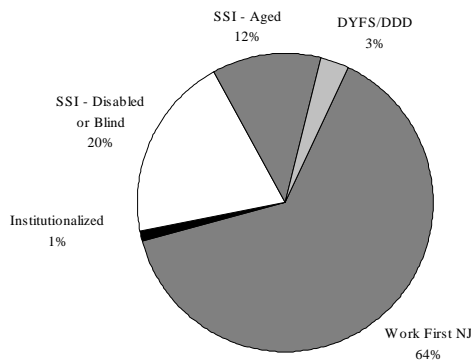
The largest single group of eligible persons are low-income children and adults who also receive cash assistance benefits through the State's Work First New Jersey program (WFNJ) or who have eligibility through various non-cash assistance expansions of Medicaid. In any given month about 380,000 persons, or 64%, of all Medicaid recipients, are WFNJ recipients. Payments for medical and health services utilized by this group will account for about \$750 million, or 19%, of combined State and federal Medicaid expenditures.

The second largest group of recipients are lower-income aged or blind persons, and people with disabilities, whose numbers have been increasing in recent years. This group tends to require a more intensive and costly mix of services, such as hospitalization, nursing home care, and intensive community care. In a given month about 70,000 aged persons, representing 12% of all Medicaid beneficiaries, account for 29% of combined State and federal expenditures. Their costs over the full year will come to about \$1.1 billion. The 120,000 individuals who are disabled or blind comprise 20%

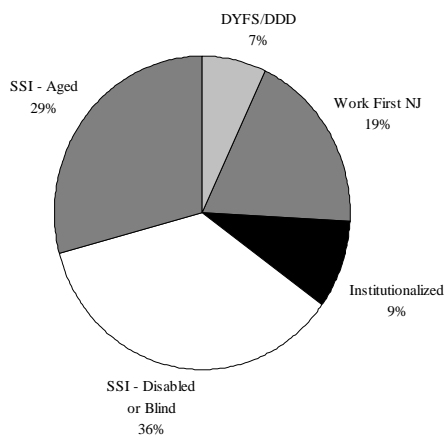
of all Medicaid recipients. Services on their behalf will account for over \$1.4 billion, or 36% of combined State and federal Medicaid expenditures.

Medicaid beneficiaries in State and county psychiatric hospitals or ICF/MRs comprise only 1% of recipients in any given month, but medical services for these persons account for 9% of Medicaid expenditures. The remaining 3% of Medicaid recipients are under the care of the Division of Youth and Family Services or the Division of Developmental Disabilities. Medical services on their behalf comprise 7% of Medicaid expenditures.

**Medicaid Recipients by Category of Eligibility
(600,000 Persons in a Typical Month)**



**Medicaid Expenditures by Category of Eligibility
(\$4 Billion State and Federal in Fiscal 2000)**



MEDICAID EXPANSIONS

Eligibility in the original Medicaid program was linked to participation in the pre-existing Aid to Families with Dependent Children (AFDC) program for low-income children and caregivers, and the Supplemental Security Income (SSI) program for low-income aged, blind, or disabled persons. Two years ago federal and State laws were changed to de-link Medicaid eligibility from welfare cash assistance. As a result, more persons than ever before receive Medicaid benefits without cash assistance.

Over the years the Legislature has authorized a number of expansions of Medicaid eligibility to extend health care benefits to additional lower-income children and mothers. These expansions of Medicaid programs reduce the level of uncompensated care in the state and provide services to persons before health crises develop.

New Jersey has demonstrated its commitment to maintaining and expanding its medical and health safety net for low-income children and vulnerable adults through its implementation of all federally-authorized, State-option Medicaid eligibility expansions. The first expansion of Medicaid beneficiaries included pregnant women, children up to age two, and SSI-related aged, blind, and disabled persons with incomes up to 100% of the federal poverty level. Additional federal legislation established Medicaid coverage for children under the age of six in families with incomes up to 133% of the federal poverty level. A subsequent expansion allowed Medicaid coverage for pregnant women and infants in families with income up to 185% of the poverty level. The State is also phasing in coverage for children born after September 30, 1983 in families with incomes up to 100% of the poverty level. This expansion of coverage will continue until all children up to age 19 are covered.

Despite all these Medicaid expansions, years of steady economic growth and increasing employment opportunities have resulted in an absolutely declining number of persons receiving Medicaid benefits. However, Medicaid's overall costs continue to go up because of the increasing proportion of services for aged and disabled recipients.

Medicaid

MEDICAID SAVINGS INITIATIVES

Medicaid continues to develop strategies which promote administrative efficiencies and payment economies. Prudent purchasing initiatives have effectively offset Medicaid caseload growth and cost inflation for the past five years.

In the absence of cost containment measures, State DMAHS Medicaid expenditures in fiscal 2000 are projected to grow \$133 million from the fiscal 1999 adjusted appropriation of \$1.289 billion. Offsetting this predicted growth are \$38 million worth of State cost avoidance and savings initiatives, including \$9.5 million of savings that will result from initiatives which had delayed start-up in fiscal 1999.

Savings of nearly \$4.6 million are anticipated from a recent federal change allowing Medicare to cover diabetic supplies.

There has been a rapid increase in the cost of Medicaid personal care expenditures in the past nine years. In order to ensure that the appropriate level of care is provided, the Department of Human Services has established an independent assessment system that is expected to save \$6.7 million.

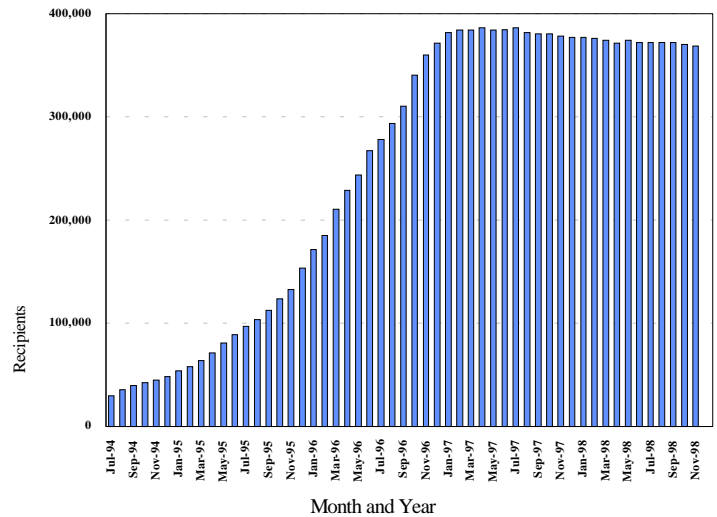
The State will be evaluating partial care mental health services provided by independent clinics. Savings of \$6.5 million are anticipated from controls on utilization and fraud. Also, savings of \$4 million are expected from instituting prior authorization procedures for invalid coach services and for filling prescriptions in excess of seven per month. Savings of \$2.3 million are projected from recoupment of Medicaid overpayments.

MEDICAID MANAGED CARE

Beginning in June 1995, the State began phasing in mandatory managed care for Medicaid-eligible Work First (WFNJ) families and other related categories. Currently, 360,000 WFNJ and Medicaid Expansion beneficiaries are enrolled. An additional 8,600 aged, blind, or disabled persons are voluntarily enrolled.

Medicaid managed care provides many beneficiaries with their first continuous primary care provider. Both a healthier population and long-term cost avoidance in the Medicaid program will be attained from the emphasis on preventive health care and the avoidance of more costly types of medical care such as hospitalization and emergency room treatment in non emergency situations.

DMAHS and NJ KidCare Beneficiaries Receiving Managed Care Services
July 1994 through November 1998



NJ KIDCARE

The NJ KidCare Children's Health Insurance Program was enacted in 1997 to address the substantial number of children without health insurance coverage. This expansion of coverage is 35% State funded and 65% federally funded. The NJ KidCare program provides a comprehensive array of health services to children up to 200% of the federal poverty level, who have been without medical coverage for twelve months and are not eligible for Medicaid. It underscores this Administration's commitment to extend the State's health care safety net. This Budget includes funds to expand NJ KidCare eligibility up to 350% of the federal poverty level, and to shorten the period that children have to be without other health insurance from twelve months to six months.

LABOR	
FISCAL 2000 RECOMMENDED BUDGET	
(In Thousands)	
General Fund	
Direct State Services	\$ 54,895
Grants-In-Aid	<u>18,835</u>
Total General Fund	\$ 73,730
Casino Revenue Fund	<u>2,440</u>
Grand Total State Recommendation	<u>\$ 76,170</u>

OVERVIEW

The New Jersey Department of Labor (NJL) provides employment, training, and education services that meet the needs of all citizens. The State’s Workforce Readiness System is part of a nationwide effort to establish a world class workforce that can compete in the global marketplace.

The Department’s major responsibilities are to:

- identify employment opportunities and provide marketable skills training to the state’s workers, job seekers and students;
- encourage businesses to create workplaces where high quality jobs add value to goods and services;
- ensure compliance with the State’s wage and hour laws;
- oversee income maintenance to the unemployed and disabled during employment search or temporary disability.

FISCAL 2000 BUDGET

The Department of Labor’s fiscal 2000 Direct State Services Budget includes \$8.9 million in State appropriations (excluding the Public Employment Relations Commission). This is a net increase of \$309,000 over the fiscal 1999 adjusted appropriation. Labor also receives \$43 million in Trust Funds (e.g., Temporary Disability Insurance) and \$360 million in federal funds.

The State recommendation includes an additional \$580,000 to expand two Workplace Standards programs. The Public Employees Occupational Safety and Health (PEOSH) program is recommended at \$420,000, and \$160,000 is recommended for the Mine Safety program.

Additional funding in the PEOSH program will help reduce public sector workplace accident and illness rates. With 11 new staff, this initiative will enable the program to make a concerted effort to target high hazard areas and help reduce costs to taxpayers. With four additional staff in the Mine Safety program, the statutory mandate of inspecting the state’s 210 operating mines at least twice per year will be met.

Grants-In-Aid funding for Vocational Rehabilitation Services is increased from \$18.6 million to \$18.8 million, an increase of \$201,000 to support cost of living increases for community service providers in fiscal 2000 (\$97,000) as well as full funding for the fiscal 1999 cost of living adjustment, (\$94,000). Also, \$10,000 is provided for cost of living increases for third-party providers in the Independent Living Centers.

A total of \$30 million is recommended to be transferred to the General Fund from the Special Compensation Fund. This Fund is also referred to as the Second Injury Fund.

The Special Compensation Fund provides benefit payments to totally and permanently disabled workers. This fund is financed by an annual assessment on insurance carriers and self-insurers based on the amount of compensation paid during the preceding calendar year. The Fund’s existing statutory assessment formula has generated revenues far in excess of the amount required to pay annual benefits. Through passage of legislation, it is proposed that the current method used to determine insurance carriers’ assessment rates be changed from 150% of estimated expenditures to 125% of estimated expenditures. The reduced assessment will continue to generate sufficient revenue to pay benefits. Further, the assessment rate paid by insurance carriers will be reduced from 8.94% in fiscal 1999 to 8.71% in fiscal 2000.

New Jersey’s Economy

The New Jersey economy continued to advance at a vigorous pace in 1998. During 1998, the Garden State added 65,900 jobs, reaching a record high employment of 3,821,900. The State’s economic expansion has generated a net increase of 324,700 jobs since January 1994. Also in November 1998, both the State’s unemployment level of 184,000 and its unemployment rate of 4.5% were the lowest since the first calendar quarter of 1990. During 1998, the jobless rate averaged 4.8%, down significantly from the 6.8% rate recorded during 1994.

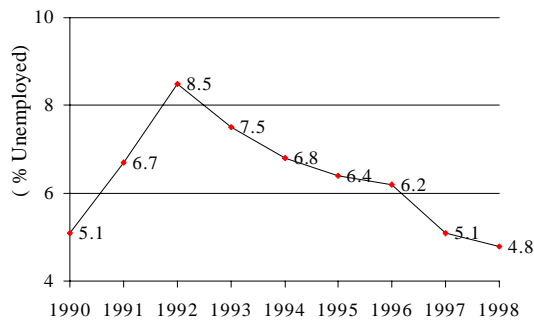
Labor

NEW JERSEY'S JOB GROWTH JANUARY 1994 - DECEMBER 1998

January 1994 - December 1994	77,700
December 1994 - December 1995	28,100
December 1995 - December 1996	65,500
December 1996 - December 1997	87,500
December 1997 - December 1998	<u>65,900</u>

Total: 324,700

NEW JERSEY'S UNEMPLOYMENT RATE (1990 - 1998)



(Rates are annual averages)

Unemployment Insurance

The federally funded Unemployment Insurance (UI) program is administered by the New Jersey Department of Labor. Unemployment benefits are financed through employer and employee taxes.

Currently, there are 33 local offices statewide where citizens may register in person for unemployment benefits. In response to the US Department of Labor's request that states begin filing claims remotely, the Department opened its first Re-employment Call-In Center in Freehold, New Jersey. This service is presently available to residents in parts of Monmouth, Ocean, and Middlesex counties. Through the Remote Initial Claims process, clients will be able to file initial unemployment insurance claims and re-open existing unemployment claims by telephone.

Workers' Compensation

New Jersey has been identified as one of the safer states in the nation, with a private sector accident rate approximately 22% below the national average. Fewer injuries have meant substantial savings for New Jersey employers as the number of workers' compensation claims filed has fallen over the past several years. This has translated to a steady reduction of workers' compensation premium rates.

WORKERS' COMPENSATION RATE DECREASES 1996 - 1999

1996	3.8%
1997	11.2%
1998	9.3%
<u>1999</u>	<u>5.2%</u>
Four -Year Total	29.5%

Premiums paid by New Jersey employers have been reduced for four consecutive years, while benefits to injured workers have increased. Beginning in January 1999, workers' compensation premiums are scheduled to be reduced by an average of 5.2% for total industry savings of about \$43 million. The 1999 savings follow earlier reductions in 1996 of 3.8%, 11.2% in 1997 and 9.3% in 1998. The cumulative reduction for the four-year period is almost 30%.

One-Stop Career System Building

The Workforce New Jersey Public Information Network (WNJPIN) is New Jersey's One-Stop home page on the Internet. The home page address is: <http://wnjpin.state.nj.us/>

Enhancements of the Job Bank and Talent Bank resulted in over 1,333,000 hits to WNJPIN since its inception in 1995. America's Job Bank/Talent Bank (AJB/ATB) is an internet based public labor exchange system with employer job listings and job seeker resumes. AJB/ATB provides its users easy, direct, no fee access to information that facilitates the matching of employer needs and job seeker talents. Job seekers can enter resumes into the system and/or search and view employer job opportunities from their homes or from any One-Stop Career Center Office. Employers are able to enter job opportunities and/or search and view job seeker resumes. The database for New Jersey includes 1,653 resumes and lists 46,465 jobs, and is expected to increase as more users become familiar with the system. There are 2,980 employers using the system regularly to find workers.

Workforce Development

The Workforce Development Partnership (WDP) program, funded through a dedicated assessment on workers and their employers, is a key component in

the State's effort to train workers to meet employers' needs and to move people from welfare to work. A model program for other states, Workforce Development grants are awarded to individuals seeking to enhance existing job skills or to acquire new skills, and to private companies under the customized training component of the program.

In an interagency agreement between the Departments of Labor and Human Services signed in 1997, the Department of Labor was identified as a lead agency to provide job training for the Work First New Jersey welfare reform program. Labor's job training efforts for the disadvantaged are concentrated at the local county welfare agency offices, where participants gain immediate access to all One-Stop Career Center services.

In fiscal 2000, \$24 million of the cost of the New Jersey Work First program, which helps welfare recipients transition from public assistance to self-sufficiency, will continue to be offset by the balances in the Workforce Development Trust Fund. In addition, \$11 million will also be made available from the balances in the WDP Fund to match new federal grants made available for additional Work First activities during federal fiscal years 1999 and 2000.

Customized Training Program

The customized training aspect of the WDP program provides matching training grants to employers to upgrade the skills of their workforce. This training assistance helps companies remain competitive in the global economy, and provides an incentive for companies to remain in New Jersey or to relocate from other states.

Customized training has become an important component of New Jersey's economic development package. Since January 1, 1994, over \$115 million

has been provided to upgrade the skills of approximately 145,000 workers employed by 1,266 New Jersey firms. These employers have invested over \$200 million in matching training dollars.

An independent evaluation of the WDP program conducted by the Edward J. Bloustein School of Planning & Public Policy within Rutgers University reported many positive outcomes from employers with regard to customized training. Ninety-five percent of employers indicated that they would recommend that other companies participate in the initiative, with over two-thirds of those firms reporting that their Customized Training grant had a significant positive impact on the company. Over 64% of firms also reported that they now provide more frequent training to more employees than they did prior to receipt of the Customized Training grant.

PUBLIC EMPLOYMENT RELATIONS COMMISSION

The Public Employment Relations Commission (PERC) is an independent agency within the Department of Labor which resolves disputes between public employees and their employers. The New Jersey Employer-Employee Relations Act of 1968 established PERC's Authority. PERC, along with the PERC Appeal Board, has a combined budget of \$2.8 million in fiscal 2000.

PERC's budget continues funding for computer upgrades to carry out responsibilities of the Police and Fire Public Interest Arbitration Reform Act. The final phase of migrating PERC from an antiquated computer system to a more state-of-the-art system will be accomplished in fiscal 2000. Computer upgrades will permit better work flow and timely case management updates, thus increasing productivity and efficiency. The technology upgrades will allow PERC to respond efficiently to local governments and school districts.

CUSTOMIZED TRAINING PROGRAM						
January 1, 1994 to December 31, 1998						
(\$ in millions)						
	1994	1995	1996	1997	1998	Total
Grant Awards	\$14	\$20	\$23	\$22	\$36	\$115
Company Match	\$24	\$37	\$45	\$46	\$50	\$202
Companies	144	132	328	170	492	1,266
Trainees	13,140	23,478	24,970	40,490	43,020	145,098

Law and Public Safety

**LAW AND PUBLIC SAFETY
FISCAL 2000 RECOMMENDED BUDGET
(In Thousands)**

General Fund	
Direct State Services	\$ 352,359
Grants-In-Aid	15,596
State Aid	3,600
Capital Construction	<u>14,475</u>
Total General Fund	\$ 386,030
Casino Control Fund	32,251
Casino Revenue Fund	<u>92</u>
Grand Total State Recommendation	<u>\$ 418,373</u>

OVERVIEW

The Department's fiscal 2000 recommended budget, including operations, State Aid, Grants-in-Aid, and Capital funding, totals \$418.4 million, an increase of \$17.1 million over the fiscal 1999 adjusted appropriation.

The Department of Law and Public Safety, under the direction of the Attorney General, is the State's primary civil and criminal law enforcement agency. The Department protects consumers and civil rights, provides legal services to State agencies, and regulates alcoholic beverages, boxing, and the horse racing industries.

The Office of Highway Traffic and Safety manages a variety of federally funded programs that reduce and prevent traffic accidents and fatalities.

Four agencies are administratively located in, but not of, the Department of Law and Public Safety: the Election Law Enforcement Commission; the Executive Commission on Ethical Standards; the Victims of Crime Compensation Board; and the Juvenile Justice Commission.

LAW ENFORCEMENT

The recommendation for the Division of State Police, including Capital funding, is \$203.4 million, an increase of \$13.6 million over the fiscal 1999 adjusted appropriation. State Police investigate, arrest and aid in prosecution of organized crime, racketeering, narcotics, and white-collar crime; conduct patrol functions that deter criminal and traffic violations; respond to toxic and hazardous materials accidents; and assist in statewide efforts to provide a clean environment for the citizens of the state.

Included in this recommendation is \$1.5 million in new funding to establish an Urban Search and Rescue program and \$200,000 for the Megan's Law DNA testing. As the proprietary agency for the State's millions of criminal records, histories, and profiles, the Division will receive \$2.5 million in new funding for the National Crime Information Center data processing project, or NCIC 2000. This is the second phase of a three phase project executed in cooperation with the FBI.

Efforts made by the State Police to keep the state's highways and roads safe and to deter criminal activity through regular patrol activities and criminal investigations will be enhanced by the addition of the 119th and 120th State Police classes. This is the first year in which two State Police training classes will be scheduled, allowing the State Police to recruit additional candidates by canvassing colleges and universities for highly qualified recruits, and improve minority candidate attraction.

These two classes in fiscal 2000 are expected to graduate a total of about 100 new troopers. They will be the sixth and seventh classes of State Police officers to graduate during this Administration, bringing the total number of graduates to 661 since fiscal 1994.

Funds are included to provide law enforcement access to an important, emerging crime fighting technology -- DNA testing. \$200,000 will be dedicated for DNA testing in support of Megan's Law, New Jersey's pioneering law requiring community notification about sex offenders. Another \$380,000 will be provided to give county prosecutors free access to DNA testing for use in investigating and prosecuting crimes.

Funds are included to continue the vehicle acquisition plan for the Division of State Police. The fiscal 1999 appropriation provided for 1,100 State Police vehicles through lease-purchase. The fiscal 2000 component of the plan is recommended for the acquisition of an additional 764 vehicles at an additional cost of approximately \$5.7 million. Total funding available for the State Police vehicle acquisitions and lease payments in fiscal 2000 is \$13.7 million, an increase of 152% over the current appropriation of \$5.4 million. Fiscal years 1999 and 2000 lease-purchases result in the replacement of the entire fleet of vehicles.

The Division of Criminal Justice investigates criminal activity and enforces the State's antitrust laws, prosecutes crimes, and combats organized crime and related illicit activities. The \$650,000 in

new funding for the Government Integrity and Corruption Unit enhances the Attorney General's efforts to combat fraud and abuse at the county and local level.

The Office of the State Medical Examiner and Medical Examiner Services aid in the investigation of all violent and suspicious deaths. Medical examiner services including pathology and toxicology are contracted out to county agencies.

The Budget includes \$1.3 million to support a Criminal Justice Human Relations Council, of which \$1 million will be utilized to provide grants to human relations groups and organizations throughout the state to support police-community partnerships. The funds will be used to address the problem of bias and violent acts based on the victim's race, color, religion, ethnicity, sexual orientation, gender, or disability.

The Safe and Secure Communities program will have provided approximately \$70.3 million from fiscal 1994 through fiscal 2000 in law enforcement personnel and equipment grants to over 170 municipalities statewide. The Safe and Secure Communities program is recommended for \$3.6 million in fiscal 2000 and, when combined with fine and penalty receipts, will continue to support the salaries of approximately 370 local police officers.

JUVENILE JUSTICE COMMISSION

The Juvenile Justice Commission operates and coordinates programs for juveniles involved with the juvenile justice system. The fiscal 2000 recommendation, excluding capital, provides continuation funding of \$77.5 million. When combined with education aid, capital, and federal funds, the overall spending authority for the Commission totals \$126.6 million for fiscal 2000 which reflects continuation funding overall for this agency. The three juvenile correctional institutions, the New Jersey Training School for Boys in Monroe, the Juvenile Medium Security Center in Bordentown, the Female Secure unit, and their satellite units, house approximately 708 male offenders and 35 female offenders. In addition, the 26 day and residential programs support another 760 juveniles. The Commission's fiscal 2000 Budget for administration and operations for these initiatives and programs is \$63.2 million.

Since its inception in fiscal 1996, approximately 335 offenders have graduated from the juvenile boot camp program. This structured program includes a daily routine of discipline, physical exercise, work, education, and counseling in substance abuse, vocational training, and self improvement, followed by an intensive after care phase.

More than 760 juveniles are provided treatment and educational services in State operated and contracted community residential and day treatment programs. These programs will continue to provide an alternative to incarceration for those juveniles who respond more effectively to less restrictive, community based programs. They also provide a transition to enable juveniles to integrate into society after a term of incarceration.

Some offenders require specialized services through the Sex Offender Treatment program. Funding totaling \$770,000 is recommended for programs to provide a comprehensive system of prevention, assessment, counseling, and treatment for juvenile sex offenders.

Intensive supervision or aftercare for youth returning to communities is essential to assist these youth to become productive members of the community and counterbalance forces that contributed to problem behavior. This program is recommended at \$3.6 million for fiscal 2000.

The Commission will continue to receive federal funding for two programs under contract that will target the special needs of certain juvenile offenders. The funds will eliminate a small gap in services for offenders not suited to long term or community placement, who are nearing completion of sentence, but not ready for release from custody, or for offenders who have had difficulty adjusting to the conditions of their parole.

The need to further develop local community alternatives remains the impetus behind the State/Community Partnership Program. Funding for this innovative initiative is recommended at \$6.9 million in fiscal 2000. This appropriation will permit counties to continue designing and implementing early intervention programs such as drug treatment counseling and community mentoring, as well as alternatives to incarceration, thereby reducing reliance on State institutions and county detention centers. This program is part of a total of \$14.3 million of Grants-in-Aid funding recommended for the Commission.

CITIZENS' RIGHTS

A total of \$39.6 million is recommended in fiscal 2000 to ensure the fair, equitable, and competent treatment of New Jersey consumers, as well as to protect the civil rights of individuals, and to assist the victims of crime. Included in this recommendation is funding for consumer-oriented programs like the statewide inspection of weight and measure devices, regulation of charitable organizations, and monitoring of the State's

Law and Public Safety

legalized games of chance laws. The Victims of Crime Compensation Board, an agency in, but not of, the Department is recommended for an additional \$150,000 to enhance outreach and education programs.

The Division on Civil Rights investigates complaints or disputes related to equal opportunity in employment, housing, public accommodations, and the extension of credit or making of loans. Complaints are either resolved by the Division or recommended for prosecution. The Division also promotes equal opportunity through educational outreach programs.

State professional boards regulate the practices of the various professions, occupations and trades, including architects, dentists, electricians, engineers, physicians, and plumbers.

LEGAL SERVICES

The Division of Law fiscal 2000 recommendation totals \$16.4 million, an increase of \$1.2 million over the fiscal 1999 adjusted appropriation reflecting increased caseload demands on the Division, that provides legal services to all officers, departments, agencies, and instrumentalities of State government, as well as County Boards of Election and Taxation. In addition to providing day-to-day counseling and advice, the Division renders written legal opinions on questions concerning constitutional and statutory authority and operations, makes appearances at hearings, and represents the State in litigation and appeals in both State and federal courts. Its services also include representing the State in all claims brought against the State and its employees for personal injury, property damage, and contract claims. The Division also prosecutes all claims for property damage on behalf of the State.

GAMING ENFORCEMENT

Funded from the receipts of New Jersey's casino industry, \$32.3 million is recommended for the Division of Gaming Enforcement to continue to meet its responsibilities as defined by the Casino Control Act.

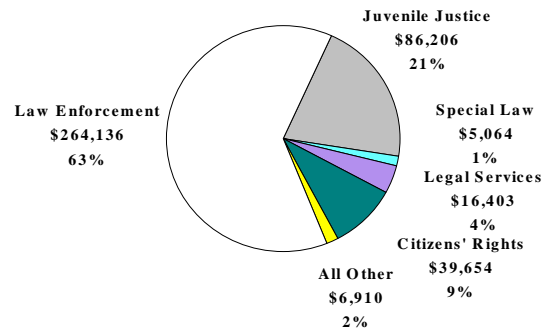
CAPITAL RECOMMENDATIONS

The capital recommendation for Law and Public Safety for fiscal 2000 totals \$14.5 million. The recommendation for the State Police is \$5.8 million, which will fund critical repairs to roofs and other

building systems, the continued implementation of the Computer Aided Dispatch and Records Management System, and replacement of obsolete police radios.

The fiscal 2000 Budget recommends \$8.7 million to address critical capital needs at Juvenile Justice Commission facilities. Such funds, combined with \$3.5 million from the 1994 Developmental Disabilities Waiting List Reduction and Human Services Facilities Bond Funds, will address rehabilitation of housing units, replacement of roofs, and fire and life/safety improvements.

NJ Department Of Law And Public Safety Total Fiscal 2000 Recommended Budget (\$ in Thousands)

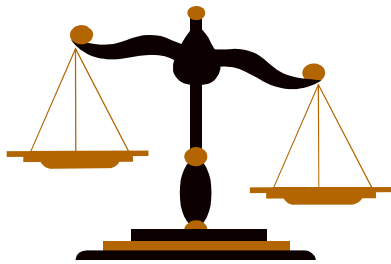


GUBERNATORIAL ELECTIONS

The Gubernatorial Elections Fund, which requires funding only during gubernatorial primary and electoral years does not require funding in fiscal 2000.

VOTER REGISTRATION

The Administration's successful implementation of the National Voter Registration Act of 1993, commonly called the Motor Voter law, halted a declining trend in the number of registered voters. Due to the widespread availability of voter registration services and forms at various State and county agencies, through citizens' interest groups, and at motor vehicle agencies, the number of registered voters stands at 4.5 million, up from 3.9 million in 1994. This is estimated to be 80% of the eligible citizens of the state, based upon United States Census Bureau population projections.



New Jersey Crime Statistics

Over the past 5 years, the number of major crimes in New Jersey declined from 378,302 in 1993 to 326,401 in 1997, a **drop of 13.6%**. The worst crimes showed even greater reductions.

- Murder - **Down 20.3%**
- Robbery - **Down 27.3%**
- Burglary - **Down 20.6%**
- Rape - **Down 21.9%**
- Aggravated Assault - **Down 12.0%**

LIVE SCAN

1,065 Wanted Persons Identified

Live Scan devices allow law enforcement agencies to identify suspects at the place of booking by electronically transferring their fingerprints to the automatic Fingerprint Identification System for identification and comparison. This process, which previously took several days, can now be accomplished in a matter of minutes, allowing law enforcement to make positive identifications while suspects are still in their custody.

Live Scan services started on June 5, 1997 and by year's end eight devices were operational at various police departments located throughout the state. (Newark, Jersey City, Atlantic City, Paterson, Camden, East Orange, Elizabeth and State Police Bridgeton). In April 1998 one additional Live Scan Device was added in Union Township. Awards received from federal Byrne grants will provide funding for several additional Live Scan devices by the end of fiscal 1999.

Between January 1 and November 30, 1998 the Division of State Police processed 39,824 Live Scan cards resulting in the identification of 1,065 wanted persons.

Military and Veterans' Affairs

MILITARY AND VETERANS' AFFAIRS FISCAL 2000 RECOMMENDED BUDGET (In Thousands)

General Fund	
Direct State Services	\$ 62,043
Grants-In-Aid	1,044
Capital Construction	<u>3,400</u>
Total General Fund	\$ <u>66,487</u>
Grand Total State Recommendation	\$ <u>66,487</u>

OVERVIEW

The fiscal 2000 Budget for the Department of Military and Veterans' Affairs totals \$66.5 million, an increase of \$3.5 million over the fiscal 1999 appropriation.

The number of New Jersey veterans receiving services from the Department is projected to expand from 36,750 in fiscal 1997 to almost 39,000 in fiscal 2000, an increase of more than 6%. In addition, the number of annual interments at the Brigadier General Doyle Memorial Cemetery is projected to exceed the previous year, as funding for additional burials is included in this Budget.

Also provided are additional resources of \$1.1 million needed to fully operate the newly constructed Menlo Park Veterans' Memorial Home which will have a capacity of 332 as of fiscal 2000. Continuation funding is provided for the remaining two homes. Once occupied, the total projected daily resident population for all three veterans' homes will increase to 871.

DEFENSE INSTALLATIONS

Included in this Budget is \$176,000 to ensure that New Jersey's interests are properly represented before the federal government's Base Realignment and Closure Commission (BRAC). BRAC makes recommendations on the economic and military viability of existing Department of Defense installations within New Jersey and whether these facilities should continue to operate or close. This funding allows New Jersey to develop a proper strategic plan and insures the State's aggressive representation before the Commission.

NATIONAL GUARD

The New Jersey National Guard is an integral component of New Jersey's emergency management and planning operation. It maintains an aggressive recruitment and retention program, resulting in 32 consecutive months of 100 plus enlistments. Through a community outreach program and the expanded use of armories as interactive community resource centers (ICRCs), there has been a significant increase in the activity occurring at these facilities. An additional \$340,000 is included in the fiscal 2000 Budget to assist in the maintenance and upgrade of these facilities.

HONORING OUR VETERANS

Maintenance funding is provided in the fiscal 2000 Budget for the new Vietnam Veterans' Educational Center, along with continuation funding for the Vietnam Veterans' Memorial. Funding is also provided for New Jersey's share of the soon-to-be constructed World War II National Memorial in Washington DC

NJ CHALLENGE YOUTH PROGRAM

This Budget provides \$741,000 as the required state matching share for the federally funded portion of the New Jersey Challenge Youth Program. The funding increase reflects the continuing commitment to address at-risk youths through a program which nurtures a positive self-image and self discipline. When the current class graduates, over 600 students will have successfully completed the program since its inception in 1993.

CAPITAL RECOMMENDATIONS

The capital recommendation for the Department of Military and Veterans' Affairs totals \$3.4 million. This recommendation represents an increase of \$950,000 from fiscal 1999. Funding will allow for life safety and preservation projects at various armories and an electrical upgrade at DMAVA Headquarters. No operating budget impacts are projected as a result of these projects.

PERSONNEL	
FISCAL 2000 RECOMMENDED BUDGET	
(In Thousands)	
General Fund	
Direct State Services	\$ 28,009
Total General Fund	<u>28,009</u>
Grand Total State Recommendation	<u>\$ 28,009</u>

OVERVIEW

The Department of Personnel is responsible for administering a comprehensive personnel system based on merit (the Merit System), training the State work force, and administering the State’s Equal Employment Opportunity and Affirmative Action Programs. The Department annually oversees the testing, selection, and promotions for over 70,000 State government employees and 112,000 local government employees.

FISCAL 2000 BUDGET

The fiscal 2000 recommended Budget for the Department of Personnel is \$28 million, an increase of \$400,000 over the fiscal 1999 adjusted appropriation.

While the Department’s Division of State and Local Government Operations fiscal 2000 Budget has been reduced by \$200,000 for administrative savings, new funding of \$130,000 has been added to cover increased Office of Information Technology expenditures. Additionally, \$470,000 has been added to the Division of Merit Services in support of a Document Storage and Retrieval System. Implementation of this system is part of a statewide technology initiative for a centralized processing capability which will enable the Division to enhance productivity and timeliness of handling appeals.

DEPARTMENTAL INITIATIVES

In fiscal 2000, the Department will continue its efforts to reform the State and local government merit system through improvement in various

program areas of responsibility. Personnel policy development and administration at the Department is focused on providing re-engineered human resource management services for recruitment, selection, placement, classification, compensation, training, and dispute resolution. Crucial to the overhaul of the State employee salary plan is the pay for performance concept, so that exceptional employees are rewarded for merit and success while still acknowledging seniority.

A new performance assessment initiative focuses managers and supervisors on evaluating fairly an employee’s work product and establishing a development plan to improve employee productivity. Procedures for use during reductions in force are under review to modify the practice of bumping so that job performance, not just seniority, is considered when layoffs become necessary to improve business efficiency.

The fiscal 2000 recommended Budget supports the continuing efforts of the Department’s State and Local Government Operations group to consolidate job titles and thereby simplify human resource management. This work is integral to the overhaul of the salary compensation plan. The existing rigid range and step system does not lend itself to the more progressive concepts of broad banding and pay for performance.

The Department has revised its mission statement, “To ensure Equal Employment Opportunity for all State government employees -- career, senior executive, unclassified and applicants seeking employment.” Staff assigned to this unit assist agencies in developing and managing affirmative action plans to ensure compliance with the Civil Rights Act and the Americans With Disabilities Act.

The Human Resource Development Institute (HRDI) has become a cost effective provider of training by offering distance learning, computer based training, and other high technology applications. Further, HRDI has increased the use of adjunct professors with special expertise in complex subject disciplines. The recent relocation from Plainsboro to a newly renovated facility in Trenton fulfills the expectation of making training more accessible to the majority of the State work force, which is concentrated around the capital city.

STATE	
FISCAL 2000 RECOMMENDED BUDGET	
(In Thousands)	
General Fund	
Direct State Services	\$ 16,332
Grants-In-Aid	860,579
State Aid	16,812
Capital Construction	<u>2,128</u>
Total General Fund	<u>\$ 895,851</u>
Grand Total State Recommendation	<u>\$ 895,851</u>

OVERVIEW

The Department of State emphasizes cultural and historic programs through the New Jersey State Council on the Arts, the New Jersey State Museum, the New Jersey Historical Commission, the Historic Trust and Historic Sites Council, the Trenton Barracks, the War Memorial, Archives and Records Management and the Martin Luther King, Jr., Commission. The Public Broadcasting Authority, the New Jersey State Library and the Commission on Higher Education are in, but not of, the Department.

Major departmental responsibilities include:

- Supporting the arts, museum services, and the development of historical resources;
- Planning and coordinating the Many Faces-One Family initiative through public awareness campaigns;
- Providing funding for general government services such as management of the State’s archives.

Major functions which are, in but not of, the Department include:

- Providing educational programs through the State’s only statewide non-commercial television station;
- Planning and coordinating the State’s higher education system through the Commission on Higher Education;
- Maintaining the New Jersey State Library.

FISCAL 2000 BUDGET

Excluding in, but not of, agencies, namely the State Library, Public Broadcasting Authority, and the Commission on Higher Education, the Department of State’s fiscal 2000 Budget totals \$28 million in State appropriations, including \$17.8 million in New Jersey State Council on the Arts grants, \$7.5 million in Direct State Services, and \$2.7 million in State-Aid for the Newark Museum. This is a net increase of \$224,000 over the fiscal 1999 adjusted appropriation.

The Historical Commission’s Budget is increased by \$105,000 to fund operational costs. The Office of the Secretary of State, which was formerly funded with off-budget receipts, is provided a State appropriation of \$2.4 million, including \$500,000 for the Many Faces-One Family and the Personal Responsibility programs.

The Department’s Grants-in-Aid budget includes a net increase of \$3 million for the New Jersey State Council on the Arts. These funds are to be awarded through the Council’s competitive grants award process. This funding increase will allow the Council to provide additional grants or larger grants to eligible arts organizations. Since fiscal 1994, the Arts Council’s Grants-in-Aid budget has increased by \$7 million, or 66%.

The proposed budget for the Public Broadcasting Authority (New Jersey Network or NJN) includes an increase of \$518,000 for a total appropriation of \$4.4 million. Specifically, \$250,000 of the increase will fund the study of Digital Television (DTV). Public television stations must begin DTV transmission by May 1, 2003.

The proposed budget for the New Jersey State Library and the Commission on Higher Education remains stable at \$3.1 million and \$1.3 million respectively.

Higher Education, in but not of, the Department of State, is funded at \$1.6 billion in fiscal 2000. This is discussed separately in another section of the Budget in Brief.

CAPITAL RECOMMENDATIONS

For the Public Broadcasting Authority, the capital recommendation for fiscal 2000 is \$495,000. This will provide the Authority with the necessary funding of \$195,000 for repair of transmission towers, \$100,000 for repair of access roads, and \$200,000 for replacement of emergency generators.

Other capital recommendations for the Department of State include \$197,000 for vault upgrades at the Records Storage Center, \$502,000 for improvements to the State Archives, \$55,000 for visual display equipment for the Council on the Arts and \$879,000 for telecommunication equipment at the State Library.

Archives Initiatives

Preparations for opening the new State Archives have entered the home stretch, with the expectation that this attractive new facility will be ready for occupancy in mid-1999. The new Archives' building, located on West State Street in Trenton, will feature an exciting New Jersey Heritage Gallery, showcasing exhibitions of such treasures as the US Bill of Rights, the Ratification of the US Constitution, and our three State Constitutions. The State's impressive collection of Civil War battle flags will also be displayed to the public on a rotating basis. The Archives' expanded quarters will more than double the space for visitors researching state and local history, genealogy, and New Jersey Government, and will vastly improve and enlarge storage facilities. In fiscal 1999, a total of \$260,000 was approved for the relocation of the Archives.

The War Memorial

The renovation of the War Memorial, a National Historic Site honoring World War I veterans, re-emphasizes the State's commitment to the Arts. The restored decor, bolstered infrastructure and technical theater upgrades prepare the facility for the 21st century. As a community center, it will continue to provide access to the Arts for the residents of Trenton, Mercer County, and the region. With its unique combination of an 1,812-seat concert hall, luminous banquet facilities, and high-tech conference rooms, the War Memorial will play host to a variety of events that celebrate our State's diversity. Cultural mainstays such as the Trenton and New Jersey Symphonies and the Boheme Opera Company will once again bring the performing arts back to our State Capital.

New Jersey Historic Trust

Since 1990, the New Jersey Historic Trust, through its Historic Preservation Bond Grant program, has awarded \$52,172,890 to 182 historic projects throughout the state. As of December 1, 1998, 141 of the 182 grantees were under contract and \$25,174,813 (or 48.25%) of grant money has been reimbursed for project construction.

New Jersey Historical Commission

With the publication this year of three of the eleven books in the New Jersey History Series, the Commission completed the series for high school and general readers. The work presents a topical history of New Jersey from pre-colonial times to the near present. Topics include: New Jersey at War; the economy; Native Americans; immigration and ethnicity; architecture; workers; arts and entertainment; environment; women; society; politics and government.

New Jersey State Council On The Arts

On March 24th, the Governor announced the release of *Arts Plan New Jersey*, a comprehensive plan for the improvement of the quality of life in New Jersey through advancement of the arts. This two-year project was spearheaded by the Council on the Arts in partnership with New Jersey Network, twenty corporations and foundations, and over 2,000 New Jerseyans from all walks of life.

The \$40 Million Cultural Centers Bond Issue, administered by the Council on the Arts, continues to build cultural infrastructure all across our state and improve the access of all residents to quality arts experiences. In the past year, the New Jersey Performing Arts Center opened in Newark, exceeding all projections for attendance. In addition, the home for the New Jersey Shakespeare Festival in Madison and the John Harms Center in Englewood have been refurbished. Similar projects have begun in Vineland, Jersey City, and Pemberton.

Many Faces-One Family/Personal Responsibility

The Governor's Many Faces-One Family program unites business leaders and communities to encourage understanding, tolerance, and appreciation of the diversity which enriches our state.

As a culmination of the ongoing activities aimed at bridging our differences, Many Faces-One Family week was celebrated throughout the state from October 3, 1998 to October 10, 1998.

The Personal Responsibility program, a new initiative that began in fiscal 1999, will focus on the value of personal responsibility. A media campaign is planned, along with the creation of a web site that will provide community program links to help cultivate and promote personal responsibility. It is envisioned that a Personal Responsibility Day would be designated to encourage statewide participation, involving clergy, businesses, and academic leaders and encourage community organizations.

New Jersey Network

NJN, a leader in distance learning, is the only broadcast network able to reach the entire state and beyond. The station's signal reaches 2.85 million television households in New Jersey, including the 30% without cable. An additional two million households in Pennsylvania, New York, Delaware, and Connecticut are within range of NJN's transmitters.

The fiscal 2000 Budget recommendation provides \$4.4 million in Direct State Service support for NJN. Other NJN contributors include private, federal, fee-generated, and member supported resources.



New Jersey: A Leader in Historic Preservation and the Arts

- Renovation of The War Memorial, a National Historic Site, honoring World War I veterans, affirms New Jersey's commitment to the Arts. The renowned concert hall and theater has been restored to its original splendor and bolstered with state-of-the art technical and theatrical upgrades. Once again, it will be used for New Jersey Symphony and other concerts, political functions, and meetings.
- The second restoration of the Old Barracks in Trenton -- the first restoration was begun in 1914 -- was completed in December 1998. Built to house British soldiers for the French and Indian Wars, the Old Barracks hosted Tory townspeople and Hessian soldiers in 1776, ending the Revolution as an American military hospital. A new addition functions as a History Lab, which invites visitors to piece together the past as museum professionals do.
- The new State Archives facility will feature an exciting New Jersey Heritage Gallery, showcasing exhibitions of such treasures as the US Bill of Rights, the Ratification of the US Constitution, and our three New Jersey State constitutions. Expanded quarters will more than double the space for visitors researching state and local history, genealogy, and New Jersey government.
- The New Jersey Historic Trust, through its Historic Preservation Bond grant program, has awarded over \$52 million to 182 historic projects throughout the state. It is anticipated that about \$403 million in state economic activity will be generated from the rehabilitation projects funded by grants and loans.

TRANSPORTATION	
FISCAL 2000 RECOMMENDED BUDGET	
(In Thousands)	
General Fund	
Direct State Services	\$ 204,061
Grants-In-Aid	149,097
Capital Construction	<u>477,801</u>
Total General Fund	\$ 830,959
Casino Revenue Fund	\$ <u>22,811</u>
Grand Total State Recommendation	\$ <u>853,770</u>

OVERVIEW

New Jersey's transportation system is a critical factor for the state's economic well-being. Situated at the geographic center of the largest continuous metropolitan region in the country, New Jersey has developed an extensive network of highways, bridges, feeder roads, and bus and rail lines. Maintaining the State's infrastructure is a high priority in fiscal 2000, and is essential to realizing the maximum useful life of the State's transportation investments.

Improving the quality of roads and bridges throughout the state is one of the cornerstones of this Administration's strategic transportation vision plan for the 21st century. This plan, known as *NJ FIRST*, promises that the State will renew and sustain its enormous investment in highway, bridge, rail, port, and aviation facilities. This infrastructure is the backbone of our transportation system and will continue far into the next century.

The Department of Transportation (DOT) constructs, reconstructs, and maintains the State highway and mass transit system within a complex transportation network through its operating and capital budgets.

The New Jersey Transit Corporation (NJT), the nation's third largest provider of bus and commuter rail service, moves approximately 353,200 commuters per day. To serve its riders, NJT operates 713 rail cars on 12 lines as well as 1,960 buses on 174 routes covering the entire state.

DOT is responsible for motor vehicle related services such as annual vehicle inspections, processing vehicle registrations and drivers' licenses, and overseeing the private network of motor vehicle agencies.

DOT'S OPERATING BUDGET

Funding for DOT's operating budget (excluding the Division of Motor Vehicles) totals \$86.1 million, an increase of \$14 million, and includes:

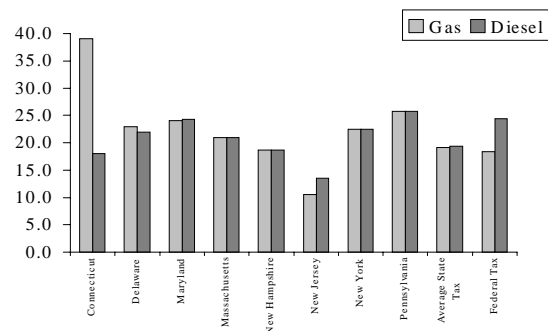
- an increase of \$14 million (28%) in funding for maintenance activities that will improve the quality of State roadways and bridges;
- up to \$12.5 million in funding for the "zero-tolerance" snow removal program which utilizes 600 DOT plow trucks and up to 1,000 contractor trucks;
- continued funding for an augmented grass mowing statewide to aesthetically enhance the State's highway system.

TRANSPORTATION TRUST FUND (TTF)

To fund the State's critical highway and mass transportation infrastructure needs, the annual TTF authorization will increase by almost 30%, or \$200 million, in fiscal 2000. The spending authorization will increase from \$700 million to \$900 million. When factoring in federal dollars (including NJ Transit), available funding for this program will grow to almost \$1.9 billion, making this the largest annual construction program in the Department's history.

The General Fund appropriation to the TTF will increase by over \$14 million, from \$463.7 million in fiscal 1999 to \$477.8 million in fiscal 2000. This appropriation includes a one cent increase in motor fuels tax constitutionally dedicated to the TTF (from 8 cents to 9 cents). This increase will have no impact on the State's current motor fuels tax of 10.5 cents, which is the fourth lowest in the nation and the lowest in the Northeast.

Comparative Motor Fuels Tax Rates
(In Cents)



Transportation

In fiscal 2000, the TTF will continue to fund projects promoting economic development, replacing or rehabilitating bridges, and upgrading the quality of highways throughout the state.

As an economic instrument, investment in the State's transportation infrastructure not only stimulates the economy in the short term, with each \$100 million investment in transportation infrastructure creating 3,000 jobs, but also makes our region an attractive business location for the production and distribution of goods.

Funding highway improvements is a high priority due to the following conditions:

- New Jersey roads are the busiest in the nation with 63.3 million vehicle miles of travel annually. This translates into each mile of highway carrying an average 2.6 million miles of travel annually -- almost double the national average of 1.4 million.
- NJ averages more than three times the national average for licensed drivers per lane mile, second only to Hawaii.
- NJ's mass transportation systems are used daily by 353,200 NJ Transit bus and rail customers.
- Seven percent of New Jersey's vehicle miles of travel are attributable to trucks. There are over 58,000 trucks registered in New Jersey, and hundreds of thousands that are registered in other states but travel our highways.

Local Aid Funding Highlights

The Transportation Trust Fund (TTF) provides \$130 million per year to improve local roads. This is 30% more than localities received prior to fiscal 1996, thereby reducing the need for local tax dollars to finance infrastructure costs.

Since its inception in 1984, the TTF has provided over \$1.2 billion for county and municipal roadway projects, thus reducing the need for local tax dollars to finance infrastructure costs. Examples of investments in local projects include:

- replacing Landing Road Bridge over NJ Transit rail line in Morris County;
- constructing and signing bike routes in the Borough of Madison, Morris County;

- revitalizing the Journal Square Transportation Hub in Jersey City, Hudson County, including new curbing, sidewalks, kiosks, and landscaping;
- constructing the Woodbine Bicycle and Pedestrian Trail in Cape May County.

State Highway Funding Highlights

To continue funding State highway infrastructure projects which foster economic growth, DOT will receive \$412 million in State funding and \$675 million in federal funds for projects such as:

- the "Portway" - a multimodal freight initiative;
- high cost bridge needs - More than 15 bridges have been identified for replacement or major rehabilitation over the next seven years at a cost of over \$1.4 billion. These projects are essential to keeping the basic transportation system functioning;
- traffic congestion reduction - Projects emphasizing maintenance, preservation, and expansion of the State's existing highway system provide additional capacity.

However, not all funding is focused on improving the State's highway system. Funding is available for the implementation of the Statewide Bicycle and Pedestrian Master Plan, which provides a policy and action plan for improving the bicycling and walking environment throughout the state.

Mass Transit Funding Highlights

NJ Transit will receive a total of \$358 million in TTF funding and over \$300 million in federal funds to advance projects such as:

New Facility Construction

- completing the new Hamilton Train Station on the Northeast Corridor;
- constructing the Montclair Connection which will give Montclair Branch and Boonton Line riders direct access to midtown Manhattan for the first time;
- developing the 33-mile South Jersey Light Rail Transit System which will operate along the Delaware River waterfront between Trenton and Camden.

Urban Core Initiatives

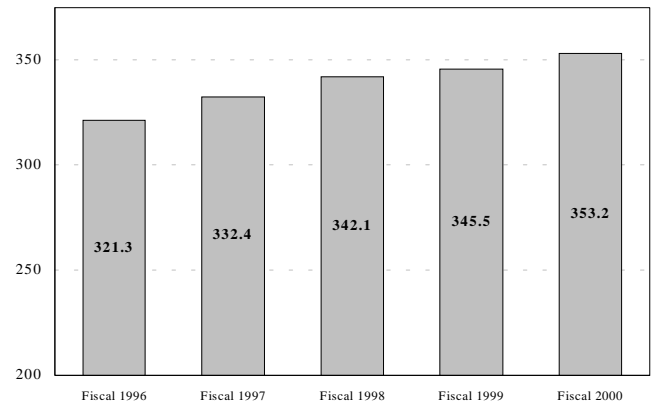
- completing the first phase of the Hudson Bergen Light Rail Transit System, which is expected to be the second busiest light rail system in the country serving more than 100,000 riders daily by 2010;
- constructing the Secaucus Transfer project, which will allow riders from New Jersey Transit's Main, Bergen County, Pascack Valley and Port Jervis lines to transfer to trains operating on the Northeast Corridor;
- constructing a new rail station linking NJ Transit rail riders with the monorail system at Newark International Airport;
- extending the Newark City Subway by linking Broad Street Station and Newark Penn Station. This extension is the first segment of the Newark Elizabeth Rail Link and will link Newark Penn Station, the New Jersey Performing Arts Center, Washington Park/Broad Street, and the new baseball complex currently under construction.

New Jersey Transit Budget Highlights

- no fare increase or bus or rail service reduction for a record ninth straight year;
- the strong economy, in concert with the lack of fare increases, has led to ridership gains in 25 of the last 29 quarters, spanning a period of seven years;
- in fiscal 1998, ridership levels were 3.5% higher than the prior year and greater than any point in NJ Transit's history;
- since the last fare increase in July 1990, NJ Transit riders have realized an inflation-adjusted reduction in fares of approximately 26%;
- when factoring in the effects of inflation, NJ Transit's current fares cost less than they did in 1983.

Ridership on NJ Transit buses and trains increased to an all time high of more than 200 million annual riders in fiscal 1998. This marked the seventh consecutive year of ridership growth for the agency. Since fiscal 1991, ridership has increased by approximately 22% and the number of passengers continues to grow in fiscal 1999.

AVERAGE DAILY RIDERSHIP
NJ Transit Buses and Trains
(Fiscal 1999 and 2000 Estimated)
(In Thousands)



Ridership gains since 1990 have boosted farebox revenue by over \$103 million, or 31%, thereby partially offsetting annual inflationary costs and reductions to NJ Transit's State subsidy without the need for service level cuts or fare increases.

To further boost revenues, New Jersey Transit has developed innovative financing strategies such as leveraged lease agreements for 181 rail cars and 30 locomotives. From fiscal 1990 to the present, NJ Transit has received a total financial benefit of more than \$100 million from the sale and lease back of rail cars, locomotives, buses and facilities. In addition to farebox revenue growth, NJ Transit has identified operating efficiencies that in fiscal 2000 will allow the agency to absorb \$39.8 million in inflationary costs.

For fiscal 2000, NJ Transit's gross operating budget recommendation of \$877.8 million is \$7.6 million less than their fiscal 1999 gross budget, which totaled \$885.4 million. NJ Transit's recommended State appropriation of \$149.1 million is \$45.2 million less than it was in fiscal 1999. This reduction is achievable through a series of revenue enhancements, management efficiencies and cost reductions such as locking in fuel costs at a lower price, reducing claims and procurement costs, continuation of an attrition program, and added farebox revenue. The reduction will not cause any decreases to the current level of bus or rail service or require fares to be increased.

Transportation

Elderly and Handicapped Transportation Services

NJ Transit will receive a total of \$22.8 million in fiscal 2000 to continue developing accessible transportation facilities and services for elderly and disabled residents. This amount is \$305,000 more than the program received in fiscal 1999. The majority of this appropriation, \$19.4 million, will be allocated to counties to provide local transportation for the elderly and disabled.

MOTOR VEHICLE SERVICES

The fiscal 2000 Budget recommends an appropriation of \$118 million for Motor Vehicle Services (MVS), which is a decrease of \$878,000 from the current year appropriation.

The fiscal 2000 Budget includes funding to purchase safety and emissions equipment for the MVS inspection lanes, as well as Year 2000 compliant equipment for the private motor vehicle agencies throughout the state. These purchases are arranged through a line of credit, and repaid with a total \$2 million appropriation for debt service.

The recently enacted Graduated Drivers License Act will require MVS to implement phased-in driving privileges for new drivers. The new system will allow young drivers to develop their driving skills under supervised conditions, gradually expanding access to the roadway as they gain experience. This approach, which has been implemented in many states, will help improve safety for young drivers and the general public. The General Fund will advance funds against an increased permit fee effective January 1, 2001.

As part of automobile insurance reform, MVS was directed to implement an improved insurance verification system. This system will provide real time information about motor vehicle insurance. Pursuant to statute, increased fines from uninsured motorists will fund this initiative.

Enhanced Inspection Maintenance

In fiscal 1999, as required by the federal Clean Air Act, Motor Vehicles began implementation of the Enhanced Inspection and Maintenance (I&M) program. In August 1998, a single contract was awarded under the design, build, operate and maintain (DBOM) approach. The DBOM contract places full responsibility for project construction and operation with one contractor, thus ensuring

accountability for performance standards, including wait times in vehicle inspection lanes, hours of operation, and testing accuracy.

The transition from the State operation to the private contractor was accomplished in November 1998, at which time all of MVS's inspection lane employees were either hired by the contractor for I&M or reassigned to other MVS programs at similar salaries.

Two other changes have been implemented to help reduce the volume of annual vehicle inspections, and thus the wait time in the inspection lanes. First and foremost, the inspection cycle for passenger vehicles was changed from an annual cycle to every two years. Also, upon transfer of ownership, the new motor vehicle owner is no longer required to obtain a new inspection sticker. The new wait time performance standard requires an average inspection wait time of less than fifteen minutes.

In fiscal 1999, a supplemental appropriation of \$13.8 million is projected to fully fund cost of the inspection contract as well as additional staff required to monitor private garage inspections and support the program. This additional funding is required primarily as a result of decisions by the Federal Highway Administration (FHWA) restricting the use of federal Congestion Mitigation and Air Quality (CMAQ) funds prior to full implementation of the I&M program in December 1999. Total fiscal 1999 funding for the Vehicle Inspection Program will be \$36.1 million. Fiscal 2000 recommended funding is \$32.4 million, or \$3.7 million less, because federal CMAQ funds will be available to make up the difference.

Bus Inspections

In response to safety and operational concerns identified by a statewide task force, MVS initiated the In-Terminal School Bus Inspection Program in fiscal 1999. Inspection teams travel to school bus terminals to examine operator compliance with safety requirements. This strategy enhances the effectiveness of the program, and is more convenient for bus operators. The fiscal 2000 Budget provides a State appropriation of \$1.7 million for operation of the program.

DOT will coordinate administration of the School Bus program with the existing Commercial Bus Inspection program, thus creating a more efficient, synergistic operation. The Commercial Bus program plans to hire additional staff in fiscal 2000 with \$145,000 in fee revenue previously retained by the General Fund to increase its inspection effort.

Customer Service Improvements

A consulting firm has been retained to review MVS's management and operating practices, organizational structure, allocation of staffing resources and information technology to identify organizational strengths and opportunities for improvements. The MVS website, www.state.nj.us/mvs, will continue to be improved to provide additional information on licensing and registration requirements, locations, and hours of operation of MVS facilities, as well as other data to address the most frequently asked customer questions.

An additional \$800,000 appropriation is recommended for merit raises and additional staff at private agencies, which will help the agencies retain their existing experienced staff.

Additional funding of \$328,000 for part-time staff in the Telephone Center will enable MVS to reduce waiting times for phone inquiries pending a more thorough review of management and technology needs in the consultant study.

NEW JERSEY TRANSIT (NJT): AN AWARD WINNING SYSTEM

- For the **3rd time in 5 years**, NJT has received the American Public Transit Association, Award for Outstanding Achievement as the nation's best transit agency during 1998.
- For the **3rd consecutive year**, NJT has received the E.H. Harriman Memorial Safety Award which honors the railroad with the fewest rail employee injuries per 200,000 hours worked.
- NJT was named by the Women's Transportation Seminar as its employer of the year in recognition of NJT's active support for advancement of women and minorities.
- NJT, the nation's third largest provider of public transportation, has reduced its operating expenses while at the same time increasing ridership.
- Ridership has increased every year for the past 7 consecutive years, to an all-time high of more than 200 million annual riders.
- Fares have not increased since 1990.

DEPARTMENT OF THE TREASURY
FISCAL 2000 RECOMMENDED BUDGET
(In Thousands)

General Fund		Treasury In, But Not Of, Agencies	
Direct State Services	\$210,782	Higher Educational Services	\$429,308
Grants in Aid	10,500	Commerce and Economic Growth Commission	15,588
State Aid	32,392	Commission on Science and Technology	19,521
Capital Construction	12,396	Casino Control Commission	22,915
Debt Service	426,075	Board of Public Utilities	17,051
Total General Fund	\$692,145	Ratepayer Advocate	4,163
Property Tax Relief Fund	582,315	Office of Administrative Law	3,295
Casino Revenue Fund	17,180	Public Defender	66,029
Subtotal Treasury Department	\$1,291,640	Subtotal In, But Not Of, Agencies	\$577,870
		Grand Total State Recommendation	\$2,447,380

OVERVIEW

The Department of the Treasury is responsible for collecting taxes, managing the State's assets, including revenue from several State departments, and investing and managing 160 funds, including various pension funds. The Department is also charged with providing statewide support services for all State agencies and managing the State lottery.

Organizationally within the Department of the Treasury, but autonomous in their operations, are the Board of Public Utilities, the Ratepayer Advocate, the Casino Control Commission, and the Office of Student Assistance, which is discussed in the section on Higher Education. Several organization changes occurred within the Department over the past year. In fiscal 1999, the Commission on Science and Technology, the Office of Administrative Law, the Office of the Public Defender, and the State Legal Services Office were assigned organizationally within the Department of the Treasury, but these entities remain autonomous in their operations.

The Economic Development Authority (EDA) is now included within Treasury. The EDA provides long-term low interest financing to private companies for constructing, acquiring, and enlarging industrial plants and certain other business facilities. The agency works with the New Jersey Commerce and Economic Growth Commission to promote capital investment in the state as a means of increasing the number of private sector jobs.

The most recent change in Department structure is the Office of Information Technology (OIT), formerly known as the Office of Telecommunications and Information Systems (OTIS), which was reorganized as a semi-autonomous entity that is now in, but not of, Treasury and has its own governing board. A complete description of the Office of Information Technology can be found in the "Investing in Information Technology" section of this document.

FISCAL 2000 BUDGET

The Department of the Treasury's fiscal 2000 Budget totals \$1.87 billion, an increase of \$273 million above fiscal 1999. The majority of the increase is due to additional funding for Property Tax Relief initiatives and higher educational services. The Department's fiscal 2000 operating budget is recommended at \$211 million, a \$22 million reduction, and will allow the Department to continue to fulfill its responsibilities effectively. The other major items in the Treasury Budget, including Homestead Rebates, State Aid and Property Tax Relief initiatives, and capital and debt service funding, are discussed elsewhere in this document.

In fiscal 2000, the Department will continue to implement efficiency initiatives begun in prior fiscal years. These initiatives include the continual review of local budgeting by Local Government Budget Review, the use of an automated management system by the Distribution Center, and enhanced use of the electronic cataloging and order placement by the Purchase Bureau.

Fiscal 2000 will mark the second consecutive year that the State has replaced a significant portion of its once aging fleet. Of these vehicles, alternative fuel vehicles will account for 55% of the acquisitions. Funds from the Petroleum Overcharge Reimbursement Fund will be used to assist both the State and local governments in converting vehicles and updating facilities to maintain the cars.

In order to provide fleet managers with the pertinent information to properly manage the fleet, a new Integrated Fleet Management Information System will be installed. This system will replace three mainframe systems being used by the State Police, the Department of Transportation, and the Central Motor Pool.

The Local Budget Government Review group reviews municipal and school district budgets and submits reports suggesting ways in which costs and the revenue necessary to support these costs (primarily property taxes) can be reduced. To date, 46 such reviews have been completed and 13 are in progress. Due to the success of the initial analyses, over 200 additional local entities have requested reviews of their respective budgets. Staff continues to provide a "best practices" guide for local government budgeting to interested local officials.

Agency staff have also participated in the Solid Waste Partnership Program, performing audits of 13 county solid waste operations and authorities. Due to a change in the law, solid waste haulers are no longer required to use in-county facilities. The purpose of the program was to look for cost containment efficiencies to assist counties in addressing debt obligations associated with the construction of resource recovery facilities, transfer stations and/or landfills. Over \$120 million of one-time and permanent operational savings opportunities were identified.

ADMINISTRATION OF STATE REVENUES

The mission of the Division of Revenue is to develop and effectively administer policies and procedures related to the management and processing of cash receipts, accounts receivable and refunds on a centralized statewide basis. In fiscal 1999, the Bureau of Wage Reporting from the Department of Labor and the Division of Commercial Recording from the Office of the Secretary of State were integrated into the Division's operations. Consolidating these organizations allowed the Division to streamline business reporting requirements by providing a one-

stop arrangement for the interaction of commercial businesses with State government. This move provided a unified port of entry for new business entities. It also streamlined business reporting requirements by creating a central collection point for corporate taxes, contributions for Unemployment Insurance and Temporary Disability, and Gross Income Tax withholdings. This initiative establishes New Jersey as a leader with respect to consolidating and simplifying business reporting requirements.

The Division of Revenue is also responsible for debt collection, including third party contracts with PAYCO for tax delinquencies and Lockheed-Martin for motor vehicle surcharges. In fiscal 1998, PAYCO collected \$45.1 million in delinquent taxes and Lockheed-Martin collected \$151.2 million in surcharges. In addition, the Division's Set-off of Individual Liability (SOIL) unit collected \$13.2 million for various State agencies. Initially, the SOIL program was established to capture income tax overpayments and homestead rebates for application toward delinquent child support accounts. Because of the effectiveness of the initial SOIL program, there are now 49 State agencies, 24 county agencies, 10 State colleges and universities, the Internal Revenue Service, and 566 municipal tax collector offices participating in this program.

The Division of Revenue is working to make it easier for New Jersey residents to comply with tax paying requirements by developing a process to accept credit card payments of taxes. The Division intends to implement this initiative in time for the upcoming tax season. In addition, the Division of Taxation will introduce its NJ PCFile program in February, 1999. This will enable taxpayers to use personal computers to prepare and file Gross Income Tax returns. Information will be processed in the same manner as the current Telefile returns, which are filed via touch-tone telephone.

In fiscal 2000, the Division of Revenue will continue initiatives to automate tax processing operations and expand upon proven technologies to improve revenue processing. To fulfill the mission of the Division, interactive technology capable of recognizing and consolidating information from a broad array of State agencies is needed; to that end, \$2.5 million has been recommended for this purpose in fiscal 2000. This recommendation, in concert with \$5 million in fiscal 1999 appropriations, makes \$7.5 million available for costs related to the development of a centralized automated revenue management, accounts receivable, billing, licensing, revenue accounting, and tax administration system.

NEW JERSEY LOTTERY

The New Jersey Lottery continues to be a national leader in lottery administration. In 1997 (the last complete year for which data is available), the New Jersey Lottery ranked among the highest of State lotteries in Government Revenue as a Percent of Sales with 41.8%. In other words, almost 42 cents of every dollar used to purchase a New Jersey Lottery ticket went to support education in the state and State institutions.

The New Jersey Lottery has been able to generate this exceptional rate of revenue to the State at an administrative rate well below other states. In 1997, it cost New Jersey 19.8 cents to generate each dollar of State lottery revenue. In 1996, it cost New Jersey 20.1 cents to generate each dollar of State Lottery revenue.

The New Jersey Lottery continues to expand marketing initiatives and services to further enhance current programs administered by the Division. In June of 1998, the Division launched a new game, LOTZEE, and premiered the game with an appearance at the Belmar Seafood Festival. The Division traveled to the festival and numerous other outdoor locations in their recently acquired mobile exhibition trailer. The trailer has been utilized as a concession area for the sale of lottery tickets, and drew sizeable crowds at each appearance.

BOARD OF PUBLIC UTILITIES

The Board of Public Utilities (BPU) regulates rates for such essential services as natural gas, electricity, water, wastewater, telecommunications, cable television and underground facilities safety. In recent years, the BPU's activities have focused on transitioning certain utilities from a monopolistic, rate-regulated structure to one that is deregulated and competitive. The BPU continues to oversee utilities with an emphasis on consumer safety and satisfaction.

The BPU's fiscal 2000 proposed operating budget of \$17.1 million, equal to the previous year's appropriation, is supported by assessments on the various utilities licensed to do business in New Jersey.

Over the past few years, the BPU has been nationally recognized as one of the leading utility commissions on the deregulation of the natural gas, electric, and telecommunications industries. In fact, the BPU is the only state regulatory commission that is deregulating all three industries simultaneously.

In fiscal 2000, the BPU will continue its efforts to move forward the deregulation of electric and natural gas utilities by opening up the state's markets to competition. These efforts should result in lower rates for consumers and businesses while also ensuring compliance with the State's consumer protection and environmental standards.

Throughout the next few years the BPU will work on a series of issues related to energy deregulation, including establishing guidelines for a competitive electric power industry in the state. Consumer education is a major component of the deregulation process. A statewide consumer education program that provides customers with the information they will need to make informed choices facing them in the newly deregulated energy markets will be unveiled by the BPU in fiscal 2000.

New Jersey was the first state in the nation to allow its commercial and industrial customers to shop for natural gas. In 1998 those efforts were expanded to residential customers through implementation of a pilot program. Full customer choice in the natural gas marketplace will be in effect in fiscal 2000.

Implementation of an accord that will open up local telephone markets to full competition is expected in fiscal 2000. Over the past year, representatives of local exchange companies and the BPU's Technical Solutions Facilitations Team diligently worked to resolve their issues.

Through the efforts of the BPU's Universal Telecommunications Services unit, the State is striving to ensure that all citizens have access to basic telecommunications services at affordable rates. A final decision to enact a Universal Service Fund will be made during the year. This Fund would supplement the federal fund, support low-income residential telephone customers and would provide discounts on telecommunications services to schools and libraries.

The Board will also be considering during the fiscal year the implementation of a comprehensive remapping of all underground facilities in New Jersey. This will enhance the State's nationally recognized One-Call law and provide for further safeguards for citizens from mishaps resulting from striking pipelines and other underground facilities.

DIVISION OF THE RATEPAYER ADVOCATE

The Division of the Ratepayer Advocate (RPA) represents and protects the interests of all utility consumers -- residential, small business, commercial and industrial. The primary mission of the RPA is to make sure that all classes of utility consumers receive safe, adequate and proper utility service at affordable rates that are just and nondiscriminatory. In addition, the RPA works to insure that all consumers are knowledgeable about the choices they will have in the emerging age of utility competition. Since its inception, the number of cases with which the RPA has been involved has dramatically increased from less than 200 in fiscal 1995 to nearly 900 in fiscal 1999.

For fiscal 2000, the budget of the RPA is set at \$4.2 million. Funding for the RPA is provided through an annual assessment on each public utility consistent with, but separate from, the Board of Public Utilities' assessment. The RPA will continue to represent the interests of all citizens in implementing restructuring of the State's \$10 billion energy industries. Priorities include: consumer education; rate discounts; aggregation (purchasing pools); costs to consumers of delivering services; universal service; refinancing of utilities' debts for obsolete plants and purchase power. The RPA will continue its traditional roles in representing ratepayers when water and wastewater companies seek changes in rates and services which have markedly increased in response to heightened federal clean water standards.

CASINO CONTROL COMMISSION

The Casino Control Commission is an in, but not of, agency within the Department of the Treasury. The fiscal 2000 Budget is recommended at \$22.9 million which is an increase of \$405,000. This is the first increase in the Commission's budget since fiscal 1997. The Budget is funded through fees and assessments on the casino industry in Atlantic City.

The Casino Control Commission's strict regulatory efforts have played a major role in legitimizing the casino industry in the United States. Through its stringent licensing standards and its continuous scrutiny over ongoing operations of the casinos, the Commission has instilled significant public confidence in the integrity of the industry. Further, the financial community has continued to express its confidence in the legitimacy of gaming in Atlantic City through its investment of more than \$6 billion in Atlantic City. This investment has created an

industry that generates hundreds of millions of dollars of tax revenue annually. More than 50,000 new jobs have been created in the casino industry, along with tens of thousands of jobs in ancillary industries.

For fiscal 2000, the Commission will face yet another challenge. New technology being introduced by the casino industry will change the face of gaming as it has traditionally been known. Gone will be the coins and currency that are now used, to be replaced in large part by systems that function as an electronic banking service. The Commission's challenge will be to evaluate the new gaming systems and develop appropriate internal controls and audit techniques.

In addition to its role as a watchdog of a casino industry which has invested large sums of money to revitalize Atlantic City, the Commission itself has become a partner in this effort. Contributions to the Atlantic City Fund, established in Chapter 18 of the Public Laws of 1995, are based on the difference between the Commission's and the Division of Gaming Enforcement's fiscal 1995 budget authorization and the actual expenses of these agencies in fiscal 1996 -1999. To date, the Atlantic City Fund has received \$23.8 million through the fiscal prudence of both the Commission and the Division on Gaming Enforcement. These funds are used for economic development projects of a revenue producing nature (other than casino hotels). Both a minor league baseball stadium and a marine science education center have been built using resources from the Fund.

COMMISSION ON SCIENCE AND TECHNOLOGY

The Commission on Science and Technology is an in, but not of, agency within the Department of the Treasury.

Since its inception, the Commission has played a key role in supporting the development, growth, retention and attraction of technology firms which will create higher paying jobs in the next century. The Commission provides support for research and development in critical science fields, including advanced materials, biotechnology, environmental technologies, and information technologies. The fiscal 2000 Budget for the Commission on Science and Technology is recommended at \$19.5 million, the same level as in the fiscal 1999 Budget.

Because vigorous, merit-based competition aids in the creation of economic development strategies, approximately two-thirds of the Commission on Science and Technology's budget will go toward supporting its Research and Development Programs. The Research and Development Excellence Program provides funding for up to five years for outstanding research programs at New Jersey academic institutions. This program, which was initiated in 1997, has funded 17 new research programs in its first three years in critical areas relevant to the health care, telecommunications, environmental, and industrial manufacturing sectors.

Another Commission initiative, also established in 1997, is the Technology Transfer Program. It is designed to accelerate the shift of research findings into the marketplace, and thus spur economic development. Under this program, commercial users of technology are invited to submit proposals, typically in concert with academic partners, for funds to develop and transfer technologies which address specific company needs.

An example of this Technology Transfer program, motivated by the precipitous decline in New Jersey's oyster industry, pairs academia and industry in the establishment of a "rack and bag" oyster farm at several sites in Cape May County. This innovative harvesting method is made possible by the use of High Survival Resistant Line (HSRL) oyster seed produced by Rutgers University, and represents the first commercial use of this disease-resistant seed stock in the country. In just over one year, Atlantic Capes Fisheries, a business establishment in Cape May, has grown from a demonstration-size facility to a commercial-size facility. Based on the observed results from 1996 and 1997, the farm could reach a production of 2.5 million oysters by the year 2002. Its continued growth and ability to produce high-quality oysters with a premium market value will offer an opportunity to revitalize and enhance the state's oyster industry, and help restore New Jersey's reputation for Cape May Salt Oysters.

ADMINISTRATIVE LAW AND CRIMINAL LAW

The Office of Administrative Law (OAL), which is in, but not of, the Department of the Treasury, adjudicates contested matters in the Executive Branch and promulgates rules and regulations governing administrative practices and procedures.

State funding for OAL in fiscal 2000 totals \$3,295,000, an increase of \$192,000 above the fiscal 1999 amount. In fiscal 2000, the OAL will undergo a fundamental change to make the agency a more efficient operation by changing the current Administrative Law Judge (ALJ) system into a tiered system. Currently, OAL's thirty-eight ALJs devote their time to hearing approximately 11,600 cases annually. Approximately two thirds of the cases are categorized as complex. A tiered ALJ system will allow less experienced ALJs to hear the more routine cases, while more experienced ALJs focus on the complex cases that consume a significant amount of hearing time. The \$192,000 in new funding provided in the fiscal 2000 Budget will permit OAL to hire four new ALJs to expedite routine cases. These judges will be paid \$48,000 annually, or 53% of the current average salary of \$90,000 for existing ALJs, yielding a total cost avoidance of \$168,000. By targeting resources more efficiently, this initiative will accelerate OAL's processing time and reduce its backlog of cases.

A total of \$229,000 is continued as part of a fiscal 1998 supplemental appropriation provided to OAL for the creation of an Education unit to help process cases that arise under the Teacher Tenure Employees Hearing Law. The funding provides for two ALJs and one secretary.

The Office of the Public Defender is in, but not of, the Department of the Treasury. The agency provides representation to citizens of New Jersey in their dealings with government agencies and the private sector. Constitutionally guaranteed legal representation is provided to indigent defendants in criminal matters.

The Law Guardian Unit, which is statutorily responsible for representing the interests of all children involved in child abuse and neglect cases, has been expanded in an effort to respond to the anticipated increase in foster care cases associated with implementation of the Adoption and Safe Families Act. Funding for this initiative is being provided by the Division of Youth and Family Services during fiscal years 1999 and 2000.

The Office of the Public Defender's fiscal 2000 recommendation of \$66 million represents a continuation budget.

Global Maintenance Program (GMP) Saves Millions

- Since fiscal 1994, the GMP in the Department of the Treasury has saved the State more than \$36 million.
- This statewide program, with the participation of all State agencies, has produced consistent, tangible savings in the areas of computer and copier maintenance and software support.
- Taking advantage of the State's leveraging and buying power, the global program has consolidated State agency payments into 14 large annual service contracts, thereby passing on millions of dollars in savings to participating State agencies.

Commerce & Economic Growth

COMMERCE & ECONOMIC GROWTH COMM FISCAL 2000 RECOMMENDED BUDGET (In Thousands)

General Fund	
Direct State Services	\$ 15,038
Grants-In-Aid	<u>550</u>
Total General Fund	<u>\$ 15,588</u>
Grand Total State Recommendation	<u>\$ 15,588</u>

A total State appropriation of \$15.6 million is recommended for The New Jersey Commerce and Economic Growth Commission in fiscal 2000, representing increase of \$775,000 or 5% above the \$14.8 million provided in the current year. Most significantly, this increase will support an expanded Economic Development Television Campaign, which will highlight the improved business climate, incentives, and benefits of relocating businesses to New Jersey.

NEW JERSEY COMMERCE COMMISSION

The fiscal 2000 Budget supports the transformation of the Department of Commerce into the New Jersey Commerce and Economic Growth Commission, which was established by law in September 1998. The Commission was patterned after similar models in other states that have improved their business recruitment and retention capabilities by streamlining bureaucracy and providing greater operational flexibility. In simple terms, the Commission is empowered to act more like the businesses it serves.

The Commission is focusing on several *key strategies* critical to any successful business:

- *Treating employers as customers* - account managers pro-actively reach out to serve the individual needs of the State's businesses;
- *Market - driven flexibility* - quickly hiring the right people for the job enables the Commission to capitalize on emerging opportunities for economic growth;
- *Coordinated services* - by overseeing all of the State's economic development agencies, including the Economic Development Authority, the Urban Enterprise Zone Authority, Commission on Science and Technology and the

Motion Picture Commission, the new Commission implements a common economic strategy and improves business recruitment efforts; and

- *Sustaining Critical Business Sectors* - the Commission continues to promote key segments of the State's economy, including Travel and Tourism, Small and Sustainable Businesses, and International Trade.

The Commission's major functions include:

- Business Attraction
- Business Retention and Expansion
- Business Advocacy
- International Trade
- Accounts Management
- Maritime Resources
- Sustainable Businesses
- Urban Programs
- Development of small businesses, women- and minority-owned enterprises
- Travel and Tourism

ECONOMIC PERFORMANCE

New Jersey's economic expansion is now over six years old and each month's growth sets a new all-time record for total employment in our State. Growth in personal income continues to support retail sales increases and demand for new and existing homes.

New Jersey has been the catalyst for growth in the Mid-Atlantic region, enjoying an exceptional economic performance influenced by job growth, rising incomes and low inflation -- despite a tumultuous world economy. From December 1997, to December 1998, approximately 65,900 new jobs were created throughout the State as New Jersey experienced the strongest recovery among the states in our region, recouping nearly 150% of the jobs lost in the last recession. In contrast, New York and Connecticut recovered only 80%. In fact, if our State were a nation, we would have the 18th largest world economy.

Thanks to pro-growth policies, 105 companies announced their intentions to relocate in New Jersey during 1997, the highest total in five years. These relocations generated an estimated 15,000 new jobs. For the eighth consecutive year, manufacturing led all industry sectors for corporate relocations in

1997, creating more than 7,000 new jobs. The financial sector followed with 2,327 jobs and high technology relocations produced 2,290 jobs.

FISCAL 2000 BUDGET

The Commission's fiscal 2000 recommendation includes an increase of \$1 million for an expanded Economic Development Television Campaign. These funds will be used to leverage private funds through the Prosperity New Jersey program on a dollar -for- dollar basis. The purpose of this campaign is to expand the existing image marketing effort on network and cable television, as well as the print media. Entitled "Exits to Opportunity," this campaign is designed to accentuate New Jersey's attributes and business- friendly climate and position New Jersey as a business and industry leader. By highlighting the benefits of locating a business in New Jersey, the campaign will help counter aggressive recruitment efforts in other states.

The fiscal 2000 Budget includes two other, smaller appropriation increases. A total of \$75,000 has been added for a new Geographical Information System (GIS) workstation for Commerce's Business Resource Center (BRC). The BRC, based at the New Jersey Institute of Technology in Newark, provides a user-friendly, one-stop center of critical economic development information (i.e., labor, transportation, taxes) about specific areas of New Jersey. The ability to access this data quickly, and in a comprehensive way, is a key business recruitment tool, and adding a GIS station will enable users to geographically pinpoint areas of interest.

Another \$25,000 will be used to support the Commission's Call Management Center for business information. The expanded "Exits to Opportunity" business attraction campaign is expected to generate a significant increase in inquiries, and the \$25,000 will cover associated mailing and telephone costs.

BUSINESS ATTRACTION, RETENTION AND EXPANSION

The Governor has introduced major programs to encourage firms to invest in the state, particularly in our urban centers, including:

- Business Employment Incentive Program;
- Landfill and Brownfield Clean-Up Financing;
- Expansion of the State's Urban Enterprise Zone Program; and
- Authorization for the Department of Environmental Protection to issue "letters of no further action" to allow redevelopment of contaminated sites that do not pose a threat to adjoining properties.

The Business Employment Incentive Program continues to create jobs for more than 30,000 New Jerseyans by providing direct grants to more than 140 firms expanding or relocating in the state.

To coordinate state assistance and technical services, New Jersey has added account experts in several industries: Business Services, Finance, Insurance and Real Estate, Food Processing, Pharmaceuticals/Biotechnology, Petrochemicals and Telecommunications.

Commerce staff have interceded and facilitated resolution of regulatory difficulties for businesses located in New Jersey as well as those intending to locate in the state, including:

- Givauden-Roure, a division of Hoffman-LaRoche, which moved its consolidated operations into facilities at the International Trade Center in Mount Olive;
- Comcast Spectacor, a new training facility of the Philadelphia Flyers and Philadelphia Phantoms located in Gibbsboro; and
- Metal Finishing Inc., which became operational due in part to assistance received in obtaining an air permit.

The Administration has simplified doing business in New Jersey, creating a climate where New Jersey businesses and its taxpayers can grow and prosper.

Commerce & Economic Growth

INTERNATIONAL EFFORTS

New Jersey is the fifth leading state in foreign direct investment, and the ninth leading state in exports, with more than \$22 billion worth of New Jersey goods exported overseas. Our international efforts are flourishing as evidenced by the September trade mission led by the Governor to the Republic of Mexico, the Garden State's fifth largest trading partner. This mission produced significant business transactions as a result of meetings between the New Jersey trade delegation and Mexican business and government leaders. A New Jersey Commerce & Economic Growth Commission survey of private sector participants found that the Garden State has identified nearly \$300 million in solid prospects from its trade mission south of the border. Future missions will focus on South America, including Argentina and Brazil.

TOURISM INDUSTRY

The tourism industry is an economic powerhouse for the New Jersey economy. As the State's second largest industrial sector, tourism generated \$25.5 billion last year alone. Recognizing this, State appropriations for Tourism Promotion were increased in fiscal 1999 by one-third (\$1.7 million) from the fiscal 1998 level of funding. The additional \$1.7 million that Tourism received this fiscal year was utilized to:

- Produce the "Fall for New Jersey" campaign on television, which aired from Maine to Maryland to Ohio;
- Promote a winter ski campaign in the New York metropolitan market; and
- Increase the number of tourism and economic development brochures available to the public.

Continuation funding for fiscal 2000 will ensure that tourism continues to prosper. The Governor and the New Jersey Commerce & Economic Growth Commission remain committed to aggressively promote tourism growth in the Garden State. Just recently, the "Fall for New Jersey" campaign built on the momentum of the strong summer season by nationally promoting our "second summer" off-peak season.

Tourism is an integral part of the State's economy. It is vital that these promotions continue on a year-round basis, emphasizing off-season as well as peak travel time. More visitors spending money year-round in New Jersey means more economic growth and job creation. Enhancing New Jersey's image as an ideal vacation destination also supports and enhances our overall appeal to businesses and residents.

HIGHER EDUCATION
FISCAL 2000 RECOMMENDED BUDGET
(In Thousands)

General Fund

Senior Public Institutions	\$ 1,134,980
County Colleges	174,324
Independent Colleges & Universities	22,245
Student Assistance Programs	201,307
Other Programs	<u>70,357</u>

Total General Fund **\$ 1,603,213**

Grand Total State Recommendation **\$ 1,603,213**

OVERVIEW

The New Jersey system of higher education is guided by a tripartite governance structure. The governing boards of the public higher education institutions are accountable to the public for the fulfillment of each institution's mission, the furtherance of statewide goals, and the effective management of the institutions. The New Jersey Commission on Higher Education has statewide responsibility for planning, coordination, and advocacy of higher education to the public, the Legislature, and the Administration. The President's Council is responsible for program review and the nurturing of collegiality and cooperation among its members to achieve statewide goals, while providing information and research about higher education and advising the Commission, the Legislature, and the Administration.

SENIOR PUBLIC COLLEGES AND UNIVERSITIES

New Jersey's 12 four-year public colleges and universities enroll nearly 40% of the total higher education student population. Approximately 80% of resident new freshmen choose to enroll in a public two- or four-year institution. For fiscal 2000, senior public institutions will confer more than 24,000 undergraduate and graduate degrees, including 1,200 degrees in the medical professions. While traditionally the public colleges have been major centers for undergraduate education and advanced professional training, many of these colleges have recently attained university status in recognition of their expanded academic offerings at the graduate level. The public institutions now account for 75% of the graduate enrollment in the state. Further, these institutions serve as an

economic engine for the state's future prosperity through applied research, data dissemination/distribution centers, small business development centers, technology centers, and industrial extension centers.

The fiscal 2000 Budget for the senior public institutions is recommended at \$805.1 million in direct aid. This figure is \$26.5 million, or 3.4%, more than the budget of the previous fiscal year and represents the Administration's continuing commitment to provide modest annual funding increases to these higher education institutions. Included in this increase is a 2.5% across the board increase for each of the twelve institutions and a 1% reserve for performance funding. Both of these funding components are part of the four-year vision developed by the Administration last year that provides for predictable funding and performance-based incentive funding. These modest annual increases in public funding, coupled with each institution's commitment to efficient operations, should provide enough funds to provide quality educational environments for New Jersey residents. Further, given the low inflationary times of the present, these funding procedures should be sufficient to limit the size of tuition increases.

Performance funding, which will be implemented this year, allows for increased institutional accountability. During the past year, the colleges and universities have participated in a dialogue concerning desired measures and outcomes. This dialogue has produced four agreed upon measures:

- improving graduation rates while striving to minimize the average time to complete a degree;
- improving transfer and articulation rates between two and four-year institutions by encouraging senior public institutions to accept more community college transfer students;
- improving institutional efficiency and effectiveness by limiting the number of programs with extremely low enrollments through joint or collaborative efforts among institutions, and by assessing how well graduates are prepared academically; and
- developing more diversified revenues by rewarding institutions that keep tuition and fee increases at minimal levels while increasing funding from non-student based sources.

Higher Education

Institutions will be measured against their own performance, not against each other, so that each may potentially receive 100% of its performance funding allotment. Discussions over the past year have produced a set of benchmarks that, while being fair and not overly onerous, will, nonetheless, challenge and strengthen each institution. Furthermore, the measures and benchmarks have been crafted in such a way as to reflect the various missions of the institutions.

The Budget also continues funding for the fringe benefits of State funded positions at the colleges and universities. For fiscal 2000, this support is estimated to be nearly \$330 million, bringing the total State commitment to the senior public institutions to more than \$1.1 billion.

COMMUNITY COLLEGES

The community college system, comprising 19 institutions, is funded by the State, individual counties, and student tuition and fees. These institutions provide access to higher education for a broad range of New Jersey residents who might otherwise be denied the benefits of a college education. Community colleges are involved in training/retraining programs, customized training for businesses, and offer continuing education and professional development courses.

In fiscal 1999, the State implemented a four-year plan that will see the State's share of the cost of county colleges increase to one third. Fiscal 2000 marks the second successive year of the four year plan in which direct State operating aid will increase by \$12 million, for a four year total of \$48 million. The total increase for fiscal 2000, including fringe benefit and debt service funding, is \$14.5 million. Individual counties will also be expected to maintain their efforts to financially support these institutions as part of the overall goals of affordability and accessibility. Students at each of the county colleges have begun to reap the benefits of this plan. In fiscal 1999, the county colleges did not raise tuition and many have pledged to forego a tuition increase in 1999-2000. Others have agreed to moderate their tuition increases for the next academic year.

A portion of the increase in direct State operating aid will be earmarked for performance based funding. Target areas are similar to those of the senior public colleges and universities, but with different measures. The measures and benchmarks are the products of a series of discussions during the previous year with members of the county college

community. Increased support and accountability will help shape a dynamic county college sector that produces high quality graduates.

INDEPENDENT COLLEGES AND UNIVERSITIES

The fiscal 2000 Budget increases aid to independent colleges and universities by \$1 million, or 4.7%. There are 14 independent institutions in New Jersey receiving funding through the Independent College and University Assistance Act. These institutions will enroll more than 22,000 full-time equivalent New Jersey students in fiscal 2000. These institutions receive additional support through other State-funded programs, including facilities bond funds, programs for special student populations, and student grant, scholarship, and loan programs

PARTNERSHIPS FOR THE FUTURE

A new initiative for fiscal 2000 will be a \$550 million Capital Improvement Plan (CIP) for the State's senior colleges and universities. This plan, which will provide debt service support on a matching basis, is being introduced for funding assistance primarily for deferred capital maintenance needs. The CIP will help both senior public and independent colleges and universities address pressing capital renewal and renovation needs, as well as make health and safety improvements needed to maintain a safe educational or working environment. Once those needs are met, funds may also be used for the construction or improvement of education facilities, or for technology infrastructure. Although county colleges will not participate in the CIP program, these institutions are benefiting from increased capital funding provided through the County College Capital Projects Fund Act (Chapter 12), which last year increased the bond limit on which the State will pay debt service from \$80 million to \$140 million.

Senior public institutions seeking CIP support for a particular capital project will apply directly to the Commission on Higher Education. Once the Commission approves an application, it will be submitted to the Legislature, which will have 60 days to disapprove the Commission's recommendation. The funds will then be available to cover two-thirds of the debt service costs incurred by the college or university in the project. Private institutions seeking CIP support will undergo a similar process, with the exception that their debt service funds will be subject to a dollar-for-dollar match.

The CIP becomes yet another valuable resource available to the higher education institutions for infrastructure support. Funding support is continued in fiscal 2000 for other bond programs. State support of \$19.3 million pays three-quarters of the debt service on the \$100 million Equipment Leasing Fund. For the \$220 million Higher Education Facilities Trust Fund, the State pays the entire cost of the debt service. Colleges and universities are required to match funding provided (through institutional funds or corporate support) under the \$55 million Higher Education Technology Infrastructure Bond Fund. County colleges may utilize Chapter 12 bond funds for facilities construction and renovation. The State's share of Chapter 12 bond funds was nearly doubled to \$140 million in fiscal 1999.

Included in the fiscal 2000 budget is initial funding of \$500,000 for the New Jersey Virtual University (NJVU). The NJVU will provide "one-stop" access to internet information regarding distance learning opportunities at all New Jersey colleges and universities, both public and private. Distance learning is an exciting new technology that is still developing. This technology will enable our higher education institutions to open their doors to more students without having to expand their physical plants. Further, students will be able to take courses at other institutions without having to leave their campus. The establishment of the NJVU is a major step forward in the State's goal to be a leader in distance learning.

ACCESSIBILITY AND AFFORDABILITY

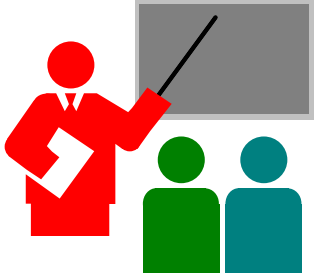
Funding is continued in fiscal 2000 for an array of programs designed to help students meet the costs of their education. New Jersey ranks near the top nationwide in several key areas: State-funded grant aid to full-time undergraduate students; percentage of full-time undergraduates receiving such aid; and total State grants for student aid as a percentage of total State operating support for higher education institutions.

Tuition Aid Grants (TAG) cover a major share of tuition costs for students at public colleges and universities and up to half of the average tuition costs at independent colleges and universities. These grants are a fundamental ingredient in maintaining access and affordability. More than 60,000 students participate in this program. This Budget provides for a \$7.8 million increase in TAG expenditures which would allow for increases in the size of the grants. Funding is also continued for part-time TAG for students participating in the Educational Opportunity Fund program.

Additional funding of \$3.2 million, for a total of \$9.2 million, will support the third year of the pilot program that not only recruits New Jersey's highest-achieving high school students to attend colleges and universities in the state, but seeks to recognize, value, and support their commitment to achievement. This funding will allow for another class of students to take advantage of the Outstanding Scholars Recruitment Program.

The New Jersey Better Educational Savings Trust (NJBEST) program continues to offer an attractive option for parents to save for their children's college education. Recent changes in the IRS tax code permitted states to develop college savings programs in which federal taxes are deferred on the interest earned until such time as the funds are used to pay for higher education. NJBEST provides three important additional State-based incentives, including interest earnings free from New Jersey's Gross Income Tax, \$25,000 in savings excluded from consideration of eligibility for State need based aid, and a \$500 scholarship to individuals who save through the program at a minimum amount for at least four years and then enroll in a New Jersey college or university. In the few months since the program's inception, New Jersey families have already saved over \$1.1 million for their children's future higher educational expenses.

MAKING THE BEST OF EDUCATION OPPORTUNITIES



New Jersey supports two unique programs which encourage all citizens to pursue higher education opportunities. The Better Educational Savings Trust (NJBEST) program provides opportunities which encourage citizens to save for future education expenses. NJCLASS (New Jersey College Loans to Assist State Students) provides financing for student loans at competitive interest rates. Highlights of these programs include:

- **NJBEST** allows State residents to defer federal tax on interest earned from money saved for college.
- **NJBEST** provides three additional State based incentives, including interest earnings free from New Jersey's Gross Income Tax; \$25,000 in savings excluded from consideration of eligibility for State need based aid; and a \$500 scholarship to individuals who save through the program for at least 4 years and attend college in New Jersey.
- **NJCLASS** provides financing for student loans at some of the lowest interest rates available in the nation.
- The current interest rate for NJCLASS loans is 6.9%, the lowest rate in the eight year history of the program and 1.35% below the federal PLUS loan program rate.
- Loans are available to both undergraduate and graduate students attending an eligible New Jersey institution and to any New Jersey student attending an eligible school anywhere in the United States.

JUDICIARY	
FISCAL 2000 RECOMMENDED BUDGET	
(In Thousands)	
General Fund	
Direct State Services	<u>\$ 391,653</u>
Total General Fund	<u>\$ 391,653</u>
Grand Total State Recommendation	<u>\$ 391,653</u>

OVERVIEW

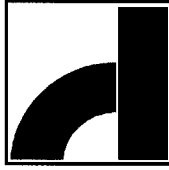
As the result of a constitutional amendment approved by New Jersey's voters on January 1, 1995, approximately 7,700 county judicial and probation services employees became State employees, and their salary, health benefits, and pension costs became part of the State Budget. The Judiciary's Budget increased from \$107.7 million in fiscal 1994, prior to court unification, to \$353.4 million in fiscal 1996, the first full year of State funding. Since then, the Judiciary has worked to achieve economies in its budget through consolidation of activities and streamlining court operations, such as centralizing some purchasing contracts and using video technology in courtrooms.

FISCAL 2000 BUDGET

The fiscal 2000 Budget recommendation for the Judiciary is \$391.7 million, which represents an increase for Court Reporting, Probation Services, Information Services and Trial Court Services. This, combined with federal funding and dedicated revenue, will support 420 judgeships and 8,823 operations and administrative personnel.

Continued in fiscal 2000 are ten judgeships and 30 support staff funded by \$3 million from the Legal Services Trust Fund, established pursuant to P.L. 1996, c. 52.

Fiscal 2000 provides an increase of \$4.5 million to support 75 incumbent Court Reporting staff currently not budgeted. This year an additional \$1 million is recommended for a Youth Violence Initiative program directed at reducing youth violence. An increase of \$2 million for Probation Services is also recommended. This includes \$1 million for 25 more probation officers and additional State matching funds of \$959,000 to keep pace with the increased cost of ongoing operations in the federal Child Support and Paternity Program. Also included is \$999,000 to meet the Judiciary's Line of Credit obligations in fiscal 2000.



GOVERNMENT FINANCE OFFICERS ASSOCIATION

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Budget Presentation
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For the Fiscal Year Beginning

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Executive Director

The Government Finance Officers Association of the United States and Canada (GFOA) presented an award of Distinguished Budget Presentation to the State of New Jersey for its annual budget for the fiscal year beginning July 1, 1998.

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 communication device.

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



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Appendix

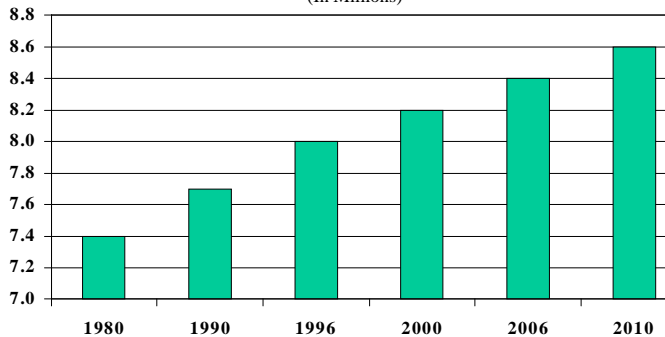
NEW JERSEY DEMOGRAPHICS

Population

The total population of New Jersey is projected to grow from 8,007,905 in 1996 (revised estimates) to 8,191,300 in the year 2000; to 8,436,600 in the year 2006, and to 8,601,500 by the year 2010. It is also projected that the state's population will continue to grow into the 21st century at a slower rate than that of the nation.

In concert with the aging of the nation's population, the state's median age is projected to increase from 36.0 years in 1996, to 36.9 years in 2000, and to 38.0 years in 2005 and 2010. A graphic displaying the changes in population by age group over the periods 1996-2000 and 1996-2010 is presented on the next page.

NJ Population
(In Millions)



Source: N.J. Department of Labor

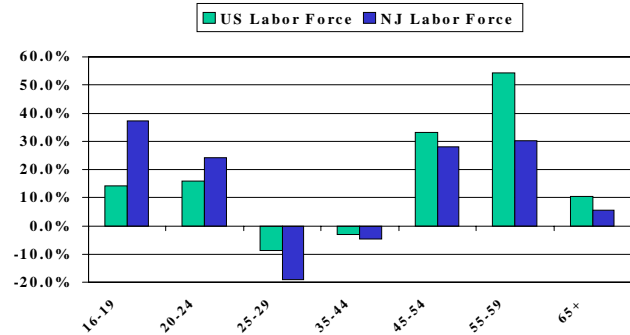
Labor Force

New Jersey's civilian labor force is projected to grow at a faster rate than its population; specifically, the population is projected to grow by 5.6%, while the labor force is projected to grow by 7.3% over the 1996 – 2006 period.

The civilian labor force is projected to grow from 4,162,600 in 1996, to 4,284,00 in 2000, to 4,467,700 in 2006, and to 4,634,600 in 2010.

Similar to the nation, New Jersey will experience an "aging" of its workforce. While the direction of labor force growth in NJ is projected to mirror US projections as a whole, the degree of growth among age groups varies widely.

**Labor Force Growth Rates, 1996-2006
by Age Group**



Sources: N.J. Department of Labor and U.S. Department of Labor, Bureau of Labor Statistics.

New Jersey is projected to see a larger growth rate in younger workers, and a smaller growth rate in mature workers than the US overall.

New Jersey's non-farm employment growth is projected to occur almost exclusively in the service industries, such as transportation, communications, utilities, wholesale and retail trade, financial services, insurance, real estate and public education. Service industries are projected to add nearly 444,100 jobs over the period from 1996 - 2006, an increase of 14.7%.

Conversely, goods producing industries are expected to decline by 6.1%, a loss of nearly 37,100 jobs, as gains in construction related jobs fail to offset job losses in the manufacturing sector.

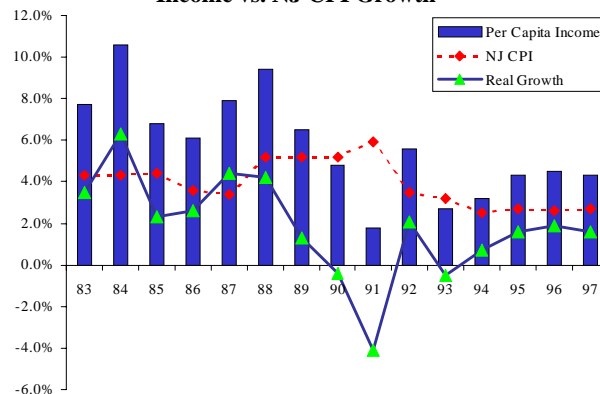
Occupational employment growth is projected to be dominated by professional, paraprofessional, technical, and service occupations.

Population and Personal Income Changes

New Jersey per capita income has experienced real growth, i.e., annual growth in excess of consumer price index (CPI) growth, since 1994.

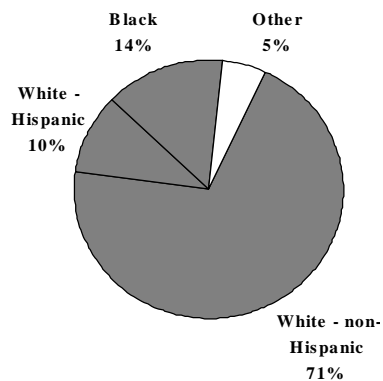
All Personal Income data is based on a calendar year (January–December), while the NJ Consumer Price Index is computed on a State fiscal year basis (July–June).

Comparison of Annual Growth in NJ Per Capita Income vs. NJ CPI Growth

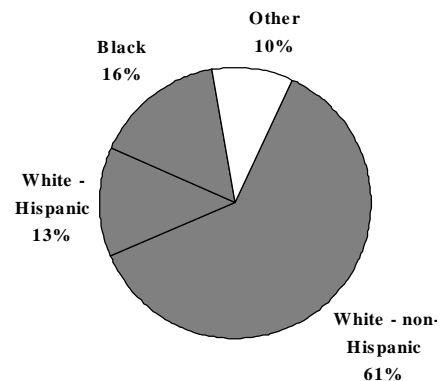


Sources: N.J. Department of Commerce, Bureau of Economic Analysis and N.J. Department of the Treasury, Office of Management and Budget.

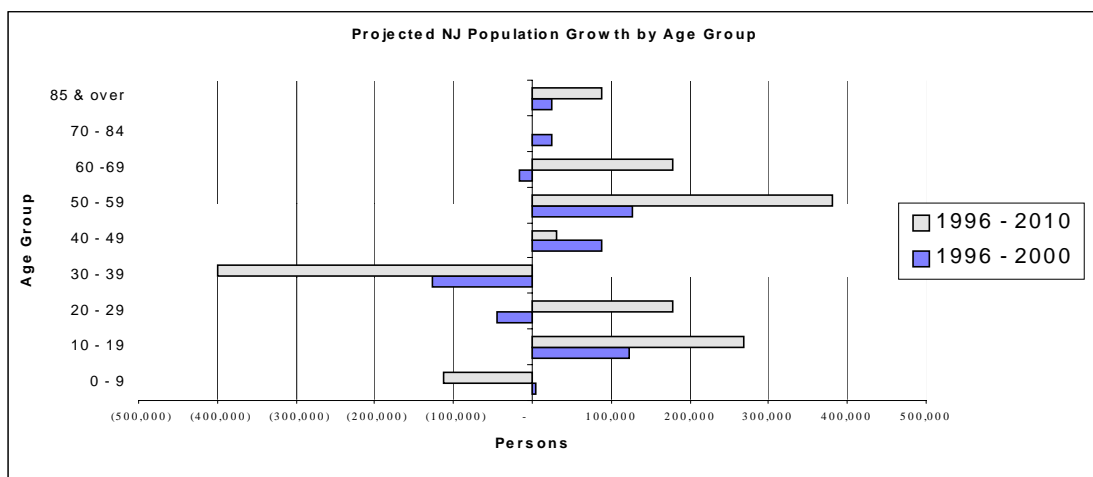
New Jersey Population Composition - 1996 (Estimated)



New Jersey Population Composition - 2010 (Projected)



“Other” includes Asian, Pacific Islander, American Indian and Alaska Native.
Source: New Jersey Department of Labor.



Source: New Jersey Department of Labor.

**1997 PER CAPITA PERSONAL INCOME FOR
THE UNITED STATES, NEW JERSEY AND MIDDLE ATLANTIC STATES
(Calendar Year)**

	<u>Amount</u>	<u>1997 Percent of National Average</u>	<u>National Ranking</u>
United States	\$25,298	---	---
District of Columbia	35,290	139	---
New Jersey	32,233	127	2
New York	30,299	120	4
Maryland	28,671	113	5
Delaware	28,443	112	6
Pennsylvania	25,678	102	17

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

**TOTAL PERSONAL INCOME
NEW JERSEY, SELECTED NEIGHBORING STATES AND THE UNITED STATES
1982-1997
(Dollars in Millions)**

<u>Calendar Years</u>	<u>Total Personal Income</u>			
	<u>New Jersey</u>	<u>New York</u>	<u>Pennsylvania</u>	<u>United States</u>
1982	\$104,026	\$232,027	\$138,167	\$2,714,034
1983	112,615	248,289	144,409	2,888,851
1984	125,357	277,105	155,960	3,200,479
1985	134,719	295,573	166,011	3,428,478
1986	144,056	315,807	174,917	3,627,522
1987	156,412	337,194	186,194	3,863,177
1988	171,997	366,602	200,511	4,165,890
1989	183,505	392,398	216,716	4,480,624
1990	193,035	415,971	230,427	4,778,306
1991	197,153	425,460	238,557	4,947,591
1992	209,344	448,371	251,004	5,239,364
1993	216,183	460,249	260,109	5,469,485
1994	224,290	476,331	269,002	5,741,050
1995	235,337	500,433	280,305	6,060,138
1996	247,267	526,883	295,349	6,408,990
1997	259,567	549,531	308,640	6,770,709

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

**PER CAPITA PERSONAL INCOME
NEW JERSEY, SELECTED NEIGHBORING STATES AND THE UNITED STATES
1982-1997
(Calendar Year)**

<u>Calendar Years</u>	<u>Per Capita Personal Income</u>			
	<u>New Jersey</u>	<u>New York</u>	<u>Pennsylvania</u>	<u>United States</u>
1982	\$13,999	\$13,191	\$11,664	\$11,715
1983	15,080	14,038	12,199	12,356
1984	16,680	15,615	13,200	13,571
1985	17,807	16,613	14,104	14,410
1986	18,900	17,709	14,845	15,106
1987	20,391	18,871	15,765	15,945
1988	22,302	20,433	16,927	17,038
1989	23,751	21,820	18,264	18,153
1990	24,885	23,107	19,371	19,156
1991	25,334	23,600	19,977	19,624
1992	26,758	24,799	20,951	20,546
1993	27,474	25,373	21,635	21,220
1994	28,351	26,239	22,336	22,056
1995	29,581	27,578	23,270	23,063
1996	30,901	29,055	24,530	24,169
1997	32,233	30,299	25,678	25,298

**Per Capita Personal Income
As a Percentage of United States**

<u>Calendar Years</u>	<u>New Jersey</u>	<u>New York</u>	<u>Pennsylvania</u>
1982	119	113	100
1983	122	114	99
1984	123	115	97
1985	124	115	98
1986	125	117	98
1987	128	118	99
1988	131	120	99
1989	131	120	101
1990	130	121	101
1991	129	120	102
1992	130	121	102
1993	129	120	102
1994	129	119	101
1995	128	120	101
1996	128	120	101
1997	127	120	102

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

Appendix

IMPACT OF STATE APPROPRIATION LIMITATIONS LAW ON APPROPRIATIONS FOR FISCAL 2000

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

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

Under the formula in the law, the maximum appropriation for fiscal 2000 is computed by multiplying the base year appropriation (fiscal 1999) subject to the percentage limitation by the average three year growth rate in per capita personal income calculated on a fiscal year basis. This percentage is **4.16** for calculating the fiscal 2000 CAP.

The calculation results in a maximum increase of **\$192** million over the fiscal 1999 Adjusted Appropriation, or a maximum appropriation of **\$4,803** million for Direct State Services for fiscal 2000. The Governor's recommendation for fiscal 2000 is **\$4,802** million or **\$303 thousand** under the CAP limit.

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

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

(\$ in Millions)

Fiscal 1995	230,940
Fiscal 1996	240,855
Fiscal 1997	253,531
Fiscal 1998....	266,001

According to the US Census Bureau, the population for the State for the last seven fiscal years^(b) is:

Fiscal 1995	7,962,255
Fiscal 1996	8,007,905
Fiscal 1997	8,058,384
Fiscal 1998	8,115,011

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

	Average Per Capita Personal Income	Percentage Change
Fiscal 1995	29,004	
Fiscal 1996	30,077	3.70%
Fiscal 1997	31,462	4.60%
Fiscal 1998	32,779	4.19%

**Computation of 2000 Appropriation Subject to Expenditure Limitation Law Percentage
(\$ in Thousands)**

Appropriation and Adjustments for Fiscal Year 1999	\$18,363,492
Less Statutory Exemptions:	
Grants-in-Aid	(\$4,726,108)
State Aid	(\$1,344,395)
Capital Construction	(\$667,151)
Debt Service	(\$501,142)
Property Tax Relief Fund	(\$6,130,897)
Casino Control Fund	(\$54,761)
Casino Revenue Fund	(\$328,148)
Gubernatorial Elections Fund	\$0
Amount subject to limitation	\$4,610,890
Fiscal Year 1999 base subject to percentage limitation	\$4,610,890
Per capita personal income rate	4.16%
Maximum increase in appropriation for Fiscal Year 2000	\$191,813
Maximum appropriation for Fiscal Year 2000	\$4,802,703
Fiscal Year 2000 recommendation	\$4,802,400
Amount Over/(Under) the CAP limitation	(\$303)

Note:

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

FY98 = $\Sigma(3Qcy97+4Qcy97+1Qcy98+2Qcy98)/4$. Therefore FY98 = $\Sigma(260,425+264,072+269,107+270,398)/4$.
 FY98 = \$266,001. Personal Income statistics were revised and re-released; July, 1998.

(b) The population figures are from the US Bureau of the Census; figures were revised in December 1998.

(c) The average per capita personal income is found by taking the total personal income and dividing by the state's estimated population.

Appendix

RAINY DAY FUND

The Surplus Revenue Fund Act (P.L. 1990, c. 44) requires the Governor to include in the annual Budget to the Legislature an estimate of the credit to be made to the Surplus Revenue Fund (Rainy Day Fund) The Rainy Day Fund receives 50% of the amount by which the General Fund revenues in a given fiscal year exceed the amount of revenue certified by the Governor in the annual Appropriations Act for the same fiscal year.

The objective of this fund is to increase the stability of the State's revenues and expenditures. Primary benefits of this fund are: creating a cushion to cover unexpected cash flow problems, providing a reserve against unforeseen events such as natural disasters that may require an immediate response, and providing contingency assistance by setting aside surplus revenues during times of prosperity and using them during an economic slowdown. Appropriations may be made from the Rainy Day Fund under the following circumstances:

- The Governor finds that actual revenues are below the level certified in the Appropriations Act;

- The Legislature determines that appropriating from the fund is preferable to raising taxes;
- The Governor declares an emergency and the Joint Budget Oversight Committee agrees.

If the fund grows larger than 5% of the General Fund and Property Tax Relief Fund, the excess may be appropriated for the retirement of bonds, for capital projects, and to offset property taxes.

The certified General Fund revenue anticipation in the fiscal 1999 Appropriation Act was \$11,368 million. The revised estimate for fiscal 1999 is **\$11,512** million, a **\$145** million increase. Hence, this Budget includes a new appropriation to the Rainy Day Fund of **\$72** million. In addition, the final amount in the Rainy Day Fund for fiscal 1999 was \$33 million greater than the \$501 million projected due to higher revenue collections than anticipated in fiscal 1998. Finally, \$28 million of investment earnings accrued to the Fund, bringing the total balance of the fund to **\$634** million.

The Rainy Day Fund

(In Millions)

